



Interim Report **January-June** 2013

# Results in brief

## SECOND QUARTER (APRIL–JUNE)

- Net sales increased to SEK 564 (561) m and gross profit rose to SEK 313 (308) m.
- Profit from property management improved, amounting to SEK 133 (110) m, equivalent to SEK 1.00 (0.80) per share.
- Profit/loss before tax was SEK 332 (8) m, and net profit/loss was SEK 261 (–671) m, or SEK 1.90 (–4.90) per share. The increase in net profit/loss is mainly due to the second quarter 2012 being charged with SEK –725 m of provisions for tax risks.
- Cash flow from operating activities was SEK 140 (122) m, or SEK 1.00 (0.90) per share.

## INTERIM PERIOD (JANUARY–JUNE)

- Net sales were down to SEK 1,051 (1,117) m, and gross profit decreased to SEK 594 (613) m due to a smaller property portfolio on average.
- Profit from property management was SEK 221 (227) m, or SEK 1.60 (1.70) per share.
- Profit/loss before tax was SEK 568 (382) m, and net profit/loss was SEK 469 (–558) m, or SEK 3.40 (–4.10) per share. The increase in net profit/loss is mainly due to the first half-year 2012 being charged with SEK –985 m of provisions for tax risks.
- Cash flow from operating activities was SEK 272 (242) m, or SEK 2.00 (1.80) per share.
- The property portfolio as of 30 June 2013 consisted of 278 (278) properties with a book value of SEK 15,947 (15,777) m.

# Significant events

## SECOND QUARTER (APRIL–JUNE)

- Kungsleden purchased 2 (–) properties for SEK 69 m and sold 3 (3) properties for SEK 22 (93) m, generating a profit of SEK 5 (17) m. In addition, Kungsleden agreed the purchase of another property for SEK 173 m, and the sale of a property in Germany for SEK 93 m, transactions reported in the second half-year.
- Biljana Pehrsson was appointed as Kungsleden AB's new Chief Executive succeeding Thomas Erséus, who left in April. She takes up her position on 1 September.

## INTERIM PERIOD (JANUARY–JUNE)

- On 15 February 2013, Kungsleden transferred possession of the shares of Hemsö to AP3 (the Third Swedish National Pension Fund), which also redeemed its SEK 1,500 m shareholder loan. Accordingly, Kungsleden significantly strengthened its liquidity. Simultaneously, Kungsleden took possession of 11 properties purchased from Hemsö for SEK 1,549 m.
- Kungsleden amortised loans in the first quarter.

## AFTER THE END OF THE PERIOD

- 5 properties were purchased for SEK 130 m, with completion in the third quarter. Including completed and agreed purchases in the first half-year, Kungsleden purchased a total of 8 properties for SEK 371 m.
- In mid-August, Kungsleden signed a memorandum of understanding with GE Capital Real Estate to purchase 84 properties for approximately SEK 5.5 billion. This transaction will not require Kungsleden to raise additional risk capital. A definitive purchase agreement is scheduled for October after due diligence concludes, with scheduled completion on the properties at the end of the year.

## PROFIT FROM PROPERTY MANAGEMENT

SEK m	2013 April–June	2012 April–June	2013 Jan.–June	2012 Jan.–June
Gross profit	313	308	594	613
Sales and administration costs	–32	–45	–84	–93
Net financial position	–148	–153	–289	–293
<b>Profit from property management</b>	<b>133</b>	<b>110</b>	<b>221</b>	<b>227</b>

# +21%

Profit from property management in April–June 2013 increased to SEK 133 m

# A comment from our Chief Executive

I'm satisfied with Kungsleden's progress in the second quarter, with the continued implementation of our new business strategy, property purchases and positive profit performance.

Work on identifying and screening suitable acquisition opportunities for our large-scale investment programme resulted in property purchases totalling SEK 371 m until the beginning of July. These properties are in selected Swedish growth regions in the office, retail and industrial/warehouse segments, with healthy property yield levels in the 7.5–8.3 per cent interval. The locations include Gothenburg, Lund and Norrköping.

With this type of property purchase, we've started to build a property portfolio that's attractive for the long term, and we still have a lot of capacity left. Over a horizon of a few years, we stated that we may make SEK 5–6 billion of investments, and we're seeing good investment opportunities in properties with moderate risk and property yields of 7.0–8.5 per cent.

In mid-August, Kungsleden signed a memorandum of understanding with GE Capital Real Estate to purchase 84 properties for approximately SEK 5.5 billion. This portfolio, of approximately 567,000 sq.m., is mainly located in Stockholm and Gothenburg, and the majority consists of office properties. Accordingly, this transaction would imply that planned investments are essen-

tially complete. It will not require Kungsleden to raise additional risk capital. A definitive purchase agreement is scheduled for October after due diligence concludes, with scheduled completion on the properties at the end of the year.

The creation of the property portfolio that is optimal for us also includes selling properties that lie outside the core focus of the new strategy, at the right time and an acceptable price. Such a concentration process occurred in the quarter, when we sold a retirement home property in Germany for approximately SEK 93 m, which was comparable to book value.

In the existing property portfolio, we made SEK 134 m of profitable investments in the first half-year as conversions and extensions, in consultation with tenants. These investments meant property values increasing through higher rent levels, and often, longer contract terms too.

It's pleasing that after a somewhat slow start to the year, we were able to turn around our net letting, so it was mildly positive for the first half-year as a whole.

As for profit performance, the second quarter returned a positive trend across the board. Net sales, gross profit and profit from property management all improved across the line. The increase in profit from property management is substantial, and apart from a higher gross profit in our property operation, is due to

lower central administration costs and better net financial position. Our program to reduce administration costs is starting to pay off as in the second quarter of 2013, these costs were SEK 32 m, against SEK 45 m in the corresponding quarter of the previous year, and SEK 52 m in the first quarter of 2013. In quarterly terms, there are some items affecting comparability, but the underlying cost trend is clearly downward.

There's nothing new to report regarding Kungsleden's tax proceedings. We judge that the risk in these proceedings is unchanged compared to the previous quarter. Some proceedings have been delayed, but in several cases, we anticipate rulings in autumn 2013.

At Kungsleden, we feel that we're creating shareholder value through the small and large-scale investments and activities initiated within the auspices of the company's new strategy. I and my colleagues at Kungsleden are looking forward to completing this journey together alongside our new Chief Executive Biljana Pehrsson, who joins us on 1 September.

Anders Kvist  
Interim Chief  
Executive



## Vision, business concept and financial targets

### VISION

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

### BUSINESS CONCEPT

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

### BUSINESS MODEL

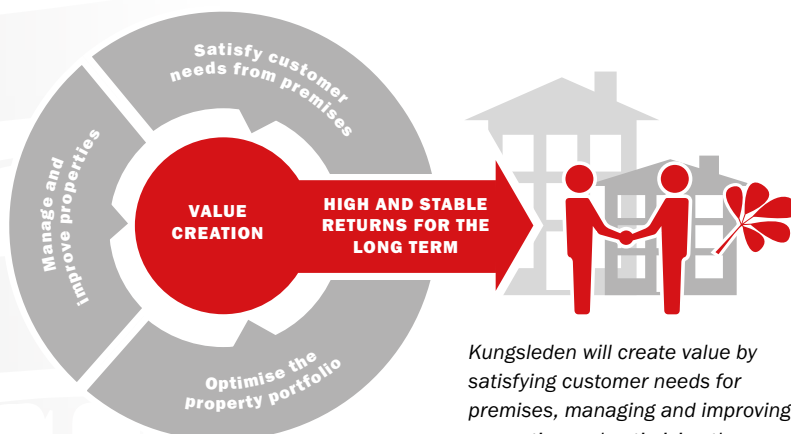
We concentrate on industrial/warehouse, office and retail premises in these growth regions:

- Greater Stockholm
- Mälaren valley
- South-western Sweden
- Growth locations in northern Sweden

### FINANCIAL TARGETS

To maximise cash flow growth, combined with a healthy balance sheet.

For the long term, Kungsleden will generate a return on equity exceeding the return on the stock market requires of the company's share. In the short to medium term, in current circumstances, the estimated required return on Kungsleden is not less than 10–12 per cent.



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

# Results

## RESULTS FOR THE SECOND QUARTER (APRIL-JUNE)

Net sales in the second quarter were SEK 564 (561) m, divided between rental revenues from properties of SEK 409 (409) m and modular buildings of SEK 67 (64) m, as well as sales revenues from manufactured modules of SEK 89 (88) m. Gross profit increased to SEK 313 (308) m, an increase primarily sourced from module manufacture.

Profit from property management increased by 21 per cent to SEK 133 (110) m. In addition to higher gross profit, the primary contributors to the profit increase were lower sales and administration costs, as well as an improved net financial position. Active measures to reduce administration costs contributed to a SEK 13 m decrease in costs to SEK 32 m. The net financial position of SEK -148 m, was SEK 5 m better than in the previous year, due to lower interest-bearing liabilities.

Profit before tax amounted to SEK 332 (8) m. The higher figure is primarily because of SEK 307 m of higher unrealised value changes in financial instruments after this year's interest rate increase, while the corresponding quarter of the previous year saw an interest rate decrease.

