

Interim Report for January–March 2014

Q1:2014



Kungsleden's profits from property management continue to strengthen balance sheet and liquidity.

BILJANA PEHRSSON
CEO



FIRST QUARTER

707

Net sales increased by SEK 707 (487) m and gross profit increased to SEK 408 (281) m.

195

Profits from property management improved and were SEK 195 (88) m, which corresponds to SEK 1.43 (0.64) per share.

12

Net letting for the period increased by SEK 12 (–5) m.

178

Cash flow from operating activities was SEK 178 (131) m, which corresponds to SEK 1.30 (0.96) per share.

SIGNIFICANT EVENTS DURING AND AFTER THE FIRST QUARTER

- The integration of properties and personnel from the acquisition of properties from GE in December 2013 was completed during the first quarter. The GE portfolio thus contributed to operating net during the entire first quarter.
- The property portfolio was further refined to bring it in line with Kungsleden's new strategy and sales were SEK 506 m for the quarter. After the end of the quarter, a further SEK 185 m in sales were recorded. The earnings effect of all sales is estimated at SEK 58 m and will be reported in the next quarter.
- Kungsleden's average borrowing cost fell even further during the quarter, primarily due to having restructured the swap portfolio. As of 31 March 2014, the average interest rate was 5.4 per cent, compared to 5.8 per cent at the beginning of the year.
- Subsequent to the end of the reporting period, the Administrative Court of Appeal notified Kungsleden that it was not entitled to a deduction for certain impairment losses in tax filings from prior years. Kungsleden intends to apply for leave to appeal at the Supreme Administrative Court.

KEY FIGURES

	2014 Jan–Mar	2013 Jan–Mar	2013/2014 Apr–Mar	2013 Jan–Dec
FINANCIAL				
Net sales, SEK per share	5.18	3.57	17.90	16.29
Profits from property management, SEK per share	1.43	0.64	4.80	4.02
Profit for the period, SEK per share	0.50	1.52	5.29	6.31
Equity, SEK per share ¹	62.42	61.93	62.42	61.93
Return on equity, %	3.2	10.6	8.8	10.7
Operating net – properties	365.9	240.2	1,256.7	1,131.1
Interest coverage ratio, times	1.9	1.7	2.0	1.9
PROPERTY RELATED				
Economic occupancy, %	91.2	90.5	91.1	90.9
Average rent, SEK per square metre	220	191	819	790
Operating and maintenance costs, SEK per square metre	68	64	232	228

1. As of 31 March 2014

COMMENTS FROM BILJANA PEHRSSON, CEO

During the first quarter, Kungsleden continued to pursue the company's strategic plan at a quick tempo. Profits from property management improved to SEK 195 (88) m due to larger property holdings and a higher operating net. Gross profit increased by 45 per cent to SEK 408 m simultaneous to a decrease in central and administrative costs, compared to the same period in 2013. Net sales increased to SEK 707 m, of which the income from modular leasing and sales was SEK 141 m. By maintaining a greater focus on our customers' needs for premises, and supported by a cautiously optimistic rental market, we were able to sign new leases during the quarter for a total of 30,000 sq.m., thus achieving a very satisfactory net leasing result of SEK 12 m. During the quarter, the economic occupancy increased to 91.2 (90.5) per cent and the operating surplus margin increased to 63.7 (62.0) per cent.

Refinement and optimisation of the property portfolio is continuing according to plan. During the quarter and after its end, agreements were signed for the sale of non-strategic properties at values totalling SEK 690 m, which exceeds the book value by 10 per cent. At the present time, there is strong demand in the property market along with an under-supply, which is a favourable situation for the sales that we still have planned.

Subsequent to the end of the reporting period, the Administrative Court of Appeal ruled negatively on one of Kungsleden's tax cases (see also page 8). Kungsleden's strategy is not affected by the Court's ruling, but the company continually assesses how quickly its strategy can be implemented based on its current options. The company has liquidity at its disposal of SEK 2,940 m. In addition, the profits from property management continue to strengthen the company's balance sheet and liquidity.

Kungsleden's strategy is to create value by meeting customer needs for premises, managing and developing properties and optimising the company's property portfolio in order to generate an attractive total return.

During 2014, Kungsleden plans to divest properties for SEK 1–1.5 billion. This action is in line with the company's strategy of refining and optimising the property portfolio to its chosen segments – office, industrial/warehouses and retail in prioritised growth regions and locations. Freed-up capital will be reinvested in strategic properties with a high expected total return in the form of higher rental revenue or lower costs, or in the form of declining yields. Over time, our aim is to grow the property portfolio to around SEK 30 billion.

Biljana Pehrsson
CEO



**“ OVER TIME, OUR
AIM IS TO GROW
THE PROPERTY
PORTFOLIO TO
SEK 30 BILLION.**

Kungsleden's business concept is to own, manage and improve commercial properties in growth regions in Sweden and to deliver attractive total returns.

PROFIT

PROFIT FOR THE FIRST QUARTER (JANUARY–MARCH)

Net sales were SEK 707 (487) m for the first quarter allocated as follows: rental revenue from properties SEK 566 (382) m, from modular buildings SEK 65 (64) m and sales revenue from manufactured modules SEK 76 (41) m. Gross profit improved to SEK 408 (281) m, which is an increase attributable to property management.

