

INTERIM REPORT JANUARY-SEPTEMBER 2016

Q3:2016

"High level of leasing and value of property portfolio still rising"

BILJANA PEHRSSON, PRESIDENT AND CEO

KUNGSLEDEN

INTERIM REPORT

1 JANUARY–30 SEPTEMBER 2016

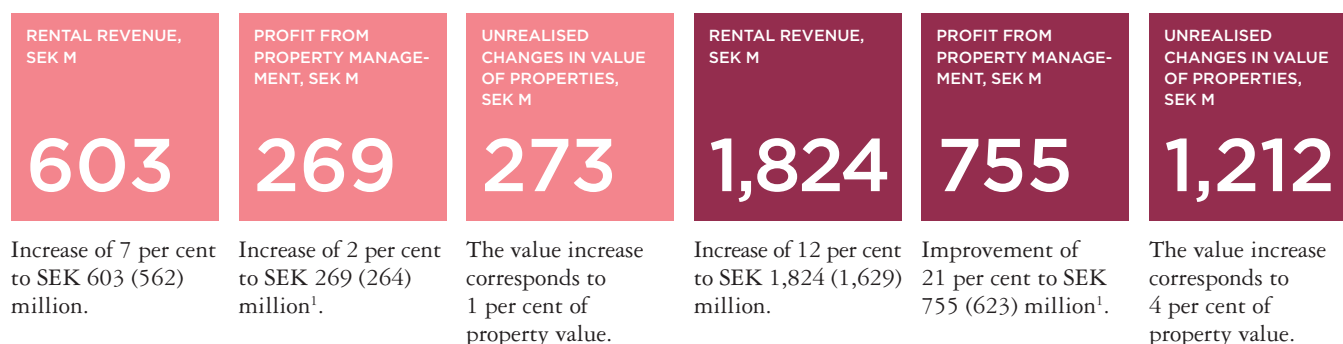
THIRD QUARTER, IN BRIEF

- New leasing increased to SEK 45 (29) million and net leasing increased to SEK 9 (–4) million.
- Rental revenue increased 7 per cent to SEK 603 (562) million and operating net increased 5 per cent to SEK 428 (409) million.
- Profit from property management increased by 2 per cent to SEK 269 (264) million, not including profit from participation in associates during 2015.
- The positive change in value of the property portfolio was SEK 273 (202) million, which is attributable to a higher operating net and lower yield requirements.
- Profit for the period increased to SEK 400 (322) million, which corresponds to SEK 2.20 (1.77) per share.
- Equity continued to increase and amounted to SEK 55.71 per share, as compared to SEK 51.28 at the beginning of the year. EPRA NAV amounted to SEK 65.50 per share, as compared to 56.76 at the beginning of the year.
- LTV fell even further, to 57.9 per cent. At the start of the year, LTV was 61.9 per cent.

SIGNIFICANT EVENTS DURING AND AFTER THE THIRD QUARTER

- Eight non-strategic properties, worth SEK 186 million, were divested. This increases the concentration of holdings even further and once the properties have been vacated, Kungsleden will be present in 59 municipalities.
- There was early redemption of a bond loan and Kungsleden has, for the first time, issued commercial paper for SEK 1,080 million with average interest rate of 0.37 per cent.
- Renovations at Tegnér shopping mall in Växjö entered the implementation stage and the new mall is expected to open early in 2018. Improvements to this property will attract new, attractive tenants to the area who are involved in retail, restaurant and service activities. The investment amounts to SEK 150 million. Rental revenue at the property is expected to increase by at least SEK 10 million after the investment has been made.

THIRD QUARTER



INTERIM PERIOD

1. The figure for the prior year does not include profit from participation in associates. The reason for this is to facilitate comparison between years.

KEY FIGURES	2016 Jul-Sep	2015 Jul-Sep	2016 Jul-Sep	2015 Jul-Sep	2015/2016 Oct-Sep	2015 Jan-Dec
FINANCIAL						
Profit (loss) for the period, SEK per share	2.20	1.77	6.42	6.67	2.53	2.78
Equity, SEK per share	55.71	55.18	55.71	55.18	55.71	51.28
EPRA NAV (long-term net asset value), SEK per share	65.50	61.13	65.50	61.13	65.50	56.76
Return on equity, %	16.1	13.0	16.0	16.9	4.6	5.5
Operating net – properties, SEK	428	409	1,212	1,104	1,653	1,545
Interest coverage ratio, times	3.1	3.3	3.0	2.6	3.2	2.9
PROPERTY RELATED						
Economic occupancy rate, % ¹	90.7	90.6	90.7	90.2	90.9	90.6
Economic occupancy rate excluding project properties ¹	91.9	91.3	91.9	90.9	92.0	91.3
Rental revenue, SEK/sq. m. ²					1,065	987
Property cost, SEK/sq. m.					315	287

1. The definition for economic occupancy rate has changed. Comparison figures have been restated. See page 22 for current definitions.

2. Rental revenue/sq. m. less rental revenue of project properties divided by leased area less the area of project properties.

Definitions are provided on page 22.

CEO COMMENTS

I am very pleased to report that Kungsleden's performance remains strong. New leasing increased 55 percent compared to the same period last year and was SEK 45 (29) million. In conjunction with the divestiture of eight non-strategic properties, we exited yet another municipality during the quarter. We are now present in 59 municipalities — as compared to 140 when we changed our strategy just over three years ago — and 78 percent of the property value is now concentrated to Stockholm, Gothenburg, Malmö and Västerås.

Rental revenue and operating net continued to increase in the third quarter. This is attributable to the fact that we now have a higher percentage of office properties in Stockholm compared to last year. The value of property holdings rose by SEK 273 million in the third quarter, which is equally attributable to improved operating net and lower yield requirements. Most of the increase in value is associated with office properties that belong to our clusters in Stockholm and Västerås. The yield requirements in the portfolio range from 4.40 per cent (lowest) to 12.0 per cent (highest). The average yield requirement is 6.2 per cent.

Profit from property management for the interim period was SEK 755 million, which is an improvement of 21 per cent compared to the corresponding period in 2015 if profit from participation in associates in 2015 is excluded.

HIGHER LEVEL OF NEW LEASING AND VITALITY OF PROPERTY MANAGEMENT ORGANISATION

The situation in the rental market remains favourable in our priority growth markets Stockholm, Gothenburg, Malmö and Västerås, with a healthy rate of increase in new leasing. During the quarter, we signed more than 50 lease agreements with both new customers and prior customers who have returned to us. There was a high level of new leasing in general, totalling SEK 45 million, where SEK 25 million is attributable to properties in our clusters and SEK 20 million is attributable to our other properties. For the interim period, new leasing was SEK 149 million, which is an improvement of 60 per cent compared to last year. Net leasing in the third quarter amounted to SEK 9 (–4) million. For the interim period, net leasing was SEK 49 (–2) million.

Lease agreements valued at SEK 9 million were renegotiated during the quarter, resulting in an increase in rent level by 18 per cent on average. For the interim period, lease agreements with rental value of SEK 53 million were renegotiated, resulting in an average rental increase of 8.2 per cent.

In line with our continued efforts to focus on both customers and operations, we opened two new offices during the quarter — a cluster office in Danderyd and a local office in Norrköping. We have a new market area, Norrköping/Linköping with a property portfolio of 164,000 sq. m. After year-end, it will become part of the Mälardalen management region. At present, the properties are spread across several regions.

NEW HOUSING STRATEGY

We have a new strategy on how to derive maximum benefits from our existing and future housing building rights totalling 450,000 sq. m. In summary, we will actively develop the value of our building rights by working with the local authorities on zoning issues,



Biljana experiences our premises using the latest VR technology.

with the aim of creating attractive housing projects and then selling the building rights as the zoning work progresses.

TEGNÉR ENTERS IMPLEMENTATION STAGE

During the quarter, renovation of the centrally located Tegnér shopping mall in Växjö entered the implementation stage. An agreement with a key tenant for 3,000 sq. m. of space was signed during the quarter, which means that the outlook is very positive as regards the future success of this shopping mall. The investment is estimated as SEK 150 million and once the renovations have been completed, rental revenue at the property is expected to increase by at least SEK 10 million.

Including Tegnér shopping mall, we now have four projects in the implementation stage. The total investment volume is SEK 826 million, with a good return.

HIGH LEVEL OF ENTHUSIASM AND COMMITMENT

During recent months, we've been met by a high level of enthusiasm from the property market, capital market and other important stakeholders. This is certainly encouraging and important, but even more exciting is the level of enthusiasm within the company. During the quarter, we conducted an employee survey and the results were quite satisfying. The response rate was 100 per cent and the results for both job satisfaction and the Employee Satisfaction Index exceeded our very high expectations and goals.

At Business Arena Stockholm in September, a team from Kungsleden hosted visitors at our popular lounge. We presented some of our vacant facilities using the latest Virtual Reality technology. It's a new way of showing and marketing our premises and just one of the many examples of what we are doing to remain on the cutting edge and provide the highest possible level of service to our existing and potential customers.

MANY WANT TO BE WHERE WE ARE

Our strategy is based on the increasing level urbanization and healthy growth in metropolitan areas, which are mega trends that are generating a high demand for office space. This provides us with an excellent foundation for our operations. However, to achieve our goal of becoming Sweden's most profitable property company, we are working very diligently to maximise the full potential of our properties and clusters, streamline our organisation and further increase the concentration of our holdings.

Stockholm, 19 October 2016
Biljana Pehrsson, CEO

PERFORMANCE ANALYSIS JANUARY–SEPTEMBER 2016

REVENUE, EXPENSES AND EARNINGS

Operating net increased by 10 per cent to SEK 1,212 million during the interim period. The increase primarily results from the fact that the portfolio now consists of a higher percentage of high quality office premises in the Stockholm area, which generates higher rental revenue. Profit from property management increased to SEK 755 (651) million. Profit per share was SEK 6.42 (6.67).

RENTAL REVENUE AND OTHER REVENUE

Rental revenue for the interim period increased by SEK 195 million compared to the same period last year and was SEK 1,824 (1,629) million.

Rental revenue for comparable holdings fell by SEK 13 million to SEK 1,418 (1,431) million. The decline is primarily attributable to having vacated project properties and a higher level of early-terminated leases in 2015. There was also a positive impact on rental revenue during the interim period of SEK 4 million from early redemption. Disregarding items affecting comparability, rental revenue for comparable holdings increased by SEK 23 million, which corresponds to 2 per cent.

