

KUNGSLEDEN

INVITATION TO SUBSCRIBE FOR SHARES IN KUNGSLEDEN AKTIEBOLAG

PLEASE NOTE THAT THE SUBSCRIPTION RIGHTS ARE EXPECTED TO HAVE AN ECONOMIC VALUE.

In order not to lose the value of the subscription rights, holders must either:

- Exercise the subscription rights received and subscribe for new shares no later than 24 March 2017, or
- Sell the subscription rights received, but not exercised, no later than 22 March 2017.

Please note that shareholders with nominee-registered shareholdings subscribe for new shares through their nominee.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE SUBSCRIPTION FOR NEW SHARES ARE SUBJECT TO RESTRICTIONS IN CERTAIN JURISDICTIONS (SEE *SELLING AND TRANSFER RESTRICTIONS*).

Joint Global Coordinators and Joint Bookrunners

ABG
SUNDAL COLLIER


KEMPEN & CO

S|E|B

IMPORTANT INFORMATION

For definitions of certain terms used in this prospectus, see *Certain Definitions* on the next page.

This prospectus has been approved and registered by the Swedish Financial Supervisory Authority (the "SFSA") in accordance with Chapter 2, sections 25 and 26 of the Swedish Financial Instruments Trading Act (SFS 1991:980) (Sw. *lagen (1991:980) om handel med finansiella instrument*). Approval and registration does not imply that the SFSA guarantees that the information in the prospectus is accurate or complete.

The prospectus and the offering hereunder are governed by Swedish law. Disputes arising in connection with this prospectus, the offering and related legal matters shall be settled exclusively by Swedish courts.

The prospectus has been prepared in both Swedish and English language versions. In the event of any conflict between the versions, the Swedish version shall prevail.

Kungsliden has not taken, and will not take any actions to allow a public offering in any jurisdiction other than Sweden. The offering is not being made to persons resident in Australia, Hong Kong, Japan, Canada, Singapore, the United States or any other jurisdiction where participation would require additional prospectuses, registration or measures besides those required by Swedish law. Consequently, the prospectus may not be distributed in or into the mentioned countries or any other country or jurisdiction in which distribution or the offering in accordance with this prospectus require such measures or otherwise would be in conflict with applicable regulations. Subscription of shares and other acquisitions of securities in violation of the restrictions described above may be void. Recipients of this prospectus are required to inform themselves about, and comply with, such restrictions. Any failure to comply with the restrictions described may result in a violation of applicable securities regulations. For further information, see the section entitled *Selling and transfer restrictions*.

Certain risks apply when investments in shares are made (see the section entitled *Risk factors*). When an investor makes an investment decision, he or she must rely on his or her own analysis of Kungsliden and the offering in accordance with this prospectus, including applicable facts and risks. Potential investors should, before making an investment decision, engage their own professional advisers and carefully evaluate and consider their investment decision. Investors may only rely on the information in this prospectus and any possible supplements to this prospectus. No person is authorised to provide any information or make any statements other than those made in this prospectus. Should such information or statement nevertheless be provided or be made it should not be considered to have been approved by Kungsliden, and Kungsliden is not responsible for such information or statements. Neither the publication of this prospectus nor any transaction made in respect of it shall be deemed to imply that the information in this prospectus is accurate or applicable at any time other than on the date of the publication of this prospectus or that there have been no changes in Kungsliden's business since this date. If significant changes relating to the information contained in this prospectus occur, such changes will be announced in accordance with the provisions on prospectus supplements under the Swedish Financial Instruments Trading Act.

As a condition for subscription of shares under the offering in this prospectus, each person applying for subscription of shares shall be deemed to have made or, in some cases, be required to make, certain representations and warranties that will be relied upon by Kungsliden and its advisers (see the section entitled *Selling and transfer restrictions*). Kungsliden reserves the right to declare null and void any subscription of shares that Kungsliden and its advisers believe may give rise to a breach or violation of any law, rule or regulation in any jurisdiction.

Notice to investors in the United States

No subscription rights, paid subscribed shares or shares in Kungsliden ("Securities") have been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the securities legislation of any state or other jurisdiction in the United States and may not be offered, subscribed for, used, pledged, sold, resold, allotted, delivered or otherwise transferred, directly or indirectly, in or into the United States except under an available exemption from, or transaction not subject to, the registration requirements under the Securities Act and in compliance with the securities legislation in the relevant state or any other jurisdiction of the United States. The Securities are being offered outside the United States in reliance on Regulation S under the Securities Act. A public offering will not be made in the United States. Any offering of the shares made in the United States will be made in accordance with an exception from, or in a transaction that is not subject to, the registration requirements under the Securities Act, to a limited number of existing shareholders that (i) are qualified institutional buyers as defined in Rule 144A under the Securities Act and (ii) have signed and submitted an investor letter to Kungsliden. For a description of these and certain further restrictions regarding the Securities and the distribution of this prospectus, see the section entitled *Selling and transfer restrictions*.

Up until 40 days after the initiating of the rights issue, an offer or a transfer of Securities within the United States made by a securities broker (regardless of whether such securities broker participates in the rights issue or not) may imply a breach of the registration requirements in the Securities Act.

The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission (SEC), any state regulatory authority in the United States or any other U.S. regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

Information to investors in the EEA

No public offering of shares in Kungsliden is made to any countries within the European Economic Area ("EEA") other than Sweden. In other member states of the EEA which have implemented the European Parliament and Council Directive 2003/71/EC (the "Prospectus Directive"), such offering may be made only under an exemption in the Prospectus Directive as well as every relevant implementation measure (including measures to implement European Parliament and Council Directive 2010/73/EU). See also the section entitled *Selling and transfer restrictions*.

Forward-looking information

The prospectus contains certain forward-looking information that reflects Kungsliden's present view of future events as well as financial and operational development. Words such as "intend", "assess", "expect", "may", "plan", "believe", "estimate" and other expressions entailing indications or predictions of future development or trends, not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties as it depends on future events and circumstances. Forward-looking information is not a guarantee of future results or development and actual outcomes may differ materially from the statements set forth in the forward-looking information.

Factors that may cause Kungsliden's future results and development to differ from the forward-looking information include, among others, those described in *Risk factors*. The forward-looking information contained in this prospectus applies only as at the date of this prospectus. Kungsliden does not undertake any obligation to publicly announce any update or change in the forward-looking information as a result of new information, future events or similar circumstances other than as required by applicable laws and regulations.

Presentation of financial information

Certain financial and other information presented in the prospectus has been rounded off in order to make the information more accessible for the reader. Consequently, in certain columns the numbers do not exactly correspond to the stated total amount.



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Certain definitions

In this prospectus the following definitions will be used: "Kungsleden" or the "Company" refers to either, Kungsleden AB (publ) (corporate registration number 556545-1217) or the group in which Kungsleden AB (publ) is the parent company, as the context may require.

The "Group" refers to Kungsleden AB and its subsidiaries.

"Joint Global Coordinators and Joint Bookrunners" refers to ABG Sundal Collier AB ("ABGSC"), Kempen and Co N.V. ("Kempen & Co") and Skandinaviska Enskilda Banken AB (publ) ("SEB").

"Euroclear Sweden" refers to Euroclear Sweden AB.

"Nasdaq Stockholm" refers to the regulated market Nasdaq Stockholm or Nasdaq Stockholm AB, as the context may require.

"SEK", "EUR" and "USD" refers to Swedish kronor, euro and United States dollars, respectively. M refers to millions. T refers to thousands.

The rights issue in brief

PREFERENTIAL RIGHTS

Every existing share in Kungsleden entitles the holder to one (1) subscription right. Five (5) subscription rights entitle the holder to subscribe for one (1) new share. To the extent new shares are not subscribed for by exercise of subscription rights, they shall be offered to shareholders and other investors for subscription.

SUBSCRIPTION PRICE

SEK 45 per share.

RECORD DATE FOR THE RIGHT TO RECEIVE SUBSCRIPTION RIGHTS IN THE RIGHTS ISSUE

8 March 2017

SUBSCRIPTION PERIOD

10 March–24 March 2017

TRADING IN SUBSCRIPTION RIGHTS

10 March–22 March 2017

TRADING IN PAID SUBSCRIBED SHARES (BTA)

10 March–5 April 2017

SUBSCRIPTION AND PAYMENT BY EXERCISE OF SUBSCRIPTION RIGHTS

Subscription of new shares by exercise of subscription rights will be made during the subscription period by simultaneous cash payment.

SUBSCRIPTION AND PAYMENT WITHOUT SUBSCRIPTION RIGHTS

Application for subscription without subscription rights shall be made to SEB no later than 24 March 2017 on a special application form which can be obtained from any of SEB's offices in Sweden, at SEB's web page, (www.sebgroup.com/prospectuses), ABGSC's web page (www.abgsc.com) under ongoing transactions or from Kungsleden's web page, (www.kungsleden.se). Allotted shares shall be paid for in accordance with instructions on the notice of allotment. Account holders with nominees should register with, and in accordance with the instructions from, the nominee.

OTHER INFORMATION

Ticker, share:	KLED
ISIN code share:	SE0000549412
ISIN code subscription right:	SE00009606866
ISIN code BTA:	SE00009606874

FINANCIAL INFORMATION

Annual report 2016	28 March 2017
Interim report January–March 2017	25 April 2017
Interim report January–June 2017	12 July 2017
Interim report January–September 2017	25 October 2017



SUMMARY

Prospectus summaries consist of information requirements presented in “items”. The items are numbered in sections A–E (A.1–E.7).

The summary in this prospectus includes all of the items required in a summary for the relevant type of security and issuer. However, since certain items are not applicable to all types of prospectuses, there may be gaps in the numbering of the items.

Even if an item is required to be included in the summary for the relevant type of security and issuer, it is possible that no relevant information can be provided regarding the item. In such case, the information is replaced by a brief description of the item together with the indication “not applicable”.

SECTION A - INTRODUCTION AND WARNINGS		
A.1	<i>Introduction and warnings</i>	<p>This summary should be read as an introduction to the prospectus.</p> <p>Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in this prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or if it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
A.2	<i>Consent to the use of the prospectus</i>	Not applicable. Financial intermediaries may not use the prospectus for subsequent resale or final placement of securities.

SECTION B - ISSUER		
B.1	<i>Legal and commercial name</i>	The Company's legal (and commercial) name is Kungsleden Aktiebolag, Reg. No 556545-1217.
B.2	<i>Company name and type of company</i>	The registered office of the Board of Directors is the municipality of Stockholm. The Company is a Swedish public limited liability company (Sw. <i>publikt aktiebolag</i>), regulated by the Swedish Companies Act (Sw. <i>aktiebolagslagen (2005:551)</i>)
B.3	<i>Main business operations</i>	<p>Kungsleden is a property company focused on the long-term ownership, management, and development of commercial properties in selected growth regions in Sweden, and thereby delivering an attractive total return to the Company's shareholders.</p> <p>The Company offers premises within the following segments: offices, industrial/warehouse and retail. 79 per cent of the properties are currently located in four of Sweden's primary growth markets: Stockholm, Gothenburg, Malmö and Västerås. Offices account for 66 per cent of the property portfolio and the tenants represent a cross-section of the Swedish business community.</p>



B.3	<i>Main business operations (cont'd)</i>	<p>Kungsleden consolidates properties in clusters – selected areas of strong growth and momentum, high accessibility, close to hubs and thoroughfares, as well as a suitable mix of attractive premises. The cluster strategy enables the Company to strengthen its offering to the tenants through increased knowledge of the area, the possibility to provide the area with the service that the tenants desire, and to be closer to tenants and prospective customers through a local presence. In addition, it makes it possible for Kungsleden, as an influential voice in the community, to help shape urban development plans along with how the area is profiled.</p> <p>On 31 December 2016, Kungsleden's property portfolio comprised 269 properties with a book value of SEK 29,169 million and a total leasable area of approximately 2,580 thousand square metres.</p>																					
B.4a	<i>Trends</i>	<p>Kungsleden's result and financial position is affected by the situation on the rental market and transaction market for commercial properties, which in turn is dependent on Sweden's economic development. The general interest rate situation also has an important role for property companies. In recent times, Sweden's economy has developed favourably. The strong economic growth has led to positive impulses regarding the demand for premises. In turn, this has led to an increase in new leases and rising rental levels. The economic prospects for Sweden remain favourable. Simultaneously, the international macroeconomic prospects are more unclear, not least due to political risks on international level. The interest in property investment remains large. The transaction volume was very high during 2016, and this trend is expected to persist during 2017. Access to funding for property companies is good, in the banking system as well as on the capital market. Both short- and long-term market interest rates are at very low levels, seen from a historical perspective and there is a risk that the interests successively start to increase from today's levels, which with certain delay can increase costs for property companies' financing and lead to higher yield requirements and descending property values. Nevertheless, the possibility that the low interest rates persist for a long time, or even decrease further, may not be ruled out. This may have a negative effect on the value changes of the interest rate derivatives in the income statement. It can also foment continued strong demand for real estate as an investment, which could lead to further increases in property values. It must be noted that property prices are already historically high, which can lead to an increased risk of a backlash with falling values as a result.</p>																					
B.5	<i>The Group</i>	<p>Kungsleden is the parent company of the Group, which consists of 22 directly owned subsidiaries and the subsidiaries owned through the directly owned companies.</p>																					
B.6	<i>Major shareholders, etc.</i>	<p>In Sweden, the lowest threshold for mandatory reporting of changes in shareholdings (Sw. <i>flaggning</i>) is five per cent of all shares or voting rights in respect of all shares. The table below sets out the Company's shareholders with holdings corresponding to not less than five per cent of the shares and votes as at 28 February 2017.</p> <table border="1" data-bbox="472 1335 1441 1574"> <thead> <tr> <th>Shareholder/manager/deposit bank</th> <th>Number of shares</th> <th>Number of shares and votes, %</th> </tr> </thead> <tbody> <tr> <td>Gösta Welandson with companies</td> <td>25,786,002</td> <td>14.2</td> </tr> <tr> <td>Länsförsäkringar Fonder</td> <td>10,222,892</td> <td>5.6</td> </tr> <tr> <td>BNP Paribas Investment Partners</td> <td>9,231,088</td> <td>5.1</td> </tr> <tr> <td>Total ten largest shareholders</td> <td>67,813,198</td> <td>37.3</td> </tr> <tr> <td>Other shareholders</td> <td>114,189,554</td> <td>62.7</td> </tr> <tr> <td>Total</td> <td>182,002,752</td> <td>100.0</td> </tr> </tbody> </table> <p>Source: Modular Finance Holdings.</p>	Shareholder/manager/deposit bank	Number of shares	Number of shares and votes, %	Gösta Welandson with companies	25,786,002	14.2	Länsförsäkringar Fonder	10,222,892	5.6	BNP Paribas Investment Partners	9,231,088	5.1	Total ten largest shareholders	67,813,198	37.3	Other shareholders	114,189,554	62.7	Total	182,002,752	100.0
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B.7	<i>Selected historical financial information</i>	<p>The following financial reports in brief (as well as key figures calculated in accordance with International Financial Reporting Standards ("IFRS")) relating to full years have been derived from Kungsleden's annual reports for the financial years 2013–2015, which have been prepared in accordance with IFRS, as adopted by the EU, and audited by the Company's auditor. The financial reports in brief (as well as key figures calculated in accordance with IFRS) relating to January–December of 2016 have been derived from Kungsleden's financial statement for the period January–December 2016, which has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act (Sw. <i>årsredovisningslagen (1995:1554)</i>). The financial statement has not been reviewed or audited by the Company's auditor.</p> <p>The prospectus also contains certain non-IFRS financial measures. These financial measures have not been reviewed or audited by the Company's auditor. In addition, the prospectus contains certain key figures that have not been defined in accordance with IFRS. These financial key figures have been neither reviewed nor audited by the Company's auditor. Kungsleden believes that, to a large extent, these key figures are used by certain investors, securities analysts and other interested parties as supplementary measures of earnings trend and financial condition.</p>																					



B.7	Selected historical financial information (cont'd)	EXTRACT FROM THE CONSOLIDATED INCOME STATEMENT				
			1 Jan-31 Dec 2016	1 Jan-31 Dec 2015	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
		MSEK				
		Rental revenue ¹⁾	2,422	2,314	2,193	2,224
		Other revenue ²⁾	7	-	-	-
		Property costs ³⁾	-827	-769	-703	-923
		Operating net⁴⁾	1,602	1,545	1,491	1,301
		Selling and administration costs	-112	-106	-101	-157
		Net financial items				
		Financial income	1	11	11	18
		Interest expenses	-467	-459	-630	-554
		Profit participation in associated companies	-	24	-	-
		Other financial expenses	-34	-50	-41	-61
			-500	-473	-660	-596
		Profits from property management	990	966	730	549
		Value changes				
		Profit from sale of Nordic Modular Group	-	24	-	-
		Profit from property sales	32	11	73	8
		Unrealised changes in value properties	1,658	970	930	48
		Unrealised changes in value of financial instruments	-321	176	-427	425
		Profit before tax	2,359	2,147	1,306	1,030
		Tax				
		Current tax	0	-1,305	-1,610	-12
		Deferred tax	-490	-337	-355	-180
		Profit (loss) for the year, continuing operations	1,869	505	-659	838
		Discontinued operations				
		Discontinued operations: Nordic Modular, after tax	-	-	63	-
		Impairment loss on Nordic Modular	-	-	-157	-
		Discontinued operations: Hemsö holdings, after tax	-	-	-	24
		Net profit (loss) for the year	1,869	505	-753	862
		1) Refers to net sales 2013 (whereof rental revenue from real estate amounted to SEK 1,669 million).				
		2) Reported separately as from 2016. Prior to 2016 other revenue was part of rental revenue - property costs. Other revenue with definition 2016 are 2015 SEK 76 million, 2014 SEK 1 million and 2013 SEK 15 million.				
		3) Refers to property costs (real estate and modular building) and costs for module manufacturing 2013 (whereof property costs related to real estate amounted to SEK 538 million).				
		4) Refers to gross profit 2013 (whereof net operating income from real estate amounted to SEK 1,131 million).				



B.7	Selected historical financial information (cont'd)	EXTRACT FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
		MSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
		ASSETS				
		<i>Non-current assets</i>				
		Investment properties – property	29,169	27,470	19,612	20,338
		Investment properties – modular buildings	-	-	-	1,509
		Other non-current receivables	32	21	48	512
		Total non-current assets	29,201	27,491	19,661	22,359
		<i>Current assets</i>				
		Current receivables	232	232	142	287
		Assets held for disposal – modular building, property used in business operations and other	-	-	1,800	-
		Cash and bank	57	441	1,437	323
		Total current assets	289	673	3,379	610
		TOTAL ASSETS	29,490	28,164	23,040	22,968
		EQUITY AND LIABILITIES				
		Equity	10,839	9,333	9,102	8,453
		Interest-bearing liabilities	16,511	17,456	11,675	12,879
		Non interest-bearing liabilities	2,140	1,375	2,264	1,637
		TOTAL EQUITY AND LIABILITIES	29,490	28,164	23,040	22,968
		EXTRACT FROM THE STATEMENT OF CONSOLIDATED CASH FLOWS				
		MSEK	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
		Cash flow before changes in working capital	1,007	-343	-509	480
		Changes in working capital	4	-184	727	-5,128
		Cash flow after changes in working capital	1,011	-527	218	-4,648
		Cash flow from investing activities	-86	-5,978	730	1,961
		Cash flow from financing activities	-1,309	5,509	164	2,288
		Cash flow for the period	-384	-996	1,112	-400
		Cash equivalents at the beginning of the period	441	1,437	323	721
		Exchange rate differences on cash equivalents	0	0	3	1
		Cash equivalents at the end of the period	57	441	1,437	323



B.7	Selected historical financial information (cont'd)	KEY FIGURES AND DATA PER SHARE				
		MSEK	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
		Property related key ratios				
		Property yield, % ²⁾	5.7	6.6	7.5	6.5
		Economic occupancy rate, % ³⁾	90.6	90.6	91.5	93.2
		Surplus ratio, % ²⁾	65.9	66.8	68.0	67.8
		Occupancy rate, area wise, % ³⁾	86.6	87.8	87.3	88.7
		Economic vacancy rate, % ³⁾	9.4	9.4	8.5	6.8
		Key figures, financial				
		Return on assets, % ²⁾	5.3	5.8	6.6	5.4
		Return on equity, % ²⁾	18.5	5.5	Neg	10.7
		Interest coverage ratio, times ²⁾	3.0	2.9	2.2	1.9
		Equity ratio, % ²⁾	36.8	33.1	39.5	36.8
		Debt/equity ratio, times ²⁾	1.5	1.9	1.3	1.5
		Loan-to-value (LTV) ratio, % ²⁾	56.4	61.9	52.2	61.7
		Data per share				
		Number of shares at the end of the period, number ³⁾	182,002,752	182,002,752	182,002,752	136,502,064
		Average number of shares, number ³⁾	182,002,752	182,002,752	145,352,883	136,502,064
		Total return on shares, % ²⁾	-1.2	9.7	33.7	24.9
		Yield on shares, % ²⁾	3.5	2.5	2.2	2.3
		Profits from property management, SEK ¹⁾	5.44	5.31	5.02	4.02
		Profit for the year, SEK ¹⁾	10.27	2.78	-5.18	6.31
		Equity, SEK ¹⁾	59.55	51.28	50.01	61.93
		EPRA NAV (Long-term net asset value), SEK ²⁾	69.32	56.76	57.18	68.35
		Cash flow before changes in working capital, SEK	5.53	-1.88	-3.50	3.52
		The key figures for the period January-December 2016 are not audited.				
		1) IFRS-key figure, audited.				
		2) Alternative key figure, not audited.				
		3) Non-financial key figure.				
		DEFINITIONS				
		DEFINITIONS OF KEY FIGURES ACCORDING TO IFRS				
		Number of shares at the end of the period: Number of ordinary shares outstanding at the end of the period.				
		Average number of shares: Average number of shares during the period.				
		Dividends (paid): Dividends during the period.				
		DEFINITIONS OF ALTERNATIVE KEY FIGURES THAT ARE NOT CALCULATED ACCORDING TO IFRS				
		Property related key ratios:				
		Rental revenue, SEK: Billed rents, rent surcharges and rental guarantees less rent discounts.				
		Other revenue, SEK: Revenue that is not directly associated with lease agreements. New definition from 2016 – previously a part of rental revenue.				
		Rental value, SEK: Rental revenue plus the assessed market rent for unleased space.				
		Property yield, %: Operating net in relation to the average book value of properties.				
		Economic occupancy rate, %: Rental revenue divided by rental value.				
		Surplus ratio, %: Operating net divided by total revenue.				
		Occupancy rate, area wise, %: Leased area divided by leasable area.				
		Economic vacancy rate, %: Assessed market rent for unleased space divided by rental value.				
		Key figures, financial				
		Return on assets, %: Operating net, profit (loss) on property divestment, selling and administration costs, 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.				
		Return on equity, %: Profit (loss) for the period after tax divided by average equity.				
		Interest coverage ratio, times: Profit (loss) for the period plus unrealised changes in value of financial instruments, properties and discontinued operations and profit (loss) from divestments and financial expenses, divided by financial expenses.				



B.7	<i>Selected historical financial information (cont'd)</i>	<p>Equity ratio, %: Equity including minority interests divided by total assets. Debt/equity ratio, times: Interest-bearing liabilities divided by equity. Loan-to-value (LTV) ratio, %: Interest-bearing liabilities less cash and bank balances, divided by the book value of properties.</p> <p>Data per share Total return on shares, %: Sum of the change in the share price during the period and, paid dividend/redemption during the period divided by the share price at the start of the period. Yield on shares, %: Decided/proposed dividend/redemption divided by the share price at the end of the period. Profits from property management, SEK: Profits from property management divided by the average number of shares during the period. EPRA NAV (Long-term net asset value), SEK: 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.</p> <p>MATERIAL CHANGES Kungsleden's profit from property management, i.e. profit excluding changes in value, taxes and discontinued operations, amounted to SEK 990 million in 2016, an increase of SEK 24 million compared with 2015 when it amounted to SEK 966 million. Profit for the period after tax increased from SEK 505 million in 2015 to SEK 1,869 million in 2016. Kungsleden's profit from property management amounted to SEK 966 million in 2015, an increase of SEK 236 million compared with 2014, when it amounted to SEK 730 million. The profit (loss) for the period after tax strengthened from SEK -659 million in 2014 (the loss for the year after tax and discontinued operations was SEK -753 million in 2014) to SEK 505 million in 2015. Kungsleden's profit from property management amounted to SEK 730 million in 2014, an increase of SEK 181 million compared with 2013 when it amounted to SEK 549 million. Profit (loss) for the period after tax decreased from SEK 838 million in 2013 to SEK -659 million in 2014. Profit for the year after tax and discontinued operations fell from SEK 862 million in 2013 to SEK -753 million in 2014. On 2 February 2017, the intention to carry out the present right issue was announced.</p>																																												
B.8	<i>Selected pro forma accounts</i>	Not applicable. The prospectus contains no earnings forecast or calculation of anticipated earnings.																																												
B.9	<i>Earnings forecast</i>	<p>The table below shows the earnings capacity in Kungsleden's property portfolio as at 31 December 2016.</p> <p>The earnings capacity intends to illustrate the characteristics of the properties held at a certain point in time and the financial results of those properties, calculated over the past 12 months. The purpose of the estimate is to facilitate the assessment of the current property portfolio's underlying earnings capacity. The earnings capacity is not a forecast, instead it shall be considered a theoretical snapshot and is presented for illustrative purposes only.</p> <p>The estimated earnings capacity does not include any information or assessment of the future trends for vacancy rates, rental developments, or changes in value. Similarly divestments and acquisitions of properties are not taken into account in the earnings capacity unless vesting of title has occurred on the closing date.</p> <p>EARNINGS CAPACITY</p> <table border="1" data-bbox="470 1624 1437 1993"> <thead> <tr> <th></th> <th>Total excl. project properties</th> <th>Project properties</th> <th>All properties</th> </tr> </thead> <tbody> <tr> <td>Number of properties</td> <td>256</td> <td>13</td> <td>269</td> </tr> <tr> <td>Leasable area, thousand sq. km.</td> <td>2,451</td> <td>129</td> <td>2,580</td> </tr> <tr> <td>Rental value, MSEK</td> <td>2,515</td> <td>125</td> <td>2,640</td> </tr> <tr> <td>Rental revenue, MSEK</td> <td>2,313</td> <td>81</td> <td>2,394</td> </tr> <tr> <td>Operating net, MSEK</td> <td>1,556</td> <td>26</td> <td>1,582</td> </tr> <tr> <td>Book value, MSEK</td> <td>27,860</td> <td>1,309</td> <td>29,169</td> </tr> <tr> <td>Economic occupancy rate, %</td> <td>92.0</td> <td>64.5</td> <td>90.7</td> </tr> <tr> <td>Occupancy rate, area wise, %</td> <td>87.5</td> <td>42.3</td> <td>85.2</td> </tr> <tr> <td>Surplus ratio, %</td> <td>67.1</td> <td>32.5</td> <td>66.0</td> </tr> <tr> <td>Property yield, %¹⁾</td> <td>5.6</td> <td>2.0</td> <td>5.4</td> </tr> </tbody> </table> <p>1) Net operating income in relation to the book value of the properties at the end of the period.</p>		Total excl. project properties	Project properties	All properties	Number of properties	256	13	269	Leasable area, thousand sq. km.	2,451	129	2,580	Rental value, MSEK	2,515	125	2,640	Rental revenue, MSEK	2,313	81	2,394	Operating net, MSEK	1,556	26	1,582	Book value, MSEK	27,860	1,309	29,169	Economic occupancy rate, %	92.0	64.5	90.7	Occupancy rate, area wise, %	87.5	42.3	85.2	Surplus ratio, %	67.1	32.5	66.0	Property yield, % ¹⁾	5.6	2.0	5.4
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B.10	<i>Qualifications of audit report</i>	Not applicable. There are no qualifications of audit report.
B.11	<i>Insufficient working capital</i>	Not applicable. The issuer's working capital is sufficient for the present requirements.

SECTION C - SECURITIES		
C.1	<i>Securities offered</i>	Ordinary shares in Kungsleden (ISIN code SE0000549412).
C.2	<i>Denomination</i>	The shares are denominated in SEK.
C.3	<i>Number of shares in the issuer</i>	The registered share capital of the Company as of the date of this prospectus is 75,834,480 SEK, divided into 182,002,752 ordinary shares. All shares are fully paid. Each ordinary share has a quota value of 0.4167.
C.4	<i>Rights associated with the securities</i>	Each ordinary share carries one vote at the general meeting. Should the Company decide to issue new shares, stock options or convertibles through a cash issue or a set-off issue, the shareholders have preferential rights to subscribe for new shares of the same class of shares in proportion to their existing shareholding of that class of share. All ordinary shares carry the same right to dividend and any surplus in the event of liquidation. Dividends are resolved upon by the general meeting and the payment is administered by Euroclear Sweden. The right to dividends vests in any person who is registered as a shareholder in the share register maintained by Euroclear Sweden on the record date for dividend as determined by the general meeting.
C.5	<i>Restrictions on transferability</i>	Not applicable. The shares will not be subject to restrictions on transferability.
C.6	<i>Admission to trading</i>	Kungsleden's ordinary shares are traded on Nasdaq Stockholm. The new shares will also be traded on Nasdaq Stockholm following registration of the new shares by the Swedish Companies Registration Office (Sw. <i>Bolagsverket</i>).
C.7	<i>Dividend policy</i>	The dividend policy of the Company implies that the dividend shall follow the development of the profits from property management.

SECTION D - RISKS		
D.1	<i>Main risks associated with the issuer or the industry</i>	<p>An investment in securities is associated with risk. Prior to any investment decision, it is important to carefully analyse the risk factors considered relevant to the future development of the Company and the share. Below, the main risks associated with the industry and the business are summarised.</p> <ul style="list-style-type: none"> • Kungsleden's result is affected by the long-term demand for premises, the properties' occupancy rate and the rent levels. The rent levels and the occupancy rate are affected by, among other things, the economic growth in Sweden, the rate of production of new premises, changes in infrastructure, level of employment and population structure. Economic stagnation affects the level of employment, which is an essential basis for supply and demand of the rental market and thus is expected to result in a decreased demand for premises, more vacancies, decreased production of new premises and potentially decreased market rents. Inflation also affects the Company's property costs. In addition, changes in interest rates and inflation also affect yield requirements and therefore the properties' market value. Higher vacancy, higher interest rates, increased costs and lower rent levels could have an adverse effect on Kungsleden's operations, financial position and result.



D.1	<i>Main risks associated with the issuer or the industry (cont'd)</i>	<ul style="list-style-type: none"> • Rents as well as vacancies are strongly influenced by the growth in the Swedish economy as a whole, but also by the growth of the regional and local levels where Kungsleden operates. Economic stagnation leads to decreased demand for facilities with a potential for lower rent levels and higher vacancy. The level of new construction of properties in the local markets has an impact on rent levels and vacancies. Rental income is also affected by any financial difficulties for tenants. The risk of rental losses and vacancies is affected by the tenant structure. Having large commercial tenants may result in concentration risks. There is a risk that Kungsleden's tenants fail to fulfil their obligations to pay the agreed rents. Reduced rental income could have a material adverse effect on Kungsleden's operations, financial position and result. If tenants do not fulfil their obligations at all under the lease agreement, for example in connection with a bankruptcy, or fulfil them after collection measures, it may also result in an increase in vacancies with lower property values as a result, which could have an adverse effect on the Company's operations, financial position and result. The situation where one or more of Kungsleden's major tenants do not renew or extend their lease agreements when they expire can result in reduced rental income and/or higher vacancies if Kungsleden cannot obtain the corresponding income from new tenants. The general rent level risk is attributable to the development of current market rents. A long-term declining trend of the current market rents may adversely affect the Company. • Operational and maintenance costs are mainly costs for electricity, cleaning, water, heating and snow removal. The basis of the calculation of the leasehold rent could be changed in future renegotiations. To the extent Kungsleden is not compensated for increased operating costs or losses in income, the Company's operations, result and financial position could be adversely affected. Unforeseen events, such as damages to properties or extreme weather conditions, could also adversely affect the Company's operations, financial position and result. • Kungsleden's reported book values are based on an internal valuation of each property, where an individual assessment is carried out of the price at which it is considered possible to sell the property. Kungsleden reports its property holdings at fair value, which for properties imply market value. The fair value is based on internal valuations carried out continuously. In addition, the properties are valued on a regular basis by external evaluators. The result and financial position of Kungsleden are therefore exposed to changes in the property portfolio's market value. A negative development of the properties' value could adversely affect Kungsleden's operations, financial position and result. • Kungsleden is dependent on receiving relevant approvals from authorities to carry out certain projects. Major, tailor-made projects entail substantial investments, which could often result in an increased credit risk if tenants are unable to fulfil their obligation to pay rent and Kungsleden is unable to find other tenants for such premises. Further, major constructions, reconstructions or refurbishments may be delayed and/or become more expensive than initially expected where tenants may not be able to use the premises from the expected date, which could also result in increased costs and/or decreased income. To the extent Kungsleden is not compensated for such increased costs or losses in income, it may have an adverse effect on Kungsleden's operations, financial position and result. • There is a risk that among others governmental investigations lead to changes in the tax legislation that affect the tax situation for real estate companies, including Kungsleden, which could have a material adverse effect on Kungsleden's business, financial condition and results of operations. Other changes in the tax legislation and case law, possibly with retroactive effect, may also affect Kungsleden's business, financial condition and results of operations negatively. • In case Kungsleden is unable to refinance existing facilities or obtain additional financing at market terms, as a result of changes in the capital markets or for any other reason, it could adversely affect Kungsleden's operations, financial position and result. • Kungsleden uses interest rate derivatives for external loans with a short-term interest fixation period. If market interest rate changes, the fair value of derivatives also changes. Changes in the fair value of interest rate derivatives are reported in the income statement. This could in turn adversely affect Kungsleden's operations, financial position and result.
D.3	<i>Main risks associated with the securities</i>	<p>The main risks related to the shares and the rights issue are summarised below.</p> <ul style="list-style-type: none"> • Risk and risk-taking is an inevitable part of shareholding. The price of the Kungsleden shares may be affected by for example the activities and market position of competitors. Kungsleden cannot predict the development of investors' interest in Kungsleden, and there is no guarantee that an active and liquid market for trading in Kungsleden's shares will be available.



D.3	<i>Main risks associated with the securities (cont'd)</i>	<ul style="list-style-type: none"> • Substantial sales of shares undertaken by major shareholders may also adversely affect the price of the Company's share. Moreover, additional rights issues will – as the present rights issue – lead to a dilution of the ownership of shareholders who do not participate in such issue or choose not to exercise his or her right to subscribe for shares. The same applies if the rights issue is directed to other persons than the Company's shareholders. • Dividends may only be carried out if there are distributable funds in Kungsleden and with an amount which would be regarded as justified considering the requirements made on the amount of shareholders' equity with respect to Kungsleden's business in terms of its nature, scope and risks, as well as Kungsleden's consolidation requirements, liquidity and financial position during a particular financial year. Furthermore, Kungsleden's ability to pay dividends in the future is dependent on the Company's future earnings, financial position, cash flows, working capital requirements and other factors. There is a risk that distributable funds will not be available during any financial year. • A number of large shareholders, among others Gösta Welandson and Olle Florén, both with companies, and BNP Paribas Investment Partners, have undertaken to subscribe for approximately 21.6 per cent of the rights issue in total. The remainder of the rights issue is underwritten by Gösta Welandson with companies. These subscription and underwriting commitments are not secured. Consequently, there is a risk that one or more of the shareholders or guarantors will not be able to meet their respective underwriting or subscription commitments. If the abovementioned commitments are not met, this could negatively affect Kungsleden's ability to successfully complete the rights issue.
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SECTION E - OFFER		
E.1	<i>Issue amount and issue expenses</i>	The rights issue will provide Kungsleden with not more than SEK 1,638 million before deducting transaction costs. Transaction costs that are not estimated to exceed approximately SEK 40 million (including compensation to the rights issue guarantor of approximately SEK 9.6 million) will be deducted from the issue amount.
E.2a	<i>Reasons for the offer, use of proceeds</i>	<p>The proceeds will be used in order to:</p> <ol style="list-style-type: none"> 1. Partially finance Kungsleden's investment programme in the Company's existing portfolio of approximately SEK 2–3 billion between 2017 and 2019 2. Reduce indebtedness in order to achieve a loan-to-value ratio in the 50–55 per cent range in current market conditions 3. Provide scope for selective acquisitions in line with the strategic plan <p>In 2016, Kungsleden reported strong new leasing of SEK 216 million, which allows for profitable investments in tenant improvements and modernisations. In addition, Kungsleden has a strong pipeline of conversion and extension projects as well as new construction. All in all, the planned investments are estimated at approximately SEK 2–3 billion during 2017–2019, with a desired rate of return of at least 6 per cent. The investments will be financed by the rights issue together with cash flows from operating activities and borrowing.</p> <p>In addition, the rights issue will strengthen Kungsleden's balance sheet by increasing the equity ratio and reducing the loan-to-value ratio. The Company desires a loan-to-value ratio in the 50–55 per cent range in current market conditions, which can be compared with Kungsleden's objective of 50–60 per cent over a business cycle, with a standard value over time of 55 per cent. Adjusted for a rights issue amount of SEK 1,600 million, the Company estimates that, as of 31 December 2016, the equity ratio would have amounted to 40.0 per cent and the loan-to-value ratio to 50.9 per cent. Furthermore, the Company estimates that the rights issue will result in a strengthening of the interest coverage ratio over time and a decrease of the financial costs.</p> <p>The rights issue will also create scope for selective, complementary property acquisitions in line with the Company's strategy, for example the acquisition of Emporia Office in Hyllie, Malmö at the end of 2016.</p> <p>All in all, the Board of Directors believes that the rights issue will enhance Kungsleden's possibilities to achieve an attractive total return for the Company's shareholders, with a balanced risk profile.</p> <p>The rights issue is estimated to provide Kungsleden approximately SEK 1,600 million.</p>



E.3	<i>Terms and conditions of the offer</i>	On 2 February 2017, the Board of Directors of Kungsleden resolved, subject to approval by the extraordinary general meeting, to increase the Company's share capital through a rights issue with preferential rights for the Company's shareholders. On 6 March 2017, the extraordinary general meeting approved the Board's resolution. The rights issue resolution means that Kungsleden's share capital will be increased by a maximum of SEK 15,166,895.83, through an issue of not more than 36,400,550 new ordinary shares. The Company's shareholders have preferential rights to subscribe for new ordinary shares <i>pro rata</i> in relation to ordinary shares owned. The record date for participation in the rights issue is 8 March 2017. Those persons who, on the record date, are registered as shareholders in Kungsleden may subscribe for one (1) new ordinary share for every five (5) existing ordinary shares held in Kungsleden. To the extent new ordinary shares are not subscribed for with preferential rights they shall be allotted to shareholders and other investors that have subscribed for ordinary shares without preferential rights. Subscription shall take place during the period from 10 March 2017 up to and including 24 March 2017, or such later date as determined by the Board of Directors. The subscription price has been set at SEK 45 per ordinary share.
E.4	<i>Interests material to the offer</i>	<p>Kungsledens financial advisers in connection with the rights issue are ABGSC, Kempen & Co and SEB. These advisers (including related companies) have provided, and may in the future provide, various banking, financial, investing, commercial and other services to Kungsleden for which they have received, and may receive, compensation.</p> <p>A number of large shareholders in Kungsleden – who together hold shares corresponding to approximately 21.6 per cent of the total number of shares and votes in the Company – have undertaken to exercise their preferential rights in the rights issue and hence subscribe for new shares in proportion to their respective shareholding in the Company, i.e. corresponding to in total approximately 21.6 per cent of the rights issue. In addition to the subscription undertakings Gösta Welandson with companies has undertaken to subscribe for additional shares to a total amount of approximately SEK 1,285 million, corresponding to approximately 78.4 per cent of the rights issue. In total, the subscription and underwriting undertakings amounts to 100 per cent of the rights issue.</p>
E.5	<i>Entity offering to sell the security, lock-up agreements</i>	The shareholders who have entered into subscription undertakings (see E.4 above), have also undertaken, up until the day the rights issue is fully registered by the Swedish Companies Registration Office (Sw. <i>Bolagsverket</i>), not to reduce their shareholdings in the Company.
E.6	<i>Dilution</i>	The forthcoming rights issue will, if fully subscribed, result in an increase of the number of shares in the Company from 182,002,752 to 218,403,302 ordinary shares, representing an increase of 20 per cent. For shareholders who decline to subscribe for shares in the rights issue, the shareholding will be diluted with a total of 36,400,550 new shares, representing 16.7 per cent of the total number of shares in the Company after the rights issue.
E.7	<i>Expenses borne by the investor</i>	Not applicable; the issuer will not impose any charges or taxes on investors.



