

Interim Report *January-September* 2013

Results in brief

THIRD QUARTER (JULY–SEPTEMBER)

- Net sales increased to SEK 550 (499) m and gross profit to SEK 353 (322) m.
- Profit from property management improved, amounting to SEK 179 (128) m, equivalent to SEK 1.31 (0.94) per share.
- Profit/loss before tax was SEK 231 (–29) m, and profit/loss for the period was SEK 214 (–13) m, or SEK 1.57 (–0.10) per share. The increase in profit/loss for the period is mainly due to the third quarter 2012 being charged with a fall in value of interest derivatives.
- Cash flow from operating activities was SEK 154 (–156) m, or SEK 1.13 (–1.14) per share.

INTERIM PERIOD (JANUARY–SEPTEMBER)

- Net sales decreased to SEK 1,601 (1,616) m, while gross profit improved to SEK 947 (935) m.
- Profit from property management increased to SEK 400 (355) m, or SEK 2.93 (2.60) per share.
- Profit/loss before tax was SEK 799 (353) m, and profit/loss for the period was SEK 683 (–571) m, or SEK 5.00 (–4.18) per share. The increase in profit/loss for the period is primarily due to the second quarter 2012 being charged with SEK –985 m of provisions for tax risks.
- Cash flow from operating activities was SEK 462 (67) m, or SEK 3.12 (0.49) per share.
- The property portfolio excluding modular buildings as of 30 September 2013 consisted of 279 (275) investment properties with a book value of SEK 14,479 (14,247) m.

Significant events

THIRD QUARTER (JULY–SEPTEMBER)

- Biljana Pehrsson was appointed Chief Executive Officer on 1 September.
- Kungsleden purchased 5 (–) properties for SEK 125 m and sold 1 (41) property in Germany for SEK 93 (1,022) m, generating a profit of SEK 0 (0) m.
- The Swedish Administrative Court of Appeal made negative rulings in a number of BV proceedings. However, Kungsleden has already made adequate provisions to cover these outcomes and intends to appeal.

INTERIM PERIOD (JANUARY–SEPTEMBER)

- 7 (–) properties were purchased for SEK 194 m and 4 (44) properties were sold for SEK 108 m (1,115), generating profit of SEK 4 m (17). In addition, Kungsleden agreed the purchase of a property in Lund, in southern Sweden, for SEK 173 m, with completion scheduled for the fourth quarter.
- In February, Kungsleden completed the sale of Hemsö to AP3 (the Third Swedish National Pension Fund), significantly strengthening Kungsleden's liquidity and permitting substantial loan amortisation.

RESULTS AND KEY FIGURES

	2013 July–Sept	2012 July–Sept	2013 Jan–Sept	2012 Jan–Sept
PROFIT FROM PROPERTY MANAGEMENT				
Gross profit	353	322	947	935
Sales and administration costs	–27	–38	–111	–131
Net financial position	–147	–156	–436	–449
Profit from property management, SEK m	179	128	400	355
FINANCIAL				
Profit from property management, SEK per share	1.31	0.94	2.93	2.60
Net profit/loss, SEK per share	1.57	–0.10	5.00	–4.18
Equity, SEK, per share ¹	60.61	49.63	60.61	49.63
Return on equity, %	10.5	–0.8	11.4	–10.5
PROPERTY RELATED				
Economic occupancy, %	90.0	89.4	90.4	89.6
Average rent, SEK per sq.m.	210	197	608	609
Operation and maintenance costs, SEK per sq.m.	50	49	179	184

¹ As of 30 September.

AFTER THE END OF THE PERIOD

- On 21 October, Kungsleden signed a binding agreement with GE Capital Real Estate to purchase 84 properties for approximately SEK 5.5 bn. The agreement is dependent on the Swedish Competition Authority's deliberations and closing is scheduled for December.
- From 1 October, Kungsleden introduced a new business steering group, replacing the former group management.

A comment from Chief Executive Officer

Nearly two months have passed since I took over as Chief Executive Officer of Kungsliden on 1 September, and embarked on the task of leading the company towards becoming the market's most profitable and successful property company. The third quarter can be described as intense and we're delivering a strong quarterly profit that demonstrates that we're moving well towards our previously stated targets. Following the end of the quarter, we also entered into a purchase agreement on GE's property portfolio.

As the new Chief Executive Officer, I've spent time learning about Kungsliden in more detail. I have met all members of staff and visited all our regional offices as well as a large number of properties in each region. I have met around twenty investors and shareholders in Stockholm, Amsterdam and London, around ten financial analysts and held meetings with many of our key banks and other market players. My introduction has been very educational and rewarding. The impression I have so far exceeds my expectations. I can see that there's a renewed interest in Kungsliden as a company and the share and that expectations on us are growing—that's really encouraging!

RESULTS

Profit from property management for the quarter increased by close to 40 per cent to SEK 179 m as a result of factors including costs being down by just over SEK 10 m. Net sales increased by SEK 50 m, of which revenues from module sales were SEK 20 m. Property yield was 8.7 per cent (8.4) for the quarter.

After the end of the reporting period, we signed a binding agreement for the purchase of GE Capital Real Estates' property portfolio in Sweden. It is great to be able to sign this agreement, espe-

cially as the portfolio of 84 properties fits so well with our new strategy. The acquisition immediately brings Kungsliden's portfolio volume to a level that otherwise, we would have expected to take one to two years to attain. Geographically, around 70 per cent of the portfolio we're purchasing is located in Stockholm and Gothenburg. The purchase means that the proportion of properties located in the three major city regions increases from 30 to 50 per cent of Kungsliden's total portfolio, at the same time as the share of offices increases from 39 to 50 per cent. This is entirely in line with our new strategy towards a greater concentration of the property portfolio, focusing on growth regions and office, industrial/warehouse and retail.

I would like to take this opportunity to extend a warm welcome to the people who are joining us from GE. Alongside them and all members of Kungsliden's staff, I'm looking forward to continuing our journey towards implementing our new strategy.

NEW ORGANISATIONAL STRUCTURE

As an important step in the implementation of our new strategy, we've introduced a new organisational structure and business model. We're clarifying our core business in three business areas—Property Management, Property Development and Transaction & Analysis—supported by key group-wide functions. In order to deliver successfully as active and skilful owners, managers and developers of our properties, it's important that we have a local presence and closeness to our customers and tenants. From 1 October, we're implementing a new business steering group that replaces the former group management. The new business management includes Business Area Managers and Regional Managers, in

addition to existing members of the group management. The change means shorter decision paths that increase our flexibility and bring us even closer to customers and our business. In addition, it clarifies regional profit accountability.

One of the stated financial targets has been to save some 10 per cent on our central and administrative costs, taking full effect from 2014. We think this target is achievable as early as the fourth quarter this year.

OUTLOOK

Financial and political uncertainty persists in many areas of the world, but the outlook for the Swedish economy is still favourable. We're seeing a slightly improved property market. In the third quarter, transaction volume was approximately SEK 21 bn, up 50 per cent on the corresponding period of last year. Increased appetite amongst investors and banks to fund property transactions is bringing hope of positive value growth.

To conclude, the new strategy and the acquisition of GE's properties means that Kungsliden has completed its transformation from being a transaction-driven company to becoming a company that actively owns, manages and develops properties to maximise operating net income and build property value for the long term. A strong profit in the third quarter of 2013 combined with the potential in GE Capital's property portfolio mean that I'm optimistic about Kungsliden's progress going forward.

