

Q1:2017

“The rights issue was the final piece of the puzzle to make Kungsleden a stable and high-quality real estate company.”

BILJANA PEHRSSON, CEO



KUNGSLEDEN

KUNGSLEDEN INTERIM REPORT Q1:2017

1 JANUARY-31 MARCH

Kungsleden is a long-term property owner that creates value by owning, managing and developing offices and other commercial properties in Stockholm and Sweden's other growth regions. 79 per cent of the total property value is now located in the prioritised growth markets of Stockholm, Gothenburg, Malmö and Västerås. Our mission is to gather properties in clusters.

FIRST QUARTER 2017 (2016)

NUMBER OF PROPERTIES	PROPERTY VALUE, SEK M	RENTAL VALUE INCL. DEVELOPMENT PROPERTIES 12 MONTHS ROLLING, SEK M	AVERAGE NUMBER OF EMPLOYEES
245 (285)	29,465 (27,785)	2,649 (2,567)	106 (98)

THE QUARTER IN BRIEF

- Rental revenue amounted to SEK 591 million (614) and operating net was SEK 362 million (388).
- Profit from property management amounted to SEK 216 million (236).
- Unrealised value changes in the property portfolio amounted to SEK 365 million (526).
- Profit for the period increased to SEK 488 million (385), corresponding to SEK 2.59 per share (2,07).
- New leasing amounted to SEK 39 million (56) and net leasing to SEK 9 million (8).

IMPORTANT EVENTS DURING AND AFTER THE QUARTER

- During the quarter a rights issue was completed with preferential rights for existing shareholders. The issue increased the equity to SEK 1,598 million net after share issue costs. This means that the number of shares increased from 182,002,752 to 218,403,302.
- Access was gained to the office property Emporia Office with 10,250 sq.m. leasable area on March 31.
- Access was gained to the newly built hotel property Godsvagnen 9 in Hammarby Sjöstad with an area of approx. 8,000 sq.m. on 4 April.

KEY FIGURES	2017 Jan-Mar	2016 Jan-Mar	Change	2016/2017 Apr-Mar	2016
PROPERTY RELATED					
Economic occupancy rate excluding development properties, % ^{1,3}	91.6	91.8	↘	91.8	92.0
Rental revenue excluding development properties, SEK/sq.m ²				1,073	1,070
Property cost, SEK/sq.m				315	311
FINANCIAL					
Return on equity, %	16.4	16.2	↗	17.4	18.5
Interest coverage ratio	2.8	2.9	↘	3.0	3.0
PER SHARE INFORMATION					
Profit (loss) for the period, SEK per share ⁴	2.59	2.07	↗	10.56	10.05
Equity, SEK per share ⁴	59.18	52.24	↗	59.18	58.25
EPRA EPS (profit from property management after tax), SEK per share ⁴	1.09	1.22	↘	4.93	5.07
EPRA NAV (long-term net asset value), SEK per share ⁴	67.69	59.63	↗	67.69	67.81
EPRA NNNNAV (current net asset value), SEK per share ⁴	64.81	56.11	↗	64.81	64.30

RENTAL REVENUE, SEK M

591

(614 first quarter 2016)

PROFIT FROM PROPERTY MANAGEMENT, SEK M

216

(236 first quarter 2016)

1. The definition of economic occupancy rate has been changed. Comparison figures have been recalculated. See page 26 for current definitions.
2. Rental revenues/sq.m less the rental revenue of development properties divided by the leased area, minus the area of development properties. Comparison figures have been adjusted to take into account the period of time development properties have been held.
3. Comparison figures have been adjusted to take into account the period of time development properties have been held.
4. Previous year's figures have been adjusted by a factor of 2.23 per cent to take into account the dilution of the new share issue.

RIGHTS ISSUE COMPLETED AND GOOD LEASING RESULTS

Kungsliden completed the rights issue in the first quarter of 2017, which was the final piece of the puzzle to make Kungsliden a stable and high-quality real estate company. The transformation of the company is essentially complete. Leasing activities has developed well in a strong rental market, and now we are focusing on increasing operating net in our investment properties and implementing our investment program.

FEWER PROPERTIES AND STRONGER RESULTS

During the last 15 months Kungsliden has been a net seller – we have divested non-strategic properties and residential building rights for a total of SEK 1,448 million. The divestments have led to a profit of SEK 77 million plus future earn-out of approximately SEK 240 million. This corresponds to a total profit of more than SEK 300 million, which will be realised this year and in the next two to three years.

The divestments mean that we owned significantly fewer properties during the first quarter of 2017 compared with the same period in 2016 – 245 compared with 285 – and about 7 per cent less by sq.m of leasable area. This is the main reason why the rental revenue, operating net and profit from property management have decreased in the first quarter of 2017 compared with the corresponding period in 2016. Thanks to positive changes in the value of the property portfolio and financial instruments, Kungsliden's profit before tax increased to SEK 618 million (458).

GOOD LEASING RESULTS AND HIGHER RENTS

During the quarter we have continued to focus on leasing activities and can report a positive new leasing result of SEK 39 (56) million. The termination of leasing agreements amounted to SEK 30 (48) million, which resulted in a net leasing income of SEK 9 (8) million. The new lease agreements signed during the quarter have on average been on higher rent levels per square metre between 5 and 30 per cent relative to earlier lease agreements or vacancy rent.

We have not yet seen an improved occupancy rate despite the strong net leasing during 2016. This is due to the fact that most of the properties will be accessed later in 2017 and during 2018. The economic occupancy rate excluding development properties at the end of March was 91.6 per cent.

RIGHTS ISSUE AND VALUE-CREATING INVESTMENTS

Kungsliden's rights issue is completed. The share issue was oversubscribed and had, according to the Dutch investment bank Kempen & Co, the second lowest discount ever for a rights issue in Sweden. Now we can reduce our loan-to-value (LTV) ratio and continue to grow with financial balance while at the same time implementing value-creating investments. Our investment programme in development properties increased to almost SEK 2.2 billion during the quarter following a new strategic direction to invest SEK 90 million in the property Oxelberg 1:2 in Norrköping. The total investment programme for 2017–2019 is estimated to SEK 3 billion.

CURRENT ACCESSED PROPERTIES AND DIVESTMENTS

On 31 March, we accessed 10,250 sq.m of modern office space in the Emporia Office in Hyllie. Within three days, we had



“The new share issue was the final piece in the puzzle to make Kungsliden a stable and high-quality property company.”

already leased out an office of 400 sq.m within the property to Lidl. On 4 April, we accessed a newly-built property of approx. 8,000 sq.m in the expanding Hammarby Sjöstad district. The property is fully leased with a ten-year lease agreement.

POSITIVE RENTAL DEVELOPMENTS

We believe in continued positive rental market both in large cities and in regional cities such as Västerås, Norrköping and Eskilstuna. Our focus continues to be on leasing out vacant space, renegotiate at a higher rent per sq.m and make investments that gives a yield of 6 per cent or more. Over time, this will lead to a greater operating net and cash flow.

Stockholm 25 April 2017
Biljana Pehrsson, CEO

STATEMENT OF COMPREHENSIVE INCOME

SEK m	Quarter		12 months	
	2017 Jan-Mar	2016 Jan-Mar	2016/2017 Apr-Mar	2016 Jan-Dec
2 Revenues				
Rental revenue	591	614	2,399	2,422
Other income	0	0	8	7
Total revenues	591	614	2,407	2,430
3 Property costs				
Operating costs	-141	-141	-457	-458
Maintenance costs	-25	-27	-106	-109
Property tax and leasehold	-36	-37	-147	-147
Property administration costs	-28	-20	-121	-113
Total property costs	-229	-226	-830	-827
OPERATING NET	362	388	1,576	1,602
4 Selling and administration costs	-24	-25	-111	-112
5 Net financial items				
Financial income	0	0	1	1
Interest rate expenses	-113	-118	-462	-467
Other financial expenses	-9	-8	-35	-34
Total net financial items	-122	-126	-496	-500
1 PROFIT FROM PROPERTY MANAGEMENT	216	236	969	990
Changes in value				
Profit (loss) from divestment	0	-2	34	32
6 Unrealised changes in property value	365	526	1,497	1,658
7 Unrealised changes in the value of financial instruments	37	-302	19	-321
Total changes in value	403	222	1,550	1,369
PROFIT BEFORE TAX	618	458	2,519	2,359
8 Tax				
Current tax	0	0	0	0
Deferred tax	-131	-73	-548	-490
Total tax	-131	-73	-549	-490
PROFIT (LOSS) FOR THE PERIOD	488	385	1,971	1,869
Other comprehensive income				
Translation gains/losses for the period on consolidation of foreign operations	0	1	1	1
COMPREHENSIVE INCOME FOR THE PERIOD	488	386	1,971	1,870
PROFIT (LOSS) PER SHARE¹	2.59	2.07	10.56	10.05

1. Calculated on average number of shares after the rights issue (see also note 3 page 20). Previous year's figures have been adjusted by a factor of 2.23 per cent to take into account the dilution of the new share issue.

PERFORMANCE ANALYSIS (JANUARY TO MARCH)

Profit and cash flow items below refer to the period January through March 2017. Comparison items indicated in brackets refer to the corresponding period last year.

