

YEAR-END REPORT JANUARY-DECEMBER 2016

# Q4:2016

*“Strong leasing and  
value-creating projects”*

BILJANA PEHRSSON, CEO

# KUNGSLEDEN

# YEAR-END REPORT

## 1 JANUARY–31 DECEMBER 2016

### THE YEAR IN BRIEF

- New leasing amounted to SEK 216 (133) million and net leasing to SEK 99 (7) million. SEK 89 million of lease agreements were renegotiated, which resulted in increased average rental values of 8.8 per cent.
- Rental revenues increased to SEK 2,422 (2,238) million and operating increased to SEK 1,602 (1,545) million.
- The profit from property management increased by 5 per cent to SEK 990 (942) million.
- Positive changes in the value of the property portfolio amounted to SEK 1,658 (970) million, following reduced yield requirements and improved operating net revenue.
- Net revenue for the period increased to SEK 1,869 (505) million, which is equivalent to SEK 10.27 (2.78) per share.
- Equity continued to increase and accounted for SEK 59.55 per share compared with SEK 51.28 at the beginning of the year. At the same time, EPRA NAV amounted to SEK 69.32 per share.
- LTV (loan-to-value) ratio fell further and amounted to 56.4 per cent. At the beginning of the year the LTV (loan-to-value) ratio was 61.9 per cent.
- The Board of Directors proposes a dividend of SEK 2.00 (2.00) per share on the higher number of shares entitled to dividends as long as the proposed new share issue is approved by the extra general meeting at 6 March 2017.

### FULL-YEAR PERIOD



1. In the figures for the previous year, the results from participations in associated companies have been excluded for better comparison.

### IMPORTANT EVENTS DURING AND AFTER THE FOURTH QUARTER

- Continued streamlining of the portfolio with disposals of six non-strategic properties as well as the acquisition of the modern Emporia Office building – just over 10,000 sq.m. within the cluster in Hyllie.
- Properties with potential for residential building rights were divested in the fourth quarter at a price of SEK 205 million. Earn-out of approximately SEK 205 million will be reported when the zoning plan has been legally approved.
- Three more equally large asset and property management units have been created.
- Kungsliden's Board of Directors has called an extra general meeting on 6 March to process the Board's resolution to conduct a fully guaranteed preferential rights issue of approximately SEK 1,600 million. The purpose of the rights issue is to allow continued profitable growth with financial balance by ensuring value-creating investment and additional acquisitions.

KEY FIGURES	2016	2015	2016	2015
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
<b>Financial</b>				
Profit (loss) for the period, SEK per share	3.84	Neg.	10.27	2.78
Equity, SEK per share	59.55	51.28	59.55	51.28
EPRA NAV (long-term net asset value), SEK per share	69.32	56.76	69.32	56.76
Return on equity, %	26.7	Neg.	18.5	5.5
Operating net – properties, SEK m	390	441	1,602	1,545
Interest coverage ratio	2.9	4.0	3.0	2.9
<b>PROPERTY RELATED</b>				
Economic occupancy rate, % <sup>1</sup>	90.4	91.5	90.6	90.6
Economic occupancy rate excluding project properties, % <sup>3</sup>	91.9	92.3	92.0	91.3
Rental revenues, SEK/sq.m. <sup>2</sup>			1,070	979
Property cost, SEK/sq.m.			311	290

1. The definition of economic occupancy rate has been changed. Comparison figures have been recalculated. See page 26 for current definitions.

2. Rental revenues/sq.m. less rental revenue of project properties divided by leased area, less the area of project properties. Comparison figures have been adjusted to take account of the period of time project properties have been held.

3. Comparison figures have been adjusted to take account of the period of time project properties have been held.

Definitions are provided on page 26.

# STRONG LEASING AND VALUE-CREATING PROJECTS

Kungsleden completed 2016 strongly. Favourable progress in leasing continued during the fourth quarter and led to a satisfactory full year outcome for both new leasing and net leasing. This is due to favourable rental market conditions in our prioritised markets and the strong drive within the organisation.

Thanks to the newly signed leases in 2016 and a full pipeline of refurbishment and development projects, Kungsleden will now double the investment pace for the coming years. Gradually we want to raise the quality of our portfolio whilst increasing the earning capability.

On 2 February 2017 Kungsleden's Board resolved to conduct a new share issue that allows us to achieve our ambitious investment program, whilst strengthening the balance sheet. This will enable further profitable growth with financial discipline.

Much progress has been made within Kungsleden during 2016. The organisation has become more established and strengthened, and I see a positive energy and engagement resonating throughout the company. The streamlining of the property portfolio has continued at a good pace. Almost 80 per cent of the portfolio is now allocated in our prioritised markets, whilst the proportion of offices has increased. Properties located in clusters achieve overall better results than other areas in the property portfolio. We have also benefited from strong economic growth and a robust property market. From the current starting point, I expect that these favourable conditions will apply throughout 2017.

## STRONG NEW LEASINGS AND PROFITABLE INVESTMENTS

Rental activities accelerated towards the end of the year and new leasing for 2016 reached a historic high of SEK 216 (133) million with net leasing of SEK 99 (7) million. In the fourth quarter new leasing totalled SEK 67 (40) million and net leasing amounted to SEK 50 (10) million. Particularly strong were net leasing in our clusters: SEK 72 million for the full year. Robust new leasing enable profitable investments in tenant improvements and the modernisation of our properties. This will have an effect on rental revenues and net operating revenue from 2018 onwards.

Kungsleden's four large refurbishment and extension projects are entering intensive construction stages and one of these projects will be completed towards the end of 2017. In addition, we have a strong pipeline of new projects including new constructions which we are planning to secure during 2017 and deliver from 2018 onwards. All in all, we are doubling the pace of our projects and



Biljana Pehrsson

investments within our existing portfolio. Previously these have equated to an annual total of SEK 300 to 500 million and are set to increase up to an average of SEK 1,000 million per year from 2017 to 2019.

## VALUE INCREASES AND IMPROVED FINANCIAL KEY FIGURES

In 2016, the realised and unrealised changes in value of the property portfolio amounted to SEK1,690 million. Reduced yield requirements, improved net operating revenue and investments had a positive effect on the value of the property. The increase in value, combined with reduced borrowing, led to the borrowing rate dropping to 56.4 per cent (61.9). The equity ratio has risen to 36.8 per cent (33.1). Also, the long-term net asset value (EPRA NAV) has risen

during the year and amounted to SEK 69.32 (56.76) per share. Return on equity increased to 18.5 per cent against the 5.5 per cent last year when the outcome of Kungsleden's previous tax process negatively impacted on earnings.

### STRATEGIC TRANSACTIONS

The streamlining of our property portfolio continued during 2016. The total divestment of non-strategic property equates to approximately SEK 700 million. Thus, we are on our way toward the objective to divest for SEK 2 billion over the two years 2016–2017.

In 2016 we began realising values in properties with potential for residential development. During the year, we completed five transactions with potential residential building rights at a price of SEK 321 million. Earnings amounted to SEK 42 million of which SEK 13 million will be reported in 2017. In addition, we will obtain earn-outs for created building rights of approximately SEK 240 million when the zoning plans have been legally approved. The divestment means that the future residential building rights are priced from SEK 5,000 to 10,000 per square metre. The prospects are favourable for continued development of zoning plans and the divestment of properties with potential for residential building rights from Kungsleden's portfolio.

An important element in the portfolio's optimisation is the reinvestment of those resources released through the divestments. I am very pleased with the strategic acquisitions we completed in December, especially the agreement with Steen & Ström AB to buy the Emporia Office building – just over 10,000 sq.m. of modern office space in Emporia shopping centre in Hyllie in Malmö. Hyllie is Malmö's most expansive area with great potential. This diverse city with its strategic communication hub location has just the right conditions to develop and become one of our primary clusters.

### GOOD STARTING POSITION

On 16 November, Kungsleden was selected as the best equal opportunities company of the Exchange by the Foundation AllBright. The appointment was, to a great extent, based on the survey responses from the employees which had a 94 per cent respondent rate. The fact that so many participated makes me proud because it shows great commitment, which is fully in line with our values of professionalism, consideration and positivity. Kungsleden's professional leasing team has also attracted attention externally at the beginning of 2017 when we won several titles in the "Leasing People of the Year 2016" award.

With effect from 1 January 2017, we have merged two asset and property management regions and created the three more equally large asset and property management units – Stockholm, Gothenburg/Malmö and Mälardalen. The local organisation within the property management areas has also been strengthened through more market areas established with locally anchored employees.

We will now proceed towards the aim to be one of the most successful and profitable listed property companies by 2020. The recently announced new share issue will give us the resources for continued profitable growth with financial balance.

Stockholm 16 February 2017

**Biljana Pehrsson, CEO**

# PERFORMANCE ANALYSIS 2016

## REVENUE, EXPENSES AND EARNINGS

The operating net increased by 4 per cent to SEK 1,602 million compared to 2015. The increase is primarily due to higher rental revenues as a result of the greater share of office properties in Stockholm.

### RENTAL REVENUE AND OTHER INCOME

Total revenues rose by SEK 184 million or 8.2 per cent compared with the previous year and amounted to SEK 2,422 (2,238) million.

The increase is mainly due to the share of office properties in Stockholm increasing during the year as a result of acquisitions in Stockholm and divestment in other regions. This increased rental revenue per square metre across the portfolio by 9 per cent to SEK 1,070.

Rental revenue for comparable holdings decreased marginally to SEK 1,865 (1,886) million, mainly as a result of vacated project properties during 2016 which led to loss in rental revenues of SEK 24 million.

RENTAL REVENUE SEK m	SEK/sq.m. <sup>1</sup> 2016	SEK/sq.m. <sup>1</sup> 2015	Total 2016 Jan-Dec	Total 2015 Jan-Dec
Rental revenue	1,070	979	2,422	2,238

1. Rental revenues 12 months rolling less rental revenue of project properties divided by leased area, less the area of project properties.

Other income in the income statement consists of revenues which have no direct link to rental agreements – mainly revenues from early redemptions of lease agreements and refunds of insurance premiums, amounting to SEK 7 (76) million. The decrease is mainly due to events of a one-off nature in 2015, in the form of early redemption which then increased the revenues by SEK 71 million.

