

JANUARY - DECEMBER 2019

Q4 2019



**”Improved
operating net and
strong net leasing”**

Biljana Pehrsson, CEO

KUNGSLEDEN

YEAR-END REPORT JANUARY-DECEMBER 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 31 December 2019, we owned 209 properties with total value of SEK 38,310 million.

THE YEAR IN BRIEF

- Revenue for 2019 increased to SEK 2,423 million (2,385) despite the fact that we have net sold properties and thus lost SEK 52 million in net rental revenue.
- Profit from property management increased by 5.4 per cent to SEK 1,185 million (1,124). The increase is due to higher rental revenue and operating net in like-for-like portfolio terms, and improved net financial items.
- Net leasing continued to progress positively in the fourth quarter, to SEK 37 million (58). The full-year number was SEK 58 million (86).
- Unrealized changes in value on properties amounted to SEK 1,762 million (1,619), corresponding to 5.1 per cent. The value increase is due to a higher rental revenue and a reduction in the required yield.
- At the end of the period, property value was SEK 38,310 million (34,697 million at the beginning of the year).
- Net profit after tax was SEK 2,245 million (2,055), or SEK 10.28 per share (9.41).
- Current NAV increased to SEK 89.61 per share (79.66).
- The Board of Directors proposes an increase in the dividend to SEK 2.60 per share (2.40) which corresponds to an increase of 8 per cent.

SIGNIFICANT EVENTS DURING AND AFTER THE FOURTH QUARTER

- The Stockholm City West cluster expanded through the acquisition of office property Gladan 4, which was acquired for SEK 428 million.
- Kungsliden started its first new office development project, Eden by Kungsliden, in Hyllie, Malmö. The estimated investment is SEK 350 million including land acquisition.
- Kungsliden's focus on diversity won us the EPRA's Diversity & Inclusion Award 2019.
- Lease agreements has been signed for 7,300 square meters in the future area of Högsbo in Gothenburg, whereof 5,400 square meters for the PDL Group and 1,900 square meters for the Peab School.

Key ratios	2019 Jan-Dec	2018 Jan-Dec	2019 Oct-Dec	2018 Oct-Dec
Property yield, investment properties, %	4.8	5.1	4.6	5.0
Occupancy rate, investment properties, %	93.2	93.1	93.2	93.1
Surplus ratio, investment properties, %	68.9	67.7	68.8	69.2
Surplus ratio, investment properties excluding non-recurring effects, %	69.0	67.2	69.3	67.8
Book value properties, SEK million	38,310	34,697	38,310	34,697
Return on equity, %	13.5	13.7	18.0	10.1
LTV (loan-to-value) ratio, %	45.8	47.3	45.8	47.3
Interest coverage ratio, multiple	4.6	4.1	4.8	4.5
Net profit, SEK per share	10.28	9.41	3.53	1.80
EPRA NNNNAV (current net asset value), SEK per share	89.61	79.66	89.61	79.66
Share of certified properties, %	28	17	28	17

CEO'S STATEMENT

IMPROVED OPERATING NET AND STRONG NET LEASING

2019 was a good year for Kungsleden. Profit from property management increased to SEK 1,185 million, which is the highest result in ten years. In-like-for-like portfolio terms, rental revenues and operating net increased by 5.3 and 6.1 per cent respectively thanks to new leasing and renegotiations. We had positive net leasing both in the fourth quarter and for the full year 2019. At year-end, net leasing was SEK 58 million.

We started construction of our own office building, Eden, in the fourth quarter, which will accommodate over 500 workplaces, with 8,000 sq.m. of offices in Hyllie, Malmö. Eden isn't just our first new development of modern offices, but also the first time we've applied our proprietary Symbiotic Building concept, which is about creating places that put their core focus on people's health and well-being. Here, we have an opportunity to build a property with our vision of creating attractive and sustainable places where people get inspired.

We invested a total of SEK 1.5 billion in value-creating projects and tenant improvements in the year. By the end of December, we had nine major projects in construction phase, with total rental value of SEK 300 million, and an investment volume of over SEK 2 billion, to be completed over the next years.

OUR STOCKHOLM CITY WEST CLUSTER IS GROWING

We acquired the strategic 7,400 sq.m. office property Gladan 4 in our Stockholm City West cluster in the fourth quarter. We now own six neighbouring properties on Warfvings väg, and this cluster extends to almost 40,000 sq.m. leasable office space.

Our cluster strategy is central to us here at Kungsleden. It offers the potential to promote the development of properties and locations, which are value drivers. This is the underlying reason for creating our own facility management organisation - an operation now in build-up.

GOOD RENTAL MARKET

The demand on our main markets Stockholm, Gothenburg, Malmö and Västerås, was positive in the year. Through new leasing and as tenants have accessed their premises in the year, our vacancy level had dropped to 6.8 per cent by year-end.

In 2019, we renegotiated lease contracts worth SEK 252 million, achieving an average rent increase of 10 per cent. These renegotiations, coupled with new lease contracts, resulted in average rents across our whole investment property portfolio increasing by 7 per cent to SEK 1,442 per sq.m. in a one-year timeframe. Unrealised changes in value were SEK 1.7 billion, or 5.1 per cent.

SHARP IMPROVEMENT IN CSI PLUS DIVERSITY & INCLUSION AWARD

Evidence of our focus on people - customers and employees - came when we achieved a significant increase in our CSI from 71 to 75 in our latest customer satisfaction survey this year. We secured the highest rating for personal contact from the almost 400 customers that participated, which we're delighted about. Our work on delivering on our customer promise is paying off!



We also received the EPRA Diversity & Inclusion Award, in competition with other listed real estate companies across Europe. Wise and dedicated employees are the basis of all our activities, and I'm convinced that a group with differing experiences, backgrounds, ages, sexes and ethnicities make better and more profitable decisions.

STABLE MARKET OUTLOOK

At the beginning of 2019, many macroeconomic commentators saw clouds on the horizon: the impending Brexit, a US/China trade war and concerns that we'd passed the peak of the current business cycle. But things weren't that bad. 2019 was a good year.

Transaction volumes in 2019 were Sweden's highest ever. The market was still driven by low interest rates, but also investors seeking returns on capital who saw real estate, and Sweden, as attractive.

Now we're moving into 2020. Our main markets of Stockholm, Gothenburg, Malmö and Västerås are in healthy growth, and have continued good demand on their rental- and transaction markets. Then we have our cluster strategy, our attractive customer offer, an exciting project pipeline and committed employees, I'm looking forward to 2020 with confidence.