Expressed per square metre on a 12-month rolling basis, rental revenue increased by SEK 124 to SEK 1,065 compared to the same period last year.

RENTAL REVENUE SEK m	SEK/sq. m. ¹ 2016 12-months rolling	SEK/sq. m. ¹ 2015 12-months rolling	Total 2016 Jul-Sep	Total 2015 Jan-Sep
Rental revenue	1,065	941	1,824	1,629

1. Rental revenue on a 12-month rolling basis less rental revenue of project properties divided by leasable area less the area of project properties.

“Other revenue” in the income statement on page 16 consists of revenue that is not associated with leasing and it amounts to SEK 4 (26) million. Total revenue thus amounts to SEK 1,828 (1,655) million.

PROPERTY COSTS

Property costs increased by 65 percent compared to the same period in 2015 and was SEK 616 (551) million. Of that amount, SEK 49 million pertains to the net acquisition of properties in 2015. The cost increase for comparable holdings was SEK 15 million, which mainly results from higher costs for media, maintenance and property taxes. Costs for property administration amounted to SEK 81 (75) million.

PROPERTY COSTS SEK m	SEK/sq. m. ¹ 2016 12-months rolling	SEK/sq. m. ¹ 2015 12-months rolling	Total 2016 Jul-Sep	Total 2015 Jan-Sep
Operations	170	153	340	311
Maintenance	45	44	84	79
Property tax and site leaseholds	54	42	110	86
Direct property costs	269	239	535	476
Property administration	45	41	81	75
Total	315	280	616	551

1. Property costs on a 12-month rolling basis divided by leasable area with a deduction for project properties.

OPERATING NET

Operating net increased by SEK 108 million, or 10 per cent, to SEK 1,212 (1,104) million. Net acquisition of properties contributed SEK 146 million to operating net, but for comparable holdings, operating net fell by SEK 37 million. Adjusted for items affecting comparability, rental revenue for comparable holdings increased by SEK 8 million. The surplus ratio for the interim period was 66.3 (66.7) per cent. Not including project properties, the surplus ratio was 67.3 (66.9) per cent.

SELLING AND ADMINISTRATION COSTS

Selling and administration costs amounted to SEK 81 (77) million during the interim period.

NET FINANCIAL ITEMS

Net financial items for the interim period amounted to SEK –377 (–376) million. Net financial items, not including profit or loss from participation in associated companies, improved to SEK –377 (–394) million. This was due to lower average borrowing costs compared to last year. This was possible even though the loan volume has increased substantially in 2016.

PROFIT FROM PROPERTY MANAGEMENT

Profit from property management increased to SEK 755 (651) million for the interim period. Disregarding profit from participation in associates in 2015, the increase was larger: from SEK 623 to SEK 725 million, or just over 21 per cent.

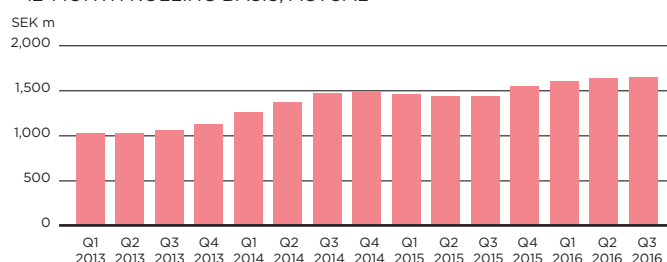
VALUE CHANGES

Value changes on property holdings amounted to SEK 1,212 (861) million, which is attributable to yield requirements that remain low and improved cash flows. Unrealised value changes on financial instruments was SEK –518 (81) million and it is attributable to falling interest rates, which, to a certain extent, was counterbalanced by scheduled interest payments on interest rate swaps.

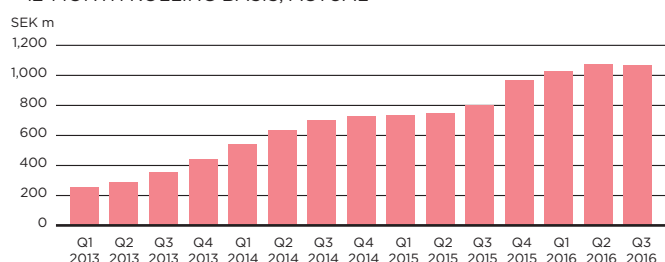
PROFIT FOR THE PERIOD

Profit for the period was SEK 1,169 (1,215) million. Tax for the interim period was SEK –280 (–378) million. Included in that amount is SEK 26 million for higher loss carry-forwards resulting from adjusted tax filings.

OPERATING NET, PROPERTIES – 12-MONTH ROLLING BASIS, ACTUAL



PROFIT FROM PROPERTY MANAGEMENT – 12-MONTH ROLLING BASIS, ACTUAL



EARNINGS CAPACITY

Earnings capacity reflects characteristics of the properties that were acquired at a certain point in time and those properties financial results, calculated over the past twelve months. This ratio facilitates assessment of the current property portfolio's underlying earnings capacity.

For properties that were held throughout the entire twelve-month period, the actual financial results during the period are used. Earnings capacity is not a forecast. Rather, it reflects characteristics of the properties that were acquired at a certain point in time and the financial results of those properties, calculated over the past twelve months. For properties that have been held for a period shorter than twelve months, an assessment is made based on a combination of annualized financial result and the acquisition computation. For

the cost component of earnings capacity, property administration costs are included.

As of the interim report for the first quarter of 2016, earnings capacity has been adjusted for any one-off items included in the reported results for the last twelve months. Earnings capacity does not take into consideration any information or assessments on future vacancies, changes in rent levels or value changes. Neither is the acquisition and divestiture of properties included in earnings capacity unless access was gained/the properties were vacated by the closing date.

The table below shows the earnings capacity of Kungsleden's property holdings as of 30 September 2016. Project properties are reported as a separate property category. Costs include SEK 115 million, which represents actual costs for property administrations during the last twelve months.

EARNINGS CAPACITY BY PROPERTY CATEGORY	Office	Industrial/ Warehouse	Retail	Other	Total excl. project properties	Project properties	Total properties
No. of properties	112	95	46	12	265	13	278
Leasable area, thousand sq. m.	1,141	1,093	207	40	2,481	127	2,608
Rental value, SEK m	1,562	723	207	45	2,538	129	2,667
Rental revenue, SEK m	1,427	679	194	41	2,341	88	2,428
Operating net, SEK m	913	495	133	23	1,563	30	1,593
Book value, SEK m	18,171	6,841	2,055	352	27,418	1,220	28,638
Economic occupancy rate, %	91.4	93.8	93.7	90.3	92.2	67.9	91.0
Occupancy rate, area wise, %	83.4	92.4	91.1	64.1	87.7	42.5	85.5
Surplus ratio, %	64.5	72.7	68.2	55.4	67.1	34.2	65.9
Property yield, %	5.0	7.2	6.5	6.5	5.7	2.5	5.6

EARNINGS CAPACITY BY REGION (EXCL. PROJECT PROPERTIES)

REGION STOCKHOLM	REGION GOTHENBURG	REGION MALMÖ	REGION MÅLARDALEN		
No. of properties	76	85	59	No. of properties	45
Leasable area, thousand sq. m.	796	604	419	Leasable area, thousand sq. m.	662
Rental value, SEK m	1,108	457	341	Rental value, SEK m	632
Rental revenue, SEK m	1,019	420	310	Rental revenue, SEK m	592
Operating net, SEK m	702	279	220	Operating net, SEK m	363
Book value, SEK m	13,586	4,425	3,726	Book value, SEK m	5,680
Economic occupancy rate, %	92.0	91.9	90.9	Economic occupancy rate, %	93.6
Occupancy rate, area wise, %	86.2	87.7	89.1	Occupancy rate, area wise, %	88.5
Surplus ratio, %	69.7	66.4	70.9	Surplus ratio, %	61.1
Property yield, %	5.2	6.3	5.9	Property yield, %	6.4

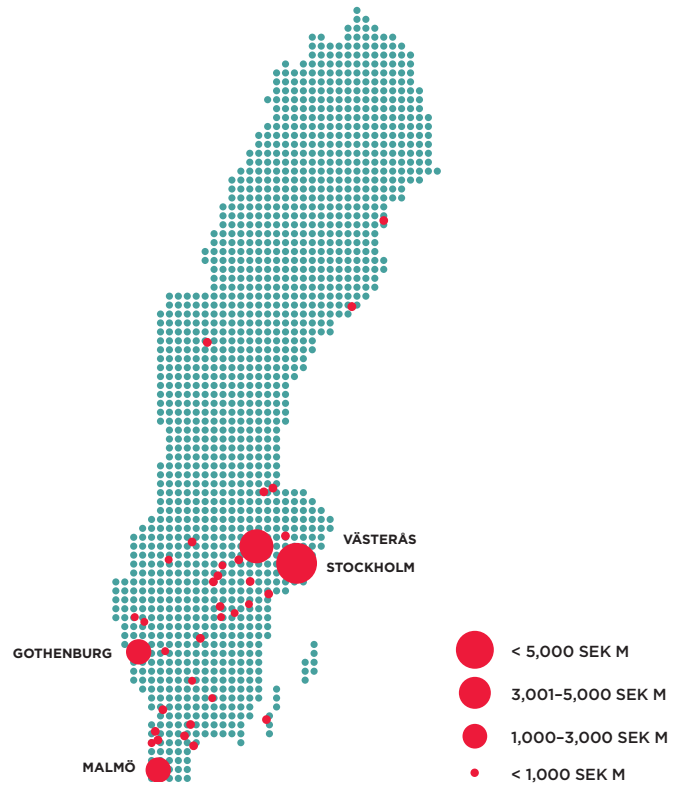
PROPERTIES

Kungsleden's activities are focused on long-term ownership, active management, improvement and development of commercial properties in selected growth markets. Composition of the portfolio, in terms of value, is 65 per cent office, 25 per cent industrial/warehouse and 9 per cent retail.

Our fundamental concept is to gather properties in clusters, so that we can adapt and sharpen our offering based on our tenants' needs while proactively helping to shape how the entire area develops.

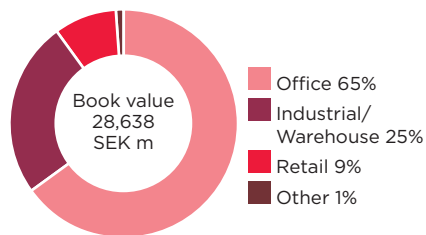
As of the end of September 2016, the portfolio consisted of 278 properties with a total leasable area of 2,608 thousand sq. m. and a rental value of SEK 2,667 million. The book value of holdings is SEK 28,638 million. For property holdings, the remaining term for rental agreements is, on average, 4.1 (4.3) years.

