

INTERIM REPORT JANUARY-SEPTEMBER 2015

# Q3:2015

*“We will achieve a property value of SEK 27 billion by year-end – now, all focus is on asset and property management as well as development”*

BILJANA PEHRSSON, CEO



# KUNGSLEDEN

# Danderyd Kluster

BOOK  
VALUE, SEK M:

24,346

NUMBER OF  
MUNICIPALITIES  
WHERE  
PRESENT:

71

NUMBER OF  
PROPERTIES:

289

SHARE OF  
OFFICE PROP-  
ERTIES, %:

62

## THE NEW KUNGSLEDEN'S FOCUS AREAS

- *Increased quality of the property holdings and a focus on offices*
- *Metropolitan regions will represent at least half of the property portfolio*
- *Properties gathered in clusters improves the customer offering and provides operational and economic benefits*
- *More efficient management through lower geographic distribution, from 141 to less than 70 municipalities*

## VISION

*Kungsleden creates 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. We will always deliver that something extra.*

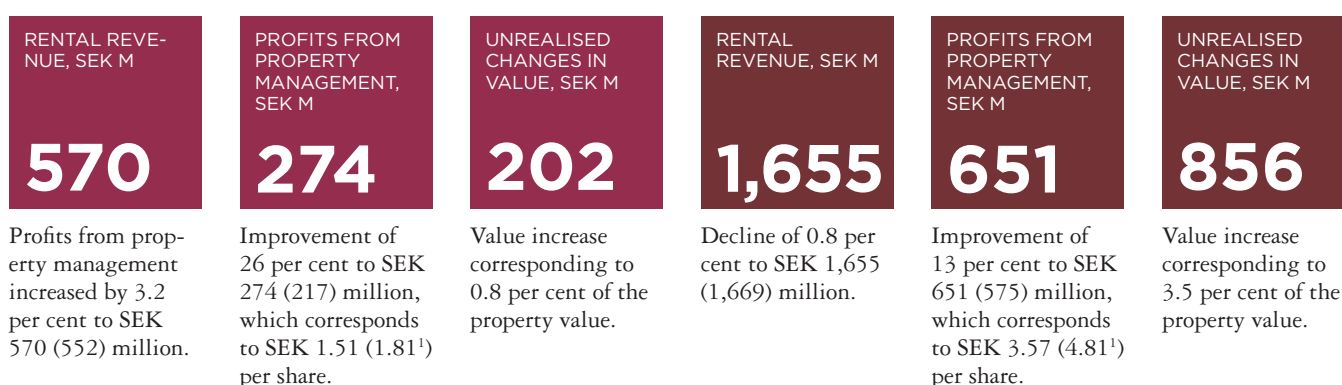
VÄLKOMMEN  
HEM

# THIRD QUARTER

COMMENTS ON EVENTS DURING AND AFTER THE THIRD QUARTER

- Operating net for the third quarter was SEK 409 million, which is an improvement on both last quarter, SEK 362 million and the same quarter last year, SEK 404 million. On a 12-month rolling basis, operating net improved to SEK 1,443 (1,437) million.
- Net financial items continued to improve, thanks to a lower average loan volume, refinancing with lower borrowing costs and from exercising old interest rate swaps at a high coupon rate. Kungsliden's average interest rate went from 3.2 to 3.0 per cent.
- Profits from property management increased 26 per cent to SEK 274 (217) million.
- During the third quarter, the value of properties increased by SEK 315 million, of which SEK 202 million was unrealised change in value resulting from lower yield requirements and SEK 113 million was value-enhancing improvements to existing property. The average yield requirement for Kungsliden's portfolio fell from 6.9 to 6.7 per cent because of newly acquired properties lower initial yield and reduced yield.
- We made our largest acquisition thus far in Stockholm for SEK 3 billion after the end of the quarter. This creates a new inner city cluster that is 88,500 sq. m. of office and hotel space in Gärdet-Frihamnen, which is a section of Stockholm Royal Seaport. Kungsliden will take possession of the property on 1 December, at which point the value of our total property holdings will be SEK 27 billion.

## THIRD QUARTER



## INTERIM PERIOD

KEY FIGURES <sup>1</sup>	2015 Jul-Sep	2014 Jul-Sep	2014/2015 Oct-Sep	2014 Jan-Dec
<b>FINANCIAL</b>				
Profits from property management, SEK per share <sup>2</sup>	1.51	1.81	4.49	5.02
Profit/loss for the period, continuing operations, SEK per share <sup>2</sup>	1.77	1.83	9.55	Neg.
Profit/loss for the period, continuing and discontinued operations, SEK per share <sup>2</sup>	1.77	2.00	8.84	Neg.
Equity, SEK per share <sup>2</sup>	55.18	52.46	55.18	50.01
Return on equity, %	13.0	15.6	18.4	Neg.
Operating net - properties, SEK m	409	404	1,443	1,491
Interest coverage ratio, times <sup>3</sup>	3.3	2.5	2.5	2.2
<b>PROPERTY RELATED</b>				
Economic occupancy rate, %	90.9	87.5	90.1	90.2
Average rent, SEK/sq. m.			962	921
Operating and maintenance costs, SEK/sq. m.			281	256

1. Kungsliden's policy regarding key figures is that previously published figures apply. The subsidiary, Nordic Modular Group is thus reported as discontinued operations in 2015 and as a wholly-owned subsidiary in 2014.

2. Diluted and undiluted, resp. The average number of shares for Q3 2015 and the period Jan-Sep 2015 is 182,002,752 (136,502,064).

3. Kungsliden's policy regarding key figures is that previously published figures apply. The definition of interest coverage ratio has changed. See the 2014 Annual Report for current definitions.

# PROPERTY PORTFOLIO WORTH SEK 27 BILLION ALREADY THIS YEAR

## PROGRESS IN OPERATIONS

During the first nine months of the year, we optimised and expanded our property portfolio. We've fortified our existing cluster areas and have moved forward on the prioritised property development projects. We have also implemented a new, flatter organisation for the entire company and reinforced our management team with the addition of new market area managers, property managers and rental providers. New leasing is going well and several major new leases have been signed, such as the latest, with Regus, at our Kista One property. Operating net and profits from property management have also improved.

Additionally, we moved our main office to our own building at Warfvinges väg in Västra Kungsholmen, Stockholm. The move to these new, modern facilities has improved our work environment. In fact, the space has been nominated for an award as Sweden's most attractive office building (Sveriges Snyggaste Kontor). Even more important, though, is that the design of the new premises reflects our identity as a long-term property owner and landlord. The big event of the year, however, occurred after the end of the interim period.

## A STRONGER POSITION IN STOCKHOLM WITH ADDITION OF NEW, 89,000 SQ. M. CLUSTER

A key feature of Kungsleden's strategy is to increase property holdings in Swedish cities and regions where there is growth potential and local demand. We've focused particularly on strengthening our position in Stockholm. The reason is obvious: the level of economic growth in Stockholm is one of the highest in Europe and Stockholm is the leading capital city in Europe when it comes to innovation. The positive effects on local demand are clear: the vacancy rate for offices in Stockholm is 9 per cent and for the city centre, it is down to 5 per cent.

For this reason, we've had the expressed goal of supplementing our clusters in Kista and Danderyd with a cluster inside the City boundaries. And now, after a lot of hard work in the market, we've succeeded in making one of our largest acquisitions ever – a property portfolio consisting of 96,000 sq. m. leasable space worth SEK 3 billion. The acquisition provides us with a new inner city cluster that has 88,500 sq. m. of office and hotel space in expansive Gärdet-Frihamnen, which is a section of Stockholm Royal Seaport.

The Gärdet-Frihamnen holding is a perfect example of what Kungsleden strives to achieve with its clusters: a collection of properties with good accessibility in an area where the underlying demand is strong. This is one of the main urban development areas of Stockholm, where 12,000 new residences and 35,000 new offices are being produced within an entirely new infrastructure, i.e. Norra Länken and Spårväg City (major road tunnel project and tram line).

At present, rents for the acquired properties are below the market rents in the area. For this reason, we believe that we should focus our efforts on improving and developing the properties in order to take advantage of their full leasing potential and create value over time. Following the acquisition, Stockholm's share of Kungsleden's total property portfolio increased to just over 40 per cent. Three years ago, it was barely 9 per cent.

## FOCUS ON ACTIVE MANAGEMENT AND DEVELOPMENT OF THE PORTFOLIO TO SEK 27 BILLION

Having made the major acquisition of Gärdet-Frihamnen, Kungs-



leden has completed the first phase of its strategic plan. Our stated goal since the rights issue a year ago has been to build up a property portfolio worth SEK 25 billion by 2017. Now, a year ahead of schedule, we have achieved a property value of SEK 27 billion with 76 per cent of the holdings located in our four major city areas. The company's earnings capacity has accordingly increased substantially. We have the size that's needed, and the right kind of properties in areas that are currently in demand, and will remain so in the future.

Now it's time to roll up our sleeves and get down to work. Our focus will now be on streamlining the portfolio and organisation, along with actively managing and developing our properties. It will also be on execution, which shows up in the bottom line. This will require that we focus on our customers and enrich the working day of our current and future tenants by providing attractive premises and always delivering that something extra. It's the only way to create lasting value in the property business.

We know what we want and we know where we're going. Our exciting journey continues.

Stockholm, 20 October 2015  
Biljana Pehrsson, CEO

**“I'M VERY HAPPY ABOUT THE MAJOR ACQUISITION THAT WE'VE MADE – NOW, STOCKHOLM IS OUR LARGEST MARKET, REPRESENTING MORE THAN 40 PER CENT OF THE PORTFOLIO VALUE.”**

# PERFORMANCE ANALYSIS JAN-SEP 2015

## REVENUE, EXPENSES AND PROFIT

### OPERATING NET

Operating net for the period was SEK 1,104 (1,152) million. Operating net for the third quarter was SEK 409 million, which is an improvement on both last quarter (SEK 362 million) and the same quarter last year (SEK 404 million). On a 12-month rolling basis, operating net improved to SEK 1,443 (1,437) million.