Stockholm, 12 February 2020

Biljana Pehrsson, CEO

GROUP COMPREHENSIVE INCOME

SEK million	2019 Jan-Dec	2018 Jan-Dec	2019 Oct-Dec	2018 Oct-Dec
Revenue				
Rental revenue	2,418	2,377	612	604
Other revenue	5	8	1	3
Total revenue	2,423	2,385	613	607
Property costs				
Operations	-441	-460	-113	-115
Maintenance	-82	-80	-25	-16
Property tax	-141	-115	-31	-30
Site leasehold fees	0	-33	0	-7
Property administration	-108	-111	-25	-28
Total property costs	-773	-800	-195	-195
OPERATING NET	1,650	1,586	419	412
Selling- and administration costs	-109	-95	-35	-21
Financial revenues and financial costs	-325	-366	-78	-87
Costs of right of use	-31	-	-10	-
Net financial items	-356	-366	-87	-87
PROFIT FROM PROPERTY MANAGEMENT	1,185	1,124	296	303
Changes in value				
Properties	1,756	1,603	496	312
Interest derivatives	-75	-73	200	-55
Total changes in value	1,682	1,529	696	257
PROFIT BEFORE TAX	2,867	2,653	992	560
Tax	-622	-598	-222	-168
NET PROFIT	2,245	2,055	770	393
Other comprehensive income				
Translation gains/losses for the period on translation of foreign operations	0	0	0	0
COMPREHENSIVE INCOME FOR THE PERIOD	2,245	2,055	770	393
NET PROFIT PER SHARE	10.28	9.41	3.53	1.80

PERFORMANCE ANALYSIS JANUARY-DECEMBER 2019

REVENUE

For the full year, total revenue increased by SEK 38 million, amounting to SEK 2,423 million (2,385). In like-for-like portfolio terms of investment properties, rental revenues were up by SEK 92 million year on year. Former development properties contributed SEK 5 million of this increase, with the remainder being a result of new leasing, renegotiation and indexation. Kungsliden also received new assessment of property tax, resulting in a SEK 19 million increase in re-invoiced property tax. The increase of rental revenues in like-for-like portfolio terms of investment properties was 5.3 per cent. Excluding non-recurring effects of property tax, the increase was 4.3 per cent.

The loss of rental revenue from divested properties was SEK 119 million, and from vacation of development properties, SEK 2 million. This loss has been partly offset by additional rental revenue from accessed properties of SEK 67 million.

SEK million	2019 Jan-Dec	2018 Jan-Dec
Stockholm	838	782
Gothenburg	279	231
Malmö	284	253
Västerås	536	519
Regional cities	355	468
Development properties	126	124
Total rental revenue	2,418	2,377
Other revenue	5	8
Total revenue	2,423	2,385

SEK million	2019 Jan-Dec	2018 Jan-Dec
Like-for-like portfolio terms (investment properties)	2,148	2,057
Development properties	126	124
Acquired properties	143	76
Divested properties	1	121
Total rental revenue	2,418	2,377

Rental revenue per sq.m. of investment properties continued to increase in the quarter, and on a rolling 12-month basis was SEK 1,442 per sq.m., against SEK 1,342 per sq.m. one year previously.

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



PROPERTY COSTS

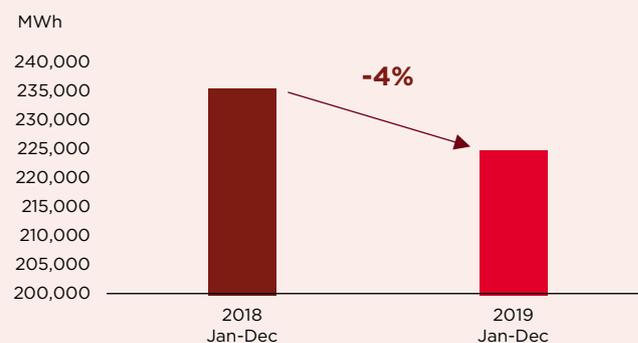
Total property costs were SEK 773 million (800), down by SEK 27 million. In like-for-like portfolio terms of investment properties, costs increased by SEK 5 million. Excluding non-recurring effect from the adoption of IFRS 16, costs increased by SEK 35 million (information on the adjustment for IFRS is on page 6). The increase relates to new assessment of property tax, which increased costs by SEK 23 million.

The net effect of increased property taxes SEK 4 million, after allowing for the portion re-invoiced to tenants. The loss of expenses from divested properties, and development properties, as well as additional costs for accessed properties, resulted in a total decrease of SEK 32 million.

SEK million	2019 Jan-Dec	2018 Jan-Dec
Like-for-like portfolio terms (investment properties)	684	678
Development properties	52	56
Acquired properties	33	18
Divested properties	5	48
Total property costs	773	800

ENERGY CONSUMPTION IN LIKE-FOR LIKE PORTFOLIO

Kungsliden's goal is to cut energy consumption by 3 per cent per year, or by 20 per cent from 2014 to 2020. The energy consumption of like-for-like holdings reduced by 4 per cent in January-December 2019 compared to the corresponding period of the previous year. The total decrease since 2014 is 19 per cent.



OPERATING NET

Operating net increased by SEK 65 million in the period, to SEK 1,650 million (1,586). In like-for-like terms of investment properties, operating net increased by SEK 84 million - a 6.1 per cent improvement. The loss of operating net from divested properties was SEK 76 million, and the additional operating net from accessed properties was SEK 52 million, i.e. a net decrease of SEK 24 million. The operating net for development properties increased by SEK 5 million.



SELLING- AND ADMINISTRATION COSTS

Selling and administration costs were SEK 109 million (95). Excluding non-recurring effects from the adoption of IFRS 16, costs increased by SEK 10 million. The increase is mainly explained by the strengthening of the marketing organisation, the development of the brand and the upgrading of customer dialogue systems. Most of these costs are one-offs.

NET FINANCIAL ITEMS

Net financial items was SEK -356 million (-366). The improvement is mainly due to the reducing cost of interest hedges, and arranging new finance on better terms. Restatements pursuant to IFRS 16 meant that net financial items was charged with costs of approximately SEK 31 million. These adjustments mainly relate to costs for ground rent, which were previously charged to operating net. The average interest rate increased to 1.9 per cent at year-end as a consequence of the Riksbank deciding to increase its benchmark rate.

Net financial items, SEK million	2019	2018
	Jan-Dec	Jan-Dec
Financial revenues	1	1
Interest expenses	-287	-316
Other financial costs	-39	-52
Costs of right of use	-31	-
Net financial items	-356	-366

Average interest rate per quarter



PROFIT FROM PROPERTY MANAGEMENT

Full-year profit from property management increased to SEK 1,185 million (1,124), an increase of just over 5 per cent. The profit increase is due to a higher operating net in like-for-like portfolio terms, and improved net financial income/expense.



CHANGES IN VALUES ON PROPERTIES

The unrealised value increase in the property portfolio was SEK 1,762 million (1,619) for the period, corresponding to 5.1 per cent. The value increase is due to as equal parts of increased rental revenue and a decrease in the average required yield of 19 basis points. Additionally, the effect of divested and acquired properties impacted the average required yield by another 5 basis points. At the end of the period, the average required yield was 5.2 per cent. Deductions received for deferred tax on properties accessed in the period meant an unrealised change in value of SEK 59 million. Realised changes in value for the period were SEK -5 million (-16).

CHANGES IN VALUE ON INTEREST RATE DERIVATIVES

The change in value on financial instruments was SEK -75 million (-73), a consequence of interest rates on longer maturities falling.

TAX

The total tax expense for 2019 was SEK 622 million (598) of which SEK 0 million (2) is current tax. The new corporation tax rate that applies effective 1 January 2019 means corporation tax reducing from 22.0 per cent to 21.4 per cent. For 2019, the positive effect of the reduced tax rate is SEK 40 million, which exceeds the effect of the new interest deduction rules, which increased the year-2019 tax expense by SEK 27 million. At year-end, fiscal tax deficits totaled SEK 2,113 million (2,098).

NET PROFIT

Net profit was SEK 2,245 million, compared to SEK 2,055 million in the previous year. The increase is mainly due to higher profit from property management, and positive changes in value on properties.