RISK FACTORS

An investment in securities is associated with risks. Prior to any investment decision, it is important to carefully analyse the risk factors considered to be of significance in relation to the Company and the future performance of the share. The risks considered to be of importance for Kungsleden are described below, without being ranked in a particular order of importance. There are both risks attributable to Kungsleden and/or the industry as well as general risks and risks linked to the share and the rights issue. Some risks are beyond the Company's control. The presentation below does not purport to be complete and, for obvious reasons, all risk factors cannot be predicted or described in detail, therefore, an overall assessment must also include other information in the prospectus, as well as a general assessment of extraneous factors. The following risks and uncertainties may have a significant adverse effect on Kungsleden's operations, financial position and/or result. They may also result in a decreasing value of the shares, which could result in Kungsleden's shareholders losing all or part of their invested capital. Additional factors that are currently unknown to Kungsleden or not deemed to be risks may also have a corresponding adverse effect.

Risks related to the business and the industry

MACROECONOMIC FACTORS

Kungsleden's result is affected by the long-term demand for premises, the properties' occupancy rate and the rent levels. The rent levels and the occupancy rate are affected by, among other things, the economic growth in Sweden, the rate of production of new premises, changes in infrastructure, level of employment and population structure. A number of macroeconomic factors and global events affect the economy of Sweden. 2016 was characterised by several high-profile political events in the world, including the referendum on withdrawal from the European Union of Great Britain and Donald Trump's victory in the US presidential election. To date, there is great uncertainty as to how the American economic policy and trade policy will be designed.

Economic stagnation affects the level of employment, which is an essential basis for supply and demand of the rental market and thus is expected to result in a decreased demand for premises, more vacancies, decreased production of new premises and potentially decreased market rents. Inflation also affects the Company's property costs. In addition, changes in interest rates and inflation also affect yield requirements and therefore the properties' market value. Higher vacancy, higher interest rates, increased costs and lower rent levels could have an adverse effect on Kungsleden's operations, financial position and result.

COMPETITION

The Company's future competitiveness is dependent on, among other things, the Company's ability to attract and retain tenants, to anticipate future changes and trends in the sector,

and to rapidly adapt to both current and future market needs. Consequently, it may become necessary for Kungsleden to make investments, restructurings and/or price reductions in order to adapt to a new competitive situation. Furthermore, other competitive factors may consist of the competitors' resources and capacity to better withstand market downturns, to compete more successfully, to better retain skilled personnel, and to respond more rapidly to evolving tenant needs. Increased competition could adversely affect Kungsleden's operations, financial position and result.

RENTAL INCOME

Rents as well as vacancies are strongly influenced by the growth in the Swedish economy as a whole, but also by the growth of the regional and local levels where Kungsleden operates. Economic stagnation leads to decreased demand for facilities with a potential for lower rent levels and higher vacancy. The level of new construction of properties in the local markets has an impact on rent levels and vacancies.

Rental income is also affected by any financial difficulties for tenants. Rental losses for the fiscal years 2016 and 2015 amounted to SEK -1 million and SEK 1 million respectively. The risk of rental losses and vacancies is affected by the tenant structure. Having large commercial tenants may result in concentration risks. There is a risk that Kungsleden's tenants fail to fulfil their obligations to pay the agreed rents. Reduced rental income could have a material adverse effect on Kungsleden's operations, financial position and result. If tenants do not fulfil their obligations at all under the lease agreement, for example in connection with a bankruptcy, or fulfil them after collection measures, it may also result in an increase in vacancies with



lower property values as a result, which could have an adverse effect on the Company's operations, financial position and result.

The Company's ten largest tenants as at 31 December 2016 accounted for 25 per cent of the total rental revenues whereof the largest tenant, ABB, accounted for 12 per cent. The situation where one or more of Kungsleden's major tenants do not renew or extend their lease agreements when they expire can result in reduced rental income and/or higher vacancies if Kungsleden cannot obtain the corresponding income from new tenants. The general rent level risk is attributable to the development of current market rents. A long-term declining trend of the current market rents may adversely affect the Company.

OPERATIONAL AND MAINTENANCE COSTS

Operational and maintenance costs are mainly costs for electricity, cleaning, water, heating and snow removal. Some of these services can only be purchased from a few operators, which can affect the price. Further, the costs for electricity, heating and snow removal are affected by weather conditions. Changes in electricity prices may affect Kungsleden's result.

The leasehold rent of Kungsleden's properties with leasehold rights agreements are normally renegotiated at an interval of 10–20 years. The leasehold rent is currently calculated in a way that aims to provide a reasonable real interest rate to the municipality of the assessed value of the land. The basis of the calculation of such leasehold rent could be changed in future renegotiations.

The property tax, which is based on the assessed value of the property, is based on political decisions. This applies both to the basis of the calculation, the assessed value and the tax level. The property tax is normally charged to the tenants for leased areas, whereas Kungsleden carries the tax for vacant areas.

To the extent Kungsleden is not compensated for increased operating costs or losses in income, the Company's operations, result and financial position could be adversely affected. Unforeseen events, such as damages to properties or extreme weather conditions, could also adversely affect the Company's operations, financial position and result.

TECHNICAL RISKS

Technical risks imply the risk associated with the technical operation of properties, such as the risk of construction defects, other hidden defects or shortages, damages and contamination. If such technical problems occur, there is a risk that unexpected costs can arise, which may adversely affect Kungsleden's operations, financial position and result.

DIVESTMENT OF ASSETS FOR IMPLEMENTATION OF KUNGSLEDEN'S STRATEGY

Kungsleden may divest properties or subsidiaries that own property that are not part of Kungsleden's strategic holdings. There is a risk that such divestments may be made at prices below the assets' book values. A divestment made below book value may have an adverse effect on the Company's financial position and result.

PROPERTY TRANSACTIONS

A part of Kungsleden's operating activities consists of acquiring and divesting properties and property-owning companies, which can be associated with risks. Suitable investment targets for sale at reasonable prices are required in order for transactions to be implemented. When the demand is high for the investment targets that Kungsleden focuses on, the number of companies and property portfolios for sale can be limited or only available on unfavourable terms for Kungsleden. In addition, competitors with similar investment strategies may have access to greater financial resources and have lower costs of capital than Kungsleden.

Future vacancies, tenants' inability to pay, environmental conditions and technical defects are other examples of transaction related risks. Furthermore, the acquisition of companies incorporates legal and tax risks related to the historical conditions of the companies. It is therefore vital that the organisation has appropriate experience of property transactions and that external advisers with relevant skills are appointed when deemed necessary. Therefore, in connection with property transactions there is a risk that the acquired businesses or properties may have an adverse effect on Kungsleden's operations, financial position and result.

WARRANTY CLAIMS FROM PARTIES WHO HAVE ACQUIRED PROPERTIES FROM KUNGSLEDEN

Since 1 January 2014, the Group has completed the divestment of properties and property-owning companies with a total value of approximately SEK 3,940 million. In several of these divestment contracts, it is still possible for each buyer to invoke warranty claims. If such claims arise in the future, it could have an adverse effect on the Company's operations, financial position and result.

PROPERTY VALUE

Kungsleden's reported book values are based on an internal valuation of each property, where an individual assessment is carried out of the price at which it is considered possible to sell the property. Kungsleden reports its property holdings at fair value, which for properties imply market value. The fair value is based on internal valuations carried out continuously. In addition, the properties are valued on a regular basis by external evaluators. The result and financial position of Kungsleden are therefore exposed to changes in the property portfolio's market value.

The value of the properties is, assuming a fully functioning credit market and transaction market, affected by supply and demand, where the price is mainly dependent on the expected operational result of the properties and yield requirements of the buyer. A reduced demand, higher yield requirements and negative growth result in a decreased market value. However, a property's market value could be difficult to assess in a market with low turnover. A negative development of the properties' value could adversely affect Kungsleden's operations, financial position and result.



PROJECT DEVELOPMENT

Construction of new buildings and reconstructions and refurbishments of existing buildings are associated with risks. Kungsleden is dependent on receiving relevant approvals from authorities to carry out such projects. Major, tailor-made projects entail substantial investments, which could often result in an increased credit risk if tenants are unable to fulfil their obligation to pay rent and Kungsleden is unable to find other tenants for such premises. Further, major constructions, reconstructions or refurbishments may be delayed and/or become more expensive than initially expected where tenants may not be able to use the premises from the expected date, which could also result in increased costs and/or decreased income. To the extent Kungsleden is not compensated for such increased costs or losses in income, it may have an adverse effect on Kungsleden's operations, financial position and result.

ENVIRONMENTAL RISK

Commitments and legal responsibility for remediation of contaminated soil may arise in the future, regarding owned as well as divested properties. Costs may occur for example in the form of increased costs for the remediation of land in connection with new construction, renovation or construction, or in the form of a reduced price when the property is sold. Properties have environmental impact in connection with, among other things, their construction, management, maintenance and the operations carried out in the property. Under the Swedish Environmental Code (Sw. *Miljöbalken (1998:808)*), anyone whose operations have contributed to pollution is responsible for after-treatment. If the operator is unable to carry out or pay for the after-treatment, whoever acquired the property and was aware of the pollution at the time of acquisition or ought to have detected it shall be liable. As such, liability to decontaminate the pollution may under certain circumstances be directed towards Kungsleden to restore the property in a condition required by the Swedish Environmental Code. No comprehensive survey of possible environmental pollutants in Kungsleden's property portfolio has been made.

There is a risk that environmental pollutions causing costs for Kungsleden exist, which in turn could adversely affect the Company's operations, financial position and result.

NATURAL DISASTERS AND OTHER ACCIDENTS

Natural disasters such as floods, storms and fires can cause damages to the properties that Kungsleden owns as well as on the infrastructure Kungsleden is dependent on, which could adversely affect the Company's operations, financial position and result.

ORGANISATIONAL RISK

Kungsleden's future development is to a large extent dependent on the experience, knowledge and commitment of the management and other key personnel. Kungsleden could be adversely affected should one or several of such key personnel terminate their employment. There is also a risk that Kungsleden over time will not be able to recruit new skilled personnel to the extent necessary for, or desired by, Kungsleden. An imbalance in the organization, for example due to employment termina-

tions of key personnel, could for example result in an impaired ability for Kungsleden to handle risks in its operations, which could adversely affect Kungsleden's operations, financial position and result.

TAX DISPUTE RISKS

Kungsleden is a company that manages property that, within the course of its operations, buys and sells properties and conducts other restructuring measures.

Kungsleden aims at conducting and reporting its transactions and decisions with tax consequences in compliance with statutes and case law applicable at each tax return period. Nevertheless, the Swedish Tax Agency might be of a different opinion and decisions taken and actions carried out may entail negative tax implications. Even though Kungsleden is not currently aware that the Tax Agency has made a different assessment of any transactions, Kungsleden may in the future be subject to audits by the Tax Agency that may lead to tax reassessments as well as retrospective tax charges.

LEGISLATIVE CHANGES

Changes in Swedish tax legislation

The Swedish corporate tax regime is currently being reviewed by different committees appointed by the Swedish government.

One of the committees was appointed in June 2015 to map out and analyse the overall tax position for companies in the real estate business. The committee is reviewing the current possibility to tax exempt dispose of real estate by structuring the disposal as a share-deal. The committee is also examining whether re-allotment measures are being misused for the purpose of avoiding stamp duty. The committee is to publish its report no later than 31 March 2017. However, how the potential new rules will be designed and when they will come into force is currently unclear.

Moreover, the rules on tax-deductibility of interest costs are subject to review. In June 2014, the previous government presented a proposal for a new corporate income tax regime with the aim to increase neutrality in the tax treatment of equity and debt by limiting the tax-deductibility of interest costs. However, the proposed new rules were heavily criticised during the circulation for comments. Hence, the proposal was never adopted. Instead, the government announced it would prepare a new, revised proposal to be circulated for comments. However, so far no proposal has been published. Since the government announced its last proposal, a new EU-directive has been adopted with new requirements for rules that affect the tax-deductibility of interest costs and other financial expenses (Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market). Simply put, the interest deduction limitation rules proposed in the Directive stipulate that a specifically defined negative net financing amount is tax-deductible up to an amount equivalent to 30 per cent of the Company's earnings before interest, taxes, depreciation and amortisation (EBITDA). The rules proposed in the Directive are much aligned with the recommended principles found in the final report for Action 4 of OECD's current project against base erosion and profit shifting (BEPS), although there are some differences.



The member states must adopt and publish any new legislation necessary to comply with the Directive no later than 31 December 2018. The new rules must be applied from 1 January 2019. However, member states that already have specific interest deduction limitation rules which are as effective as the proposed new rules, may continue to apply these until OECD agrees on minimum standards, but no longer than until 1 January 2024.

How Sweden chooses to implement the Directive, which merely sets a minimum level for the member states to observe, remains to be seen. Sweden may choose to implement more rigorous rules. Although nothing can be said with certainty, it is likely that the new proposal for interest deduction limitation rules expected from the Swedish government, will be similar to the rules in the Directive. However, how the government's final proposal will be designed and when it can be expected is, for the time being, uncertain.

The above mentioned committees may lead to changes in the tax legislation that affect the tax situation for real estate companies, including Kungsleden, which could have a material adverse effect on Kungsleden's business, financial condition and result. Other changes in the tax legislation and case law, possibly with retroactive effect, may also affect Kungsleden's business, financial condition and result negatively.

Changes to accounting rules or regulations

Adoption of new laws and regulations and amendments to existing laws and regulations, for example regarding accounting, may cause unpredictability and increase the risk that the Company's interpretation of current laws and regulations is incorrect. A change in accounting rules may even retroactively affect Kungsleden's reporting of transactions completed before the change is effective, and future changes to accounting rules and the questioning of current accounting practices may adversely affect the Company's financial position and result.

Other changes

Other changes in the legislation or case law, for example within the rental, transaction or environment areas, may have a negative impact on the Company's operations, financial statements and result.

INSUFFICIENT INSURANCE COVER

Kungsleden's insurance cover is limited and may be insufficient to compensate for damages related to e.g. the Company's properties. In particular, certain types of risks (such as war, acts of terror, insufficient preparation in the event of natural disasters or extreme weather events, such as floods) may be or may in the future be impossible or too costly for Kungsleden to insure itself against. If damage should occur to a property and subsequently lead to tenants terminating or not renewing their leases, there is also a risk that the Company's insurance cover will not cover the consequent loss of rental income. If uninsured damage should occur, or if a damage event should exceed the insurance cover, the Company may lose the capital invested in the property in question as well as future revenues from such property. Furthermore, the Company may become liable to repair damage caused by uninsured risks. Uninsured losses or losses exceeding the insurance cover may adversely affect the Company's operations, financial position and result.

DISPUTES AND LEGAL PROCEEDINGS

Kungsleden is from time to time subject to litigation, claims and administrative proceedings as a part of its operating activities. Kungsleden may become involved in such disputes, claims and administrative procedures in the future. An unfavourable decision could result in significant fines, damages and/or negative publicity, which could adversely affect Kungsleden's operations, financial position and result.

FINANCIAL RISKS

Credit risk

A credit risk is defined as the risk of a counterpart not fulfilling its obligations in part or in whole. Credit risk is found in derivative contracts, the issuance of vendor notes and in placement of liquidity. In connection with disposal of property by the Company, there is also a risk that a buyer does not fulfil its obligations towards the Company. The risk that tenants do not pay rent is also a counterparty risk. Kungsleden depends on its tenants to pay the agreed rent when due. There is a risk that Kungsleden's counterparties default on their payments or otherwise fail to meet their obligations. Upon issuance of vendor notes, there is a risk that the counterparty does not pay interest or instalments of the loan amount. If the Company's measures to manage credit risk and to, for example, counteract the loss of rental, sales or other revenue proceeds are insufficient, this could have an adverse effect on Kungsleden's operations, financial position and result.

Financing risk

A financing risk is defined as the risk of lack of funding or the ability to achieve funding only under disadvantageous conditions. Not having access to financing might be a major financial risk for a property company.

The Group's assets are mainly financed through external loans and shareholders' equity. The Group's borrowing currently consists of bilateral facility agreements with Nordic banks, loans from life insurance companies, three syndicated bank credit facilities, unsecured bonds and commercial papers issued under an established commercial paper programme.

Pledges over properties, intra-Group promissory notes and subsidiary shares as well as parent company guarantees are commonly used as security for the bank facilities. The facility agreements may include financial covenants relating to interest coverage, loan-to-value and equity ratios.

Kungsleden is dependent on its ability to refinance existing facilities at their due date and to obtain additional financing at market terms in connection with for example property acquisitions. In case Kungsleden is unable to refinance existing facilities or obtain additional financing at market terms, as a result of changes in the capital markets or for any other reason, it could adversely affect Kungsleden's operations, financial position and result.

Liquidity risk

Liquidity risk is the risk of not having access to cash or credit facilities to meet current payment obligations. Kungsleden is dependent on its ability to finance short-term fluctuations in cash flow and unforeseen major payment obligations. A situation where Kungsleden is unable to meet its financial obligations towards its creditors due to lack of liquidity could



adversely affect Kungsleden's operations, financial position and result. Further, it could result in Kungsleden being obliged to prepay existing financing, which could in turn adversely affect Kungsleden's operations, financial position and result.

Interest rate risk

Kungsleden's capital structure results in interest expenses for external loans being one of the main cost items. An interest rate risk is defined as the risk of an effect on the result and cash flow due to changes in the market interest rate. Interest rate risk arises in Kungsleden's business when financing is made with a short maturity date, hence creating uncertainty regarding the magnitude of the future financing cost. Kungsleden may adjust the structure of the derivatives portfolio, which is used to manage interest rate risk, in order to achieve desired financial effects. Such changes may result in the Group being more sensitive towards changes in the short-term interest rate, which could in turn, at an unfavourable interest rate development, adversely affect Kungsleden's operations, financial position and result. Increased market interest rates can result in increased interest expenses for Kungsleden, which may adversely affect the Group's operations, financial position and result.

Risks related to the value of the derivatives

Kungsleden uses interest rate derivatives for external loans with a short-term interest fixation period. If market interest rate changes, the fair value of derivatives also changes. Changes in the fair value of interest rate derivatives are reported in the income statement. This could in turn adversely affect Kungsleden's operations, financial position and result.

Risks related to the share and the rights issue

THE DEVELOPMENT OF THE SHARE

Risk and risk-taking is an inevitable part of shareholding. Since the value of a share can both increase and decrease it is not certain that an investor regains its invested capital. The development of the share price is dependent on a number of factors, whereof some are specific for the Company and some are related to the stock market in general. The share price may for example be affected by supply and demand for the share, fluctuations in actual or projected results, changes in earnings forecasts, failure to meet stock analyst's earnings expectations, changes in general economic conditions, changes in regulatory conditions and other factors. The price of the Kungsleden share may also be affected by for example the activities and market position of competitors. Kungsleden cannot predict the development of investors' interest in Kungsleden, and there is no guarantee that an active and liquid market for trading in Kungsleden's shares will be available. It is impossible for a company to control all the factors that may affect its share price, each investment decision regarding shares should therefore be preceded by a careful analysis.

SUBSCRIPTION RIGHTS AND PAID SUBSCRIBED SHARES (BTA)

The person who on the record date is registered as a shareholder in Kungsleden will receive subscription rights in relation to his or her existing shareholding. The subscription rights are

expected to have an economic value that can be of value for the holder only if he or she either exercises them to subscribe for new shares no later than 24 March 2017, or sells them no later than 22 March 2017. After 24 March 2017, unexercised subscription rights will be removed from the holder's securities account, without prior notification, wherein the holder is deprived of the expected economic value of the subscription rights. Both subscription rights and BTA that, after payment, are booked into the securities accounts belonging to those who subscribed for new shares will be subject to time-limited trading on Nasdaq Stockholm. Trading in these instruments may be limited, which could cause problems for individual holders to sell their subscription rights and/or BTA. A limited liquidity may also enhance the fluctuations in the market price of the subscription rights and/or BTA. Accordingly, the price scenario of these instruments can be inaccurate or misleading.

FUTURE SALES OF LARGE BLOCKS OF SHARES, AND ADDITIONAL RIGHTS ISSUES

Substantial sales of shares undertaken by major shareholders may also adversely affect the price of the Company's share. Moreover, additional rights issues will – as the present rights issue – lead to a dilution of the ownership of shareholders who do not participate in such issue or choose not to exercise his or her right to subscribe for shares. The same applies if the rights issue is directed to other persons than the Company's shareholders.

FUTURE DIVIDEND

Dividends may only be carried out if there are distributable funds in Kungsleden and with an amount which would be regarded as justified considering the requirements made on the amount of shareholders' equity with respect to Kungsleden's business in terms of its nature, scope and risks, as well as Kungsleden's consolidation requirements, liquidity and financial position during a particular financial year. Furthermore, Kungsleden's ability to pay dividends in the future is dependent on the Company's future earnings, financial position, cash flows, working capital requirements and other factors.

The new shares entail the right to dividend as from the first record date that occurs after the rights issue has been registered with the Swedish Companies Registration Office. There is a risk that distributable funds will not be available during any financial year.

UNSECURED SUBSCRIPTION AND UNDERWRITING COMMITMENTS

A number of large shareholders, among others Gösta Welandson and Olle Florén, both with companies, and BNP Paribas Investment Partners, have undertaken to subscribe for approximately 21.6 per cent of the rights issue in total. The remainder of the rights issue is underwritten by Gösta Welandson with companies. These subscription and underwriting commitments are not secured. Consequently, there is a risk that one or more of the shareholders or guarantors will not be able to meet their respective underwriting or subscription commitments. If the abovementioned commitments are not met, this could negatively affect Kungsleden's ability to successfully complete the rights issue.



SPECIFIC RISKS FOR FOREIGN INVESTORS

Kungsleden's shares are only quoted in SEK and any possible dividend will be paid in SEK. This means that shareholders outside Sweden may experience an adverse effect on the value of investments and dividends when these are converted into other currencies, if SEK decreases in value against the relevant currency.

If Kungsleden in the future issues new shares with preferential rights for the Company's shareholders, shareholders in certain jurisdictions may be subject to limitations pursuant to which they cannot participate in such issues or their participation may in any other way be complex or restricted. For example, shareholders in the U.S. may be unable to exercise such preferential right unless an exemption from the registration requirements under the Securities Act is applicable. Shareholders in other jurisdictions outside Sweden may be affected correspondingly. To the extent that shareholders in jurisdictions other than Sweden cannot subscribe for new shares in potential preferential rights issues, their proportionate ownership in Kungsleden will be reduced.

The Company has made the assessment that it is likely that it can be classified as a passive foreign investment company ("PFIC") pursuant to U.S. federal income tax legislation, which may have an adverse income tax effect for U.S. investors in the Company.

The Company has made the assessment that it likely constitutes a PFIC during the current income year and the foreseeable future. If the Company is classified as a PFIC, it may cause U.S. investors to be subject to adverse U.S. federal income tax consequences, such as being subject to greater or accelerated U.S. federal income tax liability.



INVITATION TO SUBSCRIBE FOR SHARES IN KUNGSLEDEN

On 2 February 2017, the Board of Directors of Kungsleden resolved, subject to approval by the extraordinary general meeting, to increase the Company's share capital through a rights issue with preferential rights for the Company's shareholders. On 6 March 2017, the extraordinary general meeting approved the Board's resolution.

The rights issue resolution means that Kungsleden's share capital will be increased by a maximum of SEK 15,166,895.83, through an issue of not more than 36,400,550 new ordinary shares. The Company's shareholders have preferential rights to subscribe for new ordinary shares *pro rata* in relation to ordinary shares owned. The record date for participation in the rights issue is 8 March 2017. Those persons who, on the record date, are registered as shareholders in Kungsleden may subscribe for one (1) new ordinary share for every five (5) existing ordinary shares held in Kungsleden. To the extent new ordinary shares are not subscribed for with preferential rights they shall be allotted to shareholders and other investors that have subscribed for ordinary shares without preferential rights in accordance with what is stated in the section *Terms, conditions and instructions*. Such allotment shall firstly be made to those who have also subscribed for ordinary shares by exercise of subscription rights. Subscription shall take place during the period from 10 March 2017 up to and including 24 March 2017, or such later date as determined by the Board of Directors and otherwise in accordance with what is stated in the section *Terms, conditions and instructions*.

The subscription price has been set at SEK 45 per ordinary share, which means that Kungsleden will in total receive SEK 1,638 million before deduction of rights issue costs, if the rights issue is fully subscribed.¹⁾

Shareholders who choose not to participate in the rights issue will have their holdings diluted by up to 16.7 per cent, but have the possibility to be financially compensated for the dilution by selling their subscription rights.

Declarations of intent, subscription undertakings and underwriting commitments²⁾

A number of large shareholders, among others Gösta Welandson and Olle Florén (both with companies) and BNP Paribas Investment Partners, who in total hold approximately 21.6 per cent of the shares and votes in Kungsleden, have undertaken to subscribe for their respective *pro rata* shares of the rights issue. In addition, 78.4 per cent of the rights issue is underwritten by Gösta Welandson with companies. Therefore, the rights issue is secured in its entirety through subscription undertakings and underwriting commitments by the shareholders mentioned above.³⁾ In addition, Alfred Berg⁴⁾ – who represents approximately 1.4 per cent of the shares and votes in Kungsleden – has declared its intention to subscribe for its *pro rata* share of the rights issue.

The shareholders of Kungsleden are hereby invited with preferential rights to subscribe for new shares in accordance with the terms set out in this prospectus.

Stockholm, 8 March 2017

Kungsleden AB (publ)
The Board of Directors

1) Transaction costs, not estimated to exceed approximately SEK 40 million (including a guarantee fee of approximately SEK 9.6 million to the guarantor of the rights issue), will be deducted from the proceeds of the rights issue (SEK 1,638 million). Subsequent to these deductions, the rights issue is estimated to provide Kungsleden approximately SEK 1,600 million.

2) See further *Subscription undertakings and underwriting commitments* in the section *Legal considerations and supplementary information*.

3) Neither the subscription undertakings nor the underwriting commitments are guaranteed. See *Unsecured subscription and underwriting commitments* in the section *Risk factors*.

4) Through the funds Alfred Berg Fastighetsfond Norden, Alfred Berg Hållbar Tillväxt Sverige and Alfred Berg Sverige Plus.



BACKGROUND AND REASONS

In recent years, Kungsliden's property portfolio has become geographically concentrated on a few cities in growth regions, and with a focus on the office segment. 79 per cent of the property portfolio is currently located in Stockholm, Gothenburg, Malmö and Västerås. Offices comprise 65 per cent of the portfolio. In 2016, Kungsliden launched a new business plan, Kungsliden 2020. Building on the strategy that was introduced in 2013, the new plan focuses on quality growth, streamlining and improving the property portfolio, as well as financial stability in order to facilitate attractive total returns. As outlined in Kungsliden 2020, the target is that profit from property management shall grow by increasing net operating income generated by the existing properties and by growing the portfolio through investments and selective acquisitions.

In accordance with Kungsliden 2020, optimisation of the property portfolio will continue by Kungsliden divesting non-strategic properties around the country and reinvesting in office properties in Swedish growth regions. Value will be created now and with effect in the future by actively divesting the major building rights potential in the Company's portfolio. In purely operational terms, Kungsliden's strategy is to consolidate properties in clusters: selected areas of strong growth, momentum and high accessibility, as well as a suitable mix of attractive premises. The cluster strategy makes it possible to strengthen the customer offering and achieve property management synergies. Kungsliden's eleven clusters account for 63 per cent of the entire property portfolio value.

Use of issue proceeds

It is planned that the proceeds from the rights issue will be used to implement the strategy described above. Consequently, the proceeds will be used in order to:

1. Partially finance Kungsliden's investment programme in the Company's existing portfolio of approximately SEK 2–3 billion between 2017 and 2019
2. Reduce indebtedness in order to achieve a loan-to-value ratio in the 50–55 per cent range in current market conditions
3. Provide scope for selective acquisitions in line with the strategic plan

In 2016, Kungsliden reported strong new leasing of SEK 216 million, which allows for profitable investments in tenant improvements and modernisations. In addition, Kungsliden has a strong pipeline of conversion and extension projects as well as new construction. All in all, the planned investments are estimated at approximately SEK 2–3 billion during 2017–2019, with a desired rate of return of at least 6 per cent. The investments will be financed by the rights issue together with cash flows from operating activities and borrowing.

In addition, the rights issue will strengthen Kungsliden's balance sheet by increasing the equity ratio and reducing the loan-to-value ratio. The Company desires a loan-to-value ratio in the 50–55 per cent range in current market conditions, which can be compared with Kungsliden's objective of 50–60 per cent over a business cycle, with a standard value over time of 55 per cent. Adjusted for a new issue amount of SEK 1,600 million, the Company estimates that, as of 31 December 2016, the equity ratio would have amounted to 40.0 per cent and the loan-to-value ratio to 50.9 per cent. Furthermore, the Company estimates that the rights issue will result in a strengthening of the interest coverage ratio over time and a decrease of the financial costs.

The rights issue will also create scope for selective, complementary property acquisitions in line with the Company's strategy, for example the acquisition of Emporia Office in Hyllie, Malmö at the end of 2016.

All in all, the Board of Directors believes that the rights issue will enhance Kungsliden's possibilities to achieve an attractive total return for the Company's shareholders, with a balanced risk profile.

In other respects, the Board of Directors refers to this prospectus, which has been prepared as a consequence of the rights issue.

The Board of Directors of Kungsliden is responsible for the contents of this prospectus. The Board of Directors hereby declares that, having taken all reasonable care to ensure that such is the case, the information in this prospectus is, to the best of the Board of Directors' knowledge, in accordance with the facts and contains no omission likely to affect its import.

Stockholm, 8 March 2017

Kungsliden AB (publ)
The Board of Directors



TERMS, CONDITIONS AND INSTRUCTIONS

Pre-emptive rights and subscription rights

Persons being registered as shareholders of Kungsleden on the record date as of 8 March 2017 have pre-emptive rights to subscribe for new shares in the rights issue.

Persons being registered as shareholders of Kungsleden on the record date will receive [one (1)] subscription right for each share held on the record date. Five (5) subscription rights entitle to subscription for one (1) new share. Only whole number of shares may be subscribed for (i.e. no fractions).

Shareholders not participating in the rights issue will be diluted by up to 36,400,550 shares corresponding to approximately 16.7 per cent of the total number of shares, but have the opportunity to be compensated for the economic dilution effect through the sale of their subscription rights.

Application can also be made to subscribe for shares not subscribed for with subscription rights, refer to section *Subscription for new shares without subscription rights* below.

Subscription price

The new shares are issued at a subscription price of 45 SEK per new share. Broker commission will not be charged.

Record date

The record date at Euroclear Sweden to determine which persons are entitled to receive subscription rights in the rights issue is 8 March 2017. The last day of trading in Kungsleden's shares inclusive of the right to participate in the rights issue is 6 March 2017. The shares in Kungsleden are trading exclusive of the right to participate in the rights issue from and including 7 March 2017.

Subscription period

Subscription for new shares will take place during the period from and including 10 March 2017 until 24 March 2017. The Board of Directors of Kungsleden is entitled to extend the subscription period, which – in such case – will be announced through a press release as soon as such decision has been made.

Issue statements

DIRECTLY REGISTERED SHAREHOLDERS

Pre-printed issue statements with attached payment form will be sent to directly registered shareholders and representatives of shareholders that on the record date are registered in the share register maintained by Euroclear Sweden on behalf of Kungsleden. The issue statements will state, among other things, the number of subscription rights received and the number of

shares that may be subscribed for with the subscription rights. No securities notification (Sw. *VP-avi*) will be sent out regarding the registration of subscription rights on the securities account. Shareholders included in the special list of pledge holders and trustees, which is maintained in connection with the share register, will not receive any issue statement but will be informed separately.

NOMINEE-REGISTERED SHAREHOLDERS

Shareholders with nominee-registered holdings at a bank or other nominee will not receive an issue statement. Subscription and payment for new shares should instead be made to the respective nominee and in accordance with instructions from the respective nominee.

SHAREHOLDERS RESIDENT IN CERTAIN UNAUTHORIZED JURISDICTIONS

The allotment of subscription rights and the issuance of new shares to subscribers resident in countries other than Sweden may be affected by securities legislation in such countries, refer to the introductory section of the prospectus *Important information*. Consequently, subject to certain exceptions, shareholders with existing shares directly registered on a securities account (Sw. *VP-konto* or *Servicekonto*) with registered address in Australia, Hong Kong, Japan, Canada, Singapore or USA, or in another jurisdiction in which it would not be permitted to participate in the rights issue, will not receive any subscription rights or be allowed to subscribe for new shares. The subscription rights that otherwise would have been delivered to such shareholders will be sold and the sales proceeds, less costs, will be paid to such shareholders. Amounts less than 100 SEK will not be paid out.

Trading in subscription rights

The subscription rights will be traded on Nasdaq Stockholm during the period from and including 10 March 2017 until and including 22 March 2017 with ticker "KLED TR". SEB and other securities institutions with required licenses will provide brokerage services in connection with the sale and purchase of subscription rights. The primary as well as the subsidiary pre-emptive right will be transferred to the acquirer upon sale of the subscription right. The ISIN code for the subscription rights is SE0009606866.

Subscription for new shares with subscription rights

Subscription for new shares with subscription rights will take place during the subscription period, 24 March 2017 at the latest. Upon expiry of the subscription period, unexercised



subscription rights will lapse and become worthless. After 24 March 2017, unexercised subscription rights will be deleted from the holder's securities account without any notice from Euroclear Sweden.

In order not to lose the value of the subscription rights, the holder must either:

- exercise the subscription right to subscribe for new shares no later than 24 March 2017, or in accordance with instructions from the holder's nominee, or
- sell the subscription rights that will not be exercised no later than 22 March 2017.

SUBSCRIPTION BY DIRECTLY REGISTERED SHAREHOLDERS

Subscription for new shares with subscription rights will be made through payment in cash together with a notification, either by use of the pre-printed payment form or a special subscription form in accordance with one of the following options:

- If all subscription rights pursuant to the issue statement from Euroclear Sweden are to be exercised, the pre-printed attached payment form shall be used. No additions or amendments may be made on the payment form.
- If subscription rights have been purchased, sold or transferred from another securities account, or if, for some other reason, the number of subscription rights to be exercised for subscription differs from the number set out in the pre-printed issue statement, the subscription form named "Subscription for shares with subscription rights" shall be used. In connection to submission of the filled out form, payment shall be made for the subscribed new shares in accordance with the payment instruction on the subscription form. Subscription forms in accordance with the above can be ordered from SEB during office hours on telephone +46 (0)8-639 27 50. The subscription form can be sent to SEB, Emissioner R B6, 106 40 Stockholm or handed in at one of SEB's offices in Sweden. The subscription form shall be received by SEB no later than 24 March 2017.

DIRECTLY REGISTERED SHAREHOLDERS NOT RESIDENT IN SWEDEN ELIGIBLE FOR SUBSCRIPTION FOR NEW SHARES WITH SUBSCRIPTION RIGHTS

Directly registered shareholders that are not resident in Sweden but eligible for subscription for new shares with subscription rights (those who are not subject to the restrictions described in the section *Shareholders resident in certain unauthorized jurisdictions* above) and cannot use the pre-printed payment form, can pay in SEK through a foreign bank in accordance with the instructions below:

SEB
Emissioner R B6
SE-106 40 Stockholm, Sweden
IBAN number: SE405000000058651005024
Bank account number: 5865-10 050 24
SWIFT/BIC: ESSESESS

Upon payment, the subscriber's name, address, securities account number and the payment identity stated on the issue

statement must be quoted. Last day for payment is 24 March 2017. If the payment relates to a different number of shares than the number set out in the issue statement, the subscription form named "Subscription for shares with subscription rights" shall be used, which can be ordered from SEB during office hours by telephone: +46 (0)8 639 27 50. Payment shall be made in accordance with the aforementioned instructions. Note that the payment identity stated in the issue statement must be quoted. The subscription form shall be received by SEB, at the address above, no later than 24 March 2017.

