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A comment from Thomas

Net sales and gross profit continued to improve in the first half-year. Our operating surplus margin increased by one percentage point to just over 69 per cent. Despite provisioning for tax proceedings, our equity ratio remained healthy

RESULTS FOR THE PERIOD

Kungsleden's net sales increased by 18 per cent to just over SEK 1.1 billion and gross profit increased by 21 per cent to nearly SEK 672 m in the first half-year, compared to the corresponding period of the previous year. A milder winter and larger property portfolio are the primary exclamations.

Simultaneously, the operating surplus margin expanded by one percentage point to 69.1 per cent.

The lettings market continued to perform positively. Despite financial uncertainty in the surrounding world, the Swedish economy has fared relatively well. As previously reported, we signed new lease contracts in the first half-year with an annualized value of SEK 43 m.

Despite us provisioning a total of SEK 985 m for tax proceedings and paying out SEK 355 m to shareholders, our equity ratio only decreased by 2.3 per cent on year-end, and as of 30 June, was 34.6 per cent. After us transferring possession of the Härnösand portfolio to Hemsö in August, our pro forma equity ratio increases to 36.4 per cent.

The derivative portfolio is now comparable to our loan portfolio, after us cancelling swaps corresponding to SEK 1.8 billion in the first half-year, simultaneous with us having lower interest costs. This means that we reduced our average interest rate by 0.3 percentage points.

With an earnings capacity of some 8 per cent, the aforementioned performance in the period means that overall, I feel secure with our underlying business and financial position.

A continued strained credit market and greater concerns in the eurozone were a contributor to general restraint on activity on the transaction market in the second quarter. Banks are restrictive in issuing credit, even if in earnings terms, property is performing as well as previously.

TAX AND PROFIT ESTIMATE

Our estimated profit or calculating dividends decreased by a total of SEK 250 m in the second quarter to SEK 300 m for 2012 after the tax rulings reported that could affect Kungsleden's future tax payments. The fact that, as we see it, applicable tax legislation is being re-interpreted is unfortunate because it



creates uncertainty not just for Kungsleden, but for the whole sector and investors generally, Swedish and foreign.

In addition to previous press releases on tax updates, in July, Kungsleden received information that the Swedish Tax Agency is claiming that the Administrative Court should reconsider whether the Swedish Tax Evasion Act is applicable to further transactions Kungsleden executed in 2006 and 2007. If Kungsleden is unsuccessful in these proceedings, the liquidity effect would amount to some SEK 500 m. As recently as 2011, and in a similar case, the Administrative Court of Appeal in Stockholm ruled that the Swedish Tax Evasion Act was not applicable. We still think that on every occasion, Kungsleden has complied with the laws and practice in place when submitting each tax return.

LIQUIDITY AND FUNDING

As of 30 June, our cash position and un-utilised credit facilities were nearly SEK 1,460 m. Apart from us yielding possession of the Härnösand portfolio and the sale of two properties in Poland, a vendor note of SEK 184 m to SveaReal was redeemed after the end of the period. In addition, an unusually high amount of rent was received in the early days of July, because the end of the quarter was on a weekend. Overall, these events mean a cash injection of another SEK 350 m in the third quarter. The loan to value ratio on our property portfolio was 68 per cent as of 30 June, or 57 per cent in relation to all earning assets, which consist of properties, participations and receivables from Hemsö and vendor note receivables.

With refinancing of loans for the year totaling SEK 7.4 billion in place, good access to liquidity and a surplus in our operating activities, Kungsleden has a strong financial position.

In the second quarter, we hired Anders Kvist as our Deputy Chief Executive and new CFO, who will take up his position on 1 October. Anders joins us from northern European banking group SEB where he was responsible for the bank's capital structure as well as liquidity planning. With continued challenges on the credit market and Kungsleden's endeavour to extend its funding sources, Anders' know-how and experience will be a welcome addition to Kungsleden.

OUTLOOK

Challenges, primarily in the credit and tax segments, affect ourselves and the rest of the property market. Simultaneously, there are opportunities for Kungsleden to build shareholder value for the long term. The state of the economy remains uncertain, primarily in the eurozone, but for Kungsleden's part, our underlying management is performing well and we still have a healthy lettings market. Our equity ratio is favourable, and we still have strong and stable cash flows. As previously reported, our estimate for the full year is SEK 300 m.

Thomas Erséus
Chief Executive

Results in brief

THE INTERIM PERIOD (JANUARY–JUNE)

- Net sales increased by 18 per cent to SEK 1,117 (944) m while gross profit increased by 21 per cent to SEK 672 (556) m with a larger property portfolio and milder winter.
- Profit before tax was SEK 530 (592) m. Profit after tax was SEK –558 (509) m, or SEK –4.10 (3.70) per share. The profit decrease is mainly due to provisioning for tax costs and lower profits from Hemsö, which reported lower unrealised value changes on properties.
- Cash flow from operating activities was SEK 242 (305) m.
- Profit/loss for calculating dividends for the period was SEK –55 (223) m, equivalent to SEK –0.40 (1.60) per share.
- As of 30 June 2012, the property portfolio consisted of 322 (324) properties with a book value of SEK 15,750 (15,693) m.
- In the second quarter, the estimated profit for calculating dividends for the full year 2012 was downgraded to SEK 300 m,

from SEK 600 m previously after tax rulings for Kungsleden companies and external companies increased the risk of negative outcomes in Kungsleden's outstanding tax proceedings. This estimate corresponds to SEK 2.20 (4.40) per share.

SECOND QUARTER (APRIL–JUNE)

- Net sales increased by 5 per cent to SEK 561 (536) m and gross profit increased by 3 per cent to SEK 337 (328) m after this year's rent indexation.
- Profit before tax amounted to SEK 72 (100) m. The loss after tax was SEK –671 (102) m, or SEK –4.90 (0.70) per share. The lower profit is mainly due to provisioning for potential tax payments and lower profits from property sales.
- Cash flow from operating activities was SEK 122 (268) m.
- Profit for calculating dividends for the second quarter was SEK –177 (145) m, equivalent to SEK –1.30 (1.10) per share.

Significant events

THE INTERIM PERIOD (JANUARY–JUNE)

- From 1 January 2012 onwards, the portfolio in Hemsö Fastighets AB is recognised according to the equity method. Compared to the proportional method, the results of operations and financial position from the holding in Hemsö are reported on an individual line.
- Kungsleden sold 3 (3) properties for SEK 93 (46) m, generating a profit of SEK 17 (23) m. These sales affected profit for calculating dividends by SEK 14 (28) m. No properties were purchased, compared to 43 properties, for SEK 4,103 m in the corresponding period of 2011.
- A number of tax rulings for Kungsleden companies and external companies increased the risk of a negative outcome for Kungsleden's tax proceedings. As a consequence, profit for calculating dividends has been charged with SEK 340 m, and the Income Statement with a tax cost of SEK 985 m.
- Kungsleden's syndicated loan was rearranged with a new SEK 4,500 m facility in January, and additionally, further loans of SEK 2,894 m have been refinanced. Accordingly, basically all of Kungsleden's refinancing requirement for 2012 is secured.
- Kungsleden came second in the Great Place to Work Survey 2012 out of medium-sized organizations in Sweden.

dividend by SEK 0 (25) m. The sale of five properties that was agreed and included in the first quarter was discontinued ahead of completion. No properties were purchased, compared to 6 properties for SEK 355 m in the corresponding period of 2011.

- A number of tax rulings for Kungsleden companies and external companies increased the risk of a negative outcome for Kungsleden. As a consequence, profit for calculating dividends has been charged with SEK 260 m, and the Income Statement with a tax cost of SEK 725 m.

AFTER THE END OF THE PERIOD

- In July, the Swedish Tax Agency claimed that the Administrative Court should consider further transactions Kungsleden executed in 2006–2007. If Kungsleden is unsuccessful in this matter, the liquidity effect would be approximately SEK 500 m. As recently as 2011, the Administrative Court of Appeal in Stockholm found that the Swedish Tax Evasion Act was not applicable in a similar case. No further provisioning has been made for these claims.
- Kungsleden made two sales in August. Two properties in Poland were sold for SEK 104 m to a local buyer and 39 public properties in Härnösand were sold to Hemsö, and completed, for SEK 912 m. These sales affect profit after tax in the third quarter by SEK 39 m, and will increase profit for calculating dividends by SEK 26 m. Simultaneously, these transactions increase the equity ratio by two percentage points.

SECOND QUARTER (APRIL–JUNE)

- Kungsleden sold 1 (1) property was sold for SEK 5 (41) m with a profit of SEK 0 (20) m. This affected profit for calculating

PROFIT FOR CALCULATING DIVIDENDS

SEK m	Quarter		Interim period	
	2012 Apr–Jun	2011 Apr–Jun	2012 jan–Jun	2011 jan–Jun
Gross profit	337	328	672	556
Sales and administration costs	–64	–71	–131	–127
Net financial position	–153	–150	–293	–274
Profit from property management	120	107	248	155
Realised items				
Trading net on sale	–3	20	17	23
Realised value changes, properties	–27	5	0	5
Deduction for deferred tax on sale	5	0	–3	0
Realised value changes, financial instruments	–77	–23	–81	–31
Realised items	–102	2	–67	–3
Profit for calculating dividends from Hemsö ¹	63	40	107	81
Tax payable	–258	–4	–343	–10
Profit for calculating dividends	–177	145	–55	223

1. In addition to profit for calculating dividends from Hemsö, Kungsleden received SEK 53 (53) m of interest on its shareholders' loan in the period.

Kungsleden—facilitating opportunities

Kungsleden is a property company that is always open to new business opportunities. Our main mission is to own and manage properties with satisfied customers. Our starting-point is high and stable returns for the long term, with risk diversification as a key ingredient.

HOW WE STAND OUT

Facilitating opportunities describes the way we want to stand out in the property sector. What our customers emphasise is all about our entrepreneurship. That we're there, innovative and easy to deal with.

VISION

Through good entrepreneurship and high skills levels, Kungsleden will be Sweden's most profitable and successful property company.

BUSINESS CONCEPT

Kungsleden will own and manage properties with sustainably high and stable returns.

STRATEGY

- Continue to develop a skilled and businesslike organization
- Endeavour to achieve satisfied customers through active management and enhancement of the property portfolio.
- Ensure sustainably high and risk-adjusted returns proceeding from the existing portfolio, and through purchases and sales.

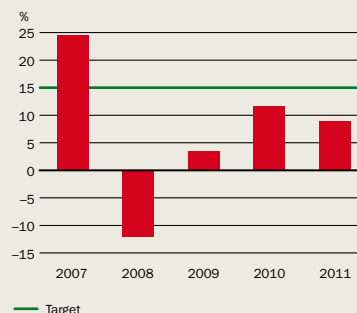
BUSINESS MODEL

Kungsleden endeavours to achieve a 15 per cent return on equity with the lowest risk possible. Our properties represent our asset site, where the objective is to increase property yields and reduce the risk level of the portfolio. We achieve this through means including adapting properties to customer needs and by optimising the tenant structure and operating nets of properties.

The risk on the asset side is weighed up against the liability side, which consists of items including loan to value ratios and interest sensitivity. Higher financial risk can be combined with lower property risk through means including long agreements and secure cash flows.

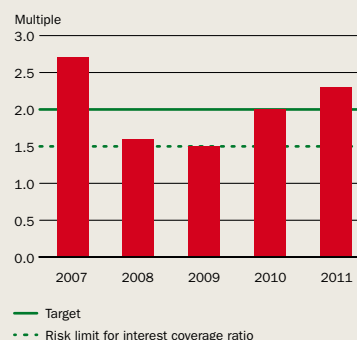
Maximising portfolio risk-adjusted returns means evaluating existing opportunities systematically. We put potential purchases and existing holdings on an equal footing in our evaluation. Our control model compares the yield on a property with its cost of capital. Properties are then compared with each other to determine how portfolio risk-adjusted return could be improved through changes in the composition of our portfolio and/or through management actions.

RETURN ON EQUITY



The actual figure of 9 per cent (12) is below our target 15 per cent return. Returns over the past 5 and 10 years have averaged 7 and 20 per cent respectively.

INTEREST COVERAGE RATIO



The interest coverage ratio of 2.3 (2.0) exceeds our target of a multiple of 2. Our interest coverage ratio is also above our risk limit of a multiple of 1.5.

