

KUNGSLEDEN

ANNUAL AND SUSTAINABILITY REPORT 2017



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Formal Annual Accounts and Statutory Administration Report
With the exception of the Corporate Governance Report and Sustainability Report, the formal Annual Accounts including the Statutory Administration Report have been audited, and are on pages 1-3, 24-47, 58-59 and 70-101.

This document is a translation of a Swedish language original. In case of any discrepancy between the two versions, the original shall take precedence.

Our journey to becoming the new Kungsleden

Kungsleden has undergone an extensive transformation over the past six years. The company now features long-termism, customer focus, quality, geographical concentration and financial stability. The old transaction-driven and geographically dispersed company is a mere memory. The journey started when Hemsö was divested in 2012, and our new course was set when Biljana Pehrsson became CEO.

2013



Biljana Pehrsson becomes our CEO, and an all-new strategy and business plan is adopted. Kungsleden will:

- Create a geographically concentrated portfolio, with its emphasis on offices in growth regions
- Be a long-term property owner, distinguishing itself within active management
- Enhance property quality and value through development and improvement



Bergudden 8

94 properties acquired, including a high-quality portfolio in Stockholm and Gothenburg from GE Capital Real Estate. Divestment process of non-strategic properties initiated.

2014

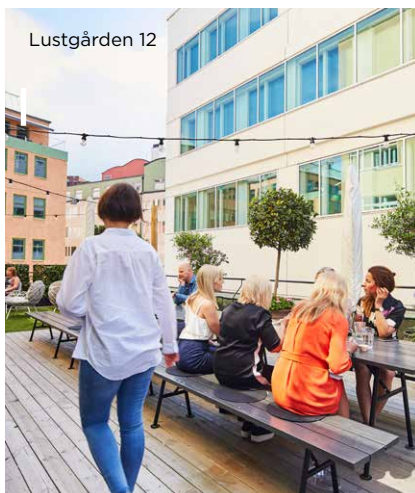


Kista One (Färöarna 3)

Kungsleden formulates its successful clustering strategy, comprising more flexible client propositions, management efficiency and the potential to influence the environment between buildings.

A successful SEK 1,6 million new share issue provides the financial scope for complementary acquisitions and portfolio development. Transactions include an attractive office portfolio in Kista for SEK 2 billion. A negative tax ruling of SEK 1,6 million is charged to earnings.

2015



Lustgården 12

Two years ahead of plan, Kungsleden succeeds in creating the property portfolio that it targeted in 2017 – in terms of size, earnings, geographical concentration and structure.

SEK 5.8 billion of property acquisitions – including a new cluster in Gärdet/Frihamnen, Stockholm – and SEK 700 million of non-strategic properties divested. Negative tax rulings result in SEK 1,315 million charge to profits.

Organisation and internal processes enhanced through the “Kungsleden Flows” project and head office relocated to Kungsleden’s own premises in western Kungsholmen, Stockholm.

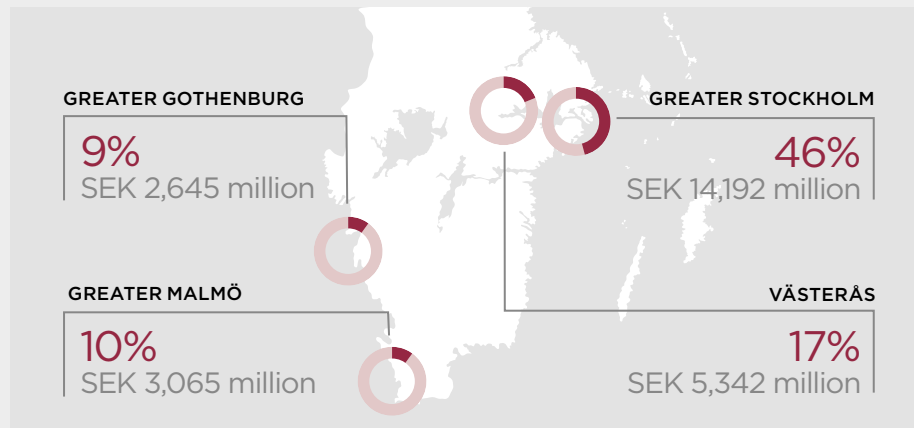
2016



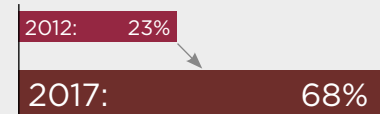
Emporia Office (Marknadsplatsen 8)

OUR POSITION AS OF 31 DECEMBER 2017

82% of our property portfolio is at year-end in four priority growth markets



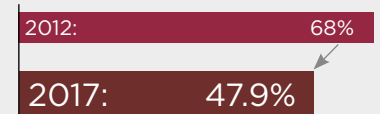
Share of investment properties in clusters



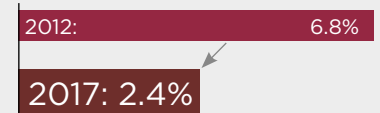
Properties in clusters enhance customer benefit and reduce operating expenses

Stronger Balance Sheet

LOAN-TO-VALUE RATIO



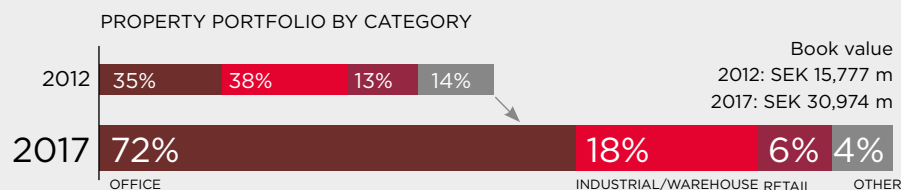
AVERAGE INTEREST RATE



Kungsliden's financial risk has reduced significantly, and its target loan-to-value ratio was re-set in 2017, to undergo 50%

Focusing on offices, mainly in metropolitan areas

Refers to reported figures.



Restructuring enhances portfolio quality:

PROPERTY VALUE PER SQUARE METRE, SEK.

14,357

2012
(6,461)

AVERAGE RENT PER SQUARE METRE, SEK.

1,234

2012
(845)

ECONOMIC OCCUPANCY RATE

91.8%

2012
(89.3%)

2017



Kungsliden receives a land allocation in the Hyllie cluster and completes a feasibility study for 8,400 sq.m. office space.

New targets set in "Business Plan 2020", adopted at the beginning of year. This Plan confirms the focus on growth with quality, densification and improvement of the portfolio, as well as financial stability. Profit from property management will increase through investments and selective acquisitions, primarily offices in clusters.

Value-creating investments upscaled, and profitability improves through successful new leasing. Non-strategic property divestments raise SEK 700 million, and Kungsliden exits 11 municipalities. The Hyllie cluster expands through the acquisition of Emporia Office. Kungsliden is recognised as the Stockholm Stock Exchange's best equal opportunities employer, and the company makes its first issue of commercial paper, of SEK 1,200 million.

Transformation of the property portfolio is completed through SEK 1.9 billion of non-strategic property divestments. Kungsliden exits 18 municipalities on vacation.

Fully subscribed new share issue executed to strengthen Kungsliden's Balance Sheet and enable continued profitable growth. The guidance LTV ratio level is reduced, and Kungsliden secures a Ba1 rating from ratings institute Moody's.

A total of SEK 925 million is invested in the property portfolio in 2017. The Stockholm City West cluster expands with the acquisitions of the properties Gladan 5, 6 and 7.

Kungsliden now possesses financial stability, the right properties in the right locations and a portfolio offering good potential for rent growth and value creation.

KUNGSLEDEN 2017

As a long-term property owner, Kungsleden creates value by owning, actively managing and developing offices and other commercial properties in Stockholm and Sweden's other growth regions. 82 per cent of its total property portfolio is located in the priority growth markets of Stockholm, Gothenburg, Malmö and Västerås. By concentrating properties into clusters, we can tailor our proposition to tenant needs and create attractive, sustainable places that enrich people's working lives. At the end of 2017, 68 per cent of investment property values were in one of our 11 clusters. Our tenants represent a cross-section of Sweden's business community, spanning major multinational corporations, public authorities and young specialist start-ups.

JANUARY - DECEMBER 2017 (2016)

PROPERTY VALUE, SEK M	TOTAL REVENUE, SEK M	PROFIT FROM PROPERTY MANAGEMENT, SEK M	LEASABLE AREA, 000 SQ.M
30,974	2,323	985	2,159
(29,533)	(2,430)	(990)	(2,580)
NUMBER OF PROPERTIES	AVERAGE NO OF EMPLOYEES	Listed on Nasdaq Stockholm Large Cap, ticker KLED	
222	109		
(269)	(107)		

THE YEAR IN BRIEF

- Profit from property management was SEK 985 (990) million. Despite the loss of operating net from vacated properties of SEK 112 million, the figure was largely unchanged year on year due to improvements in like-for-like holding terms and the additional operating net from accessed properties, as well as improved net financial items.
- New leasing was SEK 201 (216) million and net leasing was SEK 69 (99) million.
- Unrealised changes in value in the property portfolio amounted to SEK 1,417 (1,659) million, mainly attributable to an improved operating net.
- Kungsleden vacated properties worth SEK 1,692 million.
- Net profit for the period increased to SEK 1,906 (1,869) million, equivalent to SEK 9.03 (10.01) per share.
- The Stockholm City West cluster expanded by 11,200 square metres through the acquisition of the properties Gladan 5, 6 and 7.

Key figures	Jan-Dec 2017	Jan-Dec 2016	Key figures	Jan-Dec 2017	Jan-Dec 2016
FINANCIAL			PROPERTY RELATED		
Net profit for the period, SEK per share	9.03	10.01	Economic occupancy rate, excl. development properties	91.8	91.9
Equity, SEK per share	64.98	61.12	Rental revenue excl. development properties, SEK/m	1,153	1,070
EPRA NAV (long-term net asset value), SEK per share	71.87	69.32	Property costs excl. development properties, SEK/m	331	311
Return on equity, %	15.1	18.0			
Operating net - properties, SEK m	1,538	1,602			
Interest coverage ratio, multiple	3.3	3.0			

1. Comparative figures have been restated to reflect the period properties were classified as investment properties.

Sustainability Report

Pursuant to chap. 6 §11 of the Swedish Annual Accounts Act, Kungsleden AB (publ) has decided to prepare a statutory sustainability report as a separate section of its Annual Report. The Sustainability Report was presented to the auditor simultaneous with the Annual Report, and is available at www.kungsleden.se/finansiella_rapporter.

THE YEAR IN BRIEF

Strong new leasing, expansion in existing clusters, completed portfolio optimisation, a fully subscribed new issue and credit rating from Moody's – just a few of Kungsliden's highlights from 2017.



Lustgården 12 - Kungsliden's huvudkontor

Q1 *“Our new share issue was the last piece to fall into place, making Kungsliden a stable and high-quality real estate company”*

FINANCING

Decision taken to execute a new share issue to strengthen our Balance Sheet and enable continued profitable growth through value-creating investments and selective complementary acquisitions.

TRANSACTIONS

17 non-strategic properties divested, implying Kungsliden exiting 7 municipalities.

LEASING

72 new lease agreements worth SEK 39 million signed, of which 9 were Green Leases.

ENVIRONMENT

Kungsliden's head office at Lustgården 12, in its Stockholm City West cluster, obtained LEED Platinum certification.

Q2

“Our transformation is complete, and Kungsliden is well prepared for the future”

FINANCING

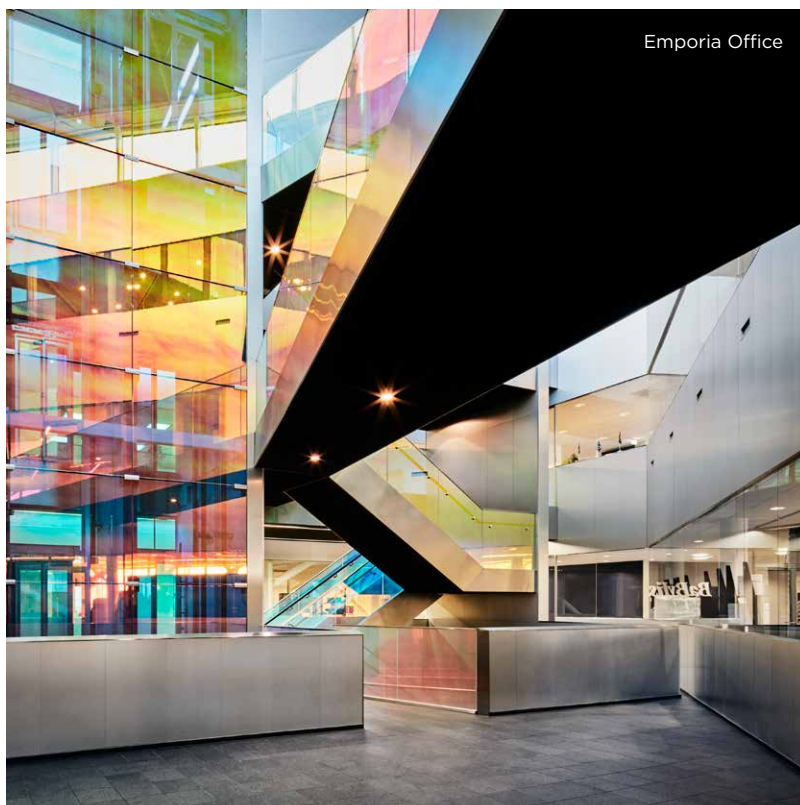
A fully subscribed SEK 1,638 million rights issue was conducted, and the Board decided that the company's loan-to-value ratio should not exceed 50%.

TRANSACTIONS

26 non-strategic properties divested, implying Kungsliden exiting 10 municipalities.

LEASING

65 new lease agreements worth SEK 60 million signed, of which 18 were Green Leases.





B:26 is in the Mimer district.

Q3 *"Our Ba1 rating demonstrates that Kungsliden is now a company with high-quality assets and a secure financial position"*

FINANCING

Kungsliden received its first assessment from ratings institute Moody's. It received a Ba1 credit rating with a positive outlook, which may rise to investment grade, providing its loan-to-value ratio does not exceed 50 per cent for the long term, and the share of secured borrowings reduces.

LEASING

45 new lease agreements worth SEK 62 million signed, of which 10 were Green Leases.

RATIONALISATION

Kungsliden took a decision to outsource parts of its financial administration to reduce these costs and create rationalisation potential.

Q4 *"The new Kungsliden reported strong earnings for 2017"*

FINANCING

MTN (medium-term note) programme with SEK 5 billion nominal amount created, two unsecured bonds totalling SEK 1,350 million issued.

TRANSACTIONS

One non-strategic property divested, implying Kungsliden exiting one municipality.

LEASING

75 new lease agreements worth SEK 48 million signed, of which 24 were Green Leases. Lease agreements signed with tenants including the Swedish Prison and Probation Service on the construction of a new custodial facility in Östersund.



Kista Science City

BUSINESS HIGHLIGHTS IN Q1, 2018

FINANCING

Two unsecured bonds totalling SEK 1,250 million issued.

SEK 2,000 million of green bonds issued.

TRANSACTIONS

Creation of an office cluster in Gothenburg through the acquisition of two office properties and car park in central Gothenburg. In combina-

tion with existing holdings, these properties create a new, contemporary office cluster – Gothenburg South Centre, with area of over 50,000 sq.m. These properties will be accessed in two phases, in 2018 and 2019.

LEED Platinum-certified property STUDIO in Malmö acquired for SEK 1 billion.

THE NEW KUNGSLEDEN DELIVERED STRONG EARNINGS FOR 2017

We reported strong earnings in 2017. Profit from property management was comparable to the previous year despite our property portfolio contracting through significant net divestments. Improved earnings in our existing portfolio, the addition of strategic property acquisitions and lower financing costs were positive contributors to our profit from property management. Additionally, the value of Kungsleden's property portfolio increased by SEK 1.4 billion, or 4.8 per cent. The value increase is mainly because of an improved future operating net on properties. Our profit after tax of SEK 1.9 billion for 2017 is the highest for ten years.

We completed the transformation of Kungsleden in the year, into a company with good profitability and a vision of creating attractive and sustainable locations that enrich people's working lives.

THE RIGHT PROPERTIES IN THE RIGHT LOCATIONS

Completing the restructuring of our property portfolio was a major milestone in 2017. Since 2012, we have executed some SEK 7 billion of property divestments in less attractive locations, and with limited value potential. In 2017, we exploited a strong transaction market to execute SEK 1,860 million of property divestments.

Overall, the divestments have been at prices comparable to property book values.

In parallel with these transactions, in the past five years, we have progressively acquired high-quality properties in attractive locations. These property acquisitions have mainly been in Sweden's three metropolitan regions.

We added to our Stockholm city West cluster in 2017 by acquiring the properties Gladan 5, 6 and 7 on Warfvings väg.

“Completing the restructuring of our property portfolio was a major milestone of 2017”

These three properties increase our presence in this attractive location on Kungsholmen, Stockholm, adding 11,200 sq.m to 46,400 sq.m of leasable area. Our goal is to develop these newly acquired properties and create new, contemporary office premises.

We completed another important and strategic acquisition in Gothenburg at the beginning of 2018, by purchasing two office properties and a car park in the expansive South Central district. With our existing office properties in the area, we are creating a new, attractive and contemporary office cluster – Gothenberg South Central – with a total area of 50,000 sq.m.

We maintained our selective acquisition policy in March 2018 when we acquired Studio in Malmö, a LEED platinum-certified concept property of some 18,250 sq.m.

The outcome of all transactions is that we now possess a geographically concentrated portfolio of high-quality properties – the right properties in the right locations. After vacating the properties divested until March 2018,

and accessing purchased properties, 85% of portfolio value is in our four priority growth markets of Stockholm, Gothenburg, Malmö and Västerås. The Stockholm share is 47 per cent. In terms of value, 74 per cent of properties are offices, while industrial/warehouse represent 15 per cent and retail properties 6 per cent. We now have 12 clusters, and the share of clusters has expanded, to now represent 72 per cent of property portfolio value.

The property portfolio Kungsleden now owns is basically the one we intend to actively and sustainably manage, improve and develop for the long term – and generate earnings from.

SEK 1.9 bn

Profit after tax of SEK 1.9 billion in 2017 is the highest in the past 10 years.

A FINANCIALLY STABLE COMPANY

Creating a financially stable company that is well prepared for poorer economic conditions and higher interest rates has been one of our top priorities. When I joined Kungsleden in 2013, our LTV ratio and finance costs were too high. We have worked progressively to renegotiate our loan terms and identify less costly funding sources. We simultaneously downscaled our borrowings. Increasing property values and a new share

issue in early-2017 enabled us to reduce our financial target LTV ratio to 50 per cent or less. At year-end 2017, our LTV ratio was 47.9 per cent, against 56 per cent at the beginning of the year and 70 per cent in 2012.

In autumn 2017, we received our first official credit rating from Moody's – Ba1 with a positive outlook, the level below investment grade. This is important confirmation that Kungsleden is now a company with good-quality assets and a strong financial position. Moody's indicate that we may be upgraded to investment grade if our LTV ratio remains below 50 per cent, and our share of secured borrowings reduces. Backed by our rating, we raised a total of SEK 1.6 billion on attractive terms on the Swedish capital markets after the third quarter by issuing unsecured MTNs.



VALUE-CREATING INVESTMENTS

Value-creating development and improvement of our properties continued to increase the quality and earnings capacity of our portfolio in the year. Investments continued as planned in the year. We invested a total of SEK 925 million, and at year-end 2017, had eight projects in the implementation phase, with a total investment amount of SEK 1,133 million. The total investment program for 2017-19 is some SEK 3 billion, including development projects, tenant adaptations and other value-creating investments, as well as maintenance investments.

New development projects will be added to the investment program progressively. Our ambition is that in time, investment projects will increase to some SEK 1 billion per year. Our goal is for investments to generate a minimum IRR of 9 per cent, or a minimum yield on cost of 6 per cent.

MARKET AND OUTLOOK

Our strategy is founded on benefiting from global megatrends that affect the whole of society. These include urbanisation, attracting growing populations to metropolitan regions, where our properties are concentrated. Digitalisation and demands for sustainable development will also affect the types of property that are in demand. This is why we want to get way ahead in developing new, flexible office concepts, while also providing, and using, contemporary digital tools. Sustainable development is becoming more integrated into our business, and is

47.9%

At year-end 2017, our LTV ratio was 47.9 per cent, against 56 per cent at the beginning of the year and 70 per cent in 2012.

now part of our vision. Sustainability aspects are always part of our development projects and ongoing management. In the year, we adopted a goal of 50 per cent of our property portfolio having LEED certification by the end of 2020.

The commercial leasing market was very positive in 2017, and has also got off to a strong start in 2018. Demand is especially high for offices, and Stockholm is still standing out as the hottest market. Tenant mobility is also high, implying good potential for renegotiation, and continued increasing rent levels. Meanwhile, though, we are very conscious that the cyclical upturn has been long lasting. Even if we do not see any signs of a slowdown at present, we can be certain that it will turn at some point. That's why it feels so positive that we are already well prepared financially for poorer market conditions.

Those of us who work within the company have every reason to feel satisfied with our efforts, and I'm very confident that we'll be able to keep delivering good earnings going forward. We have a great team that lives up to our core values of being professional, showing consideration and enjoying their work every day. We aim to increase our profit from property management by over 20 per cent to at least SEK 1.2 billion by 2020, and will achieve this by consistently following our business plan, while always striving to be better at what we do.

Stockholm, Sweden 23 March 2018

Biljana Perhsson, CEO

STABILITY, LONG-TERMISM AND CONSISTENCY DISTINGUISH THE NEW KUNGSLEDEN

2017 was the year Kungsleden achieved the positioning set as a goal when the current management took over five years ago. A financially stable company with high-quality properties on growth markets has been created. As the Board of Directors' spokesperson, I would like to express our deep satisfaction with the journey the company has taken in recent years. Kungsleden is now being managed consistently in accordance with its adopted business plan.

To reduce the risk inherent in the company and create the potential for long-termism and stable progress, Kungsleden has completed SEK 8 billion of property divestments in the past five years, and executed SEK 9 billion of property acquisitions. Accordingly, the proportion of its office holdings has increased to 72 per cent, and geographical diversity reduced, so that after vacation, Kungsleden owns investment properties in its priority markets of Greater Stockholm, Greater Gothenburg, Greater Malmö, and Västerås, and another 19 municipalities. Improvement and development has increased rent levels and property values, with customer and property care achieved through active management. Kungsleden has also significantly reduced this LTV ratio and borrowing costs on existing loans have been reduced.

“Essentially, the company’s transformation is complete, and now the Board is putting more focus on monitoring relevant key indicators.”

TRANSFORMATION COMPLETE

Kungsleden took several decisive steps in 2017. It sold its final non-strategic properties – for SEK 1.9 billion – and vacated them, and completed a SEK 1.6 billion new share issue.

The purpose of this new issue was to improve financial stability by reducing the LTV ratio to 50 per cent and attaining the potential to keep developing the company for the long term through value-creating investments in its existing portfolio, and by making selective, strategic acquisitions.

Sometimes, adopting the long perspective can involve measures that do not benefit earnings performance and the share price in the short perspective. For example, Kungsleden has been a net seller of properties in recent years, which has meant that its profit from property management has not increased – despite an improved operating net in like-for-like portfolio terms, and reduced financing costs. The new share issue has created good potential for developing and improving the property portfolio.

FINANCIAL STABILITY

The financing issue is critical to any real estate company. In this segment, Kungsleden has undergone a structured financial transformation in recent years, topped off by the Ba1 credit rating with a positive outlook from Moody's in 2017. Kungsleden is now one of the stock market's lowest-leveraged property companies.

THE BOARD'S WORK IN THE YEAR

As is customary, the work of the Board of Directors in 2017 focused on strategy, business planning, organisation, external reporting, acquisitions and divestments, investments, property valuations, financing issues and variable compensation. It was an intensive year, not least considering the new share issue, the



high rate of divestment and the decision to outsource some of our financial administration. In the year, Gösta Welandson and Olle Florén also issued call options on the share to the company's management to create clear and direct incentives. The Board of Directors approved this arrangement.

As Chairman, I'm pleased to be able to conclude that Kungsleden's Board work has featured commitment, competence and openness. We have a good dynamic and mix of competences and personalities in our team.

I want to encourage all our Directors to be highly committed, with everyone contributing to the decisions we take. This is why, in addition to our normal service on the Board, our Directors also sit on one of three Committees – our Finance, Remuneration and Audit Committees.

Having a clear plan and associated goals is a prerequisite for achieving stability and long-termism. The business plan Kungsleden is pursuing applies until 2020, and the Board and management hold joint strategy days each year where we track progress on a structured footing. In our long-term planning, we determine the types of property we should own, their desired location, the structure of financing – and how we will realise this.

Essentially, the company's transformation is complete, and going forward, the Board will be more focused on monitoring relevant key indicators. One example is our goal of profit from property management to increasing by 20 per cent by 2020 – thus amounting to some SEK 1.2 billion.

A NEW CHAIR TAKES OVER

I have announced that I will not be standing for re-election at the AGM in April 2018, and the Nomination Committee is proposing Charlotte Axelsson as our new Chair. I will remain as a member of the Nomination Committee on assignment from Gösta Welandson, and continue to follow Kungsleden in that capacity. I have a great deal of confidence in the company. The property portfolio has high quality, and since it is under the stewardship of the sector's best management team, governance of the company could not be better.

A handwritten signature in dark ink, appearing to read 'Göran Larsson'.

Göran Larsson, styrelsens ordförande

A STRONG MARKET AND STABLE OUTLOOK

Kungsliden’s operations enjoyed very positive conditions in 2017. Healthy economic growth, low interest rates and long-term trends benefiting metropolitan regions and regional cities contributed to the positive progress of rent levels and market values. Prospects remain positive, although there has been some shift in the risk outlook.

Kungsliden’s business environment started 2017 uncertainly, for reasons including the election of Donald Trump as US President, forthcoming elections in France and Germany, as well as the UK’s Brexit negotiations. Refugee crises, terror threats and increasing nationalism and separatism were also contributors to the turbulence. However, political uncertainty was subsequently overshadowed by progressively stronger economic progress. For the first time in over ten years, the world’s major regions were in synchronised cyclical upturn. Inflation and interest rates also remained low.

Positive economic conditions in the surrounding world favoured Sweden’s exports, which proved well timed because the growth of housing construction and household consumption slowed somewhat during 2017.

SHIFT IN RISK OUTLOOK IN 2017

The risk outlook altered somewhat in 2017. It is not unusual to underestimate the strength of synchronised international cyclical upturns, with perhaps, growth attaining such momentum that the global and Swedish economies hit their capacity ceilings sooner than expected. On the other hand, progress on the housing market through the autumn and winter, with spots of oversupply and falling prices, affected investments and consumption through greater caution by consumers and businesses.

There is also a risk of access to cheap funding being obstructed. More stringent capital adequacy requirements mean that bank funding has become less available and more costly. Access to funding through bonds and preference shares, for example, is heavily dependent on the risk assessments of the market’s participants, and if these were disrupted, access to capital could choke off quickly.

OUTLOOK REMAINS STABLE

The outlook for the property market remains stable, although economic growth will probably slow. Exporters become a more important driver when a domestic economy is growing more slowly. Production, consumption and employment are expected to keep increasing, albeit at a somewhat slower rate than in recent years. Interest rates are forecast to remain low for some time ahead, but once the global business cycle gathers momentum, interest rates will rise. Continued increasing demand for commercial premises are likely to mean rent levels continuing to rise, although at a slower rate.

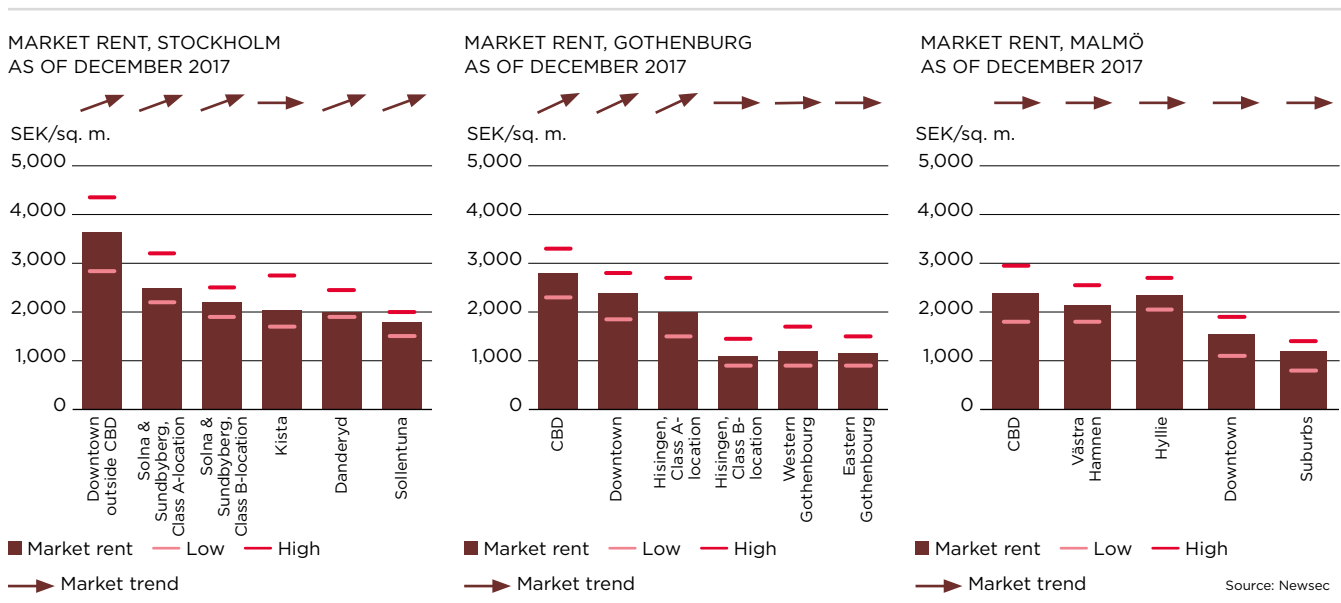
THE DRIVERS - URBANISATION AND DIGITALISATION

The competitiveness of cities and regions for business start-ups is becoming increasingly independent of national borders. In these circumstances, the supply of premises, workplaces and housing becomes important.

When population growth, economic growth and innovation are concentrated in metropolitan regions, the demand for premises tailored to contemporary and sustainable living, consumption and working styles increases in these locations. Well-located attractive workplaces become an important competitive edge.

Alongside digitalisation, these trends will increase demands for flexibility. Examples include the emergence of activity-based workspaces and the growing volume of flexible premises, such as office hotels and co-working concepts. More sophisticated optimisation methodologies for production, warehousing and retailing urge the demand for adaptable local premises. Digitisation also creates great potential for property owners to streamline and improve operations and administration. Those owners able to deliver well-located, flexible premises in growth regions will be the winners of the future.

SOURCE: JLL



MARKET

POSITIVE FOR METROPOLITAN AREAS



A strong labour market has stimulated the demand for office, retail and logistics premises.

Population growth is high in Stockholm, Gothenburg, Malmö and the Mälardalen region. Over the past 15 years, annual population growth has been nearly 1 percentage point higher in the three major metropolitan areas than the rest of the country.

Production and consumption growth has been over one percentage point higher in Stockholm than the rest of the country over the past five years, while employment has also grown significantly faster.

OFFICE RENTS AT PEAK LEVELS

The demand for offices was high in metropolitan regions in 2017, and the supply and development of new premises was restrictive.

Peak rents for central Stockholm offices rose by 13 per cent to SEK 7,000 per square metre and year. Estimated peak rents in Gothenburg and Malmö increased by 7 and 4 per cent respectively, achieving peak levels of SEK 3,200 and 2,600 respectively. Total gross returns for prime location offices are estimated at approximately +25 per cent in Stockholm, +18 per cent in Gothenburg and +15 per cent in Malmö.

HIGH DEMAND FOR INDUSTRIAL AND LOGISTICS PREMISES

The logistics market was stable nationwide in 2017. There was high demand from businesses that want to establish a presence close to major cities with good infrastructure. New development is plentiful, notably in Gothenburg. The logistics market is unique inasmuch as rent levels on new production are comparable to, or actually lower than, older premises. This is due partly to contract terms being shorter in older premises – implying higher rents – but mainly that high demand and low vacancy rates are the determining factors. No major changes to rent levels were apparent.

STRUCTURAL TRANSFORMATION IN RETAILING

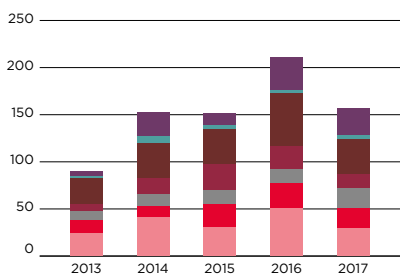


The market for retail space is partly affected by the cyclical upturn and partly by the evolution of e-commerce. Retail sales did increase in 2017, albeit not at the same rate as the rest of the economy. Location, store ranges, communications and the selection of retail experiences are becoming more important for attracting shoppers and tenants to trading estates, shopping centres and urban shopping streets.

HIGH INVESTOR INTEREST

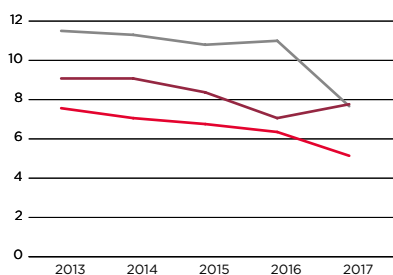
The transaction market was robust in the year but did not match the record volumes of 2016. Properties worth over SEK 155 billion changed hands – comparable to year-2014 and 2015 volumes. Activity was brisk, but there were no really major transactions. The Swedish property market is still attracting international interest due to its size, transparency and liquidity. Nearly half of transaction volumes were on properties outside the metropolitan regions, while Stockholm represented just over one-third of total. Required property yields were stable or down somewhat.

TRANSACTION MARKET BY SEGMENT, SEK M



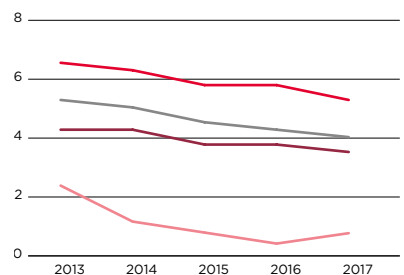
■ Offices ■ Retail
 ■ Industrial/warehouse/logistics
 ■ Mixed usage ■ Housing ■ Hotels ■ Other (incl. land)

VACANCY RATE, OFFICES, %



— Stockholm
 — Gothenburg
 — Malmö

REQUIRE PROPERTY YIELDS, STOCKHOLM AND INTEREST RATE LEVEL, %



— Offices, CBD
 — Logistics
 — Shopping centres
 — 10-year government bond yield

Source: JLL

STRATEGIC DIRECTION

OUR VISION:

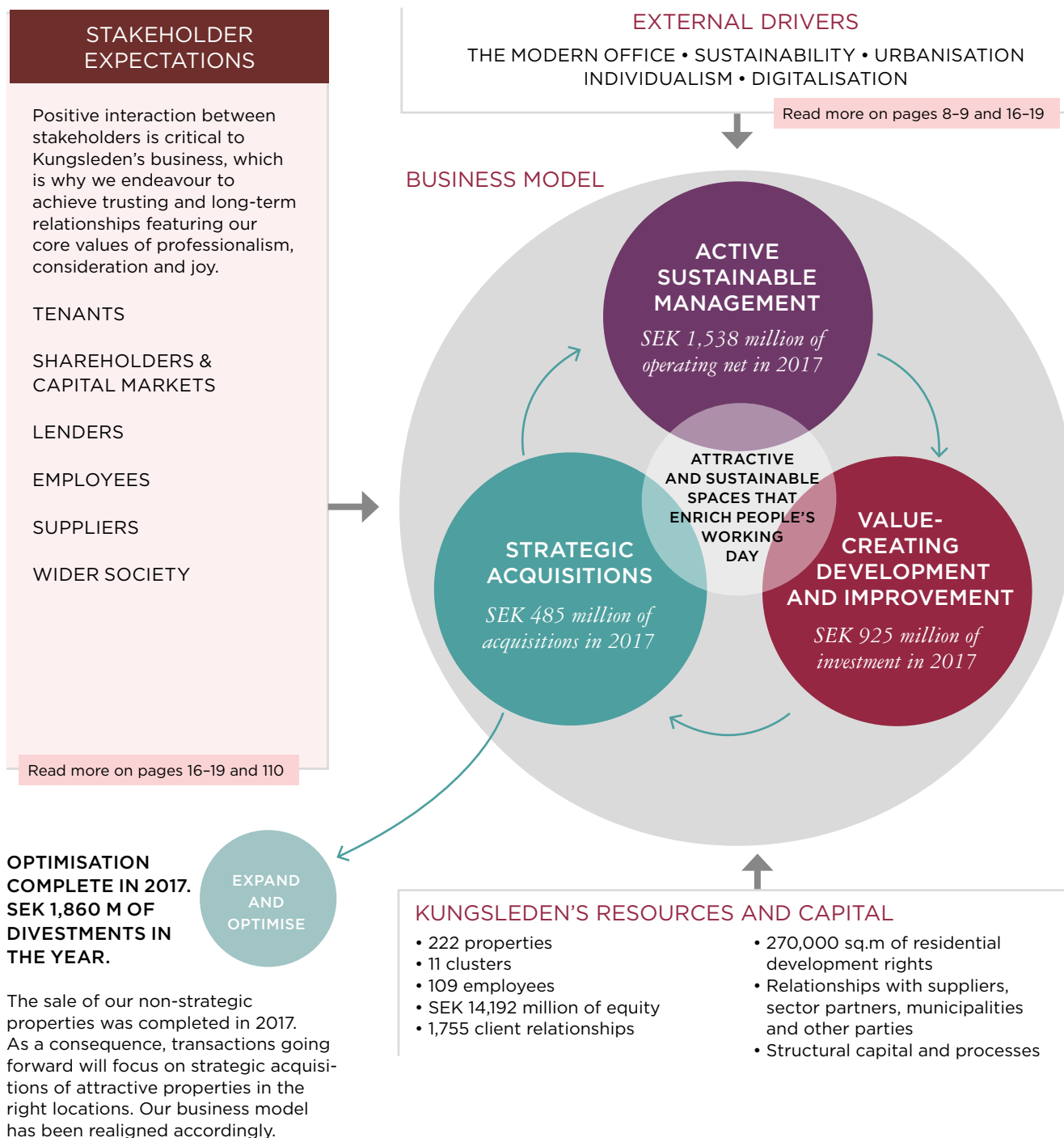
*Kungsleden creates attractive and sustainable
places that enrich people's working days.*





A VALUE-CREATING BUSINESS MODEL

Kungsliden’s business model is designed to create sustainable value for shareholders, tenants and other stakeholders through three interacting core actions – active sustainable management, strategic acquisitions and value-creating development and improvement.





VALUE CREATED FOR OUR STAKEHOLDERS:

FOR TENANTS

- 2,159,000 sq.m of leasable area
- Attractive and functional premises in the right location at the right price
- Offices of the future
- Management close to clients

FOR SHAREHOLDERS & THE CAPITAL MARKETS

- SEK 437 million of dividends
- EPRA NNAV per share: SEK 70.63
- Share price performance in 2017: 5.3% gains

FOR LENDERS

- Ba1 rating from Moody's
- LTV ratio of 47,9%
- Stable repayment

FOR EMPLOYEES

- SEK 98 million of salaries and benefits
- Professional development
- Job satisfaction

FOR WIDER SOCIETY

- Vibrant clusters and sustainable locations, where people are happy
- 100+ jobs and SEK 45 million of social security contributions
- Environmentally accredited properties
- Energy optimisation
- Equal opportunities employer

FOR SUPPLIERS

- SEK 1,500 million of procurement

Read more on page 16

RESULTS ACHIEVED



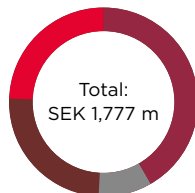
At year-end 2017, Kungsleden had lease agreements in place with a total of 1,755 clients across a broad range of sectors.

In 2017, we beat our target of reducing energy consumption by 3 per cent annually in 2014-2020. Decrease in like-for-like portfolio in 2017: **-5.9%**



Our head office at Lustgården 12 in Stockholm secures LEED Platinum certification

OUR CONTRIBUTION TO WIDER SOCIETY ALLOCATION OF KUNGSLEDEN'S RESOURCES IN 2017, SEK M



- Operating expenses excl. personnel, 740
- Employees, 165
- Dividend to shareholders, 437
- Interest payments to lenders, 434
- CSR investments, 1

61

Green Leases signed in 2017.

Kungsleden is an equal opportunities workplace, where 53% of personnel are women and 47% are men.

53/47



+7.4%

EPRA NNAV increased by 7.4% to SEK 70.63 per share.

Ba1

credit rating with a positive outlook from Moody's

47.9%

LTV ratio

Read more on pages 24 & 58-59

STRATEGY, TARGETS AND ACHIEVEMENTS

Kungsliden's strategic direction is to secure and advance positioning as a financially stable, long-term, value-creating and customer-oriented property company with a geographically concentrated portfolio of high-quality commercial properties. To emphasise the relevance of sustainability issues, and make them a natural part of our business model, we added more sustainability goals in the year.

TARGETS AND ACHIEVEMENTS

OPERATIONAL

PROPERTY VALUE At least 50% of property value in Stockholm (Statistics Sweden definition)	TARGET 2020 >50%	ACHIEVED 2017 46%
PROPERTIES IN FOUR PRIORITY GROWTH MARKETS At least 80% of property value in Stockholm, Gothenburg, Malmö and Västerås	TARGET 2020 >80%	ACHIEVED 2017 82%
OFFICE PROPERTY CATEGORY At least 70% of property value in the office property category	TARGET 2020 >70%	ACHIEVED 2017 71%
TOTAL RETURN At least equal to, or above, the MSCI, IPD sector index over time. The outcomes for 2013-2017 were equal to the sector index.	TARGET 2013-2017 10.8%	ACHIEVED 2013-2017 10.8%
CLUSTER FOCUS Continued focus on larger and more efficient property management units through larger and more numerous clusters, eventually 15-20 clusters	TARGET ~15_{cluster}	ACHIEVED 2017 11_{cluster}
VALUE-CREATING INVESTMENTS Create value through investment. Investment volume of SEK 1.0-1.2 billion over three years, with an IRR of 9%	TARGET SEK 1.0-1.2 bn over three years	ACHIEVED 2017 SEK 1,133 m
GEOGRAPHICAL DIVERSITY Densification onto 20 growth locations	TARGET 2020 20 growth locations	ACHIEVED 2017 23 locations
PROFIT FROM PROPERTY MANAGEMENT 20% increase, given currently known circumstances	TARGET 2020 SEK 1,200_m	ACHIEVED 2017 SEK 985_m

FINANCIAL

EQUITY/ASSETS RATIO Minimum equity/assets ratio of 35% over time, not falling below 30%	TARGET >30%	ACHIEVED 2017 45%
LOAN-TO-VALUE RATIO Minimum LTV ratio of 50%	TARGET ~50%	ACHIEVED 2017 47.9%
INTEREST COVERAGE RATIO Should be above a multiple of 2.5	TARGET >2.5_{mult.}	ACHIEVED 2017 3.3
RETURN ON EQUITY Achieve a higher return on equity than comparable listed property companies over time	TARGET 17.1%*	ACHIEVED 2017 15.1%
PROFIT FROM PROPERTY MANAGEMENT PER SHARE Profit from property management per share to increase by investing in, and growing, the property portfolio, and by increasing the operating net of the existing portfolio		ACHIEVED 2017 SEK 4.66 per share (5.31) -12%
DIVIDEND PER SHARE Dividend to increase, keeping pace with profit from property management Dividend paid in the year		ACHIEVED 2017 SEK 2.00

* Average returns of Castellum, Fastpartner, Klövern, Platzer, and Wihlborgs in 2017.

SUSTAINABILITY TARGETS

ENERGY OPTIMISATION Reduce energy consumption by 20% per year in 2014-2020	TARGET 2017 -3%	ACHIEVED 2017 -5.9%
GREATER DIVERSITY Kungsliden's employee base should reflect social diversity, with background being one of several parameters. The Swedish average is 22 per cent with a foreign background.		ACHIEVED 2017 9%
GREEN LEASES Target of at least 50 Green Leases before year-end 2017.	TARGET 2017 50	ACHIEVED 2017 61 New Green Leases of a total 257 new leases signed
LEED CERTIFICATION Half of the portfolio (based on book value) should hold LEED certification prior to year-end 2020. All properties should be certified prior to year-end 2025.		ACHIEVED 2017 10% of property value held environmental classification

We achieved our targets for 2017.

STRATEGIES

ACTIVE MANAGEMENT BASED ON TENANT NEEDS

Utilising Asset Managers, Property Managers, Leasing Managers and Technical Managers with strong local links, we maintain a close dialogue with our tenants and can address their changing needs.

DEVELOPMENT AND IMPROVEMENT TO INCREASE OPERATING NET AND VALUE GAINS

We improve operating net and value growth through client-driven property development. We alter usage and floor layouts, convert and extend premises, develop land and so on.

EXPANSION AND OPTIMISATION

Kungsliden prioritises offices on growth markets. We divest non-strategic properties offering low potential, and execute selective acquisitions, preferably in clusters.

CLUSTERS TO INCREASE VALUE CREATION AND ACTIVE MANAGEMENT

Gathering properties in cluster – selected locations with good access and high demand – enables the creation of a strong market position, good freedom of choice for tenants and efficient management.

SUSTAINABILITY RIGHT THROUGH OUR BUSINESS

Sustainability ensures Kungsliden's long-term competitiveness and is a self-evident part of our operations. We comply with internationally recognised standards conforming to the UN Global Compact.

FINANCING

Kungsliden endeavours to reduce the financial risk in the company to create the potential for growth through acquisitions of strategic property assets and value-added investments in its existing portfolio.

DIGITALISATION

The digital perspective is an integrated component of client dialogues and internal efficiency, and we monitor progress to benefit from trends and innovations early.

ACTIVITIES/STRATEGIC INITIATIVES IN 2017

Kungsliden implemented three more equally sized property management units, and maintained very high leasing activity right through the year. Initiatives within activity-based workspaces, Green Leases and attractive marketing made positive progress.

Read more on pages 17 and 35.

Kungsliden invested a total of SEK 925 million in the year, just over SEK 800 million of which on development projects, tenant adaptations and other value-creating investments. As of 31 December, eight development projects were in the implementation phase. When fully let, these will increase the company's rental revenues by SEK 126 million per year. Over the past two years, some 180,000 sq.m of property development potential has been divested at prices of between SEK 2,500 and 10,000/sq.m gross leasable area.

Read more on pages 44–47.

Portfolio optimisation was completed through the divestment of non-strategic properties. One acquisition was executed in the Stockholm City West cluster, and Kungsliden accessed two previously acquired properties.

Read more on pages 28–30.

Kungsliden signed an agreement to expand its Stockholm City West cluster by acquiring three properties. Kungsliden accessed the Emporia Office property in Hyllie. Development of clusters is ongoing, several from a sustainability angle.

Read more on pages 20–21 and 36–43.

Sustainability was implemented as a mandatory part of the development process. Ambitious targets were adopted regarding LEED certification of buildings and Green Leases.

Read more on pages 22–23 and 56–57.

A fully subscribed new share issue was executed, and the target LTV ratio was reduced to a guidance level of 50 per cent. An MTN programme was also created, with two bonds totalling SEK 1,350 million issued. Kungsliden received a Ba1 credit rating from Moody's.

Read more on pages 24 and 58–59.

In 2017, we adopted a digital strategy.

CLOSE INTERACTION WITH STAKEHOLDERS

Kungsleden's core stakeholders are its tenants, employees, shareholders, suppliers, partners and municipalities. Its relationships with them have a great impact on the company's progress, and accordingly, Kungsleden puts great emphasis on understanding their needs.