IFRS 16

A new accounting standard for leases (IFRS 16) was adopted effective 1 January 2019, with more information in the Annual Report for 2018 (p. 78). For Kungsliden, this change mainly means that ground rent agreements will be recognised in the Balance Sheet at an estimated present value of future rent. In the Income Statement, ground rent is recognised in net financial items instead of, as previously, a property cost. For leases over and above ground rent, the expense is divided into an amortisation component, recognised as a sales and administration cost, and an interest component, recognised in net financial items. This reclassification has no effect on comprehensive income, and the Standard has not been adopted retroactively. To improve comparability, the following table illustrates how the current year's Income Statement and key figures have been affected by this change of policy.

SEK million	2019		2018	
	Jan-Dec	IFRS 16	Jan-Dec	Jan-Dec
			excluding IFRS 16	
Revenue	2,423	-	2,423	2,385
Property costs	-773	35	-808	-800
OPERATING NET	1,650	35	1,615	1,586
Selling- and administration costs	-109	-4	-105	-95
Net financial items	-356	-31	-325	-366
PROFIT FROM PROPERTY MANAGEMENT	1,185	-	1,185	1,124
Property yield investment properties, %	4.8		4.7	5.1
Surplus ratio investment properties, %	68.9		67.4	67.7
Return on total assets, %	4.1		4.0	4.4
Equity ratio, %	44.0		44.9	44.5

GROUP BALANCE SHEET

SEK million	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets		
Intangible assets	12	11
Properties	38,310	34,697
Assets of right of use	812	-
Equipment	4	5
Other long-term receivables	2	4
Total non-current assets	39,140	34,718
Current assets		
Current receivables	237	201
Derivatives	-	4
Cash and bank balances	353	471
Total current assets	590	677
TOTAL ASSETS	39,730	35,394
EQUITY AND LIABILITIES		
Equity	17,488	15,767
Non-current liabilities		
Liabilities to credit institutions	9,094	9,204
Other interest-bearing liabilities	8,146	6,246
Liabilities of right of use	804	-
Derivatives	105	34
Deferred tax liability	2,488	1,892
Provisions	3	5
Total non-current liabilities	20,640	17,381
Current liabilities		
Liabilities to credit institutions	-	-
Other interest-bearing liabilities	650	1,432
Liabilities of right of use	8	-
Other liabilities	945	814
Total current liabilities	1,602	2,246
TOTAL EQUITY AND LIABILITIES	39,730	35,394

GROUP CHANGES IN EQUITY

SEK million	31 Dec 2019	31 Dec 2018
Equity at beginning of period	15,767	14,192
Dividend	-524	-480
Comprehensive income for the period	2,245	2,055
Equity at end of period	17,488	15,767

KUNGSLEDEN'S PROPERTY PORTFOLIO

As of 31 December, Kungsliden held 209 properties with a total book value of SEK 38,310 million. Nearly 90 per cent of the portfolio is in one of Kungsliden's priority growth markets of Stockholm, Gothenburg, Malmö and Västerås, and 75 per cent of property values consist of offices. Nearly 70 per cent of the value is in one of Kungsliden's 12 clusters.

OUR MARKETS

STOCKHOLM

47%

SEK 18,027 m

VÄSTERÅS

18%

SEK 6,984 m

GOTHENBURG

11%

SEK 4,156 m

MALMÖ

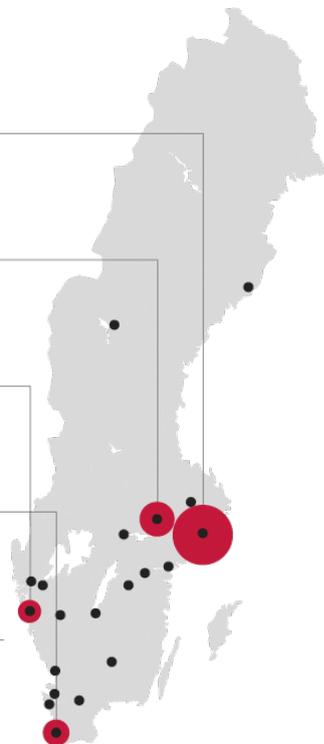
11%

SEK 4,337 m

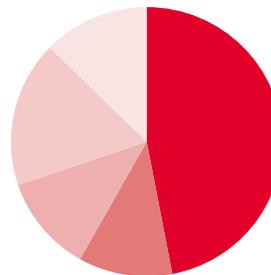
REGIONAL CITIES

13%

SEK 4,806 m

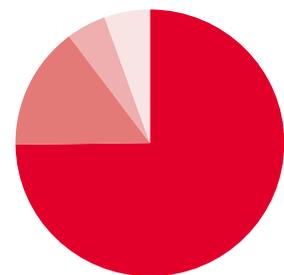


Property value per geography



■ 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	1,823	34,862	93.2	2,465
Development properties	12	174	3,448	72.0	182
Total property holdings	209	1,997	38,310	91.5	2,647

Sustainability targets and actuals

Focus area	Target	Actual	
LEED-certification	50%	28%	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 31 December 2019.

Kungsliden's clusters

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

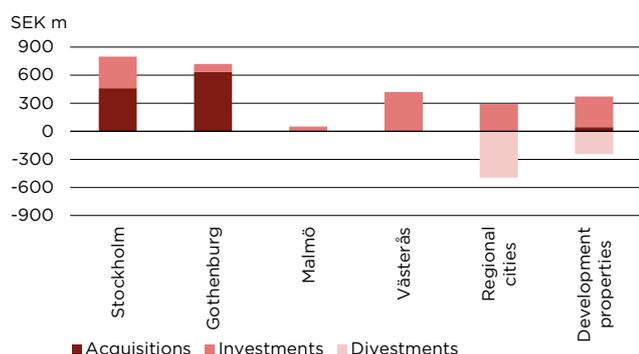
		Leasable area, sq.m.	Book value, SEK billion
Stockholm	Kista City	146,000	4.5
	Stockholm City East	85,000	4.0
	Danderyd Office	100,000	3.2
	Stockholm City West	40,000	2.3
	Västberga	38,000	0.5
Gothenburg	Högsbo	109,000	1.3
	Gothenburg South Central	40,000	1.5
Malmö	Hyllie	48,000	1.3
	Fosie	53,000	0.7
Västerås	Västerås City	153,000	3.9
	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-Dec 2019

SEK million	Investment properties	Development properties	Total
Properties at beginning of period	31,800	2,897	34,697
Reclassifications	-356	356	-
Acquisitions, completed	1,037	44	1,080
Investments	1,179	330	1,509
Divestments, completed	-494	-244	-738
Unrealised changes in value	1,696	65	1,762
Properties at end of period	34,862	3,448	38,310

Net investments by segment Jan-Dec 2019



ACQUISITIONS, DIVESTMENTS, ACCESSED PROPERTIES AND CLOSED DIVESTMENTS

Kungsliden accessed the final phase of the Tändstickan district of Gothenburg (Kallebäck 2:11). Kungsliden also vacated 15 retail and office properties in Eskilstuna in January, which means that it left this Municipality. An agreement to sell Mandelblomman 3 in Spånga was signed in the second quarter. The property was vacated at the beginning of July.

The land acquisition Löpöglan 2 in Malmö, acquired at the beginning of 2019, was accessed in the fourth quarter.

In December, Kungsliden acquired and accessed the property Gladan 4 in Stockholm. The purchase price was SEK 428 million.

