

JANUARY – JUNE 2019

Q2 2019

“Profit from property management up by 15 per cent”

Biljana Pehrsson, CEO



20 YEARS ON THE STOCK MARKET 1999-2019

KUNGSLEDEN

INTERIM REPORT JANUARY-JUNE 2019

Kungsleden is a long-term property owner with a vision to create attractive and sustainable places that enrich people's working day. By owning, actively managing and developing commercial properties in Sweden's growth regions, we seek to generate attractive total returns. As of 30 June 2019, Kungsleden owned 208 properties with total book value of SEK 36,131 million.

THE INTERIM PERIOD IN BRIEF

- Profit from property management increased by 15 per cent to SEK 579 million (505). The increase was due to higher operating net in like-for-like portfolio terms, and improved net financial items.
- New leasing amounted to SEK 93 million (130) and net leasing for the period was SEK 10 million (39).
- Changes in value on properties amounted to SEK 844 million (989). The value increase is mainly a result of a higher operating net and somewhat reduced required valuation yield.
- Property value at the end of the period was SEK 36,131 million (SEK 34,697 million at the beginning of the period).
- Net profit after tax for the period was SEK 954 million (1,165), or SEK 4.37 per share (5.33).
- Current NAV increased to SEK 82.79 per share (74.37).

IMPORTANT EVENTS DURING AND AFTER THE SECOND QUARTER

- Moody's raised its credit rating on Kungsleden to Investment Grade with stable outlook. The upgrade increases the opportunity to achieve even better financing terms.
- Phase 1 of the ongoing project in Blåstern 14, Stockholm City West was completed, when the Blique by Nobis designer hotel opened at the end of April.
- In the second quarter, Kungsleden issued SEK 500 million of green bonds and accordingly, had total green bonds of SEK 3.6 billion by the end of the quarter.
- Consistent with its customer proposition, Kungsleden has decided to create its own facility management organisation to enable even better customer service.

Key ratios	2019 Jan-Jun	2018 Jan-Jun	2019 Apr-Jun	2018 Apr-Jun
Property yield, investment properties, %	4.8	4.9	4.9	4.9
Occupancy rate, investment properties, %	93.4	92.4	93.4	92.4
Surplus ratio, investment properties, %	68.7	64.8	70.5	67.9
Book value properties, SEK million	36,131	33,692	36,131	33,692
Return on equity, %	11.9	16.0	10.5	14.2
LTV (loan-to-value) ratio, %	46.6	48.5	46.6	48.5
Interest coverage ratio, multiple	4.6	3.6	4.9	3.9
Net profit, SEK per share	4.37	5.33	1.96	2.42
EPRA NNNNAV (current net asset value), SEK per share	82.79	74.37	82.79	74.37
Share of certified properties, %	20	13	20	13

CEO'S STATEMENT

PROFIT FROM PROPERTY MANAGEMENT UP BY 15 PER CENT

Kungsleden continued to deliver strong earnings in the second quarter of 2019. We passed a major milestone in June, when the rating institute Moody's upgraded our rating to Investment Grade. Our operations performed positively, and profit from property management for the interim period increased by 15 per cent to SEK 579 million (505).

INVESTMENT GRADE – PURPOSEFUL WORK PAYS OFF

In recent years, we've worked purposefully to improve the quality of our property portfolio, focusing on the strongest rental markets and consolidating our financial position. This has resulted in our fulfilment of Moody's requirements of an Investment Grade company, which we're pleased about, and view as further corroboration that our strategy is successful. We now have even better potential to expand our investor base, obtain better financing terms and secure financing on long maturities.

A FLYING START FOR BLIQUE BY NOBIS HOTEL AT BLÄSTERN

Our largest development property, Blästern on Gävlegatan in Stockholm, has been extensively redeveloped and extended over recent years, and the Blique by Nobis hotel opened there in April. The site has got off to a flying start, with its Arc rooftop bar already rated in the world's top 10 news in 2019 by US magazine Forbes.

HIGH-PRESSURE PROPERTY DEVELOPMENT

We invested a total of SEK 675 million in major projects under construction and tenant investments, as well as maintenance, in the interim period. We now have six major projects in the implementation phase, with a total rental value of SEK 205 million and a total investment budget of SEK 1,513 million, to be completed in the years 2020-2024.

The core development potential lies within our existing portfolio and clusters. Possible future investment volumes are estimated at nearly SEK 8 billion.

BUILDING OUR OWN FACILITY MANAGEMENT ORGANISATION

In the second quarter, we decided on another step to enable the best possible customer service – insourcing the facility management of our properties. Hiring skilled professionals has already started, and we're looking forward to creating our own organisations in Stockholm, Gothenburg and Malmö in the year. In-house facility management is also part of further improving our offering to our customers while at the same time making operations more efficient. We will also be prioritising environmental aspects and diversity during this build-up phase.



GOOD LEASING MARKET AND OUTLOOK

The demand for office premises remains positive, especially in our priority growth markets of Stockholm, Gothenburg, Malmö and Västerås – where 87 per cent of our portfolio is located.

We maintained high leasing activity in the quarter, with many new lease contract signings, corresponding to rental volume of SEK 93 million (130), and net leasing of SEK 10 million (39). Our leasing pipeline remains strong.

We renegotiated 59 contracts worth SEK 144 million and achieved an average rent increase of 7 per cent. Coupled with the new lease contract signings, renegotiations resulted in the average rent of our portfolio rising by 11 per cent to SEK 1,394 per sq.m. in a year's time. This also meant that the vacancy rate excluding projects decreased to 6.6 per cent, against 7.6 per cent a year ago.

Kungsleden is passing milestone after milestone and has now established status as a stable and long-term property owner on the Swedish real estate market. We still see positive demand on our markets, while we're well prepared for weaker economic conditions.

Stockholm, 10 July 2019

Biljana Pehrsson, CEO

GROUP COMPREHENSIVE INCOME

SEK million	2019 Jan-Jun	2018 Jan-Jun	2019 Apr-Jun	2018 Apr-Jun	2018 Jan-Dec
Revenue					
Rental revenue	1,189	1,182	603	596	2,377
Other revenue	4	2	1	1	8
Total revenue	1,192	1,184	604	597	2,385
Property costs					
Operations	-237	-263	-105	-118	-460
Maintenance	-37	-45	-17	-21	-81
Property tax	-58	-56	-30	-27	-115
Site leasehold fees	-	-15	-	-8	-33
Property administration	-54	-54	-27	-26	-110
Total property costs	-385	-434	-180	-200	-800
OPERATING NET	807	750	423	396	1,586
Selling- and administration costs	-53	-54	-25	-27	-95
Financial revenues and financial costs	-160	-191	-79	-93	-366
Costs of right of use	-14	-	-7	-	-
Net financial items	-174	-191	-86	-93	-366
PROFIT FROM PROPERTY MANAGEMENT	579	505	312	276	1,124
Changes in value					
Properties	844	989	355	404	1,603
Interest derivatives	-210	-67	-118	-67	-73
Total changes in value	635	923	237	337	1,529
PROFIT BEFORE TAX	1,214	1,427	549	612	2,653
Tax	-260	-262	-121	-84	-598
NET PROFIT	954	1,165	428	528	2,055
Other comprehensive income					
Translation gains/losses for the period on translation of foreign operations	0	0	0	0	0
COMPREHENSIVE INCOME FOR THE PERIOD	954	1,165	428	528	2,055
NET PROFIT PER SHARE	4.37	5.33	1.96	2.42	9.41

PERFORMANCE ANALYSIS JANUARY-JUNE 2019

REVENUE

Total revenues increased by SEK 8 million for the interim period and amounted to SEK 1,192 million (1,184). In like-for-like portfolio terms of investment properties, total revenue increased by SEK 46 million year on year. Rental revenues represented SEK 44 million of the increase with completed development properties contributing SEK 4 million, and the remainder explained by new leasing, renegotiation and indexation.

The rental revenue increase in like-for-like portfolio terms of investment properties was 4.3 per cent.

The loss of rental revenue from divested properties was SEK 72 million, and the vacation of development properties was SEK 8 million. This loss was partly compensated by additional rental revenue from accessed properties of SEK 43 million.

