

A woman in a purple long-sleeved shirt is running in a park. In the foreground, there is a pine branch with several pine cones. The background is a blurred park setting with trees and a building.

KUNGSLEDEN

ANNUAL AND SUSTAINABILITY REPORT 2018

We create attractive and sustainable places that enrich people's working day

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Formal Annual Accounts and Administration Report

The risk section on pages 52-55 is included in the formal Annual Accounts and is a section of the Administration Report. In the pages 105-114 the statutory Sustainability Report appears.

This document is a translation of a Swedish language original. In case of any discrepancy between the two versions, the original shall take precedence.

THIS IS KUNGSLEDEN

Kungsleden is a long-term property owner, and our vision is to create attractive and sustainable places that enrich people's working day. By long-term owning, actively managing, improving and developing commercial premises in Sweden's growth regions, we deliver attractive total returns.

A high share of our properties are concentrated in attractively located clusters, and we put a big emphasis on contributing to sustainable urban development. With professionals in seven locations in three property management units, we have a secure local presence. Our client base extends from major multinational corporations through public bodies to young start-ups.

85 per cent of property values in the four priority growth markets of Stockholm, Gothenburg, Malmö and Västerås, with 47 per cent in Stockholm.

73 per cent of property value is in the office category.

STOCKHOLM

47%
SEK 16,296 m

VÄSTERÅS

17%
SEK 5,916 m

GOTHENBURG

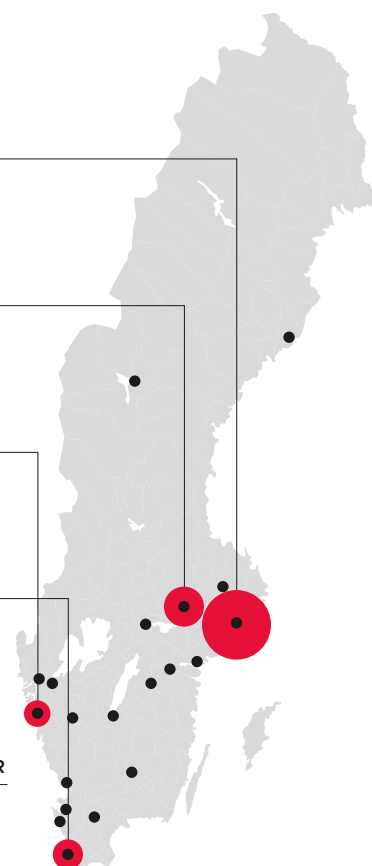
9%
SEK 3,274 m

MALMÖ

12%
SEK 4,122 m

REGIONAL CITIES AND OTHER

15%
SEK 5,090 m



THE YEAR IN BRIEF

- Profit from property management increased by 14 per cent to SEK 1,124 million (985). The increase was due to an improved operating net in like-for-like portfolio terms, improved net financial items, and reduced selling and administration costs.
- New leasing increased to SEK 274 million (201), and net leasing rose to SEK 86 million (69).
- Unrealised changes in value in the property portfolio were SEK 1,619 million (1,417). The value increase is a result of a higher operating net and reduced required valuation yield. Current NAV increased by 13 per cent to SEK 79.66 per share.
- Refinancing of secured bank debt during the year with a total amount of more than SEK 6,6 billion. The new credit agreements have contributed to extend the average debt maturity to 5.6 years (4.7).
- Net profit increased by 8 per cent to SEK 2,055 million (1,906), or SEK 9.41 per share (9.03).
- The Board of Directors is proposing a dividend of SEK 2.40 (2.20) per share, a 9 per cent increase. The dividend is paid quarterly.
- Kungsleden was rated a Green Star in the GRESB (Global Real Estate Sustainability Benchmark), and ranked as Europe's fifth most sustainable real estate company. Kungsleden won the Swedish Green Building Council (SGBC) Award 2018 for its "positive contribution to sustainable building and property development."

Property value

SEK **34.7**bn (31.0)

LTV ratio

47.3 % (47.9)

Employee Satisfaction Index

4.3 (4.2)

Economic occupancy rate

93.1 % (91.9)

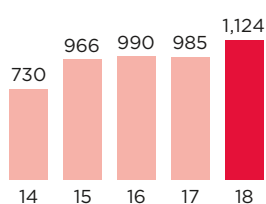
Average interest rate

1.8 % (2.4)

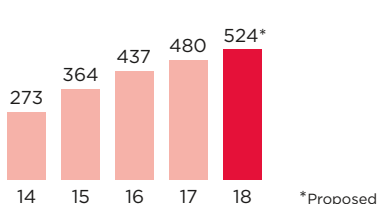
Environmentally certified properties

17 % (10)

Profit from property management

SEK **1,124** m

Dividend

SEK **524*** m

**Winner of the
"World in Property
Award 2018" for extensive
sustainability work.**



Key figures

	2018	2017
Property yield, investment properties, %	5.1	5.3
Economic occupancy rate, investment properties, %	93.1	91.9
Operating surplus ratio, investment properties, %	67.7	67.3
Return on equity, %	13.7	15.1
Interest coverage ratio, multiple	4.1	3.3
LTV ratio, %	47.3	47.9
Net profit, SEK per share	9.41	9.03
EPRA EPS (profit from property management after tax), SEK per share ¹	4.84	4.45
EPRA NAV (long-term net asset value), SEK per share	81.01	71.87
EPRA NNNNAV (current net asset value), SEK per share	79.66	70.65
Equity, SEK per share	72.19	64.98

¹ Restated by an adjustment factor of 2.55 per cent for the bonus issue element of the new share issue executed in the first quarter of 2017.

HIGHLIGHTS OF THE YEAR

12 Jan

SEK 850 million bond loan issued

Kungsleden issued two unsecured bond loans with a total value of SEK 850 million. The proceeds were used to repay part of a bank loan to reduce the secured LTV ratio.



1 Feb <

New contemporary office cluster - Gothenburg South Central - created by acquiring three properties

Kungsleden acquired two new-build fully leased and environmentally certified office properties and a carpark in the Tändstickan quarter of Gothenburg for about SEK 1 billion. These properties have a total leasable area of nearly 30,000 sq.m. The biggest clients are ÅF and the Swedish Social Insurance Agency.

9 Feb

Chilled and frozen storage divested

One property in southern Helsingborg with 62,000 sq.m of chilled and frozen storage was divested for SEK 555 million.

7 Mar

New ten-year lease contract with current tenant SMHI

A lease contract with SMHI in Norrköping was extended by 10 years for a total rental value of approx. SEK 200 million. The property will be extensively modernised.



13 Mar <

Acquisition of concept property STUDIO in central Malmö

Acquisition of the LEED Platinum-certified property STUDIO enhanced Kungsleden's already high-quality client proposition in Malmö. STUDIO contains coworking spaces, a hotel, restaurant, cafés and a rooftop bar. The acquisition price was some SEK 1 billion.

15 Mar

The largest green bond loan in the Swedish real estate sector

Kungsleden issued a four-year SEK 2,500 million green bond loan as part of its ambition to fund all environmentally certified assets with green financing. The issue attracted great interest, which enabled a high transaction volume and helped expand Kungsleden's investor base.

14 Jun >

Blästern fully leased

Coworking player Convendum signed a 12-year lease contract on 5,500 sq.m in the Blästern 14 office building on Gävlegatan, Stockholm. Total rental value is around SEK 300 million, and this means the property is fully leased. The property is in transformation, and will be LEED Gold certified.



6 Jul <

B26 - 50 per cent leased

Four lease contracts with total rental value of SEK 28 million were signed at B26 in Västerås, so its occupancy rate passed 50 per cent. Construction of the project then started, with an estimated investment of SEK 130 million. Aros Congress Center, which signed a five-year lease contract on a 1,400 sq.m coworking concept, was one of the trendsetting tenants.

31 Aug

Construction of new custodial premises in central Östersund

Kungsleden will be building custodial and probation premises in Östersund for the Swedish Prison and Probation Service in the property Karlslund 5:2. The inauguration ceremony was held by Biljana Pehrsson, Kungsleden's CEO, Björn Myrberg, the Prison and Probation Service's CFO and Cathrin Ahlgren, Head of the Prison and Probation Service's North region. The estimated investment volume is SEK 160 million.

5 & 7 Sep

Kungsleden secures high sustainability rating

Kungsleden was rated a Green Star in the GRESB (Global Real Estate Sustainability Benchmark) and Europe's fifth-best real estate company in the diversified portfolio category. Kungsleden received the EPRA's (European Public Real Estate Association) Bronze Award for reporting comprehensive sustainability key indicators.

25 Oct >

Tina Lindh and STUDIO in Malmö win SGBC Award 2018

Kungsleden Property Developer Tina Lindh won the SGBC (Swedish Green Building Council) Award in 2018 for making "a positive contribution to sustainable building and property development." The property STUDIO (Tyfonen 1) was recognised as LEED Building of the Year.



26 Nov

Divestment of Eskilstuna portfolio

As part of Kungsleden's ambition to focus on offices in selected locations and reduce its base of retail properties, Kungsleden sold 15 retail and office properties in Eskilstuna, and thus exited the Municipality. The sales price was at book value: approx. SEK 700 million.



26 Nov <

Rotterdam District enters implementation phase

Several new lease contracts on the Rotterdam District in Värtahamnen, Stockholm, were signed in November and December worth a total of SEK 21 million. Accordingly, the project reached a 50 per cent occupancy rate and transferred to the implementation phase. One contract was with trade union Vision, on 3,300 sq.m.

2018 featured healthy economic growth in Sweden and strong progress on the property market. Activity on the transaction market was brisk, there was good demand for commercial premises, low interest rates and ready access to capital. In combination with properties in sought-after locations and the outstanding efforts of our committed professionals, our earnings were the strongest in ten years. Profit after tax was SEK 2,055 million, and our profit from property management increased by 14 per cent to SEK 1,124 million.

Many contributors to our strong earnings

Our gains are mainly the consequence of successful client relationships, leasing, renegotiation

and project execution. Kungsleden's property portfolio has demonstrated its great potential in terms of rents, occupancy rates and operating surplus ratio. Our development projects are contributing initial returns of over 6 per cent, which easily exceeds the market's required yield on acquisition. Reduced finance costs and lower administrative costs were also contributors to the growth of our profit from property management.

Record leasing and renegotiation

In our management operations, the focus was on increasing customer satisfaction, sharpening our client proposition and developing our clusters into attractive and sustainable places that enrich people's working day. Our client pledge – that you should always feel welcome, that we

simplify and facilitate for clients and contribute to their business – guides everything we do.

Many of our clusters made big advances consistent with our vision in the year. At Finnslätten in Västerås, we are in a revitalising collaboration with ABB and other tenants to eventually create a fossil-free urban collaborative environment for research, education, innovation and manufacture. In Danderyd, we regenerated outdoor environments, while the pioneering B26 and Rotterdam Districts in Västerås City and Stockholm City East respectively offer examples of all-new client propositions.

Healthy market conditions and outstanding efforts in management helped enable us to renegotiate lease contracts worth SEK 252 million (169), SEK 52 million above



“Our ambition is to expand in our four priority growth markets: Stockholm, Gothenburg, Malmö and Västerås.” Biljana Pehrsson, CEO of Kungsleden

the target we set. On average, rent increased by 14 per cent to SEK 288 million.

2018 was also a record year in terms of new leasing, when we signed 378 new lease contracts worth SEK 274 million (201). 103 of them were green leases, which we view very positively because they involve us and our clients making an undertaking to help reduce climate impact. Net leasing was SEK 86 million (69).

Projects starting to deliver

Development and improvement also progressed very well. Four major projects were completed in 2018: the Enen office building in Södertälje, the Jump trampolining centre in Umeå, the Tegnér shopping district in Växjö and Studio Hotel in Kista Science City. We invested SEK 427 million in these projects, and when fully

occupied, they will contribute rental value of SEK 49 million. With projects including Blästern phase 1 at Hagastaden in Stockholm, which will be complete in spring 2019, they're helping generate healthy growth of our rental revenue, operating net and profit from property management.

We now have five major projects in the implementation phase, of which three were added in 2018. We started construction of two projects in the third quarter – new custodial premises in Östersund and the B26 office project in Västerås. In the fourth quarter, the Rotterdam District project in Värtahamnen, Stockholm, entered the implementation phase. These, and the Blästern project, are scheduled for completion in 2019–2020, and have total rental value of SEK 185 million.

In October, we also commenced marketing of our Wellcertified Eden office project in Hyllie, where we'll be offering the latest in digital solutions, high quality of service and innovative, naturally inspired common areas. We also have more new value-creating projects in our pipeline.

Optimising our portfolio

Our main focus is sustainable and attractive offices in selected growth locations, and most of our properties are in clusters. Our ambition is to expand in our four priority growth markets: Stockholm, Gothenburg, Malmö and Västerås, and to have large and efficient property management units.

Consistent with this ambition, we acquired several attractive office properties in the year. We created a contemporary office cluster in Gothenburg when we acquired SEK 1 billion-worth of centrally located properties. We were able to add the flagship property STUDIO to our Malmö portfolio, whose acquisition price was about the same amount. In total, they bring rental value of SEK 113 million.

Divestments are also part of the optimisation process, where our objective is a portfolio offering good future potential. Accordingly, we divested properties in Eskilstuna, Enköping, Helsingborg, Malmö and Katrineholm for SEK 1.6 billion.

A stronger financial position

Kungsliden's financial position strengthened in the year. We reduced our LTV ratio, extended our average debt maturity and interest rate duration, while increasing our interest coverage ratio from 3.3 to 4.1. Meanwhile, we reduced our average interest cost, increased unsecured bond loans and long-term mortgages, while reducing traditional bank loans. The share of unencumbered properties increased to over 30 per cent. Kungsliden is financially stable and expected interest rate increases won't alter this.

Environmental certification prioritised

Everyone is aware that climate change is having a growing impact on our society. Sustainability issues are prioritised and integrated into Kungsliden's business. We upgraded our target for environmental certification in the year and are aiming to certify our whole portfolio by year-end 2025. Sustainability issues also help reduce costs as we progressively reduce our energy consumption and can upscale our green financing. I'm proud of us being rated a Green Star by theGRESB, getting a Bronze Award from the EPRA, and being rated as Europe's fifth best company in sustainability in the diversified real estate portfolio category.

High resilience in a market that remains strong

A growing number of macroeconomic commentators think the peak has passed, and we're facing market conditions with lower growth ahead, globally and in Sweden. But at Kungsliden, we have yet to see any signs of a slowdown in our main arena – the office markets in Sweden's major cities. We have a good leasing pipeline, and once the downturn arrives, I'm confident of Kungsliden's resilience, with properties and client propositions that are in demand in cyclical upturns and downturns.

Finally, I'd like to say a big thank you to my professional and committed colleagues at Kungsliden who are behind all the outstanding efforts that produced our strong earnings. I'd also like to express my gratitude to our clients and shareholders for their confidence in us.

Stockholm, Sweden, 15 March 2019

Biljana Pehrsson, CEO



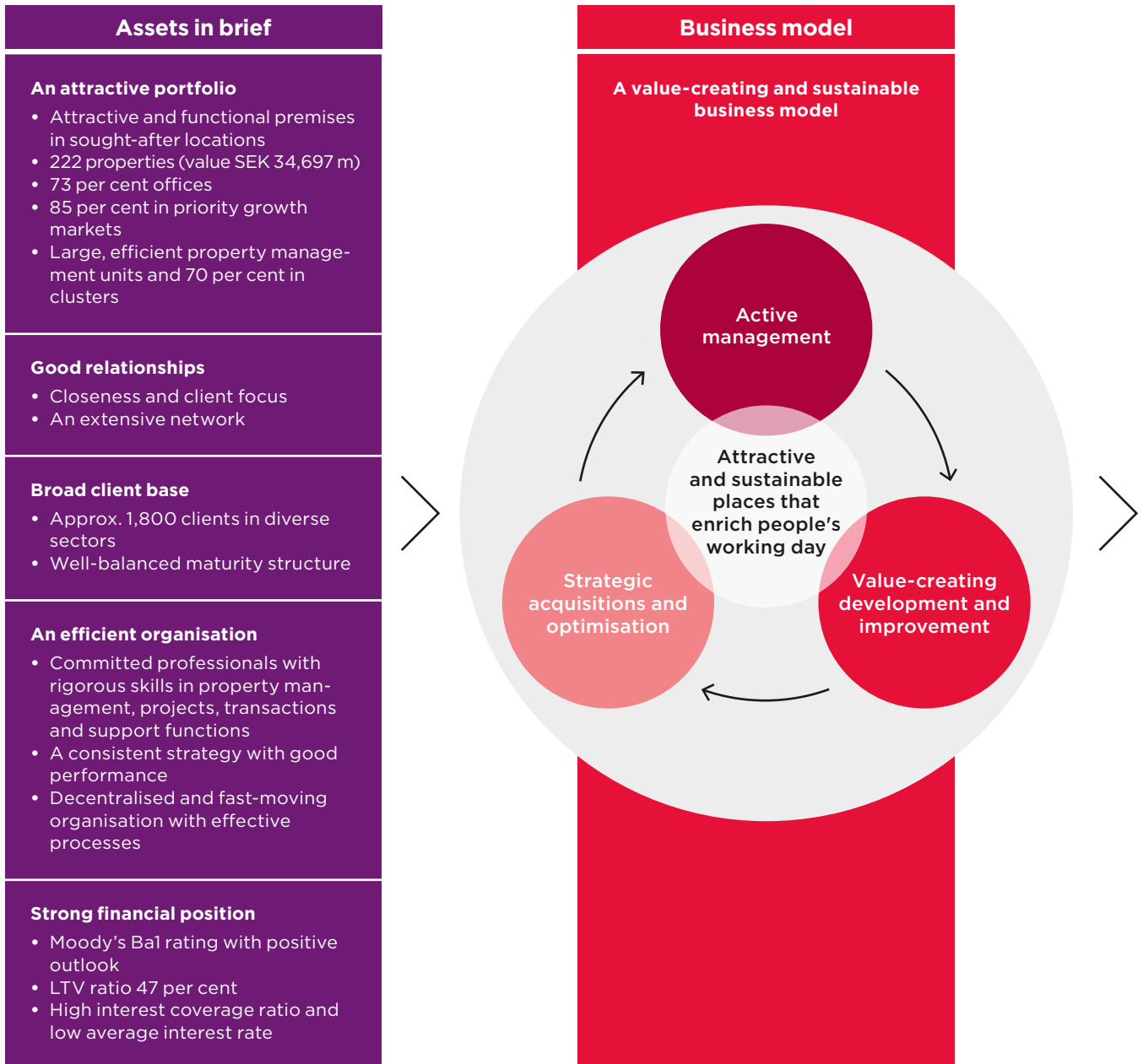
Business proposition:
Kungsleden's business proposition is to own long-term, actively manage, refine and develop commercial properties in Sweden's growth regions and deliver attractive total returns.



**STRATEGIC
DIRECTION**

A VALUE-CREATING BUSINESS MODEL

Kungsleden’s business model is designed to create sustainable value for clients, employees, wider society, shareholders and other stakeholders by harmonising three core activities – active and sustainable management, value-creating development and improvement, as well as strategic acquisitions and optimization.



Business proposition

Kungsleden's business proposition is to own long-term, actively manage, refine and develop commercial properties in growth regions in Sweden and deliver attractive total returns.

Cluster strategy

Kungsleden shall own properties in a selected location – a cluster – which gives us the ability to adapt and sharpen our offer based on the needs of tenants and to actively participate in the development of the whole area.

Client proposition

Kungsleden shall provide attractive and functional premises in the right locations and at the right price. We shall always deliver that something extra.

Values for important stakeholders

Clients

Clients are central to everything Kungsleden does. Our contemporary, flexible premises in accessible locations suit a variety of operations. By concentrating our properties in clusters and adopting a long-term ownership perspective, Kungsleden can satisfy client needs whatever their development phase. A decentralised organisation close to clients, local presence and leading-edge property development help realise Kungsleden's long-term ambition of having the sector's most satisfied customers. Our annual client survey helps us monitor our customer satisfaction index (CSI) and provides supporting data for onward work with clients.

In 2019, our client pledge is our top priority: "Kungsleden clients should always feel welcome. We make a contribution to your business, simplifying and facilitating for you."

Wider Society

Through property and cluster development, Kungsleden helps create attractive, safe environments, sustainable social progress and enhances the attractions of each location. Our vision for clusters is to create the dynamic, vibrant and sustainable environments of the future – places where it's inspiring, safe and enriching to be, at any time of day. We're taking our vision forward in close partnership with municipalities and other trendsetting presences. Providing flexible premises in locations with good access makes it easier for businesses to start up and grow.

We have intensified our efforts in climate impact in recent years, which include more ambitious targets to reduce our climate impact and LEED certification of our portfolio.

Kungsleden engages socially, through channels including arranging summer placements for young people from youth charity Fryshuset, and internships for recently immigrated graduates through central government labour market initiative, Jobbsprånget.

In 2018, Kungsleden paid SEK 45 million of social security contributions.

Employees

Kungsleden offers an attractive and healthy workplace with good opportunities for personal development. In our annual employee satisfaction survey, we achieved an employee satisfaction index (ESI) of 4.3 point out of 5.0. This is a good level, with our strengths relating to clarity about our goals and vision. 94 per cent of employees participated in the survey, which indicates their high commitment.

The company nurtures its employees, encourages healthy lifestyles and offers private health insurance to all staff. Gender balance is even overall, and the company is pursuing greater diversity.

SEK 98 million of salaries and other benefits were paid in 2018.

Shareholders

Through consistent execution of its strategy – active management, value-creating development and improvement, as well as strategic acquisitions – Kungsleden is creating good potential to increase operating net and property values. Each year, the company invests some SEK 1 billion in its investment programme to develop the property portfolio. Kungsleden is performing well against targets, which enhances shareholder confidence and predictability. Financial risk is low with an LTV ratio of 47 per cent.

The dividend policy stipulates the dividend progressing in line with profit from property management. In 2018, the share price rose by 6.3 per cent, and a dividend of SEK 2.40 per share is proposed for the year.

STRATEGIC PRIORITIES

The foundation of Kungsleden's strategic direction are the three core activities of its business model. The business plan was updated in 2018, to apply for 2019–2023. The long-term aim is to become Sweden's most profitable and successful listed real estate company by having the market's most satisfied customers and committed employees, and delivering attractive total returns to shareholders.

SEGMENT	STRATEGY
Client proposition	Provide attractive and functional premises in the right location and at the right price, and always deliver that something extra.
Value-creating property management and development	Proactivity for creating value through client-driven and profitable investments that generate higher operating net and property values.
Portfolio	Commercial properties focused on offices in the priority growth markets in Stockholm, Gothenburg, Malmö och Västerås, with at least 50 per cent in Stockholm. The majority of the property portfolio should be in clusters.
Sustainability	A clear sustainability profile where sustainability is a self-evident and integrated component of all operations. Work on sustainability brings benefits for Kungsleden and wider society.
Employees	The most attractive workplace, with an efficient organisation and motivated people that achieve good results. Clear core values and effective leadership are fundamental.
Digitalisation	The digital perspective is integrated into our client dialogue and corporate culture.
Innovation	We develop new business by applying creativity, new working methods and commitment.





Kista's development is important for Stockholm and the whole of Sweden. The combination of easy access to services and excellent communications with the availability of effective and contemporary office premises at good rent levels has made Kista a popular location for many leaders in ICT (Information & Communication Technology) including global groups like Ericsson, IBM, Phillips, Tele2 and Samsung. Both the Royal Institute of Technology and Stockholm University have campuses there, establishing recognised partnerships between the academic world, research and business. Kista also hosts some major events in locations including the 15,000 sq.m Kista Convention Center.

Kungsleden is the third largest property owner in Kista with some 147,000 sq.m of leasable area, including its flagship property in the location, the strategically located Kista One. The recently completed Studio Hotel, with 162 short-term accommodation units, is another notable property in the portfolio. Kungsleden is a leader in helping develop Kista, chairing Kista Science City and property owners' initiative Kista Science City Fastighetsägare.

Kista in figures*

- 9,000 businesses.
- 35,000 workers.
- 7,000 students.
- 18,300,000 visitors to Kista Galleria in 2017.
- 6,000 new apartments planned.

Good communications

Kista is 12 km north of Stockholm, by the E4 motorway and midway between Arlanda and Bromma airports. It is already a terminus for several bus lines, commuter trains and the subway blue line – and more communication links are coming:

- The Stockholm crossrail is being extended to Kista.
- The subway blue line is being extended to Barkarby, with a new regional mainline station connecting the region to Örebro, Västerås and Enköping
- The Stockholm bypass connecting southern and northern Stockholm.

Kista – Europe's Silicon Valley

Kista is one of the largest office markets in Stockholm, and Europe's leading and most established ICT cluster (Information & Communication Technology) – a silicon valley in Europe. Over 40,000 people come to Kista to work and study every day, presenting a unique environment for innovation and entrepreneurship.

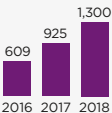
*Source: CBRE

TARGETS AND PERFORMANCE



Financial targets											
	TARGET	PERFORMANCE	COMMENT								
<p>Equity/assets ratio The minimum equity/assets ratio over time is 35 per cent, and it should not fall below 30 per cent.</p>	>35 %	<table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2016</td><td>37</td></tr> <tr><td>2017</td><td>45</td></tr> <tr><td>2018</td><td>45</td></tr> </table>	Year	Value	2016	37	2017	45	2018	45	The equity/assets ratio was 45 per cent 2019 and exceeded the target of 35 per cent.
Year	Value										
2016	37										
2017	45										
2018	45										
<p>LTV ratio Kungsleden should manage operations with the objective of maintaining an LTV ratio of around 50 per cent. Temporary fluctuations around this guidance are permitted.</p>	≤50 %	<table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2016</td><td>56</td></tr> <tr><td>2017</td><td>48</td></tr> <tr><td>2018</td><td>47</td></tr> </table>	Year	Value	2016	56	2017	48	2018	47	The LTV ratio has improved and has been below our set target of 50 per cent since 2017.
Year	Value										
2016	56										
2017	48										
2018	47										
<p>Interest coverage ratio The interest coverage ratio should be a multiple of more than 2.5.</p>	>2.5	<table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2016</td><td>3.0</td></tr> <tr><td>2017</td><td>3.3</td></tr> <tr><td>2018</td><td>4.1</td></tr> </table>	Year	Value	2016	3.0	2017	3.3	2018	4.1	During the year, the interest coverage ratio rose sharply due to lower financial expenses and improved operating net.
Year	Value										
2016	3.0										
2017	3.3										
2018	4.1										
<p>Return on equity Over time, Kungsleden should generate higher return on equity than comparable listed real estate companies.</p>		<table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2016</td><td>18</td></tr> <tr><td>2017</td><td>15</td></tr> <tr><td>2018</td><td>14</td></tr> </table>	Year	Value	2016	18	2017	15	2018	14	Through our work to achieve a secured capital structure, the financial risk has decreased and the return on equity amounted to 13.7 per cent.
Year	Value										
2016	18										
2017	15										
2018	14										
<p>Share dividend Over time, the dividend should increase with the progress of profit from property management.</p>	Proposed dividend 2018 2.40 SEK	<table border="1"> <tr><th>Year</th><th>Value</th></tr> <tr><td>2016</td><td>2.00</td></tr> <tr><td>2017</td><td>2.20</td></tr> <tr><td>2018</td><td>2.40</td></tr> </table>	Year	Value	2016	2.00	2017	2.20	2018	2.40	Profit from property management increased by 14 per cent to SEK 1,124 million. The Board of Directors is proposing a dividend of SEK 2.40 (2.20) per share.
Year	Value										
2016	2.00										
2017	2.20										
2018	2.40										

Sustainability targets			
	TARGET	PERFORMANCE	COMMENT
Energy optimisation Kungsliden's properties should consume 20 per cent less energy in 2020 than in 2014.	2014–2020 20 % less energy	year-end 2018 16 % less energy	Energy consumption has decreased by 16 per cent since 2014, of which 3.2 per cent is attributable to 2018. Our forecast is that we will reach the target.
Green financing	In the long term, the company is endeavouring to finance all green assets with green bonds or greenbank loans.	2018 21 %	21 per cent of agreed financing consists of green bonds and green bank loans.
Green leases	2018 100	2018 103	Green leases offered as standard for new tenants.
Environmental certification Half of properties (based on property value) to be LEED certified prior to year-end 2020. All properties to be certified prior to year-end 2025.	Target 2020 50 % Target 2025 100 %	2018 17 %	17 per cent of the properties was environmentally certified by the end of 2018.

Operational targets			
	TARGET	PERFORMANCE	COMMENT
Profit from property management Profit from property management to increase by more than 20 per cent from 2017 level, or by some 7 per cent per year.	Increase p.a. 7 %	14 %	Improved rental income and net interest contributed mainly to the increase.
Annual rent increase An annual rent increase in like-for-like portfolio terms.	Increase p.a. 3 %	4.4 %	Increasing rents in our markets and good renegotiation results contributed to the increase.
Total returns Net operating income and change in value of properties in relation to property value. The goal is to be at least equal to MSCI over time.	2018 10.7 %	10.6 %	Kungsliden's total return excluding vacated properties Eskilstuna is in line with the real estate industry average.
Value-creating investments An annual investment volume of approximately SEK 1 billion.	Approx. 1 bn SEK yearly		In 2018, investments of SEK 1.3 billion were made. The required rate of return amounts to IRR 9 per cent or return on invested capital of 6 per cent.
Employee Satisfaction Index (ESI) We measure ESI – a composite of questions – each year, where committed employees are a key factor for achieving our targets.	2018 4.3	2018 4.3	The target of 4.3 out of 5.0 was achieved and was an increase on the previous year. The survey had a high response rate.

THE SHARE

The Kungsliden share is on Nasdaq Stockholm's Large Cap list. Kungsliden has one share class, ordinary shares, and each share carries one vote. There are 218,403,302 ordinary shares. The share capital is SEK 91,001,376.¹

Shareholders and ownership structure

At year-end, the ten largest shareholders controlled 36.1 per cent (39.9) of the capital and votes. Swedish companies, investment trusts and private individuals held 58.5 per cent (64.8) of the share capital as of 31 December 2018. At year-end, foreign shareholdings were 41.5 per cent. Kungsliden had 20,172 (23,009) shareholders as of 31 December 2018.

Turnover and trading

The average daily turnover of the Kungsliden share was 1.0 million (1.0) shares. A total of 226.6 million (251.8) shares were traded in 2018 with a total value of SEK 14.1 billion

(13.6). The share is traded on several marketplaces, with Nasdaq Stockholm representing 52 per cent of turnover.

Share price in the year

Kungsliden's share price increased by 6.3 per cent in the year. The OMX Stockholm PI fell by 7.8 per cent and the OMX Stockholm Real Estate PI rose by 10.0 per cent. The closing price on 28 December 2018 was SEK 62.9 per share, equivalent to market capitalisation of SEK 13.7 billion.

Returns

Total returns in the year were 9.4 per cent. The dividend yield as of 31 December was 3.8 per cent based on the Board of Directors' proposed dividend for 2018 of SEK 2.40 per share. The highest closing price of the share in 2018 was SEK 71.75 on 10 August, and the lowest closing price was SEK 51.50 on 6 February 2018.

Dividend and dividend policy

The dividend policy stipulates the dividend to increase with the progress of profit from property management. In 2018, profit from property management increased by 14 per cent, in combination with improved prospects for the progress of profit from property management from 2018 onwards, the Board of Directors is proposing an increase of the dividend to SEK 2.40 per share for 2018, compared to the SEK 2.20 per share paid for the previous year.

Key facts

Marketplace:

Nasdaq Stockholm, Large cap

Segment/sector:

Financials/Real Estate

Share class:

Ordinary shares

Market cap. on 31 December 2018: SEK 13.7 bn

ISIN code: SE0000549412

Ticker

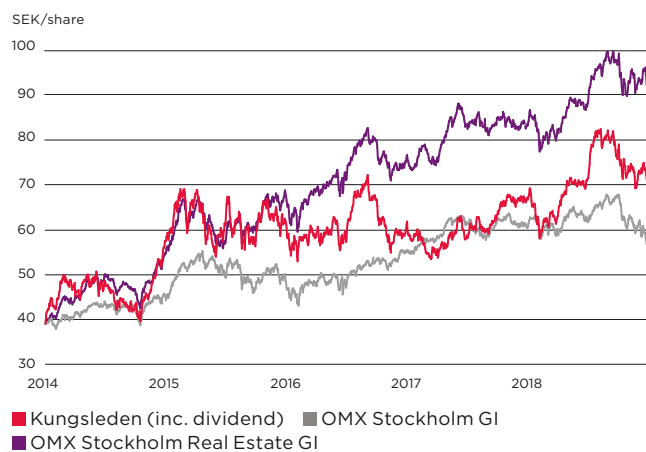
Nasdaq: KLED
Bloomberg: KLED SS
Reuters: KLED ST

Analysts monitoring the Kungsliden share

Updated information and contact info for the financial analysts monitoring Kungsliden is available on Kungsliden's website under [investorare/aktien](#)

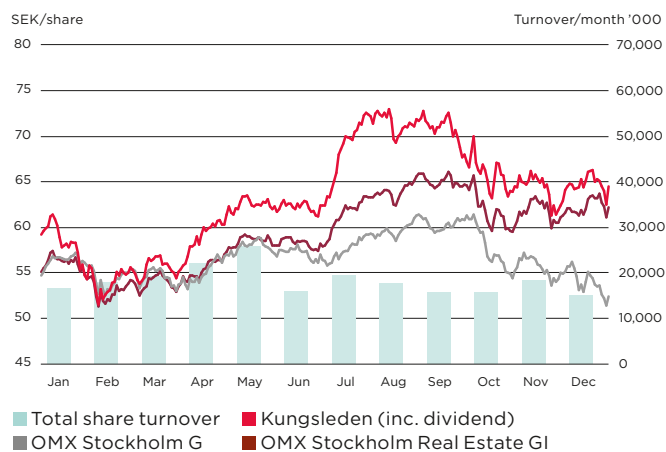


Total return on the share 2014–2018, index



Source: Six

Total return on the share 2018, index



Source: Six

¹ See note 16 for Share capital.

Shareholder categories as of 31 December 2018



Kungsleden – 20 years on the stock market

Kungsleden's initial public offering was on the Stockholm Stock Exchange O-list on 14 April 1999, and at this time, held properties worth SEK 5 billion. Kungsleden has been classified as a Large Cap company since 2 January 2017, and after 20 years on the stock market, now has a property value of SEK 34.7 billion.

Shareholders as of 31 December 2018

Name	No. of shares	Share of equity, %
Gösta Welandson and companies	31,637,781	14.5
Olle Florén and companies	6,750,797	3.1
Vanguard	6,262,454	2.9
BlackRock	5,600,902	2.6
Stichting Pensioenfonds ABP	5,564,085	2.5
Handelsbanken Fonder	5,500,000	2.5
Norges Bank	5,255,695	2.4
Second Swedish National Pension (AP) Fund	4,563,966	2.1
TR Property Investment Trust	4,530,553	2.1
Catella Fonder	3,253,392	1.5
10 largest shareholders	78,919,625	36.1
Foreign shareholders, other	63,419,286	29.0
Swedish shareholders, other	76,064,391	34.8
Total	218,403,302	100.0

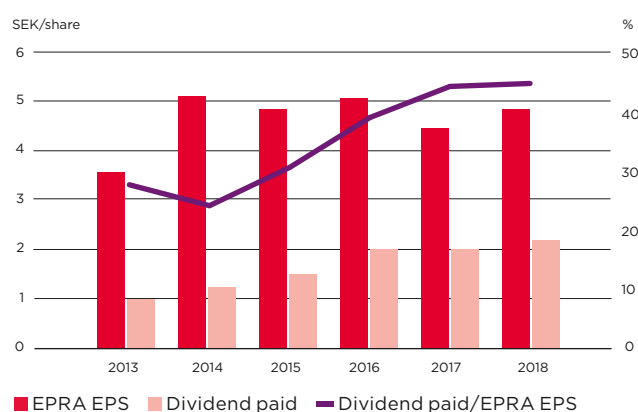
Source: Euroclear

Key figures per share

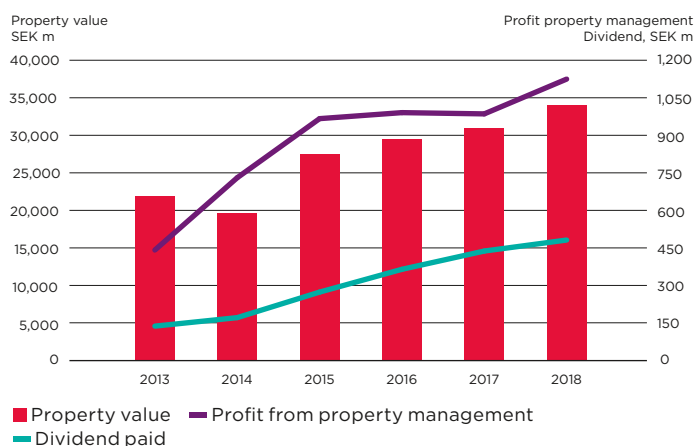
Data per share	2018	2017
Dividend paid, SEK	2.20	2.00
Total return on the share, %	9.4	8.8
Dividend yield, %	3.8	3.7
Profit from property management, SEK ¹	5.15	4.66
Net profit, SEK ¹	9.41	9.03
EPRA EPS (profit from property management after tax), SEK ¹	4.84	4.45
EPRA NAV (long-term NAV), SEK	81.01	71.87
EPRA NNAV (current NAV), SEK	79.66	70.65
Equity, SEK	72.19	64.98
Share price	62.90	59.50

¹ Restated by an adjustment factor of 2.55 per cent for the bonus issue element of the new share issue expected in the first quarter of 2017.

EPRA EPS and dividend per share



Property value, profit from property management and dividend





Architect Sigurd Lewerentz's 1930s buildings in the Blåstern 14 district of Vasastan, Stockholm, have been converted into a hotel and contemporary offices totalling 17,000 sq. m.

In partnership with Kungsleden, hotel operator Nobis has created the designer hotel Blique by Nobis, with generous restaurant, bar and lounge spaces, as well as a courtyard and roof terrace. The Hotel will be ready for occupation in spring 2019.

The development of offices is also ongoing, and 5,500 sq.m was leased to Covendum in 2018 – a premium coworking concept focusing on service, technology and design. This phase has scheduled completion in early 2020.

The project involves a total investment of approximately SEK 560 million. The property is now fully leased and has rental value of SEK 65 million.

Designer hotel and coworking space breathe new life into Gävlegatan, Stockholm

FIVE REASONS TO INVEST IN KUNGSLEDEN

Financial stability

Kungsleden has a strong financial position with good earnings capacity, low LTV ratio, high equity/assets ratio and high interest coverage ratio. Moody's rates Kungsleden Ba1 with "Positive Outlook".

A long-term view focusing on growth regions

We are long-term owners of a portfolio concentrated on office properties in markets with high demand and good access to communications. 85 per cent of properties are located in Stockholm, Gothenburg, Malmö and Västerås, and 73 per cent of the whole portfolio are office properties. A high share of our portfolio is concentrated in selected locations called clusters. This offers us scope to further adapt and improve our offering based on tenant needs, and contribute actively to development of the whole area.

Value-creating investments

Our property portfolio offers good potential for value-creating investment. We are progressively increasing quality and earnings capacity

through development projects and complementary acquisitions. Our planned investment program has an annual volume of approximately SEK 1 billion.

Sustainable business

Sustainability is integrated into all parts of our business and helps attract tenants and new employees, as well as reducing the costs of energy consumption. We have secured high ratings in environmental certification programmes, offering scope for green financing on good terms. Kungsleden was rated a Green Star in 2018, and Europe's fifth-best company in the international sustainability benchmark GRESB. We also won the World in Property Award for 2018 for our extensive sustainability work.

Healthy returns

Our policy is that dividends should increase with profit from property management. Over the past five years, total dividend has increased by 26.4 per cent yearly, and the dividend yield has yearly been 3.4 per cent. Total returns on the share have averaged 13.8 per cent over the past five years.

Financial calendar 2019

26 April	Interim Report January-March
26 April	AGM
10 July	Interim Report January-June
23 October	Interim Report January-September



STRONG PROGRESS, BUT A LESS CERTAIN OUTLOOK

2018 was another strong year for the real estate sector. The cyclical peak seems to have passed but the demand for modern and efficient facilities in good locations in expansive regions is still strong. For companies that can benefit from trends such as digitization, urbanization and internationalization, the prospects are bright.

Early-2018 featured synchronised global growth. However, global and Swedish growth slowed in the year, as uncertainty surrounding political polarisation, trade conflicts and Brexit grew. In Sweden, housing production and household consumption both slowed.

Short Swedish market interest rates increased late in the year in tandem with the Riksbank's first interest rate increase for over seven years. However, long market interest rates closed at a lower level, largely due to slowing cyclical signals. The stock market and the credit market also lost ground in late-2018, to then recover in early-2019. Real estate companies are affected less than other sectors. Access to credit and finance was good through the year. However, some tightening was apparent for smaller players. Institutions such as pension funds and insurance companies are showing continued rising interest in increased exposure to the real estate sector.

Opportunities in metropolitan regions

Sweden's growth has largely been concentrated on metropolitan regions, where the rate of innovation and entrepreneurship is significantly faster. Population and employment growth has also been faster in these regions than others, while salary and income growth is somewhat more evenly allocated.

This progress is reflected in real estate. The demand for commercial premises and housing is growing faster in the major cities. Accordingly, major city regions with good communications have good potential to create increased value through property development and urban development.

Structural transformation changing conditions

While the demand for premises remained above supply in the major locations in 2018, there is a clear structural transformation underway with digitalisation, urbanisation

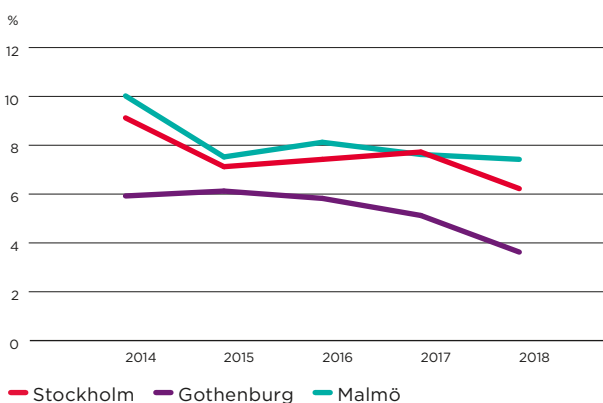
and globalisation affecting supply and demand. The structural transformation of the retail segment is having a growing impact.

A bright outlook but with causes for concern

Despite the expected cyclical slowdown, the underlying prospects for continued positive progress in our business environment are good. Sweden's economy is strong with good public finances, low inflation, high employment, many vigorous and innovative companies and a stable and transparent property market. Low interest rates are also positive for the property sector.

The main risk factors are political, such as a no-deal Brexit or escalation of trade conflicts between the US and China. Another risk is that interest rate levels could rise faster than expected. In Sweden, the main uncertainty factors are the situation on the housing market and high household indebtedness, as well as uncertainty surrounding the strength of the new government.

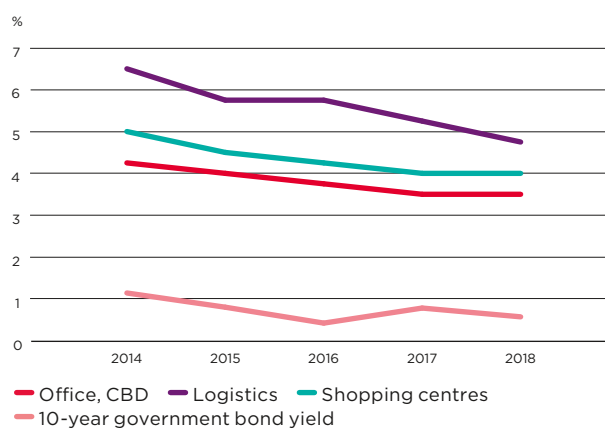
Vacancy rates in the fourth quarter, offices, %



Vacancy rates in the Stockholm and Gothenburg office markets fell notably in the year. The supply of office premises in Malmö is somewhat higher, and accordingly, the pressure on vacancies is not as high.

Source: JLL

Required property yields, Stockholm, %



The combination of low vacancies and increasing rents with low interest rates and strong investor interest are contributors to required property yields moving through lower levels in recent years. In 2018, the general direction was more down than up once again.

Source: JLL

TRENDS ON KUNGSLEDEN'S MARKETS

Digitalisation enables and generates new business models, underlying phenomena including the trend of flexible workspaces in office premises. The structural transformation of the retail sector (due to e-commerce, for example) and the emergence of AI control of production and distribution, are impacting retail and logistics premises. Coworking, e-commerce and just-in-time production are just a few examples of trends that are reshaping the property market.

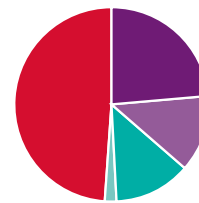
Sustainability issues set new standards and also create opportunities for efficient management and new business concepts. The emergence of the sharing economy is an example of digitalisation and sustainability going hand in hand.

Urbanisation is continuing, with positive effects on efficiency in production and distribution, and is spurring high innovation rates. A growing share of economic activity is concentrated on metropolitan regions. Real estate companies need to offer adapted premises in attractive environments to innovative players in these regions.

Globalisation means that companies are increasingly operating independent of national borders, and that localisation decisions are more a matter of choice between different cities and regions than between countries. So for real estate companies, success can be just as much about developing and marketing a city or location as providing the best premises.

Source: BorgResearch

The transaction market in 2018, by segment, SEK bn



- Office, 36.9 SEK bn
- Retail, 20.0 SEK bn
- Industrial/Warehouse/Logistics, 20.1 SEK bn
- Hotel, 3.1 SEK bn
- Other (inc. housing and land), 76.1 SEK bn

There were somewhat fewer transactions than in 2017, but transaction volume increased from SEK 151 to just over 156 billion in 2018, with several major portfolio and corporate transactions.

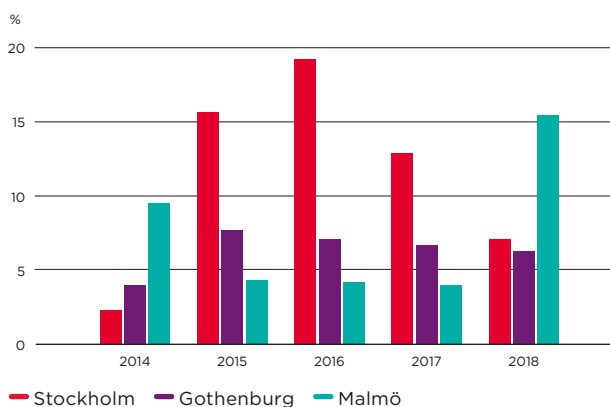
Source: JLL

Key facts

	Stockholm	Gothenburg	Malmö	Västerås
Population 2018 (people)	962,000 ↑	571,000 ↑	339,000 ↑	152,000 ↑
Net occupation 2017 (people)	7,100 ↑	4,000 ↓	2,800 →	2,200 ↑
Unemployment 2018 (%)	5.9 ↓	7.1 ↓	13.9 ↓	8.5 ↓
Median income 2017 (SEK per person)	316,193 ↑	283,884 ↑	233,596 ↑	282,188 ↑
Tax rate 2019 (%)	29.82 ↓	32.60 →	32.42 ↑	31.24 ↑
Rent, offices 2018 (prime CBD, SEK per sq.m and yr.)	7,500 ↑	3,400 ↑	3,000 ↑	1,500 ↑
Vacancies, offices 2018 (%)	6.2 ↓	3.6 ↓	7.4 ↓	5.0 ↓
Rent, retail 2018 (prime retail premises, SEK per sq.m and yr.)	23,500 ↑	11,000 →	5,500 →	2,800 →
Vacancies, retail 2018 (%)	2.0 →	2.0 →	3.0 ↓	5.0 →
Rent, logistics 2018 (SEK per sq.m and yr.)	900 →	700 ↑	500 ↓	800 →
Vacancies, logistics 2018 (%)	5.0 →	5.0 →	10.0 →	5.0 →

Source: SCB, Swedish Public Employment Service, Ekonomifakta, JLL, Datscha

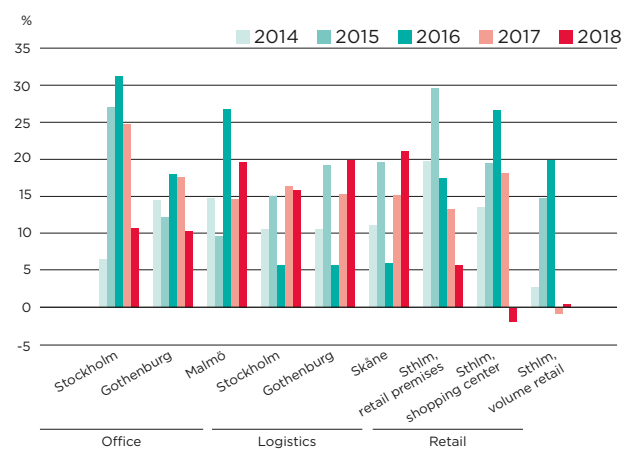
Rent levels, offices in central locations, annual percentage change, %



Office rents in Stockholm increased by 7 per cent, a little more slowly than 2017. Rent increases in Malmö accelerated to 15 per cent, and Gothenburg retained its rate of some 6 per cent. Over five years, central Stockholm rents have risen by over 70 per cent, reaching levels comparable to major international cities.

