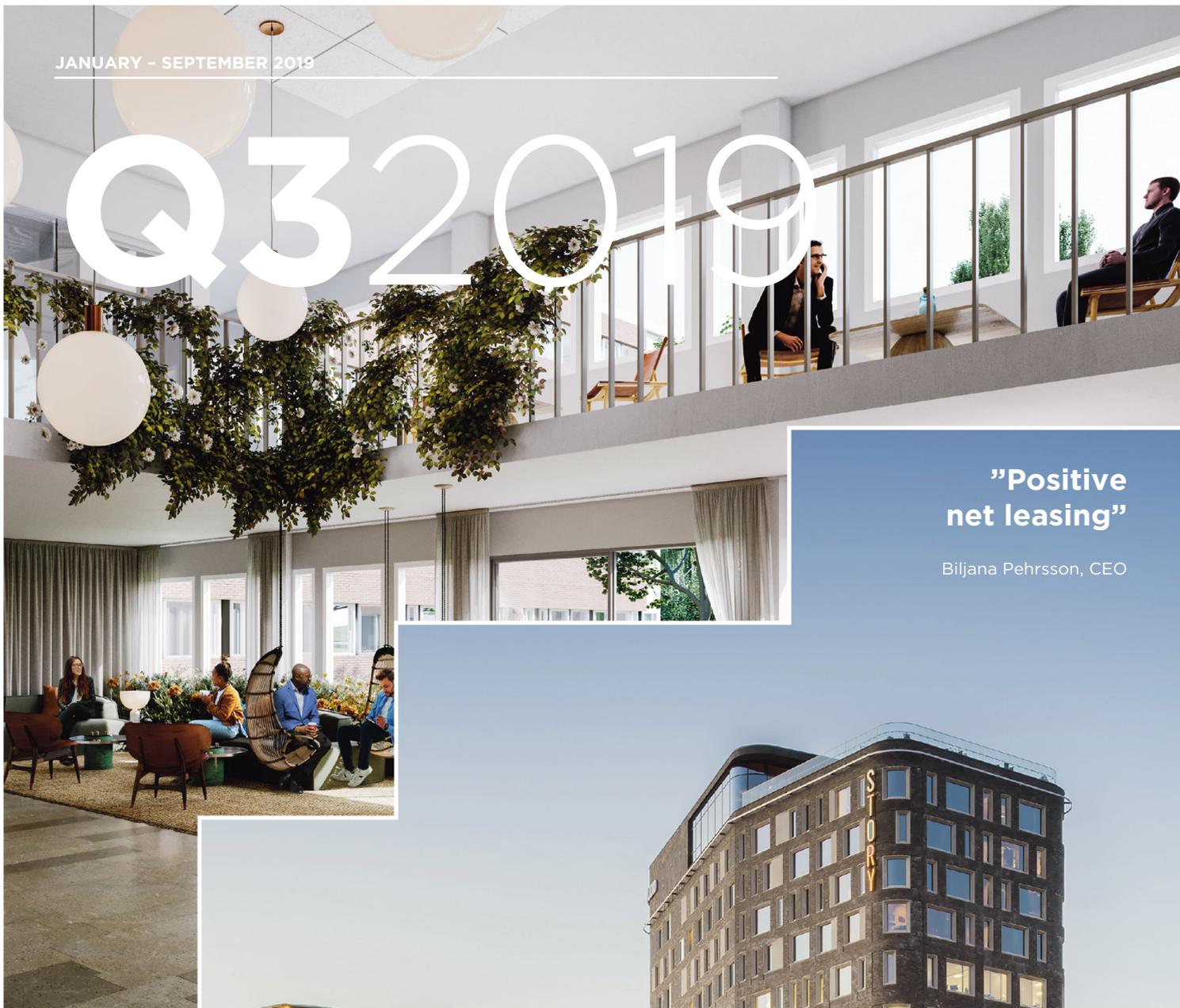


JANUARY - SEPTEMBER 2019

Q3 2019

”Positive net leasing”

Biljana Pehrsson, CEO



20 YEARS ON THE STOCK MARKET
1999-2019

KUNGSLEDEN

INTERIM REPORT JANUARY-SEPTEMBER 2019

We are people that create places and experiences for people. By developing and managing attractive and sustainable places, we offer people better and more inspiring work experience. We are a long-term property owner focused on commercial properties in Sweden's growth regions. As of 30 September 2019, we owned 207 properties with total value of SEK 36,833 m.

THE INTERIM PERIOD IN BRIEF

- Profit from property management increased by 8 per cent to SEK 889 million (821). The increase was due to higher rental revenue and operating net in like-for-like portfolio terms, with 5 and 6 per cent respectively, and improved net financial items.
- New leasing amounted to SEK 142 million (167), and net leasing for the period was SEK 21 million (27).
- Changes in value on properties amounted to SEK 1,260 million (1,291). The value increase is mainly a result of a higher operating net and slightly reduced required valuation yield.
- Property value at the end of the period was SEK 36,833 million (SEK 34,697 million at the beginning of the year).
- Net profit after tax for the period was SEK 1,475 million (1,662), or SEK 6.75 per share (7.61).
- Current NAV increased to SEK 85.67 per share (77.05).

IMPORTANT EVENTS DURING AND AFTER THE THIRD QUARTER

- Occupancy rate of 54 per cent was achieved in Kungsliden's new development project in Malmö – Eden by Kungsliden. This project has 8,000 sq.m. of offices, with tenants scheduled to move in during spring 2021.
- Several lease contracts were signed at Finnslätten in Västerås, on a total of approximately 5,300 sq.m. Tenants signing include battery manufacturer Northvolt and biotechnology company Scandinavian Gene Synthesis (SGS DNA).
- Kungsliden refinanced loans with a total of SEK 1.7 billion in the third quarter by arranging a 10-year mortgage loan. After re-financing, Kungsliden has no bank loans maturing prior to 2023.

Key ratios	2019 Jan-Sep	2018 Jan-Sep	2019 Jul-Sep	2018 Jul-Sep
Property yield, investment properties, %	4.8	5.1	4.9	5.2
Occupancy rate, investment properties, %	92.9	91.9	92.9	91.9
Surplus ratio, investment properties, %	68.9	67.1	69.4	71.8
Book value properties, SEK million	36,833	34,012	36,833	34,012
Return on equity, %	12.1	15.0	12.7	13.1
LTV (loan-to-value) ratio, %	45.4	48.1	45.4	48.1
Interest coverage ratio, multiple	4.6	3.9	4.6	4.5
Net profit, SEK per share	6.75	7.61	2.38	2.28
EPRA NNAV (current net asset value), SEK per share	85.67	77.05	85.67	77.05
Share of certified properties, %	19	13	19	13

CEO'S STATEMENT

POSITIVE NET LEASING

Kungsliden continued to perform positively in the third quarter. Net leasing was SEK 11 million (-12), and our development projects are continuing as planned, with several approaching completion. Two new projects entered the construction phase as we leased over 50 per cent of leasable area – Stettin in Gärdet, Stockholm and Eden in Hyllie, Malmö. The cyclical upturn is now petering out, with lower growth forecasts, however we are still experiencing good demand.

GOOD EARNINGS PERFORMANCE

Profit from property management for the interim period January-September increased to SEK 889 million (821). Rental revenue in like-for-like portfolio terms increased by 5 per cent thanks to reduced vacancy, renegotiation and indexation.

