

INTERIM REPORT JANUARY-JUNE 2015

# Q2:2015

*“Having now optimised the property portfolio, we can turn our focus to continued expansion”*

BILJANA PEHRSSON, CEO

**KUNGSLEDEN**

BOOK  
VALUE, SEK M:

**23,259**

NUMBER OF  
MUNICIPALITIES  
WHERE  
PRESENT:

**71**

NUMBER OF  
PROPERTIES:

**288**

SHARE OF  
OFFICE PROP-  
ERTIES, %:

**61**

## THE NEW KUNGSLEDEN'S FOCUS AREAS

- *Increased quality of the property holdings and a focus on offices*
- *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*

## 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.*

# SECOND QUARTER

COMMENTS ON EVENTS DURING AND AFTER THE QUARTER

- Profits from property management increased by 6 per cent from SEK 202 (191) million thanks to lower interest rates resulting from refinancing, new loans obtained and restructuring of the interest rate swap portfolio. Second quarter profit before tax was SEK 801 (278) million, which is an improvement of 188 per cent compared to last year.
- We are continuing to expand via strategic acquisitions that totalled SEK 1.2 billion during the second quarter. Accordingly, during the first six months of the year, we acquired properties for a total of SEK 2.0 billion and divested non-strategic properties for SEK 0.6 billion.
- The value of Kungsliden's property portfolio, excluding acquisitions and divestitures, increased during the quarter by SEK 505 million, of which SEK 411 million were unrealised changes in value and SEK 94 million was value-enhancing tenant improvements, maintenance and renovation of existing property. The unrealised value increase was primarily the result of lower yield requirements. The average yield requirement for Kungsliden's portfolio fell from 7.2 to 6.9 per cent as of 30 June 2015.
- Kungsliden lowers its average interest rate from 5.1 to 3.2 percent as of 30 June 2015 pro forma, following refinancing and new loans with lower average interest rates, restructuring of the interest rate swap portfolio and interest rate swaps that have matured thus far during the year.

## SECOND QUARTER

RENTAL REVENUE, SEK M

**560**

Increase by 1.6 per cent to SEK 560 (551) million.

PROFITS FROM PROPERTY MANAGEMENT, SEK M

**202**

Improvement of 6 per cent to SEK 202 (191) million, which corresponds to SEK 1.11 (1.58<sup>1</sup>) per share.

UNREALISED CHANGES IN VALUE, SEK M

**411**

Value increase corresponding to 1.8 per cent of the property value.

## HALF-YEAR PERIOD

RENTAL REVENUE, SEK M

**1,085**

Decline of 3 per cent to SEK 1,085 (1,118) million.

PROFITS FROM PROPERTY MANAGEMENT, SEK M

**377**

Improvement of 5 per cent to SEK 377 (359) million, which corresponds to SEK 2.07 (3.00<sup>1</sup>) per share.

UNREALISED CHANGES IN VALUE, SEK M

**654**

Value increase corresponding to 2.9 per cent of the property value.

KEY FIGURES <sup>1</sup>	2015 Apr-Jun	2014 Apr-Jun	2014/2015 Jul-Jun	2014 Jan-Dec
<b>FINANCIAL</b>				
Profits from property management, SEK per share <sup>2</sup>	1.11	1.58	4.45	5.02
Profit/loss for the period, continuing operations, SEK per share <sup>2</sup>	3.27	Neg.	9.77	Neg.
Profit/loss for the period, continuing and discontinued operations, SEK per share <sup>2</sup>	3.27	Neg.	9.15	Neg.
Equity, SEK per share <sup>2</sup>	53.41	50.46	53.41	50.01
Return on equity, %	24.9	Neg.	18.5	Neg.
Operating net - properties, SEK m	362	383	1,437	1,491
Interest coverage ratio, times <sup>3</sup>	2.4	2.7	2.3	2.2
<b>PROPERTY RELATED</b>				
Economic occupancy rate, %	91.1	88.0	89.5	90.2
Average rent, SEK/sq. m.			940	921
Operating and maintenance costs, SEK/sq. m.			271	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 in 2015 and as a wholly-owned subsidiary in 2014.

2. Diluted and undiluted, resp. The average number of shares for Q2 2015 and the period Jan-Jun 2015 is 182,002,752 (136,502,064).

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

# SEK 25 BILLION ALREADY THIS YEAR

During the second quarter of the year, we kept our focus on growing the property portfolio and creating attractive, efficiently managed clusters in Sweden's most important growth markets. Our aim with this is to delivery attractive overall returns. Strategic acquisitions were made for a total of SEK 1.2 billion, after which 33 per cent of property value was localised to Stockholm and more than 60 per cent of the total property value is office facilities. Kungsleden is now a new company, with concentrated, modernised property holdings that have huge potential.

## GREAT POTENTIAL IN OUR CLUSTERS

Our assessment is that most of our potential exists in our clusters. At present, nearly half of the property portfolio is concentrated in these eight clusters: Kista City, Danderyd Kontor, Stockholm City, Västberga in Stockholm, Västerås City, Finnslätten Industrial Area in Västerås, Högsbo in Göteborg and Hyllie in Malmö. We feel that there is potential in these areas because of our ability to create attractive customer offerings with flexible solutions for premises and through efficient management. The rental market is strong and there is healthy demand for modern premises in our clusters. We've already achieved a lower vacancy rate at our established clusters. For example, for our newly finalised new leases and renegotiated leases at, for example, Danderyd Kontor, the rent is 5–10 per cent higher per sq. m. We also believe that the long-term potential for rental and value increase exists in our four most important and largest markets – Stockholm, Gothenburg, Malmö and Västerås. This was confirmed in an analysis by Newsec of rental increase potential. Their prognosis for the next three years was good, with an average annual growth in rents for offices at Kungsleden's selected markets of between 1.5 and 3.5 per cent. Kista City and Västra Kungsholmen were highest with a 3.5 per cent increase, while the expected increase for Västerås was 2.0 per cent and for Gothenburg, it was 1.5 per cent. According to Newsec, only Malmö is expected to exhibit a weaker trend.

## DEVELOPMENT EFFORTS PROGRESSING AS PLANNED

We also anticipate good results from our development projects, having completed our first major project, Aspgården in Umeå ahead of schedule and within budget. The International English School will open its doors there to 600 students this fall. One of the next in line is the office and hotel project, Blästern 14 in Hagastaden, Stockholm. This innovative project, which we refer to as a "city oasis" has an estimated investment volume of SEK 350 million. The aim is to create an active place for both residents and visitors in the area to meet, as well as those working in the vicinity. Additionally, we have two major projects in the development stage with a total investment volume of SEK 440 million. The goal is to complete 4–5 projects for a total of SEK 1 billion over 2–3 years, generating a project profit of 20 per cent or more.

## STABLE FOUNDATION FOR CONTINUED EXPANSION

Furthermore, we've strengthened our financial position and balance sheet, which is, for example reflected in our equity ratio, which has gone from 31 to 40 per cent in less than two years and our LTV ratio is currently 56 per cent. We've simultaneously lowered our average interest rate to 3.2 per cent pro forma, thereby establishing a stable financial foundation for continued expansion.

In addition, we have fortified the organisation in preparation for



*"The rental market is strong and there is demand for modern premises in our established clusters"*

this continued growth. New employees have brought new talent to the organisation, primarily in these areas: leasing, management and development. Another important component of our organisational development is the company-wide quality assurance and efficiency project that we've implemented called "Kungsleden's Flow". It focuses on structure, culture and processes, where we are now about halfway towards meeting our goals. It's an exciting journey that has demanded much from the organisation. However, everyone at Kungsleden is very motivated and excited about our efforts, which is important to overall success and good bottom-line results.

We aim to achieve a property portfolio worth SEK 25 billion in 2017. We already have a property portfolio worth SEK 23.7 million (including Terminalen 2 and Vagnslidret 1, which are acquired properties that have not yet been taken in possession). I'm optimistic that we will reach SEK 25 billion already this year. With a portfolio like ours, we can generate profits from property management of SEK 1 billion far ahead of schedule.

So, we're now ready to aim higher, towards achieving our long-term goal of a property portfolio worth SEK 30 billion.

Stockholm, 17 July 2015  
Biljana Pehrsson, CEO

# INCOME STATEMENT - IN SUMMARY

SEK m	Quarter		Interim period	
	2015 Apr-Jun	2014 Apr-Jun	2015 Jan-Jun	2014 Jan-Jun
Rental revenue	560	551	1,085	1,118
Property costs	-199	-169	-390	-369
<b>Operating net</b>	<b>362</b>	<b>383</b>	<b>695</b>	<b>748</b>
Selling and administration costs	-27	-23	-51	-46
Net financial items	-132	-168	-267	-344
<b>Profits from property management</b>	<b>202</b>	<b>191</b>	<b>377</b>	<b>359</b>
Value changes, properties				
Profit from property sales	1	86	5	65
Unrealised changes in value	411	126	654	167
Unrealised changes in value of financial instruments	187	-125	142	-249
<b>Profit before tax</b>	<b>801</b>	<b>278</b>	<b>1,178</b>	<b>342</b>
Tax	-205	-1,732	-285	-1,750
<b>Net profit/loss for the period, continuing operations</b>	<b>596</b>	<b>-1,454</b>	<b>892</b>	<b>-1,408</b>
Discontinued operations	-	-11	-	10
<b>Net profit/loss for the period, continuing and discontinued operations</b>	<b>596</b>	<b>-1,465</b>	<b>892</b>	<b>-1,397</b>
<b>Earnings per share, continuing operations<sup>1</sup></b>	<b>3.27</b>	<b>Neg.</b>	<b>4.90</b>	<b>Neg.</b>
<b>Earnings per share, continuing and discontinued operations<sup>1</sup></b>	<b>3.27</b>	<b>Neg.</b>	<b>4.90</b>	<b>Neg.</b>

1. Before and after dilutive effect.

## COMMENTS ON THE INCOME STATEMENT

### PROFIT FOR THE SECOND QUARTER (APRIL-JUNE)

**Rental revenue** for the second quarter increased by SEK 9 million to SEK 560 (551) million. One reason for this is that the new properties taken in possession at the end of the first and second quarter contribute to a significant rental value.

