

# Q2:2017

*“The transformation is complete and Kungsleden is well-equipped for the future.”*

BILJANA PEHRSSON, CEO

# KUNGSLEDEN

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## INTERIM REPORT Q2:2017

1 JANUARY – 30 JUNE

Kungsleden is a long-term property owner which creates value by owning, managing and developing offices and other commercial properties in Stockholm and Sweden's other growth areas. 80 per cent of the total property value is now located in the prioritised markets of Stockholm, Gothenburg, Malmö and Västerås. We shall provide attractive and functional premises in the right location and at the right price.

INTERIM REPORT PERIOD JANUARY-JUNE 2017

| NUMBER OF PROPERTIES | PROPERTY VALUE, SEK M | TOTAL REVENUES, SEK M | PROFIT FROM PROPERTY MANAGEMENT, SEK M |
|----------------------|-----------------------|-----------------------|--|
| <b>243</b>           | <b>30,217</b>         | <b>1,182</b>          | <b>466</b>                             |
| (280)                | (28,268)              | (1,222)               | (486)                                  |

### FIRST HALF-YEAR IN BRIEF

- Total revenues amounted to SEK 1,182 (1,222) million and the operating net to SEK 753 (785) million
- Profit from property management was SEK 466 (486) million.
- Unrealised changes in value in the property portfolio amounted to SEK 648 (912) million.
- Net profit (loss) for the period increased to SEK 924 (769) million, which is equal to SEK 4.54 (4.13) per share.
- New leasing amounted to SEK 91 (104) million and net leasing to SEK 45 (40) million.

### IMPORTANT EVENTS DURING AND AFTER THE SECOND QUARTER

- 18 properties were divested for a total of SEK 882 million and the objective to divest non-strategic properties of SEK 2 billion 2016-2017 has been achieved
- Five properties with residential potential were divested to an estimated profit of approximately SEK 200 million, of which just over SEK 70 million was reported as an unrealised value change during the second quarter.
- Two development projects - in Umeå and Östersund - went into the implementation stage thanks to successful new leasing.
- An agreement has been signed with Malmö municipality on land allocation in Hyllie with building rights for a total of 8,400 sq.m of office space.
- The financial target for the LTV (loan-to-value) ratio was adjusted and should now have a target value of 50 per cent.

| KEY FIGURES  | 2017<br>Jan-Jun | 2016<br>Jan-Jun | 2016/2017<br>Jul-Jun | 2016<br>Jan-Dec |
|--|-----------------|-----------------|----------------------|-----------------|
| <b>PROPERTY RELATED</b>  |                 |                 |                      |                 |
| Yield investment properties, % <sup>2</sup>                                      | 5.3             | 5.7             | 5.6                  | 5.8             |
| Economic occupancy rate investment properties, % <sup>1,2</sup>                  | 91.8            | 91.9            | 91.8                 | 91.9            |
| Surplus ratio investment properties, % <sup>2</sup>                              | 64.9            | 65.1            | 66.9                 | 67.0            |
| <b>FINANCIAL</b>   |                 |                 |                      |                 |
| Return on equity, %  | 15.5            | 16.1            | 17.9                 | 18.5            |
| Interest coverage ratio  | 3.0             | 3.0             | 3.0                  | 3.0             |
| LTV (loan-to-value ratio), %   | 50.9            | 58.9            |                      | 56.4            |
| <b>PER SHARE INFORMATION</b>   |                 |                 |                      |                 |
| Profit (loss) for the period, SEK per share <sup>3</sup>                         | 4.54            | 4.13            | 10.39                | 10.04           |
| EPRA EPS (profit from property management after tax), SEK per share <sup>3</sup> | 2.14            | 2.49            | 4.70                 | 5.07            |
| EPRA NAV (long-term net asset value), SEK per share                              | 67.15           | 62.54           |                      | 69.32           |
| EPRA NNNNAV (current net asset value), SEK per share                             | 65.16           | 58.39           |                      | 65.73           |
| Equity, SEK per share  | 59.18           | 53.51           |                      | 59.55           |

RENTAL VALUE  
12 MONTH ROLLING, SEK M

**2,635**

(2,631)

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

2. Comparison figures have been adjusted to take into account the period of time development properties have been held

3. A recalculation has been made with an adjustment factor of 2.23 per cent for the bonus issue element of the new share issue carried out during the first quarter of 2017.

# TRANSFORMATION COMPLETE — KUNGSLEDEN IS WELL-EQUIPPED FOR THE FUTURE

During the second quarter, Kungsleden reached several of the objectives that were drawn up earlier to create an attractive property portfolio. We have finalized the divestment program of non-strategic properties for SEK 2 billion and thereby concentrated 80 per cent of the holdings in four priority growth markets. The market continues to be strong and we can report good leasing results and strong profit despite a smaller property portfolio. We are now entering the next phase.

## THE DIVESTMENT PROGRAM AND GEOGRAPHIC CONCENTRATION FINALIZED

The divestment activities was high during the second quarter and the goal to divest non-strategic properties for SEK 2 billion during the period 2016–2017 was reached ahead of schedule. The divestments have been made at a total price in line with the properties' book values. It is primarily industrial and retail properties in smaller cities that have been divested, and in the process we have ceased operations in 26 municipalities.

The strategy to develop and divest properties with potential for residential construction has been implemented according to plan and with positive results. During the quarter, we have divested five properties with future residential building rights. During the last 12 months we have divested about 180,000 sq.m of potential identified for residential building rights at prices between SEK 2,500 and 10,000 per sq.m gross area. The divestments are forecasted to generate a total profit of approximately SEK 430 million of which SEK 42 million was realised in 2016 and just over SEK 70 million was reported as an unrealised value change during the second quarter this year. The remaining profit will appear when the zoning plans are close to completion.

Kungsleden's property portfolio is now concentrated on our four priority growth markets in Stockholm, Gothenburg, Malmö and Västerås (80 per cent) as well as an additional 19 municipalities, largely cities with stable rental market such as Norrköping, Linköping, Växjö, Östersund, Helsingborg and Lund.

The geographic transformation of the portfolio is, as a result of this, completed and we are entering a new phase with focus on growing the operating net by doing value creating investments in existing holdings as well as selective supplementary acquisitions.

## STRONG LEASING AND POSITIVE RENEGOTIATIONS

The fundamentals of the market continue to be good with high demand for premises, especially offices in Stockholm, but also in our other prioritised markets. This is reflected in our leasing results for the first half of the year with 111 signed lease agreements, corresponding to leasing of SEK 91 million in rental value and net leasing amounting to SEK 45 million.

Thanks to three newly-signed lease agreements, we can initiate two profitable new construction projects in the Östersund cluster and in Umeå. Both of these properties are 100 per cent leased. We now have seven development projects in the construction stage with an estimated rental value of in total SEK 126 million per year and an investment volume of SEK 1,145 million up until 2021.

The renegotiation of leases is also developing well. During the first half of the year we have renegotiated 42 agreements and increased the rental value in these from SEK 72 to SEK 77 mil-



lion. The average increase of 7 per cent contributes to that the rental revenue per square metre on a 12 month rolling basis now amounts to SEK 1,090 compared to SEK 1,073 at the end of the first quarter.

## LOWER FINANCIAL RISK

Kungsleden is aiming for a lower financial risk than in the past and during the quarter we communicated a new objective for the LTV (loan-to-value) ratio of 50 per cent. At the end of the interim period the LTV (loan-to-value) ratio amounted to 51 per cent against 56 per cent at the beginning of the year. For the repayment of the loan on divested properties which were vacated after the interim period, the LTV (loan-to-value) ratio is just below 50 per cent.

The proposed restrictions to the deduction of interest costs affect Kungsleden marginally with current interest rate levels. If the limitations in the interest rate deduction possibilities are introduced, Kungsleden's profit would decrease by approximately 3 per cent, as measured by EPRA EPS.

## POSITIVE HALF-YEAR RESULT AND OUTLOOK

Our profit from property management for the first half of the year 2017 of SEK 466 million is only somewhat lower than the outcome for the corresponding period of 2016 (486), despite the fact that we have far fewer properties and less leasable area – 2,307 k sq.m. compared with 2,617 k sq.m. The costs are lower and rental revenue has only fallen marginally.

We continue to deliver in line with what we have set out to do. Leasing has continued to develop strongly following the first half year – in July we signed a lease agreement for 5,400 sq.m. in the Rotterdam 1 property in the Gärdet Frihamnen cluster, at an annual rent of SEK 3,000/sq.m.

The rental market is developing well and we think the trend will continue during the rest of the year. Things are going well for Sweden and the demand for offices is high. Kungsleden is well-positioned to take advantage of these opportunities.

Stockholm 12 July 2017  
Biljana Pehrsson, CEO

# STATEMENT OF COMPREHENSIVE INCOME

| SEK m  | Interim period  |                 | Quarter         |                 | 12 months            |                 |
|--|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|
|  | 2017<br>Jan-Jun | 2016<br>Jan-Jun | 2017<br>Apr-Jun | 2016<br>Apr-Jun | 2016/2017<br>Jul-Jun | 2016<br>Jan-Dec |
| <b>2 Revenues</b>  |                 |                 |                 |                 |                      |                 |
| Rental revenue   | 1,181           | 1,221           | 590             | 607             | 2,383                | 2,422           |
| Other income   | 1               | 2               | 1               | 2               | 7                    | 7               |
| <b>Total revenues</b>  | <b>1,182</b>    | <b>1,222</b>    | <b>591</b>      | <b>609</b>      | <b>2,389</b>         | <b>2,430</b>    |
| <b>3 Property costs</b>  |                 |                 |                 |                 |                      |                 |
| Operations   | -249            | -250            | -108            | -109            | -456                 | -458            |
| Maintenance  | -48             | -65             | -24             | -37             | -93                  | -109            |
| Property tax and site leasehold fees   | -72             | -71             | -36             | -34             | -149                 | -147            |
| Property administration  | -60             | -52             | -32             | -32             | -121                 | -113            |
| <b>Total property costs</b>  | <b>-429</b>     | <b>-438</b>     | <b>-200</b>     | <b>-212</b>     | <b>-819</b>          | <b>-827</b>     |
| <b>OPERATING NET</b>   | <b>753</b>      | <b>785</b>      | <b>391</b>      | <b>397</b>      | <b>1,571</b>         | <b>1,602</b>    |
| <b>4 Selling and administration costs</b>                                      | <b>-54</b>      | <b>-52</b>      | <b>-29</b>      | <b>-27</b>      | <b>-114</b>          | <b>-112</b>     |
| <b>5 Net financial items</b>   |                 |                 |                 |                 |                      |                 |
| Financial income   | 0               | 0               | 0               | 0               | 1                    | 1               |
| Interest rate expenses   | -216            | -231            | -103            | -113            | -451                 | -467            |
| Other financial expenses   | -18             | -16             | -8              | -8              | -36                  | -34             |
| <b>Total net financial items</b>   | <b>-234</b>     | <b>-247</b>     | <b>-111</b>     | <b>-121</b>     | <b>-487</b>          | <b>-500</b>     |
| <b>1 PROFIT FROM PROPERTY MANAGEMENT</b>                                       | <b>466</b>      | <b>486</b>      | <b>250</b>      | <b>250</b>      | <b>970</b>           | <b>990</b>      |
| <b>Changes in value</b>  |                 |                 |                 |                 |                      |                 |
| Profit (loss) from divestment  | -1              | 27              | -1              | 29              | 4                    | 32              |
| <b>6 Unrealised changes in the value of properties</b>                         | <b>648</b>      | <b>912</b>      | <b>283</b>      | <b>386</b>      | <b>1,394</b>         | <b>1,658</b>    |
| <b>7 Unrealised changes in value of financial instruments</b>                  | <b>65</b>       | <b>-486</b>     | <b>28</b>       | <b>-183</b>     | <b>230</b>           | <b>-321</b>     |
| <b>Total changes in value</b>  | <b>712</b>      | <b>454</b>      | <b>309</b>      | <b>232</b>      | <b>1,627</b>         | <b>1,369</b>    |
| <b>PROFIT BEFORE TAX</b>   | <b>1,178</b>    | <b>939</b>      | <b>560</b>      | <b>482</b>      | <b>2,598</b>         | <b>2,359</b>    |
| <b>8 Tax</b>   |                 |                 |                 |                 |                      |                 |
| Current tax  | 0               | 0               | 0               | 0               | 0                    | 0               |
| Deferred tax   | -254            | -170            | -123            | -98             | -574                 | -490            |
| <b>Total tax</b>   | <b>-254</b>     | <b>-170</b>     | <b>-123</b>     | <b>-98</b>      | <b>-574</b>          | <b>-490</b>     |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>  | <b>924</b>      | <b>769</b>      | <b>436</b>      | <b>384</b>      | <b>2,023</b>         | <b>1,869</b>    |
| <b>Other comprehensive income</b>  |                 |                 |                 |                 |                      |                 |
| Translation gains/losses for the period on consolidation of foreign operations | 0               | 1               | 0               | 0               | 1                    | 1               |
| <b>COMPREHENSIVE INCOME FOR THE PERIOD</b>                                     | <b>924</b>      | <b>770</b>      | <b>436</b>      | <b>384</b>      | <b>2,023</b>         | <b>1,870</b>    |
| <b>PROFIT (LOSS) PER SHARE<sup>1</sup></b>                                     | <b>4.54</b>     | <b>4.13</b>     | <b>1.95</b>     | <b>2.06</b>     | <b>10.39</b>         | <b>10.04</b>    |

1. A recalculation has been made with an adjustment factor of 2.23 per cent for the bonus issue element of the new share issue carried out during the first quarter of 2017.