Profit/loss for the period was SEK 261 (-671) m. The SEK 932 m increase is mainly due to the previous year being charged with provisions for tax risks of SEK -725 m.

Profit from property management for the second quarter of SEK 133 m is up 51 per cent on the first quarter. The first quarter was charged with high operating costs related to the winter, and costs for the Chief Executive's resignation, while the whole second quarter was affected by the operating net from the portfolio purchased from Hemsö, reduced administration costs and lower interest costs after repayment of loans.

## RESULTS FOR THE INTERIM PERIOD (JANUARY-JUNE)

Net sales in the interim period were SEK 1,051 (1,117) m, divided between rental revenues from properties of SEK 790 (821) m and modular buildings of SEK 131 (127) m, as well as sales revenues from manufactured modules of SEK 130 (169) m. The decrease in rental revenues is due to the property portfolio in 2013 being smaller on average than in the corresponding period of the previous year as a consequence of property sales in 2012. The properties Kungsleden purchased from Hemsö at year-

end 2012 started generating revenues on 15 February this year.

Gross profit decreased by 3 per cent to SEK 594 (613) m due to the smaller property portfolio. Vacancies decreased, but the resulting positive profit effect did not compensate for increased heating costs in the long and cold winter of 2013.

Sales and administration costs were SEK 84 (93) m. SEK 19 (21) m of these costs were sourced from Nordic Modular and SEK 65 (72) m from group-wide operational costs and central administration within Kungsleden. The cost decrease is the result of cost measures executed and a large-scale marketing initiative that was conducted in 2012, but not this year.

The net financial position was largely unchanged and amounted to SEK -289 (-293) m. Utilising liquidity from the sale of the Hemsö shares, interest-bearing liabilities were amortised at the beginning of the year. This had a positive effect on interest costs, which mitigated the negative effect of higher interest margins and arrangement fees after re-financing the majority of bank borrowings in 2012.

Effective 2013, Kungsleden is reporting profit from property manage-

## INCOME STATEMENT

SEK m	Properties		Nordic Modular		Other/group-wide		Total Kungsleden	
	2013 Jan.-June	2012 Jan.-June	2013 Jan.-June	2012 Jan.-June	2013 Jan.-June	2012 Jan.-June	2013 Jan.-June	2012 Jan.-June
Rental revenues	790	821	131	127			921	948
Sales revenues, module manufacture			130	169			130	169
<b>Net sales</b>	<b>790</b>	<b>821</b>	<b>261</b>	<b>296</b>			<b>1,051</b>	<b>1,117</b>
Property costs	-284	-296	-55	-50			-339	-346
Costs for manufacturing modules			-118	-158			-118	-158
<b>Gross profit</b>	<b>506</b>	<b>525</b>	<b>88</b>	<b>88</b>			<b>594</b>	<b>613</b>
Sales and administration costs	-65	-72	-19	-21			-84	-93
Net financial position	-278	-278	-11	-15			-289	-293
<b>Profit from property management</b>	<b>163</b>	<b>175</b>	<b>58</b>	<b>52</b>			<b>221</b>	<b>227</b>
Value changes, properties								
Profit/loss from property sales	4	17					4	17
Unrealised value changes	-18	32	-	-10			-18	22
Unrealised value changes, financial instruments	361	116					361	116
<b>Profit/loss before tax</b>	<b>510</b>	<b>340</b>	<b>58</b>	<b>42</b>			<b>568</b>	<b>382</b>
Tax	-110	-94	-13	-9	-	-985	-123	-1 088
<b>Profit/loss from continuing operations</b>	<b>400</b>	<b>246</b>	<b>45</b>	<b>33</b>	<b>-</b>	<b>-985</b>	<b>445</b>	<b>-706</b>
Discontinued operation: Hemsö holding after tax					24	148	24	148
<b>Net profit/loss</b>	<b>400</b>	<b>246</b>	<b>45</b>	<b>33</b>	<b>24</b>	<b>-837</b>	<b>469</b>	<b>-558</b>



Gunilla Virdeborn, Property Controller, Hanna Tomasson, Assistant Technical Manager and Tobias Nilsson, Assistant Property Manager.

ment directly in its Income Statement. Profit from property management illustrates the profit from operating activities after financing costs, and for the interim period, amounted to SEK 221 (227) m. The fact that profit was lower SEK 6 m than the previous year is due to the smaller property portfolio, and costs resulting from a cold winter.

Profit from property sales was SEK 4 (17) m from a small number of sales executed, and final settlements from previous sales.

There were few value changes on investment properties in the period, amounting to SEK –18 (22) m.

Value changes on financial instruments were SEK 361 (116) m. The value change was primarily sourced from ris-

ing long interest rates. Payments of the higher fixed interest also meant that the negative market value of interest swap contracts progressively reduced, which affected value changes for the period by SEK 123 m.

Tax on net profit for the period was SEK –123 (–1,088) m. Tax corresponds to the reduced corporation tax rate of 22.0 per cent, and unlike the previous year, there has been no provisioning for tax risks.

In 2013, the profit from the Hemsö holding, of SEK 24 (148) m is recognised as a discontinued operation at the bottom of the Income Statement, in accordance with the relevant accounting principles.

Net profit/loss was SEK 469 (–558) m. The higher number is mainly due to the previous year being charged with SEK –985 m of provisions for tax risks.

#### 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 small enterprises and large corporations, active in sectors such as manufactured goods, transportation and retailing.

The largest tenant is ABB, which represents 16 per cent of total rental revenues. For the whole portfolio, the remaining contract term averaged 4.8 years. Net lettings in January–June were SEK 2 m of annual rent based on signed contracts less terminations.

# Progress in West region

West region managed barely 80 properties with a total value of SEK 2,843 m at the end of the second quarter, which is nearly 20 per cent of Kungsleden's total portfolio. The region is responsible for Kungsleden's properties in the counties of Västra Götaland, Halland and large parts of Småland.

The region's portfolio totals 465,000 sq.m. with rental value of SEK 308 m. Runsvengruppen (discount retailer ÖoB) is the largest tenant in terms of area and rental value. The property portfolio consists of office, warehousing/logistic and retail premises with its emphasis on industrial/logistics, which is a natural consequence of its proximity to the port of Gothenburg, and the fact that 30 per cent of Sweden's foreign trade passes through there.

West region is managed by a team of nine people.

## WESTERN SWEDEN AS A GROWTH REGION

The business cycle in western Sweden is hanging in the balance, and exports are currently the strongest engine. At the mid-point of the year, local businesses still had a cautious outlook, even if their expectations had become slightly more positive. In a three-month view, the forecast was above a neutral business cycle, while the twelve-month view firmed to between neutral and positive, according to the Western Sweden Chamber of Commerce. The Gothenburg region is one of the country's stronger labour markets.

## LETTINGS MARKET

The lettings market was strong in the quarter, and the demand for all types of property increased compared to a fairly hesitant first quarter. Interest grew generally in the region, and especially in locations such as Kungälv, Kungsbacka and Uddevalla.

Tenant decision processes for large-scale lettings remained careful and extensive. Clients were not exclusively seeking the lowest rent level, but were also interested in how well premises suited their operations. The decision-making process for smaller enterprises generally a little shorter.

As of 30 June, economic occupancy was 89.9 per cent for the region, compared to 90.0 per cent for the group. Operating net in relation to rental revenues (operating surplus margin) was 70.6 per cent, against 69.0 per cent for the group.

## NEW CUSTOMERS AND INVESTMENTS

The strong lettings market means expanding the portfolio in West region and makes investments including tenant adaptations attractive. Kungsleden purchased 2 warehouse and office properties totalling 13,700 sq.m. in Högsbo in the municipality of Gothenburg for just over SEK 70 m, with a rental value of just over SEK 10 m, and an initial property yield of approximately 8.3 per cent.

Tenant adaptations and other investments increased to a total of SEK 28 (12) m in the region in the quarter. A care home in the Municipality of Trollhättan was re-negotiated in the quarter. This contract involves an investment in tenant adaptations of approximately SEK 5 m, with the Municipality letting another 500 sq.m., as well as its current 8,000 sq.m. being extended on a ten-year lease contract.

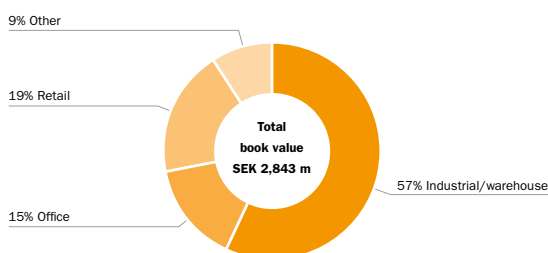
Interior designer Homestyle Göteborg signed a contract on 250 sq.m. effective from June.

Kungsleden also made tenant adaptations for RB Glas & Plast AB's move into 3,300 sq.m. premises in Partille on 1 April. In addition to these lettings, lease contracts were signed on additional areas of approximately 1,000 sq.m. for a number of smaller business and office tenants in Uddevalla, Kungälv and Kungsbacka.

Kopparbergs Bryggeridepå AB, Miljons Bil AB and Swedtire AB became new tenants at the end of the quarter, in conjunction with the purchases in Högsbo.



