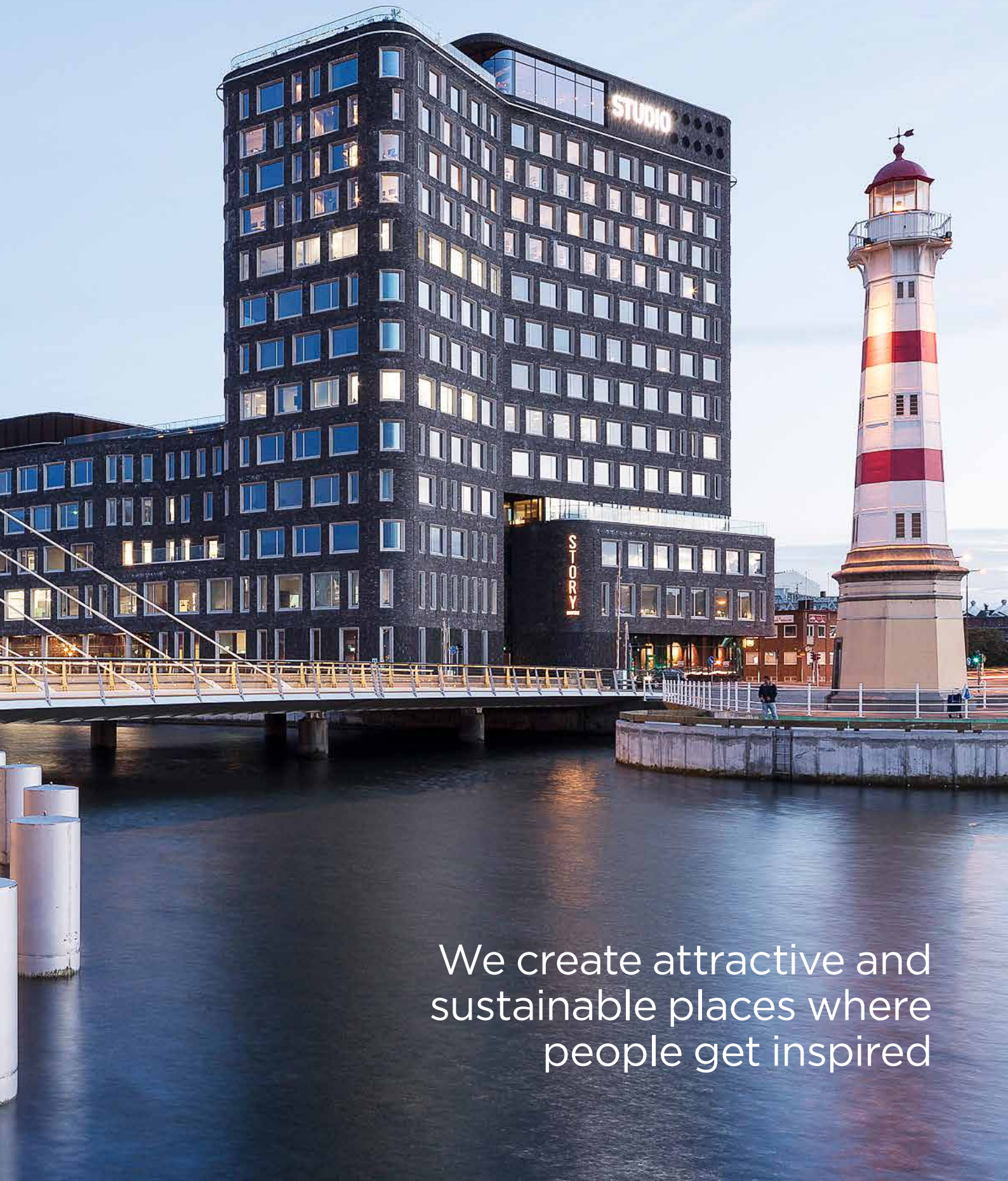


KUNGSLEDEN

ANNUAL REPORT 2019



We create attractive and sustainable places where people get inspired

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Formal Annual Accounts and Administration Report

Risks and Risk Management section on pages 72-76 is included in the statutory Annual Report and is a section of the Administration Report. In the pages 130-139 the statutory Sustainability Report appears. This document is a translation of a Swedish language original. In case of any discrepancy between the two versions, the original shall take precedence.

THIS IS KUNGSLEDEN

We are people that create places and experiences for people. By managing and developing attractive and sustainable places, we offer people better, more inspiring working lives. We are a long-term property owner focused on commercial properties in Sweden's growth regions. We have tenants across a range of sectors, everything from small start-ups to major multinational groups and public bodies. As of 31 December 2019, we owned 209 properties with total value of SEK 38 billion.

We create value for our customers and shareholders through long-term ownership, active management and by improving and developing commercial properties. Our largest property categories is Offices, which make up 75 per cent of total property value, and Industrial/Warehouse at 15 per cent. 87 per cent of our

property value is in one of our four priority growth markets of Stockholm, Gothenburg, Malmö and Västerås. Many of our properties are also concentrated in attractive clusters, which enable us to address customer wants and changing needs with good communications and a broad selection of services nearby.

STOCKHOLM

47%
SEK 18 bn

VÄSTERÅS

18%
SEK 7 bn

GOTHENBURG

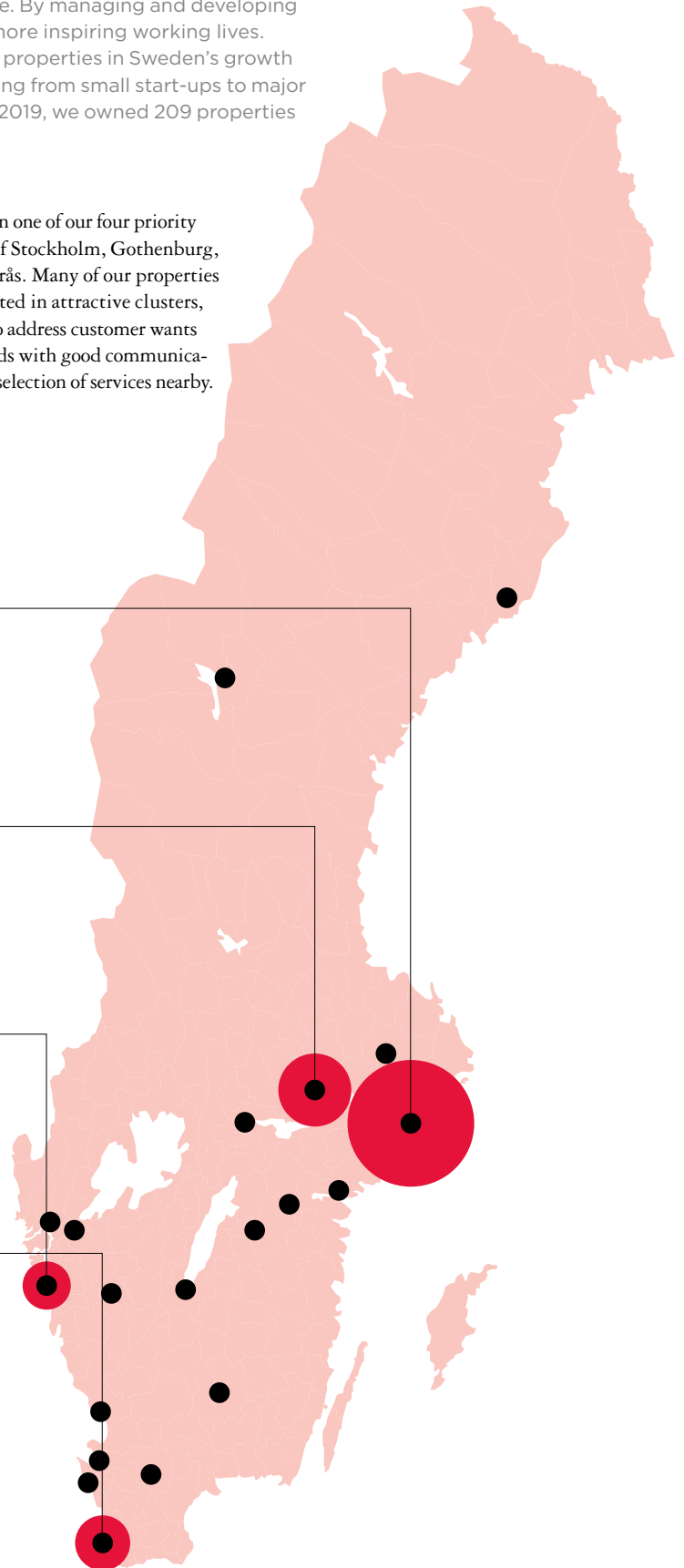
11%
SEK 4 bn

MALMÖ

11%
SEK 4 bn

REGIONAL CITIES

13%
SEK 5 bn



2019 IN BRIEF

- Revenue for 2019 increased to SEK 2,423 million (2,385) despite the fact that we have net sold properties and thus lost SEK 52 million in net rental revenue.

- Profit from property management increased by 5.4 per cent to SEK 1,185 million (1,124). The increase is due to higher rental revenue and operating net in like-for-like portfolio terms, and improved net financial items.

- At year-end, net leasing was SEK 58 million (86).

- Unrealized changes in value on properties amounted to SEK 1,762 million (1,619), corresponding to 5.1 per cent. The value increase is due to a higher rental revenue and a reduction in the required yield.

- At the end of the period, property value was SEK 38,310 million (34,697 million at the beginning of the year).

- Net profit after tax was SEK 2,245 million (2,055), or SEK 10.28 per share (9.41).

- Current NAV increased to SEK 89.61 per share (79.66).

- The Board of Directors proposes an increase in the dividend to SEK 2.60 per share (2.40) which corresponds to an increase of 8 per cent. The dividend is paid quarterly.

Significant events after the end of the year

- Since the end of the year, there has been a worldwide outbreak of the Covid-19 coronavirus. Determining the consequences this will have in the short and long term is very difficult at present, for the market and for Kungsliden.

Property value

SEK 38.3 bn (34.7)

LTV ratio

45.8 % (47.3)

Employee satisfaction index

7.7 (7.8)

Occupancy rate

93.2 % (93.1)

Average interest rate

1.9 % (1.8)

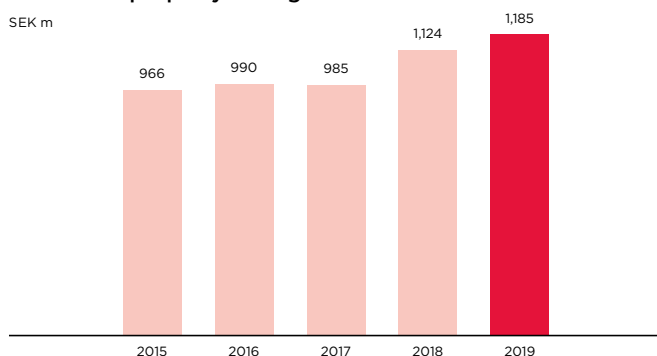
Environmentally certified properties

28 % (17)

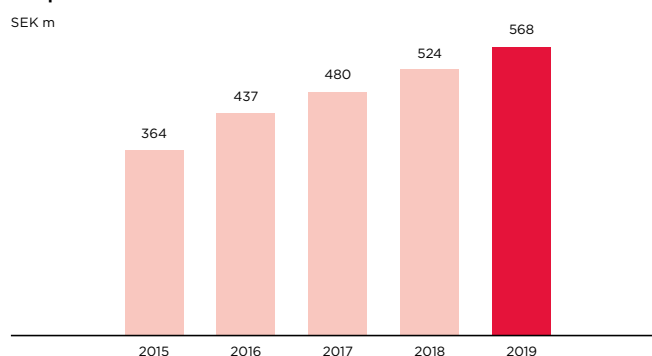
Nyckeltal

	2019	2018
Property yield, investment properties, %	4.8	5.1
Occupancy rate, investment properties, %	93.2	93.1
Surplus ratio, investment properties, %	68.9	67.7
Surplus ratio, investment properties excluding non-recurring effects, %	69.0	67.2
Book value, properties, SEK m	38,310	34,697
Return on equity, %	13.5	13.7
LTV ratio, %	45.8	47.3
Interest coverage ratio, multiple	4.6	4.1
Net profit, SEK per share	10.28	9.41
EPRA NNNAV (current net asset value), SEK per share	89.61	79.66
Share of certified properties, %	28	17

Profit from property management



Proposed dividend



SOME OF THE YEAR'S HIGH

Blique by Nobis opens and wins award

The Blique by Nobis designer hotel opened in April, and its rooftop bar was rated in the world new top 10 by US business magazine Forbes. This property (Blästern 14) also houses co-working provider Convendum, whose final move-in date was February 2020.

Other development projects include the property B26 in the Västerås City cluster, which opened in early-2020.



Kungsleden upgraded to Investment Grade with stable outlook

The rating Institute Moody's upgraded Kungsleden to Investment Grade with stable outlook - the result of goal-oriented work to improve the quality of our property portfolio and strengthen our financial position. This upgrade offers even better potential for us to obtain better financing terms.



International recognition for diversity and inclusion

In December, we received the EPRA Diversity & Inclusion Award for 2019, the jury citing our strong strategy, with clear short and long-term goals for diversity and inclusion.

We're also continuing our work on environmentally certifying properties. By year-end, 28 per cent of our portfolio was environmentally certified.



LIGHTS

Green light for Eden in Hyllie, Malmö

During the summer, we signed lease contracts on over half of the premises in the Eden project, our first new office development. This marks the construction start for this project in Hyllie, one of the highest-growth office markets in the Malmö region.

We estimate yearly investment in 2020-2023 at about SEK 1 billion, which involves continuous efforts to improve the quality of our property holdings.



Start-up of in-house facility management resources

In the year Kungsleden took the decision to create an in-house facility management organisation. This will enable us to increase our local presence, further enhancing the services we provide for customers. At year-end, we'd hired 13 of a total 19 new staff for these resources. We're taking this initiative with focus of improving the diversity which Kungsleden wants in the long term.



Acquisition in the Stockholm City West cluster

Kungsleden acquired the property Gladan 4 in Stadshagen, Stockholm in December. We already owned five neighbouring properties, and this acquisition offers us potential to create an even more sustainable and inspiring environment for customers.

At the beginning of the year, we accessed the final phase of the Tändstickan district of Gothenburg, and exited all our holdings in Eskilstuna.





CEO's statement: Focusing on people

We are people that create places and experiences for people. The Blique by Nobis hotel in our largest development property, Blästern in Stockholm, opened in April 2019. The hotel has rapidly become a new venue not only for guests, but for all Stockholmers, and in summer, its rooftop bar was one of the new top ten rated by US business magazine Forbes. Blästern is a great example of how Kungsleden focuses on people. Eden, our largest new construction project, of 8,000 sq.m. of offices in Malmö, is another. We're building Eden according to our Symbiotic Building concept, which focuses on individual well-being.

Blästern and Eden are two examples of major property development projects, and where Blästern now is complete and have co-workers, guests and visitors moving in. They demonstrate how as a company, our projects are creating potential for our financial growth.

Our target-oriented efforts to improve the quality of our property portfolio, focus on the strongest rental markets, and progressively improve Kungsleden's financial position in the year resulted in Kungsleden satisfying Moody's standards of an Investment Grade company. This offers us even better potential to expand our investor base for the long term. We gain better financing terms and can arrange financing on long maturities.

Going into 2019, many commentators saw dark clouds on the horizon: the impending Brexit, a US/China trade war and concerns that we'd passed the peak of the current business cycle. But this didn't prove to be true - 2019 was a good year in the circumstances.

At Kungsleden, we can look back at 2019 with good demand sustained. We saw our office premises do well, especially in our priority growth markets of Stockholm, Gothenburg, Malmö and Västerås. At year-end, net leasing was SEK 58 million, and profit from property management increased to SEK 1,185 million - our best profit from property management to date. We think the good demand will sustain in 2020.

Sweden's transaction market in 2019 was the strongest ever, driven by sustained low interest rates but also by investors seeking returns on capital still finding real estate interesting, and viewing Sweden as an attractive market to invest in. In December, we acquired the 7,500 sq.m. office property Gladan for our Stockholm City West cluster, now of 40,000 sq.m.

Within sustainability, I'm delighted to report that by year-end, we'd environmentally certified almost one-third of our property portfolio, and had received the EPRA's Diversity & Inclusion Award for listed European real estate companies. Wise and dedicated employees are the basis of all our activities, and I'm convinced that a group with differing experiences, backgrounds, ages, sexes and ethnicities make better and more profitable decisions.

Our customers agree that our people offer something extra. Our most recent CSI survey returned a significant upturn, with customers giving us the very highest rating for personal contact - they know we care! To serve our customers even better, we started building up facility management resources in-house

in 2019. The decision to insource facility management isn't only about improving our customer proposition, it also enables us to get even more efficient, resulting in still more satisfied customers.

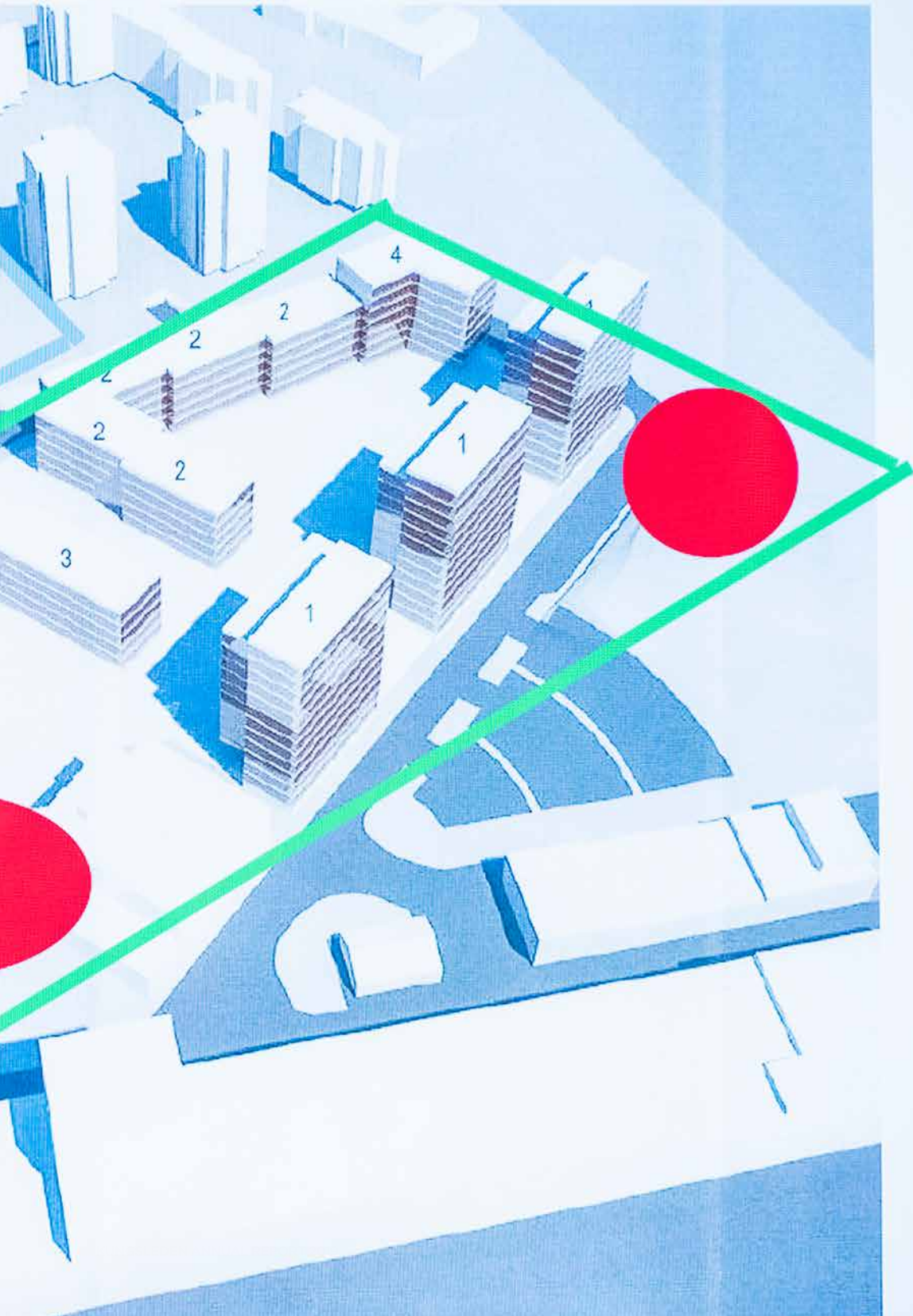
We're now moving into 2020. The year has got off to a positive start with excellent new leasing processes on investment and development properties. However, there has been a very rapid worldwide outbreak of the Covid-19 coronavirus recently. This has impacted most parts of society, so making any statements about the future is very difficult, as is assessing the impact on Kungsleden. We hope that the rental market in our main markets of Stockholm, Gothenburg, Malmö and Västerås will remain positive. Our development projects are continuing to move forward, with four approaching completion that will give us additional rent and operating net—and obviously add value. We have scope for complementary strategic acquisitions, and are actively screening opportunities on the market. We have held our yearly kick-off event, and everyone here at Kungsleden is feeling really committed and motivated to doing our absolute best in these challenging times.

Stockholm, Sweden, 17 March 2020

Biljana Pehrsson, CEO

■ STRATEGIC DIRECTION





A VALUE-CREATING BUSINESS MODEL

We are people that create places and experiences for people. By managing and developing attractive and sustainable places, we create the potential for better, more inspiring working lives. Based on our vision, our business model builds on three interacting core actions-management close to our customers, value-creating development and improvement, as well as strategic acquisitions and optimisation.

THE STRATEGIC BUILDING BLOCKS OF OUR BUSINESS MODEL

Business proposition

Kungsleden's business proposition is to own long-term, actively manage, improve and develop commercial properties in Sweden's growth regions and deliver attractive total returns.

Cluster strategy

By owning multiple properties in a selected location - a cluster - we can adapt and sharpen our proposition according to tenant needs, and make an active contribution to development of the whole location.

Customer proposition

An experience that's out of the ordinary. We deliver a complete solution: the right premises for your business and your people, in the right location, with the right services nearby.

Customer promise

- We focus on you. Always. In everything.
- We make you feel welcome
- We contribute to your business
- We partner with you and act quickly to make your day at work easier

1. ASSETS WE BRING TO OUR BUSINESS MODEL

Good customer relations

- An organisation that works close to customers and has a sharp customer focus
- Approx. 1,500 customers across various sectors

Committed people

- Committed professionals with rigorous skills
- A consistent strategy with good performance

An attractive portfolio

- High-quality and attractive premises in desirable locations, focusing on offices
- Nearly 90 per cent in priority growth markets, and the majority concentrated in clusters

A strong financial position

- Moody's rating Investment Grade (Baa3)
- Robust financial position, high interest coverage ratio and good earnings capacity

2. A VALUE-CREATING, SUSTAINABLE BUSINESS MODEL





3. THE VALUE OUR BUSINESS MODEL CREATES FOR KEY STAKEHOLDERS

Customers

Customers are at the centre of everything we do. We contribute to their businesses by providing inspiring environments for their people and customers. We partner with our tenants, and work quickly to facilitate their day at work. We measure customer satisfaction every year through surveys that generate supporting data for continuous improvement.

Professionals

We offer an attractive and healthy workplace with good potential for personal development. We have a strong corporate culture, with our people stating that our primary strengths are the clarity of our goals and vision. We encourage active and healthy lifestyles, with packages including private health insurance for everyone.

Shareholders

Consistent execution of our strategy creates good potential to increase our operating net and property values. Every year, we invest about SEK 1 billion in our current holdings and projects, which contribute to portfolio value growth. We also keep financial risk low, with an LTV ratio of less than 50 per cent.

Community

Kungsliden contributes to vibrant environments, sustainable social development and makes locations more attractive. We want to create places where it's inspiring, safe and enriching to be at any time of day. We're reducing our climate impact and developing our properties sustainably. Sometimes we partner up so we can go further. We're the main sponsor of youth charity Fryshuset, and offer internships jointly with the Jobbsprånget nationwide headstart project for recently immigrated graduates.

STRATEGIC PRIORITIES

The foundation of Kungsleden's Strategic direction consists of our vision of creating attractive and sustainable places where people get inspired. Proceeding from our vision, our business model is based on three core activities: management close to customers, value-creating development and improvement, as well as strategic acquisitions and optimisation. In 2019, our primary focus was continuing implementation of our customer proposition and customer promise. Our long-term objective is to be one of Sweden's most profitable and successful listed real estate companies with the most satisfied customers and committed professionals on the market. We will also generate attractive total returns for our shareholders. Our strategic priorities are mainly in these strategic segments.

Segment	Strategy
Value-creating management and property development	<ul style="list-style-type: none"> • Provide attractive and functional premises in the right locations, for the right price and always deliver that something extra for our customers. • Be closeby, and a flexible property manager that always interfaces with customers through its own staff. • Work proactively to create value through customer-driven profitable investments that increase operating net and property values.
Holdings	<ul style="list-style-type: none"> • Commercial properties, focusing on offices in the priority growth markets of Stockholm, Gothenburg, Malmö and Västerås, with at least 50 per cent located in Stockholm. Most of our property portfolio should be in clusters.
Sustainability	<ul style="list-style-type: none"> • Kungsleden's sustainability work proceeds from UN global goals, and is a self-evident and integrated part of our business.
Professionals	<ul style="list-style-type: none"> • The most attractive workplace, with an efficient organisation that creates the most committed professionals on the market, who in turn, generate good results. Clear core values and effective leadership are important building blocks.
Digitalisation	<ul style="list-style-type: none"> • Integrate the digital perspective into our customer dialogue and our corporate culture. • Actively monitor trends and innovations to understand how they affect us and our customers. • Have the courage to try new working methods and services.
Innovation	<ul style="list-style-type: none"> • Develop new businesses through partnerships, a creative culture and focus on brainstorming by engaging with our customers, each other, our business environment and the future. • Think actively, and operate on a broader base than traditional property owners.



TARGETS AND PERFORMANCE

Financial targets											
	Target	Performance	Comment								
LTV ratio	≤50%	<table border="1"> <tr><th>Year</th><td>2017</td><td>2018</td><td>2019</td></tr> <tr><th>Value</th><td>48</td><td>47</td><td>46</td></tr> </table>	Year	2017	2018	2019	Value	48	47	46	Our LTV ratio has improved, and has been below our 50 per cent ceiling since 2017.
Year	2017	2018	2019								
Value	48	47	46								
Interest coverage ratio	>2.5x	<table border="1"> <tr><th>Year</th><td>2017</td><td>2018</td><td>2019</td></tr> <tr><th>Value</th><td>3.3</td><td>4.1</td><td>4.6</td></tr> </table>	Year	2017	2018	2019	Value	3.3	4.1	4.6	Our interest coverage ratio has continued to improve through lower financing costs and improved operating net.
Year	2017	2018	2019								
Value	3.3	4.1	4.6								
Return on equity	Over time, Kungsleden should achieve higher return on equity than comparable listed real estate companies.	<table border="1"> <tr><th>Year</th><td>2017</td><td>2018</td><td>2019</td></tr> <tr><th>Value</th><td>15</td><td>14</td><td>14</td></tr> </table>	Year	2017	2018	2019	Value	15	14	14	By working to achieve a stable capital base, we've reduced financial risk, and our return on equity was 14 per cent.
Year	2017	2018	2019								
Value	15	14	14								
Share dividend	Proposed dividend 2019 SEK 2.60	<table border="1"> <tr><th>Year</th><td>2017</td><td>2018</td><td>2019</td></tr> <tr><th>Value</th><td>2.20</td><td>2.40</td><td>2.60</td></tr> </table>	Year	2017	2018	2019	Value	2.20	2.40	2.60	Profit from property management up by 5 per cent. The Board of Directors proposes that the dividend increases by 8 per cent, SEK 2.40 to 2.60 per share.
Year	2017	2018	2019								
Value	2.20	2.40	2.60								
Profit from property management	Yearly increase 7%	2019 5%	Higher rental income and lower interest costs helped profit from property management to increase.								
Value-creating investments	approx. SEK 1 bn annually	<table border="1"> <tr><th>Year</th><td>2017</td><td>2018</td><td>2019</td></tr> <tr><th>Value</th><td>925</td><td>1,300</td><td>1,509</td></tr> </table>	Year	2017	2018	2019	Value	925	1,300	1,509	Kungsleden invested SEK 1.5 billion in 2019. The required rate of return is an IRR of 9 per cent, or yield on cost of 6 per cent.
Year	2017	2018	2019								
Value	925	1,300	1,509								



Sustainability targets

	Target	Performance	Comment
Energy optimisation	2014-2020 20% less energy in a like-for-like portfolio	by year-end 2019 19% less energy	Energy consumption is down by 19 per cent since 2014, of which 4 per cent in 2019. We expect to achieve our energy-saving target for 2020.
Green financing	In the long term, the company is endeavouring to finance all green assets with green bonds or green bank loans.	2019 27%	27 per cent of arranged finance consists of green bonds and green bank loans.
Green leases	2019 115	2019 95	95 new green leases were signed in 2019. We offer green leases as standard for all new tenants.
Environmental certification	Target 2020 50% Target 2025 100%	by year-end 2019 28%	28 per cent of properties were environmentally certified by year-end 2019, and work is going to plan.

Operational targets

	Target	Performance	Comment
Yearly rent increase	yearly increase 3% in like-for-like portfolio	2019 5%	Increased rents on our markets and a good outcome to negotiations contributed to the increase.
Total returns	2019 10.3%	2019 9.9%	According to MSCI, the total return for investment properties is in line with the real estate industry average.
Customer satisfaction index (CSI)	2019 73	2019 75	The outcome of our work on long-term relationship building and active dialogues with customers and stakeholders.
Employee satisfaction index (ESI)	2019 7.8	2019 7.7	Our survey indicates that we have satisfied employees.

■ KUNGSLEDEN A AN INVESTMENT



S



5 REASONS TO INVEST IN KUNGSLEDEN

1

We're standing firm

Kungsleden has a strong financial position and healthy earnings capacity, low LTV ratio, high equity/assets ratio and high interest coverage ratio. In 2019, ratings institute Moody's gave us an Investment Grade rating with stable outlook.

2

We think bigger

Our portfolio mainly consists of office properties, with nearly 90 per cent located in Stockholm, Gothenburg, Malmö and Västerås, with a high share of these properties concentrated in clusters. This enables us to further adapt and improve our proposition, based on tenant needs, and play an active role in developing whole locations. We work constantly on building relationships both within and outside our properties, and our ownership is long term.

3

We're investing for the future

We strive to continuously develop, improve, modernise and adapt our properties for customers. Some of the sustainability aspects we integrate into our work include material selection, climate adaptation and vibrant urban environments. The investments we make enhance quality and attraction, while also improving cash flow. They also increase the value of our holdings.

4

We're sustainable over time

Kungsleden's sustainability work is integrated into all parts of our business and is critical to how we realise Kungsleden's vision of creating attractive and sustainable workplaces that inspire people. This work is just as much about reducing our climate footprint through actions including optimised energy consumption and green leases, as it is about attracting new employees. As an employer, we're working actively to promote diversity, equal opportunities and skills management.

5

We generate good returns

Kungsleden's policy is that dividends should increase, keeping pace with profit from property management. Over the past five years, total dividend has increased by 16.2 per cent annually and our share's dividend yield has amounted to 3.4 per cent. Total returns on the share have averaged 18.4 per cent over the past five years.



THE SHARE

Kungsleden's share is listed on Nasdaq Stockholm's Large Cap list. Kungsleden has one share class, ordinary shares, and each share carries one vote. There are 218,403,302 ordinary shares. Share capital is SEK 91,001,376.

Shareholders and ownership structure

At year-end, the ten largest shareholders controlled 39.5 per cent (36.1) of the capital and votes. As of 31 December 2019, Swedish companies, investment trusts and private individuals held 55.7 per cent (58.5) of the share capital. Foreign ownership at year-end was 44.3 per cent (41.5). At 31 December 2019, there were 20,488 shareholders (20,172).

Turnover and trading

The average daily turnover of the Kungsleden-share was 0.8 million (1.0) shares. A total of

197.6 million (226.6) shares were traded in 2019, with a total value of SEK 15.7 billion (14.1). The share was traded on several marketplaces, with Nasdaq Stockholm representing 49 per cent of turnover.

The share price in the year

Kungsleden's share price increased by 56.4 per cent in the year. The OMX Stockholm PI increased by 29.6 per cent and the OMX Stockholm Real Estate PI increased by 59.2 per cent. The closing price on 31 December 2019 was SEK 98.40 per share, equivalent to market capitalisation of SEK 21.5 billion.

Returns

Total returns in the year were 60.3 per cent. The dividend yield as of 31 December was 2.6 per cent based on the Board of Directors' proposed dividend for 2019 of SEK 2.60 per

share. The highest closing price of the share in 2019 was SEK 99.40 on 23 December, and the lowest closing price was SEK 62.30 on 2 January 2019.

Dividend and dividend policy

The company's dividend policy stipulates that the dividend should progress consistently with profit from property management. In 2019, profit from property management increased by 5 per cent. This means that the Board of Directors is proposing to increase the dividend to SEK 2.60 per share for 2019, compared to SEK 2.40 per share distributed for the previous year.

Analysts monitoring Kungsleden

ABG Sundal Collier

Tobias Kaj

Carnegie

Fredric Cyon
Erik Granström

Danske Bank

Philip Hallberg

DnB

Simen R. Mortensen
Niklas Wetterling

Green Street Advisors

Peter Papadakos

Handelsbanken

Johan Edberg

Kempen

Robert Woerdeman

Kepler Cheuvreux

Jan Ihrfelt

Nordea

Niclas Höglund

Pareto Securities

Markus Henriksson

SEB Enskilda

Stefan Andersson



Key facts

Marketplace:

Nasdaq Stockholm, Large Cap

Segment/sector:

Financials/Real Estate

Share classes:

Ordinary shares

Market capitalisation as of 31 December 2019:

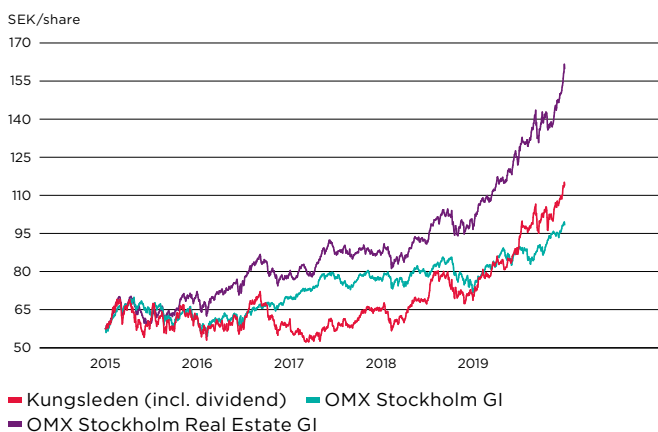
SEK 21.5 billion

ISIN code: SE0000549412

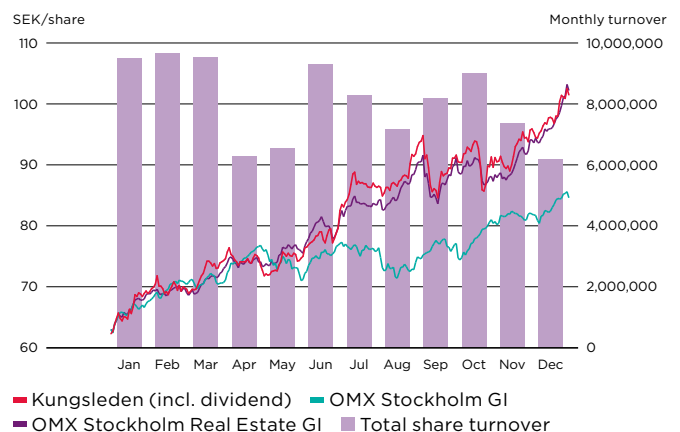
Tickers:

Nasdaq: KLED
Bloomberg: KLED SS
Reuters: KLED ST

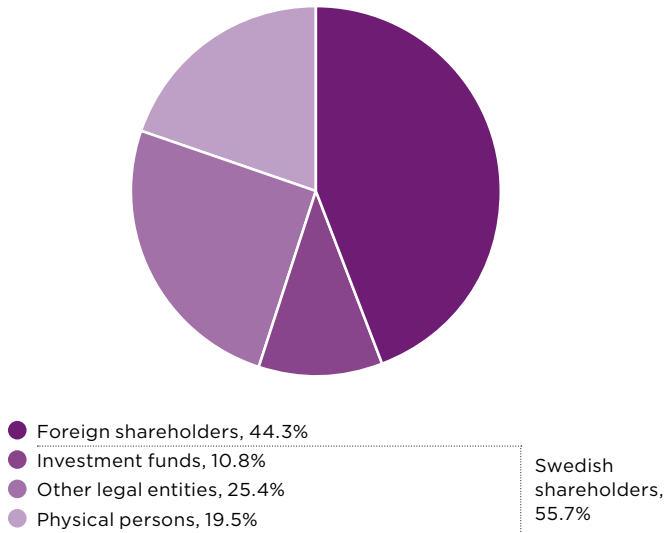
Total return on the share 2015-2019, index



Total return on the share 2019, index



Shareholder categories as of 31 December 2019



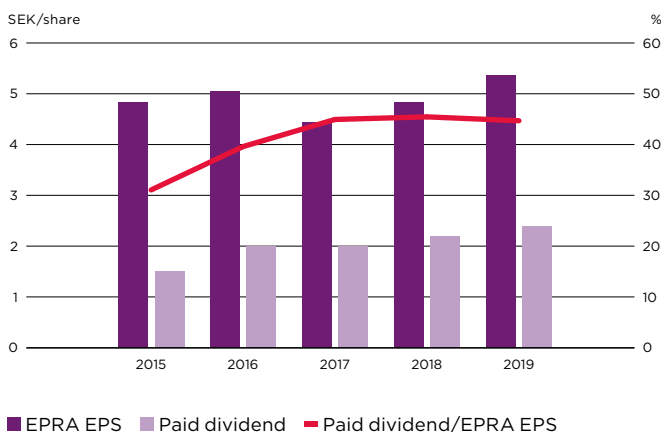
Shareholders as of 31 December 2019

Name	No. of shares	Share of capital, %
Gösta Welandson and companies	31,637,781	14.5
BlackRock	10,923,681	5.0
APG Asset Management	7,957,592	3.6
Olle Florén and companies	6,750,797	3.1
Vanguard	6,534,259	3.0
Norges Bank	5,448,289	2.5
BMO Global Asset Management	5,314,483	2.4
Handelsbanken Investments Funds	5,050,000	2.3
Catella Investment Funds	3,436,093	1.6
Nordea Investment Funds	3,161,210	1.4
10 largest shareholders	86,214,185	39.5
Foreign shareholders, other	57,504,458	26.3
Swedish shareholders, other	74,684,659	34.2
Total	218,403,302	100.0

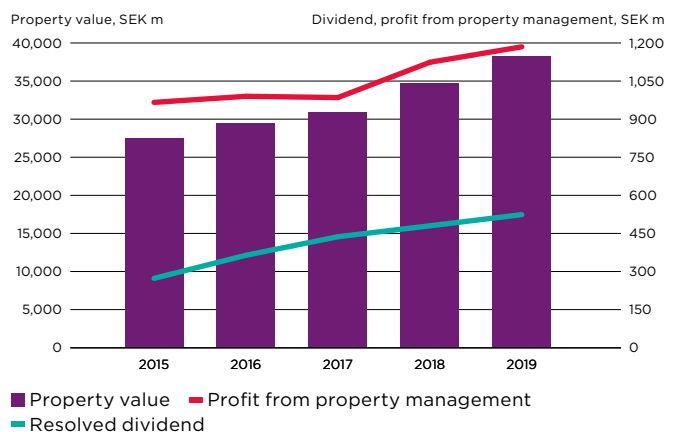
Key ratios per share

Data per share	2019	2018
Dividend paid, SEK	2.40	2.20
Total return on share, %	60.3	9.4
Dividend yield on share, %	2.6	3.8
Profit from property management, SEK	5.43	5.15
Net profit, SEK	10.28	9.41
EPRA EPS (profit from property management after tax), SEK	5.37	4.84
	31 Dec. 2019	31 Dec. 2018
EPRA NAV (long-term NAV), SEK	91.94	81.01
EPRA NNAV (current NAV), SEK	89.61	79.66
Equity, SEK	80.07	72.19
Share price, SEK	98.40	62.90

EPRA EPS and dividend per share



Property value, profit from property management and dividend





MARKET AND BUSINESS ENVIRONMENT





MARKET OVERVIEW

SOURCE: CUSHMAN & WAKEFIELD

Healthy economic growth and continued low interest rates made the real estate sector the Stockholm Stock Exchange's winner in 2019. However, the euphoria could soon be over, as we expect the business cycle to stagnate, while the global economy has several worries to address.

Brisk global economic growth slowed down in 2019. However, the slowdown was neither dramatic nor unique, and going forward, we expect the economy to return to historical averages. However, the US/China trade conflict, the UK's exit from the EU, and ongoing tensions between the US and Iran do risk triggering major negative effects on the global economy. The risk of an exacerbating slowdown across the global economy has increased. As a consequence of the unsettled position on the market, we anticipate continued expansive monetary policy across Europe going forward. The conditions for good growth are in place in terms of low interest rates and favourable credit terms.

The Swedish economy was impacted by stagnation, and is now in a calmer phase. While the business cycle remained strong in 2019, it was below levels previously forecast. Unexpectedly slow progress on the labour market was apparent, and employment levels fell slightly from a historically high level. Despite this, economic activity levels remain higher than normal, and Sweden's central bank, decided to increase its benchmark repo rate to 0.00 per cent in early-January.

Real estate market

In 2019, transaction volumes on the real estate market beat previous records, and by year-end, the real estate sector was the Stockholm Stock Exchange's big winner. This is mainly due to low interest rates, with a historically high spread between Swedish 10-year government bonds and the required yield from property. There is also a good supply of capital, which is benefiting buying power.

In combination with Sweden's stable geopolitical climate and weak currency, global economic uncertainty factors have made investing in Swedish real estate more attractive. Foreign investor interest remains high and this group represented some 30 per cent of total transaction volume in 2019.

Kungsleden's clusters

Urbanisation is a global megatrend also evident in Sweden, whose population is increasingly concentrated in metropolitan areas and regional cities. In those cities were most of Kungsleden's real estate is located, population growth is high. This translates to increased demand for properties to enable the growing need for housing, social services and workplaces to be addressed.

There are clear benefits to property owners that have larger holdings on a market, offering them opportunities to participate in developing surroundings to enhance their attractions. Additionally, larger clusters enable higher quality of service for tenants, whose businesses often encounter new needs that require tenant improvements in terms of areas and layouts.

Stockholm

In recent years, rent levels in Stockholm's office market have increased sharply, primarily in central locations. Additionally, current vacancy levels are historically low. As a result, many current contracts offer high potential in forthcoming negotiations. Over and above stable employment growth for nearly ten years, the market's demand surplus has long been driven by former years' conversions of office properties into hotels and housing, and a low net injection of office premises.

Current market conditions have spawned the creation of trends in area efficiency, through co-working and activity-based working, for example. Moreover, businesses are evaluating their office costs by focusing on new key performance indicators such as cost per workstation instead of rent per square metre. Because there are several newly completed, ongoing and planned infrastructure projects to improve communications with attractive inner suburbs, a growing base of tenants are looking for premises in these locations, and we expect this trend to grow in 2020.

Gothenburg

For several years, the Gothenburg real estate market has featured fairly low net addition of office areas, and a low vacancy level. The rate of new production of office properties increased sharply in 2019, with most of these projects scheduled for completion by 2022, bringing over 300,000 sq.m of office premises to the market. Primarily, we anticipate the large supply expected to come to the market

causing rising vacancy levels for the older portion of stock, or in those partial markets with poor services and communications.

The attractions of secondary locations has also improved in Gothenburg. The construction of several new office buildings is planned in Mölndal, including one 17-storey building at Mölndal Bridge, comprising 40,000 sq.m of offices. In Högsbo, plans are now being drafted for the Dag Hammarskjöld highway, focused on conversion into a boulevard surrounded by housing, offices, services and retailing.

Malmö

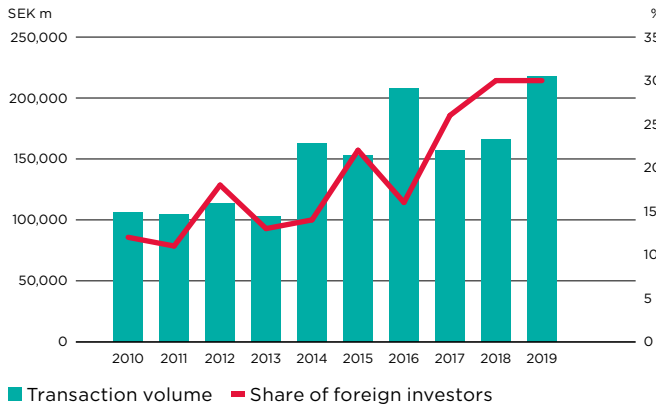
Malmö is a prosperous city in population growth and business start-ups above the national average. Office construction increased in Malmö in 2012, and has remained high since. In recent years, the traditional CBD has become less attractive, with the highest rents in new construction areas such as Hyllie and Universitetsholmen. Hyllie offers newly produced offices, good public links to central Malmö and Kastrup, and is also close to the Öresund region and Copenhagen - all important success factors on the current market. Malmö's office market has a good supply and demand balance, due to the stable addition of new office premises. The progress of office rents has been steadily positive for several years. Vacancy levels have decreased, but remain somewhat above Gothenburg and Stockholm.

Västerås

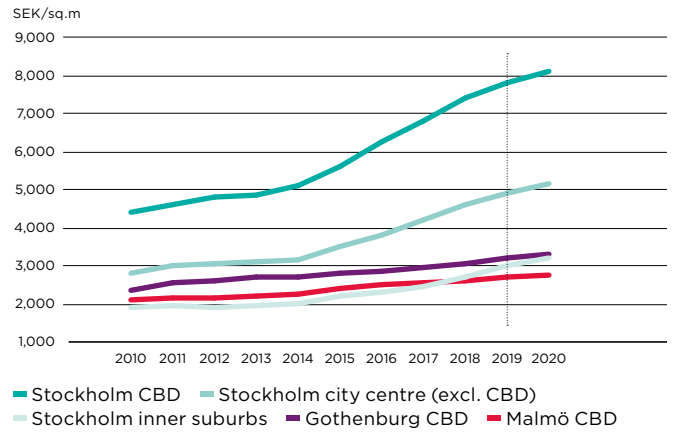
Västerås has enjoyed steady population growth for a lengthy period, and the city is conducting major urban development initiatives. In the city centre, the conversion of industrial land will be the main contributor to densification of offices, housing, services and workplaces. What were previously stable office rents in Västerås have recently started to increase, and the city's office market now has a record-low vacancy level.

Like several other regional cities, Västerås has high demand for modern offices in locations offering high levels of service and good public transportations. Tenants often use their modern office premises as a form of promotion in the location, and accordingly can accept a rent level for these premises that enables food profitability for the property owner in new production or major refurbishment projects.