Source: JLL

Total returns, %



In Stockholm and Gothenburg, total returns (i.e. property yields and changes in value) on office properties were an estimated 10 per cent-plus in 2018, down somewhat on 2017. But in Malmö, the figure was nearly 20 per cent. Logistics premises were yielding 16, 20 and 21 per cent in Stockholm, Gothenburg and Malmö respectively, record levels viewed over the past five years. The total return on retail premises decreased noticeably.

Source: JLL

Our vision:

We create attractive and sustainable places that enrich people's working day.





OPERATIONS

Sandvik IT – at home in Kista



When Sandvik IT was looking for new premises in Kista, approaching Kungsleden was the obvious move. The company's Sandvik Coromant division already had a good relationship with Kungsleden after relocating to the Kista One property in 2018.

Kista One is an attractive, environmentally-certified property in one of Kista's prime locations, right by the entrance of the Kista Galleria mall. This property also has high service standards including staffed reception, shared conference facilities, a planted courtyard, changing room, and parking for cycles and cars.

"We're proud of our great collaboration with Sandvik Coromant, and were obviously also delighted when Sandvik IT showed an interest in our premises," said Julia Sommer, Kungsleden's Leasing Manager.

Sandvik IT signed a contract on 600 sq. m in spring 2018.

This marked the start of conceptual development, which resulted in premises reflecting Sandvik's new imagery for all the company's facilities. Everything has been carefully considered from colours and lighting to furnishings.

"Kungsleden have been responsive and solution oriented, and we're doing well in our contemporary and central premises," says Sebastian Kejsman, Head of Sandvik IT Services.



OUR CLIENTS

Success comes from satisfied customers, so Kungsliden’s operations are managed with the ambition of addressing client needs and being responsive to market trends.

Kungsliden’s tenants represent a good mix of different sectors and with different contract terms, everything from small start-ups to major multinational groups and public authorities. In late-2018, we had lease contracts with about 1,800 clients in our 222 properties. Understanding client needs and exceeding their expectations are key to our long-term success.

Contemporary business is fast moving, and tenants set high standards of flexibility, function and quality of service. That’s why we put a big emphasis on dialogue, responsiveness and knowledge of the tenant’s circumstances, and make a broad client proposition with situation-specific, efficient workspace solutions in attractive clusters in our clusters and properties.

Flexibility and sustainability – natural for Kungsliden and in demand from clients

Demand is altering quickly, and Kungsliden is flexible and solution oriented. Coworking, which involves enterprises sharing workspaces with each other, is one clear trend. Self-employed entrepreneurs, freelancers and consultants through to smaller enterprises are realising the benefits of sharing spaces to get impressions of other players in creative and inspiring environments. Kungsliden has partnerships with coworking players in several locations, and has incorporated this concept into properties including B26 in Västerås, where tenants get an all-inclusive membership including cleaning, entry systems etc. Members can also benefit from what we offer in a shared lounge, restaurant, events and lecture series. Whatever their size, what these enterprises share is access to a broad portfolio of services. In our property Kista One, we provide a comprehensive portfolio of services that make tenants’ lives easier, including shared reception, meeting rooms, new food concepts and parcel and mail services. Many large corporations also want premises to help express their brand and attract talent. Kungsliden has a portfolio and internal flexibility enabling us to satisfy all these differing needs. Our clients are also becoming

more interested in sustainability issues, which is fully consistent with our own ambitions. We participate proactively in discussions on sustainability issues with our clients and propose green leases. We are also developing new client offerings like “turnkey premises in three minutes,” which launched in 2018.

Customer satisfaction survey setting the agenda

We conduct an annual customer satisfaction survey to identify areas of improvement and generate supporting data for how we should

Kungsliden’s client proposition:
We will provide attractive and functional premises in the right locations, and at the right price. We will always deliver that something extra.



Kungsleden’s client pledge:

Kungsleden’s clients should always feel welcome. We will contribute to your business, simplifying and facilitating for you.

develop our working methods and our client proposition. Its outcomes are the basis for the following year’s business plan. We achieved a CSI of 71 (72) in 2018. We have high ambitions, and going forward, will be working even more actively on making client needs central. In 2018, actions included starting the implementation of a CRM system to facilitate client dialogue. Our client pledge and stakeholder dialogue are also top priorities.

Customer sustainability survey

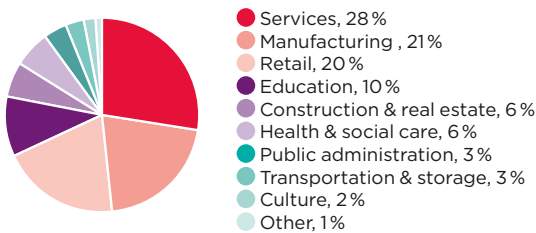
In 2018, we conducted a survey of client opinions of sustainability issues in partnership with Mälardalen University on its research project KPI 2030. This research indicated that clients want premises to strengthen their brand and convey their image, as well as being environmentally certified. It also demonstrated how many tenants are interested in partnerships on sustainability issues with their property owner, and want more information on sustainability work. This outcome was fully consistent with Kungsleden’s working methods and priorities. Kungsleden conducts annual travel surveys, and in 2018, its conclusions included closeness

to public transport being important and that first and foremost, tenants utilised tracked public transport. Most of Kungsleden’s clusters have direct access to subways, trains or buses. More people also want to cycle, and Kungsleden is also working on improving the options for commuting by bike in several of its properties, by installing new showers and cycle storage.

Green leases are part of our client proposition

Partnering with tenants to reduce climate impact and cost is a priority. Green leases are a natural part of our client proposition, and we always offer them as standard on new signings. Green leases involve commitments to promote the environmental performance of premises – actions in energy, indoor climate, material selection and waste sorting. This can also include conscious selection of office equipment, where the IT-company CNet of Danderyd, which has committed to use used office furniture, is an example. Green leases are subject to joint monitoring through a dialogue between Property Manager and tenant.

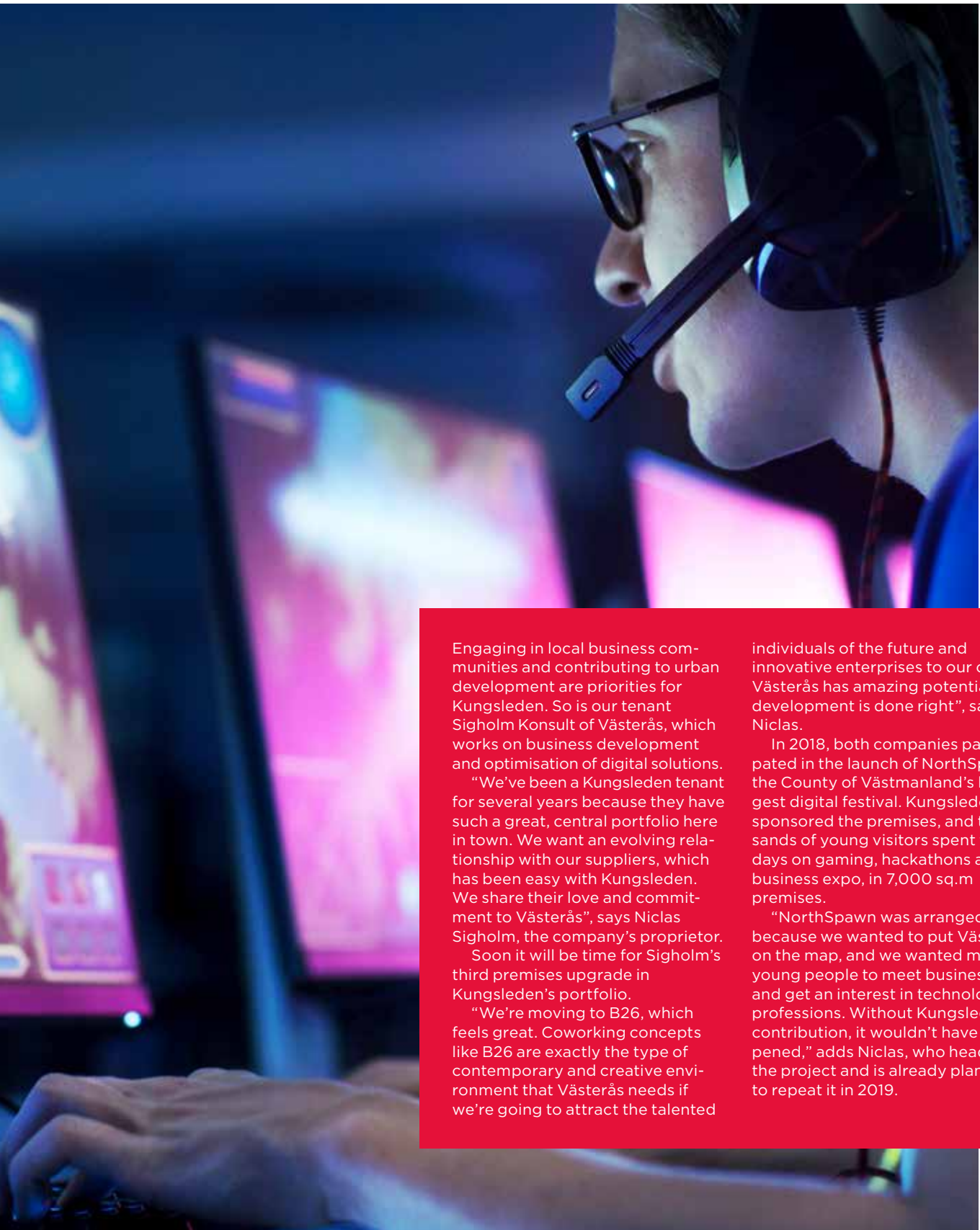
Tenants by sector



Kungsleden’s tenants can be anything from multinational corporations to public bodies and young, specialist enterprises across a raft of sectors. The biggest sectors are services (28 per cent) and manufacturing (21 per cent), although many other sectors are represented, and there is wide diversity.

Kungsleden’s largest tenants

Tenant	Rental value, SEK m	Share of rental value, %
ABB	286	11
Biz Apartments	39	2
ICA	37	2
Municipality of Västerås	36	1
Westinghouse Electric Sweden	24	1
The Swedish Customs Service	21	1
SMHI	21	1
The Swedish Social Insurance Administration	21	1
Municipality of Stockholm	21	1
Dagab Inköp & Logistik	20	1
Total 10 largest	526	22



Engaging in local business communities and contributing to urban development are priorities for Kungsleden. So is our tenant Sigholm Konsult of Västerås, which works on business development and optimisation of digital solutions.

“We’ve been a Kungsleden tenant for several years because they have such a great, central portfolio here in town. We want an evolving relationship with our suppliers, which has been easy with Kungsleden. We share their love and commitment to Västerås”, says Niclas Sigholm, the company’s proprietor.

Soon it will be time for Sigholm’s third premises upgrade in Kungsleden’s portfolio.

“We’re moving to B26, which feels great. Coworking concepts like B26 are exactly the type of contemporary and creative environment that Västerås needs if we’re going to attract the talented

individuals of the future and innovative enterprises to our city. Västerås has amazing potential if development is done right”, says Niclas.

In 2018, both companies participated in the launch of NorthSpawn, the County of Västmanland’s biggest digital festival. Kungsleden sponsored the premises, and thousands of young visitors spent four days on gaming, hackathons and a business expo, in 7,000 sq.m premises.

“NorthSpawn was arranged because we wanted to put Västerås on the map, and we wanted more young people to meet businesses and get an interest in technology professions. Without Kungsleden’s contribution, it wouldn’t have happened,” adds Niclas, who heads up the project and is already planning to repeat it in 2019.

Kungsleden and Sigholm – sharing a love for Västerås

THE PROPERTY PORTFOLIO IN FIGURES

Kungsleden's property portfolio is concentrated on four priority growth markets. At year-end 2018, the holding consisted of 222 properties with book value of SEK 34,697 million, of which 73 per cent were office properties.

85 per cent of the portfolio is in one of Kungsleden's priority growth markets: Stockholm, Gothenburg, Malmö and Västerås, and another 17 municipalities. Apart from offices, the portfolio consists of 15 per cent Industrial/Warehouse, 6 per cent Retail, and 6 per cent Other. At year-end 2018, 17 per cent of the property portfolio was environmentally certified.

The portfolio focus is on offices and large, effective property management units, through concentrated portfolios and clusters.

Twelve clusters in three property management units

70 per cent of Kungsleden's investment properties are in clusters, i.e. concentrated holdings in selected locations with good access and high demand. Maintaining properties in clusters enables high management efficiency and strengthens customer relationships due to the flexibility of our client proposition. Moreover, our strong market positioning enhances our potential to participate in the development of

whole areas. Developing and expanding clusters is an important part of our strategy.

Kungsleden has 12 clusters, the twelfth – Gothenburg South Central – created in 2018 through the acquisition of two office properties and one car park (Kallebäck 2:7, 2:9 and 2:11) in southern Gothenburg. Refer to the table on acquisitions and divestments in the Strategic acquisitions section on page 36.

Property-related key figures per year

	2018	2017	2016	2015	2014
No. of properties	222	222	269	291	305
Leasable area, 000 sq.m	2,055	2,159	2,580	2,665	2,592
Rental value, SEK m	2,622	2,567	2,672	2,471	2,395
Rental revenue, SEK m	2,377	2,319	2,422	2,238	2,192
Total revenue, SEK m	2,385	2,323	2,430	2,314	2,193
Property costs, SEK m	800	785	827	769	703
Operating net, SEK m	1,586	1,538	1,602	1,545	1,491
Book value, SEK m ¹	34,697	30,974	29,533	27,470	19,612
Economic occupancy rate, % ²	91.5	90.5	90.6	90.6	91.6
Operating surplus ratio, %	66.7	66.3	66.2	69.0	68.0
Property yield, % ¹	4.8	5.1	5.6	6.6	7.5
New leasing, SEK m	274	201	216	133	137
Terminations, SEK m	189	132	117	126	130
Net leasing, SEK m	86	69	99	7	6

¹ 2015 and 2014 have not been adjusted taking into account the changed principle for accounting for deductions received for deferred tax on acquisitions.

² The definition of the economic occupancy rate has been adjusted for the years 2018 and 2017. The comparative figures for the years 2016, 2015 and 2014 have not been recalculated.

Kungsleden's clusters

		Leasable area, sq.m	Rental value, SEK m	Book value, SEK m
Stockholm	Kista City	147,000	280	4,392
	Stockholm City East	88,000	172	3,612
	Danderyd Office	100,000	190	2,925
	Stockholm City West	49,000	91	2,675
	Västberga	38,000	38	423
Gothenburg	Högsbo	109,000	97	1,247
	Gothenburg South Central	28,000	49	779
Malmö	Hyllie	40,000	63	1,252
	Fosie	52,000	56	652
Västerås	Västerås City	153,000	234	3,311
	Finnslätten	237,000	233	1,697
Rest of Sweden	Östersund City	79,000	83	1,165

VALUATION OF THE PROPERTY PORTFOLIO

Kungsliden values its whole property holdings each quarter. These valuations are based on an analysis of cash flow, involving an estimate of each property’s future earnings capacity at the market’s required yield. The internal valuations are the foundation of reported property values.

To quality-assure and verify internal evaluations, we conduct external valuations on parts of the holding each year. All properties in the portfolio were valued externally in 2018.

Healthy value growth in 2018

Unrealised changes in value in the property portfolio were SEK 1,619 million for the full year 2018, with most of this sourced from an improved operating net. The average required yield was 5.5 per cent – against 5.8 per cent at the beginning of the year. Just over one-third of the downturn is due to alterations to the structure of the property portfolio due to acquisitions and divestments in the year.



Factors impacting value

SEK m	2018	2017
Changed required yield	902	643
Changed operating net	1,153	1,114
Changed assumptions about investments and other factors impacting value	-494	-357
Acquisitions	59	17
Total unrealised changes in value	1,619	1,417

Read more about properties!

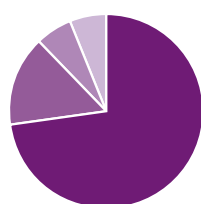
- View our register of properties on pages 119-127.
- Explore our portfolio at: kungsliden.se/en/kungsliden/our-properties



The property portfolio in the year

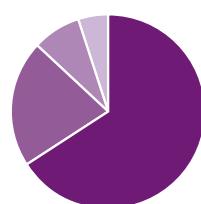
SEK m	Investment properties	Development properties	Total
Properties at beginning of period	28,501	2,473	30,974
Accessed acquisitions	1,836	0	1,836
Investments	869	431	1,300
Vacated divestments	-893	-139	-1,032
Unrealised changes in value	1,487	132	1,619
Properties at end of period	31,800	2,897	34,697

Property value by category



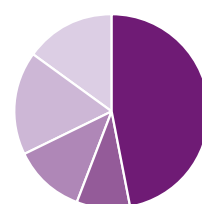
● Office, 73 %
 ● Industrial/Warehouse, 15 %
 ● Retail, 6 %
 ● Other, 6 %

Rental value by category



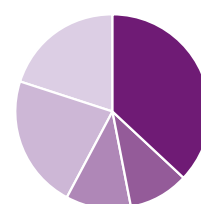
● Office, 66 %
 ● Industrial/Warehouse, 21 %
 ● Retail, 8 %
 ● Other, 5 %

Property value by growth region



● Stockholm, 47 %
 ● Gothenburg, 9 %
 ● Malmö, 12 %
 ● Västerås, 17 %
 ● Rest of Sweden, 15 %

Rental value by geography



● Stockholm, 37 %
 ● Gothenburg, 10 %
 ● Malmö, 11 %
 ● Västerås, 22 %
 ● Regional cities and other, 20 %

Kungsleden improved its already high-quality property portfolio in Malmö in 2018 by acquiring conceptual property STUDIO (Tyfonen 1).

STUDIO was built for meetings in flexible and creative environments. It accommodates workspaces centrally located in a vibrant meeting point open 24 hours a day. The building offers state-of-the-art office and hotel accommodation and public social spaces like restaurants, cafes and a rooftop bar. STUDIO won the Swedish Green Building Council Award for 2018 as LEED Building of the Year. STUDIO was completed in 2017, has 14 floors and 17,574 sq. m of leasable area. It is fully leased to tenants including Story Hotel, EY, co-working provider United Spaces and Altitude Meetings. Total rental value is SEK 60 million, and the acquisition price was SEK 1 billion.

Read more at: studiomalmo.com



STUDIO Malmö –
creative meeting
point and LEED
Building of the Year

ACTIVE AND SUSTAINABLE MANAGEMENT

Active, sustainable management and close client dialogue – a fair summary of Kungsliden’s commitment as a property owner. We put a very high value on customer relationships, a local presence and market knowledge, and continuously adapt our portfolio to follow trends and meet the market’s demanding standards.

Kungsliden – contributing to client business

Kungsliden’s ambition is to contribute to its clients’ business by being solution oriented, responsive and available, while providing attractive and functional premises in the right locations and the right price – and always delivering something extra. Properties and specific client propositions are in continuous development for us to remain at the leading edge. With our diverse portfolio with many different types of premises, we offered good potential to address our clients’ changing needs.

A local presence with central coordination

Kungsliden’s property management organisation is decentralised into three property management units, and offices in 11 strategic locations. With locally based property unit managers, property managers, leasing managers and technical managers, we maintain close dialogue with our clients and can address their changing needs. Our local presence also facilitates

long-term management and ongoing maintenance. Our professionals possess substantial knowledge of properties, market trends and client needs.

We pursue active leasing work to ensure local market knowledge and good relationships with current and potential clients. Our day-to-day work on developing processes and methodologies in property development, project management, leasing and our working methods and controls help enhance professionalism, efficiency and economies of scale, while promoting the exchange of best practice and flexibility.

Kungsliden’s cluster strategy – owning several properties in selected locations with good access and high demand – is a strong contributor to our successful management process because it creates the basis of cost-efficient property management units, a broad portfolio of premises and in-depth market knowledge. With our closeness to local decision-makers, we are a trendsetting presence in many places, and can also actively participate in and influence how an area develops.

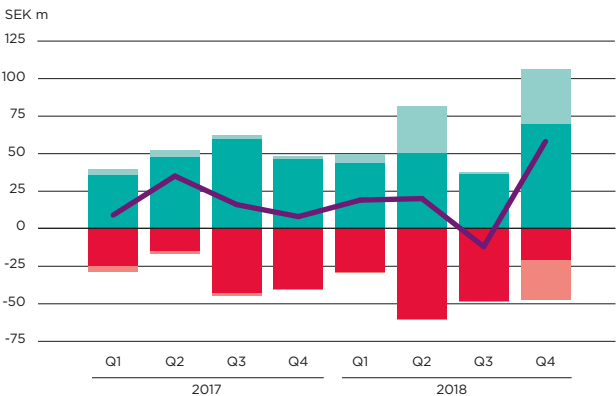
Success through renegotiation

Active property management work is intended to retain tenants year after year, even when needs change, which is why renegotiating lease contracts is an important measure of success. When renegotiating contracts, we conduct an analysis of the market to evaluate current market sentiment. We have a close dialogue with the tenant so we can understand their wants and needs. As lease contracts are renegotiated, we can increase the average rent of our portfolio, and our potential for doing this has improved as we have optimised our portfolio.

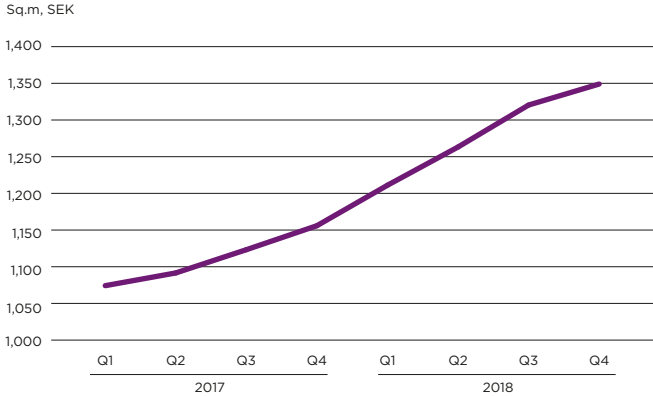
Successful tenant improvements and investments

Maintenance and investment ensure that our properties maintain quality and capacity that promotes long-term ownership and sustainability. As a long-term property owner, we factor in property function and value growth for the longer term. Kungsliden conducts a variety of tenant improvements and investments on new leasing or renegotiation

Net leasing per quarter



Average rent



■ New leases, investment properties ■ New leasing, development properties
■ Terminations, investment properties ■ Terminations, development properties
— Net leasing



– which may be modernisations, alterations to floor layouts, or more extensive conversions. The demand for tenant improvements, sustainability, digital tools and flexibility are increasing, which is fully consistent with how Kungsleden runs its business. Tenant wants and needs largely determine the layout of commercial premises, which means Kungsleden needs to be a trend-sensitive and responsive property owner with good execution capacity on construction and modernisation projects.

Progressive reduction of climate footprint

The demand for sustainable and environmentally certified properties is growing, which is something Kungsleden welcomes. Our ambition is to environmentally certify

our properties and progressively reduce their energy consumption and emissions.

We are retaining our sustainability target of reducing CO₂ emissions from operations and operating costs. We believe environmentally certified properties attract larger, established tenants, have a positive impact on valuations and are a prerequisite for green financing. Kungsleden has an ambitious target for its whole property portfolio to be LEED certified (Leadership in Energy and Environmental Design, an international real estate environmental classification system), before year-end 2025. Half of our portfolio will be LEED certified by 2020, and we're working to achieve a minimum of the gold standard for all properties. LEED can be applied to new and existing buildings, and includes a variety of systems for different building types. The properties

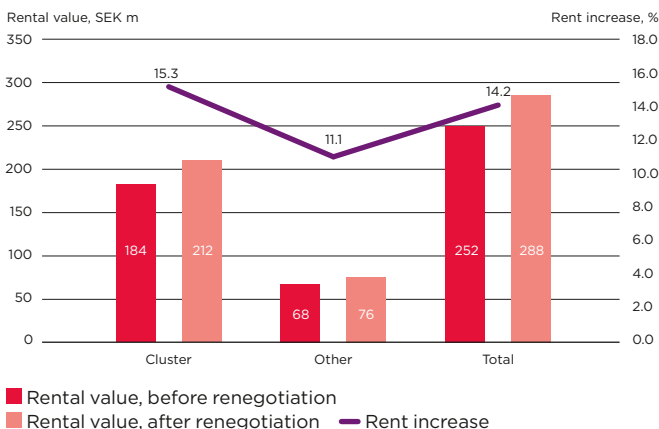
Reykjavik 2, Keflavik 1, Holar 1 and Borgarfjord 5 were LEED certified in the year. 17 per cent of Kungsleden's portfolio was environmentally certified by year-end 2018. Work on environmental certification is in close partnership between management and Kungsleden's Sustainability Manager. Energy efficiency and environmental certification are important aspects when screening potential acquisitions.

Kungsleden works systematically on energy rationalisation in its development projects and ongoing management. Reducing energy consumption is critical to operating costs and climate impact. Heating represents the majority of energy consumption. Energy consumption in like-for-like portfolio is reduced by 3.2 per cent in 2018. The energy savings measures executed in 2018 reduced energy consumption by 7.8 GWh, reducing energy costs by SEK 4.6 million. To reduce emissions, Kungsleden uses certified hydropower.

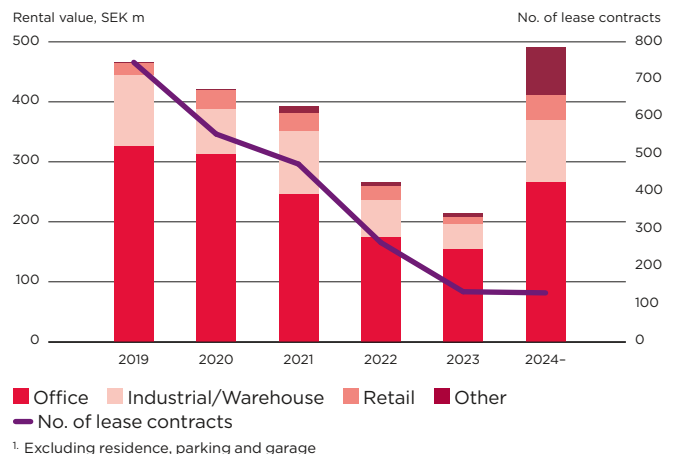
Cluster strategy helps create attractive and sustainable places

Our cluster strategy is critical to our vision of creating attractive and sustainable places. Clusters improve our potential to adapt our proposition based on tenant needs, create support for our local presence and help realise

Renegotiated rental value - Before and after renegotiation



Lease contact maturity structure, investment properties¹



Share of environmentally certified properties

17%

Number of environmentally certified properties

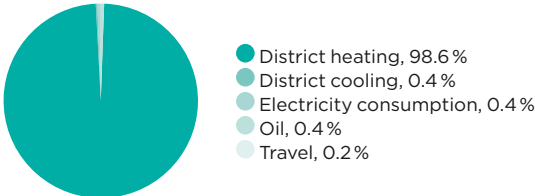
14

cost-efficient property management units as well as a broader selection of premises. Being a major property owner in a location helps us influence the development of whole areas, thanks to us carrying more weight on our dialogue with other local presences and decision-makers.

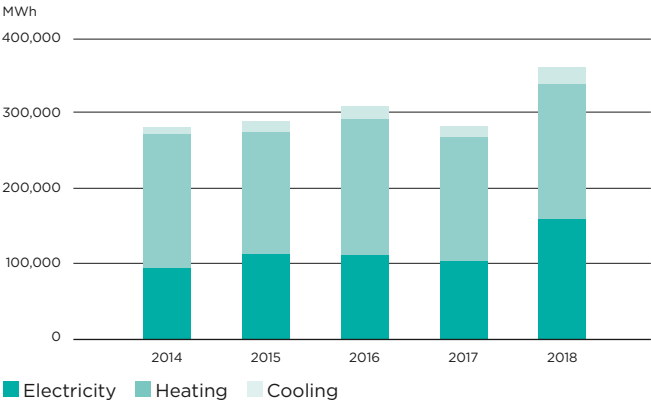
Sustainable lifestyles are the future, and we're working actively to ensure there is good infrastructure for people not travelling by car, good recycling options, and preferably, tenants with a sustainability profile. Easily accessible and attractive outdoor environments like parks, planting, jogging tracks, paths, outdoor gyms and viewpoints make it easy to spend time outdoors. Examples in the year include us improving outdoor environments in Danderyd in partnership with Ulriksdals Slottsträdgård, efforts to improve cycle and electric vehicle infrastructure in several clusters, and wider recycling options.

Each year we arrange an in-house workshop with participants from various parts of our operation and external presenters. This offers us a diversity of perspectives and the potential to exchange experience with other locations, and their development. All clusters also identify sustainability focuses and activities that they will prioritise for the coming years. The outcome of these meetings serves as supporting data for our business plans.

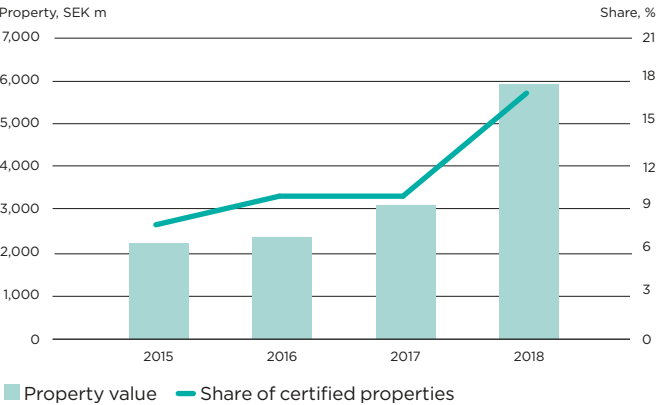
Share of GHG emissions, CO₂



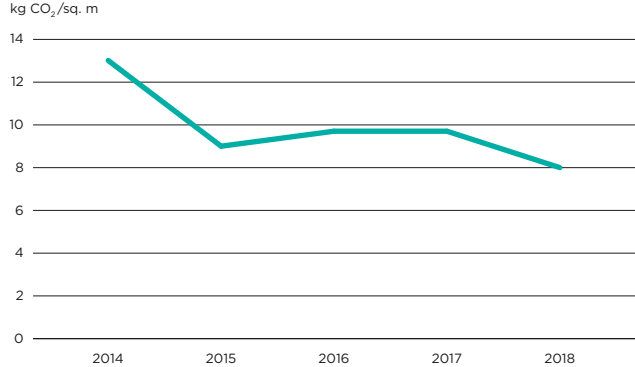
Energy consumption, MWh



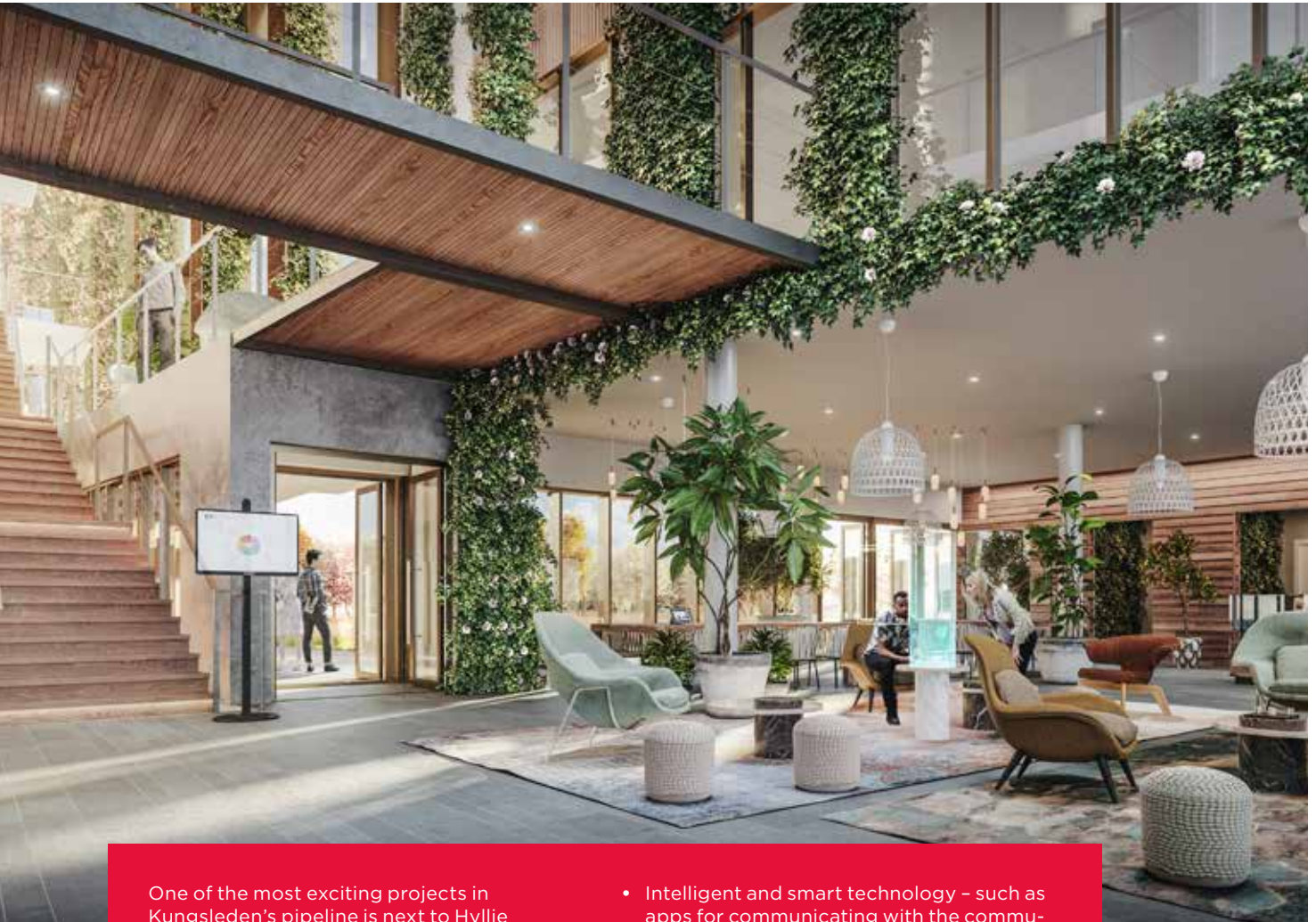
Environmentally certified properties



Emission intensity (kg CO₂/sq.m)



Eden by Kungsheden in Hyllie – the intelligent office with heart



One of the most exciting projects in Kungsheden's pipeline is next to Hyllie Boulevard in Malmö: Eden by Kungsheden. Kungsheden made people and their needs central when creating this Well-certified property, which it has termed a Symbiotic Building. The Well Building Standard® is the first international building standard focusing on human well-being at work. The Standard builds on aspects that affect our health like air quality, light, water, sound, nutrition, exercise, well-being, materials, comfort and social engagement. Symbiotic building is Kungsheden's proprietary branding concept based on four cornerstones that we work actively on:

- Health – the building should be good for human health, which promotes creativity, efficiency and performance.
- Service – the building should have a community feel and provide support with services that make life easier, such as parcel delivery, catering and meeting rooms.

- Intelligent and smart technology – such as apps for communicating with the community, and whether spaces are being used, or whether there are temperature variations in the building. This may also involve plants that purify the air, technology that encourages exercise and spaces to trial new technology.
- Close to nature – nature should enter indoor environments, mainly in shared zones. There should be planting, as well as sound, light, scents and materials that imitate nature.

Leasing commenced in the fourth quarter 2018 and construction start is planned for the second quarter 2019. The project covers some 8,000 sq.m of leasable area, and a preliminary estimate of the investment is SEK 300 million including land acquisition. The building is planned for LEED certification at the Gold or Platinum standard.

Read more at: edenihyllie.se

VALUE-CREATING DEVELOPMENT AND IMPROVEMENT

Continuous development, improvement, modernisation and tenant improvement of properties are some of the strategic cornerstones of Kungsliden's operations. These investments enhance property quality and attractions, improve cash flows, and thus portfolio value. Sustainability aspects like vibrant urban environments, material selection and climate adaptation are always integrated into projects.

Half of Kungsliden's holdings are properties with stable cash flows, the Gothenburg South Central cluster and Hyllie in Malmö being examples. The other half are good investment properties offering high potential for value increase through reduced vacancies, increased rents, or conversion and extension. Kista Science City, Danderyd Office and Stockholm City East and West are examples of clusters offering good value growth potential.

Property development

Developing a property can encompass anything from small-scale modernisation or alterations to floor layouts on behalf of the client, to changing building usage, and executing major conversions, extending, developing undeveloped land and development rights, or managing zoning planning processes.

Development projects boost whole locations

Our major projects are planned with their whole surroundings in mind. Every property has different circumstances, and projects are planned on this basis, while also incorporating trends and client needs. We produce well-considered concepts to attract our target groups at an early phase, which is important for each project and area. This facilitates leasing work and project execution. We have an annual investment programme of SEK 1 billion to improve our property portfolio.

Sustainability is integrated into the project process, and we formulated a new sustainability programme in the year, which sets mandatory and optional sustainability targets for each project.

Kungsliden's ambition is that the goods and materials used in properties should be environmental, which is why we use real estate sector database BVB for environmental impact assessments of construction materials for all

purchasing above SEK 1 million. Life-cycle thinking is embedded into the project phase, dealing with issues like waste sorting, waste disposal and recycling materials.

A structured process and rigorous analysis

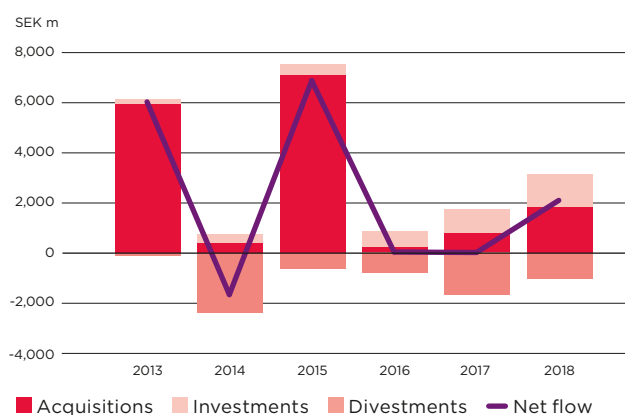
To ensure an effective and value-creating process, we conduct development work in four phases: identification, feasibility study, project development and implementation. We identify development projects in close interaction with our employees in property development, projects, leasing, technology, property management, transaction and analysis. Our aim is to find hidden values in the existing portfolio and to evaluate development opportunities in potential acquisitions. In the feasibility study phase, we generate a range of development scenarios, with one direction proposed by the Property Developer and prior to decision by management. In the development phase, we manage documentation for close costings, and arrange at least 50 per cent of project leasing

prior to Kungsliden's Board making its investment decision. The implementation phase involves tendering and construction production, and in certain cases, some leasing and transferring of the completed development to management.

Partnerships promoting sustainable local urban development

Kungsliden always endeavours to contribute to attractive environments around its buildings. We take responsibility for our surroundings and people by engaging in business and property owner associations, maintaining frequent contact with municipalities and participating in zoning plan surveys. This is operational and strategic work whose timeframes vary. The Kista City and Stockholm City East clusters, as well as Finnslätten in Västerås, are examples of areas where we are a very active participant in local initiatives to develop these areas. Continuous dialogue with local decision-makers and partnerships with other trendsetting presences in locations, offer us great potential to contribute

Net investments per year



to local urban development. In Kista Science City – Europe’s largest ICT cluster – a highly active urban development process is ongoing that the largest property owners in the area are deeply involved in. Kungsleden has adopted a leading role to make its contribution to the development of Kista, and Chairs Kista Science City, a non-profit organisation that promotes and develops Kista and its surroundings, and Chairs property owner cooperative Kista Science City Fastighetsägare. Development questions are pursued in close interaction between the business and academic communities, and the public sector.

Major completed projects in 2018

We completed several major projects in 2018. The Jump trampolining centre (part of Laven 6) in Umeå was completed in the second quarter and the former municipal head office Enen 10 in central Södertälje was transformed into 6,000 sq.m of contemporary and flexible offices, with a gym and café on the ground floor. At the beginning of the year, we also completed the conversion of the Tegnégallerian shopping centre in Växjö, which has made the whole environment around the lower stretch of Storgatan more inviting and accessible. Office property Holar 1 has Kista Science City been converted into the Studio Hotel, with 162 rooms.

Current and new projects

The ongoing improvement of Blästern 14 in Vasastan, Stockholm, is another example of a project making a positive impact on its surroundings – it includes Kungsleden’s construction of the Blique by Nobis Hotel, which will become an urban meeting point and oasis. Conversion of part of the property Mimer 5 is ongoing in Västerås. This project, called B26, involves conversion of the formerly vacant building into a contemporary coworking concept. In the third quarter, we commenced the construction of new custodial and probation premises on behalf of the Swedish Prison & Probation Service in Östersund (part of Karlslund 5:2). Rotterdam District, in one of Stockholm’s most expansive districts, transferred to the implementation phase in the fourth quarter.

Kungsleden also has several high-potential projects in its pipeline, one being the development of land allocation into contemporary offices at Hyllie, Malmö, in the project Eden by Kungsleden.

Continued utilisation of development rights

The utilisation of new development rights for housing and commercial purposes and ongoing zoning plans is proceeding to plan.

The slowdown on the housing market has put a still sharper focus on the utilisation of commercial development rights in the existing portfolio through land allocations. Because zoning planning processes are often lengthy, our consistent endeavour is to build in more flexibility in terms of property usage, so we can satisfy forthcoming market demand better. At present, zoning planning processes are ongoing in 12 properties, with a total of 173,000 sq.m of housing development rights and some 97,000 sq.m of commercial development rights. Most are scheduled for completion in 2019–2020. There is a further total of some 310,000 sq.m of development right potential identified for housing and commercial purposes, whose analysis and feasibility studies are ongoing with the aim of starting new zoning plans.

Category	Zoning plan ongoing	Zoning plan scheduled
Commercial development, sq.m		
Stockholm	23,000	90,000
Gothenburg/Malmö	25,000	70,000
Mälardalen	49,000	50,000
Housing development, sq.m		
Stockholm	40,000	50,000
Gothenburg/Malmö	50,000	30,000
Mälardalen	83,000	20,000
Total	270,000	310,000



Investment programme

SEK m	2015	2016	2017	2018	PLAN	
					2019	2020-2023
Development projects	14	141	312	578	600	1,800
Tenant improvements and other value-creating investments	337	341	499	596	600	1,800
Maintenance investments	99	127	114	126	100	400
Total investments	450	609	925	1,300	1,300	4,000

Major current projects

Property	Category	Municipality	Completion	Leasable area, sq.m	Estimated rental value, SEK m	Occupancy rate, %	Book value, SEK m	Estimated investment, SEK m	of which completed, SEK m
Blåstern 14	Hotel, Office	Stockholm	2019, 2020 ¹	17,000	65	100	973	560	382
Rotterdam 1	Office	Stockholm	2020	21,300	61	65	911	225	11
Karlslund 5:2 – part of ²	Social services property (new development)	Östersund	2020	3,300	13	100	n/a	160	36
Gallerian (4 properties) ³	Retail	Eskilstuna	2019	6,000	12	60	207	149	112
B26 Mimer 5 – part of ²	Office	Västerås	2019	4,700	12	52	n/a	130	25
Taktpinnen 1 ²	Office	Norrköping	2020	14,500	22	100	213	116	5
Total				66,800	185		2,304	1,340	571
Other development properties							806		
Other investment properties							31,587		
Total development and investment properties							34,697		

¹ Hotel completed in Q1 2019. Office phase scheduled for completion in Q1 2020.

² Classified as an investment property because the project is on a small part of the property.

³ Property divested and vacated on January 7, 2019.

Major completed projects

2018	Category	Municipality	Leasable area, sq.m	Rental value, SEK m	Investment, SEK m
Quarter 1					
Quarter 2					
Enen 10	Office	Södertälje	6,000	14	155
Laven 6 – part of	Retail (new development)	Umeå	3,100	4	33
Tegnér 15	Retail	Växjö	16,500	18	117
Quarter 3					
Quarter 4					
Holar 1	Hotel	Stockholm	6,000	13	122
Total			31,600	49	427

STRATEGIC ACQUISITIONS AND OPTIMISATION

Optimising and expanding the property portfolio is an important part of Kungsleden's business model. The main focus is on sustainable and attractive offices in selected growth locations. Apart from the four priority growth markets of Stockholm, Gothenburg, Malmö and Västerås, we have designated some ten expansive regional cities as especially interesting.

Our ambition is to expand in our four priority growth markets, and to maintain large, efficient property management units. About half of our property value will be in Stockholm, and at least 70 per cent being offices.

Rigorous analysis

Kungsleden monitors the Swedish real estate market closely to constantly maintain the most updated knowledge of participants, potential acquisition targets, pricing and trends. Active participation on the buy and sell sides of the transaction market helps keep our market awareness updated, and insights are fed back into our internal valuation process.

Going forward, the main acquisition candidates are offices in Kungsleden's four priority growth markets. Additionally, we closely monitor progress in expansive regional cities where we already have a presence. We analyse and screen investment opportunities continuously. We conduct a yearly location analysis, which factors in an evaluation of our own portfolio, combined with national growth statistics, forecast rent growth, transaction market liquidity and municipal indexes.

A sustainable property portfolio

Kungsleden's vision is to create attractive and sustainable places that enrich people's working day. Its aim is for its whole portfolio to be LEED certified by 2025. This means the sustainability aspect is central to our evaluation of acquisition candidates. Our tenants are increasingly demanding environmentally certified premises and closeness to public transport. Additionally, certified properties offer potential for financing at lower interest rates. Sustainability risks are analysed in the acquisition process using an extensive checklist of segments such as soil contamination, business risks associated with each tenant, technical risks, resistance to climate extremes and energy consumption.

Property acquisitions 2018

Property	Category	Municipality	Leasable area, sq.m
Kallebäck 2:7 (Tändstickan phase 1)	Office	Gothenburg	5,605
Kallebäck 2:9 (Tändstickan phase 1)	Other	Gothenburg	11,600 ¹
Kallebäck 2:11 (Tändstickan phase 2)	Office	Gothenburg	12,669
Tyfonen 1	Office	Malmö	17,574

¹ Not included in leasable area.

Property divestments 2018

Property	Category	Municipality	Leasable area, sq.m
Skiftinge 1:3	Land	Eskilstuna	n/a
Rausgård 22	Industrial/Warehouse	Helsingborg	62,292
Lövkojan 10	Retail	Katrineholm	8,524
Eskilshem 1:9	Office	Eskilstuna	3,746
Vipan 16	Retail	Eskilstuna	5,901
Vipan 17	Office	Eskilstuna	11,600
Verkmästaren 3	Other	Eskilstuna	2,808
Verkmästaren 4	Office	Eskilstuna	4,476
Verkmästaren 8	Office	Eskilstuna	3,406
Visheten 14	Office	Eskilstuna	3,083
Visheten 15	Retail	Eskilstuna	3,998
Värblomman 11	Retail	Eskilstuna	1,997
Värblomman 8	Retail	Eskilstuna	3,496
Värblomman 12	Office	Eskilstuna	3,630
Valpen 1	Office	Eskilstuna	10,360
Löddret 4	Industrial/Warehouse	Eskilstuna	5,874
Speditören 1	Retail	Eskilstuna	7,161
Torlunda 1:80	Retail	Eskilstuna	9,462
Effekten 6	Industrial/Warehouse	Västerås	n/a
Effekten 7	Industrial/Warehouse	Västerås	n/a

Acquisitions and divestments in the year

Kungsleden achieved its ambition of creating a centrally located office cluster in Gothenburg in early-2018. Two new-build LEED Gold certified office properties (Kallebäck 2:7 and Kallebäck 2:11) and a car park (Kallebäck 2:9) were acquired in the Tändstickan district, for about SEK 1 billion. The office properties are fully leased with reputable tenants, and total rental value is just over SEK 56 million.

