

INTERIM REPORT FOR JANUARY-MARCH 2015

Q1:2015

“Focus on active management and continued restructuring of the property portfolio”

BILJANA PEHRSSON, CEO

KUNGSLEDEN

BOOK
VALUE, SEK M:

21,700

NUMBER OF
MUNICIPALITIES
WHERE PRE-
SENT:

90

NUMBER OF
PROPERTIES:

308

GROSS LEASA-
BLE AREA,
MILLION SQ.M.:

2.7

NEW KUNGSLEDEN

- *Increased quality of the property holdings with a focus on offices, which currently represent 58 per cent of the portfolio*
- *More efficient management through lower geographic distribution, from 141 to less than 70 municipalities*
- *Metropolitan regions will represent at least half of the property portfolio*
- *Properties gathered in clusters improves the customer offering and provides operational and economic benefits – half of our holdings belong to clusters*

BUSINESS CONCEPT

Kungsleden's long-term business concept is to own, actively manage, improve and develop commercial properties in growth regions in Sweden and deliver attractive total returns.

CUSTOMER OFFERING

Kungsleden will provide attractive and functional premises in the right locations at the right price.

LONG-TERM GOAL

Kungsleden will be Sweden's most profitable and successful property company.

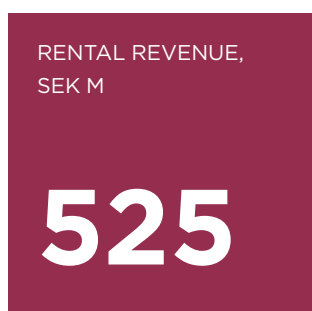


FIRST QUARTER

COMMENTS ON EVENTS DURING AND AFTER THE QUARTER

- During and immediately after the quarter we expanded three of our clusters – Kista Science City, Västerås City and Högsbo – through property acquisitions for SEK 1.3 billion. We also continued or optimisation efforts and sold non-strategic properties for SEK 552 million. Accordingly, we will be exiting 19 municipalities during the month of May.
- We reached an agreement with our largest tenant, ABB, to replace the large Master lease agreement with 17 new, competitively priced leases. The new agreements provide both Kungsliden and ABB with more security and flexibility.
- Kungsliden's property portfolio reported a positive change in value of SEK 243 million during the quarter. The value increase primarily results from lower yield requirements. Since year-end, the average yield requirement fell from 7.4 to 7.3 per cent. If we include the newly accessed Kista properties, the average yield requirement as of 31 March is 7.2 per cent.
- Operating net fell by 9 per cent to SEK 333 (366) million, resulting from a smaller property portfolio compared to the same period last year. Profits from property management increased by 4 per cent to SEK 175 (168) million. This was due to an improvement in net financial items resulting from fewer loans and lower interest rates.

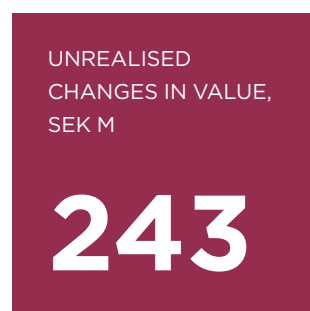
FIRST QUARTER



Rental revenue fell by 7 per cent to SEK 525 (567) million and operating net fell to SEK 333 (366) million.



Profits from property management improved by 4 per cent and were SEK 175 (168) million, which corresponds to SEK 0.96 (1.43¹) per share.



The value increase is primarily due to lower yield requirements in strong growth markets where there is a healthy demand for facilities.

KEY FIGURES ¹	2015 Jan-Mar	2014 Jan-Mar	2014/2015 Apr-Mar	2014 Jan-Dec
FINANCIAL				
Profit/loss from property management, SEK per share ³	0.96	1.43	4.70	5.02
Profit/loss for the period, continuing operations, SEK per share ³	1.63	0.34	Neg.	Neg.
Profit/loss for the period, continuing and discontinued operations, SEK per share ³	1.63	0.49	Neg.	Neg.
Equity, SEK per share ³	51.64	62.42	51.64	50.01
Return on equity, %	12.8	3.2	Neg.	Neg.
Operating net – properties, SEK m	333	366	1,458	1,491
Interest coverage ratio, times ²	2.2	1.9	2.2	2.2
PROPERTY RELATED				
Economic occupancy rate, %	88.9	91.2 ⁴	89.2	90.2
Average rent			918	921
Operating and maintenance costs			256	256

1. Kungsliden's policy regarding key figures is that previously published figures apply. Accordingly, the subsidiary, Nordic Modular Group is thus reported as discontinued operations and as a wholly owned subsidiary.

2. Kungsliden's policy regarding key figures is that previously published figures apply. The definition of interest coverage ratio has changed. See 2014 Annual Report for current definitions.

3. After and before dilutive effect. For the first quarter of 2015 the average number of shares is 182,002,752 (136,502,064) and for the period April – March 2015 (2014) 156,572,230 (145,352,883).

4. See page 6.

SUCCESSFUL OPTIMISATION EFFORTS

During the first quarter, we continued implementing Kungsleden's new strategy with great vigour. Optimisation efforts progressed and the management organisation was strengthened with the addition of new employees and working methods.

We grew three of our clusters during and directly after the quarter through property purchases for SEK 1.3 billion. At Kista Science City we expanded our customer offering by acquiring Hornafjord 1, a modern office building in a class between Kista One (a top-location property) and Kungsleden's traditional Kista properties, which target a more cost conscious customer group. Kungsleden's property cluster, Västerås City, grew with the acquisition of Skrapan, a fully leased prestigious property at a prime location. In Högsbo, near Gothenburg, five properties were acquired for SEK 293 million.

LOWER VACANCY RATE WITH CONCENTRATED HOLDINGS

One benefit of Kungsleden's strategy is the ability to achieve very low vacancy rates at our clusters thanks to a high market presence. This is particularly evident at Danderyd and Västerås, where we've been implementing our cluster strategy for the longest period of time. For this reason, we believe that there is great potential for some of our new acquisitions in Högsbo, where the current vacancy rate is more than 30 per cent. They also fit very nicely into our Högsbo cluster, where the average vacancy rate is 6 per cent.

Simultaneous to increasing our presence in our largest markets, Kungsleden sold non-strategic properties during the quarter for SEK 552 million. With these sales, we are approaching our goal for 2017, i.e. to own and manage properties in no more than 70 municipalities. We are already down to 71 municipalities.

Now, we are continuing our efforts to expand the property portfolio via acquisitions and by investing in renovation and extensions at existing properties. With an equity ratio of just over 40 per cent and good access to financing, we have excellent conditions for continued growth. To further boost our ability to grow, Kungsleden's Board will approach the AGM and request a mandate to issue preference shares. A rights issue of preference shares could be necessary if Kungsleden needs financing for a major acquisition and if preference shares are deemed the most attractive financing alternative.

TIGHTER CUSTOMER RELATIONS AND HIGHER FLEXIBILITY

We also reached an important milestone during the quarter. After two years of negotiations, we reached an agreement with our largest customer and tenant, ABB, to replace the large Master lease agreement with 17 new, competitively priced leases comprising all of Kungsleden's properties leased to ABB in Västerås. The restructuring increases flexibility and the average contract duration has been lengthened from 3 to 7.6 years. The initial rental revenue for the new leases will be somewhat lower after this restructuring. However, this is more than equally compensated by the clarified, more flexible contract structure. Both Kungsleden and external appraisers agree that on the whole, this has increased the property value. The new lease agreements are also evidence of a deeper, stronger customer relationship with ABB and we look forward to long-term collaboration with this important tenant.