Kungsleden's strategy

rests on a sound management business with low historical risk, plus active portfolio enhancement to create shareholder value.

The business model is intended to enhance the property portfolio's risk-adjusted returns. This is primarily achieved by customer-focused management work and active portfolio enhancement.

BUSINESS CRITERIA FOR PROPERTY OWNERSHIP AND MANAGEMENT

- Stable cash flows—long leases.
- Active management—good customer relations, work on tenant mix and the environment, for example.
- Further enhancement—responsiveness to better business conditions for the customer and Kungsleden.
- High property yield—high operating net in relation to property value.
- Low market risk—low vacancy level.
- Ensure the diversification of properties in terms of geography and type.

BUSINESS CRITERIA FOR PROPERTY SALES

- Unsure stability—risk of deteriorated cash flow.
- Alternative investments—when another property can generate equal returns for a lower risk or higher returns for the same risk.
- Low risk-adjusted returns—when Kungsleden wouldn't purchase at the current valuation.
- Increased market risk—when the risk of a decrease in value rises. This may be in changes to economic conditions, tenant profitability and the demand for properties.
- Threatened diversification—when one property or property type has an excessive impact on the portfolio.

1 January–30 June 2012

KUNGSLEDEN'S RESULTS FOR JANUARY–JUNE

The loss after tax for the period was SEK –558 (509) m. This lower figure is mainly due to provisioning for tax proceedings and lower profits from Hemsö, which last year, reported significantly larger unrealised value changes on properties.

Net sales in the period were SEK 1,117 (944) m, divided between rental revenues from modular buildings of SEK 127 (118) m and from other properties of SEK 821 (682) m, as well as sales revenues from produced modules of SEK 169 (144) m.

The increase in rental revenues was primarily sourced from properties purchased over the past year. Gross profit increased by 21 per cent to SEK 672 (556) m as a result of purchases in 2011.

The profit from property sales was SEK 17 (23) m. If, instead of being set against book value, sales proceeds are compared with acquisition cost, the effect of sales on profit for calculating dividends is obtained. In this case, sales in the year produced a profit of SEK 14 (28) m. In addition to the trading net, value changes of SEK –0.3 (4.6) m during the holding term were realized, plus the deductions for deferred tax associated with sales via companies of SEK –3 (–) m.

Sales and administration costs increased to SEK 131 (127) m. This increase is mainly a result of the property portfolio increasing through net purchases over the past year. SEK 32 m of administration costs are from Nordic Modular and SEK 88 m from the management of other wholly owned properties, business development and central administration. Excluding the module operation, yearly costs for property management, business development and central administration amount to approximately SEK 80 per square metre.

The new profit/loss item, profit/loss from participation in Hemsö, was SEK 148 (225) m. This corresponds to 50 per cent of Hemsö's profit after tax for the January–June period, which amounted to SEK 296 m, in accordance with the corresponding IFRS reporting. This lower figure is mainly due to unrealised value changes on properties. In addition to Kungsleden's participation in Hemsö's profit for the period of SEK 148 m, the Income Statement was affected by SEK 53 m of interest income on a shareholders' loan from Kungsleden to Hemsö. Thus in total, profit before tax was affected by SEK 201 m and profit after tax was SEK 187 m regarding the holding in Hemsö excluding funding this investment. More information on

Hemsö's results of operations and financial position is on pages 6–7.

The net financial position changed negatively by SEK 19 m, and was SEK –293 (–274) m, primarily explained by higher loan volumes through the funding of purchases in 2011 for the period and higher interest margins.

Value changes on properties and financial instruments in the period were SEK 2 (72) m and SEK 116 (118) m respectively, totalling SEK 118 (190) m. The valuation of financial instruments has been positively affected by increasing long yields year to date.

Tax on net profit in the period was SEK –1,088 (–84) m. The tax cost for the period was charged with provisioning of SEK –985 m after the risk of negative outcomes in a number of tax proceedings increased after tax rulings affecting Kungsleden companies and external companies. Otherwise, tax is somewhat lower than 26.3 per cent because there is no tax payable on the profit participation from Hemsö because profits from participations in Hemsö are after tax.

Profit/loss for calculating dividends for the period was a total of SEK –55 (223) m, see table on page 1. Excluding provisioning for tax proceedings of SEK –340 m and taxes payable, profit for calculating dividends increased by SEK

INCOME STATEMENT¹

SEK m	Wholly Owned Properties ¹		Nordic Modular		Hemsö ¹		Other/group-wide		Total Kungsleden	
	2012 Jan–Jun	2011 Jan–Jun	2012 Jan–Jun	2011 Jan–Jun	2012 Jan–Jun	2011 Jan–Jun	2012 Jan–Jun	2011 Jan–Jun	2012 Jan–Jun	2011 Jan–Jun
Rental revenues	821	682	127	118					948	800
Sales revenues, modules			169	144					169	144
Net sales	821	682	296	262					1,117	944
Property costs	–269	–235	–23	–21					–292	–256
Production costs, modules			–153	–132					–153	–132
Gross profit	552	447	120	109					672	556
Trading net	17	20		3					17	23
Sales and administration costs	–88	–84	–32	–30			–11	–13	–131	–127
Profit/loss from participations in Hemsö					148	225			148	225
Net financial position	–263	–256	–30	–27	0	9			–293	–274
Unrealised value changes										
Properties	32	72	–30						2	72
Financial instruments	89	93	10	10	17	15			116	118
Profit/loss before tax	338	292	38	65	165	249	–11	–13	530	593
Tax on profit/loss	–92	–63	–10	–17	–4	–7	–982	3	–1,088	–84
Profit/loss after tax	246	229	28	48	161	242	–993	–10	–558	509

1. On 1 January 2012, the holding in Hemsö was reported in accordance with the equity method instead of the proportional method. 50 per cent of Hemsö's profit or loss according to IFRS is reported on the Profit/loss from participations in Hemsö line. Comparative figures have been restated according to the same principle. Due to the changed reporting, the Commercial Properties and Public Properties segments have been replaced by Wholly Owned Properties and Hemsö.

62 m on the first half-year 2011. The increase in 2012 is explained by a larger property portfolio and the winter being milder, simultaneous with the cancellation of interest rate swaps, and affected profit negatively by SEK –50 m compared to 2011.

THE PROPERTY PORTFOLIO

As of 30 June 2012, the portfolio comprised 322 (324) properties, with total area of 2,563,000 (2,569,000) sq.m. and book value of SEK 15,750 (15,693) m. From this Interim Report onwards, only wholly owned properties and modular buildings are considered in the portfolio. Indirect property ownership through 50:50 joint venture Hemsö Fastighets AB is additional. Previously, these properties were included at 50 per cent in the property portfolio, when the proportional method was applied. For a description of Hemsö's property portfolio, see pages 6–7.

Kungsleden values its properties from an internal valuation model, which is an integrated component of its business process, where every property has a business plan. A combination of the

reconciliation of location pricing and present value calculations of cash flows with a five-year forecast period, plus subsequent residual values, form the basis of valuations. Factors considered include rent levels, vacancies, operation and maintenance costs, property age, status and usage.

Of book value, 90 (90) per cent related to wholly owned properties and 10 (10) per cent to modular buildings.

Of property book values, 58 per cent was located in the three major city regions of Stockholm, Gothenburg, Öresund and cities with populations of over 100,000. The properties were located in 101 municipalities.

PROPERTY PORTFOLIO

SEK m	2012 Apr–Jun	2012 Apr–Jun
Properties at the beginning of the period	15,533	15,693
Purchases	–	–
Investments	85	135
Sales	134	–76
Exchange rate fluctuations	–3	–4
Value changes	1	2
Properties at the end of the period	15,750	15,750

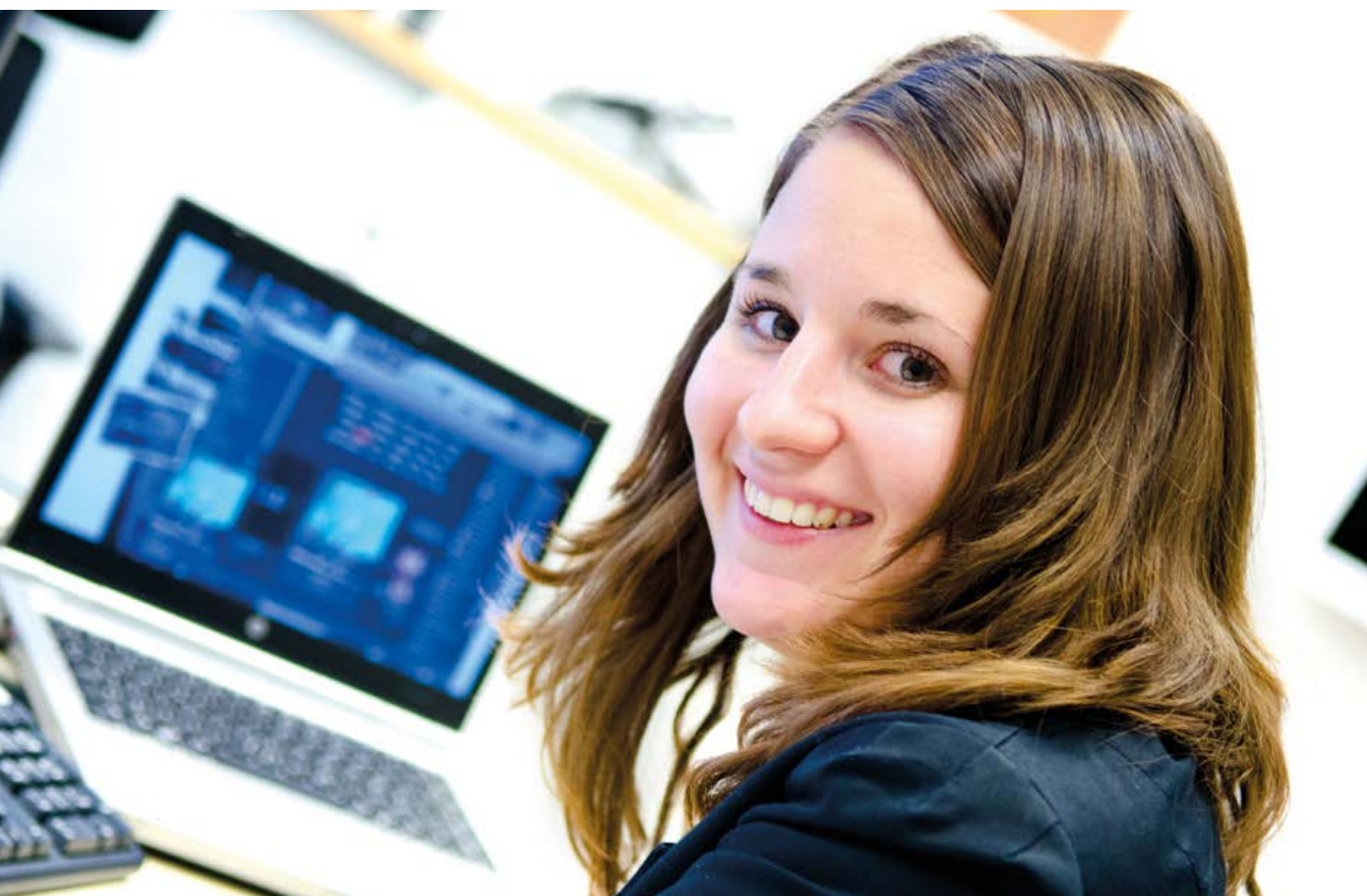
Investments in existing properties amounted to SEK 135 (123) m. Investments are mainly conversions and extensions of existing properties in consultation with the tenant so the customer's operations can be made better and more efficient. Investments increase property values through higher rent levels, and often, longer contract terms.

PROPERTY TRANSACTIONS

The transaction market was hesitant in the first half-year, perhaps not exclusively due to economic conditions but also persistent difficulties and deteriorated conditions for funding certain property transactions.

No properties were purchased in the interim period.

Three properties with area of 8,000 sq.m. were sold for SEK 93 m. The book value of sold properties was SEK 76 m and acquisition cost was SEK 76 m. Sales affected profit for calculating dividends by SEK 14 m. The sales were at a property yield of 5.0 per cent.