## PERFORMANCE ANALYSIS (JANUARY TO JUNE 2017)

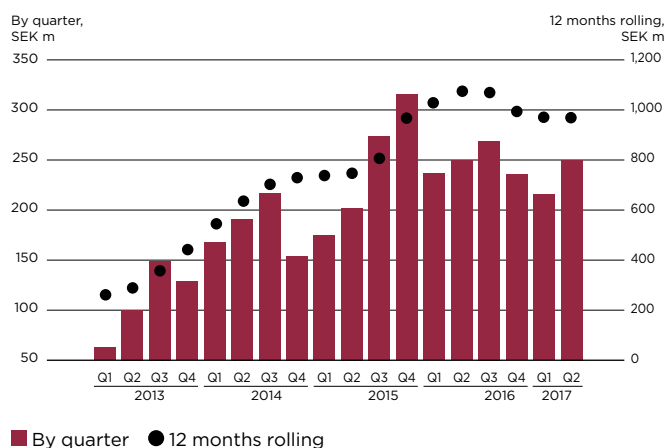
The profit and cash flow items below relate to the interim period January to June 2017. Comparison items specified in brackets refer to the corresponding period in the previous year.

## 1 PROFIT FROM PROPERTY MANAGEMENT AND SURPLUS RATIO

During the first half year of 2017, the profit from property management amounted to SEK 466 (486) million. The change compared to the previous year is mainly due to divestment of non-strategic properties. Lower financial costs partly compensate for the loss from divested properties. The profit from property management for the second quarter is unchanged compared with the second quarter of the previous year, despite that the leasable area was clearly smaller. This has been achieved due to lower property costs and lower interest rate costs, which have fully compensated the decrease in rental revenue.

The surplus ratio from investment properties for the first half of the year was 64.9 per cent (65.1). The second quarter had a higher surplus ratio than the first quarter, 67.5 per cent compared to 62.3 per cent. Lower costs for supervision and maintenance and lower rent losses, together with calendar fluctuations contributed to the improvement.

PROFIT FROM PROPERTY MANAGEMENT PER QUARTER AND 12 MONTHS ROLLING



## 2 REVENUE

Total revenue during the first half of the year was SEK 1,182 (1,222) million. The decrease was mainly due to a net effect between the loss of revenue for divested properties of SEK 50 million and additional revenue from accessed properties of SEK 18 million.

In identical holdings of investment properties, revenue decreased by SEK 17 million due to the loss of rental guarantees. New leasing, renegotiation and additional electricity charges increased rental revenue by SEK 15 million. Excluding rental guarantees the rental revenue increased in identical holdings by 1.4 per cent. Vacated development properties decreased the revenue by SEK 6 million.

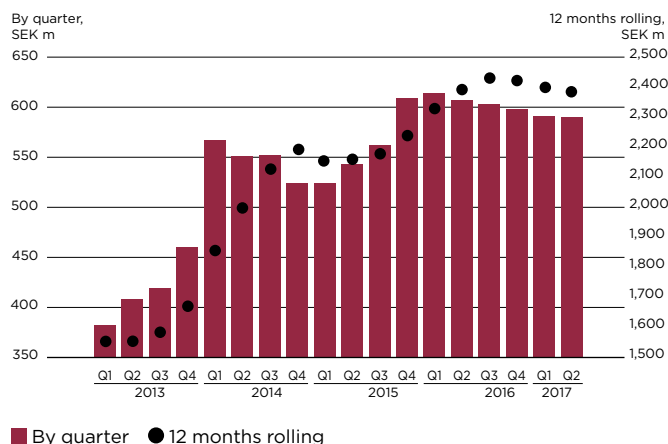
The rental revenue per square metre continued to increase during the second quarter and amounted on a 12 month rolling basis to SEK 1,090 compared with SEK 1,072 a year ago. The increase is mainly due to a larger share of office properties in urban regions.

| RENTAL REVENUE INVESTMENT PROPERTIES SEK per sq.m <sup>1</sup> | 2016-2017 Jul-Jun           |        | Jul-Jun         |                 |
|--|-----------------------------|--------|-----------------|-----------------|
|  | Industrial/Office Warehouse | Retail | 2016/2017 Total | 2015/2016 Total |
| Rental revenue   | 1,513                       | 680    | 1,090           | 1,072           |

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

| DEVELOPMENT OF RENTAL REVENUE SEK m        | 2017 Jan-Jun | 2016 Jan-Jun |
|--|--------------|--------------|
| Identical holdings (investment properties) | 1,104        | 1,106        |
| Acquired properties                        | 19           | 1            |
| Development properties                     | 42           | 48           |
| Divested properties                        | 16           | 66           |
| <b>Rental revenue</b>                      | <b>1,181</b> | <b>1,221</b> |

RENTAL REVENUE PER QUARTER AND 12 MONTHS ROLLING



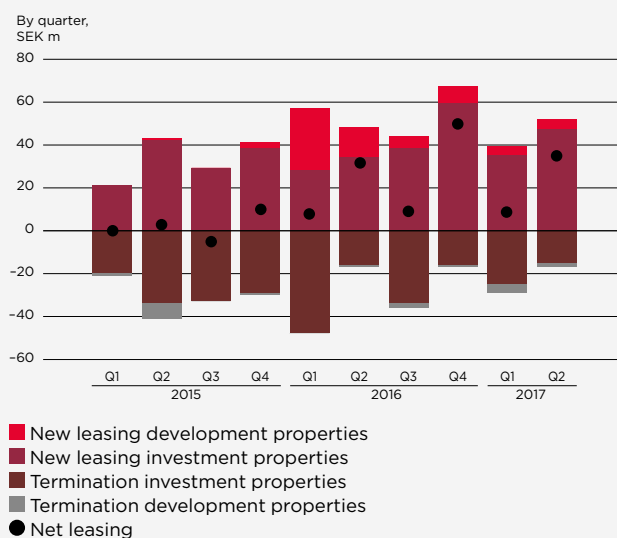
## STATEMENT OF COMPREHENSIVE INCOME

### Leasing and occupancy rate

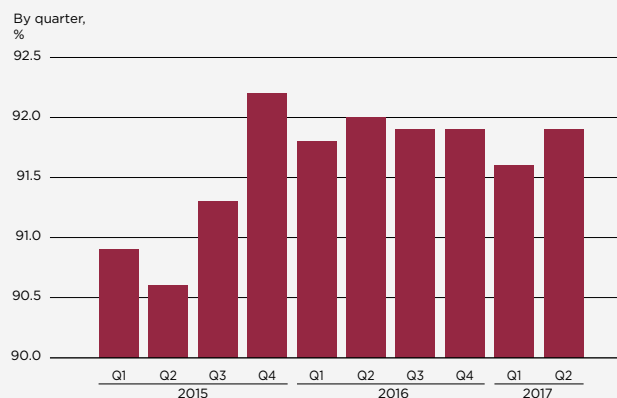
For investment properties, the economic occupancy rate during the interim period was 91.8 per cent (91.9). During the second quarter of the year, the occupancy rate improved from 91.6 per cent to 91.9 per cent compared with the first quarter, where strong leasing over a long period of time led to occupancy in previous vacant premises during the quarter. For development properties, the economic occupancy rate during the interim period was 63.0 per cent (67.3). The decrease is explained by increased vacancies in these properties to allow for future projects.

Net leasing during the interim period was SEK 45 (40) million, which accounts for SEK 91 million in new leasing and SEK -47 million in terminated leases. Net leasing was divided between SEK 26 million for cluster properties and SEK 19 million for other properties. There is a continued high activity in the leasing operations and several on-going negotiations.

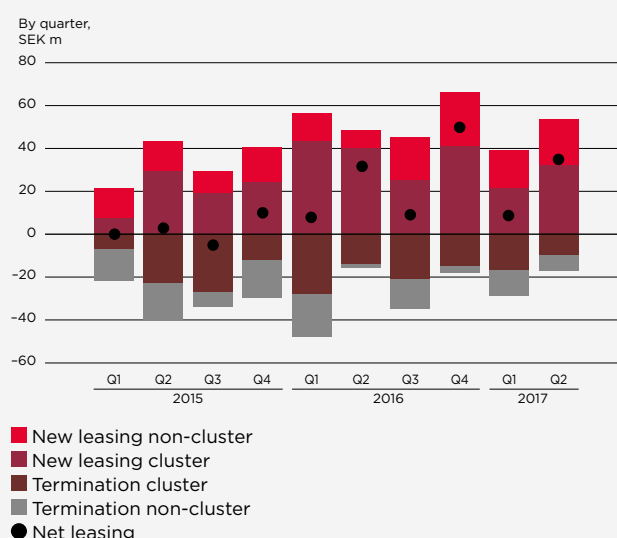
### NET LEASING INVESTMENT AND DEVELOPMENT PROPERTIES BY QUARTER



### ECONOMIC OCCUPANCY RATE, INVESTMENT PROPERTIES BY QUARTER



### NET LEASING CLUSTER AND NON-CLUSTER BY QUARTER



### 3 PROPERTY COSTS

Total property costs decreased to SEK 429 (438) million. The direct property costs (excluding costs for property administration) were SEK 17 million lower than the previous year. Divested properties reduced the costs by SEK 16 million, while accessed properties resulted in a cost increase of SEK 2 million. The direct property costs in identical holdings of investment properties were therefore unchanged.

The costs of property administration amounted to SEK 8 million. The increase compared with the previous year had already taken place during the first quarter and is due to the release of a cost reserve, which was implemented in the first quarter of 2016.

On a 12 month rolling basis, property costs increased to SEK 317 per square metre compared with SEK 311 one year ago.

| PROPERTY COSTS INVESTMENT PROPERTIES SEK by sq.m. <sup>1</sup> | 2016-2017 Jul-Jun |             |             | Jul-Jun         |                 |
|--|-------------------|-------------|-------------|-----------------|-----------------|
|  | Industrial/Office | Warehouse   | Retail      | 2016/2017 Total | 2015/2016 Total |
| Operations   | -238              | -103        | -163        | -175            | -167            |
| Maintenance  | -47               | -25         | -27         | -36             | -49             |
| Site leaseholds and property tax                               | -98               | -18         | -54         | -59             | -52             |
| <b>Direct property costs</b>                                   | <b>-383</b>       | <b>-146</b> | <b>-243</b> | <b>-270</b>     | <b>-268</b>     |
| Property administration  | -65               | -26         | -47         | -47             | -43             |
| <b>Total</b>   | <b>-448</b>       | <b>-172</b> | <b>-190</b> | <b>-317</b>     | <b>-311</b>     |

1. Property costs 12 months rolling divided by leased area less a deduction for the area of the development properties.

| DEVELOPMENT OF PROPERTY COSTS SEK m        | 2017 Jan-Jun | 2016 Jan-Jun |
|--|--------------|--------------|
| Identical holdings (investment properties) | -335         | -335         |
| Acquired properties                        | -3           | -1           |
| Development properties                     | -25          | -28          |
| Divested properties                        | -6           | -22          |
| Property administration                    | -60          | -52          |
| <b>Property costs</b>                      | <b>-429</b>  | <b>-438</b>  |

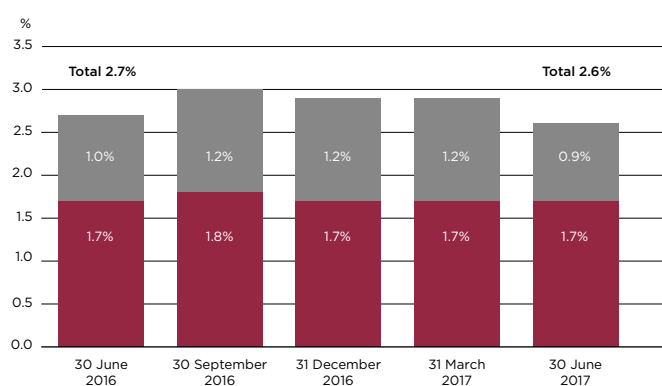
**4 SELLING AND ADMINISTRATION COSTS**

The selling and administration costs amounted to SEK 54 (52) million. The increase was mainly due to non-recurring costs.