SUCCESSFUL OPTIMISATION

Operating net for the first quarter was SEK 333 million, which corresponds to a decrease of 9 per cent compared to the same period



"We've gone from owning properties in 141 municipalities to just 71 after our latest property acquisitions and divestments."

last year. This is explained by a smaller property portfolio subsequent to sales during 2014 for SEK 2.6 billion. Profits from property management simultaneously increased by 4 per cent since last year, to SEK 175 million. This was due to a significant improvement in net financial items resulting from fewer loans and lower interest rates.

In total, Kungsleden reports an unrealised change in value for the property portfolio of SEK 243 million for the first quarter. The positive value changes result from, primarily, lower yield requirements and secondarily, improved operating net at Kungsleden's properties located in the most attractive rental markets. The yield requirement used for valuation is a minimum of 5.25 per cent and a maximum of 13 per cent. Since year-end, the average yield requirement fell from 7.4 to 7.3 per cent. If we include the newly accessed Kista properties, the average yield requirement as of 31 March is 7.2 per cent.

The new Kungsleden is a long-term owner with active management and property development. We now have a larger, and above all more concentrated and higher quality property portfolio. More than 70 per cent of our properties are located in the four most important strategic growth markets – Stockholm, Gothenburg, Malmö and Västerås – and of the total portfolio, approximately half belong to clusters. Property clusters provide customers with greater freedom of choice and more efficient management. All of this helps create more value. Our focus is on creating satisfied customers, employees and shareholders.

We started our restructuring efforts almost two years ago and we've already come a long way. I would like to thank my colleagues at Kungsleden for their successful contributions and I look forward to the journey ahead!

Stockholm, 23 April 2015
Biljana Pehrsson, CEO

INCOME STATEMENT

SEK m	Quarter		12 months	
	2015 Jan-Mar	2014 Jan-Mar	2014/2015 Apr-Mar	2014 Jan-Dec
Rental revenue	525	567	2,152	2,193
Property costs	-192	-201	-694	-703
Operating net	333	366	1,458	1,491
Selling and administration costs	-24	-22	-103	-101
Net financial items				
Financial income	3	5	9	11
Interest expenses	-132	-168	-594	-630
Share in profits of associated companies	6	-	6	-
Other financial costs	-11	-13	-39	-41
	-134	-176	-618	-660
Profits from property management	175	168	737	730
Gains/losses on properties				
Profit (loss) on property sales	4	-21	97	73
Unrealised changes in value	243	41	1,133	930
	247	20	1,230	1,003
Unrealised changes in value of financial instruments	-45	-124	-348	-427
Profit (loss) before tax	377	64	1,619	1,306
Tax	-81	-17	-2,028	-1,965
Net profit/loss for the period, continuing operations	296	47	-409	-659
Discontinued operations				
Profit/loss from Nordic Modular after tax	-	21	42	63
Impairment loss on Nordic Modular	-	-	-157	-157
Net profit/loss for the period, continuing and discontinued operations	296	68	-525	-753
Earnings per share, continuing operations	1.63	0.34	-2.61	-4.53
Earnings per share, continuing and discontinued operations	1.63	0.49	-3.35	-5.18

COMMENTS ON THE INCOME STATEMENT

PROFIT FOR THE FIRST QUARTER (JANUARY-MARCH)

Rental revenue for the first quarter fell by SEK 42 million to SEK 525 (567) million. Property costs simultaneously fell by 9 million to SEK -192 million and operating net fell to SEK 333 (366) million. These changes result from net sales conducted in 2014.

Profits from property management increased by SEK 7 million to SEK 175 (168) million. This was primarily due to an improvement in net financial items, which were SEK -134 (-176) million. Profits from property management also includes the share in profits of associated companies, which was SEK 6 (-) million.

Profit before tax increased by SEK 313 million to SEK 377 (64) million.

Unrealised value changes for the property portfolio increased to SEK 243 (41) million, primarily due to lower yield requirements in strong growth markets where there is a healthy demand for facilities. Unrealised value changes for financial instruments amounted to SEK -45 million, of which SEK -113 million results from lower outcomes on interest with a longer maturity. This is partly compensated by ongoing interest payments of SEK 68 million.

Profit/loss for the period for continuing and discontinued operations increased by SEK 228 million to SEK 296 (68) million.

PROPERTY MANAGEMENT

PROFIT AND EARNINGS CAPACITY

As of 31 March 2015, Kungsleden's property holdings consisted of 308 (366) properties, grouped into the following four geographic regions: Stockholm, Mälardalen, Gothenburg and Malmö. The profit and earnings capacity for each property category and region are presented below.

Operating net for Kungsleden's property portfolio fell during the first quarter of 2015 to SEK 333 (366) million. One important reason for the decline was the smaller size of the portfolio resulting from net sales that occurred during the latter part of 2014. With comparable property holdings, there was still a slight decline due to having renegotiated the ABB agreement, which resulted in slightly lower rental revenue. Heating and snow removal costs were also higher compared to the very mild winter of 2014.

The economic occupancy rate was 88.9 per cent compared to 91.3 per cent for the same period in 2014. Integration efforts per-

taining to the acquired GE portfolio at the beginning of 2014 resulted in vacancies being recorded in the third quarter of 2014, which explains the decline. Accordingly, the economic occupancy rate was inflated by just over 3 percentage points during the first two quarters of 2014. Taking this into account, the economic occupancy rate for the first quarter of 2015 increased by approximately one percentage point compared to the same period last year.

Earnings capacity is based on property holdings as of 31 March and it shows the operating net that these properties would yield if they had been owned for the last 12 months. Property management costs are thus not included in operating net. In the Group's reported earnings, however, operating net includes property management costs. During the last 12 months, property management costs amounted to SEK 85 million. Included in the amount for 31 March are 30 properties that have been sold, although still not vacated. These properties have a book value of SEK 547 million.

EARNINGS CAPACITY BY PROPERTY CATEGORY	Office	Industrial/ warehouse	Retail	Other	Total properties
No. of properties	114	122	55	17	308
Leasable area, thousand sq. m.	1,040	1,265	311	41	2,657
Book value, SEK m	12,612	6,351	2,370	367	21,700
Rental value, SEK m	1,329	825	284	49	2,487
Rental revenue, SEK m	1,187	740	251	45	2,223
Operating net, SEK m ¹	822	570	167	31	1,590
Economic occupancy rate, %	89.3	89.6	88.4	93.0	89.4
Property yield, % ¹	6.5	9.0	7.0	8.5	7.3
Surplus ratio, % ¹	69.3	77.1	66.1	69.5	71.5

1. Earnings capacity is based on property holdings as of 31 March and it shows the operating net that these properties would yield if they had been owned for the last 12 months. Property management costs are thus not included in operating net. In the Group's reported earnings, however, operating net includes property management costs. During the last 12 months, property management costs amounted to SEK 85 million.