Biljana Pehrsson
Chief Executive
Officer



The property purchase from GE Capital

In accordance with the memorandum of understanding announced on 15 August, Kungsliden AB (publ) has signed a binding purchase agreement with GE Capital Real Estate for the purchase of a portfolio of 84 commercial properties. The purchase price is SEK 5.5 bn.

This portfolio is mainly located in Stockholm and Gothenburg, and largely comprises office properties. Gross lease-

able area is approximately 567,000 sq.m. Completion will be before year-end. This acquisition is expected to increase operating net by SEK 380 m.

Approximately 70 per cent of the portfolio is located in Stockholm and Gothenburg, meaning that Kungsliden's share of properties in Stockholm, Gothenburg and Malmö increases from 30 per cent currently to 50 per cent.

The proportion of office properties will increase from 39 per cent currently to 50 per cent.

The transaction does not require Kungsliden to raise additional equity capital. The purchase will be financed within Kungsliden's existing credit facilities alongside new borrowings from four leading Nordic banks.

Results

RESULTS FOR THE THIRD QUARTER (JULY–SEPTEMBER)

Net sales in the third quarter were SEK 550 (499) m, divided between rental revenues from properties of SEK 419 (389) m and modular buildings of SEK 64 (64) m, as well as sales revenues from manufactured modules of SEK 66 (47) m. Gross profit increased to SEK 353 (322) m, an increase primarily sourced from property management.

Profit from property management increased by 39 per cent to SEK 179 (128) m. In addition to higher gross profit, the primary contributors to the profit increase were lower sales and administration costs, as well as an improved net financial position. Active measures to reduce administration costs contributed to a SEK 11 m decrease in costs to SEK 27 m. Due to certain temporary factors, costs in the third quarter were especially low. The net financial position of SEK –148 m, was SEK 8 m better than in the previous year, due to lower interest-bearing liabilities.

Profit before tax amounted to SEK 231 (–29) m. The higher figure is primarily because of SEK 223 m of higher unrealised value changes in financial instruments in the third quarter compared to the corresponding period in 2012.

Profit/loss for the period was SEK 214 (–13) m. The SEK 227 m increase is mainly due to higher unrealised value changes in financial instruments.

Profit from property management for the third quarter of SEK 179 m is up 34 per cent on the second quarter. The second quarter was initially negatively affected by higher heating costs, while the third quarter was affected by lower activity in the summer months, which implied lower operation and maintenance costs and lower administrative costs. In addition, an insurance dispute has been settled, which had a positive impact on revenues of SEK 11 m.

RESULTS FOR THE INTERIM PERIOD (JANUARY–SEPTEMBER)

Net sales in the interim period were SEK 1,601 (1,616) m, divided between rental revenues from properties of SEK 1,209 (1,209) m and modular buildings of SEK 196 (191) m, as well as sales revenues from manufactured modules of SEK 196 (216) m. The decrease in sales revenue from manufactured modules is due to a significant proportion of production relating to lettings rather than direct sales.

Gross profit improved by 1 per cent to SEK 947 (935) m despite a slightly smaller property portfolio and the cold winter weather at the beginning of the

year. Economic occupancy was 90.4 per cent at the end of the quarter, compared to 89.6 per cent for the corresponding period of the previous year. The increase is due to low vacancies in purchased properties.

Sales and administration costs were SEK 111 (131) m. SEK 29 (28) m of these costs were sourced from Nordic Modular and SEK 82 (103) m from group-wide operational costs and central administration within Kungsleden. The cost decrease is the result of cost measures executed.

The net financial position improved slightly and amounted to SEK –436 (–449) m. Utilising liquidity from the sale of Hemsö, interest-bearing liabilities were amortised at the beginning of the year. This had a positive effect on interest costs, which mitigated the negative effect of higher interest margins and arrangement fees after re-financing the majority of bank borrowings in 2012.

Profit from property management illustrates the profit from operating activities after financing costs, and for the interim period, amounted to SEK 400 (355) m. Gross profit, sales and administration costs and the net financial position improved compared to the corresponding period last year.

INCOME STATEMENT

SEK m	Properties		Nordic Modular		Other/group-wide		Total Kungsleden	
	2013 Jan–Sept	2012 Jan–Sept	2013 Jan–Sept	2012 Jan–Sept	2013 Jan–Sept	2012 Jan–Sept	2013 Jan–Sept	2012 Jan–Sept
Rental revenues	1,209	1,209	196	191			1,405	1,400
Sales revenues, module manufacture			196	216			196	216
Net sales	1,209	1,209	392	407			1,601	1,616
Property costs	–394	–405	–82	–72			–476	–477
Costs for manufacturing modules			–178	–204			–178	–204
Gross profit	815	804	132	131			947	935
Sales and administration costs	–82	–103	–29	–28			–111	–131
Net financial position	–420	–427	–16	–22			–436	–449
Profit from property management	313	274	87	81			400	355
Value changes, properties								
Profit/loss from property sales	4	17	0	0			4	17
Unrealised value changes	–23	47	–	–15			–23	32
Unrealised value changes, financial instruments	418	–51	–	–			418	–51
Profit/loss before tax	712	287	87	66			799	353
Tax	–155	–59	–19	–15	34	–985	–140	–1,059
Profit/loss from continuing operations	557	228	68	51	34	–985	659	–706
Discontinued operation: Hemsö holding after tax					24	135	24	135
Net profit/loss	557	228	68	51	58	–850	683	–571



Mälaren 17. Property in Örebro (in Mälaren Valley and North region).
Category: Industrial/warehousing. Area: 9,300 sq.m.

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

There were few value changes on investment properties in the period, amounting to SEK –23 (32) m.

Value changes on financial instruments were SEK 418 (–51) m. The value change was primarily sourced from rising long interest rates. Payments of the higher fixed interest also meant that the negative market value of interest swap contracts progressively reduced, which affected value changes for the period by SEK 190 m.

Tax on profit for the period was SEK –140 (–1,059) m. Tax is payable at the applicable tax rate of 22 per cent, with the exception of SEK 34 m that was covered by provisions for negative rulings in the BV proceedings following the rulings from the Swedish Administrative Court of Appeal. Last year's tax included provisioning for tax risks of SEK 985 m.

In 2013, the profit from the Hemsö portfolio, of SEK 24 (135) m is recognised as a discontinued operation at

the bottom of the Income Statement, in accordance with the relevant accounting principles.

The profit/loss for the period was SEK 683 (–571) m. The improved figure is mainly due to the previous year being charged with SEK –985 m of provisions for tax risks while value increases on financial instruments occurred this year.

CUSTOMERS

Kungsleden's success is based on satisfied customers. Kungsleden's customers represent a cross-section of the Swedish business community and public services. Its tenants are small enterprises and large corporations, active in sectors such as manufactured goods, transportation and retailing.

The largest tenant is ABB, which represents 16 per cent of total rental revenues. For the whole portfolio, the remaining contract term averaged 4.6 years. Net lettings in the interim period were SEK 14 m of annual rent based on signed contracts less terminations.

NORDIC MODULAR

Nordic Modular's operations encompass the letting and sale of modular buildings. Approximately 75 per cent of modular buildings are let to local government.