**5 NET FINANCIAL ITEMS**

Net financial items amounted to SEK -234 (-247) million. Current interest rate expenses on loans decreased by SEK 11 million mainly due to the average volume of loans being SEK 1.1 billion lower during 2017. At the same time, interest rate costs in the swap portfolio decreased to a nominal value of SEK 900 million after the settlement of the long interest rate swaps at the beginning of May. The measure will help to reduce the average interest rate to 2.6 per cent.

## AVERAGE INTEREST RATE



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

■ Interest margin, arrangements fees and credit facility

**Sensitivity analysis**

With the existing portfolio, net financial items are affected only marginally during the next 12 months if the Stibor 3 month rate exceeds 100 basis points. The effect is estimated to be 1 per cent of the profit from property management. This is because the net interest income in the swaps improves if the Stibor 3 month rate increases from the current negative level up to zero, and at the same time, the interest rate cost of loans is only slightly

affected since most of the loans have a base limit for Stibor at zero.

**6 UNREALISED CHANGES IN PROPERTY VALUES**

For the first half year, the value increase amounts to SEK 648 (912) million. This is explained by SEK 231 million of improved operating net. SEK 293 million of the value increase is due to the fact that the average yield requirement since the beginning of the year has decreased from 6.1 per cent to 6.0 per cent.

For the second quarter, positive unrealised changes in value amounted to of SEK 283 million. Office properties in Stockholm were the main contributors to the increase

| UNREALISED CHANGES IN VALUE JAN-JUN 2017, SEK m                      | Investment properties | Development properties | Total      |
|--|-----------------------|------------------------|------------|
| Change in yield requirements   | 273                   | 20                     | <b>293</b> |
| Change in operating net  | 182                   | 49                     | <b>231</b> |
| Changed assumptions of investments and other value-impacting factors | -31                   | 155                    | <b>124</b> |
| <b>Total</b>   | <b>424</b>            | <b>224</b>             | <b>648</b> |

**7 UNREALISED CHANGES IN VALUE OF FINANCIAL INSTRUMENTS**

The unrealised changes in the value of financial instruments since the beginning of the year amounted to SEK 65 (-486) million. At 30 June 2017, the negative market value was SEK -367 million compared with SEK -652 million at the beginning of the year. During the quarter, interest swaps were settled with a one-off payment of the current undervaluation of SEK 220 million. Of the unrealised changes in value since the beginning of the year, SEK 88 million was ongoing interest rate payments in the swaps while a downturn in the longer term market rates had an effect of SEK -23 million.

**8 TAX**

Total tax expenses amounted to SEK -254 (-170) million. The tax expenses have been positively affected by SEK 6 million from the deductible share issue costs, which will not affect the profit before tax. The previous year's tax expenses included SEK 26 million for higher loss-carry forwards resulting from adjusted tax return.

## SEGMENT REPORT

| PROPERTY MANAGEMENT UNIT                                 | Stockholm       |                              | Gothenburg/Malmö |                              | Mälardalen      |                              | Not allocated   |                              | Total           |                 |
|--|-----------------|------------------------------|------------------|------------------------------|-----------------|------------------------------|-----------------|------------------------------|-----------------|-----------------|
|  | 2017<br>Jan-Jun | 2016 <sup>1</sup><br>Jan-Jun | 2017<br>Jan-Jun  | 2016 <sup>1</sup><br>Jan-Jun | 2017<br>Jan-Jun | 2016 <sup>1</sup><br>Jan-Jun | 2017<br>Jan-Jun | 2016 <sup>1</sup><br>Jan-Jun | 2017<br>Jan-Jun | 2016<br>Jan-Jun |
| SEK m  |                 |                              |                  |                              |                 |                              |                 |                              |                 |                 |
| Revenue  | 461             | 494                          | 347              | 355                          | 374             | 373                          |                 |                              | 1,182           | 1,222           |
| Property costs   | -155            | -158                         | -117             | -126                         | -157            | -153                         |                 |                              | -429            | -438            |
| <b>Operating net</b>                                     | <b>306</b>      | <b>337</b>                   | <b>230</b>       | <b>228</b>                   | <b>217</b>      | <b>220</b>                   |                 |                              | <b>753</b>      | <b>785</b>      |
| Selling and administration costs                         |                 |                              |                  |                              |                 |                              | -54             | -52                          | -54             | -52             |
| Net financial items                                      |                 |                              |                  |                              |                 |                              | -234            | -247                         | -234            | -247            |
| <b>Profit from property management</b>                   | <b>306</b>      | <b>337</b>                   | <b>230</b>       | <b>228</b>                   | <b>217</b>      | <b>220</b>                   | <b>-287</b>     | <b>-299</b>                  | <b>466</b>      | <b>486</b>      |
| <b>Changes in the value of assets</b>                    |                 |                              |                  |                              |                 |                              |                 |                              |                 |                 |
| Profit (loss) from divestment                            |                 |                              |                  |                              |                 |                              | -1              | 27                           | -1              | 27              |
| Unrealised changes in the value of properties            | 495             | 595                          | 108              | 237                          | 45              | 81                           |                 |                              | 648             | 912             |
| Unrealised changes in the value of financial instruments |                 |                              |                  |                              |                 |                              | 65              | -486                         | 65              | -486            |
| <b>Profit before tax</b>                                 | <b>802</b>      | <b>931</b>                   | <b>338</b>       | <b>465</b>                   | <b>261</b>      | <b>301</b>                   | <b>-223</b>     | <b>-758</b>                  | <b>1,178</b>    | <b>939</b>      |
| Tax  |                 |                              |                  |                              |                 |                              | -254            | -170                         | -254            | -170            |
| <b>Profit (loss) for the period</b>                      | <b>802</b>      | <b>931</b>                   | <b>338</b>       | <b>465</b>                   | <b>261</b>      | <b>301</b>                   | <b>-477</b>     | <b>-928</b>                  | <b>924</b>      | <b>769</b>      |

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

## STATEMENT OF CASH FLOW - IN SUMMARY

| SEK m  | Interim period  |                 | Quarter         |                 | 12 months            |                 |
|--|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|
|  | 2017<br>Jan-Jun | 2016<br>Jan-Jun | 2017<br>Apr-Jun | 2016<br>Apr-Jun | 2016/2017<br>Jul-Jun | 2016<br>Jan-Dec |
| <b>OPERATING ACTIVITIES</b>                        |                 |                 |                 |                 |                      |                 |
| Profit from property management                    | 466             | 486             | 250             | 250             | 970                  | 990             |
| Adjustments for items not included in cash flow    | 31              | -9              | 28              | 2               | 57                   | 17              |
| Tax paid   | -1              | 0               | -1              | 0               | -1                   | 0               |
| <b>Cash flow before changes in working capital</b> | <b>496</b>      | <b>477</b>      | <b>277</b>      | <b>252</b>      | <b>1,026</b>         | <b>1,007</b>    |
| Changes in working capital                         | 50              | 139             | -25             | -               | -85                  | 4               |
| <b>Cash flow after changes in working capital</b>  | <b>546</b>      | <b>616</b>      | <b>252</b>      | <b>252</b>      | <b>941</b>           | <b>1,011</b>    |
| <b>INVESTMENT ACTIVITIES</b>                       |                 |                 |                 |                 |                      |                 |
| Investments in existing properties                 | -338            | -196            | -175            | -100            | -751                 | -609            |
| Acquisition of properties                          | -783            | -164            | -323            | -164            | -849                 | -230            |
| Divestment of properties                           | 716             | 468             | 30              | 164             | 1,024                | 776             |
| Other tangible/intangible net assets               | 0               | -5              | 0               | -1              | -5                   | -10             |
| Net financial assets                               | -220            | 0               | -220            | 0               | -233                 | -13             |
| <b>Cash flow from investing activities</b>         | <b>-625</b>     | <b>103</b>      | <b>-688</b>     | <b>-101</b>     | <b>-814</b>          | <b>-86</b>      |
| <b>FINANCING ACTIVITIES</b>                        |                 |                 |                 |                 |                      |                 |
| New share issue                                    | 1,599           | -               | 1               | -               | 1,599                | -               |
| Dividend   | -437            | -364            | -437            | -364            | -437                 | -364            |
| Repayment of loans                                 | -1,204          | -789            | -651            | -302            | -4,168               | -3,753          |
| New loans  | 516             | 1,000           | -               | 700             | 2,324                | 2,808           |
| <b>Cash flow from financing activities</b>         | <b>474</b>      | <b>-153</b>     | <b>-1,087</b>   | <b>34</b>       | <b>-682</b>          | <b>-1,309</b>   |
| <b>CASH FLOW FOR THE PERIOD</b>                    |                 |                 |                 |                 |                      |                 |
| Cash equivalents at the beginning of the period    | 57              | 441             | 1,975           | 822             | 1,007                | 441             |
| Exchange rate differences on cash equivalents      | 0               | 0               | 0               | 0               | 0                    | 0               |
| <b>Cash equivalents at the end of the period</b>   | <b>452</b>      | <b>1,007</b>    | <b>452</b>      | <b>1,007</b>    | <b>452</b>           | <b>57</b>       |

**CASH FLOW AND LTV (LOAN-TO-VALUE) RATIO**

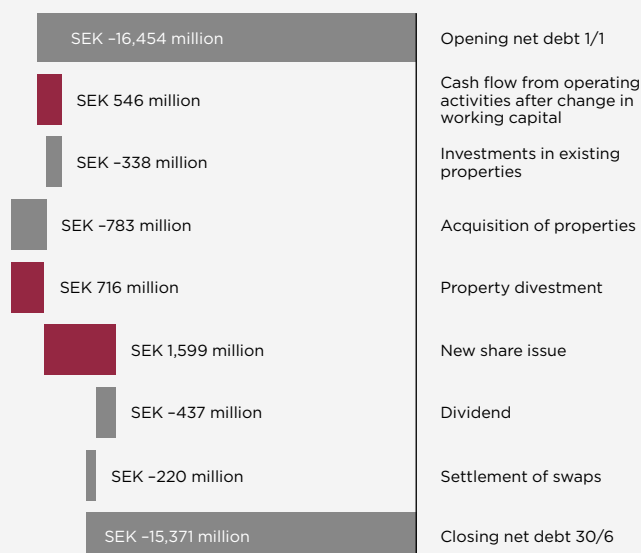
In the second quarter, the operating cash flow after changes in working capital amounted to SEK 252 million. Over the first half of the year, after the change in working capital, the operations generated a cash flow of SEK 546 million.

An amount of SEK 783 million was received when the Emporia Office in Hyllie and Godsvagnen 9 in Hammarby Sjöstad were accessed. In addition, SEK 338 million was invested in existing properties and projects during the half-year. In May, share dividends of SEK 437 million were paid for 2016. In the same month SEK 220 million was paid for the settlement of interest rate swaps.

In addition to the liquidity from the new share issue (SEK 1,599 million), property divestments gave a contribution of SEK 716 million.

Therefore, cash flow before changes in interest-bearing liabilities resulted in a decrease in the net debt of SEK 1,083 million for the interim period. Repayment of interest-bearing loans was SEK 688 million. At the end of the second quarter the cash equivalents amounted to SEK 452 (57) million, and the total funds available amounted to SEK 1,428 (1,049) million including granted and available credit facilities after deduction of backup for issued certificates.

The LTV (loan-to-value) ratio, which sharply declined during the first quarter, increased slightly during the second quarter when share dividend settlement of swaps was paid. At the end of the interim period the LTV (loan-to-value) ratio amounted to 51 per cent against 56 per cent

**CHANGE IN NET DEBT JANUARY TO JUNE**

at the year-end. For the repayment of the loan of divested properties which were vacated after the interim period the LTV (loan-to-value) ratio is just below 50 per cent.





## PART OF MIMER 5 IN VÄSTERÅS

### Concept for creative minds in Västerås City

House 26, with 4,600 sq.m of office space is part of the Mimer block in Kungsleden's Västerås City cluster. The building, which has been empty for some time, will now be subject to a major transformation. A new office concept has been developed, which is based on the idea to gather firms and individuals, with a common interest in creativity, idea generation, development and business, under the same roof.