Profits from property management increased by 122 per cent to SEK 195 (88) m. Besides a higher gross profit, it was primarily lower selling and administration costs that contributed to the increase in earnings. Net financial items, SEK –181 m, deteriorated by SEK 21 m compared to the fourth quarter of last year. This was primarily due to higher borrowing in order to finance the larger property holdings.

Profit before tax fell to SEK 91 (236) m. The change was mainly due to the fact that unrealised value changes on financial instruments (losses) were SEK –124 m because of falling long-term interest rates. During the same period last year the value changes (gains) were 164 m.

Profit for the quarter was SEK 68 (208) m. The decline is primarily due to the reversal of the unrealised gains from financial instruments compared to the first quarter of 2013.

Profits from property management for Q1 were SEK 195 m, which is 31 per cent higher than the fourth quarter of 2013. The increase is primarily due to the fact that the properties from GE, which Kungsleden recently took possession of, were only able to impact earnings for barely one month of the fourth quarter.

NORDIC MODULAR

For the first quarter, rental revenue for modular buildings was SEK 65 (64) m, with a gross profit of SEK 36 (37) m. At the end of the period, the occupancy rate was 78.2 (80.1) per cent. As of 31 March 2014, modular buildings had a total area of 232 (232) thousand sq.m. and a book value of SEK 1,509 (1,509) m.

Sales of modular buildings were SEK 76 (41) m. Gross profit increased to SEK 6 (4) m. At the end of the quarter, the order situation at factories was better than it was at the beginning of the year.

INCOME STATEMENT

SEK m	Properties		Nordic Modular		Other/Group-wide		Total Kungsleden	
	2014 Jan–Mar	2013 Jan–Mar	2014 Jan–Mar	2013 Jan–Mar	2014 Jan–Mar	2013 Jan–Mar	2014 Jan–Mar	2013 Jan–Mar
Rental revenue	566	382	65	64			631	446
Sales revenue, modular production			76	41			76	41
Net sales	566	382	141	105			707	487
Property costs	–200	–142	–29	–28			–229	–170
Costs for modular production			–70	–37			–70	–37
Gross profit/loss	366	240	42	41			408	281
Selling and administration costs	–22	–42	–10	–10			–32	–52
Net financial items	–176	–135	–5	–6			–181	–141
Profits from property management	168	63	27	25			195	88
Gains/losses investment properties								
Profit/loss on property sales	–20	0	–	–			–20	0
Unrealised gains/losses	40	–16	–	–			40	–16
Unrealised gains/losses financial instruments	–124	164	–	–			–124	164
Profit (loss) before tax	64	211	27	25			91	236
Tax	–17	–47	–6	–5			–23	–52
Profit/loss from continuing operations	13	164	21	20			68	184
Discontinued operations: Hemsö holding, net after tax						24	0	24
Net profit/loss for the period	47	164	21	20		24	68	208

EARNINGS CAPACITY

With unchanged conditions, earnings capacity provides a forecast of the earnings capacity for the property holdings that were owned as of 31 March 2014.

REGION STOCKHOLM



A total of 19 new leases were signed during the period, with a total area of 14,613 sq.m. and a value of SEK 18.9 m.

EARNINGS CAPACITY¹ AS OF 31 MARS 2014

No. of properties	74
Leasable area, 000 sq.m.	594
Book value, SEK m	6,086
Rental value, SEK m	699
Rental revenue, SEK m	623
Operating net, SEK m ²	436
Economic occupancy, %	89.2
Property yield, % ²	7.2
Operating surplus margin, % ²	70.0

REGION MÄLAREN VALLEY AND NORTH



A total of 14 new leases were signed during the period, with a total area of 7,300 sq.m. and a value of SEK 6.5 m.

EARNINGS CAPACITY¹ AS OF 31 MARS 2014

No. of properties	104
Leasable area, 000 sq.m.	1,007
Book value, SEK m	6,121
Rental value, SEK m	875
Rental revenue, SEK m	809
Operating net, SEK m ²	527
Economic occupancy, %	92.4
Property yield, % ²	8.6
Operating surplus margin, % ²	65.2

REGION GOTHENBURG



A total of 21 new leases were signed during the period, with a total area of 4,858 sq.m. and a value of SEK 6.3 m.

EARNINGS CAPACITY¹ AS OF 31 MARS 2014

No. of properties	117
Leasable area, 000 sq.m.	688
Book value, SEK m	4,315
Rental value, SEK m	518
Rental revenue, SEK m	453
Operating net, SEK m ²	314
Economic occupancy, %	87.4
Property yield, % ²	7.3
Operating surplus margin, % ²	69.3

REGION MALMÖ³



A total of 5 new leases were signed during the period, with a total area of 3,210 sq.m. and a value of SEK 2.8 m.

EARNINGS CAPACITY¹ AS OF 31 MARS 2014

No. of properties	71
Leasable area, 000 sq.m.	534
Book value, SEK m	3,888
Rental value, SEK m	430
Rental revenue, SEK m	380
Operating net, SEK m ²	287
Economic occupancy, %	88.3
Property yield, % ²	7.4
Operating surplus margin, % ²	75.4

1. Earnings capacity shows how the income statement would have looked if properties as of 31 March 2014 had been owned for the last 12 months.

2. In the income statement, the Group's operating net also includes property administration costs, but this is not included in each specific property's operating net in the earning capacity.

