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Financial Statement 2012



A comment from Thomas

Kungsliden is completing the sale of the remaining shares of Hemsö in February, which marks a turning-point for the company strategically and financially. Both our wholly owned properties and modular lettings produced higher gross profits, and Kungsliden's lettings market demonstrated its resilience in weaker economic conditions.

We reinforced our property management operation further in 2012, and completed a number of transactions, with good results, late in the year, which enhance Kungsliden's property portfolio. By selling our holding in Hemsö in the fourth quarter, Kungsliden attained greater financial flexibility and the security to cope with a potential worst case for the tax proceedings we are involved in. After tax risks and the effects of high fixed borrowing rates in recent years compelled us to adopt a more defensive attitude, we were able to leave 2012 well positioned to execute the strategic realignment the Board of Directors and management had been working on in the year—a realignment focused on long-term value creation through managing and enhancing wholly owned properties.

Against this background, and after nearly seven years leading Kungsliden, this is an appropriate time for me to hand over to someone new. Accordingly, I will be leaving Kungsliden in tandem with the AGM on 18 April.

RESULTS FOR THE QUARTER

Over the past five quarters, Kungsliden has been a net seller of properties, which for the fourth quarter 2012, is evident in sales decreasing by 10 per cent year on year. Gross profit was down 8 per cent. However, the operating surplus margin improved by 1 percentage point to nearly 70 per cent. Profit after tax increased by SEK 533 m as a consequence of us selling our holdings in Hemsö. Undoubtedly, the Hemsö sale was the highlight of the quarter. The transaction is significant in two senses. Firstly, it finally realises the substantial values we have created for Kungsliden's shareholders over the past 11 years by building and developing a portfolio of social services properties. Secondly, we could free up funds tied up in Hemsö, increasing our financial readiness, and enabling us to invest in wholly owned properties in accordance with our new strategy. In the short term, the sale means Kungsliden losing earnings from Hemsö, but over time, the reinvestment of freed up funds will generate increased profits. In tandem with this transaction, Kungsliden purchased 11 properties from Hemsö for SEK 1.5 billion, which even in the short term, will start to make up for the lost earnings.

A SUMMARY OF 2012

Kungsliden continued to build values in property management in the year by attracting good tenants, as well as endeav-

ouring to secure long lease contracts and high occupancy levels. Even if economic progress in Europe and Sweden featured uncertainty, Kungsliden's lettings market proved resilient. Net lettings for the year were positive, at SEK 15 m, and new lettings increased to SEK 80 m.

Profits from property management, which indicate the company's gross profit less net financial items and sales and administration costs, increased by 2 per cent to SEK 485 m. This is a lower rate of increase than previously in the year, as the effect of the large-scale property purchase in the second quarter 2011 is now starting to taper off in the comparative figures.

Further down in the Income Statement, there were effects that partly cancelled each other out in the year. The unrealised value increases on properties were lower this year, while on the other hand, the negative unrealised value changes on financial instruments were significantly lower than the previous year. Overall, profit before tax increased sharply for the full year, amounting to SEK 1,165 (693) but decreased after tax to SEK 352 (638) m, after having been charged with SEK 985 m of tax provisions in the first half-year.

Our portfolio optimisation process continued in 2012. The Swedish transaction market concluded the year on a brisk fourth quarter, largely due to large transactions in city centre locations, and our own sale of the remaining holdings in Hemsö. For Kungsliden's part, the transaction market brightened through the autumn, when access to funding eased, and lending terms improved somewhat. In total for the year, 59 properties were sold with a value of just over SEK 1,600 m. Two of the larger property sales were 39 properties for SEK 912 m in the third quarter, and a package of nine properties for SEK 380 m in the fourth quarter.

OUTLOOK GOING FORWARD

Through the autumn and winter, the Board and management worked on preparing a new strategy for the company. I think the result is really positive, and in the spring, work will move to an implementation phase.

Executing this change and ensuring the company gets the full pay-off from the transition is a fairly long-term commitment, and accordingly, a task for the new Chief Executive. My time at Kungsliden has been exciting and interesting. I was appointed at the end of a strong economic upturn, when there were a lot of transactions. I'm leaving after a period when we've



focused sharply on property management and enhancing our properties. I think these initiatives have been successful, and we have reason to be proud of them. We've also had to manage a number of tax proceedings from previous transactions and high fixed interest costs. Our share price has been negatively affected by the tax risks, but underlying property values in Kungsliden have grown, and SEK 5.5 billion has been transferred to shareholders through dividends and redemptions.

From 2013 onwards, the Board of Directors intends to adopt a new dividend policy to better reflect Kungsliden's long-term value creation. In a few years' time, when Kungsliden's definitive tax position is clear, the target is for dividends to amount to 50 per cent of profit from property management. However, in the coming years, dividends will be lower and adapted to the need for liquidity contingency and investments in properties for future earnings. Thanks to Kungsliden's increased financial strength after the sale of Hemsö, the Board of Directors is proposing a dividend of SEK 1 per share for 2012, instead of the previous intention to cancel the dividend.

Thomas Erséus
Chief Executive

Results in brief

FULL YEAR 2012

- Net sales increased by 3 per cent to SEK 2,110 (2,047) m and gross profit increased by 4 per cent to SEK 1,328 (1,277) m with a larger property portfolio.
- Profit before tax was SEK 1,165 (693) m and profit after tax was SEK 352 (638) m, or SEK 2.60 (4.70) per share. The decrease in profit after tax is mainly due to provisions for tax risks, while profit before tax increased due to the sale of the Hemsö Fastighets AB shares.
- Cash flow from operating activities was SEK 163 (585) m.
- Profit for calculating dividends for the full year 2012 was SEK 1,917 (703) m, corresponding to SEK 14.00 (5.20) per share.
- As of 31 December 2012, the property portfolio consisted of 278 (324) properties with a book value of SEK 15,777 (15,693) m.

- The Board of Directors is proposing a dividend of SEK 1.00 (2.60) per share. This marks a change from the previous stated intention, of not proposing a dividend. Even if uncertainty regarding tax proceedings persists, the Board of Directors considers that financial strength has increased significantly after the sale of Hemsö.

FOURTH QUARTER (OCTOBER – DECEMBER)

- Net sales decreased by 10 per cent to SEK 494 (550) m and gross profit decreased by 8 per cent to SEK 309 (336) m as a result of a smaller property portfolio. The operating surplus margin increased by just over 1 per cent to 69.7 (68.4) per cent.
- Profit before tax amounted to SEK 677 (348) m and profit after tax was SEK 923 (303) m, or SEK 6.80 (2.20) per share. The profit increase was attributable to the sale of Hemsö.
- Cash flow from operating activities was SEK 66 (136) m.

Significant events

FULL YEAR 2012

- 59 (18) properties were sold for SEK 1,666 (1,199) m with a profit of SEK 16 (56) m. Sales affected profit for calculating dividends by SEK 125 (114) m. 11 (44) properties were purchased for SEK 1,549 (4,200) m after deducting for deferred tax.
- Tax rulings affecting Kungsliden and external companies increased the risk of negative outcomes for Kungsliden in a number of ongoing tax proceedings. Accordingly, SEK 340 m of provisioning was charged to profit for calculating dividends, and a tax cost of SEK 985 m was charged to the Income Statement.
- A major portion of the loan portfolio was refinanced in the year. Current credits and credit facilities have an average maturity of 2.2 years.

- 15 (14) properties were sold for SEK 552 (1,019) m with zero profit, against a gain of SEK 22 m in the previous year. The biggest sales transaction was of 9 properties in Stockholm and Malmö to Castellum for SEK 380 m. 11 (3) properties were purchased for SEK 1,549 (11) m.

AFTER THE END OF THE PERIOD

- On 15 February 2013, Kungsliden will transfer possession of Hemsö shares to AP3 as planned, and will also receive repayment of its shareholder loan. Simultaneously, Kungsliden will take possession of 11 properties purchased from Hemsö for SEK 1,549 m. These properties will be financed through raising borrowings of SEK 1,017 m and SEK 532 m from cash reserves.
- The Board intends to transfer to a new dividend policy from 2013 onwards, which should better reflect Kungsliden's long-term value creation. Profit for calculating dividends will no longer be a target.
- Thomas Erséus has resigned as Chief Executive of Kungsliden and will be leaving the company in tandem with the AGM on 18 April.

FOURTH QUARTER (OCTOBER – DECEMBER)

- Kungsliden reached an agreement to sell the remaining 50 per cent of the shares of Hemsö to AP3 (the Third Swedish National Pension Fund) including repayment of a shareholder loan for a total purchase price of SEK 3,320 m. This transaction created a capital gain of SEK 631 m and affected profit for calculating dividends by SEK 1,507 m. Kungsliden simultaneously purchased 11 properties from Hemsö for SEK 1,549 m, at a property yield of 7.0 per cent.

PROFIT FOR CALCULATING DIVIDENDS

SEK m	Quarter		Full year	
	2012 Oct–Dec	2011 Oct–Dec	2012 Jan–Dec	2011 Jan–Dec
Gross profit	309	336	1,328	1,277
Sales and administration costs	-72	-60	-257	-244
Net financial position	-137	-132	-586	-559
Profit from property management	100	144	485	474
Realised items				
Trading net on sale	-1	22	16	56
Realised value changes, properties	97	54	129	65
Deduction for deferred tax on sale	-17	-7	-20	-7
Sale of Hemsö	1,507	-	1,507	-
Realised value changes, financial instruments	-	-35	-81	-66
Realised items	1,586	34	1,551	48
Profit for calculating dividends from Hemsö ¹	43	64	223	207
Tax payable	3	-1	-342	-26
Profit for calculating dividends	1,732	241	1,917	703

1. In addition to profit for calculating dividends from Hemsö, Kungsliden received SEK 105 (105) m of interest on its shareholders' loan in the period.

1 January – 31 December 2012

Profit after tax for the period was SEK 352 (638) m. This lower figure is mainly due to provisions for tax risks.

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

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

The profit from property sales was SEK 16 (56) m. If, instead of being set against book value, sales proceeds are compared with acquisition cost, the effect of sales on profit for calculating dividends is obtained. Sales in the year produced a profit for calculating dividends of SEK 125 (114) m. In addition to the trading net, value changes of SEK 129 (65) m during the holding term were also realised, plus the deductions for deferred tax associated with sales via companies of SEK –20 (–17) m.

Sales and administration costs were SEK 257 (244) m. SEK 63 (60) m of these costs are from Nordic Modu-

lar and SEK 194 (184) m from the management of other wholly owned properties, business development and central administration. Excluding the module operation, yearly costs for property management, business development and central administration amount to approximately SEK 80 per sq.m.

The profit/loss item, *Profit/loss from participations in Hemsö*, was SEK 794 (413) m. Of this figure, SEK 163 (413) m relates to Kungsleden's share of Hemsö's profit after tax for the January–December period. The lower figure is mainly due to lower unrealised value changes on Hemsö's properties in 2012 compared to 2011. In addition to Kungsleden's participation in Hemsö's profit for the period, the Income Statement was affected by SEK 105 m of interest income on a shareholder loan from Kungsleden to Hemsö, and SEK 631 m profit from the sale of Hemsö to AP3 in December 2012. More detail on the profit from Hemsö and the sale of Hemsö is on page 5.

The net financial item position changed negatively by SEK 27 m, and was SEK –586 (–559) m, primarily explained by higher interest margins and arrangement fees after refinancing large portions of bank borrowings in 2012. Simultaneously, extensions of interest derivative terms in 2011 and 2012, and early cancellations of derivatives

affected net financial items positively.