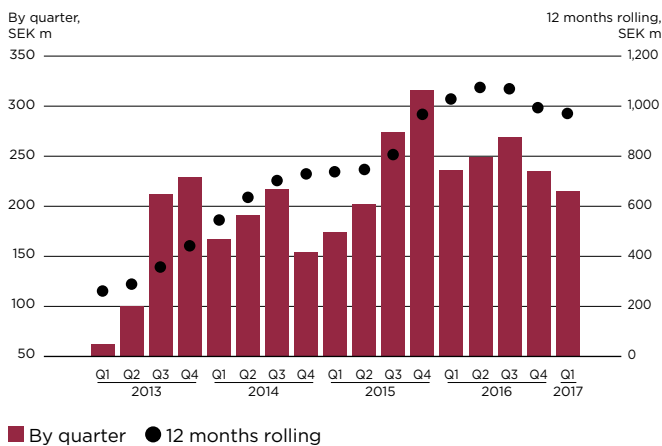
1 ROFIT FROM PROPERTY MANAGEMENT AND OPERATING NET

During the first quarter of 2017 profit from property management amounted to SEK 216 million (236). The decrease is mainly attributable to the divestments of non-strategic properties during the latest 12 months which means a loss of SEK 13 million in operating net compared to the first quarter 2016.

The operating net amounted to SEK 362 million (388). Except from the loss of operating net from divested properties, the comparison between the quarters is affected by the fact that property administration costs were particularly low during the first quarter of the previous year.

Slightly lower central administrative costs and improved net financial items, as a result of lower interest-bearing liabilities, contributed positively.

PROFIT FROM PROPERTY MANAGEMENT PER QUARTER AND 12 MONTHS ROLLING, 2013-2017



2 REVENUE

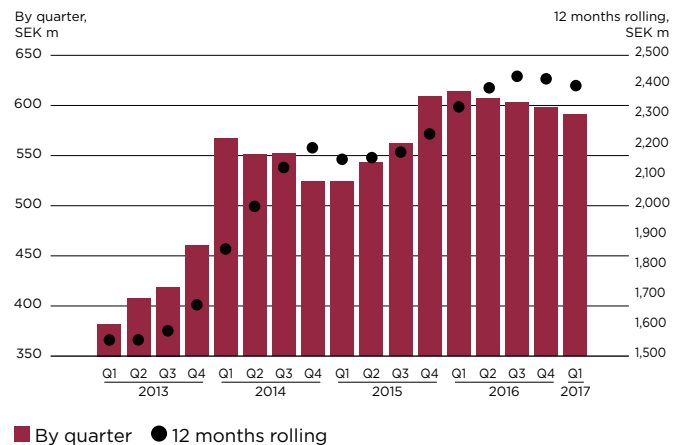
The rental revenue per sq.m. continued to increase during the first quarter and amounted on a twelve month rolling basis to SEK 1,073 compared to SEK 1,046 one year ago. In absolute numbers the total revenues decreased with SEK 23 million to SEK 591 million. Loss of rental revenues from divestments of properties accounted for SEK 21 million. In identical holdings of investment properties, rental revenues of almost SEK 8 million was lost due to the expiry of leasing agreements, but the net loss could be limited to SEK 3 million due to increased rental values and additional debts. The extended development operations lead to, via active emptying of spaces, that the rental revenues in development properties fell with SEK 3 million compared to the first quarter last year. Newly acquired properties contributed with SEK 4 million in increased rental revenue.

RENTAL REVENUE SEK per sq.m ¹	Industrial/ Office	Warehouse	Retail	2016/2017 Apr-Mar	2015/2016 Apr-Mar
Rental revenue	1,488	667	1,000	1,073	1,046

1. Rental revenue 12 months rolling with deduction for rental revenue from development property divided with leased area with deduction for area development properties.

DEVELOPMENT OF RENTAL REVENUE SEK m	2017 Jan-Mar	2016 Jan-Mar
Identical holdings	549	552
Acquired properties	4	0
Development properties	23	26
Divested properties	15	36
Rental revenue	591	614

RENTAL REVENUE PER QUARTER AND 12 MONTHS ROLLING, 2013-2017

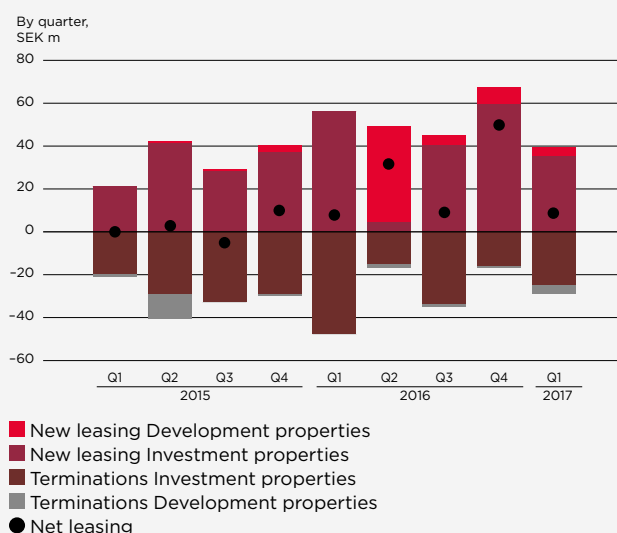


STATEMENT OF COMPREHENSIVE INCOME

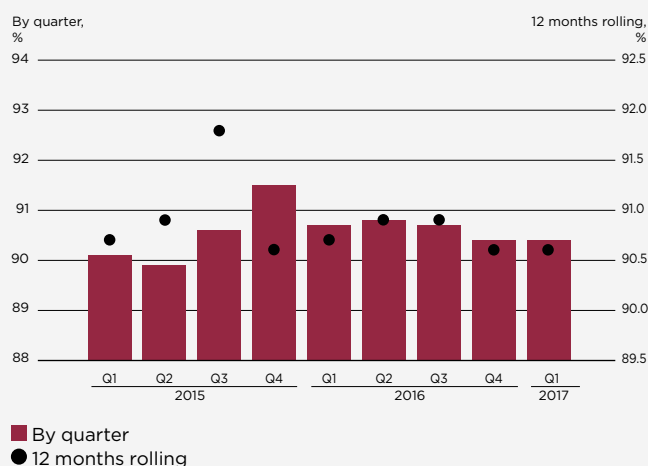
Leasing and occupancy rate

The new leasing during the quarter amounted to SEK 39 million gross, and the net leasing amounted to SEK 9 million after terminations. The net leasing was completely attributable to investment properties. SEK 4 million was attributable to properties in clusters and SEK 5 millions from non-cluster properties. The economic occupancy rate in the portfolio of investment properties (i.e. excluding development properties) was affected during the quarter with approximately 0.7 per cent due to the fact that a large tenant, who terminated their contract a year ago, moved. Thanks to the new leasing during 2016, the decrease in the economic occupancy rate could be counteracted so that it during the quarter decreased with only 0.2 per cent net, compared to the same period last year, and amounted to 91.6 per cent.

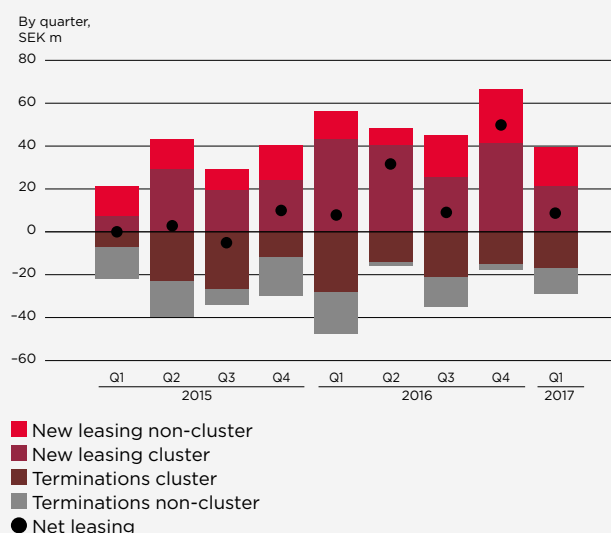
NET LEASING INVESTMENT AND DEVELOPMENT PROPERTIES BY QUARTER, 2015-2017



ECONOMIC OCCUPANCY RATE TOTAL PROPERTY HOLDINGS



NET LEASING CLUSTER AND NON-CLUSTER BY QUARTER, 2015-2017



3 PROPERTY COSTS

The direct property costs were SEK 3 million lower than the previous year and amounted to SEK 202 million (205). Net divestment of properties means that costs decreased by SEK 8 million. In identical holdings of investment properties, a cost increase of SEK 4 million was reported, of which SEK 3 million relates to the utilities costs which was further invoiced to the tenant. In the development properties the direct property costs was SEK 2 million lower than the previous year.

The property administrative costs amounted to SEK 28 million, which is about SEK 4 million lower than during the fourth quarter of 2016. In relation to the first quarter of last year, the property administrative costs were SEK 8 million higher due to staff costs being temporarily affected by the activation of a cost reserve.

On a twelve months rolling basis the property costs per sq.m. increased to SEK 315 compared to SEK 305 one year ago.

PROPERTY COSTS SEK per sq.m ¹	Office	Industrial/ Warehouse	Retail	2016/ 2017 Apr-Mar	2015/ 2016 Apr-Mar
Operations	237	98	164	-172	-165
Maintenance	51	27	31	-40	-46
Site leaseholds and property tax	94	17	51	-57	-51
Direct property costs	382	142	246	-269	-262
Property administration	63	25	47	-46	-43
Total	445	167	292	-315	-305

1. Property costs 12 months rolling divided with leased area with deduction for area development properties.

DEVELOPMENT OF PROPERTY COSTS SEK m	Quarter 1 2017	Quarter 1 2016
Identical holdings ¹	-207	-195
Acquired properties	-1	0
Development properties	-15	-17
Divested properties	-6	-14
Property costs	-229	-226

1. Including property costs of SEK 28 m (20).

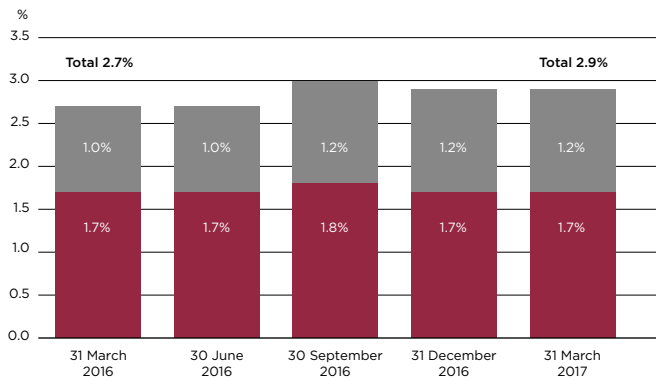
4 SELLING AND ADMINISTRATION COSTS

The selling and administration costs amounted to SEK 24 million (25). The decrease was attributable to the reduction in staff costs.