EARNINGS CAPACITY

	2012 30 Jun ¹	2011 31 Dec ¹
No. of properties	322	324
Leasable area, 000 sq.m.	2,563	2,569
Book value, SEK m	15,750	15,693
Rental value, SEK m	2,092	2,072
Rental revenues, SEK m	1,869	1,849
Operating net, SEK m	1,250	1,234
Economic occupancy, %	89.3	89.2
Property yield, %	7.9	7.9
Operating surplus margin, %	66.9	66.7

1. After Hemsö has been reported according to the equity method, earnings capacity relates only to the wholly owned properties and modular buildings. Comparative figures have been calculated in the same way, and meant that Hemsö's 312 properties as of 31 December 2011 were excluded.

EARNINGS CAPACITY

The high transaction rate sometimes present in Kungsleden's operations means that the Income Statement does not offer the most accurate view of the group's future earnings capacity. Earnings capacity shows the outcome as if the portfolio as of 30 June 2012 had been held for the past 12 months.

Transactions in the interim period and progress of the existing portfolio resulted in a modest increase in operating net, to SEK 1,250 m, compared to SEK 1,234 m at year-end. This increase was mainly a result of lower costs after a milder winter, simultaneous with the period's property sales limiting the increase to the operating net of the property portfolio. Economic occupancy was 89.3 (89.2) per cent at the end of the period, and the average property yield was 7.9 (7.9) per cent.

MODULAR BUILDINGS

Nordic Modular is a division within Kungsleden, alongside wholly owned properties and the holding in Hemsö. Flexible and cost-efficient modular buildings are a strong complement to Kungsleden's offering, mainly to the public sector. Some 75 per cent of

modular buildings are let to municipalities and county councils.

As of 30 June, modular buildings had total area of 231,000 (232,000) sq.m. and book value of SEK 1,535 (1,550) m.

In the interim period, rental revenues for modular buildings were SEK 127 (118) m, with gross profit of SEK 104 (97) m. Over the past year, occupancy levels have varied, but are in an upward trend and were 79 (77) per cent at the end of the period. The profit from modular lettings is high compared to lettings of buildings on static foundations. In the interim period, let modules represented 18 per cent of the gross profit of all the group's properties while this operation only represented less than 10 per cent of property value.

However, over time, the value impairment due to use is greater on modules in letting operations than for properties on static foundations. Normally, the estimated lifespan is 15–20 years if the modules are relocated, but if not relocated, they can, in principle, have the same lifespan as conventionally built properties. The property yield measured as earnings capacity at the end of the interim period was 7.6 per cent after considering standard depreciation of SEK –86 m. This standard depreciation was not charged to the Income Statement prepared according to IFRS or profit for calculating dividends. However, the Income Statement was charged with unrealised value changes of SEK –30 m, corresponding to reinvestments conducted in the modular portfolio, a holding of 231,000 sq.m., which at an overall level, was unchanged in the interim period, apart from one smaller sale.

Sales of modules including changes in stock increased to SEK 169 (144) m in the period with gross profit of SEK 16 (12) m. The order book for the plant at Gråbo weakened in the quarter while the Anneberg plant saw an improvement in

incoming orders. Thus, the majority of the 24 employees issued with redundancy notices at the beginning of the year are still with the company. Nordic Modular continuously adapts its workforce to economic conditions.

Kungsleden's investment in Nordic Modular Group in 2007 has had good profitability. Capital transfers to Kungsleden exceed invested capital, while Nordic Modular itself not only financed reinvestments for a retained modular portfolio, but also a 33 per cent increase in the modular portfolio. These investments were primarily achieved through its own production. Return on equity has been well over 20 per cent per year in the holding period.

NORDIC MODULAR

SEK m	2012 Jan-Jun	2011 Jan-Jun
Rental revenues	127	118
Property costs	–23	–21
Gross profit, modular lettings	104	97
Sales revenues, modules	169	144
Production costs, modular buildings	–153	–132
Gross profit, modular sales	16	12
Trading net		3
Sales and administration costs	–32	–30
Net financial position	–30	–27
Unrealised value changes		
Properties	–30	–
Financial instruments	10	10
Profit before tax	38	65
Tax	–10	–17
Profit after tax	28	48
Reversal of unrealised value changes and tax	30	7
Profit for calculating dividends	58	55
Properties	1,535	1,584

HEMSÖ

Hemsö Fastighets AB has been 50:50 owned by Kungsleden and AP3 (the Swedish Third Pension Insurance Fund) since 2009. From 2011 onwards, Hemsö is fully independent, with the same focus on public properties as previously. Publicly funded operations for the general public such as geriatric care, schools and healthcare, as well as other public operations, are conducted in these properties. Kungsleden exercises its influence via Hemsö's Board of Directors.

The holding is geographically well diversified, albeit with some concentration on the major regional cities. Hemsö is based in Stockholm, with regional offices in Gothenburg and Malmö and 18 local and administrative offices around the country.

Hemsö should satisfy tenant expectations and satisfy their needs for functional and expedient premises. The estimated size of the market of public properties in Sweden is some 90,000,000 sq.m., of which Hemsö's market share is approximately 2 per cent. Accordingly, there is significant potential for Hemsö to grow.

The largest tenants are Västra Götaland County Council, education provider Academedia, and healthcare provider Attendo.

Hemsö's results for January–June

Hemsö's profit after tax was SEK 296 (450) m. This lower figure is mainly due

to lower unrealised value changes on properties.

Net sales in the period were SEK 919 (809) m, with gross profit of SEK 655 (564) m. The increase year on year is from the past year's purchases and a milder winter.

Sales and administration costs increased to SEK 84 (71) m, as a result of a larger property portfolio and the independent organisation now being in place.

Net financial items change negatively by SEK 71 m, and were SEK –352 (–281) m. This is mainly explained by higher loan volumes through the funding of purchases in 2011, and higher interest on the loan portfolio than the corresponding period of 2011.

Value changes on properties and financial instruments in the period were SEK 150 (448) m and SEK 44 (–16) m respectively, totalling SEK 194 (432) m. The valuation of financial instruments has been positively affected year to date by increased long yields.

Tax on net profit was SEK –117 (–194) m, and corresponds to just over 26.3 per cent of profit before tax.

Property portfolio

As of 30 June, the property portfolio consisted of 318 (312) properties with book value of SEK 21,594 (20,858) m and area of 1,546,000 (1,519,000) sq.m. In annualised terms, these properties had rental revenue of SEK 1,830 m and operating net of SEK 1,329 m. The Swedish property

portfolio was located in 89 municipalities, of which 54 per cent of book value was in municipalities with populations of less than 100,000. About 41 per cent of property book values was located in the three major city regions of Stockholm, Gothenburg and Öresund.

The table on the next page states the earnings capacity of the property portfolio that Hemsö held at the end of the interim period. This portfolio has increased by SEK 736 m since year-end, mainly because of the purchase of six properties for SEK 389 m but also through investments and value changes.

Reporting of Hemsö

Until the end of 2011, Hemsö was consolidated into Kungsleden using the proportional method. From 1 January 2012, Hemsö is instead consolidated according to the equity method. This is being conducted after the forthcoming IFRS 11 Joint Arrangements only permitting the equity method on consolidating joint ventures. The former accounting principle meant that half of all Hemsö's assets, liabilities, revenues and costs were reported item by item in Kungsleden's consolidated accounts. For example, SEK 10,429 m of Kungsleden's total property value of SEK 26,122 m on 31 December 2011 related to the properties held by Hemsö.

The change of method means that half of Hemsö's profit or loss is presented on the *Profit/loss from participations in Hemsö* line in the Income Statement. In the Statement of Financial Position, half of the value of Hemsö's equity is reported according to IFRS as an asset on the *Participations in Hemsö* line. The scale of Kungsleden's equity, net profit or loss and profit for calculating dividends is not affected by the change of accounting method. However, items including the book value of properties and loans are lower due to derecognition of the Hemsö amounts, which reduced total assets and increased the equity ratio.

INCOME STATEMENT, HEMSÖ

SEK m	2012 Jan–Jun	2011 Jan–Jun
Rental revenues	919	809
Property costs	–264	–245
Gross profit	655	564
Trading net	0	0
Sales and administration costs	–84	–71
Net financial position	–352	–281
Unrealised value changes		
Investment properties	150	448
Financial instruments	44	–16
Profit before tax	413	644
Tax	–117	–194
Profit after tax	296	450

STATEMENT OF FINANCIAL POSITION, HEMSÖ

SEK m	2012 30 Jun	2011 31 Dec
Assets		
Properties	21,594	20,858
Receivables, etc.	365	444
Cash and cash equivalents	201	264
Total assets	22,160	21,566
Liabilities and equity		
Equity	2,354	2,169
Liabilities to owners	3,000	3,000
Interest-bearing liabilities	14,355	13,445
Deferred tax	1,611	1,502
Non interest-bearing liabilities	840	1,450
Total liabilities and equity	22,160	21,566

EARNINGS CAPACITY, HEMSÖ

	Retire- ment Home Sweden	Retire- ment Home Germany	School	Care	Judicial system	Other	Total, Hemsö
No. of properties	110	17	78	91	7	15	318
Leasable area, 000 sq. m.	519	76	452	288	63	148	1,546
Book value, SEK m	8,546	1,264	6,189	2,833	1,151	1,611	21,594
Rental value, SEK m	680	97	552	314	94	160	1,897
Rental revenues, SEK m	666	97	532	294	93	148	1,830
Operating net, SEK m	478	91	398	181	72	109	1,329
Economic occupancy, %	97.9	99.8	96.4	93.6	98.8	92.4	96.4
Property yield, %	5.6	7.2	6.4	6.4	6.2	6.8	6.2
Operating surplus margin, %	71.8	93.4	74.8	61.5	77.5	73.8	72.6

More information on how Hemsö affects Kungsleden's financial statements and results based on the different methods is available at www.kungsleden.se/consolidation-of-hemso.

Hemsö's profits for the period January to June of SEK 296 m have been recognised as profit from participations in Hemsö of SEK 148 m in Kungsleden's Income Statement. The Income Statement was also affected by SEK 53 m of interest income on shareholders' loans that Hemsö pays to Kungsleden. In total, the holding in Hemsö affected profit before tax by SEK 201 m and profit after tax by SEK 187 m excluding funding of this investment. In the Statement of Financial Position, the holding in Hemsö has been recognised at a value of SEK 1,177 m, corresponding to half of Hemsö's equity.

The value of the holding in Hemsö

Hemsö's equity was SEK 2,354 m as of 30 June 2012, of which Kungsleden's participation was 50 per cent, or SEK 1,177 m. This value is reported on the basis of IFRS. The market value of the company may differ from the equity measured according to IFRS. Relevant items include IFRS equity being charged with SEK 1,611 m of deferred tax, virtually all of which relates to properties, while a measurement of transactions of shares in property companies usually assigns the value of the deferred tax liability at 5–10 per cent of temporary differences. A measurement of deferred tax liability for properties at 10 per cent of Hemsö's temporary differences as of 30 June 2012 increases the value of the Hemsö group by approximately SEK 1,000 m

compared to the IFRS equity.

An enterprise valuation or transaction may also measure the property portfolio at a different value. The total of individual property book values in Hemsö corresponds to an average property yield of 6.2 per cent as of 30 June. A different valuation of the property portfolio would affect the value of the company by some SEK +/-300 m per 0.1 percentage point divergent property yield (after considering deferred tax on the difference).

Read more at www.hemso.se
(in swedish only)

Anders Kvist, Kungsleden's new CFO and Deputy Chief Executive

Financial conditions on the property market have changed during the financial crisis of recent years. The new circumstances require companies like Kungsleden to look for other solutions than those that have been customary on the market until now.

In the second quarter, Anders Kvist was hired as Kungsleden's new CFO and Deputy Chief Executive. He is currently Head of Financial Management at Northern European banking group SEB, and accordingly, brings fresh experience from the financial markets to Kungsleden.

"Kungsleden is an exciting company in good growth, with stable cash flows and good profits from property management. Even if altered funding conditions demand more from property companies going forward, I think there are good prospects for Kungsleden to continue to diversify risk and simultaneously execute attractive, value-increasing transactions," commented Anders, who takes up his new position on 1 October 2012.





EARNING ASSETS

SEK m	2012 30 Jun	Return
Properties	15,750	7.9
Participations in Hemsö	1,177	6.5
Long-term receivables, Hemsö	1,500	7.0
Receivables, vendor notes	433	7.0
Total	18,860	7.8

EARNING ASSETS

Kungsleden's earning assets are not only its properties, but also include its holding in Hemsö and a shareholders' loan to Kungsleden, as well as three outstanding receivables on vendor notes, all of which provide ongoing earnings in the form of profit participation/dividends and interest income. In total, these earning assets as of 30 June were reported at SEK 18,860 m, and yield just under 8 per cent on an ongoing basis.