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






















TOTAL EARNINGS CAPACITY ¹	Properties	Modular buildings	Total
No. of properties	366	–	366
Leasable area, 000 sq.m.	2,823	232	3,055
Book value, SEK m	20,410	1,509	21,919
Lease value, SEK m	2,522	335	2,857
Rental revenue, SEK m	2,265	262	2,527
Operating net, SEK m ²	1,564	156	1,720
Economic occupancy, %	89.8	78.2	88.4
Property yield, % ²	7.7	10.4	7.8
Operating surplus margin, % ²	69.1	59.6	68.1




EARNINGS CAPACITY ¹ PER SEGMENT	Offices	Industrial/ Warehouses	Retail	Other	Total properties	Modular buildings	Total
No. of properties	139	135	68	24	366	–	366
Lettable area, 000 sq.m.	1,068	1,337	346	72	2,823	232	3,055
Book value, SEK m	10,417	6,681	2,697	615	20,410	1,509	21,919
Lease value, SEK m	1,277	843	325	77	2,522	335	2,857
Rental revenue, SEK m	1,134	766	296	69	2,265	262	2,527
Operating net, SEK m ²	751	573	194	46	1,564	156	1,720
Economic occupancy, %	88.8	90.8	91.0	90.6	89.8	78.2	88.4
Property yield, % ²	7.2	8.6	7.2	7.5	7.7	10.4	7.8
Operating surplus margin, % ²	66.2	74.8	65.5	67.1	69.1	59.6	68.1

1. Earnings capacity shows how the income statement would have looked if properties as of 31 March 2014 had been owned for the last 12 months.

2. In the income statement, the Group's operating net also includes property administration costs, but this is not included in each specific property's operating net in the earning capacity. During the last twelve months, property administration costs were SEK 56 m for investment properties and SEK 12 m for modular buildings.

ONGOING DEVELOPMENT PROJECTS 2014

Property	Location	Project	Status
Aspgården 18	Umeå	Project development/Leasing/New zoning/Modified use/New building permits	  
Oxelberg 1:2	Norrköping	Project development/Leasing/New zoning/Modified use/New building permits	  
Lindblad 10	Karlskrona	Leasing/Review of existing building permits	  
Speditören 1	Eskilstuna	Project development/Leasing/New zoning/Modified use/New building permits	  
Laven 5	Umeå	Leasing/Land purchase/New construction	  
Fredriksskans 15:16	Gävle	Leasing	  
Pipdånen 5 & 6	Visby	New zoning/Modified use/New building permits	  

Property and project development  Project letting  Project implementation  Red = Started Gray = Not yet started



ASSETS AND LIABILITIES

EQUITY AND FINANCIAL POSITION

As of the end of the period, equity was SEK 8,521 (8,453) m with a corresponding equity ratio of 37 (37) per cent.

STATEMENT OF CHANGES IN EQUITY SEK m	2014 Jan–Mar
At the beginning of the period	8,453
Profits from property management	195
Gains/losses investment properties	20
Unrealised gains/losses in value, financial instruments	-124
Tax	-23
At the end of the period	8,521

PROPERTY HOLDINGS

As of 31 March 2014, property holdings excluding modular buildings consisted of 366 (275) properties. The total area was 2,823 (2,209) thousand sq.m. and the book value of the properties was SEK 20,410 (14,293) m. The increase in the book value during the reporting period was primarily due to investments, which amounted to SEK 32 (75) m along with the net effect of higher and lower individual property values. Prior reserves that were made for credit risk in a vendor loan were dissolved in conjunction with early repayment of the promissory note, which had a positive effect of SEK 77 m, which was reported as an unrealised value change (gain) on the properties concerned.

For the entire property holdings, the remaining average contract term is 4.2 (4.8) years.

DEVELOPMENT OF PROPERTY HOLDINGS ¹ SEK m	2014 Jan–Mar	2013 Jan–Mar
Properties at start of the period	20,338	14,243
Purchases	–	–
Investments	32	75
Sales	–	0
Changes in exchange rates	0	-5
Gains/losses in value	40	-20
Properties at end of the period	20,410	14,293

1. Excluding modular buildings.

PROPERTY TRANSACTIONS

Activity in the transaction market increased sharply and the number of transactions and trading volume increased by around 50 per cent compared to the same quarter in 2013. Demand is particularly high for centrally located office, residential and community properties. Sales of SEK 506 m were reported during the quarter. After the end of the quarter, a further SEK 185 m in sales was reported. These properties have not yet been vacated and the earning effect, which is estimated at SEK 58 m, will be reported in the next quarter.¹

No properties were purchased during the quarter. During the quarter, a settlement was reached in the dispute related to a prior sale of property. The outcome is reported as profit/loss from property sales.

FINANCING AND INVESTMENTS

The value of the loan portfolio at the start of the first quarter was SEK 12,557 (12,879) m. The decline was primarily due to the net effect of maturity of a bond loan that had been refi-

nanced already in December 2013. The average remaining maturity on utilised loans as of the end of the quarter was 2.2 (2.4) years. The term on existing interest rate swaps was extended during the quarter at the same time that the nominal amount of the swap portfolio was lowered so that a larger portion of the interest expense would be at the STIBOR 3 month rate. By extending the term, the undervalued amount in the swaps is paid off during a longer period of time. Non-current receivables declined when a vendor loan was repaid early. In conjunction with the repayment, it was possible to dissolve prior reserves for SEK 77 m, which are reported as positive unrealised changes (gains) on properties.