Kungsleden's ambition is to evolve in harmony with its surroundings and be responsive to all its stakeholders. We maintain continuous dialogue with stakeholders, and map what is important to them by conducting stakeholder analysis.

We review two of our most important stakeholders in more detail on pages 17–18—tenants and employees. Positive interaction with both of these groups is crucial to us realising our vision.

COMMUNICATING WITH STAKEHOLDERS – FORUMS FOR DIALOGUE AND KEY ISSUES



Forums for dialogue

- Continuous dialogue maintained by personal visits, phone calls and emails
- Events
- Customer services
- Customer satisfaction surveys
- Customer surveys for improvements
- Communication campaigns
- Green Lease collaborations

Key issues

- Expedient, healthy and safe premises
- Stable tenants
- Availability
- Business ethics
- Vibrant and attractive environments
- Cost efficiency
- Energy consumption
- Waste management
- Environment and land decontamination
- Customer services



Forums for dialogue

- Regular employee meetings
- Goal-setting and appraisal interviews
- Pay review interviews
- Employee satisfaction survey
- Staff conferences

Key issues

- Opportunities for training and skills management
- Salary & benefits
- Work/life balance
- Diversity
- Structure & tools
- Health & safety
- Customer service
- Business ethics



Forums For dialogue

- Annual Reports
- AGMs
- Quarterly reports
- Roadshows and one-to-one meetings
- Capital markets days
- Continuous dialogue

Key issues

- Long-term, stable and sustainable business model, targets and strategy
- Attractive funding mix
- Profitable growth
- Value-creating earnings
- Sustainability and corporate governance
- Corporate communication

LENDERS

Forums for dialogue

- Quarterly reports
- Presentations
- Scheduled meetings
- Property viewings
- Seminars
- Capital markets days

Key issues

- Long-term stable and sustainable business model
- Stable financing
- Good business ethics
- Environmental risks and remediation

SUPPLIERS

Forums for dialogue

- Regular contact and interaction
- Tendering requirements pursuant to Kungsleden's procedures

Key issues

- Long-term, stable partner
- Customer service
- Quality
- Energy consumption
- Business ethics
- Occupational health & safety risks



Forums for dialogue

- Contacts with municipalities, regulators and other opinion-formers
- Various types of collaborative meeting with the business community
- Collaborative agreements with non-profit organisations

Key issues

- Contribute to sustainable development
- Create sustainable, vibrant and attractive environments that enrich people's working lives
- Access and safety
- Cultural and architectural values
- Diversity and jobs

OUR CUSTOMERS AND TENANTS – KEY STAKEHOLDERS WITH HIGH STANDARDS

At year-end 2017, Kungsleden had lease agreements with 1,755 tenants in our 222 properties. The key to our long-term success is understanding their needs and exceeding their expectations. The contemporary business world is fast moving and tenants are demanding in terms of flexibility, function and quality of service. This is why we put a big emphasis on dialogue, responsiveness and knowledge of our tenants' circumstances.

WE WELCOME, CONTRIBUTE AND SUPPORT

Kungsleden's client proposition is to provide attractive and functional premises in the right locations and at the right price, and to do something extra. We have added three customer pledges that guide us in our relationships with tenants:

- We will be welcoming. Current and prospective tenants should always feel well they receive a positive encounter and are respected in every contact with Kungsleden. Our premises should also create an inviting first impression.
- We should contribute to our tenant's business. Through responsiveness, sector knowledge, property expertise and new approaches, we should deliver solutions that benefit our tenants' businesses.
- We should make things easier. With high quality of service and state-of-the-art services, we simplify our tenants' everyday situations.

LEADING-EDGE OFFICE EVOLUTION

As a long-term, customer-oriented property owner, it is natural for us to follow trends on the office market, and to develop our properties and relationships to remain at the leading edge. Nowadays, tenant wants and needs largely define the layout of commercial premises, which means property owners like Kungsleden need to be sensitive to trends and fleet footed. Tenant needs are also changing with increasing frequency. One of the main trends in office premises is the emergence of smaller, flexible offices that are also attractive, contemporary meeting places, called co-working concepts. This process is being driven by digitalisation and changing values in working lives. New technology is reducing the need for permanent workspaces and physical meetings, thanks to progressively improving digital meeting platforms and permanent connection. These concepts are providing clients with an opportunity to occupy smaller spaces, and to be part of a creative context with other types of business.

Kungsleden's first response to this trend is its office and meeting space B26 in Västerås. This concept, which has already attracted great interest, features creativity, efficiency and job satisfaction, and will house office spaces, co-working with shared lounges, a roof terrace, restaurant and café, as well as conference facilities. Businesses and freelancers can book permanent or flexible workspaces. Read more on page 46.

PROCESS TO IMPROVE CUSTOMER RELATIONS

Every year, Kungsleden conducts a customer satisfaction survey, whose results serve as the basis for prioritised actions for the coming year. The results for 2017 was a customer satisfaction index of 72, an increase with 2 points compared to the year before. The result is one point below industry average and the target for 2018 is to be in line with the rest of the industry. We are working continuously on improving customer relations, through channels including extended dialogue and fast feedback. Other high priorities include enhancing our fault reporting procedures, making an active contribution to the development of locations and creating meeting places in our clusters.

Being close to tenants is another priority, so we have a local office presence in nine locations.

SUSTAINABILITY – A SHARED INTEREST

Our tenants are exhibiting a growing interest in sustainability aspects which is fully consistent with our own ambitions. An increasing number of companies sign up to Green Leases, for example. The travel survey we conducted in 2017 in the Kista City and Stockholm City East clusters indicated that tenants want good cycle and public transport access. Tenant engagement in Östersund has contributed to us implementing the largest solar power plant in the Swedish County of Jämtland (see page 23).

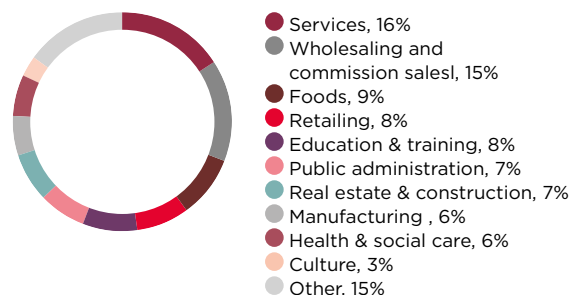
“It's important to be present, available and responsive. I want to understand my tenants and identify solutions that are good for all parties.”

EVA-LOTTA SVENSSON, ASSET MANAGER

Ten largest tenants, 31 December 2017

Tenants	Rental value, SEK M
ABB	268
Bring Frigoscandia	55
Biz Apartments	38
Swedish Armed Forces	37
ICA	36
The Municipality of Västerås	33
Sveriges Television	24
Westinghouse Electric	24
The Swedish Board of Customs & Excise	22
Artexis Nordic	21
Total, 10 largest tenants	558
Other	1,676
Total, Kungsleden	2,234

TENANTS BY SECTOR, 2017



Kungsleden's tenants range from large international corporations to public operations, authorities and young tech companies in a variety of industries. The largest industries are services (16 per cent) and retail & commodity trading (15 per cent), but a large number of other industries are also represented and the spread is high.

EMPLOYEES – EFFECTIVE AND MOTIVATED

Kungsleden’s vision for employees for 2020 is to be the most attractive workplace with an efficient organisation and motivated employees that achieve good results. This is important for enabling us to attract, hire and retain the competent professionals we need for our business. Our corporate culture is based on professionalism, consideration and joy.

At year-end 2017, 110 people worked for Kungsleden on everything from property operations through leasing and transactions to development projects. Many decisions are taken at the edges of our organisation, which means our people have ample opportunity to influence their work. Kungsleden as a company, and the market we operate on, are in rapid and extensive change, which is demanding for flexibility. Work at Kungsleden is in continuous development, and there’s always a lot to learn. Employee development is a priority, and subject to annual discussion at appraisal interviews between staff and first-line managers.

HR MANAGER LEADING OUR WORK

We appointed a Human Resources Manager in the year to intensify efforts on HR issues. We also took the decision to produce a new HR strategy. Activities associated with the strategy start implementation in 2018, although important steps were already taken in 2017. The implementation of our core values continued and permeate the whole operation and all processes. We assure our managers’ capability of providing leadership consistent with our core values through a leadership conference and an all-new leadership forum. Our managers should help engender an atmosphere open to questioning and that drives motivation, simultaneous with making the expectations of our employees clear.

DIVERSITY CREATES OPPORTUNITIES

To address and understand our tenants, Kungsleden needs a workforce that reflects wider society. In terms of gender balance, we have basically achieved our target. Our overall staffing is 53 per cent women and 47 per cent men. There are somewhat more women than men in our management team, while within property management, there are somewhat more men than women. Our age diversity has improved in recent years, with 23 per cent of staff in the 30–39 age group and 38 per cent aged between 40 and 49. However, other diversity aspects do need addressing. We operate a graduate trainee programme that is bringing in younger employees and increasing the share

of graduates. The Royal Swedish Society of Engineering Science’s Jobbsprånget program is offering recent immigrants a chance to enter the labour market (see page 19). Our search and selection process was also overhauled to ensure continued efforts to promote equal opportunities and diversity.

A WORKING ENVIRONMENT THAT PROMOTES PROGRESS

Our working environment should be secure, healthy and offer good potential for continuous development. The company nurtures its employees, encourages healthy lifestyles, and where necessary, we provide private health insurance for all staff, which includes personal guidance, conversational therapy, aftercare and rehabilitation. Our annual employee satisfaction survey identifies areas of improvement, which provides input to the management of health and safety work.

INCREASING JOB SATISFACTION

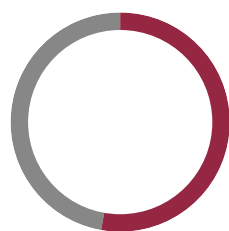
As in previous years, the year’s employee satisfaction survey had a high response rate and our Employee Satisfaction Index (ESI) was 4.2, the same as the previous year, while our job satisfaction index increased somewhat, to 73 percent. The segments of goals, the working environment and new at work achieved the highest results. We still face some challenges in health, stress and organisational efficiency, which are partly attributable to the journey of transformation the company is taking. The results have been published and discussed at departmental level, management level and collectively company wide, to plan actions for 2018.

The management team held a one-day conference focusing on the results, and development work on internal processes is also being conducted. Like the rest of the sector, Kungsleden experienced high staff turnover in the year, which means initiatives to retain and attract the right staff will remain an important part of our HR strategy going forward.

“Kungsleden offers room for ambition and there’s great collaboration between teams”

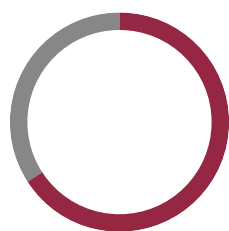
EMMA SJÖBERG, MARKNADSANSVARIG & PROJEKTLEDARE

GENDER BALANCE KUNGSLEDEN, %



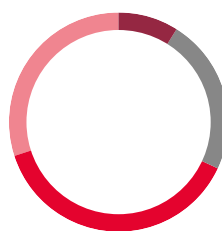
● Women, 53%
● Men, 47%

GENDER BALANCE MANAGEMENT, %



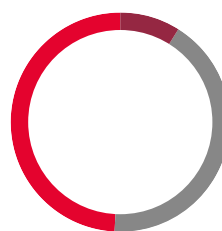
● Women, 66%
● Men, 34%

AGE PROFILE, %



● <30, 9%
● 30-39, 23%
● 40-49, 38%
● >50, 30%

LENGTH OF SERVICE, %



● <1 yrs., 9%
● 1-3 yrs., 42%
● >4 yrs., 49%

AN INTERNSHIP TO INCREASE DIVERSITY

Manhal Naddour, who moved to Sweden from Syria in 2015, did an internship with Kungsliden in 2017, which was part of Kungsliden's collaboration in the *Jobbsprånget* programme conducted by IVA, the Royal Swedish Academy of Engineering Science, intended to accelerate the integration of newly arrived graduates into Swedish working life.

"The internship was valuable for me in many respects. I gained a better understanding of how Swedish workplaces function, improved my Swedish and developed professionally. I've also acquired a professional network and new friends," says Manhal Naddour.

Sustainability Manager Maria Sandell served as Manhal's trainer, and offered new insights.

"Learning about sustainability work is so interesting. Unfortunately, not many companies utilise it in Syria. I've become aware of the significance of sustainability issues, how they affect businesses positively, and ultimately, result in a better society."

Manhal has some suggestions for other interns and employers participating in the programme:

"What I'd like to say to interns is to make sure that they're on time, and focus on creating good relationships. The *Jobbsprånget* internship is a good opportunity because it is a well-structured programme, and you get good support. The advice I'd offer to employers is to be open and clear about your expectations and maintain good dialogue right through the internship. The biggest challenge for me was understanding Swedish working culture and traditions, so I think information regarding the practical aspects of them would be really valuable."

"I've become aware of how sustainability issues can influence businesses positively."

CLUSTER STRATEGY CREATES OPPORTUNITIES

68 per cent of Kungsleden’s total property portfolio is located in clusters
– selected locations with good access and high demand.

The vibrant clusters of the future will be dynamic, safe and sustainable mixed urban locations comprising housing, retail, social services, with a high share of workspaces. These estates have mixed usage buildings and attractive environments drawing in visitors and encouraging sustainable lifestyles. They will integrate a wide variety of activities within walking distance, where people can live, work, shop, socialise, relax and exercise. We believe in locations with strong, unique identities that attract a mix of activities. We strengthen and develop the branding of our different clusters in partnership with other local players.

THE ADVANTAGES OF THE CLUSTER STRATEGY FOR KUNGSLEDEN INCLUDE:

- Strong market position offers the potential to influence the attractions of locations, and thus rent levels.
- High potential to offer tenants freedom of choice as their needs change.
- More effective management and lower operating costs.
- Lower required returns over time, which increases property values.
- Good potential to be a trendsetting party in dialogues with municipalities and local business communities.



THE VISION OF VIBRANT CLUSTERS



DOING IT TOGETHER

Our ambition is to instigate, inspire and lead the development of our clusters in close partnership with municipalities and other trendsetting local bodies.

FLEXIBLE PROPERTIES FOR DYNAMIC WORKING LIVES
Contemporary mobile working lives require flexible premises that can adapt to changing needs. Properties need to be

area efficient and flexible, maintaining high technical standards and healthy indoor climates. We also explore the potential of roof terraces and courtyards to create attractive environments.

LIFE AND MOVEMENT

The outdoor life is inspirational, spawning an attractive selection of stores and restaurants, lively outdoor serving areas, public art displays and natural green meeting spaces.

UNIQUE IDENTITY

We believe in locations with strong, unique identities that attract a mix of activities. We strengthen and develop the branding of our clusters in partnership with other local players.

DIVERSITY CREATES BENEFITS AND LEISURE

Vibrant clusters attract a mix of people and enterprises – everything from major corporations to small creative start-ups, public

CHANGING PREMISES EASY IN A CLUSTER

Insurance provider EuroAccident is one of many enterprises that benefit from the advantages of closeness to services and communication in a Kungsleden office cluster. When its business grew, Kungsleden was able to offer new premises in the same cluster promptly.

“We’ve been located in the Danderyd Office cluster for many years and like the atmosphere in this location. It’s also important for us to be close to a hub – so it’s easy to get to and from work and be close to shops, restaurants and services,” commented Miles de Champs, EuroAccident’s Corporate Communications Manager.

When EuroAccident grew out of its existing premises, it was an obvious move to contact Kungsleden’s Asset Manager in Danderyd, who works at the company’s local office within the cluster.

“Kungsleden was very open and prompt to address our new needs in terms of larger areas and how to adapt the premises. That really eased the relocation for us,” adds Miles.

Danderyd Office is one of Kungsleden’s 12 clusters. The location includes four major office properties – two alongside the E18 motorway and Mörby Centrum subway station, one on Vendevägen by Roslagsbanan Station Mörby and one at the end of the Enebybergsvägen highway.

There is a good selection of services including restaurants, shops, supermarkets, gyms and a health centre in Mörby Centrum municipal centre. The location’s attractions will be further enhanced by the municipal centre’s ongoing conversion process (which will also mean its name changing to Danderyd Centrum)

Tenant: EuroAccident, www.euroaccident.se/
Premises: 1,300 sq.m of offices at Svärdvägen 3A
Sector: insurance

EURO
ACCIDENT
Försäkring + hälsa

“What we like most about Danderyd Office are the good communications, as well as closeness to services and natural spaces.”



bodies, niche service providers and retailers with a sustainability profile.

SAFE AND PLEASANT, OUTDOORS AND INDOORS
Accessible and attractive outdoor environments like parks, woodlands, running tracks, paths, outdoor gyms and viewpoints make spending time outdoors in our clusters easy. Street and frontage lighting make

spaces feel safe, even during the hours of darkness.

CLEAR SUSTAINABILITY PROFILE
Sustainable lifestyles are the future, and our clusters offer plenty of charging points for electric cars and cycles, abundant recycling stations and tenants with a sustainability profile, such as secondhand shops and organic restaurants. Kungsleden

collaborates with clients, municipalities and recycling enterprises to reduce climate impact.

SERVICES THAT SIMPLIFY
A diverse selection of services and experiences facilitate meetings and simplify life for everyone in our clusters. Closeness to shopping centres is another contributor to their attraction.

SPACES FOR ART
By collaborating with tenants, entrepreneurs, municipalities and other parties, we create aesthetically attractive common areas, preferably with inspirational public art.

DOING THINGS TOGETHER
Our ambition is to instigate, inspire and lead the development of our clusters in close partnership with municipalities and other keynote local players.

LONG-TERM RELATIONSHIPS THAT ENABLE SUSTAINABLE BUSINESS

Sustainability permeates the whole of Kungshöjden and is a natural part of our business model. Sustainability is self-evident and a success factor. We create long-term tenant relationships, attract and retain employees, strengthen and protect our brand, and increase profitability through ambitious and well-considered sustainability work.

ENVIRONMENT – OUR TENANTS ARE GETTING MORE DEMANDING

Kungshöjden's properties and clusters should develop and be administered sustainably over time. We want to reduce our climate footprint and operating expenses, simultaneous with being an attractive tenant that satisfies customer wants and needs.

Our tenants are becoming more demanding, contributing to us adopting an ambitious sustainability strategy that encompasses:

- Working actively to reduce the consumption of finite resources and negative environmental impact.
- Taking responsibility for people and our surroundings by being a strong force of change that collaborates with tenants, municipalities and other local stakeholders.
- By investing in new technology, continuous analysis and adjustment of existing plant, and focusing on solar power plants, reduce energy consumption by 20 per cent between 2014 and 2020.
- Sustainability issues are integrated right through our business – for example, all our development projects have a dedicated sustainability programme specifying the project's objectives and requirements.
- Introduce Green Leases with shared undertakings to reduce climate impact in partnership with our tenants. The target for 2017 was 50 Green Leases, and we signed 61.
- Environmentally certify our properties, mainly using the internationally accepted standard LEED. Our target is for 50 per cent of our property values to be certified by 2020.

SAFETY – FOCUSING ON HIGH-RISK WORKING ENVIRONMENTS

We take a proactive approach to safety in and around our properties so we can provide secure and healthy working environments for tenants, staff as well as contractors on building sites.

As we manage a growing number of development projects, we are also gaining responsibility for high-risk working environments – building sites. This is why we are sharpening the focus on occupational health & safety issues, to minimise incidents and accidents. Obviously, we will comply with applicable legislation and safety procedures at all building sites. We conduct inspections and assessments of potential areas of improvement during workplace visits.

DIVERSITY – A WORLD OF OPPORTUNITIES

By maintaining an inclusive corporate culture founded on the equal value of all people, that distances itself from all forms of discrimination or offensive special treatment, we create the potential for everyone to contribute with their full potential.

Kungshöjden wants to reflect the diversity of society, and accordingly create opportunities in its encounters with customers and employees and developing its business.

We have made a lot of progress in gender balance and have basically achieved our target. Our age profile has also improved in recent years, as many younger staff have joined us. Our main efforts are now focused on increasing ethnic diversity. We overhauled our search & selection process in 2017, focusing on diversity. Read more about diversity in the section on stakeholders on page 18.

BUSINESS ETHICS – HIGH STANDARDS AT EVERY STEP

Kungshöjden maintains high business ethical standards and a professional corporate culture on market and transparent terms, which benefits our profitability and brand. We involve employees, customers and suppliers in our ambition to maintain very high ethical standards. Our employees work in accordance with agreed guidelines, and we have a dedicated Code of Conduct for Suppliers that is appended to contracts in major procurement processes.

We consider our suppliers as an extension of our own business – sustainable and cost-efficient supply chains are a prerequisite for us collectively contributing to sustainable development. In our relationships with suppliers, and in procurement, it is especially important to ensure the absence of corruption and bribery, to promote healthy competition and ensure good working conditions. We monitor compliance regularly through audits.

Our core values of professionalism, consideration and joy are important for realising this. We take professional attitude in our skills segments and show each other respect. We distance ourselves from all forms of corruption and neither receive nor offer, promise nor provide undue advantage.

Read more about sustainability activities and outcomes on pages 56–57.



Kungshöjden's offices on Warfvinges väg Stockholm gained LEED Platinum Interior Design certification in 2017.

THE LARGEST SOLAR POWER PLANT IN JÄMTLAND

Kungsleden is installing 734 solar panels, dimensioned to generate over 160,000 kWh per year, at its property Karlslund 5:2 in Östersund. This plant will be the largest of its type in Jämtland, and significantly larger than Kungsleden's previous solar installations.

"Solar cells are really getting more interesting now that the pricing of plants is falling," explains Maria Sandell, Kungsleden's Sustainability Manager. "Another important reason we can execute this initiative is the great commitment and interest from tenants in the property and our technical manager Magnus Duveskog."

The property's large, flat, and unshaded roof suits solar panels perfectly, and the power generated corresponds to the heating of over ten average-sized family houses. A number of other solar cell projects are ongoing or planned for 2018 in Skania, Gothenburg and Stockholm.



KEY FACTS ÖSTERSUND SOLAR POWER PLANT

Panel type: monocrystalline

No.: 734

Estimated annual generation: 163,773 kWh

Roof area: 1,200 sq.m

A FINANCIALLY STABLE COMPANY

Kungsleden structures its funding with equity and borrowed capital, with the objective of securing the company's survival and long-term positive progress by ensuring financial durability against the risk of losses, and good, continuous access to external loan financing, at reasonable interest rates.

Kungsleden endeavours to maintain sufficient equity to enable operations to be conducted in accordance with its long-term business strategy, even in unfavourable circumstances where losses are occurring. As guidance, Kungsleden maintains a minimum equity/assets ratio of 35 per cent over time, with its LTV ratio not exceeding 50 per cent.

To enable good capacity to meet interest payments and amortisation of interest-bearing loans from banks and the bond market, Kungsleden's objective is for a minimum interest coverage ratio of a multiple of 2.5.

Since 2012, Kungsleden has reduced its LTV ratio from 70 per cent to less than 50 per cent, and the maturities on its borrowings have significantly extended. Meanwhile, its average finance cost has reduced significantly, so that its interest coverage ratio has improved.

WELL-DIVERSIFIED BORROWINGS

Kungsleden endeavours to secure a well-diversified borrowing structure. Bank loans against real estate security are its traditionally dominant source. By progressively increasing its usage of other funding sources, Kungsleden is reducing its dependency on an individual sector or individual counterparties.

Direct lending from life insurance companies and loans via mortgage institutions are examples of how Kungsleden can expand its loan finance portfolio, and extend average debt maturity at favourable interest rates.

IMPROVED CREDITWORTHINESS AND UPSCALED UNSECURED BORROWINGS

When Kungsleden received its Ba1 credit rating with positive outlook from ratings institute Moody's in autumn 2017, this corroborated the fact that the company now has high-quality property assets and a strong financial position. Backed by its rating, Kungsleden upscaled its borrowings on the capital

markets by making unsecured issues in a new medium-term note (MTN) programme. This enabled further diversification of the company's loan finance.

Moody's credit opinion stated that Kungsleden's rating may rise to investment grade, providing that its LTV ratio does not exceed 50 per cent for the long term, and the share of unsecured borrowing reduces. An investment grade rating would further improve Kungsleden's potential to raise substantial amounts at positive interest rates on the bond market.

By year-end 2017, Kungsleden had issued an aggregate total of SEK 1,350 million of unsecured bonds within its MTN programme, which has a limit of SEK 5 billion. One outstanding SEK 600 million bond outside the MTN programme was issued previously.

Through the issuance of unsecured bonds, Kungsleden has started to restructure its finance with the aim of unburdening properties previously provided as collateral. According to Moody's credit opinion, at least 30 per cent of assets need to be unburdened to enable Kungsleden to reach investment grade. To achieve this, bond issues need to increase further, so that the share of unsecured borrowing amounts to some 30 per cent of overall loan finance.

Read more about financial activities and outcomes on pages 58–59.

26 PER CENT UNSECURED

26%

The proportion of assets not pledged as collateral was, at the end of March 2018, 26 per cent. According to Moody's credit opinion, a share of at least 30 per cent is required for Kungsleden's rating to rise to Investment Grade.



FEASIBILITY STUDY ON LAND ALLOCATION COMPLETE

Hyllie is an expansive part of Malmö, which is developing with the vision of becoming the city's climate-smartest district – a location featuring innovation and sustainability in the Öresund region.

Kungsleden's land allocation is strategically located by Hyllie Boulevard, about six minutes' walk from the station. This brings Lund and Copenhagen into commuting distance by train. There is a car park for visitors arriving by car south of the plot, and highly developed infrastructure is planned for cyclists.

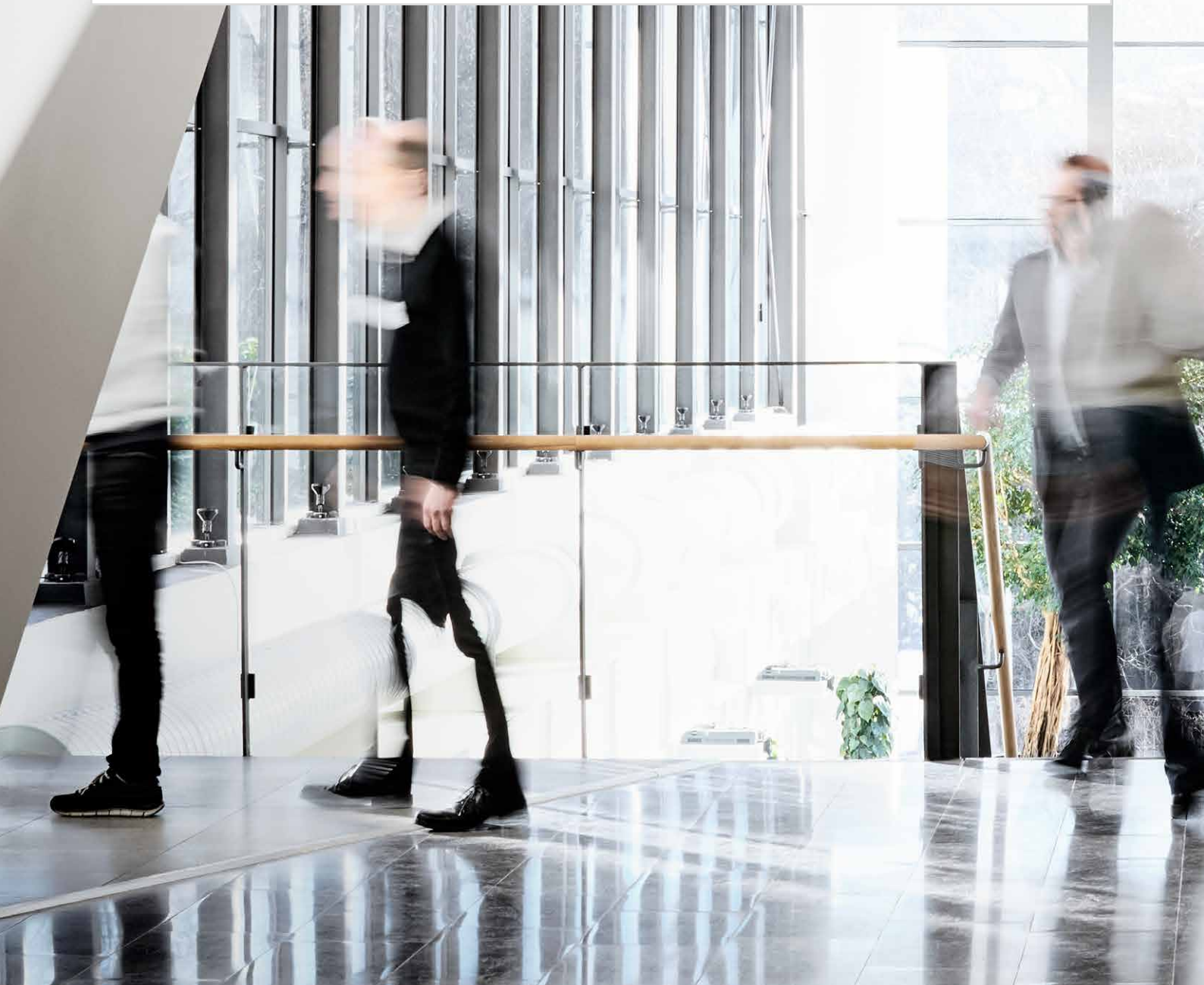
The feasibility study for Kungsleden's land allocation was completed in the fourth quarter. Project planning, conceptual work and advance leasing will commence in the first quarter 2018, with estimated construction start scheduled for early-2019.



OPERATIONS

OUR BUSINESS CONCEPT:

Kungsleden shall be a long-term owner, actively manage, improve and develop commercial properties in growth regions in Sweden, and deliver attractive total returns.





HIGH-QUALITY PROPERTIES ON GROWTH MARKETS

At the end of 2017, Kungsleden's portfolio consisted of 222 properties, mostly offices, and mainly located in attractive, high-growth municipalities. Portfolio realignment was essentially complete in 2017 through the sale of non-strategic properties. Going forward, optimisation will primarily be achieved through complementary acquisitions.

Creating a concentrated property portfolio was an important component of our "Business Plan 2020." In the year, Kungsleden continued to concentrate its property portfolio by selling non-strategic properties and making complementary acquisitions in its clusters. 82 per cent of the total property portfolio is now in the four growth markets of Stockholm, Gothenburg, Malmö and Mälardalen.

Investment properties consist of offices (72 per cent), industrial/warehouse (18 per cent), retail (6 per cent) and other properties (4 per cent).

Due to continuous development and enhancement, as well as the divestment of less attractive properties, Kungsleden now has a portfolio of consistently high quality.

OPTIMISATION COMPLETE

Kungsleden utilised the strong transaction market in 2017, selling non-strategic properties worth some SEK 1,860 million, which is consistent with book value. Accordingly, we achieved our target of SEK 2 billion of divestments over the two-year period 2016–2017. The year's divestments included:

- Six non-strategic properties in Kungälv and Gothenburg, which were sold for SEK 79.5 million.
- 16 properties sold for SEK 427 million, which meant Kungsleden exiting the Municipalities of Kumla, Filipstad, Kungsör, Sandviken, Arboga, Piteå and Sigtuna.
- 18 industrial and warehouse properties were sold to European real estate fund Kildare Partners in a transaction with a total sales price of SEK 882 million before deducting for deferred tax.

We also utilised the positive transaction market to divest a property with limited potential. We sold the property Stenvreten 4:1 in Enköping to its tenant, the Swedish National Fortifications Administration. The sale of this property for SEK 200 million is conditional on central government approval.

Kungsleden's strategy for development rights – identifying opportunities, initiating zoning plans and then selling properties – also progressed well, see page 48.

FINE-TUNING AND COMPLEMENTARY ACQUISITIONS

The ownership strategy also includes making selective complementary acquisitions of properties, primarily in clusters, as was executed over the past year. Kungsleden accessed the Emporia Office property in the Hyllie cluster, with leasable area of 10,000 sq.m, on 31 March. This meant the Hyllie cluster expanding to total leasable area of some 50,000 sq.m. The acquisition of the Gladan 5, 6 and 7 office properties in the Stockholm City West cluster was announced on 22 December. These properties have 11,000 sq.m of leasable area, and the objective is to develop the existing properties and create new,

PROPERTY DIVESTMENTS IN 2017

Property	Category	Municipality	Vacated
Armaturen 10	Industrial/warehouse	Kungsör	Q1
Bagaren 9	Industrial/warehouse	Tyresö	Q1
Bälgen 9	Industrial/warehouse	Arboga	Q1
Fotografen 1	Office	Tyresö	Q1
Kopparen 14	Office	Tyresö	Q1
Kopparen 8	Industrial/warehouse	Tyresö	Q1
Kopparen 9	Office	Tyresö	Q1
Mejeriet 17	Other	Filipstad	Q1
Mejeriet 18	Other	Filipstad	Q1
Murängen 2	Industrial/warehouse	Sandviken	Q1
Märsta 14:1	Industrial/warehouse	Sigtuna	Q1
Oxen 11	Industrial/warehouse	Kumla	Q1
Solkraften 17 & 18	Office	Stockholm	Q1
Åttersta 6:28	Industrial/warehouse	Sandviken	Q1
Öjebyn 119:1	Industrial/warehouse	Piteå	Q1
Adolfsberg Västra 10	Retail	Helsingborg	Q2
Domherren 15	Office	Motala	Q2
Tumba 7:231 och 7:237	Other	Botkyrka	Q2
Backa 2:26	Industrial/warehouse	Hallsberg	Q3
Bjuv 23:3	Industrial/warehouse	Bjuv	Q3
Björkelund 1	Industrial/warehouse	Motala	Q3
Borggård 1:357	Retail	Staffanstorps	Q3
Flogsta 22:3	Retail	Uppsala	Q3
Forsheda 5:119	Industrial/warehouse	Värnamo	Q3
Fredriksskans 15:16	Industrial/warehouse	Gävle	Q3
Gravören 5	Industrial/warehouse	Växjö	Q3
Kronoslätt 1:3	Industrial/warehouse	Staffanstorps	Q3
Lagmannen 6	Retail	Mjölby	Q3
Mälaren 17	Industrial/warehouse	Örebro	Q3
Mälaren 5	Industrial/warehouse	Mjölby	Q3
Mälaren 7	Industrial/warehouse	Mjölby	Q3
Propellen 2	Office	Trollhättan	Q3
Regnbågen 4	Industrial/warehouse	Osby	Q3
Sköllersta-Kärr 1:34	Office	Hallsberg	Q3
Slätvaren 1	Industrial/warehouse	Värnamo	Q3
Snöflingan 3	Industrial/warehouse	Osby	Q3
Stenfalken 1	Industrial/warehouse	Värnamo	Q3
Sturup 1:173	Office	Svedala	Q3
Östanvinden 4	Office	Karlstad	Q3
Aspgården 18	Industrial/warehouse	Umeå	2018
Brännaren 8	Office	Malmö	2018
Stenvreten 4:1	Industrial/warehouse	Enköping	2018

PROPERTY ACQUISITIONS IN 2017

Property	Category	Municipality	Accessed
Marknadsplatsen 8	Office	Malmö	Q1
Gladan 5, 6 och 7	Office	Stockholm	2018

contemporary premises in the location. An office cluster was also created in Gothenburg at the beginning of 2018 through the acquisition of two office properties and a car park in central Gothenburg. Alongside existing properties, these acquisitions create a new, contemporary office cluster – Gothenburg South Central – with area of just over 50,000 sq.m. Access will be in two phases, in 2018 and 2019.

INTERNAL AND EXTERNAL VALUATIONS

Kungsleden values its entire property holdings on a quarterly basis (classification on level 3 pursuant to IFRS 13). Valuations are based on an analysis of cash flows, involving an assessment of the property’s future earnings capacity and market required returns. Internal valuations serve as the basis of property values.

To quality-assure and verify internal valuations, external valuations are also conducted on some 25 per cent of properties on a quarterly basis. This means that every property in the portfolio is valued externally over a 12-month period.

HEALTHY VALUE GROWTH IN 2017

Unrealised value changes in the property portfolio were SEK 1,417 million for the full year 2017, the majority sourced from improved operating net. The average required return was 5.8 per cent – against 6.1 per cent at the beginning of the year. About half of the decrease is due to changes in the structure of the property portfolio resulting mainly from divestments.

VÄSTERÅS AND NEW ACQUISITIONS GENERATING TOTAL RETURNS

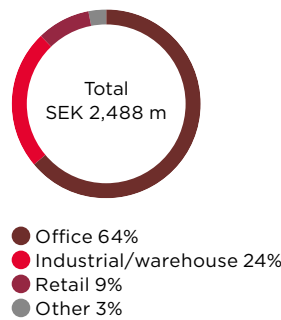
Since each property’s acquisition date, Kungsleden’s property portfolio has undergone a value increase of SEK 6,335 million (book value less acquisition price and investments executed). Of this total, SEK 5,989 million is sourced from properties acquired after 1 January 2013, and the Västerås portfolio. These properties also made by far the biggest contribution to total returns in recent years, of 10.8 per cent according to MSCI.



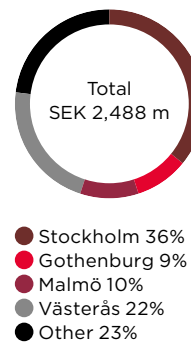
Kungsleden accessed the property Emporia Office in the Hyllie cluster with leasable area of 10,000 sq.m on 31 March 2017

FACTORS IMPACTING VALUE SEK m	2017 Jan-Dec
Changed required returns	643
Changed operating net	1,114
Changed assumptions regarding investments and other factors impacting value	-357
Acquisitions	17
Total	1,417

RENTAL VALUE –EARNINGS CAPACITY BY CATEGORY 2017



RENTAL VALUE – EARNINGS CAPACITY MAJOR URBAN CONCENTRATION, 2017



EARNINGS CAPACITY BY CATEGORY	Office	Industrial/warehouse	Retail	Other	Total investment properties	Development properties	Total properties	of which sold but not vacated	acquired ¹ but not accessed
No. of properties	97	66	33	9	205	17	222	4	6
Leasable area, 000 sq.m	1,091	714	151	68	2,023	136	2,159	126	29
Rental value, SEK m	1,544	558	164	90	2,356	132	2,488	83	83
Rental revenue, SEK m	1,405	531	151	81	2,168	85	2,253	81	81
Operating net, SEK m	925	375	98	51	1,451	35	1,486	73	69
Book value, SEK m	20,788	5,230	1,806	1,098	28,922	2,052	30,974	1,006	1,534
Economic occupancy rate, %	91.0	95.2	91.7	90.2	92.0	64.2			98.0
Operating surplus ratio, %	65.9	70.6	65.4	63.6	66.9				85.0
Property yield, %	4.5	7.2	5.5	4.7	5.0			7.2	4.5
Rental revenues, SEK per sq.m	1,532	813	1,150	1,460	1,234		1,237		2,752

1. Not included in total.

GREATER STOCKHOLM

FULL-YEAR ACTUALS
incl. development properties

RENTAL VALUE, SEK M

2017 904 2016 938

NEW LEASING BY REGION, SEK M

2017 92 2016 109

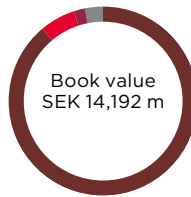
ECONOMIC VACANCY RATE, %

2017 11.5 2016 10.2

AVERAGE RENT PER SQ.M

2017 1,777 2016 1,740

PROPERTY PORTFOLIO
by category, incl. development properties



EARNINGS CAPACITY
INVESTMENT PROPERTIES

No. of properties	46
Leasable area, 000 sq.m	499
Rental value, SEK m	847
Rental revenue, SEK m	766
Operating net, SEK m	528
Book value, SEK m	13,026
Economic occupancy rate, %	90.3
Operating surplus ratio, %	69.0
Property yield, %	4.1
Rental revenues, SEK per sq.m	1,775

GREATER GOTHENBURG

FULL-YEAR ACTUALS
incl. development properties

RENTAL VALUE, SEK M

2017 232 2016 256

NEW LEASING BY REGION, SEK M

2017 28 2016 28

ECONOMIC VACANCY RATE, %

2017 8.4 2016 9.8

AVERAGE RENT PER SQ.M

2017 952 2016 915

PROPERTY PORTFOLIO
by category, incl. development properties



EARNINGS CAPACITY
INVESTMENT PROPERTIES

No. of properties	39
Leasable area, 000 sq.m	248
Rental value, SEK m	223
Rental revenue, SEK m	208
Operating net, SEK m	141
Book value, SEK m	2,598
Economic occupancy rate, %	92.9
Operating surplus ratio, %	67.7
Property yield, %	5.4
Rental revenues, SEK per sq.m	955

GREATER MALMÖ

FULL-YEAR ACTUALS
incl. development properties

RENTAL VALUE, SEK M

2017 243 2016 224

NEW LEASING BY REGION, SEK M

2017 13 2016 18

ECONOMIC VACANCY RATE, %

2017 8.0 2016 10.7

AVERAGE RENT PER SQ.M

2017 1,097 2016 983

PROPERTY PORTFOLIO
by category, incl. development properties



EARNINGS CAPACITY
INVESTMENT PROPERTIES

No. of properties	41
Leasable area, 000 sq.m	220
Rental value, SEK m	237
Rental revenue, SEK m	221
Operating net, SEK m	149
Book value, SEK m	3,010
Economic occupancy rate, %	93.5
Operating surplus ratio, %	67.4
Property yield, %	5.0
Rental revenues, SEK per sq.m	1,169

VÄSTERÅS

FULL-YEAR ACTUALS
incl. development properties

RENTAL VALUE, SEK M

2017 550 2016 515

NEW LEASING BY REGION, SEK M

2017 14 2016 28

ECONOMIC VACANCY RATE, %

2017 5.8 2016 6.1

AVERAGE RENT PER SQ.M

2017 1,149 2016 1,064

PROPERTY PORTFOLIO
by category, incl. development properties



EARNINGS CAPACITY
INVESTMENT PROPERTIES

No. of properties	18
Leasable area, 000 sq.m	505
Rental value, SEK m	543
Rental revenue, SEK m	516
Operating net, SEK m	321
Book value, SEK m	5,252
Economic occupancy rate, %	94.9
Operating surplus ratio, %	62.2
Property yield, %	6.1
Rental revenues, SEK per sq.m	1,149

REGIONAL CITIES & OTHER

FULL-YEAR ACTUALS
incl. development properties

RENTAL VALUE, SEK M

2017 637 2016 739

NEW LEASING BY REGION, SEK M

2017 54 2016 33

ECONOMIC VACANCY RATE, %

2017 11.4 2016 10.1

AVERAGE RENT PER SQ.M

2017 814 2016 751

PROPERTY PORTFOLIO
by category, incl. development properties



EARNINGS CAPACITY
INVESTMENT PROPERTIES

No. of properties	61
Leasable area, 000 sq.m	550
Rental value, SEK m	506
Rental revenue, SEK m	457
Operating net, SEK m	312
Book value, SEK m	5,036
Economic occupancy rate, %	90.5
Operating surplus ratio, %	68.2
Property yield, %	6.2
Rental revenues, SEK per sq.m	973

STRONG LEASING AND TENANT ADAPTATIONS

2017 featured strong leasing, and as a consequence, brisk activity in value-creating tenant adaptations. The market was healthy and Kungsleden's portfolio of high-quality, well-located properties is in demand.

In addition to the robust rental market and high-quality, geographically concentrated portfolio, Kungsleden's cluster strategy and customer-oriented management resources with their local links were major contributors to the positive progress through 2017.

New leasing for the year was SEK 201 million, while net leasing was also high, at SEK 69 million, SEK 59 million of which from clusters. The economic occupancy rate of investment properties was 91.8 per cent. Kungsleden has set the target of a 92.2 per cent economic occupancy rate for 2019.

Kungsleden signed 250 lease agreements in the year on some 110,000 sq.m. The year's agreements include some 3,000 sq.m to the Swedish Prison and Probation Service at the property Karlslund 5:2 in Östersund, 5,400 sq.m to HD Resources in the property Rotterdam 1 in Stockholm, 3,500 sq.m to Mölndals Däckservice at the property Tingshuset 2 in Gothenburg and 4,000 sq.m to Jump Yard at the property Veddesta 2:65 in Järfälla.

VALUE-CREATING ADAPTATIONS THAT SATISFY CLIENT NEEDS

When a new tenant relocates to new premises, or when their needs change, we initiate discussions with them regarding the necessary adaptations to satisfy their wants and needs. Improvement measures in the form of modernisation, improvement and tenant adaptations are executed continuously, and not only enhance the quality and value of properties, but also help create a closer dialogue and better relationship between

Kungsleden's portfolio of investment properties consisted of 205 properties with a book value of SEK 28,922 million at year-end 2017. 72 per cent of the portfolio consisted of offices, 18 per cent of industrial/warehouse, 6 per cent of retail and 4 per cent of other properties. In purely organisational terms, properties have been allocated to 3 fairly evenly sized management units effective 2017: Stockholm, Gothenburg/ Malmö and Mälardalen.

our managers and clients (read more on about our value-creating investments on pages 44-45).

RENTS INCREASE AFTER RENEGOTIATION

Kungsleden's active management process is designed to retain our tenants year after year, even as their needs change. Accordingly, renegotiation of lease agreements is an important measure of our success.

When renegotiating lease agreements, we execute a market analysis to assess prevailing market sentiment. We conduct a close dialogue with the tenant to understand their wants and needs.

We conducted a trendsetting renegotiation process with the Swedish Social Insurance Administration in Östersund, and extended our relationship with a new six-year deal on 15,300 sq.m at the property Karlslund 5:2. Kungsleden is converting these premises into an activity-based workspace for the Administration, and rent is increasing by SEK 300/sq.m.

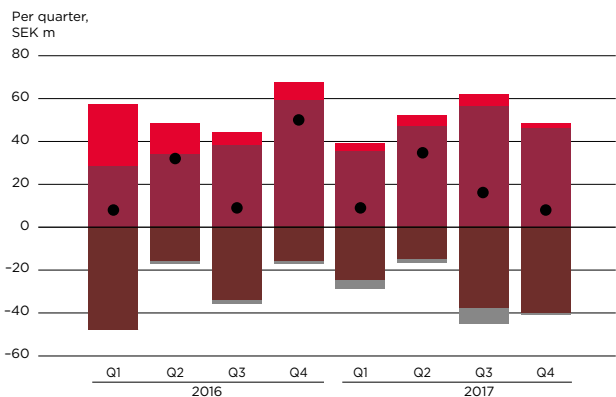
NET LEASING, INVESTMENT PROPERTIES

62 (46)
M, 2017

NET LEASING, CLUSTERS

59 (72)
M, 2017

NET LEASING, 2016 AND 2017



Other major renegotiations include 11,400 sq.m in the property Lorens 14 in Västerås with Hotell Plaza. These also involve extensive tenant adaptations.

Renegotiated lease agreements in the year resulted in rental value increasing by an average of 13 per cent. Overall, the rental value of a negotiated agreements increased from SEK 169 million to SEK 191 million. As lease agreements are renegotiated, we can increase the average rent in our portfolio, and the potential for this improves as non-strategic properties have been divested, and properties offering good potential have been acquired. For 2018, our target is to achieve an average rent increase of 10 per cent on renegotiation.

KNOWING YOUR CLIENTS AND PROPERTIES

Kungsleden’s long-term commitment and role as lessor could be described as active, sustainable management and close client dialogue. This is very much about understanding client needs, so that we achieve satisfied tenants that choose Kungsleden year after year. Good availability of Property Managers and Leasing Managers is critical, which is why we have 11 strategically located offices.

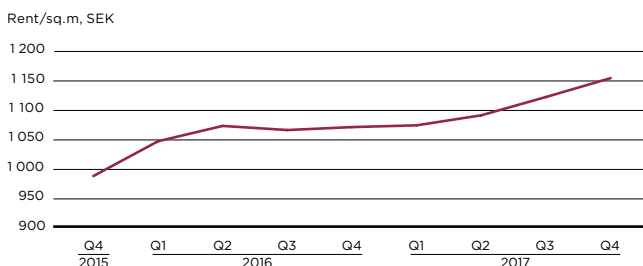
As a long-term property owner, we view the function and value growth of our properties over time, and plan for preventative maintenance to avoid urgent remedial action whenever possible.