### RENTAL REVENUE

Rental revenue for the interim period was SEK 1,655 (1,669) million, which is SEK 14 million less than the same period last year. The change is primarily due to extension of the lease with ABB, which has resulted in lower rental revenue of SEK –19 million. One-off effects, including early repayment, one-off invoicing and rental guarantees totalled SEK 6 million. The net effect on rental revenue of properties that were vacated and for which possession has occurred was SEK –1 million.

RENTAL REVENUE SEK m	SEK/sq. m. <sup>1</sup> 2014/2015 Oct-Sep	Total 2015 Jan-Sep	Total 2014 Jan-Sep
Rental revenue	953	1,655	1,669
<b>Total</b>	<b>953</b>	<b>1,655</b>	<b>1,669</b>

1. Rental revenue on a rolling 12-month basis, less rental revenue for project properties via leased space less area of project properties.

### PROPERTY COSTS

Property costs rose by SEK 34 million to SEK 551 (517) million during the interim period. Operating costs increased by SEK 4 million compared to the same period last year. For comparable property holdings, the increase in operating costs was SEK 4 million, while the net effect of properties that were vacated and for which possession has occurred in a decline of SEK 8 million. In 2014, operating costs were particularly low due to having dissolved an expense reserve from the GE acquisition of SEK 8 million.

Maintenance costs were on a par with last year, while the costs for site leasehold fees and property tax increased by SEK 9 million because of changes in the property portfolio.

The costs for property administration rose by SEK 20 million to 75 (55) million compared to last year. Much of the increase was due to fortification of the management organisation and filling vacant positions.

PROPERTY COSTS SEK m	SEK/sq. m. <sup>1</sup> 2014/2015 Oct-Sep	Total 2015 Jan-Sep	Total 2014 Jan-Sep
Operations	153	311	307
Maintenance	44	79	78
Property tax site leasehold	42	86	77
<b>Direct property costs</b>	<b>239</b>	<b>476</b>	<b>462</b>
Property administration	41	75	55
<b>Total</b>	<b>280</b>	<b>551</b>	<b>517</b>

1. Property costs on a rolling 12-month basis via leasable space less project properties.

### SELLING AND ADMINISTRATION COSTS

Selling and administration costs during the interim period were SEK 77 (69) million. In the third quarter, selling and administration costs fell compared to the second quarter by SEK 1 million to SEK 26 (27) million.

### NET FINANCIAL ITEMS

Net financial items continued to improve and were SEK 376 (508) million for the interim period, including the profit from participation in the associated company, Nordic Modular Group, of SEK 19 million. The change is primarily due to a lower average loan volume, refinancing with lower borrowing costs, lower outcomes in STIBOR 90-days and from exercising old interest rate swaps with a high coupon rate.

### PROFITS FROM PROPERTY MANAGEMENT

Profits from property management rose to SEK 274 (217) million for the quarter and SEK 651 (575) million for the interim period. With a wide margin, Q3 profits from property management was the best quarterly result since implementation of the new strategy three years ago.

### CHANGE IN THE VALUE OF PROPERTIES

The value of property holdings increased by SEK 861 (408) million. The change is primarily due to continued reductions in the yield requirement. As of 30 June, the yield requirement was 6.9 per cent and it had fallen to 6.7 per cent at the end of the interim period. There was also a positive impact on value from investments in properties of SEK 261 million.

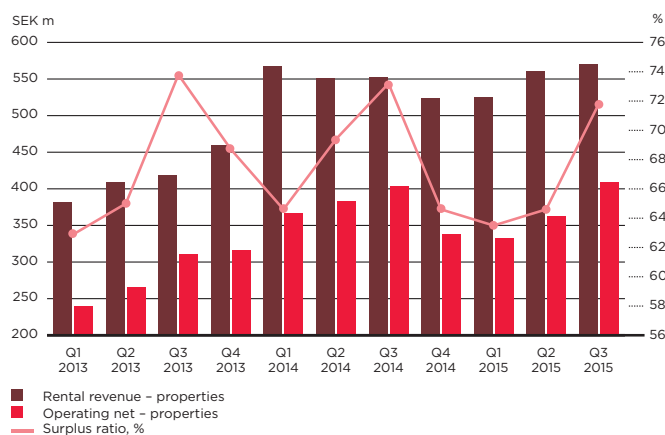
### UNREALISED CHANGES IN VALUE OF FINANCIAL INSTRUMENTS

The unrealised changes in value of financial instruments improved to SEK 81 (–319) million due to scheduled interest payments on swaps, which, to a certain extent was counterbalanced by falling interest rates.

### PROFIT/LOSS FOR THE PERIOD FOR CONTINUING AND DISCONTINUED OPERATIONS

Profit/loss for the interim period was SEK 1,215 (–1,124) million. The comparison figures reflect the provision made in the second quarter of 2014 for the tax ruling, which was communicated in the same period.

### SURPLUS RATIO, % QUARTERLY DEVELOPMENT



# PROPERTY MANAGEMENT

## PROFIT AND EARNINGS CAPACITY

As of 30 September 2015, Kungsleden's property holdings consisted of 289 (310) properties, grouped into the following four geographic regions: Stockholm, Mälardalen, Gothenburg and Malmö. The profit and earnings capacity for each property category and region are presented on the next page and here, below.

Operating net for Kungsleden's property portfolio rose during the third quarter of 2015 to SEK 409 (404) million.

Earnings capacity is based on property holdings as of 30 September and it shows the operating net that these properties would yield if they had been owned for the last 12 months. Operating net is calculated after property management costs of SEK 104 million. In earnings capacity, project properties is reported as a separate category of property.

<b>EARNINGS CAPACITY BY PROPERTY CATEGORY</b>	<b>Office</b>	<b>Industrial/ Warehouse</b>	<b>Retail</b>	<b>Other</b>	<b>Total excl. project properties</b>	<b>Project properties</b>	<b>Total properties</b>
No. of properties	114	101	52	13	280	9	<b>289</b>
Leasable area, thousand sq. m	1,097	1,135	241	40	2,513	85	<b>2,598</b>
Rental value, SEK m	1,431	751	260	47	2,489	87	<b>2,576</b>
Rental revenue, SEK m	1,298	683	234	44	2,259	61	<b>2,320</b>
Operating net, SEK m <sup>1</sup>	840	496	151	26	1,513	29	<b>1,542</b>
Book value, SEK m	14,677	6,266	2,367	342	23,652	694	<b>24,346</b>
Economic occupancy rate, %	90.7	91.0	90.0	93.2	90.7	70.4	<b>90.1</b>
Occupancy rate, area wise, %	84.7	90.5	89.6	87.4	87.8	60.6	<b>86.9</b>
Property yield, % <sup>1</sup>	5.7	7.9	6.4	7.7	6.4	4.2	<b>6.3</b>
Surplus ratio, % <sup>1</sup>	64.7	72.6	64.4	60.5	67.0	47.7	<b>66.5</b>

1. Earnings capacity is based on property holdings as of 30 September and it shows the operating net that these properties would yield if they had been owned for the last 12 months.

## ACTIVE MANAGEMENT

During the third quarter, efforts to fortify the management organisation and increase focus on the customer continued. This included, for example, appointing market area managers for our clusters. They will focus on having an overall approach with all properties in order to increase the level of service in the area, establish a closer dialogue with customers/decision makers and sharpen Kungsleden's brand as property owner.

Simultaneous to this, we will keep working on our internal processes, called "Kungsleden's Flow". The aim here is to adapt and streamline the organisation's efforts as a long-term property owner, where daily efforts throughout the company prioritise cooperation and dialogue. Process improvement consists of 12 core activities, which will be implemented in 2016.

During the quarter, the property called Keflavik 1 in Kista was acquired and possession has occurred. It has accordingly been added to the Kista City cluster.

A number of new leases were also signed during the third quarter. Examples are: City of Gothenburg, Dockside Kontorshotell in Gothenburg, Rexel in Stockholm and Östersund Municipality. After the end of the quarter, an agreement with Regus in Kista was signed.

We are also still in a close dialogue with ABB, which regards us an important business partner. This cooperation includes, among others, improvements to their premises, primarily in Västerås.

New leasing for the nine-month period was SEK 93 million, which is an improvement of approximately 10 per cent compared to the same period in 2014. A number of properties were also vacated during the quarter when the long leases there had expired. Net leasing as of 30 September was SEK -2 million. To avoid, or at least be able to predict major tenants moving out, it is necessary to have a close dialogue with them. Accordingly, we put a great deal of effort into this within our organisation.

## SUSTAINABILITY

The company's comprehensive efforts to document our various sustainability risks continued during the third quarter. We concluded our survey of environmental risks in our property holdings, along with our interviews aimed at documenting the risks pertaining to corruption and bribery.

A good example is Mässhallen 1, the property in Hyllie near Malmö, which recently obtained environmental certification, Silver level, from Sweden Green Building Council. Obtaining environmental certification for our buildings is part of our long-term sustainability efforts and the type of certification we apply for depends on the type of building and its age.

In the third quarter, we concluded the joint project with Fryshuset, where eleven youth were offered summer employment with some of our subcontractors. For all of the parties involved, the project was a big success and it made our employees at Kungsleden feel very proud.