Value changes on properties and financial instruments in the year were SEK –60 (241) m and SEK –70 (–491) m respectively, totalling SEK –130 (–249) m. The value changes on properties were attributable to modular buildings. The valuation of financial instruments was negatively affected by decreasing long yields in the year.

Tax on net profit in the year was SEK –813 (–55) m. The tax cost for the year was charged with provisioning of SEK –985 m after an assessed increase in the risk of negative outcomes in a number of tax proceedings increased after tax rulings affecting Kungsleden companies and external companies. Otherwise, tax is somewhat lower than the corporation tax rate of 26.3 per cent mainly because there is no tax payable on the profit participation from Hemsö because Hemsö's profits have already been taxed. Moreover, the gain from the sale of Hemsö is not taxable. In addition, the sale implied that tax loss carry-forwards that arose on the original purchase of Hemsö properties were taken up as income on this sale. Other property sales also have a positive tax effect, because there was basically no tax cost on sales, but deferred tax had been entered as a liability and could be recognized as revenue. The reduced corporation tax rate effective 1 January

INCOME STATEMENT¹

SEK m	Wholly Owned Properties ¹		Nordic Modular		Hemsö ¹		Other/group-wide		Total Kungsleden	
	2012 Jan–Dec	2011 Jan–Dec	2012 Jan–Dec	2011 Jan–Dec	2012 Jan–Dec	2011 Jan–Dec	2012 Jan–Dec	2011 Jan–Dec	2012 Jan–Dec	2011 Jan–Dec
Rental revenues	1,583	1,515	257	244					1,840	1,759
Sales revenues, modules			270	288					270	288
Net sales	1,583	1,515	527	532					2,110	2,047
Property costs	–489	–463	–44	–49					–533	–512
Production costs, modules			–249	–258					–249	–258
Gross profit	1,094	1,052	234	225					1,328	1,277
Trading net	16	56	0	0					16	56
Sales and administration costs	–194	–184	–63	–60					–257	–244
Profit/loss from participations in Hemsö					794	413			794	413
Net financial position	–528	–507	–58	–58	0	6			–586	–559
Unrealised value changes										
Properties	0	301	–60	–60					–60	241
Financial instruments	–55	–380	–5	–42	–10	–69			–70	–491
Profit/loss before tax	333	338	48	5	784	350			1,165	693
Tax on profit/loss for the year	182	–70	–13	–1	3	16	–985		–813	–55
Profit/loss after tax	515	268	35	4	787	366	–985		352	638

1 On 1 January 2012, the holding in Hemsö was reported in accordance with the equity method instead of the proportional method. 50 per cent of Hemsö's profit or loss according to IFRS is reported on the *Profit/loss from participations in Hemsö* line. Comparative figures have been restated according to the same principle. Due to the changed reporting, the Commercial Properties and Public Properties segments have been replaced by Wholly Owned Properties and Hemsö.

2013 exerted a profit effect of SEK –40 m in 2012 because deferred tax assets as of 31 December were slightly greater than deferred tax liabilities.

The profit for calculating dividends for 2012 was a total of SEK 1,917 (703) m, see table on page 1. With the sale of Hemsö completed, the final part of the values created during the build-up of Hemsö have been realised. This amount was SEK 1,507 m, and explains most of the increase in profit for calculating dividends for 2012. Increased profits from property management in Kungsleden and Hemsö also contributed to the increase, while SEK 340 m of provisioning for tax proceedings was charged to profits. The increased profit from property management was also the background to the actual figure exceeding the most recent estimate, of SEK 1,850 m, by SEK 67 m.

THE PROPERTY PORTFOLIO

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

which had a book value of SEK 15,777 (15,693) m. 90 (90) per cent of book value was attributable to wholly owned properties and 10 (10) per cent to modular buildings.

In addition to this, there was the indirect property ownership through 50:50 joint venture Hemsö Fastighets AB for the full year.

Kungsleden values its properties using an internal valuation model, which is an integrated component of its business process, where every property has a business plan. A combination of the reconciliation of location pricing and present value calculations of cash flows with a five-year forecast period, plus

subsequent residual values, form the basis of valuations. Factors considered include rent levels, vacancies, operation and maintenance costs, property age, status and usage.

Of property book values, 56 per cent was located in the three major city regions of Stockholm, Gothenburg, Öresund and cities with populations of over 100,000. The properties were located in 99 municipalities.

Investments in existing properties amounted to SEK 252 (180) m, of which approximately half in six properties in Västerås. Investments are mainly conversions and extensions of existing properties, and in consultation with tenants, so their operations can be conducted in a better, more efficient way. Investments increase property values through higher rent levels, and often, longer contract terms.

PROPERTY PORTFOLIO

SEK m	2012 Oct–Dec	2012 Jan–Dec
Properties at the beginning of the period	14,779	15,693
Purchases	1,549	1,549
Investments	59	252
Sales	–552	–1,650
Exchange rate fluctuations	4	–7
Value changes	–62	–60
Properties at the end of the period	15,777	15,777

PROPERTY TRANSACTIONS

The transaction market was hesitant in 2012, not exclusively due to economic conditions but also because the bank funding market still remained strained.

11 (44) properties were purchased for SEK 1,549 (4,200) m. All purchases in 2012 consisted of the portfolio purchased from Hemsö, which consisted of office and retail areas of 143,000 sq.m., with completion on 15 February 2013. These properties are located in central Sweden, Östersund and on the island of Gotland. They are generating stable cash flow with long contracts and stable counterparties. Their remaining contract term is eight years.

59 properties with area of 266,000 sq.m. were sold for SEK 1,666 m. The book value of sold properties was SEK 1,650 m and acquisition cost was SEK 1,521 m. Sales affected profit for calculating dividends by SEK 125 m and were made at an average property yield of 6.9 per cent. The three largest sales were 39 public properties in Härnösand, sold to Hemsö for SEK 912 m, the sale of nine properties in Stockholm and Malmö to Castellum for SEK 380 m, and the sale of two properties in Poland for SEK 104 m. These sales imply concentration, with Kungsleden now owning only one public property directly, and only one commercial foreign property in Germany remains.



Left to right: Madeleine Palm and Susanne Winquist.

EARNINGS CAPACITY

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

1 After Hemsö has been reported according to the equity method, earnings capacity relates only to the wholly owned properties and modular buildings. Comparative figures have been calculated in the same way, and meant that Hemsö's 312 properties as of 31 December 2011 were excluded.

EARNINGS CAPACITY

Kungsleden reports what is termed earnings capacity with the aim of supplementing the Income Statement with a better view of the underlying profitability of its property operation. Earnings capacity shows the outcome as if the portfolio as of 31 December 2012 had been held for the past 12 months, and thus also provides a forecast of future earnings capacity given unchanged conditions.

Transactions in the year and progress of the existing portfolio resulted in an increase in operating net, to SEK 1,257 m, compared to SEK 1,234 m at the beginning of the year. This increase was mainly a consequence of the property purchase from Hemsö at year-end. Economic occupancy was 89.3 (89.2) per cent at year-end, and the average property yield was 8.0 (7.9) per cent.

MODULAR BUILDINGS

Nordic Modular is a division within Kungsleden, alongside wholly owned properties. Operations include the letting and sale of modular buildings. Flexible and cost-efficient modular buildings are a strong alternative to traditional premises. Some 75 per cent of modular buildings are let to municipalities and county councils.

As of 31 December, modular buildings had total area of 231,000 (232,000) sq.m. and book value of SEK 1,509 (1,550) m.

Rental revenues for modular buildings were SEK 257 (244) m in 2012, with gross profit of SEK 213 (195) m. Over the past year, occupancy levels have varied, but have been in an upward trend and were 80 (77) per cent at the end of the year. The profit from modular lettings is high compared to lettings of premises in conventional properties. In 2012, let modules represented 16 per cent of the gross profit of all the group's properties while modules only represented 10 per cent of property value.

However, over time, the value impairment due to use is greater on modules in letting operations than for fixed asset properties. Normally, the estimated lifespan is 15–20 years if the modules are relocated. However, if not relocated, modules can, in principle, have the same lifespan as conventional buildings. The Income Statement was charged with unrealised value changes of SEK –60 m, corresponding to reinvestments conducted in the modular portfolio, a holding that at an overall level, was basically unchanged in the year, apart from one smaller sale.

Sales of modules decreased in the year, and amounted to SEK 270 (288) m in the year with gross profit of SEK 21 (30) m. The order books of the plants at Anneberg and Gråbo weakened in the second half-year. Nordic Modular continuously adapts its labour force to business conditions. At the beginning of October, 54 employees at Anneberg were issued with redundancy notices. The redundancy notices previously issued to 24 employees at the beginning of the year were fully implemented. Kungsleden's investment in Nordic Modular Group in 2007 has generated good returns. Capital transfers to Kungsleden exceed invested capital, while Nordic

Modular itself not only financed reinvestments for a maintained modular portfolio, but also a 30 per cent-plus expansion of the modular portfolio. These investments were primarily achieved through its own production. Return on equity has been well over 20 per cent per year in the holding period.

NORDIC MODULAR

SEK m	2012 Jan–Dec	2011 Jan–Dec
Rental revenues	257	244
Property costs	–44	–49
Gross profit, modular lettings	213	195
Sales revenues, modules	270	288
Production costs, modular buildings	–249	–258
Gross profit, modular sales	21	30
Trading net		
Sales and administration costs	–63	–60
Profit/loss from participations in Hemsö		
Net financial position	–58	–58
Unrealised value changes		
Properties	–60	–60
Financial instruments	–5	–42
Profit before tax	48	5
Tax	–13	–1
Profit for the year	35	4
Reversal of unrealised value changes and tax	78	103
Profit for calculating dividends	113	107
Properties	1,509	1,550

HEMSÖ

Kungsleden started accumulating a portfolio of social services properties in 2001. These properties were held in the subsidiary Hemsö Fastighets AB. By 2009, this portfolio had grown to SEK 14.7 billion. At this point, Kungsleden sold half of the shares of Hemsö to AP3. As a joint venture, Hemsö evolved further through purchases, investments and value growth of properties. At the end of 2012, Hemsö's property portfolio had grown to SEK 22.9 billion. In mid-December 2012, Kungsleden sold the remaining 50 per cent of its shareholding in Hemsö to AP3.

Hemsö in 2012

Hemsö's growth continued in 2012, and for the full year, rental revenues were SEK 1,900 (1,671) m, with gross profit of SEK 1,364 (1,202) m. The value growth of properties was not as high as the previous year, resulting in profit before tax decreasing to SEK 420 (1,095) m. Profit after tax was SEK 581 (826) m, due to the tax item for the year becoming a revenue item because of a reduction in the Swedish corporation tax rate to 22 per cent as of 1 January 2013 which was considered as an effect of SEK 261 m. Kungsleden's Income Statement recognises SEK 163 (413) m as a profit share from Hemsö, which basically corresponded to net profit for the year, excluding the positive effect of the reduced corporation tax rate, which was not recognised in Hemsö until after the sale of the Hemsö shareholding.

Hemsö's profit from property management, i.e. gross profit less sales and administration costs and net financial items, increased to SEK 464 (433) m. When Hemsö's profit for calculating dividends is computed in the same man-

ner as Kungsleden's, which also considers taxes payable, the figure is SEK 446 (414) m, half of which accrues to Kungsleden. Through the sale of the shareholding, Kungsleden receives payment for its whole share, SEK 223 m, while Hemsö previously paid only half of net profit in the form of share dividends and interest on a shareholder loan.