## STATEMENT OF GROUP FINANCIAL POSITION - IN SUMMARY

| SEK m                               | 30-06-17      | 30-06-16      | 31-12-16      |
|-------------------------------------|---------------|---------------|---------------|
| <b>ASSETS</b>                       |               |               |               |
| <b>Non-current assets</b>           |               |               |               |
| Intangible assets                   | 11            | 8             | 11            |
| Properties <sup>1</sup>             | 30,217        | 28,268        | 29,169        |
| Equipment                           | 8             | 10            | 9             |
| Other long-term receivables         | 12            | 5             | 12            |
| <b>Total non-current assets</b>     | <b>30,248</b> | <b>28,290</b> | <b>29,201</b> |
| <b>Current assets</b>               |               |               |               |
| Current receivables                 | 286           | 239           | 232           |
| Cash and cash equivalents           | 452           | 1,007         | 57            |
| <b>Total current assets</b>         | <b>738</b>    | <b>1,246</b>  | <b>289</b>    |
| <b>TOTAL ASSETS</b>                 | <b>30,985</b> | <b>29,537</b> | <b>29,490</b> |
| <b>EQUITY AND LIABILITIES</b>       |               |               |               |
| <b>Equity</b>                       | <b>12,926</b> | <b>9,739</b>  | <b>10,839</b> |
| <b>Long-term liabilities</b>        |               |               |               |
| Liabilities to credit institutions  | 13,198        | 14,566        | 13,702        |
| Other interest-bearing liabilities  | 1,746         | 600           | 1,230         |
| Derivatives                         | 367           | 833           | 653           |
| Deferred tax liability <sup>1</sup> | 997           | 444           | 761           |
| Provisions                          | 12            | 5             | 12            |
| <b>Total long-term liabilities</b>  | <b>16,320</b> | <b>16,448</b> | <b>16,358</b> |
| <b>Short-term liabilities</b>       |               |               |               |
| Liabilities to credit institutions  | -             | 1,426         | 26            |
| Other interest-bearing liabilities  | 879           | 1,075         | 1,553         |
| Other liabilities                   | 861           | 849           | 714           |
| <b>Total short-term liabilities</b> | <b>1,740</b>  | <b>3,350</b>  | <b>2,293</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>30,985</b> | <b>29,537</b> | <b>29,490</b> |

1. Tax relief in connection with the acquisition of properties is reported as a reduction in the balance sheet item properties of SEK -376 million. This means the equity and the financial position have been affected by a total of SEK 1,373 million in deferred tax.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - IN SUMMARY

| SEK m                               | 30-06-17      | 30-06-16     | 31-12-16      |
|-------------------------------------|---------------|--------------|---------------|
| At the beginning of the period      | 10,839        | 9,333        | 9,333         |
| Dividend                            | -437          | -364         | -364          |
| New share issue <sup>1</sup>        | 1,599         |              |               |
| Comprehensive income for the period | 924           | 770          | 1,870         |
| <b>Total equity</b>                 | <b>12,926</b> | <b>9,739</b> | <b>10,839</b> |

1. The new share issue completed during the interim period, increased equity by SEK 1,599 million after share issue costs of SEK 39 million.



**High quality food destination and meeting place**

The Lustgården 12 property is part of Kungsleden's cluster in Stockholm City Väst, an expanding area where a mixed-use city has been developed during the last few years. Residential buildings and offices are clustered here in a location close to the water with good metro transportation links the city centre. The property has been going through an extensive transformation during the last years. Kungsleden moved its head office to this area in 2015 and since then further improvements have been made. Additional tenants have moved in, including the restaurant and café operator Mat-distriktet with the well-known catering firm Ett litet kök. This has created a high quality food destination and meeting place.



WARFVINGES VÄG 31



# INVESTMENT PROPERTIES

From the first quarter of 2017 Kungsleden divides the reporting of the property portfolio into investment properties and development properties. This section mainly describes the outcome of the investment properties.

## THE PROPERTY MARKET

The strong growth of the rental market for commercial properties in Sweden's major cities has continued during the first half of 2017. The vacancies and yield requirements continue to be low and market rents are increasing in the attractive locations.

According to the property consultant JLL, 2017 is forecast to be a strong year for property owners as a result of the already strong or improved macroeconomic factors for several markets, the lack of modern efficient premises and a low interest rate environment attracting property investments.

## OUR PROPERTY PORTFOLIO OF INVESTMENT PROPERTIES

During the second quarter, Kungsleden has reached the objective to divest non-strategic properties of SEK 2 billion in 2016–2017 and by 30 June the company owned 225 investment properties (excluding development properties). Book value amounts to SEK 28,439 million and leasable area to 2,307 k sq.m.

The property value consists of 70 per cent Offices, 20 per cent Industrial/warehouse, 6 per cent Retail and 4 per cent in the category Other. 80 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, see the map illustration below.

After the vacated properties, which were sold up until the end of the second quarter of 2017, Kungsleden owns investment properties in the prioritised markets of Greater Stockholm, Greater Gothenburg, Greater Malmö and Västerås as well as 19 municipalities.

PROPERTY VALUE INVESTMENT PROPERTIES BY CATEGORY AT 30 JUNE 2017



- Office 70%
- Industrial/warehouse 20%
- Retail 6%
- Other 4%

PROPERTY VALUE INVESTMENT PROPERTIES BY CLUSTER AND NON-CLUSTER AT 30 JUNE 2017



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

## RENTAL VALUE

The rental value for investment properties for the first half of the year amounted to SEK 1,241 million and the remaining lease term was on average 4.1 years.

During the second quarter a series of new lease agreements were signed including with Complete Solutions Sweden AB in Danderyd (cluster), Anicura AB in Danderyd (cluster), Dentsply AB in Mölndal, Magelungens Utveckling AB in Gothenburg and Lidl Sverige AB in Hyllie (cluster).

## 66 PER CENT OF KUNGSLEDEN'S INVESTMENT PROPERTIES IS LOCATED IN 11 CLUSTERS

### PROPERTY MANAGEMENT UNIT GOTHENBURG/MALMÖ

- Högsbo, 108,000 sq.m
- Fosie, 54,000 sq.m
- Hyllie/Svågertorp, 50,000 sq.m<sup>1</sup>

**36%**  
of the total portfolio book value located in a cluster (36% excl. development properties)

**82%**  
of the total portfolio book value located in a cluster (85% 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

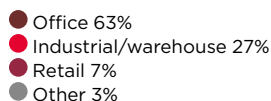
**59%**  
of the total portfolio book value located in a cluster (62% excl. development properties)

### PROPERTY MANAGEMENT UNIT MÄLARDALEN

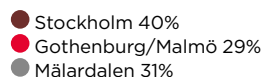
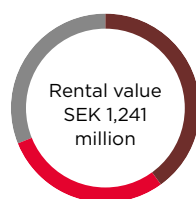
- Västerås City, 153,000 sq.m
- Finnslätten Industrial area, 236,000 sq.m

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

### RENTAL VALUE JAN-JUN 2017 INVESTMENT PROPERTIES BY PROPERTY CATEGORY



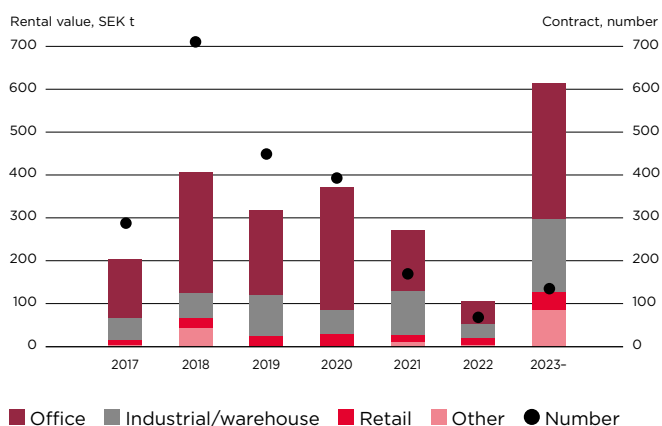
### RENTAL VALUE JAN-JUN 2017 INVESTMENT PROPERTIES BY PROPERTY MANAGEMENT UNIT



### CONTRACTED ANNUAL RENT BY CATEGORY

The total contracted annual rent for investment properties for a 12 month rolling period to 30 June amounted to SEK 2,293 (2,267) million. The category Office accounts for 62 per cent of the annual rent, Industrial/warehouse for 25 per cent, Retail for 7 per cent and Other for 6 per cent.

### LEASE AGREEMENTS MATURITY STRUCTURE INVESTMENT PROPERTIES<sup>1</sup>



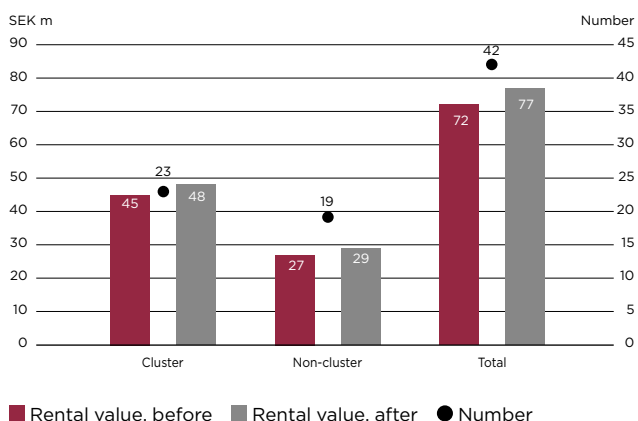
1. Excluding residential, parking and garage areas

### RENEGOTIATION - RENTAL VALUES BEFORE AND AFTER

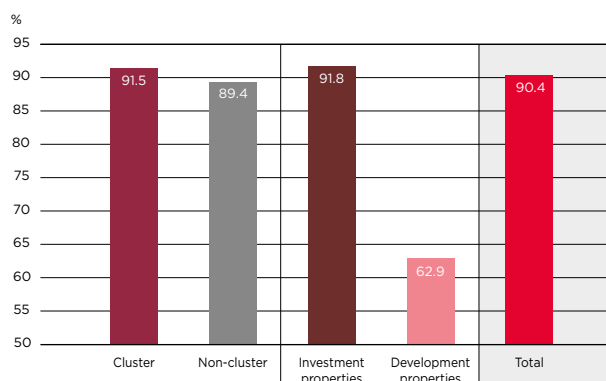
Lease agreements that were renegotiated during the interim report January to June 2017 led to increased average rental values of 7 per cent. Total rental value of the renegotiated lease agreements increased from SEK 72 million to SEK 77 million.

An example of the renegotiated agreements is Engelska skolan i Sverige AB, Renault Nordic AB (cluster Kista City) and Hela Sveriges Assistans AB (cluster Danderyd Office).

### RENEGOTIATION OF RENTAL VALUE, ACCUMULATED JUNE 2017, BEFORE AND AFTER THE RENEGOTIATION



### ECONOMIC OCCUPANCY RATE 12 MONTH ROLLING AT 30 JUNE 2017



The economic occupancy rate on a 12 month rolling basis for investment properties amounted to 91.8 per cent and for clusters 91.5 per cent.

### PROPERTY PORTFOLIO DEVELOPMENT - TOTAL HOLDINGS

| PROPERTY HOLDINGS SEK million  | Number of properties <sup>1</sup> | Leasable area, k sq.m <sup>1</sup> | Book value <sup>1</sup> | Rental value <sup>2</sup> | Economic occupancy rate, % <sup>2</sup> |
|--------------------------------|-----------------------------------|------------------------------------|-------------------------|---------------------------|---|
| Investment properties          | 225                               | 2,307                              | 28,439                  | 1,241                     | 91.8                                    |
| Development properties         | 18                                | 143                                | 1,777                   | 67                        | 63.0                                    |
| <b>Total property holdings</b> | <b>243</b>                        | <b>2,450</b>                       | <b>30,217</b>           | <b>1,308</b>              | <b>90.3</b>                             |

1. In reference to 2017-06-30  
2. In reference to Jan-Jun

### Divestments

During the second quarter of 2017, 26 properties were divested to a book value of SEK 1,250 million. The divestments include 18 non-strategic industrial and warehouse properties in 13 municipalities in a transaction with a total sale price of SEK 882 million before deduction for deferred tax.

### Accessed and vacated properties

The property Godsvagnen 9 in Hammarby Sjöstad in Stockholm with a value of SEK 327 million, was accessed during the second quarter.