	2019 Jan-Jun	2018 Jan-Jun
Total revenue, SEK million		
Stockholm	421	391
Gothenburg	137	112
Malmö	139	118
Västerås	266	257
Regional cities	178	247
Development properties	48	56
Total rental revenue	1,189	1,182
Other revenue	4	2
Total revenue	1,192	1,184

	2019 Jan-Jun	2018 Jan-Jun
Rental revenue, SEK million		
Like-for-like portfolio terms (investment properties)	1,070	1,026
Development properties	48	56
Acquired properties	70	27
Divested properties	1	73
Total rental revenue	1,189	1,182

Rental revenue per sq.m in the investment portfolio continued to increase in the quarter and amounted to SEK 1,394 per sq.m on a rolling 12-month basis, compared to SEK 1,258 per sq.m one year previously.

Rental revenue per quarter - total properties SEK per sq.m. - investment properties



PROPERTY COSTS

Total property costs amounted to SEK 385 million (434), a SEK 49 million decrease. In like-for-like portfolio terms of investment properties, costs decreased by SEK 27 million. Excluding non-recurring effects from the adoption of IFRS 16, the decrease was SEK 11 million, with more information on page 6. The decrease is explained by the previous year's cold winter with heavy snowfall, and a warm early-summer compared to this year's more normal levels of heating, snow clearance and cooling.

The net effect of the reduction of costs from divested properties and development properties, as well as costs for accessed properties, resulted in a decrease of SEK 21 million.

	2019 Jan-Jun	2018 Jan-Jun
Property costs, SEK million		
Like-for-like portfolio terms (investment properties)	345	372
Development properties	24	30
Acquired properties	15	6
Divested properties	2	26
Property costs	385	434

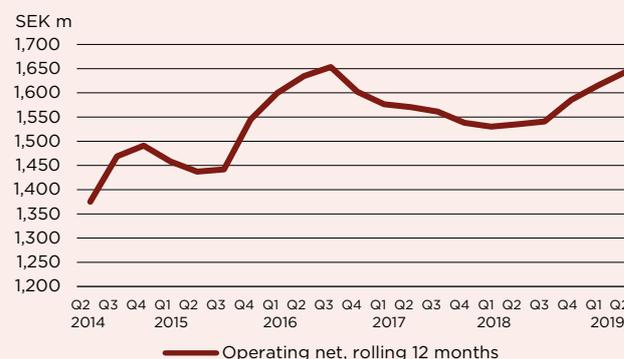
ENERGY CONSUMPTION IN LIKE-FOR LIKE PORTFOLIO

Kungsliden's target is to reduce energy consumption by 3 per cent per year, or by 20 per cent, from 2014 to 2020. Energy consumption in like-for-like portfolio terms was reduced by 3.6 per cent in the period, in year-on-year terms.



OPERATING NET

Operating net increased by SEK 57 million in the first half-year to SEK 807 million (750). In like-for-like portfolio terms of investment properties, operating net increased by SEK 73 million. Excluding non-recurring effects from the adoption of IFRS 16, the increase was SEK 57 million - an 8.7 per cent improvement, with more information on the effects of IFRS 16 on page 6. The loss of operating net from divested properties was SEK 48 million, and additional operating net from accessed properties was SEK 34 million, i.e. a net decrease of SEK 14 million. For development properties, the operating net decreased by SEK 2 million due to vacation of areas.



SELLING- AND ADMINISTRATION COSTS

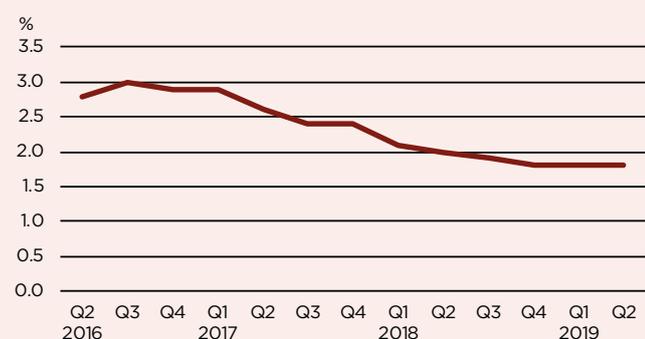
Selling and administration costs decreased by SEK 1 million on the previous year and were SEK 53 million (54). Excluding the non-recurring effect of the introduction of IFRS 16, the decrease was SEK 3 million, which is a consequence of rationalisation and savings measures. For more information on the effects of IFRS 16, see page 6.

NET FINANCIAL ITEMS

Net financial items were SEK -174 million (-191). The year-on-year improvement is mainly explained by the cost of interest rate hedges reducing and arranging new financing on better terms. The adoption of IFRS 16 resulted in net financial items being charged with expenses of SEK 14 million. Restatements are mainly expenses for site leasehold fees that were previously charged to operating net. The average interest rate at the end of the period was 1.8 per cent (2.0).

SEK million	2019 Jan-Jun	2018 Jan-Jun
Financial revenues	0	0
Interest expenses	-143	-167
Other financial costs	-17	-24
Costs of right of use	-14	-
Net financial items	-174	-191

Average interest rate per quarter



PROFIT FROM PROPERTY MANAGEMENT

Profit from property management for the period increased to SEK 579 million (505), or by 15 per cent. The profit increase is due to a higher operating net in like-for-like portfolio terms and improved net financial items.



CHANGES IN VALUES ON PROPERTIES

The unrealised value change in the property portfolio was SEK 848 million (985) for the period, or 2.4 per cent. The increase in value is due to an improved operating net, mainly sourced from higher rental revenue and a reduction in the average required yield of 7 basis points. Hereof, the effect of divested and acquired properties impacted the average required yield by 4 basis points. At the end of the period, the average required yield was 5.3 per cent. Deductions received for deferred tax on properties accessed in the period resulted in an unrealised change in value of SEK 27 million. The realised changes in value for the period were SEK -4 million (4).

CHANGES IN VALUE ON INTEREST RATE DERIVATIVES

The change in value on financial instruments was SEK -210 million (-67) and is due to interest rates on longer maturities falling.

TAX

The total tax expense for the period amounted to SEK 260 million (262), of which SEK 0 million (0) is actual tax. The new corporation tax rate, which applies effective 1 January 2019, reduced the tax expense due to a lower tax rate. The tax rate will continue to reduce in 2021, to 20.6 per cent. The new interest deduction regulations are not expected to exert any material impact on the year-2019 tax computation.

NET PROFIT

Net profit for the period amounted to SEK 954 million compared to SEK 1,165 million for the corresponding period of the previous year. The decrease is partly due to changes in value on properties and partly to unrealised changes in value on interest rate derivatives.

IFRS 16

The new accounting standard for leases (IFRS 16) was adopted on 1 January 2019. More information is in the Annual Report for 2018 (p.78). For Kungsleden, this new standard mainly means that site-leaseholds should be recognised in the Balance Sheet at the measured present value of future fees. In the Income Statement, site-leasehold fees instead of being recognised solely as property costs, should be allocated in a depreciation component which is reported as a property cost, and an interest component reported in net financial items. This reclassification has no impact on comprehensive income, and the standard has not been applied retroactively. To improve comparability, the following table illustrates how the current year's Income Statement and key ratios have been affected by this change of accounting policy.

SEK million	2019 Jan-Jun	IFRS 16	2019 Jan-Jun	2018 Jan-Jun
			excluding IFRS 16	
Revenue	1,192	-	1,192	1,184
Property costs	-385	16	-401	-434
OPERATING NET	807	16	791	750
Selling- and administration costs	-53	-2	-51	-54
Net financial items	-174	-14	-160	-191
PROFIT FROM PROPERTY MANAGEMENT	579	-	579	505
Property yield investment properties, %	4.8		4.7	4.9
Surplus ratio investment properties, %	68.7		67.3	64.8
Return on total assets, %	4.1		4.1	4.2
Equity ratio, %	42.9		43.8	43.2

GROUP BALANCE SHEET

SEK million	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	13	9	11
Properties	36,131	33,692	34,697
Assets of right of use	774	-	-
Equipment	5	6	5
Other long-term receivables	4	12	4
Total non-current assets	36,927	33,719	34,718
Current assets			
Current receivables	287	49	201
Derivatives	-	-	4
Cash and bank balances	542	643	471
Total current assets	829	692	677
TOTAL ASSETS	37,756	34,411	35,394
EQUITY AND LIABILITIES			
Equity	16,197	14,877	15,767
Non-current liabilities			
Liabilities to credit institutions	9,287	9,249	9,204
Other interest-bearing liabilities	7,146	6,346	6,246
Liabilities of right of use	767	-	-
Derivatives	240	147	34
Deferred tax liability	2,139	1,551	1,892
Provisions	5	12	5
Total non-current liabilities	19,584	17,306	17,381
Current liabilities			
Liabilities to credit institutions	-	-	-
Other interest-bearing liabilities	938	1,400	1,432
Liabilities of right of use	7	-	-
Other liabilities	1,030	828	814
Total current liabilities	1,975	2,228	2,246
TOTAL EQUITY AND LIABILITIES	37,756	34,411	35,394

GROUP CHANGES IN EQUITY

SEK million	30 Jun 2019	30 Jun 2018	31 Dec 2018
Equity at beginning of period	15,767	14,192	14,192
Dividend	-524	-480	-480
Comprehensive income for the period	954	1,165	2,055
Equity at end of period	16,197	14,877	15,767

KUNGSLEDEN'S PROPERTY PORTFOLIO

As of 30 June, Kungsleden held 208 properties with a total book value of SEK 36,131 million. 87 per cent of the portfolio is in one of Kungsleden's priority growth markets of Stockholm, Gothenburg, Malmö and Västerås, and 75 per cent of property values consist of offices. 73 per cent of value is in one of Kungsleden's 12 clusters.

