

Interim Report for January–September 2014

Q3:2014

“ Having completed a successful rights issue and with a strong profit, we are now taking the next steps in realizing our full potential.

BILJANA PEHRSSON, PRESIDENT AND CEO

THIRD QUARTER

552¹

Rental income increased by 32 per cent to SEK 552 (419) million and net operating income increased to SEK 404 (310) million.

217¹

Profits from property management improved by 46 per cent and were SEK 217 (149) million, which corresponds to SEK 1.81 (1.31) per share.

-6

Net leasing was SEK -6 (12) million.

INTERIM PERIOD

1,669¹

Rental income increased by 38 per cent to SEK 1,669 (1,210) million and net operating income increased to SEK 1,152 (815) million.

575¹

Profits from property management improved by 84 per cent and were SEK 575 (313) million, which corresponds to SEK 4.81 (2.93) per share.

3

Net leasing was SEK 3 (14) million.

1. Not including Nordic Modular Group.

COMMENTS ON EVENTS DURING AND AFTER THE QUARTER

- The rights issue, that was decided on 16 September at an extraordinary general meeting was fully subscribed and concluded during October. Kungsleden will receive capital from the rights issue of SEK 1,593 million before the deduction for emission costs.
- Having sold properties for SEK 2.4 billion during the year, Kungsleden has now transitioned to an active buyer. During the quarter, two strategic acquisitions were made in Malmö for a value of SEK 385 million. In total during the year, four properties in Malmö were acquired for SEK 451 million.
- As of this interim report, the subsidiary, Nordic Modular Group is being reported separately since the holding is "held for sale".

KEY FIGURES¹

	2014 Jul-Sep	2013 Jul-Sep	2014 Jan-Sep	2013 Jan-Sep
FINANCIAL				
Profits from property management, SEK per share	1.81	1.31	4.81	2.93
Profit for the period, SEK per share	2.00	1.57	-8.23	5.00
Equity, SEK per share	52.46	60.61	52.46	60.61
Return on shareholders equity, %	15.6	10.5	Neg.	11.4
Net operating income – properties, SEK m	404	310	1,152	815
Interest coverage ratio	2.5	2.2	2.4	1.9
PROPERTY RELATED				
Financial occupancy rate, %	87.5	90.0	88.9	90.4
Average rent, SEK per per sq.m.	234	209	693	604
Operating and maintenance costs, SEK per per sq.m.	55	49	187	178

1. The key indicators, equity/assets ratio, and return on total assets for 2014 have been calculated without Nordic Modular.

COMMENTS FROM BILJANA PEHRSSON, CEO

Kungsleden has successfully completed the company's rights issue for nearly SEK 1.6 billion, which marks another important milestone in realizing the company's strategy. The rights issue was fully subscribed with great interest from shareholders both with and without preferential rights. Having successfully completed the rights issue and with strong support from our shareholders, we are now ready to realize the potential that we identified through acquisitions in 18 selected micro locations for commercial properties and some 20 development projects among our own property holdings. We now have the financial flexibility to grow the property portfolio to around SEK 25 billion, with a long-term ambition of increasing it to SEK 30 billion.

Thus far in 2014, we have implemented a successful consolidation and streamlining process by divesting non-strategic properties. This means that, as of the third quarter, Kungsleden has transitioned to an active buyer. We currently see good acquisition opportunities in the market and completed two strategic acquisitions in Malmö during the quarter, worth almost SEK 400 million.

Our focus is on actively managing, developing and improving our properties. In September, we had the first-ever "Kungsleden Property Days", which was a company-wide showcasing event of our property holdings, where all managers presented plans on how new values will be realized at each property and development right.

Operations continued with a positive trend during the third quarter. Gross profit was SEK 404 million, an increase of 30 per cent compared to the same period last year due to larger property holdings and a higher operating net. Gross profit for the third quarter increased by 6 per cent compared to the second quarter despite that the size of the property portfolio had declined due to the sales that were made. The surplus margin for properties was 73 per cent, which is in line with last year.

The profits from property management also improved by 46 per cent compared to last year and by 14 per cent compared to last quarter. Financing costs increased only marginally, which had a positive impact on profits from property management, which was SEK 217 million. The average interest rate continued to fall and was 5.0 per cent, compared to 5.8 per cent at the beginning of the year.

During the interim period, new leases were signed for approximately 83,400 m² and the financial occupancy rate was nearly 89 (90) per cent.

Profit before tax increased to SEK 322 (202) million, despite the fact that during the quarter there were negative unrealized changes in the value of financial instruments of SEK -70 (57)

million caused by falling long-term interest rates. The value trend for properties was positive, and the total change in value was SEK 176 million. The positive value change for properties that were vacated during the quarter contributed to this, as did higher values

resulting from improved operating net and investments that were made. There was a positive impact on the value increases from a higher occupancy rate and higher rental income. However, changes in the market's required return have not been taken into consideration in the third quarter. As always, Kungsleden will make a complete internal and external valuation of the entire property portfolio at year-end, at which time any changes in the required return will be considered.

Profit before tax, not including changes in the value of financial instruments improved to SEK 392 (145) million.

We have decided to move Kungsleden's head office to one of our own properties during autumn 2015. We will be moving from leased facilities at Vasagatan in central Stockholm to our own building on the central boulevard, Warfvinges väg, located in flourishing Västra Kungsholmen, Stockholm.

With a new foundation following changes that were made since the new strategy was implemented in 2013 and a strengthened balance sheet, Kungsleden now enters into a new phase of its development. The company will now capitalize on its favourable situation and realize its growth plans so that it can create even more value for Kungsleden's shareholders. In this context, I would like to thank our shareholders for the support they have shown by providing the company with the capital it requires to continue on this exciting journey.

Stockholm, 24 October 2014

Biljana Pehrsson, CEO



PROFIT BEFORE TAX, NOT INCLUDING CHANGES IN THE VALUE OF FINANCIAL INSTRUMENTS IMPROVED TO SEK 392 (145) MILLION.

FULLY SUBSCRIBED RIGHTS ISSUE

On 16 September 2014, an extraordinary general meeting decided to have a new share issue with preferential rights for existing shareholders.

The purpose of the rights issue was to create greater financial freedom and conditions for the company to realize its growth plans and thus generate more value for shareholders.

Interest in subscribing for shares was high, for which the deadline was 8 October 2014. Approximately 44.5 million

shares, 98 per cent of the offered shares, were subscribed for with subscription rights. In addition, notifications corresponding to approximately 38.2 million shares were received for subscription without preferential rights, corresponding to 84 per cent of shares in the rights issue. The rights issue has thus been fully subscribed. The rights issue brings proceeds to Kungsleden of approximately SEK 1,593 million before deduction of emission costs.

PROFIT

PROFIT FOR THE THIRD QUARTER (JULY-SEPTEMBER)

Rental income during the third quarter was SEK 552 (419) million. Net operating income improved to SEK 404 (310) million, which is an increase attributable to larger property holdings.

Profits from property management, not including Nordic Modular, increased SEK 68 million to SEK 217 (149) million. Net operating income, not including the costs for administration and financing, rose at a corresponding rate, which explains why the profits from property management increased by 46 per cent.

Profit before tax increased SEK 120 million to SEK 322 (202) million. Unrealized value changes in the property portfolio amounted to SEK 169 million and unrealized changes in the value of financial instruments was SEK -70 million.