ACTIVE MANAGEMENT

Important lease negotiations with Kungsleden's largest tenant, ABB, were concluded during the quarter. They apply to just over 230,000 sq. m. of property in Västerås. The prior, 13-year old Master Lease agreement has now been replaced by 17 new lease agreements, giving both Kungsleden and ABB more flexibility and security. At the same time, Kungsleden boosted its leading position in Mälardalen by recruiting new employees. Mats Eriksson also took over as the new Regional Manager.

New leases were signed during the quarter for 21,000 sq. m. Net leasing was SEK 1 million, and this figure reflects significant termination of leases in the holdings.

Some of Kungsleden's clusters also grew during the quarter, having added new properties in Kista and Högsbo for example. With our clusters, we aim to provide customers with a better overall offering of service and quality. Accordingly, a local office was opened in Kista, staffed by two employees. It will service our customers in the area and improve the visibility of these holdings.

Management efforts during the first quarter were particularly focused on new leasing. This was achieved by recruiting new employees (Lease Managers) in all regions and by having more meetings with our customers.

SUSTAINABILITY

Over the last year, Kungsleden has strived to identify and document the environmental risks associated with its existing property portfolio. It has also started up projects aimed at achieving significant energy savings at selected properties. This work continued during the first quarter and we are now better equipped to follow up on the property portfolio's energy consumption. Action plans have been drawn up for specific properties with the highest energy consumption. An energy controller position was also established and this person is responsible for leading follow-up efforts. The goal is to significantly reduce total energy use, for comparable holdings.

Environmental status assessments for existing and new properties are also being made. These efforts correspond to scheduled valuation work for the property portfolio.

REGION STOCKHOLM



Lustgården 12, Stockholm Kungsholmen

PROFIT BY REGION AS OF 31 MARCH 2015

Rental revenue, SEK m	174
Operating net, SEK m	112

EARNINGS CAPACITY AS OF 31 MARCH 2015

No. of properties	80
Leasable area, thousand sq. m.	715
Book value, SEK m	8,674
Rental value, SEK m	886
Rental revenue, SEK m	793
Operating net, SEK m	573
Economic occupancy rate, %	89.5
Yield, %	6.6
Operating surplus margin, %	72.2

REGION MÄLARDALEN



Mimer 5, Västerås

PROFIT BY REGION AS OF 31 MARCH 2015

Rental revenue, SEK m	168
Operating net, SEK m	97

EARNINGS CAPACITY AS OF 31 MARCH 2015

No. of properties	57
Leasable area, thousand sq. m.	793
Book value, SEK m	5,492
Rental value, SEK m	735
Rental revenue, SEK m	677
Operating net, SEK m	452
Economic occupancy rate, %	92.2
Yield, %	8.2
Operating surplus margin, %	66.8

REGION GOTHENBURG



Poppeln 7, Gothenburg

PROFIT BY REGION AS OF 31 MARCH 2015

Rental revenue, SEK m	103
Operating net, SEK m	67

EARNINGS CAPACITY AS OF 31 MARCH 2015

No. of properties	106
Leasable area, thousand sq. m.	663
Book value, SEK m	4,124
Rental value, SEK m	502
Rental revenue, SEK m	442
Operating net, SEK m	322
Economic occupancy rate, %	88.2
Yield, %	7.8
Operating surplus margin, %	72.8

REGION MALMÖ



Långhuset 1, Malmö

PROFIT BY REGION AS OF 31 MARCH 2015

Rental revenue, SEK m	80
Operating net, SEK m	56

EARNINGS CAPACITY AS OF 31 MARCH 2015

No. of properties	65
Leasable area, thousand sq. m.	486
Book value, SEK m	3,410
Rental value, SEK m	364
Rental revenue, SEK m	311
Operating net, SEK m	243
Economic occupancy rate, %	85.3
Yield, %	7.1
Operating surplus margin, %	78.3

PROPERTY HOLDINGS

The property portfolio continued to develop in line with our strategy of higher quality and increased geographic concentration with presence in 90 municipalities as of 31 March 2015. Once the sold properties have been vacated, Kungsleden will own properties in 71 municipalities.

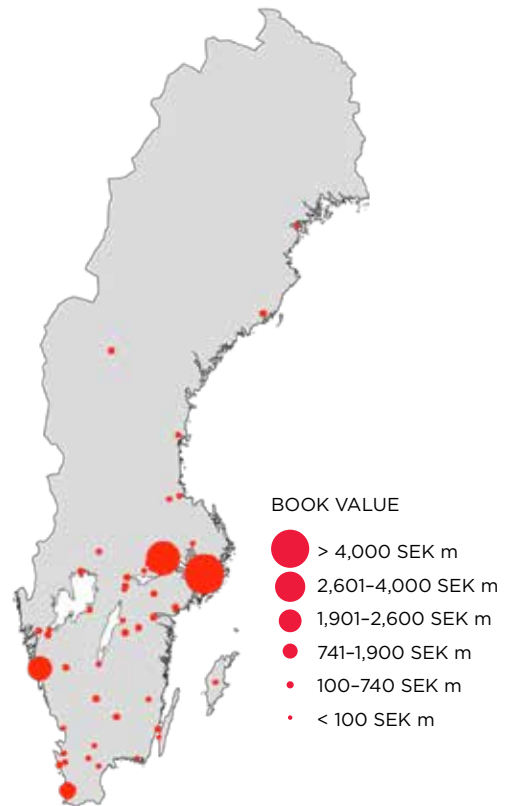
The total area amounted to 2,657 (2,823) thousand sq. m. distributed across the four property categories (Office, Industrial/Warehouse, Retail and Other) and four geographic regions (Stockholm, Mälardalen, Gothenburg and Malmö). In terms of property value, Region Stockholm is the largest. The share of properties located in the three metropolitan regions increased during the quarter, which is in line with our strategy.

Efforts to grow Kungsleden's clusters are ongoing and the share of properties belonging to a metropolitan cluster is now 49 per cent. Gathering properties in clusters makes it possible for us to quickly meet customer demand for premises, increase service in the area, become an influential voice in society and achieve more efficient management. Overall, clustered properties benefit the company and our customers alike.

The book value of properties for the period was SEK 21,700 (20,410) million. During the quarter, properties were accessed for SEK 1,799 million and investments in existing properties amounted to SEK 54 (32) million.

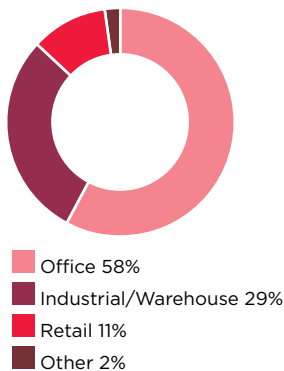
The remaining average contract term for the property holdings was 4.5 (4.2) years.