OUR MARKETS

STOCKHOLM

47%
SEK 16,641 m

VÄSTERÅS

17%
SEK 6,134 m

GOTHENBURG

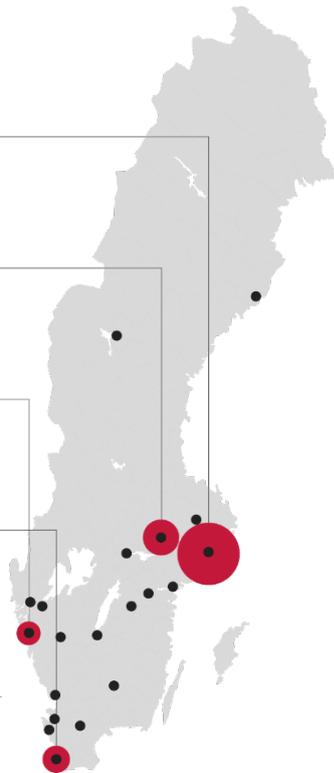
11%
SEK 4,021 m

MALMÖ

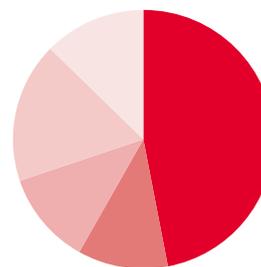
12%
SEK 4,166 m

REGIONAL CITIES

13%
SEK 4,456 m

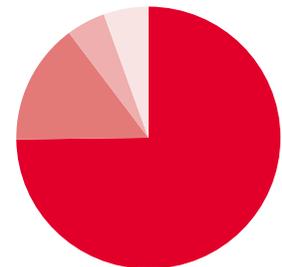


Property value per geography



- Stockholm, 47%
- Gothenburg, 11%
- Malmö, 12%
- Västerås, 17%
- Regional cities, 13%

Property value per category



- Office, 75%
- Industrial/Warehouse, 15%
- Retail, 5%
- Other, 5%

Property portfolio 30 Jun 2019

SEK million	No. of properties	Leasable area, 000 sq.m	Book value	Occupancy rate, %	Rental value
Investment properties	197	1,826	33,079	93.4	1,230
Development properties	11	159	3,053	68.7	78
Total property holdings	208	1,985	36,131	91.8	1,307

Kungsleden's clusters

73 percent of the property portfolio's book value is located in one of our twelve clusters.

		Leasable area, sq.m.	Book value, SEK billion
Stockholm	Kista City	147,000	4.5
	Stockholm City East	85,000	3.8
	Danderyd Office	100,000	3.1
	Stockholm City West	49,000	2.9
	Västberga	38,000	0.5
Gothenburg	Högsbo	109,000	1.3
	Gothenburg South Central	40,000	1.5
Malmö	Hyllie	40,000	1.3
	Fosie	53,000	0.7
Västerås	Västerås City	153,000	3.6
	Finnslätten	237,000	1.8
Rest of Sweden	City of Östersund	79,000	1.3

Sustainability targets and actuals

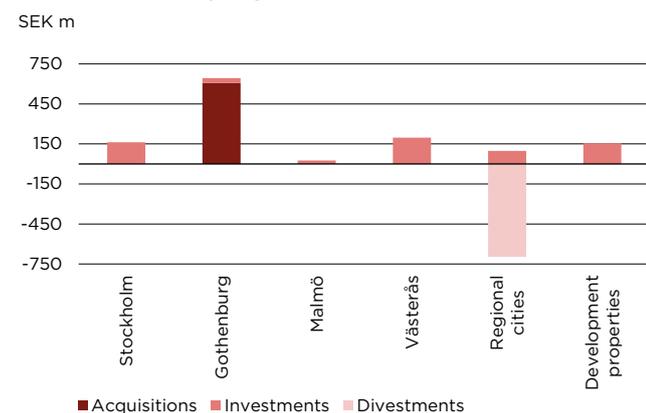
Focus area	Target	Actual
LEED certification	50%	20%
	Half of the portfolio (based on book value) should be certified according to LEED before the end of 2020. All properties should be certified before the end of 2025.	of the property value was certified as of 30 June 2019.
No. of green leases	115	37
	At least 115 new green lease agreements to be signed in 2019.	green leases was signed during the period Jan-Jun 2019.

PROGRESS OF THE PROPERTY PORTFOLIO

Progress of the property portfolio

Jan-Jun 2019 SEK million	Investment properties	Development properties	Total
Properties at beginning of period	31,800	2,897	34,697
Reclassifications	72	-72	0
Acquisitions, completed	608	-	608
Investments	519	156	675
Divestments, completed	-697	-	-697
Unrealised changes in value	776	72	848
Properties at end of period	33,079	3,053	36,131

Net investments by segment Jan-Jun 2019



ACQUISITIONS AND DIVESTMENTS

In the second quarter Kungsliden signed an agreement to sell Mandelblomman 3 in Spånga. The sales price is SEK 36 million, which exceeds this property's book value. No acquisitions were conducted in the period.

Divestments Jan-Jun 2019

Property	Municipality	Category	Leasable area sq.m.
Mandelblomman 3	Stockholm	Other	1,813

ACCESSED PROPERTIES AND CLOSED DIVESTMENTS

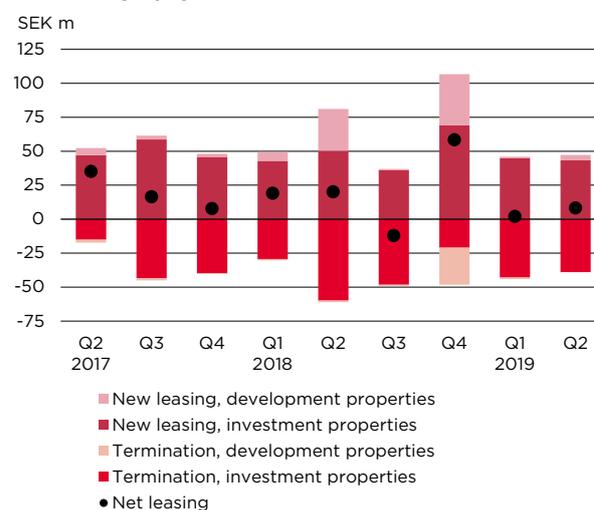
In January the final phase of the Tändstickan district of Gothenburg (Kallebäck 2:11) was accessed. Kungsliden also vacated 15 retail and office properties in Eskilstuna in January, which meant Kungsliden exiting the Municipality. Kungsliden also closed the sale of Mandelblomman 3 at the beginning of July.

LEASING

Kungsliden signed lease contracts with rental value of SEK 93 million (130) in the period. Most of these new lease contracts have higher rent excluding heating and hot water per sq.m. than previous contracts. Net leasing for the period amounted to SEK 10 million (39).

37 of the new lease contracts signed in the year are green leases, which involve an agreement between the tenant and property owner on joint action to maintain or improve the environmental performance of premises.

Net leasing by quarter



Kungsliden's largest tenants

Tenant	Rental value, SEK million	Average duration, years
ABB	269	4.4
The Swedish Social Service Administration	52	5.0
Biz Apartments	40	9.1
ICA	38	2.9
Municipality of Västerås	37	5.4
ÅF	26	4.1
Westinghouse Electric Sweden	24	1.5
Municipality of Stockholm	23	1.5
The Swedish Custom Service	22	4.2
SMHI	21	11.4
10 largest tenants	553	4.8
Other	1,803	3.8
Total	2,355	4.0

INVESTMENT PROPERTIES

Kungsliden develops its property portfolio through active and sustainable management and a close dialogue with customers. Most of our properties are classified as investment properties. The others are development properties, where we maintain vacant areas, or plan vacation for lease in the short term, or for demolition to enable re-development.

