

JANUARY - MARCH 2020

# Q1 2020



“Strong start to 2020  
- we are well prepared  
despite uncertainties  
associated with covid-19”

Biljana Pehrsson, CEO

# KUNGSLEDEN

# INTERIM REPORT JANUARY-MARCH 2020

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 March 2020, we owned 209 properties with total value of SEK 38,912 million.

## INTERIM PERIOD JANUARY-MARCH

- Revenue for the first quarter increased by 8 per cent to SEK 638 million (589).
- Profit from property management increased by 16 per cent to SEK 310 million (267). The increase is mainly due to higher rental revenue in like-for-like portfolio terms.
- New leasing was SEK 38 million (46), and net leasing was SEK 3 million (2).
- After investments of SEK 359 million and value changes, total property value was SEK 38,912 million, compared to SEK 38,310 million at the beginning of the year.
- Unrealised value changes on properties amounted to SEK 243 million (496), which corresponds to 0.6 per cent. The value increase is due equally to higher rental revenue and a 2 basis point reduction in the required yield.
- Current net asset value increased to SEK 92.58 per share (83.20).

## SIGNIFICANT EVENTS DURING THE FIRST QUARTER

- The Blästern project in Hagastaden was completed, with Convendum fully occupying its premises at the end of February.
- In February, B26 in Västerås, a new creative co-working arena opened, with accommodation for over 550 people in individual or shared office spaces.
- Kungsliden signed a new 12-year lease with the Swedish Performing Arts Agency on approximately 2,900 sq.m. in the property Stettin 6, Gärdet, Stockholm. The lease contract has an annual rental value of approximately SEK 12 million.
- Kungsliden decided to relocate its head office to The Rotterdam District in Värtahamnen, Stockholm, and create a new, innovative and inspirational showroom.

## SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

- Kungsliden's Board of Directors decided to withdraw its previous dividend proposal to the Annual General Meeting (AGM). Kungsliden has a strong financial position, and ready access to liquid funds and unutilised credit facilities. But against the background of covid-19 and uncertain economic progress in its market and business environment, the Board of Directors will be deferring until it has a better overview of the consequences.
- Ylva Sarby-Westman becomes Kungsliden's new CFO. Ylva will continue as the Group's deputy CEO.

Key ratios	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
Property yield, investment properties, %	4.6	4.7	4.8
Occupancy rate, investment properties, %	92.8	92.8	93.2
Surplus ratio, investment properties, %	68.2	66.8	68.9
Surplus ratio, investment properties excluding non-recurring effects, %	68.1	66.1	69.0
Book value properties, SEK million	38,912	35,418	38,310
Return on equity, %	12.2	12.6	13.6
LTV (loan-to-value) ratio, %	45.6	46.6	45.8
Interest coverage ratio, multiple	4.7	4.3	4.6
Net profit, SEK per share	1.55	2.41	10.28
EPRA NTA (current net asset value), SEK per share <sup>1</sup>	92.58	83.20	90.10
Share of certified properties, %	33	17	28

<sup>1</sup> Replaces previous EPRA NNAV in accordance with new definitions from EPRA as from 2020, see definitions on page 23.

# CEO'S STATEMENT

## STRONG START TO 2020— WE ARE WELL PREPARED DESPITE UNCERTAINTIES ASSOCIATED WITH COVID-19

Year 2020 started strongly. We increased our rental revenue by 8 per cent, and our operating net improved by 11 per cent in the first quarter compared to 2019. This was due to completed projects, new leasing and renegotiations. Our profit from property management increased by 16 per cent to SEK 310 million.

New leasing was SEK 38 million, and net leasing was SEK 3 million. In the first quarter, we successfully renegotiated existing lease contracts worth SEK 52 million in rental value, resulting in an average rent increase of 13 per cent.

### EFFECTS OF COVID-19

In March, the covid-19 virus pandemic affected Sweden and the rest of Europe, with very serious consequences for the population and businesses, particularly in the hotel, restaurant and tourism sectors. First-quarter earnings were not noticeably affected by the virus pandemic, although we have been approached by tenants in hotels, restaurants and tourism that are concerned and under financial pressure. These businesses have lost between 50 and 70 per cent of revenue, losses that will persist as long as restrictions apply in the country.

### WE STAY CLOSE TO OUR CUSTOMERS

We're in good, close dialogues with those tenants worst affected to support them in various ways in this situation. This has resulted in us reaching agreements on monthly instead of quarterly rent payments, corresponding to SEK 32 million of quarterly rent for the second quarter. We've also granted rent discounts of SEK 21 million for the second quarter, against either extended lease contracts, or increased rent on the remaining lease term. Discounts granted are 3 per cent of reported second-quarter rent. We have allowed deferral on SEK 20 million of rent payments in the second quarter, against 12 to 24-monthly repayment schedule. Payment inflows for second-quarter rents have been good—and considering the settlements we've reached—consistent with previous quarters.

### STABLE FINANCIAL POSITION

Kungsleden is financially stable, and as of 31 March, had an equity ratio of 43.9 per cent and loan-to-value (LTV) ratio of 45.6 per cent. We have no bond or bank loan maturities in 2020. We also have SEK 3 billion of cash and available facilities to be able to address all remaining maturities on the capital markets in 2021.

### WELL-DIVERSIFIED CUSTOMER MIX

75 per cent of Kungsleden's property portfolio is Offices, and 15 per cent Logistics, Warehouse and Industrial spaces. 4 per cent of our property value consists of Retail. In Retail, food makes up about a quarter of this share.

We have a well-diversified mix of good-quality customers, which represent a cross-section of Sweden's business community. Our ten largest tenants represent nearly 25 per cent of total rental value. A quarter of our ten largest tenants are in the public sector. The average remaining lease term for our ten largest tenants is 5.5 years.



Considering our whole portfolio, public sector tenants represent 15 per cent of rental value, and the average remaining lease term is 4.2 years.

### WHEN SOCIETY REOPENS

If the closures across society continue beyond June, they will have severe adverse effects on businesses in sectors other than those now worst affected. In turn, this would impact the whole real estate sector negatively. However, many market commentators do think that closures of businesses and countries will start to lift in a few months, in June, depending on country and progress. We share this view. However, believing that everything will be back to normal by the autumn would be overly optimistic.

We think the recovery will be cautious and gradual. We'll be starting at a lower level, with significantly higher unemployment and negative GDP growth, approaching 7 per cent according to some forecasters. We're following market progress closely, focusing on the risks and their management. Meanwhile, we should also bear in mind that the most successful long-term investments are often made when uncertainty is greatest, which we also expect to happen this time.

I'd like to close this CEO's statement by saying a big thank-you to all our customers and tenants, who are struggling on, and all my colleagues for your commitment and work in these difficult times!

Stockholm, 23 April 2020

Biljana Pehrsson, CEO

## GROUP COMPREHENSIVE INCOME

SEK million	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
Revenue			
Rental revenue	632	586	2,418
Other revenue	5	3	5
<b>Total revenue</b>	<b>638</b>	<b>589</b>	<b>2,423</b>
Property costs			
Operations	-125	-132	-441
Maintenance	-20	-19	-82
Property tax	-37	-27	-141
Property administration	-29	-27	-108
<b>Total property costs</b>	<b>-211</b>	<b>-205</b>	<b>-773</b>
<b>OPERATING NET</b>	<b>427</b>	<b>384</b>	<b>1,650</b>
Selling- and administration costs	-25	-28	-109
Financial revenues and financial costs	-85	-81	-325
Costs of right of use	-7	-7	-31
<b>Net financial items</b>	<b>-92</b>	<b>-88</b>	<b>-356</b>
<b>PROFIT FROM PROPERTY MANAGEMENT</b>	<b>310</b>	<b>267</b>	<b>1,185</b>
Changes in value			
Properties	243	489	1,756
Interest derivatives	-121	-91	-75
<b>Total changes in value</b>	<b>122</b>	<b>398</b>	<b>1,682</b>
<b>PROFIT BEFORE TAX</b>	<b>432</b>	<b>665</b>	<b>2,867</b>
Tax	-94	-139	-622
<b>NET PROFIT</b>	<b>338</b>	<b>526</b>	<b>2,245</b>
Other comprehensive income			
Translation gains/losses for the period on translation of foreign operations	0	0	0
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>338</b>	<b>526</b>	<b>2,245</b>
<b>NET PROFIT PER SHARE</b>	<b>1.55</b>	<b>2.41</b>	<b>10.28</b>