In the interim period, we renegotiated SEK 180 million of lease contracts with an average rent increase of 7 per cent.

The combination of renegotiations made and signed new lease contracts resulted in average rent increasing by 9 per cent to SEK 1,427 per sq.m. in a one-year timeframe. Unrealised changes in property value were SEK 1,266 million (1,288), or 3.6 per cent.

SUSTAINED HIGH PRESSURE IN PROPERTY DEVELOPMENT AND PROJECTS

In the interim period, we invested a total of SEK 995 million (806) on current projects and tenant improvements. We now have eight major projects under construction, with total rental value of SEK 287 million, and a total investment budget of SEK 2,093 million, which will be completed in 2020-2024.

Our exciting new development project Eden by Kungsliden in Hyllie, Malmö, entered the implementation phase in the quarter. We are building about 8,000 sq.m. of modern offices on the attractive Hyllie Boulevard, with tenants scheduled to move in in spring 2021. This investment is SEK 350 million and expected to generate annual rental revenue of SEK 25 million. The development of conceptual property B26 in Västerås is also proceeding as planned, and the official opening will be on 30 January 2020. Another two projects will be completed in the first half-year 2020: phase 2 of Blästern on Gävlegatan in Stockholm, and the custodial premises Karlslund 5:2 in Östersund. These two projects will together bring annual rental revenue of SEK 78 million.

A WEAKER BUSINESS CYCLE BUT DEMAND REMAINS POSITIVE

There is a global slowdown in the business cycle and international political turbulence in the world. This is impacting export markets and business investments, while in Sweden, GDP growth estimates have been downgraded during the year, to about 1.3 per cent for 2019 and 1.7 per cent for 2020.

The transaction market remains strong thanks to low interest rate levels. The yield gap, i.e. the difference between long loan interest rates and the direct yield of the properties, for offices in AA locations averages 2.8 per cent across Europe, and 2.9 per cent in Stockholm, among the highest levels for ten years. Most commentators believe low interest rates are here to stay, and in the near term, I do not anticipate any change to the transaction market.



All Kungsliden's main markets – Stockholm, Gothenburg, Malmö and Västerås, where close to 90 per cent of our property portfolio is located – have well-diversified economies with continued population growth. These metropolitan regions also generate over 62 per cent of Sweden's GDP. In my view, they're strong enough growth engines and will fare better than many other locations in a poorer economic cycle. A recent report from Oxford Economics forecasts GDP growth in the Stockholm region – where we have nearly 50 per cent of our portfolio – at about 2 per cent in 2019, and down only marginally in 2020. This is a significantly higher growth than leading forecasters anticipate for the country as a whole. Against the above background, we do not anticipate any slowdown in demand for commercial premises on our main markets.

Leasing activity was also high in the quarter, with a lot of new lease contracts being signed, equivalent to rent volume of SEK 49 million (37). Total leasing for the first nine months of the year is SEK 142 million (167). We also still have a strong new leasing pipeline, including great interest in Finnslätten in Västerås, a location offering genuine potential. We're collaborating with ABB, the City of Västerås and other major companies here to create an attractive place with a broad offering of services capable of bringing in more innovative businesses, talented people, plus research and development. In the quarter, we signed lease agreements with tenants including battery manufacturer Northvolt and the biotechnology company SGS DNA. 2019 looks like being a good year for Kungsliden. We continue to deliver our vision – developing attractive and sustainable places where people are inspired. We do it by putting our customers and their experience at the centre of everything we do. Always. Our commitment to our customers ensures we're well positioned to not only address, but also get ahead of, the rapidly changing world of work and the evolving commercial property market.

Stockholm, 23 October 2019

Biljana Pehrsson, CEO

GROUP COMPREHENSIVE INCOME

SEK million	2019 Jan-Sep	2018 Jan-Sep	2019 Jul-Sep	2018 Jul-Sep	2018 Jan-Dec
Revenue					
Rental revenue	1,806	1,774	618	592	2,377
Other revenue	4	5	0	2	8
Total revenue	1,810	1,778	618	594	2,385
Property costs					
Operations	-328	-345	-92	-83	-460
Maintenance	-57	-65	-20	-20	-81
Property tax	-111	-85	-53	-29	-115
Site leasehold fees	-	-26	-	-10	-33
Property administration	-83	-83	-28	-29	-110
Total property costs	-579	-604	-193	-171	-800
OPERATING NET	1,232	1,174	424	424	1,586
Selling- and administration costs	-74	-74	-20	-19	-95
Financial revenues and financial costs	-247	-280	-87	-89	-366
Costs of right of use	-22	-	-7	-	-
Net financial items	-269	-280	-94	-89	-366
PROFIT FROM PROPERTY MANAGEMENT	889	821	310	316	1,124
Changes in value					
Properties	1,260	1,291	416	302	1,603
Interest derivatives	-274	-19	-65	48	-73
Total changes in value	985	1,272	351	350	1,529
PROFIT BEFORE TAX	1,875	2,093	661	666	2,653
Tax	-400	-431	-140	-169	-598
NET PROFIT	1,475	1,662	521	497	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	1,475	1,662	521	497	2,055
NET PROFIT PER SHARE	6.75	7.61	2.38	2.28	9.41

PERFORMANCE ANALYSIS JANUARY-SEPTEMBER 2019

REVENUE

Total revenues increased by SEK 32 million, for the interim period and amounted to SEK 1,810 million (1,778). In like-for-like portfolio terms of investment properties, total revenue increased by SEK 78 million on the corresponding period of the previous year. Completed development properties represented SEK 8 million of the increase, the remainder being the result of new leasing, renegotiation and indexation. In addition, Kungsliden received a new tax assessment values, resulting in an increase of property tax re-invoiced to tenants of SEK 15 million. The rental revenue increase in like-for-like portfolio terms of investment properties was 5.1 per cent.

The loss of rental revenue from divested properties was SEK 98 million, as well as SEK 3 million from the vacation of development properties. This loss was partly compensated by additional rental revenue from accessed properties of SEK 55 million.

Total revenue, SEK million	2019 Jan-Sep	2018 Jan-Sep
Stockholm	642	589
Gothenburg	208	171
Malmö	211	185
Västerås	400	387
Regional cities	265	360
Development properties	79	82
Total rental revenue	1,806	1,774
Other revenue	4	5
Total revenue	1,810	1,778

Rental revenue, SEK million	2019 Jan-Sep	2018 Jan-Sep
Like-for-like portfolio terms (investment properties)	1,620	1,542
Development properties	79	82
Acquired properties	106	51
Divested properties	1	99
Total rental revenue	1,806	1,774

For investment properties, rental revenue per sq.m. continued to increase in the quarter, and on a rolling 12-month basis, was SEK 1,427 per sq.m, against SEK 1,314 per sq.m. one year previously.

