

INTERIM REPORT JANUARY-JUNE 2016

Q2:2016

“Operations are running in a good pace and the leasing results are strong”

BILJANA PEHRSSON, PRESIDENT AND CEO

KUNGSLEDEN

INTERIM REPORT

1 JANUARY–30 JUNE 2016

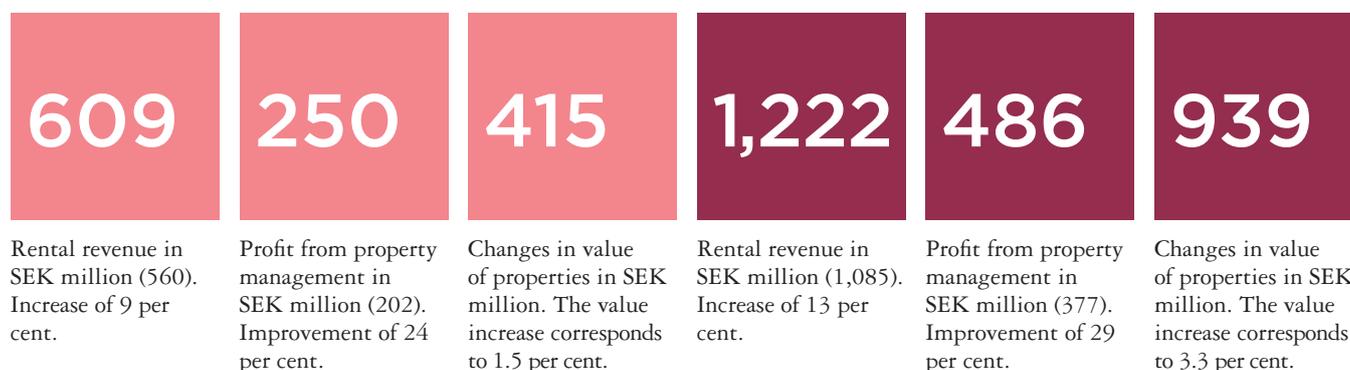
SECOND QUARTER, IN BRIEF

- Rental revenue increased 9 per cent to SEK 609 (560) million and operating net increased 10 per cent to SEK 397 (362) million
- Profit from property management improved by 24 per cent and was SEK 250 (202) million, which corresponds to SEK 1.37 (1.11) per share
- Value changes in the property portfolio amounted to SEK 415 (412) million, primarily due to lower yield requirements, along with improved future cash flows and investments
- Profit for the period fell to SEK 384 (596) million, which corresponds to SEK 2.11 (3.27) per share. The lower level of profit is primarily explained by falling long-term interest rates during the quarter, which resulted in unrealised negative value changes on interest rate swaps of SEK -183 (187) million
- Net leasing amounted to SEK 32 (-2) million

SIGNIFICANT EVENTS DURING AND AFTER THE SECOND QUARTER

- Access was gained to the newly built, and fully leased, office building called Isblocket in Hyllie, just outside Malmö on 1 April
- A 20-year lease was signed with Kista Hotel Apartments to lease the 6,000 sq. m. property, Holar 1 in Kista in order to open an apartment hotel
- Net leasing was SEK 32 million, which resulted from a high volume of new leases and a low level of termination notices in the holdings
- Non-strategic properties for a value of SEK 193 million were divested, resulting in a capital gain of SEK 29 million. Geographic concentration will fall to 60 municipalities once the properties are vacated
- * An unsecured 3-year bond loan for SEK 600 million, with loan limit of SEK 1 billion, was issued

SECOND QUARTER



KEY FIGURES	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015/2016 Jul-Jun	2015 Jan-Dec
FINANCIAL						
Profit from property management, SEK per share	1.37	1.11	2.67	2.07	5.91	5.31
Profit (loss) for the period, SEK per share	2.11	3.27	4.23	4.90	2.10	2.78
Equity, SEK per share	53.51	53.41	53.51	53.41	53.51	51.28
EPRA NAV (long-term net asset value), SEK per share	62.53	59.99	62.53	59.99	62.53	56.76
Return on equity, %	15.8	24.9	16.1	19.0	3.9	5.5
Operating net – properties, SEK	397	362	785	695	1,635	1,545
Interest coverage ratio, times	3.1	2.4	3.0	2.3	3.3	2.9
PROPERTY RELATED						
Economic occupancy rate, %	91.8	91.1	91.4	90.1	93.7	93.2
Rental revenue, SEK/sq. m.					1,072	987
Property cost, SEK/sq. m.					311	287

A list of general definitions is provided on page 22.

CEO COMMENTS

Kungsleden's trend of positive development continued in the second quarter. New leasing and net leasing are both good, development projects are on schedule and profit from property management increased by 24 per cent. Our operations are running in a good pace and our leasing results are strong.

Profit from property management increased by 24 per cent to SEK 250 (202) million. The earnings improvement primarily results from a higher operating net, which was due to higher rental revenue stemming from the fact we now have a higher percentage of office properties in Stockholm.

The value of property holdings increased by SEK 415 million during the quarter. Nearly two-thirds of the value increase is attributable to our properties that belong to a cluster. The value increase is equally attributable to improved future cash flows and investments, as well as lower yield requirements. The leasing potential is good in our prioritised (and largest) markets: Stockholm, Gothenburg, Malmö and Västerås. This means that the long-term value potential is also good.

During the quarter, we issued a bond loan. The funds will be used to refinance the bond loan that is soon maturing and for general corporate purposes.

STRATEGY: VALUE-GENERATING CLUSTERS

Our strategy involves concentrating property holdings in clusters that are located in growth areas, at locations with high accessibility and a high demand for premises. By keeping a long-term perspective and continually improving and actively managing our properties, we are able to develop not only the properties themselves, but also the environments around the buildings. This is how we create attractive places that enrich the everyday working lives of people and lay the foundation for a high overall return.

We further concentrated the property portfolio during the quarter by exiting five municipalities. We are now present in 60 municipalities and the long-term goal is to concentrate the property portfolio to the three major metropolitan regions along with around 15 other municipalities. In total, we divested non-strategic properties and residential building rights during the quarter for a value of SEK 193 million, resulting in a capital gain of SEK 29 million. The total value of the property portfolio now amounts to SEK 28.3 billion, with more than three quarters of the value derived from the priority markets. Stockholm accounts for 43 per cent, and the eleven clusters for 62 per cent, of the portfolio.

We are continually fortifying our organisation in the clusters. For example, during the quarter we set up a local office at Gärdet/Frihamnen. The cluster strategy is enabling Kungsleden to grow increasingly stronger.

UPWARD TREND IN RENTS CONTINUES

The rental market remains very strong in our most important markets thanks to low vacancy levels and a high demand for premises. New leasing amounted to SEK 48 million. Fewer properties were vacated in conjunction with lease termination and net leasing amounted to SEK 32 million. Demand has been particularly high at our clusters, where net leasing was SEK 28 million.

In total, rental revenue increased by 9 per cent to SEK 609 (560) million during the quarter. We renegotiated leases during the quarter for a value of SEK 28.3 million resulting in a rental increase of 6 per cent, on average. Rental revenue for adjusted comparable holdings increased by 1.4 per cent.

In Hyllie, just outside Malmö, the newly built office property, Vagnslidret 1 (Isblocket), which we acquired about a year ago, is now fully leased. The value of this property was written up by SEK 36 million thanks to higher rents and lower yield requirements.

At Warfvings väg in Stockholm, we leased out 750 sq. m. to the restaurant operator, Matdistriktet i Stockholm AB in the property Lustgården 12. The restaurant will be a destination where people can

eat and meet. It also makes an important contribution to creating an attractive, vibrant environment in the western part of Kungsholmen.

DEVELOPMENT PROJECTS IN THE IMPLEMENTATION PHASE

Property development is becoming increasingly important to us and significant progress was made in several projects during the quarter.

In Växjö, our vision is to transform the sub-optimal, Tegnégallerian, into an attractive retail destination, with shops lining the pedestrian street. Subsequent to the end of the quarter, we signed a long-term lease for 3,000 sq. m. with a prominent anchor tenant. This means that the outlook on realising our vision for Tegnégallerian is very good.

Nobis will open a design hotel on Gävlegatan in Stockholm, in the property Blästern 14. During the quarter, zoning for the block gained legal force, which means that we are now able to add on two-stories, totalling 860 sq. m., along with a roof terrace on the courtyard building. Nobis has also signed an agreement to lease that space as well.

In Kista, we signed a 20-year lease with Kista Hotel Apartments pertaining to the property Holar 1, where an apartment hotel will be set up. The new leases at Holar 1 in Kista and Tegnér 15 in Växjö mean that these properties now enter the implementation stage.

WE WELCOME OUR FIRST TRAINEES

During the quarter, we welcomed three young trainees to the organisation. A number of new employees under the age of 30 have also been hired into our property management and leasing functions. This is in line with our efforts to revitalise Kungsleden and improve age diversification at the company.

To inspire and develop our employees, we hold the Kungsleden Property Days every other year. In June, around 40 employees from our management, leasing, development and transaction functions participated in this year's event, where the theme was "offices of the future". We also focused on ways of increasing our revenue. These "Property Days" are part of our continual efforts to remain on the forefront when it comes to future customer needs and customer relations.

BREXIT AND OUTLOOK

European financial markets reacted negatively to Brexit and there is a high level of political unrest in the UK and EU. The question remains as to the effect this will have on growth in Europe, and whether there will be any impact on the property market. We can already see that the effects on the British economy and property market are negative and profound. For the rest of Europe and Sweden, my best assessment at this time is that Brexit will first and foremost have political consequences. I anticipate a slight drop in European growth, but the European central banks appear to be acting in unison in order to keep interest rates low. Sweden's growth will remain strong compared to the rest of Europe, since it is primarily fuelled by domestic demand.

Accordingly, I anticipate that the demand for premises will remain strong, along with an upward trend in rents, particularly in regards to high quality properties in good locations in Sweden's largest cities. For Stockholm, already 8th on the list of cities in the world with the most global headquarters, Brexit may also result in new opportunities if companies relocate from London to other cities. Risk tolerance could fall in the transaction market, particularly if access to financing worsens as a result of Brexit. It is difficult to predict how this will play out. There could be benefits, such as a higher level of investment in property types regarded as "safe". But, the overall market might also cool down.