Four properties with a total value of SEK 30 million were vacated during the quarter – Adolfsberg Västra 10 in Helsingborg, Domherren 15 in Motala and Tumba 7:231 and 7:237 in Botkyrka.

### Investment

Investments of SEK 237 million were made during the first half of the year in the portfolio of investment properties and in these properties unrealised changes in value were noted of SEK 424 million. In the development properties SEK 101 million was invested and values increased by SEK 224 million.

| PROPERTY PORTFOLIO DEVELOPMENT 2017 JAN-JUN, SEK million | Investment properties | Development properties |
|--|-----------------------|------------------------|
| Properties at the beginning of the period                | 27,715                | 1,453                  |
| Acquisitions, access gained                              | 783                   | 0                      |
| Investment   | 237                   | 101                    |
| Divested and vacated                                     | -720                  | 0                      |
| Unrealised changes in value                              | 424                   | 224                    |
| <b>Properties at the end of the period</b>               | <b>28,439</b>         | <b>1,777</b>           |

# DEVELOPMENT PROPERTIES AND INVESTMENTS

From the first quarter of 2017, Kungsleden divides the reporting of the property portfolio into investment properties and development properties. This section mainly describes the outcome of development properties and other development projects.

## INVESTMENT PROGRAMME

During the first half of the year 2017, Kungsleden invested a total of SEK 338 million in project and investment properties.

| SEK m                    | 2013       | 2014       | 2015       | 2016       | 2017, Jan-Jun | PLAN         |              |
|--------------------------|------------|------------|------------|------------|---------------|--------------|--------------|
|                          |            |            |            |            |               | 2017         | 2018-2019    |
| Development properties   |            |            | 14         | 141        | 101           | 500          | 1,400        |
| Investment properties    | 213        | 234        | 436        | 468        | 237           | 500          | 600          |
| <b>Total investments</b> | <b>213</b> | <b>234</b> | <b>450</b> | <b>609</b> | <b>338</b>    | <b>1,000</b> | <b>2,000</b> |

The pace of investment continues to be high and the total investment programme for investment properties and development properties for 2017 to 2019 is estimated to be SEK 3 billion.

At the end of the first half of the year the book value of the 18 properties that are classified as development properties, was SEK 1,777 million. The development properties showed unrealised changes in value of SEK 224 million during the interim period.

## ON-GOING DEVELOPMENT PROJECTS

Kungsleden had 30 properties in development at the end of the second quarter. Of these, 14 projects are classified as category 1 to 3 (see table on page 15), in which areas are kept vacant or are planned to be vacated, short-term leased or demolished to allow development.

Seven development projects (including ten property records) were, by 30 June, in the implementation stage (category 1) with a total investment volume of SEK 1,052 million until 2019, of which SEK 245 million was spent up to 30 June 2017 and SEK 83 million was invested during the first half of the year 2017. When fully leased these seven development projects will increase the company's rental revenue to SEK 126 million on an annual basis.

## LEASING IN DEVELOPMENT PROPERTIES

The development properties Laven 6 in Umeå and Karlsund 5:23 in Östersund have moved into the implementation stage thanks to three major lease agreements. Nearly 3,000 sq.m is being constructed in Umeå for the trampoline park company Jump, and in the Östersund cluster a new prison and new premises for non-institutional care are being built for the Swedish Prison and Probation Service.

## LAND ALLOCATION HYLLIE

During the quarter, an agreement was signed with Malmö municipality on land allocation in the Hyllie cluster with building rights for 8,400 sq.m of office space. The property is located close to the station and the Arena and Kungsleden's Emporia Office, MalmöMässan and Isblocket properties. In addition to offices, the premises will include services. The project will comply with Hyllie's high ambitions for sustainability and the aim is to have environmental certification for the property. Construction is expected to start late 2018 or early 2019 and be finalised in 2020.

## BUILDING RIGHTS

Kungsleden's strategy is to develop residential building rights by identifying opportunities, initiating zoning plans and then divesting the building rights.

During the first half of the year, the work to identify properties with potential for residential building rights has continued and the interest from the market is strong. Five properties (in Uppsala, Umeå, Örebro and Botkyrka) have been identified during the quarter in line with the strategy to divest properties with residential building rights potential. Together with the three properties with residential potential that was sold in 2016, divestments are expected to generate a profit of approximately SEK 430 million, of which SEK 42 million was realized in 2016, and just over SEK 70 million was reported as an unrealized change in value during the second quarter of this year. The remaining profit will appear when the zoning plans are close to completion.

Kungsleden has now divested about 180,000 sq.m of the residential development potential which had been identified in the portfolio. The prices have varied between SEK 2,500 and SEK 10,000 per sq.m gross area. The remaining residential building rights are now estimated to be around 300,000 sq.m.

Commercial building rights (preferably offices and retail) in the portfolio are estimated at 170,000 sq.m as development projects with a total area of 6,100 sq.m have started on existing building rights in Umeå and Östersund.



Part of Verkstaden 7, Västerås City. Feasibility study is underway regarding the construction of new offices.

## DEVELOPMENT PROJECT

The tables below for Category 1 and 2 present Kungsleden's development properties as well as planned and confirmed new construction projects.

| CATEGORY 1 - INVESTMENT DECISIONS MADE/IMPLEMENTATION STAGE |                                    |              |           |                     |                   |   | Investment               |                          |                      |  |  |
|---|------------------------------------|--------------|-----------|---------------------|-------------------|---|--------------------------|--------------------------|----------------------|--|--|
| Property  | Category                           | Municipality | Completed | Leasable area, sq.m | Occupancy rate, % | Rental value fully leased, SEK m <sup>1</sup> | Investment amount, SEK m | Capitalised total, SEK m | Of which 2017, SEK m | Plan excluding earned value 2017-2019, SEK m |  |
| Enen 10   | Office                             | Södertälje   | Q4 2017   | 6,000               | 75                | 14  | 142                      | 118                      | 24                   | 24   |  |
| Blästern 14 (stage 1)<br>(stage 2)                          | Hotel                              | Stockholm    | 2018      | 11,400              | 100               | 39  | 325                      | 70                       | 32                   | 255  |  |
|   | Office                             | Stockholm    | 2021      | 5,300               | n/a               | 16  | 98                       |                          |                      | 5  |  |
| Holar 1   | Hotel                              | Stockholm    | 2018      | 6,000               | 100               | 13  | 128                      | 17                       | 7                    | 111  |  |
| Tegnér 15   | Retail                             | Växjö        | 2018      | 16,500              | 90                | 18  | 150                      | 29                       | 18                   | 121  |  |
| part of Karlslund 5:23 <sup>2</sup>                         | Social property (new construction) | Östersund    | 2019      | 3,000               | 100               | 10  | 120                      | 0                        | 0                    | 120  |  |
| part of Laven 6   | Retail (new construction)          | Umeå         | 2018      | 3,100               | 100               | 4   | 33                       | 1                        | 0                    | 32   |  |
| Gallerian 1 (4 properties)                                  | Retail                             | Eskilstuna   | 2019      | 29,000              | 60                | 12  | 149                      | 10                       | 2                    | 139  |  |
| <b>Sub total</b>  |                                    |              |           | <b>80,300</b>       |                   | <b>126</b>                                    | <b>1,145</b>             | <b>245</b>               | <b>83</b>            | <b>807</b>                                   |  |

| CATEGORY 2 - DECISION MADE ON DIRECTION/LEASING AND PROJECT PLANNING |                            |              |           |                     |  |              | Investment amount, SEK m |            | Plan 2017-2019, SEK m |
|--|----------------------------|--------------|-----------|---------------------|--|--------------|--------------------------|------------|-----------------------|
| Property   | Category                   | Municipality | Completed | Leasable area, sq.m |  |              |                          |            |                       |
| part of Oxelbergen 1:2   | Office                     | Norrköping   | 2018      | 6,000               |  | 80           |                          | 80         |                       |
| part of Verkstaden 7   | Offices (new construction) | Västerås     | 2019/2020 | 13,400              |  | 375          |                          | 325        |                       |
| Land allocation Hyllie   | Office                     | Malmö        | 2020      | 8,400               |  | 275          |                          | 100        |                       |
| part of Mimer 5 - House 26   | Office                     | Västerås     | 2018/2019 | 4,600               |  | 82           |                          | 82         |                       |
| Skiftinge 1:3  | Retail                     | Eskilstuna   | 2018/2019 | 25,000              |  | 240          |                          | 240        |                       |
| <b>Sub total</b>   |                            |              |           | <b>56,200</b>       |  | <b>1,052</b> |                          | <b>827</b> |                       |

|                               |  |  |  |                |  |              |  |              |
|-------------------------------|--|--|--|----------------|--|--------------|--|--------------|
| <b>Total category 1 and 2</b> |  |  |  | <b>136,500</b> |  | <b>2,197</b> |  | <b>1,634</b> |
|-------------------------------|--|--|--|----------------|--|--------------|--|--------------|

The tables below for Category 3 and 4 shows a selection of the projects in feasibility study, leasing and project stages and examples of a number of ongoing initiatives for the creation of building rights.

| CATEGORY 3 - FEASIBILITY STUDY AND LEASING |                                  |              |           |                     |
|--|----------------------------------|--------------|-----------|---------------------|
| Property                                   | Category                         | Municipality | Completed | Leasable area, sq.m |
| part of Terminalen 2                       | Office/Retail (new construction) | Sollentuna   | 2019/2020 | 15,000              |
| Högsbo 14:3                                | Office                           | Gothenburg   | 2018/2019 | 3,500               |
| <b>Total</b>                               |                                  |              |           | <b>18,500</b>       |

| CATEGORY 4 - CREATION OF BUILDING RIGHTS |                           |              |                        |                      |
|--|---------------------------|--------------|------------------------|----------------------|
| Property                                 | Category                  | Municipality | Project area, sq.m BTA | Status               |
| part of Aspgården 18                     | Residential               | Umeå         | 23,000                 | Divested not vacated |
| Mälaren 17                               | Residential/Office        | Örebro       | 30,000-40,000          | Divested not vacated |
| Veddesta 2:65 and 2:73                   | Residential/Office        | Järfälla     | 40,000-50,000          |                      |
| Verkstaden 7                             | Residential/Office/Retail | Västerås     | 50,000-70,000          |                      |
| Mandelblomman 3                          | Residential               | Stockholm    | 10,000                 |                      |
| Högsbo 14:7 and 20:13                    | Residential/Office        | Gothenburg   | 20,000-25,000          |                      |
| Västerås 5:9                             | Office                    | Västerås     | 15,000-20,000          |                      |

1. Including turnover rent.

2. The rental agreement requires the approval from the government.

# BLÄSTERN IN STOCKHOLM



### Design Hotel to be an oasis in the city

At Blästern 14 at Gävlegatan in the inner city of Stockholm, a 16,000 sq.m hotel and modern office is being built. The hotel operator Nobis has signed a 20-year lease and is creating, together with Kungsleden, a design hotel with generous areas for a restaurant, bar and lounge including courtyard and roof-top terrace. The hotel are expected to be completed in the end of 2018 and the offices in 2021.



### Modern 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 in during October 2016. Actic and Tidemans Cafe launched their operations in February 2017 and Skandia, Previa, Structur and Kronofogden also signed lease agreements. Leasing is ongoing 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 of the Holar 1 property, which has 167 hotel rooms. The operation is scheduled to open in the second quarter of 2018.



**HOLAR 1 IN KISTA**



**TEGNÉR IN VÄXJÖ**



**New life in the urban districts - H&M becomes 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 Tegnérgallerian at the ground level is to remove the galleria's internal communal areas and create shop fronts facing the street.

H&M will be the anchor tenant of the galleria and opens its approximately 3,000 sq.m store in November 2017. Agreements have also been signed with a number of existing tenants such as Pressbyrå, Synsam, Interflora, Apotek Hjärtat, Cultics and Kjell & co.