PROPERTY PORTFOLIO BY TYPE, WEST REGION





” We’re noting greater interest in lettings across the whole region, and particularly in locations such as Kungälv, Kungsbacka and Uddevalla

– Nicklas Arfvidsson, Manager of West region.



Nicklas Arfvidsson, Manager of West region.

# Assets and liabilities



Marielle Almgren, Project Manager, Transactions, Ylva Sarby Westman, Transaction Manager and Andreas Norberg, Project Manager, Transactions.

## PROPERTY PORTFOLIO

SEK m	2013 April–June	2013 Jan.–June
Properties at the beginning of the period	15,823	15,777
Purchases	69	69
Investments	65	134
Sales	-16	-18
Exchange rate fluctuations	8	3
Value changes	-2	-18
<b>Properties at the end of the period</b>	<b>15,947</b>	<b>15,947</b>

## PROPERTY PORTFOLIO

As of 30 June 2013, the property portfolio consisted of 278 (278) properties. The total area of properties and modular buildings was 2,452,000 (2,442,000) sq.m., and they had a book value of SEK 15,947 (15,777) m. 90 (90) per cent or book value was attributable to properties and 10 (10) per cent to modular buildings.

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

The increase in the book value of properties is mainly due to investments in existing properties, which amounted to SEK 134 (135) m, in which over half in three properties in Västerås and Nyköping. Investments are mainly in conversions and extensions of exist-

ing properties, and in consultation with tenants, so their operations can be conducted better and more effectively. Investments increase property value, through higher rent levels and often, also longer contract terms.

## PROPERTY TRANSACTIONS

The transaction market showed signs of increased activity in early 2013, and was followed by an increase in the number of transactions in the second quarter compared to 2012.

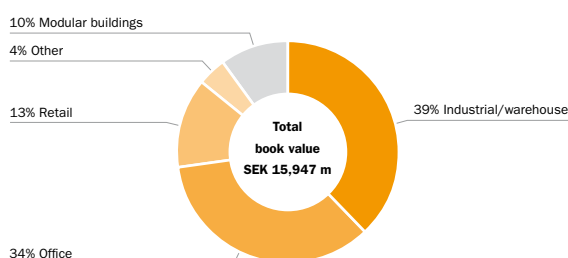
Kungsleden is actively screening acquisition opportunities. Kungsleden purchased 2 (-) properties for SEK 69 m in the first half-year. These were 2 warehouse and office properties of 14,000 sq.m. in Högsbo, Gothenburg. Kungsleden sold 3 (3) smaller properties of 4,000 sq.m. for SEK 22 (93) m, and

with final settlement of previous sales, this generated a profit of SEK 4 (17) m. In addition to these completed transactions, Kungsleden signed agreements to purchase 6 retail and warehouse properties in Lund, Halmstad, Norrköping and Örebro, with a value of SEK 302 m, around the mid-point of the year. These properties have total area of 41,000 sq.m., and the transactions will be completed and accounted as property holdings in the coming months.

These purchases, totalling SEK 371 m by the beginning of July, mean that Kungsleden has started to build, what for the long term will be the larger, and attractive, property portfolio dictated by its new business strategy. Kungsleden will own, manage and improve commercial properties in selected Swedish growth regions in the industrial/warehouse, office and retail segments, with good property yield levels, while considering risk.

The creation of the optimal property portfolio also includes selling properties that lie outside the core focus of this new strategy, at the right time and at an acceptable price. This occurred in the quarter, when Kungsleden sold a retirement home property in Germany for approximately SEK 93 m, which was comparable to book value, with this transaction completed and accounted in the third quarter.

## PROPERTY PORTFOLIO BY TYPE, 30 JUNE 2013





## EARNINGS CAPACITY

Kungsleden reports earnings capacity to supplement the Income Statement with a better view of the underlying profitability of current property operations. Earnings capacity illustrates Kungsleden's results as if the property portfolio as of 30 June 2013 had been held for the past 12 months, and thus offers an estimate of future earnings capacity in unchanged circumstances.

Progress of the existing portfolio and completions in the period resulted in a reduction of the operating net to SEK 1,294 m, compared to SEK 1,303 m at the beginning of the year. The decrease was mainly a result of a longer and colder winter than the previous year. At the end of the period, economic occupancy was 90.0 (89.3) per cent and the average property yield was 8.1 (8.3) per cent.

## EARNINGS CAPACITY<sup>1</sup>

	2013 30 Jun.	2012 31 Dec.
No. of properties	278	278
Leasable area, 000 sq.m.	2,452	2,442
Book value, SEK m	15,947	15,777
Rental value, SEK m	2,083	2,063
Rental revenues, SEK m	1,874	1,843
Operating net, SEK m <sup>2,3</sup>	1,294	1,303
Economic occupancy, %	90.0	89.3
Property yield, % <sup>2,3</sup>	8.1	8.3
Operating surplus margin, % <sup>2,3</sup>	69.0	70.7

## EARNINGS CAPACITY<sup>1</sup> BY TYPE

	Industrial/ warehouse	Office	Retail	Other	Modular buildings	Total
No. of properties	117	84	55	22	–	278
Leasable area, 000 sq.m.	1,211	667	263	80	231	2,452
Book value, SEK m	6,163	5,565	2,063	637	1,519	15,947
Rental value, SEK m	749	711	225	73	325	2,083
Rental revenues, SEK m	688	647	210	68	261	1,874
Operating net, SEK m <sup>2,3</sup>	513	419	150	41	171	1,294
Economic occupancy, %	91.9	91.0	93.4	93.0	80.3	90.0
Property yield, % <sup>2,3</sup>	8.3	7.5	7.3	6.5	11.3	8.1
Operating surplus margin, % <sup>2,3</sup>	74.5	64.6	71.6	61.0	65.5	69.0

## EARNINGS CAPACITY<sup>1</sup> 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	27	39	53	39	50	39	–	278
Leasable area, 000 sq.m.	155	161	241	683	305	416	260	231	2,452
Book value, SEK m	1,485	1,057	1,881	4,550	2,560	2,063	832	1,519	15,947
Rental value, SEK m	162	120	192	626	305	245	108	325	2,083
Rental revenues, SEK m	155	97	164	587	284	223	103	261	1,874
Operating net, SEK m <sup>2,3</sup>	109	56	125	384	188	176	85	171	1,294
Economic occupancy, %	95.4	81.3	85.6	93.8	92.9	91.1	95.1	80.3	90.0
Property yield, % <sup>2,3</sup>	7.3	5.3	6.6	8.5	7.3	8.5	10.2	11.3	8.1
Operating surplus margin, % <sup>2,3</sup>	70.2	57.9	75.8	65.5	66.2	79.0	82.6	65.5	69.0

1 Earnings capacity shows the appearance of the Income Statement as if the portfolio as of 30 June 2013 had been held for the past 12 months.

2 In the Income Statement, the group's operating net is charged with costs for property administration, which is not included in individual property operating nets in earnings capacity. In the past 12 months, property administration was SEK 60 m.

3 The operating net for modular buildings was previously subject to a standard charge of SEK -86 m. Due to the fact that effective 2013, property costs in the Income Statement are charged with re-investment in modular buildings, there is no longer any standard charge when measuring earnings capacity. The information for earnings capacity as of 31 December 2012 has been restated for comparability, which increased the property yield at year-end of Kungsleden's whole property portfolio from 8.0 per cent to 8.3 per cent.

## NORDIC MODULAR

Nordic Modular is a unit within Kungsleden alongside conventional properties. Operations encompass the letting and sale of modular buildings. Approximately 75 per cent of modular buildings are let to local government.

As of 30 June, modular buildings had a total area of 231,000 (231,000) sq.m. and book value of SEK 1,519 (1,509) m.

Rental revenues for modular buildings were SEK 131 (127) m in the period with gross profit of SEK 76 (77) m. The revenue increase was insufficient to offset increased costs for re-investment in the portfolio, which was temporarily lower in 2012. Occupancy varied in the most recent period, but has been tracing an upward trend, and was 80.3 (79.8) per cent at the end of the period.

Sales of Modular buildings were SEK 130 (169) m, since significant production for letting was performed instead of sale.

Gross profit increased slightly to SEK 12 (11) m. Plant order books at the end of the quarter were better than at year-end, and one year previously. At the beginning of the period, 20 employees at Gråbo were issued with redundancy notices, although no terminations have required completion yet.

## NORDIC MODULAR

SEK m	2013		2012	
	Jan.-June	Jan.-June	Jan.-June	Jan.-June
Rental revenues	131	127		
Property costs	-55	-50		
<b>Gross profit, modular lettings</b>	<b>76</b>	<b>77</b>		
Sales revenues	130	169		
Costs for manufacturing modules	-118	-158		
<b>Gross profit, module manufacture</b>	<b>12</b>	<b>11</b>		
Sales and administration costs	-19	-21		
Net financial position <sup>1</sup>	-11	-15		
<b>Profit from property management</b>	<b>58</b>	<b>52</b>		
Value changes, properties				
Profit/loss from property sales	0	0		
Unrealised value changes	-	-10		
Unrealised value changes, financial instruments <sup>1</sup>	-	-		
<b>Profit before tax</b>	<b>58</b>	<b>42</b>		
Tax	-13	-9		
<b>Profit for the period<sup>1</sup></b>	<b>45</b>	<b>33</b>		
SEK m	2013		2012	
	30 June	31 Dec.	30 June	31 Dec.
Modular buildings	1,519	1,509		

<sup>1</sup> The allocation of interest for the Nordic Modular segment is based on directly attributable loans effective 2013. Nor will any interest derivatives be allocated to Nordic Modular going forward. The comparative period for 2012 has been restated.