## PERFORMANCE ANALYSIS JANUARY-MARCH 2020

### REVENUE

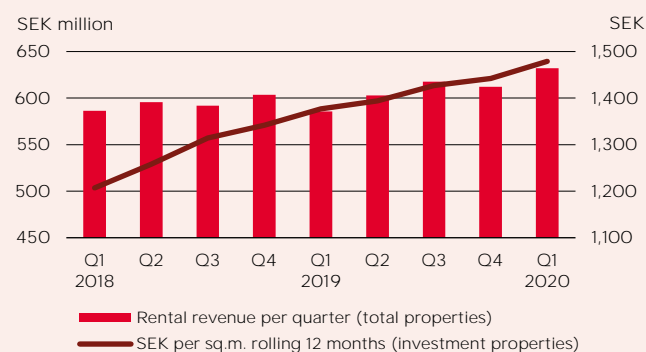
Total revenue increased by SEK 49 million to SEK 638 million (589) in the quarter. In like-for-like portfolio terms of investment properties, total revenue increased by SEK 45 million, and rental revenue by SEK 42 million on the corresponding period of the previous year. Completed projects contributed SEK 16 million of this increase, with the remainder being the result of new leasing, renegotiation and indexation. Adjusted for items affecting comparability, the increase of rental revenue in like-for-like portfolio terms of investment properties was 6.4 per cent. The loss of rental revenue from divested properties was SEK 1 million, which was offset by additional rental revenue from accessed properties of SEK 5 million, and development properties of SEK 1 million.

SEK million	2020 Jan-Mar	2019 Jan-Mar
Stockholm	233	204
Gothenburg	71	67
Malmö	72	67
Västerås	140	134
Regional cities	93	90
Development properties	24	23
<b>Total rental revenue</b>	<b>632</b>	<b>586</b>
Other revenue	5	3
<b>Total revenue</b>	<b>638</b>	<b>589</b>

SEK million	2020 Jan-Mar	2019 Jan-Mar
Like-for-like portfolio terms (investment properties)	604	561
Development properties	24	23
Acquired properties	5	0
Divested properties	0	1
<b>Total rental revenue</b>	<b>632</b>	<b>586</b>

Rental revenue per sq.m. of investment properties continued to increase in the quarter, and on a rolling 12-month basis, was SEK 1,479 per sq.m., compared to SEK 1,377 per sq.m. one year previously. This increase is the outcome partly of successful new leasing and renegotiation work, and partly an increased share of Office properties in metropolitan areas, which have higher rent levels.

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



### PROPERTY COSTS

Total property costs increased by SEK 6 million to SEK 211 million (205). In a like-for-like portfolio of investment properties, costs increased by SEK 7 million, the increase relating to new property tax rulings received in the third quarter 2019. Adjusted for the portion relating to the first quarter of the previous year, total property costs are comparable between years. The net effect is that the loss of property costs from divested properties and additional costs for accessed and development properties cancel each other out.

SEK million	2020 Jan-Mar	2019 Jan-Mar
Like-for-like portfolio terms (investment properties)	198	191
Development properties	12	12
Acquired properties	1	0
Divested properties	0	2
<b>Total property costs</b>	<b>211</b>	<b>205</b>

### OPERATING NET

Operating net increased by SEK 43 million to SEK 427 million (384) in the period. In a like-for-like portfolio of investment properties, operating net increased by SEK 38 million— an improvement of 9.5 per cent after adjusting for items affecting comparability. The loss of operating net from divested properties and additional operating net from accessed and development properties results in a net increase of SEK 5 million.



### SELLING- AND ADMINISTRATION COSTS

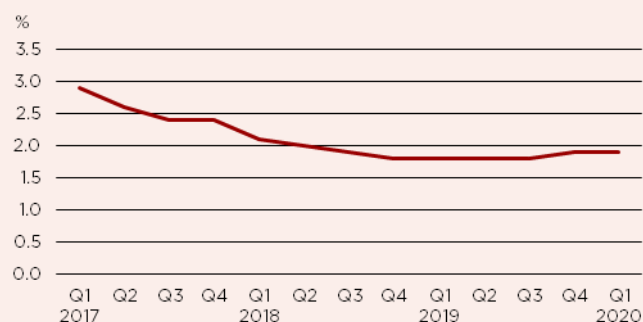
Selling- and administration costs were SEK 25 million (28), the reduction explained mainly by lower personnel costs, and cost for one-off investments in the previous year.

## NET FINANCIAL ITEMS

Net financial items were SEK -92 million (-88). Primarily, the higher cost is due to larger loan volume and underlying market interest rates rising somewhat on the previous year. The average interest rate at the end of the period was 1.9 per cent.

SEK million	2020 Jan-Mar	2019 Jan-Mar
Financial revenues	0	0
Interest expenses	-78	-71
Other financial costs	-6	-10
Costs of right of use	-7	-7
Net financial items	-92	-88

## Average interest rate per quarter



## PROFIT FROM PROPERTY MANAGEMENT

Profit from property management for the quarter was SEK 310 million (267), a 16.1 per cent increase. The profit increase is due to higher rental revenues and operating net in a like-for-like portfolio, and reduced selling- and administration costs.



## CHANGES IN VALUES ON PROPERTIES

The Office rental and transaction markets were both strong in the first quarter, which impacted positively on the value of these properties. But the initial effects of covid-19 on retail and tourism tenants did have some negative impact on quarterly valuations.

The unrealised increase in value on the property portfolio was SEK 243 million (496) for the quarter, or 0.6 per cent. The value increase is explained equally by increased rental revenue and a 2 basis point reduction in the average required yield. At the end of the period, the average required yield was 5.2 per cent.

## CHANGE IN VALUES ON INTEREST RATE DERIVATIVES

The change in value on financial instruments was SEK -121 million (-91), a consequence of interest rates on longer maturities decreasing in the first quarter of the year.

## TAX

The total tax expense for the quarter was SEK 94 million (139), of which SEK 0 million (0) is current tax. The difference compared to 20.6 per cent on profit before tax of SEK 5 million mainly consists of estimated non-deductible interest costs.

## NET PROFIT

Net profit was SEK 338 million, compared to SEK 526 million for the corresponding period of the previous year. The reduction is due partly to changes in value on properties, and partly unrealised changes in value on interest rate derivatives.



The Rotterdam District Värtahamnen

## GROUP BALANCE SHEET

SEK million	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>ASSETS</b>			
Non-current assets			
Intangible assets	12	12	12
Properties	38,912	35,418	38,310
Assets of right of use	815	776	812
Equipment	4	5	4
Other long-term receivables	2	4	2
<b>Total non-current assets</b>	<b>39,745</b>	<b>36,216</b>	<b>39,140</b>
Current assets			
Current receivables	331	302	237
Cash and bank balances	489	400	353
<b>Total current assets</b>	<b>820</b>	<b>702</b>	<b>590</b>
<b>TOTAL ASSETS</b>	<b>40,565</b>	<b>36,918</b>	<b>39,730</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	17,826	16,293	17,488
Non-current liabilities			
Liabilities to credit institutions	9,373	9,307	9,094
Other interest-bearing liabilities	7,896	6,646	8,146
Liabilities of right of use	806	745	804
Derivatives	226	122	105
Deferred tax liability	2,581	2,018	2,488
Provisions	3	5	3
<b>Total non-current liabilities</b>	<b>20,886</b>	<b>18,843</b>	<b>20,640</b>
Current liabilities			
Liabilities to credit institutions	-	-	-
Other interest-bearing liabilities	949	938	650
Liabilities of right of use	9	31	8
Other liabilities	894	813	945
<b>Total current liabilities</b>	<b>1,853</b>	<b>1,782</b>	<b>1,602</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>40,565</b>	<b>36,918</b>	<b>39,730</b>