Acquisitions Jan-Dec 2019

Property	Municipality	Category	Leasable area, sq.m.
Löpöglan 2	Malmö	Land for office	7,630
Gladan 4	Stockholm	Office	7,547

Divestments Jan-Dec 2019

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

LEASING

Kungsliden signed lease contracts with a rental value of SEK 210 million (274) in the year. These new lease contracts generally have higher rent per sq.m. than their predecessors. Net leasing for the year was SEK 58 million (86).

95 of the new contracts in the year were green leases, which involve an undertaking between tenant and landlord on joint actions 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	259	4.2
The Swedish Social Service Administration	53	4.7
Biz Apartments	41	8.6
ICA	38	2.4
Municipality of Västerås	37	5.3
Municipality of Stockholm	27	4.6
ÅF	27	3.5
Westinghouse Electric Sweden	24	1.0
The Swedish Custom Service	22	3.7
SMHI	21	10.9
10 largest tenants	550	4.6
Other	1,864	3.8
Total	2,414	4.0

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.	2019 Jan-Dec	2018 Jan-Dec
Office	1,767	1,647
Industrial/Warehouse	907	862
Retail	1,154	1,267
Average	1,442	1,342

Property costs, investment properties

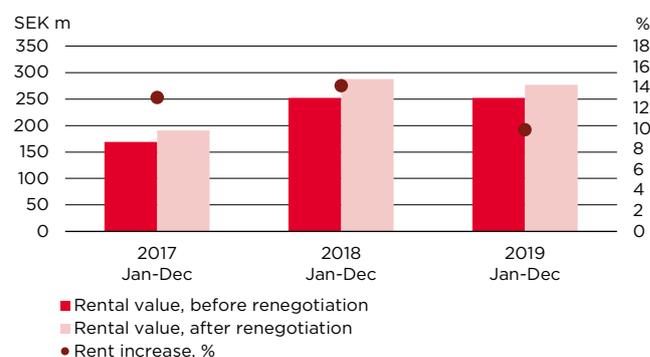
SEK per sq.m.	2019 Jan-Dec			
	Office	Industrial/ Warehouse	Retail	Total
Operation	253	189	170	225
Maintenance	48	32	57	42
Property tax	92	22	72	70
Site leasehold fees	-	-	-	-
Direct property costs	393	243	299	337
Property administration	66	35	45	55
Total	459	278	344	392

SEK per sq.m.	2018 Jan-Dec			
	Office	Industrial/ Warehouse	Retail	Total
Operation	252	171	182	219
Maintenance	45	25	54	38
Property tax	78	19	62	56
Site leasehold fees	25	3	6	16
Direct property costs	400	218	304	329
Property administration	52	51	54	52
Total	452	269	358	381

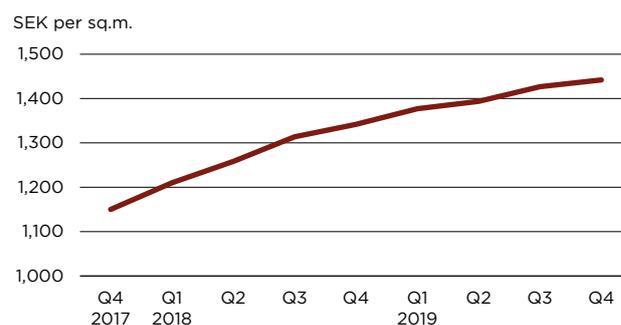
RENEGOTIATION AND AVERAGE RENT

131 lease contracts with rental value of SEK 252 million were successfully renegotiated in the period. These generated an average increase of rental values of 10 per cent (14). Of the 131 contracts renegotiated, 43 resulted in larger leased area. The average rent increased to SEK 1,442 per sq.m. (1,342), an increase of 7 per cent year on year.

Rental value before and after renegotiation



Average rent

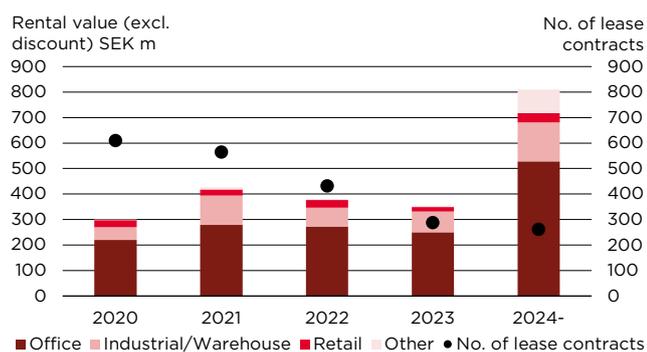


LEASE CONTRACTS, MATURITY STRUCTURE

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 31 December, the average maturity of remaining lease contracts was 4.0 years (3.7).

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

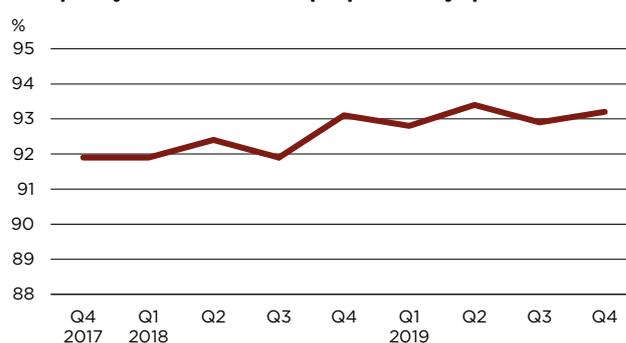
Rental value, maturity structure



OCCUPANCY RATE

The occupancy rate in our investment properties was 93.2 per cent, compared to 93.1 per cent at the beginning of the year. The leasing has been impacted by some larger-scale tenant vacations in Kista and also elsewhere. However, the occupancy rate for 2019 was slightly higher due to a strong new leasing and accessed premises during the last 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 1,437 per sq.m as per 31 December.

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 76 million, from SEK 1,520 million to SEK 1,596 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	-
Leasable area, 000 sq.m. ¹	490	258	225	476	375	1,824	-	-
Rental value, SEK m ¹	928	294	297	555	393	2,467	-	-
Operating net, SEK m	614	202	204	343	233	1,596	-	-
Rental revenue, SEK per sq.m. ¹	1,999	1,149	1,383	1,264	1,152	1,437	-	-

¹ As per 31 December

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	-
Leasable area, 000 sq.m. ¹	1,031	579	132	82	1,824	-	-
Rental value, SEK m ¹	1,697	497	148	125	2,467	-	-
Operating net, SEK m	1,100	309	89	98	1,596	-	-
Rental revenue, SEK per sq.m. ¹	1,764	902	1,213	1,563	1,437	-	-

¹ As per 31 December

² Not included in total

PROJECTS AND INVESTMENTS

PROJECTS AND INVESTMENTS

Investments in the new production, conversion and extension of existing holdings are an important part of Kungsleden's business model, and are making progressively increasing contributions to the company's earnings and profitability. This generates increased cash flow and value growth through reduced vacancies, higher average rent, and in some cases, the addition of leasable area. Kungsleden has had an investment program of over SEK 3 billion for 2017-2019. SEK 1,509 million was invested in 2019, which means Kungsleden invested a total of approximately SEK 3.7 billion in the stated three-year period. The target is for these investments to generate a minimum IRR (internal rate of return) of 9 per cent, or a minimum yield on cost of 6 per cent.

Nine major investment projects were in the implementation phase as of 31 December, and have aggregate investment volume of SEK 2,169 million. After completion, these converted properties are expected to achieve full-year rental value of SEK 299 million. Several projects are already fully leased, and Kungsleden assesses that the demand for the remaining premises is good.

