

**Press release****11 June 2014**

## **Kungsleden updates on yesterday's tax rulings in the Administrative Court and makes provision for previously received tax rulings from the Administrative Court of Appeals**

### **Kungsleden updates on yesterday's tax rulings in the Administrative Court**

Yesterday Kungsleden received tax rulings from the Administrative Court concerning tax cases in which the company is involved. The Administrative Court ruled that two of Kungsleden's Swedish group companies should be considered being party to a transaction in 2006 which legally was made by two of Kungsleden's Dutch group companies.

The ruling means that the Administrative Court is of the opinion that the capital gain resulting from the transaction should be subject to taxation in Sweden.

Kungsleden has now analyzed the tax rulings and disagrees with the verdicts and will appeal to the Administrative Court of Appeal. Kungsleden's best judgement is that the final outcome of these tax cases will be positive and therefore the company will not make any provision at this time. Should the rulings be upheld, the maximum negative effect on equity is estimated at SEK 1,360 m and the maximum negative liquidity effect is calculated to be 1,325 m.

### **Kungsleden makes provisions for previously received tax rulings from the Administrative Court of Appeals**

As previously communicated, on April 1st Kungsleden received negative tax rulings from the Administrative Court of Appeals. Kungsleden has now analyzed the legal situation and has applied for leave to appeal at the Supreme Administrative Court for the tax rulings in question. The court's decision on the leave of appeal is expected within the next few months.

Kungsleden has resolved to make a provision of SEK 1,640 m in the Q2 book closing to cover the combined risk of loss in the cases in question. The reason for making the provision is the company's assessment is that the combined probability of a definitive negative outcome is above 50 per cent. In general, few applications for leave to appeal are granted by the Supreme Administrative Court. If leave to appeal is rejected, the rulings received will take legal effect.

The liquidity effect of a negative outcome is estimated to be SEK 1,475 m for all of the cases in question. Kungsleden paid most of this claim in May and expects to have to pay the remaining part in the next few months. The tax payments are funded by utilizing part of the liquidity reserve Kungsleden has for the tax risks consisting of cash and un-utilized credit facilities. This liquidity reserve comprised SEK 2,940 m as of March 31st, 2014.

The provision will affect the net profit for the year, and it will also have an effect on Kungsleden's financial position and key ratios. As books have not yet been closed for the second quarter, Kungsleden has decided to exhibit the effects on the position as of March 31st on a pro forma basis.

Taking the provision into account, equity as per March 31st would decrease to SEK 7,000 m on a pro forma basis, including the effects of property transactions announced. Interest-bearing liabilities would increase to SEK 12,916 m, indicating an equity ratio of 32.0 (37.3) per cent and a Loan to value ratio of 61.6 (57.2) per cent.

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Kungsleden AB (publ) discloses the information in this press release according to the Swedish Securities Markets Act and/or the Swedish Financial Trading Act. The information was provided for public release on 11 June 2014 at 8:00 a.m.

Kungsleden's business concept is to own, manage and improve commercial properties in growth regions in Sweden and to deliver attractive total returns. 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. Kungsleden has been quoted on NASDAQ OMX Stockholm since 1999.