In Malmö, Kungsleden acquired LEED Platinum-certified property STUDIO (Tyfonen 1) for SEK 1 billion. STUDIO is a unique building designed to create meetings and promote creativity and innovation.

Contemporary offices are being combined with a hotel as well as public social spaces like restaurants, cafes and a rooftop bar. This property won the Swedish Green Building Council's LEED Building of the Year Award in 2018 because it achieved the highest level of environmental certification, and offers spaces that attract meetings. STUDIO is also fully leased, and the rental value is about SEK 60 million.

5 sales agreements were signed in 2018. These meant Kungsleden exiting two municipalities in 2018, and exiting another municipality in 2019. Please refer to the table above on divestments in the year.



Kungsleden is developing its property Rotterdam 1 into The Rotterdam District concept at the heart of Stockholm's new Värtahamnen district.

Work on converting frontages and entrances to create a contemporary and harmonious execution began in the first quarter 2019. The entrances onto Hangövägen and existing restaurants are being converted to make the ground floor inviting and open to the public.

A lease contract was signed with trade union Vision on some 3,300 sq.m of the property in November 2018. The occupancy rate reached 65 per cent with other tenants including Easypark and The Beverage Group, and the project transferred to the implementation phase.

Kungsleden is active in Värtahamnen, and helping reshape this district alongside other developers and the City of Stockholm – fully consistent with Kungsleden's vision of creating attractive and sustainable places that enrich people's working day.



Rotterdam District in Stockholm City East – modern offices in a green location

Kungsleden realised its ambition of creating a contemporary and central office cluster in Gothenburg





Kungsleden realised its ambition of creating a contemporary and central office cluster in Gothenburg when it acquired two office buildings and a car park in the Tändstickan quarter of South Central.

South Central has an excellent geographical location between Korsvägen and Mölndal C, plus direct access to the E6 motorway. The district also has excellent public transport links including trams and buses.

Leasable area of these new properties is nearly 30,000 sq.m, of which some 18,000 sq.m are

offices. Kungsleden accessed two of the properties in 2018, and the third in early-2019. The office properties are fully leased to the Swedish Public Insurance Administration, ÅF, Capgemini, Handelsbanken and BeSiDa. Total rental value of all three properties is just over SEK 56 million. The acquisition price was SEK 1 billion.

With office properties Krokslätt 34:16, Gårda 19:10, and Stiernhielm 7, the new properties Kallebäck 2:7, Kallebäck 2:11 and Kallebäck 2:9 create Kungsleden's 12th cluster – Gothenburg South Central.

KUNGSLEDEN AS AN EMPLOYER

Kungsleden’s aim is to be the most attractive workplace, with an efficient organisation and motivated people that achieve good results. Clear core values and effective leadership are fundamental.

At year-end 2018, 107 people worked for Kungsleden on everything from property management and leasing to transaction and development projects. Decision-making is decentralised, which offers great potential for individual influence.

Being an attractive workplace is central for Kungsleden to achieve its business goals and realise its vision: to help create attractive and sustainable places that enrich people’s working day. It monitors its progress through employee satisfaction surveys, staff interviews and benchmarking against other real estate companies. Employer branding is important due to the intense competition for skills, and its brand is strengthened by internal human resources initiatives, university collaborations, sustainability work and communication of the company’s targets, vision and strategy.

Core values

Kungsleden’s three core values – professionalism, caring and joy – guide our people’s conduct towards each other and external parties. These core values make it easier to make the right decisions and prioritise in our day-to-day work. Conduct consistent with our core values is evaluated in scheduled yearly goal-setting and appraisal interviews.

Leadership

Clear leadership is a core factor for employee satisfaction. We verify our managers’ capability to lead consistently with our core values through an annual leadership conference and quarterly leadership forums. The 2018 leadership conference focused on the role of the leader in a changing world. Then, during the conference, we collectively defined a leadership proposition with three central key factors, to offer guidance and set a benchmark for all Kungsleden’s leadership:

- I demonstrate openness, trust my staff and have confidence in them.
- I support my staff, am present and available, help develop them and offer constructive feedback.
- I engage my staff and create positive energy based on our core values and vision.

Diversity and Gender equality

Kungsleden’s goal is that its people should reflect the diversity of wider society – and that everyone should have equal developmental opportunity. This is an important question in our society, and thus central within Kungsleden. Our work is regulated by a Working Environment Policy and also sets anti-discrimination guidelines. Our Equal Opportunity & Diversity Policy was updated in the year, with new information on how to avoid offensive special treatment.

Gender balance in the company is even overall, although diversity could improve in terms of gender balance in certain positions, and other aspects such as foreign backgrounds. Kungsleden is working towards greater diversity, and we want to reflect wider society.

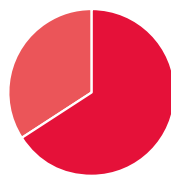
Kungsleden’s core values:
Professionalism
Caring
Joy

Gender balance



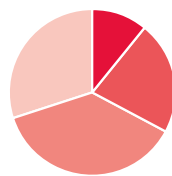
● Women, 52%
 ● Men, 48%

Gender balance, management



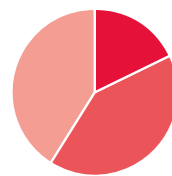
● Women, 66%
 ● Men, 34%

Age profile



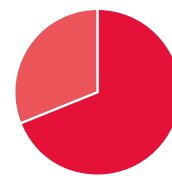
● age <30, 11%
 ● age 30-39, 22%
 ● age 40-49, 37%
 ● age >50, 30%

Length of service



● <1 year, 18%
 ● 1-3 years, 41%
 ● >4 years, 41%

Sickness absence



● Women, 69%
 ● Men, 31%

We require the employment agencies we appoint to utilise innovative search processes to capture more candidates and have inclusive advertising. Diversity is always incorporated into our employee search and selection process.

Overall, we are 52 per cent women and 48 per cent men. There are slightly more women than men in management, and in property management, there are slightly more men than women. In 2018, 9 per cent of Kungsleden's employees had foreign backgrounds, against the corresponding figure across Swedish society of 24 per cent.

Social commitments

To contribute to society while simultaneously improving diversity across the real estate sector, Kungsleden is partnering with youth charity Fryshuset. In 2018, we offered six young people summer placements through subcontractors within management in Gothenburg, in partnership with Fryshuset.

For three mornings in 2018, Fryshuset presented its "Barn till ensamamma mammor" project (children of single mums) to provide information and encourage engagement from our staff. A clothing donation event was then arranged with this organisation, where Kungsleden staff volunteered.

Kungsleden is participating in IVA's (the Swedish Academy of Engineering Sciences) Jobbsprånget a placement program for graduates who have recently immigrated. Preparations to offer placements to at least one technical manager through Jobbsprånget in 2019 are ongoing. Guidelines for LIA (learning at work) places from vocational institutes were prepared in 2018, and Kungsleden is in contact with several of these schools to create partnerships.

Kungsleden's professionals are highly committed, starting several initiatives in collaboration with tenants and suppliers. In this way, Kungsleden professionals participated in the collection of spectacles for donation to Bolivia with Synsam and Opticians without Borders, Christmas gifts for the Salvation Army's seasonal initiative for children, and gifts for children through the City Mission at Story Hotel in Malmö.

Kungsleden has also started working with Altitude Meetings, a tenant in STUDIO (Tyfonen 1, Malmö) to help talented young people become the leaders of tomorrow. This new programme – Altitude Academy – offers

free leadership training and networking for young people who want to change the world, but may need help in advancing their careers. Kungsleden is a sponsor of Altitude Academy and will also contribute to networking and exchanging experience in the programme.

Career development and succession planning

Kungsleden, and the market we operate in, are in rapid and extensive transformation, which sets challenging demands on our flexibility. Accordingly, we need to keep developing and enhancing employee skills. Succession planning and skills audits creates the right potential for this.

We formulated a structured succession planning process in the year, which starts in management. This process is designed to utilise employee potential and willingness to develop, and minimise the risk of skills short-

ages. We work on defining and clarifying career pathways within the company, and we expect our people to take active responsibility for their own career development through goal-setting and appraisal interviews.

We executed a performance review to map which staff are ready to take the next step in their careers. Our managers are responsible for evaluating their staff, and where necessary, they produce a development plan jointly.

Goal-setting and appraisal interviews are conducted twice yearly, where we set and follow up on individual goals.

Introducing new staff

Kungsleden has an established new staff introduction program including several days at head office where they meet representatives of central functions like finance, legal services and sustainability, as well as our CEO Biljana Pehrsson and other members of management.



**Christina Lindblom
"Culture Bearer of the Year"**

Each year, Kungsleden recognises an outstanding role model among its employees with a "Culture Bearer of the Year" award. In 2018, Property Management Unit Manager Christina Lind won the award after being nominated by colleagues with the following citation:

"Christina always has a smile on her face and spreads happiness to others. She's goal oriented and has a clear focus on delivering. She's decisive, while also taking an interest and showing warmth towards others. Christina also has confidence in her skills, and gets help when she needs it in a very professional manner."



Tina Lindh Sustainable Property Developer of the Year

Kungsleden's Property Developer Tina Lindh won the Swedish Green Building Councils' (SGBC) 2018 award for making a positive contribution to building and property management with the following citation

“With her commitment to physical and mental health, this year's winner has been a driving force in well-being in buildings. She was one of the people behind the first WELL certification in Sweden, and has continued to spread knowledge of well-being, sustainability and gender equality since then. Her commitment has resulted in more parties becoming aware of these vital issues and starting to build with well-being in mind”.

We also held follow-up interviews with new employees in the year, partly to capture how they are fitting in and are enjoying their work, and partly to utilise the opportunity to get new perspectives on Kungsleden.

Annual employee satisfaction survey

Kungsleden conducts an employee satisfaction survey each year. In 2018, 94 per cent of all employees participated, and our Employee Satisfaction Index (ESI) was 4.3 out of 5.0, an increase on 2017. We also measure job satisfaction, a composite of several different questions, which we view as a success factor for having committed people. The outcome was the same as 2017. The strengths of our organisation our employees highlighted were clarity about our goals and vision, while the challenges are largely associated with high workload, stress and the desire for more system support, as well as a clearer organisational structure.

The results are presented and discussed at departmental level, by manager and collectively company wide, so we can plan and execute action for 2019. The previous survey indicated potential for improvement in compliance with our core values. Accordingly, our core values was introduced as an agenda item in goal-setting and appraisal interviews in 2018.

This paid off, and the outcome of this year's survey improved.

To get a better overview of how our people are enjoying their work and feeling, we installed touchscreens at our five largest local offices so we could take a snapshot for feedback on how people are feeling and whether our efforts are having an effect. This work will continue, and be evaluated in 2019.

Health & safety

Our working environment should be safe, healthy and offer good potential for onward progress. We updated our Occupational Health & Safety Policy in the year, adding more information on the importance of preventing ill health, and that we should endeavour to become a workplace that is free from offensive special treatment.

The company nurtures its staff, encourages healthy lifestyles and offers private healthcare insurance for all employees who may want personal guidance, therapy, after-care and rehabilitation. In 2018, we decided to offer all employees a health-check as an active step towards preventing ill-health. Our annual employee satisfaction survey identified areas for potential improvement, which provide input to our management of health & safety.

The organisational and psycho-social working environment was the theme of Kungsleden's quarterly leadership forum several times in 2018. The focus was on preventative measures and leadership roles to provide better tools for managers to act on early signs of ill health.

Kungsleden encourages exercise and participation through discounts on health care and exercise initiatives such as running coaches, weekly walks and participation in charity runs like Spring för Livet and Stafesten for UNICEF.

Sickness absence was 3.3 per cent in 2018, a modest increase on 2017. No serious workplace incidents occurred in the year.

Health & safety issues are becoming more complex and prominent as we conduct more conversion and development projects. Kungsleden works proactively on safety through its internal processes and tools. Health & safety issues are central to minimising incidents and accidents. We have the vision of zero workplace accidents for anyone working, or on assignment, for Kungsleden.

New human resources strategy

We produced a new human resources strategy in the year which defines HR processes within the company. This strategy formulates the three phases of our employee journey: how Kungsleden should attract the right people, how we work on developing and retaining these people, and what should happen when someone leaves us. All three phases have strategic, operational and administrative perspectives.

Priority actions in 2019:

- Introduce our employee strategy through the organisation.
- Increase diversity in our organisation by offering placements for young people and those with non-Nordic backgrounds.
- Evaluate snapshots as a way to measure and deal with workload, increase ESI and job satisfaction.



Kungsleden's staff gather for a kick-off event at the beginning of every year, where they discuss the business plan, and set goals collectively. The event is guided by Kungsleden's core values of professionalism, caring and joy.

SUSTAINABILITY AT KUNGSLEDEN

Sustainability is an important part of Kungsleden's vision: creating attractive and sustainable places that enrich people's working day. Accordingly, sustainability is a self-evident and integrated component of our business, and we cooperate actively with customers and suppliers on sustainability issues. Having sustainability permeating the company also engenders people's pride, job satisfaction and loyalty. We develop and manage our properties and clusters in a way that is sustainable over time.





Our sustainability work is coordinated and led by a central Sustainability Manager, and this work is divided into five segments: environment, diversity, social responsibility, business ethics and health & safety. Kungsleden complies with the 10 Principles of the UN Global Compact, and reports its sustainability work pursuant to the GRI framework, which further sharpens the focus, transparency and potential for comparative follow-ups.

ENVIRONMENT

We should work actively to limit our usage of finite resources and reduce our adverse environmental impact so future generations enjoy the same opportunities as today's.

Environmental certification of properties

Environmental certification is a way to clarify each property's environmental performance and enable international comparisons of real estate, but is also a tool for structured improvement work.

There are several environmental certification alternatives, and Kungsleden has chosen one of the most widely accepted and ambitious international systems, LEED. The target is for our whole property portfolio to be certified according to LEED (Leadership in Energy and Environmental Design) before year-end 2025. Half of our portfolio should be LEED certified by 2020, and we're endeavouring to at least satisfy the Gold standard – the second highest – for all properties.

Green leases

Green leases gives us a collective platform for dialogue on sustainability work with the tenants in our properties. Green leases mean an undertaking to improve the environmental

performance of premises – actions in energy, indoor climate, material selection and waste sorting. In 2018, we signed 103 new green leases, which is slightly above target.

Helping realise a fossil-free Sweden

Kungsleden has affiliated with the government initiative for realising a fossil-free Sweden, and has set a target of reducing energy consumption by 20 per cent by 2020. Achieving this goal requires all participants contributing to reduced emissions. Emissions per sq.m in the property portfolio more than halved between 2012 and 2017. Kungsleden purchases certified hydroelectric power to further alleviate the climate impact of electricity consumption.

Positive material selection for good indoor environments

Building materials impact the environment and the people in properties. That's why the selection of materials is so important, and Kungsleden wants to ensure that the goods and materials used by our suppliers are environmental cautious. Kungsleden is a member of Swedish construction materials rating body BVB. Our purchasing and procurement policy stipulates that all materials used on projects with a value of over SEK 1 million must be assessed and accepted by BVB.

The life-cycle principle is important, and Kungsleden is working to incorporate life-cycle thinking into the project phase, pursuing issues like waste sorting, waste disposal and recycling.

DIVERSITY

Kungsleden should reflect the diversity of wider society, because we believe this presents the best business opportunities, both when encountering our clients and in developing our business.

We put a big emphasis on diversity, and have gender balance. However, there is work to do in terms of increasing the share of our employees with foreign backgrounds. In-depth workshops, internships and clearer partnerships with staffing agencies are planned to address these issues.

SOCIAL RESPONSIBILITY

Kungsleden is endeavouring to promote vibrant and safe cities. Our clustering strategy makes us a major property owner in locations, offering us the opportunity to influence the development of whole locations. We create vibrant environments that are natural meeting places, as well as accessible and inviting outdoor environments such as parks, jogging tracks, paths, outdoor gyms and viewpoints. We prioritise joining business and property owners' associations, maintaining contact with municipalities and participating in zoning plan surveys.

We have been collaborating with youth charity Fryshuset since 2010 as part of our objective of making an active contribution to a safer and more inclusive society. These include us participating in mentorships for young people and offering summer placements.

BUSINESS ETHICS

Kungsleden has high business ethics standards and a professional corporate culture with terms & conditions based on the market and that are transparent. Read more about business ethics in the next section.

HEALTH & SAFETY

We should provide a good working environment for our tenants and other contractors working in our properties, and for Kungsleden's employees, to reduce the risk of accidents and ill health. Safety issues are becoming more complex and important as we conduct more property development projects and conversions. Within property management, we produce guidelines that our employees and subcontractors comply with.

BUSINESS ETHICS

Kungsleden has high standards of business ethics, applies market and transparent terms & conditions, and a professional corporate culture. We distance ourselves from all forms of corruption and have zero tolerance of impropriety. Our customers and suppliers are involved in Kungsleden's ambition of maintaining very high ethical standards.

Core values and corporate culture

Kungsleden's core values of professionalism, caring and joy are critical to satisfying our high standards of business ethics. Our core values guide our professionals in their conduct. Kungsleden also has guidelines and policy documents that its staff need to comply with. Our Sustainability Policy and guidelines for business networking and subsidiary employment/activity and conflicts of interest are central to our work in business ethics, and we turn them into action through training, follow-ups and regular internal communication. Kungsleden conducted training programmes in business ethics and anticorruption for the Board of Directors management and all staff in 2018.

Two meetings focusing on our Code of Conduct and business ethics were also held with tenants in 2018.

Suppliers

Ensuring the absence of corruption and bribery, promoting good competition and ensuring good working conditions, are critical in our relationships with suppliers, and in procurement. Kungsleden's procurement policy regulates these efforts. Kungsleden is a major purchaser with a large supplier base. To ensure that the procurement of goods and services is on an ethical footing, Kungsleden applies a Code of Conduct for Suppliers that is appended to procurement contracts. All suppliers sign this document before their acceptance. Kungsleden ensures that its suppliers comply with the Code of Conduct by reserving the right to demand documentation and/or conduct audits. Non-compliance can result in termination of the supplier relationship.

Whistleblower system

Kungsleden takes breaches of its ethical guidelines, core values and Code of Conduct very seriously. A new whistleblower system available via Kungsleden's website was introduced in 2018. Employees, tenants, suppliers and other parties can report suspected serious non-



compliance anonymously via this system. Serious issues relating to occupational health & safety can also be reported. However, in the first instance, we encourage staff to speak to first-line managers if problems arise.

Business Ethics Council

Kungsleden has a Business Ethics Council that deals with business ethics incidents and the risk of undesirable conduct. The Council manages all cases arriving via the whistleblower system, and can also be approached directly with questions and viewpoints. The Board of Directors receives a quarterly report on the number of cases being processed via the whistleblower system.

No cases of corruption were discovered in the year. Kungsleden follows up on any suspected non-compliance with its core values.

Priority actions in 2019:

- Local in-house workshops to discuss the business ethics dilemma.
- Info meet-ups with supplies.
- Audit of tenders.

Kungsleden is creating something completely new in the B26 building (part of the property Mimer 5) in Västerås City. B26 is being transformed into a unique meeting place founded on the idea of bringing people with a shared interest in creativity and business under one roof.

B26 has 4,700 sq. m of leasable area, and lease contracts have been signed with Aros Congress Center, who will manage the development and operation of coworking spaces, and also with Almi, Atea and Sigholm Konsult. The leasing of other areas is ongoing. The preliminary estimate of the investment in B26 is SEK 130 million, and the project is scheduled for completion in 2019. B26 will be LEED certified at the standard - gold.



B26 – A unique concept in Västerås City





“We’ve grown because of our partnership with Kungsleden”

Entrepreneur Stefan Salomonsson's relationship with Kungsleden has enabled him to expand. He relocated his printshop Salomonssons grafiska into the property Högsbo 13:6 in 2016. Two years later, he's also operating a restaurant, banqueting and conference facility, as well as an office hotel with total area of 1,400 sq. m in the property.

“Since going self-employed, I've probably had 15 landlords over the years, and Kungsleden is the first one that's been willing to collaborate and realise ideas jointly with tenants,” comments Stefan.

Stefan was able to expand his business because Kungsleden had premises available in the property and wanted to develop the surroundings. A range of options were discussed with Kungsleden's Leasing Manager Kicki Grönlund.

“The restaurant was actually Kicki's idea and I didn't like it at first, but my son Jakob, who's a trained chef, wanted in straight away, and made contact with Jerker Andersson who runs country house restaurant and hotel Tjolöholms slott. He also joined us, and that's the way we did it.”

FINANCING

Kungsleden's financial strategy aims to maintain a well-balanced risk-taking profile for the long term, and ready access to external financing at reasonable funding costs. Kungsleden also endeavours to maintain a low share of short-term borrowing, and at any time, have contingency to make payments including debt maturities for the coming 12 months. This offers the financial potential for long-term management and development of commercial properties confirming to its business strategy.

Kungsleden runs a capital-intensive operation, and access to capital is a prerequisite for being able to manage a successful real estate business. Equity is the funds shareholders invest in the company, while borrowed or external capital usually consists of bank loans or bonds issued in the capital markets. The division between equity and borrowed capital constitutes the company's capital structure. Capital structure affects shareholders' expected returns and exposure to risk.

To ensure a suitable and appropriate risk level for the designated business strategy, the Board of Directors formulates a Finance Policy containing guidelines and restrictions for conducting finance operations. Financial risks are monitored and reported quarterly. The financial strategy is designed to:

- Ensure short and long-term access to capital
- Endeavour to achieve and retain a long-term stable capital structure
- Achieve the best possible net financial items within given risk exposure limits

Kungsleden's guideline is for a minimum equity/assets ratio of 35 per cent over time and that its LTV ratio should not exceed 50 per cent for the long term. Since year-end, equity has increased from SEK 14,192 million to SEK 15,767 million, mainly relating to profit from property management of SEK 1,124 million, and total unrealised changes in value of SEK 1,545 million. The equity/assets ratio was 44.5 per cent (45.0).

Since 2012, Kungsleden's LTV ratio has reduced from 70 per cent to below 50 per cent and the average capital term has significantly extended. Meanwhile, the average financing cost has been reduced by the renegotiation of loans to better terms and restructuring of the swap portfolio to lower current market interest rates, contributing to improved and more stable solvency. The interest coverage ratio, i.e.

profit from property management excluding financial expenses, was 4.1 times the financial expenses for the period. The company continuously evaluates the interest rate sensitivity of its borrowing by conducting stress tests. Their outcome demonstrates that the company has good resistance to higher underlying interest rates. Even in a high interest rate scenario where the interest on all maturities momentarily rose by 100 basis points over and above the interest rate priced into the market, the interest coverage ratio for the coming 12 months would exceed three times financial costs. According to Kungsleden's Finance Policy, the minimum interest coverage ratio is a multiple of 2.5.

Greater diversification and public rating

When Kungsleden was rated Ba1 with positive outlook by ratings institute Moody's in autumn 2017, this was evidence that the company now has good-quality real estate assets and a strong financial position. Since receiving this credit rating, Kungsleden has successfully increased the share of unsecured borrowing in the capital markets through its MTN programme. This is enabling further diversification of the company's financing. Moody's reiterated its rating and positive outlook for Kungsleden in the third quarter. The rating may rise to investment grade, or Baa3, providing that the LTV ratio remains below 50 per cent for the long term, and that the share of unencumbered assets exceeds 30 per cent of total property portfolio value. At the end of the period, the LTV ratio was 47 per cent, and the share of unencumbered properties was 30 per cent. At the end of the period, Kungsleden has SEK 6.1 billion of outstanding bonds, of which SEK 5.6 billion within its SEK 8 billion MTN programme. In addition, it has a SEK 2 billion commercial paper programme, of which SEK 450 million was outstanding.

Since its credit rating was assigned, Kungsleden has been able to utilise better funding terms in the capital markets and banking system, contributing to its average interest rate continuing to decrease while average capital term has extended. An investment grade rating would further improve Kungsleden's potential to borrow larger amounts at good interest rates.

Green financing

Kungsleden issued a total of SEK 2.7 billion of green bonds in the year, pursuant to the terms & conditions of the green bond framework. The proceeds from green bonds are used to fund sustainable assets and investments that result in a reduced environmental impact. According to LEED or BREEAM, properties within the green bond framework must satisfy the Gold or Very Good standards respectively, and at least 70 per cent of available points should be achieved in the energy category. Within the Miljöbyggnad (environmental building) certification standard, at least Silver or EU Green building standards should be achieved. Kungsleden's green facility is reported at its website: www.kungsleden.se/investerare/finansiering/kapitalmarknadsprodukter/

Investor interest in green bonds has increased sharply, and issuing green bonds is a natural step in Kungsleden's sustainability work (more on our sustainability work on pages 44–45). In the fourth quarter, Kungsleden signed a SEK 0.9 billion green bank loan, secured with direct collateral in an LEED Gold-certified property. The ambition is that all green assets will be financed with green loans. Apart from the sustainability aspect, green financing usually presents better interest rate terms than traditional borrowing. Green loans represent about 21 per cent of Kungsleden's total loan portfolio.

Borrowing and liquidity management

Kungsleden’s loan portfolio consists of secured bank loans, secured loans from life insurance companies and secured mortgage loans, unsecured bonds and commercial papers. The loan portfolio has become more diversified in recent years. A stronger financial position and a public rating from Moody’s has enabled increased borrowing on the capital markets through the issuance of unsecured bonds.

At year-end, the loan portfolio was SEK 16,882 million (15,153), of which 40 per cent was bank loans and 21 per cent was secured loans from life insurance companies and mortgage institutions. Unsecured borrowing from the capital markets was 39 per cent, of which commercial paper represented 3 percentage points. Kungsleden has SEK 1.9 billion of credit facilities from banks as backup for the commercial paper issued from time to time. Direct lending from life insurance companies and loans via mortgage institutions help broaden loan finance, diversify counterparty exposure and significantly extend the average maturity of interest-bearing liabilities on competitive terms.

In the fourth quarter of the year, Kungsleden agreed the extension of a SEK 3.2 billion secured bank loan with short remaining maturity. This

refinancing helped extend the average capital term by 0.9 years to 5.6 years (4.7), simultaneous with reducing financing costs further to 1.8 per cent (2.4). These new loans were settled in January 2019.

Kungsleden endeavours to achieve a diversified maturity structure of interest-bearing liabilities to limit its refinancing risk. The current maturity structure means that the share of liabilities maturing during any single year does not exceed 20 per cent of total borrowing. Kungsleden is also working to maintain a low share of short-term borrowing, and at any time, to have contingency to make payments including debt maturities for the coming 12 months.

Collateral in properties is provided as security for loans from banks, life companies and mortgage institutions, either directly or through promissory notes, share pledges and parent company guarantees. Some loan agreements also include covenants regarding change of control, interest coverage ratio, LTV ratio and equity/assets ratio – all of which were satisfied with a good margin as of 31 December 2018.

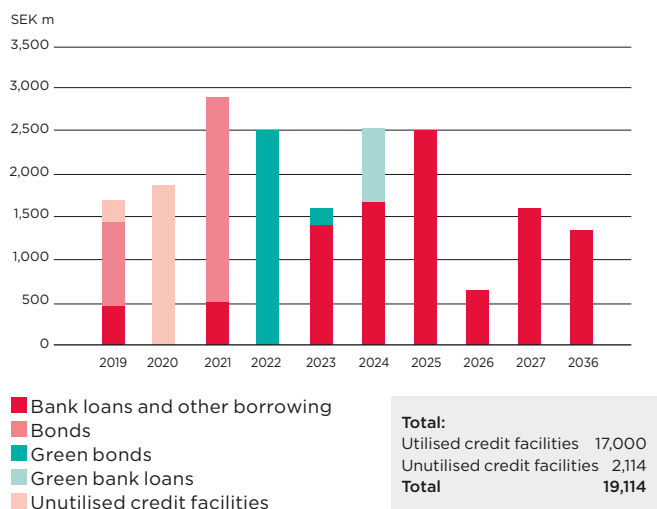
Interest duration rate strategy

On short-term maturities, market interest rates are primarily affected by Riksbank monetary policy, while on longer maturities, inter-

est rates are determined by expectations of future economic progress and inflation. Fluctuations in market interest rates can exert an impact on earnings and cash flow. Accordingly, financing with short fixed interest rate terms implies uncertainty regarding future financing costs. The fixed interest term of most loans is short term (variable), and Kungsleden manages interest risk at an overall group level. The desired level of hedging against rising interest rates is mainly achieved by using derivative instruments in the form of interest rate swaps. Kungsleden works actively on adapting the Group’s interest rate duration profile in accordance with its business plan, and within the framework of the Group’s Financial Policy.

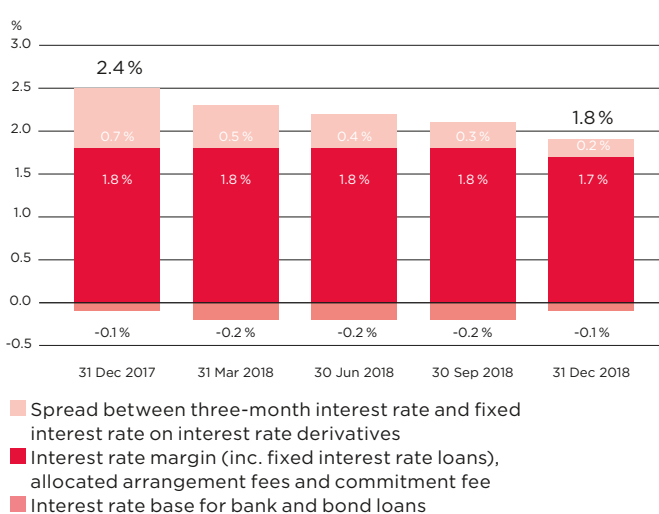
The majority of the swap portfolio was adapted to current market interest rates in the year by closing out swaps with a total nominal amount of SEK 9,220 million on three occasions, for a redemption amount of SEK 214 million. Interest fixings at current market interest rates were arranged simultaneously, contributing to extending the average fixed interest period of borrowing to 2.7 years (2.4) while the average interest rate decreased. The realisation of under-value in swaps redeemed means that full deductibility of the redemption amount is possible in the current year, and accordingly, before

Maturity structure, credit facilities¹



¹ After signed financing, settled in January 2019.

Average interest rate per quarter¹



the rules limiting interest rate deductibility come into effect. At year-end, the nominal amount of the swap portfolio was SEK 7,450 million, of which SEK 3,000 million were forward-starting swaps, starting January 2020. SEK 2,230 million of loans with a fixed interest base were also arranged, which means that 57 per cent of interest-bearing liabilities have longer fixed interest periods than 12 months.

Valuation of interest rate derivatives

The change in market value of the swap portfolio is recognised as an unrealised change in value of financial instruments pursuant to IFRS 9. Unrealised changes in value affect net profit but not cash flow or profit from property management. The current market value of interest rate derivatives is reconciled regularly with the counterparty and verified against a theoretical valuation based on current market interest rates. The value of all derivatives amounted to SEK -30 million (-171) at year-end. This whole amount has been expensed and reported as a liability in the consolidated accounts. The value of derivatives is affected by the current market interest rate in relation to the agreed swap rate for the remaining term. If longer interest rates alter in relation to the level when the derivative contract was entered,

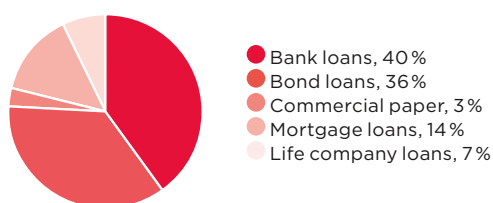
the value of the derivative changes. The market value of the swap is computed by calculating the present value of future interest flows on the swap at the current market interest rate. However, the swap's value is always zero at maturity. Changes in value on financial instruments in the year were negative, and amounted to SEK 73 million as a consequence of interest rates on longer maturities decreasing.

Cash flow and net debt

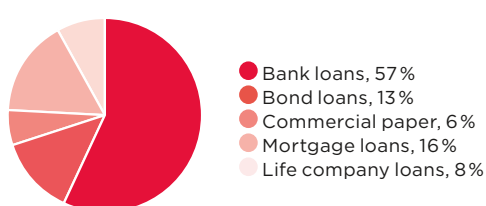
Operating cash flow after changes in working capital was SEK 1,127 million in the period. Purchase price of SEK 1,836 million was paid on accessing the office properties Gladan 5, 6 and 7 in Kungsholmen, Stockholm, and part of the Tändstickan district of Gothenburg in the first quarter, and on accessing the concept property STUDIO in the second quarter. A purchase price of SEK 19 million was received for the sale of the property Skiftinge 1:3 in the first quarter, and a total purchase price of SEK 633 million on vacation of the properties Rausgård 22 and Lövkojan 10 in the second quarter. Purchase price of SEK 201 million was received on the vacancy day of Stenvreten 4:1 in the third quarter. A purchase price of SEK 150 million for the sale of part of Aspgårdan 18 in Umeå was received

in the fourth quarter. SEK 1,300 million was invested in existing properties and projects in the year. Interest rate swaps were terminated by making a payment corresponding to current market values, a total of SEK 214 million in the period. A promissory note was also repaid. A dividend of SEK 360 million was paid to shareholders, which is three-quarters of the dividend resolved for the financial year 2017. Borrowings in the year meant that interest-bearing liabilities increased by SEK 1,728 million gross. As cash and bank balances increased by SEK 158 million, net debt increased by SEK 1,570 million. Despite the increase in net debt, the LTV ratio decreased from 47.9 per cent at the beginning of the year to 47.3 per cent due to unrealised value increases in the property portfolio.

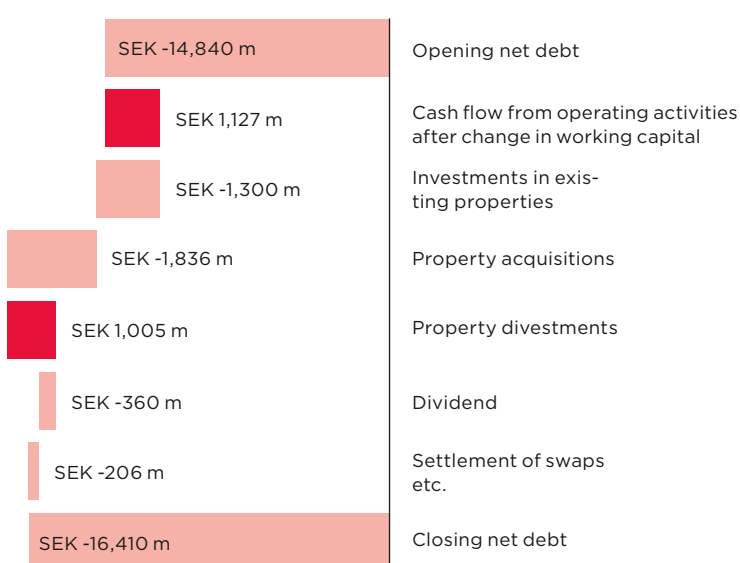
Loan portfolio, 31 Dec. 2018



Loan portfolio, 31 Dec. 2017



Change in net debt, January–December 2018



RISKS AND RISK MANAGEMENT

Kungsleden's operations are mainly oriented on owning, managing and developing offices and other commercial premises, focusing on offices in Stockholm, as well as Sweden's other growth regions. We operate on the Swedish market exclusively, and accordingly, are influenced by how the Swedish economy progresses. The Board of Directors bears overall responsibility for risk management, while operating activities are delegated to the CEO and management.

Kungsleden is continuously exposed to various risks that may be significant to the company's future operations, results of operations and financial position. We work actively to identify and manage the risks and opportunities that are material to our operations.

RISK	DESCRIPTION	MANAGEMENT
Business environment risks		
Macroeconomic risk	A weak economy negatively impacts the demand for premises, which results in increased vacancies, decreasing market rents and no indexation on existing lease contracts. Additionally, the risk of tenants' payment problems increases, which has a negative impact on cash flow.	This type of risk and its management is continuously assessed by management and the Board of Directors, and through regular analysis of our market and business environment. Strategic actions to reduce the company's exposure are determined each year.
Crisis management	For Kungsleden, a crisis is an unexpected event that threatens to damage our operations or brand seriously, and that our regular organisational resources are unable to manage.	Kungsleden has a crisis management plan to deal with this type of extreme event. This type of risk is managed at an overall level in several ways, including a succession plan for senior executives and full value insurance for real estate.
Risks related to property development		
Rental revenues	Kungsleden's rental revenues are affected by economic progress on those markets where we operate, and how well we succeed in developing the locations where our properties are located. Economic growth probably causes increased demand for premises, which usually results in higher market rents. Presumably, negative economic progress has the opposite effect.	Mainly, Kungsleden holds properties on growth markets, a contract portfolio with a large number of contracts and diversified maturity structure. We endeavour to maintain a contract portfolio with fairly long contract maturities. The average contract duration across the whole portfolio is 3.7 years. Our experienced and skilled management and lettings staff work actively on the re-negotiation-process before contract expiry.
Property costs	The risks on the cost side relates mainly to cost increases over and above what Kungsleden is able to offset through contracted rents, indexation and re-invoicing supplements. These risks also include unforeseen risks and any need for extensive refurbishment. A high share of this cost relates to energy consumption through heating, cooling and electrical power.	A portion of property costs are re-invoiced to the tenant through adjustments of lease contracts, and accordingly, cost increases or savings have a limited impact on our earnings. Any vacancies impact property costs by us being unable to re-invoice certain costs. Kungsleden appointed a central Technical Manager in 2018 to work proactively on the technical condition of its property portfolio, and thus reduce the risk of unforeseen costs. We work on rationalising energy consumption on a target-oriented basis. This includes us setting a target for reducing energy consumption by 3 per cent annually in 2014–2020.

RISK	DESCRIPTION	MANAGEMENT
Risks related to property development, cont.		
Project development	<p>Project development is value creating but may also be associated with risk. This includes increased credit risk on large, tailored projects resulting from tenants being unable to fulfil their rent obligations, and Kungsleden being unable to find other tenants for the relevant premises.</p> <p>There is also a risk of a reduced return on projects if major construction and refurbishment work is delayed and/or becomes more costly than forecast.</p> <p>Additionally, there is a risk of reduced revenues due to delays that mean tenants are unable to utilise premises at the expected time.</p> <p>Moreover, Kungsleden is dependent on receiving the necessary permits from regulatory authorities so that it can execute projects.</p>	<p>Risks related to project development are managed through channels including project execution not commencing until 50 per cent of areas are leased. In recent years, Kungsleden has accumulated highly skilled and experienced organisational resources in project development. Additionally, Kungsleden has rigorous and quality-assured property development processes and procedures.</p> <p>Each project includes an initial risk analysis, which is followed up during the project life-cycle. Total cost estimates are conducted at least quarterly on all major projects, and measures taken if these forecasts indicate delays or cost increases.</p>
Property values	<p>Kungsleden accounts its properties at fair value, i.e. market value, which has a direct impact on results of operations and financial position. The value of properties is impacted by several factors such as exogenous factors that affect supply and demand such as the business cycle, interest rate level, financing and required yield. The structure of contracts and customer base, as well as Kungsleden's capability to manage, improve and develop its properties also impact value.</p>	<p>To manage the risk of negative value changes, Kungsleden works actively on diversifying risk between categories of premises and tenant, geography and contract size. Our average contract duration is 4.7 years for our 10 largest tenants, and 3.7 years for all tenants, which means that variations in market rents do not have an immediate impact on rental revenues. Kungsleden's target is to have balanced portfolio risk with a limited impact of exogenous factors, and we value our whole property portfolio internally each quarter. Our valuations are based on an analysis of cash flow, which includes assessments of a property's future earnings capacity and market required yield. This internal valuation is the foundation of reported property values. Internal valuations are conducted by staff with extensive valuation experience. We conduct annual external valuations of our whole portfolio each year to quality-assure and verify our internal valuations. The sensitivity analysis regarding property values and loan-to-value ratio is shown in the table below.</p>
Sustainability risks		
Pollution and climate impact	<p>The risk of land contamination that entails remediation costs, mainly relating to development, when property usage alters. In addition, extreme weather events and climate change may result in a risk of damage to properties.</p>	<p>Kungsleden has categorised all its properties according to their risk of soil contamination, and takes proactive measures. On acquisition, Kungsleden determines the risk of soil contamination, environmentally hazardous construction materials and climate risks. Risks associated with climate impact are managed through proactive measures in preventative maintenance.</p>
Business ethics/ corruption	<p>The risk of impropriety against Kungsleden by employed staff or contractors that could damage the company's finances, brand and employees' well-being and trust.</p>	<p>Internally, Kungsleden's work is governed by stable regulatory structures consisting of policies and guidelines. We operate and communicate on the basis of collective core values based on professionalism, caring and joy. Kungsleden's leadership pledge complements our core values with the conduct that we expect from our leaders.</p> <p>Externally, our work is regulated by a Code of Conduct for suppliers. Additionally, Kungsleden works actively internally and externally on information associated with its work in business ethics. Kungsleden has an internal Ethical Council that deals with any incidents.</p>

Sensitivity analysis, property valuation and loan-to-value ratio

Value parameter	Assumption	Value impact, SEK m	Impact on LTV ratio
Rental value	+/- 1%	+526/-526	-0.7%/+0.7%
Operating cost	+/- 1%	-124/+124	+0.2%/-0.2%
Required yield	+/-0.1 percentage points	-529/+549	+0.7%/-0.7%
Economic occupancy rate	+/- 1%	+526/-526	-0.7%/+0.7%

The sensitivity analysis illustrates how a change in a selected value parameter impacts property value and LTV ratio.

RISK	DESCRIPTION	MANAGEMENT
Sustainability risks, cont.		
Social conditions and human rights	Kungsleden has a large supplier base, and its major projects involve multiple participants. Because it is difficult to overview supply chains, there is a risk of activities conflicting with Kungsleden's values.	Kungsleden applies a clear Code of Conduct for suppliers and its suppliers are informed about the importance of conduct compliant with Kungsleden's core values.
Organisational risk	Employees are one of our key assets. The major risk is that we are unable to hire, develop and retain staff and managers with appropriate competence.	Kungsleden operates and communicates on the basis of collective core values: professionalism, caring and joy. These define how Kungsleden as a company, and our individuals, want to be dealt with, and how we deal with people in our day-to-day work. Kungsleden's leadership pledge complements our core values with the conduct that we expect from our leaders, and what we believe is necessary for us to achieve our long-term goal of being the most attractive and sustainable workplace in the property sector. Organisational risk is managed through channels including succession planning for senior executives.
Financial risks		
Financing	The risk that borrowing cannot be arranged or can only be arranged on unfavourable terms. Kungsleden's business model is based on real estate assets being funded with equity and external borrowings to generate healthy returns on investor capital. Accordingly, access to external capital is a critical factor to enable successful real estate operations.	Kungsleden shall maintain financing risk at an acceptable and controlled level by operating with an LTV ratio of not more than 50 per cent for the long term. Kungsleden also utilises a variety of reputable lenders such as banks and lenders in the capital markets, and thus achieves well-diversified borrowing. Significant maturity concentrations are countered by diversifying the maturities of agreed loans and limiting the share of maturities over the coming 12 months so that they do not exceed 30 per cent of total loan volume. Kungsleden limits counterparty exposure so that individual lender commitments do not exceed 30 per cent of total loan volume.
Interest	On short maturities, market interest rates are primarily impacted by the monetary policy of Sweden's national bank, while for longer maturities, interest rates are determined by expectations of future economic progress and inflation, nationally and internationally. Changes in market interest rates can have an impact on earnings and cash flow. Accordingly, finance with short fixed interest periods implies an uncertainty regarding future financing costs. Because swaps entered are subject to continuous market valuation pursuant to IFRS, there is a risk that negative unrealised value changes on financial instruments will occur if market interest rates on longer maturities fall after the hedging contract has been entered. Accordingly, negative unrealised value changes on financial instruments can affect the Group's results of operations and financial position.	Interest risk is managed at an overarching group level. Kungsleden's finance policy stipulates a framework for its interest rate duration strategy determined by the Board of Directors, which is expressed in maturity intervals and variance intervals. Balancing short and long fixed interest periods is conducted on the basis of the state of the market, the Group's ability to cope with negative scenarios, and the current view of risk. Each year, the Board of Directors sets intervals for the share of loan interest rates that should be fixed within different maturity intervals. The desired risk interval is achieved utilising interest rate swaps or interest rate caps. All financial instruments utilised should be liquid, and the Treasury function should possess a high level of knowledge about the function, risk and pricing of each instrument.

RISK	DESCRIPTION	MANAGEMENT
Financial risk, cont.		
Liquidity	Liquidity risk is defined as the risk of not having access to cash and cash equivalents or credit facilities to satisfy payment obligations. Cash and cash equivalents means cash at hand and available credit commitments.	At any time, Kungsleden should maintain contingency to make at least three months' known payments including interest payments and loan roll-overs. Contingency also means agreements on overall terms & conditions for financing are in place. The Board of Directors is entitled to decide on temporary increases to liquidity, e.g. given increased contingency for major transactions. Kungsleden has overdraft facilities to enable flexible cash management.
Credit	Credit risk is defined as the risk that a counterparty is unable to fulfil all or part of its obligations. Credit risk is present in derivative contracts, when issuing vendor notes and investing surplus liquidity. Credit risk also means the risk that the counterparty does not pay its rent or sales proceeds.	Derivative transactions may only be entered with counterparties that have high credit ratings. At present, Kungsleden has entered derivative contracts with the Nordic region's five major banks. Collateral is usually secured for significant long-term receivables to reduce credit risk. A financial analysis of tenant solvency and credit checks are conducted on signing lease contracts. Historically, rent losses have been very low.
IT risks		
Virus attacks	The risk that files are encrypted and systems stop working.	Through its system administration partner, Kungsleden possesses secure protection against viruses and spam, which is updated continuously. There are procedures for our external system administration partner to counter attacks at an early stage, and for restores post-incident.
System outage	The risk of the complete IT environment or parts of it becoming unavailable.	This risk is managed by maintaining a close collaboration with our system administration partner (Visolit) who in collaboration with us, ensures that Kungsleden maintains an updated technology platform and the necessary backups, as well as restoration plans for any major system outage.
Data breaches	The risk of unauthorised access to the company's data.	Kungsleden conducts regular penetration tests through our external system administration partner. We also use two factor authentication to minimise the risk of data breaches.
Fraud	The risk of fraudsters contacting Kungsleden with the aim of securing payment.	Kungsleden maintains clear procedures and processes for executing payments. We conduct continuous training and keep staff informed to maintain a high level of risk awareness for all employees.
Tax		
Changes to tax regulations	Alterations to the regulatory structure that determines corporation and property tax may affect Kungsleden's potential for its operations positively or negatively. For example, altered regulation on the sale of real estate and companies that own real estate.	Tax risks are mainly managed through proactive work relating to new developments in the tax segment. We maintain continuous communication with the Board of Directors and Audit Committee on tax risks and their management, and analyse complex tax issues with the help of external consultants. We also limit property tax risk by much of this tax being reinvoiced to tenants.



Chair of the Board Charlotte Axelsson

Charlotte, you became the Chair of the company at the AGM in April 2018. How has your first year been?

It's been really good, thanks. Our previous Chair Göran Larsson laid a stable and secure foundation for the company's and the Board's work in recent years, which we can now build on. Our new Directors have also joined us, and are good complements to current members, bringing new perspectives.

What Board discussions were most important in the year?

The company is developing all the time, so the Board maintains continuous discussion on its direction and strategy. In the year, we monitored progress of the company's project portfolio, discussing strategic risks, business plans and portfolio strategy especially.

What are the Board's biggest challenges in its work going forward?

Obviously, the company's business environment is changing rapidly, and one of the Board's biggest challenges is to keep up, and lead strategy work in the company on a market in continuous change. We're noting how sustainability issues are becoming more important, the whole real estate sector is evolving towards a sharper customer and service focus. That's why it's crucial for the Board to ensure that the company maintains full customer focus all the time, because clearly, customers generate our revenues. We must ensure that the company's offering and business proposition remain relevant to customers, and continuously develop the company's business in partnership with management.

CORPORATE GOVERNANCE REPORT

Corporate governance is an important instrument in the work of building sustainable value for shareholders.

With a clear and transparent framework for the segregation of duties, reporting and monitoring, Kungsleden can focus on the critical issues, and thus limit the risks in its operations. As a listed company, Kungsleden conducts corporate governance that satisfies the stipulations of the Swedish Companies Act, the Swedish Annual Accounts Act, the Swedish Code of Corporate Governance (the Code) and Nasdaq Stockholm's Rulebook for Issuers. The company applies the principles of corporate governance adopted by the AGM, as stated in the Articles of Association and the Instructions for the Nomination Committee. These documents are available at Kungsleden's website. Additionally, Kungsleden applies a number of corporate governance instructions that the Board has adopted, including Rules of Procedure for the Board of Directors, Instructions for the CEO, Instruction for Accounting Reports to the Board of Directors, Instructions for the Board's Committees, the Code of Conduct, Finance and Corporate Communication Policies.