The sale of Hemsö

Kungsleden sold the remaining 50 per cent of its Hemsö shareholding in mid-December 2012. This is an important component of the strategic concentration, focusing on Kungsleden's own wholly owned properties, as Kungsleden reported in autumn 2012.

In the sale to AP3, the Hemsö shareholding is valued at SEK 1,820 m, which is SEK 663 m above the book value stated in Kungsleden. The biggest rea-

son for the difference was that according to IFRS, Kungsleden was forced to account for its participations in Hemsö based on an excessive provision for deferred tax in Hemsö. This difference between the fair value and book value of deferred tax amounted to some SEK 500 m, which is consistent with the estimates of the positive value that Kungsleden has previously communicated. After considering items including transaction costs and taking up negative currency transaction effects from the German operation due to depreciation of the euro as income, the total profit from the sale was SEK 631 m. The sale of the Hemsö participations was taken up as income in 2012, because the sales agreement was entered before year-end, and the transaction is very likely to be completed on 15 February 2013.

INCOME STATEMENT, HEMSÖ

SEK m	2012 Jan-Dec	2011 Jan-Dec
Rental revenues	1,900	1,671
Property costs	-536	-469
Gross profit	1,364	1,202
Trading net	-1	-1
Sales and administration costs	-169	-150
Net financial position	-731	-619
Unrealised value changes		
Investment properties	85	898
Financial instruments	-128	-235
Profit before tax	420	1,095
Tax	161	-269
Profit after tax	581	826

HEMSÖ IN KUNGSLEDEN'S INCOME STATEMENT

SEK m	2012 Jan-Dec	2011 Jan-Dec
Profit/loss from operating activities	163	413
Profit/loss from sale of holding	631	-
Profit/loss from participations in Hemsö	794	413
Financial income	105	105
Interest costs	-105	-99
Net financial position	0	6
Unrealised value changes on financial instruments	-10	-69
Profit before tax	784	350
Tax	3	17
Profit after tax	787	367
Other comprehensive income		
Translation differences transferred to Profit after tax	9	-
Participation in Hemsö's other comprehensive income	-6	-1
Comprehensive income for the year/effect on equity	790	366

Better positioning after the sale of Hemsö

Kungsleden sold its holdings in Hemsö in the fourth quarter of 2012 after 11 years' successful growth, which created substantial shareholder value over time. This sale is a component of implementing Kungsleden's new strategy towards wholly owned properties. This transaction also helped bring greater financial flexibility and strength.



In addition to payments for the shares, on completion on 15 February 2013, Kungsleden also receives repayment of the SEK 1,500 m shareholder loan. Kungsleden's share of Hemsö's profit in the fourth quarter 2012 (SEK 43 m), interest and an estimated profit share in 2013 until completion (SEK 37 m). Accordingly, payment on completion amounts to SEK 3,400 m, of which SEK 3,363 m was considered as of 31 December 2012, and SEK 37 m will be recognised as revenue in 2013.

KUNGSLEDEN AFTER COMPLETING THE SALE OF HEMSÖ AND PROPERTY PURCHASES

The sale of the remaining shareholding in Hemsö increases Kungsleden's financial flexibility, and affects its Balance Sheet in the short and long term. The transaction has effects before and after year-end 2012, because the transaction date was in December 2012, while the completion date is 15 February 2013.

In the Statement of Financial Position at year-end, the shareholding in Hemsö is considered sold and replaced by a current receivable from AP3, corresponding to the purchase price and redemption of the shareholder loan payable. Kungsleden's purchase of 11 properties from Hemsö for SEK 1,549 m was also in December, and is considered in the Statement of Financial Position at year-end. The payment Kungsleden is to make for the properties is recognised as an other non interest-bearing liability.

The following table indicates Kungsleden's Statement of Financial Position at year-end and its pro forma financial position as of the completion date 15 February 2013, when Kungsleden receives payment. The main difference between the two dates is that Kungsleden's cash and bank balances increased sharply, simultaneous with the receivable from AP3 disappearing through the payment for the Hemsö shares received. On the liabilities side,

other liabilities decrease in tandem with Kungsleden making payment for the acquired properties, which is achieved by an increase in bank borrowings (interest-bearing liabilities) and some decrease in cash and bank balances.

Kungsleden's financial key figures improve significantly when the Hemsö deal is consummated. For the sake of transparency, two alternative measures of loan to value ratio and equity ratio are presented in the table. At the same time the pro forma financial position after the Hemsö transaction implies no endpoint for Kungsleden. Within the auspices of the new business strategy, Kungsleden will use its strengthened liquidity to pay off interest-bearing liabilities, and gradually invest in commercial properties in priority regions. Simultaneously, Kungsleden will maintain good liquidity contingency at each point to manage the risks of ongoing tax proceedings. The new strategy is being presented in tandem with submission of the Annual Financial Statement on 15 February 2013, and is available on the website.

STATEMENT OF FINANCIAL POSITION—PRO FORMA

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

KEY FIGURES—PRO FORMA

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

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



Left to right: Roger Johansson, Sofia Hedberg and Anna-Karin Dahlstedt.

CUSTOMERS

Kungsleden's success is based on satisfied customers and the company's ability to do good deals. Kungsleden's customers represent a cross-section of the Swedish business community and public services. Its tenants are both small enterprises and large corporations. Manufactured goods, transportation and retail are some of the sectors where Kungsleden is active.

Kungsleden conducts regular research to measure the impact of its brand and how the company is perceived. In 2012, this process demonstrated that customers' perceptions of the company closely correlate with the image the company is endeavouring to convey. The research measures brand loyalty, what is important in relationships with customers and how well Kungsleden delivers on customer needs. The primary parameters for Kungsleden's customers are premises in locations that suit the customer, the capacity to listen to the customer, strong presence in the customer's operational location and a well-recognised company with a good reputation. In its most recent research, Kungsleden improved across all parameters on 2010, and most on aspects such as:

good premises, responsiveness, flexibility and understanding and simplicity. Kungsleden's ambassadorship remains very high. 52 (47) per cent would readily recommend Kungsleden to others. 53 (53) per cent state that Kungsleden is a company that they have a close and personal relationship with.

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

Customers—key facts:

- Net lettings in 2012: SEK 15 m of annual rent (signed contracts less signed terminations).
- Remaining contract term: average 4.9 years.
- Economic occupancy (earnings capacity): 89.3 (89.2) per cent.

FUNDING

Kungsleden's loan portfolio is based on bilateral credit agreements with banks, a syndicated bank credit facility and unsecured bond issues. Loan agreements normally have three to five-year maturities, which is market practice for property credits. Fixed-interest terms in loan agreements are short (variable), and Kungsleden manages interest risk at an overall group level. The desired

risk level in the interest fixing structure is achieved using derivative instruments (interest swaps). In recent years, Kungsleden has operated with high levels of interest fixings.

Interest-bearing liabilities

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

The average interest rate on the loan portfolio as of 31 December was 6.8 (5.5) per cent. Of the average interest rate of 6.8 per cent, 2.5 percentage points are due to interest fixed in market conditions when interest rates were higher than at present.

The change in the average interest rate in the year is mainly attributable to the higher loan margins and arrangement costs in tandem with a very high proportion of the group's borrowings being re-financed at the beginning of the year.

In the fourth quarter, interest rate swaps were extended with lower nominal amounts, which on its own, contributed to a 0.2 percentage point decrease in the average interest rate. However, this decrease in the average interest



Left to right: Madeleine Fallberg and Sandra Eklund.

rate was offset by higher margins on refinanced loans, whose term commenced in the quarter. The net effect is that the average interest rate is largely unchanged on the end of the previous quarter.

The derivative portfolio amounted to a nominal amount of SEK 9,350 (11,650) m after cancelling swaps of SEK 1,800 m earlier in the year, and after the stated restructuring of the interest swap portfolio in the fourth

quarter, which meant that the nominal amount decreased by another SEK 500 m.

The average remaining fixed-interest period for loans and derivatives in the year decreased by 0.6 years to 5.1 years at year-end. Repayments of credit facilities made in the year and restructuring of the derivative portfolio explains the change in the fixed-interest period.

In its loan agreements, Kungsleden is subject to covenants on the inter-

est coverage and loan to value ratios. All covenants were satisfied as of 31 December 2012. The interest coverage ratio was a multiple of 2.8 (2.3) and the loan to value ratio for secured credits, i.e. outstanding loans excluding bond loans, was 57 per cent at group level.

Interest rates

As the Swedish economy weakened, and the Riksbank reduced its repo rate and the forecasted interest develop-

MATURITY STRUCTURE, INTEREST FIXING

As of 31 December 2012	Loan, SEK m	Interest derivatives, SEK m ¹	Average interest, %	Average interest, loans and derivatives, %	Average fixed interest period, years
2013	9,704				
2014		800	3.9		
2015		1,400	4.2		
2016		500	3.9		
2017		500	4.1		
2018		3,650	4.2		
2019		800	3.5		
2020		800	3.7		
2021		400	3.8		
2022		500	3.8		
Total	9,704	9,350	6.8	6.8²	5.1
Market valuation of derivatives	1,121				
Total	10,825				

1 Kungsleden's interest derivatives mean that the company receives variable interest and pays fixed interests based on longer maturities. The variable interest received in derivatives matches the variable interest paid on underlying bank loans, thus creating a traditional interest fixing.

2 The group's average interest of 6.8 per cent is due to Kungsleden fixing interest rates in market conditions where interest rates were higher than at present. The average interest rate on the table indicates the interest cost of loans, arrangement fees and relatives in relation to the current loan volume on the reporting date.

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

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

SENSITIVITY ANALYSIS, INTEREST RATE CHANGES

Effect on net financial position, SEK m	31 Dec 2012
Average interest of the loan portfolio changes, +/- 1% point	-/+ 97
Short market rate (<6 mth.) changes, +/- 1% point	-/+ 4
Effect on unrealised value change/reserve, SEK m	31 Dec 2012
Market interest rate changes on all maturities, +/- 1% point ¹	+488/- 520

¹ The valuation of interest swaps means that future cash flows are discounted to present value with the current market interest rate for each maturity. To judge the interest rate sensitivity of the portfolios, calculations have been conducted by a one percentage point change in market interest rates on all maturities.

ment, market interest rates continued to decrease in the final quarter of the year. Stibor 90 days was at 1.59 per cent at the beginning of the quarter, and at 1.29 per cent on 31 December 2012. Interest on 5 and 10-year maturities recorded historic lows of 1.48 and 1.99 per cent in December and then started rising.

Value growth, financial instruments

The negative market value of loans and derivatives decreased in the year, and was SEK -1,121 m as of 31 December, compared to SEK -1,137 m at the beginning of the year. The rise in market interest rates with long maturities did increase the negative market value by SEK 58 m, which is recognised as unrealised value changes on financial instruments. Against this, Kungsleden cancelled interest derivatives in the year, reducing the negative market value by SEK 74 m. Other financial instruments (currency items and share swaps) changed by SEK -12 m, which resulted in total unrealised value changes in the Income Statement for the year of SEK -70 m.

Maturity structure

Kungsleden continuously works to manage the maturity structure of the company's borrowings, by extending or amortising the loan portfolio where necessary. This is achieved through ongoing negotiation with current lenders and

by using alternative funding sources. The average conversion term for utilised credit facilities was 2.3 (1.6) years. The increase in 2012 is due to large-scale refinancing of credit facilities with longer maturities.