However, it is important to point out that Kungsleden's strategy is not reliant on a persistent macroeconomic or market upswing. Our focus on flexible, attractive, clustered properties in major metropolitan areas and growth regions is based on an analysis of long-term trends that fundamentally impact the property market. I am convinced that we are generating lasting value by realising this strategy in our everyday efforts with customers and properties.

Stockholm, 13 July 2016

Biljana Pehrsson, CEO

PERFORMANCE ANALYSIS JANUARY-JUNE 2016

REVENUE, EXPENSES AND EARNINGS

Operating net increased by 13 per cent to SEK 785 million during the first half of the year. The improvement in operating net is primarily attributable to higher rental revenue stemming from the fact that we now have a higher percentage of good quality office properties in the Stockholm region. Profit for the period was SEK 769 (892) million, which corresponds to SEK 4.23 (4.90) per share.

RENTAL REVENUE

Rental revenue for the first half of the year increased by SEK 137 million compared to the same period last year and was SEK 1,222 (1,085) million. Net property acquisitions during 2015 resulted in an increase in rental revenue of SEK 156 million during the period.

Rental revenue for comparable holdings fell by SEK 19 million to SEK 956 (975) million. The decline is primarily attributable to having vacated project properties and a higher level of early-terminated leases in 2015. There was also a positive impact on rental revenue during the first half of last year of SEK 13 million from one-off invoicing and early redemption. Disregarding items affecting comparability, rental revenue for comparable holdings increased by SEK 13 million.

Expressed per square metre, rental revenue increased by SEK 138 to SEK 1,072 compared to the same period last year. The positive trend for leasing continued with net leasing of SEK 40 million. Leasing was particularly strong in our clusters and priority regions.

	SEK/sq. m. ¹ 2016 12-months rolling	SEK/sq. m. ¹ 2015 12-months rolling	Total 2016 Jan-Jun	Total 2015 Jan-Jun
RENTAL REVENUE SEK m				
Rental revenue	1,072	934	1,222	1,085
Total	1,072	934	1,222	1,085

1. Rental revenue on a 12-month rolling basis less rental revenue of project properties divided by leased area less the area of project properties.

PROPERTY COSTS

Direct property costs increased by SEK 48 million compared to the first half of 2015 and amounted to SEK 438 (390) million. Included in those costs is SEK 37 million, which is attributable to the net acquisition of properties in 2015. For comparable holdings, the increase was SEK 11 million, which was primarily attributable to higher costs for media, maintenance and property taxes.

Costs for property administration amounted to SEK 52 (53) million.

	SEK/sq. m. ¹ 2016 12-months rolling	SEK/sq. m. ¹ 2015 12-months rolling	Total 2016 Jan-Jun	Total 2015 Jan-Jun
PROPERTY COSTS SEK m				
Operations	-167	-149	-250	-230
Maintenance	-49	-44	-65	-51
Property tax and site leaseholds	-52	-38	-71	-57
Direct property costs	-268	-232	-385	-337
Property administration	-43	-38	-52	-53
Total	-311	-270	-438	-390

1. Property costs on a 12-month rolling basis divided by leasable area with a deduction for project properties.

OPERATING NET

Operating net increased by SEK 90 million, or 13 per cent, to SEK 785 (695) million. Net acquisition of properties contributed SEK 119 million to operating net, but for comparable holdings, operating net fell by SEK 30 million. Adjusted for items affecting comparability, rental revenue for comparable holdings increased by SEK 2 million. The surplus ratio for the first half of the year was 64.2 (64.0) per cent. Not including project properties, the surplus ratio was 64.9 (64.5) per cent.

SELLING AND ADMINISTRATION COSTS

Selling and administration costs amounted to SEK 52 (51) million during the period.

NET FINANCIAL ITEMS

Net financial items improved to SEK -247 (-267) million because of lower average borrowing costs compared to last year. Furthermore, total borrowings, on average, were almost 50 per cent higher than the same period last year. The average interest rate on borrowings at the start of the third quarter was 2.8 per cent.

PROFIT FROM PROPERTY MANAGEMENT

Profit from property management increased to SEK 486 (377) million for the first half of the year, which represents an increase of 29 per cent compared to the same period in 2015.

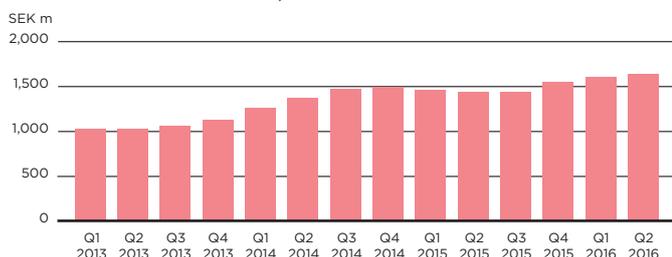
VALUE CHANGES, ASSETS

Value changes on property holdings amounted to SEK 939 (659) million, which is attributable to yield requirements that remain low and improved cash flows. Unrealised value changes on financial instruments was SEK -486 (142) million and it is attributable to falling interest rates, which, to a certain extent, was counter-balanced by scheduled interest payments on interest rate swaps.

PROFIT FOR THE PERIOD

Profit for the period was SEK 769 (892) million. Tax for the period was SEK -170 (-285) million. Included in that amount is SEK 26 million for higher loss carry-forwards resulting from adjusted tax filings.

NET OPERATING INCOME, PROPERTIES - 12-MONTH ROLLING BASIS, ACTUAL



PROFIT FROM PROPERTY MANAGEMENT - 12-MONTH ROLLING BASIS, ACTUAL



EARNINGS CAPACITY

Earnings capacity reflects characteristics of the properties that were acquired at a certain point in time and those properties financial results, calculated over the past twelve months. This ratio facilitates assessment of the current property portfolio's underlying earnings capacity.

For properties that were held throughout the entire twelve-month period, the actual financial results during the period are used. For properties that have been held for a period shorter than twelve months, an assessment is made based on a combination of annualized financial result and the acquisition computation. For the cost component of earnings capacity, property administration costs are included.

As of the interim report for the first quarter of 2016, earnings capacity has been adjusted for any one-off items included in the reported results for the last twelve months. Earnings capacity does not take into consideration any information or assessments on future vacancies, changes in rent levels or value changes. Neither is the acquisition and divestiture of properties included in earnings capacity unless access was gained/the properties were vacated by the closing date.

The table below shows the earnings capacity of Kungsliden's property holdings as of 30 June 2016. Project properties are reported as a separate property category. Costs include SEK 108 million, which represents actual costs for property administrations during the last twelve months.

EARNINGS CAPACITY BY PROPERTY CATEGORY	Office	Industrial/ Warehouse	Retail	Other	Total excl. project properties	Project properties	Total properties
No. of properties	112	95	48	12	267	13	280
Leasable area, thousand sq. m.	1,141	1,092	225	40	2,498	119	2,617
Rental value, SEK m	1,517	729	233	46	2,526	124	2,650
Rental revenue, SEK m	1,415	673	214	43	2,344	87	2,432
Operating net, SEK m	918	488	139	24	1,569	43	1,612
Book value, SEK m	17,841	6,820	2,243	350	27,255	1,013	28,268
Economic occupancy rate, %	93.3	92.3	91.6	93.0	92.8	70.4	91.8
Occupancy rate, area wise, %	84.0	91.9	89.5	84.4	87.9	41.5	85.8
Property yield, %	5.1	7.1	6.2	6.7	5.8	4.2	5.7
Surplus ratio, %	64.9	72.5	65.2	54.7	66.9	48.9	66.3

EARNINGS CAPACITY BY REGION (EXCL. PROJECT PROPERTIES)

REGION STOCKHOLM	REGION GOTHENBURG	REGION MALMÖ	REGION MÅLARDALEN	
No. of properties	77	85	60	45
Leasable area, thousand sq. m.	798	604	435	661
Rental value, SEK m	1,053	462	376	634
Rental revenue, SEK m	1,000	421	332	592
Operating net, SEK m	698	280	231	360
Book value, SEK m	13,430	4,381	3,885	5,560
Economic occupancy rate, %	95.0	91.0	88.2	93.3
Occupancy rate, area wise, %	86.2	88.9	88.3	88.9
Property yield, %	5.2	6.4	6.0	6.5
Surplus ratio, %	69.8	66.6	69.7	60.8

OPERATIONS

PROPERTY HOLDINGS

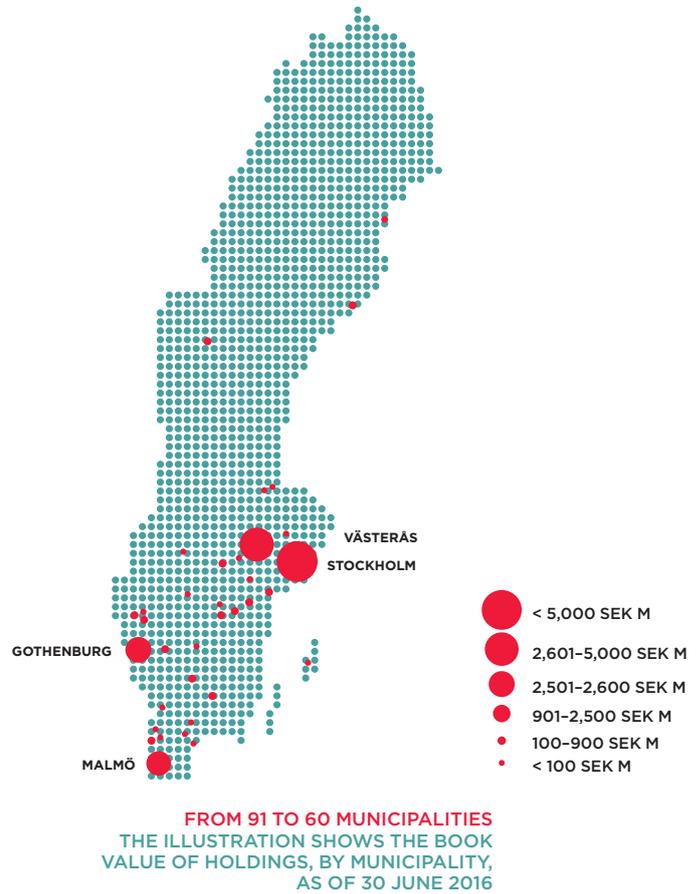
Kungsleden owns, actively manages, improves and develops commercial properties in selected growth regions. As of the end of June 2016, the portfolio consisted of 280 properties with a total leasable area of 2,617 thousand sq. m. and a rental value of SEK 2,650 million. The book value of holdings is SEK 28,268 million. For property holdings, the remaining term for rental agreements was, on average, 4.2 (4.4) years.