5 NET FINANCIAL ITEMS

Net financial items amounted to SEK –122 million (–126). The interest rate cost of loans decreased by SEK 8 million due to the interest rate bearing liabilities being on average SEK 600 million lower than during the same quarter of the previous year. At the same time the Stibor 90 days was more negative, which meant that the current interest rate costs in the interest rate swaps portfolio increased by SEK 3 million.

AVERAGE INTEREST RATE



■ Difference in three month interest rate and fixed rate on interest-rate derivatives

■ Interest margin, arrangements fees and credit facility

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.

6 UNREALISED CHANGES IN PROPERTY VALUES

Kungsliden evaluates the whole property holding internally each quarter.

The property valuation during the quarter resulted in unrealised positive value changes of SEK 365 million by 31 March 2017. Improved operating net, reduced yield requirements and project development have had a positive effect on the value of the property portfolio. The average yield requirement has since 31 December 2016 decreased from 6.1 to 6.0 per cent.

The unrealised value changes are divided as follows:

UNREALISED CHANGES IN VALUE JAN-MAR 2017, SEK m	Investment properties	Development properties	Total
Change in yield requirements	123	20	142
Change in operating net	103	22	125
Changed assumptions of investments and other factors affecting the value	33	65	98
Total	259	106	365

7 UNREALISED CHANGES IN VALUE OF FINANCIAL INSTRUMENTS

The unrealised value changes of financial instruments amounted to SEK 37 million (–302). On 31 March 2017, the negative market value of financial instruments was SEK –615 million compared with SEK –652 million at the beginning of the year. Of the value change, interest payments on swaps amounted to SEK 49 million, which was offset by a decline in the long market interest rates with an effect of SEK –12 million.

8 TAX

Total tax expenses amounted to SEK –130 million (–73). The tax expense has been positively affected by deductible costs that do not affect profit before taxes. In other respects, the tax expense is in principle 22 per cent of pre-tax profit. The previous year's tax expenses included SEK 26 million for higher loss-carry forwards resulting from adjusted income declarations.

SEGMENT REPORT

PROPERTY MANAGEMENT UNIT	Stockholm		Gothenburg/Malmö		Mälardalen		Not allocated		Total	
	2017 Jan-Mar	2016' Jan-Mar	2017 Jan-Mar	2016' Jan-Mar	2017 Jan-Mar	2016' Jan-Mar	2017 Jan-Mar	2016' Jan-Mar	2017 Jan-Mar	2016' Jan-Mar
SEK m										
Revenues	231	247	172	180	188	187			591	614
Property costs	-81	-79	-63	-65	-85	-82			-229	-226
Operating net	150	167	109	115	103	106			362	388
Selling and administration costs							-24	-25	-24	-25
Net financial items							-122	-126	-122	-126
Profit from property management	150	167	109	115	103	106	-147	-151	216	236
Changes in the value of assets										
Profit (loss) from divestment							0	-2	0	-2
Unrealised changes in the value of properties	232	361	73	96	60	70			365	526
Unrealised changes in the value of financial instruments							37	-302	37	-302
Profit before tax	382	528	182	211	163	175	-109	-456	618	458
Tax							-131	-73	-131	-73
Profit for the period	382	528	182	211	163	175	-240	-529	488	385

1. The regional allocation of properties has changed in comparison with 2016. Comparison figures have therefore been recalculated.

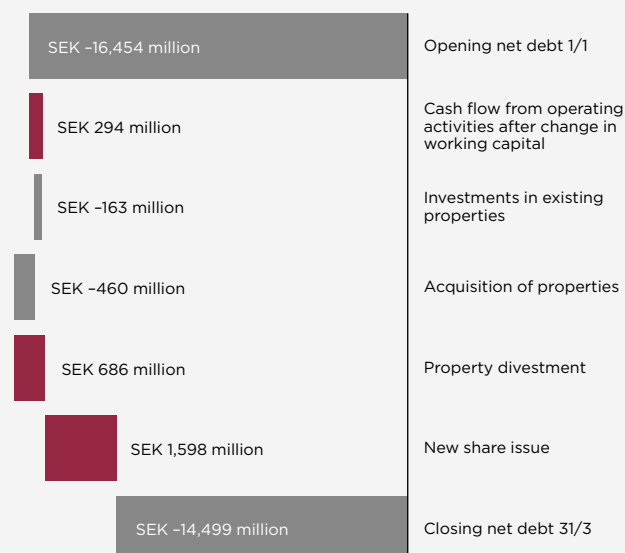
STATEMENT OF CASH FLOW - IN SUMMARY

SEK m	Quarter		12 months	
	2017 Jan-Mar	2016 Jan-Mar	2016/2017 Apr-Mar	2016 Jan-Dec
OPERATING ACTIVITIES				
Profit from property management	216	236	969	990
Adjustments for items not included in cash flow	3	-11	31	17
Tax paid	0	0	0	0
Cash flow before changes in working capital	219	225	1,000	1,007
Changes in working capital	75	139	-59	4
Cash flow after changes in working capital	294	364	941	1,011
INVESTMENT ACTIVITIES				
Investments in existing properties	-163	-96	-676	-609
Acquisition of properties	-460	0	-690	-230
Divestment of properties	686	303	1,159	776
Other tangible/intangible net assets	0	-3	-7	-10
Net financial assets	0	-	-13	-13
Cash flow from investing activities	63	204	-227	-86
FINANCING ACTIVITIES				
New share issue	1,598	-	1,598	-
Dividend	-	-	-364	-364
Repayment of loans	-553	-487	-3,819	-3,753
New loans	516	300	3,024	2,808
Cash flow from financing activities	1,561	-187	439	-1,309
CASH FLOW FOR THE PERIOD	1,918	381	1,153	-384
Cash equivalents at the beginning of the period	57	441	822	441
Exchange rate differences on cash equivalents	-	-	0	0
Cash equivalents at the end of the period	1,975	822	1,975	57

CASH FLOW

During the first quarter the operations generated a cash flow of SEK 294 million after changes in working capital.

Investments in the property portfolio amounted to SEK 163 million in total. The property Emporia Office in Hyllie was gained access to at the end of the period and SEK 460 million was paid. Vacation of sold properties during the period contributed via a purchase price of SEK 686 million. Amortized and newly acquired loans gave net outgoings of SEK 37 million. Liquidity from the completed rights issue resulted in an addition of SEK 1,598 million. In total, cash increased by SEK 1,918 million. Net debt decreased during the quarter by SEK 1,955 million to 14,499 million.

CHANGE IN NET DEBT DURING THE FIRST QUARTER



ISBLOCKET



Isblocket - sought after and modern office in Hyllie

On April 1, last year, Kungsleden accessed the newly built property Vagnslidret 1, also called Isblocket, in Hyllie, Malmö. The property was fully-leased quickly and tenants include MKS Instruments, Addpro, Jaguar and Land Rover.



STATEMENT OF GROUP FINANCIAL POSITION - IN SUMMARY

SEK m	31-03-2017	31-12-2016
Assets		
Non-current assets		
Intangible assets	11	11
Properties	29,465	29,169
Equipment	9	9
Other long-term receivables	12	12
Total non-current assets	29,497	29,201
Current assets		
Current receivables	301	232
Cash and bank	1,975	57
Total current assets	2,275	289
TOTAL ASSETS	31,772	29,490
EQUITY AND LIABILITIES		
Equity	12,925	10,839
Long-term liabilities		
Liabilities to credit institutions	13,224	13,702
Other interest-bearing liabilities	1,746	1,230
Derivatives	615	653
Deferred tax liability ¹	873	761
Provisions	12	12
Total long-term liabilities	16,471	16,358
Short-term liabilities		
Liabilities to credit institutions	-	26
Other interest-bearing liabilities	1,504	1,553
Other liabilities	872	714
Total short-term liabilities	2,376	2,293
TOTAL EQUITY AND LIABILITIES	31,772	29,490

1. Tax relief in connection with the acquisition of properties are reported as a reduction in the balance sheet item Properties of SEK -371 million. This means that equity and financial position has been affected with in total SEK 1,244 million for deferred tax.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - IN SUMMARY

SEK m	31-03-2017	31-12-2016
At the beginning of the period	10,839	9,333
Dividend		-364
New share issue ¹	1,598	
Comprehensive income for the period	488	1,870
Total equity	12,925	10,839

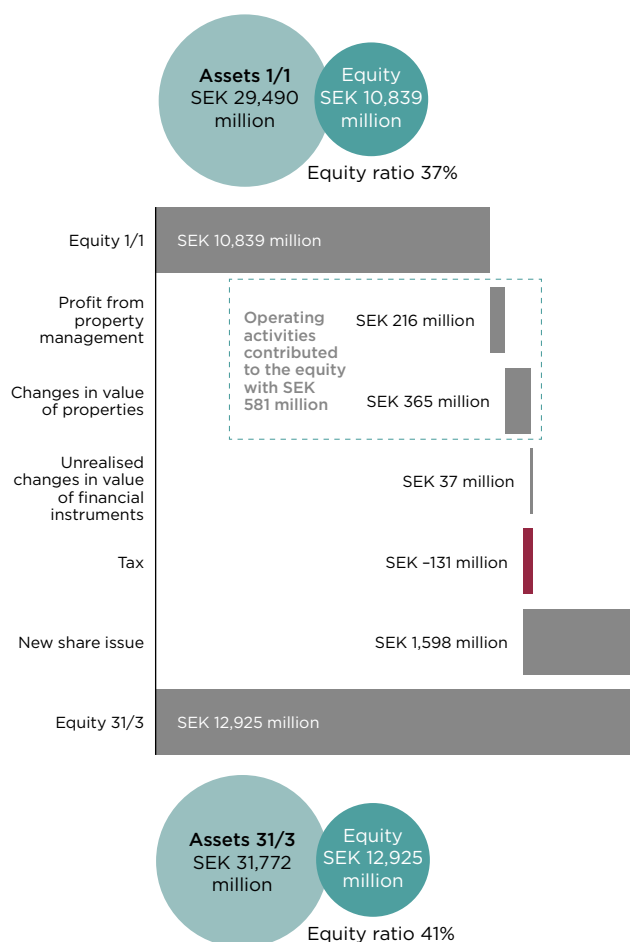
1. The during the quarter conducted rights issue increased the equity with SEK 1,598 million after maximum expenses for the rights issue of SEK 40 million.

