



Financial Statement 2013

Results in brief

FOURTH QUARTER (OCTOBER-DECEMBER)

- Net sales increased to SEK 623 (494) m and gross profit increased to SEK 354 (282) m.
- Profit from property management improved, to SEK 149 (89) m, equivalent to SEK 1.09 (0.65) per share.
- Profit before tax was SEK 231 (18) m and profit for the period was SEK 179 (923) m, or SEK 1.31 (6.76) per share. The decrease in profit for the period is mainly due to significant profits in 2012 from the sale of the Hemsö portfolio.
- Cash flow from operating activities was SEK 54 (56) m, or SEK 0.39 (0.41) per share.

FULL YEAR 2013

- Net sales were SEK 2,224 (2,110) m and gross profit increased to SEK 1,301 (1,218) m.
- Profit from property management increased to SEK 549 (445) m, equivalent to SEK 4.02 (3.26) per share.
- Profit from property management was SEK 1,030 (371) m and profit for the year was SEK 862 (352) m, or SEK 6.31 (2.58) per share. The increase in profit for the year is mainly due to 2012 being charged with provisions for tax risks.
- Cash flow from operating activities was SEK 480 (123) m, or SEK 3.51 (0.90) per share.
- The property portfolio excluding modular buildings consisted of 366 (275) properties as of 31 December 2013, with a book value of SEK 20,338 (14,247) m.
- The Board of Directors is proposing a dividend of SEK 1.25 (1.00) per share.

Significant events

FOURTH QUARTER (OCTOBER-DECEMBER)

- On 2 December, Kungsleden took possession of the 84 properties purchased from GE Capital Real Estate for SEK 5.5 billion.
- In addition to the GE transaction, Kungsleden purchased 4 properties for SEK 226 m. No properties were sold.
- Effective 1 October, Kungsleden introduced a new Business Management Group, replacing its previous Group Management.
- Marie Mannholt was appointed as Kungsleden's new Marketing & Corporate Communications Manager, and a member of Business Management Group, effective January 2014.
- Kungsleden issued a three-year unsecured bond of SEK 700 m, accruing interest of 1.95 per cent above the Stibor benchmark rate.

FULL YEAR 2013

- Kungsleden's new strategic direction was presented in February. Operations will focus on owning, managing and improving properties in growth regions around Sweden.
- Biljana Pehrsson became Chief Executive Officer effective 1 September.
- Kungsleden purchased 95 (11) properties for SEK 5,935 (1,549) m, and sold 4 (44) properties for SEK 109 (1,115) m, generating a profit of SEK 8 (16) m.
- Final closing for the sale of Hemsö to The Third Swedish National Pension Fund (AP3) a transaction mainly settled in 2012, was in February.

RESULTS

SEK m	2013 Oct-Dec	2012 Oct-Dec	2013 Jan-Dec	2012 Jan-Dec
PROFIT FROM PROPERTY MANAGEMENT				
Gross profit	354	282	1,301	1,218
Sales and administration costs	-45	-56	-156	-187
Net financial position	-160	-137	-596	-586
Profit from property management, SEK m	149	89	549	445

KEY FIGURES

	2013 Oct-Dec	2012 Oct-Dec	2013 Jan-Dec	2012 Jan-Dec
FINANCIAL				
Profit from property management, SEK per share	1.09	0.65	4.02	3.26
Net profit/loss, SEK per share	1.31	6.76	6.31	2.58
Equity, SEK, per share ¹	61.93	56.60	61.93	56.60
Return on equity, %	8.58	50.92	10.65	4.56
PROPERTY-RELATED				
<i>Actuals</i>				
Economic occupancy, %	90.5	89.7	90.9	89.6
Average rent, SEK per sq.m.	206	197	790	790
Operation and maintenance costs, SEK per sq.m.	59	49	228	243

¹ As of 31 December.

A comment from Chief Executive Officer

I can look back on the fourth quarter of 2013, my first full quarter as Kungsliden's Chief Executive Officer, with satisfaction. Implementation of Kungsliden's new business plan and strategy continued with high intensity. We closed the year by taking possession of the 84 properties we purchased from GE Capital Real Estate for SEK 5.5 billion on 2 December. This transaction was the largest on the Swedish property market in the year, and is a momentous advance for Kungsliden strategically and financially.

Through the purchase, we attained a portfolio volume we expected to take one to two years to build at a single stroke. Geographically, about 70 per cent of the purchased portfolio is located in the highly attractive markets of Stockholm and Gothenburg. With this transaction, the share of properties in the three major city regions increased from 30 to 50 per cent of Kungsliden's total portfolio, simultaneous with the office share rising from 39 to 50 per cent—all of which is consistent with our new strategy with its focus on growth regions and selected property segments: office, industrial/warehouse and retail. In purely financial terms, the GE portfolio will make a major contribution to Kungsliden's improved profit and cash flow, particularly considering the bank funding cost for the acquisition.

The GE transaction is also significant because it brought Kungsliden competences, when we took on some 20 property managers, lessors and administrative specialists from GE. Overall, Kungsliden had 94 employees in property management and group-wide functions by year-end. And we will now continue on our onward journey of implementing our new strategy together.

The new Kungsliden also features a more focused organisation and improved control. Our new Business Management Group was formed in the quarter and has focused on how to satisfy customer needs for premises of any size. The three new business areas of Property Management, Property Development and Transaction & Analysis are all running at full speed on forward-looking activities.

In Property Management, the GE properties and associated staff have already been integrated into our business. The Property Development business area is doing tangible work on a number of attractive and potentially value-creating development projects in different phases. Transaction & Analysis is working on optimising Kungsliden's property portfolio, which will cover the sale of non-strategic properties and more purchases pursuant to Kungsliden's new strategy. For all three business areas, the standard for 2014 and beyond has been set high.

RESULTS FOR THE QUARTER

Profit from property management increased by 67 per cent to SEK 149 (89) m, as an effect of net purchases of properties, mainly from Hemsö but also from GE Capital, towards year-end. Administration costs were also down SEK 11 m compared to the previous quarter, contributing to our figures.

A SUMMARY OF 2013

The strong profit contribution from the fourth quarter, including that from the GE properties, meant we were able to deliver good full-year profits for 2013. Our profit from property management was up 23 per cent on 2012, at SEK 549 m. There are also big improvements further down in our Income Statement, where the value changes on properties and financial instruments were clearly positive, with there being no need to charge the year with any provisioning for tax risks.

Net profit after tax for the year was SEK 862 m, up by over SEK 500 m year on year.

Our financial progress demonstrates that Kungsliden is well in line with its previously reported financial targets. Re-investment of the funds freed up by the Hemsö sale has been completed—ahead of schedule. The goal of saving 10 per cent on central administrative costs has been achieved—ahead of schedule. With these actions, we can summarise by saying we've restored Kungsliden's cash flow and earnings capacity in 2014 to levels prior to the sale of the Hemsö portfolio at the end of 2012.

OUTLOOK

The economic outlook in Sweden is positive. We're noting improved demand for premises in our segments and markets. The New Year has seen several major transactions being completed. A greater appetite for property transactions among banks and investors is engendering hope of positive property value growth in 2014.

In the year we took momentous steps towards becoming a company that actively owns, manages and develops the right kind of properties, with the aim of maximising cash flow and building property value for the long term. Kungsliden is going into 2014 with its property portfolio 40 per cent larger, a better structure and restored earnings. This means we're well prepared for continued value creation for tenants and shareholders. We still have to master a number of protracted tax proceedings. Apart from our increased earnings, we also have a stronger financial position with a 37 per cent equity ratio and liquidity contingency of SEK 2.7 billion under our belt. This good position is enabling the Board of Directors to propose an increased dividend of SEK 1.25 (1.00) per share for 2013.