**Property costs** were SEK 30 million higher than the same period last year. The cost increase is primarily due to somewhat higher operating costs during the quarter. Additionally, recognised property costs were particularly low during the second quarter of 2014. This was the result of a one-time item for dissolution of an expense reserve associated with acquisition of the GE properties in 2013. Due to the development in rental revenue and property costs, **operating net** for the second quarter fell by SEK 21 million to SEK 362 (383) million.

**Profits from property management** rose SEK 11 million to SEK 202 (191), primarily because of an improvement in interest expenses of SEK -126 (-164) million resulting from a lower average loan volume, lower interest rates after refinancing, new loans and restructuring of the interest rate swap portfolio, which lowered the average interest rate from 5.1 to 3.6 per cent. Profits from property management also include the share in profits of associated companies, which was SEK 6 (-) million.

**Profit before tax** increased by SEK 523 million to SEK 801 (278) million. Unrealised changes in value for the property portfolio increased to SEK 411 (126) million, primarily due to lower yield requirements in strong growth markets where there is a demand for premises. Unrealised changes in value on financial instruments amounted to SEK 187 million, of which SEK 120 million was due to rising interest rates with longer maturities and SEK 67 million was scheduled interest payments on swaps.

**Profit/loss for the period for continuing and discontinued operations** was SEK 596 (-1,465) million. The comparison figures reflect the provision made in the second quarter of 2014 for the tax ruling, which was communicated in the same period.

### PROFIT FOR THE INTERIM PERIOD (JANUARY-JUNE)

**Rental revenue** during the interim period (January-June) fell by SEK 33 million to SEK 1,085 (1,118) million, which was primarily the result of a smaller property portfolio compared to the same period last year. This was due to divestitures in 2014 and during the first quarter of 2015. **Property costs** increased simultaneously because of somewhat higher operating costs. Recognised property costs were also lower than the same period last year due to dissolution of an expense reserve associated with acquisition of the GE properties. **Operating net** for the interim period (January-June) fell by SEK 53 million to SEK 695 (748) million.

**Profits from property management** rose SEK 18 million to SEK 377 (359) million, primarily because of an improvement in interest expenses of SEK -258 (-332) million resulting from a lower average loan volume, lower interest rates after refinancing, new loans and restructuring of the derivative portfolio during the second quarter. Profits from property management also include the share in profits of associated companies, which was SEK 11 (-) million.

**Profit before tax** increased by SEK 836 million to SEK 1,178 (342) million. Unrealised changes in value for the property portfolio increased to SEK 654 (167) million, primarily due to lower yield requirements in strong growth markets where there is a demand for premises. Unrealised changes in value on financial instruments amounted to SEK 142 (-249) million, of which SEK 7 million was due to rising interest rates with longer maturities and SEK 135 million was scheduled interest payments on swaps.

**Profit/loss for the period for continuing and discontinued operations** was SEK 892 (-1,397) million. The comparison figures reflect the provision made in the second quarter of 2014 for the tax ruling, which was communicated in the same period.

# PROPERTY MANAGEMENT

## PROFIT AND EARNINGS CAPACITY

As of 30 June 2015, Kungsleden's property holdings consisted of 288 (357) 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 second quarter of 2015 to SEK 362 (383) million. One important reason for the decline was the smaller size of the portfolio, and thus smaller area, resulting from net divestiture that occurred during the latter part of 2014 and in the first quarter of 2015. There was also an impact from higher property costs due to somewhat higher

operating costs, as well as the one-time item for dissolution of a provision during 2014.

Earnings capacity is based on property holdings as of 30 June 2015 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 98 million. For earnings capacity, project properties will, going forward, be reported as a separate property category.

<b>EARNINGS CAPACITY BY PROPERTY CATEGORY</b>	<b>Office</b>	<b>Industrial/ Warehouse</b>	<b>Retail</b>	<b>Other</b>	<b>Subtotal excl. project properties</b>	<b>Project properties</b>	<b>Total properties</b>
No. of properties	114	102	50	13	279	9	<b>288</b>
Leasable area, thousand sq. m	1,076	1,090	283	40	2,489	82	<b>2,571</b>
Rental value, SEK m	1,408	761	267	46	2,482	87	<b>2,569</b>
Rental revenue, SEK m	1,257	683	239	43	2,222	61	<b>2,283</b>
Operating net, SEK m <sup>1</sup>	874	529	168	30	1,601	32	<b>1,633</b>
Book value, SEK m	13,773	6,047	2,397	340	22,557	702	<b>23,259</b>
Economic occupancy rate, %	89.3	89.7	89.7	92.9	89.5	70.1	<b>88.9</b>
Occupancy rate, area wise, %	85.4	89.3	90.6	87.8	87.7	56.4	<b>86.7</b>
Property yield, % <sup>1</sup>	6.3	8.7	7.0	8.9	7.1	4.5	<b>7.0</b>
Surplus ratio, % <sup>1</sup>	69.6	77.4	70.3	69.6	72.1	52.0	<b>71.5</b>

1. Earnings capacity is based on property holdings as of 30 June 2015 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 98 million.

## ACTIVE MANAGEMENT

During the second quarter, there has been activities on the management side, where the new organisation, fortified with new employees in the role of rental providers is up and running. Having improved its processes, the organisation has become more proactive, which has increased the quality of leasing activities. Some of the largest leases during the quarter were for the Swedish Social Insurance Agency in Karlskrona, Svensk Cater in Uddevalla and Permobil in Kista. For Isblocket, a project underway in Malmö's Hyllie district, lease agreements have already been signed for 55 per cent of the total area. The project is expected to be completed during the first quarter of 2016. Thus far this year, management has finalised new leases for SEK 63 million.

New properties were also acquired during the quarter, six of which (including Skrapan in Västerås) were taken in possession and thus phased into the management organisation.

## LONG-TERM MANAGEMENT EFFORTS

The management organisation has also strived to form closer ties with customers. This is a long-term effort, requiring that the organisation becomes more receptive to customer needs and preferences. We are, for example, engaged in ongoing dialogue with our major customers and all customer visits are documented with the aim of improving even further. This active management style also enables us to serve as advisor to our customers on issues having to do with their need for premises. Additionally, our cluster strategy enables us to continually improve and adapt to customer needs and preferences. This creates trust and thereby strengthens the relationships we have with our customers.

Other important work involves renegotiations of our lease agreements to ensure as much uniformity as possible, along with achieving rental levels that are at the going market rate. This is particularly important when new properties are acquired. Our cluster strategy makes these efforts easier as well.

In the area of operations, Kungsleden continued working with its suppliers during the quarter. Properties should be run in line with our customers' expectations of us and deliver what they've ordered. This work also includes tenant improvements that are done in close cooperation with Kungsleden's development department. During the quarter, the procurement process was reviewed in order to achieve higher efficiency.

## SUSTAINABILITY

During the second quarter of the year, Kungsleden continued its sustainability efforts by taking an inventory of the environmental risks that exist in the property portfolio. This was completed during the quarter. A new investigation is now underway to document the risks pertaining to corruption and bribery.

Efforts to phase out all oil boilers at properties are reaching a conclusion and negotiations on a new electricity agreement for all properties have been finalised. As a result, all properties will be provided with origin-specific hydroelectric power from Swedish plants for another three years.

In addition to its direct environmental efforts, Kungsleden is involved in a project with Fryshuset where eleven youth are offered summer jobs for five weeks in June and July. We are cooperating with our suppliers to help provide youth with work experience by allowing them to assist with management efforts at the properties in Stockholm, Gothenburg, Malmö and Västerås.