The properties are grouped into the following categories: office, industry/warehouse, retail and other. The office property category and region Stockholm are largest in terms of property value.

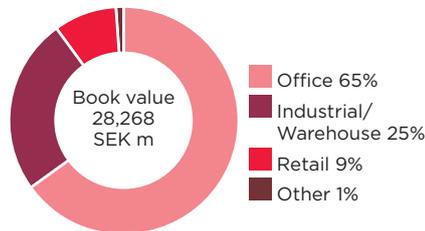
The share of properties in our priority growth regions (Stockholm, Gothenburg, Malmö and Mälardalen) continued to grow during the quarter because of properties that were divested. 62 (49) per cent of the property value belongs to one of our eleven clusters. After having vacated the properties that were divested in the second quarter, Kungsleden's ownership of property was in 60 municipalities.

Strong local presence

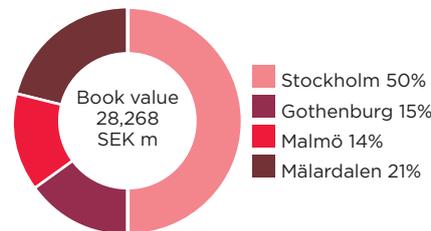
In accordance with Kungsleden's active management strategy, the company has increased its local presence and activities in several clusters during the quarter. At Kista City, we employed own operations staff and all employees there now work from the same office premises. The cluster called Stockholm City East (Gärdet/Frihamnen) now also has a permanent management organisation.



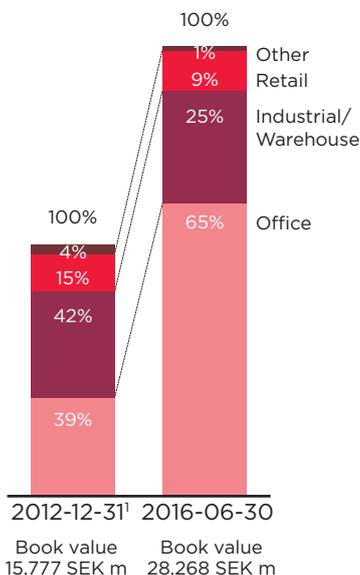
PROPERTY VALUE BY CATEGORY AS OF 30 JUNE



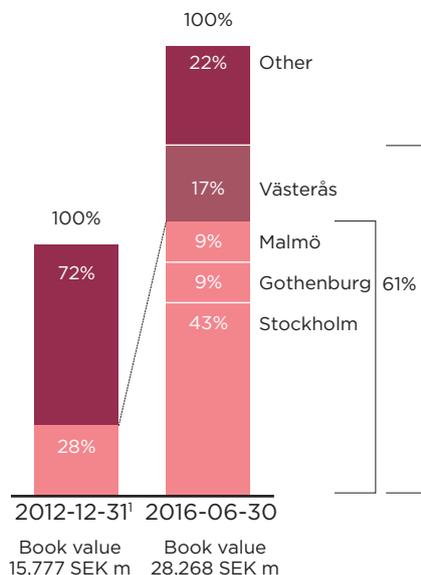
PROPERTY VALUE BY REGION AS OF 30 JUNE



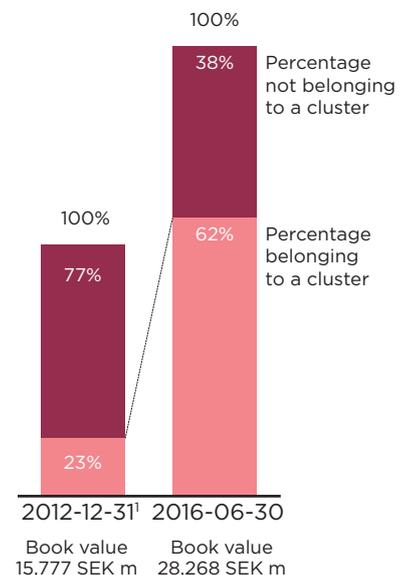
PROPERTY PORTFOLIO'S DEVELOPMENT BY CATEGORY



DEVELOPMENT OF PROPERTY PORTFOLIO METROPOLITAN CONCENTRATION (AS DEFINED BY SCB)



PERCENTAGE OF PROPERTIES BELONGING TO A CLUSTER



1. Kungsleden's new strategy is announced.

OUR ELEVEN CLUSTERS

By owning more properties at select locations, i.e. in clusters, we are able to adapt our offering based on our tenants' needs while proactively helping to shape how the entire area develops. We currently own properties in eleven clusters, six of which were acquired during the last three years (shown in red, below). The remaining five were created by combining existing holdings with new acquisitions over the last three years.

Management region, Stockholm

Danderyd Offices (99,000 sq. m.)

Kista City (146,000 sq. m.)

Västberga industrial area (39,000 sq. m.)

Stockholm City, West (35,000 sq. m.)

Stockholm City, East (89,000 sq. m.)

Östersund (79,000 sq. m.)

Management region, Gothenburg

Högsbo (108,000 sq. m.)

Management region, Malmö

Fosie (54,000 sq. m.)

Hyllie/Svägertorp (30,000 sq. m.)

Management region, Västerås

Västerås City (153,000 sq. m.)

Finnslätten industrial area (236,000 sq. m.)

ACTUALS BY CLUSTER, JANUARY-JUNE 2016

CLUSTER		OTHER	
No. of properties	78	No. of properties	202
Leasable area, thousand sq. m.	1,069	Leasable area, thousand sq. m.	1,548
Rental value, SEK m	710	Rental value, SEK m	628
Rental revenue, SEK m	665	Rental revenue, SEK m	557
Operating net, SEK m	460	Operating net, SEK m	324
Book value, SEK m	17,408	Book value, SEK m	10,860
Economic occupancy rate, %	93.7	Economic occupancy rate, %	88.7
Occupancy rate, area wise, %	87.5	Occupancy rate, area wise, %	86.4
Property yield, %	5.4	Property yield, %	5.9
Surplus ratio, %	69.2	Surplus ratio, %	58.2
Net leasing, SEK m	83.1	Net leasing, SEK m	21.3

TOTAL PROPERTIES

No. of properties	280
Leasable area, thousand sq. m.	2,617
Rental value, SEK m	1,338
Rental revenue, SEK m	1,222
Operating net, SEK m	785
Book value, SEK m	28,268
Economic occupancy rate, %	91.4
Occupancy rate, area wise, %	86.8
Property yield, %	5.6
Surplus ratio, %	64.2
Net leasing, SEK m	104.4

CHANGES IN THE PROPERTY PORTFOLIO

Kungsleden's efforts to optimise the property portfolio continue with divestment of properties that do not fit the strategy or that cannot be efficiently managed. During the second quarter, five properties were divested for a value of SEK 193 million and six properties, with a value of SEK 205 million were vacated. Access was gained during the quarter to the newly built, and fully leased, office building Vagnslidret 1 (Isblocket) in Hyllie, just outside Malmö.

During the six-month period, January–June, 14 properties were divested for a value of SEK 547 million.

After having vacated the properties that were divested, Kungsleden's ownership of property was in 60 municipalities. 78 per cent of the portfolio is located in our priority markets of Stockholm, Gothenburg Malmö and Västerås.

PROPERTY DIVESTMENT

Property	Municipality	Divested on	Vacated on
Pipdånen 5 & 6	Gotland	2 February 2016	1 April 2016
Midgård 12	Köping	31 March 2016	2 May 2016
Rud 4:1 & 760:42	Gothenburg	9 May 2016	19 May 2016
Poppeln 7	Vänersborg	30 May 2016	13 June 2016
Pilen 2-7	Vänersborg	30 May 2016	13 June 2016
Länsstyrelsen 1	Mariestad	30 May 2016	13 June 2016
Total			SEK 205 m
Handelsmannen 1	Norrtälje	31 March 2016	1 July 2016
Storsten 2	Norrtälje	31 March 2016	1 July 2016
Karburatorn 2	Kristianstad	21 June 2016	4 October 2016
Total			SEK 131 m

Valuation

Positive unrealised value changes for the quarter amounted to SEK 386 million. Improved operating net and rising market rents, together with lower yield requirements and investments that were made had a positive impact on the value of property holdings. Since 31 March 2016, the average yield requirement fell from 6.4 to 6.3 per cent. (At the beginning of the year it was 6.5 per cent.)

The following is a breakdown of unrealised value changes during the quarter:

FACTORS IMPACTING VALUE	SEK m
Change in yield requirement	216
Change in operating net	202
Change in the assumptions about investments and other value-impacting factors	-32
Total	386

DEVELOPMENT OF PROPERTY HOLDINGS

SEK m	2016 Apr-Jun	2016 Jan-Jun
Property at the beginning of the period	27,785	27,470
Acquisitions, access gained	173	173
Investments	100	196
Vacated divestitures	-176	-483
Unrealised changes in value	386	912
Property at the end of the period	28,268	28,268

OPERATIONS

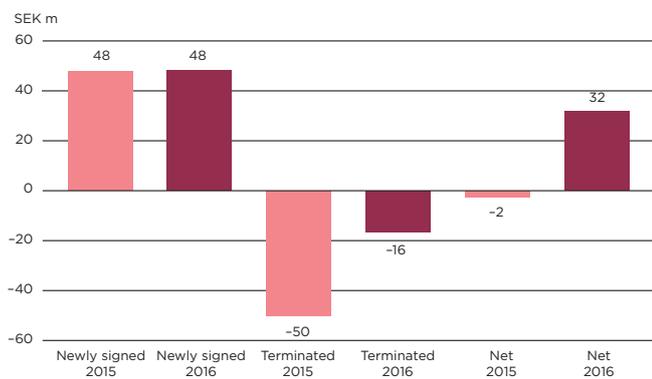
ACTIVE MANAGEMENT - UPWARD TREND IN RENTS

Demand for premises continues to be high, particularly in our priority regions. During the first half of the year, 145 new leases were signed for a value of SEK 104 million. One of the major new leases was for a period of 20 years with Kista Hotel Apartments pertaining to the property called Holar 1 in Kista for 6,000 sq. m. Another was 1,000 sq. m. of space in the building called Nattskiftet 15 in Västberga industrial area, which was leased to Umia Stockholm AB. Notice of termination corresponding to SEK 65 million was received during the six-month period. Net leasing for the first half of the year was SEK 40 (2) million, of which SEK 43 million was attributable to properties belonging to a cluster. Lease agreements corresponding

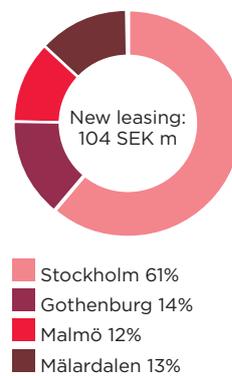
to a rental value of nearly SEK 44 million were renegotiated during the first half of the year. This resulted in a rental increase of SEK 2.7 million, or 6 per cent on average. The economic vacancy rate for the first half of the year was 9.3 (9.9) per cent.