FINANCING

Comparison items indicated in brackets refer to December 31, 2016.

EQUITY AND FINANCIAL POSITION DURING 2017

Profit for the period and the completed rights issue increased Kungsliden's capital during the first quarter so that the equity



amounted to SEK 12,925 million (10,839). The equity ratio was 41 percent (37). Equity per share amounted to 59 SEK (58) in view of the increased number of shares following the rights issue and the comparative adjustment by a factor of 2.23 percent to take into account the dilution effect of the rights issue.

INTEREST-BEARING LIABILITIES

During the quarter, the interest-bearing liabilities decreased with SEK 37 million net as a result of a new loan of SEK 516 million and of repayments of existing loans of SEK 553 million.

The new loan has been taken with an institutional investor, is secured against properties and has a maturity of 10 years. The financing from institutional investors spreads risk in the overall borrowing while also allowing for long-term credit with attractive terms. Contractual amortisations of existing credits and loan repayments in connection with vacation of sold properties meant that Kungsliden paid a total of SEK 553 million in the quarter, including due certificates.

Kungsliden is aiming for a relatively long average maturity on debt and a moderate interest rate risk to achieve a stabilising impact on net financial items, profit from property management and cashflow. The borrowings average debt maturity was unchanged at 4.2 years at the end of the quarter while the average fixed-interest period including swaps was 3.2 years (3.4).

LIQUIDITY AND LOAN TO VALUE RATIO

Kungsliden's cash increased significantly during the quarter, mainly as a result of net cash flow from operations and of the obtaining of the payment from the completed rights issue. By the end of the quarter cash equivalents amounted to SEK 1,975 million (57) and the total available funds were SEK 2,563 million (1,049) including granted and available credit facilities after deductions of back-up for issued certificates.

The company's loan to value ratio, measured as net debt (interest bearing gross debt minus cash) in relation to the property holdings decreased during the quarter to 49 per cent (56) as a result of the increased liquidity and value changes in the properties. The loan to value ratio for loans for which collateral has been pledged, was 46 per cent (53).

MATURITY STRUCTURE, CREDITS AND INTEREST RATE DERIVATIVES

At 31 December 2017, SEK m	Utilised credits	Unutilised credits	Total credits	Interest rate derivatives	Average interest rate derivatives, %	Average remaining fixed interest term, year
2017	1,504	1,717 ¹	3,221			
2018	3,285		3,285			
2019	4,113		4,113	1,000	0.5	
2020	4,594		4,594	2,770	0.6	
2021	492		492	1,800	0.8	
2022				3,500	1.4	
2023						
2024				1,050	4.6	
2025						
2026	630		630			
2027	516		516			
2036	1,340		1,340			
Total	16,474	1,717	18,192	10,120		3.2
Average capital term, year	4.2		3.8			

1. Of which SEK 1,129 million relates to security for issued certificates.

INVESTMENT PROPERTIES

As from the first quarter 2017, Kungsliden divides the reporting for the property portfolio into investment properties and development properties. This section describes outcome for investment properties, which consist of the total property portfolio excluding development properties.

THE PROPERTY MARKET

The rental market for commercial properties in Sweden is still strong, particularly for offices in metropolitan areas and the regional cities where Kungsliden has the majority of its property portfolio. The vacancies and yield requirements are low and market rents are increasing in the attractive locations.

The transaction volume, which was extremely strong in 2016, showed, according to Newsec, no signs of slowing down during the first quarter of 2017. In total, transaction volumes for January to March amounted to SEK 34.5 billion (28.9), according to Newsec. The interest from foreign investors is strong and this can be attributed to interest rates remaining low and Sweden being considered to be politically stable.

OUR PROPERTY PORTFOLIO - INVESTMENT PROPERTIES

At the end of the first quarter of 2017, Kungsliden owned 227 investment properties (excluding development properties) to a book value of SEK 27,816 million and with a leasable area of 2,297 sq.m.

The property value consists of 70 per cent offices, 21 per cent industrial/warehouse, 7 per cent retail and 2 per cent in the category other. 79 per cent of the investment properties' value is located in the prioritised growth markets of Stockholm, Gothenburg, Malmö and Västerås. 66 per cent of the investment properties' value is attributed to our 11 clusters. After having vacated properties that was sold up until the first quarter 2017, Kungsliden owns investment properties in Stockholm, Gothenburg, Malmö and Västerås and in 28 additional municipalities.

RENTAL VALUE

The rental value in the quarter amounted to SEK 620 million and the remaining lease term was on average 4.2 years. During the first quarter, several new lease agreements were signed, one of which was 1,200 square meters in the property Rotterdam 1 in the cluster Stockholm City East in Gärdet/Frihamnen to Kanal 75.

PROPERTY HOLDINGS SEK million	Number of prop- erties	Leasable area	Book value	Rental value of the period	Economic Occupan- cy rate, %
Investment properties	227	2,297	27,816	620	91.6
Development properties	18	152	1,650	33	68.3
Total property holdings	245	2,449	29,465	654	90.4

PROPERTY VALUE BY CATEGORY
EXCL. DEVELOPMENT PROPERTIES AT 31 MARCH 2017



- Office 70%
- Industrial/warehouse 21%
- Retail 7%
- Other 2%

PROPERTY VALUE CLUSTER
AND NON-CLUSTER EXCL.
DEVELOPMENT PROPERTIES
AT 31 MARCH 2017



- Share in cluster 66%
- Share non-cluster 34%

66 PER CENT OF KUNGSLEDEN'S INVESTMENT PROPERTIES CAN BE FOUND IN THE 11 CLUSTERS

PROPERTY MANAGEMENT UNIT GOTHENBURG/MALMÖ

- Högsbo, 108,000 sq.m
- Fosie, 54,000 sq.m
- Hyllie/Svågertorp, 50,000 sq.m¹

35%
of the book value located
in clusters (35% excl.
development properties)

85%
of the book value
located in clusters
(88% excl. development
properties)

PROPERTY MANAGEMENT UNIT STOCKHOLM

- Danderyd Offices, 99,000 sq.m
- Kista City, 146,000 sq.m
- Västberga industrial area, 39,000 sq.m
- Stockholm City West, 35,000 sq.m
- Stockholm City East, 89,000 sq.m
- Östersund, 79,000 sq.m

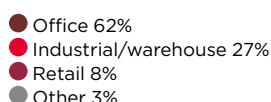
59%
of the book value located
in clusters (61% excl.
development properties)

PROPERTY MANAGEMENT UNIT MÄLARDALEN

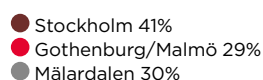
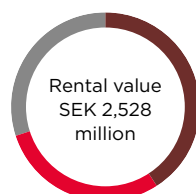
- Västerås City, 153,000 sq.m
- Finnslätten Industrial area, 236,000 sq.m

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

RENTAL VALUE EXCL. DEVELOPMENT PROPERTIES BY CATEGORY, 12 MONTHS ROLLING



RENTAL VALUE EXCL. DEVELOPMENT PROPERTIES BY PROPERTY MANAGEMENT UNIT, 12 MONTHS ROLLING



PROPERTY PORTFOLIO DEVELOPMENT

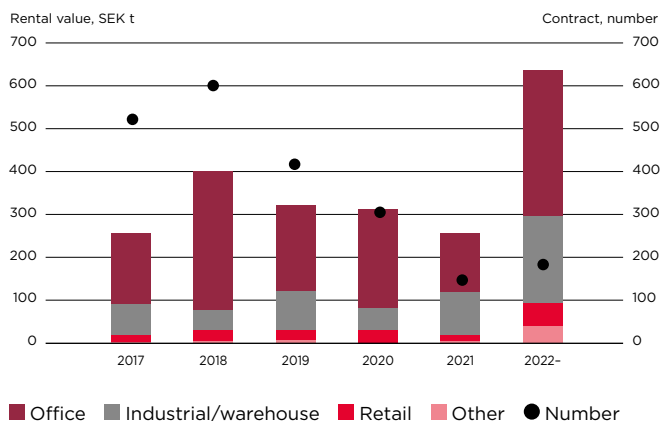
During the first quarter of 2017, 17 properties were divested to a total value of SEK 434 million. Following its vacated properties this means that Kungsleden has left the municipalities of Kumla, Filipstad, Sandviken, Arboga, Piteå and Sigtuna. Properties to a value of SEK 690 million were vacated during the quarter and the office property Emporia Office in Hyllie with a value of SEK 458 million, was accessed on 31 March. In the portfolio of investment properties, SEK 114 million of investments were made which generated changes in value of SEK 259 million. In development properties SEK 48 million was invested and increased values with SEK 106 million.