GEOGRAPHIC DISTRIBUTION OF THE PROPERTY PORTFOLIO, PRO FORMA¹

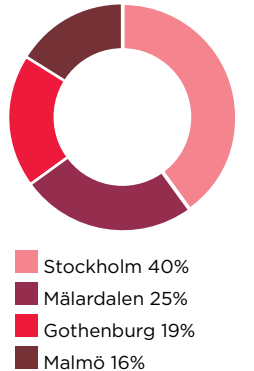


Number of municipalities as of 31 March 2015: 90
 Number of municipalities as of 31 March 2015 (pro forma): 71

PROPERTY VALUE BY CATEGORY AS OF 31 MARCH

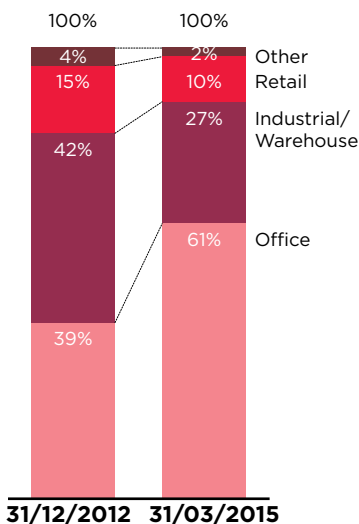


PROPERTY VALUE BY REGION AS OF 31 MARCH



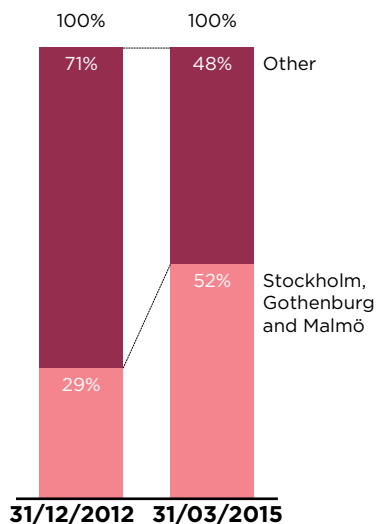
DEVELOPMENT OF THE PROPERTY PORTFOLIO BY CATEGORY, PRO FORMA¹

Book value SEK 22,344 million



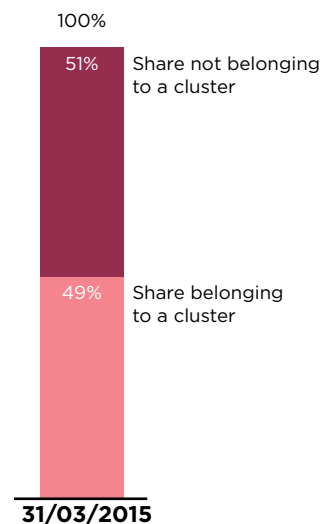
DEVELOPMENT OF THE PROPERTY PORTFOLIO, METROPOLITAN CONCENTRATION, PRO FORMA¹

Book value SEK 22,344 million



SHARE OF PROPERTIES BELONGING TO A CLUSTER, PRO FORMA¹

Book value SEK 22,344 million



1. Pro forma pertains to the 30 properties that were sold, but not yet vacated and the acquisition of 6 properties not yet accessed.

CHANGES IN THE PORTFOLIO

During the first quarter, Kungsleden continued its streamlining efforts and it expanded the property portfolio in targeted growth regions. For example, our clusters in Kista and Högsbo grew with the acquisition of new properties.

Access was gained to 4 properties during the quarter for a value of SEK 1,799 million and 1 property was vacated for a value of SEK 9 million. In addition, 5 properties were acquired but not yet taken over for a value of SEK 676 million. One of those properties is located at Kista and the other four are in Högsbo, just outside of Gothenburg. Additionally, 30 properties have been sold but not yet vacated at a value of SEK 547 million.

PROPERTY TRANSACTIONS AS OF 31 MARCH 2015

Acquired	Accessed	Not yet accessed	
		Number	Value, SEK m
Number	4	5	
Value, SEK m	1,799	676	
Sold	Vacated	Not yet vacated	
		Number	Value, SEK m
Number	1	30	
Value, SEK m	9	547	

VALUATION OF PROPERTY HOLDINGS

All properties were valued during the quarter, resulting in positive unrealised changes in value of SEK 243 million. The value increase is primarily due to lower yield requirements in strong growth markets where there is a healthy demand for facilities. The valuations are based on a cash flow statement where the future earnings capacity of an individual property and the market's yield requirement are assessed.

DEVELOPMENT OF PROPERTY HOLDINGS	2015	2014
	Jan-March	Jan-March
Properties at beginning of the period	19,612	20,338
Purchases	1,799	-
Investments	54	32
Sales	-9	-
Exchange rate fluctuations	0	0
Changes in value	243	41
Properties at end of the period	21,700	20,410

DEVELOPMENT PROJECTS

A major component of Kungsleden's strategy revolves around developing, improving or changing the intended use of properties, along with developing new land and building rights. The work aims to highlight the full potential and value of the properties. Kungsleden conducts property development in three stages – Project Development, Project Leasing and Project Implementation and this is achieved in close cooperation with the management organisation in order to ensure efficient processes. Hereby, we ensure that the projects are managed with a good understanding of other stakeholders' needs and requirements, e.g. customers and local decision makers. The goal is to attract long-term tenants at an early stage of the projects in order to, among other things, ensure that

the facilities are reconfigured based on the specific needs of our customers. In this way, our tenants enjoy efficient and well-functioning premises in line with their preferences, while Kungsleden benefits from satisfied tenants and lowers the risk involved in development work and the implementation of the project.

During the first quarter, implementation was nearly completed for two projects – a healthcare centre in Eskilstuna and a school building in Umeå. As of 31 March 2015, five projects were in the development and leasing stage. The estimated investment volume for the priority projects is currently SEK 700–1,000 million over the next 2–3 years. In addition there are some 20 projects in early stages or in the detailed development plan process.

Project development



Project leasing



Project implementation



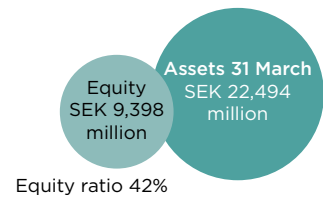
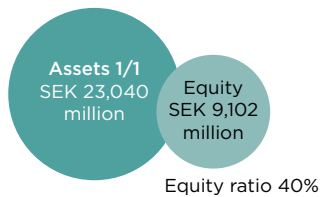
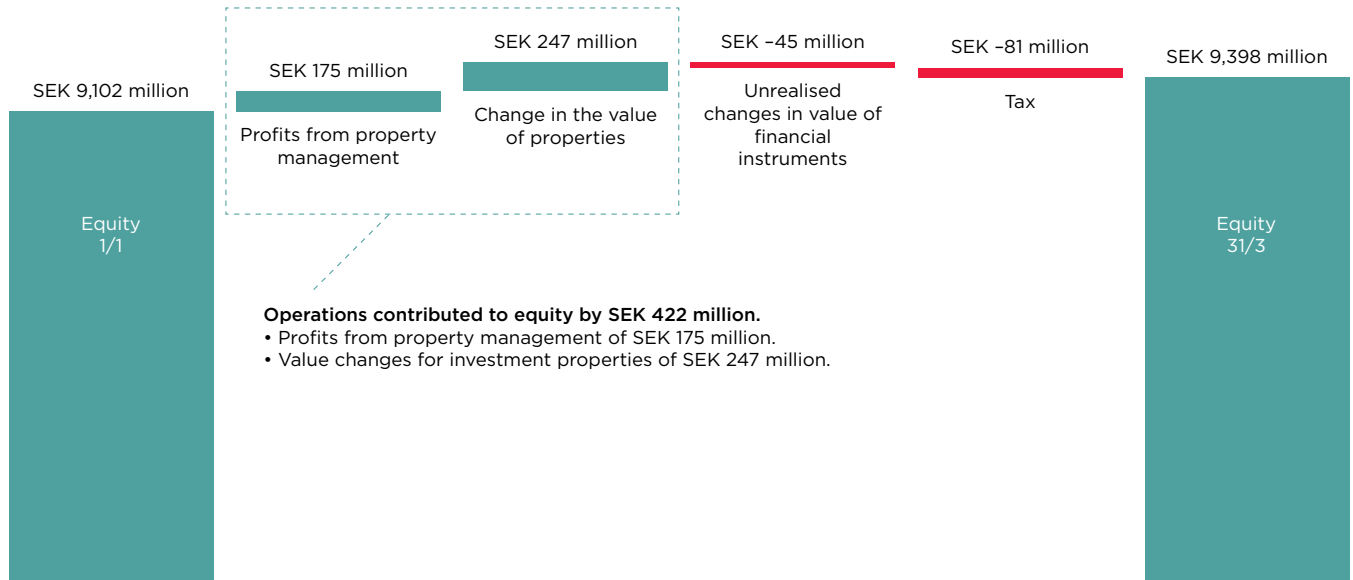
SOME PRIORITY PROJECTS