78 per cent of the properties are located in our priority growth markets of Stockholm, Gothenburg, Malmö and Västerås. 62 (51) per cent of the property value is attributable to our eleven clusters. After having vacated the properties that were divested in the third quarter, Kungsleden's ownership of property was concentrated to 59 municipalities.

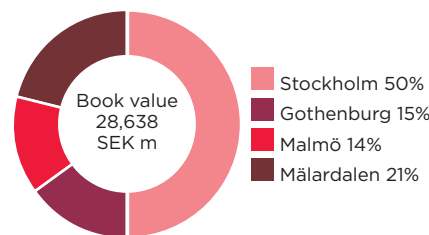


FROM 140 TO 59 MUNICIPALITIES SINCE 2013
THE ILLUSTRATION SHOWS THE BOOK VALUE OF HOLDINGS, BY MUNICIPALITY, AS OF 2016-09-30

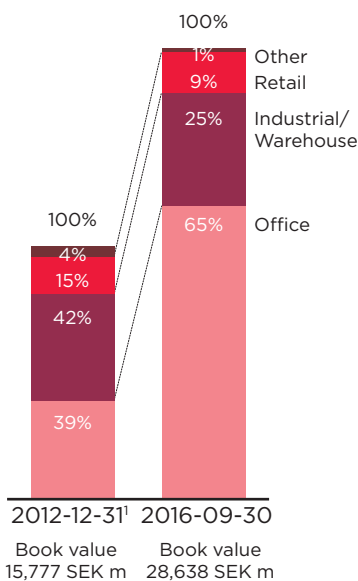
PROPERTY VALUE BY CATEGORY AS OF 30 SEPTEMBER



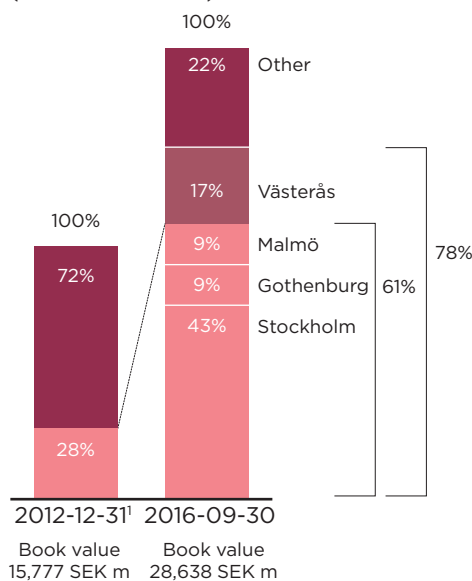
PROPERTY VALUE BY REGION AS OF 30 SEPTEMBER



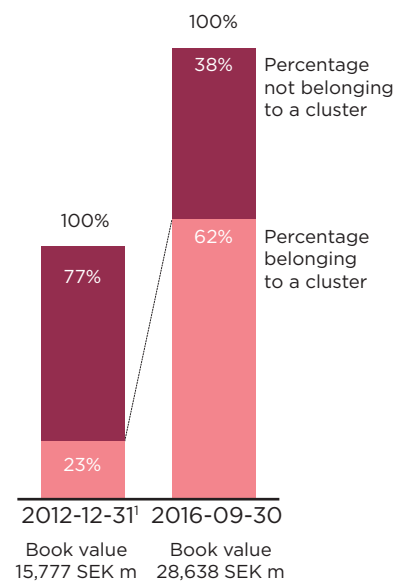
PROPERTY PORTFOLIO'S DEVELOPMENT BY CATEGORY



DEVELOPMENT OF PROPERTY PORTFOLIO METROPOLITAN CONCENTRATION (AS DEFINED BY SCB)



PERCENTAGE OF PROPERTIES BELONGING TO A CLUSTER



1. Kungsleden's new strategy is announced.

CHANGES IN THE PROPERTY PORTFOLIO

DEVELOPMENT OF PROPERTY HOLDINGS SEK m	2016 Jul-Sep	2016 Jan-Sep
Property at the beginning of the period	28,268	27,470
Acquisitions, access gained	0	173
Investments	160	357
Divested and vacated	-61	-545
Unrealised changes in value	271	1,183
Property at the end of the period	28,638	28,638

Kungsliden's efforts to optimise the property portfolio continue with divestment of properties that do not fit the strategy or that are not located in one of our prioritised municipalities. During the third quarter, eight properties were divested worth SEK 186 million and two properties worth SEK 63 million were vacated. Investments of SEK 160 million were made during the interim period.

During the interim period, January–September, 22 properties were divested worth SEK 761 million.

After having vacated the properties that were divested, Kungsliden's ownership of property was concentrated to 59 municipalities. 78 per cent of the portfolio is located in our priority markets of Stockholm, Gothenburg, Malmö and Västerås.

PROPERTY DIVESTMENT			
Property	Municipality	Divested on	Vacated on
Handelsmannen 1	Norrtälje	31 March 2016	1 July 2016
Storsten 2	Norrtälje	31 March 2016	1 July 2016
Total			SEK 63 million.
Yrkesskolan 6	Botkyrka	8 September 2016	4 October 2016
Generatoren 2	Motala	1 September 2016	30 November 2016
Torreulla 1:172	Mölnådal	1 September 2016	30 November 2016
Halla-Stenbacken 1:102	Uddevalla	1 September 2016	30 November 2016
Brynäs 34:8	Gävle	1 September 2016	30 November 2016
Torslunda 4:27	Mörbylånga	1 September 2016	30 November 2016
Lerum 1:20	Karlstad	1 September 2016	30 November 2016
Gripen 1	Arboga	1 September 2016	30 November 2016
Total			SEK 186 million

Valuation of the property portfolio

Kungsliden's entire property portfolio is valued each quarter.

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. In order to obtain quality assurance and verify its internal assessments, external valuations are carried out each quarter on approximately 25 per cent of the properties. This means that each property in the portfolio is the subject of external valuation at least once over a twelve-month period.

The valuation that was performed during the quarter resulted in positive unrealised value changes of SEK 271 million as of 30 September 2016. Improved operating net, lower yield requirements and investments that were made had a positive impact on the value of property holdings. Since 30 June 2016, the average yield requirement fell from 6.3 to 6.2 per cent.

The following is a breakdown of unrealised value changes during the quarter:

FACTORS IMPACTING VALUE DURING THE QUARTER	SEK m
Change in yield requirement	131
Change in operating net	150
Change in the assumptions about investments and other value-impacting factors	-10
Total	271



Högsbo cluster. Photographer: Paulina Westerlind

ACTIVE MANAGEMENT

While continually optimising the portfolio, we also review the organisation to identify ways of improving efficiency. Those efforts have led to the creation of a new market area – Norrköping/Linköping, which also includes Nyköping and Motala. A local office has been set up in Norrköping for this new market area and after year-end, it will become part of the Mälardalen management region. The organisation has also been fortified in Danderyd, with the addition of a new cluster office there.

High demand in priority markets

The demand for premises remains high, particularly in our priority markets. To improve our marketing of available space, we have started using the latest Virtual Reality technology.

During the interim period, 208 new leases were signed for a value of SEK 149 million. Items worth noting among the major new leases that were signed during the quarter are 2,000 sq. m. Grangården at Gumsbacken 12 in Nyköping, 3,000 sq. m. to the Swedish Migration Agency at Ottar 5 and Ottar 6 in Västerås City, 2,000 sq. m to the City of Gothenburg at Järnbrott 168:1 and 2,000 sq. m. to Lejonet & Björnen (new ice cream factory at Högsbo 29:2) in Gothenburg.

Notice of termination corresponding to SEK 100 million was received during the interim period. Comparatively, Mälardalen had a higher percentage of termination notices. This was partly because

several contracts with short lease terms were terminated by ABB. Net leasing for the interim period was SEK 49 (–2) million, of which SEK 40 million was attributable to properties belonging to a cluster. The strong performance of our clusters can be attributed to a high level of leasing at these select locations, along with Kungsleden’s focus on customer engagement and active management.

Lease agreements corresponding to a rental value of approximately SEK 53 million were renegotiated during the interim period. This resulted in a rental increase of SEK 4.4 million, or 8.2 per cent on average. The economic vacancy rate for the interim period was 9.3 (9.8) per cent.

SEK 149 (93) million

New leasing January–September 2016

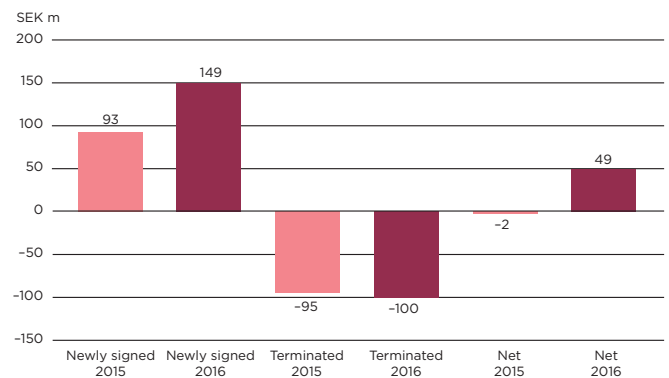
Lowering energy consumption

Active management also applies to sustainability issues like the environment and health & safety. Our goal to lower energy consumption – 3 per cent per year until 2020 – is important from both a responsibility and cost perspective. Energy consumption fell by 3 per cent during the interim period.