Biljana Pehrsson
Chief Executive Officer



Results

RESULTS FOR THE FOURTH QUARTER (OCTOBER-DECEMBER)

Net sales in the fourth quarter were SEK 623 (494) m, divided between rental revenues from properties of SEK 460 (374) m and from modular buildings of SEK 66 (66) m, as well as sales revenues from manufactured modules of SEK 97 (55) m. Gross profit improved to SEK 354 (282) m, an increase sourced from property management.

Profit from property management increased by 67 per cent to SEK 149 (89) m. In addition to higher gross profit, the primary contributor to the profit increase was lower sales and administration costs. The net financial position of SEK -160 m deteriorated by SEK 23 m year on year, mainly relating to funding Kungsleden's larger portfolio.

Profit before tax increased to SEK 231 (18) m, the higher figure mainly due to unrealised value changes on properties of SEK 70 m after value increases on properties including those purchased from GE.

In the corresponding period of the previous year, the value changes were

SEK -52 m. Profit for the quarter was SEK 179 (923) m. The decrease is mainly due to the fourth quarter 2012 including a positive profit contribution of SEK 660 m from a discontinued operation (Hemsö portfolio).

The fourth-quarter profit from property management of SEK 149 m was down 17 per cent quarter on quarter, with this downturn being mainly seasonal because the third quarter is the quarter with the highest profit in the year due to less activity and lower costs during the summer months. The third quarter also included non-recurring revenue of SEK 11 m from an insurance claim. The properties that Kungsleden recently took possession of from GE only had an impact on profit for less than a month of the fourth quarter.

RESULTS FOR THE FULL YEAR 2013

Net sales in 2013 were SEK 2,224 (2,110) m, divided between rental revenues from properties of SEK 1,669 (1,583) m, and from modular buildings of SEK 262 (257) m, as well as sales revenues from manufactured mod-

ules of SEK 293 (270) m. The increase in rental revenues is primarily due to a larger property portfolio, but also increased revenues in like-for-like terms. Net new lettings in the year were SEK 26 (15) m of annualised rent, based on signed contracts less terminations.

Gross profit increased by 7 per cent to SEK 1,301 (1,218) m, with the operating net from properties comprising SEK 1,131 (1,046) m of this. As for revenues, the increase is primarily due to a larger property portfolio. At year-end, economic occupancy was 90.9 per cent, against 89.6 per cent for 2012. The increase is chiefly due to low vacancy in those properties Kungsleden took possession of from Hemsö at the beginning of the year.

Sales and administration costs were SEK 156 (187) m. SEK 42 (40) m of these costs were from Nordic Modular and SEK 114 (147) m were from shared operational costs and central administration in Kungsleden. The cost reduction of SEK 31 m, or 17 per cent of profit, was due to savings measures implemented.



Bergudden 8 (Stockholm region). Office property in a prime signage location next to the E18 motorway at Danderyd, close to Mörby Municipal Centre, north of Stockholm, with a subway station and all imaginable services. Type: Office. Area: 19,180 sq. m.

The net financial position deteriorated slightly to SEK –596 (–586) m. Interest costs decreased after loan amortizations made at the beginning of the year using the liquidity injection from the sale of Hemsö. Other financial costs simultaneously increased because of higher commitment commission on larger un-utilised credit facilities. Higher interest margins and arrangement fees after refinancing the majority of bank borrowings in 2012, as well as lower interest income, made a negative contribution.

Profit from property management for 2013 was SEK 549 (445) m.

Profit from property sales was SEK 8 (16) m, from a small number of completed sales in the period and final settlement for sales previously executed.

The value change on properties for the year was SEK 48 (–20) m. The value change is an effect of investment in the portfolio, as well as upward and downward adjustments of property values. The value of properties purchased from GE was adjusted up by approximately SEK 250 m compared to acquisition value. For the rest of the portfolio, values of two-thirds of properties changed. The values of properties with positive

value growth increased by about SEK 200 m, while the values of properties with negative value changes decreased by around SEK 400 m.

Value changes on financial instruments were SEK 425 (–70) m. The value changes were primarily sourced from SEK 256 m of payments for the higher, fixed interest rate on interest swap contracts, which meant negative market value gradually decreased. The remainder of the value change was mainly due to rising long yields.

Tax on profit for the year was SEK –192 (–813) m. At an overall level, tax was payable at the applicable tax rate of 22 per cent, apart from the SEK 34 m that could be dissolved against the provisioning for negative outcomes of what are termed the BV proceedings, after some rulings were received from the Swedish Administrative Court of Appeal. The previous year's tax included SEK –985 m of provisions for tax risks.

The profit from the Hemsö portfolio of SEK 24 (794) m is being reported as a discontinued operation in 2013 at the bottom of the Income Statement, in accordance with applicable accounting policies.

Profit for the year was SEK 862 (352) m, this improved figure mainly due to the previous year being charged with provisions for tax risks and the value increase on financial instruments occurring in the year.

NORDIC MODULAR

The subsidiary Nordic Modular's operations involve the letting and sale of modular buildings. Approximately 75 per cent of modular buildings were let to municipalities and county councils.

As of 31 December, modular buildings had a total area of 232,000 (231,000) sq.m. and book value of SEK 1,509 (1,509) m. Rental revenues for modular buildings were SEK 262 (257) m in 2013, with a gross profit of SEK 145 (160) m. The revenue increase could not offset the increased costs for re-investment in the portfolio, which were lower temporarily in 2012. Occupancy was 79.1 (79.8) per cent at year-end.

Sales of modules were SEK 293 (270) m. There was also some production for lease instead of sale. Gross profit increased to SEK 24 (12) m. At year-end, production plant order books were better than at the beginning of the year.

INCOME STATEMENT

SEK m	Properties		Nordic Modular		Other/group-wide		Total Kungsleden	
	2013 Jan-Dec	2012 Jan-Dec	2013 Jan-Dec	2012 Jan-Dec	2013 Jan-Dec	2012 Jan-Dec	2013 Jan-Dec	2012 Jan-Dec
Rental revenues	1,669	1,583	262	257			1,931	1,840
Sales revenues, module manufacture			293	270			293	270
Net sales	1,669	1,583	555	527			2,224	2,110
Property costs	–538	–537	–117	–97			–655	–634
Costs for manufacturing modules			–268	–258			–268	–258
Gross profit	1,131	1,046	170	172			1,301	1,218
Sales and administration costs	–114	–147	–42	–40			–156	–187
Net financial position	–593	–578	–3	–8			–596	–586
Profit from property management	424	321	125	124			549	445
Value changes, properties								
Profit/loss from property sales	8	16	–	–			8	16
Unrealised value changes	48	0	–	–20			48	–20
Unrealised value changes, financial instruments	425	–70	–	–			425	–70
Profit/loss before tax	905	267	125	104			1,030	371
Tax	–199	194	–27	–22	34	–985	–192	–813
Profit/loss from continuing operations	706	461	98	82	34	–985	838	–442
Discontinued operation: Hemsö holding after tax					24	794	24	794
Net profit/loss	706	461	98	82	58	–191	862	352

Stockholm region

Stockholm region managed 74 properties with total value of SEK 6,080 m at year-end, representing one-third of Kungsleden's total portfolio. The GE transaction brought 27 new properties to the region, with a value of SEK 3,426 m. Stockholm region covers Greater Stockholm and extends from Norrköping in the south to Uppsala in the north, with gross leasable area of approximately 594,000 sq.m. This portfolio includes office, industrial/warehouse and retail properties. The office share in the region increased with the GE transaction, which is fully consistent with Kungsleden's new strategy.