Property, location	Project type	Property category	approx. area, in sq. m.	Description	Expected year of completion
Blåstern 14, Stockholm	Renovation and extensions	Hotels/offices	15,000	Project and concept development and project rental of a block at nya Hagastaden.	2017/2018
Gallerian, Vårblomman 8 and more, Eskilstuna	Renovation	Stores	20,000	Project and concept development and project leasing of existing retail space in central Eskilstuna. Includes five properties.	2017
Skiftinge 1:3, Eskilstuna	New construction (Demolition)	Stores	25,000	Project and concept development of new retail site along the E20 highway. Ongoing detailed development plan efforts.	2016
Sveaplan, Speditören 1, Eskilstuna	Renovation	Stores/healthcare	2,000	Ongoing project implementation. Conversion of retail space to a healthcare centre at Sveaplan shopping centre.	2015
Aspgården 18, Umeå	Renovation and extensions, new construction	School/residential	6,000	Ongoing project implementation. Conversion of warehouse/industrial building into a school.	2015
			25,000	Ongoing detailed planning work to create new development rights.	2016
Laven 6, Umeå	New construction	Stores	2,500	Project leasing, with the goal of setting up a new store in the business district, Ersboda.	2016/2017
Enen 10, Södertälje	Renovation	Offices/stores	6,000	Project development and leasing of office building in central Södertälje.	2017
Verkstaden 7, Västerås	Renovation and extensions	Residential	50,000	Detailed planning work to convert an old industrial building and create new development rights in Kopparlunden.	2016

FINANCING

EQUITY AND FINANCIAL POSITION

As of the end of the period, equity was SEK 9,398 (9,102) million, or SEK 52 (50) per share. This corresponds to an equity ratio of 42 per cent (40). The equity ratio target is > 30 per cent.



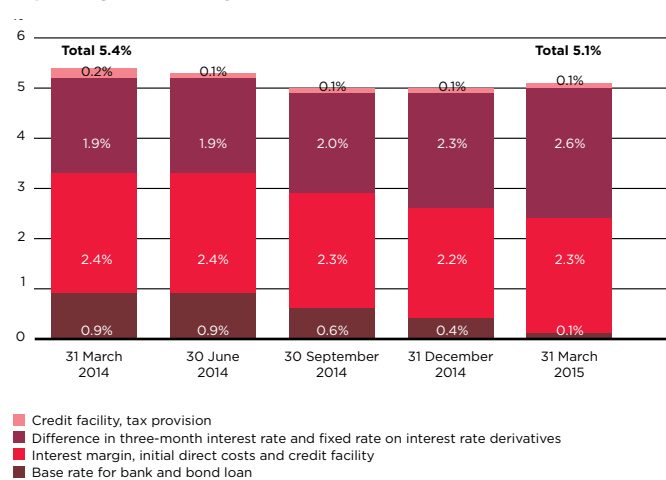
FINANCING COSTS

Kungsliden's financing costs continued to fall during the first quarter. Net financial items, excluding the result from associated companies, was SEK -140 (-176) million. Financing costs fell by SEK 38 million compared to the same period last year. This was due to a lower average loan volume, refinancing at lower rates of interest, restructuring of the interest rate swap portfolio and lower interest for STIBOR 90 days. Compared to last quarter, net financial items improved from SEK -151 million to SEK -140 million.

Kungsliden's average interest rate, excluding interest rate swaps, fell even further from 2.7 per cent at the beginning of the quarter to 2.5 per cent at the end of the quarter. The average interest rate, including interest rate swaps was steady at just over 5 per cent. This was a purely mathematical effect of the interest cost for interest rate swaps being distributed over a lower gross loan volume, due to loan amortisation.

As Kungsliden refinances existing loans, finances property acquisitions with new loans and as existing swaps expire or are extended at current and lower interest rates, the effect will be that the average interest rate will fall further, given the current market conditions. Later in the year, SEK 1.4 billion in interest rate swaps with high interest costs will fall due.

AVERAGE INTEREST RATE



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

INTEREST RATE SWAP PORTFOLIO

At the end of the quarter, the nominal amount of the swap portfolio was SEK 6,825 (6,825) million. Since year-end, the weighted average remaining fixed-interest term on loans and interest rate swaps is unchanged at 2.8 years. The reason for an unchanged remaining fixed interest term on loans since year-end is the decline in number of loans, which also led to an increase in the hedging level (volume of interest rate swaps in relation to the loan volume)

to 61 (58) per cent. The negative market value (undervalue) of the interest rate swap portfolio increased during the quarter and was SEK -1,179 million, compared to SEK -1,134 million at the beginning of the year. Of the value change of SEK -45 million, SEK -113 million is an effect of the decline in long-term market interest rates, which, to a certain extent, was counterbalanced by the scheduled interest payments on the swaps of SEK 68 million during the period.

MATURITY STRUCTURE FOR LOANS AND INTEREST RATE SWAPS

As of 31 March 2015, SEK m	Utilised credits	Unutilised credits	Total credits	Interest rate swaps	Average interest rate for derivatives, %	Average remaining fixed-interest term, years
2015	2,410	250	2,660	1,400	4.2	
2016	2,971		2,971	500	3.9	
2017		467	467	200	3.5	
2018	2,631		2,631	700	3.8	
2019	3,099	1,493	4,592	600	3.4	
2020				800	3.7	
2021				725	4.5	
2022				1,900	4.8	
Total	11,111	2,210	13,321	6,825		2.8
Average conversion time, years	2.4		2.6			