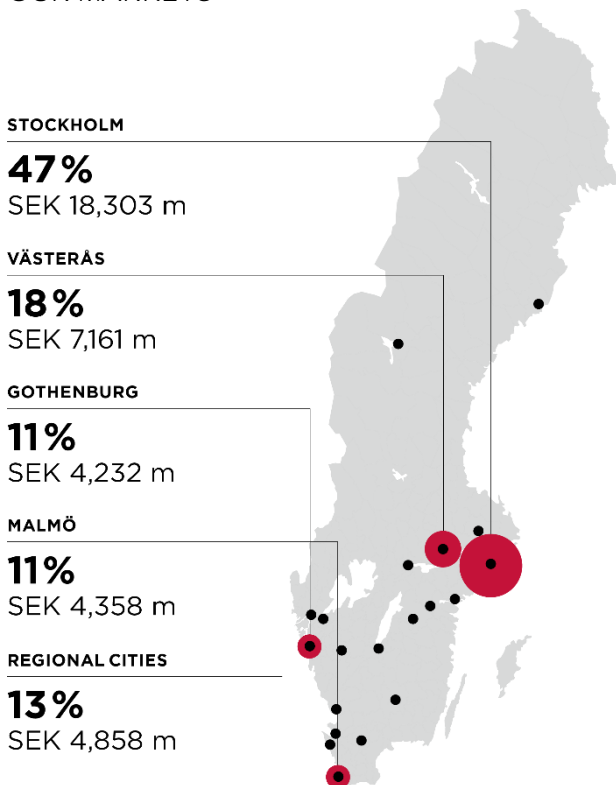
## GROUP CHANGES IN EQUITY

SEK million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Equity at beginning of period	17,488	15,767	15,767
Dividend	-	-	-524
Comprehensive income for the period	338	526	2,245
<b>Equity at end of period</b>	<b>17,826</b>	<b>16,293</b>	<b>17,488</b>

# OUR PROPERTIES

Kungsleden wants to contribute to stimulating working lives and sustainable places. By developing and managing attractive and functional properties, we create the potential for people to have a better day at work. We mainly concentrate on offices in desirable locations in selected Swedish growth locations, with Stockholm being our biggest market. Because many Kungsleden properties are concentrated in clusters, we can help drive development of whole locations.

## OUR MARKETS



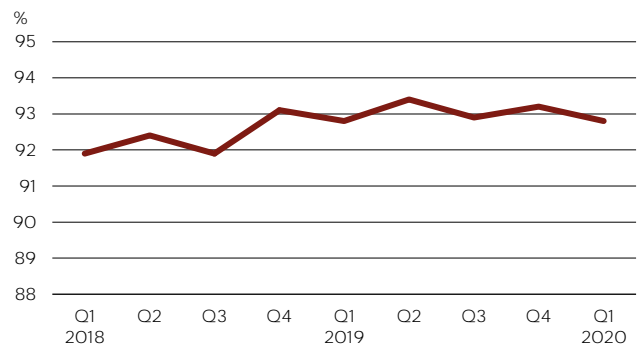
## PROPERTY PORTFOLIO

SEK million	No. of properties	Leasable area, 000 sq.m.	Book value	Occupancy rate, %	Rental value
Investment properties	198	1,840	36,590	92.8	655
Development properties	11	156	2,322	60.2	39
<b>Total property holdings</b>	<b>209</b>	<b>1,996</b>	<b>38,912</b>	<b>90.9</b>	<b>694</b>

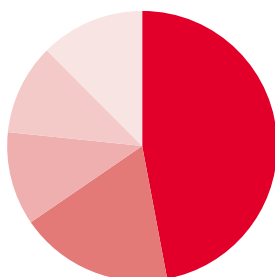
## OCCUPANCY RATE

The occupancy rate in our investment properties was 92.8 per cent, compared to 93.2 per cent at the beginning of the year. The occupancy rate was primarily impacted by Huawei Technologies relocating from its premises in Kista in the quarter.

### Occupancy rate investment properties by quarter

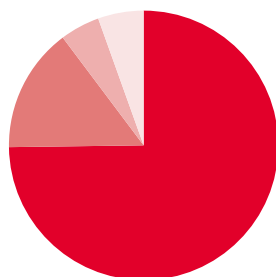


Property value per geography



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

Property value per category



- Office, 75%
- Industrial/Warehouse, 15%
- Retail, 4%
- Other, 6%





## Rental revenue, investment properties

SEK per sq.m.	2019/2020 Apr-Mar	2018/2019 Apr-Mar
Office	1,810	1,695
Industrial/Warehouse	930	871
Retail	1,197	1,212
Average	1,479	1,377

## Property costs, investment properties

SEK per sq.m.	2019/2020 Apr-Mar			
	Office	Industrial/ Warehouse	Retail	Total
Operation	254	184	175	224
Maintenance	49	32	55	43
Property tax	100	24	77	75
Site leasehold fees	0	0	0	0
Direct property costs	404	239	308	342
Property administration	68	35	47	56
Total	472	274	355	398

SEK per sq.m.	2018/2019 Apr-Mar			
	Office	Industrial/ Warehouse	Retail	Total
Operation	247	171	164	215
Maintenance	42	22	55	36
Property tax	78	19	56	57
Site leasehold fees	19	2	5	12
Direct property costs	386	214	280	320
Property administration	56	48	52	53
Total	442	262	332	373

## Kungsliden's clusters

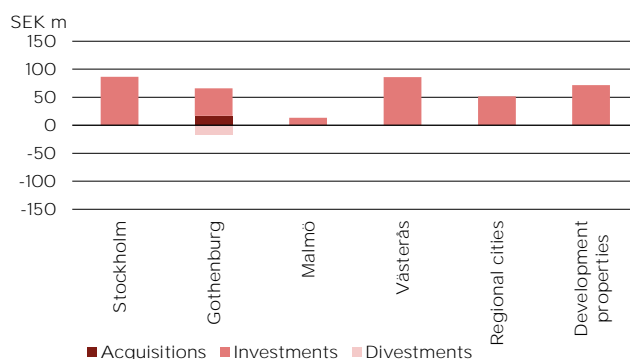
70 per cent of the property portfolio's book value is located in one of our 12 clusters.

		Leasable area, sq.m.	Book value, SEK bn
Stockholm	Kista City	147,000	4.5
	Stockholm City East	85,000	4.0
	Danderyd Office	100,000	3.3
	Stockholm City West	40,000	2.4
	Västberga	38,000	0.5
Gothenburg	Högsbo	109,000	1.4
	Gothenburg South Central	40,000	1.5
Malmö	Hyllie	48,000	1.4
	Fosie	53,000	0.7
Västerås	Västerås City	153,000	4.0
	Finnslätten	237,000	2.1
Rest of Sweden	City of Östersund	79,000	1.4

## Progress of the property portfolio Jan-Mar 2020

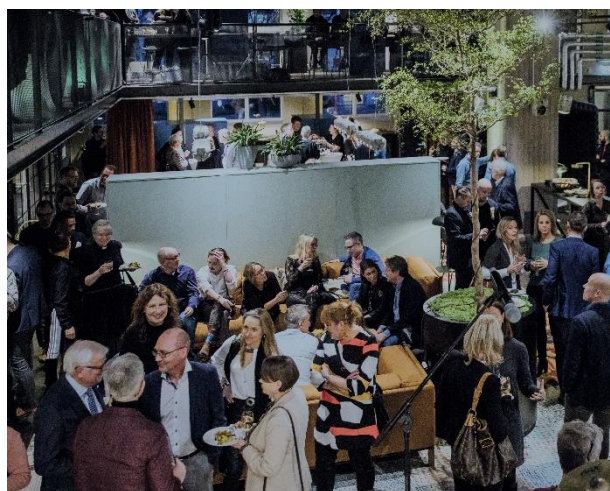
SEK million	Investment properties	Development properties	Total
Properties at beginning of period	34,862	3,448	38,310
Reclassifications	1,196	-1,196	-
Acquisitions, completed	17	0	17
Investments	287	72	359
Divestments, completed	-17	0	-17
Unrealised changes in value	245	-2	243
Properties at end of period	36,590	2,322	38,912

## Net investments by segment Jan-Mar 2020



## ACQUISITIONS, DIVESTMENTS, ACCESSED PROPERTIES AND CLOSED DIVESTMENTS

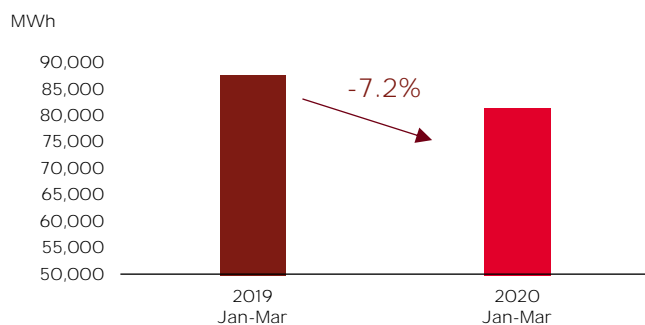
Kungsliden completed a swap deal with the Municipality of Gothenburg at the beginning of January, with Kungsliden selling part of Järnbrott 168:1, and purchasing the freeholds of the properties Högsbo 11:5, Tynnered 1:13 and Rud 52:2, which have site leaseholder ship rights granted.