Financing costs

Net financial items for the first quarter were SEK -180 (-141) m. Interest costs increased due to borrowing at the end of 2013 in order to finance property acquisitions. Extension of the term for the interest rate swap portfolio lowered interest costs by SEK 3 m. The changes made to the swap portfolio, given the current market rate of interest, result in a positive effect on cash flow of initially SEK 40 m per year from lower interest costs. Other financial expenses increased by SEK 2 m due to exchange rate fluctuations on the vendor loan that was repaid. However, new borrowing in December has caused an increase in accrued initial direct costs.

Kungsleden's average borrowing cost fell even further during the quarter, primarily due to having restructured the swap portfolio. As of 31 March 2014, the average interest rate was 5.4 per cent, compared to 5.8 per cent at the beginning of the year. Since year-end, the weighted, average remaining fixed interest term on loans and interest rate swaps has fallen to 3.0 (3.1) years. The reason that the fixed interest term has fallen more during the first quarter primarily has to do with the fact that there is a lower loan volume. Extension of the term for the interest rate swap portfolio does not impact the fixed interest term very much because the nominal amount of the portfolio was simultaneously decreased.

Kungsleden has made commitments to its creditors regarding the interest coverage ratio and the LTV ratio. As of 31 March 2014, all such commitments had been fulfilled. The interest coverage ratio increased slightly to 2.0 (1.9) times on a rolling 12-month basis. For loans, for which collateral has been pledged, i.e. all loans except bond loans, the LTV ratio at the Group level was 49 (48) per cent.

Change in value financial instruments

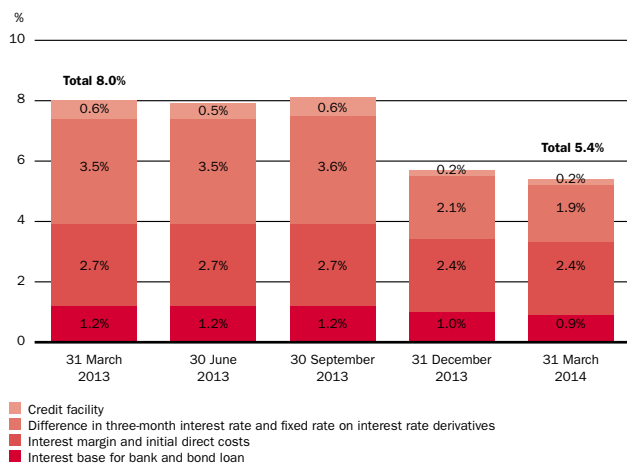
At the end of the quarter, the nominal amount of the swap portfolio was SEK 7,425 (9,350) m. The decline was due to restructuring of the portfolio, along with the fact that SEK 200 m in swaps matured during the quarter. The negative market value (undervalue) of interest rate swaps increased during the quarter to SEK -833 m as of 31 March 2014, compared to SEK -707 m at the beginning of the year. Of the value change of SEK -126 m, SEK -192 m pertains to the effect of the decline in long-term market interest rates, which, to a certain extent, were counterbalanced by the regular interest payments on the swaps, which lowered the negative market value (undervalue) by SEK 66 m during the period.

1. A sale of SEK 110 m with earnings effect of SEK 20 m is conditional on the zoning gaining legal force.

CONT. ASSETS AND LIABILITIES

Liquidity

Kungsleden always maintains available liquidity in the form of cash or unutilised credit facilities so that it can meet any tax obligations during the next 12 months. As of 31 March 2014, cash and unutilised granted credit facilities were SEK 2,940 (3,187) m, of which unutilised credit was SEK 2,540 (2,865) m.

AVERAGE INTEREST RATE

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

TAX ISSUES**Estimate of the maximum negative effects**

During the first quarter of 2014, the Administrative Court of Appeal's judgements on Kungsleden's provisions for the Dutch company tax case gained legal force. The total liquidity effect for all of the provisions related to the case was previously estimated at SEK 145 m. Kungsleden has gained support for claims on additional deductions on this case, which is why the liquidity effect has declined somewhat and is now estimated at SEK 140 m. This amount includes SEK 9 m related to a provision that has not yet been decided by the Administrative Court.

Kungsleden continually assesses the size of negative effects on equity and liquidity due to a negative outcome in the court cases that are ongoing between the company and the Swedish Tax Agency. Should all of the ongoing cases have a negative outcome, the maximum negative impact on equity is estimated at SEK 2,990 m, in addition to provisions that have already been made for SEK 368 m. The maximum negative effect on liquidity, including tax penalty and interest, is estimated at SEK 2,780 m, in addition to SEK 160 m that was already paid pending the final decision.

Subsequent to the end of the first quarter, the Administrative Court of Appeal ruled on several other Kungsleden processes that had to do with impairment losses on inventory holdings from external acquisitions and restructurings. Because of these judgements, Kungsleden is not entitled to a deduction for the impairment losses. If the final outcome in the processes for

all cases pertaining to impairment losses on inventory holdings were to be negative, an additional negative effect on equity would be SEK 1,615 m and the remaining tax that would need to be paid is estimated at SEK 1,450 m. These effects are in line with what Kungsleden has communicated in the past about the maximum negative effects of all tax processes and they are reported in the updated table below.