Rental revenue, investment properties

SEK per sq.m.	2018/2019 Jul-Jun	2017/2018 Jul-Jun
Office	1,708	1,580
Industrial/Warehouse	892	778
Retail	1,189	1,189
Average	1,394	1,258

Property costs, investment properties

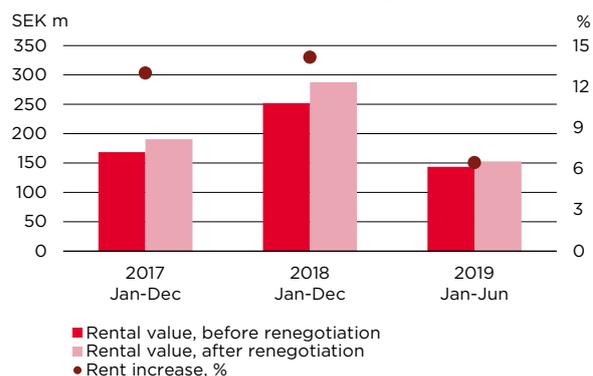
SEK per sq.m.	2018/2019 Jul-Jun			
	Office	Industrial/ Warehouse	Retail	Total
Operation	248	176	143	215
Maintenance	41	25	56	36
Site leasehold and property tax	92	21	64	66
Direct property costs	381	221	263	318
Property administration	61	45	51	55
Total	441	266	314	372

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

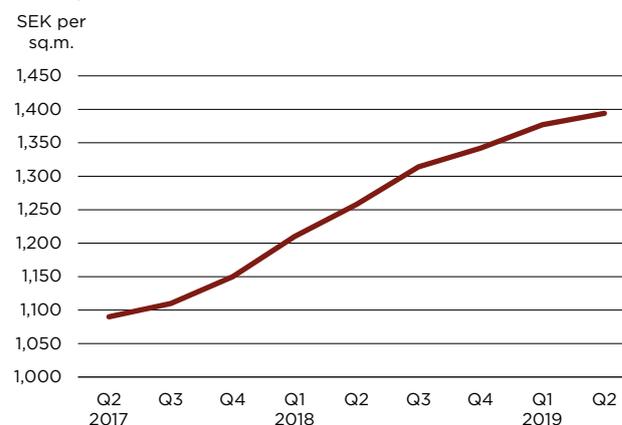
RENEGOTIATION AND AVERAGE RENT

59 lease contracts with rental value of SEK 144 million were successfully renegotiated in the period. These generated an average increase of rental values of 7 per cent (12). The average rent increased to SEK 1,394 per sq.m. (1,258), an increase of 11 per cent year on year. Of the 59 contracts renegotiated, 27 resulted in larger leased area.

Rental value before and after renegotiation



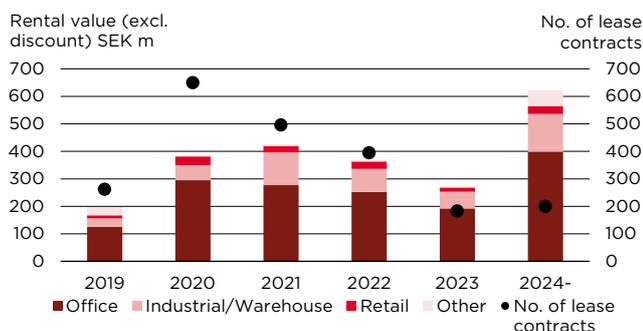
Average rent



LEASE CONTRACTS, MATURITY STRUCTURE

Kungsleden endeavours to achieve a diversified lease contract maturity structure. At present 10–20 per cent of the contract portfolio matures each year and can be renegotiated. As of 30 June, the average maturity of remaining lease contracts was 4.0 years (3.8). Kungsleden's contract portfolio also includes a broad spectrum of tenants, sizes of customer and sector, reducing the risk of rental losses and vacancies.

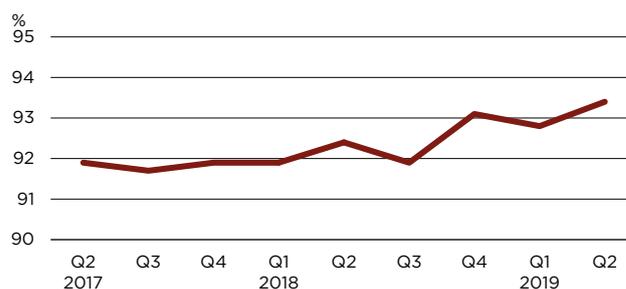
Rental value, maturity structure



OCCUPANCY RATE

The occupancy rate of investment properties was 93.4 per cent, compared to 93.1 per cent at the beginning of the year.

Occupancy rate investment properties by quarter



EARNINGS CAPACITY INVESTMENT PROPERTIES

By maintaining a growing share of offices in growth markets and working actively on leasing and renegotiation, Kungsleden maintains healthy earnings capacity in its investment properties. The average rent computed on earnings capacity amounts to SEK 1,410 per sq.m, compared to 1,394 per sq.m, which is the actual figure for the past 12 months.

The following tables illustrate the investment properties held at the end of the period, and the associated key indicators. Properties acquired but not accessed are not included, and properties that have been divested but not closed are included. The tables are intended to present a view of investment properties' portion of the current property portfolio's underlying earnings capacity but are not a forecast.

Compared to the beginning of the year, earnings capacity in terms of operating net increased by SEK 69 million, from SEK 1,520 million to SEK 1,589 million. The increase is mainly due to an increased operating net in like-for like holdings.

Earnings capacity investment properties by geography

	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Total investment properties	whereof sold not vacated	purchased not accessed ²
No. of properties ¹	50	41	41	18	47	197	3	1
Leasable area, 000 sq.m. ¹	493	258	225	476	375	1,826	-	-
Rental value, SEK m ¹	902	286	292	553	386	2,418	-	-
Operating net, SEK m	603	204	202	338	241	1,589	-	-
Rental revenue, SEK per sq.m. ¹	1,934	1,147	1,370	1,240	1,143	1,410	-	-

¹ As per 30 June

² Not included in total

Earnings capacity investment properties by category

	Office	Industrial/Warehouse	Retail	Other	Total investment properties	whereof sold not vacated	purchased not accessed ²
No. of properties ¹	94	65	28	10	197	3	1
Leasable area, 000 sq.m. ¹	1,034	578	132	82	1,826	-	-
Rental value, SEK m ¹	1,654	497	148	120	2,418	-	-
Operating net, SEK m	1,078	314	99	97	1,589	-	-
Rental revenue, SEK per sq.m. ¹	1,715	908	1,216	1,570	1,410	-	-

¹ As per 30 June

² Not included in total

PROJECTS AND INVESTMENTS

PROJECTS AND INVESTMENTS

Investments in new development, conversion and extension of the existing portfolio are an important component of Kungsleden's business model and is providing a progressively increasing contribution to the company's earnings and profitability. It generates increasing cash flow and value growth through reduced vacancies, higher average rents, and in some cases, the addition of leasable area. Kungsleden has an investment programme of over SEK 3 billion for 2017–2019. For 2019 total investments of SEK 1,300 million is expected of which SEK 675 million in the interim period whereof SEK 361 million in the second quarter. The aim for these investments is to generate a minimum IRR (internal rate of return) of 9 per cent, or a minimum yield on cost of 6 per cent. As of 30 June, 6 major investment projects were in the implementation phase. These projects have aggregate investment volume of SEK 1,513 million. After completion, these converted properties are expected to generate annualised rental value of SEK 205 million. Several projects are already fully leased, and Kungsleden judges that the demand for the remaining premises is good.