Profit for the period increased by SEK 59 million to SEK 273 (214) million.

PROFIT (LOSS) FOR THE INTERIM PERIOD (JANUARY-SEPTEMBER)

Rental income during the period was SEK 1,669 (1,210) million. Net operating income improved to SEK 1,152 (815) million, which is an increase attributable to larger property holdings.

Profits from property management, not including Nordic Modular, increased SEK 262 million to SEK 575 (313) million. Net operating income, not including the costs for financing rose at a corresponding rate, while administrative costs simultaneously fell, which explains why the profits from property management increased by 84 per cent.

Profit before tax decreased SEK 48 million to SEK 664 (712) million. The decline was primarily caused by unrealized changes in the value of financial instruments for the period of SEK -319 million, compared to SEK 418 million for the corresponding period last year. During the period, the value of unrealized changes in investment properties was SEK 335 million.

Profit (loss) for the period was SEK -1,124 (683) million. The decline in earnings is primarily explained by a provision made during the second quarter for tax rulings of SEK -1,640 million.

PROFIT FOR NORDIC MODULAR

In this interim report, Nordic Modular is reported as "held for sale" which means that it is reported on a separate line at the end of the income statement.

During the period, rental income for modular buildings was SEK 197 (196) million, with a net operating income of SEK 106 (114) million. Sales of modular buildings increased to SEK 221 (196) million with a gross profit of SEK 20 (18) million.

More information about Nordic Modular is available in the table on operating segments on page 16.

INCOME STATEMENT¹

SEK m	Quarter		Interim period	
	2014 Jul-Sep	2013 Jul-Sep	2014 Jan-Sep	2013 Jan-Sep
Rental income	552	419	1,669	1,210
Property costs	-148	-110	-517	-394
Net operating income	404	310	1,152	815
Selling and administration costs	-23	-18	-68	-83
Net financial items	-164	-143	-508	-420
Profits from property management, not incl. Nordic Modular	217	149	575	313
Changes in value of investment properties				
Profit/loss on property sales	7	0	73	4
Unrealised value changes	169	-4	335	-23
Unrealised changes in value of financial instruments	-70	57	-319	418
Profit (loss) before tax	322	202	664	712
Tax	-72	-11	-1,821	-121
Profits (loss), not incl. Nordic Modular	250	191	-1,157	591
Profit/loss from Nordic Modular, net after tax	23	23	34	92 ²
Profit/loss for the period	273	214	-1,124	683
Profits from property management, Group³	247	179	656	400

1. The presentation of the income statement has changed due to the fact that Nordic Modular is being reported as an asset "held for sale" on a separate line at the end of the income statement.

2. Profit includes the profit from the Hemsö holding of SEK 24 million during Jan-Mar 2013.

3. The Group's total profits from property management including the profits from property management for Nordic Modular.

EARNINGS CAPACITY

As of 30 September 2014, Kungsliden's property holdings consisted of 310 (279) properties, grouped into the following four geographic areas: Stockholm, Mälardalen and North, Gothenburg and Malmö. The earnings capacity for each region is presented below.

Earnings capacity shows how the income statement would have been if the properties that were owned as of 30 September 2014 had been owned for the last twelve months. The company has entered into a sales agreement for five properties that are included in the amounts as of 30 September 2014. These properties will be vacated during the fourth and their carrying amount is SEK 281 million, with a net operating income of SEK 14 million.

REGION STOCKHOLM

Träböcken 1, Sollentuna



A total of 74 new leases were signed during the interim period, with a total area of 28,071 sq.m. and a value of SEK 36 million.

EARNINGS CAPACITY¹ AS OF 30 SEPTEMBER 2014

No. of properties	73
Leasable area, 000 sq.m.	586
Book value, SEK m	6,266
Rental value, SEK m	654
Rental revenue, SEK m	597
Operating net, SEK m ²	426
Economic occupancy, %	91.3
Property yield, % ²	6.8
Operating surplus margin, % ²	71.4

REGION MÄLAR-DALEN AND NORTH

Värblomman 12, Eskilstuna



A total of 50 new leases were signed during the interim period, with a total area of 20,445 sq.m. and a value of SEK 29 million.

EARNINGS CAPACITY¹ AS OF 30 SEPTEMBER 2014

No. of properties	63
Leasable area, 000 sq.m.	868
Book value, SEK m	5,484
Rental value, SEK m	771
Rental revenue, SEK m	714
Operating net, SEK m ²	483
Economic occupancy, %	92.7
Property yield, % ²	8.8
Operating surplus margin, % ²	67.6

REGION GOTHENBURG

Lundbyvassen 4:9, Göteborg



A total of 46 new leases were signed during the interim period, with a total area of 22,715 sq.m. and a value of SEK 19 million.

EARNINGS CAPACITY¹ AS OF 30 SEPTEMBER 2014

No. of properties	109
Leasable area, 000 sq.m.	669
Book value, SEK m	3,984
Rental value, SEK m	501
Rental revenue, SEK m	447
Operating net, SEK m ²	333
Economic occupancy, %	89.2
Property yield, % ²	8.4
Operating surplus margin, % ²	74.7

REGION MALMÖ³

Malmömässan, Malmö



A total of 29 new leases were signed during the interim period, with a total area of 12,138 sq.m. and a value of SEK 8 million.

EARNINGS CAPACITY¹ AS OF 30 SEPTEMBER 2014

No. of properties	65
Leasable area, 000 sq.m.	492
Book value, SEK m	3,248
Rental value, SEK m	364
Rental revenue, SEK m	319
Operating net, SEK m ²	245
Economic occupancy, %	87.5
Property yield, % ²	7.5
Operating surplus margin, % ²	76.7

1. Earnings capacity shows how the income statement would have looked if properties as of 30 September 2014 had been owned for the last 12 months.

2. In the income statement, the Group's net operating income also includes property administration costs, but this is not included in each specific property's net operating income in the earning capacity. During the last 12 months, property administration costs were SEK 68 million for investment properties and SEK 20 million for modular buildings.

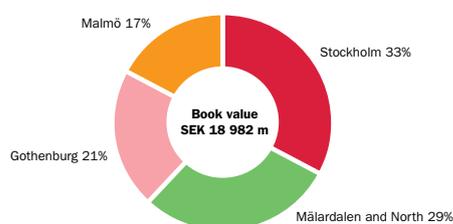
3. One property in Germany is included in Region Malmö.

EARNINGS CAPACITY ¹ PER SEGMENT	Office	Industrial/ warehouse	Retail	Other	Total properties	Modular buildings	Totalt
No. of properties	113	124	55	18	310	–	310
Lettable area, 000 sq.m.	970	1,280	311	54	2,615	232	2,847
Book value, SEK m	9,872	6,288	2,337	485	18,982	1,505	20,487
Lease value, SEK m	1,127	826	278	59	2,290	341	2,631
Rental revenue, SEK m	1,021	749	251	56	2,077	263	2,340
Operating net, SEK m ²	698	580	169	40	1,487	150	1,637
Economic occupancy, %	90.5	90.7	90.5	94.6	90.7	77.2	88.9
Property yield, % ²	7.1	9.2	7.2	8.3	7.8	10.0	8.0
Operating surplus margin, % ²	68.5	77.5	66.6	72.4	71.6	57.0	70.0

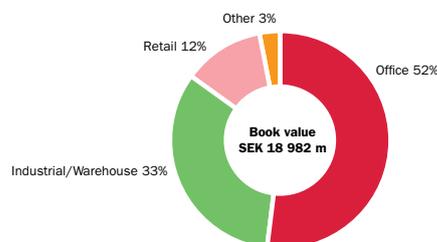
1. Earnings capacity shows how the income statement would have looked if properties as of 30 September 2014 had been owned for the last 12 months.

