

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



Rental revenue in SEK million (560). Increase of 9 per cent.

Profit from property management in SEK million (202). Improvement of 24 per cent.

Changes in value of properties in SEK million. The value increase corresponds to 1.5 per cent.

Rental revenue in SEK million (1,085). Increase of 13 per cent.

Profit from property management in SEK million (377). Improvement of 29 per cent.

Changes in value of properties in SEK million. The value increase corresponds to 3.3 per cent.

| 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.

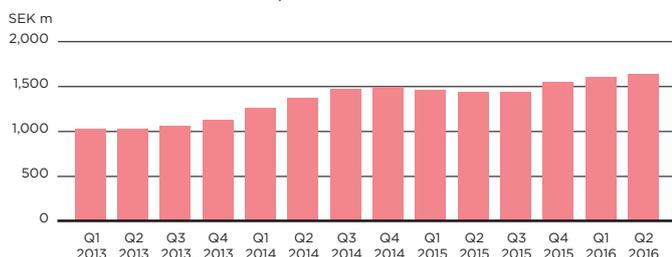
VALUE CHANGES, ASSETS

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

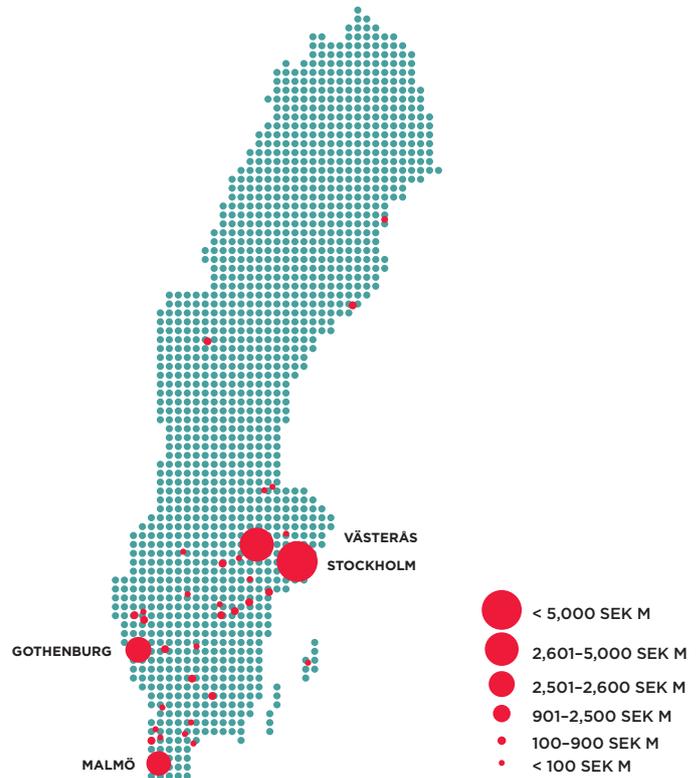
Kungsleden owns, actively manages, improves and develops commercial properties in selected growth regions. As of the end of June 2016, the portfolio consisted of 280 properties with a total leasable area of 2,617 thousand sq. m. and a rental value of SEK 2,650 million. The book value of holdings is SEK 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.

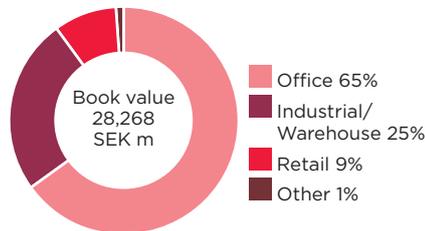
Strong local presence

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.