Credit facilities with a nominal amount of SEK 667 m mature in the next 12 months. Discussions with lenders have commenced, and Kungsleden judges that these credit facilities can be refinanced on market terms.

Liquidity

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

TAX POSITION

Kungsleden is a property management company, and in the course of its business, purchases and sells properties and conducts other restructuring processes intended to generate earnings and increase the returns on its property portfolio. In certain cases, these transactions and measures have tax consequences, and they are conducted and reported in accordance with the laws and practice in place when submitting each tax return. However, it has emerged that the Swedish Tax Agency and courts have altered their view of how laws and practice should be interpreted in several tax segments in recent years. Against this background, the Swedish Tax Agency's assessment dif-

fers to Kungsleden's on certain transactions conducted, which has resulted in a number of court proceedings. Kungsleden is contesting the tax claims that the Swedish Tax Agency and courts have ruled on so far, and the company either has, or will be, filing appeals against all these rulings.

Kungsleden continuously assesses the risk of a definitive negative outcome in ongoing tax proceedings, and after consulting with independent tax experts, makes provisions for potential negative outcomes. This includes an assessment of the effects of relevant tax cases that are considered by the courts on an ongoing basis. The total provisions for current proceedings total SEK 1,050 m at the end of the fourth quarter. Nothing occurred in the fourth quarter to change the company's assessment of current proceedings per se, and accordingly, there was no change to provisioning. However, at present, it is impossible to offer a precise estimate of the outcome of tax proceedings at present.

If the Swedish Tax Agency's claims prevail, Kungsleden judges that the reassessment of income may partly be met by tax loss carry-forwards, which mean that the taxes payable (corporation tax, and in certain cases, tax surcharges and interest) will be less than the reassessed income claims the Swedish Tax Agency is making. This would limit the negative liquidity effect for Kungsleden. In addition, the group has tax loss carry-forwards that have not been accounted for in its consolidated accounts, the background being stipulations of IFRS regarding deferred tax. These loss carry-forwards may also offset part of the charge from negative outcomes of tax proceedings, and limit, the negative effect on equity.

Estimate of maximum negative effects.

Kungsleden has attempted to estimate what the potential scale of the negative effects on equity and liquidity could be as a result of a negative outcome in all transactions the Swedish Tax Agency is questioning. If all proceedings were ruled against the company, the estimated maximum negative effect on equity would be SEK 2,930 m in addition to the provisioning of SEK 1,050 m already made. The maximum negative liquidity effect, including tax surcharge and interest, is estimated at SEK 2,920 m, in addition to the SEK 260 m already deposited in anticipation of definitive rulings. Kungsleden judges that its

estimate of maximum negative effect covers all cases that the Swedish Tax Agency could question. Since the previous Interim Report, the estimates have decreased by SEK 150 m for equity and SEK 280 m for the liquidity impact. In the fourth quarter, three relevant situations affected these estimates. The first relevant situation was that the Swedish Tax Agency reported its actual decision on reassessing income on the indirect sale of 172 properties through the sale of participations in partnerships. This decision meant a lower tax claim than the amount Kungsleden previously received in a statement of opinion from the Swedish Tax Agency. This decreased the maximum effects on equity and liquidity (see press release of 28 November 2012). The second relevant situation was the sale of Hemsö, which involved previously unvalued loss carry-forwards in the fourth quarter being taken up as income in accordance with applicable accounting principles. This increased consolidated equity but simultaneously reduced the remaining loss carry-forwards, which increased the maximum negative effect on equity compared to the presentation in the previous Interim Report. The third factor is the corporation tax rate reducing from 26.3 per cent to 22 per cent, effective 1 January 2013, which affects the value of loss carry-forwards that may be used for negative outcomes in un-provisioned tax cases.

Contested situations

The various tax proceedings relate to three segments: property sales, property purchases and restructuring within

the Kungsleden group. A review of ongoing tax proceedings by segment follows:

Property sales

Kungsleden works continuously on enhancing its property portfolio through property purchases and sales. Property sales are partly direct sales and partly sales of limited companies. In a few cases, the group has also used other divestment structures, which the Swedish Tax Agency has questioned. These procedures are reviewed below.

Sale of participations in partnerships

In the financial year 2006, Kungsleden sold 172 properties indirectly by selling participations in partnerships. These sales were from two Dutch group companies, and the capital gain was free of tax in the Netherlands. In a decision, the Swedish Tax Agency stated that this should be considered as two Swedish group companies being party to the transaction instead, and that accordingly, the capital gain should be subject to taxation in Sweden. Kungsleden has appealed against this decision at the Administrative Court. If the Swedish Tax Agency wins this case, Kungsleden estimates the liquidity effect at SEK 1,360 m (including tax surcharge and interest of SEK 350 m) and the profit effect SEK 1,400 m. The Swedish Tax Agency has also made a secondary claim, where the Agency considers that the Swedish Tax Evasion Act should be applied to the procedure. Given a negative outcome in proceedings pursuant to tax evasion, the estimated profit and liquidity effect on Kungsleden would be approximately SEK 500 m lower than the

amounts stated above. Kungsleden's best assessment, based on advice from external tax specialists, is that the final outcome of proceedings, based on the two alternative claims, would be positive, and against this background, has not made any provision.

BV proceedings

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

Property purchases

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

Impairment of lagerandelar¹ in external purchases

In 2005–2008, trading companies within the group acquired several properties packaged into incorporated form by the vendor. After the purchase, these properties were relocated to other companies within the group, which created impairment of the purchased participations in accordance with generally accepted accounting practice. These impairment losses were also claimed in tax terms. The Swedish Tax Agency has subsequently claimed that the Administrative Court should consider whether the Swedish Tax Evasion Act is applicable to five Kungsleden transactions of this type. If the Swedish Tax Agency's claim is successful, this would imply a liquidity effect of SEK 1,390 m including tax surcharge and interest. No provisioning for these transactions has been made.

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

ESTIMATE OF MAXIMUM NEGATIVE EFFECT OF TAX PROCEEDINGS

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

Kungsleden considers that the transactions were executed and declared in tax returns fully in accordance with applicable practice from the Supreme Administrative Court of Appeal. This practice was corroborated by the Administrative Court of Appeal in Stockholm in autumn 2011 in what is known as the Steen & Ström case. The Swedish Tax Agency appealed against the Administrative Court of Appeal's ruling on the Steen & Ström case at the Supreme Administrative Court of Appeal. In January 2013, the Supreme Administrative Court of Appeal reported that this case would not be considered, which indicates that the Administrative Court of Appeal's ruling has taken legal effect. Kungsleden's case is expected to be tried by the Administrative Court in 2013.

In June 2012, the Administrative Court of Appeal in Stockholm ruled on the impairment of participations (similar procedure to the above) with the difference that the Court applied transition rules for new legislation in 2008 in a manner that Kungsleden does not agree with. A provision of SEK 342 m was made in the second quarter of 2012. As a result of this ruling, the liquidity

effect amounts to SEK 100 m including interest and tax surcharge, which was deposited in the fourth quarter in anticipation of a definitive ruling. An appeal has been filed at the Supreme Administrative Court but the matter of leave to appeal has not yet been decided.

Other proceedings

In May and June 2012, the Administrative Court ruled on three cases relating to transactions Kungsleden conducted in the fiscal years 2004 and 2006. The Administrative Court ruled that the Swedish Tax Evasion Act would be applicable, and accordingly, loss carry-forwards would not be permitted for impairment losses received as a result of restructuring. In 2009, Kungsleden made provisions for one of these proceedings, corresponding to SEK 325 m. These rulings implied Kungsleden provisioning another SEK 48 m in the second quarter of 2012. The majority of the reassessment of income could be offset by loss carry-forwards, and accordingly, the liquidity effect that arose was limited to SEK 18 m. Kungsleden has filed an appeal against these rulings at the Administrative Court of Appeal in Stockholm, where proceedings are ongoing.

Concluded cases

Kungsleden received rulings from the Administrative Court of Appeal in Stockholm in April 2012 for the fiscal year 2004 (year of assessment 2005). These rulings implied that deductions for losses on liquidation of partnerships were rejected for two companies in the group. Kungsleden filed appeals against these rulings, and applied for a review dispensation at the Supreme Administrative Court. SEK 260 m had been provisioned for these tax risks in the first quarter. The appeal for review dispensation was rejected in 2012, and accordingly, the Administrative Court of Appeal's ruling was upheld. This meant that the provisioning was used in the third quarter but there was no further effect on equity. As a consequence of this proceeding, SEK 80 m was paid to the Swedish Tax Agency in the second quarter. The ruling does not imply any further liquidity effect.

EQUITY

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



Left to right: Marielle Almgren, Ylva Sarby Westman and Andreas Norberg.

FOURTH QUARTER (OCTOBER - DECEMBER)

Net sales in the fourth quarter amounted to SEK 494 (550) m, divided between rental revenues from modular buildings of SEK 66 (63) m and SEK 374 (413) m from other properties, plus sales revenues from produced modules of SEK 54 (74) m. Gross profit was SEK 309 (336) m. The decrease in revenue and profit is a result of a smaller property portfolio after sales in the past year.

The profit before tax was SEK 677 (348) m and net profit was SEK 923 (303) m. The year-on-year profit increase is due to profit from the sale of the Hemsö holding.

Profit before tax excluding value changes was up SEK 633 m on the third quarter, which is also mainly due to the profit from the sale of the Hemsö holding. The lower seasonal operating profit from property operations was offset by a lower loss from value changes on financial instruments.

Profit for calculating dividends increased significantly in the fourth quarter through the realisation of the values created in Hemsö over the past 11 years. The sale created an SEK 1,507 m positive profit effect, which combined with the effect of gains from the other sales and the ongoing property operation, produced profit for calculating dividends of SEK 1,732 (241) m.

11 properties were purchased in the fourth quarter from Hemsö with an area of 143,000 sq.m., for SEK 1,549 m after deducting for deferred tax. 15 properties with an area of 72,000 sq.m. were sold. Sales revenue was a total of SEK 552 m, which after transaction costs, produced zero profit over book value, and affected profit for calculating dividends by SEK 79 m as a result of the acquisition cost being lower.

SEASONALITY

The property sector is subject to seasonality. The six months of the year including winter, especially the first quarter, have higher property costs for heating and snow clearance, for example. Correspondingly, costs are lower, while activity in operations and administration is generally lower in the summer months.

Over the past five years, the operating surplus margin for Kungsleden's properties has been 67 per cent in the first quarter, 73 per cent in the second quarter, 77 per cent in the third quarter and 72 per cent in the fourth quarter.

Transaction activity is normally higher in the second and fourth quarters than in the first and third.

ORGANISATION AND HUMAN RESOURCES

The AGM 2012 re-elected Håkan Bryngelson, Joachim Gahm, Lars Holmgren, Magnus Meyer, Biljana Pehrsson, Kia Orback Pettersson and Charlotta Wikström as Board members of Kungsleden AB (publ). Board member Thomas Erséus declined re-election.

Anders Kvist became Kungsleden's new CFO and Deputy Chief Executive on 1 October.

The average number of employees was 269 (258) in 2012. 185 (181) people worked for Nordic Modular, 153 (152) of them on producing modules.

Kungsleden placed second in the medium-sized organisations category in Sweden in the Great Place to Work 2012 survey, and was the best employer of the property companies. This is the third year that Kungsleden has been highly rated as an employer.

PARENT COMPANY¹

The parent company made a SEK 299 (489) m net profit/loss for the year. The profit was mainly sourced from dividends from subsidiaries and interest costs for the group's interest derivatives. Sales were SEK 61 (32) m, which were revenues from group companies.

