

JANUARY - JUNE 2020

# Q2 2020



“A strong first half-year and continued brighter times ahead”  
Biljana Pehrsson, CEO

# KUNGSLEDEN



# INTERIM REPORT JANUARY-JUNE 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 30 June 2020, we owned 210 properties with total value of SEK 39,387 million.

## INTERIM PERIOD JANUARY-JUNE

- Revenue increased by 6 per cent to SEK 1,265 million (1,192).
- Profit from property management increased by 6 per cent to SEK 611 million (579). The increase is mainly due to higher rental revenue in like-for-like portfolio terms and completed projects. Profit from property management for the second quarter was SEK 301 million (312). The decrease is explained by higher interest costs of SEK 12 million, mainly due to higher market interest rates compared to the previous year.
- New leasing was SEK 73 million (93), and net leasing was SEK 8 million (10).
- After investments of SEK 774 million and value changes, total property value was SEK 39,387 million, compared to SEK 38,310 million at the beginning of the year.
- Unrealised value changes on properties amounted to SEK 304 million (848), which corresponds to 0.8 per cent. The value increase is mainly due to higher rental revenue, but also to some extent a reduction in the required yield of 3 basis points.
- Current net asset value increased to SEK 94.18 per share (83.89).

## SIGNIFICANT EVENTS DURING AND AFTER THE SECOND QUARTER

- The City Custody of Östersund, which Kungsliden has developed, opened at the end of April.
- Major new leases in the second quarter include a lease contract of 3,000 sq.m. with Padel Performance AB in Umeå, a lease contract of 6,400 sq.m. of premises with Englagård AB in Malmö, and a lease contract of 2,000 sq.m. with The Brick Gym AB in Gothenburg.
- Moody's confirmed Kungsliden's Investment Grade rating Baa3 with stable outlook.
- In June Kungsliden signed an agreement regarding land allocation with 14,000 sqm of building rights for office and hotel in Västberga, Stockholm. Kungsliden already owns the neighbouring property, which with this transaction, will enable development of a total of 22,500 sq.m. of offices and hotel.
- Agreement was signed to sell the vacant property Fräsen 1 in Täby, Stockholm, at a price exceeding book value by about SEK 2 million.
- In June, a bond of SEK 300 million was issued with a five-year maturity. In July, bonds of 250 million maturing in January 2021 were repurchased by extending a green bond maturing in June 2023. Both issues were carried out at a significantly lower pricing compared to what has prevailed in the market since the end of the first quarter and contributes to improving Kungsliden's already good liquidity position.

Key ratios	2020 Jan-Jun	2019 Jan-Jun	2020 Apr-Jun	2019 Apr-Jun	2019 Jan-Dec
Property yield, investment properties, %	4.6	4.8	4.5	4.9	4.8
Occupancy rate, investment properties, %	92.5	93.4	92.5	93.4	93.2
Surplus ratio, investment properties, %	69.1	68.7	70.0	70.5	68.9
Surplus ratio, investment properties excluding non-recurring effects, %	68.9	67.9	70.1	69.7	69.0
Book value properties, SEK million	39,387	36,131	39,387	36,131	38,310
Return on equity, %	10.8	11.7	5.2	10.5	13.6
LTV (loan-to-value) ratio, %	45.3	46.6	45.3	46.6	45.8
Interest coverage ratio, multiple	4.5	4.6	4.3	4.9	4.6
Net profit, SEK per share	2.62	4.37	1.07	1.96	10.28
EPRA NTA (current net asset value), SEK per share <sup>1</sup>	94.18	83.89	94.18	83.89	90.10
Share of certified properties, %	38	20	38	20	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

## A STRONG FIRST HALF-YEAR AND CONTINUED BRIGHTER TIMES AHEAD

Kungsleden is delivering strong earnings in the first half-year, in uncertain times. We increased our revenue by 6 per cent, and our operating net improved by 6 per cent compared to the first half-year 2019, which was a very strong half-year. Our profit from property management was up by 6 per cent to SEK 611 million, thanks to completed projects and successful work on new leasing and renegotiations. The effects of the virus pandemic are limited.