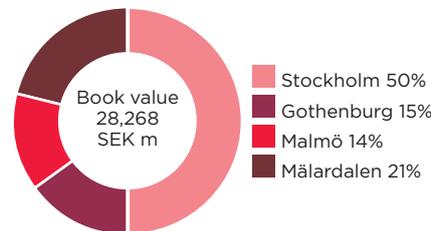


FROM 91 TO 60 MUNICIPALITIES
THE ILLUSTRATION SHOWS THE BOOK VALUE OF HOLDINGS, BY MUNICIPALITY, AS OF 30 JUNE 2016

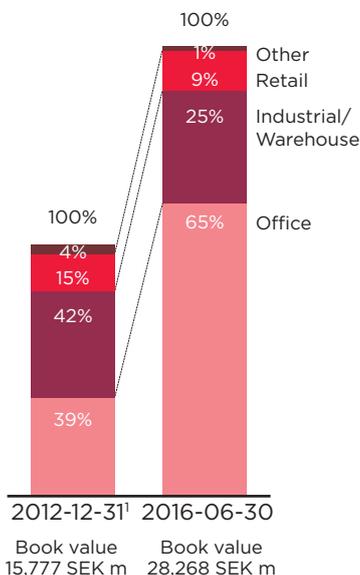
PROPERTY VALUE BY CATEGORY AS OF 30 JUNE



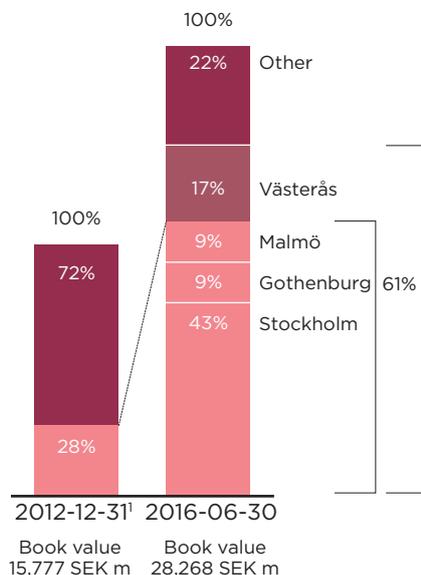
PROPERTY VALUE BY REGION AS OF 30 JUNE



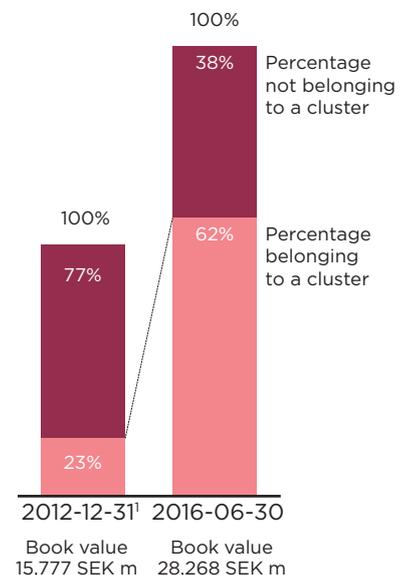
PROPERTY PORTFOLIO'S DEVELOPMENT BY CATEGORY



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

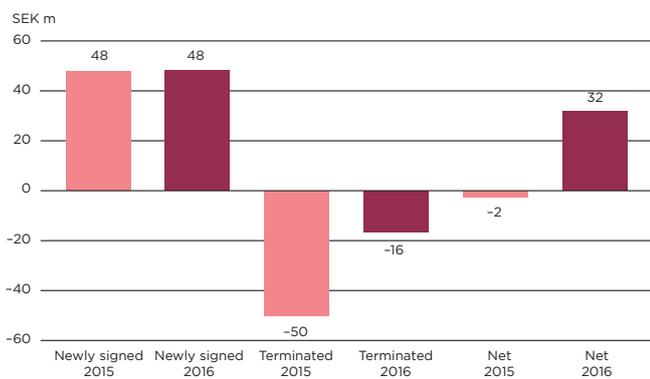
ACTIVE MANAGEMENT - UPWARD TREND IN RENTS

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

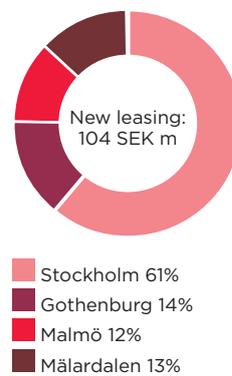
to a rental value of nearly SEK 44 million were renegotiated during the first half of the year. This resulted in a rental increase of SEK 2.7 million, or 6 per cent on average. The economic vacancy rate for the first half of the year was 9.3 (9.9) per cent.