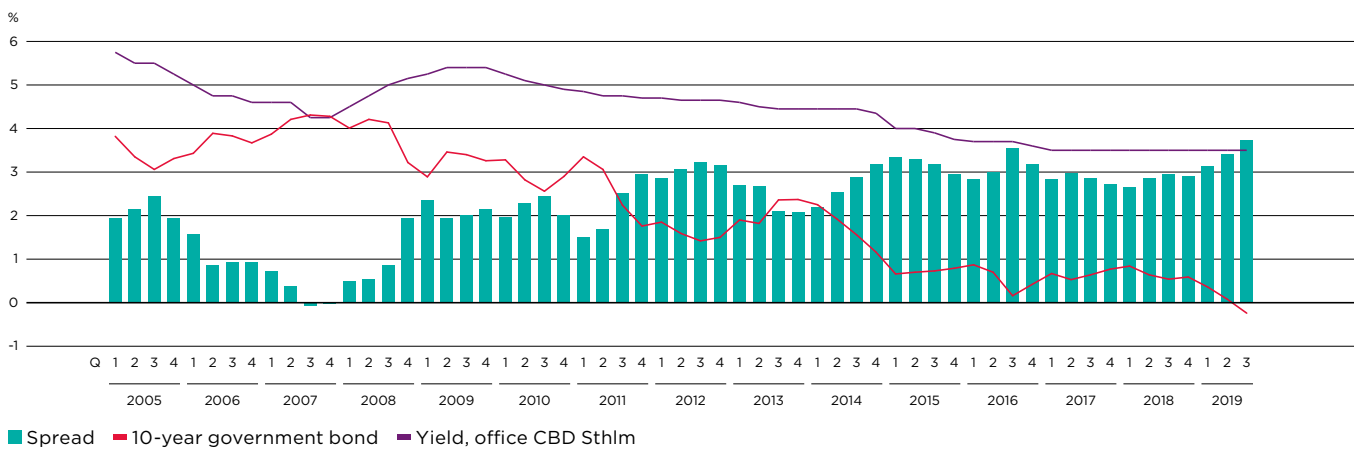
Transaction volumes, Sweden, 2010-2019



Market rents, offices



Yield spread - offices, Stockholm CBD vs. 10-year government bonds



Nationwide

Population growth*	1.1%
Working age population	57%
Employment level	93%
New business start-ups**	11.6

Stockholm

Population growth*	1.9%
Working age population	63%
Employment level	94%
New business start-ups**	18.1

Västerås

Population growth*	1.3%
Working age population	57%
Employment level	92%
New business start-ups**	10.4

Gothenburg

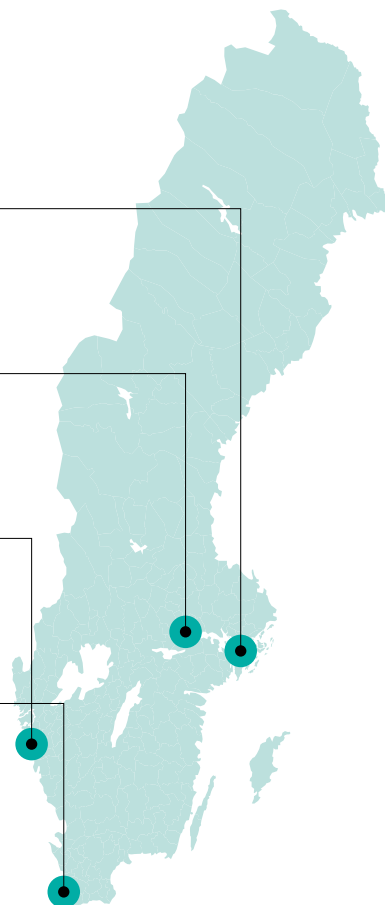
Population growth*	1.5%
Working age population	63%
Employment level	93%
New business start-ups**	12.7

Malmö

Population growth*	1.9%
Working age population	62%
Employment level	86%
New business start-ups**	13.7

* Yearly average since year-end 2008.

** New business start-ups per '000 inhabitants.



■ OPERATIONS

VI BIDRAR TILL DIN AFFÄR

Vi delar med oss av vår kunskap

Vi ser ditt företag och dina utmaningar
och hittar sätt för att lösa dina problem

Vi inspirerar och levererar det lilla extra



FÖR ATT UNDERLÄT
DIN ARBETSDAG

jobba
utveckla tjänster som är renkl
tyvatt för att göra skillnad
där vi vågar vi prova ny

OUR CUSTOMERS

Tens of thousands of people spend their working days in Kungsleden's 209 properties. Whether multinational groups, public authorities, manufacturers, restaurants or start-ups, we're driven by sharpening customer competitiveness by providing inspiring and sustainable working environments and places. By applying our curiosity and responsiveness, we place our customers' current and future needs at the centre of everything we do.

A varied and stable customer mix

Our tenants represent a wide variety of sectors, and a lot of strong brands. Many operate in the public sector. At year-end 2019, we were party to lease contracts with about 1,500 customers. The ten largest represented 23 per cent of rental value, and the public sector 15 per cent. The contracts are a good mix of maturities and the average remaining contract term is 4.0 years. The 50-plus customers that decided to locate

their Swedish or global headquarters in our properties include ABB AB, ICA Fastigheter AB, Nly Scandinavia AB (Nelly), Doer AB, The Swedish Board of Customs & Excise, The Swedish Meteorological & Hydrological Institute and Attendo.

Customers getting more satisfied

We always centre on the customer, and our ambition is always to exceed expectations. This is about in-depth understanding of tenant needs, and actively providing the right type of premises in the right location and with the right services nearby.

So we can develop our working methods and customer proposition in the right direction, we conduct a yearly customer satisfaction index survey (CSI). Our customers are becoming more satisfied, and in 2019, our rating was 75, a significant increase on 2018 (71). Our customer contacts got especially high ratings; 87 for treatment and 80 for availability, which are above the sector average. We view this as evidence that our work on long-term

relationship-building and active dialogue with customers and stakeholders is paying off.

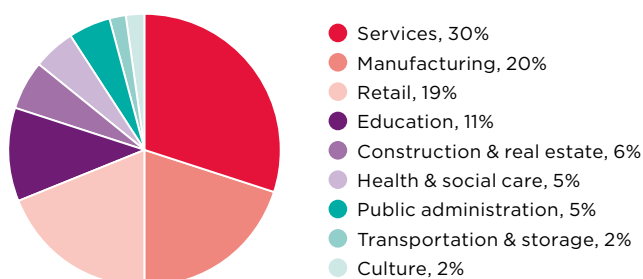
Location, flexibility and sustainability on the agenda

Modern society and working lives are changing at an accelerating rate, while the competition over employees is intensifying. This is why our customers are setting higher standards on us in terms of location, flexibility and level of service. This is clearly apparent through channels including increased demand for the service offerings we make in coworking and other types of complete concept.

Like us, our customers put a big emphasis on sustainability issues, including growing interest in Kungsleden's "Turnkey Premises in 3 Minutes" customer proposition, which offers high flexibility and a responsible premises choice for the customer, because these premises are 80 per cent sustainable through the reuse of furnishings, for example. We also have the ambition of making significant investments in our future, which influences and encourages us as a long-term property owner and proactive collaborative partner.

Kungsleden's clusters		Leasable area, sq.m	Book value, SEK bn
Stockholm	Kista City	146,000	4.5
	Stockholm City East	85,000	4.0
	Danderyd Office	100,000	3.2
	Stockholm City West	40,000	2.3
	Västberga	38,000	0.5
Gothenburg	Högsbo	109,000	1.3
	Gothenburg South Central	40,000	1.5
Malmö	Hyllie	48,000	1.3
	Fosie	53,000	0.7
Västerås	Västerås City	153,000	3.9
	Finnslätten	237,000	2.0
Rest of Sweden	City of Östersund	79,000	1.3

Tenants by sector



Kungsleden's tenants are anything from multinational corporations to public bodies and young, specialist enterprises across a raft of sectors. The biggest sectors are services (30 per cent) and manufacturing (20 per cent), although many other sectors are represented, and there is wide diversity.

Largest tenants

Tenant	Rental value, SEK m	Average duration yr.
ABB	259	4.2
The Swedish Social Insurance Administration	53	4.7
Biz Apartments	41	8.6
ICA	38	2.4
Municipality of Västerås	37	5.3
City of Stockholm	27	4.6
ÅF	27	3.5
Westinghouse Electric Sweden	24	1.0
The Swedish Custom Service	22	3.7
SMHI	21	10.9
10 largest tenants	550	4.6
Other	1,864	3.8
Total	2,414	4.0



Our customer | Arkipelagen is growing



From 28 to over 400 rooms. Arkipelagen is an office hotelling chain which has been on a long-term growth journey with Kungsleden in Gothenburg.

"We've grown every year we've existed, and things often move quickly when we want to expand. That's why we need a landlord who's quick and easy to deal with," says Daniel Carlsson, Arkipelagen's CEO.

When Arkipelagen started up in hotelling over 15 years ago, it was in premises at Sisjön. More than 15 years later, the company is in another two locations in the Gothenburg region - but also still in Sisjön.

"It's a fairly large property, and we've been so successful that we've been expanding in every direction nearly all the time," adds Daniel.

Daniel summarises Arkipelagen's proposition as doing "everything that strengthens a business but that it doesn't really have time to do itself."

"A lot of businesses struggle to attract staff. That's why they need to be in contexts where people want to be, and that's where we can help out. We want to bring energy to our customers' businesses, and eliminate all the noise so they can focus on what's important to them."

Apart from services like reception, catering and access to conference facilities, Arkipelagen also arranges social events like monthly lunches, dinners, tennis and golf tournaments - but also informative and inspirational lectures. About 270 businesses currently lease offices from Arkipelagen.

"One prerequisite for our expansion is that signing new contracts is easy. We and Kungsleden know each other so well that basically, we can set up contracts over the phone and get them done. That makes life a lot easier," continues Daniel.

Having everything working in a property is also mission-critical to Arkipelagen. When something happens, it's vital that problems can be solved quickly.

"We need a landlord who's responsive. When Kungsleden gets a call from us, it may be after we've had 30 calls from our customers. But Kungsleden has good service staff who make sure things get done, so we can continue to ensure our customers have everything they need to succeed."



PROPERTY MANAGEMENT CLOSE TO CUSTOMERS

We're close to our customers and properties. We have 83 professionals at ten offices working on a solution-oriented and long-term basis to manage and develop our premises and inspiring meeting places. Leasing premises from Kungsliden should be an experience out of the ordinary. We partner with our tenants to produce new customer propositions and tailored solutions - consistently to facilitate their working day, while contributing to their businesses and sustainability work.

Close to customers with in-house facility management resources

Kungsliden's property management resources consist of three regions with offices in ten strategic locations. Our local teams possess substantial knowledge of our properties, awareness of local markets and insight into current and potential customer needs.

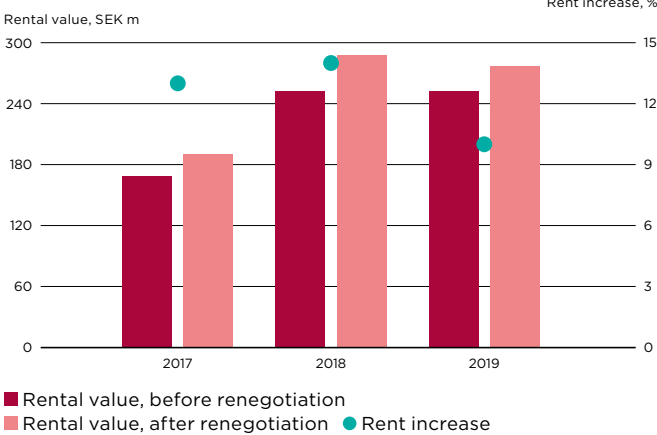
In autumn 2019, we started hiring for an in-house facility management organisation in Stockholm, Gothenburg and Malmö, a natural move in our long-term strategy of getting closer to our customers, but also a way to optimise, and reduce,

operating costs. 13 new staff have been appointed, and this process will continue in 2020.

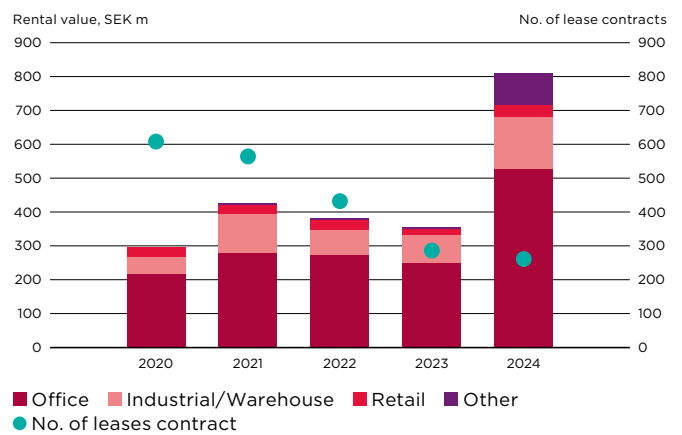
Cluster strategy helps produce attractive and sustainable places

For several years, we've been strategically concentrating our properties into clusters, desirable places with good locations and communications. Our clusters enable us to participate in driving the development of whole locations, in terms of environmental initiatives, infrastructure, service provision and outdoor environments. Our clusters also offers scope

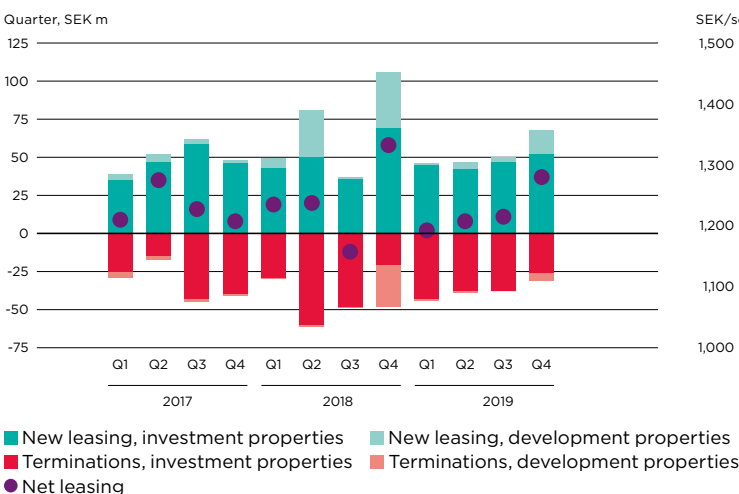
Rental value before and after renegotiation



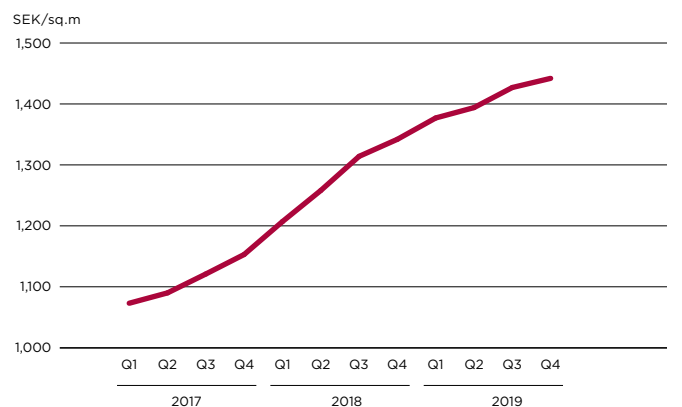
Lease contract maturity structure, investment properties



Net leasing by quarter



Average quarterly rent, investment properties





PROPERTY MANAGEMENT CLOSE TO CUSTOMERS (CONT.)

for more efficient management and sustainable operation, as well as the potential to expand and adapt our offering of premises.

Climate-smart ownership and management

Utilising efficient maintenance and intelligent investment, we ensure that our properties maintain the quality and capacity necessary to promote long-termism and sustainability. We also work to progressively reduce energy consumption and CO₂ emissions generally. Green leases are natural component of our customer proposition, and they enable us to maintain a dialogue with our tenants on reducing climate burden. These leases involve undertakings to promote climate-smart premises that include

energy optimisation, but also involve commuting by cycle and public transport.

Developing our customer propositions and investments

We create inspiring workplaces and proactively develop new propositions and services to address the widely differing needs of our customers. In our new leasing and renegotiation processes, we conduct tenant improvement and make investments of varying scale - anything from small-scale refurbishments or alterations to layouts, to more extensive conversions. As the demand for tenant improvement, sustainability and flexibility increases, so do the standards applying to Kungsleden as a property owner. We must be responsive and

have the capability to implement construction and modernisation projects.

Extended customer relationships

We protect our customers' branding, with attractive premises being an important part of the impression created for their employees, customers and visitors. The goal of active property management close to customers is to retain customers year after year, even as their needs change. Ahead of lease contract expiry, and when new customer needs arise during contract terms, we review the potential and possibilities of lease contract renewal alongside tenants. A renegotiated contract - an extended customer relationship - is an important measure of success, and as our property portfolio optimises, average rents can increase.

Our customer | The perfect premises

Expansive X-ray business Excillum had very specific demands for its new premises. They wanted to remain in the high-tech district of Kista near Stockholm, they wanted a loading bay in connection to the venue, they had specific requirements on power and cooling - and a floor that had to bear heavy loads.

"Because we use X-rays, our people need protection. Simply put, some of the technology we use has to be placed in big lead cabinets," explains Björn Hansson, Excillum's CEO, who found the premises he wanted in the Kista One development.

Excillum has created a new kind of X-ray source, which has higher power, enabling X-rays to be done faster and with superior quality. Initially, its source was mainly used for industrial applications and research. But in time, there's also substantial benefit for the healthcare sector and patients. "This is the first major change to X-ray sources since the 1930s," continues Björn.

Excillum is growing. Over the past two years, the company's headcount has gone from 15 to 50, so more room was imperative. Last summer, Excillum relocated to larger, more expedient premises in Kista One.

"Our new premises have two floors, with offices upstairs and production and our lab below. Plus a loading bay at the premises, so we can ship and



receive products and materials."

Moving technical equipment, and really heavy protection machinery into the new premises, necessitated some adaptation.

"And this is where Kungsleden was so accommodating," adds Björn. "They helped us make intelligent adaptations, something that's important because we're growing, and don't really know how big we'll be in a few years. Now we're able to keep developing our X-ray technology, and our business."

Kista One neighbours on the Kista galleria shopping centre, which Björn doesn't regard as entirely irrelevant to a knowledge-intensive business like Excillum, which operates on a market where there's competition over labour: "Staying in Kista is important, so our people don't have to find new commuting routes. Our new location is even more central, which makes it easier for them to go out and do the errands, for example. To be an attractive employer, we really benefit from a good location."



VALUE-CREATING PROPERTY DEVELOPMENT AND IMPROVEMENT

Continuous development, improvement, modernisation and tenant improvement of our properties are strategic cornerstones of Kungsliden's business. On all projects, we always work on the basis of a number of critical sustainability aspects - vibrant meeting places and urban environments, material selection and climate adaptations, as well as inclusion and diversity. We think it's important to contribute to sustainable urban development, because where people meet, value is created for everyone.

Focusing on people

Continuous development and improvement of our properties and clusters is decisive to Kungsliden's value growth. The investments we make enhance the quality and attraction of our portfolio, and improve cash flow. Developing a property can involve anything from new

services, small-scale refurbishment or alterations to layouts, to extensive new production and conversion, and all-new concepts. What all Kungsliden projects share, large and small, is that they focus on people - people should feel good and get inspired in our properties.

Partnering for sustainable local urban development

Over the years, the role and responsibility of property owners has grown, becoming more significant from an urban development perspective. The ability to address current and future needs requires not only commitment and innovation, but also flexibility. It's about creating value in the short and long term for our customers and their employees, visitors, residents, entrepreneurs and anyone else in the location. At Kungsliden, we understand that a holistic view is necessary to identify solutions that integrate ecological, social

and economic sustainability, and that we also need to help create attractive environments around buildings. Moreover, we understand that partnerships will get us where we want to be. By maintaining continuous dialogue with local decision-makers and partnering with the business and academic communities, the public sector, as well as people that live and work in the location, we enjoy great potential to help value-creating urban development. The Kista City, Stockholm City East and Finnslätten in Västerås clusters are examples of locations where we actively participate in local initiatives to develop and take responsibility for urban environments through our operational and strategic efforts.

Current and new projects

The improvement being conducted at Blästern 14 in Stockholm is one of the projects that has had a positive impact on a

Major current projects

Property	Category	Municipality	Completed	Leasable area, sq.m	Estimated rental value, SEK m	Occupancy level, %	Book value, SEK m	Estimated investment, SEK m	of which completed, SEK m
Blästern 14	Hotel, Office	Stockholm	2020 ¹	17,000	65	100	1,196	595	596
Eden by Kungsliden ²	Office	Malmö	2021	7,900	25	54	67	350	24
Finnslätten 1 - part of	Office, Industrial	Västerås	2024	21,000	28	41	119	250 ³	6
Stettin 6	Office	Stockholm	2021	25,000	57	77	1,114	230	55
Rotterdam 1	Office	Stockholm	2021	21,300	61	65	1,018	225	59
B26 Mimer 5 - part of	Office	Västerås	2020	4,700	13	76	133	147	133
Karlslund 5:2 - part of ²	Social services property	Östersund	2020	3,300	13	100	115	145	115
Taktipinnen 1	Office	Norrköping	2022	16,000	25	100	241	136	23
Oxelbergen 1:2 - part of	Office	Norrköping	2021	6,000	12	20	23	91	23
Total				122,200	299		4,026	2,169	1,007

¹ The hotel was completed in Q2 2019. The office part is scheduled for completion in Q1 2020.

² New development

³ Investment frame - the project is being completed as premises are leased.

whole location. The Blique by Nobis designer hotel opened here in the spring, and became a natural meeting place and urban oasis. Coworking provider Convendum also moved in in February.

The B26 project in Västerås became ready for occupation at year-end 2019. This project is centred on converting a formerly vacant part of the property Mimer 5 into an innovative coworking concept that is helping breathe new life and movement into this district.

We have also developed a new office concept at the property Oxelbergen 1:2 in Norrköping, consisting of offices and meeting places designed to focus on individual well-being, and to promote a working experience that is active, inspiring and close to nature.

In the summer, we signed two major lease contracts on the Eden project in the Hyllie district of Malmö. This is our first new office

development, and will be constructed according to our Symbiotic Building concept, which is based on the cornerstones of health, services, technology and nature. This construction project started in the autumn, and involves some 8,000 sq.m of premises.

The construction of new custodial and probation premises is ongoing at the property Karlslund 5:2 in Östersund, a project of over 3,300 sq.m that is scheduled for completion in spring 2020.

Other major development projects include Stettin 6 and Rotterdam 1 in Stockholm City East, at Finnslätten in Västerås and for SMHI in Norrköping. The planning of major forthcoming projects in Kista and Stadshagen, Stockholm is also ongoing.

Development rights and land allocation

The long-term processing and planning of future project investments are necessary to

execute investment programmes adopted.

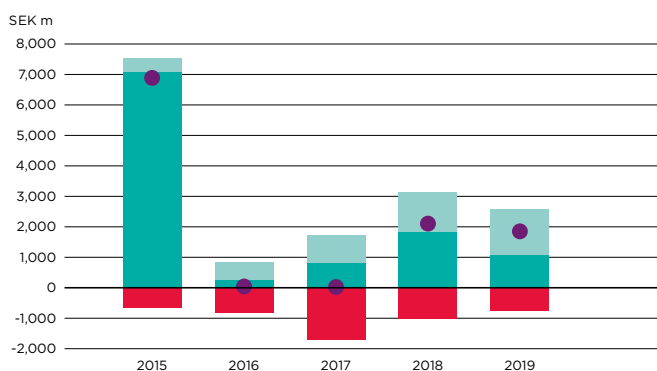
As part of this process, we are continuing to progress new development rights, focusing on commercial usage, both in our existing portfolio, and through land allocations.

The zoning plan processes are ongoing, and because these can take some time, we always endeavour to make property usage as flexible as possible. This puts us in a better position to address future market demand. In our existing holdings, Kopparlunden and Finnslätten in Västerås offer the greatest potential. We are currently engaged in zoning plan processes on nine properties, representing a total of some 182,000 sq.m of housing development rights and about 130,000 sq.m of commercial development rights, most of which are scheduled for completion in 2020-2021. At present, we estimate our pipeline of commercial projects at SEK 8 billion.

Investment programme

SEK m	2016	2017	2018	2019	Plan
					2020-2023
Development projects	141	312	578	598	1,800
Tenant improvements and other value-creating investments	341	499	596	799	1,800
Maintenance investments	127	114	126	112	400
Total investments	609	925	1,300	1,509	4,000

Net investments per year



■ Acquisition ■ Investment ■ Divestment ● Net flow

Type	Zoning plan ongoing	Zoning plan planned
Commercial development rights, sq.m		
Stockholm	15,000	121,500
Gothenburg/Malmö	71,000	32,500
Mälardalen	44,000	64,000
Residential development rights, sq.m		
Stockholm	50,000	28,000
Gothenburg/Malmö	39,000	28,000
Mälardalen	93,000	15,000
Total	312,000	289,000

STRATEGIC ACQUISITIONS AND OPTIMISATION

Acquisitions and optimisation of the property portfolio is an important part of Kungsliden's business model. Our focus is sustainable and attractive offices in Stockholm, Gothenburg, Malmö and Västerås, where we create large and efficient property management units. The sustainability aspect is central when screening acquisition targets, and our customers increasingly want environmentally certified premises. First and foremost, we're looking for premises that complement existing clusters or enable us to start up in new, attractive locations with good access. At least half of our property value should be in Stockholm, and over 70 per cent should be in offices.

We monitor progress on the real estate market closely. By being active on the buy and sell side, we gain vital market knowledge that feeds back into our internal valuation process. We analyse and evaluate investment opportunities continuously. Each year, we conduct a location analysis, which includes an appraisal of our own portfolio combined with national growth statistics, forecasted rent growth, transaction market liquidity and municipal indices.

Acquisitions and divestments in the year
We signed an agreement to divest vacant property Mandelblomman 3 in Spånga in the year. The sales price was SEK 36 million,

which exceeded this property's book value by 20 per cent. We vacated the property in July. We acquired two properties in 2019: Löpöglan 2, undeveloped land in Hyllie for Eden, our first new development project, and Gladan 4, a modern office property that complements our existing Stockholm City West cluster.

In accordance with a previous contract, in January, we accessed the final part of the Tändstickan district in Gothenburg (Kallebäck 2:11). We also vacated 15 retail and office properties in Eskilstuna, which means that we no longer have any holdings in this Municipality.

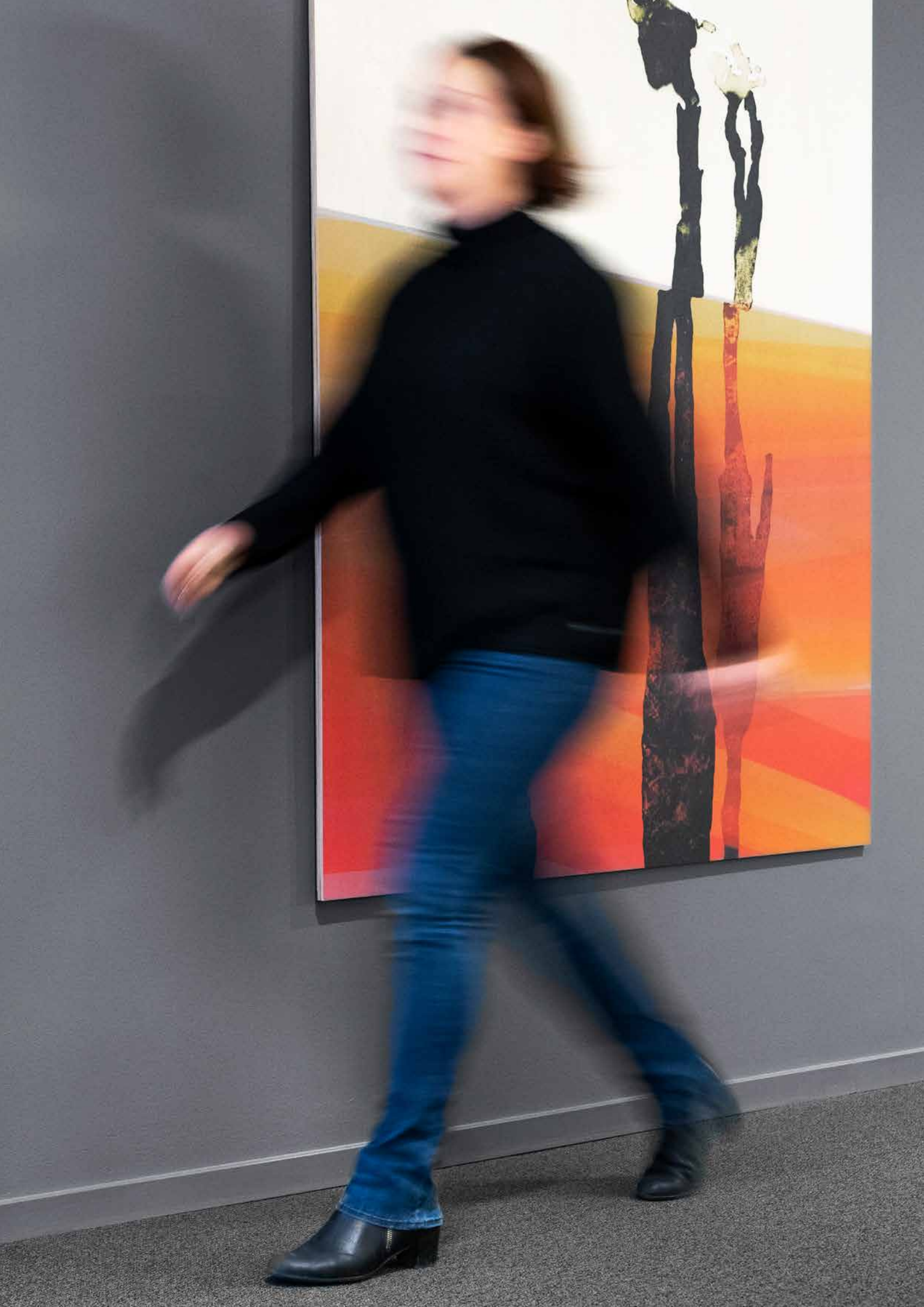
Property acquisitions in 2019

Property	Municipality	Category	Leasable area, sq.m
Löpöglan 2	Malmö	Land for office	7,900
Gladan 4	Stockholm	Office	7,547

Property divestments in 2019

Property	Municipality	Category	Leasable area, sq.m
Mandelblomman 3	Stockholm	Other	1,813





OUR PROPERTIES

Kungsleden wants to contribute to stimulating working lives and sustainable places. By developing and managing attractive and functional properties, we create the potential for people to have a better day at work. We mainly concentrate on offices in desirable locations in selected Swedish growth locations, with Stockholm being our biggest market. Because many Kungsleden properties are concentrated in clusters, we can help drive development of whole locations.

Offices in priority growth markets

Kungsleden owns 209 properties with a book value of SEK 38,310 million. 87 per cent of our portfolio is in one of our four priority growth markets: Stockholm, Gothenburg, Malmö and Västerås. 75 per cent of property value consists of offices, and 69 per cent of value is in one of the company's 12 clusters.

In recent years we have focused on optimising our holdings and improving the quality of our portfolio. Now, Kungsleden has fewer proper-

ties, but higher average rent per square metre, and a higher property value. We sold a large base of properties in non-priority municipalities, and made acquisitions in our four growth markets. Meanwhile, the investment volume in existing properties has increased. The share of offices has increased steadily in the last three years - from 71 per cent of property value to 75 per cent, and at a time when Industrial/Warehouse and Retail have decreased. By year-end, Stockholm represented nearly half of total property value.

Factors impacting value

SEK m	2019	2018
Changed required yield	1,017	902
Changed operating net	991	1,153
Changed assumptions of investments and other factors impacting value	-306	-494
Acquisitions	59	59
Total unrealised changes in value	1,762	1,619

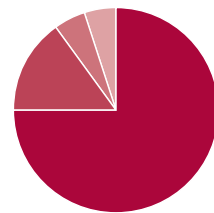
Five-year overview, property-related key ratios per year

	2019	2018	2017	2016	2015
No. of properties	209	222	222	269	291
Leasable area, '000 sq.m	1,997	2,055	2,159	2,580	2,665
Rental value, SEK m	2,647	2,622	2,567	2,672	2,471
Rental revenue, SEK m	2,418	2,377	2,319	2,422	2,238
Total revenue, SEK m	2,423	2,385	2,323	2,430	2,314
Property costs, SEK m	773	800	785	827	769
Operating net, SEK m	1,650	1,586	1,538	1,602	1,545
Book value, SEK m	38,310	34,697	30,974	29,533	27,470
Occupancy rate, % ²	91.5	91.5	90.5	90.6	90.6
Operating surplus ratio, %	68.2	66.7	66.3	66.2	69.0
Property yield, % ¹	4.5	4.8	5.1	5.6	6.6
New leasing, SEK m	210	274	201	216	133
Terminations, SEK m	152	189	132	117	126
Net leasing, SEK m	58	86	69	99	7

¹ 2015 not restated for the altered principle for recognition of deductions received for deferred tax on acquisitions.

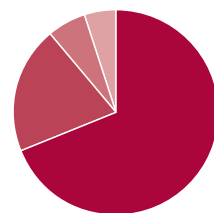
² Definition of economic occupancy rate altered for 2019, 2018 and 2017. Comparative figures for 2016 and 2015 not restated.

Property value by category



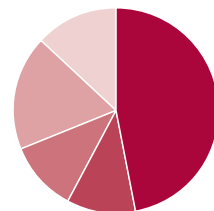
- Office, 75%
- Industrial/Warehouse, 15%
- Retail, 5%
- Other, 5%

Rental value by category



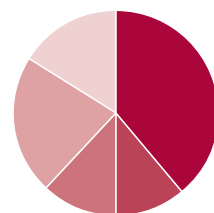
- Office, 69%
- Industrial/Warehouse, 20%
- Retail, 6%
- Other, 5%

Property value by geography



- Stockholm, 47%
- Gothenburg, 11%
- Malmö, 11%
- Västerås, 18%
- Regional cities, 13%

Rental value by geography



- Stockholm, 39%
- Gothenburg, 11%
- Malmö, 12%
- Västerås, 22%
- Regional cities, 16%



HOTEL PLAZA
ICA Supermarket
KPMG
mån-lör 7-22
söndagar 10-22

FIRST HOTEL
McDonald's
McDonald's
McDonald's

MEDELSTORRE
RENINGSGRÄDE RUM
OCH INHÅLLSCEKTER
VÄLKOMMEN UPP
HOTEL
PLAZA

OUR PROPERTIES (CONT.)

A long-term property owner

Our ownership features a long-term view. We work continuously on developing, improving, modernising and adapting our properties for tenants. This work has resulted in a significant increase in investment volume, and in the company's earnings and profitability. Over the past three years, Kungsleden has invested three-and-a-half billion Swedish kronor in its portfolio. The investment plan for 2020-2023 is approximately SEK 1 billion annually, and involves a continued focus on increasing the quality of our property holdings.

Valuing our property holding

We conduct an internal valuation of our property holdings every quarter, based on an analysis of cash flow, involving an estimation of individual properties' future earnings capacity and market required yields. The internal valuation is the foundation for reported property values.

To quality-assure and verify its internal valuations, Kungsleden conducts external valuations each quarter on parts of its holdings. Properties corresponding to 95 per cent of the holding had values externally appraised in 2019.

Healthy value growth in 2019

For the full year 2019, unrealised changes in value in the property portfolio were SEK 1,762 million. The value increase is due to equal parts of increased rental revenue and a decrease in the average required yield of 19 basis points. Additionally, the effect of divested and acquired properties had a further 5 basis point impact. At the end of the period, the average required yield was 5.2 per cent - compared to 5.5 per cent at the beginning of the year.







■ ORGANISATION AND EMPLOYEES



KUNGSLEDEN AS AN EMPLOYER

What makes a "Kungsleader"? For us, it's someone who enjoys their work, is caring and driven by setting themselves challenges and performing well. By constantly evaluating and developing the way we work, centrally and locally, we ensure that Kungsleden is an attractive workplace that lasts over time.

Core values

With over 120 employees nationwide, half of them stationed at our head office in Stadshagen in Stockholm, we're always close to our customers and properties. We all share the same vision, work towards the same goals and have the same core values.

Kungsleden's three core values - professionalism, caring and joy - guide us in how we conduct ourselves towards each other and other people. These core values also make it easier to take the right decisions and priorities in everyday work.

Being an equal opportunities employer is self-evident to us. 53 per cent of the people that work for Kungsleden are women, and 47 per cent are men. There are slightly more women than men in our Group Management. In 2019, 11 per cent of Kungsleden's professionals had foreign backgrounds, which we want to increase to achieve our goal of reflecting the mix of wider society.

Leadership and employeeship

Employees and managers have substantial individual responsibility at Kungsleden. We want to motivate all our people to be able to take decisions in their teams themselves, so they can influence their working lives and performance. We convene all our managers for quarterly workshops, ongoing training and networking events to give them more support. "Speed dating" is a method we use to improve collaboration between departments, and our managers have also been trained in conflict resolution.

We have collectively defined a leadership pledge with three central key factors

- I demonstrate openness, trust my staff and have confidence in them.
- I support my staff, am present and available, help develop them and offer constructive feedback.
- I engage my staff and create positive energy based on our core values and vision.

Organisational and career development

Kungsleden possesses expertise in a number of specialisms of the real estate sector. During the year, we worked on clarifying roles and flows within our organisation, for example developing a new Technology function to improve the exchange of best practice in the energy consumption segment, and hired an Energy Controller to keep developing our technology and sustainability work.

Kungsleden and its markets are undergoing rapid and extensive change. This sets great demands of flexibility and good planning to enable key individuals to be hired. We have a structured process to utilise our people's potential and willingness to progress, and to minimise the risk of skills shortages. We also expect our people to take proactive responsibility for their own development through goal-setting and development plans. A number of employees took up new roles in the year, and a total of 9 per cent of Kungsleden's new appointments were filled internally.

Attracting and hiring

Our business environment is becoming more complex, and with increasing standards applying to skills in our sector generally, we need to set ourselves challenges and develop, while searching for skills outside familiar arenas. We require our recruitment partners to take a broader-based approach, and always present a selection of candidates based on our endeavour to increase the company's diversity.

Selective recruitment initiatives in 2019

- To showcase the real estate sector and Kungsleden as a potential future employer, we participated in youth charity Fryshuset's careers day.
- In the autumn, we started hiring in-house facility management organisation staff in Stockholm, Gothenburg and Malmö, which is a natural move to get closer to our customers and properties. We appointed 13 new staff, and this process continues in 2020.
- To reach more people and try new approaches, we produced short recruitment videos involving managers and team-leaders as ambassadors for Kungsleden. We were nominated as Newcomer of the Year in employer branding this year by employer branding consultant Universum.
- In partnership with employers' organisation Almega we participated at the Järvaveckan week event to meet candidates we would usually have difficulty reaching.
- Partnership with vocational university Newton in Gothenburg, where we offered internships with a clear focus on candidate diversity. One of our interns then moved onto employment as a junior project manager.

Starting at Kungsleden

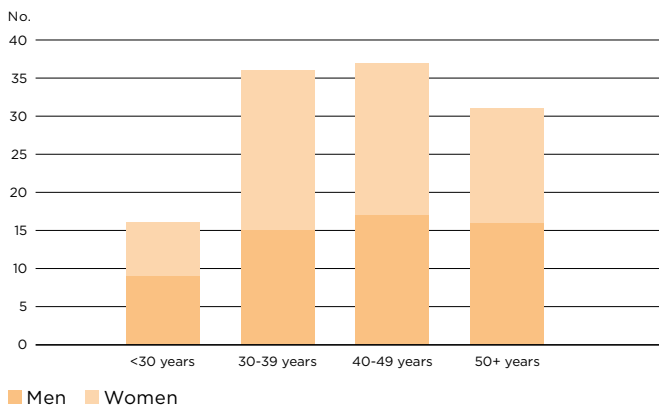
We welcome new people into Kungsleden's organisation with a well-planned process. All new employees spend a few days at head office to get to know Kungsleden as a company. During this induction phase, they meet representatives of various central functions such as Finance, Legal and Sustainability, often getting the opportunity of an extended meeting with our Deputy CEO or CEO. After a few months, their first-line manager and HR function follow up on this first phase.

Retaining and developing

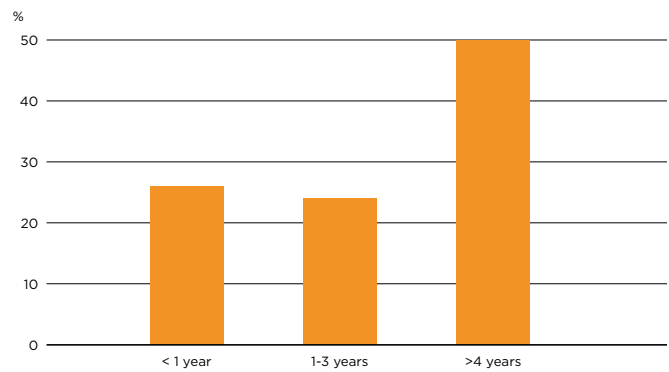
Having yearly management by objectives and follow-ups are important to ensure everyone



Age profile and gender balance



Length of service





KUNGSLEDEN AS AN EMPLOYER (CONT.)

is moving towards the same objectives and keeping our core values alive. To promote participation and the exchange of best practice in our organisation, we like people to remember birthdays, report on current projects and exchange experiences of successful new appointments or satisfied customers on our intranet.

Working environment

We make up each other's working environment and work continuously on how we interact with each other. We developed our process on working environment issues in the year, and an inspection by the Swedish Work Environment Authority approved these efforts. Our Friday breakfast events are an opportunity to meet up with colleagues, get updates on the company's performance

and monitor targets, as well as exchanging on training programmes.

We offer all staff private healthcare insurance, which includes fast track contacts with care providers, offers therapy, after-care and rehabilitation when necessary. We also offer staff of all ages health-checks as a proactive measure to prevent ill-health. Kungsleden encourages healthy and active lifestyles by offering subsidised gym memberships and exercise initiatives. Sickness absence was 2.9 per cent in 2019, down since 2018. No serious workplace incidents occurred in the year.

Snapshots and yearly employee satisfaction survey

Each year, Kungsleden conducts an employee satisfaction survey, and 97 per cent of staff participated in 2019, resulting in an employee

satisfaction index (ESI) of 7.7, almost equal to the previous year. Job satisfaction improved between 2018 and 2019, with factors such as leadership, goals and the potential to decide over people's own working situation viewed as our main strengths. Challenges are linked to stress and desires for clearer organisational structure - something we need to work on and improve. The outcome of our survey was presented to the whole company, then subject to detailed discussion between each manager in function, with the aim of planning and executing actions for 2020.

To get even better feedback on our working environment and improve transparency, we take a weekly snapshot of our people. Managers have received training so they can work proactively in their teams, acting quickly to address any negative trends.

Our people | Relationships with Kungsleden

She'd only intended to stay for two months, but 13 years later Karin Hedvall is still at Kungsleden: "I've really had the opportunity to develop."

Karin started at Kungsleden back in 2006. Hired by a staffing agency, she was going to cover for two months of parental leave. But when the leave was extended, Karin was offered employment with Kungsleden, and continued as an Accounting Assistant, on the purchase ledger. After nearly four years, she felt she wanted to try something else.

"I had great colleagues and loved the company. But I felt I'd gone as far as I could with my duties. When I mentioned this to my manager, she said she thought I should start working on property management."

There was a reorganisation soon after, which brought new positions, so Karin stayed with Kungsleden, this time as an Assistant Property Manager. Another four years passed, and she felt that she wanted to take another

step. This time too, she was able to find a role within Kungsleden, now as an Assistant Project Manager at the new Property Development function.

"Because we were a new function, we developed a lot of new processes, started building new systems and working methods," Karin explains.

Another few years passed, and Karin changed job again, becoming a Project Coordinator. Now she's Assistant Head of Projects, and can look back at a 13-year career, five different roles, and working for three different functions. There are many reasons why she stayed.

"Obviously it's partly the opportunity to develop, but my colleagues are another big reason. I've met some of my very best friends through Kungsleden. People that work here actually care about each other."

"Not only that, but Kungsleden is not the same company I started working for. We used to be transaction based, buying and selling properties on a daily basis. Now the focus is on how we can keep our buildings, customers and people for the long term."



■ SUSTAINABILITY





SUSTAINABILITY AT KUNGSLEDEN

Our sustainability work is based on UN global goals and is an integrated part of our business. Having a strong ambition and taking a lot of responsibility for satisfying these goals is self-evident to us. This is also critical

for us achieving our vision of creating attractive and sustainable places that inspire people. We conducted several initiatives in the year to reduce our climate footprint, such as increasing the share of environmentally certified

properties. We also brought a new geoenery plant on stream, one of the largest in the Stockholm region. Additionally, we put a big focus on diversity issues, winning the EPRA Diversity & Inclusion Award 2019.

Lease contracts

319 of all lease contracts are green leases

Employees

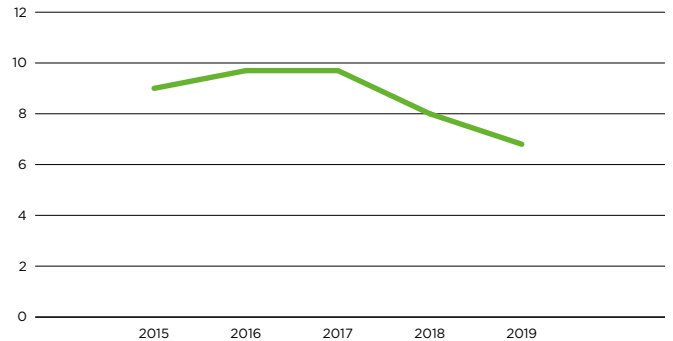
11% of employees have foreign backgrounds

Gender division (women/men)

53/47 gender division company wide

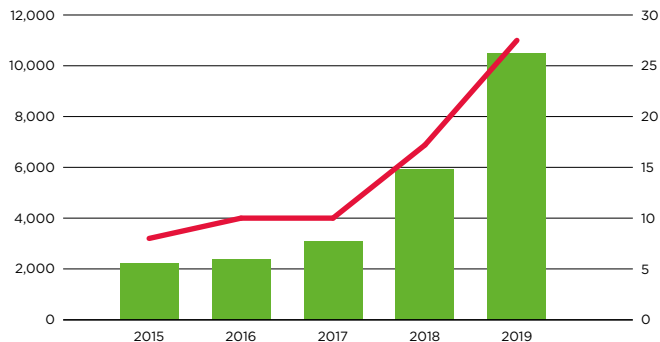
Emission intensity

Kg CO₂/sq.m.