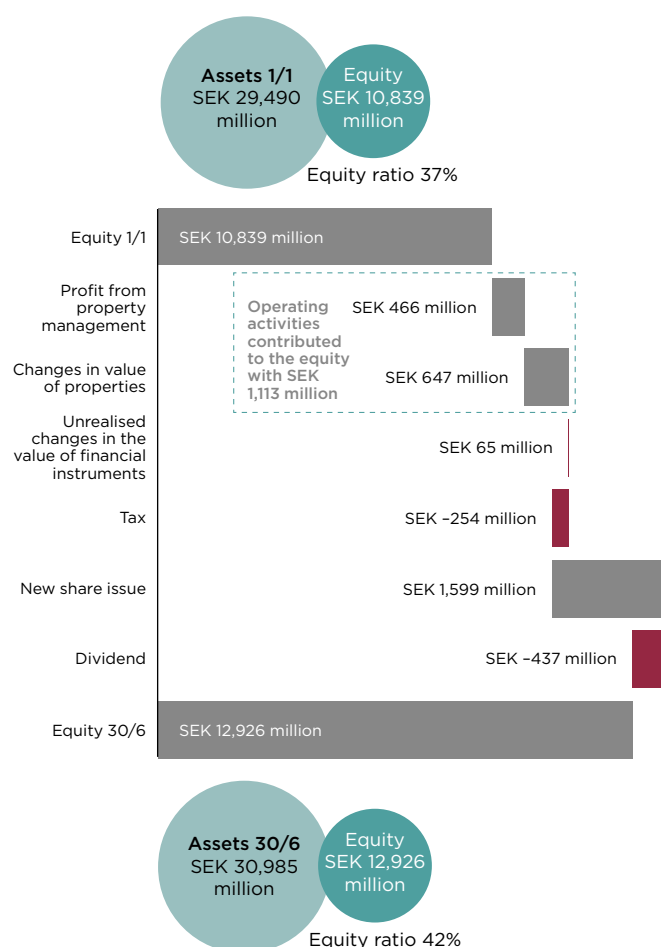
**GALLERIAN IN ESKILSTUNA**

**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 ongoing development project comprises the retail areas on the ground floor and seeks to create a more modern and attractive shopping environment for the inhabitants of Eskilstuna. During the second quarter of 2017 new lease agreements were signed with the anchor tenants Hemköp and Systembolaget.



# FINANCING



The value of the Kungsleden assets amounted to SEK 30,985 (29 490) million on 30 June and this is financed by equity of SEK 12,926 (10,839) million, interest-bearing liabilities of SEK 15,823 (16,511) million and other liabilities of SEK 2,237 (2,140) million.

## EQUITY AND FINANCIAL POSITION DURING 2017

Kungsleden's equity was SEK 12,926 (10 839) million at the end of the interim period, which corresponds to an increase of 19 per cent during the period. The increase is explained by net profit (loss) for the period and the completed new share issue.

## INTEREST-BEARING LIABILITIES

Kungsleden's interest bearing liabilities amounted at the end of the period to SEK 15,823 (16,511) million. The interest-bearing liabilities decreased during the second quarter by SEK 651 million, which was mainly due to the repayment of bond loans of SEK 375 million. In addition to ongoing loan repayments of SEK 26 million, certificates for SEK 250 million were also repaid.

During the quarter, contracts on loan agreements with bank have been agreed for a 3 year period. The loan agreement amounted to SEK 2 billion and is intended to provide a backup for the issuance of certificates and is secured by a pledge letter for properties. In total, Kungsleden has unutilised credits, including an overdraft of SEK 1,855 million, of which SEK 879 million relates to the backup for the current volume of issued certificates. The interest in placement of certificates remains very good and with the new credit promise, the issue of certificates can be made possible to an attractive level.

## FIXED INTEREST RATE AND REPAYMENT PLAN

Kungsleden's average capital-binding period was 4.1 years (4.2) at the end of the quarter while the average fixed-rate period amounted to 2.8 years (3.4) after the settlement of swaps.

In order to improve the ongoing net interest income, long-term interest rate swaps were settled at the beginning of May at a nominal value of SEK 900 million as accrued with a high fixed yield. The share of loans with a fixed-rate period that is longer than the twelve months, amounts to approximately 65 per cent after the settlement of the interest rate swaps and repayment of loans on the divested properties that will be vacated after the end of the interim period.

## MATURITY STRUCTURE, CREDITS AND INTEREST RATE DERIVATIVES

| At 30 June 2017, SEK m | Utilised credits | Unutilised credits | Total credits | Interest rate derivatives | Average interest rate derivatives, % |
|------------------------|------------------|--------------------|---------------|---------------------------|--------------------------------------|
| 2017                   | 879              | 250                | 1,129         |                           |                                      |
| 2018                   | 3,276            |                    | 3,276         |                           |                                      |
| 2019                   | 4,104            |                    | 4,104         | 1,000                     | 0.5                                  |
| 2020                   | 4,585            | 1,605 <sup>1</sup> | 6,190         | 2,770                     | 0.6                                  |
| 2021                   | 492              |                    | 492           | 1,800                     | 0.8                                  |
| 2022                   |                  |                    |               | 3,000                     | 1.0                                  |
| 2024                   |                  |                    |               | 650                       | 4.4                                  |
| 2026                   | 630              |                    | 630           |                           |                                      |
| 2027                   | 516              |                    | 516           |                           |                                      |
| 2036                   | 1,340            |                    | 1,340         |                           |                                      |
| <b>Total</b>           | <b>15,823</b>    | <b>1,855</b>       | <b>17,678</b> | <b>9,220</b>              |                                      |

1. Of which SEK 879 million relates to backup for issued certificates

# EARNINGS CAPACITY

The earnings capacity is a measurement 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 a 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. Data is adjusted to the extent that one-off items have occurred in the reported profit and loss.

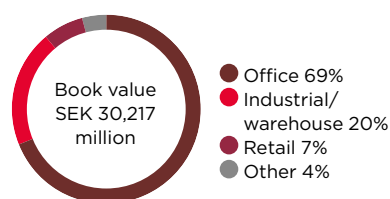
The data on earnings capacity takes into account no information or assessment of future vacancies, changes in rent levels or

value changes. Contracted acquisitions and divestment of properties is reported separately unless access was gained/the properties were vacated by closing date.

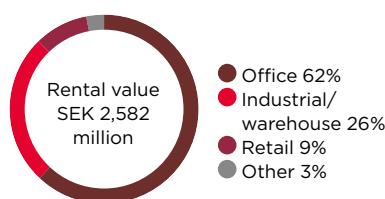
The table below shows the earnings capacity of Kungsleden's property holdings at 30 June 2017. Development properties are disclosed as a separate property category. The cost information includes SEK 121 million, which is the actual outcome for the property administration costs during the last 12 months.

23 non-strategic properties, including a portfolio of 18 industrial and warehouse properties have been divested during the first half of the year. Of these, 20 will be vacated at the beginning of the third quarter, which gives an operating net loss for the second half of the year 2017 of closer to SEK 50 million.

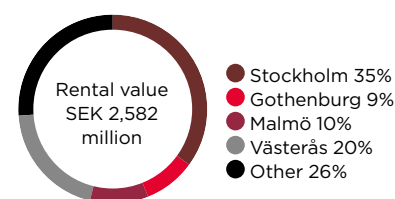
BOOK VALUE  
BY PROPERTY CATEGORY



RENTAL VALUE – EARNINGS CAPACITY  
BY PROPERTY CATEGORY



RENTAL VALUE – EARNINGS CAPACITY  
BY URBAN CONCENTRATION



| EARNINGS CAPACITY<br>BY PROPERTY CATEGORY | Office | Industrial/<br>Warehouse | Retail | Other | Total investment properties |       | Total properties | of which sold<br>Not vacated | Purchased <sup>1</sup><br>Not accessed |
|---|--------|--------------------------|--------|-------|-----------------------------|-------|------------------|------------------------------|--|
|   |        |                          |        |       | Development properties      |       |                  |                              |  |
| No. of properties                         | 102    | 78                       | 36     | 9     | 225                         | 18    | 243              | 23                           | 0                                      |
| Leasable area, k sq.m                     | 1,119  | 947                      | 173    | 68    | 2,307                       | 143   | 2,450            | 308                          | 0                                      |
| Rental value, SEK m                       | 1,556  | 630                      | 173    | 87    | 2,447                       | 135   | 2,582            | 136                          | 0                                      |
| Rental revenue, SEK m                     | 1,411  | 597                      | 162    | 79    | 2,249                       | 86    | 2,336            | 124                          | 0                                      |
| Operating net, SEK m                      | 911    | 437                      | 110    | 52    | 1,511                       | 29    | 1,540            | 100                          | 0                                      |
| Book value, SEK m                         | 19,814 | 5,722                    | 1,832  | 1,071 | 28,439                      | 1,777 | 30,217           | 1,232                        | 0                                      |
| Economic occupancy rate, %                | 90.7   | 94.7                     | 93.6   | 91.0  | 91.9                        | 63.9  | 90.5             |                              | 0.0                                    |
| Occupancy rate, area %                    | 84.2   | 92.6                     | 89.6   | 79.0  | 87.9                        | 42.1  | 85.2             |                              | 0.0                                    |
| Surplus ratio, %                          | 64.4   | 73.1                     | 67.8   | 65.1  | 67.0                        | 33.6  | 65.7             |                              | 0.0                                    |
| Yield, %                                  | 4.6    | 7.6                      | 6.0    | 4.8   | 5.3                         | 1.6   | 5.1              | 8.1                          | 0.0                                    |
| Rental revenue, SEK per sq.m              | 1,498  | 681                      | 1,044  | 1,070 | 1,109                       |       |                  |                              |  |

1. Not included in the sum.

| EARNINGS CAPACITY INVESTMENT PROPERTIES<br>BY URBAN CONCENTRATION | Greater Stockholm | Greater Gothenburg | Greater Malmö | Västerås | Other | Total  |
|---|-------------------|--------------------|---------------|----------|-------|--------|
|   | No. of properties | 46                 | 38            | 45       | 18    | 78     |
| Leasable area, k sq.m   | 499               | 249                | 251           | 505      | 803   | 2,307  |
| Rental value, SEK m   | 846               | 221                | 253           | 525      | 601   | 2,447  |
| Rental revenue, SEK m   | 769               | 204                | 232           | 497      | 548   | 2,249  |
| Operating net, SEK m  | 525               | 131                | 160           | 310      | 385   | 1,511  |
| Book value, SEK m   | 12,272            | 2,445              | 3,150         | 5,052    | 5,520 | 28,439 |
| Economic occupancy rate, %  | 90.9              | 92.3               | 91.6          | 94.6     | 91.1  | 91.9   |
| Occupancy rate, area %  | 86.9              | 86.1               | 86.6          | 89.4     | 88.5  | 87.9   |
| Surplus ratio, %  | 67.9              | 64.2               | 69.1          | 62.3     | 70.1  | 67.0   |
| Yield, %  | 4.3               | 5.4                | 5.1           | 6.1      | 7.0   | 5.3    |
| Rental revenue, SEK per sq.m                                      | 1,775             | 949                | 1,064         | 1,101    | 771   | 1,109  |