## REGION STOCKHOLM<sup>1</sup>



Färöarna 3, Stockholm

### RESULTS BY REGION, JANUARY-JUNE 2015

Rental revenue, SEK m	378
Operating net, SEK m	246
Operating surplus margin, %	65.0

### EARNINGS CAPACITY<sup>2</sup> AS OF 30 JUNE 2015

No. of properties	73
Leasable area, thousand sq. m	686
Rental value, SEK m	884
Rental revenue, SEK m	793
Operating net, SEK m	573
Book value, SEK m	8,810
Economic occupancy rate, %	89.7
Occupancy rate, area, %	88.0
Property yield, %	6.5
Operating surplus margin, %	72.3

## REGION MÄLARDALEN<sup>1</sup>



Lorens 14, Västerås

### RESULTS BY REGION, JANUARY-JUNE 2015

Rental revenue, SEK m	324
Operating net, SEK m	193
Operating surplus margin, %	59.3

### EARNINGS CAPACITY<sup>2</sup> AS OF 30 JUNE 2015

No. of properties	50
Leasable area, thousand sq. m	695
Rental value, SEK m	688
Rental revenue, SEK m	643
Operating net, SEK m	437
Book value, SEK m	5,643
Economic occupancy rate, %	93.5
Occupancy rate, area, %	89.7
Property yield, %	7.7
Operating surplus margin, %	67.9

## REGION GOTHENBURG<sup>1</sup>



Lundbyvassen 4:9, Gothenburg

### RESULTS BY REGION, JANUARY-JUNE 2015

Rental revenue, SEK m	208
Operating net, SEK m	136
Operating surplus margin, %	65.2

### EARNINGS CAPACITY<sup>2</sup> AS OF 30 JUNE 2015

No. of properties	93
Leasable area, thousand sq. m	652
Rental value, SEK m	515
Rental revenue, SEK m	450
Operating net, SEK m	328
Book value, SEK m	4,368
Economic occupancy rate, %	87.4
Occupancy rate, area, %	85.6
Property yield, %	7.5
Operating surplus margin, %	72.8

## REGION MALMÖ<sup>1</sup>



Julius 1, Malmö

### RESULTS BY REGION, JANUARY-JUNE 2015

Rental revenue, SEK m	174
Operating net, SEK m	121
Operating surplus margin, %	69.4

### EARNINGS CAPACITY<sup>2</sup> AS OF 30 JUNE 2015

No. of properties	63
Leasable area, thousand sq. m	456
Rental value, SEK m	395
Rental revenue, SEK m	336
Operating net, SEK m	263
Book value, SEK m	3,736
Economic occupancy rate, %	85.0
Occupancy rate, area, %	87.3
Property yield, %	7.0
Operating surplus margin, %	78.4

## PROJECT PROPERTIES

Illustration Blåstern 14, Stockholm



### EARNINGS CAPACITY AS OF 30 JUNE 2015

No. of properties	9
Leasable area, thousand sq. m	82
Rental value, SEK m	87
Rental revenue, SEK m	61
Operating net, SEK m	32
Book value, SEK m	702
Economic occupancy rate, %	70.1
Occupancy rate, area, %	56.4
Property yield, %	4.5
Operating surplus margin, %	52.0

1. The results for each region include property administration costs, but this has not been factored in to earnings capacity.  
2. Not including project properties.

## CHANGES IN THE PORTFOLIO

Since embarking on its new strategy in 2012, Kungsleden has focused on growing and concentrating the property portfolio. During the second quarter of 2015, the goals for concentrating the portfolio have essentially been achieved and 72 per cent of holdings are now located in the prioritised regions of Stockholm, Gothenburg, Malmö and Västerås. The prior dispersed portfolio has now been concentrated to 71 municipalities and the quality of holdings is also higher. With holdings in line with its strategy, Kungsleden can now carry on with expanding the portfolio in its chosen direction.

### Acquired properties

During the first half of the year, 13 properties were acquired, worth SEK 2,003 million, 12 of which have been taken in possession. In addition to that, three properties were taken in possession in Kista worth almost SEK 1,7 billion that were acquired during the last quarter of 2014.

During the second quarter, seven properties were acquired worth SEK 1.2 billion. Six of these properties have been taken in possession and they are located in Malmö, Jönköping and Västerås. In Västerås, the well-known landmark, Skrapan, was acquired in Västerås City, which further solidified Kungsleden's strong position there. Early in the fourth quarter of 2015, Kungsleden will take over the seventh property, Terminalen 2, which is a large office building in Sollentuna.

An additional five properties, worth SEK 677 million, acquired in the first quarter were taken in possession this quarter. Four are located in Högsbo, one is in Kista.

### Divested properties

During the first half of the year, 31 properties worth SEK 552 million, were divested and vacated. A property in Degerfors was divested and vacated during the second quarter. As a result of these divestitures, Kungsleden exits 19 municipalities.

## VALUATION OF PROPERTY HOLDINGS

All properties were valued during the quarter, resulting in positive unrealised changes in value of SEK 411 million as of 30 June 2015. There has been a positive impact on the value of property holdings from, above all, lower yield requirements, but also investments made in the properties. Since 31 March 2015, the average yield requirement fell from 7.2 to 6.9 per cent. The yield requirement for the property portfolio, not including properties that have been taken in possession and vacated during the quarter is 7.0 per cent.

There has been constant downward pressure on the market's yield requirement for properties during the last year. High growth targets for property companies and institutions, along with continued good access to financing indicates that this situation will continue.

Kungsleden'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, Newsec also conducts external valuations 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 during each 12-month rolling period.

DEVELOPMENT OF PROPERTY HOLDINGS SEK m	2015 Apr-Jun	2015 Jan-Jun
Properties at beginning of the period	21,700	19,612
Closed acquisitions	1,577	3,376
Investments	94	148
Vacated divestitures	-522	-531
Unrealised changes in value	411	654
<b>Properties at end of the period</b>	<b>23,259</b>	<b>23,259</b>

## ACQUIRED PROPERTIES

Year	Quarter	In possession	Property name	Region	Cluster	Location	Category	Purchase price <sup>1</sup> , SEK m	Leasable area, thousand sq. m
<b>IN POSSESSION</b>									
2014	Q4	Q1, 2015	Färöarna 3	Stockholm	Kista City	Kista	Office		37,830
2014	Q4	Q1, 2015	Reykjavik 2	Stockholm	Kista City	Kista	Office		11,892
2014	Q4	Q1, 2015	Borgarfjord 5	Stockholm	Kista City	Kista	Office		10,035
<b>Subtotal</b>								<b>1,726</b>	<b>59,757</b>
2015	Q1	Q1, 2015	Högsbo 27:9	Gothenburg	Högsbo cluster	Västra Frölunda	Industrial/Warehouse		9,608
2015	Q1	Q2, 2015	Hornafjord 1	Stockholm	Kista City	Kista	Office		22,841
2015	Q1	Q2, 2015	Högsbo 11:5	Gothenburg	Högsbo cluster	Västra Frölunda	Industrial/Warehouse		3,670
2015	Q1	Q2, 2015	Högsbo 13:6	Gothenburg	Högsbo cluster	Västra Frölunda	Industrial/Warehouse		7,471
2015	Q1	Q2, 2015	Högsbo 14:3	Gothenburg	Högsbo cluster	Västra Frölunda	Office		3,532
2015	Q1	Q2, 2015	Högsbo 27:8	Gothenburg	Högsbo cluster	Västra Frölunda	Industrial/Warehouse		2,556
2015	Q2	Q2, 2015	Dubbelknappen 20	Malmö	Fosieby	Malmö	Office		5,715
2015	Q2	Q2, 2015	Gefion 3	Malmö	Hyllie	Malmö	Office		3,257
2015	Q2	Q2, 2015	Hästvagnen 3	Malmö	Fosieby	Malmö	Office		5,349
2015	Q2	Q2, 2015	Lorens 14	Mälardalen	Västerås City	Västerås	Office		26,010
2015	Q2	Q2, 2015	Översikten 6	Gothenburg		Jönköping	Retail		10,477
2015	Q2	Q2, 2015	Översikten 9	Gothenburg		Jönköping	Retail		4,516
<b>Subtotal</b>								<b>1,718</b>	<b>105,002</b>
<b>Total acquired properties, in possession</b>								<b>3,444</b>	<b>164,759</b>
<b>NOT YET IN POSSESSION</b>									
2014	Q4	Q1, 2016	Vagnslidret 1	Malmö	Hyllie	Malmö	Office		4,355
2015	Q2	Q4, 2015	Terminalen 2	Stockholm		Sollentuna	Office		15,117
<b>Total acquired properties, not yet in possession</b>								<b>450</b>	<b>19,472</b>
<b>TOTAL AMOUNT, ACQUIRED PROPERTIES</b>								<b>3,894</b>	<b>184,231</b>

## DIVESTED PROPERTIES

Year	Quarter	Vacated	Property name	Region	Cluster	Location	Category	Selling price <sup>1</sup> , SEK m	Leasable area, thousand sq. m
2014	Q4	Q1, 2015							1,565
<b>Total</b>								<b>9</b>	<b>1,565</b>
2015	Q1	Q2, 2015							161,071
2015	Q2	Q2, 2015							10,094
<b>Total</b>								<b>552</b>	<b>171,165</b>
<b>TOTAL AMOUNT, DIVESTED PROPERTIES</b>								<b>561</b>	<b>172,730</b>

1. Before deduction for deferred tax and transaction costs.



**PROPERTY HOLDINGS**

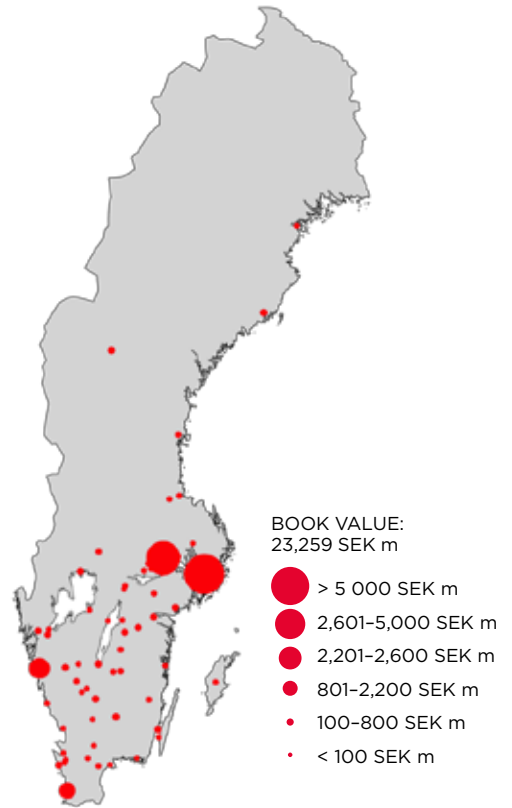
The total area amounted to 2,571 (2,797) thousand sq. m. distributed across the four property categories (Office, Industrial/Warehouse, Retail and Other) and four geographic regions (Stockholm, Mälardalen, Gothenburg and Malmö). In terms of property value, Region Stockholm is the largest. The share of properties located in the three metropolitan regions increased slightly during the quarter, which is in line with our strategy.