Environmentally certified properties

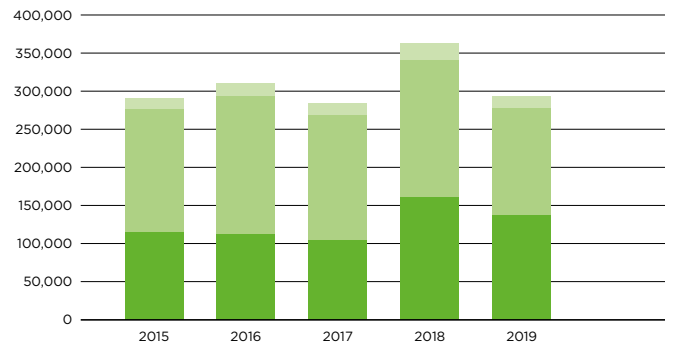
Property value, SEK m



■ Property value ■ Share of certified properties

Energy consumption

MWh



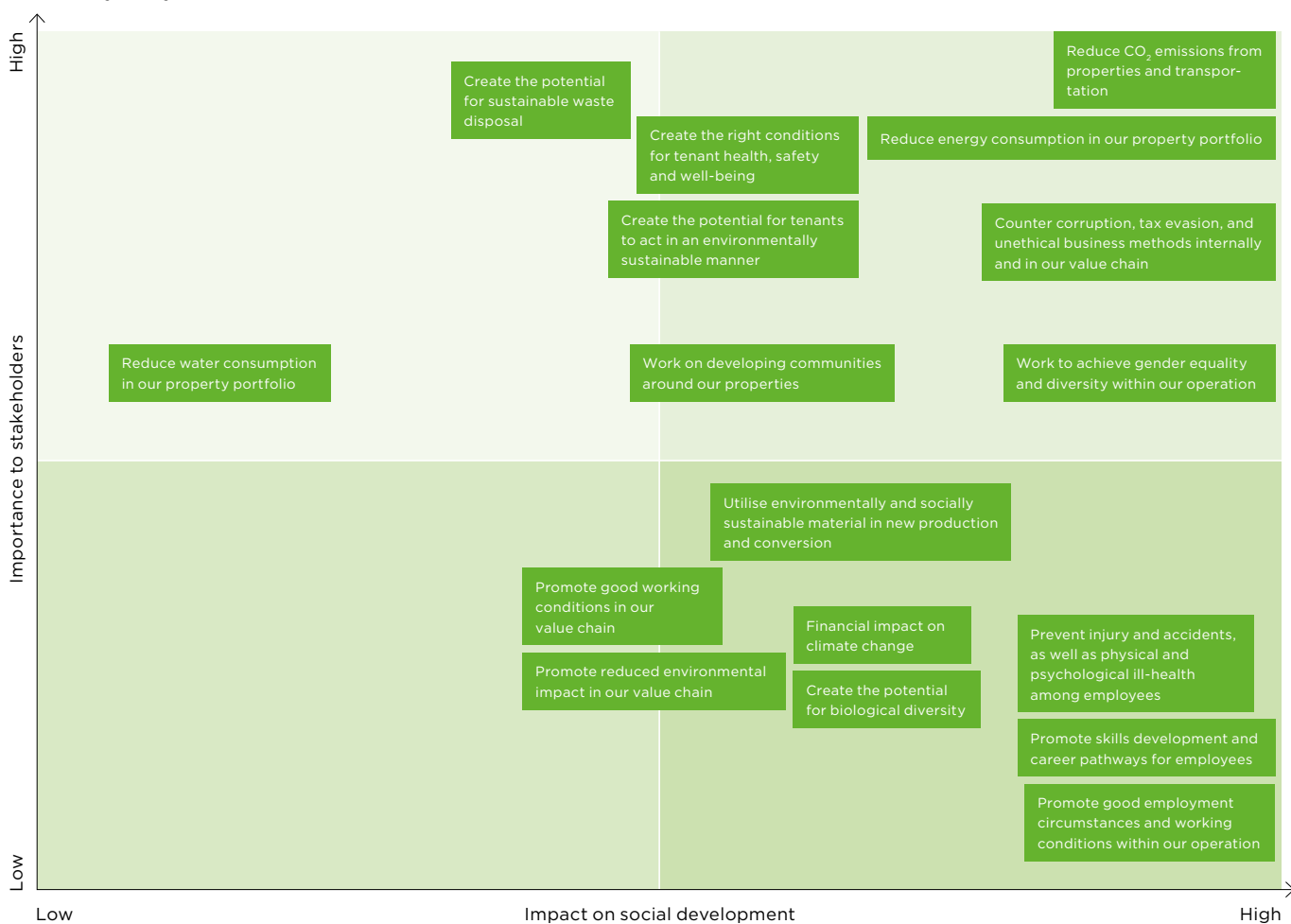
■ Electricity ■ Heating ■ Cooling

Our sustainability reporting is compliant with the Global Reporting Initiatives (GRI) framework, which provides transparency and enables comparative monitoring. In 2018, we conducted a survey of shareholders, investors, financial analysts and a broad base of tenants to find out their

wants and needs from the perspective of various sustainability aspects. Using their input, and following GRI guidelines, we conducted a materiality analysis that clarified our five focuses of sustainability work: the environment, diversity, social responsibility, health & safety, as well as

business ethics. This sustainability work was coordinated by our Sustainability Manager but we collaborate closely on sustainability issues organisation-wide. We worked on updating our sustainability strategy and policy in 2019, which we expect to complete in 2020.

Materiality analysis



Focusing on global goals

The UN's global goals guide our sustainability work. We expanded our work in 2019, now focusing on eight of these goals, because we want to take more responsibility.

Goal 3: Good health and well-being

Ensure healthy lives and promote well-being for everyone of all ages. Tenants want solutions such as being close to gyms, communications and recreational facilities in their communities. Other key aspects for improved health include the amount of daylight entering buildings, plants and green areas in the surroundings. When planning our clusters, we obviously need to satisfy these needs for forthcoming tenants as far as possible. We're phasing out hazardous materials in our buildings, primarily on conversion, to reduce health risks and damage to the environment. We work actively on promoting staff well-being, through channels including incentives to exercise.

Goal 5: Gender equality

Kungsleden makes a contribution to gender equality by serving as a role model for the Swedish business community and continuing to work proactively for women and men having equal opportunities in their work and careers. Kungsleden has basically even gender division at the company's management levels.

Goal 7: Affordable and clean energy

By adjusting existing technology and investing in energy-efficient plant, Kungsleden can reduce the energy consumption of its properties. Kungsleden sources renewable energy for its property portfolio to promote the realignment of its energy mix to more renewable sources, as well as contributing its own locally produced energy.

Goal 8: Decent work and economic growth

Promote lasting, including and sustainable economic growth, full and productive employment with decent working conditions for everyone. Kungsleden can set standards on working conditions in the production of materials, construction elements and other components used in conversions. We conducted a number of random tests of supplier working environments in 2019, work that will intensify going forward, to create good working conditions at every level wherever possible.



Goal 10: Reducing inequalities

By working actively on vibrant urban spaces where there are spontaneous meetings between people whatever their background, Kungsleden enables encounters that contribute to reducing inequalities.

Kungsleden also works actively on an open corporate culture that is inclusive and creates the potential for disadvantaged people to enter the labour market.

Goal 11: Sustainable cities and societies

As a major, long-term property owner, Kungsleden has the potential to influence public transport in the surroundings of its properties. Kungsleden also has the potential to influence planning, inclusion, resource-efficiency and adaptation to climate change in its clusters. We also create the right conditions for tenants to be able to utilise premises as sustainably as possible.

Goal 12: Responsible consumption and production

During property conversion and extension, Kungsleden is a major purchaser of goods and services. By constantly endeavouring to select the most environmental alternatives, we create potential for more sustainable consumption and production. This also enables us to avoid building the wrong solutions or materials into our properties.

Goal 13: Combat climate change

At Kungsleden, we work actively to reduce our climate impact, which includes the optimisation of energy systems in our properties. We install solar panels and geothermal heating plant to reduce our dependence on fossil energy sources. We also computed the CO₂ emissions of our procurement in 2019.

OUR ENVIRONMENTAL RESPONSIBILITY

We are continuously developing our environmental work, setting progressively higher standards - including dialogue with our customers, suppliers, sector peers and other social bodies such as public authorities, non-profit organisations and local politicians. But everything starts at our own individual level, with for example, us updating our travel policy, which stipulates that we should use rail travel as the first option.

We're reducing our climate footprint

We have been working on reducing the energy emissions from energy consumption and our transportation, and on energy efficiency measures in development projects and our ongoing property management for a long time.

Heating represents most of our energy consumption, and we installed geothermal heating plant in our property Trekanten 5 in Danderyd outside Stockholm in the year. This plant supplies the property with heating and cooling, and reduces estimated energy consumption by over 3,000 MWh, or 80 per cent of previous usage. The plant is one of the Stockholm region's largest geoenergy installations. In like-for-like portfolio terms, energy consumption reduced by 4 per cent in 2019. We expect to achieve our target of reducing energy consumption by 20 per cent between 2014 and 2020.

We have been a member of the government's Fossil-free Sweden initiative since 2015, and our objective is to reduce CO₂ emissions by 20 per cent between 2018 and 2023. We purchase certified power to further reduce the climate impact from our electrical energy consumption. We have been purchasing certified windpower since 1 January 2020.

We also developed the monitoring of the emissions we contribute to through our procurement of goods and services, under Scope 3. Our analysis indicates that most of the emissions from our operations are associated with procuring materials, and are 5-10 times higher than energy consumption and our own operations. In 2020, we will be continuing to examine how we can reduce our climate burden, primarily from conversion projects.

New sustainability programme for our projects

In 2019, we produced a new sustainability programme for development projects in the

company. This categorises sustainability standards pursuant to legislation, our own standards, as well as voluntary supplements. This can apply to standards on climate computation, LEED certification, healthy indoor environments, community social engagement and environmentally friendly construction materials. It continues through all phases of the project, and is subject to approval by Project Managers and Sustainability Managers prior to implementation. After testing and adjustment, the programme will be implemented as standard in 2020.

We're a member of Construction Material Assessment Body (BVB). Our purchasing policy stipulates that all materials used on projects with a value of over SEK 1 million must be assessed and accepted by BVB. The life cycle perspective is important to us, and we work on including issues in the project phase affecting waste sorting at source, waste disposal and recycling materials.

Environmental certification of properties

Environmental certification is a method of clarifying property environmental performance and enabling international comparisons, but is also a tool for working on improvement on a structured footing. We have selected LEED certification, one of the world's most recognised environmental classification systems. This certification involves 11 different segments including travel, energy consumption and indoor environments. Our goal is that in principle, our whole property portfolio will be environmentally certified by year-end 2025.

At Kungsleden, we want to make an active contribution to adapting the LEED system to Sweden and developing it by helping produce training packages, templates and checklists. We are achieving this by serving on the LEED Board, which is run by the SGBC (Sweden Green Building Council).

Sustainability assessment on acquisition

Historically, we have been a property owner that executes a lot of transactions. This means that we continuously develop our internal processes and checklists to clarify the risks that may be inherent in a transaction.

The sustainability risks associated with each prospective acquisition are mapped by reviewing public documentation, conducting interviews and site visits. The risk analysis

results in an assessment of the costs that actions will generate to address the identified risks in environmentally hazardous material, the indoor environment and climate change, for example.

New EU framework for green investments

The EU undertook intensive efforts in 2019 to produce a new taxonomy - a classification of green investments with the goal of increasing the tempo to achieve its energy and climate goals by 2030. Kungsleden has participated in the dialogue. This new EU taxonomy sets higher standards on reporting and accrediting third-party verification of green frameworks, see key facts below.

Green leases - part of our customer proposition

Green leases are a natural component of our customer proposition and enable us to maintain dialogue with tenants on sustainability work. These contracts contain an undertaking to promote climate-smart premises, including actions in energy efficiency, indoor environments, material selection and sorting waste at source, as well as options for cycle commuting and public transport. In 2019, we trained our managers specifically on sustainability dialogues, and signed 95 new green leases, which is slightly below target.

EU taxonomy - key facts

The focus of the EU taxonomy for buildings will mainly be on energy consumption per square metre. For new production, the standard will be NZEB (Near Zero Energy Buildings) or EPC B (Energy Performance Certificate B). The same standards will apply to existing buildings, with the option of reducing energy consumption by 30 per cent during refurbishment. This involves a simpler view, which in practice, favours the new production of properties over existing buildings. We will continue to monitor progress of the EU taxonomy.

OUR SOCIAL RESPONSIBILITY

To help create a more inclusive society, we work intensively on promoting diversity within the company, and in those cases where we can go further and have greater impact than acting alone, we designate established collaborative partners. As a property owner, we see several ways to take more responsibility for creating vibrant meeting places, as well as safe urban and working environments.

Diversity and inclusion

We are convinced that diversity and inclusion create the best business opportunities, in relationships with our customers and developing the company and employer brand. Our goal is for the company to reflect the diversity of wider society. In 2019, we put a special focus on sustainability and diversity issues, through leadership day events, and with an internal road show comprising a total of 11 workshops. 80 per cent of all staff participated in the dialogue on how we can improve inclusion and diversity in our company.

As recognition of our intensive diversity work, Kungsliden received the EPRA Diversity & Inclusion Award 2019. This new award is intended to showcase role models among Europe's listed real estate companies. The jury cited our strong strategy, with its clear short and long-term goals. This demonstrates that the company has real ambition in diversity and inclusion. We also attracted praise for successfully realising our vision - of creating attractive and sustainable places where people get inspired.

Gender equality: Kungsliden currently employs 53 per cent women and 47 per cent men. There are slightly more women than men at management level.

Age: The average age of Kungsliden employees is 43.

Within Group Management, the average age is 50, and on the Board of Directors, 60.

Languages and backgrounds: At year-end 2019, 11 per cent (9) of our employees had foreign backgrounds. The Swedish average is 22 per cent. We also mapped the languages our employees speak in the year,

which clarifies the skills the company lacks, and will provide important support in future recruitment processes.

Partnerships to go further

KY training - property management
In 2019, we also started partnerships related to KY (vocational) training packages in property management. We assisted four students, all selected with diversity in mind. This partnership will continue in 2020.

Search & selection services

We collaborate with recruitment agencies to ensure greater diversity in new appointments. Previously, we outsourced property management, but started the process of hiring management staff in-house in 2019, a process where diversity is an important parameter. In the year, 3 of the 13 people hired in our facility management organisation were women, significantly above the sector average.

Summer employment

We have focused on spreading the diversity issue to our contractors, to offer young, excluded people their first contact with the labour market and the property sector specifically. Jointly with youth charity Fryshuset and contractors, we created six summer employment placements, and the young people who took them up this year were selected based on the increased diversity they brought to the relevant workplace. This partnership will continue in 2020.

Jobbsprånget - a head-start

We've been partnering with Jobbsprånget, an Initiative by the Swedish Academy of Engineering Sciences and the Swedish Migration Board for many years. The intention is to offer recently immigrated graduates faster access to Sweden's labour market. Interns get references, contact with the Swedish labour market and are fast-tracked in learning the Swedish language. From this partnership, we've learned how to make our internal processes more inclusive. This partnership will also continue in 2020.

Health & safety

We want to ensure a positive and healthy working environment for our staff, tenants and the contractors that work in our properties. As our development projects and conversions expand, safety issues become more complex and important. Within our property management operation, we have produced guidelines that our employees and subcontractors should observe. In the year, we conducted three health & safety audits at construction sites where Kungsliden is the developer. These audits involved reviews of working environment plans and safety patrols were prepared and made available, as well as inspections of the physical working environment. The audits revealed only one instance of non-compliance, which was not serious, and dealt with in accordance with internal procedures. Appropriate measures were taken. One priority issue in 2020 will be continuing to develop our safety organisation because we now also manage properties in-house. The purpose of systems like this is to prevent incidents and see the outcome of actions taken.

Kungsliden wants to contribute to vibrant and safe urban environments. Our working method utilising clusters offers us the potential to influence whole locations, and create areas that become spontaneous meeting places for people. Most of our clusters have direct access to subway lines, rail links or buses, and are often close to nature and parks. Because more people want to cycle to work, we also work on improving cycle commuting options, and most properties have showers and cycle storage. We ensure that we serve on business associations and property owner groups to maintain continuous dialogue with municipalities on urban development. One example is Kista, where we are active on the property owners' association, to make the area safer.

More social projects

In another collaboration with youth charity Fryshuset we helped organise rewarding activities for children of single mothers. We also have a partnership with Föreningen Storasyster ('the big sister'), which counters sexual violence in Sweden.

BUSINESS ETHICS AT KUNGSLEDEN

We set high standards of business ethics and have a professional corporate culture with terms & conditions at market levels that are transparent. We distance ourselves from all forms of corruption and have zero tolerance of impropriety. Our sustainability policy, guidelines for business networking and subsidiary employment and conflicts of interest are central to our work in business ethics. We transform these into action through training, monitoring and continuous internal communication.

Development work in 2019

Employees from all regions, management and directors participated in internal business ethics workshops in the spring. They got the opportunity to discuss various cases from the sector, but also reflect on how work on business ethics could be conducted in their teams, and what each individual could bring, as well as what we should focus on overall. A total of

80 per cent of staff participated, and generated a wealth of proposals on how work on business ethics can develop going forward, for the whole company and each team.

Code of Conduct for suppliers

Ensuring the absence of corruption and bribery, and promoting healthy competition to ensure good working conditions are important in procurement. To make sure the procurement of goods and services is on a responsible footing, we apply a Code of Conduct to suppliers that has been adopted within our Procurement Policy. This also covers human rights, health & safety and environmental issues. Prior to accepting a supplier, the Code of Conduct must be signed. We ensure that suppliers comply with the Code of Conduct by exercising the right to demand documentation and/or conduct audits. Non-compliance can result in our relationship with the supplier being discontinued. Audits of three suppliers and

projects were conducted in 2019. No serious instances of non-compliance were noted. The audits included both internal work and the application of existing procedures such as suppliers complying with our contracts, procedures and relevant legislation.

Whistleblower system to highlight corruption, core values and our working environment

We operate a whistleblower system enabling non-compliance company wide to be reported anonymously by company staff or external parties. The system is designed to deal with serious business ethics non-compliance, but also serious health & safety issues where reporters wish to remain anonymous. No cases of corruption were revealed in the year. We follow up on all suspicions of non-compliance with our core values. Reports regarding non-compliance with our core values were received in the year. These cases were processed in accordance with our procedures.





Our people | Sustainability work with side-effects

Tangible results of Kungsleden's sustainability work are apparent at four properties north of Stockholm. They include a number of deep bores, as well as beehives!

Kungsleden densifies its properties in selected locations to create an attractive proposition for tenants. These clusters are in attractive locations with development potential, good access and close to highways and intersections. A 100,000 sq.m. cluster is in Danderyd, north of Stockholm, where there are clear examples of Kungsleden's extensive sustainability work.

"Our tenants place high demands on us because they need to show their customers that they're green in every sense too. In recent years I've noted completely new interest in sustainability issues from our tenants. This interest helps us maintain a good dialogue," says Eva-Lotta Svensson, Kungsleden's Property Management

Unit Manager for Danderyd.

At Danderyd, sustainability work goes all the way from cellar to rooftop.

An all-new geothermal heating and cooling plant came on stream at the property Trekanten 5 in 2019. With its 52 bores 350 meter deep, the property is self-sufficient in heating and cooling. Solar panels for electricity generation are planned for the roof. New indoor climate control systems further reduce climate impact across all the cluster's properties.

The property Svärdet 7 can also boast a new garden, created by professionals from Ulriksdal Palace.

"It's been designed as an inspiring environment for as much of the year as possible. But we've planned to avoid everything blooming in July when most people are on holiday," continues Eva-Lotta.

The property's garden has some beehives. Apart from pollination benefits, they also create gifts that our tenants really appreciate," adds Eva-Lotta:

"We can give them genuine locally

produced honey. As a real estate company, we must always stay ahead of people's expectations, offering the premises that current and future tenants need to feel good and give of their best on their markets.





BEE UR



■ FINANCING



FINANCING

We manage a capital-intensive operation, and access to capital is a prerequisite for operating a successful real estate business. Our financial strategy is designed to maintain well-balanced risk-taking for the long term, and ready access to external loan finance at reasonable interest rates. In the year, Kungsliden's financial position strengthened through a lower LTV ratio, higher interest coverage ratio and more even maturity profile with a low share of short borrowing. In the second quarter Moody's upgraded our credit rating to Investment Grade (Baa3) with stable outlook.

With the aim of ensuring an appropriate risk level for our designated business strategy, the Board of Directors adopts a Finance Policy consisting of guidelines and restrictions for how financing activities should be conducted. We monitor and report on financial risks quarterly.

The financial strategy is designed to:

- Ensure short and long-term access to capital
- Endeavour to achieve and retain a long-term stable capital structure
- Achieve the best possible financial net within given risk exposure limits.

Capital structure

Kungsliden's guideline is that its LTV ratio should not exceed 50 per cent. In 2019, equity grew from SEK 15,767 million to SEK 17,488 million, primarily attributable

to profit from property management of SEK 1,185 million and total changes in value of SEK 1,682 million. The equity/assets ratio was 44.0 per cent (44.5) and the LTV ratio was 45.8 per cent (47.3) at year-end.

Public rating

In June, Moody's upgraded Kungsliden's credit rating to Baa3 with stable outlook. This is an Investment Grade rating, which means high-quality credit with low probability of default.

A complete review of Moody's methodology is available at moodys.com. Moody's most recent credit opinion of Kungsliden is at: kungsliden.se/globalassets/dokument/kapitalmarknadsprodukter-prospekt-m.m/kungsliden-credit-opinion-july-2019.pdf

An Investment Grade rating from Moody's improves the potential to expand Kungsliden's investor base for the long term, utilise even better financing terms and enjoy financing on long maturities, which reduces refinancing risk.

Borrowing and liquidity

Kungsliden has a well-diversified base and spread maturity structure of interest-bearing liabilities, which limits refinancing risk. Our loan portfolio consists of facilities from banks, life insurance companies, mortgage loans, unsecured bond loans and commercial paper. In recent years, the loan portfolio has become more diversified. A stronger financial position and upgraded credit rating from Moody's has

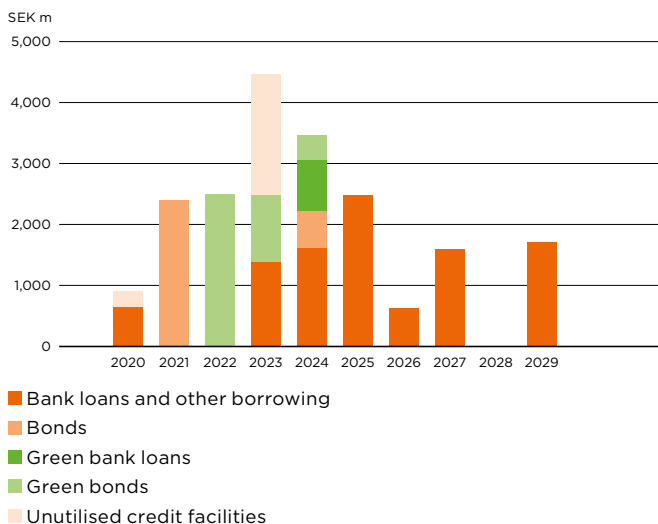
enabled increased borrowing from the capital markets by issuing unsecured bonds.

Collateral in properties is provided as security for loans from banks, life companies and mortgage institutions, either directly or through promissory notes, share pledges and parent company guarantees. Some loan agreements also include covenants regarding change of control, interest coverage ratio, LTV ratio and equity/assets ratio – all of which were fulfilled with a good margin as of 31 December 2019.

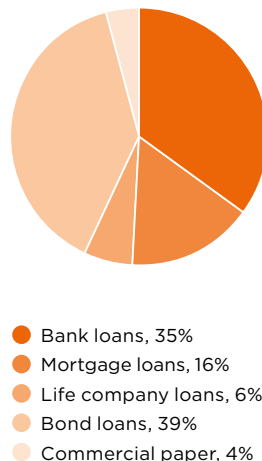
At year-end, the loan portfolio was SEK 17,889 million (16,882), 35 per cent of which was loans from banks and 22 per cent was secured loans from life insurance companies and mortgage institutions. Unsecured borrowing from the capital markets represented 43 per cent (39), of which commercial paper representing 4 percentage points. Kungsliden has SEK 2 billion of credit facilities from banks as backup for the commercial paper issued from time to time. Direct lending from life insurance companies and loans via mortgage institutions help diversify counterparty exposure and significantly extend the average maturity of interest-bearing liabilities on competitive terms.

Kungsliden also endeavours to maintain a low share of short-term borrowing, and at any time, maintain contingency to make payments including debt maturities for the coming 12-18 months. Total liquid funds available were SEK 1,954 million (2,137), including granted and available credit facilities.

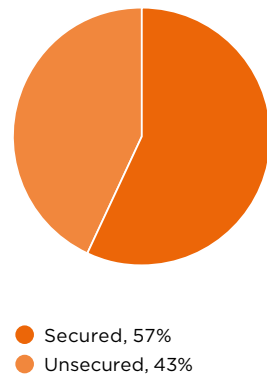
Maturity structure, credit facilities



Loan portfolio as of 31 December 2019



Secured and unsecured debt as of 31 December 2019



ties after deducting backups for outstanding commercial paper.

Financing in the year

Kungsleden extended an existing SEK 2 billion revolving credit facility in advance, with new maturity in 2023. The extension of this credit facility enables good liquidity coverage for a horizon of several years, and enables Kungsleden to keep benefiting from good demand from credit investors in the commercial paper market. At the end of the third quarter, Kungsleden refinanced a mortgage loan maturing in 2036 and a bank loan maturing in 2021 by arranging a new, SEK1,701 million loan from a Danish mortgage institution, maturing in 2029. After refinancing, Kungsleden has no bank loans maturing prior to 2023. In tandem with this refinancing, Kungsleden was able to increase its LTV ratio on some of the pledged properties and making other property free of pledge, freeing up other real estate security. This helped increase the share of unencumbered assets in relation to total assets. As of 31 December 2019, the share was 35 per cent (31).

Kungsleden issued a total of SEK 1.9 billion of bonds in its MTN programme in the year, of which SEK 1 billion after its rating upgrade to Investment Grade. These issues were conducted on good interest terms and long maturities, and are fully consistent with other companies with corresponding credit ratings. Kungsleden repaid two bond loans with total volume of SEK 982 million. At year-end,

Kungsleden had SEK 7,000 million of outstanding bonds within its SEK 8,000 million MTN programme. Green bonds represent SEK 4,000 million of this total. At year-end, Kungsleden had SEK 650 million of outstanding commercial paper.

Green bonds

Kungsleden issued another SEK 1,300 million of green bonds, and thus issued a total of SEK 4,000 million of green bonds. Green bonds are issued pursuant to the terms of the green framework, which specifies how proceeds from green bonds may be used. The proceeds from green bonds issued until 31 December 2019 will be utilised for the following categories of environmental project:

- Financing certified properties
- Renewable energy

A property financed with proceeds from the green framework must achieve Gold and Very Good respectively within the LEED or BREEAM standards, and have at least 70 per cent of available points achieved in the energy category. Alternatively, within the Miljöbyggnad (Swedish environmental building) standard, the building must achieve the Silver or EU Green Building level.

Kungsleden's green framework is reviewed at kungsleden.se/investerare/finansiering/kapitalmarknadsprodukter/. A letter to investors in Kungsleden's green bonds is also uploaded here, offering reports and statements on how funds from green bonds have been utilised.

These bonds are listed on Nasdaq Stockholm's Green Bond List, a market segment of green bonds that applies specific standards to bonds listed on this marketplace.

Green bank loans

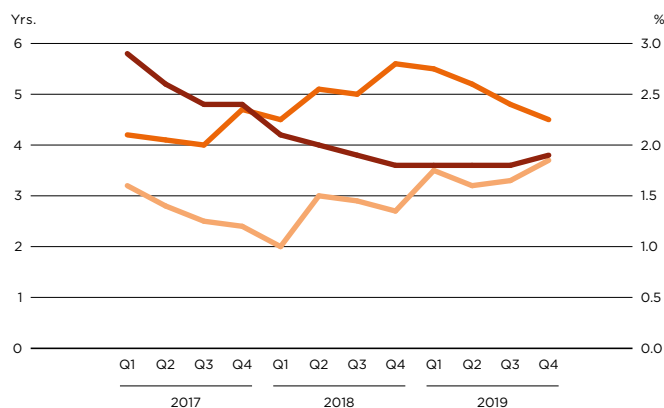
Kungsleden also arranged a SEK 0.9 billion green bank loan, secured against direct collateral for the LEED Gold-property Färöarna 3 in Kista.

Investor interest in green bonds remains high, and issuing green bonds is a natural step in Kungsleden's sustainability work. Apart from the sustainability aspect, green finance often offers better interest terms than traditional borrowing. The ambition is that in time, all green assets will be financed with green borrowing. The share of green borrowing was 27 per cent (21) of the total loan portfolio at year-end 2019.

Capital and fixed interest term

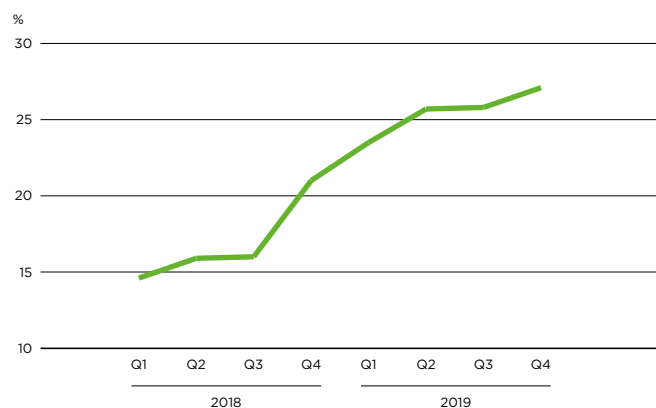
The financial net is a significant cost item in the Income Statement, primarily affected by changes in market interest rates and lenders' required rate of return. Kungsleden endeavours to achieve well-considered debt maturity and interest rate duration in order to stabilize future cash flow. Its average financing cost reduced in the year by renegotiating loans on better margin terms. Meanwhile, the average interest rate increased at year-end as a result of three-month Stibor rising, mainly in the fourth quarter. The average debt maturity reduced somewhat, and was 4.5 years (5.6),

Debt maturity and fixed interest term



- Debt maturity
- Fixed interest term
- Average interest rate

Green financing



FINANCING (CONT.)

simultaneous with the maturity profile of loans being more evenly allocated, which reduces the refinancing risk. On short maturities, market interest rates are primarily affected by Sweden's central bank monetary policy, while on longer maturities, interest rates are determined by expectations of future economic progress and inflation. Fluctuations in market interest rates can exert an impact on earnings and cash flow. Accordingly, financing with short fixed interest rate terms implies uncertainty regarding future financing costs. The fixed interest term of most loans is short term (variable), and Kungsliden manages interest risk at an overall group level. The desired level of hedging against rising interest rates is mainly achieved by using derivative instruments in the form of interest rate swaps. Kungsliden works actively on adapting the Group's interest rate duration profile in accordance with its business plan, and within the framework of the Group's Finance Policy.

New hedging in the year

To reduce the volatility of ongoing net financial items, and to benefit from low interest rate levels for the longer term, Kungsliden arranged new forward-starting swaps with principal value of SEK 2,000 million starting in January 2022, and with final maturity in 2026. These new swaps are for advance refinancing of existing swaps maturing in 2022, and accordingly, do not alter the allocation of variable and fixed-interest loans over the

coming years. To benefit from interest rates on longer maturities continuing to fall in the year, Kungsliden extended forward-starting swaps at the end of the third quarter and the beginning of the fourth quarter. This was achieved by extending SEK 3,000 million nominal amount of swaps with previous starts in January 2020 to January 2023, with new starts in January 2021 to January 2028. These restructuring processes extend the average fixed interest period, which was 3.7 years (2.7) at year-end.

Sensitivity analysis

The interest coverage ratio increased in the year as a result of higher operating net and lower financing costs, and was a multiple of 4.6 (4.1) at year-end. We continuously monitor the interest rate sensitivity of our borrowing through stress tests. They indicate that Kungsliden has good resistance to a higher underlying interest rate. Even in a high interest rate scenario, where the interest rate on all maturities momentarily exceeded the interest rate priced into the market by 100 basis points, the interest coverage ratio for the next 12 months would be over 3.5 times financial costs. According to Kungsliden's Finance Policy, the minimum interest coverage ratio is a multiple of 2.5.

At year-end, the nominal amount of the swap portfolio was SEK 9,450 million, of which SEK 5,000 million was forward starting, and of these, SEK 2,000 million starting June and December 2022, and SEK 3,000

million starting January 2021. Loans with a fixed interest base of a total SEK 2,230 million are additional, which means that 56 per cent of interest-bearing liabilities have debt maturity exceeding 12 months.

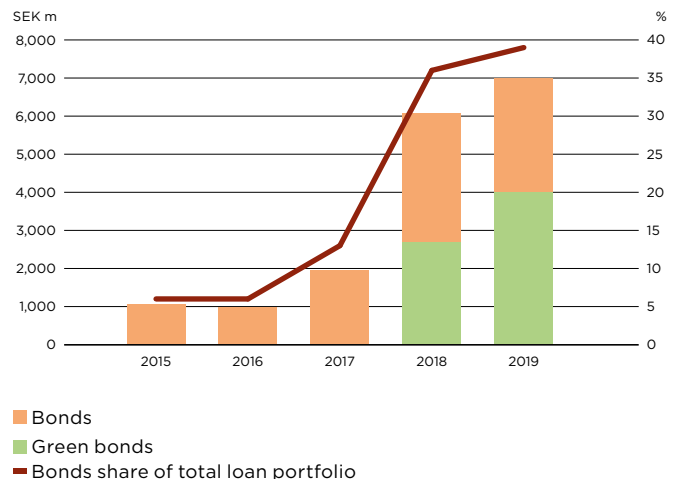
Valuation of interest rate derivatives

The change in market value of the swap portfolio is recognised as an unrealised change in value of financial instruments pursuant to IFRS 9. Unrealised changes in value affect net profit but not cash flow or profit from property management. The current market value of interest rate derivatives is reconciled regularly with the counterparty and verified against a theoretical valuation based on current market interest rates. The value of all derivatives amounted to SEK -105 million (-30) at year-end. This whole amount has been expensed and reported as a liability in the consolidated accounts. The value of derivatives is affected by the current market interest rate in relation to the agreed swap rate for the remaining term. If longer interest rates alter in relation to the level when the derivative contract was entered, the value of the derivative changes. The market value of the swap is computed by calculating the present value of future interest flows on the swap at the current market interest rate. However, the swap's value is always zero at maturity. Changes in value on financial instruments in the year were negative, and amounted to SEK 75 million as a consequence of interest rates on longer maturities decreasing.

Change in net debt 2019



Outstanding bonds





FINANCING (CONT.)

Cash flow and loan-to-value ratio

Operating cash flow after changes in working capital was SEK 1,257 million in the period. SEK 1,509 million was invested in existing properties and projects in the period. Purchase considerations of SEK 1,080 million was paid on accessing the third property in the Tändstickan district of Gothenburg, the acquisition of the land property Löpöglan 2 in Hyllie and the acquisition of Gladan 4 at Kungsholmen in Stockholm. A total

purchase consideration of SEK 724 million was received when closing the divestment of Kungsleden's portfolio in Eskilstuna and on the date of closing the property Mandelblomman 3 in July.

Dividend of SEK 513 million was paid to the shareholders, which is the final payment for the financial year 2017 and the three first payments of dividend for the financial year 2018. Borrowings in the year meant that interest-bearing liabilities increased by

SEK 1,008 million gross. As cash and bank balances increased by SEK 118 million, net debt increased by SEK 1,126 million.

Kungsleden's LTV ratio decreased from 47.3 per cent to 45.8 per cent at year end due to unrealised increases in value in the property portfolio.

Total liquid funds available were SEK 1,954 million (2,137), including granted and available credit facilities, after deducting for backups for issued commercial paper.

Outstanding unsecured bonds

Isin code	Amount, SEK m	Issue date	Maturity date	Fixed/variable Interest	Interest	Green bond
SE0010769802	550	18 Jan. 2018	18 Jan. 2021	Variable	Stibor + 1.8%	-
SE0010599357	500	28 Sep. 2018	28 Sep. 2021	Variable	Stibor + 1.25%	-
SE0010442707	1,000	11 Oct. 2017	11 Oct. 2021	Variable	Stibor + 1.8%	-
SE0010442715	350	11 Oct. 2017	11 Oct. 2021	Fixed	2.06%	-
SE0010599100	1,250	21 Mar. 2018	21 Mar. 2022	Variable	Stibor + 2.05%	Yes
SE0010599118	1,250	21 Mar. 2018	21 Mar. 2022	Fixed	2.375%	Yes
SE0011869692	900	7 Mar. 2019	7 Mar. 2023	Variable	Stibor + 1.8%	Yes
SE0010832873	200	13 Jun. 2018	13 Jun. 2023	Variable	Stibor + 1.8%	Yes
SE0012676468	300	22 Aug. 2019	22 Aug. 2024	Variable	Stibor + 1.5%	-
SE0012676500	300	17 Sep. 2019	17 Sep. 2024	Variable	Stibor + 1.25%	-
SE0013103793	200	6 Dec. 2019	6 Dec. 2024	Fixed	1.51%	Yes
SE0013103801	200	6 Dec. 2019	6 Dec. 2024	Variable	Stibor + 1.2%	Yes
Total	7,000					

Our customer | A building packed with new solutions

Eden, an office building with a special focus on people's well-being, is under construction in Malmö. Its largest tenant and Kungsleden's collaborative partner, is hotelling chain Quick Office, which will not only locate its second office hotel in Malmö in Eden, but will also get the opportunity to evolve its own offering.

Eden is Kungsleden's first new office development - and anything but an ordinary office. Eden is designated a Symbiotic Building, Kungsleden's proprietary concept for buildings centred on people's well-being, from the cornerstones of health, services, technology and nature. This building is designed to promote creativity,

efficiency and performance, and offers innovative solutions, including plants that purify the air and technology that encourages movement.

"Kungsleden's thinking behind Symbiotic Buildings is a great fit with Quick Office's focus on service, enjoyment, job satisfaction and an effective day at work," comments Quick Office's CEO Niklas Lénart, continuing: "We're delighted that we can take our concept to the next level with Kungsleden. As an office hotel, we're very dependent on a landlord like Kungsleden that likes our business and is committed, because we're actually an extension of them - the same space they lease to us is what we sublet, albeit with a more evolved service portfolio.

Quick Office will not only be Eden's biggest tenant, but also provide daily services within the building for all Eden's tenants. To sharpen the focus on physical well-being, Quick Office will offer Eden tenants the chance to participate in yoga, organised jogs and other propositions focused on facilitating a good day at work. This includes offerings such as parcel drop-offs, a health food restaurant and retail space that changes through the day, one of the goals being that the store should sell food from the restaurant around the time people leave the office.

"This is a way to make people's daily lives easier, and reduce food wastage from the restaurant," concludes Niklas.





■ RISKS AND RISK MANAGEMENT



RISKS AND RISK MANAGEMENT

Kungsleden’s assignment from its owners is to deliver attractive long-term total returns. We achieve this by owning, managing and developing commercial properties focusing on offices in Stockholm, as well as Sweden’s other growth regions.

To achieve our goals optimally, the opportunities and risks that impact our operations must be managed.

Our real estate operations are on the Swedish market only, but are also affected

by global trends on the bond market and foreign interest in the Swedish real estate market. The Board of Directors has overall responsibility for risk management, although operational work is delegated to the CEO and Management.

All business activities are associated with risk-taking. Correctly managed, these risks can result in opportunities, but if they are not managed at all, on time, or correctly, they can have major

negative consequences in the form of lower revenues, higher expenses or reduced credibility.

Accordingly, work on identifying, analysing, managing and monitoring risks is a priority for Kungsleden.


The following figure illustrates how Group Management makes risk management in a structured process. The Board of Directors receives a yearly presentation and update.

Kungsleden works on a continuous and structured footing on identifying and actively monitoring financial and other risks that operations address or face. The following figure illustrates how Group Management works on risk management in a structured process.



Management identifies ten risk segments to focus on from the risk review, classifying them on the basis of probability and consequence, with 1 being low and 3 high. Probability multiplied by consequence gives a weighted risk value of between 1 and 9, as in the following table. A sensitivity analysis of how different valuation parameters impact on property value, earnings and cash flow, as well as LTV ratio, are stated in note 2.



RISK SEGMENT	PROBABILITY	X	CONSEQUENCE	=	RISK VALUE
Value impairment of properties	2		3		6
Inadequate understanding of customers/business model/digitalisation	2		2		4
Inadequate crisis management and brand risk	2		2		4
IT risk – virus, spam, breaches	2		2		4
Organisational risk	2		2		4
Shortage of finance	1		3		3
Risk to life and health	1		3		3
Inaccurate project costings	1		2		2
Relocation of major tenants	1		2		2
Technical condition	1		1		1

Risks identified in the above 10 risk segments are labelled with 



RISK	DESCRIPTION	MANAGEMENT
Business environment risks		
 Macroeconomic risk	A weak economy negatively impacts the demand for premises, which results in increased vacancies, decreasing market rents and no indexation on existing lease contracts. Additionally, the risk of tenants' payment problems increases, which has a negative impact on cash flow.	This type of risk and its management is continuously assessed by management and the Board of Directors, and through regular analysis of our market and business environment. Strategic actions to reduce the company's exposure are determined each year.
Crisis management	For Kungsleden, a crisis is an unexpected event that threatens to damage our operations or brand seriously, and that our regular organisational resources are unable to manage.	Kungsleden has a crisis management plan to deal with this type of extreme events. This type of risk is managed at an overall level in several ways, including a succession plan for senior executives and full value insurance for real estate.
Risks related to properties and development projects		
Rental revenues	Kungsleden's rental revenues are affected by economic progress on those markets where we operate, and how well we succeed in developing the locations where our properties are located. Economic growth probably causes increased demand for premises, which usually results in higher market rents. Presumably, negative economic progress has the opposite effect.	We mainly hold properties on growth markets, a contract portfolio with a large number of contracts and diversified maturity structure. We endeavour to maintain a contract portfolio with fairly long contract maturities. The average contract duration across the whole portfolio is 4.0 years. Our experienced and skilled management and lettings staff work actively on the re-negotiation process before contract expiry.
 Inadequate understanding of customers	Our rental revenues can be negatively impacted if we are unaware of our customers wants and needs.	We maintain close dialogue with our current tenants and have a decentralised organisation close to customers, as well as a local presence.
 Relocation of major tenants	Major current tenants decide to terminate lease contracts and move out. Premises become vacant for the long term. Investments become necessary to accommodate a new tenant.	Close contacts with our tenants. Having properties in clusters facilitate relocation within the portfolio. Shared priorities regarding the vacancies that should be prioritised in leasing work. Ensure that properties maintain good technical standard and quality.
Property costs	The risks on the cost side relates mainly to cost increases over and above what Kungsleden is able to offset through contracted rents, indexation and re-invoicing supplements. These risks also include unforeseen risks and any need for extensive refurbishment. A high share of this cost relates to energy consumption through heating, cooling and electrical power.	A portion of property costs are reinvoiced to the tenant through adjustments of lease contracts, and accordingly, cost increases or savings have a limited impact on our earnings. Any vacancies impact property costs by us being unable to reinvoice certain costs. We work on rationalising energy consumption on a goal-oriented basis. This includes us setting a target for reducing energy consumption by 3 per cent annually in 2014–2020, in like-for-like portfolio terms.
 Unforeseen events in properties (risk to life and health)	Our properties may be affected by unforeseen events in the form of snow falling from the roofs, fire, water incursion, etc.	We work continuously on preventive measures such as updated fire alarms, sprinkler systems, energy systems, etc.
 Inadequate property condition	If our properties do not maintain satisfactory technical standard, we are at risk of being affected by unforeseen costs or investments.	Kungsleden's technical managers and technical maintenance staff work proactively on the technical condition of properties to reduce the risk of unforeseen costs.
 Development projects	Development projects are value creating but may also be associated with risk. This includes increased credit risk on large, tailored projects resulting from tenants being unable to fulfil their rent obligations, and Kungsleden being unable to find other tenants for these premises. There is also a risk of a reduced return on projects if major construction and refurbishment work is delayed and/or becomes more costly than forecast. Additionally, there is a risk of reduced revenues due to delays that mean tenants are unable to utilize premises at the expected time. Moreover, Kungsleden is dependent on receiving the necessary permits from regulatory authorities so that it can execute projects.	Risks related to projects are managed through channels including project execution not commencing until 50 per cent of areas are leased. In recent years, Kungsleden has accumulated highly skilled and experienced organisational resources for development projects. Additionally, Kungsleden has rigorous and quality-assured property development processes and procedures. Each project includes an initial risk analysis, which is followed up during the project life-cycle. Total cost estimates are conducted at least quarterly on all projects, and monthly for major projects. Actions are taken if these cost estimates indicate delays or cost increases.

RISKS AND RISK MANAGEMENT (CONT.)

