



KUNGSLEDEN

ANNUAL REPORT 2013

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The formal Annual report can be found on pages 4–70. The Directors and Management reports comprises the pages 4–39, 43, 45, 47 and 63–64. Figures shown in brackets refer to previous year unless otherwise stated.

Kungsleden 2013

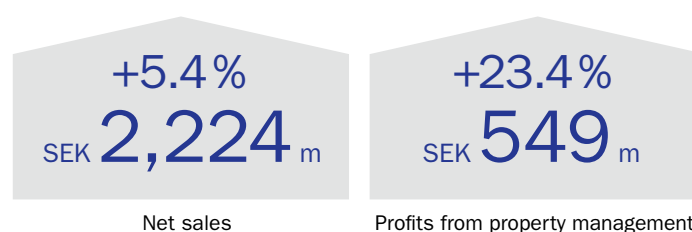
Kungsleden's vision is to offer attractive and functional premises at competitive rates for office, industrial and warehousing and retail businesses.

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

Our customers are a cross section of Swedish private and public sector companies ranging from small to larger enterprises, local authorities and county councils.

Kungsleden's long-term goal is to be the most profitable and successful property company in Sweden.

Financial growth



Profit/loss for the year

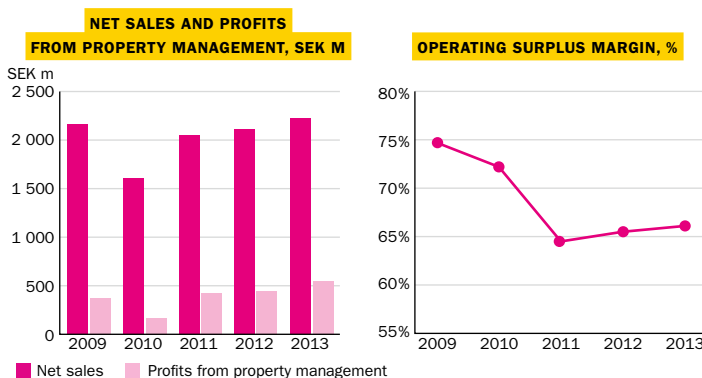
SEK 862 m
Corresponds to SEK 6.31 per share.

Cash flow from operations

SEK 480 m

The Board proposes a dividend of

SEK 1.25
per share.



THE NEW KUNGSLEDEN creates long-term value by operating in three business areas – Property Management, Development and Transactions & analysis. Our approach to creating value is based on the conviction that being close to customers and markets combined with clear procedures and rapid ways of working are crucial.

Property Management creates value by meeting the premises requirements of customers in a cost-effective way. We operate in the regions of Stockholm, Mälardalen and North, Gothenburg and Malmö.

» Read more about Kungsleden's property management on pages 14–21.

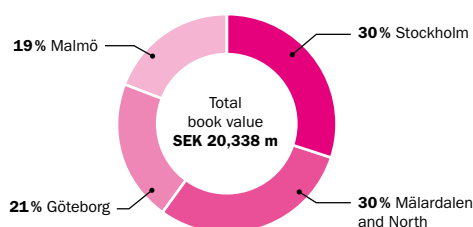
Transactions & Analysis creates value by identifying smart purchase and sale opportunities and optimising the property portfolio via transactions.

» Read more about this year's transactions on page 12.

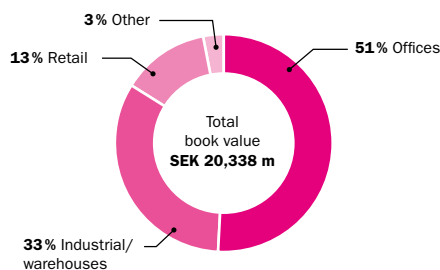
Development creates value by developing properties and planning consent in the property portfolio and by developing new build projects on acquired land.

» Read more about Kungsleden's development activities on pages 22–23.

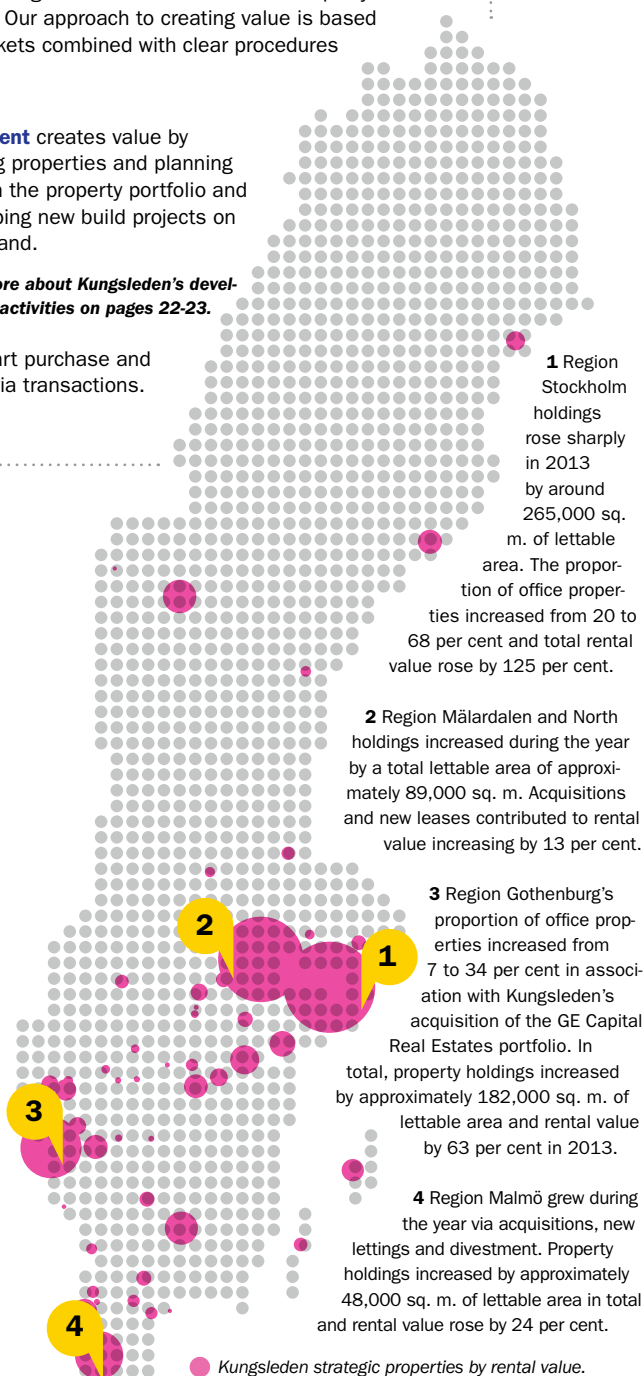
**PROPERTY HOLDINGS PER REGION,
31 DECEMBER 2013***



**PROPERTY HOLDINGS PER SEGMENT,
31 DECEMBER 2013***



*Value excludes modular buildings



1 Region Stockholm holdings rose sharply in 2013 by around 265,000 sq. m. of lettable area. The proportion of office properties increased from 20 to 68 per cent and total rental value rose by 125 per cent.

2 Region Mälardalen and North holdings increased during the year by a total lettable area of approximately 89,000 sq. m. Acquisitions and new leases contributed to rental value increasing by 13 per cent.

3 Region Gothenburg's proportion of office properties increased from 7 to 34 per cent in association with Kungsleden's acquisition of the GE Capital Real Estates portfolio. In total, property holdings increased by approximately 182,000 sq. m. of lettable area and rental value by 63 per cent in 2013.


4 Region Malmö grew during the year via acquisitions, new lettings and divestment. Property holdings increased by approximately 48,000 sq. m. of lettable area in total and rental value rose by 24 per cent.

● Kungsleden strategic properties by rental value.

TARGETS 2013

The targets set for 2013 and the actual results are summarised below.

Strategic direction	Target	Actual
Geographic breakdown	Focus on selected growth regions, minimum 50 per cent of property holdings in Stockholm, Gothenburg and Malmö.	✓
Breakdown by segment	40–50 per cent offices, 35–40 per cent industrial/warehouses and 15–20 per cent retail.	✓
Strong cash flow	Restore profits from properties under management and cash flows to pre Hemsö sale levels via new acquisitions of SEK 5–6 bn.	✓
Efficiency	Cost savings of 10 per cent on central and administrative costs with full effect from 2014.	✓
Solid liquidity	Liquidity position requirements for unresolved tax cases for the maximum negative effects looking 12 months forward.	✓
Healthy balance sheet	Equity ratio must not fall below 30 per cent.	36.8%
Profitability	Return on shareholders equity of 10–12 per cent.	10.7%



A WORD FROM THE CEO

2013 WAS THE START OF THE NEW KUNGSLEDEN

2013 was a year of big changes – a new executive management, business plan and strategy plus a revised property portfolio with new customers. A new Kungsleden is emerging, forged from our solid experience, entrepreneurship and common vision of the direction we should take. The investments and cost savings we made during the year helped us report a strong profit and create the platform to become the most profitable and successful property company on the market.

SIGNIFICANT EVENTS 2013

15 FEBRUARY

Kungsleden takes possession of eleven properties acquired from Hemsö at a value of approximately 1.5 bn.

18 APRIL

Thomas Erséus resigns as CEO in association with the AGM. Anders Kvist, Deputy CEO, CFO, takes over as Acting CEO.

3 MAY

A fifteen year lease signed with Friskis&Svettis in the Sveaplans Centrum property in Eskilstuna.

15 AUGUST

Kungsleden signs a declaration of intent with GE Capital Real Estate for the acquisition of 84 properties for 5.5 bn.

1 SEPTEMBER

Biljana Pehrsson appointed new CEO of Kungsleden AB and simultaneously resigns from the Board.

AS A GRAND FINALE TO THE YEAR we took possession on 2 December of the 84 properties that we acquired from GE Capital Real Estate for SEK 5.5 billion. The purchase was the largest transaction of the year on the Nordic property market and meant a big step forwards for Kungsliden, both strategically and financially. In one fell swoop, we reached the portfolio volume we had expected would take up to two years.

The deal increased the proportion of properties in Sweden's big three city regions from 30 to 50 per cent of Kungsliden's total portfolio while at the same time, the proportion of office premises rose from 39 to just over 50 per cent – all in line with our new strategy of focusing on growth regions and selected property segments. In purely financial terms, the GE portfolio will also boost earnings and cash flow for Kungsliden.

Our property operations are making healthy progress

We reported good full-year profits and at year-end 2013, Kungsliden was in line with our financial targets for the year. Funds from the sale of Hemsö have been reinvested and we have cut our administration costs by 10 per cent – both ahead of schedule.

Profits from property management of SEK 549 m were 23.4 per cent higher than in 2012. Net letting was positive and we delivered higher net operating income from our properties compared to our property holdings the previous year. As of 2 December, our directly owned holdings were far larger than before, which will lead to increased income and costs and improved profits.

Major improvements were also reported further down the income statement, where properties and financial instruments both made gains. Average interest fell from 6.8 to 5.8 per cent, mainly due to new borrowings on better terms. Our 2013 figures are also not weighed down by tax provisions. Profit for the year was SEK 862 m, over SEK 500 m higher than 2012.

Kungsliden returned to the bond market in December after a several year absence, issuing a SEK 700 m unsecured three-year bond at a competitive rate.

A new Kungsliden takes shape

Since becoming CEO in September, I have concentrated on learning about our organisation, properties, customers and partners. Meanwhile, our new executive management team has produced a three-year plan with the aim of ultimately becoming the most profitable and successful property company on the market. Our vision is to offer customers attractive and functional premises at competitive rates for office, industrial and warehousing and retail businesses.

With our new organisational structure and business model, we clearly set out our core activities in three business areas – Property Management, Development and Transactions & Analysis. We have cut decision-making paths by including business area and regional managers in our executive management team. Which all adds up to greater flexibility and brings us closer to our customers and business operations.

The GE portfolio has given Kungsliden a significant know-how boost in the form of some twenty GE property specialists who joined us. At year-end, we had a new management organisation dimensioned for growth supported by experienced and knowledgeable employees fully committed to our vision and the direction in which we are heading. Having said that, we still have plenty to do in terms of realising our new business plan and strategy. Our journey may have only just begun, but we have already come a long way.

Promising market

We see stronger demand for premises in our segments and markets. Transaction volumes were slightly down in 2013 compared with the previous year, but 2014 has started strongly with a number of large transactions finalised. A growing appetite for property deals amongst bankers and investors provides hope of further appreciation in property values.

I sense a growing interest in Kungsliden and expectations on us are rising. We have the wind in our sails as we head towards becoming the most profitable and successful property company on the market. Although various tax cases remain outstanding, in addition to our increasing earnings, we have a stronger balance sheet with an equity ratio of 36.8 per cent and liquidity adequacy of SEK 2.7 bn.

At the end of 2013, our property portfolio was worth just over SEK 20 bn and we anticipate further growth. In 2014, we will largely focus on our prioritised markets and chosen property segments. We will continue to streamline our property holdings, address vacancies and increase value via property development. All with the aim of improving profitability and building long-term value.

To be successful, we need to maintain our tremendous commitment and excellent cooperation across the whole of Kungsliden. We have fantastic employees who meet the property needs and preferences of our customers on a daily basis. I look forward to 2014 with optimism.



Biljana Pehrsson, CEO

11 SEPTEMBER

Two new and larger leases signed with the Municipality of Norrköping and Swedavia on a property in central Norrköping.

1 OCTOBER

Kungsliden creates new executive management structure to replace the previous group management.

21 OCTOBER

Kungsliden signs a binding purchase contract with GE Capital Real Estate.

2 DECEMBER

Kungsliden takes possession of the 84 properties acquired from GE Capital Real Estate.

13 DECEMBER

Kungsliden issues three-year bond for SEK 700 m.

BUSINESS CONCEPT & STRATEGIES

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Strategies for creating value 7



Vision, business concept & business model

Meeting the needs of our customers is at the heart of everything Kungsleden does within our business areas of Property Management, Development and Transactions & Analysis. We aim to offer functional premises at competitive rates in order to create long-term value and an attractive total return.

THE KUNGSLEDEN VISION is to offer customers attractive and functional premises at competitive rates for office, industrial and warehousing and retail businesses.

Business concept

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

Long-term goal

Kungsleden’s long-term goal is to be the most profitable and successful property company in Sweden.

Business model

Kungsleden’s property holdings consist of offices, industries and warehousing and retailing premises in Greater Stockholm, Mälardalen, south west Sweden and growth towns in northern Sweden.

The location and quality of each property form the basis for our value offer where accessibility, usability and attractive rents are key.

Kungsleden customers are a cross section of Swedish private and public sector companies ranging from small to larger enterprises, local authorities and county

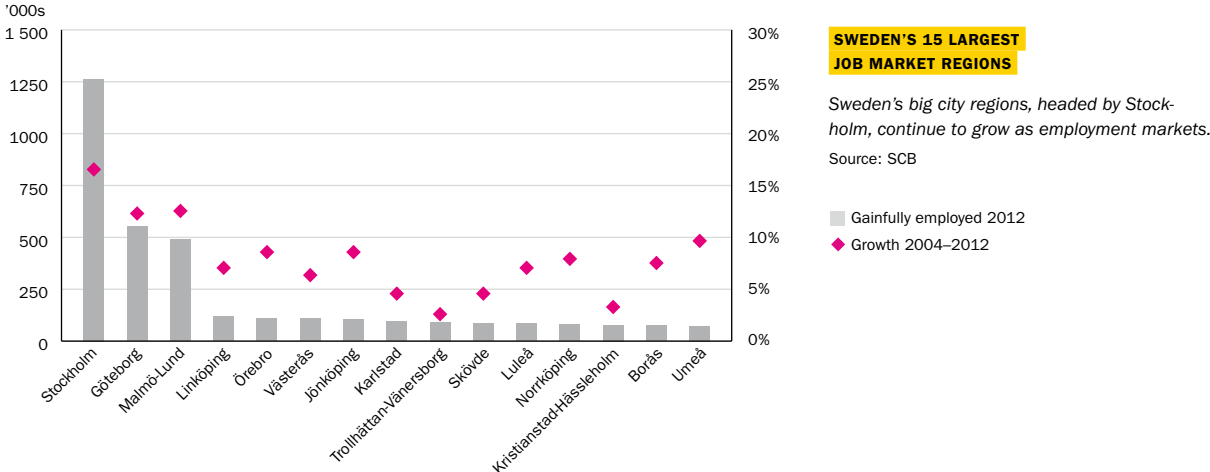
councils. Everything we do is predicated on meeting the premises requirements of customers.

We are there where the demand is

Population growth in Sweden goes hand in hand with the growth of the enterprise sector and regional economic growth. Growth is particularly strong in south, west and central Sweden and in certain towns along the northern coast. Expanding logistics and a well-developed infrastructure are factors that are persuading more and more businesses to establish a presence on the periphery of large cities. Increased car usage and greater accessibility have also led to retailers moving to edge of town estates.

Kungsleden’s office properties are located in Sweden’s large cities, primarily in good outer city locations with good accessibility, and in smaller growth towns in more central locations. Our industrial and warehouse properties are located in industry clusters and logistics hubs where tenants can leverage the fine location and potential cluster synergies. Our retail properties largely consist of larger premises or volume retailing establishments in attractive commercial locations, with good parking facilities and access routes.

Companies are increasingly looking for premises in



edge of town areas where rents are attractive, precisely where Kungsleden properties can be found. Here, rent levels are persuasive for companies that prize accessibility and usability ahead of a central inner city site.

Three value creating activities

Kungsleden seeks to create value for customers and shareholders via property management, property improvement, development and portfolio optimisation. By optimising our property portfolio and improving or developing individual properties, Kungsleden creates the platform for profitable management in the long-term. Although all three of these activities are closely linked, it is possible to differentiate the individual contributions they make to Kungsleden’s value creation.

Property Management

Property Management creates value by meeting the premises requirements of customers and building long-term customer relationships, which delivers stable and growing rental income. Kungsleden has its own management organisation with building managers, letting managers and facilities managers all locally based in four regions. Energy efficiency and cost efficiency are important ways in which how our property managers create value.

Improve and develop

Our Development business area manages the development side of our business and creates value by improving and developing properties and planning permission in our property holdings to leverage their full potential. In so doing, Kungsleden is able to reduce vacancy rates, raise rent levels and extend leases. We also create value by new build development on acquired land.

Portfolio optimisation

Portfolio optimisation is tasked to our business area Transaction & Analysis which create value by identifying which segments, geographic areas and individual properties offer solid or less promising potential for long-term value creation. Based on their analysis, Kungsleden gradually seeks to achieve the desired structure in our property portfolio via strategic acquisitions and sales.

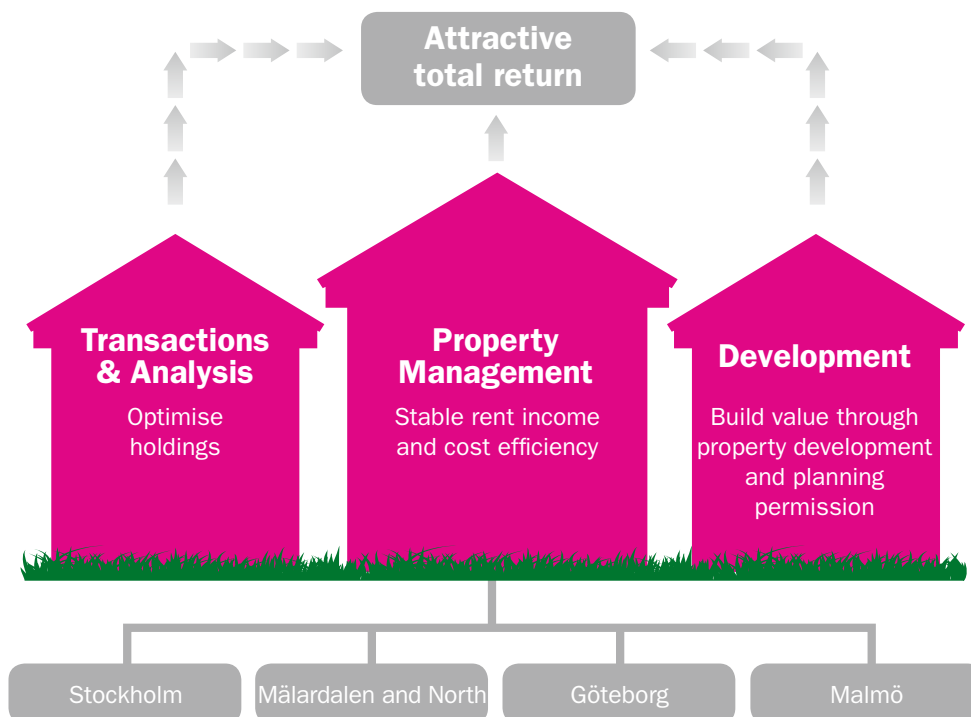
Long-term value is created when Kungsleden owns properties with potential to increase income via lower vacancy rates or higher rents, or properties where costs can be reduced. Long-term value is also created via rising property values as a consequence of falling direct return demands.

Attractive total return

Value creation the Kungsleden way manifests itself in an attractive total return from the properties.

If Kungsleden’s property holdings demonstrate an attractive total return over time, this paves the way for an attractive total return for Kungsleden shares. The total shareholder return is the sum of share dividends and share price appreciation. Kungsleden’s current profits create opportunities for share dividends and the dividend payout ratio is governed by the company’s dividend policy. Share price appreciation is affected by a number of factors but basically it is motivated by what profits and what increase in net worth (value of properties minus borrowings) the market thinks the company can achieve in the future.

Ultimately, all the value creating activities in Kungsleden’s property operations are designed to deliver an attractive total return on Kungsleden shares for the benefit of the company’s shareholders.



Strategies for creating value

Kungsleden's strategies to create value are based on meeting the premises requirements of customers by managing, improving and developing properties and planning consents and by optimising the company's property portfolio. If we work successfully in accordance with these strategies, Kungsleden can deliver an attractive total return on investment.

1 Meeting the premises requirements of customers

KUNGSLEDEN'S CUSTOMER OFFER is based on suitable properties with attractive rents. Our customers are a cross section of Swedish private and public sector companies with varying needs and requirements.

Kungsleden has its own management organisation with building managers, letting managers and facilities managers, all locally based in four regions. This management organisation enables Kungsleden to maintain a close dialogue with customers and facilitate a better understanding of their current and future needs. Based on this knowledge, Kungsleden then seeks to meet different customer preferences via innovative and practical solutions. Our long-term customer relationships facilitate long-term sustainable property management.

Customer focus makes for efficient property management

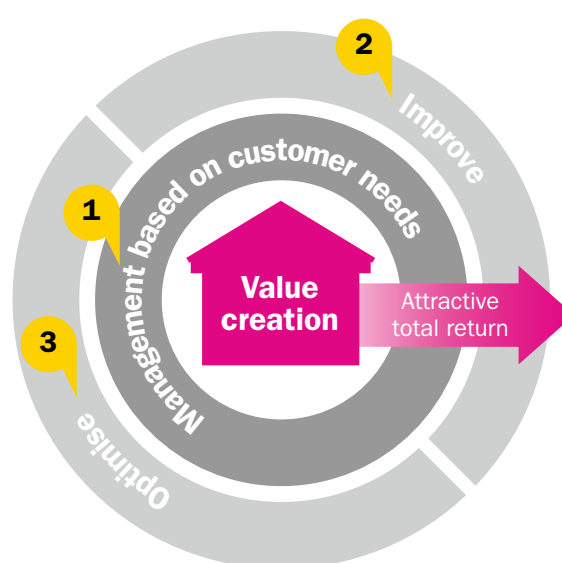
In 2013, Kungsleden's management structure was streamlined to enable a more long-term property management approach with clearer positioning and a sharper customer focus.

Kungsleden is now developing regionally adapted target levels in terms of tenant mix, maintenance and customer modifications, along with space and energy efficiency measures, all designed to minimise vacancies and increase net operating income and cashflow.

» Read more about Kungsleden's property management approach on pages 14–21.

2 Improve and develop the portfolio

THE BEST PLATFORM for successful and long-term property management is to have properties that can be leveraged to their fullest potential. Gaining consent for change of use or layout, and developing undeveloped



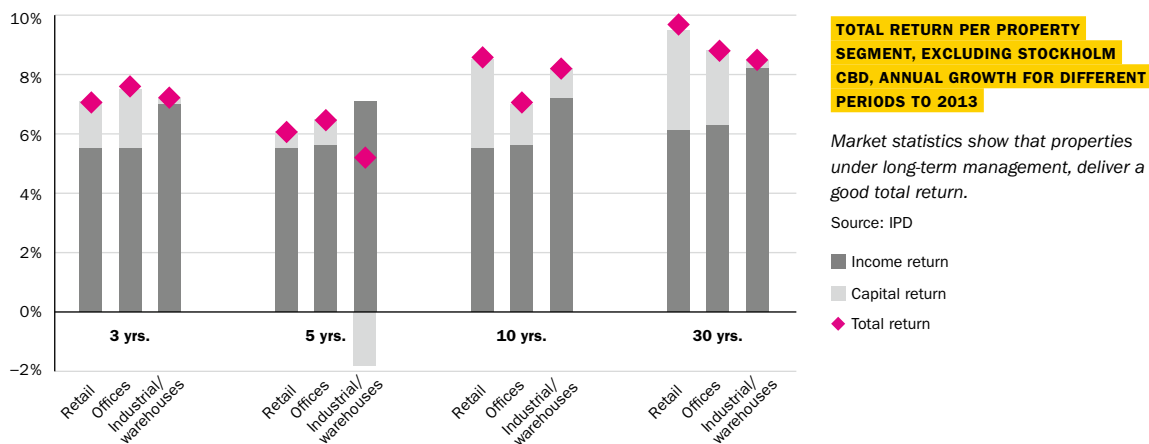
KUNGSLEDEN'S STRATEGIES Meeting the premises requirements of customers via active management is the key to strategic value creation for Kungsleden. To create even more value, Kungsleden also seeks to improve and optimise its property portfolio.

land and exercising planning permission are important elements when creating this kind of value. An important first step for Kungsleden is to identify and prioritise development potential in properties we already own and land acquired. From this starting point, we then initiate and pursue projects in our own property holdings and via new build developments.

In 2013, Kungsleden created a new business area for development to realise this strategy.

Investment for long-term ownership

By making regular investments in properties, Kungsleden ensures all property holdings are of a quality and standard that will reward long-term and sustainable management. Such investments must be profitable over time and contribute to Kungsleden achieving its return targets.



Proactive to meet the needs of our customers

As the world changes, customer needs and preferences also change. Kungsleden keeps a close eye on changes by maintaining a close dialogue with customers and then use our knowledge of the potential of each property plus innovative thinking to find flexible solutions. These solutions are then implemented in new and existing projects.

Successful development work not only helps reduce vacancies, it can also raise rent levels.

Development process in close cooperation

Property development is a three stage process – property and project development, project letting and project implementation.

Kungsleden works on development projects in various locations and cities around Sweden in partnership with tenants and other parties.

Our keen ear for local property requirements and a good understanding of local authority priorities and town planning ensure Kungsleden is an attractive partner within the property development field. Our employees are highly experienced in project development, are creative and have the happy knack of finding smart and profitable solutions, even in smaller towns where the prospects are not always the best.

» Read more about Kungsleden's development projects on pages 22–23.

3 Portfolio optimisation via transactions and analysis

KUNGSLEDEN CONTINUOUSLY STRIVES to create an optimum property portfolio via purchases and sales. For Kungsleden, an optimum property portfolio is a portfolio that is in step with growth in underlying local demand, can be managed efficiently and expected to enjoy solid growth in value.

We continuously analyse which segments, geographical areas and individual properties offer good and less good potential respectively for long-term value creation. This analysis covers both our own and other properties.

In line with our new strategy, our property holdings are being oriented towards selected segments, regions and locations. The portfolio is acquiring a larger proportion of offices, which provides a better balance between segments and enables greater risk diversification. Our more pronounced orientation towards the big city areas and higher proportion of offices also increases potential appreciation in value.

Optimising the portfolio via high quality properties

Portfolio optimisation entails restructuring towards more qualitatively superior properties in good locations in the segments and regions prioritised. Optimisation can also include development investments in properties with potential to increase income, cut costs and improve net operating income.

Property and project development



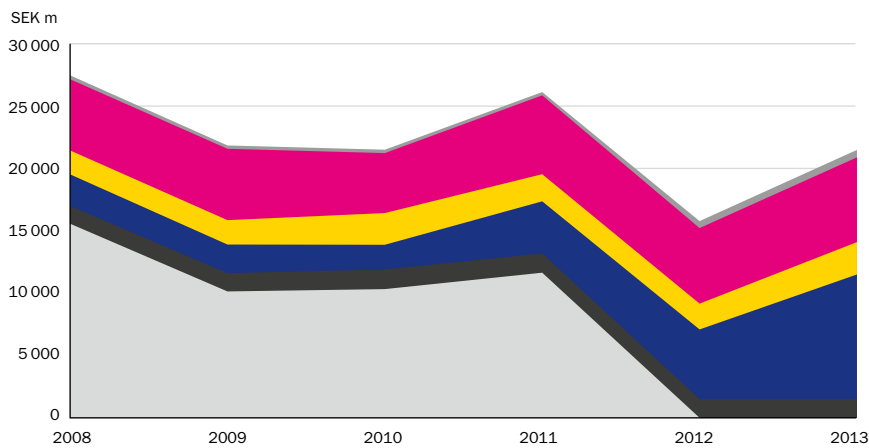
Project letting



Project implementation



PROPERTY DEVELOPMENT IN THREE STAGES To better leverage our know-how, experience and resources, Kungsleden resolved in 2013 that larger development projects should be pursued by a separate business area. Kungsleden adopts a three stage approach to property development – property and project development, project letting and project implementation. Property development is based on close cooperation between project managers, managers, construction project managers and external consultants.



FOCUSING THE PORTFOLIO

In line with the new strategy, we will restrict property holdings to selected locations and types of property. A streamlined portfolio that focuses on certain markets and property segments makes for more efficient and long-term management.

- Other
- Industrial/warehouses
- Retail
- Offices
- Modular buildings
- Public properties

Although the Kungsleden property portfolio already contains properties with development potential, we still intend to target development properties to renovate ourselves with a view to gaining an attractive total return.

Another element of optimisation lies in ensuring the portfolio consists of property types that Kungsleden possesses expertise in and solid experience of, as this offers the best chance of long-term value creation.

Purchase and sales status

As an organisation, Kungsleden is experienced in executing transactions via employees with in-depth property expertise, which adds up to a solid foundation to do profitable business.

Kungsleden aims to continue to grow its property portfolio over time, via a combination of value appreciation and strategic acquisitions.

Kungsleden's property portfolio includes properties we have owned for a long time and which are now valued in excess of SEK one billion, but which, by virtue of their location or type, no longer fit our new strategy. These non-strategic properties will be gradually divested. The same applies to similar properties that have temporarily been added to the portfolio in association with the occasional purchase by Kungsleden of a package of properties. These non-strategic properties will also be sold when market conditions favour this.

» Read more about transactions during the year on pages 12–13



Kungsleden CEO Biljana Pehrsson and deputy CEO and CFO Anders Kvist discuss the new strategy at the presentation of Kungsleden's year-end report for 2013.