PROPERTY PORTFOLIO DEVELOPMENT 2017 JAN-MAR, SEK million	Investment properties	Development properties
Properties at the beginning of the period	27,675	1,494
Acquisitions, access gained	458	0
Investments	114	48
Divested and vacated	-690	0
Unrealised changes in value	259	106
Properties at the end of the period	27,816	1,649

CONTRACTED ANNUAL RENT BY CATEGORY

The total contracted annual rent at 31 March amounted to SEK 2,187 (2,274) million. The category office accounts for 64 per cent of the annual rent, industrial/warehouse for 26 per cent, retail for 7 per cent and other for 3 per cent.

LEASE AGREEMENTS MATURITY STRUCTURE EXCL. DEVELOPMENT PROPERTIES¹

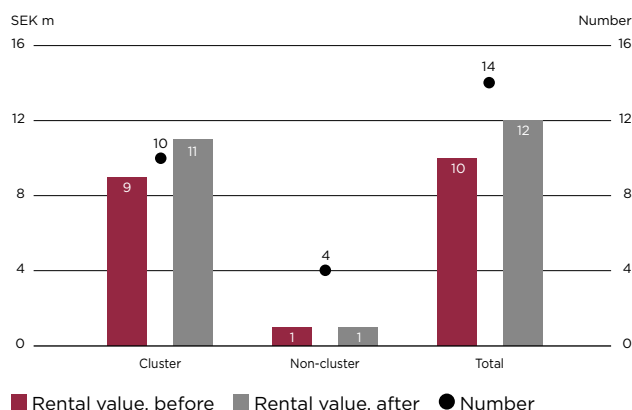


1. Excluding residential, parking and garage areas

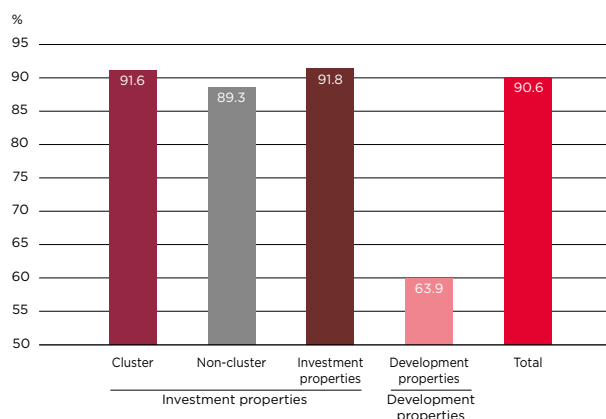
THE RENEGOTIATION - RENTAL VALUES BEFORE AND AFTER

Lease agreements that were renegotiated during the first quarter 2017 led to increased average rental values of 16 per cent. Total rental value of the renegotiated lease agreements increased from SEK 10,388 million to SEK 12,073 million. One example of a renegotiated agreement is the lease agreement with Hotel Plaza in the property Lorens 14 (Skrapan) in Västerås City cluster, which covers more than 11,000 square meters, that was extended by 15 years.

RENEGOTIATION OF RENTAL VALUE, Q1 2017, BEFORE AND AFTER THE RENEGOTIATION



ECONOMIC OCCUPANCY RATE 12 MONTHS ROLLING, PER MARCH 31, 2017



The economic occupancy rate for the quarter amounted to 91.8 per cent for investment properties and to 91.6 per cent for cluster properties.

DEVELOPMENT PROPERTIES AND INVESTMENTS

As from the first quarter 2017, Kungsliden divides the reporting for the property portfolio into investment properties and development properties. This section describes outcome for development properties. Development properties are defined as a property or part of a property that has been vacated or is about to be vacated with purpose to convert and refine/develop the property.

INVESTMENT PROGRAMME

During the first quarter 2017, a total of SEK 163 million was invested.

	2013	2014	2015	2016	2017, Q1	2017	PLAN 2018-2019
Investment properties, SEK m	213	234	436	468	114	500	600
Development properties, SEK m			14	141	48	500	1,400
Total investment, SEK m	213	234	450	609	163	1,000	2,000

ON-GOING DEVELOPMENT PROJECTS

Kungsliden is currently developing 30 properties, of which 18 are classified as development projects. These development properties include properties in which areas are held vacant or are planned to be vacated, short-term leased or demolished in order to allow for development. Five development properties (comprising of eight registration properties) are, as per 31 March, in the implementation stage with a total investment volume of SEK 975 million of which SEK 210 million is reprocessed. These projects are detailed on the next page. During the first quarter of 2017, investments in projects in the implementation stage amounted to SEK 47.6 million. The development properties showed unrealised value changes of SEK 106 million in the quarter. At the end of the quarter book value for development properties amounted to SEK 1,649 million.

CATEGORY	Location	Located in clusters	Investments Budget 2017, SEK m	Investments Plan 2018-2019, SEK m
Office	Högsbo	Yes	0	45
	Västerås	Yes	35	445
	Södertälje (Greater Stockholm)		30	0
	Sollentuna (Greater Stockholm)		5	175
	Norrköping		30	60
Hotel	Stockholm	Yes	240	254
Retail	Växjö		90	47
	Eskilstuna		75	305
	Umeå		15	10
Social property	Östersund	Yes	10	120
Total			530	1,461

PIPELINE PROJECTS

In addition to the on-going development projects, there are a number of projects in the pipeline and the objective from 2016 to invest SEK 1–1.2 billion up until 2018 is expected to be exceeded already by the end of 2017.

BUILDING RIGHTS

During the quarter, the work to identify properties with potential for residential building rights has continued and the interest from the market is strong. The potential for residential building rights is estimated to be 360,000 sq.m. Kungsliden's strategy is to develop residential building rights by identifying opportunities, drive zoning plans and then divest the building rights. Commercial building rights in the portfolio is estimated to be 190,000 sq.m.



DEVELOPMENT PROJECTS AND PLANNING

CATEGORY 1 - INVESTMENT DECISIONS MADE/IMPLEMENTATION STAGE						Investments					
Property	Category	Municipality	Completed	Leasable area, sq.m	Occupancy rate, %	Investment amount, SEK m	Capitalised total, SEK m	Of which 2017, SEK m	Budget 2017, SEK m	Plan 2018, SEK m	Plan 2019, SEK m
Enen 10 ¹	Office	Södertälje	2017	6,000	60	125	110.7	15.9	30		
Blåstern 14 ¹	Hotel	Stockholm	Phase 1 2018/ Phase 2 2021	16,700	100 ²	423	53.5	15.2	160	120	0 ⁵
Holar 1 ¹	Hotel	Stockholm	2018	6,000	100	128	13.0	2.8	80	38	
Tegnér 15 ¹	Retail	Växjö	2017/2018	16,500	90	150	24.0	12.9	90	49	
Gallerian ¹ (4 properties)	Retail	Eskilstuna	2019	29,000	60	149	9.1	0.8	70	70	
Total				74,200		975	210.2	47.6	430	277	0

CATEGORY 2 - DECISION MADE ON DIRECTION/LEASING AND PROJECT PLANNING											
Property	Category	Municipality	Completed	Leasable area, sq.m		Investment amount, SEK m		Budget 2017, SEK m	Plan 2018, SEK m	Plan 2019, SEK m	
part of Mimer 5 - House 26	Office	Västerås	2018	4,600		100		30	70		
part of Terminalen 2 ³	Office/ Retail (new construction)	Sollentuna	2019/2020	6,000		180		5	50	125	
part of Karlslund 5:2 ³	Social property (new construction)	Östersund	2019	3,000		130		10	100	20	
Skiftinge 1:3 ¹	Retail	Eskilstuna	2018	25,000		240		5	235		
Total				38,600		650		50	455	145	

CATEGORY 3 - FEASIBILITY STUDY AND LEASING											
Property	Category	Municipality	Completed	Leasable area, sq.m		Investment amount, SEK m		Budget 2017, SEK m	Plan 2018, SEK m	Plan 2019, SEK m	
part of Oxelbergen 1:2 ⁴	Office	Norrköping	2018	6,000		90		30	60	0	
part of Verkstaden 7	Office (new construction)	Västerås	2019/2020	12,000		380		5	10	365	
Högsbo 14:3 ¹⁻⁴	Office	Gothenburg	2018/2019	3,500		45			20	25	
part of Laven 6 ⁴	Retail (new construction)	Umeå	2018	3,000		25		15	10		
Total				24,500		540		50	100	390	

Total project investments **2,165** **530** **832** **535**

CATEGORY 4 - PLANNING WORK					
Property	Category	Municipality	Project area, sq.m	BTA	Changes to zoning plan required
part of Aspgården 18 ¹	Residential	Umeå		23,000	Yes
Mälaren 17 ¹	Residential/Office	Örebro		30,000-40,000	Yes
Veddesta 2:65 and 2:73 ¹	Residential/Office	Järfälla		40,000-50,000	Yes
Verkstaden 7 ¹⁻⁴	Residential/Office/Retail	Västerås		50,000-70,000	Yes
Mandelblomman 3 ¹⁻⁴	Residential	Stockholm		10,000	Yes
Högsbo 14:7 and 20:13 ¹⁻⁴	Residential/Office	Gothenburg		20,000-25,000	Yes
Västerås 5:9 ⁴	Office	Västerås		15,000-20,000	Yes

1. Classified as development property.
2. Refers to phase 1.
3. Moved from category 3 to category 2 during the quarter.
4. New project, during the quarter.
5. During 2020 and 2021 phase 2 will be built with a total investment volume of approx. SEK 105 million

BLÄSTERN IN STOCKHOLM



Design hotel and destination where old meets new

The Blästern 14 block located at Gävlegatan is where new and innovative Hagastaden meets Stockholm's characteristic stone town. Here, 16,000 sq.m of hotels and modern offices have been created and the hotel operator Nobis has signed a 20-year lease agreement.