Kungsleden will be applying for leave to appeal with the Supreme Administrative Court for the cases that the Administrative Court of Appeal recently ruled on, since the company does not share the Court's assessment of the legal situation. At the end of May, in accordance with the Swedish Tax Agency's request, the company will pay the tax amount in anticipation of the final decision. In conjunction with the application for leave to appeal, the company will consider making a provision.

A more in-depth description of tax processes is available on Kungsleden's website. Significant events pertaining to these processes are continuously communicated between the interim reports.

ESTIMATE OF THE MAXIMUM NEGATIVE EFFECTS FOR ONGOING TAX PROCESSES

SEK m	Effect on equity	Liquidity effect
Provision Q2 2009	325	–
Provision Q2 2012	43	–
Total provision on tax issues	368	–
Tax issues, no provision made	2,990	2,940
Paid in, pending a decision	–	–160
Total	3,358	2,780

ORGANISATION AND EMPLOYEES

Kungsleden is organised as property management regions and Nordic Modular. The regions are: Stockholm, Mälaren Valley and North, Gothenburg and Malmö. For the first quarter of 2014, the average number of employees was 90 (86) for property management and Group-wide function and 168 (179) for Nordic Modular.

PARENT COMPANY

The parent company reported a loss for the period of SEK –137 (95) m. The loss was primarily reserves that were made for the Group's interest rate swap contracts, for which the undervalue had increased due to the fact that interest rates with longer maturities fell during the period.

At the end of the period, assets primarily consisted of participations in Group companies for SEK 7,806 (8,083) m. Financing was primarily via equity, which was SEK 6,005 (6,143) m at the end of the period, with a corresponding equity ratio of 36 (38) per cent.

RISKS AND UNCERTAINTIES

Kungsleden's operations, earnings and financial position are all impacted by a number of risk factors. These are primarily related to properties and financing. At present, there are also risks associated with tax processes.

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

FINANCIAL REPORTING 1 JANUARY–31 MARCH 2014

INCOME STATEMENT

SEK m	12 months			
	2014 Jan–Mar	2013 Jan–Mar	2013/2014 Apr–Mar	2013 Jan–Dec
Rental revenue – properties	566.5	381.9	1,853.7	1,669.1
Rental revenue – modular buildings	65.1	64.7	262.3	261.9
Sales revenue, modular production	75.5	40.8	327.5	292.8
Net sales	707.1	487.4	2,443.5	2,223.8
Property costs – property	–200.6	–141.7	–597.0	–538.0
Property costs – modular buildings	–28.6	–27.9	–117.2	–116.5
Costs for modular production	–70.2	–36.9	–301.7	–268.4
Gross profit/loss	407.7	280.9	1,427.6	1,300.9
<i>of which operating net – properties</i>	365.9	240.2	1,256.7	1,131.1
<i>of which operating net – modular buildings</i>	36.5	36.8	145.1	145.4
<i>of which gross profit/loss – modular production</i>	5.3	3.9	25.8	24.4
Selling and administration costs	–32.6	–52.4	–136.7	–156.5
Net financial items				
Financial income	4.5	4.5	18.4	18.4
Interest costs	–167.7	–131.1	–590.1	–553.5
Other financial costs	–17.1	–14.1	–63.7	–60.7
	–180.3	–140.7	–635.4	–595.8
Profits from property management	194.8	87.8	655.5	548.6
Gains/losses on properties				
Profit/loss on property sales	–20.2	–0.4	–11.7	8.1
Unrealised gains/losses	40.8	–16.2	104.9	47.9
	20.6	–16.6	93.2	56.0
Unrealised gains/losses financial instruments	–124.2	164.4	136.7	425.3
Profit/loss before tax	91.2	235.6	885.4	1,029.9
Tax	–23.4	–51.8	–163.6	–192.0
Profit/loss for the period from continuing operations	67.8	183.8	721.8	837.9
Discontinued operations				
Profit/loss from Hemsö holding, net after tax	–	24.0	–	24.0
Profit/loss for the period¹	67.8	207.8	721.8	861.9
Earnings per share²	0.50	1.52	5.29	6.31
Earnings per share from continuing operations²	0.50	1.35	5.29	6.14

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

2. Before and after dilutive effect. Outstanding and average number of shares is 136,502,064 for all periods.

STATEMENT OF COMPREHENSIVE INCOME

SEK m	12 months			
	2014 Jan–Mar	2013 Jan–Mar	2013/2014 Apr–Mar	2013 Jan–Dec
Profit/loss for the period after tax	67.8	207.8	721.8	861.9
Other comprehensive income				
Translation gains/losses transferred to profit/loss for the period	–	–	–	–
Translation gains/losses for the period, on consolidation of foreign operations	–0.1	–5.2	6.3	1.2
Statement of comprehensive income¹	67.7	202.6	728.1	863.1