STOCKHOLM REGION IN THE HIGHEST GROWTH

The Stockholm region shows the highest growth in Sweden. Demand for medium-sized office premises is substantial and the lettings market is favourable. This brisk progress is linked to immigration and infrastructure projects including Norra Länken (Stockholm northern ring road). Although traffic and housing problems are still obstructing progress, the positive drivers are stronger.

In the fourth quarter, Kungsleden's market made good progress with positive net lettings. Kungsleden's portfolio in the Stockholm region features good properties in locations with good communications, something enhanced further by the GE transaction. Kungsleden wants to offer its customers attractive premises in the right locations for reasonable rent.

There is positive development potential in the existing portfolio around the region. Several development properties with good addresses mean a lot of options. There is also good value potential in the prevailing vacancies of 10–11 per cent, combined with positive rent growth. As of 31 December, economic occupancy was 89.4 per cent, compared to 90.2 per cent for the group, excluding modular buildings. Operating net in relation to rental revenue (operating surplus margin), was 69.8 per cent, against 68.5 per cent overall for the group's portfolio.

HIGHER OFFICE SHARE WITH THE GE PORTFOLIO

The GE transaction sharpened Kungsleden's focus on offices in strategic markets. The 27 new properties in the Stockholm region have leasable area of approximately 255,000 sq.m. and represents 59 per cent of the total value of the GE portfolio. The GE portfolio also meant the region's average rents increasing. One of the largest tenants in the GE portfolio is General Electric, which represents about 16 per cent of regional rental values in combination with the Swedish Armed Forces, SMHI (the Swedish Meteorological and Hydrological Institute) and print group V-Tab.

GE brought some ten new staff to the region, who made a positive contribution to refining working methods and procedures.

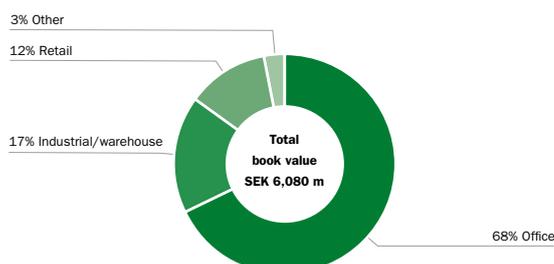
DEVELOPMENT PROJECTS AND POTENTIAL IN NORRKÖPING

Norrköping is a market that offers good potential. The plans for a dual-track high-speed rail link between Järna and Linköping will enable travel between Stockholm and Norrköping in an hour, via the Ostlänken rail link. Kungsleden has several large tenants locally, such as the Municipality of Norrköping, SMHI and Swedavia. Swedavia was previously a department of the Swedish Aviation Administration, when it sub-let premises. In the fourth quarter, Swedavia and Kungsleden signed an agreement on about 1,500 sq.m. of fully renovated

premises. Swedavia wanted expedient open-plan offices, and as a result of its relocation, cut its leased area by about 45 per cent. Apart from the renovated premises, the project also involved a regenerated entrance hall.

Norrköping social services was another successful project after a decision to co-locate four local branches. It signed a ten-year lease contract with Kungsleden for this purpose. Some 150 workspaces and 20 offices were created on a 4,000 sq.m. floor. This tenant has very stringent confidentiality requirements, making sound insulation a critical factor. To ensure sound standards are satisfied, one room will be fully completed at an early phase of the project, enabling physical sound measurements and potential design corrections to be executed before the other 150 offices are completed. Building commenced in early-January, with relocation in September 2014.

PROPERTY PORTFOLIO BY TYPE, STOCKHOLM REGION





Bergudden 8 Contemporary property with efficient offices and a prime location for exposure.

Type: **Office** Area: **19,183** sq.m.



Träbocken 1 Popular central property in Solentuna including offices, apartments and a bank.

Type: **Office** Area: **5,290** sq.m.



Trekanten 5 Office property in a prime location close to the E18 motorway and public communications. This property is near to natural surroundings but still close to communications.

Type: **Office** Area: **32,010** sq.m.



Svärdet 7 Property with prime signage location next to the E18 motorway. Included in the GE portfolio purchase.

Type: **Office** Area: **40,740** sq.m.



Holar 1 Property with good signage location adjacent to the Kista motorway exit.

Type: **Office** Area: **5,630** sq.m.



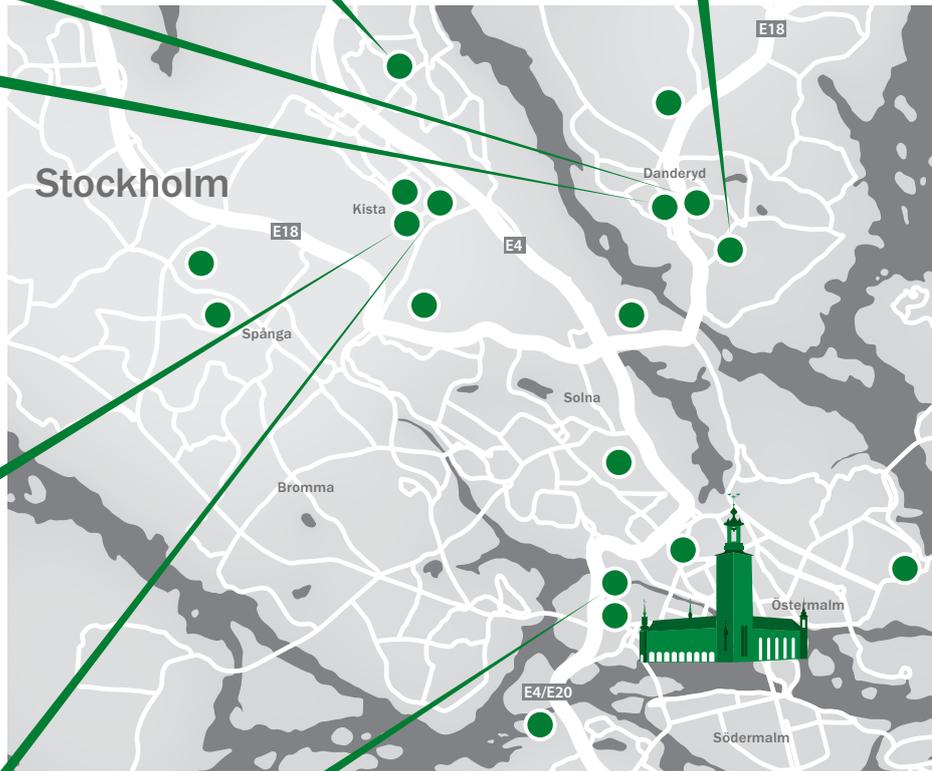
Holar 4 Property with a prime location for exposure, fully let to Office Management.

Type: **Office** Area: **7,300** sq.m.



Lustgården 11 Newly renovated property in an attractive location in the central Stockholm district of Kungsholmen.

Type: **Office** Area: **7,490** sq.m.



Kungsleden wants to offer its customers attractive premises in the right locations for reasonable rent.