Earning assets are primarily funded through interest-bearing liabilities and equity, which as of 30 June, were SEK 10,767 m and SEK 6,800 m respectively. Other items in the Statement of Financial Position are a net liability of SEK 1,296 m, of which about half relates to deficits on financial instruments after tax.

For property companies, loan to value ratios in the form of loans in relation to property values are normally a relevant key figure. However, for Kungsleden, a more relevant key figure for the loan to value situation could be defined as all earning assets in relation to loans. This loan to value ratio was 57 per cent as of 30 June.

CUSTOMERS

Kungsleden's success is based on satisfied customers and the company's ability to do good deals. Kungsleden's customers are a cross-section of the Swedish business community and public services. Its tenants are both small enterprises and large corporations. Manufactured goods, transportation and retail are some of the sectors where Kungsleden is active.

Kungsleden conducts regular brand research to measure the impact of its brand and how the company is perceived. This year's research demonstrates that customers' perceptions of the company are closely consistent with the image the company is endeavouring to create. The research measures brand loyalty, and what is important in relationships with customers, as well as how well Kungsleden delivers on customer

needs. The primary parameters for Kungsleden's customers are premises in locations that suit the customer, the capacity to listen to the customer, strong presence in the customer's operational location and a well-recognised company with a good reputation. In its most recent research, Kungsleden improved across all parameters on 2010, and most on aspects such as: good premises, responsiveness/flexibility and understanding and simplicity. Kungsleden's ambassadorship remains very high 52 (47) per cent would readily recommend Kungsleden to others. 53 (53) per cent state that Kungsleden is a company that they have a close and personal relationship with.

The largest tenant is ABB, which represents 17 per cent of total rental revenues.

Customers—key facts:

- New lettings in 2012: new agreements with total annual rental value of SEK 43 m.
- Remaining contract term: average 4.8 years excluding properties for sale.
- Economic occupancy: 89.3 (89.2) per cent.

FUNDING

Kungsleden's loan portfolio is based on agreements with banks, a syndicated credit facility and unsecured bond loans. Loan agreements normally have three to five-year maturities, which is market practice for property credits. Fixed-interest terms in loan agreements are short, and Kungsleden works on interest risk at an overall group level. The desired risk level in the interest fixing structure is achieved using instruments called interest swaps or interest caps.

Interest-bearing liabilities

At the end of the period, the loan portfolio totalled a nominal SEK 10,769 (10,665) m. SEK 1,599 (1,599) m of the loan portfolio was unsecured bond loans. Un-utilised credit facilities amounted to SEK 1,160 (3,060) m. The market value of loans and financial instruments was SEK 11,708 (11,806) m as of 30 June.

The average interest rate on the loan portfolio was 6.4 (5.5) per cent. The average interest rate on 31 December 2011 was 4.8 per cent on consolidation of Hemsö according to the proportional method, and as of 31 December, increased to 5.5 per cent as a result of the transition to the equity method because Hemsö's loan and derivative portfolio had a lower average interest rate. The change in average interest in the year relates to higher margins and arrangement costs when rearranging credit facilities. Of the average interest rate of 6.4 per cent, 1.7 per cent is due to interest rates being fixed in market conditions where interest rates were

higher than at present. The sale of the 39 public properties to Hemsö in August is estimated to increase the average interest rate by 0.4 percentage points.

The derivative portfolio amounted to a nominal amount of SEK 9,850 (11,650) m. Interest swaps with a nominal amount of SEK 1,800 m were cancelled in the first half-year, with the aim of balancing the derivative portfolio with underlying loan volumes after the sale of the Härnösand portfolio in August. The cancellation fee for the swaps cancelled in the quarter was SEK 74 m, recognised as a realised value change on financial instruments in profit for calculating dividends for 2012. Interest costs are estimated to increase by about the corresponding amount in 2012 and 2013. The cancellation of swaps contributed to decreasing average interest by 0.3 per cent. The average remaining fixed-interest period. The average remaining fixed-interest period for loans and derivatives reduced by 0.8 years on year-end and amounted to 4.8 years. In addition to a half-year passing, the cancellation of swaps contributed to increasing the fixed-interest term by 0.3 years.

Loan agreements may include covenants on the interest coverage and loan to value ratios, which were satisfied as of 30 June. The interest coverage ratio was a multiple of 2.1 (2.2) and the loan to value ratio for secured credits, i.e. excluding bonds, was 58 per cent at group level.

Bond market

Progress in the surrounding world remains poor and uncertain. Europe remains weak, and several observers

have downgraded growth as a result of increasing concerns for the stability of the banking system and the sustainability of government finances. The protracted process, which fundamentally concerns how debt burdens should be allocated, will probably continue. The positive effect of the improved access to liquidity in the European banking system through the ECB's allocation of concessional repo loans in December 2011 and February 2012 has now decreased. Estimates of growth in the US are virtually unchanged from the previous quarter, but GDP in the major growth economies is now expected to increase somewhat more slowly in 2012 than previous estimates indicate.

Primarily, slower growth in China is forecast. The Swedish economy is now expected to slow more than most commentators previously estimated, and accordingly, several commentators want to see lower interest rates from the Riksbank. However, the Riksbank has left its repo rate unchanged at its past two meetings in April and early-July 2012. The Riksbank has forecast low inflation pressure going forward, and expects to leave the repo rate at current levels over the next year, to then start a new tightening cycle at the end of 2013. As a result of a more negative outlook on the surrounding world, the Riksbank's yield curve has been shifted down. Overall, most of the evidence suggests that we will continue to see low market interest rates in Sweden in the short and longer term. Forward rates indicate that Stibor 90 days will decrease and bottom out in the late-2013 at 1.8 per cent to then increase to

MATURITY STRUCTURE, INTEREST FIXING

As of 30 June 2012	Loan, SEK m	Interest derivatives, SEK m ¹	Average interest, %	Average interest, loans and derivatives, %	Average fixed interest period, years
2012	10,769	–	–		
2013		–	–		
2014		800	3.9		
2015		2,400	4.2		
2016		500	3.9		
2017		500	4.1		
2018		3,650	4.2		
2019		800	3.5		
2020		800	3.7		
2021		400	3.8		
Total	10,769	9,850		6.4²	4.8
Market valuation of loans and derivatives					
	939				
Total	11,708				

1 Kungsleden's interest derivatives mean that the company receives variable interest and pays fixed interests based on longer maturities. The variable interest received in derivatives matches the variable interest paid on underlying bank loans, thus creating a traditional interest fixing.

2 The group's average interest of 6.4 per cent is due to Kungsleden fixing interest rates in market conditions where interest rates were higher than at present. The average interest rate on the table indicates the interest cost of loans, arrangement fees and relatives in relation to the current loan volume on the reporting date.

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

As of 30 June 2012	Utilised credits	Un-utilised credits	Total credits
2012	1,222 ¹	260	1,482
2013	694		694
2014	1,220		1,220
2015	5,610	900	6,510
2016	2,023		2,023
Total	10,769	1,160	11,929
Average conversion term, years	2.5		2.4

¹ Of maturities in 2012, SEK 850 m relate to financing 39 public properties in Härnösand, northern Sweden, which were sold to Hemsö in August.

SENSITIVITY ANALYSIS, INTEREST RATE CHANGES

Effect on net financial position, SEK m	30 June 2012
Average interest of the loan portfolio changes, +/- 1% point	-/+ 108
Short market rate (<6 mth.) changes, +/- 1% point	-/+ 9
Effect on unrealised value change/reserve, SEK m	30 June 2012
Market interest rate changes on all maturities, +/- 1% point ¹	+476/-522

¹ The valuation of interest swaps means that future cash flows are discounted to present value with the current market interest rate for each maturity. To judge the interest rate sensitivity of the portfolios, calculations have been conducted by a one percentage point change in market interest rates on all maturities.

some 2.0 per cent at the end of 2014 and early 2015.

Despite low benchmark and market interest rates, problems with higher capital adequacy requirements and relatively high refinancing costs for banks on the capital markets remain, maintaining interest margins towards lenders. Nevertheless, loan issues in the second quarter indicate that banks funding costs on this margin were largely unchanged.

Bank sentiment has also been affected by turbulence in the period and the cautiously positive sentiment among banks late in the first quarter transformed into a more cautious and hesitant approach. It is hard to discern any major change to bank pricing or ambitions to increase or decrease lending. The spread between the interest rate on yield on government bonds and Stibor has increased again, which can be viewed as a sign of increasing concerns on the interbank market. Participants on the capital markets also became more risk averse in the period, with higher required yields on corporate paper as a result.

Since year-end, Stibor 90 days decreased from 2.64 per cent to 2.14 per cent as of 30 June 2012. Uncertain market conditions are also indicated in the progress of market interest rates on longer maturities. Yields on maturities from two years increased sharply in the first quarter to then fall back in the second quarter. Yields on five-year maturi-

ties increased by 0.13 per cent since year-end to 2.09 per cent from year-end to 30 June 2012, while the 10-year yield increased by 0.11 per cent to 2.40 per cent. In the same period, interest on two-year maturities increased by 0.02 per cent to 1.88 per cent.

Value changes, financial instruments

As of 30 June, the deficit on loans and financial instruments was SEK -939 m, compared to SEK -1,137 m at the beginning of the year. The decrease in this deficit is attributable to market interest rates with long maturities rising in the year, corresponding to SEK 124 m and recognised as unrealised value changes on financial instruments and that interest derivatives were cancelled for SEK 74 m. Other financial instruments (foreign currency items and share swaps) changed by SEK -8 m, resulting in total unrealised value changes in the Income Statement in the period of SEK 116 m.

Maturity structure

Kungsleden works continuously on adapting the company's maturity structure and extending its credit portfolio. This is achieved through ongoing discussions with existing lenders regarding extensions in advance, and by Kungsleden using alternative funding sources. The average conversion period for utilised credit facilities was 2.5 (1.6) years. This increase is due to refinancing credit

facilities with a total nominal amount of SEK 7,394 m, of which utilised credit facilities amounted to SEK 6,234 m as of 30 June.

In the next 12 months, credit facilities with a total nominal amount of SEK 1,915 m as of 30 June mature. Of these maturities, SEK 850 m relate to financing 39 public properties in Härnösand, northern Sweden, which were sold to Hemsö in August 2012. One-third of the remaining requirement for refinancing for the next 12 months was secured as of 30 June.

Liquidity

As of 30 June, Kungsleden's cash position and un-utilised credit facilities amounted to just under SEK 1,460 m. Apart from us yielding possession of the Härnösand portfolio and the sale of two properties in Poland, a vendor note of SEK 184 m to SveaReal was redeemed after the end of the period. In addition, an unusually high amount of rent was received in the early days of July, because the end of the quarter was on a weekend. Overall, these events mean a cash injection of another SEK 350 m in the third quarter.

TAX POSITION

Kungsleden has several tax proceedings ongoing, where the Swedish Tax Agency has a different judgement to the company regarding transactions conducted. Kungsleden is contesting the tax claims the Swedish Tax Agency and courts have ruled on to date, and all rulings have, or will be, subject to appeal by the company. If the Swedish Tax Agency's claims were to prevail, Kungsleden judges that the raised assessment of income could largely be offset by loss carry-forwards, which means that the liquidity effect (corporation tax, and in some cases, tax surcharges and interest) would not correspond to the raised assessment of income that the Swedish Tax Agency is claiming. In addition, Kungsleden has tax loss carry-forwards that have not been capitalised in its accounting, which could meet a significant portion of potential negative outcomes of proceedings, thus limiting the effect on equity.

A large number of tax rulings were made in courts in 2012 that have a direct or indirect impact on Kungsleden's tax position. Based on these events, Kungsleden judges that the risk of a definitive negative outcome has increased in a number of proceedings. Accordingly, Kungsleden has provision a total of SEK 1,310 m for them, of

which SEK 325 m was provisioned in 2009, SEK 260 m in the first quarter of 2012 and SEK 725 m in the second quarter of 2012. If all rulings are definitively found against Kungsleden, the estimated liquidity effect would be SEK 1,890 m, and the equity effect could amount to SEK 1,380 m in addition to previous provisioning. Since the most recent press release on tax updates, in July, Kungsleden received information that the Swedish Tax Agency intends to initiate proceedings in the Administrative Court regarding a further two impairment losses on lagerandelar¹ from external acquisitions. Given a negative outcome, these cases may imply a liquidity effect of SEK 500 m and a negative effect on equity of SEK 620 m. The liquidity effect for those proceedings already provisioned amounts to SEK 340 m, of which SEK 80 m has been paid to the Swedish Tax Agency in anticipation of a definitive ruling. These amounts include interest and potential tax surcharges. Liquidity and profit effects on individual proceedings may be affected by the order in which proceedings are ruled through, for example, taxable loss carry-forwards possibly having been utilized for previous tax years.