### PROPERTY COSTS

For the whole property portfolio the direct property costs increased to SEK 714 (660) million. The higher share of office buildings in Stockholm led to the direct property costs per square metre increasing by 7.6 per cent to SEK 268. In comparable holdings the direct costs were at the same level as the previous year. The costs of property administration amounted to SEK 113 (109) million.

PROPERTY COSTS SEK m	SEK/sq.m. <sup>1</sup> 2016	SEK/sq.m. <sup>1</sup> 2015	Total 2016 Jan-Dec	Total 2015 Jan-Dec
Operations	171	160	458	425
Maintenance	41	43	109	113
Property tax and leasehold	56	46	147	122
<b>Direct property costs</b>	<b>268</b>	<b>249</b>	<b>714</b>	<b>660</b>
Property administration	43	41	113	109
<b>Total</b>	<b>311</b>	<b>290</b>	<b>827</b>	<b>769</b>

1. Property costs 12 months rolling divided by leasable area less a deduction for project properties.

### OPERATING NET

Rental revenue less total property costs increased by SEK 126 million or 8.6 per cent from SEK 1,469 to 1,595 million. Since comparable holdings showed a certain revenue reduction, mainly as a result of vacated properties, the net effect of accessed and vacated properties during the year led to a operating net contribution of SEK 150 million. The higher share of office buildings in Stockholm plays a crucial role.

The reported operating net increased less, from SEK 1,545 to SEK 1,602 million as a result of the large one-off revenues during 2015.

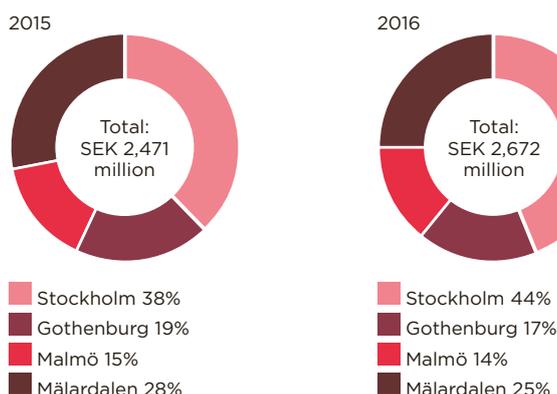
### SELLING AND ADMINISTRATION COSTS

Selling and administrative costs for the full year amounted to SEK 112 (106) million.

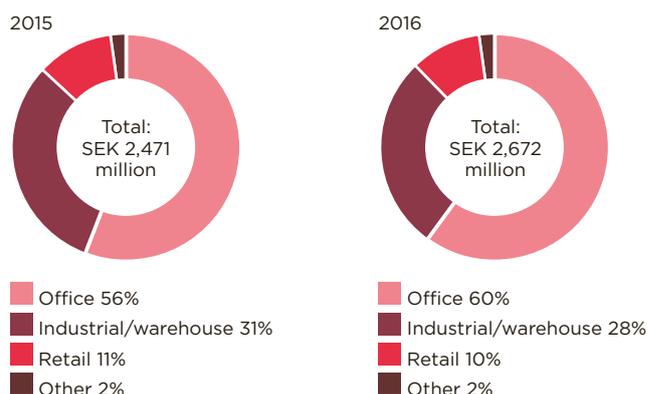
### NET FINANCIAL ITEMS

Net financial items, excluding the profit or loss from the participation in associated companies amounted to SEK –500 (–497) million. This means that the total net financial costs could remain unchanged despite a substantially higher borrowing volume during 2016 compared with the previous year.

### RENTAL VALUE BY REGION 2015 AND 2016



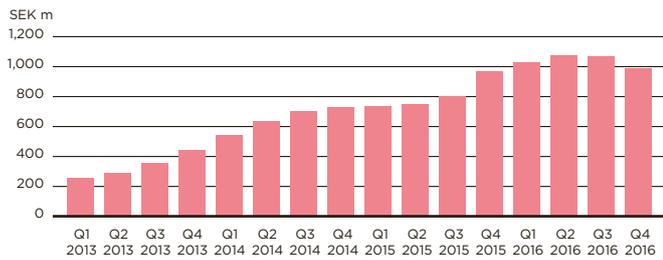
### RENTAL VALUE BY CATEGORY 2015 AND 2016



**PROFIT FROM PROPERTY MANAGEMENT**

Profit from property management, excluding profit or loss from participations in associated companies, grew from SEK 942 million to SEK 990 million or by 5 per cent.

PROFIT FROM PROPERTY MANAGEMENT  
- 12 MONTH ROLLING, ACTUAL



**CHANGES IN VALUE**

Changes in the value of the property portfolio amounted to SEK 1,690 (1,005) million including profit from property divestment of SEK 32 (11) million. Reduced yield requirements and improved operating net were the most important causes of the unrealised value increase. The unrealised changes in value of financial instruments amounted to SEK -321 (176) million. The market rates fell heavily during the beginning of the year, which created large unrealised value changes. The rate increased once again toward the end of the year to the extent that the negative market value returned.

**PROFIT FOR THE PERIOD**

Profit for the year amounted to SEK 1,869 (505) million. Tax for the full year was SEK -490 (-1,642) million. The tax amount for 2016 includes SEK 26 million for higher loss-carry forwards resulting from adjusted tax filings.



# EARNINGS CAPACITY

Earnings capacity is intended to show the characteristics of the properties acquired at a certain point in time and these properties financial results, over the past twelve months. The performance indicator is intended to facilitate assessment of the current property portfolio's underlying earnings capacity.

For properties that were held throughout the past 12 month period, the actual financial results during the period are used. It is important to note that the current earnings capacity is not a forecast but earnings capacity is intended to show the characteristics of the properties held at a given time and these properties financial results over the past 12 months. For properties that were held for less than 12 months an assessment is made based on a combination of finan-

cial results, corresponding to an annual rate and acquisition calculation. The earning capacity cost components includes costs for property administration.

From the interim report for the first quarter of 2016 earnings capacity is adjusted for any one-off items in the reported results for the last 12 months. The data on earnings capacity takes into account no information or assessment of future vacancies, changes in rent levels or value changes; nor are acquisitions and divestment of properties taken into account in earnings capacity unless access was gained/the properties were vacated by closing date.

The table below shows the earnings capacity of Kungsliden's property holdings by 31 December 2016. Project properties are disclosed as a separate property category. The cost information includes SEK 113 million which is the actual outcome for the property administration costs during the last twelve months.

EARNINGS CAPACITY BY PROPERTY CATEGORY	Office	Industrial/ Warehouse	Retail	Other	Total excl. project properties	Project properties	Total properties
No. of properties	112	95	37	12	256	13	269
Leasable area, sq.m.	1,142	1,095	174	40	2,451	129	2,580
Rental value, SEK m	1,563	726	181	45	2,515	125	2,640
Rental revenue, SEK m	1,423	682	169	39	2,313	81	2,394
Operating net, SEK m	921	500	115	20	1,556	26	1,582
Book value, SEK m	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, by area %	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

## EARNINGS CAPACITY BY REGION (EXCLUDING PROJECT PROPERTIES)

REGION STOCKHOLM	GOTHENBURG REGION	REGION MALMÖ	MÄLARDALEN REGION		
No. of properties	75	81	57	No. of properties	43
Leasable area, sq.m.	789	593	415	Leasable area, sq.m.	654
Rental value, SEK m	1,097	451	339	Rental value, SEK m	628
Rental revenue, SEK m	1,003	415	309	Rental revenue, SEK m	586
Operating net, SEK m	696	273	223	Operating net, SEK m	364
Book value, SEK m	13,867	4,434	3,755	Book value, SEK m	5,804
Economic occupancy rate, %	91.4	92.0	91.4	Economic occupancy rate, %	93.2
Occupancy rate, by area %	85.3	88.7	89.0	Occupancy rate, by area %	88.0
Surplus ratio, %	69.3	65.8	71.9	Surplus ratio, %	62.0
Property yield, %	5.0	6.2	5.9	Property yield, %	6.3

# PROPERTIES

Kungsleden's activities are focused on long-term ownership, active management, refinement and development of commercial properties in selected growing markets.

The value of the property portfolio consists of 66 per cent offices, 25 per cent industrial/warehouse, 8 per cent retail and 1 per cent in category other.

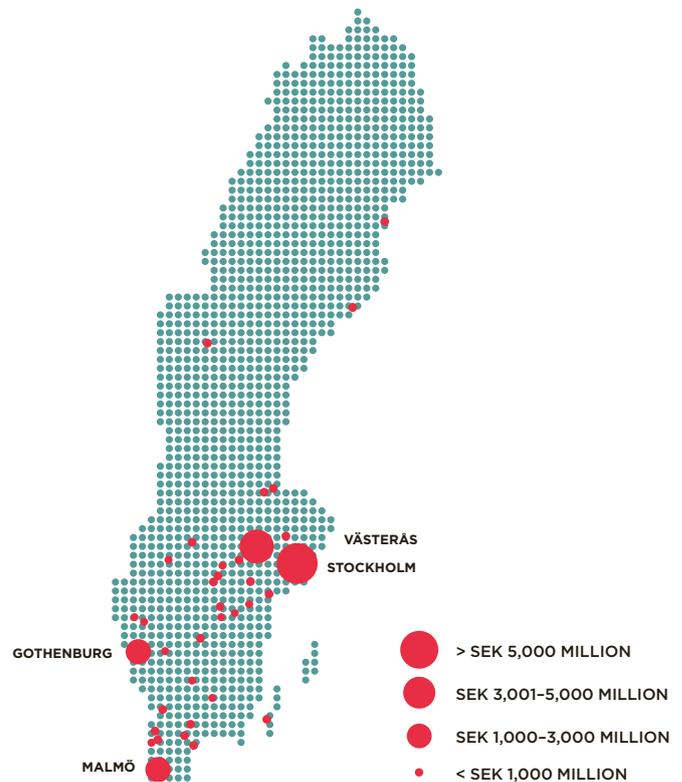
Our well-founded principle is to collect properties together in a cluster which gives us the ability to better adapt our offer based on the needs of the tenants and proactively affect the entire development in the area.

As of December 2016, the portfolio consisted of 269 properties (291) with a total leasable area of 2,580 thousand sq.m. (2,665) and with a rental value of SEK 2,640 (2,672) million<sup>1</sup>.

Book value holdings are SEK 29,169 (27,470) million. Remaining term for lease agreements for property holdings is on average 4.0 years (4.2).