Grand opening of B26 in Västerås in February 2020

## 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. By the end of December 2019, it had achieved a reduction of 19 per cent. In the first quarter of 2020, energy consumption reduced by just over 7 per cent compared to the same period previous year.

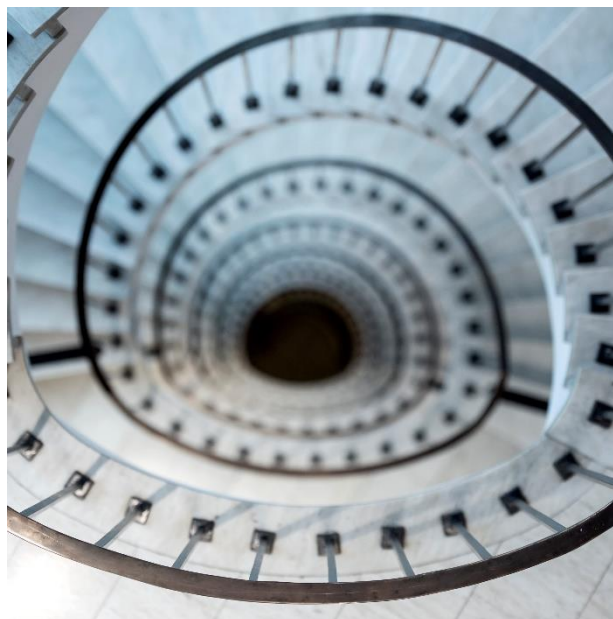


## Certification targets

Focus area	Target	Actual
LEED-certification	50%	33%

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 March 2020.



Stairwell in Blåstern 14 in Stockholm

## EARNINGS CAPACITY INVESTMENT PROPERTIES

By maintaining a growing share of offices in growth markets and working actively on leasing and renegotiation, Kungsliden maintains healthy earnings capacity in its investment properties. The average rent computed on earnings capacity amounts to SEK 1,466 per sq.m. as per 31 March compared to SEK 1,437 per sq.m. in the beginning of the year. 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 57 million, from SEK 1,596 million to SEK 1,653 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 <sup>2</sup>
No. of properties <sup>1</sup>	51	41	41	18	47	198	3	-
Leasable area, 000 sq.m. <sup>1</sup>	508	258	223	476	375	1,840	-	-
Rental value, SEK m <sup>1</sup>	973	300	298	575	401	2,548	-	-
Operating net, SEK m	654	208	201	354	237	1,653	-	-
Rental revenue, SEK per sq.m. <sup>1</sup>	2,026	1,199	1,396	1,288	1,163	1,466	-	-

<sup>1</sup> As per 31 March

<sup>2</sup> 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 <sup>2</sup>
No. of properties <sup>1</sup>	95	65	28	10	198	3	-
Leasable area, 000 sq.m. <sup>1</sup>	1,048	578	131	82	1,840	-	-
Rental value, SEK m <sup>1</sup>	1,761	512	151	125	2,548	-	-
Operating net, SEK m	1,145	320	90	97	1,653	-	-
Rental revenue, SEK per sq.m. <sup>1</sup>	1,802	925	1,229	1,541	1,466	-	-

<sup>1</sup> As per 31 March

<sup>2</sup> Not included in total

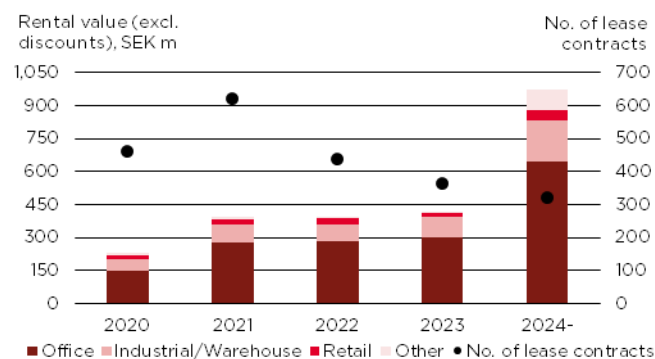
# OUR CUSTOMERS

Tens of thousands of people spend their working days in Kungsliden's 209 properties. Whether multinational groups, public authorities, manufacturers, restaurants or start-ups, we're driven by sharpening customer competitiveness by providing inspiring and sustainable working environments and places. By applying our curiosity and responsiveness, we place our customers' current and future needs at the centre of everything we do.

## LEASE CONTRACTS, MATURITY STRUCTURE

Kungsliden 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 March, the average maturity of remaining lease contracts was 4.2 years (4.0). Kungsliden'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



## LEASING

Kungsliden signed lease contracts with a rental value of SEK 38 million (46) in the quarter. These new lease contracts generally have higher rent per sq.m. than their predecessors. Net leasing for the quarter was SEK 3 million (2).

Of a total of 70 signed new contracts, 42 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



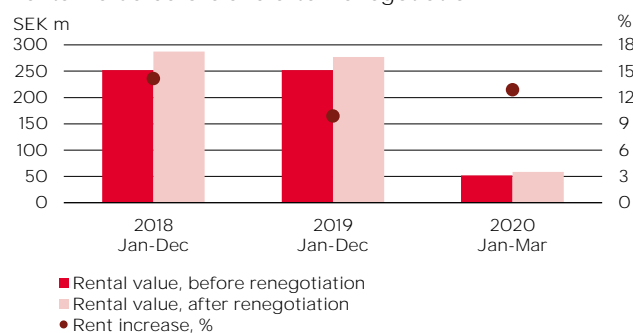
## KUNGSLEDEN'S LARGEST TENANTS

Tenant	Rental value, SEK million	Average duration, years
ABB	263	4.6
The Swedish Social Service Administration	53	4.9
Biz Apartments	42	8.3
Municipality of Västerås	39	5.1
ICA	39	2.2
Blique	31	20.8
ÅF	28	4.4
Municipality of Stockholm	27	4.3
Westinghouse Electric Sweden	25	2.8
The Swedish Custom Service	22	3.5
10 largest tenants	568	5.5
Other	1,876	3.8
<b>Total</b>	<b>2,444</b>	<b>4.2</b>

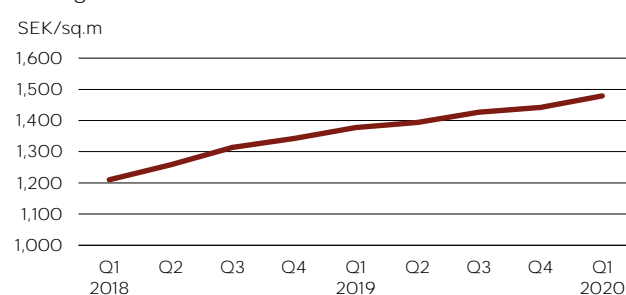
## RENEGOTIATION AND AVERAGE RENT

31 lease contracts with rental value of SEK 52 million were successfully renegotiated in the period. These generated an average increase of rental values of 13 per cent (8). Of the 31 contracts renegotiated, 8 resulted in larger leased area. The average rent in investment properties increased to SEK 1,479 per sq.m. (1,377), an increase of 7 per cent year on year.

### Rental value before and after renegotiation



### Average rent



# PROJECTS AND INVESTMENTS

## PROJECTS AND INVESTMENTS

Investments in the new production, conversion and extension of the existing portfolio 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.

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.

Seven major investment projects were in the construction phase as of 31 March and have aggregate investment volume of SEK 1,422 million. After completion, these converted properties are expected to achieve full-year rental value of SEK 219 million. Several projects are already fully leased, and Kungsleden assesses that the demand for the remaining premises is good.

## CURRENT MAJOR PROJECTS

### Eden by Kungsleden in Hyllie in Malmö

The Eden by Kungsleden project 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, cafe, reception and neighbourhood services, and accesses its premises in April 2021. Kungsleden's estimated investment in Eden is SEK 350 million including land acquisition.

### 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. 39 per cent has been leased to tenants including Scandinavian Gene Synthesis AB (SGS DNA) and ABB. ABB will be relocating offices in the building to new and modernised space integrated with production and warehousing in building 358 in the second quarter. Tenant improvements 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.