Efforts to grow Kungsliden's clusters are ongoing and the share of properties belonging to a metropolitan cluster is unchanged at 49 per cent since the first quarter. 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.

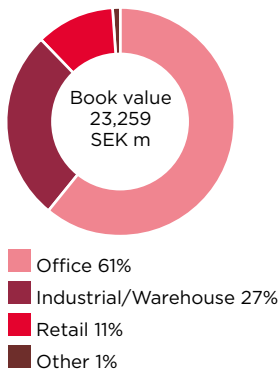
The book value of properties for the period was SEK 23,259 (19,971) million. During the quarter, properties for SEK 1,577 million were taken in possession and investments in existing properties amounted to SEK 94 (119) million.

The remaining average contract term for the property holdings was 4.4 (3.9) years.

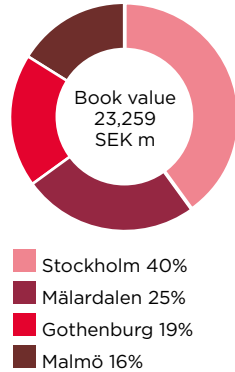
**GEOGRAPHIC DISTRIBUTION OF THE PROPERTY PORTFOLIO**



PROPERTY VALUE BY CATEGORY AS OF 30 JUNE

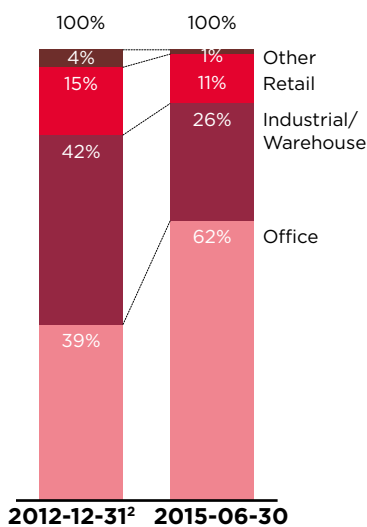


PROPERTY VALUE BY REGION AS OF 30 JUNE

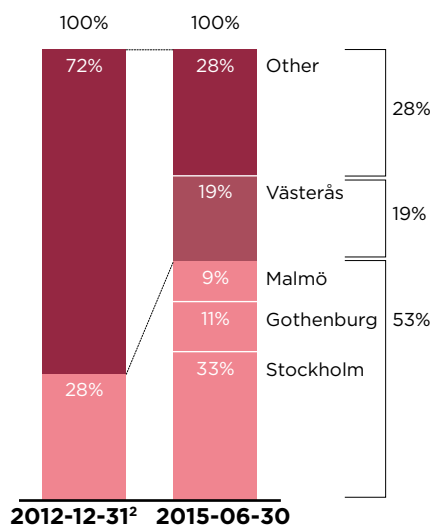


Number of municipalities as of 30 June 2015: 71

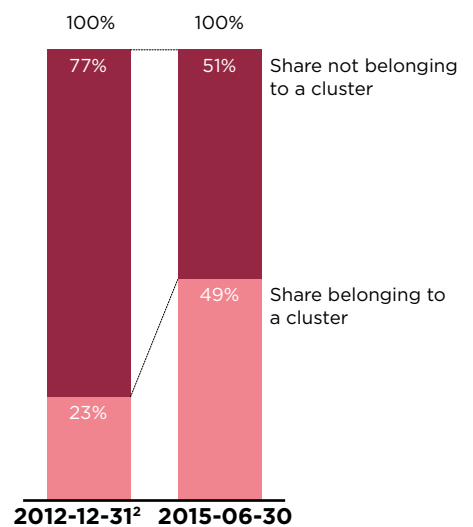
DEVELOPMENT OF THE PROPERTY PORTFOLIO BY CATEGORY, PRO FORMA<sup>1</sup>  
Book value 23,709 SEK m



DEVELOPMENT OF THE PROPERTY PORTFOLIO, METROPOLITAN CONCENTRATION (AS DEFINED BY SCB), PRO FORMA<sup>1</sup>  
Book value 23,709 SEK m



SHARE OF PROPERTIES BELONGING TO A CLUSTER, PRO FORMA<sup>1</sup>  
Book value 23,709 SEK m



1. Pro forma pertains to the existing portfolio plus acquired properties not yet in possession and properties sold, but not yet vacated.  
2. Kungsliden's new strategy is announced.

## DEVELOPMENT PROJECTS

One of the cornerstones of Kungsleden's strategy is development of its existing holdings aimed at maximising the full potential of the properties. This is achieved by making improvements to existing buildings, creating new development rights and, to some extent, via new production.

Development is a four step process (Identification, Pre-study, Project Development and Implementation) that focuses on efficiency and value creation.

Identification is an ongoing process that requires close collaboration between the management, transaction and analysis departments. The aim is to identify hidden value in the existing portfolio and evaluate the development potential in acquisition targets. Once a development property has been identified, the preliminary study gets underway, which involves a thorough analysis of the property's technical and financial attributes, the location and market conditions, zoning and the municipality's urban development plans. Before a decision is made on the chosen project direction, a detailed risk analysis is conducted aimed at identifying the project that has the highest value potential and an acceptable level of risk for Kungsleden. Once a decision to proceed has been made, project development efforts begin to establish the project's costs, time frame, revenue potential and feasibility. These efforts require close collaboration with the management organisation to, for example, ensure that the facilities are improved in line with the customer's specific needs and that Kungsleden minimises the risks involved with project implementation. Many other projects are also planned, which requires conceptualisation based on a holistic understanding of society. By doing this at an early stage, it is possible to involve important stakeholders, which later on facilitates leasing efforts and project implementation.

## CURRENT PROJECTS

At present, Kungsleden is developing 25 properties, which are in varying stages of the process. Four of them are worth mentioning specifically.

### Blästern in Stockholm

Blästern is a block of buildings located on Gävlegatan in Stockholm where Kungsleden is converting an existing office property into a hotel. There are two buildings in the courtyard that are particularly suited as a hotel because of their location, unique design and history. The building on Gävlegatan will remain an office facility.

Status: Kungsleden is currently accepting offers from hotel operators aimed at selecting a partner early this fall and signing a lease agreement.

### Gallerian in Eskilstuna

At Kungsgatan in central Eskilstuna, Kungsleden owns four properties where one of the city's main shopping streets is located. Kungsleden is striving to give Gallerian a new identity by reviving it as an attractive shopping destination and meeting place. This will have a positive effect on the adjacent office spaces and increase the attraction of the entire block.

Status: The conceptualisation and design phase is wrapping up and leasing efforts will start up this fall.

### Rondellen in Eskilstuna

Rondellen is one of the few "dead" shopping centres in Sweden. It is located in one of Eskilstuna's most strategic commercial areas, right where you enter the city at Årby traffic circle. Kungsleden has now started the demolition work at Rondellen, where it will, from scratch, create a new retail site that can capitalise on this unique, strategic location.

Status: Zoning work has started and the municipality and potential partners are engaged in a dialogue on the future design and content in the area.

### Aspgården in Umeå

Stage 1 of Kungsleden's first development project has now been completed and the International English School will move in this summer and welcome its first batch of students. This project has involved conversion of old warehouse and industrial buildings into a modern, efficient school. The next stage of the development process involves finalising the new zoning for adjacent properties and buildings, aimed at creating new building rights for residential purposes.

Status: In August, the International English School will move in, welcoming its first group of students after the summer break.