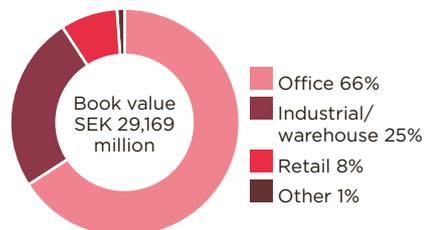
79 per cent (76) of the value of the property portfolio is located in our prioritised markets of Stockholm, Gothenburg, Malmö and Västerås. 63 per cent (60) of the property value is attributed to our 11 clusters.

After having vacated the properties divested during the fourth quarter, Kungsleden owns properties in 58 municipalities.

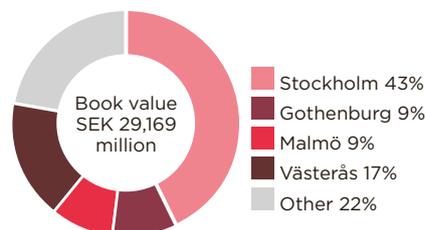


FROM 140 TO 58 MUNICIPALITIES SINCE 2013

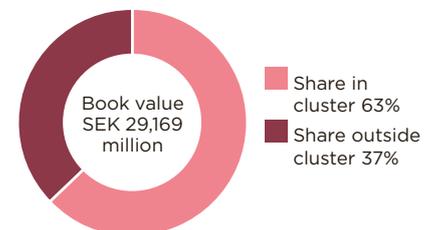
PROPERTY VALUE BY CATEGORY AT 31 DECEMBER 2016



PROPERTY VALUE BY GEOGRAPHY AT 31 DECEMBER 2016



SHARE OF PROPERTIES LOCATED IN CLUSTERS AT 31 DECEMBER 2016



## CHANGES IN THE PROPERTY PORTFOLIO

DEVELOPMENT OF PROPERTY HOLDINGS SEK m	2016	2016
	Oct-Dec	Jan-Dec
Properties at the beginning of the period	28,638	27,470
Acquisitions, access gained	65	238
Investments	252	609
Divested and vacated	-261	-806
Unrealised changes in value	475	1,658
<b>Properties at the end of the period</b>	<b>29,169</b>	<b>29,169</b>

Kungsleden has continued to optimise the property portfolio through divesting properties which do not fit the strategy or are not located in the prioritised cities. In addition we have acquired properties in line with the strategy, particularly in the existing clusters.

During 2016, 32 properties were divested as well as part of a property which is to be converted to a total value of SEK 1,021 million. Properties to a value of SEK 806 million were vacated.

An office property in Hyllie was acquired in the fourth quarter

for SEK 457 million. This property – Emporia Office – is currently subject to a cadastral partition procedure which is expected to be completed, at the latest, during the second quarter of 2017, when Kungsleden will take full control of the space. A newly built car park in the vicinity of the property Mässhallen 1 (MalmöMässan) in Hyllie was accessed in the quarter to a value of SEK 65 million.

Ten properties and part of a property that is subject to a cadastral partition procedure were divested during the fourth quarter to a total value of SEK 284 million.

This also includes divested properties with potential for residential building rights to a value of SEK 205 million. The properties are located in Mölndal and the divestment corresponds to a square metre price of approximately SEK 5,000 to SEK 10,000 per sq.m. Nine properties to a value of SEK 261 million were vacated during the quarter.

After vacated properties Kungsleden owns properties in 58 municipalities. The portfolio consists of a value of 79 per cent of the properties located in the prioritised markets of Stockholm, Gothenburg, Malmö and Västerås.

PROPERTY DIVESTMENT			
Property	Municipality	Divested	Vacated on
Karburatorn 2	Kristianstad	21 June 2016	4 October 2016
Yrkesskolan 6	Botkyrka	8 September 2016	4 October 2016
Generatoren 2	Motala	1 September 2016	15 December 2016
Torrekkulla 1:172	Mölnadal	1 September 2016	15 December 2016
Halla-Stenbacken 1:102	Uddevalla	1 September 2016	15 December 2016
Brynäs 34:8	Gävle	1 September 2016	15 December 2016
Torslunda 4:27	Mörbylånga	1 September 2016	15 December 2016
Lerum 1:20	Karlstad	1 September 2016	15 December 2016
Gripen 1	Arboga	1 September 2016	15 December 2016
<b>Total</b>			<b>SEK 264 m</b>
Backa 29:26	Gothenburg	21 December 2016	31 January 2017
Kylaren 9	Kungälv	21 December 2016	31 January 2017
Kylaren 4	Kungälv	21 December 2016	31 January 2017
Kärra 93:3	Kungälv	21 December 2016	31 January 2017
Ventilen 6	Kungälv	21 December 2016	31 January 2017
Ventilen 7	Kungälv	21 December 2016	31 January 2017
Forsåker 1:75	Mölnadal	20 December 2016	31 March 2017
Forsåker 1:164	Mölnadal	20 December 2016	31 March 2017
Forsåker 1:227	Mölnadal	20 December 2016	31 March 2017
Forsåker 1:257	Mölnadal	20 December 2016	31 March 2017
Part of Stiernhielm 7	Mölnadal	21 December 2016	2019
<b>Total</b>			<b>SEK 284 m</b>

### Valuation of the property portfolio

Kungsleden evaluate the whole property holding internally each quarter. The valuations are based on a cash flow analysis where the future earnings capacity of an individual property and market's yield requirements are assessed. The valuation is made with support from technicians which is based on observed market data according to Level 3. To ensure quality and verify our internal assessments, external control valuations are carried out on approximately 25 per cent of our properties each quarter. This means that each property in the portfolio is subject to an external valuation over a period of 12 months.

The property valuation resulted in unrealised positive value changes of SEK 1,658 million for the full year 2016. For the fourth quarter, the unrealised value changes amounted to SEK 475 million. Reduced yield requirements and improved operating net have had a positive effect on the value of the property. The average yield requirement of Kungsleden's property portfolio was 6.5 per cent at the start of the year and 6.1 per cent at the end of the year.

The unrealised value changes are divided as follows:

FACTORS IMPACTING VALUE SEK m	2016 Oct-Dec	2016 Jan-Dec
Change in yield requirements	455	1,170
Change in operating net	85	595
Change in the assumptions of investments and other value-impacting factors	-65	-107
<b>Total</b>	<b>475</b>	<b>1,658</b>



Lustgården 12, Stockholm



**ACTIVE PROPERTY MANAGEMENT**

Kungsleden has continuously reviewed the organisation for increased efficiency in property management. During the fourth quarter a decision was made to focus the property management on three more equally large asset and property management units – Stockholm, Gothenburg/Malmö and Mälardalen. At the same time the number of market areas increased to 12. The new property management organisation applies as from 1 January 2017.

**Focus on leasing continues to give results**

The demand for premises continues to be high, particularly in prioritised markets. Our work to improve relationships with tenants and prospective customers is also developing on an ongoing basis. For instance, Kungsleden launched its first cluster website during the quarter – Danderydkontor.se. This collates local information and inspiration for both tenants and anyone living or working in Danderyd or who has an interest in the area. The use of virtual reality technology also continues to be developed and used in the leasing work.

After the end of the period, the winner of the “Leasing People of the Year 2016” awards was announced. Two from Kungsleden’s leasing team won the award “Leasing People of the Year 2016” and Kungsleden’s team was awarded the “Leasing Team of the Year 2016” in two regions.

During 2016, lease agreements were signed to a value of SEK 216 million. Notice of termination of SEK 117 million was received and net leasing for the year amounted to SEK 99 (7) million, of which properties located in the cluster amounted to SEK 72 million. Strong net leasing in the clusters derives from both new

leasing, to Kungsleden’s focus on customer dialogue and active property management. Strong leasing will gradually have an effect on the rental revenues when the tenants move in.

The leases renegotiated in 2016 led to increased average rental value of 8.8 per cent. Total rental value of the renegotiated leases increased from SEK 89 million to SEK 97 million. The majority of renegotiated leases concern properties situated in clusters and the leases derive mainly from the regions of Stockholm and Mälardalen. The economic vacancy rate for the full year period is 9.4 per cent (9.4).

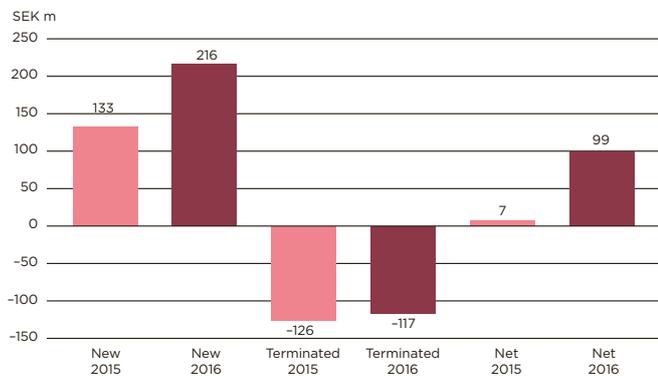
In the fourth quarter, new leasing totalled SEK 67 (40) million and net leasings to SEK 50 (10) million. Major new leasings during the fourth quarter include 2,600 square metres to Incoord in the Trekanten 5 property in Danderyd Kontor, and 4,000 square metres to JumpYard in the Veddesta 2:65 property in Veddesta.

**Objective of energy savings achieved**

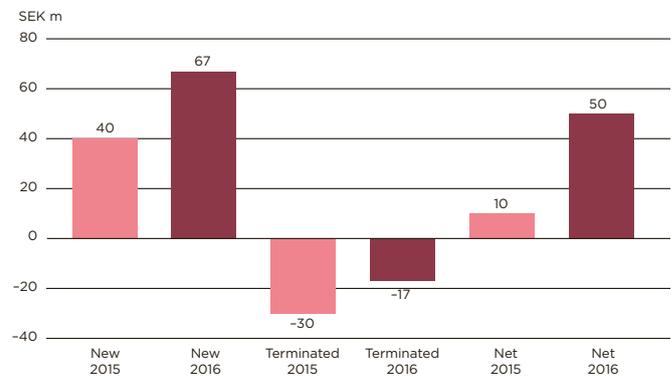
Reduced energy consumption is a priority issue for both environmental and cost reasons. Thanks to investments and changes to existing equipment, Kungsleden reached the target of reducing energy consumption by 3 per cent in comparable holdings in 2016. This equals cost savings of approximately SEK 6 million.