– Eskil Lindnér, Head of Property Management and Interim Regional Manager, Stockholm

Assets and liabilities

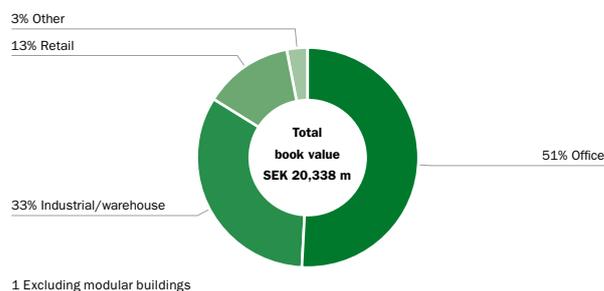
STATEMENT OF FINANCIAL POSITION

SEK m	31 Dec 2013	31 Dec 2012
ASSETS		
Investment properties—properties	20,338	14,247
Investment properties—modular buildings	1,509	1,509
Properties used in business operations	22	21
Other fixed assets	490	666
Receivable from AP3 (the Third Swedish National Pension Fund)	–	3,363
Other current assets	286	373
Cash and bank balances	323	721
Total assets	22,968	20,900
EQUITY AND LIABILITIES		
Equity	8,453	7,726
Interest-bearing liabilities	12,879	9,704
Derivatives	708	1,125
Other non-interest bearing liabilities	928	2,345
Total equity and liabilities	22,968	20,900

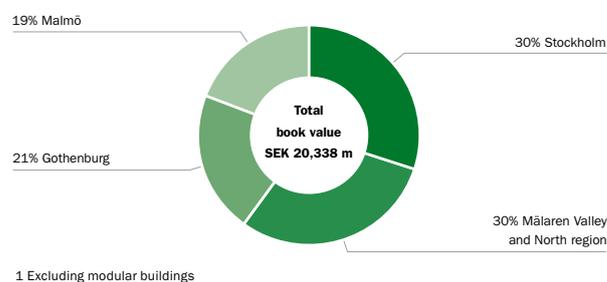
KEY RATIOS

	31 Dec 2013	31 Dec 2012
Loan to value ratio, %	59	62
Equity ratio, %	37	37

PROPERTY PORTFOLIO BY TYPE, 31 DECEMBER 2013¹



PROPERTY PORTFOLIO BY REGION, 31 DECEMBER 2013¹



PROPERTY VALUES

SEK m	Office	Industrial/warehouse	Retail	Other	Valued properties	Not externally valued	Deduction obtained for deferred tax on purchase	Book value of properties
Internal valuation	10,472	6,683	2,687	620	20,462	79	–203	20,338
External valuation	10,512	6,637	2,703	638	20,490			

EQUITY AND FINANCIAL POSITION

At year-end, equity was SEK 8,453 (7,726) m, or SEK 62 (57) per share, corresponding to an equity ratio of 37 (37) per cent.

The large-scale property purchase from GE in autumn 2013 enabled the funds freed up from the sale of the Hemsö portfolio a year ago to be re-invested. Accordingly, Kungsleden's financial position has normalised compared to previous quarters of the year when its equity ratio was temporarily very high, and its loan to value ratio low. However, the loan to value ratio of 59 (62) per cent as of 31 December was still down somewhat on the beginning of the year.

PROPERTY PORTFOLIO

As of 31 December 2013, the property portfolio excluding modular buildings consisted of 366 (275) properties. Total area was 2,820,000 (2,211,000) sq.m. and the properties had a book value of SEK 20,338 (14,247) m. The increase in property book values is mainly due to property purchases.

PROPERTY PORTFOLIO¹

SEK m	2013 Oct–Dec	2013 Jan–Dec
Properties at the beginning of the period	14,479	14,247
Purchases	5,741	5,935
Investments	44	212
Sales	–	–108
Exchange rate fluctuations	4	4
Value changes	70	48
Properties at the end of the period	20,338	20,338

1 Excluding modular buildings

Internal valuations of all properties were conducted as of 31 December 2013, which constitute book value. In addition, basically all properties were valued by an external appraiser. The external valuations corroborate internal valuations.

Investments in existing properties were SEK 212 (205) m, of which SEK 132 m represented nine properties in Västerås, Värnamo, Eskilstuna, Stockholm, Lund and Nyköping. These invest-

ments are mainly conversions and extensions of existing properties, and in consultation with tenants, to enable their operations to be conducted better and more efficiently.

The largest tenant is ABB, which represents 14 per cent of total rental revenue. The average remaining contract term on the whole portfolio was 4.0 (4.9) years.

PROPERTY TRANSACTIONS

In the second half-year 2013, the transaction market showed clear signs of increased activity.

Kungsleden purchased 95 (11) properties in the year for SEK 5,935 m. 84 of these properties were in the GE transaction, with a further 11 properties purchased for SEK 422 m in a number of

smaller-scale transactions. Of the 95 properties, 54 were offices, 24 were industrial/warehouse, 13 were retail and four were of other types. 3 (44) properties of 4,000 sq.m. and one property in Germany was sold for SEK 109 (1,115) m, which with final settlement for previous sales, generated a profit of SEK 8 (16) m.

Purchases and sales in the year were an important component in building the larger and more attractive property portfolio for the long term, which characterises Kungsleden's new business strategy. Kungsleden will own, manage and improve quality commercial properties in selected Swedish major city and growth regions in the office, industrial/warehouse and retail segments.

Creation of the optimal property portfolio also includes selling properties that lie outside the core focus of this strategy, at the right time and at the right price. Such a concentration process occurred in the third quarter when Kungsleden sold a retirement home in Germany.

EARNINGS CAPACITY

Kungsleden reports earnings capacity to supplement the Income Statement with a better view of the underlying profitability of current property operations. In unchanged circumstances, earnings capacity offers a forecast of earnings capacity in the property portfolio held on 31 December 2013.

EARNINGS CAPACITY¹ BY TYPE

	Office	Industrial/ warehouse	Retail	Other	Total properties	Modular buildings	Total
No. of properties	139	135	68	24	366	–	366
Leasable area, 000 sq.m.	1,069	1,334	346	71	2,820	232	3,052
Book value, SEK m	10,386	6,668	2,672	612	20,338	1,509	21,847
Rental value, SEK m	1,268	844	326	76	2,514	331	2,845
Rental revenues, SEK m	1,133	768	297	69	2,267	262	2,529
Operating net, SEK m ^{2,3}	748	566	194	45	1,553	157	1,710
Economic occupancy, %	89.2	91.2	91.1	91.3	90.2	79.1	88.9
Property yield, % ^{2,3}	7.2	8.5	7.3	7.4	7.6	10.4	7.8
Operating surplus margin, % ^{2,3}	66.1	73.5	65.4	65.2	68.5	59.9	67.6

EARNINGS CAPACITY¹ BY REGION

	Stockholm	Mälaren Valley and North region	Gothenburg	Malmö ⁴	Total properties	Modular buildings	Total
No. of properties	74	104	117	71	366	–	366
Leasable area, 000 sq.m.	594	1,005	687	534	2,820	232	3,052
Book value, SEK m	6,080	6,079	4,307	3,872	20,338	1,509	21,847
Rental value, SEK m	697	869	518	430	2,514	331	2,845
Rental revenues, SEK m	623	807	454	383	2,267	262	2,529
Operating net, SEK m ^{2,3}	435	519	309	290	1,553	157	1,710
Economic occupancy, %	89.4	92.8	87.6	89.3	90.2	79.1	88.9
Property yield, % ^{2,3}	7.2	8.5	7.2	7.5	7.6	10.4	7.8
Operating surplus margin, % ^{2,3}	69.8	64.3	68.2	75.7	68.5	59.9	67.6

1 Earnings capacity shows the appearance of the Income Statement as if the portfolio as of 31 December 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 50 m for property management and SEK 11 m for modular buildings.

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.

4 Malmö region includes one property in Germany.

FUNDING

The loan portfolio amounted to SEK 12,879 (9,704) m at year-end. New loans were arranged in the year, firstly coincident with Kungsleden taking possession of 11 properties from Hemsö for SEK 1,549 m, funded through a new three-year bank credit facility of SEK 714 m, and by utilizing an existing credit facility.