» To view the presentation, go to <http://media.fronto.com/cloud/kungsleden/140213/en/>

VALUES AND COMMERCIAL APPROACH

Kungsleden's values are based on entrepreneurship and a high degree of individual responsibility



Innovation

Kungsleden identifies opportunities based on employee experience of properties, transactions and customer needs, supported by our entrepreneurial culture. This helps create value for customers and shareholders.



Presence

Kungsleden is very active on the property market and in close contact with its customers. Via a local presence and by listening to tenants, Kungsleden is able to identify and develop business opportunities to the benefit for customers and shareholders.



Simplification

Kungsleden does not overcomplicate things unnecessarily and always aims to act in as straightforward and simple a way as possible. Our company culture is very much inclusive where employees have freedom to act.

OPERATIONS

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Market

Demand on the Swedish property market showed weak growth in 2013. Rent and price levels were stable on several sub markets and segments. In the big city regions, investors have started to show an increased appetite for risk and a growing number of deals are being done outside the inner city core if the property has the right profile. Thin availability is also keeping prices up and contributing to new portfolio structures.

THE SWEDISH ECONOMY experienced weak growth during the year with barely one per cent growth in GDP. Subdued demand from international investors has been offset by a strong domestic economy, thanks to continued low interest rates, rising employment and increased incomes. Growth is expected to gather pace as the economic recovery continues. Inflation remains low, however, prompting the Swedish central bank, Riksbanken, to cut the repo rate by 0.25 percentage points in December.

The banks have shown a clear willingness to lend to investors on the property market, which has enabled a higher degree of loan financing. As more international banks gain a presence in Sweden, financing opportunities should increase, while bond issues are becoming an increasingly common option.

Thin offerings create polarised market

The transactions market has become more polarised from previously being purely oriented towards large, modern offices in central Stockholm and Gothenburg. A strong world economy and rising interest rates have created increasing interest in other investments. Investors are looking for either new build, fine and fully let properties or development projects. The market is dominated by smaller, local parties and modest competition, which is also reflected in price levels.

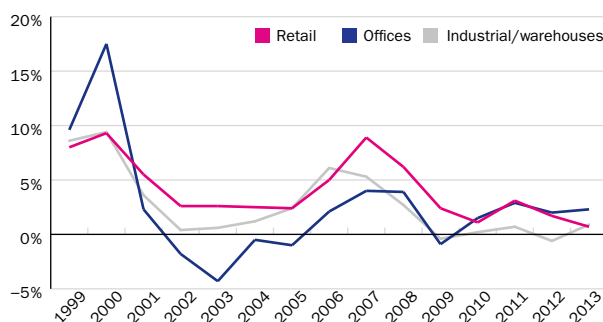
The Stockholm region has continued to be the most interesting geographical market accounting for at least 40 per cent of the volume of investment each year since 2007 according to property consultants DTZ. However, this proportion fell to just under 30 per cent in 2013. Mixed asset portfolios and properties located outside the three big city markets have attracted an ever increasing share of investment capital in recent years. In the final quarter of 2013, these two categories represented over half the total volume of transactions.

Big demand lowering return levels

Although investor interest has broadened, CBD properties continue to be in big demand. The direct return on office properties in prime locations in Stockholm remained at a low 4.5 per cent. The return on office and retail properties, excluding CBD locations in Stockholm, was 5.5 and 5.3 per cent respectively in 2013, while industrial properties yielded 6.9 per cent on average.

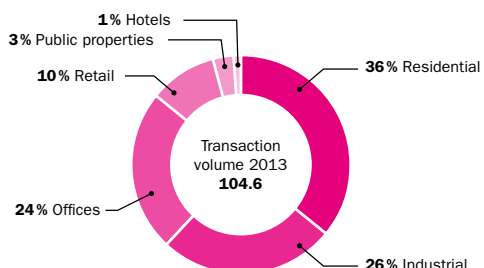
Considering many investors are showing an increased appetite for risk and more and more deals are being struck outside attractive inner city centres, the difference between the return on CBD properties and similar properties in secondary locations is gradually shrinking.

CHANGE IN MARKET RENT EXCLUDING STOCKHOLM CBD*



*Central Business District Source: IPD

TRANSACTION VOLUME 2013, BY SEGMENT



*Including transactions above SEK 40 m only Source: Datcha

Property holdings

In 2013, Kungsliden increased its holdings of commercial properties with office, industrial and warehousing and retail premises in growth regions in Sweden. The properties appreciated in value by SEK 48 m. The GE portfolio acquisition boosted Kungsliden's presence in Stockholm and Gothenburg and office properties now comprise just over 50 per cent of all property holdings.

KUNGSLEDEN'S PROPERTY HOLDINGS CONSIST of commercial premises in Greater Stockholm, Mälardalen, southwest Sweden and growth towns in Norrland. The portfolio is segmented into Office, Industrial/warehouses, Retail and Other. The largest segment was offices that made up just over 50 per cent of property holdings by value as of 31 December 2013.

Development of Property Holdings 2013

Kungsliden's acquisition of the GE Capital Real Estates portfolio was by far the largest on the Nordic market that year, comprising 84 commercial properties and a total lettable area of 567,000 sq. m. The transaction was executed in October at a total purchase price of SEK 5.5 bn. The rental value amounts to approximately SEK 700 m with an estimated net operating profit of around SEK 380 m. Some 70 per cent of the GE portfolio is located in Stockholm and Gothenburg with office space making up the majority of the properties. The deal increased the proportion of Kungsliden properties in the big city regions of Stockholm, Gothenburg and Malmö from 30 to 50 per cent, and office space from 35 to just over 50 per cent. The mix of properties therefore falls within the target range of Kungsliden's business strategy.

In addition to the GE portfolio, Kungsliden acquired office, industrial and warehousing and retail properties in Sweden's big three cities and growth regions for a total sum of SEK 422 m.

Streamlining the portfolio during the year included the

sale of four properties for a total of SEK 108 m, of which one was an elderly care home in Germany, which was sold for SEK 93 m. In net terms, property holdings increased by a total of 91 properties during the year, total book value rose by SEK 6,091 m and rental value increased by 44 per cent.

Over the course of the year, Kungsliden invested SEK 212 m on modernising and improving the standard of its properties and adapt them to meet the needs and business requirements of tenants. Existing holdings have also been upgraded via development projects on undeveloped land, extensions and conversions and by exploiting existing planning consents.

Valuation

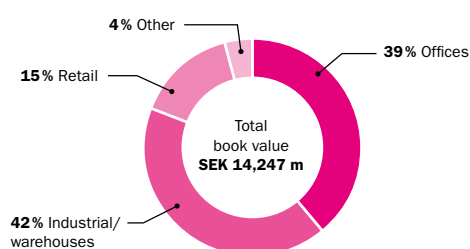
Kungsliden reports property holdings at market value, which is also known as fair value in accounting terms. Fair values are based on internal valuations performed

DEVELOPMENT OF PROPERTY HOLDINGS

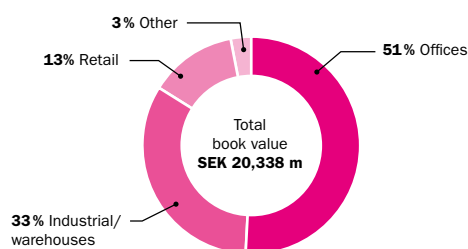
	Book value, SEK m	No of
Property holdings as of 1 January 2013	14,247	275
+ Purchases	5,935	95
+ Investments	212	-
- Sales	-108	-4
+/- Exchange rate changes	4	-
+/- Unrealised gains/losses	48	-
Property holdings as of 31 December 2013	20,338	366

*Investment properties excluding modular buildings

PROPERTY HOLDINGS PER SEGMENT, 31 DECEMBER 2012*



PROPERTY HOLDINGS PER SEGMENT, 31 DECEMBER 2013*



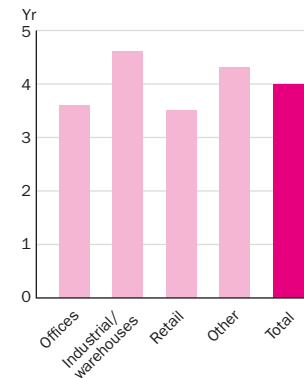
*Value excludes modular buildings

KUNGSLEDEN PROPERTY HOLDINGS PER SEGMENT, 31 DECEMBER 2013

	Offices	Industrial/warehouses	Retail	Other	Total
No. of properties	139	135	68	24	366
Lettable area '000 sq. m.	1,069	1,334	346	71	2,820
Book value SEK m	10,386	6,668	2,672	612	20,338
Rental value, SEK m	1,268	844	326	76	2,514
EARNINGS CAPACITY					
Rental income, SEK m	1,133	768	297	69	2,267
Net operating income, SEK m	748	566	194	45	1,553
Economic occupancy rate, %	89.2	91.2	91.1	91.3	90.2
Property yield, %	7.2	8.5	7.3	7.4	7.6
Operating surplus margin, %	66.1	73.5	65.4	65.2	68.5

» For information on how Kungsliden calculates earning capacity for a property, see definitions on page 71.

AVERAGE REMAINING TERM OF LEASE



regularly as an integral part of our business process.

When valuing properties, Kungsliden applies a combination of the income approach and the sales comparison approach for the location. The discounted cash flow and residual value of each property is forecast based on a five-year calculation period. The return on capital requirements applied are based on Kungsliden's long experience of the transactions markets and is assessed on the unique risk profile of each property plus analysis of comparable transactions completed in the location. The process also includes obtaining external valuations. The direct yield in the area is in the range of 5.0–14.0 per cent.

Internal valuations of all properties have been performed as of 31 December 2013 and comprise book value. Virtually all properties have also been valued by external valuers. These external valuations were in line with and supported internal valuations.

Value appreciation for the year on properties was SEK 48 m. This gain is a reflection of the investments made

in property holdings and that property values have been upwardly or downwardly adjusted. The value of the properties acquired from GE has been upwardly adjusted by some SEK 250 m compared with the acquisition value. Two thirds of properties in the rest of the portfolio have had their value updated. The values of properties that have appreciated were raised by approximately SEK 200 m, while the values of properties revised downwards were reduced by around SEK 400 m.

» For further information on Kungsliden property valuations, see note 14.

Earnings capacity

Kungsliden reports earnings capacity in order to complement the income statement and provide a better picture of the underlying profitability of the property business in question. All else unchanged, earnings capacity provides a forecast of earnings ability in property holdings as of 31 December 2013.

	Risk	➔	Management																							
Risks of gain/loss in value of properties	Kungsliden reports its properties at fair value (market value) which has a direct effect on the income statement and financial position. The value of a property is affected both by the lease and tenant structure and Kungsliden's own ability to upgrade and develop the property, and by external factors that effect supply and demand such as state of the economy, interest rate levels, loan financing and return on investment requirements.		Kungsliden actively seeks to diversify risk with regard to categories of buildings and tenants, geographic location and value of lease. An average lease term of five years means that changes in market rents do not have any immediate impact on rental income. The aim is a balanced portfolio risk with limited impact from external factors. The risk of change in value is limited by each property being valued individually, internally and externally. Kungsliden's wide ranging transactions experience limits the risk of change in value.																							
	<p>SENSITIVITY ANALYSIS, CHANGE IN PROPERTY VALUES</p> <table border="1"> <thead> <tr> <th></th> <th>-10%</th> <th>-5%</th> <th>0%</th> <th>5%</th> <th>10%</th> </tr> </thead> <tbody> <tr> <td>Profit before tax, SEK m</td> <td>-2,034</td> <td>-1,017</td> <td>-</td> <td>1,017</td> <td>2,034</td> </tr> <tr> <td>Equity ratio, %</td> <td>32.8</td> <td>34.9</td> <td>36.8</td> <td>38.5</td> <td>40.2</td> </tr> <tr> <td>Loan to value ratio, %</td> <td>64.9</td> <td>61.8</td> <td>58.9</td> <td>56.3</td> <td>53.9</td> </tr> </tbody> </table> <p>The table shows the effect on Kungsliden's income statement and financial position if property value were to change by +/- 5–10 per cent.</p>				-10%	-5%	0%	5%	10%	Profit before tax, SEK m	-2,034	-1,017	-	1,017	2,034	Equity ratio, %	32.8	34.9	36.8	38.5	40.2	Loan to value ratio, %	64.9	61.8	58.9	56.3
	-10%	-5%	0%	5%	10%																					
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Loan to value ratio, %	64.9	61.8	58.9	56.3	53.9																					

An integral part of the Kungsliden business model is to continuously develop the composition and quality of property holdings with the aim of minimising risks related to value appreciation and cash flow.

» Read more about risks related to cash flow in note 2.

Region Stockholm

This year, Region Stockholm has grown from being the smallest Kungsliden region to the largest, on a par with Region Mälardalen and North. At year-end, the Region managed 74 properties with a total value of SEK 6,080 m, corresponding to 30 per cent of Kungsliden's total property holdings. The majority of these properties are in Stockholm in locations with good communication links just outside the city. The Region also manages properties in Norrköping, Nyköping and Uppsala.

AS THE LARGEST city and strongest growth engine in Scandinavia, Stockholm has become a natural base for multinational companies. Greater Stockholm is by far the largest employment region in Sweden with a diversified enterprise sector and an international feel. This includes a world-leading ICT cluster, one of the largest biotechnology clusters in Europe and the financial centre of northern Europe. The service sector is the dominant employer with the majority of jobs in commerce and consulting.

The Stockholm region has excellent communication links with five airports, ferry connections to most Baltic countries, rapid inter-city rail services and a well-developed regional and local public transport network. However, one of the biggest challenges in Stockholm is traffic congestion.

Efforts to alleviate this include the planned Stockholm Bypass, the largest infrastructure project in Sweden, that will link the north and south of the city by underground tunnels.

Property holdings

Kungsliden property holdings in the region mainly consists of offices, industrial, warehousing and retail premises totalling 594,010 sq. m. The majority of these properties consist of office blocks, primarily in locations with good

communication links outside Stockholm inner city, such as Kista, Danderyd, Tyresö and Sollentuna and in the growth towns of Nyköping and Norrköping.

Kungsliden's customers in the region vary in size and are in both the private and public sectors, which contributes to risk diversification.



Rental market trend

Despite uneven demand, the rental market in the region saw weak growth during the year. A strong start with a positive outlook on the market dissolved into greater caution during the summer before normalising in the autumn. When evaluating larger lettings, space efficiency continued to be one of the deciding factors in customer decision-making processes.

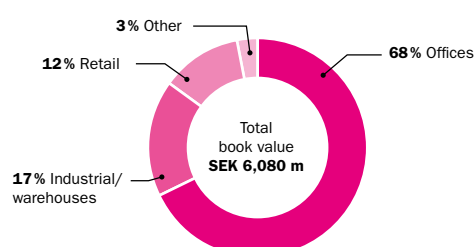
In the central areas of Stockholm, it is difficult to find "developable land" which means rents are high and rising. Outside the city, there is substantial demand for industrial premises and offices in good locations, preferably close to a metro station. However, there is an over supply of older offices in B and C locations.

The strong growth in Stockholm is helping to boost demand for commercial premises in Uppsala. Nyköping and Norrköping are also enjoying positive growth with good demand, primarily for warehouse and industrial premises.

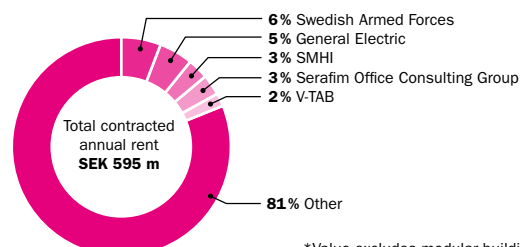
30%

of Kungsliden's properties by value are in Region Stockholm.

REGION STOCKHOLM PROPERTY HOLDINGS PER SEGMENT, 31 DECEMBER 2013*



LARGEST TENANTS IN REGION STOCKHOLM, 31 DECEMBER 2013*



*Value excludes modular buildings



SVÅRDET 7, DANDERYD Office and retail property in the prime billboard location next to the E18 with good communication links and a large range of services. The property, which was taken over in December 2013, adjoins Mörby Centrum metro station. Kungsleden owns a further three office properties in Danderyd. Total lettable area is 100,000 sq. m.

The region will benefit from the recent decision to proceed with the East Link, a new double track high speed rail link between Järna outside Södertälje and Linköping.

Kungsleden's growth in the region

2013 was a very eventful year for Kungsleden, particularly in Stockholm. Kungsleden continued to build an attractive long-term property portfolio and net letting in the region was positive. The most important event in the year by far was the acquisition of the GE portfolio that increased our number of properties in the region by 27 and around 255,000 sq. m. of lettable space. The proportion of office properties in the portfolio rose from 20 to 68 per cent. Work began in the final month of the year to integrate the GE properties into the region property holdings and leverage the skills and extensive office property experience possessed by the personnel who joined us from GE.

In line with the Kungsleden strategy, three warehouse properties were acquired in Norrköping in July with a total lettable area of approximately 10,700 sq. m. at a cost of SEK 43.8 m.

We signed two new lease agreements in our Oxelbergen property in central Norrköping during the year. A ten-year lease with the Municipality of Norrköping for approximately 4,000 sq. m. of office space with a contract value of around SEK 67 m, and a three-year lease with Swedavia for around 1,500 sq. m. with a contract value of approximately SEK 6 m. In association with the new



HOLAR 1, KISTA Office property with excellent communication links, less than 20 minutes by road from Stockholm's two main airports, Arlanda and Bromma. Walking distance from the metro and Kista Galleria shopping centre. Kungsleden owns two other office properties in the same area. Total lettable area is 23,500 sq. m.

tenants moving into Oxelbergen, Kungsleden has been able to modernise and upgrade the property that was built in the 1970s and modify the premises to the business requirements of the tenants. The project is expected to be completed in summer 2014.

	Offices	Industrial/warehouses	Retail	Other	Total
No. of properties	31	25	13	5	74
Lettable area '000 sq. m.	338	176	63	17	594
Book value SEK m	4,150	1,026	722	182	6,080
Rental value, SEK m	473	131	78	15	697
EARNINGS CAPACITY					
Rental income, SEK m.	419	119	70	15	623
Net operating income, SEK m	283	88	50	14	435
Economic occupancy rate, %	88.6	91.1	89.7	100	89.4
Property yield, %	6.8	8.6	6.9	7.8	7.2
Operating surplus, %	67.7	73.7	71.1	91.3	69.8

PROPERTY HOLDINGS PER SEGMENT

31 DECEMBER 2013, REGION

STOCKHOLM Kungsleden has implemented major changes in 2013 in line with the new business strategy. Earnings capacity is reported in order to provide a better picture of the underlying profitability of the property business in question. All else unchanged, earnings capacity provides a forecast of earnings ability in the Region Stockholm property holdings as of 31 December 2013.

Region Mälardalen and North

At year-end, Region Mälardalen and North managed 104 properties with a total value of SEK 6,079 m, corresponding to 30 per cent of Kungsleden's total property holdings. The majority of these holdings are in Västerås, home to eight of the largest properties in the region. The Region is also responsible for Kungsleden properties in the growth towns in the rest of Mälardalen and Norrland.

THERE ARE BIG differences between the enterprise sectors and populations in the towns of Mälardalen and in Norrland. Mälardalen has a diversified enterprise sector where the rate of growth in several larger towns is amongst the highest in Sweden. The enterprise sector along the northern Swedish coast is based on traditional industry. One common denominator amongst the larger towns in the regions is that the majority are growth towns.

The infrastructure investments being implemented by the municipalities in Mälardalen in recent years have helped connect the towns around Lake Mälaren, shortened commuting times and effectively brought them closer to Stockholm which has contributed to the strong growth.

Örebro boasts Sweden's fourth largest airport, which combined with proximity to road and rail networks means the city is increasingly growing as the logistics hub for central Sweden. Proximity to the E18 and good rail links have been factors in Västerås' strong growth.

Property holdings

Kungsleden property holdings in the region consist of offices, industrial and warehousing and retail premises corresponding to 1,004,697 sq. m. with the emphasis on

office space. Västerås is the focal point for the region, where Kungsleden has offices, warehouse and logistics facilities in several prime locations in the city, that equate to around half the property holdings by value in the region.

These locations will be further boosted by the current further development of the station area. Other than Västerås, Kungsleden's main property holdings in the region are in Örebro, Umeå, Luleå and Östersund.

There are four local management offices in the region that each possess excellent knowledge of the properties under their management. This

local presence facilitates good relationships with both tenants and local authorities.

Rental market trend

The vacancy rate for modern commercial premises in Mälardalen and along the northern coastline is generally low with stable rent levels. The highest rent levels are found in Västerås and Örebro.

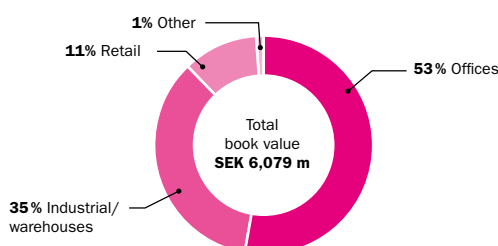
During the course of the year, rent levels in Mälardalen showed a mildly upward trend despite relatively cautious demand on the rental market.

In Umeå, demand remained strong until October when Volvo Trucks announced they would be shutting down some of their production, which created uncertainty on the market.

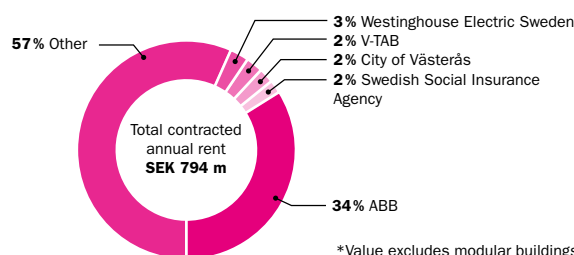


30% of Kungsleden's properties by value are in Region Mälardalen and North.

REGION MÄLARDALEN AND NORTH PROPERTY HOLDINGS PER SEGMENT, 31 DECEMBER 2013*



LARGEST TENANTS IN REGION MÄLARDALEN AND NORTH, 31 DECEMBER 2013*



*Value excludes modular buildings



MIMMER 5, VÄSTERÅS Strategically located office property with development potential close to the railway station and city centre. Larger tenants are ABB, City of Västerås, ICA and Riksbbyggen.

There is a surplus of older industrial and storage premises of poorer quality in certain north coast industrial towns, which led to higher vacancies and lower rents for these types of property.

Tenant decision-making processes have been marked by a degree of caution during the year. Kungsleden has noted that the right location had become a more important factor than the right rent when signing a new lease.

In Västerås, Kungsleden is the largest property market company, in terms of both space and book value.

Kungsleden's growth in the region

In association with the acquisition of the GE portfolio, Kungsleden gained a stronger presence in Eskilstuna, Östersund, Borlänge and Åre. Altogether, the transaction increased holdings in Region Mälardalen and North by 19 GE properties and approximately 83,000 sq. m.

In view of developments in Örebro and increased customer demand for warehouse and logistics premises, Kungsleden purchased a 6,300 sq. m. warehouse property in the city where Systembolaget is the sitting tenant.

Kungsleden strives to develop long-term relationships with tenants in the region and the majority of new leases signed during the year were new leases with existing customers. If local demand cannot be met or if tenant requirements change, we organise tenant modifications to meet updated needs and preferences as best we can. A 10-year lease was signed with AA Logistik in Västerås



LINBLOCKET 1, VÄSTERÅS Retail property located in an expanding industrial estate close to the E18, a seven-minute car drive from Västerås. Tenant is builders merchant Byggmax.

for 15,000 sq. m. of space. Kungsleden is extending the premises to include a logistics hall, which will expand the total area leased to 18,600 sq. m.

When a 4,000 sq. m. site became vacant in Sveaplans Centrum in Eskilstuna, Kungsleden signed a fifteen-year lease with new tenant Friskis&Svettis. The lease includes conversion work to modify the premises for the customer's fitness centre business. Kungsleden is also seeking to change the zoning plan for the area to gain planning permission for new residential housing.

In Umeå, Kungsleden has applied for a planning programme concerning a vacant property Aspgrådan 18, in partnership with the municipality. The preliminary aim is to obtain planning consent for a school and housing.

	Offices	Industrial/warehouses	Retail	Other	Total
No. of properties	43	32	21	8	104
Lettable area '000 sq. m.	406	500	92	7	1,005
Book value SEK m	3,221	2,161	650	47	6,079
Rental value, SEK m	426	341	93	9	869
EARNINGS CAPACITY					
Rental income, SEK m.	395	320	83	9	807
Net operating income, SEK m	262	209	43	5	519
Economic occupancy rate, %	92.6	94.2	88.7	93.5	92.8
Property yield, %	8.1	9.7	6.7	10.1	8.5
Operating surplus margin, %	66.4	65.1	52.5	54.5	64.3

PROPERTY HOLDINGS PER SEGMENT

31 DECEMBER 2013, REGION MÄLARDALEN AND NORTH 2013 saw changes in the property holdings in Region Mälardalen and North. Earnings capacity is reported in order to provide a better picture of the underlying profitability of the property business in question. All else unchanged, earnings capacity provides a forecast of earnings ability in the Region Mälardalen and North property holdings as of 31 December 2013.

Region Gothenburg

At year-end, Region Gothenburg managed 117 properties with a total value of SEK 4,307 m, corresponding to 21 per cent of Kungsleden's total property holdings. The majority of these properties are in Gothenburg. The Region is also responsible for Kungsleden properties in other parts of Västra Götaland, Halland, Värmland and much of Småland.

GOTHENBURG IS THE HUB of the West Sweden economy and an important centre at international level. The city's strategic location including the largest port in Scandinavia and well-developed infrastructure has made Gothenburg a logistics centre for the Nordic and Baltic region. The entire Gothenburg region is enjoying solid growth and the enterprise sector is a mix of industry, research and development.

Good communication links and ease of commuting to Gothenburg support a large local job market that is one of the strongest in Sweden today. Investments in the West Sweden Package, Gothenburg Port freight rail expansion (Hamnbanan) and the high speed Gothenburg-Stockholm rail link (Götalandsbanan), designed to expand the railway infrastructure and public transport services, should further help the target of expanding the local job market to 1.75 million inhabitants by 2030. The growing job market in Gothenburg will also boost other towns in West Sweden.

Property holdings

Kungsleden has property holdings corresponding to 687,155 sq. m. in the region, comprising offices, industrial premises, warehousing and retail properties with a clear emphasis on industrial and warehouse premises as a natural consequence of being close to the port of Goth-

enburg. Other than Gothenburg, Kungsbacka, Uddevalla, Linköping and Borås are the main important growth towns for Kungsleden in the region.

The customer structure in the region is differentiated with long-term relationships, which contributes to risk diversification and low vacancy rates.



Rental market trend

Demand on the rental market remained stable in the region during the year. As in the previous year, demand for office space outstripped supply in the Gothenburg area, which helped vacancy rates continue to fall and rent levels rise somewhat. The vacancy rate for office properties in the second quarter was 6.3 per cent, the lowest level for over a decade.

Since then, the vacancy rate has

risen slightly but remains at historically low levels.

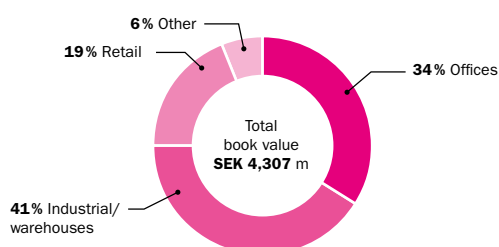
Tenant decision-making remains cautious and backed by extensive research. In addition to the rent level, being fit for purpose and flexible were important factors. In the case of smaller lettings, size of premises was an increasingly important demand, as were flexible lease terms.

21% of Kungsleden's properties by value are in Region Gothenburg.

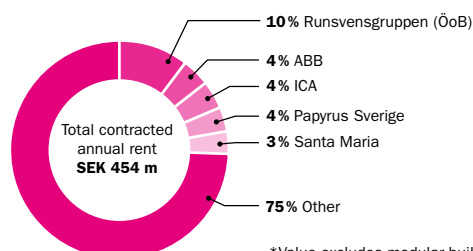
Kungsleden's growth in the region

2013 was an eventful year for Region Gothenburg. The changes that were implemented in the Region's property

REGION GOTHEBURG PROPERTY HOLDINGS PER SEGMENT, 31 DECEMBER 2013*



LARGEST TENANTS IN REGION GOTHEBURG, 31 DECEMBER 2013*



*Value excludes modular buildings



KOBBERGÅRDEN 172:1, ASKIM Modern and spacious property that contains one of the largest serviced offices in Gothenburg, in Sisjön, one of the fastest growing areas in Gothenburg with good communication links and an extensive range of services.

holdings during the year were fully in line with the new business strategy. Kungsleden gained a stronger presence in Högsbo in the Municipality of Gothenburg, an area on the outskirts of the city where enterprise is gaining a gradually firmer foothold. Four office, warehouse and retail properties were acquired with a total lettable area of approximately 20,400 sq. m. In Halmstad, a retail property leased by discount retailer Willys was acquired with a total lettable area of approximately 4,040 sq. m.

Kungsleden's acquisition of the GE portfolio had a major impact on the Region's property holdings that rose by 31 properties and approximately 182,000 sq. m. of lettable area. The proportion of office properties in the Region increased from 7 to 34 per cent as a result. Work began in December to integrate the GE properties into the property holdings in the Region and leverage the skills and extensive office property experience possessed by the personnel who joined us from GE.

By maintaining close contact with tenants, Kungsleden is able to identify when tenants need to expand or modify their existing space to meet new requirements and can then propose alternative solutions as soon as changes are identified. During the year, Kungsleden renegotiated an elderly care residence with the Municipality of Trollhättan. The agreement, which has been extended by ten years, expanded the existing 8,000 sq. m. by a further 500 sq. m. and also included tenant modifications of SEK 5 m. Evaluation work has begun in Kungsbacka in partner-



BACKA 21:5, HISINGS BACKA Combined warehouse and office property in a good logistics location close to the port of Gothenburg. Most of the property consists of warehouse premises, with a ceiling height of six metres or more in the majority of this space.

ship with a potential tenant with a view to filling by far the largest vacant property in the region that currently has 30,000 sq. m. of unoccupied space.

As part of its environment work, Kungsleden strives to reduce energy consumption in its properties. In 2013, investments were made in a property in Trollhättan to modify the district heating network in line with how the building is now used. The investment is expected to reduce annual energy and service costs by around SEK 900,000.

	Offices	Industrial/warehouses	Retail	Other	Total
No. of properties	37	50	22	8	117
Lettable area '000 sq. m.	180	337	136	34	687
Book value SEK m	1,444	1,759	839	265	4,307
Rental value, SEK m	183	204	95	36	518
EARNINGS CAPACITY					
Rental income, SEK m.	156	174	91	33	454
Net operating income, SEK m	88	131	70	19	308
Economic occupancy rate, %	85.2	85.1	96.3	91.2	87.6
Property yield, %	6.1	7.5	8.3	7.3	7.2
Operating surplus margin, %	56.9	75.6	76.6	58.8	68.2

PROPERTY HOLDINGS PER SEGMENT 31 DECEMBER 2013, REGION GOTHENBURG 2013 witnessed major changes in property holdings in Region Gothenburg. Kungsleden reports earnings capacity in order to provide a better picture of the underlying profitability of the property business in question. All else unchanged, earnings capacity provides a forecast of earnings ability in the Region Gothenburg property holdings as of 31 December 2013.