APPLICATION OF THE CODE

The Code is to be applied by all Swedish companies whose shares are listed for trading on a regulated marketplace. Pursuant to the Code's "comply or explain" principle, Kungsleden reports on potential non-

compliance with the Code, explaining such non-compliance in its annual Corporate Governance Report. In the financial year 2018, Kungsleden did not depart from any of the Code's stipulations.

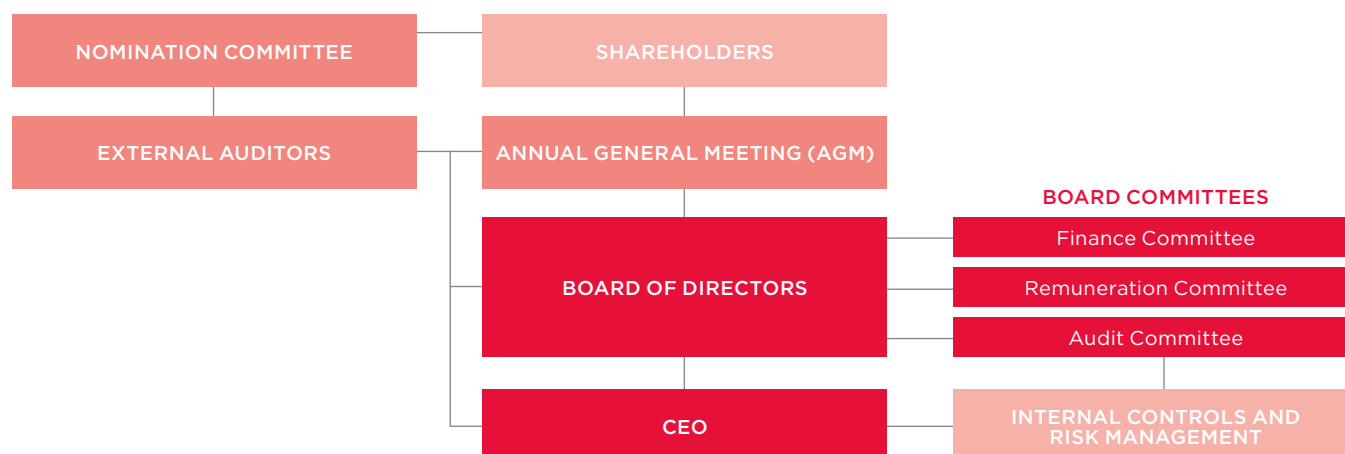
ANNUAL GENERAL MEETING (AGM)

The AGM deals with the issues ensuing from Kungsleden's Articles of Association and the Swedish Companies Act. Invitations to AGMs are as stated in Kungsleden's Articles of Association. The Meeting resolves in accordance with the stipulations on majorities stated in the Swedish Companies Act. One Kungsleden shareholder, Gösta Welandson and companies, holds shares that directly or indirectly represent at least one-tenth of the votes of all the shares of the company. As of 31 December 2018, Gösta Welandson and companies held 14.5 per cent of the company's shares and votes.

The AGM for the financial year 2017 was held on 26 April 2018. The Meeting resolved on the distribution of profits, and that the disbursement of profits would be quarterly, with the aim of achieving a more even capital structure, with distribution of profits following quarterly rent deposits. The meeting also resolved on issues including election of the Board of Directors, election of Ernst & Young AB as auditor, remuneration of the Board of Directors and auditor, guidelines for remuneration of senior executives, and election of the Nomination Committee. The Meeting also

authorised the Board to decide on the repurchase and transfer of treasury shares. The Board did not exercise this authorisation. The Chair of the Board and the company's CEO reported on operations, the work of the Board of Directors and management, and events in 2017. The minutes from the AGM are available at Kungsleden's website.

The AGM for the financial year 2018 will be held on Friday 26 April 2019 at the company's head office at Warfvinges väg 31, Stockholm, Sweden. More detail on this year's AGM is in the final section of this Annual Report, and at Kungsleden's website. Kungsleden's website also states when a request from a shareholder to have a matter considered at the Meeting should be received in order for it to be included in the invitation to the AGM. An invitation to the AGM will be available in English. Considering Kungsleden's ownership, and in terms of financial justifiability, the Board of Directors' opinion is that other documentation for the Meeting will be in Swedish only. For the same reason, remote participation or simultaneous interpretation of the proceedings of the Meeting will not be possible. After the Meeting has been held, a video recording of the CEO's address and minutes from the meeting will be available at Kungsleden's website. Read more about Kungsleden's AGM at www.kungsleden.se/bolagsstammor.



NOMINATION COMMITTEE

The Nomination Committee makes proposals on the election of the Board of Directors and its Chair, fees and other compensation to Directors, and election of a Chair of the AGM. The Nomination Committee also makes proposals on the election of auditors and audit fees. In its work, the Nomination Committee should protect the interests of all shareholders. The Nomination Committee complies with the Code's stipulations on the composition of the Board, and as its diversity policy, applies rule 4.1 of the Code on the preparation of proposals for the election of Board members. Instructions for the Nomination Committee are available at the company's website. The members of the Nomination Committee are elected at the AGM for the period until the end of the following AGM. The Nomination Committee should have a minimum of three and a maximum of five members. Three of the membership represent shareholders that are among the largest in terms of the vote as of 31 January, and that also wish to participate in the work of the Nomination Committee, as well as the Chair of the Board. If there are significant changes to ownership, the composition of the Nomination Committee may alter to reflect this. At least one of the members should be independent of the company's shareholders in the manner stated in the Code. The Nomination Committee's composition is published as soon as a Nomination Committee has been appointed.

Göran Larsson (nominated by Gösta Welandson and companies), Eva Gottfridsdotter-Nilsson (nominated by Länsförsäkringar Fondförvaltning), Michael Green (nominated by Handelsbanken Fonder) and Charlotte Axelsson in her capacity as Chair of the Board, were elected as members of the Nomination Committee by the AGM 2018.

Due to Länsförsäkringar Fondförvaltnings's shareholding reducing after the AGM, Eva Gottfridsdotter-Nilsson left the Committee. Accordingly, at its meeting following election in June 2018, the Nomination Committee decided to offer the Second Swedish National Pension (AP) Fund a seat on the Nomination Committee in accordance with the instructions for the Nomination Committee, to firstly reflect its ownership of the company, and secondly maintain continuity. Göran Larsson was appointed Chair of the Nomination Committee.

Composition of the Nomination Committee in March 2019:

- Göran Larsson, nominated by Gösta Welandson and companies, Chair
- Michael Green, nominated by Handelsbanken Fonder
- Martin Jonasson, nominated by the Second Swedish National Pension (AP) Fund
- Charlotte Axelsson, Chair of the Board of Kungsliden

Shareholders that wish to make proposals to the Nomination Committee can do so by sending an email or letter to the Committee. The Nomination Committee's proposals and reasoned statements are published on the company's website by no later than the date of issuance of the invitation to the AGM. For more information on the Nomination Committee, please go to: www.kungsliden.se/om-kungsliden/bolagsstyrning/valberedning/

BOARD OF DIRECTORS

The Board of Directors has been assembled to support management in Kungsliden's development actively and effectively. The Board should also monitor and control operations. Skills and experience from the real estate sector, finance, business development and capital market issues are critical to the Board of Directors. The Articles of Association stipulate that the Board should consist of a minimum of three and a maximum of eight members, with a maximum of two deputies. Board members and potential deputies are appointed at the AGM for the period until the end of the following AGM. The AGM 2018 re-elected Charlotte Axelsson, Ingalill Berglund, Liselotte Hjorth and Charlotta Wikström. Jonas Bjuggren and Ulf Nilsson Ingalill Berglund were elected as Directors. No deputies were elected. The AGM elected Charlotte Axelsson as Chair. Pursuant to the Code's definition, all members of the Board are considered independent of the company and management, and of the company's major shareholders.

Board of Directors' responsibilities

The Board is responsible for the company complying with the Swedish Companies Act, the rules for listed companies, including the Code, other ordinances and laws, the Articles of Association and internal control instruments. The Board decides on strategies and goals,

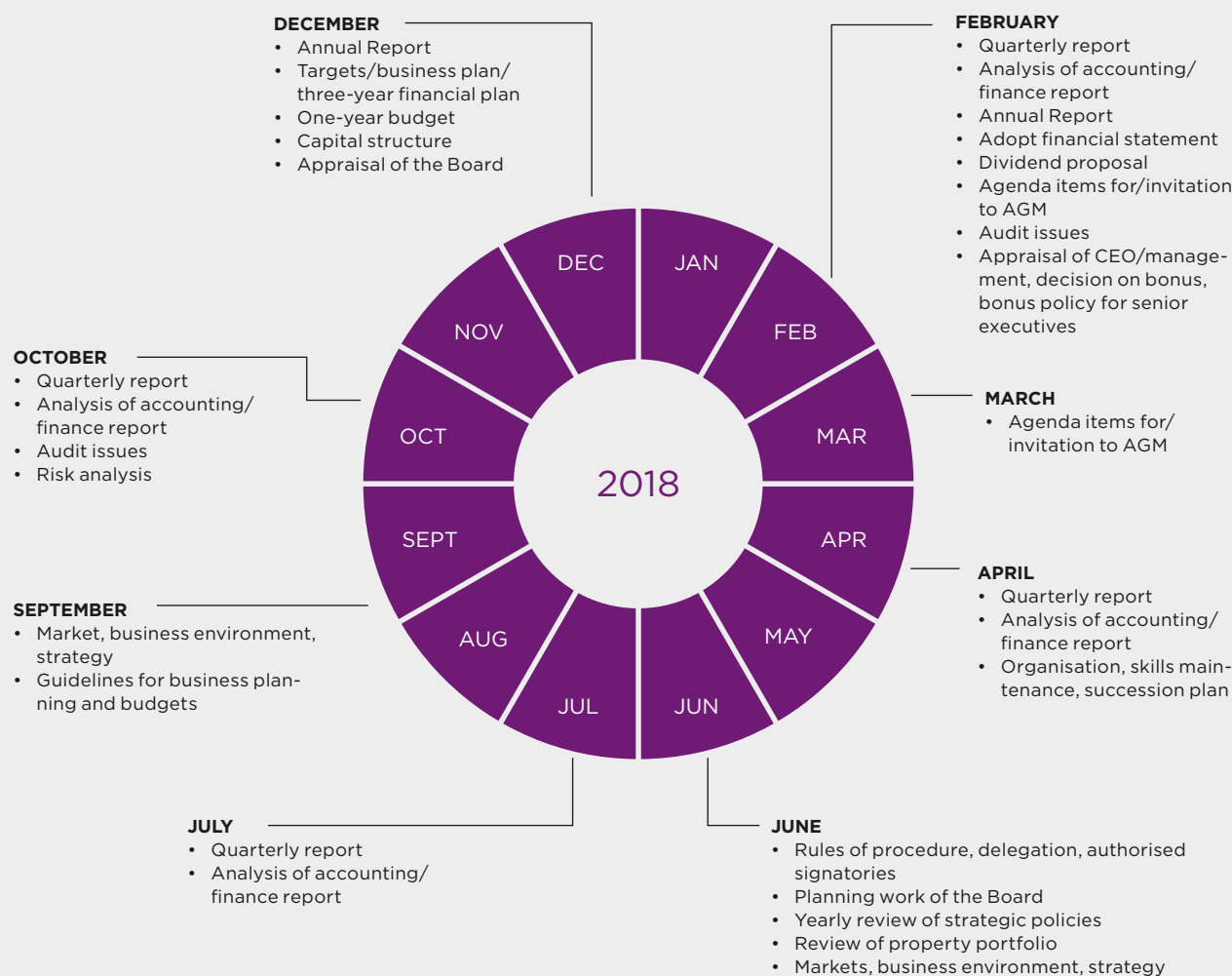
internal control instruments, major property acquisitions and divestments, other major investments, and financing. The Board of Directors is responsible for regular monitoring of operations, and ensuring that guidelines, organisation and management are expedient, that sustainability issues are considered, and that internal controls are satisfactory. The Board is also responsible for evaluating the executive management and planning for leadership succession. The Board works to ensure high and consistent quality of financial reporting, through channels including instructions for accounting reports for the Board of Directors, through the Corporate Communication Policy and by considering potential observations, recommendations or proposals from the auditors or Audit Committee. The Annual Report, Half-year Report and Year-end Report are considered and approved by the Board. Over the years, the Board has decided to delegate publication of first and third-quarter interim reports, and the quality assurance of financial presentations and press releases, to management.

Chair's responsibilities

The Chair of the Board leads the work of the Board and ensures that the Board's decisions are executed. The Chair also represents the company on ownership-related issues. The Chair maintains an ongoing dialogue with the CEO and is responsible for other Directors receiving the information and supporting documentation necessary to reach well-founded decisions.

The work of the Board of Directors

The Board's work proceeds from Rules of Procedure that are adopted annually. The Rules of Procedure formalise issues including the Board and CEO's responsibilities, the Chair's duties, how and when Board meetings are held, as well as the agendas of meetings. The Board also adopts instructions for work on Board Committees, and states the formats of financial reporting to the Board of Directors. The Board should meet at least nine times annually. Each meeting follows an approved agenda. Decision-support data for each agenda item is sent to all members in advance. The Rules of Procedure also stipulate that the Board should ensure that Kungsliden's auditors attend at least one meeting per year, presenting their observations from their audit of the company, and their assessment of the company's internal controls. Pro-



posals to the Board can be submitted by email to styrelsen@kungsleden.se

The work of the Board in 2018

The Board met on 13 occasions in 2018. Per capsulam meetings were also held on two occasions to deal with acquisitions of the Tändstickor properties in Gothenburg and adopting the business plan. Attendance at Board meetings is stated in the table on the following page. The matters the Board considered include Kungsleden's strategy, goals, business plan, market, organisation, external reporting, acquisitions and divestments of properties, investments in existing properties, property valuations, arranging loans and other funding issues, and the principles governing variable compensation. On acquisitions and divestments, the Board considered the strategic sale of the Eskilstuna portfolio, and the acquisition of the centrally located property STUDIO in Malmö in the year. Major investments were also considered by the Board such as B26 in Västerås and the construction of a new custody facility

in Östersund. In the year, the Board conducted a specific review of the company's strategic risks. The Board also decided on adding further depth to its work on strategic issues, and commenced a review of its portfolio strategy in the year, with the plan of evaluating the investment strategy, and financial strategy, in 2019. The Board also visited the development property Blästern, and the Tändstickan properties in the new Gothenburg South Central cluster in the year.

The company's CEO, and General Counsel, who is also Board Secretary, attended the meetings. Additionally the company's Deputy CEO/CIO and CFO attended parts of Board meetings. Jointly with management, the Board participated in internal training on anticorruption, internal guidelines for business networking, conflicts of interest and incidental employment, including a presentation of the company's new whistleblower tools.

Appraisal of the work of the Board of Directors

The Board conducts an annual review of its working methods and procedures. This evaluation is intended to ensure functional processes for gathering information, reporting, analysis, planning and decision-making. The evaluation is also intended to ensure that the Board has the necessary competence. The results of this evaluation are reported to the Nomination Committee, and constitute supporting data for nomination work.

The appraisal was conducted with the assistance of external adviser Nordic Investor Services in 2018, which has been providing evaluation services to Kungsleden's Board for a number of years. In 2018, the evaluation consisted of a web-based form, which was somewhat more comprehensive than in previous years. A number of central segments were reviewed, the most important being the Board's composition and expertise, and the dynamic between Board members, Kungsleden's continued progress with its focus on strategy work, and the Board's

future challenges. The work of the Chair and CEO was also appraised.

Nordic Investor Services then compiled the results which were presented by the Chair at the Board meeting in December. The appraisal indicates that work on the Board features great openness, and there is considerable trust between Directors. The Board perceives its work as effective, through a broad skills base, given Directors' differing backgrounds and experience. All Directors are highly committed to their roles.

Directors' fees are payable, as follows:

Fees 2018 (SEK)

Chair	475,000
Director	220,000
Committee member	40,000

Each year, the AGM adopts guidelines for remuneration and other employment terms of senior executives. According to the guidelines adopted by the AGM 2018, Kungsleden should apply the remuneration levels and employment terms that are necessary to enable hiring and retention of senior executives with a high level of competence and capability of achieving predetermined targets. The forms of remuneration should motivate senior executives to do their utmost to protect shareholders' interests. Accordingly, the forms of remuneration should be on market terms, straightforward and measurable. In normal circumstances, remuneration to senior executives should consist of a fixed and a variable portion. The variable portion should be based on the senior executive's performance in relation to predetermined targets, or be associated with the total returns

on the Kungsleden share, and have a predetermined maximum. Basic salaries of senior executives should be on market terms, and based on competence, responsibility, experience and performance. The amount of remuneration payable for 2018 is stated in note 7. For the Annual General Meeting on April 26, 2019, guidelines for remuneration are proposed which corresponds to those adopted at the Annual General Meeting 2018.

There is also a three-year call option programme, under which two major private shareholders issued calls on Kungsleden's shares to senior executives in September 2017.

BOARD COMMITTEES

The Board has established internal Finance, Audit and Remuneration Committees, which are responsible for consulting on issues in each segment. Work proceeds from the instructions prepared for each Committee. The Board appoints the members of its Committees internally. The Board intends to repeal the Finance Committee after the Annual General Meeting on April 26, 2019, after which the tasks of the Finance Committee are divided between the Board of Directors as a whole and the Audit Committee.

Finance Committee

The Finance Committee provides work on finance with a dedicated forum. The Committee should support the Board on proposals on finance issues, financial targets for the short and long term, issues relating to the company's financial risks, hedging measures and other duties within the auspices of the company's

Financial Policy. This year, focus was on ensuring continuity in finance work due to Anders Kvist's resignation as CFO in July 2018 and being succeeded by Magnus Jacobson. The Finance Committee also conducted a special review, updating the Financial Policy in terms of mandates, segregation of duties and the process of continuously updating and refining Kungsleden's financial strategy. The Finance Committee, which was appointed at the Board meeting following election, consists of Liselotte Hjorth (Chair), Ingalill Berglund and Ulf Nilsson. The Committee met on three occasions in 2018. Kungsleden's CFO, Finance Manager and one company lawyer attended meetings.

Audit Committee

The Audit Committee provides work on accounting and auditing with a dedicated forum. The Committee was engaged in activities including Kungsleden's internal control and monitoring systems, and quality assuring financial reporting. The Audit Committee also supports the Nomination Committee in its work on proposing the election of auditors, and the proposal on audit fees. This year, the Audit Committee had a special focus on the company's risk management, and on monitoring the company's outsourcing of accounting services to NewSec. The Audit Committee appointed at the Board meeting following election consists of Ingalill Berglund (Chair), Charlotte Axelsson and Jonas Bjuggren. The Audit Committee met on four occasions in 2018. Kungsleden's CFO, Accounting Manager and the company's external auditor attended meetings.

Attendance at Board and committee meetings in 2018

	Board of Directors	Finance Committee	Remuneration Committee	Audit Committee
Charlotte Axelsson	C	15/15	4/4	4/4
Ingalill Berglund		14/15	3/3	C 4/4
Jonas Bjuggren ²		9/9		3/3
Joakim Gahm ¹		5/6	0/0	
Liselotte Hjorth		15/15	C 3/3	
Göran Larsson ¹	(C)	6/6		1/1
Ulf Nilsson ²		9/9	3/3	4/4
Kia Orback Pettersson ¹		5/6		1/1
Charlotta Wikström		14/15	C 5/5	

C - Chair of Board/Committee

¹ Director until AGM 2018

² Director effective AGM 2018

Remuneration Committee

The Remuneration Committee presents proposals to the Board regarding the employment terms of the CEO, remuneration limits for senior executives and principle issues regarding pensions, salaries, fees, benefits and severance pay. Committee work proceeds from the guidelines for remunerating senior executives approved by the AGM. The members of the Remuneration Committee elected at the Board meeting following election are Charlotta Wikström (Chair), Charlotte Axelsson and Ulf Nilsson. The Committee met on five occasions in 2018.

MANAGEMENT

As of March 2019, the members of the company's management team were the company's CEO, the Deputy CEO & CIO, CFO, Head of Property Development, Business Development Director, Property Directors, Head of Marketing & Communications, HR manager as well as the General Counsel. They are each responsible for their relevant segments within Kungsliden, and consult with the CEO on issues for the Board of Directors. The CEO takes the decisions in operating activities stated in the Instructions for the CEO after consulting with management. Normally, management meets every second week, and holds additional management conferences as required. Management's focuses in the year were on the client proposition, organisational issues, sustainability issues, risk management, investments in the current portfolio, business intelligence and the company's long-term strategies, and decided on a number of acquisitions and divestments to optimise the property portfolio.

Chief Executive Officer

Kungsliden's CEO is responsible for the practical management and coordination of operating activities. The CEO works on the basis of instructions adopted annually by the Board. Their provisions include the CEO being responsible for the company's administration, reporting to the Board and issues that require decisions by, or notification of, the Board of Directors, such as adoption of interim reports and annual accounts, decisions on major acquisitions, divestments, major investments or capital allocations, arranging loans or issuing parent company guarantees.

EXTERNAL AUDITORS

The external auditors review the Board of Directors' and CEO's administration of Kungsliden, and verify that the annual accounts are prepared in accordance with applicable regulation. Ernst & Young AB was elected at the AGM 2018 as the parent company's auditor for the period until the end of the AGM 2019. Authorised Public Accountant Ingemar Rindstig is Auditor in Charge. Fees are payable in accordance with approved account. The Group's audit fee for 2018 was SEK 3 million (4).

INTERNAL CONTROLS AND RISK MANAGEMENT

Internal controls are important for ensuring that the goals and strategies set achieve the desired results, that there is compliance with laws and ordinances, and the risk of undesirable events and misstatements in financial reporting is minimised. The organisation of financial controls over financial reporting is reviewed below.

Control environment

Kungsliden's internal controls rest on the control environment the Board and management operate from continuously, as well as the decision paths, authorisations and responsibilities communicated within the organisation.

Risk assessment

Maintaining a clear view of the risk of the misstatement possible in external reporting, and that organisational resources and processes to manage these risks are in place, is a significant component of internal controls. Kungsliden works continuously and actively on mapping, evaluating and managing the risks the company faces in its financial reporting. An assessment of risks of misstatement in financial reporting is conducted yearly for each line of the Income Statement, Statement of Financial Position and Cash Flow Statement. Processes are in place to minimise the risk of misstatement in those items subject to a material and/or increased risk. The processes apply not only to the actual accounting procedures, but also encompass business control and business planning processes, as well as IT systems. Examples of operational control are those tools of control instruments that have been produced. They are used firstly for preparations for

property acquisitions and divestments, and secondly for overall monitoring of operations, as well as supporting data for valuations.

Control activities

Kungsliden has structured its internal controls so that control activities are conducted as a matter of routine, at an overall level, or are of a more process-oriented nature. Overall controls include ongoing performance analysis based on operational and legal group structure, and an analysis of KPIs. Formal reconciliation, authorisation and similar controls are examples of procedures or process-oriented controls designed to prevent, discover and rectify misstatements and variances. Control activities have been designed to address the material risks in financial reporting.

Information and communication

The Board of Directors receives regular accounting reports, and deals with the Group's accounting position at four Board meetings per year. The company's auditor makes a personal report on his observations from the audit and evaluation of internal controls once per year. Kungsliden has a policy ensuring that employees can anonymously contact a third party to report actions or other impropriety that involve breaches, or suspected breaches, of laws or other guidelines and regulations, anonymously and without consequence. A whistleblower system available from Kungsliden's website was implemented in 2018. All potentially share price sensitive information is reported to the market via press releases. The company ensures that this information reaches the market simultaneously. The CEO, Deputy CEO and CFO are Kungsliden's designated spokespeople on financial issues.

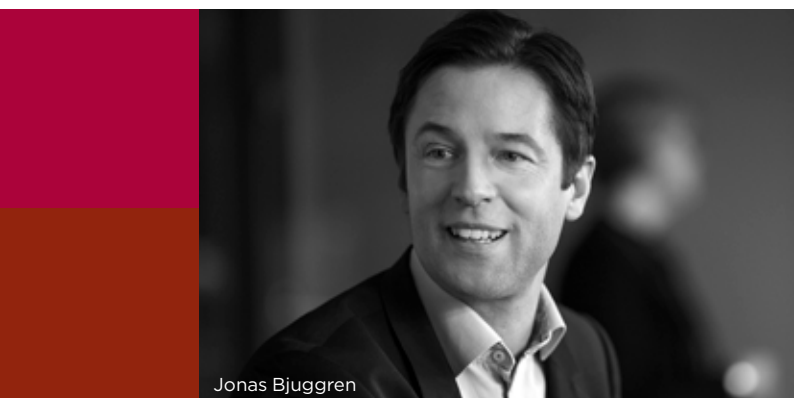
Monitoring

The Board requires management to assess the risks of operations continuously. The results are compiled in reports that are presented to the Audit Committee. Internal controls are considered satisfactory and expedient for an organisation of Kungsliden's scale. Kungsliden's Board judges that at present, the company does not need an internal audit function.

BOARD OF DIRECTORS



Charlotte Axelsson



Jonas Bjuggren



Ingalill Berglund

Charlotte Axelsson

*Chair of the Board
Member of the Audit Committee and
Remuneration Committee.*

Born in 1948.

Elected to the Board in 2014.

Education: B.Sc. in sociology/management.

Other Directorships: Chair of Vasallen AB, ED Bygg Sverige AB, Stockholms Kooperativa Bostadsförening and Slättö VII AB.

Previous experience: CEO of HSB Stockholm, CEO of Svenska Bostäder i Stockholm, CEO of Familjebostäder i Stockholm, CEO of SEB Arsenalen, Assistant Finance Secretary, the City of Stockholm. Directorships with companies including HSB, the City of Stockholm, the National Swedish Property Board and Akademiska Hus.

Independent of the company, management, and major shareholders of the company.

Holds 10,000 Kungsleden shares.

Ingalill Berglund

*Board member
Chair of the Audit Committee and member
of the Finance Committee.*

Born in 1964.

Elected to the Board in 2017.

Education: Undergraduate qualifications.

Other Directorships: Director of Scandic Hotels Group AB, Veidekke ASA, Axfast AB, Bonnier Fastigheter AB, Balco Group AB, Juni Strategi och Analys AB and the Danvik Hospital Foundation.

Previous experience: CEO of Atrium Ljungberg AB, CFO of Atrium Ljungberg AB, CFO of SISAB and Chief Accountant of Stadshypotek Fastigheter.

Independent of the company, management, and major shareholders of the company.

Holds 7,246 Kungsleden shares.

Jonas Bjuggren

*Board member
Member of the Audit Committee.*

Born in 1974.

Elected to the Board in 2018.

Education: M.Sc. (Eng.)

Current position: Business Manager, Akademiska Hus.

Other Directorships: Regional Manager of Vasakronan, Territory Manager of AP Fastigheter, Project Manager at Skanska and Sweco.

Independent of the company, management, and major shareholders of the company.

Holds no Kungsleden shares.

Stated share and stock option holdings are as of 31 December 2018, and include holdings through companies, as well as related party holdings.



Ulf Nilsson



Liselotte Hjorth



Charlotta Wikström

Liselotte Hjorth

*Board member
Chair of the Finance Committee.*

Born in 1957.

Elected to the Board in 2014.

Education: B.Sc. (Econ.)

Other Directorships: Chair of White Intressenter AB and Eastnine AB. Director of Ativo Finans AB, Hoist Finance AB, Rikshem AB, Fastighetsbolaget Emilshus AB and BNP Paribas Real Estate Investment Management.

Previous experience: Various positions within the SEB Group including Group Credit Manager and Deputy CEO, Head of SEB's global real estate business and member of the Executive Management of SEB AG in Germany, as well as various positions within Enskilda Securities, and Equity Analyst at the Fourth Swedish National Pension (AP) Fund. Directorships with the Swedish National Debt Office and the German-Swedish Chamber of Commerce.

Independent of the company, management, and major shareholders of the company.

Holds 10,866 Kungsliden shares.

Ulf Nilsson

*Board member
Member of the Finance Committee and
Remuneration Committee.*

Born in 1958.

Elected to the Board in 2018.

Education: LL.B.

Other Directorships: Member of the Executive Board of Stockholms Brandkontor.

Previous experience: CEO of D. Carnegie & Co., CEO of Savills Sweden AB, Partner of Ernst & Young AB, Vice president of ABB Financial Services, Corporate Lawyer of Handelsbanken.

Independent of the company, management, and major shareholders of the company.

Holds 30,000 Kungsliden shares.

Charlotta Wikström

*Board member
Chair of the Remuneration Committee.*

Born in 1958.

Elected to the Board in 2009.

Education: M.Sc. in business and economics.

Current position: Senior Advisor Stardust Consulting AB, CEO of Floréna Fastighets AB and CEO of Kampanilen Förvaltnings AB.

Other Directorships: Chair of Stardust Search AB. Board member of Forsen Group AB, African Nuts&Seeds AB, Floréna Fastighets AB, Kampanilen Förvaltnings AB and Stardust Holding AB.

Previous experience: Founder and Senior Advisor of Stardust Consulting AB. Senior positions in marketing, sales, leadership and organizational development at SAS, Telia, Com Hem, the Stockholm Stock Exchange and law firm Mannheimer Swartling Advokatbyrå.

Independent of the company, management, and major shareholders of the company.

Holds 2,616,556 Kungsliden shares.

MANAGEMENT



Biljana Pehrsson

Hanna Brandström

Malin Axland

Magnus Jacobson

Mats Eriksson

Biljana Pehrsson CEO

Born in 1970. Employee since 2013.

Education: M.Sc. (Eng.), the Royal Institute of Technology, Stockholm.

Previous experience: Deputy CEO/Head of Real Estate at East Capital Private Equity, CEO of Centrumutveckling, Board member of Kungsleden in 2011-2013.

Other significant assignments outside the company: Board member of Einar Mattsson AB, East Capital Baltic Property Fund AB and Kungliga Dramatiska teatern AB.

Holds 60,000 Kungsleden shares and 30,000 shares in an endowment insurance related to her pension scheme. Also holds 100,000 stock options.

Malin Axland General Counsel

Born in 1974. Employee since 2007, in current position since 2013.

Education: LL.B., the University of Stockholm.

Previous experience: Attorney at law firm Mannheimer Swartling Advokatbyrå, Clerk of Huddinge District Court.

Other significant assignments outside the company:

- Holds 2,266 Kungsleden shares. Also holds 5,000 stock options.

Hanna Brandström HR manager (part of the management team since January 2019)

Born in 1980. Employee since 2017.

Education: B.Sc. in business management, Södertörn University.

Previous experience: General Manager, HR & Legal at SC Motors Sweden AB, HR Manager of General Motors Nordic Opel/Chevrolet Sverige AB.

Other significant assignments outside the company:

- Holds 20 Kungsleden shares.

Mats Eriksson Head of Real Estate, Mälardalen

Born in 1963. Employee since 2015.

Education: Senior High School Building- & Planning graduate, Rudbeck School, Örebro.

Previous experience: Retail Business Director at Newsec Asset Management AB, Head of Property Development at Ica Fastigheter AB, Business Area Director of NIAM AB and Property Director at Siab AB.

Other significant assignments outside the company: Board member of Västerås City urban coop and Board member of the friends of Stockholm Concert Hall.

Holds no Kungsleden shares. Holds 10,000 stock options.

Magnus Jacobson Chief Financial Officer

Born in 1958. Employee since 2018.

Education: M.Sc. (Econ.), Uppsala University.

Previous experience: CFO of Norrporten AB, CFO of Hufvudstaden AB.

Other significant assignments outside the company: Board member of Nordea Finans, Board member of Fastum Hypoteksförvaltning AB.

Holds no Kungsleden shares.

Stated share and stock option holdings are as of 31 December 2018, and include holdings through companies, as well as related party holdings.



Marie Mannholt



Ylva Sarby Westman



Ulrica Sjöswärd



Frida Stannow Lind



Sven Störk

Marie Mannholt

Head of Communications & Marketing

Born in 1966. Employee since 2014.

Education: Market economics graduate, IHM Business School.

Previous experience: Senior Consultant in commercial property development at Mannholt Consulting, Communications Director at Central Group. Head of Marketing/Senior Project Manager at Centrumutveckling, Head of Marketing at BMW, Regional Director of Volvo Cars.

Other significant assignments outside the company: Board member of SF Invest
Holds 2,666 Kungsliden shares. Also holds 10,000 stock options.

Ylva Sarby Westman

Deputy CEO and Chief Investment Officer

Born in 1973. Employee since 2009.

Education: M.Sc. (Eng.), the Royal Institute of Technology, Stockholm.

Previous experience: Deputy CEO of Newsec Investment AB, Head of Property Development at NCC Property Development AB.

Other significant assignments outside the company: Board member of Ikano Bostad AB.

Holds 8,799 Kungsliden shares.

Ulrica Sjöswärd

Head of Real Estate, Gothenburg/Malmö

Born in 1974. Employee since 2017.

Education: Engineering graduate, Chalmers University of Technology.

Previous experience: Regional Manager at Platzer Fastigheter AB, Regional Manager at ICA Fastigheter AB.

Other significant assignments outside the company:

–
Holds 4,800 Kungsliden shares. Also holds 25,000 stock options.

Frida Stannow Lind

Head of Business Development

Born in 1967. Employee since 2010, in current position since 2013.

Education: M.Sc. (Eng.), the Royal Institute of Technology, Stockholm.

Previous experience: Business Development Manager at Ebab, Investment Manager at Niam, Property Director at Drott.

Other significant assignments outside the company: Chair of the Board of Kista Science City AB.

Holds 3,519 Kungsliden shares. Also holds 20,000 stock options.

Sven Störk

Head of Real Estate, Stockholm

Born in 1967. Employee since 2014.

Education: M.Sc. (Eng.), the Royal Institute of Technology, Stockholm.

Previous experience: Key Account Manager at Newsec Asset Management AB, Asset Manager at Niam AB, Project Manager at NCC Property Development AB.

Other significant assignments outside the company: Chair of the Board of Kista Science City Fastighetsägare.

Holds 360 Kungsliden shares. Also holds 25,000 stock options.

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Administration Report

The Board of Directors and Chief Executive Officer of Kungsleden AB (publ) (“Kungsleden”), corporate. ID no. 556545-1217, hereby submit the Annual Report and Consolidated Accounts for the financial year 2018. The company’s registered office is in Stockholm, Sweden. The Annual Report and Consolidated Accounts will be submitted for adoption at the Annual General Meeting (AGM) on 26 April 2019.

OPERATIONS

The basis of the company’s operations is to long-term own, actively manage and improve and develop commercial properties in four priority growth markets – Stockholm, Gothenburg, Malmö and Västerås – and another 17 municipalities in Sweden. Kungsleden works continuously on altering its property portfolio through property acquisitions and divestments, as well as utilising development rights, and new builds. A high share of its properties are concentrated in attractively located clusters, and Kungsleden puts a big emphasis on contributing to sustainable urban development.

At year-end 2018, the portfolio consisted of 222 properties with a book value of SEK 34,697 million, of which SEK 25,422 million was office properties. Leasable area amounted to 2,055 thousand sq.m. In the year, operations were conducted by employees in seven locations in the three property management units of Stockholm, Mälardalen and Gothenburg/Malmö, to ensure strong local links. The head office is in Stockholm.

Net profit of the year

Net profit after tax for the year was SEK 2,055 million (1,906) or SEK 9.41 per share (9.03).

Rental revenue

Rental revenue was SEK 2,377 million (2,319), with the increase mainly from new leasing, renegotiation and indexation. In like-for-like terms of investment properties, rental revenues increased by 4.4 per cent. The loss of rental revenues from divested properties and vacation of development properties was partly offset by additional rental revenue from accessed properties. The economic occupancy rate was 93.1 per cent (91.9).

Property costs

Total property costs were SEK 800 million (785), an increase of SEK 15 million. Costs increased by the same amount in a like-for-like portfolio of investment properties, and were mainly climate and temperature related costs, and electricity tax, which is invoiced to tenants. The net effect of the loss of costs from divested properties and addition of costs for accessed properties, and development properties cancel each other out.

Operating net

The operating net increased by SEK 48 million to SEK 1,586 million (1,538). The operating net for a like-for-like portfolio of investment properties increased by 5.9 per cent, which is due to increased rental revenue. The operating surplus margin of investment properties was 67.7 per cent (67.3).

Selling and administration costs

Selling and administration costs were SEK 95 million (120) and the SEK 25 million decrease is explained partly by the previous year being charged with costs relating to the introduction of outsourcing of accounting administration of SEK 10 million. Costs also decreased due to cost reductions and greater organisational efficiency.

Net financial items

Net financial items were SEK -366 million (-433). The year-on-year improvement is mainly due to costs for interest hedging decreasing after the close-out of interest rate swaps and rearranging finance on better terms. The average interest rate decreased after refinancing of loans and closing of interest rate derivatives, and was 1.8 per cent at year-end, against 2.4 per cent at the beginning of the year. Refinancing caused other financial costs to increase temporarily because allocated arrangement fees on the loan that was refinanced were accounted as a non-recurring cost.

Profit from property management

Profit from property management was SEK 1,124 million (985). The profit increase is due to an increased operating net in like-for-like portfolio terms, improved net financial items and reduced selling and administration costs.

Changes in value

Properties

Unrealised changes in value in the property portfolio were SEK 1,619 million (1,417), a 5.2 per cent value increase. Most of the value increase is sourced from an improved operating net. The required yield in valuations decreased from 5.8 per cent to 5.5 per cent in the year, of which over one-third is due to changes to the structure of the portfolio due to acquisitions and divestments.

Interest rate derivatives

Changes in value on financial instruments since year-end were SEK -73 million as a consequence of interest on longer maturities decreasing. The realised changes in value have no cash flow effect and will not have any impact on earnings if derivatives are held to maturity.

Tax

The reported tax expense was SEK 598 million (575), of which SEK 2 million (0) is current tax. SEK 76 million of the tax expense for the year relates to property divestments where the tax expense and deductions granted for deferred tax exceed the amount provisioned for deferred tax. A further SEK 62 million of deferred tax on properties from previous acquisitions was expensed.

In June, Sweden’s Parliament decided to reduce corporation tax in two stages from 22.0 per cent to 21.4 per cent in 2019, and onto 20.6 per cent in 2021. This had an SEK 128 million positive effect on the provision for deferred tax in the accounts for 2018.

Cash flow

Cash flow from operating activities after change in working capital was SEK 1,127 million (855) in the year. Cash flow from investing activities was SEK -2,337 million (-403), and the largest item consists of acquisitions of office properties with a purchase price amounting to SEK 1,836 million (790). Cash flow from financing activities was SEK 1,368 million (-196), mostly due to borrowings in the year, which meant that interest-bearing liabilities increased by 1,728 million (-1,358) gross. A SEK 360 million (437), in dividend was paid to shareholder, which is a decrease in 2018 because the company pays the dividend quarterly. Cash and cash equivalents at the end of the period were SEK 471 million (313).

Properties

Kungsleden valued its property portfolio internally as of 31 December 2018 at SEK 34,697 million (30,974) with quality-assurance by external valuations. Market value was impacted by property-specific events such as new or renewed lease contracts, vacations and investments, as well as estimated changes in market rent, required property yields and expected vacancies. Investments in existing properties, acquisitions and divestments of properties also impacted market value. The required property yield is founded on experience-based estimates of market required yield on comparable properties.

Development projects

Kungsleden works continuously on developing its property portfolio, completing projects including conversion of the former Tegnér shopping centre in Växjö, conversion of the office building Enen 10 in Södertälje and conversion in Kista Science City into a 162 room apartment hotel in the property Holar 1. Current development projects have total

estimated investment volume of SEK 2,100 million, of which SEK 1,100 million was completed as of 31 December 2018. The project risk is limited through long-term lease contracts with several tenants already signed up, bringing high occupancy rates on projects. Major ongoing projects include tenant improvements for hotel operator Nobis and coworking player Convendum in the property Blåstern 14 in Stockholm as well as for the Swedish Prison & Probation service in the property Karlslund 5:2 in Östersund.

Acquisitions and divestments

Kungsleden acquired three new properties in Gothenburg – two office properties and a car park. Leasable area is nearly 30,000 sq.m. These acquisitions created a new, contemporary office cluster – Gothenburg South Central. In mid-March, Kungsleden acquired a conceptual property STUDIO in central Malmö. This LEED-Platinum certified property has total leasable area of 17,574 sq.m. Three office properties with total leasable area of 11,276 sq.m were acquired in Kungsholmen, Stockholm. In the year,

Kungsleden divested a total of 20 properties, of which 15 properties are the whole Eskilstuna portfolio which date of closing was in January 2019. The portfolio was divested as part of Kungsleden's ambition of focusing on office properties. Other property divestments meant Kungsleden exiting the municipalities Enköping and Katrineholm.

Clients

Clients are central to everything Kungsleden does. Properties offering contemporary flexible premises in accessible locations suit a diversity of operations. A decentralised organisation that is close to clients, local presence and leading-edge property development are contributors to Kungsleden's ambition of having the most satisfied clients in the sector. Kungsleden achieved a CSI of 71 in its customer satisfaction survey, which is comparable to the sector generally. However, it has set its ambition higher, further sharpening the focus of making client needs central in 2019. Net leasing in the year was SEK 86 million (69). Total new leasing was SEK 274 million (201), which includes several major new leases. In Stockholm, coworking player Convendum leased 5,500 sq.m over 12 years, with total rental value of some SEK 300 million. In Västerås, Original Brands Sweden AB signed a seven-year contract on 7,200 sq.m. Additionally, Kungsleden signed a five-year contract with Aros Congress Center on 1,400 sq.m. Most lease contracts were signed in development properties, enabling construction start in 2018. Terminations for vacation were SEK 189 million (132) in the year.

FINANCIAL POSITION

Interest-bearing liabilities

Kungsleden's loan portfolio consists of secured bank loans, secured life insurance companies and secured mortgage loans, unsecured bond loans and commercial papers. The loan portfolio became more diversified last year. A stronger financial position and rating from Moody's enabled increased borrowing in the capital markets through the issuance of unsecured bonds.

At year-end, the loan portfolio was SEK 16,882 million (15,153), of which 40 per cent were bank loans and 21 per cent were secured loans from life insurance companies and mortgage institutions. Unsecured borrowing from the capital markets was 39 per cent, of which commercial paper was three percentage points. Credit facilities from banks of SEK 1.9 billion are in place as backup for volumes of commercial paper issued from time to time. Direct lending from life insurance companies and via mortgage institutions helped diversify loan finance, spread counterparty exposure and significantly extend the average maturity of interest-bearing liabilities on competitive terms.

In the fourth quarter of the year, Kungsleden agreed on extending a secured SEK 3.2 billion bank loan with short remaining maturity. This refinancing process contributes to extending average debt maturity by 0.9 years to 5.6 years (4.7), simultaneous with a further reduction in the financing cost to 1.8 per cent (2.4). These new loans were settled in January 2019.

As security for loans from banks, life insurance companies and mortgages institutions, Kungsleden pledges security in property directly or via promissory notes, share pledges and parent company guarantees. Some loan agreements also include covenants relating to changes of control, interest coverage ratio, LTV ratio and equity/assets ratio. All covenants were satisfied with a good margin as of 31 December 2018.

Interest rate duration

Most of the swap portfolio was adapted to current market interest rates in the year by closing-out a total of SEK 9,220 million of nominal amount of swaps in three rounds for a redemption amount of SEK 214

million. Kungsleden simultaneously arranged new interest fixings at current market interest rates, which extend the average interest rate duration on borrowing to 2.7 years (2.4), while the average interest rate decreased. At year-end, the nominal amount of the swap portfolio was SEK 7,450 million, of which SEK 3,000 million was forward-starting swaps, starting as of January 2020. In addition, Kungsleden arranged SEK 2,230 million of loans with a fixed interest rate base, which means that 57 per cent of interest-bearing liabilities have longer interest rate duration than 12 months.

Deferred tax

Deferred tax was a net liability of SEK 1,892 million (1,333), the majority relating to investment properties (SEK 2,331 million liability) and loss carry-forwards (SEK 432 million asset). Deferred tax is computed on the basis of a prospectively computed future tax rate of 20.6 per cent on loss carry-forwards and differences between the carrying amounts and taxable value of assets and liabilities. The fact that the tax rate is calculated at 20.6 per cent, i.e. the same as the one that applies in two years, is due to the fact that utilised carried-forward and realised temporary differences are expected to be equal in the next few years. The change in the deferred tax liability relates mainly to changes in value and tax write-offs/deductions for properties.

In June, Sweden's Parliament approved the proposal to reform corporate taxation. Briefly, this decision means that a maximum amount for negative net interest income can be claimed corresponding to 30 per cent of a company's taxable earnings before interest taxes, depreciation and amortisation (EBITDA). When computing interest deductions, any deductions set off against loss carry-forwards should be considered. Corporation tax is also being reduced in two stages from the current 22.0 per cent to 21.4 per cent in 2019, and onto 20.6 per cent in 2021. The new rules apply from 1 January 2019.

For Kungsleden, the provision for deferred tax in 2018 is positively impacted by SEK 128 million due to the reduction of corporation tax. Kungsleden judges that any impact of rules limiting interest rate deductions is marginal. It will not be possible to claim for a low share of interest costs as deductions, simultaneous with the enacted lower tax rate reducing the tax expense. Given rising interest rate levels, the impact of the new rules may mean that interest rate deductions cannot be utilised to the same extent, which may result in some increase to the tax expense.

Equity

In the period, equity increased by comprehensive income of SEK 2,055 million (1,907), and decreased by dividend of SEK 480 million (437). As of 31 December 2018, equity amounted to SEK 15,767 million (14,192) or SEK 72.19 per share (64.98), equivalent to an equity ratio of 45 per cent (45).

Sustainability

Work on environmentally certifying Kungsleden's properties continues, and a total of 17 per cent of property value is now environmentally certified. Properties including the following were certified in the year:

- Holar, Kista LEED Gold
- Keflavik 1, Kista LEED Gold
- Reykjavik 2, Kista LEED Gold
- Borgarfjord 5, Kista LEED Gold

Work on reducing energy consumption in Kungsleden's property portfolio has continued, for instance from day-to-day work on optimising properties and also a range of energy-saving investments reducing consumption significantly.

A new whistleblower system for anonymous reporting of potential incidents or impropriety was implemented in the year. Business ethics training was conducted for all staff including the Board of Directors and management.

In accordance with the Annual Accounts Act, Chapter 6, section 11, Kungsleden has chosen to prepare the sustainability report separately from the annual report. The sustainability report was submitted to the auditor simultaneous with the annual report. The sustainability report is on pages 105–114 of this document.

Employees

The average number of employees in the year was 109 (109). At year-end there were 52 per cent (53) women. Compensation to Directors and senior executives for services rendered is stated in note 7. Apart from this, no transactions were executed with any related entity or private individual.

Guidelines on remuneration to senior executives are provided on page 60.

RISKS AND RISK MANAGEMENT

Kungsleden is continuously exposed to various risks that may be material to the company's future operations, results of operations and financial position. The company works actively to identify and manage the risks and opportunities that are highly significant to operations. Identified material risks in operations are exogenous risks, risks related to property development, sustainability risks, financial risks, IT risks and changes to tax regulations. Our risks and our risk management process are stated on pages 52-55.

Future

There are a growing number of signs indicating a slowdown of the Swedish economy. Growth across the European economies, led by Germany, has also slowed, simultaneous with protracted Brexit negotiations causing further uncertainty. The introduction of global trade barriers and reduced traction from the US economy has triggered discussions of planned European central bank interest rate hikes being delayed.

In our view, Swedish economic growth will be lower than in 2018, while Sweden's finances are stable, and offer scope for expansive fiscal policy, providing that domestic political instability can be managed. Accordingly, we see potential for continued positive progress in our market segments. Rents in Stockholm, Gothenburg, Malmö and Västerås are at good levels, and in our opinion, there is scope for further improvement of rent levels and vacancies.

The company's secure financial position and good earnings capacity offer potential for continued improvement of the property portfolio. Several projects are ongoing in Stockholm, including the property Blåstern, which will be completed in 2019. New custodial premises are being developed in Östersund, while in Malmö, Kungsleden has plans for the new development of an office property in Hyllie. These properties will make our property management units more attractive and increase the company's profitability.