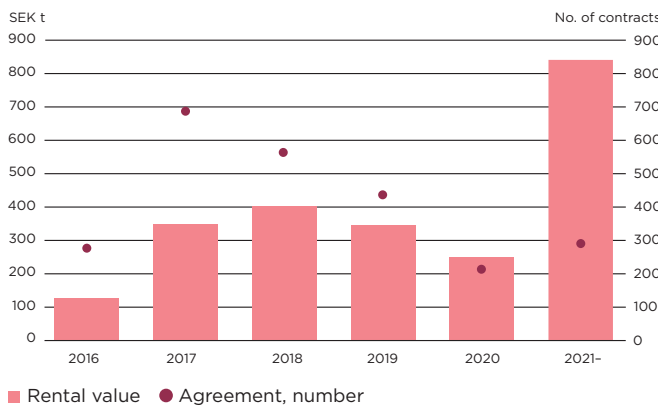
NET LEASING THIRD QUARTER, 2015 AND 2016¹



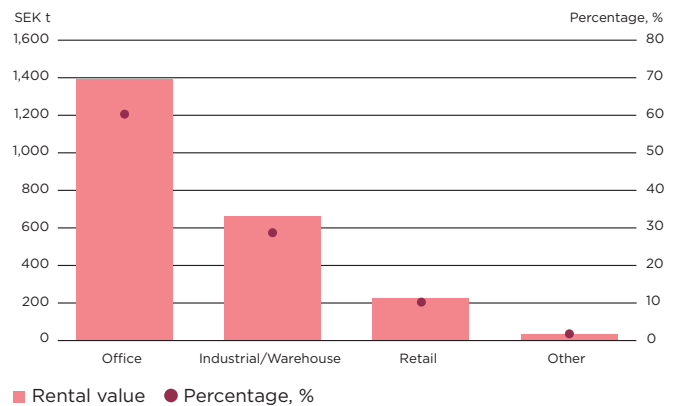
NET LEASING INTERIM PERIOD JAN-SEP 2015 AND 2016¹



MATURITY STRUCTURE OF LEASE AGREEMENTS¹ PER 30 SEP

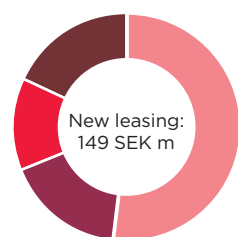


LEASE AGREEMENTS BY PROPERTY CATEGORY¹ PER 30 SEP



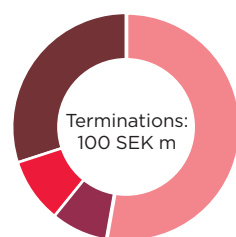
1. Excl. residential, parking and garage.

NEW LEASING BY REGION FOR INTERIM PERIOD JAN-SEPT 2016¹



Stockholm 52%
Gothenburg 17%
Malmö 13%
Mälardalen 18%

TERMINATIONS BY REGION FOR INTERIM PERIOD JAN-SEPT 2016¹



Stockholm 53%
Gothenburg 8%
Malmö 9%
Mälardalen 30%

1. Excl. residential, parking and garage.

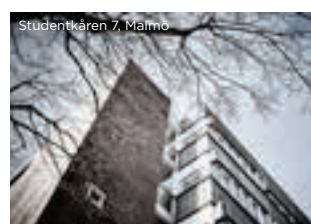
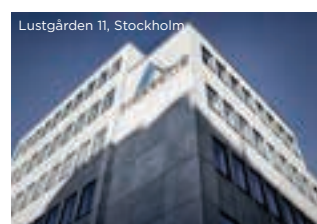
SURPLUS RATIO - 12-MONTH ROLLING BASIS, ACTUAL¹



1. As of the second quarter of 2015, properties are reported both including and not including project properties.

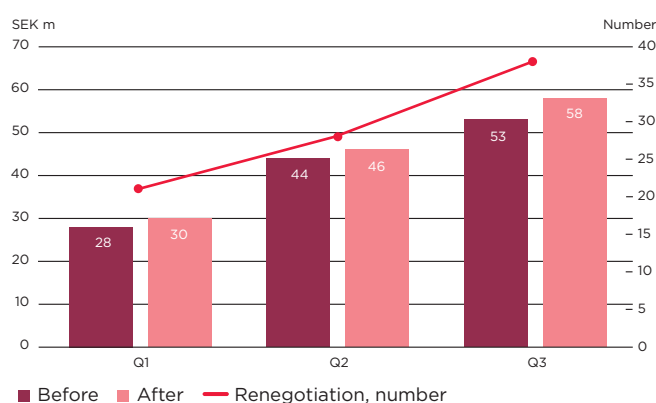
REGION, ACTUAL, JANUARY-SEPTEMBER 2016

Kungsleden has operations in the following four management regions: Stockholm, Gothenburg, Malmö and Mälardalen. Each region is responsible for daily management of the properties and developing each of the clusters in the region. This work occurs through close interaction between regional managers, asset managers, lease managers and the support functions (property development, transactions and communications & marketing).



KEY FIGURES, INCL. PROJECT PROPERTIES	REGION STOCKHOLM	REGION GOTHENBURG	REGION MALMÖ	REGION MÄLARDALEN	TOTAL PROPERTIES
No. of properties	81	85	60	52	278
Leasable area, thousand sq. m.	848	604	435	721	2,608
Rental value, SEK m	877	349	275	510	2,011
Rental revenue, SEK m	790	320	247	467	1,824
Operating net, SEK m	544	214	170	284	1,212
Book value, SEK m	14,322	4,425	3,904	5,987	28,638
Economic occupancy rate, %	90.0	91.7	90.1	91.5	90.7
Occupancy rate, area wise, %	84.8	88.0	88.4	86.7	86.7
Surplus ratio, %	68.7	67.0	68.5	60.7	66.3
Property yield, %	5.2	6.5	5.9	6.4	5.8
New leasing, SEK m	78	25	20	26	149

RENEGOTIATION, RENTAL VALUE – ACCUMULATED



Renegotiation of lease agreements during the interim period resulted in higher rental value of, on average, 8.2 per cent. In total, rental value increased for the renegotiated leases from SEK 53.3 to 57.7 million. A majority of the renegotiated leases pertain to properties located in a cluster and the highest share of renegotiations were in the Stockholm and Mälardalen regions as regards both rental value and number of renegotiated agreements.

PROPERTIES

CLUSTERS, ACTUAL, JANUARY–SEPTEMBER 2016

Kungsleden owns properties in eleven separate clusters, which have been created at specific, targeted locations. With properties in clusters, we are able to adapt our offering based on tenant needs, manage properties more efficiently and also proactively help shape how the entire area develops. We currently own properties in eleven clusters, six of which were acquired during the last three years (shown in red, below). The remaining five were created by combining existing holdings with new acquisitions over the last three years.

OUR ELEVEN CLUSTERS

Management region, Stockholm

Danderyd Offices (99,000 sq. m.)

Kista City (146,000 sq. m.)

Västberga industrial area (39,000 sq. m.)

Stockholm City, West (35,000 sq. m.)

Stockholm City, East (89,000 sq. m.)

Östersund (79,000 sq. m.)

Management region, Gothenburg

Högsbo (108,000 sq. m.)

Management region, Malmö

Fosie (54,000 sq. m.)

Hyllie/Svägertorp (30,000 sq. m.)

Management region, Mälardalen

Västerås City (153,000 sq. m.)

Finnslätten industrial area (236,000 sq. m.)

The demand for premises at our clusters remains high and there is a high level of activity in the property management organisation. Net leasing for our clusters amounted to SEK 40 million during the interim period, as compared to SEK 49 million for the entire portfolio. The performance of clusters is also outstanding as regards the economic occupancy rate on a 12-month rolling basis. It is 92.3 per cent for clusters, as compared to 90.9 per cent for the entire portfolio.

KEY FIGURES, NOT INCL. PROPERTY ADMINISTRATION ¹	CLUSTER	OTHER	TOTAL PROPERTIES
No. of properties	78	200	278
Leasable area, thousand sq. m.	1,070	1,539	2,608
Rental value, SEK m	1,094	917	2,011
Rental revenue, SEK m	1,005	819	1,824
Operating net, SEK m	715	578	1,293
Book value, SEK m	17,694	10,944	28,638
Economic occupancy rate, %	91.8	89.4	90.7
Occupancy rate, area wise, %	87.2	86.3	86.7
Surplus ratio, %	71.0	70.4	70.8
Property yield, %	5.6	7.0	6.1
New leasing, SEK m	108	41	149

1. Property administration amounted to SEK 81 million in total for the interim period.

NET LEASING FOR CLUSTERS AND OTHER PROPERTIES, 2016¹



1. Excl. residential, parking and garage.

SEK 40 million

Net leasing – Clusters, total

ECONOMIC OCCUPANCY RATE, 12-MONTH ROLLING, ACTUAL, CLUSTERS, OTHER PROPERTIES AND TOTAL



92.3%

Economic occupancy rate
12-month rolling, actual – Clusters

DEVELOPMENT PROJECTS

Kungsleden is currently involved in developing around 30 properties, 13 of which are categorized as development projects. At these properties, space is being held vacant, or will be vacated, short-term leased or demolished so that a major property development project can be carried out.

As of 30 September 2016, Kungsleden had four properties in the implementation stage (see below) with a total investment volume of SEK 826 million. Efforts are also underway to create strategic development plans for the clusters.

Blästern 14, Stockholm – implementation stage

At Blästern 14, Kungsleden and Nobis are creating a design hotel designed to be a city oasis.

Holar 1, Kista – implementation phase

Holar 1 in Kista is being converted into an apartment hotel and Kista Hotel Apartments holds the lease at this property. A majority of existing tenants are being moved to other properties in Kista, resulting in a decline in the vacancy rate at the Kista cluster of more than 4 per cent.

Enen 10, Södertälje – implementation stage

The old Södertälje municipality offices are being converted into modern office space. The façade and entrance have been completed and interior renovations are progressing as planned. ÅF moved in on 1 October 2016 and leases have also been signed with Actic and Tidemans Café.

Tegnér 15, Växjö – implementation stage

During the quarter, Tegnér 15 in Växjö entered the implementation stage. The vision is to remove the inner passages and create entrances from the street, thus moving away from the traditional shopping mall concept. The mall already has several popular shops, including Systembolaget, Apotek Hjärtat, Pressbyrån and Interflora. An agreement with a key tenant for 3,000 sq. m. of space was signed during the quarter. Renovation work will begin during the fourth quarter.