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



PROPERTY COSTS

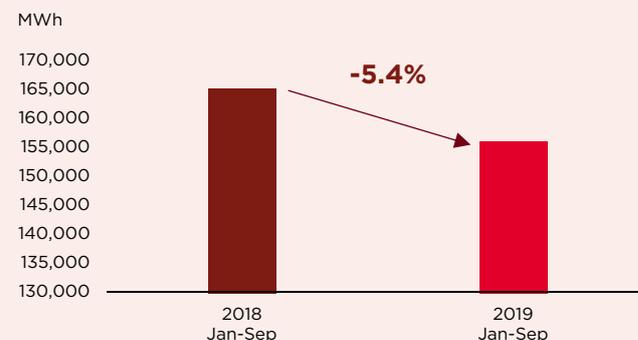
Total property costs were SEK 579 million (604), down SEK 26 million. In like-for-like terms of investment properties, costs decreased by SEK 5 million. Excluding non-recurring effects from the adoption of IFRS 16, costs increased by SEK 15 million (information on the restatement for IFRS is on page 6). This increase relates to the new property tax assessment values, which caused costs to increase

by SEK 17 million. The net effect of increased property taxes was SEK 2 million, after allowing for the portion re-invoiced to tenants. The reduction in costs from divested properties and development properties, as well as additional costs for accessed properties, resulted in a total decrease of SEK 21 million.

Property costs, SEK million	2019 Jan-Sep	2018 Jan-Sep
Like-for-like portfolio terms (investment properties)	514	520
Development properties	37	38
Acquired properties	25	10
Divested properties	2	37
Property costs	579	604

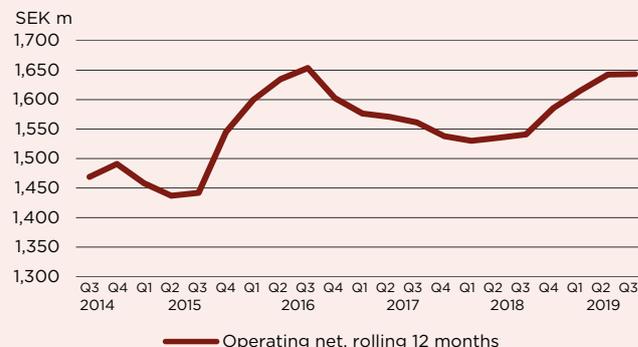
ENERGY CONSUMPTION IN LIKE-FOR LIKE PORTFOLIO

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 reduced by 5.4 per cent in January-September 2019 on the corresponding period of the previous year. Overall, the total reduction since 2014 is nearly 19 per cent.



OPERATING NET

Operating net increased by SEK 58 million in the period to SEK 1,232 million (1,174). In like-for-like portfolio terms of investment properties, operating net increased by SEK 83 million. Excluding non-recurring effects from the adoption of IFRS 16, the increase was SEK 63 million - a 6 per cent improvement. More information on the restatement for IFRS 16 is on page 6. The loss of operating net from divested properties was SEK 63 million, and additional operating net from accessed properties was SEK 40 million, i.e. a net decrease of SEK 23 million. For development properties, the operating net decreased by SEK 3 million due to vacation of areas.



SELLING- AND ADMINISTRATION COSTS

Selling and administration costs were SEK 74 million (74). Excluding the non-recurring effect of the introduction of IFRS 16, the decrease was SEK 2 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 -269 million (-280). The year-on-year improvement is mainly explained by the cost of interest rate hedges decreasing and arranging new financing on better terms. Restating for IFRS 16 resulted in net financial items being charged with expenses of SEK 22 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 (1.9).

Net financial items, SEK million	2019	2018
	Jan-Sep	Jan-Sep
Financial revenues	-	1
Interest expenses	-215	-244
Other financial costs	-32	-37
Costs of right of use	-22	-
Net financial items	-269	-280

Average interest rate per quarter



PROFIT FROM PROPERTY MANAGEMENT

Profit from property management for the period increased to SEK 889 million (821), or by 8 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 increase in value in the property portfolio was SEK 1,266 million (1,288) for the period, or 3.6 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 13 basis points. Additionally, the effect of divested and acquired properties impacted the average required yield by another 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 -6 million (3), consisting of additional costs for properties vacated in 2018.

CHANGES IN VALUE ON INTEREST RATE DERIVATIVES

The change in value on financial instruments was SEK -274 million (19), a consequence of interest rates on longer maturities falling.

TAX

The total tax expense for the period was SEK 400 million (431), of which SEK 0 million (0) is current 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 1,475 million compared to SEK 1,662 million for the corresponding period of the previous year. The decrease is explained by negative 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 are recognised in net financial items, instead of being recognised as property costs as previously. For lease contracts other than site leaseholds, the relevant expense is allocated in a depreciation component 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	IFRS 16	2019	2018
	Jan-Sep		Jan-Sep	Jan-Sep
			excluding IFRS 16	
Revenue	1,810	-	1,810	1,778
Property costs	-579	24	-603	-604
OPERATING NET	1,232	24	1,207	1,174
Selling- and administration costs	-74	-2	-72	-74
Net financial items	-269	-22	-247	-280
PROFIT FROM PROPERTY MANAGEMENT	889	0	889	821
Property yield investment properties, %	4.8		4.7	5.1
Surplus ratio investment properties, %	68.9		67.5	67.1
Return on total assets, %	4.2		4.1	4.4
Equity ratio, %	43.3		44.2	44.2

COMMENT ON THE NET PROFIT FOR THE THIRD QUARTER

The operating net for the quarter was SEK 424 million (424). In terms of a like-for-like portfolio of investment properties, the operating net was SEK 381 million (371), an increase by SEK 10 million. Excluding the adoption of IFRS 16, the increase was SEK 4 million. The operating net from development properties was in line with the previous year, while the loss of operating net from divested properties was SEK 14 million, partly compensated by additional operating net from acquired properties of SEK 6 million. Profit from property management for the quarter was SEK 310 million (316), with the decrease mainly sourced from the loss of operating net from divested properties.

GROUP BALANCE SHEET

SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	13	9	11
Properties	36,833	34,012	34,697
Assets of right of use	773	-	-
Equipment	4	6	5
Other long-term receivables	4	12	4
Total non-current assets	37,628	34,040	34,718
Current assets			
Current receivables	404	205	201
Derivatives	-	24	4
Cash and bank balances	548	554	471
Total current assets	952	784	677
TOTAL ASSETS	38,579	34,823	35,394
EQUITY AND LIABILITIES			
Equity	16,718	15,375	15,767
Non-current liabilities			
Liabilities to credit institutions	9,114	9,226	9,204
Other interest-bearing liabilities	7,746	6,246	6,246
Liabilities of right of use	766	-	-
Derivatives	305	-	34
Deferred tax liability	2,277	1,721	1,892
Provisions	5	12	5
Total non-current liabilities	20,213	17,206	17,381
Current liabilities			
Liabilities to credit institutions	-	-	-
Other interest-bearing liabilities	400	1,432	1,432
Liabilities of right of use	7	-	-
Other liabilities	1,242	810	814
Total current liabilities	1,649	2,242	2,246
TOTAL EQUITY AND LIABILITIES	38,579	34,823	35,394

GROUP CHANGES IN EQUITY

SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
Equity at beginning of period	15,767	14,192	14,192
Dividend	-524	-480	-480
Comprehensive income for the period	1,475	1,662	2,055
Equity at end of period	16,718	15,375	15,767

KUNGSLEDEN'S PROPERTY PORTFOLIO

As of 30 September, Kungsleden held 207 properties with a total book value of SEK 36,833 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. 72 per cent of the value is in one of Kungsleden's 12 clusters.