Investments to reduce climate impact are another priority, and we executed energy-saving projects in 2017 that reduced energy costs by SEK 8.8 million. Tenants also increasingly value measures to reduce climate impact. Our positive dialogue with tenants had outcomes including us signing 61 Green Leases and building a major solar power plant in the year (see page 23).

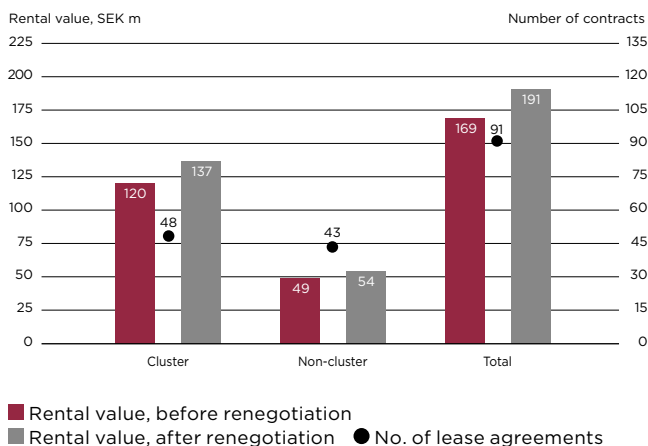
LEASING MANAGER OF THE YEAR 2017

The winners of *Lokalguidens* Leasing Manager of the Year 2016 were announced in early-2017, and Kungsleden’s professionals were recognised as the Best Leasing Team in Västra Götaland and in the rest of Sweden region, as well as Leasing Manager of the year in Västra Götaland and Skåne. No regional prizes were awarded for Leasing Manager of the Year 2017, although Kungsleden was nominated for Team of the Year.

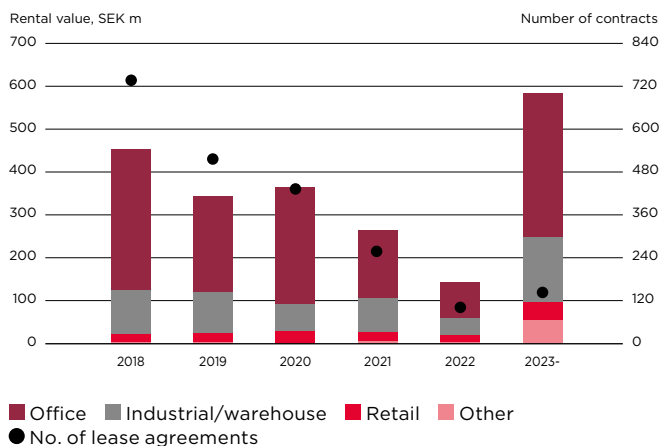
AVERAGE RENT



RENEGOTIATION, RENTAL VALUE - JAN - DEC 2017, BEFORE AND AFTER RENEGOTIATION



LEASE AGREEMENT MATURITY STRUCTURE, INVESTMENT PROPERTIES¹



1. Excluding housing, car parks and garages



“TENANTS WANT FLEXIBILITY – AND WE’RE GIVING IT TO THEM”

Kungsliden’s Head of Leasing Lena Bredberg is in no doubt about what’s important to become successful in leasing. You need to be responsive, solution-oriented, a good communicator and genuinely interested in your clients and their business. As well as being able to provide flexible premises and agreements.

“Flexibility is crucial. Business goes quickly today and you have to be fast moving to keep up. Our activities include preparing new concepts for co-working destinations and turnkey premises that can be leased furnished at short notice. This is what a lot of businesses want nowadays,” explains Lena.

Kungsliden won several awards in Leasing Manager of the Year in 2016, and a five-member leasing team used their win-

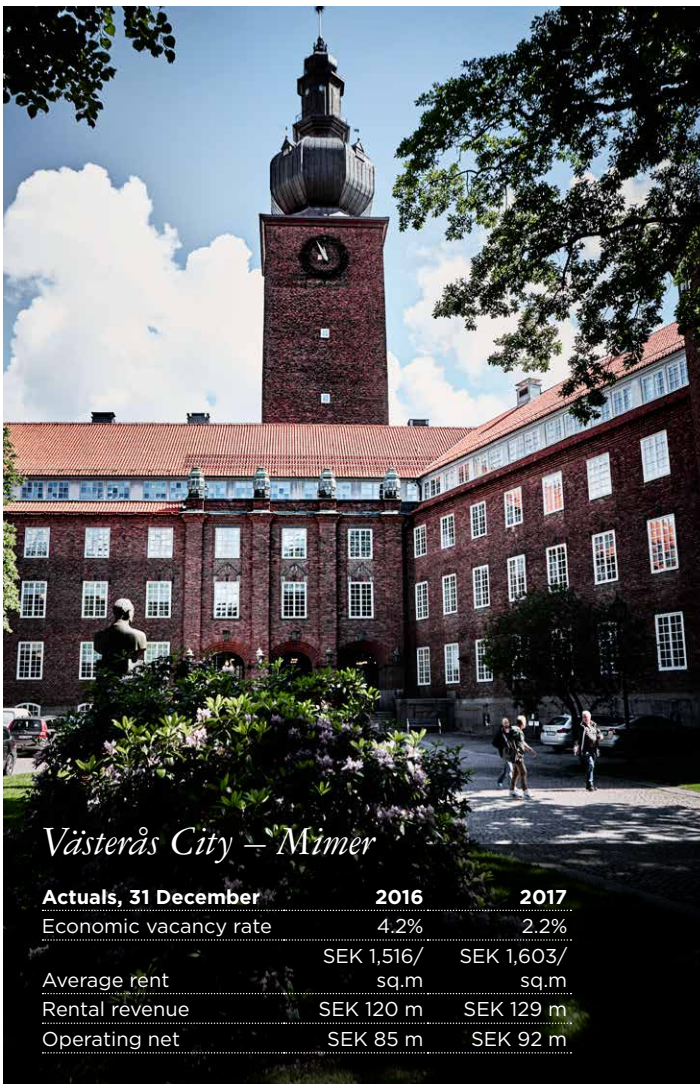
nings to fund a fact-finding trip to Chiswick, West London.

“The trends we’re witnessing are even more apparent in the UK, and it’s really interesting to see how they operate at Chiswick Business Park, where they’ve taken customer care and marketing to a new level. Customers are called guests, and they have staff dedicated to taking care of them and ensuring that they’re doing well”, says Lena Bredberg.



Hyllie – Isblocket (Vagnslidret 1)

Actuals, 31 December	2016	2017
Economic vacancy rate	3.2%	2.9%
Average rent	SEK 2,434/ sq.m	SEK 2,710/ sq.m
Rental revenue	SEK 7 m	SEK 12 m
Operating net	SEK 4 m	SEK 8 m



Västerås City – Mimer

Actuals, 31 December	2016	2017
Economic vacancy rate	4.2%	2.2%
Average rent	SEK 1,516/ sq.m	SEK 1,603/ sq.m
Rental revenue	SEK 120 m	SEK 129 m
Operating net	SEK 85 m	SEK 92 m

Högsbo – Järnbrott 168:1

Actuals, 31 December	2016	2017
Economic vacancy rate	10.2%	6.4%
Average rent	SEK 1,203/ sq.m	SEK 1,293/ sq.m
Rental revenue	SEK 18 m	SEK 19 m
Operating net	SEK 8 m	SEK 9 m



Fosie – Hästvagnen 3

Actuals, 31 December	2016	2017
Economic vacancy rate	7.6%	0%
Average rent	SEK 1,228/ sq.m	SEK 1,693/ sq.m
Rental revenue	SEK 8 m	SEK 9 m
Operating net	SEK 7 m	SEK 7 m





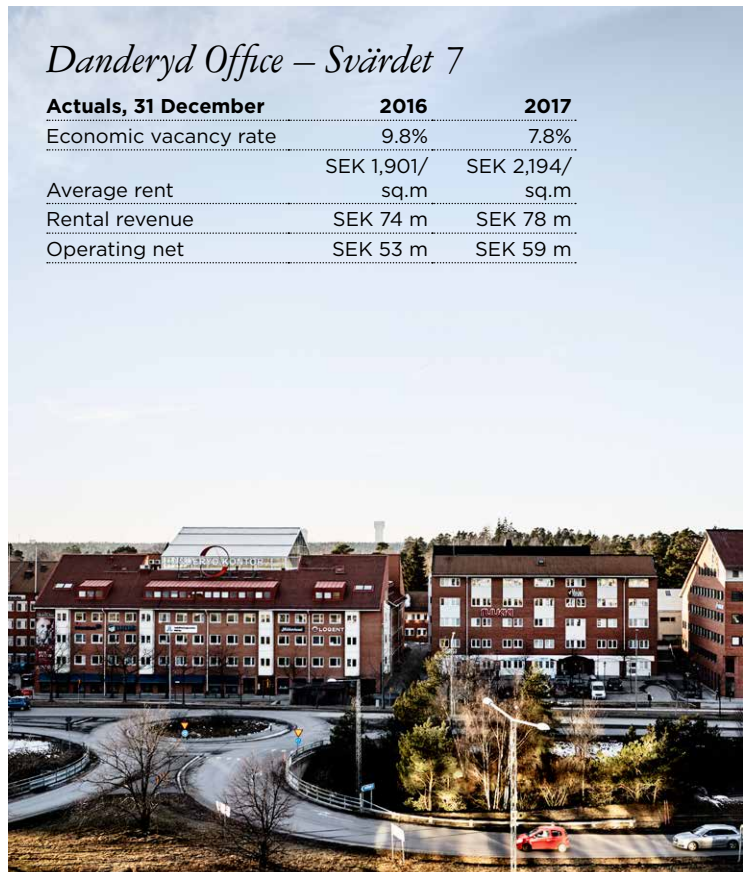
*Stockholm City West
– Lustgården 11*

Actuals, 31 December	2016	2017
Economic vacancy rate	2.1%	1.0%
Average rent	SEK 2,924/ sq.m	SEK 2,827/ sq.m
Rental revenue	SEK 19 m	SEK 20 m
Operating net	SEK 13 m	SEK 14 m



Göteborg – Gårda 19:10

Actuals, 31 December	2016	2017
Economic vacancy rate	5.9%	4.6%
Average rent	SEK 1,788/ sq.m	SEK 1,779/ sq.m
Rental revenue	SEK 5 m	SEK 6 m
Operating net	SEK 2 m	SEK 3 m



Danderyd Office – Svärdet 7

Actuals, 31 December	2016	2017
Economic vacancy rate	9.8%	7.8%
Average rent	SEK 1,901/ sq.m	SEK 2,194/ sq.m
Rental revenue	SEK 74 m	SEK 78 m
Operating net	SEK 53 m	SEK 59 m

WE'RE GROWING OUR CLUSTERS AND CREATING ATTRACTIVE LOCATIONS

Kungsleden is continuing to develop and expand its clusters, creating value for tenants, shareholders and wider society. A new property, Emporia Office in the Hyllie Cluster in Malmö, was accessed in 2017, while Kungsleden made further acquisitions in its Stockholm City West cluster. A number of cluster development projects are also ongoing.

The flagship property Emporia Office, consisting of 10,000 sq.m of offices in the expansive Hyllie quarter of Malmö, was accessed in 2017, and Kungsleden also signed an agreement to acquire three properties in the Stockholm City West cluster, Gladan 5, 6 and 7. The properties in Stockholm were accessed in the first quarter of 2018.

Kungsleden's clusters are located in high-demand locations in premises with good access, closeness to major traffic links, and often, well-developed public transport networks. Kungsleden judges that these locations offer high development potential. Six clusters have been acquired in the past four years, while others have been created from existing holdings through complementary acquisitions.

We have a local presence in most clusters, and leasing activity was very high in 2017. Net leasing in clusters amounted to SEK 59 million, compared to SEK 69 million for the portfolio overall.

CONTINUOUS DEVELOPMENT OF CLUSTERS

The vision for our clusters is to create the dynamic, vibrant and sustainable environments of the future that provide inspiration, security and are rewarding to visit at any time of day. Our vision is being taken forward in close collaboration with municipalities and other trendsetting presences in clusters.

Cluster development is continuous, and we held workshops on this topic in all clusters in the year. They dealt with issues including material sustainability aspects and a range of concepts and initiatives were resolved for the different clusters. For example, the Danderyd Office and Stockholm City East clusters started initiatives to promote healthy lifestyles, while Kista City is focusing especially on environmental measures. We have also had a central team analysing future needs and opportunities, producing action-plans and strategies for cluster development in place since 2016.

A café and restaurant was created in 2017 in the Stockholm City West cluster in a project at the property Lustgården 12, which has been a major contributor to the atmosphere of the location.

A construction project is ongoing in the property Stettin 6 in the Stockholm City East cluster, at Gärdet/Frihamnen, with construction start in 2018, involving the creation of state-of-the-art office premises. This property surrounds two light wells, which are being extensively planted, one becoming a creative centre of inspiration and recuperation, and the second an imaginative workspace. The region has many creative production companies and international trade businesses, as well as a central location, but also close to green spaces and the waterfront.

NEW CLUSTER CREATED IN 2018

Kungsleden created its twelfth cluster in the first quarter of 2018 by acquiring two office properties and car park in south-central Gothenburg. Alongside existing properties in the location, these new properties create a contemporary office cluster – Gothenberg South Central – with 52,000 sq.m of leasable area. Access will be in two stages as the buildings are completed, in early-2018 and early-2019 respectively.

KUNGSLEDEN'S CLUSTER 2017

		Leasable area, sq.m	Rental value, SEK m
Stockholm	Danderyd Offices	99,000	2,651
	Kista City	146,000	4,036
	Stockholm City East	89,000	3,207
	Stockholm City West	35,000	1,056
	Västberga Industrial estate	39,000	362
Gothenburg	Högsbo	108,000	1,131
Malmö	Hyllie/Svågertorp	50,000	1,238
	Fosie	54,000	643
Mälardalen	Västerås City	153,000	2,906
	Finnslätten industrial estate	236,000	1,553
Östersund	Östersund	79,000	1,002

DANDERYD OFFICE – POPULAR OFFICES WITH AN UNBEATABLE LOCATION

Kungsleden has four major office properties in Danderyd, north of Stockholm, with very good communications and access to services and natural spaces. We are the largest commercial property owner in the Municipality, with almost 100,000 sq.m of leasable area.

The properties are located next to the E18 Highway at Mörby Centrum Subway station, on major arterial route Vendevägen at Roslagsbanan station Mörby, and at the start of the Enebybergsvägen highway. They are also located at the centre of some of the most desirable residential estates in Stockholm.

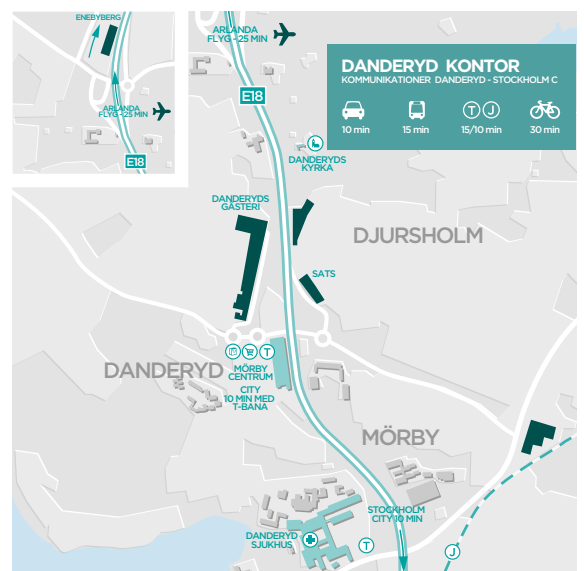
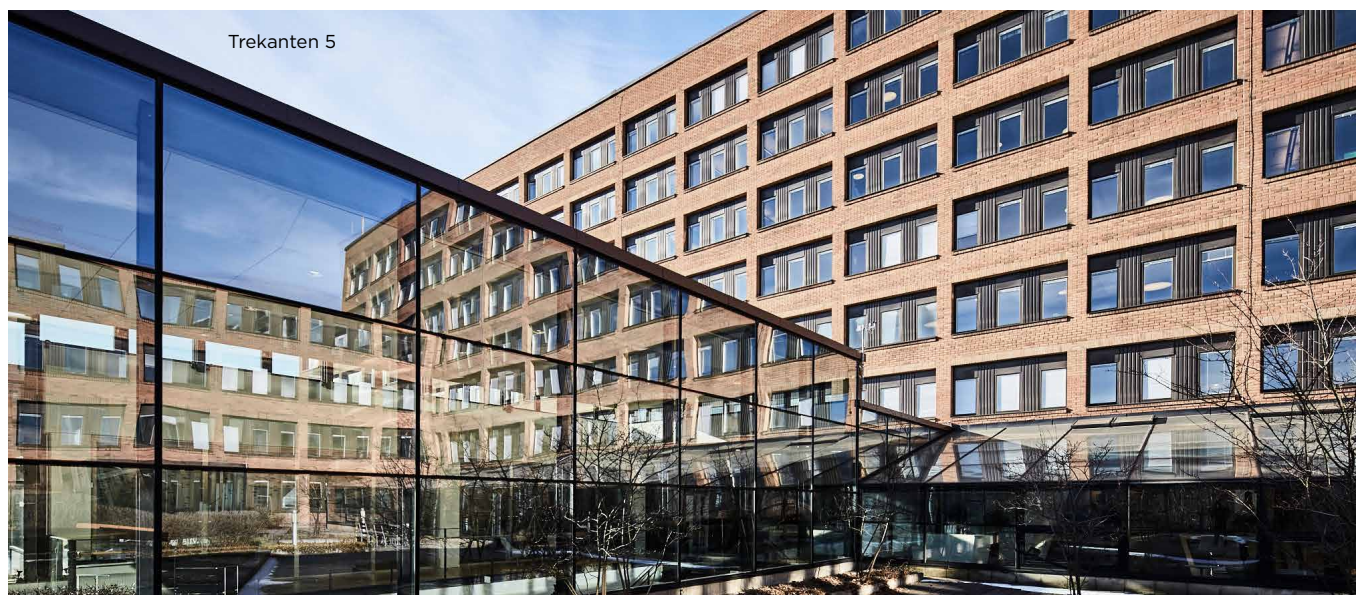
There is a very extensive selection of services such as restaurants, shopping centres, supermarkets, gyms and health centres, which will be further enhanced once the current conversion of Mörby municipal centre (which is changing name to Danderyd Centrum) is complete.

The cluster has two hotels and conference facilities, and there are others nearby.

DANDERYD MARKET	
Approx. total area (sq.m)	200,000 ¹
Rent level (offices, SEK/sq.m)	
Market rent	2,000
Peak rent	3,000

1. Area data sourced from Datscha. Sorted by locations where Kungsleden has clusters and according to type designations Kungsleden owns in each city.

KUNGSLEDEN'S CLUSTER: DANDERYD OFFICES	
Total leasable area, sq.m	100,000
Vacancy rate as of 31 Dec. 2017, %	6.2
Largest tenants	
-	Tobii
-	GE (General Electric)
-	Incoörd
-	Attendo
-	Greater Stockholm County Council



KISTA CITY – EUROPE’S PRIME INNOVATION CLUSTER

Kista Science City is Europe’s primary innovation cluster in ICT and one of Sweden’s fastest-growing locations. Kungsliden is the third-largest property owner here with some 146,000 sq.m of leasable area, including flagship property Kista One.

Kista Science City is hallmarked by the interplay between the business and academic communities, as well as public bodies, to keep developing Kista as a world-leading centre of research and innovative business. There are over 50,000 work-places and one of Stockholm’s prime shopping centres, Kista Galleria.

Kista Science City is 11 km north of central Stockholm, midway between Arlanda and Bromma Airports, and there is excellent road and rail access.

The area wise vacancy level in the area is approx. 20 per cent for offices.

KISTA SCIENCE CITY MARKET

Approx. total area (sq.m)	900,000 ¹
Rent level (offices, SEK/sq.m)	
Market rent	2,100
Peak rent	2,900

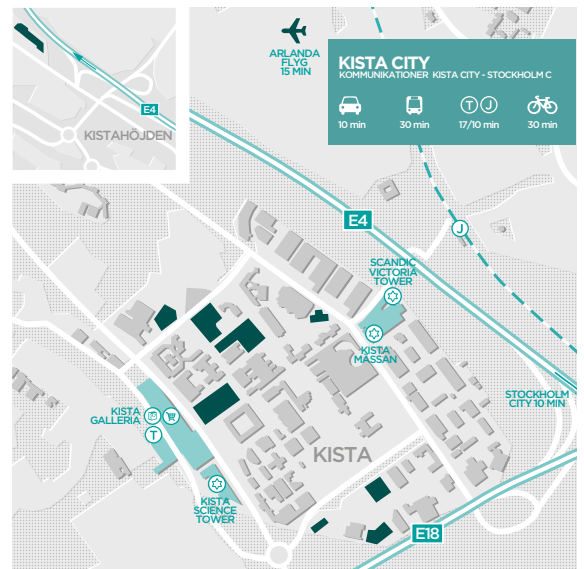
1. Area data sourced from Datscha. Sorted by locations where Kungsliden has clusters and according to type designations Kungsliden owns in each city.

KUNGSLEDEN’S CLUSTER: KISTA CITY

Total leasable area, sq.m	146,000
Vacancy rate as of 31 Dec. 2017, %	13.2

Largest tenants

- Municipality of Stockholm, Rinkeby-Kista District
- Huawei Technologies
- MYBW Office Management Gruppen
- Samsung Electronics
- Infor Sweden



STOCKHOLM CITY - DESIRABLE WITH SUBSTANTIAL

Kungsleden owns two clusters in central Stockholm – Gärdet/Frihamnen and on western Kungsholmen. Both locations are highly desirable and offer substantial development potential.

EXPANSION IN STOCKHOLM CITY WEST

The Stockholm City West cluster expanded in 2017 with the acquisition of three properties, Gladan 5, 6 and 7, on the same street as other properties in the cluster. Access is in 2018, after which Kungsleden will have 46,000 sq.m of leasable space in the location.

These new properties offer substantial development potential, and the objective is to develop them and create new, contemporary premises in the location. Kungsleden also enhanced the location's attractions in 2017 by creating a combined cafe/restaurant in the property Lustgården 12 (read more on page 44).

Western Kungsholmen is an expansive, contemporary, mixed urban quarter on the waterfront location with very good communications by subway into Stadshagen.

STOCKHOLM CITY EAST - A UNIQUE NEW MIXED URBAN QUARTER

Kungsleden's Stockholm City East cluster is in Gärdet/Frihamnen, comprising four properties of a total of 89,000 sq.m. This location is part of Stockholm's largest urban development area, which also has a distinct environmental profile.

The cluster already enjoys in abundant services, but the selection will be further enhanced as the quarter develops.

Purchasing power gets a boost from the many cruise liners that moor there. There is good access thanks to closeness to the subway, bus lines and cycle tracks, as well as the northern city ring-road.

STOCKHOLM CITY WEST MARKET		KUNGSLEDEN'S CLUSTER: STOCKHOLM CITY WEST	
Approx. total area (sq.m)	350,000	Total leasable area, sq.m	35,000
Rent level (offices, SEK/sq.m)		Vacancy rate as of 31 Dec. 2017, %	7.5
Market rent	3,000	Largest tenants	
Peak rent	3,600	- Bioarctic	
		- Kungsleden	
		- Hermods	
		- Metria	
		- Stockholms Läns Äldrecentrum	

STOCKHOLM CITY EAST MARKET		KUNGSLEDEN'S CLUSTER: STOCKHOLM CITY EAST	
Approx. total area (sq.m)	350,000 ¹	Total leasable area, sq.m	89,000
Rent level (offices, SEK/sq.m)		Vacancy rate as of 31 Dec. 2017, %	11.6
Market rent	2,800	Largest tenants	
Peak rent	3,200	- Sveriges Television	
		- The Swedish Board of Customs & Excise	
		- Biz Apartment Gärdet	
		- Swedish Defence High Command	
		- Mekonomen	

1. Area data sourced from Datscha. Sorted by locations where Kungsleden has clusters and according to type designations Kungsleden owns in each city.



See property map on page 49.

MALMÖ - UNIQUE OFFICES AND EXCELLENT INDUSTRIAL PREMISES

Kungsleden owns two clusters in Malmö – an expansive office cluster and well-located industrial cluster.

HYLLIE - EXPANSIVE AND CONTEMPORARY

Hyllie is an expansive mixed urban location with a sustainability profile west of central Malmö. When complete, some 12,000 jobs are planned, and an equal number of homes. Central Malmö, Kastrup Airport and Copenhagen are just a few minutes away by rail or car.

Kungsleden views Hyllie as a growth location, and accessed the newly acquired property Emporia Office, of just over 10,000 sq.m, in 2017. The cluster now has some 50,000 sq.m, of which 40,000 sq.m is offices, and also includes flagship properties Isblocket (Vagnslidret 1) and the MalmöMässan exhibition Centre. Kungsleden has also signed an agreement

with the Municipality of Malmö for land allocation of some 8,400 sq.m. gross area. The feasibility study was completed during the fourth quarter.

FOSIE - WELL LOCATED IN SOUTHERN MALMÖ

Kungsleden owns some 54,000 sq.m of offices, industrial and warehouse premises in the Fosiemy industrial estate south of central Malmö, where some 300 companies have a presence, many involved in manufacturing. A lease agreement was signed with electric car manufacturer Tesla at the property Domarringen 1, and in December, Tesla opened its new showroom in Fosie.

Fosiemy has a strategic location close to the city's inner and outer ring-roads, the E65 highway, and is a short distance from the Öresund link to Denmark.

HYLLIE MARKET		KUNGSLEDEN'S CLUSTER: HYLLIE	
Approx. total area (sq.m)		Total leasable area, sq.m	50,000 ²
Of which Emporia, 130 000 sq.m	400,000 ¹	Vacancy rate as of 31 Dec. 2017, %	2.8
Rent level (offices, SEK/sq.m)		Largest tenants	
Market rent	2,300	- Artexis Nordic - Malmö municipalitets parkerings-aktiebolag - Capgemini Sverige - Dormy Golf, Fashion - The Swedish Mapping, Cadastral & Land Registration Authority	
Peak rent	2,600	2. Includes 10,000 sq.m of car parking, which is not included in leasable area	

1. Area data sourced from Datscha. Sorted by locations where Kungsleden has clusters and according to type designations Kungsleden owns in each city.

FOSIE MARKET		KUNGSLEDEN'S CLUSTER: FOSIE	
Approx. total area (sq.m)	1,100,000	Total leasable area, sq.m	54,000
Rent level (industry, SEK/sq.m)		Vacancy rate as of 31 Dec. 2017, %	1.4
Market rent	600	Largest tenants	
Peak rent	875	- Mediplast - Heatex - Rusta - Cykel & sport i Malmö - Rörläggaren	

1. Area data sourced from Datscha. Sorted by locations where Kungsleden has clusters and according to type designations Kungsleden owns in each city.



See property map on page 51.

VÄSTERÅS – THE LARGEST OFFICE HOLDING IN SWEDEN’S SIXTH-LARGEST CITY

Kungsleden is easily the largest commercial property owner in central Västerås, with 153,000 sq.m of offices and a hotel in the city centre. We also have a large cluster in the Finnlätten industrial estate.

Västerås is Sweden’s sixth-largest city, and enjoys high growth and urbanisation. There are good communication links between Stockholm and Västerås, and Stockholm-Västerås airport and the Port of Västerås are contributors to positioning the city as a major transport node.

VÄSTERÅS CITY – INNOVATIVE CLUSTER DEVELOPMENT

With a large portfolio of high-profile properties in strategic locations, Kungsleden has great potential to play an active role in developing central Västerås, and offer clients unique, contemporary office premises. Kungsleden maintains a dialogue with parties including the City of Västerås on developing the city.

Kungsleden has two ongoing development projects in central Västerås. It started a feasibility study on the new production of offices in part of the property Verkstaden 7 in the fourth quarter of 2017. The development of a co-working concept of contemporary offices and meeting spaces is ongoing in Hus 26. The leasing process started in the fourth quarter, and is attracting substantial interest.

FINNGLÄTTEN – WELL-ESTABLISHED INDUSTRIAL ESTATE CLOSE TO MAJOR HIGHWAYS

Kungsleden owns eight properties with total leasable area of 236,000 sq.m of offices and industrial/warehouse premises in the Finnlätten industrial estate just north of Västerås. The estate is well located, close to Highway 56 and the E18 motorway.

Finnlätten has historical links to global industrial group ABB, but now houses a wide variety of businesses. Amazon and Northvolt announced their decisions to establish a presence in the estate in the year, contributing to increasing demand.

VÄSTERÅS CITY MARKET

Approx. total area (sq.m)	200,000 ¹
Rent level (offices, SEK/sq.m)	
A-location	2,200-2,600
B-location	1,600-1,800
Peak rent	2,800

KUNGSLEDEN’S CLUSTER: VÄSTERÅS CITY

Total leasable area, sq.m	153,000
Vacancy rate as of 31 Dec. 2017, %	3.8
Largest tenants	
	- ABB
	- Municipality of Västerås
	- Plaza i Västerås
	- ICA Fastigheter
	- Riksbyggen Ekonomiska Förening

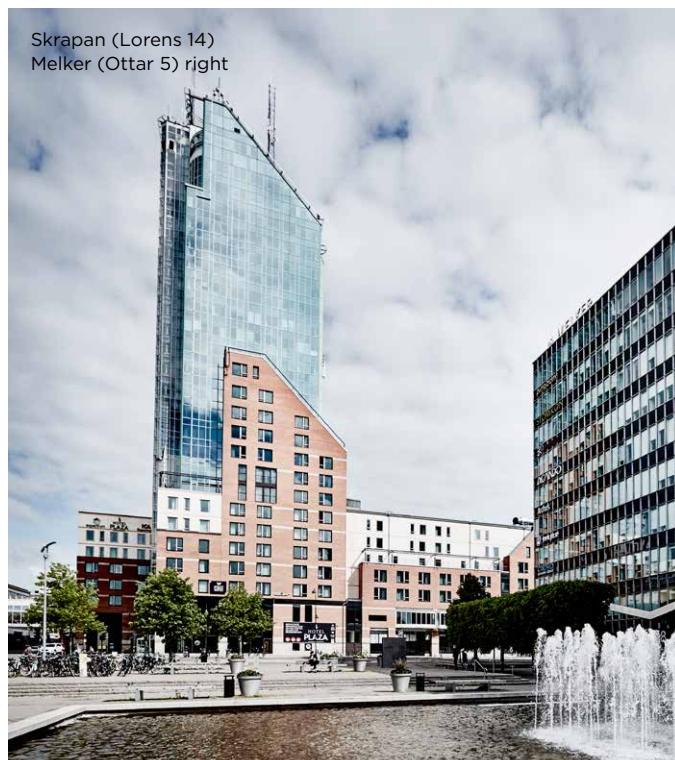
FINNGLÄTTEN MARKET

Approx. total area (sq.m)	294,000
Rent level (offices, SEK/sq.m)	
Market rent	800-1,100
Peak rent	1,250

1. Area data sourced from Datscha. Sorted by locations where Kungsleden has clusters and according to type designations Kungsleden owns in each city.

KUNGSLEDEN’S CLUSTER: FINNGLÄTTEN

Total leasable area, sq.m	236,000
Vacancy rate as of 31 Dec. 2017, %	6.7
Largest tenants	
	- ABB
	- Westinghouse Electric
	- Enics
	- Alfr. Anderssons Logistik
	- AQ Components



Skrapan (Lorens 14)
Melker (Ottar 5) right



Finnlätten 1

See property map on page 54.

HÖGSBO - A DISTRICT IN TRANSFORMATION

Högsbo/Sisjön in southern Gothenburg is one of the region's prime locations for industry, offices and retailing. An estimated 30,000 daily commuters across over 200 sectors work there. Kungsleden owns 19 properties, with some 108,000 sq.m of office, warehouse and industrial premises. Demand for premises is consistently high. Kungsleden built an ice cream factory for Lejonet & Björnen in Högsbo in 2017.

The location is strategic, close to the E6 motorway, the Dag Hammarskjöld highway and public transport hubs, while also being cycling distance from central Gothenburg and the sea-front. The City of Gothenburg is working on a long-term basis to convert the whole Högsbo/Sisjön location from a business centre into a vibrant mixed urban location. Zoning planning is ongoing to convert industrial sites into a mixed urban district in Norra Högsbo and Blå tomten (the former Pripps Brewery), with the first homes to be complete by 2021. There are also plans to bring a more urban character to Sisjön, and transform the Dag Hammarskjöld highway into a boulevard surrounded by housing, offices, services and retailing.

HÖGSBO MARKET		KUNGSLEDEN'S CLUSTER: HÖGSBO	
Approx. total area (sq.m)	1,100,000 ¹	Total leasable area, sq.m	108,000
Rent level (offices, SEK/sq.m)		Vacancy rate as of 31 Dec. 2017, %	6.3
Market rent	1,200	Largest tenants	
Peak rent	1,600	- Dentsply IH	
		- Stiftelsen Ebba Petterssons Privatskola	
		- Arkipelagen	
		- Brammer	
		- Municipality of Gothenburg	

1. Area data sourced from Datscha. Sorted by locations where Kungsleden has clusters and according to type designations Kungsleden owns in each city.



A NEW OFFICE CLUSTER FOR 2018: GOTHENBURG SOUTH CENTRAL

Kungsleden signed agreements to purchase two newly constructed office properties and a car park in central Gothenburg (Kallebäck 2:7, Kallebäck 2:11 and Kallebäck 2:9) in February 2018. Alongside existing properties, these new acquisitions create a contemporary office cluster – Gothenburg South-Central – with 50,000 sq.m of areas. These new properties have total leasable area of some 18,300 sq.m of offices and 11,600 sq.m of garaging.



ÖSTERSUND – CENTRALLY LOCATED OFFICES AND WAREHOUSING

Östersund is 560 km north-west of Stockholm, close to the E14 and E45 motorways. Major rail links pass through the city, carrying freight and passenger services. ÅreÖstersund Airport is 11 km west of central Östersund.

Kungsleden owns 79,000 sq.m of office premises in central Östersund, of a total portfolio of 300,000 sq.m. Its properties are located around the centre, close to Gustav III Square and the Central Station.

Kungsleden is building 3,000 sq.m of premises in Östersund at its property Karlslund 5:2 for the Swedish Prison & Probation Service. Scheduled construction start is in May 2018.

ÖSTERSUND MARKET		KUNGSLEDEN'S CLUSTER: ÖSTERSUND	
Approx. total area (sq.m)	300,000	Total leasable area, sq.m	79,000
Rent level (offices, SEK/sq.m)	1,100-1,700	Vacancy rate as of 31 Dec. 2017, %	4,2
		Largest tenants	
		- The Swedish Social Insurance Administration	
		- Jämtlands Gymnasieförbund	
		- The Swedish police Authority	
		- Jämtland County Council	
		- Berners Tunga Fordon	

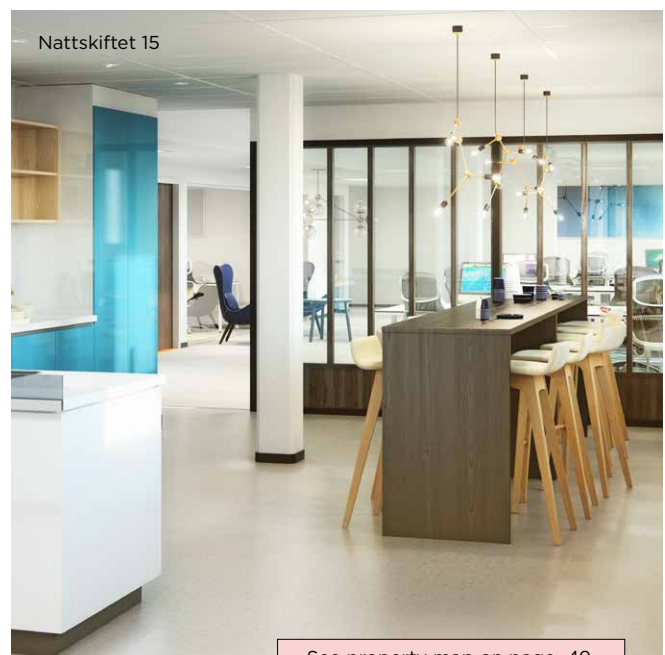


VÄSTBERGA INDUSTRIAL ESTATE – AN ATTRACTIVE LOGISTICS LOCATION IN STOCKHOLM

Västberga is one of the prime freight terminals in southern Stockholm, where Kungsleden owns 39,000 sq.m of warehouses and offices in an estate that houses some 600 businesses, with over 9,000 office and industrial workplaces. The estate lies in an attractive industrial and logistics location close to the E4/E20 prime arterial road route. It takes 15 to 20 minutes to get to central Stockholm on the E4.

The City of Stockholm's vision of creating a vibrant city in all districts also applies to Västberga, with housing, cafes and restaurants being added to the environment.

VÄSTBERGA MARKET		KUNGSLEDEN'S CLUSTER: VÄSTBERGA	
Approx. total area (sq.m)	400,000	Total leasable area, sq.m	39,000
Rent level (offices, SEK/sq.m)	600-1,200	Vacancy rate as of 31 Dec. 2017, %	10.5
		Largest tenants	
		- Screenbolaget	
		- TOOLS Sverige	
		- Digisign	
		- Realtryck	
		- Bring Citymail	



See property map on page 49.

VALUE-CREATING PROPERTY DEVELOPMENT

Kungsleden's new property portfolio offers high potential for profitable investment through tenant adaptation and modernisation. Value-creating development and improvement are an important cornerstone of our business model, and we are executing an ambitious investment programme worth over SEK 3 billion in 2017–2019.

INVESTMENT PROGRAMME

SEK m	2014	2015	2016	2017	PLAN	
					2018	2019
Development projects	-	14	141	312	600	500
Tenant adaptations and other value-creating investments	261	337	341	499	500	400
Maintenance investments	73	99	127	114	200	100
Total investment	334	450	609	925	1,300	1,000

Kungsleden develops the potential of its properties and creates new value – for the company and its surroundings – by improving existing buildings and driving zoning planning process for development rights. It conducts these investments on a project basis, which must be value creators and satisfy specific required yields. As a rule, the purpose is to increase future rental revenues by attracting new tenants or achieving higher average rents by making adaptations for existing tenants. This may involve altering property usage or floor plans, converting and extending, modernising and developing, as well as exploiting undeveloped land and development rights.

Kungsleden exceeded its ongoing operational goal of an investment volume of SEK 1-1.2 billion over three years in 2017, when the total volume of investments in the implementation phase reached SEK 1,133 million. Investments remain high – SEK 925 million was invested in 2017, and the total decided and planned investment programme for investment and development properties for 2017-2019 is estimated at just over SEK 3 billion.

The quality, and accordingly value, of properties is increased through development projects. Projects also often contribute to the long-term development of their locations, as was the case in the development of Lustgården 12 in western Kungsholmen in Stockholm, where a restaurant and café helped make the whole location more inviting. Two other examples include the development of a hotel and meeting space in the Blästern quarter in Vasastaden, Stockholm, and remodelling open access to the Tegnérgallerian shopping mall in central Växjö.

SEVEN PROJECTS IN IMPLEMENTATION STAGE

At year-end 2017, Kungsleden had 17 projects classified as development properties. They house significant areas that it is intentionally keeping vacant, or planning for vacation, on short-term leases or demolishing to enable major development projects.

As of 31 December, seven development projects, involving 11 individual properties, were in the implementation stage (category 1). These projects have a total investment volume of SEK 1,133 million, of which SEK 478 million had been capitalised by 31 December 2017. SEK 312 million was invested in 2017. When fully leased, these development projects will increase the company's full-year-rental revenues by SEK 126 million.

Kungsleden is constructing a 3,000 sq.m building for the Swedish Prison & Probation Service at its property Karlslund 5:2, including a detention centre. Construction start is in 2018.

SUCCESSFUL WORK ON DEVELOPMENT RIGHTS

Kungsleden has been highly successful in its strategy for utilising development rights by identifying opportunities, managing zoning plans and then divesting these rights. In the past two years, Kungsleden has divested some 180,000 sq.m of identified housing development potential, with pricing of between SEK 2,500 and 10,000/sq.m of gross area.

The estimated remaining potential housing development rights are of 270,000 sq.m, and Kungsleden expects the slow-down on the housing market that began in the fourth quarter 2017 to restrain demand for them somewhat. Planning work and feasibility studies are currently ongoing in some 20 properties in locations including Gothenburg, Järfälla, Örebro, Västerås, Umeå and Stockholm.

In addition to housing development rights, Kungsleden holds some 170,000 sq.m of existing and potential commercial development rights.

PARTNERSHIPS AND STRUCTURED PROCESSES

We conduct our development work in four stages – identification, feasibility study, project development and implementation – to ensure an effective, value-creating process. An assessment of sustainability aspects became a mandatory part of our feasibility study work in 2017.

We identify development projects in close interaction between staff within property development, management, transaction & analysis. The aim is to find hidden values in the existing portfolio, and to evaluate the development potential of possible acquisitions.

Once a development property has been identified, a feasibility study is initiated that analyses the property's technical and financial condition, location, market conditions, zoning plans and the local municipality's urban development plans. Prior to any decision on project approach, we also conduct a risk analysis with the aim of identifying the project with the greatest value potential and acceptable risk for Kungsleden. After taking its

TOTAL
INVESTMENT

925

SEK M, 2017

CLASSIFIED DEVELOPMENT
PROPERTIES

17

AT YEAR-END 2017

INVESTMENT VOLUME IN
IMPLEMENTATION PHASE

1,133

SEK M

COMMERCIAL DEVELOPMENT
RIGHTS APPROX.

170,000

SQ.M

decision on project approach, the project development process gets underway to assure the project's costings, schedule and revenue potential, as well as its viability.

Before entering the implementation stage, at least 50 per cent of the property's total areas should be leased, which safeguards Kungsleden's revenues and reduces risks in implementation.

Implementation is in close collaboration with our management resources, for reasons including ensuring that premises are improved consistent with clients' specific needs, and in away that promotes efficient management.

Kungsleden also plans a lot of its projects with the whole surrounding location in mind. Its intention is to create clear concepts and a well-considered overall experience that contributes to the location's long-term development. By executing this at an early stage, we can attract target groups that are important to the project and location, facilitating the leasing process and project implementation.

The company's employees have long-term experience of development projects and can also identify creative and profitable solutions in smaller locations that offer different potential to metropolitan areas.

DEVELOPMENT PROJECTS

Categories 1 and 2 in the table are Kungsleden's ongoing development projects, as well as planned and decided new construction projects.

CATEGORY 1 - INVESTMENT DECISION TAKEN/IMPLEMENTATION STAGE

Property	Category	Municipality	Completion	Leasable area, sq.m	Occupancy rate, %	Rental value fully leased, SEK m ¹	Investments			
							Investment amount, SEK m	Capitalised total, SEK m	of which 2017, SEK m	Plan 2018-2019, SEK m
Enen 10	Office	Södertälje	2018 Q2	6,000	77	14	145	143	48	2
1 Blästern 14 (phase 1)	Hotel	Stockholm	2018 Q4	11,400	100	39	325	149	111	176
(phase 2)	Office	Stockholm	2021	5,300	n/a	16	98	2	2	5
Holar 1	Hotel	Stockholm	2018 Q3	6,000	100	13	128	59	48	69
2 Tegnér 15	Retail	Växjö	2018 Q2	16,500	95	18	135	75	63	60
3 part of Karlslund 5:2	Social services (new production)	Östersund	2019	3,000	100	10	120	4	4	116
4 part of Laven 6	Retail (new production)	Umeå	2018 Q2	3,100	100	4	33	19	18	14
5 part of Gallerian 1 (4 properties)	Retail	Eskilstuna	2019	6,000	60	12	149	27	18	122
Sub-total				57,300		126	1,133	478	312	564

CATEGORY 2 - DECISION ON PROJECT APPROACH TAKEN/LETTING AND PROJECT PLANNING

Property	Category	Municipality	Completion	Leasable area, sq.m	Investment amount, SEK m	Plan 2018-2019, SEK m
part of Verkstaden 7	Office (new production)	Västerås	2019/2020	13,400	375	325
6 Land allocation Hyllie	Office (new production)	Malmö	2020	8,400	285	100
part of Mimer 5 - B:26	Office	Västerås	2018/2019	4,600	82	82
Sub-total				26,400	742	507
Total, categories 1 and 2				83,700	1,875	1,071

Categories 3 include projects in the feasibility study and leasing stages, as well as a selection of ongoing projects to create development rights.

CATEGORY 3 - FEASIBILITY STUDY AND LEASING

Property	Category	Municipality	Completion	Leasable area, sq.m
7 part of Terminalen 2	Office/Retail (new production)	Sollentuna	2020	15,000
part of Oxelbergen 1:2	Office	Norrköping	2019/2020	6,000
Julius 1	Office	Malmö	2019	3,000
Högsbo 14:3	Office	Gothenburg	2018/2019	3,500
Total				27,500

1. Including estimated rent based on sales.



B:26

6

CONCEPT FOR CREATIVE FORCES IN VÄSTERÅS CITY

B26 is part of the Mimer district in Kungsleden's Västerås City cluster. This building will undergo a major transformation. A new office concept has been developed, based on the idea of gathering companies and people with a shared interest in creativity and business under one roof. A building permit was previously granted for an extension of another two office floors and a roof terrace. The project involves a total of 4,600 square metres of leasable area. The leasing process got underway in the fourth quarter 2017 with a presentation of the new office and meetings concept for invited stakeholders, the local business community, neighbors and the media. This initiative gained a positive reception, and market interest is significant.

DESIGNER HOTEL, MEETING PLACE AND OFFICES IN STOCKHOLM CITY CENTRE

A hotel and contemporary office premises totaling 16,000 square metres are under construction in the Blåstern 14 property on Gävlegatan in central Stockholm. Hotel operator Nobis has signed a 20-year lease and is creating a designer hotel with generous restaurant, bar and lounge areas, including a courtyard and roof terrace, in partnership with Kungsleden. The hotel and offices are scheduled for completion in the fourth quarter 2018. The conceptual process for the office accommodation, phase 2 began in the fourth quarter 2017, and the hotel project's construction and tendering process continued.



3

KARLSLUND

SWEDISH PRISON & PROBATION SERVICE GETS THE GO-AHEAD IN ÖSTERSUND

An agreement on new custodial and probation premises has been signed with the Swedish Prison & Probation Service in Östersund (part of Karlslund 5:2). The project obtained the necessary central government approval in the fourth quarter for new construction of about 3,000 square meters. Project planning of the building permit and system documentation is ongoing, and scheduled construction start is in May 2018.



1

BLÅSTERN



TEGNÉR, VÄXJÖ

2

A NEW LEASE OF LIFE IN CENTRAL VÄXJÖ

The property Tegnér 15 on Storgatan in central Växjö is a mixed usage property including office and residential premises, as well as the Tegnérgallerian shopping mall, which has undergone major transformation recently, and is now in its final phase. This has involved the creation of a new commercial concept for the retail space, which includes bringing the district a new lease of life by removing parts of the inner walkway and adding more store entrances to the street. There was a phase opening including H&M on 29 November 2017, which attracted major interest. Rituals then signed a five-year lease on 220 square metres, and now only 90 sq.m remains unlet.



LAVEN 6



4

TERMINALEN 2

7

CONCEPT AND ZONING PLAN WORK IN SOLLENTUNA

A feasibility study for part of the property Terminalen 2 alongside the E4 motorway is ongoing in Sollentuna. The feasibility study is for the new production of office/retail premises. Conceptual work is being conducted in tandem with the zoning plan process.