Net leasing for the first half of the year was SEK 43 million for properties in our clusters and SEK -3 million for other properties. The corresponding figures for the second quarter are SEK 28 million and SEK 4 million, respectively. The excellent performance of our clusters can be attributed to a high level of leasing at these select locations, along with Kungleden's focus on customer engagement and active management.

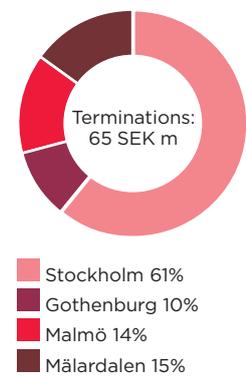
NET LEASING Q2, 2015 AND 2016¹



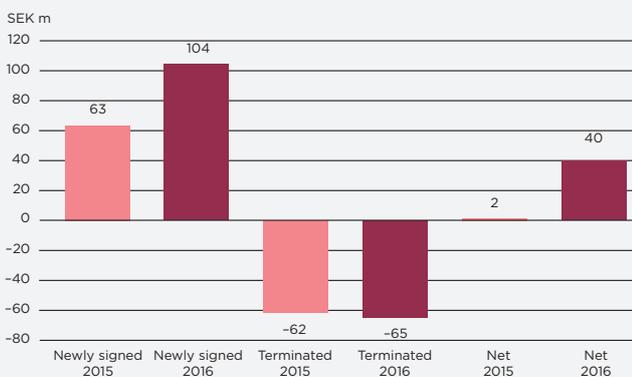
NEW LEASING BY REGION FOR FIRST SIX MONTHS OF 2016¹



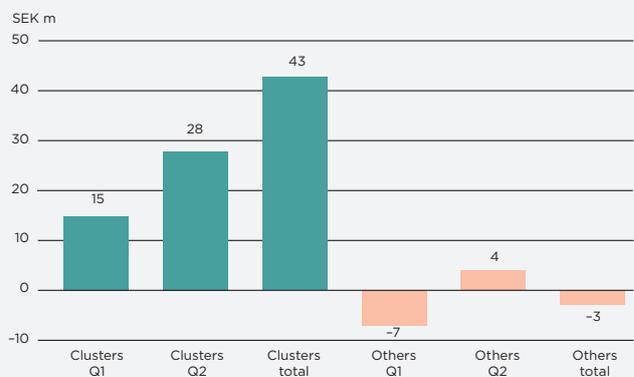
TERMINATIONS BY REGION FOR FIRST SIX MONTHS OF 2016¹



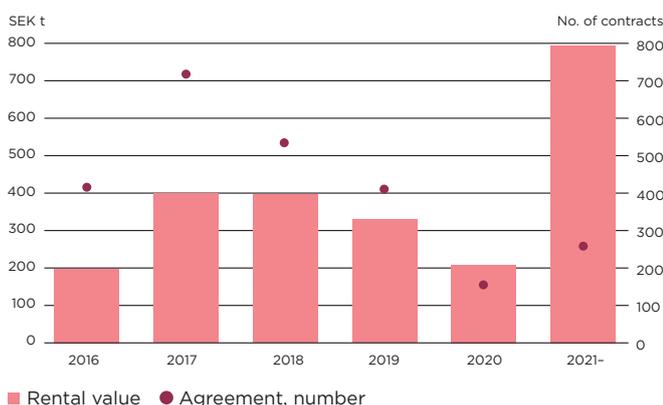
NET LEASING FOR FIRST HALF OF 2015 AND 2016¹



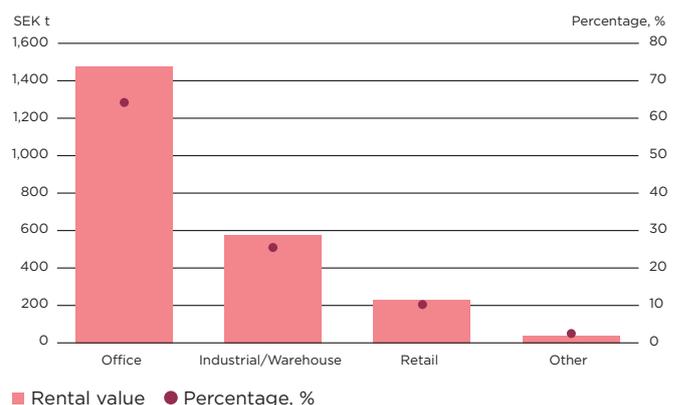
NET LEASING FOR CLUSTERS AND OTHER PROPERTIES, 2016¹



MATURITY STRUCTURE OF LEASE AGREEMENTS¹



LEASE AGREEMENTS BY PROPERTY CATEGORY¹



1. Excl. residential, parking and garage.

ACTUALS BY REGION, JANUARY-JUNE 2016

Kungsleden has operations in the following four management regions: Stockholm, Gothenburg, Malmö and Mälardalen. Each region is responsible for daily management of the properties and developing each of the clusters in the region. This work occurs through close interaction between regional managers, asset managers, lease managers and the support functions (property development, transactions and communications & marketing).



REGION STOCKHOLM

No. of properties	83
Leasable area, thousand sq. m.	858
Rental value, SEK m	569
Rental revenue, SEK m	528
Operating net, SEK m	356
Book value, SEK m	14,141
Economic occupancy rate, %	92.8
Occupancy rate, area wise, %	84.8
Property yield, %	5.1
Surplus ratio, %	67.4
Net leasing, SEK m	63.9

REGION GOTHENBURG

No. of properties	85
Leasable area, thousand sq. m.	604
Rental value, SEK m	238
Rental revenue, SEK m	216
Operating net, SEK m	141
Book value, SEK m	4,381
Economic occupancy rate, %	90.8
Occupancy rate, area wise, %	88.6
Property yield, %	6.4
Surplus ratio, %	65.1
Net leasing, SEK m	14.9

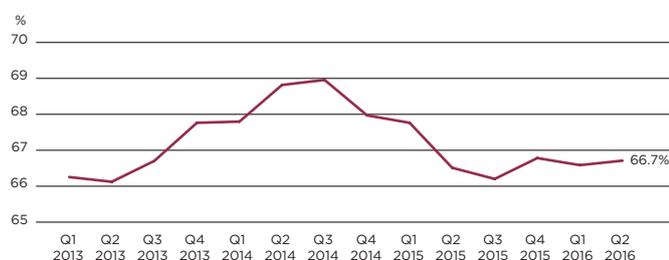
REGION MALMÖ

No. of properties	60
Leasable area, thousand sq. m.	435
Rental value, SEK m	188
Rental revenue, SEK m	166
Operating net, SEK m	110
Book value, SEK m	3,885
Economic occupancy rate, %	88.3
Occupancy rate, area wise, %	88.3
Property yield, %	5.7
Surplus ratio, %	66.5
Net leasing, SEK m	12.2

REGION MÄLARDALEN

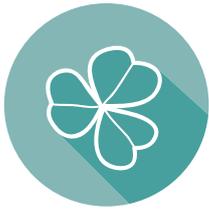
No. of properties	52
Leasable area, thousand sq. m.	720
Rental value, SEK m	343
Rental revenue, SEK m	312
Operating net, SEK m	178
Book value, SEK m	5,862
Economic occupancy rate, %	91.1
Occupancy rate, area wise, %	86.9
Property yield, %	6.1
Surplus ratio, %	57.0
Net leasing, SEK m	13.4

SURPLUS RATIO, 12-MONTHS ROLLING, ACTUAL



Mimer area, Västerås





SUSTAINABILITY

Sustainability is a key component of Kungsleden’s business model. Accordingly, we have identified five focus areas based on the UN Sustainable Development Goals: environment, diversity, social responsibility, business ethics and health & safety.

In the environmental area, one of our goals is to lower energy consumption by 20 per cent by the year 2020. During the first half of 2016, energy consumption fell by 2.6 per cent compared to the same period in 2015. We carry out internal energy raids twice per year, which involve identifying ways that we can lower energy consumption. Another important component of our efforts in the environmental area is testing new materials and techniques, like green roofs that absorb carbon dioxide, light prisms and solar panels.

According to AllBright, Kungsleden is one of Sweden’s most gender-equal listed companies. We are now focusing more on age diversity and ethnic/cultural background. As part of that effort, we started up a trainee programme during the quarter.

One aspect of social responsibility is contributing to a safer, more inclusive society. For several years already, Kungsleden has been collaborating with Fryshuset and for the second year in a row, youth from Fryshuset were given summer jobs within our management organisation.

All of Kungsleden’s employees and subcontractors must comply with our code of conduct and ethics policy. During the quarter, we updated our business ethics guidelines and drew up a policy on activities for creating relationships.

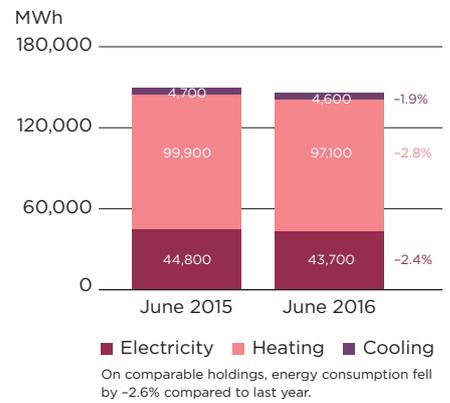
Health and safety are a priority, which is why, each quarter, we remind about roof safety and slip resistance, for example. Absenteeism is low at the company and we constantly strive to keep lowering it even further. Besides that, happy individuals who enjoy their work also tend to do a very good job. During the quarter, all employees were offered CPR training.