OUR MARKETS

STOCKHOLM

47%
SEK 17,139 m

VÄSTERÅS

18%
SEK 6,695 m

GOTHENBURG

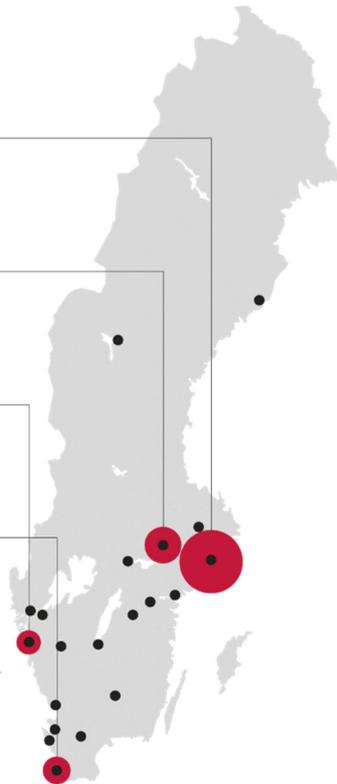
11%
SEK 4,105 m

MALMÖ

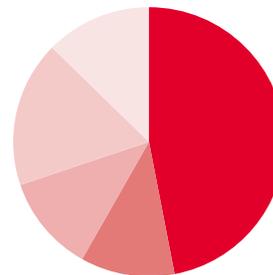
11%
SEK 4,234 m

REGIONAL CITIES

13%
SEK 4,660 m

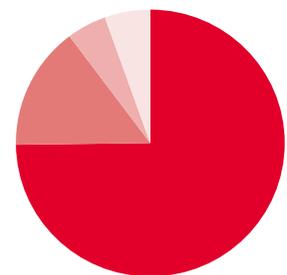


Property value per geography



- Stockholm, 47%
- Gothenburg, 11%
- Malmö, 11%
- Västerås, 18%
- Regional cities, 13%

Property value per category



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

Property portfolio

SEK million	No. of properties	Leasable area, 000 sq.m.	Book value	Occupancy rate, %	Rental value
Investment properties	197	1,825	33,755	92.9	1,860
Development properties	10	157	3,078	73.2	118
Total property holdings	207	1,983	36,833	91.6	1,978

Sustainability targets and actuals

Focus area	Target	Actual
LEED-certification	50%	19%
	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.	19% of the property value was certified as of 30 September 2019.
No. Of green leases	115	56
	At least 115 new green lease agreements to be signed in 2019.	56 green leases were signed during the period Jan-Sep 2019.

Kungsleden's clusters

72 percent of the property portfolio's book value is located in one of our 12 clusters.

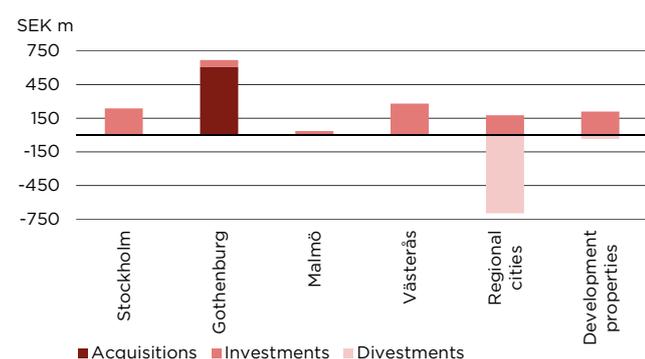
		Leasable area, sq.m.	Book value, SEK billion
Stockholm	Kista City	147,000	4.5
	Stockholm City East	85,000	3.9
	Danderyd Office	100,000	3.1
	Stockholm City West	49,000	2.9
	Västberga	38,000	0.5
Gothenburg	Högsbo	109,000	1.3
	Gothenburg South Central	40,000	1.5
Malmö	Hyllie	40,000	1.3
	Fosie	53,000	0.7
Västerås	Västerås City	153,000	3.7
	Finnslätten	237,000	2.0
Rest of Sweden	City of Östersund	79,000	1.3

PROGRESS OF THE PROPERTY PORTFOLIO

Progress of the property portfolio

Jan-Sep 2019 SEK million	Investment properties	Development properties	Total
Properties at beginning of period	31,800	2,897	34,697
Reclassifications	72	-72	-
Acquisitions, completed	608	-	608
Investments	786	209	995
Divestments, completed	-697	-36	-733
Unrealised changes in value	1,185	81	1,266
Properties at end of period	33,755	3,078	36,833

Net investments by segment Jan-Sep 2019



ACQUISITIONS AND DIVESTMENTS

No acquisitions or divestments were executed in the third quarter. In the second quarter, Kungsliden signed an agreement to sell Mandelblomman 3 in Spånga. The sales price was SEK 36 million, which exceeded this property's book value by 20 per cent.

Divestments Jan-Sep 2019

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

ACCESSED PROPERTIES AND CLOSED DIVESTMENTS

Kungsliden accessed the final phase of the Tändstickan district of Gothenburg (Kallebäck 2:11) in January. 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 142 million (167) in the period. Most of these new lease contracts have higher rent per sq.m. than previous contracts. Net leasing for the period amounted to SEK 21 million (27).

56 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	257	4.5
The Swedish Social Service Administration	52	4.9
Biz Apartments	41	8.8
ICA	38	2.7
Municipality of Västerås	37	5.5
ÅF	26	3.8
Westinghouse Electric Sweden	24	1.3
The Swedish Custom Service	22	4.0
Municipality of Stockholm	22	4.4
SMHI	21	11.2
10 largest tenants	542	4.9
Other	1,807	3.9
Total	2,359	4.1

Because of new leasing and renegotiation, the remaining lease contract term is 4.1 years, against 3.7 years at the beginning of the year.

INVESTMENT PROPERTIES

Kungsleden 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, which are subject to development, improvement, modernisation and tenant adaptation. More information is on pages 12-13.

Rental revenue, investment properties

SEK per sq.m.	2018/2019	
	Oct-Sep	Oct-Sep
Office	1,753	1,613
Industrial/Warehouse	903	853
Retail	1,172	1,255
Average	1,427	1,314

Property costs, investment properties

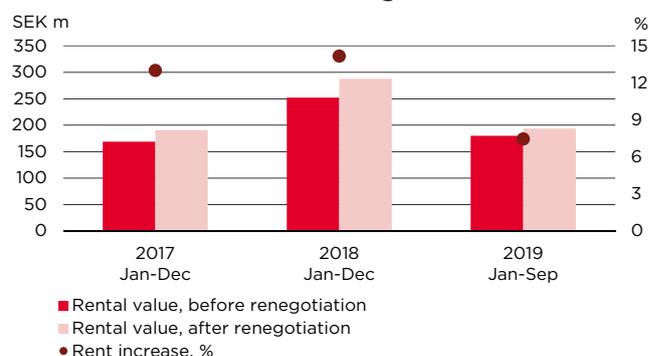
SEK per sq.m.	2018/2019			
	Office	Industrial/ Warehouse	Retail	Total
Operation	252	189	158	223
Maintenance	44	18	64	36
Site leasehold and property tax	102	23	66	74
Direct property costs	397	229	288	333
Property administration	64	40	49	55
Total	462	269	337	388

SEK per sq.m.	2017/2018			
	Office	Industrial/ Warehouse	Retail	Total
Operation	247	158	197	212
Maintenance	45	36	40	41
Site leasehold and property tax	100	22	68	72
Direct property costs	392	216	305	325
Property administration	56	48	56	54
Total	449	264	361	379

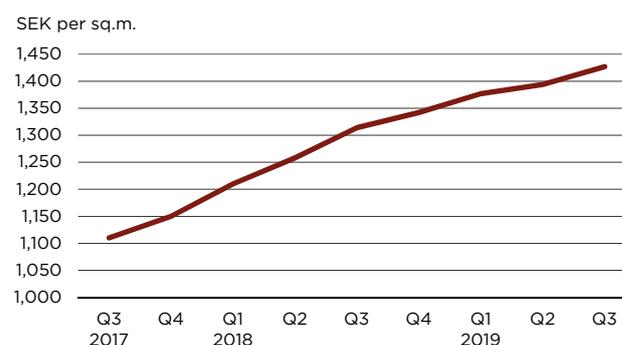
RENEGOTIATION AND AVERAGE RENT

86 lease contracts with rental value of SEK 180 million were successfully renegotiated in the period. These generated an average increase of rental values of 7 per cent (11). The average rent increased to SEK 1,427 per sq.m. (1,314), an increase of 9 per cent year on year. Of the 86 contracts renegotiated, 25 resulted in larger leased area.

