

Q2:2018

“Strong earnings in like-for-like portfolio terms – operating net increase of 4.5 per cent”

BILJANA PEHRSSON, CEO



KUNGSLEDEN

KUNGSLEDEN INTERIM REPORT

1 JANUARY – 30 JUNE

Kungsleden is a long-term property owner that creates value through long-term ownership, active management and development of commercial premises, focusing on offices in Stockholm and Sweden's other growth markets. On 30 June, Kungsleden owned 224 properties with a total book value of SEK 33,692 million.

THE QUARTER IN BRIEF

- The profit from property management was SEK 505 million (466). The increase was mainly due to improved net financial items, and rent and operating net increases in like-for-like portfolio terms which compensated the decrease in operating net from acquired and divested property.
- New leasing increased to SEK 130 million (91), and net leasing was SEK 39 million (45).
- Unrealised changes in value in the property portfolio were SEK 985 million (665). The value increase is a result of improved rental revenue and operating net, and an 8 basis point decrease in the average required yield, excluding the effect of acquired and divested properties.
- Net profit increased to SEK 1,165 million (932), or SEK 5.33 per share (4.57). Excluding a non-recurring effect related to the reduction of Swedish corporation tax, net profit was SEK 1,052 million, or SEK 4.82 per share.

IMPORTANT EVENTS DURING AND AFTER THE SECOND QUARTER

- New lease contracts have been signed with tenants including Convendum and Aros Congress Center, with total rental value of SEK 315 million. The contract with Convendum is on an area of 5,500 sq.m and has a 12-year term, while the agreement with Aros Congress Center is on an area of 1,400 sq.m and has a five-year term.
- Kungsleden has re-arranged SEK 2.8 billion of bank loans, which extended its debt maturity, while reducing its finance costs. The fixed interest term on borrowing extended to 3 years through new interest rate swaps intended to stabilise profit from property management through the coming years. Overall, the average interest rate reduced to 2.0 per cent, against 2.4 per cent at the beginning of the year, while the average debt maturity extended from 4.7 years at the beginning of the year to 5.1 years at the end of the quarter.
- The property Lövkojan 10 in Katrineholm was sold for a price of SEK 55 million after deducting for deferred tax and vacated during the quarter. Yearly operating net for the property is SEK 2.7 million.

KEY FIGURES	2018	2017	2017
	Jan-Jun	Jan-Jun	Jan-Dec
Property yield, investment properties, % ¹	4.9	5.2	5.3
Economic occupancy rate, investment properties, %	91.9	91.8	91.8
Surplus ratio, investment properties, % ²	64.8	64.9	67.3
Return on equity, % ¹	16.0	15.3	15.1
Interest coverage ratio, multiple	3.6	3.0	3.3
LTV (loan-to-value) ratio, % ¹	48.5	50.2	47.9
Net profit, SEK per share ^{1,3}	5.33	4.57	9.03
EPRA EPS (profit from property management after tax), SEK per share ^{1,3}	2.13	2.14	4.45
EPRA NAV (long-term net asset value), SEK per share ¹	75.89	67.15	71.87
EPRA NNNAV (current net asset value), SEK per share ¹	74.37	65.16	70.63
Equity, SEK per share ¹	68.12	60.52	64.98

1. Comparative figures restated for changed accounting policy for deductions for deferred tax on acquisitions.

2. The definition of surplus ratio has changed. See page 26 for current definitions.

3. Restated by an adjustment factor of 2.55 per cent for the bonus issue element of the new share issue executed in the first quarter of 2017.

STRONG EARNINGS IN LIKE-FOR-LIKE PORTFOLIO TERMS AND NEW INVESTMENT DECISIONS

The real estate market, and the leasing market in particular, made continued brisk progress in the second quarter 2018. With our restructured property portfolio, we actively exploited market opportunities for new leasing and renegotiation. The earnings effect is now clearly evident, as for the first half-year, Kungsleden reported increased rental revenue that resulted in operating net rising by SEK 30 million, or 4.5 per cent in like-for-like portfolio terms of investment properties.

Kungsleden also continued the success of its development projects. The office and meeting place project B26 in Västerås has transferred to the implementation phase, as has phase 2 of the Blästern project in Stockholm, with this property now fully leased as hotel, co-working concepts and office premises.

Profit from property management in the first half-year was up by over 8 per cent on the corresponding period of the previous year, and amounted to SEK 505 million (466). The increase was mainly because of improved net financial items and higher rental revenue, and operating net in like-for-like portfolio terms.

LEASING AND RENEGOTIATION REMAIN STRONG

The leasing market for commercial premises remained strong, with Stockholm as its powerhouse. We signed new lease contracts with total rental value of SEK 130 million, and with terminations for vacation of SEK 91 million, net leasing was SEK 39 million (45). We saw increased demand for large areas in our Stockholm City East and Gärdet/Frihamnen clusters. We expect this trend to continue as the district evolves, while unoccupied premises in Stockholm city centre remain scarce. In the first half-year, we renegotiated 59 lease contracts and

“B26 in Västerås and phase 2 of Blästern 14 have transferred to the implementation phase thanks to successful new leasing”

increased their rental value from SEK 90 million to SEK 101 million. On average, the rent on these contracts increased by 12 per cent. The most successful renegotiations were in Stockholm, where a rent increase of 16 per cent was achieved with Danderyd Office in the forefront. This is thanks to close relationships and dialogue with our clients, which give us an understanding of their future requests and needs, so that we can meet them.



SUCCESSFUL PROJECT DEVELOPMENT

We concluded the first three of Kungsleden's development projects in the first half-year: the office property Enen 10 in Södertälje, the Tegnér 15 shopping centre in Växjö, and part of Laven 6 in Umeå. These properties have now returned to our management organisation.

We are now taking new projects into our investment programme, and achieved a 50 per cent occupancy level in B26 in the Mimer district of Västerås in the second quarter, thus enabling us to reach an investment decision on the implementation of this property. We have signed an agreement with Aros Congress Center on 1,400 sq.m for a co-working concept, including café and restaurant. As planned, this will make B26 into a contemporary meeting and workspace, integrating co-working concepts and traditional offices in a total of 4,700 sq.m, with planned opening in 2019.

In Stockholm, we signed a 12-year contract with our tenant Convendum on 5,500 sq.m of the street-facing building of the property Blästern 14. This tenant is also delivering a co-working concept. This means leasing of the phase 2 of the Blästern project is complete, and this phase now also transfers to implementation.

These two investment decisions mean we now have six projects in the implementation phase, and our SEK 3 billion-plus investment programme for 2017–2019 is progressing as planned.

POSITIVE MARKET CONDITIONS CONTINUE

Positive progress on the leasing market is being driven by underlying healthy economic growth. Nothing lasts forever, but I still don't see any signs of the demand for commercial premises slowing. Forecasts for the Swedish economy indicate continued good growth for the remainder of 2018, with no slowdown apparent until 2019. In combination with our stable positive leasing performance, successes in project development and the addition of recently acquired, high-quality properties, this means I expect us to achieve the target of SEK 1.2 billion of profit from property management we set in 2020 as early as 2019.

Stockholm, Sweden, 30 June 2018
Biljana Pehrsson, CEO

STATEMENT OF COMPREHENSIVE INCOME

SEK million	Interim period		Quarter		12 months	
	2018 Jan-Jun	2017 Jan-Jun	2018 Apr-Jun	2017 Apr-Jun	2017/2018 Jul-Jun	2017 Jan-Dec
Revenue						
Rental revenue	1,182	1,181	596	590	2,320	2,319
Other revenue	2	1	1	1	5	4
Total revenue	1,184	1,182	597	591	2,325	2,323
Property costs						
Operations	-263	-249	-118	-108	-460	-445
Maintenance	-45	-48	-21	-24	-73	-76
Property tax and site leasehold fees	-72	-72	-35	-36	-146	-146
Property administration	-54	-60	-26	-32	-112	-118
Total property costs	-434	-429	-200	-200	-790	-785
OPERATING NET	750	753	396	391	1,535	1,538
Selling and administration costs	-54	-54	-27	-29	-121	-120
Net financial items						
Financial income	0	0	0	0	1	1
Financial costs	-167	-216	-81	-103	-349	-398
Other financial expenses	-24	-18	-12	-8	-43	-36
Total net financial items	-191	-234	-93	-111	-391	-433
PROFIT FROM PROPERTY MANAGEMENT	505	466	276	250	1,024	985
Changes in value						
Profit/loss from divestments	4	-1	0	-1	-2	-6
Unrealised changes in value, properties ¹	985	665	404	288	1,738	1,417
Unrealised changes in value, financial instruments	-67	65	-67	28	-47	85
Total changes in value	923	729	337	315	1,689	1,496
PROFIT BEFORE TAX	1,427	1,195	612	565	2,713	2,481
Tax						
Current tax	0	0	0	0	0	0
Deferred tax ¹	-262	-263	-84	-125	-575	-575
Total tax	-262	-263	-84	-125	-574	-575
NET PROFIT FOR THE PERIOD	1,165	932	528	440	2,139	1,906
Other comprehensive income						
Translation gains/losses for the period on translation of foreign operations	0	0	0	0	1	1
COMPREHENSIVE INCOME FOR THE PERIOD	1,165	933	528	440	2,139	1,907
NET PROFIT PER SHARE²	5.33	4.57	2.42	1.97	9.79	9.03

1. Comparative figures restated for changed accounting policy for deductions for deferred tax on acquisitions.

2. Estimated by an adjustment factor of 2.55 per cent for the bonus issue element of the new share issue executed in the first quarter of 2017.

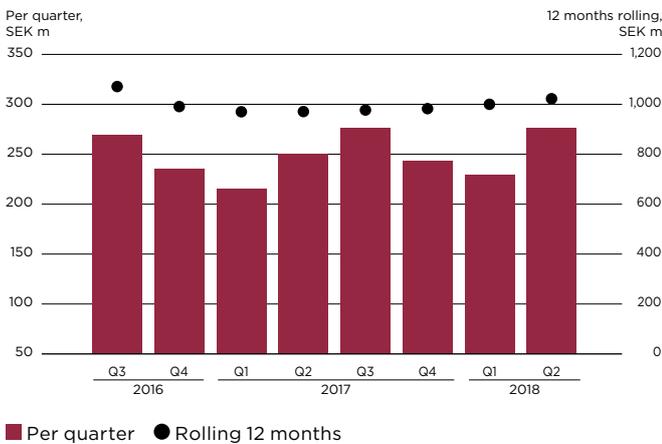
PERFORMANCE ANALYSIS JANUARY-JUNE 2018

PROFIT FROM PROPERTY MANAGEMENT

Profit from property management for the first half-year 2018 was SEK 505 million (466). The increase was mainly due to improved financial net, and rent and operating net increases in like-for-like portfolio terms. The net effect of acquired and divested properties on the operating net was a decrease of SEK 29 million.

Profit from property management for the second quarter was SEK 276 million (250). Improved financial net, higher rental revenue and lower expenses for property administration were contributors to the increase on the previous year.