CURRENT MAJOR PROJECTS

Blästern 14, Stockholm City West

This project is in two phases, the first being complete, with hotel operator Blique by Nobis accessing its premises. Phase 2 involves the modernisation of 5,500 sq.m. of offices and is fully leased to

Convendum, a high-end co-working provider focusing on service, technology and design. Convendum accessed part of its premises at the end of the year, and has opened the facility to most of its customers. The top two floors were completed and will be accessed at the end of February 2020. The estimated investment total for both phases is approximately SEK 595 million, with rental value of SEK 65 million.

Eden by Kungsleden in Hyllie in Malmö

Eden by Kungsleden (Löpöglan 2) on Hyllie Boulevard in Malmö is a state-of-the-art office project designated a Symbiotic Building – Kungsleden's proprietary concept focusing on health, services, technology and nature. This building will be certified according to the LEED and WELL Building Standard, the first international building standard focusing on people's well-being at work. This project has about 7,900 sq.m. of offices, with Kungsleden accessing the land in the fourth quarter, and construction started in January 2020. Two lease contracts have been signed, the largest being a seven-year deal with Quick Office on just over 3,000 sq.m. Quick Office will be creating co-working spaces, conference rooms, a restaurant, café, reception and neighbourhood services, and accesses its premises in April 2021. Kungsleden's estimated investment in Eden is SEK 350 million including land acquisition.

Investment programme

	PLAN				
SEK million	2016	2017	2018	2019 Jan-Dec	2020-2023
Development projects	141	312	578	598	1,800
Tenant improvements and other value-creating investments	341	499	596	799	1,800
Maintenance investments	127	114	126	112	400
Total investments	609	925	1,300	1,509	4,000

Major current projects

Property	Category	Municipality	Completed	Estimated			Book value, SEK m	Estimated investment, SEK m	Whereof completed, SEK m
				Leasable area sq.m.	rental value SEK m	Occupancy rate %			
Blästern 14	Hotel, Office	Stockholm	2020 ¹⁾	17,000	65	100	1,196	595	569
Eden by Kungsleden ²⁾	Office	Malmö	2021	7,900	25	54	67	350	24
Finnslätten 1 - part of	Office, Industry	Västerås	2024	21,000	28	41	119	250 ³⁾	6
Stettin 6	Office	Stockholm	2021	25,000	57	77	1,114	230	55
Rotterdam 1	Office	Stockholm	2021	21,300	61	65	1,018	225	59
B26 Mimer 5 - part of	Office	Västerås	2020	4,700	13	76	133	147	133
Karlslund 5:2 - part of ²⁾	Social services property	Östersund	2020	3,300	13	100	115	145	115
Taktipinnen 1	Office	Norrköping	2022	16,000	25	100	241	136	23
Oxelbergen 1:2 - part of	Office	Norrköping	2021	6,000	12	20	23	91	23
Total				122,200	299		4,026	2,169	1,007

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

² New development

³ Investment frame - the project is being completed as premises are leased.



Finnslätten 1 in Västerås

Kungsleden has started a modernisation project at Building 357 in Finnslätten. This building, of 21,000 sq.m., is now being modified to create offices, a school, production premises, and spaces to enhance the service offering in Finnslätten. 41 per cent has been leased to Scandinavian Gene Synthesis AB (SGS DNA), ABB and Northvolt. Tenant adaptation for SGS DNA and leasing of premises as a restaurant, school and service premises 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 on a total of 8,800 sq.m. is ongoing at Stettin 6, an office property in Värtahamnen. This property will provide contemporary and flexible premises with attractive courtyards and closeness to nature. To improve services in this area, Kungsleden has signed a seven-year lease contract with restaurant and conference chain Eatery on 700 sq.m. A restaurant will be implemented 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 adaptations, also involves the modernisation of frontages, entrances, courtyards and outdoor spaces.

Rotterdam District, Stockholm City East

Project planning of new frontages and entrances to create a contemporary and harmonious execution 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 accessible to the public. The premises for Easypark and The Beverage Group are complete and accessed. Leasing of remaining vacancies is ongoing. The estimated investment volume for the complete project is SEK 225 million.

B26, part of Mimer 5, 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. Kungsleden leased 400 sq.m. to PwC in the quarter and is in discussions on leasing all the remaining accommodation. The estimated investment is SEK 147 million, and several tenants accessed their premises in January 2020, while the official opening will be on 19 February 2020.

Karlslund 5:2 in Östersund

This project involves the production of custodial and probation premises for the Swedish prison and probation service, on total area of just over 3,300 sq.m. The 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 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. The project involves a total investment of SEK 145 million, and the completion date is set for 1 April 2020.

Taktpinnen 1, Norrköping

This project involves the modernisation of current tenant SMHI's (the Swedish Meteorological & 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.

Oxelbergen 1:2, Norrköping

Oxelbergen is a district a few minutes' walk from the city centre, close to green spaces and with good communications. It has a total of 25,000 sq.m. of premises, where Kungsleden is currently modernising and improving a vacant, 6,000 sq.m. building. Kungsleden is utilising its Feel Good Working concept to create an attractive and sustainable place that inspires people and encourages active lifestyles. This concept involves the property offering intelligent solutions, shared meeting spaces, a lounge, coffee bar and inspiring outdoor environment. Lease contracts have been signed with the Municipality of Norrköping, Fläktgroup and Lundgrens el on areas of about 1,100 sq.m. Total estimated investment volume is SEK 91 million, and the project is being executed as areas are leased.

COMPLETED PROJECTS

No major projects were completed in January-December 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 is ongoing, deciding how Finnslätten will continue to develop and grow with local businesses. The goal is to create a new, attractive quarter to bring in more innovative enterprises and talented individuals, as well as research and education. This process was initiated jointly by Kungsleden 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, Westinghouse and AQ-Group. 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. Kungsleden has high planning potential here, and work on developing this potential and producing an overall, structured and sustainable plan to support future development in the short and long term is ongoing.

FINANCING

Kungsleden's financial position strengthened in 2019 through a lower LTV ratio, higher interest coverage ratio and more even maturity profile with a low share of short borrowing. During the second quarter Moody's upgraded our credit rating to Investment Grade (Baa3) with stable outlook.

INVESTMENT GRADE RATING

Ratings Institute Moody's upgraded Kungsleden's credit rating to Investment Grade (Baa3) with stable outlook in the second quarter. This upgrade offers better potential to expand its investor base for the long term, benefit from even better financing terms and arrange financing on long maturities.

VALUE CREATING ACTIVITIES IN THE FOURTH QUARTER

Another SEK 400 million of green bonds were issued in the MTN programme at the end of November. These issues were conducted at good interest terms on long maturities, and are fully consistent with other companies with corresponding credit ratings. The proceeds will be utilised for investment pursuant to the green framework.

At year-end, Kungsleden had SEK 7 billion of outstanding bonds within its SEK 8 billion MTM programme. Green bonds make up SEK 4 billion of this total. At year-end, Kungsleden had SEK 650 million of outstanding commercial paper.