**SEK 216 (133) million**  
New leasing January-December 2016

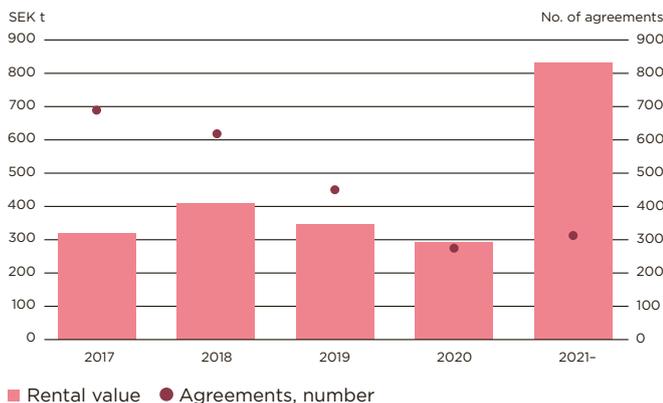
LEASING FULL-YEAR PERIOD JAN-DEC 2015 AND 2016<sup>1</sup>



LEASING FOURTH QUARTER, 2015 AND 2016<sup>1</sup>



LEASE AGREEMENTS MATURITY<sup>1</sup> PER 31 DEC 2016



**SEK 99 (7) million**  
Net leasing 2016

■ Rental value ● Agreements, number

1. Excl. residential, parking and garage areas.

NEW LEASING BY REGION, FULL YEAR PERIOD JAN-DEC 2016<sup>1</sup>



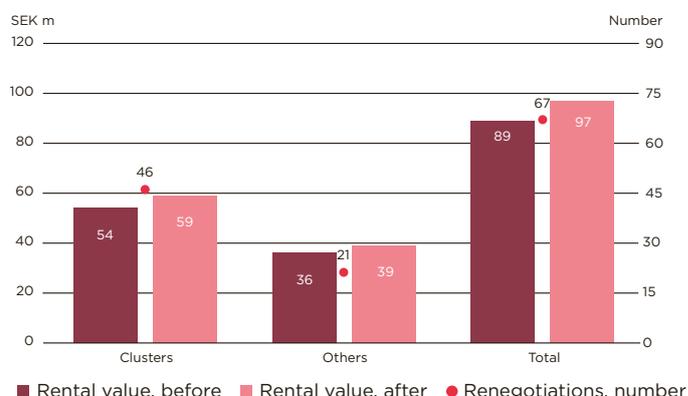
Stockholm 55%  
Gothenburg 17%  
Malmö 14%  
Mälardalen 14%

LEASE TERMINATIONS BY PROPERTY MANAGEMENT REGION, FULL YEAR PERIOD JAN-DEC 2016<sup>1</sup>



Stockholm 52%  
Gothenburg 10%  
Malmö 10%  
Mälardalen 28%

RENEGOTIATION, RENTAL VALUE - ACCUMULATED BEFORE & AFTER RENEGOTIATION, 2016



1. Excl. residential, parking and garage areas.

### OUTCOME BY REGION, JANUARY-DECEMBER 2016

Kungsleden's operations were managed during 2016 in the four property management regions of Stockholm, Gothenburg, Malmö and Mälardalen. Each region is responsible for the day-to-day management of the properties and the development within each of the clusters for the region. The work is carried out in close dialogue between regional managers, leasing managers and the support functions – property development, transactions and marketing & communications. As from 2017, three more equally large overall asset and property management units (Stockholm, Gothenburg/Malmö and Mälardalen) have been created by the merging of the Gothenburg and Malmö regions.



KEY FIGURES, INCL. PROJECT PROPERTIES	REGION STOCKHOLM	GOTHENBURG REGION	REGION MALMÖ	MÄLARDALEN REGION	TOTAL PROPERTIES
No. of properties	80	81	58	50	269
Leasable area, sq.m.	844	593	430	713	2,580
Rental value, SEK m	1,165	463	364	680	2,672
Rental revenue, SEK m	1,046	425	330	621	2,422
Operating net, SEK m	717	280	228	377	1,602
Book value, SEK m	14,694	4,434	3,937	6,104	29,169
Economic occupancy rate, %	89.8	91.9	90.5	91.3	90.6
Occupancy rate, by area %	84.4	88.5	88.3	86.4	86.6
Surplus ratio, %	68.2	65.9	69.2	60.4	65.9
Property yield, %	5.1	6.4	5.9	6.3	5.7
New leasing, SEK m	119	37	31	29	216

## PROPERTIES

### OUTCOME BY CLUSTER - JANUARY-DECEMBER 2016

Kungsliden owns properties in 11 selected locations, called clusters. By owning properties in clusters we can design our offer on the basis of the needs of the tenants to create effective property management and actively impact the entire development in the area. Of the 11 clusters, six have been acquired over the last three years (highlighted in red below) and the remaining five have been created from the existing holdings with additional acquisitions during the last three years.

During the fourth quarter the cluster of Hyllie was expanded when the Emporia Office building, with just over 10,000 sq.m. of office space, was acquired with an expected access date of Spring

### OUR 11 CLUSTERS

#### Property management region, Stockholm

Danderyd Offices (99,000 sq.m.)

Kista City (146,000 sq.m.)

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

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

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

Östersund (79,000 sq.m.)

#### Property management region, Gothenburg

Högsbo (108,000 sq.m.)

#### Property management region, Malmö

Fosie (54,000 sq.m.)

Hyllie/Svågertorp (50,000 sq.m.)<sup>2</sup>

#### Property management region Mälardalen

Västerås City (153,000 sq.m.)

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

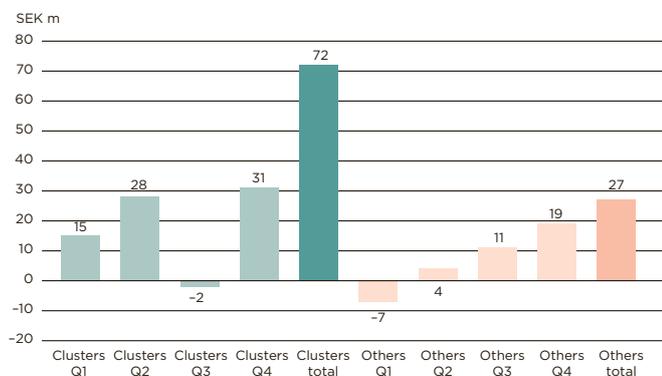
1. Including Emporia Office, 10,000 sq.m., not yet taken in possession.

2. Including 10,000 sq.m. parking area, which is not included in the leasable area.

## SEK 72 million

Net leasing - Cluster total 2016

NET LEASING CLUSTER AND OTHER 2016<sup>1</sup>



1. Excl. residential, parking and garage areas.

2017. The property is currently subject to a cadastral 3D partition procedure. A newly built carpark next to Malmö Exhibition in Hyllie was also acquired in the fourth quarter.

Demand for premises in our clusters continues to be strong, thanks to high activity in property management, customer service, leasing and marketing, resulting in strong net leasing activity. In the clusters, net leasing amounted to SEK 72 million during the full year period, compared with SEK 27 million for the rest of the holdings. The clusters also have an advantage in regards to the economic occupancy rate – 91.7 per cent compared with 90.6 per cent for the whole portfolio.

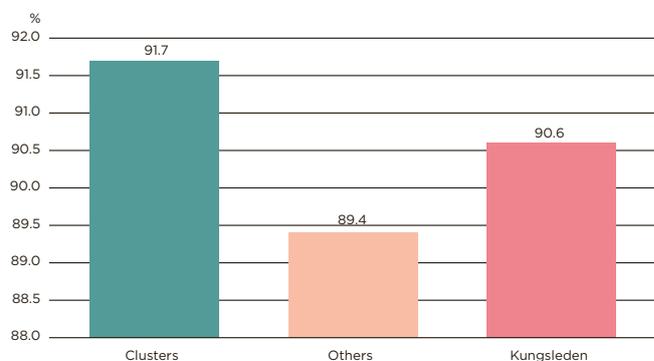
KEY FIGURES, EXCL. PROPERTY ADMINISTRATION <sup>1</sup>	CLUSTER	OTHER	TOTAL PROPERTIES
No. of properties	78	191	269
Leasable area, sq.m.	1,070	1,509	2,580
Rental value, SEK m	1,458	1,214	2,672
Rental revenue, SEK m	1,337	1,085	2,422
Operating net, SEK m	947	768	1,715
Book value, SEK m	18,312	10,857	29,169
Economic occupancy rate, %	91.7	89.4	90.6
Occupancy rate, by area %	87.3	86.1	86.6
Property yield, %	5.5	7.0	6.1
New leasing, SEK m	150	66	216

1. Property administration amounted to a total of SEK 113 million for the full year period.

## 91.7%

Economic occupancy rate 12 months rolling results in the fourth quarter of 2016 - Cluster

ECONOMIC OCCUPANCY RATE 12 MONTHS ROLLING RESULTS IN THE FOURTH QUARTER OF 2016, CLUSTER AND OTHER AS WELL AS TOTAL



# INVESTMENT AND DEVELOPMENT PROJECTS

Kungsleden undertook investments in the property portfolio during 2016 amounting to SEK 609 (450) million. The investments are of different sizes and refer to a large number of properties. Kungsleden is currently developing 30 properties, of which 13 are classified as development projects. In these properties, there are areas of vacant possession which are planned to be vacated, short-term leased or demolished in order to allow for development.

Of the 13 development properties, as per 31 December 2016, four projects are in the implementation stage with a total investment volume of SEK 826 million. Of the total amount of investment in 2016 about SEK 609 million related to SEK 140.5 million for these projects. Work is also ongoing to develop strategic development plans for the clusters.

During the quarter, the work with developing properties with potential for residential building rights has intensified and the interest from the market is strong. Commercial building rights are estimated to be 190,000 sq.m.

## Blästern 14, Stockholm — implementation stage

In Blästern 14, Kungsleden and Nobis will create a design hotel which will be designed to become a new destination – an oasis within the city.

## Holar 1, Kista — implementation stage

Holar 1 in Kista is being converted to an apartment hotel and Kista Check-in rents the property. The majority of existing tenants have moved to other properties in Kista and the vacancy rate in Kista Cluster has dropped by more than 4 per cent.