PROFIT FROM PROPERTY MANAGEMENT PER QUARTER AND 12 MONTHS ROLLING

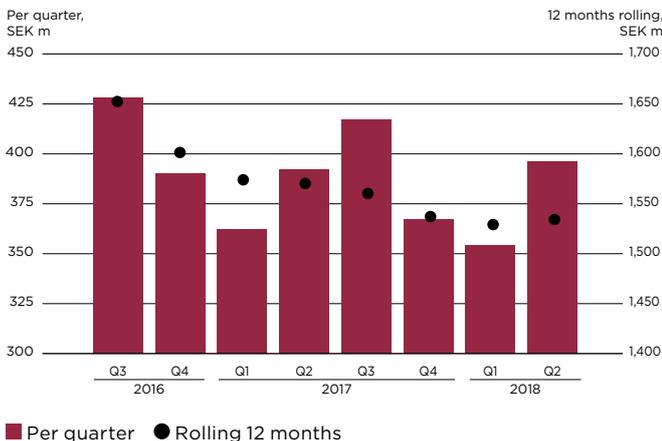


OPERATING NET

Operating net was basically unchanged for the interim period at SEK 750 million (753). In like-for-like portfolio terms of investment properties, the operating net increased by SEK 30 million, with new lettings and renegotiation increasing revenue by SEK 44 million, and a cold winter with heavy snowfall increasing expenses by SEK 14 million.

The loss of operating net from divested properties was SEK 60 million, and the additional operating net for completed property purchases was SEK 31 million, i.e. a net decrease of SEK 29 million. The operating net for development properties decreased by SEK 4 million.

OPERATING NET PER QUARTER



The operating net for the second quarter was SEK 396 million (391). The improved operating net in like-for-like portfolio terms of investment properties was SEK 22 million, mainly due to increased rental revenue. Divested properties resulted in operating net decreasing by SEK 28 million, while the additional operating net from acquired properties amounted to SEK 15 million. Vacation before and during the implementation phase resulted in the operating net on development properties decreasing by SEK 3 million.

REVENUES

Total revenues amounted to SEK 1,184 million (1,182) in the interim period. In like-for-like portfolio terms of investment properties, rental revenue increased by SEK 41 million year on year. The increase is mainly explained by new leasing, renegotiation and indexation. Accordingly, the revenue increase in like-for-like portfolio terms of investment properties was 4.2 per cent excluding a non-recurring revenue effect and rent guarantees.

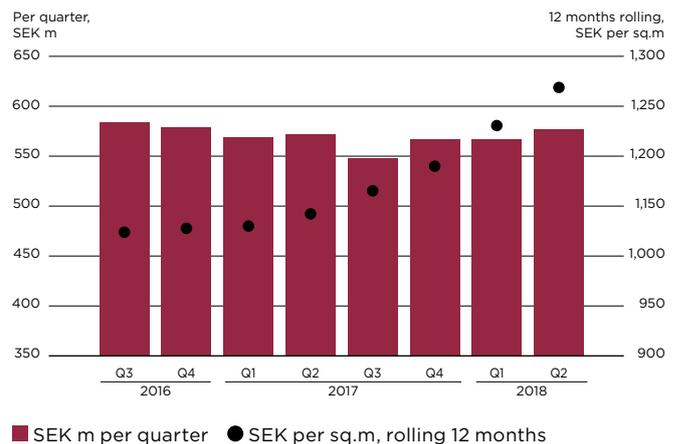
The loss of revenues from divested properties resulted in revenue decreasing by SEK 78 million, which was partly compensated by additional revenue from completed property purchases of SEK 39 million. As a result of vacation, revenue in development properties decreased by SEK 1 million.

RENTAL REVENUE SEK million	2018 Jan-Jun	2017 Jan-Jun
Like-for-like portfolio terms (investment properties)	1,075	1,034
Acquired properties	50	11
Development properties	38	39
Divested properties	19	97
Rental revenue	1,182	1,181

Rental revenue per sq.m in the investment portfolio continued to increase in the second quarter, and on a rolling 12-month basis amounted to SEK 1,258 (1,090) for investment properties. The increase is partly a result of successful leasing and renegotiation, and partly an effect of a larger share of office properties in metropolitan areas.

RENTAL REVENUE, INVESTMENT PROPERTIES SEK per sq.m	2017/2018 Jul/Jun	2016/2017 Jul/Jun
Office	1,580	1,513
Industrial/Warehouse	778	680
Retail	1,189	1,005
Total	1,258	1,090

RENTAL REVENUE PER QUARTER AND SEK PER SQ.M - INVESTMENT PROPERTIES



STATEMENT OF COMPREHENSIVE INCOME

PROPERTY COSTS

Total property costs increased by SEK 5 million to SEK 434 million (429). Costs increased by SEK 11 million in like-for-like portfolio terms of investment properties, mainly due to higher costs, especially for snow clearance and heating, and electricity tax, with this latter item reinvoiced to tenants. This increase is mainly sourced from the first quarter.

PROPERTY COSTS, SEK million	2018 Jan-Jun	2017 Jan-Jun
Like-for-like portfolio terms (investment properties)	391	380
Acquired properties	10	2
Development properties	29	26
Divested properties	3	22
Property costs	434	429

Divested properties resulted in costs decreasing by SEK 19 million, and completed property purchases generated a cost increase of SEK 8 million. For development properties, costs increased by SEK 3 million.

On a rolling 12-month basis, property costs per sq.m increased to SEK 358, against SEK 317 one year previously. The increase is mainly due to a cold winter with heavy snowfall in the first quarter of the year, but also increased expenses in the second quarter for cooling due to an unusually warm spring.

PROPERTY COSTS, INVESTMENT PROPERTIES, SEK per sq.m	2017/2018 Jul-Jun			Total
	Office	Industrial/Warehouse	Retail	
Operation	239	149	219	206
Maintenance	43	19	41	34
Site leasehold and property tax	99	20	63	68
Direct property costs	381	188	323	308
Property administration	56	38	55	50
Total	437	226	379	358

PROPERTY COSTS, INVESTMENT PROPERTIES, SEK per sq.m	2016/2017 Jul-Jun			Total
	Office	Industrial/Warehouse	Retail	
Operation	238	103	163	175
Maintenance	47	25	27	36
Site leasehold and property tax	98	18	54	59
Direct property costs	383	146	243	270
Property administration	65	26	47	47
Total	448	172	190	317

SELLING AND ADMINISTRATION COSTS

Selling and administration costs were SEK 54 million (54). In the second quarter, these costs were down by SEK 2 million on the previous year.

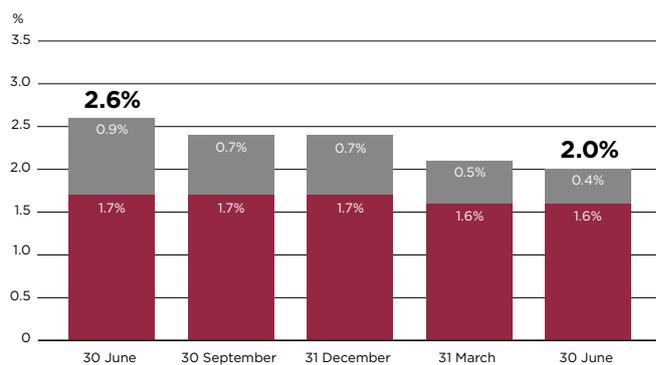
NET FINANCIAL ITEMS

Net financial items were SEK -191 million (-234). The improvement on the previous year is mainly due to the cost of interest hedges decreasing after close-outs of interest rate swaps. New borrowings and refinancing during the interim period reduced interest costs further from the second half-year onwards. The average interest rate continued to decrease, amounting to 2.0 per cent at the end of the interim period, against 2.4 per cent at the beginning of the year.

Other financial expenses temporarily increased in the interim period as a consequence of the dissolution of remaining allocation of arrangement fees for previous bank loans that were

repaid early. From the second half-year onwards, Kungsliden expects this expense item to stabilise, amounting to approximately SEK 7 million per quarter.

AVERAGE INTEREST RATE



- Difference in three month interest rate and fixed rate on interest-rate derivatives.
- Interest margin, arrangement fees and credit facility cost.

UNREALISED VALUE CHANGES

PROPERTIES

The unrealised value increase in the property portfolio was SEK 985 million (665) for the period, corresponding to 3.2 per cent. The value increase is due to improved rental revenues and operating net and a decrease in the average required return, of 18 basis points, of which 11 basis points in the second quarter. The effect of divested and acquired properties had a 10 basis point impact on the average required return, of which 6 in the second quarter. At the end of the period, the average required return was 5.6 per cent. Deductions received for deferred tax on properties accessed in the period resulted in a positive unrealised value change of SEK 59 million.

UNREALISED VALUE CHANGES

FINANCIAL INSTRUMENTS

The unrealised value changes on financial instruments (interest rate swaps) amounted to SEK -67 million (65) in the period. The changes in value are due to the market interest rate on longer maturities decreasing, causing a negative effect of SEK -111 million on the market value of the swap portfolio, which was partly countered by ongoing interest payments on swaps of SEK 44 million. As of 30 June 2018, the negative market value of financial instruments was SEK -147 million, compared to SEK -171 million at the beginning of the year. Apart from the value changes, the decrease in undervalues is also due to the close-out of interest rate swaps through a one-off payment of the current undervalue of a total of SEK 90 million.

TAX

The total tax expense was SEK -262 million (-263), wholly deferred tax. The tax expense was affected by SEK -63 million relating to the sale of properties where the tax expense and deduction given for deferred tax exceeded the amount provisioned for deferred tax.

In June, Sweden's parliament voted to reduce the corporation tax rate in two stages from 22.0 per cent to 21.4 per cent in 2019 and to 20.6 per cent in 2021. This has a positive SEK 113 million effect on the provision for deferred tax, all of which was recognised in the second quarter. Otherwise, the tax expense is basically 22 per cent of profit before tax.

EARNINGS CAPACITY

By owning a higher share of offices in growth markets, and active leasing and renegotiation efforts, Kungsleden has progressively been able to increase the earnings capacity of its investment properties.

The following tables illustrate the investment properties held at the end of the period, and the associated key indicators (development properties are not included). No future events relating to tenants moving in and vacating for example, as well as investments, have been included in these figures. The tables are intended to offer a view of the current property portfolio's underlying earnings capacity, but are not a forecast. For information on development properties, see page 16.

VACATED PROPERTIES - IN THE QUARTER AND PLANNED

Kungsleden vacated the properties Brännaren 8 in Malmö and Rausgård 22 in Helsingborg in April, and vacated the property Lövkojan 10 in Katrineholm in June.

The property Stenvreten in Enköping is expected to be vacated in the third quarter 2018 (conditional on central government decision), and the property Stiernhelm 7 in Mölndal is scheduled for vacation in the first quarter 2019. The property Aspgården 18 in Umeå will be vacated once its zoning plan is approved, which is expected in the fourth quarter 2018.