A new SEK 3.6 billion syndicated credit facility was arranged in December, with an average term of four years, arranged by four leading Nordic banks to fund the purchase of properties from GE. The remainder of the price for this purchase was funded within an existing syndicated credit facility. The average remaining maturity for utilised borrowings was 2.4 (2.3) years at the end of the fourth quarter. Approximately 12 per cent of the group's borrowings, or SEK 1,583 m, mature in 2014. Of this refinancing requirement, SEK 700 m was secured back in December 2013 through a new bond issue, accruing interest of 1.95 per cent above the Stibor benchmark rate.

Financing costs

The net financial position was SEK –596 (–586) m for the full year 2013. Interest costs decreased by SEK 25 m, mainly due to a lower loan volume in 2013 after repayments made at the beginning of the year. Restructuring of the interest swap portfolio in 2012 also had a positive impact on net financial position in the year. However, higher interest margins and arrangement fees from the refinancing of bank credit facilities conducted in 2012 and commitment commission on larger un-utilised credit facilities did increase these costs. The repayment of a vendor note from Svea Real implied reduced interest income compared to the previous year.

Kungsleden's average cost of borrowing decreased in the year mainly as a result of borrowing for funding the year's property purchases being executed with variable rates and at lower bank margins. As of 31 December, the average interest rate was 5.8 per cent compared to 6.8 per cent at the beginning of the year. The weighted average remaining

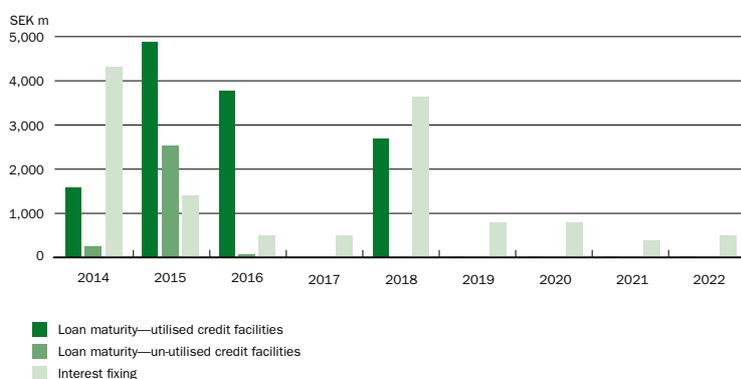
fixed-interest period of loans and interest swaps decreased to 3.1 (5.1) years since the previous year-end. The change in the interest fixing primarily relates to new borrowings and increased utilisation of existing credit facilities at a variable interest for funding the GE purchase.

Kungsleden has covenants to lenders regarding interest coverage and loan to value ratios. All were satisfied as of 31 December 2013. Including discontinued operations, the interest coverage ratio normalised to 1.9 (2.7). The decrease is due to the profit generated from winding down Hemsö increasing the previous year's figure. For loans where collateral has been pledged, i.e. all loans apart from bond issues, the loan to value ratio was 52 (51) per cent at group level.

Value change, financial instruments

The nominal amount of the derivative portfolio was SEK 9,350 (9,350) m at year-end. The negative market value of interest swaps improved in the year, and was SEK –707 m as of 31 December, against SEK –1,121 m at the beginning of the year. The change in negative market value is recognized as unrealised value changes on financial instruments in the Income Statement. The improvement in negative market value in 2013 is mainly due to the negative market value gradually decreasing through ongoing interest payments on interest swap contracts, which amounted to SEK 256 m, with the remainder due to market interest rates on long maturities rising, creating a SEK 157 m effect. The value of other financial instruments (exchange rate fluctuations on a euro-denominated vendor note and share swap) improved by SEK 12 m, resulting in total unrealised value changes in the Income Statement for 2013 of SEK 425 m.

LOAN MATURITY AND INTEREST FIXING



AVERAGE INTEREST



Liquidity

Due to ongoing tax proceedings, Kungsleden maintains liquidity at any time in the form of cash or un-utilised credit facilities to address potential tax claims for the forthcoming 12 months. As of 31 December, cash and un-utilised credit facilities were SEK 3,187 (1,881) m, of which un-utilised credit facilities amount to SEK 2,865 (1,160) m.

Other information

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. The Swedish Tax Agency's view of certain transactions executed has differed from Kungsleden's, which has resulted in a number of court proceedings.

Kungsleden 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.

In the fourth quarter, Kungsleden deposited SEK 112 m with the Swedish Tax Agency for the BV rulings it received on 30 September 2013. Kungsleden has applied for leave to appeal on these cases with the Supreme Administrative Court of Appeal, and accordingly, these rulings have not taken legal effect.

In the quarter, nothing emerged in the remaining tax proceedings that altered Kungsleden's assessment in substance, and consequently no changes have been made to provisions.

It is not possible to offer a precise estimate of the outcome of tax proceedings at present. If the proceedings came to a negative conclusion definitively, Kungsleden 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) would be less than the reassessment of income that the Swedish Tax Agency is claiming. This limits the negative liquidity effect for Kungsleden. 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

The reported provisions for outstanding proceedings totalled SEK 658 m at the end of the fourth quarter 2013.

Kungsleden continuously estimates the scale of the negative effects on equity and liquidity of negative outcomes in all transactions that the Swedish Tax Agency is questioning. If all outstanding proceedings are found against



Ingrid Ljungqvist, Assistant Technical Manager, Frida Stannov Lind, Manager of Development Properties, Malin Evertsson, Assistant Property Manager and Peter Vresén, Technical Manager.

the company, Kungsleden judges the maximum negative effect on equity at SEK 2,990 m over and above the provisions of SEK 658 m remaining.

Simultaneously, Kungsleden estimates the maximum negative liquidity effect, including tax surcharges and interest, at SEK 2,813 m, over and above the SEK 272 m already paid in anticipation of definitive ruling. The estimate of maximum negative profit and liquidity effects has increased by SEK 10 m since the previous Quarterly Interim Report and is attributable to proceedings taking longer than estimated, slightly increasing the interest cost arising given a negative outcome.

Contested situations

The various tax proceedings relate to three segments: property sales, property purchases and restructuring within the Kungsleden group. More information on these proceedings is stated on

pages 69–71 of the Annual Report for 2012. Significant events are reported as they occur between Interim Reports.

ORGANISATION AND HUMAN RESOURCES

Kungsleden is organised into property-managing regions and the subsidiary Nordic Modular. The regions are Stockholm, Mälaren Valley and North, Gothenburg and Malmö.

The average number of employees in 2013 was 82 (84) for Kungsleden's property management and group wide functions and 171 (185) for Nordic Modular.

Biljana Pehrsson became Kungsleden's Chief Executive Officer on 1 September. She has been a Board member of Kungsleden since 2011 but resigned from this position when taking on the role of Chief Executive Officer.

From 1 October, Kungsleden introduced a new Business Management to replace the former group management. The Business Management comprises

ESTIMATE OF MAXIMUM NEGATIVE EFFECT OF OUTSTANDING TAX PROCEEDINGS

SEK m	Effect on equity	Liquidity effect
Provision, Q2 2009	325	0
Provision, Q2 2012	333	145
Deposited in anticipation of ruling	-	-112
Total provisioning for tax cases	658	33
Tax cases not provisioned	2,990	2,940
Deposited in anticipation of ruling	-	-160
Total	3,648	2,813

the business area managers for Property Management, Transaction & Analysis and Property Development, Kungsleden's four Regional Managers, Legal Counsel, Marketing & Corporate Communications Manager, the Deputy CEO/ Chief Financial Officer and the CEO. The change is an important element of implementing Kungsleden's new strategy. The new management structure creates better conditions for managing the company, with shorter decision paths, increased flexibility and clearer profit accountability.

Marie Mannholt was hired as Kungsleden's Marketing & Corporate Communications Manager, and took up her position in January 2014. At the end of the year, Malin Axland replaced Åke Theblin in the Business Management Group. As Legal Counsel, Malin supports the Business Management Group on legal issues.