DEBT MATURITY AND FIXED INTEREST TERM

Net financial items is a significant cost item in the Income Statement, primarily affected by changes in market interest rates and lenders' required yields. Kungsleden endeavours to achieve well-considered debt maturity and interest rate duration to safeguard its ongoing cash flow. Its average financing cost reduced in the year by renegotiating loans on better margin terms. Meanwhile, the average interest rate increased to 1.9 per cent (1.8) at year-end as a result of three-month Stibor rising, mainly in the fourth quarter. The average debt maturity reduced somewhat, and was 4.5 years (5.6), simultaneous with the maturity profile of loans being more evenly allocated, which reduces the refinancing risk. Low interest rate levels

Maturity structure of loans and interest rate derivatives

As per 31 December 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, %
2020	650	-	250	900	-	-	
2021	-	2,400	-	2,400	-	-	
2022	-	2,500	-	2,500	2,000	-	0.3
2023	1,375	1,100	2,000 1)	4,475	-	-	
2024	2,461	1,000	-	3,461	1,450	-	0.6
2025	2,478	-	-	2,478	1,000	-	0.8
2026	630	-	-	630	-	2,000 3)	1.4
2027	1,594	-	-	1,594	-	-	
2028	-	-	-	-	-	3,000 2)	0.7
2029	1,701	-	-	1,701	-	-	
Total	10,889	7,000	2,250	20,139	4,450	5,000	

¹ Whereof SEK 650 million is back-up for issued commercial paper

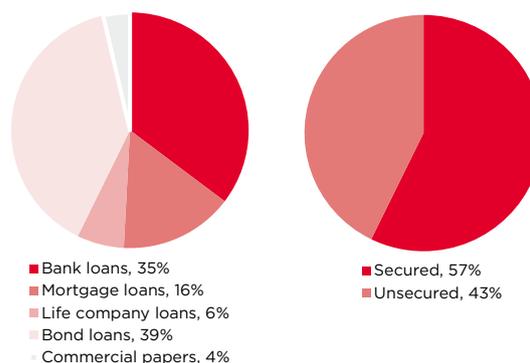
² Starts in January 2020

³ Starts in June and December 2022

and improved operating net resulted in an increased interest coverage ratio, which was a multiple of 4.6 for the full year. Kungsleden works actively to adapt the group's interest rate duration profile in accordance with its adopted business plan, and within the group's Finance Policy.

To benefit from interest rates on longer maturities continuing to fall in the year, Kungsleden extended forward-starting swaps at the end of the third quarter and the beginning of the fourth quarter. This was achieved by extending SEK 3 billion nominal amount of swaps with previous starts as of January 2020 to January 2023, with new starts as of January 2021 to January 2028. These restructuring processes extend the average fixed interest period, which was 3.7 years (2.7) at year-end.

Loan portfolio, secured and unsecured debt as of 31 December 2019



- Bank loans, 35%
 - Mortgage loans, 16%
 - Life company loans, 6%
 - Bond loans, 39%
 - Commercial papers, 4%
- Secured, 57%
 - Unsecured, 43%



GREEN FINANCING

Kungsleden issued another SEK 1.3 billion of green bonds in the year. A total of SEK 4 billion of green bonds have been issued. Green bonds are issued pursuant to the terms & conditions of the green bond framework. This framework clarifies how the proceeds from green bonds may be utilised. The proceeds from Kungsleden’s green bonds issued until 31 December 2019 will be used in the following categories of environmental project:

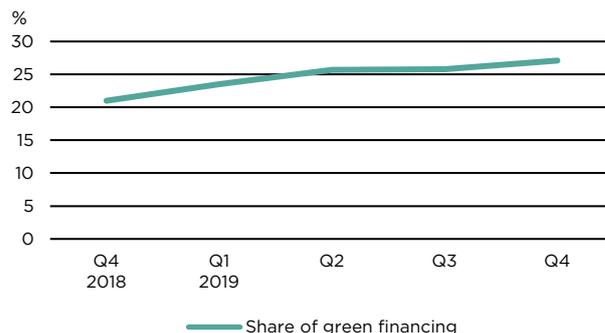
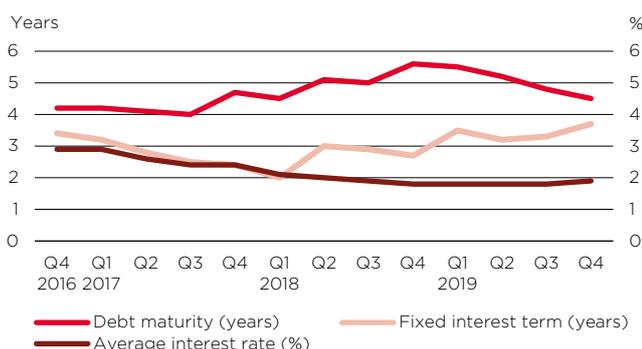
- Financing certified properties
- Renewable energy

A property financed with proceeds from the green framework must achieve Gold and Very Good respectively within the LEED or BREEAM standards, and have at least 70 per cent of available points achieved in the energy category.

Alternatively, within the Miljöbyggnad (Swedish environmental building) standard, the building must achieve the Silver or EU Green Building level. Kungsleden’s green framework is stated at <https://www.kungsleden.se/en/investors/funding/capital-markets-products/>.

A letter to investors in Kungsleden’s green bonds is also uploaded here, offering reports and statements on how funds from green bonds have been utilised. These bonds are quoted on Nasdaq Stockholm’s Green Bond List, a market segment of green bonds that applies specific standards to bonds quoted on this marketplace. Kungsleden has also arranged a SEK 0.9 billion green bank loan, secured against direct collateral for the LEED Gold-property Färöarna 3.

Investor interest in green bonds remains high, and issuing green bonds is a natural step in Kungsleden’s sustainability work. Apart from the sustainability aspect, green finance often offers better interest terms than traditional borrowing. The ambition is that in time, all green assets will be financed with green borrowing. The share of green borrowing was 27 per cent (21) of the total loan portfolio at year-end 2019.



KUNGSLEDEN'S SHARE

Kungsleden's share is on Nasdaq Stockholm's Large Cap list. Market capitalisation was SEK 21.5 billion at the end of the fourth quarter.

The price paid for the Kungsleden share at the beginning of the year was SEK 62.00, and SEK 98.40 at the end of the fourth quarter. The lowest closing price in the interim period was on 2 January at SEK 62.30. The highest closing price was on 23 December at SEK 99.40.

SHARE CAPITAL

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.

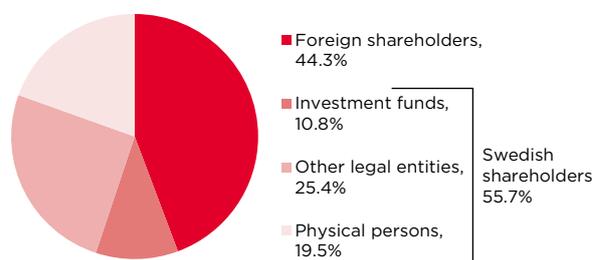
SHARE DIVIDEND

The company's dividend policy stipulates that the dividend should progress consistently with profit from property management. In 2019, profit from property management increased by 5 per cent. This means that the Board of Directors is proposing to increase the dividend to SEK 2.60 per share for 2019, compared to SEK 2.40 per share distributed for the previous year.