## FUNDING

At the end of the period, the loan portfolio amounted to SEK 7,518 (9,704) m. The contraction of loan volumes since year-end is primarily due to the amortisation effected in the first quarter of 2013 utilising the liquidity freed up from the sale of the holding in Hemsö. Borrowing increased slightly again in the second quarter, as a result of factors including loans being arranged to finance property purchases.

Credit facilities of SEK 613 m that mature in the current year were refinanced in the quarter, through the arrangement of a new, SEK 525 m, three-year credit facility. With this refinancing, the nominal amounts that mature in the next 12 months reduced, and amounted to SEK 644 m as of 30 June. The average conversion time for utilised loans amounted to 2.1 (2.3) years at the end of the second quarter.

## Financing costs

Interest costs in the net financial position decreased by SEK 27 m to SEK 267 (294) m in the first half-year 2013. Mainly, this was due to loan volumes in 2013 being lower after the amortisation effected at the beginning of the year. Restructuring of interest swaps in 2012 also had a positive impact on the net financial position in 2013. However, higher arrangement fees from the refinancing of bank credit facilities affected in 2012 and commitment commission on larger, un-utilised credit facilities had a negative effect. Overall, the net financial position was largely unchanged compared to the corresponding period of the previous year.

The average interest rate as of 30 June 2013 was 7.9 per cent, compared to 6.8 per cent at year-end and 8.1 per cent at the end of the first quarter 2013. The change in 2013 relates mainly to the effect of loan amortisation in the first quarter. While the amortiza-

tion reduces interest payments charged against profit, the reduced debt also induces an increased average interest rate. This follows from the higher fixed interest for Kungsleden's interest swap contracts being allocated on a lower loan amount. Average interest is not appropriate for estimating Kungsleden's forthcoming financing cost because it will reduce when borrowings increase again as loan-financed property purchases are executed.

The weighted average remaining fixed-interest period for loans and interest swap contracts has increased to 5.9 (5.1) years since year-end. The change is also an effect of loan amortisation.

Kungsleden has covenants to lenders regarding interest coverage and loan to value ratios, all of which were satisfied as of 30 June 2013. Including discontinued operations, the interest coverage ratio was a multiple of 1.8 (2.7). The loan to value ratio for all secured loans, i.e. all loans except bond issues, was 38 (51) per cent at group level. The loan to value ratio has improved sharply compared to the previous year-end, explained by amortisation effected in the period. As Kungsleden acquires more properties, the loan to value ratio will increase.

## Value growth, financial instruments

The negative market value of financial instruments (interest swaps) improved in the period, and was SEK -761 m as of 30 June, compared to SEK -1,121 m at the beginning of the year, which is a SEK 360 m decrease. SEK 197 m of this was in the second quarter. The change in the negative market value is recognised as unrealised value changes on financial instruments in the Income Statement. The improvement in negative market value in 2013 is based partly on market interest rates on long maturities rising, generating an effect of SEK 237 m, and partly on the negative market value

## INTEREST COSTS AND AVERAGE INTEREST RATE<sup>1</sup>

Loans, derivatives and fees on the reporting date	Annual cost, SEK m		Average interest rate, %	
	2013 30 June	2012 31 Dec.	2013 30 June	2012 31 Dec.
Interest on bank borrowings and bond issues <sup>2</sup> (Stibor 90 days, interest margin and arrangement fees)	-297	-402	3.9	4.1
Difference between Stibor 90 days and fixed interest on interest derivatives	-262	-242	3.5	2.5
Commitment commission for additional liquidity reserve due to tax risks	-29	-	0.4	-
Commitment commission, other liquidity reserve	-9	-11	0.1	0.1
<b>Interest costs and average interest rate</b>	<b>-597</b>	<b>-655</b>	<b>7.9</b>	<b>6.8</b>

<sup>1</sup> The average interest rate is calculated by setting interest costs from loans and interest swaps, arrangement fees and costs for un-utilised credit facilities in relation to outstanding loan volume on the reporting date.

<sup>2</sup> Interest-bearing liabilities were SEK 7,518 m as of 30 June 2013 and SEK 9,704 m as of 31 December 2012.

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

As of 30 June 2013, SEK m	Utilised credits	Un-utilised credits	Total credits
2013		260	260
2014	1,490		1,490
2015	2,890	3,600	6,490
2016	3,138	50	3,188
<b>Total</b>	<b>7,518</b>	<b>3,910</b>	<b>11,428</b>
<b>Average conversion term, years</b>	<b>2.1</b>		<b>1.9</b>

progressively reducing through ongoing interest payments in interest swap contracts, generating the remaining effect of SEK 123 m. The value of other financial instruments (share swaps) improved by SEK 1 m, resulting in total unrealised value changes in the Income Statement in the period amounting to SEK 361 m.

### Liquidity

Cash and un-utilised granted credit facilities amounted to approximately SEK 4,295 (1,881) m as of 30 June, of which un-utilised credits represented SEK 3,910 (1,160) m. Kungsliden is maintaining a liquidity contingency for its ongoing tax proceedings. It estimates the maximum negative liquidity effect at SEK 2,930 m as of 30 June.

### EQUITY AND FINANCIAL POSITION

Equity was SEK 8,061 (7,726) m at the end of the period, or SEK 59 (57) per share, corresponding to an equity ratio of 47 (37) per cent.

Amortisation after the sale of Hemsö has resulted in the loan to value ratio reducing from 61 per cent to 47 per cent in 2013. This lower loan volume has also implied lower interest costs and increased un-utilised credit facilities to over SEK 4 billion. However, this situation is temporary, awaiting the execution of further property purchases.

### TAX POSITION

In recent years, the Swedish Tax Agency and courts have altered their view of how laws and practice should be interpreted in several tax segments. Against this background, the Swedish Tax Agency's view of certain transactions exe-

cuted has differed from Kungsliden's, which has resulted in a number of court proceedings. Kungsliden is contesting the tax claims that the Swedish Tax Agency and courts have ruled on to date, and the company either has, or will be, appealing against all rulings.

Kungsliden continuously evaluates 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 considers relevant tax cases that are progressively ruled by the courts.

During the second quarter, nothing emerged that alters the company's fundamental view of ongoing proceedings, and accordingly, there was no change to provisioning. At the end of the second quarter, total provisioning for ongoing tax proceedings was SEK 708 m. This is unchanged on the Interim Report for the first quarter.

It is not possible to offer a precise estimate of the outcome of tax proceedings at present. If the Swedish Tax Agency's claims prevail, Kungsliden judges that the reassessment of income may be partly offset by deductible loss carry-forwards, which means that taxes payable (corporation tax, and in certain cases, tax surcharges and interest) will be less than the reassessment of

income that the Swedish Tax Agency is claiming. This limits the negative liquidity effect for Kungsliden. The group also has deductible loss carry-forwards that have not yet been capitalised that may limit the negative effect on equity.

### Estimate of maximum negative effects

Kungsliden has attempted to estimate the possible scale of the negative effects on equity and liquidity from negative outcomes in all transactions that the Swedish Tax Agency is questioning. If all outstanding proceedings are found against the company, Kungsliden judges the maximum negative effect on equity at SEK 2,940 m over and above the provisions of SEK 708 m made. Simultaneously, Kungsliden estimates the maximum negative liquidity effect, including tax surcharges and interest, at SEK 2,930 m, over and above the SEK 160 m already paid in anticipation of definitive ruling. The estimate of maximum profit and liquidity effects as been adjusted by SEK 10 m compared to the previous Interim Report. The background of this minor adjustment is new interest rate computations as an effect of courts reporting that rulings will be made later than expected, and that the base interest rate on tax accounts has been increased.

### Contested situations

The various tax proceedings relate to three segments: property sales, property purchases and restructuring within the Kungsliden group. More information on these circumstances is stated on pages 69–71 of the Annual Report for 2012. Significant events are reported as they occur between Interim Reports.

### ESTIMATE OF MAXIMUM NEGATIVE EFFECT OF OUTSTANDING TAX PROCEEDINGS

SEK m	Effect on equity	Liquidity effect
Provision, Q2 2009	325	0
Provision, Q2 2012	383	160
Deposited in anticipation of ruling	–	–
<b>Total provisioning for tax cases</b>	<b>708</b>	<b>160</b>
Tax cases not provisioned	2,940	2,930
Deposited in anticipation of ruling	–	–160
<b>Total</b>	<b>3,648</b>	<b>2,930</b>

# Other information

## ORGANISATION AND HUMAN RESOURCES

Kungsleden is organised into property-managing regions and Nordic Modular. The regions are South, West, Mälaren Valley and North, with Stockholm included in North region.

The average number of employees in the interim period was 259 (267). 175 (188) people worked for Nordic Modular, 145 (157) of them on manufacturing modules.