¹ Defined in Swedish law as a construction company's shareholding in a property management company.

Scheduling precisely when the various tax proceedings will be definitively ruled is not possible. However, it is likely that it will take several years before all proceedings are definitively ruled. The various types of tax position are reviewed in more detail below.

Loss on liquidation of limited partnership

In April 2012, Kungsleden received rulings from the Administrative Court of Appeal in Stockholm regarding the fiscal year 2004 (tax year 2005). These rulings concerned two companies in the Kungsleden group, which when liquidating limited partnerships, claimed deductions for liquidation losses. These liquidation losses arose as a part of internal restructuring, and against this background, the Administrative Court of Appeal upheld the Administrative Court's ruling that the losses were not actual

from a group perspective. Kungsleden appealed against these rulings at the Supreme Administrative Court. If the Administrative Court of Appeal's ruling were upheld, this would imply a negative liquidity effect of SEK 80 m including tax surcharge and interest. SEK 260 m has been provisioned.

Impairment of lagerandelar¹ on external purchases

In 2005 to 2008, trading Kungsleden companies purchased a number of properties that the seller had incorporated. The properties were transferred to other companies in the group after their purchase, which caused impairment of the purchased participations, in accordance with generally accepted accounting practice, an impairment that was also claimed in tax terms. The transactions were conducted fully in accordance with the practice applicable

TAX PROCEEDINGS

SEK m	Effect on equity	Liquidity effect
Provision, Q2 2009	325	0
Provision, Q1 2012	260	80
Provision, Q2 2012	725	260
Total provisioned tax cases	1,310	340¹
Un-provisioned tax cases	1,380 ²	1,550 ³
Total	2,690	1,890¹

¹ Of which SEK 80 m deposited with the Swedish Tax Agency in anticipation of ruling.

² Including the Swedish Tax Agency's claim of SEK 620 m in July 2012.

³ Including the Swedish Tax Agency's claim of SEK 500 m in July 2012.





according to the Supreme Administrative Court, practice that was confirmed by the Administrative Court of Appeal in Stockholm in autumn 2011 in what is known as the “Steen & Ström case.” In February and July 2012, the Swedish Tax Agency claimed that the Administrative Court of Appeal should consider whether the Swedish Tax Evasion Act was applicable to five of these transactions. If the Swedish Tax Agency’s claim prevails, this would imply further tax payable of SEK 1,390 m including tax surcharge and interest. No provision has been made for these situations.

In June 2012, the Administrative Court of Appeal in Stockholm reported rulings regarding the impairment of participations (similar procedure to the above), with the difference that the Court applied transition rules for new legislation in 2008 that Kungsleden does not agree with. Taxes payable as a result of the findings amount to SEK 100 m including interest and tax surcharge. SEK 342 m has been provisioned. Kungsleden intends to appeal against this ruling at the Supreme Administrative Court.

BV proceedings

A number of property sales via Dutch BV companies, in a manner similar as what is known as the “Cyprus case,” were conducted in 2005 and 2006, a matter where the Council for Advance Tax Rulings issued an advance ruling in

2010, and that has been subject to appeal at the Supreme Administrative Court. The Supreme Administrative Court definitively ruled the Cyprus case in May 2012, and ruled that the Swedish Tax Evasion Act was applicable to this transaction. As previously communicated, Kungsleden received rulings from the Administrative Court, where the Court ruled that compensation for the disposal of the participations in limited partnerships from Dutch companies should be reallocated. If the Administrative Court ruling is upheld by higher courts, this would imply taxes payable of SEK 140 m including tax surcharge and interest. SEK 335 m has been provisioned for these proceedings. An increase of SEK 5 m (compared to the press release on 31 May 2012) is due to a recently received ruling from the Administrative Court on a company in the Hemsö group. Kungsleden has appealed against these rulings at the Administrative Court of Appeal in Stockholm.

Other proceedings

In May and June 2012, the Administrative Court ruled on three cases previously communicated relating to transactions occurring in the tax years 2004 and 2006. The Court ruled that the Swedish Tax Evasion Act would be applicable, and accordingly, loss carry-forwards would not be permitted for impairment losses received as a

result of restructuring. Largely, it was possible to offset the increased, reassessed taxable income against loss carry-forwards, and accordingly, the liquidity effect that arose was limited to SEK 18 m. A provision was made in the accounts in 2009 for one of these proceedings, corresponding to SEK 325 m and these rulings implied that further provisioning of SEK 48 m was made in the second quarter of 2012. Kungsleden has lodged an appeal against these rulings at the Administrative Court of Appeal in Stockholm.

Judgement

Kungsleden’s firm opinion is that the company has fully complied with the laws and practice in place when preparing each tax return. The company continuously verifies its assessments on tax issues with external experts, and against this background, has not made any further provisioning in addition to the SEK 325 m from 2009 and SEK 985 m in 2012. However, this does not mean there is no risk that the courts may judge transactions conducted differently to the company. Moreover, there may be a risk that in certain cases, the Swedish Tax Agency conducts proceedings against different group companies to increase their assessed income. Kungsleden’s judgements and computations will be re-evaluated at the end of each reporting period. Accordingly, final

outcomes may be higher and lower than the current assessment. However, Kungsleden considers that the Swedish Tax Agency's claims are erroneous.

EQUITY

Equity was SEK 6,800 (7,719) m at the end of the interim period, or SEK 50 (57) per share, equivalent to an equity ratio of 35 (37) per cent.

SECOND QUARTER (APRIL-JUNE)

Net sales in the second quarter amounted to SEK 561 (536) m, divided between rental revenues from modular buildings of SEK 64 (60) m and SEK 497 (401) m from other properties, plus sales revenues from produced modules of SEK 88 (76) m. Gross profit was SEK 337 (328) m. The increase in revenue and profit is sourced from indexed rents for the year.

Profit before tax was SEK 72 (100) m and the net loss was SEK -671 (102) m. This lower figure is mainly due to provisioning for tax costs and lower earnings from property sales.

Profit before tax excluding value changes was down SEK 50 m on the first quarter, primarily due to lower earnings from property sales and profit participation from Hemsö.

The profit/loss for calculating dividends amounted to SEK -177 (145) m. Provisioning for tax affected taxes payable by SEK -260 m and the cancellation of financial instruments, primarily interest swaps, affected results by SEK -77 m.

In the second quarter, no properties were purchased. The sale of one property with an area of 1,000 sq.m. was conducted. The sales revenue was a total of SEK 5 m, implying a trading net and effect on profit for calculating dividends of SEK 0 m. The sale of five properties agreed and included in the first quarter was discontinued before completion. This transaction amounted to SEK 151 m and the profit effect of the transaction corresponds to a deposit of SEK 5 m instead of SEK 10 m in the Income Statement and SEK 26 m in profit for calculating dividends.

SEASONALITY

The property sector is subject to seasonality. The six months of the year including winter, especially the first quarter, have higher property costs for heating and snow clearance, for example. Correspondingly, costs are lower and activity in operations and administration generally lower in the summer months.

Over the past five years, the operating surplus margin for Kungsleden's properties has been 67 per cent in the first quarter, 73 per cent in the second quarter, 77 per cent in the third quarter and 72 per cent in the fourth quarter.

Transaction activity is normally higher in the second and fourth quarters than in the first and third.

ORGANISATION AND HUMAN RESOURCES

The AGM 2012 re-elected Håkan Bryngelson, Joachim Gahm, Lars Holmgren, Magnus Meyer, Biljana Pehrsson, Kia Orback Pettersson and Charlotta Wikström as Board members of Kungsleden AB (publ). Board member Thomas Erséus declined re-election, and will participate in Board contexts in his capacity as Chief Executive going forward.

Anders Kvist was hired in the second quarter as Kungsleden's new CFO and Deputy Chief Executive, replacing Johan Risberg, who is leaving the company. Johan has been with the company for 16 years and been a major contributor to the creation of what Kungsleden is today.

The average number of employees was 267 (292) in the interim period. 188 (177) people worked for Nordic Modular, 157 (148) of them on producing modules. The change in the number of employees is mainly from new appointments in module production in the past two years.

Kungsleden placed second in the medium-sized organisations category in Sweden in the Great Place to Work 2012 survey, and was the best employer of the property companies. This is the third year that Kungsleden has been highly rated in an employer context.

SHAREHOLDERS

As of 30 June 2012	No. of shares	% of vote and capital
Nordea Funds	8,134,724	6.0
Länsförsäkringar Funds	5,235,125	3.8
Norwegian Government	3,608,244	2.6
Florén Olle and companies	3,479,250	2.5
Danske Invest Funds (Sweden)	2,945,429	2.2
Pensioenfonds PGGM (NL)	2,823,735	2.1
SHB Funds	2,408,867	1.8
Swedbank Robur Funds	2,371,653	1.7
Fourth AP Fund/AP4	2,305,560	1.7
Second AP Fund/AP2	1,955,459	1.4
Total, ten largest shareholders	35,268,046	25.8
Board and management	186,300	0.1
Foreign shareholders, other	32,719,159	24.0
Other shareholders	68,328,559	50.1
Total	136,502,064	100.0

Source: SIS Ägarservice

PARENT COMPANY

The parent company made a SEK 34 (64) m net profit for the period. The profit was mainly sourced from reversed provisioning for deficits in the group's interest swaps as a result of rising long yields. Sales were SEK 31 (-) m.

Assets at the end of the period mainly consisted of shares in subsidiaries of SEK 7,946 (7,947) m. Funding was primarily through equity, which was SEK 5,665 (5,987) m at the end of the period, implying an equity ratio of 41 (39) per cent.

THE SHARE AND SHAREHOLDERS

The closing share price on 30 June 2012 was SEK 35.00. Compared to the closing price at the end of 2011, which was SEK 46.00, the price decreased by 24 per cent. The OMX Stockholm Real Estate_PI rose by 3 per cent in the same period. As of 30 June, Kungsleden had 20,815 shareholders, an 8 per cent decrease on year-end.

At the end of the interim period, there were 136,502,064 shares, the same as on 1 January.

RISKS AND UNCERTAINTY FACTORS

Kungsleden's operations, results of operations and financial position are affected by a number of risk factors, which in some cases, particularly in terms of property valuations, are based on judgments.

The risks affecting profits and cash flow relate mainly to changes in rent levels, occupancy, the general progress of costs, interest levels and property market liquidity.

The Balance Sheet predominantly consists of properties and funding. The aggregate risk in property values

depends on geographical diversity, property type, property size, contract term, tenant structure, technical standard, etc. Property values are appraised individually and progressively through the period based on a large number of judgments and estimates of future cash flows and required rates of return in a transaction. The methodology of internal valuations is reviewed on pages 32–33 and in Note 17 of the Annual Report for 2011.

Financial risks are primarily liquidity risk, re-financing risk and interest risk and are managed on the basis of Kungsleden's finance policy. More information on managing financial risks is stated in 'Funding' on pages 9–10, and on pages 45–47 of the Annual Report for 2011.

Reporting of taxation conforms to accounting standards, but it is notable that over time tax paid usually differs from that reported. Additionally, tax rules are complex and difficult to interpret. The application of rules can also change over time, see also the review of the tax position on pages 10–12.

A more detailed review of Kungsleden's risks and uncertainty factors is provided on pages 40–44 and in Note 2 of the Annual Report for 2011.

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

ACCOUNTING PRINCIPLES

Kungsleden observes IFRS (International Financial Reporting Standards) as endorsed by the EU and IFRIC interpretation statements. This Interim Report has been prepared pursuant to IAS 34 Interim Financial Reporting. Applicable stipulations of the Swedish Annual Accounts Act and the Swedish Securities Markets Act have also been applied.