PARENT COMPANY*

The profit of the parent company for the year was SEK 349 (299) m. Profit was primarily sourced from reversed provisions for the group's interest swaps, whose negative market values decreased with interest payments and interest rates on longer maturities increasing in the period. Sales were SEK 39 (61) m, which were revenues from group companies.

Assets at the end of the year mainly consisted of participations in group companies of SEK 8,083 (7,801) m. Funding was primarily through equity,

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

SHAREHOLDERS

As of 31 December 2013	No. of shares	% of vote and capital
Welandson Gösta and companies	17,880,595	13.1
Länsförsäkringar Funds	5,996,135	4.4
Norges Bank Investment Management	5,402,380	4.0
Florén Olle and companies	3,694,250	2.7
SHB Funds	3,025,202	2.2
BlackRock Funds (USA)	2,031,583	1.5
Danske Invest Funds (Sweden)	1,646,429	1.2
Second AP Fund	1,637,435	1.2
Avanza Pension Försäkring AB	1,135,044	0.8
TR Property Investment Trust (GB)	1,129,730	0.8
Total, ten largest shareholders	43,578,783	31.9
Board and management	148,147	0.1
Foreign shareholders, other	33,683,618	24.7
Other shareholders	59,091,516	43.3
Total	136,502,064	100.0

Source: SIS Ägarservice



A conference facility for tenant General Electric's staff in the property Trekanten 5 in Danderyd, Stockholm.

which was SEK 6,143 (5,931) m at the end of the year, implying an equity ratio of 38 (43) per cent.

THE SHARE AND SHAREHOLDERS

The closing share price on 31 December 2013 was SEK 43.20. Compared to the closing price at the end of 2012, which was SEK 35.40, the price increased by 22 per cent. As of 31 December, Kungsleden had 18,877 shareholders, which is fewer than as of 31 December 2012, when there were 19,749 shareholders.

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.

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.

More information on Kungsleden's risks and their management is on pages 67–71 of the Annual Report for 2012.

PROPOSED DIVIDEND

Effective 2013, Kungsleden introduced a new dividend policy to better reflect its long-term value creation. In the medium term, once Kungsleden's definitive tax position is clear, the target is for the dividend to be 50 per cent of profit from property management. However, in the coming years, the dividend will be lower, adapted to the needs of its liquidity contingency.

Based on this dividend policy, the Board of Directors is proposing a dividend of SEK 1.25 (1.00) per share for the financial year 2013.

Financial Reporting, 1 Jan – 31 Dec 2013

INCOME STATEMENT¹

SEK m	Reporting period		12 months	
	2013 Oct–Dec	2012 Oct–Dec	2013 Jan–Dec	2012 Jan–Dec
Rental revenues—properties	459.6	373.8	1,669.1	1,583.1
Rental revenues—modular buildings	66.3	65.6	261.9	256.6
Sales revenues, module manufacture	96.6	54.5	292.8	270.3
Net sales	622.5	493.9	2,223.8	2,110.0
Property costs—properties ¹	-143.7	-132.8	-538.0	-537.6
Property costs—modular buildings ¹	-35.0	-24.5	-116.5	-96.7
Costs for module manufacture ¹	-89.8	-54.1	-268.4	-258.1
Gross profit	354.0	282.5	1,300.9	1,217.6
<i>of which operating net—properties</i>	<i>315.9</i>	<i>241.0</i>	<i>1,131.1</i>	<i>1,045.5</i>
<i>of which operating net—modular buildings</i>	<i>31.3</i>	<i>41.1</i>	<i>145.4</i>	<i>159.9</i>
<i>of which gross profit—module manufacture</i>	<i>6.8</i>	<i>0.4</i>	<i>24.4</i>	<i>12.2</i>
Sales and administration costs¹	-45.2	-56.4	-156.5	-187.3
Net financial position				
Financial revenues ²	5.7	7.0	18.4	31.0
Interest costs ²	-149.9	-134.5	-553.5	-578.7
Other financial costs	-15.7	-9.3	-60.7	-37.8
	-159.9	-136.8	-595.8	-585.5
Profit from property management	148.9	89.3	548.6	444.8
Value changes, investment properties				
Profit/loss from property sales	3.9	-0.2	8.1	16.2
Unrealised value changes ¹	70.4	-51.9	47.9	-20.3
	74.3	-52.1	56.0	-4.1
Unrealised value changes, financial instruments	7.6	-19.3	425.3	-69.9
Profit/loss before tax²	230.8	17.9	1,029.9	370.8
Tax	-51.4	245.5	-192.0	-813.3
Net profit/loss from continuing operations	179.4	263.4	837.9	-442.5
Discontinued operation²				
Profit/loss from Hemsö holding, net after tax	-	659.6	24.0	794.4
Net profit/loss³	179.4	923.0	861.9	351.9
Earnings per share⁴	1.31	6.76	6.31	2.58
Earnings per share from continuing operations⁴	1.31	1.93	6.14	-3.24

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 portfolio in 2013, which was previously an independent segment. All profit/loss items from the Hemsö portfolio (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 profit or loss for the period is attributable to the parent company's shareholders.

4 Before and after dilution. The outstanding and average number of shares was 136,502,064 for all periods.

STATEMENT OF COMPREHENSIVE INCOME

SEK m	Reporting period		12 months	
	2013 Oct-Dec	2012 Oct-Dec	2013 Jan-Dec	2012 Jan-Dec
Net profit/loss after tax	179.4	923.0	861.9	351.9
Other comprehensive income (items that can be reclassified to net profit/loss)				
Translation differences transferred to net profit/loss	–	16.9	–	16.9
Participation in Hemsö's other comprehensive income (discontinued operation)	–	4.6	–	–5.5
Translation differences for the period when translating foreign operations	0.6	7.7	1.2	–1.0
Comprehensive income for the period¹	180.0	952.2	863.1	362.3

1 All profit or loss for the period is attributable to the parent company's shareholders.

STATEMENT OF FINANCIAL POSITION

SEK m	31 Dec 2013	31 Dec 2012
ASSETS		
Goodwill	201.4	201.4
Investment properties—properties	20,338.7	14,246.7
Investment properties—modular buildings	1,508.7	1,509.3
Properties used in business operations	21.5	21.1
Equipment	14.8	13.9
Deferred tax assets	34.7	206.7
Other long-term receivables	238.8	244.0
Total non-current assets	22,358.6	16,443.1
Inventories	15.3	17.1
Receivable from AP3	–	3,362.9
Current receivables	271.6	355.4
Cash and bank balances	322.7	721.2
Total current assets	609.6	4,456.6
TOTAL ASSETS	22,968.2	20,899.7
EQUITY AND LIABILITIES		
Equity	8,453.0	7,726.4
Interest-bearing liabilities		
Liabilities to credit institutions	10,579.4	8,104.6
Bond issues (unsecured)	2,299.2	1,599.2
Interest-bearing liabilities	12,878.6	9,703.8
Non-interest-bearing liabilities		
Provisions	59.5	57.7
Derivatives ¹	707.8	1,124.5
Tax liability	–	20.5
Other non-interest-bearing liabilities	869.3	2,266.8
Non-interest-bearing liabilities	1,636.6	3,469.5
TOTAL EQUITY AND LIABILITIES	22,968.2	20,899.7

1 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	31 Dec 2013	31 Dec 2012
At beginning of period	7 726,4	7 719,0
Dividend	–136,5	–354,9
Comprehensive income for the period	863,1	362,3
At end of period	8 453,0	7 726,4