Since mid-May, the rental market has re-gathered momentum after a somewhat awaiting start to the quarter. We now see good activity in all our four main markets - Stockholm, Gothenburg, Malmö and Västerås. New leasing for the first half-year was SEK 73 million, and net leasing was SEK 8 million. We successfully renegotiated existing lease contracts worth SEK 94 million in the first half-year, generating rent increases of SEK 9.4 million or an average of 10 per cent. On a rolling 12-month basis, the average rent for the whole investment property portfolio as of 30 June increased by 7 per cent on the corresponding period of the previous year. Thanks to improved rental revenue in our property portfolio, the increase in value was over SEK 300 million.

### CLOSE CUSTOMER DIALOGUE

We have a good and close dialogue with all our customers and in various ways we support those who have been hit hardest by the pandemic. Since May, and even more clearly in June, we have seen a positive development as countries and operations open up and get going again. The number of customer enquiries regarding rent relief has reduced.

### LIMITED EFFECTS OF COVID-19

For third-quarter rents, we've reached agreements on monthly instead of quarterly rent payments corresponding to SEK 30 million. We've granted rent discounts of SEK 16 million against extended lease contracts and/or higher rents for the remaining lease term in return. We've allowed deferrals on SEK 4 million of rent payments for the third quarter, against 12 to 24-month repayment plans. Rent discounts granted correspond to just under 3 per cent of third-quarter rent, which is less than rent discounts for the second quarter. The payment inflows of third-quarter rent were consistent with previous quarters.

### STABLE FINANCIAL POSITION

Kungsleden is financially stable with an equity ratio of 44.1 per cent as of 30 June and a loan-to-value (LTV) ratio of 45.3 per cent. We have no bond or bank loan maturities in 2020, while also possessing cash and available credit facilities of SEK 2.8 billion to enable us to deal with all remaining maturities on the capital markets in 2021. At the end of June, Moody's confirmed our Investment Grade rating with unchanged stable outlook. Kungsleden's property portfolio, now worth SEK 39 billion, consists 75 per cent of Offices and 15 per cent of Logistics, Warehouse and Industrial premises. Some 4 per cent of property value consists of Retail, the majority of this being food, discount retail, as well as building supplies and furniture retailing. We have a well-diversified customer mix, and our customers represent a cross-section of Sweden's



business community. The average remaining lease term for our 10 largest tenants is 5.6 years. For the whole portfolio, public sector tenants represent some 15 per cent of rental value and the average remaining lease term is just over four years.

### GRADUAL MARKET RECOVERY

We think that the recovery we're witnessing on the market will be cautious and gradual. We are starting at a lower level, with most commentators forecasting negative GDP growth of 4 to 6 per cent in 2020. We're following market progress closely, focusing on the risks and their management.

At present, we're seeing good demand in the rental market for office, warehouse and industrial properties and we have a strong pipeline of potential new leases for the second half-year.

All our current projects are progressing well, within their stated schedules and investment budgets. We are continuing to make profitable investments in our projects and investment properties as they are leased at good rent levels. Once these investments are completed, they will contribute to Kungsleden's growing rent, operating net and property value going forward.

It has been a challenging time for many since the virus outbreak and we now hope that we can gradually return to normal. I'd like to express my thanks to our customers and tenants, colleagues and shareholders for their commitment, loyalty and trust.