In previous reports, Hemsö has been consolidated into the Kungsleden group through the proportional method. This means that half of all Hemsö's assets, liabilities, revenues and costs are recognised item by item in Kungsleden's consolidated accounts. For example, SEK 10,429 m of Kungsleden's total property value of SEK 26,122 m as of 31 December 2011 was properties held by Hemsö.

From 1 January 2012, Hemsö is being consolidated on the basis of the equity method instead. This is being conducted after the forthcoming IFRS 11 Joint Arrangements (effective date

not set) only permitting the equity method for consolidating joint ventures. This change of method means that half of Hemsö's profit or loss being recognised instead on a line in the income statement, *Profit/loss from participations in Hemsö*. In the Statement of Financial Position, half of the value of Hemsö's equity is being reported in accordance with IFRS as an asset on a separate line, *Participations in Hemsö*.

The change of accounting principle did not affect equity, net profit or loss or profit for calculating dividends. However, items including property values and loans are lower when Hemsö was derecognised from these items, which reduced total assets and increased the equity ratio.

A presentation of the Income Statement, Statement of Financial Position and a number of key figures as of 31 December based on the different accounting methods is on page 20. More information on how the change of principle affects Kungsleden's financial statements and results based on the different methods is available at www.kungsleden.se/consolidation-of-hemsö.

In tandem with this change of method, Kungsleden is amending the format of its Statement of Financial Position by dividing assets between non-current assets and current assets. This new presentation more clearly illustrates that Kungsleden's earning assets are funded by equity and interest-bearing liabilities, and that working capital is relatively low.

The new IFRS and interpretations applied for the first time in 2012 are stated in Note 1 of the Annual Report for 2011. Their application did not affect the accounts or presentation of the financial statements materially compared to reporting according to previous principles.

Otherwise, the accounting principles and methods of calculation are unchanged compared to the Annual Report for the financial year 2011.

ESTIMATE 2012

Kungsleden' estimate of profit for calculating dividends for the full year 2012 was downgraded in the second quarter to SEK 300 m from the previous SEK 600 m after tax rulings for Kungsleden companies and external companies increased the risk of negative outcomes in a number of tax proceedings. This estimate corresponds to SEK 2.20 (4.40) per share.

Profit for calculating dividend corresponds to profit for the period before tax

excluding unrealised value changes but including realised items, profit for calculating dividends from Hemsö and taxes payable.

DIVIDEND POLICY

The Board's ambition is to maintain a stable dividend with a high pay-out ratio. This policy means that dividends shall amount to 50 per cent of profit for calculating dividends. When judging the amount of dividends, consideration shall be given to the company's investment requirement, capital structure and financial position otherwise.

Kungsleden AB (publ) held its Annual General Meeting on 19 April and the Meeting approved the Board of Directors' proposed dividend of SEK 2.60 per share, which was paid on 27 April 2012. The dividend is an increase on the previous year, when SEK 2.00 was distributed.

POST-BALANCE SHEET EVENTS

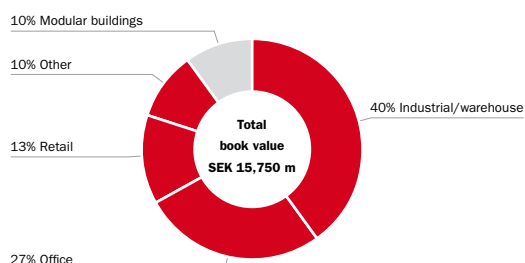
In July, the Swedish Tax Agency claimed that the Administrative Court should consider further transactions Kungsleden executed in 2006–2007. If Kungsleden is unsuccessful in this matter, the liquidity effect would be approximately SEK 500 m. As recently as 2011, the Administrative Court of Appeal in Stockholm found that the Swedish Tax Evasion Act was not applicable in a similar case. No further provisioning has been made for these claims

The two properties in Poland were sold to a local buyer for SEK 104 m in August. The sales price is comparable to book value and acquisition cost.

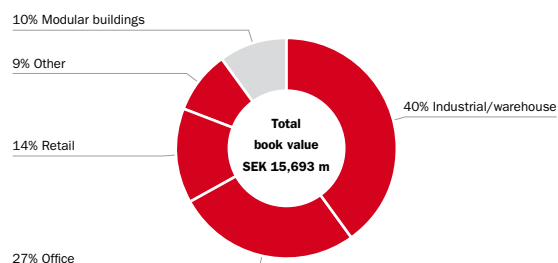
In August, 39 properties in Härnösand were also sold and completed to Hemsö for SEK 912 m. This sale will affect profit after tax in the third quarter by SEK 39 m and increases profit for calculating dividends by SEK 26 m. Simultaneously, this transaction increases the equity ratio by two percentage points.

Since Hemsö has been reported according to the equity method, earnings capacity relates only to the wholly owned properties and modular buildings.

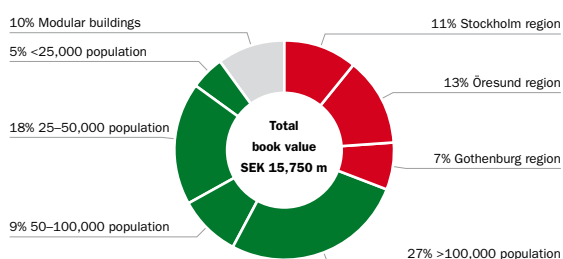
PROPERTY PORTFOLIO BY TYPE, 30 JUNE 2012



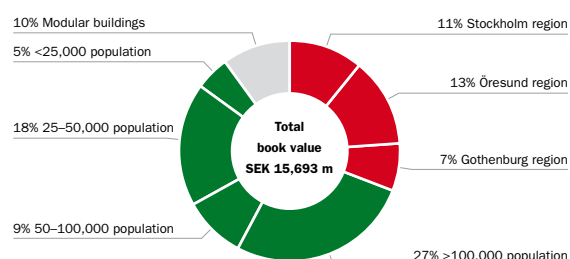
PROPERTY PORTFOLIO BY TYPE, 31 DECEMBER 2011



PROPERTY PORTFOLIO BY SIZE OF LOCATION, 30 JUNE 2012



PROPERTY PORTFOLIO BY SIZE OF LOCATION, 31 DECEMBER 2011



EARNINGS CAPACITY¹ BY TYPE

	Industrial/ warehouse	Office	Retail,	Other	Modular buildings	Total
No. of properties	125	82	57	58	–	322
Leasable area, 000 sq.m.	1,279	566	268	219	231	2,563
Book value, SEK m	6,366	4,237	2,116	1,496	1,535	15,750
Rental value, SEK m	784	573	230	184	321	2,092
Rental revenues, SEK m	715	513	217	172	252	1,869
Operating net, SEK m	545	324	164	101	116 ²	1,250
Economic occupancy, %	91.2	89.4	94.3	93.6	78.6	89.3
Property yield, %	8.6	7.6	7.8	6.7	7.6 ²	7.9
Operating surplus margin, %	76.2	63.2	76.0	58.5	46.0 ²	66.9

EARNINGS CAPACITY¹ BY SIZE OF LOCATION

	Stockholm region	Gothenburg region	Öresund region	Other cities by inhabitants, '000				Modular buildings	Total
				>100	50-100	25-50	<25		
No. of properties	39	27	42	54	35	88	37	–	322
Leasable area, 000 sq.m.	192	159	256	694	208	564	259	231	2,563
Book value, SEK m	1,748	1,038	2,058	4,248	1,399	2,910	814	1,535	15,750
Rental value, SEK m	193	117	206	595	182	372	106	321	2,092
Rental revenues, SEK m	180	93	180	559	162	344	99	252	1,869
Operating net, SEK m	127	61	144	374	112	233	83	116 ²	1,250
Economic occupancy, %	93.6	79.3	87.4	93.9	88.5	92.3	93.9	78.6	89.3
Property yield, %	7.2	5.9	7.0	8.8	8.0	8.0	10.3	7.6 ²	7.9
Operating surplus margin, %	70.3	65.6	80.1	67.0	69.5	67.7	84.3	46.0 ²	66.9

1 Earnings capacity indicates the appearance of the Income Statement as if the properties owned as of 30 June 2012 had been owned for the previous 12 months.

2 The operating net of Modular Buildings has been charged with standard depreciation/value changes of SEK –86 m.

Financial Reporting 1 Jan – 30 June 2012

INCOME STATEMENT¹

SEK m	Reporting period		Interim period		12 months	
	2012 April–June	2011 April–June ¹	2012 Jan–June	2011 Jan–June ¹	2011/2012 July–June	2011 Jan–Dec ¹
Rental revenues	472.7	460.7	947.5	799.5	1,906.8	1,758.8
Sales revenues, modular buildings	88.4	75.7	169.3	144.1	313.6	288.4
Net sales	561.1	536.4	1,116.8	943.6	2,220.4	2,047.2
Property costs	–139.7	–136.5	–292.4	–255.3	–549.2	–512.1
Production costs, modular buildings	–84.4	–71.8	–152.8	–132.0	–278.9	–258.1
Gross profit	337.0	328.1	671.6	556.3	1,392.3	1,277.0
Property trading						
Sales revenues, net	–138.0	41.4	92.5	46.4	1,244.6	1,198.5
Book value						
Acquisition cost	108.1	–16.6	–76.1	–19.2	–1,134.9	–1,078.0
Realised value changes	27.1	–4.8	0.3	–4.6	–59.8	–64.7
	135.2	–21.4	–75.8	–23.8	–1,194.7	–1,142.7
Trading net	–2.8	20.0	16.7	22.6	49.9	55.8
Sales and administration costs	–64.0	–71.7	–131.4	–127.4	–248.5	–244.4
Profit/loss from participations in hemsö¹	63.7	75.2	147.9	224.8	336.2	413.1
Net financial position						
Financial revenues	35.6	34.3	70.7	66.7	145.0	141.0
Financial costs	–177.0	–176.6	–346.1	–327.3	–692.8	–674.0
Other financial costs	–11.6	–7.7	–17.6	–13.0	–30.4	–25.8
	–153.0	–150.0	–293.0	–273.6	–578.2	–558.8
Unrealised value changes						
Investment properties	1.3	45.0	1.9	72.2	171.0	241.3
Financial instruments	–110.6	–146.4	116.0	117.5	–492.2	–490.7
	–109.3	–101.4	117.9	189.7	–321.2	–249.4
Profit/loss before tax	71.6	100.2	529.7	592.4	630.5	693.3
Tax	–742.1	2.1	–1,087.5	–83.8	–1,058.6	–54.9
Profit/loss after tax²	–670.5	102.3	–557.8	508.6	–428.1	638.4
Earnings per share³	–4.90	0.70	–4.10	3.70	–3.10	4.70

1 On 1 January 2012, the holding in Hemsö was reported in accordance with the equity method instead of the proportional method. 50 per cent of Hemsö's profit or loss according to IFRS is reported on the Profit/loss from participations in Hemsö line. Comparative periods have been restated according to the same principle.

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

3 Before and after dilution effect. The outstanding and average number of shares is 136,502,064 for all periods.

STATEMENT OF COMPREHENSIVE INCOME

SEK m	Reporting period		Interim period		12 months	
	2012 April–June	2011 April–June	2012 Jan–June	2011 Jan–June	2011/2012 July–June	2011 Jan–Dec
Net profit/loss from Income Statement	–670.5	102.3	–557.8	508.6	–428.0	638.4
Other comprehensive income						
Change in fair value of currency forwards (after tax)	–	–0.7	–	2.3	–2.3	0.0
Translation differences for the period when translating foreign operations	–3.1	9.7	–6.5	9.0	–18.7	–3.2
Comprehensive income for the period¹	–673.6	111.3	–564.3	519.9	–449.0	635.2

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

STATEMENT OF FINANCIAL POSITION

SEK m	30 June 2012	31 Dec 2011
ASSETS		
Goodwill	201.4	201.4
Properties	14,838.2 ¹	14,788.4 ¹
Machinery and equipment	13.9	15.5
Participations in Hemsö	1,176.9	1,084.5
Long-term receivables, Hemsö	1,500.0	1,500.0
Deferred tax asset	–	1,019.8
Other long-term receivables	251.2	443.2
Non-current assets	17,981.6	19,052.8
Inventories	21.0	16.7
Current receivables	437.9	238.1
Assets held for sale—properties	912.2 ¹	904.8 ¹
Assets held for sale—other assets	17.7	14.4
Cash and bank balances	297.9	683.9
Current assets	1,686.7	1,857.9
TOTAL ASSETS	19,668.3	20,910.7
LIABILITIES AND EQUITY		
Equity	6,799.8	7,719.0
Liabilities to credit institutions	8,267.4	8,154.2
Bond loan (unsecured)	1,599.2	1,599.2
Liabilities related to assets held for sale	901.0	901.0
Interest bearing liabilities	10,767.6	10,654.4
Provisions	109.3	431.2
Deferred tax liability	82.4	–
Derivatives	944.1	1,155.8
Tax liability	276.1	82.7
Other non interest-bearing liabilities	660.1	807.5
Liabilities related to assets held for sale	28.9	60.1
Non interest-bearing liabilities	2,100.9	2,537.3
TOTAL LIABILITIES AND EQUITY	19,668.3	20,910.7

1 The total property portfolio including properties for sale amounts to SEK 15,750.4 (15,693.2) m.
Properties for sale are 38 public properties in Härnösand, which will be sold to Hemsö in the year.