2. In the income statement, the Group's net operating income also includes property administration costs, but this is not included in each specific property's net operating income in the earning capacity. During the last twelve months, property administration costs were SEK 68 million for investment properties and SEK 20 million for modular buildings.

PROPERTY VALUE BY REGION



PROPERTY VALUE BY SEGMENT



ONGOING DEVELOPMENT PROJECTS

Kungsleden's project development activities are focused on refining the company's existing property holdings, as well as conversions and additions. After the development team has surveyed the property holdings, a portfolio of development projects is gradually built up. For the prioritized properties, analyses of different scenarios are made based on the situa-

tion in the overall market and real estate market for each property. These analyses are aimed at ensuring that time and resources are only invested in those projects that are most profitable.

Property development occurs in three stages: property and project development, project letting and project implementation.

Property and project
development



Project letting



Project
implementation



At the end of 2013, efforts began to survey the development potential of Kungsleden's existing property holdings. The focus is to continually identify and document properties with vacancies, properties where the attractiveness of the location has changed due to urban development activities and properties that have land or buildings that can be designed for other

purposes, or expanded development rights. This survey of property holdings results in a readiness to act. It should also improve cash flow and increase the value of property holdings.

As of 30 September 2014, there were seven ongoing projects with a calculated investment volume totalling approximately SEK 260 million.



Verkmästaren 4, Eskilstuna



Lungbyvassen 4:9, Gothenburg



Verkmästaren 4, Eskilstuna



Vårblomman 11, Eskilstuna



Vårblomman 12, Eskilstuna



Vipan 17, Eskilstuna



Lustgården 12, Kungsholmen, Stockholm



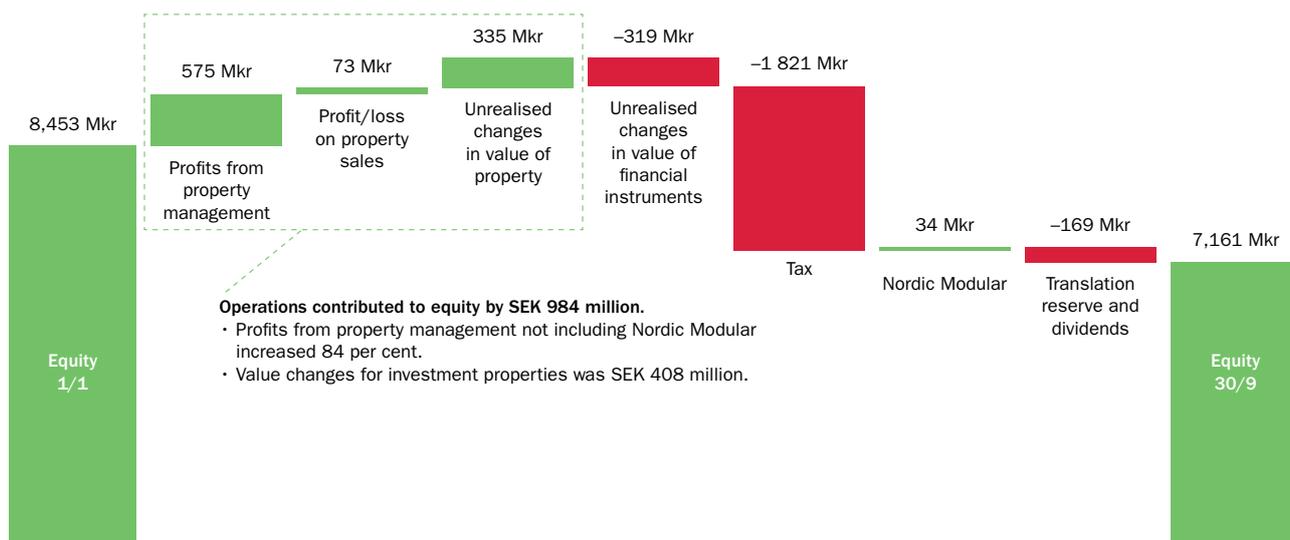
Malmömassan, Malmö

ASSETS AND LIABILITIES

EQUITY AND FINANCIAL POSITION

As of the end of the period, equity was SEK 7,161 (8,453) million or SEK 52 (61) per share, with a corresponding equity ratio of 32 (37) per cent.

2014



Equity ratio 37%

Change in equity/assets ratio

- Operations contributed to a strong equity/assets ratio.
- Tax reserves that were made during the second quarter lowered the equity/assets ratio, see page 12.
- The goal of an equity/assets ratio >30 per cent remains.



Equity ratio 32%

PROPERTY HOLDINGS

As of 30 September 2014, property holdings excluding modular buildings consisted of 310 (279) properties. The total area amounted to 2,615 (2,225) thousand m², which was distributed across the property segments, Offices, Industrial/Warehouses, Retail and Other. Property holdings are grouped into the following four geographic areas: Stockholm, Mälardalen and North, Gothenburg and Malmö. Region Stockholm is the largest in terms of property value.

The carrying amount of properties was SEK 18,982 million. The decline during the year is primarily due to the sales that were made. Additionally, investments as of 30 September 2014 in the existing properties of SEK 270 (168) million and the net effect of established individual property values increased the book value.

For the quarter, the unrealized change in value of properties was SEK 169 million. The value changes pertain to properties that have been vacated during the quarter, as well as value adjustments due to change in net operating income and investments that were made.

The remaining average contract term for the property holdings was 3.9 (4.6) years.

DEVELOPMENT OF PROPERTY HOLDINGS ¹ SEK m	2014 Jul-Sep	2014 Jan-Sep
Properties at beginning of the period	19,972	20,338
Purchases ²	–	66
Investments	118	270
Sales	–1,277	–2,029
Exchange rate fluctuations	–	2
Changes in value	169	335
Properties at end of the period	18,982	18,982

1. Excluding modular buildings.

2. During the interim period of Jan-Sep, properties totalling SEK 451 million were acquired, of which SEK 385 million have not yet been taken over.

PROPERTY TRANSACTIONS

In the transaction market, there has still been a high tempo even though the third quarter is typically more sluggish after the summer months. For the third quarter of 2014, the total transaction volume was slightly more than SEK 30 billion, which is an increase of 50 per cent compared to the same period in 2013. Assuming that the trend of high activity persists in the fourth quarter, 2014 could be the strongest year we've experienced since the financial crisis.

Furthermore, a significant share of the transaction volume is still occurring outside of the three metropolitan areas. For the third quarter, Stockholm had an unusually small percentage, 21 per cent, of the total transaction volume, while Gothenburg had 4 per cent and Malmö 3 per cent.