PARENT COMPANY

The parent company is Kungsleden AB (publ). The parent company's main activity is to own shares in operational subsidiaries. Profit before tax was SEK 429 million (560). The lower profit is mainly due to reduced interest income from group companies. Unrealised changes in value on financial instruments were SEK -78 million (85) in the year. The parent company's assets were SEK 22,500 million (18,970). The equity ratio was 37 per cent (44).

Dividend and allocation of earnings

The Board of Directors has proposed a dividend of SEK 2.40 per share, or a total of SEK 524 million. The reasoned statement on the dividend proposal is on the company's website, and will be attached to the AGM documentation. It is also available from the company on request.

The following unappropriated earnings are at the disposal of the AGM, SEK:

Profit (loss) brought forward	4,623,716,851
Share premium reserve	3,133,547,165
Net profit for the year	386,119,991
Total	8,143,384,007

The Board of Directors proposes that earnings are appropriated as follows, SEK:

Dividend to shareholders of SEK 2.40 per share	524,167,925
Share premium reserve	3,133,547,165
Carried forward	4,485,668,917
Total	8,143,384,007

STATEMENT BY THE BOARD OF DIRECTORS ON THE PROPOSED ALLOCATION OF EARNINGS**Reasoned statement**

Group equity has been calculated in accordance with the IFRS standards adopted by the EU and their interpretations (IFRS IC), and in accordance with Swedish legislation through the implementation of Swedish Financial Accounting Standards Council recommendation RFR 1 (Supplementary Accounting Regulations for Groups). Parent Company equity has been calculated in accordance with Swedish legislation and applying Swedish Financial Accounting Standards Council recommendation RFR 2 (Accounting for Legal Entities).

The Board finds that after distribution of the proposed dividend, there will be full coverage for the Company's restricted equity. The Board also considers that the proposed dividend to shareholders is justifiable in terms of the evaluation criteria stated in chap. 17 §3 second and third paragraphs of the Swedish Companies Act (the nature, of operations, and nature and extent of business and its risks, liquidity and position in general). Accordingly, the Board of Directors wishes to emphasise the following:

The nature, scope and risks of operations

The Board of Directors' opinion is that the company and the Group's equity after the proposed appropriation of profits will be sufficient in relation to the nature, scope and risks of operations. In this context, the company considers factors including the company's and the Group's financial position, historical and budgeted development, investment plans and economic situation.

Consolidation requirements, liquidity and position in general**Consolidation requirements**

The Board has conducted a comprehensive review of the company's and the Group's financial position and its potential to fulfil its obligations. The proposed dividend represents 6 per cent of the company's equity and 3 per cent of the Group's equity. The Group's LTV ratio and interest coverage multiple in 2018 were 47 per cent and 4.1 respectively. The express objective of the Group's capital structure with an LTV ratio not exceeding 50 per cent sustainably, and minimum interest coverage multiple of 2.5 are retained after the proposed appropriation of profits. Planned investments have been considered when determining the proposed dividend. The proposed appropriation of profits has no material significance to the company's and the Group's capacity for making further planned business-related investments. Against this background, the Board's opinion is that the company and the Group have good potential to take future business risks and also withstand potential losses.

Liquidity

The proposed appropriation of profits will not impact the company's and the Group's capacity to fulfil their payment obligations on time, or manage potential variations in liquidity and other unexpected events. The company and the Group have good access to liquidity reserves in the form of cash and cash equivalents and long-term credit facilities. These facilities can be drawn down at short notice, which means the company and the Group have good contingency to manage variations in liquidity and potential unexpected events.

Position in general

The Board of Directors has considered all known circumstances that could be of significance for the company's and the Group's financial position and that are not considered above. In this consideration, no circumstances have emerged that might make the proposed dividend unwarranted.

Multi-year Summary

Income Statement, SEK m	2018	2017	Restated ³ 2016	2015	2014
Revenues	2,385	2,323	2,430	2,314	2,193
Property costs	-800	-785	-827	-769	-703
Operating net	1,586	1,538	1,602	1,545	1,491
Selling and administration costs	-95	-120	-112	-106	-101
Net financial items	-366	-433	-500	-473	-660
Profit from property management	1,124	985	990	966	730
Profit (loss) from divestment of Nordic Modular	-	-	-	24	-
Changes in values properties	1,603	1,411	1,691	981	1003
Changes in values interest rate derivatives	-73	85	-321	176	-427
Profit before tax	2,653	2,481	2,360	2,147	1,306
Tax	-598	-575	-492	-1,642	-1,965
Net profit for the year, existing operations	2,055	1,906	1,869	505	-659
Terminated operations					
Nordic Modular, net after tax	-	-	-	-	63
Impairment Nordic Modular	-	-	-	-	-157
Net profit for the year, existing and terminated operations¹	2,055	1,906	1,869	505	-753
Statement of financial position, SEK m	2018	2017	Restated ³ 2016	2015	2014
ASSETS					
Investment properties – properties	34,697	30,974	29,533	27,470	19,612
Other non-current assets	20	28	32	21	49
Other short-term receivables	201	231	231	232	141
Derivatives	4	-	-	49	-
Assets held for sale – modular buildings and operating properties	-	-	-	-	1,428
Assets held for sale – other	-	-	-	-	372
Cash and bank	471	313	57	441	1,437
TOTAL ASSETS	35,394	31,546	29,854	28,213	23,040
EQUITY AND LIABILITIES					
Equity	15,767	14,192	11,123	9,333	9,102
Interest-bearing liabilities	16,882	15,153	16,511	17,456	11,313
Interest-bearing liabilities related to assets held for sale	-	-	-	-	362
Derivatives	34	171	653	395	1,134
Non interest-bearing liabilities	2,711	2,029	1,567	1,028	662
Non interest-bearing liabilities related to assets held for sale	-	-	-	-	467
TOTAL EQUITY AND LIABILITIES	35,394	31,546	29,854	28,213	23,040
Key figures, SEK m	2018	2017	Restated ³ 2016	2015	2014
PROPERTY RELATED					
Yield, %	4.8	5.1	5.6	6.6	7.5
Economic occupancy rate, % ⁴	91.5	90.5	90.6	90.6	91.5
Operating surplus ratio, %	66.7	66.3	66.2	69.0	68.0
FINANCIAL					
Return on total assets, %	4.4	4.6	5.2	5.8	6.6
Return on equity, %	13.7	15.1	18.0	5.5	Neg.
Interest coverage ratio	4.1	3.3	3.0	2.9	2.2
Equity ratio, %	44.5	45.0	37.3	33.1	39.5
LTV (loan-to-value) ratio, %	47.3	47.9	55.7	61.9	52.2
PER SHARE INFORMATION					
Dividend (paid), SEK	2.20	2.00	2.00	1.50	1.25
Profit from property management, SEK ²	5.15	4.66	5.31	5.18	4.90
Net profit for the year, SEK ²	9.41	9.03	10.01	2.71	-5.05
EPRA EPS (profit from property management after tax), SEK ²	4.84	4.45	5.05	4.83	5.10
EPRA NAV (long-term net asset value), SEK	81.01	71.87	69.32	56.76	57.18
EPRA NNAV (current net asset value), SEK	79.66	70.65	65.73	55.07	51.66

¹ All profit for the year is attributable to equity holders of the parent.

² Restated with an adjustment factor of 2.55 per cent for the bonus issue element of the new share issue conducted in the first quarter of 2017.

³ Comparative figures restated for changed policy for recognising deductions received for deferred tax on acquisitions.

⁴ The definition of economic occupancy rate has been adjusted for the years 2018 and 2017, see 103 page. The comparative figures for the years 2016, 2015 and 2014 have not been recalculated.

Definitions are on page 103.

Consolidated Income Statement – Group

SEK m	Note	2018	2017
Rental revenue	5	2,377	2,319
Other income		8	4
Property costs	8	-800	-785
Operating net		1,586	1,538
Selling and administration costs	6, 7, 8	-95	-120
Net financial items			
Financial income	9	1	1
Interest expenses	9	-316	-398
Other financial expenses	9	-52	-36
		-366	-433
Profit from property management		1,124	985
Changes in value			
Properties ¹	13	1,603	1,411
Interest rate derivatives	9	-73	85
		1,529	1,496
Profit before tax		2,653	2,481
Tax			
Current tax	10	-2	0
Deferred tax	10	-596	-575
		-598	-575
Net profit for the year²		2,055	1,906
Earnings per share before and after dilution	11	9.41	9.03

Consolidated Statement of Comprehensive Income – Group

SEK m	2018	2017
Net profit for the year	2,055	1,906
Other comprehensive income		
Translation gains/losses for the year, on consolidation of foreign operations	0	1
Net profit for the year²	2,055	1,907

¹ For 2018, unrealised changes in value on properties were SEK 1,619 million (1,417), and the profit/loss from divestment was SEK -16 million (-6).

² All of the profit for the year is attributable to the parent company's shareholders.

Comments on the Consolidated Income Statement

Net profit for the year was SEK 2,055 million (1,906). The operating net increased by SEK 48 million to SEK 1,586 million (1,538) in 2018. In like-for-like portfolio terms of investment properties, operating net increased by SEK 77 million, due to increased rental revenues. The loss of operating net from divested properties was SEK 89 million and the additional operating net from accessed properties was SEK 70 million. The profit from property management increased to SEK 1,124 million (985), mainly due to an increased operating net in like-for-like portfolio terms, improved net financial items and reduced selling and administration costs.

PROPERTY MANAGEMENT

Total revenues increased by SEK 62 million to SEK 2,385 million (2,323). In like-for-like portfolio terms of investment properties, total revenue increased by SEK 92 million and rental revenues by SEK 87 million year-on-year due to new leasing, renegotiation and indexation. Accordingly, the increase of rental revenue in like-for-like portfolio terms was 4.4 per cent. The loss of rental revenue from divested properties was SEK 115 million, and from the vacation of development properties, SEK 3 million. This deficit was partly compensated by additional rental revenue from accessed properties of SEK 90 million. Other revenue in the Income Statement consists of revenues that do not have any direct link to lease contracts – mainly revenues from the advance termination of lease contracts and insurance claims – and amounted to SEK 8 million (4). Total property costs amounted to SEK 800 million (785). This increase is sourced from a like-for-like portfolio of investment properties, and is mainly explained by costs related to weather and temperature, as well as electricity tax, which is re-invoiced to tenants. The net effect of the reduction of costs from divested properties, and additional costs for accessed properties, as well as development properties, cancel each other out.

SELLING AND ADMINISTRATION COSTS

Selling and administration costs were SEK 95 million (120). The SEK 25 million decrease is explained partly by the previous year being charged with expenses related to the introduction of outsourced accounting administration of SEK 10 million. The remainder of the cost decrease is due to rationalisation and savings measures.

FINANCIAL INCOME AND COSTS

Net financial items were SEK -366 million (-433). The improvement on the previous year is mainly due to the cost of interest hedges decreasing after close-outs of interest rate swaps, and the arrangement of new financing on better terms. The average interest rate continued to decrease after refinancing of loans and closing of interest rate derivatives, and was 1.8 per cent at year-end, against 2.4 per cent at the beginning of the year. This refinancing meant that other financial costs increased temporarily because capitalized arrangement fees on the original loan were expensed.

VALUE CHANGES

The unrealised value increase in the property portfolio was SEK 1,619 million (1,417) in the year, corresponding to 5.2 per cent. The value increase is due to improved rental revenues and operating net and a decrease in the average required yield of 33 basis points. At the end of the period, the average required yield was 5.5 per cent. Deductions received for deferred tax on properties accessed in the period resulted in a positive unrealised change in value of SEK 59 million. The realised changes in value of properties for 2018 were SEK -16 million (-6).

The change in value on financial instruments was a negative SEK -73 million (85) since the beginning of the year as a consequence of interest rates on long-term maturities falling.

TAX

The total tax expense was SEK 598 million (575), of which SEK 2 million (0) is current tax. SEK 76 million of the tax expense for the year relates to the investments of properties where the tax expense and deductions granted for deferred tax exceeded the amount provisioned for deferred tax. An additional SEK 62 million of deferred tax on properties from previous acquisitions was expensed. In June, Sweden's parliament voted to reduce the corporation tax rate in two stages from 22.0 per cent to 21.4 per cent in 2019 and to 20.6 per cent in 2021. This had a positive SEK 128 million effect on the provision for deferred tax.

Consolidated Statement of Financial Position - Group

SEK m	Note	31 Dec. '18	31 Dec. '17
ASSETS			
<i>Non-current assets</i>			
Intangible assets	12	11	9
Investment properties	13	34,697	30,974
Equipment	14	5	7
Other long-term receivables	15, 21	4	12
Total non current assets		34,718	31,002
<i>Current assets</i>			
Accounts receivable	21	26	20
Other receivables	21	27	90
Prepaid expenses and accrued revenues		149	121
Derivatives	17,21	4	-
Cash and bank		471	313
Total current assets		677	544
TOTAL ASSETS		35,394	31,546
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital		91	91
Other contributed capital		4,506	4,506
Other reserves		4	4
Retained earnings (including net profit for the year)		11,166	9,591
Total equity	16	15,767	14,192
<i>Long-term liabilities</i>			
Liabilities to credit institutions	17, 20, 21	9,204	10,150
Other interest-bearing liabilities	17, 20, 21	6,246	3,096
Derivatives	17, 21	34	171
Deferred tax liability	10	1,892	1,333
Provisions	18	5	12
Total long-term liabilities		17,381	14,762
<i>Short-term liabilities</i>			
Liabilities to credit institutions	17, 21	-	927
Other interest-bearing liabilities	17, 21	1,432	980
Accounts payable	21	283	235
Tax liabilities		5	0
Other liabilities	19, 21	87	12
Accrued expenses and deferred income		439	437
Total short-term liabilities	20	2,246	2,591
TOTAL EQUITY AND LIABILITIES		35,394	31,546

For information on pledged assets and contingent liabilities for the Group, see note 22.

Comments on the Consolidated Statement of Financial Position

The book value of the property portfolio continued to increase in the year. Executed investments, accessed acquisitions and positive value changes were contributors to the increase. Equity increased to SEK 15,767 (14,192) million due to strong earnings.

PROPERTY PORTFOLIO

The property portfolio consisted of 222 properties (222) as of 31 December 2018. Total leasable area was 2,055,000 sq.m (2,159,000) and the properties had a carrying amount of SEK 34,697 million (30,974).

Development of property holdings, SEK m	2018	2017
Properties at beginning of year	30,974	29,533
Acquisitions, access gained	1,836	790
Investments	1,300	925
Divested and vacated	-1,032	-1,692
Unrealised changes in value	1,619	1,417
Properties at beginning of year	34,697	30,974

DEFERRED TAX

Deferred tax was a net liability of SEK 1,892 million (1,333). Receivables amounted to SEK 442 million (521), and primarily consisted of measured loss carry-forwards of SEK 432 million (478), and tax on recognised undervalues on interest rate derivatives. Deferred tax liabilities amounted to SEK 2,334 million (1,854) relating to properties consisting of the difference between carrying amounts and taxable residual values.

EQUITY

Equity was SEK 15,767 (14,192) million at the end of the period, or SEK 72.19 (64.98) per share, equivalent to an equity ratio of 44.5 per cent (45.0).

INTEREST-BEARING LIABILITIES

The loan portfolio amounted to SEK 16,882 million (15,153) at year-end. The increase is due to net acquisitions, investments in the existing portfolio, dividend paid and swap close-outs.

Interest-bearing liabilities, SEK m	2018	2017
Liabilities at beginning of year	15,153	16,511
New loans	5,330	2,944
Repayment of loans	-3,602	-4,302
Liabilities at end of year	16,882	15,153

Kungsleden extended a SEK 3.2 billion secured bank loan with short remaining maturity in the year. This refinancing helped extend the average debt maturity by 0.9 years to 5.6 years (4.7), while in tandem with this, the financing cost reduced further to 1.8 per cent (2.4). As of 31 December, liquid funds available including unutilised credit facilities were SEK 2,137 million (1,458). The LTV ratio, measured as net debt in relation to real estate assets, decreased to 47.3 per cent (47.9) as a consequence of ongoing earnings in the year and value restatements on property assets.

DERIVATIVES

The negative market value of financial instruments as of 31 December 2018 was SEK -30 million, compared to SEK -171 million at the beginning of the year. The downturn is explained firstly by undervalues in selected swaps being realised through the payment of a total of SEK 214 million, and secondly that interest on longer maturities decreased since year-end, exerting a SEK -73 million effect. The negative market value is reducing progressively through ongoing interest payments in swap contracts, recognised as an ongoing interest cost in profit from property management.

Consolidated Statement of Changes in Equity - Group

SEK m	Share capital	Other contributed capital	Translation difference	Accumulated profit or loss	Total equity
Opening equity, 1 Jan. '17	76	2,922	3	8,122	11,123
Net profit for the year	-	-	1	1,906	1,907
New share issue	15	1,584	-	-	1,599
Dividend	-	-	-	-437	-437
Closing equity, 31 Dec. '17	91	4,506	4	9,591	14,192
Opening equity, 1 Jan. '18	91	4,506	4	9,591	14,192
Net profit for the year	-	-	-	2,055	2,055
Dividend	-	-	-	-480	-480
Closing equity, 31 Dec. '18	91	4,506	4	11,166	15,767

Consolidated Cash Flow Statement - Group

SEK m	Note	2018	2017
OPERATING ACTIVITIES			
Profit from property management		1,124	985
Other adjustments not included in cash flow from operating activities		7	1
Tax paid		0	0
Cash flow from operating activities	23	1,131	986
<i>Changes in working capital</i>			
Operating receivables		38	-6
Operating liabilities		-42	-125
		-4	-131
Cash flow from operating activities after change in working capital	23	1,127	855
INVESTING ACTIVITIES			
Investments in existing properties		-1,300	-925
Acquisition of properties		-1,836	-790
Divestment of properties		1,005	1,709
Purchase of equipment		-	-4
Sale of equipment		-	4
Investments in other financial assets		-206	-397
Cash flow from investing activities		-2,337	-403
FINANCING ACTIVITIES			
New share issue		-	1,599
New loans		5,330	2,944
Repayment of loans		-3,602	-4,302
Dividend		-360	-437
Cash flow from financing activities	23	1,368	-196
CASH FLOW FOR THE YEAR			
Cash equivalents at beginning of year		313	57
Exchange rate differences on cash equivalents		0	0
Cash equivalents at end of year	23	471	313

Comments on the Consolidated Cash Flow Statement

The total cash flow amounted to 158 million (256) during the year. Cash equivalents amounted to SEK 471 million (313) at year-end.

The cash flow in a real estate company is highly related to the size of the property portfolio. Cash flow from operating activities consists of profit from property management, with adjustments for a number of non-cash items and payment of tax.

For 2018, cash flow from operating activities amounted to SEK 1,127 million (855). The increase is mainly due to increased profit from property management but also to higher operating liabilities at year-end compared to the previous year. Investing activities vary between years as Kungsleden has been net buyer in some years and net sellers in others.

Investing activities generated a cash flow of SEK -2,337 million (-403) for 2018, which is mainly related to larger acquisitions in 2018 compared with the previous year, but also fewer divestments. Cash flow from financing activities amounted to SEK 1,368 million (-196). Loans have been raised with SEK 5,330 million (2,944) and repayments of SEK 3,602 million (4,302) have been made.

Notes – Group

NOTE 1. GROUP ACCOUNTING PRINCIPLES

GENERAL INFORMATION

Kungsleden AB (KLED: Stockholm) CIN 556545-1217, is the parent company of the Kungsleden Group. Kungsleden AB (KLED: Stockholm) has its registered office in Stockholm with address Warfvinges väg 31, Box 704 14, 107 25 Stockholm. The financial reports of Kungsleden AB (KLED: Stockholm) for the year ending 31 December 2018 were approved by the Board of Directors and Chief Executive Officer on 15 March 2019, and will be presented to the Annual General Meeting on 26 April 2019 for adoption. The Group's operations are described in the Administration Report.

APPLIED STANDARDS AND LEGISLATION

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the EU. The Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Regulations for Groups, has also been applied.

REVISED ACCOUNTING POLICIES 2018

The same accounting policies have been applied when preparing the consolidated accounts, as described in the annual accounts for 2018, with the following exceptions:

IFRS 9 FINANCIAL INSTRUMENTS

Kungsleden has adopted IFRS 9 Financial instruments for the first time in its 2018 illustrative financial statements, which deals with the classification, measurement and recognition of financial assets and liabilities, has introduced new rules regulating hedge accounting, and a new impairment model. IFRS 9 retains a dual measurement approach, but in certain senses, this approach has been simplified. Pursuant to IFRS 9, there are three valuation categories of financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. How an instrument is classified depends on the company's business model and the characteristics of the instrument. The new hedge accounting rules of IFRS 9 provide entities with more scope to reflect the risk management strategies they have applied. Generally, classification for hedge accounting has been simplified. The new Standard has extended the disclosure requirements, and introduced certain amendments to presentation. IFRS 9 also introduces a new model for computing credit loss reserves, which is based on expected credit losses. Because Kungsleden does not apply hedge accounting, this new standard has not had any material impact on the Group.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

Kungsleden is applying IFRS 15 effective 2018, which is the new standard for revenue recognition. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the relevant interpretation statements. IFRS 15 is based on the principle that revenues are recognised when the customer obtains control over the sold good or service – replacing the previous policy of revenue being recognised when risks and rewards have transferred to the purchaser. Most of Kungsleden's revenues are rental revenues from lease contracts. Lease contracts lie outside IFRS 15's application segment. Kungsleden's revenue is largely regulated by IAS 17 Leases, with the exception of the outward invoicing of certain revenue, which is regulated by IFRS 15. The former includes customary rent including indexations, additional charges for investments, and property tax; the latter refers to all other additional charges such as heat, cooling, waste disposal, water, snow removal, etc. The introduction of IFRS 15 does not have any effect on Kungsleden's Income Statement or Balance Sheet.

IFRS THAT HAVE NOT YET STARTED APPLICATION

The following IFRS have been published, but not yet come into effect, and were not applied when preparing these financial statements.

IFRS 16 Leases was adopted in 2017 and entered force on January 1, 2019. The new standard includes regulations for both lessor and lessee. Kungsleden's revenues are mainly generated by rental income and must therefore follow the IFRS 16 regulations for lessors. Kungsleden will begin applying the standard as of January 1, 2019. No retrospective application (i.e. application of the simplified method in which the recognized value of the right of use is based on the corresponding value for the lease liability at the time of transfer) will therefore take place. The regulations are largely unchanged for lessors, and the classification between operating and finance leases is retained.

Kungsleden is a lessee as primarily regards site leasehold agreements, which means that recognition will change as of 2019. The change will have no impact on earnings, but on the other hand a shift will take place in the income statement where site leasehold fees, instead of being recognized as a property cost, will be recognized as a financial item with reference to net financial items and is estimated to be SEK 24 million. Further, the balance sheet will be impacted by the current value of future site leasehold fees being recognized as an asset and a liability respectively. As of January 1, 2019, the liability and asset are estimated to total approximately SEK 760 million. With the exception of site leasehold agreements, Kungsleden is only a lessee to a minor extent, which will not impact the income statement and the balance sheet.

At present Kungsleden's opinion is that other new and revised standards and interpretations from the IFRS interpretations Committee, endorsed by the EU, will not materially impact its result of operations or financial position.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENT

The functional currency of the parent company is the Swedish krona, which is also the presentation currency of the Group. All amounts are in SEK million, unless otherwise stated. Assets and liabilities are reported at historical cost, except for investment properties and financial instruments, which are measured at fair value. Changes in fair value are recognised in the Income Statement. Preparing the consolidated accounts according to IFRS requires the company's Board of Directors to make assessments and estimates, and make assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The estimates and assumptions are based on historical experience and a number of other factors that appear relevant in current circumstances. The outcomes of these estimates and assumptions are then used to measure the carrying amounts of assets and liabilities, which would not be clear are available from other sources. Actual outcomes may differ from these estimates and assessments. The estimates and assumptions are reviewed regularly. Assessments by management when applying IFRS that have a material impact on the financial statements and estimates made are reviewed in more detail in note 3.

CLASSIFICATION

Kungsleden's activities mainly consist of property management of a large number of properties that are leased to external tenants. Typically, lease contracts are arranged for periods of 3 to 10 years initially. However, this period can vary, and may be up to just over 20 years. A renegotiation process is conducted with the tenant prior to the expiry of the contract term, relating to rent levels and other terms & conditions of the contract, unless the contract has been terminated. However, after the initial contract date, it is difficult to determine how long a contract will apply, and at any time, there is a large number of contracts running in parallel with different terms. This makes specifying Kungsleden's business cycle difficult. It is also difficult to specify how long Kungsleden expects to hold a property. In this context, assets and liabilities are recognised in the Statement of Financial Position in decreasing order of liquidity, because this provides reliable and relevant information to operations.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the parent company and subsidiaries. Subsidiaries are companies that the parent company exerts a controlling influence over. A controlling influence exist if the parent company has influence over the investment object, is exposed to, or has the right, to variable returns from its commitment and can exert its influence over the investment to impact returns. When judging whether controlling influence exists, consideration is given to whether potential share voting rights and de facto control exist. The consolidated financial statements have been prepared in accordance with acquisition accounting, which means that assets and liabilities and contingent liabilities have been measured at fair value on the acquisition date in accordance with an established acquisition analysis. The revenues and expenses of acquired entities are included in the financial statements from the date of taking possession. The profit or loss of divested entities is included until the date possession is transferred. Intra-group receivables and liabilities, revenues or expenses and unrealised gains or losses arising from intra-group transactions are eliminated completely when the consolidated accounts are prepared.

Translation of foreign operations

The financial statements of each foreign subsidiary are presented in the local currency where the operations are conducted in. The consolidated financial statements are presented in Swedish kronor (SEK). Income statements and balance sheets of foreign operations are translated to SEK according to the current method, which means that balance sheets are translated at closing date rates, except for equity, which is translated at historical rates. Income statements are translated at average rates of exchange for the period. The exchange rate differences on translation are reported against other comprehensive income as translation differences.

The following rates of exchange have been applied for translation:

SEK	Average exchange rate		Closing day rate	
	2018	2017	31 Dec. '18	31 Dec. '17
EUR	10.26	9.63	10.28	9.85
PLN	2.41	2.26	2.39	2.36

STATEMENT OF CASH FLOWS

The Statement of Cash Flows has been prepared in accordance with the indirect method pursuant to IAS 7 Statement of Cash Flows.

ACQUISITIONS AND DIVESTMENTS

Acquisitions are consolidated from effective the date of taking possession, and divestments until the dates of transferring possession. Receivables or liabilities against counterparties between the transaction date and settlement date/completion date are accounted gross under other receivables and other liabilities respectively.

ASSET ACQUISITIONS

In recent years, it has become customary for real estate transactions to be executed indirectly through companies holding properties, rather through direct property transactions. Properties are acquired through acquisitions of entities, for reasons including stamp duty being payable on property transfers, and the sale of an entity offering tax benefits for the seller compared to a direct sale. In an asset acquisition through a corporate transaction, the acquisition is treated as if the property/properties were acquired directly. This type of acquired entity normally has no employees, organisational resources or other operations apart from those directly related to the property holding. Cost is allocated proportionally on acquired assets and liabilities taken over based on their fair values. No deferred tax is recognised. Kungsliden accounts deductions received for deferred tax as an unrealised change in value on the property directly at the acquisition date. For direct sales of property where not all temporary differences have been accounted, a tax expense arises when the sale is at carrying amount. For a sale via a company, as is most customary, buyers and sellers will normally agree on a price reduction corresponding to a portion of the difference between the tax residual value and the agreed property value. This means that tax revenue for accounting purposes arises if a deferred tax liability has been recognised that exceeds the deduction in the transaction, or a tax expense if the deduction is greater than the reported tax liability.

BUSINESS COMBINATIONS

Kungsliden applies acquisition accounting on acquisitions where it obtains controlling influence over one or more basically autonomous operations, pursuant to IFRS 3 Business Combinations. The acquired entity's identifiable assets, liabilities and contingent liabilities are recognised at fair value on the acquisition date, and the profit or loss relating to the acquired operation is included effective the date of taking possession. Deferred tax for potential surplus values relating to the acquisition is recognised as a liability at the nominal tax rate. The difference between deferred tax at the nominal tax rate and the value that the temporary difference has been measured at in the acquisition analysis is recognised as goodwill. Transaction costs are expensed as administration costs at acquisition. In acquisitions of further participations in an entity that Kungsliden thus obtains a controlling influence over, previous participations are restated at fair value through profit or loss. If instead, Kungsliden acquires further participations in an entity that had previously been consolidated, the difference between the purchase consideration and net value according to the balance on taking possession is recognised as an ownership transaction directly against equity. On part-sale of a group company but with controlling influence retained, a difference between the sales price and value of sold participation in an ownership transaction is recognised directly against equity. In a part-sale of a group company involving the loss of controlling influence, a capital gain or loss and restatement of remaining holdings is recognised in profit or loss. Kungsliden usually conducts few business combinations. No business combinations were executed in the year.

OPERATING SEGMENT REPORT

An operating segment is a segment of the Group which engages in operations from which it may earn revenues and incur expenses and for which independent financial information is available. The results of operations of an operating segment are monitored by the company's chief operating decision maker (Group Management) in order to evaluate results of operations and allocate resources between operating segments. See note 4 for details of the division and presentation of operating segments.

REVENUES

Lease contracts are classified as operating leases with the assumption that the property remains in Kungsliden's ownership, even if the contract may run for up to 20 years. Rental revenues from investment properties are recognised on the straight-line basis in profit or loss for the year based on the terms & conditions of the lease contract. The aggregate cost of discounts or

other benefits issued is recognised as a reduction of rental revenues on a straight-line basis over the lease term. Revenues from property sales are recognised from the date of transfer of possession. If rent guarantees have been obtained in tandem with acquisitions, revenue is recognised in the consolidated accounts as the rent guarantee is utilised through the absence of rental revenues.

FINANCIAL REVENUE AND EXPENSES

Interest income is recognised in the period it relates to. Interest and other financial expenses relating to new development is capitalised during the development period, while they are expensed on an ongoing basis in extension and conversion, because these investments are smaller scale, and usually, their construction time is shorter. Derivatives are used with the aim of achieving the desired interest rate duration. Revenues and expenses relating to derivatives are recognised on an ongoing basis in profit or loss under the items unrealised changes in value on financial instruments and interest costs. Revenues and expenses for the redemption and renegotiation of derivatives and compensation on interest rate differences are recognised as they arise. Interest income and interest expenses on financial instruments are recognised in accordance with the effective interest method. The effective interest rate is the interest rate that discounts estimated future payments received or made during the expected term of the financial instrument at the reported net value of the financial asset or liability.

INCOME TAX

Current and deferred income tax for Swedish and foreign group entities is recognised in profit or loss except when the underlying transaction is reported directly to equity, whereby the associated tax effect is recognised in equity. Group companies are liable for tax in accordance with legislation in each jurisdiction. The tax rate in Sweden has been 22.0 per cent since 1 January 2013, and effective 1 January 2019, is enacted to reduce in two stages from the current level to 21.4 per cent in 2019 and 20.6 per cent in 2021, which is coincident with new rules limiting corporate deductions for negative net interest income being introduced in 2019. Kungsliden's provision for deferred tax is positively impacted by SEK 128 million due to the reduction of corporation tax, with more information in note 10. Current tax is computed on the basis of recognised profit or loss with a supplement for non-deductible items, and deductions for non-taxable revenues. Income tax is accounted according to the balance sheet method, which means that deferred tax is computed for temporary differences between taxable values and carrying amounts of assets and liabilities identified on the reporting date. Temporary differences mainly apply to properties, financial instruments, accumulated excess depreciation of equipment and tax allocation reserves. Temporary differences are measured at the nominal tax rate, and the change on the previous reporting date is recognised in profit or loss as deferred tax. Deferred tax assets relating to deductible temporary differences and loss carry-forwards are only recognised to the extent that it is likely that it will be possible to utilise them. The value of deferred tax assets is reduced when it is no longer likely that they can be utilised. When participations in subsidiaries are acquired, such acquisition is either acquisition of operations or acquisition of assets. In an acquisition of operations, deferred tax is recognised at the nominally applicable tax rate without discounting according to the above policies. In asset acquisitions, no separate deferred tax is recognised on the acquisition date, but rather, the acquisition is recognised at a cost corresponding to the fair value of the asset. After the acquisition, the full deferred tax for future changes in value is recognised.

EMPLOYEE BENEFITS

Employee benefits such as salaries and social security expenses, annual leave and paid sickness absence etc. are reported at the employees contracted rate. Obligations for employees are vested through defined contribution pension plans or ITP (supplementary pensions for salaried employees). Those plans where the company's obligations are limited to the charges the company has undertaken to pay are classified as defined contribution pension plans. In such cases, the scale of the employee's pension depends on the expenses the company deposits to the plan, or to an insurance company, and the return on assets that the charges generate. Accordingly, the employee bears the actuarial risk (that compensation is lower than expected) and the investment risk (that the invested assets are insufficient to generate the expected benefits). The company's obligations regarding charges to defined contribution plans are recognised as an expense in profit or loss for the year as they are accrued by employees rendering services to the company in a period. In accordance with the statements from the Swedish Financial Reporting Board, ITP pension plans vested through insurance with Alecta are recognised as defined contribution plans providing the ITP plan's basic structure remains unchanged. An expense for compensation on termination of staff is only recognised if the company is demonstrably obliged to terminate employment prior to the normal date through a formal, detailed plan, without any realistic possibility of withdrawal. When compensation is paid as an offering to encourage voluntary termination, an expense is recognised if it is likely that the offer will be accepted, and the number of employees that will accept this offer can be reliably estimated.

*cont. note 1***LEASES**

Kungsleden is a major lessor due to its lease contracts being classified as operating leases, as in the Revenue section above. As lessee, Kungsleden has entered a number of site leasehold contracts, leaseholds and lesser value lease contracts on office equipment. The aggregate amount of these arrangements is not material. Proceeding from the economic risk remaining with the lessor, all lease contracts, site leaseholds and leases are recognised as operating leases. Costs are recognised on an ongoing basis

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are translated at rates of exchange ruling on the transaction date. Monetary assets and liabilities in foreign currencies are translated at closing day rates, when exchange rate differences are expensed. Exchange rate differences relating to operating receivables and liabilities are recognised in operating profit or loss, while exchange rate differences relating to financial assets and liabilities are recognised in net financial items.

TRANSACTIONS WITH RELATED PARTIES

Business conditions and pricing on an arm's length basis are applied on rendering services between group companies and other related entities and private individuals.

PROPERTIES

Properties are initially recognised at cost. Subsequent expenditure on investment measures that generates future economic benefits and that can be measured reliably, is capitalised. Expenses relating to the exchange of all or part of identified components, as well as expenses that result in the creation of new components, are capitalised. Then, the property is recognised at fair value in the Group according to the following method. Other additional expenses are recognised as an expense in the period they arise. Interest expenses on large-scale extensions and conversions are not capitalised.

Investment properties

Buildings and land held with the aim of generating rental revenues and/or value increases are classified as investment properties in the Group. Investment properties are recognised at fair value in the Statement of Financial Position pursuant to IAS 40. Revaluations are conducted on a continuous basis through the financial year, and recognised on the basis of internal valuations. For a review of valuation methods, see note 13. For considerations regarding the valuation of properties, see also note 3. Any deductions for deferred tax on acquisitions of properties via companies (asset acquisitions) received over and above reported tax in acquired companies, are recognised as an unrealised change in value on the property directly at the acquisition date. Buildings that are under construction for future use as investment properties are recognised at fair value pursuant to IAS 40 Investment Property. The basis of valuation is estimates of future cash flows and pricing expected to be achievable in a transaction between informed parties on market terms. However, incomplete properties are more difficult to appraise than existing properties because the final cost cannot be determined, and the process until functional/leased property can only be estimated.

EQUIPMENT AND INTANGIBLE ASSETS

Equipment and intangible assets have been recognised at cost deducting for accumulated depreciation according to plan and potential impairment losses. Equipment and intangible assets are depreciated on a straight-line basis on cost, over five years.

FINANCIAL INSTRUMENTS

Financial instruments are any form of agreement that gives rise to a financial asset in a company and a financial liability or equity instrument in another company. Financial instruments reported in the balance sheet include, on the asset side, cash and cash equivalents, accounts receivable, long-term receivables, other receivables, derivatives and prepaid expenses and accrued income. Interest-bearing liabilities, accounts payable, other liabilities, derivatives and accrued expenses and prepaid income are included on the liability side. The report depends on how the financial instruments have been classified. For information on the company's exposure to financial risks and how these risks are managed, see note 2.

Recognition in the Statement of Financial Position

A financial asset and financial liability are offset and reported with a net amount in the balance sheet only when there is a legal right to offset the amounts and that there is an intention to settle the items with a net amount or to simultaneously realize the asset and settle the debt. A financial asset or financial liability is recognised in the Statement of Financial Position when the company becomes party to the instrument's contractual terms.

A receivable is recognised when the company has performed and there is a contracted obligation for the counterparty to pay, even if no invoice has been sent. Accounts receivable are recognised in the Statement of Financial Position when an invoice has been sent. Rent receivables are recognised when the period they relate to occurs. Non-current receivables, which exclusively consist of promissory notes, are recognised at nominal amount restated for the present value of any difference against a market interest rate.

Liabilities are recognised when the counterparty has performed and there is a contractual liability to pay, even if an invoice has not yet been received. Accounts payable are recognised when an invoice has been received. A financial asset is derecognised from the Statement of Financial Position when the rights in the contract are realised, become due or the company relinquishes control over them. The same applies to part of a financial asset. A financial liability is derecognised from the Statement of Financial Position when the obligation in the contract is fulfilled or otherwise does not apply. The same applies for part of a financial liability. At each reporting date, the company evaluates whether there are objective indications that a financial asset or group of financial assets needs impairment. Gains and losses from removal from the balance sheet and modification are recognised in profit or loss.

Categories of financial instrument:**Financial assets**

Debt instruments: the classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and the nature of the asset's contractual cash flows.

The instruments are classified into:

- amortized cost
- fair value through other comprehensive income, or
- fair value through profit.

The Group's debt instruments are classified at amortized cost. Financial assets classified at amortized cost are initially measured at fair value with the addition of transaction costs. Accounts receivable and lease receivables are initially recognized at the invoiced value. After the first accounting opportunity, the assets are valued according to the effective interest method.

The assets are covered by a loss reserve for expected loan losses.

Derivatives: classified at fair value through profit or loss. The Group does not apply hedge accounting. Fair value is determined as described in note 21.

Financial liabilities

Financial liabilities are classified at amortized cost with the exception of derivatives. Financial liabilities recognized at amortized cost are initially measured at fair value including transaction costs. After the first accounting date, they are valued at amortised cost according to the effective interest method.

Derivatives: classified at fair value through profit or loss. The Group does not apply hedge accounting. Fair value is determined as described in note 21.

IMPAIRMENT**Non-current assets**

The carrying amounts of the Group's assets are tested for impairment at each reporting date. If there is indication of impairment, the asset's recoverable value is completed.

The Group's financial assets, other than those classified at fair value through profit or loss, are subject to impairment losses for expected loan losses. Write-downs for loan losses according to IFRS 9 are forward-looking and a loss reserve is made when there is an exposure to credit risk, usually at the first accounting date. Expected credit losses reflect the present value of all cash flow deficits attributable to default either for the next 12 months or for the expected remaining term of the financial instrument, depending on the asset class and on the credit deterioration since the first accounting date. Expected credit losses reflect an objective, probability-weighted outcome that takes into account most scenarios based on reasonable and verifiable forecasts.

The simplified model for reporting expected credit losses is applied to accounts receivable, rental receivables and contract assets. This means that expected loan losses are reserved for the remaining maturity, which is expected to be less than one year for all receivables. Rent is invoiced in advance, which means that all reported rental receivables have fallen due. The Group reserves for expected credit losses based on the number of due dates and on the basis of individual assessment of the risk that the receivable will not be received. The Group's customers are a homogeneous group with a similar risk profile, which is why the credit risk is initially assessed collectively for all customers. Any major individual receivables are assessed per counterparty. Kungsleden discards a claim when there is no longer any expectation of receiving payment and when active measures for receiving payment have been terminated. Non-significant financial assets are not tested according to the simplified method. Other receivables and assets are written down according to a rating-based method through external credit rating. Expected credit losses are valued at the product of probability of default, loss given default and the exposure in the event of default. For credit-impaired assets and receivables, an individual assessment is made, taking into account historical, current and forward-looking information. The valuation of expected loan losses takes into account any collateral and other credit enhancements in the form of guarantees.

The financial assets are recognized in the balance sheet at amortized cost, i.e. net of gross value and loss reserve. Changes in the loss reserve are reported in the income statement.

Exceptions

Exceptions from the impairment policies are permitted for investment properties (recognised at fair value), property, plant and equipment held for sale and deferred tax assets that are measured in accordance with specific rules, stated under the relevant heading in accounting policies.

PROVISIONS

A provision differs from other liabilities because there is uncertainty regarding the timing of payment of the amount required to settle the provision. Provisions are recognised in the Statement of Financial Position when there is an existing legal or informal obligation resulting from an event that has occurred, and it is likely that an outflow of economic resources will be necessary to settle the obligation, and the amount can be measured reliably. Provisions are made at an amount that is the best estimate of what is necessary to settle the existing obligation on the reporting date. When the effect of the timing of payment is material, the provision is computed to discounting the expected future cash flow at an interest rate before tax that reflects current market estimates of the time value of money, and if applicable, the risks associated with the liability.

CONTINGENT LIABILITIES

A contingent liability is recognised when there is a possible obligation whose existence is confirmed only by one or more uncertain events, or when there is an obligation that is not reported as a liability or provision because it is unlikely that an outflow of resources will be necessary.

ROUNDING

Individual amounts will be rounded to the nearest whole number of millions of Swedish kronor. Totals are rounded to the nearest whole number of millions of Swedish kronor. Rounding errors may occur in notes and tables.

NOTE 2. RISKS

This note describes the risks in Kungsleden's cash flow in property management, as well as the financial risks of credit risk and currency risk. Kungsleden's financial risks are reviewed on pages 52-55, with specific reviews of financing risks, liquidity risks, interest rate risk and financial risk management.

I - RISKS IN PROPERTY MANAGEMENT CASH FLOW

The cash flow in a given property holding is affected by fluctuations in rental revenue, which in turn, depend on variations in rent levels and vacancies. These variations are due to factors including Swedish economic growth, the rate of production of new properties, alterations to infrastructure, employment and demographic factors.

Rental revenue

Rent levels and vacancies are strongly impacted by Swedish economic growth generally, but also, and not least, by growth at regional and local level in the locations where Kungsleden operates. Economic growth leads to increased demand for premises with the potential for higher rent levels and lower vacancies, well declining growth has the opposite effect. The volume of new production of properties on local markets exerts an impact on rent levels and vacancies. Kungsleden's property portfolio and client base have good risk diversification in terms of premises type, geography, contract size and tenant category. Lease contract portfolios are relatively long term, with an average remaining lease duration for the portfolio of 3.7 (3.9) years. As average contract duration is fairly long, a short-term variation in market rents has no material impact on rental revenues. Lease contracts contain indexation clauses that increase rents by 75-100 per cent of inflation. The indexation in any specific year is based on the rate of inflation in October of the previous year. Indexation clauses state minima, which offer some short-term protection against deflation. Rental revenues are affected by potential payment difficulties tenants experience. In 2018, rent losses were SEK -3 million (-5). The risk of rent losses and vacancies is affected by the structure of Kungsleden's tenant base. Large commercial tenants may imply low credit risk, but can also cause concentration risks. Kungsleden's ten largest tenants represented 22 per cent of rental values of the properties held at the end of the period. In several cases, the largest tenants have several different operations and subsidiaries in several locations, which reduces this risk.

The largest tenants	Rental value, SEK m	Share of rental value, %
ABB	286	11
Biz Apartments	39	2
ICA	37	2
Municipality of Västerås	36	1
Westinghouse Electric Sweden	24	1
Swedish Custom Board	21	1
SMHI	21	1
Swedish Social Insurance Administration	21	1
Municipality of Stockholm	21	1
Dagab Inköp & Logistik	20	1
10 largest tenants	526	22

Property costs

Fluctuations in operating costs affect cash flow. The largest operating cost items are the cost of electricity, cleaning, heating, water, care and maintenance. Site leasehold and property tax, and the cost of electricity and heating have the largest profit impact. Pricing of electricity is determined by supply and demand on the open electricity market. Kungsleden has limited this risk by hedging specific amounts of electricity. A portion of the cost of electricity and heating is invoiced to tenants. For costs not met by tenants, Kungsleden obtains compensation by lease contracts containing indexation clauses implying that rents increase by 75-100 per cent of inflation. Accordingly, any exposure to variations in these costs is limited. However, property cash flow and operating net are impacted by yearly variations in the cost of supplies and maintenance. Some properties have site leaseholds that are usually renegotiated at 10-20-year intervals. Site leasehold fees are currently computed so that the municipality receives a reasonable real interest rate on the estimated value of the land. The possibility that the basis of computation of these leaseholds may change in future renegotiation processes cannot be ruled out. Property tax, which is based on the taxable value of properties is basically a political decision. This applies to the basis of computation, the taxable value and the tax rate. Usually, property tax is invoiced to tenants for leased areas, while the tax on vacant premises is met by the property owner.

Cash flow sensitivity analysis	Change	Revenue impact before tax, SEK m
Rental revenue	+/-1%	+/-24
Financial vacancy	+/-1% point	+/-26
Property costs	+/-1%	-/+ 8
Average interest rate, loan portfolio	+/-1% point	-169/+169
Short-term market interest rate (<six months)	+/-1% point	-94/+52

II - FINANCIAL RISKS

Financial risks mean fluctuations in a company's results of operations and cash flow resulting from variations in market interest rates or exchange rates, as well as refinancing and credit risks. Each year, the Board of Directors adopts a finance policy for the Group's management of financial risks. The finance policy sets a framework of guidelines and regulations in the form of risk mandates and limits for financing activities. Responsibility for the Group's financial transactions and risks is managed centrally by the Group's treasury function.

Credit risk

Credit risk is defined as the risk that a counterparty does not fulfil all or parts of its obligation. Credit risk is within derivative contracts, on the issuance of promissory notes and investment of surplus liquidity. Credit risk also relates to the risk of the counterparty not making its payments of rent or sales proceeds. Usually Kungsleden requires collateral for long-term receivables to reduce credit risk. These non-current receivables amounted to SEK 4 million (12) as of 31 December 2018, see note 15.

Currency risk

Essentially, there is no transaction exposure because the Group does not hold property in foreign countries. For more information on financial risks, see pages 49-51.

NOTE 3. SPECIFIC CONSIDERATIONS AND ASSESSMENTS**VALUATION OF PROPERTIES****Key sources of estimation uncertainty**

Because the price of a property is not available on a listed marketplace, appraisals of property value must be made as supporting data for recognition at fair value. Property values are dependent on many factors that impact results of operations and cash flow. Financing terms, interest rate levels and a functional finance market also impact the pricing and required yield that create balance on the property market between buyers and sellers. In a functional market, sales prices normally lie in the interval of estimated fair value +/-5 to 10 per cent.

Assessments when applying accounting policies

All properties were valued for the annual financial statement. These valuations are based on an analysis of cash flows, which estimate each property's future earnings capacity and market required yield. This process is reviewed in note 13. The fact that Kungsleden is active on the property market, executing multiple purchase and sales transactions, offers additional market information, and improves the potential to make good estimates of appraised values. Kungsleden also reconciles against external valuations.

TAX SITUATION**Key sources of estimation uncertainty**

The accounting of ongoing taxes payable, loss carry-forwards and deferred taxes on temporary differences between book values and taxable values, are based on applicable rules. Tax legislation is complex, especially in acquisitions and divestments of properties and companies. The interpretations of existing rules by tax courts may also change over time, which means that their application may alter after transactions have been executed and tax assessments have been filed. The Swedish Tax Agency can normally reconsider a company's taxation within two years of the end of the financial year, although in certain cases, the Agency can reconsider taxation five years retroactively.

Assessments when applying accounting policies

On each acquisition and divestment, Kungsleden judges how these transactions should be reported for tax purposes. Kungsleden continuously verifies its judgements on tax issues with external experts. However, this does not rule out the risk that the Swedish Tax Agency or courts could not view executed transactions in a manner that differs from the company.