Assets at the end of the year mainly consisted of shares in subsidiaries of SEK 7,946 (7,947) m. Funding was primarily through equity, which was SEK 5,930 (5,987) m at year-end, implying an equity ratio of 41 (39) per cent.

1. In its Annual Accounts, the parent company may re-state the value of holdings in subsidiaries without any effect on the group.

SHAREHOLDERS

As of 31 December 2012	No. of shares	% of vote and capital
Welandson Gösta and companies	17,861,810	13.1
Länsförsäkringar Funds	4,426,838	3.2
Norges Bank Investment Management	3,901,204	2.9
Florén Olle and companies	3,479,250	2.5
Danske Invest Funds (Sweden)	2,789,429	2.0
BlackRock Funds (USA)	2,134,075	1.6
Fourth AP Fund/AP4	1,916,270	1.4
Second AP Fund/AP2	1,647,850	1.2
Swedbank Robur Funds	1,591,423	1.2
Avanza Pension Försäkring AB	1,301,954	1.0
Total, ten largest shareholders	41,050,103	30.1
Board and management	207,800	0.2
Foreign shareholders, other	32,527,315	23.8
Other shareholders	62,716,846	45.9
Total	136,502,064	100.0

Source: SIS Ägarservice

THE SHARE AND SHAREHOLDERS

The closing share price on 31 December 2012 was SEK 35.40. Compared to the closing price at the end of 2011, which was SEK 46.00, the price decreased by 23 per cent. The OMX Stockholm Real Estate PI rose by 14 per cent in the same period. As of 31 December 2012, Kungsleden had 19,749 shareholders, a 6 per cent decrease on the previous year-end.

In the fourth quarter, Gösta Welandson and companies increased their Kungsleden holdings to 13.1 per cent, which means one major shareholder is now controlled by a single shareholder. As a consequence, Göran Larsson joined the Nomination Committee in December.

At year-end, there were 136,502,064 outstanding shares, the same as at the beginning of the year.

RISKS AND UNCERTAINTY FACTORS

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

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

The Balance Sheet predominantly consists of properties and funding. The aggregate risk in property values depends on geographical diversity, property type, property size, contract term, tenant structure, technical standard,

etc. Property values are appraised individually and progressively through the year based on a large number of judgments and estimates of future cash flows and required rates of return in a transaction. The methodology of internal valuations is reviewed on pages 32–33 and in Note 17 of the Annual Report for 2011.

Financial risks are primarily liquidity risk, re-financing risk and interest risk and are managed on the basis of the group's finance policy. More information on managing financial risks is stated in 'Funding' on pages 7–9, and on pages 45–47 of the Annual Report for 2011.

Reporting of taxes conforms to accounting standards, but it is notable that over time tax paid usually differs from that reported. Additionally, tax rules are complex and difficult to interpret. The application of rules can also change over time, see also the review of the tax position on pages 9–11.

A more detailed review of Kungsleden's risks and uncertainty factors is provided on pages 40–44 and in Note 2 of the Annual Report for 2011.

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

ACCOUNTING PRINCIPLES

Kungsleden observes IFRS (International Financial Reporting Standards) as endorsed by the EU and IFRIC interpretation statements. This Interim Report has been prepared pursuant to IAS 34 Interim Financial Reporting. Applicable stipulations of the Swedish Annual Accounts Act and the Swedish Securities Markets Act have also been applied.

Until 2011 inclusive, Hemsö was consolidated into the Kungsleden group using the proportional method. This meant that half of all Hemsö's assets, liabilities, revenues and costs were recognized item by item in Kungsleden's consolidated accounts. For example, SEK 10,429 m of Kungsleden's total property value of SEK 26,122 m as of 31 December 2011 was properties held by Hemsö.

Since 1 January 2012, Hemsö has been consolidated on the basis of the equity method instead. This amendment was made ahead of the implementation of the forthcoming IFRS 11 Joint Arrangements, which comes into effect

on 1 January 2014, which only permits the equity method for consolidating joint ventures. This change of method meant that half of Hemsö's profit or loss is recognized instead on a line in the Income Statement, *Profit/loss from participations in Hemsö*. In the Statement of Financial Position, half of the value of Hemsö's equity is being reported in accordance with IFRS as an asset on a separate line, *Participations in Hemsö*.

The change of accounting principle did not affect equity, net profit or loss or profit for calculating dividends. However, items including recognised property values and loans are lower when Hemsö was derecognized from these items, which reduced total assets and increased the equity ratio.

A presentation of the Income Statement, Statement of Financial Position and a number of key figures as of 31 December based on the different accounting methods is on page 19. More information on how the change of principle affects Kungsleden's financial statements and results based on the different methods is available at www.kungsleden.se/consolidation-of-hemso.

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

The new IFRS and interpretations applied for the first time in 2012 are stated in Note 1 of the Annual Report for 2011. Their application did not affect the accounts or presentation of the financial statements materially compared to reporting according to previous principles.

Otherwise, the accounting principles and methods of calculation are unchanged compared to the Annual Report for the financial year 2011.

PROPOSED DIVIDEND AND DIVIDEND POLICY

The Board's ambition is to maintain a stable dividend with a high pay-out ratio. This policy, which applied until 2012 inclusive, means that dividends shall amount to 50 per cent of profit for calculating dividends. When judging the amount of dividends, consideration shall be given to the company's investment requirement, capital structure and financial position otherwise.

In accordance with the dividend policy, the Board of Directors is proposing a dividend of SEK 1.00 (2.60) per share for the financial year 2012. This marks a change from the previously stated intention of not paying a dividend. The Board judges that Kungsleden's good profits justify a dividend, but that uncertainty surrounding tax proceedings still warrants caution, even if financial strength has increased significantly after the sale of Hemsö.

The Board intends to transfer to a new dividend policy from 2013 onwards, which should better reflect Kungsleden's long-term value creation. In a few years' time, once Kungsleden's definitive tax position is clear, the aim is for dividends to amount to 50 per cent of profits from property management. However, in the coming years, the dividend will be lower, adapted to the need for liquidity contingency and investments in property for future earnings.

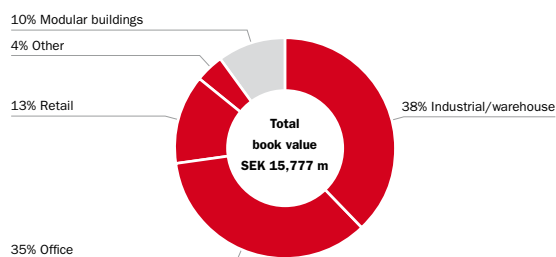
POST-BALANCE SHEET EVENTS

On 15 February, possession of the Hemsö shares will be transferred to AP3 as planned, and Kungsleden will receive repayment of shareholder loan. The total proceeds will be SEK 3,400 m, which apart from the purchase price and loan of SEK 3,320 m also consist of an SEK 80 m payment for residual loan interest and profits from the end of 2012 until completion in 2013. Simultaneously, Kungsleden will take possession of 11 properties purchased from Hemsö for SEK 1,549 m after deducting for deferred tax. The properties will be financed through raising borrowings of SEK 1,017 m and SEK 532 m from cash reserves.

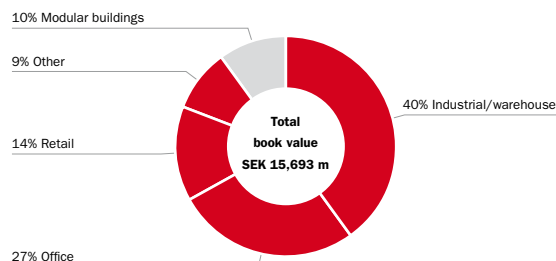
Thomas Erséus has resigned as Chief Executive of Kungsleden and will be leaving the company in tandem with the AGM on 18 April.

Since Hemsö has been reported according to the equity method, earnings capacity consists only of the wholly owned properties and modular buildings.

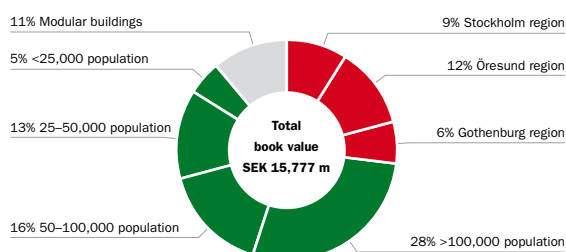
PROPERTY PORTFOLIO BY TYPE, 31 DECEMBER 2012



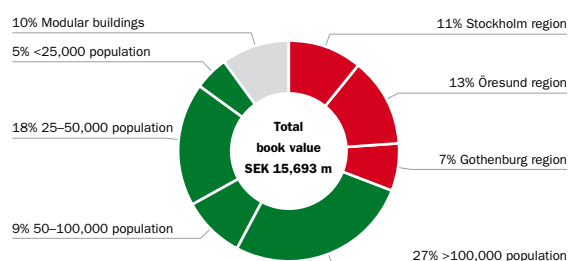
PROPERTY PORTFOLIO BY TYPE, 31 DECEMBER 2011



PROPERTY PORTFOLIO BY SIZE OF LOCATION, 31 DECEMBER 2012



PROPERTY PORTFOLIO BY SIZE OF LOCATION, 31 DECEMBER 2011



EARNINGS CAPACITY¹ BY TYPE

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

EARNINGS CAPACITY¹ BY SIZE OF LOCATION

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

1 Earnings capacity shows the appearance of the Income Statement as if the portfolio as of 31 December 2012 had been held for the past 12 months.

2 The operating net for Modular Buildings has been charged with standard depreciation/value changes of SEK –86 m.

Financial Reporting 1 Jan – 31 Dec 2012

INCOME STATEMENT¹

SEK m	Reporting period		12 months	
	2012 Oct–Dec	2011 Oct–Dec ¹	2012 Jan–Dec	2011 Jan–Dec ²
Rental revenues	439.4	475.9	1,839.7	1,758.8
Sales revenues, modular buildings	54.5	74.2	270.3	288.4
Net sales	493.9	550.1	2,110.0	2,047.2
Property costs	-133.0	-150.6	-533.3	-512.1
Production costs, modular buildings	-52.1	-63.6	-249.1	-258.1
Gross profit	308.8	335.9	1,327.6	1,277.0
Property trading				
Sales revenues, net	551.5	1,019.2	1,666.0	1,198.5
Book value				
Acquisition cost	-454.8	-943.6	-1,521.1	-1,078.0
Realised value changes	-97.0	-53.8	-128.7	-64.7
	-551.8	-997.4	-1,649.8	-1,142.7
Trading net	-0.3	21.8	16.2	55.8
Sales and administration costs	-73.1	-60.5	-257.6	-244.4
Profit/loss from participations in hemsö¹	659.6	118.3	794.4	413.1
Net financial position				
Financial revenues	33.3	39.7	136.0	141.0
Financial costs	-160.8	-166.2	-683.7	-674.0
Other financial costs	-9.3	-5.3	-37.8	-25.8
	-136.8	-131.8	-585.5	-558.8
Unrealised value changes				
Investment properties	-61.6	154.3	-60.0	241.3
Financial instruments	-19.2	-89.7	-69.9	-490.7
	-80.8	64.6	-129.9	-249.4
Profit/loss before tax	677.4	348.3	1,165.2	693.3
Tax	245.5	-45.3	-813.3	-54.9
Profit/loss after tax²	923.0	303.0	351.9	638.4
Earnings per share³	6.80	2.20	2.60	4.70