Stockholm 8 July 2020

Biljana Pehrsson, CEO

## GROUP COMPREHENSIVE INCOME

SEK million	2020 Jan-Jun	2019 Jan-Jun	2020 Apr-Jun	2019 Apr-Jun	2019 Jan-Dec
Revenue					
Rental revenue	1,249	1,189	617	603	2,418
Other revenue	16	4	11	1	5
<b>Total revenue</b>	<b>1,265</b>	<b>1,192</b>	<b>627</b>	<b>604</b>	<b>2,423</b>
Property costs					
Operations	-241	-237	-115	-105	-441
Maintenance	-38	-37	-18	-17	-82
Property tax	-73	-57	-36	-30	-141
Property administration	-60	-54	-31	-27	-108
<b>Total property costs</b>	<b>-411</b>	<b>-385</b>	<b>-200</b>	<b>-180</b>	<b>-773</b>
<b>OPERATING NET</b>	<b>854</b>	<b>807</b>	<b>427</b>	<b>423</b>	<b>1,650</b>
Selling- and administration costs	-53	-53	-28	-25	-109
Financial revenues and financial costs	-175	-160	-90	-79	-325
Costs of right of use	-14	-14	-7	-7	-31
<b>Net financial items</b>	<b>-189</b>	<b>-174</b>	<b>-98</b>	<b>-86</b>	<b>-356</b>
<b>PROFIT FROM PROPERTY MANAGEMENT</b>	<b>611</b>	<b>579</b>	<b>301</b>	<b>312</b>	<b>1,185</b>
Changes in value					
Properties	303	844	61	355	1,756
Interest derivatives	-178	-210	-57	-118	-75
<b>Total changes in value</b>	<b>126</b>	<b>635</b>	<b>4</b>	<b>237</b>	<b>1,682</b>
<b>PROFIT BEFORE TAX</b>	<b>737</b>	<b>1,214</b>	<b>305</b>	<b>549</b>	<b>2,867</b>
Tax	-165	-260	-71	-121	-622
<b>NET PROFIT</b>	<b>573</b>	<b>954</b>	<b>234</b>	<b>428</b>	<b>2,245</b>
Other comprehensive income					
Translation gains/losses for the period on translation of foreign operations	0	0	0	0	0
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>573</b>	<b>954</b>	<b>234</b>	<b>428</b>	<b>2,245</b>
<b>NET PROFIT PER SHARE</b>	<b>2.62</b>	<b>4.37</b>	<b>1.07</b>	<b>1.96</b>	<b>10.28</b>

## COMMENTS ON THE RESULT FOR THE SECOND QUARTER

Revenue increased by 4 per cent and operating net by SEK 4 million to SEK 427 million (423) for the second quarter. In like-for-like portfolio terms of investment properties, operating net increased by SEK 4 million.

Profit from property management for the quarter was SEK 301 million (312). The decrease is explained by higher interest costs of SEK 12 million, due to higher market interest rates than in the previous year.

Net profit for the quarter was SEK 234 million, against SEK 428 million for the corresponding period of the previous year. The decrease is mainly due to changes in value on properties.

## PERFORMANCE ANALYSIS JANUARY-JUNE 2020

### REVENUE

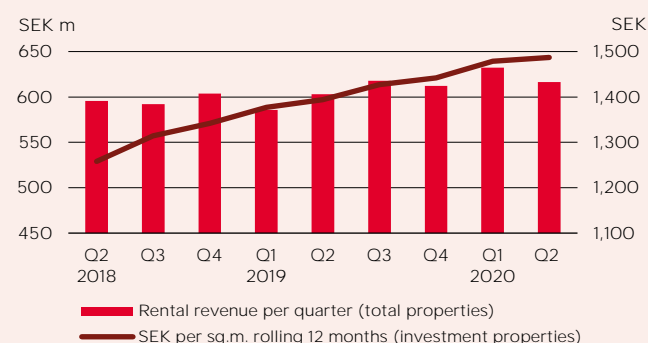
Total revenue for the interim period increased by SEK 73 million to SEK 1,265 million (1,192). In like-for-like portfolio terms of investment properties, total revenue increased by SEK 67 million and rental revenue increased by SEK 55 million compared to the corresponding period of the previous year. The completed project Blästern 14 contributed SEK 20 million of the increase, with the remainder being the result of successful new leasing, renegotiations and indexation. Adjusted for items affecting comparability, the increase of total revenue in like-for-like portfolio terms of investment properties was 5.1 per cent. Adjusted for items affecting comparability, the increase in rental revenue was also 5.1 per cent. The loss of rental revenue from divested properties and development properties was SEK 4 million, which was offset by additional rental revenue from accessed properties of SEK 10 million. Discounts attributable to Covid-19 has affected rental revenues for the period with SEK 8 million.