NOTE 4. OPERATING SEGMENTS

SEK m, 2018	Stockholm	Gothenburg	Malmö	Västerås	Regional cities and other	Development properties	Unallocated	Total
Revenues	832	236	258	540	438	82	-	2,385
Property costs	-252	-77	-78	-200	-141	-50	-	-800
Operating net	580	159	179	339	296	32	-	1,586
Selling and administration costs	-	-	-	-	-	-	-95	-95
Net financial items	-	-	-	-	-	-	-366	-366
Profit from property management	580	159	179	339	296	32	-461	1,124
Changes in value								
Properties	816	118	107	449	111	18	-16	1,603
Interest rate derivatives	-	-	-	-	-	-	-73	-73
Profit before tax	1,396	276	287	788	408	50	-551	2,653
Tax	-	-	-	-	-	-	-598	-598
Net profit for the year	1,396	276	287	788	408	50	-1,149	2,055
FINANCIAL POSITION								
Properties	14,153	3,225	4,048	5,821	4,554	2,897	-	34,697
Other assets ¹	-	-	-	-	-	-	697	697
Total assets	14,153	3,225	4,048	5,821	4,554	2,897	697	35,394
Interest-bearing liabilities ¹	-	-	-	-	-	-	16,882	16,882
Equity, provisions and other liabilities ¹	-	-	-	-	-	-	18,513	18,513
Total equity and liabilities	-	-	-	-	-	-	35,394	35,394
OTHER DISCLOSURES								
Investments in properties	371	135	33	120	210	431	-	1,300
Profit or loss items that do not affect cash flow ¹	-	-	-	-	-	-	1,530	1,530

¹ Assets that are not properties are not allocated by segment. The allocation is neither made for liabilities and provisions or relates to interest rate derivatives with negative values or unpaid purchase price on properties not yet been accessed.

SEK m, 2017	Stockholm	Gothenburg	Malmö	Västerås	Regional cities and other	Development properties	Unallocated	Total
Revenues	773	212	224	516	511	86	-	2,323
Property costs	-239	-69	-72	-193	-160	-51	-	-785
Operating net	534	143	152	323	351	35	-	1,538
Selling and administration costs	-	-	-	-	-	-	-120	-120
Net financial items	-	-	-	-	-	-	-433	-433
Profit from property management	534	143	152	323	351	35	-553	985
Changes in value								
Properties	702	149	103	125	58	280	-6	1,411
Interest rate derivatives	-	-	-	-	-	-	85	85
Profit before tax	1,235	293	255	448	409	315	-475	2,481
Tax	-	-	-	-	-	-	-575	-575
Net profit for the year	1,235	293	255	448	409	315	-1,049	1,906
FINANCIAL POSITION								
Properties	13,026	2,598	3,010	5,252	5,036	2,052	-	30,974
Other assets ¹	-	-	-	-	-	-	572	572
Total assets	13,026	2,598	3,010	5,252	5,036	2,052	572	31,546
Interest-bearing liabilities ¹	-	-	-	-	-	-	15,153	15,153
Equity, provisions and other liabilities ¹	-	-	-	-	-	-	16,393	16,393
Total equity and liabilities	-	-	-	-	-	-	31,546	31,546
OTHER DISCLOSURES								
Investments in properties	227	100	33	106	131	328	-	925
Profit or loss items that do not affect cash flow ¹	-	-	-	-	-	-	1,496	1,496

¹ Assets that are not properties are not allocated by segment. Nor is there any allocation for liabilities and provisions, nor for interest rate derivatives with negative values, nor unpaid purchase prices for properties that have not yet been accessed.

Kungsleden's operating segments have been changed in comparison to 2017. During the the year were Stockholm, Gothenburg, Malmö, Västerås, Regional cities and other, Development properties and Unallocated. Firstly, properties are divided between investment properties and development properties. Secondly, there is a further division of investment properties, with figures allocated according to geographical division. The segments manage and improve properties and provide premises to external customers. Kungsleden manages its property operations via three property management units, Stockholm, Gothenburg/Malmö and Västerås, each managed by a Head of Real Estate. Profit centre responsibility for management of the properties within a specific area rests with the Head of Real Estate, who reports to the CEO, who in turn, sets targets, monitors rental revenues, property costs,

operating net and investments by segment. The Head of Real Estate can directly affect these profit/loss items, and overall, provides the foundation of the whole company's profit from property management. For these reasons, Kungsleden has decided to consider its geographical regions as operating segments. Other/group wide are any items that are not attributable to a specific segment, or are collective to all segments.

Significant transactions between segments consist of group contributions and intra-group loans.

ABB is the only customer representing more than 10 per cent of revenues. In 2018, rental revenues from ABB were SEK 286 (268) million.

Geographic market, SEK m	Sweden		Germany/Poland		Total Kungsleden	
	2018	2017	2018	2017	2018	2017
Revenues	2,385	2,323	0	0	2,385	2,323
Properties	34,697	30,974	-	-	34,697	30,974
Investments in properties	1,300	925	-	-	1,300	925

NOTE 5. OPERATIONAL LEASING**LESSOR**

The lease agreements are, from an accounting point of view, to be regarded as operating lease agreements where Kungsleden is the lessor.

The table shows the rental revenue calculated on the current lease agreements, excluding parking spaces, garage and housing, which by 31 December 2018 amounted to 2,399 (2,317) in number.

Lease agreements for premises are usually three to five years. Longer agreements are sought in certain situations and occur in the context of investment and specific properties or operations. The rent is usually index adjusted. In most cases there is a surcharge to the base rent for heating and property tax. The surcharges are based on the actual costs incurred by the landlord.

The lessor, rental revenues, SEK m	2018	2017
Contract revenues with payment within one year	2,049	2,037
Contract revenues with payment between one to five years	4,466	4,484
Contract revenues with payment in more than five years	1,731	2,100
Total	8,245	8,622

LESSEE

As operational lessee a number of agreements have been made in regards to site leaseholds, company cars and office equipment. The table below shows contracted payments for site leaseholds. Other operational lease agreements do not amount to significant amounts.

Lessee, site leasehold fees, SEK m	2018	2017
Contracted site leaseholds fees with payment within one year	23	23
Contracted site leasehold fees with payment between one to five years	89	76
Contracted site leasehold fees with payment in more than five years	232	85
Total	344	185

NOTE 6. SELLING AND ADMINISTRATION COSTS

Selling and administration costs relate primarily to costs of central functions such as business development, accounting and finance, legal and IT, as well as costs attributable to IPO costs and the Group's management team. The costs of the rental billing, rental requirements and accounting as well as depreciation is included in the equipment as well.

The direct costs of the on-going property management of SEK 110 (118) million is reported as a cost in the operating net.

SEK m	2018	2017
Personnel costs	-46	-69
Depreciation	-5	-5
Other operating expenses	-44	-46
Total	-95	-120

FEES TO AUDITORS

The audit assignment includes the audit of the annual report, the accounting records, and the administration of the Board of Directors and the CEO, other duties that the company's auditor is obliged to conduct and advice as well as advisory or other assistance resulting from observations made during the audit or performance of such other duties.

SEK m	2018	2017
Audit assignment, EY	2	3
Audit assignment, Frejs	1	1
Other assignments, EY	1	1
Other assignments, Frejs	0	0
Total	4	5

NOTE 7. EMPLOYEES AND PERSONNEL COSTS

The average number of employees during 2018 amounted to 109 (109) persons. The allocation of countries and gender is shown below.

Average number of employees	2018	Share of women, %	2017	Share of women, %
Sweden	109	52	109	53
The Group	109	52	109	53

GENDER DISTRIBUTION WITHIN THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

The Board of Directors of Kungsleden AB consisted of six (seven) members of which four (five) are women. The Group Management team consisted of nine (nine) persons of which six (six) are women.

Salaries, other remuneration and social security expenses, SEK 000	2018		2017	
	Salaries, other remuneration	Social security expenses	Salaries, other remuneration	Social security expenses
THE GROUP				
Group Management Team				
Board of Directors, CEO and Deputy CEO (of which pension expenses)	14,233	7,717 (2,753)	17,254	6,939 (2,770)
Axelsson, Charlotte	457	74	260	43
Berglund, Ingalill	300	94	300	94
Bjuggren, Jonas ²	173	54	-	-
Gahm, Joachim	87	27	260	82
Hjorth, Liselotte	260	82	260	82
Larsson, Göran ¹	185	58	555	91
Nilsson, Ulf ²	200	63	-	-
Orback Pettersson, Kia ¹	87	27	260	82
Wikström, Charlotta	260	82	260	82
Pehrsson, Biljana (CEO)	6,618	3,607	6,445	2,757
Kvist, Anders (Deputy CEO) ³	2,264	1,995	5,500	1,174
Sarby Westman, Ylva (Deputy CEO)	3,343	1,554	3,154	2,452
Other Group Management (of which pension expenses)	10,985	7,645 (4,327)	8,700	5,732 (3,205)
Total Group Management	25,218	11,035 (7,080)	25,954	12,671 (5,975)
Other employees (of which pension expenses)	72,506	34,340 (13,021)	74,003	33,133 (11,936)
Employee expenses (of which pension expenses)	97,724	45,375 (20,101)	99,957	45,804 (17,911)

¹ For the period 1 January–26 April.

² For the period 26 April–31 December.

³ For the period 1 January–13 July.

All pension expenses are for defined contribution plans or the ITP (Supplementary Pensions for Salaried Employees) plan. The year's expenses for ITP pension insurance vested with Alecta amounted to SEK 20 million (18). At year-end 2018, Alecta's surplus in the form of the collective consolidation ratio was 142 per cent (154). The collective consolidation ratio has been computed pursuant to Alecta's actuarial measurement assumptions, which are not consistent with IAS 19.

Future pension provision 2019, SEK m	2019	
	Pension	Specific wage tax
Group Management	6	2
Other employees	12	3
Total employees	18	5

REMUNERATION TO GROUP MANAGEMENT TEAM**Principles**

Fees are paid to the Board of Directors according to the resolution of the Annual General Meeting. Remuneration to the CEO, the deputy CEO and other Group Management consists of basic salary, variable bonuses, other benefits and pension. Other Group Management team are the people who are in addition to the CEO and the two Deputy CEO and are included in the Management team. For 2018, this was an average of seven persons (six).

The variable bonus is results and performance-based and linked to the outcome in relation to pre-set objectives.

The majority of the variable component should consist of potential bonuses, and for the CEO and Deputy CEO, is a maximum of 75 per cent of basic annual salary. The variable bonus for other Group Management a maximum of 50 per cent and on average a maximum of 40 per cent of basic annual salary.

Bonuses for the CEO are decided by the Board of Directors following suggestion from the remuneration committee. This is based on guidelines which are decided at the Annual General Meeting.

Variable bonuses

For the CEO and Deputy CEO variable bonus for 2018 was based on the profit from property management. The amount for the CEO and Deputy CEOs during 2018 amounted to 41 per cent (55) of the basic salary.

For other Group Management, variable bonuses for 2018 were on the same basis as for the CEO and Deputy CEO as well as on the individual performance targets for their own area of responsibility. The amount for the Group Management during 2018 amounted to an average of 29 per cent (31) of the basic salary.

Pensions

All Group Management pension age is 65 years and all have premium based pension plan, without other obligations for the company than the obligation to pay annual premiums. Pension premiums for the CEO will be 30 per cent of the fixed annual salary and for a Deputy CEO 27 per cent of the fixed annual salary. For one Group Management member pension premiums will be 27 percent of the fixed annual salary, and for all other Group Management the ITP plan is applied.

Termination

For the CEO the notice period is six months and for the company it is 12 months. In the event of dismissal by the company the CEO receives a severance pay of six months. The severance pay is not pensionable. If the CEO hands in their notice, there is no severance pay. For the Deputy CEO the notice period is six months and for the company 12 months.

For other Group Management a mutual notice period of four to six months is agreed. For all Group Management severance pay is offset against other income.

Remuneration and other benefits, SEK 000	Basic salary/Board fees		Variable remuneration ¹		Other benefits		Pension expenses ²		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Chair of the Board	457	555	-	-	-	-	-	-	457	555
Other Board members	1,552	1,600	-	-	-	-	-	-	1,552	1,600
CEO	4,179	4,069	2,315	2,261	124	114	1,545	1,212	8,163	7,656
Deputy CEOs	4,330	5,537	1,181	3,024	95	92	1,209	1,557	6,815	10,210
Other Group Management, total 7 (6)	8,200	6,432	2,416	1,992	369	276	4,327	3,205	15,312	11,906
Total	18,717	18,193	5,912	7,277	588	482	7,081	5,974	32,298	31,927

¹ Variable remuneration relates to 2018 attributable bonus.

² The pension expenses relates to the amount expensed in 2017. See above for further information on pension.

NOTE 8. EXPENSES BY TYPE OF COST AND FUNCTION

Distribution by type of cost, SEK m	2018	2017
Operation, repair and maintenance	-609	-592
Other direct property expenditure	-80	-76
Personnel costs	-133	-165
Depreciation	-5	-5
Other external expenses	-68	-68
Total	-895	-905
Allocation in the income statement, SEK m	2018	2017
Property costs – properties	-800	-785
Selling and administration costs	-95	-120
Total	-895	-905
Depreciation and impairment by function, SEK m	2018	2017
Selling and administration costs	-5	-5
Total	-5	-5

NOTE 9. NET FINANCIAL ITEMS

Net financial items, SEK m	2018	2017
<i>Assets and liabilities valued at fair value in profit or loss</i>		
Net loss derivatives	-68	-149
Total reported in profit (net financial items)	-68	-149
<i>Assets and liabilities valued at amortised cost:</i>	2018	2017
Interest rate income, accounts receivable	1	1
Total interest rate income according to effective interest method	1	1
Interest rate expenses, borrowing	-248	-248
Total interest rate expenses according to effective interest method	-248	-248
Borrowing costs, bank loans ¹	-52	-36
Total	-52	-36
Total net financial items	-366	-433

¹ Allocated over the term of the loan.

Unrealised changes in value of financial instrument

Unrealised changes in the value of financial instruments are not recognised in net financial items but on a separate row in the income statements.

Financial liabilities valued at fair value via the income statement held for sale amounts to SEK -73 (85) million. The amount refers to SEK -73 (85) million in interest rate derivatives. See note 21.

NOTE 10. TAXES

The income tax rate for Swedish limited companies is for 2018 22 per cent. In the income statement, the tax is allocated on current tax and deferred tax. Current tax normally means payment to the Swedish Tax Agency and is calculated on the basis of the taxable profit of the year of the individual companies. The taxable profit is often lower than the companies' reported profit and it is based on the total level which is in principle equivalent to profit from property management in the Group less tax adjustments. The adjustments are primarily applicable for the ability to use tax depreciation, deduction on constructions, tax-free divestments of properties via companies as well as the utilisation of tax loss carry-forwards.

In June, Sweden's Parliament approved the proposal to reform corporate taxation. Briefly, this decision means that a maximum amount for negative net interest income can be claimed corresponding to 30 per cent of a company's taxable earnings before interest taxes, depreciation and amortisation (EBITDA). When computing interest deductions, any deductions set off against loss carry-forwards should be considered. Corporation tax is also being reduced in two stages from the current 22.0 per cent to 21.4 per cent in 2019, and onto 20.6 per cent in 2021. The new rules apply from 1 January 2019. For Kungsleden, the provision for deferred tax in 2018 is positively impacted by SEK 128 million due to the reduction of corporation tax. Kungsleden judges that any impact of rules limiting interest rate deductions is marginal. It will not be possible to claim for a low share of interest costs as deductions, simultaneous with the enacted lower tax rate reducing the tax expense. Given rising interest rate levels, the impact of the new rules may mean that interest rate deductions cannot be utilised to the same extent, which may result in some increase to the tax expense.

Tax paid in 2018 mainly arose in acquired subsidiaries that did not have entitlement to group contributions in the first year. There are other limitations to offset taxable earnings against previous deductible losses in other entities depending on, for example, when the losses occurred, the timing of when a profitable entity was acquired and potential mergers. Rolled-in deficits in 2019 amount to SEK 2,098 million. Overall, Kungsleden judges that current tax will be low through the coming years.

Tax calculation, SEK m	2018	2017
Profit from property management	1,124	985
Tax deductible items		
- Depreciation	-409	-544
- Deduction for construction	-404	-180
- Other adjustments	-10	-52
Taxable profit from property management	301	209
Divestment properties	1	202
Interest rate derivatives redeemed early	-214	-397
Taxable profit for the year	87	14
Increased/decreased loss carry-forwards	-76	-12
Taxable profit	11	2
Tax payable, 22%¹	-2	0

¹ Current tax excluding tax processes amounted to SEK -2 (-0) million, resulting in an effective tax payable below one per cent (<1) of profit before tax.

Tax loss carry-forwards	2018	2017
Loss carry-forwards at beginning of year	-2,174	-2,178
Increased/decreased loss carry-forwards, this year's operations	76	12
Loss carry-forwards in purchased companies from property acquisitions	-	-8
Loss carry-forwards at end of year	-2,098	-2,174

Tax in the income statement, SEK m	2018	2017
Current tax	-2	0
Deferred tax	-596	-575
Reported tax	-598	-575

Reconciliation of effective tax, SEK m	2018	2017
Profit before tax	2,653	2,481
Tax 22%	-584	-546
Divestment of properties	-80	-43
Adjusted taxable values from previous years	-62	-
Other non-taxable revenue	1	14
Non-deductible expenses	-1	-1
Effect of changed tax rate	128	-
Reported tax	-598	-575

Deferred tax on temporary differences and tax loss carry-forwards 2018, SEK m	1 Jan. '18	Via profit or loss	Purchase/Sale	31 Dec. '18
Assets				
Loss carry-forwards	478	-46	-	432
Financial instruments	38	-32	-	6
Other	5	-2	-2	1
Deferred tax - assets	521	-80	-2	439
Net deferred tax liabilities	-521	80	2	-439
Deferred tax asset	-	-	-	-
Liabilities				
Properties	-1,854	-516	40	-2,331
Deferred tax - liabilities	-1,854	-516	40	-2,331
Net deferred tax assets	521	-80	-2	439
Deferred tax liability	-1,333	-596	38	-1,892

Deferred tax on temporary differences and tax loss carry-forwards 2017, SEK m	1 Jan. '17	Via profit or loss	Purchase/Sale	31 Dec. '17
Assets				
Loss carry-forwards	479	-3	2	478
Financial instruments	144	-106	-	38
Other	6	-1	-	5
Deferred tax - assets	629	-110	2	521
Net deferred tax liabilities	-629	110	-2	-521
Deferred tax asset	-	-	-	-
Liabilities				
Properties	-1,470	-465	81	-1,854
Deferred tax - liabilities	-1,470	-465	81	-1,854
Net deferred tax assets	629	-110	2	521
Deferred tax liability	-841	-575	83	-1,333

Deferred tax is taken into account in the statement of financial position on all temporary differences of assets and liabilities as well as for the tax loss carry-forwards which is expected to be utilised. Accounting conforms to forthcoming nominal tax rates of 21.4 per cent and 20.6 per cent, and when they are expected to be realised, i.e. before or after the final reduction in 2021. On this basis, the tax rate has been computed at 20.6 per cent, because the portfolio optimisation/property divestment process over the next two years, correspond to utilised carry-forwards to some extent, and over the next two years, derivatives are expected to involve an outflow of interest, and a positive interest flow in the subsequent years. An exception from accounting based on the tax rate applies to temporary differences on properties in asset acquisitions via entities. In such cases, deferred tax on the temporary differences is not recognised at the acquisition date. The temporary difference between the fair value and tax residual value for Kungsleden properties amounted on 31 December 2018 to SEK 18,987 million. An estimated fair value on deferred tax can be calculated as an alternative to recognised deferred tax on the basis of the application of accounting standards, see section net asset value in note 16.

NOTE 11. EARNINGS PER SHARE AND EPRA EARNINGS / EPRA EPS

	2018		2017	
	SEK m	SEK/share ¹	SEK m	SEK/share
EARNINGS PER SHARE				
Net profit for the year	2,055	9.41	1,906	9.03
PROFIT FROM PROPERTY MANAGEMENT				
Net profit for the year	2,055		1,906	
Adding back:				
Tax	598		575	
Changes in value property	-1,619		-1,417	
Change in value of derivatives	-73		-85	
Profit (loss) from property divestment	16		6	
Profit from property management	1,124	5.15	985	4.66
EPRA Earnings (profit from property management after tax)				
Profit from property management	1,124	5.15	985	4.66
Adding back; current tax profit from property management	-67	-0.31	-46	-0.22
EPRA Earnings/EPRA EPS	1,057	4.84	939	4.45

¹ Earnings per share before and after dilution, SEK/share

As of 31 December 2018, there were 218,403,302 (218,403,302) outstanding shares, and the average number of shares for the period January-December 2018 was 218,403,302 (211,171,694).

NOTE 12. INTANGIBLE ASSETS

SEK m	Intangible assets	
	31 Dec. '18	31 Dec. '17
Accumulated acquisition at beginning of year	13	13
Activations for the year	5	0
Accumulated acquisitions values at end of year	18	13
Accumulated depreciation at beginning of year	-4	-1
Depreciation for the year	-2	-3
Accumulated depreciation at end of year	-6	-4
Carrying amount at end of period	11	9

Intangible assets consist of development costs for business support system.

NOTE 13. INVESTMENT PROPERTIES

SEK m	31 Dec. '18	31 Dec. '17
Carrying amount at beginning of year	30,974	29,533
Acquisition	1,836	790
Investments in owned properties	1,300	925
Carrying amount divested properties	-1,032	-1,692
Unrealised changes in value ¹	1,619	1,417
Carrying amount at end of year	34,697	30,974

SEK m	Offices	Industrial/Warehouse	Retail	Other	Valued properties	Not externally valued	All properties
Carrying amount	25,422	5,241	2,096	1,939	34,697		34,697
External valuation	24,856	5,074	2,203	1,958	34,091		

SEK m	Office	Industrial/Warehouse	Retail	Other	All properties
Properties at beginning of year	21,289	5,787	2,122	1,776	30,974
Acquisitions	1,722	0	0	114	1,836
Investments in owned properties	998	119	172	11	1,300
Carrying amount, divested properties	-79	-884	-69	0	-1,032
Unrealised changes in value ¹	1,491	219	-129	38	1,619
Properties at end of year	25,422	5,241	2,096	1,939	34,697

¹ The unrealised changes in value are recognised in the income statement on the row for unrealised changes in value within the changes in value of properties.

VALUATION OF PROPERTIES

Internal valuations of all properties have been carried out by 31 December 2018 and represent the carrying amount. All properties have also been evaluated at some time during the year (approximately 1/4 per quarter) by external assessors to ensure the quality and verify the internal valuations.

Internal valuation

Kungsleden has chosen to base the fair value of internal implemented valuations. Kungsleden regularly conducts its own internal valuations as an integral part of the business process where, for each property, an individual assessment is made of the sales value.

Valuation method

Kungsleden reports its property portfolio at fair value which is the same as market value. The fair value is based on internal valuations that are regularly conducted as an integral part of the business process where, for each property, an individual assessment is made of the sales value. The valuation is always made on the basis of level 3, meaning the input data which is not observable on the market. See description of valuation levels in note 21. There has not been any movement during the year between the valuation hierarchies.

Sensitivity analysis valuation	Change	Impact on value, SEK m
Operating net	+/-1.0%	+294/-294
Yield requirements	+/-0.1%	-529/+549

In the valuation of the properties Kungsleden applies a combination of the performance based method and site price comparison method. Each individual property's future cash flow is forecast and the present value is calculated with the residual value on the basis of a ten-year calculation period. The yield requirements that apply are based on Kungsleden's active presence in the transaction market and have been assessed on each property's unique risk as well as the analysis of the transactions carried out on each site according to their site price comparison method. For these valuations a long-term inflation assumption of 2.0 per cent has been applied.

Below table shows weighted average yield requirement within respective property segment. Yield requirements on the valuations are within the range of 4.2-9.0 per cent.

By property category	Fair value, SEK m	Average yield requirement, %	Interval yield requirement, %
Office	25,422	5.2	4.2-7.75
Industrial/Warehouse	5,241	6.6	5.4-9.0
Retail	2,096	6.1	5.25-7.25
Other	1,939	5.0	4.25-7.5
Total	34,697	5.5	4.2-9.0
By segment	Fair value, SEK m	Average yield requirement, %	Interval yield requirement, %
Stockholm	14,153	5.0	4.2-8.0
Gothenburg	3,225	6.0	4.3-7.25
Malmö	4,048	5.5	4.25-7.25
Västerås	5,821	6.1	5.25-9.0
Regional cities and other	4,554	6.2	5.5-8.25
Development properties	2,897	4.9	4.25-6.75
Total	34,697	5.5	4.2-9.0

NOTE 14. EQUIPMENT

SEK m	31 Dec. '18	31 Dec. '17
Accumulated acquisition at beginning of year	12	23
Acquisition	4	4
Divestment/disposal	-3	-15
Accumulated acquisition value at end of year	13	12
Accumulated depreciation at beginning of year	-5	-14
Divestment/disposal	-1	12
Depreciation of the year	-2	-3
Accumulated depreciation at end of year	-8	-5
Carrying amount at end of year	5	7

NOTE 15. OTHER LONG-TERM RECEIVABLES

SEK m	31 Dec. '18	31 Dec. '17
Carrying amount at beginning of year	12	12
Exchange rate fluctuations	0	0
Repayments	-8	-
Carrying amount at end of year	4	12

Repayments in 2018 are for a promissory note from the sale of seven properties executed in 2016. This promissory note was fully repaid in 2018.

NOTE 16. EQUITY

At the end of the financial year, the share capital was SEK 91,001,376, and there were 218,403,302 shares. The quotient value is 0.42 (0.42). There is no dilution effect because there are no potential shares.

Net asset value, EPRA NAV and EPRA NNNAV

The net asset value can be calculated on a long term and short term basis. Long-term net asset value is based on the equity of financial position with the adding back of balanced items for derivatives and deferred tax.

The current net asset value is based on equity of financial position with adjustment to the estimated fair value of deferred tax on loss carry-forwards and temporary differences.

Net asset value	31 Dec. '18		31 Dec. '17	
	SEK m	SEK/share	SEK m	SEK/share
Equity	15,767	72.19	14,192	64.98
Adding back				
Derivatives	34	0.16	171	0.78
Deferred tax liability	1,892	8.66	1,333	6.10
Long-term net asset value (EPRA NAV)	17,694	81.01	15,696	71.87
Deduction				
Fair value derivatives	-35	-0.16	-171	-0.78
Assessed fair value deferred tax ¹	-260	-1.19	-100	-0.46
Current net asset value (EPRA NNNAV)	17,399	79.66	15,426	70.63

¹ The estimated fair value of deferred tax has been computed on the basis of a discount rate of 3 per cent on expected cash flows. Loss carry-forwards are assumed to be realised over the next five years with a nominal tax rate of 21.4 per cent until 2020 inclusive, and 20.6 per cent subsequently, generating a present value of the deferred tax asset of 20 per cent. The temporary differences on properties are expected to be realised over 50 years, with 10 per cent sold via property divestments with a nominal tax rate of 22 per cent and 90 per cent sold via entities where the purchaser's tax deductions are estimated at 5.5 per cent, which generates a total present value of deferred tax of 3.7 per cent. The temporary differences on derivatives are expected to be realised during contract terms (up to 5 years), generating a present value of the deferred tax asset of 21.7 per cent.

Share capital history

Year	Event	Change in number of shares	Total number of shares	Quotient value	Increase in share capital, SEK	Cumulative share capital, SEK
1997	Incorporation	1,000	1,000	100	100,000	100,000
1997	Share split 20:1	19,000	20,000	5	-	100,000
1997	New share issue	230,000	250,000	5	1,150,000	1,250,000
1997	Promissory note with stock options	-	250,000	5	-	1,250,000
1997	New share issue	3,750,000	4,000,000	5	18,750,000	20,000,000
1998	New share issue	2,400,000	6,400,000	5	12,000,000	32,000,000
1998	Convertible subordinated debenture	-	6,400,000	5	-	32,000,000
1999	Share split 2:1	6,400,000	12,800,000	2.50	-	32,000,000
1999	Convertible subordinated debenture	2,758,620	15,558,620	2.50	6,896,550	38,896,550
1999	New share issue	3,000,000	18,558,620	2.50	7,500,000	46,396,550
2000	New share issue	400,000	18,958,620	2.50	1,000,000	47,396,550
2005	Share split 2:1	18,958,620	37,917,240	1.25	-	47,396,550
2005	New share issue	7,583,448	45,500,688	1.25	9,479,310	56,875,860
2006	Share split 3:1	91,001,376	136,502,064	0.42	-	56,875,860
2007	Share split 2:1	136,502,064	273,004,128	0.21	-	56,875,860
2007	Share redemption	-136,502,064	136,502,064	0.21	-28,437,930	28,437,930
2007	Bonus issue	-	136,502,064	0.42	28,437,930	56,875,860
2014	New share issue	45,500,688	182,002,752	0.42	18,958,620	75,834,480
2017	New share issue	36,400,550	218,403,302	0.42	15,166,896	91,001,376

NOTE 17. INTEREST-BEARING LIABILITIES

SEK m	31 Dec. '18		31 Dec. '17	
	Nominal amount	Fair values	Nominal amount	Fair values
Liabilities to credit institutions	9,204	9,204	11,077	
Bond loans (non secured)	6,082	6,082	1,950	
Other borrowing	1,596	1,596	2,126	
Interest rate derivatives				
Interest rate swaps, 7,450 (8,220)	30	30		171
Total loans and derivatives	16,912		15,153	

Kungsleden assess that there is no essential difference between book value and fair value of interest-bearing liabilities.

Expiration date of bank loans and other borrowings	31 Dec. '18		31 Dec. '17	
	Nominal amount	Share, %	Nominal amount	Share, %
2018			2,157	12.5
2019	1,682	8.9	3,429	19.8
2020	5,105	26.9	6,286	36.4
2021	2,892	15.2	1,842	10.7
2022	2,500	13.2		
2023	1,592	8.4		
2024	1,660	8.7		
2026	630	3.3	630	3.6
2027	1,594	8.4	1,594	9.2
2036	1,340	7.1	1,340	7.8
Total	18,996	100.0	17,278	100.0
Unutilised credits	-2,114		-2,125	
Total utilised credits	16,882		15,153	

Changes in liabilities attributable to financing activities

SEK m	2017	Cash flows	Changes not affecting cash flow			2018
			Investments	Currency translations	Changes in fair value	
Long-term liabilities to credit institutions	10,150	-946	-	-	-	9,204
Current liabilities to credit institutions	927	-927	-	-	-	0
Derivatives	171	-214	-	-	73	30
Other long-term interest-bearing liabilities	3,096	3,150	-	-	-	6,246
Other current interest-bearing liabilities	980	452	-	-	-	1,432
Total loans and derivatives	15,324	1,515	-	-	73	16,912

NOTE 18. PROVISION

SEK m	31 Dec.'18	31 Dec. '17
Provisions at beginning of year	12	12
Reversed unutilised amounts	-7	-
Provisions at end of year	5	12

SEK m	31 Dec.'18	31 Dec. '17
Rental guarantee	-	7
Other	5	5
Total	5	12

SEK m	31 Dec.'18	31 Dec. '17
Due for payment within one year	5	-
Due for payment between one to five years	-	7
Due for payment in more than five years	-	5
Total	5	12

The Group has a bank overdraft of SEK 250 million (250) which was unutilised in any part at year end 2018 or 2017.

Non discounted cash flow of financial liabilities and derivatives

Year	Credits due ¹	Interest rate payment credits	Derivatives due	Interest rate payment derivatives
2019	1,432	262		29
2020	3,241	255		33
2021	2,892	253		5
2022	2,500	192	2,000	-15
2023	1,592	175	3,000	-14
2024	1,660	148	1,450	-19
2025		134	1,000	-10
2026	630	129		
2027	1,594	86		
2036	1,340	382		
Total	16,882	2,017	7,450	10

¹ Relates to items liabilities to credit institutions as well as other interest bearing liabilities long-term and short-term.

NOTE 19. OTHER LIABILITIES

At year-end, other liabilities consisted of SEK 10 million (12) unpaid consideration. The properties at year-end were not yet vacated.

NOTE 20. MATURITY STRUCTURE LIABILITIES

SEK m	31 Dec. '18	31 Dec. '17
Due for payment within one year	2,246	2,591
Due for payment between one to five years	11,885	9,682
Due for payment in more than five years	3,564	3,564
Total	17,696	15,837

The maturity structure liabilities reflects long-term liabilities to credit institutions, long-term interest bearing liabilities and short-term liabilities. All accounts payable are due within one year.

NOTE 21. FINANCIAL ASSETS AND LIABILITIES

The table below presents the Group's financial assets and liabilities, stated at carrying amount and fair value, respectively, classified in the categories according to IFRS 9. The Group's financial assets and liabilities for the comparative year 2017, measured in accordance with IAS 39, are presented in the

table below according to IFRS 9 classification categories. The change from IAS 39 to IFRS 9 has resulted in the reclassification of customer and loan receivables and other liabilities to the category financial assets/liabilities valued at amortized cost. Financial assets and liabilities measured at fair value through the income statement in the previous year continue under IFRS 9 to be classified and valued at fair value through profit or loss.

SEK m	Financial assets/liabilities measured at fair value through profit or loss		Financial assets/liabilities valued at amortized cost		Total carrying amount	
	31 Dec. '18	31 Dec. '17	31 Dec. '18	31 Dec. '17	31 Dec. '18	31 Dec. '17
Long-term receivables	-	-	4	12	4	12
Accounts receivable	-	-	26	20	26	20
Other receivables	-	-	27	90	27	90
Prepaid expenses and accrued revenues	-	-	41	36	41	36
Derivatives	4	-	-	-	4	-
Total	4	-	98	158	102	158
Interest-bearing liabilities ¹	-	-	16,882	15,153	16,882	15,153
Accounts payable	-	-	283	235	283	235
Other liabilities	-	-	87	12	87	12
Accrued expenses and deferred income	-	-	60	42	60	42
Derivatives	34	171	-	-	34	171
Total	34	171	17,312	15,442	17,346	15,613

¹ Relates to items liabilities to credit institutions as well as other interest bearing liabilities long-term and short-term.

VALUATION

The Group's maximum credit risk consists of the reported net amounts in the table above. The Group has not received any pledged assets for the financial net assets. An assessment has been made that there has been no significant increase in credit risk for any of the Group's financial assets. The counterparties are without a credit risk rating, except for liquid funds where the counterparty has a credit rating of AA-.

Rental receivables of SEK 14 million depreciated during the reporting period are subject to compliance measures.

The financial assets that are covered by provisions for expected loan losses according to the general method consist of cash and cash equivalents. Kungsleden applies a rating-based method per counterparty in combination with other known information and forward-looking factors for assessing expected credit losses. The Group has defined default as when payment of the claim is 90 days late or more, or if other factors indicate that payment cancellation exists. Significant increase in credit risk has not been considered to exist for any receivable or asset on the balance sheet date. Such an assessment is based on whether payment is 30 days late or more, or if significant deterioration of the rating occurs, entailing a rating below investment grade. In cases where the amounts are not deemed to be insignificant, a reserve for expected loan losses is also reported for these financial instruments.

Financial assets and liabilities excluding derivatives are reported at amortized cost less any impairment losses.

A number of OTC-derivatives are used to hedge interest risk in cash flow. There are three valuation levels:

- Level 1: according to the prices listed in an active market for the same instrument.
- Level 2: on the basis of direct or indirect observable market data which is not included in level 1.
- Level 3: from the input data which is not observable in the market.

Kungsleden's derivatives are evaluated with valuation techniques based on observable market data (level 2). These derivatives amounted to SEK -30 (-171 net) million.

Fair value of financial assets valued at amortized cost have been assessed individually on the basis of the risk that the receivable will not be obtained. Similar measurement is also conducted according to the principles for carrying amount. Carrying amount has been the same as estimated fair value in the last two year-end closings. Since Kungsleden's financial assets and liabilities consist mostly of short-term instruments, no material differences between book value and fair value are judged to exist.

This year's rent losses amounts to SEK -3 million (-5).

Liabilities to credit institutions, SEK m	31 Dec. '18	31 Dec. '17
Liabilities at beginning of year	15,153	16,511
New loans	5,330	2,944
Repayment of loans	-3,602	-4,302
Liabilities at end of year	16,882	15,153

NOTE 22. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets for liabilities, SEK m	31 Dec. '18	31 Dec. '17
Property mortgages	10,713	14,255
Shares in subsidiaries	1,968	3,987
Total	12,681	18,242

Assets have been primarily pledged for bank loans. Covenants may exist in loan agreements in respect of interest coverage ratio and loan volume in relation to the fair value of the properties.

Contingent liabilities, SEK m	31 Dec. '18	31 Dec. '17
Other guarantees and commitments	20	20
Total	20	20

Commitments and legal responsibility for treatment of contaminated soil may arise in the future, both in regards to owned and sold properties. Expenses may arise for example in the form of increased expenses for the remediation of soil in connection with new, refurbishment or extension construction or price reduction on the divestment of a property. To assess any possible future amounts is not possible. In addition, disputes in the business arise from time to time. The outcomes are often difficult to assess. When a dispute is likely to result in a cost for the Group, this is taken into account in the financial statements.

NOTE 23. ADDITIONAL DISCLOSURES ON CASH FLOW

Other adjustments not included in cash flow from operating activities, SEK m	2018	2017
Depreciation and impairment	5	11
Provision/confirmed for rental and bad debt losses	-8	0
Increase(+)/decrease(-) in interest liabilities	10	-10
Total	7	1
Interest rates, SEK m	2018	2017
Interest rates received	1	1
Interest rates paid	-301	-408
Acquisition of the subsidiary, SEK m	2018	2017
<i>Acquired assets and liabilities</i>		
Investment properties	1,836	790
Operating receivables	6	3
Cash equivalents ¹	6	9
Total assets	1,849	802
Deferred tax	0	0
Interest-bearing liabilities	0	0
Operating liabilities	30	27
Total provisions and liabilities	30	27
Cash payment, shares	856	355
Cash payment, repayment of loans	963	421
Deducted: cash equivalents in acquired business	-6	-9
Effect on cash equivalents acquired companies	1,813	766
Divestment of subsidiaries, SEK m	2018	2017
<i>Divested assets and liabilities</i>		
Investment properties	760	1,617
Operating receivables	1	5
Cash equivalents	0	2
Total assets	761	1,624
Deferred tax	53	73
Operating liabilities	22	93
Total provisions and liabilities	76	166
Purchase price received, shares	548	1,017
Cash received, repayment of loans	136	440
Purchase price received	685	1,458
Deducted: cash equivalents in divested operations	0	-1
Effect on cash equivalents for wholly-owned subsidiaries	685	1,456

¹ In Cash equivalents include cash and bank balances as well as any cash equivalents related to assets held for sale.

NOTE 24. TRANSACTIONS WITH RELATED PARTIES

Compensation to Directors and senior executives for services rendered is stated in note 7. Apart from this, no transactions were executed with any related entity or private individual.

NOTE 25. EVENTS AFTER THE REPORTING DATE

Kungsleden vacated 15 retail and office properties in Eskilstuna in January 2019. The purchase price is approximately SEK 700 million before deducting for deferred tax. Vacation means Kungsleden is exiting the municipality of Eskilstuna.

Kallebäck 2:11 in Gothenburg was accessed in January 2019. Kallebäck 2:7 and Kallebäck 2:9 were accessed from the beginning of 2018.

Income Statement - Parent Company

SEK m	Note	2018	2017
Intra-group revenue		0	3
Administration costs	2,3	-34	-37
Operating profit (loss)		-34	-34
PROFIT (LOSS) FROM FINANCIAL ITEMS			
Profit (loss) from participations in group companies ¹	4	386	37
Interest rate revenue and similar items	4	328	737
Interest rate expenses and similar items	4	-251	-180
Profit before tax		429	560
TAX			
Deferred tax	5	-43	-214
Net profit for the year		386	346

Statement of Comprehensive Income - Parent Company

SEK m	2018	2017
Net profit for the year as per income statement	386	346
Profit (loss) for the year	386	346

Comments on the Income Statement

Financial income and expenses mainly consist of intra-group interest income and interest expenses for bonds, as well as interest in swap contracts for the Group's funding. Transactions linked to holdings in

subsidiaries are also reported as financial income and expenses. After tax, profit for the year was SEK 386 million (346).

Proposed appropriation of profits

The following unappropriated earnings are at the disposal of the AGM:

Profit (loss) brought forward	4,623,716,851
Share premium reserve	3,133,547,165
Net profit for the year	386,119,991
Total	8,143,384,007

The Board of Directors proposes that earnings are appropriated as follows:

Dividend to shareholders of SEK 2.40 per share	524,167,925
Share premium reserve	3,133,547,165
Carried forward	4,485,668,917
Total	8,143,384,007

Kungsleden's dividend policy states that the dividend should grow at a rate commensurable with the progress of profit from property management.

With the support of the dividend policy, and against the background of the parent company's and the Group's financial position, the Board of Directors is proposing a dividend of SEK 2.40 per share for the financial year 2018.

The Board regards the equity ratio of 37 per cent as satisfactory, particularly considering that the parent company and the Group have higher earnings capacity after the major property acquisitions executed in recent years. Adjusted for proposed dividend the equity ratio at year end is 35 per cent.

As of 31 December 2018, available liquidity including unutilised credit facilities was SEK 720 million. Against this background, the Board considers that the liquidity reserve of the Group remains secure.

The Board's opinion is that the proposed dividend will not prevent the company, or other companies within the Group, from satisfying their obligations in the short and long term, nor from executing the necessary investments. Accordingly, the proposed dividend is justifiable with consideration to the stipulations of chap. 17 §3, second and third paragraphs of the Swedish Annual Accounts Act (principle of prudence).

The proposed appropriation of profits will be submitted for approval at the Annual General Meeting on 26 April 2019.

Balance Sheet – Parent Company

SEK m	Note	31 Dec. '18	31 Dec. '17
ASSETS			
<i>Non-current assets</i>			
Participations in group companies	6	3,018	3,998
Deferred tax asset	5	194	237
Other long-term receivables	7	2	2
Total non-current assets		3,214	4,237
<i>Current assets</i>			
Receivables from group companies		18,802	14,433
Other receivables		1	1
Prepaid expenses and accrued revenue	8	13	8
Cash and bank		470	291
Total current assets		19,286	14,733
TOTAL ASSETS		22,500	18,970
EQUITY AND LIABILITIES			
<i>Equity</i>			
<i>Restricted equity</i>			
Share capital (218,403,302 shares)		91	91
		91	91
<i>Non-restricted equity</i>			
Accumulated profit or loss		4,623	4,757
Share premium reserve		3,134	3,134
Net profit for the year		386	346
		8,143	8,237
Total equity		8,234	8,328
<i>Provisions</i>			
Provisions for pensions and similar obligations		2	2
Total provisions		2	2
<i>Long-term liabilities</i>			
Bond Loans		5,100	1,950
Derivatives		35	171
Total long-term liabilities	9-11	5,135	2,121
<i>Short-term liabilities</i>			
Liabilities to credit institutions		1,432	980
Accounts payable		2	3
Liabilities to group companies		7,534	7,520
Other liabilities		120	-
Accrued expenses and deferred revenue	12	41	16
Total short-term liabilities	10, 11	9,129	8,519
TOTAL EQUITY AND LIABILITIES		22,500	18,970

Comments on the Balance Sheet

The assets at the end of the period mainly consisted of participations in group companies of SEK 3,018 million (3,998). There were also essential receivables and liabilities to group companies, which the net was a receivable of SEK 11,268 million (6,913).

The financing was mainly through equity which at the end of the year amounted to SEK 8,234 million (8,328), giving an equity ratio of 37 per cent (44).

Statement of Changes in Equity – Parent Company

SEK m	Restricted equity	Non-restricted equity		Total equity
	Share capital	Share premium reserve	Non restricted equity	
Opening equity, 1 Jan. '17	76	1,549	5,195	6,820
Net profit for the year	-	-	346	346
Total change in wealth excl. transactions with the company's owners	-	-	346	346
Dividend	-	-	-437	-437
New share issue	15	1,584	-	1,599
Total transactions with the company's owner	15	1,584	-437	1,162
Closing equity, 31 Dec. '17	91	3,134	5,104	8,328
Opening equity, 1 Jan. '18	91	3,134	5,104	8,328
Net profit for the year	-	-	386	386
Total change in wealth excl. transactions with the company's owners	-	-	386	386
Dividend	-	-	-480	-480
Total transactions with the company's owner	-	-	-480	-480
Closing equity, 31 Dec. '18	91	3,134	5,010	8,234

Cash Flow Statement – Parent Company

SEK m	Note 13	2018	2017
OPERATING ACTIVITIES			
Profit before tax		429	560
Dividends, not settled		-750	-
Group contributions received		-93	-487
Impairment, group companies		1,950	452
Gain (loss) from liquidation		2	497
Value change, derivatives, not affecting cash flow		-136	-482
Interest income, not received		-	-28
Cash flow from operating activities before change in working capital		1,402	512
<i>Changes in working capital</i>			
Increase(+)/decrease(-) in operating receivables		-3,535	-1,991
Increase(+)/decrease(-) in operating liabilities		-967	-207
Cash flow from operating activities after change in working capital		-3,100	-1,686
INVESTING ACTIVITIES			
Divestment of group companies		37	-
Cash flow from investing activities		37	-
FINANCING ACTIVITIES			
New share issue		-	1,599
New loans		3,820	1,350
Repayment of loans		-218	-573
Dividend		-360	-437
Cash flow from financing activities		3,242	1,939
Cash flow for the year		179	253
Cash equivalents at beginning of year		291	38
Cash equivalents at end of year		470	291

Notes – Parent Company

NOTE 1. ACCOUNTING POLICIES PARENT COMPANY

Parent company Kungsleden AB, has prepared its annual accounts in accordance with the Annual Accounts Act and RFR 2. The applied accounting policies appear in the applicable parts of the accounting policies for the Group with the addition of the following for the parent company.

SHARES IN GROUP COMPANIES

Shares in Group companies are recognised at historical cost. The value is regularly tested for impairment.

FINANCIAL INSTRUMENTS

Due to the connection between accounting and taxation, the rules on financial instruments according to IFRS 9 in the parent company are not applied as legal entity, but the parent company applies the acquisition accounting in accordance with the Swedish Annual Accounts Act. In the parent company, therefore, financial fixed assets are valued at cost and financial current assets according to the lower of cost or market, with application of impairment losses for expected loan losses according to IFRS 9 for assets that are debt instruments. For other financial assets, write-downs are based on market values. Derivative instruments with a negative fair value are reported as a liability to the negative fair value with a change in value in profit or loss.

The parent company applies a rating-based method for calculating expected credit losses on intra-group receivables based on the probability of default, expected loss and exposure in the event of default. The parent company has defined default as when payment of the claim is 90 days delayed or more, or if other factors indicate that the payment default is present. The parent company believes that the subsidiaries currently have similar risk profiles and the assessment is done on a collective basis. Significant increase in credit risk has not been considered to exist for any intra-group receivable on the balance sheet date. The parent company's receivables from its subsidiaries are subordinated external lenders' claims for which the subsidiary's properties are pledged as collateral. The parent company applies the general method to the intra-group receivables. The parent company's expected loss in the event of default takes into account the subsidiaries' average loan-to-value ratio and the expected market value in the event of a forced sale. Based on the parent company's assessments according to the above method, taking into account other known information and forward-looking factors, expected loan losses are not deemed to be significant and no provision has therefore been reported.

FINANCIAL GUARANTEES

The parent company's financial guarantee agreement consists of guarantees on behalf of companies within the Group. For reporting of financial guarantees, the parent company applies one of the RFR2 permitted relief regulations compared to the regulations in IAS 39 Financial instruments: Reporting and valuation. The parent company reports financial guarantee agreements as a provision in the balance sheet when the company has a commitment for a probable payment. Otherwise the obligation is reported as contingent liabilities.

GROUP CONTRIBUTIONS

Group contributions received from a subsidiary are reported according to the same policies as conventional dividends from subsidiaries. Group contributions paid to subsidiaries are reported as an investment in participations in group companies.

Shareholder contributions are reported by the maker as an increase in the shares' net book value and by the recipient as an increase in non-restricted equity.

DIVIDEND

Dividends from subsidiaries and associated companies are reported as revenue when the right to dividend is established.

Anticipated dividend from subsidiaries are recognised when the parent company has the sole right to decide on the size of the dividend and the parent company has taken a decision on the size of the dividend before publishing its financial statements.

If the carrying amount in the parent company's holding in the subsidiary or associated company would exceed the carrying amount in the financial statements this is to be considered as an indication of impairment and impairment test should be carried out.

NOTE 2. ADMINISTRATION COSTS

Administration costs, SEK m	2018	2017
Personnel costs	-19	-25
Other operating expenses	-15	-12
Total	-34	-37

Administration costs relate primarily to costs of central functions such as business development, accounting and finance, legal and IT, as well as costs attributable to stock exchange listing and the Group's management team.