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

2 All comprehensive income for the period is attributable to the parent company's shareholders.

3 Before and after dilution effect. The outstanding and average number of shares is 136,502,064 for all periods.

STATEMENT OF COMPREHENSIVE INCOME

SEK m	Reporting period		12 months	
	2012 Oct–Dec	2011 Oct–Dec	2012 Jan–Dec	2011 Jan–Dec
Net profit/loss from Income Statement	923.0	303.0	351.9	638.4
Other comprehensive income				
Change in fair value of currency forwards (after tax)	16.9	–	16.9	–
Participation in Hemsö's other comprehensive income	4.6	-5.4	-5.5	-1.3
Translation differences for the period when translating foreign operations	7.7	-4.9	-1.0	-1.9
Comprehensive income for the period¹	952.2	292.7	362.3	635.2

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

STATEMENT OF FINANCIAL POSITION

SEK m	31 Dec 2012	31 Dec 2011
ASSETS		
Goodwill	201.4	201.4
Properties	15,777.2	14,788.4
Machinery and equipment	13.9	15.5
Participations in Hemsö	–	1,084.5
Long-term receivables, Hemsö	–	1,500.0
Deferred tax asset	206.7	1,019.8
Other long-term receivables	244.0	443.2
Non-current assets	16,443.2	19,052.8
Inventories	17.1	16.7
Receivable from AP3	3,362.9	–
Current receivables	355.1	238.1
Assets held for sale—properties	–	904.8
Assets held for sale—other assets	–	14.4
Cash and bank balances	721.2	683.9
Current assets	4,456.5	1,857.9
TOTAL ASSETS	20,899.7	20,910.7
LIABILITIES AND EQUITY		
Equity	7,726.4	7,719.0
Liabilities to credit institutions	8,104.6	8,154.2
Bond loan (unsecured)	1,599.2	1,599.2
Liabilities related to assets held for sale	–	901.0
Interest bearing liabilities	9,703.8	10,654.4
Provisions	57.7	431.2
Deferred tax liability	–	–
Derivatives	1,124.5	1,155.8
Tax liability	20.5	82.7
Other non interest-bearing liabilities	2,266.8	807.5
Liabilities related to assets held for sale	–	60.1
Non interest-bearing liabilities	3,469.5	2,537.3
TOTAL LIABILITIES AND EQUITY	20,899.7	20,910.7

1 The total property portfolio including properties for sale amounted to SEK 15,693.2 m as of 31 December 2011.
The properties for sale were 39 public properties in Härnösand, sold to Hemsö in August 2012.

STATEMENT OF CHANGES IN EQUITY

SEK m	31 Dec 2012	31 Dec 2011
At beginning of year	7,719.0	7,356.8
Dividend	–354.9	–273.0
Comprehensive income for the year	362.3	635.2
At end of year	7,726.4	7,719.0

STATEMENT OF CASH FLOWS

SEK m	Reporting period		12 months	
	2012 Oct–Dec	2011 Oct–Dec	2012 Jan–Dec	2011 Jan–Dec
Operating activities				
Profit/loss before tax	677.5	348.2	1,165.2	693.3
Trading net/capital gain, sold properties	0.3	–21.7	–16.1	–55.8
Profit/loss from participations in Hemsö	–659.6	–118.3	–794.3	–413.1
Dividend from Hemsö	–	–	52.1	130.5
Unrealised value changes	80.7	–64.6	129.8	249.4
Adjustment for items not included in cash flow from operating activities	–38.9	1.9	–32.2	10.0
Tax paid	5.6	–9.8	–342.0	–30.0
Cash flow from operating activities	65.6	135.7	162.5	584.5
Change in working capital	111.5	–643.6	396.7	–1,959.0
Cash flow from operating activities after change in working capital	177.1	–507.9	559.0	–1,374.5
Cash flow from investing activities	239.9	993.6	797.1	–886.3
Cash flow from financing activities	–27.5	–553.4	–1,313.1	2,375.0
Cash flow for the period	389.5	–67.7	43.0	114.3
Cash and cash equivalents at beginning of period	329.7	753.0	683.9	570.5
Exchange rate difference in cash and cash equivalents	2.0	–1.4	–5.7	–0.9
Cash and cash equivalents at end of period	721.2	683.9	721.2	683.9

SEGMENT REPORTING

SEK m	Wholly owned properties ¹		Nordic Modular		Hemsö ¹		Other/group wide ²		Total Kungsleden	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Rental revenues	1,583.1	1,515.1	256.6	243.7					1,839.7	1,758.8
Sales revenues, modules			270.3	288.4					270.3	288.4
Net sales	1,583.1	1,515.1	526.9	532.1					2,110.0	2,047.2
Property costs	-489.8	-463.2	-43.5	-48.9					-533.3	-512.1
Production costs, modules			-249.1	-258.1					-249.1	-258.1
Gross profit	1,093.3	1,051.9	234.3	225.1					1,327.6	1,277.0
Trading net	16.2	55.8							16.2	55.8
Sales and administration costs	-194.7	-183.8	-62.9	-60.6					-257.6	-244.4
Profit/loss from participations in Hemsö					794.4	413.1			794.4	413.1
Net financial position	-527.4	-506.8	-58.2	-58.0	0.1	6.0			-585.5	-558.8
Unrealised value changes										
Properties		301.3	-60.0	-60.0					-60.0	241.3
Financial instruments	-54.0	-379.7	-5.7	-41.6	-10.2	-69.4			-69.9	-490.7
Profit before tax	333.4	338.7	47.5	4.9	784.3	349.7			1,165.2	693.3
Properties	14,267.9	14,142.9	1,509.3	1,550.3					15,777.2	15,693.2
Participations in Hemsö and long-term receivables from Hemsö					3,362.9	2,584.5			3,362.9	2,584.5
Interest-bearing liabilities	7,579.6	8,401.3	697.9	717.8	1,426.3	1,535.3			9,703.8	10,654.4
Purchases and investments in properties	1,759.8	4,302.1	41.6	55.8					1,801.4	4,357.9

1 After the changed reporting of Hemsö from the proportional method to the equity method, the Commercial Properties and Public Properties segments have been replaced by Wholly Owned Properties and Hemsö.

2 In previous periods, other/group-wide included the Transaction & Analysis and Central Administration functions, which are now being reported in the Wholly Owned Properties segment instead.

PARENT COMPANY INCOME STATEMENT¹

SEK m	Reporting period		12 months	
	2012	2011	2012	2011
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Intragroup revenues	10.3	32.0	61.4	32.0
Administration costs	-18.3	-37.6	-56.4	-43.9
Operating profit/loss	-8.0	-5.6	5.0	-11.9
Profit from financial items	493.5	692.3	320.3	444.0
Profit before tax	485.5	686.7	325.3	432.1
Tax	-68.9	-18.7	-26.8	56.9
Net profit	416.6	668.0	298.5	489.0

1 In its Annual Accounts, the parent company may re-state the value of holdings in subsidiaries without any effect on the group.

PARENT COMPANY BALANCE SHEET¹

SEK m	31 Dec 2012	31 Dec 2011
ASSETS		
Participations in group companies	7,945.8	7,946.6
Receivables from group companies	5,292.1	6,449.1
External receivables, etc.	615.5	661.5
Cash and cash equivalents	540.9	363.2
TOTAL ASSETS	14,394.3	15,420.4
LIABILITIES AND EQUITY		
Equity	5,930.3 ²	5,986.7
Non-current liabilities	1,600.6	1,599.9
Liabilities to group companies	5,260.3	6,134.8
Other liabilities	1,603.1	1,699.0
TOTAL LIABILITIES AND EQUITY	14,394.3	15,420.4

1 In its Annual Accounts, the parent company may re-state the value of holdings in subsidiaries without any effect on the group.

2 The dividend decreased equity by SEK 355 m.

KEY FIGURES

	Reporting period		12 months	
	2012 Oct-Dec	2011 Oct-Dec	2012 Jan-Dec	2011 Jan-Dec
Property-related				
<i>Earnings capacity</i>				
Property yield, % ¹			8.0	7.9
Economic occupancy, % ¹			89.3	89.2
Operating surplus margin, % ¹			68.2	66.7
<i>Actuals</i>				
Property yield, % ¹	8.0	8.1	8.3	8.9
Economic occupancy, % ¹	89.7	90.0	89.6	88.7
Operating surplus margin, % ¹	69.7	68.4	71.0	70.9
Financial				
Net profit, SEK m	923	303	352	638
Profit for calculating dividends, SEK m	1,732	237	1,917	702
Return on total capital, % ¹	18.2	7.8	9.0	7.6
Return on equity, %	50.9	16.0	4.6	8.5
Return on capital employed, % ¹	21.9	9.8	11.3	9.6
Interest coverage ratio, multiple ^{1, 2}	5.5	2.7	2.8	2.3
Equity ratio, % ¹			37.0	36.9
Gearing, multiple ¹			1.3	1.4
Loan to value ratio, % ¹			61.5	67.9
Cash flow from operating activities, SEK m ¹	66	136	163	585
Data per share				
Share price, SEK			35.40	46.00
Dividend, SEK			2.60	2.00
Total yield, %			-17.4	-22.0
Dividend yield, %			7.3	5.7
P/E ratio, multiple			13.7	9.8
P/CE ratio, multiple			3.3	11.9
Gross profit, SEK ¹	2.30	2.50	9.70	9.40
Net profit, SEK	6.80	2.20	2.60	4.70
Profit for calculating dividends, SEK m	12.70	1.70	14.00	5.20
Property book value, SEK ¹			115.60	115.00
Equity, SEK			56.60	56.50
Cash flow from operating activities, SEK ¹	0.50	1.00	1.20	4.30
Outstanding shares/free float ³	136,502,064	136,502,064	136,502,064	136,502,064
Average number of shares ³	136,502,064	136,502,064	136,502,064	136,502,064

1 The changed principle for reporting the holding in Hemsö affects several key figures. Previous periods' key figures have been restated.

2 The definition of the interest coverage ratio has been amended to profit after financial revenues in relation to financial costs. Previous periods' key figures have been restated.

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

CHANGE OF CONSOLIDATION METHOD FOR THE HEMSÖ HOLDING

On 1 January 2012, the way Hemsö is consolidated into the Kungsleden group changed from the proportional method to the equity method, described on page 13. The change in method means that

half of Hemsö's profit or loss is reported on the Income Statement line *Profit/loss from participations in Hemsö*, instead. In the Statement of Financial Position, half of the value of Hemsö's equity according to IFRS will be recognised as an asset on a separate line, *Participations in Hemsö*.

This change of accounting principle does not affect equity, net profit or loss or profit for calculating dividends.

The appearance of the financial statement as of 31 December 2011 by consolidating Hemsö according to both methods appears below.

INCOME STATEMENT

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

PROFIT FOR CALCULATING DIVIDENDS

2011, SEK m	Proportional method	Equity method
Gross profit	1,877.4	1,277.0
Sales and administration costs	-318.7	-244.4
Net financial position	-867.7	-558.7
Profit from property management	691.0	473.9
Realised items		
Trading net on sale	55.7	55.8
Realised value changes, properties	66.3	64.7
Deduction for deferred tax on sale	-8.2	-7.3
Realised value changes, financial instruments	-66.3	-66.3
Realised items	47.5	46.9
Profit for calculating dividends, Hemsö	-	208.6 ¹
Tax payable	-35.4	-26.3
Profit for calculating dividends	703.1	703.1

1. Over and above its profit share, Kungsleden has received SEK 105 m in interest on shareholders' loans

STATEMENT OF FINANCIAL POSITION

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

EARNINGS CAPACITY¹

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

1. The property figures for the equity method are for the wholly owned properties only. However, the total property portfolio whose results affect equity is unchanged, and corresponds to the property portfolio according to the proportional method in the left column.