SEK million	2020 Jan-Jun	2019 Jan-Jun
Stockholm	462	420
Gothenburg	141	137
Malmö	143	139
Västerås	275	266
Regional cities	183	178
Development properties	46	49
Total rental revenue	1,249	1,189
Other revenue	16	4
Total revenue	1,265	1,192

SEK million	2020 Jan-Jun	2019 Jan-Jun
Like-for-like portfolio terms (investment properties)	1,193	1,139
Development properties	46	49
Acquired properties	10	0
Divested properties	0	1
Total rental revenue	1,249	1,189

Rental revenue per sq.m. of investment properties continued to increase during the quarter, and on a rolling 12-month basis, was SEK 1,487 per sq.m., compared to SEK 1,394 per sq.m. one year previously. This increase is the outcome of successful leasing and renegotiation work, and an increased share of office properties in metropolitan areas, which have higher rent levels.

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



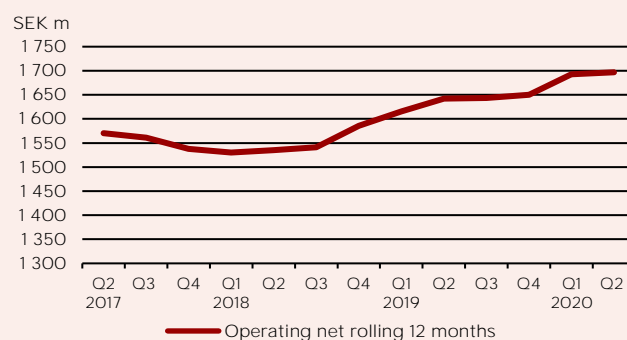
### PROPERTY COSTS

Total property costs increased by SEK 26 million to SEK 411 million (385). In like-for-like portfolio terms of investment properties, costs increased by SEK 25 million, the increase mainly relating to new property tax rulings received in the third quarter of the previous year. The remaining increase is a net effect of reduced electricity and heating costs due to a mild winter, increased costs for a larger property management organisation, as well as write-downs for potential rent losses relating to Covid-19. The net effect from the loss of property costs from divested properties and additional costs for accessed and development properties was SEK 1 million.

SEK million	2020 Jan-Jun	2019 Jan-Jun
Like-for-like portfolio terms (investment properties)	386	361
Development properties	23	22
Acquired properties	2	0
Divested properties	0	2
Total property costs	411	385

### OPERATING NET

Operating net increased by SEK 47 million to SEK 854 million (807) in the period. In like-for-like portfolio terms of investment properties, operating net increased by SEK 42 million. After adjusting for items affecting comparability, the operating net increase in a like-for-like portfolio was 6.3 per cent. 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

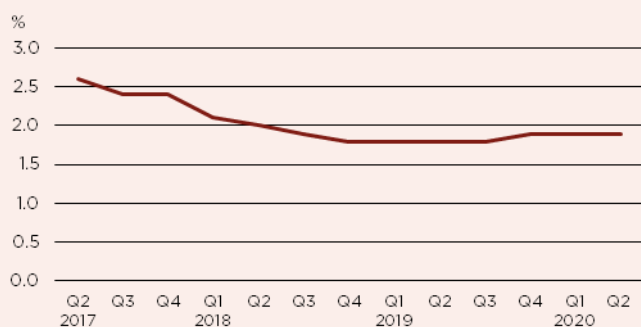
Selling- and administration costs were SEK 53 million (53), which is comparable between the years.