RISK	DESCRIPTION	MANAGEMENT
 Property values	<p>Kungsleden's rental revenue is affected by the progress of fair value i.e. market value, which has a direct impact on earnings and financial position. The value of properties is impacted by several factors such as exogenous factors that affect supply and demand such as the business cycle, interest rate level, financing and required yield. The structure of contracts and customer base, as well as Kungsleden's capability to manage, improve and develop its properties also impact value.</p>	<p>To manage the risk of negative value changes, Kungsleden works actively on diversifying risk between categories of premises and tenant, geography and contract size. Our average contract duration is 4.6 years for our 10 largest tenants, and 4.0 years for all tenants, which means that variations in market rents do not have an immediate impact on rental revenues. Kungsleden's target is to have balanced portfolio risk with a limited impact of exogenous factors, and we value our whole property portfolio internally each quarter. Our valuations are based on an analysis of cash flow, which includes assessments of a property's future earnings capacity and market required yield. This internal valuation is the foundation of reported property values. Internal valuations are conducted by staff with extensive valuation experience. We conduct quarterly external valuations of parts of our portfolio to quality-assure and verify our internal valuations. In 2019, properties with a value of 95 per cent of the portfolio were externally appraised. A sensitivity analysis of property values and loan-to-value ratio is in note 2.</p>
Sustainability risks		
Pollution and climate impact	<p>The risk of soil contamination that entails remediation costs, mainly relating to development, when property usage alters. In addition, extreme weather events and climate change may result in a risk of damage to properties.</p>	<p>Kungsleden has categorised all its properties according to their risk of soil contamination, and takes proactive measures. On acquisition, Kungsleden determines the risk of soil contamination, environmentally hazardous construction materials and climate risks. Risks associated with climate impact are managed through proactive measures in preventative maintenance.</p>
Business ethics/corruption	<p>The risk of impropriety against Kungsleden by employed staff or contractors that could damage the company's finances, brand and employees' well-being and trust.</p>	<p>Internally, Kungsleden's work is governed by stable regulatory structures consisting of policies and guidelines. We operate and communicate on the basis of collective core values based on professionalism, caring and joy. Kungsleden's leadership pledge complements our core values with the conduct that we expect from our leaders. Externally, our work is regulated by a Code of Conduct for suppliers. Additionally, Kungsleden works actively internally and externally on information associated with its work in business ethics. Kungsleden has an internal Ethical Council that deals with any incidents.</p>
Social conditions and human rights	<p>Kungsleden has a large supplier base, and its major projects involve multiple participants. Because it is difficult to overview supply chains, there is a risk of activities conflicting with Kungsleden's values.</p>	<p>Kungsleden applies a clear Code of Conduct for suppliers and its suppliers are informed about the importance of conduct compliant with Kungsleden's core values. Kungsleden also has a policy guaranteeing that staff can anonymously contact a third party to report actions or other circumstances that imply breaches or suspected breaches of laws or other guidelines and regulations without consequence. A whistleblower system is available from Kungsleden's website.</p>
 Organisational risk	<p>Employees are one of our key assets. The major risk is that we are unable to hire, develop and retain staff and managers with appropriate competence, and that we have an inefficient organisation.</p>	<p>Kungsleden operates and communicates on the basis of collective core values: professionalism, caring and joy. These define how Kungsleden as a company, and our individuals, want to be dealt with, and how we deal with people in our day-to-day work. Kungsleden's leadership pledge complements our core values with the conduct that we expect from our leaders, and what we believe is necessary for us to achieve our long-term goal of being the most attractive and sustainable workplace in the property sector. Organisational risk is managed through channels including leadership development and employee satisfaction surveys.</p>

RISK	DESCRIPTION	MANAGEMENT
Financial risks		
 Financing	<p>The risk that borrowing cannot be arranged or can only be arranged on unfavourable terms.</p> <p>Kungsliden's business model is based on real estate assets being funded with equity and external borrowings to generate healthy returns on investor capital. Accordingly, access to external capital is a critical factor to enable successful real estate operations.</p>	<p>The Board of Directors adopts a Finance Policy that sets risk mandates relating to:</p> <ul style="list-style-type: none"> • Kungsliden maintaining financing risk at an acceptable and controlled level by operating with an LTV ratio of not more than 50 per cent for the long term. • Borrowing from reputable lenders such as banks and lenders in the capital markets, and thus achieve well-diversified borrowing • Avoiding maturity concentrations by diversifying the maturities of agreed loans and limiting the share of maturities over the coming 12 months so that they do not exceed 30 per cent of total loan volume. • Limiting counterparty exposure so that individual lender commitments do not exceed 30 per cent of total loan volume. <p>The public Investment Grade (Baa3) rating is a seal of quality guaranteeing Kungsliden's strong financial position and long-term focus. By increasing its borrowing from the capital markets, it has reduced its dependency on arranging finance from the banking system against real estate collateral.</p>
Interest	<p>Interest risk is defined as the risk of a negative impact on earnings and cash flow through changes in market interest rates.</p> <p>On short maturities, market interest rates are primarily impacted by the monetary policy of Sweden's central bank, while for longer maturities, interest rates are determined by expectations of future economic progress and inflation, nationally and internationally. Changes in market interest rates can have an impact on earnings and cash flow. Accordingly, finance with short fixed interest periods implies uncertainty regarding future financing costs and ongoing cash flow.</p> <p>Because swaps entered are subject to continuous market valuation pursuant to IFRS, there is a risk that negative unrealised value changes on financial instruments will occur if market interest rates on longer maturities fall after the hedging contract has been entered. Accordingly, negative unrealised value changes on financial instruments can affect the Group's results of operations and financial position.</p>	<p>Interest risk is managed at an overarching group level. Kungsliden's Finance Policy stipulates a framework for its interest rate duration strategy determined by the Board of Directors, which is expressed in maturity intervals and variance intervals. Balancing short and long fixed interest periods is conducted on the basis of the state of the market, the Group's ability to cope with negative scenarios, and the current view of risk.</p> <p>Kungsliden attains the desired risk level by using interest rate swaps. Kungsliden's objective is that its minimum interest coverage ratio should be a multiple of 2.5, and works to adapt the group's interest rate duration profile in accordance with its adopted business plan, and within the adopted risk mandates of its Finance Policy on a proactive and long-term basis.</p> <p>All financial instruments utilised should be liquid, and the Treasury function should possess a high level of knowledge about the function, risk and pricing of each instrument.</p>
 Liquidity	<p>Liquidity risk is defined as the risk of not having access to cash and cash equivalents or credit facilities to satisfy payment obligations. Cash and cash equivalents means cash at hand and available credit commitments.</p>	<p>At any time, Kungsliden should maintain contingency to make at least three months' known payments including interest payments and loan roll-overs. Contingency also means agreements on overall terms & conditions for financing are in place. The Board of Directors is entitled to decide on temporary increases to liquidity, e.g. given increased contingency for major transactions.</p> <p>Kungsliden has arranged unutilised credit facilities from banks that are secured with direct real estate collateral with the aim of achieving a cost-efficient cash management system, and to cover short-term payment commitments.</p>
Credit	<p>Credit risk is defined as the risk that a counterparty is unable to fulfil all or part of its obligations. Credit risk is present in derivative contracts, when issuing vendor notes and investing surplus liquidity. Credit risk also means the risk that the counterparty does not pay its rent or sales proceeds.</p>	<p>The credit risk in financing activities is low, and mainly consists of counterparty risks relating to receivables to banks and other counterparties arising when utilising derivative instruments. The Finance Policy states guidelines for approved counterparties and the maximum credit exposure to various counterparties.</p> <p>Historically, rent losses have been low. The policy for credit checks includes guidelines for assessing counterparty creditworthiness. The Treasury function supports Property Management on credit checks. For significant long-term receivables, collateral is normally obtained to reduce credit risk.</p>

RISKS AND RISK MANAGEMENT (CONT.)

RISK	DESCRIPTION	MANAGEMENT
IT risks		
 Virus attacks	The risk that files are encrypted and systems stop working.	Through its system administration partner, Kungsleden possesses secure protection against viruses and spam, which is updated continuously. There are procedures for our external system administration partner to counter attacks at an early stage, and for restores post-incident.
System outage	The risk of the complete IT environment or parts of it becoming unavailable.	This risk is managed by maintaining a close collaboration with our system administration partner who in collaboration with us, ensures that Kungsleden maintains an updated technology platform and the necessary backups, as well as restoration plans for any major system outage.
 Data breaches	The risk of unauthorised access to the company's data.	Kungsleden conducts regular penetration tests through our external system administration partner. We also use two factor authentication to minimise the risk of data breaches.
Fraud	The risk of fraudsters contacting Kungsleden with the aim of securing payment.	Kungsleden maintains clear procedures and processes for executing payments. We conduct continuous training and keep staff informed to maintain a high level of risk awareness for all employees.
Tax risks		
Changes to tax regulations	Alterations to the regulatory structure that determines corporation and property tax may affect Kungsleden's potential for its operations positively or negatively. For example, altered regulation on the sale of real estate and companies that own real estate.	Tax risks are mainly managed through proactive work relating to new developments in the tax segment. We maintain continuous communication with the Board of Directors and Audit Committee on tax risks and their management, and analyse complex tax issues with the help of external consultants. We also limit property tax risk by much of this tax being reinvoiced to tenants.

Our customers | Finnslätten – finding its future

The Finnslätten industrial estate, where large corporations and young, expansive enterprises rub shoulders, lies just north of central Västerås. Kungsleden is helping develop this location with the local business community, Mälardalen University and the City of Västerås.

"We see great potential to create a new Silicon Valley here in Västerås," says Johan Söderström, CEO of ABB Sweden, who initiated the project jointly with Kungsleden.

A number of world leaders have a presence at Finnslätten including ABB, Bombardier, Westinghouse, Northvolt, Quintus Technology, AA-logistik, Enics, Strukton and AQ-group. Kungsleden is the largest property owner in the estate, and

jointly with ABB, started developing the location under the Vision Finnslätten banner. The aim is to create a mix of businesses, research, education, services and housing - a place where it's easy to work and live.

"We hope to give the district a boost, not just the businesses here, but to also make it a hypermodern and sustainable district that becomes more attractive and creates jobs," continues Johan.

The Steering Committee, consisting of representatives of the business and academic communities and the City of Västerås, is the hub of the development process. Helene Öhring joined the group shortly after becoming City Manager of Västerås at the beginning of 2019.

"I'm impressed by Kungsleden's drive, openness and willingness to change

and develop Finnslätten," she says, continuing "this is a really exciting project for Västerås' continued evolution, and a great example of a lot of different interests working together. The challenge is to think a long way ahead, while also getting things done in the estate continuously.

Battery manufacturer Northvolt expanding its presence in the year, and biotech enterprise Scandinavian Gene Synthesis moving in are examples of the latter.

The selection of services and experiences also expanded with the construction of Kungsleden Sportcenter, where tenants including Friskis & Svettis, Västerås Boule Club and Korpen are moving in. Facilities used by senior high schools and a range of sports clubs will also be built here.



■ CORPORATE GOVERNANCE







AN INTERVIEW WITH THE CHAIR OF THE BOARD

Charlotte, what questions did the Board focus on most in the year?

I'd say the strategic issues, which once again, carried a lot of weight in the year. The Board intensified its discussion on working with our customers, and gained more consensus on the company's development.

Can you tell us a bit more about the strategy meeting the Board and Management had in Västerås last autumn?

They were some really interesting days, when we got to meet some of the biggest stakeholders at Finnslätten, including our customers ABB and Northvolt, as well as Mälardalen University, Bombardier and the City of Västerås. Extensive work on developing Finnslätten is now ongoing, and hearing about what's going on there, and the premises and urban environments that will be more in demand going forward, left a big impression on me and the rest of the Board. Västerås has really great development potential, is commutable from Stockholm, and has good access to the national grid, which will be a more important factor in future. That's why it's so valuable for the Board to be on site, and share an overall impression of potential future projects and investment opportunities.

Can you report on your work on preparing the new incentive programme?

Sure, this is a proposal the Board is now submitting to our AGM. The Board has been following progress on the market for several years, and we're convinced that the company needs an incentive programme on market terms that offers Management the opportunity of shareholdings. Our Remuneration Committee prepared this proposal, inspired by the cash programmes on the market that have been in use successfully for many years. We hope that this programme will bring still further motivation to management, to the benefit of all our shareholders.

What questions will the Board be focusing more on as we move forward?

Primarily, sustainability issues will get more attention over the coming year. The company is working on evolving its sustainability strategy and positioning in the sustainability segment, and these are really important strategic issues.

CORPORATE GOVERNANCE REPORT

Corporate governance is an important instrument in the work of building sustainable value for shareholders.

With a clear and transparent framework for the segregation of duties, reporting and monitoring, Kungsleden can focus on the critical issues, and thus limit the risks in its operations. As a listed company, Kungsleden conducts corporate governance that satisfies the stipulations of the Swedish Companies Act, the Swedish Annual Accounts Act, the Swedish Code of Corporate Governance (the Code) and Nasdaq Stockholm's Rulebook for Issuers. Kungsleden applies the principles of corporate governance adopted by the AGM, as stated in the Articles of Association and the Instructions for the Nomination Committee. These documents are available at our website. Additionally, Kungsleden applies a number of corporate governance instructions that the Board has adopted, including Rules of Procedure for the Board of Directors, Instructions for the CEO, Instruction for Accounting Reports to the Board of Directors, Instructions for the Board's Committees, the Code of Conduct, Finance and Corporate Communication Policies.

Application of the Code

The Code is to be applied by all Swedish companies whose shares are listed for trading on a regulated marketplace. Pursuant to the Code's

"comply or explain" principle, Kungsleden reports on potential non-compliance with the Code, explaining such non-compliance in its annual Corporate Governance Report. In the financial year 2019, Kungsleden did not depart from any of the Code's provisions.

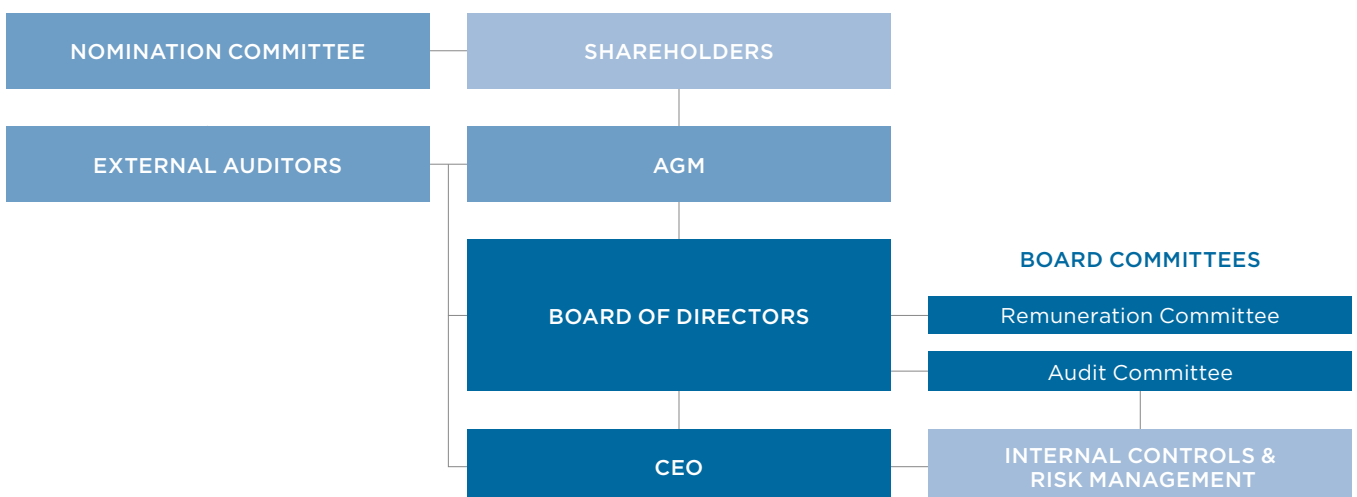
Annual General Meeting (AGM)

The AGM deals with the issues ensuing from Kungsleden's Articles of Association and the Swedish Companies Act. Invitations to AGMs are as stated in Kungsleden's Articles of Association. The Meeting resolves in accordance with the stipulations on majorities stated in the Swedish Companies Act. One Kungsleden shareholder, Gösta Welandson and companies, holds shares that directly or indirectly represent at least one-tenth of the votes of all the shares of the company. As of 31 December 2019, Gösta Welandson and companies held 14.5 per cent of the company's shares and votes.

The AGM for the financial year 2018 was held on 26 April 2019. The Meeting resolved on the distribution of profits, and that the disbursement of profits would be quarterly. The Meeting also resolved on issues including election of the Board of Directors, election of Ernst & Young AB as auditor, remuneration of the Board of Directors and auditor, guidelines for remuneration of senior executives, and election of the Nomination Committee. The

Meeting also authorised the Board to decide on the re-purchase and transfer of treasury shares. The Board did not exercise this authorisation. The Chair of the Board and the company's CEO reported on operations, the work of the Board of Directors and Management, and events in 2018. The minutes from the AGM are available on our website.

The AGM for the financial year 2019 will be held on Friday 23 April 2020 at the company's head office at Warfvinges väg 31, Stockholm, Sweden. More detail on this year's AGM is in the final section of this Annual Report, and on our website. Our website also states when a request from a shareholder to have a matter considered at the Meeting should be received in order for it to be included in the invitation to the AGM. An invitation to the AGM will be available in English. Considering Kungsleden's ownership, and in terms of financial justifiability, the Board of Directors' opinion is that other documentation for the Meeting will be in Swedish only. For the same reason, remote participation or simultaneous interpretation of the proceedings of the Meeting will not be possible. After the Meeting has been held, a video recording of the CEO's address and minutes from the meeting will be available on our website. Read more about Kungsleden's AGM at kungsleden.se/bolagsstammor.



Nomination Committee

The Nomination Committee makes proposals on the election of the Board of Directors and its Chair, fees and other compensation to Directors, and election of a Chair of the AGM. The Nomination Committee also makes proposals on the election of auditors and audit fees. In its work, the Nomination Committee should protect the interests of all shareholders. The Nomination Committee complies with the Code's stipulations on the composition of the Board, and as its diversity policy, applies rule 4.1 of the Code on the preparation of proposals for the election of Board members. Instructions for the Nomination Committee are available on our website. The members of the Nomination Committee are elected at the AGM for the period until the end of the following AGM. The Nomination Committee should have a minimum of three and a maximum of five members. Three of the membership represent shareholders that are among the largest in terms of the vote as of 31 January, and that also wish to participate in the work of the Nomination Committee, as well as the Chair of the Board. If there are significant changes to ownership, the composition of the Nomination Committee may alter to reflect this. At least one of the members should be independent of the company's shareholders in the manner stated in the Code. The Nomination Committee's composition is published as soon as a Nomination Committee has been appointed.

Göran Larsson (nominated by Gösta Welandson and companies), Jonas Broman (nominated by Olle Florén and companies), Michael Green (nominated by Handelsbanken Fonder) and Charlotte Axelsson in her capacity as Chair of the Board, were elected as members of the Nomination Committee by the AGM 2019.

After the AGM, Handelsbanken Fonder reported that Michael Green had been replaced by Niklas Johansson. Accordingly, at its meeting following election in May 2019, the Nomination Committee decided that Niklas Johansson should join the Nomination Committee. Göran Larsson was appointed Chair of the Nomination Committee.

Composition of the Nomination Committee in March 2020:

- Göran Larsson, nominated by Gösta Welandson and companies, Chair

- Jonas Broman, nominated by Olle Florén and companies

- Niklas Johansson nominated by Handelsbanken Fonder

- Charlotte Axelsson, Chair of the Board of Kungsleden

Shareholders that wish to make proposals to the Nomination Committee can do so by sending an email or letter to the Committee. The Nomination Committee's proposals and reasoned statements are published on Kungsleden's website by no later than the date of issuance of the invitation to the AGM. For more information on the Nomination Committee, please go to: kungsleden.se/en/kungsleden/corporate-governance/nomination-committee/

Board of Directors

The Board of Directors has been assembled to support Management in Kungsleden's development actively and effectively. The Board should also monitor and control operations. Skills and experience from the real estate sector, finance, business development and capital market issues are critical to the Board of Directors. The Articles of Association stipulate that the Board should consist of a minimum of three and a maximum of eight members, with a maximum of two deputies. Board members and potential deputies are appointed at the AGM for the period until the end of the following AGM. The AGM 2019 re-elected Charlotte Axelsson, Ingalill Berglund, Jonas Bjuggren, Ulf Nilsson and Charlotta Wikström as Directors. Christer Nilsson was elected as a Director. No deputies were elected. The AGM elected Charlotte Axelsson as Chair. Pursuant to the Code's definition, all members of the Board are considered independent of the company and Management, and of the company's major shareholders.

Board of Directors' responsibilities

The Board is responsible for the company complying with the Swedish Companies Act, the rules for listed companies, including the Code, other ordinances and laws, the Articles of Association and internal control instruments. The Board decides on strategies and goals, internal control instruments, major property acquisitions and divestments, other major investments, and financing. The Board of Directors is responsible for regular monitoring of operations, and ensuring that guidelines, organisation and management

are expedient, that sustainability issues are considered, and that internal controls are satisfactory. The Board is also responsible for evaluating the Executive Management and planning for leadership succession. The Board works to ensure high and consistent quality of financial reporting, through channels including instructions for accounting reports for the Board of Directors, through the Corporate Communication Policy and by considering potential observations, recommendations or proposals from the auditors or Audit Committee. The Annual Report, Half-year Report and Year-end Report are considered and approved by the Board. Over the years, the Board has decided to delegate publication of first and third-quarter interim reports, and the quality assurance of financial presentations and press releases, to Management.

Chair's responsibilities

The Chair of the Board leads the work of the Board and ensures that the Board's decisions are executed. The Chair also represents the company on ownership-related issues. The Chair maintains an ongoing dialogue with the CEO and is responsible for other Directors receiving the information and supporting documentation necessary to reach well-founded decisions.

The work of the Board of Directors

The Board's work proceeds from Rules of Procedure that are adopted annually. The Rules of Procedure formalise issues including the Board and CEO's responsibilities, the Chair's duties, how and when Board meetings are held, as well as the agendas of meetings. The Board also adopts instructions for work on Board Committees, and states the formats of financial reporting to the Board of Directors. The Board should meet at least nine times annually. Each meeting follows an approved agenda. Decision-support data for each agenda item is sent to all members in advance. The Rules of Procedure also stipulate that the Board should ensure that Kungsleden's auditors attend at least one meeting per year, presenting their observations from their audit of the company, and their assessment of the company's internal controls. The auditors attended Board meetings in February and October. Proposals to the Board can be submitted by email to styrelsen@kungsleden.se

CORPORATE GOVERNANCE REPORT (CONT.)

DECEMBER

- Annual Report
- Targets/business plan/ three-year financial plan
- One-year budget
- Capital structure
- Appraisal of the Board

OCTOBER

- Quarterly report
- Analysis of accounting/ finance report
- Audit issues
- Risk analysis

SEPTEMBER

- Market, business environment, strategy
- Guidelines for business planning and budgets

JULY

- Quarterly report
- Analysis of accounting/ finance report

JUNE

- Rules of procedure, delegation, authorised signatories
- Planning work of the Board
- Yearly review of strategic policies
- Review of property portfolio
- Markets, business environment, strategy

FEBRUARY

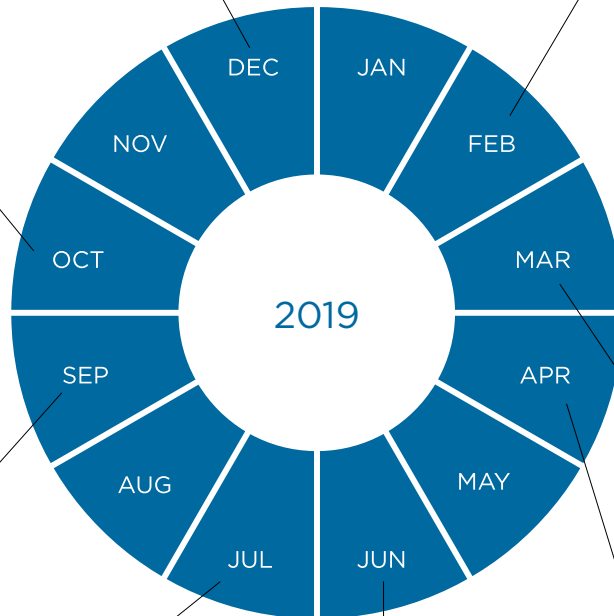
- Quarterly report
- Analysis of accounting/ finance report
- Annual Report
- Financial Statement
- Dividend proposal
- Agenda items for/ invitation to AGM
- Audit issues
- Appraisal of CEO/ management, decision on bonus, bonus policy for senior executives

MARCH

- Agenda items for/ invitation to AGM

APRIL

- Quarterly report
- Analysis of accounting/ finance report
- Organisation, skills maintenance, succession plan



Attendance at Board and Committee meetings, 2019

	Board of Directors	Remuneration Committee	Audit Committee	Finance Committee ³
Charlotte Axelsson	C 9/9	8/8	2/2	
Ingalill Berglund	9/9		C 6/6	2/2
Jonas Bjuggren	9/9		6/6	
Liselotte Hjorth ¹	2/3			C 2/2
Christer Nilsson ²	6/6		3/4	
Ulf Nilsson	9/9	8/8		2/2
Charlotta Wikström	9/9	C 8/8		

C - Chair of Board/Committee.

¹ Director until the AGM 2019.

² Directed effective the AGM 2019.

³ Finance Committee dissolved after AGM 2019.

The work of the Board in 2019

The Board met on 9 occasions in 2019. Attendance at Board meetings is stated in the table on the previous page. The matters the Board considered include Kungsliden's strategy, goals, business plan, market, organisation, external reporting, acquisitions and divestments of properties, investments in existing properties, property valuations, arranging loans and other funding issues, and the principles governing variable compensation. On acquisitions and divestments, the Board considered the acquisition of Stockholm Gladan 4 in the year. The Board also considered several major investments, such as the new Eden project development at Hyllie in Malmö, and major investments in existing buildings at the properties Finnlätten 1 in Västerås, and Stettin 6 in Stockholm. In the year, the Board also reviewed the company's remuneration structures, deciding to propose that the Meeting approves a new long-term incentive programme, and has continued its intensified work on strategic issues.

The Board meeting in September was held in Västerås, when the Board visited Finnlätten and attended presentations by several of the major companies with a presence there including ABB, Northvolt and Bombardier, as well as Mälardalen University and the City of Västerås. The Board also visited properties in the Västerås City cluster, and visited several tenants, as well as getting a situation report on power shortages in various parts of Sweden's national grid.

The CEO, and General Counsel, who is also Board Secretary, attended the meetings. Additionally the Deputy CEO/ CIO and CFO attended parts of Board meetings.

Appraisal of the work of the Board of Directors

The Board conducts an annual review of its working methods and procedures. This evaluation is intended to ensure functional processes for gathering information, reporting, analysis, planning and decision-making. The evaluation is also intended to ensure that the Board has the necessary competence. The results of this evaluation are reported to the Nomination Committee, and constitute supporting data for nomination work.

The appraisal was conducted with the assistance of external adviser Nordic Investor Services in 2019, which has been providing

evaluation services to Kungsliden's Board for a number of years. In 2019, the evaluation consisted of a web-based form. A number of central segments were reviewed, the most important being the Board's composition and expertise, and the dynamic between Board members, Kungsliden's continued progress with its focus on strategy work, and the Board's future challenges. The work of the Chair and CEO was also appraised.

Nordic Investor Services then compiled the results which were presented by the Chair at the Board meeting in October. The appraisal indicates that work on the Board features great openness, and there is considerable trust between Directors. The Board perceives its work as effective, through a broad skills base, given Directors' differing backgrounds and experience. All Directors are highly committed to their roles.

Directors' fees payable: Fees, 2019 (SEK)

Chair	500,000
Director	220,000
Committee member	40,000
Chair of Audit Committee	60,000

Each year, the AGM adopts guidelines for remuneration and other employment terms of senior executives. According to the guidelines adopted by the AGM 2019, Kungsliden should apply the remuneration levels and employment terms that are necessary to enable hiring and retention of senior executives with a high level of competence and capability of achieving predetermined targets. The forms of remuneration should motivate senior executives to do their utmost to protect shareholders' interests. Accordingly, the forms of remuneration should be on market terms, straightforward and measurable. In normal circumstances, remuneration to senior executives should consist of a fixed and a variable portion. The variable portion should be based on the senior executive's performance in relation to predetermined targets, or be associated with the total returns on the Kungsliden share, and have a predetermined maximum. Basic salaries of senior executives should be on market terms, and based on competence, responsibility, experience and performance. The amount of remuneration payable for 2019 is stated in note 7. In December 2019, the Board of Directors decided to introduce a new

incentive programme 2020-2022 for Kungsliden's senior executives, subject to AGM approval. This programme has two portions – short-term variable cash consideration, and a long-term share price-related cash consideration based on total returns on the Kungsliden share over the whole three-year period. The Board is proposing that the AGM on 23 April 2020 approves this incentive programme, and adopts remuneration guidelines that reflect the contents of this incentive programme.

There is also a three-year call option programme, under which two major private shareholders issued calls on Kungsliden's shares to senior executives in September 2017.

Board committees

The Board has established internal Audit and Remuneration Committees, which are responsible for consulting on issues in each segment. Work proceeds from the instructions prepared for each Committee. The Board appoints the members of its Committees internally.

In the period until the AGM 2019, the Board also had an internal Finance Committee, whose duty was to support the Board on finance issues. The Board decided to dissolve the Finance Committee, and to consider finance strategy issues directly. The Audit Committee has taken over the duty of consulting on issues relating to financial risks and monitoring the Finance Policy.

Audit Committee

The Audit Committee provides work on accounting and auditing with a dedicated forum. The Committee was engaged in activities including Kungsliden's internal control and monitoring systems, quality-assuring financial reporting, and has the duty of ensuring the company complies with the provisions of its Finance Policy. The Audit Committee also supports the Nomination Committee in its work on proposing the election of auditors, and the proposal on audit fees. This year, the Audit Committee had a special focus on the company's work relating to the regulated limitations of interest deductibility, and on monitoring the company's outsourcing of accounting services to NewSec. The Audit Committee appointed at the Board meeting following election consists of Ingalill Berglund (Chair), Jonas Bjuggren and Christer Nilsson. The Audit Committee met on six occasions in 2019. Kungsliden's CFO, Accounting Manager

CORPORATE GOVERNANCE REPORT (CONT.)

and the company's external auditor attended meetings, as well as the Chair of the Board and CEO, for certain meetings.

Remuneration Committee

The Remuneration Committee presents proposals to the Board regarding the employment terms of the CEO, remuneration limits for senior executives and principle issues regarding pensions, salaries, fees, benefits and severance pay. Committee work proceeds from the guidelines for remunerating senior executives approved by the AGM. In the year, the Remuneration Committee focused on work preparing a new incentive programme, and modifying the company's procedures and reporting for compliance with the EU directive. The members of the Remuneration Committee elected at the Board meeting following election are Charlotta Wikström (Chair), Charlotte Axelsson and Ulf Nilsson. The Committee met on eight occasions in 2019. Kungsliden's CEO and HR Manager also attended meetings.

Management

As of March 2020, the members of the company's Group Management were the CEO, the Deputy CEO & CIO, CFO, Head of Property Development, Business Development Director, Property Directors, HR Manager, Head of Corporate Communications, and General Counsel. They are each responsible for their relevant segments within Kungsliden, and consult with the CEO on issues for the Board of Directors. The CEO takes the decisions in operating activities stated in the Instructions for the CEO after consulting with Management. Normally, Management meets monthly, and holds additional conferences as required. Management's focuses in the year were on the customer proposition, organisational issues, sustainability issues, risk management, business intelligence and the company's long-term strategies, and decided on a number of investments in the current property portfolio.

Chief Executive Officer

Kungsliden's CEO is responsible for the practical management and coordination of operating activities.

The CEO works on the basis of instructions adopted annually by the Board. Their provisions include the CEO being responsible for the company's administration, reporting

to the Board and issues that require decisions by, or notification of, the Board of Directors, such as adoption of interim reports and annual accounts, decisions on major acquisitions, divestments, major investments or capital allocations, arranging loans or issuing parent company guarantees.

External auditors

The external auditors review the Board of Directors' and CEO's administration of Kungsliden, and verify that the annual accounts are prepared in accordance with applicable regulation. Ernst & Young AB was elected at the AGM 2019 as the parent company's auditor for the period until the end of the AGM 2020. Authorised Public Accountant Ingemar Rindstig is Auditor in Charge. Fees are payable in accordance with approved account. The Group's audit fee for 2019 was SEK 4 million (3).

Internal controls and risk management

Internal controls are important for ensuring that the goals and strategies set achieve the desired results, that there is compliance with laws and ordinances, and the risk of undesirable events and misstatements in financial reporting is minimised. The organisation of financial controls over financial reporting is reviewed below.

Control environment

Kungsliden's internal controls rest on the control environment the Board and Management operate from continuously, as well as the decision paths, authorisations and responsibilities communicated within the organisation.

Risk assessment

Maintaining a clear view of the risk of the misstatement possible in external reporting, and that organisational resources and processes to manage these risks are in place, is a significant component of internal controls. Kungsliden works continuously and actively on mapping, evaluating and managing the risks the company faces in its financial reporting. An assessment of risks of misstatement in financial reporting is conducted yearly for each line of the Income Statement, Statement of Financial Position and Cash Flow Statement. Processes are in place to minimise the risk of misstatement in those items subject to a material and/or increased risk. The processes apply not only to the actual accounting procedures, but

also encompass business control and business planning processes, as well as IT systems. Examples of operational control are those tools of control instruments that have been produced. They are used firstly for preparations for property acquisitions and divestments, and secondly for overall monitoring of operations, as well as supporting data for valuations.

Control activities

Kungsliden has structured its internal controls so that control activities are conducted as a matter of routine, at an overall level, or are of a more process-oriented nature. Overall controls include ongoing performance analysis based on operational and legal group structure, and an analysis of KPIs. Formal reconciliation, authorisation and similar controls are examples of procedures or process-oriented controls designed to prevent, discover and rectify mis-statements and variances. Control activities have been designed to address the material risks in financial reporting.

Information and communication

The Board of Directors receives regular accounting reports, and deals with the Group's accounting position at four Board meetings per year. The company's auditor makes a personal report on his observations from the audit and evaluation of internal controls once per year. Kungsliden has a policy ensuring that employees can anonymously contact a third party to report actions or other impropriety that involve breaches, or suspected breaches, of laws or other guidelines and regulations, anonymously and without consequence. A whistleblower system is available on Kungsliden's website. All potentially share price sensitive information is reported to the market via press releases. The company ensures that this information reaches the market simultaneously. The CEO, Deputy CEO and CFO are Kungsliden's designated spokespersons on financial issues.

Monitoring

The Board requires Management to assess the risks of operations continuously. The results are compiled in reports that are presented to the Audit Committee. Internal controls are considered satisfactory and expedient for an organisation of Kungsliden's scale. Kungsliden's Board judges that at present, the company does not need an internal audit function.



BOARD OF DIRECTORS



Charlotte Axelsson

Chair of the Board
 Member of the Remuneration Committee.
 Born in 1948.
 Elected to the Board in 2014.
Education: B.Sc. in sociology/management.
Other Directorships: Chair of Vasallen AB and Stockholms Kooperativa Bostadsförening.
Previous experience: CEO of HSB Stockholm, CEO of Svenska Bostäder i Stockholm, CEO of Familjebostäder i Stockholm, CEO of SEB Arsenalen, Assistant Finance Secretary, the City of Stockholm. Directorships with companies including HSB, the City of Stockholm, the National Swedish Property Board, Slättö and Akademiska Hus.
Dependency: Independent of the company, management, and major shareholders of the company.
Holdings: 10,000 Kungsliden shares.



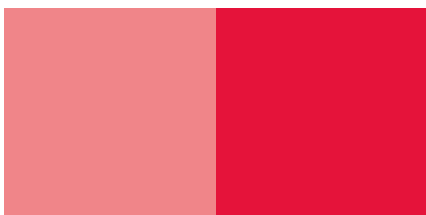
Ingalill Berglund

Board member
 Chair of the Audit Committee.
 Born in 1964.
 Elected to the Board in 2017.
Education: Undergraduate qualifications.
Other Directorships: Director of Scandic Hotels Group AB, Veidekke ASA, Axfast AB (publ), Bonnier Fastigheter AB, Fastighets AB Stenvalvet (publ), Balco Group AB, Juni Strategi och Analys AB and the Danvik Hospital Foundation.
Previous experience: CEO of Atrium Ljungberg AB, CFO of Atrium Ljungberg AB, CFO of SISAB and Chief Accountant of Stadshypotek Fastigheter.
Dependency: Independent of the company, management, and major shareholders of the company.
Holdings: 7,246 Kungsliden shares.



Jonas Bjuggren

Board member
 Member of the Audit Committee.
 Born in 1974.
 Elected to the Board in 2018.
Education: M.Sc. (Eng.)
Current position: Business Manager, Akademiska Hus.
Other Directorships: -
Previous experience: Regional Manager of Vasakronan, Territory Manager of AP Fastigheter, Project Manager at Skanska and Sweco.
Dependency: Independent of the company, management, and major shareholders of the company.
Holdings: No Kungsliden shares.



Stated share and stock option holdings are as of 31 December 2019, and include holdings through companies, as well as related party holdings.



Christer Nilsson

Board member

Member of the Audit Committee.

Born in 1955.

Elected to the Board in 2019.

Education: Structural Engineer.

Current position: Independent consultant in interim management, construction & real estate, project management and corporate development.

Other Directorships: -

Previous experience: various positions with Skanska including Site Supervisor and Production Manager, Construction/Estate Manager at Realia Fastighets AB, President of Tage och Söner Byggnads AB and MVB Syd AB, and Estate Manager of Industry Park of Sweden.

Dependency: Independent of the company, management, and major shareholders of the company.

Holdings: No Kungsliden shares.

Ulf Nilsson

Board member

Member of the Remuneration Committee.

Born in 1958.

Elected to the Board in 2018.

Education: LL.B.

Other Directorships: Board member of Oscar Properties Holding AB and Richard Juhlin Grand Cru AB. Member of the Executive Board of Stockholms Brandkontor.

Previous experience: CEO of D. Carnegie & Co., CEO of Savills Sweden AB, Partner of Ernst & Young AB, Vice president of ABB Financial Services, Corporate Lawyer of Handelsbanken.

Dependency: Independent of the company, management, and major shareholders of the company.

Holdings: 30,000 Kungsliden shares.

Charlotta Wikström

Board member

Chair of the Remuneration Committee.

Born in 1958.

Elected to the Board in 2009.

Education: M.Sc. in business and economics.

Current position: Senior Advisor Stardust Consulting AB, CEO of Floréna Fastighets AB and CEO of Kampanilen Förvaltnings AB.

Other Directorships: Chair of Stardust Search AB. Board member of African Nuts&Seeds AB, Floréna Fastighets AB, Kampanilen Förvaltnings AB and Stardust Holding AB, and proposed as a Director of IT-Huset Holding i Norden AB for election at the AGM on 18 March 2020.

Previous experience: Founder and Senior Advisor of Stardust Consulting AB. Senior positions in marketing, sales, leadership and organizational development at SAS, Telia, Com Hem, the Stockholm Stock Exchange and law firm Mannheimer Swartling Advokatbyrå.

Dependency: Independent of the company, management, and major shareholders of the company.

Holdings: 2,616,556 Kungsliden shares.

MANAGEMENT



Biljana Pehrsson



Hanna Brandström



Malin Axland



Magnus Jacobson



Mats Eriksson

Biljana Pehrsson

Chief Executive Officer

Born in 1970. Employee since 2013.

Education: M.Sc. (Eng.), the Royal Institute of Technology, Stockholm.

Previous experience: Deputy CEO/Head of Real Estate at East Capital Private Equity, CEO of Centrumutveckling, Board member of Kungsleden in 2011-2013.

Other significant assignments outside the company: Board member of Einar Mattsson AB, East Capital Baltic Property Fund AB and Kungliga Dramatiska teatern AB. Proposed as a Director of Swedbank AB (publ) for election at the AGM on 26 March 2020. On election, she intends to terminate her directorships with Einar Mattsson AB and East Capital Baltic Property Fund AB.
Holdings: 100,000 Kungsleden shares, a portion within an endowment insurance related to her pension scheme. Also holds 100,000 stock options.

Hanna Brandström

HRmanager

Born in 1980. Employee since 2017.

Education: B.Sc. in business management, Södertörn University.

Previous experience: HR Manager of General Motors Nordic Opel/Chevrolet Sverige AB, General Manager, HR & Legal at SC Motors Sweden AB.

Other significant assignments outside the company: -
Holdings: 100 Kungsleden shares.

Malin Axland

General Counsel

Born in 1974. Employee since 2007, in current position since 2013.

Education: LL.B., the University of Stockholm.

Previous experience: Attorney at law firm Mannheimer Swartling Advokatbyrå, Clerk of Huddinge District Court.

Other significant assignments outside the company: -
Holdings: 2,266 Kungsleden shares. Also holds 5,000 stock options.

Magnus Jacobson

Chief Financial Officer

Born in 1958. Employee since 2018.

Education: M.Sc. (Econ.), Uppsala University.

Previous experience: CFO of Norrporten AB, CFO of Hufvudstaden AB.

Other significant assignments outside the company: Board member of Nordea Finans, Board member of Fastum Hypoteksförvaltning AB.
Holdings: No Kungsleden shares.

Mats Eriksson

Regional Director, Västerås/Mälardalen

Born in 1963. Employee since 2015.

Education: Senior High School Building & Planning graduate, Rudbeck School, Örebro.

Previous experience: Retail Business Director at Newsec Asset Management AB, Head of Property Development at Ica Fastigheter AB, Business Area Director of NIAM AB and Property Director at Siab AB.

Other significant assignments outside the company: Board member of Västerås City urban coop.
Holdings: No Kungsleden shares. Holds 10,000 stock options.

Stated share and stock option holdings are as of 31 December 2019, and include holdings through companies, as well as related party holdings.



Anna Trane



Ylva Sarby Westman



Ulrica Sjöswärd



Frida Stannow Lind



Sven Stork

Anna Trane

Head of Corporate Communications (member of Management since January 2020)
Born in 1968. Employee since 2020.

Education: M.Sc. (Econ.) from Uppsala University.

Previous experience: Director & Head of Corporate Media Relations, NCC. Press & PR manager of Cybercom. Editor, presenter and commentator, SVT.

Other significant assignments outside the company: -

Holdings: No Kungsleden shares.

Ylva Sarby Westman

Deputy CEO and Chief Investment Officer
Born in 1973. Employee since 2009.

Education: M.Sc. (Eng.), the Royal Institute of Technology, Stockholm.

Previous experience: Deputy CEO of Newsec Investment AB, Head of Property Development at NCC Property Development AB.

Other significant assignments outside the company: Board member of Ikano Bostad AB.

Holdings: 8,799 Kungsleden shares.

Ulrica Sjöswärd

Regional Director, Gothenburg/Malmö
Born in 1974. Employee since 2017.

Education: Engineering graduate, Chalmers University of Technology.

Previous experience: Regional Manager at Platzer Fastigheter AB, Regional Manager at ICA Fastigheter AB.

Other significant assignments outside the company: -

Holdings: 4,800 Kungsleden shares.
Also holds 25,000 stock options.

Frida Stannow Lind

Head of Business Development
Born in 1967. Employee since 2010, in current position since 2013.

Education: M.Sc. (Eng.), the Royal Institute of Technology, Stockholm.

Previous experience: Business Development Manager at Ebab, Investment Manager at Niam, Property Director at Drott.

Other significant assignments outside the company: Chair of the Board of Kista Science City AB.

Holdings: 3,519 Kungsleden shares.
Also holds 20,000 stock options.

Sven Stork

Regional Director, Stockholm
Born in 1967. Employee since 2014.

Education: M.Sc. (Eng.), the Royal Institute of Technology, Stockholm.

Previous experience: Key Account Manager at Newsec Asset Management AB, Asset Manager at Niam AB, Project Manager at NCC Property Development AB.

Other significant assignments outside the company: Chair of the Board of Kista Science City Fastighetsägare.

Holdings: 360 Kungsleden shares.
Also holds 25,000 stock options.



183.102

■ FINANCIAL STATEMENTS



154.178

Administration Report

The Board of Directors and Chief Executive Officer of Kungsliden AB (publ) ("Kungsliden"), corporate ID no. 556545-1217, hereby submit the Annual Report and Consolidated Accounts for the financial year 2019. The company's registered office is in Stockholm, Sweden. The Annual Report and Consolidated Accounts will be submitted for adoption at the Annual General Meeting (AGM) on 23 April 2020.

OPERATIONS

The basis of the company's operations is to long-term own, actively manage and improve and develop commercial properties in four priority growth markets – Stockholm, Gothenburg, Malmö and Västerås – and another 16 municipalities in Sweden. Kungsliden works continuously on altering its property portfolio through property acquisitions and divestments, as well as utilising development rights, and new builds. A high share of its properties are concentrated in attractively located clusters, and Kungsliden puts a big emphasis on contributing to sustainable urban development.

At year-end 2019, the portfolio consisted of 209 properties with a book value of SEK 38,310 million, of which SEK 28,704 million was office properties. Leasable area amounted to 1,997 thousand sq.m. In the year, operations were conducted at ten offices in the Stockholm, Mälardalen and Gothenburg/Malmö regions, to ensure strong local links. The head office is in Stockholm.

Net profit for the year

Net profit for the year was SEK 2,245 million (2,055) or SEK 10.28 per share (9.41)

Total revenue

Total revenue increased by SEK 38 million to SEK 2,423 million (2,385). In a like-for-like portfolio of investment properties, rental revenue increased by SEK 92 million year on year. Former development properties contributed SEK 5 million of this increase, and the remainder was mainly sourced from increased rent on new leasing, renegotiation and indexation. Tax rulings were received in the year, resulting in an increase to re-invoiced property tax of SEK 19 million. The increase in rental revenue in a like-for-like portfolio of investment properties was 5.3 per cent. Excluding non-recurring effects of property tax, the increase was 4.3 per cent.

The loss of rental revenues from divested properties was SEK 119 million, and from the vacation of development properties, SEK 2 million. This loss was partly offset by additional rental revenue from accessed properties of SEK 67 million. The economic occupancy rate of investment properties was 93.2 per cent (93.1).

PROPERTY COSTS

Total property costs decreased by SEK 27 million to SEK 773 million (800). In a like-for-like portfolio of investment properties, costs increased by SEK 5 million. Excluding non-recurring effects from the adoption of IFRS 16 (see note 1 for more information on IFRS 16), these costs increased by SEK 35 million. The increase mainly relates to new property tax rulings, which generated increased costs of SEK 23 million. The net effect of increased property tax is SEK 4 million, after considering the portion reinvoiced to tenants. The net effect of the loss of costs from divested properties and addition of costs for accessed properties, and development properties, is a total reduction of SEK 32 million.

OPERATING NET

The operating net increased by SEK 65 million to SEK 1,650 million (1,586) in 2019. The operating net for a like-for-like portfolio of investment properties was SEK 84 million – a 6.1 per cent improvement. The loss of operating net from divested properties was SEK 76 million, and the additional operating net from accessed properties was SEK 52 million, i.e. a net decrease of SEK 24 million. The operating net of development properties increased by SEK 5 million. The operating surplus margin of investment properties was 68.9 per cent (67.7).

SELLING AND ADMINISTRATION COSTS

Selling and administration costs were SEK 109 million (95). Excluding non-recurring effects from the adoption of IFRS 16, these costs increased by SEK 10 million. The increase is mainly due to an improved marketing organisation, developing the brand and an upgrade of the customer dialogue system. Most of these costs are of a non-recurring character.

NET FINANCIAL ITEMS

Net financial items were SEK -356 million (-366). The year-on-year improvement is mainly due to costs for interest hedging decreasing and rearranging finance on better terms. Restatements pursuant to IFRS 16 meant net financial items being charged with expenses of approximately SEK 31 million. These restatements primarily related to expenses for ground rent previously charged to operating net. The average interest rate increased to 1.9 per cent (1.8) by year-end as a consequence of the Sweden's central bank deciding to increase its benchmark rate.

PROFIT FROM PROPERTY MANAGEMENT

Profit from property management was SEK 1,185 million (1,124), an increase of just over 5 per cent. The profit increase is due to an increased operating net in like-for-like portfolio terms, and improved net financial items.

Changes in value

Properties

Unrealised changes in value in the property portfolio were SEK 1,762 million (1,619). The increase in value is explained equally by increased rental revenue and a decrease in the average required yield of 19 basis points. Additionally, the effects of divested and acquired properties had a further 5 basis point impact. At the end of the period, the average required yield was 5.2 per cent – against 5.5 per cent at the beginning of the year. Deductions received for deferred tax on properties accessed in the period meant and unrealised change in value of SEK 59 million. Realised changes in value for the period were SEK -5 million (-16).

Interest rate derivatives

Changes in value on financial instruments were SEK -75 million (-73) as a consequence of interest on longer maturities falling.