STATEMENT OF CHANGES IN EQUITY

SEK m	30 June 2012	31 Dec 2011
At beginning of period	7,719.0	7,356.8
Dividend	–354.9	–273.0
Comprehensive income for the period	–564.3	635.2
At end of period	6,799.8	7,719.0

STATEMENT OF CASH FLOWS

SEK m	Reporting period		Interim period	
	2012 April–June	2011 April–June	2012 Jan–June	2011 Jan–June
Operating activities				
Profit/loss before tax	71.6	100.2	529.7	592.4
Trading net/capital gain, sold properties	2.8	–20.0	–16.7	–22.6
Profit/loss from participations in Hemsö	–63.7	–75.2	–147.9	–224.8
Dividend from Hemsö	52.1	130.5	52.1	130.5
Unrealised value changes	109.3	101.4	–117.9	–189.7
Adjustment for items not included in cash flow from operating activities	31.1	34.3	29.0	28.2
Tax paid	–81.0	–3.3	–86.0	–9.3
Cash flow from operating activities	122.2	267.9	242.3	304.7
Change in working capital	–202.5	778.0	–323.1	–1,067.4
Cash flow from operating activities after change in working capital	–80.3	1,045.9	–80.8	–762.7
Cash flow from investing activities	–55.2	–519.3	–50.6	–1,806.4
Cash flow from financing activities	–134.1	–894.3	–251.5	2,696.5
Cash flow for the period	–269.6	–367.7	–382.9	127.4
Cash and cash equivalents at beginning of period	570.5	1,065.3	683.9	570.5
Exchange rate difference in cash and cash equivalents	–3.0	0.8	–3.1	0.5
Cash and cash equivalents at end of period	297.9	698.4	297.9	698.4

SEGMENT REPORTING

SEK m	Wholly owned properties ¹		Nordic Modular		Hemsö ¹		Other/group wide ²		Total Kungsleden	
	2012 Jan–June	2011 Jan–June	2012 Jan–June	2011 Jan–June	2012 Jan–June	2011 Jan–June	2012 Jan–June	2011 Jan–June	2012 Jan–June	2011 Jan–June
Rental revenues	820.7	681.3	126.8	118.2					947.5	799.5
Sales revenues, modules			169.3	144.1					169.3	144.1
Net sales	820.7	681.3	296.1	262.3					1,116.8	943.6
Property costs	–269.4	–233.6	–23.0	–21.7					–292.4	–255.3
Production costs, modules			–152.8	–132.0					–152.8	–132.0
Gross profit	551.3	447.7	120.3	108.6					671.6	556.3
Trading net	16.7	19.3		3.3					16.7	22.6
Sales and administration costs	–88.3	–84.4	–32.1	–30.0			–11.0	–13.0	–131.4	–127.4
Profit/loss from participations in Hemsö					147.9	224.8			147.9	224.8
Net financial position	–262.8	–254.9	–29.8	–27.4	–0.4	8.7			–293.0	–273.6
Unrealised value changes										
Properties	31.9	71.8	–30.0	0.4					1.9	72.2
Financial instruments	89.4	92.6	9.7	9.8	16.9	15.1			116.0	117.5
Profit/loss before tax	338.2	292.2	38.1	64.7	164.4	248.6	–11.0	–13.0	529.7	592.5
Properties	14,215.8	14,913.0	1,534.6	1,584.4					15,750.4	16,497.4
Participations in Hemsö and long-term receivables from Hemsö					2,676.9	2,432.2			2,676.9	2,432.2
Interest-bearing liabilities	8,468.1	8,998.7	704.9	735.7	1,594.6	1,467.6			10,767.6	11,202.0
Purchases and investments in properties	118.1	4,213.0	17.3	15.4					135.4	4,228.4

1. After the changed reporting of Hemsö from the proportional method to the equity method, the Commercial Properties and Public Properties segments have been replaced by Wholly Owned Properties and Hemsö.

2. Other/group-wide is the Transaction & Analysis and Central Administration functions.

PARENT COMPANY INCOME STATEMENT

SEK m	Reporting period		Interim period		12 months	
	2012 April–June	2011 April–June	2012 Jan–June	2011 Jan–June	2011/2012 July–June	2011 Jan–Dec
Intragroup revenues	9.2	–	30.6	–	62.6	32.0
Administration costs	–11.8	–19.2	–23.6	–8.8	–58.7	–43.9
Operating profit/loss	–2.6	–19.2	7.0	–8.8	3.9	–11.9
Profit from financial items	–154.8	–10.3	40.4	95.8	388.6	444.0
Profit before tax	–157.4	–29.5	47.4	87.0	392.5	432.1
Tax	40.0	7.7	–13.9	–22.9	65.9	56.9
Net profit	–117.4	–21.8	33.5	64.1	458.4	489.0

PARENT COMPANY BALANCE SHEET

SEK m	30 June 2012	31 Dec 2011
ASSETS		
Participations in group companies	7,945.8	7,946.6
Receivables from group companies	4,931.7	6,449.1
External receivables, etc.	665.1	661.5
Cash and cash equivalents	111.7	363.2
TOTAL ASSETS	13,654.3	15,420.4
LIABILITIES AND EQUITY		
Equity	5,665.3 ¹	5,986.7
Non-current liabilities	2,046.3	1,599.9
Liabilities to group companies	4,934.3	6,134.8
Other liabilities	1,008.4	1,699.0
TOTAL LIABILITIES AND EQUITY	13,654.3	15,420.4

1. The dividend reduced equity by SEK 355 m

KEY FIGURES

	Reporting period		Interim period		12 months	
	20121 April–June	2011 April–June ¹	2012 Jan–June	2011 Jan–June ¹	2011/2012 July–June ¹	2011 Jan–Dec ¹
Property-related						
<i>Earnings capacity</i>						
Property yield, % ¹					7.9	7.9
Economic occupancy, % ¹					89.3	89.2
Operating surplus margin, % ¹					66.9	66.7
<i>Actuals</i>						
Property yield, % ¹	8.5	8.0	8.3	7.6	8.4	8.9
Economic occupancy, % ¹	89.5	87.9	89.7	87.8	89.6	88.7
Operating surplus margin, % ¹	70.4	70.4	69.1	68.1	71.2	70.9
Financial						
Net profit, SEK m	–671	102	–558	509	–428	638
Profit for calculating dividends, SEK m	–177	145	–55	223	425	703
Return on total capital, % ¹	6.6	6.3	6.9	6.7	7.4	7.6
Return on equity, %	–36.7	5.3	–15.4	13.6	–5.9	8.5
Return on capital employed, % ¹	8.2	8.0	8.6	8.6	9.2	9.6
Interest coverage ratio, multiple ^{1, 2}	2.0	2.1	2.1	2.2	2.0	2.3
Equity ratio, % ¹					34.6	36.9
Gearing, multiple ¹					1.6	1.4
Loan to value ratio, % ¹					68.4	67.9
Cash flow from operating activities, SEK m ¹	122	268	242	305	522	585
Data per share						
Share price, SEK					35.00	46.00
Dividend, SEK					2.60	2.00
Total yield, %					–37.6	–22.0
Dividend yield, %					7.4	5.7
P/E ratio, multiple					–11.2	9.8
P/CE ratio, multiple					19.4	11.9
Gross profit, SEK ¹	2.50	2.40	4.90	4.10	10.20	9.40
Net profit, SEK	–4.90	0.70	–4.10	3.70	–3.10	4.70
Profit for calculating dividends, SEK m	–1.30	1.10	–0.40	1.60	3.10	5.20
Property book value, SEK ¹					115.40	115.00
Equity, SEK					49.80	56.50
Cash flow from operating activities, SEK ¹	0.90	2.00	1.80	2.20	3.80	4.30
Outstanding shares/free float ³	136,502,064	136,502,064	136,502,064	136,502,064	136,502,064	136,502,064
Average number of shares ³	136,502,064	136,502,064	136,502,064	136,502,064	136,502,064	136,502,064

1 The changed principle for reporting the holding in Hemsö affects several key figures. Previous periods' key figures have been restated.

2 The definition of the interest coverage ratio has been amended to profit after financial revenues in relation to financial costs. Previous periods' key figures have been restated.

3 There is no dilution effect because there are no potential shares

CHANGE OF CONSOLIDATION METHOD FOR THE HEMSÖ HOLDING

On 1 January 2012, the way Hemsö is consolidated into the Kungsleden group changed from the proportional method to the equity method, described on page 14. The change in method means that

half of Hemsö's profit or loss is reported on the Income Statement line *Profit/loss from participations in Hemsö*, instead. In the Statement of Financial Position, half of the value of Hemsö's equity according to IFRS will be recognised as an asset on a separate line, *Participations in Hemsö*.

This change of accounting principle does not affect equity, net profit or loss or profit for calculating dividends.

The appearance of the financial statement as of 31 December 2011 by consolidating Hemsö according to both methods appears below.

INCOME STATEMENT

2011, SEK m	Proportional method	Equity method
Rental revenues	2,593.8	1,758.8
Sales revenues, modules	288.4	288.4
Net sales	2,882.2	2,047.2
Property costs	-746.7	-512.1
Production costs, modular buildings	-258.1	-258.1
Gross profit	1,877.4	1,277.0
Property sales		
Sales revenues, net	1,223.5	1,198.5
Book value		
Acquisition cost	-1,101.5	-1,078.0
Realised value changes	-66.3	-64.7
	-1,167.8	-1,142.7
Trading net	55.7	55.8
Sales and administration costs	-318.7	-244.4
Profit/loss from participations in Hemsö	-	413.0
Net financial position		
Financial revenues	36.8	141.0
Interest costs	-872.8	-674.0
Other financial costs	-31.7	-25.7
	-867.7	-558.7
Unrealised value changes		
Investment properties	690.2	241.3
Financial instruments	-609.0	-490.7
	81.2	-249.4
Profit before tax	827.9	693.3
Tax	-189.5	-54.9
Profit after tax	638.4	638.4

PROFIT FOR CALCULATING DIVIDENDS

2011, SEK m	Proportional method	Equity method
Gross profit	1,877.4	1,277.0
Sales and administration costs	-318.7	-244.4
Net financial position	-867.7	-558.7
Profit from property management	691.0	473.9
Realised items		
Trading net on sale	55.7	55.8
Realised value changes, properties	66.3	64.7
Deduction for deferred tax on sale	-8.2	-7.3
Realised value changes, financial instruments	-66.3	-66.3
Realised items	47.5	46.9
Profit for calculating dividends, Hemsö	-	208.6 ¹
Tax payable	-35.4	-26.3
Profit for calculating dividends	703.1	703.1

1. Over and above its profit share, Kungsleden has received SEK 105 m in interest on shareholders' loans

STATEMENT OF FINANCIAL POSITION

31 December 2011, SEK m	Proportional method	Equity method
ASSETS		
Goodwill	201.4	201.4
Properties	26,122.3	15,693.2
Participations in Hemsö	-	1,084.5
Receivables from Hemsö	-	1,500.0
Receivables, etc.	1,145.8	1,747.7
Cash and cash equivalents	816.1	683.9
TOTAL ASSETS	28,285.6	20,910.7
LIABILITIES AND EQUITY		
Equity	7,719.0	7,719.0
Interest-bearing liabilities	17,314.8	10,654.4
Non interest-bearing liabilities	3,251.8	2,537.3
TOTAL LIABILITIES AND EQUITY	28,285.6	20,910.7

EARNINGS CAPACITY¹

31 December 2011	Proportional method	Equity method
No. of properties	636	324
Leasable area, 000 sq. m.	3,328	2,569
Book value of properties, SEK m	26,122	15,693
Rental value, SEK m	2,987	2,072
Rental revenues, SEK m	2,737	1,849
Operating net, SEK m	1,875	1,234
Economic occupancy, %	91.6	89.2
Property yield, %	7.2	7.9
Operating surplus margin, %	68.5	66.7

1. The property figures for the equity method are for the wholly owned properties only. However, the total property portfolio whose results affect equity is unchanged, and corresponds to the property portfolio according to the proportional method in the left column.