Biljana Pehrsson becomes Kungsleden's Chief Executive on 1 September. She has been a Board member of Kungsleden since 2011, and joins the company from East Capital Private Equity AB, where she is Head of real estate and Deputy CEO. Deputy Chief Executive and CFO Anders Kvist is Interim Chief Executive until Biljana takes up her position. Cecilia Gannedahl, who was HR and Corporate Communications Director, left in June.

## PARENT COMPANY

The profit of the parent company for the period was SEK 215 (34) m. Profit was primarily sourced from reversed provisions for the group's interest derivatives, whose negative market values decreased due to interest rates on longer maturities increasing in the period. Sales were SEK 28 (31) m, which were revenues from group companies.

Assets at the end of the period mainly consisted of participations in group companies of SEK 8,083 (7,801) m. Funding was primarily through equity, which was SEK 6,008 (5,931) m at the end of the period, whereby an equity ratio of 42 (43) per cent.

## SHAREHOLDERS

As of 30 June 2013	No. of shares	% of vote and capital
Welandson Gösta and companies	17,861,810	13.1
Länsförsäkringar Funds	5,661,218	4.1
Norges Bank Investment Management	5,403,432	4.0
Florén Olle and companies	3,594,250	2.6
SHB Funds	2,930,333	2.1
BlackRock Funds (USA)	2,221,067	1.6
Fourth AP Fund/AP4	1,849,742	1.4
Second AP Fund/AP2	1,640,733	1.2
Danske Invest Funds (Sweden)	1,606,429	1.2
Swedbank Robur Funds	1,339,108	1.0
<b>Total, ten largest shareholders</b>	<b>44,108,122</b>	<b>32.3</b>
Board and management	128,750	0.1
Foreign shareholders, other	31,033,772	22.7
Other shareholders	61,231,420	44.9
<b>Total</b>	<b>136,502,064</b>	<b>100.0</b>

Source: SIS Ägarservice



Peter Versén, Technical Manager

## THE SHARE AND SHAREHOLDERS

The closing share price on 30 June 2013 was SEK 39.20. Compared to the closing price at the end of 2012, which was SEK 35.40, the price increased by 11 per cent. The OMX Stockholm Real Estate PI rose by 7 per cent in the same period. As of 30 June, Kungsleden had 19,756 shareholders, approximately the same number as at year-end.

The Annual General Meeting (AGM) on 18 April approved the Board of Directors' proposed dividend of SEK 1.00 (2.60) per share, which was paid on 26 April.

## RISKS AND UNCERTAINTY FACTORS

Kungsleden's operations, results of operations and financial position are affected by a number of risk factors. These relate primarily to properties and finance. At present, there are also risks in tax proceedings.

Profit from property management and cash flow are mainly dependent on the progress of the Swedish economy. The aggregate risk in property values depends on geographical diversity, property type, property size, contract term, tenant structure, technical standard, etc.

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 Kungsleden's risks and their management can be found on pages 67–71 in the Annual Report 2012.

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.

## POST-BALANCE SHEET EVENTS

Kungsleden purchased 5 retail and warehouse properties in Halmstad, Norrköping and Örebro for SEK 130 m. Kungsleden will take possession, and they will be included in the property portfolio, in the third quarter.

In mid-August, Kungsleden signed a memorandum of understanding with GE Capital Real Estate to purchase 84 properties for approximately SEK 5.5 billion. This portfolio, of approximately 567,000 sq.m., is mainly located in Stockholm and Gothenburg, and the majority consists of office properties. This transaction will not require Kungsleden to raise additional risk capital. A definitive purchase agreement is scheduled for October after due diligence concludes, with scheduled completion on the properties at the end of the year.

# Financial Reporting, 1 Jan. – 30 June 2013

## INCOME STATEMENT<sup>1</sup>

SEK m	Reporting period		Interim period		12 months	
	2013 April–June	2012 April–June	2013 Jan.–June	2012 Jan.–June	2012/2013 July–June	2012 Jan.–Dec.
Rental revenues—properties	408.5	408.9	790.4	820.7	1,552.8	1,583.1
Rental revenues—modular buildings	66.5	63.8	131.2	126.8	261.0	256.6
Sales revenues, module manufacture	89.0	88.4	129.8	169.3	230.8	270.3
<b>Net sales</b>	<b>564.0</b>	<b>561.1</b>	<b>1,051.4</b>	<b>1,116.8</b>	<b>2,044.6</b>	<b>2,110.0</b>
Property costs—properties <sup>1</sup>	-143.0	-141.1	-284.7	-296.3	-526.0	-551.1
Property costs—modular buildings <sup>1</sup>	-27.4	-25.8	-55.2	-49.5	-102.4	-83.2
Costs for module manufacture <sup>1</sup>	-81.1	-86.3	-118.0	-157.8	-218.3	-258.1
<b>Gross profit</b>	<b>312.5</b>	<b>307.9</b>	<b>593.5</b>	<b>613.2</b>	<b>1,197.9</b>	<b>1,217.6</b>
<i>of which operating net—properties</i>	<i>265.5</i>	<i>267.8</i>	<i>505.7</i>	<i>524.4</i>	<i>1,026.8</i>	<i>1,032.0</i>
<i>of which operating net—modular buildings</i>	<i>39.1</i>	<i>38.0</i>	<i>76.0</i>	<i>77.3</i>	<i>158.6</i>	<i>173.4</i>
<i>of which gross profit—module manufacture</i>	<i>7.9</i>	<i>2.1</i>	<i>11.8</i>	<i>11.5</i>	<i>12.5</i>	<i>12.2</i>
<b>Sales and administration costs<sup>1</sup></b>	<b>-31.5</b>	<b>-44.9</b>	<b>-84.0</b>	<b>-93.0</b>	<b>-178.3</b>	<b>-187.3</b>
<b>Net financial position</b>						
Financial revenues <sup>2</sup>	4.0	9.3	8.5	18.2	21.3	31.0
Interest costs <sup>2</sup>	-136.2	-150.7	-267.3	-293.6	-552.4	-578.7
Other financial costs	-15.7	-11.6	-29.7	-17.6	-49.9	-37.8
	<b>-147.9</b>	<b>-153.0</b>	<b>-288.5</b>	<b>-293.0</b>	<b>-581.0</b>	<b>-585.5</b>
<b>Profit from property management</b>	<b>133.1</b>	<b>110.0</b>	<b>221.0</b>	<b>227.2</b>	<b>438.6</b>	<b>444.8</b>
<b>Value changes, investment properties</b>						
Profit/loss from property sales	4.7	-2.9	4.3	16.7	3.8	16.2
Unrealised value changes <sup>1</sup>	-1.9	11.3	-18.2	21.9	-60.4	-20.3
	<b>2.8</b>	<b>8.4</b>	<b>-13.9</b>	<b>38.6</b>	<b>-56.6</b>	<b>-4.1</b>
<b>Unrealised value changes, financial instruments</b>	<b>196.4</b>	<b>-110.5</b>	<b>360.8</b>	<b>116.0</b>	<b>174.9</b>	<b>-69.9</b>
<b>Profit/loss before tax<sup>2</sup></b>	<b>332.3</b>	<b>7.9</b>	<b>567.9</b>	<b>381.8</b>	<b>556.9</b>	<b>370.8</b>
<b>Tax</b>	<b>-71.5</b>	<b>-742.1</b>	<b>-123.3</b>	<b>-1,087.5</b>	<b>150.9</b>	<b>-813.3</b>
<b>Net profit/loss from continuing operations</b>	<b>260.8</b>	<b>-734.2</b>	<b>444.6</b>	<b>-705.7</b>	<b>707.8</b>	<b>-442.5</b>
<b>Discontinued operation<sup>2</sup></b>						
Profit/loss from Hemsö holding, net after tax	-	63.7	24.0	147.9	670.5	794.4
<b>Net profit/loss<sup>3</sup></b>	<b>260.8</b>	<b>-670.5</b>	<b>468.6</b>	<b>-557.8</b>	<b>1,378.3</b>	<b>351.9</b>
<b>Earnings per share<sup>4</sup></b>	<b>1.90</b>	<b>-4.90</b>	<b>3.40</b>	<b>-4.10</b>	<b>10.10</b>	<b>2.60</b>
<b>Earnings per share from continuing operations<sup>4</sup></b>	<b>1.90</b>	<b>-5.40</b>	<b>3.30</b>	<b>-5.20</b>	<b>5.30</b>	<b>-3.20</b>

1 In 2013, all costs of an administrative character that are directly attributable to letting or module sales are recognised as property costs and costs for manufacturing modules respectively. Previously, all these costs were recognised as sales and administration costs. In addition, re-investments of up to SEK 50 m per year corresponding to wear of modular buildings are recognised as property costs—modular buildings. Results for previous periods have been restated, where in the case of re-investments, a reclassification of SEK 40 m has occurred for the full year 2012 from unrealised value changes. Profit before tax was not affected by these changes.

2 Kungsleden relinquished possession of the Hemsö holding in 2013, which was previously an independent segment. All profit/loss items from the Hemsö holding (profit participation, interest income and interest costs) are recognised in 2013 in the Income Statement as discontinued operations at the bottom of the Income Statement. Comparative figures have been restated, without any effect on net profit/loss after tax.