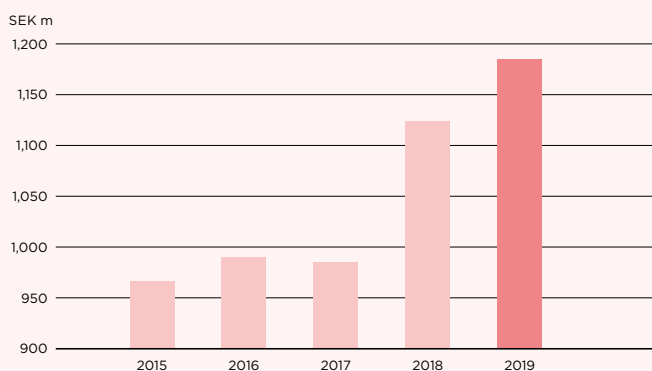
Tax

The total tax expense for 2019 was SEK 622 million (598), of which SEK 0 million (2) is current tax. New corporate taxation effective 1 January 2019 means corporation tax reducing from 22.0 per cent to 21.4 per cent. The positive effect of the reduced tax rate for 2019 was SEK 40 million, which exceeds the effect of the new interest deductibility rules, which increased the tax expense for 2019 by SEK 27 million. Deductible loss carry-forwards totalled SEK 2,113 million (2,098) at year-end.

Cash flow

Ultimately, the cash flow of a real estate company relates to the size of its property portfolio. Cash flow from operating activities consists of profit from property management adjusted for a number of non-cash items

Profit from property management



such as tax payments. Cash flow from operating activities after changes in working capital were SEK 1,257 million for the year. SEK 1,509 million was invested in current properties and projects in 2019. Total purchase consideration of SEK 1,080 million was paid on accessing the third property in the Tändstickan district of Gothenburg, the acquisition of Löpöglan 2 in Hyllie and Gladan 4 in Kungsholmen, Stockholm. SEK 724 million was received in tandem with vacation of Kungsleden's portfolio in Eskilstuna in January, and the property Mandelblomman 3, which was vacated in July. A dividend of SEK 513 million was paid to shareholders, which is the final disbursement of dividends for the financial year 2017, as well as three dividend disbursements for the financial year 2018. Borrowing in the year meant that interest-bearing liabilities increased by SEK 1,008 million gross. Because cash and bank balances decreased by SEK 118 million, net debt increased by SEK 1,126 million. As a result of unrealised increases in value on the property portfolio, the LTV ratio decreased from 47.3 per cent at the beginning of the year to SEK 45.8 per cent at the end of the period. Total liquid funds available were SEK 1,954 million (2,137) including granted and available credit facilities after deducting for back-ups for outstanding commercial paper.

Properties

Kungsleden valued its property portfolio internally as of 31 December 2019 at SEK 38,310 million (34,697) with quality-assurance by external valuations. Market value was impacted by property-specific events such as new or renewed lease contracts, vacations and investments, as well as estimated changes in market rent, required property yields and expected vacancies. Investments in existing properties, acquisitions and divestments of properties also impacted market value. The required property yield is founded on experience-based estimates of market required yield on comparable properties.

Development projects

Kungsleden works continuously on developing its property portfolio, completing projects including phase 1 of the Blästern 14 project in Stockholm, where the Blique by Nobis Hotel has occupied its premises. Phase 2 involves modernisation of 5,500 sq.m. of offices and is fully leased to coworking provider Convendum, who relocates there definitively in February 2020.

Current development projects have total estimated investment volume of SEK 2,500 million, of which SEK 1,800 million had been accrued by 31 December 2019. Project risk is limited through long lease contracts with multiple tenants already signed, which provides high occupancy levels on projects. Major current projects are i.e. the new development of some 7,900 sq.m. of offices on the Eden by Kungsleden project on Hyllie Boulevard in Malmö, and a development for the Swedish Prison & Probation Service with 3,300 sq.m leasable area at the property Karlslund 5:2 in Östersund.

Acquisitions and divestments

The property Löpöglan 2 in Malmö was acquired at the beginning of 2019. This property consists of land, and was accessed in the fourth quarter. Kungsleden is building its first new office development at this site. Another acquisition was completed before year-end, of the property Gladan 4, which was acquired and accessed in December. This

property joins our Stockholm City West cluster, and its purchase price is SEK 428 million. Mandelblomman 3 in Spånga was divested in 2019, and vacated in early-July.

Customers

Customers are central to everything Kungsleden does. Properties offering modern flexible premises in accessible locations suit a diversity of operations. A decentralised organisation that is close to customers, local presence and leading-edge property development are contributors to Kungsleden's ambition of having the most satisfied customers in the sector. Kungsleden achieved a CSI of 75 in its customer satisfaction survey, which is comparable to the sector generally. However, it has set its ambition higher, further sharpening the focus of making customer needs central in 2020. Net leasing in the year was SEK 58 million (86). Total new leasing was SEK 210 million (274), which includes several major new leases. In Stockholm, Tibble Senior High school signed a ten-year lease contract on approximately 2,300 sq.m. Two major lease contracts were signed at the property Löpöglan 2 in Gothenburg/Malmö, the largest being a seven-year contract with hotelling chain Quick Office on approx. 3,200 sq.m. Kungsleden leased 5,400 sq.m. in Högsbo (the property Högsbo 27:9) to PDL Group, who will be creating the largest padel arena in northern Europe, and 1,900 sq.m. to Peabskolan. Terminations for vacation were SEK 152 million (189) in the year.

FINANCIAL POSITION

Interest-bearing liabilities

Kungsleden's financial position strengthened in the year through a lower LTV ratio, higher interest coverage ratio, and a more even maturity profile, with a low share of short borrowing. Moody's upgraded our credit rating to Investment Grade (Baa3) with stable outlook in the second quarter.

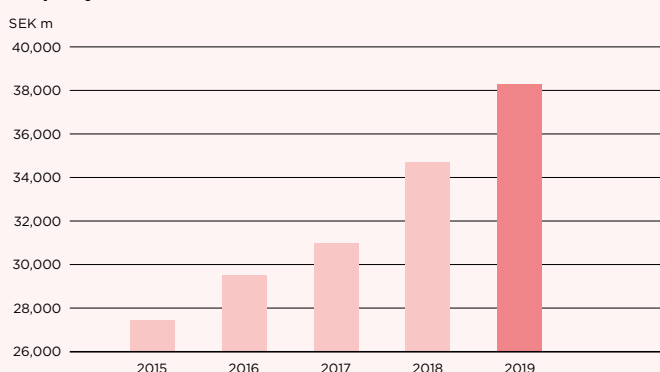
Kungsleden's objective is that its LTV ratio should not exceed 50 per cent. The LTV ratio was 45.8 per cent (47.3) at year-end. Since year-end, equity increased from SEK 15,767 million to SEK 17,488 million, mainly due to profit from property management of SEK 1,185 million and total unrealised changes in value of SEK 1,682 million.

Kungsleden has well-diversified borrowing and a diversified maturity structure of interest-bearing liabilities, which limits re-financing risk. Our loan portfolio consists of secured bank loans, secured loans from life insurance and secured mortgage loans, unsecured bond loans and commercial paper.

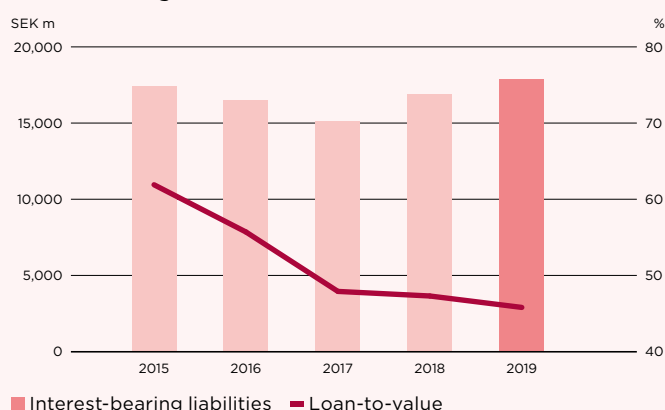
Kungsleden pledges security in property directly or via promissory notes, share pledges and parent company guarantees as collateral for loans from banks and similar institutions. Some loan agreements also include covenants relating to changes of control, interest coverage ratio, LTV ratio and equity/assets ratio. All covenants were satisfied with a good margin as of 31 December 2019

At year-end, the loan portfolio was SEK 17,889 million (16,882), with 57 per cent (40) being secured loans from banks and similar institutions. Unsecured borrowing from the capital markets was 43 per cent (39). Kungsleden has SEK 2 billion of credit facilities from banks as back-up from the volume of commercial paper issued from time to time.

Property value



Interest-bearing liabilities and loan-to-value



Kungsleden endeavours to maintain a low share of short-term borrowing, and at any time, have contingency to manage payments for the forthcoming 12-18 months.

Total available liquid funds were SEK 1,954 million (2,137), including granted and available credit facilities, after deducting for back-ups for outstanding commercial paper.

Average debt maturity and fixed interest term

Kungsleden endeavours to maintain well-balanced average debt maturity and fixed interest term with the aim of safeguarding ongoing cash flow. The average debt maturity reduced somewhat, and was 4.5 years (5.6), simultaneous with the maturity profile of loans being more evenly allocated, which reduces the refinancing risk.

The fixed interest term of most loans is short term (variable), and Kungsleden manages interest risk at an overall group level. The desired level of hedging against rising interest rates is mainly achieved by using derivative instruments in the form of interest rate swaps. Kungsleden works actively on adapting the group's interest rate duration profile in accordance with its business plan, and within the framework of the group's Finance Policy.

To reduce the volatility of ongoing net financial items, and to benefit from low interest rate levels for the longer term, Kungsleden arranged new forward-starting swaps with principal value of SEK 2,000 million starting in January 2022, and with final maturity in 2026. To benefit from interest rates on longer maturities continuing to fall in the year, Kungsleden extended SEK 3,000 million of forward-starting swaps at the end of the third quarter and the beginning of the fourth quarter. These restructuring processes extend the average fixed interest period, which was 3.7 years (2.7) at year-end.

Derivatives

The change in market value of the swap portfolio is recognised as an unrealised change in value of financial instruments pursuant to accounting standards (IFRS 9). Unrealised changes in value affect net profit but not cash flow or profit from property management. The current market value of interest rate derivatives is reconciled regularly with the counterparty and verified against a theoretical valuation based on current market interest rates. The value of all derivatives amounted to SEK -105 million (-30) at year-end. This whole amount has been expensed and reported as a liability in the consolidated accounts. The value of derivatives is affected by the current market interest rate in relation to the agreed swap rate for the remaining term. Changes in value on financial instruments in the year were negative, and amounted to SEK 75 million as a consequence of interest rates on longer maturities decreasing.

Deferred tax

Deferred tax was a net liability of SEK 2,488 million (1,892), the majority relating to investment properties (SEK 2,927 million liability) and loss carry-forwards (SEK 435 million asset). Deferred tax is computed on the basis of a prospectively computed future tax rate of 20.6 per cent (20.6) on loss carry-forwards and differences between the carrying amounts and taxable value of assets and liabilities. The fact that the tax rate is calculated at 20.6 per cent, i.e. the same as applies in one year, is due to the fact that utilised carry-forwards and realised temporary differences are expected to be equal over the coming year. The change in the deferred tax liability relates mainly to changes in value and tax write-offs/deductions for properties against taxable profit from property management.

Equity

In the period, equity increased by comprehensive income of SEK 2,245 million (2,055), and decreased by dividend of SEK 524 million (480). As of 31 December 2019, equity amounted to SEK 17,488 million (15,767) or SEK 80.07 per share (72.19), equivalent to an equity ratio of 44.0 per cent (44.5).

Sustainability

Work on environmentally certifying Kungsleden's properties continues, and a total of 28 per cent (17) of property value is now environmentally certified. Properties including the following were certified in the year:

- Mimer 5
- Lustgården 11
- Tegnér 15
- Bergudden 8

Work on reducing energy consumption in Kungsleden's property portfolio has continued, for instance from day-to-day work on optimising

properties and also a range of energy-saving investments reducing consumption significantly, including a geothermal energy plant at the property Trekanten 5 in Danderyd, near Stockholm.

Kungsleden held 11 workshops on business ethics and diversity for all employees in the year. A new sustainability programme for construction projects was prepared, and Kungsleden performed a summary calculation of the CO₂ emissions associated with its procurement

In accordance with the Annual Accounts Act, Chapter 6, section 11, Kungsleden has decided to prepare its Sustainability Report separately from its Annual Report. The Sustainability Report was submitted to the auditor simultaneous with the Annual Report (on pages 130-139).

Employees

The average number of employees in the year was 112 (109). At year-end there were 53 per cent (52) women. Compensation to Directors and senior executives for services rendered is stated in note 7. Apart from this, no transactions were executed with any related entity or private individual.

Each year, the Annual General Meeting (AGM) adopts guidelines for remuneration and other employment terms of senior executives. A summary of the guidelines adopted by the AGM 2019 is on page 85, and the complete guidelines are stated in the Invitation to the AGM 2019 on Kungsleden's website.

The Board of Directors will be proposing amendment of these guidelines at the AGM 2020. The new guidelines have content including:

Successful implementation of the company's business strategy and promoting the company's long-term interests, including its sustainability, entails the company being able to hire and retain qualified professionals. This requires the company to offer competitive compensation. These guidelines will enable the company to offer senior executives competitive total compensation.

Kungsleden's Board of Directors is proposing that the AGM 2020 adopts a long-term share price-related incentive program for the period 2020-2022 (the "LTI Programme"). The proposed LTI Programme is subject to adoption by the AGM, and accordingly, is not covered by the guidelines. The Programme's participants will be the CEO, Deputy CEO and Kungsleden's other senior executives. The performance requirements used to evaluate the outcome of the LTI Programme, the total returns shareholders receive on Kungsleden's share, have a clear connection to Kungsleden's strategy and long-term objectives, and accordingly, to the company's long-term value creation, including its sustainability. Moreover, the LTI Programme stipulates that half of the cash amount granted to participants must be invested in Kungsleden's shares.

Variable cash compensation covered by the guidelines should be intended to promote the company's business strategy and long-term interests, including its sustainability, and accordingly, the outcome should be mainly linked to Kungsleden's customer satisfaction and profit from property management.

Kungsleden should offer the remuneration levels and employment terms necessary to enable it to hire and retain senior executives with high skills levels and the capability to achieve established targets, structured with the aim of promoting the company's long-term value creation. The forms of compensation should motivate senior executives to do their utmost to protect shareholders' interests.

The forms of compensation should be market-based, straightforward and transparent. Normally, remuneration to senior executives should consist of the following components: basic cash salary, variable cash compensation, pension benefits and other benefits. Additionally—and independent of the guidelines—the AGM should be able to resolve on share and share price-related compensation corresponding to the LTI Programme.

Basic salary (the "annual salary") of senior executives should be on market terms and based on skills, responsibility, experience and performance.

During any single financial year, for the CEO and Deputy CEO, short-term variable cash compensation may be a maximum of 75 per cent of annual salary, and the maximum outcomes for other senior executives may be 50 per cent of annual salary.

Variable cash compensation should be linked to predetermined and measurable criteria that may be financial or non-financial. There may also be individualised targets. The satisfaction of criteria for granting short-term variable cash compensation should be measured over a period of one year. The criteria should be structured to promote the company's business strategy and long-term interests, including its sustainability, by means of having a clear connection to its business strat-

egy or benefitting the company's long-term progress, for example. Accordingly, for the CEO and Deputy CEO, a significant proportion of short-term variable cash compensation should be dependent on Kungsliden's profit from property management, and the remainder dependent on Kungsliden's customer satisfaction. For other senior executives, a significant proportion of short-term variable cash compensation should be dependent on Kungsliden's profit from property management, and the remainder dependent on Kungsliden's customer satisfaction, or individualised targets.

When the measurement period for satisfaction of criteria for granting variable short-term cash compensation concludes, the extent to which the criteria have been satisfied should be evaluated. The Remuneration Committee is responsible for the evaluation of variable cash compensation to senior executives. For financial targets, the evaluation should be based on the company's most recently published financial information. The Remuneration Committee should exercise discretion when deciding on short-term variable compensation in a manner that involves a connection between such compensation and the company's earnings. The Remuneration Committee's discretionary evaluation should also consider sustainability issues.

The complete remuneration guidelines proposed for resolution by the AGM 2020 are stated in the Invitation to the AGM 2020 on Kungsliden's website.

RISKS AND RISK MANAGEMENT

Kungsliden is continuously exposed to various risks that may be material to the company's future operations, results of operations and financial position. The company works actively to identify and manage the risks and opportunities that are highly significant to operations. Identified material risks in operations are exogenous risks, risks related to property development, sustainability risks, financial risks, IT risks and changes to tax regulations. Our risks and our risk management process are stated on pages 72-76.

Future

We expect Swedish economic growth to be somewhat lower in 2020, while Sweden's finances are stable, and offer scope for expansive fiscal policy, providing that domestic political instability can be managed. Accordingly, we see potential for continued positive progress in our property management units. Rents in Stockholm, Gothenburg, Malmö and Västerås are at good levels, and in our opinion, there is scope for further improvement of rent and occupancy levels. The company's secure financial position, corroborated in the year by Moody's decision to upgrade Kungsliden's credit rating to Investment Grade, offers good potential for continued improvement of the property portfolio. Several projects are ongoing in Stockholm, including the properties Blästern, Rotterdam and Stettin. New custodial premises are being developed in Östersund with completion in the first half-year 2020, while in Malmö, construction of a new office development in Hyllie is commencing. These investments will make our property management units more attractive and increase the company's profitability.

Parent company

The parent company is Kungsliden AB (publ). The parent company's main activity is to own shares in operational subsidiaries. Profit before tax was SEK 210 million (429). The lower profit is due to lower income from subsidiaries. Unrealised changes in value on financial instruments were SEK -70 million (-78) in the year. The parent company's assets were SEK 18,684 million (22,500). The equity ratio was 42 per cent (37).

Dividend and appropriation of profits

The following unappropriated profits are at the disposal of the AGM, SEK:

Profit (loss) brought forward	4,485,668,918
Share premium reserve	3,133,547,165
Net profit for the year	205,438,648
Total	7,824,654,731

The Board of Directors proposes that profits are appropriated as follows, SEK:

Dividend to shareholders of SEK 2.60 per share	567,848,585
Share premium reserve	3,133,547,165
Carried forward	4,123,258,980
Total	7,824,654,731

STATEMENT BY THE BOARD OF DIRECTORS ON THE PROPOSED APPROPRIATION OF PROFITS

Reasoned statement

The Board of Directors hereby makes the following statement pursuant to chapter 18 §4 of the Swedish Companies Act (2005:551). The Board of Directors' reasoning for the proposed dividend, consistent with the provisions of chapter 17 §3 cl. 2 and 3 of the Swedish Companies Act (2005:551), is as follows:

Group equity has been calculated in accordance with the IFRS adopted by the EU and their interpretation statements (IFRIC), and in accordance with Swedish legislation through the implementation of Swedish Financial Accounting Standards Council recommendation RFR 1 (Supplementary Accounting Rules for groups). Parent company equity has been computed in accordance with Swedish legislation and applying Swedish Financial Accounting Standards Council recommendation RFR 2 (Accounting for Legal Entities). In the Board's opinion, there will be full coverage for the company's restricted equity after distribution of the proposed dividend. The Board also considers that the proposed dividend to shareholders is justifiable in terms of the evaluation criteria stated in chap. 17 §3 cl. 2 and 3 of the Swedish Companies Act (2005:551), i.e. in respect of the requirements the nature, scope and risk of operations set on the scale of the company's and group's equity, and the company's and group's need to strengthen the balance sheet, liquidity and financial position otherwise. Accordingly, the Board of Directors wishes to emphasise the following:

The nature and extent of the business and its risks

The Board of Directors' opinion is that the company and the group's equity after the proposed appropriation of profits will be sufficient in relation to the nature, scope and risks of operations. In this context, the company considers factors including the company's and the group's financial position, historical and budgeted progress, investment plans and economic situation.

Consolidation requirements, liquidity and position in general

Consolidation requirements

The Board has conducted a comprehensive review of the company's and the group's financial position and its potential to fulfil its obligations. This is stated in the proposed appropriation of profits, whereby the Board of Directors is proposing the payment of a dividend of SEK 2.60 per share, equivalent to an aggregate total of approximately SEK 568 million. The proposed dividend represents 7 per cent of the company's equity and 3 per cent of the group's equity. The group's LTV ratio and interest coverage multiple in 2019 were 46 per cent and 4.6 respectively. The express objective of the group's capital structure with an LTV ratio not exceeding 50 per cent sustainably, and minimum interest coverage multiple of 2.5 are retained after the proposed appropriation of profits. Planned investments have been considered when determining the proposed dividend. The proposed appropriation of profits has no material significance to the company's and the group's capacity for making further planned business-related investments. Against this background, the Board's opinion is that the company and the group have good potential to take future business risks and also withstand potential losses.

Liquidity

The proposed appropriation of profits will not impact the company's and the group's capacity to fulfil their payment obligations on time, or manage potential variations in liquidity and other unexpected events. The company and the group have good access to liquidity reserves in the form of cash and cash equivalents and long-term credit facilities. These facilities can be drawn down at short notice, which means the company and the group have good contingency to manage variations in liquidity and potential unexpected events.

Position in general

The Board of Directors has considered all known circumstances that could be of significance for the company's and the group's financial position and that are not considered above. In this consideration, no circumstances have emerged that might make the proposed dividend unwarranted.

Multi-year Summary

	2019	2018	2017	Restated ³ 2016	2015
Income Statement, SEK m					
Revenues	2,423	2,385	2,323	2,430	2,314
Property costs	-773	-800	-785	-827	-769
Operating net	1,650	1,586	1,538	1,602	1,545
Selling and administration costs	-109	-95	-120	-112	-106
Net financial items	-356	-366	-433	-500	-473
Profit from property management	1,185	1,124	985	990	966
Profit (loss) from divestment of Nordic Modular	-	-	-	-	24
Changes in values properties	1,756	1,603	1,411	1,691	981
Changes in values interest rate derivatives	-75	-73	85	-321	176
Profit before tax	2,867	2,653	2,481	2,360	2,147
Tax	-622	-598	-575	-492	-1,642
Net profit for the year	2,245	2,055	1,906	1,869	505
Statement of financial position, SEK m					
	2019	2018	2017	Restated ³ 2016	2015
ASSETS					
Investment properties - properties	38,310	34,697	30,974	29,533	27,470
Other non-current assets	830	20	28	32	21
Other short-term receivables	237	201	231	231	232
Derivatives	-	4	-	-	49
Cash and bank	353	471	313	57	441
TOTAL ASSETS	39,730	35,394	31,546	29,854	28,213
EQUITY AND LIABILITIES					
Equity	17,488	15,767	14,192	11,123	9,333
Interest-bearing liabilities	17,889	16,882	15,153	16,511	17,456
Derivatives	105	34	171	653	395
Non interest-bearing liabilities	4,248	2,711	2,029	1,567	1,028
TOTAL EQUITY AND LIABILITIES	39,730	35,394	31,546	29,854	28,213
Key figures					
	2019	2018	2017	Restated ³ 2016	2015
PROPERTY RELATED					
Yield, %	4.5	4.8	5.1	5.6	6.6
Occupancy rate, % ⁴	91.5	91.5	90.5	90.6	90.6
Operating surplus ratio, %	68.2	66.7	66.3	66.2	69.0
FINANCIAL					
Return on total assets, %	4.1	4.4	4.6	5.2	5.8
Return on equity, %	13.5	13.7	15.1	18.0	5.5
Interest coverage ratio, times	4.6	4.1	3.3	3.0	2.9
Equity ratio, %	44.0	44.5	45.0	37.3	33.1
LTV (loan-to-value) ratio, %	45.8	47.3	47.9	55.7	61.9
PER SHARE INFORMATION					
Dividend (paid), SEK	2.40	2.20	2.00	2.00	1.50
Profit from property management, SEK ²	5.43	5.15	4.66	5.31	5.18
Net profit for the year, SEK ²	10.28	9.41	9.03	10.01	2.71
EPRA EPS (profit from property management after tax), SEK ²	5.37	4.84	4.45	5.05	4.83
EPRA NAV (long-term net asset value), SEK	91.94	81.01	71.87	69.32	56.76
EPRA NNNV (current net asset value), SEK	89.61	79.66	70.65	65.73	55.07

¹ All profit for the year is attributable to equity holders of the parent.

² Restated with an adjustment factor of 2.55 per cent for the bonus issue element of the new share issue conducted in the first quarter of 2017.

³ Comparative figures restated for changed policy for recognising deductions received for deferred tax on acquisitions.

⁴ The definition of occupancy rate has been adjusted for the years 2019, 2018 and 2017. The comparative figures for the years 2016 and 2015 have not been recalculated.

Definitions are on pages 152-153.

Consolidated Income Statement

SEK m	Note	2019	2018
Rental revenue	5	2,418	2,377
Other income		5	8
Property costs	8	-773	-800
Operating net		1,650	1,586
Selling and administration costs	6, 7, 8	-109	-95
Net financial items			
Financial revenues and financial costs	9	-325	-366
Costs of right of use	9, 14	-31	-
		-356	-366
Profit from property management		1,185	1,124
Changes in value			
Properties ¹	13	1,756	1,603
Interest rate derivatives	9	-75	-73
		1,682	1,529
Profit before tax		2,867	2,653
Tax			
Current tax	10	0	-2
Deferred tax	10	-622	-596
		-622	-598
Net profit for the year²		2,245	2,055
Earnings per share before and after dilution	11	10.28	9.41

Consolidated Statement of Comprehensive Income

SEK m	2019	2018
Net profit for the year	2,245	2,055
Other comprehensive income		
Translation gains/losses for the year, on consolidation of foreign operations	0	0
Net profit for the year²	2,245	2,055

¹ For 2019, unrealised changes in value on properties were SEK 1,762 million (1,619), and the profit/loss from divestment was SEK -5 million (-16).

² All of the profit for the year is attributable to the parent company's shareholders.

Consolidated Statement of Financial Position

SEK m	Note	31 Dec. '19	31 Dec. '18
ASSETS			
Non-current assets			
Intangible assets	12	12	11
Investment properties	13	38,310	34,697
Assets of right of use	14	812	-
Equipment	15	4	5
Other long-term receivables	16, 22	2	4
Total non current assets		39,140	34,718
Current assets			
Accounts receivable	22	22	26
Other receivables	22	34	27
Prepaid expenses and accrued revenues	22	181	149
Derivatives	18, 22	-	4
Cash and bank		353	471
Total current assets		590	677
TOTAL ASSETS		39,730	35,394
EQUITY AND LIABILITIES			
Equity			
Share capital		91	91
Other contributed capital		4,506	4,506
Other reserves		4	4
Retained earnings (including net profit for the year)		12,887	11,166
Total equity	17	17,488	15,767
Long-term liabilities			
Liabilities to credit institutions	18, 21, 22	9,094	9,204
Other interest-bearing liabilities	18, 21, 22	8,146	6,246
Liabilities of right of use	14	804	-
Derivatives	18, 22	105	34
Deferred tax liability	10	2,488	1,892
Provisions	19	3	5
Total long-term liabilities		20,640	17,381
Short-term liabilities			
Liabilities to credit institutions	18, 22	-	-
Other interest-bearing liabilities	18, 22	650	1,432
Liabilities of right of use	14	8	-
Accounts payable	22	302	283
Tax liabilities		0	5
Other liabilities	20, 22	172	87
Accrued expenses and deferred income	22	470	439
Total short-term liabilities	21	1,602	2,246
TOTAL EQUITY AND LIABILITIES		39,730	35,394

For information on pledged assets and contingent liabilities for the Group, see note 24.

Consolidated Statement of Changes in Equity

SEK m	Share capital	Other contributed capital	Translation difference	Accumulated profit or loss	Total equity
Opening equity, 1 Jan. '18	91	4,506	4	9,591	14,192
Net profit for the year	-	-	-	2,055	2,055
Dividend	-	-	-	-480	-480
Closing equity, 31 Dec. '18	91	4,506	4	11,166	15,767
Opening equity, 1 Jan. '19	91	4,506	4	11,166	15,767
Net profit for the year	-	-	-	2,245	2,245
Dividend	-	-	-	-524	-524
Closing equity, 31 Dec. '19	91	4,506	4	12,887	17,488

Consolidated Cash Flow Statement

SEK m	Note	2019	2018
OPERATING ACTIVITIES			
Profit from property management		1,185	1,124
Other adjustments not included in cash flow from operating activities		3	7
Tax paid		-3	0
Cash flow from operating activities	24	1,186	1,131
<i>Changes in working capital</i>			
Operating receivables		-38	38
Operating liabilities		110	-42
		72	-4
Cash flow from operating activities after change in working capital		1,257	1,127
INVESTING ACTIVITIES			
Investments in existing properties		-1,509	-1,300
Acquisition of properties		-1,080	-1,836
Divestment of properties		724	1,005
Purchase of equipment		-1	-
Purchase of intangible assets		-4	-
Investments in other financial assets		-	-206
Cash flow from investing activities	24	-1,870	-2,337
FINANCING ACTIVITIES			
New loans		7,609	5,330
Repayment of loans		-6,602	-3,602
Dividend		-513	-360
Cash flow from financing activities	24	495	1,368
CASH FLOW FOR THE YEAR			
		-118	158
Cash equivalents at beginning of year		471	313
Exchange rate differences on cash equivalents		0	0
Cash equivalents at end of year	24	353	471

Notes – Group

NOTE 1. GROUP ACCOUNTING PRINCIPLES

GENERAL INFORMATION

Kungsleden AB (KLED: Stockholm) CIN 556545-1217, is the parent company of the Kungsleden Group. Kungsleden AB (KLED: Stockholm) has its registered office in Stockholm with address Warfvings väg 31, Box 704 14, 107 25 Stockholm. The financial reports of Kungsleden AB (KLED: Stockholm) for the year ending 31 December 2019 were approved by the Board of Directors and Chief Executive Officer on 17 March 2020, and will be presented to the Annual General Meeting on 23 April 2020 for adoption. The Group's operations are described in the Administration Report.

APPLIED STANDARDS AND LEGISLATION

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the EU. The Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Regulations for Groups, has also been applied.

REVISED ACCOUNTING POLICIES 2019

The same accounting policies have been applied when preparing the consolidated accounts, as described in the annual accounts for 2018, with the following exceptions:

IFRS 16 LEASES

Kungsleden is applying IFRS 16 Leases effective 1 January 2019. IFRS 16 replaces IAS 17, mainly impacting the lessee's reporting, and implies that nearly all lease arrangements are recognised in the Balance Sheet, because there is no longer any distinction between operating and finance leases. Pursuant to the new Standard, an asset (right to use a leased asset) and a financial obligation to make lease payments are recognised. Short contracts and contracts of low value are exempted. The accounting for the lessor is essentially unchanged. For Kungsleden, this change mainly means that site leasehold agreements are recognised in the Balance Sheet at an estimated present value of future rent payments. In the Income Statement, the site leasehold agreement is recognised as a financial item in net financial items instead of as previously, as a property cost. For lease contracts apart from site leasehold agreements, the lease expense is divided between an amortisation component that is recognised as a property cost and an interest component, recognised in net financial items. The reclassification did not have any effect on comprehensive income and the Standard has not been applied retroactively. On the revenue side, as lessor, the group has not been impacted to any material extent. Estimates, assumptions and recalculations of opening balances are reviewed in more detail in note 14.

IFRS THAT HAVE NOT YET STARTED APPLICATION

At present Kungsleden's opinion is that other new and revised standards and interpretations from the IFRS interpretations Committee, endorsed by the EU, will not materially impact its result of operations or financial position.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENT

The functional currency of the parent company is the Swedish krona, which is also the presentation currency of the Group. All amounts are in SEK million, unless otherwise stated. Assets and liabilities are reported

at historical cost, except for investment properties and financial instruments, which are measured at fair value. Changes in fair value are recognised in the Income Statement. Preparing the consolidated accounts according to IFRS requires the company's Board of Directors to make assessments and estimates, and make assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The estimates and assumptions are based on historical experience and a number of other factors that appear relevant in current circumstances. The outcomes of these estimates and assumptions are then used to measure the carrying amounts of assets and liabilities, which would not be clear are available from other sources. Actual outcomes may differ from these estimates and assessments. The estimates and assumptions are reviewed regularly. Assessments by management when applying IFRS that have a material impact on the financial statements and estimates made are reviewed in more detail in note 3.

CLASSIFICATION

Kungsleden's activities mainly consist of property management of a large number of properties that are leased to external tenants. Typically, lease contracts are arranged for periods of 3 to 10 years initially. However, this period can vary, and may be up to just over 20 years. A renegotiation process is conducted with the tenant prior to the expiry of the contract term, relating to rent levels and other terms & conditions of the contract, unless the contract has been terminated. However, after the initial contract date, it is difficult to determine how long a contract will apply, and at any time, there is a large number of contracts running in parallel with different terms. This makes specifying Kungsleden's business cycle difficult. It is also difficult to specify how long Kungsleden expects to hold a property. In this context, assets and liabilities are recognised in the Statement of Financial Position in decreasing order of liquidity, because this provides reliable and relevant information to operations.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the parent company and subsidiaries. Subsidiaries are companies that the parent company exerts a controlling influence over. A controlling influence exist if the parent company has influence over the investment object, is exposed to, or has the right, to variable returns from its commitment and can exert its influence over the investment to impact returns. When judging whether controlling influence exists, consideration is given to whether potential share voting rights and de facto control exist. The consolidated financial statements have been prepared in accordance with acquisition accounting, which means that assets and liabilities and contingent liabilities have been measured at fair value on the acquisition date in accordance with an established acquisition analysis. The revenues and expenses of acquired entities are included in the financial statements from the date of taking possession. The profit or loss of divested entities is included until the date possession is transferred. Intra-group receivables and liabilities, revenues or expenses and unrealised gains or losses arising from intra-group transactions are eliminated completely when the consolidated accounts are prepared.

Translation of foreign operations

The financial statements of each foreign subsidiary are presented in the local currency where the operations are conducted in. The consolidated financial statements are presented in Swedish kronor (SEK). Income statements and balance sheets of foreign operations are translated to SEK according to the current method, which means that balance sheets

are translated at closing date rates, except for equity, which is translated at historical rates. Income statements are translated at average rates of exchange for the period. The exchange rate differences on translation are reported against other comprehensive income as translation differences. The following rates of exchange have been applied for translation:

SEK	Average exchange rate		Closing day rate	
	2019	2018	31 Dec. '19	31 Dec. '18
EUR	10.59	10.26	10.43	10.28
PLN	2.46	2.41	2.45	2.39

STATEMENT OF CASH FLOWS

The Statement of Cash Flows has been prepared in accordance with the indirect method pursuant to IAS 7 Statement of Cash Flows.

ACQUISITIONS AND DIVESTMENTS

Acquisitions are consolidated from effective the date of taking possession, and divestments until the dates of transferring possession. Receivables or liabilities against counterparties between the transaction date and settlement date/completion date are accounted gross under other receivables and other liabilities respectively.

ASSET ACQUISITIONS

It has become customary for real estate transactions to be executed indirectly through companies holding properties, rather through direct property transactions. Properties are acquired through acquisitions of entities, for reasons including stamp duty being payable on property transfers, and the sale of an entity offering tax benefits for the seller compared to a direct sale. In an asset acquisition through a corporate transaction, the acquisition is treated as if the property/properties were acquired directly. This type of acquired entity normally has no employees, organisational resources or other operations apart from those directly related to the property holding. Cost is allocated proportionally on acquired assets and liabilities taken over based on their fair values. No deferred tax is recognised. Kungsliden accounts deductions received for deferred tax as an unrealised change in value on the property directly at the acquisition date. For direct sales of property where not all temporary differences have been accounted, a tax expense arises when the sale is at carrying amount. For a sale via a company, as is most customary, buyers and sellers will normally agree on a price reduction corresponding to a portion of the difference between the tax residual value and the agreed property value. This means that tax revenue for accounting purposes arises if a deferred tax liability has been recognised that exceeds the deduction in the transaction, or a tax expense if the deduction is greater than the reported tax liability.

BUSINESS COMBINATIONS

Kungsliden applies acquisition accounting on acquisitions where it obtains controlling influence over one or more basically autonomous operations, pursuant to IFRS 3 Business Combinations. The acquired entity's identifiable assets, liabilities and contingent liabilities are recognised at fair value on the acquisition date, and the profit or loss relating to the acquired operation is included effective the date of taking possession. Deferred tax for potential surplus values relating to the acquisition is recognised as a liability at the nominal tax rate. The difference between deferred tax at the nominal tax rate and the value that the temporary difference has been measured at in the acquisition analysis is recognised as goodwill. Transaction costs are expensed as administration costs at acquisition. In acquisitions of further participations in an entity that Kungsliden thus obtains a controlling influence over, previous participations are restated at fair value through profit or loss. If instead, Kungsliden acquires further participations in an entity that had previously been consolidated, the difference between the purchase consideration and net value according to the balance on taking possession is recognised as an ownership transaction directly against equity. On part-sale of a group company but with controlling influence retained, a difference between the sales price and value of sold participation in an ownership transaction is recognised directly against equity. In a part-sale of a group company involving the loss of controlling influence, a capital gain or loss and restatement of remaining holdings is recognised in profit or loss. Kungsliden usually conducts few business combinations. No business combinations were executed in the year.

OPERATING SEGMENT REPORT

An operating segment is a segment of the Group which engages in operations from which it may earn revenues and incur expenses and for which independent financial information is available. The results of operations of an operating segment are monitored by the company's

chief operating decision maker (Group Management) in order to evaluate results of operations and allocate resources between operating segments. See note 4 for details of the division and presentation of operating segments.

REVENUES

Kungsliden's revenue is largely regulated by IFRS 16 Leases which includes customary rent including indexations, additional charges for investments, and property tax. Lease contracts are classified as operating leases with the assumption that the property remains in Kungsliden's ownership, even if the contract may run for up to 20 years. Rental revenues from investment properties are recognised on the straight-line basis in profit or loss for the year based on the terms & conditions of the lease contract. The aggregate cost of discounts or other benefits issued is recognised as a reduction of rental revenues on a straight-line basis over the lease term. Revenues from property sales are recognised from the date of transfer of possession. If rent guarantees have been obtained in tandem with acquisitions, revenue is recognised in the consolidated accounts as the rent guarantee is utilised through the absence of rental revenues.

Outward invoicing of certain revenue, is regulated by IFRS 15, as heat, cooling, waste disposal, water, snow removal etc. Revenue regulated by IFRS 15 is not material.

EMPLOYEE BENEFITS

Employee benefits such as salaries and social security expenses, annual leave and paid sickness absence etc. are reported at the employees contracted rate. Obligations for employees are vested through defined contribution pension plans or ITP (supplementary pensions for salaried employees). Those plans where the company's obligations are limited to the charges the company has undertaken to pay are classified as defined contribution pension plans. In such cases, the scale of the employee's pension depends on the expenses the company deposits to the plan, or to an insurance company, and the return on assets that the charges generate. Accordingly, the employee bears the actuarial risk (that compensation is lower than expected) and the investment risk (that the invested assets are insufficient to generate the expected benefits). The company's obligations regarding charges to defined contribution plans are recognised as an expense in profit or loss for the year as they are accrued by employees rendering services to the company in a period. In accordance with the statements from the Swedish Financial Reporting Board, ITP pension plans vested through insurance with Alecta are recognised as defined contribution plans providing the ITP plan's basic structure remains unchanged. An expense for compensation on termination of staff is only recognised if the company is demonstrably obliged to terminate employment prior to the normal date through a formal, detailed plan, without any realistic possibility of withdrawal. When compensation is paid as an offering to encourage voluntary termination, an expense is recognised if it is likely that the offer will be accepted, and the number of employees that will accept this offer can be reliably estimated.

LEASES

Kungsliden is a major lessor due to its large number of lease contracts, which is why this is dealt with in the Revenues section above. As lessee, Kungsliden is mainly party to site leasehold agreements, low-value leaseholds and leases on office machines. Site leaseholds are recognised in the Balance Sheet by the present value of future rent payments being recognised as an asset and liability respectively. In the Income Statement, ground rent is recognised as a financial item in net financial items. For lease arrangements apart from site leaseholds, the lease expense is divided between an amortization component recognised as a property cost and an interest component recognised in net financial items.

FINANCIAL REVENUE AND EXPENSES

Interest income is recognised in the period it relates to. Interest and other financial expenses relating to new development is capitalised during the development period, while they are expensed on an ongoing basis in extension and conversion, because these investments are smaller scale, and usually, their construction time is shorter. Derivatives are used with the aim of achieving the desired interest rate duration. Revenues and expenses relating to derivatives are recognised on an ongoing basis in profit or loss under the items unrealised changes in value on financial instruments and interest costs. Revenues and expenses for the redemption and renegotiation of derivatives and compensation on interest rate differences are recognised as they arise. Interest income and interest expenses on financial instruments are recognised in accordance with the effective interest method. The effective

interest rate is the interest rate that discounts estimated future payments received or made during the expected term of the financial instrument at the reported net value of the financial asset or liability.

INCOME TAX

Current and deferred income tax for Swedish and foreign group entities is recognised in profit or loss except when the underlying transaction is reported directly to equity, whereby the associated tax effect is recognised in equity. Group companies are liable for tax in accordance with legislation in each jurisdiction. Corporate taxation in Sweden was reformed in 2019, with corporation tax reducing from 22.0 per cent to 21.4 per cent, with a further reduction in 2021, to 20.6 per cent.

A limitation on interest deductions was also introduced, which briefly, means that maximum deductions for negative net interest income can be claimed, corresponding to 30 per cent of a company's earnings before interest, taxation, depreciation and amortisation (EBITDA). When computing the interest deduction, potential deductions against loss carry-forwards and group contributions should be considered. In their tax returns, companies with positive net interest income may transfer it to companies with negative interest income. Kungsliden recalculated its provision for deferred tax as early as 2018 in light of the reduction in corporation tax. Current tax is computed on the basis of recognised profit or loss with a supplement for non-deductible items, and deductions for non-taxable revenues. Income tax is accounted according to the balance sheet method, which means that deferred tax is computed for temporary differences between taxable values and carrying amounts of assets and liabilities identified on the reporting date. Temporary differences mainly apply to properties, financial instruments, accumulated excess depreciation of equipment and tax allocation reserves. Temporary differences are measured at the nominal tax rate, and the change on the previous reporting date is recognised in profit or loss as deferred tax. Deferred tax assets relating to deductible temporary differences and loss carry-forwards are only recognised to the extent that it is likely that it will be possible to utilise them. The value of deferred tax assets is reduced when it is no longer likely that they can be utilised. When participations in subsidiaries are acquired, such acquisition is either acquisition of operations or acquisition of assets. In an acquisition of operations, deferred tax is recognised at the nominally applicable tax rate without discounting according to the above policies. In asset acquisitions, no separate deferred tax is recognised on the acquisition date, but rather, the acquisition is recognised at a cost corresponding to the fair value of the asset. After the acquisition, the full deferred tax for future changes in value is recognised.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are translated at rates of exchange ruling on the transaction date. Monetary assets and liabilities in foreign currencies are translated at closing day rates, when exchange rate differences are expensed. Exchange rate differences relating to operating receivables and liabilities are recognised in operating profit or loss, while exchange rate differences relating to financial assets and liabilities are recognised in net financial items.

TRANSACTIONS WITH RELATED PARTIES

Business conditions and pricing on an arm's length basis are applied on rendering services between group companies and other related entities and private individuals.

PROPERTIES

Properties are initially recognised at cost. Subsequent expenditure on investment measures that generates future economic benefits and if that can be measured reliably, is capitalised. Expenses relating to the exchange of all or part of identified components, as well as expenses that result in the creation of new components, are capitalised. Then, the property is recognised at fair value in the Group according to the following method. Other additional expenses are recognised as an expense in the period they arise. Interest expenses on large-scale extensions and conversions are not capitalised.

Investment properties

Buildings and land held with the aim of generating rental revenues and/or value increases are classified as investment properties in the Group. Investment properties are recognised at fair value in the Statement of Financial Position pursuant to IAS 40. Revaluations are conducted on a continuous basis through the financial year, and recognised on the basis of internal valuations. For a review of valuation methods, see note 13. For considerations regarding the valuation of properties, see also note 3. Any deductions for deferred tax on acquisitions of properties via companies (asset acquisitions) received over and above reported tax in acquired companies, are recognised as an unrealised change in value

on the property directly at the acquisition date. Buildings that are under construction for future use as investment properties are recognised at fair value pursuant to IAS 40 Investment Property. The basis of valuation is estimates of future cash flows and pricing expected to be achievable in a transaction between informed parties on market terms. However, incomplete properties are more difficult to appraise than existing properties because the final cost cannot be determined, and the process until functional/leased property can only be estimated.

EQUIPMENT AND INTANGIBLE ASSETS

Equipment and intangible assets have been recognised at cost deducting for accumulated depreciation according to plan and potential impairment losses. Equipment and intangible assets are depreciated on a straight-line basis on cost, over five years.

FINANCIAL INSTRUMENTS

Financial instruments are any form of agreement that gives rise to a financial asset in a company and a financial liability or equity instrument in another company. Financial instruments reported in the balance sheet include, on the asset side, cash and cash equivalents, accounts receivable, long-term receivables, other receivables, derivatives and prepaid expenses and accrued income. Interest-bearing liabilities, accounts payable, other liabilities, derivatives and accrued expenses and prepaid income are included on the liability side. The report depends on how the financial instruments have been classified. For information on the company's exposure to financial risks and how these risks are managed, see note 2.

Recognition in the Statement of Financial Position

A financial asset and financial liability are offset and reported with a net amount in the balance sheet only when there is a legal right to offset the amounts and that there is an intention to settle the items with a net amount or to simultaneously realize the asset and settle the debt. A financial asset or financial liability is recognised in the Statement of Financial Position when the company becomes party to the instrument's contractual terms.

A receivable is recognised when the company has performed and there is a contracted obligation for the counterparty to pay, even if no invoice has been sent. Accounts receivable are recognised in the Statement of Financial Position when an invoice has been sent. Rent receivables are recognised when the period they relate to occurs. Non-current receivables, which exclusively consist of promissory notes, are recognised at nominal amount restated for the present value of any difference against a market interest rate. Liabilities are recognised when the counterparty has performed and there is a contractual liability to pay, even if an invoice has not yet been received. Accounts payable are recognised when an invoice has been received. A financial asset is derecognised from the Statement of Financial Position when the rights in the contract are realised, become due or the company relinquishes control over them. The same applies to part of a financial asset. A financial liability is derecognised from the Statement of Financial Position when the obligation in the contract is fulfilled or otherwise does not apply. The same applies for part of a financial liability. At each reporting date, the company evaluates whether there are objective indications that a financial asset or group of financial assets needs impairment. Gains and losses from removal from the balance sheet and modification are recognised in profit or loss.

Categories of financial instrument:

Financial assets

Debt instruments: the classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and the nature of the asset's contractual cash flows.

The instruments are classified into:

- amortized cost
- fair value through other comprehensive income, or
- fair value through profit.