## PROJECT PROPERTIES

Property, location	Project type	Type	Phase	approx. area, in sq. m.	Description	Expected year of completion	Estimated investment, SEK m
Blästern 14, Stockholm	Improvement	Hotel/office	Project development	15,000	Project and concept development and project rental of a block at nya Hagastaden.	2018	350
Gallerian, Vårblomman 8 and more, Eskilstuna	Improvement	Retail/office	Pre-study	29,000	Project and concept development and project leasing of existing retail space and offices in central Eskilstuna.	2017	200
Skiftinge 1:3, Eskilstuna	New building rights and new production	Retail	Pre-study/design	23,000	Demolition of existing building as well as project and concept development of new retail site along the E20 highway.	2016	240
Aspgården 18, Umeå	Improvement	School	Execution:	6,000	Conversion of warehouse/industrial building into a school.	2015	60
Laven 6, Umeå	New production	Retail	Project development/leasing	2,500	Project leasing, with the goal of setting up a new store using existing building rights in the business district, Ersboda.	2016/2017	25
Enen 10, Södertälje	Improvement	Office	Project development/leasing	6,000	Project development and leasing of office building in central Södertälje.	2017	100
Verkstaden 7, Västerås <sup>1</sup>	New building rights	Residential	Pre-study/design	50,000	New zoning to enable conversion of an old industrial building and creating new development rights in Kopparlunden.	2016	n/a
Rud 4:1, Gothenburg <sup>1</sup>	New building rights	Residential	Pre-study/design	12,000	New zoning to create new building rights for residential property. Part of Gothenburg Jubilee initiative	2017	n/a
Aspgården 18, Umeå <sup>1</sup>	New building rights	Residential	Pre-study/design	10,000	Improve existing buildings and alter zoning to create new building rights.	2016/2017	n/a

1. Pertains to new building rights and zoning.

**OUR HOTEL  
PROJECT AT  
BLÄSTERN 14  
ON GÄVLEGATAN  
IN STOCKHOLM**



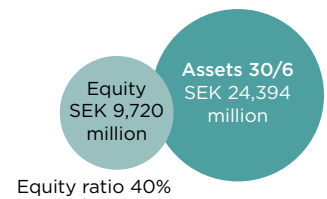
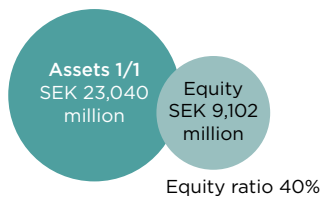
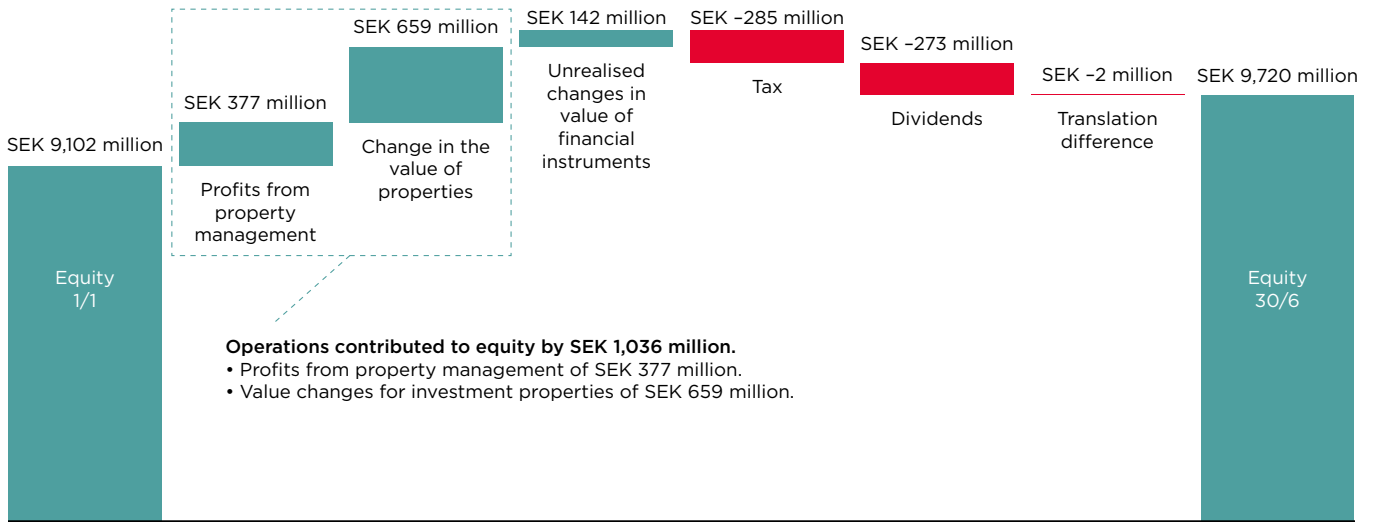
All photos depict Blästern 14, Stockholm.

# FINANCING

## EQUITY AND FINANCIAL POSITION

As of the end of the period, equity was SEK 9,720 (9,102) million, or SEK 53 (50) per share.

This corresponds to an equity ratio of 40 (40) per cent. As a financial restriction the equity ratio should not fall below 30 per cent.



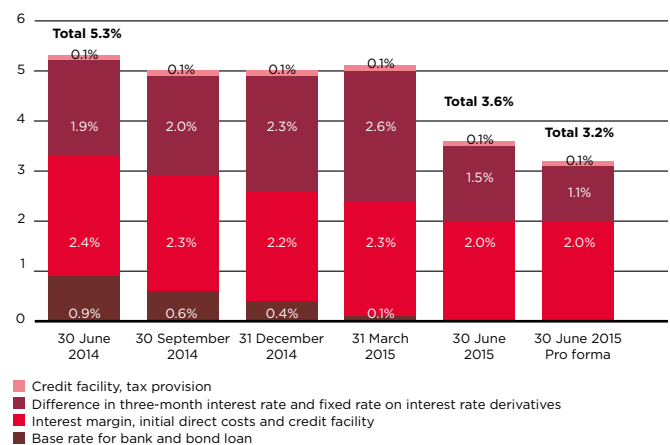
## FINANCING COSTS

Financial expenses continued to fall during the second quarter of the year. Net financial items, excluding profit (loss) from associated companies, totalled SEK -278 (-344) million. Financial expenses fell by SEK 65 million compared to the same period last year. This was the result of a lower average loan volume, refinancing with lower borrowing costs, lower outcomes for STIBOR 90-day and termination of old interest rate swaps at a high coupon rate. Compared to the second quarter last year, net financial items improved from SEK -168 million to SEK -138 million, not including profit (loss) from associated companies. Other financial expenses were lower for the same period last year because financial expenses from discontinued operations were entered as a separate item in the income statement, there was a positive currency translation in 2014 and there was instantaneous expensing of the remaining accrued arrangement fee when early refinancing took place.

Since the beginning of the year, Kungsliden's average interest rate has fallen sharply by 1.4 percentage points to 3.6 percent at the end of the second quarter. Refinancing at lower borrowing costs and lower outcome for STIBOR 90-days has lowered the average interest rate substantially. In addition, the average maturity on loans has been extended and it is now 3.2 (2.6) years. The average interest margin, including accrued arrangement fees and commitment fees has fallen to 2.1 per cent.

To improve future cash flow and increase transparency of future profits from property management, old interest rate swaps were terminated for a nominal amount of SEK 2.8 billion, with contracted maturity 2016–2020. New interest rate hedging was simultaneously negotiated at the current interest rate for a nominal amount of SEK 3.9 billion. Restructuring of the interest rate swap portfolio and maturity for a nominal amount of SEK 200 million contributed to a fall in the average interest rate of approximately

## 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.

0.6 percentage points. During the third quarter, another SEK 1.2 billion (nominal amount) matures, which will lower the average interest rate by another 0.4 percentage points to 3.2 per cent. Given the current situation, the average interest rate will continue to fall as Kungsliden refinances old loans and finances new property acquisitions with new loans.

At the end of the quarter, the nominal amount of the interest rate swap portfolio totalled SEK 7,705 (6,825) million and it will total SEK 6,505 million when the remainder maturing this year is settled. Accordingly, nearly 50 per cent of interest-bearing liabilities have a fixed interest term that is longer than one year. Given the

new fixed interest profile, higher short-term interest rates will only have a marginal impact on net financial items. If STIBOR 90-days were to increase by 1 percentage point on all maturities, the anticipated impact on net financial items would be approximately SEK 29 million over the next 12 months. The average fixed interest term is currently 2.5 years.

The negative market value (undervalue) of interest rate swaps fell since the beginning of the year to SEK -663 million as of 30 June 2015, compared to SEK -1,134 million at the beginning of the year. During the first months of the year, the interest rate on

longer maturities continued to fall. However, interest rates did rise during the second quarter of the year. Accordingly, the total change in market value since the beginning of the year was positive at SEK 7 million. Additionally, scheduled interest payment on swaps totalled SEK 135 million, resulting in unrealised changes in value on financial instruments totalling SEK 142 million for the first half of the year. Interest rate swaps were also settled via payment of SEK 329 million, which lowered the negative market value by a corresponding amount. Kungsleden's assessment is that the book value and fair value of interest-bearing liabilities is essentially the same.