Kungsleden conducts its sustainability efforts in accordance with GRI (Global Reporting Initiative).



Youth from Fryshuset have been given summer jobs at Kungsleden properties.

ENERGY CONSUMPTION FOR COMPARABLE HOLDINGS, JANUARY-JUNE 2015 AND 2016



EXAMPLES OF KUNGSLEDEN’S DEVELOPMENT PROJECTS



DEVELOPMENT PROJECTS

Kungsleden currently has 13 properties in the category, development properties. At these properties, space is intentionally being held vacant, or will be vacated, short-term leased or demolished so that a major property development project can be carried out. The investment process for development projects contains a number of steps and two decision points: first is a decision on direction and later, a definitive investment decision is made. The project implementation phase begins after an investment decision has been made. For more information, see the illustration, below. As of the end of June 2016, Kungsleden had 3 properties in the implementation phase: Blästern 14 in Stockholm, Enen 10 in Södertälje and Holar 1 in Kista.

Blästern 14, Stockholm – implementation stage

During the second quarter, Kungsleden's project in the Blästern block on Gävlegatan in Stockholm entered the implementation stage. During the quarter, zoning for the block gained legal force, which enables us to build a roof terrace and add on two-stories, for a total of 860 sq. m. on the courtyard building. We already have an agreement in place with Nobis to create a design hotel at this location and now Nobis has signed an agreement to lease the new space as well, integrating it into their hotel concept. Besides that, Nobis signed an agreement to expand the area by another 760 sq. m. in the building facing the street, which will be used as spa, gym and conference area.

Holar 1, Kista – implementation stage

Kungsleden is converting inefficient office premises in the outskirts of Kista Science City into an apartment hotel. Kista Hotel Apartments is leasing the entire property, which has 167 hotel rooms and a total area of just over 6,000 sq. m. The target group consists of employees who are on short-term contracts with one of Kista's multinational companies, students and others in need of housing for a limited period of time. By moving a majority of the tenants at Holar 1 to

other properties that are part of Kungsleden's Kista cluster, the vacancy level at the cluster will fall by more than 4 per cent.

Tegnér 15, Växjö

The property called Tegnér 15 in downtown Växjö is a mix of retail, office and residential space. The retail section, on the first floor, is sub-optimal and dark, with large vacancies. The vision is to remodel the shopping centre such that it faces Storgatan, with entrances to each store from the street, thus moving away from the traditional shopping centre concept. Several major tenants are already leasing space at the property, including Systembolaget, Apotek Hjärtat, Pressbyrån and Interflora. Subsequent to the end of the quarter an agreement was signed with a prominent tenant concerning the lease of 3,000 sq. m. Across the street, Kungsleden also owns the property Ödman 14, which will help in efforts to inject life into Storgatan and create an attractive destination at Växjö.

Building rights

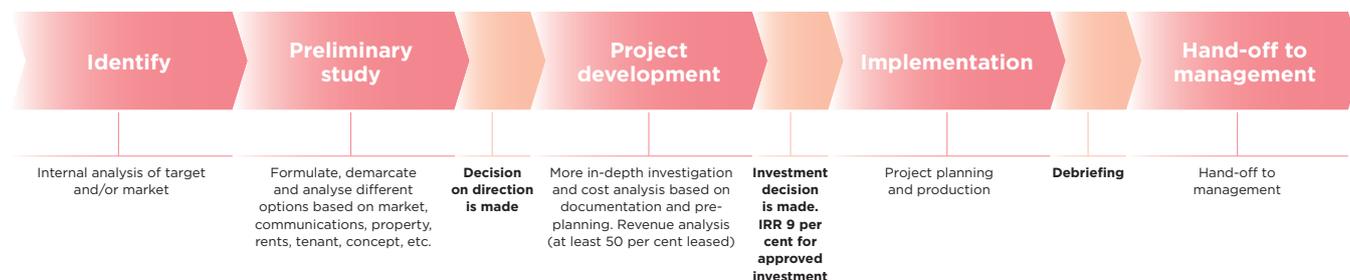
Kungsleden continually examines its holdings in order to identify existing and potential building rights, works with zoning and develops strategies for creating and obtaining building rights. It is estimated that potential building rights exist for more than 450,000 sq. m. of residential space and 200,000 sq. m. of commercial space. At present, zoning work and preliminary studies are being carried out at more than twenty properties in, for example, Gothenburg, Norrköping, Örebro, Västerås, Umeå and Stockholm.

450 thousand sq. m.

Existing and potential building rights

200 thousand sq. m.

Existing and potential commercial building rights



CATEGORY 1 – INVESTMENT DECISION MADE/IMPLEMENTATION STAGE

Property	Segment	Municipality	Completed	Leasable area, sq. m.	Investment amount, SEK m	Capitalised total, SEK m	Of which 2016, SEK m
Enen 10	Office	Södertälje	Stage 1 2016/ Stage 2 2018	6,000	125	25.6	21.2
Blästern 14	Hotel	Stockholm	Stage 1 2018/ Stage 2 2021	16,700	423	16	7.3
Holar 1	Hotel	Stockholm	2018	6,000	128	1.7	1.2

CATEGORY 2 – DECISION MADE ON DIRECTION/LEASING AND PROJECT PLANNING

Property	Segment	Municipality	Completed	Leasable area, sq. m.	Investment amount, SEK m
Gallerian (4 properties)	Retail	Eskilstuna	2018	29,000	190
Skiftinge 1:3	Retail	Eskilstuna	2018	25,000	240
Tegnér 15	Retail	Växjö	2017/2018	16,500	150

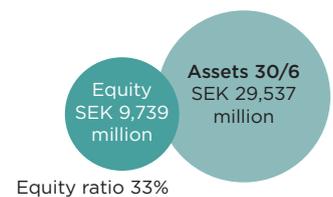
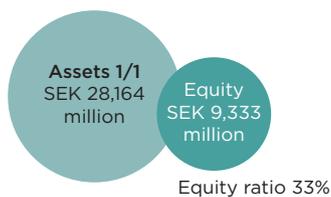
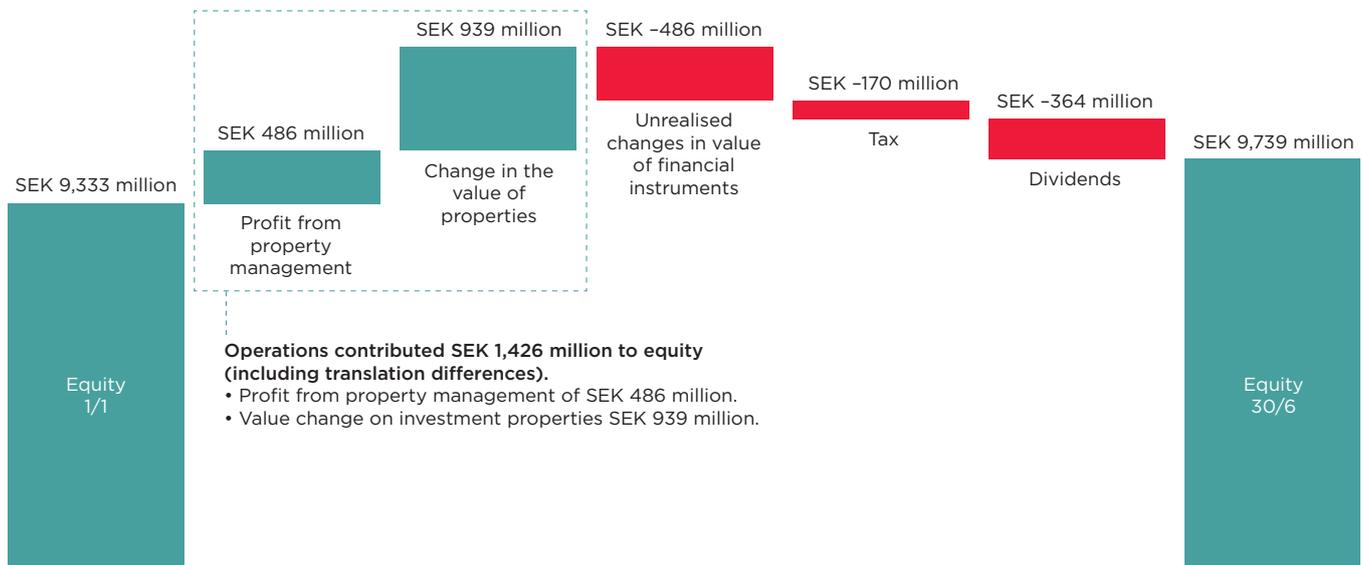
CATEGORY 3 – PRELIMINARY STUDY/PLANNING

Property	Segment	Municipality	Project area, sq. m BTA	Change in zoning is required
Aspgården 18	Residential	Umeå	23,000	Yes
Mälaren 17	Residential/Office	Örebro	30,000–40,000	Yes
Veddesta 2:65 and others	Residential/Office	Järfälla	40,000–50,000	Yes
Verkstaden 7	Residential/Office/Retail	Västerås	50,000–70,000	Yes

FINANCING

EQUITY AND FINANCIAL POSITION

As of the end of the quarter, equity was SEK 9,739 (9,333) million, or SEK 54 (51) per share. This corresponds to an equity ratio of 33 (33) per cent. EPRA NAV increased to SEK 63 (57) per share.



FINANCING COSTS

Financing costs continued to fall during the second quarter. Net financial items amounted to SEK -121 million, which was an improvement of SEK 12 million compared to the same quarter last year. For the first six month period, the improvement across years is SEK 20 million, even though the loan volume was much higher in 2016. Current interest costs fell thanks to refinancing and new loans at a lower cost. The redemption of old, expensive interest rate swaps that occurred at the end of 2015 also contributed to the improvement across years.

During the last twelve months, there was a positive impact on Kungsliden's financing costs from existing interest floor contracts that counteracted the effect of short-term interest rates falling even further below zero. These contracts expired at the end of June, which caused Kungsliden's average interest rate to increase slightly to 2.8 (2.7) per cent. Of the average interest rate, the average credit margin, including accrued arrangement fees and commitment fees is also unchanged at 1.7 percentage points.