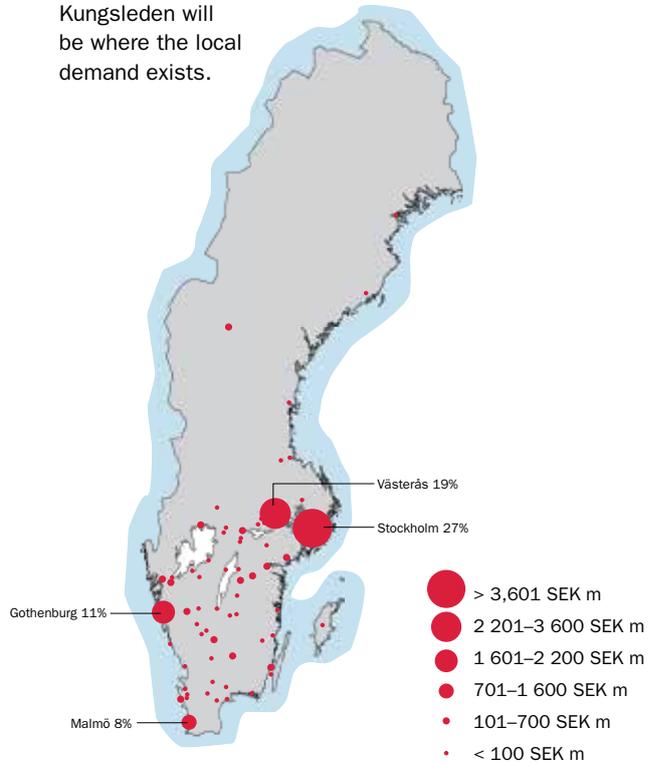
Liquidity in the market remained good. There is strong interest from the capital market and for real estate lending. Additionally, liquidity has continued to rise in the global market, with an increased flow of capital from non-European investors to Europe. Only a smaller portion of this has found its way to Sweden, but if the market continues on this positive trend, it will just be a matter of time before the benefits start to flow to the Swedish market. There is excellent access to capital and high demand for property investments.

During the quarter, Kungsleden sold 42 properties for SEK 830 million. In total, 61 properties were sold through the end of September for SEK 2,313 million, of which all were vacated except three and these will be vacated during the fourth quarter. On average, the prices obtained exceeded the carrying amounts prior to the sale by more than 10 per cent and are expected to result in profit before tax of approximately SEK 190 million.

Two properties in Malmö, including the newly constructed Malmömässan, were purchased during the quarter for a total of SEK 385 million and they will be taken over during the fourth quarter. Accordingly, a total of four properties were purchased in Malmö through the end of September for SEK 451 million.

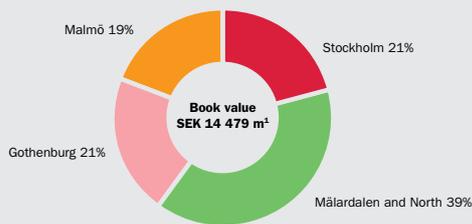
**CONTINUED GEOGRAPHIC CONCENTRATION
- FROM 141 TO 93 MUNICIPALITIES**

Kungsleden will be where the local demand exists.

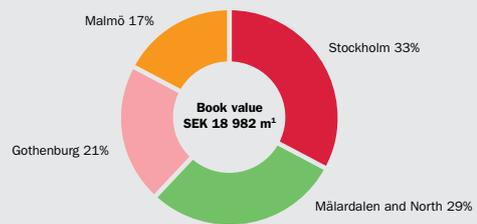


DEVELOPMENT OF THE PROPERTY PORTFOLIO

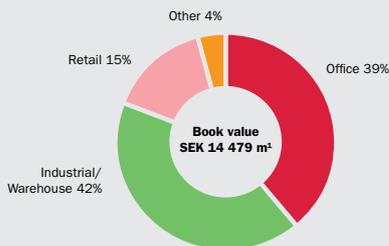
By region, as of 30 September 2013



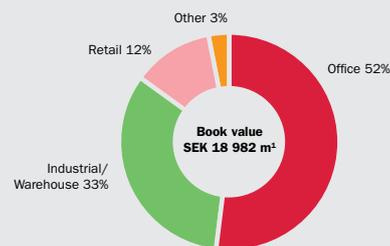
By region, as of 30 September 2014



By segment, as of 30 September 2013



By segment, as of 30 September 2014



1. Excluding modular buildings and property used in business operations.

FINANCING

The loan portfolio at the end of the third quarter was SEK 12,254 million, compared to SEK 12,978 million at the beginning of the quarter. During the quarter, loans were repaid for SEK 724 million, primarily in conjunction with the sale of properties.

In June, the company was able to refinance in advance a syndicated bank credit of SEK 4.5 billion including unutilised credit facilities, with scheduled maturity January 2015. The term of the new credit is five years, through June 2019. Within the scope of the new loan agreement, additional credit facilities were negotiated for SEK 2 billion with a term of three years, intended for future property acquisitions and investments in the existing property holdings. With the new agreement, Kungsleden has secured financing for a total of SEK 6.5 billion. The annual borrowing cost has fallen by almost SEK 22 million at current utilization despite a longer average term in the new loan agreement and expanded credit facilities of SEK 2 billion.

Financing costs

Net financial items for the first three quarters amount to SEK -508 (-420) million. Interest costs rose because the loan volume, on average, was higher during 2014 than it was during the same period last year due to new borrowing for property acquisitions at the end of 2013.

Kungsleden's average borrowing cost (average interest rate) fell even further during the third quarter and is now 5.0 per cent compared to 5.8 per cent at the beginning of the year. The refinancing at the start of the third quarter and restructuring that was done in the swap portfolio, combined with a lower return on STIBOR 90 days, have contributed to the decline in the average interest rate. Loan repayment in conjunction with property sales during the year caused the average interest rate to rise and borrowing costs to fall. This is because the interest expense associated with interest rate swaps is allocated over a shorter outstanding loan volume. At the rate that Kungsleden finances property acquisitions, the average interest rate will fall even further.

Since the beginning of the year, the weighted, average remaining fixed interest term for loans and interest rate swaps has fallen to 2.8 (3.1) years, which is primarily due to the passing of time.

Kungsleden has made commitments to its creditors regarding the interest coverage ratio and the LTV ratio. As of 30 September 2014, all such commitments had been fulfilled. The interest coverage ratio has increased to 2.3 (1.9) times on a rolling 12-month basis. For loans, for which collateral has been pledged, i.e. all loans except bond loans, the LTV ratio at the Group level was 56 (48) per cent.

MATURITY STRUCTURE, CREDITS AND INTEREST RATE DERIVATIVES, AFTER REFINANCING

As of 30 September 2014, SEK m	Utilized credits	Unutilized credits	Total credits	Interest rate derivatives ¹	Average interest rate for derivatives, %	Average remaining fixed-interest term, years
2014	512	260	772			
2015	2,536		2,536	1,400	4.2	
2016	3,348	100	3,448	500	3.9	
2017		155	155	200	3.5	
2018	2,647		2,647	700	3.8	
2019	3,211	1,105	4,316	600	3.4	
2020				800	3.8	
2021				725	4.5	
2022				1,900	4.8	
Total	12,254	1,619	13,873	6,825		2.8
Average remaining maturity, years	2.8		2.9			

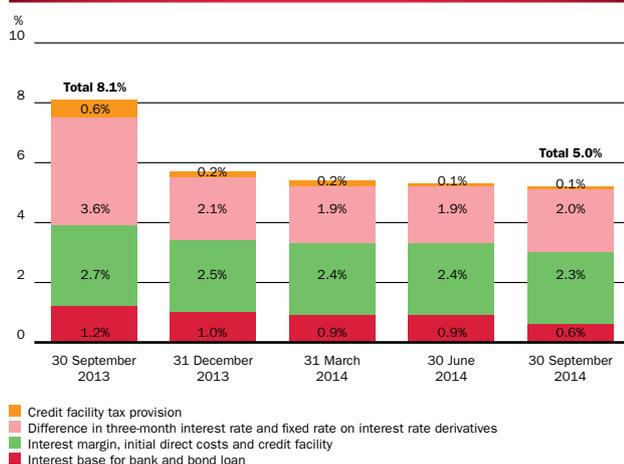
1. Kungsleden's interest rate derivatives enable the company to obtain variable interest rates and pay fixed interest over longer periods of time.