## KEY FIGURES

|  | The interim period |                 | Quarter         |                 | 12 months            |                 |
|--|--------------------|-----------------|-----------------|-----------------|----------------------|-----------------|
|  | 2017<br>Jan-Jun    | 2016<br>Jan-Jun | 2017<br>Apr-Jun | 2016<br>Apr-Jun | 2016/2017<br>Jul-Jun | 2016<br>Jan-Dec |
| <b>Property-related</b>  |                    |                 |                 |                 |                      |                 |
| Property yield, %  | 5.1                | 5.6             | 5.2             | 5.7             | 5.4                  | 5.7             |
| Economic occupancy rate, % <sup>1</sup>                                | 90.3               | 90.7            | 90.2            | 90.8            | 90.4                 | 90.6            |
| Surplus ratio, %   | 63.7               | 64.2            | 66.2            | 65.2            | 65.7                 | 65.9            |
| <b>Outcome investment properties</b>                                   |                    |                 |                 |                 |                      |                 |
| <b>Yield investment properties, %<sup>2</sup></b>                      | <b>5.3</b>         | <b>5.7</b>      | <b>5.5</b>      | <b>5.8</b>      | <b>5.6</b>           | <b>5.8</b>      |
| <b>Economic occupancy rate investment properties, %<sup>1, 2</sup></b> | <b>91.8</b>        | <b>91.9</b>     | <b>91.9</b>     | <b>92.0</b>     | <b>91.8</b>          | <b>91.9</b>     |
| <b>Surplus ratio investment properties, %<sup>2</sup></b>              | <b>64.9</b>        | <b>65.1</b>     | <b>67.5</b>     | <b>66.2</b>     | <b>66.9</b>          | <b>67.0</b>     |
| <b>Rental revenue investment properties, SEK/sq.m<sup>2</sup></b>      |                    |                 |                 |                 | <b>1,090</b>         | <b>1,070</b>    |
| <b>Property costs investment properties, SEK/sq.m<sup>2</sup></b>      |                    |                 |                 |                 | <b>317</b>           | <b>311</b>      |
| <b>Financial</b>   |                    |                 |                 |                 |                      |                 |
| Return on total assets, %  | 4.6                | 5.3             | 4.6             | 5.5             | 4.8                  | 5.3             |
| Return on equity, %  | 15.5               | 16.1            | 13.5            | 15.8            | 17.9                 | 18.5            |
| Interest coverage ratio  | 3.0                | 3.0             | 3.2             | 3.1             | 3.0                  | 3.0             |
| Equity ratio, %  | 41.7               | 33.0            |                 |                 |                      | 36.8            |
| Debt/equity ratio  | 1.2                | 1.8             |                 |                 |                      | 1.5             |
| LTV (loan-to-value) ratio, %   | 50.9               | 58.9            |                 |                 |                      | 56.4            |
| <b>Per share information</b>   |                    |                 |                 |                 |                      |                 |
| Dividend, SEK  |                    |                 |                 |                 | 2.00                 | 2.00            |
| Total return on shares, %  |                    |                 |                 |                 | 0.0                  | -1.2            |
| Yield on shares, %   |                    |                 |                 |                 | 3.9                  | 3.5             |
| Profit from property management, SEK <sup>5</sup>                      | 2.29               | 2.61            | 1.15            | 1.34            | 4.98                 | 5.32            |
| Net profit/loss for the period, SEK <sup>3</sup>                       | 4.54               | 4.13            | 1.95            | 2.06            | 10.39                | 10.04           |
| EPRA EPS (profit from property management after tax), SEK <sup>3</sup> | 2.14               | 2.49            | 1.05            | 1.27            | 4.70                 | 5.07            |
| EPRA NAV (long-term net asset value), SEK                              | 67.15              | 62.54           |                 |                 |                      | 69.32           |
| EPRA NNAV (current net asset value), SEK                               | 65.16              | 58.39           |                 |                 |                      | 65.73           |
| Equity, SEK  | 59.18              | 53.51           |                 |                 |                      | 59.55           |
| Cash flow before changes in working capital, SEK <sup>3</sup>          | 2.44               | 2.56            | 1.28            | 1.35            | 5.27                 | 5.41            |
| Outstanding shares at the end of the period                            | 218,403,302        | 182,002,752     | 218,403,302     | 182,002,752     | 218,403,302          | 182,002,752     |
| Average number of shares <sup>5</sup>                                  | 203,549,981        | 186,054,740     | 218,403,302     | 186,054,740     | 194,730,460          | 186,054,740     |

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 the development properties. Comparison figures have been adjusted to take into account the period of time development properties have been held.

3. A recalculation has been made using an adjustment factor of 2.23 per cent for the bonus issue element of the new share issue carried out during the first quarter of 2017.

## KEY FIGURES CONTINUED

### KEY FIGURES FOR JANUARY TO JUNE

| OUTCOME - KEY FIGURES BY INVESTMENT AND DEVELOPMENT PROPERTIES | Investment Properties | Development Properties | Total Properties |
|--|-----------------------|------------------------|------------------|
| No. of properties  | 225                   | 18                     | 243              |
| Leasable area, k sq.m  | 2,307                 | 143                    | 2,450            |
| Rental value, SEK m  | 1,241                 | 67                     | 1,308            |
| Rental revenue, SEK m  | 1,139                 | 42                     | 1,181            |
| Operating net, SEK m   | 740                   | 13                     | 753              |
| Book value, SEK m  | 28,439                | 1,777                  | 30,217           |
| Economic occupancy rate, %                                     | 91.8                  | 63.0                   | 90.3             |
| Occupancy rate, area %   | 87.7                  | 43.9                   | 85.2             |
| Surplus ratio, %   | 64.9                  | 30.7                   | 63.7             |
| Property yield, %  | 5.3                   | 1.6                    | 5.1              |
| New leasing, SEK m   | 82                    | 10                     | 91               |
| Net leasing, SEK m   | 41                    | 3                      | 45               |
| Investments, SEK m   | 237                   | 101                    | 338              |
| Unrealised value changes - properties, SEK m                   | 424                   | 224                    | 648              |

| OUTCOME - KEY FIGURES PER PROPERTY MANAGEMENT UNIT | Stockholm             |                        |                 | Gothenburg/Malmö      |                        |                        | Mälardalen            |                        |                  | Total Properties |
|--|-----------------------|------------------------|-----------------|-----------------------|------------------------|------------------------|-----------------------|------------------------|------------------|------------------|
|  | 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              | 113                   | 4                      | 117                    | 55                    | 7                      | 62               | 243              |
| Leasable area, k sq.m                              | 646                   | 60                     | 706             | 832                   | 24                     | 856                    | 830                   | 59                     | 889              | 2,450            |
| Rental value, SEK m                                | 490                   | 31                     | 521             | 364                   | 13                     | 377                    | 387                   | 23                     | 411              | 1,308            |
| Rental revenue, SEK m                              | 442                   | 19                     | 461             | 337                   | 10                     | 347                    | 360                   | 14                     | 374              | 1,181            |
| Operating net, SEK m                               | 298                   | 9                      | 306             | 228                   | 2                      | 230                    | 215                   | 2                      | 217              | 753              |
| Book value, SEK m                                  | 13,543                | 1,197                  | 14,740          | 8,001                 | 252                    | 8,254                  | 6,895                 | 328                    | 7,223            | 30,217           |
| Economic occupancy rate, %                         | 90.2                  | 60.6                   | 88.5            | 92.6                  | 74.6                   | 92.0                   | 92.9                  | 59.8                   | 91.1             | 90.3             |
| Occupancy rate, area %                             | 87.6                  | 41.0                   | 83.7            | 88.0                  | 58.7                   | 87.2                   | 87.6                  | 40.8                   | 84.6             | 85.2             |
| Surplus ratio, %                                   | 67.3                  | 46.4                   | 66.4            | 67.5                  | 23.7                   | 66.3                   | 59.6                  | 14.5                   | 57.9             | 63.7             |
| Property yield, %                                  | 4.5                   | 1.6                    | 4.3             | 5.8                   | 1.9                    | 5.7                    | 6.2                   | 1.3                    | 6.0              | 5.1              |
| New leasing, SEK m                                 | 48                    | 4                      | 52              | 20                    | 2                      | 22                     | 13                    | 4                      | 17               | 91               |
| Net leasing, SEK m                                 | 32                    | 0                      | 32              | 4                     | 2                      | 6                      | 5                     | 1                      | 6                | 45               |
| Investments, SEK m                                 | 108                   | 75                     | 183             | 70                    | 22                     | 92                     | 59                    | 4                      | 63               | 338              |
| Unrealised value changes - properties, SEK m       | 297                   | 198                    | 495             | 107                   | 1                      | 108                    | 21                    | 24                     | 45               | 648              |

## QUARTERLY SUMMARY

### INCOME STATEMENTS IN SUMMARY

| SEK m  | 2017       |            | 2016       |            |            |            | 2015        |            |
|--|------------|------------|------------|------------|------------|------------|-------------|------------|
|  | Quarter 2  | Quarter 1  | Quarter 4  | Quarter 3  | Quarter 2  | Quarter 1  | Quarter 4   | Quarter 3  |
| Revenue  | 591        | 591        | 602        | 606        | 609        | 614        | 659         | 570        |
| Operating net  | 391        | 362        | 390        | 428        | 397        | 388        | 441         | 409        |
| Selling and administration costs                     | -29        | -24        | -31        | -29        | -27        | -25        | -28         | -26        |
| Net financial items                                  | -111       | -122       | -123       | -130       | -121       | -126       | -97         | -109       |
| <b>Profit from property management</b>               | <b>250</b> | <b>216</b> | <b>235</b> | <b>269</b> | <b>250</b> | <b>236</b> | <b>316</b>  | <b>274</b> |
| Profit (loss) from divestment                        | -1         | 0          | 3          | 2          | 29         | -2         | 30          | -          |
| Unrealised changes in property value                 | 283        | 365        | 475        | 271        | 386        | 526        | 114         | 202        |
| Unrealised changes in value of financial instruments | 28         | 37         | 196        | -32        | -183       | -302       | 95          | -61        |
| <b>Profit before tax</b>                             | <b>560</b> | <b>618</b> | <b>910</b> | <b>510</b> | <b>482</b> | <b>458</b> | <b>555</b>  | <b>415</b> |
| Tax  | -123       | -131       | -210       | -110       | -98        | -73        | -1,264      | -93        |
| <b>Profit (loss) for the period</b>                  | <b>436</b> | <b>488</b> | <b>700</b> | <b>400</b> | <b>384</b> | <b>385</b> | <b>-709</b> | <b>322</b> |

### FINANCIAL POSITION IN SUMMARY

| SEK m   | 2017          |               | 2016          |               |               |               | 2015          |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | Quarter 2     | Quarter 1     | Quarter 4     | Quarter 3     | Quarter 2     | Quarter 1     | Quarter 4     | Quarter 3     |
| <b>ASSETS</b>                                 |               |               |               |               |               |               |               |               |
| Intangible assets                             | 11            | 11            | 11            | 8             | 8             | 7             | 5             | -             |
| Properties                                    | 30,217        | 29,465        | 29,169        | 28,638        | 28,268        | 27,785        | 27,470        | 24,346        |
| Equipment                                     | 8             | 9             | 9             | 10            | 10            | 10            | 10            | 9             |
| Participations in associated companies        | -             | -             | -             | -             | -             | -             | -             | 115           |
| Other long-term receivables                   | 12            | 12            | 12            | 4             | 5             | 5             | 6             | 182           |
| <b>Total non-current assets</b>               | <b>30,248</b> | <b>29,497</b> | <b>29,201</b> | <b>28,659</b> | <b>28,290</b> | <b>27,807</b> | <b>27,491</b> | <b>24,651</b> |
| Current receivables                           | 286           | 301           | 232           | 209           | 239           | 260           | 232           | 198           |
| Derivatives                                   | -             | -             | -             | -             | -             | 5             | 49            | 9             |
| Cash and bank                                 | 452           | 1,975         | 57            | 41            | 1,007         | 822           | 441           | 1,035         |
| <b>Total current assets</b>                   | <b>738</b>    | <b>2,275</b>  | <b>289</b>    | <b>250</b>    | <b>1,246</b>  | <b>1,087</b>  | <b>722</b>    | <b>1,242</b>  |
| <b>TOTAL ASSETS</b>                           | <b>30,985</b> | <b>31,772</b> | <b>29,490</b> | <b>28,909</b> | <b>29,537</b> | <b>28,894</b> | <b>28,213</b> | <b>25,893</b> |
| <b>EQUITY AND LIABILITIES</b>                 |               |               |               |               |               |               |               |               |
| <b>Equity</b>                                 | <b>12,926</b> | <b>12,925</b> | <b>10,839</b> | <b>10,139</b> | <b>9,739</b>  | <b>9,719</b>  | <b>9,333</b>  | <b>10,043</b> |
| <b>Interest-bearing liabilities</b>           |               |               |               |               |               |               |               |               |
| Liabilities to credit institutions            | 13,198        | 13,224        | 13,728        | 13,934        | 15,992        | 16,194        | 16,381        | 12,332        |
| Bond loans (not guaranteed)                   | 600           | 975           | 975           | 975           | 1,675         | 1,075         | 1,075         | 1,675         |
| Other borrowing                               | 2,025         | 2,275         | 1,808         | 1,710         | -             | -             | -             | -             |
| <b>Total interest-bearing liabilities</b>     | <b>15,823</b> | <b>16,474</b> | <b>16,511</b> | <b>16,619</b> | <b>17,667</b> | <b>17,269</b> | <b>17,456</b> | <b>14,007</b> |
| <b>Non interest-bearing liabilities</b>       |               |               |               |               |               |               |               |               |
| Provisions                                    | 12            | 12            | 12            | 5             | 5             | 5             | 5             | 5             |
| Deferred tax liability                        | 997           | 873           | 761           | 553           | 444           | 357           | 287           | 359           |
| Derivatives                                   | 367           | 615           | 653           | 864           | 833           | 654           | 395           | 733           |
| Other non interest-bearing liabilities        | 861           | 872           | 714           | 729           | 849           | 890           | 737           | 746           |
| <b>Total non interest-bearing liabilities</b> | <b>2,237</b>  | <b>2,373</b>  | <b>2,140</b>  | <b>2,151</b>  | <b>2,131</b>  | <b>1,906</b>  | <b>1,423</b>  | <b>1,843</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>           | <b>30,985</b> | <b>31,772</b> | <b>29,490</b> | <b>28,909</b> | <b>29,537</b> | <b>28,894</b> | <b>28,213</b> | <b>25,893</b> |