Region Malmö

At year end, Region Malmö managed 71 properties with a total value of SEK 3,872 m, corresponding to just over 19 per cent of Kungsliden's total property holdings. The majority of these properties are in Malmö. The Region is also responsible for Kungsliden properties in the rest of Skåne, Blekinge and parts of Småland.

THE ÖRESUND REGION is the largest job market in the Nordic countries.

One of the driving forces behind the strong growth is the major infrastructure investments that have been made in the region. The construction of the Öresund Bridge has facilitated the integration of the big cities of Malmö and Copenhagen while the new City Tunnel rail link connecting Malmö Central Station with the bridge to Denmark has boosted rail traffic throughout the whole of Sweden's southernmost county, Skåne. The region has been ranked the world's most innovative, thanks to cooperation between the enterprise sector and the dense concentration of educational institutes here. For example, one of the largest IT and biotech clusters is based here.

Malmö has undergone radical changes over the past twenty years, above all in the enterprise sector that has become more diversified as larger industries have been mostly replaced by small and medium size enterprises in a number of different sectors.

Property holdings

Kungsliden property holdings in the region mainly consist of offices, industrial, warehousing and retail premises totaling 534,423 sq. m. Kungsliden has extensive experience of owning and managing industrial and warehouse properties

in this part of Sweden and 34 per cent of the portfolio consists of these types of property. Other than Malmö, Växjö, Helsingborg and Lund are some of the most important growth towns for Kungsliden in the region.

Kungsliden is an established and well known landlord in Region Malmö. With the aid of good local knowledge and long-term relationships with customers, Kungsliden is able to identify new or changing needs at an early stage and so reduce the risk of vacant premises.



19% of Kungsliden's properties by value are in Region Malmö.

Rental market trend

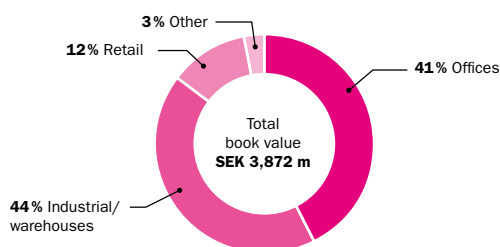
The rental market remained stable in the region during the year. There were no significant changes in terms of rent levels or vacancy rates except for office space in Malmö and Lund where the vacancy rate fell slightly from 7.5 to

around 7 per cent.

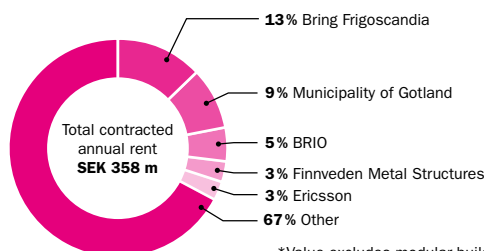
In contrast to other large Swedish cities, there is good access to developable land in Malmö. This has contributed to the current high ratio of new build projects to the total office stock, which has had a slight braking effect on upward rent levels.

As a consequence of earlier economic uncertainty, the market exhibited a certain caution and customer decision-making processes continued to be drawn out. As in 2012, the right location at the right price was the most

REGION MALMÖ PROPERTY HOLDINGS PER SEGMENT, 31 DECEMBER 2013*



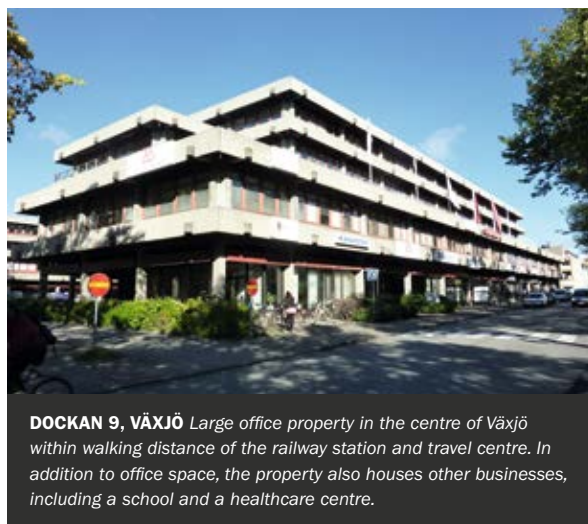
LARGEST TENANTS IN REGION MALMÖ, 31 DECEMBER 2013*



*Value excludes modular buildings



DUBBELKNAPPEN 4, MALMÖ Modern industrial and warehouse property with flexible space and associated offices in the popular district of Fosie.



DOCKAN 9, VÄXJÖ Large office property in the centre of Växjö within walking distance of the railway station and travel centre. In addition to office space, the property also houses other businesses, including a school and a healthcare centre.

decisive factor. This was followed by demand for space efficient layout solutions and customised premises to a greater extent than previously.

Kungsleden's growth in the region

During the year, Kungsleden implemented certain changes to its property holdings in the region, with the aim of improving the prospects of a healthy long-term return and appreciation in value. In Lund, part of a 19,851 sq. m. property was acquired, where the largest tenants are ICA, Lund University and AF-Bostäder. In line with Kungsleden's strategy of optimising its property portfolio, Kungsleden divested a non-strategic property in Germany that had previously been part of Region Malmö. The property, an elderly care residence, was sold for SEK 93 m.

Malmö was the Kungsleden region least affected by the acquisition of the GE portfolio. The region increased its holdings by seven properties and approximately 48,000 sq. m. of lettable space. The proportion of office properties rose and the Region now has a stronger presence in Växjö.

During the year, a number of investments were made to upgrade and modify premises in line with tenant requirements. One of the more extensive tenant modifications was made in association with the signing of a contract with the Swedish Tax Agency to lease 1,700 sq. m. in Lund.

Environment responsibility is an important issue for Kungsleden and targeted energy efficiency measures led to



BRÄNNAREN 8, MALMÖ Modern office property with flexible floor layouts and good communication links in the Sorgenfri industrial estate.

a logistics property in Kristianstad gaining GreenBuilding certification in March.

A small number of tenants were hit by the effects of the international recession during the year. Where the need arose, Kungsleden organised preventative action in consultation with these tenants to find alternative solutions, including reducing the space let.

Notices to vacate from the Swedish Work Environment Authority in Växjö and other tenants will lead to higher vacancies in the short term in early 2014. Efforts to find new tenants started immediately and Kungsleden is optimistic about reducing vacancies in 2014.

	Offices	Industrial/warehouses	Retail	Other	Total
No. of properties	28	28	12	3	71
Lettable area '000 sq. m.	145	321	55	13	534
Book value SEK m	1,571	1,721	461	119	3,872
Rental value, SEK m	187	168	60	15	430
EARNINGS CAPACITY					
Rental income, SEK m.	163	155	53	12	383
Net operating income, SEK m	115	138	31	7	291
Economic occupancy rate, %	87.2	92.7	88.6	81.2	89.3
Property yield, %	7.3	8.0	6.7	5.9	7.5
Operating surplus margin, %	70.4	88.5	58.7	56.7	75.7

PROPERTY HOLDINGS PER SEGMENT 31 DECEMBER 2013, REGION MALMÖ

Certain strategic changes were made in Region Malmö's property holdings during the year. Kungsleden reports earnings capacity in order to provide a better picture of the underlying profitability of the property business in question. All else unchanged, earnings capacity provides a forecast of earnings ability in Region Malmö property holdings as of 31 December 2013.

Development

In 2013, Kungsleden resolved to start a new business area to head up the company's development projects. Our Development business area is principally tasked with improving and developing the property portfolio in terms of maximising the potential of the properties and Kungsleden's return targets.

IN 2013 WE STARTED the process of evaluating the development potential of Kungsleden's existing properties. The focus is on identifying properties with vacant premises, properties whose location has changed from an urban development perspective and properties with land or buildings where permission consent can be sought for change of use purposes or extended development rights. This evaluation of the property stock will then form the basis for contingency plans to avoid future vacancies and create a platform to assess future value potential via the opportunities the market and properties offer.

The Kungsleden development team and process

At year-end, the Development business area comprised a team of five with combined experience in project development letting and implementation stretching back many years.

As the development team evaluates the property holdings, development projects will gradually be added to the

pipeline. When a property is prioritised, various different scenarios are analysed based on the property itself and the state of the market. These analyses are designed to ensure that time and resources are invested in the projects that would be most profitable to develop in line with Kungsleden's return targets.

Actual 2013

The new business area has managed to analyse around fifteen properties to date. Leases with an annual rental value of SEK 15 m have been signed and new build and redevelopment projects totally SEK 127 m have been signed off and started. Negotiations are also in progress for new leases on 27,000 sq. m. in the properties concerned. Work is in progress in Norrköping, Umeå, Eskilstuna, Västerås and Visby on new zoning plans, where the main focus of all of them is on obtaining new planning permission and/or arrange planning consent for change of use for the property.



ASPGÅRDAN 18 Property located south of Umeå city centre where Kungsleden has started zonal planning work with the Municipality of Umeå.

DEVELOPMENT PROJECTS STARTED IN 2013

Property	Location	Project	Status
Aspgården 18	Umeå	Project development/Letting/New zoning plan/Change of use/New planning permission.	
Oxelbergen 1:2	Norrköping	Project development/Letting/New zoning plan/Change of use/New planning permission	
Lindblad 10	Karlskrona	Letting/Review of existing planning permission	
Speditören	Eskilstuna	Project development/Letting/New zoning plan/Change of use/New planning permission	
Laven 5	Umeå	Letting/Land purchase/New build	
Fredriksskans 15:16	Gävle	Letting	
Pipdånen 5 & 6	Visby	New zoning plan/Change of use/New planning permission	

Property and project development

Project letting

Project implementation

Development projects in Umeå and Norrköping

One of the development projects started in 2013 concerns Aspgården 18, a property in Umeå where the vacancy rate has been high for a long time and whose location has gradually changed in potential. The property is situated to the south of Umeå city centre and comprises five buildings constructed between 1954–1997. The buildings had previously housed an abattoir, light industry, offices and warehouse space that required a large area of external space for transport and storage.

In partnership with the Municipality of Umeå, who own the adjoining land, Kungsleden has started zonal planning work to develop the area into a new and attractive urban district with housing, school and services. A new zoning plan would create opportunities for other uses not permitted in the current zoning plan. A preliminary report indicates that the existing buildings could be re-developed for a number of different purposes other than

industrial and warehousing and that planning permission for housing on the surrounding land would be beneficial for the area.

Kungsleden has acquired land from the Municipality of Umeå in the well-established retail area of Ersboda. A department store is now being constructed on the site following the signing of a new lease with ÖoB. The planning consent covers other buildings in addition to the department store and Kungsleden will exploit this once further leases have been signed.

In early 2013, Kungsleden took possession of Oxelbergen 1:2 in Norrköping. At the time, the property had a very high vacancy rate but has since been modernised and let to Swedavia and the Municipality of Norrköping. Zonal planning work now being done on the property is focused on creating new planning consent for housing and offices. This planning work also aims to provide opportunities for additional usage areas.



OXELBERGEN 1:2 Property that had had high vacancy rate has been modernised and is now let to Swedavia and the Municipality of Norrköping.



LAVEN 5 New department store for the ÖoB chain is being built at Ersboda, an established retail area in Umeå.

Nordic Modular

Kungsleden's wholly owned subsidiary Nordic Modular is a leading company for the letting and sale of modular buildings in the Nordic countries. Pre-fabricated kit houses offer flexible and cost-effective solutions of a high standard for local authorities, county councils and companies. Its head office is in Upplands Väsby, Sweden, with branch offices in Lund, Umeå, Copenhagen and Oslo.

NORDIC MODULAR'S ROOTS date back to 1956 when the first factory was built. The group has three business arms today:

- *Temporent* lets temporary modular structures, mainly for use as offices, schools or pre-schools.
- *Flexator* manufactures and sells everything from advanced buildings for permanent use to simpler portable cabins for building sites. The focus is on in-house developed kit houses that offer cost benefits to customers.
- *Nordic Modular Leasing* lets kit houses on long-term contracts in Sweden. When the leaseholder vacates, the building is let again or sold second hand. This arm also includes subsidiary company Hagtornet, that lets student housing.

Around three quarters of Nordic Modular customers are local authorities and county councils. Companies account for the remainder.

Cost effective solutions of high standard

As the modular concept is more efficient to construct, building costs are lower. Historically, mobile buildings have mostly been associated with simpler portable cabins on building sites. However, the advances that have been made in construction techniques and building materials mean that it is difficult to spot the difference between a Flexator pre-school, office or elderly care residence and a conventional permanent building.

Driving forces

Demand for Temporent schools is primarily driven by demographic variations in the number of children born in a particular year and migration flows. Demand for office space is mainly driven by the state of the economy and the need for rapid transitions.

In the case of Flexator, long-term population growth and the rising age of the population is an important driving force behind demand for sheltered housing, care homes, pre-schools and schools. Demand for portable buildings is governed by construction projects.

Profitability demands, availability of credit and interest rates affect demand for Nordic Modular Leasing.

Nordic Modular growth in 2013

Following a weak end to 2012, demand slowly recovered on the modular market in 2013. Temporent saw increased demand for modular structures, while at the same time, return flows rose so much that net lettings turned negative. As Temporent products are let on relatively short-term leases, return flows mainly follow the variations in new rentals with a few years' delay. Demand for turnkey contracts rose for Flexator and by the end of the year, the order book was at the highest level since 2008, although demand fell for portable construction site cabins at the same time. Nordic Modular Leasing won several orders during the year and the value of leasing contracts signed was the highest for several years. As a result, rental income swung upwards again after a downturn lasting several years.

» Read more about Nordic Modular at www.nordicmodular.com/en

NORDIC MODULAR		
Income Statement, SEK m	2013	2012
Rental income	262	257
Property costs	-117	-97
Net operating income modular leasing	145	160
Sales income modular	293	270
Production costs modular	-268	-258
Gross profit/loss modular production	25	12
Sales and administration costs	-42	-40
Net financial items	-20	-29
Profit from property management	108	103
Gains/losses on properties		
Profit/loss on property sales	0	0
Unrealised gains/losses	-	-20
Unrealised gains/losses financial instruments	-	-
Profit/loss before tax	108	83
Tax	-24	-18
Profit/loss for the year	84	65
Book value, SEK m	31 Dec 2013	31 Dec 2012
Modular buildings	1,509	1,509
Properties used in business operations	22	21

Employees and organisation

Kungsleden is a decentralised organisation where many decisions are made a long way down and close to customers and the local markets. Rapid decision-making paths create motivated employees while at the same time encourage drive and innovation. Our employees are hands on, innovative and solution oriented, both in terms of external customer relations and internally.

KUNGSLEDEN'S CORE BUSINESS is structured into three business areas: Property Management, Development and Transactions & analysis. Our Property Management business area operates in the regions of Stockholm, Mälardalen and North, Gothenburg and Malmö where each respective region is responsible for managing and letting their property holdings.

Our subsidiary company Nordic Modular operates as an independent sales and leasing company for modular structures that offer flexible modular structures.

At the end of 2013 the Kungsleden Group had a total of 261 full-time employees (272). Of these, 96 (86) were employed in the property operations and 165 (186) in Nordic Modular. Employee turnover in the group was 20.7 per cent.

Skills and development

Employee participation is a key part of the Kungsleden business model and cooperation between both our business areas and regions enable us to leverage synergies that provide scope for growth and greater efficiency. Our company culture is one of loyalty, commitment and a determination to perform above expectations.

Kungsleden possesses deep rooted property know-how across its entire organisation plus local knowledge about customers and their needs. In association with the acquisition of the GE portfolio, Kungsleden has grown and gained even more office property expertise.

All employees have a personal development plan that is

appraised annually. Personal development within Kungsleden can mean changing jobs between regions and department or moving from a specialist role to a management role.

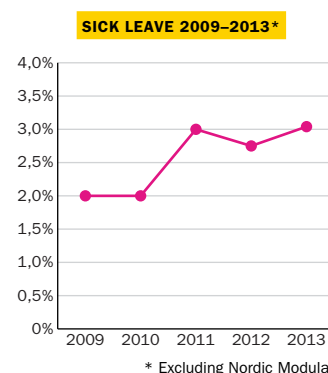
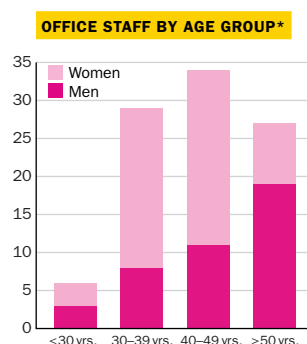
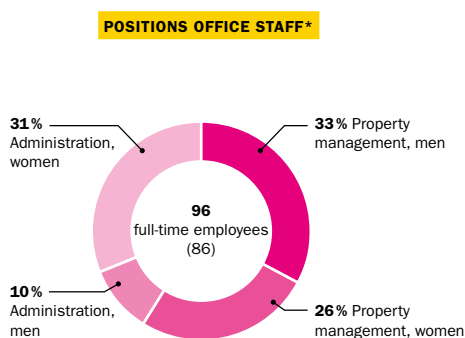
Health and equal opportunities

Regular employee surveys confirm that Kungsleden is a secure and healthy place to work. In 2013, sick leave at Kungsleden was 3.0 per cent (2.8), excluding Nordic Modular. Physical exercise both within and outside the workplace is encouraged via e.g. an employee wellness allowance. Employees are also offered regular health checks.

Kungsleden takes an active stance on equal opportunity issues with a view to attaining a good sex and age balance. At year-end, women made up 57 (53) per cent of employees. Within administration, the proportion of women is slightly higher than men and the reverse is the case within management. For further information on Kungsleden employees, see note 7.

Youth sponsorship extended

Since 2010, Kungsleden has worked closely with Fryshuset, which offers social projects and programmes designed to help build a warm and creative society. During the year, Kungsleden elected to extend its sponsorship by a further three years. We are proud to be able to support an organisation that shares the conviction that encouragement, confidence, responsibility and understanding enable young people to develop their innate abilities.



Environment and sustainability

The environment and sustainability issues are self-evidently important for Kungsleden. As a major property company, Kungsleden has a significant impact on the environment and simultaneously, also an opportunity to promote sustainable development. We believe we can contribute to building a sustainable society by acting as a role model.

SUSTAINABILITY THINKING IS an integral part of Kungsleden’s approach to doing business. During the year, we completed a large number of transactions in which sustainability was a factor. We scrutinise the sustainability aspects of every acquisition to reduce the risk of incurring future sustainability liabilities.

Before agreeing an acquisition, we audit identified and potential environmental risks in the property. Known pollutants are ascertained with the aid of public archives and site surveys are performed to establish the environment status of the building and all fixtures, fittings and technical systems within it. A similar report is provided to the purchaser when we divest a building.

Responsibility on several levels

Kungsleden employs a large number of contractors and suppliers which entails taking responsibility on many levels. During the year, we have developed new requirements when inviting tenders from contractors. Several large projects have been audited to develop requirements and highlight the importance of compliance both within Kungsleden and by contractors and suppliers.

Energy efficiency

A key sustainability issue for Kungsleden is energy consumption. Targeted and structured efforts to save energy include both general measures in property holdings as a whole and efficiency improvements in individual properties. Energy measures during the year included improving the efficiency of heat sources where new district heating systems replaced ageing electric boilers in Västerås. In Kista, district heating has replaced elderly cooling equipment.

Hand in hand with tenants

One important part of our sustainability work is coordinating this with tenants. Together, we can avoid falling between two stools or ignoring something. Kungsleden offers its tenants green leases, a model that has been developed and refined over several years. When a tenant signs a green lease, an energy survey is performed, at Kungsleden’s expense, to identify potential savings and investment opportunities. Green leases also included working together on issues such as building materials, waste recycling and indoor environment.

» *Read more about our environment work at www.kungsleden.se/environmental-work*

	Risk	➔	Management
Environmental risks	<p>Properties have an environment impact from original construction to ultimate demolition, but the majority of this impact occurs when the building is occupied. The Swedish Environmental Code works on the “polluter pays” principle where the business that has caused the pollution is liable for rectifying any damage. If the polluter is unable to rectify or cover the cost of cleaning up damage, whoever purchased the property, and at the time of purchase knew or should have discovered the pollution, is liable. As such, in certain circumstances, liability to clean up pollution can fall on Kungsleden to return the property to compliance with the Swedish Environmental Code.</p>		<p>Kungsleden takes an active approach to environment issues as a strategic concern, and incorporates this into day to day operations across its entire organisation. An active environment profile offers opportunities to attract new customers, reduce energy costs and build a stronger brand.</p> <p>A comprehensive survey of possible pollutants at all Kungsleden properties has not been performed. Kungsleden normally performs an analysis and risk assessment of environmental risks in association with purchasing a property. Accordingly therefore, environment pollutants that can result in cost liabilities for Kungsleden, cannot be ruled out.</p> <p>No significant environment demands that could be charged to Kungsleden were known as of March 2014.</p>

Financing and financial risks

The financing of Kungsliden's business activities aims to secure the company's future by providing financial resistance to the risk of losses and reserves against liquidity risks. Financing activities should also help stabilise the company's profits and minimise the costs of capital and borrowing.

ALL ENTERPRISE ACTIVITIES are exposed to the risk of losses. For Kungsliden, some of the biggest potential financial risks are falls in the value of property assets, increased borrowing costs and tax risks. Shareholders equity should be sufficient to act as a buffer against these risks of loss.

Shareholders equity

Kungsliden seeks to ensure shareholders equity is sufficient for the company to remain in business even in unfavourable circumstances when losses arise. During the year, shareholders equity increased to SEK 8,453 m (7,726). The Kungsliden guideline on risk is that the equity ratio must not fall below 30 per cent. At year-end, the equity ratio was 36.8 per cent (37.0).

Kungsliden strives to maintain a balance between a good return on equity and an acceptable risk level. The aim is for return on equity over time to be in the range of 10 to 12 per cent. In 2013, return on equity was 10.7 per cent (4.6).

Interest-bearing liabilities

Interest-bearing liabilities made up 56 per cent of the company's financing as of 31 December 2013 and accordingly, are the most important form of financing. At year-end, the gross loans portfolio totalled SEK 12,879 m (9,704) and this primarily consisted of credit agreements with banks and bonds issued on the capital market. Access to new borrowing plays a crucial role in Kungsliden's ability to acquire new properties and invest in and develop existing properties. Kungsliden therefore seeks loans of medium-term duration and an increasingly even spread of maturity structures in order to limit refinancing risks.

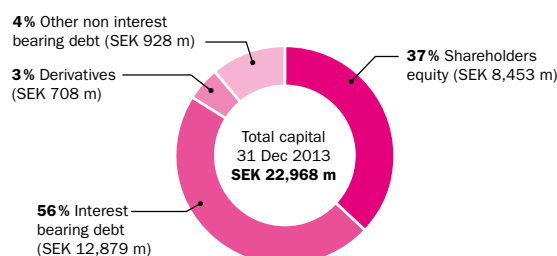
The average maturity of borrowings at year-end was 2.4 years (2.3). Just over 12 per cent of group borrowings, corresponding to SEK 1,583 m mature in 2014. SEK 700 m of these refinancing requirements had already been secured in December 2013 via a new bond issue.

Liabilities to credit institutions

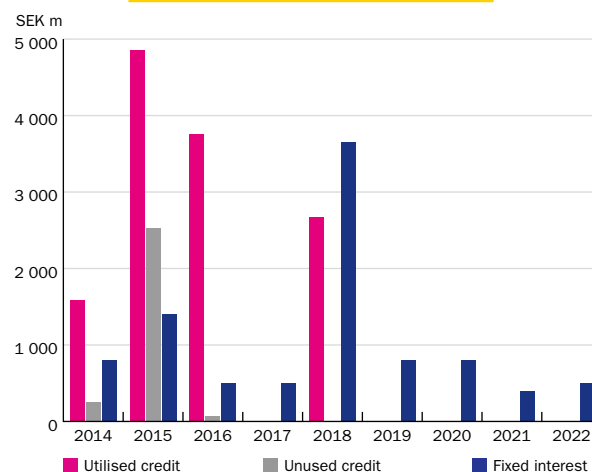
Kungsliden's bank financing is based on bilateral agreements with individual banks and three syndicated loans

with several banks. New loans were first taken out in the year in association with the acquisition by Kungsliden of eleven properties from Hemsö for just over SEK 1,500 m, which was financed by a new three-year bank loan of SEK 714 m and by utilising an existing credit facility. Later in the year, a new syndicated loan of 3.6 bn with an average maturity of 4 years from four leading Nordic banks was taken out to finance the acquisition of properties from GE. The outstanding balance of SEK 5.5 bn for this acquisition was financed within the parameters of an existing syndicated credit facility. In 2013, SEK 525 m in bank loans at Kungsliden subsidiary company Nordic

ASSET FINANCING AS OF 31 DECEMBER 2013



MATURITY STRUCTURE AND FIXED INTEREST



Modular Group was refinanced with a three-year term.

Kungsliden's bank loans are secured against property mortgages, equity pledges, internal promissory notes and sureties. In addition, certain loan agreements include covenants related to interest coverage, loan to value and equity ratios. All covenants were fulfilled as of 31 December 2013. The loan to value ratio measured as interest bearing liabilities in relation to property assets was 59 per cent (62). The loan to value ratio for secured loans, i.e. all loans except bond issues with a nominal value of SEK 2,299 m, was 48 per cent (51).

Bond issues

In order to diversify Kungsliden's borrowings, the company has actively issued bonds on the capital market for several years. In December, Kungsliden offered a new unsecured bond issue of SEK 700 m that matures in December 2016. The issue will primarily be used to refinance Kungsliden bonds dating from 2011 that mature in March 2014. Including the new bond issue, the maturing bond and repaid bond, the company has outstanding bonds totalling SEK 1,699 m (1,599).

Interest rates and fixed interest

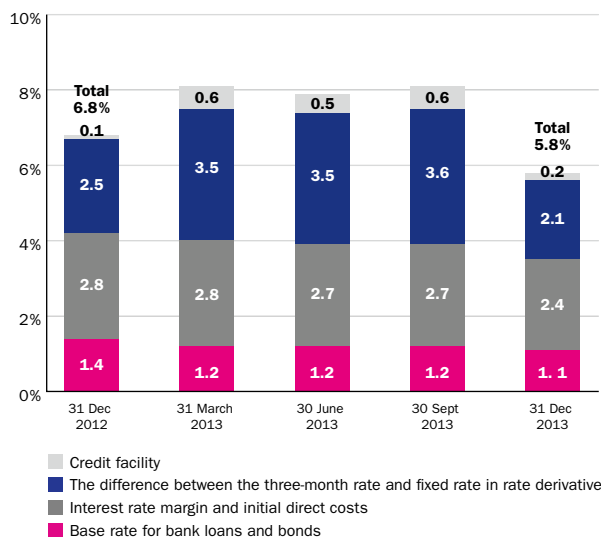
Kungsliden's borrowing costs are affected by changes in the three month Stibor rate, the company's strategy for fixing interest rates and the credit margin the loan provider requires when lending to Kungsliden. The group's interest coverage ratio in 2013, including divested activities, was 1.9 (2.7).

Kungsliden aims for relatively long fixed interest terms on its borrowing for the sake of predictable interest costs and to promote stable growth of profits from property management. The preferred interest fix is primarily achieved via financial derivative instruments in the form of interest rate swaps. The average interest rate on Kungsliden borrowings, taking into account both working capital and fixed interest, was reduced during the year and was 5.8 per cent (6.8) as of 31 December 2013. The average rate refers to interest costs for borrowings, periodised initial direct costs and rate swaps in relation to the actual loan volume on balance day. Approximately 2.1 percentage points of this 5.8 per cent average relate to interest over a several year period having been fixed during a market position where the rate was significantly higher than today. The average rate has fallen since the end of the year via deliberate measures in the form of new borrowing with short term fixed interest and lower credit margin and initial direct costs.

Rate swaps limit interest rate risk

To limit the effect of changes in the short-term market rate on interest costs, Kungsliden uses interest rate derivatives in the form of rate swaps. We continuously compare floating rates with long-term fixed rates based on the present and anticipated future relationship between short and long-term rates and the company's appetite for risk. The Board sets guidelines each year for what proportion of interest rates on liabilities should be fixed within different time frames.

AVERAGE INTEREST RATE Average interest rate is calculated by computing the interest cost of loans and rate swaps, initial direct costs and costs for unused credit parameters against the loan volume outstanding on balance day. Excluding the effect of the difference between the three-month rate and fixed rate in rate derivatives, an average rate is computed that is estimated to affect profits before tax in that the cost of derivatives interest in net financial items largely corresponds to gains in the interest rate derivatives.



Rate swaps mean the company exchanges floating rates and pays a fixed rate for a tenure of a certain period. These swaps effectively convert short-term fixed interest rates on a loan agreement such that the rate is fixed for a longer tenure. At year-end, the nominal amount of the rate swaps was SEK 9,350 m (9,350). The average fixed interest rate period for borrowings and interest rate swaps was 3.1 years (5.1). The main reason why the fixed interest rate period changed during the year was because loans taken out during the year were with floating rates. Kungsliden chose short-term fixed rates on loans during the year because the interest rate situation and rate predictions were adjudged to merit a slightly higher interest rate risk. With a derivatives portfolio of SEK 9,350 m, the interest bearing debt of SEK 12,879 m is 73 per cent hedged, and therefore changes in short-term interest rates only have a modest effect on accrued interest costs. A change of +/-1 percentage point on the average interest rate on the portfolio would mean a cost change of approximately SEK 129 m. For further sensitivity analysis, please see note 2.

Interest rate swaps are continuously evaluated against market rates in line with the applicable accounting regulations and any changes in value are reported in the income statement. Valuation is done by netting off the future interest rate receipts and payments in each swap contract (net cash flow) discounted to today's market rate for the remaining term of the swap. If the market rate differs from the contracted rate in the swap agreement, a gain or loss in the swaps portfolio arises, that corresponds to the market value. The market value is reported as a liability when a loss and as an asset if a gain. The option element in the derivatives contract is valued in line with the standard valuation model on the market. A change in the market rate of +/-1 percentage point would result in change of SEK

+376 m / -405 m in the market value of the swaps.

As of 31 December 2013, financial instruments showed a loss of SEK 707 m compared with a loss of SEK 1,121 m at the start of the year. The loss in market value is gradually being reduced by regular interest payments on the fixed interest rate in the swap contracts, which are reported as interest costs and are charged against profits from property management. When all rate swaps expire, all the fixed interest will have been paid and booked via net financial items and be offset by the reinstatement of the loss previously charged against reported profit and shareholders equity.

The loss fell during the year due to interest payments in the swaps of SEK 256 m. The remaining fall in the loss is explained by an upturn in market rates on longer tenures during the year. Other financial instruments (currency posts and share swaps) changed by SEK 12 m, which resulted in total unrealised gains in the income statement of SEK 425 m.