## Enen 10, Södertälje — implementation stage

The former Municipality House in Södertälje is being converted into modern office space. Facade and entrance works have been completed and the interior refurbishment is running according to plan. ÅF moved on 1 October 2016 and agreements have also been signed with fitness chain Actic, Tidemans Café, Previa and Skandia-mäklarna for occupancy in 2017.

## Tegnér 15, Växjö — implementation stage

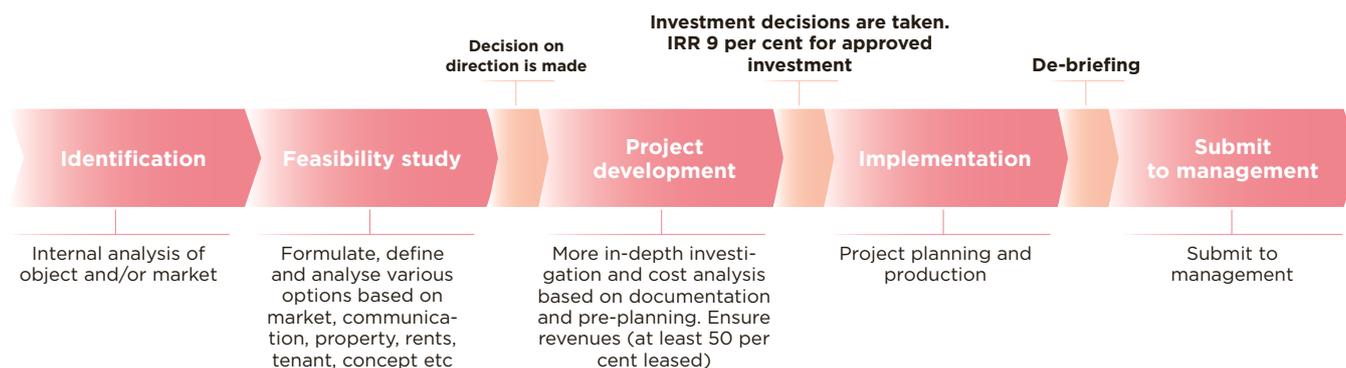
In the Tegnérgalleria in Växjö a development project is ongoing that improves accessibility from the street. Several brand-leading stores can be found in the mall such as Systembolaget, Apotek Hjärtat, Pressbyrån and Interflora. Thanks to the successful negotiations and redeployment it was confirmed during the quarter that the anchor tenant, who will rent 3,000 sq.m., will be able to move in during the fourth quarter of 2017.

## Residential building rights — strategy executed

The strategy for the residential building rights was to identify opportunities, drive zoning plans and then divest the building rights. It has been achieved successfully. Five residential-development projects of 92,000 sq.m. have been divested (see the quarter divestment on page 9). The remaining potential for residential building rights is estimated to be approximately 360,000 sq.m. Planning work and feasibility studies are underway in 20 properties in Gothenburg, Norrköping, Örebro, Västerås, Umeå and Stockholm.

# 360 thousand sq.m.

Existing and potential residential building rights



## INVESTMENT AND DEVELOPMENT PROJECTS

### DEVELOPMENT PROJECTS AND PLANNING

#### CATEGORY 1 - INVESTMENT DECISIONS MADE/IMPLEMENTATION STAGE

Property	Category	Municipality	Completed	Leasable area, sq.m.	Occupancy rate, %	Investment amount, SEK m	Capitalised total, SEK m	Of which 2016, SEK m	Budget 2017, SEK m	Plan 2018, SEK m	Plan 2019, SEK m
Enen 10	Office	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 <sup>1</sup>
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	
<b>Total</b>				<b>45,200</b>		<b>826</b>	<b>154.3</b>	<b>140.5</b>	<b>360</b>	<b>207</b>	<b>0</b>

#### CATEGORY 2 - DECISION MADE ON DIRECTION/LEASING AND PROJECT PLANNING

Property	Category	Municipality	Completed	Leasable area, sq.m.	Investment amount, SEK m	Budget 2017, SEK m	Plan 2018, SEK m	Plan 2019, SEK m
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 - House 26	Office	Västerås	2018	4,600	100	30	70	
<b>Total</b>				<b>58,600</b>	<b>530</b>	<b>105</b>	<b>425</b>	

#### CATEGORY 3 - FEASIBILITY STUDY AND LEASING

Property	Category	Municipality	Completed	Leasable area, sq.m.	Investment amount, SEK m	Budget 2017, SEK m	Plan 2018, SEK m	Plan 2019, SEK m
Karlslund 5:2	Society property (new construction)	Östersund	2019	3,000	130	10	100	20
Terminal 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
<b>Total</b>				<b>21,000</b>	<b>690</b>	<b>20</b>	<b>160</b>	<b>510</b>

#### Total project investment

					<b>2,046</b>	<b>485</b>	<b>792</b>	<b>510</b>
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#### CATEGORY 4 - PLANNING WORK

Property	Category	Municipality	Project surface, sq.m. BTA	Changes to zoning plan required
Aspgården 18	Residential	Umeå	23,000	Yes
Mälaren 17	Residential/Offices	Örebro	30,000-40,000	Yes
Veddesta 2:65 m.fl.	Residential/Offices	Järfälla	40,000-50,000	Yes
Verkstaden 7	Residential/Offices/Retail	Västerås	50,000-70,000	Yes

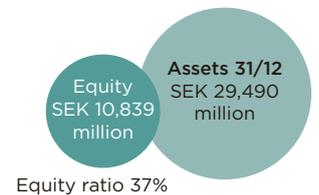
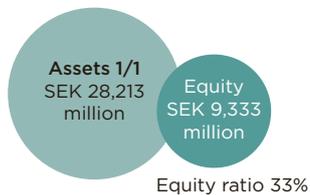
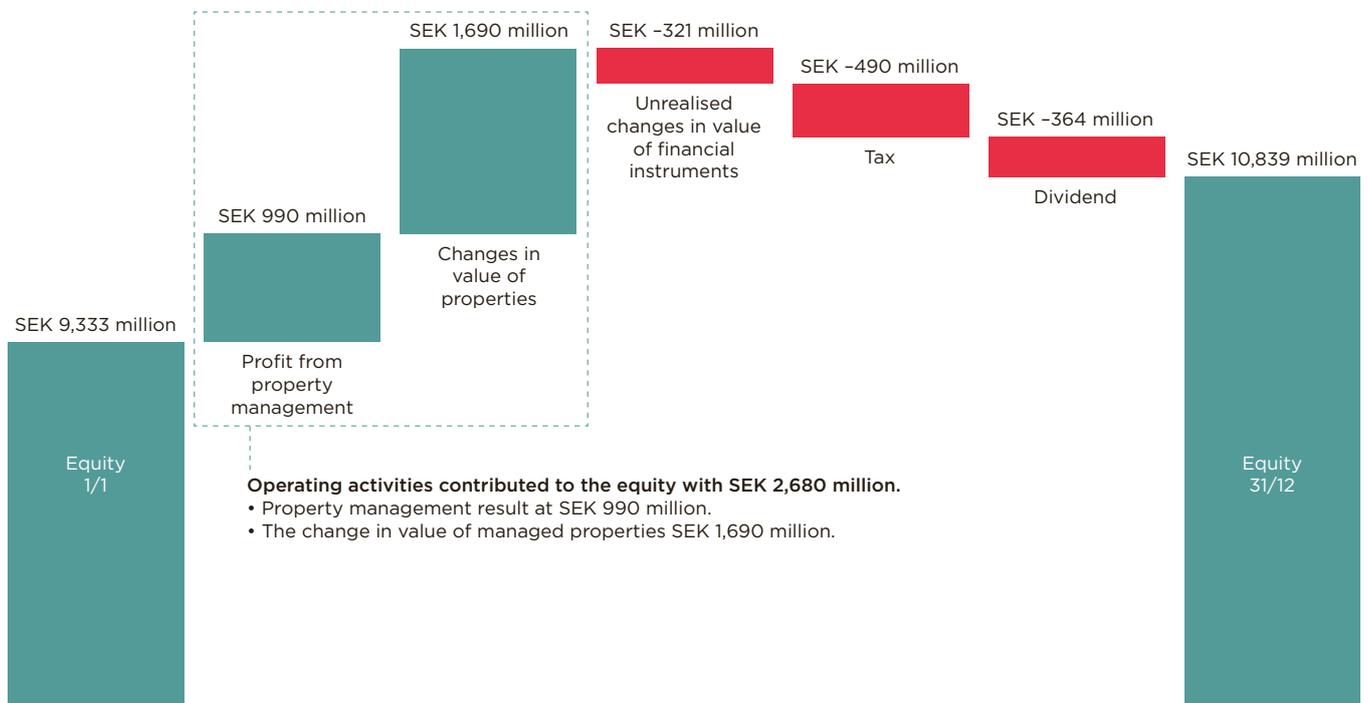
1. During 2020 and 2021 stage 2 will be built with total investment volume of approximately SEK 105 million.



# FINANCING

## EQUITY AND FINANCIAL POSITION DURING 2016

Equity at the end of the period amounted to SEK 10,839 million (9,333) or SEK 60 (51) per share. This corresponds to an equity ratio of 37 per cent (33).



## BORROWING AND LIQUIDITY

In the fourth quarter Kungsliden continued to diversify its borrowing and acquired from institutional investors another secured loan with a 10-year term for SEK 516 million. The loan runs with a variable interest rate corresponding to the STIBOR 90 days + a fixed margin which amounts to 1.6 per cent during the first three years and then 2 per cent during the remaining years. Payment is expected to take place during the first quarter of 2017.

The financing of institutional investors spreads risk in the overall borrowing while also allowing for long-term credit with attractive terms.

During the fourth quarter, loans of SEK 1,340 million were re-financed with a long-term loan via Realkredit Denmark, which is a wholly owned subsidiary of Danske Bank. Kungsliden receives a credit facility with a 20 year term financed by Realkredit Denmark who issue unsecured bonds which have an AAA rating from Standard & Poor's (S&P). The refinancing entails an annual cost saving of approximately SEK 7 million. This refinancing and loan from an institution extends Kungsliden capital. This is tied up with its overall borrowing which at the end of the period amounts to 4.2 years (3.6), excluding unutilised credits.

During the year, Kungsliden has issued a commercial paper with a scope of SEK 2,000 million. Emitted volume amounts per year end to SEK 1,180 million. Through the issue of a commercial paper, Kungsliden can take advantage of low interest rates and

thereby reduce the cost of borrowing. With the issued volume Kungsliden achieves savings of over SEK 6 million on an annual basis.