Rental value before and after renegotiation



Average rent

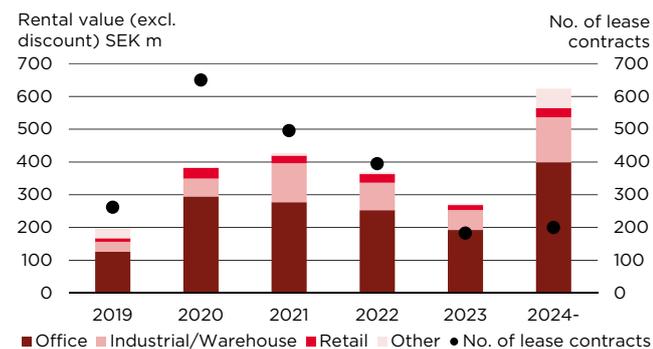


LEASE CONTRACTS, MATURITY STRUCTURE

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 September, the average maturity of remaining lease contracts was 4.1 years (3.9).

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

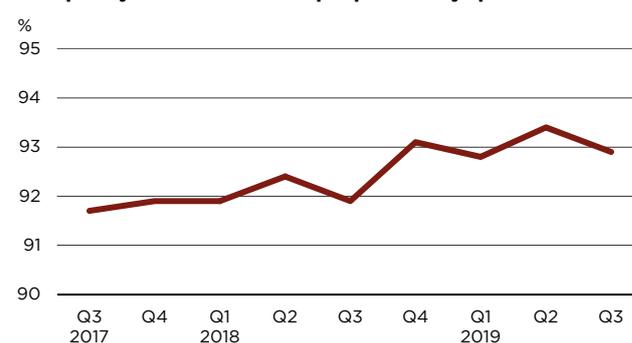
Rental value, maturity structure



OCCUPANCY RATE

The occupancy rate in our investment properties was 92.9 per cent, compared to 93.1 per cent at the beginning of the year. New leasing has been positive in the year, while the third quarter was impacted by some larger-scale tenant vacations in Kista and elsewhere, causing a somewhat lower occupancy rate by the end of the third quarter.

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 1,427 per sq.m. 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 73 million, from SEK 1,520 million to SEK 1,593 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 investment 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	373	1,825	-	-
Rental value, SEK m ¹	906	289	293	549	393	2,429	-	-
Operating net, SEK m	612	201	199	343	238	1,593	-	-
Rental revenue, SEK per sq.m. ¹	1,959	1,164	1,383	1,261	1,152	1,427	-	-

¹ As per 30 September

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	131	82	1,825	-	-
Rental value, SEK m ¹	1,667	489	149	124	2,429	-	-
Operating net, SEK m	1,089	313	92	99	1,593	-	-
Rental revenue, SEK per sq.m. ¹	1,737	910	1,230	1,549	1,427	-	-

¹ As per 30 September

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 are making a progressively growing contribution to the company's earnings and profitability. They are generating 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, Kungsleden anticipates total investments of SEK 1,300 million, which means Kungsleden expects to have invested approximately SEK 3.5 billion in the stated three-year timeframe. 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 September, eight major investment projects were in the implementation phase. These projects have aggregate investment volume of SEK 2,093 million. After completion, these converted properties are expected to generate annualised rental value of SEK 287 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-Sep	PLAN	
					2019	2020-2023
Development projects	141	312	578	385	600	1,800
Tenant improvements and other value-creating investments	341	499	596	534	600	1,800
Maintenance investments	127	114	126	76	100	400
Total investments	609	925	1,300	995	1,300	4,000

Major current projects

Property	Category	Municipality	Completed	Leasable area sq.m.	Estimated rental value SEK m	Occupancy rate %	Book value SEK m	Estimated investment SEK m	Whereof completed SEK m
Blästern 14	Hotel, Office	Stockholm	2020 ¹⁾	17,000	65	100	1,142	595	517
Eden by Kungsleden	Office	Malmö	2021	7,900	25	54	13	350	13
Finnslätten 1 - part of	Office, Industry	Västerås	2024	21,000	28	41	106	250 ²⁾	6
Stettin 6	Office	Stockholm	2021	25,000	57	65	1,063	230	27
Rotterdam 1	Office	Stockholm	2020	21,300	61	65	1,004	225	45
Karlslund 5:2 - part of	Social services property (new development)	Östersund	2020	3,300	13	100	82	160	82
B26 Mimer 5 - part of	Office	Västerås	2020	4,700	13	70	93	147	93
Taktpinnen 1	Office	Norrköping	2022	16,000	25	100	226	136	11
Total				116,200	287		3,729	2,093	794

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 is complete, with Blique by Nobis accessing its premises. 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 both phases is estimated at approximately SEK 595 million, and rental value of SEK 65 million.

Eden by Kungsleden in Hyllie in Malmö

Eden by Kungsleden (Löpgölan 2) on Hyllie Boulevard in Malmö is a cutting-edge office project known as a Symbiotic Building – Kungsleden's proprietary 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. This project involves about 7,900 sq.m. of offices, and construction start was in the third quarter 2019. Two lease contracts have been signed, the largest being a seven-year contract with office hotel chain Quick Office, on just over 3,000 sq.m. Quick Office will create facilities including coworking spaces, conference rooms, a restaurant, café, reception area and neighbourhood services, and will access its premises in April 2021. Kungsleden's estimated investment in Eden is SEK 350 million including land acquisition.



Finnslätten 1 in Västerås

A modernisation project has commenced at building 357 in Finnslätten. This building extends to 21,000 sq.m, and is undergoing conversion into 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 premises are currently being adapted to SGA DNA and leasing premises to restaurant and service providers is ongoing. The total estimated investment volume is SEK 250 million, and the project is being executed as premises are leased.

Stettin 6, Stockholm City East

Leasing of a total of 8,800 sq.m. is ongoing at Stettin 6, an office property in Värtahamnen. The development of the property will provide contemporary, flexible premises with attractive courtyards and closeness to nature. To enhance its offering of neighbourhood services, Kungsliden has signed a seven-year lease contract with restaurant and conference chain Eatery on 700 sq.m. The restaurant will be created on the ground floor in one of the light wells, with good street access. The total estimated investment is SEK 230 million, and apart from tenant adaptation, also involves modernisation of frontages, entrances, courtyards and the outdoor environment.