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

STATEMENT OF FINANCIAL POSITION

SEK m	31 Mar 2014	31 Dec 2013
ASSETS		
Goodwill	201.4	201.4
Investment properties – properties	20,409.7	20,338.7
Investment properties – modular buildings	1,509.5	1,508.7
Property used in business operations	23.5	21.5
Equipment	14.6	14.8
Deferred tax receivable	–	34.7
Other non-current receivables	10.9	238.8
Total non-current assets	22,169.6	22,358.6
Inventories	17.0	15.3
Current receivables	286.4	271.6
Cash and bank balances	400.1	322.7
Total current assets	703.5	609.6
TOTAL ASSETS	22,873.1	22,968.2
SHAREHOLDERS EQUITY AND LIABILITIES		
Shareholders equity	8,520.8	8,453.0
Interest-bearing liabilities		
Liabilities to credit institutions	10,857.4	10,579.4
Bond loans (unsecured)	1,699.2	2,299.2
Interest-bearing liabilities	12,556.6	12,878.6
Non interest-bearing liabilities		
Provisions	15.0	59.5
Deferred tax liability	1.5	–
Derivatives ¹	833.1	707.8
Other non interest-bearing liabilities	946.1	869.3
Non interest-bearing liabilities	1,795.7	1,636.6
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	22,873.1	22,968.2

1. Kungsleden has several OTC derivatives that are used to hedge interest rate risks, primarily interest rate swaps. In addition, there was an equity swap at the beginning of the year. These financial instruments are valued at fair value in the statement of financial position on the line "derivatives" and the change in value of these instruments is reported in the income statement. Derivatives are valued using valuation techniques where the input is observable market data (level 2).

STATEMENT OF CHANGES IN EQUITY

SEK m	31 Mar 2014	31 Dec 2013
At the beginning of the period	8,453.0	7,726.4
Dividends	–	–136.5
Comprehensive income for the period	67.8	863.1
At the end of the period	8,520.8	8,453.0

STATEMENT OF CASH FLOWS

SEK m	12 months			
	2014 Jan–Mar	2013 Jan–Mar	2013/2014 Apr–Mar	2013 Jan–Dec
Operations				
Profit (loss) before taxes	91.2	235.6	885.5	1,029.9
Profit/loss on property sales	20.2	0.4	11.7	–8.1
Unrealised gains/losses	83.4	–148.1	–241.7	–473.2
Dividends from Hemsö	–	24.0	–	24.0
Other adjustments for items not included in cash flow operating activities	8.4	19.5	20.2	31.3
Tax paid	–25.3	0.0	–149.5	–124.2
Cash generated from operations	177.9	131.4	526.2	479.7
Changes in working capital	143.3	–429.0	–4,555.8	–5,128.1
Cash flow from operating activities after change in working capital	321.2	–297.6	–4,029.6	–4,648.4
Cash flow from investing activities	78.2	2,946.6	–907.7	1,960.7
Cash flow from financing activities	–322.0	–3,034.3	5,000.1	2,287.8
Cash flow for the period	77.4	–385.3	62.8	–399.9
Cash and cash equivalents at the beginning of the year	322.7	721.2	331.4	721.2
Exchange rate differences on cash equivalents	0.0	–4.5	5.9	1.4
Cash and cash equivalents at the end of the period	400.1	331.4	400.1	322.7

KEY FIGURES

SEK m	12 months			
	2014 Jan–Mar	2013 Jan–Mar	2013/2014 Apr–Mar	2013 Jan–Dec
Property related				
<i>Earnings capacity</i>				
Property yield, %			7.8	7.8
Economic occupancy, %			88.4	88.9
Operating surplus margin, %			68.1	67.6
<i>Outcome</i>				
Property yield, %	7.3	7.0	7.7	7.5
Economic occupancy, %	91.2	90.5	91.1	90.9
Operating surplus margin, %	63.7	62.0	66.2	66.1
Financial				
Profits from property management, SEK m	195	88	655	549
Profit/loss for the period, SEK m	68	208	722	862
Return on total assets, %	6.2	5.3	6.4	5.4
Return on shareholders equity, %	3.2	10.6	8.8	10.7
Return on capital employed, %	6.8	6.6	7.9	6.2
Interest coverage ratio, times ¹	1.9	1.7	2.0	1.9
Equity ratio, %			37.3	36.8
Debt/equity ratio, times			1.5	1.5
Loan to value ratio, %			57.2	58.9
Cash flow from operating activities, SEK m	178	132	526	480
Per share information				
Share price, SEK			53.50	43.20
Dividend, SEK			1.00	1.00
Total return, %			26.2	24.9
Property yield, %			1.9	2.3
P/E ratio, times			10.1	6.8
Gross profit/loss, SEK	2.99	2.06	10.46	9.53
Profits from property management, SEK	1.43	0.64	4.80	4.02
Profit/loss for the period, SEK	0.50	1.52	5.29	6.31
Book value, SEK			160.75	160.21
Equity, SEK			62.42	61.93
Cash flow from operating activities, SEK	1.30	0.96	3.85	3.51
Outstanding shares and average number of shares ¹	136,502,064	136,502,064	136,502,064	136,502,064