ACCESSED PROPERTIES - IN THE QUARTER AND PLANNED

In May Kungsleden accessed the property Tyfonen 1 (STUDIO) in Malmö, which was acquired in the first quarter. One of the properties acquired in Gothenburg in the first quarter (Kallebäck 2:11) will not be accessed until completed, which is scheduled for the first quarter 2019.

BOOK VALUE - INVESTMENT
PROPERTIES BY CATEGORY⁴



RENTAL VALUE¹ - INVESTMENT
PROPERTIES BY SEGMENT



RENTAL VALUE¹ - INVESTMENT
PROPERTIES BY CATEGORY⁴



EARNINGS CAPACITY INVESTMENT PROPERTIES BY SEGMENT	Greater Stockholm	Greater Gothenburg	Greater Malmö	Västerås	Regional cities & other	Total investment properties
No. of properties ¹	50	41	41	18	59	209
Leasable area, 000 sq.m ¹	516	255	227	505	471	1,974
Rental value, SEK m ¹	894	254	280	558	462	2,448
Rental revenue, SEK m ¹	808	238	266	524	425	2,262
Operating net, SEK m ²	574	157	188	332	278	1,529
Book value, SEK m ¹	14,316	3,126	3,967	5,506	4,638	31,553
Economic occupancy rate, % ¹	90.3	93.9	95.3	93.9	92.0	92.4
Surplus ratio, % ²	70.2	67.9	69.4	63.2	65.9	67.4
Property yield ²	4.0	5.0	4.7	6.0	6.0	4.8
Rental revenue, SEK per sq.m ¹	1,818	1,035	1,321	1,189	1,042	1,311

EARNINGS CAPACITY INVESTMENT PROPERTIES BY PROPERTY CATEGORY ⁴	Office	Industrial/ Warehouse	Retail	Other	Total, investment properties	of which sold not vacated	purchased not accessed ³
No. of properties ¹	99	68	31	11	209	3	1
Leasable area, 000 sq.m ¹	1,077	665	147	85	1,974	58	13
Rental value, SEK m ¹	1,604	546	173	126	2,448	34	56
Rental revenue, SEK m ¹	1,468	517	161	116	2,262	32	55
Operating net, SEK m ²	996	342	102	89	1,529	28	48
Book value, SEK m ¹	22,746	5,008	1,906	1,893	31,553	417	635
Economic occupancy rate, % ¹	91.5	94.8	93.3	92.3	92.4		98.0
Surplus ratio, % ²	67.6	67.1	64.8	70.4	67.4		87.0
Property yield ²	4.4	6.8	5.4	4.7	4.8	6.6	4.7
Rental revenue, SEK per sq.m ¹	1,596	858	1,233	1,607	1,311		

1 As of reporting date

2 Rolling 12 months

3 Not included in total

4 Properties reclassified since previous report

STATEMENT OF CASH FLOWS – SUMMARY

SEK million	Interim period		Quarter		12 months	
	2018 Jan-Jun	2017 Jan-Jun	2018 Apr-Jun	2017 Apr-Jun	2017/2018 Jul-Jun	2017 Jan-Dec
OPERATING ACTIVITIES						
Profit from property management	505	466	276	250	1,024	985
Adjustments for non-cash items	26	31	14	28	-3	1
Tax paid	0	-1	0	-1	0	0
Cash flow before changes in working cap	531	496	290	277	1,021	986
Changes in working capital	-58	50	-103	-25	-240	-131
Cash flow after changes in working capital	473	546	187	252	782	855
INVESTING ACTIVITIES						
Investments in existing properties	-590	-338	-368	-172	-1,177	-925
Acquisition of properties	-1,836	-783	-977	-323	-1,843	-790
Divestment of properties	652	716	633	30	1,645	1,709
Financial assets, net	-90	-220	-61	-220	-267	-397
Cash flow from investing activities	-1,864	-625	-773	-688	-1,642	-403
FINANCING ACTIVITIES						
New share issue	-	1,599	-	1	-	1,599
Dividend	-120	-437	-120	-437	-120	-437
Repayment of loans	-2,989	-1,204	-659	-651	-6,087	-4,302
New loans	4,830	516	510	-	7,258	2,944
Cash flow from financing activities	1,721	474	-269	-1,087	1,051	-196
CASH FLOW FOR THE PERIOD	330	395	-855	-1,523	191	256
Cash and cash equivalents at beginning of period	313	57	1,498	1,974	452	57
Exchange rate differences in cash and cash equivalents	0	0	0	0	0	0
Cash and cash equivalents at end of period	643	452	643	452	643	313

CASH FLOW AND LOAN-TO-VALUE RATIO

Operating cash flow after changes in working capital was SEK 473 million in the interim period.

Total purchase considerations of SEK 1,836 million were paid on accessing the properties Gladan 5, 6 and 7 in Kungsholmen, Stockholm, and part of the Tändstickan district of Gothenburg in the first quarter, and on accessing the property Studio in Malmö in the second quarter. Purchase consideration of SEK 19 million was received for the sale of the property Stenvreten 1:3 in the first quarter, and a total purchase consideration of SEK 633 million on vacation of the properties Rausgård 22, Lövkojan 10 and Brännaren 8 in the second quarter.

SEK 590 million has been invested in existing properties and projects since year-end.

Interest rate swaps were closed out in the period by making a payment of SEK 90 million.

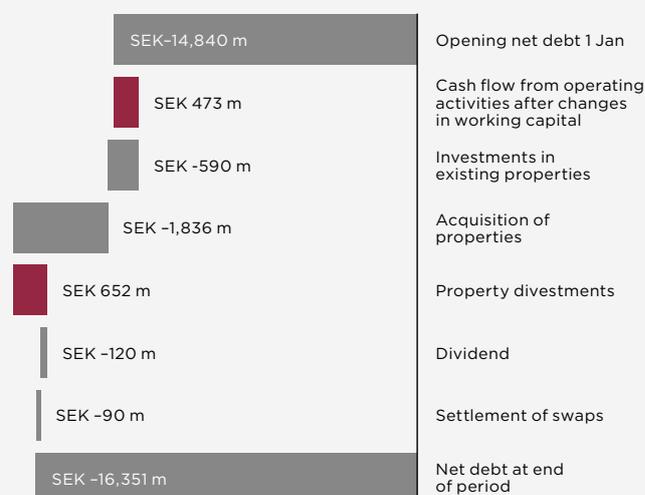
A dividend of SEK 120 million was paid to shareholders, which is a quarter of the dividend resolved for the financial year 2017.

As a consequence, cash flow before changes in interest-bearing liabilities amounted to SEK -1,511 million.

Borrowings arranged in the period meant that interest-bearing liabilities increased by SEK 1,841 million. As cash and bank balances increased by SEK 330 million, net debt increased by SEK 1,511 million.

Despite the increase in net debt, the LTV ratio increased only marginally, to 48.5 per cent from 47.9 per cent at the beginning of the year, thanks to unrealised value increases in the property portfolio. Total liquid funds available were SEK 1,961 million (1,458), including granted and available credit facilities, after deducting for backups and issued commercial papers.

CHANGE IN NET DEBT, JANUARY-JUNE 2018



STATEMENT OF FINANCIAL POSITION - SUMMARY

SEK million	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	9	11	9
Properties	33,692	30,592	30,974
Equipment	6	8	7
Other long-term receivables	12	12	12
Total non-current assets	33,719	30,623	31,002
Current assets			
Current receivables	49	286	231
Cash and bank balances	643	452	313
Total current assets	692	738	544
TOTAL ASSETS	34,411	31,360	31,546
EQUITY AND LIABILITIES			
Equity	14,877	13,218	14,192
Non-current liabilities			
Liabilities to credit institutions	9,249	13,198	10,150
Other interest-bearing liabilities	6,346	1,746	3,096
Derivatives	147	367	171
Deferred tax liability	1,551	1,079	1,333
Provisions	12	12	12
Total non-current liabilities	17,306	16,402	14,762
Current liabilities			
Liabilities to credit institutions	-	-	927
Other interest-bearing liabilities	1,400	879	980
Other liabilities	828	861	684
Total current liabilities	2,228	1,740	2,591
TOTAL EQUITY AND LIABILITIES	34,411	31,360	31,546

STATEMENT OF CHANGES IN EQUITY - SUMMARY

SEK million	30 Jun 2018	30 Jun 2017	31 Dec 2017
Equity at beginning of period	14,192	11,123	11,123
Dividend	-480	-437	-437
New share issue	-	1,599	1,599
Comprehensive income for the period	1,165	933	1,907
Equity at end of period	14,877	13,218	14,192

SUMMARY

Compared to the beginning of the year, property value increased by SEK 2,718 million, mainly due to accessed acquisitions, which were executed at a value of SEK 1,836 million, but also unrealised changes in value and investments of SEK 985 million and SEK 590 million respectively. Kungsleden vacated SEK 693 million of properties in the period.

Equity amounted to SEK 14,877 million as of 30 June, compared to SEK 14,192 million at the beginning of the year, or SEK 68.12 (64.98) per share. The equity/assets ratio was 43.2 per cent, compared to 45.0 per cent at the beginning of the year.

SUSTAINABILITY

Kungsliden's sustainability work went as planned in the second quarter, and included 65 new green leases, a 2.5 per cent reduction in energy consumption, and accessing three environmentally certified properties.

CERTIFIED PROPERTIES CREATE VALUE

The demand for sustainable and environmentally certified properties is increasing. Kungsliden believes they attract larger and established tenants, and impact valuations of properties, and their attraction to investors. Kungsliden's target is for half of its portfolio in book value terms to be LEED environmentally certified by 2020, and several steps were taken in this direction in the second quarter. Work on certifying the existing portfolio continued as planned, and 13 per cent of property values were environmentally certified by 30 June 2018.

Kungsliden accessed three LEED-certified properties: Tyfönen 1 in Malmö (STUDIO), which is Platinum certified, and the properties Kallebäck 2:7 and 2:11 in Gothenburg, which are Gold certified.

GREEN LEASES CUT CLIMATE IMPACT AND COSTS

Green leases are a natural component of Kungsliden's client pledge – collaborating actively with tenants on environmental issues to cut environmental impact and costs over time. Green leases include joint measures to maintain or improve the environmental performance of premises, including actions in energy, indoor climate, material selection and waste sorting.

Kungsliden has the target of 100 green leases for the full year 2018 (up from the 2017 target of 50), and progress is as planned, with 36 green leases signed in the second quarter, and a total of 65 signed in the first half-year 2018, or 72 per cent of total newly leased area.

CONTINUED ENERGY OPTIMISATION

Kungsliden is working systematically on energy rationalisation of development projects and in ongoing work in investment properties. Kungsliden's target is to reduce its energy consumption by 3 per cent per year, or by 20 per cent between 2014 and 2020.

Energy consumption in like-for-like portfolio terms decreased by 2.5 per cent in the second quarter 2018 compared to the corresponding period of the previous year. This equates to a cost saving of some SEK 2.6 million. The energy saving did not quite match the previous quarter, which is due to the record-high temperatures of the spring/early-summer. Otherwise, savings are largely due to investments in energy projects, such as more efficient ventilation and computerised control and regulation equipment, and to some extent, adjustments of existing equipment.