STATEMENT OF CASH FLOWS

SEK m	Reporting period		12 months	
	2013	2012	2013	2012
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Operating activities				
Profit/loss before tax	230,8	17,9	1 029,9	370,8
Profit/loss from property sales	-3,9	0,2	-8,1	-16,2
Unrealised value changes	-78,0	71,1	-473,2	90,2
Dividend and cash flow relating to Hemsö (discontinued operation)	-	-	24,0	52,1
Other adjustment for items not included in cash flow from operating activities	29,2	-38,7	31,3	-32,1
Tax paid	-124,2	5,6	-124,2	-342,0
Cash flow from operating activities	53,9	56,1	479,7	122,8
Changes in working capital	-4 868,6	111,3	-5 128,1	396,5
Cash flow from operating activities after change in working capital	-4 814,7	167,4	-4 648,4	519,3
Cash flow from investing activities	-783,8	249,6	1 960,7	836,8
Cash flow from financing activities	5 623,3	-27,5	2 287,8	-1 313,1
Cash flow for the period	24,8	389,5	-399,9	43,0
Cash and cash equivalents at beginning of period	298,5	329,7	721,2	683,9
Exchange rate difference in cash and cash equivalents	-0,6	2,0	1,4	-5,7
Cash and cash equivalents at end of period	322,7	721,2	322,7	721,2

SEGMENT REPORTING

SEK m	Properties ¹		Nordic Modular ¹		Other/group wide		Total Kungsleden	
	2013	2012	2013	2012	2013	2012	2013	2012
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Rental revenues	1,669.1	1,583.1	261.9	256.6			1,931.0	1,839.7
Sales revenues, modules			292.8	270.3			292.8	270.3
Net sales	1,669.1	1,583.1	554.7	526.9			2,223.8	2,110.0
Property costs ²	-538.0	-537.6	-116.5	-96.7			-654.5	-634.3
Costs for module manufacture ²			-268.4	-258.1			-268.4	-258.1
Gross profit/loss	1,131.1	1,045.5	169.8	172.1			1,300.9	1,217.6
Sales and administration costs ²	-114.7	-146.9	-41.8	-40.4			-156.5	-187.3
Net financial position	-592.4	-577.4	-3.4	-8.1			-595.8	-585.5
Profit from property management	424.0	321.2	124.6	123.6			548.6	444.8
Value changes, investment properties								
Profit/loss from property sales	8.1	16.2	-	-			8.1	16.2
Unrealised value changes	47.9	0.0	-	-20.3			47.9	-20.3
Unrealised value changes, financial instruments	425.3	-69.9	-	-			425.3	-69.9
Profit/loss before tax	905.3	267.5	124.6	103.3			1,029.9	370.8
Tax	-198.8	194.1	-27.2	-22.4	34.0	-985.0	-192.0	-813.3
Profit/loss from continuing operations	706.5	461.6	97.4	80.9	34.0	-985.0	837.9	-442.5
Discontinued operation: Hemsö holding, after tax					24.0	794.4	24.0	794.4
Net profit/loss for the period	706.5	461.6	97.4	80.9	58.0	-190.6	861.9	351.9
Properties	20,338.7	14,246.7	1,530.2	1,530.4			21,868.9	15,777.1
Purchases and investments, properties	6,148.5	1,754.2	7.0	4.2			6,155.5	1,758.4

1 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.

2 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		12 months	
	2013 Oct-Dec	2012 Oct-Dec	2013 Jan-Dec	2012 Jan-Dec ¹
Property-related				
<i>Earnings capacity</i>				
Property yield, % ¹			7.8	8.3
Economic occupancy, %			88.9	89.3
Operating surplus margin, % ¹			67.6	70.7
<i>Actuals</i>				
Property yield, % ¹	7.3	7.4	7.5	7.8
Economic occupancy, %	90.5	89.7	90.9	89.6
Operating surplus margin, % ¹	66.0	64.2	66.1	65.5
Financial				
Profit from property management, SEK m	149	89	549	445
Net profit/loss, SEK m	179	923	862	352
Return on total capital, % ¹	6.3	18.0	5.4	8.8
Return on equity, %	8.6	50.9	10.7	4.6
Return on capital employed, % ¹	6.9	21.0	6.2	10.5
Interest coverage ratio, multiple ¹	1.9	5.4	1.9	2.7
Equity ratio, %			36.8	37.0
Gearing, multiple			1.5	1.3
Loan to value ratio, %			58.9	61.5
Cash flow from operating activities, SEK	54	56	480	123
Data per share				
Share price, SEK			43.20	35.40
Dividend, SEK			1.00	2.60
Total yield, %			24.9	-17.4
Dividend yield, %			2.3	7.3
P/E ratio, multiple			6.8	13.7
Gross profit, SEK ¹	2.59	2.07	9.53	8.92
Profit from property management, SEK	1.09	0.65	4.02	3.26
Net profit/loss, SEK	1.31	6.76	6.31	2.58
Property book value, SEK			160.21	115.58
Equity, SEK			61.93	56.60
Cash flow from operating activities, SEK	0.39	0.41	3.51	0.90
Outstanding and average number of shares ²	136,502,064	136,502,064	136,502,064	136,502,064

1. The amended policies for accounting sales and administration costs, which in part, have been posted to operating net/gross profit and costs of reinvestments in modular buildings as a property cost effective 2013, affect several key ratios. The key ratios for previous periods have been restated.

2. There are no dilution figures as there are no potential shares.

PARENT COMPANY INCOME STATEMENT¹

SEK m	Reporting period		12 months	
	2013 Oct-Dec	2012 Oct-Dec	2013 Jan-Dec	2012 Jan-Dec
Intragroup revenues	7.4	10.3	39.0	61.4
Administration costs	-12.2	-18.3	-44.8	-56.4
Operating profit/loss	-4.8	-8.0	-5.8	5.0
Profit/loss from financial items	178.4	493.7	443.1	320.5
Profit/loss before tax	173.6	485.7	437.3	325.5
Tax on net profit/loss	-30.8	-68.9	-88.8	-26.8
Net profit/loss	142.8	416.8	348.5	298.7

PARENT COMPANY BALANCE SHEET¹

SEK m	31 Dec 2013	31 Dec 2012
ASSETS		
Participations in group companies	8,083.1	7,800.9
Receivables from group companies	7,294.9	4,904.0
External receivables, etc.	543.6	615.3
Cash and cash equivalents	152.0	540.9
TOTAL ASSETS	16,073.6	13,861.1
EQUITY AND LIABILITIES		
Equity	6,142.5 ²	5,930.5
Non-current liabilities	2,626.3	1,600.8
Liabilities to group companies	6,542.8	4,727.1
Other liabilities	762.0	1,602.7
TOTAL EQUITY AND LIABILITIES	16,073.6	13,861.1

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

2. Dividends have reduced shareholders' equity by SEK 137 m.

ACCOUNTING POLICIES

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-in-

vestments 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 SEK 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 policies and computation methods are unchanged compared to the Annual Accounts for the financial year 2012.

Estimates and judgements

Preparing interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that influence the application of accounting policies, and the carrying amounts of assets, liabilities, revenues and costs. Actual outcomes may vary from these estimates and judgments. 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 Financial Statement for the period January – December 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, 13 February 2014

Göran Larsson
Chairman

Magnus Fernqvist
Board member

Joachim Gahm
Board member

Peter Gustafson
Board member

Lars Holmgren
Board member

Kia Orback Pettersson
Board member

Charlotta Wikström
Board member

Biljana Pehrsson
Chief Executive Officer

This interim financial statement has not been subject to review by the company's auditors.

Kungsleden publishes the information in this Interim Report in accordance with the Swedish Securities Markets Act (2007:528).