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

4 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		Interim period		12 months	
	2013 April–June	2012 April–June	2013 Jan.–June	2012 Jan.–June	2012/2013 July–June	2012 Jan.–Dec.
Net profit/loss after tax	260.8	–670.5	468.6	–557.8	1,378.3	351.9
Other comprehensive income (items that can be reclassified to net profit/loss)						
Translation differences transferred to net profit/loss	–	–	–	–	–	16.9
Participation in Hemsö's other comprehensive income (discontinued operation)	–	–	–	–	–5.5	–5.5
Translation differences for the period when translating foreign operations	7.8	–3.1	2.6	–6.5	8.1	–1.0
<b>Comprehensive income for the period<sup>1</sup></b>	<b>268.6</b>	<b>–673.6</b>	<b>471.2</b>	<b>–564.3</b>	<b>1,380.9</b>	<b>362.3</b>

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

## STATEMENT OF FINANCIAL POSITION

SEK m	30 June 2013	31 Dec. 2012
<b>ASSETS</b>		
Goodwill	201.4	201.4
Investment properties—properties	14,314.6 <sup>1</sup>	14,246.7 <sup>1</sup>
Investment properties—modular buildings	1,518.7 <sup>1</sup>	1,509.3 <sup>1</sup>
Properties used in business operations	21.1 <sup>1</sup>	21.1 <sup>1</sup>
Equipment	13.1	13.9
Deferred tax assets	82.1	206.7
Other long-term receivables	229.6	244.0
<b>Total current assets</b>	<b>16,380.6</b>	<b>16,443.1</b>
Inventories	13.9	17.1
Receivable from AP3	–	3,362.9
Current receivables	199.5	355.4
Properties held for sale	93.0 <sup>1</sup>	–
Cash and bank balances	427.3	721.2
<b>Total current assets</b>	<b>733.7</b>	<b>4,456.6</b>
<b>TOTAL ASSETS</b>	<b>17,114.3</b>	<b>20,899.7</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>8,061.1</b>	<b>7,726.4</b>
<b>Interest-bearing liabilities</b>		
Liabilities to credit institutions	5,919.1	8,104.7
Bond issues (unsecured)	1,599.2	1,599.2
<b>Interest-bearing liabilities</b>	<b>7,518.3</b>	<b>9,703.8</b>
<b>Non-interest-bearing liabilities</b>		
Provisions	58.7	57.7
Derivatives <sup>2</sup>	763.7	1,124.5
Tax liability	–	20.5
Other non-interest-bearing liabilities	712.5	2,266.8
<b>Non-interest-bearing liabilities</b>	<b>1,534.9</b>	<b>3,469.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17,114.3</b>	<b>20,899.7</b>

1 The overall property portfolio amounted to SEK 15,947.4 (15,777.2) m as of 30 June 2013. Kungsleden values its properties on the basis of an internal valuation model, which is an integrated component of its business process, where each property has a business plan. A combination of location-price method and present value calculations of cash flow with a forecast period of five years plus a subsequent residual value is the basis of the valuation. Factors considered include rent levels, vacancies, operation and maintenance costs, property age, status and usage.

2 Kungsleden has a number of OTC derivatives used to financially hedge interest risks, primarily interest swaps. There is also one share swap. These financial instruments are measured at fair value in the Statement of Financial Position on the derivatives line, and the value changes of these instruments is recognised in the Income Statement. Derivatives are measured using valuation techniques that are based on observable market data (tier 2).

## STATEMENT OF CHANGES IN EQUITY

SEK m	30 June 2013	31 Dec. 2012
<b>At beginning of period</b>	<b>7,726.4</b>	<b>7,719.0</b>
Dividend	–136.5	–354.9
Comprehensive income for the period	471.2	362.3
<b>At end of period</b>	<b>8,061.1</b>	<b>7,726.4</b>

## STATEMENT OF CASH FLOWS

SEK m	Reporting period		Interim period		12 months	
	2013 April–June	2012 April–June	2013 Jan.–June	2012 Jan.–June	2012/2013 July–June	2012 Jan.–Dec.
<b>Operating activities</b>						
Profit/loss before tax	332.3	7.9	567.9	381.8	556.9	370.8
Profit/loss from property sales	-4.7	2.8	-4.3	-16.7	-3.8	-16.2
Unrealised value changes	-194.5	109.3	-342.6	-117.9	-94.8	129.9
Dividend and cash flow relating to Hemsö (discontinued operation)	-	52.1	24.0	52.1	24.0	52.1
Other adjustment for items not included in cash flow from operating activities	7.0	31.1	26.5	29.0	-34.6	-32.1
Tax paid	0.0	-81.0	0.0	-86.0	-256.0	-342.0
<b>Cash flow from operating activities</b>	<b>140.1</b>	<b>122.2</b>	<b>271.5</b>	<b>242.3</b>	<b>191.7</b>	<b>162.5</b>
Changes in working capital	97.5	-202.5	-331.5	-323.1	388.1	396.5
<b>Cash flow from operating activities after change in working capital</b>	<b>237.6</b>	<b>-80.3</b>	<b>-60.0</b>	<b>-80.8</b>	<b>579.8</b>	<b>559.0</b>
<b>Cash flow from investing activities</b>	<b>-120.3</b>	<b>-55.2</b>	<b>2,826.3</b>	<b>-50.6</b>	<b>3,674.0</b>	<b>797.1</b>
<b>Cash flow from financing activities</b>	<b>-28.7</b>	<b>-134.1</b>	<b>-3,063.0</b>	<b>-251.5</b>	<b>-4,124.6</b>	<b>-1,313.1</b>
<b>Cash flow for the period</b>	<b>88.6</b>	<b>-269.6</b>	<b>-296.7</b>	<b>-382.9</b>	<b>129.2</b>	<b>43.0</b>
Cash and cash equivalents at beginning of period	331.4	570.5	721.2	683.9	297.9	683.9
Exchange rate difference in cash and cash equivalents	7.3	-3.0	2.8	-3.1	0.2	-5.7
<b>Cash and cash equivalents at end of period</b>	<b>427.3</b>	<b>297.9</b>	<b>427.3</b>	<b>297.9</b>	<b>427.3</b>	<b>721.2</b>

## SEGMENT REPORTING

SEK m	Properties <sup>1</sup>		Nordic Modular <sup>1</sup>		Other/group wide		Total Kungsleden	
	2013 Jan.–June	2012 Jan.–June	2013 Jan.–June	2012 Jan.–June	2013 Jan.–June	2012 Jan.–June	2013 Jan.–June	2012 Jan.–June
Rental revenues	790.4	820.7	131.2	126.8			921.6	947.5
Sales revenues, modules			129.8	169.3			129.8	169.3
<b>Net sales</b>	<b>790.4</b>	<b>820.7</b>	<b>261.0</b>	<b>296.1</b>			<b>1,051.4</b>	<b>1,116.8</b>
Property costs <sup>2</sup>	-284.7	-296.3	-55.2	-49.5			-339.9	-345.8
Costs for module manufacture <sup>2</sup>			-118.0	-157.8			-118.0	-157.8
<b>Gross profit/loss</b>	<b>505.7</b>	<b>524.4</b>	<b>87.8</b>	<b>88.8</b>			<b>593.5</b>	<b>613.2</b>
Sales and administration costs <sup>2</sup>	-65.0	-72.4	-19.0	-20.6			-84.0	-93.0
Net financial position	-277.5	-278.3	-11.0	-14.7			-288.5	-293.0
<b>Profit from property management</b>	<b>163.2</b>	<b>173.7</b>	<b>57.8</b>	<b>53.5</b>			<b>221.0</b>	<b>227.2</b>
Value changes, investment properties								
Profit/loss from property sales	4.3	16.7					4.3	16.7
Unrealised value changes	-18.2	31.9	-	-10.0			-18.2	21.9
Unrealised value changes, financial instruments	360.8	116.0					360.8	116.0
<b>Profit/loss before tax</b>	<b>510.1</b>	<b>338.3</b>	<b>57.8</b>	<b>43.5</b>			<b>567.9</b>	<b>381.8</b>
Tax	-110.1	-93.1	-13.2	-9.4			-985.0	-123.3
<b>Profit/loss from continuing operations</b>	<b>399.6</b>	<b>245.2</b>	<b>45.0</b>	<b>32.8</b>			<b>-985.0</b>	<b>-705.7</b>
Discontinued operation: Hemsö holding, after tax					24.0	147.9	24.0	147.9
<b>Net profit/loss for the period</b>	<b>399.6</b>	<b>245.2</b>	<b>45.0</b>	<b>32.8</b>	<b>24.0</b>	<b>-837.1</b>	<b>468.6</b>	<b>-557.8</b>
Properties	14,428.7	14,215.8	1,518.7	1,534.6	-	-	15,947.4	15,750.4
Purchases and investments, properties	191.1	118.1	12.3	17.3	-	-	203.4	135.4

<sup>1</sup> The allocation of interest for the Nordic Modular segment is based on directly attributable loans effective 2013. No interest derivatives have been allocated to Nordic Modular. Comparative figures have been restated.