TRAMPOLINING CENTRE IN UMEÅ

Kungsleden is constructing a new building at its property Laven 6 in Umeå to create a trampolining facility for Jump trampolining centre. Work is proceeding as planned, with tenant relocation scheduled for 28 March 2018.



GALLERIAN, ESKILSTUNA

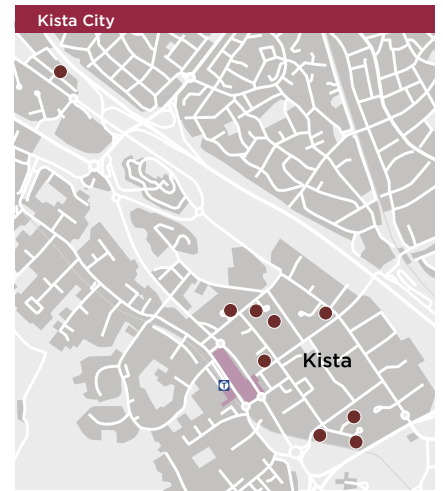
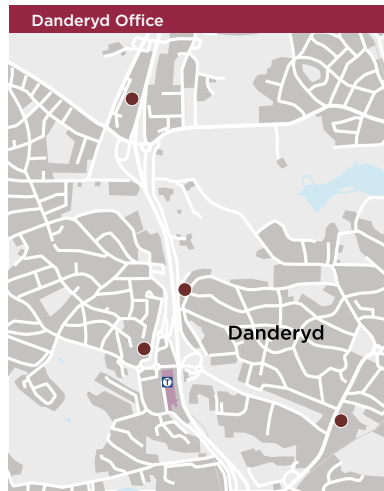
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CONTEMPORARY SHOPPING IN CENTRAL ESKILSTUNA

A development project is underway in the Gallerian mall at Fristadstorget in Eskilstuna. This development (which includes four individual properties) consists of a ground floor with retail premises, an upper level with office space and gym, as well as a basement level with accommodation including a car park and ten-pin bowling lanes. The current development project includes the retail premises on the ground floor and is intended to create a more contemporary and attractive retail environment for local residents. The leasing process intensified in the fourth quarter of 2017, and production for Hemköp, Systembolaget and neighbouring premises continued.

GREATER STOCKHOLM

Municipality	Cluster	Property name	Adress	Type	Area	Property management unit
Botkyrka	Other	Tunaberg 4	Tunabergsvägen 1	Retail	1,320	Stockholm
Danderyd	Danderyd Office	Bergudden 8	Berga Backe 2-4, Karlsrovägen 1-2 A-D	Office	19,330	Stockholm
		Muttern 3	Enebybergsvägen 10a	Retail	7,503	Stockholm
		Trekanten 5	Vendevägen 85 A-B, 87-91	Office	32,061	Stockholm
		Svärdet 7	Svärdvägen 1-31	Office	40,681	Stockholm
Haninge	Other	Jordbromalm 6:14	Lagervägen 11	Industrial/Warehouse	9,573	Stockholm
		Täckeråker 2:227	Gamla Nynäsvägen 3A	Retail	2,810	Stockholm
		Täckeråker 2:273	Gamla Nynäsvägen 3B	Retail	5,966	Stockholm
Järfälla	Other	Veddesta 2:37	Datavägen 7	Office	2,895	Stockholm
		Veddesta 2:65	Veddestavägen 15	Industrial/Warehouse	14,362	Stockholm
		Veddesta 2:73	Veddestavägen 17, Datavägen 7	Office	6,759	Stockholm
Sollentuna	Other	Gärdsmygen 4	Skolvägen 12, 14	Office	2,404	Stockholm
	Kista City	Terminalen 2	Kronäsvägen 35, Esbogatan 12-18	Office	15,152	Stockholm
	Other	Träböcken 1	Sofielundsvägen 2-6	Office	5,348	Stockholm
Solna	Other	Forellen 1	Björnstigen 4	Industrial/Warehouse	1,363	Stockholm
		Ugnen 5	Industrivägen 7	Office	3,690	Stockholm
Stockholm	Kista City	Borgarfjord 5	Torshamnsgatan 25, 27	Office	10,035	Stockholm
		Färöarna 3	Kistagången 20, 22, 24, 26, 28, 30	Office	37,814	Stockholm
		Holar 1	Skalholtsgatan 2	Office	5,628	Stockholm
		Holar 4	Skalholtsgatan 6-8	Office	7,292	Stockholm
		Hornafjord 1	Borgarfjordsg 7-13, Isafjordsg. 34-38	Office	22,841	Stockholm
		Keflavik 1	Isafjordsgatan 30 A-D, 32 A-D	Office	25,097	Stockholm
		Reykjavik 2	Borgarfjordsgatan 14	Office	11,892	Stockholm
		Torsnäs 1	Skalholtsgatan 5, 9, 11	Office	10,523	Stockholm
	Stockholm City West	Blästern 14	Gävlegatan 16, 18 A-C	Office	13,914	Stockholm
		Lustgården 11	Warfvinges väg 35, Strandbergsgatan 20	Office	7,474	Stockholm
		Lustgården 12	Warfvinges väg 29-33, Strandbergsg 12-18	Office	13,367	Stockholm
	Stockholm City East	Rotterdam 1	Hangövägen 18-20	Office	24,997	Stockholm
		Stettin 5	Sehlstedtsgatan 4-6	Office	17,470	Stockholm
		Stettin 6	Tegeluddsvägen 96, 98, 100	Office	25,899	Stockholm
		Tegeludden 13	Tegeluddsvägen 76-78	Office	20,612	Stockholm
	Västberga industrial estate	Dagskiftet 3	Elektravägen 18	Industrial/Warehouse	5,081	Stockholm
		Dikesrenen 2	Vretensborgsvägen 21	Industrial/Warehouse	4,463	Stockholm
		Domptören 4	Västberga Allé 4, Karusellplan 9-13	Industrial/Warehouse	4,455	Stockholm
		Nattskiftet 15	Drivhjulsvägen 22, 24, 26	Office	10,383	Stockholm
		Timpenningen 1	Västbergavägen 24	Industrial/Warehouse	12,301	Stockholm
		Vreten 20	Vretensborgsvägen 16	Industrial/Warehouse	2,599	Stockholm
	Other	Furudal 2	Fagerstagatan 4	Office	1,820	Stockholm
		Glas målningen 4	Nynäsvägen 297, 299, Skolvägen 10	Industrial/Warehouse	3,342	Stockholm
		Godsvagnen 9	Virkesvägen 21 B	Other	8,314	Stockholm
		Gulddragaren 24	Västertorpsvägen 136	Office	1,577	Stockholm
		Kantjärnet 4	Skebokvarnsvägen 370	Office	5,510	Stockholm
		Mandelblomman 3	Kronofogdevägen 60	Other	1,813	Stockholm
Sundbyberg	Other	Päronet 1	Ursviksvägen 129	Industrial/Warehouse	4,213	Stockholm
Södertälje	Other	Enen 10	Järnagatan 12	Office	6,041	Stockholm
		Traktorn 7	Gränsbovägen 8	Industrial/Warehouse	5,610	Stockholm
Tyresö	Other	Järnet 6	Bollmora Gårdsv. 2-18, Industriv. 1-15	Office	23,160	Stockholm
Täby	Other	Fräsen 1	Maskinvägen 2	Office	1,904	Stockholm
		Måttbandet 8	Måttbandsvägen 5	Retail	1,938	Stockholm
		Räknestickan 2	Tillverkarvägen 4	Industrial/Warehouse	928	Stockholm
		Tändstiftet 2	Enhagsvägen 4	Other	2,207	Stockholm
Upplands-Väsby	Other	Njursta 1:21	Jupitervägen 2	Industrial/Warehouse	13,484	Stockholm



GREATER GOTHENBURG

Municipality	Cluster	Property name	Adress	Type	Area	Property management unit	
Alingsås	Other	Bulten 1	Sävelundsgatan 2	Industrial/warehouse	18,381	GtbgMalmö	
		Plommonet 12	Noltorps Centrum 2, Noltorps Centrum 4	Retail	2,102	GtbgMalmö	
Gothenburg	Högsbo	Högsbo 10:17	Britta Sahlgrens gata 8 A-D	Industrial/Warehouse	10,068	GtbgMalmö	
		Högsbo 11:5	Britta Sahlgrens gata 5	Industrial/Warehouse	3,670	GtbgMalmö	
		Högsbo 13:2	E A Rosengrens Gata 13 A	Industrial/Warehouse	2,869	GtbgMalmö	
		Högsbo 13:4	E A Rosengrens Gata 19	Office	5,519	GtbgMalmö	
		Högsbo 13:6	E A Rosengrens Gata 17	Industrial/Warehouse	8,090	GtbgMalmö	
		Högsbo 14:3	Victor Hasselblads gata 16	Office	3,532	GtbgMalmö	
		Högsbo 14:7	Viktor Hasselblads gata 12	Industrial/Warehouse	3,621	GtbgMalmö	
		Högsbo 17:4	E A Rosengrens Gata 25	Office	1,804	GtbgMalmö	
		Högsbo 17:6	E A Rosengrens Gata 29 A	Office	4,520	GtbgMalmö	
		Högsbo 17:8	E A Rosengrens Gata 23	Industrial/Warehouse	2,165	GtbgMalmö	
		Högsbo 20:12	F.O. Petersons Gata 2	Industrial/Warehouse	6,107	GtbgMalmö	
		Högsbo 20:13	F.O Petersons Gata 4	Industrial/Warehouse	643	GtbgMalmö	
		Högsbo 24:13	August Barks Gata 21	Office	2,086	GtbgMalmö	
		Högsbo 27:8	August Barks gata 8	Industrial/Warehouse	2,556	GtbgMalmö	
		Högsbo 27:9	August Barks Gata 10	Industrial/Warehouse	9,608	GtbgMalmö	
		Högsbo 29:2	August Barks Gata 1	Industrial/Warehouse	9,888	GtbgMalmö	
		Högsbo 36:3	Norra Långebergsgatan 4	Industrial/Warehouse	3,570	GtbgMalmö	
		Järnbrott 168:1	Järnbrotts Prästvåg 2	Office	16,387	GtbgMalmö	
		Kobbegården 172:1	Datavägen 24	Office	11,353	GtbgMalmö	
	Other	Arendal 764:385	Sydatlantén 12	Industrial/Warehouse	10,105	GtbgMalmö	
		Backa 21:5	Exportgatan 47a	Industrial/Warehouse	8,765	GtbgMalmö	
		Gårda 19:10	Fabriksgratan 13	Office	3,767	GtbgMalmö	
		Krokslätt 34:16	Ebbe Lieberathsgatan 18a	Office	11,814	GtbgMalmö	
		Lundbyvassen 4:9	Regnbågsgatan 8 C	Office	3,609	GtbgMalmö	
		Rud 52:2	Klangfärgsgatan 11	Office	2,059	GtbgMalmö	
		Sävenäs 67:3	Torpavallsgatan 9	Office	5,171	GtbgMalmö	
		Tingstadsvassen 31:2	Ringögatan 29	Industrial/Warehouse	9,319	GtbgMalmö	
		Tynnered 1:13	Lergöksgatan 4	Office	6,258	GtbgMalmö	
		Älvsborg 178:8	Redegatan 9	Office	6,671	GtbgMalmö	
	Kungsbacka	Other	Varla 14:1	Borgås Gärdsväg 19	Retail	2,490	GtbgMalmö
			Sågen 14	Järnvägsgatan 36	Office	2,770	GtbgMalmö
			Varla 14:8	Magasinsgratan 12	Office	1,555	GtbgMalmö
	Mölnådal	Other	Kryptongasen 4	Kryptongatan 20	Industrial/Warehouse	8,291	GtbgMalmö
			Kryptongasen 7	Kryptongatan 22B	Industrial/Warehouse	5,000	GtbgMalmö
			Stiernhielm 7	Wallinsgratan 6	Office	6,578	GtbgMalmö
			Tingshuset 2	Kråketorpssgatan 16	Industrial/Warehouse	3,450	GtbgMalmö
			Vämmedal 2:110	Bangårdsvägen 37	Retail	4,527	GtbgMalmö
	Ädelgasen 1	Neongatan 5	Industrial/Warehouse	14,339	GtbgMalmö		
	Partille	Other	Lexby 2:29	Brodalsvägen 13 B-C	Industrial/Warehouse	10,526	GtbgMalmö



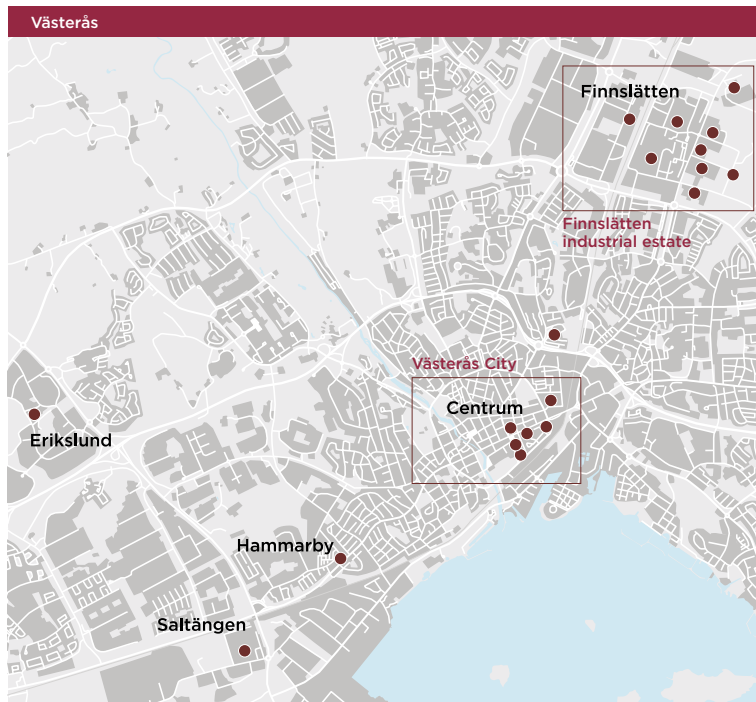
GREATER MALMÖ

Municipality	Cluster	Property name	Adress	Type	Area	Property management unit
Burlöv	Other	Tågarp 20:81	Lommavägen 39	Industrial/Warehouse	26,435	GtbgMalmö
		Sunnanå 12:34	Starrvägen	Industrial/Warehouse	5,316	GtbgMalmö
Kävlinge	Other	Löddeköpinge 14:54	Varuvägen 8	Retail	2,060	GtbgMalmö
Lund	Other	Flintan 4	Skiffervägen 18-20	Office	5,081	GtbgMalmö
		Lund Studentkåren 7	Tunavägen 39 A-H	Office	20,341	GtbgMalmö
		Företaget 8	Företagsvägen 28	Office	2,209	GtbgMalmö
		Verkstaden 5	Annedalsvägen 9	Office	7,134	GtbgMalmö
Malmö	Fosie	Domarringen 1	Boplatsgatan 2	Office	3,948	GtbgMalmö
		Dubbelknappen 20	Kantyxegatan 29	Office	7,000	GtbgMalmö
		Dubbelknappen 4	Kantyxegatan 25	Industrial/Warehouse	21,810	GtbgMalmö
		Holklyxan 6	Bronsyxegatan 13	Industrial/Warehouse	4,670	GtbgMalmö
		Hästvagnen 3	Agnesfridsvägen 126, Retailsgatan 1	Retail	5,349	GtbgMalmö
		Krukskärvan 11	Flintyxegatan 8 A	Office	2,672	GtbgMalmö
		Lerkärlet 3	Flintyxegatan 2	Industrial/Warehouse	1,148	GtbgMalmö
		Påskbuketten 5	Amiralsgatan 115	Office	1,116	GtbgMalmö
		Påskbuketten 6	Hästvägen 4 A	Office	2,140	GtbgMalmö
		Påskbuketten 8	Hästvägen 4 C	Office	1,796	GtbgMalmö
	Påskbuketten 9	Hästvägen 4 D	Office	1,395	GtbgMalmö	
	Påskbuketten 10	Hästvägen 4 E	Office	796	GtbgMalmö	
	Hyllie	Gefion 3	Nornegatan 6	Retail	3,257	GtbgMalmö
		Långhuset 1	Långhusgatan	Retail	894	GtbgMalmö
		Marknadsplatsen 8	Hyllie Stationsv. 42, Hyllie Boulevard 17	Office	10,254	GtbgMalmö
		Mässhallen 1	Hyllie Vattenparksg 2-10, 10 Mässg 6-12	Other	20,867	GtbgMalmö
		Vagnslidret 1	Arenagatan 8B	Office	4,576	GtbgMalmö
	Other	Brännaren 3	Industrigatan 13	Office	4,895	GtbgMalmö
		Brännaren 8	Agneslundsvägen 14	Office	5,395	GtbgMalmö
		Flygbasen 4	Höjdrodergatan 17	Office	1,681	GtbgMalmö
		Flygbasen 7	Höjdrodergatan 11	Industrial/Warehouse	1,252	GtbgMalmö
		Flygledaren 1	Höjdrodergatan 14	Office	990	GtbgMalmö
		Idrotten 7	Palmgatan 28	Other	0	GtbgMalmö
		Julius 1	Ahlmansg. 1, Claesg. 17, Spårvägsg. 2	Office	2,987	GtbgMalmö
		Klören 1	Volframgatan 5	Retail	7,810	GtbgMalmö
		Mölledalsskolan 3	Höjdrodergatan 12	Office	1,463	GtbgMalmö
		Noshjulet 3	Pilotgatan 5	Industrial/Warehouse	801	GtbgMalmö
		Rektangeln 9	Arlösvägen 10, 12	Office	4,576	GtbgMalmö
		Rödkallen 11	Bjurögatan 40, 42	Industrial/Warehouse	5,908	GtbgMalmö
		Sidorodret 3	Höjdrodergatan 2	Industrial/Warehouse	1,057	GtbgMalmö
		Skjutsstallslyckan 23	Lundavägen 56	Industrial/Warehouse	8,988	GtbgMalmö
		Sockeln 1	Krossverksgatan 32	Office	1,510	GtbgMalmö
		Spindeln 9	Singelgatan 8 - 10	Industrial/Warehouse	2,195	GtbgMalmö
Ventilen 3		Ventilgatan 6	Industrial/Warehouse	748	GtbgMalmö	
Vildanden 8		Geijersgatan 6-8	Office	8,561	GtbgMalmö	



VÄSTERÅS

Municipality	Cluster	Property name	Adress	Type	Area	Property management unit
Västerås	Finnslätten industrial estate	Effekten 2	Nätverksgatan	Office	31,063	Mälardalen
		Effekten 3	Elmotorgatan	Industrial/Warehouse	2,630	Mälardalen
		Effekten 4	Elmotorgatan	Industrial/Warehouse	26,493	Mälardalen
		Effekten 5	Fredholmsgatan	Office	21,952	Mälardalen
		Finnslätten 1	Tvärleden	Industrial/Warehouse	146,871	Mälardalen
		Finnslätten 4	Banmatarvägen	Industrial/Warehouse	8,185	Mälardalen
	Västerås City	Lorens 14	Kopparbergsvägen 13	Office	26,006	Mälardalen
		Mimer 5	Stora Gatan	Office	88,201	Mälardalen
		Ottar 5	Kopparbergsvägen	Office	20,405	Mälardalen
		Ottar 6	Kopparbergsvägen 2	Office	18,126	Mälardalen
		Västerås 5:9	Södra Ringvägen	Other	0	Mälardalen
	Other	Direktören 8	Köpingsv. 70, Sigfrid Edströms Gata 23	Retail	1,998	Mälardalen
		Effekten 6	Lugna gatan	Industrial/Warehouse	0	Mälardalen
		Effekten 7	Effektgatan	Industrial/Warehouse	0	Mälardalen
		Isolatorn 3	Gideonsbergsgatan	Office	42,750	Mälardalen
Kontaktledningen 1		Stenbygatan 10	Industrial/Warehouse	15,104	Mälardalen	
Linblocket 1		Hallsta Gärdsgata 26, Linblocksgatan 7	Retail	2,808	Mälardalen	
Verkstaden 7		Metallverksg., Sinterv., Östra Ringv.	Industrial/Warehouse	20,409	Mälardalen	
Örjan 1		Saltängsvägen	Industrial/Warehouse	52,564	Mälardalen	



REGIONAL CITIES AND OTHER

Municipality	Cluster	Property name	Adress	Type	Area	Property management unit
Borås	Other	Spindeln 12	Bergslenagatan 9	Retail	10,477	GtbgMalmö
		Kompaniet 2	Pickesjövägen 1 - 5	Other	1,849	GtbgMalmö
		Osdal 3:2	Lagercrantz plats 9	Office	18,496	GtbgMalmö
Enköping	Other	Stenvreten 4:1	Garnisonsvägen 1 - 13	Industrial/Warehouse	46,699	Stockholm
Eskilstuna	Other	Eskilshem 1:9	Nystrandsgatan 23	Office	3,761	Mälardalen
		Löddret 4	Filargatan 3	Industrial/Warehouse	5,901	Mälardalen
		Skiftinge 1:3	Gårdskålgatan 6	Retail	0	Mälardalen
		Speditören 1	Lundbladsvägen 6	Retail	11,161	Mälardalen
		Torlunda 1:80	Torestavägen 4	Retail	2,808	Mälardalen
		Valpen 1	Kungsgatan 68	Office	4,476	Mälardalen
		Verkmästaren 3	Rademachergatan 34	Other	3,406	Mälardalen
		Verkmästaren 4	Drottninggatan 4	Office	3,083	Mälardalen
		Verkmästaren 8	Bruksgratan 5, Rademachergatan 38	Office	3,998	Mälardalen
		Vipan 16	Kungsgatan 9	Retail	1,997	Mälardalen
		Vipan 17	Kungsgatan 7, Ridhusgatan 3	Office	3,502	Mälardalen
		Visheten 14	Kungsgatan - Careliigatan	Office	3,607	Mälardalen
		Visheten 15	Fristadstorget 3, Rademachergatan 9,	Retail	10,360	Mälardalen
		Värblomman 8	Kungsgatan 6-8	Retail	9,462	Mälardalen
Värblomman 11	Rademachergatan 7	Retail	5,874	Mälardalen		
Värblomman 12	Rademachergatan 1	Office	7,161	Mälardalen		
Halmstad	Other	Eketånga 24:56	Kundvägen 4	Retail	4,062	GtbgMalmö
		Eketånga 3:204	Jutaplatsen 3	Retail	2,376	GtbgMalmö
Helsingborg	Other	Kruthornet 1	Garnisonsgatan 46	Retail	2,700	GtbgMalmö
		Rausgård 22	Landskronavägen 11	Industrial/Warehouse	62,292	GtbgMalmö
Hässleholm	Other	Mården 7	Första Avenyn 14 A-D	Office	6,142	GtbgMalmö
Jönköping	Other	Ädelmetallen 15	Grossistgatan 14	Industrial/Warehouse	5,000	GtbgMalmö
		Översikten 6	Solåsvägen 22	Retail	10,477	GtbgMalmö
		Översikten 9	Solåsvägen 18	Retail	4,516	GtbgMalmö
Katrineholm	Other	Lövkojan 10	Köpmangatan 17, 19	Retail	8,524	Mälardalen
Linköping	Other	Gardisten 4	Kolfallsgatan 3A	Office	1,050	Mälardalen
		Greken 5	Rudsjög. 1, Rudsjög. 3, Södra Oskarsg 10	Industrial/Warehouse	3,490	Mälardalen
		Grundet 9	Sunnorpsgatan 4	Office	1,658	Mälardalen
		Isbjörnen 4	Tröskaregatan 5-35	Retail	2,611	Mälardalen
		Magnetbandet 3	Finnögatan 1	Industrial/Warehouse	5,207	Mälardalen
		Prislappen 1	Mörtlösa 1	Retail	4,180	Mälardalen
		Glasflaskan 1	Roxtorpsgratan 16	Industrial/Warehouse	2,958	Mälardalen
Norrköping	Other	Amerika 5	Sjötullsgatan 42, Söderleden 101	Industrial/Warehouse	2,286	Mälardalen
		Fotogenen 4	Importgatan 32	Industrial/Warehouse	7,472	Mälardalen
		Oxelbergen 1:2	Vikboplan 7	Office	26,155	Mälardalen
		Sågen 7	Rörgatan 6, 8	Industrial/Warehouse	935	Mälardalen
		Taktipinnen 1	Folkborgsvägen 17	Office	17,705	Mälardalen
Nyköping	Other	Asken 17	Hantverksvägen 7A	Industrial/Warehouse	1,870	Mälardalen
		Gumsbacken 12	Gumsbackevägen 5-9	Retail	13,202	Mälardalen
		Gumsbacken 15	Gumsbackevägen 5 A-B, 7, 9, 11, 13, 15	Other	0	Mälardalen
		Ribban 5	Brukslagarvägen 5, 7, 9	Office	39,944	Mälardalen
Trollhättan	Other	Läkaren 1	Lasarettsvägen 1-19	Other	31,007	GtbgMalmö
Uddevalla	Other	Barken 6	Junogatan 9	Office	4,242	GtbgMalmö
		Ran 20	Odengatan 3	Retail	1,644	GtbgMalmö
		Thorild 12	Kilbäcksgatan 2, 4, 6, 8, 10, 12	Retail	6,868	GtbgMalmö
		Varvet 3	Kasenabbevägen 8	Industrial/Warehouse	4,241	GtbgMalmö
Umeå	Other	Aspgården 18	Bölevägen 44	Industrial/Warehouse	11,373	Stockholm
		Laven 6	Illervägen 3	Retail	2,272	Stockholm
Uppsala	Other	Librobäck 3:3	Hållnäsgratan 6a	Retail	2,808	Stockholm
Växjö	Other	Deltat 1	Deltavägen 7	Office	2,526	GtbgMalmö
		Dockan 9	Västra Esplanaden 9 A-B	Office	14,595	GtbgMalmö
		Fyren 1	Ljungadalsgratan 17	Retail	5,273	GtbgMalmö
		Tegnér 15	Biblioteksgatan 1,3	Retail	16,418	GtbgMalmö
		Ödman 14	Liedbergsgatan 4	Office	5,014	GtbgMalmö
Ängelholm	Other	Älvdalen 1	Brandsvigsgatan 6	Industrial/Warehouse	11,816	GtbgMalmö
Örebro	Other	Arbetaren 1	Aspholmsvägen 12 A	Office	4,129	Mälardalen
		Lastaren 1	Transportgatan 22	Industrial/Warehouse	6,338	Mälardalen
		Rörläggaren 4	Boställsvägen 4	Office	2,468	Mälardalen
Östersund	Östersund City	Arken 7	Kyrkogatan 53	Office	1,317	Stockholm
		Arkivet 1	Arkivvägen 1	Office	2,006	Stockholm
		Retailsmannen 6	Köpmangatan 24	Office	8,966	Stockholm
		Karlslund 5:2	Fyrvallavägen 1 - 5	Office	58,680	Stockholm
		Läkarboken 5	Rådhusgatan 15 - 17	Office	6,040	Stockholm
		Verkstaden 11	Kyrkgatan 76	Office	2,402	Stockholm

SUSTAINABILITY - ACTIVITIES AND OUTCOMES

Kungsleden upscaled its activities in sustainability during 2017, consistent with its strategy of sustainability aspects permeating its whole business.

ENVIRONMENT

Energy and emissions

Kungsleden's ambition is to progressively reduce the energy consumption and emissions of its operations.

Its long-term goal is to reduce energy consumption by 20 per cent between 2014 and 2020, i.e. by 3 per cent annually. In like-for-like portfolio terms, with climate-corrected values, energy consumption decreased by 5.9 per cent in 2017.

The energy savings measures executed in 2017 reduced energy costs by some SEK 8.8 million. Additionally, adjustments of existing plant contributed to energy savings in the year, which generated a total saving of approximately SEK 13 million.

In order to reduce its emissions, Kungsleden utilises certified-source hydropower energy. Oil heating boilers are only present in a few properties, which are scheduled for conversion or demolition.

Kungsleden is constructing a solar power plant at a property in Östersund, with more detail on page 23. A combined small-scale solar cell plant and sunscreens were installed at the property Tynnered 1:13 in Gothenburg.

Environmental certification and Green Leases

Work on environmentally certifying portfolio properties continued, and by year-end 2017, 10 per cent of total property values were environmentally certified. A new certification strategy was adopted in the year, with the goal of half of the portfolio (in book value terms) holding environmental certification according to the internationally recognised standard LEED by year-end 2020. All properties should be certified before year-end 2025. The choice of LEED for environmental accreditation offers good potential for international comparisons and green bonds.

Kungsleden's head office at the property Lustgården 12 secured LEED Platinum certification in the year. (Read more on pages 13 and 22.) Supporting documentation for certification of the properties Reykjavik 2 and Borgarfjord 5 in Kista

ENERGY-SAVING MEASURES

SEK 8.8

M OF ENERGY COST SAVINGS IN 2017

LIKE-FOR-LIKE PORTFOLIO

-5.9%

ENERGY CONSUMPTION REDUCTION IN 2017

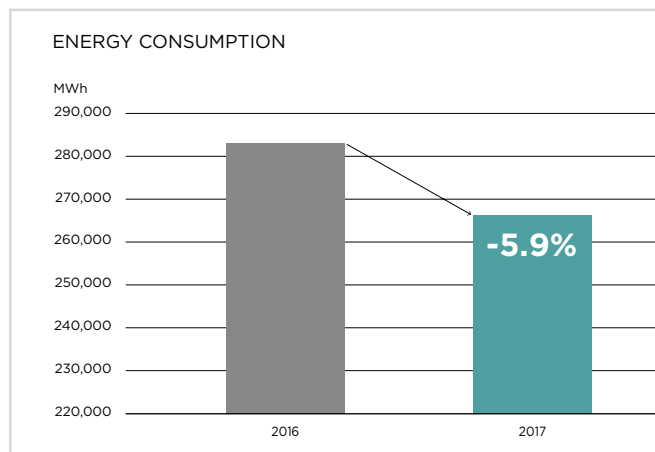
was filed before year-end. A decision on certification of these properties is expected in the first quarter of 2018. The property Gårda 19:10 also secured Swedish Environmental Building certification in the year, and Borgarfjord 5, Torsnäs 1 and Färöarna 3 also secured GreenBuilding certification.

Good collaboration with tenants is critical for achieving environmental goals. Accordingly, Kungsleden has implemented the objective of introducing Green Leases that include undertakings to reduce environmental impact for both property owner and tenant. The aim was to sign at least 50 new Green Leases in 2017. The tenant response was positive, and 61 new Green Leases were signed. All Kungsleden's management resources also received training on Green Leases in the year.

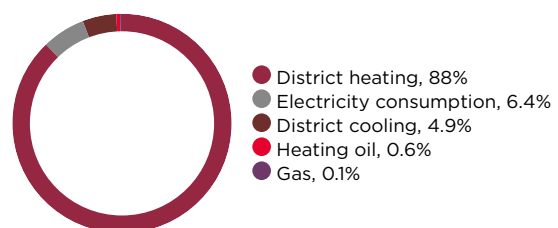
Sustainability in development projects

Kungsleden implemented procedures to capture sustainability issues in cluster development and development projects in the year. Workshops were held in eight clusters to plan for the development of each location. As a result, all clusters identified priority sustainability focuses and activities for the coming years.

As examples, Kista City is pursuing an environmental and diversity profile, while Stockholm City East and Danderyd Office are adopting a health profile. The clusters have practical action plans covering measures such as installing cycle storage and cycle workshops, increasing the number of charging points for electric vehicles and cycles, and completing environmental certification processes.



GREENHOUSE GAS EMISSIONS, 2017



In total, emissions reduced from 9.7 kg/sq.m to 6.9 kg/sq.m in 2017.

Sustainability has also been integrated into the development project proces. A sustainability programme has been prepared for all development projects, specifying the goals and requirements for each project. The Sustainability Manager also participates regularly in projects to ensure that they satisfy the standards of the adopted sustainability programme.

Commuting patterns were surveyed at the Stockholm City East and Kista City clusters in the year. The aims were to find out people's commuting habits, and identify possible improvements to increase satisfaction at the location. The research indicated that there was a significant difference in commuting methods between different properties in the same location, and that closeness to public transport links does not always mean high public transport usage. Respondents stated their wish for more charging stations for electric vehicles and cycles, as well as more cycle stands and storage points, and implementation has already commenced.

SAFETY

More building sites require more safety

Safety issues are becoming more complex and important as Kungsliden gains responsibility for more building sites related to its development projects. 16 audits and site visits were conducted in 2017. The intention was to follow up on procedures, policies and compliance. The visits primarily dealt with safety, business ethics and labour law issues. The audits had outcomes including new procedures for ensuring that Kungsliden's Code of Conduct is attached to all agreements with contractors, and initiatives to improve safety at building sites. Audits will continue in 2018.

Campaigns to remind people about safety work are also conducted each quarter, on issues such as snowfall from rooves, trip hazards and safety in roofing work.

BUSINESS ETHICS

Kungsliden has an Ethical Council that deals with issues and incidents on business ethics matters, and the risk of undesirable activities. Internal training programmes on internal and external business networking, conflicts of interest and incidental employment that started in 2016 continued in 2017.

Employee incidental employment was mapped at employee interviews for reasons including reducing the risk of conflicts of interest.

No cases of corruption were discovered in the year, although a number of instances of conduct in conflict with the company's values at individual level were discovered. These were dealt with in accordance with the stipulations of the Code of Conduct.

Our employees have undertaken to comply with guidelines and policies, and have access to a whistleblower function for reporting suspected breaches (see page 110 for a list of applicable policy documents). Reporting is possible via email or regular mail. Six informative meetings on the Code of Conduct were held in the year, two with tenants and four with employees.

Kungsliden regards its suppliers as an extension of its own operations. Before being accepted as a supplier, each supplier has to sign our Code of Conduct for Suppliers.

In tandem with us producing the Code in 2016, it was presented for over 150 suppliers and Kungsliden's core values and guidelines for internal and external business networking, health & safety plans, electronic registers of staff on building sites, and order and safety regulations at Kungsliden's sites were also discussed at these meetings.

Supplier meetings focusing on our Code of Conduct and business ethics will be arranged in 2018, similar to those in 2016.

SOCIAL RESPONSIBILITY

Kungsliden takes responsibility for its surroundings and people by working actively on the management of its properties and collaborating with tenants, municipalities and other local stakeholders. This results in attractive locations.

Our objective is to make an active contribution to a safer and more inclusive society. For this reason, Kungsliden's has been a main sponsor of the Fryshuset project since 2010. Kungsliden's has contributed to Swedish youth entrepreneurship initiative Sveriges ungdomsentreprenör, which inspires, supports and motivates young people to realise their dreams. Read more about our collaboration with the Jobbsprånget internship program on pages 18–19.

GLOBAL SUSTAINABLE DEVELOPMENT GOALS

We see clear connections between our work and the UN's Global Sustainable Development Goals, which is why we have mapped our operations linked to these goals.

The mapping process was conducted through several creative work meetings in partnership with an external consultant, coordinated by Kungsliden's Sustainability Manager Maria Sandell. Those goals judged most relevant to Kungsliden are Gender Equality, Affordable and Clean Energy, Reduced Inequality and Sustainable Cities and Societies.

STRATEGY, EMPLOYEES AND GRI

Please also read our sustainability strategy on page 22, and about our employees and diversity on pages 18–19. Complementary GRI disclosures are provided on pages 108–116.

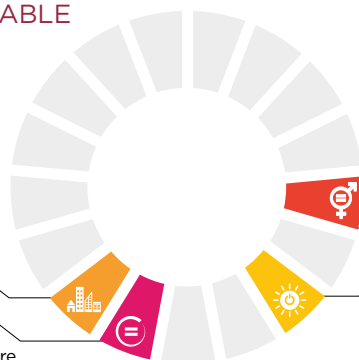
KUNGSLEDEN AND GLOBAL SUSTAINABLE DEVELOPMENT GOALS

GOAL 11: SUSTAINABLE CITIES AND SOCIETIES

As a major, long-term property owner, Kungsliden has the potential to influence public transport in the surroundings of its properties. Kungsliden also has the potential to influence planning, inclusion, resource-efficiency and adaptation to climate change in its clusters.

GOAL 10: REDUCED INEQUALITY

By working actively on vibrant urban spaces where there are spontaneous meetings between people whatever their background, Kungsliden enables encounters that contribute to reducing inequalities. Kungsliden also works actively on an open corporate culture that is inclusive and creates the potential for disadvantaged people to enter the labour market.



GOAL 5: GENDER EQUALITY

Kungsliden makes a contribution to gender equality by serving as a role model for the Swedish business community and continuing to work proactively for women and men having equal opportunities in their work and careers. Kungsliden has basically even gender division at the company's management levels.

GOAL 7: AFFORDABLE AND CLEAN ENERGY

By adjusting existing technology and investing in energy-efficient plant, Kungsliden can reduce the energy consumption of its properties. Kungsliden can source renewable energy for its property portfolio to promote the realignment of its energy mix to more renewable sources, as well as contributing its own locally produced energy.

FINANCING – ACTIVITIES AND OUTCOMES

Kungsliden’s financial position strengthened in the year, evidenced by the company receiving its first credit rating from ratings institute Moody’s – Ba1 with positive outlook. A rights issue of SEK 1.6 billion was implemented, and a Medium Term Note (MTN) programme was established to issue unsecured stock options and increase the total share of unsecured borrowing.

INCREASE IN EQUITY AND EQUITY/ASSETS RATIO

To strengthen Kungsliden’s balance sheet and enable further profitable growth with financial discipline through value-creating investments, a rights issue was conducted during the first quarter, which increased the equity with SEK 1,599 million. In total, the equity increased during the year with SEK 3,069 million to SEK 14,192 (11,123) million, equivalent to an equity/assets ratio of 45 per cent (37). Our objective is that over time, the equity/assets ratio should be a minimum of 35 per cent, and not fall below 30 per cent.

REDUCED LTV RATIO AND OPPORTUNITY TO ATTAIN INVESTMENT GRADE

Moody’s rating may be upgraded to investment grade, providing that Kungsliden’s LTV ratio does not exceed 50 per cent for the long term, and that the share of secured borrowings reduces. Kungsliden’s express ambition is to meet the terms of an upgraded rating in time.

As an expression of this ambition, the LTV ratio limit was sharpened in the year. The new guidance is an LTV ratio that does not exceed 50 per cent for the long term. The LTV ratio was 47.9 per cent at year-end, against 55.6 per cent at the beginning of the year.

INCREASED UNSECURED BORROWING

A stronger financial position and rating from Moody’s enabled upscaled borrowings from the capital markets through unsecured bond issues in the year.

This enables the diversification of borrowing and reduces dependency on traditional borrowings from banks against real estate security.

In the fourth quarter, a four-year bond of a total of SEK 1,350 million was issued, within the frame of a new MTN programme. Two further bonds, totalling SEK 1,150 million with tenors of 3 and 1.5 years respectively, were issued at the beginning of 2018. The proceeds from these issues were mainly used to repay a short-term secured bank loan to free up real estate security, and thus reduce the share of secured borrowings.

A WELL-DIVERSIFIED LOAN FINANCING

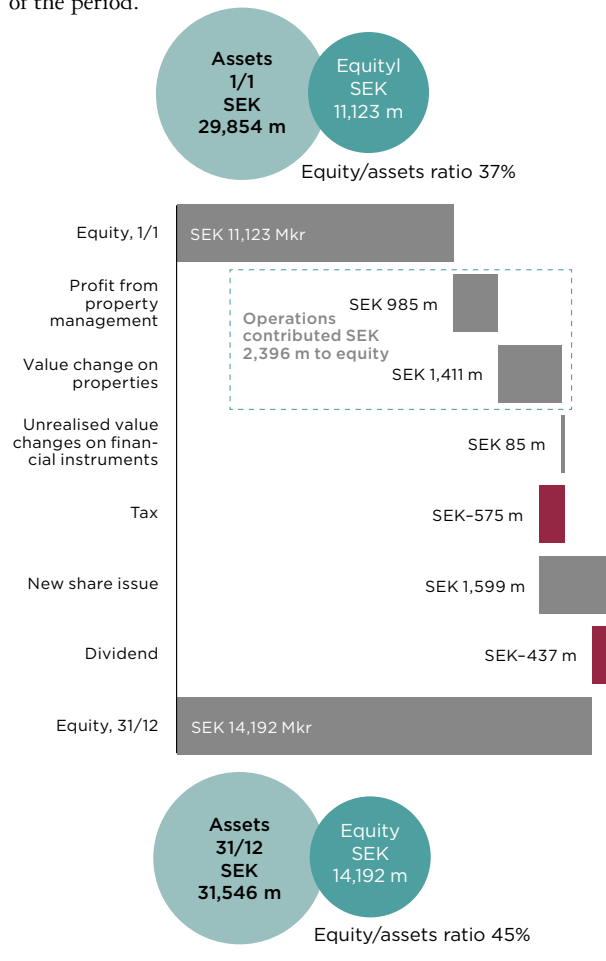
At year-end, the loan portfolio amounted to SEK 15,153 (16,511) million, of which 57 per cent was traditional secured bank credits and 24 per cent was loans from life insurance companies and mortgage institutions against security. Unsecured borrowings from the capital markets represented 19 per cent, of which commercial paper were 6 percentage points. There is a credit facility from banks that serves as backup for volumes issued from time to time within the company’s commercial paper programme, with a SEK 2 billion limit. Direct lending by life insurance companies and loans via mortgage institutions con-

tribute to expanding the loan portfolio, diversify counterparty exposure and significantly extend the remaining debt maturity of interest-bearing liabilities on competitive terms. The average remaining debt maturity extended in the year, to 4.7 (4.2) years at year-end. The average interest rate decreased further during the year and was 2.4 (2.9) per cent at year-end.

Collateral in properties is provided as security for loans from banks, life companies and mortgage institutions, either directly or through promissory notes, share pledges and parent company guarantees. Additionally, some loan agreements include covenants regarding interest coverage ratio, LTV ratio and equity/assets ratio – all of which were satisfied as of 31 December 2017.

EQUITY AND FINANCIAL POSITION IN 2017

Equity amounted to SEK 14,192 million at the end of the period.



INTEREST RATE DURATION AND SENSITIVITY ANALYSIS

The interest rate duration on the majority of our loans is short term (variable), and Kungsleden manages interest risk at an overall group level. The desired risk level for increasing interest rates is primarily achieved by using derivative instruments in the form of interest rate swaps.

Kungsleden closed out interest rate swaps on three occasions in the year, to a total amount of SEK 1,900 million with the aim of improving net financial income/expense as well as restoring the debt maturity profile after arranging a four-year, fixed-rate bond. The average fixed interest rate term as of year-end was 2.4 (3.4) years. The share of loans with maturities longer than 12 months was, with swaps taken into account, approximately 61 per cent at year-end.

With the current interest hedges, net financial income/expense is affected only marginally given a momentary increase in short interest rates. If Stibor 3-months instantaneously should rise by 100 basis points, the negative effect the next 12 months is an estimated 1-2 per cent of current profit from property management. The reason for the limited effect is mainly that the net interest income/expense on interest rate swaps initially improves if 3-month Stibor increases from the current negative level to zero.

CASH FLOW

For the full year, operations generated a cash flow after changes in working capital of SEK 855 million. Kungsleden paid a purchase consideration of SEK 790 million when accessing Emporia Office in Hyllie and Godsvagnen 9 in Hammarby Sjöstad. Additionally, SEK 925 million was invested in existing properties and projects in the period.

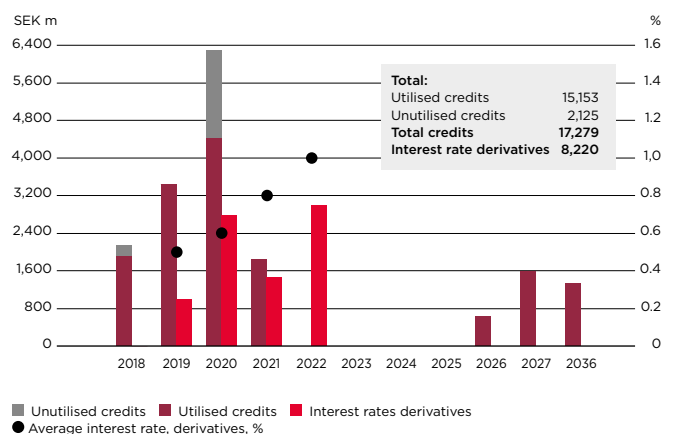
Share dividend of SEK 437 million for 2016 was disbursed and interest rate swaps were closed out through payments totaling SEK 397 million. Apart from proceeds from the new share issue of SEK 1,599 million, property divestments generated SEK 1,709 million. Accordingly, cash flow before changes in interest-bearing liabilities resulted in a reduction in net debt of SEK 1,614 million for the full year. On a net basis, SEK 1,358 million was used for the repayment of interest-bearing loans.

At the end of the year, cash and cash equivalents amounted to SEK 313 (57) million and total liquid funds available were SEK 1,458 (1,049) million including granted and available credit facilities after deduction of backup for issued commercial paper.

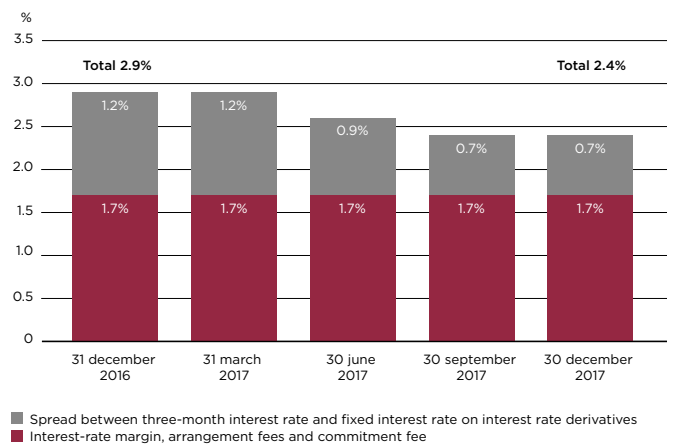
GREEN BONDS IN THE FIRST QUARTER OF 2018

Kungsleden issued successfully during the first quarter of 2018, its first green bonds at a total amount of SEK 2,500 million and a tenor of four years. Green bonds are used to finance sustainable assets and investments that contribute to decreased environmental impact. The demand for green investment alternatives is increasing and to issue green bonds is a natural move for Kungsleden.

MATURITY STRUCTURE OF CREDIT FACILITIES AND INTEREST

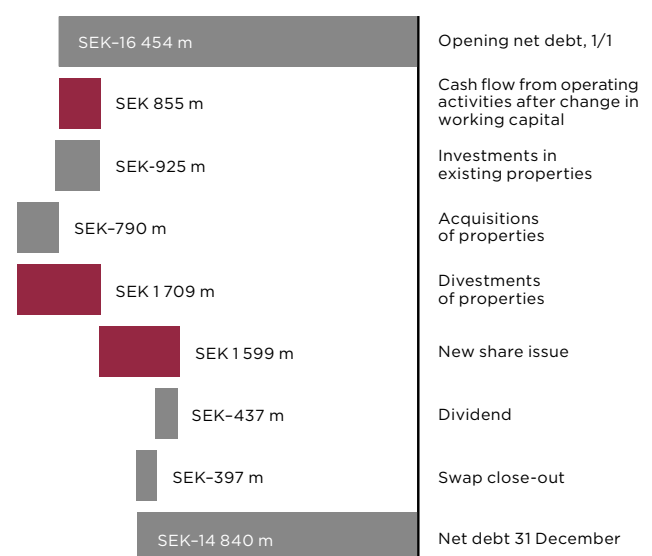


AVERAGE INTEREST RATE



The average interest rate is calculated by setting the interest costs on loans and interest rate swaps, arrangement fees and the costs associated with unutilised credit lines in relation to the outstanding loan volume at the reporting date.