## Investment programme

SEK million	2017	2018	2019	2020 Jan-Mar	PLAN	
					2020	2021-2023
Development projects	312	578	598	142	600	1,800
Tenant improvements and other value-creating investments	499	596	799	190	700	2,100
Maintenance investments	114	126	112	27	100	300
<b>Total investments</b>	<b>925</b>	<b>1,300</b>	<b>1,509</b>	<b>359</b>	<b>1,400</b>	<b>4,200</b>

## 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
Eden by Kungsleden <sup>1</sup>	Office	Malmö	2021	7,900	25	54	86	350	38
Finnslätten 1 - part of	Office, Industry	Västerås	2024	21,000	28	39	135 <sup>2</sup>	250 <sup>3</sup>	32
Stettin 6	Office	Stockholm	2021	25,000	57	77	1,165	230	76
Rotterdam 1	Office	Stockholm	2021	21,300	61	69	1,035	225	74
Karlslund 5:2 - part of <sup>1</sup>	Social Services Property	Östersund	2020	3,300	11	100	190 <sup>2</sup>	140	130
Taktpinnen 1	Office	Norrköping	2022	16,000	25	100	246	136	28
Oxelbergen 1:2 - part of	Office	Norrköping	2021	6,000	12	27	55 <sup>2</sup>	91 <sup>3</sup>	30
<b>Total</b>				<b>100,500</b>	<b>219</b>		<b>2,913</b>	<b>1,422</b>	<b>408</b>

<sup>1</sup> New development

<sup>2</sup> Book value of the projects relating to part of the property are equal to completed amount

<sup>3</sup> Investment frame – the project is being completed as premises are leased.

**Stettin 6, Stockholm City East**

Leasing, tenant improvements and modernisation of frontages, entrances, courtyards and outdoor environments is ongoing at Stettin 6, an office property in Värtahamnen. The estimated investment is SEK 230 million. This property will provide modern and flexible premises with attractive courtyards and closeness to nature. To improve services in this area, Kungsliden 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 Swedish Performing Arts Agency, a centre for cultural heritage and cultural life in music, theatre and dance, has signed a 12-year contract on approximately 2,900 sq.m. This lease contract has annual rental value of approximately SEK 12 million, and the tenant is scheduled to move in during June 2021.

**Rotterdam District, Stockholm City East**

Work on new frontages and entrances to create a modern 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. As part of efforts to develop The Rotterdam District concept into modern and flexible office environments, Kungsliden has decided to relocate its head office to this property. It will be creating a new, innovative 1,400 sq.m. showroom to inspire customers, investors, employees and visitors. Kungsliden is scheduled to access these premises in 2021. The premises for Easypark and The Beverage Group are completed and accessed. Leasing of remaining vacancies is ongoing. The estimated investment volume for the complete project is SEK 225 million.

**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 tenant has accessed the premises and is scheduled to become operational at the beginning of May. The rent has been set on the basis of a total project cost of SEK 140 million.

**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 construction. 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 Norrköping city centre, close to green spaces and with good communications. It has a total of 25,000 sq.m. of premises, where Kungsliden is currently modernising and improving a vacant, 6,000 sq.m. building. Kungsliden is utilising its Feel Good Working concept to create an attractive and sustainable place that inspires people and promotes an active lifestyle. This concept involves the property offering intelligent solutions, shared meeting spaces, a lounge, coffee bar and

inspirational outdoor environment. Lease contracts have been signed with the Municipality of Norrköping, Fläktgroup, Lundgrens el and One Economy on areas of about 1,500 sq.m. Total estimated investment volume is SEK 91 million, and the project is being executed as areas are leased.

**COMPLETED PROJECTS****Blästern 14, Stockholm City West**

The project is now completed. Hotel operator Blique by Nobis accessed its premises in 2019, and Convendum accessed its premises fully at the end of February. The estimated final investment total for both phases is SEK 595 million. Analysis and feedback from experiences on this project are ongoing.

**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 co-working and services concept produced jointly with Aros Congress Center, B26 has become a new and exciting centre for enterprises and individuals with a common interest in creativity and business. A further 242 sq.m. of office premises was leased to the tenant Schysst Käk, who moves in on 1 May. The estimated final total investment is SEK 147 million. Analysis and feedback from experiences on this project are ongoing.

**FORTHCOMING PROJECTS**

Conceptual development and leasing of A-Place in 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. A major investment is planned at the property Ribban 5 in central Nyköping. A feasibility study and leasing work on current and additional vacancies is ongoing. The planned construction starts on some 10,000 sq.m. is scheduled for 2022, because planned usage requires a change to the zoning plan. Planning for an additional major investment project is ongoing at existing properties Gladan 5-7. A change to the zoning plan is required for the planned conversion and extension. The zoning plan process is expected to start in 2020.

**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 City of Västerås and Mälardalen University. The goal is to create a new, attractive quarter to bring in more innovative enterprises and talented individuals, as well as research and education. Work on producing a new planning programme for Finnslätten jointly with the City of Västerås is ongoing, with the related decision scheduled for 2020. The new zoning plan work can begin after this. A volume study was conducted in tandem with the planning programme, whose early stages indicate that Kungsliden has good potential to create several more development rights in the office, workshop/warehouse, housing and education segments.

# FINANCING

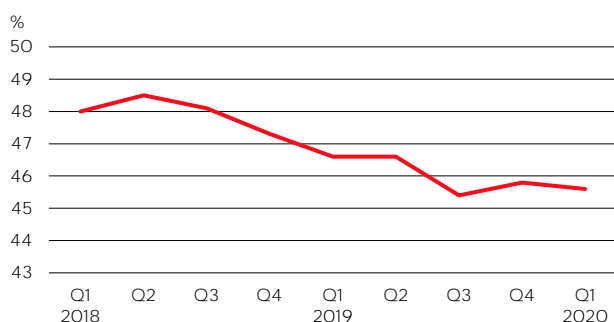
Kungsleden has worked on securing a good financial position for several years, with a low LTV ratio, long debt maturity and fixed interest term, and a low share of short-term loan maturities, as well as strong and stable operating cash flow, which has resulted in a high interest coverage ratio.

## INVESTMENT GRADE RATING

Confirming this strong financial position, Moody's upgraded Kungsleden's credit rating to investment grade (Baa3) with stable outlook in the second half-year 2019. An Investment Grade rating indicates low probability of default, and helps increase credit investor confidence, not least when funding conditions on the market are more difficult than normal. Despite limited activity on the Nordic capital markets in late-March and early-April, we are noting continued interest from credit investors with a long-term investment horizon, to lend to issuers with good credit ratings like Kungsleden's.

## LOAN-TO-VALUE RATIO

Kungsleden's guidance is that its LTV ratio should not exceed 50 per cent. Net debt increased by SEK 194 million in the quarter and property value increased by SEK 602 million. Accordingly, its LTV ratio reduced to 45.6 per cent, compared to 45.8 per cent at the beginning of the year.



## LIQUIDITY POSITION AND VALUE CREATING ACTIVITIES IN THE FIRST QUARTER

Kungsleden has no bond or bank loan maturities in 2020. Meanwhile, we have cash and available credit facilities to deal with all remaining maturities on the capital markets throughout 2021. We extended an existing credit facility by another SEK 600 million in the quarter. Kungsleden has a total of SEK 1,900 million of unutilised credit facilities with Swedish banks after deducting for outstanding corporate paper and closing cash in hand of SEK 489 million. There is also an SEK 250 million overdraft facility for addressing temporary payment fluctuations. These facilities are fully secured with direct real estate collateral.

In the first quarter of the year, Kungsleden was still able to benefit from credit investor interest by issuing another SEK 300 million of green bond loans with a six-year maturity. This issue was conducted at good interest terms. The proceeds are being used for investment pursuant to the green framework.

At the end of the period, Kungsleden had SEK 7,300 million of outstanding bond loans within its SEK 8,000 million MTN programme. Green bond loans make up SEK 4,300 million of this total. Net debt thus amounted to SEK 17,730 million.