As of 30 September, modular buildings had a total area of 232,000 (231,000) sq.m. and book value of SEK 1,515 (1,509) m.

Rental revenues for modular buildings were SEK 196 (191) m in the period with gross profit of SEK 114 (119) m. The revenue increase was insufficient to offset increased costs for re-investment in the portfolio, which was temporarily lower in 2012. Occupancy was 79.7 per cent (79.1) at the end of the period.

Module sales were SEK 196 (216) m, after significant production for letting instead of sale.

Gross profit increased to SEK 18 (12) m. Plant order books at the end of the quarter were better than at year-end. The 20 Gråbo employees issued with redundancy notices at the beginning of the interim period left Kungsleden at the end of the quarter.

Mälaren Valley and North region

Mälaren Valley and North region managed 88 properties with a total value of SEK 5,681 m at the end of the third quarter. The Mälardalen share was SEK 3,942 m, of which SEK 3,407 m in Västerås, where eight of the region's ten largest properties are located. Properties in other growth locations are mainly in Umeå, Luleå and Östersund.

The properties in the region consist of office, warehousing/logistics and retail premises with the emphasis on offices. The portfolio totals 947,000 sq.m. with rental value of SEK 799 m, with the ten largest properties in the region representing 56 per cent of the area and 62 per cent of rental value respectively. The largest tenant, not only for the region, but also for Kungsleden as a whole, is ABB, which represents 16 per cent of the group's rental revenue. The region's other major tenants include printing group V-Tab, ICA Fastigheter, Posten (Sweden Post) and discount retailer Ö&B.

MÄLAREN VALLEY AND NORTH —GROWTH REGIONS

Several locations in the Mälaren valley have some of the highest growth rates in Sweden after the three major city regions. Sustained initiatives on infrastructure have contributed to the growth, where proximity to motorways and rail services are important competitive advantages. Örebro also has access to Sweden's fourth biggest freight airport, and plans are in place for continued capacity expansion. This airport, combined with its proximity to motorways and rail links, mean that Örebro is growing as a logistics hub.

In the city of Västerås, work is underway to expand the railway station, including a new travel centre for handling increased passenger flows. Kungsleden has large property portfolios in some of the best locations in Västerås and the expansion of the station will make these areas even more attractive. The expansion of the E18 motorway also favours

Kungsleden, as its office and substantial warehousing properties, are easily accessible from the motorway.

Mälardalen University in Eskilstuna/Västerås and Örebro University are contributing to regional skills supply. Surveys show that many of the 12,000 or so students that graduate from Mälardalen University each year choose to remain in the region.

The growth region in Norrland in northern Sweden includes Umeå, Luleå and Östersund, where Kungsleden's portfolio largely consists of industrial and logistics premises. The Hudiksvall and Umeå portfolios consist of retail properties.

LETTINGS MARKET

Rents were faintly positive in the Mälaren Valley region despite relatively hesitant demand in the period. Demand for premises was generally high in Östersund and Umeå. As of 30 September, economic occupancy was 92.8 per cent for the region, compared to 92.0 per cent for the group, excluding modular buildings. Operating net in relation to rental revenues (operating surplus margin) was 65.5 per cent, against 70.1 per cent for the group.

NEW CUSTOMERS AND INVESTMENTS

Against the background of factors including Örebro's development as a logistics hub, Kungsleden purchased a warehouse property in the city in the third quarter. The property covers just over 6,300 sq.m. with Systembolaget (Sweden's government-owned chain of liquor stores) as the tenant.

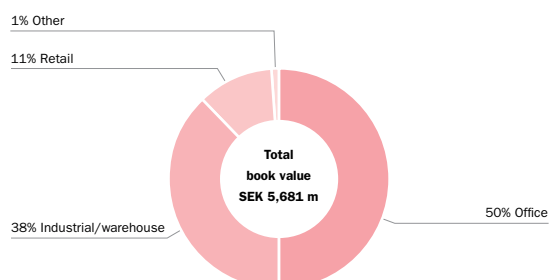
If demand for premises cannot be met, new construction can, under certain conditions, be an alternative. Earlier in the year, Kungsleden signed a ten-year contract with AA Logistik in Västerås on approximately 15,000 sq.m. Adjacent to these premises, Kungsleden is working on an extension that will hold a freight management hall, bringing the total leasable area to 18,600 sq.m.

In Västerås, Kungsleden is also refurbishing offices of nearly 3,000 sq.m. for Posten's logistics operations.

Business acquisitions have increased Posten Logistics' presence in Luleå, including taking over a rental contract for approximately 10,000 sq.m. with completion scheduled in the third quarter.



PROPERTY PORTFOLIO BY TYPE,
MÄLAREN VALLEY AND NORTH REGION





” Rents were faintly positive in the Mälaren Valley region despite relatively hesitant demand in the period.

– Nina de Besche,
Regional Manager of Mälaren
Valley and North region.



Assets and liabilities

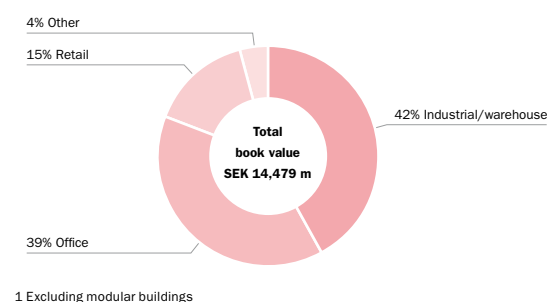
STATEMENT OF FINANCIAL POSITION

SEK m	30 Sept 2013	31 Dec 2012
ASSETS		
Investment properties—properties	14,479	14,247
Investment properties—modular buildings	1,515	1,509
Properties used in business operations	21	21
Other fixed assets	514	666
Receivable from AP3 (the Third Swedish National Pension Fund)	–	3,363
Other current assets	195	373
Cash and bank balances	298	721
Total assets	17,022	20,900
EQUITY AND LIABILITIES		
Equity	8,273	7,726
Interest-bearing liabilities	7,255	9,704
Derivatives	707	1,125
Other non-interest bearing liabilities	787	2,345
Total equity and liabilities	17,022	20,900

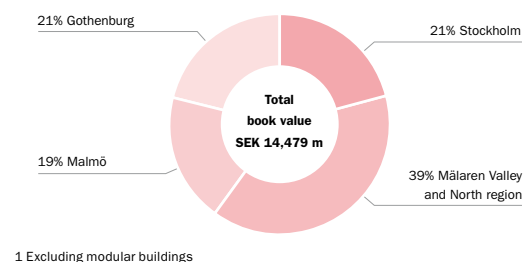
KEY RATIOS

	30 sept 2013	31 dec 2012
Loan to value ratio, %	45	62
Equity ratio, %	49	37

PROPERTY PORTFOLIO BY TYPE, 30 SEPTEMBER 2013¹



PROPERTY PORTFOLIO BY REGION, 30 SEPTEMBER 2013¹



EQUITY AND FINANCIAL POSITION

Equity was SEK 8,273 (7,726) m at the end of the period, or SEK 61 (50) per share, corresponding to an equity ratio of 49 (37) per cent.