Rotterdam District, Stockholm City East

Project planning of new frontage design and entrances to create a modern and harmonic implementation is ongoing at the property Rotterdam 1. 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. The premises for Easypark and The Beverage Group are completed, and these tenants have accessed them. Leasing of remaining vacant areas is ongoing. The estimated investment volume for the whole project is SEK 225 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, The Swedish Custom Service, 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. Kungsliden leased 400 sq.m. to PwC in the quarter and is in discussions on leasing of all the remaining accommodation. The preliminary estimate of this investment is SEK 147 million, and the first tenants are scheduled to move in in early-2020.

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 execution. Total estimated investment is SEK 136 million, scheduled for completion in 2022.

COMPLETED PROJECTS

No projects were completed in the first three quarters of 2019.

FORTHCOMING PROJECTS

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 became vacant in the third quarter of 2019.

Vision Finnslätten - a collaborative project with future investment opportunities

A 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 Kungsliden and ABB, and has now been extended to also involve close partnerships with the City of Västerås, Mälardalen University and a number of other businesses including Northvolt, Quintus Technology, AA-logistik, Enics, Strukton, Bombardier and AQ-Group. Kungsliden, 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

Because of the company's strong financial position, underscored by Moody's upgrading its rating on the company to Investment Grade (Baa3), Kungsliden has been able to secure funding on even better terms from banks and the capital markets. Work on optimising the maturity structure of external debt continued in the third quarter. After completed refinancing, Kungsliden has no bank loans maturing prior to 2023.

INVESTMENT GRADE RATING

In the second quarter, Moody's upgraded Kungsliden's credit rating to Investment Grade (Baa3) with stable outlook. This upgrade improves the potential to expand Kungsliden's investor base for the long term, benefit from still better financing terms and secure finance on long maturities.

SIGNIFICANT EVENTS IN THE THIRD QUARTER

After receiving its Investment Grade rating in June, Kungsliden arranged two bond loans on the capital markets, totalling SEK 600 million on five-year maturities. These issues were on good interest rate terms and long maturities, and are fully consistent with other companies with equivalent credit ratings. The proceeds from these issues will be used for ongoing, planned investments.

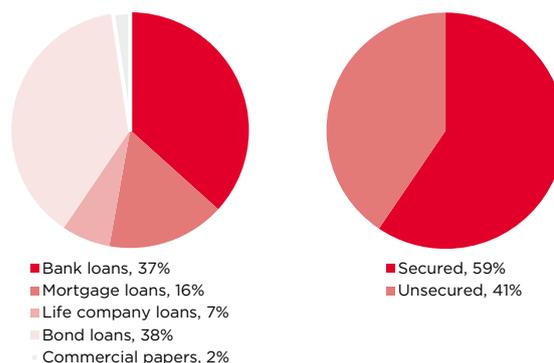
A SEK 488 million bond loan was repaid in July with proceeds from the bond issued in April.

At the end of the quarter, Kungsliden refinanced a mortgage loan maturing in 2036 and a bank loan maturing in 2021 by arranging a new, SEK 1,701 million loan from a Danish mortgage institution, maturing in 2029. After re-financing, Kungsliden has no bank loans maturing prior to 2023. The average remaining debt maturity reduces marginally and was 4.8 years at the end of the period, while the ongoing borrowing costs reduce somewhat from 2020 onwards. In tandem with the refinancing, it was possible for Kungsliden to increase borrowing on some real estate security, which meant it

freeing up some other real estate security. This was a contributor to increasing the share of real estate assets unsecured against any external credit facility in relation to total assets to 35 per cent at the end of the period, against 31 per cent at the beginning of year.

After repayment of the bond in July, and new issues, Kungsliden has SEK 6,600 million of outstanding bonds within its SEK 8,000 million MTN programme. Green bonds represent SEK 3,600 million of this total. At the end of the period, Kungsliden had SEK 400 million of outstanding commercial paper.

Loan portfolio, secured and unsecured debt as of 30 September 2019



Maturity structure, loans and interest rate derivatives

As per 30 September 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	400	-	250	650	-	-	-
2020	-	-	-	-	-	-	-
2021	-	2,400	-	2,400	-	-	-
2022	-	2,500	-	2,500	2,000	-	0.3
2023	1,378	1,100	2,000 ¹⁾	4,478	-	2,000 ²⁾	0.9
2024	2,472	600	-	3,072	1,450	-	0.6
2025	2,485	-	-	2,485	1,000	-	0.8
2026	630	-	-	630	-	2,000 ³⁾	1.4
2027	1,594	-	-	1,594	-	-	-
2028	-	-	-	-	-	1,000 ⁴⁾	0.6
2029	1,701	-	-	1,701	-	-	-
Total	10,660	6,600	2,250	19,510	4,450	5,000	

¹ Whereof SEK 400 million is back-up for issued commercial paper

² Starts in January 2020

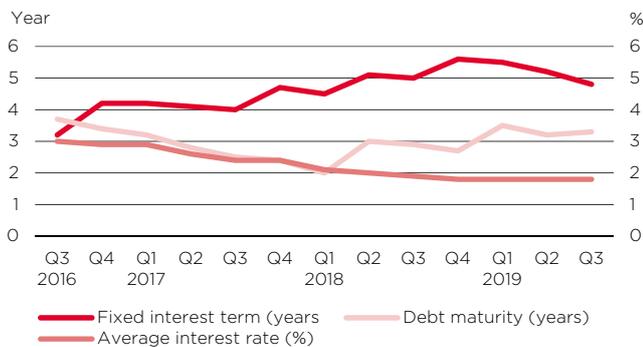
³ Starts in June and December 2022

⁴ Starts in January 2021



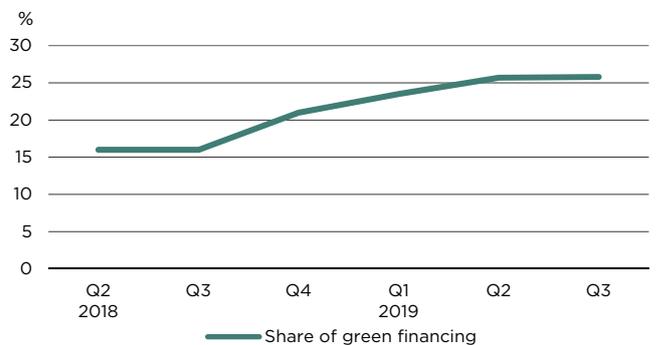
FIXED INTEREST TERM AND INTEREST COVERAGE RATIO

Kungsleden is working 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. To reduce the volatility of net financial items, ongoing and for the longer term, and to benefit from low interest rate levels, Kungsleden has extended its fixed interest term. It has achieved this by extending swaps with principal value of SEK 1,000 million previously starting in January 2020 to January 2023, to starting in January 2021 to January 2028. This restructuring process extends the average fixed interest term to 3.3 years (2.7). The average interest rate at the end of the period was 1.8 per cent (1.9). Low interest rate levels and an improved operating net resulted in a higher interest coverage ratio, which was a multiple of 4.6 for the interim 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 finance was SEK 4,455 million, of which SEK 855 million consisted of a green bank loan, and SEK 3,600 million of green bonds. Green finance represents 26 per cent of the total loan portfolio.



KUNGSLEDEN'S SHARE

Kungsleden's share is on Nasdaq Stockholm's Large Cap list. Market capitalisation was SEK 19.5 billion at the end of the third quarter.