SUBSCRIPTION BY NOMINEE-REGISTERED SHAREHOLDERS

Shareholders with nominee-registered holdings wishing to subscribe for new shares with subscription rights shall apply for subscription in accordance with instructions from their nominee or nominees.

PAID SUBSCRIBED SHARES (BTAS)

After payment and subscription, Euroclear Sweden will distribute a securities notification confirming the registration of the paid and subscribed shares (Sw. *betalda tecknade aktier*, "BTAs") on the securities account. The newly subscribed shares are entered as BTAs on the securities account until the new shares have been registered at the Swedish Companies Registration Office (Sw. *Bolagsverket*). New shares that are subscribed for with subscription rights are expected to be registered with the Swedish Companies Registration Office around 31 March 2017. Subsequently, the BTAs will be re-classified as shares. Delivery of the new shares is expected around 11 April 2017. No securities notification will be issued in connection with such re-classification.

Trading in BTAs is expected to take place on Nasdaq Stockholm during the period from and including 10 March 2017 until and including 5 April 2017. SEB and other securities institutions with required licenses will provide brokerage services in connection with the purchase and sale of BTAs. The ISIN-code for the BTAs is SE0009606874.

Subscription for new shares without subscription rights

DIRECTLY REGISTERED SHAREHOLDERS AND OTHERS

Application for subscription for new shares without subscription rights must be made on a special subscription form named "Subscription for shares without subscription rights." More than one subscription form may be submitted, however, only the most recently dated form will be considered. Subscription forms can be obtained at SEB's offices in Sweden, SEB's website for prospectuses (www.sebgroup.com/prospectuses), ABGSC's website (www.abgsc.com) under the section ongoing transactions as well as on Kungsleden's website (www.kungsleden.se). The form can be sent to SEB, Emissioner R B6, SE-106 40 Stockholm or handed in at one of SEB's branch offices in Sweden. The subscription form must be received by SEB no later than 24 March 2017.



NOMINEE-REGISTERED SHAREHOLDERS AND OTHERS

Application for subscription for new shares without subscription rights shall be made to the respective nominee and in accordance with instructions from the nominee, or if the holding is or is expected to be registered with several nominees, from each of these.

ALLOTMENT OF NEW SHARES SUBSCRIBED WITHOUT SUBSCRIPTION RIGHTS

If not all new shares have been subscribed for with subscription rights, the allotment of new shares within the highest amount of the rights issue will be conducted in accordance with the following:

1. Persons whom have subscribed to new shares by subscription rights (regardless if they were shareholders on the record date) *pro rata* in relation to the new number of shares that have been subscribed to with subscription rights.
2. Others whom have expressed interest in subscribing to shares without subscription rights, *pro rata* in relation to the expressed interest (Swedish general public and qualified investors).
3. The person who has guaranteed the rights issue.

In the event that the allotment as stated above cannot be conducted *pro rata*, the allotment shall be made through drawing lots.

As confirmation of the allotment of new shares subscribed to without subscription rights, a settlement note will be sent to directly registered shareholders and others with a securities account. New shares which have been subscribed for and allotted must be paid for in cash in accordance with the instruction on the settlement note, however, no later than three business days from obtaining the settlement note. Shareholders with nominee-registered holdings will receive confirmation of the allotment in accordance with the procedure of the respective nominee. No notice will be sent to those whom have not been allotted new shares. The subscription for new shares is binding. If payment is not duly made, the new shares will be transferred to others. In case the sale price of the shares is below the subscription price, the person who was initially allotted new shares is responsible for paying the entire or part of the difference.

The new shares will be delivered as soon as the required registration has taken place at the Swedish Companies Registration Office. Such registration is expected to take place around 6 April 2017 and delivery is expected around 11 April 2017. A securities notification will be sent to the directly registered shareholders or nominees as confirmation that the new shares have been registered in the securities account.

Right to dividend

The new shares will carry the right to dividends commencing from the first record date for dividend that follows the registration of the new shares in the Company's share register. Consequently, the new shares will entitle such dividend that Kungsliden's annual general meeting 25 April 2017 will decide on. The Board of Directors of Kungsliden has, prior to the annual general meeting, suggested a distribution of profits amounting to 2 SEK per share for the financial year 2016.¹⁾

Announcement of the outcome of the rights issue

The final subscription outcome of the rights issue is expected to be announced around 29 March 2017 through a press release from Kungsliden. Final result from subscription is expected to be announced around 31 March 2017.

Trading in new shares

Kungsliden's shares are traded on Nasdaq Stockholm. Following registration of the new shares at the Swedish Companies Registration Office, the newly issued shares will also be traded on Nasdaq Stockholm. Such trading is expected to commence around 11 April 2017.

Irrevocable subscription

Kungsliden is not entitled to revoke the rights issue. Subscription for new shares, with or without subscription rights, is irrevocable and the subscriber cannot withdraw or change the subscription for the new shares, unless otherwise stated in this prospectus or in accordance with applicable law.

Other information

In the event that a larger amount than required has been paid by a subscriber for new shares, Kungsliden will arrange for the excess amount to be refunded. No interest will be paid for such excess amount.

Insufficient or incomplete application forms may not be considered. Furthermore, if the subscription payment is made late, is insufficient or incomplete, the subscription application may not be considered or subscription may be deemed to have occurred at a lower amount. Paid in amount that has not been considered will in such case be reimbursed. No interest will be paid for such payment.

Taxation

For information regarding taxation, please refer to the section *Certain tax issues in Sweden*.

¹⁾ Based on the new number of shares, post the rights issue.



Timetable

The timetable below shows and concludes certain important dates in relation to the rights issue.

First day of trading in ordinary shares exclusive of the rights to receive subscription rights	7 March 2017
Record date for participation in the rights issue	8 March 2017
Subscription period commences	10 March 2017
Trading of subscription rights commences	10 March 2017
Trading in BTA's commences	10 March 2017
Trading of subscription rights is concluded	22 March 2017
Subscription period is concluded	24 March 2017
Preliminary subscription result in rights issue is announced	Around 29 March 2017
Final subscription result in rights issue is announced	Around 31 March 2017
Trading in BTA's is concluded	5 April 2017
Delivery of new ordinary shares	Around 11 April 2017
Trading of new ordinary shares commences	Around 11 April 2017

Questions

In case of questions concerning the rights issue, *directly registered* shareholders and others are welcome to contact Kungsliden's call center between the hours 8 and 18 CET, which can be reached by telephone at +46 (0)8-518 01 551, or SEB's issue department which can be reached between the hours 9 and 17 CET by telephone at +46 (0)8-639 27 50.

Nominee-registered shareholders and others should first contact their nominee(s) for further information regarding practical or technical questions about the rights issue. For cutting issues concerning the rights issue, Kungsliden's call center can be contacted between the hours 8 and 18 CET during weekdays by telephone at +46 (0)8-518 01 551.



MARKET OVERVIEW

Presented below is a brief introduction to trends in the Swedish economy and the property segments on which Kungsleden operates, as well as a general description of the Swedish property market. The information regarding market conditions as provided in this prospectus constitutes Kungsleden's overall assessment based on both internal and external sources. Unless otherwise stated, the section below is based on data compiled by the property industry consultant Newsec Advice ("Newsec").

The state of the Swedish economy

Sweden has experienced strong growth in recent years and GNP for the full year of 2015 increased by 4.1 per cent.¹⁾ Growth slowed down somewhat during 2016 but is still strong, among other things driven by a strong construction sector, a strong domestic labour market, low interest rates, a continued strong investment trend, finance policy stimulation measures, and a high level of public and private consumption. Newsec estimates that GNP growth for the full year of 2016 amounted to 3.3 per cent.

2016 was somewhat more challenging for industry than 2015. The service sector continue to grow, albeit at a somewhat slower pace than in 2015. Export growth was relatively weak in 2016, despite a continued weakening of the Swedish krona. On the other hand, investments continued on an upward trend, driven primarily by a very strong upturn in residential investments. Household consumption also grew, but at a somewhat slower pace than in 2015, and the same is true of public sector consumption.²⁾

The level of employment increased in 2016. In November 2016, 74,000 more people were in employment than in the corresponding month in 2015. The employment rate has also improved somewhat and, in December 2015, was at the same level as before the financial crisis which adversely impacted employment from 2009 onwards. Unemployment continued to fall in 2016, although not as sharply as in 2015; this is due to the labour force having increased at almost the same rate as employment.³⁾

Inflation in Sweden increased somewhat in 2016 after having been almost non-existent for a couple of years, but is still below the Central Bank of Sweden's target of 2 per cent. The repo rate remains low and, at the most recent monetary policy meeting held on 14 February 2017, was left unchanged at -0.5 per cent.⁴⁾ Bond purchases by the Central Bank of

Sweden have made international players less interested in investing in Swedish treasury bonds, thereby putting pressure on the Swedish krona.

Sweden's economy is affected by a number of macroeconomic factors and extraneous events. 2016 was characterised by a number of noteworthy political events in the world, including the UK's referendum on Brexit and Donald Trump's victory in the US presidential election. Thus far, the market has positively interpreted Donald Trump's statements about tax reductions and major investments in infrastructure, as they may generate increased growth in the short term. However, there is great uncertainty as to the form that US finance policy and trading policy will take.

Despite a degree of turbulence globally, the National Institute of Economic Research's Barometer Indicator shows that the Swedish population takes a positive view of the Swedish economy. For more than nine years, households have not had as positive a view as regards their own finances as they do now.

OUTLOOK 2017-2018 - CONTINUED STRONG SWEDISH ECONOMY DESPITE DAMPENED GROWTH

The increased confidence in the Swedish economy is expected to contribute to a further strengthening of the economy in Sweden and a reduction in unemployment during 2017-2018. On the other hand, the continued weak state of the economy in Europe is expected to contribute to relatively slow growth in wages and Swedish inflation is not expected to reach 2 per cent until 2020. Therefore, in the opinion of the National Institute of Economic Research, the Central Bank of Sweden will defer any increase in the repo rate until the third quarter of 2018.⁵⁾

The National Institute of Economic Research makes the assessment that GNP growth will slow down to 2.2 per cent in 2017 and 2.0 per cent in 2018. At the same time, the population is expected to increase substantially during these years, and thus per capita GNP is expected to increase at historically low rates of 0.9 per cent in 2017 and 0.8 per cent in 2018. The expected slowdown in GNP growth is primarily due to weaker growth in domestic demand. In addition, investments (which

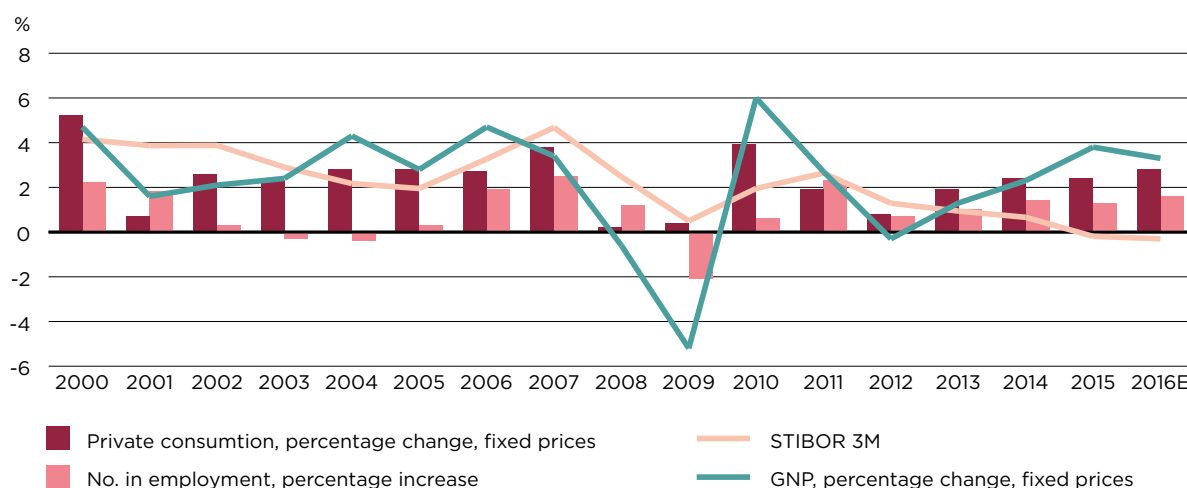
1) Statistics Sweden.

2) Statistics Sweden Indicators, Economic monthly overview, number 12, 2016.

3) Statistics Sweden Indicators, Economic monthly overview, number 12, 2016.

4) The Riksbank, Press release: Repo rate unchanged at -0.50 per cent, 15 February 2017.

5) The National Institute of Economic Research, The Swedish Economy, December 2016.


ECONOMIC INDICATORS – SWEDEN


Source: Newsec, Swedbank

Diagram 1 shows growth indicators for the Swedish economy during the period 2000–2016. Private consumption, employment and changes in GNP are described as percentage annual increases/decreases compared with the preceding year. The three-month rate (STIBOR 3M) is described as a percentage on each given occasion.

Total return		2008	2009	2010	2011	2012	2013	2014	2015	2016E
Sweden	Offices	-3.4%	-4.2%	15.0%	15.4%	8.5%	7.7%	12.4%	18.8%	22.0%
Sweden	Warehouse & industry	0.2%	2.3%	14.8%	14.7%	7.8%	7.0%	7.9%	17.2%	13.2%
Sweden	Retail	-5.0%	-3.0%	13.1%	14.2%	3.0%	3.8%	9.8%	13.6%	13.0%
Greater Stockholm (CBD, Central, Prime Suburb & Rest of Greater Stockholm)	Offices	-4.8%	-7.7%	15.8%	14.1%	8.6%	8.2%	14.8%	21.6%	26.8%
Greater Stockholm (Category A)	Warehouse & industry	-1.2%	3.1%	15.4%	15.5%	7.2%	6.4%	7.4%	19.0%	18.2%
Greater Stockholm (CBD, Central, Prime Suburb & Rest of Greater Stockholm)	Retail	-5.5%	-6.6%	13.8%	14.8%	3.3%	4.1%	14.2%	15.6%	14.1%
Göteborg Prime	Offices	-1.5%	-3.3%	22.4%	21.4%	13.2%	7.6%	9.7%	19.5%	18.6%
Göteborg Category A	Warehouse & industry	-0.2%	2.1%	13.9%	14.4%	7.8%	6.9%	8.1%	18.9%	15.4%
Göteborg Prime	Retail	-8.3%	-0.9%	16.3%	16.8%	4.3%	4.2%	7.4%	11.3%	14.3%
Malmö Prime	Offices	8.6%	0.6%	20.5%	17.6%	9.4%	6.9%	7.2%	14.9%	12.8%
Malmö - Category A	Warehouse & industry	0.8%	3.9%	17.6%	14.7%	10.7%	7.0%	7.3%	16.0%	11.6%
Malmö Prime	Retail	-3.2%	-1.5%	7.9%	11.9%	2.8%	2.3%	4.5%	9.3%	12.6%
Mälardalen - Other Major Cities	Offices	-8.3%	0.5%	8.1%	13.8%	7.8%	8.0%	12.2%	14.2%	18.9%
Mälardalen - Rest of Sweden - Category A	Warehouse & industry	2.5%	4.0%	18.2%	12.8%	8.1%	6.8%	8.4%	14.5%	11.0%
Mälardalen - Other Major Cities	Retail	-1.0%	-0.6%	12.0%	13.8%	2.1%	5.1%	5.0%	10.9%	10.5%

Diagram 2 shows the total return for offices, retail as well as warehouse and industrial premises within selected areas in Sweden between the years 2008 and 2015, as well as anticipated total return for 2016. Total return is defined as the total of net operating income for the year and changes in value minus investments, as a percentage of the average property value adjusted for changes in value during the same period.



have increased at a rapid rate since 2014) are expected to grow more slowly. Public sector consumption is also expected to return to more normal rates of increase. During these years, exports and household consumption are expected to be the primary contributors to GNP growth.¹⁾

The trend in Kungsleden's management regions

The trend for Kungsleden's property portfolio is affected to a considerable extent by the trend in those regions in which Kungsleden's properties are located. For a description of the trend in each of Kungsleden's management regions, see *Kungsleden's management regions (management areas as from 2017)* under the section entitled *The property portfolio*.

The Swedish commercial property rental market

Changes in rent levels for commercial premises over time are determined by supply and demand. Demand for commercial premises is influenced by general changes in the economic climate as well as by changes on the individual market as regards e.g. population and employment. The supply of commercial premises consists of space in existing buildings and is primarily affected by the addition of newly produced space.

OFFICES

The total return on offices in Sweden was 18.8 per cent in 2015 and is estimated to have risen to 22.0 per cent in 2016. In Greater Stockholm, the total return was 21.6 per cent in 2015 and is estimated at 26.8 per cent in 2016. In Gothenburg, the total return was 19.5 per cent in 2015 and is estimated at 18.6 per cent in 2016. In Malmö, the total return was 14.9 per cent in 2015 and is estimated at 12.8 per cent in 2016. In Mälardalen, the total return was 14.2 per cent in 2015 and is estimated at 18.9 per cent in 2016.

Market rents for offices developed positively in 2016 on most submarkets, particularly in the three metropolitan regions. The Stockholm market experienced the strongest growth in rents. The limited supply of office space resulted in increased demand, primarily in central locations and prime suburbs, where market rents increased by more than 10 per cent in 2016.

Rent growth was also positive in Gothenburg and Malmö, albeit at a lower rate than in Stockholm. In regional cities such as Västerås, there is steady demand for modern office space in central locations; there, too, rents are increasing to some degree.

Newsec anticipates a continued strong office rental market in 2017, but with a more moderate rate of increase than in 2016.

INDUSTRIAL AND WAREHOUSE PREMISES

The total return on industrial and warehouse premises in Sweden was 17.2 per cent in 2015 and is estimated at 13.2 per

cent in 2016. In Greater Stockholm, the total return was 19.0 per cent in 2015 and is estimated at 18.2 per cent in 2016. In Gothenburg, the total return was 18.9 per cent in 2015 and is estimated at 15.4 per cent in 2016. In Malmö, the total return was 16.0 per cent in 2015 and is estimated at 11.6 per cent in 2016. In Mälardalen, the total return was 14.5 per cent in 2015 and is estimated at 11.0 per cent in 2016.

Popular industrial and warehouse premises are usually located close to bigger cities, where a large part of retail trade is conducted and population growth is high. They also located in direct proximity to infrastructure such as motorways, railways, ports and airports.

On the market, there is a clear trend of demand for shorter leases. Tenants are often seeking leases for three to seven years, compared with earlier medium-length leases of between ten and twelve years. The strong growth in e-commerce and the difficulty for middlemen in particular to foresee future demand are believed to be among the reasons for this.²⁾

The rent level varies depending on location and building standard. The rent for newly produced units depends on construction costs and the cost for the land, and consequently market rents for existing industrial and warehouse properties vary based on demand.

RETAIL PREMISES

The total return on retail premises in Sweden was 13.6 per cent in 2015 and is estimated at 13.0 per cent in 2016. In Greater Stockholm, the total return was 15.6 per cent in 2015 and is estimated at 14.1 per cent in 2016. In Gothenburg, the total return was 11.3 per cent in 2015 and is estimated at 14.3 per cent in 2016. In Malmö, the total return was 9.3 per cent in 2015 and is estimated at 12.6 per cent in 2016. In Mälardalen, the total return was 10.9 per cent in 2015 and is estimated at 10.5 per cent in 2016.

Market rents for retail premises were stable in 2016 and are expected to remain so going forward.

The retail trade demonstrated positive growth in 2016. However, a growing population and expanding e-commerce have resulted in fierce competition between different types of shopping destinations, with the consequence that location and quality of premises are becoming increasingly important factors in attracting both consumers and tenants.³⁾

Retail parks have generally increased in size in recent years and shopping centre premises are being leased at new top rents. Newly constructed and newly renovated shopping centres in the most attractive locations outside Stockholm currently command the same rent levels as the top rents in the Stockholm Central Business District (CBD).⁴⁾

In recent years, there has been increased interest in city centre development. Since many new large-scale developments have been constructed outside the city centres, many property developers are beginning to perceive possibilities for developing the inner-city in order to compete with the major retail parks.⁵⁾

1) The National Institute of Economic Research, The Swedish Economy, December 2016.

2) Savills. 2016, Spotlight Logistics Property Market.

3) Newsec Property Outlook Autumn 2016.

4) Newsec Property Outlook Autumn 2016.

5) Newsec Property Outlook Autumn 2016.



The Swedish property investment market

The Swedish property investment market is the fourth most liquid market in Europe – only the UK, Germany and France have larger and more active/liquid markets. Investors continued to be active on the Swedish property market in 2016, which among other things is reflected in the record transaction volume (see *Diagram 3* under *Record transaction market* below). A number of major transactions took place in 2016 and the high levels are expected to continue in 2017.

International interest in the Swedish property market

International investors regard the Swedish property market as transparent and well-functioning. Despite a lower investment level in 2016 than in 2015, most international players are interested in entering the market. International investors accounted for a historically low percentage of the transactions in 2016, which is explained by the increased transaction volume involving Swedish listed companies and the interest pension funds displayed in property market investments during the year. International players have not reached completion in the sales processes, often due to the fact that they are located further from the market and thus are less competitive than domestic players.

Declining yield requirement and good access to financing

The yield requirement, which is the primary factor affecting the total return on properties, continued to decline within all property segments in 2016, and levels are very low from a historic perspective.

There was a large inflow of capital to the Swedish property market in 2016 and access to financing was good despite tight-

ening by the banks. In 2016, many property companies sought financing via the bond market. New forms of financing – particularly as regards second mortgage financing – have become a natural feature of the market. A number of property companies have also sought to raise capital via the stock market.

Record transactions market

The Swedish transactions market was extremely strong in 2016, registering a total transaction volume of SEK 189 billion (involving deals in excess of SEK 100 million), which was approximately 40 per cent higher than in 2015. The volume is the highest level ever recorded on the Swedish market. In total, 336 transactions were completed, compared with 299 in 2015.

The demographic trend of regional urbanisation and growth in the majority of municipalities in Sweden has impacted the transactions market. More than 50 per cent of the transaction volume in 2016 involved cities other than Stockholm, Gothenburg and Malmö. Greater Stockholm accounts for approximately 30 per cent of the transaction volume. At 29 per cent, office properties constituted the largest property segment.

The largest net buyers in 2016 were listed property companies. Unlisted property companies were also extremely active buyers during the year, while the largest net vendors during the year were property developers and property funds.

International capital accounted for transactions worth SEK 35 billion, compared with SEK 38 billion in 2015.

The second largest property transaction in Swedish history was carried out during the year, when Castellum purchased Norrporten with a property portfolio for SEK 26 billion.

In the Company's opinion, continued high volatility on the global equities market, a lack of high yield alternative investments and relatively good access to capital, all point towards high transaction volumes in 2017.

TRANSACTION VOLUMES SWEDEN, TRANSACTIONS ≥ SEK 100 MILLION

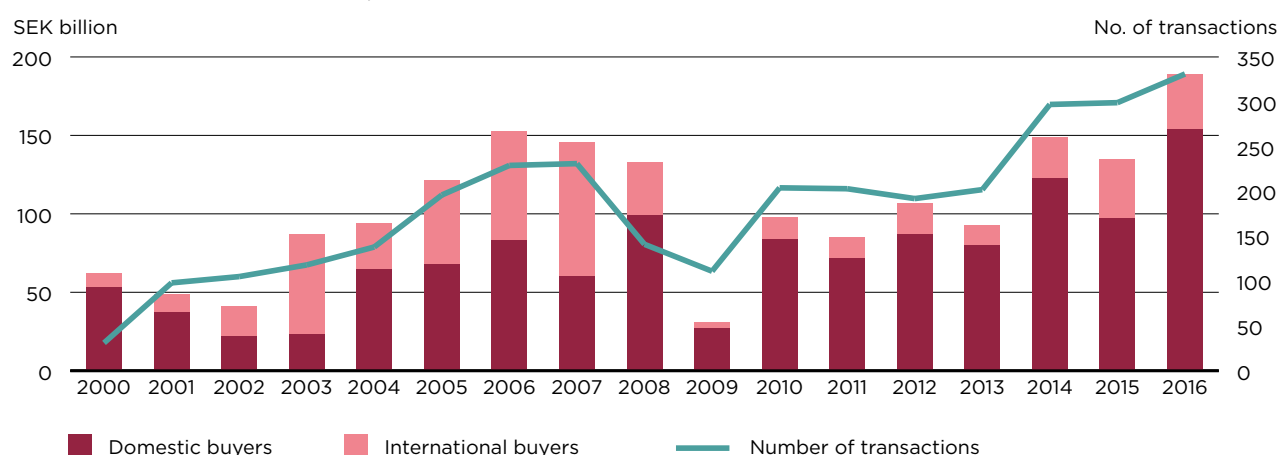


Diagram 3



BUSINESS DESCRIPTION

Kungsleden in brief

Kungsleden is a property company focused on the long-term ownership, management, and development of commercial properties in selected growth regions in Sweden, and thereby delivering an attractive total return to the Company's shareholders.

The Company offers premises within the following segments: offices, industrial/warehouse and retail. 79 per cent of the properties are currently located in four of Sweden's primary growth markets: Stockholm, Gothenburg, Malmö and Västerås. Offices account for 66 per cent of the property portfolio and the tenants represent a cross-section of the Swedish business community.

Milestones in Kungsleden's history

The Company emerged from the banking crisis of the 1990s and the state-owned companies Retriva AB and Securum AB.

1993/1994 Kungsleden is formed as a company in the state-owned Retriva Group with the purpose of assuming responsibility for managing properties and mortgages belonging to the former Gota Bank.

1997 In December 1997, Kungsleden is divested by the principal owner at that time, the state-owned Agilia Holding AB, to a number of institutional investors, thereby creating a long-term secure ownership structure.

1999 Kungsleden is listed on the Stockholm Stock Exchange and, at the time of listing, owned properties to a value of approximately SEK 5 billion.

2001/2002 Through acquisitions of social infrastructure properties for approximately SEK 2.2 billion, Kungsleden becomes, according to Kungsleden's assessment, a market leader within the elderly care property segment. The property portfolio of social infrastructure properties is increased in subsequent years in accordance with the Company's strategy.

2005 Kungsleden carries out an over-subscribed rights issue aimed at creating the financial strength required to be able to take advantage of attractive future acquisition possibilities and acquires the Realia Group. The Realia Group provides property management and property brokerage services.

2007 Kungsleden acquires Nordic Modular Group (NMG) for approximately SEK 918 million. Nordic Modular Group offers letting and sales of modular buildings.

2009 Kungsleden begins the streamlining of its property portfolio of social infrastructure properties and sells one-half of the subsidiary Hemsö to the Third Swedish National Pension Fund for approximately SEK 2.3 billion.

2011 Kungsleden acquires a property portfolio from NR Nordic & Russia Ltd for SEK 3.6 billion. The properties mainly comprise office and industrial properties, the majority of which are located in Västerås, with ABB as the main tenant.

2012 Kungsleden sells its remaining shares in Hemsö to the Third Swedish National Pension Fund and receives repayment of its shareholder loans in Hemsö. The total proceeds amount to approximately SEK 3.3 billion.

Gösta Welandson and companies acquire in total just over 13 per cent of the shares in Kungsleden and thereby becomes the Company's largest shareholder.

2013 A new Kungsleden begins to emerge with a new CEO, CFO, Management Team and a more streamlined business strategy focused on long-term value creation within the office, industrial/warehouse and retail property segments in Sweden's growth regions. The year concludes with the Company acquiring the title to 84 properties purchased from GE Capital Real Estate in October for approximately SEK 5.5 billion.

2014 In accordance with Kungsleden's new strategy, non-strategic properties are divested to a value of SEK 2.6 billion. A 65 per cent stake in NMG is sold to Inter Ikea Investment and four office properties in Kista are acquired for SEK 2 billion.

Approximately SEK 1.6 billion is charged against earnings due to adverse ruling in a tax case relating to the years 2004–2007.

Kungsleden carries out an oversubscribed rights issue of approximately SEK 1.6 billion.

2015 Kungsleden sells its remaining 35 per cent stake in NMG and releases SEK 330 million in liquidity.

Approximately SEK 1.3 billion is charged against earnings due to adverse ruling in a tax case relating to the years 2004–2007. All tax cases (which in total reduced Kungsleden's earnings by SEK 2.9 billion in 2015 and 2016) are thereby concluded.

Properties are acquired for SEK 5.8 billion – including a new cluster in Gärdet/Frihamnen – while non-strategic properties are divested for SEK 700 million.

2016 Streamlining and concentration of the portfolio continues with the divestment of properties to a value of SEK 1,021 million and the Emporia Office property in Hyllie is acquired for SEK 457 million.

Kungsleden issues commercial paper for the first time, in the amount of SEK 1,200 million.



Kungsleden consolidates properties in clusters – selected areas of strong growth and momentum, high accessibility, close to hubs and thoroughfares, as well as a suitable mix of attractive premises. The cluster strategy enables the Company to strengthen its offering to the tenants through increased knowledge of the area, the possibility to provide the area with the service that the tenants desire, and to be closer to tenants and prospective customers through a local presence. In addition, it makes it possible for Kungsleden, as an influential voice in the community, to help shape urban development plans along with how the area is profiled.

On 31 December 2016, Kungsleden's property portfolio comprised 269 properties with a book value of SEK 29,169 million and a total leasable area of approximately 2,580 thousand square metres.

For the 2016 financial year, the Company reported rental revenues of SEK 2,422 million and a profit after tax of SEK 1,869 million. On 31 December 2016, the company had 110 employees. Kungsleden was founded in 1994 and is listed on Nasdaq Stockholm's Large Cap list.

Vision, business concept and business model

The core concept in Kungsleden's business is to offer attractive and functional premises in the right location and at the right price to a broad spectrum of companies and businesses in Swedish growth regions.

VISION

Kungsleden shall create attractive premises that enrich people's working days.

BUSINESS CONCEPT

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

CUSTOMER OFFERING

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

BUSINESS MODEL

Kungsleden shall create long-term value for both shareholders and customers by investing and developing the property portfolio, which is actively managed by a decentralised and customer-focused organisation. The portfolio shall be optimised and expanded in accordance with the Company's strategy with the aim of creating a property portfolio that meets demand, increases in value, and is efficient from a management perspective. The entire business is based on the business model illustrated in *Figure 1* below.

Actively manage

Kungsleden's business is based on actively managing the properties that the Company owns. Kungsleden has a decentralised management organisation with strong local networks and good knowledge of the local area. The organisation actively monitors demand in each region and maintains close dialogue and good

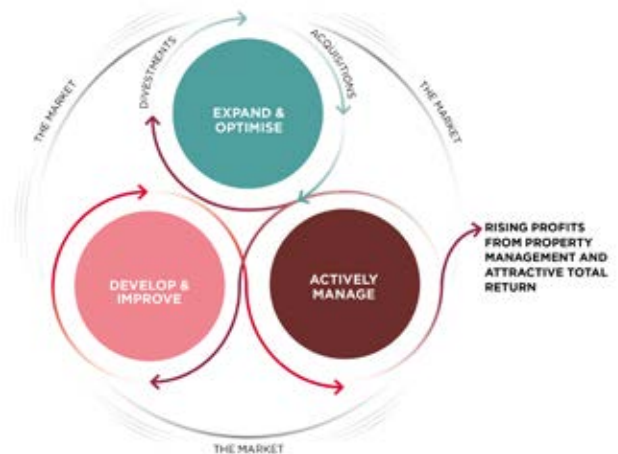


Figure 1

relations with its tenants. Kungsleden's prioritised markets comprise the four growth regions of Stockholm, Gothenburg, Malmö and Västerås, where 79 per cent of the portfolio is located.

Develop and improve

A key feature of long-term property ownership is to constantly develop and improve the property portfolio. This takes place in the form of the conversion, extension and/or addition of storeys on existing properties with the aim of optimising the use areas, designs and layouts. In addition, Kungsleden develops undeveloped land and utilises building rights, carries out new construction, and develops the areas where properties are located together with external parties, such as municipalities. Such investments are carried out with the aim of improving the Company's cash flow and thereby increasing the value of the properties.

On 31 December 2016, the Company had four projects in an implementation stage, entailing that investment decisions had been taken and construction had commenced. In 2016, a strategy was adopted for the handling of existing and potential building rights for residential purposes in the portfolio; see also *Strategy for handling residential building rights and commercial building rights* below.

Expand and optimise

By continuing to acquire properties with good potential in growth markets, preferably in existing clusters, Kungsleden is developing a high quality portfolio which forms the basis for a long-term attractive total return for the Company's shareholders.

Kungsleden currently has eleven clusters on the prioritised growth markets, where the Company owns several properties and engages in work focused on developing the structure of the entire area. Read more about the cluster strategy in *Strategic focus areas*.



OBJECTIVES

Long-term objectives

Kungsliden's long-term objective is to be Sweden's most profitable and successful property company.

Financial objectives

- The equity ratio over time shall be at least 35 per cent and shall not fall below 30 per cent.
- The loan-to-value ratio should be in the interval of 50–60 per cent through the cycle, with an average over time of 55 per cent. Under current market conditions, the Company aims to have a loan to value ratio in the interval of 50–55 per cent.
- The interest coverage ratio shall exceed 2.5 times.
- Kungsliden shall deliver a higher return on equity over time than comparable listed property companies.
- Kungsliden shall increase the profit from property management by growing the property portfolio and increasing the net operating income in the existing portfolio.
- Dividends in Kungsliden shall increase in pace with the growth in profit from property management.

Operational objectives

- Concentration of the property portfolio in 20 growth regions, primarily Stockholm, Gothenburg, Malmö and Västerås – properties which either retain value or increase in value over the business cycles.
- At least 50 per cent of the property value shall be in Greater Stockholm (as defined by Statistics Sweden).
- At least 70 per cent of the property value shall be in the office segment.
- Continued focus on larger, more efficient management units through existing larger clusters and several new clusters, in total 15–20 in the long term.
- To achieve quality and value in the day-to-day management and through property development, with the aim of an investment volume of SEK 1.0–1.2 billion over three years.
- Total return over time at least equal to the MSCI Sector Index.

Strategic focus areas

CLUSTERS FOR INCREASED VALUE CREATION AND ACTIVE MANAGEMENT

Kungsliden shall own several properties within a selected location – a cluster – and the Company's focus is to continue acquiring properties in selected, attractive locations with good accessibility and strong demand.

The Company believes that the cluster strategy provides many interesting operational and financial advantages, including:

- Strong market position, opportunity and ability to increase attractiveness and rent levels in Kungsliden's areas, which among other things can be achieved through focused work on the tenant mix.
- Great opportunities to offer options to tenants in conjunction with new lettings/renewal of terms.
- More efficient property management and lower operating costs.

- A lower long-term yield requirement, which increases the property values.
- Being a clearly influential party in discussions with municipalities and the local business community.

At the end of 2016, Kungsliden had eleven defined clusters; the long-term objective is to have 15–20. There are five clusters in Stockholm (Danderyd Offices, Kista City, Stockholm City West, Stockholm City East and the Västberga industrial area); one in Gothenburg (Högsbo); two in Malmö (Fosie and Hyllie); two in Västerås (Västerås City and the Finnslätten industrial area) and one cluster in Östersund (Östersund City).

ACTIVE MANAGEMENT BASED ON THE CUSTOMERS' PREMISES NEEDS

Kungsliden endeavours to optimise its property portfolio in terms of category and geographic location, and Kungsliden's business is based on active management of the Company's properties. Through a decentralised organisation with skilled market area managers with strong local networks, property managers, leasing personnel and technical managers, the Company is able to maintain close dialogue with the tenants and thereby enhance the possibility of meeting their changing needs. The combination of Kungsliden's increased concentration in the property portfolio – from 140 to 51 municipalities in three years – and the fundamental concept of owning properties that are grouped in clusters, create conditions for efficient management units.

Focus on new leasing contributes to Kungsliden being able to gradually reduce the vacancies in the portfolio. In 2016, Kungsliden demonstrated historic levels for the Company in terms of new leasing, which amounted to SEK 216 million (133), and net leasing, which amounted to SEK 99 million (7).

In connection with new leasing, Kungsliden carries out tenant improvements and investments which facilitate increased customer satisfaction and higher rental revenues, as well as providing an opportunity for increased net operating income and an increase in the value of the properties.

Through regular maintenance and investments in the properties, Kungsliden ensures that the entire property portfolio is able to retain quality and capacity that promote long-term, sustainable management.

NET LEASING: CLUSTERS AND OTHER PROPERTIES (MSEK)

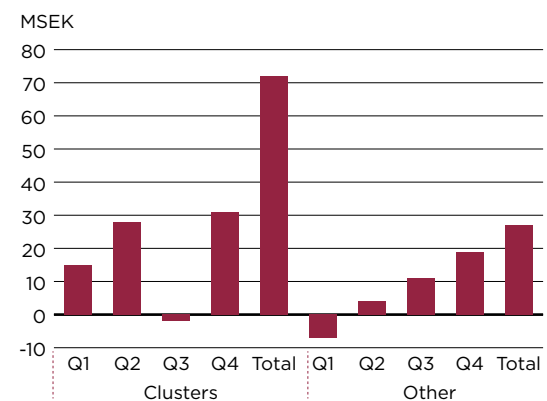


Diagram 4¹⁾

1) Excluding residential units, parking lots and garages.

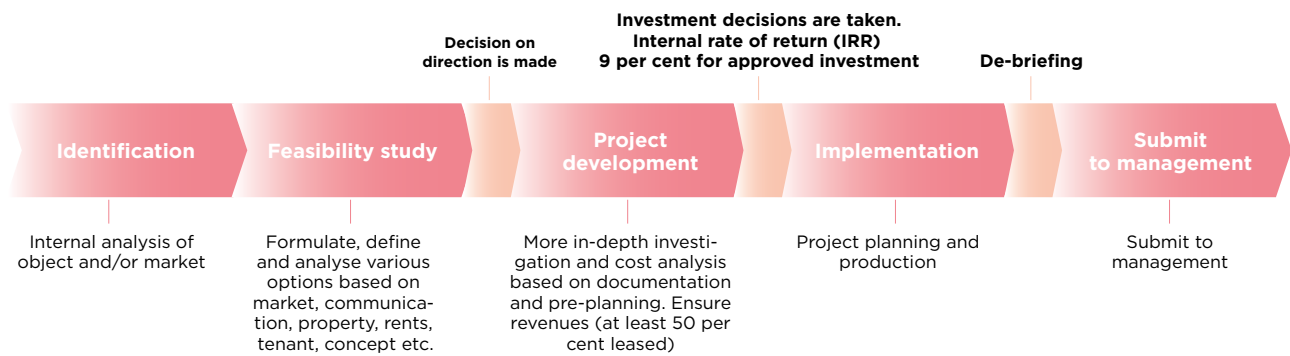


Figure 2

DEVELOPMENT AND IMPROVEMENT FOR IMPROVED NET OPERATING INCOME AND INCREASES IN VALUE

Through property development, Kungsleden creates possibilities for improved net operating income and increases in value. This involves, among other things, changing the properties' use areas or layouts, conversions and expansions, modernisation, as well as developing undeveloped land and utilising building rights.