Amortisation after the sale of Hemsö resulted in the loan to value ratio reducing from 62 per cent to 45 per cent in 2013. This lower loan volume has also implied lower interest costs and increased un-utilised credit facilities to over SEK 4 billion. However, this situation was temporary ahead of the purchase of GE's property portfolio.

PROPERTY PORTFOLIO

As of 30 September 2013, the property portfolio, excluding modular buildings, consisted of 279 (275) properties. The total area was 2,225,000 (2,211,000) sq.m., and the properties had a book value of SEK 14,479 (14,247) m.

PROPERTY PORTFOLIO¹

SEK m	2013 July–Sept	2013 Jan–Sept
Properties at the beginning of the period	14,408	14,247
Purchases	125	194
Investments	46	168
Sales	–93	–108
Exchange rate fluctuations	–3	0
Value changes	–4	–22
Properties at the end of the period	14,479	14,479

1. Excluding modular buildings

The increase in the book value of properties is mainly due to investments in existing properties, which amounted to SEK 168 (163) m, in which over half in seven properties in Västerås, Värnamo, Stockholm and Nyköping. Investments are mainly in conversions and extensions of existing properties, and in consultation with tenants, so their operations can be conducted better and more effectively. Investments increase property value, through higher rent levels and often, longer contract terms too.

TRANSACTION MARKET

The transaction market showed clear signs of increased activity in 2013. In the third quarter, transaction volume was SEK 21 bn (Source: JLL), excluding the completed GE transaction. This is 52 per cent more than in the third quarter 2012.

Kungsleden purchased 7 (–) properties for SEK 194 m in the interim period. These were 6 warehouse and office properties and 1 retail property. Kungsleden sold 3 (3) smaller properties of 4,000 sq.m. and 1 property in Germany for SEK 108 (93) m, and with final settlement of previous sales, this generated a profit of SEK 4 (17) m. In addition to these completed properties, Kungsleden signed agreements to purchase

a retail property in Lund with a value of SEK 173 m. The property has total area of 41,000 sq.m., and the transactions will be completed in the fourth quarter.

These purchases, totalling SEK 194 m, are part of building the larger and attractive property portfolio for the long term specified by its new business strategy. Kungsleden will own, manage and improve quality commercial properties in selected Swedish major city and growth regions in the office, industrial/warehouse and retail segments that generate sustainable, high and stable yields.

The creation of the optimal property portfolio also includes selling properties that lie outside the core focus of this new strategy, at the right time and at an

acceptable price. Such a concentration process occurred in the third quarter, when Kungsleden sold and completed a retirement home property in Germany.

EARNINGS CAPACITY

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

EARNINGS CAPACITY¹ BY TYPE

	Industrial/ warehouse	Office	Retail	Other	Total properties	Modular buildings	Totalt
No. of properties	118	84	56	21	279	–	279
Leasable area, 000 sq.m.	1,229	667	267	62	2,225	232	2,457
Book value, SEK m	6,220	5,606	2,108	545	14,479	1,515	15,994
Rental value, SEK m	759	708	229	66	1,762	328	2,090
Rental revenues, SEK m	700	648	213	61	1,622	261	1,883
Operating net, SEK m ^{2,3}	523	425	154	35	1,137	167	1,304
Economic occupancy, %	92.2	91.6	93.0	91.3	92.0	79.7	90.1
Property yield, % ^{2,3}	8.4	7.6	7.3	6.4	7.9	11.0	8.2
Operating surplus margin, % ^{2,3}	74.8	65.6	72.2	57.3	70.1	63.9	69.2

EARNINGS CAPACITY¹ BY REGION

	Stockholm	Mälaren Valley and North region	Gothenburg	Malmö ⁴	Total properties	Modular buildings	Total
No. of properties	48	88	82	61	279	–	279
Leasable area, 000 sq.m.	354	947	481	443	2,225	232	2,457
Book value, SEK m	3,001	5,681	2,996	2,801	14,479	1,515	15,994
Rental value, SEK m	335	799	327	301	1,762	328	2,090
Rental revenues, SEK m	316	741	298	267	1,622	261	1,883
Operating net, SEK m ^{2,3}	235	486	209	207	1,137	167	1,304
Economic occupancy, %	94.4	92.8	90.8	88.6	92.0	79.7	90.1
Property yield, % ^{2,3}	7.8	8.5	7.0	7.4	7.9	11.0	8.2
Operating surplus margin, % ^{2,3}	74.4	65.5	70.4	77.4	70.1	63.9	69.2

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

2 In the Income Statement, the group's operating net is charged with costs for property administration, which is not included in individual property operating nets in earnings capacity. In the past 12 months, property administration was SEK 48 m for property management and SEK 12 m for modular buildings.

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

4 Malmö region includes one property in Germany.

FUNDING

At the end of the period, the loan portfolio amounted to SEK 7,255 (9,704) m. The contraction of loan volumes since year-end is primarily due to the amortisation effected in the first quarter of 2013 utilising the liquidity freed up from the sale of the portfolio in Hemsö. In the third quarter, borrowing decreased slightly, due to factors including a delayed property purchase and ongoing amortisation. The average conversion time for utilised loans amounted to 1.9 (2.3) years at the end of the third quarter.

Financing costs

Compared to the first three quarters of 2012, the net financial position improved by SEK 13 m to SEK -436 (-449) m in the interim period. Mainly, this is due to lower loan volumes in 2013 after the amortisation at the beginning of the year. Restructuring of interest swaps in 2012 also had a positive impact on the net financial position in the interim period. However, higher arrangement fees from the refinancing of bank credit facilities affected in 2012

and commitment commission on larger, un-utilised credit facilities made a negative contribution. Repayment of a vendor note from Sveareal resulted in lower interest income compared to the corresponding period of the previous year.

The average financing cost (average interest rate) as of 30 September 2013 was 8.1 per cent, compared to 6.8 per cent at year-end. The change in 2013 relates mainly to the effect of loan amortisation in the first quarter. This amortisation means that interest costs charged to profit reduce, but the average interest rate increases simultaneously, because the higher fixed interest costs for Kungsleden's interest swaps are allocated to smaller loan nominal amounts. Average interest is not appropriate for estimating Kungsleden's forthcoming financing cost because it will reduce when planned property purchases take place and are financed and financed at floating rate interest.

The weighted average remaining fixed-interest period for loans and interest swaps has increased to 5.8 (5.1)

years since year-end. The change is also an effect of loan amortisation.

Kungsleden has covenants to lenders regarding interest coverage and loan to value ratios. All were satisfied as of 30 September 2013. Including discontinued operations, the interest coverage ratio was a multiple of 2.2 (2.7). For all loans where collateral has been pledged, i.e. all loans apart from bond issues, the loan to value ratio was 35 (51) per cent at group level. The loan to value ratio has improved sharply compared to the previous year-end, explained by amortisation effected in the period. As Kungsleden acquires more properties, the loan to value ratio will increase.

Value growth, financial instruments

The negative market value of financial instruments (interest swaps) improved sharply in the interim period, and was SEK -706 m as of 30 September, compared to SEK -1,121 m at the beginning of the year. Of this SEK 415 m decrease, SEK 57 m related to the third quarter. The change in the negative market value is recognised as unrealised value changes on financial instruments in the Income Statement. The improvement in negative market value in 2013 is based partly on market interest rates on long maturities rising, generating an effect of SEK 225 m, and partly on the negative market value progressively reducing through ongoing interest payments in interest swap contracts, generating the remaining effect of SEK 190 m. The value of other financial instruments (share swaps) improved by SEK 3 m, resulting in total unrealised value changes in the Income Statement in the period amounting to SEK 418 m.