CASH FLOW AND USE

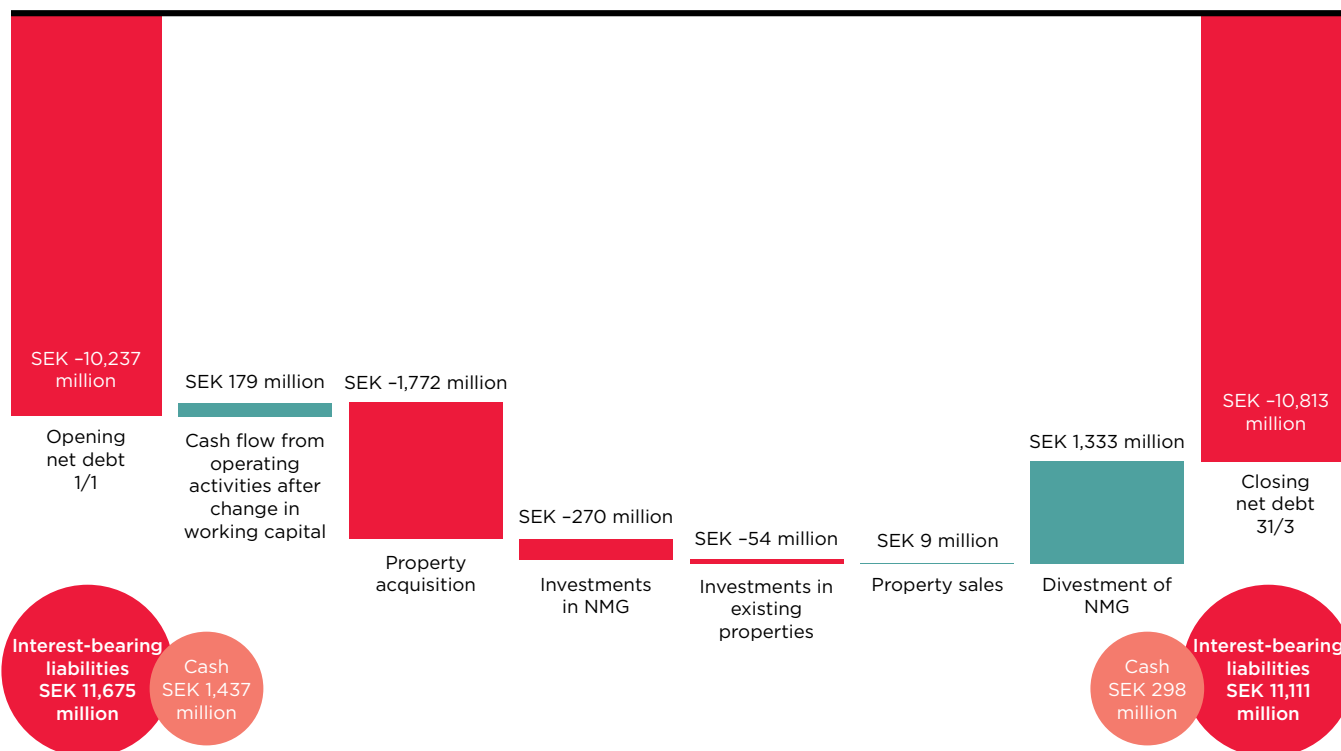
Kungsleden started the year with a very strong cash position, which was strengthened even further during the first quarter. Operating activities generated a positive cash flow of SEK 179 million (including change in working capital). Another SEK 700 million was generated from the sale of the subsidiary, Nordic Modular.

During the quarter, Kungsleden used SEK 1,799 million of its liquidity to pay for three properties in Kista and one property in Högsbo, which will be taken over during the quarter. The aim has been to maximise the positive impact of net interest income/expense and the company's strong liquidity position. However, borrowing on these properties will occur during the second quarter. In addition,

net amortisation of Kungsleden's bank loan was SEK 202 million, aimed at lowering the company's interest costs even further. Future refinancing was also secured via a four-year loan commitment that was negotiated for SEK 388 million. Overall, the Group's interest-bearing gross debt fell by SEK 564 million during the quarter and was SEK 11,111 million at the end of the quarter.

At the end of the quarter, cash equivalents amounted to SEK 298 (1,437) million. As of 31 December, available liquidity, including undrawn credit facilities was SEK 2,508 (3,230) million. The maximum estimated liquidity effect of remaining tax litigation is unchanged at SEK 1,325 million.

NET DEBT



OTHER INFORMATION

ORGANISATION AND EMPLOYEES

For the first quarter of 2015, the average number of employees was 94 (90).

PARENT COMPANY

The parent company reported a profit for the period of SEK 176 (–137) million. The result is primarily attributable to the sale of shares in Nordic Modular Group. Additionally, a provision was made for the Group's interest rate swap agreements, for which the undervalue increased. This was because interest rates with longer maturities fell during the period.

At the end of the period, assets primarily consisted of participations in Group companies for SEK 5,987 (6,748) million. Financing was primarily via equity, which was SEK 7,398 (7,222) million at the end of the period, with a corresponding equity ratio of 41 (40) per cent.

RISKS AND UNCERTAINTIES

Kungsleden's operations, earnings and financial position are all impacted by a number of risk factors. These are primarily related to properties, taxation and financing. During the first quarter of 2015, there were no significant changes in risks or uncertainty factors.

For more information on Kungsleden's risks and risk management practices, please see pages 31 and 51 of the Annual Report for 2014.

NORDIC MODULAR

During the first quarter, Kungsleden sold 100 per cent of the subsidiary, Nordic Modular Group (NMG) to the newly established NMG Holding. It subsequently purchased 35 per cent of NMG Holding, which was financed via equity, shareholder loans to Kungsleden and the new principal owner, Inter IKEA investments, where the proportionate ownership is 35–65. For reporting purposes, NMG Holding is an associate company with 35 per cent ownership during the first quarter.

In the income statement, Kungsleden reports its share of NMG Holding Group's profit after tax, under the item Shares in the profits of associated companies, for SEK 6 million (included in Kungsleden's profits from property management). Interest income from the shareholder loan is recorded as financial income.

In the balance sheet as of 31 March 2015, the holding in NMG Holding is reported as Shares in associated companies for SEK 102 million, and the shareholder loan is recorded under Other non-current receivables for SEK 175 million.

OUTSTANDING TAX ISSUES

Kungsleden is involved in some remaining litigation regarding a situation from 2006 that has to do with the sale of properties via foreign subsidiaries. The Swedish Tax Agency and Kungsleden have been engaged in written correspondence prior to a decision by the Administrative Court of Appeal on the Tax Agency's primary claim, for which the Administrative Court ruled against Kungsleden in June 2014. A decision is expected to be handed down during the second quarter. Should there be a final negative judgement, the estimated maximum effect on earnings based on the Administrative Court's rulings amounts to SEK 1,360 million, and with a maximum effect on liquidity of SEK 1,325 million.

The Swedish Tax Agency has also submitted alternative claims, which means that there will be a review procedure based on the Tax Evasion Act. These claims have been put on hold and may well be taken up again if the Swedish Tax Agency is not successful in the processes that are already underway. For a negative outcome in a process that instead concerns tax evasion, the estimated maximum negative impact on earnings and liquidity is approximately SEK 500 million lower than the amounts stated above. As Kungsleden does not anticipate a negative final outcome, no provision has been made for either of these two processes. For the tax litigation processes already concluded, SEK 19 million still remains to be paid.

FUTURE EXPECTATIONS

Some of the reported figures in the interim report are future-oriented and the actual outcome could be considerably different. Besides the factors that have been commented on specifically, other factors could significantly impact the actual outcome, such as economic growth, interest rates, financing terms, the rate of return on property assets and political decisions.