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.

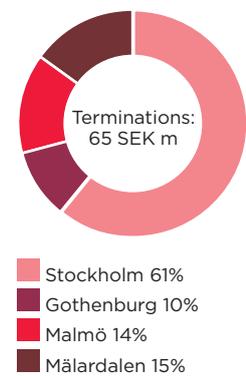
NET LEASING Q2, 2015 AND 2016¹



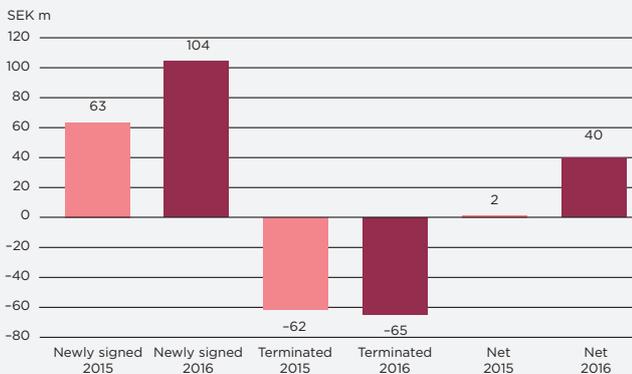
NEW LEASING BY REGION FOR FIRST SIX MONTHS OF 2016¹



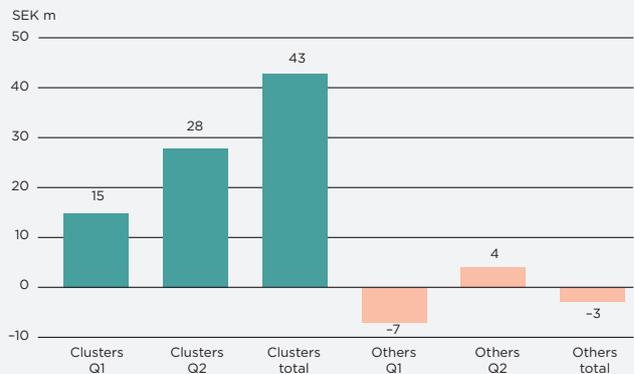
TERMINATIONS BY REGION FOR FIRST SIX MONTHS OF 2016¹



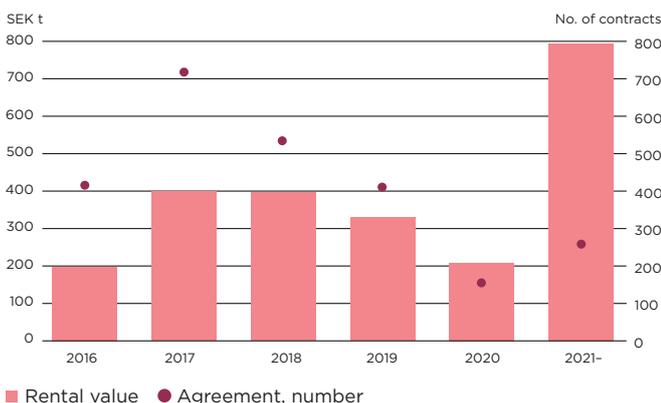
NET LEASING FOR FIRST HALF OF 2015 AND 2016¹



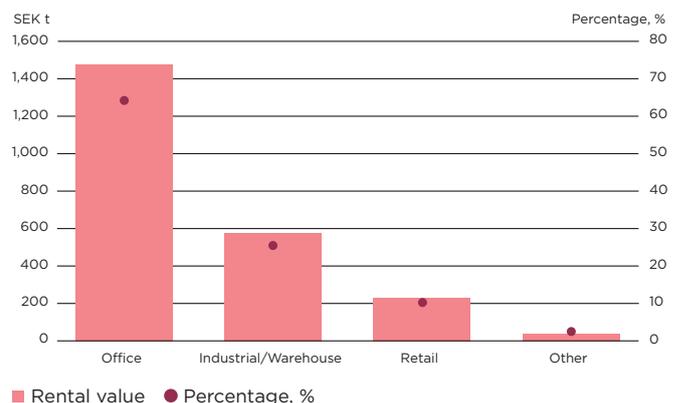
NET LEASING FOR CLUSTERS AND OTHER PROPERTIES, 2016¹



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).