Building rights – new strategy

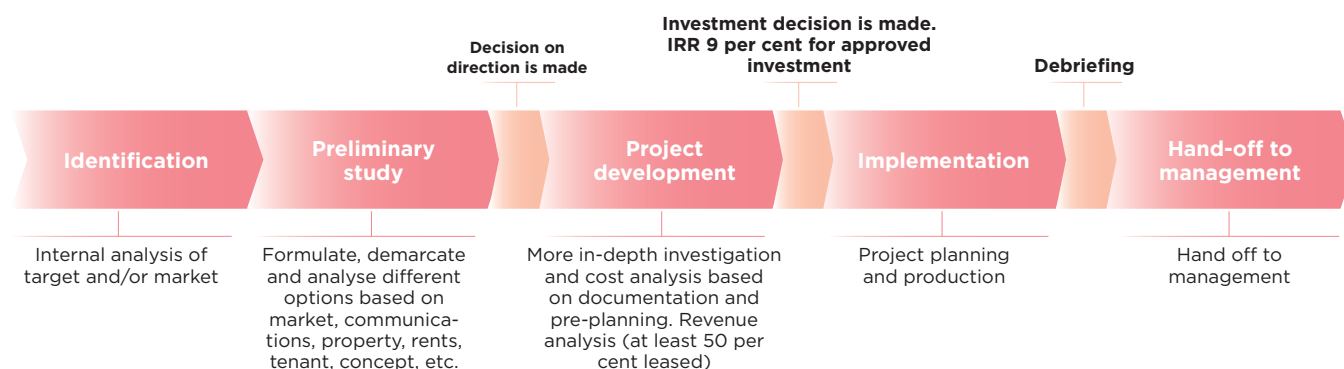
During the quarter, a strategy was formulated and adopted for Kungsleden’s building rights. Kungsleden will develop its building rights by identifying opportunities, working with local authorities on zoning issues and then selling the building rights. Potential building rights for housing is estimated at just over 450,000 sq. m. across seven cities. Zoning work and preliminary studies are being carried out at more than 20 properties in Gothenburg, Mölndal, Norrköping, Örebro, Västerås, Umeå and Stockholm.

450 thousand sq. m.

Existing and potential building rights

200 thousand sq. m.

Existing and potential commercial building rights



CATEGORY 1 - INVESTMENT DECISION MADE/IMPLEMENTATION STAGE

Property	Segment	Municipality	Completed	Leasable area, sq. m.	Investment amount, SEK m	Capitalised total, SEK m	Of which 2016, SEK m
Enen 10	Office	Södertälje	Stage 1 2016/ Stage 2 2018	6,000	125	52.2	47.8
Blästern 14	Hotel	Stockholm	Stage 1 2018/ Stage 2 2021	16,700	423	21.0	12.3
Holar 1	Hotel	Stockholm	2018	6,000	128	3.6	3.1
Tegnér 15	Retail	Växjö	2017/2018	16,500	150	3.6	3.6
Total				45,200	826	80.4	66.8

CATEGORY 2 - DECISION MADE ON DIRECTION/LEASING AND PROJECT PLANNING

Property	Segment	Municipality	Completed	Leasable area, sq. m.	Investment amount, SEK m
Gallerian (4 properties)	Retail	Eskilstuna	2018	29,000	190
Skiftinge 1:3	Retail	Eskilstuna	2018	25,000	240

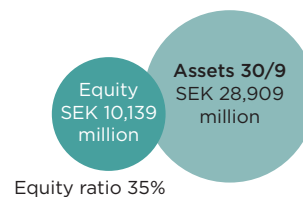
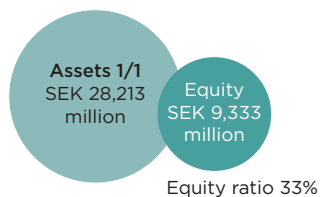
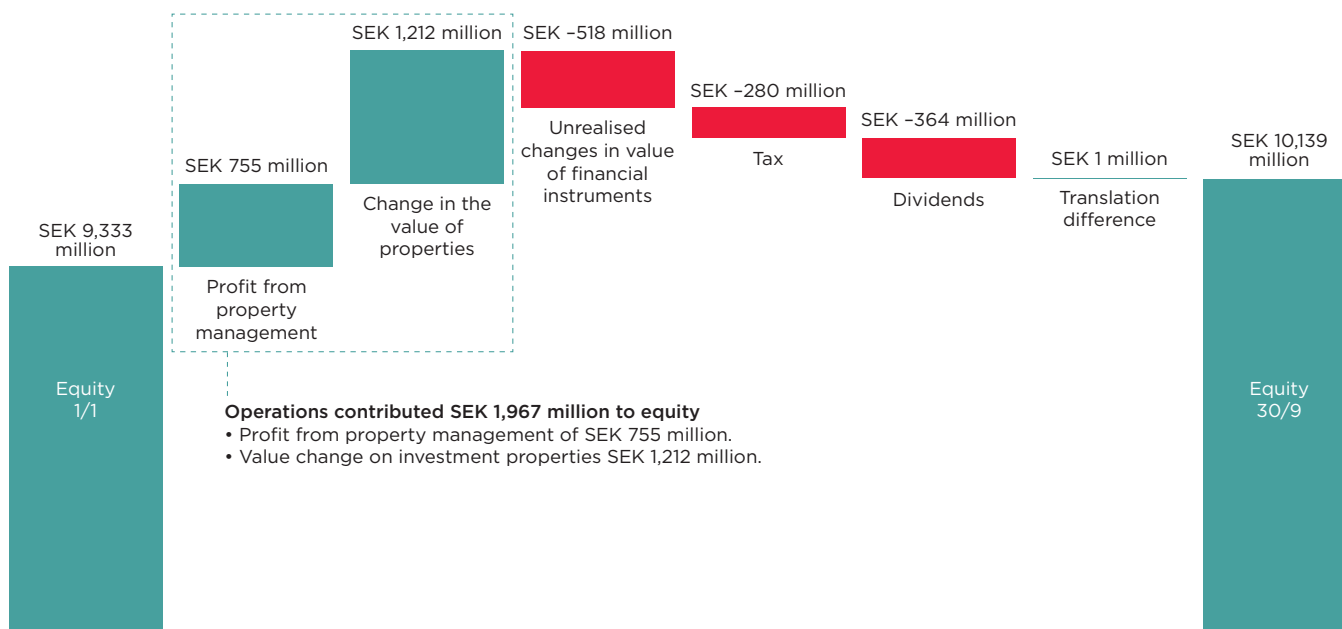
CATEGORY 3 - PRELIMINARY STUDY/PLANNING

Property	Segment	Municipality	Project area, sq. m BTA	Zoning changes are required
Aspgården 18	Residential	Umeå	23,000	Yes
Målaren 17	Residential/Office	Örebro	30,000-40,000	Yes
Veddesta 2:65 and others	Residential/Office	Järfälla	40,000-50,000	Yes
Verkstaden 7	Residential/Office/Retail	Västerås	50,000-70,000	Yes

FINANCING

EQUITY AND FINANCIAL POSITION

As of the end of the period, equity was SEK 10,139 (9,333) million, or SEK 56 (51) per share. This corresponds to an equity ratio of 35 (33) per cent. Kungsleden requires that its equity ratio is at least 30 per cent.



BORROWINGS AND LIQUIDITY

At the beginning of the third quarter, Kungsleden obtained a ten-year loan for SEK 630 million from institutional investors. Collateral was provided in the form of real estate. The loan carries a 3 per cent fixed interest rate and it was acquired as a replacement to bank loans. Having secured loans outside the banking system helps create a more comprehensive funding base for Kungsleden and it also lengthens the average maturity on interest-bearing liabilities at an attractive financing cost.

The three-year, unsecured bond loan that was issued at the start of the second quarter temporarily increased Kungsleden's borrowings until September, when the funds were used for early redemption of an older bond loan scheduled to mature in December 2016.

Towards the end of the third quarter, Kungsleden, issued commercial paper for the first time as part of its new program, the scope of which is SEK 2,000 million. Thus far, commercial paper for SEK 1,080 has been issued at an average interest rate of 0.37 per cent. Funds from the issue of commercial paper will be used to amortise more expensive credit facilities at banks, thereby helping to keep average borrowing costs down.

For the entire third quarter, Kungsleden's interest-bearing liabilities fell by SEK 1,048 million to SEK 16,619 million. Net debt remained essentially unchanged at SEK 16,579 million as compared to SEK 16,660 million at the end of the second quarter. The Group's loan-to-value (LTV), measured as interest-bearing liabilities (reported net after deduction for cash and bank balances) in relation to prop-

erty assets, thus continued to fall and it was 58 (62) per cent. Taking into consideration loans for which collateral has been pledged, the LTV was 54 (58) per cent. As of 30 September 2016, disposable liquidity including bank overdraft facilities and unutilised credit facilities amounted to SEK 1,147 (1,057) million, of which the cash balance was SEK 41 (441) million.

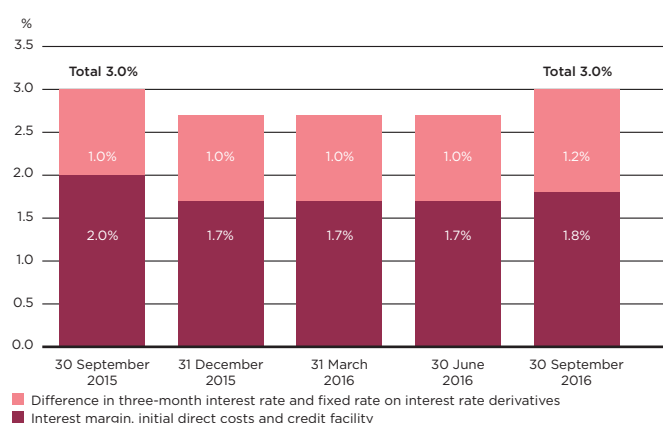
FINANCING COSTS

In 2016, the Group's loan volume has been, on average, SEK 3–4 billion more than the previous year. This is due to a higher level of borrowing to finance the property acquisitions that were made in 2015. Nevertheless, financing costs for the interim period are SEK 18 million less than they were in the same period last year, not including the profit from participation in associated companies. The reason for this is that new loans and refinancing in 2015 were, to a large extent, on very good terms. In addition, old, expensive interest rate swaps were redeemed in 2016.

However, during the third quarter of 2016, financing costs increased somewhat compared to the previous quarter (SEK +9 million) and compared to the same quarter last year (SEK +14 million). This was because the loan volume was, at certain times during the third quarter, temporarily very large due to issuance of the three-year bond loan and the ten-year secured loan mentioned above. Furthermore, during the third quarter, the STIBOR 90-day interest rate reached a new low point, causing a rise in variable interest on the interest rates swaps used by Kungsleden to manage

interest rate risk. Accordingly, the average interest rate rose slightly for the quarter and was 3.0 per cent. For the average interest rate, 1.2 percentage points represents the difference between the 3-month interest rate and fixed interest for interest rate swaps. That component has become slightly more expensive due to STIBOR 90 days falling to an even lower negative amount during the quarter. The average credit margin on bank loans and bonds represented 1.8 percentage points, including accrued arrangement fees and commitment fees.

AVERAGE INTEREST RATE



The average interest rate is calculated by setting the interest costs for loans and interest rate 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.