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

OPERATING SEGMENT

SEK m	Properties		Nordic Modular		Other/Group-wide		Total Kungsleden	
	2014 Jan–Mar	2013 Jan–Mar	2014 Jan–Mar	2013 Jan–Mar	2014 Jan–Mar	2013 Jan–Mar	2014 Jan–Mar	2013 Jan–Mar
Rental revenue	566.5	381.9	65.1	64.7			631.6	446.6
Sales revenue, modular			75.5	40.8			75.5	40.8
Net sales	566.5	381.9	140.6	105.5			707.0	487.4
Property costs	-200.6	-141.7	-28.6	-27.9			-229.2	-169.6
Production costs, modular			-70.2	-36.9			-70.2	-36.9
Gross profit/loss	365.9	240.2	41.8	40.7			407.7	280.9
Selling and administration costs	-22.3	-42.3	-10.3	-10.1			-32.6	-52.4
Net financial items	-176.1	-135.0	-4.2	-5.7			-180.3	-140.7
Profits from property management	167.5	62.9	27.3	24.9			194.8	87.8
Gains/losses on properties								
Profit/loss on property sales	-20.2	-0.4	-	-			-20.2	-0.4
Unrealised gains/losses	40.8	-16.2	-	-			40.8	-16.2
Unrealised gains/losses financial instruments	-124.2	164.4	-	-			-124.2	164.4
Profit (loss) before taxes	63.9	210.7	27.3	24.9			91.2	235.6
Tax	-17.4	-46.5	-6.0	-5.3			-23.4	-51.8
Profit/loss from continuing operations	46.5	164.2	21.3	19.6		-	67.8	183.8
Discontinued operations: Hemsö holding, net after tax						24.0		24.0
Net profit/loss for the period	46.5	164.2	21.3	19.6		24.0	67.8	207.8
Properties	20,409.7	14,313.8	1,533.0	1,509.3			21,942.7	15,823.1
Purchases and investments in properties	31.6	69.1	3.0	0.1			34.6	69.2

INCOME STATEMENT, PARENT COMPANY

SEK m	2014 Jan–Mar	2013 Jan–Mar	2013/2014 Apr–Mar	2013 Jan–Dec
Intra-Group income	7.3	11.7	34.6	39.0
Administrative costs	-6.9	-18.9	-32.8	-44.8
Operating profit/loss	0.4	-7.2	1.8	-5.8
Profit/loss from financial items	-176.4	129.5	137.1	443.1
Profit (loss) before taxes	-176.0	122.3	138.9	437.3
Tax on net profit/loss for the period	38.7	-26.9	-23.1	-88.8
Net profit/loss for the period	-137.3	95.4	115.8	348.5

BALANCE SHEET, PARENT COMPANY

SEK m	31 Mar 2014	31 Dec 2013
ASSETS		
Participations in Group companies	7,805.8	8,083.1
Receivables from Group companies	8,420.8	7,294.9
External receivables and other items	362.2	543.6
Cash and cash equivalents	316.4	152.0
TOTAL ASSETS	16,905.2	16,073.6
EQUITY AND LIABILITIES		
Equity	6,005.1	6,142.5
Non-current liabilities	1,701.3	2,626.3
Liabilities to Group companies	8,333.0	6,542.8
Other liabilities	865.8	762.0
TOTAL EQUITY AND LIABILITIES	16,905.2	16,073.6

ACCOUNTING POLICIES

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

IFRS 10 As of 1 January 2014, the Group applies IFRS 10 Consolidated Financial Statements. Because of this, the principle for assessing whether a controlling interest exists for investments has changed. The model in IFRS 10 for assessing whether there is a controlling interest is based on (i) power over the investee, (ii), exposure, or rights, to variable returns from its involvement with the investee and (iii) the ability to use

its power over the investee to affect the amount of the investor's returns.

IFRS 11 IFRS 11 Joint Arrangements is applied as of 1 January 2014. This accounting policy explains how joint arrangements are to be classified as either joint ventures or joint operations depending on whether or not the Group has a direct right to the assets and liabilities. The classification is based on the structure of the investment, the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances. According to prior rules, the classification was only based on the structure of the investments. For joint ventures, IFRS 11 has also removed the option to apply proportionate consolidation and now only the equity method is allowed for joint ventures.

IAS 32 Changes in IAS 32 Financial Instruments: Classification. This change provides clarification on the rules for when financial assets and financial liabilities can be offset. The change

applies to financial years that begin on 1 January 2014 or later, with retrospective application.

The implementation of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IAS 32 Financial Instruments has not resulted in any changes.

Estimates and judgements

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

Stockholm 29 April 2014

Göran Larsson
Chairman

Magnus Fernqvist
Board member

Joachim Gahm
Board member

Peter Gustafson
Board member

Lars Holmgren
Board member

Kia Orback Pettersson
Board member

Charlotta Wikström
Board member

Biljana Pehrsson
CEO

The Company's auditors have not examined this interim report. This is a translation of an original document in Swedish. In case of dispute, the original document should be taken as authoritative.

Kungsleden has made public the information in this interim report in accordance with the Swedish Securities Market Act (2007:528).