KEY FIGURES

31 December 2011	Proportional method	Equity method
Interest coverage ratio, multiple	1.9	2.3
Equity ratio, %	27.3	36.9
Gearing, multiple	2.2	1.4
Loan to value ratio, %	66.3	67.9

More information on how the change of principle affects Kungsleden's financial statements and results of operations based on the various methods is available at www.kungsleden.se/consolidation-of-hemso.

BOARD OF DIRECTORS' CERTIFICATION

The Financial Statement for the period January – December 2012 gives a true and fair view of the parent company's and group's operations, financial position and results of operations, and states the significant risks and uncertainty factors facing the parent company and group companies.

Stockholm, Sweden, 15 February 2013

Håkan Bryngelson
Chairman

Joachim Gahm
Board member

Lars Holmgren
Board member

Magnus Meyer
Board member

Biljana Pehrsson
Board member

Kia Orback Pettersson
Board member

Charlotta Wikström
Board member

Thomas Erséus
Chief Executive

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

Kungsleden discloses the information in this interim report in accordance with the Swedish Financial Markets Act (lagen om värdepappersmarknaden, 2007:528).



Quarterly summary

SUMMARY INCOME STATEMENT

SEK m	2012				2011			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Net sales	494	499	561	556	550	554	536	407
Gross profit	309	347	337	335	336	385	328	228
Trading net	0	0	-3	20	22	12	20	3
Sales and administration costs	-73	-53	-64	-68	-61	-57	-72	-56
Profit/loss from participations in Hemsö	660	-13	64	84	118	70	75	150
Net financial position	-137	-156	-153	-140	-132	-153	-150	-124
Unrealised value changes	-81	-167	-109	227	65	-504	-101	291
Profit/loss before tax	677	-42	72	458	348	-247	100	492
Tax	246	29	-742	-345	-45	74	2	-86
Profit/loss after tax	923	-13	-670	113	303	-173	102	406

SUMMARY STATEMENT OF FINANCIAL POSITION

SEK m	2012				2011			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
ASSETS								
Goodwill	201	201	201	201	201	201	201	201
Properties	15,777	14,779	14,838	14,627	14,788	16,395	16,497	16,022
Machinery and equipment	14	14	14	15	15	15	15	14
Participations in Hemsö	-	1,157	1,177	1,167	1,084	1,004	932	967
Long-term receivables, Hemsö	-	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Deferred tax asset	207	-	-	766	1,020	981	943	839
Other long-term receivables	244	241	251	439	443	550	546	290
Total non-current assets	16,443	17,892	17,981	18,715	19,051	20,646	20,634	19,833
Inventories	17	16	21	16	17	17	15	66
Receivable from AP3	3,363	-	-	-	-	-	-	-
Current receivables	355	244	438	410	240	311	407	1,759
Assets held for sale—properties	-	-	912	906	905	-	-	-
Assets held for sale—other	-	-	18	117	14	-	-	-
Cash and bank balances	721	330	298	434	684	753	698	1,065
Total current assets	4,457	590	1,687	1,883	1,860	1,081	1,120	2,890
TOTAL ASSETS	20,900	18,482	19,668	20,598	20,911	21,727	21,754	22,723
LIABILITIES AND EQUITY								
Equity	7,726	6,774	6,800	7,828	7,719	7,426	7,604	7,765
Interest-bearing liabilities								
Liabilities to credit institutions	8,105	8,165	8,267	8,037	8,154	9,852	9,603	10,461
Bond loan (unsecured)	1,599	1,599	1,599	1,599	1,599	1,599	1,599	1,599
Liabilities related to assets held for sale	-	-	901	901	901	-	-	-
Interest-bearing liabilities	9,704	9,764	10,767	10,537	10,654	11,451	11,202	12,060
Non interest-bearing liabilities								
Provisions	58	110	109	432	431	556	558	417
Deferred tax liability	-	53	82	1	1	1	1	9
Derivatives	1,125	1,100	944	915	1,156	1,108	594	467
Other non-interest-bearing liabilities	2,287	681	937	813	890	1,185	1,795	2,005
Liabilities related to assets held for sale	-	-	29	72	60	-	-	-
Non interest-bearing liabilities	3,470	1,944	2,101	2,233	2,538	2,850	2,948	2,898
TOTAL LIABILITIES AND EQUITY	20,900	18,482	19,668	20,598	20,911	21,727	21,754	22,723

KEY FIGURES

SEK m	2012				2011			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Property-related								
<i>Actuals</i>								
Property yield, %	8.0	9.2	8.5	8.3	8.3	9.2	8.0	6.2
Economic occupancy, %	89.7	89.3	89.5	89.9	90.0	89.0	87.9	87.7
Operating surplus margin	69.7	76.1	70.4	67.9	68.4	78.0	70.4	64.9
Financial								
Profit/loss after tax, SEK m	923	-13	-671	113	303	-173	102	406
Profit for calculating dividends, SEK m	1,732	240	-177	121	241	239	145	78
Return on total capital, %	18.2	5.9	6.6	7.2	7.8	7.5	6.3	6.3
Return on equity, %	46.5	-0.8	-36.7	5.8	16.0	-9.2	5.3	21.5
Return on capital employed, %	21.9	7.3	8.2	8.8	9.8	9.4	8.0	8.0
Interest coverage ratio, multiple	5.5	1.7	2.0	2.3	2.7	2.4	2.1	2.3
Equity ratio, %	37.0	36.7	34.6	38.0	36.9	34.2	35.0	34.2
Loan to value ratio, %	61.4	66.1	68.4	67.8	67.9	69.8	67.9	75.3
Data per share								
Profit/loss after tax, SEK	6.80	-0.10	-4.90	0.70	2.20	-1.30	0.70	3.00
Profit for calculating dividends, SEK	12.70	1.80	-1.30	0.90	1.80	1.70	1.10	0.60
Dividend, SEK	-	-	2.60	-	-	-	2.00	-

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

DEFINITIONS

PROPERTY-RELATED KEY FIGURES

Property yield, operating net in relation to book value of properties at the end of the period.

Operating net, rental revenue less property costs (e.g. operating and maintenance costs, ground rent and property tax, property administration not included).

Economic occupancy, rental revenues in relation to rental value.

Realised value change on properties, the difference between book value and accumulated acquisition cost of sold properties. Corresponds to unrealized value changes during the holding term that are realised on property sales.

Operating surplus margin, operating net in relation to rental revenues.

FINANCIAL KEY FIGURES

Return on equity, net profit for the period after tax in relation to average equity. Average equity is calculated as the total of opening and closing balances divided by two.

Loan to value ratio, interest-bearing liabilities in relation to the book value of properties.

Interest coverage ratio, profit/loss after financial revenues in relation to financial costs.

Debt/equity ratio, interest-bearing liabilities in relation to equity.

Equity ratio, equity including minority interest in relation to total assets.

Profit for calculating dividends, profit/loss for the period before tax excluding unrealised value changes but including realised value changes and tax payable.

SHARE-RELATED KEY FIGURES

Dividend yield on the share, approved/proposed dividends/redemption in relation to the share price at the end of the period.

Total yield on the share, the total of the share price change in the period and dividend paid/redemption in the period in relation to the share price at the beginning of the period.

Approved/proposed dividend per share, the Board of Directors' proposed dividend or dividend per outstanding share approved by a shareholders' meeting.

Equity per share, equity in relation to the number of shares at the end of the period.

Cash flow from operations per share, cash flow for the period from operating activities in relation to the average number of shares.

For all definitions, see kungsleden.com/definitions

Property register 1 Jan – 31 Dec 2012

PURCHASED PROPERTIES, KUNGSLEDEN

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %	
					Industr./ ware- house	Offices	Retail	Retire- ment home	School	Care	Other				Total area
Öresund region															
Populations over 100,000, Office															
Idrotten 7	Malmö	Malmö	Palmgatan 28	-						1,240		1,240	20	20	100.0
Other cities															
Populations over 100,000, Office															
Oxelbergen 1:2	Norrköping	Norrköping	Odalgatan 19	1976,1999,2000	1,928	18,506	45		3,420	1,025	1,231	26,155	22,475	17,363	77.3
Taktipinnen 1	Norrköping	Norrköping	Folkborgsvägen 1	1975	102	16,932			671			17,705	22,624	19,457	86.0
Populations 50,000 to 100,000, Office															
Osdal 3:2	Borås	Borås	Lagercrantz plats 9a	-	530	10,724		5,149			2,097	18,500	19,784	17,557	88.7
Visborg 1:15	Gotland	Visby	Visborgsallén 2-49	-	0	17,905				4		17,909	32,417	32,417	100.0
Karlstund 5:2	Östersund	Östersund	Fyrvallavägen 1-4	-	4,621	32,870			10,338		8,403	56,232	57,612	55,352	96.1
Osdal 3:7	Borås	Borås	Pickesjövägen 1-5	2005-2006						1,849		1,849	3,992	3,992	100.0
Populations 25,000 to 50,000, Office															
Byggmästaren 4	Vänersborg	Vänersborg	Regementsgatan 34	1984						1,254	320	1,574	1,247	684	54.8
Granåsen 3	Skövde	Skövde	Skåningstorpsvägen 12	1989 / 1995						1,020		1,020	486	486	100.0
Populations less than 25,000, Office															
Torp 1:21	Karlsborg	Mölltorp	Prästgatan 20	2005							554	554	870	870	100.0
Solen 1	Mariestad	Mariestad	Stockholmsvägen 132	2005							723	723	979	979	100.0