The volume of interest-bearing liabilities between the beginning and the end of the year decreased by SEK 945 million after repayment of loans of the sale of properties and ongoing repayment of loans. Cash and cash equivalents at the end of the year amounted to SEK 57 (441) million. On December 31 available funds including unutilised credit facilities of SEK 1,049 (1,057) million. Net debt (interest-bearing liabilities minus cash balances) declined by SEK 564 million. Borrowing rate measured as net debt in relation to property assets has, as a consequence of the ongoing earnings during the year from sales and value adjustments of property assets, decreased and amounted to 56 per cent (62). Taking into consideration loans for which collateral has been pledged, such as all loans except for bond loans of a nominal amount of SEK 975 million, the LTV was 53 per cent (60).

## FINANCING COSTS

The Group's loan volume during 2016 was on average SEK 3 to 4 billion more than in the previous year, which is mainly due to increased borrowing to finance the property acquisitions made during 2015. Nevertheless, interest expenses and other financial costs are SEK 8 million lower than the previous year. The reason is that the new loans and refinancing could happen with favourable terms

## FINANCING

and the old expensive interest rate swaps were redeemed in time for 2016. The net financial items excluding results from associated companies are 2.7 million higher due to primarily attributable interest income on the shareholder loans to associated companies in 2015. Net financial items for the fourth quarter improved by SEK 6.6 million compared with the previous quarter. This is primarily due to the volume of loans during the third quarter which was temporarily inflated following the issuing of three-year bond loans and the refinancing resulting in reduced borrowing costs that were made at the beginning of the fourth quarter.

The average interest rate of 2.9 per cent represents 1.2 per cent difference between the three month interest rate and the fixed interest rate on the interest rate swaps which have been entered. This component has increased by around 0.2 percentage points compared to the outcome of the previous year as a consequence of the STIBOR 90 days becoming more negative during the year. The average credit margin on the guaranteed loan and bond loans, including accrued arrangement fees and commitment commissions, was 1.7 per cent.

### MANAGING INTEREST RATE RISK

In order to limit the impact on the scheduled net interest of changes in the short-term market rate Kungsliden uses interest rate derivatives in the form of interest rate swaps.

#### AVERAGE INTEREST RATE



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

The current interest rate risk strategy entails a relatively high hedging level and long average fixed interest rate term. Interest rate swaps nominal amount amounted at the end of the year to SEK 10,120 (12,030) million. During the fourth quarter the swaps were dissolved with a nominal value of SEK 1,910 million with a short remaining term. Total interest-bearing liabilities have 65 per cent (69) as a fixed interest term longer than 12 months. The average fixed interest term of interest-bearing liabilities amounted to 3.4 years (3.5). Through the selected interest rate hedging, net financial items are only affected marginally by rising short-term market interest rates. The impact on net financial items for the next 12 months would be positive with approximately SEK 39 million if the STIBOR 90 days were increased by 1 per cent. This is a consequence of the variable interest payment in interest rate swaps as this is connected to STIBOR and will therefore be less negative when STIBOR rises toward zero. At the same time, STIBOR cannot be negative as per definition in the loan agreement with the bank.

At 31 December 2016 the negative market value of financial instruments was SEK – 653 million compared with SEK –347 million at the beginning of the year. Of the change in value SEK –512 million refers to a decline in the longer term market rates, which to a certain extent is counteracted by the ongoing interest payments in the swaps of SEK 191 million. During the fourth quarter these account for a refund of the current market value of the swaps that was dissolved with SEK 15 million. The negative market value will gradually decrease through the ongoing interest rate payments in the swap agreements, which is reported as an ongoing interest rate cost in the property management profit or loss.

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

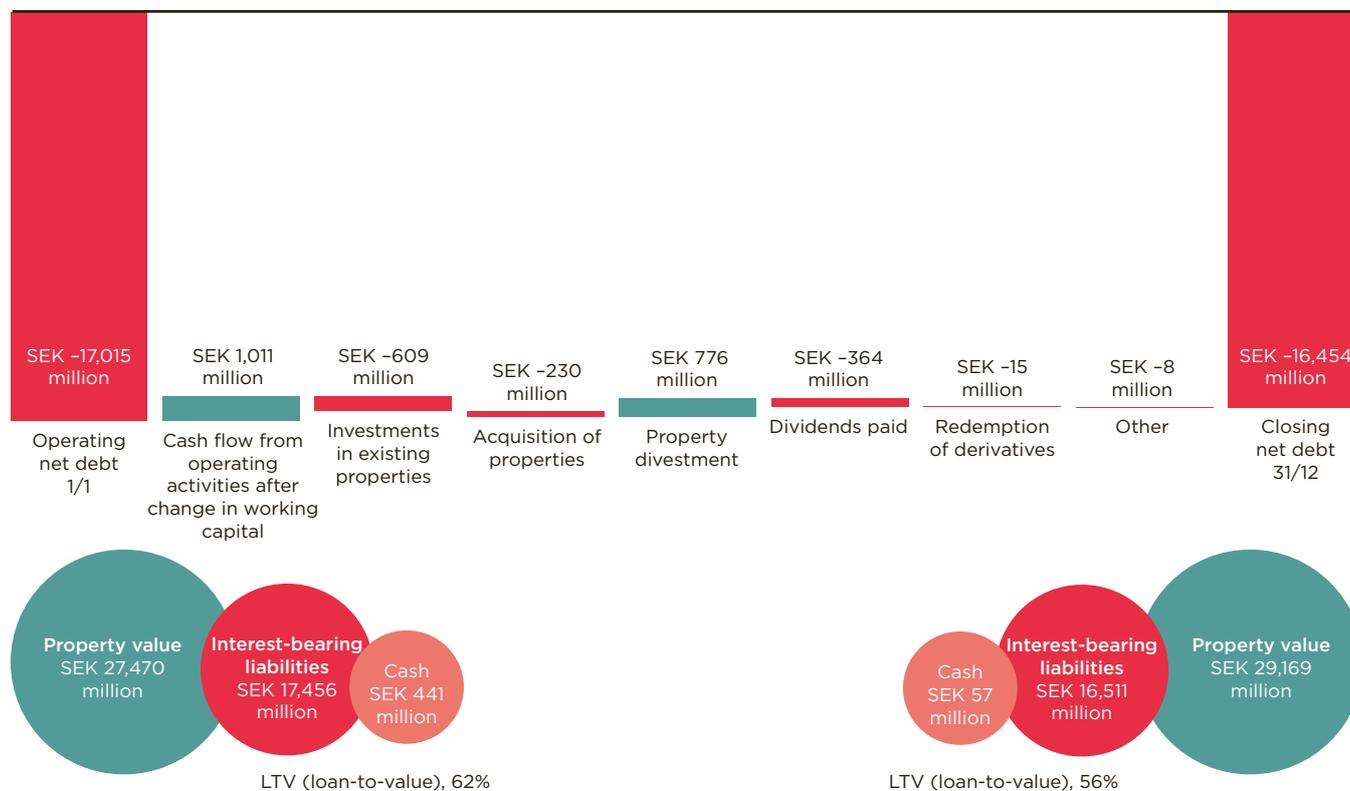
### MATURITY STRUCTURE, CREDITS AND INTEREST RATE DERIVATIVES

At 31 December 2016, SEK m	Utilised credits	Unutilised credits	Total credits	Interest rate derivatives	Average interest rate derivatives, %	Average remaining fixed interest term, year
2017	1,579	2,170 <sup>1</sup>	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			
<b>Total</b>	<b>16,511</b>	<b>2,170</b>	<b>18,681</b>	<b>10,120</b>		<b>3.4</b>
Average conversion time, year	4.2		3.7			

1. Of which SEK 1,178 million relates to backup for issued commercial papers.

At refinancing in January 2017 unutilised credits will not be reduced by SEK 450 million since unsecured loans will be guaranteed by taking out new credit of SEK 516 million, due in 2026.

CHANGE IN NET DEBT DURING 2016



## OTHER INFORMATION

### ORGANISATION AND EMPLOYEES

The average number of employees was 110 (99) during the fourth quarter of 2016.

### PARENT COMPANY

The outcome for the parent company during the interim period amounted to SEK 423 (-110) million. The result is mainly attributable to received dividends from subsidiaries of SEK 2,245 million, impairment and reunification of shares of SEK 1,641 million, received Group contributions of SEK 84 (618) million and the Group's interest rate swap agreements where the undervalue has increased with SEK -257 million as market interest rates on longer terms have fallen during the period. In addition, a swap contract has been resolved at a cost of SEK 15 million. An amount of SEK 83 million has been recognised in tax on profit for the interim period which is partly related to a positive decision from the Swedish Tax Agency regarding an unutilised tax loss being carried forward. The equity ratio of the parent company amounted to 39 per cent (40) at the end of the year.

### RISKS AND UNCERTAINTIES

Kungsliden's operations, earnings and position are impacted by a number of risk factors. These are mainly related to the properties, tax and financing. No significant changes in the risks and uncertainties have occurred during the fourth quarter of 2016.

More information about Kungsliden's risks and risk management is to be found in the annual report for 2015 on pages 47 and 67.

## ACCOUNTING PRINCIPLES

The Group's Interim Report is prepared in accordance with IAS 34 Interim Reporting and for the parent company in accordance with Chapter 9 of the Annual Accounts Act.

Furthermore, relevant provisions of the Annual Accounts Act and the Swedish Securities Market Act have been applied. For the Group and the parent company the same accounting principles and calculation methods have been applied as in the latest annual report. Disclosures in accordance with IAS 34 6A exist except in the financial statements and its related notes as well as in other parts of the interim report.

### SEASONAL FLUCTUATIONS

Property costs are affected to some degree with seasonal fluctuations; partly due to the fact that the operating costs for heating and property maintenance is generally higher during the first and fourth quarters. The costs for maintenance is generally higher during the second and fourth quarter due to the fact that the third quarter is affected by holidays and the first quarter of the winter climate, making it more difficult for maintenance.

### INFORMATION BASED ON FORECASTS

Some of the items displayed in this interim report are forecasts and the actual outcome may look significantly different. In addition to the factors that have been expressly commented on, other factors may also have a significant impact on the actual outcomes, for example, economic growth, interest rates, financing terms, yield requirements on property assets and political decisions.