QUARTERLY SUMMARY

SUMMARY INCOME STATEMENTS

SEK m	2014		2013				2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Net sales	707	623	550	564	487	494	499	561	
Gross profit/loss	408	354	353	313	281	282	322	308	
<i>of which operating net – properties</i>	366	316	310	266	240	241	280	268	
<i>of which operating net – modular buildings</i>	37	31	38	39	37	41	42	38	
<i>of which gross profit/loss – modular production</i>	5	7	5	8	4	0	0	2	
Selling and administration costs	–32	–45	–27	–32	–52	–56	–38	–45	
Net financial items	–181	–160	–147	–148	–141	–137	–156	–153	
Profits from property management	195	149	179	133	88	89	128	110	
Profit/loss on property sales	–20	4	0	5	0	0	0	–3	
Unrealised gains/losses on property	40	70	–4	–2	–16	–52	10	11	
Unrealised gains/losses financial instruments	–124	8	56	196	164	–19	–167	–111	
Profit (loss) before taxes	91	231	231	332	236	18	–29	7	
Tax	–23	–52	–17	–71	–52	246	29	–742	
Profit/loss for the period from continuing operations	68	179	214	261	184	264	0	–735	
Discontinued operations – Profit/loss from Hemsö holding	–	–	–	–	24	660	–13	64	
Profit/loss for the period	68	179	214	261	208	924	–13	–671	

FINANCIAL POSITION, IN SUMMARY

SEK m	2014		2013				2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
ASSETS									
Goodwill	201	201	201	201	201	201	201	201	
Investment properties – properties	20,410	20,338	14,480	14,315	14,296	14,243	13,232	13,286	
Investment properties – modular buildings	1,509	1,509	1,515	1,519	1,509	1,509	1,529	1,535	
Property used in business operations	24	22	21	21	17	25	17	18	
Equipment	15	15	13	13	14	14	14	14	
Participations in Hemsö	–	–	–	–	–	–	1,157	1,177	
Non-current receivables, Hemsö	–	–	–	–	–	–	1,500	1,500	
Deferred tax asset	–	35	65	82	162	207	–	–	
Other non-current receivables	11	239	234	229	220	244	242	250	
Total non-current assets	22,170	22,359	16,529	16,380	16,420	16,443	17,892	17,981	
Inventories	17	15	16	14	15	17	16	21	
Claim against Tredje AP-fonden	–	–	–	–	–	3,363	–	–	
Current receivables	286	271	179	200	228	355	244	438	
Assets held for sale – properties	–	–	–	93	–	–	–	912	
Assets held for sale – other assets	–	–	–	–	–	–	–	18	
Cash and bank balances	400	323	298	427	331	722	330	298	
Total current assets	703	609	493	734	574	4,457	590	1,687	
TOTAL ASSETS	22,873	22,968	17,022	17,114	16,994	20,900	18,482	19,668	
EQUITY AND LIABILITIES									
Shareholders equity	8,521	8,453	8,273	8,061	7,929	7,726	6,774	6,800	
Interest-bearing liabilities									
Liabilities to credit institutions	10,857	10,579	5,656	5,919	5,785	8,105	8,165	8,267	
Bond loans (unsecured)	1,699	2,299	1,599	1,599	1,599	1,599	1,599	1,599	
Liabilities related to assets held for sale	–	–	–	–	–	–	–	901	
Interest-bearing liabilities	12,556	12,878	7,255	7,518	7,384	9,704	9,764	10,767	
Non interest-bearing liabilities									
Provisions	15	60	59	59	59	58	110	109	
Deferred tax liability	2	–	–	–	–	–	53	82	
Derivatives	833	708	707	764	960	1,125	1,100	944	
Other non interest-bearing liabilities	946	869	728	712	662	2,287	681	937	
Liabilities related to assets held for sale	–	–	–	–	–	–	–	29	
Non interest-bearing liabilities	1,796	1,637	1,494	1,535	1,681	3,470	1,944	2,101	
TOTAL EQUITY AND LIABILITIES	22,873	22,968	17,022	17,114	16,994	20,900	18,482	19,668	

KEY FIGURES

SEK m	2014		2013				2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Outcome									
Property yield (%)	7.3	7.3	8.7	7.7	7.0	7.4	7.5	7.7	
Economic occupancy, %	91.2	90.5	90.0	90.6	90.5	89.7	89.3	89.5	
Operating surplus margin, %	63.7	66.0	71.9	64.1	62.0	64.2	63.6	64.0	
Financial									
Profits from property management, SEK m	195	149	179	133	88	89	128	110	
Profit/loss for the period after tax, SEK m	68	179	214	261	208	923	-13	-671	
Return on total assets, %	6.2	6.3	7.6	6.7	5.3	18.0	5.7	6.4	
Return on equity, %	3.2	8.6	10.5	13.0	10.6	50.9	-0.8	-36.7	
Return on capital employed, %	6.8	6.9	8.5	7.5	6.6	23.5	6.5	8.0	
Interest coverage, times	1.9	1.9	2.2	1.9	1.7	5.5	1.7	1.9	
Equity/assets ratio, %	37.3	36.8	48.6	47.1	46.7	37.0	36.7	34.6	
LTV (loan-to-value), %	57.2	58.9	45.3	47.1	46.7	61.5	66.1	68.4	
Per share information									
Profits from property management, SEK	1.43	1.09	1.31	1.00	0.60	0.70	0.90	0.80	
Profit/loss for the period, SEK ¹	0.50	1.31	1.57	1.90	1.50	6.80	-0.10	-4.90	
Dividend, SEK	-	-	-	1.00	-	-	-	2.60	

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

DEFINITIONS

PROPERTY RELATED KEY RATIOS

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

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

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

Economic occupancy, rental revenue divided by lease value.

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

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

KEY FINANCIAL RATIOS

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

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

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

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

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

SHARE-RELATED KEY RATIOS

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

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

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

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

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

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