DIVESTED PROPERTIES, KUNGSLEDEN

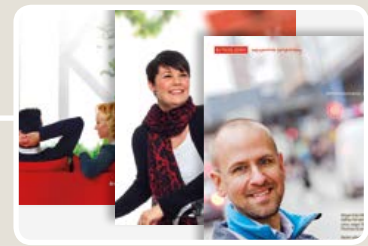
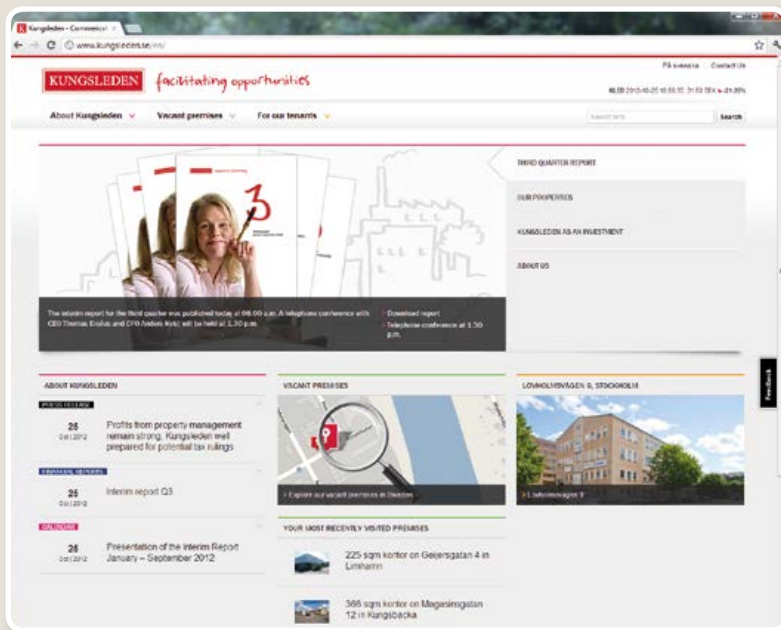
Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %	
					Industr./ ware- house	Offices	Retail	Retire- ment home	School	Care	Other				Total area
Stockholm region															
Populations over 100,000, Office															
Rosteriet 5	Stockholm	Stockholm	Lövholmsvägen 9	1956		3,270						3,270	4,999	4,999	100.0
Populations 50,000 to 100,000, Industrial/warehouse															
Elementet 3	Sollentuna	Sollentuna	Bäckvägen 20	1963/1989	1,986	722						2,708	2,026	1,733	85.5
Elektronen 1	Sollentuna	Sollentuna	Hovslagarevägen 5	1957/1987	2,112	261						2,373	2,389	2,291	95.9
Elektronen 4	Sollentuna	Sollentuna	Hovslagarevägen 3 a	1958/1992	2,892	855						3,747	3,636	2,760	75.9
Segersby 1	Botkyrka	Norsborg	Kumla gårdsväg 10	1976	11,694	325						12,019	9,504	9,504	100.0
Populations 50,000 to 100,000, Office															
Ritmallen 2	Sollentuna	Sollentuna	Kung hans väg 8	1980	2,512	4,270				356		7,138	6,641	2,768	41.7
Ringpärm 5	Sollentuna	Sollentuna	Bergkällavägen 34	1988	44	4,025						4,069	4,504	4,459	99.0
Populations 50,000 to 100,000, Retail															
Slipstenen 1	Huddinge	Skogås	Fräsarvägen 19	2006			2,808					2,808	2,565	2,565	100.0
Other cities															
Populations over 100,000, Industrial/warehouse															
Galjonen 1	Linköping	Linköping	Gillbergsgatan 30	1985	590							590	587	587	100.0
Fasternes	Bielsko-biala	Bielsko-biala	Wyzolenia 105 str	1962	20,633							20,633	5,662	5,662	100.0
Metal structures	Bielsko-biala	Bielsko-biala	Wyzolenia 84 str	1985	22,943							22,943	7,915	7,915	100.0
Populations over 100,000, Office															
Spolaren 4	Norrköping	Norrköping	Linnégatan 28	1962	3,900	3,214				7		7,121	5,033	2,985	59.3
Populations over 100,000, Retail															
Himna 11:226	Linköping	Linghem	Himnavägen 153, himnavägen 155	1976			1,083			823		1,906	2,577	2,576	100.0
Laken 3	Linköping	Linköping	Söderleden 33-37	1963/1988		119	2,468			2,066	536	5,189	5,793	5,575	96.2
Populations over 100,000, Other Commercial															
Del av Isolatorn	Västerås	Västerås	Gideonsbergsgatan	-		2,337						2,337	0	0	
Populations 25,000 to 50,000, Industrial/warehouse															
Säversta 8:28	Bollnäs	Bollnäs	Anneforsvägen 11	1979	5,875							5,875	4,131	4,131	100.0
Populations 25,000 to 50,000, School															
Akvilejan 4	Härnösand	Härnösand	Brännavägen 29	1972/1991/2002					1,339			1,339	1	1	100.0
Bondsjö 2:312	Härnösand	Härnösand	Slättvägen 3	1954/1966/1975					2,807			2,807	3	3	100.0
Bondsjö 2:338	Härnösand	Härnösand	Daghemsvägen 2	1976/1979/1985					653			653	1	1	100.0
Brunne 12:18,	Härnösand	Brunne	Brunne 431, brunne 135	1989					2,906			2,906	3	3	100.0
Eleven 1	Härnösand	Härnösand	Gymnastikgatan 4	1966/1971					3,671			3,671	4	4	100.0
Fastlandet 2:84	Härnösand	Härnösand	Hospitalsgatan 12	1953/1970/1980/ 1988/2006	23	8,029		1,379	1,563	673	585	12,252	11	10	90.7
Fastlandet 2:90	Härnösand	Härnösand	Murbervägen 1	1947/968					1,575			1,575	1	1	100.0
Folkskolan 3	Härnösand	Härnösand	Brunnshusgatan 4	1912/2001		5,971			0			5,971	7	7	100.0
Geresta 1	Härnösand	Härnösand	Rosenbäcksalen 39	1998/2007					10,392			10,392	10	10	100.0
Hopparen 1	Härnösand	Härnösand	Murbervägen 25	1950/1974/1979					884			884	1	1	100.0
Hörn 2	Härnösand	Härnösand	Sehlstedtsvägen 1	1985/1991					753			753	1	1	100.0
Inspektorn 11	Härnösand	Härnösand	Brunnshusgatan 18	1852/1903					23,819		268	24,087	17	14	84.6
Läraren 1	Härnösand	Härnösand	Kastellgatan 35	1955/1979					3,953			3,953	3	3	100.0
Örren 12	Härnösand	Härnösand	Institutgatan 16 b	1980/1990/1991					238			238	0	0	
Oxen 1	Härnösand	Härnösand	Sköldgatan 1	1968/1988/2005					805			805	0	0	
Prylen 1	Härnösand	Härnösand	Skolgränd 2	1968/1983/2003					829			829	0	0	
Skolan 1	Härnösand	Härnösand	Norra ringvägen 23	1947/1966/1968			822		5,407	725	477	7,431	5	2	39.4
Solen 15	Härnösand	Härnösand	Södra vägen 22	1892/1979					10,869			10,869	8	8	100.0
Stenhammar 1:223	Härnösand	Härnösand	Tjädervägen 114	1994					1,139			1,139	0	0	
Stenhammar 1:224	Härnösand	Härnösand	Kontrastvägen 171	1981/1982					242			242	0	0	
Vangsta 1:102	Härnösand	Härnösand	Trumpetgatan 50	1976/1980/1993					830			830	1	1	100.0
Västansjö 1:41	Härnösand	Hälledal	Folketshusv. 7	1963/1964/1990					327			327	0	0	
Västansjö 1:86	Härnösand	Hälledal	Folketshusvägen 9	1971/1974					3,742			3,742	3	3	100.0
Åland 22:1	Härnösand	Ålandsbro	Åland 650	1989/1991					4,093			4,093	3	3	100.0
Ön 2:63	Härnösand	Härnösand	Rosenbäcksalen 15	1963	135	789			3,242		1,124	5,290	4	3	88.3

DIVESTED PROPERTIES, KUNGSLEDEN

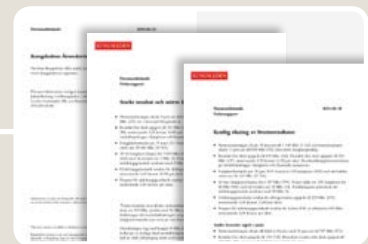
Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area sq.m.							Total area	Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %
					Industr./ ware- house	Offices	Retail	Retire- ment home	School	Care	Other				
Populations 25,000 to 50,000, Care															
Bofinken 8	Härnösand	Härnösand	Gådeåvägen 11	1980						495		495	0	0	
Häcken 13	Härnösand	Härnösand	Källvägen 10	1996						787		787	1	1	100.0
Kattastrand 3:2	Härnösand	Härnösand	Solumsvägen 6	1960/1983		210				355		565	0	0	
Rådhuset 6	Härnösand	Härnösand	Norra kyrkogatan 3	1959/1970		2,821						2,821	2	2	100.0
Sågen 10	Härnösand	Härnösand	Kiörningsgatan 20	1955/1998				755				755	1	1	100.0
Torget 1	Härnösand	Härnösand	Stora torget 2	1863/1984								798	1	1	100.0
Tunnbindaren 4	Härnösand	Härnösand	Storgatan 9	1971						4,075		4,075	3	3	100.0
Venus 7	Härnösand	Härnösand	Lönegrengsgatan 2 & 8	1950/1989/1991						1,231	824	2,055	2	2	98.8
Vinstocken 2	Härnösand	Härnösand	Norra kyrkogatan 2	1955/1983/2000		2,904						2,904	2	2	100.0
Populations 25,000 to 50,000, Retirement home															
Brunne 12:21	Härnösand	Brunne	Brunne 157	1993						2,923		2,923	3	3	100.1
Högsjö-dal 2:90	Härnösand	Hälledal	Hälledalsvägen 53	1948						3,510		3,510	2	2	98.8
Sländan 12	Härnösand	Härnösand	Brännavägen 67	1970/1981/1985				5,634				5,634	4	4	100.0
Åland 1:91	Härnösand	Ålandsbro	Nämndemansvägen 4a	1969				2,219		546		2,765	4	3	90.9
Ön 2:58	Härnösand	Härnösand	Volontärvägen 39	1992						5,727		5,727	7	7	100.0
Öresund region															
Populations over 100,000, Industrial/warehouse															
Revolversvarven 10	Malmö	Malmö	Jägershillsgatan 14	1988	3,600							3,600	3,224	2,348	72.9
Populations over 100,000, Office															
Revolversvarven 12	Malmö	Malmö	Jägershillsgatan 18	1987		9,974						9,974	13,346	13,321	99.8
Populations over 100,000, Other Commercial															
Krukskärvan 6	Malmö	Malmö	Flintyxegatan 6	1986								0	0	0	
Gothenburg region															
Populations 50,000 to 100,000, Industrial/warehouse															
Varia 2:390	Kungsbacka	Kungsbacka	Energigatan 19	1992	3,559	1,123						4,682	4,311	4,035	93.6

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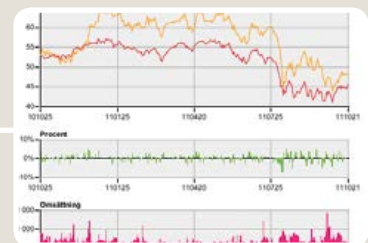
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	2011	2010	2009
Netresultat	1 075,8	1 083,3	1 073,1
Resultat före skatt	1 207,7	1 202,2	1 177,2
Skatt	131,9	118,9	104,1
Finansresultat	1 045,9	984,4	973,0
Finansnetto	1 045,9	984,4	973,0
Finansnetto före skatt	1 177,7	1 102,7	1 077,1
Skatt	131,8	118,0	104,1
Resultat före skatt	1 309,5	1 220,7	1 181,2
Skatt	229,7	212,0	208,1
Resultat efter skatt	1 079,8	1 008,7	973,1

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	2010	2009	2008	2007	2006
Netresultat	2 118,8	2 384,2	2 091,0	2 323,8	2 234,1
Resultat före skatt	2 384,2	2 650,0	2 384,2	2 650,0	2 500,0
Skatt	265,4	265,8	293,2	326,2	265,9
Finansresultat	1 852,8	2 384,2	2 091,0	1 996,8	1 934,1
Finansnetto	1 852,8	2 384,2	2 091,0	1 996,8	1 934,1
Finansnetto före skatt	2 084,2	2 650,0	2 384,2	2 323,8	2 234,1
Skatt	231,4	265,8	293,2	326,2	265,9
Resultat före skatt	2 315,6	2 915,8	2 677,4	2 650,0	2 500,0
Skatt	123,8	118,0	118,0	118,0	118,0
Resultat efter skatt	2 191,8	2 797,8	2 559,4	2 532,0	2 382,0

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**Annual General Meeting
18 April 2013**

**Interim Report,
1 January – 31 March 2013
26 April 2013**

**Interim Report,
1 January – 30 June 2013
16 August 2013**

**Interim Report,
1 January – 30 September 2013
25 October 2013**

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