SUSTAINABILITY WORK LIVES UP TO EXPECTATIONS

A small-scale survey of shareholders' views of Kungsliden's sustainability work was conducted at the AGM on 26 April, and at investor meetings in the second quarter. The outcome indicates that sustainability work generally matches investor expectations, and that energy consumption and business ethics are the top-priority issues for this stakeholder group.

ENERGY CONSUMPTION IN LIKE-FOR-LIKE PORTFOLIO TERMS



SUSTAINABILITY GOALS AND PERFORMANCE

FOCUS AREA	TARGET	PERFORMANCE IN THE FIRST HALF-YEAR 2018
LEED CERTIFICATION	50% Half of the portfolio (in book value terms) should be LEED certified before year-end 2020. All properties to be certified before year-end 2025.	13% of the portfolio environmentally certified as of 30 June 2018.
GREEN FINANCING	The company is endeavouring to finance all green assets with green bonds or green bank loans.	SEK 2.8 billion of green bonds issued.
GREEN LEASES	100 At least 100 new green leases to be signed in 2018.	65 green leases signed in the first half-year 2018.
ENERGY CONSUMPTION	-3% Energy consumption to reduce by 20%, or by 3% annually in 2014-2020.	-2.5% lower energy consumption in the second quarter 2018 compared to the corresponding period of the previous year.

SEGMENT REPORTING

The segment report firstly specifies income statement items, and then book values per property categorised between investment properties and development properties. Investment properties are then subdivided, with figures allocated according to geographical location.

The development properties segment has those properties with significant vacant areas for new production or conversion,

and accordingly, rental revenues and operating costs are not comparable. Which properties are included in this category varies over time. Accordingly, in the following table, there are some differences in properties for the quarter this year compared to the corresponding period of the previous year (see page 26 for current definitions).

JAN-JUN 2018

SEK million	Greater Stockholm	Greater Gothenburg	Greater Malmö	Västerås	Regional cities & other	Development properties	Unallocated	Total
Revenue	411	115	121	268	232	38	-	1,184
Property costs	-131	-44	-41	-107	-83	-29	-	-434
Operating net	280	71	80	161	149	9	-	750
Selling and administration costs	-	-	-	-	-	-	-54	-54
Net financial items	-	-	-	-	-	-	-191	-191
Profit from property management	280	71	80	161	149	9	-245	505
Changes in value of assets								
Profit (loss) from divestments	-	-	-	-	-	-	4	4
Unrealised changes in value on properties	485	93	45	186	125	51	-	985
Unrealised changes in value on financial instruments	-	-	-	-	-	-	-67	-67
Profit before tax	765	164	125	347	274	60	-308	1,427
Tax	-	-	-	-	-	-	-262	-262
Net profit	765	164	125	347	274	60	-571	1,165
Property book value	14,316	3,126	3,967	5,506	4,638	2,139	-	33,692

JAN-JUN 2017

SEK million	Greater Stockholm	Greater Gothenburg	Greater Malmö	Västerås	Regional cities & other	Development properties	Unallocated	Total
Revenue	378	107	111	257	287	42	-	1,182
Property costs	-111	-30	-30	-93	-140	-25	-	-429
Operating net	267	77	81	164	147	17	-	753
Selling and administration costs	-	-	-	-	-	-	-54	-54
Net financial items	-	-	-	-	-	-	-234	-234
Profit from property management	267	77	81	164	147	17	-287	466
Changes in value of assets								
Profit (loss) from divestments	-	-	-	-	-	-	-1	-1
Unrealised changes in value on properties ¹	253	89	60	69	-30	224	-	665
Unrealised changes in value on financial instruments	-	-	-	-	-	-	65	65
Profit before tax	520	165	141	234	117	240	-223	1,195
Tax ¹	-	-	-	-	-	-	-263	-263
Net profit	520	165	141	234	117	240	-486	932
Property book value¹	12,411	2,497	3,175	5,128	5,612	1,768	-	30,592

1. Restated for changed accounting policy for deductions for deferred tax on acquisitions.

PROPERTY PORTFOLIO

84 per cent of Kungsleden's operations, including improvement and investment projects, is concentrated on its four priority growth markets of Greater Stockholm, Greater Gothenburg, Greater Malmö and Västerås. As of 30 June 2018, Kungsleden owned 224 properties with a book value of SEK 33,692 million. Rent levels on new leasing and renegotiation increased in the interim period, as well as net leasing of SEK 39 million. Property portfolio value increased by SEK 985 million in the same period.

PROPERTY MARKET

Conditions on the commercial property market remained positive in the second quarter 2018, with strong rent growth, low vacancy rates and a fairly short supply of new office premises. Additionally, the supply of low-interest finance remains positive. Inflation is now close to the Swedish Central Bank's 2 per cent target, and Newsec expects low interest rates to gradually start increasing from 2019.

Sweden's strong economy, with high employment, is benefiting the commercial property market. Generally, Sweden's major cities are attractive for commercial premises, especially offices, where progress is robust.

Newsec has surveyed historically low vacancies for offices in central Stockholm (1.5 per cent), and is questioning whether the current office shortage is actually more acute than the housing shortage. In its report "Businesses warn of office shortage", the Stockholm Chamber of Commerce highlights the risk of companies being compelled to turn their back on Stockholm due to difficulties in finding premises. Newsec expects low vacancies to persist, and that the shortage in central Stockholm will trigger greater interest in locations just outside the city centre. Kungsleden has observed this trend in receiving more enquiries for large areas in its Gärdet/Frihamnen cluster.

PROPERTY PORTFOLIO - TOTAL HOLDING

	30 Jun 2018				
PROPERTY HOLDINGS SEK million	No. of proper- ties	Leasable area, 000 sq.m	Book value	Economic occupancy rate, %	Rental value ¹
Investment properties	209	1,974	31,553	91.9	2,441
Development properties	15	141	2,139	63.0	125
Total property holdings	224	2,115	33,692	90.5	2,565

1. Rolling 12 months

Valuation and value development

Unrealised changes in value in the property portfolio were SEK 985 million for the period, of which SEK 59 million are deductions received for deferred tax on acquisition. The average required yield in the property portfolio decreased from 5.7 per cent to 5.6 per cent. Nearly half of this decrease is due to changes in the structure of the property portfolio resulting from divestments and acquisitions.

Acquisitions and divestments

In the second quarter 2018, Kungsleden sold and vacated the property Lövköjan 10 in Katrineholm, thereby exiting the Municipality. No properties were acquired in the quarter.

PROPERTY ACQUISITIONS JAN-JUN 2018	Municipality	Category	Leasable area, sq.m
Kallebäck 2:7 (Tändstickan del 1)	Gothenburg	Office	5,605
Kallebäck 2:9 (Tändstickan del 1)	Gothenburg	Car park	11,600 ¹
Kallebäck 2:11 (Tändstickan del 2)	Gothenburg	Office	12,669
Tyfonen 1 (STUDIO)	Malmö	Office, hotel etc.	18,244

1. Not included in leasable area.

PROPERTY DIVESTMENTS JAN-JUN 2018	Municipality	Category	Leasable area, sq.m
Skiftinge 1:3	Eskilstuna	Mark	n/a
Brännaren 8	Malmö	Office	5,395
Rausgård 22	Helsingborg	Industrial/ Warehouse	62,000
Lövköjan 10	Katrineholm	Retail	8,524

Vacated and accessed properties

Kungsleden accessed the LEED-certified office property STUDIO (Tyfonen 1) in Malmö, which was acquired in the first quarter.

Three properties were vacated: Brännaren 8 in Malmö, Rausgård 22 in Helsingborg and Lövköjan 10 in Katrineholm.

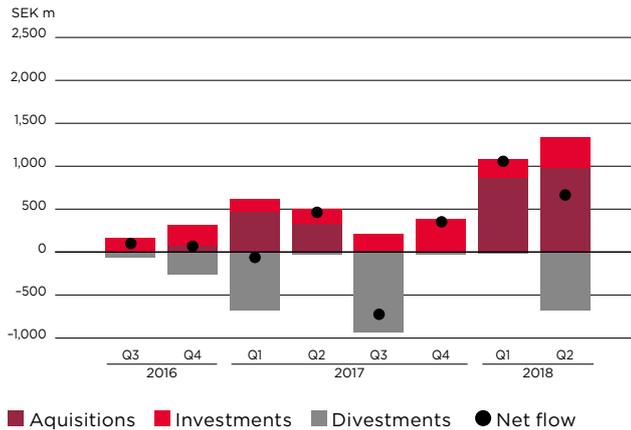
After vacating the properties divested by 30 June 2018, Kungsleden owns properties in the four priority markets of Greater Stockholm, Greater Gothenburg, Greater Malmö and Västerås, and another 18 municipalities (see map to right).

PROPERTY PORTFOLIO DEVELOPMENT

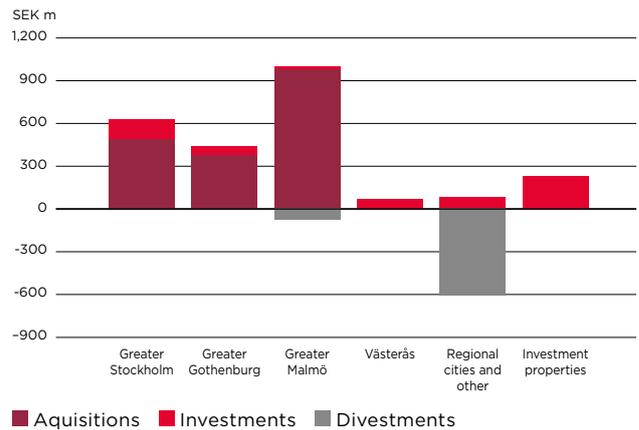
PROPERTY PORTFOLIO JAN-JUN 2018 SEK million	Investment properties	Development properties	Total
Properties at beginning of period			30,974
Acquisitions, completed	1,836	0	1,836
Investments	362	227	590
Divestments, completed	-693	0	-693
Unrealised changes in value	934	51	985
Properties at end of period	31,553	2,139	33,692

* Complete figures for the second quarter were not available as of the publication of this Report.

NET INVESTMENTS BY QUARTER



NET INVESTMENTS BY SEGMENT, JAN-JUN 2018



LEASING

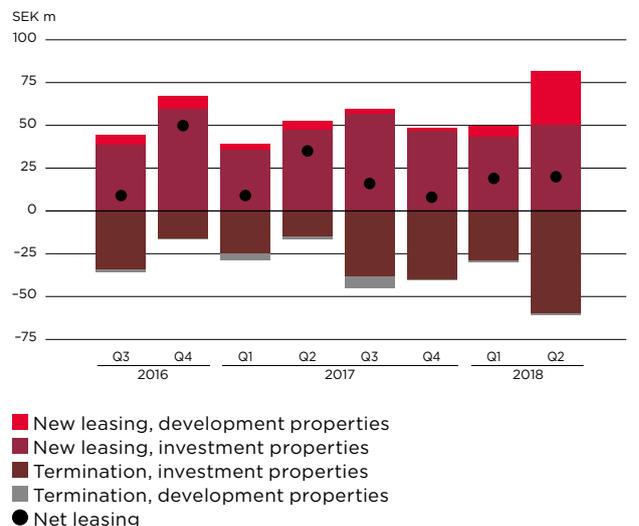
Kungsliden signed agreements on rental value of some SEK 130 million (91) in the interim period, of which properties in clusters represented SEK 92 million (53), and other properties SEK 38 million (39). These new lease agreements generally have higher rent excluding heating and hot water per sq.m than previously.