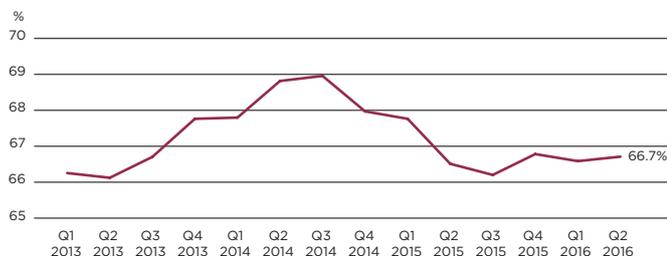
| REGION STOCKHOLM | |
|--------------------------------|--------|
| No. of properties | 83 |
| Leasable area, thousand sq. m. | 858 |
| Rental value, SEK m | 569 |
| Rental revenue, SEK m | 528 |
| Operating net, SEK m | 356 |
| Book value, SEK m | 14,141 |
| Economic occupancy rate, % | 92.8 |
| Occupancy 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





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.

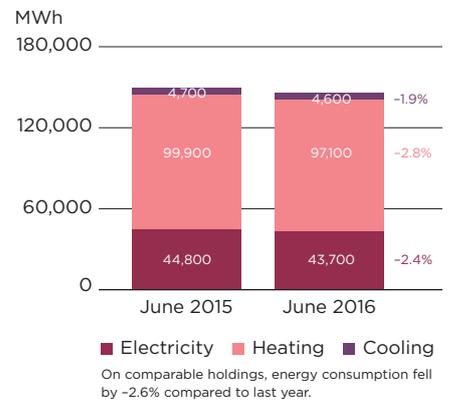
Health and safety are a priority, which is why, each quarter, we remind about roof safety and slip resistance, for example. Absenteeism is low at the company and we constantly strive to keep lowering it even further. Besides that, happy individuals who enjoy their work also tend to do a very good job.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

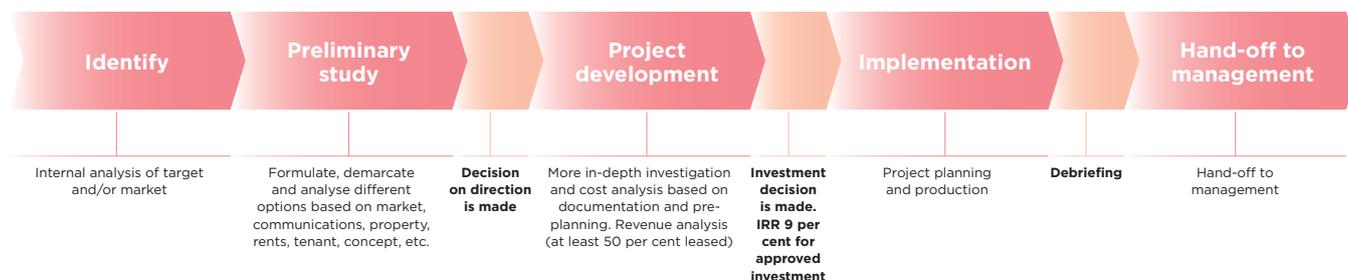
Kungsleden continually examines its holdings in order to identify existing and potential building rights, works with zoning and develops strategies for creating and obtaining building rights. It is estimated that potential building rights exist for more than 450,000 sq. m. of residential space and 200,000 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 |