KEY FIGURES

31 December 2011	Proportional method	Equity method
Interest coverage ratio, multiple	1.9	2.3
Equity ratio, %	27.3	36.9
Gearing, multiple	2.2	1.4
Loan to value ratio, %	66.3	67.9

More information on how the change of principle affects Kungsleden's financial statements and results of operations based on the various methods is available at www.kungsleden.se/consolidation-of-hemso.

BOARD OF DIRECTORS' CERTIFICATION

The Interim Report for the period January – June 2012 gives a true and fair view of the parent company's and group's operations, financial position and results of operations, and states the significant risks and uncertainty factors facing the parent company and group companies.

Stockholm, Sweden, 16 August 2012

Håkan Bryngelson
Chairman

Joachim Gahm
Board member

Lars Holmgren
Board member

Magnus Meyer
Board member

Biljana Pehrsson
Board member

Kia Orback Pettersson
Board member

Charlotta Wikström
Board member

Thomas Erséus
Chief Executive

AUDITOR'S REVIEW Introduction

We have conducted a summary review of this Interim Report for Kungsleden AB (publ) as of 30 June 2012 and for the period 1 January 2012 to 30 June 2012. The Board of Directors and Chief Executive are responsible for the true and fair preparation and presentation of this interim financial information pursuant to IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to state a conclusion on this Interim Report based on our review.

Orientation and scope of review

We have conducted our review pursuant to standard SÖG 2410, the applicable standard for reviews conducted by the company's auditors. A review consists of making inquiries, primarily to individuals responsible for financial and

accounting issues, conducting an analytical review and taking other review measures. A review has a differing orientation and significantly less scope than the orientation and scope of an audit pursuant to the ISA and generally accepted auditing practice otherwise. The measures taken in a review do not enable us to attain sufficient certainty for us to state that we are aware of all significant circumstances that would have been identified if an audit had been conducted. Accordingly, the stated conclusion of a review does not have the certainty of the stated conclusion based on an audit.

Conclusion

Based on our review, no circumstances have arisen that give us reason to consider that essentially, for the group's part, the Interim Report has not been

prepared pursuant to IAS 34 and the Swedish Annual Accounts Act and, for the parent company's part, pursuant to the Swedish Annual Accounts Act.

Stockholm, Sweden, 16 August 2012
KPMG AB

Björn Flink
Authorized Public Accountant

Kungsleden discloses the information in this Interim Report in accordance with the Swedish Securities Markets Act (lagen om värdepappersmarknaden, 2007:528).



Quarterly summary

SUMMARY INCOME STATEMENT

SEK m	2012		2011				2010	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Net sales	561	556	550	554	536	407	410	390
Gross profit	337	335	336	385	328	228	252	272
Trading net	-3	20	22	12	20	3	13	-2
Sales and administration costs	-64	-68	-61	-57	-72	-56	-52	-45
Profit/loss from participations in Hemsö	64	84	118	70	75	150	176	54
Net financial position	-153	-140	-132	-153	-150	-124	-141	-152
Unrealised value changes	-109	227	65	-504	-101	291	565	72
Profit/loss before tax	72	458	348	-247	100	492	813	199
Tax	-742	-345	-45	74	2	-86	-290	-18
Profit/loss after tax	-671	113	303	-173	102	406	523	181

SUMMARY STATEMENT OF FINANCIAL POSITION

SEK m	2012		2011				2010	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
ASSETS								
Goodwill	201	201	201	201	201	201	201	201
Properties	14,838	14,627	14,788	16,395	16,497	16,022	12,227	13,402
Machinery and equipment	14	15	15	15	15	14	14	14
Participations in Hemsö	1,177	1,167	1,084	1,004	932	967	818	642
Long-term receivables, Hemsö	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Deferred tax asset	0	766	1,020	981	943	839	1,002	1,402
Other long-term receivables	251	439	443	550	546	290	288	287
Total non-current assets	17,981	18,715	19,051	20,646	20,634	19,833	16,050	17,448
Inventories	21	16	17	17	15	66	45	50
Current receivables	438	410	240	311	407	1,759	1,806	414
Assets held for sale—properties	912	906	905	—	—	—	—	—
Assets held for sale—other	18	117	14	—	—	—	—	—
Cash and bank balances	298	434	684	753	698	1,065	570	378
Total current assets	1,687	1,883	1,860	1,081	1,120	2,890	2,421	842
TOTAL ASSETS	19,668	20,598	20,911	21,727	21,754	22,723	18,471	18,290
LIABILITIES AND EQUITY								
Equity	6,800	7,828	7,719	7,426	7,604	7,765	7,357	6,821
Interest-bearing liabilities								
Liabilities to credit institutions	8,267	8,037	8,154	9,852	9,603	10,461	7,470	8,387
Bond loan (unsecured)	1,599	1,599	1,599	1,599	1,599	1,599	999	399
Liabilities related to assets held for sale	901	901	901	—	—	—	—	—
Interest-bearing liabilities	10,767	10,537	10,654	11,451	11,202	12,060	8,469	8,786
Non interest-bearing liabilities								
Provisions	109	432	431	556	558	417	443	10
Deferred tax liability	82	1	1	1	1	9	9	9
Derivatives	944	915	1,156	1,108	594	467	760	164
Other non-interest-bearing liabilities	937	813	890	1,185	1,795	2,005	1,433	2,500
Liabilities related to assets held for sale	29	72	60	—	—	—	—	—
Non interest-bearing liabilities	2,101	2,233	2,538	2,850	2,948	2,898	2,645	2,683
TOTAL LIABILITIES AND EQUITY	19,668	20,598	20,911	21,727	21,754	22,723	18,471	18,290

KEY FIGURES

SEK m	2012		2011				2010	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Property-related								
Property yield, %	8.5	8.3	8.3	9.2	8.0	6.2	7.7	7.9
Economic occupancy, %	89.5	89.9	90.0	89.0	87.9	87.7	87.0	86.4
Operating surplus margin	70.4	67.9	68.4	78.0	70.4	64.9	69.5	77.6
Financial								
Profit/loss after tax, SEK m	-671	113	303	-173	102	406	523	181
Profit for calculating dividends, SEK m	-177	121	241	239	145	78	151	160
Return on total capital, %	6.6	7.2	7.8	7.5	6.3	6.3	8.5	6.1
Return on equity, %	-36.7	5.8	16.0	-9.2	5.3	21.5	29.6	10.7
Return on capital employed, %	8.2	8.8	9.8	9.4	8.0	8.0	11.8	7.2
Interest coverage ratio, multiple	2.0	2.3	2.7	2.4	2.1	2.3	2.1	1.8
Equity ratio, %	34.6	38.0	36.9	34.2	35.0	34.2	39.8	37.3
Loan to value ratio, %	68.4	67.8	67.9	69.8	67.9	75.3	69.3	65.6
Data per share								
Profit/loss after tax, SEK	-4.90	0.70	2.20	-1.30	0.70	3.00	3.80	1.30
Profit for calculating dividends, SEK	-1.30	0.90	1.80	1.70	1.10	0.60	1.10	1.20
Dividend, SEK	2.60	-	-	-	2.00	-	-	-

1. There is no dilution effect because there are no potential shares.

Property register 1 Jan – 30 June 2012

PURCHASED PROPERTIES, KUNGSLEDEN

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %
					Industr./ware-house	Offices	Retail	Retire-ment home	School	Care	Other			

No properties were purchased in the period January–June

DIVESTED PROPERTIES, KUNGSLEDEN

Name	Municipality	Location	Address	Year of construction/ conversion	Gross leasable area sq.m.							Rental value, SEK m	Rental revenue, SEK m	Economic occupancy, %
					Industr./ware-house	Offices	Retail	Retire-ment home	School	Care	Other			

Other cities

Populations over 100,000, Retail

Himna 11:226	Linköping	Linghem	Himnavägen 153, 155	1976			1,083			823		1,906	2	2	100.0
Laken 3	Linköping	Linköping	Söderleden 33-37	1963/1988		119	2,468			2,066	536	5,189	5	5	96.2

Populations over 100,000, Industrial/warehouse

Galjonen 1	Linköping	Linköping	Gillbergsgatan 30	1985	590							590	0	0	100.0
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DEFINITIONS

PROPERTY-RELATED KEY FIGURES

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

Operating net, rental revenue less property costs (e.g. operating and maintenance costs, ground rent and property tax, property administration not included).

Economic occupancy, rental revenues in relation to rental value.

Realised value change on properties, the difference between book value and accumulated acquisition cost of sold properties. Corresponds to unrealised value changes during the holding term that are realised on property sales.

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

FINANCIAL KEY FIGURES

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

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

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

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

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

Profit for calculating dividends, profit/loss for the period before tax excluding unrealised value changes but including realised value changes and tax payable.

SHARE-RELATED KEY FIGURES

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

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

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

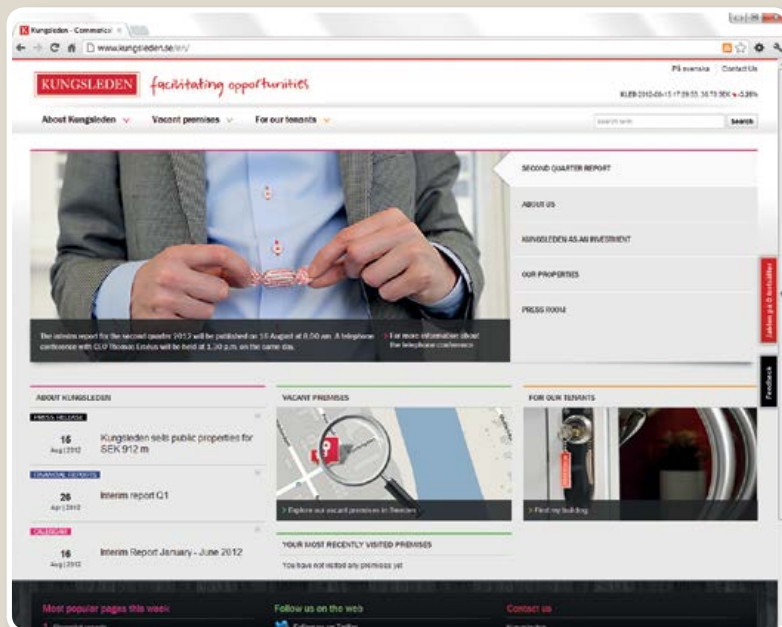
Equity per share, equity in relation to the number of shares at the end of the period.

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

For all definitions, see kungsleden.com/definitions

kungsleden.com

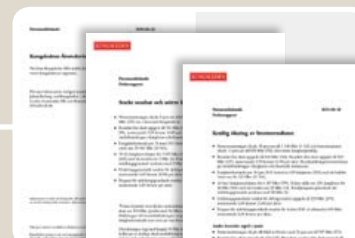
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View a film of Thomas commenting on the
Second-quarter Report (in swedish only)



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Contacts

Questions for Thomas?

Chief Executive

+46 (0)8 503 05204

Thomas Erséus



**KUNGSLEDEN AB (PUBL)
CORP. ID NO. 556545-1217
REGISTERED OFFICE STOCKHOLM**

Head office

Vasagatan 7

Box 704 14

107 25 Stockholm, Sweden

Tel +46 (0)8 503 05200

Fax +46 (0)8 503 05201

Questions for Cecilia?

**HR & Corporate
Communications Director**

+46 (0)8 503 05215

Cecilia Gannedahl



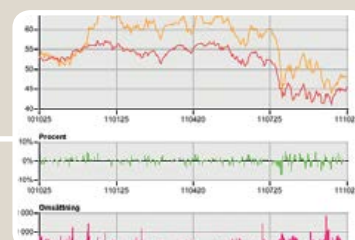
Read financial information

Download financial tables in Excel

Forthcoming financial information

Interim Report, 1 Jan – 30 Sep 2012
25 October 2012

Financial Statement 2012
15 February 2013



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