Some of the trendsetting new lease contracts in the second-quarter include a ten-year lease worth SEK 6 million annually with Region Skåne in the property Julius 1 in central Malmö, a five-year lease worth SEK 3 million annually with Aros Congress Center in B26, Västerås, and a 12-year contract worth SEK 25 million annually with co-working concept provider Convendum in Blästern 14, Hagastaden, Stockholm.

65 of the new lease contracts are green leases, which involve an agreement between the tenant and property owner on joint action to maintain or improve the environmental performance of premises. This means that 72 per cent of total leased areas are on green leases.

New leasing for the interim period amounted to SEK 39 million (45), of which clusters represented SEK 24 million (26), and other SEK 15 million (19).

NET LEASING PER QUARTER



INVESTMENT PROPERTIES

Continued positive market conditions with good demand for functional premises in the right locations and rising rent levels. In the second quarter, renegotiated contracts in the investment portfolio increased rental values by an average of 12 per cent, from SEK 90 million to SEK 101 million. Operating net increased by SEK 30 million or 4.5 per cent in like-for-like portfolio terms.

85 PER CENT IN FOUR GROWTH MARKETS

As of 30 June, Kungsliden owned 209 investment properties with a book value of SEK 31,553 million, of which 85 per cent was in the four priority growth markets of Greater Stockholm, Greater Gothenburg, Greater Malmö and Västerås.

Offices make up 72 per cent of book value, while Industrial/Warehouse represent 16 per cent, Retail 6 per cent and Other 6 per cent.

69 PER CENT OF PROPERTY VALUES IN 12 CLUSTERS

69 per cent of the book value of investment properties is located in one of our 12 clusters, an increase of three percentage points year on year.

The twelfth cluster – Gothenburg South Central – was created in the first quarter 2018 through the acquisition of two office properties and one car park (Kallebäck 2:7, 2:9 and 2:11) in central Gothenburg. Kallebäck 2:7 and 2:9 were accessed in the first quarter 2018, and Kungsliden will access Kallebäck 2:11 in the first quarter 2019.

By concentrating properties in clusters, we can improve our customer relations, make a better contribution to the development of whole locations, and achieve superior management efficiency. Developing and expanding clusters is an important component of Kungsliden's strategy, and creates value for tenants, shareholders and wider society.

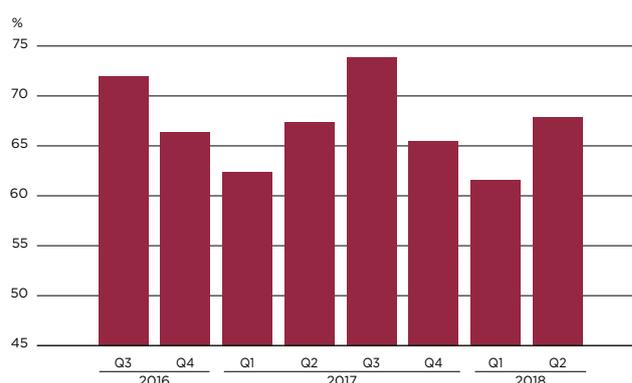
Outside clusters, the majority of the property portfolio is in attractive locations. Notable high-quality properties include Tyfonen 1 (STUDIO) in Malmö, Järnet 6 in Tyresö, south of Stockholm, Julius 1 in Malmö and Isolatorn 3 in Västerås.

SURPLUS RATIO

The surplus ratio of investment properties was 64.8 per cent (64.9) for the interim period. The decrease is due to three properties changing category, transferring from development properties to management in the quarter. Excluding these properties, the surplus ratio of investment properties was 64.8 per cent, against 64.4 per cent for the corresponding period of the previous year.

In like-for-like portfolio terms of investment properties, the surplus ratio was 63.8 per cent, compared to 62.7 per cent in the previous year, and all property management units contributed to the increase.

SURPLUS RATIO, INVESTMENT PROPERTIES BY QUARTER



KUNGSLEDEN'S 12 CLUSTERS IN 3 PROPERTY MANAGEMENT UNITS

PROPERTY MANAGEMENT UNIT STOCKHOLM

- Kista City, SEK 4.2 bn
- Stockholm City East, SEK 3.4 bn
- Danderyd Kontor, SEK 2.8 bn
- Stockholm City West, SEK 1.7 bn
- Östersund Stad, SEK 1.1 bn
- Västberga Industrial Estate, SEK 0.4 bn
- Properties not in clusters, SEK 2.3 bn

BOOK VALUE SEK 15.7 bn

PROPERTY MANAGEMENT UNIT GOTHENBURG/MALMÖ

- Hyllie, SEK 1.2 bn
- Högsbo, SEK 1.2 bn
- Göteborg South Central, SEK 0.8 bn
- Fosie, SEK 0.7 bn
- Properties not in clusters, SEK 5.2 bn

BOOK VALUE SEK 9.0 bn

PROPERTY MANAGEMENT UNIT MÄLARDALEN

- Västerås City, SEK 3.1 bn
- Finnlätten Industrial Estate, SEK 1.6 bn
- Properties not in clusters, SEK 2.1 bn

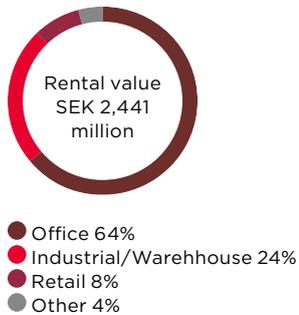
BOOK VALUE SEK 6.8 bn

RENTAL VALUE

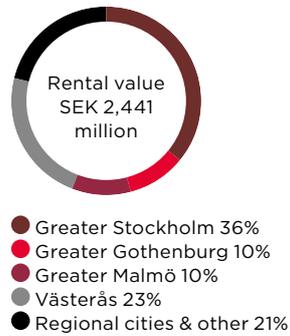
On a rolling 12-month basis, the rental value of investment properties was SEK 2,441 million, with offices comprising nearly two-thirds.

79 per cent of total rental value is located in the four priority growth markets.

RENTAL VALUE, INVESTMENT PROPERTIES, JUL-JUN 2017/2018 BY CATEGORY



RENTAL VALUE, INVESTMENT PROPERTIES, JUL-JUN 2017/2018 BY SEGMENT



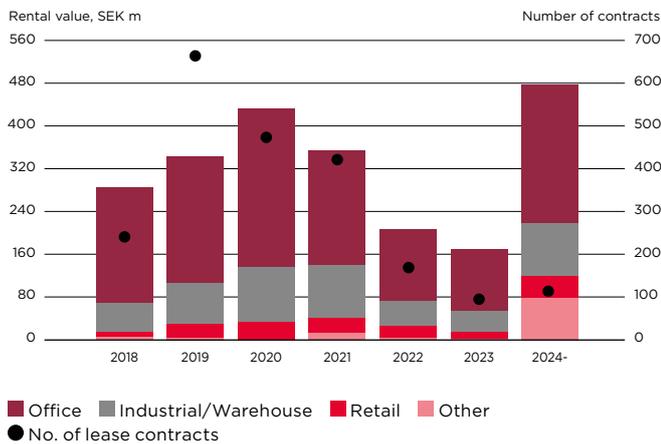
LEASE CONTRACT MATURITY STRUCTURE

Kungsleden endeavours to achieve a diversified lease contract maturity structure. At present, 15-20 per cent of the contract portfolio matures each year and can be renegotiated.

As of 30 June, the average maturity of remaining lease contracts was 3.8 years (4.1).

Kungsleden's contract portfolio also includes a broad spectrum of tenants, sizes of customer and sector, reducing the risk of rental losses and vacancies.

LEASE AGREEMENT MATURITY STRUCTURE, INVESTMENT PROPERTIES¹

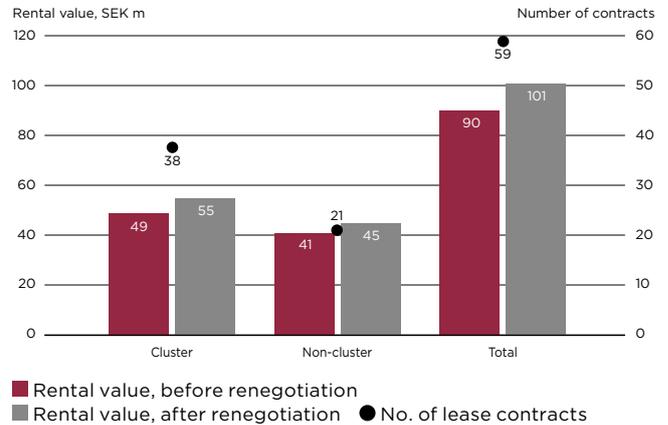


1. Excluding housing, car parks and garages.

RENEGOTIATION - RENTAL VALUE BEFORE AND AFTER

The lease contracts renegotiated in the interim period generated an average increase to rental values of 12 per cent (7). In total, the rental value of renegotiated contracts increased from SEK 90 million (72) to SEK 101 million (77).

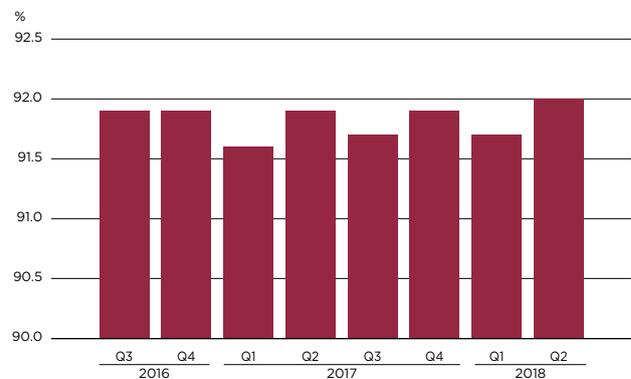
RENEGOTIATION OF RENTAL VALUE, JAN-JUN 2018, BEFORE AND AFTER RENEGOTIATION



OCCUPANCY RATE

The economic occupancy rate of investment properties increased to 91.9 per cent (91.8) for the interim period and 92.0 per cent (91.9) for the quarter.

ECONOMIC OCCUPANCY RATE, INVESTMENT PROPERTIES BY QUARTER



INVESTMENTS

In the second quarter, Kungsleden successfully completed its first three development projects: the office property Enen 10 in Södertälje, the Tegnér shopping centre in Växjö, and part of Laven 6 in Umeå. The three contributed a total of SEK 22 million to operating net. Kungsleden took an investment decision on B26 in the Mimer district of Västerås City, and this project has entered the implementation phase.