With an eye for the modern and with respect for the past, a new destination is being created - a place where people can meet to work, enjoy, live or socialise. The design hotel will be built with generous areas for a restaurant, bar and lounge that stretches easily between the indoor environment and the inviting courtyard. The hotel and associated offices are expected to be completed during the second quarter of 2018.



The municipality allocates space for city offices

The old town hall in Södertälje has been converted to 6,000 sq.m of modern and flexible offices in central Södertälje. The facade and entrance are finalised and the internal redevelopment is on-going. ÅF moved into the offices in October 2016. Actic and Tidemans Cafe launched their operations in February 2017 and Skandiamäklarna and Previa have also signed lease agreements. Leasing is on-going for the remaining areas and the project is expected to be completed in 2017.

Residential for short-term accommodation

Kungsleden is converting an office property in Kista Science City to an apartment hotel for short-term accommodation. Kista Check-in is renting the whole Holar 1 property which has 167 hotel rooms. Existing tenants are moving to other properties in the Kista cluster and contributing to the vacancy rate decreases in the cluster by just over 4 per cent. The operation is scheduled to open in the second quarter of 2018.



HOLAR IN KISTA



New life in the urban districts and H&M as anchor tenant

The property Tegnér 15 on Storgatan in central Växjö is a mixed-use building with retail, offices and residential. Kungsleden's vision for Tegnér-gallerian at the ground level is to remove the galleria's internal communal areas and create shop fronts facing the street. Kungsleden also owns the property Ödman 14 on the opposite side and can therefore give new life to this part of Storgatan. The redevelopment began during the fourth quarter of 2016 and is expected to be completed in 2018.

An agreement has been signed with H&M who will be an anchor tenant and will rent 3,000 sq.m. Several other popular stores can also be found in the mall such as Systembolaget, Apotek Hjärtat, Pressbyrån and Interflora.

TEGNÉR IN VÄXJÖ

GALLERIAN IN ESKILSTUNA

Modern shopping

In Eskilstuna, a development project is in the implementation stage within the centrally-located Gallerian along with the recently restored Kungsgatan and Fristadstorget. The property (which includes four registered properties) consists of a ground floor with a retail area, an upper level with office premises and a basement level including gym, garage and bowling. The on-going development project concerns the retail areas on the ground floor and seeks to create a more modern and attractive shopping environment for the inhabitants of Eskilstuna.



EARNINGS CAPACITY

The earnings capacity is a measure that is intended to show the characteristics of the properties acquired at a certain point in time and these properties' financial results, over the past 12 months. The performance indicator is intended to help assess the current property portfolio's underlying earnings capacity, but is not an forecast.

For properties that were held throughout the past 12 month period, the actual financial results are used. For properties that were held for less than the 12 month period an assessment is made based on a combination of financial results, corresponding to an annual rate and acquisition calculation.

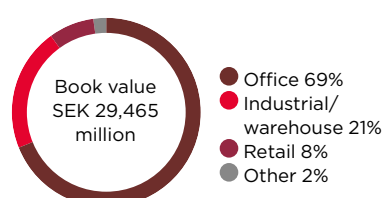
The earnings capacity cost components includes costs for property administration. Earnings capacity is adjusted for any

one-off items in the reported results for the last 12 months from the interim report for the first quarter of 2016.

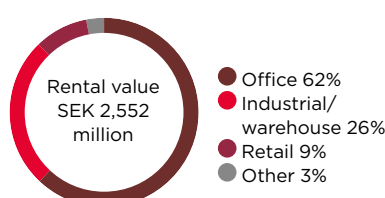
The data on earnings capacity takes into account no information or assessment of future vacancies, changes in rent levels or value changes. Contracted acquisitions and divestment of properties are reported separately unless access was gained/the properties were vacated by closing date.

The table below shows the earnings capacity of Kungsleden's property holdings by 31 March 2017. Development properties are disclosed as a separate property category. The cost information includes SEK 121 million, which is the actual outcome for the property administration costs during the last 12 months.

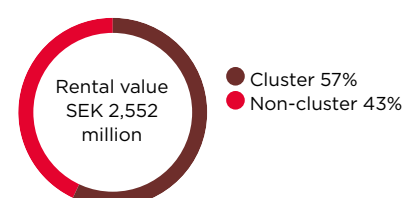
BOOK VALUE BY CATEGORY



RENTAL VALUE - EARNINGS CAPACITY BY CATEGORY



RENTAL VALUE - EARNINGS CAPACITY BY CLUSTER & NON-CLUSTER



EARNINGS CAPACITY BY PROPERTY CATEGORY	Office	Industrial/Warehouse	Retail	Other	Total excl. development properties		Total properties	Acquired Not accessed	Divested Not vacated
					Development properties				
No. of properties	103	78	37	9	227	18	245	1	1
Leasable area, k sq.m	1,121	940	176	60	2,297	152	2,449	8	1
Rental value, SEK m	1,549	617	175	70	2,412	140	2,552	17	1
Rental revenue, SEK m	1,406	583	164	64	2,216	93	2,309	17	1
Operating net, SEK m	900	426	112	35	1,473	35	1,508	17	0
Book value, SEK m	19,540	5,747	1,822	707	27,816	1,650	29,465	327	15
Economic occupancy rate, %	90.7	94.4	93.9	90.3	91.9	66.6	90.5	100.0	86.4
Occupancy rate, area wise %	83.2	92.6	89.7	78.2	87.4	45.6	84.8	100.0	78.7
Surplus ratio, %	63.9	72.9	67.7	55.4	66.3	37.1	65.1	98.9	32.2
Yield, %	4.6	7.4	6.1	5.0	5.3	2.1	5.1	5.1	2.7
New leasing, SEK m	119	20	8	8	155	32	187	0	0
Net leasing, SEK m	56	1	1	7	65	24	89	0	0

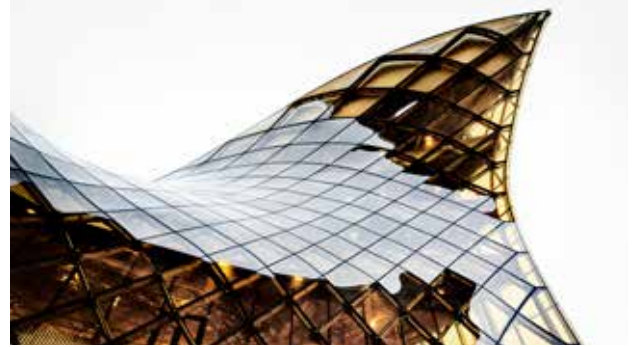
EARNINGS CAPACITY BY METROPOLITAN CONCENTRATION (EXCL. DEVELOPMENT PROPERTIES)

	Greater Stockholm	Greater Gothenburg	Greater Malmö	Västerås	Other	Total
No. of properties	46	38	45	18	80	227
Leasable area, k sq.m	490	243	252	505	808	2,297
Rental value, SEK m	827	214	253	516	602	2,412
Rental revenue, SEK m	753	196	230	487	549	2,216
Operating net, SEK m	506	128	160	300	381	1,473
Book value, SEK m	11,792	2,340	3,119	4,997	5,568	27,816
Economic occupancy rate, %	91.0	91.4	91.1	94.5	91.3	91.9
Occupancy rate, area wise %	85.2	86.9	86.6	88.8	88.3	87.4
Surplus ratio, %	66.8	65.2	69.3	61.2	69.1	66.3
Yield, %	4.3	5.5	5.1	6.0	6.8	5.3
New leasing, SEK m	67	26	13	25	24	155
Net leasing, SEK m	35	14	10	-6	13	65

Kungsleden is growing in Hyllie in Malmö

On 31 March 2017, Kungsleden accessed the property Marknadsplatsen 8 (Emporia Office) in Hyllie in Malmö. A few days after access was gained, Kungsleden signed a lease agreement with Lidl for 400 square meters of office space. The property comprises 10,250 sq.m leasable area.

Hyllie is Malmö's fastest growing area with a strategic transport location a few minutes' drive from Malmö Central and with easy access to public transportation to Kastrup Airport and central Copenhagen. With this office property Kungsleden continues to expand its property portfolio and strengthen its presence in its cluster in Hyllie.



EMPORIA



KEY FIGURES

	Quarter		12 months	
	2017 Jan-Mar	2016 Jan-Mar	2016/2017 Apr-Mar	2016 Jan-Dec
Property-related				
<i>Earnings capacity</i>				
Property yield, %			5.1	5.4
Economic occupancy rate, % ¹			90.5	90.7
Surplus ratio, %			65.1	66.0
<i>Outcome</i>				
Property yield, %	4.9	5.6	5.5	5.7
Economic occupancy rate, % ¹	90.4	90.7	90.6	90.6
Surplus ratio, %	61.2	63.2	65.5	65.9
Rental revenue excluding development properties, SEK/sq.m ²			1,073	1,070
Property cost, SEK/sq.m			315	311
Financial				
Return on total assets, %	4.4	5.1	4.9	5.3
Return on equity, %	16.4	16.2	17.4	18.5
Interest coverage ratio	2.8	2.9	3.0	3.0
Equity ratio, %			40.7	36.8
Debt/equity ratio			1.3	1.5
LTV (loan-to-value) ratio, %			49.2	56.4
Per share information				
Dividend, SEK			2.00	2.00
Total return on shares, %			-5.2	-1.2
Yield on shares, %			3.9	3.5
Profit from property management, SEK ⁴	1.14	1.27	5.19	5.32
Net profit (loss) for the period, SEK ⁴	2.59	2.07	10.56	10.05
Equity, SEK ⁴			59.18	58.25
EPRA EPS (profit from property management after tax), SEK ⁴	1.09	1.22	4.93	5.07
EPRA NAV (long-term net asset value), SEK ⁴			67.69	67.81
EPRA NNAV (current net asset value), SEK ⁴			64.81	64.30
Cash flow before changes in working capital, SEK ⁴	1.16	1.21	5.36	5.41
Outstanding shares at the end of the period	218,403,302	182,002,752	218,403,302	182,002,752
Average number of shares	188,531,622	182,002,752	186,665,475	182,002,752

1. The definition of economic occupancy rate has been changed. Comparison figures have been recalculated. See page 26 for current definitions
2. Rental revenues/sq.m less the rental revenue of development properties divided by the leased area, minus the area of development properties. Comparison figures have been adjusted to take into account the period of time development properties have been held
3. The average number of shares have been adjusted by a factor of 2.23 per cent to take into account the dilution of the new share issue. At the beginning of the first quarter 2017, the number of shares amounted to 182,002,752. After the conducted rights issue the number of shares was 218,403,302 at the end of the quarter. For the first quarter 2017, the average number of shares amounts to 188,531,622 (182,002,752) and for the period April-March 2016/2017 to 186,665,475 (182,002,752).
4. Previous year's figures have been adjusted by a factor of 2.23 per cent to take into account the dilution of the new share issue.