Within SEK 34 million (37) of the administrative costs, personnel costs constitute the largest item at SEK 19 million (25), and mainly relates to compensation to Group Management and Board members.

The auditors invoiced SEK 4 million to the parent company in 2018. Audit fees for other group companies have been reinvoiced.

NOTE 3. EMPLOYEES, PERSONNEL EXPENSES AND BOARD FEES

Average number of employees	2018	Share of women, %	2017	Share of women, %
Sweden	3	67	3	67
Total	3	67	3	67

Salaries, other bonuses and social security expenses, SEK 000	2018		2017	
	Salaries, other bonuses	Social security expenses	Salaries, other bonuses	Social security expenses
Board of Directors, CEO and Deputy CEO	14,233	7,717	17,254	6,939
(of which pension expenses)		(2,753)		(2,770)
Total	14,233	7,717	17,254	6,939
		(2,753)		(2,770)

Fees are paid to the Board of Directors according to the resolution of the Annual General Meeting. For the information of bonuses paid to each Board member and bonuses paid to senior executives, see note 7 in the Group.

NOTE 4. PROFIT (LOSS) FROM FINANCIAL ITEMS

Profit (loss) from financial items, SEK m	2018	2017
Interest rate income – group companies	328	652
Total interest rate income according to effective interest method	328	652

Interest rate revenue and similar items, SEK m	2018	2017
Interest rate expenses – other companies	-174	-180
Total interest rate expenses according to effective interest method	-174	-180

Interest rate expenses and similar items, SEK m	2018	2017
Derivatives	-77	85
Dividends	2,241	499
Group contributions received	93	487
Profit (loss) from disposal of shares	2	-497
Impairment of subsidiaries	-1,993	-459
Reversal of impairment losses – subsidiaries	43	7
Total	309	122

Total from financial items	463	594
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NOTE 5. TAXES

Tax in the income Statement, SEK m	2018	2017
Deferred tax	-43	-214
Reported tax	-43	-214
Reconciliation of effective tax, SEK m	2018	2017
Profit before tax	429	560
Tax, 22 per cent	-94	-123
Dividends from group companies	493	110
Impairment of shares in group companies	-429	-100
Divestments of subsidiaries	-	-110
Other	-	9
Effect of changed tax rate	-13	-
Reported tax	-43	-214

No tax is reported directly to equity.

Deferred tax on temporary differences and tax loss carry-forwards, SEK m	At the beginning of the year	In the income Statement	At year-end
Loss carry-forwards	199	-13	186
Financial instruments	37	-30	7
Other temporary differences	1	0	1
Total	237	-43	194

SPECIFICATION OF PARENT COMPANY HOLDINGS OF SHARES IN GROUP COMPANIES

Directly owned subsidiaries' CIN/registered location	Number of shares	Share % ¹	Book value, SEK m	
			31 Dec. '18	31 Dec. '17
Kungsleden Fastighets AB, 556459-8612, Stockholm	200	100	453	469
Realia AB, 556639-7419, Stockholm ²	0	0	-	1,503
Kungsleden Syd AB, 556480-0109, Stockholm	1,000	100	38	66
Kungsleden Äldre B AB, 556635-1366, Stockholm	1,000	100	-	23
Kungsleden Mattan AB, 556718-3354, Stockholm	1,000	100	131	119
Kungsleden Friab AB, 556742-6548, Stockholm	1,000	100	1,159	1,351
Kungsleden Kalinka Holding AB, 556844-2957, Stockholm	50,000	100	869	95
Kungsleden Holding GmbH, Tyskland	1	100	-	-
Kungsleden Balsberget AB, 556919-3013, Stockholm	50,000	100	1	1
Kungsleden Vegaholding AB, 556919-3047, Stockholm	50,000	100	135	135
Kungsleden Kebnekaise AB, 556968-3187, Stockholm	500	100	17	17
Kungsleden Grönberget Holding AB, 556990-0805, Stockholm	500	100	3	3
Kungsleden Grönberget AB, 556989-0410, Stockholm	500	100	116	116
Kungsleden Tegel AB, 559025-8298, Stockholm	500	100	17	17
Kungsleden Holdmix 3 AB, 559007-2665, Stockholm	500	100	-	-
Kungsleden Holdmix 4 AB, 559055-4431, Stockholm	500	100	1	1
Kungsleden Lustfarm AB, 556654-9720, Stockholm	1,000	100	78	78
Kungsleden Isskrapan AB, 559084-5870, Stockholm	500	100	-	4
Total			3,018	3,998

¹ This refers to the ownership share of the capital, which also corresponds to the share of votes for the total number of shares.

² Liquidated under 2018.

NOTE 6. SHARES IN GROUP COMPANIES

SEK m	31 Dec. '18	31 Dec. '17
Accumulated acquisition values at beginning of year	12,016	12,381
Acquisition	-	0
Divestments of subsidiaries ¹	-4,867	-906
Shareholder contributions	1,006	541
Accumulated cost values at end of year	8,155	12,016
Accumulated impairment at beginning of year	-8,018	-7,843
Reversal of impairment ¹	43	7
Impairment for the year	-1,993	-459
Divestments of subsidiaries	4,831	277
Accumulated impairment at end of year	-5,137	-8,018
Carrying amount at end of year	3,018	3,998

Directly owned subsidiaries are listed below. Other group companies are not included in the parent company's annual accounts since the information, with regards to the requirement of giving a fair view, is of little relevance. However other companies are presented in each subsidiary's annual accounts.

NOTE 7. OTHER LONG-TERM RECEIVABLES

SEK m	31 Dec. '18	31 Dec. '17
Receivables at beginning of year	2	1,833
Reversals of short-term receivable	-	-1,831
Total	2	2

NOTE 8. PREPAID EXPENSES AND ACCRUED REVENUES

SEK m	31 Dec. '18	31 Dec. '17
Prepaid expenses	13	8
Total	13	8

NOTE 9. LOANS AND INTEREST RATE DERIVATIVES

The parent company has nine (three) bond loans. In addition there are also interest rate derivatives for both its own loans and other group companies' external loans.

There is a bank overdraft of SEK 250 (250) million which was unutilised at year-end 2018 or 2017.

The maturity dates of loans and interest rate derivatives follow:

Maturity date, SEK million	31 Dec. '18		31 Dec. '17	
	Bank and bond loans	Interest rate derivatives, nominal amount	Bank and bond loans	Interest rate derivatives, nominal amount
2017				
2018			980	
2019	1,432		600	1,000
2020				2,770
2021	2,400		1,350	1,450
2022	2,500	2,000		3,000
2023	200	3,000		
2024		1,450		
2025		1,000		
Total	6,532	7,450	2,930	8,220

NOTE 10. FINANCIAL ASSETS AND LIABILITIES

SEK m	Receivables from group companies and others		Other financial liabilities		Total carrying amount	
	31 Dec. '18	31 Dec. '17	31 Dec. '18	31 Dec. '17	31 Dec. '18	31 Dec. '17
Other long-term receivables	2	2	-	-	2	2
Receivables from group companies	18,802	14,433	-	-	18,802	14,433
Other receivables	-	1	-	-	-	1
Total assets	18,804	14,436	-	-	18,804	14,436
Long-term liabilities ¹	-	-	5,135	2,121	5,135	2,121
Accounts payable	-	-	2	3	2	3
Liabilities to group companies	-	-	7,534	7,520	7,534	7,520
Other liabilities ¹	-	-	1,552	980	1,552	980
Total liabilities	-	-	14,223	10,624	14,223	10,624

¹ Fair value of the company's interest rate derivatives amounts to SEK -30 (-171) million. These instruments have been reclassified from short term to long term.

The parent company's derivatives are measured using valuation techniques based on observable market data (level 2). Fair value of these derivatives amounted to SEK 30 (-171) million. Information on valuation of financial instruments is in the Group's note 21.

CHANGES IN LIABILITIES ATTRIBUTABLE TO FINANCING ACTIVITIES

SEK m	2017	Changes not affecting cash flow				2018
		Cash flows	Investments	Currency translations	Changes in fair value	
Derivatives	171	-214	-	-	78	35
Bond loans	1,950	3,150	-	-	-	5,100
Other current interest-bearing liabilities	980	452	-	-	-	1,432
Total loans and derivatives	3,101	3,388	-	-	78	6,567

NOTE 11. MATURITY STRUCTURE LIABILITIES

SEK m	31 Dec. '18	31 Dec. '17
Due for payment within one year ¹	9,088	8,503
Due for payment between one to five years	5,100	1,950
Due for payment in more than five years	-	-
Total	14,188	10,453

NOTE 12. ACCRUED EXPENSES AND DEFERRED REVENUE

SEK m	31 Dec. '18	31 Dec. '17
Accrued interest expenses	33	7
Accrued employee expenses	8	9
Total	41	16

Maturity structure interest-bearing liabilities as well as operating liabilities excluding tax liabilities and undervalued derivatives.

NOTE 13. ADDITIONAL DISCLOSURES ON CASH FLOW

No other means than cash and bank are included in the items cash equivalents.

Interest rates etc, SEK m	2018	2017
Dividends received	2,241	499
Interest rates received	328	652
Interest rates paid	-174	-179

NOTE 14. TRANSACTIONS WITH RELATED PARTIES

Transactions with subsidiaries, SEK m	2018	2017
Sales of goods/services to related parties	-	3
Other, e.g interest rate, dividend, group contributions	2,662	1,638

Items in the balance sheet	31 Dec. '18	31 Dec. '17
Receivables of group companies	18,802	14,433
Liabilities to group companies	-7,534	-7,520

Remuneration to Board members and senior executives for completed work is disclosed in note 3. No transactions in addition to these payments have been made with any of their related companies or individuals.

NOTE 15. PLEDGED ASSETS

Pledged assets	31 Dec. '18	31 Dec. '17
Security commitment for group companies	150	2,106
Total	150	2,106

NOTE 16. CONTINGENT LIABILITIES

Contingent liabilities	31 Dec. '18	31 Dec. '17
Guarantees in favour for group companies	12,794	16,602
Total	12,794	16,602

NOTE 17. APPROPRIATION OF PROFITS

The following unappropriated profits are at the disposal of the AGM, SEK:

Profit (loss) brought forward	4,623,716,851
Share premium reserve	3,133,547,165
Net profit for the year	386,119,991
Total	8,143,384,007

The Board of Directors proposes that the profits are disposed of as follows, SEK:

Dividend to shareholders of SEK 2.40 per share	524,167,925
Share premium reserve	3,133,547,165
Carried forward	4,485,668,917
Total	8,143,384,007

NOTE 18. EVENTS AFTER THE REPORTING DATE

No significant events have occurred after the reporting date.

Annual Report signatures

The Board of Directors and the CEO hereby declare that the annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated accounts have been prepared in accordance with the international accounting standards as referred to in European Parliament and Regulation (EC) No 1606/2002 as of 19 July 2002 on the application of international accounting standards. The annual accounts and consolidated accounts give a true and fair view of the parent company's and the Group's financial position and results of operations. The Board of Directors' report for the parent company and the Group gives a true and fair view of the progress of the parent company and the Group's operations, financial position and results of operations, and describes the significant risks and uncertainties faced by the parent company and Group companies.

Stockholm, Sweden, 15 March 2019

Charlotte Axelsson
Chair

Ingalill Berglund
Board member

Jonas Bjuggren
Board member

Liselotte Hjorth
Board member

Ulf Nilsson
Board member

Charlotta Wikström
Board member

Biljana Pehrsson
CEO

Our Audit Report was submitted on 18 March 2019
Ernst & Young AB

Ingemar Rindstig
Authorised Public Accountant

Jonas Svensson
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of Kungsleden AB (publ), corporate identity number 556545-1217

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Kungsleden AB (publ) except for the corporate governance statement on pages 57–65 for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 52–55 and 66–99 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 57–65. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the income statement and statement of financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of properties

Description

Kungsleden records properties at fair value and the property portfolio was valued at SEKm 34,697 at December 31, 2018 and changes in value amounted to SEKm 1,603. The Group's properties amount to 98 per cent of the total balance sheet as at December 31, 2018. The valuation is based on judgments and assumptions, which may have a significant impact on the group's results of operations and financial position. The basis for the valuation is an individual assessment of each property's future earnings and the market yield. Changes in unobservable inputs used in the valuation have been analyzed by management each quarter, and compared to information from external appraisals. A description of the property valuation is found in note 13 and critical assessments made in note 3.

Based on the many judgements and assumptions made in preparing the valuation of properties, we consider this area as a key audit matter in our audit.

How our audit addressed this key audit matter

We have reviewed and evaluated management's valuation procedures. We have reviewed a sample of prepared internal valuations, and we have reviewed that the valuations agree with the internal policy for valuation and method used by Kungsleden.

We have reviewed input and calculations in the internal valuation model for a selection of properties. We have also compared the values accounted for by Kungsleden with the valuations prepared for control purposes by external appraisals.

We have discussed important assumptions and judgements with Kungsleden's internal valuation specialist. Our sample of properties have mainly covered the properties where there have been largest variations in value compared to previous quarters and last year. We have performed comparisons to known market information.

With assistance from our property valuation specialist, we have checked the reasonability in assumptions made such as yield, vacancies, rental revenue and operational cost, for a number of properties.

We have reviewed relevant disclosure notes to the financial statements.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–51, 56 and 103–128. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Kungsleden AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 57–65 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Kungsleden AB by the general meeting of the shareholders on the 26 April 2018 and has been the company's auditor since the 28 April 2016.

Stockholm 18 March 2019
Ernst & Young AB

Ingemar Rindstig
Authorised Public Accountant

Jonas Svensson
Authorised Public Accountant

PROPERTY RELATED KEY FIGURES

PROPERTY YIELD

The measurement is used to highlight the yield for the operating net in relation to the value of properties.

Outcome

Operating net in relation to average book value of properties. At interim reporting, returns are converted to a full-year basis. The average book value of properties is calculated as the sum of the opening and closing balances divided by two.

Outcome per property management unit, urban concentration, category, cluster and investment-and development properties.

The value for the interim period is calculated as an average property yield for the quarters included.

Earnings capacity

Operating net in relation to the book value of properties at year-end.

OPERATING AND MAINTENANCE COST, SEK PER SQ.M

Operating and maintenance cost in relation to average leasable area.

OPERATING NET

Total revenues less property costs.

ECONOMIC VACANCY RATE

Estimated market rent for vacant areas in relation to rental value.

ECONOMIC OCCUPANCY RATE

This metric is intended to facilitate assessment of possible rental revenue in relation to the total value of possible vacant area. Rental revenue excluding discounts is calculated in relation to rental value.

PROPERTY COSTS, SEK PER SQ.M

Property costs in relation to average leasable area.

PROFIT FROM PROPERTY MANAGEMENT

Profit from property management is a specific performance metric used in the property sector to facilitate comparability in the industry. Calculated as the sum of operating net, selling and administration costs and net financial items.

AVERAGE REMAINING CONTRACT LENGTH MATURITY

Remaining contract value divided by annual rent.

RENTAL REVENUE

Charged rents, rent surcharges and rental guarantees less rent discounts.

RENTAL VALUE

Rental revenue plus estimated market rent for vacant units.

CONTRACTED ANNUAL RENT

Rent (exclusive of heating) plus a fixed additional supplement.

AVERAGE RENT, SEK PER SQ.M

Rental revenues in relation to average leasable area.

LEASABLE AREA

Leased area and leasable vacant area.

SURPLUS RATIO

Operating net in relation to rental revenues.

OTHER REVENUE

Revenues which have no direct link to lease agreements.

FINANCIAL KEY FIGURES

RETURN ON EQUITY

Net profit after tax in relation to average equity. At interim reporting, returns are converted to a full-year basis. Average equity is calculated as the sum of the opening and closing balances divided by two.

RETURN ON TOTAL ASSETS

Operating net, profit from property divestment, selling and administration costs in relation to average assets. At interim reporting, returns are converted to a full-year basis. Average assets are calculated as the sum of the opening and closing balances divided by two.

LTV (LOAN-TO-VALUE) RATIO

Interest-bearing liabilities less cash and bank balances, and in relation to the book value of properties.

INTEREST COVERAGE RATIO

Profit from property management excluding financial expenses, in relation to financial expenses.

DEBT/EQUITY RATIO

Interest-bearing liabilities in relation to equity.

EQUITY RATIO

Equity including minority interests in relation to total assets.

SHARE-RELATED KEY FIGURES

DIVIDEND YIELD ON SHARES

Adopted/proposed dividend/redemption in relation to the share price at year-end.

TOTAL RETURN ON SHARES

The sum of the share price change during the period and during the dividend paid/redemption period in relation to the share price at the beginning of the period.

ADOPTED/PROPOSED DIVIDEND PER SHARE

The Board of Directors' proposed dividend or dividend per share approved by the AGM.

EQUITY PER SHARE

Equity in relation to the number of shares at year-end.

EPRA EPS (PROFIT FROM PROPERTY MANAGEMENT AFTER TAX) PER SHARE

Profit from property management less taxable profit in relation to the average number of shares in the period.

EPRA NAV (LONG-TERM NET ASSET VALUE) PER SHARE

Reported equity including recognised liability/asset for interest rate derivatives and deferred tax in relation to the number of shares at year-end.

EPRA NAV (CURRENT NET ASSET VALUE) PER SHARE

Reported equity adjusted for the estimated fair value of deferred tax (3.7 per cent), instead of reported value, in relation to the number of shares at the end of the period.

PROFIT FROM PROPERTY MANAGEMENT, PER SHARE

Profit from property management for the period in relation to the average number of shares in the period.

CASH FLOW BEFORE CHANGES IN WORKING CAPITAL PER SHARE

Cash flow before changes in working capital in relation to the average number of shares.

NET PROFIT, PER SHARE

Net profit for in relation to the average number of shares in the period.

GLOSSARY

PROPERTY COSTS

The costs for electricity, heating, water, property management, cleaning, property administration, insurance and maintenance less invoiced supplement for operations and maintenance.

INVESTMENT PROPERTIES

The total property holding excluding development properties.

CATEGORY

The properties' primary usage by area. The type of area that accounts for the largest share of total area determines how properties are classified. Accordingly, a property with 51 per cent office space is classified as an office property. The categories are Office, Industrial/Warehouse, Retail and Other.

CLUSTERS

Kungslöden defines clusters as a gathered property holding in a location with good accessibility, in a market with good growth and development potential. The optimal cluster has a favourable mix of offices, retail and residential, and an attractive service offering.

CONTRACT VALUE

Rent according to the lease agreements plus indexation and rent surcharges expressed as an annual value.

DEVELOPMENT PROPERTIES

Properties with areas of vacant possession that are planned to be vacated, short-term leased or demolished to enable development. Individual properties are classified as development properties on a quarterly basis, which may affect comparisons between periods. If a property changes classification between development and investment property, the comparative period is not affected.

SEGMENTS

Stockholm means Greater Stockholm, Gothenburg means Greater Gothenburg and Malmö means Greater Malmö.

AVERAGE INTEREST RATE

The average interest rate is calculated by setting the interest costs from loans and interest rate swaps, the initial direct costs and the costs associated with unutilised credit lines in relation to the outstanding loan volume on the reporting date.

UNREALISED CHANGES IN VALUE

Result of change in estimated market value of properties compared with the previous reporting period.

MAINTENANCE

Measures to maintain the property and its technical systems. Current and planned actions involving exchanges or renovation of building parts or technical systems. Also includes tenant improvements.





**IN-DEPTH
SUSTAINABILITY
INFORMATION**

In-depth sustainability information (GRI index and EPRA)

Kungsliden’s sustainability reporting summarises sustainability work in 2018 and constitutes the Statutory Sustainability Report. It has been prepared in accordance with the GRI (Global Reporting Initiative) standard’s Core level, with the Construction & Real Estate Sector Supplement (CRESSE) and the EPRA’s (European Public Real Estate Association) sBPR (Best Practices Recommendations on Sustainability Reporting). This section states in-depth sustainability information, and supplements the information produced in previous Annual Reports. The section also includes Kungsliden’s CoP for the Global Compact, which satisfies the Active level.

MATERIAL SUSTAINABILITY ISSUES

Kungsliden works with a special focus on five segments identified in a materiality analysis conducted in 2015, and the report contents are based on these segments. The materiality analysis consisted of a competition analysis and assessment of Kungsliden’s sustainability work, as well as points raised in two meetings with representatives of Accounting, HR, Environment, Legal Services, Corporate Communication and Marketing. These meetings also addressed the contents of interviews with tenants and surveys of investors and financial analysts in tandem with AGMs and capital markets days. Kungsliden maintains an ongoing stakeholder dialogue and has supplemented its materiality analysis and selection of aspects with assessments based on them.

The relevance of the materiality analysis was examined in 2017 through a research project entitled “KPI 2030: Sustainable Properties of the Future” that was conducted jointly with members of the City of Stockholm’s Forum for Sustainable Cities and researchers at Mälardalen University, Luleå Technical University and the University of Richmond. Seven main segments associated with tenant interest in sustainability of their premises were identified. The materiality analysis was updated in late-2018 by shareholders, investors, financial analysts and a large number of tenants responding to a survey. A workshop was then conducted based on these responses. Representatives of Property Management, Legal Services, HR, Technology, Accounting and Sustainability participated in the workshop. Kungsliden will continue its work on these results in 2019.

The adjacent table illustrates Kungsliden’s material sustainability issues. The table also states the policies Kungsliden applies to govern its work in these segments.

The adjacent table illustrates Kungsliden’s material sustainability issues. The table also states the policies Kungsliden applies to govern its work in these segments.

Kungsliden’s material sustainability issues	Governance
Energy	Sustainability Policy & Strategy
Emissions	Sustainability Policy & Strategy
Environmental impact of products and services	Sustainability Policy & Strategy
Land contamination and remediation	Sustainability Policy & Strategy
Labelling of products and services	Sustainability Policy & Strategy Business Plan
Anti-corruption	Procurement Policy Business Networking Guidelines Guidelines for Incidental Employment and Conflicts of Interest
Supplier assessment of working conditions	Code of Conduct for Suppliers
Diversity and gender equality	Equal Opportunity & Diversity Policy
Skills management of employees	Skills Management Policy
Employee health & safety	Occupational Health & Safety Policy Alcohol & Drug Policy
Customer health & safety	Sustainability Policy & Strategy
Economic performance	Business Plan



GRI complement

ORGANISATIONAL PROFILE

102-8 Information on employees and other workers

	Unit	2016	2017	2018
Total no. of employees	no.	102	110	107
-of which women	no.	54	56	56
No. of permanent employees	no.	52	54	55
-of which full time	no.	52	53	54
-of which part time	no.	0	1	2
No. of fixed-term employees	no.	2	2	1
-of which men	no.	48	54	51
No. of permanent employees	no.	47	54	51
-of which full time	no.	47	53	51
-of which part time	no.	0	1	0
No. of fixed-term employees	no.	1	0	0

102-40 List of stakeholder groups

102-42 Identifying and selecting stakeholders

102-43 Approach to stakeholder engagement

102-44 Key topics and concerns raised

The following table lists Kungsliden's most important stakeholders, how we maintain a dialogue with them, and the issues the various stakeholders view as most important. These stakeholders are important to Kungsliden because they have major influence on the company or are impacted by the company's operations. Through the Annual Report, we review how we address our stakeholders' standards and expectations.

Stakeholder group	Key topics	Dialogue in the year
Shareholders, investors and financial analysts	<ul style="list-style-type: none"> • Long-term stable business model, targets and strategy • Financing • Growth • Earnings • Sustainability and corporate governance • Corporate communication 	<ul style="list-style-type: none"> • AGM • New share issue • Scheduled meetings • Regular contact • Capital markets day • Annual Report
Employees	<ul style="list-style-type: none"> • Opportunities for training and skills management • Salary and benefits • Work-life balance • Diversity • Structure and tools • Health & safety • Customer service • Business ethics 	<ul style="list-style-type: none"> • Yearly appraisal and salary review interviews • Regular dialogue with line managers • Employee satisfaction survey • Staff conference
Wider society	<ul style="list-style-type: none"> • Long-term ownership • Energy and environmental efficiency • Innovation • Community • Accessibility and security • Antiquarian and architectural values • Vibrant community • Diversity and jobs 	<ul style="list-style-type: none"> • Contacts with business community and decision-makers • Website updates
Suppliers	<ul style="list-style-type: none"> • Long-term and stable partnering • Customer service • Energy consumption • Business ethics • Health & safety risks 	<ul style="list-style-type: none"> • Regular contact • Audits and performance reviews • Clarification of standards in tenders pursuant to Kungsliden's templates for suppliers
Tenants	<ul style="list-style-type: none"> • Expedient premises • Stable landlord • Accessibility • Business ethics • Healthy and safe premises • Cost efficiency • Energy consumption • Waste management • Emissions • Customer service 	<ul style="list-style-type: none"> • Regular contact • Meetings in the year • Website

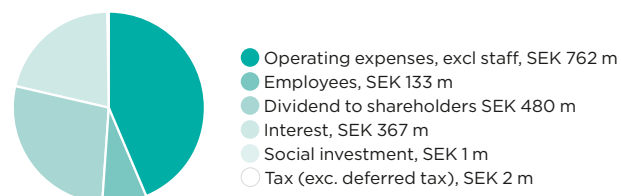
Specific Disclosures

ECONOMIC PERFORMANCE

201-1 Direct economic value generated and distributed

Directly created value was SEK 3,390 million, and retained economic value was SEK 1,645 million. All companies exert a direct impact on their economies through payments to business partners, taxes and salaries, pensions and social security contributions for employees. The following diagram illustrates how Kungsliden's revenues were divided between its different stakeholder groups in 2018.

OUR CONTRIBUTION TO SOCIETY 2018, TOTAL SEK 1,745 M



ENERGY

G4-CRE1 Energy intensity in buildings and G4-CRE3 - Emission intensity in buildings

Performance in the year

Purchased energy per sq.m	193 kWh/kvm
Purchased energy exc. reinvoiced energy to tenants	139 kWh/kvm
Emissions per sq.m	8.1 kg CO ₂ /kvm

EMISSIONS

305-1 and 2 Direct and indirect GHG emissions

GHG emissions per scope (ton CO ₂ E)	2015	2016	2017	2018
Scope 1	226	129	97	54
Scope 2	17,517	16,383	13,668	15,227
Scope 3	n/a	n/a	n/a	34

Kungsliden has been leasing all its service vehicles and company cars since 2018, which impacts its reporting. Emissions from service vehicles and company cars are now reported as scope 3, instead of scope 1 as previously. Rail and air travel is purchased through travel agencies and is reported as scope 3 effective 2018.

Scope	Activity	Activity data	Conversion factor
Scope 1	Oil purchased by Kungsliden that is not invoiced to customers based on separate measurement or invoicing of actual consumption.	Internal gathering of statistics of purchased oil and invoicing systems.	Heating oil: 0.268 ton CO ₂ /MWh <small>Source: Statistics Sweden. Conversion of Statistics Sweden energy statistics to CO₂ emissions, 29 May 2009 w. 2</small>
Scope 2	Electricity purchased by Kungsliden that is not invoiced to customers based on separate measurement or invoicing of actual consumption.	Internal gathering of statistics of purchased electricity and invoicing systems	Certified renewable energy: 4 g CO ₂ /kWh <small>Source: Göteborg Energi</small>
Scope 2	District heating purchased by Kungsliden that is not invoiced to customers based on separate measurement or invoicing of actual consumption.	Internal gathering of statistics of purchased district heating and invoicing systems.	Data from each district heating provider.
Scope 3	Business travel using leased service vehicles and company cars.	Travel by service vehicles is based on odometer readings and travel by company cars is based on mileage compensation systems.	GHG emissions are for actual mileage and registration document data on emissions per km. <small>Source: The Swedish Transport Agency</small>
Scope 3	Business travel by rail and air	Business travel by rail and air is booked via travel agencies. <small>Source: Big Travel</small>	

LAND DEGRADATION, CONTAMINATION AND REMEDIATION

G4-CRE5 Land remediated and in need of remediation In 2018, Kungsliden continued its work according to the plan established after the mapping process executed in 2016, when all properties held were categorised according to be contamination situation in one of the following five categories. All new acquisitions have been systematically reviewed and classified by contamination situation.

Category 1: Contamination detected that requires remediation. Category 2: MIFO class 1 or 2 or other motivation for investigation required. Potential detection of contamination that requires remediation programme. Category 3: MIFO class 3 or 4 or contamination detected that does not require remediation. Category 4: Risk of contamination, but none detected and no sector classification. Category 5: No contamination detected and no reason for suspicion This assessment is based on documentation in public records and internal materials and investigation. Kungsliden has not been imposed with any instructions for remediation of soil contamination. No portfolio property is currently classified in category 1.

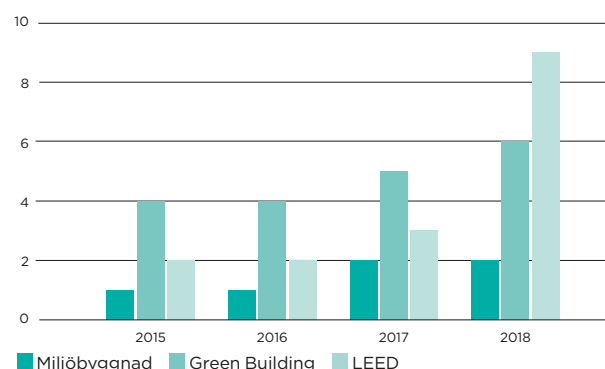
PRODUCT AND SERVICE LABELING

G4-CRE8 Environmental certifications in new construction, extensions and reconstructions

Kungsliden has utilised various environmental classification systems in recent years depending on the system appropriate to each building. At present, Kungsliden has LEED-classified properties in its portfolio, in new

development and existing buildings, as well as buildings certified according to the Miljöklassad byggnad Silver level and EU Green Building standard. A total of 14 properties are certified, several holding double certifications. The share of value is 17 per cent, compared to 10 per cent in the previous year. More information on p. 30-31.

NO. OF ENVIRONMENTALLY CLASSIFIED PROPERTIES



EMPLOYEE HEALTH & SAFETY**403-2 Hazard identification, risk assessment, and incident investigation**

	Unit	2016	2017	2018
Total number of working days lost due to inability to work (e.g. sickness absence, but also other types of absence apart from the 'normal' ones, i.e. not weekends, holidays, occupational leave, parental leave, etc.)	days	4,230	5,549	6,803
Above days, women	days	3,298	4,694	4,708
-of which long-term sickness absence	days	755	2,227	2,633
Above days, men	days	932	855	2,095
-of which long-term sickness absence	days	0	0	1,312
Total number of planned working days (total for all employees)	days	199,978	199,898	203,988
Above days, women	days	105,061	101,705	107,172
Above days, men	days	94,917	98,148	98,816

DIVERSITY AND GENDER EQUALITY**102-8 Information on employees and other workers****405-1 Diversity of governance bodies and employees**

	Unit	2016	2017	2018
Styrelse				
No. of women		4	5	4
-of which aged under 30		0	0	0
-of which aged 30-50		0	0	0
-of which aged over 50		4	5	4
No. of men		3	2	2
-of which aged under 30		0	0	0
-of which aged 30-50		0	0	1
-of which aged over 50		3	2	1
Management				
No. of women		5	6	6
-of which aged under 30		0	0	0
-of which aged 30-50		5	4	4
-of which aged over 50		0	2	2
No. of men		5	3	3
-of which aged under 30		0	0	0
-of which aged 30-50		2	0	0
-of which aged over 50		3	3	3
Other workers				
No. of women		51	58	50
-of which aged under 30		6	4	8
-of which aged 30-50		39	42	33
-of which aged over 50		6	12	9
No. of men		49	52	48
-of which aged under 30		5	6	4
-of which aged 30-50		28	25	27
-of which aged over 50		16	21	17
Total		110	110	107

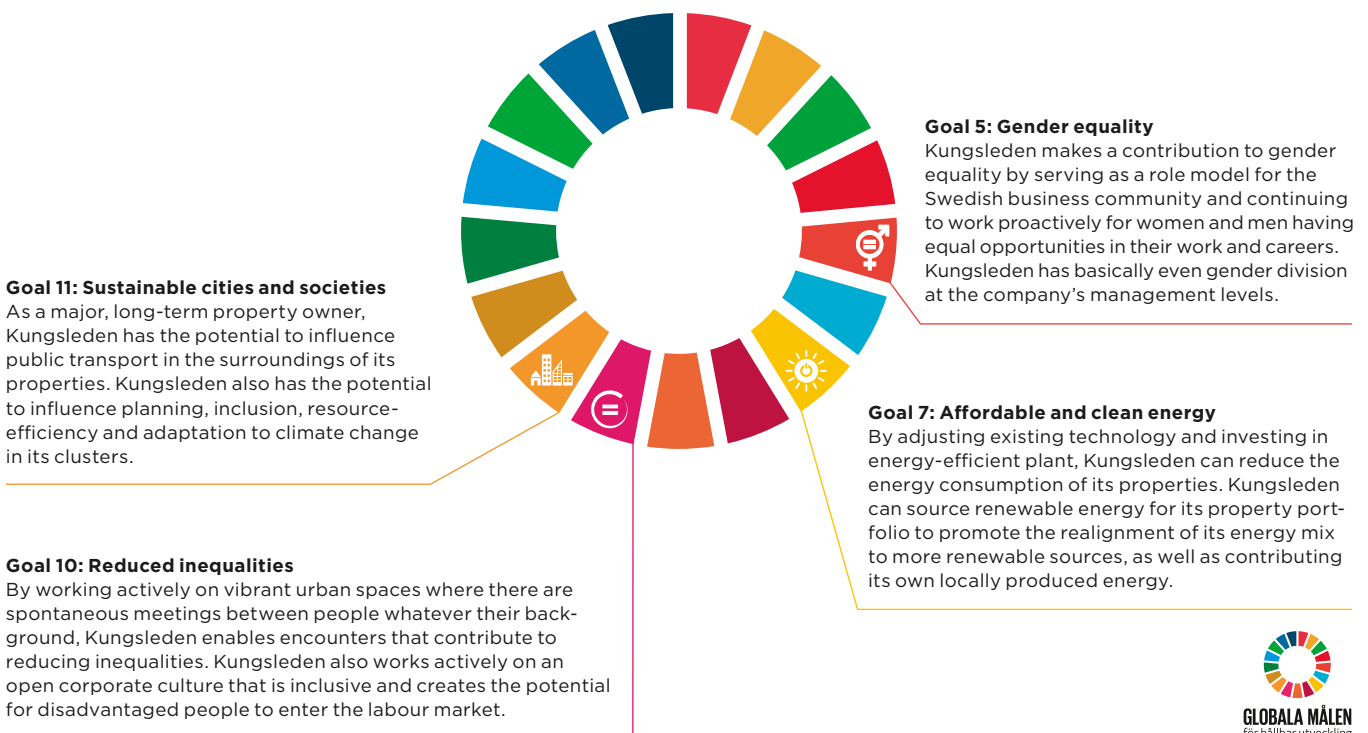
102-9 Supply chain

In order to conduct operations successfully, Kungsliden needs to appoint various types of suppliers. The total number of suppliers appointed by Kungsliden directly is 3,501. In turn, these suppliers often have subcontractors, whose number is difficult to estimate because the subcontractor base of each supplier varies. Those suppliers mainly appointed are: service providers, utilities (electricity, district heating and district cooling), contractors (mainly construction contractors) and consultants (such as technology consultants and architects). Because Kungsliden conducts operations in Sweden, its suppliers are usually also domiciled in Sweden. Kungsliden set standards of its suppliers, and Kungsliden's Code of Conduct for Suppliers is attached to procurement contracts. No supplier audits were conducted in 2018.

Sustainability risks

Risk segment	Risk description	Potential impact	Potential risk to Kungsleden	Risk management
Environment	GHG emissions from energy consumption and transportation	Risk of climate impact	Climate extremes can result in risk of damage to properties	Kungsleden has a target of reducing climate impact by 20% by 2023.
Environment	Construction materials containing compounds that are hazardous to health and/or the environment	Risk of health and/or environmental damage	Risk of costs for remediation	Kungsleden is a member of construction material assessment body BVB.
Indoor environment	Unhealthy premises	Risk of tenant physical and psychological ill-health	Risk of not attracting tenants or rent levels not sustainable	Kungsleden works actively for healthy premises, with good air quality and tailored premises, for example.
Working conditions/ human rights	Adverse working environment	Workers experience and adverse working environment	Risk of losing workers and not attracting the right skills	Kungsleden has an Occupational Health & Safety Policy, a Gender Equality & Diversity Policy and an Alcohol & Drug Policy, with the objective of being an attractive employer. A whistleblower system was implemented in 2018.
Supplier risks	Risks in occupational health & safety, trade union rights, environment, anti-corruption, etc.	Risk of poor working conditions and employment terms, environmental risk and corruption risk	Trust risk and risk to the brand and company's finances	Kungsleden has a Procurement Policy and a Code of Conduct for Suppliers, which is part of its agreements with contractors and suppliers. Informative meetings are arranged to clarify and emphasise the importance of the Code of Conduct.
Workplace health & safety	Work-related injuries and accidents	Risk of injuries and accidents on construction sites	Trust risk	Health & safety plans and safety patrols on construction projects.
Business ethics/ corruption	Bribery, corruption or other form of impropriety	Risk of individuals being exposed to a negative impact, and a negative impact on wider society	Trust risk and risk to the brand and company's finances	Kungsleden works actively on business ethics and education, policies and a whistleblower system for anonymous reporting of risks.

Kungsleden and global sustainable development goals



Summary of Kungsleden's satisfaction of the reporting standards of the Swedish Annual Accounts Act

Segment	Disclosure	Pages
Overall	Business model	
Environment	Policy and environmental issues Risks and their management within environmental issues Goals are performance related to environmental issues	13, 45, 106, 108, 110
Human resources and social conditions	Policy och social issues Risks and their management within social issues Goals and performance related to social issues	40-43, 106, 109, 110
Respect for human rights	Policy och social issues Risks and their management within social issues Goals and performance related to social issues	41-42, 45, 106, 109, 110
Anti-corruption	Policy for work on anti-corruption Risks and their management within anti-corruption Goals and performance related to anti-corruption	46, 110

Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of Kungsleden AB (publ), corporate identity number 556545-1217.

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2018 on pages 105-114 and that it has been prepared in accordance with the Swedish Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A statutory sustainability statement has been prepared.

Stockholm 18 March 2019

Ernst & Young AB

Ingemar Rindstig
Authorized Public Accountant

Jonas Svensson
Authorized Public Accountant

GRI index

GRI Standard	Disclosure	Description	Comment	Page	Link to global goals
General Disclosures					
GRI 102: General Disclosures 2016	Organisational profile				
	102-1	Name of the organization	Kungsleden Fastighets AB, corporate identity number 556459-8612	GRI index, p. 112	
	102-2	Activities, brands, products, and services		Inside cover	
	102-3	Location of headquarters	Stockholm, Sweden	GRI index, p. 112	
	102-4	Location of operations	Kungsleden conducts operations in Sweden only	GRI index, p. 112	
	102-5	Ownership and legal form		p. 14-15	
	102-6	Markets served	Sweden	GRI index, p. 112	
	102-7	Scale of the organization		p. 1, 26-27, 109	
	102-8	Information on employees	Information stated as of 31 Dec. 2018, i.e. not averages for the year. All employees are located in Sweden. HR data from Kungsleden's HR systems.	p. 40-43, 109	Goal 8
	102-9	Supply chain		p. 46 and 109	
	102-10	Significant changes to the organization and its supply chain	No material changes in the year	GRI index, p. 112	
	102-11	Precautionary Principle or approach	Kungsleden has signed the UN Global Compact, whose environmental undertakings include the precautionary principle.	GRI index, p. 112	
	102-12	External initiatives	Global Compact, Global Reporting Initiative, EPRA, BREEAM, LEED, BVB.	GRI index, p. 112	
102-13	Membership of associations	Fossil-free Sweden, Sweden Green Buildings Council, The Sustainable Cities Forum, BVB, The LEED Council and GRESA are associations where Kungsleden serves an active role on executive bodies.	GRI index, p. 112		
Strategy and analysis					
102-14	Comment from the CEO			p. 4-5	
Ethics and integrity					
102-16	Values, principles, standards, and norms of behavior			p. 40, 46	Goal 16
Governance					
102-18	Governance structure			p. 45 och 57-61	
Stakeholder engagement					
102-40	List of stakeholder groups			p. 107	
102-41	Collective bargaining agreements	All Kungsleden employees are covered by collective-bargaining agreements.		GRI index, p. 112	Goal 8
102-42	Identifying and selecting stakeholders			p. 106-107	
102-43	Approach to stakeholder engagement			p. 106-107	
102-44	Key topics and concerns raised			p. 107	
Reporting practice					
102-45	Entities included in the consolidated financial statements	The Annual & Sustainability Report covers all operations unless otherwise stated.		GRI index, p. 112	
102-46	Defining report content and topic boundaries	The principles governing stakeholder engagement, sustainability contexts, materiality and comprehensiveness have assisted the company in defining the content of this Report.		p. 106, 112	
102-47	List of material topics			p. 106	
102-48	Restatements of information	No restatements from previous Reports.		GRI index, p. 112	
102-49	Changes in reporting	The reporting of GHG emissions has altered: Scope 3, which includes business travel by air, rail and car, has been included since 2018, with service vehicles and company cars leased from 2018.		p. 108 and GRI index, p. 112	
102-50	Reporting period	Kungsleden's Annual & Sustainability Report is for the period 1 January-31 December 2018.		GRI index, p. 112	
102-51	Date of most recent report	The latest Sustainability Report was published at www.kungsleden.se on 27 March 2018.		GRI index, p. 112	
102-52	Reporting cycle	Reporting is yearly.		GRI index, p. 112	

GRI Standard	Disclosure	Description	Comment	Page	Link to global goals
	102-53	Contact point for questions regarding the report	Maria Sandell, Sustainability Manager e-mail: maria.sandell@kungsleden.se Tel: +46 (0)8 503 05200 Internet: www.kungsleden.se	GRI index, p. 113	
	102-54	Claims of reporting in accordance with the GRI Standards		p. 106	
	102-55	GRI index		GRI index, p. 113	
	102-56	External assurance	The Sustainability Report is not externally verified. The auditor's statement that a sustainability report has been prepared is on p. 93.	111, GRI index, p. 113	
Specific Disclosures					
Economic performance					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		p. 108	
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed		p. 108	Goal 11
Energy					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		p. 30	
GRI 302: Energy 2016	302-1	Energy consumption within the organization		p. 31, 108	
	302-4	Reduction of energy consumption		p. 30	Goal 7
	CRE1	Energy consumption per square metre		p. 108	
Emissions					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		p. 30	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions		p. 108	
	305-2	Energy indirect (Scope 2) GHG emissions		p. 108	
	CRE3	GHG emissions per square metre		p. 108	
Land contamination and remediation					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		p. 108	
	CRE5	Contaminated and remediated land		p. 108	
Products and service labeling					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		p. 30, 108	
	CRE8	Number and proportion of environmentally certified properties		p. 30-31 and 108	
Customer health & safety					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		p. 45	
GRI 416: Customer health & safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No instances of non-compliance reported. Fault reporting in properties managed continuously by a fault reporting system.	GRI index, p. 113	
Employee health & safety					
	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		p. 40, 42	
GRI 403: Employee health & safety 2016	403-2	Hazard identification, risk assessment, and incident investigation		p. 109	
	CRE6	Proportion of employees working according to a health& safety management system	Kungsleden complies with health & safety legislation, and has the stipulated safety representatives.	GRI index, p. 113	

GRI index, cont.

GRI Standard	Disclosure	Description	Comment	Page	Link to global goals
Skills management of employees					
GRI 404: Training and education 2016	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		p. 40-43	
	404-2	Programs for upgrading employee skills and transition assistance programs	Kungsleden has a skills management process including digital support tools available to all employees. Kungsleden has collective-bargaining agreements and pension advisors offering guidelines and advice as required. Individually tailored support is available on termination of employment.	GRI index, p. 114	
	404-3	Percentage of employees receiving regular performance and career development reviews	99%	GRI index, p. 114	
Diversity and equal opportunity					
GRI 405: Diversity and equal opportunity 2016	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		p. 45	
	405-1	Composition of company by gender and age group	Information stated as of 31 Dec. 2018.	p. 109	Goal 5
	405-2	Number of cases of discrimination	No cases reported in the year.	GRI index, p. 114	
Supplier social assessment					
GRI 414: Supplier Social Assessment 2016	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		p. 46, 109	
	414-2	Negative social impacts in the supply chain and actions taken	No audits conducted in 2018.	p. 46 and GRI index, p. 114	
Anti-corruption					
GRI 205: Anti-corruption 2016	103-1/2/3	Explanation of the material topic and its boundary/The management approach and its components/Evaluation of the management approach		p. 45-46	
	205-1	Operations assessed for risks related to corruption	No risk analysis for corruption was conducted in 2018.	GRI index, p. 114	
	205-2	Communication and training about anti-corruption policies and procedures	Anti-corruption Policy training conducted for all employees, including management and the Board of Directors.	p. 59, 46 and GRI index, p. 114	
	205-3	Confirmed incidents of corruption and actions taken		p. 46	

EPRA

EPRA SUSTAINABILITY PERFORMANCE MEASURES

Effective 2016, Kungsliden is reporting in-depth sustainability performance measures for the company based on the EPRA's (European Public Real Estate Association) sBPR (Best Practices Recommendations on Sustainability Reporting).

EPRA PERFORMANCE MEASURES

Kungsliden is reporting sustainability performance measures for 15 of the EPRA sBPRs. It is reporting indicators for energy, greenhouse gas emissions, water, waste and share of environmentally certified buildings, prepared in accordance with the most recent guidelines from the EPRA; sBPR. Energy consumption is reported in MWh, emissions in tons, water consumption in m³, emission intensity in kg/m², energy intensity in kWh/m² and water intensity in litres/m².

EPRA OVERARCHING RECOMMENDATIONS

Organisational boundary

The boundary of reporting originates with the properties where Kungsliden has operational control pursuant to the principles of the Greenhouse Gas Protocol. Kungsliden has adopted this approach because it provides us with the best potential to report and quality-assure statistics that Kungsliden can directly impact. Other properties, whether customer is responsible for agreements for delivering energy, water and waste, are not included. When the customer is responsible for these agreements, Kungsliden is not in possession of metrics data, and accordingly, reporting outcomes is problematic.

Coverage

Continuous and active work is ongoing on the properties that Kungsliden owns and manages to gain access to relevant performance data. Kungsliden values available performance data because it creates the potential for effective and positive management of properties. Kungsliden currently has access to performance data for much of its portfolio. The share of properties included in indicators is reported for each performance measure. However, Kungsliden does not have access to performance data for all properties. Primarily, measurements of waste are missing due to waste contractors being unable to provide statistics for all properties. Kungsliden works continuously to gain access to all relevant performance data wherever possible. At year-end 2018, Kungsliden owned a total of 222 properties, compared to 222 properties at year-end 2017. Acquisitions and divestments of properties have occurred during the period. For the complete property list, see pages 119-127.

Estimation of landlord-obtained utility consumption

All data reported has been measured and verified. There were no estimations.

Third party assurance

Kungsliden's indicators reported pursuant to EPRA have not been verified by a third party.

Boundaries-reporting on landlord and tenant consumption

Kungsliden reports on the energy purchased by the property owner, i.e. by Kungsliden. Kungsliden does not report tenants' energy consumption because it basically does not have access to these statistics. Kungsliden cannot directly influence tenant energy consumption, which to some extent, renders the statistics less relevant. See the EPRA table for the data reported.

Normalisation

Kungsliden utilises the Swedish Meteorological & Hydrological Institute's standards to normalise energy for heating.

Analysis – segmental analysis (by property type, geography)

Kungsliden reports sustainability data pursuant to the building types of office and retail premises, industrial buildings and projects.

Disclosure on own offices

Kungsliden's own offices are included in the statistics, but not reported separately.

Narrative on performance

Changes from 2017 to 2018 for sustainability key figures and savings achieved are stated in the index for 2018. Emission data has been restated. Kungsliden has been leasing all service vehicles and company cars since 2018, and their emissions are reported in scope 3 from 2018, rather than scope 1 as previously, when Kungsliden owned the vehicles. Business travel by rail and air is also being reported effective 2018, as scope 3.

Location of EPRA Sustainability Performance in companies' reports

The reporting of sustainability key figures pursuant to EPRA sBPR is formulated in this index, which is part of the Annual Report for 2018.

Reporting period

The reporting of sustainability key figures pursuant to EPRA sBPR is for the calendar year, i.e. 1 January to 31 December.