PROJECTS AND INVESTMENTS

Investments in new production, conversion and extension of the existing portfolio is an important component of Kungsleden's business model and provides a progressively increasing contribution to the company's earnings and profitability. It generates

increasing cash flow and value growth through reduced vacancies, higher average rents, and in some cases, the addition of leasable area.

INVESTMENT PROGRAMME

SEK million	2015	2016	2017	2018 Jan-Jun	PLAN	
					2018	2019-2020
Development projects	14	141	312	303	600	900
Tenant improvements and other value-creating investments	337	341	499	234	500	600
Maintenance investments	99	127	114	53	200	200
Total investments	450	609	925	590	1,300	1,700

Kungsleden has an investment programme of over SEK 3 billion for 2017–2019. A total of SEK 590 million was invested in the interim period, of which SEK 368 million in the second quarter. The aim is for these investments to generate a minimum IRR (internal rate of return) of 9 per cent, or a minimum yield on cost of 6 per cent.

CURRENT INVESTMENTS

As of 30 June, six major investment projects were in the implementation phase. These projects have aggregate investment volume of SEK 1,243 million. After completion, these converted properties are expected to generate annualised rental value of SEK 137 million. Several projects are already fully leased, and Kungsleden judges that the demand for the remaining premises is good.

B26, Västerås City

Kungsleden signed a lease contract on over 50 per cent of the B26 building, which is part of the Mimer district in Kungsleden's in Västerås City cluster. This has enabled Kungsleden to take an investment decision to convert the property, and

transfer the project to the implementation phase. This building, which has been vacant for an extended period, will undergo a major transformation into a new office concept based on the idea of gathering enterprises and individuals with a collective interest in creativity and business under one roof, known as a co-working concept. A building permit was previously granted for the extension of another two office floors and roof terrace. The project covers a total of 4,700 sq.m of leasable area. The investment has a preliminary estimate of SEK 130 million. Kungsleden has signed lease contracts with Aros Congress Center, which will be responsible for the co-working concept, and with Almi, Atea and Sigholm Konsult.

Blästern 14, Stockholm

The Blästern 14 project is divided into two phases, the first of which has been leased to hotel operator Nobis, which is scheduled to move in during the first quarter 2019. Phase 2, involving the modernisation of 5,500 sq.m of offices, was fully leased in the second quarter 2018 to Covendum, as a premium-segment co-working concept focused on service, technology and design.

MAJOR CURRENT PROJECTS

Property designation	Category	Municipality	Completed	Leasable area, sq.m	Estimated rental value, SEK m	Occupancy rate	Book value, SEK m	Estimated investment, SEK m	of which completed, SEK m
Blästern 14	Hotel, Office	Stockholm	2019, 2020 ¹	17,000	65	100	802	560	288
Holar 1	Hotel	Stockholm	2018	6,000	13	100	177	128	104
Gallerian (4 properties)	Retail	Eskilstuna	2019	6,000	12	60	242	149	92
Taktpinnen 1	Office	Norrköping	2020	14,500	22	100	208	116	2
Karlslund 5:2 - part of	Social services property (new development)	Östersund	2019	3,300	13	100	n/a	160	11
B26 Mimer 5 - part of	Office	Västerås	2019	4,700	12	52	n/a	130	6
Total				51,500	137		1,429	1,243	503
Other development and investment properties							32,263		
Total development and investment properties							33,692		

1. Hotel to be completed in Q1 2019. Office phase scheduled for completion in Q1 2020.



Studio, Malmö

Consequently, 100 per cent of this property is leased. The whole project has a rental value of SEK 65 million, and the total estimated investment is SEK 560 million. Phase 2 is scheduled for completion in early-2020.

Other projects

Other projects in the implementation phase such as the Gallerian shopping centre in Eskilstuna, Taktpinnen 1 in Norrköping and part of Karlslund 5:2, Östersund, are progressing as planned.

COMPLETED PROJECTS

Enen 10 in central Södertälje has been converted into 6,000 sq.m of contemporary, flexible office premises with an activated ground floor. This project was completed and transferred to management in the second quarter 2018. The Jump trampolining centre in Umeå (part of Laven 6) and Tegnér 15 in Växjö also transferred to management in the second quarter.

INVESTMENTS IN THE FINAL PHASE

The office property Holar 1 in Kista Science City is being converted into an apartment hotel comprising 167 short-term housing units. This apartment hotel project is called "The Studio Hotel", and is scheduled to be ready for tenants in the third

quarter of 2018. The investment amounts to SEK 128 million, and this property is fully leased with a rental value of SEK 13 million.

POTENTIAL FORTHCOMING INVESTMENTS

Kungsleden's land allocation in Hyllie is strategically located on Hyllie Boulevard. Construction start is scheduled for early-2019, and conceptual work, project planning and advance leasing is currently ongoing. This project totals some 8,000 sq.m. of offices. The preliminary estimate of the investment is SEK 285 million, including land acquisition.

Work on modernisation, conceptual work and leasing of total of 20,800 sq.m is ongoing at Rotterdam 1 and Stettin 6, two office properties in Södra Värtan/Frihamnen (Stockholm City East cluster). Demand for offices in this location has increased, and there is substantial potential to increase rents given major forthcoming investments. Apart from large-scale tenant improvements, entrances, ground floors and frontages will be developed.

Conceptual and letting work is ongoing on a vacant building of some SEK 6,000 sq.m in the central Oxelbergen quarter of Norrköping (property: part of Oxelbergen 1:2).

COMPLETED PROJECTS

2018	Category	Location	Leasable area, sq.m	Investment, SEK m	Estimated rental value, SEK m
Q1					
Q2					
Tegnér 15	Retail	Växjö	16,500	117	18
Laven 6 - part of	Retail (new development)	Umeå	3,100	32	4
Enen 10	Office	Södertälje	6,000	155	14
Q3					
Q4					

FINANCING

The restructuring of Kungsleden's finance towards longer maturities and a lower share of real estate security continued in the first half-year, with bond loans, as well as re-arranging and amortising bank loans. The average interest rate decreased to 2.0 per cent and the maturity portfolio of finance was further diversified.

IMPORTANT EVENTS DURING THE SECOND QUARTER

One SEK 2.8 billion bank loan was repaid in advance in the second quarter. This funding was re-arranged with two new bilateral bank credit facilities, one of just over SEK 1.9 billion with a six-year maturity and one of just over SEK 1.4 billion with a five-year maturity. This re-arrangement generated a net cash injection of SEK 283 million, and resulted in the average debt maturity of borrowing extending to 5.1 years, while ongoing financing costs reduced. At the end of the interim period, Kungsleden's average interest rate was 2.0 per cent, compared to 2.4 per cent at the beginning of the year.

The new credit facilities involve fewer properties being pledged as security, through the loan-to-value ratio of the properties pledged being higher than the bank loan that was repaid.

Accordingly, unsecured credit as share of total assets amounted to 30 per cent, against 1 per cent at the beginning of the year. Ratings Institute Moody's has stipulated a minimum of 30 per cent of properties being unsecured as one of its conditions for Kungsleden's rating being upgraded to Investment Grade.

The nominal amount of Kungsleden's MTN programme for bond borrowing expanded by SEK 3 billion in the second quarter, to SEK 8 billion, after the initial nominal amount was fully utilised through the major green bond loan that Kungsleden issued earlier in the year. After the issue of another SEK 200 million of green bonds in the second quarter, Kungsleden has SEK 5.8 billion of bonds outstanding, of which SEK 5.2 billion in its MTN programme. Green bonds comprise SEK 2.7 billion of this total.

MATURITY STRUCTURE, LOANS AND INTEREST RATE DERIVATIVES

As of 30 June 2018 SEK million	Bank loans and other borrowings	Bonds	Unutilised credits	Total credit facilities	Interest rate derivatives	Forward- starting interest rate derivatives ¹	Ave. interest rate, derivatives, %
2018	800	-	250	1,050	-	-	
2019	-	1,200	-	1,200	-	-	
2020	3,258	-	1,868 ¹	5,126	-	-	
2021	492	1,900	-	2,392	-	-	
2022	-	2,500	-	2,500	2,000	-	1.0
2023	1,406	200	-	1,606	-	3,000 ²	0.9
2024	1,674	-	-	1,674	1,450	-	1.1
2025	-	-	-	-	1,000	-	1.0
2026	630	-	-	630	-	-	
2027	1,594	-	-	1,594	-	-	
2036	1,340	-	-	1,340	-	-	
Total	11,195	5,800	2,118	19,113	4,450	3,000	

1. of which SEK 800 m is back-up for issued commercial paper.

2. Starts in January 2020.



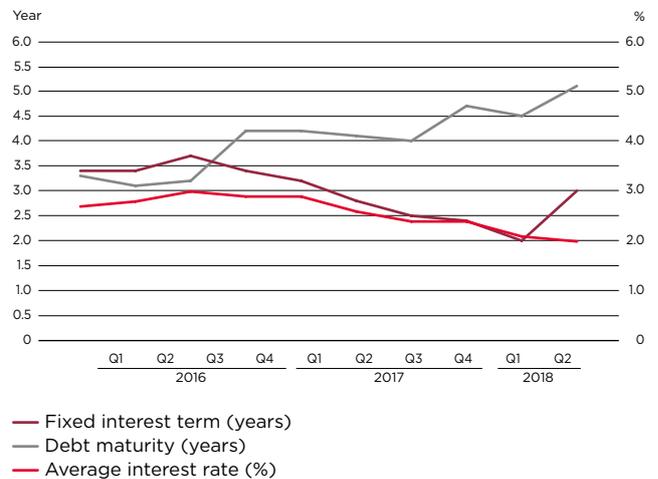
Studio, Malmö

FIXED INTEREST TERM

The long-term interest risk of borrowing was reduced in the second quarter by extending existing interest swaps and entering new interest rate swaps with a nominal amount of SEK 4 billion. SEK 3 billion of this total are forward-starting swaps, with three-year terms starting 2020. Kungsleden simultaneously entered SEK 1 billion of new, seven-year interest swaps, which mature at year-end 2025. The new hedging measures were financed partly by closing out SEK 3.77 billion of short interest rate swaps with long-term hedging effect by paying a SEK 61 million close-out amount.

The effect of the measures taken is to increase the average fixed interest term of borrowing to 3.0 years at the end of the interim period. Some 60 per cent of borrowing has a fixed interest term exceeding one year.