## PARENT COMPANY INCOME STATEMENT – IN SUMMARY

| SEK m                                   | The interim period |                 | Quarter         |                 | 12 months            |                 |
|---|--------------------|-----------------|-----------------|-----------------|----------------------|-----------------|
|   | 2017<br>Jan-Jun    | 2016<br>Jan-Jun | 2017<br>Apr-Jun | 2016<br>Apr-Jun | 2016/2017<br>Jul-Jun | 2016<br>Jan-Dec |
| Intra-Group revenue                     | 0                  | 23              | 0               | 15              | 11                   | 34              |
| Administration costs                    | -17                | -22             | -8              | -8              | -37                  | -42             |
| <b>Operating profit (loss)</b>          | <b>-17</b>         | <b>1</b>        | <b>-8</b>       | <b>7</b>        | <b>-26</b>           | <b>-8</b>       |
| Profit (loss) from financial items      | 604                | 1,297           | 583             | 1,574           | -344                 | 349             |
| <b>Profit before tax</b>                | <b>587</b>         | <b>1,298</b>    | <b>575</b>      | <b>1,581</b>    | <b>-370</b>          | <b>341</b>      |
| Tax on net profit (loss) for the period | 6                  | 128             | 2               | 41              | -40                  | 82              |
| <b>Profit (loss) for the period</b>     | <b>593</b>         | <b>1,426</b>    | <b>577</b>      | <b>1,622</b>    | <b>-410</b>          | <b>423</b>      |

## BALANCE SHEET, PARENT COMPANY – IN SUMMARY

| SEK m                               | 30-06-17      | 30-06-16      | 31-12-16      |
|-------------------------------------|---------------|---------------|---------------|
| <b>ASSETS</b>                       |               |               |               |
| Participations in Group companies   | 4,538         | 6,040         | 4,538         |
| Receivables from Group companies    | 12,850        | 10,757        | 12,583        |
| Other receivables                   | 466           | 508           | 459           |
| Cash equivalents                    | 420           | 925           | 38            |
| <b>TOTAL ASSETS</b>                 | <b>18,274</b> | <b>18,230</b> | <b>17,618</b> |
| <b>EQUITY AND LIABILITIES</b>       |               |               |               |
| Equity                              | 8,653         | 7,900         | 6,897         |
| Long-term liabilities               | 602           | 602           | 602           |
| Liabilities to Group companies      | 7,768         | 7,810         | 7,902         |
| Other liabilities                   | 1,251         | 1,918         | 2,217         |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>18,274</b> | <b>18,230</b> | <b>17,618</b> |

### COMMENTS TO INCOME STATEMENT AND BALANCE SHEET

Net profit for the parent company amounted to SEK 593 (1,426) million. The result is mainly due to a dividend of SEK 588 million from the internal group subsidiaries and internal interest rate revenue of SEK 53 million. The unrealised value changes of financial instruments amounted to SEK 65 (-486) million since the beginning of the year. On 30 June 2017, the negative market value was SEK -367 million compared to SEK -652 million at the beginning of the year. During the quarter, interest rate swaps were settled with a one-off payment of the current undervalue of SEK 220 million. Of the unrealised changes in value since the beginning of the year, SEK 88 million was ongoing interest rate payments in the swaps, which was partly offset by a downturn in the longer-term market rates with an effect of SEK -23 million.

The assets at the end of the period mainly consisted of participations in Group companies of SEK 4,538 (6,040) million and receivables from Group companies of SEK 12,850 (10,757) million. The financing was obtained from equity of SEK 8,653 (7,900) million, liabilities to Group companies of SEK 7,768 (7,810) million and external liabilities of SEK 1,853 (2,520) million consisting of issued certificates, bond loans and the negative market value on interest rate swaps. The equity ratio at the end of the period amounted to 47 per cent (43). The increase in equity and therefore the equity ratio, relates to the completed new share issue.

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## OTHER INFORMATION

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### ORGANISATION AND EMPLOYEES

The average number of employees was 107 (104) during the first half of 2017.

### RISKS AND UNCERTAINTIES

Kungsleden's operations, earnings and position are affected by a number of risk factors. These are mainly related to the properties, tax and financing. No significant changes in the risks and uncertainties have occurred during the first quarter of 2017. More information about Kungsleden's risks and risk management is to be found in the Annual Report for 2016 on pages 42–43 and 65.

### NEW TAX PROPOSAL

The recent proposed changes in deduction of interest rate expenses affects Kungsleden to a limited extent with current interest rate levels. Kungsleden's profit (loss) would decrease by approximately 3 per cent, measured as EPRA EPS, if the limitations in the interest rate deduction possibilities are applied.

### 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 provided guidelines regarding alternative key figures. The guidelines apply to alternative key figures published by the issuer or by the persons responsible for the prospectus when they publish mandatory information or prospectuses on 3 July 2016 or thereafter. The purpose of the new guidelines is to promote usability and transparency of the alternative key figures.

For the property sector there is a practice for key figures to be published in financial information.

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## ACCOUNTING PRINCIPLES

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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 their 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 makes 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, 12 JULY 2017

Göran Larsson  
*Chairman of the Board*

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*

This information is information that Kungsleden is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out below, on 12 July 2017, 7 am CET.

Biljana Pehrsson, CEO Kungsleden, tel: +46 8-503 052 04  
Anders Kvist, Deputy CEO / CFO Kungsleden, tel: +46 8-503 052 11

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



# KUNGSLEDEN'S SHARE

Kungsliden's share is listed on Nasdaq Stockholm's Large Cap list. The market value at the end of the first half-year amounted to SEK 11.3 billion.

The price paid at the beginning of the year was SEK 56.52, and SEK 51.60 at the end of the first half of the year. The lowest rate of the first half of the year was noted on 14 March and was SEK 49.04. The highest price was noted on 2 January and was SEK 57.74.

## SHARE CAPITAL AND TURNOVER

During the first half of the year, a new share issue was carried out with preferential rights for the existing shareholders. Through the new share issue Kungsliden's share capital increased by SEK 15,166,895.83 to SEK 91,001,375.83. In total, equity increased by SEK 1,599 million after deductions for share issue expenses of SEK 39 million. The number of ordinary shares increased by 36,400,550 to 218,403,302 through the new share issue.

During the first two quarters of the year SEK 154.9 (84.0) million of Kungsliden shares were sold for a total value of SEK

8.1 (4.7) billion. Nasdaq Stockholm accounted for 48 per cent of all trade in the Kungsliden share (44), 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 dividend amounted to SEK 2.00 per share, which means an unchanged dividend compared with the previous year. The dividend referred to the higher number of shares that become the profit (loss) of the new share issue, i.e. a total of 218,403,302 shares.

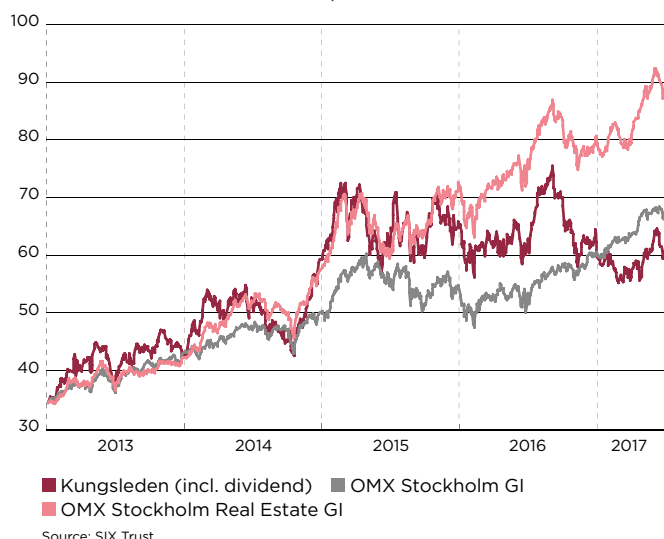
Sources of share price and turnover statistics: SIX Trust and Fidessa respectively

## KEY FIGURES PER SHARE

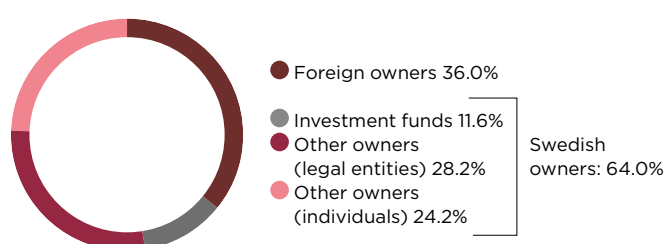
| Per share information  | 2016/2017<br>Jul-Jun | 2016<br>Jan-Dec |
|--|----------------------|-----------------|
| Dividend, SEK  | 2.00                 | 2.00            |
| Total return on shares, %  | 0.0                  | -1.2            |
| Property yield on shares, %  | 3.9                  | 3.5             |
| Profit from property management, SEK <sup>2</sup>                      | 4.98                 | 5.32            |
| Net profit/loss for the period, SEK <sup>2</sup>                       | 10.39                | 10.04           |
| EPRA EPS (profit from property management after tax), SEK <sup>2</sup> | 4.70                 | 5.07            |
| EPRA NAV (long-term net asset value), SEK                              | 67.15                | 69.32           |
| EPRA NNAV (current net asset value), SEK                               | 65.16                | 65.73           |
| Equity, SEK  | 59.18                | 59.55           |
| Share price <sup>1</sup>   | 51.60                | 56.52           |

- Share price in the table above shows the value at the beginning of the year at SEK 56.52 and at the end of the quarter SEK 51.60.
- A recalculation has been made using an adjustment factor of 2.23 per cent for the bonus issue element of the new share issue carried out during the first quarter of 2017.

## TOTAL SHARE RETURN 2013-2017, SEK



## OWNERSHIP STRUCTURE AT 30 JUNE 2017



## SHAREHOLDERS AT 30 JUNE 2017

| Name                                  | No. of shares      | Share of capital, % |
|---------------------------------------|--------------------|---------------------|
| Gösta Welandson                       | 31,637,781         | 14.5                |
| BNP Paribas Investment Partners       | 7,600,048          | 3.5                 |
| Länsförsäkringar Funds                | 7,521,461          | 3.4                 |
| Olle Florén                           | 6,600,797          | 3.0                 |
| Second AP Fund                        | 5,503,966          | 2.5                 |
| Vanguard                              | 5,291,132          | 2.4                 |
| BlackRock                             | 5,162,591          | 2.4                 |
| Norwegian Bank                        | 4,993,210          | 2.3                 |
| TR Property Investment Trust          | 4,230,553          | 1.9                 |
| Handelsbanken Funds                   | 4,200,000          | 1.9                 |
| <b>Total 10 largest share holders</b> | <b>82,741,539</b>  | <b>37.9</b>         |
| Foreign owners, other                 | 51,313,494         | 23.5                |
| Swedish shareholders, other           | 84,348,269         | 38.6                |
| <b>Total</b>                          | <b>218,403,302</b> | <b>100.0</b>        |

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.

#### 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.

#### Earnings capacity

Operating net in relation to the book value of the properties at the 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

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 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 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 the 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 (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.

#### 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

Kungsgöden 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 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 additional information on page 24.

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# KUNGSLEDEN ENRICHES PEOPLES' WORKING DAY

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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 to attractively located clusters where we participate in and affect the development of the whole area. Kungsleden's objective is to deliver an attractive total return on our properties and to the shareholders. Kungsleden is listed on the Nasdaq Stockholm Large Cap.

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## VISION

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

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## BUSINESS PROPOSITION

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

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## 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 to actively affect the entire development in the area.

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## 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.

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## VALUES

- Professionalism
- Consideration
- Joy



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## KUNGSLEDEN 2020

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1. Continued growth with quality - properties which either retain or increase 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. Statistics Sweden 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 with 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.

Local presence is important for Kungsleden. This allows us to make the administration more efficient and meet customer needs in the best possible way. Therefore, we have nine offices around the country - in **DANDERYD, ESKILSTUNA, GOTHENBURG, KISTA, MALMÖ, NORRKÖPING, STOCKHOLM** (head-office), **VÄSTERÅS** and **ÖSTERSUND**.

## kungsleden.com

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## Calendar

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|   |   |   |
|---|---|---|
| Interim Report<br>1 Jan-30 Sep 2017<br><b>25 October 2017</b> | Year-end report<br>1 Jan-31 Dec 2017<br><b>15 February 2018</b> | Interim Report<br>1 Jan-31 Mar 2018<br><b>26 April 2018</b> |
|---|---|---|

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BASED IN STOCKHOLM

# KUNGSLEDEN