The Group's debt instruments are classified at amortized cost. Financial assets classified at amortized cost are initially measured at fair value with the addition of transaction costs. Accounts receivable and lease receivables are initially recognized at the invoiced value. After the first accounting opportunity, the assets are valued according to the effective interest method. The assets are covered by a loss reserve for expected loan losses.

Derivatives: classified at fair value through profit or loss. The Group does not apply hedge accounting. Fair value is determined as described in note 22.

Financial liabilities

Financial liabilities are classified at amortized cost with the exception of derivatives. Financial liabilities recognized at amortized cost are initially measured at fair value including transaction costs. After the first accounting date, they are valued at amortised cost according to the effective interest method.

Derivatives: classified at fair value through profit or loss.

The Group does not apply hedge accounting. Fair value is determined as described in note 21.

Impairment

The carrying amounts of the Group's assets are tested for impairment at each reporting date. If there is indication of impairment, the asset's recoverable value is completed.

The Group's financial assets, other than those classified at fair value through profit or loss, are subject to impairment losses for expected loan losses. Write-downs for loan losses according to IFRS 9 are forward-looking and a loss reserve is made when there is an exposure to credit risk, usually at the first accounting date. Expected credit losses reflect the present value of all cash flow deficits attributable to default either for the next 12 months or for the expected remaining term of the financial instrument, depending on the asset class and on the credit deterioration since the first accounting date. Expected credit losses reflect an objective, probability-weighted outcome that takes into account most scenarios based on reasonable and verifiable forecasts.

The simplified model for reporting expected credit losses is applied to accounts receivable, rental receivables and contract assets. This means that expected loan losses are reserved for the remaining maturity, which is expected to be less than one year for all receivables. Rent is invoiced in advance, which means that all reported rental receivables have fallen due. The Group reserves for expected credit losses based on the number of due dates and on the basis of individual assessment of the risk that the receivable will not be received. The Group's customers are a homogeneous group with a similar risk profile, which is why the credit risk is initially assessed collectively for all customers. Any major individual receivables are assessed per counterparty. Kungsleden discards a claim when there is no longer any expectation of receiving payment and when active measures for receiving payment have been terminated. Non-significant financial assets are not tested according to the simplified method. Other receivables and assets are written down according to a rating-based method through external credit rating. Expected credit losses are valued at the product of probability of default, loss given default and the exposure in the event of default. For credit-impaired assets and receivables, an individual assessment is made, taking into account historical, current and forward-looking information. The valuation of expected loan losses takes into account any collateral and other credit enhancements in the form of guarantees.

The financial assets are recognized in the balance sheet at amortized cost, i.e. net of gross value and loss reserve. Changes in the loss reserve are reported in the income statement.

PROVISIONS

A provision differs from other liabilities because there is uncertainty regarding the timing of payment of the amount required to settle the provision. Provisions are recognised in the Statement of Financial Position when there is an existing legal or informal obligation resulting from and event that has occurred, and it is likely that an outflow of economic resources will be necessary to settle the obligation, and the amount can be measured reliably.

Provisions are made at an amount that is the best estimate of what is necessary to settle the existing obligation on the reporting date. When the effect of the timing of payment is material, the provision is computed by discounting the expected future cash flow at an interest rate before tax that reflects current market estimates of the time value of money, and if applicable, the risks associated with the liability.

CONTINGENT LIABILITIES

A contingent liability is recognised when there is a possible obligation whose existence is confirmed only by one or more uncertain events, or when there is an obligation that is not reported as a liability or provision because it is unlikely that an outflow of resources will be necessary.

ROUNDING

Individual amounts will be rounded to the nearest whole number of millions of Swedish kronor. Totals are rounded to the nearest whole number of millions of Swedish kronor. Rounding errors may occur in notes and tables.

NOTE 2. RISKS

This note describes the risks in Kungsleden's cash flow in property management, as well as the financial risks of credit risk and currency risk. Kungsleden's financial risks are reviewed on pages 72-76, with specific reviews of financing risks, liquidity risks, interest rate risk and financial risk management.

I - RISKS IN PROPERTY MANAGEMENT CASH FLOW

The cash flow in a given property holding is affected by fluctuations in rental revenue, which in turn, depend on variations in rent levels and vacancies. These variations are due to factors including Swedish economic growth, the rate of production of new properties, alterations to infrastructure, employment and demographic factors.

Rental revenue

Rent levels and vacancies are strongly impacted by Swedish economic growth generally, but also, and not least, by growth at regional and local level in the locations where Kungsleden operates. Economic growth leads to increased demand for premises with the potential for higher rent levels and lower vacancies, well declining growth has the opposite effect. The volume of new production of properties on local markets exerts an impact on rent levels and vacancies. Kungsleden's property portfolio and customer base have good risk diversification in terms of premises type, geography, contract size and tenant category. Lease contract portfolios are relatively long term, with an average remaining lease duration for the portfolio of 4.0 (3.7) years. As average contract duration is fairly long, a short-term variation in market rents has no material impact on rental revenues. Lease contracts contain indexation clauses that increase rents by 75-100 per cent of inflation. The indexation in any specific year is based on the rate of inflation in October of the previous year. Indexation clauses state minima, which offer some short-term protection against deflation. Rental revenues are affected by potential payment difficulties tenants experience. In 2019, rent losses were SEK -3 million (-3). The risk of rent losses and vacancies is affected by the structure of Kungsleden's tenant base. Large commercial tenants may imply low credit risk, but can also cause concentration risks. Kungsleden's ten largest tenants represented 23 per cent of rental values of the properties held at the end of the period. In several cases, the largest tenants have several different operations and subsidiaries in several locations, which reduces this risk.

The largest tenants	Rental value, SEK m	Ave. contract length, yrs.
ABB	259	4.2
Swedish Social Insurance Administration	53	4.7
Biz Apartments	41	8.6
ICA	38	2.4
Municipality of Västerås	37	5.3
City of Stockholm	27	4.6
ÅF	27	3.5
Westinghouse Electric Sweden	24	1.0
The Swedish Custom Service	22	3.7
SMHI	21	10.9
10 largest tenants	550	4.6

Property costs

Fluctuations in operating costs affect cash flow. The largest operating cost items are the cost of electricity, cleaning, heating, water, care and maintenance. Site leasehold and property tax, and the cost of electricity and heating have the largest profit impact. Pricing of electricity is determined by supply and demand on the open electricity market. Kungsleden has limited this risk by hedging specific amounts of electricity. A portion of the cost of electricity and heating is reinvoiced to tenants. For costs not met by tenants, Kungsleden obtains compensation by lease contracts containing indexation clauses implying that rents increase by 75-100 per cent of inflation. Accordingly, any exposure to variations in these costs is limited. However, property cash flow and operating net are impacted by yearly variations in the cost of supplies and maintenance. Some properties have site leaseholds that are usually renegotiated at 10-20-year intervals. Site leasehold fees are currently computed so that the municipality receives a reasonable real interest rate on the estimated value of the land. The possibility that the basis of computation of these leaseholds may change in future renegotiation processes cannot be ruled out. Property tax, which is based on the taxable value of properties is basically a political decision. This applies to the basis of computation, the taxable value and the tax rate.

Usually, property tax is invoiced to tenants for leased areas, while the tax on vacant premises is met by the property owner.

Sensitivity analysis, property value & LTV ratio	Assumption	Value impact, SEK m	LTV ratio impact
Rental value	+/- 1%	+570/-570	-0.7%/+0.7%
Property costs	+/- 1%	-125/+125	+0.1%/-0.1%
Required yield	+/- 0.1% point	-618/+642	+0.8%/-0.8%

Sensitivity analysis, result and cash flow	Assumption	Profit from property management impact, SEK m
Rental revenues	+/- 1%	+24/-24
Property costs	+/- 1%	-8/+8
Average interest rate, loan portfolio	+/- 1% point	-179/+179
Short-term market interest rate (Stibor 3m)	+/- 1% point	-110/+86

II – FINANCIAL RISKS

Financial risks mean fluctuations in a company's results of operations and cash flow resulting from variations in market interest rates or exchange rates, as well as refinancing and credit risks. Each year, the Board of Directors adopts a finance policy for the Group's management of financial risks. The finance policy sets a framework of guidelines and regulations in the form of risk mandates and limits for financing activities. Responsibility for the Group's financial transactions and risks is managed centrally by the Group's treasury function. For more information on financial risks, see pages 64-68.

Credit risk

Credit risk is defined as the risk that a counterparty does not fulfil all or parts of its obligation. Credit risk is within derivative contracts, on the issuance of promissory notes and investment of surplus liquidity. Credit risk also relates to the risk of the counterparty not making its payments of rent or sales proceeds. Usually Kungsliden requires collateral for long-term receivables to reduce credit risk. These non-current receivables amounted to SEK 2 million (4) as of 31 December 2019, see note 16.

Currency risk

Essentially, there is no transaction exposure because the Group does not hold property in foreign countries.

NOTE 3. SPECIFIC CONSIDERATIONS AND ASSESSMENTS

VALUATION OF PROPERTIES

Key sources of estimation uncertainty

Because the price of a property is not available on a listed marketplace, appraisals of property value must be made as supporting data for recognition at fair value. Property values are dependent on many factors that impact results of operations and cash flow. Financing terms, interest rate levels and a functional finance market also impact the pricing and required yield that create balance on the property market between buyers and sellers. In a functional market, sales prices normally lie in the interval of estimated fair value +/-5 to 10 per cent.

Assessments when applying accounting policies

All properties were valued for the annual financial statement. These valuations are based on an analysis of cash flows, which estimate each property's future earnings capacity and market required yield. This process is reviewed in note 13. The fact that Kungsliden is active on the property market, executing multiple purchase and sales transactions, offers additional market information, and improves the potential to make good estimates of appraised values. Kungsliden also reconciles against external valuations.

TAX SITUATION

Key sources of estimation uncertainty

The accounting of ongoing taxes payable, loss carry-forwards and deferred taxes on temporary differences between book values and taxable values, are based on applicable rules. Tax legislation is complex, especially in acquisitions and divestments of properties and companies. The interpretations of existing rules by tax courts may also change over time, which means that their application may alter after transactions have been executed and tax assessments have been filed. The Swedish Tax Agency can normally reconsider a company's taxation within two years of the end of the financial year, although in certain cases, the Agency can reconsider taxation five years retroactively.

Assessments when applying accounting policies

On each acquisition and divestment, Kungsliden judges how these transactions should be reported for tax purposes. Kungsliden continuously verifies its judgements on tax issues with external experts. However, this does not rule out the risk that the Swedish Tax Agency or courts could not view executed transactions in a manner that differs from the company.

NOTE 4. OPERATING SEGMENTS

SEK m, 2019	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Unallocated	Total
Revenues	852	279	287	536	355	113	-	2,423
Property costs	-244	-78	-83	-193	-124	-51	-	-773
Operating net	608	202	204	343	231	62	-	1,650
Selling and administration costs	-	-	-	-	-	-	-109	-109
Net financial items	-	-	-	-	-	-	-356	-356
Profit from property management	608	202	204	343	231	62	-465	1,185
Changes in value								
Properties	662	184	103	622	90	101	-5	1,756
Interest rate derivatives	-	-	-	-	-	-	-75	-75
Profit before tax	1,270	386	307	965	321	164	-545	2,867
Tax	-	-	-	-	-	-	-622	-622
Net profit for the year	1,270	386	307	965	321	164	-1,167	2,245
FINANCIAL POSITION								
Properties	15,385	4,056	4,247	6,736	4,438	3,448	-	38,310
Other assets ¹	-	-	-	-	-	-	1,420	1,420
Total assets	15,385	4,056	4,247	6,736	4,438	3,448	1,420	39,730
Interest-bearing liabilities ¹	-	-	-	-	-	-	17,889	17,889
Equity, provisions and other liabilities ¹	-	-	-	-	-	-	21,841	21,841
Total equity and liabilities	-	-	-	-	-	-	39,730	39,730
OTHER DISCLOSURES								
Investments in properties	341	84	46	419	289	330	-	1,509
Profit or loss items that do not affect cash flow ¹	-	-	-	-	-	-	1,682	1,682

SEK m, 2018	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Unallocated	Total
Revenues	832	236	258	539	438	82	-	2,385
Property costs	-252	-77	-79	-200	-142	-50	-	-800
Operating net	580	159	179	339	296	32	-	1,586
Selling and administration costs	-	-	-	-	-	-	-95	-95
Net financial items	-	-	-	-	-	-	-366	-366
Profit from property management	580	159	179	339	296	32	-461	1,124
Changes in value								
Properties	816	117	108	449	112	18	-16	1,603
Interest rate derivatives	-	-	-	-	-	-	-73	-73
Profit before tax	1,396	276	287	788	408	50	-551	2,653
Tax	-	-	-	-	-	-	-598	-598
Net profit for the year	1,396	276	287	788	408	50	-1,149	2,055
FINANCIAL POSITION								
Properties	14,153	3,225	4,048	5,821	4,553	2,897	-	34,697
Other assets ¹	-	-	-	-	-	-	697	697
Total assets	14,153	3,225	4,048	5,821	4,553	2,897	697	35,394
Interest-bearing liabilities ¹	-	-	-	-	-	-	16,882	16,882
Equity, provisions and other liabilities ¹	-	-	-	-	-	-	18,513	18,513
Total equity and liabilities	-	-	-	-	-	-	35,394	35,394
OTHER DISCLOSURES								
Investments in properties	371	135	33	120	210	431	-	1,300
Profit or loss items that do not affect cash flow ¹	-	-	-	-	-	-	1,530	1,530

¹ Assets that are not properties are not allocated by segment. The allocation is neither made for liabilities and provisions or relates to interest rate derivatives with negative values or unpaid purchase price on properties not yet been accessed.

As in 2018, Kungsleden's operating segments are Stockholm, Gothenburg, Malmö, Västerås, Regional Cities, Development Projects and Unallocated.

Firstly, properties are divided between investment properties and development properties. Secondly, there is a further division of investment properties, with figures allocated according to geographical division. The segments manage and improve properties and provide premises to external customers. Kungsleden manages its property operations via three concentrations, Stockholm, Gothenburg/Malmö and Mälardalen, each managed by a property unit manager. Profit centre responsibility for management of the properties within a concentration rests with the property unit manager, who reports to the CEO, who in turn, sets targets, monitors rental revenues, property costs, operating

NOTE 5. OPERATIONAL LEASING

LESSOR

The lease agreements are, from an accounting point of view, to be regarded as operating lease agreements where Kungsleden is the lessor. The table shows the rental revenue calculated on the current lease agreements, excluding parking spaces, garage and housing, which by 31 December 2019 amounted to 2,293 (2,399) in number.

Lease agreements for premises are usually three to five years. Longer agreements are sought in certain situations and occur in the context of investment and specific properties or operations. The rent is usually index adjusted. In most cases there is a surcharge to the base rent for heating and property tax. The surcharges are based on the actual costs incurred by the landlord.

The lessor, rental revenues, SEK m	2019	2018
Contract revenues with payment within one year	2,161	2,049
Contract revenues with payment between one to five years	4,847	4,466
Contract revenues with payment in more than five years	2,044	1,731
Total	9,051	8,245

Lessee, see note 14.

net and investments by each concentration. The property unit manager can directly affect these profit/loss items, and overall, provides the foundation of the whole company's profit from property management. For these reasons, Kungsleden has decided to consider its geographical regions as operating segments. Other/group wide are any items that are not attributable to a specific segment, or are collective to all segments.

Significant transactions between segments consist of group contributions and intra-group loans.

ABB is the only customer representing more than 10 per cent of revenues. In 2019, rental revenues from ABB were SEK 259 (286) million. There are dormant operations not generating earnings in Germany.

NOTE 6. SELLING AND ADMINISTRATION COSTS

ADMINISTRATIONS COSTS

Selling and administration costs relate primarily to costs of central functions such as business development, accounting and finance, legal and IT, as well as costs attributable to IPO costs and the Group's management team. The costs of the rental billing, rental requirements and accounting as well as depreciation is included in the equipment as well.

The direct costs of the on-going property management of SEK 107 (110) million is reported as a cost in the operating net.

SEK m	2019	2018
Personnel costs	-48	-46
Depreciation	-13	-5
Other operating expenses	-48	-44
Total	-109	-95

FEES TO AUDITORS

The audit assignment includes the audit of the annual report, the accounting records, and the administration of the Board of Directors and the CEO, other duties that the company's auditor is obliged to conduct and advice as well as advisory or other assistance resulting from observations made during the audit or performance of such other duties.

SEK m	2019	2018
Audit assignment, EY	3	2
Audit assignment, Frejs	1	1
Other assignments, EY	0	1
Other assignments, Frejs	-	0
Total	4	4

NOTE 7. EMPLOYEES AND PERSONNEL COSTS

The average number of employees during 2019 amounted to 112 (109) persons. The allocation of countries and gender is shown below.

Average number of employees	Share of women, %		Share of women, %	
	2019	2018	2019	2018
Sweden	112	53	109	52
The Group	112	53	109	52

GENDER DISTRIBUTION WITHIN THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

The Board of Directors of Kungsliden AB consisted of six (six) members of which three (four) are women. The Group Management team consisted of nine (nine) persons of which six (six) are women.

Salaries, other remuneration and social security expenses, SEK, '000	2019		2018	
	Salaries, other remuneration	Social security expenses	Salaries, other remuneration	Social security expenses
THE GROUP				
<i>Group Management Team</i>				
Board of Directors, CEO and Deputy CEO (of which pension expenses)	11,020	5,033 (1,675)	14,233	7,717 (2,753)
Axelsson, Charlotte	545	67	457	74
Berglund, Ingall	287	90	300	94
Bjuggren, Jonas	260	82	173	54
Gahm, Joachim ¹	-	-	87	27
Hjorth, Liselotte ²	87	27	260	82
Larsson, Göran ¹	-	-	185	58
Nilsson, Christer ³	173	54	-	-
Nilsson, Ulf	273	86	200	63
Orback Pettersson, Kia ¹	-	-	87	27
Wikström, Charlotta	260	82	260	82
Pehrsson, Biljana (CEO)	6,005	3,004	6,618	3,607
Kvist, Anders (Deputy CEO) ⁴	-	-	2,264	1,995
Sarby Westman, Ylva (Deputy CEO)	3,130	1,541	3,343	1,554
Other Group Management (of which pension expenses)	12,728	8,242 (4,244)	10,985	7,645 (4,327)
Total Group Management	23,748	13,275 (5,919)	25,218	15,362 (7,080)
Other employees (of which pension expenses)	68,920	33,286 (11,631)	72,506	34,340 (13,021)
Employee expenses (of which pension expenses)	92,668	46,561 (17,550)	97,724	49,702 (20,101)

¹ For the period 1 January–26 April, 2018.

² For the period 1 January, 2018–26 April, 2019.

³ For the period 26 April–31 December, 2019.

⁴ For the period 1 January–13 July, 2018.

All pension expenses are for defined contribution plans or the ITP (Supplementary Pensions for Salaried Employees) plan. The year's expenses for ITP pension insurance vested with Alecta amounted to SEK 17 million (20). At year-end 2019, Alecta's surplus in the form of the collective

consolidation ratio was 148 per cent (142). The collective consolidation ratio has been computed pursuant to Alecta's actuarial measurement assumptions, which are not consistent with IAS 19.

Future pension provision, SEK m	2020	
	Pension	Specific wage tax
Group Management	6	1
Other employees	13	3
Total employees	19	4

REMUNERATION TO GROUP MANAGEMENT TEAM**Principles**

Fees are paid to the Board of Directors according to the resolution of the Annual General Meeting. Remuneration to the CEO, the deputy CEO and other Group Management consists of basic salary, variable bonuses, other benefits and pension. Other Group Management team are the people who are in addition to the CEO and the Deputy CEO and are included in the Management team. For 2019, this was an average of eight persons (seven).

The variable bonus is results and performance-based and linked to the outcome in relation to pre-set objectives.

The majority of the variable component should consist of potential bonuses, and for the CEO and Deputy CEO, is a maximum of 75 per cent of basic annual salary. The variable bonus for other Group Management a maximum of 50 per cent and on average a maximum of 40 per cent of basic annual salary.

Bonuses for the CEO are decided by the Board of Directors following suggestion from the remuneration committee. This is based on guidelines which are decided at the Annual General Meeting.

Variable bonuses

For the CEO and Deputy CEO variable bonus for 2019 was based on the profit from property management. The amount for the CEO and Deputy CEO during 2019 amounted to 37 per cent (41) of the basic salary.

For other Group Management, variable bonuses for 2019 were on the same basis as for the CEO and Deputy CEO as well as on the individual performance targets for their own area of responsibility. The amount for the Group Management during 2019 amounted to an average of 24 per cent (29) of the basic salary.

Pensions

All Group Management pension age is 65 years and all have premium based pension plan, without other obligations for the company than the obligation to pay annual premiums. Pension premiums for the CEO will be 30 per cent of the fixed annual salary and for a Deputy CEO 28 per cent of the fixed annual salary. For one Group Management member pension premiums will be 27 percent of the fixed annual salary, and for all other Group Management the ITP plan is applied.

Termination

For the CEO the notice period is six months and for the company it is 12 months. In the event of dismissal by the company the CEO receives a severance pay of six months. The severance pay is not pensionable. If the CEO hands in their notice, there is no severance pay. For the Deputy CEO the notice period is six months and for the company 12 months.

For other Group Management a mutual notice period of three to six months is agreed. For all Group Management severance pay is offset against other income.

Remuneration and other benefits, SEK, '000	Basic salary/Board fees		Variable remuneration ¹		Other benefits		Pension expenses ²		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Chair of the Board	545	457	-	-	-	-	-	-	545	457
Other Board members	1,340	1,552	-	-	-	-	-	-	1,340	1,552
CEO	4,283	4,179	1,598	2,315	125	124	1,117	1,545	7,123	8,163
Deputy CEO (2018, 2 Deputy CEOs)	2,209	4,330	833	1,181	88	95	558	1,209	3,688	6,815
Other Group Management, total 8 (7)	9,823	8,200	2,392	2,416	512	369	4,302	4,327	17,029	15,312
Total	18,200	18,717	4,823	5,912	725	588	5,977	7,081	29,725	32,298

¹ Variable remuneration relates to 2019 attributable bonus.

² The pension expenses relates to the amount expensed in 2019. See above for further information on pension.

NOTE 8. EXPENSES BY TYPE OF COST AND FUNCTION

Distribution by type of cost, SEK m	2019	2018
Operation, repair and maintenance	-583	-609
Other direct property expenditure	-82	-80
Personnel costs	-132	-133
Depreciation	-13	-5
Other external expenses	-72	-68
Total	-882	-895
Allocation in the income statement, SEK m	2019	2018
Property costs - properties	-773	-800
Selling and administration costs	-109	-95
Total	-882	-895
Depreciation and impairment by function, SEK m	2019	2018
Selling and administration costs	-13	-5
Total	-13	-5

NOTE 9. NET FINANCIAL ITEMS

Net financial items, SEK m	2019	2018
<i>Assets and liabilities valued at fair value in profit or loss:</i>		
Net loss interest rate swaps	-25	-68
Total reported in profit (net financial items)	-25	-68
	2019	2018
<i>Assets and liabilities valued at amortised cost:</i>		
Interest rate income, accounts receivable	1	1
Total interest rate income according to effective interest method	1	1
Interest rate expenses, borrowing	-262	-248
Total interest rate expenses according to effective interest method	-262	-248
Leasehold fees	-31	-
Borrowing costs, bank loans ¹	-39	-52
Total	-70	-52
Total net financial items	-356	-366

¹ Allocated over the term of the loan.

UNREALISED CHANGES IN VALUE OF FINANCIAL INSTRUMENT

Unrealised changes in the value of financial instruments are not recognised in net financial items but on a separate row in the income statements.

Financial liabilities valued at fair value via the income statement held for sale amounts to SEK -75 (-73) million. The amount refers to SEK -75 (-73) million in interest rate derivatives. See note 22.

NOTE 10. TAXES

The income tax rate for Swedish limited companies was for 2019 21.4 per cent. In the income statement, the tax is allocated on current tax and deferred tax. Current tax normally means payment to the Swedish Tax Agency and is calculated on the basis of the taxable profit of the year of the individual companies. The taxable profit is often lower than the companies' reported profit and it is based on the total level which is in principle equivalent to profit from property management in the Group less tax adjustments. The adjustments are primarily applicable for the ability to use tax depreciation, deduction on constructions, tax-free divestments of properties via companies as well as the utilisation of tax loss carry-forwards.

Corporate taxation in Sweden was amended in 2019, with corporation tax reducing from 22.0 per cent to 21.4 per cent, and it will reduce further to 20.6 per cent in 2021. A limitation on interest deductions was also introduced, which briefly, means that a maximum deduction for negative interest income can be claimed corresponding to 30 per cent of a company's EBITDA (earnings before interest, taxes, depreciation and amortisation). When computing the interest deduction, any deductions against loss carry-forwards and group contributions should be considered. In the tax return, companies with positive net interest income can transfer these to companies with negative net interest income.

Kungsliden remeasured its provision for deferred tax as early as 2018 due to the reduction of corporation tax. The positive effect of a lower tax rate on year-2019 earnings was SEK 40 million, which was more than the negative effect of the interest deduction limitation regulations. The net interest income not expected to be deducted in the companies' tax returns for 2019 generate an increased tax expense of SEK 27 million, of which SEK 19 million is the exchange of interest rate derivatives, considered in advance for tax purposes. Given rising interest rate levels, the effects of the new regulations may mean that deductible interest increases given unchanged results otherwise, which may cause the tax expense to increase slightly.

Tax paid in 2019 mainly arose in acquired subsidiaries that did not have entitlement to group contributions in the first year. There are other limitations to offset taxable earnings against previous deductible losses in other entities depending on, for example, when the losses occurred, the timing of when a profitable entity was acquired and potential mergers. Rolled-in deficits in 2020 amount to SEK 2,113 million. Overall, Kungsliden judges that current tax will be low through the coming years.

Tax calculation, SEK m	2019	2018
Profit from property management	1,185	1,124
Tax deductible items		
Depreciation	-702	-409
Deduction for reconstruction	-559	-404
Other adjustments	3	-10
Non-deductible interest	131	-
Taxable profit from property management	58	301
Divestment properties	19	1
Interest rate derivatives redeemed early	-92	-214
Taxable profit for the year	-15	87
Increased/decreased loss carry-forwards	15	-76
Taxable profit	0	11
Tax payable, 21.4%/22.0%¹	0	-2

¹ Current tax excluding tax processes amounted to SEK -0 (-2) million, resulting in an effective tax payable below one per cent (<1) of profit before tax.

Tax loss carry-forwards, SEK m	2019	2018
Loss carry-forwards at beginning of year	-2,098	-2,174
Increased/decreased loss carry-forwards, this year's operations	-15	76
Loss carry-forwards in purchased companies from property acquisitions	0	-
Loss carry-forwards at end of year	-2,113	-2,098

Tax in the income statement, SEK m	2019	2018
Current tax	0	-2
Deferred tax	-622	-596
Reported tax	-622	-598

Reconciliation of effective tax, SEK m	2019	2018
Profit before tax	2,867	2,653
Tax 21.4%/22.0%	-614	-584
Divestment of properties	-5	-80
Non-deductible interest	-27	-
Adjusted taxable values from previous years	-	-62
Other non-taxable revenue	2	1
Non-deductible expenses	-1	-1
Effect of changed tax rate (20.6% in financial position)	23	128
Reported tax	-622	-598

Deferred tax on temporary differences and tax loss carry-forwards 2019, SEK m	1 Jan. '19	Via profit or loss	Purchase/Sale	31 Dec. '19
Assets				
Loss carry-forwards	432	3	0	435
Financial instruments	6	-3	-	3
Other	1	-	-	1
Deferred tax - assets	439	0	0	439
Net deferred tax liabilities	-439	0	0	-439
Deferred tax - assets	-	-	-	-
Liabilities				
Properties	-2,331	-622	26	-2,927
Deferred tax - liabilities	-2,331	-622	26	-2,927
Net deferred tax assets	439	0	0	439
Deferred tax liability	-1,892	-622	26	-2,488

Deferred tax on temporary differences and tax loss carry-forwards 2018, SEK m	1 Jan. '18	Via profit or loss	Purchase/Sale	31 Dec. '18
Assets				
Loss carry-forwards	478	-46	-	432
Financial instruments	38	-32	-	6
Other	5	-2	-2	1
Deferred tax - assets	521	-80	-2	439
Net deferred tax liabilities	-521	80	2	-439
Deferred tax - assets	-	-	-	-
Liabilities				
Properties	-1,854	-516	40	-2,331
Deferred tax - liabilities	-1,854	-516	40	-2,331
Net deferred tax assets	521	-80	-2	439
Deferred tax liability	-1,333	-596	38	-1,892

In the Statement of Financial Position, deferred tax is considered on all temporary differences for assets and liabilities, and for loss-carry forwards that Kungsliden expects to be able to use. Accounting is in accordance with applicable regulations based on nominal tax rates of 21.4 per cent and 20.6 per cent, and when realisation is expected, i.e. before or after the final tax reduction in 2021. On this basis, the tax rate has been computed at 20.6 per cent because to some extent, portfolio optimisation/property divestments correspond to consumed deficits, and in 2020, derivatives are expected to have an interest outflow, while in subsequent years, they are expected to have positive interest flows in a few cases. An exemption from accounting based on tax rates applies to temporary differences on properties acquired through asset acquisitions. In those cases, deferred tax on the temporary differences should not be recognised at the acquisition date. The temporary difference between fair value and taxable residual value for Kungsliden's properties was SEK 22,442 million as of 31 December 2019.

An estimated fair value on deferred tax can be calculated as an alternative to recognised deferred tax on the basis of the application of accounting standards, see section net asset value in note 17.

NOTE 11. EARNINGS PER SHARE AND EPRA EARNINGS / EPRA EPS

	2019		2018	
	SEK m	SEK/share ¹	SEK m	SEK/share ¹
EARNINGS PER SHARE				
Net profit for the year	2,245	10.28	2,055	9.41
PROFIT FROM PROPERTY MANAGEMENT				
Net profit for the year	2,245		2,055	
Adding back:				
Tax	622		598	
Changes in value of derivatives	75		73	
Changes in value properties	-1,762		-1,619	
Profit (loss) from property divestment	5		16	
Profit from property management	1,185	5.43	1,124	5.15
EPRA Earnings (profit from property management after tax)				
Profit from property management	1,185	5.43	1,124	5.15
Nominal tax on profit from property management (in tax return or consumed deficit)	-12	-0.05	-67	-0.31
EPRA Earnings/EPRA EPS	1,173	5.37	1,057	4.84

¹ Earnings per share before and after dilution, SEK/share

As of 31 December 2019, there were 218,403,302 (218,403,302) outstanding shares, and the average number of shares for the period January-December 2019 was 218,403,302 (218,403,302).

NOTE 12. INTANGIBLE ASSETS

SEK m	Intangible assets	
	31 Dec. '19	31 Dec. '18
Accumulated acquisition at beginning of year	18	13
Activations for the year	4	5
Accumulated acquisitions values at end of year	22	18
Accumulated depreciation at beginning of year	-6	-4
Depreciation for the year	-3	-2
Accumulated depreciation at end of year	-10	-6
Carrying amount at end of period	12	11

Intangible assets consist of development costs for business support system.

NOTE 13. INVESTMENT PROPERTIES

SEK m	19-12-31	18-12-31
Carrying amount at beginning of year	34,697	30,974
Acquisition	1,080	1,836
Investments in owned properties	1,509	1,300
Carrying amount divested properties	-738	-1,032
Unrealised changes in value ¹	1,762	1,619
Carrying amount at end of year	38,310	34,697

SEK m	Industrial/ Office	Warehouse	Retail	Other	All properties
Properties at beginning of year	25,422	5,421	2,096	1,939	34,697
Acquisitions	1,037	-	-	44	1,080
Investments in owned properties	1,139	239	61	69	1,509
Carrying amount, divested properties	-269	-21	-382	-65	-738
Unrealised changes in value ¹	1,376	272	-18	131	1,762
Properties at end of year	28,704	5,730	1,757	2,119	38,310

¹ The unrealised changes in value are recognised in the income statement on the row for properties within the changes in value of properties. For 2019, unrealised changes in value on properties were SEK 1,762 million (1,619), and the profit/loss from divestment was SEK -5 million (-16), in total SEK 1,756 million (1,603).

VALUATION OF PROPERTIES

Internal valuations of all properties have been carried out by 31 December 2019 and represent the carrying amount. To quality-assure and verify internal valuations, Kungsliden conducts external valuations on parts of its portfolio each year. In 2019, properties with value corresponding to 95 per cent of the portfolio were valued externally.

Internal valuation

Kungsliden has chosen to base the fair value of internal implemented valuations. Kungsliden regularly conducts its own internal valuations as an integral part of the business process where, for each property, an individual assessment is made of the sales value.

Valuation method

Kungsliden reports its property portfolio at fair value which is the same as market value. The fair value is based on internal valuations that are regularly conducted as an integral part of the business process where, for each property, an individual assessment is made of the sales value. The valuation is always made on the basis of level 3, meaning the input data which is not observable on the market. See description of valuation levels in note 22. There has not been any movement during the year between the valuation

SEK m	Offices	Industrial/ Warehouse	Retail	Other	Valued properties	Not externally valued	All properties
Carrying amount	27,811	5,184	1,376	2,047	36,418	1,892	38,310
External valuation	26,604	5,225	1,316	2,033	35,178		

Sensitivity analysis valuation	Change	Impact on value, SEK m
Operating net	+/-1.0%	+329/-329
Yield requirements	+/-0.1%	-618/+642

In the valuation of the properties Kungsliden applies a combination of the performance based method and site price comparison method. Each individual property's future cash flow is forecast and the present value is calculated with the residual value on the basis of a ten-year calculation period. The yield requirements that apply are based on Kungsliden's active presence in the transaction market and have been assessed on each property's unique risk as well as the analysis of the transactions carried out on each site according to their site price comparison method. For these valuations a long-term inflation assumption of 2.0 per cent has been applied.

Below table shows weighted average yield requirement within respective property segment. Yield requirements on the valuations are within the range of 4.0-7.75 per cent.

By property category	Fair value, SEK m	Average yield requirement, %	Interval yield requirement, %
Office	28,704	5.0	4.0-7.25
Industrial/Warehouse	5,730	6.2	5.4-7.75
Retail	1,757	6.0	5.25-7.25
Other	2,119	4.9	4.1-6.75
Total	38,310	5.2	4.0-7.75

By segment	Fair value, SEK m	Average yield requirement, %	Interval yield requirement, %
Stockholm	15,385	4.8	4.0-7.75
Gothenburg	4,056	5.5	4.2-7.25
Malmö	4,247	5.4	4.25-7.25
Västerås	6,736	5.5	4.9-7.0
Regional	4,438	6.1	5.45-7.5
Development properties	3,448	4.7	4.0-7.25
Total	38,310	5.2	4.0-7.75

NOTE 14. ASSETS WITH RIGHT OF USE AND LEASE LIABILITIES

The group's identified assets with right of use and lease liabilities classified in accordance with IFRS 16 are presented in the following tables. For Kungsleden, this change of accounting standard from IAS 17 to IFRS 16 means that site leasehold agreements are recognised in the Balance Sheet at an estimated present value of future rent payments. When calculating net present value of future site leasehold a discount factor of 3.25 per cent is applied. When discounting other leases, the average interest rate of the Group is applied, which was 1.9 per cent at year end. In the Income Statement, the site leasehold

agreement is recognised as a financial item in net financial items instead of as previously, as a property cost. For lease contracts apart from site leasehold agreements, the lease expense is divided between an amortisation component that is recognised as a property cost and an interest component, recognised in net financial items. The reclassification in the Income Statement did not have any effect on comprehensive income. Kungsleden has decided not to apply IFRS 16 retroactively, and accordingly, there is no restatement of year-2018 figures.

ASSETS WITH RIGHT OF USE AS OF 31 DECEMBER 2019

SEK m	Site leaseholds	Land lease	Vehicle leases	Total
Carrying amount, 1 January 2019	760	11	6	777
Capitalisation in the year	32	3	8	43
Amortisation and impairment	-	-4	-4	-8
Carrying amount at end of year	792	10	10	812

LEASE LIABILITIES AS OF 31 DECEMBER 2019

SEK m	2019
Carrying amount at beginning of year	777
New lease signings	37
Acquired leases	9
Terminated at leases	-14
Changed assumptions on measuring lease liability	3
Amortisation of lease liability	0
Carrying amount at end of year	812
Long-term lease liabilities	804
Short-term lease liabilities	8

LEASE ITEMS AFFECTING EARNINGS

SEK m	2019
Amortisation of assets with right of use	4
Interest expenses on lease liabilities	31
Expenses attributable to short-term lease liabilities	2
Expenses attributable to lease liabilities of low value	0
Variable lease payments	0
Total expenses attributable to leases	37

The group's cash flow had a total SEK 37 million (38) impact from leases.

MATURITY STRUCTURE LEASING LIABILITIES

SEK m	2019
Due for payment within one year	8
Due for payment between one to five years	11
Due for payment in more than five years	794
Total	812

To improve comparability, the following table illustrates how the current year's Income Statement and key ratios have been impacted by the change of accounting policy.

SEK m	2019	IFRS 16	2019	2018
			excluding IFRS 16	
Revenues	2,423	-	2,423	2,385
Property costs	-773	35	-808	-800
Operating net	1,650	35	1,615	1,586
Selling and administration costs	-109	-4	-105	-95
Net financial items	-356	-31	-325	-366
Profit from property management	1,185	-	1,185	1,124
Property yield, and investment properties, %	4.8		4.7	5.1
Operating surplus margin, investment properties, %	68.9		67.4	67.7
Return on total capital, %	4.1		4.0	4.4
Soliditet, %	44.0		44.9	44.5

RECONCILIATION, OPERATING LEASE OBLIGATIONS

SEK m	
Reconciliation, operating lease obligations	
Operating lease obligations for site leaseholds, 31 December 2018	344
Discounting effect and consideration of perpetual site leasehold agreements	416
Finance lease liabilities for site leaseholds, 31 December 2018	760
Vehicle lease arrangements and leases restated as of 31 December 2018	17
Lease liability, 1 January 2019	777

NOTE 15. EQUIPMENT

SEK m	31 Dec. '19	31 Dec. '18
Accumulated acquisition at beginning of year	13	12
Acquisition	1	4
Divestment/disposal	-1	-3
Accumulated acquisition value at end of year	13	13
Accumulated depreciation at beginning of year	-8	-5
Divestment/disposal	1	-1
Depreciation of the year	2	-2
Accumulated depreciation at end of year	-9	-8
Carrying amount at end of year	4	5

NOTE 17. EQUITY

At the end of the financial year, the share capital was SEK 91,001,376, and there were 218,403,302 shares. The quotient value is 0.42 (0.42). There is no dilution effect because there are no potential shares.

Net asset value, EPRA NAV and EPRA NNNAV

The net asset value can be calculated on a long term and short term basis. Long-term net asset value is based on the equity of financial position with the adding back of balanced items for derivatives and deferred tax.

The current net asset value is based on equity of financial position with adjustment to the estimated fair value of deferred tax on loss carry-forwards and temporary differences.

NOTE 16. OTHER LONG TERM RECEIVABLES

SEK m	31 Dec. '19	31 Dec. '18
Carrying amount at beginning of year	4	12
Exchange rate fluctuations	-	0
Repayments	-2	-8
Carrying amount at end of year	2	4

The repayments in 2019 was related to an endowment insurance that was sold. Repayments in 2018 were for a promissory note from the sale of seven properties executed in 2016. This promissory note was fully repaid in 2018.

Net asset value	31 Dec. '19		31 Dec. '18	
	SEK m	SEK/share	SEK m	SEK/share
Equity	17,488	80.07	15,767	72.19
Adding back:				
Derivatives	105	0.48	34	0.16
Deferred tax liability	2,488	11.39	1,892	8.66
Long-term net asset value (EPRA NAV)	20,081	91.94	17,694	81.01
Deduction:				
Fair value derivatives	-105	-0.48	-35	-0.16
Assessed fair value deferred tax ¹	-404	-1.85	-260	-1.19
Current net asset value (EPRA NNNAV)	19,572	89.61	17,399	79.66

¹ The estimated fair value of deferred tax has been computed on the basis of a discount rate of 3 per cent on expected cash flows. Loss carry-forwards are assumed to be realised over the next five years with a nominal tax rate of 21.4 per cent for 2020 and 20.6 per cent subsequently, generating a present value of the deferred tax asset of 19.6 per cent. The temporary differences on properties are expected to be realised over 50 years, with 10 per cent sold via property divestments with a nominal tax rate of 20.6 per cent and 90 per cent sold via entities where the purchaser's tax deductions are estimated at 5.5 per cent, which generates a total present value of deferred tax of 3.7 per cent. The temporary differences on derivatives are expected to be realised during contract terms (up to 8 years), generating a present value of the deferred tax asset of 20.6 per cent.

SHARE CAPITAL HISTORY

Year	Event	Change in number of shares	Total number of shares	Quotient value	Increase in share capital, SEK	Cumulative share capital, SEK
1997	Incorporation	1,000	1,000	100	100,000	100,000
1997	Share split 20:1	19,000	20,000	5	-	100,000
1997	New share issue	230,000	250,000	5	1,150,000	1,250,000
1997	Promissory note with stock options	-	250,000	5	-	1,250,000
1997	New share issue	3,750,000	4,000,000	5	18,750,000	20,000,000
1998	New share issue	2,400,000	6,400,000	5	12,000,000	32,000,000
1998	Convertible subordinated debenture	-	6,400,000	5	-	32,000,000
1999	Share split 2:1	6,400,000	12,800,000	2.50	-	32,000,000
1999	Convertible subordinated debenture	2,758,620	15,558,620	2.50	6,896,550	38,896,550
1999	New share issue	3,000,000	18,558,620	2.50	7,500,000	46,396,550
2000	New share issue	400,000	18,958,620	2.50	1,000,000	47,396,550
2005	Share split 2:1	18,958,620	37,917,240	1.25	-	47,396,550
2005	New share issue	7,583,448	45,500,688	1.25	9,479,310	56,875,860
2006	Share split 3:1	91,001,376	136,502,064	0.42	-	56,875,860
2007	Share split 2:1	136,502,064	273,004,128	0.21	-	56,875,860
2007	Share redemption	-136,502,064	136,502,064	0.21	-28,437,930	28,437,930
2007	Bonus issue	-	136,502,064	0.42	28,437,930	56,875,860
2014	New share issue	45,500,688	182,002,752	0.42	18,958,620	75,834,480
2017	New share issue	36,400,550	218,403,302	0.42	15,166,896	91,001,376

NOTE 18. INTEREST-BEARING LIABILITIES

SEK m	31 Dec. '19		31 Dec. '18	
	Nominal amount	Fair values	Nominal amount	Fair values
Liabilities to credit institutions	9,094	9,094	9,204	9,204
Bond loans (non secured)	7,000	7,124	6,082	6,082
Other borrowing	1,796	1,832	1,596	1,596
Interest rate derivatives				
Interest rate swaps, 9,450 (7,450)	105	105	30	30
Total loans and derivatives	17,995	18,155	16,912	16,912

Expiration date of bank loans and other borrowings	31 Dec. '19		31 Dec. '18	
	Nominal amount	Share, %	Nominal amount	Share, %
2019			1,682	8.9
2020	900	4.5	5,105	26.9
2021	2,400	11.9	2,892	15.2
2022	2,500	12.4	2,500	13.2
2023	4,475	22.2	1,592	8.4
2024	3,461	17.2	1,660	8.7
2025	2,478	12.3		
2026	630	3.1	630	3.3
2027	1,594	7.9	1,594	8.4
2028				
2029	1,701	8.4		
2036			1,340	7.1
Total	20,139	100.0	18,996	100.0

Unutilised credits	-2,250		-2,114	
Total utilised credits	17,889		16,882	

The Group has a bank overdraft of SEK 250 million (250) which was unutilised in any part at year end 2019 or 2018.

CHANGES IN LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES

SEK m	31 Dec. '18	Cash flows	Changes not affecting cash flow			31 Dec. '19
			Investments	Currency translations	Changes in fair value	
Long-term liabilities to credit institutions	9,204	-110	-	-	-	9,094
Current liabilities to credit institutions	0	-	-	-	-	-
Derivatives	30	0	-	-	75	105
Other long-term interest-bearing liabilities	6,246	1,900	-	-	-	8,146
Other current interest-bearing liabilities	1,432	-782	-	-	-	650
Total loans and derivatives	16,912	1,008	-	-	75	17,995

NOTE 19. PROVISION

SEK m	31 Dec. '19	31 Dec. '18
Provisions at beginning of year	5	12
Reversed unutilised amounts	-2	-7
Provisions at end of year	3	5

SEK m	31 Dec. '19	31 Dec. '18
Rental guarantee	-	-
Other	3	5
Total	3	5

SEK m	31 Dec. '19	31 Dec. '18
Due for payment within one year	-	5
Due for payment between one to five years	-	-
Due for payment in more than five years	3	-
Total	3	5

NON DISCOUNTED CASH FLOW OF FINANCIAL LIABILITIES AND DERIVATIVES

Year	Credits due ¹	Interest rate payment credits	Derivatives due	Interest rate payment derivatives
2020	650		311	-
2021	2,400		300	-
2022	2,500		235	2,000
2023	2,475		204	-
2024	3,461		166	1,450
2025	2,478		103	1,000
2026	630		95	2,000 ³
2027	1,594		74	-
2028	-		48	3,000 ²
2029	1,701		38	-
Total	17,889	1,575	9,450	140

¹ Relates to items liabilities to credit institutions as well as other interest bearing liabilities long-term and short-term.

² Start in January 2021

³ Start in June and December 2022

NOTE 20. OTHER LIABILITIES

At year-end, other liabilities consisted of SEK 29 million (10) unpaid consideration. Approx. SEK 17 million was paid in January 2020.

NOTE 21. MATURITY STRUCTURE LIABILITIES

SEK m	31 Dec. '19	31 Dec. '18
Due for payment within one year	1,603	2,246
Due for payment between one to five years	10,847	11,885
Due for payment in more than five years	7,197	3,564
Total	19,646	17,696

The maturity structure liabilities reflects long-term liabilities to credit institutions, long-term interest bearing liabilities, leasehold fees and other short-term liabilities. All accounts payable are due within one year.

NOTE 22. FINANCIAL ASSETS AND LIABILITIES

The table below presents the Group's financial assets and liabilities, stated at carrying amount and fair value, respectively, classified in the categories according to IFRS 9.

SEK m	Financial assets/liabilities measured at fair value through profit or loss		Financial assets/liabilities valued at amortized cost		Total carrying amount	
	31 Dec. '19	31 Dec. '18	31 Dec. '19	31 Dec. '18	31 Dec. '19	31 Dec. '18
Long-term receivables	-	-	2	4	2	4
Accounts receivable	-	-	22	26	22	26
Other receivables	-	-	34	27	34	27
Prepaid expenses and accrued revenues	-	-	48	41	48	41
Derivatives	-	4	-	-	-	4
Total	-	4	106	98	106	102
Interest-bearing liabilities ¹	-	-	17,889	16,882	17,889	16,882
Accounts payable	-	-	302	283	302	283
Other liabilities	-	-	194	87	194	87
Accrued expenses and deferred income	-	-	81	60	81	60
Derivatives	105	34	-	-	105	34
Total	105	34	18,466	17,312	18,571	17,346

¹ Relates to items liabilities to credit institutions as well as other interest bearing liabilities long-term and short-term.