## INCOME STATEMENT

SEK m	Quarter		Full Year	
	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
Rental revenue	598	609	2,422	2,238
Other revenue	4	50	7	76
Property costs	-212	-217	-827	-769
<b>Operating net</b>	<b>390</b>	<b>441</b>	<b>1,602</b>	<b>1,545</b>
<b>Selling and administration costs</b>	<b>-31</b>	<b>-28</b>	<b>-112</b>	<b>-106</b>
<b>Net financial items</b>				
Financial income	0	2	1	11
Interest expenses	-114	-94	-467	-459
Share in profits of associated companies	-	6	-	24
Other financial costs	-10	-11	-34	-50
	<b>-123</b>	<b>-97</b>	<b>-500</b>	<b>-473</b>
<b>Profit from property management</b>	<b>235</b>	<b>316</b>	<b>990</b>	<b>966</b>
<b>Value change</b>				
Profit (loss) on sales Nordic Modular Group	-	24	-	24
Profit (loss) on property sales	3	6	32	11
Unrealised changes in value of properties	475	114	1,658	970
Unrealised changes in value of financial instruments	196	95	-321	176
	<b>675</b>	<b>239</b>	<b>1,369</b>	<b>1,181</b>
<b>Profit (loss) before tax</b>	<b>910</b>	<b>555</b>	<b>2,359</b>	<b>2,147</b>
<b>Tax</b>				
Current tax	0	41	0	-1,305
Deferred tax	-210	-1,305	-490	-337
	<b>-210</b>	<b>-1,264</b>	<b>-490</b>	<b>-1,642</b>
<b>Profit (loss) for the period</b>	<b>700</b>	<b>-709</b>	<b>1,869</b>	<b>505</b>
<b>Earnings per share</b>	<b>3.84</b>	<b>Neg.</b>	<b>10.27</b>	<b>2.78</b>

## STATEMENT OF COMPREHENSIVE INCOME

SEK m	Quarter		Full Year	
	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
Profit/loss for the period	700	-709	1,869	505
Other comprehensive income				
Translation gains/losses for the period, on consolidation of foreign operations	0	-1	1	-1
<b>Comprehensive income for the period<sup>1</sup></b>	<b>700</b>	<b>-710</b>	<b>1,870</b>	<b>504</b>

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

## STATEMENT OF FINANCIAL POSITION – IN SUMMARY

SEK m	31/12/2016	31/12/2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	11	5
Investment properties	29,169	27,470
Tangible fixed assets	9	10
Other non-current receivables	12	6
<b>Total non-current assets</b>	<b>29,201</b>	<b>27,491</b>
<b>Current assets</b>		
Current receivables	232	232
Derivatives <sup>1,2</sup>	–	49
Cash and bank	57	441
<b>Total current assets</b>	<b>289</b>	<b>722</b>
<b>TOTAL ASSETS</b>	<b>29,490</b>	<b>28,213</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>10,839</b>	<b>9,333</b>
<b>Interest-bearing liabilities</b>		
Liabilities to credit institutions	13,728	16,381
Bond loans (unsecured)	975	1,075
Other borrowings	1,808	–
<b>Total interest-bearing liabilities</b>	<b>16,511</b>	<b>17,456</b>
<b>Non interest-bearing liabilities</b>		
Provisions	12	5
Deferred tax liability <sup>3</sup>	761	287
Derivatives <sup>1,2</sup>	653	395
Other non interest-bearing liabilities	714	737
<b>Total non interest-bearing liabilities</b>	<b>2,140</b>	<b>1,423</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>29,490</b>	<b>28,213</b>

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

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

3. Received deduction for deferred tax when purchase of properties via company (asset deal) are reported as a deduction to the balance sheet item investment properties, for SEK -364 million.

## STATEMENT OF CHANGES IN EQUITY – IN SUMMARY

SEK m	31/12/2016	31/12/2015
At the beginning of the period	9,333	9,102
Dividends	-364	-273
Comprehensive income for the period	1,870	504
<b>Total equity</b>	<b>10,839</b>	<b>9,333</b>

## STATEMENT OF CASH FLOWS – IN SUMMARY

SEK m	Quarter		Full Year	
	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
<b>OPERATIONS</b>				
Profit from property management	235	316	990	966
Adjustments for items not included in cash flow	17	39	17	-3
Tax paid	0	-1,305	0	-1,306
<b>Cash flow before changes in working capital</b>	<b>252</b>	<b>-950</b>	<b>1,007</b>	<b>-343</b>
Changes in working capital	-38	-303	4	-184
<b>Cash flow after changes in working capital</b>	<b>214</b>	<b>-1,253</b>	<b>1,011</b>	<b>-527</b>
<b>INVESTING ACTIVITIES</b>				
Investments in existing properties	-252	-189	-609	-450
Acquisition of properties	-66	-2,757	-230	-6,944
Divestment of properties	245	114	776	1,974
Other property, plant and equipment/intangible assets, net	-4	-9	-10	-9
Financial assets, net	-13	49	-13	-549
<b>Cash flow from investing activities</b>	<b>-90</b>	<b>-2,792</b>	<b>-86</b>	<b>-5,978</b>
<b>FINANCING ACTIVITIES</b>				
Dividends	-	-	-364	-273
Repayment of loan	-149	-704	-3,753	-3,706
New loans	41	4,154	2,808	9,488
<b>Cash flow from financing activities</b>	<b>-108</b>	<b>3,450</b>	<b>-1,309</b>	<b>5,509</b>
<b>CASH FLOW FOR THE PERIOD</b>				
Cash equivalents at the beginning of the period	41	1,035	441	1,437
Exchange rate differences on cash equivalents	0	1	0	-
<b>Cash equivalents at the end of the period</b>	<b>57</b>	<b>441</b>	<b>57</b>	<b>441</b>

## SEGMENT REPORT

Region	Stockholm		Gothenburg		Malmö		Mälardalen		Non-Allocated Items		Total	
	2016 Jan-Dec	2015 <sup>1</sup> Jan-Dec	2016 Jan-Dec	2015 <sup>1</sup> Jan-Dec	2016 Jan-Dec	2015 <sup>1</sup> Jan-Dec						
SEK m												
Revenue	1,051	909	425	424	330	345	623	635			2,430	2,314
Property costs	-334	-270	-145	-144	-102	-103	-247	-251			-827	-769
<b>Operating net</b>	<b>717</b>	<b>639</b>	<b>280</b>	<b>280</b>	<b>228</b>	<b>242</b>	<b>377</b>	<b>384</b>			<b>1,602</b>	<b>1,545</b>
Selling and administration costs									-112	-106	-112	-106
Net financial items									-500	-473	-500	-473
<b>Profit from property management</b>	<b>717</b>	<b>639</b>	<b>280</b>	<b>280</b>	<b>228</b>	<b>242</b>	<b>377</b>	<b>384</b>	<b>-612</b>	<b>-579</b>	<b>990</b>	<b>966</b>
<b>Value change</b>												
Profit (loss) on sales									32	35	32	35
Unrealised changes in value of properties	1,074	517	128	71	180	101	276	280			1,658	970
Unrealised changes in value of financial instruments									-321	176	-321	176
<b>Profit (loss) before tax</b>	<b>1,791</b>	<b>1,156</b>	<b>408</b>	<b>351</b>	<b>408</b>	<b>344</b>	<b>653</b>	<b>664</b>	<b>-901</b>	<b>-368</b>	<b>2,359</b>	<b>2,147</b>
Tax									-491	-1,642	-491	-1,642
<b>Profit/loss for the period</b>	<b>1,791</b>	<b>1,156</b>	<b>408</b>	<b>351</b>	<b>408</b>	<b>344</b>	<b>653</b>	<b>664</b>	<b>-1,392</b>	<b>-2,010</b>	<b>1,869</b>	<b>505</b>

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

## KEY FIGURES

	Quarter		Full Year	
	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
<b>Property related</b>				
<i>Earnings capacity</i>				
Property yield, %			5.4	6.2
Economic occupancy rate, % <sup>1</sup>			90.7	89.2
Operating surplus margin, %			66.0	67.5
<i>Outcome</i>				
Property yield, %	5.4	6.8	5.7	6.6
Economic occupancy rate, % <sup>1</sup>	90.4	91.5	90.6	90.6
Operating surplus margin, %	64.8	67.0	65.9	66.8
Rental revenue, SEK/sq. m. <sup>2</sup>			1,070	979
Property cost, SEK/sq. m.			311	290
<b>Financial</b>				
Return on total assets, %	5.0	6.6	5.3	5.8
Return on equity, %	26.7	Neg.	18.5	5.5
Interest coverage ratio, times	2.9	4.0	3.0	2.9
Equity ratio, %			36.8	33.1
Debt/equity ratio, times			1.5	1.9
LTV (loan-to-value), %			56.4	61.9
<b>Per share information<sup>3</sup></b>				
Dividend, SEK			2.00	1.50
Total return on shares, %			-1.2	9.7
Property yield on shares, %			3.5	2.5
Profit from property management, SEK	1.29	1.73	5.44	5.31
Net profit/loss for the period, SEK	3.84	Neg.	10.27	2.78
Equity, SEK			59.55	51.28
EPRA NAV (long-term net asset value), SEK			69.32	56.76
Cash flow before changes in working capital, SEK	1.38	-5.22	5.53	-1.88
Outstanding shares at the end of the period <sup>5</sup>	182,002,752	182,002,752	182,002,752	182,002,752
Average number of shares <sup>3</sup>	182,002,752	182,002,752	182,002,752	182,002,752

1. The definition for economic occupancy rate and LTV (loan-to-value) ratio has changed. Comparison figures have been restated. See page 26 for current definitions.

2. Rental revenue/sq. m. less rental revenue of project properties divided by leased area less the area of project properties. Comparison figures have been adjusted to take account of the period of time project properties have been held.

3. Before and after dilution. The average number of shares for Q4 2016 was 182,002,752 (182,002,752) and for the period January-December 2016 it was 182,002,752 (182,002,752).