Lustgården 11



Studentkären 1



Lustgården 11



Studentkären 1



Svärdet 7



Reykjavik 2



Studentkären 1

FINANCIAL REPORT, 1 JANUARY–31 MARCH 2015

INCOME STATEMENT

Please see page 5 for the complete income statement.

STATEMENT OF COMPREHENSIVE INCOME

SEK m	Quarter		12 months	
	2015 Jan-Mar	2014 Jan-Mar	2014/2015 Apr-Mar	2014 Jan-Dec
Profit/loss before tax for the period	296	68	-525	-753
Other comprehensive income				
Translation gains/losses transferred to profit/loss for the year	-	-	-	-
Translation gains (losses) for the year, on consolidation of foreign operations	0	0	4	4
Comprehensive income for the year¹	296	68	-521	-749

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

STATEMENT OF FINANCIAL POSITION¹

SEK m	31/03/2015	31/12/2014
ASSETS		
Properties	21,700	19,612
Equipment	8	8
Deferred tax receivable	-	31
Participations in associated companies	102	-
Other non-current receivables	184	9
Total non-current assets	21,993	19,661
Current receivables	203	141
Assets held for sale - modular buildings and property used in business operations	-	1,428
Assets held for sale - other	-	372
Cash and bank	298	1,437
Total current assets	501	3,379
TOTAL ASSETS	22,494	23,040
EQUITY AND LIABILITIES		
Equity	9,398	9,102
Interest-bearing liabilities		
Liabilities to credit institutions	9,412	9,613
Bond loans (unsecured)	1,699	1,699
Liabilities related to assets held for sale	-	362
Total interest-bearing liabilities	11,111	11,675
Non interest-bearing liabilities		
Provisions	5	5
Deferred tax liability	63	-
Derivatives ²	1,179	1,134
Income tax liability	75	13
Other non interest-bearing liabilities	663	645
Liabilities related to assets held for sale	-	467
Total non interest-bearing liabilities	1,985	2,264
TOTAL EQUITY AND LIABILITIES	22,494	23,040

1. In accordance with IFRS 5, Nordic Modular was reported in 2014 as assets held for sale.

2. Kungslöden uses derivatives, primarily interest rate swaps to hedge interest rate risks. These financial instruments are measured at fair value in the statement of financial position on the line "derivatives" and valuation is reported in the income statement. Derivatives are valued using valuation techniques where the input is observable market data (level 2).

STATEMENT OF CHANGES IN EQUITY

SEK m	31/03/2015	31/12/2014
At the beginning of the period	9,102	8,453
Dividends	-	-171
Rights issue	-	1,568
Comprehensive income for the period	296	-749
At the end of the period	9,398	9,102

STATEMENT OF CASH FLOWS

SEK m	Quarter		12 months	
	2015 Jan-Mar	2014 Jan-Mar	2014/2015 Apr-Mar	2014 Jan-Dec
OPERATIONS				
Profit (loss) before tax	377	64	1,619	1,306
Profit (loss) on property sales	-4	20	-97	-73
Unrealised changes in value	-198	111	-813	-504
Dividends and cash flow for Nordic Modular (discontinued operations)	-	-	94	94
Adjustments for items not included in cash flow from operating activities	-11	8	-20	-1
Tax paid	-11	-25	-1,469	-1,483
Cash flow from operating activities	153	178	-685	-660
Changes in working capital	27	143	611	727
Cash flow from operating activities after change in working capital	179	321	-75	67
Cash flow from investing activities	-755	78	19	852
Cash flow from financing activities	-564	-322	-48	194
Cash flow for the period	-1,139	77	-104	1,112
Cash equivalents at the beginning of the period	1,437	323	400	323
Exchange rate differences on cash equivalents	0	0	3	3
Cash equivalents at the end of the period	298	400	298	1,437

SEGMENT REPORT

Region	Stockholm		Mälardalen		Gothenburg		Malmö		Non-Allocated Items		Total	
	2015 Jan-Mar	2014 Jan-Mar	2015 Jan-Mar	2014 Jan-Mar	2015 Jan-Mar	2014 Jan-Mar	2015 Jan-Mar	2014 Jan-Mar	2015 Jan-Mar	2014 Jan-Mar	2015 Jan-Mar	2014 Jan-Mar
SEK m												
Rental revenue	174	168	168	195	103	115	80	88	0	0	525	567
Property costs	-62	-55	-71	-80	-36	-37	-24	-28	0	0	-192	-201
Operating net	112	113	97	115	67	78	56	60	0	0	333	366
Selling and administration costs									-24	-22	-24	-22
Net financial items									-134	-176	-134	-176
Profits from property management	112	113	97	115	67	78	56	60	-158	-198	175	168
Gains/losses on properties												
Profit (loss) on property sales									4	-21	4	-21
Unrealised changes in value									243	41	243	41
Unrealised changes in value of financial instruments									-45	-124	-45	-124
Profit (loss) before tax	112	113	97	115	67	78	56	60	43	-302	377	64
Tax									-81	-17	-81	-17
Discontinued operations									-	21	-	21
Profit/loss for the period	112	113	97	115	67	78	56	60	-37	-298	296	68

KEY FIGURES¹

	Quarter		12 months	
	2015 Jan-Mar	2014 Jan-Mar	2014/2015 Apr-Mar	2014 Jan-Dec
Property related				
<i>Earnings capacity</i>				
Property yield, %			7.3	7.6
Economic occupancy rate, %			89.4	89.7 ⁵
Operating surplus margin, %			71.5	71.7
<i>Outcome</i>				
Property yield, % ²	6.5	7.3	6.9	7.5
Economic occupancy rate, %	88.9	91.2 ⁵	89.2	90.2 ⁵
Operating surplus margin, %	63.5	63.7	67.8	68.0
Financial				
Return on total assets, % ²	5.5	6.2	6.6	6.6
Return on equity, %	12.8	3.2	Neg.	Neg.
Interest coverage ratio, times ²	2.2	1.9	2.2	2.2
Equity ratio, %			41.8	39.5
Debt/equity ratio, times			1.2	1.3
LTV (loan-to-value), %			51.2	57.7
Per share information⁴				
Dividend, SEK			1.50	1.25
Total return on shares, %			27.6	33.7
Property yield on shares, %			2.2	2.2
Profits from property management, SEK	0.96	1.43	4.70	5.02
Net profit/loss for the period, continuing operations, SEK	1.63	0.34	Neg.	Neg.
Net profit/loss for the period, continuing and discontinued operations, SEK	1.63	0.50	Neg.	Neg.
Equity, SEK			51.64	50.01
EPRA NAV, SEK ³			58.46	56.07
Cash flow from operating activities, SEK	0.84	1.30	-4.38	-4.54
Outstanding shares at the end of the period	182,002,752	136,502,064	182,002,752	182,002,752
Average number of shares	182,002,752	136,502,064	156,572,230	145,352,883

- Kungsleden's policy regarding key figures is that previously published figures apply. The subsidiary, Nordic Modular Group is thus reported as discontinued operations and as a wholly owned subsidiary.
- Kungsleden's policy regarding key figures is that previously published figures apply. The definitions for property yield, return on total assets and interest coverage ratio have changed. See Annual Report 2014 for current definitions.
- The definition of EPRA NAV is equity, with derivatives and deferred tax added back, divided by the number of shares at the end of the period.
- After and before dilutive effect. For the first quarter of 2015 the average number of shares is 182,002,752 (136,502,064) and for the period April - March 2015 (2014) it is 156,572,230 (145,352,883).
- See page 6.