Interest rate swap portfolio

At the end of the period, the nominal amount of the swap portfolio was SEK 6,825 (9,350) million. The decline occurred in part after restructuring the portfolio during the first quarter and in part because SEK 800 million in swaps matured during the year.

The negative market value (undervalue) of interest rate swaps increased during the quarter to SEK –1 026 million as of 30 September 2014, compared to SEK –707 million at the beginning of the year. Of the value change of SEK –319 million, SEK –510 million is an effect of the decline in long-term market interest rates, which, to a certain extent, was counterbalanced by the regular interest payments on the swaps, which lowered the negative market value (undervalue) by SEK 191 million during the period.

AVERAGE INTEREST RATE



The average interest rate is calculated by setting the interest costs for loans and interest rates swaps, initial direct costs and the costs associated with unused credit lines in relation to the outstanding loan volume at the end of the reporting period.

Liquidity

Kungsleden always maintains available liquidity in the form of cash or unutilised credit facilities so that it can meet any tax obligations during the next 12 months and the liquidity needs for the business. The maximum effect on liquidity of tax processes is estimated at SEK 1,800 million. As of 30 September 2014, cash and unutilised granted credit facilities were SEK 2,537 (3,187) million, of which unutilised credit was SEK 1,619 (2,865) million.

OTHER INFORMATION

ORGANIZATION AND EMPLOYEES

Kungsleden is organized as property management regions and Nordic Modular. For the interim period, the average number of employees was 91 (82) for property management and Group-wide function and 177 (174) for Nordic Modular.

PARENT COMPANY

The parent company reported a loss for the period of SEK –796 (206) million. The negative result was primarily due to reserves that were made for the Group's interest rate swap contracts, for which the undervalue had increased, since interest rates with longer maturities fell during the period and because of the write-down of shares in subsidiaries.

At the end of the period, assets primarily consisted of participations in Group companies for SEK 6,568 (7,806) million. Financing was primarily via equity, which was SEK 5,175 (6,143) million at the end of the period, with a corresponding equity/assets ratio of 30 (39) per cent.

RISKS AND UNCERTAINTIES

Kungsleden's operations, earnings and financial position are all impacted by a number of risk factors. These are primarily related to properties, taxation and financing.

For more information on Kungsleden's risks and risk management practices, please see pages 26–30 and 51–52 of the Annual Report for 2013.

FUTURE EXPECTATIONS

Some of the reported figures in the interim report are future-oriented and the actual outcome could be considerably different. Besides the factors that have been commented on specifically, other factors could significantly impact the actual outcome, such as economic growth, interest rates, financing terms, the rate of return on real estate assets and political decisions.

OUTSTANDING TAX ISSUES

Since most of Kungsleden's tax cases were decided last year, what remains are tax processes pertaining to a sales situation during 2006 that has to do with the sale of properties via a foreign subsidiary.

In June 2014, the Administrative Court ruled against Kungsleden's Group companies on these processes. The Court's ruling stated that two of the Group's Swedish companies had been party to a transaction during 2006 that was conducted by two Group companies in the Netherlands. The Court thus decided that the resulting capital gain from the transaction is taxable in Sweden. Kungsleden has appealed the Administrative Court's rulings to the Administrative Court of Appeal. Should there be a final negative judgement, the estimated maximum effect on earnings based on the Administrative Court's rulings amounts to SEK 1,360 million, with a maximum effect on liquidity of SEK 1,325 million. The Swedish Tax Agency has also submitted alternative claims, which means that there will be a review procedure based on the Tax Evasion Act. These claims have been put on hold and could be taken up again if the Swedish Tax Agency is not successful in the processes that are already underway. For a negative outcome in a process that instead concerns tax evasion, the estimated maximum negative impact on earnings and liquidity is approximately SEK 500 million lower than the amounts stated above. Since Kungsleden does not anticipate a negative outcome in the future cases, no provision has been made for either of the two remaining claims.

For the tax processes already concluded, SEK 475 million still remains to be paid.

ESTIMATE OF THE MAXIMUM NEGATIVE EFFECTS FOR ONGOING TAX PROCESSES

SEK m	Effect on equity	Liquidity effect
Reserve 2009–2012	368	–
Reserve 2014	1,640	1,635
Paid in, pending a decision	–	–1,160
Total provision on tax issues	2,008	475
Tax issues, no provision made	1,360	1,325
Total	3,368	1,800

FINANCIAL REPORTING 1 JANUARY–30 SEPTEMBER 2014

INCOME STATEMENT¹

SEK m	Quarter		Interim period		12 months	
	2014 Jul–Sep	2013 Jul–Sep	2014 Jan–Sep	2013 Jan–Sep	2013/2014 Oct–Sep	2013 Jan–Dec
Rental income	551.8	419.1	1,669.4	1,209.5	2,129.0	1,669.1
Property costs	-148.0	-109.6	-517.2	-394.3	-661.0	-538.1
Net operating income	403.8	309.5	1,152.2	815.2	1,468.0	1,131.0
Selling and administration costs	-22.9	-17.6	-68.5	-82.6	-100.6	-114.7
Net financial items						
Financial income	1.0	4.2	5.9	12.7	11.6	18.4
Interest expenses	-151.4	-136.2	-482.9	-403.5	-632.9	-553.5
Other financial costs	-13.6	-10.6	-31.3	-29.3	-42.2	-40.2
	-164.0	-142.6	-508.3	-420.1	-663.5	-575.3
Profits from property management, excluding Nordic Modular	216.9	149.3	575.4	312.5	703.9	441.0
Gains/losses on properties						
Profit/loss on property sales	7.4	-0.1	72.7	4.2	76.6	8.1
Unrealised gains/losses	168.5	-4.3	335.2	-22.6	405.7	47.9
	175.8	-4.4	407.9	-18.4	482.3	56.0
Unrealised gains/losses financial instruments	-70.4	56.9	-319.2	417.7	-311.6	425.3
Profit (loss) before tax	322.3	201.7	664.1	711.8	874.6	922.3
Tax	-71.9	-10.9	-1,821.4	-121.4	-1,868.5	-168.5
Profit/loss for the period, excluding Nordic Modular	250.4	190.8	-1,157.3	590.4	-993.9	753.8
Discontinued operations						
Profit/loss from Nordic Modular, net after tax	23.1	23.2	33.5	92.2 ²	49.3	108.0 ²
Profit/loss for the period³	273.5	214.0	-1,123.8	682.6	-944.6	861.8
Profits from property management, Group²	246.6	178.7	656.4	399.9	805.3	548.6
Earnings per share⁴	2.00	1.57	-8.23	5.00	-6.92	6.31
Earnings per share, excluding Nordic Modular⁴	1.83	1.40	-8.48	4.33	-7.28	5.52