Investment programme

SEK million	2016	2017	2018	2019 Jan-Jun	PLAN	
					2019	2020-2023
Development projects	141	312	578	266	600	1,800
Tenant improvements and other value-creating investments	341	499	596	362	600	1,800
Maintenance investments	127	114	126	47	100	400
Total investments	609	925	1,300	675	1,300	4,000

Major current projects

Property designation	Category	Municipality	Completed	Leasable area, sq.m.	Estimated rental value, SEK m	Occupancy rate, %	Book value investment properties, SEK m	Book value development properties, SEK m	Estimated investment, SEK m	Whereof completed, SEK m
Blästern 14	Hotel, Office	Stockholm	2020 ¹	17,000	65	100	-	1,107	595	500
Finnslätten, building 357	Office, Industry	Västerås	2024	21,000	28	41	-	100	250 ²	0
Rotterdam 1	Office	Stockholm	2020	21,300	61	65	-	990	225	35
Karlslund 5:2 - part of	Social services property (new development)	Östersund	2020	3,300	13	100	77	-	160	77
B26 Mimer 5 - part of	Office	Västerås	2020	4,700	13	68	77	-	147	77
Taktpinnen 1	Office	Norrköping	2022	16,000	25	100	223	-	136	7
Total				83,300	205		377	2,197	1 513	696
Other development properties							-	856		
Other investment properties							32,702	-		
Total development and investment properties							33,079	3,053		

1 The hotel was completed in April 2019. Office phase scheduled for completion in Q1 2020.

2 Investment frame - the project is being completed as premises are leased.

CURRENT MAJOR PROJECTS

Blästern 14 in Stockholm City West

This project is divided into two phases, the first of which was completed in the second quarter. Blique by Nobis accessed the premises in early-April, and this hotel, with 249 rooms, two restaurants, a courtyard, three bars and roof terrace, plus a range of flexible event and conference facilities, was officially opened on 26 April. Phase 2 involves the modernisation of 5,500 sq.m. of offices and is fully leased to Covendum, a premium co-working provider focusing on service, technology and design. Phase 2 is scheduled for completion in early 2020. The investment volume of the entire project is estimated at approximately SEK 595 million, and rental value of SEK 65 million.

Part of Karlslund 5:2 in Östersund

This project involves the development of custodial premises and a probation centre for the Swedish Prison & Probation Service, with a total area of just over 3,300 sq.m. This property, Karlslund 5:2 in central Östersund, already accommodates several public authorities and other organisations such as the police service, public prosecutor's office, emergency services, SOS Alarm, Swedish Customs, the Church of Sweden and the County Administrative Board. All these bodies are members of Trygghetens Hus, a collaborative co-location project whose mission is to help improve public safety and services. This project involves a total investment of SEK 160 million and is scheduled for completion in spring 2020.



B26, part of Mimer, Västerås City

This building has a total of 4,700 sq.m. of leasable area and roof terrace and is located centrally in the Mimer 5 quarter of central Västerås. With a new coworking and services concept produced jointly with Aros Congress Center, B26 will be a new and exciting centre for enterprises and individuals with a common interest in creativity and business. Aros Congress Center has extended its leasing of studios, and rent discussions are ongoing regarding all remaining accommodation. The preliminary estimate of this investment is SEK 147 million, and the first tenants are scheduled to move in in early-2020.

Rotterdam District, Stockholm City East

Project planning of a new frontage design and entrances to create a modern and harmonic implementation is ongoing. The entrances onto Hangövägen in Värtahamnen, and the existing restaurant, are planned for conversion to make the ground floor more welcoming and open to the public. Leasing of remaining vacant areas and adaptation of premises for Easypark and The Beverage Group is ongoing. Kungsleden's tenant Vision has accessed its premises. The estimated investment volume for the entire project is SEK 225 million.

Taktpinnen 1, Norrköping

This project involves the modernisation of current tenant SMHI's (the Swedish Meteorological and Hydrological Institute) premises. SMHI has been occupying this property since the mid-1970s and will be located there through project implementation. Total estimated investment is SEK 136 million, scheduled for completion in 2022.

Finnslätten, building 357

A modernisation project has commenced at building 357 in Finnslätten. This building extends to 21,000 sq.m, and the intention is to convert it to offices, school, production premises and accommodation for enhancing Finnslätten's services offering. 41 per cent has been leased to Scandinavian Gene Synthesis AB (SGS DNA), ABB and Northvolt. The project is being completed as premises are leased.

COMPLETED PROJECTS

No projects were completed in the first half-year 2019.

FORTHCOMING PROJECTS

Eden is the name of the cutting-edge office project that Kungsleden is developing at Hyllie in Malmö. This property is strategically located by Hyllie Boulevard, and is designated as a Symbiotic Building, Kungsleden's proprietary brand concept focusing on health, service, technology and nature. The building will have LEED and WELL Building Standard certification, which is the first international building standard focusing on human well-being at work. Leasing of this project, which has some 8,000 sq.m. of offices, is ongoing, and construction start is scheduled for 2019.

At Stettin 6, an office property in Värtahamnen (Stockholm City East cluster) leasing work is ongoing on a total of 9,000 sq.m. The property offers contemporary and flexible premises with attractive courtyards and closeness to nature.

Conceptual and leasing work is ongoing in the centrally located Oxelbergen district of Norrköping. This involves the modernisation of a vacant building of approximately 5,900 sq.m. The project is marketed under the "Feel Good Working office concept", to offer inspiration for active lifestyles. Some improvement measures have commenced on the ground floor to enable leasing.

Conceptual development and leasing of the property Borgarfjord 5 of approximately 10,000 sq.m. of leasable area is ongoing in Kista, near Stockholm. This property will be vacant in the third quarter of 2019.

Vision Finnslätten - a collaborative project with future investment opportunities

A successful collaborative project on how Finnslätten will continue to develop and grow alongside businesses in the location started in autumn 2018. The aim of these efforts is to create a new, attractive urban district to attract more innovative enterprises and talented people, as well as research and development.

This process was initiated jointly by Kungsleden and ABB, and is in close partnership with the City of Västerås, Mälardalen University and a number of other businesses including Northvolt, AA-logistik and Quintus. Kungsleden, as the single largest property owner in the location, will get the opportunity to invest in several value-creating development projects through this collective initiative, for existing and potential businesses in the location.

FINANCING

The fact that Moody's has decided to upgrade our rating to Investment Grade (Baa3) is evidence that Kungsleden is now a financially stable company with a high-quality property portfolio and well-diversified borrowing, with a spread maturity structure, which limits its refinancing risk and offers still more potential for better financing terms.

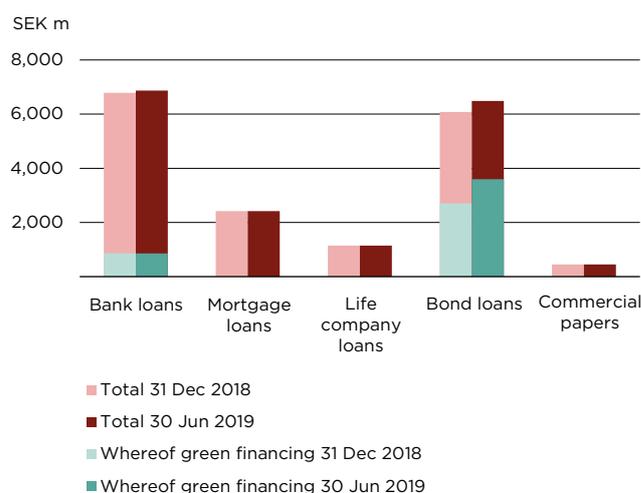
SIGNIFICANT EVENTS IN THE SECOND QUARTER

In the second quarter Moody's upgraded Kungsleden's credit rating to Investment Grade (Baa3) with stable outlook, citing recent years' purposeful efforts to improve the quality of the property portfolio combined with a progressively stronger financial position and resilience. The upgrade brings even more potential to expanded Kungsleden's investor base for the long term, benefit from still better financing terms and secure finance on long maturities.

Kungsleden also issued SEK 500 million of green bonds in the second quarter with final maturity in March 2023. The proceeds will be used to repay an existing bond that matures in July 2019, which also means that hereafter there are no loan maturities in 2019-2020. After repayment of the bond in July, Kungsleden will have SEK 6 billion of outstanding bonds within its SEK 8 billion MTN programme. Green bonds represent SEK 3.6 billion of this total.

At the end of the period, Kungsleden had SEK 450 million of outstanding commercial paper.