PARENT COMPANY INCOME STATEMENT

SEK m	Quarter		12 months	
	2015 Jan-Mar	2014 Jan-Mar	2014/2015 Apr-Mar	2014 Jan-Dec
Intra-Group income	9	7	30	28
Administration costs	-15	-7	-38	-30
Operating profit (loss)	-6	0	-8	-2
Profit (loss) from financial items	165	-176	-222	-563
Appropriations	0	0	151	151
Profit (loss) before tax	159	-176	-79	-414
Tax on net profit/loss for the period	17	39	74	96
Profit/loss for the period	176	-137	-5	-318

BALANCE SHEET, PARENT COMPANY

SEK m	31/03/2015	31/12/2014
ASSETS		
Participations in Group companies	5,987	6,748
Participations in associated companies	96	-
Receivables from Group companies	11,240	9,603
Other receivables	588	398
Cash and cash equivalents	260	1,257
TOTAL ASSETS	18,171	18,005
EQUITY AND LIABILITIES		
Equity	7,398	7,222
Non-current liabilities	1,702	1,701
Liabilities to Group companies	7,857	7,921
Other liabilities	1,214	1,161
TOTAL EQUITY AND LIABILITIES	18,171	18,005

QUARTERLY SUMMARY

SUMMARY INCOME STATEMENTS

SEK m	2015		2014		2013			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net sales	525	524	552	551	567	460	419	409
Operating net	333	338	404	383	366	316	310	266
Selling and administration costs	-24	-33	-23	-23	-22	-32	-18	-23
Net financial items	-134	-151	-164	-168	-176	-155	-143	-143
Profits from property management	175	154	217	191	168	129	149	100
Profit (loss) from property sales	4	0	7	86	-21	4	0	5
Unrealised gains/losses on property	243	595	169	126	41	71	-4	-2
Unrealised changes in value of financial instruments	-45	-107	-70	-125	-124	8	57	196
Profit (loss) before tax	377	642	322	278	64	211	202	299
Tax	-81	-144	-72	-1,732	-17	-47	-11	-64
Net profit/loss for the period, continuing operations	296	499	250	-1,454	46	164	191	235
Profit/loss from Nordic Modular, net after tax	-	-128	23	-11	21	16	23	25
Net profit/loss for the period, continuing and discontinued operations	296	371	274	-1,465	68	179	214	261

FINANCIAL POSITION, IN SUMMARY

SEK m	2015		2014		2013			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
ASSETS								
Goodwill	-	-	-	172	201	201	201	201
Investment properties – properties	21,700	19,612	18,982	19,971	20,410	20,338	14,480	14,315
Investment properties – modular buildings	-	-	-	1,512	1,509	1,509	1,515	1,519
Property used in business operations	-	-	-	24	24	22	21	21
Equipment	8	8	9	14	15	15	13	13
Deferred tax receivable	-	31	147	-	-	35	65	82
Participations in associated companies	102	-	-	-	-	-	-	-
Other non-current receivables	184	9	10	11	11	239	234	229
Total non-current assets	21,993	16,661	19,148	21,704	22,170	22,359	16,529	16,380
Inventories	-	-	-	14	17	15	16	14
Current receivables	203	141	124	213	286	272	179	200
Assets held for sale – modular buildings and property used in business operations	-	1,428	1,528	-	-	-	-	93
Assets held for sale – other	-	372	381	-	-	-	-	-
Cash and bank	298	1,437	896	433	400	323	298	427
Total current assets	501	3,379	2,929	660	703	610	493	734
TOTAL ASSETS	22,494	23,040	22,077	22,364	22,873	22,968	17,022	17,114
EQUITY AND LIABILITIES								
Equity	9,398	9,102	7,161	6,888	8,521	8,453	8,273	8,061
Interest-bearing liabilities								
Liabilities to credit institutions	9,412	9,613	10,182	11,279	10,857	10,579	5,656	5,919
Bond loans (unsecured)	1,699	1,699	1,699	1,699	1,699	2,299	1,599	1,599
Liabilities related to assets held for sale	-	362	373	-	-	-	-	-
Total interest-bearing liabilities	11,111	11,675	12,254	12,978	12,556	12,879	7,255	7,518
Non interest-bearing liabilities								
Provisions	5	5	5	14	15	60	59	59
Deferred tax liability	63	-	-	114	2	-	-	-
Derivatives	1,179	1,134	1,026	956	833	708	707	764
Income tax liability	75	13	410	-	-	-	-	-
Other non interest-bearing liabilities	663	645	710	1,414	946	869	728	712
Liabilities related to assets held for sale	-	467	469	-	-	-	-	-
Total non interest-bearing liabilities	1,985	2,264	2,662	2,498	1,796	1,637	1,494	1,535
TOTAL EQUITY AND LIABILITIES	22,494	23,040	22,077	22,364	22,873	22,968	17,022	17,114

ACCOUNTING POLICIES

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and for the Parent Company in accordance with Chapter 9 of the Annual Accounts Act.

In addition, the report was prepared in accordance with the Annual Accounts Act (1995:1554) and the Swedish Securities Market Act (2007:528), where applicable. For the Group and the Parent Company, the company has applied the same accounting policies and bases of calculation as in the most recent Annual Report, with the exception of the revised accounting policy described below, which came into force on 1 January 2015.

IFRIC 21 Levies has been applied for the Group as of 1 January 2015. The statement contains rules stating that government charges, which relate to property taxes when it comes to Kungsleden, must be

expensed in full when the obligation arises. Expense recognition, however, does not change, and is accrued over the year.

Because of this change in principle, the balance sheet total will increase during the year, but not at year-end.

Associated companies, investments in associates are reported using the equity method.

Estimates and judgements

In order to prepare interim financial statements, it is necessary for the company's management team to make assessments and estimates, as well as assumptions that affect how the accounting policies are applied and the reported amounts for assets, liabilities, income and expenses. The actual results may deviate from these estimates and assessments. The critical judgements that have been made and

sources of uncertainty that exist are the same as the ones described in the most recent annual report.

STOCKHOLM, 23 APRIL 2015

Göran Larsson
Chairman

Charlotte Axelsson
Board member

Joachim Gahm
Board member

Liselotte Hjorth
Board member

Lars Holmgren
Board member

Kia Orback Pettersson
Board member

Charlotta Wikström
Board member

Biljana Pehrsson
CEO

Kungsleden has made the information in this interim report public in accordance with the Swedish Securities Market Act (2007:528) and/or the Financial Instruments Trading Act. The information was made public on 23 April 2015 at 07.00.

The Company's auditors have not examined this interim report. This is a translation of an original document in Swedish. In case of dispute, the original document should be taken as authoritative (Delårsrapport 2008 Q1.pdf at www.prevas.se). Or, contact the company directly.

For all definitions, see the Annual Report for 2014 as well as www.kungsleden.se

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20 October 2015

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