STATEMENT OF COMPREHENSIVE INCOME

SEK m	Quarter		Interim period		12 months	
	2014 Jul–Sep	2013 Jul–Sep	2014 Jan–Sep	2013 Jan–Sep	2013/2014 Oct–Sep	2013 Jan–Dec
Profit/loss for the period	273.5	214.0	-1,123.8	682.6	-944.2	861.9
Other comprehensive income						
Translation gains/losses transferred to profit/loss for the period	-	-	-	-	-	-
Translation gains/losses for the period, on consolidation of foreign operations	1.6	-2.0	2.4	0.6	2.8	1.2
Statement of comprehensive income⁵	275.1	212.0	-1,121.4	683.2	-941.4	863.1

1. The presentation of the income statement has changed due to the fact that Nordic Modular is being reported as an asset "held for sale" on a separate line at the end of the income statement.

2. Profit/loss includes the profit from the Hemsö holding of SEK 24 million during January–March 2013.

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

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

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

STATEMENT OF FINANCIAL POSITION¹

SEK m	30 Sep 2014	31 Dec 2013
ASSETS		
Goodwill	–	201.4
Investment properties – properties	18,982.3	20,338.4
Investment properties – modular buildings	–	1,508.7
Property used in business operations	–	21.8
Equipment	9.2	14.8
Deferred tax receivable	146.6	34.7
Other non-current receivables	9.9	238.8
Total non-current assets	19,148.0	22,358.6
Inventories	–	15.3
Current receivables	124.0	271.6
Assets held for sale – properties	1,528.0	–
Assets held for sale – other assets	380.6	–
Cash and bank balances	895.9	322.7
Total current assets	2,928.5	609.6
TOTAL ASSETS	22,076.5	22,968.2
SHAREHOLDERS EQUITY AND LIABILITIES		
Shareholders equity	7,161.0	8,453.0
Interest-bearing liabilities		
Liabilities to credit institutions	10,182.2	10,579.4
Bond loans (unsecured)	1,699.2	2,299.2
Liabilities related to assets held for sale	372.5	–
Interest-bearing liabilities	12,253.9	12,878.6
Non interest-bearing liabilities		
Provisions	4.7	59.5
Derivatives ²	1,026.4	707.8
Income tax liability	410.4	–
Other non interest-bearing liabilities	751.0	869.3
Liabilities related to assets held for sale	469.1	–
Non interest-bearing liabilities	2,661.6	1,636.6
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	22,076.5	22,968.2

STATEMENT OF CHANGES IN EQUITY

SEK m	30 Sep 2014	31 Dec 2013
At the beginning of the period	8,453.0	7,726.4
Dividends	–170.6	–136.5
Comprehensive income for the period	–1,121.4	863.1
At the end of the period	7,161.0	8,453.0

1. In accordance with IFRS 5, as of the third quarter, Nordic Modular is being reported as assets held for sale, which means that its assets and liabilities are reported on separate lines.

2. Kungsleden has several OTC derivatives that are used to hedge interest rate risks, primarily interest rate swaps. At the beginning of the year, there was also a share swap.

These financial instruments are valued at fair value in the statement of financial position on the line "derivatives" and the change in value of these instruments is reported in the income statement.

Derivatives are valued using valuation techniques where the input is observable market data (level 2).

STATEMENT OF CASH FLOWS

SEK m	Quarter		Interim period		12 months	
	2014 Jul-Sep	2013 Jul-Sep	2014 Jan-Sep	2013 Jan-Sep	2013/2014 Oct-Sep	2013 Jan-Dec
Operations						
Profit (loss) before tax	322.5	201.6	664.2	711.8	874.9	922.4
Profit/loss on property sales	-7.4	0.1	-72.7	-4.2	-76.6	-8.1
Unrealised gains/losses	-98.0	-52.5	-16.0	-395.1	-94.1	-473.2
Cash flow for Nordic Modular and Hemsö	29.5	29.5	80.8	111.4	100.9	131.5
Adjustments for items not included in cash flow from operating activities	-6.7	-24.6	7.9	1.9	37.3	31.3
Tax paid	-0.5	-	-1,024.4	0	-1,148.6	-124.2
Cash generated from operations	239.4	154.2	-360.1	425.8	-306.2	479.7
Changes in working capital	402.5	72.0	864.2	-259.5	-4,004.4	-5,128.1
Cash flow from operating activities after change in working capital	641.9	226.2	504.1	166.3	-4,310.6	-4,648.4
Cash flow from investing activities	567.6	-81.8	885.8	2,744.5	102.0	1,960.7
Cash flow from financing activities	-723.7	-272.5	-795.4	-3,335.5	4,827.9	2,287.8
Cash flow for the period	485.8	-128.1	594.5	-424.7	619.3	-399.9
Cash equivalents at the beginning of the period	432.7	427.3	322.7	721.2	298.5	721.2
Exchange rate differences on cash equivalents	-0.1	-0.7	1.2	2.0	0.6	1.4
Cash equivalents at the end of the period	918.3	298.5	918.4	298.5	918.4	322.7

KEY FIGURES¹

	Quarter		Interim period		12 months	
	2014 Jul-Sep	2013 Jul-Sep	2014 Jan-Sep	2013 Jan-Sep	2013/2014 Oct-Sep	2013 Jan-Dec
Property related						
<i>Earnings capacity</i>						
Property yield, %					8.0	7.8
Financial occupancy rate, %					88.9	88.9
Operating surplus margin, %					70.0	67.6
<i>Outcome</i>						
Property yield, %	8.6	8.7	8.2	7.8	7.9	7.5
Financial occupancy rate, %	87.5	90.0	88.9	90.4	89.2	90.9
Operating surplus margin, %	70.5	71.9	67.4	66.1	67.1	66.1
Financial						
Profits from property management, SEK m	247	179	656	400	805	549
Profit/loss for the period, SEK m	274	214	-1,124	683	-944	862
Return on total assets, %	7.4	7.6	7.0	6.1	7.6	5.4
Return on shareholders equity, %	15.6	10.5	Neg.	11.4	Neg.	10.7
Return on capital employed, %	8.6	8.5	8.2	7.1	9.0	6.2
Interest coverage ratio, times	2.5	2.2	2.4	1.9	2.3	1.9
Equity/assets ratio, %					32.4	36.8
Debt/equity ratio, times					1.7	1.5
LTV (loan-to-value), %					59.7	58.9
Cash flow from operating activities, SEK m	239	154	-360	426	-306	480
Per share information						
Share price, SEK					42.90	40.58
Dividend, SEK					1.25	1.00
Total return, %					9.6	25.1
Property yield, %					2.9	2.5
P/E ratio, times					Neg.	6.4
Gross profit/loss, SEK	3.27	2.59	9.36	6.94	11.95	9.53
Profits from property management, SEK	1.81	1.31	4.81	2.93	5.90	4.02
Profit/loss for the period, SEK	2.00	1.57	-8.23	5.00	-6.92	6.31
Carrying amount of properties, SEK					150.26	160.21
Equity, SEK					52.46	61.93
Cash flow from operating activities, SEK	1.75	1.13	-2.64	3.12	-2.24	3.51
Outstanding shares and average number of shares ²	136,502,064	136,502,064	136,502,064	136,502,064	136,502,064	136,502,064

1. The key indicators, equity/assets ratio, and return on total assets for 2014 have been calculated without Nordic Modular.