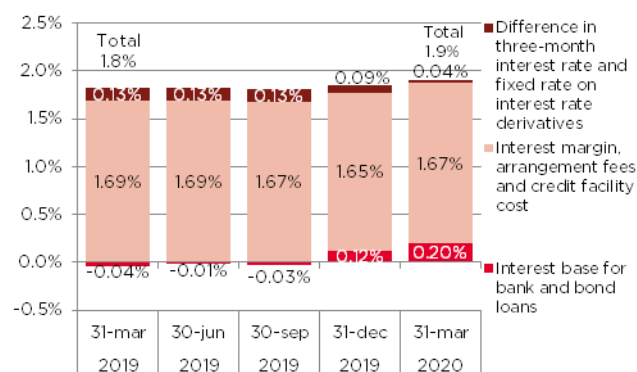
## DEBT MATURITY AND FIXED INTEREST TERM

Net financial items is a significant cost item in the Income Statement, primarily affected by changes in underlying market interest rates and lenders' required yields. Kungsleden endeavours to achieve well-considered debt maturity and fixed interest term to maintain stable and cost-efficient net financial items for the long term. Its average financing cost has reduced in recent years by renegotiating loans on better margin terms, and restructuring its interest rate duration. Despite three-month Stibor rising sharply in the first quarter of the year, the average interest rate remains unchanged at 1.9 per cent.

The average debt maturity is 4.3 years (4.5). The share of short-term borrowing reduced further in the period, with only SEK 400 million of commercial paper maturing in the second quarter, which is fully covered by bank credit facilities.

Kungsleden works actively to adapt the Group's fixed interest term profile in accordance with its adopted business plan, and within the Group's Finance Policy. To benefit from the continuing reduction in interest rates on longer maturities, Kungsleden arranged a new interest fixing in the period, with a five-year maturity and SEK 500 million nominal amount. This new interest fixing contributed to the average fixed interest term decreasing only marginally since the beginning of the year, and amounting to 3.6 years (3.7), without affecting financing costs. Low interest rate levels and an improved operating net resulted in an increased interest coverage ratio of 4.7 for the quarter, compared to 4.6 at the beginning of the year.

## Average interest rate



## GREEN FINANCING

Kungsliden has issued a total of SEK 4,300 million of green bond loans. Green bond loans are issued pursuant to the terms & conditions of the green bond framework. This framework clarifies how the proceeds from green bond loans may be utilised.

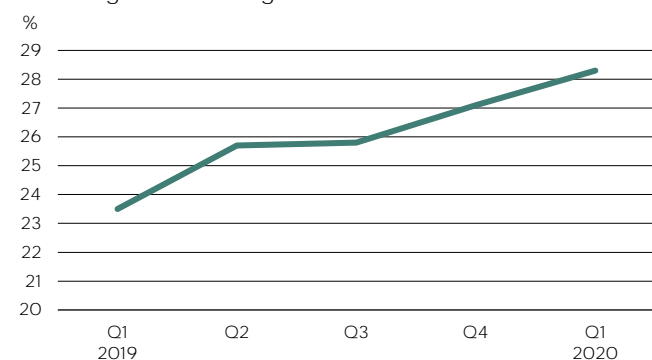
A property financed with proceeds from the green framework must achieve Gold and Very Good respectively within the LEED or BREEAM standards. Additionally, at least 70 per cent of available points must be achieved in the energy category or within the Miljöbyggnad (Swedish environmental building) standard, the building must achieve the Silver or EU Green Building level.

Kungsliden's green framework is stated at [www.kungsliden.se/en/investors/funding/capital-markets-products/](http://www.kungsliden.se/en/investors/funding/capital-markets-products/).

A letter to investors in Kungsliden's green bond loans is also uploaded here, offering reports and statements on how funds from green bond loans have been utilised. A new investor report for 2019 will be published in March, and will be available at [www.kungsliden.se/globalassets/dokument/kapitalmarknadsprodukter-prospekt-m.m/investerarrapport-2019.pdf](http://www.kungsliden.se/globalassets/dokument/kapitalmarknadsprodukter-prospekt-m.m/investerarrapport-2019.pdf)

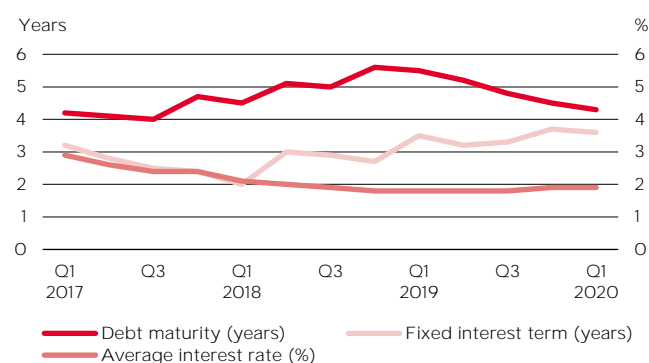
These bond loans are quoted on Nasdaq Stockholm's Green Bond List, a market segment of green bond loans that applies specific standards to bond loans quoted on this marketplace. Kungsliden has also arranged a SEK 0.9 billion green bank loan, secured against direct collateral for the LEED Gold certified property Färöarna 3 in Kista in Stockholm.

## Share of green financing

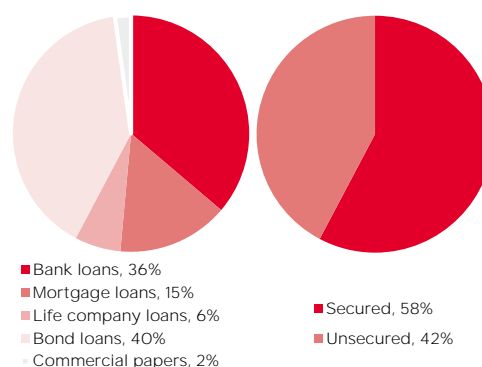


Investor interest in green bond loans remains high, and issuing green bond loans is a natural step in Kungsliden's sustainability work. Apart from the sustainability aspect, green finance often offers better interest terms than traditional borrowing. The ambition is that in time, all green assets will be financed with green borrowing. The share of green borrowing was 28 per cent (27) of the total loan portfolio at the end of the period.

## Debt maturity, fixed interest term and average interest rate



## Loan portfolio, secured and unsecured debt as of 31 March 2020



## Maturity structure of loans and interest rate derivatives

As per 31 March 2020 (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	399	-	250	649	-	-	-
2021	-	2,400	-	2,400	-	-	-
2022	-	2,500	-	2,500	2,000	-	0.3
2023	1,671	1,100	2,300 <sup>1</sup>	5,071	-	-	-
2024	2,451	1,000	-	3,451	1,450	-	0.6
2025	2,472	-	-	2,472	1,500	-	0.6
2026	630	300	-	930	-300 <sup>4</sup>	2,000 <sup>3</sup>	1.2
2027	1,594	-	-	1,594	-	-	-
2028	-	-	-	-	-	3,000 <sup>2</sup>	0.7
2029	1,701	-	-	1,701	-	-	-
Total	10,919	7,300	2,550	20,769	4,650	5,000	-

<sup>1</sup> Whereof SEK 400 million is back-up for issued commercial paper

<sup>2</sup> Starts in January 2021

<sup>3</sup> Starts in June and December 2022

<sup>4</sup> Receiver swap

# KUNGSLEDEN'S SHARE

Kungsleden's share is on Nasdaq Stockholm's Large Cap list. Market capitalisation was SEK 16.4 billion at the end of the first quarter.

The price paid for the Kungsleden share at the beginning of the year was SEK 98.40, and SEK 75.00 at the end of the first quarter. The lowest closing price in the interim period was on 18 March at SEK 59.75. The highest closing price was on 19 February at SEK 112.30.

## 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. Kungsleden's Board of Directors and management owns a total of 2,795,146 shares, corresponding to 1.3 per cent of the capital.

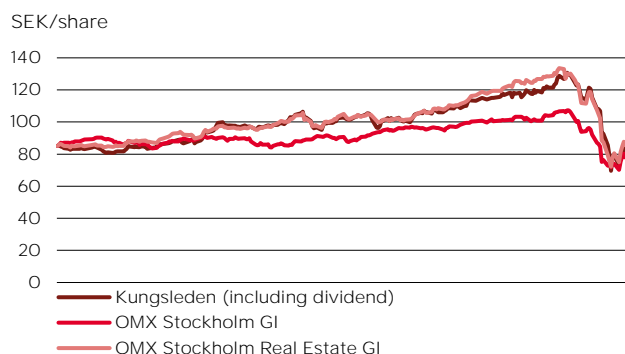
## SHARE DIVIDEND

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. The Board of Directors of Kungsleden has decided to withdraw its earlier proposal to the Annual General Meeting regarding a dividend of SEK 2.60 per share. The company has a strong financial position, with healthy liquidity, and generous unutilized lines of credit. Due to the covid-19 pandemic and the uncertain economic development in the market and our business environment, the Board intends to wait until it is possible to gain a better overview of the consequences.