VALUATION

The Group's maximum credit risk consists of the reported net amounts in the table above. The Group has not received any pledged assets for the financial net assets. An assessment has been made that there has been no significant increase in credit risk for any of the Group's financial assets. The counterparties are without a credit risk rating, except for liquid funds where the counterparty has a credit rating of AA-

Rental receivables of SEK 15 million (14) depreciated during the reporting period are subject to compliance measures.

The financial assets that are covered by provisions for expected loan losses according to the general method consist of cash and cash equivalents. Kungsliden applies a rating-based method per counterparty in combination with other known information and forward-looking factors for assessing expected credit losses. The Group has defined default as when payment of the claim is 90 days late or more, or if other factors indicate that payment cancellation exists. Significant increase in credit risk has not been considered to exist for any receivable or asset on the balance sheet date. Such an assessment is based on whether payment is 30 days late or more, or if significant deterioration of the rating occurs, entailing a rating below investment grade. In cases where the amounts are not deemed to be insignificant, a reserve for expected loan losses is also reported for these financial instruments.

Financial assets and liabilities excluding derivatives are reported at amortised cost less any impairment losses.

A number of OTC-derivatives are used to hedge interest risk in cash flow. There are three valuation levels:

- Level 1: according to the prices listed in an active market for the same instrument.
- Level 2: on the basis of direct or indirect observable market data which is not included in level 1.
- Level 3: from the input data which is not observable in the market.

Kungsliden's derivatives are evaluated with valuation techniques based on observable market data (level 2). These derivatives amounted to SEK -105 million (-30 net).

Fair value of financial assets valued at amortized cost have been assessed individually on the basis of the risk that the receivable will not be obtained. Similar measurement is also conducted according to the principles for carrying amount. Carrying amount has been the same as estimated fair value in the last two year-end closings. Since Kungsliden's financial assets and liabilities consist mostly of short-term instruments, no material differences between book value and fair value are judged to exist.

This year's rent losses amounts to SEK -3 million (-3).

Liabilities to credit institutions, SEK m	31 Dec. '19	31 Dec. '18
Liabilities at beginning of year	16,882	15,153
New loans	7,609	5,330
Repayment of loans	-6,602	-3,602
Liabilities at end of year	17,889	16,882

NOTE 23. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets for liabilities, SEK m	31 Dec. '19	31 Dec. '18
Property mortgages	12,029	10,713
Shares in subsidiaries	946	1,968
Total	12,975	12,681

Assets have been primarily pledged for bank loans. Covenants may exist in loan agreements in respect of interest coverage ratio and loan volume in relation to the fair value of the properties.

Contingent liabilities, SEK m	31 Dec. '19	31 Dec. '18
Other guarantees and commitments	20	20
Total	20	20

Commitments and legal responsibility for treatment of contaminated soil may arise in the future, both in regards to owned and sold properties. Expenses may arise for example in the form of increased expenses for the remediation of soil in connection with new, refurbishment or extension construction or price reduction on the divestment of a property. To assess any possible future amounts is not possible. In addition, disputes in the business arise from time to time. The outcomes are often difficult to assess. When a dispute is likely to result in a cost for the Group, this is taken into account in the financial statements.

NOTE 24. ADDITIONAL DISCLOSURES ON CASH FLOW

Other adjustments not included in cash flow from operating activities, SEK m	2019	2018
Depreciation and impairment	5	5
Provision/confirmed for rental and bad debt losses	2	-8
Increase(+)/decrease(-) in interest liabilities	-3	10
Total	3	7

Interest rates, SEK m	2019	2018
Interest rates received	1	1
Interest rates paid	-290	-301

Acquisition of the subsidiary, SEK m

Acquired assets and liabilities	2019	2018
Investment properties	1,036	1,836
Operating receivables	3	6
Cash equivalents ¹	2	6
Total assets	1,041	1,849

Deferred tax	0	0
Interest-bearing liabilities	0	0
Operating liabilities	14	30
Total provisions and liabilities	14	30

Cash payment, shares	403	856
Cash payment, repayment of loans	624	963
Deducted: cash equivalents in acquired business	-2	-6
Effect on cash equivalents acquired companies	1,025	1,813

Divestment of subsidiaries, SEK m

Divested assets and liabilities	2019	2018
Investment properties	733	760
Operating receivables	25	1
Cash equivalents	0	0
Total assets	758	761

Deferred tax	9	53
Operating liabilities	71	22
Total provisions and liabilities	80	76

Purchase price received, shares	308	548
Cash received, repayment of loans	369	136
Purchase price received	677	685
Deducted: cash equivalents in divested operations	0	0
Effect on cash equivalents for wholly-owned subsidiaries	677	685

¹ In Cash equivalents include cash and bank balances as well as any cash equivalents related to assets held for sale.

NOTE 25. TRANSACTIONS WITH RELATED PARTIES

Compensation to Directors and senior executives for services rendered is stated in note 7. Apart from this, no transactions were executed with any related entity or private individual.

NOTE 26. EVENTS AFTER THE REPORTING DATE

Since the end of the year, there has been a worldwide outbreak of the Covid-19 coronavirus. Determining the consequences this will have in the short and long term is very difficult at present, for the market and for Kungsliden.

Income Statement – Parent Company

SEK m	Note	2019	2018
Intra-group revenue		0	0
Administration costs	2,3	-31	-34
Operating profit (loss)		-31	-34
PROFIT (LOSS) FROM FINANCIAL ITEMS			
Profit (loss) from participations in group companies	4	-151	386
Interest rate revenue and similar items	4	634	328
Interest rate expenses and similar items	4	-242	-251
		241	463
Profit before tax		210	429
TAX			
Deferred tax	5	-5	-43
Net profit for the year		205	386

Statement of Comprehensive Income – Parent Company

SEK m	2019	2018
Net profit for the year as per income statement	205	386
Profit (loss) for the year	205	386

Comments on the Income Statement

Financial income and expenses mainly consist of intra-group interest income and interest expenses for bonds, as well as interest in swap contracts for the Group's funding. Transactions linked to holdings in

subsidiaries are also reported as financial income and expenses. After tax, profit for the year was SEK 205 million (386).

Proposed appropriation of profits

The following unappropriated earnings are at the disposal of the AGM, SEK:

Profit (loss) brought forward	4,485,668,918
Share premium reserve	3,133,547,165
Net profit for the year	205,438,648
Total	7,824,654,731

The Board of Directors proposes that earnings are appropriated as follows, SEK:

Dividend to shareholders of SEK 2.60 per share	567,848,585
Share premium reserve	3,133,547,165
Carried forward	4,123,258,980
Total	7,824,654,731

Kungsleden's dividend policy states that the dividend should grow at a rate commensurable with the progress of profit from property management.

With the support of the dividend policy, and against the background of the parent company's and the group's financial position, the Board of Directors is proposing a dividend of SEK 2.60 per share for the financial year 2019.

The Board regards the equity ratio of 42 per cent as satisfactory, particularly considering that the parent company and the group have higher earnings capacity after the major property acquisitions executed in recent years. Adjusted for proposed dividend the equity ratio at year-end is 41 per cent.

As of 31 December 2019, available liquidity including unutilised credit facilities was SEK 603 million. Against this background, the Board considers that the liquidity reserve of the group remains secure.

The Board's opinion is that the proposed dividend will not prevent the company, or other companies within the group, from satisfying their obligations in the short and long term, nor from executing the necessary investments. Accordingly, the proposed dividend is justifiable with consideration to the stipulations of chap. 17 §3, second and third paragraphs of the Swedish Annual Accounts Act (principle of prudence).

The proposed appropriation of profits will be submitted for approval at the Annual General Meeting on 23 April 2020.

Balance Sheet - Parent Company

SEK m	Note	2019-12-31	2018-12-31
ASSETS			
<i>Non-current assets</i>			
Participations in group companies	6	2,572	3,018
Receivables from group companies	7,11	15,122	-
Deferred tax asset	5	189	194
Other long-term receivables	8,11	2	2
Total non-current assets		17,885	3,214
<i>Current assets</i>			
Receivables from group companies	11	436	18,802
Other receivables	11	2	1
Prepaid expenses and accrued revenue	9	11	13
Cash and bank		350	470
Total current assets		799	19,286
TOTAL ASSETS		18,684	22,500
EQUITY AND LIABILITIES			
<i>Equity</i>			
<i>Restricted equity</i>			
Share capital (218,403,302 shares)		91	91
		91	91
<i>Non-restricted equity</i>			
Accumulated profit or loss		4,486	4,623
Share premium reserve		3,134	3,134
Net profit for the year		205	386
		7,825	8,143
Total equity		7,916	8,234
<i>Provisions</i>			
Provisions for pensions and similar obligations		2	2
Total provisions		2	2
<i>Long-term liabilities</i>			
Bond Loans		7,000	5,100
Derivatives		105	35
Liabilities to group companies		994	-
Total long-term liabilities	10-12	8,099	5,135
<i>Short-term liabilities</i>			
Liabilities to credit institutions		650	1,432
Accounts payable		1	2
Liabilities to group companies		1,843	7,534
Other liabilities		131	120
Accrued expenses and deferred revenue	13	42	41
Total short-term liabilities	11,12	2,667	9,129
TOTAL EQUITY AND LIABILITIES		18,684	22,500

Comments on the Balance Sheet

The assets at the end of the period mainly consisted of participations in group companies of SEK 2,572 million (3,018). There were also essential receivables and liabilities to group companies, which the net was a receivable of SEK 12,721 million (11,268).

The financing was mainly through equity which at the end of the year amounted to SEK 7,916 million (8,234), giving an equity ratio of 42 per cent (37).

Statement of Changes in Equity – Parent Company

SEK m	Restricted equity	Non-restricted equity		Total equity
	Share capital	Share premium reserve	Non restricted equity	
Opening equity, 1 Jan. '18	91	3,134	5,104	8,328
Net profit for the year	-	-	386	386
Total change in wealth excl. transactions with the company's owners	-	-	386	386
Dividend	-	-	-480	-480
Total transactions with the company's owner	-	-	-480	-480
Closing equity, 31 Dec. '18	91	3,134	5,010	8,234
Opening equity, 1 Jan. '19	91	3,134	5,010	8,234
Net profit for the year	-	-	205	205
Total change in wealth excl. transactions with the company's owners	-	-	205	205
Dividend	-	-	-524	-524
Total transactions with the company's owner	-	-	-524	-524
Closing equity, 31 Dec. '19	91	3,134	4,691	7,916

Cash Flow Statement – Parent Company

SEK m	Note 14	2019	2018
OPERATING ACTIVITIES			
Profit before tax		210	429
Dividends, not settled		-372	-750
Group contributions received		-32	-93
Impairment, group companies		555	1,950
Gain (loss) from liquidation		-	2
Value change, derivatives, not affecting cash flow		70	-136
Interest income, not received		-	-
Cash flow from operating activities before change in working capital		431	1,402
<i>Changes in working capital</i>			
Increase(+)/decrease(-) in operating receivables		18,771	-3,535
Increase(+)/decrease(-) in operating liabilities		-7,346	-967
Cash flow from operating activities after change in working capital		11,856	-3,100
INVESTING ACTIVITIES			
Loans to group companies		-15,122	-
Divestment of group companies		-	37
Cash flow from investing activities		-15,122	37
FINANCING ACTIVITIES			
New loans		4,641	3,820
Repayment of loans		-982	-218
Dividend		-513	-360
Cash flow from financing activities		3,146	3,242
Cash flow for the year		-120	179
Cash equivalents at beginning of year		470	291
Cash equivalents at end of year		350	470

Notes – Parent Company

NOTE 1. ACCOUNTING POLICIES PARENT COMPANY

Parent company Kungsliden AB, has prepared its annual accounts in accordance with the Annual Accounts Act and RFR 2. The applied accounting policies appear in the applicable parts of the accounting policies for the Group with the addition of the following for the parent company. The accounting policies are unchanged compared to the previous year.

NEWLY APPLIED STANDARDS

The Kungsliden group applies IFRS 16 effective 1 January 2019. The parent company utilises the exemption of the application of IFRS 16, which means that all leases are recognised as an cost on a straight-line basis over the lease term.

SHARES IN GROUP COMPANIES

Shares in Group companies are recognised at historical cost. The value is regularly tested for impairment.

FINANCIAL INSTRUMENTS

Due to the connection between accounting and taxation, the rules on financial instruments according to IFRS 9 in the parent company are not applied as legal entity, but the parent company applies the acquisition accounting in accordance with the Swedish Annual Accounts Act. In the parent company, therefore, financial fixed assets are valued at cost and financial current assets according to the lower of cost or market, with application of impairment losses for expected loan losses according to IFRS 9 for assets that are debt instruments. For other financial assets, write-downs are based on market values. Derivative instruments with a negative fair value are reported as a liability to the negative fair value with a change in value in profit or lost.

The parent company applies a rating-based method for calculating expected credit losses on intra-group receivables based on the probability of default, expected loss and exposure in the event of default. The parent company has defined default as when payment of the claim is 90 days delayed or more, or if other factors indicate that the payment default is present. The parent company believes that the subsidiaries currently have similar risk profiles and the assessment is done on a collective basis. Significant increase in credit risk has not been considered to exist for any intra-group receivable on the balance sheet date. The parent company's receivables from its subsidiaries are subordinated external lenders' claims for which the subsidiary's properties are pledged as collateral. The parent company applies the general method to the intra-group receivables. The parent company's expected loss in the event of default takes into account the subsidiaries' average loan-to-value ratio and the expected market value in the event of a forced sale. Based on the parent company's assessments according to the above method, taking into account other known information and forward-looking factors, expected loan losses are not deemed to be significant and no provision has therefore been reported.

FINANCIAL GUARANTEES

The parent company's financial guarantee agreement consists of guarantees on behalf of companies within the Group. For reporting of financial guarantees, the parent company applies one of the RFR2 permitted relief regulations compared to the regulations in IAS 39 Financial Instruments: Reporting and valuation. The parent company reports financial guarantee agreements as a provision in the balance sheet when the company has a commitment for a probable payment. Otherwise the obligation is reported as contingent liabilities.

GROUP CONTRIBUTIONS

Group contributions received from a subsidiary are reported according to the same policies as conventional dividends from subsidiaries. Group contributions paid to subsidiaries are reported as an investment in participations in group companies.

Shareholder contributions are reported by the maker as an increase in the shares' net book value and by the recipient as an increase in non-restricted equity.

DIVIDEND

Dividends from subsidiaries and associated companies are reported as revenue when the right to dividend is established.

Anticipated dividend from subsidiaries are recognised when the parent company has the sole right to decide on the size of the dividend and the parent company has taken a decision on the size of the dividend before publishing its financial statements.

If the carrying amount in the parent company's holding in the subsidiary or associated company would exceed the carrying amount in the financial statements this is to be considered as an indication of impairment and impairment test should be carried out.

NOTE 2. ADMINISTRATION COSTS

Administration costs, SEK m	2019	2018
Personnel costs	-17	-19
Other operating expenses	-14	-15
Total	-31	-34

Administration costs relate primarily to costs of central functions such as business development, accounting and finance, legal and IT, as well as costs attributable to stock exchange listing and the Group's management team.

Within SEK 31 million (34) of the administrative costs, personnel costs constitute the largest item at SEK 17 million (19), and mainly relates to compensation to Group Management and Board members.

The auditors invoiced SEK 4 million to the parent company in 2019. Audit fees for other group companies have been reinvoiced.

NOTE 3. EMPLOYEES, PERSONNEL EXPENSES AND BOARD FEES

Average number of employees	2019	Share of women, %	2018	Share of women, %
Sweden	2	100	3	67
Total	2	100	3	67

	2019		2018	
	Salaries, other bonuses and social security expenses, SEK 000	Social security expenses	Salaries, other bonuses	Social security expenses
Board of Directors, CEO and Deputy CEO	11,020	5,033	14,234	7,719
(of which pension expenses)		(1,675)		(2,753)
Total	11,020	5,033	14,234	7,719
		(1,675)		(2,753)

Fees are paid to the Board of Directors according to the resolution of the Annual General Meeting. For the information of bonuses paid to each Board member and bonuses paid to senior executives, see note 7 in the Group.

NOTE 4. PROFIT (LOSS) FROM FINANCIAL ITEMS

Profit (loss) from financial items, SEK m	2019	2018
<i>Assets and liabilities measured at amortised cost</i>		
Interest rate income – group companies	634	328
Total interest rate income according to effective interest method	634	328
Interest rate expenses – other companies	-172	-174
Total interest rate expenses according to effective interest method	-172	-174
Derivatives	-70	-77
Dividends	372	2,241
Group contributions received	32	93
Profit (loss) from disposal of shares	-	2
Impairment of subsidiaries	-637	-1,993
Reversal of impairment losses – subsidiaries	82	43
Total	-221	309
Total from financial items	241	463

NOTE 5. TAXES

Tax in the income Statement, SEK m	2019	2018
Deferred tax	-5	-43
Reported tax	-5	-43
Reconciliation of effective tax, SEK m	2019	2018
Profit before tax	210	429
Tax, 21.4 per cent/22.0 per cent	-45	-94
Dividends from group companies	80	493
Impairment of shares in group companies	-119	-429
Overtaken negative net interest from group companies	80	-
Other	-1	-
Effect of changed tax rate	-	-13
Reported tax	-5	-43

No tax is reported directly to equity.

Deferred tax on temporary differences and tax loss carry-forwards, SEK m	At the beginning of the year	In the income statement	Vid årets slut
Loss carry-forwards	186	0	186
Financial instruments	7	-5	2
Other temporary differences	1	0	1
Total	194	-5	189

NOTE 6. SHARES IN GROUP COMPANIES

SEK m	31 Dec. '19	31 Dec. '18
Accumulated acquisition values at beginning of year	8,155	12,016
Acquisition	-	-
Divestments of subsidiaries	-	-4,867
Shareholder contributions	109	1,006
Accumulated cost values at end of year	8,264	8,155
Accumulated impairment at beginning of year	-5,137	-8,018
Reversal of impairment	82	43
Impairment for the year	-637	-1,993
Divestments of subsidiaries	-	4,831
Accumulated impairment at end of year	-5,692	-5,137
Carrying amount at end of year	2,572	3,018

Directly owned subsidiaries are listed below. Other group companies are not included in the parent company's annual accounts since the information, with regards to the requirement of giving a fair view, is of little relevance. However other companies are presented in each subsidiary's annual accounts.

SPECIFICATION OF PARENT COMPANY HOLDINGS OF SHARES IN GROUP COMPANIES

Directly owned subsidiaries' CIN/registered location	Number of shares	Share % ¹	Book value, SEK m	
			31 Dec. '19	31 Dec. '18
Kungsleden Fastighets AB, 556459-8612, Stockholm	200	100	392	453
Kungsleden Syd AB, 556480-0109, Stockholm	1,000	100	75	38
Kungsleden Mattan AB, 556718-3354, Stockholm	1,000	100	129	131
Kungsleden Friab AB, 556742-6548, Stockholm	1,000	100	657	1,159
Kungsleden Kalinka Holding AB, 556844-2957, Stockholm	50,000	100	880	869
Kungsleden Holding GmbH, Germany	1	100	-	-
Kungsleden Balsberget AB, 556919-3013, Stockholm	50,000	100	1	1
Kungsleden Vegaholding AB, 556919-3047, Stockholm	50,000	100	135	135
Kungsleden Kebnekaise AB, 556968-3187, Stockholm	500	100	24	17
Kungsleden Grönberget Holding AB, 556990-0805, Stockholm	500	100	3	3
Kungsleden Grönberget AB, 556989-0410, Stockholm	500	100	116	116
Kungsleden Tegel AB, 559025-8298, Stockholm	500	100	17	17
Kungsleden Holdmix 3 AB, 559007-2665, Stockholm	500	100	29	-
Kungsleden Holdmix 4 AB, 559055-4431, Stockholm	500	100	12	1
Kungsleden Lustfarm AB, 556654-9720, Stockholm	1,000	100	97	78
Kungsleden Isskrapan AB, 559084-5870, Stockholm	500	100	5	-
Total			2,572	3,018

¹ This refers to the ownership share of the capital, which also corresponds to the share of votes for the total number of shares.

NOTE 7. RECEIVABLES FROM GROUP COMPANIES

SEK m	31 Dec. '19	31 Dec. '18
Receivables at beginning of year	-	-
New receivables	15,122	-
Total	15,122	-

NOTE 8. THER LONG-TERM RECEIVABLES

SEK m	31 Dec. '19	31 Dec. '18
Receivables at beginning of year	2	2
Reversals of short-term receivable	-	-
Total	2	2

NOTE 9. PREPAID EXPENSES AND ACCRUED REVENUES

SEK m	31 Dec. '19	31 Dec. '18
Prepaid expenses	11	13
Total	11	13

NOTE 10. LOANS AND INTEREST RATE DERIVATIVES

The parent company has 17 (nine) bond loans. In addition there are also interest rate derivatives for both its own loans and other group companies' external loans.

There is a bank overdraft of SEK 250 (250) million which was unutilised at year-end 2019 or 2018.

The maturity dates of loans and interest rate derivatives follow:

Maturity date, SEK million	31 Dec. '19		31 Dec. '18	
	Bank and bond loans	Interest rate derivatives, nominal amount	Bank and bond loans	Interest rate derivatives, nominal amount
2019			1,432	
2020	650			
2021	2,400		2,400	
2022	2,500	2,000	2,500	2,000
2023	1,100		200	3,000
2024	1,000	1,450		1,450
2025		1,000		1,000
2026		2,000		
2027				
2028		3,000		
Total	7,650	9,450	6,532	7,450

NOTE 11. FINANCIAL ASSETS AND LIABILITIES

SEK m	Receivables from group companies and others		Other financial liabilities		Total carrying amount	
	31 Dec. '19	31 Dec. '18	31 Dec. '19	31 Dec. '18	31 Dec. '19	31 Dec. '18
Other long-term receivables	2	2	-	-	2	2
Receivables from group companies	15,558	18,802	-	-	15,558	18,802
Other receivables	-	-	-	-	-	-
Total assets	15,560	18,804	-	-	15,560	18,804
Long-term liabilities ¹	-	-	7,105	5,135	7,105	5,135
Accounts payable	-	-	1	2	1	2
Liabilities to group companies	-	-	2,837	7,534	2,837	7,534
Other liabilities ¹	-	-	781	1,552	781	1,552
Total liabilities	-	-	10,724	14,223	10,724	14,223

¹ Fair value of the company's interest rate derivatives amounts to SEK -105 (-30) million.

The parent company's derivatives are measured using valuation techniques based on observable market data (level 2). Fair value of these derivatives amounted to SEK -105 (-30) million. Information on valuation of financial instruments is in the Group's note 22.

CHANGES IN LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES

SEK m	31 Dec. '18	Cash flows	Changes not affecting cash flow			31 Dec. '19
			Investments	Currency translations	Changes in fair value	
Derivatives	35	-	-	-	70	105
Bond loans	5,100	1,900	-	-	-	7,000
Other current interest-bearing liabilities	1,432	-782	-	-	-	650
Total loans and derivatives	6,567	1,118	-	-	70	7,755

NOTE 12. MATURITY STRUCTURE LIABILITIES

SEK m	31 Dec. '19	31 Dec. '18
Due for payment within one year	2,625	9,088
Due for payment between one to five years	7,994	5,100
Due for payment in more than five years	-	-
Total	10,619	14,188

Maturity structure interest-bearing liabilities as well as operating liabilities excluding tax liabilities and undervalue derivatives.

NOTE 13. ACCRUED EXPENSES AND DEFERRED REVENUE

SEK m	31 Dec. '19	31 Dec. '18
Accrued interest expenses	33	33
Accrued employee expenses	9	8
Total	42	41

NOTE 14. ADDITIONAL DISCLOSURES ON CASH FLOW

No other means than cash and bank are included in the items cash equivalents.

Interest rates etc, SEK m	2019	2018
Dividends received	372	2,241
Interest rates received	634	328
Interest rates paid	-172	-174

NOTE 15. TRANSACTIONS WITH RELATED PARTIES

Transactions with group companies, SEK m	2019	2018
Sales of goods/services to related parties	-	-
Other, e.g interest rate, dividend, group contributions	1,021	2,662

Items in the balance sheet	31 Dec. '19	31 Dec. '18
Receivables of group companies	15,558	18,802
Liabilities to group companies	-2,837	-7,534

Remuneration to Board members and senior executives for completed work is disclosed in note 3 and in the Group's note 7. No transactions in addition to these payments have been made with any of their related companies or individuals.

NOTE 16. PLEDGED ASSETS

Pledged assets	31 Dec. '19	31 Dec. '18
Security commitment for group companies	24	150
Total	24	150

NOTE 17. CONTINGENT LIABILITIES

Contingent liabilities	31 Dec. '19	31 Dec. '18
Guarantees in favour for group companies	12,240	12,794
Total	12,240	12,794

NOTE 18. APPROPRIATION OF PROFITS

The following unappropriated profits are at the disposal of the AGM, SEK:

Profit (loss) brought forward	4,485,668,918
Share premium reserve	3,133,547,165
Net profit for the year	205,438,648
Total	7,824,654,731

The Board of Directors proposes that the profits are disposed of as follows, SEK:

Dividend to shareholders of SEK 2.60 per share	567,848,585
Share premium reserve	3,133,547,165
Carried forward	4,123,258,980
Total	7,824,654,731

NOTE 19. EVENTS AFTER THE REPORTING DATE

No significant events have occurred after the reporting date.

Annual Report signatures

The Board of Directors and the CEO hereby declare that the annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated accounts have been prepared in accordance with the international accounting standards as referred to in European Parliament and Regulation (EC) No 1606/2002 as of 19 July 2002 on the application of international accounting standards. The annual accounts and consolidated accounts give a true and fair view of the parent company's and the Group's financial position and results of operations. The Board of Directors' report for the parent company and the Group gives a true and fair view of the progress of the parent company and the Group's operations, financial position and results of operations, and describes the significant risks and uncertainties faced by the parent company and Group companies.

Stockholm, Sweden, 17 March 2020

Charlotte Axelsson
Chair

Ingalill Berglund
Board member

Jonas Bjuggren
Board member

Christer Nilsson
Board member

Ulf Nilsson
Board member

Charlotta Wikström
Board member

Biljana Pehrsson
CEO

Our Audit Report was submitted on 18 March 2019
Ernst & Young AB

Ingemar Rindstig
Authorised Public Accountant

Jonas Svensson
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of Kungsleden AB (publ), corporate identity number 556545-1217

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Kungsleden AB (publ) except for the corporate governance statement on pages 78-91 for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 72-76 and 92-125 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 78-91. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of properties

Description

Kungsleden records properties at fair value and the property portfolio was valued at SEKm 38,310 at December 31, 2019 and changes in value amounted to SEKm 1,756. The group's properties amount to 96% of the total balance sheet as at December 31, 2019. The valuation is based on judgments and assumptions, which may have a significant impact on the group's result and financial position.

The basis for the valuation is an individual assessment of each property's future earnings and the market yield. Changes in unobservable inputs used in the valuation have been analyzed by management each quarter, and compared to information from external appraisals. A description of the property valuation is found in note 13 and critical assessments made in note 3.

Based on the many judgements and assumptions made in preparing the valuation of properties, we consider this area as a key audit matter in our audit.

How our audit addressed this key audit matter

We have reviewed and evaluated management's valuation procedures. We have reviewed a sample of prepared internal valuations, and we have reviewed that the valuations agree with the internal policy for valuation and method used by Kungsleden. We have reviewed input and calculations in the internal valuation model for a selection of properties. We have also compared the values accounted for by Kungsleden with the valuations prepared for control purposes by external appraisals. We have discussed important assumptions and judgements with Kungsleden's internal valuation specialist. Our sample of properties have mainly covered the properties where there have been largest variations in value compared to previous quarters and last year. We have performed comparisons to known market information. With assistance from our property valuation specialist, we have checked the reasonability in assumptions made such as yield, rental revenue and operational cost, for a number of properties. We have reviewed relevant disclosure notes to the financial statements.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4-71, 77 and 128-155. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of ABC AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall

manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 78-91 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Kungsliden AB by the general meeting of the shareholders on the 26 April 2019 and has been the company's auditor since the 28 April 2016.

Stockholm 18 March, 2020
Ernst & Young AB

Ingemar Rindstig
Authorized Public Accountant

Jonas Svensson
Authorized Public Accountant

A man with short brown hair and a light beard, wearing a white short-sleeved button-down shirt, is sitting at a wooden table outdoors. He is looking down at a document he is holding in his left hand, with a black pen in his right hand. The background is a lush garden with green bushes and tall grasses. The text "IN-DEPTH SUSTAINABILITY INFORMATION" is overlaid in white, with a green square to the left of the first word.

■ IN-DEPTH SUSTAINABILITY INFORMATION



GRI-index and EPRA

Kungsleden's sustainability reporting summarises sustainability work in 2019 and constitutes the Statutory Sustainability Report. It has been prepared in accordance with the GRI (Global Reporting Initiative) standard's Core level, with the Construction & Real Estate Sector Supplement (CRESSE) and the EPRA's (European Public Real Estate Association) sBPR (Best Practices Recommendations on Sustainability Reporting). This section states in-depth sustainability information, and supplements the information produced in previous Annual Reports. The section also includes Kungsleden's CoP for the Global Compact, which satisfies the Active level.

Kungsleden's material sustainability issues	Governance
Energy	Sustainability Policy & Strategy
Emissions	Sustainability Policy & Strategy
Environmental impact of products and services	Sustainability Policy & Strategy
Soil contamination and remediation	Sustainability Policy & Strategy
Labelling of products and services	Sustainability Policy & Strategy Business Plan
Anti-corruption	Procurement Policy Business Networking Guidelines Guidelines for Incidental Employment & Conflicts of Interest
Supplier assessment of working conditions	Code of Conduct for Suppliers
Diversity and gender equality	Equal Opportunity & Diversity Policy
Skills management of employees	Skills Management Policy
Employee health & safety	Occupational Health & Safety Policy Alcohol & Drug Policy
Customer health & safety	Sustainability Policy & Strategy
Economic performance	Business Plan
Whistle-blowing function	Guidelines for whistle-blowing errands and handling

ECONOMIC PERFORMANCE

201-1 Direct economic value generated and distributed

Directly created value was SEK 3,147 million, and retained economic value was SEK 1,384 million. All companies exert a direct impact on their economies through payments to business partners, taxes and salaries, pensions and social security contributions for employees. The following diagram illustrates how Kungsleden's revenues were divided between its different stakeholder groups in 2019.

OUR CONTRIBUTION TO SOCIETY 2019, TOTAL SEK 1,763 M

	2017	2018	2019
Operating expenses, excl. employees	740	762	750
Employees	165	133	132
Dividend to shareholders	437	480	524
Interest	434	367	356
Social investment	1	1	1
Tax (exc. deferred tax)	0	2	0
Total	1,777	1,745	1,763

EMPLOYEE HEALTH & SAFETY

403-2 Hazard identification, risk assessment, and incident investigation

	Unit	2017	2018	2019
Total number of working days lost due to inability to work (e.g. sickness absence, but also other types of absence apart from the 'normal' ones, i.e. not weekends, holidays, occupational leave, parental leave, etc.)	days	5,549	6,803	5,527
Above days, women	days	4,694	4,708	4,859
-of which long-term sickness absence	days	2,227	2,633	3,673
Above days, men	days	855	2,095	668
-of which long-term sickness absence	days	0	1,312	108
Total number of planned working days (total for all employees)	days	199,898	203,988	210,061
Above days, women	days	101,705	107,172	109,541
Above days, men	days	98,148	98,816	100,520

LAND DEGRADATION, CONTAMINATION AND REMEDIATION

G4-CRE5 Land remediated and in need of remediation

In 2019, Kungsleden continued its work according to the plan established after the mapping process executed in 2016, when all properties held were categorised according to be contamination situation in one of the following five categories. All new acquisitions have been systematically reviewed and classified by contamination situation.

Category 1: Contamination detected that requires remediation. Category 2: MIFO class 1 or 2 or other motivation for investigation required. Potential detection of contamination that requires remediation programme. Category 3: MIFO class 3 or 4 or contamination detected that does not require remediation. Category 4: Risk of contamination, but none detected and no sector classification. Category 5: No contamination detected and no reason for suspicion.

This assessment is based on documentation in public records and internal materials and investigation. Kungsleden has not been imposed with any instructions for remediation of soil contamination. No portfolio property is currently classified in category 1.

GRI complement

ORGANISATIONAL PROFILE

102-8 Information on employees and other workers

	Unit	2017	2018	2019
Total no. of employees	no.	110	107	120
-of which women	no.	56	56	63
No. of permanent employees	no.	54	55	63
-of which full time	no.	53	54	62
-of which part time	no.	1	2	1
No. of fixed-term employees	no.	2	1	0
-of which men	no.	54	51	57
No. of permanent employees	no.	54	51	57
-of which full time	no.	53	51	0
-of which part time	no.	1	0	0
No. of fixed-term employees	no.	0	0	0

102-40 Stakeholder groups

102-42 Identifying and selecting stakeholders

102-43 Approach to stakeholder engagement

The following table lists Kungsleden's most important stakeholders, how we maintain a dialogue with them, and the issues the various stakeholders view as most important. These stakeholders are important to Kungsleden because they have major influence on the company or are impacted by the company's operations. Through the Annual Report, we review how we address our stakeholders' standards and expectations.

Stakeholder group	Dialogue in the year
Shareholders, investors and financial analysts	<ul style="list-style-type: none"> • AGM • New share issue • Scheduled meetings • Regular contact • Capital markets day • Annual Report
Employees	<ul style="list-style-type: none"> • Yearly appraisal and salary review interviews • Regular dialogue with line managers • Employee satisfaction survey • Staff conference
Wider society	<ul style="list-style-type: none"> • Contacts with business community and decision-makers • Website updates
Suppliers	<ul style="list-style-type: none"> • Regular contact • Audits and performance reviews • Clarification of standards in tenders pursuant to Kungsleden's templates for suppliers
Tenants	<ul style="list-style-type: none"> • Regular contact • Meetings in the year • Website

Scope	Activity	Activity data	Conversion factor
Scope 1	Oil purchased by Kungsleden that is not reinvoiced to customers based on separate measurement or invoicing of actual consumption.	Internal gathering of statistics of purchased oil and reinvoicing systems.	Heating oil: 0.268 ton CO ₂ /MWh. Source: Statistics Sweden, Conversion of Statistics Sweden energy statistics to CO ₂ emissions, 29 May 2009 w. 2
Scope 2	Electricity purchased by Kungsleden that is not reinvoiced to customers based on separate measurement or invoicing of actual consumption.	Internal gathering of statistics of purchased electricity and reinvoicing systems.	Certified renewable energy: 4 g CO ₂ /kWh. Source: Göteborg Energy
Scope 2	District heating purchased by Kungsleden that is not reinvoiced to customers based on separate measurement or invoicing of actual consumption.	Internal gathering of statistics of purchased district heating and reinvoicing systems.	Statistics from each district heating provider.

DIVERSITY AND GENDER EQUALITY

102-8 Information on employees

405-1 Composition of company by gender and age group

	2017	2018	2019
Board of Directors			
No. of women	5	4	3
-of which aged under 30	0	0	0
-of which aged 30-50	0	0	0
-of which aged over 50	5	4	3
No. of men	2	2	3
-of which aged under 30	0	0	0
-of which aged 30-50	0	1	1
-of which aged over 50	2	1	2
Management			
No. of women	6	6	6
-of which aged under 30	0	0	0
-of which aged 30-50	4	4	5
-of which aged over 50	2	2	1
No. of men	3	3	3
-of which aged under 30	0	0	0
-of which aged 30-50	0	0	0
-of which aged over 50	3	3	3
Other			
No. of women	58	50	57
-of which aged under 30	4	8	7
-of which aged 30-50	42	33	36
-of which aged over 50	12	9	14
No. of men	52	48	54
-of which aged under 30	6	4	9
-of which aged 30-50	25	27	32
-of which aged over 50	21	17	13
Total	110	107	120

Summary of Kungsleden's satisfaction of the reporting standards of the Swedish Annual Accounts Act

Segment	Disclosure	Pages
Overall	Business model	12-13
Environment	Policy and environmental issues Risks and their management within environmental issues Goals are performance related to environmental issues	54, 56, 57, 74, 130-132
Human resources and social conditions	Policy och social issues Risks and their management within social issues Goals and performance related to social issues	48-51, 54, 56, 74, 130-132
Respect for human rights	Policy och social issues Risks and their management within social issues Goals and performance related to social issues	56, 58, 74, 130-132
Anti-corruption	Policy for work on anti-corruption Risks and their management within anti-corruption Goals and performance related to anti-corruption	55, 56, 74, 130-132

Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Kungsleden AB (publ),
corporate identity number 556545-1217.

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2019 on pages 130-139 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A statutory sustainability statement has been prepared.

Stockholm 18 March 2020
Ernst & Young AB

Ingemar Rindstig
Authorized Public Accountant

Jonas Svensson
Authorized Public Accountant

GRI-index

Kungsleden’s reporting is compliant with the GRI (Global Reporting Initiative) standard’s Core level. A GRI index that indicates the sources of in-depth information is provided below. Kungsleden has adopted GRI as its system and guidelines to improve comparability with other entities within and outside its sector.

GRI Standard	Disclosure	Description	Comment	Page reference	Link to global goals
General Disclosures					
GRI 102: General Disclosures 2016	Organisationsprofil				
	102-1	Organisational profile	Kungsleden Fastighets AB, corporate identity number 556459-8612	GRI-index, page 134	
	102-2	Activities, brands, products, and services		Cover page, page 4	
	102-3	Location of headquarters	Stockholm, Sweden	GRI-index, page 134	
	102-4	Location of operations	Kungsleden conducts operations in Sweden only	GRI-index, page 134	
	102-5	Ownership and legal form		Page 4, 12-13	
	102-6	Markets served	Sweden	GRI-index, page 4	
	102-7	Scale of the organization		Page 5, 48-51	
	102-8	Information on employees	Information stated as of 31 Dec. 2019, i.e. not averages for the year. All employees are located in Sweden. HR data from Kungsleden’s HR systems.	Page 56, 58-59, 74, 131	Goal 8
	102-9	Supply chain		Page 58-59	
	102-10	Significant changes to the organization and its supply chain	No material changes in the year	GRI-index, page 134	
	102-11	Precautionary Principle or approach	Kungsleden has signed the UN Global Compact, whose environmental undertakings include the precautionary principle.	GRI-index, page 134	
	102-12	External initiatives	Global Compact, Global Reporting Initiative, EPRA, BREEAM, LEED, BVB.	GRI-index, page 134	
102-13	Membership of associations	Fossil-free Sweden, Sweden Green Buildings Council, BVB, Fastighetsägarnas hållbarhetsråd (the Swedish Property Owners’ Sustainability Council), the USGBC, UN Global Compact, the LEED Council and GRESB are associations where Kungsleden has an active role.	GRI-index, page 134		
Strategy and analysis					
102-14	Statement from senior decision-maker			Page 8-9	
Ethics and integrity					
102-16	Values, principles, standards, and norms of behavior			Page 48, 58-59	Goal 16
Governance					
102-18	Governance structure			Page 12-14	
Relations with stakeholders					
102-40	List of stakeholder groups			Page 131	
102-41	Collective bargaining agreements	All Kungsleden employees are covered by collective-bargaining agreements.		GRI-index, page 134	Goal 8
102-42	Identifying and selecting stakeholders			Page 55, 131	
102-43	Approach to stakeholder engagement			Page 55, 131	
102-44	Key topics and concerns raised			Page 55	
Reporting practice					
102-45	Entities included in the consolidated financial statements	The Annual & Sustainability Report covers all operations unless otherwise stated.		GRI-index, page 134	
102-46	Defining report content and topic boundaries	The principles governing stakeholder engagement, sustainability contexts, materiality and comprehensiveness have assisted the company in defining the content of this Report.		Page 55, GRI-index, 134	
102-47	List of material topics			Page 55	
102-48	Restatements of information	No restatements from previous Reports.		GRI-index, page 134	
102-49	Changes in reporting	The reporting of GHG emissions has altered: Scope 3 has not been reported.		Page 132 and GRI-index, page 134	
102-50	Reporting period	Kungsleden’s Annual & Sustainability Report is for the period 1 January-31 December 2019.		GRI-index, page 134	
102-51	Date of most recent report	The latest Sustainability Report was published at www.kungsleden.se on 19 March 2019.		GRI-index, page 134	
102-52	Reporting cycle	Reporting is yearly.		GRI-index, page 134	

GRI Standard	Disclosure	Description	Comment	Page reference	Link to global goals
	102-53	Contact point for questions regarding the report	Ylva Sarby Westman, Deputy CEO e-mail: ylva.sarby.westman@kungsleden.se Tel: +46 (0)8 503 05200 Internet: www.kungsleden.se/en/	GRI-index, page 134	
	102-54	Contact point for questions regarding the report		Page 134-136	
	102-55	GRI index		GRI-index, page 134-136	
	102-56	External assurance	The Sustainability Report is not externally verified. The auditor's statement that a sustainability report has been prepared is on p. 133.	GRI-index, page 135	
Specific Disclosures					
Economic performance					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 130	
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed		Page 130	Goal 11
Energy					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 17, 20, 36	
GRI 302: Energy 2016	302-1	Energy consumption within the organization		Page 54, 57	
	302-4	Reduction of energy consumption		Page 54, 57	Goal 7
	CRE1	Energy consumption per square metre		Page 54, 57	
Emissions					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 132	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions		Page 132	
	305-2	Energy indirect (Scope 2) GHG emissions		Page 132	
	CRE3	GHG emissions per square metre		Page 132	
Land contamination and remediation					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 130	
	CRE5	Contaminated and remediated land		Page 130	
Products and service labeling					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 57, 56	
	CRE8	Number and proportion of environmentally certified properties		Page 5, 57, 65	
Customer health & safety					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 35-36, 71	
GRI 416: Customer health & safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No instances of non-compliance reported. Fault reporting in properties managed continuously by a fault reporting system.	GRI-index, page 132	
Employee health & safety					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 48-51	
GRI 403: Employee health & safety 2016	403-2	Hazard identification, risk assessment, and incident investigation		Page 130	
	CRE6	Proportion of employees working according to a health& safety management system	Kungsleden complies with health & safety legislation, and has the stipulated safety representatives.	GRI-index, page 135	

GRI Standard	Disclosure	Description	Comment	Page reference	Link to global goals
Skills management of employees					
GRI 404: Training and education 2016	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		GRI-index, page 136, 55-59	
	404-2	Programs for upgrading employee skills and transition assistance programs	Kungsleden has a skills management process including digital support tools available to all employees. Kungsleden has collective-bargaining agreements and pension advisors offering guidelines and advice as required. Individually tailored support is available on termination of employment.	GRI-index, page 136	
	404-3	Percentage of employees receiving regular performance and career development	95%	GRI-index, page 136	
Diversity and equal opportunity					
GRI 405: Diversity and equal opportunity 2016	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 132	
	405-1	Composition of company by gender and age group	Information stated as of 31 Dec. 2019.	Page 132	Goal 5
	405-2	Number of cases of discrimination	No cases reported in the year.	GRI-index, page 132	
Supplier social assessment					
GRI 414: Supplier Social Assessment 2016	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 56, 58, 74	
	414-2	Negative social impacts in the supply chain and actions taken	Three audits conducted in 2019.	Page 74 and GRI-index, page 136	
Anti-corruption					
GRI 205: Anti-corruption 2016	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		Page 72	
	205-1	Operations assessed for risks related to corruption	Three corruption risk analyses were conducted in 2019.	GRI index, page 136	
	205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption Policy training conducted for all employees, including Management and the Board of Directors.	Page 59 and GRI-index, page 136	
	205-3	Confirmed incidents of corruption and actions taken	No cases of corruption were revealed in the year.	Page 59, GRI-index, page 136	

EPRA

EPRA SUSTAINABILITY PERFORMANCE MEASURES

Effective 2016, Kungsliden is reporting in-depth sustainability performance measures for the company based on the EPRA's (European Public Real Estate Association) sBPR (Best Practices Recommendations on Sustainability Reporting).

EPRA PERFORMANCE MEASURES

Kungsliden is reporting sustainability performance measures for 17 of the EPRA sBPRs. It is reporting indicators for energy, greenhouse gas emissions, water, waste and share of environmentally certified buildings, prepared in accordance with the most recent guidelines from the EPRA; sBPR. Energy consumption is reported in MWh, emissions in tons, water consumption in m³, emission intensity in kg/m², energy intensity in kWh/m² and water intensity in litres/m².

EPRA OVERARCHING RECOMMENDATIONS

Organisational boundary

The boundary of reporting originates with the properties where Kungsliden has operational control pursuant to the principles of the Greenhouse Gas Protocol. Kungsliden has adopted this approach because it provides us with the best potential to report and quality-assure statistics that Kungsliden can directly impact. Other properties, whether customer is responsible for agreements for delivering energy, water and waste, are not included. When the customer is responsible for these agreements, Kungsliden is not in possession of metrics data, and accordingly, reporting outcomes is problematic.

Coverage

Continuous and active work is ongoing on the properties that Kungsliden owns and manages to gain access to relevant performance data. Kungsliden values available performance data because it creates the potential for effective and positive management of properties. Kungsliden currently has access to performance data for much of its portfolio. The share of properties included in indicators is reported for each performance measure. However, Kungsliden does not have access to performance data for all properties. Primarily, measurements of waste are missing due to waste contractors being unable to provide statistics for all properties. Kungsliden works continuously to gain access to all relevant performance data wherever possible. At year-end 2018, Kungsliden owned a total of 209 properties, compared to 222 properties at year-end 2018. Kungsliden acquired and divested properties in the period. For the complete property list, see pages 142-149.

Estimation of landlord-obtained utility consumption

All data reported has been measured and verified. There were no estimations.

Third party assurance

Kungsliden's indicators reported pursuant to EPRA have not been verified by a third party.

Boundaries - reporting on landlord and tenant consumption

Kungsliden reports on the energy purchased by the property owner, i.e. by Kungsliden. Kungsliden does not report tenants' energy consumption because it basically does not have access to these statistics. Kungsliden cannot directly influence tenant energy consumption, which to some extent, renders the statistics less relevant. See the EPRA table for the data reported.

Normalisation

Kungsliden utilises the Swedish Meteorological & Hydrological Institute's standards to normalise energy for heating.

Analysis - Segmental analysis (by property type, geography)

Kungsliden reports sustainability data pursuant to the building types of office and retail premises, industrial buildings and projects.

Disclosure on own offices

Kungsliden's own offices are included in the statistics, but not reported separately.

Narrative on performance

Changes from 2018 to 2019 for sustainability key figures and savings achieved are stated in this index for 2019. There were no restatements of emissions data.

Location of EPRA Sustainability Performance in companies' reports

The reporting of sustainability key figures pursuant to EPRA sBPR is formulated in this index, which is part of the Annual Report for 2019.