MANAGING INTEREST RATE RISK

In order to stabilise cash flows and profit from property management, Kungsliden strives to have low exposure to higher interest costs that would result from a rise in short-term interest rates. The Group therefore uses, to a certain extent, loans with fixed interest and primarily interest rate swaps to manage interest rate risk.

Taking interest rate swaps into consideration (nominal amount SEK 12,030 million), 71 per cent of the interest-bearing liabilities have a fixed interest term longer than one year. The average fixed-interest period increased during the quarter to 3.7 years. With this level of interest rate hedging, there is only a marginal impact on net financial items from rising short-term interest rates. In fact, the effect on net financial items for the next twelve months would be positive, by around SEK 36 million, if STIBOR 90 days were to increase by one percentage point. This is because the variable interest on interest rate swaps is linked to STIBOR and it therefore becomes less negative when STIBOR moves in an upward direction towards zero.

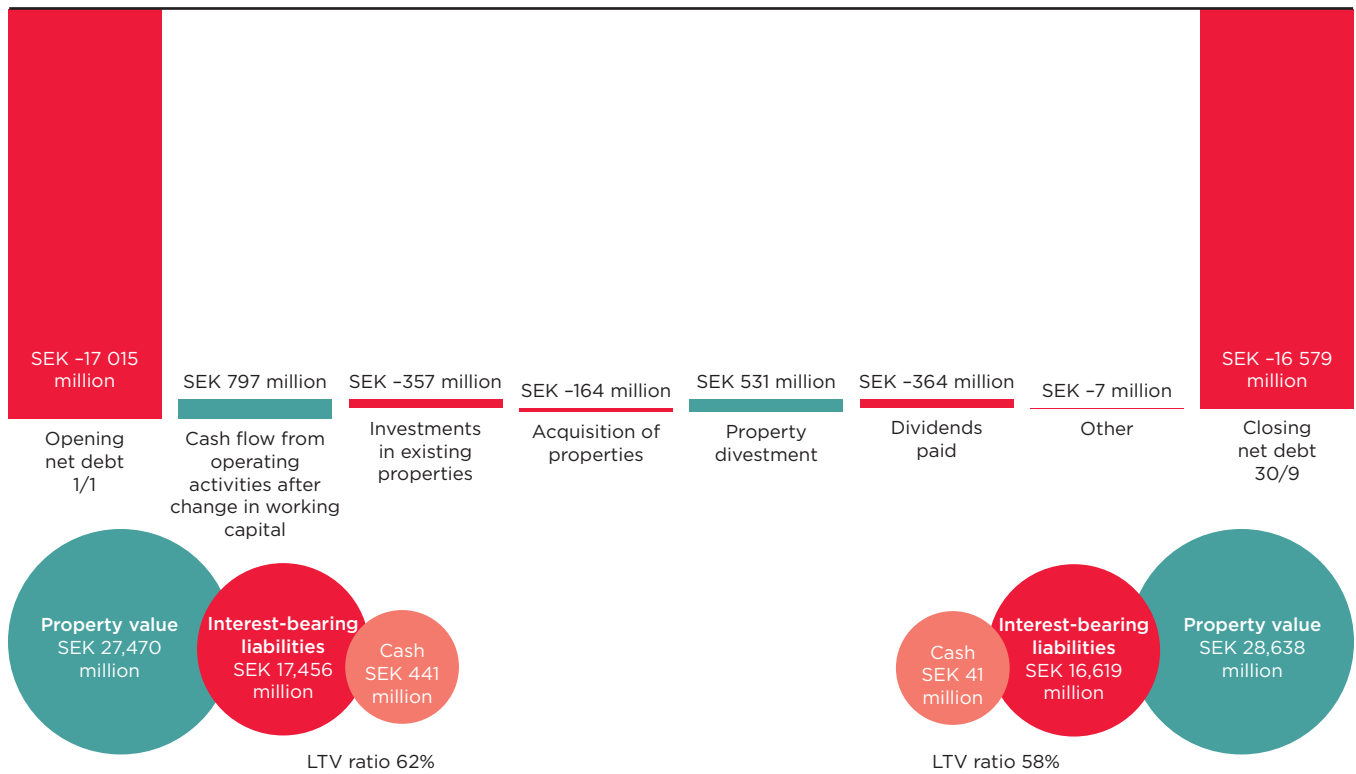
Due to the fall in long-term interest rates since the beginning of the year, there has been an increase in the negative market value of the interest rate swap portfolio to SEK -864 million as of 30 September, compared to SEK -347 million at the start of the year. This undervalue is gradually reduced at the rate that Kungsliden makes its interest rate payments in accordance with the interest rate swap agreement, which has a positive impact on profit before tax and equity. Once all swaps have expired, the undervalue will have been eliminated. Kungsliden has concluded that there is no significant difference between the book value and fair value of interest-bearing liabilities.

MATURITY STRUCTURE, LOANS AND INTEREST RATE DERIVATIVES

As of 30 September 2016, SEK m	Loans	Unutilised credits	Total credits	Interest rate derivatives	Average interest rate for derivatives, %	Average remaining fixed-interest term, years
2016	59	191	250			
2017	1,479	1,993 ¹	3,472	910	0.0	
2018				1,000	0.2	
2019	7,890		7,890	1,000	0.5	
2020	4,729		4,729	2,770	0.6	
2021				1,800	0.8	
2022	1,832		1,832	3,500	1.4	
2023						
2024				1,050	4.6	
2025						
2026						
2027	630		630			
Total	16,619	2,184	18,803	12,030		3.7
Average remaining maturity, years	3.2		2.9			

1. Of which SEK 1,080 million is backup for issued commercial paper.

CHANGE IN NET DEBT DURING THE INTERIM PERIOD



Danderyd Offices cluster. Photographer: Paulina Westerlind

OTHER INFORMATION

ORGANISATION AND EMPLOYEES

The average number of employees was 109 (99) in the third quarter of 2016.

PARENT COMPANY

The parent company reported a loss of SEK –368 (256) million for the interim period. The loss results from dividends received from subsidiaries of SEK 1,766 million, along with the resulting impairment of shares equal to SEK –1,752 million. During the interim period, the undervalue of the Group's interest rate swap agreements increased by SEK –469 million when longer term interest rates fell during the period along with deferred tax revenue of SEK 103 million attributable to the undervalue of the swap agreement. An amount of SEK 38 million has been recognised in tax on profit for the interim period. It is partly related to a positive decision from the Swedish Tax Agency pertaining to unutilised loss carry-forwards.

Assets at the end of the interim period primarily consisted of participations in Group companies for SEK 4,398 (6,052) million and receivables from Group companies of SEK 12,070 (11,403) million. Financing was obtained from equity for SEK 6,106 (7,205) million, liabilities to Group companies for SEK 7,902 (9,553) million and external liabilities for SEK 2,988 (2,418) million. The equity ratio at the end of the interim period was 36 (38) per cent.

ACCOUNTING PRINCIPLES

The consolidated financial statements for the interim period have 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.

Preparation has also been in accordance with the applicable requirements stated in the Annual Accounts Act and the Swedish Securities Market Act. For both the Group and parent company, the same accounting principles and bases of calculation have been applied as in the most recent annual report. Disclosures in accordance with paragraph 16A of IAS 34 have been provided in the financial state-

RISKS AND UNCERTAINTIES

Kungsliden's operations, earnings and financial position are impacted by certain risks and uncertainties. They are primarily related to properties, taxation and financing. There have not been any significant changes in these risks and uncertainties during the third quarter of 2016.

More information about Kungsliden's risks and risk management efforts is available on pages 47 and 67 of the Annual Report for 2015.

SEASONAL FLUCTUATIONS

To a certain extent, property costs are affected by seasonal fluctuations, partly stemming from the operational costs for heating and property maintenance, which tend to be higher in both the first and fourth quarters of the year. Maintenance costs are typically higher in the second and fourth quarter. They are lower in the third quarter because this is the vacation period and also in the first quarter, since it is difficult to carry out maintenance activities during the height of winter.

INFORMATION BASED ON FORECASTS

Some of the reported items in this interim report are based on forecasts and actual outcomes could differ significantly. In addition to items specifically discussed, other factors could have a significant impact on actual outcomes, such as the economic growth rate, interest rates, financing terms, the yield requirements on property, and political decisions.



Västerås cluster. Photographer: Paulina Westerlind



INCOME STATEMENT

SEK m	Quarter		Interim period		12 months	
	2016 Jul-Sep	2015 Jul-Sep	2016 Jan-Sep	2015 Jan-Sep	2015/2016 Oct-Sep	2015 Jan-Dec
Rental revenue	603	562	1,824	1,629	2,433	2,238
Other revenue	2	8	4	26	53	76
Property costs	-178	-161	-616	-551	-833	-769
Operating net	428	409	1,212	1,104	1,653	1,545
Selling and administration costs	-29	-26	-81	-77	-109	-106
Net financial items						
Financial income	0	3	0	9	3	11
Interest expenses	-121	-107	-353	-365	-447	-459
Share in profits of associated companies	-	7	-	19	6	24
Other financial costs	-9	-12	-24	-39	-35	-50
	-130	-109	-377	-376	-474	-473
Profit from property management	269	274	755	651	1,070	966
Value change						
Profit (loss) on sales Nordic Modular Group	-	-	-	-	-	24
Profit (loss) on property sales	2	-	29	5	60	11
Unrealised changes in value of properties	271	202	1,183	856	1,297	970
Unrealised changes in value of financial instruments	-32	-61	-518	81	-423	176
	241	141	695	942	934	1,181
Profit (loss) before tax	510	415	1,449	1,592	2,004	2,147
Tax						
Current tax	-1	1	-1	0	-1,306	-1,305
Deferred tax	-109	-93	-279	-378	-238	-337
	-110	-93	-280	-378	-1,544	-1,642
Profit (loss) for the period	400	322	1,169	1,215	460	505
Earnings per share	2.20	1.77	6.42	6.67	2.53	2.78

STATEMENT OF COMPREHENSIVE INCOME

SEK m	Quarter		Interim period		12 months	
	2016 Jul-Sep	2015 Jul-Sep	2016 Jan-Sep	2015 Jan-Sep	2015/2016 Oct-Sep	2015 Jan-Dec
Profit/loss for the period	400	322	1,169	1,215	460	505
Other comprehensive income						
Translation gains/losses for the period, on consolidation of foreign operations	0	-1	1	0	1	-1
Comprehensive income for the period¹	400	321	1,170	1,215	461	504

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

STATEMENT OF FINANCIAL POSITION - IN SUMMERY

SEK m	30/09/2016	30/09/2015	31/12/2015
ASSETS			
Non-current assets			
Intangible assets	8	-	5
Investment properties	28,638	24,346	27,470
Tangible fixed assets	10	9	10
Participations in associated companies	-	115	-
Other non-current receivables	4	182	6
Total non-current assets	28,659	24,651	27,491
Current assets			
Current receivables	209	198	232
Derivatives ^{1,2}	-	9	49
Cash and bank	41	1,035	441
Total current assets	250	1,242	722
TOTAL ASSETS	28,909	25,893	28,213
EQUITY AND LIABILITIES			
Equity	10,139	10,043	9,333
Interest-bearing liabilities			
Liabilities to credit institutions	13,934	12,332	16,381
Bond loans (unsecured)	975	1,675	1,075
Other borrowings	1,710	-	-
Total interest-bearing liabilities	16,619	14,007	17,456
Non interest-bearing liabilities			
Provisions	5	5	5
Deferred tax liability ³	553	359	287
Derivatives ^{1,2}	864	733	395
Other non interest-bearing liabilities	729	746	737
Total non interest-bearing liabilities	2,151	1,843	1,423
TOTAL EQUITY AND LIABILITIES	28,909	25,893	28,213

1. As of 2016, the gross amount of derivatives has been reported in the balance sheet. Comparison figures have therefore been recalculated.