<sup>2</sup> In 2013, direct sales and administration costs are recognised as property costs and costs for module manufacture respectively, which is a change from previously, when all costs were recognised on the sales and administration costs line. Similarly, property costs for modular buildings are charged with re-investments in the portfolio. Comparative figures have been restated to achieve comparability.

## KEY FIGURES

	Reporting period		Interim period		12 months	
	2013 April–June	2012 April–June	2013 Jan.–June	2012 Jan.–June	2012/2013 July–June	2012 Jan.–Dec.
<b>Property-related</b>						
<i>Earnings capacity</i>						
Property yield, % <sup>1</sup>					8.1	8.3
Economic occupancy, %					90.0	89.3
Operating surplus margin, % <sup>1</sup>					69.0	70.7
<i>Actuals</i>						
Property yield, % <sup>1</sup>	7.7	7.8	7.3	7.7	7.5	7.7
Economic occupancy, %	90.6	89.5	90.6	89.7	90.1	89.6
Operating surplus margin, % <sup>1</sup>	64.1	64.7	63.1	63.5	65.4	65.5
<b>Financial</b>						
Profit from property management, SEK m	133	110	221	227	439	445
Net profit/loss, SEK m	261	-670	469	-558	1,378	352
Return on total capital, % <sup>1</sup>	6.7	6.4	5.7	6.8	9.2	8.8
Return on equity, %	13.0	-36.7	11.9	-15.4	18.5	4.6
Return on capital employed, % <sup>1</sup>	7.5	7.4	6.6	7.8	10.3	10.5
Interest coverage ratio, multiple <sup>1</sup>	1.9	1.9	1.8	2.1	2.7	2.7
Equity ratio, %					47.1	37.0
Gearing, multiple					0.9	1.3
Loan to value ratio, %					47.1	61.5
Cash flow from operating activities, SEK	140	122	272	242	192	163
<b>Data per share</b>						
Share price, SEK					39.20	35.40
Dividend, SEK					1.00	2.60
Total yield, %					16.6	-17.4
Dividend yield, %					2.6	7.3
P/E ratio, multiple					3.9	13.7
Gross profit, SEK <sup>1</sup>	2.30	2.30	4.40	4.50	8.80	8.90
Profit from property management, SEK	1.10	0.80	1.80	1.70	3.40	3.30
Net profit/loss, SEK	1.90	-4.90	3.40	-4.10	10.10	2.60
Property book value, SEK					116.80	115.60
Equity, SEK					59.10	56.60
Cash flow from operating activities, SEK	1.00	0.90	2.00	1.80	1.40	1.20
Outstanding and average number of shares <sup>2</sup>	136,502,064	136,502,064	136,502,064	136,502,064	136,502,064	136,502,064

1. The amended principles for recognising sales and administration costs, which effective 2013, are partly recognised in operating net/gross profit/loss and costs for re-investments in modular buildings as a property cost, affect several key figures. Previous periods' key figures have been restated.

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

## PARENT COMPANY INCOME STATEMENT

SEK m	Reporting period		Interim period		12 months	
	2013 April–June	2012 April–June	2013 Jan.–June	2012 Jan.–June	2012/2013 July–June	2012 Jan.–Dec.
Intragroup revenues	16.6	9.2	28.3	30.6	59.1	61.4
Administration costs	-8.0	-11.8	-26.9	-23.6	-59.7	-56.4
<b>Operating profit/loss</b>	<b>8.6</b>	<b>-2.6</b>	<b>1.4</b>	<b>7.0</b>	<b>-0.6</b>	<b>5.0</b>
Profit/loss from financial items	144.1	-154.8	273.6	40.4	553.7	320.5
<b>Profit/loss before tax</b>	<b>152.7</b>	<b>-157.4</b>	<b>275.0</b>	<b>47.4</b>	<b>553.1</b>	<b>325.5</b>
Tax on net profit/loss	-33.6	40.0	-60.5	-13.9	-73.4	-26.8
<b>Net profit/loss</b>	<b>119.1</b>	<b>-117.4</b>	<b>214.5</b>	<b>33.5</b>	<b>479.7</b>	<b>298.7</b>

## PARENT COMPANY BALANCE SHEET

SEK m	30 June 2013	31 Dec. 2012	30 June 2012
<b>ASSETS</b>			
Participations in group companies	8,083.1	7,800.9	7,945.8
Receivables from group companies	5,196.8	4,904.0	4,931.7
External receivables, etc.	612.7	615.3	665.1
Cash and cash equivalents	348.7	540.9	111.7
<b>TOTAL ASSETS</b>	<b>14,241.3</b>	<b>13,861.1</b>	<b>13,654.3</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	6,008.3 <sup>1</sup>	5,930.5	5,665.3
Non-current liabilities	1,601.7	1,600.8	2,046.3
Liabilities to group companies	5,741.6	4,727.1	4,934.3
Other liabilities	889.7	1,602.7	1,008.4
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,241.3</b>	<b>13,861.1</b>	<b>13,654.3</b>

1. Dividend reduced equity by SEK 137 m.



## ACCOUNTING PRINCIPLES

This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting for the group, and in accordance with RFR 2 ('Accounting for Legal Entities') for the parent company. Applicable stipulations of the Swedish Annual Accounts Act and the Swedish Securities Markets Act have also been applied.

The format of the Income Statement has been amended in 2013 to improve comparability with other property companies. Firstly, the earnings component profit from property management, which illustrates profit from operating activities after financing costs, has been added to the Income Statement. Secondly, profit or loss from property sales is recognised net on one line, compared to the previous gross accounting on several lines that added up to trading net. From

2013 onwards, Kungsleden is reporting costs for property administration and re-investments for modular buildings as a property cost. Correspondingly, administration in module manufacture is being recognised as a cost for manufacturing modules. Comparative figures have been restated correspondingly, and have only implied transfers between different profit lines, and did not affect profit before or after tax. For the full year 2012, the increase in operating costs was SEK 71 m for administration and SDK 40 m for re-investment respectively. Sales and administration costs and negative unrealised value changes on investment properties have decreased by the corresponding amounts.

IFRS 13 Fair Value Measurement is being applied for the first time in 2013 and involves new disclosures in the Interim

Report regarding which financial instruments are held and how they are measured.

Otherwise, the accounting principles and computation methods are unchanged compared to the Annual Accounts for the financial year 2012.

## Estimates and judgements

Preparing financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that influence the application of accounting principles, and the carrying amounts of assets, liabilities, revenues and costs. Actual outcomes may vary from these estimates and judgements. The critical judgements made and sources of uncertainty in estimates are the same as those stated in the most recent Annual Accounts.

## BOARD OF DIRECTORS' CERTIFICATION

The Interim Report for the period January – June 2013 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, 16 August 2013

Göran Larsson  
*Chairman*

Magnus Fernqvist  
*Board member*

Joachim Gahm  
*Board member*

Peter Gustafson  
*Board member*

Lars Holmgren  
*Board member*

Biljana Pehrsson  
*Board member*

Kia Orback Pettersson  
*Board member*

Charlotta Wikström  
*Board member*

Anders Kvist  
*Interim Chief Executive*

## AUDITOR'S REVIEW

### Introduction

We have conducted a summary review of this Interim Report for Kungsleden AB (publ) as of 30 June 2013 and for the six-month period that concluded on this date. The Board of Directors and Chief Executive are responsible for the preparation and presentation of this Interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to state a conclusion on this Interim Report based on our review.

### Orientation and scope of review

We have conducted our review in accordance with standard (SÖG) 2410, the applicable standard for reviews conducted by the company's auditors. A review consists of making inquiries, primarily to individuals responsible for

financial and accounting issues, conducting an analytical review and taking other review measures. A review has a differing orientation and significantly less scope than the orientation and scope of an audit in accordance with ISA and generally accepted auditing practice otherwise. The measures taken in a review do not enable us to attain sufficient certainty for us to state that we are aware of all significant circumstances that would have been identified if an audit had been conducted. Accordingly, the stated conclusion of a review does not have the certainty of the stated conclusion based on an audit.

### Conclusion

Based on our review, no circumstances have arisen that give us reason to consider that essentially, for the group's part, the Interim Report has not been

prepared in accordance with IAS 34 and the Swedish Annual Accounts Act and, for the parent company's part, in accordance with the Swedish Annual Accounts Act.