In Gothenburg, we started up a project aimed at making our energy consumption associated with heating and cooling more efficient. EcoPilot was installed at ten properties. The system makes use of the heat generated from people, computers, lighting and weather. Current climate control systems measure the outside temperature instead of indoor temperature. EcoPilot, however, ensures that energy is not needlessly used for heating or cooling.

## WE'VE MOVED HOME

At the end of September, we moved our head office to our own building, Lustgården 12, located on Warfvinges väg in Stockholm. As a long-term property owner, we should be running our operations from our own buildings. Accordingly, our regional offices in Gothenburg, Malmö and Västerås will also move to new offices that are part of our portfolio.

## REGION STOCKHOLM



### RESULTS BY REGION, JAN-SEP 2015

Rental revenue, SEK m	590
Operating net, SEK m	401
Operating surplus margin, %	68.0

### EARNINGS CAPACITY<sup>1</sup> AS OF 30 SEP 2015

No. of properties	74
Leasable area, thousand sq. m	713
Rental value, SEK m	917
Rental revenue, SEK m	844
Operating net, SEK m	582
Book value, SEK m	9,770
Economic occupancy rate, %	92.1
Occupancy rate, area wise, %	87.5
Property yield, %	6.0
Operating surplus margin, %	69.0

## REGION MÄLARDALEN



### RESULTS BY REGION, JAN-SEP 2015

Rental revenue, SEK m	490
Operating net, SEK m	306
Operating surplus margin, %	62.6

### EARNINGS CAPACITY<sup>1</sup> AS OF 30 SEP 2015

No. of properties	50
Leasable area, thousand sq. m	693
Rental value, SEK m	682
Rental revenue, SEK m	638
Operating net, SEK m	405
Book value, SEK m	5,689
Economic occupancy rate, %	93.5
Occupancy rate, area wise, %	89.4
Property yield, %	7.1
Operating surplus margin, %	63.5

## REGION GOTHENBURG



### RESULTS BY REGION, JAN-SEP 2015

Rental revenue, SEK m	316
Operating net, SEK m	212
Operating surplus margin, %	67.2

### EARNINGS CAPACITY<sup>1</sup> AS OF 30 SEP 2015

No. of properties	93
Leasable area, thousand sq. m	652
Rental value, SEK m	498
Rental revenue, SEK m	432
Operating net, SEK m	282
Book value, SEK m	4,411
Economic occupancy rate, %	86.7
Occupancy rate, area wise, %	85.9
Property yield, %	6.4
Operating surplus margin, %	65.2

## REGION MALMÖ



### RESULTS BY REGION, JAN-SEP 2015

Rental revenue, SEK m	258
Operating net, SEK m	185
Operating surplus margin, %	71.7

### EARNINGS CAPACITY<sup>1</sup> AS OF 30 SEP 2015

No. of properties	63
Leasable area, thousand sq. m	455
Rental value, SEK m	392
Rental revenue, SEK m	345
Operating net, SEK m	244
Book value, SEK m	3,782
Economic occupancy rate, %	88.0
Occupancy rate, area wise, %	88.7
Property yield, %	6.5
Operating surplus margin, %	70.7

## PROJECT PROPERTIES



### EARNINGS CAPACITY AS OF 30 SEP 2015

No. of properties	9
Leasable area, thousand sq. m	85
Rental value, SEK m	87
Rental revenue, SEK m	61
Operating net, SEK m	29
Book value, SEK m	694
Economic occupancy rate, %	70.4
Occupancy rate, area wise, %	60.6
Property yield, %	4.2
Operating surplus margin, %	47.7

1. Not including project properties.

## CHANGES IN THE PORTFOLIO

Since embarking on the new strategy in 2012, we've focused on growing and concentrating the property portfolio. Now, 73 per cent of the properties in the portfolio are located in the prioritised regions of Stockholm, Gothenburg, Malmö and Västerås. The prior dispersed portfolio has now been concentrated to 71 municipalities and the quality of holdings is also higher.

### Acquired properties

During the third quarter, the property called Keflavik 1 in Kista was acquired for SEK 750 million. With this acquisition, another 25,000 sq. m. of office space was added to our Kista City cluster, which now has total office space of 131,000 sq. m.

During the interim period, Kungsleden has thus acquired 14 properties worth SEK 2,753 million, of which SEK 2,468 million are in possession and SEK 285 million are not yet in possession. The previously acquired property, Terminal 2 in Sollentuna, will be in possession at the start of Q4 2015.

### Divested properties

No properties were divested in the third quarter. However, during the interim period, January through September, 31 properties were divested and vacated for a total value of SEK 552 million.

## VALUATION OF PROPERTY HOLDINGS

All properties were valued during the quarter, resulting in positive unrealised changes in value of SEK 202 million as of 30 September 2015. There has been a positive impact on the value of property holdings from, above all, lower yield requirements, but also investments made in the properties. Since 30 June 2015, the average yield requirement fell from 6.9 to 6.7 per cent. The yield requirement for the property portfolio, not including properties for which possession was obtained during the quarter is 6.8 per cent.

Kungsleden's entire property portfolio is valued each quarter. The valuations are based on a cash flow statement 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 its internal assessments, Newsec also conducts external valuations each quarter on approximately 25 per cent of the properties. This means that each property in the portfolio is the subject of external valuation at least once during each 12-month rolling period.

DEVELOPMENT OF PROPERTY HOLDINGS SEK m	2015 Jul-Sep	2015 Jan-Sep
Properties at beginning of the period	23,259	19,612
Closed acquisitions	772	4,147
Investments	113	261
Vacated divestitures	-	-531
Unrealised changes in value	202	856
<b>Properties at end of the period</b>	<b>24,346</b>	<b>24,346</b>

## ACQUIRED PROPERTIES

Year	Quarter	In possession	Property name	Region	Cluster	Location	Category	Purchase price <sup>1</sup> , SEK m	Leasable area, thousand sq. m
<b>IN POSSESSION</b>									
2014	Q4	Q1, 2015	Färöarna 3	Stockholm	Kista City	Kista	Offices		37,830
2014	Q4	Q1, 2015	Reykjavik 2	Stockholm	Kista City	Kista	Offices		11,892
2014	Q4	Q1, 2015	Borgarfjord 5	Stockholm	Kista City	Kista	Offices		10,035
<b>Subtotal</b>								<b>1,726</b>	<b>59,757</b>
2015	Q1	Q1, 2015	Högsbo 27:9	Gothenburg	Högsbo cluster	Västra Frölunda	Industrial/ Warehouse		9,608
2015	Q1	Q2, 2015	Hornafjord 1	Stockholm	Kista City	Kista	Offices		22,841
2015	Q1	Q2, 2015	Högsbo 11:5	Gothenburg	Högsbo cluster	Västra Frölunda	Industrial/ Warehouse		3,670
2015	Q1	Q2, 2015	Högsbo 13:6	Gothenburg	Högsbo cluster	Västra Frölunda	Industrial/ Warehouse		7,471
2015	Q1	Q2, 2015	Högsbo 14:3	Gothenburg	Högsbo cluster	Västra Frölunda	Offices		3,532
2015	Q1	Q2, 2015	Högsbo 27:8	Gothenburg	Högsbo cluster	Västra Frölunda	Industrial/ Warehouse		2,556
2015	Q2	Q2, 2015	Dubbelknappen 20	Malmö	Fosieby	Malmö	Offices		5,715
2015	Q2	Q2, 2015	Gefion 3	Malmö	Hyllie	Malmö	Offices		3,257
2015	Q2	Q2, 2015	Hästvagnen 3	Malmö	Fosieby	Malmö	Offices		5,349
2015	Q2	Q2, 2015	Lorens 14	Mälardalen	Västerås City	Västerås	Offices		26,010
2015	Q2	Q2, 2015	Översikten 6	Gothenburg		Jönköping	Retail		10,477
2015	Q2	Q2, 2015	Översikten 9	Gothenburg		Jönköping	Retail		4,516
2015	Q3	Q3 2015	Keflavik 1	Stockholm	Kista City	Kista	Offices		25,000
<b>Subtotal</b>								<b>2,468</b>	<b>130,002</b>
<b>Total acquired properties, in possession</b>								<b>4,194</b>	<b>189,759</b>
<b>Not yet in possession</b>									
2014	Q4	Q1, 2016	Vägnslidret 1	Malmö	Hyllie	Malmö	Offices		4,355
2015	Q2	Q4, 2015	Terminalen 2	Stockholm		Sollentuna	Offices		15,117
<b>Total acquired properties, not yet in possession</b>								<b>450</b>	<b>19,472</b>
<b>TOTAL AMOUNT, ACQUIRED PROPERTIES</b>								<b>4,644</b>	<b>209,231</b>

## DIVESTED PROPERTIES

Year	Quarter	Vacated	Property name	Region	Cluster	Location	Category	Selling price <sup>1</sup> , SEK m	Leasable area, thousand sq. m
2014	Q4	Q1, 2015							1,565
<b>Subtotal</b>								<b>9</b>	<b>1,565</b>
2015	Q1	Q2, 2015							161,071
2015	Q2	Q2, 2015							10,094
<b>Subtotal</b>								<b>552</b>	<b>171,165</b>
<b>TOTAL AMOUNT, DIVEST PROPERTIES</b>								<b>561</b>	<b>172,730</b>

1. Before deduction for deferred tax and transaction costs.



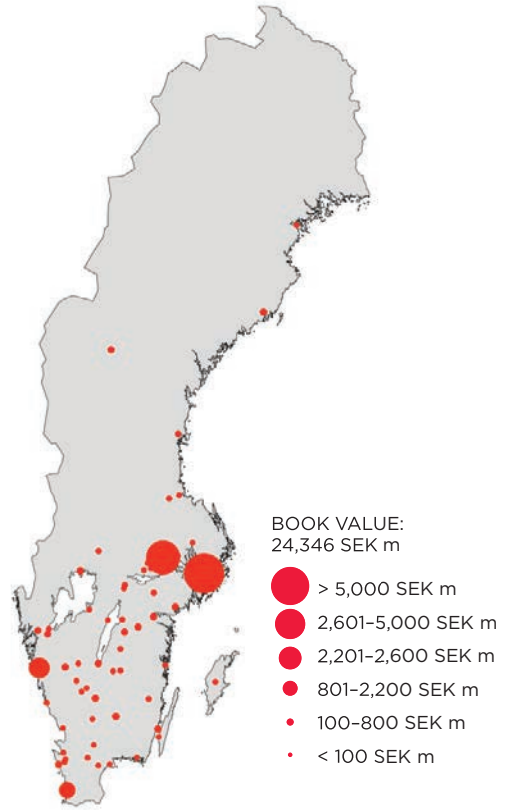
## PROPERTY HOLDINGS

The total area amounted to 2,598 (2,847) thousand sq. m. distributed across the four property categories (Office, Industrial/Warehouse, Retail and Other) and four geographic regions (Stockholm, Mälardalen, Gothenburg and Malmö). In terms of property value, Region Stockholm is the largest. The share of properties located in the three metropolitan regions increased slightly during the quarter, which is in line with our strategy.