## MATURITY STRUCTURE, LOANS AND INTEREST RATE DERIVATIVES

As of 30 June 2015, SEK m	Utilised credits	Unutilised credits	Total credits	Interest rate derivatives <sup>1</sup>	Average interest rate for derivatives, %	Average remaining fixed-interest term, years
2015	2,002	250	2,252	1,200	4.2	
2016	1,168		1,168			
2017	375	1,174	1,549	910	-0.1	
2018	2,623		2,623	1,000	0.2	
2019	3,089	1,490	4,579	1,000	0.5	
2020	3,798		3,798	970	0.7	
2021				725	4.5	
2022				1,900	4.8	
<b>Total</b>	<b>13,056</b>	<b>2,915</b>	<b>15,970</b>	<b>7,705</b>		<b>2.5</b>
<b>Average conversion time, years</b>	<b>3.2</b>		<b>3.1</b>			

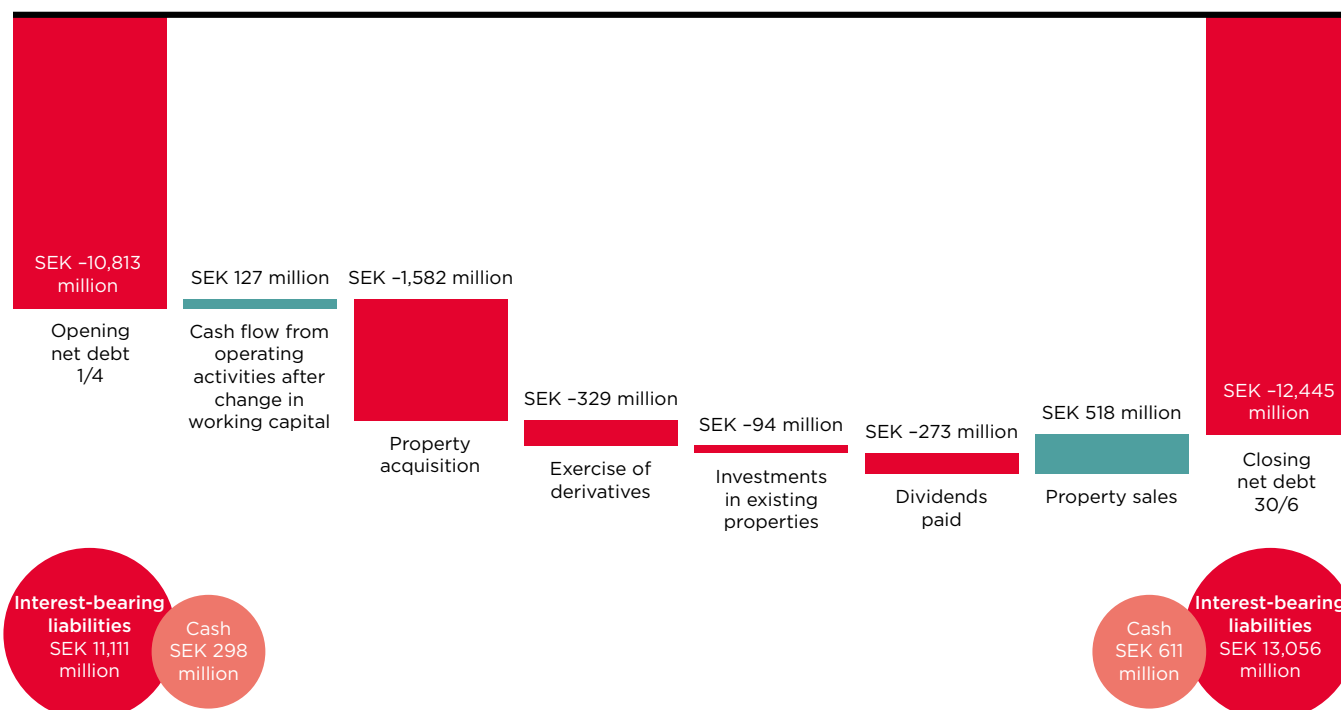
1. Kungsleden's interest rate derivatives enable the company to obtain variable interest rates and pay fixed interest over longer periods of time. Kungsleden has entered into derivative contracts with one-year interest rate floors totalling SEK 3,880 million in nominal terms, with strike 0 per cent.

## BORROWING AND CASH FLOW

During the second quarter, new long-term financing was obtained for the Kista acquisition and early financing was obtained on an existing loan, maturing in March 2016, at a lower interest margin. In total, financing was negotiated for SEK 3.8 billion over 5 years. Because the newly acquired properties in Kista were initially financed with cash, and the LTV ratio was normalised in the existing portfolio, net borrowing increased by almost SEK 2 billion when the new loans were issued. Bond loans for SEK 399 million from 2010 were repaid on the final due date. During the period, new bond loans were obtained for SEK 375 million at 1.2 per cent fixed interest over a two-year period. In total at the end of the quarter, Kungsleden had outstanding, unsecured bond loans for SEK 1,675 million. Kungsleden intends to be a repeat issuer on the capital

market. After scheduled amortisation payments during the period, interest-bearing liabilities totalled SEK 13,056 million, which is an increase of SEK 1,945 million during the quarter. Subsequent to the end of the quarter, amortisation payments of SEK 160 million will be made on property that was vacated during the second quarter. The Group's LTV ratio, measured as interest-bearing liabilities in relation to property assets, was 56 (58) per cent, with a corresponding equity ratio of 40 (40) per cent. For loans, for which collateral has been pledged, i.e. all loans except bond loans, the LTV ratio was 49 (49) per cent. As of 30 June 2015, available funds, including overdraft facilities and undrawn loan commitments totalled SEK 3,526 (3,230) million, of which the Group's cash balance totalled SEK 611 (1,437) million.

## CHANGE IN NET DEBT DURING THE SECOND QUARTER





# OTHER INFORMATION

## ORGANISATION AND EMPLOYEES

For the second quarter of 2015, the average number of employees was 96 (91).

## PARENT COMPANY

The parent company reported a profit for the period of SEK 229 (-254) million. The result is primarily attributable to the sale of shares in Nordic Modular Group and interest income from Group companies.

At the end of the period, assets primarily consisted of receivables from Group companies for SEK 11,515 (8,234) million and participations in Group companies for SEK 6,052 (7,806) million. Financing was primarily via liabilities to Group companies for SEK 9,026 (8,346) million and equity for SEK 7,177 (5,718) million. At the end of the period, the equity ratio was 39 (34) percent.

## 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 second 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

For reporting purposes, NMG Holding is an associate company with 35 per cent ownership.

In the income statement, Kungsleden's share in NMG Holding's profit after tax is reported in Share of profit/loss in associated companies. That amount was SEK 6 million for the quarter and SEK 11 million for the first six months of the year. Interest income from the shareholder loan is reported as financial income.

In the balance sheet ending 30 June 2015, the holding of NMG is reported as Shares in associated companies for SEK 108 million and the shareholder loan is reported in Other non-current receivables for SEK 183 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. The Administrative Court is somewhat delayed in taking up this matter and Kungsleden expects a ruling sometime during the fourth quarter. Should there be a final negative ruling, 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 outcome in the future cases, no provision has been made for either of the two alternative processes.

## FUTURE EXPECTATIONS

Some of the reported figures in this half-year 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.





## INCOME STATEMENT

SEK m	Quarter		Interim period		12 months	
	2015 Apr-Jun	2014 Apr-Jun	2015 Jan-Jun	2014 Jan-Jun	2014/2015 Jul-Jun	2014 Jan-Dec
Rental revenue	560	551	1,085	1,118	2,161	2,193
Property costs	-199	-169	-390	-369	-724	-703
<b>Operating net</b>	<b>362</b>	<b>383</b>	<b>695</b>	<b>748</b>	<b>1,437</b>	<b>1,491</b>
<b>Selling and administration costs</b>	<b>-27</b>	<b>-23</b>	<b>-51</b>	<b>-46</b>	<b>-107</b>	<b>-101</b>
<b>Net financial items</b>						
Financial income	4	0	6	5	14	11
Interest expenses	-126	-164	-258	-332	-557	-630
Share in profits of associated companies	6	-	11	-	11	-
Other financial costs	-15	-5	-27	-18	-49	-41
	<b>-132</b>	<b>-168</b>	<b>-267</b>	<b>-344</b>	<b>-581</b>	<b>-660</b>
<b>Profits from property management</b>	<b>202</b>	<b>191</b>	<b>377</b>	<b>359</b>	<b>748</b>	<b>730</b>
<b>Gains/losses on properties</b>						
Profit (loss) on property sales	1	86	5	65	12	73
Unrealised changes in value	411	126	654	167	1,418	930
	<b>412</b>	<b>212</b>	<b>659</b>	<b>232</b>	<b>1,430</b>	<b>1,003</b>
<b>Unrealised changes in value of financial instruments</b>	<b>187</b>	<b>-125</b>	<b>142</b>	<b>-249</b>	<b>-36</b>	<b>-427</b>
<b>Profit (loss) before tax</b>	<b>801</b>	<b>278</b>	<b>1,178</b>	<b>342</b>	<b>2,142</b>	<b>1,306</b>
<b>Tax</b>	<b>-205</b>	<b>-1,732</b>	<b>-285</b>	<b>-1,750</b>	<b>-501</b>	<b>-1,965</b>
<b>Net profit/loss for the period, continuing operations</b>	<b>596</b>	<b>-1,454</b>	<b>892</b>	<b>-1,408</b>	<b>1,641</b>	<b>-659</b>
<b>Discontinued operations</b>						
Profit/loss from Nordic Modular after tax	-	-11	-	10	52	63
Impairment loss on Nordic Modular	-	-	-	-	-157	-157
<b>Net profit/loss for the period, continuing and discontinued operations</b>	<b>596</b>	<b>-1,465</b>	<b>892</b>	<b>-1,397</b>	<b>1,536</b>	<b>-753</b>
<b>Earnings per share, continuing operations<sup>1</sup></b>	<b>3.27</b>	<b>Neg.</b>	<b>4.90</b>	<b>Neg.</b>	<b>9.77</b>	<b>Neg.</b>
<b>Earnings per share, continuing and discontinued operations<sup>1</sup></b>	<b>3.27</b>	<b>Neg.</b>	<b>4.90</b>	<b>Neg.</b>	<b>9.15</b>	<b>Neg.</b>