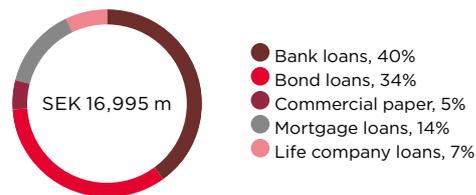
FIXED INTEREST TERM, DEBT MATURITY AND AVERAGE INTEREST



LOAN PORTFOLIO, 31 DEC. 2017



LOAN PORTFOLIO, 30 JUN. 2018



KEY FIGURES

	Interim period		Quarter		12 months	
	2018 Jan-Jun	2017 Jan-Jun	2018 Apr-Jun	2017 Apr-Jun	2017/2018 Jul-Jun	2017 Jan-Dec
Property related						
Property yield, % ¹	4.6	5.0	4.8	5.2	4.8	5.1
Economic occupancy rate, %	90.5	90.3	90.7	90.2	90.5	90.4
Surplus ratio, % ²	63.5	63.8	66.5	66.2	66.2	66.3
<i>Actuals, investment properties</i>						
Property yield, investment properties, % ¹	4.9	5.2	4.9	5.4	5.0	5.3
Economic occupancy rate, investment properties, %	91.9	91.8	92.0	91.9	91.8	91.8
Surplus ratio, investment properties, % ²	64.8	64.9	67.9	67.4	67.2	67.3
Rental revenue, investment properties, SEK/sq.m					1,258	1,153
Property costs, investment properties, SEK/sq.m					358	331
Financial						
Return on total assets, % ¹	4.2	4.6	4.3	4.5	4.3	4.6
Return on equity, % ¹	16.0	15.3	14.2	13.3	15.2	15.1
Interest coverage ratio, multiple	3.6	3.0	3.9	3.2	3.6	3.3
Equity ratio, % ¹	43.2	42.1				45.0
Debt/equity ratio, multiple ¹	1.1	1.2				1.1
LTV (loan-to-value) ratio, % ¹	48.5	50.2				47.9
Per share information						
Dividend paid, SEK					2.20	2.00
Total return on share, %					24.0	8.8
Dividend yield, %					3.6	3.4
Profit from property management, SEK ³	2.31	2.28	1.26	1.14	4.69	4.66
Net profit, SEK ³	5.33	4.57	2.42	1.97	9.79	9.03
EPRA EPS (profit from property management after tax), SEK ^{1,3}	2.13	2.14	1.15	1.06	4.46	4.45
EPRA NAV (long-term net asset value), SEK ¹	75.89	67.15				71.87
EPRA NNAV (current net asset value), SEK ¹	74.37	65.16				70.63
Equity, SEK ¹	68.12	60.52				64.98
Cash flow before changes in working capital, SEK ³	2.44	2.43	1.34	1.28	4.68	4.67
Outstanding number of shares at end of period	218,403,302	218,403,302	218,403,302	218,403,302	218,403,302	218,403,302
Average number of shares ³	218,403,302	203,820,225	218,403,302	218,403,302	218,403,302	211,171,694

1. Comparative figures restated for changed accounting policy for deductions for deferred tax on acquisitions.

2. The definition of surplus ratio has changed. See page 26 for current definitions.

3. Restated by an adjustment factor of 2.55 per cent for the bonus issue element of the new share issue executed in the first quarter of 2017.

KEY FIGURES BY SEGMENT	Greater Stockholm	Greater Gothenburg	Greater Malmö	Västerås	Regional cities & other	Development properties	Total
No. of properties	50	41	41	18	59	15	224
Leasable area, 000 sq.m	516	255	227	505	471	141	2,115
Rental value, SEK m	456	122	128	285	254	61	1,305
Rental revenue, SEK m	410	114	120	267	231	38	1,182
Operating net, SEK m	280	71	80	161	149	9	750
Book value, SEK m	14,316	3,126	3,967	5,506	4,638	2,139	33,692
Economic occupancy rate, %	90.0	93.7	94.2	93.8	91.1	63.0	90.5
Surplus ratio, %	68.4	61.8	66.3	60.2	64.5	24.2	63.5
Property yield, %	4.1	4.9	4.6	6.0	6.2	0.9	4.6
New leasing, SEK m	39	13	5	22	14	37	130
Net leasing, SEK m	10	5	-3	-12	4	35	39
Investments, SEK m	137	62	14	68	81	227	590
Unrealised changes in value - properties, SEK m	485	93	45	186	125	51	985

QUARTERLY SUMMARY

INCOME STATEMENT IN SUMMARY

SEK million	2018				2017			2016	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	
Revenue	597	588	567	574	591	591	602	606	
Operating net	396	354	367	418	391	362	390	428	
Selling and administration costs	-27	-27	-31	-36	-29	-24	-31	-29	
Net financial items	-93	-98	-93	-107	-111	-122	-123	-130	
Profit from property management	276	229	243	276	250	216	235	269	
Profit (loss) from divestment	0	4	7	-12	-1	0	3	2	
Unrealised changes in value, properties ¹	404	581	367	386	288	377	475	271	
Unrealised changes in value, financial instruments	-67	1	5	15	28	37	196	-32	
Profit before tax	612	815	622	664	565	630	910	510	
Tax ¹	-84	-178	-129	-183	-125	-138	-211	-110	
Net profit	528	637	493	481	440	492	699	400	

FINANCIAL POSITION IN SUMMARY

SEK million	2018				2017			2016	
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	
ASSETS									
Intangible assets	9	8	9	10	11	11	11	8	
Properties ¹	33,692	32,620	30,974	30,227	30,592	29,835	29,533	29,003	
Equipment	6	7	7	8	8	9	9	10	
Other long-term receivables	12	12	12	12	12	12	12	4	
Total non-current assets	33,719	32,647	31,002	30,257	30,623	29,867	29,566	29,025	
Current receivables	49	259	231	247	286	301	231	209	
Cash and bank balances	643	1,498	313	241	452	1,975	57	41	
Total current assets	692	1,757	544	488	738	2,275	288	250	
TOTAL ASSETS	34,411	34,405	31,546	30,745	31,360	32,142	29,854	29,275	
EQUITY AND LIABILITIES									
Equity ¹	14,877	14,829	14,192	13,699	13,218	13,214	11,123	10,425	
Interest-bearing liabilities									
Liabilities to credit institutions	9,249	8,999	11,078	12,431	13,198	13,224	13,728	13,936	
Bond loans (unsecured)	5,800	5,600	1,950	600	600	975	975	975	
Other borrowing	1,946	2,546	2,126	2,026	2,025	2,275	1,808	1,708	
Total interest-bearing liabilities	16,995	17,144	15,153	15,057	15,823	16,474	16,511	16,619	
Non interest-bearing liabilities									
Provisions	12	12	12	12	12	12	12	5	
Deferred tax liability ¹	1,551	1,511	1,333	1,180	1,079	955	841	633	
Derivatives	147	141	171	185	367	615	653	864	
Other non interest-bearing liabilities	828	766	684	612	861	872	714	729	
Total non interest-bearing liabilities	2,539	2,431	2,199	1,989	2,319	2,454	2,220	2,231	
TOTAL EQUITY AND LIABILITIES	34,411	34,405	31,546	30,745	31,360	32,142	29,854	29,275	

1. Comparative figures restated for changed accounting policy for deductions for deferred tax on acquisitions.

PARENT COMPANY INCOME STATEMENT – IN SUMMARY

SEK million	Interim period		Quarter		12 months	
	2018 Jan-Jun	2017 Jan-Jun	2018 Apr-Jun	2017 Apr-Jun	2017/2018 Jul-Jun	2017 Jan-Dec
Intra-group revenue	0	0	0	0	3	3
Administration costs	-25	-17	-13	-8	-45	-37
Operating profit (loss)	-25	-17	-13	-8	-42	-34
Profit from financial items	-45	604	-65	583	-55	594
Profit before tax	-70	587	-78	575	-97	560
Tax	8	6	10	2	-212	-214
Net profit	-62	593	-68	577	-309	346

PARENT COMPANY BALANCE SHEET – IN SUMMARY

SEK million	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS			
Participations in group companies	2,617	4,538	3,998
Receivables from group companies	16,751	12,850	14,433
Other receivables	263	466	248
Cash and cash equivalents	638	420	291
TOTAL ASSETS	20,269	18,274	18,970
EQUITY AND LIABILITIES			
Equity	7,786	8,653	8,328
Long-term liabilities	5,949	602	2,123
Liabilities to group companies	5,341	7,768	7,520
Other liabilities	1,193	1,251	999
TOTAL EQUITY AND LIABILITIES	20,269	18,274	18,970

COMMENTS ON THE INCOME STATEMENT AND BALANCE SHEET

The parent company's operating profit (loss) for the interim period was SEK -25 million (-17) and net financial items were SEK -45 million (604).

As of 30 June 2018, cash and cash equivalents were SEK 638 million, compared to SEK 291 million at the previous year-end.

The parent company's equity was SEK 7,786 million against SEK 8,328 million at the beginning of the year.

OTHER INFORMATION

ORGANISATION AND EMPLOYEES

The average number of employees was 108 (107) for the first quarter of 2018.

RISKS AND UNCERTAINTIES

Kungsleden's operations, results of operations and financial position are affected by a number of risk factors. These relate mainly to properties, tax and financing. No material changes to risks and uncertainty factors has occurred during 2018. More information on Kungsleden's risks and risk management is on pages 60–61 and 83 of the Annual Report for 2017.

VALUATION OF PROPERTY PORTFOLIO

Kungsleden internally appraises and values its entire property holdings quarterly, with classification at level 3 according to IFRS 13. The valuations are based on an analysis of cash flows involving an assessment of future earnings capacity and the market's required yield for each property. The internal valuations serve as the basis of reported book values. To quality-assure and verify internal valuations, external valuations are also conducted on approximately 25 per cent of properties each quarter. This means that each property in the portfolio is valued externally within each twelve-month period.

VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities such as accounts receivable, loan receivables, liabilities to credit institutions and other liabilities are recognised at amortised cost less deductions for potential impairment. For derivatives, where Kungsleden holds a number of interest rate swaps, market valuations are conducted each quarter with classification in level 2 pursuant to IFRS 13.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS, NOT YET INTO FORCE

As of 1 January 2019, IFRS 16 Leasing replaces IAS 17 Leases with associated interpretations. The new standard requires that lessees report assets and liabilities attributable to all leases, with the exception of agreements less than twelve months and/or small amounts. Accounting of these leases may change as a result of the new standard. For lessors, the standard means the nearest unchanged accounting compared to current standards. Kungsleden has begun an analysis of the effects the new standard is expected to have on the Group's earnings and position.

ALTERED TAX LEGISLATION

In June, Sweden's Parliament approved a bill to reform corporation tax. In brief, this decision means a maximum deduction for negative net interest income can be claimed at an amount of 30 per cent of a company's taxable EBITDA. Computations of interest deduction should consider potential deductions against loss carry-forwards. Additionally, corporation tax will be reduced in two stages from the current 22.0 per cent to 21.4 per cent in 2019 and 20.6 per cent in 2021. The new rules apply from 1 January 2019. For Kungsleden, the provision for deferred tax is positively impacted by SEK 113 million due to the reduction of corporation tax. The whole effect has been recognised in the second quarter 2018. Regarding the effects of the interest deduction limitation rules, Kungsleden is investigating their potential effects on the Group's results of operations and financial position.

ALTERNATIVE PERFORMANCE MEASURES

Kungsleden applies European Securities and Markets Authority (ESMA) guidelines on alternative performance measures. According to these guidelines, an alternative performance measure is a financial metric of historical or future earnings performance, financial position, financial results or cash flows, which is not defined or stated in applicable rules for financial reporting (IFRS and the Swedish Annual Accounts Act). Kungsleden reports EPRA EPS, EPRA NAV and EPRA NNNNAV in accordance with European Public Real Estate Association (EPRA) definitions.