Total return on share, 1 January - 31 December 2019



Ownership structure as per 31 December 2019



Key ratios per share

Data per share	2019 Jan-Dec	2018 Jan-Dec
Dividend paid, SEK	2.40	2.20
Total return on share, %	60.3	9.4
Dividend yield on share, %	2.6	3.8
Profit from property management, SEK	5.43	5.15
Net profit, SEK	10.28	9.41
EPRA EPS (profit from property management after tax), SEK	5.37	4.84
	31 Dec 2019	31 Dec 2018
EPRA NAV (long-term net asset value), SEK	91.94	81.01
EPRA NNNAV (current net asset value), SEK	89.61	79.66
Equity, SEK	80.07	72.19
Share price, SEK	98.40	62.90

Shareholders as per 31 December 2019

Name	No. of shares	Share of capital, %
Gösta Welandson and companies	31,637,781	14.5
BlackRock	10,923,681	5.0
APG Asset Management	7,957,592	3.6
Olle Florén and companies	6,750,797	3.1
Vanguard	6,534,259	3.0
Norges Bank	5,448,289	2.5
BMO Global Asset Management	5,314,483	2.4
Handelsbanken Investment Funds	5,050,000	2.3
Catella Investment Funds	3,436,093	1.6
Nordea Investment Funds	3,161,210	1.4
Total 10 largest owners	86,214,185	39.5
Foreign shareholders, other	57,504,458	26.3
Swedish shareholders, other	74,684,659	34.2
Total	218,403,302	100.0

GROUP CASH FLOW

SEK million	2019 Jan-Dec	2018 Jan-Dec	2019 Oct-Dec	2018 Oct-Dec
OPERATIONS				
Profit from property management	1,185	1,124	296	303
Adjustments for non-cash items	3	7	8	-3
Tax paid	-3	0	-3	-1
Cash flow before changes in working capital	1,186	1,131	302	299
Changes in working capital	72	-4	-22	95
Cash flow after changes in working capital	1,257	1,127	280	394
INVESTING ACTIVITIES				
Investments in current properties	-1,509	-1,300	-514	-494
Acquisition of properties	-1,080	-1,836	-472	0
Divestment of properties	724	1,005	14	152
Other intangible and tangible assets, net	-5	0	-1	0
Financial assets, net	0	-206	0	8
Cash flow from investing activities	-1,870	-2,337	-973	-334
FINANCING ACTIVITIES				
Dividend	-513	-360	-131	-120
Repayment of loans	-6,602	-3,602	-20	-23
New loans	7,609	5,330	650	0
Cash flow from financing activities	495	1,368	499	-143
CASH FLOW FOR THE PERIOD	-118	158	-195	-83
Cash and cash equivalents at beginning of period	471	313	548	554
Exchange rate difference in cash and cash equivalents	0	0	0	0
Cash and cash equivalents at end of period	353	471	353	471

CASH FLOW AND LOAN-TO-VALUE RATIO

Operating cash flow after changes in working capital was SEK 1,257 million in the period.

SEK 1,509 million was invested in existing properties and projects in the period. Purchase considerations of SEK 1,080 million was paid on accessing the third property in the Tändstickan district of Gothenburg, the acquisition of the land property Löpöglan 2 in Hyllie and the acquisition of Gladan 4 at Kungsholmen in Stockholm.

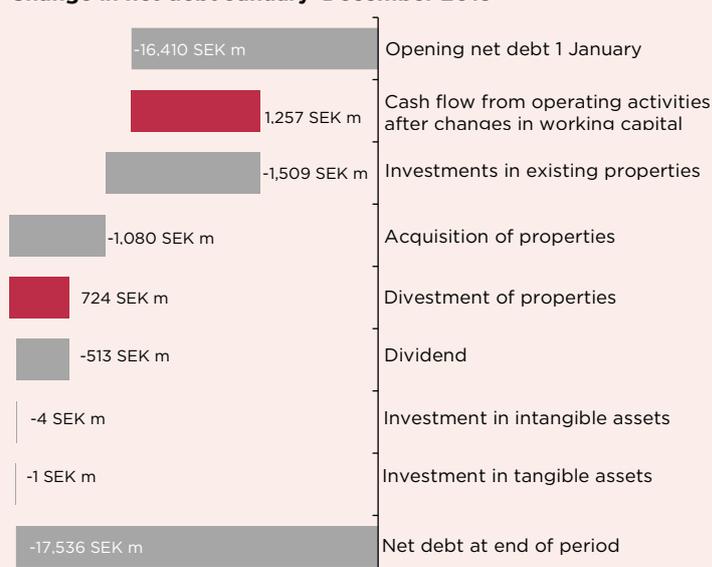
A total purchase consideration of SEK 724 million was received when closing the divestment of Kungsleden's portfolio in Eskilstuna and on the date of closing the property Mandelblomman 3 in July.

Dividend of SEK 513 million was paid to the shareholders, which is the final payment for the financial year 2017 and the three first payments of dividend for the financial year 2018.

Borrowings in the year meant that interest-bearing liabilities increased by SEK 1,008 million gross. As cash and bank balances increased by SEK 118 million, net debt increased by SEK 1,126 million.

Kungsleden's LTV ratio decreased from 47.3 per cent to 45.8 per cent at year end due to unrealised increases in value in the property portfolio. Total liquid funds available were SEK 1,954 million (2,137), including granted and available credit facilities, after deducting for backups for issued commercial paper.

Change in net debt January-December 2019



SEGMENT REPORTING

JAN-DEC 2019*

SEK million	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Unallocated	Total
Revenue	852	279	287	536	355	113	-	2,423
Property costs	-244	-78	-83	-193	-124	-51	-	-773
Operating net	608	202	204	343	231	62	-	1,650
Selling- and administration costs	-	-	-	-	-	-	-109	-109
Net financial items	-	-	-	-	-	-	-356	-356
Profit from property management	608	202	204	343	231	62	-465	1,185
Changes in value, assets								
Properties	662	184	103	622	90	101	-5	1,756
Interest rate derivatives	-	-	-	-	-	-	-75	-75
Profit before tax	1,270	386	307	965	321	164	-545	2,867
Tax	-	-	-	-	-	-	-622	-622
Net profit	1,270	386	307	965	321	164	-1,167	2,245
Book value properties	15,385	4,056	4,247	6,736	4,438	3,448	-	38,310

JAN-DEC 2018*

SEK million	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Unallocated	Total
Revenue	832	236	258	539	438	82	-	2,385
Property costs	-252	-77	-79	-200	-142	-50	-	-800
Operating net	580	159	179	339	296	32	-	1,586
Selling- and administration costs	-	-	-	-	-	-	-95	-95
Net financial items	-	-	-	-	-	-	-366	-366
Profit from property management	580	159	179	339	296	32	-461	1,124
Changes in value, assets								
Properties	816	117	108	449	112	18	-17	1,603
Interest rate derivatives	-	-	-	-	-	-	-73	-73
Profit before tax	1,396	276	287	788	408	50	-551	2,653
Tax	-	-	-	-	-	-	-598	-598
Net profit	1,396	276	287	788	408	50	-1,149	2,055
Book value properties	14,153	3,225	4,048	5,821	4,553	2,897	-	34,697