KEY FIGURES CONTINUED

FIRST QUARTER KEY FIGURES

OUTCOME – KEY FIGURES BY INVESTMENT AND DEVELOPMENT PROPERTIES	Investment Properties	Development Properties	Total Properties
No. of properties	227	18	245
Leasable area, k sq.m	2,297	152	2,449
Rental value, SEK m	620	33	654
Rental revenue, SEK m	568	23	591
Operating net, SEK m	354	8	362
Book value, SEK m	27,816	1,650	29,465
Economic occupancy rate, %	91.6	68.3	90.4
Occupancy rate, area wise %	87.5	46.5	85.0
Surplus ratio, %	62.3	33.7	61.2
Property yield, %	5.1	1.9	4.9
New leasing, SEK m	35	4	39
Net leasing, SEK m	9	0	9
Investments, SEK m	114	49	163
Unrealised value changes – properties, SEK m	259	106	365

OUTCOME – KEY FIGURES PER CLUSTER AND NON-CLUSTER PROPERTIES	Cluster Properties	Non-cluster Properties	Total Properties
No. of properties	79	166	245
Leasable area, k sq.m	1,081	1,368	2,449
Rental value, SEK m	365	289	654
Rental revenue, SEK m	333	258	591
Operating net, SEK m	207	155	362
Book value, SEK m	19,043	10,423	29,465
Economic occupancy rate, %	91.3	89.3	90.4
Occupancy rate, area wise %	85.5	84.7	85.0
Surplus ratio, %	62.2	60.0	61.2
Property yield, %	4.4	5.9	4.9
New leasing, SEK m	21	18	39
Net leasing, SEK m	4	5	9
Investments, SEK m	99	64	163
Unrealised value changes – properties, SEK m	174	191	365

OUTCOME – KEY FIGURES PER PROPERTY MANAGEMENT UNIT	Stockholm			Gothenburg/Malmö			Mälardalen		
	Investment properties	Development properties	Total Stockholm	Investment properties	Development properties	Total Gothenburg/Malmö	Investment properties	Development properties	Total Mälardalen
No. of properties	57	7	64	114	4	118	56	7	63
Leasable area, k sq.m	637	62	700	827	30	857	833	59	892
Rental value, SEK m	247	14	260	180	8	187	194	12	206
Rental revenue, SEK m	222	9	231	166	6	172	181	7	188
Operating net, SEK m	146	5	150	107	2	109	102	1	103
Book value, SEK m	13,036	1,052	14,087	7,893	283	8,176	6,887	315	7,202
Economic occupancy rate, %	89.8	67.7	88.6	92.3	81.8	91.9	93.1	59.8	91.2
Occupancy rate, area wise %	87.0	41.3	83.1	88.0	67.7	87.3	87.4	41.2	84.4
Surplus ratio, %	65.6	52.9	65.1	64.4	32.5	63.2	56.5	9.4	54.7
Property yield, %	4.5	1.9	4.3	5.4	3.0	5.3	5.9	0.8	5.7
New leasing, SEK m	20	1	21	9	1	10	5	2	7
Net leasing, SEK m	9	-1	8	-1	1	0	1	0	1
Investments, SEK m	63	35	98	30	13	43	21	1	22
Unrealised value changes – properties, SEK m	139	93	232	73	0	73	47	14	60

QUARTERLY SUMMARY

INCOME STATEMENTS IN SUMMARY

SEK m	2017		2016			2015		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Revenues	591	602	606	609	614	659	570	560
Operating net	362	390	428	397	388	441	409	362
Selling and administration costs	-24	-31	-29	-27	-25	-28	-26	-27
Net financial items	-122	-123	-130	-121	-126	-97	-109	-132
Profit from property management	216	235	269	250	236	316	274	202
Profit (loss) from divestment	0	3	2	29	-2	30	-	1
Unrealised changes in value of properties	365	475	271	386	526	114	202	411
Unrealised changes in value of financial instruments	37	196	-32	-183	-302	95	-61	187
Profit before tax	618	910	510	482	458	555	415	801
Tax	-131	-210	-110	-98	-73	-1,264	-93	-205
Profit for the period	488	700	400	384	385	-709	322	596

FINANCIAL POSITION IN SUMMARY

SEK m	2017		2016			2015		
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
ASSETS								
Intangible assets	11	11	8	8	7	5	-	-
Properties	29,465	29,169	28,638	28,268	27,785	27,470	24,346	23,259
Equipment	9	9	10	10	10	10	9	7
Participations in associated companies	-	-	-	-	-	-	115	108
Other long-term receivables	12	12	4	5	5	6	182	183
Total non-current assets	29,497	29,201	28,659	28,290	27,807	27,491	24,651	23,556
Current receivables	301	232	209	239	260	232	198	227
Derivatives	-	-	-	-	5	49	9	-
Cash and bank	1,975	57	41	1,007	822	441	1,035	611
Total current assets	2,275	289	250	1,246	1,087	722	1,242	838
TOTAL ASSETS	31,772	29,490	28,909	29,537	28,894	28,213	25,893	24,394
EQUITY AND LIABILITIES								
Equity	12,925	10,839	10,139	9,739	9,719	9,333	10,043	9,720
Interest-bearing liabilities								
Liabilities to credit institutions	13,224	13,728	13,934	15,992	16,194	16,381	12,332	11,381
Bond loans (not guaranteed)	975	975	975	1,675	1,075	1,075	1,675	1,675
Other borrowing	2,275	1,808	1,710	-	-	-	-	-
Total interest-bearing liabilities	16,474	16,511	16,619	17,667	17,269	17,456	14,007	13,056
Non interest-bearing liabilities								
Provisions	12	12	5	5	5	5	5	5
Deferred tax liability	873	761	553	444	357	287	359	265
Derivatives	615	653	864	833	654	395	733	663
Other non interest-bearing liabilities	872	714	729	849	890	737	746	686
Total non interest-bearing liabilities	2,373	2,140	2,151	2,131	1,906	1,423	1,843	1,618
TOTAL EQUITY AND LIABILITIES	31,772	29,490	28,909	29,537	28,894	28,213	25,893	24,394

PARENT COMPANY INCOME STATEMENT - IN SUMMARY

SEK m	Quarter		12 months	
	2017 Jan-Mar	2016 Jan-Mar	2016/2017 Apr-Mar	2016 Jan-Dec
Intra-Group revenue	0	8	26	34
Administration costs	-9	-14	-37	-42
Operating profit (loss)	-9	-6	-11	-8
Profit (loss) from financial items	21	-277	647	349
Profit before tax	12	-283	636	341
Tax on net profit (loss) for the period	4	87	-1	82
Profit for the period	16	-196	635	423

BALANCE SHEET, PARENT COMPANY - IN SUMMARY

SEK m	31-03-2017	31-03-2016	31-12-2016
ASSETS			
Participations in Group companies	4,538	6,029	4,538
Receivables from Group companies	12,509	9,812	12,583
Other receivables	462	468	459
Cash equivalents	1,962	597	38
TOTAL ASSETS	19,471	16,906	17,618
EQUITY AND LIABILITIES			
Equity	8,512	6,642	6,897
Long-term liabilities	602	1,075	602
Liabilities to Group companies	8,188	8,521	7,902
Other liabilities	2,169	668	2,217
TOTAL EQUITY AND LIABILITIES	19,471	16,906	17,618

OTHER INFORMATION

ORGANISATION AND EMPLOYEES

The average number of employees was 106 (98) during the first quarter of 2017.

PARENT COMPANY

Net profit (loss) for the parent company amounted to SEK 16 (–196) million. The result is mainly attributable to the Group's interest rate swap agreement whereby the value increased by SEK 37 million, the interest costs on the swap agreements amounted to SEK –49 million and the internal interest rate revenues to SEK 40 million.

The assets at the end of the period mainly consisted of participations in Group companies of SEK 4,538 (6,029) million and receivables from Group companies of SEK 12,509 (9,812) million. The financing was obtained from equity of SEK 8,512 (6,642) million, liabilities to Group companies of SEK 8,188 (8,521) million and external liabilities of SEK 2,169 (668) million consisting of issued certificates, bond loans and derivatives. The equity ratio at the end of the period amounted to 44 per cent (39). The increase in equity and therefore the equity ratio, relates to the completed new share issue.

RISKS AND UNCERTAINTIES

Kungsleden's operations, earnings and position are impacted by a number of risk factors. These are mainly related to the proper-

ties, tax and financing. No significant changes in the risks and uncertainties have occurred during the first quarter of 2017. More information about Kungsleden's risks and risk management is to be found in the 2016 Annual Report on pages 42–43 and 65.

INFORMATION BASED ON FORECASTS.