Liquidity management

Kungsleden has a target of always having sufficient liquidity to cover the company's obligations as they fall due. Liquidity should therefore be sufficient to correspond at all times to cover a minimum of three months known payables including interest payments and maturing loans. As a consequence of the risks in the ongoing tax cases,

Kungsleden has resolved, until further notice, to maintain higher liquidity position requirements and at all times have available liquidity, in the form of cash or credit facilities, to meet possible tax demands that can be received in the coming 12 months. As of 31 December 2013, disposable liquidity including unused overdraft and an unused syndicated loan agreement in the sum of SEK 3,187 m (1,881). Accordingly, the majority of this provision lay in unused credit amounting to SEK 2,865 m (1,160).

Financial income and costs

Net financial income and costs, so-called net financial items were better than the previous year. One important reason for this was lower interest costs as a result of lower average borrowings during the year. Property sales in 2012 also contributed to this, reducing borrowing requirements in 2013 and temporary loan amortisation between February and December 2013 with the aid of liquidity freed up by the sale of our Hemsö holdings. Restructuring of the derivatives portfolio in the previous year also contributed to lower interest costs. At the same time, other financial costs rose as a consequence of higher bank charges related to the refinancing of bank loans in 2012 and because the cost of unused credit was higher as the limit was increased as a consequence of the increase in liquidity position requirements.

	Risk	➔	Management
Financing risk	Financing risk is defined as the risk of being unable to borrow or only on disadvantageous terms and conditions.		The proportion of borrowings that come from one single loan provider is set out in the Finance Policy. The Policy also regulates what proportion of borrowings may fall due for refinancing within the next 12 months. These guidelines, plus the continuous work done by Kungsleden on the maturity structure of the loans portfolio limit Kungsleden's financing risk. This work takes the form of regular discussions with existing and potential loan providers and by using alternative forms of finance on the capital market. The goal is to extend the average term of borrowings such that this is medium term and not less than three years, in order to further reduce financing risk.
Interest rate risk	Interest rate risk is defined as the risk a change of market interest rates will have on profits and cash flow. Interest rate risks arise for Kungsleden when financing is done with short fixed interest periods. This leads to uncertainty on the size of future financing costs.		Kungsleden seeks well balanced fixed interest rates in order to avoid incurring costs for possible early redemption of fixed rate loans on property sales and refinancing. To hedge interest rate risk against changes in the market interest rate, interest rate derivatives are used in the form of interest rate swaps. An interest rate swap is an agreement between two parties to swap interest payments with each other. In all swaps, Kungsleden chooses to pay a fixed rate to receive a floating rate corresponding to the Stibor 90 day rate on certain agreed maturities. This increases the fixed interest rate period and predictability in regular interest payment costs.
Liquidity risk	Liquidity risk is the risk of not having sufficient liquid assets or credit limit to meet the company's obligations as they fall due.		Liquid financial assets and unused credit should be sufficient to meet the needs of transaction liquidity and demands on liquidity reserves. Liquidity should therefore be sufficient to correspond at all times to cover a minimum of three months known payables including interest payments and loan turnover. Surplus liquidity is used in the first instance to redeem interest bearing loans as this delivers a better return than investing money with a credit institution.

Taxes

Kungsleden buys and sells properties and performs other restructuring work with the aim of improving investment profits and increase the return on the property portfolio. Changes in property, company and other taxes can affect the premises on which we operate and cause Kungsleden's tax liability to change in both a negative and positive way. Changes in the way legislation and legal practices are applied in the tax area have proved to be highly significant for Kungsleden and the property sector as a whole.

THE SWEDISH TAX AGENCY AND COURTS have changed their thinking in terms of how legislation and legal practices should be interpreted in several tax areas in recent years. The Swedish Tax Agency has made a different assessment to Kungsleden of certain completed transactions, which has resulted in a number of court cases. Kungsleden disputes the tax demands the Swedish Tax Agency and courts have ruled on, and the company has appealed against all such rulings. The current tax cases concern tax returns for the years 2004–2007.

Case progress

Kungsleden continuously assesses the risk of a final negative outcome in the ongoing tax cases and in consultation with independent tax experts, has allocated provisions to meet potential liabilities. In the event the Swedish Tax Agency petitions are successful, the company assesses that such tax reassessments can be partially offset by tax loss carry forwards, which means the tax liability (company tax and in certain cases, tax penalties and interest) would be lower than the tax reassessment claimed by the Swedish Tax Agency. The group has also not yet claimed tax loss carry forwards that can limit the negative effect on shareholders' equity.

Estimated negative tax effects

The maximum negative effect on shareholders' equity all

tax cases would have on Kungsleden as of 31 December 2013 is estimated at SEK 2,980 m in addition to allocated provisions of SEK 658 m. At the same time, the maximum outstanding negative liquidity effect, including tax penalties and interest, is estimated to amount to SEK 2,930 m in addition to the SEK 160 m that has already been paid pending a final ruling.

» To see an up to date estimate of the maximum negative effect, please go to www.kungsleden.se/tax



	Risk	Management
Tax risks	Changes in the rules and regulations concerning company and property tax, such as changes in deducting interest or a change in the rate of company tax, can affect the premises on which Kungsleden operates and change tax liabilities in both a negative and positive way. Changes in the way existing rules and directives are applied can also have major significance for the property sector and accordingly, for Kungsleden's profits.	<p>Kungsleden takes a proactive approach to addressing the group's tax risks via clear and integrated procedures and internal controls and close cooperation with other financial departments, management and the transactions team.</p> <p>The group's tax risks and the procedures related to these are communicated to the Board and Audit Committee on a regular basis. Complex tax issues are analysed in consultation with external advisers.</p> <p>Property tax is based on the assessed value of the property which is dependent on political decisions. This applies to both the base for the calculation, the assessment value, and the tax rate. Property tax is normally onward debited to tenants for the space let, while tax on vacant premises is borne by the property owner.</p>

Kungsleden shares

Kungsleden shares have been listed on Nasdaq OMX Stockholm Mid cap since 1999. Market capitalisation at the end of year was SEK 5,897 m and the dividend yield on 31 December 2013 was 2.3 per cent. To better reflect the long term appreciation in value of Kungsleden shares, the Board has adopted a new dividend policy with effect from 2013 inclusive.

THE KUNGSLEDEN SHARE price enjoyed positive growth in 2013. Compared with the price paid at the end of 2012, SEK 35.40, the share price rose 22.0 per cent to SEK 43.20. The year low for the share price was SEK 35.40 on 15 January. The year high for the share price was SEK 49.10 on 28 October.

A dividend of SEK 1.00 per share was paid in April 2013, giving a total shareholder return of 24.9 per cent. The total return on the OMX Stockholm for the same period was 27.95 per cent, according to SIX Return Index.

Share capital and turnover

At year-end, the share capital was SEK 56,875,860 comprising a total of 136,502,064 B shares with a quota value of SEK 0.42 per share. Each share carries one vote and has an equal share in the company's assets and profits. There have been no changes to the share capital for the past five years.

In 2013, 106 (195) million Kungsleden shares were traded with a combined total of SEK 4.5 bn (8.0). 40 per cent of trades were executed on the Stockholm Exchange and there was a similar turnover of OTC trades, 40 per cent. 14 per cent of trades were executed on other regulated markets such as the Turquoise, Chi-X and Burgundy exchanges.

Shareholders

The number of shareholders on 31 December 2013 was 18,877 (19,749). The ten largest shareholders controlled 31.9 per cent (30.1) of the capital and voting rights at year-end. The largest shareholder is Gösta Welandsson, who held an unchanged 13.1 per cent of the shares in the year.

DIVISION OF SHAREHOLDINGS AS OF 31 DECEMBER 2013

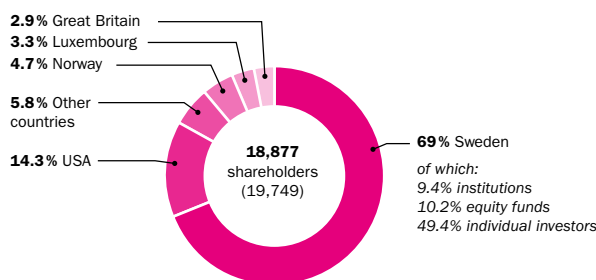
Shareholding	No of shareholders, %	No of shareholders	Shareholding, %
1-1,000	63.2	11,923	3.3
1,001-10,000	31.6	5,972	14.6
10,001-20,000	2.4	463	4.9
20,001-50,000	1.4	260	5.8
50,001-5,000,000	1.4	259	71.4
Total	100.0	18,877	100.0

Dividend policy

With effect from 2013, the Board has adopted a new dividend policy to better reflect the long-term appreciation in value of Kungsleden. In a few years time, when Kungsleden's tax position is finally resolved, the aim is for the dividend to amount to 50 per cent of profits from property management. However, in the immediate future, the dividend will be lower and aligned to liquidity position requirements and investments in properties for future earnings. The Board proposes a dividend of SEK 1.25 per share for 2013, corresponding to 31 per cent of profits from property management.

» For share market contacts, share related key ratios and current shareholder statistics, visit www.kungsleden.se/share

SHAREHOLDERS DISTRIBUTED BY COUNTRY 2013-12-31



SHAREHOLDERS AS OF 31 DECEMBER 2013

Shareholders	Number of shares	% of votes and capital
Welandson Gösta and company	17,880,595	13.1
Länsförsäkringar fonder	5,996,135	4.4
Norges Bank Investment Management	5,402,380	4.0
Florén Olle and company	3,694,250	2.7
SHB fonder	3,025,202	2.2
BlackRock funds (USA)	2,031,583	1.5
Danske Invest funds (Sweden)	1,646,429	1.2
Second AP Fund	1,637,435	1.2
Avanza Pensionsförsäkring AB	1,135,044	0.8
TR Property Investment Trust (GB)	1,129,730	0.8
Total ten largest shareholders	43,578,783	31.9
The Board and management	148,147	0.1
Foreign shareholders, other	33,683,618	24.7
Other shareholders	59,091,516	43.3
Total	136,502,064	100.0

CORPORATE GOVERNANCE

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Corporate Governance Report

Corporate governance is an important instrument in building long-term value for shareholders. Clear and transparent parameters for areas of responsibilities, reporting and feedback mean Kungsleden can focus on what is most important and in so doing, limit risks to our business.

2013 WAS THE year Kungsleden turned words into deeds when it came to the new and more streamlined business strategy that had been planned and developed during the previous year.

In spring, a partly new Board was appointed at Kungsleden with the undersigned as new Chair. The most important first task for the Board was to recruit a new CEO. Biljana Pehrsson joined as CEO on 1 September 2013. Together with the management team, the new Board has sought to clarify and implement Kungsleden's new strategy. This has included supporting management in getting to grips with Kungsleden's central costs by consciously taking a view on the desired level of ambition in several areas.

Strategic acquisitions completed

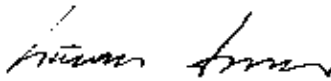
A number of important property acquisitions were completed during the year in line with Kungsleden's new business strategy. The most important of these was the major acquisition of 84 properties from GE Capital Real Estate, which the management and Board worked very actively to realise during the summer and autumn. It was particularly pleasing to be able to finalise the acquisition successfully in 2013. The deal reinforces Kungsleden's position on the office market and the important big city markets of Stockholm and Gothenburg. As we moved into 2014, these property investments and the administrative cost savings

achieved, enabled Kungsleden's cash flow and profits from property management to be restored to where they were before Kungsleden divested its holdings in Hemsö in late 2012.

More efficient system of governance for long-term financial health

During the year, the Board continued its efforts to develop an efficient, predictable and transparent system of governance. In particular, medium term financial planning has been improved via the development of scenario analysis. The question of what is an appropriate rate of expansion is always high on the Board's agenda, as a strong balance sheet and good liquidity position are important success factors for Kungsleden in both the short and the long-term. Financial control has been improved via the development of a business budgeting framework from property level and above. The establishment of a new executive management structure has broadened and decentralised management work and is a logical continuation of the simpler and more transparent group structure created by the previous Board.

Kungsleden is now well-equipped to implement the new strategy further.



Göran Larsson, Chair of the Board

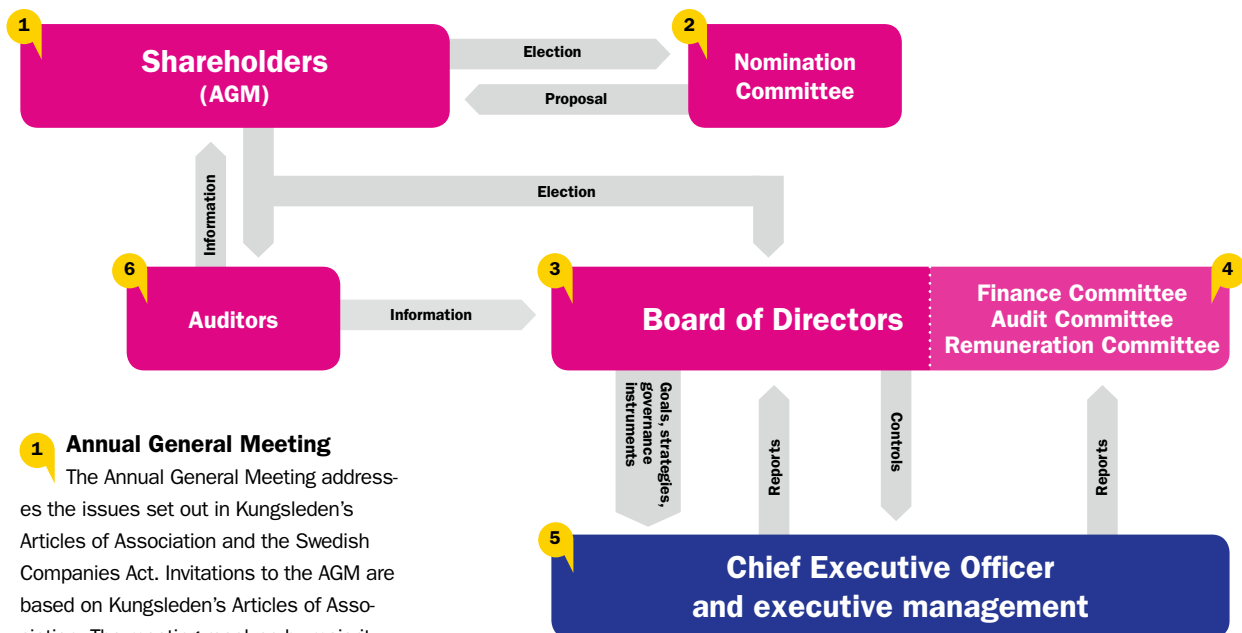
KUNGSLEDEN HAS, AS A listed company, corporate governance that meets the requirements laid down in the Swedish Companies Act, the Annual Accounts Act, the Swedish Code of Corporate Governance (the Code) and Nasdaq OMX Stockholm's rules for issuers.

The company applies the principles of corporate governance resolved by the Annual General Meeting and that are set out in the articles of association and in the instructions for the Nomination Committee. These documents are published on the Kungsleden website. In addition to the above, a series of instructions for corporate governance as resolved by the Board are also applied, including

rules of procedure for the Board, instructions for Board committees, code of conduct, plus a finance and communications policy.

Compliance with the Code

The Code must be applied by all Swedish companies whose shares are listed for trade on a regulated market. In accordance with the Code principle "comply or explain", Kungsleden reports any deviations from the Code and explains the reasons for such deviations in its annual Corporate Governance Report. Kungsleden has not deviated from any directive in the Code in the 2013 financial year.



1 Annual General Meeting

The Annual General Meeting addresses the issues set out in Kungsleden's Articles of Association and the Swedish Companies Act. Invitations to the AGM are based on Kungsleden's Articles of Association. The meeting resolves by majority vote in accordance with the Companies Act. One Kungsleden shareholder, Gösta Welandson and company, owns shares that directly or indirectly represent at least ten per cent of the votes of all shares in the company. Gösta Welandson and company, held, as of 31 December 2013, 13.1 per cent of the company's shares and votes.

The AGM for the 2012 financial year was held on 18 April 2013. Resolutions voted on at the AGM included the dividend payment, election of the Board, remuneration to the Board and Auditors, guidelines for senior executives and election of the Nomination Committee. The Chair of the Board and the company CEO reported on the business, the work done by the Board and management and events in 2012. The minutes from the AGM are published on the Kungsleden website.

The AGM for the 2013 financial year will be held on 29 April 2014 at the Hotel Rival, Stockholm. Further information on the AGM is available at the end of this Annual report and on the Kungsleden website.

Invitation to the AGM will be available in English. In consideration of Kungsleden's shareholders and what is financially viable, the Board has resolved that all other material available ahead of the AGM will be published in Swedish only. For the same reason, remote participation and simultaneous interpretation will not be available either. A video and audio recording of the CEO's address and minutes from the meeting will be available on the Kungsleden website after the AGM.

» Read more about the Kungsleden AGM at www.kungsleden.se/aggm

2 Nomination Committee

The Nomination Committee submits proposals for the election of Chair of the AGM, Board and Chair of the Board, plus fees and other remuneration to Board members. The Nomination Committee also submits proposals for the election of Auditor and auditing fees. The Nomination Committee is required to work in the interests of all shareholders. Instructions to the committee are published on the company website.

Members of the Nomination Committee are elected at the AGM for a period up to and including the next AGM. The committee shall consist of not less than three and no more than five members. Three of the members shall represent the shareholders that, as of 31 January, are amongst the largest shareholders by voting rights and that also wish to participate in the Nomination Committee's work, and the Chair of the Board. If there are material changes to the ownership structure, the composition of the committee can be changed to reflect this. At least one of the members must be independent of company shareholders in a way specified in the Code. The composition of the Nomination

Committee is to be published when the committee has been appointed.

At the 2013 AGM, Eva Gottfridsdotter-Nilsson, Göran Larsson, Charlotta Wikström and Martin Jonasson were elected members of the Nomination Committee. Göran Larsson is also on the Nomination Committee by virtue of being Chair of the Board. Eva Gottfridsdotter-Nilsson was appointed Chair of the Nomination Committee.

Shareholders who wish to submit proposals to the Nomination Committee can do this on the company website or in writing to the committee. Nomination Committee proposals and explanatory comments on such, are published on the company website no later than in association with publishing the invitation to the AGM.

3 Board of Directors

The composition of the Board is structured to be able to actively and effectively support executive management in the development of Kungsleden. The Board shall also oversee the activities of the company. Knowledge and experience from the property sector, finance, business development and capital market is-

NOMINATION COMMITTEE

Composition in March 2014

Eva Gottfridsdotter-Nilsson, nominated by Länsförsäkringar Fondförvaltning, Chair
 Göran Larsson, nominated by Gösta Welandson and company, Chair of the Board of Kungsleden
 Charlotta Wikström, nominated by Olle Florén and company
 Martin Jonasson, nominated by Second AP Fund

» For further information on the Nomination Committee, please go to www.kungsleden.se/election-committee

sues are therefore particularly important qualities for the Board to possess.

The Articles of Association state that the Board shall comprise no fewer than three and no more than eight members with a maximum of two deputies. The members of the Board and possible deputies are appointed by the AGM for the period up to and including the next AGM. At the 2013 AGM, Joachim Gahm, Lars Holmgren, Biljana Pehrsson, Kia Orback Pettersson and Charlotta Wikström were re-elected. Göran Larsson, Magnus Fernqvist and Peter Gustafson were elected as new members. Two previous directors, Håkan Bryngelson and Magnus Meyer declined to seek re-election. No deputies were elected. Göran Larsson was elected Chair at the AGM. Biljana Pehrsson resigned from the Board after two years service as a director in association with her appointment as CEO of the company from 1 September 2013. All Board members are considered to be independent of the company and company executive management and two Board members are considered not to be independent of larger shareholders of the company as defined in the Code.

Work of the Board

The Board works in accordance with the rules of procedure for the Board that are laid down annually. These rules of procedure govern the areas of responsibility of the Board and CEO respectively, the duties of the Chair, how and when Board meetings are to be held and the agenda for such meetings. The Board also approves instructions for work done in Board committees and stipulates structures for financial reporting to the Board.

The Board shall convene at least seven times each year. Each meeting shall follow an approved agenda. Decision-making information related to each proposal on the agenda is to be sent to each board member in advance.

The rules of procedure also require the Board to ensure Kungsleden's Auditors are present in person at least once a year and that the Board presents its observations on the audit of the company and its assessment of the company's internal controls.

» **Proposals to the Board of Directors can be submitted via www.kungsleden.se/board-of-directors**

Responsibilities of the Board

It is the responsibility of the Board to ensure the company complies with the Swedish Companies Act, the rules for listed companies, including the Code and other laws and directives, the articles of association and other internal governance instruments. The Board resolves on strategies and targets, internal governance instruments, large purchases and sales of properties, other larger investments and financing. The Board is responsible for regularly overseeing the business and ensuring that guidelines and organisation and management are relevant and that internal controls are sound. The Board is also responsible for evaluating operations management and plan for management succession.

The Board strives to assure financial reporting of an even and high quality. The Board does this by issuing instructions for financial reporting to the Board, via the communications policy and by considering observations, recommendations or proposals from Auditors or the Audit Committee.

The Annual report and all interim reports are considered and approved by the Board. The Board has delegated to company management the quality assurance of financial presentations and press releases.

Responsibility of the Chair

The Chair of the Board heads the work of the Board and ensures that Board decisions are implemented. The Chair also represents the company on shareholder related issues.

The Chair maintains a regular dialogue with the CEO and is responsible for ensuring other Board members receive the information and any other data required to be able to take decisions based on well-founded information.

4 Board committees

The Board appoints internally manned finance, audit, investment and Remuneration Committees, with responsibility for considering issues within their respective areas. These committees act in accordance with instructions produced for each respective committee. The Board appoints member of these committees from amongst its own members.

5 Group management/ Executive management

The company's management at the

start of the year consisted of a group management made up of CEO, deputy CEO/CFO, Property Manager, Transactions Manager, Head of Nordic Modular, HR and Communications Director and a General Counsel. With effect from 1 October 2013, the group management was replaced by an executive management team that as of March 2014 consists of the company CEO, deputy CEO/CFO, Head of Property Management, Transactions Manager, Region Managers, Market and Communications Manager and Head of Legal. They have responsibility for their respective areas within Kungsleden and, in consultation with the CEO, prepare cases for the Board. The CEO takes decisions at operational level that fall within the parameters of the instructions to the CEO, in consultation with executive management.

Chief Executive Officer

Kungsleden's CEO is responsible for the practical management and coordination of general operations. The CEO works in line with the instructions issued by the Board each year. For instance, these CEO instructions include the CEO being responsible for the management of the company, reports to the Board and issues that require decisions on or notification to the Board, such as finalising interim reports and the annual accounts, decisions on larger purchases, sales, larger investments or capital allocations, raising larger loans or guarantees above a certain level. Thomas Erséus resigned as CEO in association with the AGM on 18 April 2013. Anders Kvist took over as acting CEO until 1 September 2013 when Biljana Pehrsson joined as the new CEO.

6 External Auditors

The external Auditors examine the performance of the Board and CEO in managing Kungsleden and that the annual accounts are produced in accordance with the applicable rules. KPMG AB was elected as Auditors for the parent company up to and including the 2015 AGM. Authorised Accountant Björn Flink is the senior Auditor. In addition to audit services, KPMG has also provided consulting advice on transactions, tax and administration over the past few years. The fees are paid on approved account. In 2013, the group paid SEK four m (four) in audit fees. ■

The work of the Board in 2013

In 2013, the Board convened eight times. Meetings were also held in writing on ten occasions in association with purchase, sale and financing issues. Attendance at Board meetings is shown in the table. Matters that have been addressed by the Board include Kungsliden's strategy, goals, business plan, market, external reporting, purchase and sale of properties, investments in existing properties, raising of loans and other financing issues, the tax situation, finalising sales mandates and principles for bonus payments. The company CEO, deputy CEO and Head of Legal, and the Board secretary have also attended Board meetings.

Finance Committee

The Finance Committee deals with financing in a specific forum. The committee is tasked with supporting the Board by presenting proposals on financing issues, financial targets, in the short and long-term, issues concerning financial risks to the company, hedging measures and other information falling within the parameters of the company finance policy. The committee brief was extended in December to include supporting the Board with proposals and preparatory work on property related investment issues such as the purchase and sale of properties and investments in existing property holdings and new projects.

The Finance Committee that was elected at the statutory Board meeting consists of Joachim Gahm (Chair), Lars Holmgren and Peter Gustafson. The committee convened on six occasions in 2013. Kungsliden's CEO, CFO and Finance Manager have attended meetings.

Investment Committee

The Investment Committee was created at the start of the year to support the Board with proposals related to the purchase and sale of properties and in association with any substantial acquisitions planned. Following the purchase of properties from GE Capital, there was less need for a specific committee and the committee was therefore dissolved in December 2013. Preparatory work on coming investments has subsequently fallen to the Finance Committee.

The Investment Committee that was elected at the statutory Board meeting consisted of Magnus Fernqvist (Chair), Peter Gustafson and Biljana Pehrsson. The committee convened on three occasions in 2013. Kungsliden's CEO, Head of Property Management and Transactions Manager have attended meetings.

Audit Committee

The Audit Committee deals with reporting and audits in a specific forum. The committee considers Kungsliden's internal control and governance systems and quality assurance of external financial reporting. The Audit Committee also supports the Nomination Committee in proposing Auditors for election and proposals on audit fees.

The Audit Committee elected at the statutory Board meeting consists of Kia Orback Pettersson (Chair) and Lars Holmgren. The committee convened on six occasions in 2013. Kungsliden's CFO, Finance Manager, Financial Controller and the company's external Auditors have attended meetings.

Remuneration Committee

The Remuneration Committee presents proposals to the Board on employment terms and conditions for the CEO, parameters for remuneration to senior executives and matters of a principal nature concerning pensions, salaries, fees, benefits and severance packages etc. The committee works in line with the guidelines for remuneration to senior executives adopted by the Annual General Meeting.

The Remuneration Committee that was elected at the statutory Board meeting consists of Göran Larsson (Chair), Joachim Gahm and Charlotta Wikström. The committee met on eight occasions in 2013.

Evaluation of the Board's work

The Board reviews its working methods and procedures each year. This evaluation aims to ensure procedures for obtaining information, reporting, analysis, planning and decision-making all work well. The evaluation also aims to ensure the Board possesses the necessary expertise. The findings of the review are reported to the Nomination Committee and are then used by the committee in its nomination duties.

Remuneration to the Board of Directors

Fees are payable to the Board as resolved by the Annual General Meeting.

REMUNERATION ADOPTED AT THE 2013 ANNUAL GENERAL MEETING (SEK)

	Chair	Member
Board	450,000	200,000
Finance Committee	30,000	30,000
Investment Committee	30,000	30,000
Audit Committee	30,000	30,000
Remuneration Committee	30,000	30,000

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS 2013

	Board		Finance Committee		Investment Committee		Audit Committee		Remuneration Committee	
	0	14/14								
Göran Larsson ¹	0	14/14							0	5/5
Håkan Bryngelson ²	(0)	4/4		2/2					(0)	3/3
Magnus Fernqvist ⁴		14/14			0	3/3				
Joachim Gahm		18/18	0	6/6						8/8
Peter Gustafson ¹		14/14		4/4		3/3				
Lars Holmgren		18/18		3/4				6/6		
Magnus Meyer ²		4/4		2/2						
Biljana Pehrsson ³		12/13				3/3		3/4		
Kia Orback Pettersson		17/18					0	6/6		
Charlotta Wikström		18/18								8/8

0 – Chair of Board/committee ¹ Board member since AGM 2013 ² Board member until AGM 2013 ³ Resigned as Board member ⁴ September 2013

Remuneration to senior executives

Each year, the AGM approves guidelines for remuneration and other employment terms and conditions for senior executives. In accordance with the guidelines adopted at the 2013 AGM, Kungsliden shall offer remuneration levels and employment terms and conditions necessary to recruit and retain executives with the know-how and capacity to achieve targets set. Remuneration shall be such to motivate each executive to do their utmost to secure the interests of shareholders.

Remuneration shall therefore be in line with market rates and be simple, long-term and quantifiable. Executive remuneration shall normally comprise a fixed and a bonus element. The bonus element shall be simply and transparently structured to reward clearly target related improvements and have a pre set ceiling.

Fixed pay for executives shall be in line with market rates and based on skills, responsibilities and performance. Bonus payments to company executives shall, in normal cases, lie in the range of 40–75 per cent of fixed salary and be related to meeting budgets and targets for company profits and growth of each respective segment respectively.

For remuneration paid in 2013, see note 7. The proposal for guidelines for remuneration and other employment terms and conditions that will be presented at the 2014 Annual General Meeting will be broadly in line with that adopted by the 2013 AGM. The cost of payments that can be made in accordance with the guidelines that will be proposed at the 2014 AGM is estimated to amount to a maximum of SEK 40 m, including social charges, pensions and employer contributions if bonus payments are made in full.

Internal control and risk management

Internal control is important in ensuring that targets and strategies adopted deliver the desired results, that laws and rules are complied with and that the risks of undesired events and errors in reporting are minimised.

How internal control of financial reporting is organised is described below.

Control environment

The Board has overall responsibility for the company's internal controls. The CEO has general responsibility for maintaining internal governance and controls. Kungsliden's internal controls are based on the control environment the Board and executive management continuously operates to, along with the decision-making paths, authorities and areas of responsibilities that are communicated in the organisation.

Risk assessment

A significant factor in these internal controls is have a clear picture of the risks of error that exist in external reporting and that there is an organisation and processes to address these risks. Kungsliden continuously and actively seeks to survey, assess and handle the risks the company is exposed to in its financial reporting. Kungsliden is a

process oriented company and integrates risk assessment procedures into its business processes.

An assessment of the risk of error in financial reporting is made each year on each line in the income statement, statement of financial position and cash flow statement. Processes are in place to minimise such risk in material posts or posts with increased risk of error. These processes do not simply cover the accounting processes as such, but also include company management and business planning processes and IT systems.

One example of a steering document is the tool for checking business activities that has been developed. This is used in preparatory work ahead of the purchase and sale of properties, both to check these activities in general and as a platform for valuation purposes.

» Read more about business risks and how these are managed on pages 13, 26, 29, 30 and in note 2.

Control activities

Kungsliden has structured its internal controls such that control activities are done as a matter of routine, at a general level or in a more process oriented way. Examples of overall controls include general analysis of profits based on the operational and legal group structure and analysis of key ratios. Formal reconciliation, authorisations and similar controls are illustrations of procedures or process oriented controls designed to prevent, detect and correct errors and deviations. These control activities have been designed to address the material risks related to financial reporting.

Information and communication

The Board receives regular financial reports and the group's financial position is considered at each ordinary Board meeting. The company Auditor presents his or her observations on the audit to the Board in person together with an assessment of internal controls once a year.

Kungsliden has a whistleblower policy that guarantees anonymity and indemnity to employees who wish to contact a third party to report actions or other suspicious circumstances that are in contravention or are suspected of contravening laws or other guidelines and rules.

All information that can be market moving is notified to the market via press releases. The company has ensured that information reaches the market at the same time. The CEO and deputy CEO are the nominated spokespersons on financial issues.

Feedback

The Board requests continuous assessments of business risks from the company executive. The results are compiled in reports and presented to the Audit Committee.

Kungsliden has no internal auditing unit. Its internal control is assessed as good and appropriate for an organisation the size of Kungsliden, and as such, the Board and executive management do not see the need for an internal auditing unit.