Loan portfolio



Maturity structure, loans and interest rate derivatives

As per 30 June 2019 (SEK m)	Bank loans and other borrowings	Bonds	Unutilised credits	Total credit facilities	Interest rate derivatives	Forward starting interest rate derivatives	Ave. interest rate, derivatives, %
2019	450	488	250	1,188	-	-	-
2020	-	-	-	-	-	-	-
2021	492	2,400	-	2,892	-	-	-
2022	-	2,500	-	2,500	2,000	-	0.3
2023	1,382	1,100	2,000 ¹	4,482	-	3,000 ²	0.9
2024	2,504	-	-	2,504	1,450	-	0.6
2025	2,491	-	-	2,491	1,000	-	0.8
2026	630	-	-	630	-	2,000 ³	1.4
2027	1,594	-	-	1,594	-	-	-
2036	1,340	-	-	1,340	-	-	-
Total	10,883	6,488	2,250	19,621	4,450	5,000	

¹ Whereof SEK 450 million is back-up for issued commercial paper

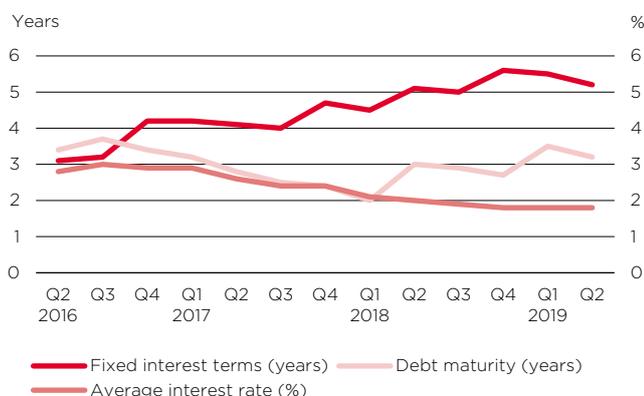
² Starts in January 2020

³ Starts in June and December 2022



DEBT MATURITY AND FIXED INTEREST TERM

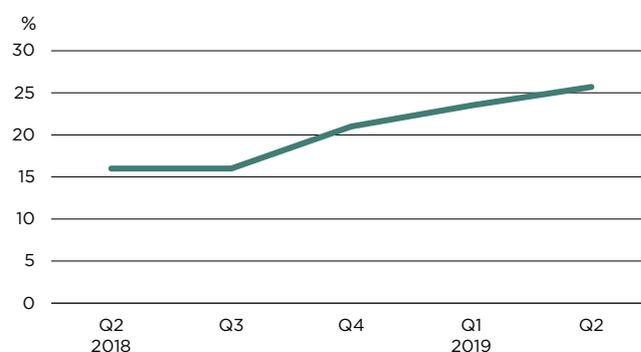
Kungsleden works actively to adapt the Group’s interest fixing profile to conform with its business plan, and within the auspices of the Group’s Finance Policy. The average fixed interest term was 3.2 years (2.7) at the end of the period, and the average debt maturity was 5.2 years (5.6). In the preceding 12-month period, the interest coverage ratio continued to increase through higher earnings and lower financial expenses and was a multiple of 4.6 at the end of the period.



GREEN FINANCING

Investor interest in green bonds has progressively increased and issuing green bonds is a natural step in our sustainability work. Apart from the sustainability aspect, green finance also usually offers better interest terms than traditional borrowing. Kungsleden’s ambition is that in time, all green assets will be financed with green loans. At the end of the quarter, outstanding green financing was approximately SEK 4,460 million, of which SEK 860 million consisted of a green bank loan, and SEK 3,600 million of green bonds. Green loans represent some 26 per cent of the total loan portfolio.

Share of green financing



KUNGSLEDEN'S SHARE

Kungsliden's share is on Nasdaq Stockholm's Large Cap list. Market capitalisation was SEK 16.7 billion at the end of the second quarter.

The price paid for the Kungsliden share at the beginning of the year was SEK 62.00, and SEK 76.60 at the end of the second quarter. The lowest closing price in the interim period was on 2 January at SEK 62.30. The highest closing price was on 28 June at SEK 78.20.

SHARE CAPITAL AND TURNOVER

Kungsliden has one share class, ordinary shares, and each share carries one vote. Share capital was unchanged in the period, at SEK 91,001,376. There are 218,403,302 ordinary shares. 101.5 million (117.8) Kungsliden shares were traded in the interim period, with a total value of SEK 7.3 billion (6.9). Nasdaq Stockholm represented 50.2 per cent of all trading in the Kungsliden share.

DIVIDEND POLICY

The company's dividend policy stipulates that the dividend should progress consistently with profit from property management. In 2018, profit from property management increased by 14 per cent. The AGM 2019 has decided to increase the dividend to SEK 2.40 per share (2.20), a 9 per cent increase on the previous year.

Key ratios per share

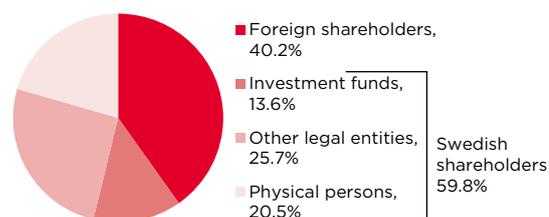
Data per share	2018/2019 Jul-Jun	2018 Jan-Dec
Dividend paid, SEK	2.40	2.20
Total return on share, %	27.8	9.4
Dividend yield on share, %	3.1	3.8
Profit from property management, SEK	5.49	5.15
Net profit, SEK	8.45	9.41
EPRA EPS (profit from property management after tax), SEK	5.36	4.84

	30 Jun 2019	31 Dec 2018
EPRA NAV (long-term net asset value), SEK	85.05	81.01
EPRA NNNNAV (current net asset value), SEK	82.79	79.66
Equity, SEK	74.16	72.19
Share price, SEK	76.60	62.90

Total return on share, 1 July 2018-30 June 2019



Ownership structure as per 31 May 2019



Shareholders as per 31 May 2019

Name	No. of shares	Share of capital, %
Gösta Welandson and companies	31,637,781	14.5
Olle Florén and companies	6,750,797	3.1
Vanguard	6,336,316	2.9
BlackRock	6,077,417	2.8
APG Asset Management	5,929,769	2.7
Handelsbanken investment funds	5,700,000	2.6
Norges Bank	5,430,695	2.5
TR Property Investment Trust	4,530,553	2.1
Catella investment funds	3,591,492	1.6
Nordea investment funds	2,758,468	1.3
Total 10 largest owners	78,743,288	36.1
Foreign shareholders, other	59,557,469	27.3
Swedish shareholders, other	80,102,545	36.7
Total	218,403,302	100.0

GROUP CASH FLOW

SEK million	2019 Jan-Jun	2018 Jan-Jun	2019 Apr-Jun	2018 Apr-Jun	2018 Jan-Dec
OPERATIONS					
Profit from property management	579	505	312	276	1,124
Adjustments for non-cash items	7	26	21	14	7
Tax paid	0	0	0	0	0
Cash flow before changes in working capital	586	531	333	290	1,131
Changes in working capital	-143	-58	-175	-103	-4
Cash flow after changes in working capital	443	473	158	187	1,127
INVESTING ACTIVITIES					
Investments in current properties	-675	-590	-361	-368	-1,300
Acquisition of properties	-608	-1,836	0	-977	-1,836
Divestment of properties	676	652	0	633	1,005
Other intangible and tangible assets, net	-3	0	-3	0	0
Financial assets, net	0	-90	0	-61	-206
Cash flow from investing activities	-610	-1,864	-364	-773	-2,337
FINANCING ACTIVITIES					
Dividend	-251	-120	-131	-120	-360
Repayment of loans	-4,020	-2,989	-121	-659	-3,602
New loans	4,509	4,830	600	510	5,330
Cash flow from financing activities	238	1,721	348	-269	1,368
CASH FLOW FOR THE PERIOD					
	71	330	142	-855	158
Cash and cash equivalents at beginning of period	471	313	400	1,498	313
Exchange rate difference in cash and cash equivalents	0	0	0	0	0
Cash and cash equivalents at end of period	542	643	542	643	471

CASH FLOW AND LOAN-TO-VALUE RATIO

Operating cash flow after changes in working capital was SEK 443 million in the period.

SEK 675 million was invested in existing properties and projects in the period. Purchase consideration of SEK 608 million was paid on accessing the third property in the Tändstickan district of Gothenburg.

Purchase consideration of SEK 676 million was received in January on vacating Kungsleden's portfolio in Eskilstuna.

Dividend of SEK 251 million was paid to shareholders, which is the final payment for the financial year 2017 and the first payment of dividend for the financial year 2018.

Borrowings in the year meant that interest-bearing liabilities increased by SEK 489 million gross. As cash and bank balances increased by SEK 71 million, net debt increased by SEK 419 million.

Kungsleden's LTV ratio decreased from 47.3 per cent to 46.6 per cent due to unrealised increases in value in the property portfolio. Total liquid funds available were SEK 2,342 million (2,137), including granted and available credit facilities, after deducting for backups for issued commercial paper.