BORROWINGS AND LIQUIDITY

Borrowings increased during the second quarter by SEK 398 million, which was the net effect of issuing a new, unsecured bond loan for SEK 600 million, a higher level of utilisation on existing credit, amortisation of existing loans connected with divested

properties that were vacated and scheduled loan amortisation as per loan agreements. At the end of the first six months, the average remaining maturity on loans was 3.1 years, compared to 3.6 years at the beginning of the year. The newly issued bond loan matures in 3 years and has a variable coupon rate equivalent to STIBOR 3 months plus 3.5 per cent, which corresponds to an initial coupon rate of around 3 per cent. The funds from the bond issue will be used primarily to refinance Kungsliden's bond loan 2013/2016 for SEK 700 million, which matures in December 2016.

The Group's loan-to-value (LTV), measured as interest-bearing liabilities in relation to property assets, was 59 (62) per cent. Taking into consideration loans for which collateral has been pledged, the LTV was 53 (58) per cent. As of 30 June 2016, disposable liquidity including bank overdraft facilities and unutilised credit facilities amounted to SEK 1,847 (1,057) million, of which the Group's cash balance was SEK 1,007 (441) million.

Subsequent to the end of the reporting period, loans were settled prior to maturity and replaced by new borrowings from institutional investors. The amount of the new loan, for which collateral was provided in the form of real estate, is SEK 630 million, maturing in ten years and with fixed interest of 3 per cent. Collateralised borrowing obtained outside the banking system helps diversify financing and lengthens the average maturity on interest-bearing liabilities at an attractive financing cost.

MANAGING INTEREST RATE RISK

In order to stabilise cash flows and profit from property management, Kungsleden strives to have low exposure to higher interest costs that would result from a rise in short-term interest rates. For this reason, the company uses interest rate swaps to manage its interest rate risk. Taking interest rate swaps into consideration (nominal amount SEK 12,030 million), approximately 68 per cent of the interest-bearing liabilities have a fixed interest term longer than one year. The average fixed-interest period is 3.4 years. With this level of interest rate hedging, there is only a marginal impact on net financial items from rising short-term interest rates. In fact, the effect on net financial items for the next twelve months would

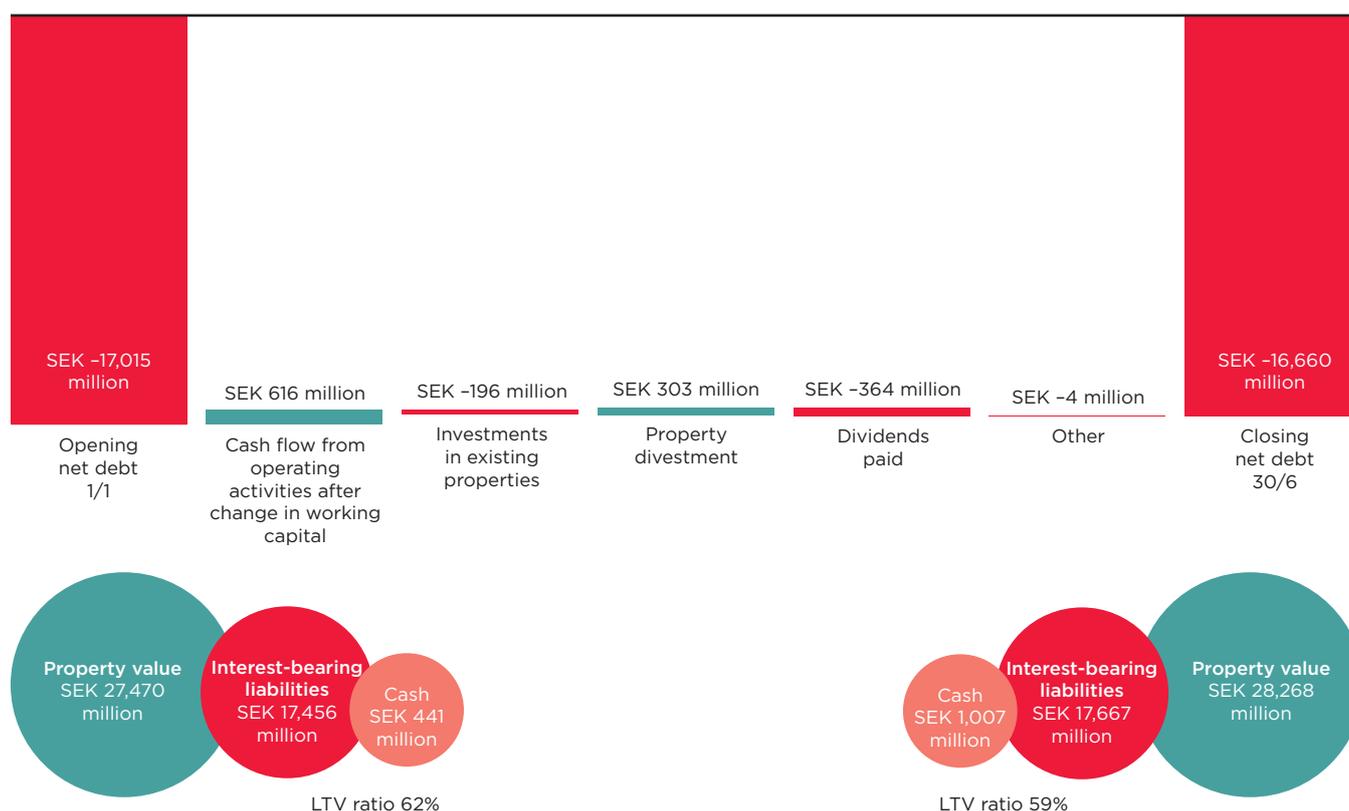
be positive, by around SEK 23 million, if STIBOR 90 days were to increase by one percentage point. Due to the fall in long-term interest rates during the first half of the year, there was an increase in the negative market value of the interest rate swap portfolio to SEK –833 million as of 30 June, compared to SEK –347 million at the start of the year. At the rate that Kungsleden makes interest payments on interest rate swap contracts, that undervalue is gradually reduced, which has a positive impact on profit before tax and equity. Once all hedging agreements have expired, the undervalue will have been eliminated. Kungsleden has concluded that there is no significant difference between the book value and fair value of interest-bearing liabilities.

MATURITY STRUCTURE, LOANS AND INTEREST RATE DERIVATIVES

As of 30 June 2016, SEK m	Utilised credits	Unutilised credits	Total credits	Interest rate derivatives ¹	Average interest rate for derivatives, %	Average remaining fixed-interest term, years
2016	700	250	950			
2017	1,801	589	2,390	910	0.0	
2018	3,566		3,566	1,000	0.2	
2019	4,688		4,688	1,000	0.5	
2020	5,080		5,080	2,770	0.6	
2021	1,832		1,832	1,800	0.8	
2022				3,500	1.4	
2023						
2024				1,050	4.6	
Total	17,667	839	18,506	12,030		3.4
Average remaining maturity, years	3.1		3.0			

1. Kungsleden has entered into derivative contracts with 1 year interest rate floors that mature in 2016 totalling SEK 3,880 million in nominal terms, with strike 0 %.

CHANGE IN NET DEBT DURING THE FIRST HALF OF THE YEAR



OTHER INFORMATION

ORGANISATION AND EMPLOYEES

The number of employees was 105 (96) at the end of the second quarter of 2016.

PARENT COMPANY

The parent company reported a profit of SEK 1,426 (229) million for the period. Earnings are primarily attributable to dividends received from a subsidiary for SEK 1,766 million and because the Group's interest rate swap contract's undervalue had increased when longer term interest rates fell during the period. Deferred tax revenue of SEK 96 million related to temporary differences on changes in the market value of swap contracts was also recognised during the period. An amount of SEK 31 million has been recognised in tax on profit for the period. It is partly related to a positive decision from the Swedish Tax Agency pertaining to unutilised loss carry-forwards.

Assets at the end of the period primarily consisted of participations in Group companies for SEK 6,040 (6,052) million and receivables in Group companies for SEK 10,757 (11,515) million. Financing has primarily been via equity for SEK 7,900 (7,177) million and liabilities to Group companies for SEK 7,810 (9,026) million. The equity ratio at the end of the period was 43 (39) per cent.

ACCOUNTING PRINCIPLES

The consolidated financial statements for the interim period have been prepared in accordance with IAS 34 Interim Financial Reporting and for the parent company, in accordance with Chapter 9 of the Annual Accounts Act.

Preparation has also been in accordance with the applicable requirements stated in the Annual Accounts Act and the Swedish Securities Market Act. For both the Group and parent company, the same accounting principles and bases of calculation have been applied as in the most recent annual report. Disclosures in accordance with paragraph 16A of IAS 34 have been provided in the financial statements and the related notes, as well as in other parts of the interim report.

RISKS AND UNCERTAINTIES

Kungsliden's operations, earnings and position are impacted by certain risks and uncertainties. They are primarily related to properties, taxation and financing. There have not been any significant changes in these risks and uncertainties during the second quarter of 2016.

More information about Kungsliden's risks and risk management efforts is available on pages 47 and 67 of the Annual Report for 2015.

INFORMATION BASED ON FORECASTS

Some of the reported items in this interim report are based on forecasts and actual outcomes could differ significantly. In addition to items specifically discussed, other factors could have a significant impact on actual outcomes, such as the economic growth rate, interest rates, financing terms, the yield requirements on property, and political decisions.