CHANGE IN NET DEBT JANUARY-DECEMBER



RISK MANAGEMENT

Risk category and definition	Management
PROPERTY MANAGEMENT AND PROPERTY DEVELOPMENT	
<p>Rental revenues Kungsleden's rental revenues are influenced by several factors such as:</p> <ul style="list-style-type: none"> • Economic progress and new construction of commercial premises in local and regional markets where Kungsleden operates • The rate at which we develop our defined clusters • Tenants' earnings capacity and solvency • Changes in vacancy rates in our property portfolio • Dependence in specific tenants or sectors (concentration risk) • The quality of communication between property management and tenants • How attractive our client and premises propositions are • Missed indexation 	<ul style="list-style-type: none"> • Continued portfolio optimisation with the sale of properties with high risk • Complementary selective acquisitions within defined clusters. Being the dominant property owner in our clusters brings greater potential to influence rent levels • Work on developing complete locations • Investments and tenant adaptations • A diversified tenant mix representing a cross-section of the Swedish business community, varying in terms of size and between the private and public sectors • Maintaining a lease agreement portfolio with a fairly long contract length across the whole portfolio, of 4.0 years (4.0) • Competent Property Managers and Leasing Managers in close tenant dialogue • Ambition of arranging new lease contracts with indexation clauses stating minimum indexation, which provides some short-term protection against deflation
<p>Property costs Changed property costs can have a negative impact on our operating net and primarily consist of:</p> <ul style="list-style-type: none"> • Property tax and ground rent, which are difficult to influence. • Power, cleaning, heating, water, care and maintenance <p>Property tax and ground rent have the biggest impact on earnings alongside electricity and heating. The pricing of electricity is affected by supply and demand on the competitive electricity market, and seasonality in the cost of consumables and property care affect the company's cash flow and operating net.</p>	<ul style="list-style-type: none"> • Re invoicing of a high share of the cost of electricity and heating to tenants for leased areas, while costs for unoccupied space are met by the company • Property tax is re invoiced to tenants • Lease agreements with indexation clauses that mean Kungsleden is compensated for expenses not met by tenants increasing by 75-100 per cent of inflation • Continuous initiatives to reduce energy consumption and price hedging of specific volumes of electricity
<p>Development projects Development projects are value creators but can also be associated with risks such as:</p> <ul style="list-style-type: none"> • Increased credit risk on large-scale, tailored projects if tenants do not meet their rent commitments and Kungsleden is unable to find alternative tenants for the premises. • Lower project returns for major conversions and refurbishments being delayed and/or proving more costly than estimated • Reduced revenues on delays that prevent tenants from utilising premises on the expected date <p>Kungsleden is also dependent on receiving the necessary permits from regulatory authorities in order to execute projects.</p>	<ul style="list-style-type: none"> • Each project includes an initial risk analysis, which is monitored through project life-cycles • Project implementation does not begin until 50 per cent of areas are leased • In recent years, Kungsleden has accumulated organisational resources with a high level of competence and extensive experience of development projects • Kungsleden possesses rigorous and quality-assured processes and procedures for development projects • Final costing forecasts are conducted at least quarterly on all major projects, and actions are taken if these forecasts indicate delays or higher costs
CHANGES IN PROPERTY VALUE	
<p>Kungsleden accounts its properties at fair value (market value) which exerts a direct impact on earnings and financial position. The value of properties is affected by several factors:</p> <ul style="list-style-type: none"> • External factors that affect supply and demand such as business cycle phase, interest rate levels, loan financing and required returns • Contract and customer base structure • Kungsleden's capacity to improve and develop its properties 	<ul style="list-style-type: none"> • Active work on risk diversification in terms of property and tenant categories, geography and contract size • A target of balanced portfolio risk with limited impact of external factors • An average contract maturity of 5.2 years for its ten largest tenants, which means variations in market rents do not exert an immediate impact on rental revenues • Employees with extensive transaction experience

Risk category and definition	Management
<p>IT-RISKS</p> <p>Kungsleden is dependent on IT systems, which means that disruptions or faults in critical systems, as well as system breaches and fraud, may have a negative impact on earnings and external stakeholder confidence in the company. The inability to ensure expedient system support and IT infrastructure for operations may have a negative impact on our ability to achieve our business objectives.</p>	<ul style="list-style-type: none"> • Recent tendering and exchange of systems management provider, and a new technology platform, as well as the implementation of future-proof software, such as MS Office 365 • Regular updates of virus protection, penetration tests and email filtering • Continuous improvement, resulting in a strategy for external data warehousing and reducing the number of high-level system accounts • Internal training on payment execution and projects to ensure compliance with the EU GDPR have been conducted • A digital strategy for the customer offering, internal efficiency and innovation was prepared and adopted in 2017
<p>SUSTAINABILITY</p> <p>Environment The risk of soil contamination, which generates remediation costs, mainly in tandem with development, when property usage changes. Extreme weather events and climate change can also cause a risk of property damage.</p> <p>Business ethics and social conditions The risk of impropriety against Kungsleden by staff or suppliers that can damage the company's finances, brand and employee well-being.</p>	<p>Kungsleden has categorised all its properties according to the risk of soil contamination and takes proactive measures. At the time of acquisition, it maps the risk of soil contamination, environmentally hazardous building materials and climate risks. Climate change is managed by continuously improving maintenance.</p> <p>Kungsleden's internal activities are governed by policies and guidelines. Externally, work is governed by a Code of Conduct for Suppliers. Kungsleden also utilises external and internal communication on business ethics actively. Kungsleden has an internal Ethical Council that deals with potential incidents.</p>
<p>FINANCE</p> <p>Finance The risk of finance being unavailable, or only available on unfavourable terms.</p>	<p>A Finance Policy which:</p> <ul style="list-style-type: none"> • Stipulates the maximum share of funding that may be arranged from an individual lender respective the maximum share of borrowings that may become due for refinancing within one year • Stipulates that the average maturity of the whole funding structure may not exceed two years <p>Kungsleden works continuously on the maturity structure of its loan portfolio to limit financing risk, and maintains continuous discussions with current and potential lenders, as well as utilising alternative forms of finance on the capital markets.</p>
<p>Interest Fluctuations in market interest rates can exert an impact on earnings and cash flow. Financing through short fixed interest periods implies uncertainty regarding future financing costs. Rising short-term market interest rates raises interest rate costs on floating-rate loans.</p>	<ul style="list-style-type: none"> • Utilising interest rate derivatives and loans with fixed interest rate to increase the fixed interest term and predictability of ongoing interest expenses.
<p>Liquidity The risk of not having access to cash and cash equivalents or credit facilities to satisfy ongoing payment obligations.</p>	<ul style="list-style-type: none"> • The scale of available liquid financial assets and un-utilised credit facilities should satisfy the needs of transaction liquidity and the requirements of maintaining a liquidity reserve. At any time, Kungsleden should have contingency to meet at least three months' known payments including interest payments and loan roll-overs.
<p>TAX</p> <p>Changes to the regulatory structures governing corporation and property tax can impact on the potential for Kungsleden's operations positively and negatively, for example:</p> <ul style="list-style-type: none"> • Altered deduction potential for interest rate costs • Altered regulation on the sale of properties and companies that own properties • Changed corporation tax rates or property tax <p>Changed application of existing regulations and stipulations can also have a significant impact on the property sector, and thereby, on Kungsleden.</p>	<ul style="list-style-type: none"> • Proactive work on managing the Group's tax risks • Close collaboration between the treasury function, property management and transaction teams as well as clearly integrated procedures and controls • Continuous communication between the Board of Directors and Audit Committee regarding tax risks and the related processes • Analysis of complex tax issues in consultation with external advisors • Billing for property tax is usually reinvoiced to tenants for leased areas while tax for unlet premises is payable by the property owner



CORPORATE C

FROM THE BOARD OF DIRECTORS:

“Kungsleden’s corporate governance features commitment, open discussion and in-depth understanding of the company’s operations.”

GOVERNANCE

CORPORATE GOVERNANCE REPORT

Corporate governance is an important instrument in the work of building sustainable value for shareholders. With a clear and transparent framework for the segregation of duties, reporting and monitoring, Kungsliden can focus on the critical issues, and thus limit the risks in its operations.

As a listed company, Kungsliden conducts corporate governance that satisfies the stipulations of the Swedish Companies Act, the Swedish Annual Accounts Act, the Swedish Code of Corporate Governance (the Code) and Nasdaq Stockholm's Rulebook for Issuers.

The company applies the principles of corporate governance adopted by the AGM, as stated in the Articles of Association and the Instructions for the Nomination Committee. These documents are available at Kungsliden's website. Additionally, Kungsliden applies a number of corporate governance instructions that the Board has adopted, including Rules of Procedure for the Board of Directors, Instructions for the CEO, Instructions for Accounting Reports to the Board of Directors, Instructions for the Board's Committees, the Code of Conduct, Finance and Corporate Communication Policies.

APPLICATION OF THE CODE

The Code is to be applied by all Swedish companies who shares are listed for trading on a regulated marketplace. Pursuant to the Code's "comply or explain" principle, Kungsliden reports on potential non-compliance with the Code, explaining such non-compliance in its annual Corporate Governance Report. In the financial year 2017, Kungsliden did not depart from any of the Code's stipulations.

1. ANNUAL GENERAL MEETING (AGM)

The AGM deals with the issues ensuing from Kungsliden's Articles of Association and the Swedish Companies Act. Invitations to AGMs are as stated in Kungsliden's Articles of Association. The Meeting resolves in accordance with the stipulations on majorities stated in the Swedish Companies Act. One Kungsliden shareholder, Gösta Welandson and companies, holds shares that directly or indirectly represent at least one-tenth of the votes of all the shares of the company. As of 31 December 2017, Gösta Welandson and companies held 14.9 per cent of the company's shares and votes.

The AGM for the financial year 2016 was held on 25 April 2017. The Meeting resolved on matters including paying dividends, election of the Board of Directors, election of Ernst & Young AB as auditor, remuneration of the Board of Directors and auditor, guidelines for remuneration of senior executives, and election of the Nomination Committee. The Meeting also authorised the Board to decide on the re-purchase of treasury shares. The Board did not exercise this authorisation. The Chairman of the Board and the company's CEO reported on operations, the work of the Board of Directors and management, and events in 2016. The minutes from the AGM are available at Kungsliden's website.

The AGM for the financial year 2017 will be held on 26 April 2018 at the company's head office at Warfväges väg 31, Stockholm, Sweden. More detail on this year's AGM is in the final

section of this Annual Report, and at Kungsliden's website.

An invitation to the AGM will be available in English. Considering Kungsliden's ownership, and in terms of financial justifiability, the Board of Directors' opinion is that other documentation for the Meeting will be in Swedish only. For the same reasons, remote participation or simultaneous interpretation of the proceedings of the meeting will not be possible. After the Meeting has been held, a video recording of the CEO's address and minutes from the meeting will be available at Kungsliden's website.

Read more about Kungsliden's AGM at www.kungsliden.se/bolagsstammor

2. EXTRAORDINARY GENERAL MEETING (EGM)

Kungsliden held an EGM on 6 March 2017.

The EGM resolved to approve the Board's decision on a new issue of shares with preferential rights for existing shareholders, whereby the Board was authorised to determine the final terms & conditions of the issue. Six of the Board's seven members attended the EGM.

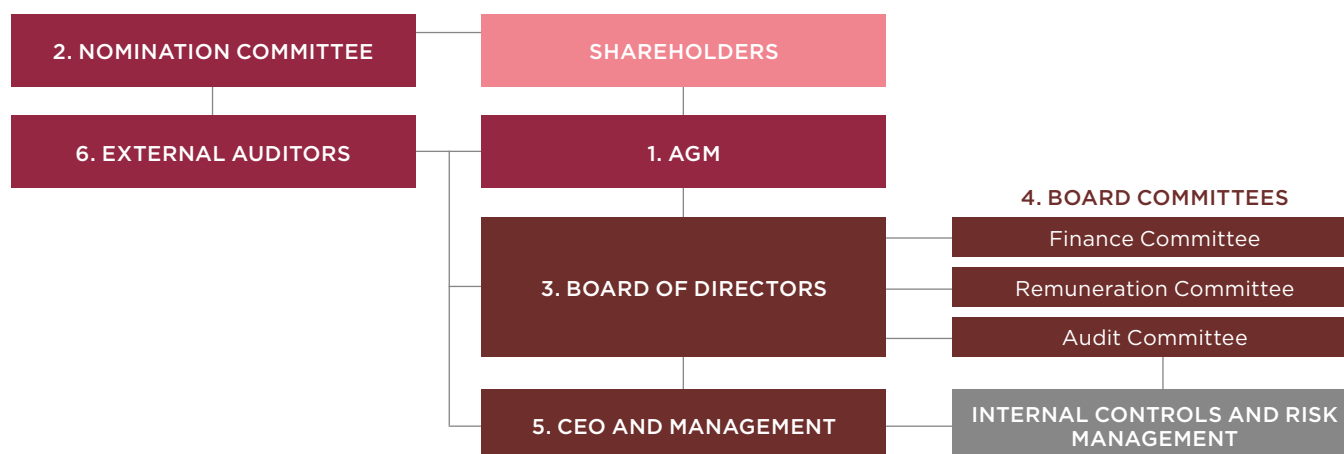
Read more about Kungsliden's EGM at <http://www.kungsliden.se/om-kungsliden/bolagsstyrning/bolagsstammor/>

3. NOMINATION COMMITTEE

The Nomination Committee makes proposals on the election of the Board of Directors and its Chairman, fees and other compensation to Directors, and election of a Chairman of the AGM. The Nomination Committee also makes proposals on the election of auditors and audit fees. In its work, the Nomination Committee should protect the interests of all shareholders. The Nomination Committee complies with the Code's stipulations on the size and composition of the Board, and as its diversity policy, applies rule 4.1 of the Code on the preparation of proposals for the election of Board members. Instructions for the Nomination Committee are available at the company's website.

The members of the Nomination Committee are elected at the AGM for a period until the end of the following AGM. The Nomination Committee should have a minimum of three and a maximum of five members. Three of the membership represent a shareholders that are among the largest in terms of the vote as of 31 January, and that also wish to participate in the work of the Nomination Committee, as well as the Chairman of the Board. If there are significant changes to ownership, the composition of the Nomination Committee may alter to reflect this. At least one of the members should be independent of the company's shareholders, in the manner stated in the Code. The Nomination Committee's composition is published as soon as a Nomination Committee has been appointed.

Eva Gottfridsdotter-Nilsson, Göran Larsson, Krister Hjelmstedt and Martin Jonasson were elected as members of the Nomination Committee by the AGM 2017. Göran Larsson is



Some external regulations affecting the governance of Kungsleden:

- The Swedish Companies Act
- Accounting regulation, including the Swedish Annual Accounts Act and IFRS
- Nasdaq Stockholm's Rulebook for Issuers
- The Swedish Code of Corporate Governance

Some external regulations affecting the governance of Kungsleden:

- The Articles of Association
- Board of Directors' Instructions and Rules of Procedure
- Internal guidelines and policies

also a member of the Nomination Committee in his capacity as Chairman of the Board. Eva Gottfridsdotter-Nilsson was appointed Chairman of the Nomination Committee. Shareholders that wish to make proposals to the Nomination Committee can do so by sending an email or letter to the Committee. The Nomination Committee's proposals and reasoned statements are published on the company's website by no later than the date of issuance of the invitation to the AGM.

Nomination Committee

Composition in March 2018

- Eva Gottfridsdotter-Nilsson, nominated by Länsförsäkringar Fondförvaltning, Chairman
- Göran Larsson, nominated by Gösta Welandson and companies, also Chairman of the Board of Kungsleden
- Krister Hjelmstedt, nominated by Olle Florén and companies
- Martin Jonasson, nominated by the Second Swedish National Pension (AP) Fund

For more information on the Nomination Committee, please go to: www.kungsleden.se/om-kungsleden/bolagsstyrning/valberedning/

4. BOARD OF DIRECTORS

The Board of Directors has been assembled to support management in Kungsleden's development actively and effectively. The Board should also monitor and control operations. Competence of the real estate sector, finance, business development and capital market issues are critical to the Board of Directors.

The Articles of Association stipulate that the Board should consist of a minimum of three and a maximum of eight members, with a maximum of two deputies. Board members and potential deputies are appointed at the AGM for the period until the end of the following AGM. The AGM 2017 re-elected Göran Larsson, Charlotte Axelsson, Joachim Gahm, Liselotte Hjorth, Kia Orback Pettersson and Charlotta Wikström. Ingalill Berglund was elected as a Director. No deputies were elected. The AGM elected Göran Larsson as Chairman. All members of the Board are considered independent of the company and management, while one of the Board members is considered to be non-independent of the company's major shareholders pursuant to the Code's definitions.

Board of Directors' responsibilities

The Board is responsible for the company complying with the Swedish Companies Act, the rules for listed companies, including the Code, other ordinances and laws, the Articles of Association and internal control instruments. The Board decides on strategies and goals, internal control instruments, major property acquisitions and divestments, other major investments, and financing. The Board of Directors is responsible for regular monitoring of operations, and ensuring that guidelines, organisation and management are expedient, that sustainability issues are considered, and that internal controls are satisfactory. The Board is also responsible for evaluating the executive management and planning for leadership succession.

The Board works to ensure high and consistent quality of financial reporting, through channels including instructions for accounting reports for the Board of Directors, through the Corporate Communication Policy and by considering potential observations, recommendations or proposals from the auditors or Audit Committee.

The Annual Report, Half-year Report and Year-end Reports are considered and approved by the Board. Over the years, the Board has decided to delegate publication of first and third-quarter interim reports, and the quality assurance of financial presentations and press releases, to management.

Chairman's responsibilities

The Chairman of the Board leads the work of the Board and ensures that the Board's decisions are executed. The Chairman also represents the company on ownership-related issues. The Chairman maintains an ongoing dialogue with the CEO and is responsible for other Directors receiving the information and supporting documentation necessary to reach well-founded decisions.

The work of the Board of Directors

The Board's work proceeds from Rules of Procedure, which are adopted annually. The Rules of Procedure formalise issues including the Board and CEO's responsibilities, the Chairman's duties, how and when Board meetings are held, as well as the agendas of meetings. The Board also adopts instructions for work on Board committees, and states the formats of financial reporting to the Board of Directors.

The Board should meet at least nine times annually. Each meeting follows an approved agenda. Decision-support data for each agenda item is sent to all members in advance.

The Rules of Procedure also stipulate that the Board should ensure that Kungsliden's auditors attend at least one meeting per year, presenting their observations from their audit of the company, and their assessment of the company's internal controls.

Proposals to the Board can be submitted by email to styrelsen@kungsliden.se

The work of the Board in 2017

The Board met on 14 occasions in 2017, with three meetings relating to the new share issue. Per capsulam meetings were also held on two occasions to deal with acquisition and divestment issues, and formalities relating to the new share issue. Attendance at Board meetings is stated in the table below. The matters the Board considered include Kungsliden's strategy, goals, business plan, markets, organisation, external reporting, acquisitions and divestments of properties, investments in existing properties, property valuations, arranging loans and other funding issues, and the principles governing variable compensation. The company's CEO, Deputy CEO/CFO and General Counsel, who is also Board Secretary, attended the meetings.

Appraisal of the work of the Board of Directors

The Board conducts an annual review of its working methods and procedures. This evaluation is intended to ensure functional processes for gathering information, reporting, analysis, planning and decision-making. The evaluation is also intended to ensure that the Board has the necessary competence. The results of this evaluation are reported to the Nomination Committee, and constitute supporting data for nomination work.

The appraisal was conducted with the assistance of external adviser Nordic Investor Services in 2017, which has been providing evaluation services to Kungsliden's Board for a number of years. In 2017, the evaluation consisted of a web-based form specially adapted to the company's operations. A number of central segments were reviewed, the most important being the Board's composition and expertise, and the dynamic between Board members, Kungsliden's continued progress with its focus on strategy work, and the Board's future challenges. Nordic Investor Services then compiled the results and presented them to the Chairman at the Board meeting in December. The results of this appraisal indicate that the Board is working effectively, has broad experience and a good competence base. Sentiment is open, and there is considerable trust between Directors. All Directors are working effectively, and demonstrate high commitment to their roles.

Remuneration of the Board of Directors and senior executives

Directors' fees are payable, pursuant to AGM resolution.

RESOLVED FEES AGM 2017 (SEK)	Chairman	Member
Board	475,000	220,000
Committees	40,000	40,000

Each year, the AGM adopts guidelines for remuneration and other employment terms of senior executives. According to the guidelines adopted by the AGM 2017, Kungsliden should offer the remuneration levels and employment terms that are necessary to enable hiring and retention of senior executives with a high level of competence and capability of achieving predetermined targets. The forms of remuneration should motivate senior executives to do their utmost to protect shareholders' interests. Accordingly, the forms of remuneration should be on market terms, straightforward and measurable.

In normal circumstances, remuneration to senior executives should consist of a fixed and a variable portion. The variable portion should be based on the senior executive's performance in relation to predetermined targets, or be associated with the total returns on the Kungsliden share, and have a predetermined maximum. Basic salaries of senior executives should be on market terms, and based on competence, responsibility, experience and performance. The amount of remuneration payable for 2017 is stated in note 7.

The AGM on 25 April 2017 adopted guidelines for remunerating senior executives, which also included a long-term incentive programme linked to the total returns on the share. Because two major private shareholders issued calls on Kungsliden's shares to senior executives in September, the Board has not implemented a long-term incentive programme. Accordingly, amendments to the guidelines are being proposed at the AGM on 26 April 2018, involving the long-term incentive programme being issued, with the maximum outcomes for the CEO and Deputy CEOs simultaneously being restored to 75 per cent of basic salary.

5. BOARD COMMITTEES

The Board has established internal Finance, Audit and Remuneration Committees, which are responsible for consulting on issues in each segment. Work proceeds from the instructions prepared for each Committee. The Board appoints the members of its Committees internally.

Finance Committee

The Finance Committee provides work on finance with a dedicated forum. The Committee should support the Board on proposals on finance issues, financial targets for the short and long term, issues relating to the company's financial risks, hedging measures and other duties within the auspices of the company's Finance Policy.

The Finance Committee elected at the Board meeting following election consists of Liselotte Hjorth (Chairman) Joachim

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2017	Board of Directors	Finance Committee	Remuneration Committee	Audit Committee
Göran Larsson	○ 14/16		3/3	3/5
Charlotte Axelsson	14/16			5/5
Joachim Gahm	16/16	6/6		
Liselotte Hjorth	15/16	○ 6/6		
Lars Holmgren ¹	8/8	0/1		1/1
Kia Orback Pettersson	16/16		3/3	
Charlotta Wikström	15/16		○ 3/3	
Ingalill Berglund ²	7/8	4/5		○ 4/4

C - Chairman of the Board/Committee

¹ Director until the AGM 2017

² Director effective the AGM 2017

Gahm and Ingalill Berglund. The Committee met on six occasions in 2017. Kungsleden's Deputy CEO/CFO, Finance Manager and one company lawyer attended meetings.

Audit Committee

The Audit Committee provides work on accounting and auditing with a dedicated forum. The Committee was engaged in activities including Kungsleden's internal control and monitoring systems, and quality assuring financial reporting. The Audit Committee also supports the Nomination Committee in its work on proposing the election of auditors, and the proposal on audit fees.

The Audit Committee elected at the Board meeting following election consists of Ingalill Berglund (Chairman), Charlotte Axelsson and Göran Larsson. The Audit Committee met on five occasions in 2017. Kungsleden's Deputy CEO/CFO, Accounting Manager and the company's external auditor attended meetings.

Remuneration Committee

The Remuneration Committee presents proposals to the Board regarding the employment terms of the CEO, remuneration limits for senior executives and principle issues regarding pensions, salaries, fees, benefits and severance pay. Committee work proceeds from the guidelines for remunerating senior executives approved by the AGM. The Remuneration Committee elected at the Board meeting following election consists of Charlotta Wikström (Chairman), Göran Larsson and Kia Orback Pettersson. The Committee met on three occasions in 2017.

6. MANAGEMENT

As of March 2018, the members of the company's management team were the company's CEO, the Deputy CEO/CFO, the Deputy CEO/CIO, Head of Property Development, Property Directors, Head of Marketing & Communications as well as the General Counsel. They are each responsible for their relevant segments within Kungsleden, and consult with the CEO on issues for the Board of Directors. The CEO takes the decisions in operating activities stated in the Instructions for the CEO after consulting with management.

Chief Executive Officer

Kungsleden's CEO is responsible for the practical management and coordination of operating activities. The CEO works on the basis of instructions adopted annually by the Board. The stipulations of these instructions include the CEO being responsible for the company's administration, reporting to the Board and issues that require decisions by, or notification of, the Board of Directors, such as adoption of interim reports and annual accounts, decisions on major acquisitions, divestments, major investments or capital allocations, arranging major loans or guarantees above a predetermined level.

7. EXTERNAL AUDITORS

The external auditors review the Board of Directors' and CEO's administration of Kungsleden, and verify that the annual accounts are prepared in accordance with applicable regulation. Ernst & Young AB was elected at the AGM 2017 as the parent company's auditor for the period until the end of the AGM 2017. Authorised Public Accountant Ingemar Rindstig is Auditor in Charge. Fees are payable in accordance with approved account. The Group's audit fee for 2017 was SEK 4 (3) million.

INTERNAL CONTROLS AND RISK MANAGEMENT

Internal controls are important for ensuring that the goals and strategies decided achieve the desired results, that there is compliance with laws and ordinances, and the risk of undesirable

events and misstatements in financial reporting is minimised.

The organisation of financial controls over financial reporting is reviewed below.

Control environment

Kungsleden's internal controls rest on the control environment the Board and management operate from continuously, as well as the decision paths, authorisations and responsibilities communicated within the organisation.

Risk assessment

Maintaining a clear view of the risk of the misstatement possible in external reporting, and that organisational resources and processes to manage these risks are in place, is a significant component of internal controls. Kungsleden works continuously and actively on mapping, evaluating and managing the risks the company faces in its financial reporting.

An assessment of risks of misstatement in financial reporting is conducted yearly for each line of the Income Statement, Statement of Financial Position and Cash Flow Statement. Processes are in place to minimise the risk of misstatement in those items subject to a material and/or increased risk. The processes apply not only to the actual accounting procedures, but also encompass business control and business planning processes, as well as IT systems.

The tools of operational control that have been produced are examples of control instruments. They are used firstly for preparations for property acquisitions and divestments, and secondly for overall monitoring of operations, as well as supporting data for valuations.

Control activities

Kungsleden has structured its internal controls so that control activities are conducted as a matter of routine, at an overall level, or are of a more process-oriented nature. Overall controls include ongoing performance analysis based on operational and legal group structure, and an analysis of KPIs. Formal reconciliation, authorisation and similar controls are examples of process-oriented controls designed to prevent, discover and rectify misstatements and variances. Control activities have been designed to address the material risks in financial reporting.

Information and communication

The Board of Directors receives regular accounting reports, and deals with the Group's accounting position at each scheduled Board meeting. The company's auditor makes a personal report on his observations from the audit and evaluation of internal controls once per year.

Kungsleden has a policy ensuring that employees can anonymously contact a third-party to report actions or other impropriety that involve breaches, or suspected breaches, of laws or other guidelines and regulations, anonymously and without consequence.

All potentially share price sensitive information is reported to the market via press releases. The company ensures that this information reaches the market simultaneously. The CEO and Deputy CEO are Kungsleden's designated spokespeople on financial issues.

Monitoring

The Board requires management to assess the risks of operations continuously. The results are compiled in reports that are presented to the Audit Committee.

Internal controls are considered satisfactory and expedient for an organisation of Kungsleden's scale. Kungsleden has no internal audit function.

BOARD OF DIRECTORS



Rear from left: Liselotte Hjorth, Kia Orback Pettersson, Charlotte Axelsson and Joachim Gahm.
Front from left: Charlotta Wikström, Ingalill Berglund and Göran Larsson.

GÖRAN LARSSON **CHAIRMAN OF THE BOARD**

Born in 1944, M.Sc. (Pol. Sci.)
Elected to the Board in 2013. Other current assignments: Chairman of Hestra-Handsken AB and Mappa Invest AB. Director of African Nuts & Seeds AB and Heliospectra AB. Independent of the company and management, but non-independent of major shareholders of the company. Holds 30,000 Kungsleden shares.

CHARLOTTE AXELSSON **BOARD MEMBER**

Born in 1948, B.Sc. in sociology/management.
Elected to the Board in 2014. Other current assignments: Chairman of Vasallen AB, ED Bygg Sverige AB, Stockholms Kooperativa Bostadsförening and Slättö Projektutveckling AB. Director of Slättö Förvaltning AB. Independent of the company, management, and major shareholders of the company. Holds 10,000 Kungsleden shares.

INGALILL BERGLUND **BOARD MEMBER**

Born in 1964, undergraduate qualifications.
Elected to the Board in 2017. Other current assignments: Director of Scandic Hotels Group AB, Veidekke ASA, Axfast AB, Bonnier Fastigheter AB, Balco Group AB, Juni Strategi och Analys AB and the Danvik Hospital Foundation. Independent of the company, management, and major shareholders of the company. Holds 7,246 Kungsleden shares.

JOACHIM GAHM **BOARD MEMBER**

Born in 1964, M.Sc. in business and economics.
Elected to the Board in 2011. Other current assignments: Chairman of Arise AB and Sustainable Growth Capital AB. Director of Catella AB och S & A Sverige AB. Independent of the company, management, and major shareholders of the company. Holds 3,199 Kungsleden shares.

LISELOTTE HJORTH **BOARD MEMBER**

Born in 1957, M.Sc. in economics.
Elected to the Board in 2014. Other current assignments: Chairman of White Intressenter AB. Director of Ativo Finans AB, Eastnine AB, Hoist Finance AB and Rikshem AB. Independent of the company, management, and major shareholders of the company. Holds 10,866 Kungsleden shares.

KIA ORBACK PETERSSON **BOARD MEMBER**

Born in 1959, M.Sc. in business and economics.
Elected to the Board in 2010. Other current assignments: Chairman of Fastighetsaktiebolaget Riksdalen, Mediaplanet International AB, St Eriks Vårdbolag AB and Teracom Group AB. Director of JM AB, Odd Molly International AB and Visual Art Sweden AB. Chairman of keep-fit non-profit organisation Friskis&Svettis Riks. Independent of the company, management, and major shareholders of the company. Holds 7,266 Kungsleden shares.

CHARLOTTA WIKSTRÖM **BOARD MEMBER**

Born in 1958, M.Sc. in business and economics.
Elected to the Board in 2009. Other current assignments: Director of Floréna Fastighets AB, Kampanilen Förvaltnings AB, African Nuts & Seeds AB, Ekbacken Fastigheter AB, Stardust Holding AB and Forsen Group AB. Independent of the company, management, and major shareholders of the company. Holds 2,616,556 Kungsleden shares.

Stated shareholdings are as of 31 December 2017, and include related party holdings.

MANAGEMENT



Rear from left: Anders Kvist, Marie Mannholt, Sven Stork, Biljana Pehrsson, Mats Eriksson, Ulrica Sjösward and Malin Axland.
Front from left: Frida Stannow Lind and Ylva Sarby Westman.

BILJANA PEHRSSON, CEO

Born in 1970. Employee since 2013. Previous experience: Deputy CEO/Head of Real Estate at East Capital Private Equity, CEO of Centrumutveckling, Director of Kungsliden in 2011–2013. Holds 60,000 Kungsliden shares and 15,000 shares in an endowment insurance related to her pension scheme. Also holds 100 000 stock options.

ANDERS KVIST, DEPUTY CEO & CFO

Born in 1958. Employee since 2012. Previous experience: Head of Group Treasury at SEB, Head of Asset Management at DnB and Skandia, CEO of Skandia Liv. Holds 48,399 Kungsliden shares. Also holds 85 000 stock options.

YLVA SARBY WESTMAN, DEPUTY CEO & CIO

Born in 1973. Employee since 2009. Previous experience: Deputy CEO at Newsec Investment AB, Property Development Director of NCC Property Development AB. Holds 8,799 Kungsliden shares.

MARIE MANNHOLT, HEAD OF COMMUNICATIONS & MARKETING

Born in 1966. Employee since 2014. Previous experience: Senior Consultant in property development at Mannholt Consulting, Head of Marketing/Senior Project Manager at Centrumutveckling, Head of Marketing at BMW/Rover, Regional Director of Volvo Cars. Holds 2,666 Kungsliden shares. Also holds 10 000 stock options.

FRIDA STANNOW LIND, HEAD OF PROPERTY DEVELOPMENT

Born in 1967. Employee since 2010, in current position since 2013. Previous experience: Property Director at Drott, Investment Manager at Niam, Property Development Director at Ebab. Holds 3,519 Kungsliden shares. Also holds 20 000 stock options.

SVEN STORK, HEAD OF REAL ESTATE, STOCKHOLM

Born in 1967. Employee since 2014. Previous experience: Key Account Manager at Newsec Asset Management AB, Asset Manager at Niam AB, Project Manager at NCC Property Development AB. Holds 360 Kungsliden shares. Also holds 25 000 stock options.

ULRICA SJÖSWÄRD, HEAD OF REAL ESTATE, GOTHENBURG/MALMÖ

Born in 1974. Employee since 2017. Previous experience: Regional Manager at Platzer Fastigheter AB, Regional Manager at ICA Fastigheter AB. Holds 3,800 Kungsliden shares. Also holds 25 000 stock options.

MATS ERIKSSON, HEAD OF REAL ESTATE, MÅLARDALEN

Born in 1963. Employee since 2015. Previous experience: Retail Business Director at Newsec Asset Management AB, Head of Property Development at Ica Fastigheter AB, Business Area Director of NIAM AB and Property Director at Siab AB. Holds 0 Kungsliden shares. Holds 10 000 stock options.

MALIN AXLAND, GENERAL COUNSEL

Born in 1974. Employee since 2007, in current position since 2013. Previous experience: Attorney at Mannheimer Swartling Advokatbyrå law firm, Clerk of Huddinge District Court. Holds 2,266 Kungsliden shares. Also holds 5 000 stock options.

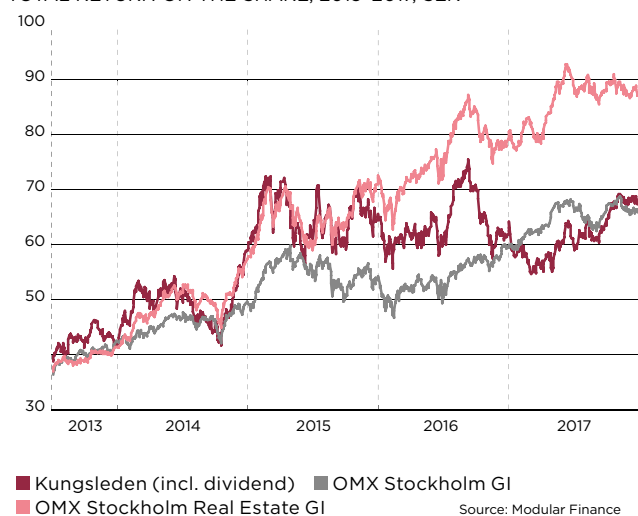
Stated shareholdings are as of 31 December 2017, and include related party holdings.

KUNGSLEDEN'S SHARE

Kungsliden's share is quoted on Nasdaq Stockholms Large Cap list. The market capitalisation at year-end was just over SEK 13 billion.

The price paid for the Kungsliden share at the beginning of the year was SEK 56.52, and SEK 59.50 at the end of the fourth quarter. The low was set on 14 March at SEK 49.04. The high of SEK 60.50 was on 30 October.

TOTAL RETURN ON THE SHARE, 2013-2017, SEK



SHARE CAPITAL AND TURNOVER

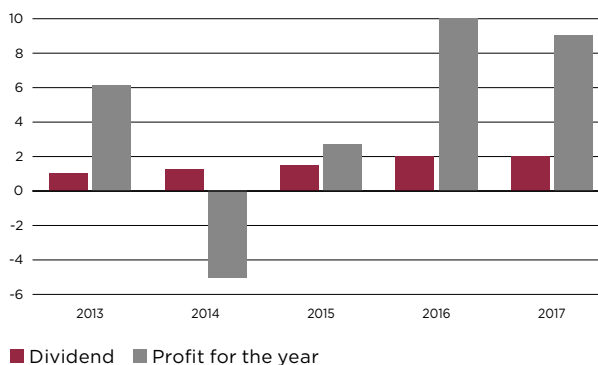
Kungsliden conducted a rights issue in the first half-year. This issue increased share capital by a total of SEK 1,599 million after deducting issue expenses of SEK 39 million. The share capital increase by SEK 15,166,895.83, to SEK 91,001,375.83. The new issue increased the number of ordinary shares by 36,400,550 to 218,403,302.

251.8 (16.7) million Kungsliden shares were traded in the year, with an aggregate value of SEK 13.6 (9.6) billion. Nasdaq Stockholm represented 52 (51) per cent of all trading in the Kungsliden share. While other marketplaces such as BATS, the LSE and Boat made up the remainder.

DIVIDEND POLICY

The company's dividend policy, which applies effective 2015, implies dividend progressing in line with the profit from property management. The profit from property management reduced only marginally in 2017, despite a significant loss in earnings from the divestment of non-strategic properties. In combination with improved prospects for the progress of the profit from property management from 2018, the Board is proposing that the dividend increases to SEK 2.20 per share for 2017, compared to the SEK 2.00 per share paid for the previous year.

EARNINGS AND DIVIDEND PER SHARE, 2013-2017, SEK



KEY FIGURES PER SHARE

Data per share	2017 Jan-Dec	2016 Jan-Dec
Dividend, SEK ¹	2.00	2.00
Total return on the share, %	8.8	-1.2
Share dividend yield, %	3.4	3.5
Profit from property management, SEK ²	4.66	5.31
Net profit for the period, SEK ^{2,3}	9.03	10.01
EPRA EPS (profit from property management after tax), SEK ^{2,3}	4.45	5.05
	31 Dec. 2017	31 Dec. 2016
EPRA NAV (long-term NAV), SEK ³	71.87	69.32
EPRA NNAV (long-term NAV), SEK ³	70.63	65.73
Equity, SEK ³	64.98	61.12
Share price ²	59.50	56.52

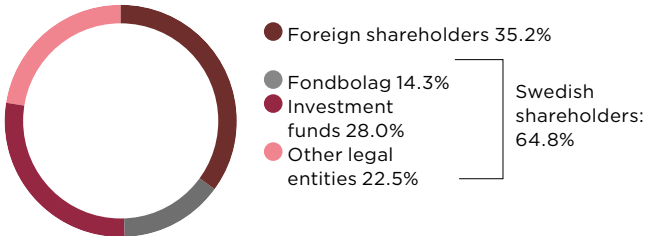
1. Dividend paid in the period.
2. Restated by an adjustment factor of 2.55% for the bonus issue element of the new share issue conducted in the first quarter of 2017.
3. Comparative figures restated for changed policy for recognising deductions received for deferred tax on acquisitions.

SHAREHOLDERS

Kungsleden had 23 009 (23 827) shareholders as of 31 December 2017. The ten largest shareholders controlled 39.9 per cent (33.7) of the capital and votes at year-end. The largest shareholder is Gösta Welandson and companies, whose holdings increased to 14.9 per cent (14.2) in the year.

At year-end, the proportion of foreign shareholders amounted to 35.2 per cent, and the proportion of Swedish shareholders was 64.8 per cent.

OWNERSHIP STRUCTURE AS OF 31 DECEMBER 2017



Source: Monitor from Modular Finance AB. Compiled and processed data from sources including Euroclear, Morningstar and the Swedish Financial Supervisory Authority.

SHAREHOLDERS AS OF 31 DECEMBER 2017

Namn	Number of shares	Prop. of capital, %
Gösta Welandson with companies	32,542,023	14.9%
Länsförsäkringar Fonder	8,779,525	4.0%
Handelsbanken Fonder	7,435,068	3.4%
Olle Florén with companies	6,600,797	3.0%
BNP Paribas Investment Partners	6,037,735	2.8%
Vanguard	5,739,268	2.6%
BlackRock	5,587,617	2.6%
Second Swedish National Pension (AP) Fund	5,503,966	2.5%
Norges Bank	4,667,547	2.1%
TR Property Investment Trust	4,230,553	1.9%
Total, 10 largest shareholders	87,124,099	39.9%
Foreign shareholders, other	50,670,924	23.2%
Swedish shareholders, other	80,608,279	36.9%
Total	218,403,302	100.0%

Source: Modular Finance

FOUR REASONS TO HOLD KUNGSLEDEN SHARES

FINANCIAL STABILITY

Kungsleden has a strong financial position with a low LTV ratio, high equity/assets ratio and high interest coverage ratio. Moody's rates us Ba1 with a positive outlook.

SOLIDITET

45%

Read more on page 24 and 58-59

LONG-TERMISM AND GEOGRAPHICAL CONCENTRATION

We are the long-term owner of a property portfolio concentrated on markets with high demand for premises – over 80 per cent is in our selected growth markets: Stockholm, Gothenburg, Malmö and Västerås.

82% of the property portfolio is in four priority growth markets in the end of 2017.

Read more on page 28

VALUE-CREATING INVESTMENTS

Kungsleden's new property portfolio offers good potential for value-creating investment. Investments progressively enhance the quality of the portfolio and improve its earnings capacity. Our value-creating investment programme in 2017-2019 is an estimated SEK 3 billion. The target is for these investments to generate a minimum IRR of 9 per cent, or a minimum yield on cost of 6 per cent.

TOTAL INVESTMENT IN 2017:

SEK 925 M

Read more on page 44-47

SUSTAINABLE DEVELOPMENT AND CLUSTER STRATEGY

Our cluster strategy involves us developing attractive and sustainable environments in partnership with other local players, which benefits Kungsleden, our tenants and wider society. By conducting management and development with a focus on minimised climate impact, we are gradually reducing our energy consumption and waste. As the Swedish stock market's best equal opportunities employer, we're also proud to serve as a role model in this respect. Activities in sustainable development are an integrated part of all our business operations.

SHARE OF THE PORTFOLIO IN CLUSTERS

2012: 23%

2017: 66%

Read more on page 20-22 and 36

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PARENT COMPANY

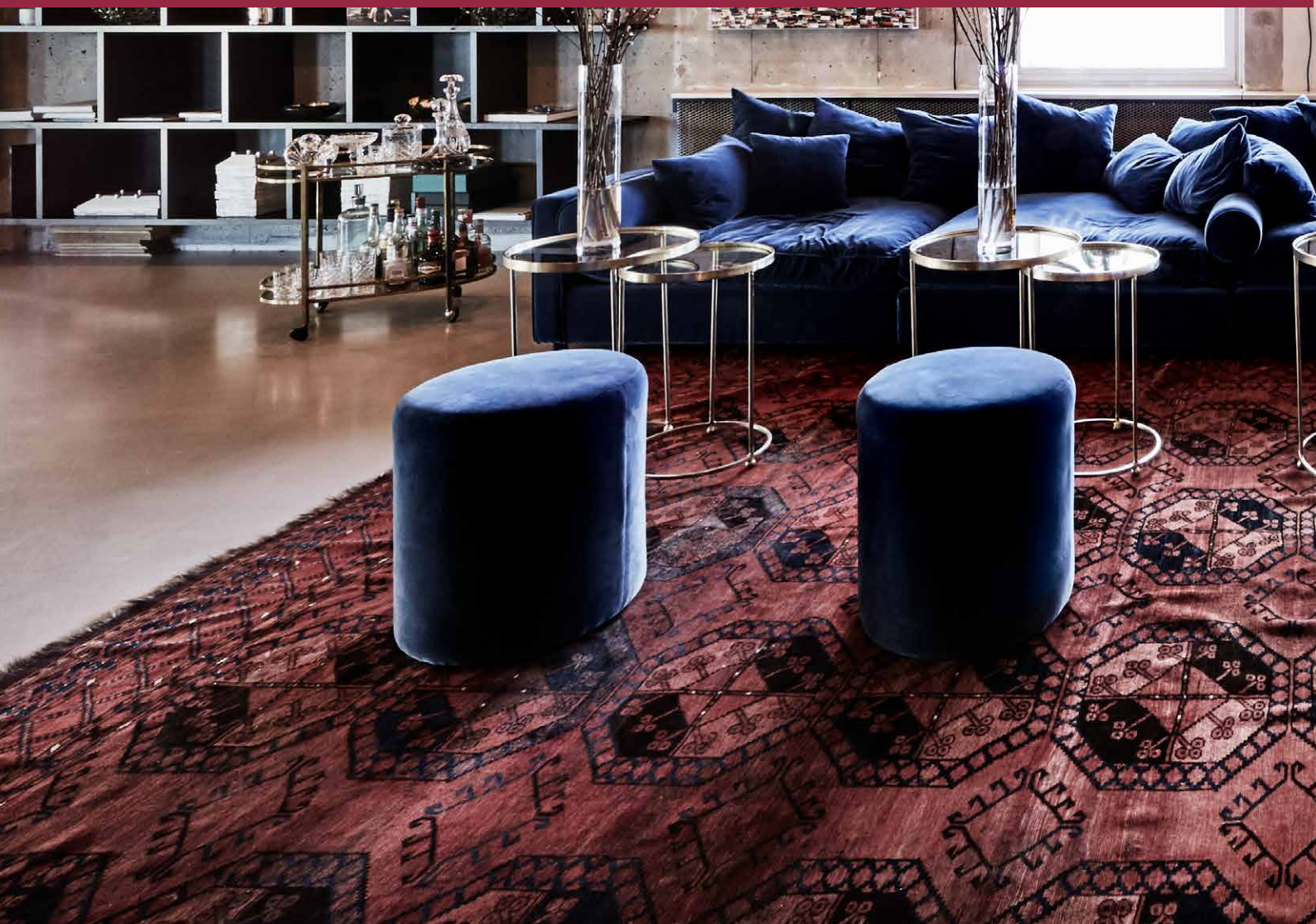
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MULTIPLE ANNUAL OVERVIEW

Income Statement, SEK m	2017	2016	2015	2014	2013
		Restated ⁵			
Revenues	2,323	2,430	2,314	2,193	1,669
Property costs	-785	-827	-769	-703	-538
Operating net	1,538	1,602	1,545	1,491	1,131
Selling and administration costs	-120	-112	-106	-101	-115
Net financial items	-433	-500	-473	-660	-575
Profit from property management	985	990	966	730	441
Profit (loss) from divestment of Nordic Modular	-	-	24	-	-
Profit (loss) from property divestments	-6	32	11	73	8
Unrealised changes in value of investment properties	1,417	1,659	970	930	48
Unrealised changes in value of financial instruments	85	-321	176	-427	425
Profit before tax	2,481	2,360	2,147	1,306	922
Tax	-575	-492	-1,642	-1,965	-169
Net profit for the year, existing operations	1,906	1,869	505	-659	754
<i>Terminated operations</i>					
Nordic Modular, net after tax	-	-	-	63	84
Impairment Nordic Modular	-	-	-	-157	-
Hemsö holdings, net after tax	-	-	-	-	24
Net profit for the year, existing and terminated operations¹	1,906	1,869	505	-753	862
Statement of financial position, SEK m	2017	2016	2015	2014	2013
		Restated ⁵			
Assets					
Investment properties – properties	30,974	29,533	27,470	19,612	20,338
Investment properties – modular buildings	-	-	-	-	1,509
Properties used in business operations	-	-	-	-	22
Other non-current assets	28	32	21	49	490
Other short-term receivables	231	231	232	141	286
Derivatives	-	-	49	-	-
Assets held for sale – modular buildings and operating properties	-	-	-	1,428	-
Assets held for sale – other	-	-	-	372	-
Cash and bank	313	57	441	1,437	323
TOTAL ASSETS	31,546	29,854	28,213	23,040	22,968
EQUITY AND LIABILITIES					
Equity	14,192	11,123	9,333	9,102	8,453
Interest-bearing liabilities	15,153	16,511	17,456	11,313	12,879
Interest-bearing liabilities related to assets held for sale	-	-	-	362	-
Derivatives	171	653	395	1,134	708
Non interest-bearing liabilities	2,029	1,567	1,028	662	929
Non interest-bearing liabilities related to assets held for sale	-	-	-	467	-
TOTAL EQUITY AND LIABILITIES	31,546	29,854	28,213	23,040	22,968
Key figures, SEK m	2017	2016	2015	2014	2013
		Restated ⁵			
PROPERTY RELATED					
Yield, % ²	5.1	5.6	6.6	7.5	6.5
Economic occupancy rate, %	90.4	90.6	90.6	91.5	93.2
Operating surplus ratio, % ³	66.3	66.2	69.0	68.0	67.8
FINANCIAL					
Return on total assets, %	4.6	5.2	5.8	6.6	5.2
Return on equity, %	15.1	18.0	5.5	Neg.	10.7
Interest coverage ratio	3.3	3.0	2.9	2.2	1.9
Equity ratio, %	45.0	37.3	33.1	39.5	36.8
LTV (loan-to-value) ratio, %	47.9	55.7	61.9	52.2	61.7
PER SHARE INFORMATION					
Dividend (paid), SEK	2.00	2.00	1.50	1.25	1.00
Profit from property management, SEK ⁴	4.66	5.31	5.18	4.90	3.15
Net profit for the year, SEK ⁴	9.03	10.01	2.71	-5.05	6.15
EPRA EPS (profit from property management after tax), SEK ⁴	4.45	5.05	4.83	5.10	3.56
EPRA NAV (long-term net asset value), SEK	71.87	69.32	56.76	57.18	68.35
EPRA NNAV (current net asset value), SEK	70.63	65.73	55.07	51.66	64.27

1. All profit for the year is attributable to equity holders of the parent.

2. Excluding modular buildings and properties used in the business operations of Nordic Modular.

3. The definition of surplus ratio has changed. Comparative figures have been restated. See page 106-107 for current definitions.