Change in net debt January-June 2019



SEGMENT REPORTING

JAN-JUN 2019*

SEK million	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Unallocated	Total
Revenue	421	137	142	267	178	48	-	1,192
Property costs	-118	-38	-38	-101	-66	-24	-	-385
Operating net	303	99	104	165	112	24	-	807
Selling- and administration costs	-	-	-	-	-	-	-53	-53
Net financial items	-	-	-	-	-	-	-174	-174
Profit from property management	303	99	104	165	112	24	-228	579
Changes in value, assets								
Properties	294	133	47	222	68	84	-4	844
Interest rate derivatives	-	-	-	-	-	-	-210	-210
Profit before tax	598	232	151	387	180	108	-442	1,214
Tax	-	-	-	-	-	-	-260	-260
Net profit	598	232	151	387	180	108	-702	954
Book value properties	14,610	3,956	4,168	6,114	4,230	3,053	-	36,131

JAN-JUN 2018*

SEK million	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Unallocated	Total
Revenue	411	115	121	268	232	38	-	1,184
Property costs	-131	-44	-41	-107	-83	-29	-	-434
Operating net	280	71	80	161	149	9	-	750
Selling- and administration costs	-	-	-	-	-	-	-54	-54
Net financial items	-	-	-	-	-	-	-191	-191
Profit from property management	280	71	80	161	149	9	-245	505
Changes in value, assets								
Properties	485	93	45	186	125	51	4	989
Interest rate derivatives	-	-	-	-	-	-	-67	-67
Profit before tax	765	164	125	347	274	60	-308	1,427
Tax	-	-	-	-	-	-	-262	-262
Net profit	765	164	125	347	274	60	-571	1,165
Book value properties	14,316	3,126	3,967	5,506	4,638	2,139	-	33,692

* Which properties are included in the category project properties varies over time (see page 23 for definitions).

KEY RATIOS

	2019 Jan-Jun	2018 Jan-Jun	2019 Apr-Jun	2018 Apr-Jun	2018 Jan-Dec
Property related					
Property yield, %	4.6	4.6	4.7	4.8	4.8
Occupancy rate, %	91.8	91.2	91.8	91.2	91.5
Surplus ratio, %	67.9	63.5	70.2	66.5	66.7
Actuals, investment properties					
Property yield, investment properties, %	4.8	4.9	4.9	4.9	5.1
Occupancy rate, investment properties, %	93.4	92.4	93.4	92.4	93.1
Surplus ratio, investment properties, %	68.7	64.8	70.5	67.9	67.7
Rental revenue, investment properties, SEK/sq.m*	1,394	1,258			1,342
Property costs, investment properties, SEK/sq.m*	372	358			381
Financial					
Return on total assets, %	4.1	4.2	4.3	4.3	4.4
Return on equity, %	11.9	16.0	10.5	14.2	13.7
Interest coverage ratio, multiple	4.6	3.6	4.9	3.9	4.1
Equity ratio, %	42.9	43.2			44.5
Debt/equity ratio, multiple	1.1	1.1			1.1
LTV (loan-to-value) ratio, %	46.6	48.5			47.3
Data per share					
Dividend paid, SEK					2.20
Total return on share, %					9.4
Dividend yield on share, %					3.8
Profit from property management, SEK	2.65	2.31	1.43	1.26	5.15
Net profit, SEK	4.37	5.33	1.96	2.42	9.41
Cash flow before changes in working capital, SEK	2.68	2.44	1.52	1.34	5.18
EPRA EPS (profit from property management after tax), SEK	2.65	2.13	1.48	1.15	4.84
EPRA NAV (long-term net asset value), SEK	85.05	75.89			81.01
EPRA NNNNAV (current net asset value), SEK	82.79	74.37			79.66
Equity, SEK	74.16	68.12			72.19
Outstanding no. of shares at end of period	218,403,302	218,403,302	218,403,302	218,403,302	218,403,302
Average number of shares	218,403,302	218,403,302	218,403,302	218,403,302	218,403,302

* Rental revenue SEK/sq.m. and property costs SEK/sq.m. are based on 12 months rolling

KEY RATIOS BY SEGMENT

	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Total
No. of properties	50	41	41	18	47	11	208
Leasable area, 000 sq.m.	493	258	225	476	375	159	1,985
Rental value, SEK m	458	141	148	284	198	78	1,307
Rental revenue, SEK m	421	137	139	266	178	48	1,189
Operating net, SEK m	303	99	104	165	112	24	807
Book value, SEK m	14,610	3,956	4,168	6,114	4,230	3,053	36,131
Occupancy rate, %	91.8	97.3	95.2	94.9	90.6	68.7	91.8
Surplus ratio, %	72.0	72.2	74.8	62.1	62.8	50.5	67.9
Property yield, %	4.2	5.5	5.0	5.6	5.0	1.6	4.6
New leasing, SEK m	33	8	11	16	20	5	93
Net leasing, SEK m	-5	3	0	-3	11	4	10
Investments, SEK m	162	36	26	197	98	156	675
Unrealised changes in value – properties, SEK m	294	133	47	222	68	84	848

QUARTERLY SUMMARY

INCOME STATEMENT IN SUMMARY

SEK million	2019		2018			2017		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Revenue	604	589	607	594	597	588	567	574
Operating net	423	384	412	424	396	354	367	418
Selling- and administration costs	-25	-28	-21	-19	-27	-27	-31	-36
Net financial items	-86	-88	-87	-89	-93	-98	-93	-107
Profit from property management	312	267	303	316	276	229	243	276
Profit (loss) from divestment	3	-7	-19	-1	0	4	7	-12
Unrealised changes in value, properties	352	496	331	302	404	581	367	386
Unrealised changes in value, financial instruments	-118	-91	-55	48	-67	1	5	15
Profit before tax	549	665	560	666	612	815	622	664
Tax	-121	-139	-167	-169	-84	-178	-129	-183
Net profit	428	526	393	497	528	637	493	481

BALANCE SHEET IN SUMMARY

SEK million	2019		2018			2017		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
ASSETS								
Non-current assets								
Intangible assets	13	12	11	9	9	8	9	10
Properties	36,131	35,418	34,697	34,012	33,692	32,620	30,974	30,227
Assets of right of use	774	776	-	-	-	-	-	-
Equipment	5	5	5	6	6	7	7	8
Other long-term receivables	4	4	4	12	12	12	12	12
Total non-current assets	36,927	36,216	34,718	34,040	33,719	32,647	31,002	30,257
Current assets								
Current receivables	287	302	201	205	49	259	231	247
Derivatives	-	-	4	24	-	-	-	-
Cash and bank balances	542	400	471	554	643	1,498	313	241
Total current assets	829	702	677	784	692	1,757	544	488
TOTAL ASSETS	37,756	36,918	35,394	34,823	34,411	34,405	31,546	30,745
EQUITY AND LIABILITIES								
Equity	16,197	16,293	15,767	15,375	14,877	14,829	14,192	13,699
Interest-bearing liabilities								
Liabilities to credit institutions	9,287	9,307	9,204	9,226	9,249	8,999	11,078	12,431
Bond loans (unsecured)	6,488	5,988	6,082	6,082	5,800	5,600	1,950	600
Other borrowing	1,596	1,596	1,596	1,596	1,946	2,546	2,126	2,026
Total interest-bearing liabilities	17,371	16,891	16,882	16,904	16,995	17,144	15,153	15,057
Non interest-bearing liabilities								
Provisions	5	5	5	12	12	12	12	12
Deferred tax liabilities	2,139	2,018	1,892	1,721	1,551	1,511	1,333	1,180
Liabilities of right of use	774	776	-	-	-	-	-	-
Derivatives	240	122	34	-	147	141	171	185
Other non-interest-bearing liabilities	1,030	813	814	810	828	766	684	612
Total non-interest-bearing liabilities	4,188	3,734	2,745	2,543	2,539	2,431	2,199	1,989
TOTAL EQUITY AND LIABILITIES	37,756	36,918	35,394	34,823	34,411	34,405	31,546	30,745

PARENT COMPANY

INCOME STATEMENT IN SUMMARY

SEK million	2019 Jan-Jun	2018 Jan-Jun	2019 Apr-Jun	2018 Apr-Jun	2018 Jan-Dec
Intra-group revenue	0	0	0	0	0
Administration costs	-17	-25	-7	-13	-34
Operating profit (loss)	-17	-25	-7	-13	-34
Profit from financial items	-195	-45	-95	-65	463
Profit before tax	-212	-70	-102	-78	429
Tax	-52	8	-75	10	-43
Net profit	-264	-62	-177	-68	386

BALANCE SHEET IN SUMMARY

SEK million	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS			
Participations in group companies	3,028	2,617	3,018
Receivables from group companies	19,374	16,751	18,802
Other receivables	208	263	210
Cash and cash equivalents	541	638	470
TOTAL ASSETS	23,151	20,269	22,500
EQUITY AND LIABILITIES			
Equity	7,446	7,786	8,234
Non-current liabilities	6,242	5,949	5,137
Liabilities to group companies	8,049	5,341	7,534
Other liabilities	1,414	1,193	1,595
TOTAL EQUITY AND LIABILITIES	23,151	20,269	22,500

OTHER INFORMATION

ORGANISATION AND EMPLOYEES

The average number of employees was 111 (108) for the period.