2. There has not been any dilutive effect because there are no potential shares.

OPERATING SEGMENT

SEK m	Properties		Nordic Modular		Other/Group-wide		Total Kungsleden	
	2014 Jan-Sep	2013 Jan-Sep	2014 Jan-Sep	2013 Jan-Sep	2014 Jan-Sep	2013 Jan-Sep	2014 Jan-Sep	2013 Jan-Sep
Rental income	1,669.4	1,209.5	196.7	195.7			1,866.1	1,405.2
Sales income, modular			220.6	196.2			220.6	196.2
Net sales	1,669.4	1,209.5	417.3	391.9			2,086.7	1,601.4
Property costs	-517.2	-394.3	-91.1	-81.5			-608.3	-475.8
Production costs, modular			-200.9	-178.6			-200.9	-178.6
Gross profit/loss	1,152.2	815.2	125.2	131.8			1,277.5	947.0
Selling and administration costs	-68.5	-82.6	-33.0	-28.7			-101.5	-111.3
Net financial items	-508.3	-420.1	-11.4	-15.7			-519.7	-435.8
Profits from property management	575.4	312.5	80.8	87.4			656.4	399.9
Gains/losses on properties								
Profit/loss on property sales	72.7	4.2	-	-			72.7	4.2
Unrealised gains/losses	335.2	-22.6	-	-			335.2	-22.6
Unrealised gains/losses financial instruments	-319.2	417.7	-	-			-319.2	417.7
Profit (loss) before tax	664.1	711.8	80.8	87.4			744.9	799.2
Tax	-181.2	-155.4	-47.3	-19.2	-1,640.0	34.0	-1,868.5	-140.6
Profit/loss, before discontinued operations	482.8	556.4	33.5	68.2	-1,640.0	34.0	-1,123.6	658.6
Discontinued operations: Hemsö holding, net after tax					-	24.0	-	24.0
Profit/loss for the period	482.8	556.4	33.5	68.2	-1,640.0	58.0	-1,123.6	682.6
Properties	18,982.3	14,479.4	1,528.0	1,535.6	-	-	20,510.3	16,015.0

INCOME STATEMENT, PARENT COMPANY

SEK m	Quarter		Interim period		12 months	
	2014 Jul-Sep	2013 Jul-Sep	2014 Jan-Sep	2013 Jan-Sep	2013/2014 Oct-Sep	2013 Jan-Dec
Intra-Group income	7.9	3.3	21.8	31.6	29.2	39.0
Administrative costs	-8.7	-5.7	-22.5	-32.6	-34.7	-44.8
Operating profit/loss	-0.8	-2.4	-0.7	-1.0	-5.5	-5.8
Profit/loss from financial items	-563.9	-8.9	-889.2	264.7	-710.9	443.1
Profit (loss) before tax	-564.7	-11.3	-889.9	263.7	-716.4	437.3
Tax on net profit/loss for the period	21.9	2.5	93.5	-58.0	62.8	-88.8
Profit/loss for the period	-542.8	-8.8	-796.4	205.7	-653.6	348.5

BALANCE SHEET, PARENT COMPANY

SEK m	30 Sep 2014	31 Dec 2013
ASSETS		
Participations in Group companies	6,567.6	7,805.8
Receivables from Group companies	9,525.5	7,145.7
Other receivables	393.7	537.5
Cash and cash equivalents	836.0	152.0
TOTAL ASSETS	17,322.8	15,641.0
SHAREHOLDERS EQUITY AND LIABILITIES		
Shareholders equity	5,175.4 ¹	6,142.5
Non-current liabilities	1,700.9	1,701.3
Liabilities to Group companies	9,397.7	6,434.8
Other liabilities	1,048.8	1,362.4
TOTAL EQUITY AND LIABILITIES	17,322.8	15,641.0

1. Dividends have reduced equity by SEK 171 million.

ACCOUNTING POLICIES

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and RFR 2, Reporting of Legal Entities, for the Parent Company. In addition, the report was prepared in accordance with the Annual Accounts Act and the Swedish Securities Market Act, where applicable. For the Group and the Parent Company, the company has applied the same accounting policies and bases of calculation as in the most recent Annual Report, with the exception of the revised accounting policies, which came into force on 1 January 2014 and are described below.

IFRS 10 As of 1 January 2014, the Group applies IFRS 10 Consolidated Financial Statements. Because of this, the principle for assessing whether a controlling interest exists for investments has changed. The model in IFRS 10 for

assessing whether there is a controlling interest is based on (i) power over the investee, (ii), exposure, or rights, to variable returns from its involvement with the investee and (iii) the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 11 IFRS 11 Joint Arrangements has been applied since 1 January 2014.

IAS 32 Changes in IAS 32 Financial Instruments: Classification. This change provides clarification on the rules for when financial assets and financial liabilities can be offset. The change applies to financial years that begin on 1 January 2014 or later, with retrospective application.

IFRIC 21 According to Levies, state fees for Kungsleden's portion of property tax should be fully recognized as a liability when the obligation arises.

The implementation of IFRS 10 Con-

solidated Financial Statements, IFRS 11 Joint Arrangements and IAS 32 Financial Instruments has not resulted in any changes.

Estimates and judgements

In order to prepare interim financial statements, it is necessary for the company's management team to make assessments and estimates, as well as assumptions that affect how the accounting policies are applied and the reported amounts for assets, liabilities, income and expenses. The actual results may deviate from these estimates and assessments. The critical judgements that have been made and sources of uncertainty that exist are the same as the ones described in the most recent annual report.

Stockholm 23 October 2014

Göran Larsson
Chairman

Charlotte Axelsson
Board member

Joachim Gahm
Board member

Liselotte Hjorth
Board member

Lars Holmgren
Board member

Kia Orback Pettersson
Board member

Charlotta Wikström
Board member

Biljana Pehrsson
CEO

The Company's auditors have not examined this interim report. This is a translation of an original Swedish document.

Kungsleden makes public the information in this interim report in accordance with the Swedish Securities Market Act and/or Financial Instruments Trading Act. The information was submitted for publication on 24 October 2014 at 7 a.m.