Board of Directors



Born 1944, Master of Political Science. Elected to the Board 2013. • Principal employment: Self-employed. Chair of the Board of Hestrahandsken, Hestraviken, Mappa Invest and Studentlitteratur. • Independent in relation to the company and its executive management but not independent in relation to major shareholders. • Holdings in Kungsliden: 10,000 shares.

Göran Larsson *Chair of the Board*

“The healthy profit for the year creates cautious optimism about the future”

Göran Larsson, *Chair of the Board*



Born 1958, MBA. Elected to the Board 2009. • Principal employment: Senior Partner of Stardust Consulting. Board member of Forsen Projekt and Telge Energi. • Independent in relation to the company, its executive management and major shareholders. • Holdings in Kungsliden: 10,000 shares.

Charlotta Wikström *Board member*



Born 1964, MBA. Elected to the Board 2011. • Principal employment: Partner at Sustainable Growth Capital SGC. Board member of Arise Windpower. • Independent in relation to the company, its executive management and major shareholders. • Holdings in Kungsliden: 2,000 shares.

Joachim Gahm *Board member*



Born 1959, MBA. Elected to the Board 2010. • Principal employment: Partner at Konceptverkstan. Chair of the Board of Teracom Group, NAI Svefa and Ponderus Invest. Member of the Board of Jernhusen, JM, Odd Molly, Tengbomgruppen and Garbergs Reklambyrå. • Independent in relation to the company, its executive management and major shareholders. • Holdings in Kungsliden: 1,700 shares.

Kia Orback Pettersson *Board member*



Born 1952, Master's Degree in Chemistry and Industrial Management. Elected to the Board 2011. • Principal employment: Self-employed. Board member of Cliens Kapitalförvaltning. • Independent in relation to the company, its executive management and major shareholders. • Holdings in Kungsliden: 5,000 shares.

Lars Holmgren *Board member*



Born 1955, LLB. Elected to the Board 2013. • Principal employment: Managing Director and owner of the Magne Group and member of the Board of Adlon Hotell, Trollhättan Property Investors and HF Omsorgsfastigheter. • Independent in relation to the company and its executive management but not independent in relation to major shareholders. • Holdings in Kungsliden: 21,322 shares.

Magnus Fernqvist *Board member*



Born 1960, MBA. Elected to the Board 2013. • Principal employment: Managing Director and owner of Green Capital Partners. • Independent in relation to the company, its executive management and major shareholders. • Holdings in Kungsliden: 1,550 shares.

Peter Gustafson *Board member*

Executive Management



Born 1970 • Appointed CEO in September 2013. • Education: Civil engineer – Surveying and Real Estate Management at the Royal Institute of Technology Stockholm. • Previous career: Deputy CEO/Head of Real Estate at East Capital Private Equity, CEO at Centrumutveckling. • Holdings in Kungsliden: 7,000 shares.

Biljana Pehrsson *Chief Executive Officer*



Born 1958 • Employed since October 2012. • Education: MBA from Stockholm School of Economics • Previous experience: Head of Group Treasury at SEB, Head of Asset Management at DnB and Skandia, CEO Skandia Liv. • Holdings in Kungsliden: 25,000 shares.

Anders Kvist *Deputy CEO, Chief Financial Officer*



Born 1966 • Employed since October 2014. • Education: DIHM Market Economics Diploma. • Previous experience: Senior consultant in property development at Mannholt Consulting, Marketing Director/Senior Project Manager at Centrumutveckling, Marketing Director BMW/Rover, Regional Manager at VOLVO Cars. • Holdings in Kungsliden: 0 shares.

Marie Mannholt *Head of Marketing and Communications*



Born 1959 • Employed since 1999, appointed to current position in 2006. • Education: Civil Engineer – Roads and Drainage University of Lund. • Previous experience: Properties Manager JM AB, Properties Manager Nordbanken Fastigheter AB. • Holdings in Kungsliden: 27,500 shares.

Eskil Lindnér *Head of Property Management, acting Regional Manager Stockholm*



Born 1973 • Employed since 2009. • Education: Civil engineer – Surveying and Real Estate Management at the Royal Institute of Technology Stockholm. • Previous experience: Deputy CEO at Newsec Investment AB, Property Development Manager at NCC Property Development AB. • Holdings in Kungsliden: 2,500 shares.

Ylva Sarby Westman *Head of Transactions*



Born 1967 • Employed since 2010, appointed to current position in 2013. • Education: Civil engineer – Surveying and Real Estate Management at the Royal Institute of Technology Stockholm. • Previous experience: Properties Manager at Drott, Investment Manager at Niam, Property Development Manager at Ebab • Holdings in Kungsliden: 0 shares.

Frida Stannow Lind *Head of Development*



Born 1975 • Employed since 2007, appointed to current position in 2013. • Education: Civil engineer – Surveying and Real Estate Management at the Royal Institute of Technology Stockholm and Business Development and Media Technology at Stockholm School of Economics. • Previous experience: Analyst and manager at Vasakronan, Market Area Manager at AP Fastigheter. • Holdings in Kungsliden: 300 shares.

Nina de Besche *Regional Manager Mälardalen and North*



Born 1975 • Employed since 2005, appointed to current position in 2008. • Education: Civil Engineer – Roads and Drainage plus Production Control/Management at the University of Lund. • Previous experience: Manager at Vasakronan, District Manager at ISS Facility Services. • Holdings in Kungsliden: 275 shares.

Nicklas Arvidsson *Regional Manager Gothenburg*



Born 1962 • Employed since 1999, appointed to current position in 2003. • Education: Civil Engineer from St. Pauli Tekniska läroverk i Malmö. • Previous experience: Supervisor at Skanska AB and Interoc AB, Contracts Engineer at JM Bygg AB, Manager at JM Industrifastigheter AB. • Holdings in Kungsliden: 7,000 shares.

Gert Ternström *Regional Manager Malmö*



Born 1974 • Employed since 2007, appointed to current position in 2013. • Education: LLB Stockholm University. • Previous experience: Lawyer at Mannheimer Swartling Advokatbyrå, Court Notary Huddinge Court. • Holdings in Kungsliden: 200 shares.

Malin Axland *Head of Legal*

Shareholdings information was correct as of 31 December 2013 and includes holdings via companies and family.

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Five-Year Summary

Income statement, SEK m	2013	2012	2011	2010	2009
Net sales	2,224	2,110	2,047	1,606	2,160
Gross profit	1,301	1,218	1,154	941	1,402
of which net operating income – properties	1,131	1,045	1,002	768	1,137
of which net operating income – modular buildings	145	161	132	158	226
of which gross profit – modular production	25	12	20	15	39
Sales and administration costs	-156	-187	-171	-155	-205
Net financial items	-596	-586	-559	-618	-822
Profits from property management	549	445	424	168	375
Profit/loss from investments in Hemsö	-	-	413	465	114
Profit/loss on property sales	8	16	56	25	-153
Unrealised gains/losses investment properties	48	-20	291	5	-251
Unrealised gains/losses financial instruments	425	-70	-491	430	113
Profit/loss before tax	1,030	371	693	1,093	198
Tax	-192	-813	-55	-252	52
Profit/loss for the year from remaining businesses	838	-442	638	841	250
Discontinued operations: Hemsö holding after tax	24	794	-	-	-
Profit/loss for the year	862	352	638	841	250

Statement of financial position, SEK m	2013	2012	2011	2010	2009
ASSETS					
Investment properties – properties	20,338	14,243	13,256	9,760	12,905
Investment properties – modular buildings	1,509	1,509	1,514	1,539	1,467
Properties used in business operations	22	25	18	20	18
Other non current assets	490	666	4,263	3,821	3,824
Other current receivables	286	372	1,176	2,761	271
Claim against Third AP fund	-	3,363	-	-	-
Cash and bank balances	323	722	684	570	320
TOTAL ASSETS	22,968	20,900	20,911	18,471	18,805
EQUITY AND LIABILITIES					
Shareholders equity	8,453	7,726	7,719	7,357	7,079
Interest-bearing liabilities	12,878	9,704	10,654	8,469	9,306
Derivatives	708	1,125	1,156	759	1,138
Non interest-bearing liabilities	929	2,345	1,382	1,886	1,282
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	22,968	20,900	20,911	18,471	18,805

Key ratios, SEK m	2013	2012	2011	2010	2009
PROPERTY RELATED					
Property yield, %	7.5	7.8	7.5	6.9	6.9
Economic occupancy rate, %	90.9	89.6	88.7	88.5	90.4
Operating surplus margin, %	66.1	65.5	64.5	65.1	69.8
FINANCIAL					
Return on total assets, %	5.4	8.8	7.4	6.8	4.7
Return on shareholders equity, %	10.7	4.6	8.5	11.7	3.5
Return on capital employed, %	6.2	11.0	9.3	8.5	5.4
Interest coverage ratio, multiple	1.9	2.7	2.3	1.9	1.4
Equity ratio, %	36.8	37.0	36.9	39.8	37.6
Loan to value ratio, %	58.9	61.5	67.9	69.3	64.7
DATA PER SHARE					
Dividend (paid), SEK	1.00	2.60	2.00	3.75	1.50
Profits from property management (excl. from Hemsö), SEK	4.02	3.26	3.11	1.23	2.75
Profit/loss for the year, SEK	6.31	2.60	4.70	6.16	1.83

Consolidated income statement

SEK m	Note	2013	2012
Rental income – properties	5	1,669.1	1,583.1
Rental income – modular buildings	5	261.9	256.6
Sales income modular production		292.8	270.3
Net sales		2,223.8	2,110.0
Property costs – property ¹		-538.0	-537.6
Property costs – modular buildings ¹		-116.5	-96.7
Costs for modular production ¹		-268.4	-258.1
Gross profit/loss¹		1,300.9	1,217.6
of which net operating income – properties		1,131.1	1,045.5
of which net operating income – modular buildings		145.4	159.9
of which gross profit – modular production		24.4	12.2
Sales and administration costs¹	6–7	-156.5	-187.3
NET FINANCIAL ITEMS			
Financial income	9	18.4	31.0
Interest costs	9	-553.5	-578.7
Other financial costs	9	-60.7	-37.8
		-595.8	-585.5
Profits from property management	8	548.6	444.8
GAINS/LOSSES INVESTMENT PROPERTIES			
Profit/loss on property sales		8.1	16.2
Unrealised gains/losses ¹	14–15	47.9	-20.3
		56.0	-4.1
Unrealised gains/losses financial instruments	9	425.3	-69.9
Profit/loss before tax		1,029.9	370.8
TAX			
Tax payable	10	-12.2	-16.0
Deferred tax	10	-179.8	-797.3
		-192.0	-813.3
Profit/loss for the year from remaining businesses		837.9	-442.5
DISCONTINUED OPERATIONS			
Profit/loss from Hemsö holding, net after tax	11	24.0	794.4
Profit/loss for the year²		861.9	351.9
Earnings per share	12	6.31	2.58
Earnings per share from remaining businesses		6.14	-3.24

SEK 548.6 M

Profits from property management rose 23.3%.

SEK 6.31 per share

Earnings per share for the year increased by 145%.

¹ In 2013 all costs of an administrative nature directly related to letting and modular sales respectively are reported as property costs and costs for modular production respectively. These costs had previously been reported in full as sales and administration costs. Further, reinvestments of up to SEK 50 m per year corresponding to wear and tear of modular buildings are reported as property costs – modular buildings. Actual figures for earlier periods have been recalculated, where in the case of reinvestments of SEK 40 m for full year 2012 came from unrealised gains/losses. Profits before tax were not affected by these changes.

² Full year profits attributable to parent company shareholders.

Consolidated statement of comprehensive income

SEK m	2013	2012
Profit/loss for the year on the income statement	861.9	351.9
Other comprehensive profit/loss		
Currency gains/losses transferred to profit for the year	–	16.9
Holding in Hemsö's other consolidated profits (discontinued operations)	–	-5.5
Year's currency gains/losses in translation of foreign operations	1.2	-1.0
Consolidated profit/loss for the year¹	863.1	362.3

¹ Full year consolidated profits attributable to parent company shareholders.

Comments on the consolidated income statement

Profit for the year increased from SEK 352 m to SEK 862 m. The improved performance was mainly due to the previous year having provisions for tax risks and a gain on financial instruments this year. The underlying property operations similarly increased with profits from property under management increasing to SEK 549 m (445) as a consequence of larger property holdings and lower sales and administration costs.

Property management

Rental income from properties increased during the year to SEK 1,669 m (1,583). This increase is primarily related to a larger property portfolio although income from comparable holdings also rose. Economic occupancy rate was improved to an average 90.9 per cent (89.6) mainly due to low vacancies in the properties that were taken into possession from Hemsö at the start of the year. However, property costs remained unchanged at SEK –538 m (–538) despite the larger holdings.

Altogether, net operating income rose 8 per cent to SEK 1,131 m (1,046).

Nordic Modular

Modular lettings increased to SEK 262 m (257) while net operating income fell to SEK 145 m (160). The background to this was previously reported reinvestments increased to SEK –50 m (–40) having been temporarily lower in 2012. Underlying profits in general increased.

Gross profits on modular production increased to SEK 24 m (12) on a slightly increased turnover.

Sales and administration costs

Sales and administration costs amounted to SEK –156 m (–187). SEK 42 m (40) of these costs were attributable to Nordic Modular and SEK 114 m (147) to common operating costs and central administration at Kungsleden. Cost cutting measures delivered savings of SEK 31 m or 17 per cent.

Financial income and costs

Net financial items amounted to SEK –596 m (–586). Interest costs fell following repayments that were made at the start of the year with the aid of liquidity from the sale of Hemsö. At the same time, financial costs rose in general as a result of higher charges on the increased but unused credit facility. Lower interest income had a negative effect.

Gains/losses investment properties

Profit on sale of properties was SEK 8 m (16) from a small number of sales in 2013 and final settlements on earlier sales.

Gains on investment properties amounted to SEK 48 m (–20). This change in value is a reflection of the investments made in property holdings and that property values have been upwardly or downwardly adjusted. The value of the properties acquired from GE has been upwardly adjusted by approximately SEK 250 m compared with the acquisition value. Two thirds of properties in the rest of the portfolio have been revalued. The values of properties that have appreciated in price were raised by approximately SEK 200 m, while the values of properties revised downwards were reduced by around SEK 400 m.

Gains/losses on financial instruments

Gains on financial instruments amounted to SEK 425 m (–70). The gains were primarily related to payments of SEK 256 m for the higher fixed interest in interest rate swap contracts, which gradually reduced the loss. Other gains were mainly due to rising long rates.

Tax

Tax on profits for the year amounted to SEK –192 m (–813). Tax was paid at a consolidated level in principle with a tax rate of 22 per cent with the exception of SEK 34 m related to provisions for the Dutch company tax case, that was resolved following a ruling by the Swedish Court of Appeal. Compared with previous years, tax costs have fallen primarily because of provisions for tax risks of SEK –985 m in 2012.

Discontinued operations

The SEK 24 m (794) profit from the Hemsö holding, was reported in 2013 as a discontinued operation at the bottom of the income statement. The actual profit for 2013 relates to the share of income up to the exit on 15 February this year. The actual figures for 2012 included sales of SEK 631 m.

Statement of consolidated financial position

SEK m	Note	2013-12-31	2012-12-31
ASSETS			
<i>Non current assets</i>			
Goodwill	13	201.4	201.4
Investment properties – properties	14	20,338.4	14,246.7
Investment properties – modular buildings	15	1,508.7	1,509.3
Property used in business operations	16	21.8	21.2
Equipment	17	14.8	13.9
Deferred tax receivable	10	34.7	206.7
Other non current receivables	18	238.8	244.0
Total non current assets		22,358.6	16,443.2
<i>Current assets</i>			
Inventories		15.3	17.1
Accounts receivable		97.2	71.4
Claim against Third AP fund		–	3,362.9
Other receivables		90.7	182.7
Prepaid expenses and accrued income		83.7	101.2
Cash and bank balances		322.7	721.2
Total current assets		609.6	4,456.5
TOTAL ASSETS		22,968.2	20,899.7
SHAREHOLDERS EQUITY AND LIABILITIES			
<i>Shareholders equity</i>			
Share capital		56.9	56.9
Other contributed capital		1,373.1	1,373.1
Translation reserve		–0.5	–1.7
Retained earnings, incl. profit for the year		7,023.5	6,298.1
Shareholders equity	19	8,453.0	7,726.4
<i>Interest-bearing liabilities</i>			
Liabilities to credit institutions		10,579.4	8,104.6
Bonds (unsecured)		2,299.2	1,599.2
Interest-bearing liabilities	20, 23, 24	12,878.6	9,703.8
<i>Non interest-bearing liabilities</i>			
Appropriations	21	59.5	57.7
Accounts payable		160.5	113.8
Tax liabilities		–	20.5
Derivatives	20, 24	707.8	1,124.5
Other liabilities	22	38.1	1,632.5
Accrued costs and deferred income		670.7	520.5
Non interest-bearing liabilities	23, 24	1,636.6	3,469.5
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		22,968.2	20,899.7

>SEK 20 bn

The property portfolio increased to SEK 20,338.4 m.

SEK 8,453.0 m

Shareholders equity increased by SEK 726.6 m.

Comments on the consolidated statement of financial position

The change in strategy is being felt in our financial position. Funds that had previously been invested in Hemsö were partly reinvested in the major property acquisition from GE in 2013. Larger property holdings, more borrowing but also growth shareholders equity thanks to profit for the year. Total assets amounted to almost SEK 23 billion on 31 December.

Property holdings

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

Development of property holdings, SEK m	2013
Properties at start of year	14,247
Purchases	5,935
Investments	212
Sales	-108
Currency gains/losses	4
Gains/losses in value	48
Properties at end of year¹	20,338

¹ Investment properties excluding modular buildings

Investments in existing properties amounted to SEK 212 m (205), including SEK 132 m in nine properties in Västerås, Värnamo, Eskilstuna, Stockholm, Lund and Nyköping.

Deferred tax

Deferred tax is a net receivable of SEK 35 m. Receivables amount to SEK 540 m and concern measured loss carry forwards and tax on booked losses on rate derivatives. Deferred tax liability primarily relates to properties where there is a SEK 505 m difference between book value and taxable residual value for the properties.

Shareholders equity

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

Interest-bearing liabilities

The loans portfolio was SEK 12,879 m (9,704) at the end of the year. New loans were taken out in February when eleven properties were taken over from Hemsö for SEK 1,549 m. In December, new loans of SEK 3.6 billion were taken out with an average maturity of four years from

four Nordic banks to finance the acquisition of properties from GE. The outstanding balance of the purchase consideration was financed using existing credit facilities that had been temporarily paid down with the liquidity from the sale of Hemsö received from the Third AP Fund at the start of the year.

Interest-bearing liabilities, SEK m	2013
Liabilities at start of year	9,704
Proceeds from borrowings	4,845
New loans on company purchase	740
Repayments	-2,410
Liabilities at year-end	12,879

The average maturity of borrowings utilised at year-end was 2.4 years (2.3). The loan to value ratio of 59 per cent (62) was slightly lower than at the start of the year. In addition to these interest-bearing liabilities, an unused credit facility of SEK 2,865 m was available at year-end.

Derivatives

The negative market value (loss) on derivatives, primarily rate swaps, was improved during 2013 and as of 31 December was SEK -708 m, compared with SEK -1,125 m at the start of the year. This reduction of losses in 2013 was mainly due to the loss gradually shrinking via regular interest payments in the rate swap contracts, which amounted to SEK 256 m, and also due to rising long market rates, which had a SEK 157 m effect on the swaps.

Other liabilities

Other liabilities fell during the year from SEK 1,633 m to SEK 38 m, once Kungsleden had made the closing payments for eleven properties from Hemsö that were recognised as a liability at the start of the year.

Statement of changes in consolidated shareholders equity

SEK m	Share capital	Other paid-in capital	Translation reserve (note 19)	Profit brought forward	Total shareholders equity
Opening shareholders equity, 12-01-01	56.9	1,373.1	-12.1	6,301.1	7,719.0
Comprehensive income for the year			10.4	351.9	362.3
Dividend				-354.9	-354.9
Closing shareholders equity, 2012-12-31	56.9	1,373.1	-1.7	6,298.1	7,726.4
Opening shareholders equity, 2013-01-01	56.9	1,373.1	-1.7	6,298.1	7,726.4
Comprehensive income for the year			1.2	861.9	863.1
Dividend				-136.5	-136.5
Closing shareholders equity, 2013-12-31	56.9	1,373.1	-0.5	7,023.5	8,453.0

Statement of consolidated cash flows

SEK m	Note 26	2013	2012
OPERATIONS			
Profit/loss before tax		1,029.9	370.8
Profit/loss on property sales		-8.1	-16.2
Unrealised gains/losses		-473.2	90.2
Dividend and cash flow from Hemsö (discontinued operations)		24.0	52.1
Other adjustments that are not included in cash flow from operations		31.3	-32.1
Tax paid		-124.2	-342.0
Cash flow from operations		479.7	122.8
<i>Changes in working capital</i>			
Increase(-)/decrease(+) in equipment		1.8	-0.4
Increase(-)/decrease(+) operating receivables		116.4	-163.2
Increase (-)/decrease(+) operating liabilities		-5,246.3	560.1
		-5,128.1	396.5
Cash flow from operations after changes in working capital		-4,648.4	519.3
INVESTMENT ACTIVITIES			
Purchase of properties (direct acquisitions)		-61.6	-
Investments in owned properties		-221.0	-211.8
Sales of properties (direct sales)		93.0	198.6
Purchase of subsidiary companies		-1,240.8	-8.4
Sale of subsidiary companies		1,873.6	670.5
Purchase of equipment		-6.4	-3.3
Sale of equipment		2.0	0.8
Disposal long-term loans provided		1,500.0	-
Investment in other financial assets		-0.4	-0.8
Redemption of other financial assets		22.3	191.2
Cash flow from investment activities		1,960.7	836.8
FINANCING ACTIVITIES			
Proceeds from borrowings		4,844.7	6,795.5
Repayment of loans		-2,420.4	-7,753.7
Dividend		-136.5	-354.9
Cash flow from financing activities		2,287.8	-1,313.1
CASH FLOW FOR THE YEAR			
		-399.9	43.0
Opening cash and cash equivalents		721.2	683.9
Exchange differences cash and cash equivalents		1.4	-5.7
Closing cash and cash equivalents		322.7	721.2

Comments on the consolidated statement of cash flows

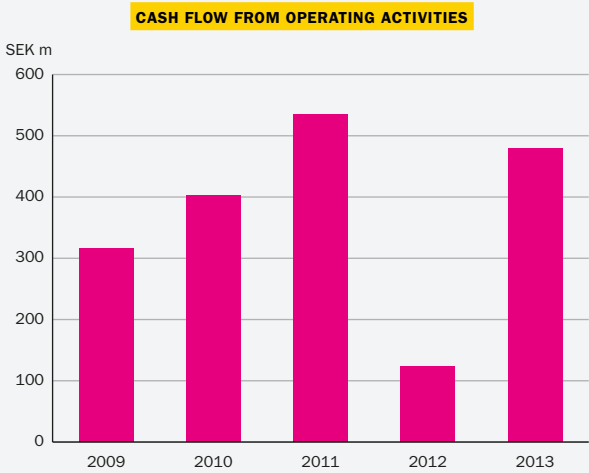
Increased profits from property under management and low tax payments delivered improved cash flow from operations that amounted to SEK 480 m (123). Consolidated cash flow for the year of SEK –400 m corresponds to the change in Cash and bank balances that amounted to SEK 323 m (721) on 31 December.

CASH FLOW FROM operating activities are relatively evenly spread between the years in a business with properties with stable leases and property costs. Cash flow is ultimately related to the size of the property holdings. Cash flow from operating activities corresponds to profits on properties under management with adjustments for a number of non cash flow affecting items and payment of tax. Tax payments are limited as a consequence of existing tax loss carry forwards and opportunities for tax deductible depreciations. However, in 2013 and 2012, SEK 112 m and SEK 350 m respectively were paid to the Swedish Tax Agency for concluded and ongoing tax cases.

The SEK –5,128 m change in operating capital was primarily related to redeeming operating liabilities to GE in the two company groups that were acquired from GE.

Investment activities vary from year to year as as Kungsleden can be a net purchaser one year and net seller the next. In 2013, investment activities had a cash flow of SEK 1,961 m (837) following receipt of SEK 3,363 m from the Third AP Fund as an adjustment to the sale of Hemsö in February, and payment for properties from GE via company purchase.

Financing activities had a cash flow of SEK 2,288 m (–1,313) following the financing of the GE deal.



Notes group

NOTE 1 ACCOUNTING PRINCIPLES, GROUP

Applied standards and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and approved by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

Amendments to accounting principles 2013

With effect from 1 January 2013, the income statement is reported in a different format compared with year 2012 and earlier. The biggest differences are that the sub total Profits from property management appears on a separate line in the income statement as the total of Gross profit/loss, Sales and administration costs and Net financial items. This is a common yardstick for property companies and which Kungsliden had previously only presented in tables outside the income statement. Another difference is that property sales had previously been reported as a sum total in net trades on a separate line named Profit/loss on property sales.

Property administration costs have been reported as part of property costs since 1 January 2013 compared with earlier periods when they were reported as sales and administration costs.

Reinvestments for modular buildings have been reported as property costs from 1 January 2013 instead of these reinvestments being reported as an unrealised loss. The comparison periods have been recalculated for the above changes to enable comparability. The change in presentation and reporting is a consequence of Kungsliden focusing on management and enables better comparisons with other property companies.

The following amendments and new application interpretations of accounting principles have been applied without having any material effect on the consolidated accounts: Amendments to IAS 1 *Presentation of financial statements* related to reporting of items in general comprehensive profit/loss, IFRS 7 *Financial instruments: Disclosures* concerning offsetting, IFRS 13 *Fair value measurement* and amendments to IAS 19 *Employee benefits* as it is no longer permitted to use the "corridor method".

New IFRS standards and interpretations not yet effective

Amendments to IAS 32 *Financial instruments: Presentation*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, amended IAS 27 *Separate Financial Statements*, amended IAS 28 *Investments in Associates and Joint Ventures*, IAS 36 *Impairment of Assets*, IAS 39 *Financial instruments: Recognition and Measurement* and IFRIC 21 *Levies*. IASB's annual improvement projects 2009–2011 is not expected to contain any material changes in reporting as such compared with today, but can affect disclosures in the annual report.

Basis of preparation of financial statements

The parent company's operating currency is Swedish kronor (SEK), which is also the reporting currency of the group. All amounts are in SEK m, unless otherwise stated. Assets and liabilities are measured at historical cost, apart from investment properties and financial instruments, which are measured at fair value. Changes to fair value are reported in the income statement.

Preparation of financial statements in accordance with IFRS requires management to make critical judgements, accounting estimates and assumptions which affect the application of accounting principles and the figures disclosed for assets, liabilities, earnings and costs. These estimates and assumptions are based on historic experience and a number of other factors that appear reasonable in the prevailing

circumstances. The results of these estimates and assumptions are then used to assess the values of assets and liabilities presented that would not otherwise be clearly apparent from other sources. The final outcome can deviate from these estimates and assessments.

Estimates and assumptions are regularly reviewed.

Assessments made by company management when applying IFRS that have a material impact on the financial statements and estimates performed are described in more detail in note 3.

Classification etcetera

Kungsliden's business largely consists of managing a large number of properties that are let to external tenants. Normally, leases are initially signed for a rental period of three years. However, the rental period varies and can last up to 20 years or more. Before the lease expires, renegotiation is started with the tenant concerning the rent level and other terms and conditions in the lease, if notice to terminate has not been given. However, it is difficult to know, after the initial leasing, how long a lease will run, and at any one time, there is a large number of leases running in parallel with different agreement periods. This makes it difficult to define Kungsliden's business cycle. It is also difficult to define how long a property is expected to be held. In view of this, assets and liabilities are presented in the financial statement in reducing order of liquidity as this provides information that is reliable and relevant in relation to business activities.

Consolidated accounts

The consolidated accounts cover the parent company, subsidiary companies and joint ventures. Here subsidiary companies mean companies over which the parent company has a controlling interest. The consolidated accounts have been prepared in accordance with the acquisition method that means assets, liabilities and any other undertakings have been measured at fair value at time of acquisition in accordance with the acquisition analysis produced. Income and costs of purchased companies are included in the consolidated accounts with effect from the date of possession. Income statements for sold companies are included up until the date the company exited.

Intra-group receivables and liabilities, income and costs, and unrealised gains or losses arising from intra-group transactions are eliminated in full when preparing the consolidated financial statements.

Joint Ventures

Joint ventures are companies with which the group has a partnership agreement with one or more partners and where there is a joint controlling interest over the operational and financial management of the venture. Holdings in joint ventures are consolidated in the consolidated financial statement according to the equity method. The equity method means the equity in a joint event is reported on one line of the income statement and that the equity of this item is reported in general comprehensive profit/loss in group general comprehensive profit/loss. The equity in the company's shareholders equity is reported in the financial statement as an asset on a separate line.

Foreign currency translation

The accounts for each and every foreign subsidiary company are kept in the local currency where the business operates. The consolidated financial statements are reported in Swedish kronor. Income statements and balance sheets for foreign operations are translated into SEK using the current method, which means that the balance sheets are translated at the exchange rates on balance day, except for shareholders equity which is translated at the historical rate. The income statements are translated using the average exchange rate for the period. Exchange rate differences when translated are booked against shareholders equity as a translation difference. Currency futures can be used to reduce currency exposure when making property investments outside Sweden. Hedge accounting is applied for these where currency gains/losses are

booked directly to shareholders equity to offset the effect of translation differences.

Statement of cash flows

Statement of cash flows is presented in accordance with the indirect method as per IAS 7 *Statement of Cash Flows*.

Purchases and sales

A purchase or sale is booked from the day it is adjudged probable that material financial rights and risks associated with the transaction will occur/be charged or exit the group, which can either be date of completion, date of access/vacating or a time somewhere in between depending on the situation. Claims or liabilities on or to the counterparty between transaction date and settlement date are reported gross under other claims and liabilities respectively.

Asset acquisition

In recent years, it has become common for property transactions to be done indirectly between property holding companies rather than as direct property transactions. Properties are usually purchased via the acquisition of companies for reasons that include stamp duty being payable on property transfers and that a company sale compared with a direct sale has tax advantages for the vendor. When acquiring assets via a company transaction, the acquisition is handled as though the property/ies had been purchased directly. This type of company purchase does not normally have any employees or organisation as such other than that directly related to the property holding. The acquisition value corresponds to fair value of assets and any associated loans. Deferred tax is not reported as a goodwill liability related to the acquisition. Any deductions related to deferred tax that are received in addition to booked tax in purchased companies are reported as a deduction from fair value on the purchased property at both time of acquisition and in subsequent financial reports.

In the case of a direct sale of a property for which all temporary differences have not been booked, a tax cost will arise on the sale at book value. If a sale is executed via companies, the most common way, the purchaser and vendor usually reach agreement on a price deduction corresponding to just one part of the difference between the taxable residual value and the agreed property price. This means that an accountable tax revenue will arise if there is a deferred tax liability recognised that exceeds the deduction in the transaction, or a tax cost would arise if the deduction is higher than the booked tax liability.