Liquidity

Cash and un-utilised granted credit facilities amounted to SEK 4,434 (1,881) m as of 30 September, of which un-utilised credits represented SEK 4,135 (1,160) m. Kungsleden maintains a liquidity contingency for its ongoing tax proceedings.

INTEREST COSTS AND AVERAGE INTEREST RATE¹

Loans, derivatives and fees on the reporting date	Annual cost, SEK m		Average interest rate, %	
	2013 30 Sept	2012 31 Dec	2013 30 Sept	2012 31 Dec
Interest on bank borrowings and bond issues ² (Stibor 90 days, interest margin and arrangement fees)	-285	-402	3.9	4.1
Difference between Stibor 90 days and fixed interest on interest derivatives	-262	-242	3.6	2.5
Commitment commission for additional liquidity reserve due to tax risks	-29	-	0.4	-
Commitment commission, other liquidity reserve	-12	-11	0.2	0.1
Interest costs and average interest rate	-588	-655	8.1	6.8

1 The average interest rate is calculated by considering interest costs arising from loans and interest swaps, arrangement fees and the cost of unutilized credit in relation to outstanding loan volumes on the balance sheet date.

2 Interest-bearing liabilities were SEK 7,255 m on 30 September 2013 and SEK 9,704 m on 31 December 2012.

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

As of 30 September 2013, SEK m	Utilised credits	Un-utilised credits	Total credits
2013	-	260	260
2014	1,483	-	1,483
2015	2,685	3,800	6,485
2016	3,087	75	3,162
Total	7,255	4,135	11,390
Average conversion term, years	1.9	1.7	

Other information

TAX POSITION

In recent years, the Swedish Tax Agency and courts have altered their view of how laws and practice should be interpreted in several tax segments. The Swedish Tax Agency's view of certain transactions executed has differed from Kungsleden's, which has resulted in a number of court proceedings.

Kungsleden continuously evaluates the risk of a definitive negative outcome in ongoing tax proceedings, and after consulting with independent tax experts, makes provisions for potential negative outcomes. This considers relevant tax cases that are progressively ruled by the courts.

During the third quarter, the Administrative Court of Appeal issued its rulings on six of the eleven tax cases relating to the BV proceedings. The rulings were not in Kungsleden's favour and imply that tax evasion legislation is considered to be applicable to the case. The profit impact for Kungsleden is estimated at SEK -290 m. The provisions made for these tax proceedings in 2012 offset this effect. As this provision exceeded the estimated effect on profits of the BV rulings, the Income Statement was positively affected by SEK 34 m from the release of the excess portion of the provisions. The liquidity effect is estimated at around SEK 145 m in comparison to the earlier estimate of SEK 160 m. Kungsleden intends to appeal to the Supreme Administrative Court. In the quarter, the remaining tax proceedings have not revealed anything that changes Kungsleden's assessment in substance, and consequently no changes have been made to provisions.

It is not possible to offer a precise estimate of the outcome of tax proceedings at present. If the proceedings came to a negative conclusion definitively, Kungsleden judges that the reassessment of income may be partly offset by deductible loss carry-forwards, which means that taxes payable (corporation tax, and in certain cases, tax surcharges and interest) would be less than the reassessment of income that the Swedish Tax Agency is claiming. This limits the negative liquidity effect for Kungsleden. The group also has deductible loss carry-forwards that have not yet been capitalised that may limit the negative effect on equity.



Malin Evertsson, Assistant Property Manager, Peter Versén, Technical Manager and Ingrid Ljungqvist, Assistant Technical Manager

Estimate of maximum negative effects

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

Kungsleden has attempted to estimate the possible scale of the negative effects on equity and liquidity from negative outcomes in all transactions that the Swedish Tax Agency is questioning. If all outstanding proceedings are found against the company, Kungsleden judges the maximum negative effect on equity at SEK 2,980 m over and above the provisions of SEK 658 m remaining. Simultaneously, Kungsleden estimates the maximum negative liquidity effect, including tax surcharges and interest, at SEK 2,915 m, over and above the SEK 160 m already paid in anticipation of definitive ruling. The estimate of maximum negative profit and liquidity effects has reduced by SEK 10 m and SEK 15 m

compared to the previous Interim Report and is attributable to the rulings on the BV proceedings. The provision from the second quarter 2012 has been reduced by SEK 50 m from SEK 383 m to SEK 333 m. At the same time, the effect on shareholders' equity for non-provisioned tax liabilities has increased by SEK 40 m to SEK 2,980 m, as a high proportion of the provisions utilised in the previous interim report were included in outstanding amounts for non-provisioned cases.

Contested situations

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

ESTIMATE OF MAXIMUM NEGATIVE EFFECT OF OUTSTANDING TAX PROCEEDINGS

SEK m	Effect on equity	Liquidity effect
Provision, Q2 2009	325	0
Provision, Q2 2012	333	145
Deposited in anticipation of ruling	-	-
Total provisioning for tax cases	658	145
Tax cases not provisioned	2,980	2,930
Deposited in anticipation of ruling	-	-160
Total	3,638	2,915

ORGANISATION AND HUMAN RESOURCES

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

The average number of employees in the interim period was 82 (83) for Kungsleden's property management and group wide functions and 174 (189) for Nordic Modular.

Biljana Pehrsson became Kungsleden's Chief Executive Officer on 1 September. She has been a Board member of Kungsleden since 2011 but resigned from this position when taking on the role of Chief Executive Officer. She joins the company from East Capital Private Equity AB, where she was Head of Real Estate and Deputy CEO.

From 1 October, Kungsleden introduced a new business steering group to replace the former group management. The business steering group comprises the business area managers for Property Management, Transaction & Analysis and Property Development, Kungsleden's four Regional Managers, the Deputy CEO/Chief Financial Officer and the Chief Executive Officer. The change is an important step in implementing Kungsleden's new strategy. The new management structure creates better conditions for managing the company, with shorter decision paths, increased flexibility and clearer profit accountability.

PARENT COMPANY

The profit of the parent company for the period was SEK 206 (–118) m. Profit was primarily sourced from reversed provisions for the group's interest swaps, whose negative market values decreased due to interest rates on longer maturities increasing in the period. Sales were SEK

SHAREHOLDERS

As of 30 September 2013	No. of shares	% of vote and capital
Welandson Gösta and companies	17,880,595	13.1
Länsförsäkringar Funds	5,714,549	4.2
Norges Bank Investment Management	5,277,289	3.9
Florén Olle and companies	3,594,250	2.6
SHB Funds	3,438,728	2.5
BlackRock Funds (USA)	2,031,041	1.5
Second AP Fund	1,835,324	1.3
Fourth AP Fund	1,740,579	1.3
Danske Invest Funds (Sweden)	1,621,429	1.2
Swedbank Robur Funds	1,339,108	1.0
Total, ten largest shareholders	44,472,892	32.6
Board and management	143,372	0.1
Foreign shareholders, other	31,917,970	23.4
Other shareholders	59,967,830	43.9
Total	136,502,064	100.0

Source: SIS Ägarservice



Malin Sloan, Assistant Property Manger and
Hanna Tomasson, Assistant Property Manger

32 (51) m, which were revenues from group companies.