Lustgården 12, Stockholm



Högsbo 13:6, Gothenburg



Mässhallen 1, Malmö



Gårda 19:10, Gothenburg



Lorens 14, Västerås



Lustgården 12, Stockholm

Lorens 14, Västerås



Tegeludden 13, Stockholm



INCOME STATEMENT

SEK m	Quarter		Interim period		12 months	
	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015/2016 Jul-Jun	2015 Jan-Dec
Rental revenue	609	560	1,222	1,085	2,451	2,314
Property costs	-212	-199	-438	-390	-816	-769
Operating net	397	362	785	695	1,635	1,545
Selling and administration costs	-27	-27	-52	-51	-106	-106
Net financial items						
Financial income	0	4	0	6	6	11
Interest expenses	-113	-126	-231	-258	-433	-459
Share in profits of associated companies	-	6	-	11	13	24
Other financial costs	-8	-15	-16	-27	-39	-50
	-121	-132	-247	-267	-453	-473
Profits from property management	250	202	486	377	1,076	966
Value change						
Profit (loss) on sales Nordic Modular Group	-	-	-	-	11	11
Profit (loss) on property sales	29	1	27	5	46	24
Unrealised changes in value of properties	386	411	912	654	1,228	970
Unrealised changes in value of financial instruments	-183	187	-486	142	-452	176
	232	599	454	801	834	1,180
Profit (loss) before tax	482	801	939	1,178	1,909	2,147
Tax						
Current tax	0	-1	0	-1	-1,305	-1,305
Deferred tax	-98	-204	-170	-285	-222	-337
	-98	-205	-170	-285	-1,527	-1,642
Profit (loss) for the period	384	596	769	892	382	505
Earnings per share	2.11	3.27	4.23	4.90	2.10	2.78

STATEMENT OF COMPREHENSIVE INCOME

SEK m	Quarter		Interim period		12 months	
	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015/2016 Jul-Jun	2015 Jan-Dec
Profit/loss for the period	384	596	769	892	382	505
Other comprehensive income						
Translation gains/losses for the period, on consolidation of foreign operations	0	-1	1	-1	0	-1
Comprehensive income for the period¹	384	595	770	891	382	504

1. All of comprehensive income for the year is attributable to the Parent Company's shareholders.

STATEMENT OF FINANCIAL POSITION - IN SUMMERY

SEK m	30/06/2016	30/06/2015	31/12/2015
ASSETS			
Non-current assets			
Intangible assets	8	-	5
Properties	28,268	23,259	27,470
Equipment	10	7	10
Participations in associated companies	-	108	-
Other non-current receivables	5	183	6
Total non-current assets	28,290	23,556	27,491
Current assets			
Current receivables	239	227	232
Derivatives ^{1,2}	-	-	49
Cash and bank	1,007	611	441
Total current assets	1,246	838	722
TOTAL ASSETS	29,537	24,394	28,213
EQUITY AND LIABILITIES			
Equity	9,739	9,720	9,333
Interest-bearing liabilities			
Liabilities to credit institutions	15,992	11,381	16,381
Bond loans (unsecured)	1,675	1,675	1,075
Total interest-bearing liabilities	17,667	13,056	17,456
Non interest-bearing liabilities			
Provisions	5	5	5
Deferred tax liability ³	444	265	287
Derivatives ^{1,2}	833	663	395
Income tax liabilities	49	52	13
Other non interest-bearing liabilities	800	634	724
Total non interest-bearing liabilities	2,131	1,618	1,423
TOTAL EQUITY AND LIABILITIES	29,537	24,394	28,213

1. As of 2016, the gross amount of derivatives has been reported in the balance sheet. Comparison figures have therefore been recalculated.

2. Kungsliden uses derivatives to hedge interest rate risk, primarily for interest rate swaps. These financial instruments are measured at fair value in the statement of financial position among derivatives and valuation is recognised in profit or loss. Valuation of derivatives is done using techniques where the input is observable market data (Level 2).

3. Deduction for deferred tax is also reported in the balance sheet item, properties, for SEK -366 million, and SEK 810 million is reported in the statement of financial position for deferred tax.

STATEMENT OF CHANGES IN EQUITY - IN SUMMERY

SEK m	30/06/2016	30/06/2015	31/12/2015
At the beginning of the period	9,333	9,102	9,102
Dividends	-364	-273	-273
Comprehensive income for the period	770	891	504
Total equity	9,739	9,720	9,333

STATEMENT OF CASH FLOWS – IN SUMMERY

SEK m	Quarter		Interim period		12 months	
	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015/2016 Jul-Jun	2015 Jan-Dec
OPERATIONS						
Profits from property management	250	202	486	377	1,076	966
Adjustments for items not included in cash flow	2	-23	-9	-35	23	-3
Tax paid	0	-1	0	-1	-1,305	-1,306
Cash flow before changes in working capital	252	178	477	341	-207	-343
Changes in working capital	0	-52	139	-36	-9	-184
Cash flow after changes in working capital	252	127	616	305	-216	-527
INVESTING ACTIVITIES						
Investments in existing properties	-100	-95	-196	-148	-498	-450
Acquisition of properties	-164	-1,582	-164	-3,354	-3,754	-6,944
Divestment of properties	164	518	468	1,860	582	1,974
Other property, plant and equipment/intangible assets, net	-1	-	-5	-	-14	-9
Financial assets, net	0	-328	0	-599	50	-549
Cash flow from investing activities	-101	-1,487	103	-2,241	-3,634	-5,978
FINANCING ACTIVITIES						
Dividends	-364	-273	-364	-273	-364	-273
Repayment of loan	-302	-2,228	-789	-2,817	-1,678	-3,706
New loans	700	4,173	1,000	4,199	6,289	9,488
Cash flow from financing activities	34	1,672	-153	1,109	4,247	5,509
CASH FLOW FOR THE PERIOD						
	185	312	566	-827	397	-996
Cash equivalents at the beginning of the period	822	298	441	1,437	611	1,437
Exchange rate differences on cash equivalents	0	1	0	0	0	-
Cash equivalents at the end of the period	1,007	611	1,007	611	1,007	441

SEGMENT REPORT

Region	Stockholm		Gothenburg		Malmö		Mälardalen		Non-Allocated Items		Total	
	2016 Jan-Jun	2015 ¹ Jan-Jun	2016 Jan-Jun	2015 Jan-Jun	2016 Jan-Jun	2015 Jan-Jun						
SEK m												
Rental revenue	528	389	216	208	166	174	312	314			1,222	1,085
Property costs	-172	-136	-75	-72	-56	-53	-134	-128			-437	-389
Operating net	356	253	141	136	110	121	178	186			785	695
Selling and administration costs									-52	-51	-52	-51
Net financial items									-247	-267	-247	-267
Profits from property management	356	253	141	136	56	121	178	186	-299	-318	486	377
Value change												
Profit (loss) on sales									27	5	27	5
Unrealised changes in value of properties									912	654	912	-654
Unrealised changes in value of financial instruments									-486	142	-486	142
Profit (loss) before tax	356	253	141	136	56	121	178	186	153	483	939	1,178
Tax									-170	-285	-170	-285
Profit/loss for the period	356	253	141	136	56	121	178	186	-17	197	769	892

1. Changes were made to the regional allocation of properties compared to 2015. Comparison figures have therefore been recalculated.

KEY FIGURES

	Quarter		Interim period		12 months	
	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015/2016 Jul-Jun	2015 Jan-Dec
Property related						
<i>Earnings capacity</i>						
Property yield, %					5.7	6.2
Economic occupancy rate, %					91.8	91.9
Operating surplus margin, %					66.3	67.5
<i>Outcome</i>						
Property yield, %	5.7	6.4	5.6	6.5	6.3	6.6
Economic occupancy rate, %	91.8	91.1	91.4	90.1	93.7	93.2
Operating surplus margin, %	65.2	64.6	64.2	64.0	66.7	66.8
Rental revenue, SEK/sq. m. ¹					1,072	987
Property cost, SEK/sq. m.					311	287
Financial						
Return on total assets, %	5.5	5.7	5.3	5.5	5.9	5.8
Return on equity, %	15.8	24.9	16.1	19.0	3.9	5.5
Interest coverage ratio, times	3.1	2.4	3.0	2.3	3.3	2.9
Equity ratio, %					33.0	33.1
Debt/equity ratio, times					1.8	1.9
LTV (loan-to-value), %					58.9	61.9
Per share information²						
Dividend, SEK					2.00	1.50
Total return on shares, %					0.9	9.7
Property yield on shares, %					3.7	2.5
Profits from property management, SEK	1.37	1.11	2.67	2.07	5.91	5.31
Net profit/loss for the period, SEK	2.11	3.27	4.23	4.90	2.10	2.78
Equity, SEK					53.51	51.28
EPRA NAV (long-term net asset value), SEK					62.53	56.76
Cash flow before changes in working capital, SEK	1.38	0.98	2.62	1.87	-1.14	-1.88
Outstanding shares at the end of the period ²	182,002,752	182,002,752	182,002,752	182,002,752	182,002,752	182,002,752
Average number of shares ²	182,002,752	182,002,752	182,002,752	182,002,752	182,002,752	182,002,752

1. Rental revenue/sq. m. less rental revenue of project properties divided by leased area less the area of project properties.

2. Before and after dilution. The average number of shares for Q2 2016 was 182,002,752 (182,002,752) and for the period July-June 2015/2016 it was 182,002,752 (182,002,752).

QUARTERLY SUMMARY

INCOME STATEMENTS, IN SUMMARY

SEK m	2016			2015			2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Rental revenue	609	614	659	570	560	525	524	552
Operating net	397	388	441	409	362	333	338	404
Selling and administration costs	-27	-25	-28	-26	-27	-24	-33	-23
Net financial items	-121	-126	-97	-109	-132	-134	-151	-164
Profits from property management	250	236	316	274	202	175	154	217
Profit (loss) from sales	29	-2	30	-	1	4	0	7
Unrealised gains/losses on property	386	526	114	202	411	243	595	169
Unrealised changes in value of financial instruments	-183	-302	95	-61	187	-45	-107	-70
Profit (loss) before tax	482	458	555	415	801	377	642	322
Tax	-98	-73	-1,264	-93	-205	-81	-144	-72
Net profit/loss for the period, continuing operations	384	385	-709	322	596	296	499	250
Profit/loss from discontinued operations	-	-	-	-	-	-	-128	23
Net profit/loss for the period, continuing and discontinued operations	384	385	-709	322	596	296	371	274