The Company's employees possess extensive experience of project development and identifying creative and profitable solutions, also in smaller towns where conditions differ from those in the metropolitan areas.

The investment process for development projects comprises five steps and decisions being taken on two occasions: first, a project direction decision and thereafter a definitive investment decision. A project implementation phase begins following an investment decision. As a general rule, at least 50 per cent of the space in a project must be leased before proceeding to an implementation stage. The five steps in a development project comprise identification of project, pre-study (formulation, demarcation and analysis of various alternatives), project development, implementation and, finally, handover to property management.

Profitable development projects in the pipeline

Since the Company has a number of development projects in the pipeline and additional investment decisions are expected to be implemented within the coming year, it is estimated that as early as the end of 2017 it will be possible to exceed Kungsleden's ongoing operational objective of an investment volume of SEK 1–1.2 billion over three years.

Four projects are currently in implementation stage involving a decided investment volume totalling SEK 826 million. Kungsleden is engaged in some 20 development projects in different phases in a number of cities, together with existing or new tenants, municipalities and other parties. On 31 December 2016, 13 of these projects were classified as development properties, which among other things means that they contain areas that are deliberately left vacant or are planned to be vacated, let on short leases, or demolished in order to facilitate possible larger property development projects.

The four projects in implementation stage are presented in brief below.

BLÄSTERN 14 IN STOCKHOLM

Kungsleden is converting an outmoded office property into a hotel and modern offices totalling 16,000 sq. m. Together with the hotel operator Nobis, who signed a 20-year lease in 2016, Kungsleden is developing a design hotel with ample areas for,



Holar 1 i Kista.



Enen 10 i Södertälje.



Tegnér 15 i Växjö.



among other things, a restaurant, bar, fitness centre and exterior environments. Blästern 14 is located on Gävlegatan in the inner city of Stockholm, close to the developing Hagastaden area. The hotel is designed to become a meeting place and destination in the city and also includes, among other things, construction on the property's courtyard building as well as a roof terrace.

HOLAR 1 IN KISTA

Kungsleden is converting an inefficient office property on the outskirts of Kista Science City into an apartment hotel. Kista Hotel Apartments is leasing the entire property comprising 6,000 sq. m. and 167 hotel rooms. The target group comprises short-term contract employees of any of the multinational companies operating in Kista, students, or others in need of temporary accommodation.

ENEN 10 IN SÖDERTÄLJE

The former municipality building in Södertälje is being converted into modern offices of 6,000 sq. m. The facade and

entrances have been completed and internal conversion is proceeding according to plan. ÅF moved in on 1 October 2016 and leases have also been signed with, among others, the fitness centre chain Actic and Tidemans Café.

TEGNÉR 15, VÄXJÖ

The property Tegnér 15 in central Växjö is a mixed property, comprising retail, offices and residential units. In the Company's view, the current layout of the retail part of the property on the ground floor is inefficient, and many units in the mall are unlet. The vision is to redesign and renovate the mall by focusing on Storgatan outside. Through the construction of entrances to each store from the street, the current mall concept will no longer apply to the property. Several attractive tenants are already located in the property, such as Systembolaget, Apotek Hjärtat, Pressbyrån and Interflora. In 2016, an influential anchor tenant signed a lease for more than 3,000 sq. m. Kungsleden, which also owns the property Ödman 14 opposite, can thereby revitalise Storgatan and create a destination in Växjö.

Project investments and pre-studies

DEVELOPMENT PROJECTS AND PLAN WORK

CATEGORY 1 - INVESTMENT DECISION TAKEN/IMPLEMENTATION STAGE

Property	Category	Municipality	Completion	Leasable area, sq. m.	Occupancy rate area, %	Investment amount, MSEK	Accrued total, MSEK	Of which 2016, MSEK	Budget 2017, MSEK	Plan 2018, MSEK	Plan 2019, MSEK
Enen 10	Offices	Södertälje	2017	6,000	53	125	94.7	90.3	30		
Blästern 14	Hotel	Stockholm	Stage 1 2018/ Stage 2 2021	16,700	70	423	38.3	29.5	160	120	0 ¹⁾
Holar 1	Hotel	Stockholm	2018	6,000	100	128	10.2	9.6	80	38	
Tegnér 15	Retail	Växjö	2017/2018	16,500	85	150	11.1	11.1	90	49	
Total				45,200		826	154.3	140.5	360	207	0

CATEGORY 2 - FOCUSED DECISION TAKEN/LEASING AND PROJECT PLANNING

Property	Category	Municipality	Completion	Leasable area, sq. m.	Occupancy rate area, %	Investment amount, MSEK	Accrued total, MSEK	Of which 2016, MSEK	Budget 2017, MSEK	Plan 2018, MSEK	Plan 2019, MSEK
Gallerian (4 properties)	Retail	Eskilstuna	2019	29,000		190			70	120	
Skiftinge 1:3	Retail	Eskilstuna	2018	25,000		240			5	235	
Part of Mimer											
5 - Hus 26	Offices	Västerås	2018	4,600		100			30	70	
Total				58,600		530			105	425	

**CATEGORY 3 - PRE-STUDY AND LEASING**

Property	Category	Municipality	Completion	Leasable area, sq. m.	Occupancy rate area, %	Investment amount, MSEK	Accrued total, MSEK	Of which 2016, MSEK	Budget 2017, MSEK	Plan 2018, MSEK	Plan 2019, MSEK
Karlslund 5:2	Societal infrastructure property (new construction)	Östersund	2019	3,000		130			10	100	20
Terminalen 2	Offices (new construction)	Sollentuna	2019/2020	6,000		180			5	50	125
Part of Verkstaden 7	Offices (new construction)	Västerås	2019/2020	12,000		380			5	10	365
Total				21,000		690			20	160	510
Total project investments						2,046			485	792	510

CATEGORY 4 - PLAN WORK

Property	Category	Municipality	Project area, sq. m. Gross floor area	Change in zoning required
Aspgården 18	Residential	Umeå	23,000	Yes
Målaren 17	Residential/Offices	Örebro	30,000–40,000	Yes
Veddesta 2:65 et.al.	Residential/Offices	Järfälla	40,000–50,000	Yes
Verkstaden 7	Residential/Offices/Retail	Västerås	50,000–70,000	Yes

1) Stage 2 will be constructed in 2020 and 2021 with a total investment volume of approximately SEK 105 million.

Table 1

Doubled rate of investment through new investment programme

Strong new leasing and realisation of project investments are estimated to total SEK 2–3 billion during 2017–2019, as shown in *Table 2* below.

Investment programme	Result				Plan	
	2013	2014	2015	2016	2017	2018–2019
Tenant improvements, MSEK (approx.)	213	334	436	468	500	600
Development projects, MSEK (approx.)			14	141	500	1,300
Total investments, MSEK	213	334	450	609	1,000	1,900

Table 2

Strategy for handling residential building rights and commercial building rights

Kungsleden's strategy as regards existing and potential residential building rights within the portfolio is that the Company shall develop building rights by identifying opportunities, promoting zoning, and thereafter divesting the building rights. The residential building rights potential is assessed at more than 360,000 square metres. In line with the strategy, five properties with residential building rights potential were sold in 2016.

In addition to the residential building rights, Kungsleden has 200,000 square metres of existing and potential commercial building rights, which the Company intends to develop and realise over time.

EXPANSION AND OPTIMISATION OF THE PROPERTY PORTFOLIO

Kungsleden is continuously working to create an optimal property portfolio and prioritises, as first preference, the acquisition of portfolios with good potential in prioritised growth areas, preferably in existing clusters. An optimal property portfolio is one of which meets the growth in underlying demand for premises, is efficient from a property management perspective and can be expected to achieve good rental growth and growth in value.

The main focus is on commercial premises in the offices, industrial/warehouse and retail segments. Particular focus is placed on offices which, in accordance with the Company's operational objectives, shall account for 70 per cent of the property value by 2020 (on 31 December 2016, the share was 66 per cent).



Kungsleden is an organisation with transaction experience and its employees possess extensive property expertise; consequently, conditions are favourable for successful transactions.

Sustainability at Kungsleden

Sustainability issues constitute an integral part of Kungsleden's operations. As a major property owner, the Company has an impact on the world around and thereby also has possibilities to work for sustainable development. The Company's work focuses particularly on five areas:

- **Environment** – Energy stock-taking is carried out regularly and, through energy-saving measures, Kungsleden saved SEK 6 million in 2016. The target is to reduce energy consumption by 3 per cent per year. Prior to acquisitions and sales, identified and potential environmental risks in the property in question are documented.
- **Diversity** – By reflecting the diversity in society, Kungsleden is able to enhance its possibilities in the development of the business. In 2016, the Company was named the most gender-equal company on the stock exchange and it is also pursuing active diversity work with respect to age and ethnic/cultural background.
- **Social responsibility** – By assuming responsibility and collaborating with tenants, municipalities and other local stakeholders, Kungsleden has the possibility to contribute to attractive areas and a more secure and more inclusive society.
- **Business ethics** – A professional corporate culture with conditions that are transparent and on market terms contributes to increased profitability. Kungsleden has a code of conduct for contractors. In addition, Kungsleden has internal guidelines and policies that the employees must comply with, including an internal purchasing policy as well as internal guidelines regarding relational incentives.
- **Health and safety** – By offering a sound work environment for tenants, contractors and employees, Kungsleden creates conditions for an efficient organisation and loyal tenants. Kungsleden has low sick leave numbers and clear tools for e.g. stress management, and encourages a healthy lifestyle. Regular employee surveys demonstrate that Kungsleden is considered a secure and healthy workplace. In addition, the Company arranges regular meetings with suppliers focused on the work environment, and carries out quarterly campaigns concerning safety matters.

As from 2015, Kungsleden reports its sustainability work in accordance with the Global Reporting Institute's (GRI) framework, which further increases focus, transparency and possibilities for comparable monitoring.

Employees and organisation

For long-term property owners such as Kungsleden, dialogue with the customers is important in order to understand their

needs and thereby be able to adapt the offering. To achieve this, Kungsleden has a decentralised organisation in which employees in the business are encouraged to make decisions, since they are considered to be most familiar with the local market and are closest to the customers. Quick decision-making channels are considered to contribute to motivation, while at the same time promoting drive and innovative thinking.

VALUES AND COMMERCIAL BEHAVIOUR

All Kungsleden employees must act and communicate based on the shared values and corporate culture, which describe how Kungsleden as a company – and the employees as individuals – wish to be treated, and must treat others, in the day-to-day work.

EMPLOYEES

On 31 December 2016, Kungsleden had 110 employees, of whom 62 are stationed at Kungsleden's head office in Stockholm. Of the total number of employees on 31 December 2016, 56 were women and 54 men. On the same date, the Management Team comprised of five women and four men. In 2016, the AllBright Foundation appointed Kungsleden the most gender equal company on the Stockholm Stock Exchange.

During the years 2014, 2015 and 2016, there were on average 272, 97 and 107 employees respectively.

	2016	2015	2014 ¹⁾	2013 ¹⁾
Average number of employees	107	97	272	253

1) Including Nordic Modular Group

Table 3

ORGANISATION

Until 31 December 2016, Kungsleden's core business was divided into four management regions: Stockholm, Mälardalen, Gothenburg and Malmö. As from 2017, Kungsleden is concentrating its management organisation in three more equally-sized overall management areas – Stockholm, Gothenburg/Malmö and Mälardalen. The Stockholm and Mälardalen regions hitherto will become the new Stockholm and Mälardalen management areas, while the Gothenburg and Malmö regions are being merged into the new Gothenburg/Malmö management area.

The management areas will be presided over by property managers who are members of Kungsleden's Management Team. At the same time, the local organisation within the management areas is being strengthened through the establishment of more market areas with market area managers with strong local networks, property managers, leasing personnel and technical managers. The new management organisation will comprise in total twelve market areas.



Organisation structure

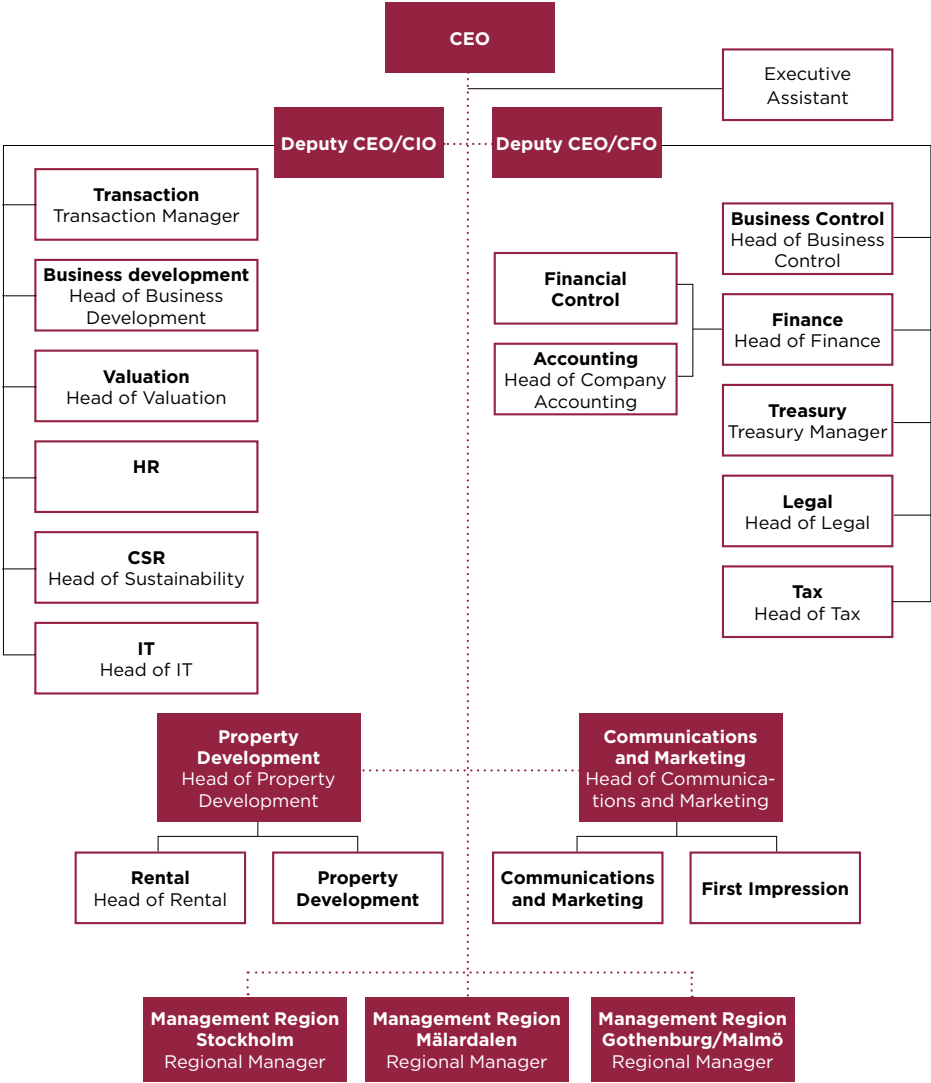


Figure 3



SKILLS AND DEVELOPMENT

Employee participation is a key element in Kungsleden’s business model, and cooperation between business areas as well as regions provides possibilities for synergies that allow for increased efficiency and growth.

All employees have a skills development plan which is followed up on a yearly basis. Development within Kungsleden may involve switching jobs between management areas and departments, going from a specialist role to a managerial role, or the assumption of increased responsibility with the possibility of learning within a new field of work.

Performance and development interviews, as well as skills development measures for all employees, are carried out annually in order to enhance the skills level and to ensure that motivation is strengthened within the organisation. In addition, skills work is required in order to, among other things, meet the increasingly exacting demands and needs of customers and society.

SALARIED EMPLOYEE POSITIONS



Diagram 5

AGE DISTRIBUTION, SALARIED EMPLOYEES

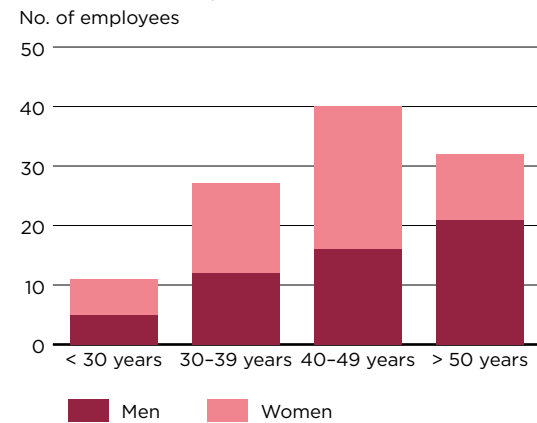


Diagram 6

SICK LEAVE, 2012-2016

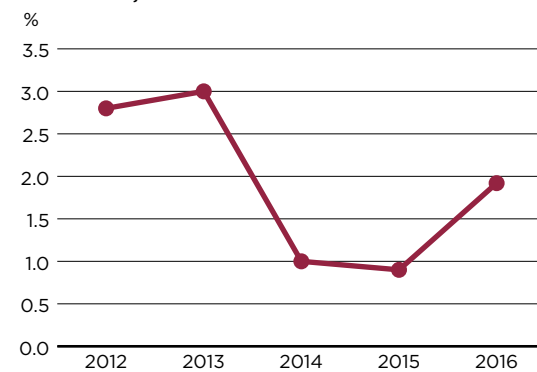


Diagram 7



THE PROPERTY PORTFOLIO

Throughout this section, reference is made to Kungsleden's property portfolio as of 31 December 2016. Financial information regarding the property portfolio indicates what the outcome would have been if the properties had been owned for the past twelve months. Sales agreements have been concluded with respect to 26 properties as well as part of properties where property formation is underway, which are included with amounts as of 31 December 2016. Divestment dates for these properties are during January–April 2017; they are entered in the accounts at SEK 692 million and have an operating net of SEK 59 million. The properties Emporia Office and Godsvagnen 9 were acquired in 2016 and 2015 respectively for SEK 784 million, with vesting of title in the spring of 2017. Unless otherwise stated, the descriptions of markets provided in the section below are based on data compiled by the property industry consultant Newsec Advice (“Newsec”).

Kungsleden's portfolio comprises commercial properties, 79 per cent of which are located in any one of the four prioritised growth markets, namely Stockholm, Gothenburg, Malmö and Västerås. 66 per cent of the portfolio consists of offices, and 63 per cent of the portfolio is located in the Company's eleven defined clusters.

As of 31 December 2016, the portfolio comprised 269 properties with a total leasable area of approximately 2,580,000 sq. m., broken down into the following property segments: offices, industrial/warehouse, retail and other. Based on market valuations, the book value of the properties amounted to SEK 29,169 million.

Kungsleden's clusters are located in easily accessible areas in which there is strong demand for commercial premises. The eleven defined clusters are:

- Danderyd Offices (offices, 99,000 sq. m.)
- Kista City (offices, 146,000 sq. m.)
- Västberga industrial area (offices/industrial/warehouse, 39,000 sq. m.)
- Stockholm City West - Western Kungsholmen (offices, 35,000 sq. m.)
- Stockholm City East - Gärdet/Frihamnen (offices/hotel, 89,000 sq. m.)
- Högsbo, Gothenburg (offices/industrial/warehouse, 108,000 sq. m.)
- Fosie, Malmö (offices/industrial/warehouse, 54,000 sq. m.)
- Hyllie, Malmö (offices/exhibition/conference centre, 50,000 sq. m.¹⁾)
- Västerås City (offices, 153,000 sq. m.)
- Finnslätten industrial area, Västerås (offices/industrial/warehouse, 236,000 sq. m.)
- Östersund City (offices/industrial/warehouse, 79,000 sq. m.)

1) Includes car park (10,000 sq.m.), which is not included in leasable area, and Emporia Office (10,000 sq. m.), where vesting of title has not yet occurred.

Kungsleden's operational objectives include concentrating the property portfolio to growth areas in Sweden, increasing the percentage of office properties, and creating more efficient management units through, among other things, existing clusters.

The clear focus on metropolitan areas and the high percentage of offices contribute to an increase in value and sound risk diversification.

The Company's industrial and warehouse properties are located in industrial clusters and logistics hubs where the tenants are able to benefit from the location, easy access and possible cluster synergies.

The Company's retail properties mainly comprise larger premises, so-called volume trade establishments in attractive retail locations with ample parking and easy access.

The Company also has office properties in regional cities, as well as in smaller growth towns in a more central locations.

Earnings capacity*	2016
Number of properties	269
Book value, MSEK	29,169
Rental value, MSEK	2,640
Leasable area, million sq. m.	2.6
Rental revenues	2,394
Operating surplus margin, %	66.0
Economic occupancy rate, %	90.7
Property yield, %	5.4

* See the section entitled *Earnings capacity*.

Table 4



PERCENTAGE OF PROPERTIES BY CATEGORY AS OF 31 DECEMBER 2016

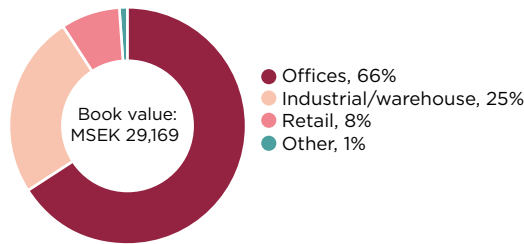


Diagram 8

PERCENTAGE OF PROPERTY CLUSTERS AND "OTHER" AS OF 31 DECEMBER 2016

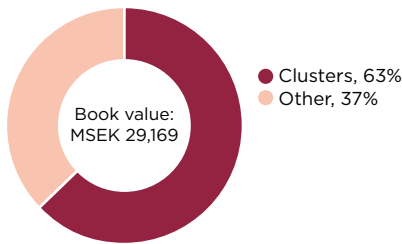


Diagram 9

RENTAL VALUE PER CATEGORY 2016

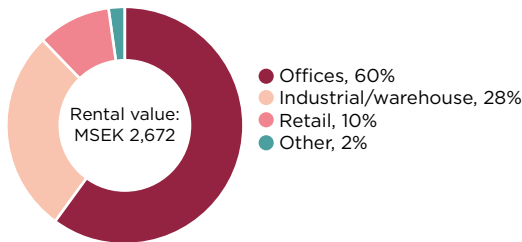


Diagram 10

PERCENTAGE OF THE PORTFOLIO IN THE GROWTH REGIONS (AS DEFINED BY STATISTICS SWEDEN) OF STOCKHOLM, GOTHENBURG, MALMÖ, VÄSTERÅS AS WELL AS "OTHER"

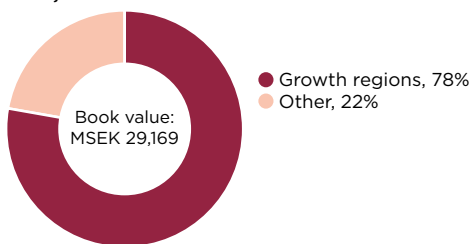


Diagram 11

PERCENTAGE OF PROPERTIES IN THE CLUSTER (ALL CLUSTERS AS WELL AS "NOT CLUSTER")

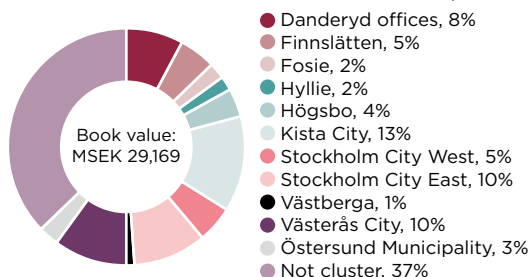


Diagram 12

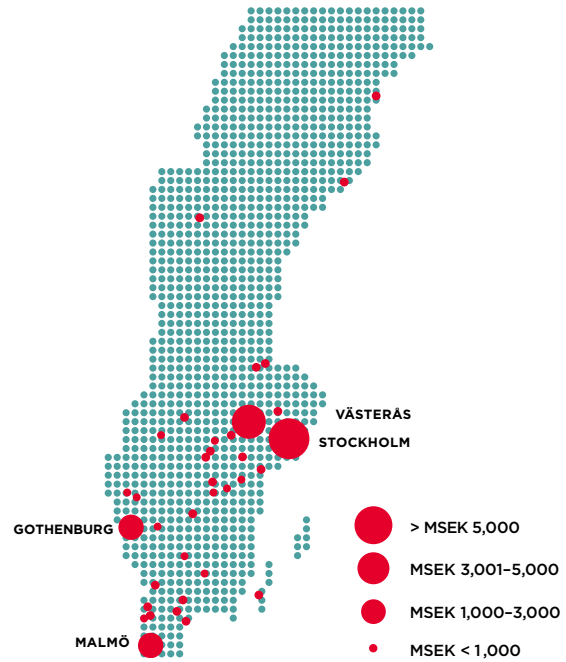


Figure 4: Kungsleden's property portfolio is located primarily in metropolitan areas as well as in larger regional cities.

Kungsleden's management regions (management areas as from 2017)

As of 31 December 2016, Kungsleden's property portfolio was divided into four geographic management regions: region Stockholm (including Östersund), region Gothenburg, region Malmö and region Mälardalen. As from 2017, Kungsleden is consolidating its management organisation in three equally sized overall management areas, in which the Stockholm and Mälardalen regions hitherto will become the new Stockholm and Mälardalen management areas respectively, while the Gothenburg and Malmö regions will be merged to form the new Gothenburg/Malmö management area.

The description below is based on Kungsleden's management regions as 31 December 2016.

MANAGEMENT REGION STOCKHOLM¹⁾

Stockholm is Sweden's leading growth market and it is here that Kungsleden has a strong presence with, as of 31 December 2016, a total of 80 properties with a book value of SEK 14,694 million, corresponding to approximately 50 per cent of Kungsleden's total property portfolio.

On 31 December 2016, the property portfolio in Stockholm corresponded to approximately 844,000 sq. m. and comprised offices, industrial/warehouse and retail properties. Most of the portfolio consists of office properties, primarily in locations with good communications outside the inner city of Stockholm, such as, Danderyd, Kista, Gärdet/Frihamnen, Tyresö and Sollentuna. The tenants vary in size and come from both the private sector and the public sector, thereby contributing to sound risk diversification.

1) Management area Stockholm as from 2017.



Kungsleden has five defined clusters in the Stockholm area: Danderyd Offices (99,000 sq. m.), Kista City (146,000 sq. m.), Stockholm City East (89,000 sq. m.), Stockholm City West (35,000 sq. m.) and Västberga Industrial Area (39,000 sq. m.).

Management region Stockholm also includes Östersund with a 79,000 sq. m. cluster of offices and industrial/warehouse properties. The properties in Östersund are centrally located and constitute the basis for potential continued development in the area. In addition, the region manages properties in, among other cities, Norrköping, Nyköping and Uppsala.

Strong service sector and international character

As the largest city and strongest growth engine in Scandinavia, Stockholm has become a natural base for multinational companies. Greater Stockholm is by far the largest job market in Sweden with a diversified business sector and an international character. One of the world’s leading ITC clusters, one of the largest biotechnology clusters in Europe and northern Europe’s

financial centre are located in the Stockholm region. The service sector is the dominant employer, with the majority of jobs in commerce and consulting. Demand for offices is continuing to grow thanks to strong urbanisation and access to a highly educated workforce, entrepreneurship and knowledge-intensive companies, as well as what is, for the Nordic region, a high percentage of international headquarters.

The Stockholm region enjoys excellent communication links with, for example, Arlanda and Bromma airports, ferry connections to several countries around the Baltic Sea, rapid inter-city train services to other large cities in Sweden, and a well-developed regional and local public transport network. Traffic congestion represents one of the largest challenges in Stockholm. Work on the Stockholm Bypass, which is the largest infrastructure project in Sweden, is conceived as resolving parts of the problem by linking the northern and southern parts of the city.



Figure 5. Kungsleden’s cluster in Stockholm is located in near sub-urbs and the outskirts of the inner city.



Figure 6. Kungsleden’s cluster in Östersund is centrally located in the city.

BREAKDOWN OF REGION STOCKHOLM’S PROPERTY PORTFOLIO AS OF 31 DECEMBER 2016 (BASED ON BOOK VALUE)

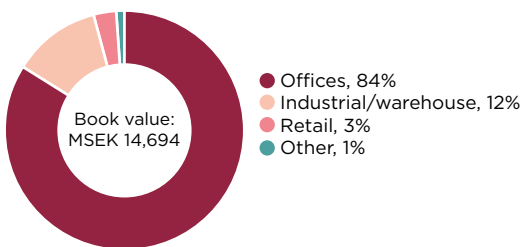


Diagram 13

REGION STOCKHOLM’S PROPERTY PORTFOLIO AS OF 31 DECEMBER 2016

	Total
Number of properties	80
Leasable area, '000 sq. m.	844
Book value, MSEK	14,694
Earnings capacity*	
Number of properties excl. project properties	75
Rental value, MSEK	1,097
Rental revenue, MSEK	1,003
Operating net, MSEK	696
Economic occupancy rate, %	91.4
Property yield, %	5.0
Operating surplus margin, %	69.3

* See the section entitled *Earnings capacity*.

Table 5



MANAGEMENT REGION GOTHENBURG¹⁾

As of 31 December 2016, Kungsliden's portfolio in management region Gothenburg comprised 81 properties with a total value of SEK 4,434 million, corresponding to approximately 15 per cent of Kungsliden's total property portfolio. Most of the property portfolio is located in Gothenburg municipality, where the Company also has a defined cluster – in the Högsbo industrial park with a leasable area of 108,000 sq. m.

Kungsliden's cluster is located in southern Högsbo and constitutes one of the Company's primary focus areas in the region. The area is on the cusp of exciting development involving extensive residential, office and retail projects aimed at creating a mixed urban environment. The area has also become more attractive to companies, in large part thanks to its strategic location close to central Gothenburg, important traffic arteries and the port in Gothenburg.

As of 31 December 2016, the portfolio in Gothenburg comprised approximately 593,000 sq. m. and consists of offices, industrial, warehouse and retail premises, with a clear emphasis on industrial and warehouse premises as a natural consequence of the proximity to the port of Gothenburg. Other than Gothenburg, some of the most important growth cities for Kungsliden in the region include Kungsbacka, Uddevalla, Linköping and Borås. The customer structure in the region is diversified and relationships are long-term, factors that are deemed to contribute to sound risk diversification and low vacancy rates.

The hub of western Sweden

Gothenburg is the hub in the economy of western Sweden. Its strategic location, in combination with having the largest port in Scandinavia and a well-developed infrastructure, has made the city into a logistics centre for the Nordic and Baltic region. The entire Gothenburg region is enjoying solid growth and the business sector is characterised by a mix of industry, research and development.

Good communication links and commuting possibilities to Gothenburg support a large local job market, which is currently one of the strongest in Sweden. Conditions will be further improved through investments in the infrastructure project *Västsvenska paketet*, as well as the rail projects *Hambanan* and *Götalandsbanan*, involving expanded infrastructure and public transport, with the objective of achieving a local job market of approximately 1.75 million inhabitants around 2030.

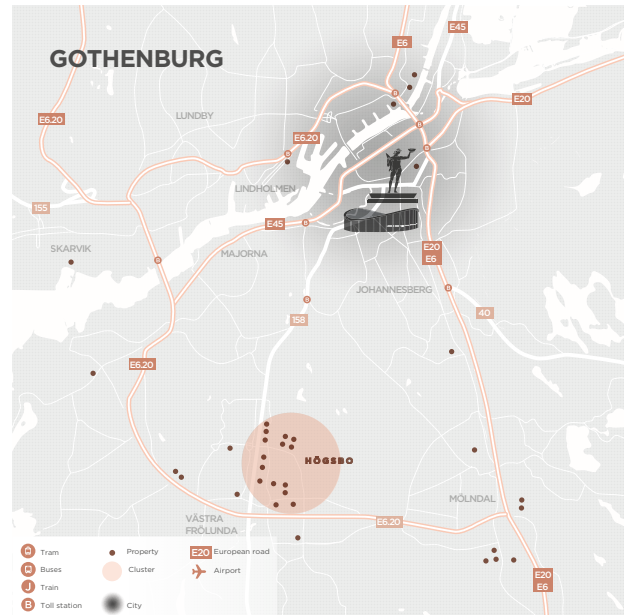


Figure 7. Map caption: The cluster in Högsbo in southern Gothenburg is located in proximity to major traffic arteries such as Dag Hammarskiöldsleden and the E6 motorway.

BREAKDOWN OF REGION GOTHENBURG'S PROPERTY PORTFOLIO AS OF 31 DECEMBER 2016 (BASED ON BOOK VALUE)

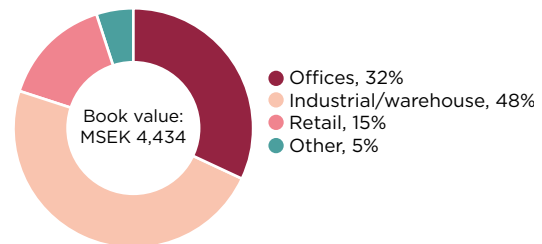


Diagram 14

REGION GOTHENBURG'S PROPERTY PORTFOLIO AS OF 31 DECEMBER 2016

	Total
Number of properties	81
Leasable area, '000 sq. m.	593
Book value, MSEK	4,434
Earnings capacity*	
Number of properties excl. project properties	81
Rental value, MSEK	451
Rental revenue, MSEK	415
Operating net, MSEK	273
Economic occupancy rate, %	92.0
Property yield, %	6.2
Operating surplus margin, %	65.8

* See the section entitled *Earnings capacity*.

Table 6

1) Part of management area Gothenburg/Malmö as from 2017.



MANAGEMENT REGION MALMÖ¹⁾

As of 31 December 2016, Kungsliden’s portfolio in management region Malmö comprised 58 properties with a total value of SEK 3,937 million, corresponding to approximately 14 per cent of Kungsliden’s total property portfolio. Most of the region’s property portfolio is located in Malmö municipality. In addition, the region manages properties in the rest of Skåne, Blekinge and parts of Småland.

As of 31 December 2016, Kungsliden’s property portfolio in Malmö comprised approximately 430,000 sq. m. and consists of offices, industrial, warehouse and retail premises. Kungsliden has long experience of owning and managing industrial and warehouse properties in the region and is an established and well-known landlord. Through good local knowledge and long-term relations with customers, Kungsliden is able to identify new or changing needs at an early stage and thereby reduce the risk of vacancies. Other than Malmö, the most important growth cities for Kungsliden in the region include Växjö, Helsingborg and Lund.

Kungsliden has two defined clusters in the region: Hyllie (50,000 sq. m.)²⁾ and Fosie (54,000 sq. m.). Hyllie is an expanding area of sustainable mixed urban development with, e.g. Malmö Arena, the MalmöMässan trade fair and convention centre, the Emporia shopping centre and the Svågertorp retail park contributing to its attractiveness. In December 2016, Kungsliden acquired Emporia Office. Some 300 companies are located in the Fosie industrial area, with proximity to several of Malmö’s major residential areas and a strategic location adjacent to the outer and inner ring roads and, similarly to Hyllie, close to the Öresund Bridge.

Part of the Nordic region’s largest job market

The Öresund region is the largest job market in the Nordic region. The major infrastructure investments made in the region constitute one of the drivers behind the region’s strong growth. The construction of the Öresund Bridge has facilitated integration of the metropolitan cities of Malmö and Copenhagen, and the City Tunnel rail link project has boosted rail traffic through Skåne and to Denmark. In 2013, the OECD (Organisation for Economic Co-operation and Development) ranked the region as the most innovative in the world; this is a result of collaboration between the business community and the high concentration of educational institutions. Among other things, one of the largest IT and biotech clusters in Europe is located in the region.

Malmö has undergone radical changes over the past 20 years, particularly within the business community which has become more diversified as large industries in many cases have been replaced by small and medium size companies in a number of different industries.

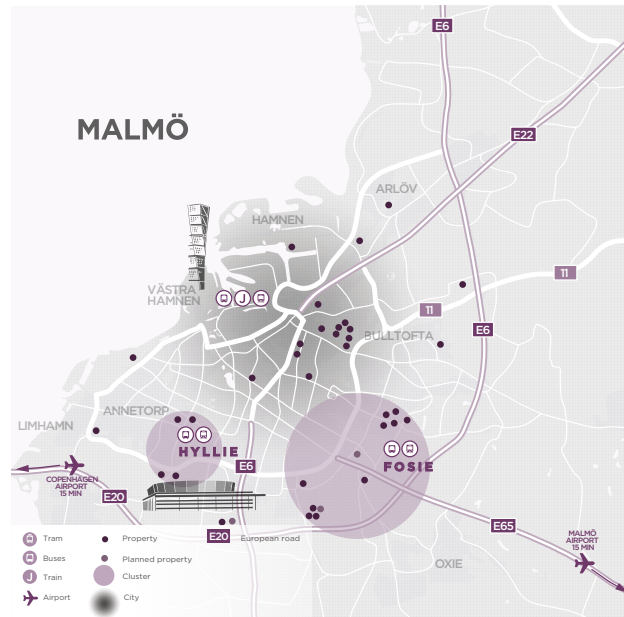


Figure 8. Kungsliden owns two clusters in Malmö: Hyllie, with its focus on offices, and Fosie with its focus on industrial properties.

BREAKDOWN OF REGION MALMÖ’S PROPERTY PORTFOLIO AS OF 31 DECEMBER 2016 (BASED ON BOOK VALUE)

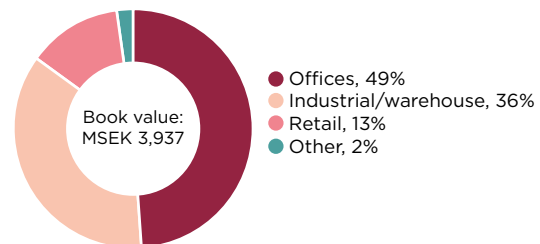


Diagram 15

REGION MALMÖ’S PROPERTY PORTFOLIO AS OF 31 DECEMBER 2016

	Total
Number of properties	58
Leasable area, '000 sq. m.	430
Book value, MSEK	3,937
Earnings capacity*	
Number of properties excl. project properties	57
Rental value, MSEK	339
Rental revenue, MSEK	309
Operating net, MSEK	223
Economic occupancy rate, %	91.4
Property yield, %	5.9
Operating surplus margin, %	71.9

* See the section entitled *Earnings capacity*.