Quarterly summary

SUMMARY INCOME STATEMENT

SEK m	2013				2012			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Net sales	623	550	564	487	494	499	561	556
Gross profit	354	353	313	281	282	322	308	305
<i>of which operating net—properties</i>	316	310	266	240	241	280	268	257
<i>of which operating net—modular buildings</i>	31	38	39	37	41	42	38	39
<i>of which gross profit—module manufacture</i>	7	5	8	4	0	0	2	9
Sales and administration costs	-45	-27	-32	-52	-56	-38	-45	-48
Net financial position	-160	-147	-148	-141	-137	-156	-153	-140
Profit from property management	149	179	133	88	89	128	110	117
Profit/loss from participations in Hemsö	-	-	-	-	-	-	-	-
Profit/loss from property sales	4	0	5	0	0	0	-3	20
Unrealised value changes, investment properties	70	-4	-2	-16	-52	10	11	11
Unrealised value changes, financial instruments	8	56	196	164	-19	-167	-111	226
Profit/loss before tax	231	231	332	236	18	-29	7	374
Tax	-52	-17	-71	-52	246	29	-742	-345
Net profit/loss from continuing operations	179	214	261	184	264	0	-735	29
Discontinued operation—profit/loss from Hemsö holding	-	-	-	24	660	-13	64	84
Net profit/loss	179	214	261	208	924	-13	-671	113

SUMMARY STATEMENT OF FINANCIAL POSITION

SEK m	2013				2012			
	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
Investment properties—properties	20,338	14,480	14,315	14,296	14,243	13,232	13,286	13,074
Investment properties—modular buildings	1,509	1,515	1,519	1,509	1,509	1,529	1,535	1,535
Property used in business operations	22	21	21	17	25	17	18	18
Equipment	15	13	13	14	14	14	14	15
Participations in Hemsö	-	-	-	-	-	1,157	1,177	1,167
Long-term receivables, Hemsö	-	-	-	-	-	1,500	1,500	1,500
Deferred tax asset	35	65	82	162	207	-	-	766
Other long-term receivables	239	234	229	220	244	242	250	439
Total non-current assets	22,359	16,529	16,380	16,420	16,443	17,892	17,981	18,715
Inventories	15	16	14	15	17	16	21	16
Receivable from AP3	-	-	-	-	3,363	-	-	-
Current receivables	271	179	200	228	355	244	438	410
Assets held for sale—properties	-	-	93	-	-	-	912	906
Assets held for sale—other	-	-	-	-	-	-	18	117
Cash and bank balances	323	298	427	331	722	330	298	434
Total current assets	609	493	734	574	4,457	590	1,687	1,883
TOTAL ASSETS	22,968	17,022	17,114	16,994	20,900	18,482	19,668	20,598
EQUITY AND LIABILITIES								
Equity	8,453	8,273	8,061	7,929	7,726	6,774	6,800	7,828
Interest-bearing liabilities								
Liabilities to credit institutions	10,579	5,656	5,919	5,785	8,105	8,165	8,267	8,037
Bond issues (unsecured)	2,299	1,599	1,599	1,599	1,599	1,599	1,599	1,599
Liabilities related to assets held for sale	-	-	-	-	-	-	901	901
Interest-bearing liabilities	12,878	7,255	7,518	7,384	9,704	9,764	10,767	10,537
Non-interest-bearing liabilities								
Provisions	60	59	59	59	58	110	109	432
Deferred tax liability	-	-	-	-	-	53	82	1
Derivatives	708	707	764	960	1,125	1,100	944	915
Other non-interest-bearing liabilities	869	728	712	662	2,287	681	937	813
Liabilities related to assets held for sale	-	-	-	-	-	-	29	72
Non-interest-bearing liabilities	1,637	1,494	1,535	1,681	3,470	1,944	2,101	2,233
TOTAL EQUITY AND LIABILITIES	22,968	17,022	17,114	16,994	20,900	18,482	19,668	20,598

KEY FIGURES

	2013				2012			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Property-related								
<i>Actuals</i>								
Property yield, %	7.3	8.7	7.7	7.0	7.4	7.5	7.7	7.6
Economic occupancy, %	90.5	90.0	90.6	90.5	89.7	89.3	89.5	89.9
Operating surplus margin, %	66.0	71.9	64.1	62.0	64.2	63.6	64.0	62.3
Financial								
Profit from property management, SEK m	149	179	133	88	89	128	110	117
Net profit/loss, SEK m	179	214	261	208	923	-13	-671	113
Return on total capital, %	6.3	7.6	6.7	5.3	18.0	5.7	6.4	7.0
Return on equity, %	8.6	10.5	13.0	10.6	50.9	-0.8	-36.7	5.8
Return on capital employed, %	6.9	8.5	7.5	6.6	23.5	6.5	8.0	8.6
Interest coverage ratio, multiple	1.9	2.2	1.9	1.7	5.5	1.7	1.9	2.3
Equity ratio, %	36.8	48.6	47.1	46.7	37.0	36.7	34.6	38.0
Loan to value ratio, %	58.9	45.3	47.1	46.7	61.5	66.1	68.4	67.8
Data per share								
Profit from property management, SEK	1.09	1.31	1.00	0.60	0.70	0.90	0.80	0.90
Net profit/loss, SEK ¹	1.31	1.57	1.90	1.50	6.80	-0.10	-4.90	0.70
Dividend, SEK	-	-	1.00	-	-	-	2.60	-

1. There is no dilution per share as there are no potential shares.

DEFINITIONS

PROPERTY-RELATED KEY FIGURES

Average rent, SEK per sq.m., rental revenue in relation to average for leased area.

Property yield¹, operating net in relation to quarterly average book value of properties.

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.

Operation and maintenance cost, SEK per sq.m., operation and maintenance cost in relation to the average for leasable area.

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.

¹ The key figure for property yield has been re-defined effective the Financial Statement for 2013. Average book value is now computed quarterly instead of opening and closing balances divided by two.

For all definitions, see kungsleden.se/definitions

kungsleden.com

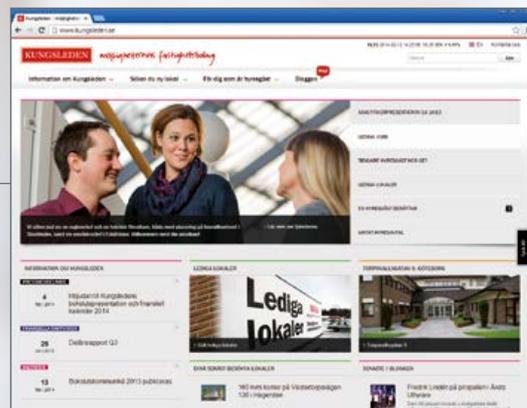
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	2014	2013	2012	2011	2010
Resultat efter skatt	89,0	245,3	461,3	220,6	132,1
Skatt	-395,1	-259,3	-220,8	-220,6	-
Resultat före skatt	-306,1	103,6	240,5	441,2	132,1
Selena småskaliga verksamheter	618,8	198,4	-1 801,4	1 371,7	1 120
Övriga verksamheter	-924,9	-94,7	-1 041,9	-929,5	-987,9
Finansnetto	-306,1	103,6	-801,4	441,2	132,1
Finansintäkt	228,7	286,4	388,8	125,8	124
Finansutgift	-176,8	-443,5	-586,1	-720,3	-488
Finansresultat	51,9	-153,5	-197,5	-153,3	-231,9
Skatt	-395,1	-259,3	-220,8	-220,6	-
Resultat efter skatt	89,0	245,3	461,3	220,6	132,1

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Annual Report 2013
27 March 2014

Interim Report
1 Jan–31 Mar 2014
29 April 2014

Annual General Meeting
29 April 2014

Interim Report
1 Jan–30 Jun 2014
15 August 2014

Interim Report
1 Jan–30 Sep 2014
24 October 2014

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