2. Kungsliden uses derivatives to hedge interest rate risk, primarily for interest rate swaps. These financial instruments are measured at fair value in the statement of financial position among derivatives and the change in value is recognised in profit or loss. Valuation of derivatives is done using techniques where the input is observable market data (Level 2).

3. Received deduction for deferred tax when purchase of properties via company (asset deal) are reported as a deduction to the balance sheet item investment properties, for SEK -366 million. The resulting total impact on financial position is SEK -919 million for deferred tax.

STATEMENT OF CHANGES IN EQUITY - IN SUMMERY

SEK m	30/09/2016	30/09/2015	31/12/2015
At the beginning of the period	9,333	9,102	9,102
Dividends	-364	-273	-273
Comprehensive income for the period	1,170	1,215	504
Total equity	10,139	10,043	9,333

STATEMENT OF CASH FLOWS – IN SUMMERY

SEK m	Quarter		Interim period		12 months	
	2016 Jul-Sep	2015 Jul-Sep	2016 Jan-Sep	2015 Jan-Sep	2015/2016 Oct-Sep	2015 Jan-Dec
OPERATIONS						
Profit from property management	269	274	755	651	1,070	966
Adjustments for items not included in cash flow	0	-8	-9	-42	30	-3
Tax paid	0	0	0	-1	-1,305	-1,306
Cash flow before changes in working capital	269	265	746	608	-205	-343
Changes in working capital	-88	153	51	116	-249	-184
Cash flow after changes in working capital	181	419	797	724	-454	-527
INVESTING ACTIVITIES						
Investments in existing properties	-161	-113	-357	-261	-546	-450
Acquisition of properties	0	-834	-164	-4,187	-2,921	-6,944
Divestment of properties	64	-	531	1,860	645	1,974
Other property, plant and equipment/intangible assets, net	-1	0	-6	0	-15	-9
Financial assets, net	0	1	0	-598	49	-549
Cash flow from investing activities	-98	-946	4	-3,186	-2,788	-5,978
FINANCING ACTIVITIES						
Dividends	-	-	-364	-273	-364	-273
Repayment of loan	-2,815	-184	-3,604	-3,002	-4,309	-3,706
New loans	1,767	1,135	2,767	5,334	6,921	9,488
Cash flow from financing activities	-1,048	951	-1,202	2,059	2,248	5,509
CASH FLOW FOR THE PERIOD	-966	424	-400	-402	-994	-996
Cash equivalents at the beginning of the period	1,007	611	441	1,437	1,035	1,437
Exchange rate differences on cash equivalents	0	0	0	0	0	0
Cash equivalents at the end of the period	41	1,035	41	1,035	41	441

SEGMENT REPORT

Region	Stockholm		Gothenburg		Malmö		Mälardalen		Non-Allocated Items		Total	
	2016 Jan-Sep	2015 ¹ Jan-Sep	2016 Jan-Sep	2015 ¹ Jan-Sep	2016 Jan-Sep	2015 ¹ Jan-Sep	2016 Jan-Sep	2015 ¹ Jan-Sep	2016 Jan-Sep	2015 Jan-Sep	2016 Jan-Sep	2015 Jan-Sep
SEK m												
Revenue	792	606	320	316	248	258	469	474			1,828	1,655
Property costs	-248	-194	-105	-104	-78	-74	-184	-179			-616	-551
Operating net	544	412	214	212	170	185	284	295			1,212	1,104
Selling and administration costs									-81	-77	-81	-77
Net financial items									-377	-376	-377	-376
Profit from property management	544	412	214	212	170	185	284	295	-457	-453	755	651
Value change												
Profit (loss) on sales									29	5	29	5
Unrealised changes in value of properties									1,183	856	1,183	856
Unrealised changes in value of financial instruments									-518	81	-518	81
Profit (loss) before tax	544	412	214	212	170	185	284	295	237	488	1,449	1,592
Tax									-280	-378	-280	-378
Profit/loss for the period	544	412	214	212	170	185	284	295	-43	111	1,169	1,215

1. Changes were made to the regional allocation of properties compared to 2015. Comparison figures have therefore been recalculated.

KEY FIGURES

	Quarter		Interim period		12 months	
	2016 Jul-Sep	2015 Jul-Sep	2016 Jan-Sep	2015 Jan-Sep	2015/2016 Oct-Sep	2015 Jan-Dec
Property related						
<i>Earnings capacity</i>						
Property yield, %					5.6	6.2
Economic occupancy rate, % ¹					91.0	89.2
Operating surplus margin, %					65.9	67.5
<i>Outcome</i>						
Property yield, %	6.0	6.9	5.8	6.7	6.2	6.6
Economic occupancy rate, % ¹	90.7	90.6	90.7	90.2	90.9	90.6
Operating surplus margin, %	70.6	71.8	66.3	66.7	66.5	66.8
Rental revenue, SEK/sq. m. ²					1,065	987
Property cost, SEK/sq. m.					315	287
Financial						
Return on total assets, %	5.5	6.1	5.4	5.6	5.9	5.8
Return on equity, %	16.1	13.0	16.0	16.9	4.6	5.5
Interest coverage ratio, times	3.1	3.3	3.0	2.6	3.2	2.9
Equity ratio, %					35.1	33.1
Debt/equity ratio, times					1.6	1.9
LTV (loan-to-value), %					57.9	61.9
Per share information³						
Dividend, SEK					2.00	1.50
Total return on shares, %					15.1	9.7
Property yield on shares, %					3.2	2.5
Profit from property management, SEK	1.48	1.51	4.15	3.57	5.88	5.31
Net profit/loss for the period, SEK	2.20	1.77	6.42	6.67	2.53	2.78
Equity, SEK					55.71	51.28
EPRA NAV (long-term net asset value), SEK					65.50	56.76
Cash flow before changes in working capital, SEK	1.48	1.46	4.10	3.34	-1.13	-1.88
Outstanding shares at the end of the period ⁵	182,002,752	182,002,752	182,002,752	182,002,752	182,002,752	182,002,752
Average number of shares ³	182,002,752	182,002,752	182,002,752	182,002,752	182,002,752	182,002,752

1. The definition for economic occupancy rate has changed. Comparison figures have been restated. See page 22 for current definitions.

2. Rental revenue/sq. m. less rental revenue of project properties divided by leased area less the area of project properties.

3. Before and after dilution. The average number of shares for Q3 2016 was 182,002,752 (182,002,752) and for the period October–September 2015/2016 it was 182,002,752 (182,002,752).

QUARTERLY SUMMARY

INCOME STATEMENTS, IN SUMMARY

SEK m	2016				2015				2014
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	
Revenue	606	609	614	659	570	560	525	524	
Operating net	428	397	388	441	409	362	333	338	
Selling and administration costs	-29	-27	-25	-28	-26	-27	-24	-33	
Net financial items	-130	-121	-126	-97	-109	-132	-134	-151	
Profit from property management	269	250	236	316	274	202	175	154	
Profit (loss) from sales	2	29	-2	30	-	1	4	0	
Unrealised gains/losses on property	271	386	526	114	202	411	243	595	
Unrealised changes in value of financial instruments	-32	-183	-302	95	-61	187	-45	-107	
Profit (loss) before tax	510	482	458	555	415	801	377	642	
Tax	-110	-98	-73	-1,264	-93	-205	-81	-144	
Net profit/loss for the period, continuing operations	400	384	385	-709	322	596	296	499	
Profit/loss from discontinued operations	-	-	-	-	-	-	-	-128	
Net profit/loss for the period, continuing and discontinued operations	400	384	385	-709	322	596	296	371	

FINANCIAL POSITION, IN SUMMARY

SEK m	2016				2015				2014
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	
ASSETS									
Intangible assets	8	8	7	5	-	-	-	-	
Investment properties	28,638	28,268	27,785	27,470	24,346	23,259	21,700	19,612	
Tangible fixed assets	10	10	10	10	9	7	8	8	
Deferred tax receivable	-	-	-	-	-	-	-	31	
Participations in associated companies	-	-	-	-	115	108	102	-	
Other non-current receivables	4	5	5	6	182	183	184	9	
Total non-current assets	28,659	28,290	27,807	27,491	24,651	23,556	21,993	19,661	
Current receivables	209	239	260	232	198	227	203	141	
Derivatives	-	-	5	49	9	-	-	-	
Assets held for sale - modular buildings and property used in business operations	-	-	-	-	-	-	-	1,428	
Assets held for sale - other	-	-	-	-	-	-	-	372	
Cash and bank	41	1,007	822	441	1,035	611	298	1,437	
Total current assets	250	1,246	1,087	722	1,242	838	501	3,379	
TOTAL ASSETS	28,909	29,537	28,894	28,213	25,893	24,394	22,494	23,040	
EQUITY AND LIABILITIES									
Equity	10,139	9,739	9,719	9,333	10,043	9,720	9,398	9,102	
Interest-bearing liabilities									
Liabilities to credit institutions	13,934	15,992	16,194	16,381	12,332	11,381	9,412	9,613	
Bond loans (unsecured)	975	1,675	1,075	1,075	1,675	1,675	1,699	1,699	
Other borrowings	1,710	-	-	-	-	-	-	-	
Liabilities related to assets held for sale	-	-	-	-	-	-	-	362	
Total interest-bearing liabilities	16,619	17,667	17,269	17,456	14,007	13,056	11,111	11,675	
Non interest-bearing liabilities									
Provisions	5	5	5	5	5	5	5	5	
Deferred tax liability	553	444	357	287	359	265	63	-	
Derivatives	864	833	654	395	733	663	1,179	1,134	
Other non interest-bearing liabilities	729	849	890	737	746	686	738	658	
Liabilities related to assets held for sale	-	-	-	-	-	-	-	467	
Total non interest-bearing liabilities	2,151	2,131	1,906	1,423	1,843	1,618	1,985	2,264	
TOTAL EQUITY AND LIABILITIES	28,909	29,537	28,894	28,213	25,893	24,394	22,494	23,040	