Table 7

1) Part of management area Göteborg/Malmö as from 2017.
 2) Includes car park (10,000 sq.m.), which is not included in leasable area, and Emporia Office (10,000 sq. m.), where vesting of title has not yet occurred.



MANAGEMENT REGION MÄLARDALEN¹⁾

As of 31 December 2016, Kungsleden's portfolio in management region Mälardalen comprised 50 properties with a total value of SEK 6,104 million, corresponding to approximately 21 per cent of Kungsleden's total property portfolio. The main part of the property portfolio in Mälardalen is located in Västerås, where the Company also has two defined clusters: Västerås City (153,000 sq. m.) and the Finnslätten industrial area (236,000 sq. m.). The cluster in Västerås City comprises well-known, high-quality office properties, and Kungsleden is the largest office property owner in the city. In Finnslätten, the portfolio comprises offices, industrial and warehouse properties; here, too, Kungsleden is a strong player.

As of 31 December 2016, the property portfolio in Mälardalen corresponded to 713,000 sq. m. and consists of offices, industrial, warehouse and retail premises, with a focus on offices.

In addition to Västerås, Kungsleden also has properties in, for example, Örebro and Eskilstuna. The Company has local offices in the region that are fully familiar with the properties under management. Local presence enables good relations with both tenants and local authorities.

High growth, positive collaboration and good infrastructure

Västerås is the fifth largest city in Sweden, with a diversified business community and strong growth.

Collaboration between the regional cities of Västerås, Örebro and Eskilstuna constitutes an important factor for Mälardalen's continued growth. The region's well-developed infrastructure in the form of motorways and railways, as well as the Västerås and Örebro airports, contributes to increased accessibility between these cities and to reducing the travel time to Stockholm. The fact that Stockholm is within commuting distance provides the Mälardalen region with a major competitive advantage over other regional cities, and has led to companies' establishment in the region, as well as to internal migration and an inflow of investments. Examples include the development of a new travel centre with adjacent train station, as well as a new residential area in Västerås on the edge of Lake Mälaren.

Västerås is located along the E18 motorway, and its good rail communications have contributed to the city's strong development. Correspondingly, Örebro's proximity to motorways and railways has enhanced the city's importance as a logistics hub in the region.

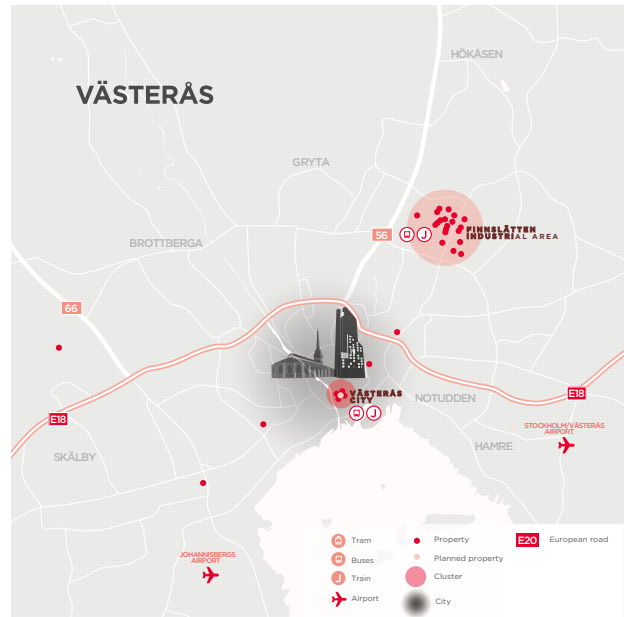


Figure 9. In Västerås, Kungsleden has an office cluster in Västerås City and a cluster in the Finnslätten industrial area immediately outside the city centre.

BREAKDOWN OF REGION MÄLARDALEN'S PROPERTY PORTFOLIO AS OF 31 DECEMBER 2016 (BASED ON BOOK VALUE)

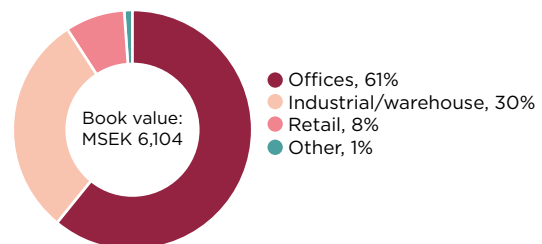


Diagram 16

REGION MÄLARDALEN'S PROPERTY PORTFOLIO AS OF 31 DECEMBER 2016

	Total
Number of properties	50
Leasable area, '000 sq. m.	713
Book value, MSEK	6,104
Earnings capacity*	
Number of properties excl. project properties	43
Rental value, MSEK	628
Rental revenue, MSEK	586
Operating net, MSEK	364
Economic occupancy rate, %	93.2
Property yield, %	6.3
Operating surplus margin, %	62.0

* See the section entitled *Earnings capacity*.

Table 8

1) Management area Mälardalen as from 2017.



Tenants and lease structure

Kungsleden's customers represent a cross-section of the Swedish business community and include, among others, large companies such as ABB, ICA, Swedish cutting-edge companies such as Tobii, various types of public sector operations, as well as the Nobis hotel chain. As of 31 December 2016, Kungsleden had approximately 2,433 leases, with an average remaining contract length of 4 years.

As of 31 December 2016, the 10 largest tenants accounted for 25 per cent of Kungsleden's rental revenues and had an average remaining contract length of 5.4 years¹⁾. The largest tenant, ABB, accounted for 12 per cent of rental revenues²⁾.

Tenant	Rental revenue, MSEK*	Average remaining contract length, years
ABB	271	5.6
Bring Frigoscandia AB	66	8.2
The Swedish Armed Forces	54	2.6
Överskottsbolaget	41	4.3
The Västerås City	31	7.0
ICA	27	2.3
Sveriges Television AB	24	1.6
Westinghouse Electric Sweden AB	23	5.7
S M H I (The Swedish Meteorological and Hydrological Institute)	20	4.0
Artexis Nordic AB	20	10.3

* Information based on a separate reporting system in which the rental value is adjusted for rental guarantees, rent discounts allocated to periods, and regular changes in annual amounts.

Table 9

LEASE EXPIRY STRUCTURE, DECEMBER 2016³⁾

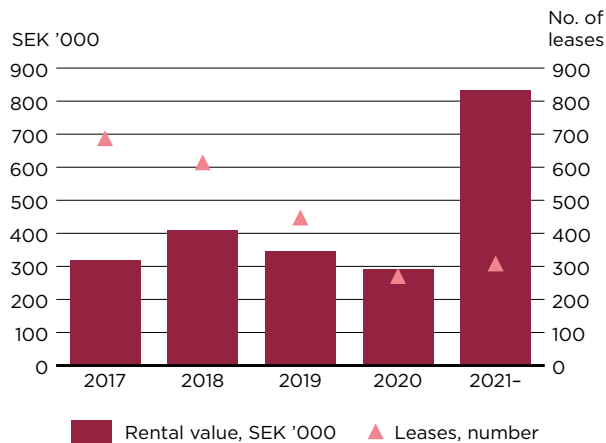


Diagram 17

LEASES PER PROPERTY CATEGORY, DECEMBER 2016⁴⁾

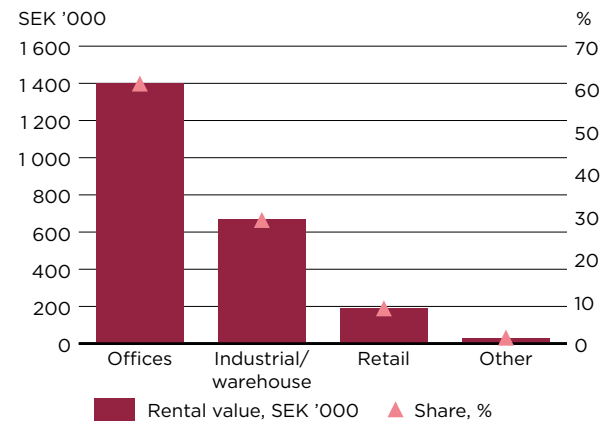


Diagram 18

Rental value, rental revenues and occupancy rate

The total rental value of Kungsleden's property portfolio in 2016 is estimated at approximately SEK 2,672 million. As of 31 December 2016, rental revenues including supplements such as property tax, heating and electricity costs amounted to approximately SEK 2,422 million.

As of 31 December 2016, the economic occupancy rate was 90.6 per cent. Broken down by property segment, the economic occupancy rate was 90.0 per cent for offices, 92.1 per cent for industrial/warehouse, 90.6 per cent for retail and 88.0 per cent for "other".

Property costs

OPERATING AND MAINTENANCE COSTS

Kungsleden's largest operating cost items comprise heating, water, electricity and maintenance. Other operating costs include insurance, security and refuse collection. The price of electricity is determined by supply and demand on the open market. Kungsleden has mitigated the risk through price hedging as regards a certain volume of electricity. Electricity and heating costs are normally passed on to the tenants in respect of leased areas. Cash flow and operating net from the properties are affected by annual fluctuations in media and maintenance costs.

Maintenance costs aimed at maintaining the condition and standard of the properties represent another property cost in Kungsleden's operations.

In 2016, the Company's operating and maintenance costs amounted to approximately SEK 714 million, corresponding to approximately SEK 268 per sq. m.

PROPERTY ADMINISTRATION

Kungsleden's property administration costs primarily comprise costs for rent invoicing, letting, project management and marketing. In 2016, the Company's property administration costs amounted to approximately SEK 113 million, corresponding to approximately SEK 43 per sq. m.

1) Information based on a separate reporting system in which the rental value is adjusted for rental guarantees, rent discounts allocated to periods, and regular changes in annual amounts.
 2) Information based on a separate reporting system in which the rental value is adjusted for rental guarantees, rent discounts allocated to periods, and regular changes in annual amounts.
 3) Information based on a separate reporting system in which the rental value is adjusted for rental guarantees, rent discounts allocated to periods, and regular changes in annual amounts.

4) Information based on a separate reporting system in which the rental value is adjusted for rental guarantees, rent discounts allocated to periods, and regular changes in annual amounts.



PROPERTY TAX

Governmental property tax currently amounts to 1 per cent of the tax assessment value for commercial premises and 0.5 per cent for industrial premises.

As of 31 December 2016, the tax assessment value of the property portfolio was approximately SEK 13,475 million. In 2016, property tax amounted to approximately SEK 116 million, of which SEK 89 million was passed on to tenants. Passed on charges corresponded to approximately SEK 40 per sq. m.

SITE LEASEHOLDS AND LEASEHOLDS

Kungsleden holds 60 properties under site leaseholds or leaseholds. Holders of site leasehold properties pay an annual site leasehold fee in respect of the land to which the landowner (usually the State or a municipality) has granted a lease. Thus, the site leaseholder does not own the land, but only buildings constructed on the land. Site leasehold agreements are usually renegotiated every 10–20 years, but both longer and shorter agreements occur. Site leasehold fees are currently calculated in such a manner that the landowner receives a reasonable real rate of interest on the estimated value of the land. In 2016, Kungsleden's site leasehold fee costs (including leases) amounted to approximately SEK 24 million.



EARNINGS CAPACITY

The earnings capacity intends to illustrate the characteristics of the properties held at a certain point in time and the financial results of those properties, calculated over the past 12 months. The estimate facilitates the assessment of the current property portfolio's underlying earnings capacity. For properties owned during the entire past twelve-month period the actual financial outcome during the period is used. The estimated earnings capacity is adjusted to the extent that non recurring items have occurred in the reported income for the past 12 months. It is important to note that the earnings capacity is not a forecast. Instead, it intends to illustrate the characteristics of the properties held at a certain point in time and such properties' financial outcome, calculated over the past 12 months. The earnings capacity shall be considered a theoretical snapshot and is presented for illustrative purposes only.

As regards properties held less than 12 months an estimate is made based on a combination of annualised financial result and the acquisition computation. Property administration costs are included in the cost concepts for the earnings capacity. The

estimated earnings capacity does not include any information or assessment of the future trends for vacancy rates, rental developments, or changes in value. Similarly, divestments and acquisitions of properties are not taken into account in the earnings capacity unless vesting of title has occurred on the closing date.

The table below shows the earnings capacity in Kungsliden's property portfolio as at 31 December 2016. Project properties are reported as a separate property category. The used data regarding costs includes SEK 113 million which is the actual cost outcome for property administration during the past 12 months.

Otherwise, no adjustments or other assessments of earnings capacity have been made.

Information about the earnings capacity has been reviewed by the Company's auditor, see *Auditor's report on earnings capacity* below.

EARNINGS CAPACITY PER PROPERTY CATEGORY

	Office	Industrial/ warehouses	Retail	Other	Total excl. project properties	Project properties	All properties
Number of properties	112	95	37	12	256	13	269
Leasable area, thousand sq. m.	1,142	1,095	174	40	2,451	129	2,580
Rental value, MSEK	1,563	726	181	45	2,515	125	2,640
Rental revenue, MSEK	1,423	682	169	39	2,313	81	2,394
Operating net, MSEK	921	500	115	20	1,556	26	1,582
Book value, MSEK	18,798	6,902	1,804	356	27,860	1,309	29,169
Economic occupancy rate, %	91.0	93.9	93.6	87.5	92.0	64.5	90.7
Occupancy rate, area wise, %	83.6	91.8	90.3	66.9	87.5	42.3	85.2
Surplus ratio, %	64.7	73.2	67.9	49.2	67.1	32.5	66.0
Property yield, %*	4.9	7.2	6.4	5.5	5.6	2.0	5.4

* Net operating income in relation to the book value of the properties at the end of the period. For other definitions, see *Definitions* in the section *Selected financial information*.

Table 10

EARNINGS CAPACITY PER REGION (EXCLUDING PROJECT PROPERTIES)

	Region Stockholm	Region Gothenburg	Region Malmö	Region Mälardalen
Number of properties	75	81	57	43
Leasable area, thousand sq. km.	789	593	415	654
Rental value, MSEK	1,097	451	339	628
Rental revenue, MSEK	1,003	415	309	586
Operating net, MSEK	696	273	223	364
Book value, MSEK	13,867	4,434	3,755	5,804
Economic occupancy rate, %	91.4	92.0	91.4	93.2
Occupancy rate, area wise, %	85.3	88.7	89.0	88.0
Surplus ratio, %	69.3	65.8	71.9	62.0
Property yield, %	5.0	6.2	5.9	6.3

Table 11



AUDITOR'S REPORT ON EARNINGS CAPACITY

TO THE BOARD OF DIRECTORS OF KUNGSLEDEN AB (PUBL), REG.NR 556545-1217

The Auditor's report on compilation of earnings

We have examined how the compilation of earnings on page 46 in Kungsleden AB (publ)'s (below "the Company") prospectus dated 8 March 2017 has been prepared.

The Board of Directors' and CEO's responsibility

The Board of Directors and the CEO are responsible for the preparation of the compilation of earnings and, together with the principal assumptions upon which it is based, in accordance with the requirements of the EU Prospectus Regulation (EC) No. 809/2004.

Auditor's responsibility

It is our responsibility to provide an opinion by Annex 1, item 13.2, of the EU Prospectus Regulation (EC) No 809/2004. We are not required to, nor do we, express an opinion on the possibility of the achievement of results or on the assumptions on which the compilation of earnings is based. We do not take any responsibility for any financial information used in the compilation of the earnings beyond the responsibility we have for the audits reports concerning historical financial information we have given previously.

Work performed

We performed our work in accordance with FAR's Recommendation RevR 5 Examination of financial information in Prospectuses. This recommendation requires that we plan and perform the review to obtain limited assurance about whether the report is free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent in regard to the Company in accordance with generally accepted auditing standards in Sweden and otherwise fulfilled our ethical responsibilities under these requirements.

Our work has included an evaluation of the procedures undertaken by the Board of Directors and the CEO in compiling the earnings and the accounting policies when compiling the earnings compared to those policies adopted by the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to obtain reasonable assurance that the compilation of earnings has been compiled based on the basis stated on page 46.

Since the compilation of earnings and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the compilation of earnings. Differences may prove to be material.

Other disclosures

This report is issued for the sole purpose of the public offering in Sweden and the admission of shares on Nasdaq Stockholm and other regulated markets in the European Union or European Economic Area, as set out in the prospectus approved by the Financial Supervisory Authority of Sweden. Our work has not been carried out in accordance with auditing, assurance or other standards and practices generally accepted in the United States and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the public offering described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the offer to the public of the shares on Nasdaq Stockholm and other regulated markets in the European Union or European Economic Area, as set out in the prospectus approved by the Financial Supervisory Authority of Sweden.

Opinion

In our opinion, the earnings has been properly compiled on the basis stated on page 46 and in accordance with the accounting policies applied by the Company.

Ernst & Young AB
Stockholm, 8 March 2017

Ingemar Rindstig
Authorised public accountant



SELECTED FINANCIAL INFORMATION

The following financial reports in brief (as well as key figures calculated in accordance with International Financial Reporting Standards (“IFRS”)) relating to full years have been derived from Kungsleden’s annual reports for the financial years 2013–2015, which have been prepared in accordance with IFRS, as adopted by the EU, and audited by the Company’s auditor. The financial reports in brief (as well as key figures calculated in accordance with IFRS) relating to January–December of 2016 have been derived from Kungsleden’s financial statement for the period January–December 2016, which has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act (Sw. årsredovisningslagen (1995:1554)). The financial statement has not been reviewed or audited by the Company’s auditor. For further information on how reporting has taken place, reference is made to “Note 1 – Group Accounting Principles” on p. 64 and onwards in Kungsleden’s annual report for 2015.

In addition, the prospectus contains certain key figures that have not been defined in accordance with IFRS. These financial key figures have been neither reviewed nor audited by the Company’s auditor. Kungsleden believes that, to a large extent, these key figures are used by certain investors, securities analysts and other interested parties as supplementary measures of earnings trend and financial condition. Kungsleden’s key figures that have not been defined in accordance with IFRS are not necessarily comparable with similar measures presented by other companies and, as analysis tools, are subject to certain restrictions. Accordingly, they should not be considered separately from, or as a substitute for, Kungsleden’s financial information prepared in accordance with IFRS.

The information below should be read together with Kungsleden’s financial reports for the financial years 2013–2015 and for the period January–December 2016, which are incorporated in this prospectus by reference (see “Incorporation by reference, etc.” in the section “Legal considerations and supplementary information”). All reports are available on Kungsleden’s website, (www.kungsleden.se).

Other than as stated above and in the section “Earnings capacity”, no information in this prospectus has been reviewed or audited by the Company’s auditor.



Extract from the consolidated income statement

MSEK	Not audited	Audited	Audited	Audited
	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
Rental revenue ¹⁾	2,422	2,314	2,193	2,224
Other revenue ²⁾	7	-	-	-
Property costs ³⁾	-827	-769	-703	-923
Operating net⁴⁾	1,602	1,545	1,491	1,301
Selling and administration costs	-112	-106	-101	-157
Net financial items				
Financial income	1	11	11	18
Interest expenses	-467	-459	-630	-554
Profit participation in associated companies	-	24	-	-
Other financial expenses	-34	-50	-41	-61
	-500	-473	-660	-596
Profits from property management	990	966	730	549
Value changes				
Profit from sale of Nordic Modular Group	-	24	-	-
Profit from property sales	32	11	73	8
Unrealised changes in value properties	1,658	970	930	48
Unrealised changes in value of financial instruments	-321	176	-427	425
Profit before tax	2,359	2,147	1,306	1,030
Tax				
Current tax	0	-1,305	-1,610	-12
Deferred tax	-490	-337	-355	-180
Profit (loss) for the year, continuing operations	1,869	505	-659	838
Discontinued operations				
Discontinued operations: Nordic Modular, after tax	-	-	63	-
Impairment loss on Nordic Modular	-	-	-157	-
Discontinued operations: Hemsö holdings, after tax	-	-	-	24
Net profit (loss) for the year	1,869	505	-753	862

1) Refers to net sales 2013 (whereof rental revenue from real estate amounted to SEK 1,669 million).

2) Reported separately as from 2016. Prior to 2016 other revenue was part of rental revenue - property costs. Other revenue with definition 2016 are 2015 SEK 76 million, 2014 SEK 1 million and 2013 SEK 15 million.

3) Refers to property costs (real estate and modular building) and costs for module manufacturing 2013 (whereof property costs related to real estate amounted to SEK 538 million).

4) Refers to gross profit 2013 (whereof net operating income from real estate amounted to SEK 1,131 million).

Table 12



Extract from the consolidated statement of financial position

MSEK	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
ASSETS				
Non-current assets				
Intangible assets	11	5	-	201
Investment properties – property	29,169	27,470	19,612	20,338
Investment properties – modular building	-	-	-	1,509
Property used in business operations	-	-	-	22
Tangible fixed assets	9	10	8	15
Deferred tax liability	-	-	31	35
Shares in the associated companies	-	-	-	-
Other non-current receivables	12	6	9	239
Total non-current assets	29,201	27,491	19,661	22,359
Current assets				
Current receivables	232	232	142	287
Derivatives ¹⁾	-	-	-	-
Assets held for disposal – modular building and property used in business operations	-	-	1,428	-
Assets held for disposal – other	-	-	372	-
Cash and bank	57	441	1,437	323
Total current assets	289	673	3,379	610
TOTAL ASSETS	29,490	28,164	23,040	22,968
EQUITY AND LIABILITIES				
Equity	10,839	9,333	9,102	8,453
Interest-bearing liabilities				
Liabilities to credit institutions	13,728	16,381	9,613	10,579
Bond loans (unsecured)	975	1,075	1,699	2,299
Other borrowings	1,808	-	-	-
Liabilities related to assets held for disposal	-	-	362	-
Total interest-bearing liabilities	16,511	17,456	11,675	12,879
Non interest-bearing liabilities				
Provisions	12	5	5	60
Deferred tax liability	761	287	-	-
Derivatives ¹⁾	653	347	1,134	708
Other non interest-bearing liabilities	714	737	658	869
Liabilities related to assets held for disposal	-	-	467	-
Total non interest-bearing liabilities	2,140	1,375	2,264	1,637
TOTAL EQUITY AND LIABILITIES	29,490	28,164	23,040	22,968

1) As of 2016, the gross amount of derivatives has been reported in the balance sheet.

Table 13



Extract from the consolidated statement of cash flow

MSEK	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
Cash flow from operating activities before change in working capital	1,007	-343	-509	480
Changes in working capital	4	-184	727	-5,128
Cash flow from operating activities after change in working capital	1,011	-527	218	-4,648
Cash flow from investing activities	-86	-5,978	730	1,961
Cash flow from financing activities	-1,309	5,509	164	2,288
Cash flow for the period	-384	-996	1,112	-400
Cash equivalents at the beginning of the period	441	1,437	323	721
Exchange rate differences on cash equivalents.	0	0	3	1
Cash equivalents at the end of the period	57	441	1,437	323

Table 14

Key figures and data per share

	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
Property related key ratios				
Property yield, % ²⁾	5.7	6.6	7.5	6.5
Economic occupancy rate, % ³⁾	90.6	90.6	91.5	93.2
Surplus ratio, % ²⁾	65.9	66.8	68.0	67.8
Occupancy rate, area wise, % ³⁾	86.6	87.8	87.3	88.7
Economic vacancy rate, % ³⁾	9.4	9.4	8.5	6.8
Key figures, financial				
Return on assets, % ²⁾	5.3	5.8	6.6	5.4
Return on equity, % ²⁾	18.5	5.5	Neg	10.7
Interest coverage ratio, times ²⁾	3.0	2.9	2.2	1.9
Equity ratio, % ²⁾	36.8	33.1	39.5	36.8
Debt/equity ratio, times ²⁾	1.5	1.9	1.3	1.5
Loan-to-value (LTV) ratio, % ²⁾	56.4	61.9	52.2	61.7
Data per share				
Number of shares at the end of the period, number ³⁾	182,002,752	182,002,752	182,002,752	136,502,064
Average number of shares, number ³⁾	182,002,752	182,002,752	145,352,883	136,502,064
Total return on shares, % ²⁾	-1.2	9.7	33.7	24.9
Yield on shares, % ²⁾	3.5	2.5	2.2	2.3
Profits from property management, SEK ¹⁾	5.44	5.31	5.02	4.02
Profit for the year, SEK ¹⁾	10.27	2.78	-5.18	6.31
Equity, SEK ¹⁾	59.55	51.28	50.01	61.93
EPRA NAV (Long-term net asset value), SEK ²⁾	69.32	56.76	57.18	68.35
Cash flow before changes in working capital, SEK	5.53	-1.88	-3.50	3.52

The key figures for the period January-December 2016 are not audited.

1) IFRS-key figure, audited.

2) Alternative key figure, not audited.

3) Non-financial key figure.

Table 15

DEFINITIONS

Definitions of key figures according to IFRS

NUMBER OF SHARES AT THE END OF THE PERIOD

Number of ordinary shares outstanding at the end of the period.

AVERAGE NUMBER OF SHARES

Average number of shares during the period.

DIVIDENDS (PAID)

Dividends during the period.



Definitions of alternative key figures that are not calculated according to IFRS

Key figure	Definition	Explanation
Property related key ratios		
Rental revenue, SEK	Billed rents, rent surcharges and rental guarantees less rent discounts.	Ratio used to show rental revenue during the relevant period.
Other revenue, SEK	Revenue that is not directly associated with lease agreements. New definition from 2016 – previously a part of rental revenue.	Ratio used to show rental revenue during the relevant period.
Rental value, SEK	Rental revenue plus the assessed market rent for unleased space.	Ratio used to show the rental revenue potential at full occupancy.
Property yield, %	Operating net in relation to the average book value of properties.	Ratio used to show the return/margin on operating net in relation to the value of property.
Economic occupancy rate, %	Rental revenue divided by rental value.	Ratio used to help facilitate the assessment of rental revenue in relation to the total value of available, unleased space. Provides a more detailed picture of revenues in the property portfolio.
Surplus ratio, %	Operating net divided by total revenue.	Ratio with the purpose of showing the return on the operating net in relation to the Company's total revenue.
Occupancy rate, area wise, %	Leased area divided by leasable area.	Figure used to assess the proportion of the Company's properties that is leased, in terms of surface area.
Economic vacancy rate, %	Assessed market rent for unleased space divided by rental value.	Figure used to assess the proportion of the Company's properties that is leased, in terms of rental value.
Key figures, financial		
Return on assets, %	Operating net, profit (loss) on property divestment, selling and administration costs, 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.	Figure showing the return generated on the assets of the Company, and the Company's effectiveness irrespective of how the assets are financed.
Return on equity, %	Profit (loss) for the period after tax divided by average equity.	Figure showing the return generated on the capital invested in the Company by the shareholders.
Interest coverage ratio, times	Profit (loss) for the period plus unrealised changes in value of financial instruments, properties and discontinued operations and profit (loss) from divestments and financial expenses, divided by financial expenses.	Figure used to help facilitate the assessment of the Company's ability to meet its ongoing financial obligations.
Equity ratio, %	Equity including minority interests divided by total assets.	Figure used to show the Company's capital structure and facilitate an assessment of the Company's financial stability.
Debt/equity ratio, times	Interest-bearing liabilities divided by equity.	Figure reported to complete the picture of the Company's capital structure and further facilitates the assessment of the Company's financial stability.
Loan-to-value (LTV) ratio, %	Interest-bearing liabilities less cash and bank balances, divided by the book value of properties.	Figure showing the proportion of net debt in relation to the value of the Company's managed properties.
Data per share		
Total return on shares, %	Sum of the change in the share price during the period and, paid dividend/redemption during the period divided by the share price at the start of the period.	Figure used to help facilitate the assessment of the total return on historical investments in the Company.
Yield on shares, %	Decided/proposed dividend/redemption in relation to the share price at the end of the period.	Figure used to help facilitate the assessment of the yield in dividends/redemption on historical investments in the Company.
Profits from property management, SEK	Profits from property management divided by the average number of shares during the period.	Figure that helps facilitate the assessment of the Company's profit per share.
EPRA NAV (Long-term net asset value), SEK	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.	This figure provides an adjusted and additional measure of the size of equity per share.



RECONCILIATION TABLE

MSEK	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
Rental revenue - properties	2,422	2,314	2,193	1,669
Less other revenue properties	ET	-76	-1	-15
Rental revenue according to definition 2016	2,422	2,238	2,192	1,654
Assessed market rent for unleased space - properties	250	233	203	120
Rental revenue - properties, MSEK	2,672	2,471	2,395	1,774
Operating net - properties	1,602	1,545	1,491	1,131
Average book value of properties	28,320	23,542	19,976	17,291
Property yield, %	5.7%	6.6%	7.5%	6.5%
Rental revenue - properties	2,422	2,314	2,193	1,669
Less other revenue properties	ET	-76	-1	-15
Rental revenue according to definition 2016	2,422	2,238	2,192	1,654
Rental value - properties	2,672	2,471	2,395	1,774
Economic occupancy rate, %	90.6%	90.6%	91.5%	93.2%
Operating net - properties	1,602	1,545	1,491	1,131
Total revenue - properties	2,430	2,314	2,193	1,669
Surplus ratio, %	65.9%	66.8%	68.0%	67.8%
Operating net	1,602	1,545	1,491	1,301
Profit (loss) on property divestments	32	35	73	8
Selling and administration cost	-112	-106	-101	-157
Profit (loss) discontinued operations, net after tax	-	-	63	24
Total	1,522	1,474	1,526	1,176
Average total assets - financial position	28,827	25,602	23,004	21,934
Adjustment of derivatives	25	25	ET	ET
Average total assets - adjustment of derivatives	28,852	25,627	23,004	21,934
Return on assets, %	5.3%	5.8%	6.6%	5.4%
Profit (loss) for the period after tax	1,869	505	-753	862
Average equity	10,086	9,218	8,778	8,090
Return on equity, %	18.5%	5.5%	Neg	10.7%
Profit (loss) for the period after tax	2,359	2,147	1,306	1,030
Adding back				
Changes in value of financial instruments and properties	-1,337	-1,146	-503	-473
Profit (loss) from divestments	-32	-35	-73	-8
Interest rate cost and other financial expenses	501	509	671	614
Profit (loss) from discontinued operations, net after tax	-	-	63	24
Total	1,491	1,475	1,463	1,187
Financial expenses	501	509	671	614
Interest coverage ratio, times	3.0	2.9	2.2	1.9
Equity	10,839	9,333	9,102	8,453
Total assets	29,490	28,164	23,040	22,968
Adjustment of derivatives	ET	49	ET	ET
Total assets after adjustments of derivatives	29,490	28,213	23,040	22,968
Equity ratio, %	36.8%	33.1%	39.5%	36.8%



MSEK	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015	1 Jan-31 Dec 2014	1 Jan-31 Dec 2013
Equity	10,839	9,333	9,102	8,453
Interest-bearing liabilities	16,511	17,456	11,675	12,879
Debt/equity ratio, times	1.5	1.9	1.3	1.5
Interest-bearing liabilities	16,511	17,456	11,675	12,879
Cash and bank	-57	-441	-1,437	-323
Total	16,454	17,015	10,238	12,556
Property value	29,169	27,470	19,612	20,338
Loan-to-value (LTV) ratio, %	56.4%	61.9%	52.2%	61.7%
Equity	10,839	9,333	9,102	8,453
Adding back derivatives	653	347	1,134	708
Adding back deferred tax liability	761	287	-31	-35
Adding back received deductions for deferred tax in conjunction with acquisitions	364	364	203	204
Long-term net asset value	12,617	10,331	10,408	9,330
Number of shares at the end of the period	182,002,752	182,002,752	182,002,752	136,502,064
EPRA NAV (Long-term net asset value), SEK	69.32	56.76	57.18	68.35

Table 16



OPERATIONAL AND FINANCIAL OVERVIEW

Comparison between the 2016 and 2015 financial years

Kungsleden's profit from property management, i.e. profit excluding changes in value, taxes and discontinued operations, amounted to SEK 990 million in 2016, an increase of SEK 24 million compared with 2015 when it amounted to SEK 966 million. Profit for the period after tax increased from SEK 505 million in 2015 to SEK 1,869 million in 2016. A description is provided below of factors affecting the change between the two years in the various items in the income statement. The section also contains a description of factors that have affected cash flow and specific items in the statement of financial position.

REVENUES

Rental revenues for 2016 amounted to SEK 2,422 million, an increase of SEK 108 million compared with 2015 when rental revenues amounted to SEK 2,314 million¹⁾. Other revenues are reported separately as from 2016 and, during the year, amounted to SEK 7 million. The increase in rental revenues is attributable to the property portfolio and economic occupancy rate. Other revenues in 2016 primarily comprised lease break fees.

PROPERTY COSTS

Total property costs in 2016 amounted to SEK -827 million, an increase of SEK 58 million compared with 2015 when they amounted to SEK -769 million. The increase is primarily due to net acquisitions.

SELLING AND ADMINISTRATION COSTS

Selling and administration costs for 2016 amounted to SEK -112 million, an increase of SEK 6 million compared with 2015, when selling and administration costs amounted to SEK -106 million.

FINANCIAL INCOME AND EXPENSES

Financial income for 2016 amounted to SEK 1 million, a reduction of SEK 10 million compared with 2015, when financial income amounted to SEK 11 million. Interest expenses in 2016 amounted to SEK -467 million, an increase of SEK 8 million compared with 2015 when they amounted to SEK -459 million. Shares in profits of associated companies amounted to SEK 0 million in 2016 since Kungsleden did not have any

holdings in associated companies, compared with SEK 24 million in 2015. Other financial expenses in 2016 amounted to SEK -34 million, compared with SEK -50 million in 2015.

CHANGES IN VALUE

Profits from property sales in 2016 amounted to SEK 32 million, an increase of SEK 21 million compared with 2015, when they amounted to SEK 11 million. Unrealised changes in value of properties in 2016 amounted to SEK 1,658 million, an increase of SEK 688 million compared with 2015 when they amounted to SEK 970 million. Unrealised changes in value connected to financial instruments amounted to SEK -321 million in 2016, compared with SEK 176 million in 2015.

TAX

In 2016, Kungsleden reported a current tax expense of SEK 0 million as well as a deferred tax expense of SEK -490 million. The corresponding amounts in 2015 were SEK -1,305 million and SEK -337 million respectively. The current tax expense 2015 consisted of reservation for tax proceedings following negative judgements in the Administrative Court of Appeal in December 2015 of SEK -1,319 million. In addition, SEK 140 million was recorded as a tax asset for increased losses after adjustments of derivatives in previous year's tax declarations. Otherwise, the tax expense corresponds to approximately 22 per cent of the profit before tax.

PROFIT (LOSS) FOR THE PERIOD

Profit in 2016 amounted to SEK 1,869 million, representing an increase of SEK 1,364 million compared with 2015, when the profit was SEK 505 million. Earnings per ordinary share in 2016 amounted to SEK 10.27, which is an increase compared with 2015 when earnings per ordinary share amounted to SEK 2.78. The increase in 2016 compared to 2015 is primarily attributable to the current tax expense of SEK -1,305 million during 2015 (compared with SEK 0 million during 2016), as well as changes in property value and increased rental revenues during 2016.

CASH FLOWS

Cash flow from operating activities before changes in working capital amounted to SEK 1,007 million in 2016. In 2015, cash flow from operating activities before changes in working capital amounted to SEK -343 million.

Cash flow from investing activities in 2016 affected the cash flow by SEK -86 million. The corresponding figure for 2015 was SEK -5,978 million. The reduction in 2016 is mainly due to fewer acquisitions in 2016; property acquisitions in 2015 amounted to SEK -6,944 million, compared with SEK -230 million in 2016.

1) Of which SEK 76 million is characterised as "Other revenues" as defined in 2016.



Cash flow from financing activities affected the cash flow in 2016 by SEK –1,309 million. The corresponding figure in 2015 was SEK 5,509 million.

In total, cash and cash equivalents declined by SEK –384 million in 2016, compared with a decline of SEK –996 million in 2015.

ACQUISITIONS AND INVESTMENTS

Total investments in properties in 2016 resulted in a cash flow effect of SEK 839 million, of which SEK 230 million related to acquisitions of new properties and SEK 609 million related to investments in the existing portfolio. Corresponding figures for 2015 were SEK 7,394 million, of which SEK 6,944 million related to acquisitions of new properties and SEK 450 million related to investments in the existing portfolio.

SALES

In 2016, 23 properties were divested, which resulted in a cash flow effect totalling SEK 776 million. The largest divestment was the sale of two properties to Trophi Holding for SEK 155 million. In 2015, 35 properties were divested, which resulted in a cash flow effect totalling SEK 1,974 million.

PROPERTY PORTFOLIO

On 31 December 2016, the property portfolio comprised 269 register properties, a reduction of 22 register properties compared with 31 December 2015, when the property portfolio comprised 291 properties. On 31 December 2016, the properties had a fair value of SEK 29,553 million, compared with SEK 27,835 million on 31 December 2015. After taking into account receipt of deductions in respect of deferred tax in conjunction with acquisitions, in the amount of SEK 364 million in 2016 and SEK 364 million in 2015, the property portfolio was entered in the accounts at SEK 29,169 million as of 31 December 2016 and SEK 27,470 million as of 31 December 2015.

On 31 December 2016, the leasable area was 2,580,000 sq. m, representing a reduction of approximately 85,000 sq. m compared with 31 December 2015, when the leasable area was 2,665,000 sq. m.

DEFERRED TAX

On 31 December 2016, deferred tax comprised a net debt of SEK 761 million. Tax assets amounted to approximately SEK 629 million and pertained to assessed loss carryforwards as well as tax on the carrying amount of undervalued interest rate derivatives. The deferred tax liability pertains primarily to properties, with SEK 1,390 million relating to the difference between the carrying amount and residual value for tax purposes. Due to the special rules applicable to deferred tax in conjunction with asset acquisitions, a deferred tax liability is not recognised for the entire temporary difference between carrying amount and value to for tax purposes. Deductions received in respect of deferred tax in conjunction with purchases of properties through companies amounted to SEK –364 million on 31 December 2016, compared with SEK –364 million on 31 December 2015. Consequently, the financial position as of 31 December 2016 was affected by SEK –1,125 million pertaining to deferred tax, as compared with SEK –651 million on 31 December 2015.