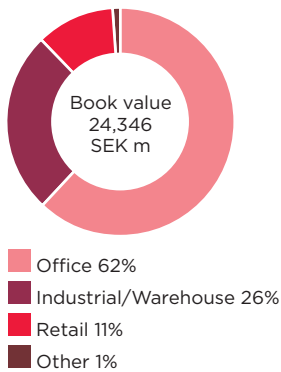
Efforts to grow Kungsliden's clusters are ongoing and the share of properties belonging to a cluster is now 51 per cent. Collecting properties in clusters makes it possible for us to quickly meet customer demand for premises, increase service in the area, become an influential voice in society and achieve more efficient management. Overall, clustered properties benefit the company and our customers alike. The book value of properties for the period was SEK 24,346 (18,982) million. During the quarter, possession of properties occurred for SEK 772 million and investments in existing properties amounted to SEK 113 (118) million.

The remaining average contract term for the property holdings was 4.3 (3.9) years.

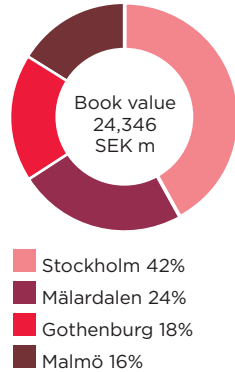
## GEOGRAPHIC DISTRIBUTION OF THE PROPERTY PORTFOLIO



PROPERTY VALUE BY CATEGORY AS OF 30 SEPTEMBER

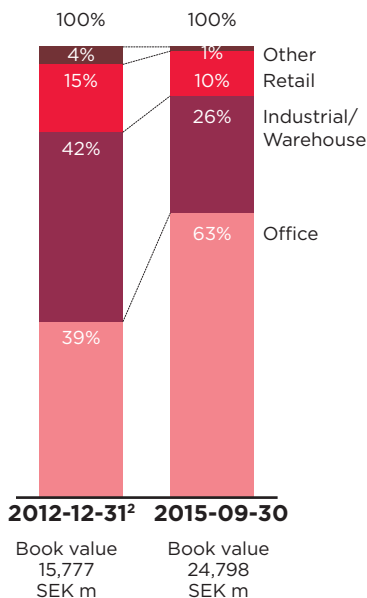


PROPERTY VALUE BY REGION AS OF 30 SEPTEMBER

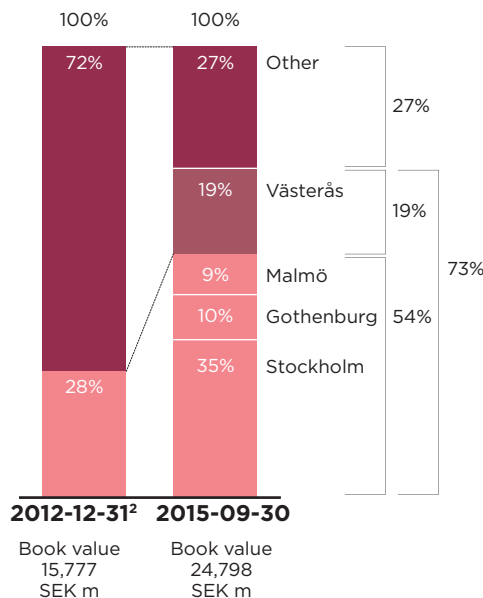


Number of municipalities as of 30 September 2015: 71

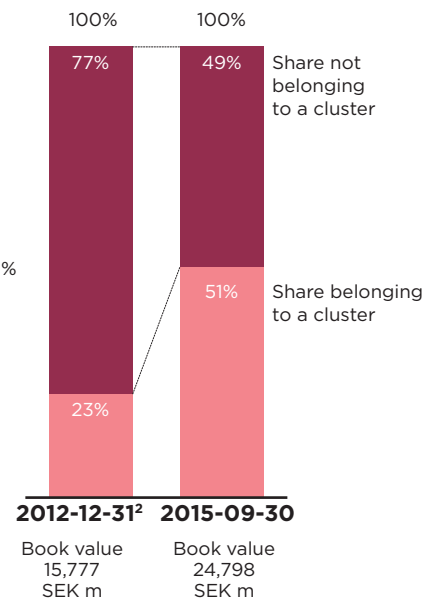
DEVELOPMENT OF THE PROPERTY PORTFOLIO BY **CATEGORY**, PRO FORMA<sup>1</sup>



DEVELOPMENT OF THE PROPERTY PORTFOLIO, **METROPOLITAN CONCENTRATION** (AS DEFINED BY SCB), PRO FORMA<sup>1</sup>



SHARE OF PROPERTIES BELONGING TO A **CLUSTER**, PRO FORMA<sup>1</sup>



1. Pro forma pertains to the existing portfolio plus acquired properties where Kungsliden is not yet in possession and properties sold, but not yet vacated during the interim period.  
2. Kungsliden's new strategy is announced.

## CURRENT PROJECTS

At present, Kungsleden is developing 28 properties, which are in varying stages of the process. Four of them are worth mentioning specifically.

### Blästern in Stockholm

Blästern is a block of buildings located on Gävlegatan in Stockholm where Kungsleden is converting an existing office property into a hotel and modern offices. There are two buildings in the courtyard that are particularly suited as a hotel because of their location, unique design and history. The building on Gävlegatan will remain an office facility.

**Status:** Kungsleden has started its evaluation of the bids from hotel operators which have been submitted. The goal is to choose one and enter into an agreement before the end of the year.

### Gallerian in Eskilstuna

At Kungsgatan in central Eskilstuna, Kungsleden owns four properties where one of the city's main shopping strips is located. Kungsleden is striving to give Gallerian a new identity by reviving it as an attractive shopping destination and meeting place. This will have a positive effect on the adjacent office spaces and increase the attraction of the entire block.

**Status:** The conceptualisation and design phase is still underway and leasing efforts have been initiated.

### Rondellen in Eskilstuna

Rodellen is one of the few "dead" shopping centres in Sweden. It was located in one of Eskilstuna's most strategic commercial areas, right where you enter the city at Årby traffic circle. Kungsleden is now wrapping up the demolition work at Rondellen, where it will, from scratch, create a new retail site that can capitalise on this unique, strategic location.

**Status:** Zoning work has started and the municipality and potential partners are engaged in a dialogue on the future design and content of Rondellen.

### Aspgården in Umeå

This is Kungsleden's first development project, where old warehouse and industrial buildings are being converted into a modern, efficient school. The project is progressing according to schedule and in line with budget. The next stage of the development process involves finalising the new zoning for adjacent property and buildings, aimed at creating new building rights for residential and community purposes.

**Status:** International English School moved into its premises over the summer and the school year got off to a good start in August, with many happy students, parents and teachers. Efforts to develop new building rights are now underway.

## PRIORITISED PROJECT PROPERTIES

Development is a four step process (Identification, Pre-study, Project Development and Implementation) that focuses on efficiency and value creation. Please read more about our development projects at [www.kungsleden.com](http://www.kungsleden.com)

Property, location	Project type	Type	Phase	approx. area, in sq. m.	Description	Expected year of completion	Estimated investment, SEK m
Blästern 14, Stockholm	Improvement	Hotel/offices	Project development	15,000	Project and concept development and project rental of a block at nya Hagastaden.	2018	350
Värblomman 8, Värblomman 11, Visheten 14 and Visheten 15, Eskilstuna (Gallerian)	Improvement	Retail/offices	Pre-study	29,000	Project and concept development and project leasing of existing retail space and offices in central Eskilstuna.	2017	200
Skiftinge 1:3, Eskilstuna	New building rights and new production	Retail	Pre-study/design	23,000	Demolition of existing building as well as project and concept development of new retail site along the E20 highway.	2016	240
Enen 10, Södertälje	Improvement	Offices	Project development/leasing	6,000	Project development and leasing of office building in central Södertälje.	2017	100
Verkstaden 7, Västerås <sup>1</sup>	New building rights	Residential	Pre-study/design	50,000	New zoning to enable conversion of an old industrial building and creating new development rights in Kopparlunden.	2016	n/a
Aspgården 18, Umeå <sup>1</sup>	New building rights	Residential	Pre-study/design	10,000	Improve existing buildings and alter zoning to create new building rights.	2016/2017	n/a