Assets at the end of the period mainly consisted of participations in group companies of SEK 8,083 (7,801) m. Funding was primarily through equity, which was SEK 6,000 (5,931) m at the end of the period, implying an equity ratio of 40 (43) per cent.

THE SHARE AND SHAREHOLDERS

The closing share price on 30 September 2013 was SEK 42.90. Compared to the closing price at the end of 2012, which was SEK 35.40, the price increased by 21 per cent. As of 30 September, Kungsleden had 19,529 shareholders, approximately the same number as at year-end.

RISKS AND UNCERTAINTY FACTORS

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

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

Financial risks are primarily liquidity risk, re-financing risk and interest risk and are managed on the basis of the group's finance policy.

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

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

POST-BALANCE SHEET EVENTS

On 21 October, Kungsleden signed a binding agreement with GE Capital Real Estate relating to the purchase of 84 properties for approximately SEK 5.5 bn. Completion is dependent on the Swedish Competition Authority's assessment and is scheduled for December.

Financial Reporting, 1 Jan – 30 Sept 2013

INCOME STATEMENT¹

SEK m	Reporting period		Interim period		12 months	
	2013 July–Sept	2012 July–Sept	2013 Jan–Sept	2012 Jan–Sept	2012/2013 Oct–Sept	2012 Jan–Dec
Rental revenues—properties	419.1	388.6	1,209.5	1,209.3	1,583.3	1,583.1
Rental revenues—modular buildings	64.4	64.2	195.7	191.0	261.3	256.6
Sales revenues, module manufacture	66.4	46.6	196.2	215.9	250.6	270.3
Net sales	549.9	499.4	1,601.4	1,616.2	2,095.2	2,110.0
Property costs—properties ¹	-109.6	-108.5	-394.3	-404.8	-527.1	-537.6
Property costs—modular buildings ¹	-26.3	-22.7	-81.5	-72.3	-106.0	-96.7
Costs for module manufacture ¹	-60.6	-46.2	-178.6	-204.0	-232.7	-258.1
Gross profit	353.4	322.0	947.0	935.1	1,229.5	1,217.6
<i>of which operating net—properties</i>	<i>309.5</i>	<i>280.1</i>	<i>815.2</i>	<i>804.5</i>	<i>1,056.2</i>	<i>1,045.5</i>
<i>of which operating net—modular buildings</i>	<i>38.1</i>	<i>41.5</i>	<i>114.2</i>	<i>118.7</i>	<i>155.4</i>	<i>159.9</i>
<i>of which gross profit—module manufacture</i>	<i>5.8</i>	<i>0.4</i>	<i>17.6</i>	<i>11.9</i>	<i>17.9</i>	<i>12.2</i>
Sales and administration costs¹	-27.3	-37.9	-111.3	-130.9	-167.7	-187.3
Net financial position						
Financial revenues ²	4.2	5.7	12.7	24.0	19.7	31.0
Interest costs ²	-136.3	-150.5	-403.5	-444.2	-538.0	-578.7
Other financial costs	-15.3	-11.0	-45.0	-28.5	-54.3	-37.8
	-147.4	-155.8	-435.8	-448.7	-572.6	-585.5
Profit from property management	178.7	128.3	399.9	355.5	489.1	444.8
Value changes, investment properties						
Profit/loss from property sales	-0.1	-0.2	4.2	16.5	3.9	16.2
Unrealised value changes ¹	-4.3	9.6	-22.6	31.5	-74.4	-20.3
	-4.4	9.4	-18.4	48.0	-70.5	-4.1
Unrealised value changes, financial instruments	56.9	-166.5	417.7	-50.6	398.5	-69.9
Profit/loss before tax²	231.2	-28.8	799.2	352.9	817.1	370.8
Tax	-17.3	28.6	-140.6	-1,058.9	105.0	-813.3
Net profit/loss from continuing operations	213.9	-0.3	658.6	-706.0	922.1	-442.5
Discontinued operation²						
Profit/loss from Hemsö holding, net after tax	-	-13.1	24.0	134.8	683.6	794.4
Net profit/loss³	213.9	-13.4	682.6	-571.2	1,605.7	351.9
Earnings per share⁴	1.57	-0.10	5.00	-4.18	11.76	2.58
Earnings per share from continuing operations⁴	1.57	0.00	4.82	-5.17	6.75	-3.24

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

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

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

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

STATEMENT OF COMPREHENSIVE INCOME

SEK m	Reporting period		Interim period		12 months	
	2013 July–Sept	2012 July–Sept	2013 Jan–Sept	2012 Jan–Sept	2012/2013 Oct–Sept	2012 Jan–Dec
Net profit/loss after tax	213.9	-13.4	682.5	-571.2	1,605.6	351.9
Other comprehensive income (items that can be reclassified to net profit/loss)						
Translation differences transferred to net profit/loss	-	-	-	-	16.9	16.9
Participation in Hemsö's other comprehensive income (discontinued operation)	-	-6.6	-	-10.1	4.6	-5.5
Translation differences for the period when translating foreign operations	-2.0	-5.7	0.6	-6.5	6.1	-1.0
Comprehensive income for the period¹	211.9	-25.7	683.1	-587.8	1,633.2	362.3

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

STATEMENT OF FINANCIAL POSITION

SEK m	30 Sept 2013	31 Dec 2012
ASSETS		
Goodwill	201.4	201.4
Investment properties—properties	14,479.4	14,246.7
Investment properties—modular buildings	1,514.8	1,509.3
Properties used in business operations	20.8	21.1
Equipment	13.4	13.9
Deferred tax assets	65.3	206.7
Other long-term receivables	234.2	244.0
Total current assets	16,529.3	16,443.1
Inventories	16.0	17.1
Receivable from AP3	-	3,362.9
Current receivables	178.6	355.4
Cash and bank balances	298.5	721.2
Total current assets	493.1	4,456.6
TOTAL ASSETS	17,022.4	20,899.7
EQUITY AND LIABILITIES		
Equity	8,273.0	7,726.4
Interest-bearing liabilities		
Liabilities to credit institutions	5,656.1	8,104.7
Bond issues (unsecured)	1,599.2	1,599.2
Interest-bearing liabilities	7,255.3	9,703.8
Non-interest-bearing liabilities		
Provisions	59.0	57.7
Derivatives ¹	706.8	1,124.5
Tax liability	-	20.5
Other non-interest-bearing liabilities	728.3	2,266.8
Non-interest-bearing liabilities	1,494.1	3,469.5
TOTAL EQUITY AND LIABILITIES	17,022.4	20,899.7

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

STATEMENT OF CHANGES IN EQUITY

SEK m	30 Sept 2013	31 Dec 2012
At beginning of period	7,726.4	7,719.0
Dividend	-136.5	-354.9
Comprehensive income for the period	683.1	362.3
At end of period	8,273.0	7,726.4