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

ESMA GUIDELINES

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

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

ACCOUNTING PRINCIPLES

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

Furthermore, relevant provisions of the Annual Accounts Act and the Swedish Securities Market Act have been applied. For the Group and the parent company the same accounting principles and calculation methods have been applied as those in the latest Annual Report. Disclosures in accordance with IAS 34.16A exist except in the financial statements and its related notes as well as in other parts of the Interim Report.

The establishment of the Interim Report requires that the company's Board makes assessments and estimates, and that it make assumptions which influence the application of the accounting principles and the reported amounts of assets, liabilities, revenues and costs. The actual outcome may deviate from these estimates and assessments. The critical assessments that have been made and the underlying uncertainty factors in the estimates are the same as in the latest Annual Report.

STOCKHOLM, 25 APRIL 2017

Biljana Pehrsson, CEO

This information is information that Kungsleden AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 7.00 a.m. CET on April 25, 2017.

This Interim Report has not been subjected to a specific audit by the company's auditors.

KUNGSLEDEN'S SHARE

Kungsleden's share is listed on Nasdaq Stockholm's Large Cap list. The market value at the end of the first quarter amounted to SEK 11.2 billion. During the year Kungsleden's share has decreased in value by 9 per cent. The Board of Directors proposes a dividend of SEK 2,00 per share.

Kungsleden's share had a decrease during the first quarter of the year. The price paid at the beginning of the year was SEK 56.52, and at the year end SEK 51.35. The lowest rate of the quarter was noted on 14 March and was SEK 49,04. The highest rate of the quarter was noted on 2 January and was SEK 57.74. Proposed dividend amounted to SEK 2.00 per share.

SHARE CAPITAL AND TURNOVER

During the quarter a rights issue was completed with preferential rights for existing shareholders. Through the rights issue Kungsleden's share capital increased with SEK 15,166,895.83 to SEK 91,001,375.83. In total the equity increased with SEK 1,598 million after deduction of maximum expenses for the rights issue of SEK 40 million. The number of shares increased through the rights issue with 36,400,550 to 218,403,302. During the quarter SEK 76.0 millions (35.5) of Kungsleden shares was sold to a total value of SEK 4.0 million (2.0). Nasdaq

Stockholm accounted for 50.4 per cent of all trade in the Kungsleden share, while other market places such as BATS, LSE and Boat accounted for the remaining part of the trade.

SHARE DIVIDEND

The company's dividend policy, with effect as from 2015, means that the dividend should develop in line with the profit from the property management's development. During 2016 profit from property management increased per share by 5 per cent (excluding profit (loss) from participations in associated companies). For 2016, the Board of Directors proposes a dividend of SEK 2.00 per share, which means an unchanged dividend compared with the previous year. The dividend refers to the higher number of shares that will be the profit (loss) of the new share issue in spring 2017, i.e. a total of 218,403,302 shares.

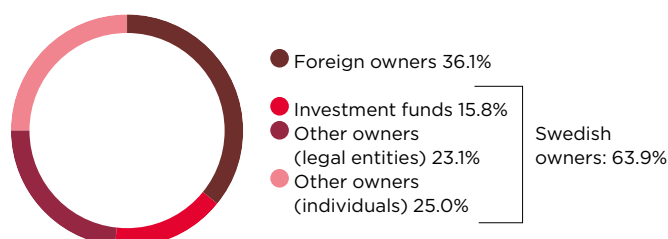
Sources of share price and turnover: SIX Trust and Fidessa respectively

KEY FIGURES PER SHARE

	2016/2017 Apr-Mar	2016
Dividend, SEK	2.00	2.00
Total return on shares, %	-5.2	-1.2
Property yield on shares, %	3.9	3.5
Profit from property management, SEK	5.19	5.32
Net profit (loss) for the period, SEK	10.56	10.05
Equity, SEK	59.18	58.25
EPRA EPS (profit from property management after tax), SEK	4.93	5.07
EPRA NAV (long-term net asset value), SEK	67.69	67.81
EPRA NNAV (current net asset value), SEK	64.81	64.30
Share price ¹	51.35	56.52

1. Share price in the table above shows the price at beginning of the year at SEK 56.52 and at the end of the quarter at SEK 51.35.

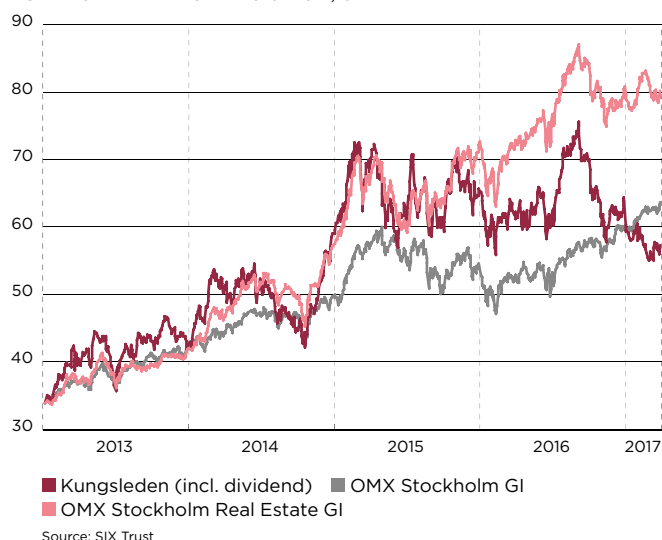
OWNERSHIP STRUCTURE AS OF APRIL 13, 2017¹



1. Share ownership will be presented as of April 13, 2017 as the new shares from the rights issue were recorded in the share book at the end of the first quarter.

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

TOTAL SHARE RETURN 2013-2017, SEK



SHAREHOLDERS AS OF APRIL 13, 2017¹

Name	No. of shares	Share of capital, %
Gösta Welandson	31,637,781	14.5
Länsförsäkringar Fonder	8,465,050	3.9
BNP Paribas Investment Partners	6,869,003	3.1
Olle Florén	6,600,797	3
Andra AP-Fonden	5,503,966	2.5
Norges Bank	5,308,558	2.4
Black Rock	4,950,715	2.3
Vanguard	4,847,967	2.2
TR Property Investment Trust	3,591,300	1.6
Handelsbanken Fonder	2,580,000	1.2
Summa 10 största ägare	80,355,137	36.8
Utländska ägare, övriga	50,894,339	23.3
Svenska aktieägare, övriga	87,153,826	39.9
Totalt	218,403,302	100

1. Share ownership will be presented as of April 13, 2017 as the new shares from the rights issue were recorded in the share book at the end of the first quarter.

Source: SIX Trust

DEFINITIONS

Property related key figures

Occupancy rate, area

Leased area in relation to the leasable area.

Yield

The measurement is used to highlight the yield for the operating net in relation to the value of the properties.

Yield for earnings capacity

Operating net in relation to the book value of the properties at the year end.

Calculation method of 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.

Operating and maintenance cost, SEK per sq.m

Operating and maintenance cost in relation to the average of the 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

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.

Earnings capacity

Earnings capacity is intended to show characteristics of the properties acquired at a certain point in time and these properties' financial outcome, over the past 12 months. The performance indicator is intended to facilitate the assessment of the current property portfolio's underlying earnings capacity. As of the balance sheet date, vacated properties are not included and properties that have been accessed at the latest on the same date are included.

The calculation is based on the following other conditions:

- For properties where 12 months have elapsed since the takeover date, the outcome for the last 12 months is included. Adjustment is made for one-off items.

- For properties that were held for less than 12 months an assessment is made based on a combination of financial outcome, pro-rated to an annual rate and acquisition calculation.

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 total revenues.

Other revenue

Revenues which have no direct link to lease agreements.

Financial key figures

Return on equity

Net profit (loss) 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

Yield on shares

Adopted/proposed dividend/redemption in relation to the share price at the 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 the 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 the year end.

EPRA NNNNAV (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 the year end. The history for 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 year.

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 (loss) for the period, per share

Net profit (loss) 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.

Category

The properties' primary use on the basis of area distribution. 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 single 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.

Unrealised changes in value

The difference between the book value and accumulated acquisition value of the properties at the 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.

ESMA Guidelines

See other information on page 24.

KUNGSLEDEN ENRICHES PEOPLES' WORKING DAY

Kungsleden is a long-term property owner which provides attractive and functional premises that enrich people's working day. We create value by owning, managing and developing offices and other commercial properties in Stockholm and Sweden's other growth markets. A large share of our properties is allocated in attractively located clusters where we participate in and affect the development of the whole area. Kungsleden's objective is to deliver attractive total return on our properties and to the shareholders. Kungsleden is listed on the Nasdaq Stockholm Large Cap.

VISION

We create attractive places that enrich people's working day.

BUSINESS PROPOSITION

We shall own long-term, actively manage, refine and develop commercial properties in growth regions in Sweden and deliver attractive total returns.

OUR MISSION

We shall own properties in a selected location – a cluster – which gives us the ability to adapt and sharpen our offer based on the needs of the tenants and actively affect the entire development in the area.

CLIENT PROPOSITION

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

VALUES

- Professionalism
- Consideration
- Joy



KUNGSLEDEN 2020

1. Continued growth with quality – properties which either retains or increases in value through the cycles.
2. Concentrate the property portfolio to 20 growth cities in Sweden's main markets.
3. At least 50 per cent of the property value in Stockholm (acc. to SCB's definition).
4. At least 70 per cent of the property value in the office sector.
5. Continued focus on larger and more efficient property management units through existing and larger clusters – and some new. In the long-term, a total of 15-20 clusters.
6. Achieve quality and value in the on-going property management and through property development.
7. A total return that is at least equal to or greater than the MSCI Sector Index.
8. To be one of the most successful and profitable listed property companies with a high quality property portfolio.

kungsleden.com

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Calendar

Interim Report
1 Jan–30 Jun 2017
12 July 2017

Interim Report
1 Jan–30 Sep 2017
25 October 2017

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KUNGSLEDEN