EPRA

EPRA	Unit	Description		Kungsleden		Retail and Stores			
				2018	2017	2018	2017	Diff	chg., %
Elec-Abs	MWh	Electricity	Total purchased by property owner	160,670	169,793	8,692	9,264	-572	-6.2
Elec-LFL	MWh	Electricity		158,923	165,692	8,692	9,236	-544	-5.9
DH&C-Abs	MWh	District heating and cooling	Total purchased by property owner	202,098	205,590	11,232	11,340	-108	-1.0
DH&C-LFL	MWh	District heating and cooling		200,568	200,092	10,403	10,362	41	0.4
Fuels-Abs	MWh	Fuels	Total purchased by property owner	203	440		85	-85	
Fuels-LFL	MWh	Fuels		203	355			0	
Abs	MWh	Energy	Total energy consumption	362,971	375,823	19,924	20,689	-765	-3.7
LFL	MWh	Energy	Total energy consumption	359,694	366,139	19,095	19,598	-503	-2.6
Abs	MWh	Energy	Total energy consumption (degree day adjusted)	372,470	390,219	20,476	21,526	-1,050	-4.9
LFL	MWh	Energy	Total energy consumption (degree day adjusted)	369,149	380,112	19,603	20,359	-756	-3.7
Energy-Int - Abs	kWh/sq.m	Energy intensity	Total energy consumption (degree day adjusted)	198	204	142	142	-0	-0
Energy-Int - LFL	kWh/sq.m	Energy intensity	Total energy consumption (degree day adjusted)	198	204	140	145	-5	-3.7
Energy-Int - Abs	kWh/sq.m	Energy intensity	Energy intensity of properties	193	196	138	137	2	1.1
Energy-Int - LFL	kWh/sq.m	Energy intensity	Energy intensity of properties	193	197	136	140	-4	-2.6
GHG Dir-Abs	Ton CO ₂ e	Direct	Scope 1	54	112		17	-17	-100.0
GHG-Dir-LFL		Direct	Scope 1	54	95			0	
GHG-Indir-Abs	Ton CO ₂ e	Indirect	Scope 2	15,226	15,658	501	480	21	4.3
GHG-Indir-LFL		Indirect	Scope 2	15,316	15,328	484	467	17	3.6
			GHG-Indir-Abs Emissions electricity	642	679	35	37	-2	-6.2
			GHG-Indir-LFL Emissions electricity	635	663	35	37	-2	-5.4
			GHG-Indir-Abs Emissions Heating cooling	14,584	14,979	466	443	23	5.2
			GHG-Indir-LFL Emissions Heating cooling	14,681	14,665	449	430	19	4.4
GHG-Int - Abs	Kg CO ₂ e/sq.m	Intensity Kg/sq.m	Emission intensity from property energy consumption	8.1	8.2	3.5	3.2	0.3	9.5
GHG-Int - LFL	Kg CO ₂ e/sq.m	Intensity Kg/sq.m	Emission intensity from property energy consumption	8.2	8.2	3.5	3.3	0.1	3.6
Water-Abs	m ³	Municipal water		622,692	558,530	34,249	32,462	1,787	5.5
Water-LFL	m ³	Municipal water		621,359	545,771	32,915	29,853	3,062	10.3
Water-Int - Abs	m ³ /sq.m	Intensity		0.3	0.3	0.2	0.2	0.0	10.7
Water-Int - LFL	m ³ /sq.m	Intensity		0.3	0.3	0.2	0.2	0.0	10.3

EPRA	Description	Miljöbyggnad		EU GreenBuilding		LEED		Total environmentally certified properties		
		2018	2017	2018	2017	2018	2017	2018	2017	% change
Cert-tot	No. of properties	2	2	6	6	8	4	14	9	56
	Area (sq.m)	24,746	24,746	86,966	86,966	145,481	94,743	184,231	144,300	27.7
	Prop., per sq.m (%)	1	1	4	4	7	4	9	7	28.5

Industrial and Warehouse				Office				Other				Kungsleden total			
2018	2017	Diff	chg., %	2018	2017	Diff	chg., %	2018	2017	Diff	chg., %	2018	2017	Diff	chg., %
70,523	72,794	-2,271	-3.1	78,738	85,028	-6,290	-7.4	2,717	2,707	10	0.4	160,670	169,793	-9,123	-5.4
70,523	69,953	570	0.8	76,991	83,796	-6,805	-8.1	2,717	2,707	10	0.4	158,923	165,692	-6,769	-4.1
65,270	68,119	-2,849	-4.2	120,640	121,212	-572	-0.5	4,956	4,919	37	0.8	202,098	205,590	-3,492	-1.7
65,270	66,441	-1,171	-1.8	119,939	118,370	1,569	1.3	4,956	4,919	37	0.8	200,568	200,092	476	0.2
203	355	-152				0				0		203	440	-237	-53.8
203	355	-152				0				0		203	355	-152	-42.7
135,996	141,268	-5,272	-3.7	199,378	206,240	-6,862	-3.3	7,673	7,626	47	0.6	362,971	375,823	-12,852	-3.4
135,996	136,749	-753	-0.6	196,930	202,166	-5,236	-2.6	7,673	7,626	47	0.6	359,694	366,139	-6,445	-1.8
139,423	146,469	-7,046	-4.8	204,636	196,639	7,997	4.1	7,936	8,005	-69	-0.9	372,471	372,639	-168	0.0
139,423	141,821	-2,398	-1.7	202,188	212,988	-10,800	-5.1	7,936	7,926	10	0.1	369,149	380,112	-10,963	-2.9
269	271	-2	-0.8	175	167	8	4.9	165	176	-12	-6.7	198	195	4	1.8
269	274	-5	-1.7	175	184	-9	-5.1	165	165	0	0.1	198	204	-6	-2.9
263	262	1	0.3	171	175	-4	-2.5	159	168	-9	-5.3	193	196	-3	-1.6
262	264	-1	-0.6	170	175	-5	-2.6	159	158	1	0.6	193	197	-4	-1.8
54	95	-41	-43.2									54	112	-58	-51.8
54	95	-41	-43.2									54	95	-41	-43.2
6,902	6,978	-76	-1.1	7,801	8,063	-262	-3.2	24	137	-113	-82.5	15,228	15,658	-430	-2.7
6,902	6,914	-12	-0.2	7,793	7,810	-17	-0.2	138	137	1	0.7	15,317	15,328	-11	-0.1
282	291	-9	-3.1	315	340	-25	-7.4	11	11	0	0.0	643	679	-36	-5.3
282	280	2	0.7	308	335	-27	-8.1	11	11	0	0.0	636	663	-27	-4.1
6,620	6,687	-67	-1.0	7,486	7,723	-237	-3.1	13	126	-113	-89.7	14,585	14,979	-394	-2.6
6,620	6,634	-14	-0.2	7,485	7,475	10	0.1	127	126	1	0.8	14,681	14,665	16	0.1
13.3	12.9	0.4	3.0	6.7	6.8	-0.2	-2.5	0.5	3.0	-2.5	-83.5	8.1	8.2	-0.1	-0.9
13.3	13.3	0.0	-0.2	6.7	6.8	0.0	-0.2	2.9	2.8	0.0	0.7	8.2	8.2	0.0	-0.1
128,164	120,716	7,448	6.2	444,265	389,545	54,720	14.0	16,015	15,806	209	1.3	622,693	558,529	64,164	11.5
128,164	118,116	10,048	8.5	444,265	381,995	62,270	16.3	16,015	15,806	209	1.3	621,359	545,770	75,589	13.8
0.2	0.2	0.0	10.6	0.4	0.3	0	15.0	0.3	0.3	0	-4.6	0.3	0.3	0	13.6
0.2	0.2	0.0	8.5	0.4	0.3	0	16.3	0.3	0.3	0	1.3	0.3	0.3	0	13.8



STADSV. AVST.
FOR LØRE

KUNGSLEDEN

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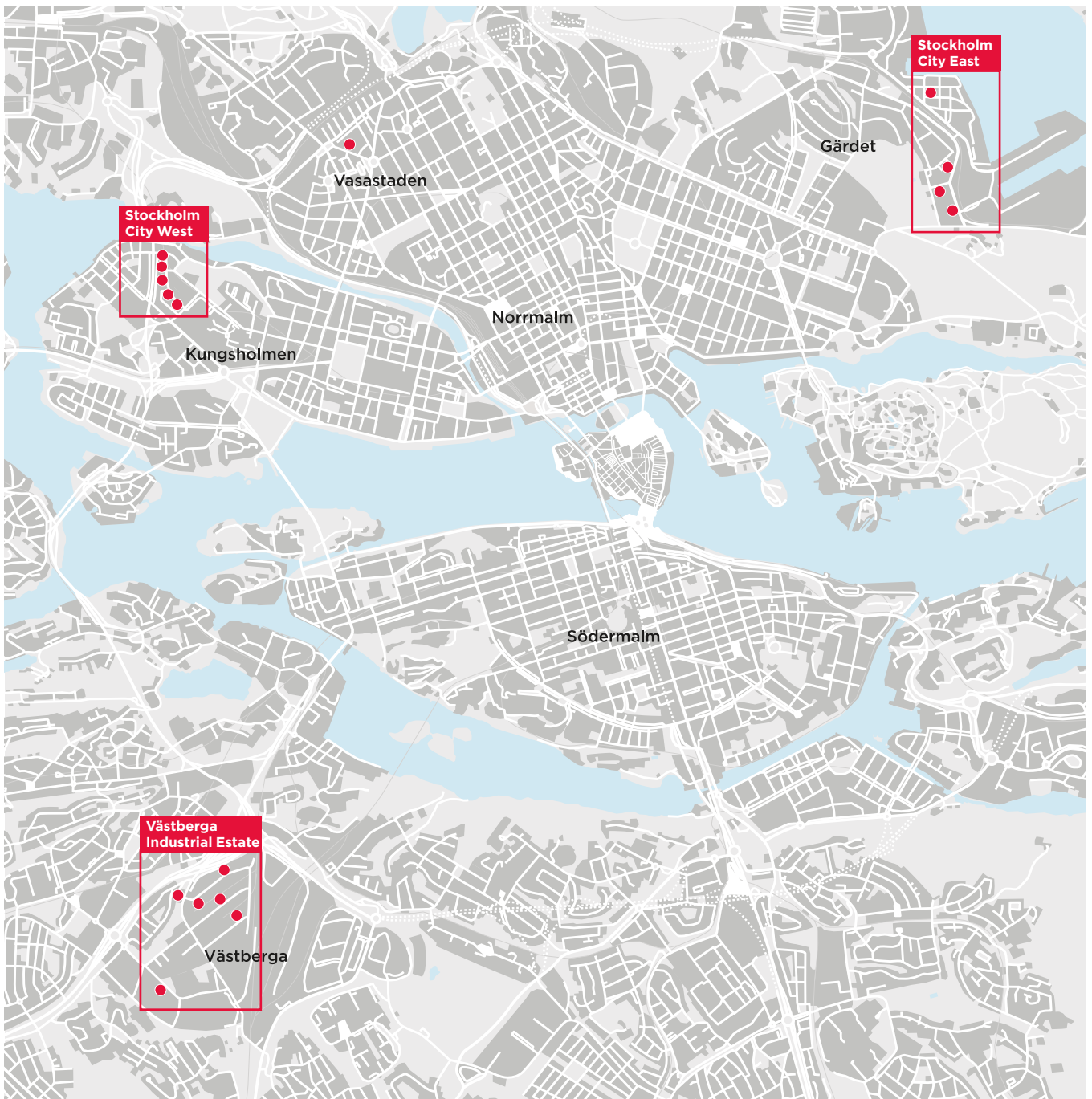
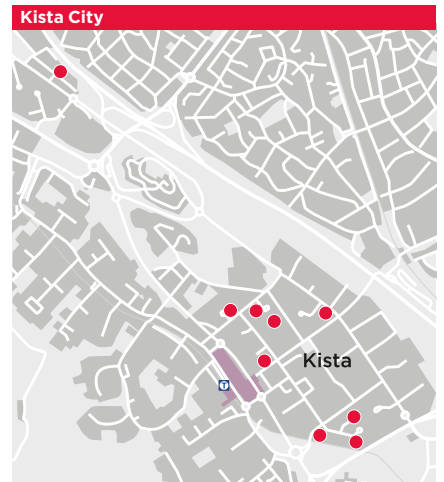
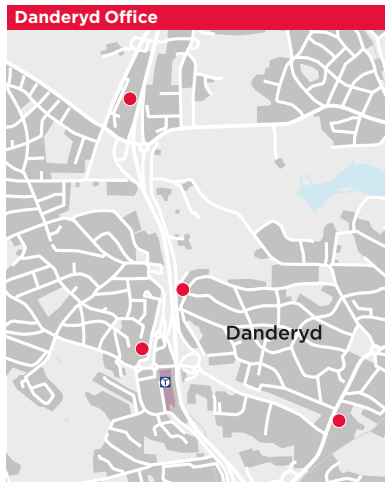
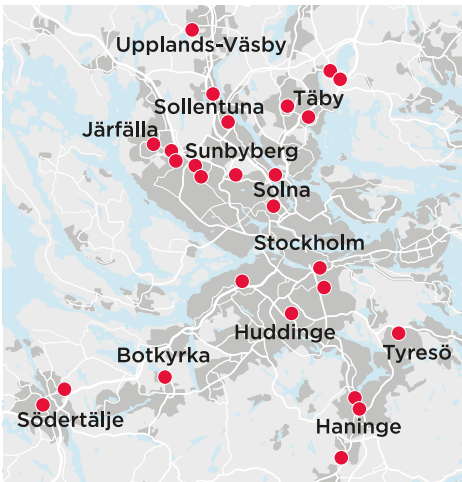
STB



PROPERTY LIST

Stockholm

Municipality	Cluster	Property	Address	Property category	Area	Prop. Mgmt. Unit.
Botkyrka	Other	Tunaberg 4	Tunabergsvägen 1	Industrial/Warehouse	1,320	Stockholm
Danderyd	Danderyd Office	Bergudden 8	Berga Backe 2-4, Karlsrovägen 1-2 A-D	Office	19,330	Stockholm
		Muttern 3	Enebybergsvägen 8 - 12	Office	7,502	Stockholm
		Svärdet 7	Svärdvägen 1-31	Office	40,677	Stockholm
		Trekanten 5	Vendevägen 85 A-B, 87-91	Office	32,061	Stockholm
Haninge	Other	Jordbromalm 6:14	Lagervägen 11	Industrial/Warehouse	9,573	Stockholm
		Täckeråker 2:227	Gamla Nynäsvägen 3A	Retail	2,810	Stockholm
		Täckeråker 2:273	Gamla Nynäsvägen 3B	Retail	5,966	Stockholm
Järfälla	Other	Veddesta 2:37	Datavägen 7	Office	2,895	Stockholm
		Veddesta 2:65	Veddestavägen 15	Industrial/Warehouse	14,362	Stockholm
		Veddesta 2:73	Veddestavägen 17, Datavägen 7	Office	6,759	Stockholm
	Other	Gärdsmygen 4	Skolvägen 12, 14	Office	2,404	Stockholm
		Träböcken 1	Sofielundsvägen 2-6	Office	5,366	Stockholm
Solna	Other	Forellen 1	Björnstigen 4	Industrial/Warehouse	1,363	Stockholm
		Ugnen 5	Industrivägen 7	Office	3,699	Stockholm
Stockholm	Kista City	Borgarfjord 5	Torshamnsgatan 25, 27	Office	10,035	Stockholm
		Färöarna 3	Kistagången 20, 22, 24, 26, 28, 30	Other	37,811	Stockholm
		Holar 1	Skalholtsgatan 2	Office	6,044	Stockholm
		Holar 4	Skalholtsgatan 6-8	Industrial/Warehouse	7,292	Stockholm
		Borgarfjordsg 7-13, Isafjordsg. 34-38		Other	22,836	Stockholm
		Keflavik 1	Isafjordsgatan 30 A-D, 32 A-D	Office	25,097	Stockholm
		Terminalen 2	Kronåsvägen 35, Esbogatan 12-18	Office	15,152	Stockholm
		Reykjavik 2	Borgarfjordsgatan 14	Industrial/Warehouse	11,892	Stockholm
		Torsnäs 1	Skalholtsgatan 5, 9, 11	Office	10,523	Stockholm
	Stockholm City West	Blästern 14	Gävlegatan 16, 18 A-C	Office	16,653	Stockholm
		Gladan 5	Warfvinges väg 24	Other	4,157	Stockholm
		Gladan 6	Warfvinges väg 26	Office	4,233	Stockholm
		Gladan 7	Warfvinges väg 28	Office	2,886	Stockholm
		Lustgården 11	Warfvinges väg 35, Strandbergsgatan 20	Office	7,473	Stockholm
		Lustgården 12	Warfvinges väg 29-33, Strandbergsg 12-18	Office	13,366	Stockholm
	Stockholm City East	Rotterdam 1	Hangövägen 18-20	Office	24,997	Stockholm
		Stettin 5	Sehlstedtsgatan 4-6	Other	17,470	Stockholm
		Stettin 6	Tegeluddsvägen 96, 98, 100	Office	25,126	Stockholm
		Tegeludden 13	Tegeluddsvägen 76-78	Office	20,612	Stockholm
	Västberga	Dagskiftet 3	Elektravägen 18	Industrial/Warehouse	5,458	Stockholm
		Dikesrenen 2	Vretensborgsvägen 21	Industrial/Warehouse	3,062	Stockholm
		Domptören 4	Västberga Allé 4, Karusellplan 9-13	Industrial/Warehouse	4,455	Stockholm
		Nattskiftet 15	Drivhjulsvägen 22, 24, 26	Office	10,382	Stockholm
		Timpenningen 1	Västbergavägen 24	Industrial/Warehouse	12,301	Stockholm
		Vreten 20	Vretensborgsvägen 16	Industrial/Warehouse	2,599	Stockholm
	Other	Furudal 2	Fagerstagatan 4	Office	1,820	Stockholm
		Glasmålningen 4	Nynäsvägen 297, 299, Skolvägen 10	Industrial/Warehouse	3,011	Stockholm
		Godsvagnen 9	Virkesvägen 21 B	Office	8,314	Stockholm
		Gulddragaren 24	Västertorpsvägen 136	Office	1,546	Stockholm
		Kantjärnet 4	Skebokvarnsvägen 370	Retail	5,510	Stockholm
		Mandelblomman 3	Kronofogdevägen 60	Other	1,813	Stockholm
Sundbyberg	Other	Päronet 1	Ursviksvägen 129	Industrial/Warehouse	4,213	Stockholm
Södertälje	Other	Enen 10	Järnagatan 12	Industrial/Warehouse	6,040	Stockholm
		Traktorn 7	Gränsbovägen 8	Industrial/Warehouse	5,610	Stockholm
Tyresö	Other	Järnet 6	Bollmora Gårdsv. 2-18, Industriv. 1-15	Industrial/Warehouse	21,138	Stockholm
Täby	Other	Fräsen 1	Maskinvägen 2	Retail	1,904	Stockholm
		Måttbandet 8	Måttbandsvägen 5	Retail	1,938	Stockholm
		Räknesticken 2	Tillverkarvägen 4	Other	928	Stockholm
		Tändstiftet 2	Enhagsvägen 4	Office	2,207	Stockholm
Upplands Väsby	Other	Njursta 1:21	Jupitervägen 2	Office	13,484	Stockholm



Gothenburg

Municipality	Cluster	Property	Address	Property category	Area	Prop. Mgmt. Unit.
Alingsås	Other	Bulten 1	Sävelundsgatan 2	Industrial/Warehouse	18,381	Gothenburg/Malmö
		Plommonet 12	Noltorps Centrum 2, Noltorps Centrum 4	Retail	2,102	Gothenburg/Malmö
Gothenburg	Gothenburg South Central	Gårda 19:10	Fabriksgatan 13	Office	3,773	Gothenburg/Malmö
		Kallebäck 2:7	Grafiska Vägen 2B	Office	5,605	Gothenburg/Malmö
		Kallebäck 2:9	Almedalsvägen 20	Office	11,600 ¹	Gothenburg/Malmö
		Krokslätt 34:16	Ebbe Lieberathsgatan 18a	Office	11,682	Gothenburg/Malmö
		Kallebäck 2:11 ²	Grafiska vägen 2C	Office	12,669	Gothenburg/Malmö
		Stiernhielm 7	Wallinsgatan 6	Office	6,578	Gothenburg/Malmö
		Part of Stiernhielm 7 ³	Wallinsgatan 6	Office	n/a	Gothenburg/Malmö
	Högsbo	Högsbo 10:17	Britta Sahlgrens gata 8 A-D	Industrial/Warehouse	9,874	Gothenburg/Malmö
		Högsbo 11:5	Britta Sahlgrens gata 5	Industrial/Warehouse	3,629	Gothenburg/Malmö
		Högsbo 13:2	E A Rosengrens Gata 13 A	Industrial/Warehouse	2,869	Gothenburg/Malmö
		Högsbo 13:4	E A Rosengrens Gata 19	Office	5,519	Gothenburg/Malmö
		Högsbo 13:6	E A Rosengrens Gata 17	Industrial/Warehouse	7,488	Gothenburg/Malmö
		Högsbo 14:3	Victor Hasselblads gata 16	Office	3,532	Gothenburg/Malmö
		Högsbo 14:7	Viktor Hasselblads gata 12	Office	3,621	Gothenburg/Malmö
		Högsbo 17:4	E A Rosengrens Gata 25	Office	1,804	Gothenburg/Malmö
		Högsbo 17:6	E A Rosengrens Gata 29 A	Office	4,364	Gothenburg/Malmö
		Högsbo 17:8	E A Rosengrens Gata 23	Industrial/Warehouse	2,165	Gothenburg/Malmö
		Högsbo 20:12	F.O. Petersons Gata 2	Industrial/Warehouse	5,942	Gothenburg/Malmö
		Högsbo 20:13	F.O Petersons Gata 4	Industrial/Warehouse	643	Gothenburg/Malmö
		Högsbo 24:13	August Barks Gata 21	Office	2,086	Gothenburg/Malmö
		Högsbo 27:8	August Barks gata 8	Office	2,556	Gothenburg/Malmö
		Högsbo 27:9	August Barks Gata 10	Office	9,608	Gothenburg/Malmö
		Högsbo 29:2	August Barks Gata 1	Industrial/Warehouse	11,888	Gothenburg/Malmö
		Högsbo 36:3	Norra Långebergsgatan 4	Industrial/Warehouse	3,570	Gothenburg/Malmö
		Järnbrott 168:1	Järnbrotts Prästväg 2	Office	16,309	Gothenburg/Malmö
		Kobbegården 172:1	Datavägen 24	Office	11,346	Gothenburg/Malmö
	Other	Arendal 764:385	Sydatlanten 12	Industrial/Warehouse	10,105	Gothenburg/Malmö
		Backa 21:5	Exportgatan 47a	Industrial/Warehouse	8,765	Gothenburg/Malmö
		Lundbyvassen 4:9	Regnbågsgatan 8 C	Office	3,638	Gothenburg/Malmö
Rud 52:2		Klangfärgsgatan 11	Office	2,059	Gothenburg/Malmö	
Sävenäs 67:3		Torpavallsgatan 9	Office	5,156	Gothenburg/Malmö	
Tingstadvassen 31:2		Ringögatan 29	Industrial/Warehouse	9,319	Gothenburg/Malmö	
Tynnered 1:13		Lergöksgatan 4	Industrial/Warehouse	6,258	Gothenburg/Malmö	
Älvsborg 178:8	Redegatan 9	Office	6,671	Gothenburg/Malmö		
Kungsbacka	Other	Sågen 14	Järnvägsgatan 36	Industrial/Warehouse	2,781	Gothenburg/Malmö
		Varla 14:1	Borgås Gårdsväg 19	Retail	2,490	Gothenburg/Malmö
		Varla 14:8	Magasinsgatan 12	Office	1,555	Gothenburg/Malmö
Mölnådal	Other	Kryptongasen 4	Kryptongatan 20	Industrial/Warehouse	8,291	Gothenburg/Malmö
		Kryptongasen 7	Kryptongatan 22B	Industrial/Warehouse	5,000	Gothenburg/Malmö
		Tingshuset 2	Kråketorpsgatan 16	Industrial/Warehouse	3,450	Gothenburg/Malmö
		Våmmedal 2:110	Bangårdsvägen 37	Retail	4,425	Gothenburg/Malmö
		Ädelgasen 1	Neogatan 5	Industrial/Warehouse	14,328	Gothenburg/Malmö
Partille	Other	Lexby 2:29	Brodalsvägen 13 B-C	Industrial/Warehouse	10,526	Gothenburg/Malmö
Uddevalla	Other	Varvet 3	Kasenabbevägen 8	Office	4,241	Gothenburg/Malmö

¹ Includes non-leasable area.

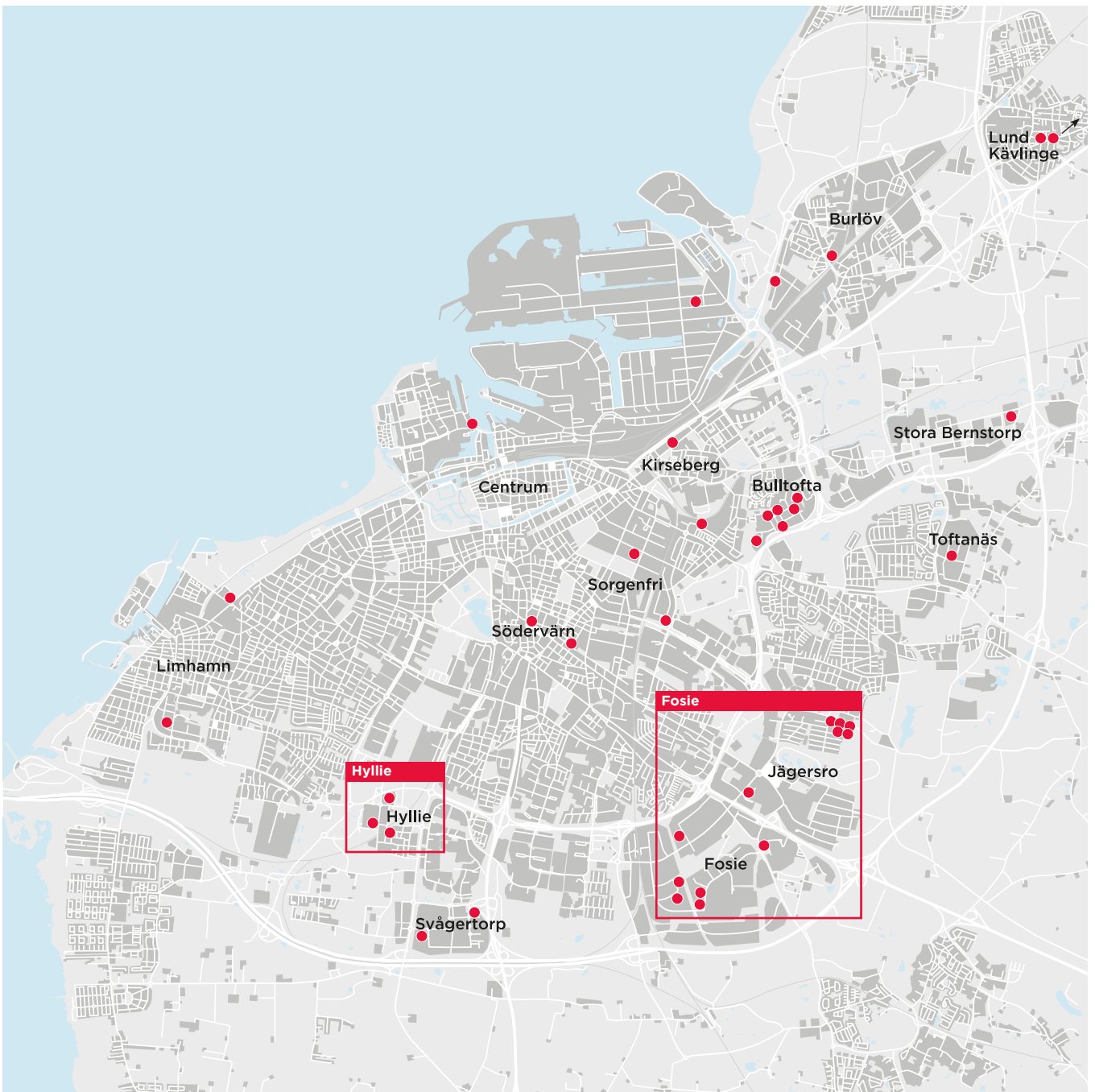
² The property is acquired, but not accessed.

³ The property divested, but not vacated.



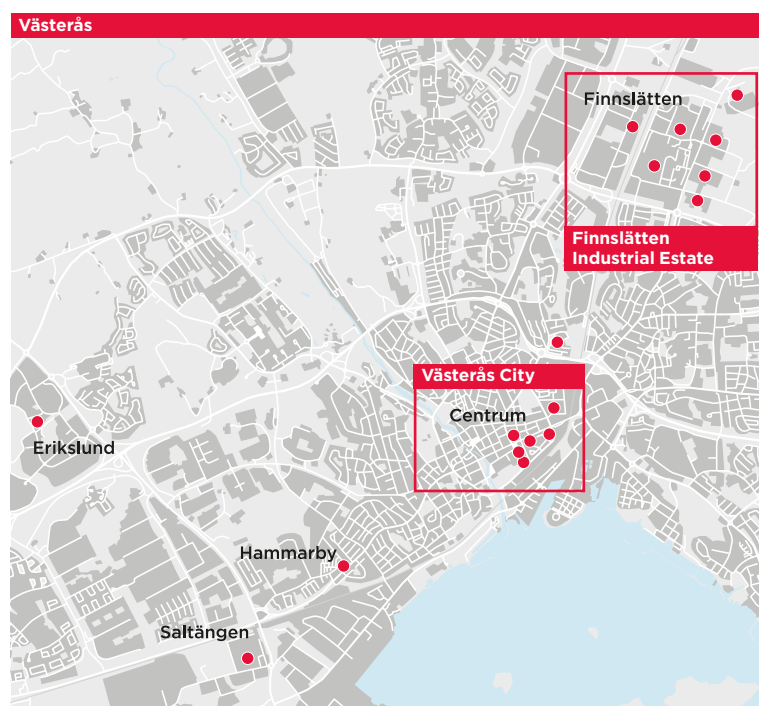
Malmö

Municipality	Cluster	Property	Address	Property category	Area	Prop. Mgmt. Unit.
Burlöv	Other	Sunnanå 12:34	Starrvägen	Retail	5,316	Gothenburg/Malmö
		Tågarp 20:81	Lommavägen 39	Office	26,453	Gothenburg/Malmö
Kävlinge	Other	Löddeköpinge 14:54	Varuvägen 8	Industrial/Warehouse	2,060	Gothenburg/Malmö
Lund	Other	Flintan 4	Skiffervägen 18-20	Office	5,082	Gothenburg/Malmö
		Företaget 8	Företagsvägen 28	Office	2,209	Gothenburg/Malmö
		Lund Studentkår 7	Tunavägen 39 A-H	Industrial/Warehouse	20,080	Gothenburg/Malmö
Malmö	Fosie	Verkstaden 5	Annedalsvägen 9	Industrial/Warehouse	6,984	Gothenburg/Malmö
		Domarringen 1	Boplatsgatan 2	Industrial/Warehouse	3,948	Gothenburg/Malmö
		Dubbelknappen 20	Kantyxegatan 29	Industrial/Warehouse	5,715	Gothenburg/Malmö
		Dubbelknappen 4	Kantyxegatan 25	Office	21,779	Gothenburg/Malmö
		Holkynan 6	Bronsyxegatan 13	Industrial/Warehouse	4,670	Gothenburg/Malmö
		Hästvagnen 3	Agnesfridsvägen 126, Handelsgatan 1	Retail	5,349	Gothenburg/Malmö
		Krukskärvan 11	Flintyxegatan 8 A	Industrial/Warehouse	1,750	Gothenburg/Malmö
		Lerkäret 3	Flintyxegatan 2	Industrial/Warehouse	1,148	Gothenburg/Malmö
		Påskbuketten 10	Hästvägen 4 E	Office	796	Gothenburg/Malmö
		Påskbuketten 5	Amiralsgatan 115	Office	1,116	Gothenburg/Malmö
		Påskbuketten 6	Hästvägen 4 A	Office	2,140	Gothenburg/Malmö
		Påskbuketten 8	Hästvägen 4 C	Office	1,796	Gothenburg/Malmö
		Påskbuketten 9	Hästvägen 4 D	Office	1,433	Gothenburg/Malmö
		Hyllie	Gefion 3	Nornegatan 6	Industrial/Warehouse	3,257
	Långhuset 1		Långhusgatan	Industrial/Warehouse	894	Gothenburg/Malmö
	Marknadsplatsen 8		Hyllie Boulevard 17	Office	10,254	Gothenburg/Malmö
	Mässhallen 1		Hyllie Vattenparksg 2-10, 10 Mässg 6-12	Office	20,867	Gothenburg/Malmö
	Mässhallen 1:1		Hyllie Vattenparksg 2-10, 10 Mässg 6-12	Office	372	Gothenburg/Malmö
	Vagnslidret 1		Arenagatan 12	Office	4,584	Gothenburg/Malmö
	Other	Brännaren 3	Industrigatan 13	Other	4,668	Gothenburg/Malmö
		Flygbasen 4	Höjdrodergatan 17	Office	1,681	Gothenburg/Malmö
		Flygbasen 7	Höjdrodergatan 11	Industrial/Warehouse	1,252	Gothenburg/Malmö
		Flygledaren 1	Höjdrodergatan 14	Office	901	Gothenburg/Malmö
		Idrotten 7	Palmgatan 28	Office	0	Gothenburg/Malmö
		Julius 1	Ahlmansg. 1, Claesg. 17, Spårvägsg. 2	Office	2,987	Gothenburg/Malmö
		Kloren 1	Volframgatan 5	Retail	6,775	Gothenburg/Malmö
		Mölledalsskolan 3	Höjdrodergatan 12	Industrial/Warehouse	1,463	Gothenburg/Malmö
Noshjulet 3		Pilotgatan 5	Office	801	Gothenburg/Malmö	
Rektangeln 9		Arlösvägen 10, 12	Industrial/Warehouse	3,407	Gothenburg/Malmö	
Rödkallen 11		Bjurögatan 40, 42	Office	5,548	Gothenburg/Malmö	
Sidorodret 3		Höjdrodergatan 2	Office	1,057	Gothenburg/Malmö	
Skjutsstallslyckan 23		Lundavägen 56	Industrial/Warehouse	7,780	Gothenburg/Malmö	
Sockeln 1	Krossverksgatan 32	Office	1,510	Gothenburg/Malmö		
Spindeln 9	Singelgatan 8 - 10	Industrial/Warehouse	1,993	Gothenburg/Malmö		
Tyfonen 1	Nordenskiöldsgatan 24	Office	17,574	Gothenburg/Malmö		
Ventilen 3	Ventilgatan 6	Industrial/Warehouse	704	Gothenburg/Malmö		
Vildanden 8	Geijersgatan 6-8	Office	8,561	Gothenburg/Malmö		



Västerås

Municipality	Cluster	Property	Address	Property category	Area	Prop. Mgmt. Unit.
Västerås	Finnsläätten	Effekten 2	Nätverksgatan	Other	31,385	Mälardalen
		Effekten 3	Elmotorgatan	Industrial/Warehouse	2,630	Mälardalen
		Effekten 4	Elmotorgatan	Industrial/Warehouse	26,493	Mälardalen
		Effekten 5	Fredholmsgatan 2	Office	21,952	Mälardalen
		Effekten 6 ¹	Lugna gatan	Office	n/a	Mälardalen
		Effekten 7 ¹	Lugna gatan	Industrial/Warehouse	n/a	Mälardalen
		Finnsläätten 1	Tvärleden	Industrial/Warehouse	146,622	Mälardalen
	Västerås City	Finnsläätten 4	Banmatarvägen	Other	8,185	Mälardalen
		Lorens 14	Karlsgatan 9 A	Office	26,006	Mälardalen
	Other	Mimer 5	Stora Gatan	Office	88,199	Mälardalen
		Ottar 5	Kopparbergsvägen	Office	20,404	Mälardalen
		Ottar 6	Kopparbergsvägen 2	Office	18,126	Mälardalen
		Västerås 5:9	Södra Ringvägen	Office	n/a	Mälardalen
		Direktören 8	Köpingsvägen 70	Office	1,998	Mälardalen
Isolatorn 3		Gideonsbergsgatan	Industrial/Warehouse	42,750	Mälardalen	
Kontaktledningen 1		Stenbygatan 10	Industrial/Warehouse	15,104	Mälardalen	
Other	Linblocket 1	Hallsta Gärdsgata 26, Linblocksgatan 7	Retail	2,808	Mälardalen	
	Verkstaden 7	Metallverksg., Sinterv., Östra Ringv.	Industrial/Warehouse	20 409	Mälardalen	



Regional cities and other

Municipality	Cluster	Property	Address	Property category	Area	Prop. Mgmt. Unit.
Borås	Other	Kompaniet 2	Pickesjövägen 1 – 5	Office	1,849	Gothenburg/Malmö
		Osdal 3:2	Lagercrantz plats 2	Office	18,933	Gothenburg/Malmö
		Spindeln 12	Bergslenagatan 9	Retail	10,477	Gothenburg/Malmö
Eskilstuna	Other	Eskilshem 1:9 ¹	Nystrandsgatan 23	Office	3,842	Mälardalen
		Löddret 4 ¹	Filargatan 3	Industrial/Warehouse	5,901	Mälardalen
		Speditören 1 ¹	Lundbladsvägen 6	Retail	11,161	Mälardalen
		Torlunda 1:80 ¹	Torestavägen 4	Retail	2,808	Mälardalen
		Valpen 1 ¹	Kungsgatan 68	Office	4,476	Mälardalen
		Verkmästaren 3 ¹	Rademachergatan 34	Other	3,406	Mälardalen
		Verkmästaren 4 ¹	Drottninggatan 4	Office	3,083	Mälardalen
		Verkmästaren 8 ¹	Bruksgatan 5, Rademachergatan 38	Office	3,998	Mälardalen
		Vipan 16 ¹	Kungsgatan 9	Retail	1,997	Mälardalen
		Vipan 17 ¹	Kungsgatan 7, Ridhusgatan 3	Office	3,496	Mälardalen
		Visheten 14 ¹	Kungsgatan – Careliigatan	Office	3,630	Mälardalen
		Visheten 15 ¹	Fristadstorget 3, Rademachergatan 9	Retail	10,360	Mälardalen
		Värblomman 11 ¹	Rademachergatan 7	Retail	5,874	Mälardalen
Värblomman 12 ¹	Rademachergatan 1	Office	7,161	Mälardalen		
Värblomman 8 ¹	Kungsgatan 6-8	Retail	9,462	Mälardalen		
Halmstad	Other	Eketånga 24:56	Kundvägen 4	Retail	4,062	Gothenburg/Malmö
		Eketånga 3:204	Jutaplatsen 3	Retail	2,376	Gothenburg/Malmö
Helsingborg	Other	Kruthornet 1	Garnisonsgatan 46	Retail	2,700	Gothenburg/Malmö
Hässleholm	Other	Mården 7	Första Avenyn 14 A-D	Industrial/Warehouse	5,728	Gothenburg/Malmö
Jönköping	Other	Ädelmetallen 15	Grossistgatan 14	Industrial/Warehouse	5,000	Gothenburg/Malmö
		Översikten 6	Solåsvägen 22	Office	10,477	Gothenburg/Malmö
		Översikten 9	Solåsvägen 18	Retail	4,516	Gothenburg/Malmö
Linköping	Other	Gårdisten 4	Kolfallsgatan 3A	Office	1,050	Mälardalen
		Glasflaskan 1	Roxtorpsgratan 16	Office	3,151	Mälardalen
		Greken 5	Rudsjög. 1, Rudsjög. 3, Södra Oskarsg 10	Retail	3,490	Mälardalen
		Grundet 9	Sunnorpsgratan 4	Industrial/Warehouse	1,694	Mälardalen
		Isbjörnen 4	Tröskaregatan 5-35	Retail	2,611	Mälardalen
		Magnetbandet 3	Finnögatan 1	Office	5,207	Mälardalen
Norrköping	Other	Prislappen 1	Mörtlösa 1	Retail	4,180	Mälardalen
		Amerika 5	Sjötullsgatan 42, Söderleden 101	Industrial/Warehouse	2,286	Mälardalen
		Fotogenen 4	Importgatan 32	Industrial/Warehouse	7,472	Mälardalen
		Oxelbergen 1:2	Vikboplan 7	Other	26,155	Mälardalen
		Sågen 7	Rörgatan 6, 8	Industrial/Warehouse	935	Mälardalen
Nyköping	Other	Taktipinnen 1	Folkborgsvägen 17	Office	17,705	Mälardalen
		Asken 17	Hantverksvägen 7A	Industrial/Warehouse	1,870	Mälardalen
		Gumsbacken 12	Gumsbackevägen 5-9	Retail	13,202	Mälardalen
Trollhättan	Other	Ribban 5	Brukslagarvägen 5, 7, 9	Office	39,944	Mälardalen
		Läkaren 1	Lasarettsvägen 1-19	Office	31,015	Gothenburg/Malmö
Uddevalla	Other	Barken 6	Junogatan 9	Office	4,236	Gothenburg/Malmö
		Ran 20	Odengatan 3	Retail	1,644	Gothenburg/Malmö
		Thorild 12	Kilbäcksgatan 2, 4, 6, 8, 10, 12	Industrial/Warehouse	6,868	Gothenburg/Malmö
Umeå	Other	Del av Aspgården 18 ¹	Nätverksgatan	Office	n/a	Stockholm
		Gumsbacken 15	Gumsbackevägen 5 A-B, 7, 9, 11, 13, 15	Industrial/Warehouse	0	Mälardalen
		Laven 6	Illervägen 3	Other	5,338	Stockholm
Uppsala	Other	Librobäck 3:3	Hållnäsgratan 6a	Retail	2,808	Stockholm
Växjö	Other	Deltat 1	Deltavägen 7	Office	2,526	Gothenburg/Malmö
		Dockan 9	Västra Esplanaden 9 A-B	Industrial/Warehouse	13,936	Gothenburg/Malmö
		Fyren 1	Ljungadalsgratan 17	Retail	5,273	Gothenburg/Malmö
		Tegnér 15	Biblioteksgatan 1,3	Retail	16,368	Gothenburg/Malmö
Ängelholm	Other	Ödman 14	Liedbergsgatan 4	Office	4,992	Gothenburg/Malmö
		Älvdalen 1	Brandsvigsgatan 6	Retail	11,816	Gothenburg/Malmö
		Arbetaren 1	Aspholmsvägen 12 A	Retail	4,129	Mälardalen
Örebro	Other	Lastaren 1	Transportgatan 22	Industrial/Warehouse	6,338	Mälardalen
		Rörläggaren 4	Boställsvägen 4	Office	2,468	Mälardalen
		Handelsmannen 6	Köpmangatan 24	Office	8,966	Stockholm
Östersund	Östersund City	Karlslund 5:2	Fyrvallavägen 1 – 5	Retail	58,680	Stockholm
		Läkarboken 5	Rådhusgatan 15 – 17	Office	6,040	Stockholm
		Verkstaden 11	Kyrkgatan 76	Office	2,402	Stockholm
		Arket 1	Arkivvägen 1	Office	2,006	Stockholm

¹ The property divested, but not vacated.

Invitation to Annual General Meeting

The Annual General Meeting of Kungsleden AB (publ) will be held on Friday 26 April 2019 at 11 a.m. CET at Kungsleden's head office at Warfvinges väg 31, Kungsholmen west, Stockholm, Sweden.

REGISTRATION

Shareholders who wish to participate in the Annual General Meeting must firstly be registered in their own name (voting right registered) in the share register maintained by Euroclear Sweden AB on Thursday 18 April 2019, and secondly notify the company of their participation by no later than Thursday, 18 April 2019:

- via www.kungsleden.se/arsstamma2019
- to the company by mail:
Kungsleden AB (publ)
FAO: Chanette Claesson-Zsuppán
Box 70414
107 25 Stockholm
Sweden
- or by telephone +46 (0)8 503 052 00 between 10 a.m. and 4 p.m. CET

Registrations must state the shareholder's name, personal/corporate ID no., address, daytime telephone number and any assistants who will attend.

If participation is by proxy or deputy, power of attorney, the company needs to have received certificates of registration and other authorisation documentation by no later than Thursday 18 April 2019, for admission to the Annual General Meeting. Please note that powers of attorney must be dated and sent in as originals. Power of attorney forms are available for download on the company's website www.kungsleden.se/arsstamma2019.

In order to participate at the Meeting, shareholders with nominee-registered holdings must request temporary re-registration in their own name in the share register maintained by Euroclear Sweden AB. Re-registration must be complete by no later than Thursday 18 April 2019, which means that nominees needs to be notified in good time prior to this date.

DISTRIBUTION OF THE ANNUAL REPORT

Hard copies of Kungsleden's Annual Report will be distributed to all new directly registered shareholders, and subsequently, only to those shareholders who have specifically requested them.

DIVIDEND

With the support of Kungsleden's dividend policy and against the background of the financial position of the parent company and Group, the Board of Directors is proposing a dividend of SEK 2.40 (2.20) per share for the financial year 2018.

The Board of Directors also proposes that the dividend is paid quarterly, with SEK 0,60 per ordinary share paid on each occasion. The proposed record date is two working days after the AGM, and the final week day in each subsequent three quarters. The payment dates will be three banking days after this, and will occur on the following days: May 6, 2019, July 3, 2019, October 3, 2019 and January 7, 2020.

Calendar 2019

Annual General Meeting

26 April

Interim Report

Jan-Jun 2019

10 July

Interim Report

Jan-Sep 2019

23 October

Contacts

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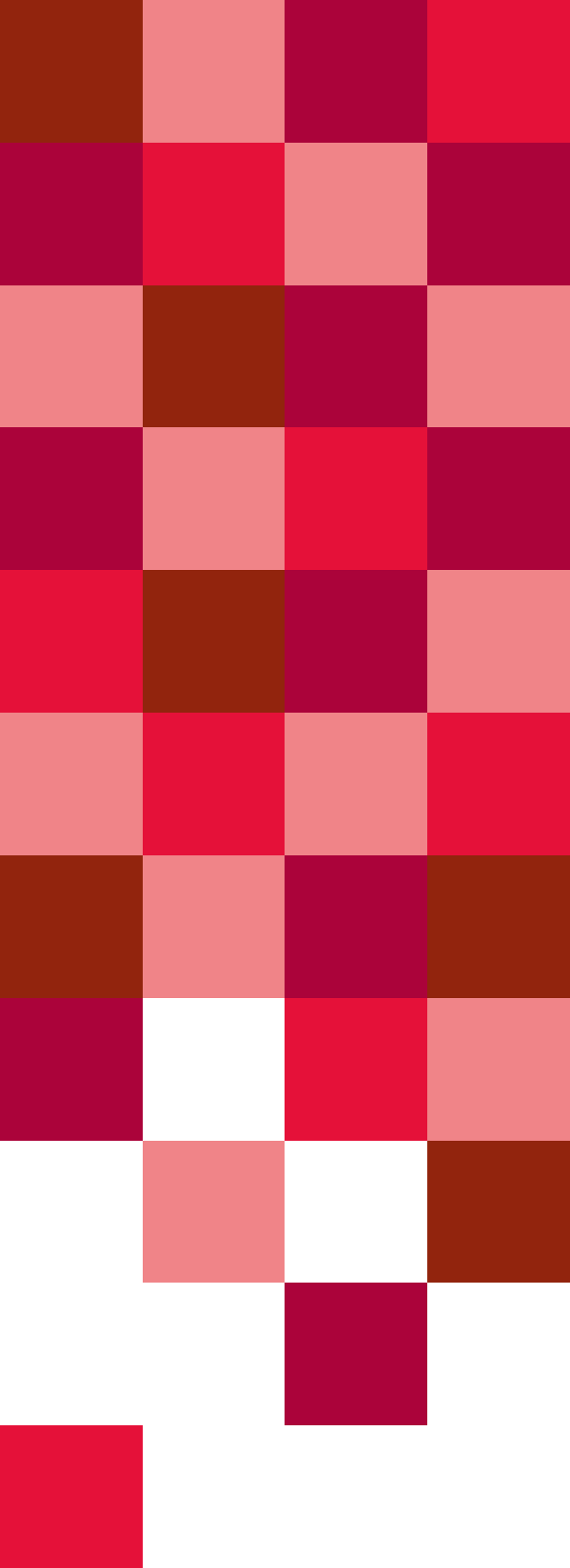
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