RISKS AND UNCERTAINTIES

Kungsleden's operations, results of operations and financial position are affected by a number of risk factors. These relate mainly to properties, tax and financing. No material changes to risks and uncertainty factors occurred in 2019. More information on Kungsleden's risks and risk management is on pages 52-55 of the Annual Report for 2018.

INFORMATION BASED ON FORECASTS

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

ALTERNATIVE PERFORMANCE MEASURES

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

EVENTS AFTER THE END OF THE PERIOD

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

ACCOUNTING POLICIES

Kungsleden's consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS). This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting, and for the parent company in accordance with Chapter 9 of the Swedish Annual Accounts Act. Relevant provisions of the Swedish Annual Accounts Act and the Swedish Securities Markets Act have also been applied. The same accounting policies and measurement methods have been applied for the Group and parent company as in the most recent annual accounts, apart from IFRS 16 Leases. Apart from the financial statements and their associated notes, disclosures pursuant to IAS 34.16A have been made in other sections of this Interim Report. Preparation of this Interim Report requires management to make judgements and estimates, and to make assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, revenue and expenses. Actual outcomes may differ from these estimates and judgements. The critical estimates made and sources of uncertainty in estimates are the same as in the most recent annual accounts.

VALUATION OF PROPERTY PORTFOLIO

Kungsleden internally appraises and values all its property holdings quarterly, with classification at level 3 according to IFRS 13. The valuations are based on an analysis of cash flows involving an assessment of future earnings capacity and the market's required yield for each property. The internal valuations are the basis of reported book values. To quality-assure and verify internal valuations, external valuations are also conducted on parts of the portfolio each quarter.

MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities recognised at amortised cost are measured initially at fair value with a supplement for transaction expenses. Accounts receivable and lease receivables are initially recognised at invoiced value. After first-time recognition, assets are measured according to the effective interest method. Financial liabilities are recognised at amortised cost apart from derivatives. Financial liabilities measured at amortised cost are initially measured at fair value including transaction expenses. After first-time recognition, they are measured at amortised cost according to the effective interest method. Derivatives are recognised at fair value through profit or loss, and the Group does not apply hedge accounting. For derivatives, where Kungsleden holds a number of interest rate swaps, market valuations are conducted each quarter with classification at level 2. No significant difference is deemed to exist between book and fair values.

NEW ACCOUNTING POLICIES

IFRS 16 Leases replaced IAS 17 Leases with associated interpretation statements. The new standard requires that lessees report assets and liabilities related to all leases, with the exception of agreements less than twelve months and/or of low value. For lessors, the new standard means almost no change from current standards. Kungsleden will be applying IFRS 16 Leases effective 1 January 2019, and accordingly, will not be applying this standard retroactively. Comparative figures for 2018 have not been restated, in accordance with the modified retrospective approach. Recognised right-of-use assets will be assigned the same value as the recognised lease liability as of 1 January 2019. The Income Statement has been impacted by a majority of lease expenses being reclassified from property costs to net financial items. Accordingly, profit from property management is not impacted by the new Standard. For more information, see page 6.

Stockholm 10 July 2019

Charlotte Axelsson
Chair of the Board

Ingalill Berglund
Board member

Jonas Bjuggren
Board member

Christer Nilsson
Board member

Ulf Nilsson
Board member

Charlotta Wikström
Board member

Biljana Pehrsson
Chief Executive Officer

This information is mandatory for Kungsleden AB to publish pursuant to the Swedish Securities Markets Act. This information was submitted for publication at 7:00 a.m. CET on 10 July 2019.

This Report has not been subject to review by the company's auditors.

This document is a translation of a Swedish language original Report. In case of any discrepancy between the two versions, the original shall take precedence.

DEFINITIONS

PROPERTY RELATED KEY RATIOS

Average remaining contract length maturity

Remaining contract value divided by contracted annual rent.

Average rent, SEK per sq.m.

Rental revenues in relation to average leasable area.

Contracted annual rent

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

Leasable area

Leased area and leasable vacant area.

Like-for-like portfolio terms

Refers to properties owned during the entire reporting period and the entire comparison period.

Net leasing

Total rent for the period agreed for new leases with deductions for annual rents terminated for vacancy.

Occupancy rate

Calculated as rental revenue before deductions in relation to rental value.

Other revenue

Revenues which have no direct link to lease agreements.

Property costs, SEK per sq.m.

Property costs in relation to average leasable area.

Property yield

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

Outcome

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

Outcome per segment

The value for the interim period is calculated as an average property yield for the quarters included.

Earnings capacity

Operating net in relation to the book value of properties at year-end.

Rental revenue

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

Rental value

Rental revenue plus estimated market rent for vacant units.

Surplus ratio

Operating net in relation to rental revenues.

Vacancy rate

Estimated market rent for vacant areas in relation to rental value.

FINANCIAL KEY RATIOS

Debt/equity ratio

Interest-bearing liabilities in relation to equity.

Equity ratio

Equity including minority interests in relation to total assets.

Interest costs

Interest expenses and loan related costs such as arrangement fees etc.

Interest coverage ratio

Profit from property management excluding interest costs, in relation to interest costs.

LTV (loan-to-value) ratio

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

Return on equity

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

Return on total assets

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

SHARE-RELATED KEY RATIOS

Adopted/proposed dividend per share

The Board of Directors' proposed dividend or dividend per share approved by the AGM.

Cash flow before changes in working capital per share

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

Dividend yield on shares

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

EPRA EPS (profit from property management after tax) per share

Profit from property management less taxable profit in relation to the average number of shares in the period.

EPRA NAV (long-term net asset value) per share

Reported equity including recognised liability/asset for interest rate derivatives and deferred tax in relation to the number of shares at period end.

EPRA NNAV (current net asset value) per share

Reported equity adjusted for the estimated fair value of deferred tax instead of reported value, in relation to the number of shares at the end of the period.

Equity per share

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

Net profit for the period, per share

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

Profit from property management, per share

Profit from property management for the period in relation to the average number of shares in the period.

Total return on shares

The sum of the share price change during the period and during the dividend paid/redemption period in relation to the share price at the beginning of the period.

GLOSSARY

Average interest rate

The average interest rate is calculated by setting the interest costs from loans and interest rate swaps, the initial direct costs and the costs associated with unutilised credit lines in relation to the outstanding loan volume on the reporting date.

Category

The properties' primary usage by area. The type of area that accounts for the largest share of total area determines how properties are classified. Accordingly, a property with 51 per cent office space is classified as an office property. The categories are Office, Industrial/Warehouse, Retail and Other.

Cluster

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

Contract value

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

Development properties

Properties with areas of vacant possession that are planned to be vacated, short-term leased or demolished to enable development. Individual properties are classified as development properties on a quarterly basis, which may affect comparisons between periods. If a property changes classification between development and investment property, the comparative period is not affected.

Investment properties

The total property holding excluding development properties.

Maintenance

Measures to maintain the property and its technical systems. Current and planned actions involving exchanges or renovation of building parts or technical systems. Also includes tenant improvements.

Property costs

The costs for electricity, heating, water, property management, cleaning, property administration, insurance and maintenance less invoiced supplement for operations and maintenance.

Segment

Stockholm means Greater Stockholm, Gothenburg means Greater Gothenburg and Malmö means Greater Malmö.

Unrealised changes in value

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

ESMA guidelines

See additional information on page 21.

FINANCIAL CALENDAR, CONTACTS AND INVITATION TO PRESENTATION

CALENDAR 2019

Interim report
Jan-Sep 2019
23 October 2019

Year-End report
Jan-Dec 2019
12 February 2020

Presentation of interim report

Kungsleden presents the interim report on our capital markets day in Båstad on 10 July 2019 at 08.00 and by telephone conference and audio link on 10 July 2019 at 11.00.

The presentation will be held in English and is available on:

<https://www.kungsleden.se/en/investors/calendar/2019/kungsleden-presents-its-second-quarter-2019/>

Phone number to the conference:

SE: +46 8 505 583 51

UK: +44 333 300 92 67

After the presentation a recorded version of the webcast together with the presentation will be available at:

<https://www.kungsleden.se/en/investors/reports-and-presentations/>

The report is also available at:

<https://www.kungsleden.se/en/investors/reports-and-presentations/>

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