4. Restated with an adjustment factor of 2.55 per cent for the bonus issue element of the new share issue conducted in the first quarter of 2017.

5. Comparative figures restated for changed policy for recognising deductions received for deferred tax on acquisitions. See page 80 for more information.

Definitions are on page 106-107.

CONSOLIDATED INCOME STATEMENT - GROUP

SEK m	Note	2017	2016
			Restated ²
Rental revenue	5	2,319	2,422
Other income		4	7
Property costs	8	-785	-827
Operating net		1,538	1,602
Selling and administration costs	6, 7, 8	-120	-112
Net financial items			
Financial income	9	1	1
Interest expenses	9	-398	-467
Other financial expenses	9	-36	-34
		-433	-500
Profit from property management		985	990
Changes in value			
Profit from property divestments		-6	32
Unrealised changes in value of properties	13	1,417	1,659
Unrealised changes in value of financial instrument	9	85	-321
		1,496	1,370
Profit before tax		2,481	2,360
Tax			
Current tax	10	0	0
Deferred tax	10	-575	-491
		-575	-492
Net profit for the year¹		1,906	1,869
Earnings per share before and after dilution	11	9.03	10.01

STATEMENT OF COMPREHENSIVE INCOME - GROUP

SEK m	2017	2016
		Restated ²
Net profit for the year	1,906	1,869
Other comprehensive income		
Translation gains/losses for the year, on consolidation of foreign operations	1	1
Net profit for the year¹	1,907	1,869

1. All of the profit for the year is attributable to the parent company's shareholders

2. Comparative figures restated for changed policy for recognising deductions received for deferred tax on acquisitions. See page 80 for more information.

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

Net profit for the year was SEK 1,906 (1,869) million. Operating net decreased somewhat to SEK 1,538 (1,602) million, mainly due to the divestment of a number of non-strategic properties. However, the decrease in profit from property management was only SEK 5 million, at SEK 985 (990) million, due to a sharp increase in net financial items.

PROPERTY MANAGEMENT

Rental revenues were SEK 2,319 (2,422) million. The main explanation for the decrease on the previous year is the loss of rental revenues from divested properties of SEK 152 million, which was partly offset by additional rental revenues from accessed properties of SEK 41 million. In like-for-like portfolio terms of investment properties, rental revenues increased by SEK 50 million, or 2.4 per cent, excluding expiring rent guarantees from properties acquired in previous years of SEK 31 million. Vacation of development properties reduced rental revenues in this category by SEK 10 million.

Other revenues in the Income Statement consist of revenues that have no direct connection to lease agreements – mainly revenues from the advance cancellation of lease agreements and insurance claims – and amounted to SEK 4 (7) million.

Property costs, of which the costs of property administration comprised SEK 118 (113) million, reduced to SEK 785 (827) million. Divested properties contributed SEK 40 million of the decrease, offset by SEK 9 million of increased costs from accessed properties. In like-for-like portfolio terms of investment properties, property costs decreased by SEK 3 million, and in development properties, vacation contributed to property costs decreasing by SEK 8 million.

SELLING AND ADMINISTRATION COSTS

Selling and administration costs were SEK -120 (-112) million, with this increase primarily due to SEK 10 million of expenses for the implementation of outsourcing of financial administration at year-end 2017 being charged to profit for the year.

FINANCIAL INCOME AND COSTS

Net financial income/expense amounted to SEK -433 (-500) million. The ongoing interest expense for loans decreased by SEK 27 million, mainly due to the loan volume being down by an average of SEK 1.4 billion on the previous year. Additionally, the cost of interest hedging reduced after the redemption of long-term interest rate swaps in the year. This contributed to the average interest rate continuing to decrease, to now be at 2.4 per cent (2.9).

VALUE CHANGES

Value changes in the property portfolio amounted to SEK 1,411 (1,691) million including a loss from property sales of SEK -6 (32) million. The required return in valuations decreased from 6.1 per cent to 5.8 per cent in the year, with approximately half of the decrease due to changes in the property portfolio structure resulting mainly from divestments. Improved operating net was another important contributor to the unrealised value increase.

Unrealised value changes on financial instruments amounted to SEK 85 (-321) million. The value changes are explained by ongoing interest payments on interest rate swaps of SEK 149 million and a decrease in long-term market interest rates with a negative effect of SEK 64 million.

TAX

The tax expense for the year was SEK -575 (-492) million. The tax expense was impacted by SEK -42 million relating to the divestment of properties where the tax expense and deductions for deferred tax exceeded the amount provisioned for deferred tax. This was partly offset by a SEK 9 million positive effect of deductible issue expenses that was not charged to profit before tax. Otherwise, the tax expense was, in principle, 22 per cent of profit before tax.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - GROUP

SEK m	Note	31 Dec. '17	31 Dec. '16 Restated ¹
Assets			
<i>Non-current assets</i>			
Intangible assets	12	9	11
Properties	13	30,974	29,533
Equipment	14	7	9
Other long-term receivables	15, 21	12	12
Total non current assets		31,002	29,566
<i>Current assets</i>			
Accounts receivable	21	20	26
Other receivables	21	90	74
Prepaid expenses and accrued revenues		121	132
Cash and bank		313	57
Total current assets		544	288
TOTAL ASSETS		31,546	29,854
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital		91	76
Other contributed capital		4,506	2,922
Other reserves		4	3
Retained earnings (including net profit for the year)		9,591	8,122
Total equity	16	14,192	11,123
<i>Long-term liabilities</i>			
Liabilities to credit institutions	17, 20, 21	10,150	13,702
Other interest-bearing liabilities	17, 20, 21	3,096	1,230
Derivatives	17, 21	171	653
Deferred tax liability	10	1,333	841
Provisions	18	12	12
Total long-term liabilities		14,762	16,438
<i>Short-term liabilities</i>			
Liabilities to credit institutions	17, 21	927	26
Other interest-bearing liabilities	17, 21	980	1,553
Accounts payable	21	235	195
Tax liabilities		0	6
Other liabilities	19, 21	12	12
Accrued expenses and deferred income		437	501
Total short-term liabilities	20	2,591	2,293
TOTAL EQUITY AND LIABILITIES		31,546	29,854

1. Comparative figures restated for changed policy for recognising deductions received for deferred tax on acquisitions. See page 80 for more information.

For information on pledged assets and contingent liabilities for the Group, see note 22.

COMMENTS ON THE CONSOLIDATED FINANCIAL POSITION

The book value of the property portfolio continued to increase in the year despite SEK 1.7 billion of property divestments. Executed investments, accessed acquisitions and positive value changes were contributors to the increase. Equity increased to SEK 14,192 (11,123) million due to the new share issue and strong earnings. The equity ratio increased significantly in the year, and amounted to 45 per cent (37) as of 31 December 2017.

PROPERTY PORTFOLIO

The property portfolio consisted of 222 (269) properties as of 31 December 2017. Total leasable area was 2,159,000 (2,580,000) m² and the properties had a carrying amount of SEK 30,974 (29,553) million.

Development of property holdings, SEK m	2017	2016
Properties at beginning of year	29,533	27,470
Change of accounting policy	-	364
Acquisitions, access gained	790	238
Investments	925	609
Divested and vacated	-1,692	-806
Unrealised changes in value	1,417	1,658
Properties at beginning of year	30,974	29,533

DEFERRED TAX

Deferred tax was a net liability of SEK 1,333 (841) million. Receivables amounted to SEK 521 (629) million, and primarily consisted of measured loss carry-forwards of SEK 478 (479) million, and tax on recognised undervalues on interest rate derivatives. Deferred tax liabilities amounted to SEK 1,854 (1,470) million relating to properties consisting of the difference between carrying amounts and taxable residual values. The accounting policy for deductions received for deferred tax on asset acquisitions changed in the year, with retroactive application, which meant that the deferred tax liability increased by SEK 80 million as of 31 December 2016 compared to previously reported values. Deferred tax liabilities are not reported on the whole temporary difference between carrying amount and taxable residual value due to specific rules for recognising deferred tax in asset acquisitions.

EQUITY

Equity was SEK 14,192 (11,123) million at the end of the period, or SEK 65 (61) per share, equivalent to an equity ratio of 45 per cent (37). The significant increase in equity is sourced partly from the new share issue conducted in spring 2017, and partly from high earnings.

INTEREST-BEARING LIABILITIES

The loan portfolio amounted to SEK 15,153 (16,511) million at year-end. The decrease is largely due to divested properties and a new share issue.

Interest-bearing liabilities, SEK m	2017	2016
Liabilities at beginning of year	16,511	17,456
New loans	2,944	2,808
Repayment of loans	-4,302	-3,753
Liabilities at end of year	15,153	16,511

The average remaining maturity of utilised loans amounted to 4.7 (4.2) years at year-end. Available funds including un-utilised credit facilities amounted to SEK 1,458 (1,049) million as of 31 December.

The loan-to-value ratio, measured as net debt in relation to property assets, decreased to 48 per cent (56) in the year as a consequence of earnings through year, divestments and value adjustments of property assets.

DERIVATIVES

The negative market value of financial instruments as of 31 December 2017 was SEK -171 million, compared to SEK -653 million at the beginning of the year. SEK 397 million of the decrease is due to the termination of swaps, SEK 149 million from ongoing interest payments in swap contracts and SEK -64 million from lower market interest rates. Negative market value is decreasing progressively due to ongoing interest payments in swap contracts, which are recognised as ongoing interest expenses in profit from property management.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - GROUP

SEK m	Share capital	Other contributed capital	Translation difference	Accumulated profit or loss	Total equity
Opening equity, 1 Jan. '16	76	2,922	2	6,333	9,333
Change of accounting policy	-	-	-	284	284
Adjusted opening balance	76	2,922	2	6,617	9,617
Net profit for the year	-	-	1	1,869	1,869
Dividend	-	-	-	-364	-364
Closing equity, 31 Dec. '16	76	2,922	3	8,122	11,123
Opening equity, 1 Jan. '17	76	2,922	3	8,122	11,123
Net profit for the year	-	-	1	1,906	1,907
New share issue	15	1,584	-	-	1,599
Dividend	-	-	-	-437	-437
Closing equity, 31 Dec. '17	91	4,506	4	9,591	14,192

CONSOLIDATED CASH FLOW STATEMENT - GROUP

SEK m	Note	2017	2016
OPERATING ACTIVITIES			
Profit from property management		985	990
Other adjustments not included in cash flow from operating activities		1	17
Tax paid		0	0
Cash flow from operating activities	23	986	1,007
<i>Changes in working capital</i>			
Operating receivables		-6	39
Operating liabilities		-125	-35
		-131	4
Cash flow from operating activities after change in working capital	23	855	1,011
INVESTING ACTIVITIES			
Investments in existing properties		-925	-609
Acquisition of properties		-790	-230
Divestment of properties		1,709	776
Purchase of equipment		-4	-4
Sale of equipment		4	2
Acquisition of intangible assets		-	-8
Investments in other financial assets		-397	-15
Repayment of other financial assets		-	2
Cash flow from investing activities		-403	-86
FINANCING ACTIVITIES			
New share issue		1,599	-
New loans		2,944	2,808
Repayment of loans		-4,302	-3,753
Dividend		-437	-364
Cash flow from financing activities	23	-196	-1,309
CASH FLOW FOR THE YEAR		256	-384
Cash equivalents at beginning of year		57	441
Exchange rate differences on cash equivalents		0	0
Cash equivalents at end of year	23	313	57

COMMENTARY ON THE CONSOLIDATED CASH FLOW STATEMENT

The total cash flow amounted to 256 (-384) million during the year.
Cash equivalents amounted to SEK 313 Mkr (57) at year-end.

The cash flow in a real estate company is highly related to the size of the property portfolio. Cash flow from operating activities comprises the profit from property management result with adjustments for a number of items that does not impact cash flow and payment of tax.

Cash flow from operating activities was SEK 855 (1,011) million in 2017. The change primarily related to lower operating liabilities at year-end compared to the previous year.

Investing activities vary between years because Kungsleden is a net buyer of properties in some years and a net seller in others.

Investing activities generated a cash flow of SEK -403 (-86) million in 2017, mainly relating to larger-scale investments and acquisitions in 2017 than the previous year.

Cash flow from financing activities amounted to SEK -196 (-1,309) million, mainly relating to the new share issue executed in the first quarter of 2017 and amortisation of loans. Amortisation was SEK -4,302 (-3,753) million in the year.

NOTE 1. GROUP ACCOUNTING PRINCIPLES

GENERAL INFORMATION

Kungsleden AB (KLED:Stockholm) CIN 556545-1217, is the parent company of the Kungsleden Group. Kungsleden AB (KLED:Stockholm) has its registered location in Stockholm with address Warfvings väg 31, Box 704 14, 107 25 Stockholm. The consolidated financial statement and the annual report of Kungsleden AB (KLED:Stockholm) for the year end 31 December 2017 has been approved by the Board of Directors and CEO on 23 March 2018 and presented to the Annual General Meeting on 25 April 2018 for approval. The Group's operations are described in the Board of Directors' report.

APPLIED STANDARDS AND LEGISLATION

The consolidated financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the EU. The Council for financial reporting recommendation RFR 1 Supplementary Accounting Regulations for Groups, has furthermore been applied.

CHANGES IN ACCOUNTING PRINCIPLES 2017

In the preparation of the consolidated financial statement the same accounting principles have been used, such as those described in the annual report for 2016 apart from the following amendments.

DEDUCTIONS RECEIVED FOR DEFERRED TAX IN ASSET ACQUISITIONS

Effective 2017, Kungsleden is recognising deductions received for deferred tax as unrealised value changes on properties directly at the acquisition date. The amended policy is being applied retroactively, and year-2016 reported comparative figures have been restated. The opening property values for 2016 increased by SEK 364 million. The surplus on transition has been recognised against retained earnings in equity, which increased by SEK 284 million, taking deferred tax into consideration.

Property values in the reported comparative figures for 2016 have been restated from SEK 29,169 million to SEK 29,533 million. The deferred tax liability increased from SEK 761 million to SEK 841 million. Reported profit was not affected.

The following amended and new application interpretations of accounting principles have been applied without having a significant impact on the consolidated financial statement:

IFRS not yet applied

The following new IFRS has been published but not yet entered into force and has not been applied in the preparation of the financial report.

- IFRS 9 "Financial instruments", will apply with effect from 1 January 2018. IFRS 9 manages the classification, valuation and accounting of financial assets and liabilities, introduces new rules for hedge accounting and introduces a new impairment model. IFRS 9 replaces IAS 39 and manages the classification and valuation of financial instruments. IFRS 9 retains a mixed valuation approach but simplifies this approach in some respects. There will be three valuation categories of financial assets, accrued acquisition value, fair value of other total result and fair value in the income statement. How an instrument should be classified depends on its business model and the instrument characteristics. The new hedge accounting principles in IFRS 9 gives companies better ability to reflect its applied risk management strategies. In general terms it will be easier to qualify for hedge accounting. The new standard extends the disclosure requirements and introduces certain changes in presentation. IFRS 9 also introduces a new model for the calculation of the credit loss reserve which is based on the expected credit losses. The company has made an initial assessment of how the new standard will affect the Group and decided it will not have any major effect for the company. This is mainly because Kungsleden does not apply hedge accounting.
- IFRS 15 "Revenue from Contracts with Customers", shall apply with effect from 1 January 2018. IFRS 15 is the new standard for revenue recognition IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS 15 is based on the principle that revenues are recognised when the customer obtains control over the sold product or service - a principle which replaces the previous principle that revenues are recognised when the risks and benefits have been transferred to the buyer. The largest part of the Group's revenue relates to the rental income from lease agreements. Lease agreements are outside the scope of IFRS 15. They are handled within the IAS 17 lease agreements and will then be reported under IFRS 16, lease agreements, when they are applicable. The company has made a general review of the contracts that exist in 2016. As mentioned above, most of the agreements appear to fall under IFRS 16. There are however some contracts that in full or partly reflect the delivery of the goods or services and hence will be reported in accordance with IFRS 15. In the spring of 2017 there will be a continued review of contracts that will be reported in accordance with IFRS 15. The assessment on the basis of the analysis carried out so far is that the results and position of the Group will not be substantially affected. During spring 2017, the Group will make a

detailed review in order to obtain a final assessment of the possible effect. This is mainly because Kungsleden does not apply hedge accounting.

- IFRS 16 "Financial instruments", will apply with effect from 1 January 2019. The EU has not yet approved the standard. IFRS 16 will mainly affect the leasee's accounting. The standard will mean that almost all leasing agreements will be stated in the balance sheet when no distinction is made between the operational and financial lease agreements. According to the new standard, an asset (the right to use a leased asset) and a financial commitment to pay leasing fees shall be reported separately. Short-term contracts and contracts of less value are exempt. Statement for the lessor will be essentially unchanged. On the revenue side is the assessment that the Group as the lessor will not be affected to any significant degree. For the rest of the lease agreements in which the Group is the leasee an ongoing investigation will determine the impact on the company.

REQUIREMENTS WHEN PREPARING FINANCIAL STATEMENTS

The functional currency of the parent company is Swedish Krona, which is also the reporting currency for the Group. All amounts are stated in SEK million, unless otherwise specified. Assets and liabilities are reported at their historical acquisition value, except for investment properties and financial instruments that are valued at fair value. Changes in fair values are stated in the income statement.

To establish the consolidated financial statements according to IFRS requires that the company's Board of Directors makes assessments and estimates, and make assumptions which influence the application of the accounting principles and the reported amounts of assets, liabilities, revenues and expenses.

The estimates and assumptions are based on historical experience and a number of other factors that seemed relevant under the current circumstances. The results of these estimates and assumptions are then used to assess the carrying amounts of assets and liabilities which would not otherwise be clearly provided by other sources. Actual outcome may deviate from these estimates and assessments. The estimates and assumptions are reviewed regularly.

Assessments made by the Board of Directors when applying IFRS which have a significant impact on the financial statements and the estimates are described in more detail in Note 3.

CLASSIFICATION

Kungsleden's activities consist of property management of a large number of properties that are rented out to independent tenants. Typically lease agreements are normally initially drawn up for a rental period of three years. The rental period varies however and can run up to just over 20 years. Prior to the expiration of the lease agreement term a renegotiation is made with the tenant in regard to rent levels and other terms and conditions of the lease agreement unless it has been terminated. It is however difficult to determine, after the initial agreement, how long an agreement will run. At any one time there can be a large number of parallel on-going agreements with different lease durations. This makes it difficult to define Kungsleden's business cycle. It is also difficult to define how long a property is expected to be held. With regard to this, assets and liabilities are presented in the statement of financial position in the order of highest to lowest liquidity, since that provides information that is reliable and relevant to the business.

CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statement includes the parent company, subsidiaries and joint ventures. Subsidiaries are companies in which the parent company is able to extent a controlling influence. A controlling influence exist if the parent company has influence over the investment object, is exposed to or has the right to variable returns from its commitment and can use its influence over the investment to impact the return. In the assessment of whether a controlling influence exists, consideration is given to whether potential share voting rights and de facto control exist.

The consolidated financial statement has been prepared in accordance with the acquisition method which means that assets and liabilities and contingent liabilities have been evaluated at their fair value at the date of acquisition in accordance with an established acquisition analysis. The revenues and expenses in acquired companies are included in the consolidated financial statement from the time they were accessed. The income statements of divested companies are included until the date when the company was vacated.

Intra-group receivables and liabilities, revenues or expenses and unrealised gains or losses arising from internal group transactions between group companies are eliminated in their entirety when the consolidated financial statement is prepared.

Translation of foreign operations

The financial statements of each of the foreign subsidiaries are presented in the local currency in which its operations take place. The consolidated financial statements are presented in Swedish Krona. Income statements and balance sheets of foreign operations are translated to SEK according to the current rate method which means that the balance sheets are translated using the exchange rate in effect on the closing day, except for equity which is translated at the historical rate. The income statements are translated at

the average exchange rate for the period. The exchange rate differences on translation is reported against other comprehensive income as translation gains (losses) on consolidation.

The following exchange rates has been used for translation:

SEK	Average exchange rate		Closing day rate	
	2017	2016	31 Dec. '17	31 Dec. '16
EUR	9.63	9.47	9.85	9.57
PLN	2.26	2.17	2.36	2.17

STATEMENT OF CASH FLOW

The statement of cash flow is prepared in accordance with the indirect method in accordance with IAS 7 report of cash flow.

ACQUISITION AND DIVESTMENT

An acquisition or divestment is reported as of the date the properties have been accessed or vacated. Receivable or liability against the counterpart, between sale day and the payment date is reported as gross under other receivables and other liabilities.

ASSET ACQUISITIONS

In recent years it has been common that property transactions indirectly happen with companies containing properties and not through direct property transactions. Properties are usually acquired through acquisitions of companies, partly because stamp duty applies to property transfers and because a company sale compared to a direct property sale has tax advantages for the seller. For an asset acquisition via a company, the acquisition is handled as if the property/properties are directly purchased. This type of acquired company normally has no employees or any organisation or other activities other than those which are directly attributable to the property holding. The acquisition value is allocated proportionally on the acquired assets and liabilities assumed, based on these fair values. No deferred tax is reported. Any deduction in respect of deferred tax which is obtained in addition to reported tax in acquired companies are reported as a deduction from the fair value of purchased property at the time of acquisition. After the acquisition, the deduction remains as a downward adjustment of fair value.

For direct sale of a property on which all temporary differences have not been accounted for, a tax expense appears when there is a sale at carrying amount. For a sale via company, which is most common, buyers and sellers will normally agree on a price reduction corresponding to only a part of the difference between the tax residual value and the agreed property value. This means that tax revenue for accounting purposes arises if there is a deferred tax liability recognised which exceeds the agreed upon deduction from the deal, alternatively a tax expense will appear if the deduction is greater than the recorded tax liability.

BUSINESS ACQUISITIONS

For acquisitions where Kungsliden obtains controlling influence over one or more, in principle, independent businesses, the acquisition method will apply in accordance with IFRS 3 Business Acquisitions. The purchased unit's identifiable assets, liabilities and contingent liabilities are reported at their fair value at the date of acquisition and profit (loss) attributable to the acquired operations are included from the date the asset is accessible. Deferred tax for any surplus values relating to the acquisition is reported as a liability on the basis of the nominal tax rate. The difference between deferred tax in accordance with the nominal tax rate and the value to which the temporary difference is valued to in the acquisition analysis is reported as goodwill. Transaction costs are accounted for as administrative expenses in connection with the acquisition.

In the case of the acquisition of additional shares in a company which Kungsliden obtains the dominant influence over, earlier shares are revalued at fair value via the income statement. However, if it is an acquisition of additional shares in a company which earlier has been consolidated, the difference between the purchase sum and the net values, as of the closing date for the transaction, as an ownership transaction directly to equity. When there is a partial sale of a group company but with maintained controlling influence, the difference between the sales price and value of sold share is reported as an ownership transaction directly to equity. At the partial sale of a group company where the controlling influence is lost, a capital gain (loss) is reported with a re-evaluation of remaining holdings in the income statement.

The number of business acquisitions are generally low. During the year no business acquisition has occurred.

OPERATING SEGMENTS

An operating segment is a segment of the Group which engages in operations from which it may earn revenues and incur expenses and for which independent financial information is available. The results of an operating segment are followed up by the company's chief executive decision makers (Group Management) in order to evaluate the results and to allocate resources to operating segments. See note 4 for details of the division and the presentation of operating segments.

REVENUES

The lease agreements are classified as operational lease agreements on the basis that the property is still present in Kungsliden's ownership even if the agreement can run up to just over 20 years.

Rental revenues from investment properties are reported linear in the profit for the year based on the terms of the lease agreement. The aggregated cost of incentives is reported as a reduction of rental revenue on a straight line basis over the lease term.

The revenue of property divestments is reported on the day the properties have been accessed. In instances where a rental guarantee has been obtained in connection with an acquisition, revenue in the consolidated financial statement is reported at the rate where external rental revenues cease to exist.

FINANCIAL REVENUE AND EXPENSES

Interest rate revenue and interest subsidies are recognised in the period they relate to. Interest and other financial expenses relating to new construction are activated and regularly expensed during the construction period during the renovation and extension stage, since the investments are smaller and execution time normally shorter. Derivatives are normally used to achieve the desired fixed interest-term. Revenue and expenses related to derivatives are recognised on an on-going basis in the income statement as part of the unrealised changes in value of financial instruments and as part of the interest expenses. Revenue and expenses for settlement and renegotiation of derivatives and early redemption are reported when they occur. Interest revenue and interest expenses on financial instruments are reported in accordance with the effective interest method. The effective interest is the rate that discounts the estimated future payments under a financial instrument's expected term to the financial asset's or liability's reported net value.

INCOME TAX

In the income statement, current and deferred income tax for Swedish and foreign group companies is reported except when the underlying transaction is reported directly to equity whereby the associated tax effect is reported in equity. The Group's companies are liable to pay tax in accordance with the legislation in the respective country. The tax rate in Sweden is 22.0 per cent since 1 January 2013.

Current tax is calculated on the basis of the reported profit with additional for non-deductible items as well as deduction for non-taxable income. Income tax is reported in accordance with the balance sheet method, which means that deferred tax is calculated on the balance sheet day, identified with temporary differences between the taxable values and carrying amount of assets and liabilities. Temporary differences primarily exist for properties, financial instruments, accumulated excess depreciation of equipment and tax allocation reserves. Temporary differences are evaluated at the nominal tax rate and the change from the previous reporting date is recognised in the income statement as deferred tax. Deferred tax assets for deductible temporary differences and tax loss carry-forwards are recognised only to the extent that it is probable that these can be used. The value of deferred tax assets is reduced when it is no longer considered probable that they can be used.

When there is an acquisition of shares in subsidiaries, the acquisition consists of either a business acquisition or asset acquisition. For business acquisitions, deferred tax is reported to the nominal value of the applicable tax rate without discounting in accordance with the principles above. For asset acquisition no deferred tax is reported separately on the acquisition date without the asset being reported to the acquisition value which corresponds to the fair value of the asset after deduction of deferred tax. This is in accordance with what the parties have agreed, for non-deductible cost of acquisition for tax purposes. After the acquisition, the full amount of deferred tax for future changes in value is recognised, except for an adjustment for the initial measurement of deferred tax.

EMPLOYEE BENEFITS

Employee benefits such as salaries and social security expenses, annual leave and paid sick leave etc. are reported at the employees contracted rate. Commitments for the employees are secured through defined contribution pension plans or ITP. Defined contribution pension plans are classified plans in which the company's obligation is limited to the fees the company has undertaken to pay. In such cases the size of the employee's pension depends on the fees that the company pays into the plan, or to an insurance company and the return on capital generated from the fees. Accordingly, the employee is the one who bears the actuarial risk (that the benefits will be lower than expected) and the investment risk (that the invested assets will not be enough to generate the expected benefits). The company's obligations related to fees for defined contribution plans are recognised as an expense in the profit for the year at the pace that the employees provide services to the company during a period. In accordance with the statements from the Swedish Financial Reporting Board's Emerging Issues Task Force, an ITP pension plan secured via insurance with Alecta is reported as a defined contribution plan providing that the ITP plan has not been altered from its basic design.

Remuneration expenses in conjunction with termination of employment are reported only if the company is demonstrably committed, without any realistic possibility to withdraw, of a formal detailed plan to terminate an employment before the normal time. When remuneration is offered to encourage voluntary departure, a cost is reported if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

LEASING

As lease agreements are classified as operational lease agreements, this means Kungsliden is a large landlord (see section Revenues above).

Kungsliden has, as a lessee, entered a number of site leaseholds and smaller lease agreements for office machinery. These are not physical assets. On the basis that the financial risk remains with the lessor, all the rental, site leaseholds and lease agreements have been reported as operational lease agreements. The costs are expensed on an on-going basis.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are translated using the current exchange rate for the transaction date. Monetary assets and liabilities in foreign currencies are translated at the closing day rate, at which time exchange rate differences are expensed. Exchange rate differences in regards to operating receivables and liabilities are reported as part of operating profit while exchange rate differences attributable to financial assets and liabilities are reported as part of the net financial items.

TRANSACTIONS WITH RELATED PARTIES

Delivery of services between group companies and other related companies and private persons, commercial conditions and market pricing will apply.

PROPERTIES

Properties are initially reported to the acquisition value. After that costs for investments are activated if they will result in future economic benefits and the expenditure can be reliably measured. There is cost activation pertaining to replacement of entire or parts of identified components and expenditure that result in the creation of the new component. In the Group, the properties are then evaluated to a fair value according to the method described below. Other additional expenses are reported for the period of which they arise. Interest rate expenses at larger, new construction, extension and redevelopment projects are not activated.

Investment properties

Buildings and land that is owned or leased through a financial lease agreement, with the aim of generating rental revenue and/or value increases are described in the Group as investment properties. Investment properties are presented in the statement of financial position as properties and modular buildings. The investment properties are reported at a fair value in the statement of financial position in accordance to IAS 40. During the financial year an on-going revaluation takes place and is reported on the basis of internal valuation. For a description of the valuation methods see note 13. For considerations for valuation of properties, see note 3. Any deduction in respect of deferred tax for acquisitions of properties via companies (asset acquisition) which is obtained in addition to reported tax in acquired companies is reported as a deduction from the fair value of the purchased property, both at the time of acquisition and following book closing.

Buildings which are under construction for future use as investment properties are measured at fair value in accordance with IAS 40 investment properties. The basis of valuation are assessments of future cash flow and the price level which is expected to be achieved in a transaction between knowledgeable parties at market conditions. Properties under construction are more difficult to assess than existing properties as the final cost cannot be determined and an assessment can only be made once the construction is completed and the property is functional/leased.

EQUIPMENT

Equipment has been recognised at acquisition value less accumulated depreciation according to plan and any impairments. Equipment is depreciated linearly on the basis of the acquisition value over a period of five years.

FINANCIAL INSTRUMENTS

For information about the company's exposure to financial risks and how risks are managed please see note 2.

Recognition in the statement of financial position

A financial asset or a financial liability is recognised in the statement of the financial position when the company becomes a party in accordance with the instrument's contractual terms. A receivable is recognised when the company has performed and there is a contractual obligation for the counterpart to pay even if the invoice has not yet been sent. Accounts receivable are recognised in the statement of financial position when the invoice has been sent. Long-term receivables, consisting solely of "promissory notes",

taken up to the nominal debt adjusted for the present value of any difference against a market interest rate. Liabilities should be recognised when the counterpart has performed and there is a contractual obligation to pay even if the invoice has not yet been received. Accounts payable is recognised when an invoice has been received.

A financial asset is removed from the statement of financial position when the contractual rights have been realised, expires or the company loses control over them. The same applies for part of a financial asset. A financial liability is removed from the report on the financial position when the obligation in the contract is fulfilled or is in any other way not current. The same applies for part of financial liabilities.

Categories of financial instruments:

Accounts receivable and loan receivables

These receivables are non-derivative financial assets with fixed or determinable payments and that are not registered in an active market. These assets are evaluated to accrued acquisition value. The accrued acquisition value is determined based on the effective interest rate calculated at the time of acquisition. Loans and accounts receivable are reported at net realisable value i.e. after deduction of uncertain receivables.

Financial liabilities measured at fair value through profit or loss

This category consists of financial liabilities held for trading. These are measured at fair value with changes in value reported in the income statement.

Hedge accounting is not applied for interest rate derivatives, which is why the derivatives changes in fair value in the statement of financial position is reported as unrealised changes in value in the income statement.

Other liabilities

Other financial liabilities, such as new loans, accounts payable and liabilities for acquired but not paid properties, are included in this category. These liabilities are evaluated to accrued acquisition value. Transaction costs are allocated with the effective interest rate over the expected term of the loan.

IMPAIRMENT

Non-current assets

The reported values of the Group's assets are tested at each reporting date to assess whether there is any indication of any impairments needed. If there is such an indication the recovery value of the asset is calculated. The recovery value for financial assets belonging to the categories of loans and accounts receivable, which are recognised as accrued acquisition value, is calculated as the present value of future cash flow discounted with the effective interest rate applicable when the asset was reported for the first time. An impairment is returned only to the extent that the carrying amount of the asset after reversal does not exceed the carrying amount that the asset would have had without the impairment.

Exceptions

Exceptions to the impairment principles are made for tangible fixed assets held for sale, investment properties and deferred tax assets valued according to specific rules which are described under each title in the accounting principles. For Goodwill, earlier impairment cannot be reversed.

PROVISIONS

A provision differs from other liabilities due to the uncertainty about the payment timing or the size of the amount to regulate the provision. A provision is recognised in the statement of financial position when there is an existing legal or informal obligation as a result of a past event and it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimation of the amount can be made.

Provisions are made to the amount which is the best estimation of what is required to settle the present obligation at the reporting date. When the effect of the timing of the payment is significant, provisions are then calculated by discounting the expected future cash flow to an interest rate before tax which reflects the actual market assessments of the money's time value and, if applicable, the risks associated with the liability.

CONTINGENT LIABILITIES

A contingent liability is recognised when there is a possible obligation whose existence is confirmed only by one or more uncertain events, or when there is an obligation that is not reported as a liability or provision because it is unlikely that an outflow of resources will be necessary.

ROUNDED OFF FIGURES

The individual amounts will be rounded to the nearest whole number SEK million. The total amounts will be rounded to the nearest whole number SEK million. Rounding differences may mean notes and tables do not add up.

NOTE 2. RISKS

This note describes the risks in Kungsliden's cash flow in property management as well as the financial risks, credit risk and currency risk.

Kungsliden's financial risks are described on pages 41–43. Where financing risks, liquidity risks, interest rate risk and financial risk management is particularly described.

I - RISKS IN PROPERTY MANAGEMENT CASH FLOW

The cash flow in a given property holding is affected by fluctuations in rental revenue which in turn depends on changes in rent levels and vacancies. The changes are controlled for instance by growth in the Swedish economy, production rate for new properties, changes in infrastructure, employment and demographic factors.

Rental revenue

Both rent levels and vacancies are broadly affected by the growth in the Swedish economy but also by the growth on a regional and local level in the areas where Kungsliden operates. Economic growth leads to increased demand for premises with a potential for higher rent levels and lower vacancy while a declining growth has the opposite effect. The scale of new property construction in local markets has an impact on rent levels and vacancies.

Kungsliden's property portfolio and customer structure shows a good management of risk in terms of both unit type, geography, contract size and tenant categories.

Lease agreement portfolios are relatively long-term, with an average remaining lease duration for the portfolio of 3.9 (4.0) years. As the duration of the agreements is relatively long, a change in market rents has in the short term no great effect on the rental revenue.

The lease agreements contain index clauses that means the rent increases by 75–100 per cent of inflation. Indexation adjustment in a given year is determined on the basis of the inflation rate in October of the previous year. The index clauses contain the minimum adjustment, which in the short term provides a certain degree of protection against deflation.

Rental revenues are affected by any payment difficulties from the tenants. Rental losses in 2017 amounted to SEK -5 (-1) million.

The risk of rental losses and vacancies are affected by the tenant structure. To have large commercial tenants can lead to lower credit risk but may also give higher concentration risks. Kungsliden's ten largest tenants accounted for 25 per cent of the rental revenue. In several cases the largest tenants have several different activities and subsidiaries in several sites, which reduces the risk.

The largest tenants	Rental revenues, SEK m	Share rental revenue, %
ABB AB	268	12
Bring Frigoscandia	55	2
Biz Apartments	38	2
Försvarsmakten	37	2
ICA	36	2
Municipality of Västerås	33	1
Sveriges Television AB	24	1
Westinghouse Electric Sweden AB	24	1
The Swedish Board of Customs & Excise	22	1
Artexis Nordic AB	21	1
10 largest tenants	558	25
Other	1,676	75
Total	2,234	100

Property costs

Fluctuations in operating costs will affect the cash flow. The largest operating costs are represented by the cost of electricity, cleaning, heating, water, care and maintenance. Site leaseholds and property tax as well as the cost of electricity and heating have the greatest impact on earnings. The price of electricity is controlled by supply and demand of the commercial electricity market. Kungsliden has limited the risk by price assuring a certain amount of electricity. Part of the cost for electricity and heating are recharged to tenants. For costs that the tenants are not liable for, Kungsliden is compensated by the lease agreements that contain index clauses that means the rents increase by 75–100 per cent of the inflation.

The exposure to changes in these costs is therefore limited. However the properties cash flow and operating net of annual variations in the cost of the media and care are affected.

Some of the properties have site leaseholds which are usually renegotiated with a range of 10–20 years. The site leasehold fees are calculated at present so that the municipality receives a reasonable real interest rate on the estimated value of the site. It cannot be ruled out that the basis of calculation for site leaseholds may change at future renegotiation.

The property tax which is based on the tax assessed value is based on political decisions. This applies to both the base for the calculation, tax assessed value and tax rate. The property tax is normally recharged to the tenants for leased space, while tax for vacant space must be carried by the property owner.

Cash flow sensitivity analysis	Change	Revenue impact before tax, SEK m
Rental revenue	+/-1%	+/-23
Financial vacancy	+/-1%-unit	+/-26
Property costs	+/-1%	-/+8
Average interest rate, loan portfolio	+/-1% unit	-/+152
Short-term market interest rate (<six months)	+/-1% unit	-18/-32

II - FINANCIAL RISKS

Financial risks are fluctuations in the company's profit (loss) and cash flow as a result of changes in market interest rates or currency rates as well as the refinancing and credit risks. Annually the Board of Directors establishes a financial policy for the Group's management of financial risks. The financial policy forms a framework of guidelines and regulations in the form of a risk mandate and limits for the financial operations. Responsibility for the Group's financial transactions and risks are managed centrally by the Group's financial function.

Credit risk

The credit risk is defined as the risk of a counterpart not fulfilling all or part of its commitment. Credit risk can be found in derivative agreements, issuance of promissory notes and cash investment. The risk that tenants do not pay rent is also a counterpart risk and has been covered above in this note.

When promissory notes have been issued, there is a risk that the counterpart does not pay the interest rate and repayment of the loans. Kungsliden has currently a restrictive praxis when it comes to the promissory notes. For significant non-current receivables it is normally requested that securities reduce the credit risk. Current long-term receivables amount at 31 December 2017 to SEK 12 (12) million, see note 15.

Currency risk

There's essentially no transaction exposure since the Group does not have property holdings abroad.

For more information on financial risks, see pages 27, 58 and 59.

NOTE 3. SPECIFIC CONSIDERATIONS AND ASSESSMENTS

VALUATION OF PROPERTIES

Key sources of estimation uncertainty

Since the price of a property is not available on a listed market place, an assessment has to be made on a property value instead and used as a basis for accounting at fair value. A property value is dependent on many factors that impact earnings and cash flow. Financing terms, interest rates and a functioning financial market also affects the price-setting and the yield requirements that creates a balance in the property market with buyers and sellers. In a functioning market, the sales price usually falls in the range of the estimated value of +/- 5 to 10 per cent.

Accounting property assessments

Prior to year-end closing, all properties have been evaluated. The valuations are based on a cash flow analysis where the future earnings capacity of an individual property and market's yield requirements have been assessed. This process is described in note 13. The fact that Kungsleden is active in the property market, buying and selling multiple properties, provides additional market information and strengthens the possibility to make good estimates of an estimated value. Reconciliation against external values also takes place.

TAX SITUATION

Key sources of estimation uncertainty

Accounting of on-going tax to pay, loss carry-forwards and deferred taxes on temporary differences between the book and tax values are based on the applicable regulations. The tax legislation is complex, particularly in connection with the purchase and sale of properties and companies. Tax courts interpretation of the existing rules may also change over time, which means interpretations can change after transactions' completion and submitted tax returns. The Swedish Tax Agency normally has an opportunity to reconsider a company tax assessment within two years after the end of the financial year, in certain cases; however, the Swedish Tax Agency can review tax assessments up to five years after the end of a financial year.

Accounting principles assessment

Assessment is made about how individual transactions should be declared. Kungsleden is continuously consulting their assessments in tax matters with external experts. However, this does not mean there is a risk that the Swedish Tax Agency and the Court of Justice could come to assess completed transactions in any other way than the company.

NOTE 4. OPERATING SEGMENTS

SEK million, 2017	Stockholm	Gothenburg/ Malmö	Mälardalen	Other/ Group-wide	Total Kungsleden
Revenues	926	672	726	-	2,323
Property costs	-285	-219	-282	-	-785
Operating net	641	453	444	-	1,538
Selling and administration costs	-	-	-	-120	-120
Net financial items	-	-	-	-433	-433
Profit from property management	641	453	444	-553	985
Changes in value					
Profit (loss) from divestment	-	-	-	-6	-6
Unrealised changes in value of properties	1,043	232	142	-	1,417
Unrealised changes in value of financial instruments	-	-	-	85	85
Profit before tax	1,684	685	586	-474	2,481
Tax	-	-	-	-575	-575
Net profit for the year	1,684	685	586	-1,049	1,906
FINANCIAL POSITION					
Properties	15,690	8,111	7,172	-	30,974
Other assets ¹	-	-	-	572	572
Total assets	15,690	8,111	7,172	572	31,546
Interest-bearing liabilities ¹	-	-	-	15,153	15,153
Equity, provisions and other liabilities ¹	-	-	-	16,393	16,393
Total equity and liabilities	-	-	-	31,546	31,546
OTHER DISCLOSURES					
Investments in properties	501	243	182	-	925
Profit or loss items that do not affect cash flow ¹	-	-	-	1,496	1,496

1. Assets that are not properties are not allocated by segment. The allocation is neither made for liabilities and provisions or relates to interest rate derivatives with negative values or unpaid purchase price on properties not yet been accessed.

Note 4, cont.

SEK million, 2016 (restated)	Stockholm¹	Gothenburg/ Malmö¹	Mälardalen¹	Other/ Group-wide	Total Kungsliden
Revenues	985	701	744	-	2,430
Property costs	-309	-239	-279	-	-827
Operating net	676	462	465	-	1,602
Selling and administration costs	-	-	-	-112	-112
Net financial items	-	-	-	-500	-500
Profit from property management	676	462	465	-612	990
Changes in value	-	-	-	-	-
Profit (loss) from divestment	-	-	-	32	32
Unrealised changes in value of properties	1,068	302	289	-	1,659
Unrealised changes in value of financial instruments	-	-	-	-321	-321
Profit before tax	1,744	764	754	-901	2,360
Tax	-	-	-	-492	-492
Net profit for the year	1,744	764	754	-1,393	1,869
FINANCIAL POSITION					
Properties	14,238	7,936	7,359	-	29,533
Other assets ²	-	-	-	321	321
Total assets	14,238	7,936	7,359	29,854	29,854
Interest-bearing liabilities ²	-	-	-	16,511	16,511
Equity, provisions and other liabilities ²	-	-	-	13,343	13,343
Total equity and liabilities	-	-	-	29,854	29,854
OTHER DISCLOSURES					
Investments in properties	317	159	133	-	609
Profit or loss items that do not affect cash flow ²	-	-	-	1,370	1,370

1. Properties that have changed regional allocation comparison with 2016. Comparison figures have therefore been recalculated.

2. Assets that are not properties are not allocated by segment. The allocation is neither made for liabilities and provisions or relates to interest rate derivatives with negative values or unpaid purchase price on properties that have not yet been accessed.

Kungsliden's operating segments in the year were Stockholm, Gothenburg/Malmö and Mälardalen. These segments manage and improve properties, and provide premises to external customers. Kungsliden manages its property operations via these three operating segments, each managed by a Head of Real Estate. Profit centre responsibility for management of the properties within a specific segment rests with the Head of Real Estate, who reports to the CEO, who in turn, sets targets, monitors rental revenues, property costs, operating net and investments by segment. The Head of Real Estate can directly affect these profit/loss items, and overall, provides

the foundation of the whole company's profit from property management.

For these reasons, Kungsliden has decided to consider its geographical regions as operating segments. Other/group wide are any items that are not attributable to a specific segment, or are collective to all segments.

Significant transactions between segments consist of group contributions and intra-group loans.

ABB is the only customer representing more than 12 per cent of revenues. In 2017, rental revenues from ABB were SEK 268 (271) million.

Geographic market, SEK m	Sweden		Germany/Poland		Total Kungsliden	
	2017	2016	2017	2016	2017	2016
Revenues	2,323	2,430	0	0	2,323	2,430
Properties	30,974	29,533	-	-	30,974	29,533
Investments in properties	925	609	-	-	925	609

NOTE 5. OPERATIONAL LEASING

LESSOR

The lease agreements are, from an accounting point of view, to be regarded as operating lease agreements where Kungsleden is the lessor.

The table shows the rental revenue calculated on the current lease agreements, excluding parking spaces, garage and housing, which by 31 December 2017 amounted to 2,317 (2,433) in number.

Lease agreements for premises are usually three to five years. Longer agreements are sought in certain situations and occur in the context of investment and specific properties or operations. The rent is usually index adjusted. In most cases there is a surcharge to the base rent for heating and property tax. The surcharges are based on the actual costs incurred by the landlord.

The lessor, rental revenues, SEK million	2017	2016
Contract revenues with payment within one year	2,037	2,079
Contract revenues with payment between one to five years	4,484	4,781
Contract revenues with payment in more than five years	2,100	2,071
Total	8,622	8,931

LESSEE

As operational lessee a number of agreements have been made in regards to site leaseholds, company cars and office equipment. The table below shows contracted payments for site leaseholds. Other operational lease agreements don't amount to significant amounts.

Lessee, site leasehold fees, SEK m	2017	2016
Contracted site leaseholds fees with payment within one year	23	22
Contracted site leasehold fees with payment between one to five years	76	58
Contracted site leasehold fees with payment in more than five years	85	33
Total	185	113

NOTE 6. SELLING AND ADMINISTRATION COSTS

Selling and administration costs relate primarily to costs of central functions such as business development, accounting and finance, legal and IT, as well as costs attributable to IPO costs and the Group's management team. The costs of the rental billing, rental requirements and accounting as well as depreciation is included in the equipment as well.

The direct costs of the on-going property management of SEK 118 (113) million is reported as a cost in the operating net.