1. Before and after dilution.

## STATEMENT OF COMPREHENSIVE INCOME

SEK m	Quarter		Interim period		12 months	
	2015 Apr-Jun	2014 Apr-Jun	2015 Jan-Jun	2014 Jan-Jun	2014/2015 Jul-Jun	2014 Jan-Dec
Net profit/loss for the period, continuing and discontinued operations	596	-1,465	892	-1,397	1,536	-753
Other comprehensive income						
Translation gains (losses) for the year, on consolidation of foreign operations	-1	2	-1	3	1	4
<b>Comprehensive income for the period<sup>1</sup></b>	<b>595</b>	<b>-1,463</b>	<b>891</b>	<b>-1,395</b>	<b>1,537</b>	<b>-749</b>

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

## STATEMENT OF FINANCIAL POSITION – IN SUMMERY<sup>1</sup>

SEK m	30/06/2015	31/12/2014
<b>ASSETS</b>		
Properties	23,259	19,612
Equipment	7	8
Deferred tax receivable	-	31
Participations in associated companies	108	-
Other non-current receivables	183	9
<b>Total non-current assets</b>	<b>23,556</b>	<b>19,661</b>
Current receivables	227	141
Assets held for sale – modular buildings and property used in business operations	-	1,428
Assets held for sale – other	-	372
Cash and bank	611	1,437
<b>Total current assets</b>	<b>838</b>	<b>3,379</b>
<b>TOTAL ASSETS</b>	<b>24 394</b>	<b>23,040</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>9 720</b>	<b>9,102</b>
<b>Interest-bearing liabilities</b>		
Liabilities to credit institutions	11,381	9,613
Bond loans (unsecured)	1,675	1,699
Liabilities related to assets held for sale	-	362
<b>Total interest-bearing liabilities</b>	<b>13,056</b>	<b>11,675</b>
<b>Non interest-bearing liabilities</b>		
Provisions	5	5
Deferred tax liability	265	-
Derivatives <sup>2</sup>	663	1,134
Income tax liability	52	13
Other non interest-bearing liabilities	634	645
Liabilities related to assets held for sale	-	467
<b>Total non interest-bearing liabilities</b>	<b>1,618</b>	<b>2,264</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>24,394</b>	<b>23,040</b>

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

2. Kungsleden 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 – IN SUMMERY

SEK m	30/06/2015	31/12/2014
At the beginning of the period	9,102	8,453
Dividends	-273	-171
Rights issue	-	1,568
Comprehensive income for the period	891	-749
<b>At the end of the period</b>	<b>9,720</b>	<b>9,102</b>

## STATEMENT OF CASH FLOWS – IN SUMMERY

SEK m	Quarter		Interim period		12 months	
	2015 Apr-Jun	2014 Apr-Jun	2015 Jan-Jun	2014 Jan-Jun	2014/2015 Jul-Jun	2014 Jan-Dec
<b>OPERATIONS</b>						
Profit (loss) before tax	801	278	1,178	342	2,142	1,306
Profit (loss) on property sales	-1	-85	-5	-65	-12	-73
Unrealised changes in value	-598	22	-796	133	-1,433	-504
Dividends and cash flow for Nordic Modular (discontinued operations)	-	0	-	0	94	94
Adjustments for items not included in cash flow from operating activities	-22	7	-33	15	-48	-1
Tax paid	-14	-999	-25	-1,024	-484	-1,483
<b>Cash flow from operating activities</b>	<b>166</b>	<b>-778</b>	<b>319</b>	<b>-600</b>	<b>258</b>	<b>-660</b>
Changes in working capital	-40	319	-13	462	253	727
<b>Cash flow from operating activities after change in working capital</b>	<b>127</b>	<b>-459</b>	<b>307</b>	<b>-138</b>	<b>510</b>	<b>67</b>
<b>Cash flow from investing activities</b>	<b>-1,485</b>	<b>240</b>	<b>-2,240</b>	<b>318</b>	<b>-1,706</b>	<b>852</b>
<b>Cash flow from financing activities</b>	<b>1,672</b>	<b>250</b>	<b>1,108</b>	<b>-72</b>	<b>1,374</b>	<b>194</b>
<b>Cash flow for the period</b>	<b>313</b>	<b>32</b>	<b>-826</b>	<b>109</b>	<b>178</b>	<b>1,112</b>
Cash equivalents at the beginning of the period	298	400	1,437	323	400	323
Exchange rate differences on cash equivalents	0	1	0	1	2	3
<b>Cash equivalents at the end of the period</b>	<b>611</b>	<b>433</b>	<b>611</b>	<b>433</b>	<b>580</b>	<b>1,437</b>

# SEGMENT REPORT<sup>1</sup>

Region	Stockholm		Mälardalen		Gothenburg		Malmö		Non-Allocated Items		Total	
	2015 Jan-Jun	2014 Jan-Jun	2015 Jan-Jun	2014 Jan-Jun	2015 Jan-Jun	2014 Jan-Jun	2015 Jan-Jun	2014 Jan-Jun	2015 Jan-Jun	2014 Jan-Jun	2015 Jan-Jun	2014 Jan-Jun
SEK m												
Rental revenue	378	341	324	370	208	228	174	180	0	0	1,085	1,118
Property costs	-132	-107	-132	-137	-73	-76	-53	-50	0	0	-390	-369
<b>Operating net</b>	<b>246</b>	<b>234</b>	<b>193</b>	<b>232</b>	<b>136</b>	<b>152</b>	<b>121</b>	<b>130</b>	<b>0</b>	<b>0</b>	<b>695</b>	<b>748</b>
Selling and administration costs									-51	-46	-51	-46
Net financial items									-267	-344	-267	-344
<b>Profits from property management</b>	<b>246</b>	<b>234</b>	<b>193</b>	<b>232</b>	<b>136</b>	<b>152</b>	<b>121</b>	<b>130</b>	<b>-318</b>	<b>-390</b>	<b>377</b>	<b>359</b>
<b>Gains/losses on properties</b>												
Profit (loss) on property sales									5	65	5	65
Unrealised changes in value									654	167	654	167
Unrealised changes in value of financial instruments									142	-249	142	-249
<b>Profit (loss) before tax</b>	<b>246</b>	<b>234</b>	<b>193</b>	<b>232</b>	<b>136</b>	<b>152</b>	<b>121</b>	<b>130</b>	<b>483</b>	<b>-407</b>	<b>1,178</b>	<b>342</b>
Tax									-285	-1,750	-285	-1,750
Discontinued operations									-	10	-	10
<b>Profit/loss for the period, continuing and discontinued operations</b>	<b>246</b>	<b>234</b>	<b>193</b>	<b>232</b>	<b>136</b>	<b>152</b>	<b>121</b>	<b>130</b>	<b>197</b>	<b>-2,146</b>	<b>892</b>	<b>-1,397</b>

1. From 2015 Kungsliden has a new classification which is based on regions. The new classification is done because of Nordic Modular, that used to be a segment, now is divested. Comparative figures have been restated according to the same principle.

# KEY FIGURES<sup>1</sup>

	Quarter		Interim period		12 months	
	2015 Apr-Jun	2014 Apr-Jun	2015 Jan-Jun	2014 Jan-Jun	2014/2015 Jul-Jun	2014 Jan-Dec
<b>Property related</b>						
<i>Earnings capacity</i>						
Property yield, %					7.0	7.6
Economic occupancy rate, %					88.9	89.7
Operating surplus margin, %					71.5	71.7
<i>Outcome</i>						
Property yield, % <sup>2</sup>	6.4	8.6	6.5	8.4	6.6	7.5
Economic occupancy rate, %	91.1	88.0	90.1	89.6	89.5	90.2
Operating surplus margin, %	64.6	68.0	64.0	65.9	66.5	68.0
<b>Financial</b>						
Return on total assets, % <sup>2</sup>	5.7	8.4	5.5	7.3	6.0	6.6
Return on equity, %	24.9	Neg.	19.0	Neg.	18.5	Neg.
Interest coverage ratio, times <sup>2</sup>	2.4	2.7	2.3	2.1	2.3	2.2
Equity ratio, %					39.8	39.5
Debt/equity ratio, times					1.3	1.3
LTV (loan-to-value), %					56.1	57.7
<b>Per share information<sup>4</sup></b>						
Dividend, SEK					1.50	1.25
Total return on shares, %					14.9	33.7
Property yield on shares, %					2.7	2.2
Profits from property management, SEK	1.11	1.58	2.07	3.00	4.45	5.02
Net profit/loss for the period, continuing operations, SEK	3.27	Neg.	4.90	Neg.	9.77	Neg.
Net profit/loss for the period, continuing and discontinued operations, SEK	3.27	Neg.	4.90	Neg.	9.15	Neg.
Equity, SEK					53.41	50.01
EPRA NAV, SEK <sup>3</sup>					58.50	56.07
Cash flow from operating activities, SEK	0.91	-5.70	1.75	-4.39	1.53	-4.54
Outstanding shares at the end of the period	182,002,752	136,502,064	182,002,752	136,502,064	182,002,752	182,002,752
Average number of shares	182,002,752	136,502,064	182,002,752	136,502,064	167,916,238	145,352,883

1. Kungsliden's policy regarding key figures is that previously published figures apply. The subsidiary, Nordic Modular Group is thus reported as discontinued operations 2015, and as a wholly owned subsidiary 2014.