STATEMENT OF CASH FLOWS

SEK m	Reporting period		Interim period		12 months	
	2013 July–Sept	2012 July–Sept	2013 Jan–Sept	2012 Jan–Sept	2012/2013 Oct–Sept	2012 Jan–Dec
Operating activities						
Profit/loss before tax	231.2	-28.8	799.2	352.9	816.9	370.8
Profit/loss from property sales	0.1	0.2	-4.2	-16.5	-3.9	-16.2
Unrealised value changes	-52.5	156.9	-395.1	19.1	-324.0	90.2
Dividend and cash flow relating to Hemsö (discontinued operation)	-	-	24.0	52.1	24.0	52.1
Other adjustment for items not included in cash flow from operating activities	-24.6	-22.3	1.9	6.7	-36.7	-32.1
Tax paid	-	-261.6	-	-347.6	5.6	-342.0
Cash flow from operating activities	154.2	-155.6	425.8	66.7	481.9	122.8
Changes in working capital	72.0	608.2	-259.5	285.2	-148.2	396.5
Cash flow from operating activities after change in working capital	226.2	452.6	166.3	351.9	333.7	519.3
Cash flow from investing activities	-81.8	617.9	2,744.5	587.2	3,024.1	836.8
Cash flow from financing activities	-272.5	-1,034.1	-3,335.5	-1,285.6	-3,363.0	-1,313.1
Cash flow for the period	-128.1	36.4	-424.7	-346.5	-5.2	43.0
Cash and cash equivalents at beginning of period	427.3	297.9	721.2	683.9	329.7	683.9
Exchange rate difference in cash and cash equivalents	-0.7	-4.6	2.0	-7.7	4.0	-5.7
Cash and cash equivalents at end of period	298.5	329.7	298.5	329.7	328.5	721.2

SEGMENT REPORTING

SEK m	Properties ¹		Nordic Modular ¹		Other/group wide		Total Kungsleden	
	2013 Jan–Sept	2012 Jan–Sept	2013 Jan–Sept	2012 Jan–Sept	2013 Jan–Sept	2012 Jan–Sept	2013 Jan–Sept	2012 Jan–Sept
Rental revenues	1,209.5	1,209.3	195.7	191.0			1,405.2	1,400.3
Sales revenues, modules			196.2	215.9			196.2	215.9
Net sales	1,209.5	1,209.3	391.9	406.9			1,601.4	1,616.2
Property costs ²	-394.3	-404.8	-81.5	-72.3			-475.8	-477.1
Costs for module manufacture ²			-178.6	-204.0			-178.6	-204.0
Gross profit/loss	815.2	804.5	131.8	130.6			947.0	935.1
Sales and administration costs ²	-82.6	-103.0	-28.7	-27.9			-111.3	-130.9
Net financial position	-420.1	-427.0	-15.7	-21.7			-435.8	-448.8
Profit from property management	312.5	274.5	87.4	81.0			399.9	355.5
Value changes, investment properties								
Profit/loss from property sales	4.2	16.5	0.0	0.0			4.2	16.5
Unrealised value changes	-22.6	46.5	-	-15.0			-22.6	31.5
Unrealised value changes, financial instruments	417.7	-50.6	-	-			417.7	-50.6
Profit/loss before tax	711.8	286.9	87.4	66.0			799.2	352.9
Tax	-155.4	-59.4	-19.2	-14.5	34.0	-985.0	-140.6	-1,058.9
Profit/loss from continuing operations	556.4	227.6	68.2	51.5	34.0	-985.0	658.6	-706.0
Discontinued operation: Hemsö holding, after tax					24.0	134.8	24.0	134.8
Net profit/loss for the period	556.4	227.6	68.2	51.5	58.0	-850.2	682.6	-571.2
Properties	14,479.4	13,268.4	1,535.6	1,510.6			16,015.0	14,779.0
Purchases and investments, properties	162.3	358.2	5.7	7.8			168.0	366.0

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

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

KEY FIGURES

	Reporting period		Interim period		12 months	
	2013 July–Sept	2012 July–Sept ¹	2013 Jan–Sept	2012 Jan–Sept ¹	2012/2013 Oct–Sept ¹	2012 Jan–Dec ¹
Property-related						
<i>Earnings capacity</i>						
Property yield, % ¹					8.2	8.3
Economic occupancy, %					90.1	89.3
Operating surplus margin, % ¹					69.2	70.7
<i>Actuals</i>						
Property yield, % ¹	8.7	8.4	7.8	8.1	7.9	7.7
Economic occupancy, %	90.0	89.4	90.4	89.6	90.2	89.6
Operating surplus margin, % ¹	71.9	71.0	66.1	65.9	65.7	65.5
Financial						
Profit from property management, SEK m	179	128	400	355	489	445
Net profit/loss, SEK m	214	-13	683	-571	1 606	352
Return on total capital, % ¹	7.6	5.7	6.1	6.5	9.9	8.8
Return on equity, %	10.5	-0.8	11.4	-10.5	21.3	4.6
Return on capital employed, % ¹	8.5	6.5	7.1	7.5	11.0	10.5
Interest coverage ratio, multiple ¹	2.2	1.6	1.9	1.9	2.9	2.7
Equity ratio, %					48.6	37.0
Gearing, multiple					0.9	1.3
Loan to value ratio, %					45.3	61.5
Cash flow from operating activities, SEK	154	-156	426	67	482	123
Data per share						
Share price, SEK					42.90	35.40
Dividend, SEK					1.00	2.60
Total yield, %					19.9	-17.4
Dividend yield, %					2.3	7.3
P/E ratio, multiple					3.6	13.7
Gross profit, SEK ¹	2.59	2.36	6.94	6.85	9.01	8.90
Profit from property management, SEK	1.31	0.94	2.93	2.60	3.58	3.26
Net profit/loss, SEK	1.57	-0.10	5.00	-4.18	11.76	2.58
Property book value, SEK					117.32	115.60
Equity, SEK					60.61	56.60
Cash flow from operating activities, SEK	1.13	-1.14	3.12	0.49	3.53	0.90
Outstanding and average number of shares ²	136,502,064	136,502,064	136,502,064	136,502,064	136,502,064	136,502,064

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

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

PARENT COMPANY INCOME STATEMENT

SEK m	Reporting period		Interim period		12 months	
	2013 July–Sept	2012 July–Sept	2013 Jan–Sept	2012 July–Sept	2012/2013 Oct–Sept	2012 Jan–Dec
Intragroup revenues	3.3	20.5	31.6	51.1	41.9	61.4
Administration costs	-5.7	-14.5	-32.6	-38.1	-50.9	-56.4
Operating profit/loss	-2.4	6.0	-1.0	13.0	-9.0	5.0
Profit/loss from financial items	-8.9	-213.6	264.7	-173.2	758.4	320.5
Profit/loss before tax	-11.3	-207.6	263.7	-160.2	749.4	325.5
Tax on net profit/loss	2.5	56.0	-58.0	42.1	-126.9	-26.8
Net profit/loss	-8.8	-151.6	205.7	-118.1	622.5	298.7

PARENT COMPANY BALANCE SHEET

SEK m	30 Sept 2013	31 Dec 2012	30 Sept 2012
ASSETS			
Participations in group companies	8,083.1	7,800.9	7,945.8
Receivables from group companies	6,163.2	4,904.0	5,292.1
External receivables, etc.	556.2	615.3	615.5
Cash and cash equivalents	213.1	540.9	540.9
TOTAL ASSETS	15,015.6	13,861.1	14,394.3
EQUITY AND LIABILITIES			
Equity	5,999.7 ¹	5,930.5	5,930.3
Non-current liabilities	1,600.9	1,600.8	1,600.6
Liabilities to group companies	6,675.2	4,727.1	5,260.3
Other liabilities	739.8	1,602.7	1,603.1
TOTAL EQUITY AND LIABILITIES	15,015.6	13,861.1	14,394.3

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

ACCOUNTING PRINCIPLES

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

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

onwards, Kungsleden is reporting costs for property administration and re-investments for modular buildings as a property cost. Correspondingly, administration in module manufacture is being recognised as a cost for manufacturing modules. Comparative figures have been restated correspondingly, and have only implied transfers between different profit lines, and did not affect profit before or after tax.