Comparison between the 2015 and 2014 financial years

Kungsleden's profit from property management, i.e. profit excluding changes in value, taxes and discontinued operation, amounted to SEK 966 million in 2015, an increase of SEK 236 million compared with 2014, when it amounted to SEK 730 million. The profit (loss) for the period after tax strengthened from SEK –659 million in 2014 (the loss for the year after tax and discontinued operations was SEK –753 million in 2014) to SEK 505 million in 2015. A description is provided below of factors affecting the change between the two years in the various items in the income statement. The section also contains a description of factors that have affected cash flow and specific items in the statement of financial position.

REVENUES

Rental revenues for 2015 amounted to SEK 2,314 million¹⁾, an increase of SEK 121 million compared with 2014, when rental revenues amounted to SEK 2,193 million²⁾. The increase is mainly attributable to a larger property portfolio.

PROPERTY COSTS

Total property costs in 2015 amounted to SEK –769 million, an increase of SEK 66 million compared with 2014, when they amounted to SEK –703 million. This increase, too, is mainly due to a larger property portfolio.

SELLING AND ADMINISTRATION COSTS

Selling and administration costs in 2015 amounted to SEK –106 million, representing an increase of SEK 5 million compared with 2014, when selling and administration costs amounted to SEK –101 million.

FINANCIAL INCOME AND EXPENSES

Financial income in 2015 amounted to SEK 11 million, which is the same amount as in 2014. Interest expenses in 2015 amounted to SEK –459 million, a reduction of SEK 171 million compared with 2014, when they amounted to SEK –630 million. Shares in profits of associated companies amounted to SEK 24 million in 2015, compared with SEK 0 million in 2014 when the associated company Nordic Modular Group was wholly-owned and reported as for sale under discontinued operations. Other financial expenses in 2015 amounted to SEK –50 million, compared with SEK –41 million in 2014. The improvement in net financial items is a consequence of refinancing at lower loan costs, lower short-term interest rates and the redemption of old interest rate swaps with a high coupon rate.

CHANGES IN VALUE

Profits from property sales in 2015 amounted to SEK 11 million (35 divested properties), a reduction of SEK 62 million compared with 2014, when they amounted to SEK 73 million. Sale of the final 35 per cent stake in Nordic Modular Group generated revenues of SEK 24 million in 2015.

1) Of which SEK 76 million is characterised as "Other revenues" as defined in 2016.

2) Of which SEK 1 million is characterised as "Other revenues" as defined in 2016.



Unrealised changes in value of properties amounted to SEK 970 million in 2015, an increase of SEK 40 million compared with 2014 when they amounted to SEK 930 million. The change in value is a result of investments made in the portfolio, improvement in the operating net and lower yield requirements.

Unrealised changes in value of financial instruments amounted to SEK 176 million in 2015, compared with SEK -427 million in 2014. The net effect of movements in long-term market rates during the year was a downturn of SEK -48 million in the negative market value. In addition, regular interest of SEK 224 million was paid on interest rate swaps.

TAX

In 2015, Kungsleden reported a current tax expense of SEK -1,305 million as well as a deferred tax expense of SEK -337 million. The corresponding amounts in 2014 were SEK -1,610 million and SEK -355 million respectively. Provisions of SEK -1,319 million were made for tax cases following adverse rulings in the Administrative Court of Appeal in December 2015. In addition, a tax asset of SEK 140 million was recognised in respect of increased loss carry-forwards following an adjustment of derivatives in the tax filings for previous years. Otherwise, the tax expense corresponds in principle to 22 per cent of profit before tax.

DISCONTINUED OPERATIONS

In 2015, no operations were reported as discontinued operations, as compared with 2014 when profit from the discontinued operation, Nordic Modular, amounted to SEK 63 million after tax, while write-downs associated with Nordic Modular reduced earnings by SEK -157 million.

PROFIT (LOSS) FOR THE PERIOD

Profit in 2015 amounted to SEK 505 million, representing an increase of SEK 1,258 million compared with 2014, when the result was a loss of SEK -753 million. Earnings per ordinary share in 2015 amounted to SEK 2.78, which is an increase compared with 2014 when earnings per ordinary share (after discontinued operations) amounted to SEK -5.18.

CASH FLOWS

Cash flow from operating activities before changes in working capital amounted to SEK -343 million in 2015. In 2014, cash flow from operating activities before changes in working capital amounted to SEK -509 million. Cash flow from the business was negatively affected by payment of tax in respect of previous years.

Cash flow from investing activities in 2015 affected the cash flow by SEK -5,978 million. The corresponding figure for 2014 was SEK 730 million. The change in cash flow from investing activities was due to major acquisitions of properties in 2015.

Cash flow from financing activities affected the cash flow by SEK 5,509 million in 2015. The corresponding figure in 2014 was SEK 164 million. The increase in 2015 was due primarily to loans raised as a consequence of major acquisitions.

Acquisitions were financed through a combination of drawing on existing credit facilities and new borrowing. In 2015, loan repayments took place in the amount of SEK -3,706 million.

In total, cash and cash equivalents in 2015 diminished by SEK 996 million, compared with an increase of SEK 1,114 million in 2014.

ACQUISITIONS AND INVESTMENTS

Total property investments in 2015 resulted in a cash flow effect of SEK 7,394 million of which SEK 6,944 million related to acquisitions of new properties and SEK 450 million related to investments in the existing portfolio. The corresponding figure for 2014 was SEK 510 million, of which SEK 52 million related to acquisitions of new properties and SEK 458 million related to investment in the existing portfolio.

SALES

In 2015, 35 properties were divested, which resulted in a cash flow effect totalling SEK 1,974 million. The largest divestment comprised 29 properties to Sagax and Söderport for SEK 536 million. In 2014, 66 properties were divested, which resulted in a cash flow effect totalling SEK 1,177 million.

PROPERTY PORTFOLIO

On 31 December 2015, the property portfolio comprised 291 properties, a reduction of 14 properties compared with 31 December 2014 when the property portfolio comprised 305 properties. On 31 December 2015, the properties had a fair value of SEK 27,835 million, compared with SEK 19,816 million on 31 December 2014. After taking into account receipt of deductions in respect of deferred tax in conjunction with acquisitions, in the amount of SEK 364 million in 2015 and SEK 203 million in 2014, the property portfolio was entered in the accounts at SEK 27,470 million as of 31 December 2015 and SEK 19,612 million as of 31 December 2014. The increase in recognised value is due to property acquisitions, investments in existing properties as well as unrealised changes in value.

On 31 December 2015, the leasable area was 2,665,000 sq. m., corresponding to an increase of approximately 73,000 sq. m., compared with 31 December 2014 when the leasable area was 2,592,000 sq. m.

DEFERRED TAX

On 31 December 2015, deferred tax comprised a net debt of SEK 287 million. Tax assets amounted to approximately SEK 575 million and pertained to assessed loss carryforwards as well as tax on the carrying amount of undervalued interest rate derivatives. The deferred tax liability pertains primarily to properties, with SEK 862 million relating to the difference between the carrying amount and residual value for tax purposes. Due to the special rules applicable to deferred tax in conjunction with asset acquisitions, a deferred tax liability is not recognised for the entire temporary difference between carrying amount and value to for tax purposes. Deductions received in respect of deferred tax in conjunction with purchases of properties through companies amounted to SEK -364 million on 31 December 2015, compared with SEK -203 million on 31 December 2014. Consequently, the financial position as of



31 December 2015 was affected by SEK –651 million pertaining to deferred tax, as compared with SEK –172 million on 31 December 2014.

Comparison between the 2014 and 2013 financial years

Kungsleden's profit from property management, i.e. profit excluding changes in value, taxes and discontinued operations, amounted to SEK 730 million in 2014, an increase of SEK 181 million compared with 2013 when it amounted to SEK 549 million. Profit (loss) for the period after tax declined from SEK 838 million in 2013 to SEK –659 million in 2014. Profit for the year after tax and discontinued operations fell from SEK 862 million in 2013 to SEK –753 million in 2014. A description is provided below of factors affecting the change between the two years in the various items in the income statement. The section also contains a description of factors that have affected cash flow and specific items in the statement of financial position.

REVENUES

Revenues for 2014 comprised rental revenues of SEK 2,193 million¹⁾, a reduction of SEK 31 million compared with 2013 when revenues in the form of net sales including discontinued operations amounted to SEK 2,224 million²⁾.

PROPERTY COSTS

Total property costs in 2014 amounted to SEK –703 million, a reduction of SEK 220 million compared with 2013 when property costs and direct costs in the module operations amounted to SEK –923 million.³⁾

SELLING AND ADMINISTRATION COSTS

Selling and administration costs for 2014 amounted to SEK –101 million, representing a reduction of SEK 56 million compared with 2013 when selling and administration costs including Nordic Modular amounted to SEK –157 million.⁴⁾

FINANCIAL INCOME AND EXPENSES

Financial income for 2014 amounted to SEK 11 million, a reduction of SEK 7 million compared with 2013 when financial income amounted to SEK 18 million. Interest expenses in 2014 amounted to SEK –630 million, an increase of SEK 76 million compared with 2013 when they amounted to SEK –554 million. Interest expenses increased since the average loan volume was higher in 2014 than in 2013 due to new borrowing in conjunction with the major property acquisitions carried out at the end of 2013.

Other financial expenses in 2014 amounted to SEK –41 million, compared with SEK –61 million in 2013.

In total, net financial items for 2014 amounted to SEK –660 million, an increase of SEK 64 million compared with 2013 when net financial items including Nordic Modular amounted to SEK –596 million.⁵⁾

CHANGES IN VALUE

Profits from property sales in 2014 amounted to SEK 73 million, an increase of SEK 65 million compared with 2013, when they amounted to SEK 8 million. Unrealised changes in value of properties in 2014 amounted to SEK 930 million, an increase of SEK 882 million compared with 2013 when they amounted to SEK 48 million. The change in value is a result of investments made in the portfolio, an improved operating net and lower yield requirements.

Unrealised changes in value connected to financial instruments amounted to SEK –427 million in 2014, compared with SEK 425 million in 2013. This is primarily a result of the downturn in long-term market rates in 2013, which resulted in falling market values of interest rate derivatives.

TAX

In 2014, Kungsleden reported a current tax expense of SEK –1,610 million as well as a deferred tax expense of SEK –355 million. Corresponding amounts in 2013 were SEK –12 million and SEK –180 million respectively. The large current tax expense in 2014 was due to adjudicated tax cases.

DISCONTINUED OPERATIONS

Nordic Modular was reported as for sale, entailing reporting on the line discontinued operations. Since Kungsleden owned Nordic Modular throughout 2014, the reporting included 100 per cent of Nordic Modular's earnings. Rental revenue in the period amounted to SEK 275 million, with an operating net of SEK 152 million.

In total, the profit from Nordic Modular in 2014 amounted to SEK 63 million, which in addition to the operating net from module leasing also included a gross profit of SEK 29 million from module production, selling and administration costs of SEK –45 million, net financial items of SEK –16 million and a tax expense of SEK –57 million. At the end of the year, the shareholding was valued at the price agreed upon for the sale of 65 per cent of the shares to Inter IKEA Investments, which was completed in January 2015. A write-down charge of SEK –157 million was thereupon incurred.

In 2013, Kungsleden reported a profit after tax of SEK 24 million from discontinuation of the business connected to the Hemsö holding.

PROFIT (LOSS) FOR THE PERIOD

The loss in 2014 amounted to SEK –753 million, representing a deterioration of SEK 1,615 million compared with 2013 when the profit was SEK 862 million. Earnings per ordinary share in 2014 amounted to SEK –5.18 (after discontinued operations), which is a reduction compared with 2013 when earnings per ordinary share (after discontinued operations) amounted to SEK 6.31.

1) Of which SEK 1 million is characterised as "Other revenues" as defined in 2016.

2) Relates to net sales in 2013 (of which rental revenue from properties amounted to SEK 1,669 million and "Other revenues" as defined in 2016 amounted to SEK 15 million).

3) Relates to property costs (properties and module buildings) as well as module manufacturing costs in 2013 (of which property costs relating to properties amounted to SEK 1,538 million).

4) Relates to selling and administration costs including Nordic Modular for 2013 (of which selling and administration costs excluding Nordic Modular amounted to SEK –115 MSEK).

5) Relates to net financial items including Nordic Modular for 2013 (of which net financial items excluding Nordic Modular amounted to SEK –575 million).



CASH FLOWS

Cash flow from the operating activities before changes in working capital amounted to SEK –509 million in 2014. In 2013, cash flow from operating activities before changes in working capital amounted to SEK 480 million. Cash flow from the business was negatively affected by payment of tax with respect to previous years.

Cash flow from investing activities in 2014 affected the cash flow by SEK 730 million. The corresponding figure for 2013 was SEK 1,961 million. The positive cash flow from investing activities was due to major sales of properties.

Cash flow from financing activities affected the cash flow by SEK 164 million in 2014. The corresponding figure in 2013 was SEK 2,288 million. In 2014, Kungsleden carried out a rights issue of SEK 1,568 million which, in terms of amount, exceeded the net repayment of loans.

In total, cash and equivalents increased by SEK 1,112 million in 2014, compared with a reduction of SEK –400 million in 2013.

ACQUISITIONS AND INVESTMENTS

Total investments in properties in 2014 resulted in a cash flow effect of SEK 510 million, of which SEK 52 million related to acquisitions of new properties and SEK 458 million related to investments in the existing portfolio. Corresponding figures for 2013 were SEK 1,524 million, of which SEK 1,303 million related to acquisitions of new properties and SEK 221 million related to investments in the existing portfolio.

SALES

In 2014, 66 properties were divested, which resulted in a cash flow effect totalling SEK 1,177 million, compared with 2013 when 4 properties were divested, which resulted in a cash flow effect totalling SEK 1,967 million.

PROPERTY PORTFOLIO

On 31 December 2014, the property portfolio comprised 305 properties, a reduction of 61 properties compared with 31 December 2013 when the property portfolio comprised 366 properties. On 31 December 2014, the properties had a fair value of SEK 19,816 million, compared with SEK 20,542 million on 31 December 2013. After taking into account receipt of deductions in respect of deferred tax in conjunction with acquisitions, in the amount of SEK 203 million in 2014 and SEK 204 million in 2013, the property portfolio was entered in the accounts at SEK 19,612 million as of 31 December 2014 and SEK 20,338 million as of 31 December 2013. The change in book value was due to completed property sales, vesting of acquisitions, investments in existing properties and unrealised changes in value.

On 31 December 2014, the leasable area was 2,592,000 sq. m., corresponding to a reduction of approximately 228,000 sq. m. compared with 31 December 2013, when the leasable area amounted to 2,820,000 sq. m.

DEFERRED TAX

On 31 December 2014, deferred tax comprised a net asset of SEK 31 million. Tax assets amounted to approximately SEK 494 million and pertained to assessed loss carryforwards as well as tax on the carrying amount of undervalued interest rate derivatives. The deferred tax liability pertains primarily to properties, with SEK 463 million relating to the difference between the carrying amount and residual value for tax purposes. Deductions received in respect of deferred tax in conjunction with purchases of properties through companies amounted to SEK –203 million on 31 December 2014, compared with SEK –204 million on 31 December 2013. Consequently, the financial position as of 31 December 2014 was affected by SEK –172 million pertaining to deferred tax, as compared with SEK –169 million on 31 December 2013.

Miscellaneous

Other than the investigations described under *Changes in Swedish tax legislation* in the section entitled *Risk factors*, Kungsleden is currently unaware of any information regarding public, economic, tax policy, monetary policy or other policy measures which directly or indirectly materially affects, or might materially affect, Kungsleden's operations.



CAPITAL STRUCTURE AND OTHER FINANCIAL INFORMATION

Kungsleden is financed with shareholders' equity and liabilities, where the main part of the liabilities consists of interest-bearing liabilities to credit institutions. Shareholders' equity amounted to SEK 10,839 million as at 31 December 2016. As at the same date, Kungsleden had current interest-bearing liabilities of SEK 1,579 million and non-current interest-bearing liabilities of SEK 14,932 million. Of the total liabilities of SEK 18,651 million, SEK 16,511 million were interest-bearing liabilities. The non-interest-bearing liabilities of SEK 2,140 million consisted of derivatives, deferred tax liabilities, tax liabilities and other current liabilities.

Equity and liabilities

Presented below is Kungsleden's capitalisation as at 31 December 2016.

MSEK	31 December 2016
Total current liabilities	1,579
Against guarantee or surety*	-
Against collateral*	26
Without guarantee/surety or collateral	1,553
Total non-current liabilities	14,932
Against guarantee or surety*	-
Against collateral*	14,332
Without guarantee/surety or collateral	600
Total shareholders' equity	10,839
Share capital	76
Legal reserve	-
Other endowment capital	2,922
Other reserves	7,841

* The credit facilities are secured by share pledges, mortgage pledges and pledge in intragroup promissory notes with attaching pledges in mortgages. Rights to insurance compensation and certain bank accounts are pledged. In addition, a general parent company guarantee has been issued.

Table 17

Net financial indebtedness

Presented below is Kungsleden's net indebtedness as at 31 December 2016.

MSEK	31 December 2016
(A) Cash	57
(B) Cash equivalent (Detail)	-
(C) Trading securities	-
(D) Liquidity (A)+(B)+(C)	57
(E) Current Financial Receivable	-
(F) Current Bank debt	26
(G) Current portion of non-current debt	1,553
(H) Other current financial debt	-
(I) Current financial debt (F)+(G)+(H)	1,579
(J) Net current financial indebtedness (I)-(E)-(D)	1,522
(K) Non-current bank loans	13,702
(L) Bonds issued	600
(M) Other non-current loans	630
(N) Non-current financial indebtedness (K)+(L)+(M)	14,932
(O) Net indebtedness (J)+(N)	16,454

Table 18

Contingent liabilities

As at 31 December 2016, Kungsleden's contingent liabilities amounted to SEK 103 million, primarily concerning claims derived from old companies acquired by Kungsleden.



Credits and interest rate hedging

Table 19 below presents Kungsleden's credit facilities, loans and interest rate hedging as at 31 December 2016.

MATURITY STRUCTURE FOR CREDITS AND INTEREST RATE DERIVATIVES

As at 31 December 2016, MSEK	Utilised credits	Unutilised credits	Total credits	Interest rate derivatives, MSEK	Average interest rate for derivatives, %	Average remaining fixed-interest term, years
2017	1,579	2,170 ¹⁾	3,749			
2018	3,306		3,306			
2019	4,450		4,450	1,000	0.5	
2020	4,713		4,713	2,770	0.6	
2021	492		492	1,800	0.8	
2022				3,500	1.4	
2023						
2024				1,050	4.6	
2025						
2026	630		630			
2036	1,340		1,340			
Total	16,511	2,170	18,681	10,120		3.4
Average conversion time, year	4.2		3.7			

1) Of which SEK 1,178 million relates to backup for issued certificates.

When refinancing during January 2017, the Unutilised credits is reduced by SEK 450 million since unencumbered assets are mortgaged through admission of a new credit of SEK 516 million, expiring 2026.

Table 19

CREDIT AGREEMENTS

See *Credit agreements* under the section *Legal considerations and supplementary information*.

MORTGAGE DEED

Kungsleden's properties are normally subject to mortgages and mortgage deeds are pledged to the banks and the credit institutions which have provided financing to companies within the Group. The sum of the charged deeds of Kungsleden's property holding amounted to SEK 14,287 million as at 31 December 2016.

Statement on working capital

It is Kungsleden's assessment that the existing working capital is adequate to the current needs for the next twelve-month period.

In this context, the term working capital refers to Kungsleden's ability to access cash in order to meet its payment obligations as they become due. Kungsleden's operating business engages limited working capital since Kungsleden receives the majority of the rental revenues in advance and pays most expenses in arrears.

Investments

Kungsleden's investments consist primarily of acquisitions of properties but also new construction or renovations of existing properties as well as investments in machinery and equipment. Table 20 below summarises Kungsleden's total property investments for the years 2015, 2014 and 2013 and January–December 2016.

MSEK	Jan-Dec 2016	2015	2014	2013
Acquisitions	238	7,076	386	5,935
Investments	609	450	334	213
Total acquisitions and investments	847	7,526	720	6,148

Table 20

CURRENT INVESTMENTS AND COMMITMENTS OF FUTURE INVESTMENTS

Kungsleden has no significant commitments to carry out repairs and maintenance other than what follows from customary property management. However, there are commitments to complete a number of tenant adaptations in the context of ongoing operations. Ongoing project investments that currently are considered to be of greater magnitude are projects concerning the properties Enen 10, Blästern 14, Holar 1 and Tegnér 15. These investments are estimated at approximately SEK 661 million during the period 2017–2019 and are intended to be financed with a combination of bank financing and own resources. This is within the framework of the investment programme of SEK 2–3 billion that the Company intends to implement between the years of 2017–2019.

Tangible assets

Kungsleden's tangible fixed assets consist in essence of properties. As at 31 December 2016, the properties' value amounted to SEK 29,533 million which, after considering received deduction for deferred tax in connection with acquisitions of SEK -364 million, was reported at a value of SEK 29,169 million in Kungsleden's statement of financial position.



Significant trends

Kungsleden's result and financial position is affected by the situation on the rental market and transaction market for commercial properties, which in turn is dependent on Sweden's economic development. The general interest rate situation also has an important role for property companies such as Kungsleden, in terms of financing cost as well as property values.

At the time of publication of the prospectus, the Company has not noted any significant trends in lettings, rent levels or administrative costs other than what is reported in the interim reports during 2016. In recent times, Sweden's economy has developed favourably, not least in the urban areas, towards which Kungsleden's property portfolio has shifted in recent years. The strong economic growth has led to positive impulses regarding the demand for premises. In turn, this has led to an increase in new leases and rising rental levels. The economic prospects for Sweden remain favourable. Simultaneously, the international macroeconomic prospects are more unclear, not least due to political risks on international level. As a small open economy Sweden is affected by the international economic development, and the Company cannot ignore the risk of unfavourable external impulses.

The interest in property investment remains large. The transaction volume was very high during 2016, and this trend is expected to persist during 2017. Access to funding for well-established property companies is good, in the banking system as well as on the capital market.

Both short- and long-term market interest rates are at very low levels, seen from a historical perspective. There is a risk that the interests successively start to increase from today's levels, which with certain delay can increase costs for property companies' financing and lead to higher yield requirements and descending property values. To the extent that rising interest rates go hand in hand with continued high economic activity and local demand, the risks are reduced. Nevertheless, the possibility that the low interest rates persist for a long time, or even decrease further, may not be ruled out, not least if the uncertain international political and economic situation remains or worsens. This may have a negative effect on the value changes of the interest rate derivatives in the income statement. It can also foment continued strong demand for real estate as an investment, which could lead to further increases in property values. It must be noted that property prices are already historically high, which can lead to an increased risk of a backlash with falling values as a result.

Significant changes since 31 December 2016

On 2 February 2017, the intention to carry out the present right issue was announced.



BOARD OF DIRECTORS, MANAGEMENT TEAM AND AUDITOR

Board of Directors

Pursuant to Kungsleden's Articles of Association, the Board of Directors shall comprise three to eight members elected by the shareholders at a general meeting. The Board of Directors currently consists of seven members elected by the general meeting (elected by the annual general meeting 2016 for the period until the end of the annual general meeting 2017).

	Appointment	Elected	Independent	Audit Committee	Remuneration Committee	Finance Committee	Shareholding ¹⁾
Göran Larsson	Chairman of the Board	2013	Yes ²⁾	•	•		20,000
Charlotte Axelsson	Board member	2014	Yes	•			5,833
Joachim Gahm	Board member	2011	Yes			•	2,666
Liselotte Hjorth	Board member	2014	Yes			•	10,166
Lars Holmgren	Board member	2011	Yes	•		•	6,666
Kia Orback Pettersson	Board member	2010	Yes		•		2,266
Charlotta Wikström	Board member	2009	Yes		•		2,180,465

1) Relates to Board members' own shareholding as well as shares held by related persons and affiliated companies as per 31 December 2016 and all known changes thereafter.

2) Not independent in relation to major owners in the Company.

Table 21

GÖRAN LARSSON

Born 1944. Chairman and member of the Board since 2013.

Chairman of the Audit Committee and member of the Remuneration Committee.

Education and professional experience: MSc in Political Science, Lund University. Board member, deputy CEO and acting CEO Östgöta Enskilda Bank, deputy CEO Gota Bank.

Other current appointments: Chairman Hestra-Handsken AB, Hestraviken AB and Mappa Invest AB. Board member Bratt International AB and Heliospectra AB.

Previous appointments (past five years): Chairman Bertegruppen AB and Danir AB.

Holding: 20,000 shares.

Independent in relation to the Company and the company management but not independent in relation to major owners in the Company.

CHARLOTTE AXELSSON

Born 1948. Board member since 2014. Member of the Audit Committee.

Education and professional experience: BSc in Social Work, Stockholms Socialhögskola. CEO Svenska Bostäder, Familjebostäder and Arsenalen Stockholm, assistant Financial Secretary, city of Stockholm.

Other current appointments: Chairman AFF Service AB, Föreningen AFF-Forum and Vasallen AB. Board member Slättö Förvaltning AB.

Previous appointments (past five years): Chairman HSB Bostad AB and Slättö Förvaltning AB. Board member BWG

Homes, HSB ProjektPartner AB, HSB Riksförbund economic association and MHS-Bostäder foundation. CEO HSB Stockholm economic association and Uppsala Kommun Skolfastigheter AB.

Holding: 5,833 shares.

Independent in relation to the Company and company management as well as major owners in the Company.

JOACHIM GAHM

Born 1964. Board member since 2011. Chairman of the Finance Committee.

Education and professional experience: MBA, Stockholm University. Board member and deputy CEO E. Öhman J:or Fondkommission AB, CEO E. Öhman J:or Investment AB.

Other current appointments: Chairman Arise AB and Sustainable Growth Capital SGC AB. Board member Catella AB, Förvaltnings AB Hanneborg and S & A Sverige AB.

Previous appointments (past five years): Deputy Board member Sirocco Wind Holding AB.

Holding: 2,666 shares.

Independent in relation to the Company and company management as well as major owners in the Company.



LISELOTTE HJORTH

Born 1957. Board member since 2014. Member of the Finance Committee.

Education and professional experience: MBA, Lund University. Global Head of SEB Commercial Real Estate and Member of Vorstand (Management) SEB AG, Head of Group Credits and deputy CEO SEB AB.

Other current appointments: Chairman White Intressenter AB. Board member East Capital Explorer AB, Hoist Finance AB and Rikshem AB.

Previous appointments (past five years): Board member Riksgälden, Tysk-Svenska Handelskammaren, Stockholm and Svenska Handelskammaren, Düsseldorf.

Holding: 10,166 shares.

Independent in relation to the Company and company management as well as major owners in the Company.

LARS HOLMGREN

Born 1952. Board member since 2011. Member of the Audit Committee and the Finance Committee.

Education and professional experience: Chemistry Economist, Karlstad University. CFO Lantbrukarnas Riksförbund, Föreningsbanken and Föreningsbankernas Bank.

Other current appointments: Board member Cliens Kapitalförvaltning AB, Nordic Modular Group Holding AB. Deputy Board member SÄKRA Stockholm, Solna AB.

Previous appointments (past five years): Board member Svensk Markservice Aktiebolag.

Holding: 6,666 shares.

Independent in relation to the Company and company management as well as major owners in the Company.

KIA ORBACK PETTERSSON

Born 1959. Board member since 2010. Member of the Remuneration Committee.

Education and professional experience: MBA, Lund University. CEO Sturegallerian, deputy CEO Guldfynd/Hallbergs and Marketing Director Dagens Nyheter.

Other current appointments: Chairman Fastighetsaktiebolaget Riksdalen and Teracom Group AB. Board member Bosjö Fastigheter AB, JM AB, Odd Molly International AB and Visual Art Sweden AB. Deputy Board member Petterslott AB. Chairman of the non-profit association Friskis&Svettis Riks.

Previous appointments (past five years): Chairman Forsen AB and Ponderus Invest AB and Svefa Holding AB. Board member Garbergs Reklambyrå AB, Jernhusen AB, Springtime AB, Senior Work Sverige AB and Styrelsekollegiet Aktiva Företagsrådgivare economic association and Tengbomgruppen Holding AB.

Holding: 2,266 shares.

Independent in relation to the Company and company management as well as major owners in the Company.

CHARLOTTA WIKSTRÖM

Born 1958. Board member since 2009. Chairman of the Remuneration Committee.

Education and professional experience: MBA, Stockholm University, DIHR. HR Director Eniro AB, Marketing Director Telia AB, Vice President Sales and Marketing Nasdaq Stockholm and Senior Partner and Consultant Stardust Consulting AB.

Other current appointments: Chairman Ekbacken Fastigheter AB. Board member and CEO Ekbacken Konsultbyrå AB, Fastighets AB Kannängen, Fastighets AB Oxtorget, Floréna Fastighets AB and Kampanilen Förvaltnings AB. Board member African Nuts & Seeds AB, Forsen AB, Stallmästaren 5 & 6 AB, Stardust Consulting AB, Stardust Holding AB and Stardust Search AB. Deputy Board member Stardust Communications AB.

Previous appointments (past five years): Board member Botrygg AB and Telge Energi Aktiebolag.

Holding: 2,180,465 shares.

Independent in relation to the Company and company management as well as major owners in the Company.

Management Team

	Position	Member of the Management Team since	Employed at Kungsleden since	Shareholding ¹⁾
Biljana Pehrsson	CEO	2013	2013	37,000
Anders Kvist	Deputy CEO/Chief Financial Officer	2012	2012	40,333
Ylva Sarby Westman	Deputy CEO/Chief Investment Officer	2011	2009	7,333
Marie Mannholt	Head of Communications and Marketing	2014	2014	2,666
Sven Stork	Regional Manager Stockholm	2014	2014	300
Mats Eriksson	Regional Manager Mälardalen	2015	2015	-
Frida Stannow Lind	Head of Property Development	2013	2010	2,953
Malin Axland	Head of Legal	2013	2007	266

1) Relates to own holdings and holdings of related persons and affiliated companies as at 31 December 2016 and all known changes thereafter.

Table 22



BILJANA PEHRSSON

Born 1970. CEO since 2013.

Education and professional experience: MSc in Engineering and Real Estate Economics, Royal Institute of Technology in Stockholm. Deputy CEO/Head of Real Estate East Capital Private Equity, CEO Centrumutveckling.

Other current appointments/positions: Board member East Capital Baltic Property Fund AB, Einar Mattson AB, Fastighetsaktiebolaget Stadshus and Vasallen AB.

Previous appointments/positions (past five years): Chairman The Retail Headquarters Sthlm AB. Board member East Capital Baltic Property Investors AB and Kungsleden AB (publ).

Holding: 37,000 shares.

ANDERS KVIST

Born 1958. Deputy CEO and CFO since 2012.

Education and professional experience: MBA, Stockholm School of Economics. Head of Group Treasury SEB, Head of Asset Management Operations within DNB and Skandia. CEO Skandia Liv.

Other current appointments/positions: Board member Swedish Financial Supervisory Authority, Trossamfundet Romersk-Katolska Kyrkan, Nationalekonomiska föreningen. Bank Director of J.H. Palmes foundation and the foundation Assar Lindbeck-medaljen.

Previous appointments/positions (past five years): Board member SEB Investment Management AB.

Holding: 40,333 shares.

YLVA SARBY WESTMAN

Born 1973. Deputy CEO and CIO since 2015. Head of Transactions 2009–2015.

Education and professional experience: MSc in Civil Engineering, Surveying and Real Estate Management, Royal Institute of Technology in Stockholm. Deputy CEO Newsec Investment AB and Property Development Manager NCC Property Development AB.

Other current appointments/positions: –

Previous appointments/positions (past five years): –

Holding: 7,333 shares.

MARIE MANNHOLT

Born 1966. Head of Communications and Marketing since 2014.

Education and professional experience: DIHM Diploma in Business Administration and Business Marketing, IHM Business School. Senior Consultant Real Estate Development Mannholt Consulting, Marketing Director/Senior Project Manager Centrumutveckling, Marketing Director BMW/Rover, Regional Manager VOLVO Personbilar.

Other current appointments/positions: –

Previous appointments/positions (past five years): –

Holding: 2,666 shares.

SVEN STORK

Born 1967. Head of Real Estate Stockholm since 2014.

Education and professional experience: MSc in Civil Engineering, Surveying and Real Estate Management, Royal Institute of Technology in Stockholm. Key Account Manager Newsec Asset Management AB, Asset Manager Niam AB and Project Manager NCC Property Development AB.

Other current appointments/positions: –

Previous appointments/positions (past five years): Board member NIAM Industrifastigheter Syd AB and NIAM Center Syd AB.

Holding: 300 shares.

MATS ERIKSSON

Born 1963. Head of Real Estate Mälardalen since 2015.

Education and professional experience: High school diploma in Engineering with specialization in housing and urban development (four year programme), Rudbecksskolan, Örebro. Business Manager Retail Newsec Asset Management AB, Head of Property Development Ica Fastigheter AB, Business Area Manager NIAM AB och Property Manager Siab AB.

Other current appointments/positions: –

Previous appointments/positions (past five years): –

Holding: –

FRIDA STANNOW LIND

Born 1967. Head of Property Development since 2013.

Education and professional experience: MSc in Civil Engineering, Surveying and Real Estate Management, Royal Institute of Technology in Stockholm. Property Manager Drott, Investment Manager Niam and Head of Property Development Ebab.

Other current appointments/positions: Chairman Kista Science City AB. Deputy Board member Stannow Lind AB and Electrum foundation.

Previous appointments/positions (past five years): –

Holding: 2,953 shares.

MALIN AXLAND

Born 1974. Head of Legal since 2013.

Education and professional experience: LL.M., Stockholm University. Lawyer Mannheimer Swartling, Law Clerk Hud-dinge district court.

Other current appointments/positions: –

Previous appointments/positions (past five years): –

Holding: 266 shares.



Other information relating to the Board of Directors and the Management Team

All directors and members of the Management Team can be contacted at the Company's address, P.O. Box 70414, SE-107 25 Stockholm.

There are no family ties between the Board members and/or members of the Management Team. No Board member or member of the Management Team has been convicted in any case involving fraud during the past five years. With the exception of Kia Orback Pettersson, no member of the Board or the Management Team has been involved in any bankruptcy, insolvency procedure or compulsory liquidation during the past five years while being a member of the administrative, management or supervisory bodies or a senior executive. From and including 22 April 2013, Kia Orback Pettersson has been Board member of Senior Work Sverige AB which was subject to bankruptcy proceedings starting March 2014. The bankruptcy was completed 1 October 2015. With the exception of Biljana Pehrsson, no accusations and/or sanctions have been issued by any agency authorised by law or regulation (including approved professional organisations) during the past five years against any of them. Biljana Pehrsson has been imposed a fee by the SFSA due to late notice under the Swedish Act on Reporting Obligations for Certain Holdings of Financial Instruments (*Sw. lagen (2000:1087) om anmälningsskyldighet för vissa innehav av finansiella instrument*). Due to the minor nature of the infringement, the fee was set at SEK 5,000. No member of the Board or the Management Team have, during the past five years, been prohibited by a court of law from being a member of a company's administrative, management or control body or from holding any senior or general management position in a company.

No member of the Board or the Management Team has any private interests which might conflict with Kungsleden's interests. However, as stated above, a number of the members of the Board and the Management Team have a financial interest in Kungsleden through shareholdings.

Auditor

Ernst & Young Aktiebolag (P.O. Box 7850, SE-103 99 Stockholm) is the Company's auditor since 2016, with Ingemar Rindstig as auditor-in-charge since 2016. Ingemar Rindstig is an authorised public accountant and member of FAR, the accountants' professional body in Sweden.

KPMG AB (P.O. Box 16106, SE-103 23 Stockholm) was the Company's auditor 2013–2015.

Corporate governance

CORPORATE GOVERNANCE IN KUNGSLEDEN

The corporate governance of Kungsleden is based on Swedish legislation, Kungsleden's Articles of Association, the Swedish Code of Corporate Governance (the "Code"), the Nasdaq Stockholm's Rule Book for Issuers as well as other relevant regulations and recommendations. The Code is based on the "comply or explain" principle, meaning that a company that applies the Code may deviate from individual provisions and has the opportunity to choose alternative solutions that are better suited for the company's specific circumstances, provided that they report every deviation, describe the alternative solution and explain the reasons for the deviation. Kungsleden applies the Code without deviation.

BOARD COMMITTEES

The Board has established three committees, the Finance Committee, the Audit Committee and the Remuneration Committee.

The Remuneration Committee consists of Charlotta Wikström (Chairman), Göran Larsson and Kia Orback Pettersson. The Committee submits proposals to the Board regarding employment terms for the CEO, frameworks for remuneration to senior executives and matters of a principal nature concerning pensions, salaries, allowances, benefits and severance pay. The Committee works on the basis of the guidelines for remuneration to senior executives that the Annual General Meeting has determined.

The Audit Committee consists of Göran Larsson (Chairman), Charlotte Axelsson and Lars Holmgren. The Audit Committee provides the work of accounting and auditing with a special forum. The Committee works with Kungsleden's internal monitoring and control systems and quality assurance of external financial reporting. The Audit Committee also assists the Nomination Committee in the work to propose the appointment of auditors as well as proposals on audit fees.

The Finance Committee consists of Joachim Gahm (Chairman), Liselotte Hjorth and Lars Holmgren. The Finance Committee provides the work on financing with a special forum. The Committee is responsible for providing the Board with proposals on financing issues, financial goals in the short and long term, issues concerning the Company's financial risks, hedging activities and other tasks within the scope of the Company's finance policy.



REMUNERATION TO THE BOARD OF DIRECTORS

The 2016 Annual General Meeting resolved that remuneration to the Chairman of the Board of Directors would be paid with SEK 450,000 and that remuneration to the other members of the Board of Directors that are not employed within Kungsleden would be paid with SEK 200,000. The Annual General Meeting also resolved that remuneration for committee work to members of the Board of Directors that are not employed within Kungsleden would be paid with SEK 40,000 to committee members.

Table 23 below shows the remuneration paid to elected Board members for the period 2016–2017.