## EXAMPLES OF PROJECTS IN THE NEW ZONING PROCESS

Property, location	Project type	Type	Phase	approx. area, in sq. m.	Description	Expected year of completion	Estimated investment, SEK m
Studentkåren 7 <sup>2</sup>	New building rights	Offices/Education	Planning	10,000	Work with detailed development plan to create new development rights for offices and educational facilities.	2017 (d.d.plan finished)	n/a
Rud 4:1, Gothenburg <sup>2</sup>	New building rights	Residential/commercial/garage	Planning	23,000	Work with detailed development plan to create new development rights for residential/commercial facilities and garage Part of Gothenburg Jubilee initiative	2016 (d.d.plan finished)	n/a
Oxelbergen 2:1, Norrköping <sup>2</sup>	New building rights	Residential/office	Planning	10,000	Work with detailed development plan to create new development rights and change intended use of existing buildings.	2017 (d.d.plan finished)	n/a

1. Pertains to new building rights and zoning.  
2. The space pertains to new building rights.



Oxelbergen 1:2, Norrköping

## EXAMPLES OF OUR DEVELOPMENT PROJECTS



Gallerian, Eskilstuna



Studentkären 7, Lund



Skiftinge 1:3, Eskilstuna

Blästern 14, Stockholm



Blästern 14, Stockholm



Aspgården 18, Umeå



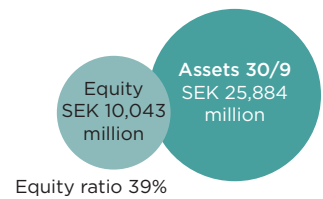
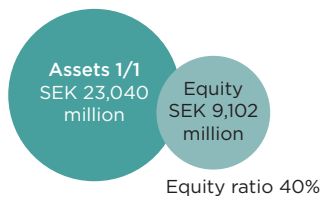
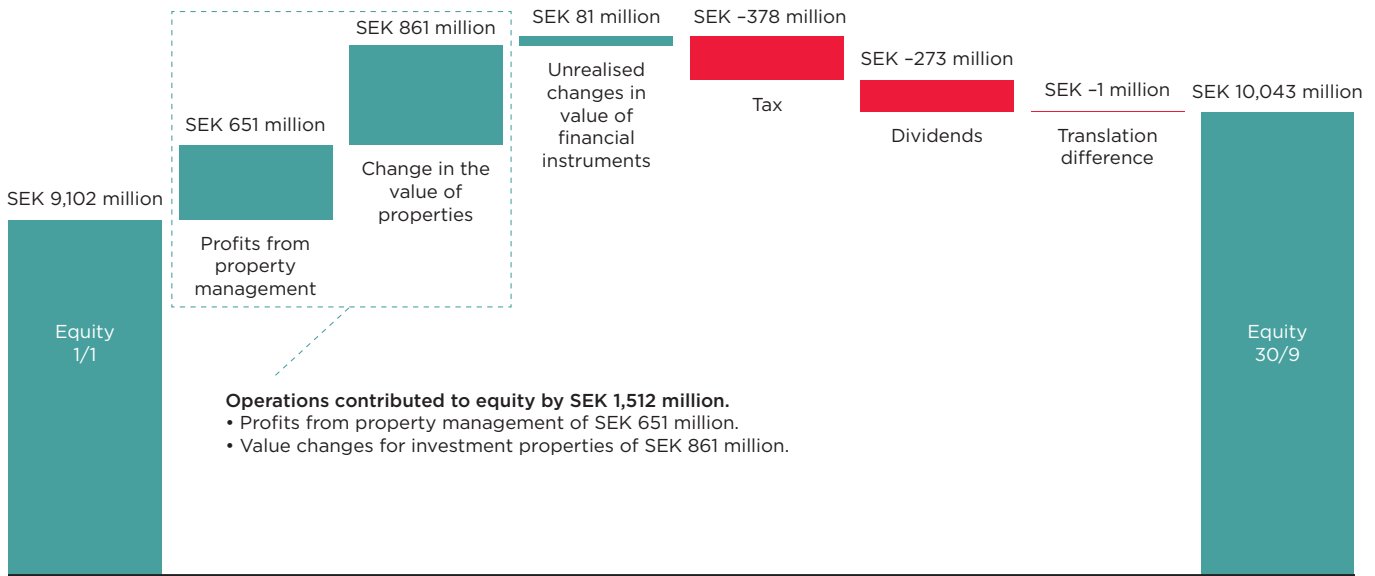
Gallerian, Eskilstuna

# FINANCING

## EQUITY AND FINANCIAL POSITION

As of the end of the period, equity was SEK 10,043 (9,102) million, or SEK 55 (50) per share.

This corresponds to an equity ratio of 39 (40) per cent. Kungsliden employs a policy restriction that its equity ratio must not fall below 30 per cent.



## FINANCING COSTS

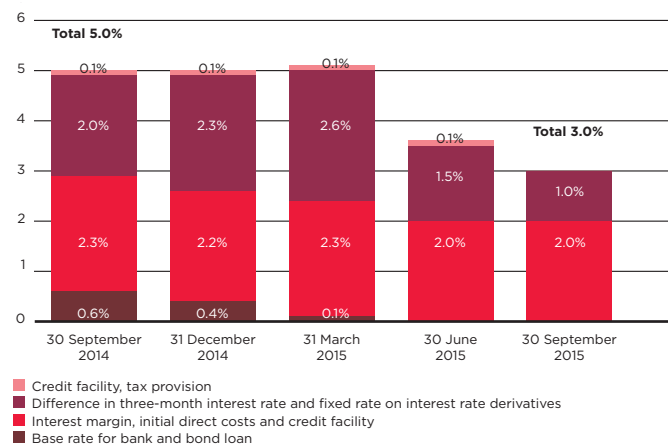
Financial expenses continued to fall during the third quarter of the year. Net financial items for the January–September interim period, excluding the result from associated companies, was SEK –394 (–508) million. The improvement of SEK 114 million compared to last year is explained by a lower average loan volume, refinancing with lower borrowing costs, lower outcomes for STIBOR 90-day and exercising old interest rate swaps at a high coupon rate.

Since the beginning of the year, Kungsliden's average interest rate has fallen by 2.0 percentage points to 3.0 percent at the end of the third quarter. Refinancing with lower borrowing costs and lower outcomes for STIBOR 90-day have reduced the average interest rate considerably. The average maturity on loans has also been extended and it is now 3.0 years (as compared to 2.6 years at the beginning of the year). The average interest margin, including accrued arrangement fees and commitment fees has fallen to 2.0 per cent.

After the end of the interim period, credit agreements were renegotiated and a bond loan was repaid on the due date. This caused the average interest rate to fall further to 2.9 percent and the average maturity on loans increased to 3.5 years.

At the end of the quarter, the nominal amount of the interest rate swap portfolio totalled SEK 6,505 million subsequent to contractual maturity of swaps during the quarter for a nominal amount of SEK 1,200 million. With the current interest rate swap portfolio, 49 per cent of interest-bearing liabilities as of 30 September have a fixed interest term that is longer than one year. The average fixed interest term is 2.3 years. Higher short-term interest rates would only have a marginal impact on net financial items. If STIBOR 90-days were to increase by 1 percentage point on all maturities,

## AVERAGE INTEREST RATE



The average interest rate is calculated by setting the interest costs for loans and interest rates swaps, initial direct costs and the costs associated with unused credit lines in relation to the outstanding loan volume at the end of the reporting period.

the anticipated impact on net financial items would be approximately SEK 30 million over the next 12 months.

The negative market value of interest rate swaps fell since the beginning of the year to SEK –724 million as of 30 September, compared to SEK –1,134 million at the beginning of the year. The total change in market value resulting from changed interest rates since the beginning of the year was SEK –103 million. In addition, scheduled interest payments of SEK 184 million on interest rate swaps were made. Altogether, unrealised changes in the value of

financial instruments was thus SEK 81 million for the first three quarters of the year. Furthermore, interest rate swaps were also closed out during the second quarter, via payment of SEK 329 million,

which lowered the negative market value by a corresponding amount. Kungsleden's assessment is that the book value and fair value of interest-bearing liabilities is essentially the same.

## MATURITY STRUCTURE, LOANS AND INTEREST RATE DERIVATIVES

As of 30 September 2015, SEK m	Utilised credits	Unutilised credits	Total credits	Interest rate derivatives <sup>1</sup>	Average interest rate for derivatives, %	Average remaining fixed-interest term, years
2015	1,997	250	2,247			
2016	1,167		1,167			
2017	375	612	987	910	0.0	
2018	2,576		2,576	1,000	0.2	
2019	4,093	1,005	5,098	1,000	0.5	
2020	3,798		3,798	970	0.7	
2021				725	4.5	
2022				1,900	4.8	
<b>Total</b>	<b>14,007</b>	<b>1,867</b>	<b>15,873</b>	<b>6,505</b>		<b>2.3</b>
<b>Average remaining maturity, years</b>	<b>3.0</b>		<b>3.0</b>			

1. Kungsleden's interest rate derivatives enable the company to obtain variable interest rates and pay fixed interest over longer periods of time. Kungsleden has entered into derivative contracts with one-year interest rate floors that mature in 2016 totalling SEK 3,880 million in nominal terms, with strike 0 per cent.

## BORROWINGS

During the third quarter, borrowing increased by SEK 951 million. This was primarily due to utilisation of existing lines of credit in order to finance access to Keflavik 1 in Kista and Terminalen 2 in Sollentuna. During the period, loan amortisation totalled SEK 185 million, which was associated with properties that were relinquished and scheduled amortisation.