FINANCIAL POSITION, IN SUMMARY

SEK m	2016			2015			2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
ASSETS								
Intangible assets	8	7	5	-	-	-	-	-
Investment properties – properties	28,268	27,785	27,470	24,346	23,259	21,700	19,612	18,982
Equipment	10	10	10	9	7	8	8	9
Deferred tax receivable	-	-	-	-	-	-	31	147
Participations in associated companies	-	-	-	115	108	102	-	-
Other non-current receivables	5	5	6	182	183	184	9	10
Total non-current assets	28,290	27,807	27,491	24,651	23,556	21,993	16,661	19,148
Current receivables	239	260	232	198	227	203	141	124
Derivatives	-	5	49	9	-	-	-	-
Assets held for sale – modular buildings and property used in business operations	-	-	-	-	-	-	1,428	1,528
Assets held for sale – other	-	-	-	-	-	-	372	381
Cash and bank	1,007	822	441	1,035	611	298	1,437	896
Total current assets	1,246	1,087	722	1,242	838	501	3,379	2,929
TOTAL ASSETS	29,537	28,894	28,213	25,893	24,394	22,494	23,040	22,077
EQUITY AND LIABILITIES								
Equity	9,739	9,719	9,333	10,043	9,720	9,398	9,102	7,161
Interest-bearing liabilities								
Liabilities to credit institutions	15,992	16,194	16,381	12,332	11,381	9,412	9,613	10,182
Bond loans (unsecured)	1,675	1,075	1,075	1,675	1,675	1,699	1,699	1,699
Liabilities related to assets held for sale	-	-	-	-	-	-	362	373
Total interest-bearing liabilities	17,667	17,269	17,456	14,007	13,056	11,111	11,675	12,254
Non interest-bearing liabilities								
Provisions	5	5	5	5	5	5	5	5
Deferred tax liability	444	357	287	359	265	63	-	-
Derivatives	833	654	395	733	663	1,179	1,134	1,026
Income tax liability	49	82	13	26	52	75	13	410
Other non interest-bearing liabilities	800	808	724	720	634	663	645	751
Liabilities related to assets held for sale	-	-	-	-	-	-	467	469
Total non interest-bearing liabilities	2,131	1,906	1,423	1,843	1,618	1,985	2,264	2,662
TOTAL EQUITY AND LIABILITIES	29,537	28,894	28,213	25,893	24,394	22,494	23,040	22,077

PARENT COMPANY INCOME STATEMENT - IN SUMMERY

SEK m	Quarter		Interim period		12 months	
	2016 Apr-Jun	2015 Apr-Jun	2016 Jan-Jun	2015 Jan-Jun	2015/2016 Jul-Jun	2015 Jan-Dec
Intra-Group income	15	17	23	25	41	43
Administration costs	-8	-8	-22	-22	-40	-40
Operating profit (loss)	7	9	1	3	1	3
Profit (loss) from financial items	1,574	164	1,297	329	2,168	1,200
Profit (loss) before tax	1,581	173	1,298	332	2,169	1,203
Tax on net profit/loss for the period	41	-120	128	-103	-1,082	-1,313
Profit/loss for the period	1,622	53	1,426	229	1,087	-110

BALANCE SHEET, PARENT COMPANY - IN SUMMERY

SEK m	30/06/2016	30/05/2015	31/12/2015
ASSETS			
Participations in Group companies	6,040	6,052	6,036
Participations in associated companies	-	96	-
Receivables from Group companies	10,757	11,515	9,714
Other receivables	508	481	387
Cash and cash equivalents	925	414	376
TOTAL ASSETS	18,230	18,558	16,514
EQUITY AND LIABILITIES			
Equity	7,900	7,177	6,839
Non-current liabilities	602	1,677	377
Liabilities to Group companies	7,810	9,026	8,191
Other liabilities	1,918	678	1,106
TOTAL EQUITY AND LIABILITIES	18,230	18,558	16,514

STOCKHOLM, 13 JULY 2016

Biljana Pehrsson, CEO

Kungsleden has made the information in this year-end report public in accordance with the Swedish Securities Market Act (2007:528) and/or the Financial Instruments Trading Act. The information was made public on 13 July 2016 at 07.00.

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

DEFINITIONS

Property related key ratios

Yield*

This ratio is used to show the return on operating net in relation to the value of property.

Yield for earnings capacity

Operating net, in relation to the book value for properties at the end of the accounting period.

Yield for actual amount

Operating net in relation to the average book value of properties. For interim period closings, the yield is recalculated to full-year basis. Average book value of properties is calculated as the sum of opening and closing balances divided by two.

Operating and maintenance costs*, SEK per sq. m.

Operating and maintenance costs divided by the average for leasable space.

Operating net*

Rental revenue less property costs (e.g. operating and maintenance costs, site leasehold fees, property tax and property administration).

Financial vacancy level*

Assessed market rent for unleased space divided by rental value.

Economic occupancy rate*

This ratio facilitates the assessment of rental revenue in relation to the total value of available, unleased space by calculating rental revenue in relation to rental value.

Profit from property management*

Profit from property management is a performance measure used to facilitate comparability within the property sector. It equals the sum of operating net, selling and administration costs and net financial items.

Rental revenue*

Total rental revenue.

Rental value*

Billed rents and rent surcharges (such as property tax) plus the assessed market rent for unleased space and rent discounts.

Earnings capacity*

Earnings capacity reflects characteristics of the properties that were acquired at a certain point in time and financial results of those properties, calculated over the past twelve months. This ratio facilitates assessment of the current property portfolio's underlying earnings capacity.

Earnings capacity is an estimation of the underlying financial result for property holdings as of the closing date and calculated over twelve months. Properties that have been relinquished as of the end of the accounting period are not included and properties accessed by the end of the accounting period are included.

The calculation is based on the following other conditions:

- For properties where twelve months have elapsed since the date of access to the property, the figure for the last twelve months is included in the calculation. An adjustment is made for non-recurring items.
- For properties that have been held for a period shorter than twelve months, an assessment is made based on a combination of annualized financial result and the acquisition computation.

Contracted annual rent*

Rent (exclusive of heating) plus a fixed additional amount.

Average rent*, SEK per sq. m.

Rental revenue divided by the average leased space.

Leasable area

Unleased space plus leasable vacant space.

Surplus ratio*

This ratio reflects the relationship between current rental revenue and the costs associated with leasing the properties in the same period. It equals operating net divided by rental revenue.

Key Figures, Financial

Return on equity*

Profit (loss) for the period after tax divided by average equity. For interim period closings, the return is recalculated to full-year basis. Average equity is calculated as the sum of opening and closing balances divided by two.

Return on assets*

Operating net, profit (loss) on property divestment, selling and administration costs, net after tax, divided by average assets. For interim period closings, the return is recalculated to full-year basis. Average assets is calculated as the sum of opening and closing balances divided by two.

Loan-to-value (LTV) ratio*

Interest-bearing liabilities less cash and bank balances, divided by the book value of properties.

Interest coverage ratio*

Profit (loss) for the period plus tax, unrealised changes in value of financial instruments, properties and discontinued operations and profit (loss) from divestments and financial expenses, in relation to financial expenses.

Debt/equity ratio*

Interest-bearing liabilities divided by equity.

Equity ratio*

Equity including minority interests divided by total assets.

Share-related key figures

Yield on shares

Decided/proposed dividend/redemption in relation to the share price at the end of the period.

Total return on shares

Sum of the change in the share price during the period or, paid dividend/redemption during the period in relation to the share price at the start of the period.

Decided/proposed dividend per share

The Board's proposed dividend or the dividend amount decided by the AGM per outstanding share.

Equity per share

Equity in relation to the number of shares at the end of the period.

EPRA NAV*

(Long-term net asset value)¹ Equity, with derivatives, deferred tax and tax rebates that have been received in connection with acquisitions added back, divided by the number of shares at the end of the period.

Profits from property management* per share

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

Average number of shares

Number of outstanding shares weighted over the year.

Cash flow from operating activities per share

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

Earnings per share (EPS) for the period

Profit (loss) for the period in relation to the average number of shares during the period.

Glossary

Property costs

Costs for electricity, heating, water, property maintenance, cleaning, property administration, insurance and maintenance less charged additions for operations and maintenance.

Average remaining contract length

The remaining contract value divided by annual rent.

Category

The primary use of properties based on space allocation. The type of space representing the largest share of total space is what determines how the property is defined. A property that has 51 per cent office space is thus defined as office property. The allocation categories are office, industry/warehouse, retail and other.

Cluster

Kungsleden defines clusters as the property holdings concentrated at a location where there is good accessibility and where the market has good growth and development potential. The optimal cluster has a good mix of office, retail and residential premises, along with an attractive service offering.

Contract value

Rent, in accordance with the rental contract plus indexation and rent surcharges expressed as an annual amount.

Unrealised changes in value

The difference between book value and accumulated cost for properties at year-end, less difference between book value and accumulated cost for properties at the beginning of the year.

Maintenance

Actions aimed at maintaining the property and its technical systems. This pertains to on-going and planned actions to replace or renovate parts of the building or technical systems. Tenant improvements are also included here.

1. New definition as of 2016.

The European Securities and Markets Authority (ESMA) has issued guidelines on alternative performance measures (APMs). The guidelines apply to APMs disclosed by issuers or persons responsible for drawing up a prospectus on or after 3 July 2016. The purpose is to provide a clear and complete understanding of the APMs.

The property sector has performance measures that are specific to the industry and they are published in the financial statements. All of the APMs (marked with *) used by Kungsleden have a published definition.

Kungsleden moving forward

Since 2013, our business concept has been long-term ownership, active management, improving and developing commercial properties in selected growth regions like Stockholm, Gothenburg, Malmö and Västerås to deliver an attractive total return. Kungsleden is listed on Nasdaq Stockholm Mid Cap.

Five reasons to own shares in Kungsleden

1. We have a clear strategy for generating growth with quality
2. Our central concept is a well-defined cluster strategy
3. We are well prepared to, over time, achieve our goal of becoming Sweden's most profitable property company
4. We have a portfolio of project properties currently in the early stages of development. Over time, they will generate value for the company
5. Our transformation has been exhilarating

Kungsleden 2020

1. Continued growth with quality – properties that retain or increase in value over business cycles
2. Concentrate the property portfolio to a maximum of 20 growth municipalities in Sweden's largest markets – Stockholm, Gothenburg, Öresund and Västerås
3. At least 50 per cent of property value in Stockholm (as Defined by Statistics Sweden)
4. At least 70 per cent of property value in the office segment
5. Continue focusing on larger, more efficient management units by growing existing clusters and creating new ones. Over time, having 15–20 clusters
6. Achieve quality and create value with ongoing management efforts through property development
7. Achieve a total return over time that is at least the same or higher than the MSCI sector index
8. Over time, become one of Sweden's largest property companies, with a high quality property portfolio

VISION

We create attractive premises that enrich people's working days.

BUSINESS CONCEPT

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

CLUSTER STRATEGY

We strive to own more properties at select locations, gathered in clusters, so that we can adapt and sharpen our offering based on our tenants' needs while proactively helping to shape how the entire area develops.

CUSTOMER OFFERING

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

kungsleden.com

For more information, please visit our website
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