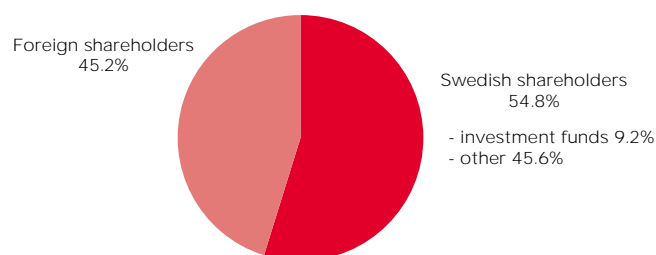
## Key ratios per share

Data per share	2019/2020 Apr-Mar	2019 Jan-Dec
Dividend paid, SEK	2.40	2.40
Total return on share, %	4.6	60.3
Dividend yield on share, %	-	-
Profit from property management, SEK	5.63	5.43
Net profit, SEK	9.42	10.28
EPRA EPS (profit from property management after tax), SEK	5.54	5.37
	31 Mar 2020	31 Dec 2019
EPRA NRV (long-term net asset value), SEK	94.48	91.94
EPRA NTA (current net asset value), SEK	92.58	90.10
EPRA NDV, SEK	81.62	80.07
Equity, SEK	81.62	80.07
Share price, SEK	75.00	98.40

## Total return on share, 1 April 2019 – 31 March 2020



## Ownership structure as per 31 March 2020



## Shareholders as per 31 March 2020

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	6,640,222	3.0
Norges Bank	5,533,289	2.5
BMO Global Asset Management	5,353,284	2.5
Handelsbanken Investment Funds	5,000,000	2.3
Rutger Arnhult	3,537,217	1.6
Nordea Investment Funds	3,132,946	1.4
<b>Total 10 largest owners</b>	<b>86,466,809</b>	<b>39.6</b>
Foreign shareholders, other	59,144,679	27.1
Swedish shareholders, other	72,791,814	33.3
<b>Total</b>	<b>218,403,302</b>	<b>100.0</b>



## GROUP CASH FLOW

SEK million	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
<b>OPERATIONS</b>			
Profit from property management	310	267	1,185
Adjustments for non-cash items	-3	-14	3
Tax paid	0	0	-3
Cash flow before changes in working capital	307	254	1,186
Changes in working capital	-10	33	72
Cash flow after changes in working capital	297	287	1,257
<b>INVESTING ACTIVITIES</b>			
Investments in current properties	-359	-314	-1,509
Acquisition of properties	-17	-608	-1,080
Divestment of properties	16	676	724
Other intangible and tangible assets, net	-1	-2	-5
Financial assets, net	0	0	0
Cash flow from investing activities	-360	-247	-1,870
<b>FINANCING ACTIVITIES</b>			
Dividend	-131	-120	-513
Repayment of loans	-270	-3,899	-6,602
New loans	600	3,909	7,609
Cash flow from financing activities	199	-110	495
<b>CASH FLOW FOR THE PERIOD</b>			
Cash and cash equivalents at beginning of period	353	471	471
Exchange rate difference in cash and cash equivalents	0	0	0
Cash and cash equivalents at end of period	489	400	353

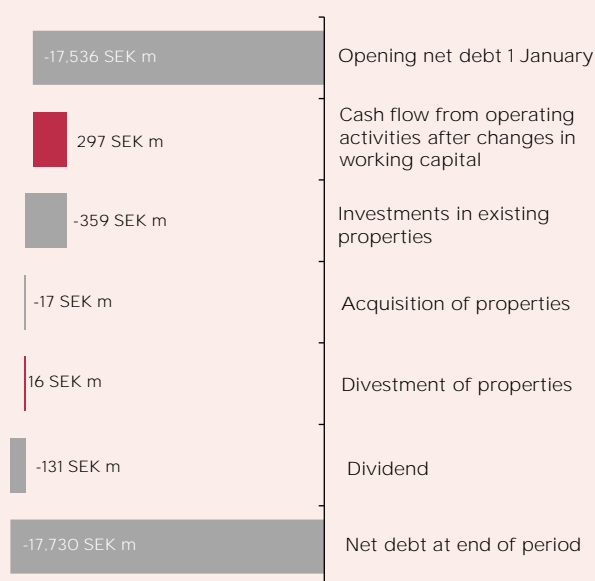
### CASH FLOW AND LOAN-TO-VALUE RATIO

Operating cash flow after changes in working capital was SEK 297 million in the period.

SEK 359 million was invested in existing properties and projects in the period. During the quarter a swap deal with the Municipality of Gothenburg was completed where Kungsheden paid SEK 17 million for the acquisition in the transaction and, after deduction of transaction costs, received SEK 16 million for the divestment in the transaction. Dividend of SEK 131 million was paid to the shareholders, which is the final payment for the financial year 2018. The interest-bearing liabilities increased by SEK 330 million. As cash and bank balances increased by SEK 136 million, net debt increased by SEK 194 million.

Kungsheden's LTV ratio decreased from 45.8 per cent to 45.6 per cent at end of period due to unrealised increases in value in the property portfolio. Total liquid funds available were SEK 2,639 million (1,954), including granted and available credit facilities, after deducting for backups for issued commercial paper.

### Change in net debt January–March 2020



## SEGMENT REPORTING

JAN-MAR 2020\*

SEK million	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Unallocated	Total
Revenue	235	73	72	140	94	24	-	638
Property costs	-68	-21	-23	-52	-35	-12	-	-211
Operating net	167	52	49	88	59	11	-	427
Selling- and administration costs	-	-	-	-	-	-	-25	-25
Net financial items	-	-	-	-	-	-	-92	-92
Profit from property management	167	52	49	88	59	11	-116	310
Changes in value, assets								
Properties	176	17	-12	75	-11	-2	-1	243
Interest rate derivatives	-	-	-	-	-	-	-121	-121
Profit before tax	344	69	37	163	48	10	-238	432
Tax	-	-	-	-	-	-	-94	-94
Net profit	344	69	37	163	48	10	-332	338
Book value properties	16,844	4,122	4,248	6,897	4,478	2,322	-	38,912

JAN-MAR 2019\*

SEK million	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Unallocated	Total
Revenue	210	67	70	134	90	18	-	589
Property costs	-61	-21	-18	-57	-36	-13	-	-205
Operating net	149	46	52	77	55	5	-	384
Selling- and administration costs	-	-	-	-	-	-	-28	-28
Net financial items	-	-	-	-	-	-	-88	-88
Profit from property management	149	46	52	77	55	5	-117	267
Changes in value, assets								
Properties	187	90	23	109	51	36	-7	489
Interest rate derivatives	-	-	-	-	-	-	-91	-91
Profit before tax	336	136	75	186	106	41	-215	665
Tax	-	-	-	-	-	-	-139	-139
Net profit	336	136	75	186	106	41	-354	526
Book value properties	14,416	3,894	4,041	5,912	4,157	2,999	-	35,418

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

## KEY RATIOS

	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
<b>Property related</b>			
Property yield, %	4.4	4.4	4.5
Occupancy rate, %	90.9	91.2	91.5
Surplus ratio, %	67.5	65.5	68.2
<i>Actuals, investment properties</i>			
Property yield, investment properties, %	4.6	4.7	4.8
Occupancy rate, investment properties, %	92.8	92.8	93.2
EPRA Vacancy rate, investment properties, %	7.2	7.2	6.8
Surplus ratio, investment properties, %	68.2	66.8	68.9
Surplus ratio, investment properties excluding non-recurring effects, %	68.1	66.1	69.0
Rental revenue, investment properties, SEK/sq.m. <sup>1</sup>	1,479	1,377	1,442
Property costs, investment properties, SEK/sq.m. <sup>1</sup>	399	373	392
<b>Financial</b>			
Return on total assets, %	4.0	3.9	4.1
Return on equity, %	12.2	12.6	13.6
Interest coverage ratio, multiple	4.7	4.3	4.6
Equity ratio, %	43.9	44.1	44.0
LTV (loan-to-value) ratio, %	45.6	46.6	45.8
<b>Data per share</b>			
Dividend paid, SEK			2.40
Total return on share, %			60.3
Dividend yield on share, %			-
Profit from property management, SEK	1.42	1.22	5.43
Net profit, SEK	1.55	2.41	10.28
Cash flow before changes in working capital, SEK	1.41	1.16	5.43
EPRA EPS (profit from property management after tax), SEK	1.34	1.17	5.37
EPRA NRV (long-term net asset value), SEK <sup>2</sup>	94.48	84.40	91.94
EPRA NTA (current net asset value), SEK <sup>2</sup>	92.58	83.20	90.10
EPRA NDV, SEK	81.62	74.60	80.07
Equity, SEK	81.62	74.60	80.07
Outstanding no. of shares at end of period	218,403,302	218,403,302	218,403,302
Average number of shares	218,403,302	218,403,302	218,403,302

<sup>1</sup> Rental revenue SEK/sq.m. and property costs SEK/sq.m. are based on 12 months rolling

<sup>2</sup> Comparative figures recalculated according to new definitions from EPRA as from 2020, see page 23 for further information.