SEK m,	2017	2016
Personnel costs	-69	-71
Depreciation	-5	-4
Other operating expenses	-46	-36
Total	-120	-112

FEES TO AUDITORS

The audit assignment includes the audit of the annual report, the accounting as well as the administration of the Board of Directors and the CEO, other duties that the company's auditor is obliged to conduct and advice as well as advisory or other assistance resulting from observations made during the audit or performance of such other duties.

SEK m	2017	2016
Audit assignment, EY	3	2
Audit assignment, Frejs	1	1
Other assignments, EY	1	0
Other assignments, Frejs	0	0
Total	5	3

NOTE 7. EMPLOYEES AND PERSONNEL COSTS

The average number of employees during 2017 amounted to 109 (107) persons. The allocation of countries and gender is shown below.

Average number of employees	2017	Share of women, %	2016	Share of women, %
Sweden	109	53	107	51
The Group	109	53	107	51

GENDER DISTRIBUTION WITHIN THE BOARD OF DIRECTORS AND GROUP MANAGEMENT

The Board of Directors of Kungsleden AB consisted of seven (seven) members of which five (four) are women. The management team consisted of nine (ten) persons of which six (five) are women.

	2017		2016	
Salaries, other remuneration and social security expenses, SEK 000	Salaries, other remuneration	Social security expenses	Salaries, other remuneration	Social security expenses
THE GROUP,				
<i>Senior executives,</i>				
Board of Directors, CEO and Deputy CEO (of which pension expenses)	17,254	6,939 (2,770)	13,447	7,373 (2,582)
Larsson, Göran	555	91	530	87
Axelsson, Charlotte	260	43	240	39
Berglund, Ingalill ¹	300	94		
Gahm, Joachim	260	82	240	75
Hjorth, Liselotte	260	82	240	75
Holmgren, Lars ²			280	88
Orback Pettersson, Kia	260	82	240	75
Wikström, Charlotta	260	82	240	75
Pehrsson, Biljana (CEO)	6,445	2,757	4,927	3,008
Kvist, Anders (Deputy CEO)	5,500	1,174	4,323	2,644
Sarby Westman, Ylva (Deputy CEO)	3,154	2,452	2,187	1,207
Other senior executives (of which pension expenses)	8,700	5,732 (3,205)	9,505	6,919 (3,109)
Total senior executives	25,954	12,671 (5,975)	22,952	14,292 (5,691)
Other employees (of which pension expenses)	74,003	33,133 (11,936)	62,256	34,386 (11,306)
Employee expenses (of which pension expenses)	99,957	45,804 (17,911)	85,208	48,678 (16,997)

1. For the period 25 April - 31 December

2. For the period 1 January - 25 April

All pension expenses are for defined contribution plans or the ITP (Supplementary Pensions for Salaried Employees) plan. The year's expenses for ITP pension insurance vested with Alecta amounted to SEK 18 (17) million. At year-end 2017, Alecta's surplus in the form of the collective consolidation ratio was 154 per cent (148). The collective consolidation ratio has been computed pursuant to Alecta's actuarial measurement assumptions, which are not consistent with IAS 19.

	2018	
Future pension provision 2018, SEK m	Pension	Specific payroll tax
Senior executives,	6,895	1,757
Other employees	11,695	2,622
Total employees	18,590	4,379

REMUNERATION TO SENIOR EXECUTIVES

Principles

Fees are paid to the Board of Directors according to the resolution of the Annual General Meeting. Remuneration to the CEO, the two Deputy CEOs and other senior executives consists of basic salary, variable bonuses, other benefits and pension. Other senior executives are the people who are in addition to the CEO and the two Deputy CEOs and are included in the Group Management. For 2017, this was an average of six (seven) persons.

The variable bonus is results and performance-based and linked to the outcome in relation to pre-set objectives.

The majority of the variable component should consist of potential bonuses, and for the CEO and Deputy CEOs, is a maximum of 100 per cent of basic annual salary. The variable bonus for other senior executives is a maximum of 50 per cent and on average a maximum of 39 per cent of basic annual salary.

Bonuses for the CEO are decided by the Board of Directors following suggestion from the remuneration committee. This is based on guidelines which are decided at the Annual General Meeting.

Variable bonuses

For the CEO and Deputy CEOs variable bonus for 2017 was based on the profit from property management. The amount for the CEO and Deputy CEOs during 2017 amounted to 55 (24) per cent of the basic salary.

For other senior executives, variable bonuses for 2017 were on the same basis as for the CEO and Deputy CEOs as well as on the individual performance targets for their own area of responsibility. The amount of these executives during 2017 amounted to an average of 31 (27) per cent of the basic salary.

Pensions

All senior executive pension age is 65 years and all have premium based pension plan, without other obligations for the company than the obligation to pay annual premiums. Pension premiums for the CEO will be 28 per cent of the fixed annual salary and for a Deputy CEO 30 per cent of the fixed annual salary. For a Deputy CEO and other senior executives the ITP plan is applied.

Termination

For the CEO the notice period is six months and for the company it is 12 months. In the event of dismissal by the company the CEO receives a severance pay of six months. The severance pay is not pensionable. If the CEO hands in their notice, there is no severance pay. Between the company and the Deputy CEO a mutual notice period of six months applies. In the event of dismissal by the company the Deputy CEO receives a severance pay of 18 months. The severance pay is not pensionable. If the Deputy CEO hands in their notice, there is no severance pay. For a Deputy CEO the notice period is six months and for the company it is 12 months.

For two senior executives there is a mutual notice period of three months. Between the company and senior executives a mutual notice period of four months applies. For senior executives the notice period is three months and for the company the notice period complies with standard working legislation. For other senior executives the notice period complies with standard working legislation. For all senior executives severance pay is offset against other income.

Remuneration and other benefits, SEK 000	Basic salary/ Board fees		Variable remuneration ¹		Other benefits		Pension expenses ²		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Chairman of the Board	555	530	-	-	-	-	-	-	555	530
Other Board members	1,600	1,480	-	-	-	-	-	-	1,600	1,480
CEO	4,069	3,952	2,261	975	114	85	1,212	1,153	7,656	6,165
Deputy CEOs	5,537	5,235	3,024	1,275	92	94	1,557	1,429	10,210	8,033
Other senior executives, total 6 (7)	6,432	7,496	1,992	2,009	276	222	3,205	3,109	11,906	12,836
Total	18,193	18,693	7,277	4,259	482	401	5,974	5,691	31,927	29,044

1. Variable remuneration relates to 2016 attributable bonus, of which SEK 3,021 (4,259) k affected 2017.

2. The pension expenses relates to the amount expensed in 2016. See above for further information on pension.

NOTE 8. EXPENSES BY TYPE OF COST AND FUNCTION

Distribution by type of cost, SEK m	2017	2016
Operation, repair and maintenance	-592	-607
Other direct property expenditure	-76	-109
Personnel costs	-165	-149
Depreciation	-5	-4
Other external expenses	-68	-70
Total	-905	-939

Allocation in the income statement, SEK m	2017	2016
Property costs - properties	-785	-827
Selling and administration costs	-120	-112
Total	-905	-939

Depreciation and impairment by function, SEK m	2017	2016
Selling and administration costs	-5	-4
Total	-5	-4

NOTE 9. NET FINANCIAL ITEMS

Net financial items	2017	2016
Interest rate revenue on accounts receivable and loan receivables	1	1
Total financial revenue	1	1

Interest rate expenses, SEK m

Interest rate expenses, borrowing	2017	2016
Loans evaluated to accrued acquisition value	-246	-274
Interest rate expenses related to interest rate derivatives (swaps)	-149	-191
Interest rate expenses from borrowing	-395	-465

Other financial liabilities valued at accrued acquisition value	-2	-2
Total interest rate expenses	-398	-467

Other financial expenses, SEK m

Other financial expenses, SEK m	2017	2016
Borrowing costs, bank loans ²	-36	-34
Exchange rate fluctuations	0	0
Total other financial expenses	-36	-34

Total net financial items	-433	-500
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1. Allocated over the term of the loan.

Unrealised changes in value of financial instrument

Unrealised changes in the value of financial instruments are not recognised in net financial items but on a separate row in the income statements.

Financial liabilities valued at fair value via the income statement held for sale amounts to SEK 85 (-321) million. The amount refers to SEK 85 (-321) million in interest rate derivatives. See note 21.

NOTE 10. TAXES

The income tax rate for Swedish limited companies is 22 per cent. In the income statement, the tax is allocated on current tax and deferred tax. Current tax normally means payment to the Swedish Tax Agency and is calculated on the basis of the taxable profit of the year of the individual companies. The taxable profit is often lower than the companies' reported profit and it is based on the total level which is in principle equivalent to profit from property management in the Group less tax adjustments. The adjustments are primarily applicable for the ability to use tax depreciation, deduction on constructions, tax-free divestments of properties via companies as well as the utilisation of tax loss carry-forwards.

Tax paid for 2017 has occurred mainly in the purchased and sold subsidiaries which have not been entitled to a group contribution for the last year. Other limitations on off-setting taxable profits against previous tax losses in other companies depend on when the losses incurred, time when the profitable companies were acquired and any merger. Loss carry-forwards at the end of the year amounts to SEK 2,174 million. All in all, the assessment is that the current tax is likely to be low in the next few years.

Tax calculation, SEK m	2017	2016
Profit from property management	985	990
Tax deductible items		
- Depreciation	-544	-583
- Deduction for construction	-180	-95
- Other adjustments	-52	-95
Taxable profit from property management	209	217
Divestment properties	202	-34
Interest rate derivatives redeemed early	-397	-15
Taxable profit for the year	14	168
Increased/decreased loss carry-forwards	-12	-167
Taxable profit	2	1
Tax payable, 22%¹	0	0

1. Current tax excluding tax processes amounted to SEK -0 (-0) million, resulting in an effective tax payable below one per cent (<1) of profit before tax.

On 12 July 2016, the EU adopted a directive specifying the regulations applying to tax avoidance methods, with one cornerstone being the introduction of limits on interest deductions. This directive should be incorporated by each member state by 31 December 2018. To fulfil its obligations, on 21 March 2018, the Swedish Government published a proposal referred to the Council on Legislation for consideration on new tax regulations for the corporate sector, for planned parliamentary resolution by 16 April. In brief, this proposal allows a maximum permitted deduction on negative net interest income of 30% of a company's EBITDA. These regulations are scheduled for introduction effective 1 January 2019. The corporation tax rate for all companies is simultaneously being reduced in two phases: first to 21.4 per cent in 2019, and then to 20.6 per cent in 2021.

Tax loss carry-forwards	2017	2016
Loss carry-forwards at beginning of year	-2,178	-2,227
Increased/decreased loss carry-forwards, this year's operations	12	167
Adjusted declarations for previous years	-	-118
Loss carry-forwards in purchased companies from property acquisitions	-8	-
Loss carry-forwards at end of year	-2,174	-2,178

Tax in the income statement, SEK m	2017	2016
Current tax	0	0
Deferred tax	-575	-491
Reported tax	-575	-492

Reconciliation of effective tax, SEK m	2017	2016
Profit before tax	2,481	2,360
Tax 22%	-546	-519
Divestment of properties	-43	-6
Adjusted declarations for previous years	-	26
Other non-taxable revenue	14	10
Non-deductible expenses	-1	-1
Reported tax	-575	-492

Deferred tax on temporary differences and tax loss carry-forwards 2017, SEK m	1 Jan. '17	Via profit or loss	Purchase/Sale	31 Dec. '17
Assets				
Loss carry-forwards	479	-3	2	478
Financial instruments	144	-106	-	38
Other	6	-1	-	5
Deferred tax - assets	629	-110	2	521
Net deferred tax liabilities	-629	110	-2	-521
Deferred tax asset	-	-	-	-
Liabilities				
Properties	-1,470	-465	81	-1,854
Deferred tax - liabilities	-1,470	-465	81	-1,854
Net deferred tax assets	629	-110	2	521
Deferred tax liability	-841	-575	83	-1,333

Deferred tax on temporary differences and tax loss carry-forwards 2016, SEK m	1 Jan. '16	Change of accounting policy	1 Jan. '16 Restated	Via profit or loss	Purchase/Sale	31 Dec. '16
Assets						
Loss carry-forwards	490	-	490	-11	-	479
Financial instruments	77	-	77	67	-	144
Other	8	-	8	-3	1	6
Deferred tax assets	575	-	575	53	1	629
Net deferred tax liabilities	-575	-	-575	-53	-1	-629
Deferred tax asset	-	-	-	-	-	-
Liabilities						
Properties	-862	-80	-942	-544	16	-1,470
Deferred tax - liabilities	-862	-80	-942	-544	16	-1,470
Net deferred tax assets	575	-	575	53	1	629
Deferred tax liability	-287	-80	-367	-491	17	-841

Note 10, cont.

Deferred tax is taken into account in the statement of financial position on all temporary differences of assets and liabilities as well as for the tax loss carry-forwards which is expected to be utilised. Accounting is made in accordance with the existing legal framework on the basis of the nominal tax rate of 22 per cent. An exception applies to temporary differences of properties at the asset acquisition via companies. In these cases, should deferred tax on the temporary differences at the date of acquisition not be recognised, any obtained deductions are reported as a reduction in book value of the properties. The temporary difference between the fair value and tax residual value for Kungsleden properties amounted on 31 December 2017 to SEK 15,996 million. An estimated fair value on deferred tax can be calculated as an alternative to recognised deferred tax on the basis of the application of accounting standards (see section net asset value in note 16).

NOTE 11. EARNINGS PER SHARE AND EPRA EARNINGS / EPRA EPS

	2017		2016	
	SEK m	SEK/share ¹	Restated ² SEK m	SEK/share
EARNINGS PER SHARE				
Net profit for the year	1,906	9.03	1,869	10.01
PROFIT FROM PROPERTY MANAGEMENT				
Net profit for the year	1,906		1,869	10.01
Adding back:				
Tax	575		491	
Changes in value property	-1,417		-1,659	
Change in value of derivatives	-85		321	
Profit (loss) from property divestment	6		-32	
Profit from property management	985	4.66	990	5.31
EPRA Earnings (profit from property management after tax)				
Profit from property management	985	4.66	990	5.31
Adding back; current tax profit from property management				
	-46	-0.22	-48	-0.26
EPRA Earnings/EPRA EPS	939	4.45	942	5.05

1. Earnings per share before and after dilution, SEK/share

2. Comparative figures restated for changed policy for recognising deductions received for deferred tax on acquisitions. See page 80 for more information.

The average number of shares for the period January-December 2017 was 211,171,694 (186,644,063).

NOTE 12. INTANGIBLE ASSETS

SEK m	Intangible assets	
	31 Dec. '17	31 Dec. '16
Accumulated acquisition values at beginning of year	13	5
Activations for the year	0	8
Accumulated acquisition values at end of year	13	13
Accumulated depreciation at beginning of year	-1	-
Depreciation of the year	-3	-1
Accumulated depreciation at end of year	-4	-1
Carrying amount at end of period	9	11

Intangible assets consist of development costs for business support system.

NOTE 13. INVESTMENT PROPERTIES

SEK m	31 Dec. '17	31 Dec. '16
Carrying amount at beginning of year	29,533	27,470
Change of accounting policy	-	364
Acquisition	790	238
Investments in owned properties	925	609
Carrying amount divested properties	-1,692	-806
Unrealised changes in value ¹	1,417	1,658
Carrying amount at end of year	30,974	29,533

SEK m	Industrial/Ware-house				All properties
	Office	Retail	Other		
Properties at beginning of year	19,702	6,572	2,174	720	29,168
Change of accounting policy	244	101	9	10	364
Acquisitions	460			330	790
Investments in owned properties	629	146	134	16	925
Carrying amount, divested properties	-254	-1,297	-120	-20	-1,692
Unrealised changes in value ¹	1,138	155	59	66	1,417
Properties at end of year	21,919	5,677	2,256	1,122	30,974

1. The unrealised changes in value are recognised in the income statement on the row for unrealised changes in value within the changes in value of assets.

Effective 2017, Kungsleden is recognising deductions received for deferred tax as unrealised value changes on properties directly at the acquisition date. This revised policy is being applied retroactively and year-2016 reported comparative figures have been restated. Year 2016 opening property values increased by SEK 364 million.

No financial expenses were capitalised in 2017 or 2016.

VALUATION OF PROPERTIES

Internal valuations of all properties have been carried out by 31 December 2017 and represent the carrying amount. All properties have also been evaluated at some time during the year (approximately 1/4 per quarter) by external assessors to ensure the quality and verify the internal valuations.

Internal valuation

Kungsleden has chosen to base the fair value of internal implemented valuations. Kungsleden regularly conducts its own internal valuations as an integral part of the business process where, for each property, an individual assessment is made of the sales value.

Valuation method

Kungsleden reports its property portfolio at fair value which is the same as market value. The fair value is based on internal valuations that are regularly conducted as an integral part of the business process where, for each property, an individual assessment is made of the sales value. The valuation is always made on the basis of level 3, meaning the input data which is not observable on the market. See description of valuation levels in note 21. There hasn't been any movement during the year between the valuation hierarchies.

Sensitivity analysis valuation	Change	Impact on value, SEK m
Operating net	+/-1.0%	+308/ -308
Yield requirements	+/-0.1%	-523/ +541

In the valuation of the properties Kungsleden applies a combination of the performance based method and site price comparison method. Each individual property's future cash flow is forecast and the present value is calculated with the residual value on the basis of a ten-year calculation period. The yield requirements that apply are based on Kungsleden's active presence in the transaction market and have been assessed on each property's unique risk as well as the analysis of the transactions carried out on each site according to their site price comparison method. For these valuations a long-term inflation assumption of 2.0 per cent has been applied.

Below table shows weighted average yield requirement within respective property segment. Yield requirements on the valuations are within the range of 4.25-9.0 per cent.

By property category

	Fair value SEK m	Average yield requirement, %	Interval yield requirement, %
Office	21,918	5.4	4.25-7.75
Industrial/ Warehouse	5,677	7.0	5.5-9.0
Retail	2,256	6.2	5.4-7.5
Other	1,123	5.6	4.45-9.0
Total	30,974	5.8	4.25-9.0

By property management unit

	Fair value SEK m	Average yield requirement, %	Interval yield requirement, %
Stockholm	15,690	5.2	4.25-8.5
Gothenburg/ Malmö	8,111	6.3	4.25-8.0
Mälardalen	7,172	6.5	5.5-9.0
Summa	30,974	5.8	4.25-9.0

SEK m	Offices	Industrial/ warehouse	Retail	Other	Valued proper- ties	Not externally valued	All properties
Carrying amount	21,918	5,677	2,256	1,123	30,974		30,974
Non externally evaluated	21,591	5,600	2,376	1,101	30,668		

NOTE 14. EQUIPMENT

SEK m	31 Dec. '17	31 Dec. '16
Accumulated acquisition value at beginning of year	23	24
Acquisition	4	4
Divestment/disposals	-15	-5
Accumulated acquisition values at end of year	12	23
Accumulated depreciation at beginning of year	-14	-14
Divestment/disposals	12	3
Depreciation of the year	-3	-3
Accumulated depreciation at end of year	-5	-14
Carrying amount at end of year	7	9

NOTE 15. OTHER LONG-TERM RECEIVABLES

SEK m	31 Dec. '17	31 Dec. '16
Carrying amount at beginning of year	12	6
New long-term receivables	-	8
Exchange rate fluctuations	0	0
Repayments	-	-2
Carrying amount at end of year	12	12

The repayments in 2016 refer to the instalment of the promissory notes of a property divestment in Germany that took place in 2014. The promissory notes were repaid in their entirety during 2016. A new long-term receivable in respect of a loan to the buyer of seven properties was issued during 2016.

NOTE 16. EQUITY

At the end of the financial year, the share capital was SEK 91,001,376, and there were 218,403,302 shares. In 2017, share capital increased by SEK 15,166,896 due to a new share issue, divided between 36,400,550 shares. The quotient value is SEK 0.42 (0.42). There is no dilution effect because there are no potential shares.

Net asset value, EPRA NAV and EPRA NNNAV

The net asset value can be calculated on a long term and short term basis. Long-term net asset value is based on the equity of financial position with the adding back of balanced items for derivatives and deferred tax.

The current net asset value is based on equity of financial position with adjustment to the estimated fair value of deferred tax on loss carry-forwards and temporary differences.

	31 Dec. '17		31 Dec. '16 Restated	
Net asset value	SEK m	SEK/share	SEK m	SEK/share
Equity	14,192	64.98	11,123	61.12
<i>Adding back</i>				
Derivatives	171	0.78	653	3.59
Deferred tax liability	1,333	6.10	841	4.62
Long-term net asset value (EPRA NAV)	15,696	71.87	12,617	69.32
<i>Deduction</i>				
Fair value derivatives	-171	-0.78	-653	-3.59
Assessed fair value deferred tax ¹	-100	-0.46	-1	-0.01
Current net asset value (EPRA NNNAV)	15,426	70.63	11,963	65.73

1. Assessed fair value deferred tax has been calculated on the basis of a discount rate of 3 per cent on the expected cash flow. Loss carry-forwards realised over the next five years with a nominal tax of 22 per cent, which gives a present value of deferred tax asset of 21 per cent. The temporary differences regarding properties are expected to be realised during the 50 years where 10 per cent is sold via property divestment with a nominal tax of 22 per cent and 90 per cent are divested via a company where the buyer's tax deduction is estimated to amount 5.5 per cent. This gives a total net present value of deferred tax of 3.7 per cent. The temporary differences regarding derivatives are expected to be realised during the term of the agreement (up to five years), which gives a net present value of a deferred tax asset of 21 per cent.

NOTE 17. INTEREST-BEARING LIABILITIES

SEK m	31 Dec. '17		31 Dec. '16	
	Nominal amount	Fair values	Nominal amount	Fair values
Liabilities to credit institutions	11,077		13,728	
Bond loans (non secured)	1,950		975	
Other borrowing	2,126		1,808	
Interest rate derivatives				
Interest rate swaps, 8,220 (10,120)		171		653
Total loans and derivatives	15,153		16,511	

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

Expiration date of bank loans and other borrowings	31 Dec. '17		31 Dec. '16	
	Nominal amount	Share, %	Nominal amount	Share, %
2017			3,749	20.1
2018	2,157	12.5	3,306	17.7
2019	3,429	19.8	4,450	23.8
2020	6,286	36.4	4,713	25.2
2021	1,842	10.7	492	2.6
2026	630	3.6	630	3.4
2027	1,594	9.2		
2036	1,340	7.8	1,340	7.2
Total	17,278	100.0	18,681	100.0
Non utilised credits	-2,125		-2,170	
Total utilised credits	15,153		16,511	

The Group has a bank overdraft of SEK 250 (250) million which was not utilised in any part at year end 2017 or 2016.

Changes in liabilities attributable to financing activities

SEK m	Changes not affecting cash flow					
	2016	Cash flows	Investments	Currency translations	Changes in fair value	2017
Long-term liabilities to credit institutions	13,702	-3,552	-	-	-	10,150
Current liabilities to credit institutions	26	901	-	-	-	927
Derivatives	653	-397	-	-	-85	171
Other long-term interest-bearing liabilities	1,230	1,866	-	-	-	3,096
Other current interest-bearing liabilities	1,553	-573	-	-	-	980
Total loans and derivatives	17,164	-1,755	-	-	-85	15,324

NOTE 18. PROVISIONS

SEK m	31 Dec.	
	'17	'16
Provisions at beginning of year	12	5
New provisions (rental guarantees)	-	7
Provisions at end of year	12	12

SEK m	31 Dec.	
	'17	'16
Rental guarantee	7	7
Other	5	5
Total	12	12

SEK m	31 Dec.	
	'17	'16
Due for payment within one year	-	-
Due for payment between one to five years	7	7
Due for payment in more than five years	5	5
Total	12	12

Non discounted cash flow of financial liabilities and derivatives

Year	Credits due ¹	Interest rate payment credits	Derivatives due	Interest rate payment derivatives
2019	3,429	206	1,000	58
2020	4,411	158	2,770	21
2021	1,842	132	1,450	1
2022		105	3,000	-6
2023		113		
2024		118		
2025		124		
2026	630	119		
2027	1,594	87		
2036	1,340	406		
Total	15,153	1,797	8,220	169

1. Relates to items liabilities to credit institutions as well as other interest bearing liabilities long-term and short-term.

NOTE 19. OTHER LIABILITIES

At year-end, other liabilities consisted of SEK 12 (8) million unpaid consideration. The properties at year-end were not yet vacated.

NOTE 20. MATURITY STRUCTURE LIABILITIES

SEK m	31 Dec.	
	'17	'16
Due for payment within one year	2,591	2,293
Due for payment between one to five years	9,682	12,962
Due for payment in more than five years	3,564	1,970
Total,	15,837	17,225

The maturity structure liabilities reflects long-term liabilities to credit institutions, long-term interest bearing liabilities and short-term liabilities. All accounts payable are due within one year.

NOTE 21. FINANCIAL ASSETS AND LIABILITIES

SEK m	Accounts receivable and loan receivables		Financial liabilities measured at fair value through profit or loss - derivatives		Other liabilities ¹		Total carrying amount	
	31 Dec. '17	31 Dec. '16	31 Dec. '17	31 Dec. '16	31 Dec. '17	31 Dec. '16	31 Dec. '17	31 Dec. '16
Long-term receivables	12	12	-	-	-	-	12	12
Accounts receivable	20	26	-	-	-	-	20	26
Other receivables and derivatives	90	74	-	-	-	-	90	74
Total	122	112	-	-	-	-	122	112
Interest-bearing liabilities ¹	-	-	-	-	15,153	16,511	15,153	16,511
Accounts payable	-	-	-	-	235	195	235	195
Other liabilities and derivatives	-	-	171	653	12	12	182	665
Total	-	-	171	653	15,401	16,718	15,570	17,371

1. Relates to items liabilities to credit institutions as well as other interest bearing liabilities long-term and short-term.

VALUATION

Financial instruments such as client and loan receivables, and other liabilities are reported at accrued acquisition value less any impairment losses. A number of OTC-derivatives are utilised to financially secure risks in the cash flow for interest rates. There are three valuation levels:

- Level 1: according to the prices listed in an active market for the same instrument.
 Level 2: on the basis of direct or indirect observable market data which is not included in level 1.
 Level 3: from the input data which is not observable in the market.

Kungsliden's derivatives are evaluated with valuation techniques based on observable market data (level 2). These derivatives amounted to SEK 171 (653 net) million.

Fair value of client and loan receivables have been assessed individually on the basis of the risk that the receivable will not be obtained. Similar measurement is also conducted according to the principles for carrying amount. Carrying amount has been the same as estimated fair value in the last two year-end closings. Since Kungsliden's financial assets and liabilities consist mostly of short-term instruments, no material differences between book value and fair value are judged to exist.

Tax expenses for the year amounts to SEK -5 (-1) million.

Liabilities to credit institutions, SEK m	31 Dec. '17	31 Dec. '16
Liabilities at beginning of year	16,511	17,456
New loans	2,944	2,808
Repayment of loans	-4,302	-3,753
Liabilities at end of year	15,153	16,511

NOTE 22. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledged assets for liabilities, SEK m	31 Dec. '17	31 Dec. '16
Property mortgages	14,255	14,287
Shares in subsidiaries	3,987	4,895
Total	18,242	19,182

Assets have been primarily pledged for bank loans. Covenants may exist in loan agreements in respect of interest coverage ratio and loan volume in relation to the fair value of the properties.

Contingent liabilities, SEK m	31 Dec. '17	31 Dec. '16
Other guarantees and commitments	20	103
Total	20	103

Commitments and legal responsibility for treatment of contaminated soil may arise in the future, both in regards to owned and sold properties. Expenses may arise for example in the form of increased expenses for the remediation of soil in connection with new, refurbishment or extension construction or price reduction on the divestment of a property. To assess any possible future amounts is not possible. In addition, disputes in the business arise from time to time. The outcomes are often difficult to assess. When a dispute is likely to result in a cost for the Group, this is taken into account in the financial statements.

NOTE 23. ADDITIONAL DISCLOSURES ON CASH FLOW

Other adjustments not included in cash flow from operating activities, SEK m	2017	2016
Depreciation and impairment	11	4
Provision/confirmed for rental and bad debt losses	0	1
Exchange rate fluctuations	0	0
Profit (loss) from sale of equipment	0	0
Increase(+)/decrease(-) in interest receivables	0	0
Increase(+)/decrease(-) in interest liabilities	-10	12
Profit from participation in associated companies	-	-
Other profit/loss items not impacting liquidity	0	0
Total	1	17
Interest rates, SEK m	2017	2016
Interest rates received	1	1
Interest rates paid	-408	-455
Acquisition of the subsidiary, SEK m	2017	2016
<i>Acquired assets and liabilities</i>		
Investment properties	790	238
Operating receivables	3	10
Cash equivalents ¹	9	7
Total assets	802	255
Deferred tax	0	2
Interest-bearing liabilities	0	-
Operating liabilities	27	10
Total provisions and liabilities	27	12
Cash payment, shares	355	27
Cash payment, repayment of loans	421	210
Deducted: cash equivalents in acquired business	-9	-7
Effect on cash equivalents acquired companies	766	230
Divestment of subsidiaries, SEK m	2017	2016
<i>Divested assets and liabilities</i>		
Investment properties	1,617	806
Operating receivables	5	2
Cash equivalents	2	0
Total assets	1,624	808
Deferred tax	73	15
Operating liabilities	93	4
Total provisions and liabilities	166	19
Purchase price received, shares	1,017	534
Cash received, repayment of loans	440	243
Purchase price received	1,458	777
Deducted: cash equivalents in divested operations	-1	-1
Effect on cash equivalents for wholly-owned subsidiaries	1,456	776

1. In cash equivalents include cash and bank balances as well as any cash equivalents related to assets held for sale.

NOTE 24. TRANSACTIONS WITH RELATED PARTIES

Remuneration to Board members and senior executives for completed work is disclosed in note 7.

No transactions in addition to these remunerations have been made with any of their related companies or individuals.

NOTE 25. EVENTS AFTER THE REPORTING DATE

In January 2018, Kungsleden signed an agreement with the Municipality of Eskilstuna regarding the sale of the property Skiftinge 1:3 in Eskilstuna. The Municipal Council approved the transaction on 14 February, which is scheduled to come into legal effect after five weeks. As a consequence, Kungsleden will vacate the property. The purchase price amounts to SEK 19 million. The properties Kallebäck 2:7 and Kallebäck 2:9 in Gothenburg were accessed in February 2018. Kungsleden is scheduled to access the property Kallebäck 2:11 in early-2019 because this property is under construction. The purchase price is approximately SEK 1 billion. An agreement to purchase Rausgård 22 in Helsingborg was signed in January 2018. Access is scheduled for the second quarter of 2018 and the sales price before deducting for deferred tax amounts to SEK 555 million. An agreement to sell the property Stenvreten 4:1 in Enköping was signed at the end of 2017. This agreement is conditional on government approval and vacation is scheduled for the third quarter of 2018. The purchase price is SEK 200 million.

Kungsleden signed an agreement to acquire the property Tyfonen 1 (STUDIO) in Malmö. Kungsleden will access the property in May 2018. The purchase consideration is SEK 1 billion.

INCOME STATEMENT - PARENT COMPANY

SEK m	Note	2017	2016
Intra-group revenue		3	34
Administration costs	2-3	-37	-42
Operating profit (loss)		-34	-8
PROFIT (LOSS) FROM FINANCIAL ITEMS			
Profit (loss) from participations in group companies ¹	4	37	606
Interest rate revenue and similar items	4	737	157
Interest rate expenses and similar items	4	-180	-491
		594	272
Profit before tax		560	264
TAX			
Deferred tax	5	-214	82
Net profit for the year		346	346

1. December 2016 has been restated for intra-group dividend of SEK 78 million.

STATEMENT OF COMPREHENSIVE INCOME - PARENT COMPANY

SEK m	2017	2016
Net profit for the year as per income statement	346	346
Profit (loss) for the year	346	346

COMMENTARY ON THE INCOME STATEMENT

Sales amounted to SEK 3 (34) million and consisted of revenues from group companies concerning allocated administration costs.

Financial income and expenses mainly consist of intra-group interest income and interest expenses for bonds, as well as interest in swap

contracts for the Group's funding. Transactions linked to holdings in subsidiaries are also reported as financial income and expenses.

After tax, profit for the year was SEK 346 (346) million.

PROPOSED APPROPRIATION OF PROFITS

The following unappropriated earnings are at the disposal of the AGM:

Profit (loss) brought forward	4,757,906,152
Share premium reserve	3,133,547,165
Net profit for the year	346,297,660
Total	8,237,750,977

The Board of Directors proposes that earnings are appropriated as follows:

Dividend to shareholders of SEK 2.20 per share	480,487,264
Share premium reserve	3,133,547,165
Carried forward	4,623,716,548
Total	8,237,750,977

Kungsleden's dividend policy states that the dividend should grow at a rate commensurable with the progress of profit from property management.

With the support of the dividend policy, and against the background of the parent company's and the Group's financial position, the Board of Directors is proposing a dividend of SEK 2.20 per share for the financial year 2017.

The Board regards the equity ratio of 44 per cent as satisfactory, particularly considering that the parent company and the Group have higher earnings capacity after the major property acquisitions executed in recent years. Adjusted for proposed dividend the equity ratio at year end is 42 per cent.

As of 31 December 2017, available liquidity including un-utilised credit facilities was SEK 541 million. Against this background, the Board considers that the liquidity reserve of the Group remains secure.

The Board's opinion is that the proposed dividend will not prevent the company, or other companies within the Group, from satisfying their obligations in the short and long term, nor from executing the necessary investments. Accordingly, the proposed dividend is justifiable with consideration to the stipulations of chap. 17 §3, second and third paragraphs of the Swedish Annual Accounts Act (principle of prudence).

The proposed appropriation of profits will be submitted for approval at the Annual General Meeting on 26 April 2018.

BALANCE SHEET - PARENT COMPANY

SEK m	Note	31 Dec. '17	31 Dec. '16
Assets			
<i>Non-current assets</i>			
Participations in group companies	6	3,998	4,538
Receivables from group companies	7	0	1,831
Deferred tax asset	5	237	451
Other long-term receivables	7	2	2
Total non-current assets		4,237	6,822
<i>Current assets</i>			
Receivables from group companies		14,433	10,675
Other receivables		1	2
Prepaid expenses and accrued revenue	8	8	4
Cash and bank		291	38
Total current assets		14,733	10,719
TOTAL ASSETS		18,970	17,541
EQUITY AND LIABILITIES			
<i>Equity</i>			
<i>Restricted equity</i>			
Share capital (218,403,302 shares)		91	76
		91	76
<i>Non-restricted equity</i>			
Accumulated profit or loss		4,757	4,849
Share premium reserve		3,134	1,549
Net profit for the year		346	346
		8,237	6,744
Total equity		8,328	6,820
<i>Provisions</i>			
Provisions for pensions and similar obligations		2	2
Total provisions		2	2
<i>Long-term liabilities</i>			
Bond Loans		1,950	600
Derivatives ²		171	653
Total long-term liabilities	9-11	2,121	1,253
<i>Short-term liabilities</i>			
Liabilities to credit institutions		980	1,553
Accounts payable		3	2
Liabilities to group companies		7,520	7,902
Accrued expenses and deferred revenue	12	16	9
Total short-term liabilities	10, 11	8,519	9,466
TOTAL EQUITY AND LIABILITIES		18,970	17,541

1. December 2016 has been restated for an intra-group dividend of SEK 78 million.

2. Derivatives have been reclassified from short to long-term liabilities.

COMMENTARY ON THE BALANCE SHEET

The assets at the end of the period mainly consisted of participations in group companies of SEK 3,998 (4,538) million. There were also essential receivables and liabilities to group companies, which the net was a receivable of SEK 6,913 (4,604) million.

The financing was mainly through equity which at the end of the year amounted to SEK 8,328 (6,820) million, giving an equity ratio of 44 (39) per cent.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - PARENT COMPANY

SEK m	Restricted equity	Non-restricted equity		Total equity
	Share capital	Share premium reserve	Non restricted equity	
Opening equity, 1 Jan. '16	76	1,549	5,214	6,839
Net profit for the year	-	-	346	346
Total change in wealth excl. transactions with the company's owners	-	-	346	346
Dividend	-	-	-364	-364
Total transactions with the company's owner	-	-	-364	-364
Closing equity, 31 Dec. '16	76	1,549	5,195	6,820
Opening equity, 1 Jan. '17	76	1,549	5,195	6,820
Net profit for the year	-	-	346	346
Total change in wealth excl. transactions with the company's owners	-	-	346	346
Dividend	-	-	-437	-437
New share issue	15	1,584	-	1,599
Total transactions with the company's owner	15	1,584	-437	1,162
Closing equity, 31 Dec. '17	91	3,133	5,104	8,328

CASH FLOW STATEMENT - PARENT COMPANY

SEK m	Note 13	2017	2016
OPERATING ACTIVITIES			
Profit before tax		560	264
Dividends, not settled		-	-480
Group contributions received		-487	-84
Profit (loss) from divestment		-	5
Impairment, group companies		452	1,640
Gain (loss) from liquidation		497	-
Value change, derivatives, not affecting cash flow		-482	257
Interest income, not received		-28	-
Tax paid		-	0
Cash flow from operating activities before change in working capital		512	1,602
<i>Changes in working capital</i>			
Increase(+)/decrease(-) in operating receivables		-1,991	-2,218
Increase(+)/decrease(-) in operating liabilities		-207	-289
Cash flow from operating activities after change in working capital		-1,686	-905
INVESTING ACTIVITIES			
Divestment of group companies		-	17
Acquisition of subsidiaries		-	-78
Shareholder contributions paid		-	-86
Cash flow from investing activities		-	-147
FINANCING ACTIVITIES			
New share issue		1,599	-
New loans		1,350	1,778
Repayment of loans		-573	-700
Dividend		-437	-364
Cash flow from financing activities		1,939	714
Cash flow for the year		253	-338
Cash equivalents at beginning of year		38	376
Cash equivalents at end of year		291	38

NOTES - PARENT COMPANY

NOTE 1. ACCOUNTING PRINCIPLES PARENT COMPANY

Parent company Kungsleden AB, has prepared its annual report in accordance with the Annual Accounts Act and RFR 2. The applied accounting principles appear in the applicable parts of the accounting principles for the group with the addition of the following for the parent company.

SHARES IN GROUP COMPANIES

Shares in Group companies are recognised at historical acquisition value. The value is regularly tested for impairment.

FINANCIAL INSTRUMENTS

Financial receivables and liabilities are reported at historical acquisition value. Risk of loss regarding financial receivables and derivative instruments are taken into account.

FINANCIAL GUARANTEES

The parent company's financial guarantee agreement consists of guarantees on behalf of companies within the Group. For reporting of financial guarantees, the parent company applies one of the RFR2 permitted relief regulations compared to the regulations in IAS 39 Financial instruments: Reporting and valuation. The parent company reports financial guarantee agreements as a provision in the balance sheet when the company has a commitment for a probable payment. Otherwise the obligation is reported as contingent liabilities.

GROUP CONTRIBUTIONS

Group contributions received from a subsidiary are reported according to the same principles as conventional dividends from subsidiaries. Group contributions paid to subsidiaries are reported as an investment in participations in group companies.

Shareholder contributions are reported by the maker as an increase in the shares' net book value and by the recipient as an increase in non-restricted equity.

DIVIDEND

Dividends from subsidiaries and associated companies are reported as revenue when the right to dividend is established.

Anticipated dividend from subsidiaries are recognised when the parent company has the sole right to decide on the size of the dividend and the parent company has taken a decision on the size of the dividend before publishing its financial statements.

If the carrying amount in the parent company's holding in the subsidiary or associated company would exceed the carrying amount in the financial statements this is to be considered as an indication of impairment and impairment test should be carried out.

NOTE 2. ADMINISTRATION COSTS

Administration costs, SEK m	2017	2016
Personnel costs	-25	-24
Other operating expenses	-12	-18
Total	-37	-42

Administration costs relate primarily to costs of central functions such as business development, accounting and finance, legal and IT, as well as costs attributable to stock exchange listing and the Group's management team.

Within SEK 37 (42) million of the administrative costs, personnel costs constitute the largest item at SEK 25 (24) million, and mainly relates to compensation to Group Management and Board members.

The auditors invoiced SEK 1.3 million to the parent company in 2017. The remaining audit fees are invoiced to Kungsleden Fastighets AB, which then re-invoice these and other common administration costs to other companies.

NOTE 3. EMPLOYEES, PERSONNEL EXPENSES AND BOARD FEES

Average number of employees	Share women		Share women	
	2017	%	2016	%
Sweden	3	67	3	67
Total	3	67	3	67

Salaries, other bonuses and social security expenses, SEK 000	2017		2016	
	Salaries, other bonuses	Social security expenses	Salaries, other bonuses	Social security expenses
Board of Directors, CEO and Deputy CEO	17,254	6,939	13,447	7,373
(of which pension expenses)		(2,770)		(2,582)
Total	17,254	6,939	13,447	7,373

Fees are paid to the Board of Directors according to the resolution of the Annual General Meeting. For the information of bonuses paid to each Board member and bonuses paid to senior executives, see note 7 in the Group.

NOTE 4. PROFIT (LOSS) FROM FINANCIAL ITEMS

Profit (loss) from subsidiaries, SEK m	2017	2016
Dividends	499	2,168
Group contributions received	487	84
Profit (loss) from disposal of shares	-497	-5
Impairment	-459	-1,862
Reversal of impairment losses	7	221
Total	37	606

Interest rate revenue and similar items, SEK m	2017	2016
<i>Interest rate revenue</i>		
Group companies	652	157
Reversed provisions undervalue of derivatives	85	-
Total	737	157

Interest rate expenses and similar items, SEK m	2017	2016
<i>Interest expenses</i>		
Other companies	-180	-219
Provisions undervalue of derivatives	-	-272
Realised change closed derivatives	-	-
Total	-180	-491

NOTE 5. TAXES

Tax in the income statement, SEK m	2017	2016
Deferred tax	-214	82
Reported tax	-214	82
Reconciliation of effective tax, SEK m	2017	2016
Profit before tax	560	264
Tax 22 per cent	-123	-58
Dividends from group companies	110	476
Impairment of shares in group companies	-100	-361
Other tax related to previous years and tax processes	-	26
Divestments of subsidiaries	-110	-
Other	9	-1
Reported tax	-214	82

No tax is reported directly to equity.

Deferred tax on temporary differences and tax loss carry-forwards, SEK m	At the beginning of the year	In the income statement	At year end
Loss carry-forwards	307	-108	199
Financial instruments	144	-106	38
Other temporary differences	1	0	1
Total	452	-214	237

SPECIFICATION OF PARENT COMPANY HOLDINGS OF SHARES IN GROUP COMPANIES

Directly owned subsidiaries' CIN/registered location	Number of shares	Share % ¹	Book value, SEK m	
			31 Dec. '17	31 Dec. '16
Kungsleden Fastighets AB, 556459-8612, Stockholm	200	100	469	334
Realia AB, 556639-7419, Stockholm	100,000	100	1,503	1,506
Kungsleden Syd AB, 556480-0109, Stockholm	1,000	100	66	90
Bovård i Sverige AB, 556429-6126, Stockholm	1,000	100	-	131
Kungsleden Äldre B AB, 556635-1366, Stockholm	1,000	100	23	23
Kungsleden Mattan AB, 556718-3354, Stockholm	1,000	100	119	255
Kungsleden Friab AB, 556742-6548, Stockholm	1,000	100	1,351	1,340
Kungsleden Kalinka Holding AB, 556844-2957, Stockholm	50,000	100	95	95
Kungsleden Holding GmbH, Tyskland	1	100	0	0
Kungsleden Balsberget AB, 556919-3013, Stockholm	50,000	100	1	1
Kungsleden Alsberget AB, 556919-3021, Stockholm	50,000	100	-	0
Kungsleden Vegaholding AB, 556919-3047, Stockholm	50,000	100	135	135
Kungleden Holdmix AB, 556967-3311, Stockholm	500	100	-	491
Kungsleden Kebnekaise AB, 556968-3187, Stockholm	500	100	17	24
Kungsleden Holdmix 2 AB, 556974-4526, Stockholm	500	100	-	6
Kungsleden Grönberget Holding AB, 556990-0805, Stockholm	500	100	3	1
Kungsleden Grönberget AB, 556989-0410, Stockholm	500	100	116	11
Kungsleden Tegel AB, 559025-8298, Stockholm	500	100	17	17
Kungsleden Holdmix 3 AB, 559007-2665, Stockholm	500	100	0	0
Kungsleden Holdmix 4 AB, 559055-4431, Stockholm	500	100	1	0
Kungsleden Lustfarm AB, 556654-9720, Stockholm	1000	100	78	78
Kungsleden Isskrapan AB, 559084-5870, Stockholm	500	100	4	0
Total			3,998	4,538

1. This refers to the ownership share of the capital, which also corresponds to the share of votes for the total number of shares.

NOTE 6. SHARES IN GROUP COMPANIES

SEK m	31 Dec. '17	31 Dec. '16
Accumulated acquisition values at beginning of year	12,381	14,370
Acquisition	0	78
Divestments of subsidiaries ¹	-906	-2,154
Shareholder contributions	541	87
Accumulated acquisition values at end of year	12,016	12,381
Accumulated impairment at beginning of year	-7,843	-8,334
Reversal of impairment ¹	7	221
Impairment for the year	-459	-1,862
Divestments of subsidiaries	277	2,132
Accumulated impairment at end of year	-8,018	-7,843
Carrying amount at end of year	3,998	4,538

1. 2016 has been restated for liquidated companies of SEK 2,132 million.

Directly owned subsidiaries are listed below. Other group companies are not reported in the parent company's annual report since the information, with regards to the requirement of giving a fair view, is of little relevance. Other companies are however presented by respective subsidiary annual reports.

NOTE 7. OTHER LONG-TERM RECEIVABLES

SEK m	31 Dec. '17	31 Dec. '16
Receivables at beginning of year	1,833	1,833
Reversals for short-term receivable	-1,831	-
Total	2	1,833

NOTE 8. PREPAID EXPENSES AND ACCRUED REVENUES

SEK m	31 Dec. '17	31 Dec. '16
Prepaid expenses	8	4
Total	8	4

NOTE 9. LOANS AND INTEREST RATE DERIVATIVES

The parent company has three (two) bond loans. In addition there are also interest rate derivatives for both their own loans and other group companies' external loans.

There is a bank overdraft of SEK 250 (250) million which was not utilised in any part at year end 2017 or 2016.

Below shows the maturity dates for loans and interest rate derivatives.

Maturity date, SEK million	31 Dec. '17		31 Dec. '16	
	Bank and bond loans	Interest rate derivatives, nominal amount	Bank and bond loans	Interest rate derivatives, nominal amount
2017			1,553	
2018	980			
2019	600	1,000	600	1,000
2020		2,770		2,770
2021	1,350	1,450		1,800
2022		3,000		3,500
2023				
2024				1,050
Total	2,930	8,220	2,153	10,120

NOTE 10. FINANCIAL ASSETS AND LIABILITIES

SEK m	Receivables from group companies and others		Other financial liabilities		Total carrying amount	
	31 Dec. '17	31 Dec. '16	31 Dec. '17	31 Dec. '16	31 Dec. '17	31 Dec. '16
Other long-term receivables	2	2	-	-	2	2
Receivables from group companies	14,433	12,506	-	-	14,433	12,506
Other receivables	1	2	-	-	1	2
Total assets	14,436	12,510	-	-	14,436	12,510
Long-term liabilities ¹	-	-	2,121	1,253	2,121	1,253
Accounts payable	-	-	3	2	3	2
Liabilities to group companies	-	-	7,520	7,902	7,520	7,902
Other liabilities ¹	-	-	980	1,553	980	1,553
Total liabilities	-	-	10,624	10,710	10,624	10,710

1. Fair value of the company's interest rate derivatives amounts to SEK -171 (-653) million. These instruments have been reclassified from short term to long term.

The parent company's derivatives are valued with valuation techniques based on observable market data (level 2). These derivatives amounted to SEK -171 (-653) million.