Reporting period

The reporting of sustainability key figures pursuant to EPRA sBPR is for the calendar year, i.e. 1 January to 31 December.

EPRA

EPRA	Unit	Description		Kungsleden		Retail and Stores			
				2019	2018	2019	2018	Variance	Chg., %
Elec-Abs	MWh	Electricity	Total purchased by property owner	136,845	160,670	4,293	8,692	-4,399	-51
Elec-LFL	MWh	Electricity		133,533	158,923	4,293	8,692	-4,399	-51
DH&C-Abs	MWh	District heating and cooling	Total purchased by property owner	155,653	202,098	5,670	11,232	-5,562	-50
DH&C-LFL	MWh	District heating and cooling		151,819	200,568	5,670	10,403	-4,733	-45
Fuels-Abs	MWh	Fuels	Total purchased by property owner	296	203				
Fuels-LFL	MWh	Fuels		296	203				
Abs	MWh	Energy	Total energy consumption	292,794	362,971	9,963	19,924	-9,961	-50
LFL	MWh	Energy	Total energy consumption	285,648	359,694	9,963	19,095	-9,132	-48
Abs	MWh	Energy	Total energy consumption (degree day adjusted)	308,312	372,470	10,573	20,476	-9,903	-48
LFL	MWh	Energy	Total energy consumption (degree day adjusted)	300,849	369,149	10,573	19,603	-9,030	-46
Energy-Int - Abs	kWh/kvm	Energy intensity	Total energy consumption (degree day adjusted)	164	198	101	142	-41	-29
Energy-Int - LFL	kWh/kvm	Energy intensity	Total energy consumption (degree day adjusted)	162	198	101	140	-39	-28
Energy-Int - Abs	kWh/kvm	Energy intensity	Energy intensity of properties	156	193	96	138	-43	-31
Energy-Int - LFL	kWh/kvm	Energy intensity	Energy intensity of properties	154	193	96	136	-41	-30
GHG Dir-Abs	Ton CO ₂ e	Direct	Scope 1	79	54				
GHG-Dir-LFL		Direct	Scope 1	79	54				
GHG-Indir-Abs	Ton CO ₂ e	Indirect	Scope 2	12,834	15,226	432	501	-69	-14
GHG-Indir-LFL		Indirect	Scope 2	12,536	15,316	432	484	-52	-11
		GHG-Indir-Abs	Emissions, electricity	547	642	17	35	-18	-51
		GHG-Indir-LFL	Emissions, electricity	534	635	17	35	-18	-51
		GHG-Indir-Abs	Emissions, heating & cooling	12,287	14,584	415	466	-51	-11
		GHG-Indir-LFL	Emissions, heating & cooling	12,002	14,681	415	449	-34	-8
GHG-Int - Abs	Kg CO ₂ e/kvm	Intensity Kg/kvm	Emission intensity from property energy consumption	6.8	8.1	4.1	3.5	0.6	18
GHG-Int - LFL	Kg CO ₂ e/kvm	Intensity Kg/kvm	Emission intensity from property energy consumption	6.8	8.2	4.1	3.5	0.6	19
Water-Abs	m ³	Municipal water		564,033	622,692	14,721	34,249	-19,528	-57
Water-LFL	m ³	Municipal water		561,594	621,359	14,657	32,915	-18,258	-55
Water-Int - Abs	m ³ /kvm	Intensity		0.3	0.3	0.1	0.2	-0.1	-58
Water-Int - LFL	m ³ /kvm	Intensity		0.3	0.3	0.1	0.2	-0.1	-40

EPRA	Description	Miljöbyggnad (Swedish environmental building)		EU GreenBuilding		LEED		Total environmentally certified properties		
		2019	2018	2019	2018	2019	2018	2019	2018	Chg., %
Cert-tot	No. of properties	2	2	6	6	14	8	22	14	57
	Area (sq.m)	24,746	24,746	86,966	86,966	289,523	145,481	401,235	184,231	118
	Prop. per sq.m (%)	1	1	4	4	15	7	20	9	122

EPRA	Description	2019		
		Men	Women	Total
Diversity pay	Gender pay ratio (%)	98	102	-
Emp- Turnover	Employee turnover (%)	-	-	24

	Industrial and Warehouse				Office				Other				Kungsleden Total			
	2019	2018	Variance	Chg., %	2019	2018	Variance	Chg., %	2019	2018	Variance	Chg., %	2019	2018	Variance	Chg., %
	58,637	70,523	-11,886	-17	71,966	78,738	-6,772	-9	1,949	2,717	-768	-28	136,845	160,670	-23,825	-15
	58,637	70,523	-11,886	-17	68,785	76,991	-8,206	-11	1,818	2,717	-899	-33	133,533	158,923	-25,390	-16
	47,976	65,270	-17,294	-26	98,026	120,640	-22,614	-19	3,981	4,956	-975	-20	155,653	202,098	-46,445	-23
	47,976	65,270	-17,294	-26	94,192	119,939	-25,747	-21	3,981	4,956	-975	-20	151,819	200,568	-48,749	-24
	296	203	93	46									296	203	93	46
	296	203	93	46									296	203	93	46
	106,909	135,996	-29,087	-21	169,992	199,378	-29,386	-15	5,930	7,673	-1,743	-23	292,794	362,971	-70,177	-19
	106,909	135,996	-29,087	-21	162,977	196,930	-33,953	-17	5,799	7,673	-1,874	-24	285,648	359,694	-74,046	-21
	112,148	139,423	-27,275	-20	179,223	204,636	-25,413	-12	6,368	7,936	-1,568	-20	308,312	372,471	-64,159	-17
	112,148	139,423	-27,275	-20	171,891	202,188	-30,297	-15	6,237	7,936	-1,699	-21	300,849	369,149	-68,300	-19
	190	269	-79	-29	156	175	-19	-11	188	165	23	14	164	198	-34	-17
	190	269	-79	-29	153	175	-22	-13	189	165	25	15	162	198	-36	-18
	181	263	-81	-31	148	171	-23	-13	175	159	15	10	156	193	-37	-19
	181	262	-81	-31	145	170	-26	-15	175	159	17	11	154	193	-39	-20
	79	54	25	46									79	54	25	46
	79	54	25	46									79	54	25	46
	5,297	6,902	-1,605	-23	7,048	7,801	-753	-10	58	24	34	141	12,835	15,228	-2,393	-16
	5,297	6,902	-1,605	-23	6,750	7,793	-1,043	-13	57	138	-81	-58	12,536	15,317	-2,781	-18
	235	282	-47	-17	288	315	-27	-9	8	11	-3	-29	548	643	-95	-15
	235	282	-47	-17	275	308	-33	-11	7	11	-4	-34	534	636	-102	-16
	5,062	6,620	-1,558	-24	6,760	7,486	-726	-10	50	13	37	285	12,287	14,585	-2,298	-16
	5,062	6,620	-1,558	-24	6,475	7,485			50	127	-77	-61	12,002	14,681	-2,679	-18
	9.0	13.3	-4.3	-32	6.1	6.7	-0.6	-9	2	0.5	1.2	241	6.8	8.1	-1.3	-16
	9.0	13.3	-4.3	-32	6.1	6.7	-0.6	-9	2	2.9	-1.2	-41	6.8	8.2	-1.5	-18
	158,830	128,164	30,666	24	376,468	444,265	-67,797	-15	14,014	16,015	-2,001	-12	564,033	622,693	-58,660	-9
	158,688	128,164	30,524	24	374,235	444,265	-70,030	-16	14,014	16,015	-2,001	-12	561,594	621,359	-59,765	-10
	0.3	0.2	0.0	9	0.3	0.4	-0.1	-14	0.4	0.3	0.1	24	0.3	0.3	0	-9
	0.3	0.2	0.0	9	0.3	0.4	-0.1	-14	0.4	0.3	0.1	28	0.3	0.3	0	-9



PROPERTY LIST AND MAPS



Stockholm

	Municipality	Cluster	Property	Address	Property category	Area	Prop. concentration
1	Botkyrka	Other	Tunaberg 4	Tunabergsvägen 1	Retail	1,320	Stockholm
2	Danderyd	Danderyd Office	Bergudden 8	Berga Backe 2-4	Office	19,330	Stockholm
3			Muttern 3	Enebybergsvägen 8-12	Office	7,502	Stockholm
4			Svärdet 7	Svärdvägen 3-31	Office	40,677	Stockholm
5			Trekanten 5	Vendevägen 85 A-B, 87-91	Office	32,061	Stockholm
6	Haninge	Other	Jordbromalm 6:14	Lagervägen 11	Industrial/Warehouse	9,573	Stockholm
7			Täckeråker 2:227	Gamla Nynäsvägen 3A	Retail	2,810	Stockholm
8			Täckeråker 2:273	Gamla Nynäsvägen 3B	Retail	5,966	Stockholm
9	Järfälla	Other	Veddesta 2:37	Datavägen 7	Office	2,895	Stockholm
10			Veddesta 2:65	Veddestavägen 15	Industrial/Warehouse	14,362	Stockholm
11			Veddesta 2:73	Veddestavägen 17	Office	6,759	Stockholm
12		Other	Gärdsmygen 4	Skolvägen 12, 14	Office	2,404	Stockholm
13			Träbocken 1	Sofielundsvägen 2-6	Office	5,366	Stockholm
14	Solna	Other	Forellen 1	Björnstigen 4	Industrial/Warehouse	1,363	Stockholm
15			Ugnen 5	Industrivägen 7	Office	3,699	Stockholm
16	Stockholm	Kista City	Borgarfjord 5	Torshamnsgatan 25, 27	Office	10,035	Stockholm
17			Färöarna 3	Kistagången 20, 22, 24, 26, 28, 30	Office	37,414	Stockholm
18			Holar 1	Skalholtsgatan 2	Office	6,044	Stockholm
19			Holar 4	Skalholtsgatan 6-8	Office	7,292	Stockholm
20			Hornafjord 1	Borgarfjordsg 7-13	Office	22,836	Stockholm
21			Keflavik 1	Isafjordsgatan 30B	Office	25,097	Stockholm
22			Reykjavik 2	Borgarfjordsgatan 14	Office	11,892	Stockholm
23			Terminalen 2	Esbogatan 12-18	Office	15,152	Stockholm
24			Torsnäs 1	Skalholtsgatan 5, 9, 11	Office	10,523	Stockholm
25		Stockholm City West	Gladan 4	Warfvinges väg 30-32	Office	7,547	Stockholm
26			Gladan 5	Warfvinges väg 22-24	Office	4,157	Stockholm
27			Gladan 6	Warfvinges väg 26	Office	4,233	Stockholm
28			Gladan 7	Warfvinges väg 28	Office	2,886	Stockholm
29			Lustgården 11	Warfvinges väg 35	Office	7,473	Stockholm
30			Lustgården 12	Warfvinges väg 29-33	Office	13,366	Stockholm
31		Stockholm City East	Rotterdam 1	Hangövägen 18-20	Office	21,820	Stockholm
32			Stettin 5	Tegeluddsvägen 82-84	Other	17,470	Stockholm
33			Stettin 6	Tegeluddsvägen 96, 98, 100	Office	24,814	Stockholm
34			Tegeludden 13	Tegeluddsvägen 76&78	Office	20,612	Stockholm
35		Västberga	Dagskiftet 3	Elektravägen 18	Industrial/Warehouse	5,458	Stockholm
36			Dikesrenen 2	Vretensborgsvägen 21	Industrial/Warehouse	3,124	Stockholm
37			Domptören 4	Västberga Allé 4	Industrial/Warehouse	4,455	Stockholm
38			Nattskiftet 15	Drivhjulsvägen 22, 24, 26	Office	10,382	Stockholm
39			Timpenningen 1	Västbergavägen 24	Industrial/Warehouse	12,321	Stockholm
40			Vreten 20	Vretensborgsvägen 16	Industrial/Warehouse	2,599	Stockholm
41		Other	Blästern 14	Gävlegatan 16, 18 A-C	Office	17,112	Stockholm
42			Furudal 2	Fagerstagatan 4	Office	1,820	Stockholm
43			Glasmålningen 4	Nynäsvägen 297, 299	Industrial/Warehouse	3,011	Stockholm
44			Godsvagnen 9	Virkesvägen 21B	Other	8,314	Stockholm
45			Gulddragaren 24	Västertorpsvägen 136	Office	1,546	Stockholm
46			Kantjärnet 4	Skebokvarnsvägen 370	Office	5,558	Stockholm
47	Sundbyberg	Other	Päronet 1	Ursviksvägen 129	Industrial/Warehouse	4,213	Stockholm
48	Södertälje	Other	Enen 10	Järnagatan 12	Office	6,040	Stockholm
49			Traktorn 7	Gränsbovägen 8	Industrial/Warehouse	5,610	Stockholm
50	Tyresö	Other	Järnet 6	Bollmora Gårdsv. 2-18	Office	21,138	Stockholm
51	Täby	Other	Fräsen 1	Maskinvägen 2	Office	1,904	Stockholm
52			Måttbandet 8	Måttbandsvägen 5	Retail	1,938	Stockholm
53			Räknestickan 2	Tillverkarvägen 4	Industrial/Warehouse	928	Stockholm
54			Tändstiftet 2	Enhagsvägen 4	Other	2,207	Stockholm
55	Upplands Väsby	Other	Njursta 1:21	Jupitervägen 2	Industrial/Warehouse	13,484	Stockholm

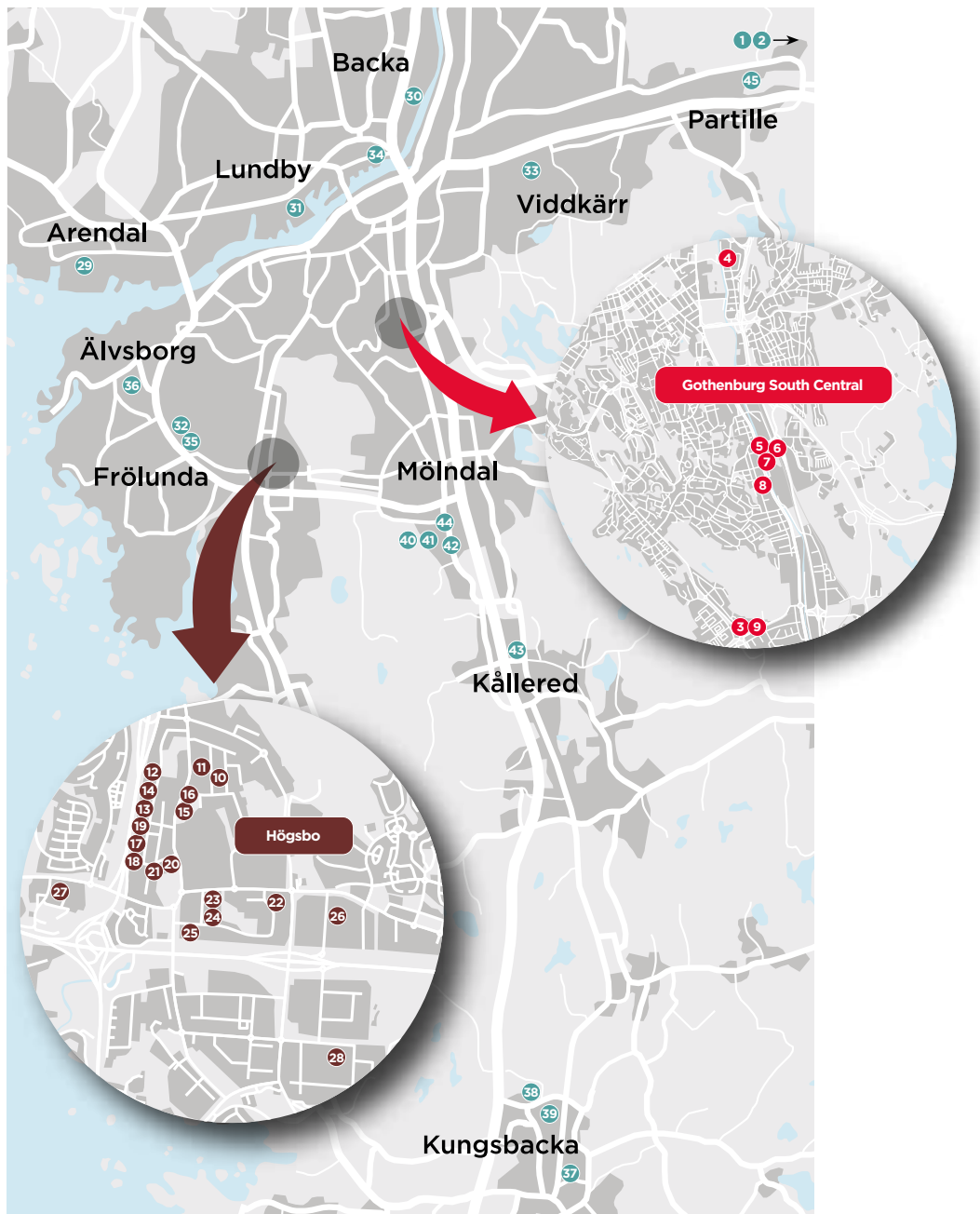


Gothenburg

	Municipality	Cluster	Property	Address	Property category	Area	Prop. concentration
1	Alingsås	Other	Bulten 1	Sävelundsgatan 2	Industrial/Warehouse	18,381	Gothenburg/Malmö
2			Plommonet 12	Noltorps Centrum 2, 4	Retail	2,102	Gothenburg/Malmö
3	Gothenburg	Gothenburg South Central	Del av Stiernhielm 7 ²	Wallinsgatan 6	Office	0	Gothenburg/Malmö
4			Gårda 19:10	Fabriksgatan 13	Office	3,773	Gothenburg/Malmö
5			Kallebäck 2:7	Grafiska Vägen 2B	Office	5,605	Gothenburg/Malmö
6			Kallebäck 2:9	Almedalsvägen 20	Other	11,600 ¹	Gothenburg/Malmö
7			Kallebäck 2:11	Grafiska vägen 2C	Office	12,662	Gothenburg/Malmö
8			Krokslätt 34:16	Ebbe Lieberathsgatan 18A	Office	11,689	Gothenburg/Malmö
9			Stiernhielm 7	Wallinsgatan 6	Office	6,578	Gothenburg/Malmö
10		Högsbo	Högsbo 10:17	Britta Sahlgrens gata 8 A-D	Industrial/Warehouse	10,099	Gothenburg/Malmö
11			Högsbo 11:5	Britta Sahlgrens gata 5	Industrial/Warehouse	3,574	Gothenburg/Malmö
12			Högsbo 13:2	E A Rosengrens Gata 13A	Industrial/Warehouse	2,873	Gothenburg/Malmö
13			Högsbo 13:4	E A Rosengrens Gata 19	Office	5,549	Gothenburg/Malmö
14			Högsbo 13:6	E A Rosengrens Gata 17	Industrial/Warehouse	7,618	Gothenburg/Malmö
15			Högsbo 14:3	Victor Hasselblads gata 16	Office	3,532	Gothenburg/Malmö
16			Högsbo 14:7	Viktor Hasselblads gata 12	Industrial/Warehouse	3,565	Gothenburg/Malmö
17			Högsbo 17:4	E A Rosengrens Gata 25	Office	1,804	Gothenburg/Malmö
18			Högsbo 17:6	E A Rosengrens Gata 29A	Office	4,364	Gothenburg/Malmö
19			Högsbo 17:8	E A Rosengrens Gata 23	Industrial/Warehouse	2,165	Gothenburg/Malmö
20			Högsbo 20:12	F.O. Petersons Gata 2	Industrial/Warehouse	5,942	Gothenburg/Malmö
21			Högsbo 20:13	F.O Petersons Gata 4	Industrial/Warehouse	643	Gothenburg/Malmö
22			Högsbo 24:13	August Barks Gata 21	Office	2,086	Gothenburg/Malmö
23			Högsbo 27:8	August Barks gata 8	Industrial/Warehouse	2,556	Gothenburg/Malmö
24			Högsbo 27:9	August Barks Gata 10	Industrial/Warehouse	9,608	Gothenburg/Malmö
25			Högsbo 29:2	August Barks Gata 1	Industrial/Warehouse	11,888	Gothenburg/Malmö
26			Högsbo 36:3	Norra Långebergsgatan 4	Industrial/Warehouse	3,570	Gothenburg/Malmö
27			Järnbrott 168:1	Järnbrotts Prästväg 2	Office	16,272	Gothenburg/Malmö
28			Kobbegården 172:1	Datavägen 24	Office	11,346	Gothenburg/Malmö
29		Other	Arendal 764:385	Sydatlanten 12	Industrial/Warehouse	10,105	Gothenburg/Malmö
30			Backa 21:5	Exportgatan 47A	Industrial/Warehouse	8,840	Gothenburg/Malmö
31			Lundbyvassen 4:9	Regnbågsgatan 8C	Office	3,610	Gothenburg/Malmö
32			Rud 52:2	Klangfärgsgatan 11	Office	2,089	Gothenburg/Malmö
33			Sävenäs 67:3	Torpavallsgatan 9	Office	5,156	Gothenburg/Malmö
34			Tingstadsvassen 31:2	Ringögatan 29	Industrial/Warehouse	9,319	Gothenburg/Malmö
35			Tynnered 1:13	Lergöksgatan 4	Office	6,258	Gothenburg/Malmö
36			Älvsborg 178:8	Redegatan 9	Office	6,671	Gothenburg/Malmö
37	Kungsbacka	Other	Sågen 14	Järnvägsgatan 36	Office	2,781	Gothenburg/Malmö
38			Varla 14:1	Borgås Gårdsväg 19	Retail	2,490	Gothenburg/Malmö
39			Varla 14:8	Magasinsgatan 12	Office	1,555	Gothenburg/Malmö
40	Möndal	Other	Kryptongasen 4	Kryptongatan 20	Industrial/Warehouse	8,291	Gothenburg/Malmö
41			Kryptongasen 7	Kryptongatan 22B	Industrial/Warehouse	5,000	Gothenburg/Malmö
42			Tingshuset 2	Kråketorpsgatan 16	Industrial/Warehouse	3,450	Gothenburg/Malmö
43			Vämmedal 2:110	Bangårdsvägen 37	Retail	4,425	Gothenburg/Malmö
44			Ädelgasen 1	Neongatan 5	Industrial/Warehouse	14,344	Gothenburg/Malmö
45	Partille	Other	Lexby 2:29	Brodalsvägen 13 B-C	Industrial/Warehouse	10,526	Gothenburg/Malmö

¹ Includes non-leasable area.

² Property divested but not vacated.



Malmö

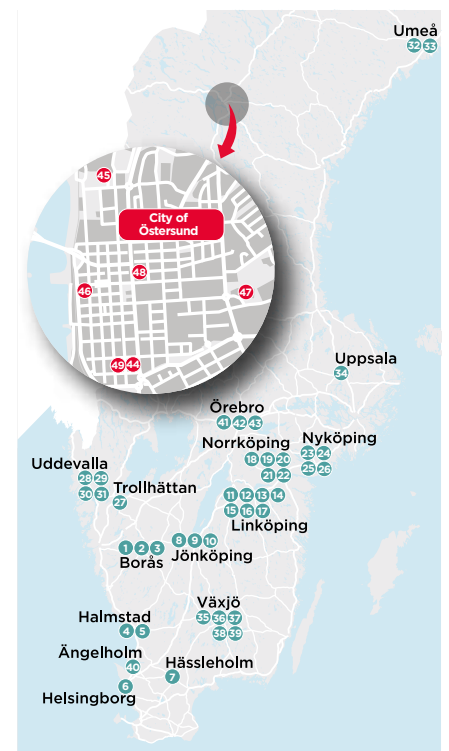
	Municipality	Cluster	Property	Address	Property category	Area	Prop. concentration
1	Burlöv	Other	Sunnanå 12:34	Starrvägen	Industrial/Warehouse	5,316	Gothenburg/Malmö
2			Tågarp 20:81	Lommavägen 39	Industrial/Warehouse	26,453	Gothenburg/Malmö
3	Kävlinge	Other	Löddeköpinge 14:54	Varuvägen 8	Retail	2,060	Gothenburg/Malmö
4	Lund	Other	Flintan 4	Skiffervägen 18-20	Office	5,082	Gothenburg/Malmö
5			Företaget 8	Företagsvägen 28	Office	2,209	Gothenburg/Malmö
6			Lund Studentkår 7	Tunavägen 39 A-H	Office	20,080	Gothenburg/Malmö
7			Verkstaden 5	Annedalsvägen 9	Office	6,984	Gothenburg/Malmö
8	Malmö	Fosie	Domarringen 1	Boplatsgatan 2	Office	3,948	Gothenburg/Malmö
9			Dubbelknappen 20	Kantyxegatan 29	Industrial/Warehouse	5,682	Gothenburg/Malmö
10			Dubbelknappen 4	Kantyxegatan 25	Industrial/Warehouse	21,763	Gothenburg/Malmö
11			Holklyxan 6	Bronsyxegatan 13	Industrial/Warehouse	4,670	Gothenburg/Malmö
12			Hästvagnen 3	Agnesfridsvägen 126	Retail	5,349	Gothenburg/Malmö
13			Krukskärvan 11	Flintyxegatan 8A	Office	2,688	Gothenburg/Malmö
14			Lerkäret 3	Flintyxegatan 2	Industrial/Warehouse	1,148	Gothenburg/Malmö
15			Påskbuketten 10	Hästvägen 4E	Office	796	Gothenburg/Malmö
16			Påskbuketten 5	Amiralsgatan 115	Office	1,116	Gothenburg/Malmö
17			Påskbuketten 6	Hästvägen 4A	Office	2,140	Gothenburg/Malmö
18			Påskbuketten 8	Hästvägen 4C	Office	1,796	Gothenburg/Malmö
19			Påskbuketten 9	Hästvägen 4D	Office	1,433	Gothenburg/Malmö
20		Hyllie	Gefion 3	Nornegatan 6	Retail	3,257	Gothenburg/Malmö
21			Långhuset 1	Långhusgatan	Retail	894	Gothenburg/Malmö
22			Löpöglan 2	Hyllie Boulevard 53	Other	7,630	Gothenburg/Malmö
23			Marknadsplatsen 8	Hyllie Boulevard 17	Office	10,254	Gothenburg/Malmö
24			Mässhallen 1	Hyllie Vattenparksg 2-10	Other	20,867	Gothenburg/Malmö
25			Mässhallen 1:1	Hyllie Vattenparksg 2-10	Other	394	Gothenburg/Malmö
26			Vagnslidret 1	Arenagatan 12	Office	4,584	Gothenburg/Malmö
27		Other	Flygbasen 4	Höjdrodergatan 17	Industrial/Warehouse	1,681	Gothenburg/Malmö
28			Flygbasen 7	Höjdrodergatan 11	Industrial/Warehouse	1,252	Gothenburg/Malmö
29			Flygledaren 1	Höjdrodergatan 14	Office	901	Gothenburg/Malmö
30			Flygstolen 1	Höjdrodergatan 12	Office	1,463	Gothenburg/Malmö
31			Idrotten 7	Palmgatan 28	Other	0	Gothenburg/Malmö
32			Julius 1	Ahlmansg. 1	Office	2,871	Gothenburg/Malmö
33			Kloren 1	Volframgatan 5	Retail	6,827	Gothenburg/Malmö
34			Noshjulet 3	Pilotgatan 5	Industrial/Warehouse	801	Gothenburg/Malmö
35			Nämnden 1	Industrigatan 13	Office	4,668	Gothenburg/Malmö
36			Rektangeln 9	Arlövsvägen 10, 12	Office	3,416	Gothenburg/Malmö
37			Rödkallen 11	Bjurögatan 40, 42	Industrial/Warehouse	5,548	Gothenburg/Malmö
38			Sidorodret 3	Höjdrodergatan 2	Industrial/Warehouse	1,057	Gothenburg/Malmö
39			Skjutsstallslyckan 23	Lundavägen 56	Industrial/Warehouse	7,780	Gothenburg/Malmö
40			Sockeln 1	Krossverksgatan 32	Office	1,510	Gothenburg/Malmö
41			Spindeln 9	Singelgatan 8-10	Industrial/Warehouse	1,993	Gothenburg/Malmö
42			Tyfonen 1	Nordenskiöldsgatan 24	Office	17,593	Gothenburg/Malmö
43			Ventilen 3	Ventilgatan 6	Industrial/Warehouse	704	Gothenburg/Malmö
44			Vildanden 8	Geijersgatan 6-8	Office	8,561	Gothenburg/Malmö



Västerås

	Municipality	Cluster	Property	Address	Property category	Area	Prop. concentration
1	Västerås	Finnslätten	Effekten 2	Nätverksgatan	Office	31,385	Mälardalen
2			Effekten 3	Elmotorgatan bnr 393	Industrial/Warehouse	2,630	Mälardalen
3			Effekten 4	Elmotorgatan 2 bnr 394	Industrial/Warehouse	26,493	Mälardalen
4			Effekten 5	Fredholmsgatan	Office	21,952	Mälardalen
5			Effekten 6 ¹	Lugna gatan	Industrial/Warehouse	0	Mälardalen
6			Effekten 7 ¹	Effektgatan	Industrial/Warehouse	0	Mälardalen
7			Finnslätten 1	Lugna gatan	Industrial/Warehouse	146,622	Mälardalen
8			Finnslätten 4	Banmatarvägen 41 bnr 342	Industrial/Warehouse	8,185	Mälardalen
9		Västerås City	Lorens 14	Karlsgratan 9 A	Office	26,032	Mälardalen
10			Mimer 5	Stora Gatan 1E	Office	88,199	Mälardalen
11			Ottar 5	Kopparbergsvägen 6-8	Office	20,404	Mälardalen
12			Ottar 6	Kopparbergsvägen 2	Office	18,126	Mälardalen
13			Västerås 5:9	Södra Ringvägen 1	Other	0	Mälardalen
14		Other	Direktören 8	Köpingsvägen 70	Retail	1,998	Mälardalen
15			Isolatorn 3	Forskargränd 1	Office	42,750	Mälardalen
16			Kontaktledningen 1	Stenbygatan 10	Industrial/Warehouse	15,104	Mälardalen
17			Linblocket 1	Hallsta Gårdsgata 26	Retail	2,808	Mälardalen
18			Verkstaden 7	Metallverksgatan	Industrial/Warehouse	20,409	Mälardalen
19			Örjan 1	Örjansgränd 17	Industrial/Warehouse	52,564	Mälardalen

¹ Property divested but not vacated.



Regional cities

	Municipality	Cluster	Property	Address	Property category	Area	Prop. concentration
1	Borås	Other	Kompaniet 2	Pickesjövägen 1-5	Other	2,024	Gothenburg/Malmö
2			Osdal 3:2	Lagercrantz plats 2	Office	18,573	Gothenburg/Malmö
3			Spindeln 12	Bergslenagatan 9	Retail	10,477	Gothenburg/Malmö
4	Halmstad	Other	Eketånga 24:56	Kundvägen 4	Retail	4,062	Gothenburg/Malmö
5			Eketånga 3:204	Jutaplatsen 3	Retail	2,376	Gothenburg/Malmö
6	Helsingborg	Other	Kruthornet 1	Garnisonsgatan 46	Retail	2,700	Gothenburg/Malmö
7	Hässleholm	Other	Mården 7	Första Avenyn 14 A-D	Office	5,728	Gothenburg/Malmö
8	Jönköping	Other	Ädelmetallen 15	Grossistgatan 14	Industrial/Warehouse	5,000	Gothenburg/Malmö
9			Översikten 6	Solåsvägen 22	Retail	10,477	Gothenburg/Malmö
10			Översikten 9	Solåsvägen 18	Retail	4,516	Gothenburg/Malmö
11	Linköping	Other	Gardisten 4	Kolfallsgatan 3A	Office	1,050	Mälardalen
12			Glasflaskan 1	Roxtorpsgatan 16	Industrial/Warehouse	3,151	Mälardalen
13			Greken 5	Rudsjög. 1,3	Industrial/Warehouse	3,490	Mälardalen
14			Grundet 9	Sunnorpsgatan 4	Office	1,658	Mälardalen
15			Isbjörnen 4	Tröskaregatan 5-35	Retail	2,611	Mälardalen
16			Magnetbandet 3	Finnögatan 1	Industrial/Warehouse	5,207	Mälardalen
17			Prislappen 1	Mörtlösa 1	Retail	4,180	Mälardalen
18	Norrköping	Other	Amerika 5	Sjötullsgatan 42	Industrial/Warehouse	2,286	Mälardalen
19			Fotogenen 4	Importgatan 32	Industrial/Warehouse	7,472	Mälardalen
20			Oxelbergen 1:2	Vikboplan 7	Office	25,075	Mälardalen
21			Sågen 7	Rörgatan 6, 8	Industrial/Warehouse	935	Mälardalen
22			Taktpinnen 1	Folkborgsvägen 17	Office	17,705	Mälardalen
23	Nyköping	Other	Asken 17	Hantverkarsvägen 7A	Industrial/Warehouse	1,870	Mälardalen
24			Gumsbacken 12	Gumsbackevägen 5-9	Retail	13,202	Mälardalen
25			Gumsbacken 15	Gumsbackevägen 5 A-B, 7, 9, 11, 13, 15	Other	0	Mälardalen
26			Ribban 5	Brukslagarvägen 5, 7, 9	Office	39,944	Mälardalen
27	Trollhättan	Other	Läkaren 1	Lasarettsvägen 1-19	Other	31,148	Gothenburg/Malmö
28	Uddevalla	Other	Barken 6	Junogatan 9	Office	4,236	Gothenburg/Malmö
29			Ran 20	Odengatan 3	Retail	1,644	Gothenburg/Malmö
30			Thorild 12	Kilbäcksgatan 2, 4, 6, 8, 10, 12	Retail	6,866	Gothenburg/Malmö
31			Varvet 3	Kasenabbevägen 8	Industrial/Warehouse	4,241	Gothenburg/Malmö
32	Umeå	Other	del av Aspgården 18 ¹	Bölevägen 44	Industrial/Warehouse	0	Stockholm
33			Laven 6	Illervägen 3	Retail	5,338	Stockholm
34	Uppsala	Other	Librobäck 3:3	Hällnäsgratan 6a	Retail	2,994	Stockholm
35	Växjö	Other	Deltat 1	Deltavägen 7	Office	2,551	Gothenburg/Malmö
36			Dockan 9	Västra Esplanaden 9 A-B	Office	14,132	Gothenburg/Malmö
37			Fyren 1	Ljungadalsgratan 17	Industrial/Warehouse	5,273	Gothenburg/Malmö
38			Tegnér 15	Biblioteksgatan 1,3	Retail	16,289	Gothenburg/Malmö
39			Ödman 14	Liedbergsgatan 4	Office	4,992	Gothenburg/Malmö
40	Ängelholm	Other	Älvdalen 1	Brandsvigsgatan 6	Industrial/Warehouse	11,816	Gothenburg/Malmö
41	Örebro	Other	Arbetaren 1	Aspholmsvägen 12 A	Office	4,129	Mälardalen
42			Lastaren 1	Transportgatan 22	Industrial/Warehouse	6,338	Mälardalen
43			Rörläggaren 4	Boställsvägen 4	Office	2,468	Mälardalen
44	Östersund	City of Östersund	Arken 7	Kyrkogatan 53	Office	1,344	Stockholm
45			Arkivet 1	Arkivvägen 1	Office	2,006	Stockholm
46			Handelsmannen 6	Köpmangatan 24	Office	8,965	Stockholm
47			Karlslund 5:2	Fyrvallavägen 1-5	Office	58,677	Stockholm
48			Läkarboken 5	Rådhusgatan 15-17	Office	6,039	Stockholm
49			Verkstaden 11	Kyrkgatan 76	Office	2,402	Stockholm

¹ Property divested but not vacated.

■ OTHER INFORMATION





PROPERTY RELATED KEY RATIOS**AVERAGE REMAINING CONTRACT LENGTH MATURITY**

Remaining contract value divided by contracted annual rent.

AVERAGE RENT, SEK PER SQ.M

Rental revenues in relation to average leasable area.

CONTRACTED ANNUAL RENT

Rent (exclusive of heating) plus a fixed additional supplement.

LEASABLE AREA

Leased area and leasable vacant area.

LIKE-FOR-LIKE PORTFOLIO TERMS

Refers to properties owned during the entire reporting period and the entire comparison period.

NET LEASING

Total rent for the period agreed for new leases with deductions for annual rents terminated for vacancy.

OCCUPANCY RAT

Calculated as rental revenue before deductions in relation to rental value.

OTHER REVENUE

Revenues which have no direct link to lease agreements.

PROPERTY COSTS, SEK PER SQ.M

Property costs in relation to average leasable area.

PROPERTY YIELD

The measurement is used to highlight the yield for the operating net in relation to the value of properties.

Outcome

Operating net in relation to average book value of properties. At year-end reporting, returns are converted to a full-year basis. The average book value of properties is calculated as the sum of the opening and closing balances divided by two.

Outcome per segment

The value for the year-end period is calculated as an average property yield for the quarters included.

Earnings capacity

Operating net in relation to the book value of properties at year-end.

RENTAL REVENUE

Charged rents, rent surcharges and rental guarantees less rent discounts.

RENTAL VALUE

Rental revenue plus estimated market rent for vacant units.

SURPLUS RATIO

Operating net in relation to rental revenues.

VACANCY RATE

Estimated market rent for vacant areas in relation to rental value.

FINANCIAL KEY RATIOS**DEBT/EQUITY RATIO**

Interest-bearing liabilities in relation to equity.

EQUITY RATIO

Equity including minority interests in relation to total assets.

INTEREST COSTS

Interest expenses and loan related costs such as arrangement fees etc.

INTEREST COVERAGE RATIO

Profit from property management excluding interest costs, in relation to interest costs.

LTV (LOAN-TO-VALUE) RATIO

Interest-bearing liabilities less cash and bank balances, and in relation to the book value of properties.

RETURN ON EQUITY

Net profit for the period after tax in relation to average equity. At year-end reporting, returns are converted to a full-year basis. Average equity is calculated as the sum of the opening and closing balances divided by two.

RETURN ON TOTAL ASSETS

Operating net, profit from property divestment, selling and administration costs in relation to average assets. At year-end reporting, returns are converted to a full-year basis. Average assets are calculated as the sum of the opening and closing balances divided by two.

SHARE-RELATED KEY RATIOS**ADOPTED/PROPOSED DIVIDEND PER SHARE**

The Board of Directors' proposed dividend or dividend per share approved by the AGM.

CASH FLOW BEFORE CHANGES IN WORKING CAPITAL PER SHARE

Cash flow before changes in working capital in relation to the average number of shares.

DIVIDEND YIELD ON SHARES

Adopted/proposed dividend/redemption in relation to the share price at year-end.

EPRA EPS (PROFIT FROM PROPERTY MANAGEMENT AFTER TAX) PER SHARE

Profit from property management less nominal tax on taxable profit in relation to the average number of shares in the period.

EPRA NAV (LONG-TERM NET ASSET VALUE) PER SHARE

Reported equity including recognised liability/asset for interest rate derivatives and deferred tax in relation to the number of shares at period end.

EPRA NNAV (CURRENT NET ASSET VALUE) PER SHARE

Reported equity adjusted for the estimated fair value of deferred tax instead of reported value, in relation to the number of shares at the end of the period.

EQUITY PER SHARE

Equity in relation to the number of shares at period end.

NET PROFIT FOR THE PERIOD, PER SHARE

Net profit for the period in relation to the average number of shares in the period.

PROFIT FROM PROPERTY MANAGEMENT, PER SHARE

Profit from property management for the period in relation to the average number of shares in the period.

TOTAL RETURN ON SHARES

The sum of the share price change during the period and during the dividend paid/redemption period in relation to the share price at the beginning of the period.

ALTERNATIVE PERFORMANCE MEASURES**ESMA GUIDELINES**

Kungsliden applies European Securities and Markets Authority (ESMA) guidelines on alternative performance measures. According to these guidelines, an alternative performance measure is a financial metric of historical or future earnings performance, financial position, financial results or cash flows, which is not defined or stated in applicable rules for financial reporting (IFRS and the Swedish Annual Accounts Act). Kungsliden reports EPRA EPS, EPRA NAV and EPRA NNAV in accordance with European Public Real Estate Association (EPRA) definitions.

GLOSSARY

AVERAGE INTEREST RATE

The average interest rate is calculated by setting the interest costs from loans and interest rate swaps, the initial direct costs and the costs associated with unutilised credit lines in relation to the outstanding loan volume on the reporting date.

CATEGORY

The properties' primary usage by area. The type of area that accounts for the largest share of total area determines how properties are classified. Accordingly, a property with 51 per cent office space is classified as an office property. The categories are Office, Industrial/Warehouse, Retail and Other.

CLUSTER

Kungsleden defines clusters as a gathered property holding in a location with good accessibility, in a market with good growth and development potential. The optimal cluster has a favourable mix of offices, retail and residential, and an attractive service offering.

CONTRACT VALUE

Rent according to the lease agreements plus indexation and rent surcharges expressed as an annual value.

DEVELOPMENT PROPERTIES

Properties with areas of vacant possession that are planned to be vacated, short-term leased or demolished to enable development. Individual properties are classified as development properties on a quarterly basis, which may affect comparisons between periods. If a property changes classification between development and investment property, the comparative period is not affected.

EPRA

The European Public Real Estate Association is a trade organisation for publicly listed real estate companies and investors in Europe which sets standards for the financial reporting.

INVESTMENT PROPERTIES

The total property holding excluding development properties.

MAINTENANCE

Measures to maintain the property and its technical systems. Current and planned actions involving exchanges or renovation of building parts or technical systems. Also includes tenant improvements.

PROPERTY COSTS

The costs for electricity, heating, water, property management, cleaning, property administration, insurance and maintenance less invoiced supplement for operations and maintenance.

SEGMENT

Stockholm means Greater Stockholm, Gothenburg means Greater Gothenburg and Malmö means Greater Malmö.

UNREALISED CHANGES IN VALUE

Result of change in estimated market value of properties compared with the previous reporting period.



Invitation to Annual General Meeting

The Annual General Meeting of Kungsleden AB (publ) will be held on Thursday 23 April 2020 at 2 p.m. CET at Kungsleden's head office at Warfvinges väg 31, Kungsholmen West, Stockholm, Sweden.

REGISTRATION

Shareholders who wish to participate in the Annual General Meeting must firstly be registered in their own name (voting right registered) in the share register maintained by Euroclear Sweden AB on Friday 17 April 2020, and secondly notify the company of their participation by no later than Friday, 17 April 2020:

- via www.kungsleden.se/arsstamma2020
- to the company by mail: Kungsleden AB (publ), FAO: Chanette Claesson-Zsuppán Box 70414, 107 25 Stockholm Sweden
- or by telephone +46 (0)8 503 05200 between 10 a.m. and 4 p.m. CET

Registrations must state the shareholder's name, personal/corporate ID no., address, daytime telephone number and any assistants who will attend.

If participation is by proxy or deputy, power of attorney, the company needs to have received certificates of registration and other authorisation documentation by no later than Friday 17 April 2020 for admission to the Annual General Meeting. Please note that powers of attorney must be dated and sent in as originals. Power of attorney forms are available to download on our website www.kungsleden.se/arsstamma2020.

In order to participate at the Meeting, shareholders with nominee-registered holdings must request temporary re-registration in their own name in the share register maintained by Euroclear Sweden AB. Re-registration must be complete by no later than Friday 17 April 2020, which means that nominees needs to be notified in good time prior to this date.

DISTRIBUTION OF THE ANNUAL REPORT

A digital version of Kungsleden's Annual Report will be available at kungsleden.se on 19 March at 2 p.m. We will only be sending printed versions by mail to shareholders who have specifically them.

DIVIDEND

With the support of Kungsleden's dividend policy and against the background of the financial position of the parent company and Group, the Board of Directors is proposing a dividend of SEK 2.60 (2.40) per share for the financial year 2019.

The Board of Directors also proposes that the dividend is paid quarterly, with SEK 0.65 per ordinary share paid on each occasion. The proposed record date is two working days after the AGM, and the final week day in each subsequent three quarters. The payment dates will be three banking days after this, on: 30 April, 3 July, 5 October 2020, and 7 January 2021.

Calendar 2020

ANNUAL GENERAL MEETING

23 April

INTERIM REPORT

Jan-Mar 2020

23 April

INTERIM REPORT

Jan-Jun 2020

8 July

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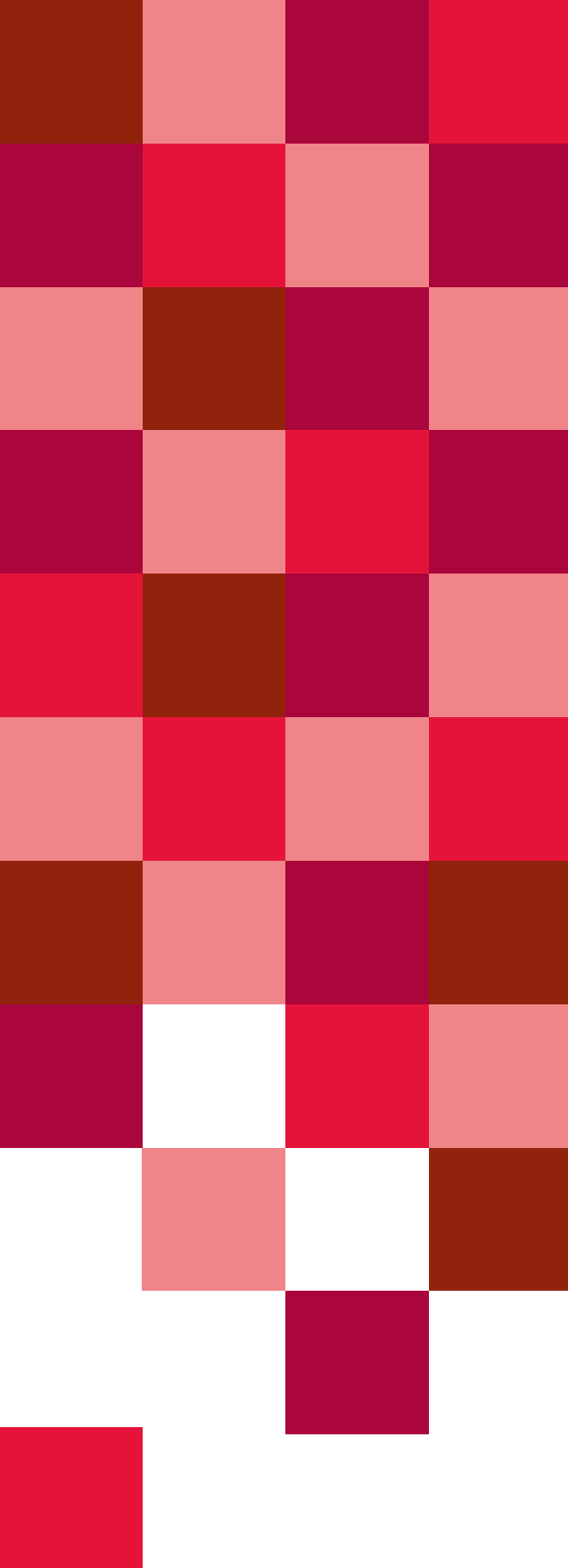
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