The price paid for the Kungsleden share at the beginning of the year was SEK 62.00, and SEK 89.40 at the end of the third quarter. The lowest closing price in the interim period was on 2 January at SEK 62.30. The highest closing price was on 4 September at SEK 92.55.

Total return on share, 1 October 2018 – 30 September 2019



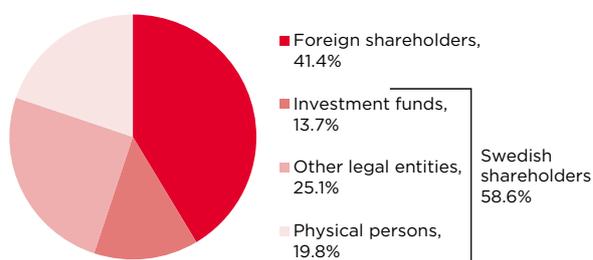
Key ratios per share

Data per share	2018/2019 Oct-Sep	2018 Jan-Dec
Dividend paid, SEK	2.40	2.20
Total return on share, %	40.4	9.4
Dividend yield on share, %	2.7	3.8
Profit from property management, SEK	5.46	5.15
Net profit, SEK	8.55	9.41
EPRA EPS (profit from property management after tax), SEK	5.48	4.84
	30 Sep 2019	31 Dec 2018
EPRA NAV (long-term net asset value), SEK	88.37	81.01
EPRA NNNNAV (current net asset value), SEK	85.67	79.66
Equity, SEK	76.55	72.19
Share price, SEK	89.40	62.90

SHARE CAPITAL AND TURNOVER

Kungsleden 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.

Ownership structure as per 30 September 2019



Shareholders as per 30 September 2019

Name	No. of shares	Share of capital, %
Gösta Welandson and companies	31,637,781	14.5
APG Asset Management	6,881,204	3.2
Olle Florén and companies	6,750,797	3.1
Vanguard	6,485,745	3.0
BlackRock	6,055,736	2.8
Handelsbanken Investment funds	6,000,000	2.7
Norges Bank	5,430,695	2.5
TR Property Investment Trust	4,719,664	2.2
Catella investment funds	4,139,852	1.9
Nordea investment funds	3,156,358	1.4
Total 10 largest owners	81,257,832	37.2
Foreign shareholders, other	57,738,055	26.4
Swedish shareholders, other	79,407,415	36.5
Total	218,403,302	100.0

GROUP CASH FLOW

SEK million	2019 Jan-Sep	2018 Jan-Sep	2019 Jul-Sep	2018 Jul-Sep	2018 Jan-Dec
OPERATIONS					
Profit from property management	889	821	310	316	1,124
Adjustments for non-cash items	-5	10	-11	-16	7
Tax paid	0	0	0	0	0
Cash flow before changes in working capital	885	831	299	300	1,131
Changes in working capital	94	-99	237	-41	-4
Cash flow after changes in working capital	978	732	536	259	1,127
INVESTING ACTIVITIES					
Investments in current properties	-995	-806	-321	-216	-1,300
Acquisition of properties	-608	-1,836	0	0	-1,836
Divestment of properties	711	853	34	201	1,005
Other intangible and tangible assets, net	-4	1	-1	1	0
Financial assets, net	0	-214	0	-124	-206
Cash flow from investing activities	-897	-2,002	-288	-138	-2,337
FINANCING ACTIVITIES					
Dividend	-382	-240	-131	-120	-360
Repayment of loans	-6,582	-3,579	-2,562	-590	-3,602
New loans	6,960	5,330	2,451	500	5,330
Cash flow from financing activities	-4	1,511	-242	-211	1,368
CASH FLOW FOR THE PERIOD	77	241	6	-89	158
Cash and cash equivalents at beginning of period	471	313	542	643	313
Exchange rate difference in cash and cash equivalents	0	0	0	0	0
Cash and cash equivalents at end of period	548	554	548	554	471

CASH FLOW AND LOAN-TO-VALUE RATIO

Operating cash flow after changes in working capital was SEK 978 million in the period.

SEK 995 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. In addition, the property Mandelblomman 3, where the purchase consideration was SEK 36 million, was vacated during the third quarter and the total cash flow from property divestments were SEK 711 million for the year.

Dividend of SEK 382 million was paid to shareholders, which is the final payment for the financial year 2017 and the two first payments of dividend for the financial year 2018. Borrowings in the year meant that interest-bearing liabilities increased by SEK 378 million gross. As cash and bank balances increased by SEK 77 million, net debt increased by SEK 301 million.

Kungsleden's LTV ratio decreased from 47.3 per cent to 45.4 per cent due to unrealised increases in value in the property portfolio. Total liquid funds available were SEK 2,398 million (2,137), including granted and available credit facilities, after deducting for backups for issued commercial paper.

Change in net debt January-September 2019



SEGMENT REPORTING

JAN-SEP 2019*

SEK million	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Unallocated	Total
Revenue	643	208	214	401	265	79	-	1,810
Property costs	-184	-57	-60	-145	-93	-38	-	-579
Operating net	458	151	154	255	172	41	-	1,232
Selling- and administration costs	-	-	-	-	-	-	-74	-74
Net financial items	-	-	-	-	-	-	-269	-269
Profit from property management	458	151	154	255	172	41	-342	889
Changes in value, assets								
Properties	376	167	69	487	75	93	-6	1,260
Interest rate derivatives	-	-	-	-	-	-	-274	-274
Profit before tax	834	318	223	742	247	134	-623	1,875
Tax	-	-	-	-	-	-	-400	-400
Net profit	834	318	223	742	247	134	-1,023	1,475
Book value properties	14,765	4,014	4,199	6,462	4,314	3,078	-	36,833

JAN-SEP 2018*

SEK million	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Unallocated	Total
Revenue	619	175	189	403	336	58	-	1,778
Property costs	-189	-60	-55	-153	-111	-36	-	-604
Operating net	430	115	133	249	224	22	-	1,174
Selling- and administration costs	-	-	-	-	-	-	-74	-74
Net financial items	-	-	-	-	-	-	-280	-280
Profit from property management	430	115	133	249	224	22	-353	821
Changes in value, assets								
Properties	640	113	56	307	155	17	3	1,291
Interest rate derivatives	-	-	-	-	-	-	-19	-19
Profit before tax	1,070	228	189	556	380	39	-369	2,093
Tax	-	-	-	-	-	-	-431	-431
Net profit	1,070	228	189	556	380	39	-800	1,662
Book value properties	14,542	3,185	3,986	5,614	4,510	2,175	-	34,012