Business combinations

In the case of acquisitions where Kungsliden gains a controlling interest in one or several, in principle, independent businesses, the acquisition method is applied in accordance with IFRS 3 *Business Combinations*. Identifiable assets, liabilities and contingent liabilities and any other undertakings in the company acquired are reported at fair value at time of acquisition and profits attributable to the acquired business are included from the closing date. Deferred tax on any goodwill related to the acquisition is reported as a liability based on the nominal tax rate. The difference between deferred tax at the nominal tax rate and the value the temporary difference is measured at in the acquisition analysis is reported as goodwill. Transaction costs are booked as administration costs in association with the acquisition.

On the acquisition of additional shares in a company that then gives Kungsliden a controlling interest, earlier share purchases are revalued at fair value via the income statement. If instead, it is an acquisition of additional shares in a company that has already been consolidated into the group, the difference between the purchase price and the net value according to the closing day balance, is booked as a shareholder transaction directly against shareholders equity. In the case of a partial sale of a consolidated company where controlling interest is retained, any difference between the sale price and the value of the sold stake is booked as a shareholder transaction directly against shareholders equity. In the case of a partial sale of a consolidated company whereby controlling interest is lost, a capital loss or gain is reported and a revaluation of the remaining stake in the income statement.

There are relatively few acquisitions of subsidiaries. No subsidiary acquisitions were made in 2012 and 2013.

Operating segment report

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, and for which discrete financial information is available. A segment's operating results are reviewed by the company's highest executive body (Group management) in order to make decisions about resources to be allocated to the segment and assess its performance. See note 4 for a more detailed description of operating segments including a presentation and how they are divided.

Income

Leases are classified as operational lease agreements based on the property remaining in Kungsliden's ownership even if the lease can run for up to over 20 years.

In the case of both sales of property and companies, the sale is reported and the profit or loss accounted for when it is adjudged probable that the financial benefits will accrue to the group, which is often on closing day.

Financial income and costs

Interest income and interest subsidies are booked in the period they relate to. Interest and other financial costs on new build developments are capitalised during the construction period, while such costs on extensions and renovations are booked as they accrue, as such investments are smaller and the construction period generally shorter. Derivatives are used to achieve the fixed interest rate desired. Income and costs related to derivatives are accounted for currently. Income and costs to redeem and renegotiate derivatives and interest rate difference payments are accounted for as they arise. Interest income and interest costs on financial instruments are reported according to the effective interest method. Effective interest is the rate discounting the estimated future inward and outward payments during the expected term of a financial instrument against the net present value of the financial asset or liability reported.

Income tax

Current and deferred income tax on Swedish and foreign group entities is reported in the income statement except when the underlying transaction is booked directly against shareholders equity whereby the associated tax is booked in shareholders equity. Group companies are liable for tax in accordance with the applicable legislation in their respective country. The tax rate in Sweden has been 22.0 per cent since 1 January 2013. Current tax is calculated on the booked profit with non deductible items added back and non taxable income deducted. Income tax is reported in accordance with the balance sheet method, which means that deferred tax is calculated for temporary differences identified on balance day between the carrying amount of an asset or liability and its booked value. Temporary differences arise mainly on properties, financial instruments and allocations. Temporary differences are valued at a nominal tax rate and changes from the previous balance day are reported in the income statement as deferred tax. Deferred tax receivables related to deductible temporary differences and loss carry forwards are only reported in the event it is probable that they will be able to be utilised. The value of deferred tax receivables is reduced when it is no longer adjudged probably that they can be utilised.

Employee benefits

Benefits to employees such as salaries and social security costs, holidays and paid sick leave etc., are reported in line with the employees performing their services. Commitments to employees are underwritten through defined contribution pension schemes or ITP (supplementary pensions for salaried employees). Defined contribution pension plans are classed as schemes where the company's commitment is limited to payments the company has undertaken to pay. In such cases, employee pension pots depend on the contributions the company pays into the plan or to the insurance company, and the returns on assets the contributions generate. Consequently, the employee bears the actuarial risk (that benefits will be lower than expected) and the investment risk (that the investment earnings will be insufficient to meet expected benefits). The company's commitments related to contributions to defined contribution plans are reported as a cost against profits for the year at the rate they are earned by the employee in providing services to the company during a period. In accordance with statements from the Swedish Council for Fi-

financial Reporting Emergency Group report, pension plans as ITP underwritten by insurance through Alecta are reported as a defined contribution plan providing the basic construction of the ITP plan is unchanged.

A cost for contributions in association with termination of employment is only reported if the company is demonstrably committed without a realistic possibility of withdrawal, to a formal and detailed plan to terminate an employment prematurely. When contributions are made as an offer to encourage voluntary redundancy, a cost is reported if it is probable that the number of employees who accept the offer can be reliably estimated.

Leasing

Kungsleden is a large lessor in the sense that leases are classified as operational leasing agreements, see Income above.

Kungsleden has, as lessee, entered into a number of leasehold contracts, and smaller leasing agreements related to office equipment. These contracts do not add up to a material amount. Based on the financial risk remaining with the lessor, all lease, leasehold and leasing agreements are reported as operational leasing agreements. Costs are booked as they arise.

Transactions in foreign currency

Transactions in foreign currency are translated using the exchange rate at the time of the transaction. Monetary assets and liabilities in foreign currency are translated at the balance day rate, with any exchange gains or losses credited or charged to the income statement. Currency rate differences related to operating receivables and liabilities are accounted for as operating profit/loss, while currency gains or losses related to financial assets and liabilities are accounted for in net financial items.

Transactions with affiliates

For services rendered to group companies and other associated companies and private individuals, commercial terms and conditions and market rates are applied.

Intangible assets

Goodwill is measured at acquisition value minus any accumulated depreciation. Goodwill is allocated to cash generating entities and evaluated at least once a year for impairments.

Properties

Properties are initially booked at acquisition value. Costs related to investment measures that lead to future financial benefit are capitalised and the costs can be reliably estimated. Capitalised costs include the replacement of all or parts of identified components and costs related to the construction of a new component. The property is then measured at fair value in the group in accordance with the method presented below. Other borrowing costs are reported as a cost in the period in which they are incurred.

Investment properties

Buildings and land owned or leased via a financial lease agreement for the purpose of generating rental income and/or value appreciation are classified as investment properties in the group. Investment properties are presented in the statement of financial position divided into properties and modular buildings. Investment properties are reported at fair value in the statement of financial position in accordance with IAS 40 *Investment Property*. Revaluations are done regularly during the financial year and reported based on internal valuation. For a description of measurement methods, see note 14. For considerations related to valuing properties, see also note 3. Any deductions related to deferred tax on the purchase of properties via companies (asset acquisition) received in addition to the tax booked in a company purchased, are reported as a deduction against fair value of the purchased property at both time of acquisition and in subsequent accounting.

Buildings being constructed for future use as investment properties are booked at fair value in accordance with IAS 40. The valuation is based on assessments of future cash flows and the price level expected to be able to be achieved in a transaction between knowledgeable, willing parties on market terms and conditions. However, properties not yet completed are slightly more difficult to value than existing properties as the final costs cannot be determined and the process from completion to being a functioning/let property can only be assessed.

Property used in business operations

Properties where a not inconsiderable share of the area is used to provide services or for administrative purposes within the group are classed as properties used in business operations. Reporting is done in accordance with IAS 16, *Property, Plant and Equipment*. Properties used in business operations are booked at acquisition value with linear depreciation over estimated useful life. The depreciation period can range from ten to 100 years depending on what components in the property are concerned. As of the reporting date, there were three factory buildings in the Kungsleden group classified as properties used in business operations. Depreciation is presented on the line costs for modular production.

Assets held for sale

An asset (or a disposal group) classified as held for sale means that its carrying amount will be recovered primarily via sale and not through use.

Immediately before being classified as held for sale, the book value of the assets (and all assets and liabilities in a disposal group) is determined in accordance with the applicable standards. When first classified as held for sale, assets are reported at the lower of book value and fair value less costs of sale. Three types of assets, single or included in a disposal group, are excepted from the valuation rules described. These are deferred tax receivables, financial assets covered by IAS 39 and investment properties valued in line with the fair value method in accordance with IAS 40.

For an asset (or disposal group) to be classified as held for sale, the asset, or disposal group, must be available for immediate sale in as is condition. It must also be very likely that a sale will be effected. For a sale to be deemed very likely, the following are required:

- decision made at executive management level,
- work to find a buyer and complete the sale has been started,
- the asset, or disposal group, is being actively marketed at a reasonable price relative to its fair value,
- the sale will probably occur within twelve months.

Whether any property meets the criteria for classification as properties held for sale on balance day is determined for every financial statement.

Equipment

Equipment is reported at acquisition value less accumulated depreciation and possible write-downs. Linear depreciation is applied over five years.

Financial instruments

For information on the company's exposure to financial risks and how risks are managed, please see note 2.

Recognition in the Statement of financial position

A financial asset or financial liability is recognised in the statement of financial position when the company becomes party to the contracted terms and conditions of the instrument. A receivable is recognised when the company has delivered and contractual liability arises for the counterparty to pay even if an invoice has not yet been sent. Accounts receivable are recognised in the statement of financial position when an invoice has been sent. Non current receivables, that exclusively consist of vendor promissory notes, are recognised as a nominal receivable adjusted for the present value of any difference from a commercial rate of interest. A liability is recognised when the counterparty has delivered and contractual liability arises for to pay even if an invoice has not yet been sent. Accounts payable are recognised when the invoice is received.

A financial asset is removed from the statement of financial position when the contractual rights become due, expire or the company loses control over the asset. The same applies for part of a financial asset. A financial liability is removed from the statement of financial position when a contractual obligation is fulfilled or otherwise no longer existent. The same applies for part of a financial liability.

Categories of financial instruments:

Loans receivables and accounts receivable

Loans and accounts receivable are non-derivative financial assets with

fixed or determinable payments that are not quoted in an active market. These assets are measured at accrued acquisition value. The accrued acquisition value is determined using the effective interest rate that was calculated at time of acquisition. Loans and accounts receivable are recognised in the amounts that are expected to be paid, i.e. after deductions for doubtful debts.

Financial liabilities recognised at fair value via profit or loss

This category consists of financial liabilities held for trading. These are regularly measured at fair value with gains or losses reported in the income statement.

Other financial liabilities

Other financial liabilities, such as borrowings, accounts payable and purchased but not yet paid for properties, fall into this category. The liabilities are measured at accrued acquisition value. Transaction costs are capitalised with the effective interest rate over the expected term of the loan.

Derivatives

Hedge accounting is not applied for interest rate derivatives, which is why the change in fair value of the derivative in the statement of financial position is reported as unrealised gain/loss in the income statement.

Impairment of assets

Financial assets

The values of group assets reported are evaluated at each balance day to assess whether a need to write-down an asset is indicated. If such indications arise, the recovery value of the asset is calculated. The recoverable amounts of financial assets falling into the categories of loans and accounts receivable, which are reported as accrued acquisition value, are calculated as the present value of future cash discounted by the effective interest rate that applied when the asset was first recognised. A write-down is only reversed if the amount the recognised value of the asset after recovery exceeds the book value that the asset would have had if impairment had not been made.

Other assets

Exceptions to the impairment of assets principles are made for property, plant and equipment assets that are held for sale, investment properties and deferred tax receivables that are valued in accordance with specific rules, which are described under the respective headings in the accounting principles. In the case of Goodwill, previous write-downs cannot be reversed.

Inventories

Inventories are valued at the lower of acquisition value and net sales value. Acquisition value for inventories is calculated using the First In, First Out principle (FIFO) and includes costs arising when purchasing inventory assets. In the case of manufactured goods and work in progress, the acquisition value includes a reasonable share of indirect costs based on normal capacity.

Appropriations

Appropriations differ from other liabilities in that they have an element of uncertainty in terms of regulating the appropriation with regard to the timing and size of payment. A provision is recognised in the statement of financial position when there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation on balance day. When the effect of when, in time, payment is made is material, appropriations are calculated by discounting expected future cash flow at an interest rate before tax reflecting current market assessments of time value of the money, and if this is applicable, the risks associated with the liability.

Contingent liabilities

A contingent liability is recognised when a possible obligation arises from past events whose existence will be confirmed only by the

occurrence or non occurrence of one or more uncertain future events, or when there is an obligation which is not recognised as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation.

NOTE 2 RISKS

Kungsleden's operations, performance and financial position are affected by a number of factors that can mean changes to business activities that can have a financial impact. These effects can be both positive and negative, which is why they can be known as opportunities and risks. Risk assessment is an annually recurring process that is done in the form of an internal evaluation and that can also include plans of action to reduce such risks. In this annual report, Kungsleden has aimed to provide descriptions of the risks involved in the various management reports.

- Property value related risks and how Kungsleden addresses such risks are described in the chapter on Property holdings on page 12.
- Environmental risks and Kungsleden's environmental risk management are described in the chapter Environment and sustainability on page 26.
- Financing risk, interest rate risk and liquidity risk and Kungsleden's financial risk management are described in the chapter Financing and financial risks on page 27.
- Tax risks and how these risks are managed are described in the chapter Taxes on page 30.

Risks to Kungsleden's cash flows in investment properties and credit risk and currency risk are described in this note.

I – Risks to cash flow in investment properties

Cash flow is affected by fluctuations in rental income that in turn, depend on changes in rent levels and vacancies. These changes are governed by factors such as the growth of the Swedish economy, rate of production of new property developments, infrastructure changes, employment and demographic factors.

Rental income

Rental income and vacancies are both heavily affected by Sweden's economic growth in general, but also and not least by growth at regional and local level in areas where Kungsleden operates. Economic growth leads to increased demand for premises with a potential for high rent levels and lower vacancies while an economic downturn has the opposite effect. The number of new property developments on local markets has an effect on rent levels and vacancies.

Kungsleden's property portfolio and customer structure has good risk diversification in terms of types of property, geography, length of leases and tenant categories.

The lease portfolio is relatively long-term with an average remaining term of 4.0 years for the whole portfolio. As this is a relatively long lease term, any change in market rents in the short term will not have any great impact on rental income.

Leases contain index clauses that mean the rent increases in line with inflation. Index calculations for a specific year are based on the rate of inflation in the month of October the previous year. Index clauses contain a minimum calculation, which provides a certain degree of security against deflation.

Rental income is also affected by any payment difficulties experienced by tenants. Rent losses amounted to SEK 0 m (–4) in 2013.

The risk of rent losses and vacancies is affected by the tenant structure. Having large commercial tenants can reduce credit risk but can also lead to concentration risks. Kungsleden's ten largest tenants accounted for 26 per cent of rental income. In many cases, the largest tenants have several different business activities and subsidiary companies in several locations, which reduces the risk.

The largest tenants	Rental income, SEK m	Rental income, %
ABB	298	12
Bring Frigoscandia AB	64	3
Överskottsbolaget	55	2
Swedish Armed Forces	40	2
ICA	38	2
Municipality of Gotland	33	1
V-TAB	30	1
Bygghmax AB	30	1
Westinghouse Electric Sweden AB	24	1
Axfood Sverige AB	20	1
Total ten largest tenants	632	26
Other tenants in properties	1,569	64
Nordic Modular	262	10
Total	2,463	100

Property costs

Fluctuations in operating costs affect cash flow. The biggest operating costs are for electricity, cleaning, heating, water, care and maintenance. Ground rents and property tax plus costs for electricity and heating have the biggest impact on the bottom line. The price of electricity is governed by supply and demand on the open electricity market. Kungsliden has limited risk by fixing the price of certain electricity contracts. A proportion of electricity and heating costs are debited to tenants. Kungsliden compensates for costs not borne by tenants, by including index clauses in leases that mean rents increase 75–100 per cent in line with inflation. There is therefore only limited exposure to these costs. However, cash flows and net operating income of properties are affected by seasonal variations in costs for media and care and maintenance.

Certain properties have leasehold contracts that are usually renegotiated every 5–20 years. Ground rents are currently calculated such that the local authority receives a reasonable real rate of interest on the estimated value of the ground. One cannot discount changes being made to the calculation base for ground rents in future renegotiations.

Property tax based on the assessed value of the property which is dependent on political decisions. This applies to both the base for the calculation, the assessed tax value, and the tax rate. Property tax is normally onward debited to tenants for the space let, while tax on vacant premises must be borne by the property owner.

Sensitivity analysis, cash flow	Change	Impact on profits, SEK m
Rental income	+/-1%	+/- 25
Economic vacancy	+/-1%-point	+/- 28
Property costs	+/-1%	-/+ 9
Loan portfolio average interest rate	+/-1%-point	-/+ 129
Short market rate (<six months)	+/-1%-point	-/+ 33

II – Financial risks

Here, financial risks mean fluctuations in the company's profits and cash flow as a consequence of changes in market interest rates or exchange rates and also refinancing and credit risks. The Board lays down a finance policy each year for how the group is to manage financial risks. The finance policy forms a set of guidelines and rules in the form of risk mandates and limits for financial activities. Responsibility for the group's financial transactions is managed centrally by the group finance department.

Kungsliden's financial risks are described in the chapter Financing and financial risks on page 27. This includes descriptions of specific financing risks, liquidity risks and interest rate risks and financial risk management as such. Credit risk and currency risk are described in the note below.

Credit risk

Credit risk is defined as the risk that a counterparty will default on all or part of required payments. Derivative contracts, issuing a vendor promissory note and investing liquidity contain credit risks. The risk that tenants fail to pay rent is also a counterparty risk and has been touched on in this note above.

When issuing vendor promissory notes, there is a risk that the counterparty fails to pay interest and repayments on the loan amount. Kungsliden has adopted a restrictive practice when it comes to vendor promissory notes. One vendor promissory note has not been paid over the past five years. The promissory note in question was not booked as income at the time of sale, so no actual loss ever arose. In the case of material long-term receivables, security is normally sought to reduce the credit risk. Present long-term receivables amounted to SEK 239 m (244) as of 31 December 2013. Security for the most significant receivables has been provided. The fair value of a security is assessed to exceed the outstanding net receivable, which limits the credit risk. For further information, please see note 21.

Currency risk

The group's currency exposure consists of translation exposure related to property holdings in German primarily. I.e. in assets denominated in EUR. There is no transaction exposure to any material degree. The finance policy stipulates that properties in foreign currency are to be financed in the local currency of the country in question. If the investment via shareholders equity in foreign currency is in excess of SEK 500 m, the Board shall take a position annually on whether the capital should be currency hedged. In addition, on resolved sales, a minimum of 50 per cent of the expected goodwill must be currency hedged, assuming this is not reinvested in local currency.

As of 31 December 2013, one property was owned in Germany valued at less than SEK 100 m, that has been largely financed with loans in Swedish kronor. There is therefore a certain, albeit limited exposure to the EUR which means that no currency hedging has been assessed as necessary as of 31 December 2013. The effect on other comprehensive income of translation exposure amounted to SEK 1 m (-1) during the year.

NOTE 3 SIGNIFICANT CONSIDERATIONS AND ASSESSMENTS

Valuation of properties

Most significant sources of uncertainty in estimate

As there are no quoted market prices to check for a property, an assessment of a property's value must be made instead, which then forms the basis for booking the property at fair value. The value of a property is dependent on many factors that affect profits and cash flow. Different judges make different assessments and therefore provide different values. Financing terms and conditions, interest rate levels and a functioning finance market also affect pricing and return on investment requirements that create balance on the property market with buyers and sellers. On a functioning market, a sales price would usually normally be found in the estimated value range of +/- 5 to 10 per cent.

Assessments when applying the accounting principles

The value of properties is regularly and individually assessed during the year based on a number of assessments and estimates on future cash flows and return on investment requirements for a possible transaction. This process is described in note 14. In most cases, reconciliation is also done against external valuations. The fact that Kungsleden is active on the property market with numerous purchase and sales transactions provides additional market information and reinforces the possibility of producing sound estimates of an assessed value.

A sensitivity analysis for a valuation range of +/- 5 to 10 per cent and the effect of this on unrealised gain/loss, equity ratio and loan to value can be found on page 13.

Tax situation

Most significant sources of uncertainty in estimates

Reporting of accrued tax to pay, loss carry forwards and deferred taxes on temporary differences between looked and taxable values are based on the tax rules applicable. One can say that tax legislation is complex, especially in association with the purchase and sale of properties and companies. Tax court interpretations of existing rules can also change over time, which means that applications can change after a transaction is completed and tax returns filed. The Swedish Tax Agency normally has an opportunity to review a company's tax return within two years of the financial year, however, in certain cases the Tax Agency can review tax returns dating back five years.

Assessments when applying the accounting principles

An assessment is made of how individual transactions should be filed and an estimate made of probable outcome for the specific tax liability of each company and possible disputes. A tax cost/tax liability is booked if the company assesses that it is more probable than not that additional tax will be payable. Kungsleden regularly consults with external experts on its assessments related to tax issues. This does not mean, however, that there is no risk that a tax court would be able to assess completed transactions in a different way to the company.

For further information on the tax situation and its effect on profits, position and any other undertakings, see page 30 and notes 10 and 25.

NOTE 4 OPERATING SEGMENTS

SEK m	Properties		Nordic Modular ⁴		Other/group wide ²		Total Kungsleden	
	2013	2012	2013	2012	2013	2012	2013	2012
Rental income	1,669.3	1,583.1	261.9	256.6			1,931.2	1,839.7
Sales income modular production			292.8	270.3			292.8	270.3
Net sales	1,669.3	1,583.1	554.7	526.9			2,224.0	2,110.0
Property costs	-538.1	-537.6	-116.5	-96.7			-654.6	-634.3
Costs for modular production			-268.4	-258.1			-268.4	-258.1
Gross profit/loss	1,131.2	1,045.5	169.8	172.1			1,301.0	1,217.6
Sales and administration costs	-114.7	-146.9	-41.8	-40.4			-156.5	-187.3
Net financial items	-575.3	-557.0	-20.5	-28.5			-595.8	-585.5
Profits from property management	441.2	341.6	107.5	103.2			548.7	444.8
Gains/losses investment properties								
Profit/loss on property sales	8.0	16.2	0.0	0.0			8.0	16.2
Unrealised gains/losses	47.9	0.0	-	-20.3			47.9	-20.3
Unrealised gains/losses financial instruments	425.3	-69.9	-	-			425.3	-69.9
Profit/loss before tax	922.4	287.9	107.5	82.9			1,029.9	370.8
Tax	-202.5	189.6	-23.5	-17.9	34.0	-985.0	-192.0	-813.3
Profit/loss for the year from remaining businesses	719.9	477.5	84.0	65.0	34.0	-985.0	837.9	-442.5
Discontinued operations: Hemsö holding after tax					24.0	794.4	24.0	794.4
Profit/loss for the year	719.9	477.5	84.0	65.0	58.0	-190.6	861.9	351.9
ITEMS IN STATEMENT OF FINANCIAL POSITION								
Goodwill			201.4	201.4			201.4	201.4
Properties	20,338.4	14,246.7	1,530.5	1,530.5			21,868.9	15,777.2
Claim against Third AP fund					-	3,362.9	-	3,362.9
Other assets ³					897.9	1,558.2	897.9	1,558.2
Total assets	20,338.4	14,246.7	1,731.9	1,731.9	897.9	4,921.1	22,968.2	20,899.7
Interest-bearing liabilities	12,449.6	7,578.2	429.0	627.9	-	1,427.7	12,878.6	9,703.8
Appropriations and other liabilities ³	707.8	2,417.9	-	-	928.8	959.7	1,636.6	3,469.5
Total liabilities	13,157.4	10,088.0	429.0	627.9	928.8	2,387.4	14,515.2	13,173.3
OTHER DISCLOSURES								
Purchases and investments in properties	6,148.2	1,754.2	8.2	4.2			6,156.4	1,758.4
Non cash items in income statement	481.2	-53.7	0.0	-20.3			481.2	-74.0

¹ Apportionment of interest costs for Nordic Modular segment with effect from 2013 inclusive based on directly attributable borrowings. No rate derivatives are apportioned to Nordic Modular either. Comparison figures for 2012 have been recalculated. Net financial items have been changed compared with the year-end report for 2013 where not all interest costs attributable to Nordic Modular had been apportioned.

² The previously jointly owned Hemsö was divested in February and is recognised in 2013 as discontinued operations at the bottom of the income statement and is no longer a separate segment. It is now presented in the column Other/group function

³ Assets that are not properties, goodwill or rate derivatives with gains, are not apportioned per segment. Apportionment is not done either for appropriations and liabilities that are not liabilities to credit institutions or concern rate derivatives with losses or purchased but not paid for properties not yet in our possession.

Kungsleden's operating segments are properties and Nordic Modular. The segment properties manages and develops properties and provides premises for external customers. Nordic Modular lets modular buildings in a corresponding way as traditional premises and also produces and sells modules to external customers. Other/group function are any items that are not attributable to a specific segment or common to all.

The segments have been created based on the reporting that is done internally to the CEO and executive management concerning actual

performance and position. Segment reporting as above is structured using the same accounting principles as the annual accounts in general and the segment totals correspond to the figures for the group. Material transactions between the segments consist of group contributions and an internal loan from Nordic Modular that is interest-bearing.

ABB is the only customer that accounts for more than 10 per cent of incomes. In 2013, rental income was SEK 298 m (295), which corresponds to 13 per cent (14) of the group's net turnover.

Geographic market, SEK m	Sweden		Germany/Poland		Denmark/Norway		Total Kungsleden	
	2013	2012	2013	2012	2013	2012	2013	2012
Net sales	2,173.0	2,060.1	14.2	27.5	36.8	22.4	2,224.0	2,110.0
Properties	21,687.6	15,504.0	74.0	163.9	107.3	109.3	21,868.9	15,777.2
Purchases and investments in properties	6,156.4	1,755.8	-	1.4	-	1.2	6,156.4	1,758.4

NOTE 5 OPERATIONAL LEASING

Lessor

From an accounting perspective, lease contracts are considered to be operational leasing contracts where Kungsleden is the lessor. The table shows rental income calculated on current leases, of which there were 3,270 as of 31 December 2013. Leases on premises are often for 3–5 years. Longer agreements are sought in certain situations and arise for instance, in association with investments and specific properties or operations. Rent is generally index linked. In addition to the base rent, in most cases, supplements are payable for heating and property tax. These supplements are based on the actual costs incurred by the landlord.

Lessor, rental income, SEK m	2013	2012
Contracted income with payment within one year	2,122.0	1,805.8
Contracted income with payment from two to five years	4,407.1	4,118.9
Contracted income with payment beyond five years	2,075.6	2,113.9
Total	8,604.7	8,038.6

Lessee

As operational lessee, a number of contracts have been entered into related to leaseholds, company cars and office equipment. The table below shows contracted payments for leaseholds. Other operational lease agreements are of no material sum.

Lessee, ground rents, SEK m	2013	2012
Contracted ground rents with payment within one year	10.0	5.1
Contracted ground rents with payment from two to five years	36.0	13.9
Contracted ground rents with payment beyond five years	22.2	2.1
Total	68.2	21.1

NOTE 6 SALES AND ADMINISTRATION COSTS

Sales and administration costs primarily relate to costs for central functions such as business development, finance, legal and IT, and costs associated with stock market listing and group management. Costs for rent billing, rent demands and accounting plus depreciation are included in equipment similarly. Direct costs for day-to-day property management of SEK 49 m (48) and in Nordic Modular, SEK 19 m (22), are recognised as costs in gross profits. Direct costs have been apportioned using a changed accounting principle in 2013 and the comparison figures for 2012 have been recalculated.

SEK m	2013	2012
Personnel expenses	-90.4	-98.5
Depreciation	-2.7	-2.8
Other operating costs	-63.4	-86.0
Total	-156.5	-187.3

Fees to auditors

Audit services comprise examination of the annual financial statements, accounting records and administration of the business by the CEO and Board, other procedures required to be carried out by the company's auditors and advice or other assistance relating to observations made during the performance of such other procedures.

SEK m	2013	2012
KPMG		
Auditing services	3.3	3.6
Accounting services other than auditing	0.3	0.4
Tax advice	0.9	1.2
Other services	2.0	0.2
Total	6.5	5.4

NOTE 7 EMPLOYEES AND PERSONNEL EXPENSES

The average number of employees in 2013 was 253 (269). See below for a breakdown by country and gender.

Average number of employees	2013	Of which women, %	2012	Of which women, %
Sweden	249	23	264	23
Denmark (Nordic Modular)	2	–	3	–
Norway (Nordic Modular)	2	–	2	–
The group	253	23	269	23

The Nordic Modular Group is included in the above figures, whose average number of employees was 171, of which 8 per cent were women. The average number of employees at Kungsleden was 82, including 53 per cent women, most employed by subsidiary company Kungsleden Fastighets AB.

Gender balance in the Board and executive management

The Board of Kungsleden AB consisted of seven directors (seven) including two women (three) on balance day. The executive management team consisted of nine (six) including four (two) women.

Salaries, other remuneration and social security costs, SEK '000	2013		2012	
	Salaries, other remuneration	Social security costs	Salaries, other remuneration	Social security costs
GROUP				
<i>Senior executives</i>				
Board, CEO and dCEO (of which pension costs)	16,481	9,180 (3,270)	16,736	8,399 (2,506)
Larsson, Göran	480	151	–	–
Bryngelson, Håkan	30	9	555	174
Fernqvist, Magnus	230	72	–	–
Gahm, Joachim	260	82	250	79
Gustafson, Peter	260	82	–	–
Holmgren, Lars	260	82	250	79
Meyer, Magnus	30	9	220	69
Orback Pettersson, Kia	230	72	280	88
Wikström, Charlotta	230	72	250	79
Pehrsson Biljana, CEO	1,806	874	250	79
Erséus, Thomas (CEO)	7,205	5,018	5,710	3,589
Kvist, Anders (dCEO)	5,160	2,657	1,051	610
Risberg, Johan (dCEO)	–	–	7,920	3,553
Other senior executives (of which pension costs)	10,613	5,891 (1,998)	9,801	5,700 (2,137)
Total senior executives	26,794	15,071 (5,268)	26,537	14,098 (4,643)
<i>Other employees</i>				
Other employees (of which pension costs)	116,910	50,267 (11,474)	123,629	54,647 (13,300)
Total employees (of which pension costs)	143,704	65,338 (16,742)	150,166	68,745 (17,943)

All pension costs relate to defined contribution plans or ITP plans.

Remuneration to senior executives

Principles

The Chair of the Board and Board members receive fees as resolved by the Annual General Meeting. Board members employed by the company do not receive fees. Remuneration to the CEO, deputy CEO and other senior executives consists of basic salary, other benefits and pension. Other senior executives here means members of the executive management team other than the CEO and dCEO. The average number was five in 2013. The bonus element should comprise a material part of possible remuneration and is maximised to 75 per cent of annual fixed salary. The bonus element is based on performance in relation to individually set targets.

Bonus payments

Bonus payments for the CEO and dCEO were based on profits from properties under management in 2013. The payments made to the CEO and dCEO in 2013 amounted to 18 (16) per cent of basic salary.

In the case of other senior executives, bonus payments were payable on the same basis as for the CEO and dCEO and on individual perfor-

mance related targets in their own areas of responsibility. The payments made to these executives in 2013 amounted to 32 (20) per cent of basic salary on average.