INFORMATION BASED ON FORECASTS

Some of the items in this Interim Report are forecasts and actual outcomes may differ significantly. In addition to the factors that have been expressly commented on, other factors may also have a material impact on actual outcomes, such as economic growth, interest rates, financing terms, yield requirements on property assets and political decisions.

REVISED SEGMENT INFORMATION

Effective 1 January 2018, Kungsleden is reporting the following six segments: Greater Stockholm, Greater Gothenburg, Greater Malmö, Västerås, Regional Cities and Other, Development Properties & Unallocated. This change means external reporting reflects internal governance.

EVENTS AFTER THE END OF THE PERIOD

No significant events have occurred since the end of the interim period.

ACCOUNTING POLICIES

The Group's Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting, and for the parent company in accordance with Chapter 9 of the Swedish Annual Accounts Act. Relevant provisions of the Swedish Annual Accounts Act and the Swedish Securities Markets Act have been applied.

IFRS 15 "Revenues from Contracts with Customers" came into effect on 1 January 2018. Most of Kungsleden's revenues are regulated by IAS 17 Leases and the introduction of IFRS 15 does not have any effect on Kungsleden's Income Statement or Balance Sheet.

IFRS 9 "Financial Instruments" came into effect at year-end, thus replacing IAS 39. This standard introduces new principles for classifying financial assets, for hedge accounting and for credit reserves. The single biggest item affecting Kungsleden is interest-bearing liabilities, which are still recognised at

amortised cost. IFRS 9 does not have any effect on Kungsleden's Income Statement and Balance Sheet, mainly because Kungsleden does not apply hedge accounting.

The same accounting policies and calculation methods have been applied for the Group and parent company as in the most recent Annual Report. Apart from the financial statements and their associated notes, disclosures pursuant to IAS 34.16A have been made in other sections of this Interim Report. Preparation of this Interim Report requires management to make judgements and estimates, and to make assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, revenue and expenses. Actual outcomes may differ from these estimates and judgements. The critical estimates made and sources of uncertainty in estimates are the same as in the most recent annual accounts.

STOCKHOLM 11 JULY 2018

Charlotte Axelsson
Chairman of the Board

Ingalill Berglund
Board member

Jonas Bjuggren
Board member

Liselotte Hjorth
Board member

Ulf Nilsson
Board member

Charlotta Wikström
Board member

Biljana Pehrsson
CEO

This information is mandatory for Kungsleden AB to publish pursuant to the Swedish Securities Markets Act. This information was submitted for publication at 7:00 a.m. CET on 11 July 2018.

This Report has not been subject to review by the company's auditors. This document is a translation of a Swedish language original Report. In case of any discrepancy between the two versions, the original shall take precedence.

KUNGSLEDEN'S SHARE

Kungsliden's share is listed on Nasdaq Stockholm's Large Cap list. The market capitalisation at the end of the second quarter was just over SEK 13.5 billion.

The price paid for the Kungsliden share at the beginning of the year was SEK 59.50, and SEK 61.80 at the end of the period. The lowest closing price in the interim period was on 6 February at SEK 51.50. The highest closing price was on 11 February at SEK 62.85.

SHARE CAPITAL AND TURNOVER

Kungsliden's share capital was unchanged in the quarter at SEK 91,001,376. The number of ordinary shares was 218,403,302.

117.8 million (154.9) Kungsliden shares were traded in the period, with a total value of SEK 6.9 (8.1) billion. Nasdaq Stockholm represented 56 per cent (48) of all trading in the Kungsliden share, while other market places such as BATS, the LSE and Boat accounted for the remainder.

KEY FIGURES PER SHARE

Per share information	2017/2018 Jul-Jun	2017 Jan-Dec
Dividend paid, SEK	2.20	2.00
Total return on share, %	24.0	8.8
Dividend yield on share, %	3.6	3.4
Profit from property management, SEK ¹	4.69	4.66
Net profit, SEK ^{1,2}	9.79	9.03
EPRA EPS (profit from property management after tax), SEK ^{1,2}	4.46	4.45
	30 Jun. 2018	31 Dec. 2017
EPRA NAV (long-term net asset value), SEK ²	75.89	71.87
EPRA NNAV (current net asset value), SEK ²	74.37	70.63
Equity, SEK ²	68.12	64.98
Share price	61.80	59.50

1. Restated by an adjustment factor of 2.55 per cent for the bonus issue element of the new share issue executed in the first quarter of 2017.
2. Comparative figures restated for changed accounting policy for deductions for deferred tax on acquisitions.

TOTAL RETURN ON SHARE, 2013-2018, SEK



■ Kungsliden (incl. dividend) ■ OMX Stockholm GI
 ■ OMX Stockholm Real Estate GI
 Source: Modular Finance

SHARE DIVIDEND

The company's dividend policy, effective 2015 onwards, stipulates that the dividend should progress consistently with profit from property management. In 2017, profit from property management decreased only marginally despite a significant loss in earnings from the divestment of non-strategic properties, in combination with improved prospects for the profit from property management. Dividend for 2017 is SEK 2.20 per share, compared to SEK 2.00 per share for the previous year. Disbursement of the dividend was decided to be quarterly.

OWNERSHIP STRUCTURE AS OF 31 MAY 2018



Source: Monitor from Modular Finance AB. Composite and processed data from sources including Euroclear, Morningstar and Finansinspektionen.

SHAREHOLDERS AS OF 31 MAY 2018

Namn	No. of shares	Share of capital, %
Gösta Welandson and companies	31,637,781	14.5%
Handelsbanken investment funds	7,400,000	3.4%
Olle Florén and companies	6,600,797	3.0%
Vanguard	5,961,860	2.7%
BlackRock	5,610,280	2.6%
Second National Swedish Pension Fund	5,503,966	2.5%
Norges Bank	5,180,887	2.4%
Stichting pension fund ABP	5,000,000	2.3%
BNP Paribas Investment Partners	4,677,175	2.1%
TR Property Investment Trust	4,530,553	2.1%
Total, 10 largest shareholders	82,103,299	37.6%
Foreign shareholders, other	52,112,912	23.9%
Swedish shareholders, other	84,187,091	38.5%
Total	218,403,302	100.0%

Source: Modular Finance

DEFINITIONS

PROPERTY RELATED KEY FIGURES

Direct yield

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

Outcome

Operating net in relation to average book value of properties. At interim reporting, returns are converted to a full-year basis. Average book value of properties is calculated as the sum of the opening and closing balances divided by two.

Outcome per property management unit, urban concentration, category, cluster and investment- and development properties. The value for the interim period is calculated as an average of the direct yield for the quarters included

Earnings capacity

Operating net in relation to the book value of the properties at 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 possible rental revenue in relation to the total value of the possible vacant area. Rental revenue is calculated in relation to rental value.

Property costs, SEK per sq.m

Property costs in relation to the average of the leasable area.

Profit from property management

Profit from property management is a specific performance measurement which is used in the property sector to facilitate comparability in the industry. Calculated as the sum of the operating net, selling and administration costs and net financial items.

Average remaining contract length maturity

Remaining contract value divided by annual rent.

Rental revenue

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

Rental value

Rental revenue plus estimated market rent for vacant units.

Contracted annual rent

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

Average rent, SEK per sq.m

Rental revenues in relation to the average leasable area.

Leasable area

Leased area and leasable vacant area.

Surplus ratio

Operating net in relation to rental revenues (previously total revenues)

Other revenue

Revenues which have no direct link to lease agreements.

FINANCIAL KEY FIGURES

Return on equity

Net profit for the period after tax in relation to average equity. At interim reporting, returns are converted to a full year basis. Average equity is calculated as the sum of the opening and closing balances divided by two.

Return on total assets

Operating net, profit from property divestment, selling and administration costs in relation to average assets. At interim reporting, returns are converted to a full year basis. Average assets are calculated as the sum of the opening and closing balances divided by two.

LTV (loan-to-value) ratio

Interest-bearing liabilities less cash and bank, and in relation to the book value of the properties.

Interest coverage ratio

Profit from property management excluding financial expenses, in relation to financial expenses.

Debt/equity ratio

Interest-bearing liabilities in relation to equity.

Equity ratio

Equity including minority interests in relation to total assets.

SHARE-RELATED KEY FIGURES

Dividend yield on shares

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

Cash flow before changes in working capital per share

Cash flow before changes in working capital in relation to the average number of shares.

Net profit for the period, per share

Net profit for the period in relation to the average number of shares during the period.

GLOSSARY

Property costs

The costs for electricity, heating, water, property management, cleaning, property administration, insurance and maintenance less charged additional amount for operation and maintenance.

Investment properties

The total property holding excluding development properties.

Category

The properties' primary use by area. The type of area that accounts for the largest share of the total area determines how the property is defined. A property with 51 per cent office space is therefore regarded as an office property. Categories are defined as Offices, Industrial/Warehouse, Retail and Other.

Clusters

Kungsleden defines clusters as a gathered property holding in a location with good accessibility, in a market with good growth and development potential. The optimal cluster has a good mix of offices, retail and residential and an attractive service offering.

Contract value

Rent according to the lease agreements plus indexation and rent surcharges expressed as an annual value.

Development properties

Properties with areas of vacant possession which are planned to be vacated, short-term leased or demolished in order to allow for development. Classification of an individual property as a development property is made quarterly, which may affect the comparison between different periods. If a property changes classification between development property and investment property, the comparative year is not affected.

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

Result of change in estimated market value of properties compared with the previous reporting period.

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 23.

KUNGSLEDEN ENRICHES PEOPLE'S WORKING DAY

Kungsleden is a long-term property owner that 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 are situated in attractively located clusters where we participate actively in the development of the whole area. Kungsleden's objective is to deliver an attractive total return on our properties, and to shareholders. Kungsleden is listed on Nasdaq Stockholm Large Cap.

VISION

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

BUSINESS PROPOSITION

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

OUR MISSION

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

CLIENT PROPOSITION

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

CORE VALUES

- Professionalism
- Consideration
- Joy



KUNGSLEDEN 2020

1. Continued growth with quality – properties which either retain or increase in value through business cycles.
2. Concentrate the property portfolio to 20 growth cities in Sweden's main markets.
3. At least 50 per cent of property value in Stockholm (Statistics Sweden definition).
4. At least 70 per cent of 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 ongoing property management, and through property development.
7. A total return 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.
9. Profit from property management of SEK 1,200 million by 2020, based on currently known conditions.

Local presence is important to Kungsleden. This allows us to make property management more efficient and meet customer needs in the best possible way. Accordingly, we have nine offices nationwide – in **DANDERYD, ESKILSTUNA, GOTHENBURG, KISTA, MALMÖ, NORRKÖPING, STOCKHOLM** (head office), **VÄSTERÅS** and **ÖSTERSUND**.

kungsleden.se/en

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Interim Report
Jan-Sep 2018
24 October 2018

Year-End Report
Jan-Dec 2018
14 February 2019

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