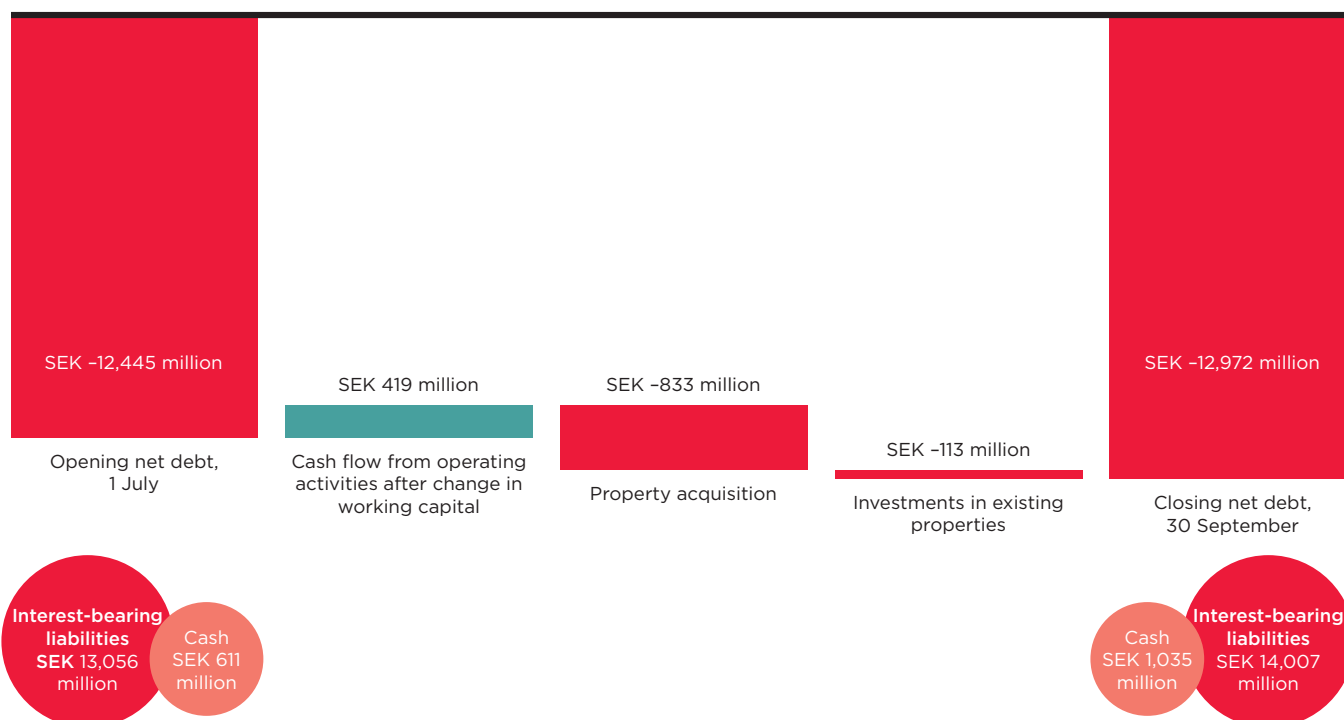
The Group's LTV ratio, measured as interest-bearing liabilities, gross amount, in relation to property assets, was 58 (58) per cent, with a corresponding equity ratio of 39 (40) per cent.

For loans, for which collateral has been pledged, i.e. all loans except bond loans, the LTV ratio was 51 (49) per cent. As of 30 September, available funds, including overdraft facilities and undrawn loan commitments totalled SEK 3,001 (3,230) million,

of which the Group's cash balance totalled SEK 1,035 (1,437) million.

After the end of the quarter, long-term financing was acquired for properties now in possession and existing loans scheduled to mature in October and November 2015 were refinanced at a lower interest margin. Because of property value appreciation over recent years, the LTV for existing credit facilities has fallen considerably. Refinancing has resulted in "normalisation" of the LTV, which created additional liquidity of approximately SEK 650 million. It has been used to repay the bond loan that matured in October. Having taken into consideration both new and renegotiated loan agreements, along with repayment of the bond loan that matured, the loan volume is SEK 13,723 million and undrawn credit facilities are SEK 2,716 million.

## CHANGE IN NET DEBT DURING THE THIRD QUARTER





# OTHER INFORMATION

## ORGANISATION AND EMPLOYEES

For the third quarter of 2015, the average number of employees was 98 (91).

## PARENT COMPANY

The parent company reported a profit for the period of SEK 256 (-796) million. The result is primarily attributable to the sale of shares in Nordic Modular Group, interest income from Group companies, scheduled interest payments and value changes on interest rate swaps.

At the end of the period, assets primarily consisted of receivables from Group companies for SEK 11,403 (9,526) million and participations in Group companies for SEK 6,095 (6,568) million. Financing was primarily via liabilities to Group companies for SEK 9,553 (9,398) million and equity for SEK 7,205 (5,175) million. At the end of the period, the equity ratio was 38 (30) percent.

## RISKS AND UNCERTAINTIES

Kungsleden's operations, earnings and financial position are all impacted by a number of risk factors. These are primarily related to properties, taxation and financing. During the third quarter of 2015, there were no significant changes in risks or uncertainty factors.

For more information on Kungsleden's risks and risk management practices, please see pages 31 and 51 of the Annual Report for 2014.

## NORDIC MODULAR

For reporting purposes, NMG Holding is an associate company with 35 per cent ownership.

In the income statement, Kungsleden's share in NMG Holding's profit after tax is reported in Share of profit/loss in associated companies. That share of profit was SEK 7 million for the quarter and SEK 19 million for the interim period. Interest income from the shareholder loan is reported as financial income.

In the balance sheet ending 30 September 2015, the holding of NMG is reported as Shares in associated companies for SEK 115 million, of which SEK 96 million is 35 per cent of the value of NMG's equity upon acquisition and SEK 19 million is the profit from participation in associated companies for the interim period. The shareholder loan is reported under Other non-current receivables for SEK 182 million along with accrued interest income of SEK 8 million under Current receivables.

## OUTSTANDING TAX ISSUES, NO CHANGES

Kungsleden is involved in some remaining litigation regarding a situation from 2006 that has to do with the sale of properties via foreign subsidiaries. The Administrative Court of Appeal will rule on the Tax Agency's primary claim, for which the Administrative Court ruled against Kungsleden in June 2014. Kungsleden expects a ruling on this during the fourth quarter of 2015. Should there be a final negative ruling, the estimated maximum effect on earnings based on the Administrative Court's rulings amounts to SEK 1,360 million, and with a maximum effect on liquidity of SEK 1,325 million.

The Swedish Tax Agency has also submitted alternative claims, which means that there will be a review procedure based on the Tax Evasion Act. These claims have been put on hold, but may well be taken up again if the Swedish Tax Agency does not obtain a favourable outcome on its primary claim. For a negative outcome in a process that instead concerns tax evasion, the estimated maximum negative impact on earnings and liquidity is approximately SEK 500 million lower than the amounts stated above. As Kungsleden does not anticipate a negative final outcome, no provision has been made for either of these two processes.

## FUTURE EXPECTATIONS

Some of the reported figures in this half-year report are future-oriented and the actual outcome could be considerably different. Besides the factors that have been commented on specifically, other factors could significantly impact the actual outcome, such as economic growth, interest rates, financing terms, the rate of return on property assets and political decisions.

**KUNGSLEDEN**



## INCOME STATEMENT

SEK m	Quarter		Interim period		12 months	
	2015 Jul-Sep	2014 Jul-Sep	2015 Jan-Sep	2014 Jan-Sep	2014/2015 Oct-Sep	2014 Jan-Dec
Rental revenue	570	552	1,655	1,669	2,179	2,193
Property costs	-161	-148	-551	-517	-737	-703
<b>Operating net</b>	<b>409</b>	<b>404</b>	<b>1,104</b>	<b>1,152</b>	<b>1,443</b>	<b>1,491</b>
<b>Selling and administration costs</b>	<b>-26</b>	<b>-23</b>	<b>-77</b>	<b>-69</b>	<b>-110</b>	<b>-101</b>
<b>Net financial items</b>						
Financial income	3	1	9	6	14	11
Interest expenses	-107	-151	-365	-483	-512	-630
Share in profits of associated companies	7	-	19	-	19	-
Other financial costs	-12	-14	-39	-31	-48	-41
	<b>-109</b>	<b>-164</b>	<b>-376</b>	<b>-508</b>	<b>-528</b>	<b>-660</b>
<b>Profits from property management</b>	<b>274</b>	<b>217</b>	<b>651</b>	<b>575</b>	<b>805</b>	<b>730</b>
<b>Gains/losses on properties</b>						
Profit (loss) on property sales	-	7	5	73	5	73
Unrealised changes in value	202	169	856	335	1,451	930
	<b>202</b>	<b>176</b>	<b>861</b>	<b>408</b>	<b>1,456</b>	<b>1,003</b>
<b>Unrealised changes in value of financial instruments</b>	<b>-61</b>	<b>-70</b>	<b>81</b>	<b>-319</b>	<b>-27</b>	<b>-427</b>
<b>Profit (loss) before tax</b>	<b>415</b>	<b>322</b>	<b>1,592</b>	<b>664</b>	<b>2,234</b>	<b>1,306</b>
<b>Tax</b>	<b>-93</b>	<b>-72</b>	<b>-378</b>	<b>-1,821</b>	<b>-522</b>	<b>-1,965</b>
<b>Net profit/loss for the period, continuing operations</b>	<b>322</b>	<b>250</b>	<b>1,215</b>	<b>-1,157</b>	<b>1,713</b>	<b>-659</b>
<b>Discontinued operations</b>						
Profit/loss from Nordic Modular after tax	-	23	-	34	29	63
Impairment loss on Nordic Modular	-	-	-	-	-157	-157
<b>Net profit/loss for the period, continuing and discontinued operations</b>	<b>322</b>	<b>274</b>	<b>1,215</b>	<b>-1,124</b>	<b>1,585</b>	<b>-753</b>
<b>Earnings per share, continuing operations<sup>1</sup></b>	<b>1.77</b>	<b>1.83</b>	<b>6.67</b>	<b>Neg.</b>	<b>9.55</b>	<b>Neg.</b>
<b>Earnings per share, continuing and discontinued operations<sup>1</sup></b>	<b>1.77</b>	<b>2.00</b>	<b>6.67</b>	<b>Neg.</b>	<b>8.84</b>	<b>Neg.</b>