Pensions

Pension age for all senior executives is 65 and all have premium-based pensions, with no other commitments for the company than paying annual premium contributions. Pension premiums for the CEO comprise 23 per cent of basic annual salary and for the dCEO, 30 per cent of fixed annual salary. Pension premiums of 25 per cent of fixed annual salary are paid for two senior executives. Other senior executives and employees are enrolled in the ITP plan.

Termination

The CEO is required to give six months notice to terminate employment and from the company's side, the notice period is 12 months. Accordingly, if the company gives notice to terminate employment, the CEO will receive six months severance. Severance is not pensionable. If the employment is terminated by the CEO, no severance pay is due. In the

case of the dCEO, employment is subject to 6 months notice by either party. If the company gives notice to terminate employment, the dCEO will receive eighteen months severance. Severance is not pensionable. If the employment is terminated by the dCEO, no severance pay is due.

Two senior executives are required to give three months notice to terminate employment and from the company's side, the notice period is 6 months. If the company gives notice to terminate employment, one senior executive is entitled to twelve months severance. Severance is not pensionable. No severance is payable if the executive gives notice. Two senior executives are required to give six months notice to terminate employment and from the company's side, the notice period is 12 months. Other executives are required to give six months notice to terminate employment and from the company's side, the notice period is 12 months. In the case of all senior executives, termination pay is normally offset against other income.

Planning and decision-making process

Remuneration to senior executives is resolved by the Board following proposals from the remuneration committee. These are based on guidelines adopted by the AGM.

Remuneration and other benefits SEK '000	Basic salary/directors fees		Bonus payments ¹		Other benefits		Pension costs ²		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Chair of the Board	510	555	-	-	-	-	-	-	510	555
Other Board members	1,630	1,500	-	-	-	-	-	-	1,630	1,500
CEO ³	8,361	5,710	520	-	102	77	2,437	1,425	11,420	7,212
dCEO ⁴	3,540	6,898	1,160	2,074	5	3	833	1,081	5,997	10,056
Other senior executives, 7 (5)	8,068	8,181	2,545	1,620	234	268	1,998	2,137	12,845	12,206
Total	22,109	22,844	4,685	3,694	341	348	5,268	4,643	32,402	31,529

¹ Bonus payments related to the 2013 bonus scheme, of which SEK 685,000 (3,694,000) was charged to 2013.

² Pension costs relate to costs charged to 2013. See also below for more information on pensions.

³ Information on CEO in 2013 relates to both Biljana Pehrsson and Thomas Erséus.

⁴ Information on dCEO in 2012 relates to both Anders Kvist and Johan Risberg.

NOTE 8 COSTS PER COST TYPE AND FUNCTION

Breakdown by cost type, SEK m	2013	2012
Repair, maintenance and tenant modifications	-516.6	-495.4
Other direct property expenses	-87.3	-77.6
Changes in equipment	-13.4	-
Materials and consumables	-103.6	-113.6
Other direct production expenses, modular buildings	-90.5	-70.1
Personnel expenses	-212.1	-222.0
Depreciation	-5.6	-6.0
Other external costs	-63.7	-95.0
Total	-1,092.8	-1,079.7
Breakdown in income statement, SEK m	2013	2012
Sales income modular buildings	-13.4	-
Property costs – properties	-538.0	-537.6
Property costs – modular buildings	-116.5	-96.7
Costs for modular production	-268.4	-258.1
Sales and administration costs	-156.5	-187.3
Total	-1,092.8	-1,079.7
Depreciation and impairments per function, SEK m	2013	2012
Production costs	-2.9	-3.2
Sales and administration costs	-2.7	-2.8
Total	-5.6	-6.0

NOTE 9 PROFIT/LOSS FROM FINANCIAL INSTRUMENTS

Net financial items, SEK m	2013	2012
Interest income on accounts receivables and loans receivables	18.3	25.2
Interest income on bank deposits	-	3.9
Other financial income	0.1	1.9
Total financial income	18.4	31.0
Interest costs, SEK m	2013	2012
<i>Interest cost borrowings</i>		
Loans measured at accrued acquisition value ¹	-294.1	-304.9
Loans measured at fair value	-	-46.6
Interest rate derivatives measured at fair value	-255.6	-196.3
Interest costs from borrowings	-549.7	-547.8
Other financial liabilities measured at accrued acquisition cost ¹	-3.8	-30.9
Total interest costs	-553.5	-578.7
Other financial costs, SEK m	2013	2012
Set up fees, bank loans	-59.6	-33.1
Currency gains/losses	-0.3	-
Other financial costs	-0.8	-4.7
Total other financial costs	-60.7	-37.8
Total net financial items	-595.8	-585.5

¹ Total of interest costs for financial instrument measured as accrued acquisition value was SEK 298 m (336).

Unrealised gains/losses

Unrealised gains/losses on financial instruments are not recognised in net financial items and are presented on a separate line in the income statement.

Financial liabilities measured at fair value via the income statement as held for trading were SEK 425 m (-70). Of this amount, SEK 414 m (-47) relates to rate derivatives, 3 m (-4) share swaps, 8 m (-9) currency gains/losses on non current receivables and - m (-10) loans measured at fair value (fair value option). For a description of financing and the background to performance, see pages 27–29 and in note 24.

NOTE 10 TAXES

Tax in income statement, SEK m	2013	2012
Tax payable	-12.2	-16.0
Deferred tax	-179.8	-797.3
Recognised tax	-192.0	-813.3

Tax payable amounted to SEK -12 m (-16) and in principle, comprises tax to pay on operations for the year and tax to pay on possible tax cases. Tax arose in 2013, exclusively on operating activities and primarily in acquired companies without group contributions to the rest of the group during the first year. The tax cases have not affected tax payable in 2013 as no appropriations have been made and the tax payable that was determined during the year had been set aside as tax payable in previous years. In the previous year, the tax payable on SEK -16 m consisted of SEK -1 m on operating activities and SEK -15 m as a consequence of the tax cases.

Reconciliation of effective tax, SEK m	2013	2012
Profit/loss before tax	1,029.9	370.8
Tax 22.0 % (26.3 %)	-226.6	-97.5
Effect of internal undervalue transactions ¹	0.3	218.7
Sales of properties via companies	1.7	94.1
Sales of divided properties	0.1	-3.9
Provisions for tax cases related to previous years.	34.0	-985.0
Other tax related to previous years	-0.7	-13.0
Reduction of tax rate to 22.0 %	-	-39.8
Other non taxable income	2.5	24.7
Non deductible expenses	-3.2	-11.2
Effect of different tax rates for foreign subsidiaries	-0.1	-0.4
Recognised tax	-192.0	-813.3

¹ In the case of historic internal undervalue transactions, loss carry forwards have arisen that are recognised as income in association with the sale. An explanatory note arises as profit before tax has not been affected.

Deferred tax on temporary differences and loss carry forwards 2013, SEK m	13-01-01	To income statement	Purch/sale	Transfer other liabilities	13-12-31
Loss carry forwards	426.2	-35.2			391.0
Properties	-430.6	-80.2	5.7		-505.1
Financial instruments	247.5	-91.8			155.7
Allocations	-23.1	17.0	2.1		-4.0
Other	-13.3	10.4			-2.9
Total	206.7	-179.8	7.8	-	34.7

Deferred tax on temporary differences and loss carry forwards 2012, SEK m	12-01-01	To income statement	Purch/sale	Transfer other liabilities	12-12-31
Loss carry forwards	1,327.0	-900.8			426.2
Properties	-600.6	147.9	22.1		-430.6
Financial instruments	299.8	-52.3			247.5
Allocations	-27.4	4.3			-23.1
Other	20.9	3.6		-37.8	-13.3
Total	1,019.7	-797.3	22.1	-37.8	206.7

Overall tax position

SEK m	Carrying amount		Non carrying amount		13-12-31	Total	12-12-31
	13-12-31	12-12-31	13-12-31	12-12-31			
<i>Situations that are recognised as deferred tax</i>							
Loss carry forwards	391.0	426.2	445.4	445.8	836.4		872.0
Properties	-505.1	-430.6	-986.2	-898.6	-1,491.3		-1,467.2
Financial instruments	155.7	247.5			155.7		247.5
Allocations	-4.0	-23.1			-4.0		-23.1
Other temporary differences	-2.9	-13.3			-2.9		-13.3
Total	34.7	206.7	-540.8	-452.8	-506.1		-384.1
<i>Deferred tax on other lines in financial position</i>							
Goodwill	201.4	201.4			201.4		201.4
Properties	-203.4	-138.0			-203.4		-138.0
Total	-2.0	63.4	-	-	-2.0		63.4
Total	32.7	270.1	-540.8	-452.8	-508.1		-320.7

In addition to the deferred tax liabilities and tax claims respectively that are recognised in the accounts, there are additional loss carry forwards and temporary differences that have not been capitalised in the accounts.

The first situation concerns the declared loss carry forwards of SEK 2,025 m (2,026) that have arisen in association with acquisitions of properties via companies. These will be capitalised/recognised as income when the respective property is sold externally. The change on non measured loss carry forwards of SEK 1 m (832) in 2013 has occurred because the loss carry forward has been booked for properties that were sold in 2013. This has meant an income of SEK 0.3 m (218.7) in 2013.

The second situation concerns temporary differences related to gains in association with property acquisitions via companies that have been

classified as asset acquisitions, where the differences, in accordance with the accounting rules, are not to be considered when calculating deferred tax in the statement of financial position. Instead, the value is recognised as an amount corresponding to the deduction received in the acquisition analysis as a reduced book value on the property, see also note 14. The temporary differences for gains on asset acquisitions that have not been booked as net in the statement of financial position amounted to SEK -4,483 m (-4,085) on 31 December 2013.

Estimate of value of tax position to Kungsleden

As the accounting principles do not consider how the tax position is expected to crystallise, it is interesting to make a separate estimate of the value of the tax position. A comparison between recognised deferred tax and estimates of the asset value of the position indicate

that the asset value to continued operations is slightly higher than the recognised value on 31 December 2013. The estimate does not claim to be an exact science but more an indicative value level based on a number assumptions.

SEK m	Continued operations ¹	Continued operations and negative tax cases ²	Discontinued operations ³
Loss carry forwards	657.1	301.1	209.1
Properties and goodwill	-373.3	-373.3	-373.3
Financial instruments	170.2	170.2	38.9
Allocations	-4.0	-4.0	-1.0
Other temporary differences	-2.9	-2.9	-0.7
Total	447.1	91.3	-127.0

¹ In the case of continued operations, loss carry forwards are assessed as being able to be used to offset taxable profits on operating activities. The estimated value is calculated as the present value of the assessed declared profits for the coming ten years with a discounted rate of 5 per cent. Properties and goodwill are assessed as a liability corresponding to 5.5 per cent of temporary differences. Derivatives are measured at present value of loss carry forwards based on estimated rate payments in accordance with swaps contracts. Allocations and other temporary differences are expected to be settled in the next year or two and are valued at nominal value.

² In the case of continued operations and worst case scenario in the present tax cases, loss carry forwards assessed at SEK 500 m will be lost in the tax cases. One consequence would be that profits fall in line with increased interest costs and that smaller loss carry forwards would be claimed, which would further reduce the estimated value of the loss carry forwards. In general, the assumptions are the same as above.

³ When closing derivatives, allocations and other temporary differences that affect loss carry forwards are estimated, along with existing loss carry forwards that are assessed as being able to be sold for 5.5 per cent. The properties are assumed to be able to be sold in company form at book value with a deduction that in this estimate is assumed to amount to 5.5 per cent of total temporary differences. Goodwill is treated in the same way as properties with its direct connection.

Restrictions on the utilisation of loss carry forwards

Group loss carry forwards are partially restricted on account of acquisitions and mergers. These restrictions mean that deficits in a group company cannot always be offset against profits in other group companies for a certain number of years, on account of a so-called group contribution block arising at the time of acquisition. In the case of mergers, deficits can also be restricted to the company's own profits.

Non agreed returns

A number of returns have not been agreed by Swedish authorities, see description on page 30. Initial official decisions, for which provisions have not been made, are recognised as contingent liabilities in note 25.

NOTE 11 DISCONTINUED OPERATIONS

In February 2013, the remaining shareholding in Hemsö, a joint venture with the Third AF Fund that previously comprised a separate segment, was divested. All income statement items from the holding (share of profit, interest income and interest costs) are reported in 2013 as discontinued operations at the bottom of the income statement. Comparative figures have been recalculated to eliminate the impact on profit for the year.

The profit from the Hemsö holding, SEK 24 m (794), relates to the 2013 share of income up to divestment on 15 February this year. The actual figures for 2012 included sales of SEK 631 m.

Earnings per share for the discontinued operations amounted to SEK 0.18 (5.82).

NOTE 12 EARNINGS PER SHARE

	2013	2012
Profit/loss for the year on the income statement SEK m	861.9	351.9
No of outstanding shares	136,502,064	136,502,064
Average no of shares ¹	136,502,064	136,502,064
Earnings per share before and after dilution, SEK	6.31	2.58

¹ No changes in number of shares outstanding have occurred in 2013 or 2012. No dilution effect as there are no potential ordinary shares

NOTE 13 GOODWILL

SEK m	13-12-31	12-12-31
Accumulated acquisition values at start of year	208.5	208.5
Total	208.5	208.5
Accumulated impairments at start of year	-7.1	-7.1
Total	-7.1	-7.1
Carrying amount at year-end	201.4	201.4

Goodwill is related to Kungsliden's purchase of the Nordic Modular Group in 2007. Goodwill is primarily part of the business acquisition of investment properties and to a less extent, the actual business taken over and modular production. As investment properties were purchased via a business acquisition, full tax was booked on goodwill even though a very small deduction for deferred tax on the temporary differences arose on Kungsliden's valuation at time of acquisition. The difference between the deduction and the booked deferred tax was reported as a goodwill item.

The recovery value has been based on the net realisable value. The temporary difference has not been reduced since the acquisition and the deduction for deferred tax is not higher than at time of acquisition. This calculation has not given rise to any impairment need. The business in general operates profitably and is expected to continue to do so in the years to come.

NOTE 14 INVESTMENT PROPERTIES – PROPERTIES

SEK m	13-12-31	12-12-31
Carrying amount at start of year	14,246.7	13,219.8
Purchases	5,935.4	1,549.7
Investments in owned properties	212.8	204.5
Book value of sold properties	-108.3	-716.9
Currency gains/losses	3.9	-7.4
Unrealised gains/losses	47.9	-3.0
Carrying amount at year-end	20,338.4	14,246.7

SEK m	Offices	Industrial/warehouses	Retail	Other	All properties
Properties at start of year	5,537.1	6,008.2	2,070.9	630.5	14,246.7
Purchases	4,548.8	707.0	620.8	58.8	5,935.4
Investments in owned properties	116.4	64.1	23.9	8.4	212.8
Book value sold properties	0.9	-3.8	-11.5	-93.9	-108.3
Currency gains/losses	0.0	2.7	0.0	1.2	3.9
Unrealised gains/losses	182.4	-110.4	-31.8	7.7	47.9
Properties at year-end	10,385.6	6,667.8	2,672.3	612.7	20,338.4

If properties are purchased via companies, normally gains on the transactions are deducted by assuming material temporary differences compared with if the acquisition were to be effected as a property acquisition. These deductions for deferred tax are reported for asset acquisitions not as a deferred tax liability but as a deduction on the property value in accordance with accounting standards. The table below states the fair value of the properties and the combined deduction for deferred tax claimed on acquisitions.

SEK m	13-12-31	12-12-31
Fair value properties	20,541.8	14,384.7
Deduction claimed for deferred tax on purchase of properties via companies (asset acquisitions)	-203.4	-138.0
Carrying amount at year-end	20,338.4	14,246.7

Valuation of properties

Internal valuations of all properties have been performed as of 31 December 2013 and comprise the book value. Virtually all properties have also been valued by external valuers. They act as a reference value and the external values confirm the internal valuations.

Internal valuation

Kungsleden has chosen to base fair value on valuations performed internally. Kungsleden performs its own regular internal valuations as an integral part of our business process in which an individual assessment of potential sales value is made of each property. There is always a business plan for each property. The business plan is updated at least once a year and contains an internal valuation, the most recent external valuation, an action plan for measures assessed as part of optimising the net operating income of the property and value and a position on whether the property ought to be sold or retained.

External valuation

For quality assurance purposes and to verify internal valuations, regular valuations are performed by external, independent party valuers. A comprehensive external valuation is performed every three years that includes surveys of the properties, of a representative selection of properties corresponding to 50–70 per cent of total property holdings by value. In the years in between, earlier valuations are updated, a so-called desktop valuation of properties owned at the start of the year. These external valuations are normally done in the autumn with December as the date of valuation. A comprehensive valuation is always done for new properties and on properties where specific reasons exist.

Valuation method

Kungsleden reports its property holdings at fair value, which is the same as market value in the case of properties. Fair value is based on internal

valuations that are performed regularly as an integral part of our business process in which an individual assessment of the potential sales value is made of each property. The valuation is based on level 3 (see description of valuation classes in note 24), i.e. using data not observable on the market.

When valuing properties, Kungsleden applies a combination of the income approach and the sales comparison approach for the location. The discounted cash flow and residual value of each individual property is forecast based on a five-year calculation period. The return on capital requirements applied are based on Kungsleden's long experience of the transactions markets and is assessed on the unique risk profile of each property plus analysis of transactions completed in the location based on the comparative approach. An inflation assumption of 1.5 per cent is used in valuations.

The table below shows the average property yield requirement in each respective property segment. The property yield in the valuations is in the range of 5.0–14.0 per cent.

	Fair value ¹ , SEK m	Average property yield requirement, %	Range property yield requirement, %
Offices	10,472.4	7.4	5.0–11.5
Industrial/warehouses	6,757.3	8.6	7.0–14.0
Retail	2,692.5	7.6	6.5–9.0
Other	619.6	7.6	6.0–13.5
Total	20,541.8	7.8	5.0–14.0

¹ Before deduction for deferred tax claimed on purchase.

Sensitivity analysis, valuation	Change	Affect on value, SEK m
Net operating income	+/-1.0%	+205.4/-205.4
Property yield requirement	+/-0.1%	-259.8/+266.5

SEK m	Offices	Industrial/warehouses	Retail	Other	Valued properties	Not externally valued ¹	Deduction for deferred tax claimed on purchase	All properties
Booked value	10,472	6,683	2,687	620	20,462	79	-203	20,338
External valuation	10,512	6,637	2,703	638	20,490			

NOTE 15 INVESTMENT PROPERTIES – MODULAR BUILDINGS

SEK m	13-12-31	12-12-31
Carrying amount at start of year	1,509.3	1,550.3
Investments in owned properties	6.6	-
Book value of sold properties	-7.2	-20.7
Unrealised gains/losses	-	-20.3
Carrying amount at year-end	1,508.7	1,509.3

NOTE 16 PROPERTY USED IN BUSINESS OPERATIONS

SEK m	13-12-31	12-12-31
Accumulated acquisition values at start of year	27.1	22.9
Investments in owned properties	1.6	4.2
Total	28.7	27.1
Accumulated depreciation at start of year	-5.9	-4.6
Depreciation	-1.3	-1.3
Total	-7.2	-5.9
Carrying amount at year-end	21.5	21.2

NOTE 17 EQUIPMENT

SEK m	13-12-31	12-12-31
Accumulated acquisition values at start of year	29.0	27.4
Purchases	6.4	3.3
Sales/disposals	-2.6	-1.7
Total	32.8	29.0
Accumulated depreciation at start of year	-15.1	-12.0
Sales/disposals	1.3	1.6
Depreciation for the year	-4.2	-4.7
Total	-18.0	-15.1
Carrying amount at year-end	14.8	13.9

NOTE 18 OTHER NON CURRENT RECEIVABLES

SEK m	13-12-31	12-12-31
Carrying amount at start of year	244.0	443.2
New non current receivables	9.1	0.8
Currency gains/losses	8.0	-8.8
Repayments	-22.3	-191.2
Carrying amount at year-end	238.8	244.0

The largest receivable is a promissory note to Nollitnac Holding AB for SEK 227 m issued in association with the purchase of 36 properties from Nordic & Russia Properties in 2011 that matures in 2016. The market rate is payable and security in the form of shares has been provided. The market value of the pledged assets is assessed to exceed the outstanding receivable. However a provision has been made in the acquisition analysis in 2011 for the refinancing risk that existed, primarily because the promissory note matures so far ahead in time, see also note 21. For a description of credit risks, see note 2.

NOTE 19 SHAREHOLDERS EQUITY

At the end of the financial year, share capital was SEK 56,875,860 comprising a total of 136,502,064 shares. This gives a quota value of SEK 0.42 per share. There have been no changes to the share capital, number of shares or quota value in 2013 or 2012. No dilution effect as there are no potential ordinary shares.

When translating items in foreign currencies, the following exchange rates have been used:

SEK	Average rate		Balance day rate	
	2013	2012	13-12-31	12-12-31
EUR	8.65	8.71	8.94	8.62
DKK	1.16	1.17	1.20	1.16
NOK	1.11	1.16	1.06	1.17
PLN	2.06	2.08	2.15	2.12

NOTE 20 INTEREST-BEARING LIABILITIES

SEK m	13-12-31		12-12-31	
	Nominal amount	Fair values	Nominal amount	Fair values
LIABILITIES TO CREDIT INSTITUTIONS				
Bank loans with floating interest rate	12,878.6	12,927.7	9,703.8	9,734.5
INTEREST RATE DERIVATIVES				
Rate swaps, SEK 9,350 m (9,350)	-	707.3	-	1,120.9
Total loans and derivatives	12,878.6	13,635.0	9,703.8	10,855.4

Maturity date bank loan	13-12-31		12-12-31	
	Nominal amount	Percentage, %	Nominal amount	Percentage, %
2013	-	-	926.9	8.5
2014	1,842.9	11.7	1,458.9	13.4
2015	7,391.8	46.9	6,500.1	59.9
2016	3,835.8	24.4	1,977.9	18.2
2017	-	-	-	-
2018	2,673.0	17.0	-	-
Total	15,743.6	100.0	10,863.8	100.0
Unused credit	-2,865.0		-1,160.0	
Total utilised credit	12,878.6		9,703.8	

The group has a cheque account credit facility of SEK 260 m (260) that was not used at all at year-end 2013 and 2012.

NOTE 24 MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

SEK m	Accounts receivable and loans		Financial liabilities are measured at fair value via the income statement		Other liabilities		Total carrying amount		Fair value	
	13-12-31	12-12-31	13-12-31	12-12-31	13-12-31	12-12-31	13-12-31	12-12-31	13-12-31	12-12-31
Non current receivables	238.8	244.0	-	-	-	-	238.8	244.0	238.8	244.0
Trade receivables	97.2	71.4	-	-	-	-	97.2	71.4	97.2	71.4
Other receivables	1.7	3,545.7	-	-	-	-	1.7	3,545.7	1.7	3,545.7
Total	337.7	3,861.1	-	-	-	-	337.7	3,861.1	337.7	3,861.1
Interest-bearing liabilities					12,878.6	9,703.8	12,878.6	9,703.8	12,935.2	9,734.5
Accounts payable					160.5	113.8	160.5	113.8	160.5	113.8
Other liabilities			707.8	1,124.5	38.1	1,632.3	745.9	2,756.8	745.9	2,756.8
Total	-	-	707.8	1,124.5	13,077.2	11,449.9	13,785.0	12,574.4	13,841.6	12,605.1

¹ Figures in this column comprise maximum credit risk

NOTE 21 APPROPRIATIONS

SEK m	13-12-31	12-12-31
Appropriations at start of year	57.7	431.2
New appropriations (profits from property sales)	2.6	4.5
Settlements	0.5	-24.9
Reversal of tax payable in income statement	-	-325.0
Reversals other	-1.3	-28.1
Appropriations at year-end	59.5	57.7

SEK m	13-12-31	12-12-31
Refinancing risk promissory note receivable	45.1	45.1
Other commitments sold properties	14.1	12.6
Total	59.5	57.7

The appropriations mainly relate to refinancing risk on a promissory note issued to Nollitnac Holding AB that was set up in association with the purchase of 36 properties from Nordic & Russia Properties in 2011. The risk substantially resides in the uncertainty over the counterparty's refinancing that will be required in three years.

The remaining appropriations concern undertakings on sales of properties. There are a number of minor transactions where settlement can be required in the next one to two years.

	13-12-31	12-12-31
Matures for payment within one year	9.9	10.3
Matures for payment within two to five years	49.6	47.4
Matures for payment later than five years	-	-
Total	59.5	57.7

NOTE 22 OTHER LIABILITIES

At the start of the year, other liabilities mainly consisted of the purchase price for eleven properties that had yet to be paid for. The properties came into possession and were paid for in February 2013. The properties themselves had been booked as assets at the previous year-end.

NOTE 23 MATURITY STRUCTURE LIABILITIES

SEK m	13-12-31	12-12-31
Matures for payment within one year	2,712.2	2,954.2
Matures for payment two to five years	11,035.7	9,036.9
Matures for payment later than five years	-	-
Total	13,747.9	11,991.1

The maturity structure for liabilities relates to interest-bearing debts and operating liabilities excluding deferred tax liabilities and derivative valuations. All accounts payable mature within one year.

For information on the company's exposure to financial risks and how risks are managed, please see pages 27–29.

Measurement

A number of OTC derivatives are used to financially hedge risks in cash flows against interest rates and share price fluctuations from an earlier employee options programme. There are three measurement classes (levels):

- Level 1: in accordance with prices quoted on an active market for the same instrument.
- Level 2: based on directly or indirectly observable market data not included in level 1.
- Level 3: based on data not observable on the market.

Kungsleden's derivatives are measured with the help of valuation techniques based on observable market data (level 2). These derivatives amounted to SEM 708 m (1,125).

Fair value on accounts receivable and loans have been evaluated individually based on the risk of the receivable not being paid. A similar measurement is also done using the principles for carrying amount. The two most recent year-ends have reported fair value the same as the assessment of fair value.

Liabilities to credit institutions, SEK m	13-12-31	12-12-31
Liabilities at start of year	9,703.8	10,654.4
Proceeds from borrowings	4,844.7	6,795.5
New loans on company acquisition	740.5	–
Repayments	–2,410.4	–7,753.7
Gains/losses	–	10.9
Currency gains/losses	–	–3.3
Liabilities at year-end	12,878.6	9,703.8

NOTE 25 PLEDGED ASSETS & ANY OTHER UNDERTAKINGS

Pledged assets for liabilities, SEK m	13-12-31	12-12-31
Property mortgages	11,832.8	6,570.6
Shares in subsidiaries	4,316.0	3,223.7
Total	16,148.8	9,794.3

Assets are primarily pledged on bank loans. Loan agreements can include covenants related to interest coverage ratio and loan volume in relation to the fair value of the properties.

Any other undertakings, SEK m	13-12-31	12-12-31
Tax demands	2,990.0	3,375.8
Project guarantees	20.1	–
Rent guarantees	1.7	2.3
Other guarantees and undertakings	23.9	6.9
Total	3,035.7	3,385.0

Tax demands relate to appeals against Swedish Tax Agency rulings for which appropriations have not been set aside, following assessment on the final outcome in court. The tax situation and appeal are described on page 30 and in notes 3 and 10. Tax penalties and interest are included in the recognised amount.

Undertakings that result in expenses to reinstate contaminated land or other environment undertakings on owned properties could be effected in the future. Expenses can be incurred, for instance, in the form of additional costs in association with new build or conversions or price reductions on the sale of a property. It is not possible to assess possible future amounts at this time.

NOTE 26 SUPPLEMENTARY INFORMATION FOR CASH FLOW

Cash and cash equivalents includes cash and bank balances and can include assets held for sale.

Other adjustments that are not included in cash flow from operations, SEK m	2013	2012
Appropriations	1.7	–24.9
Depreciation and impairments	5.6	6.0
Provision/realised rent and customer losses	–0.2	3.5
Currency gains/losses	0.3	–
Profit/loss from sale of equipment	–0.7	–0.6
Increase (–)/Decrease(+) of interest claim	26.0	–26.0
Increase (–)/Decrease(+) of interest liability	–2.0	7.2
Other non cash items	0.6	2.7
Total	31.3	–32.1

Interest, SEK m	2013	2012
Interest received ¹	57.4	109.1
Interest paid ¹	–568.5	–676.5

¹ Interest payments for the claim on Hemsö and interest costs respectively for the investment are recognised in discontinued operations and amount to SEK 13 m (105) and SEK –13 m (–105) respectively.

Purchase of subsidiary companies, SEK m	2013	2012
<i>Acquired assets and liabilities</i>		
Investment properties	7,435.6	108.9
Operating receivables	45.9	3.0
Cash and cash equivalents	44.6	1.2
Total assets	7,526.1	113.1

Interest-bearing liabilities	740.5	–
Operating liabilities	5,500.2	103.5
Total appropriations and liabilities	6,240.7	103.5

Purchase consideration paid	1,285.4	9.6
Less: cash and cash equivalents in the acquired business	–44.6	–1.2

Affect on cash and cash equivalents acquired companies	2013	2012
	1,240.8	8.4

Sale of subsidiary companies, SEK m	2013	2012
<i>Sold assets and liabilities</i>		
Investment properties	91.3	1,422.1
Operating receivables	0.4	1.4
Cash and cash equivalents	0.1	0.7
Total assets	91.8	1,424.2

Deferred tax	7.8	–
Operating liabilities	37.1	753.0
Total appropriations and liabilities	44.9	753.0

Sale price	55.6	671.2
Less: promissory notes	–8.7	–
Purchase consideration received	46.9	671.2

Less: cash and cash equivalents in the discontinued operations	–0.1	–0.7
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Affect on cash and cash equivalents wholly owned subsidiaries	2013	2012
	46.8	670.5

Sale Hemsö/joint venture (settled 2013)	1,826.8	–
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Total affect on cash and cash equivalents divested companies	2013	2012
	1,873.6	670.5

The purchase or sale of properties via companies can lead to material cash flows on the lines of operating receivables and operating liabilities respectively. This was the situation in 2013 for example, when the line increase(+)/decrease(–) in liabilities = operating liabilities amounted to SEK –5,246 m. The background is primarily that significant property

acquisitions have been effected via companies, where the cash flow for share liquidity is recognised in investment activities, but where Kungsleden, in association with the purchase, has also settled the vendor's dealings with the transferred company. If no external financing is included in the purchase, such dealings often comprise the purchased company's own financing of the property holding. In the closing day balance, the dealings form part of the operating liabilities that cash wise, are settled by the buyer, in this case Kungsleden, which results in negative cash flow when settling operating liabilities. In property sales via companies, the opposite situation is the case. Operating liabilities in acquired and divested companies in 2013 and 2012 are shown in the figures above.

NOTE 27 TRANSACTIONS WITH ASSOCIATED COMPANIES

Hemsö Fastighets AB was an associated company until 15 February 2013. Financial income of SEK 13 m has been received for a promissory note of SEK 1,500 that was redeemed on exit. Financial costs incurred were SEK 0 m (31).

For remuneration to Board members and senior executives for work performed, see note 7.

Other than the above remuneration, there have been no transactions with any associated company or private person.