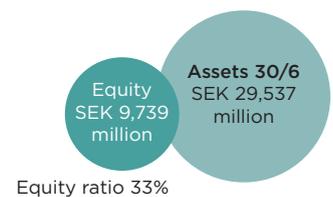
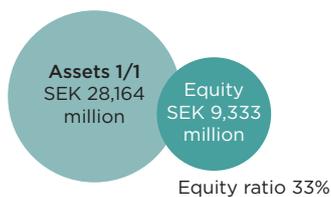
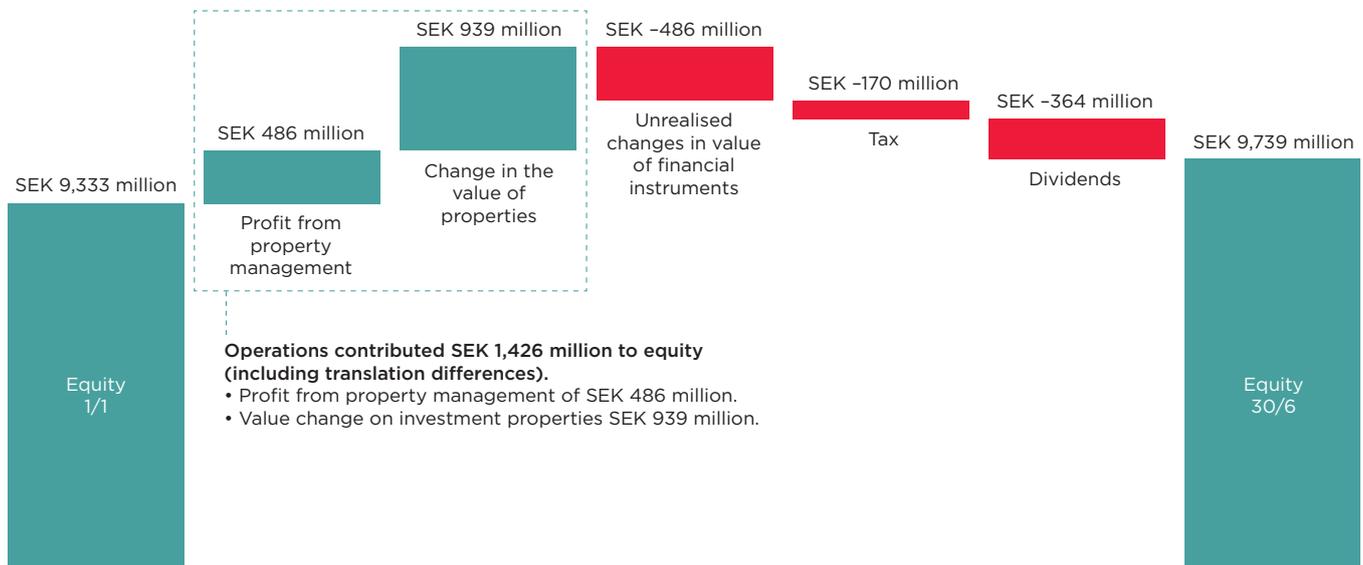
CATEGORY 3 – PRELIMINARY STUDY/PLANNING