### KEY RATIOS BY SEGMENT

	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Total
No. of properties	51	41	41	18	47	11	209
Leasable area, 000 sq.m.	508	258	223	476	375	157	1,996
Rental value, SEK m	254	76	76	147	102	39	694
Rental revenue, SEK m	233	71	72	140	93	24	632
Operating net, SEK m	167	52	49	88	59	11	427
Book value, SEK m	16,844	4,122	4,248	6,897	4,478	2,322	38,912
Occupancy rate, %	91.7	93.8	94.2	94.4	91.3	60.2	90.9
Surplus ratio, %	71.6	73.8	67.8	62.8	64.0	48.4	67.5
Property yield, %	4.0	5.1	4.6	5.1	5.3	2.0	4.4
New leasing, SEK m	11	6	3	6	9	3	38
Net leasing, SEK m	-4	4	-3	4	3	-1	3
Investments, SEK m	87	49	13	86	52	72	359
Unrealised changes in value - properties, SEK m	176	17	-12	75	-11	-2	243

## QUARTERLY SUMMARY

### INCOME STATEMENT IN SUMMARY

SEK million	2020		2019		2018			
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Revenue	638	613	618	604	589	607	594	597
Operating net	427	419	424	423	384	412	424	396
Selling- and administration costs	-25	-35	-20	-25	-28	-21	-19	-27
Net financial items	-92	-87	-94	-86	-88	-87	-89	-93
Profit from property management	310	296	310	312	267	303	316	276
Profit (loss) from divestment	-1	0	-2	3	-7	-19	-1	0
Unrealised changes in value, properties	243	496	418	352	496	331	302	404
Unrealised changes in value, financial instruments	-121	200	-65	-118	-91	-55	48	-67
Profit before tax	432	992	661	549	665	560	666	612
Tax	-94	-222	-140	-121	-139	-167	-169	-84
Net profit	338	770	521	428	526	393	497	528

### BALANCE SHEET IN SUMMARY

SEK million	2020		2019		2018			
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
<b>ASSETS</b>								
Non-current assets								
Intangible assets	12	12	13	13	12	11	9	9
Properties	38,912	38,310	36,833	36,131	35,418	34,697	34,012	33,692
Assets of right of use	815	812	773	774	776	-	-	-
Equipment	4	4	4	5	5	5	6	6
Other long-term receivables	2	2	4	4	4	4	12	12
Total non-current assets	39,745	39,140	37,628	36,927	36,216	34,718	34,040	33,719
Current assets								
Current receivables	331	237	404	287	302	201	205	49
Derivatives	-	-	-	-	-	4	24	-
Cash and bank balances	489	353	548	542	400	471	554	643
Total current assets	820	590	952	829	702	677	784	692
<b>TOTAL ASSETS</b>	<b>40,565</b>	<b>39,730</b>	<b>38,579</b>	<b>37,756</b>	<b>36,918</b>	<b>35,394</b>	<b>34,823</b>	<b>34,411</b>
<b>EQUITY AND LIABILITIES</b>								
Equity	17,826	17,488	16,718	16,197	16,293	15,767	15,375	14,877
Interest-bearing liabilities								
Liabilities to credit institutions	9,373	9,094	9,114	9,287	9,307	9,204	9,226	9,249
Bond loans (unsecured)	7,300	7,000	6,600	6,488	5,988	6,082	6,082	5,800
Other borrowing	1,545	1,796	1,546	1,596	1,596	1,596	1,596	1,946
Total interest-bearing liabilities	18,219	17,890	17,260	17,371	16,891	16,882	16,904	16,995
Non-interest-bearing liabilities								
Provisions	3	3	5	5	5	5	12	12
Deferred tax liabilities	2,581	2,488	2,277	2,139	2,018	1,892	1,721	1,551
Liabilities of right of use	815	812	773	774	776	-	-	-
Derivatives	226	105	305	240	122	34	-	147
Other non-interest-bearing liabilities	894	945	1,242	1,030	813	814	810	828
Total non-interest-bearing liabilities	4,520	4,353	4,602	4,188	3,734	2,745	2,543	2,539
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>40,565</b>	<b>39,730</b>	<b>38,579</b>	<b>37,756</b>	<b>36,918</b>	<b>35,394</b>	<b>34,823</b>	<b>34,411</b>

## PARENT COMPANY

### INCOME STATEMENT IN SUMMARY

SEK million	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
Intra-group revenue	0	0	0
Administration costs	-8	-10	-31
Operating profit (loss)	-8	-10	-31
Profit from financial items	-4	-100	241
Profit before tax	-12	-110	210
Tax	2	23	-5
Net profit	-10	-87	205

### BALANCE SHEET IN SUMMARY

SEK million	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>ASSETS</b>			
Participations in group companies	2,584	3,018	2,572
Receivables from group companies	15,670	19,015	15,558
Other receivables	207	233	204
Cash and cash equivalents	485	399	350
<b>TOTAL ASSETS</b>	<b>18,946</b>	<b>22,665</b>	<b>18,684</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	7,906	8,147	7,916
Non-current liabilities	6,978	5,624	7,107
Liabilities to group companies	3,086	7,928	2,837
Other liabilities	976	966	824
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18,946</b>	<b>22,665</b>	<b>18,684</b>

## OTHER INFORMATION

### ORGANISATION AND EMPLOYEES

The average number of employees was 122 (110) 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**. More information on Kungsleden's risks and risk management is on pages 72-76 of the Annual Report for 2019. In addition to these, risk associated to covid-19 has occurred. For information regarding our view of covid-19 and its possible impact on Kungsleden, see page 2-3.

### 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 Vacancy rate, EPRA EPS, EPRA NDV, EPRA NRV and EPRA NTA in accordance with European Public Real Estate Association (EPRA) definitions. EPRA's guidelines have been updated compared to the previous year and the changes will come into effect for accounting periods starting January 1, 2020. EPRA NRV (Net Reinstatement Value), EPRA NTA (Net Tangible Assets) and EPRA NDV (Net Disposal Value) replace EPRA NAV and EPRA NNNAV. For further information see definitions on page 23.

## 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 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 portfolio 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.

Stockholm 23 April 2020

Biljana Pehrsson  
*Chief Executive Officer*

This information is mandatory for Kungsleden AB to publish pursuant to the EU Market Abuse Regulation. This information was submitted for publication at 7:00 a.m. CET on 23 April 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.*

### 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

The same accounting policies and measurement methods have been applied for the Group and parent company as in the most recent annual accounts.

## 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.

EPRA vacancy rate  
The rental value of unlet premises divided by the rental value of the entire property portfolio.

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

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 for the last four quarters in relation to average equity for the last five closing balances.

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 nominal tax on taxable profit in relation to the average number of shares in the period.

EPRA NRV (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. Corresponds to previous EPRA NAV.

EPRA NTA (current net asset value) per share  
Reported equity after adding back reported asset/liability of interest rate derivatives and 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. Replaces previous EPRA NNAV.

EPRA NDV per share  
Reported equity adjusted for any difference to the fair value of interest-bearing liabilities, after taking into account nominal tax, in relation to the number of shares at period end.

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

AGM  
23 April

Interim Report  
Jan-Jun 2020  
8 July

Interim Report  
Jan-Sep 2020  
21 October

Presentation of interim report  
Kungsleden presents the interim report on 23  
April 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-its-first-quarter-2020/>

Phone number to the conference:  
SE: +46851999383  
UK: +443333009031  
US: +18335268397

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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