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

KEY RATIOS

	2019 Jan-Dec	2018 Jan-Dec	2019 Oct-Dec	2018 Oct-Dec
Property related				
Property yield, %	4.5	4.8	4.5	4.8
Occupancy rate, %	91.5	91.5	91.5	91.5
Surplus ratio, %	68.2	66.7	68.4	68.2
<i>Actuals, investment properties</i>				
Property yield, investment properties, %	4.8	5.1	4.6	5.0
Occupancy rate, investment properties, %	93.2	93.1	93.2	93.1
Surplus ratio, investment properties, %	68.9	67.7	68.8	69.2
Surplus ratio, investment properties excluding non-recurring effects, %	69.0	67.2	69.3	67.8
Rental revenue, investment properties, SEK/sq.m.*	1,442	1,342	-	-
Property costs, investment properties, SEK/sq.m.*	392	381	-	-
Financial				
Return on total assets, %	4.1	4.4	3.9	4.2
Return on equity, %	13.5	13.7	18.0	10.1
Interest coverage ratio, multiple	4.6	4.1	4.8	4.5
Equity ratio, %	44.0	44.5	-	-
Debt/equity ratio, multiple	1.0	1.1	-	-
LTV (loan-to-value) ratio, %	45.8	47.3	-	-
Data per share				
Dividend paid, SEK	2.40	2.20	-	-
Total return on share, %	60.3	9.4	-	-
Dividend yield on share, %	2.6	3.8	-	-
Profit from property management, SEK	5.43	5.15	1.36	1.39
Net profit, SEK	10.28	9.41	3.53	1.80
Cash flow before changes in working capital, SEK	5.43	5.18	1.36	1.39
EPRA EPS (profit from property management after tax), SEK	5.37	4.84	1.30	1.41
EPRA NAV (long-term net asset value), SEK	91.94	81.01	-	-
EPRA NNNNAV (current net asset value), SEK	89.61	79.66	-	-
Equity, SEK	80.07	72.19	-	-
Outstanding no. of shares at end of period	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

* 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	12	209
Leasable area, 000 sq.m.	490	258	225	476	375	174	1,997
Rental value, SEK m	926	288	300	570	396	168	2,647
Rental revenue, SEK m	851	279	284	536	355	113	2,418
Operating net, SEK m	608	202	204	343	231	62	1,650
Book value, SEK m	15,385	4,056	4,247	6,736	4,438	3,448	38,310
Occupancy rate, %	91.8	95.3	95.4	94.7	90.9	72.0	91.5
Surplus ratio, %	71.4	72.3	71.8	64.0	65.2	54.7	68.2
Property yield, %	4.1	5.6	5.0	5.5	5.1	1.9	4.5
New leasing, SEK m	79	24	22	31	30	24	210
Net leasing, SEK m	17	8	6	4	5	17	58
Investments, SEK m	341	84	46	419	289	330	1,509
Unrealised changes in value - properties, SEK m	662	184	103	622	90	101	1,762

QUARTERLY SUMMARY

INCOME STATEMENT IN SUMMARY

SEK million	2019				2018			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
Revenue	613	618	604	589	607	594	597	588
Operating net	419	424	423	384	412	424	396	354
Selling- and administration costs	-35	-20	-25	-28	-21	-19	-27	-27
Net financial items	-87	-94	-86	-88	-87	-89	-93	-98
Profit from property management	296	310	312	267	303	316	276	229
Profit (loss) from divestment	0	-2	3	-7	-19	-1	0	4
Unrealised changes in value, properties	496	418	352	496	331	302	404	581
Unrealised changes in value, financial instruments	200	-65	-118	-91	-55	48	-67	1
Profit before tax	992	661	549	665	560	666	612	815
Tax	-222	-140	-121	-139	-167	-169	-84	-178
Net profit	770	521	428	526	393	497	528	637

BALANCE SHEET IN SUMMARY

SEK million	2019				2018			
	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1
ASSETS								
Non-current assets								
Intangible assets	12	13	13	12	11	9	9	8
Properties	38,310	36,833	36,131	35,418	34,697	34,012	33,692	32,620
Assets of right of use	812	773	774	776	-	-	-	-
Equipment	4	4	5	5	5	6	6	7
Other long-term receivables	2	4	4	4	4	12	12	12
Total non-current assets	39,140	37,628	36,927	36,216	34,718	34,040	33,719	32,647
Current assets								
Current receivables	237	404	287	302	201	205	49	259
Derivatives	-	-	-	-	4	24	-	-
Cash and bank balances	353	548	542	400	471	554	643	1,498
Total current assets	590	952	829	702	677	784	692	1,757
TOTAL ASSETS	39,730	38,579	37,756	36,918	35,394	34,823	34,411	34,405
EQUITY AND LIABILITIES								
Equity	17,488	16,718	16,197	16,293	15,767	15,375	14,877	14,829
Interest-bearing liabilities								
Liabilities to credit institutions	9,094	9,114	9,287	9,307	9,204	9,226	9,249	8,999
Bond loans (unsecured)	7,000	6,600	6,488	5,988	6,082	6,082	5,800	5,600
Other borrowing	1,796	1,546	1,596	1,596	1,596	1,596	1,946	2,546
Total interest-bearing liabilities	17,889	17,260	17,371	16,891	16,882	16,904	16,995	17,144
Non-interest-bearing liabilities								
Provisions	3	5	5	5	5	12	12	12
Deferred tax liabilities	2,488	2,277	2,139	2,018	1,892	1,721	1,551	1,511
Liabilities of right of use	812	773	774	776	-	-	-	-
Derivatives	105	305	240	122	34	-	147	141
Other non-interest-bearing liabilities	945	1,242	1,030	813	814	810	828	766
Total non-interest-bearing liabilities	4,353	4,602	4,188	3,734	2,745	2,543	2,539	2,431
TOTAL EQUITY AND LIABILITIES	39,730	38,579	37,756	36,918	35,394	34,823	34,411	34,405

PARENT COMPANY

INCOME STATEMENT IN SUMMARY

SEK million	2019 Jan-Dec	2018 Jan-Dec	2019 Oct-Dec	2018 Oct-Dec
Intra-group revenue	0	0	0	0
Administration costs	-31	-34	-7	-4
Operating profit (loss)	-31	-34	-7	-4
Profit from financial items	241	463	482	421
Profit before tax	210	429	475	417
Tax	-5	-43	66	-33
Net profit	205	386	541	384

BALANCE SHEET IN SUMMARY

SEK million	2019-12-31	2018-12-31
ASSETS		
Participations in group companies	2,572	3,018
Receivables from group companies	15,558	18,802
Other receivables	204	210
Cash and cash equivalents	350	470
TOTAL ASSETS	18,684	22,500
EQUITY AND LIABILITIES		
Equity	7,916	8,234
Non-current liabilities	7,107	5,137
Liabilities to group companies	2,837	7,534
Other liabilities	824	1,595
TOTAL EQUITY AND LIABILITIES	18,684	22,500

OTHER INFORMATION

ORGANISATION AND EMPLOYEES

The average number of employees was 112 (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 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 year.

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. No significant difference is deemed to exist between book and fair values. For derivatives, where Kungsleden holds a number of interest rate swaps, market valuations are conducted each quarter with classification at level 2.

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 12 February 2020

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 12 February 2020 by the following contacts.

Biljana Pehrsson, CEO of Kungsleden, tel: +46 (0)8-503 052 04
Magnus Jacobson, CFO of Kungsleden, tel: +46 (0)8-503 052 62

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 the 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 year-end 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 year-end 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 year-end 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 year-end 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 (3.7 per cent) 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 2020

Interim Report
Jan-Mar 2020
23 April

AGM
23 April

Interim Report
Jan-Jun 2020
8 July

The Annual Report for 2019 will be published on the company's website on 19 March 2020. The Annual General Meeting 2020 will be held on 23 April 2020 at the company's premises.

Presentation of year-end report

Kungsleden presents the year-end report on 12 February 2020 at 08.45.

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

<https://www.kungsleden.se/en/investors/calendar/2020/kungsleden-presents-the-year-end-report-2019/>

Phone number to the conference:

SE: +46 8 505 583 54

UK: +44 333 300 90 34

US: +1 83 382 305 86

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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