For the full year 2012, the increase in operating costs was SEK 71 m for administration and SEK 40 m for re-investment respectively. Sales and administration costs and negative unrealised value changes on investment properties have decreased by the corresponding amounts.

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

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

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

Estimates and judgements

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

Stockholm, Sweden, 25 October 2013

Göran Larsson
Chairman

Magnus Fernqvist
Board member

Joachim Gahm
Board member

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

Peter Gustafson
Board member

Lars Holmgren
Board member

Kia Orback Pettersson
Board member

Kungsleden publishes the information in this Interim Report in accordance with the Swedish Securities Markets Act.

Charlotta Wikström
Board member

Biljana Pehrsson
Chief Executive Officer

Quarterly summary

SUMMARY INCOME STATEMENT

SEK m	2013			2012			2011	
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Net sales	550	564	487	494	499	561	556	550
Gross profit	353	313	281	282	322	308	305	304
<i>of which operating net—properties</i>	310	266	240	241	280	268	257	266
<i>of which operating net—modular buildings</i>	38	39	37	41	42	38	39	30
<i>of which gross profit—module manufacture</i>	6	8	4	0	0	2	9	8
Sales and administration costs	-27	-32	-52	-56	-38	-45	-48	-41
Net financial position	-147	-148	-141	-137	-156	-153	-140	-132
Profit from property management	179	133	88	89	128	110	117	131
Profit/loss from participations in Hemsö	-	-	-	-	-	-	-	118
Profit/loss from property sales	0	5	0	0	0	-3	20	22
Unrealised value changes, investment properties	-4	-2	-16	-52	10	11	11	167
Unrealised value changes, financial instruments	56	196	164	-19	-167	-111	226	-90
Profit/loss before tax	231	332	236	18	-29	7	374	348
Tax	-17	-72	-52	246	29	-742	-345	-45
Net profit/loss from continuing operations	214	261	184	264	0	-735	29	303
Discontinued operation—profit/loss from Hemsö holding	-	-	24	660	-13	64	84	-
Net profit/loss	214	261	208	924	-13	-671	113	303

SUMMARY STATEMENT OF FINANCIAL POSITION

SEK m	2013			2012			2011	
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
ASSETS								
Goodwill	201	201	201	201	201	201	201	201
Properties	16,015	15,854	15,823	15,777	14,779	14,838	14,627	14,788
Equipment	13	13	14	14	14	14	15	15
Participations in Hemsö	-	-	-	-	1,157	1,177	1,167	1,084
Long-term receivables, Hemsö	-	-	-	-	1,500	1,500	1,500	1,500
Deferred tax asset	65	82	162	207	-	-	766	1,020
Other long-term receivables	234	230	220	244	241	251	439	443
Total non-current assets	16,529	16,380	16,420	16,443	17,892	17,981	18,715	19,051
Inventories	16	14	15	17	16	21	16	17
Receivable from AP3	-	-	-	3,363	-	-	-	-
Current receivables	179	200	228	355	244	438	410	240
Assets held for sale—properties	-	93	-	-	-	912	906	905
Assets held for sale—other	-	-	-	-	-	18	117	14
Cash and bank balances	298	427	331	721	330	298	434	684
Total current assets	493	734	574	4,457	590	1,687	1,883	1,860
TOTAL ASSETS	17,022	17,114	16,994	20,900	18,482	19,668	20,598	20,911
EQUITY AND LIABILITIES								
Equity	8,273	8,061	7,929	7,726	6,774	6,800	7,828	7,719
Interest-bearing liabilities								
Liabilities to credit institutions	5,656	5,919	5,785	8,105	8,165	8,267	8,037	8,154
Bond issues (unsecured)	1,599	1,599	1,599	1,599	1,599	1,599	1,599	1,599
Liabilities related to assets held for sale	-	-	-	-	-	901	901	901
Interest-bearing liabilities	7,255	7,518	7,384	9,704	9,764	10,767	10,537	10,654
Non-interest-bearing liabilities								
Provisions	59	59	59	58	110	109	432	431
Deferred tax liability	-	-	-	-	53	82	1	1
Derivatives	707	764	960	1,125	1,100	944	915	1,156
Other non-interest-bearing liabilities	728	712	662	2,287	681	937	813	890
Liabilities related to assets held for sale	-	-	-	-	-	29	72	60
Non-interest-bearing liabilities	1,494	1,535	1,681	3,470	1,944	2,101	2,233	2,538
TOTAL EQUITY AND LIABILITIES	17,022	17,114	16,994	20,900	18,482	19,668	20,598	20,911

KEY FIGURES

SEK m	2013			2012			2011	
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Property-related								
<i>Actuals</i>								
Property yield, %	8.7	7.7	7.0	7.4	7.5	7.7	7.6	7.4
Economic occupancy, %	90.0	90.6	90.5	89.7	89.3	89.5	89.9	90.0
Operating surplus margin, %	71.9	64.1	62.0	64.2	63.6	64.0	62.3	62.1
Financial								
Profit from property management, SEK m	179	133	88	89	128	110	117	131
Net profit/loss, SEK m	214	261	208	923	-13	-671	113	303
Return on total capital, %	7.6	6.7	5.3	18.0	5.7	6.4	7.0	7.6
Return on equity, %	10.5	13.0	10.6	50.9	-0.8	-36.7	5.8	16.0
Return on capital employed, %	8.5	7.5	6.6	23.5	6.5	8.0	8.6	9.5
Interest coverage ratio, multiple	2.2	1.9	1.7	5.5	1.7	1.9	2.3	2.6
Equity ratio, %	48.6	47.1	46.7	37.0	36.7	34.6	38.0	36.9
Loan to value ratio, %	45.3	47.1	46.7	61.5	66.1	68.4	67.8	67.9
Data per share								
Profit from property management, SEK	1.31	1.00	0.60	0.70	0.90	0.80	0.90	1.00
Net profit/loss, SEK ¹	1.57	1.90	1.50	6.80	-0.10	-4.90	0.70	2.20
Dividend, SEK	-	1.00	-	-	-	2.60	-	-

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

DEFINITIONS

PROPERTY-RELATED KEY FIGURES

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

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

Operating net, rental revenue less property costs (e.g. operating and maintenance costs, ground rent and property tax, property administration included).

Economic occupancy, rental revenues in relation to rental value.

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

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

FINANCIAL KEY FIGURES

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

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

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

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

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

SHARE-RELATED KEY FIGURES

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

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

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

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

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

For all definitions, see kungsleden.se/definitions

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1 January –30 September 2014

28 April 2014

Annual General Meeting

29 April 2014

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