2. Kungsliden'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.

3. 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.

4. After and before dilutive effect. For the second quarter of 2015 and for the period January-June 2015 the average number of shares is 182,002,752 (136,502,064).

## PARENT COMPANY INCOME STATEMENT - IN SUMMERY

SEK m	Quarter		Interim period		12 months	
	2015 Apr-Jun	2014 Apr-Jun	2015 Jan-Jun	2014 Jan-Jun	2014/2015 Jul-Jun	2014 Jan-Dec
Intra-Group income	17	7	25	14	38	28
Administration costs	-8	-7	-22	-14	-31	-30
<b>Operating profit (loss)</b>	<b>9</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>7</b>	<b>-2</b>
Profit (loss) from financial items	164	-149	329	-325	-250	-563
Appropriations	-	-	-	-	151	151
<b>Profit (loss) before tax</b>	<b>173</b>	<b>-149</b>	<b>332</b>	<b>-325</b>	<b>-92</b>	<b>-414</b>
Tax on net profit/loss for the period	-120	33	-103	72	-57	96
<b>Profit/loss for the period</b>	<b>53</b>	<b>-116</b>	<b>229</b>	<b>-254</b>	<b>-149</b>	<b>-318</b>

## BALANCE SHEET, PARENT COMPANY - IN SUMMERY

SEK m	30/06/2015	30/06/2014	31/12/2014
<b>ASSETS</b>			
Participations in Group companies	6,052	7,806	6,748
Participations in associated companies	96	-	-
Receivables from Group companies	11,515	8,234	9,602
Other receivables	481	376	398
Cash and cash equivalents	414	337	1,257
<b>TOTAL ASSETS</b>	<b>18,558</b>	<b>16,754</b>	<b>18,005</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	7,177 <sup>1</sup>	5,718	7,222
Non-current liabilities	1,677	1,702	1,701
Liabilities to Group companies	9,026	8,346	7,921
Other liabilities	678	988	1,161
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18,558</b>	<b>16,754</b>	<b>18,005</b>

1. Dividends have reduced equity by SEK 273 m (171).

# QUARTERLY SUMMARY

## INCOME STATEMENTS, IN SUMMARY

SEK m	2015			2014			2013		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
Net sales	560	525	524	552	551	567	460	419	
Operating net	362	333	338	404	383	366	316	310	
Selling and administration costs	-27	-24	-33	-23	-23	-22	-32	-18	
Net financial items	-132	-134	-151	-164	-168	-176	-155	-143	
<b>Profits from property management</b>	<b>202</b>	<b>175</b>	<b>154</b>	<b>217</b>	<b>191</b>	<b>168</b>	<b>129</b>	<b>149</b>	
Profit (loss) from property sales	1	4	0	7	86	-21	4	0	
Unrealised gains/losses on property	411	243	595	169	126	41	71	-4	
Unrealised changes in value of financial instruments	187	-45	-107	-70	-125	-124	8	57	
<b>Profit (loss) before tax</b>	<b>801</b>	<b>377</b>	<b>642</b>	<b>322</b>	<b>278</b>	<b>64</b>	<b>211</b>	<b>202</b>	
Tax	-205	-81	-144	-72	-1,732	-17	-47	-11	
<b>Net profit/loss for the period, continuing operations</b>	<b>596</b>	<b>296</b>	<b>499</b>	<b>250</b>	<b>-1,454</b>	<b>46</b>	<b>164</b>	<b>191</b>	
Profit/loss from Nordic Modular, net after tax	-	-	-128	23	-11	21	16	23	
<b>Net profit/loss for the period, continuing and discontinued operations</b>	<b>596</b>	<b>296</b>	<b>371</b>	<b>274</b>	<b>-1,465</b>	<b>68</b>	<b>179</b>	<b>214</b>	

## FINANCIAL POSITION, IN SUMMARY

SEK m	2015			2014			2013		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	
<b>ASSETS</b>									
Goodwill	-	-	-	-	172	201	201	201	
Investment properties - properties	23,259	21,700	19,612	18,982	19,971	20,410	20,338	14,480	
Investment properties - modular buildings	-	-	-	-	1,512	1,509	1,509	1,515	
Property used in business operations	-	-	-	-	24	24	22	21	
Equipment	7	8	8	9	14	15	15	13	
Deferred tax receivable	-	-	31	147	-	-	35	65	
Participations in associated companies	108	102	-	-	-	-	-	-	
Other non-current receivables	183	184	9	10	11	11	239	234	
<b>Total non-current assets</b>	<b>23,556</b>	<b>21,993</b>	<b>16,661</b>	<b>19,148</b>	<b>21,704</b>	<b>22,170</b>	<b>22,359</b>	<b>16,529</b>	
Inventories	-	-	-	-	14	17	15	16	
Current receivables	227	203	141	124	213	286	272	179	
Assets held for sale - modular buildings and property used in business operations	-	-	1,428	1,528	-	-	-	-	
Assets held for sale - other	-	-	372	381	-	-	-	-	
Cash and bank	611	298	1,437	896	433	400	323	298	
<b>Total current assets</b>	<b>838</b>	<b>501</b>	<b>3,379</b>	<b>2,929</b>	<b>660</b>	<b>703</b>	<b>610</b>	<b>493</b>	
<b>TOTAL ASSETS</b>	<b>24,394</b>	<b>22,494</b>	<b>23,040</b>	<b>22,077</b>	<b>22,364</b>	<b>22,873</b>	<b>22,968</b>	<b>17,022</b>	
<b>EQUITY AND LIABILITIES</b>									
<b>Equity</b>	<b>9,720</b>	<b>9,398</b>	<b>9,102</b>	<b>7,161</b>	<b>6,888</b>	<b>8,521</b>	<b>8,453</b>	<b>8,273</b>	
<b>Interest-bearing liabilities</b>									
Liabilities to credit institutions	11,381	9,412	9,613	10,182	11,279	10,857	10,579	5,656	
Bond loans (unsecured)	1,675	1,699	1,699	1,699	1,699	1,699	2,299	1,599	
Liabilities related to assets held for sale	-	-	362	373	-	-	-	-	
<b>Total interest-bearing liabilities</b>	<b>13,056</b>	<b>11,111</b>	<b>11,675</b>	<b>12,254</b>	<b>12,978</b>	<b>12,556</b>	<b>12,879</b>	<b>7,255</b>	
<b>Non interest-bearing liabilities</b>									
Provisions	5	5	5	5	14	15	60	59	
Deferred tax liability	265	63	-	-	114	2	-	-	
Derivatives	663	1,179	1,134	1,026	956	833	708	707	
Income tax liability	52	75	13	410	-	-	-	-	
Other non interest-bearing liabilities	634	663	645	710	1,414	946	869	728	
Liabilities related to assets held for sale	-	-	467	469	-	-	-	-	
<b>Total non interest-bearing liabilities</b>	<b>1,618</b>	<b>1,985</b>	<b>2,264</b>	<b>2,662</b>	<b>2,498</b>	<b>1,796</b>	<b>1,637</b>	<b>1,494</b>	
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>24,394</b>	<b>22,494</b>	<b>23,040</b>	<b>22,077</b>	<b>22,364</b>	<b>22,873</b>	<b>22,968</b>	<b>17,022</b>	

# 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. This means that throughout the year the debt of the property tax is recognized per January 1, and additionally reported as prepaid expenses which is accrued linearly over the financial year. Expense recognition does not change, and is accrued over the year.

*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.

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## STOCKHOLM, 17 JULY 2015

### Board's assurance

The interim report for the period January-June 2015 provides a true and fair summary of the Parent Company and Group's business, earnings and financial position as well as describing any significant risks or uncertainties faced by the Parent Company and the companies belonging to the Group.

Göran Larsson  
*Chairman*

Liselotte Hjorth  
*Board member*

Charlotta Wikström  
*Board member*

Charlotte Axelsson  
*Board member*

Lars Holmgren  
*Board member*

Biljana Pehrsson  
*CEO*

Joachim Gahm  
*Board member*

Kia Orback Pettersson  
*Board member*

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## REVIEW REPORT

To the Board of Directors in Kungsleden AB (publ)  
Corp. ID no. 556545-1217

### Introduction

We have conducted a review of the interim financial information (the interim report) for Kungsleden AB (publ) as of 30 June 2015 and the six-month period ending on that date. The Board of Directors and CEO 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 an opinion on this interim report that is based upon our review.

### The purpose and scope of a review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information 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 has a different purpose and is substantially more limited in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statement does not, in all material respects, accord with IAS 34 and the Swedish Annual Accounts Act for the Group, and the Swedish Annual Accounts Act for the Parent Company.

Stockholm, 17 July 2015  
KPMG AB

George Pettersson  
*Authorised Public Accountant*

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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 17 July 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. Or, contact the company directly.

For all definitions, see the Annual Report for 2014 as well as [www.kungsleden.se](http://www.kungsleden.se)

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## Calendar

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Interim Report  
1 Jan-30 Sep 2015  
**20 October 2015**

Year-End Report 2015  
1 Jan-31 Dec 2015  
**17 February 2016**

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

**KUNGSLEDEN**