QUARTERLY SUMMARY

SUMMARY INCOME STATEMENTS

SEK m	2014			2013			2012 ³	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net sales	552	551	567	460	419	409	382	374
Net operating income	404	383	366	316	310	266	240	241
Selling and administration costs	-23	-23	-22	-32	-18	-23	-42	-44
Net financial items	-164	-168	-176	-155	-143	-143	-135	-127
Profits from property management, excl Nordic Modular	217	191	168	129	149	100	63	70
Profit/loss on property sales	7	86	-21	4	0	5	0	0
Unrealised gains/losses on property	169	126	41	70	-4	-2	-16	-52
Unrealised gains/losses financial instruments	-70	-125	-124	8	57	196	164	-19
Profit (loss) before tax	322	278	64	211	202	299	211	-1
Tax	-72	-1,732	-17	-47	-11	-64	-47	250
Profit/loss for the period, excluding Nordic Modular	250	-1,454	46	163	191	235	164	249
Profit/loss from Nordic Modular and Hemsö holdings, net after tax	23	-11	21	16	23	25	44	675
Profit/loss for the period after tax	273	-1,465	68	179	214	261	208	924

FINANCIAL POSITION, IN SUMMARY¹

SEK m	2014			2013			2012 ³	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
ASSETS								
Goodwill	-	172	201	201	201	201	201	201
Investment properties – properties	18,982	19,971	20,410	20,338	14,480	14,315	14,296	14,243
Investment properties – modular buildings	-	1,512	1,509	1,509	1,515	1,519	1,509	1,509
Property used in business operations	-	24	24	22	21	21	17	25
Equipment	9	14	15	15	13	13	14	14
Deferred tax receivable	147	-	-	35	65	82	162	207
Other non-current receivables	10	11	11	239	234	229	220	244
Total non-current assets	19,148	21,704	22,170	22,359	16,529	16,380	16,420	16,443
Inventories	-	14	17	15	16	14	15	17
Claim against Tredje AP-fonden	-	-	-	-	-	-	-	3,363
Current receivables	124	213	286	271	179	200	228	355
Assets held for sale – modular buildings and business operations ²	1,528	-	-	-	-	93	-	-
Assets held for sale – other assets	381	-	-	-	-	-	-	-
Cash and bank balances	896	433	400	323	298	427	331	722
Total current assets	2,929	660	703	609	493	734	574	4,457
TOTAL ASSETS	22,077	22,364	22,873	22,968	17,022	17,114	16,994	20,900
SHAREHOLDERS EQUITY AND LIABILITIES								
Shareholders equity	7,161	6,888	8,521	8,453	8,273	8,061	7,929	7,726
Interest-bearing liabilities								
Liabilities to credit institutions	10,182	11,279	10,857	10,579	5,656	5,919	5,785	8,105
Bond loans (unsecured)	1,699	1,699	1,699	2,299	1,599	1,599	1,599	1,599
Liabilities related to assets held for sale	373	-	-	-	-	-	-	-
Interest-bearing liabilities	12,254	12,978	12,556	12,878	7,255	7,518	7,384	9,704
Non interest-bearing liabilities								
Provisions	5	14	15	60	59	59	59	58
Deferred tax liability	-	114	2	-	-	-	-	-
Derivatives	1,026	956	833	708	707	764	960	1,125
Tax liability	410	-	-	-	-	-	-	-
Other non interest-bearing liabilities	710	1,414	946	869	728	712	662	2,287
Liabilities related to assets held for sale	469	-	-	-	-	-	-	-
Non interest-bearing liabilities	2,662	2,498	1,796	1,637	1,494	1,535	1,681	3,470
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	22,077	22,364	22,873	22,968	17,022	17,114	16,994	20,900

1. Nordic Modular reported as of the third quarter according to IFRS 5 as assets held for sale, which means that assets and liabilities are reported on a separate line.

2. Including Nordic Modular.

3. The quarter for 2012 has been restated for the changed accounting policies that apply for sales and administration costs which, as of 1 January 2013, must in part be reported in net operating income/gross profit and in the costs for reinvestment in modular buildings, as a property cost.

KEY FIGURES¹

	2014			2013			2012 ²	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Outcome								
Property yield, %	8.6	8.6	7.3	7.3	8.7	7.7	7.0	7.4
Financial occupancy rate, %	87.5	88.0	91.2	90.5	90.0	90.6	90.5	89.7
Operating surplus margin, %	70.5	68.0	63.7	66.0	71.9	64.1	62.0	64.2
Financial								
Profits from property management, SEK m	247	215	195	149	179	133	88	89
Profit/loss for the period, SEK m	274	-1,465	68	179	214	261	208	923
Return on total assets, %	7.4	8.4	6.2	6.3	7.6	6.7	5.3	18.0
Return on shareholders equity, %	15.6	Neg.	3.2	8.6	10.5	13.0	10.6	50.9
Return on capital employed, %	8.6	9.2	6.8	6.9	8.5	7.5	6.6	23.5
Interest coverage ratio, times	2.5	2.7	1.9	1.9	2.2	1.9	1.7	5.5
Equity/assets ratio, %	32.4	30.8	37.3	36.8	48.6	47.1	46.7	37.0
LTV (loan-to-value), %	59.7	60.3	57.2	58.9	45.3	47.1	46.7	61.5
Per share information								
Profits from property management, SEK ³	1.81	1.58	1.43	1.09	1.31	0.98	0.60	0.70
Profit/loss for the period, SEK ³	2.00	-10.73	0.50	1.31	1.57	1.91	1.50	6.80
Dividend, SEK	-	1.25	-	-	-	1.00	-	-

1. The key indicators, equity/assets ratio, and return on total assets for 2014 have been calculated without Nordic Modular.

2. The quarter for 2012 has been restated for the changed accounting policies that apply for sales and administration costs which, as of 1 January 2013, must in part be reported in net operating income/gross profit and in the costs for reinvestment in modular buildings, as a property cost.

3. There has not been any dilutive per share effect because there are no potential shares.

DEFINITIONS

PROPERTY RELATED KEY RATIOS

Property yield *Actual*, operating net divided by the quarterly average book value of property.

Operating net, revenue less property costs (e.g. operating and maintenance costs, site leasehold fees and property tax, property administrations included).

Operating and maintenance cost, SEK per sq.m., operating and maintenance costs divided by the average lettable area.

Economic occupancy, rental revenue divided by lease value.

Earnings capacity, earnings capacity shows how the income statement would have looked if properties as of the closing date had been owned for the last 12 months.

Average rent, SEK per sq.m., rental revenue divided by the average of leased area.

Operating surplus margin, net operating income divided by rental revenue.

KEY FINANCIAL RATIOS

Return on equity, net profit/loss divided by average shareholders equity. Average shareholders equity is calculated as the sum of opening and closing balances divided by two.

Loan to value (LTV) ratio, interest-bearing liabilities divided by the book value of property.

Interest coverage ratios, profit after financial income divided by financial costs.

Debt/equity ratio, interest-bearing liabilities divided by shareholders equity.

Equity ratio, shareholders equity including minority interests divided by total assets.

SHARE-RELATED KEY RATIOS

Dividend yield, resolved/proposed/redeemed dividend in relation to the share price at the end of the period.

Total shareholder return, sum of the change in the share price during the period or, paid dividend/redemption during the period in relation to the share price at the start of the period.

Resolved/approved dividend per share, the dividend proposed by the Board or AGM divided by the number of outstanding shares.

Shareholders equity per share, shareholders equity divided by the number of shares at the end of the period.

Cash flow from operating activities per share, cash flow from operating activities for the period divided by the average number of shares.

For all definitions, see the annual report for 2013 and www.kungsleden.com

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Contact

Head Office

Vasagatan 7
Box 704 14
107 25 Stockholm
Tel +46 8 503 052 00
Fax +46 8 503 052 01

Biljana Pehrsson CEO

+46 8 503 052 04

Anders Kvist Deputy CEO, CFO

+46 8 503 052 11

Marie Mannholt Head of Marketing and Communications

+46 8 503 052 20

KUNGSLEDEN AB (PUBL) CIN 556545-1217 REG OFFICE STOCKHOLM, SWEDEN