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

KEY RATIOS

	2019 Jan-Sep	2018 Jan-Sep	2019 Jul-Sep	2018 Jul-Sep	2018 Jan-Dec
Property related					
Property yield, %	4.6	4.8	4.7	5.0	4.8
Occupancy rate, %	91.6	90.1	91.6	90.1	91.5
Surplus ratio, %	68.2	66.2	68.7	71.6	66.7
<i>Actuals, investment properties</i>					
Property yield, investment properties, %	4.8	5.1	4.9	5.2	5.1
Occupancy rate, investment properties, %	92.9	91.9	92.9	91.9	93.1
Surplus ratio, investment properties, %	68.9	67.1	69.4	71.8	67.7
Rental revenue, investment properties, SEK/sq.m.*	1,427	1,314			1,342
Property costs, investment properties, SEK/sq.m.*	388	379			381
Financial					
Return on total assets, %	4.2	4.4	4.2	4.7	4.4
Return on equity, %	12.1	15.0	12.7	13.1	13.7
Interest coverage ratio, multiple	4.6	3.9	4.6	4.5	4.1
Equity ratio, %	43.3	44.2			44.5
Debt/equity ratio, multiple	1.0	1.1			1.1
LTV (loan-to-value) ratio, %	45.4	48.1			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	4.07	3.76	1.42	1.45	5.15
Net profit, SEK	6.75	7.61	2.38	2.28	9.41
Cash flow before changes in working capital, SEK	4.05	3.81	1.37	1.37	5.18
EPRA EPS (profit from property management after tax), SEK	4.07	3.43	1.42	1.30	4.84
EPRA NAV (long-term net asset value), SEK	88.37	78.17			81.01
EPRA NNNNAV (current net asset value), SEK	85.67	77.05			79.66
Equity, SEK	76.55	70.40			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 Development cities	Development properties	Total
No. of properties	50	41	41	18	47	10	207
Leasable area, 000 sq.m.	493	258	225	476	373	157	1,983
Rental value, SEK m	699	215	223	427	295	119	1,978
Rental revenue, SEK m	642	208	211	400	265	79	1,806
Operating net, SEK m	458	151	154	255	172	41	1,232
Book value, SEK m	14,765	4,014	4,199	6,462	4,314	3,078	36,833
Occupancy rate, %	91.1	96.7	95.9	94.0	90.5	73.2	91.6
Surplus ratio, %	71.4	72.5	72.8	63.7	65.0	51.9	68.2
Property yield, %	4.2	5.6	4.9	5.6	5.1	1.9	4.6
New leasing, SEK m	47	14	30	20	24	8	142
Net leasing, SEK m	-4	7	16	-5	2	6	21
Investments, SEK m	237	60	31	279	175	213	995
Unrealised changes in value - properties, SEK m	376	167	69	487	75	93	1,266

QUARTERLY SUMMARY

INCOME STATEMENT IN SUMMARY

SEK million	2019				2018			2017
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
Revenue	618	604	589	607	594	597	588	567
Operating net	424	423	384	412	424	396	354	367
Selling- and administration costs	-20	-25	-28	-21	-19	-27	-27	-31
Net financial items	-94	-86	-88	-87	-89	-93	-98	-93
Profit from property management	310	312	267	303	316	276	229	243
Profit (loss) from divestment	-2	3	-7	-19	-1	0	4	7
Unrealised changes in value, properties	418	352	496	331	302	404	581	367
Unrealised changes in value, financial instruments	-65	-118	-91	-55	48	-67	1	5
Profit before tax	661	549	665	560	666	612	815	622
Tax	-140	-121	-139	-167	-169	-84	-178	-129
Net profit	521	428	526	393	497	528	637	493

BALANCE SHEET IN SUMMARY

SEK million	2019				2018			2017
	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4
ASSETS								
Non-current assets								
Intangible assets	13	13	12	11	9	9	8	9
Properties	36,833	36,131	35,418	34,697	34,012	33,692	32,620	30,974
Assets of right of use	773	774	776	-	-	-	-	-
Equipment	4	5	5	5	6	6	7	7
Other long-term receivables	4	4	4	4	12	12	12	12
Total non-current assets	37,628	36,927	36,216	34,718	34,040	33,719	32,647	31,002
Current assets								
Current receivables	404	287	302	201	205	49	259	231
Derivatives	-	-	-	4	24	-	-	-
Cash and bank balances	548	542	400	471	554	643	1,498	313
Total current assets	952	829	702	677	784	692	1,757	544
TOTAL ASSETS	38,579	37,756	36,918	35,394	34,823	34,411	34,405	31,546
EQUITY AND LIABILITIES								
Equity	16,718	16,197	16,293	15,767	15,375	14,877	14,829	14,192
Interest-bearing liabilities								
Liabilities to credit institutions	9,114	9,287	9,307	9,204	9,226	9,249	8,999	11,078
Bond loans (unsecured)	6,600	6,488	5,988	6,082	6,082	5,800	5,600	1,950
Other borrowing	1,546	1,596	1,596	1,596	1,596	1,946	2,546	2,126
Total interest-bearing liabilities	17,260	17,371	16,891	16,882	16,904	16,995	17,144	15,153
Non-interest-bearing liabilities								
Provisions	5	5	5	5	12	12	12	12
Deferred tax liabilities	2,277	2,139	2,018	1,892	1,721	1,551	1,511	1,333
Liabilities of right of use	773	774	776	-	-	-	-	-
Derivatives	305	240	122	34	-	147	141	171
Other non-interest-bearing liabilities	1,242	1,030	813	814	810	828	766	684
Total non-interest-bearing liabilities	4,602	4,188	3,734	2,745	2,543	2,539	2,431	2,199
TOTAL EQUITY AND LIABILITIES	38,579	37,756	36,918	35,394	34,823	34,411	34,405	31,546

PARENT COMPANY

INCOME STATEMENT IN SUMMARY

SEK million	2019 Jan-Sep	2018 Jan-Sep	2019 Jul-Sep	2018 Jul-Sep	2018 Jan-Dec
Intra-group revenue	0	0	0	0	0
Administration costs	-24	-30	-7	-5	-34
Operating profit (loss)	-24	-30	-7	-5	-34
Profit from financial items	-241	42	-46	87	463
Profit before tax	-265	12	-53	82	429
Tax	-71	-10	-19	-18	-43
Net profit	-336	2	-72	64	386

BALANCE SHEET IN SUMMARY

SEK million	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS			
Participations in group companies	3,054	2,637	3,018
Receivables from group companies	17,839	16,567	18,802
Other receivables	200	242	210
Cash and cash equivalents	547	552	470
TOTAL ASSETS	21,640	19,998	22,500
EQUITY AND LIABILITIES			
Equity	7,374	7,850	8,234
Non-current liabilities	6,907	5,103	5,137
Liabilities to group companies	6,595	5,332	7,534
Other liabilities	764	1,713	1,595
TOTAL EQUITY AND LIABILITIES	21,640	19,998	22,500

OTHER INFORMATION

ORGANISATION AND EMPLOYEES

The average number of employees was 110 (109) 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 have 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 NNNNAV 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

1 January 2019 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 23 October 2019

Biljana Pehrsson
Chief Executive Officer

This Report has 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 the precedence.

REVIEW REPORT

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

INTRODUCTION

We have reviewed the condensed interim report for Kungsleden AB as at September 30, 2019 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

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

Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Stockholm, 23 October 2019

Ernst & Young AB

Ingemar Rindstig
Authorized Public Accountant

Jonas Svensson
Authorized Public Accountant

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.

EPRA

The European Public Real Estate Association is a trade organisation for publicly listed real estate companies and investors in Europe which sets standards for the financial reporting.

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

Year-End report
Jan-Dec 2019
12 February 2020

Interim report
Jan-Mar 2020
23 April 2020

Presentation of interim report

Kungsleden presents the interim report on 23 October 2019 at 08.45.

The presentation will be held in English and is available on:
<https://www.kungsleden.se/en/investors/calendar/2019/kungsleden-presents-its-third-quarter-2019/>

Phone number to the conference:
SE: +46 8 505 58 351
UK: +44 333 009 264
US: +1 83 5326 8384

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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