1. Before and after dilution.

## STATEMENT OF COMPREHENSIVE INCOME

SEK m	Quarter		Interim period		12 months	
	2015 Jul-Sep	2014 Jul-Sep	2015 Jan-Sep	2014 Jan-Sep	2014/2015 Oct-Sep	2014 Jan-Dec
Profit/loss for the period, from continuing operations and discontinued operations	322	274	1,215	-1,124	1,585	-753
Other comprehensive income						
Translation gains/losses transferred to profit/loss for the period	-	-	-	-	-	-
Translation gains/losses for the period, on consolidation of foreign operations	-1	2	0	2	2	4
<b>Comprehensive income for the period<sup>1</sup></b>	<b>321</b>	<b>275</b>	<b>1,215</b>	<b>-1,121</b>	<b>1,587</b>	<b>-749</b>

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

## STATEMENT OF FINANCIAL POSITION – IN SUMMERY<sup>1</sup>

SEK m	30/09/2015	31/12/2014
<b>ASSETS</b>		
Properties	24,346	19,612
Equipment	9	8
Deferred tax receivable	-	31
Participations in associated companies	115	-
Other non-current receivables	182	9
<b>Total non-current assets</b>	<b>24,651</b>	<b>19,661</b>
Current receivables	198	141
Assets held for sale – modular buildings and property used in business operations	-	1,428
Assets held for sale – other	-	372
Cash and bank	1,035	1,437
<b>Total current assets</b>	<b>1,233</b>	<b>3,379</b>
<b>TOTAL ASSETS</b>	<b>25,884</b>	<b>23,040</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>10,043</b>	<b>9,102</b>
<b>Interest-bearing liabilities</b>		
Liabilities to credit institutions	12,332	9,613
Bond loans (unsecured)	1,675	1,699
Liabilities related to assets held for sale	-	362
<b>Total interest-bearing liabilities</b>	<b>14,007</b>	<b>11,675</b>
<b>Non interest-bearing liabilities</b>		
Provisions	5	5
Deferred tax liability	359	-
Derivatives <sup>2</sup>	724	1,134
Income tax liability	26	13
Other non interest-bearing liabilities	720	645
Liabilities related to assets held for sale	-	467
<b>Total non interest-bearing liabilities</b>	<b>1,834</b>	<b>2,264</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>25,884</b>	<b>23,040</b>

1. In accordance with IFRS 5, Nordic Modular was reported in 2014 as assets held for sale.

2. Kungsleden uses derivatives, primarily interest rate swaps to hedge interest rate risks. These financial instruments are measured at fair value in the statement of financial position on the line "derivatives" and valuation is reported in the income statement. Derivatives are valued using valuation techniques where the input is observable market data (level 2).

## STATEMENT OF CHANGES IN EQUITY – IN SUMMERY

SEK m	30/09/2015	31/12/2014
At the beginning of the period	9,102	8,453
Dividends	-273	-171
Rights issue	-	1,568
Comprehensive income for the period	1,215	-749
<b>At the end of the period</b>	<b>10,043</b>	<b>9,102</b>

## STATEMENT OF CASH FLOWS – IN SUMMERY

SEK m	Quarter		Interim period		12 months	
	2015 Jul-Sep	2014 Jul-Sep	2015 Jan-Sep	2014 Jan-Sep	2014/2015 Oct-Sep	2014 Jan-Dec
<b>OPERATIONS</b>						
Profit (loss) before tax	415	322	1,592	664	2,234	1,306
Profit (loss) on property sales	-	-7	-5	-73	-5	-73
Unrealised changes in value	-141	-149	-937	-16	-1,425	-504
Dividends and cash flow for Nordic Modular (discontinued operations)	-	81	-	81	13	94
Adjustments for items not included in cash flow from operating activities	-9	-7	-42	8	-51	-1
Tax paid	-31	0	-56	-1,024	-514	-1,483
<b>Cash flow from operating activities</b>	<b>235</b>	<b>239</b>	<b>553</b>	<b>-360</b>	<b>252</b>	<b>-660</b>
Changes in working capital	184	402	171	864	34	727
<b>Cash flow from operating activities after change in working capital</b>	<b>419</b>	<b>641</b>	<b>725</b>	<b>504</b>	<b>287</b>	<b>67</b>
<b>Cash flow from investing activities</b>	<b>-946</b>	<b>568</b>	<b>-3,186</b>	<b>886</b>	<b>-3,219</b>	<b>852</b>
<b>Cash flow from financing activities</b>	<b>951</b>	<b>-723</b>	<b>2,059</b>	<b>-795</b>	<b>3,049</b>	<b>194</b>
<b>Cash flow for the period</b>	<b>425</b>	<b>485</b>	<b>-402</b>	<b>594</b>	<b>116</b>	<b>1,112</b>
Cash equivalents at the beginning of the period	611	433	1,437	323	400	323
Exchange rate differences on cash equivalents	0	0	0	1	1	3
<b>Cash equivalents at the end of the period</b>	<b>1,035</b>	<b>918</b>	<b>1,035</b>	<b>918</b>	<b>517</b>	<b>1,437</b>

# SEGMENT REPORT<sup>1</sup>

Region	Stockholm		Mälardalen		Gothenburg		Malmö		Non-Allocated Items		Total	
	2015 Jan-Sep	2014 Jan-Sep	2015 Jan-Sep	2014 Jan-Sep	2015 Jan-Sep	2014 Jan-Sep	2015 Jan-Sep	2014 Jan-Sep	2015 Jan-Sep	2014 Jan-Sep	2015 Jan-Sep	2014 Jan-Sep
SEK m												
Rental revenue	590	510	490	548	316	351	258	260	0	0	1,655	1,669
Property costs	-189	-151	-184	-194	-104	-103	-74	-70	0	0	-551	-517
<b>Operating net</b>	<b>401</b>	<b>360</b>	<b>306</b>	<b>354</b>	<b>212</b>	<b>249</b>	<b>185</b>	<b>190</b>	<b>0</b>	<b>0</b>	<b>1,104</b>	<b>1,152</b>
Selling and administration costs									-77	-69	-77	-69
Net financial items									-376	-508	-376	-508
<b>Profits from property management</b>	<b>401</b>	<b>360</b>	<b>306</b>	<b>354</b>	<b>212</b>	<b>249</b>	<b>185</b>	<b>190</b>	<b>-453</b>	<b>-577</b>	<b>651</b>	<b>575</b>
<b>Gains/losses on properties</b>												
Profit (loss) on property sales									5	73	5	73
Unrealised changes in value									856	335	856	335
Unrealised changes in value of financial instruments									81	-319	81	-319
<b>Profit (loss) before tax</b>	<b>401</b>	<b>360</b>	<b>306</b>	<b>354</b>	<b>212</b>	<b>249</b>	<b>185</b>	<b>190</b>	<b>489</b>	<b>-488</b>	<b>1,592</b>	<b>664</b>
Tax									-378	-1,821	-378	-1,821
Discontinued operations									-	34	-	34
<b>Profit/loss for the period, continuing and discontinued operations</b>	<b>401</b>	<b>360</b>	<b>306</b>	<b>354</b>	<b>212</b>	<b>249</b>	<b>185</b>	<b>190</b>	<b>111</b>	<b>-2,276</b>	<b>1,215</b>	<b>-1,124</b>

1. From 2015 Kungsliden has a new classification which is based on regions. The new classification is done because of Nordic Modular, that used to be a segment, now is divested. Comparative figures have been restated according to the same principle.

# KEY FIGURES<sup>1</sup>

	Quarter		Interim period		12 months	
	2015 Jul-Sep	2014 Jul-Sep	2015 Jan-Sep	2014 Jan-Sep	2014/2015 Oct-Sep	2014 Jan-Dec
<b>Property related</b>						
<i>Earnings capacity</i>						
Property yield, %					6.3	7.6
Economic occupancy rate, %					90.1	89.7
Operating surplus margin, %					66.5	71.7
<i>Outcome</i>						
Property yield, % <sup>2</sup>	6.9	8.6	6.7	6.2	6.7	7.5
Economic occupancy rate, %	90.9	87.5	90.4	88.9	90.1	90.2
Operating surplus margin, %	71.8	70.5	66.7	67.4	66.2	68.0
<b>Financial</b>						
Return on total assets, % <sup>2</sup>	6.1	7.4	5.6	7.0	5.7	6.6
Return on equity, %	13.0	15.6	16.9	Neg.	18.4	Neg.
Interest coverage ratio, times <sup>2</sup>	3.3	2.5	2.6	2.4	2.5	2.2
Equity ratio, %					38.8	39.5
Debt/equity ratio, times					1.4	1.3
LTV (loan-to-value), %					57.5	57.7
<b>Per share information<sup>4</sup></b>						
Dividend, SEK					1.50	1.25
Total return on shares, %					34.6	33.7
Property yield on shares, %					2.7	2.2
Profits from property management, SEK	1.51	1.81	3.57	4.81	4.49	5.02
Net profit/loss for the period, continuing operations, SEK	1.77	1.83	6.67	Neg.	9.55	Neg.
Net profit/loss for the period, continuing and discontinued operations, SEK	1.77	2.00	6.67	Neg.	8.84	Neg.
Equity, SEK					55.18	50.01
EPRA NAV, SEK <sup>3</sup>					61.13	56.07
Cash flow from operating activities, SEK	1.29	1.75	3.04	-2.64	1.41	-4.54
Outstanding shares at the end of the period	182,002,752	136,502,064	182,002,752	136,502,064	182,002,752	182,002,752
Average number of shares	182,002,752	136,502,064	182,002,752	136,502,064	179,384,904	145,352,883

1. Kungsliden's policy regarding key figures is that previously published figures apply. The subsidiary, Nordic Modular Group is thus reported as discontinued operations 2015, and as a wholly owned subsidiary 2014.