REMUNERATION TO THE MANAGEMENT TEAM

Remuneration to the Management Team comprises of a basic salary, variable pay, other benefits and pensions. The variable part of the remuneration is profit and performance based and linked to the results in relation to pre-determined targets. In addition, the variable part of the remuneration shall comprise the majority of the senior executive's possible remuneration and the cap is 100 per cent of the fixed annual salary for the CEO and the Deputy CEO:s. For the other senior executives, the cap for the variable part of the remuneration is 50 per cent of the

fixed annual salary. For the CEO and other senior executives, salary and other remuneration for 2015 was paid according to Table 24 below.

For the CEO, the notice of termination is 6 months and for the Company, it is 12 months. When the employment termination is initiated by the Company, the CEO additionally receives 6 months' severance pay. Severance pay is not pensionable. If employment termination is initiated by the CEO, severance pay is not paid. A mutual 6-month period of notice applies between the Company and one of the Deputy CEO's. When employment termination is initiated by the Company, the Deputy CEO additionally receives eighteen months' severance pay. Severance pay is not pensionable. If employment termination is initiated by the Deputy CEO, no severance pay is paid. For the other Deputy CEO, the period of notice is 6 months and for the Company 12 months.

A mutual 3-month period of notice applies between the Company and two of its senior executives. A mutual 4-month period of notice applies between the Company and one of its senior executives. For one senior executive, the period of notice is 3 months and for the Company, the notice period as per collective labour agreement applies. For other senior executives, the notice period as per collective labour agreement applies. For all senior executives, severance pay is normally offset against other income.

SEK	Position	Board of Directors	Remuneration Committee	Audit Committee	Finance Committee	Total
Göran Larsson	Chairman	450,000	40,000	40,000		530,000
Charlotte Axelsson	Member	200,000		40,000		240,000
Joachim Gahm	Member	200,000			40,000	240,000
Liselotte Hjorth	Member	200,000			40,000	240,000
Lars Holmgren	Member	200,000		40,000	40,000	280,000
Kia Orback Pettersson	Member	200,000	40,000			240,000
Charlotta Wikström	Member	200,000	40,000			240,000
Total		1,650,000	120,000	120,000	120,000	2,010,000

Table 23

TSEK	Basic salary	Variable remuneration	Pension expense ²⁾	Other benefits ³⁾	Total
CEO and President	3,815	2,790	739	77	7,421
Deputy CEO ⁴⁾	4,884	3,528	1,405	67	9,883
Other senior executives ⁵⁾	11,137	3,345	2,688	236	17,405
Total	19,836	9,663	4,832	380	34,709

1) Variable remuneration consists of bonus for 2015 financial year, of which SEK 9,663 (8,261) thousand was expensed in 2015.

2) For all senior executives, the retirement age is 65 years and all of them have a defined-contribution pension plan, which only obliges the Company to pay annual premiums. Pension premiums for the CEO are 28 per cent of fixed annual salary and for one Deputy CEO, the corresponding amount is 30 per cent of fixed annual salary. For one Deputy CEO and for other senior executives, the ITP plan applies.

3) Refers mainly to meal benefits, car benefits and private healthcare insurance benefits.

4) The amounts regarding Deputy CEO relate to Anders Kvist and Ylva Sarby Westman for the full-year 2015.

5) 8 persons during 2015.

Table 24



SHARE CAPITAL AND OWNERSHIP STRUCTURE

Share information

According to Kungsleden's Articles of Association, the share capital shall be not less than SEK 32 million and not more than SEK 128 million, divided into not less than 76,800,000 and not more than 307,200,000 shares. Shares may be issued in two classes of shares referred to as ordinary shares and preference shares. Each ordinary share carries one vote. Each preference share carries one tenth of a vote. Ordinary shares may be issued up to the number corresponding to no more than one hundred per cent of the share capital. Preference shares may be issued up to the number corresponding to no more than twenty-five per cent of the share capital. As at 31 December 2016, the Company's registered share capital was SEK 75,834,480, represented by 182,002,752 ordinary shares (no changes since 1 January 2016), each with a quota value of SEK 0,4167 per share. The shares in Kungsleden have been issued in accordance with Swedish law, are fully paid and denominated in SEK. The rights attached to the shares may only be changed in accordance with the procedures set out in the Swedish Companies Act (Sw. *aktiebolagslagen* (2005:551)).

No changes in the number of shares has occurred since 31 December 2016. The forthcoming rights issue will, if fully subscribed, result in an increase of the number of shares in the Company from 182,002,752 to 218,403,302 ordinary shares, representing an increase of 20 per cent. For shareholders who decline to subscribe for shares in the rights issue, the shareholding will be diluted with a total of 36,400,550 new shares, representing 16.7 per cent of the total number of shares in the Company after the rights issue.

The shares in Kungsleden are not subject to any offer made pursuant to a mandatory takeover bid, redemption right or redemption obligation. No public takeover bids have been made for Kungsleden's shares during the current financial year or the previous financial year.

Certain rights attached to the shares

GENERAL MEETINGS

Notice of general meeting shall be published in the Swedish Official Gazette and on the Company's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Dagens Nyheter. If the publication of Dagens Nyheter would cease to be nationwide, the announcement shall be made in Svenska Dagbladet instead. To be entitled to participate in a general meeting the shareholder must be registered in the share register five weekdays prior to the meeting, and notify the Company of the participation not later than on the day specified in the notice of the meeting.

VOTING RIGHTS

Each ordinary share carries one vote and each shareholder is at general meetings entitled to vote for the total number of ordinary shares held and represented by him or her without limitation in the voting right.

PREFERENTIAL RIGHT TO NEW SHARES, ETC.

Should the Company decide to issue new shares, stock options or convertibles through a cash issue or a set-off issue, the shareholders have preferential rights to subscribe for new shares of the same class of shares in proportion to their existing shareholding of that class of share (for a more detailed description of the preferential rights, including the relation between ordinary shares and any preference shares that may be issued, see §9 of Kungsleden's Articles of Association under the section *Articles of Association*). There are however no provisions in the Company's Articles of Association that limit the ability to decide to, in accordance with the rules set out in the Swedish Companies Act, issue new shares, stock options or convertibles with deviation from the shareholders' preferential rights.

RIGHT TO DIVIDENDS AND SURPLUS IN THE EVENT OF LIQUIDATION

All ordinary shares carry the same right to dividend and any surplus in the event of liquidation. For preference shares that may be issued there are specific rules regarding the entitlement to Kungsleden's assets, dividend and any surplus in the event of liquidation. For a description of the terms and conditions for any preference shares that may be issued, see *Articles of Association*.

Dividends are resolved upon by the general meeting and the payment is administered by Euroclear Sweden. Dividends may only be paid if the Company, after such dividends, still has full coverage of its restricted equity and further to the extent that such dividends are justified taking into consideration (i) the demands with respect to size of shareholders' equity which are imposed by the nature, scope and risks associated with the operations, and (ii) the Company's and the Group's consolidation needs, liquidity and financial position in general (the so-called prudence rule). As a general rule, the shareholders may not decide upon larger dividends than those proposed or approved by the Board of Directors. See also *Dividend policy* below.

The right to dividends vests in any person who is registered as a shareholder in the share register maintained by Euroclear Sweden on the record date for dividend as determined by the general meeting. If a shareholder cannot be contacted through Euroclear Sweden, the shareholder's claim on the Company with respect to the dividend remains and is limited only by the statute of limitations rule (10 years). Where the statute of lim-



Changes in the share capital

Table 25 below summarizes the share capital development since 1 January 2013.

Year	Event	Change in number of shares	Change in share capital, SEK	Total number of shares	Total share capital, SEK	Quota value, SEK
2014	Rights issue	45,500,688	18,958,620	182,002,752	75,834,480	0.4167
2016	Forthcoming rights issue	36,400,550	15,166,895.83	218,403,302	91,001,375.83	0.4167

Table 25

itations applies, the dividend amount accrues to Kungsleden. Neither the Swedish Companies Act or Kungsleden's Articles of Association contain any restriction on the right to dividends with respect to shareholders domiciled outside of Sweden.

Other than in case of possible restrictions in connection with bank or clearing systems in the concerned jurisdictions, payments of dividends to such shareholders are made in the same way as to shareholders domiciled in Sweden. However, in relation to shareholders who are subject to limited taxation in Sweden, Swedish withholding tax is normally payable, see the section *Certain tax issues in Sweden*.

Ownership structure

As at 28 February 2017, Kungsleden had approximately 23,900 shareholders. The largest shareholder was Gösta Welandson with companies, with approximately 14 per cent of the total number of shares and votes in the Company. Table 26 below shows the largest shareholders of the Company.

LARGE SHAREHOLDERS AS AT 28 FEBRUARY 2017

Shareholder/manager/deposit bank	Number of shares	Number of shares and votes, %
Gösta Welandson with companies	25,786,002	14.2
Länsförsäkringar Fonder	10,222,892	5.6
BNP Paribas Investment Partners	9,231,088	5.1
Olle Florén with companies	5,500,665	3.0
Andra AP-Fonden	4,586,639	2.5
Norges Bank	3,482,778	1.9
TR Property Investment Trust	2,902,942	1.6
Handelsbanken Fonder	2,400,000	1.3
Vanguard Fonder	1,992,466	1.1
SEB Fonder	1,707,726	0.9
Total ten largest shareholders	67,813,198	37.3
Other shareholders	114,189,554	62.7
Total	182,002,752	100.0

Table 26.

Source: Modular Finance Holdings.

In Sweden, the lowest limit for disclosure of holdings (so called *flagging*) is five per cent of all shares or the voting rights of all shares.

Listing

Since 1999, the Kungsleden share is listed on Nasdaq Stockholm. The share is traded on the Large Cap list under the ticker symbol KLED.

Authorisations

At the Annual General Meeting 2016, it was resolved to authorise the Board of Directors to, on one or several occasions for the period until the next Annual General Meeting, pass a resolution on repurchasing of the Company's own ordinary shares with the purpose to reduce the number of ordinary shares through a decrease of the share capital. The repurchase of shares shall be made on Nasdaq Stockholm and in accordance with Nasdaq Stockholm's rules regarding purchase and sale of own shares. So many shares may, at the most, be repurchased so that the Company's holding does not at any time exceed 10 per cent of the total number of shares in the Company. The repurchase of shares on Nasdaq Stockholm may occur at a price within the share price interval registered at that time, where share price interval means the difference between the highest buying price and lowest selling price. Payment for the shares shall be in cash. The purpose of the authorisation is to give the Board of Directors flexibility to continuously decide on changes to the capital structure during the year and thereby contribute to increased shareholder value. The Board of Directors shall be able to resolve that repurchase of own ordinary shares shall be made within a repurchase program in accordance with the Commission's Regulation (EC) no. 2273/2003, if the purpose of the repurchase only is to decrease the Company's share capital.

Central securities depository affiliation

Kungsleden's shares are registered through a central securities depository register in accordance with the Swedish Act on Central Securities Depositories and Registration of Financial Instruments (Sw. *lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*). This register is operated by Euroclear Sweden (Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden). The shares are registered on person. No share certificates have been issued with respect to the shares nor will be issued with respect to the new shares. The ISIN code for the ordinary shares in Kungsleden is SE0000549412.

Shareholder agreements

To the knowledge of Kungsleden's Board of Directors, no shareholder agreements or equivalent agreements exist between shareholders in Kungsleden with the objective of creating a joint control over the Company. The Board of Directors is not aware of any agreements or equivalent arrangements that may lead to a change in control over the Company.



Dividend policy

The dividend policy of the Company implies that the dividend shall follow the development of the profits from property management.

DIVIDENDS HISTORY

SEK	2015	2014	2013
Dividend per share	2.00	1.50	1.25

Table 27

Ahead of Kungsleden's Annual General Meeting on 25 April 2017 the Board of Directors of Kungsleden has proposed a dividend of SEK 2 per share for the financial year 2016.



ARTICLES OF ASSOCIATION

§ 1

The corporate name is Kungsleden Aktiebolag, a public limited liability company (publ).

§ 2

The registered office is in the Municipality of Stockholm (Sweden).

§ 3

The company owns and manages shares in companies active in the property segment and conducts associated business.

§ 4

The share capital is a minimum of SEK 32,000,000 and a maximum of SEK 128,000,000.

§ 5

There will be a minimum of 76,800,000 shares and a maximum of 307,200,000 shares.

It shall be possible to issue two classes of shares, ordinary shares and preference shares. Each ordinary share entitles the holder to one (1) vote. Each preference share entitles the holder to one-tenth (1/10) of a vote. Ordinary shares may be issued up to the number corresponding to no more than one hundred (100) per cent of the share capital. Preference shares may be issued up to the number corresponding to no more than twenty-five (25) per cent of the share capital.

§ 6

Preference shares right to dividend

If the General Meeting resolves on dividends, preference shares shall carry preferential rights before ordinary shares to a dividend as set out below.

Preference Dividend

The preference shares shall confer a preferential right over the ordinary shares to an annual dividend of SEK 20 per preference share (“**The Annual Preference Dividend**”), with quarterly payment of SEK 5 per preference share (the “**Preference Dividend**”), with record days as set out below.

Payment of dividends

Payment of dividend on preference shares shall, the first time following the day of the registration of the preference shares in Euroclear Sweden AB’s share register, be made quarterly in cash. The record days for the payments of dividend on preference shares shall be 30 June, 30 September, 30 December and 31 March. In the event such day is not a banking day, the record date shall be the closest preceding banking day. Dividend payments on preference shares shall be made on the third banking

day after the record date. With “banking day” means a day that is not a Sunday, a public holiday or a day that in relation to the payment of debt instruments is equal to a public holiday (such equal days are at the time of the adoption of this Articles of Association Saturday, Midsummer Eve, Christmas Eve and New Year’s Eve).

Calculation of Outstanding Amount

If no dividend is paid on preference shares, or if only a dividend of less than the Annual Preference Dividend has been paid, the preference shares shall carry entitlement to, in addition to future Preference Dividend, receive an amount evenly distributed on each preference share, corresponding to the difference between what should have been paid according to the above and the amount that was paid (“**Outstanding Amount**”) before additional preference shares may be issued or value transfer to holders of ordinary shares may be made. The Outstanding Amount shall be adjusted upwards by a factor corresponding to an annual interest rate of eight (8) per cent, whereby upward adjustment shall start from the quarterly date when payment of part of the Preference Dividend was made (or should have been made, in the event that no Preference Dividend was paid at all). Dividend of the Outstanding Amount is also conditional upon that the General Meeting resolves to pay dividend.

Recalculation at certain events of the company

In the case of a change in the number of preference shares through a reverse share split, a share split or other company events that have a similar effect, the amount that the preference share is entitled to according to §§ 6–8 in these Articles of Association shall be recalculated to reflect this change.

Miscellaneous

The preference shares shall not otherwise carry entitlement to dividend.

§ 7

A reduction of the share capital, although not below the minimum capital, may take place following a resolution by a General Meeting through redemption of preference shares as set out below.

The General Meeting resolves on the number of preference shares to be redeemed each time. The allocation of which preference share that shall be redeemed shall be made *pro rata* in relation to the number of preference shares that each preference shareholder owns at the time of the General Meeting’s resolution on redemption. If the allocation as set out above does not amount to an even number of shares, the Board of Directors shall decide on allocation of the additional preference shares to



be redeemed. If the resolution is approved by all holders of preference shares the General Meeting may however decide which preference shares are to be redeemed.

The redemption amount for each redeemed preference share shall be an amount calculated as follows:

- a) Up to the fifth anniversary of the first new issue of preference shares (the “**Initial Issue**”), an amount corresponding to (i) 120 per cent of the amount in SEK paid for each preference share at the Initial Issue (“**Initial Subscription Price**”), (ii) plus possible accrued part of the Preference Dividends, (iii) plus any Outstanding Amount adjusted upwards by an annual interest rate as set out in § 6 above. The redemption amount for each redeemed preference share shall however never be lower than the share’s quota value.
- b) As from the fifth anniversary of the Initial Issue and for the time thereafter, an amount corresponding to (i) 110 per cent of the Initial Subscription Price, (ii) plus possible accrued part of the Preference Dividends, (iii) plus any Outstanding Amount adjusted upwards by an annual interest rate as set out in § 6 above. The redemption amount for each redeemed preference share shall however never be lower than the share’s quota value.

“**Accrued part of the Preference Dividends**” refers to accrued Preference Dividends for the period commencing the day after the latest record day for dividend until and included the day for payment of the redemption amount. The number of days shall be calculated based on the actual number of days in relation to 90 days.

From the day when payment of the redemption amount falls due, all calculation according to §7 section 3 shall cease.

§ 8

If the company is dissolved preference shares shall carry preferential rights before ordinary shares to receive from the company’s assets an amount per preference share corresponding to (i) 110 per cent of the Initial Subscription Price, (ii) possible accrued part of the Preference Dividends as set out in § 7 above, and (iii) any Outstanding Amount adjusted upwards by an annual interest rate as set out in § 6 above, prior to any distribution to owners of ordinary shares. Preference shares shall otherwise not carry any entitlement to a share of distribution.

§ 9

Should the company decide to issue new shares of more than one class through a cash issue or a set-off issue, holders of ordinary shares and preference shares shall have preferential right to subscribe for new shares of the same class in proportion to their existing shareholding in that class (primary preferential right). Shares that are not subscribed for with primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential right). Should the number of shares offered in this way not be enough for subscription through subsidiary preferential right, said shares shall be apportioned among subscribers in proportion to their existing shareholdings, regardless of whether the shares in the company already held by them are ordinary shares or preference shares. To the extent this is not possible as regards a certain share or certain shares, the distribution shall be made by lottery.

Should the company decide to issue new shares of only one class through a cash issue or a set-off issue, the existing shareholders of the class of shares that is the subject of the new issue shall carry preferential right to such new shares in proportion to their existing shareholding in that class (primary preferential right).

Shares that are not subscribed for with primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential right). Should the number of shares offered in this way not be enough for subscription through subsidiary preferential right, said shares shall be apportioned among subscribers in proportion to their existing shareholdings, regardless of whether the shares in the company already held by them are ordinary shares or preference shares. To the extent this is not possible as regards a certain share or certain shares, the distribution shall be made by lottery.

Should the company decide through a cash issue or a set-off issue to issue subscription warrants or convertibles, shareholders shall have preferential right to subscribe for subscription warrants as if the issue was in respect of the shares that may be subscribed for by exercising the subscription warrants and to subscribe for convertibles as if the issue was in respect of the shares that the convertibles may be exchanged for.

The aforesaid shall not imply any limitation in the possibility of a decision on cash issue or set-off issue with divergence from shareholders’ preferential rights.

An increase of the share capital by a bonus issue, where new shares are issued, may only occur by an issue of new ordinary shares. In such case, only holders of ordinary shares have preferential right to such new ordinary shares in proportion to their existing shareholding of ordinary shares. What has just been said shall not imply any limitation in the possibility to issue new classes of shares through a bonus issue, after necessary amendments to the Articles of Association.

§ 10

The Board of Directors comprises between three and eight members with a maximum of two deputies.

§ 11

1–2 auditors with or without deputies, or one registered public accounting firm, shall be appointed.

§ 12

Notification of a General Meeting shall be published in the Official Swedish Gazette and at the company’s website. An announcement with information that notification of the General Meeting has been issued shall be published in Dagens Nyheter. If Dagens Nyheter should cease to be a national daily newspaper, such notice shall instead be published in Svenska Dagbladet.

Shareholders intending to participate in shareholders’ meetings must first be recorded in the print-out or other statement of the complete share register as of five days prior to such meeting, and secondly, notify the company by no later than 4 p.m. on the day stated in the notification to attend the meeting. This day may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year’s Eve, and may not fall earlier than the fifth weekday prior to such meeting.



§ 13

The AGM is held annually within six months of the end of the financial year. The Chairman of the Board of Directors, or that party the Board appoints, opens the AGM and leads proceedings until the Chairman is elected.

The following matters are considered at the AGM:

- 1) Election of a Chairman of the Meeting;
- 2) Preparing and approving the voting list;
- 3) Approval of the agenda;
- 4) Election of one or more people to take the minutes;
- 5) Evaluation of whether the meeting has been duly convened;
- 6) Submission of the Annual Report and Audit Report, and where applicable, Consolidated Financial Statements and Consolidated Audit Report;
- 7) Resolution on;
 - a. adopting the Income Statement and Balance Sheet, and where applicable, the Consolidated Income Statement and Consolidated Balance Sheet
 - b. appropriation of the company's profit or loss pursuant to the adopted Balance Sheet
 - c. discharging the Board members and Chief Executive from liability;
- 8) Determination of the number of Board members and deputies to be elected by the Meeting;
- 9) Determination of the number of auditors and deputy auditors to be appointed by the Meeting or resolving that an audit firm be appointed, in those cases where auditors are elected;
- 10) Determination of Directors' and where applicable audit, fees;
- 11) Election of the Board of Directors and potential deputies;
- 12) Election of audit firm or auditor(s) and potential deputy auditors when such election occurs;
- 13) Other matters for consideration by the Meeting pursuant to the Swedish Companies Act (2005:551) or the Articles of Association.

§ 14

The company's financial year is the calendar year.

§ 15

The company's shares will be recorded in a control register pursuant to the Swedish Financial Instruments Act (1998:1479). That shareholder or nominee recorded in the share register, and noted in a control register on the record date pursuant to chap. 4 of the Swedish Financial Instruments Act (1998:1479), or that party recorded in the control account pursuant to chap. 4 § 18 para. 1 clauses 6–8 of the above Act, will be considered authorized to exercise the rights pursuant to chap. 4 § 39 of the Swedish Companies Act (2005:551).

Adopted at the Annual General Meeting on 23 April 2015.



LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

General company and group information

The Company's legal (and commercial) name is Kungsleden Aktiebolag. The corporate registration number of Kungsleden is 556545-1217 and the registered office of the Board of Directors is the municipality of Stockholm, Sweden. The Company was incorporated in Sweden on 1 August 1997 and registered with the Swedish Companies Registration Office on 14 August 1997. The Company has been operating since then. The Company is a Swedish public limited liability company (Sw. *publikt aktiebolag*) regulated by the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*).

Kungsleden is the parent company of the Group. The wholly owned subsidiaries are listed in *Table 28* below.

Subsidiaries	Country	Shares and voting rights, %
Kungsleden Fastighets AB	Sweden	100
Kungsleden Lustfarm AB	Sweden	100
Kungsleden Holdmix 4 AB	Sweden	100
Kungsleden Tegel AB	Sweden	100
Kungsleden Mattan AB	Sweden	100
Kungsleden Friab AB	Sweden	100
Kungsleden Balsberget AB	Sweden	100
Kungsleden Alsberget AB	Sweden	100
Kungsleden Vegaholding AB	Sweden	100
Kungsleden Holdmix 3 AB	Sweden	100
Kungsleden Holdmix AB	Sweden	100
Kungsleden Kebnekaise AB	Sweden	100
Kungsleden Holdmix 2 AB	Sweden	100
Kungsleden Grönberget Holding AB	Sweden	100
Kungsleden Grönberget AB	Sweden	100
Realia AB	Sweden	100
Kungsleden Holding GMBH	Germany	100
Kungsleden Kalinka Holding AB	Sweden	100
Kungsleden Syd AB	Sweden	100
KL Äldre B AB	Sweden	100
Bovård i Sverige AB	Sweden	100
Kungsleden Isskrapan AB	Sweden	100

Table 28

Material agreements

Below is a summary of material agreements entered into by Kungsleden during the last two years and other agreements entered into by Kungsleden which includes rights and obligations of material importance to Kungsleden (in both cases with exception for agreements entered into as part of the ongoing business).

ACQUISITIONS AND DIVESTMENTS

On December 2015, after the divestment of 65.5 per cent of the Company's holdings in Nordic Modular Group AB in November 2014 Kungsleden entered into an agreement with Inter IKEA Investments AB regarding the divestment of the Company's remaining share of 34.5 per cent. The divestment was made to a price corresponding to a valuation of the whole Nordic Modular Group of SEK 1.45 billion and through the transaction Kungsleden made available net approximately SEK 330 million in liquidity. There are no outstanding obligations in relation to the divestment.

CREDIT AGREEMENTS

There are loan agreements and credit facilities entered into for Kungsleden's direct and indirect subsidiaries. The facilities granted pursuant to the loan agreements totalled SEK 16.5 billion as at 31 December 2016. The Group's credit facilities are secured by pledges in properties, shares, intragroup promissory notes and guarantees. In addition, the loan agreements include financial covenants with regard to interest coverage, loan to value and equity ratios.

The largest credit facility is a syndicated loan facility where the borrowers are Kungsleden's subsidiaries Kungsleden Fastighets AB and Kungsleden Kebnekaise AB. The facility lenders for this facility are several Nordic banks and the credit amounted to approximately SEK 5.5 billion as at 31 December 2016. Of the total facility limit, SEK 2 billion constitutes a so called acquisition facility that enables borrowing secured by acquired property or value creating investments in the existing real estate portfolio during the term, which falls due after three years on 19 June 2017. As at 31 December 2016, pledged property corresponded to an amount available for withdrawal of SEK 1,920 million. This part of the facility constitutes a back up for issued commercial papers (interest-bearing securities that are issued by the parent company with a maturity of up to 12 months). The issued amount totalled approximately SEK 1.2 billion as at 31 December 2016. The remaining part of the credit facility (intended to refinance existing debt and for business financing) falls due after five years on 19 June 2019.

In addition to the above mentioned credit facility there are several other loan facilities. Kungsleden Grönberget AB's facility amounted to SEK 3,407 million and falls due after five years on 27 April 2020. The facility lenders are two Nordic banks and the credit is intended to partially finance the acquisition of real estate from NR Nordic & Russia Properties and the acquisition of Kista One and two additional office premises in Kista Science City. Kungsleden Vegaholding AB's facility amounted to SEK 3,306 million and falls due on 21 October 2018. The facility lenders are several Nordic banks and the credit is



intended to partially finance the acquisition of real estate from GE Capital Real Estate.

In order to diversify the Group's borrowings and to prolong the tied up capital of the Group, a loan has been obtained from Realkredit Danmark, which is a wholly owned subsidiary to Danske Bank. Realkredit Danmark refinances the lending through an issue of mortgage credit bonds that have an AAA rating by Standard & Poor's. Borrower of loans from Realkredit Danmark are three subsidiaries within the Group and the total credit amount was SEK 1,340 million as at 31 December 2016.

In addition to the above mentioned credits there are a number of bilateral credit agreements. The total credit amount under these agreements amounted to approximately SEK 2,744 million as at 31 December 2016. In order to maintain a cost efficient cash management, the parent company had an overdraft facility of SEK 250 million as at 31 December 2016 which falls due after one year on 31 December 2017.

In order to diversify the Group's borrowings, Kungsleden has issued bonds on the capital market with a total outstanding amount of SEK 975 million as at 31 December 2016. Kungsleden has two outstanding bonds listed on Nasdaq Stockholm: one two-year-term unsecured bond amounting to SEK 375 million which falls due on 4 May 2017 and one three-year-term unsecured bond loan amounting to SEK 600 million which falls due on 23 June 2019.

See *Credits and interest rate hedging* in the section *Capital structure and other financial information* for further information.

Subscription and underwriting undertakings

SUBSCRIPTION UNDERTAKINGS

A number of large shareholders in Kungsleden – who together holds shares corresponding to approximately 21.6 per cent of the total number of shares and votes in the Company – have undertaken to exercise their preferential rights in the rights issue and hence subscribe for new shares in proportion to their respective shareholdings in the Company, i.e. corresponding to in total approximately 21.6 per cent of the rights issue (see the

allocation in *Table 29* below). No compensation will be paid for these subscription undertakings.

The shareholders concerned have also undertaken, up until the day the rights issue is fully registered by the Swedish Companies Registration Office (Sw. *Bolagsverket*), not to reduce their shareholdings in the Company.

UNDERWRITING UNDERTAKINGS

In addition to the subscription undertakings Gösta Welandson with companies has undertaken to subscribe for additional shares to a total amount of approximately SEK 1,285 million, corresponding to approximately 78.4 per cent of the rights issue. For this underwriting undertaking, Kungsleden shall pay a compensation of 0.75 per cent of the guaranteed amount, in total approximately SEK 9.6 million. Any allocation of shares subscribed for in accordance with the underwriting undertaking will be made in accordance with the principles set out in the section *Terms, conditions and instructions*.

The underwriting undertaking is conditional upon that Kungsleden's Board of Directors and general meeting make the necessary decisions to complete the rights issue. These conditions are fulfilled through the resolution on the rights issue by the Board of Directors on 2 February 2017 and the approval thereof by the general meeting on 6 March 2017. The undertaking was made ahead of the Board's resolution on the rights issue on 2 February 2017.

UNSECURED UNDERTAKINGS

The above mentioned subscription and underwriting undertakings are not secured. Hence, there is a risk that one or several parties will not be able to fulfil their respective undertakings. See also *Unsecured subscription and underwriting undertakings* in the section *Risk factors*.

TOTAL UNDERTAKINGS

In total, the subscription and underwriting undertakings amount to 100 per cent of the rights issue, with the allocation presented in *Table 29* below.

Shareholders	Current share-holding	Subscription undertaking (preferential right), share of the rights issue, %	Underwriting undertaking, MSEK	Underwriting undertaking, share of the rights issue, %	Total undertaking, share of the rights issue, %
Gösta Welandson with companies ¹⁾	25,786,002	14.2	1,285	78.4	92.6
Olle Florén with companies	5,500,665	3.0	-	-	3
BNP Paribas Investment Partners	6,751,114	3.7	-	-	3.7
Others	1,218,618	0.7	-	-	0.7
Total	39,256,399	21.6	1,285	78.4	100

1) P.O. Box 503, SE-333 28 Smålandsstenar, Sweden.

Table 29

Declaration of intents

Alfred Berg¹⁾ – who holds shares corresponding to approximately 1.4 per cent of the total number of shares and votes in the Company – has declared its intention to subscribe for new shares in relation to its shareholding in the rights issue.

1) Through the funds Alfred Berg Fastighetsfond Norden, Alfred Berg Hållbar Tillväxt Sverige and Alfred Berg Sverige Plus.



Legal and arbitration proceedings

The Group is, from time to time, subject to disputes, claims and administrative proceedings within the ordinary course of business. However, Kungsliden has not, except as set out below, been involved in any legal or arbitration proceedings (including pending disputes or disputes that Kungsliden is aware of may arise) during the last twelve months which recently have had or could have a significant impact on Kungsliden's financial position or profitability.

Kungsliden has been involved in a number of tax disputes where the Administrative Court of Appeal in December 2015 rendered judgements to the detriment of Kungsliden's companies. The court held that two of the Swedish Group companies have been part to a transaction in 2006 which was carried out by two Group companies in the Netherlands and that the capital gain realised in the transaction thereby was taxable in Sweden despite the fact that the transactions were made by Kungsliden companies in the Netherlands where the capital gain was tax free. The total liquidity effect of SEK 1,303 million was paid to the Swedish Tax Authority (Sw. *Skatteverket*) in December 2015. Kungsliden appealed the judgement by the Administrative Court of Appeal and applied for leave to appeal to the Supreme Administrative Court. In November 2016, it was declared that the Supreme Administrative Court dismissed the application for leave to appeal, whereby the judgements became final.

Related party transactions

Hemsö Fastighets AB was a related company until the closing of the sale transaction on 15 February 2013. For the financial year 2013, financial income of SEK 13 million has been obtained for a promissory note of SEK 1,500 million which was settled at the closing. Financial costs has amounted to SEK 0 million.

No related party transactions, except for the above mentioned and remuneration to Board members and senior executives have taken place during January–December 2016 and the financial years 2015, 2014 and 2013.

No related party transactions, that individually or together are essential for the Company, have taken place since 31 December 2016.

For information on the remuneration of the Board members and members of the Management Team, see the section *Board of Directors, Management Team and auditor*.

Market and industry data

This prospectus contains certain market and industry data originated from third parties. Although the information has been accurately reproduced and although Kungsliden finds the sources reliable, Kungsliden has not independently verified the information and therefore the accuracy and completeness cannot be granted. As far as Kungsliden is aware, and is able to verify by comparing with other information that have been published by these sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Furthermore, a valuation report regarding Kungsliden's properties has been obtained from the independent rating

agency Newsec Advice AB with address P.O. Box 7795, SE-103 96 Stockholm, Sweden which has agreed to the valuations being published in the prospectus. None of the persons who participated in the work has, as far as Kungsliden is aware, any material interest in the Company.

Advisors

Kungsliden's financial advisers in connection with the rights issue are ABGSC, Kempen & Co and SEB. These advisers (including related companies) have provided, and may in the future provide, various banking, financial, investing, commercial and other services to Kungsliden for which they have received, and may receive, compensation.

The Company has entered into an engagement agreement with the Joint Global Coordinators and Joint Bookrunners pursuant to which, among other things, the Joint Global Coordinators and Joint Bookrunners are to create a book of orders for the rights issue on a best effort basis should that be feasible. The Company has provided customary warranties and indemnities for the Joint Global Coordinators and Joint Bookrunners. In addition, the Company has undertaken not to carry out a capital increase, issue or similar action, sell shares or certain equity-related instruments or other similar measure without the prior written consent from Joint Global Coordinators and Joint Bookrunners for a period of 180 calendar days as from admission to trading of the shares on Nasdaq Stockholm. Mannheimier Swartling Advokatbyrå is Kungsliden's legal advisor in connection with the rights issue.

Incorporation by reference, etc.

Kungsliden's financial statements for the financial years 2013–2015 and for the period January–December 2016 are incorporated by reference and are hence part of this prospectus and should be read as a part thereof. These financial statements can be found in Kungsliden's annual reports for the financial years 2015, 2014 and 2013 and Kungsliden's year-end report for the period January–December 2016, where reference is made as follows:

- **Annual report 2015:**¹⁾ management report (p. 16–55), income statement (p. 58), statement of comprehensive income (p. 58), statement of financial position (p. 60), statement of changes in equity (p. 62), statement of cash flow (p. 62), notes (p. 64–76) and auditors' report (p. 85).
- **Annual report 2014:**²⁾ management report (p. 14–39), income statement (p. 42), statement of comprehensive income (p. 42), statement of financial position (p. 44), statement of changes in equity (p. 46), statement of cash flow (p. 46), notes (p. 48–60) and auditors' report (p. 69).
- **Annual report 2013:**³⁾ management report (p. 5–39), income statement (p. 42), statement of comprehensive income (p. 42), statement of financial position (p. 44), statement of changes in equity (p. 46), statement of cash flow (p. 46), notes (p. 48–62) and auditors' report (p. 70).

1) <http://www.kungsliden.se/contentassets/a7559ac0749c4098b95d77b52561d5ad/annual-report-2015>.

2) <http://www.kungsliden.se/contentassets/b0842f5cec26408f82bddf732f4da18/annual-report-2014>.

3) <http://www.kungsliden.se/contentassets/7bcdf8c1d55c43e2b61e6e75c865dbd1/annual-report-2013>.



- **Year-end report January–December 2016:**¹⁾ income statement (p. 20), statement of comprehensive income (p. 20), statement of financial position (p. 21), statement of changes in equity (p. 21) and statement of cash flow (p. 22).

Non-incorporated parts of the financial information are either covered elsewhere in the prospectus or not relevant for the investor. The Group's financial reports for the financial years 2013–2015 have been reviewed by the Company's previous auditor.

Documents available

The following documents (except for subsidiaries' annual reports) are available in electronic form on Kungsleden's website, (www.kungsleden.se). Copies of the documents are also available at Kungsleden's head office, Warfvings väg 31 in Stockholm, during the term of the prospectus (regular office hours on weekdays).

- Kungsleden's Articles of Association.
 - Kungsleden's and its subsidiaries' annual reports for the financial years 2013–2015 (including audit reports).
- Kungsleden's year-end report for the period January–December 2016.

1) <http://www.kungsleden.se/contentassets/bbc84b0f3fc849c48abc6ebb3170c1d7/kungsleden-year-end-report-2016>.



CERTAIN TAX ISSUES IN SWEDEN

The following summary outlines certain Swedish tax consequences relating to the offer to subscribe for new shares for shareholders and holders of subscription rights in the Company. The summary is only applicable to individuals and limited liability companies (Sw. aktiebolag) tax resident in Sweden, unless otherwise stated. The summary is based on the laws of Sweden as currently in effect and is intended to provide general information only. The summary does not address securities held by partnerships or held as current assets in business operations. Furthermore, the summary does not cover the specific rules on tax-exempt dividends and capital gains (including non-deductibility for capital losses) in the corporate sector, which may become applicable when shareholders hold securities that are considered to be held for business purposes (Sw. näringsbetingade andelar). Nor does the summary cover the special rules which may be applicable to holdings in companies which are, or previously were, closely-held companies, or to shares acquired on the basis of so-called qualified shares in closely-held companies. Moreover, the summary does not cover shares or other securities that are held on a so-called investment savings account (Sw. investeringssparkonto) and that are subject to special rules on standardised taxation. Special tax rules apply to certain categories of taxpayers, for example, investment companies and insurance companies. The tax treatment of each individual shareholder depends on such investor's particular circumstances. Each holder of shares and subscription rights should, therefore, consult a tax advisor for information on the specific implications that may arise in an individual case, including the applicability and effect of foreign rules and tax treaties.

Individuals

CAPITAL GAINS TAXATION

Upon the sale or other disposition of listed shares or other equity-related securities, such as subscription rights, a taxable capital gain or deductible capital loss may arise. Capital gains are taxed as capital income at a flat tax rate of 30 per cent. The capital gain or loss is normally calculated as the difference between the sales proceeds, after deducting sales costs, and the tax basis (for specific information about the tax basis for subscription rights, see *Exercise and disposal of subscription rights* below). The tax basis for all equity-related securities of the same class and type is calculated together in accordance with the "average cost method". It should be noted that BTAs (paid subscription shares) in this context are not considered to be of the same class and type as the existing shares that entitled the shareholder to the preferential right in the rights issue until the resolution of the rights issue has been registered with the Swedish Companies Registration Office.

Alternatively, upon the sale of listed shares, such as the shares in the Company, the tax basis may alternatively be determined as 20 per cent of the sales proceeds, after deducting sales costs, under the "notional rule".

Capital losses on listed shares and other listed equity-related securities are fully deductible against taxable capital gains on shares and on other listed equity-related securities, with the exception of units in securities funds or special funds that consist solely of Swedish receivables (Sw. räntefonder). Capital losses

on shares and other equity-related securities which cannot be set off in this way can be deducted with up to 70 per cent against other capital income. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. A tax reduction is allowed with 30 per cent on the portion of such net loss that does not exceed SEK 100,000 and with 21 per cent on any remaining loss. Such net loss cannot be carried forward to future income years.