| 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

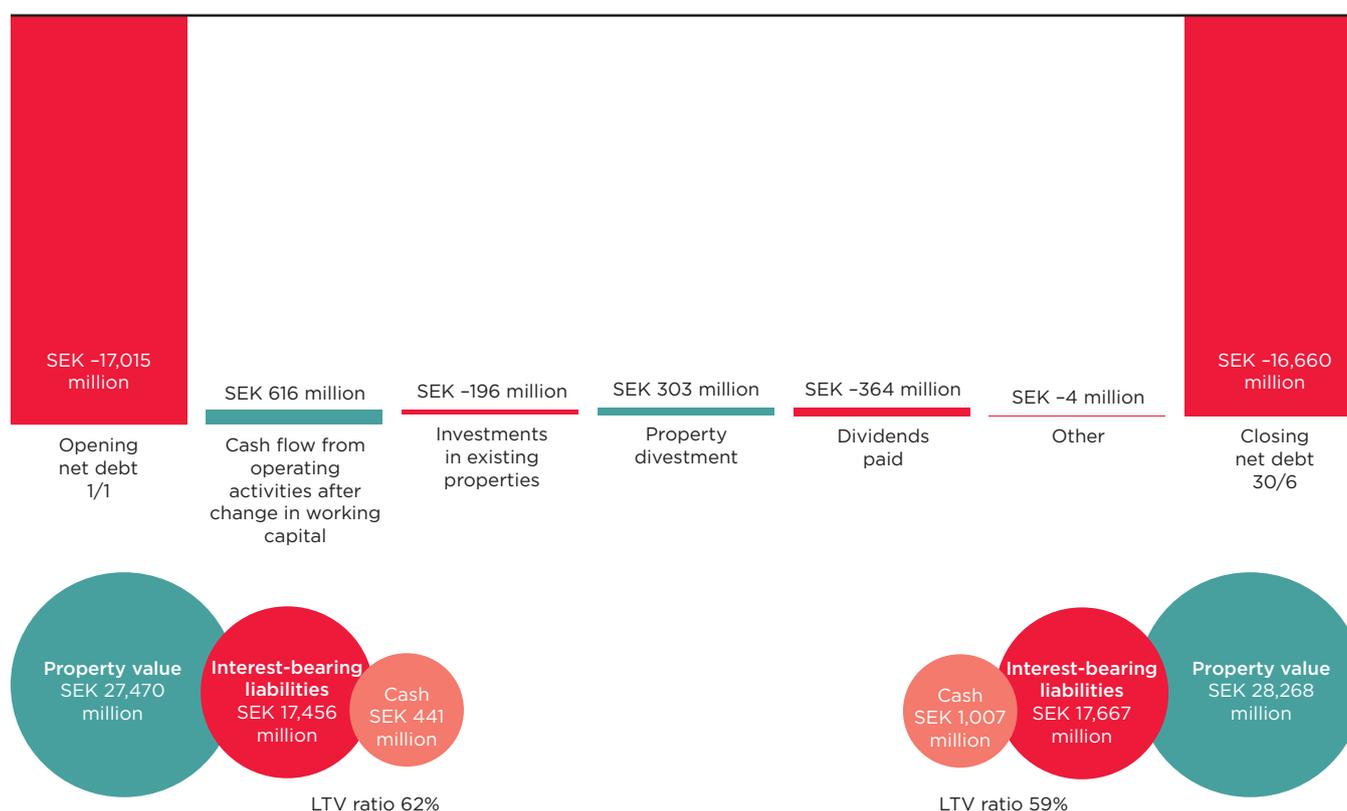
be positive, by around SEK 23 million, if STIBOR 90 days were to increase by one percentage point. Due to the fall in long-term interest rates during the first half of the year, there was an increase in the negative market value of the interest rate swap portfolio to SEK –833 million as of 30 June, compared 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.

In order to prepare the interim report, it is necessary for the Company's top management team to make assessments and estimates, as well as assumptions that affect how the accounting principles are applied and the reported amounts for assets, liabilities, income and expenses. Actual outcomes may deviate from these estimates and assessments. Critical assessments that have been made, along with the underlying uncertainty factors are the same as those explained in the most recent annual report.

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

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Contact

Head office
Warfvinges väg 31
Box 704 14
107 25 Stockholm
Tel: +46 8 503 052 00
Fax +46 8 503 052 01

Biljana Pehrsson
CEO
+46 8 503 052 04

Anders Kvist
Deputy CEO and CFO
+46 8 503 052 11

Ylva Sarby Westman
Deputy CEO and CIO
+46 8 503 052 27

KUNGSLEDEN AB (PUBL)
CIN 556545-1217
REG OFFICE STOCKHOLM

Marie Mannholt
Head of Communications
and Marketing
+46 8 503 052 20