2. Kungsliden's policy regarding key figures is that previously published figures apply. The definitions for property yield, return on total assets and interest coverage ratio have changed. See Annual Report 2014 for current definitions.

3. The definition of EPRA NAV is equity, with derivatives and deferred tax added back, divided by the number of shares at the end of the period.

4. After and before dilutive effect. For the third quarter of 2015 and for the period January-September 2015 the average number of shares is 182,002,752 (136,502,064).

## PARENT COMPANY INCOME STATEMENT - IN SUMMERY

SEK m	Quarter		Interim period		12 months	
	2015 Jul-Sep	2014 Jul-Sep	2015 Jan-Sep	2014 Jan-Sep	2014/2015 Oct-Sep	2014 Jan-Dec
Intra-Group income	6	8	31	22	37	28
Administration costs	-4	-9	-26	-23	-34	-30
<b>Operating profit (loss)</b>	<b>2</b>	<b>-1</b>	<b>5</b>	<b>-1</b>	<b>3</b>	<b>-2</b>
Profit (loss) from financial items	-73	-564	256	-889	582	-563
Appropriations	-	-	-	-	151	151
<b>Profit (loss) before tax</b>	<b>-71</b>	<b>-565</b>	<b>261</b>	<b>-890</b>	<b>736</b>	<b>-414</b>
Tax on net profit/loss for the period	98	22	-5	94	-3	96
<b>Profit/loss for the period</b>	<b>27</b>	<b>-543</b>	<b>256</b>	<b>-796</b>	<b>733</b>	<b>-318</b>

## BALANCE SHEET, PARENT COMPANY - IN SUMMERY

SEK m	30/09/2015	30/09/2014	31/12/2014
<b>ASSETS</b>			
Participations in Group companies	6,095	6,568	6,748
Participations in associated companies	96	-	-
Receivables from Group companies	11,403	9,526	9,602
Other receivables	579	394	398
Cash and cash equivalents	1,003	836	1,257
<b>TOTAL ASSETS</b>	<b>19,176</b>	<b>17,323</b>	<b>18,005</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	7,205 <sup>1</sup>	5,175	7,222
Non-current liabilities	1,677	1,701	1,701
Liabilities to Group companies	9,553	9,398	7,921
Other liabilities	741	1,049	1,161
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>19,176</b>	<b>17,323</b>	<b>18,005</b>

1. Dividends have reduced equity by SEK 273 m (171).

# QUARTERLY SUMMARY

## INCOME STATEMENTS, IN SUMMARY

SEK m	2015				2014			2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net sales	570	560	525	524	552	551	567	460
Operating net	409	362	333	338	404	383	366	316
Selling and administration costs	-26	-27	-24	-33	-23	-23	-22	-32
Net financial items	-109	-132	-134	-151	-164	-168	-176	-155
<b>Profits from property management</b>	<b>274</b>	<b>202</b>	<b>175</b>	<b>154</b>	<b>217</b>	<b>191</b>	<b>168</b>	<b>129</b>
Profit (loss) from property sales	-	1	4	0	7	86	-21	4
Unrealised gains/losses on property	202	411	243	595	169	126	41	71
Unrealised changes in value of financial instruments	-61	187	-45	-107	-70	-125	-124	8
<b>Profit (loss) before tax</b>	<b>415</b>	<b>801</b>	<b>377</b>	<b>642</b>	<b>322</b>	<b>278</b>	<b>64</b>	<b>211</b>
Tax	-93	-205	-81	-144	-72	-1,732	-17	-47
<b>Net profit/loss for the period, continuing operations</b>	<b>322</b>	<b>596</b>	<b>296</b>	<b>499</b>	<b>250</b>	<b>-1,454</b>	<b>47</b>	<b>164</b>
Profit/loss from Nordic Modular, net after tax	-	-	-	-128	23	-11	21	16
<b>Net profit/loss for the period, continuing and discontinued operations</b>	<b>322</b>	<b>596</b>	<b>296</b>	<b>371</b>	<b>274</b>	<b>-1,465</b>	<b>68</b>	<b>179</b>

## FINANCIAL POSITION, IN SUMMARY

SEK m	2015				2014			2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>ASSETS</b>								
Goodwill	-	-	-	-	-	172	201	201
Investment properties – properties	24,346	23,259	21,700	19,612	18,982	19,971	20,410	20,338
Investment properties – modular buildings	-	-	-	-	-	1,512	1,509	1,509
Property used in business operations	-	-	-	-	-	24	24	22
Equipment	9	7	8	8	9	14	15	15
Deferred tax receivable	-	-	-	31	147	-	-	35
Participations in associated companies	115	108	102	-	-	-	-	-
Other non-current receivables	182	183	184	9	10	11	11	239
<b>Total non-current assets</b>	<b>24,651</b>	<b>23,556</b>	<b>21,993</b>	<b>16,661</b>	<b>19,148</b>	<b>21,704</b>	<b>22,170</b>	<b>22,359</b>
Inventories	-	-	-	-	-	14	17	15
Current receivables	198	227	203	141	124	213	286	272
Assets held for sale – modular buildings and property used in business operations	-	-	-	1,428	1,528	-	-	-
Assets held for sale – other	-	-	-	372	381	-	-	-
Cash and bank	1,035	611	298	1,437	896	433	400	323
<b>Total current assets</b>	<b>1,233</b>	<b>838</b>	<b>501</b>	<b>3,379</b>	<b>2,929</b>	<b>660</b>	<b>703</b>	<b>610</b>
<b>TOTAL ASSETS</b>	<b>25,884</b>	<b>24,394</b>	<b>22,494</b>	<b>23,040</b>	<b>22,077</b>	<b>22,364</b>	<b>22,873</b>	<b>22,968</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>10,043</b>	<b>9,720</b>	<b>9,398</b>	<b>9,102</b>	<b>7,161</b>	<b>6,888</b>	<b>8,521</b>	<b>8,453</b>
<b>Interest-bearing liabilities</b>								
Liabilities to credit institutions	12,332	11,381	9,412	9,613	10,182	11,279	10,857	10,579
Bond loans (unsecured)	1,675	1,675	1,699	1,699	1,699	1,699	1,699	2,299
Liabilities related to assets held for sale	-	-	-	362	373	-	-	-
<b>Total interest-bearing liabilities</b>	<b>14,007</b>	<b>13,056</b>	<b>11,111</b>	<b>11,675</b>	<b>12,254</b>	<b>12,978</b>	<b>12,556</b>	<b>12,879</b>
<b>Non interest-bearing liabilities</b>								
Provisions	5	5	5	5	5	14	15	60
Deferred tax liability	359	265	63	-	-	114	2	-
Derivatives	724	663	1,179	1,134	1,026	956	833	708
Income tax liability	26	52	75	13	410	-	-	-
Other non interest-bearing liabilities	720	634	663	645	751	1,414	946	869
Liabilities related to assets held for sale	-	-	-	467	469	-	-	-
<b>Total non interest-bearing liabilities</b>	<b>1,834</b>	<b>1,618</b>	<b>1,985</b>	<b>2,264</b>	<b>2,662</b>	<b>2,498</b>	<b>1,796</b>	<b>1,637</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>25,884</b>	<b>24,394</b>	<b>22,494</b>	<b>23,040</b>	<b>22,077</b>	<b>22,364</b>	<b>22,873</b>	<b>22,968</b>

## ACCOUNTING POLICIES

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and for the Parent Company in accordance with Chapter 9 of the Annual Accounts Act.

In addition, the report was prepared in accordance with the Annual Accounts Act (1995:1554) and the Swedish Securities Market Act (2007:528), where applicable. For the Group and the Parent Company, the company has applied the same accounting policies and bases of calculation as in the most recent Annual Report, with the exception of the revised accounting policy described below, which came into force on 1 January 2015.

*IFRIC 21 Levies* has been applied for the Group as of 1 January 2015. The statement

contains rules stating that government charges, which relate to property taxes when it comes to Kungsleden, must be expensed in full when the obligation arises. This means that throughout the year the debt of the property tax is recognized per January 1, and additionally reported as prepaid expenses which is accrued linearly over the financial year. Expense recognition does not change, and is accrued over the year.

*Associated companies*, investments in associates are reported using the equity method.

### Estimates and judgements

In order to prepare interim financial statements, it is necessary for the company's

management team to make assessments and estimates, as well as assumptions that affect how the accounting policies are applied and the reported amounts for assets, liabilities, income and expenses. The actual results may deviate from these estimates and assessments. The critical judgements that have been made and sources of uncertainty that exist are the same as the ones described in the most recent annual report.

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### STOCKHOLM, 20 OCTOBER 2015

Biljana Pehrsson  
CEO

Kungsleden has made the information in this interim report public in accordance with the Swedish Securities Market Act (2007:528) and/or the Financial Instruments Trading Act. The information was made public on 20 October 2015 at 07.00.

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

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For all definitions, see the Annual Report for 2014 as well as [www.kungsleden.com](http://www.kungsleden.com)

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1 Jan-31 Dec 2015  
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AGM 2016  
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