Information on valuation of financial instruments can be found in the Group's note 21.

Changes in liabilities attributable to financing activities

SEK m	2016	Changes not affecting cash flow				2017
		Cash flows	Investments	Currency translations	Changes in fair value	
Derivatives	653	-397	-	-	-85	171
Bond loans	600	1,350	-	-	-	1,950
Other current interest-bearing liabilities	1,553	-573	-	-	-	980
Total loans and derivatives	2,806	380	-	-	-85	3,101

NOTE 11. MATURITY STRUCTURE LIABILITIES

SEK m	31 Dec. '17	31 Dec. '16
Due for payment within one year ¹	8,503	9,457
Due for payment between one to five years	1,950	600
Due for payment in more than five years	-	-
Total	10,453	10,057

1. A restatement of SEK -653 million was effected as of December 2016 for undervalues of derivatives.

Maturity structure interest-bearing liabilities as well as operating liabilities excluding tax liabilities and undervalue derivatives.

NOTE 12. ACCRUED EXPENSES AND DEFERRED REVENUE

SEK m	31 Dec. '17	31 Dec. '16
Accrued interest expenses	7	8
Accrued employee expenses	9	1
Total	16	9

NOTE 13. ADDITIONAL DISCLOSURES ON CASH FLOW

No other means than cash and bank are included in the items cash equivalents.

Interest rates etc, SEK m	2017	2016
Dividends received	499	2,167
Interest rates received	652	157
Interest rates paid	-179	-219

NOTE 14. TRANSACTIONS WITH RELATED PARTIES

Transactions with subsidiaries, SEK m	2017	2016
Sales of goods/services to related parties	3	34
Other, e.g interest rate, dividend, group contributions	1,638	2,408

Items in the balance sheet	17-12-31	16-12-31
Receivables of group companies	14,433	12,506
Liabilities to group companies	-7,520	-7,902

Remuneration to Board members and senior executives for completed work is disclosed in note 3. No transactions in addition to these payments have been made with any of their related companies or individuals.

NOTE 15. PLEDGED ASSETS

Contingent liabilities	31 Dec. '17	31 Dec. '16
Guarantees in favour for group companies	2,106	2,194
Total	2,106	2,194

NOTE 16. CONTINGENT LIABILITIES

Contingent liabilities	31 Dec. '17	31 Dec. '16
Guarantees in favour for group companies	16,602	14,358
Total	16,602	14,358

NOTE 17. APPROPRIATION OF PROFITS

The following unappropriated profits are at the disposal of the AGM:	
Profit (loss) brought forward	4,757,906,152
Share premium reserve	3,133,547,165
Net profit for the year	346,297,660
Total	8,237,750,977

The Board of Directors proposes that the profits are disposed of as follows:	
Dividend to shareholders of SEK 2.20 per share	480,487,264
Share premium reserve	3,133,547,165
Carried forward	4,623,716,548
Total	8,237,750,977

NOTE 18. EVENTS AFTER THE REPORTING DATE

No significant events have occurred after the reporting date.

ANNUAL REPORT SIGNATURES

The Board of Directors and the CEO hereby declare that the annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated accounts have been prepared in accordance with the international accounting standards as referred to in European Parliament and Regulation (EC) No 1606/2002 as of 19 July 2002 on the application of international accounting standards. The annual accounts and consolidated accounts give a true and fair view of the parent company's and the Group's financial position and results of operations. The Board of Directors' report for the parent company and the Group gives a true and fair view of the progress of the parent company and the Group's operations, financial position and results of operations, and describes the significant risks and uncertainties faced by the parent company and group companies.


Stockholm, Sweden, 23 March 2018



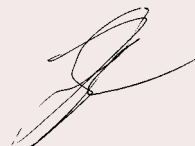
Göran Larsson
Chairman



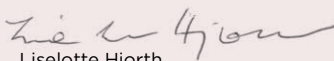
Charlotte Axelsson
Board member



Ingalill Berglund
Board member



Joachim Gahm
Board member



Liselotte Hjorth
Board member



Kia Orback Pettersson
Board member



Charlotta Wikström
Board member



Biljana Pehrsson
CEO

Our audit report was submitted on 26 March 2018
Ernst & Young AB



Ingemar Rindstig
Authorised Public Accountant



Jonas Svensson
Authorised Public Accountant

AUDIT REPORT

To the general meeting of the shareholders of Kungsleden AB (publ), corporate identity number 556545-1217

This is a translation from the Swedish original.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Kungsleden AB (publ) except for the corporate governance statement on pages 62-69 for the year 2017. The annual accounts and consolidated accounts of the company are included on pages 1-3, 24-47, 58-59 and 70-101 in this document. In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 62-69. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the contents of the complementary report that has been presented to the parent company's audit committee pursuant to statutory audit regulation (537/2014) article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. To the best of our knowledge and belief, this includes no prohibited services as specified in statutory audit regulation (537/2014) article 5.1 being provided to be audited company, or were applicable, its parent company or entities under its control in the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. The following review of how the audit was conducted on these matters should be read in this context.

We have also fulfilled those obligations stated in the section on Auditor's Responsibilities in our report on the annual accounts on these matters. Accordingly, we executed the audit measures designed to consider our assessment of risk of material misstatement in the annual accounts and consolidated accounts. The outcome of our audit and the review measures taken to deal with the matters below are the basis of our audit report.

Valuation of investment properties

Description of matter

How the matter was dealt with in the audit Kungsleden records properties at fair value and the property portfolio was valued at SEK 30,974 million at 31 December 2017 and changes in value amounted to SEK 1,411 million. The group's properties amount to 98% of the total balance sheet as at 31 December 2017. Measurement at fair value is inherently associated with subjective assessments, where a modest change in assumptions that are the basis of valuations can have a material impact on carrying amounts.

Valuations are yield-based, in accordance with the cash flow model, which means future cash flows are forecast. Property required returns are judged on the basis of each property's unique risks and transactions executed on the market. A description of the property valuation is found in note 13 and critical assessments made in note 3. Due to the many assumptions and estimates made in tandem with valuing investment properties, we believe this should be considered a key audit matter.

In our audit, we evaluated and reviewed management's property valuation process. We have gathered a selection of prepared internal valuations, and verified that these valuations comply with Kungsleden's guidelines for valuation and its valuation method.

For a selection of properties, we reviewed input data to Kungsleden's valuation model. We also compare the property values reported by Kungsleden with verification values conducted by external valuers.

We have discussed key assumptions and estimates with Kungsleden's valuation managers. Our selection primarily deals with the largest properties in the portfolio in value terms, and those properties where the variations in value compared to previous quarters and previous years are the greatest. We also executed comparisons with known market information.

Supported by our valuation specialists, we also reviewed the reasonableness of assumptions made regarding required returns, vacancy rates, rental income and operating costs for a selection of properties.

We reviewed disclosures made in the annual accounts.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4-23, 48-57 and 105-115. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Kungsleden AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the

administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 62-69 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance

with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99, Stockholm, Sweden, was appointed Kungsleden AB's auditor by the general meeting of the shareholders on 25 April 2017, and has been the company's auditor since 26 March 2016.

Stockholm March 26, 2018
Ernst & Young AB



Ingemar Rindstig
Authorized Public Accountant



Jonas Svensson
Authorized Public Accountant

DEFINITIONS AND GLOSSARY

PROPERTY RELATED KEY FIGURES

Direct yield

The measurement is used to highlight the yield for the operating net in relation to the value of the properties.

Outcome

Operating net in relation to average book value of properties. At interim reporting, returns are converted to a full-year basis. Average book value of properties is calculated as the sum of the opening and closing balances divided by two.

Outcome per property management unit, urban concentration, category, cluster and investment- and development properties. The value for the interim period is calculated as an average of the direct yield for the quarters included

Earnings capacity

Operating net in relation to the book value of the properties at year-end.

Operating and maintenance cost, SEK per sq.m

Operating and maintenance cost in relation to the average leasable area.

Operating net

Total revenues less property costs.

Economic vacancy rate

Estimated market rent for vacant areas in relation to rental value.

Economic occupancy rate

The measurement is intended to facilitate assessment of rental revenue in relation to the total value of the possible vacant area. Rental revenue is calculated in relation to rental value.

Property costs, SEK per sq.m

Property costs in relation to the average of the leasable area.

Profit from property management

Profit from property management is a specific performance measurement which is used in the property sector to facilitate comparability in the industry. Calculated as the sum of the operating net, selling and administration costs and net financial items.

Average remaining contract length maturity

Remaining contract value divided by annual rent.

Rental revenue

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

Rental value

Rental revenue plus estimated market rent for vacant units.

Revenue

Rental revenue and other income.

Contracted annual rent

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

Average rent, SEK per sq.m

Rental revenues in relation to the average leasable area.

Leasable area

Leased area and leasable vacant area.

Surplus ratio

Operating net in relation to rental revenues (previously total revenues)

Other revenue

Revenues which have no direct link to lease agreements.

FINANCIAL KEY FIGURES

Return on equity

Net profit for the period after tax in relation to average equity. At interim reporting, returns are converted to a full year basis. Average equity is calculated as the sum of the opening and closing balances divided by two.

Return on total assets

Operating net, profit from property divestment, selling and administration costs in relation to average assets. At interim reporting, returns are converted to a full year basis. Average assets are calculated as the sum of the opening and closing balances divided by two.

LTV (loan-to-value) ratio

Interest-bearing liabilities less cash and bank, and in relation to the book value of the properties.

Interest coverage ratio

Profit from property management excluding financial expenses, in relation to financial expenses.

Debt/equity ratio

Interest-bearing liabilities in relation to equity.

Equity ratio

Equity including minority interests in relation to total assets.

SHARE-RELATED KEY FIGURES

Dividend yield on shares

Adopted/proposed dividend/redemption in relation to the share price at year-end.

Total return on shares

The sum of the share price change during the period and during the dividend paid/redemption period in relation to the share price at the beginning of the period.

Adopted/proposed dividend per share

The Board of Directors' proposed dividend or by the AGM-adopted dividend per share.

Equity per share

Equity in relation to the number of shares at year-end.

EPRA EPS (profit from property management after tax) per share

Profit from property management with a deduction for taxable profit in relation to the average number of shares during the period.

EPRA NAV (long-term net asset value) per share

Reported equity including recognised liability/asset for interest rate derivatives and deferred tax in relation to the number of shares at year-end.

EPRA NNAV (current net asset value) per share

Reported equity adjusted for the estimated fair value of deferred tax, instead of registered in relation to the number of shares at year-end. The history for the years 2012-2015 is calculated on the basis of the actual change of loss carry-forwards and temporary differences for divested properties during the period up to 2016.

Profit from property management, per share

Profit from property management for the period in relation to the average number of shares during the period.

Average number of shares

Number of outstanding shares weighted over the period.

Cash flow before changes in working capital per share

Cash flow before changes in working capital in relation to the average number of shares.

Net profit for the period, per share

Net profit for the period in relation to the average number of shares during the period.

GLOSSARY

Property costs

The costs for electricity, heating, water, property management, cleaning, property administration, insurance and maintenance less charged additional amount for operation and maintenance.

Investment properties

The total property holding excluding development properties.

Category

The properties' primary use by area. The type of area that accounts for the largest share of the total area determines how the property is defined. A property with 51 per cent office space is therefore regarded as an office property. Categories are defined as Offices, Industrial/warehouse, Retail and Other.

Clusters

Kungsleden defines clusters as a gathered property holding in a location with good accessibility, in a market with good growth and development potential. The optimal cluster has a good mix of offices, retail and residential and an attractive service offering.

Contract value

Rent according to the lease agreements plus indexation and rent surcharges expressed as an annual value.

Development properties

Properties with areas of vacant possession which are planned to be vacated, short-term leased or demolished in order to allow for development.

Average interest rate

The average interest rate is calculated by setting the interest costs from loans and interest rate swaps, the initial direct costs and the costs associated with unutilised credit lines in relation to the outstanding loan volume as per the closing day.

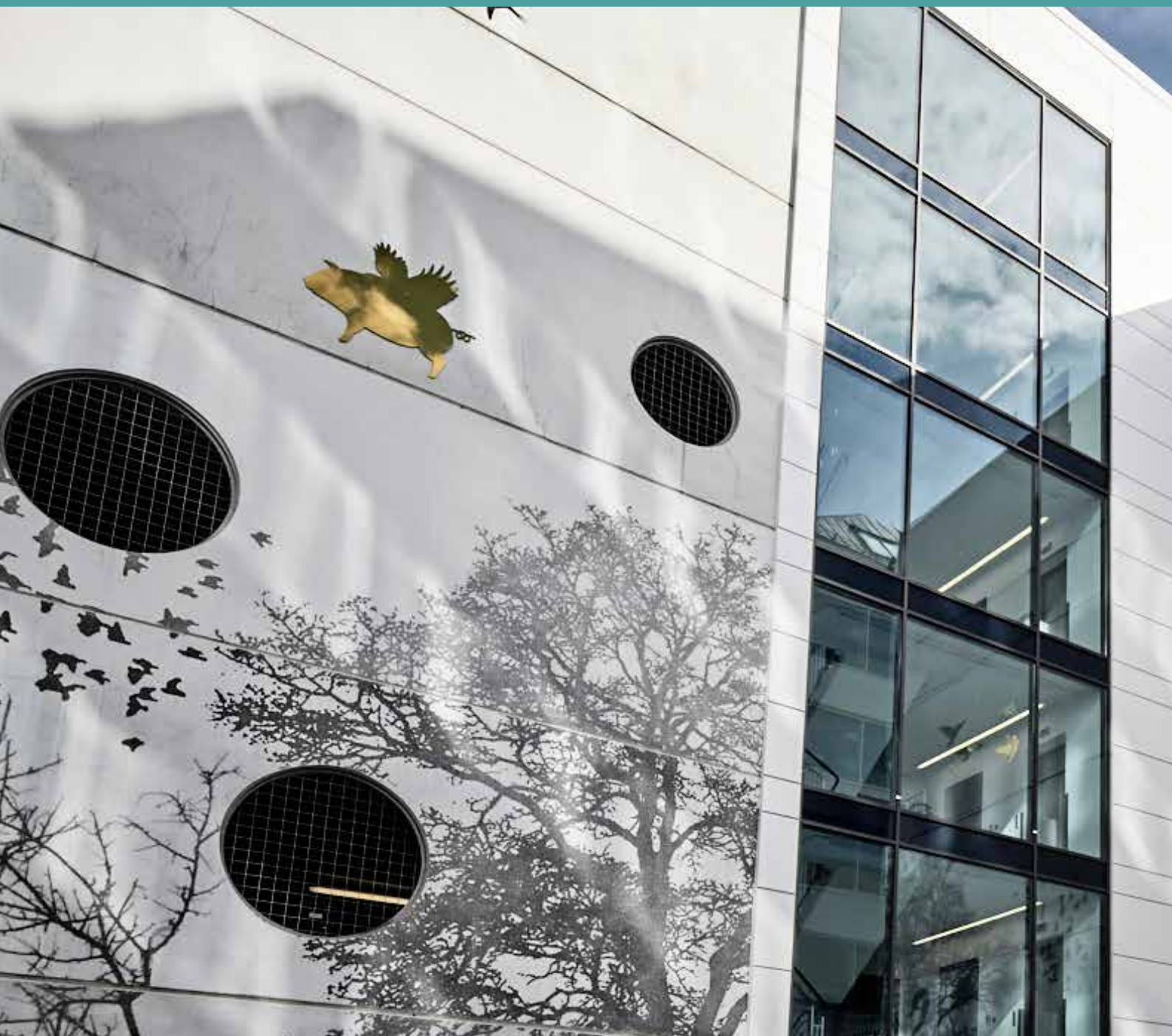
Unrealised changes in value

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

Maintenance

Measures to maintain the property and its technical systems. Current and planned actions involving exchanges or renovation of building parts or technical systems. Tenant improvements are also included here.

IN-DEPTH SUSTAINABILITY INFORMATION



IN-DEPTH SUSTAINABILITY INFORMATION (GRI INDEX AND EPRA)

This section provides additional disclosures that are necessary for Kungsliden to fulfil its commitment to report on sustainability work in accordance with GRI (Global Reporting Initiative) C4 Core Guidelines, EPRA (European Public Real Estate Association) recommendations on sBPR (Best Practices Recommendations on Sustainability Reporting), and the Swedish Annual Accounts Act's sustainability reporting standards. This section also constitutes Kungsliden's COP to the UN Global Compact and satisfies the standards of the Active level. It is not a standalone report, but offers more depth on Kungsliden's sustainability work, which has already been dealt with in previous sections of the Annual Report.

Kungsliden works with a particular focus on five segments that have been identified in its materiality analysis. The following table indicates those segments classified as focuses by Kungsliden and its stakeholders, and the policies followed to assure work going forward.

Focus	Policy
Environment	• Sustainability Policy & Strategy
Corporate social responsibility	• Sustainability Policy & Strategy
Diversity	• Sustainability Policy & Strategy • Gender Equality & Diversity Policy
Business ethics	• Sustainability Policy & Strategy • Procurement Policy • Guidelines for Internal & External Business Networking • Guidelines for Incidental Employment & Conflicts of Interest • Code of Conduct for Suppliers
Health & safety	• Alcohol & Drug Policy • Occupational Health & Safety Policy • Health & Wellness Policy • Sustainability Policy & Strategy • Code of Conduct for Suppliers



ORGANISATIONAL PROFILE

G4-10 Total workforce

	Number	2017	2016	2015
Total number of employees		110	110	102
Of which women		58	56	54
Number of permanent salaried employees		58	54	52
- Of which full-time		58	53	52
- Of which part-time		0	1	0
Number of temporary employees		0	2	2
Of which men		52	54	48
Number of permanent salaried employees		52	54	47
- Of which full-time		52	53	47
- Of which part-time		0	1	0
Number of temporary employees		0	0	1

G4-11 Collective bargaining agreements coverage

All of Kungsliden's 110 employees are party to collective bargaining agreements.

EXTERNAL UNDERTAKINGS

G4-14 Application of precautionary approach

Kungsliden has joined the UN Global Compact, whose environmental undertakings include a precautionary approach.

G4-15 Commitment to external economic, environmental and social principles or initiatives

The Global Compact, Global Reporting Initiative, EPRA, BREEAM, LEED, Construction Product Assessment.

G4-16 Memberships of associations and national or international advocacy

Fossilfritt Sverige ("Fossil Free Sweden"), Sweden Green Buildings Council, the Forum for Sustainable Cities, Construction Product Assessment, the LEED Council and GRESP are all associations where Kungsliden serves in an active role on organisation governing bodies.

MATERIAL ASPECTS AND BOUNDARIES

G4-18 Process for defining material aspects

G4-19 Material sustainability aspects

Report content is based on a materiality analysis conducted in 2015. The materiality analysis consisted of a competition analysis and assessment of Kungsliden's current sustainability work, as well as views from two executive meetings with representatives of Accounting, HR, Environment, Legal Services, Corporate Communication and Marketing. These meetings also dealt with Material gathered from interviews with tenants and questionnaires completed by investors and financial analysts at shareholders' meetings at capital markets days.

Kungsliden maintains an ongoing dialogue with its stakeholders, and has supplemented its materiality analysis and selection of aspects with appraisals of this dialogue process.

Kungsliden examined the relevance of its materiality analysis in 2017 in a research project entitled "KPI 2030: The Sustainable Properties of the Future," which was conducted by members of the City of Stockholm's Forum for Sustainable Properties, and researchers at Mälardalen University College, Luleå University of Technology and the University of Richmond. The project identified 7 core segments that can be associated with tenant interests in sustainability in their premises. Tenants are a key stakeholder group that sets trends within Kungsliden's sustainability work. The results of this research will be reconciled against Kungsliden's materiality analysis in 2018.

G4-20 Internal boundaries for each sustainability aspect

G4-21 External boundaries of each sustainability aspect

Impact of aspects on stakeholders

Kungsleden's sustainability aspect	Tenants	Employees	Owners & capital markets	Lenders	Suppliers	Wider society
Energy	●	●				●
Emissions	●	●			●	●
Environmental impact of products and services	●					
Soil contamination and remediation		●	●			●
Labelling of products & services	●	●				
Anti-corruption	●	●	●		●	●
Supplier assessment of working conditions					●	
Diversity & equal opportunities		●				●
Employee skills management	●	●				●
Employee health & safety		●				
Customer health & safety	●	●				
Financial performance		●	●			●

The table illustrates where Kungsleden's materiality aspects have a direct impact on different stakeholder groups.

G4-22 The effect of any restatements of information provided in previous reports

G4-23 Significant changes from previous reporting periods in the scope and aspect boundaries

See changes in the method for G4-CRE3

STAKEHOLDER ENGAGEMENT

G4-24 List of stakeholder groups

G4-25 Basis for identification and selection of stakeholders with whom to engage

G4-26 The organisation's approach to stakeholder engagement

G4-27 Key topics and concerns that have been raised through stakeholder engagement

The table above and on page 16 lists Kungsleden's most important stakeholders, how we maintain dialogue with them and the issues the various stakeholders view as most important. These stakeholders are important to Kungsleden because they have a major impact on the company, or are impacted by the company's operations. We review how we address the wants and needs of our stakeholders through this Annual Report.

REPORTING PROFILE

G4-28 Reporting period

G4-29 Publication of most recent Annual Report

G4-30 Reporting cycle

Kungsleden's Annual & Sustainability Report is for the period 1 January to 31 December 2017. Reporting is annual. The most recent Sustainability Report was uploaded to www.kungsleden.se on 28 March 2017.

G4-31 Contact point for questions regarding the report or its contents

Maria Sandell, Sustainability Manager
e-mail: maria.sandell@kungsleden.se
Phone: +46 (0)8 503 05200
Web: www.kungsleden.se/en

G4-32 GRI Content Index

G4-33 Assurance process

Kungsleden reports its sustainability work in accordance with the Swedish Annual Accounts Act's sustainability reporting standards and GRI's accounting option G4 Core. The Sustainability Report is also part of Kungsleden's sustainability report pursuant to the requirements of the Swedish Annual Accounts Act and contains information on the company's initiatives within the environment, social conditions and human resources, respect for human rights and anti-corruption.

Apart from this section, sustainability reporting is included on the following pages of the Annual Report:

Chapter Strategic Direction, pages 12–25

Section Sustainability – activities and outcomes, pages 56–57

The Sustainability reporting has not been externally reviewed. The auditor's statement on the existence of the Sustainability Report is available on Kungsleden's website.

G4-56 The organisation's values, principles, standards and norms of behavior

The extensive implementation process of Kungsleden's core values – professionalism, consideration, joy – continued in 2017. The Code of Conduct, published in 2016, has been secured through operations with a special focus on local offices. Audits of code of conduct compliance have been conducted on suppliers. Health & safety procedures were also reviewed in the year.

To encourage individuals and clarify best practice in Kungsleden's core values and highlight good examples and role models, Kungsleden has created "Culture Bearer of the Year". The whole company has been involved, submitting nominations for colleagues judged to be worthy of recognition. A jury has selected the winner, who will be named in Q1 2018.

Kungsleden's Policy Documents

- Alcohol & Drug Policy
- Occupational Health & Safety Policy
- Health & Wellness Policy
- Sustainability Policy & Strategy
- Procurement Policy
- Gender Equality & Diversity Policy
- Guidelines for Internal & External Business Networking
- Guidelines for Incidental Employment & Conflicts of Interest
- Code of Conduct for Suppliers

SPECIFIC STANDARD DISCLOSURES

ECONOMIC PERFORMANCE

G4-EC1 Direct economic value

All businesses have a direct impact on the economy through taxation, payments to business partners, as well as salaries, pensions and social security contributions for employees. The following diagram illustrates how Kungsleden's revenues in 2017 were divided between different stakeholder groups.

OUR CONTRIBUTION TO SOCIETY IN 2017, SDK M DIVIDED AS FOLLOWS

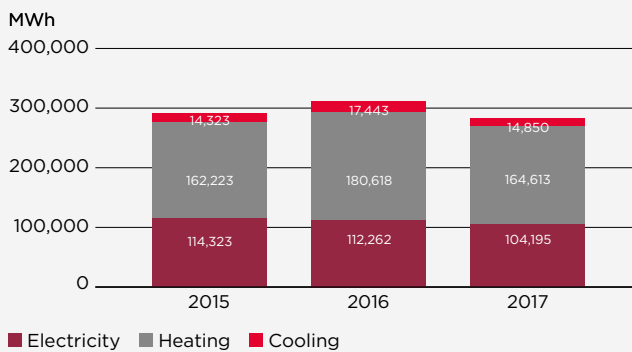


Directly created value amounted to SEK 3,972 million and retained economic value amounted to SEK 2,195 million in 2017.

ENERGY

G4-EN3 Energy consumption within the organisation

ENERGY CONSUMPTION



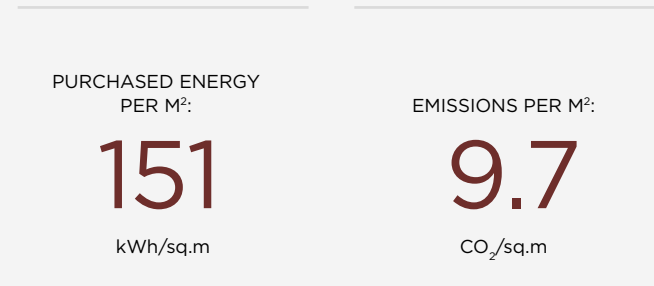
New method for computing water volumes. The hot water share has been separated from district heating for 2017 which only affects district heating consumption marginally.

G4-EN6 Reduction of energy consumption

Kungsleden made 57 investments in energy projects in 2017, generating savings of 8.9 GWh for a cost of SEK 36.1 million. Kungsleden also has procedures to fine-tune and adjust the function of all its current plant at least twice per year.

G4-CRE1 Energy intensity in buildings

G4-CRE3 Emission intensity in buildings



GREENHOUSE GAS EMISSIONS

G4-EN15 Direct greenhouse gas emissions (Scope 1)

G4-EN16 Indirect greenhouse gas emissions (Scope 2)

Greenhouse gas emissions per scope (ton CO ₂ E)	2017	2016	2015
Scope 1	97	129	226
Scope 2	13,668	16,383	17,517

Total greenhouse gas emissions and allocated by scope.

Scope	Activity	Activity data	Conversion factor
Scope 1	Oil purchased by Kungsleden that is not invoiced to customers based on separate measurement or invoicing of actual consumption.	Internal gathering of statistics of purchased oil and invoicing systems.	Heating oil: 0.268 ton CO ₂ /MWh Source: Statistics Sweden. Conversion of Statistics Sweden energy statistics to CO ₂ emissions, 29 May 2009 v.2
Scope 1	Business travel with fleet vehicles and company cars.	Travel by fleet vehicles is based on odometer readings and travel by company cars is based on compensation for mileage.	Greenhouse gas emissions based on distance travelled, and car manufacturer data on emissions per kilometre. Source: Car manufacturers
Scope 2	Electricity purchased by Kungsleden that is not invoiced to customers based on separate measurement or invoicing of actual consumption.	Internal gathering of statistics of purchased electricity and invoicing systems.	Certified renewable energy: 4 g CO ₂ /kWh Source: Dinel
Scope 2	District heating that is purchased by Kungsleden that is not invoiced to customers based on separate measurement or invoicing of actual consumption.	Internal gathering of statistics of purchased district heating and invoicing systems.	Data from each district heating provider.

LAND DEGRADATION, CONTAMINATION AND REMEDIATION

G4-CRE5 Land remediated and in need of remediation

In 2017 Kungsleden worked according to the plan created after the mapping process executed in 2016, when all properties held were categorised according to be contamination situation in one of the following five categories. All new acquisitions have been systematically reviewed and classified by contamination situation

- Category 1: Contamination detected that requires remediation
- Category 2: MIFO class 1 or 2 or other motivation for investigation required. Potential detection of contamination that requires remediation programme
- Category 3: MIFO class 3 or 4 or contamination detected that does not require remediation
- Category 4: Risk of contamination, but none detected and no sector classification
- Category 5: No contamination detected and no reason for suspicion

This assessment is based on documentation in public records and internal materials and investigation. Kungsleden has not been imposed with any instructions for remediation of soil contamination. No portfolio property is currently classified in category 1.

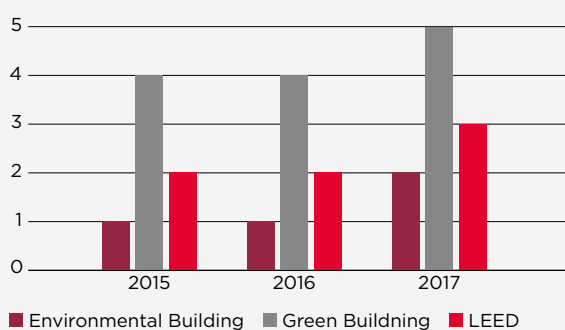
PRODUCT AND SERVICE LABELING

G4-CRE8 Environmental certifications in new construction, extensions and reconstructions

Kungsleden has utilised various environmental classification systems in recent years depending on the system appropriate to each building. A new target for portfolio properties being classified according to LEED by 2035 was set in 2017. Half of the portfolio should be classified by 2020. At present, Kungsleden's portfolio has LEED classified properties within new production and existing buildings, and buildings certified according to the Silver environmental classification and EU Green Building standard. Kungsleden evaluates the potential for LEED classification in all major projects, during conversion/new production. LEED is an international system covering many aspects of the environmental segment, and has a strong international reputation.

In terms of value, 10 per cent of the property portfolio has some form of environmental classification.

NUMBER OF ENVIRONMENTALLY CLASSIFIED PROPERTIES



CUSTOMER HEALTH AND SAFETY

G4-PR2 Number of incidences of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their cycle, by type of outcome

There were no incidences of non-compliance with regulations and voluntary codes regarding customers' health & safety in 2017. Kungsliden conducted audits in the year that identified several areas of improvement. This was followed up by clarification of procedures and the production of action-plans.

G4-PR5 Customer satisfaction

The outcome of the year's Customer Satisfaction Index (CSI) was an increase from 70 to 72. Customer satisfaction was surveyed in 2017, with customers rating Kungsliden 61 for environmental consideration, which can be compared to the real estate sector overall average of 66. Kungsliden was down by one point on the previous year, compared to the sector overall, which was also down by one point on average. Kungsliden will continue to present clearer information on its environmental and sustainability work locally and company wide in 2018.

OCCUPATIONAL HEALTH & SAFETY

G4-LA6 Accidents, occupational injuries and sick leave

	Scheduled working days	Long-term sickness absence, days	Total sickness absence, days	Total sickness absence/scheduled working days (%)
Total, women	101,750	1,372	4,694	4.6
Total, men	98,148	855	855	0.9
Total	199,898	2,227	5,549	2.8

G4-CRE6 Percentage of the organisation operating in verified compliance with an internationally recognized health and safety management system

Kungsliden complies with occupational health & safety legislation, and accordingly, has safety representatives.

TRAINING AND EDUCATION

G4-LA10 Programmes for skills management

G4-LA11 Percentage of employees receiving regular performance and career development reviews

Kungsliden operates an internal skills management process with the associated digital support tools that are available to all staff. This process was clarified for the affected parties in 2017. A schedule of the HR calendar, which clarifies the timing of various actions in the year, is published on the intranet. In 2017, 63 per cent of staff had appraisal interviews. This fairly low share is due to factors including an unusually high number of employees changing manager in the year. In the employee satisfaction survey, 88 per cent of respondents stated that they had received goal-setting and appraisal interviews with their first-line managers during the past 12 months. Individually tailored support is offered on termination of employment.

DIVERSITY AND EQUAL OPPORTUNITIES

G4-LA12 Composition of the Board of Directors and the Executive Management, and breakdown of employees per employee category

	2017	2016	2015
Board of Directors			
Number of women	5	4	4
- Of which aged less than 30	0	0	0
- Of which aged 30-50	0	0	0
- Of which aged over 50	5	4	4
Number of men	2	3	3
- Of which aged less than 30	0	0	0
- Of which aged 30-50	0	0	0
- Of which aged over 50	2	3	3
Management			
Number of women	6	5	5
- Of which aged less than 30	0	0	0
- Of which aged 30-50	4	5	5
- Of which aged over 50	2	0	0
Number of men	3	5	6
- Of which aged less than 30	0	0	0
- Of which aged 30-50	0	2	2
- Of which aged over 50	3	3	4
Other employees			
Number of women	58	51	49
- Of which aged less than 30	4	6	3
- Of which aged 30-50	42	39	39
- Of which aged over 50	12	6	7
Number of men	52	49	42
- Of which aged less than 30	6	5	3
- Of which aged 30-50	25	28	23
- Of which aged over 50	21	16	16
Total	110	110	102

NON-DISCRIMINATION

G4-HR3 Number of incidents of discrimination and corrective actions taken

No cases of discrimination were reported in the year. Read more about Kungsliden's work to counter discrimination on pages 18, 22 and 56-57.

ANTI-CORRUPTION

G4-SO3 Number and percentage of operations assessed for risks related to corruption and the significant risks identified

G4-SO4 Communication and training on anti-corruption policies and procedures

G4-SO5 Confirmed incidents of corruption and actions taken

Kungsliden prepared a new Code of Conduct for Suppliers in 2016, which largely conforms to real estate sector organization Fastighetsägarna's Code of Conduct. Work on informing and securing support for the Code of Conduct continued in 2017, through training programmes and dialogue with staff and suppliers, as well as communication with tenants regarding Kungsliden's core values and its Guidelines for Internal & External Business Networking, as well as health & safety plans, electronic records of staff on building sites and safety regulations at Kungsliden's workplaces. Every contractor must sign the Code of Conduct before being accepted as a Kungsliden supplier.

In addition to its Code of Conduct for Suppliers, Kungsliden operates Guidelines for Internal & External Business Networking, Guidelines for Incidental Employment & Conflicts of Interest, as well as a new Procurement Policy. All employees have been informed and received training regarding these guidelines. Kungsliden also has an Ethical Council dealing with issues and incidents relating to business ethics.

Kungsliden executed a review of corruption risks within the company in the year, and identified that there is an increased risk. Individuals representing identified business entities within Kungsliden, and who are exposed to a greater risk of corruption through their positions, have been offered additional information on the implication of Kungsliden's business ethical guidelines and policies. The risk analysis also resulted in an action plan, encompassing actions including internal work on values, improvements to templates and tools and targeted audits. In tandem with the review in 2017, a number of cases of conduct conflicting with the company's values were identified and dealt with in accordance with internal guidelines

EPRA SUSTAINABILITY PERFORMANCE MEASURES

Effective 2016, Kungsliden is reporting in-depth sustainability performance measures for the company based on the EPRA's (European Public Real Estate Association) sBPR (Best Practices Recommendations on Sustainability Reporting).

EPRA PERFORMANCE MEASURES

Kungsliden is reporting sustainability performance measures for 15 of the EPRA sBPRs. It is reporting indicators for energy, greenhouse gas emissions, water, waste and share of environmentally-certified buildings, prepared in accordance with the most recent guidelines from EPRA; sBPR. Energy consumption is reported in MWh, emissions in tons, water consumption in m³, emission intensity in kg/m², energy intensity in kWh/m² and water intensity in litres/m².

EPRA OVERARCHING RECOMMENDATIONS

Organisational boundary

The boundary of reporting originates with the properties were Kungsliden has operational control pursuant to the principles of the Greenhouse Gas Protocol. Kungsliden has adopted this approach because it provides us with the best potential to report and quality-assure statistics that Kungsliden can directly impact. Other properties, whether customer is responsible for agreements for delivering energy, water and waste, are not included. When the customer is responsible for these agreements, Kungsliden is not in possession of metrics data, and accordingly, reporting outcomes is problematic.

Coverage

Continuous and active work is ongoing on the properties that Kungsliden owns and manages to gain access to relevant performance data.

Available performance data is something Kungsliden values because it creates the potential for effective and positive management of properties.

Kungsliden now has access to performance data for much of its portfolio. The share of properties included in indicators is reported for each performance measure.

However, Kungsliden does not have access to performance data for all properties. Primarily, measurements of waste are missing due to waste contractors being unable to deliver statistics for all properties. Some absolute data for energy and water is also absent due to changes in the portfolio resulting from acquired, divested and development properties. Kungsliden works continuously to gain access to all relevant performance data wherever possible.

At year-end 2017, Kungsliden owned a total of 222 properties, compared to 269 properties at year-end 2016, excluding land.

Estimation of landlord-obtained utility consumption

All data reported has been measured and verified. There were no estimations.

Third party assurance

Kungsliden's indicators reported pursuant to EPRA have not been verified by a third party.

Boundaries-reporting on landlord and tenant consumption

Kungsliden reports on the energy purchased by the property owner, i.e. by Kungsliden. Kungsliden does not report tenants' energy consumption because it basically does not have access to these statistics. Kungsliden cannot directly influence tenant energy consumption, which to some extent, renders the statistics less relevant. See the EPRA table for the data reported,

Normalisation

Kungsliden utilises the Swedish Meteorological & Hydrological Institute's standards to normalise energy for heating.

Analysis-segmental analysis (by property type, geography)

Kungsliden reports sustainability data pursuant to the building types of office and retail premises, industrial buildings and projects.

Disclosure on own offices

Kungsliden's own offices are included in the statistics, but not reported separately.

Narrative on performance

Changes from 2016 to 2017 for sustainability key figures and savings achieved are stated in the index for 2017. No data reported was restated.

Location of EPRA Sustainability Performance in companies' reports

Kungsliden reports sustainability key figures pursuant to EPRA sBPR is formulated in this index, which is part of the Annual Report for 2017.

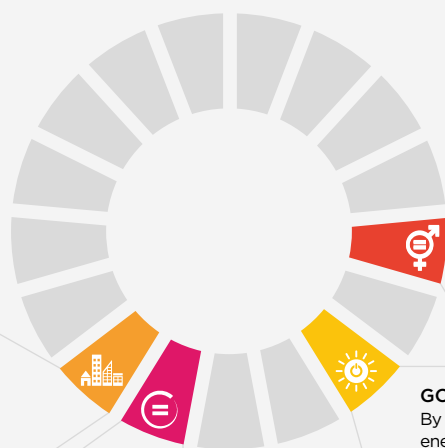
Reporting period

The reporting of sustainability key figures pursuant to EPRA sBPR is for the calendar year, i.e. 1 January to 31 December.

COMPLEMENTARY EPRA DATA

EPRA	Comment	Unit	Property type: Retail & stores	Property type: Industrial & warehouse	Property type: Offices	Property type: Other
Elec-Abs	Elektricitet absolute data	MWh	8,698	15,871	56,843	2,426
Elec-Lfl	Elektricitet like for like	MWh	8,670	10,221	40,542	1,884
DH&C-Abs	District heating and district cooling absolute data	MWh	12,303	56,714	118,602	5,395
DH&C-Lfl	District heating and district cooling like for like	MWh	11,326	32,829	82,710	4,779
Fuels-Abs	Emissions absolute data	MWh	93	328	0	0
Fuels-Lfl	Emissions like for like	MWh	0	328	0	0
Energy-Int	Energy intensity	kWh/sq.m	139.1	125.3	145.5	183.7
GHG-Dir-Abs	Direct emissions absolute data	Ton CO ₂	17	88	0	0
GHG-Indir-Abs	Indirect emissions absolute data	Ton CO ₂	552	5,468	8,627	174
GHG-Dir-Lfl	Direct emissions like for like	Ton CO ₂	0	88	0	0
GHG-Indir-Lfl	Indirect emissions like for like	Ton CO ₂	533	2,877	6,023	101
GHG-Int	Emission intensity	KgCO ₂ /sq.m	3.6	9.4	7.1	4.1
Water-Abs	Water absolute data	m ³	32,382	118,264	382,634	15,700
Water-Lfl	Water like for like	m ³	29,180	81,522	268,099	15,700
Water-Int	Water intensity	m ³ /sq.m	320	265	423	431

KUNGSLEDEN AND GLOBAL SUSTAINABLE DEVELOPMENT GOALS



GOAL 11: SUSTAINABLE CITIES AND SOCIETIES

As a major, long-term property owner, Kungsliden has the potential to influence public transport in the surroundings of its properties. Kungsliden also has the potential to influence planning, inclusion, resource-efficiency and adaptation to climate change in its clusters.

GOAL 10: REDUCED INEQUALITIES

By working actively on vibrant urban spaces where there are spontaneous meetings between people whatever their background, Kungsliden enables encounters that contribute to reducing inequalities. Kungsliden also works actively on an open corporate culture that is inclusive and creates the potential for disadvantaged people to enter the labour market.

GOAL 5: GENDER EQUALITY

Kungsliden makes a contribution to gender equality by serving as a role model for the Swedish business community and continuing to work proactively for women and men having equal opportunities in their work and careers. Kungsliden has basically even gender division at the company's management levels.

GOAL 7: AFFORDABLE AND CLEAN ENERGY

By adjusting existing technology and investing in energy-efficient plant, Kungsliden can reduce the energy consumption of its properties. Kungsliden can source renewable energy for its property portfolio to promote the realignment of its energy mix to more renewable sources, as well as contributing its own locally produced energy.

GRI INDEX

General standard disclosures		Comment	See
G4-1	Statement from the most senior decision-maker of the organisation on sustainability strategy		p 5 (CEO's statement)
G4-3	The name of the organisation		p 1
G4-4	The primary products and services		p 1
G4-5	Location of the organisation's headquarters		p 117
G4-6	The country where the organisation operates		p 1
G4-7	Nature of ownership and legal form		p 64-67
G4-8	Markets the organisation serves		p 1
G4-9	The scale of the organisation		p 1
G4-10	Total number of employees	GC principle 3,6	p 1, 109
G4-11	Percentage of employees covered by collective bargaining agreements		p 109
G4-12	Describe the organisation's supply chain		p 12-13
G4-13	Significant changes during the reporting period		p 2-3
G4-14	Whether and how the organisation addresses the precautionary principle	GC principle 7	p 109
G4-15	External economic, environmental and social charters, principles the organization subscribes to or endorses		p 109
G4-16	Memberships of associations		p 109
G4-17	List of entities included in the organisation's consolidated financial statements		p 31
G4-18	Process for defining report content		p 109
G4-19	Identification of material sustainability aspects		p 110
G4-20	Report on internal aspect boundaries for each sustainability aspect		p 110
G4-21	Report on external aspect boundaries for each sustainability aspect		p 110
G4-22	Effect of any restatements in previously reported information		p 110
G4-23	Significant changes from previous reporting periods		p 110
G4-24	List of stakeholder groups engaged by the organisation		p 110
G4-25	Basis for identification and selection of stakeholders		p 110
G4-26	Approach for stakeholder engagement		p 110
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to these issues		p 110
G4-28	Reporting period		p 110
G4-29	Date of most recent previous report		p 110
G4-30	Reporting cycle		p 110
G4-31	Contact point for questions regarding the report		p 110
G4-32	Report of 'in accordance' option & GRI Content index		p 110
G4-33	External assurance		p 110
G4-34	Report on the organisation's governance structure		p 64-67
G4-56	Describe the organisation's values, codes of conduct, etc.	GC principle 10	p 110

Specifika standard-indikatorer	EPRA	Comment	Comment	See
DMA		Financial performance		p 12-15, 111
G4-EC1		Direct economic value generated and distributed		p 111
DMA		Energy		p 14, 22, 56, 111
G4-EN3	Elec-Abs Elec-Lfl DH&C-Abs DH&C-Lfl Fuels-Abs Fuels-Lfl	Energy consumption within the organisation	GC principle 8	p 56, 110
G4-EN6		Projects to reduce energy consumption & achievements	GC principle 6	p 56, 110
G4-CRE1	Energy-Int	Energy consumption per square metre		p 111
DMA		Emissions		p 56
G4-EN15	GHG-Dir-Abs GHG-Dir-Lfl	Direct greenhouse gas emissions	GC principle 7, 8	p 112
G4-EN16	GHG-Indir-Abs GHG-Indir-Lfl	Indirect greenhouse gas emissions from energy production	GC principle 7, 8	p 112
G4-CRE3	GHG-Int	Greenhouse gas emissions per square metre		p 111
DMA		Environmental impact of products & services		p 56
G4-EN27		Actions to mitigate environmental impact from properties	GC principle 9	p 56
DMA		Soil contamination & remediation		p 112
G4-CRE5		Contaminated & remediated soil		p 112
DMA		Labelling of products & services		p 112
G4-CRE8		Number and percentage of environmentally certified properties		p 14, 112
G4-PR5		Outcome of customer satisfaction surveys		p 17, 113
DMA		Customer health & safety		p 22, 57
G4-PR2		Incidents of non-compliance with laws, regulations and voluntary codes regarding customers' health & safety		p 113
DMA		Employee health & safety	GC principle 4, 5	p 18, 22, 57
G4-LA6		Sickness absence & work-related injuries, accidents & illnesses		p 113
G4-CRE6		Proportion working in accordance with health & safety management system	GC principle 4, 5	p 113
DMA		Employee skills management		p 113
G4-LA10		Skills management programme		p 113
G4-LA11		Percentage of employees receiving regular performance reviews	GC principle 6	p 113
DMA		Diversity & equal opportunities	GC principle 1, 2, 4	p 18, 22, 113
G4-LA12		Breakdown of organisation by gender & age group	GC principle 6	p 113
G4-HR3		Number of incidents of discrimination	GC principle 6	p 113
DMA		Supplier assessment of working conditions		p 57
DMA		Anti-corruption		p 57, 113
G4-SO3		Proportion of organisation analysed in terms of risk of corruption	GC principle 10	p 113
G4-SO4		Information & training on corruption guidelines	GC principle 10	p 113
G4-SO5		Confirmed incidents of corruption & actions taken	GC principle 10	p 113

INVITATION TO ANNUAL GENERAL MEETING

The Annual General Meeting of Kungsleden AB (publ) will be held on Thursday 26 April 2018 at 2pm CET at Kungsleden's head office at Warfvinges väg 31 Västra Kungsholmen, Stockholm, Sweden.

REGISTRATION

Shareholders who wish to participate in the Annual General Meeting must firstly be registered in their own name (voting right registered) in the share register maintained by Euroclear Sweden AB on Friday 20 April 2018 and secondly notify their participation not later than Friday 20 April 2018 via

www.kungsleden.se/arsstamma2018

or to the company by mail:
Kungsleden AB (publ)
FAO: Sara Cederquist
Box 70414
107 25 Stockholm
Sweden

Registrations must state the shareholder's name, personal/Corporate ID no., address, daytime telephone number and any assistants who will attend.

If participation is by proxy or deputy, power of attorney, the company needs to have received certificates of registration and other authorisation documentation by no later than Friday 20 April 2018, for admission to the Annual General Meeting. Please note that powers of attorney must be dated and originals. Power of attorney forms are available for download on the company's website www.kungsleden.se/arsstamma2018.

In order to participate at the Meeting, shareholders with nominee-registered holdings must request temporary re-registration in their own name in the share register maintained by Euroclear Sweden AB. Re-registration must be complete by no later than Friday, 20 April 2018, which means that nominees need to be notified in good time prior to this date.

DISTRIBUTION OF THE ANNUAL REPORT

Hard copies of Kungsleden's Annual Report will be distributed to all new directly registered shareholders, and subsequently, only to those shareholders who have specifically requested them.

DIVIDEND

With the support of Kungsleden's dividend policy and against the background of the financial position of the parent company and group, the Board of Directors is proposing a dividend of SEK 2.20 (2.00) per share for the financial year 2017.

The Board of Directors also proposes that the dividend is paid quarterly, with SEK 0.55 per ordinary share paid on each occasion.

The proposed record date is two working days after the AGM, and the final week day in each subsequent three quarters.

The payment dates will be three banking days after this, and will occur on the following days: 4 May 2018, 4 July 2018, 3 October 2018 and 4 January 2019.



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CALENDAR

Annual General Meeting
26 April 2018

Interim Report
Jan–Jun 2018
11 July 2018

Interim Report
Jan–Sep 2018
24 October 2018

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