DIVIDEND TAXATION

For individuals, dividends on listed shares are taxed as income from capital at a rate of 30 per cent. A preliminary tax of 30 per cent is generally withheld by Euroclear Sweden or, in respect of nominee-registered shares, by the Swedish nominee.

EXERCISE AND DISPOSAL OF SUBSCRIPTION RIGHTS

The exercise of subscription rights does not give rise to any taxation. The acquisition cost for shares received is the issue price. If subscription rights used for subscribing for shares have been purchased or otherwise acquired (i.e. that have not been received based on a holding of existing shares) the tax basis for the subscription rights should be included when calculating the tax basis for the subscribed shares.

For shareholders that do not wish to utilize their preferential right to participate in the rights issue of shares, and therefore dispose of their subscription rights, a capital gain or loss is



calculated. Subscription rights based on a holding of existing shares are considered to have been acquired at SEK 0. The total sales proceeds, after deduction of sales costs, are thus taxable. The “notional rule” is not applicable in this case. The tax basis for the original shares is not affected.

For subscription rights purchased or otherwise acquired, the price paid for the rights constitutes the tax basis. The “notional rule” may be applied on disposal of listed subscription rights in this case.

A subscription right that is not exercised or sold, and thus expires, is considered to have been disposed of at SEK 0.

Limited liability companies

CAPITAL GAINS AND DIVIDENDS TAXATION

For a Swedish limited liability company (Sw. *aktiebolag*) all income, including taxable capital gains and dividends, is taxed as business income at a rate of 22 per cent. Capital gains and capital losses are calculated in the same manner as set forth above with respect to individuals. Deductible capital losses on shares and other equity-related securities may only be deducted against taxable capital gains on such securities. Under certain circumstances, such capital losses may also be deducted against capital gains in another company in the same group, provided that the requirements for exchanging group contributions (Sw. *koncernbidragsvätt*) between the companies are met. A capital loss that cannot not be utilised during a given income year may be carried forward and be offset against taxable capital gains on shares and other equity-related securities during subsequent income years, without limitation in time.

EXERCISE AND DISPOSAL OF SUBSCRIPTION RIGHTS

The exercise of subscription rights does not give rise to any taxation. The acquisition cost for shares received is the issue price. If subscription rights used for subscribing for shares have been purchased or otherwise acquired (i.e. that have not been received based on a holding of existing shares) the tax basis for the subscription rights should be included when calculating the tax basis for the subscribed shares.

For shareholders that do not wish to utilize their preferential right to participate in the rights issue of shares, and therefore dispose of their subscription rights, a capital gain or loss is calculated. Subscription rights based on a holding of existing shares are considered to have been acquired at SEK 0. The total sales proceeds, after deduction of sales costs, are thus taxable. The “notional rule” is not applicable in this case. The tax basis for the original shares is not affected.

For subscription rights purchased or otherwise acquired, the price paid for the rights constitutes the tax basis. The “notional rule” may be applied on disposal of listed subscription rights in this case.

A subscription right that is not exercised or sold, and thus expires, is considered to have been disposed of at SEK 0.

Specific tax considerations for holders of shares or subscription rights who are not tax residents in Sweden

WITHHOLDING TAX ON DIVIDENDS

For shareholders not tax resident in Sweden who receive dividends from a Swedish limited liability company, Swedish withholding tax is normally payable. The tax rate is 30 per cent. However, the tax rate is often reduced by tax treaties for the avoidance of double taxation between Sweden and other countries. The majority of Sweden’s tax treaties enable a reduction of the Swedish tax to the tax rate stipulated in the treaty directly at the payment of dividends, provided that necessary information is available in relation to the person entitled to such dividends. In Sweden, Euroclear Sweden or, for nominee-registered shares, the nominee, normally carries out the withholding. The receipt of subscription rights does not give rise to any obligation to pay withholding tax.

If a 30 per cent withholding tax is deducted from a payment to a person entitled to be taxed at a lower rate, or if too much withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency prior to the expiry of the fifth calendar year following the dividend distribution.

CAPITAL GAINS TAXATION

Holders of shares and subscription rights not tax resident in Sweden and whose holding is not attributable to a permanent establishment in Sweden are generally not liable for Swedish capital gains taxation on the disposal of shares or subscription rights. The holders may, however, be subject to tax in their country of residence. Under a specific tax rule, individuals that are not tax resident in Sweden may, however, be subject to tax in Sweden on the sale of certain securities (such as shares, BTAs and subscription rights) if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during any of the previous ten calendar years. The application of this rule may be limited by tax treaties for the avoidance of double taxation between Sweden and other countries.



SELLING AND TRANSFER RESTRICTIONS

The distribution of subscription rights and the offer to subscribe for new shares in the Company by exercise of subscription rights as well as without subscription rights (the “Rights issue”) to persons resident in, or who are citizens of, countries other than Sweden may be affected by the laws of the relevant jurisdiction. Investors should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to exercise subscription rights or to subscribe for new shares without subscription rights.

General

Kungsleden has not taken and will not take any action to permit a public offering of the new shares being issued in the Rights issue (through the exercise of the subscription rights or otherwise) in any jurisdiction other than Sweden. Receipt of this prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus is for information only and must not be copied or redistributed.

Except as otherwise disclosed in this prospectus, if an investor receives a copy of this prospectus in any jurisdiction other than Sweden the investor may not treat the prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in the subscription rights, paid subscribed shares/Interim shares (Sw. *betalda tecknade aktier*, “BTA”, “*Interimsaktier*”) or new shares being granted or offered, respectively, in the Rights issue (the “Securities”), unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the Securities could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements.

Accordingly, if an investor receives a copy of this prospectus, the investor should not distribute or send the same, or transfer the Securities to any person, in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If any investor forwards this prospectus into any such jurisdictions (whether under a contractual or legal obligation or otherwise), such investor should draw the recipient’s attention to the contents of this section. Except as otherwise expressly noted in this prospectus, the following applies:

- the Securities may not be offered, subscribed for, sold or transferred, directly or indirectly, to or in the United States, Australia, Canada, Japan, Hong Kong, Singapore or any other jurisdiction in which it would not be permissible to offer the Securities or where such action would require additional prospectuses, registration or measures other than those pursuant to Swedish law (an “Ineligible Jurisdiction”, together the “Ineligible Jurisdictions”);
- the prospectus may not be sent to any person in any Ineligible Jurisdiction; and

- the transfer of subscription rights to an account of a shareholder or other person in an Ineligible Jurisdiction or of a citizen of an Ineligible Jurisdiction (referred to as “Ineligible Persons”) does not constitute an offer to such persons of new shares and Ineligible Persons may not exercise subscription rights.

If an investor subscribes for, receives, transfers, trades or otherwise deals in the Securities, that investor will be deemed to have made, or, in some cases, be required to make, among other things, the following representations and warranties to Kungsleden and any person acting on its behalf (unless such requirement is waived by Kungsleden):

- the investor is not located in an Ineligible Jurisdiction;
- the investor is not an Ineligible Person;
- the investor is not acting, and has not acted, for the account or benefit of an Ineligible Person;
- the investor understands that the Securities have not been or will not be registered under the United States Securities Act of 1933 (the “Securities Act”) and may not be offered, subscribed for, exercised, pledged, sold, resold, allotted, delivered or otherwise transferred within the United States, or for the account or benefit of persons in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act; and
- the investor may lawfully be offered, exercise, subscribe for and receive Securities in the jurisdiction in which it resides or is currently located.

Kungsleden and any person acting on its behalf will rely upon the investor’s representations and warranties. Any provision of false information or subsequent breach of these representations and warranties may subject the investor to liability.

If a person is acting on behalf of a holder of subscription rights (including, without limitation, as a nominee, custodian or trustee), that person will be required to provide the foregoing representations and warranties to Kungsleden with respect to the exercise of subscription rights on behalf of the holder. If such person does not or is unable to provide the aforementioned representations and warranties, Kungsleden will not be bound to authorize the allocation of any Securities to that person or the person on whose behalf the other is acting.



Subject to the specific restrictions described below, if an investor (including, without limitation, its nominees, custodians and trustees) who is located outside of Sweden wishes to exercise, deal in or subscribe for Securities, the investor must satisfy itself as to full observance of the applicable laws of any relevant jurisdiction including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any taxes due in such territories.

The information set out in this section is intended as a general guide only. If the investor is in any doubt as to whether it is eligible to exercise subscription rights or otherwise subscribe for Securities, that investor should consult professional advisers without delay.

For shareholders who on the record date 8 March 2017 hold shares in Kungsliden through financial intermediaries, all subscription rights will initially be credited to such financial intermediaries for such shareholders' accounts. A financial intermediary may not exercise any subscription rights on behalf of any person in the Ineligible Jurisdictions or any Ineligible Persons and may be required in connection with any exercise of subscription rights to certify the same.

Subject to certain exceptions, financial intermediaries are not permitted to send this prospectus or any other information about the Rights issue into any Ineligible Jurisdiction or to any Ineligible Person. The crediting of subscription rights to the account of persons in Ineligible Jurisdictions or to Ineligible Persons does not constitute an offer of Securities to such persons. Nominees, which include banks, brokers, custodians and other financial intermediaries, holding for Ineligible Persons may consider selling any or all subscription rights held for the benefit of such persons to the extent permitted under their arrangements with such persons and applicable law and to remit the net proceeds to the accounts of such persons.

Subject to certain exceptions, exercise instructions or certifications regarding subscription sent from or postmarked in any Ineligible Jurisdiction will be deemed to be invalid and the Securities will not be delivered to an addressee in any Ineligible Jurisdiction. Kungsliden reserves the right to reject any exercise or revoke any accepted exercise made in the name of any person who provides an address in an Ineligible Jurisdiction for exercise or delivery of Securities, who does not or is unable to represent or warrant that such person is not in an Ineligible Jurisdiction and is not an Ineligible Person, who is not acting on a discretionary basis for such persons, or who appears to Kungsliden or its agents to have executed its exercise instructions or certifications in, or dispatched them from, an Ineligible Jurisdiction. Furthermore, Kungsliden reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of subscription rights which appears to it to have been executed, effected or dispatched in a manner inconsistent with the requirements set forth in the prospectus or that may involve a breach or violation of the laws or regulations of any jurisdiction.

Notwithstanding any other provision of this prospectus, Kungsliden reserves the right to permit a holder to exercise its subscription rights if Kungsliden in its absolute discretion is satisfied that the transaction in question is exempt from or not subject to the laws or regulations giving rise to the restrictions in question. Applicable exemptions in certain jurisdictions are described below. In any such case, Kungsliden does not accept

any liability for any actions that a holder takes or for any consequences that such holder may suffer by Kungsliden's acceptance of the holder's exercise of subscription rights.

None of Kungsliden, the Joint Global Coordinators and Joint Bookrunners, or any of their respective representatives is making any representation to any offeree, subscriber or purchaser of the Securities regarding the legality of an investment in the Securities by such offeree, subscriber or purchaser under applicable laws. Each investor should consult with its own advisers and make its independent assessment of the legal, tax, business, financial and other consequences of a subscription or purchase of the Securities.

Investing in the Securities involves risks. See *Risk factors* for a discussion of selected risks that prospective investors should consider before investing in the Securities.

UNITED STATES

The Securities have not been and will not be registered under the Securities Act or under the securities legislation of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities legislation in any state or other jurisdiction of the United States. The Securities are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. Any offering of the Securities to be made in the United States will be made by the issuer and only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, to a limited number of investors who (i) are both existing holders of shares in Kungsliden and qualified institutional buyers as defined in Rule 144A under the Securities Act ("QIB") and (ii) have executed and delivered an investor letter, in form and substance acceptable, to Kungsliden. In connection with the offering, the Joint Global Coordinators and Joint Bookrunners will not effect any transactions or induce or attempt to induce the purchase or sale of any security in or into the United States.

Accordingly, subject to certain limited exceptions, this document will not be sent to, and no subscription rights will be credited to, any shareholder with a registered address in the United States. In addition, Kungsliden reserves the right to reject any instruction in respect of the Securities sent by or on behalf of any securities account holder with a registered address in the United States.

Until 40 days after the commencement of the Rights issue, an offer, sale or transfer of the Securities within the United States by a dealer (whether or not participating in the Rights issue) may violate the registration requirements of the Securities Act. The Securities have not been approved or disapproved by the U.S. Securities and Exchange Commission (SEC), any state regulatory authority in the United States or any other U.S. regulatory authority nor have any of the foregoing authorities passed upon or endorsed the merits of the Rights issue or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

Each person to which Securities are distributed, offered or sold within the United States will, by accepting delivery of this



prospectus or by its subscription for Securities, be deemed to have represented, acknowledged and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for Securities, as the case may be, that, among other things:

1. it is at the time of receipt of the prospectus, and at the time of any exercise by it of subscription rights, an existing shareholder of the Company and a QIB.
2. it understands and acknowledges that the Securities have not and will not be registered under the Securities Act, and that they may not be offered, sold or exercised, directly or indirectly, in the United States, other than in accordance with paragraph 4 below.
3. it understands that the subscription rights may only be transferred, assigned or sold outside the United States in reliance on Regulation S under the Securities Act, and not in any case inside or into the United States.
4. as a purchaser in a private placement of securities that have not been registered under the Securities Act, it may only acquire subscription rights, paid subscribed shares/Interim shares and new shares upon the exercise of such subscription rights, for its own account, or for the account of one or more other QIBs for which it is acting as duly authorized fiduciary or agent with sole investment discretion and with full authority to make the acknowledgments, representations and agreements herein, in each case for investment and not with a view to any resale or distribution of any such subscription rights or of any paid subscribed shares/Interim shares or new shares issuable upon exercise of the subscription rights.
5. it understands and agrees that, although offers and sales in the United States of the subscription rights are being made only to QIBs, and that the subscription rights may be exercised only by QIBs in the United States, neither such offers and sales nor such exercises are being made under Rule 144A, and that if in the future it or any such other QIB for which it is acting, as described in paragraph 4 above, or any other fiduciary or agent representing such investor decides to offer, sell, deliver, pledge or otherwise transfer any subscription rights, or any paid subscribed shares/Interim shares or new shares issued upon the exercise of subscription rights, it and such other persons will do so only (i) pursuant to an effective registration statement under the Securities Act, (ii) with respect to paid subscribed shares/Interim shares or new shares, to a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States pursuant to Rule 904 under Regulation S under the Securities Act in an "offshore transaction" (and not in a pre-arranged transaction resulting in the resale of such subscription rights, paid subscribed shares/Interim shares or new shares into the United States), or (iv) in the case of new shares issued upon the exercise of subscription rights, in accordance with Rule 144 under the Securities Act and, in each case, in accordance with any applicable securities laws of any state or territory of the United States and any other jurisdictions. It understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of new shares.
6. it understands that for so long as new shares issued upon the exercise of subscription rights are "restricted securities" within the meaning of U.S. federal securities laws, no such new shares may be deposited into any U.S. depositary receipt facility established or maintained by a depositary bank, other than a restricted depositary receipt facility, and that such new shares will not settle or trade through the facilities of the Depositary Trust Company or any other U.S. exchange or clearing system.
7. it has received a copy of this prospectus and has had access to such financial and other information concerning Kungsleden as it has deemed necessary in connection with making its own investment decision to exercise subscription rights and has consulted with its own independent advisers or otherwise satisfied itself concerning the legal, tax and other economic considerations related to exercising its subscription rights. It acknowledges and agrees that neither Kungsleden nor the Joint Global Coordinators and Joint Bookrunners nor any person representing Kungsleden or the Joint Global Coordinators and Joint Bookrunners has made any representation to it with respect to Kungsleden or the offer other than as set forth in the prospectus. It will hold any offering materials, including the prospectus, it receives directly or indirectly from Kungsleden or the Joint Global Coordinators and Joint Bookrunners in confidence, and it understands that any such information received by it is solely for it and may not be redistributed or duplicated by it. It acknowledges and agrees that the Securities have not been offered to it by Kungsleden or the Joint Global Coordinators and Joint Bookrunners in any form of general solicitation or general advertising (in the meaning set forth in Regulation D under the Securities Act).
8. it, and each other QIB, if any, for whose account it may acquire subscription rights, paid subscribed shares/Interim shares or new shares, in the normal course of business, invests in or purchases securities similar to the Securities, has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of acquiring subscription rights and new shares and is aware that it must bear the financial risk of an investment in each subscription right and any paid subscription share and new share for an indefinite period of time and is able to bear such risk for an indefinite period. It confirms that it is acquiring subscription rights or new shares for itself and any other QIB, if any.
9. it understands that these representations and undertakings are required under United States securities laws and authorizes Kungsleden and the Joint Global Coordinators and Joint Bookrunners to produce these undertakings and the investor letter to any interested parties in any administrative or legal proceedings or official enquiry with respect to the matters covered herein.
10. it represents that if, in the future, it offers, resells, pledges or otherwise transfers the Securities, it shall notify such subsequent transferee of the transfer restrictions set out herein.
11. it is not an affiliate (as defined in Rule 501(b) under the Securities Act) of Kungsleden, and is not acting on behalf of an affiliate of Kungsleden.



12. it understands and acknowledges that Kungsleden, the Joint Global Coordinators and Joint Bookrunners and each of their respective affiliates and agents, and others, will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

In addition, each person exercising subscription rights or otherwise subscribing for new shares will be deemed to have acknowledged and agreed that:

- (a) it is relying on the prospectus in conducting its examination of Kungsleden and the terms of the offer, including the merits and risks involved, and in making an investment decision regarding the Securities; and
- (b) no person is authorized to give any information or make any representations other than those contained in the prospectus and, if given or made, such information or representations will not be relied upon as having been authorized by Kungsleden or the Joint Global Coordinators and Joint Bookrunners, nor will Kungsleden or the Joint Global Coordinators and Joint Bookrunners have any liability or responsibility therefore.

Each person to which Securities are distributed, offered or sold outside the United States will, by its subscription for, or purchase of, Securities, be deemed to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for Securities, as the case may be, that:

- it is acquiring the Securities from Kungsleden in an “off-shore transaction” as defined in Regulation S under the Securities Act; and
- the Securities have not been offered to it by Kungsleden by means of any “directed selling efforts” as defined in Regulation S under the Securities Act.

AGREEMENT OF CONFIDENTIALITY

Any recipient of this document in the United States is hereby notified that this document is being furnished to it on a confidential basis and must not be reproduced, resent or otherwise redistributed, in whole or in part, under any circumstances. Furthermore, recipients are authorized to use this document solely for the purpose of considering a subscription for Securities and may not disclose any of the contents of this document or use any information herein for any other purpose. This document is personal to each recipient and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Securities. Any recipient of this document agrees to the foregoing by accepting delivery of this document.

ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS

Kungsleden is a Swedish limited liability company. The majority members of the Board of Directors and the Management Team are resident outside the United States. A substantial portion of the assets of Kungsleden and such persons are located outside the United States. As a result, it may not be possible for investors to serve writ of summons upon Kungsleden or such persons or to enforce against them in U.S. courts judgments obtained in such courts. Original actions, or actions for the enforcement of judgments of a U.S. court, relating to the civil

liability provisions of the federal or state securities laws of the United States are not directly enforceable in Sweden. The United States and Sweden do not have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters.

Accordingly, a final judgment for the payment of money rendered by a U.S. court based on civil liability will not be directly enforceable in Sweden. However, if the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Sweden, that party may submit to the Swedish court the final judgment that has been rendered in the United States. Although a judgment by a federal or state court in the United States against the Company or the Group will neither be recognized nor enforced by a Swedish court, it may serve as evidence in a similar action in a Swedish court.

EEA

Within the European Economic Area (“EEA”), no public offering of Securities is made in other countries than Sweden. In other member states of the EEA which have implemented the Prospectus Directive, any offer of Securities may only be made to “qualified investors” as defined in Article 2.1 e) of the Prospectus Directive, or under other circumstances which do not require Kungsleden to publish any additional prospectuses in the relevant member state under Article 3 of the Prospectus Directive. Each recipients of this prospectus will be considered to have represented and guaranteed that they do not have or will not make any offer to the public in any member state of the EEA.

The term “public offering” refers to the definition under Article 2.1 d) of the Prospectus Directive. The term “Prospectus Directive” means European Parliament and Council Directive 2003/71/EC as well as any relevant implementing measures (including measures for the implementation of European Parliament and Council Directive 2010/73/EU amending the Prospectus Directive, etc.) in the relevant member state.

Generally, any person exercising their preferential subscription rights outside Sweden must ensure that doing so does not contravene applicable laws. Neither the prospectus nor any other document relating to the capital increase may be distributed outside Sweden other than in accordance with the laws and regulations applicable locally, or constitute a subscription offer in countries where such an offer would infringe on the local applicable legislation.

ISRAEL

This document does not constitute a prospectus under the Israeli Securities Law, 5728-1968 (the “Israeli Securities Law”), and has not been filed with or approved by the Israel Securities Authority. In the State of Israel, this prospectus is being distributed only to, and is directed only at, and any offer of the Securities is directed only (i) at a limited number of persons in accordance with Section 15A(a)(1) of the Israeli Securities Law or (ii) to investors listed in the first schedule to the Israeli Securities Law (the “Schedule”), consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisers, members of the Tel Aviv Stock Exchange, underwriters, venture capital funds, entities with equity in excess of NIS 50 million and qualified individuals, each as described in the Schedule (as



it may be amended from time to time), collectively referred to as “qualified investors” (in each case purchasing for their own account or, where permitted under the Schedule, for the accounts of their clients who are investors listed in the Schedule). Qualified investors will be required to submit written confirmation that they fall within the scope of the Schedule.

SOUTH AFRICA

This document does not constitute a solicitation for investments from members of the public in terms of the Collective Investment Schemes Control Act, 45 of 2002 (as amended); or an offer for the sale of or subscription for, or the solicitation of an offer to buy or subscribe for, securities, to the public as defined in the South African Companies Act, No. 71 of 2008 (as amended). This document does not, nor is it intended to, constitute a prospectus prepared and registered under such Companies Act. The information provided herein is not meant to operate as a recommendation, guidance or proposal to any person in relation to the purchase of, investment in or on the variation of any term or condition applying to, any financial product contemplated in the Financial Advisory and Intermediary Services Act 37 of 2002.

SWITZERLAND

The Securities may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (the “SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This prospectus has been prepared without regard to the disclosure standards for the issuance of prospectuses under Article 652a or Article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under Article 27ff of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the Securities or the offering may be publicly distributed or otherwise made publicly available in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the offering, the Company or the Securities has been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus will not be filed with, and the offer of Securities will not be supervised by, the Swiss Financial Market Supervisory Authority (“FINMA”).

OTHER JURISDICTIONS

The Securities have not been and will not be registered in Australia, Canada, Japan, Hong Kong, Singapore, or any other jurisdiction outside Sweden and may not be offered, subscribed for, exercised, pledged, sold, resold, delivered or otherwise transferred, directly or indirectly, in or to any such jurisdiction other than in such exceptional cases when a prospectus would not be required under applicable laws and regulations of such jurisdiction.



GLOSSARY

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 offices, industry/warehouses, commercial, modular buildings 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.

MAINTENANCE

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

PROPERTY COSTS

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

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.



VALUATION STATEMENT

Deviations between the number of properties stated in the valuation statement and the number of properties reported by Kungsleden is due to the fact that the external appraiser accounts the properties Göteborg Forsåker 1:75, 1:164, 1:227 and 1:257 as one valuation object whereas Kungsleden accounts them as four separate objects.

Kungsleden conducts internal valuations of the entire property portfolio each quarter. The valuations are based on a cash flow analysis where the future earnings capacity of an individual property and the market's yield requirement are assessed. In order to obtain quality assurance and verify the internal assessments, external valuations are carried out each quarter on approximately 25 per cent of the properties. This means that each property in the portfolio is the subject of external valuation over a twelve-month period.

The valuation statement below covers the properties which were held by the Company as at 31 December 2016. Divestment contracts have been entered into regarding the following properties (profit units) included in the amounts as at 31 December 2016.

Helsingborg Adolfsberg Västra 10
Mölnadal Stiernhielm 7 (in part)
Göteborg Forsåker 1:75, 1:164, 1:227, 1:257
Göteborg Backa 29:26
Kungälv Kylaren 9
Kungälv Kylaren 4
Kungälv Ventilen 6
Kungälv Ventilen 7
Göteborg Kärra 93:3
Arboga Bälgen 9
Kumla Oxen 11
Kungsör Armaturen 10
Piteå Öjebyn 119:1
Sandviken Murängen 2
Sandviken Åttersta 6:28
Filipstad Mejeriet 17
Filipstad Mejeriet 18
Sigtuna Märsta 14:1
Stockholm Solkraften 17 & 18
Tyresö Bagaren 9
Tyresö Fotografen 1
Tyresö Kopparen 8
Tyresö Kopparen 9
Tyresö Kopparen 14

The properties Göteborg Backa 29:26, Kungälv Kylaren 9, Kungälv Kylaren 4, Kungälv Ventilen 6, Kungälv Ventilen 7 and Göteborg Kärra 93:3 have been vacated.

The properties Emporia Office as well as Godsvagnen 9, which were acquired but vesting of title has not yet occurred, are not covered by the valuation statement.

There have not been any material changes after the valuation statement was issued.



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**REPORT ON VALUATIONS PERFORMED IN 2016**

Newsec Advice AB has, in 2016 been instructed by Kungsleden AB to estimate the market value of in total 266 properties (see Appendix). The value estimations have mainly been carried out on a quarterly basis during 2016 (25% of the properties each quarter). The aim of the valuations is to estimate the market value of the properties, which is the most probable price when sold in an open and free property market at a given time.

Of the properties 228 are freehold, 37 are leasehold and one is a building on leased land. All properties are located in Sweden and have been inspected by Newsec between October 2014 and November 2016. The total lettable area amounts to approximately 2,575 000 sq.m. of which approximately 2,562,600 sq.m. are commercial and approximately 12,400 sq.m. are residential.

The properties are located in many parts of Sweden but with focus on Stockholm region, Mälardalen region and the southern parts of Sweden. The majority of the properties contain commercial premises such as office, retail, industrial and warehouse but to some extent residential. In addition, there is some undeveloped land.

The valuations have been performed in accordance with the RICS Valuation - Professional Standards (Red Book) and the definitions and value concepts stated in International Valuation Standards 2013 (IVS 2013) established by the International Valuation Standard Council (IVCS).

Valuers qualified for the assignment and acting as external valuers have carried out the valuations. We considers having good knowledge of the property market and the current market segments, and thus the skills required to carry out the valuations.

The value estimations have mainly been performed with a discounted cash flow cash model, in which a present value is calculated from future cash flows and the residual value.

The market value of the 266 properties has been estimated to:

SEK 29 018 080 000

(SEK Twenty-nine Billion Eighteen Million Eighty Thousand)

The market value divided into different valuation dates is as follows:

Valuation Date	Number of properties	Market Value (SEK)
2016-03-31	67	6 519 270
2016-06-20	2	520 000
2016-06-30	65	4 364 370
2016-09-30	66	7 846 610
2016-11-30	3	1 097 000
2016-12-31	63	8 670 830
TOTAL	266	29 018 080




The market value divided into different types of tenure is as follows:

Tenure	Number of properties	Market Value (SEK)
Freehold	228	23 380 370
Leasehold	37	5 631 300
Building on leased land	1	6 410
TOTAL	266	29 018 080

Kungsleden's booked value Q4, 2016 of the 266 properties amounts to SEK 29,168,990,892.

The difference in value may depend on several parameters. Mainly it is likely the difference is related to various valuation dates. Other likely explanations may for example be changes in investment or rental situation. The view of value-influencing factors may also differ such as market rents, vacancy levels, exit yield or operating and maintenance costs.

Stockholm 2017-02-14

Newsec Advice AB



Fredrik Karlsson, MRICS



Ulrika Lindmark, MRICS

Real Estate Valuer,
authorised by Samhällsbyggarna

Real Estate Valuer,
authorised by Samhällsbyggarna

**AUTHORISED
REAL ESTATE VALUER**



SAMHÄLLSBYGGARNA

**AUTHORISED
REAL ESTATE VALUER**



SAMHÄLLSBYGGARNA

**Property list 1 (4)**

Valuation Date 2016-03-31

<u>Property</u>	<u>Municipality</u>		
Stenvreten 4:1	Enköping	Noshjulet 3	Malmö
Eskilshem 1:9	Eskilstuna	Målaren 7	Mjölby
Skiftinge 1:3	Eskilstuna	Stiernhielm 7	Möndal
Verkmästaren 4	Eskilstuna	Forsåker 1:227, 1:164, 1:75, 1:257	Möndal
Värblomman 8	Eskilstuna	Asken 17	Nyköping
Lundbyvassen 4:9	Göteborg	Ribban 5	Nyköping
Högsbo 17:4	Göteborg	Snöflingan 3	Osby
Högsbo 29:2	Göteborg	Öjebyn 119:1	Piteå
Sävenäs 67:3	Göteborg	Murängen 2	Sandviken
Kobbegården 172:1	Göteborg	Forellen 1	Solna
Högsbo 14:7	Göteborg	Domptören 4	Stockholm
Högsbo 20:12	Göteborg	Timpenningen 1	Stockholm
Högsbo 27:9	Göteborg	Blästern 14	Stockholm
Högsbo 14:3	Göteborg	Holar 1	Stockholm
Högsbo 27:8	Göteborg	Mandelblomman 3	Stockholm
Högsbo 13:6	Göteborg	Torsnäs 1	Stockholm
Högsbo 11:5	Göteborg	Färöarna 3	Stockholm
Älvsborg 178:8	Göteborg	Hornafjord 1	Stockholm
Backa 2:26	Hallsberg	Solkraften 17 & 18	Stockholm
Täckeråker 2:273	Haninge	Holar 4	Stockholm
Rausgård 22	Helsingborg	Kopparen 8	Tyresö
Veddesta 2:73	Järfälla	Fräsen 1	Täby
Oxen 11	Kumla	Varvet 3	Uddevalla
Kylaren 4	Kungälv	Stenfalken 1	Värnamo
Prislappen 1	Linköping	Västerås 3:86	Västerås
Glasflaskan 1	Linköping	Västerås 3:84	Västerås
Flintan 4	Lund	Fyren 1	Växjö
Brännaren 8	Malmö	Rörläggaren 4	Örebro
Vildanden 8	Malmö	Arken 7	Östersund
Dubbelknappen 4	Malmö	Arkivet 1	Östersund
Idrotten 7	Malmö	Handelsmannen 6	Östersund
Sidorodret 3	Malmö	Läkarboken 5	Östersund
Påskbuketten 5	Malmö	Verkstaden 11	Östersund
Påskbuketten 10	Malmö		



Property list 2 (4)

Valuation Date 2016-06-20

<u>Property</u>	<u>Municipality</u>
Borgarfjord 5	Stockholm
Reykjavik 2	Stockholm

Valuation Date 2016-06-30

<u>Property</u>	<u>Municipality</u>				
Plommonet 12	Alingsås	Mölledalsskolan 3	Malmö	Direktören 8	Västerås
Tunaberg 4	Botkyrka	Rödkaullen 11	Malmö	Verkstaden 7	Västerås
Bergudden 8	Danderyd	Julius 1	Malmö	Västerås 5:9	Västerås
Verkmästaren 3	Eskilstuna	Lerkärlet 3	Malmö	Västerås	Västerås
Verkmästaren 8	Eskilstuna	Dubbelknappen 20	Malmö	3:88	Västerås
Löddret 4	Eskilstuna	Påskbuketten 6	Malmö	Isolatorn 3	Västerås
Speditören 1	Eskilstuna	Flygbasen 7	Malmö	Västerås	Västerås
Tingstadsvassen 31:2	Göteborg	Domarringen 1	Malmö	3:87	Västerås
Gårda 19:10	Göteborg	Mälaren 5	Mjölby	Dockan 9	Växjö
Högsbo 17:6	Göteborg	Domherren 15	Motala		
Högsbo 36:3	Göteborg	Björkelund 1	Motala		
Krokslätt 34:16	Göteborg	Vämmedal 2:110	Mölnadal		
Kärna 93:3	Göteborg	Ädelgasen 1	Mölnadal		
Högsbo 20:13	Göteborg	Gumsbacken 12	Nyköping		
Rud 52:2	Göteborg	Lexby 2:29	Partille		
Sköllersta-Kärr 1:34	Hallsberg	Märsta 14:1	Sigtuna		
Eketånga 3:204	Halmstad	Gärdsmygen 4	Sollentuna		
Täckeråker 2:227	Haninge	Terminalen 2	Sollentuna		
Adolfsberg Västra 10	Helsingborg	Glas målningen 4	Stockholm		
Ädelmetallen 15	Jönköping	Vreten 20	Stockholm		
Översikten 6	Jönköping	Furudal 2	Stockholm		
Översikten 9	Jönköping	Gulddragaren 24	Stockholm		
Varla 14:8	Kungsbacka	Kantjärnet 4	Stockholm		
Armaturen 10	Kungsör	Päronet 1	Sundbyberg		
Magnetbandet 3	Linköping	Sturup 1:173, del av	Svedala		
Flygledaren 1	Malmö	Fotografen 1	Tyresö		
Holkynan 6	Malmö	Tändstiftet 2	Täby		
Gefion 3	Malmö	Aspgården 18	Umeå		
Hästvagnen 3	Malmö	Kontaktledningen 1	Västerås		

**Property list 3 (4)****Valuation Date 2016-09-30**

<u>Property</u>	<u>Municipality</u>		
Osdal 3:7	Borås	Rektangeln 9	Malmö
Sunnanå 12:34	Burlöv	Skjutsstallslyckan 23	Malmö
Muttern 3	Danderyd	Påskbuketten 8	Malmö
Svärdet 7	Danderyd	Ventilen 3	Malmö
Vipan 16	Eskilstuna	Långhuset 1	Malmö
Vipan 17	Eskilstuna	Brännaren 3	Malmö
Visheten 14	Eskilstuna	Krukskärvan 11	Malmö
Visheten 15	Eskilstuna	Lagmannen 6	Mjölby
Vårblomman 12	Eskilstuna	Kryptongasen 7	Mölnadal
Torlunda 1:80	Eskilstuna	Kryptongasen 4	Mölnadal
Mejeriet 17	Filipstad	Gumsbacken 15	Nyköping
Fredriksskans 15:16	Gävle	Åttersta 6:28	Sandviken
Backa 21:5	Göteborg	Kronoslätt 1:3	Staffanstorp
Högsbo 13:2	Göteborg	Borggård 1:357	Staffanstorp
Högsbo 17:8	Göteborg	Dagskiftet 3	Stockholm
Järnbrott 168:1	Göteborg	Dikesreinen 2	Stockholm
Arendal 764:385	Göteborg	Keflavik 1	Stockholm
Högsbo 10:17	Göteborg	Enen 10	Södertälje
Eketånga 24:56	Halmstad	Järnet 6	Tyresö
Jordbromalm 6:14	Haninge	Kopparen 9	Tyresö
Kruthornet 1	Helsingborg	Bagaren 9	Tyresö
Mården 7	Hässleholm	Räknesticken 2	Täby
Veddesta 2:37	Järfälla	Måttbandet 8	Täby
Östanvinden 4	Karlstad	Ran 20	Uddevalla
Lövkojan 10	Katrineholm	Barken 6	Uddevalla
Ventilen 6	Kungälv	Forsheda 5:119	Värnamo
Kylaren 9	Kungälv	Finnslätten 4	Västerås
Gardisten 4	Linköping	Västerås 3:89	Västerås
Isbjörnen 4	Linköping	Mimer 5	Västerås
Greken 5	Linköping	Finnslätten 1	Västerås
Grundet 9	Linköping	Mälaren 17	Örebro
Studentkåren 7	Lund	Lastaren 1	Örebro
Kloren 1	Malmö	Karlslund 5:2	Östersund



Property list 4 (4)

Valuation Date 2016-11-30

<u>Property</u>	<u>Municipality</u>
Mässhallen 1	Malmö
Lorens 14	Västerås
Vagnslidret 1	Malmö

Valuation Date 2016-12-31

<u>Property</u>	<u>Municipality</u>				
Bulten 1	Alingsås	Tingshuset 2	Mölnadal	Linblocket 1	Västerås
Bälgen 9	Arboga	Oxelbergen	Norrköping	Västerås	Västerås
Bjuv 23:3	Bjuv	1:2	Norrköping	3:85	Västerås
Spindeln 12	Borås	Taktpinnen 1	Norrköping	Ottar 5	Västerås
Osdal 3:2	Borås	Fotogenen 4	Norrköping	Ottar 6	Västerås
Tumba 7:231 & 7:237	Botkyrka	Sågen 7	Norrköping	Örjan 1	Västerås
Tågarp 20:81	Burlöv	Amerika 5	Norrköping	Deltat 1	Växjö
Trekanten 5	Danderyd	Regnbågen 4	Osby	Tegnér 15	Växjö
Vårblomman 11	Eskilstuna	Träboken 1	Sollentuna	Ödman 14	Växjö
Valpen 1	Eskilstuna	Ugnen 5	Solna	Gravören 5	Växjö
Mejeriet 18	Filipstad	Nattskiftet 15	Stockholm	Älvdalen 1	Ängelholm
Backa 29:26	Göteborg	Lustgården 11	Stockholm	Arbetaren 1	Örebro
Högsbo 13:4	Göteborg	Lustgården 12	Stockholm		
Högsbo 24:13	Göteborg	Rotterdam 1	Stockholm		
Tynnered 1:13	Göteborg	Stettin 5	Stockholm		
Veddesta 2:65	Järfälla	Stettin 6	Stockholm		
Varla 14:1	Kungsbacka	Tegeludden	Stockholm		
Sågen 14	Kungsbacka	13	Stockholm		
Ventilen 7	Kungälv	Traktorn 7	Södertälje		
Löddeköpinge 14:54	Kävlinge	Propellern 2	Trollhättan		
Företaget 8	Lund	Läkaren 1	Trollhättan		
Verkstaden 5	Lund	Kopparen 14	Tyresö		
Spindeln 9	Malmö	Thorild 12	Uddevalla		
Påskbuketten 9	Malmö	Laven 6	Umeå		
Sockeln 1	Malmö	Njursta 1:21	Uppl Väsby		
Flygbasen 4	Malmö	Flogsta 22:3	Uppsala		
		Librobäck 3:3	Uppsala		
		Slätvaren 1	Värnamo		



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