PARENT COMPANY INCOME STATEMENT – IN SUMMERY

SEK m	Quarter		Interim period		12 months	
	2016 Jul-Sep	2015 Jul-Sep	2016 Jan-Sep	2015 Jan-Sep	2015/2016 Oct-Sep	2015 Jan-Dec
Intra-Group income	11	6	34	31	46	43
Administration costs	-11	-4	-33	-26	-47	-40
Operating profit (loss)	0	2	1	5	-1	3
Profit (loss) from financial items	-1,804	-73	-507	256	437	1,200
Profit (loss) before tax	-1,804	-71	-506	261	436	1,203
Tax on net profit/loss for the period	10	98	138	-5	-1,170	-1,313
Profit/loss for the period	-1,794	27	-368	256	-734	-110

BALANCE SHEET, PARENT COMPANY – IN SUMMERY

SEK m	30/09/2016	30/09/2015	31/12/2015
ASSETS			
Participations in Group companies	4,398	6,095	6,036
Participations in associated companies	-	96	-
Receivables from Group companies	12,070	11,403	9,712
Other receivables	517	579	390
Cash and cash equivalents	11	1,003	376
TOTAL ASSETS	16,996	19,176	16,514
EQUITY AND LIABILITIES			
Equity	6,106	7,205	6,839
Non-current liabilities	602	1,677	377
Liabilities to Group companies	7,902	9,553	8,191
Other liabilities	2,386	741	1,107
TOTAL EQUITY AND LIABILITIES	16,996	19,176	16,514

STOCKHOLM, 19 OCTOBER 2016

Biljana Pehrsson, *CEO*

The information was made public on 19 October 2016 at 07.00.

This interim report has been reviewed by the company's auditors. This is a translation of an original document in Swedish. In case of dispute, the original document should be taken as authoritative. Or, contact the company directly.

REVIEW REPORT

To the board of directors of Kungsleden AB (publ)
Corporate identity number 556545-1217

INTRODUCTION

We have reviewed the condensed interim report for Kungsleden AB as at September 30, 2016 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do

not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm 19 October 2016
Ernst & Young AB

Ingemar Rindstig
Authorized Public
Accountant

Jonas Svensson
Authorized Public
Accountant

DEFINITIONS

Property related key ratios

Occupancy rate, area wise¹

Leased area divided by leasable area.

Property yield

Ratio used to show the return on operating net in relation to the value of property.

Yield for earnings capacity

Operating net, in relation to the book value for properties at the end of the accounting period.

Yield for actual amount

Operating net in relation to the average book value of properties. For interim period closings, the yield is recalculated to full-year basis. Average book value of properties is calculated as the sum of opening and closing balances divided by two.

Operating and maintenance costs, SEK per sq. m.

Operating and maintenance costs divided by the average for leasable space.

Operating net¹

Total revenue less property costs.

Economic vacancy rate

Assessed market rent for unleased space divided by rental value.

Economic occupancy rate

This figure is used to help facilitate the assessment of rental revenue in relation to the total value of available, unleased space. It is calculated as rental revenue divided by rental value.

Profit from property management

Profit from property management is a performance measure used to facilitate comparability within the property sector. It equals the sum of operating net, selling and administration costs and net financial items.

Average remaining contract length

The remaining contract value divided by annual rent.

Rental revenue¹

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

Rental value¹

Rental revenue plus the assessed market rent for unleased space.

Earnings capacity

Earnings capacity reflects characteristics of the properties that were acquired at a certain point in time and financial results of those properties, calculated over the past twelve months. This ratio facilitates assessment of the current property portfolio's underlying earnings capacity. Earnings capacity is an estimation of the underlying financial result for property holdings as of the closing date and calculated over twelve months. Properties that have been relinquished as of the end of the accounting period are not included and properties accessed by the end of the accounting period are included.

The calculation is based on the following other conditions:

- For properties where twelve months have elapsed since the date of access to the property, the figure for the last twelve months is included in the calculation. An adjustment is made for non-recurring items.
- For properties that have been held for a period shorter than twelve months, an assessment is made based on a combination of annualized financial result and the acquisition computation.

Revenue¹

Rental revenue plus other revenue.

Contracted annual rent

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

Average rent, SEK per sq. m.

Rental revenue divided by the average leased space.

Leasable area

Leased space plus leasable vacant space.

Surplus ratio¹

Operating net divided by total revenue.

Other revenue¹

Revenue that is not directly associated with rental agreements.

Key Figures, Financial

Return on equity

Profit (loss) for the period after tax divided by average equity. For interim period closings, the return is recalculated to full-year basis. Average equity is calculated as the sum of opening and closing balances divided by two.

Return on assets

Operating net, profit (loss) on property divestment, selling and

administration costs, divided by average assets. For interim period closings, the return is recalculated to full-year basis. Average assets is calculated as the sum of opening and closing balances divided by two.

Loan-to-value (LTV) ratio¹

Interest-bearing liabilities less cash and bank balances, divided by the book value of properties.

Interest coverage ratio

Profit (loss) for the period plus tax, unrealised changes in value of financial instruments, properties and discontinued operations and profit (loss) from divestments and financial expenses, in relation to financial expenses.

Debt/equity ratio

Interest-bearing liabilities divided by equity.

Equity ratio

Equity including minority interests divided by total assets.

Share-related key figures

Yield on shares

Decided/proposed dividend/redemption in relation to the share price at the end of the period.

Total return on shares

Sum of the change in the share price during the period or, paid dividend/redemption during the period in relation to the share price at the start of the period.

Decided/proposed dividend per share

The Board's proposed dividend or the dividend amount decided by the AGM per outstanding share.

Equity per share

Equity in relation to the number of shares at the end of the period.

EPRA NAV

(Long-term net asset value)¹ Equity, with derivatives, deferred tax and tax rebates that have been received in connection with acquisitions added back, divided by the number of shares at the end of the period.

Profits from property management per share

Profits from property management divided by the average number of shares during the period.

Average number of shares

Number of outstanding shares weighted over the year.

Cash flow before change in working capital, per share

Cash flow before change in working capital divided by the average number of shares.

Earnings per share (EPS) for the period

Profit (loss) for the period in relation to the average number of shares during the period.

Glossary

Property costs

Costs for electricity, heating, water, property maintenance, cleaning, property administration, insurance and maintenance less charged additions for operations and maintenance.

Category

The primary use of properties based on space allocation. The type of space representing the largest share of total space is what determines how the property is defined. A property that has 51 per cent office space is thus defined as office property. The allocation categories are office, industry/warehouse, retail and other.

Cluster

Kungsliden defines clusters as the property holdings concentrated at a location where there is good accessibility and where the market has good growth and development potential. The optimal cluster has a good mix of office, retail and residential premises, along with an attractive service offering.

Contract value

Rent, in accordance with the rental contract plus indexation and rent surcharges expressed as an annual amount.

Unrealised changes in value

The difference between book value and accumulated cost for properties at year-end, less difference between book value and accumulated cost for properties at the beginning of the year.

Maintenance

Actions aimed at maintaining the property and its technical systems. This pertains to on-going and planned actions to replace or renovate parts of the building or technical systems. Tenant improvements are also included here.

1. New definition as of 2016.

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

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

We create attractive premises that enrich people's working days

Kungsleden is a long term property-owner that provides attractive, functional premises that enrich people's working days. We create value by owning, managing and developing offices and other commercial properties in Stockholm and Sweden's other growth markets. A large portion of our properties belong to attractively located clusters where we also engage in the development of the whole area. Kungsleden's goal is to deliver an attractive total return on our properties and for our shareholders. Kungsleden is listed on NASDAQ OMX Nordic Mid Cap.

VISION We create attractive premises that enrich people's working days.	BUSINESS CONCEPT Our long-term business concept is to own, actively manage, improve and develop commercial properties in growth regions in Sweden and deliver attractive total returns.	CLUSTER STRATEGY We strive to own more properties at select locations, gathered in clusters, so that we can adapt and sharpen our offering based on our tenants' needs while proactively helping to shape how the entire area develops.
CUSTOMER OFFERING We will provide attractive and functional premises in the right locations at the right price. We will always deliver that something extra.	VALUES <ul style="list-style-type: none">• Professionalism• Consideration• Joy	

Kungsleden 2020

1. Continued growth with quality - properties that retain or increase in value over business cycles
2. Concentrate the property portfolio to a maximum of 20 growth municipalities in Sweden's largest markets - Stockholm, Gothenburg, Öresund and Västerås
3. At least 50 per cent of property value in Stockholm (as Defined by Statistics Sweden)
4. At least 70 per cent of property value in the office segment
5. Continue focusing on larger, more efficient management units by growing existing clusters and creating new ones. Over time, having 15-20 clusters
6. Achieve quality and create value with ongoing management efforts through property development
7. Achieve a total return over time that is at least the same or higher than the MSCI sector index
8. Over time, become one of Sweden's largest property companies, with a high quality property portfolio

kungsleden.com

For more information, please visit our website
Read and subscribe to press releases
Download financial spreadsheets in Excel

Follow us on:



Calendar

Year-end Report 2016
1 Jan–31 Dec 2016
16 February 2017

Interim Report
1 Jan–31 Mar 2017
25 April 2017

Contact

Head office
Warfvings väg 31
Box 704 14
107 25 Stockholm
Tel: +46 8 503 052 00
Fax +46 8 503 052 01

Biljana Pehrsson
CEO
+46 8 503 052 04

Anders Kvist
Deputy CEO and CFO
+46 8 503 052 11

Ylva Sarby Westman
Deputy CEO and CIO
+46 8 503 052 27

Marie Mannholt
Head of Communications
and Marketing
+46 8 503 052 20

KUNGSLEDEN AB (PUBL)
CIN 556545-1217
REG OFFICE STOCKHOLM

KUNGSLEDEN