Stockholm, Sweden, 16 August 2013  
KPMG AB

Björn Flink  
*Authorised Public Accountant*

# Quarterly summary

## SUMMARY INCOME STATEMENT

SEK m	2013		2012				2011	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Net sales	564	487	494	499	561	556	550	554
Gross profit	313	281	282	327	302	305	304	354
<i>of which operating net—properties</i>	266	240	241	280	268	257	266	311
<i>of which operating net—modular buildings</i>	39	37	41	45	34	39	30	37
<i>of which gross profit—module manufacture</i>	8	4	0	2	0	9	8	5
Sales and administration costs	-32	-52	-56	-43	-39	-48	-41	-38
Net financial position	-148	-141	-137	-156	-153	-140	-132	-153
<b>Profit from property management</b>	<b>133</b>	<b>88</b>	<b>89</b>	<b>128</b>	<b>110</b>	<b>117</b>	<b>131</b>	<b>163</b>
Profit/loss from participations in Hemsö	-	-	-	-	-	-	118	70
Profit/loss from property sales	5	0	0	0	-3	20	22	11
Unrealised value changes, investment properties	-2	-16	-52	10	11	11	167	27
Unrealised value changes, financial instruments	196	164	-19	-167	-111	226	-90	-518
<b>Profit/loss before tax</b>	<b>332</b>	<b>236</b>	<b>18</b>	<b>-29</b>	<b>7</b>	<b>374</b>	<b>348</b>	<b>-247</b>
Tax	-72	-52	246	29	-742	-345	-45	74
<b>Net profit/loss from continuing operations</b>	<b>261</b>	<b>184</b>	<b>264</b>	<b>0</b>	<b>-735</b>	<b>29</b>	<b>303</b>	<b>-173</b>
Discontinued operation—profit/loss from Hemsö holding	-	24	660	-13	64	84	-	-
<b>Net profit/loss</b>	<b>261</b>	<b>208</b>	<b>924</b>	<b>-13</b>	<b>-671</b>	<b>113</b>	<b>303</b>	<b>-173</b>

## SUMMARY STATEMENT OF FINANCIAL POSITION

SEK m	2013		2012				2011	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
<b>ASSETS</b>								
Goodwill	201	201	201	201	201	201	201	201
Properties	15,854	15,823	15,777	14,779	14,838	14,627	14,788	16,395
Equipment	13	14	14	14	14	15	15	15
Participations in Hemsö	-	-	-	1,157	1,177	1,167	1,084	1,004
Long-term receivables, Hemsö	-	-	-	1,500	1,500	1,500	1,500	1,500
Deferred tax asset	82	162	207	-	-	766	1,020	981
Other long-term receivables	230	220	244	241	251	439	443	550
<b>Total non-current assets</b>	<b>16,380</b>	<b>16,420</b>	<b>16,443</b>	<b>17,892</b>	<b>17,981</b>	<b>18,715</b>	<b>19,051</b>	<b>20,646</b>
Inventories	14	15	17	16	21	16	17	17
Receivable from AP3	-	-	3,363	-	-	-	-	-
Current receivables	200	228	355	244	438	410	240	311
Assets held for sale—properties	93	-	-	-	912	906	905	-
Assets held for sale—other	-	-	-	-	18	117	14	-
Cash and bank balances	427	331	721	330	298	434	684	753
<b>Total current assets</b>	<b>734</b>	<b>574</b>	<b>4,457</b>	<b>590</b>	<b>1,687</b>	<b>1,883</b>	<b>1,860</b>	<b>1,081</b>
<b>TOTAL ASSETS</b>	<b>17,114</b>	<b>16,994</b>	<b>20,900</b>	<b>18,482</b>	<b>19,668</b>	<b>20,598</b>	<b>20,911</b>	<b>21,727</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>8,061</b>	<b>7,929</b>	<b>7,726</b>	<b>6,774</b>	<b>6,800</b>	<b>7,828</b>	<b>7,719</b>	<b>7,426</b>
<b>Interest-bearing liabilities</b>								
Liabilities to credit institutions	5,919	5,785	8,105	8,165	8,267	8,037	8,154	9,852
Bond issues (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	-
<b>Interest-bearing liabilities</b>	<b>7,518</b>	<b>7,384</b>	<b>9,704</b>	<b>9,764</b>	<b>10,767</b>	<b>10,537</b>	<b>10,654</b>	<b>11,451</b>
<b>Non-interest-bearing liabilities</b>								
Provisions	59	59	58	110	109	432	431	556
Deferred tax liability	-	-	-	53	82	1	1	1
Derivatives	764	960	1,125	1,100	944	915	1,156	1,108
Other non-interest-bearing liabilities	712	662	2,287	681	937	813	890	1,185
Liabilities related to assets held for sale	-	-	-	-	29	72	60	-
<b>Non-interest-bearing liabilities</b>	<b>1,535</b>	<b>1,681</b>	<b>3,470</b>	<b>1,944</b>	<b>2,101</b>	<b>2,233</b>	<b>2,538</b>	<b>2,850</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17,114</b>	<b>16,994</b>	<b>20,900</b>	<b>18,482</b>	<b>19,668</b>	<b>20,598</b>	<b>20,911</b>	<b>21,727</b>

## KEY FIGURES

SEK m	2013		2012				2011	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
<b>Property-related</b>								
<i>Actuals</i>								
Property yield, %	7.7	7.0	7.4	7.5	7.7	7.6	7.4	8.5
Economic occupancy, %	90.6	90.5	89.7	89.3	89.5	89.9	90.0	89.0
Operating surplus margin, %	64.1	62.0	64.2	63.6	64.0	62.3	62.1	72.1
<b>Financial</b>								
Net profit/loss, SEK m	133	88	89	128	110	117	131	163
Profit for calculating dividends, SEK m	261	208	923	-13	-671	113	303	-173
Return on total capital, %	6.7	5.3	18.0	5.7	6.4	7.0	7.6	7.3
Return on equity, %	13.0	10.6	50.9	-0.8	-36.7	5.8	16.0	-9.2
Return on capital employed, %	7.5	6.6	23.5	6.5	8.0	8.6	9.5	9.2
Interest coverage ratio, multiple	1.9	1.7	5.5	1.7	1.9	2.3	2.6	2.3
Equity ratio, %	47.1	46.7	37.0	36.7	34.6	38.0	36.9	34.2
Loan to value ratio, %	47.1	46.7	61.5	66.1	68.4	67.8	67.9	69.8
<b>Data per share</b>								
Profit from property management, SEK	1.00	0.60	0.70	0.90	0.80	0.90	1.00	1.20
Net profit/loss, SEK <sup>1</sup>	1.90	1.50	6.80	-0.10	-4.90	0.70	2.20	-1.30
Dividend, SEK	1.00	-	-	-	2.60	-	-	-

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

## DEFINITIONS

### PROPERTY-RELATED KEY FIGURES

**Property yield**, operating net in relation to average 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 included).

**Economic occupancy**, rental revenues in relation to rental value.

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

### FINANCIAL KEY FIGURES

**Return on equity**, net profit for the period 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.

### 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 end of the period.

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

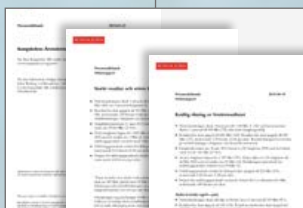
**Equity per share**, equity in relation to the number of shares at the end of the period.

**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.se/definitions](http://kungsleden.se/definitions)

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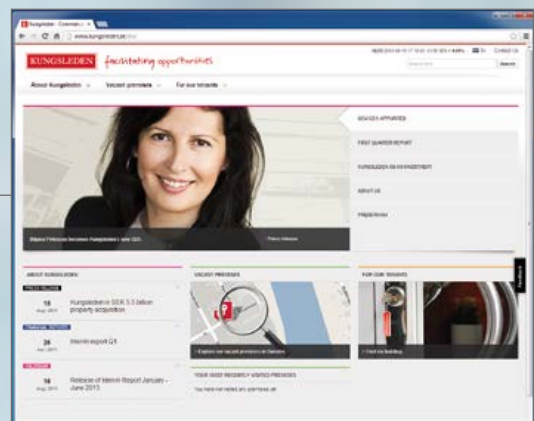
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	2012	2013	2013	2012	2013
1. Inkomster	2 115,8	2 354,2	2 651,8	2 523,8	2 776
2. Avskrivningar	149,0	200,2	361,1	288,6	2 174
3. Avskrivningar	2 323,8	2 654,4	3 012,7	2 812,2	2 348
4. Resultat efter skatt	108,8	129,6	178,6	153,7	452
5. Resultat efter skatt	108,8	129,6	178,6	153,7	452
6. Resultat efter skatt	108,8	129,6	178,6	153,7	452
7. Resultat efter skatt	108,8	129,6	178,6	153,7	452
8. Resultat efter skatt	108,8	129,6	178,6	153,7	452
9. Resultat efter skatt	108,8	129,6	178,6	153,7	452
10. Resultat efter skatt	108,8	129,6	178,6	153,7	452
11. Resultat efter skatt	108,8	129,6	178,6	153,7	452
12. Resultat efter skatt	108,8	129,6	178,6	153,7	452
13. Resultat efter skatt	108,8	129,6	178,6	153,7	452
14. Resultat efter skatt	108,8	129,6	178,6	153,7	452
15. Resultat efter skatt	108,8	129,6	178,6	153,7	452
16. Resultat efter skatt	108,8	129,6	178,6	153,7	452
17. Resultat efter skatt	108,8	129,6	178,6	153,7	452
18. Resultat efter skatt	108,8	129,6	178,6	153,7	452
19. Resultat efter skatt	108,8	129,6	178,6	153,7	452
20. Resultat efter skatt	108,8	129,6	178,6	153,7	452
21. Resultat efter skatt	108,8	129,6	178,6	153,7	452
22. Resultat efter skatt	108,8	129,6	178,6	153,7	452
23. Resultat efter skatt	108,8	129,6	178,6	153,7	452

Download financial tables in Excel



For more information, visit our website

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## Forthcoming financial information

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

Financial Statement  
**2013**      **15 February 2014**