NOTE 28 EVENTS AFTER BALANCE DAY

The Kungsleden Nomination Committee proposes that the 2014 AGM elects Charlotte Axelsson and Liselotte Hjort as new Board members. The Nomination Committee further proposes the re-election of present directors: Göran Larsson, Joachim Gahm, Lars Holmgren, Kia Orrback Pettersson and Charlotta Wikström. Göran Larsson is also proposed for re-election as Chair. Magnus Fernqvist and Peter Gustafson have notified the Nomination Committee that they do not wish to seek re-election.

Parent company income statement

SEK m	Note	2013	2012
Intragroup income		39.0	61.4
Administration costs		-44.8	-56.4
Operating profit/loss	2-3	-5.8	5.0
PROFIT/LOSS FROM FINANCIAL ITEMS			
Profit/loss from participations in group companies	4	255.0	562.1
Interest income and similar items	4	572.7	168.6
Interest costs and similar items	4	-384.7	-410.2
		443.0	320.5
Profit/loss before tax		437.2	325.5
TAX			
Deferred tax	5	-88.7	-26.8
Profit/loss for the year		348.5	298.7

Statement of comprehensive income parent company

SEK m	2013	2012
Profit/loss for the year on the income statement	348.5	298.7
Other comprehensive income	-	-
Comprehensive income for the year	348.5	298.7

Comments on the parent company income statement

TURNOVER AMOUNTED TO SEK 39 m (61) and related to income from group companies for unallocated administration costs.

Financial items mainly concern interest costs for bonds and interest on swap contracts for group borrowings and reversals for group interest rate swap contracts whose

losses were reduced as longer rates rose during the year. Transactions linked to holdings in subsidiary companies are also recognised as financial items.

After tax considerations, profit for the year was SEK 349 m (299).

Proposal for disposal of profit

The following amounts are at the disposal of the Annual General Meeting:

Retained earnings	SEK 5,737,092,731
Profit for the year	SEK 348,470,990
Total	SEK 6,085,563,721

The Board proposes that the unappropriated profit be disposed of as follows:

Dividend to shareholders of SEK 1.25 per share	SEK 170,627,580
Carried forward	SEK 5,914,936,141
Total	SEK 6,085,563,721

THE BOARD INTRODUCED a new dividend policy with effect from 2013, to better reflect the long-term appreciation in value of Kungsleden. In the medium future, when Kungsleden's tax position is finally resolved, the aim is for the dividend to amount to 50 per cent of profits from property management. However, in the immediate future, the dividend will be lower and aligned to liquidity position requirements.

In accordance with the dividend policy and the financial position of the parent company and group, the Board proposes a dividend of SEK 1.25 per share for the 2013 financial year. The proposed dividend corresponds to 49 per cent of parent company profits after tax and 20 per cent of group profits.

The proposed dividend means that the equity ratios of the parent company and group would be 38 and 37 per cent respectively. Equity ratio is adjudged to be reassuring, particularly when one considers that the parent company and group are exhibiting a higher earnings capacity following the large property acquisitions that were completed in 2013. As of 31 December 2013, disposable liquidity including unused credit facilities amounted to SEK 3,187 m. Against this background, the group's liquidity position is assessed to remain strong.

In the view of the Board, the proposed dividend will not hinder the company, and other companies in the group, from fulfilling their undertakings in the short and long-term, and nor from completing necessary investments. The proposed dividend can therefore be justified in respect of that stated in 17 ch. 3 § paras two and three Swedish Companies Act (acting with caution).

The proposed dividend will be presented for adoption at the AGM on 29 April 2014.

Parent company balance sheet

SEK m	Note	13-12-31	12-12-31
ASSETS			
<i>Non current assets</i>			
Participations in group companies	6	7,805.8	7,800.9
Receivables from group companies	7	2,470.7	640.0
Deferred tax receivables	5	281.8	370.5
Other non current receivables	7	229.5	219.7
Total non current assets		10,787.8	9,031.1
<i>Current assets</i>			
Receivables from group companies		4,675.0	4,264.0
Other receivables		7.7	8.3
Prepaid expenses and accrued income		18.5	16.8
Cash and bank balances		152.0	540.9
Total current assets		4,853.2	4,830.0
TOTAL ASSETS	9	15,641.0	13,861.1
EQUITY AND LIABILITIES			
<i>Shareholders equity</i>			
<i>Restricted equity</i>			
Share capital		56.9	56.9
		56.9	56.9
<i>Unrestricted shareholders equity</i>			
Retained earnings		5,737.1	5,574.9
Profit for the year		348.5	298.7
		6,085.6	5,873.6
Total shareholders equity		6,142.5	5,930.5
<i>Appropriations</i>			
Appropriations for pensions and similar commitments		2.1	1.6
Total appropriations		2.1	1.6
<i>Non current liabilities</i>			
Bond issues		1,699.2	1,599.2
Liabilities to group companies		325.0	-
Total non current liabilities	8-10	2,024.2	1,599.2
<i>Current liabilities</i>			
Liabilities to credit institutions		600.0	426.0
Accounts payable		1.2	1.3
Liabilities to group companies		6,109.8	4,727.1
Tax liabilities		0.9	1.5
Derivatives		707.8	1,124.5
Other liabilities		1.8	4.8
Accrued costs and deferred income		50.7	44.6
Total current liabilities	9-10	7,472.2	6,329.8
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		15,641.0	13,861.1

Pledged assets and contingent liabilities, SEK m	Note	13-12-31	12-12-31
Pledged assets	11	4,629.3	2,864.3
Contingent liabilities	11	10,503.0	7,691.8

Comments on the parent company balance sheet

ASSETS AT YEAR-END mainly consisted of participations in group companies of SEK 7,806 m (7,801). There were also material receivables and liabilities to group companies, which resulted in net receivables of SEK 711 m (177).

Financing was primarily via shareholders equity that at year-end amounted to SEK 6,143 m (5 931), which gives an equity ratio of 39 per cent (43).

Statement of changes in parent company shareholders equity

SEK m	Share capital	Unrestricted shareholders equity	Total shareholders equity
Opening shareholders equity, 12-01-01	56.9	5,929.8	5,986.7
Profit for the year		298.7	298.7
Total change in assets excl. transactions with company shareholders	56.9	298.7	298.7
Dividend		-354.9	-354.9
Total transactions with company shareholders		-354.9	-354.9
Closing shareholders equity, 12-12-31	56.9	5,873.6	5,930.5
Opening shareholders equity, 13-01-01	56.9	5,873.6	5,930.5
Profit for the year		348.5	348.5
Total change in assets excl. transactions with company shareholders	56.9	348.5	348.5
Dividend		-136.5	-136.5
Total transactions with company shareholders		-136.5	-136.5
Closing shareholders equity, 13-12-31	56.9	6,085.6	6,142.5

Statement of parent company cash flows

SEK m	Note 12	2013	2012
OPERATING ACTIVITIES			
Profit/loss before tax		437.2	325.2
Dividends not settled		-517.7	-745.0
Group contributions received		-223.4	-62.0
Profit/loss on sales		-31.8	0.1
Impairments group companies		517.9	244.8
Provisions/reversals derivatives		-416.7	50.1
Unrealised currency gains/losses		-7.8	6.9
Appropriations to pensions		0.4	0.6
Tax paid		-	-
Cash flow from operations		-241.9	-179.3
<i>Changes in working capital:</i>			
Increase (-)/Decrease(+) operating receivables		-2,327.8	2,111.2
Increase (-)/Decrease(+) operating liabilities		2,060.1	-1,053.0
		-267.7	1,058.2
Cash flow from operations after changes in working capital		-509.6	879.2
INVESTMENT ACTIVITIES			
Acquisitions of participations in group companies		-873.5	-0.1
Sale of group companies		663.9	-
Shareholder contributions paid		-140.2	-531.1
Redemption of other financial assets		8.0	254.6
Cash flow from investment activities		-341.8	-276.6
FINANCING ACTIVITIES			
Proceeds from borrowings		1,025.0	446.0
Repayment of loans		-426.0	-516.0
Dividend		-136.5	-354.9
Cash flow from financing activities		462.5	-424.9
Cash flow for the year		-388.9	177.7
Opening cash and cash equivalents		540.9	363.2
Closing cash and cash equivalents		152.0	540.9

Notes parent company

NOTE 1 ACCOUNTING PRINCIPLES PARENT COMPANY

The parent company, Kungsleden AB, annual accounts have been produced in accordance with the Swedish Annual Accounts Act and RFR 2. Accounting principles applied can be seen from applicable parts of the group's accounting principles with the following additions for the parent company.

Participations in group companies

Participations in group companies are recognised at historic acquisition value. Values are regularly assessed for impairment purposes.

Financial instruments

Financial receivables and liabilities are recognised at historic accrued acquisition value. Risk of loss on financial receivables and derivative instruments is monitored.

Financial guarantees

Parent company financial guarantee agreements consist of pledged assets in favour of companies in the group. When reporting financial guarantee agreements, the parent company applies a rule permitted by the Swedish Financial Accounting Board that is a relief compared to the stipulations in IAS 39 *Financial instruments: Recognition and measurement*. The parent company recognises financial guarantee agreements as appropriations in the balance sheet when the company has an undertaking of probable payment, otherwise the undertaking is recognised as a contingent liability.

Group contributions

Group contributions received from a subsidiary company are recognised in accordance with the same principles as ordinary dividends from subsidiary companies. Group contributions paid to subsidiary companies are recognised as investments in participations in group companies.

Shareholder contributions are recognised at the contributor as an increase in the book value of shares and at the recipient as an increase in unrestricted shareholders equity.

NOTE 2 ADMINISTRATION COSTS

Administration costs, SEK m	2013	2012
Personnel expenses	-37.5	-38.2
Other operating costs	-7.3	-17.8
Total	-44.8	-56.0

Administration costs primarily relate to costs for central functions such as business development, finance, legal and IT, and costs associated with stock market listing and group management.

Personnel costs, SEK 38 m (38) make up the largest item in the administration costs of SEK 45 m (56), and primarily relate to remuneration to group management and Board members.

The auditors do not invoice fees and costs directly to the parent company. The total fees for all companies are invoiced to Kungsleden Fastighets AB instead, that then invoices these and other joint administration costs to the other companies.

NOTE 3 EMPLOYEES, PERSONNEL COSTS AND FEES TO THE BOARD

Average no of employees	2013	Of which women %	2012	Of which women %
Sweden	5	32	6	33
Total	5	32	6	33

Salaries, other remuneration and social security costs, SEK '000	2013		2012	
	Salaries, other remuneration	Social security costs	Salaries, other remuneration	Social security costs
The Board and CEO	16,181	9,181	16,737	8,398
Other employees	7,457	4,163	8,012	4,616
(Of which pension costs)		(4,699)		(4,151)
Total	23,638	13,344	24,749	13,014

The Chair of the Board and Board members receive fees as resolved by the Annual General Meeting. For information on remuneration to each respective director, and remuneration to senior executives, see note 7 on the group.

NOTE 4 PROFIT/LOSS FROM FINANCIAL ITEMS

Profit/loss from subsidiary companies, SEK m	2013	2012
Anticipated dividends	517.7	746.0
Group contributions received	223.4	62.0
Profit/loss from sale of participations	31.8	-0.1
Impairments/Reversed impairments	-517.9	-245.8
Total	255.0	562.1

Interest income and similar items, SEK m	2013	2012
<i>Interest income</i>		
Group companies	130.9	149.7
Other companies	17.2	18.0
Reversed provisions loss on derivatives	416.7	-
Other	7.9	0.9
Total	572.7	168.6

Interest costs and similar items, SEK m	2013	2012
<i>Interest costs</i>		
Group companies	-34.8	-45.9
Other companies	-342.1	-303.1
Provisions loss on derivatives	-	-50.1
Other	-7.8	-11.1
Total	-384.7	-410.2

NOTE 5 TAXES

Tax in income statement, SEK m	2013	2012
Tax payable	–	–
Deferred tax	–88.7	26.8
Recognised tax	–88.7	26.8

Reconciliation of effective tax, SEK m	2013	2012
Profit/loss before tax	437.2	325.5
Tax 22 % (26.3 %)	–96.2	–85.6
Dividends from group companies	113.9	195.9
Impairments of shares in group companies	–113.9	–64.6
Closed derivatives	–	13.2
Change of tax rate to 22.0 %	–	–72.4
Tax effect on non deductible expenses and non taxable income respectively	7.0	20.8
Other	0.5	19.5
Recognised tax	–88.7	26.8

No tax has been recognised directly on shareholders equity

Directly owned subsidiary companies are presented below. Other companies in the group are not recognised in the parent company annual accounts as the information is of minor significance in the requirement

Specification of parent company holdings of participations in group companies

Directly owned subsidiary companies/co no/reg address country	Share Participations	Share ¹	Book value SEK m	
			13-12-31	12-12-31
Kungsleden Fastighets AB, 556459-8612, Stockholm Sweden	200	100	1,979.7	2,095.5
Realia AB, 556639-7419, Stockholm Sweden	23,822,375	100	1,059.0	818.6
Kungsleden Norrlandsfastigheter AB, 556481-1429, Stockholm Sweden	1,000	100	1,756.7	1,756.3
Kungsleden Syd AB, 556480-0109, Stockholm Sweden	10,000	100	0.1	4.0
Bovård i Sverige AB, 556429-6126, Stockholm Sweden	3,700	100	130.7	130.7
Kungsleden Äldre B AB, 556635-1366, Stockholm Sweden	1,000	100	22.8	15.4
Kungsleden Real Estate BV, 34209547, The Netherlands	900	100	0.1	0.1
Kungsleden Service AB, 556610-9087, Stockholm Sweden	1,000	100	0.3	0.3
Realia International BV, BV502052-1156, The Netherlands	2,351	75	9.7	9.3
Kungsleden Mattan AB, 556718-3354, Stockholm Sweden	1,000	100	656.1	760.0
Kungsleden Friab AB, 556742-6548, Stockholm Sweden	1,000	100	1,287.6	1,358.1
KL Norge Holding AB, 556730-0875, Stockholm Sweden	1,000	100	5.9	5.9
Kungsleden Kalinka Holding AB, 556844-2957, Stockholm Sweden	50,000	100	77.8	77.8
Kungsleden Holding GmbH, Germany	1	100	0.1	–
Nordic Modular Group AB, 556691-3868, Upplands Väsby Sweden	20,695,156	100	768.8	768.8
Konkret 1 i Visby AB, 556876-3022, Stockholm Sweden	–	–	–	0.1
Kungsleden Balsberget AB, 556919-3013, Stockholm Sweden	50,000	100	0.1	–
Kungsleden Tannberget AB, 556920-8043, Stockholm Sweden	50,000	100	0.1	–
Kungsleden Alsberget AB, 556919-3021, Stockholm Sweden	50,000	100	0.1	–
Kungsleden Mariaberget AB, 556919-3039, Stockholm Sweden	50,000	100	0.1	–
Kungsleden Vegaholding AB, 556919-3047, Stockholm Sweden	50,000	100	50.0	–
Total			7,805.8	7,800.9

¹ Refers to proportion of share capital, which is also the same as the number of votes as a proportion of the total number of shares.

Deferred tax on temporary differences and loss carry forwards, SEK m	At start of year	To income statement	At end of year
Loss carry forwards	123.6	2.1	125.7
Financial instruments	246.6	–90.9	155.7
Other temporary differences	0.3	0.1	0.4
Total	370.5	–88.7	281.8

NOTE 6 PARTICIPATIONS IN GROUP COMPANIES

SEK m	13-12-31	12-12-31
Accumulated acquisition values at start of year	13,607.4	14,718.2
Purchases	873.5	0.1
Sales	–631.3	–
Reclassification	–	–1,210.9
Shareholder contributions	280.6	100.0
Total	14,130.2	13,607.4
Opening accumulated impairments	–5,806.5	–6,771.6
Reclassification	–	1,210.9
Reversed impairments	248.5	560.9
Impairment for the year	–766.4	–806.7
Total	–6,324.4	–5,806.5
Carrying amount at year-end	7,805.8	7,800.9

to present a true and fair view. For further information on other companies, please see the respective subsidiary company annual accounts.

NOTE 7 OTHER NON CURRENT RECEIVABLES

SEK m	13-12-31	12-12-31
Receivables at start of year	859.7	1,129.4
Promissory notes for the year	8.7	–
Promissory notes to group companies for the year	1,830.7	–
Paid in endowment policy	0.4	0.7
Transfer to current receivables	–7.1	–7.3
Currency gains/losses	8.5	–8.5
Repayments for the year	–0.7	–254.6
Total	2,700.2	859.7

NOTE 9 FINANCIAL ASSETS AND LIABILITIES

SEK m	Claims on group companies etc.		Other financial liabilities		Total carrying amount		Fair value	
	13-12-31	12-12-31	13-12-31	12-12-31	13-12-31	12-12-31	13-12-31	12-12-31
Other non current receivables	229.5	219.7	–	–	229.5	219.7	229.5	219.7
Receivables from group companies	4,675.0	4,264.0	–	–	4,675.0	4,264.0	4,675.0	4,264.0
Other receivables ¹	–	–	–	–	–	–	–	–
Total assets	4,904.5	4,483.7	–	–	4,904.5	4,483.7	4,904.5	4,483.7
Non current liabilities	–	–	2,024.2	1,599.2	2,024.2	1,599.2	2,038.2	1,599.2
Accounts payable	–	–	1.2	1.3	1.2	1.3	1.2	1.3
Liabilities to group companies	–	–	6,109.9	4,727.1	6,109.9	4,727.1	6,109.9	4,727.1
Other liabilities ¹	–	–	1,310.5	1,556.8	1,310.5	1,556.8	1,312.5	1,556.8
Total liabilities	–	–	9,445.8	7,884.4	9,445.8	7,884.4	9,461.8	7,884.4

¹ Fair value of company's rate derivatives amounts to SEK –707.3 m (–1,120.9) and share swaps SEK –0.5 m (–3.5).

Parent company derivatives are measured with the help of valuation techniques based on observable market data (level 2). These derivatives amounted to SEK 708 m (1,125).

NOTE 10 MATURITY STRUCTURE LIABILITIES

SEK m	13-12-31	12-12-31
Matures for payment within one year	6,763.5	5,208.9
Matures for payment within two to five years	2,024.2	1,599.2
Matures for payment later than five years	–	–
Total	8,787.7	6,808.1

Maturity structure interest-bearing liabilities and operating liabilities excluding tax liabilities and losses on derivatives.

NOTE 11 PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK m	13-12-31	12-12-31
PLEDGED ASSETS ON SUBSIDIARY COMPANY LOANS		
Shares in group companies	2,798.6	2,864.3
Receivables in group companies	1,830.7	–
Total	4,629.3	2,864.3
CONTINGENT LIABILITIES		
Pledged assets for group companies	10,503.0	7,691.8
Total	10,503.0	7,691.8

NOTE 8 LOAN AND INTEREST RATE DERIVATIVES

The parent company has four (three) bond issues. The bank loan in place at the start of year was repaid during the year. Rate derivatives were also taken out on both parent company borrowings and group company external loans.

There is a cheque account credit facility of SEK 250 m (250) that was not used at all at year-end 2013 or 2012.

Please see below for maturity dates on loans and rate derivatives

Maturity date, SEK m	13-12-31		12-12-31	
	Bank loans and bonds	Rate derivatives, nominal value	Bank loans and bonds	Rate derivatives, nominal value
2013	–	–	426.0	–
2014	600.0	800.0	600.0	800.0
2015	999.2	1,400.0	999.2	1,400.0
2016	700.0	500.0	–	500.0
2017	–	500.0	–	500.0
2018	–	3,650.0	–	3,650.0
2019	–	800.0	–	800.0
2020	–	800.0	–	800.0
2021	–	400.0	–	400.0
2022	–	500.0	–	500.0
Total	2,299.2	9,350.0	2,025.2	9,350.0

See group note 24 for information on how financial instruments are measured.

NOTE 12 SUPPLEMENTARY INFORMATION FOR CASH FLOW

No funds other than cash and bank balances are included in cash and cash equivalents.

Interest etc, SEK m	2013	2012
Dividends received	746.0	268.8
Interest received	148.1	168.8
Interest paid	–308.5	–360.2

NOTE 13 TRANSACTIONS WITH ASSOCIATED COMPANIES

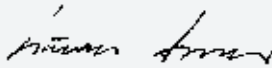
Transactions with subsidiary companies, SEK m	2013	2012
Sale of goods/services to associated companies	39.0	61.4
Purchase of goods/services from associated companies	–	–
Other, e.g. interest, dividends	423.4	103.8
Items in balance sheet	13-12-31	12-12-31
Claims on group companies	7,145.7	5,451.0
Liabilities to group companies	–6,434.8	–4,727.1

For remuneration to Board members and senior executives for work performed, see note 3. Other than the above remuneration, there have been no transactions with any associated company or private person.

Signing of the Annual report

The Annual report for the parent company and the group gives a true and fair view of the parent company's and group's operations, position and performance, and describes material risks and uncertainties faced by the parent company and group companies.

Stockholm 18 March 2014



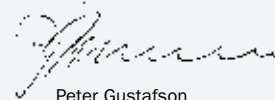
Göran Larsson
Chair of the board



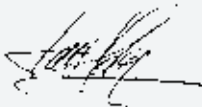
Magnus Fernqvist
Board member



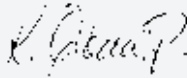
Joachim Gahm
Board member



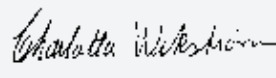
Peter Gustafson
Board member



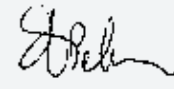
Lars Holmgren
Board member



Kia Örbäck Pettersson
Board member



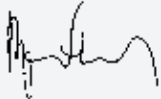
Charlotta Wikström
Board member



Biljana Pehrsson
Chief Executive Officer

Our Audit Report was submitted on 19 March 2014.

KPMG AB



Björn Flink
Authorised Public Accountant

Auditors' Report

TO THE ANNUAL GENERAL MEETING OF
KUNGSLEDEN AB (PUBL), Co no 556545-1217

Statement on the annual accounts and consolidated accounts

We have conducted an audit of the annual accounts and consolidated accounts for Kungsleden AB (publ) for the year 2013. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 4–69.

The Board and the CEO are responsible for the annual accounts and the consolidated accounts

It is the responsibility of the Board and CEO to prepare annual accounts that provide a true and fair view in accordance with International Financial Reporting Standards IFRS, such as those adopted by the EU and the Swedish Annual Accounts Act, and for internal checks that the Board and CEO adjudge to be necessary to prepare annual accounts and consolidated accounts free of any material misstatement, whether such be due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing various procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The Auditor selects which procedures should be applied, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. Using this risk assessment, the Auditor looks at elements of internal checks that are relevant to how the company prepares the annual accounts and consolidated accounts to give a true and

fair view with the aim of designing inspection measures fit for the circumstances, but not for the purpose of expressing an opinion on how effective the company's internal controls are. An audit also includes assessing the accounting principles used and their application by the Board and CEO and significant estimates made by the Board and CEO such as assessing the overall presentation in the annual accounts and consolidated accounts.

We believe that our audit gives us reasonable grounds for the following statement.

Statement

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company at 31 December 2013 and of its financial position, performance and cash flows for the year in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company at 31 December 2013 and of its financial position, performance and cash flows for the year in accordance with IFRS, such as those adopted by the EU and Swedish Annual Accounts Act. A Corporate Governance Report has been produced. The Directors' report and Corporate Governance Report are consistent with the other parts of the parent company's annual accounts and the consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board and CEO of Kungsleden AB (Publ) for the year 2013.

Responsibilities of the Board and CEO
The Board is responsible for the pro-

posal for the disposal of the company's profit or loss, and the Board and CEO are responsible for management of the company in accordance with the Swedish Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As the basis for our opinion on the Board's proposal for the disposal of the company's profit or loss, we have examined the Board's comments and a selection of bases for these in order to assess whether the proposal is in accordance with the Swedish Companies Act.

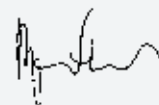
As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or CEO is liable to the Company. We have also conducted examinations to establish whether any member of the Board or the CEO has in any other way acted in contravention of the Swedish Companies Act, the Annual Accounts Act, or the Company's Articles of Association.

We believe that our audit gives us reasonable grounds for the following statement.

Statement

We recommend the annual general meeting dispose of the profit in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and CEO be discharged from liability for the financial year.

Stockholm 19 March, 2014
KPMG AB



Björn Flink
Authorised accountant

Definitions

Property related key ratios

Earnings capacity

Earnings capacity shows what the income statement would have looked like if the properties on balance day had been owned for the previous twelve months. On balance day, divested properties are not included and by that same day at the latest, purchased properties are included as though they had been owned for twelve months. The calculation is also based on the following assumptions:

- for properties where twelve months have elapsed since the purchase closing day, actual figures for the last twelve months are used,
- for properties where more than six months but less than twelve months have elapsed since the purchase closing day, actual figures are recalculated to correspond to twelve months,
- for properties with less than six months actual figures since closing day, data from the acquisition calculations are used.

Property yield

Calculation of earnings capacity: The ratio of net operating income excluding property administration to the booked value of the properties at the end of the period.

Calculation of actual figures: Net operating income excluding property administration in relation to the average quarterly book value of the properties.

Property yield has been redefined with effect from the year end report for 2013. Average book value is now calculated quarterly instead of as opening balance and closing balance divided by two.

Net operating income

Rental income minus property costs (e.g. operating and maintenance costs, ground rent, property tax and property administration included).

Economic occupancy rate

Rental income in relation to rental value.

Rental income

Rental value less deductions for vacancies and rent discounts.

Rental value

Debited rents and rent supplements (e.g. property tax) plus assessed market rent for unlet space and rent discounts.

Lettable area

The area of the property the tenant is debited rent for.

Operating surplus margin

Net operating income in relation to rental income.

Key financial ratios

Return on shareholders equity

Profit for the period after tax in relation to average shareholders equity. Average shareholders equity is calculated as the sum of opening and closing balance divided by two.

Return on capital employed

Profit after net financial items plus financial costs as a percentage of average capital employed. Average capital employed is calculated as the sum of total assets excluding non interest-bearing liabilities at opening and closing balance, divided by two.

Return on total assets

Profit before tax excluding unrealised gains/losses and net financial items in relation to average assets. Average assets are calculated as the sum of opening and closing balance divided by two.

Loan to value ratio

Interest-bearing liabilities in relation to the book value of the properties.

Adjusted shareholders equity

Shareholders equity minus proposed/ approved dividend.

Cash flow from operations

Profit before tax excluding profit/loss on property sales, unrealised gains/losses on properties and financial instruments adjusted for items not included in cash flow from operations plus deductions for tax paid.

Interest coverage ratio

Profit after financial income in relation to financial costs.

Debt/equity ratio

Interest-bearing liabilities in relation to shareholders equity.

Equity ratio

Shareholders equity including minority interests in relation to total assets

Share related key ratios

Resolved/approved dividend per share

The dividend proposed by the Board or AGM divided by the number of shares in issue.

Gross earnings per share

Gross profits divided by average number of shares during the period.

Profits from property management per share

Profits from property management divided by average number of shares during the period.

Dividend yield

Resolved/approved dividend in relation to the share price at the end of the period.

Shareholders equity per share

Shareholders equity in relation to the number of shares at the end of the period.

Book value of properties per share

Book value of properties in relation to the number of shares at the end of the period.

Average number of shares

Number of shares in issue weighted over the year.

Cash flow from operations per share

Cash flow from operations in relation to the average number of shares.

Earnings per share

Profit for the year divided by the average number of shares during the period.

Total shareholder return

Sum of the change in the share price during the period and the dividend paid in relation to the share price at the start of the period.

Glossary

Property costs

Costs for electricity, heating, water, caretaking services, cleaning, property administration, insurance and maintenance minus debited supplements for operations and maintenance.

Economic vacancy rate

Assessed market rent for unlet space in relation to rental value.

Profit from properties under management

Gross profit plus additions for sales and administration costs and net financial items.

Average remaining term of lease

Remaining value of lease contract via annual rent.

Lease contract value

Rent in accordance with lease plus indexing and rent supplements expressed as an annual value.

Unrealised gains/losses

Difference between book value and accumulated acquisition value of properties at end of year minus the difference between book value and accumulated acquisition value for properties at start of year.

Segment

Main use of property based on how area is divided. The type of area that accounts for the highest proportion of the total area determines how the property is defined. A property with 51 per cent office space, is thus classed as an office property. Property holdings are divided into offices, industrial/warehousing, retail, modular buildings and other.

Maintenance

Actions designed to maintain the property and its fixtures and technology systems. Covers regular and planned maintenance such as replacing or renovating building elements or technology systems. Also includes tenant modifications.

Invitation to the Annual General Meeting

The Annual General Meeting of Kungsleden AB (publ) will be held on 29 April 2014 at 14.00 at Hotel Rival, Mariatorget 3, Stockholm.

Attendance

Shareholders who wish to participate in the AGM must be registered in their own name (on the voting register) in the Euroclear Sweden AB register of shareholders on Wednesday 23 April 2014, and notify their attendance no later than by 16.00 on Wednesday 23 April 2014 on the attached attendance form or to the company at the following address:

Kungsleden AB (publ)
FAO Sinikka Arfwidsson
Box 704 14, SE 107 25 Stockholm, Sweden
E-mail: arsstamma@kungsleden.se
Tel: +46 (0) 8 503 052 00
or via www.kungsleden.se/agm2014

In the notice to attend, shareholders must state their name, civil or company registration number, address, telephone number and any representative or proxy who is to participate.

Shareholders whose shares are held in trust must, to participate in the AGM, request to be temporarily registered in the Euroclear Sweden AB register of shareholders in their own name. Such registration must be effected by Wednesday 23 April at the latest, which means the shareholder should request such re-registering with the person whose name appears in the register of shareholders in good time.

Distribution of Annual report

A printed copy of the Kungsleden Annual report is distributed to all new shareholders and subsequently only to those shareholders who expressly request a copy.

Dividend

With effect from 2013, Kungsleden has adopted a new dividend policy to better reflect the long-term appreciation in value of Kungsleden. In the medium future, when Kungsleden's tax position is finally resolved, the aim is for the dividend to amount to 50 per cent of profits from property management. However, in the immediate future, the dividend will be lower and aligned to liquidity position requirements.

In accordance with the dividend policy and the financial position of the parent company and group, the Board proposes a dividend of SEK 1.25 (1.00) per share for the 2013 financial year.

The proposed date of record for dividend payout is 5 May 2014. If the AGM adopts the proposal, the dividend is expected to be paid by Euroclear Sweden AB on 8 May 2014.



Production: Kanton and Kungsleden.

Photo: Pixprovider (interior, exterior, portrait), Mats Högberg (portrait word from the CEO).

Printed by: Hylte Tryck AB, Hyltebruk.

Cover image shows Kungsleden's property Ottar 6 in Västerås, where ABB has its head office.

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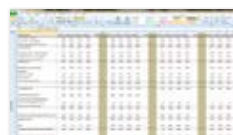
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2014 CALENDAR

29/4

Interim Report
Jan 1–Mar 31, 2014

29/4

Annual General Meeting
April 29, 2014

15/8

Interim Report
Jan 1–Jun 30, 2014

24/10

Interim Report
Jan 1–Sept 30, 2014

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