## QUARTERLY SUMMARY

### INCOME STATEMENTS, IN SUMMARY

SEK m	2016				2015			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenue	602	606	609	614	659	570	560	525
Operating net	390	428	397	388	441	409	362	333
Selling and administration costs	-31	-29	-27	-25	-28	-26	-27	-24
Net financial items	-123	-130	-121	-126	-97	-109	-132	-134
<b>Profit from property management</b>	<b>235</b>	<b>269</b>	<b>250</b>	<b>236</b>	<b>316</b>	<b>274</b>	<b>202</b>	<b>175</b>
Profit (loss) from sales	3	2	29	-2	30	-	1	4
Unrealised gains/losses on Investment properties	475	271	386	526	114	202	411	243
Unrealised changes in value of financial instruments	196	-32	-183	-302	95	-61	187	-45
<b>Profit (loss) before tax</b>	<b>910</b>	<b>510</b>	<b>482</b>	<b>458</b>	<b>555</b>	<b>415</b>	<b>801</b>	<b>377</b>
Tax	-210	-110	-98	-73	-1,264	-93	-205	-81
<b>Net profit/loss for the period, continuing operations</b>	<b>700</b>	<b>400</b>	<b>384</b>	<b>385</b>	<b>-709</b>	<b>322</b>	<b>596</b>	<b>296</b>

### FINANCIAL POSITION, IN SUMMARY

SEK m	2016				2015			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
<b>ASSETS</b>								
Intangible assets	11	8	8	7	5	-	-	-
Investment properties	29,169	28,638	28,268	27,785	27,470	24,346	23,259	21,700
Tangible fixed assets	9	10	10	10	10	9	7	8
Participations in associated companies	-	-	-	-	-	115	108	102
Other non-current receivables	12	4	5	5	6	182	183	184
<b>Total non-current assets</b>	<b>29,201</b>	<b>28,659</b>	<b>28,290</b>	<b>27,807</b>	<b>27,491</b>	<b>24,651</b>	<b>23,556</b>	<b>21,993</b>
Current receivables	232	209	239	260	232	198	227	203
Derivatives	-	-	-	5	49	9	-	-
Cash and bank	57	41	1,007	822	441	1,035	611	298
<b>Total current assets</b>	<b>289</b>	<b>250</b>	<b>1,246</b>	<b>1,087</b>	<b>722</b>	<b>1,242</b>	<b>838</b>	<b>501</b>
<b>TOTAL ASSETS</b>	<b>29,490</b>	<b>28,909</b>	<b>29,537</b>	<b>28,894</b>	<b>28,213</b>	<b>25,893</b>	<b>24,394</b>	<b>22,494</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>10,839</b>	<b>10,139</b>	<b>9,739</b>	<b>9,719</b>	<b>9,333</b>	<b>10,043</b>	<b>9,720</b>	<b>9,398</b>
<b>Interest-bearing liabilities</b>								
Liabilities to credit institutions	13,728	13,934	15,992	16,194	16,381	12,332	11,381	9,412
Bond loans (unsecured)	975	975	1,675	1,075	1,075	1,675	1,675	1,699
Other borrowings	1,808	1,710	-	-	-	-	-	-
<b>Total interest-bearing liabilities</b>	<b>16,511</b>	<b>16,619</b>	<b>17,667</b>	<b>17,269</b>	<b>17,456</b>	<b>14,007</b>	<b>13,056</b>	<b>11,111</b>
<b>Non interest-bearing liabilities</b>								
Provisions	12	5	5	5	5	5	5	5
Deferred tax liability	761	553	444	357	287	359	265	63
Derivatives	653	864	833	654	395	733	663	1,179
Other non interest-bearing liabilities	714	729	849	890	737	746	686	738
<b>Total non interest-bearing liabilities</b>	<b>2,140</b>	<b>2,151</b>	<b>2,131</b>	<b>1,906</b>	<b>1,423</b>	<b>1,843</b>	<b>1,618</b>	<b>1,985</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>29,490</b>	<b>28,909</b>	<b>29,537</b>	<b>28,894</b>	<b>28,213</b>	<b>25,893</b>	<b>24,394</b>	<b>22,494</b>

## PARENT COMPANY INCOME STATEMENT - IN SUMMARY

SEK m	Quarter		Full Year	
	2016 Oct-Dec	2015 Oct-Dec	2016 Jan-Dec	2015 Jan-Dec
Intra-Group income	0	12	34	43
Administration costs	-9	-14	-42	-40
<b>Operating profit (loss)</b>	<b>-9</b>	<b>-2</b>	<b>-8</b>	<b>3</b>
Profit (loss) from financial items	856	944	349	1,200
<b>Profit (loss) before tax</b>	<b>847</b>	<b>942</b>	<b>341</b>	<b>1,203</b>
Tax on net profit/loss for the period	-56	-1,308	82	-1,313
<b>Profit/loss for the period</b>	<b>791</b>	<b>-366</b>	<b>423</b>	<b>-110</b>

## BALANCE SHEET, PARENT COMPANY - IN SUMMARY

SEK m	31/12/2016	31/12/2015
<b>ASSETS</b>		
Participations in Group companies	4,538	6,036
Receivables from Group companies	12,583	9,712
Other receivables	459	390
Cash and cash equivalents	38	376
<b>TOTAL ASSETS</b>	<b>17,618</b>	<b>16,514</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	6,897	6,839
Non-current liabilities	602	377
Liabilities to Group companies	7,902	8,191
Other liabilities	2,217	1,107
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17,618</b>	<b>16,514</b>

STOCKHOLM, 16 FEBRUARY 2017

Göran Larsson  
*Chairman*

Charlotte Axelsson  
*Board member*

Joachim Gahm  
*Board member*

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.

Liselotte Hjorth  
*Board member*

Lars Holmgren  
*Board member*

Kia Orback Pettersson  
*Board member*

Charlotta Wikström  
*Board member*

Biljana Pehrsson  
*CEO*

This information is information that Kungsleden AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 07.00 am CET on 16 February 2017.

## DEFINITIONS

### Property related key ratios

#### Occupancy rate, area wise<sup>1</sup>

Leased area divided by leasable area.

#### Property yield

Ratio used to show the return on operating net in relation to the value of property.

#### Yield for earnings capacity

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

#### Yield for actual amount

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

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

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

#### Operating net<sup>1</sup>

Total revenue less property costs.

#### Economic vacancy rate

Assessed market rent for unleased space divided by rental value.

#### Economic occupancy rate

This figure is used to help facilitate the assessment of rental revenue in relation to the total value of available, unleased space. It is calculated as rental revenue divided by rental value.

#### Profit from property management

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

#### Average remaining contract length

The remaining contract value divided by annual rent.

#### Rental revenue<sup>1</sup>

Billed rents, rent surcharges and rental guarantees less rent discounts.

#### Rental value<sup>1</sup>

Rental revenue plus the assessed market rent for unleased space.

#### Earnings capacity

Earnings capacity reflects characteristics of the properties that were acquired at a certain point in time and financial results of those properties, calculated over the past twelve months. This ratio facilitates assessment of the current property portfolio's underlying earnings capacity. Earnings capacity is an estimation of the underlying financial result for property holdings as of the closing date and calculated over twelve months. Properties that have been relinquished as of the end of the accounting period are not included and properties accessed by the end of the accounting period are included.

The calculation is based on the following other conditions:

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

#### Revenue<sup>1</sup>

Rental revenue plus other revenue.

#### Contracted annual rent

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

#### Average rent, SEK per sq. m.

Rental revenue divided by the average leased space.

#### Leasable area

Leased space plus leasable vacant space.

#### Surplus ratio<sup>1</sup>

Operating net divided by total revenue.

#### Other revenue<sup>1</sup>

Revenue that is not directly associated with lease agreements.

### Key Figures, Financial

#### Return on equity

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

#### Return on assets

Operating net, profit (loss) on property divestment, selling and

administration costs, divided by average assets. For interim period closings, the return is recalculated to full-year basis. Average assets is calculated as the sum of opening and closing balances divided by two.

#### Loan-to-value (LTV) ratio<sup>1</sup>

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

#### Interest coverage ratio

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

#### Debt/equity ratio

Interest-bearing liabilities divided by equity.

#### Equity ratio

Equity including minority interests divided by total assets.

### Share-related key figures

#### Yield on shares

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

#### Total return on shares

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

#### Decided/proposed dividend per share

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

#### Equity per share

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

#### EPRA NAV

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

#### Profits from property management per share

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

#### Average number of shares

Number of outstanding shares weighted over the year.

#### Cash flow before change in working capital, per share

Cash flow before change in working capital divided by the average number of shares.

#### Earnings per share (EPS) for the period

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

### Glossary

#### Property costs

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

#### Category

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

#### Cluster

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

#### Contract value

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

#### Unrealised changes in value

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

#### Maintenance

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

1. New definition as of 2016.

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

The property sector has performance measures that are specific to the industry and they are published in the financial statements.

# We create attractive places that enrich people's working days

Kungsleden is a long term property-owner that provides attractive, functional premises that enrich people's working days. We create value by owning, managing and developing offices and other commercial properties in Stockholm and Sweden's other growth markets. A large portion of our properties belong to attractively located clusters where we also engage in the development of the whole area. Kungsleden's goal is to deliver an attractive total investment return on our properties and for our shareholders. Kungsleden is listed on NASDAQ Nordic Large Cap.

<b>VISION</b> We create attractive premises that enrich people's working days.	<b>BUSINESS CONCEPT</b> Our long-term business concept is to own, actively manage, improve and develop commercial properties in growth regions in Sweden and deliver attractive total returns.	<b>CLUSTER STRATEGY</b> We strive to own more properties at select locations, gathered in clusters, so that we can adapt and sharpen our offering based on our tenants' needs while proactively helping to shape how the entire area develops.
<b>CUSTOMER OFFERING</b> We will provide attractive and functional premises in the right locations at the right price. We will always deliver that something extra.	<b>VALUES</b> <ul style="list-style-type: none"><li>• Professionalism</li><li>• Consideration</li><li>• Joy</li></ul>	

## *Kungsleden 2020*

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

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## Calendar

Extra  
General Meeting  
6 March 2017

Annual General  
Meeting 2017  
25 April 2017

Interim Report  
1 Jan–30 June 2017  
12 July 2017

Annual Report  
2016  
28 March 2017

Interim Report  
1 Jan–31 Mar 2017  
25 April 2017

Interim Report  
1 Jan–30 Sep 2017  
25 October 2017

## Contacts

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

**Biljana Pehrsson**  
CEO  
+46 8 503 052 04

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

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

KUNGSLEDEN AB (PUBL)  
ORG NO 556545-1217  
BASED IN STOCKHOLM

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

# KUNGSLEDEN