## NET FINANCIAL ITEMS

Net financial items were SEK -189 million (-174). Primarily, the higher cost is due to underlying market interest rates rising somewhat on the previous year but also a larger loan volume compared to previous year. The average interest rate at the end of the period was 1.9 per cent.

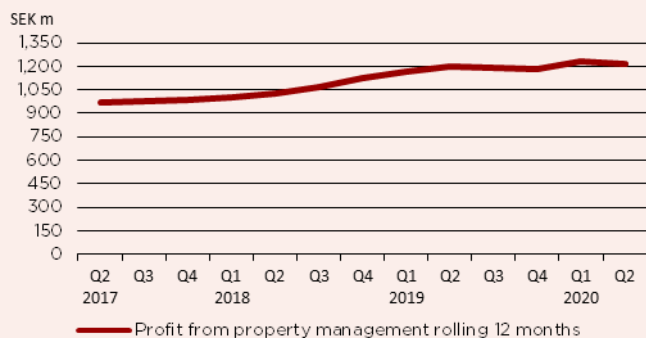
SEK million	2020 Jan-Jun	2019 Jan-Jun
Financial revenues	0	0
Interest expenses	-162	-143
Other financial costs	-13	-17
Costs of right of use	-14	-14
Net financial items	-189	-174

## Average interest rate per quarter



## PROFIT FROM PROPERTY MANAGEMENT

Profit from property management was SEK 611 million (579), a 5.5 per cent increase.



## CHANGES IN VALUES ON PROPERTIES

Despite Covid-19, the office market remained strong in our priority markets in the first half-year, which impacted positively on the value of these properties. The effects of Covid-19 on retail and tourism tenants did have some limited negative impact on valuations. The unrealised increase in value on the property portfolio was SEK 304 million (848) for the interim period, or 0.8 per cent. The value increase is mainly explained by increased rental revenue, although also to some extent by a 3 basis point reduction in the average required yield. At the end of the period, the average required yield was 5.2 per cent.

## CHANGES IN VALUES ON INTEREST RATE DERIVATIVES

The change in value on financial instruments was SEK -178 million (-210), a consequence of interest rates on longer maturities decreasing in the period.

## TAX

The total tax expense for the period was SEK 165 million (260), of which SEK 0 million (0) is current tax. When applying 20.6 per cent tax, the total tax expense amounts to SEK 152 million. Of the difference of SEK 13 million at 20.6 per cent on profit before tax, just over half relates to tax on non-deductible interest costs. The remainder relates to adjustments of deferred tax assets attributable to changes in value on properties.

## NET PROFIT

Net profit was SEK 573 million, compared to SEK 954 million for the corresponding period of the previous year. The decrease is mainly due to changes in value on properties.



*The green courtyard in the property Blästern 14 in Stockholm*

## GROUP BALANCE SHEET

SEK million	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>ASSETS</b>			
Non-current assets			
Intangible assets	12	13	12
Properties	39,387	36,131	38,310
Assets of right of use	814	774	812
Equipment	3	5	4
Other long-term receivables	2	4	2
<b>Total non-current assets</b>	<b>40,219</b>	<b>36,927</b>	<b>39,140</b>
Current assets			
Current receivables	311	287	237
Cash and bank balances	455	542	353
<b>Total current assets</b>	<b>766</b>	<b>829</b>	<b>590</b>
<b>TOTAL ASSETS</b>	<b>40,985</b>	<b>37,756</b>	<b>39,730</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	18,061	16,197	17,488
Non-current liabilities			
Liabilities to credit institutions	9,053	9,287	9,094
Other interest-bearing liabilities	8,196	7,146	8,146
Liabilities of right of use	805	767	804
Derivatives	283	240	105
Deferred tax liability	2,652	2,139	2,488
Provisions	3	5	3
<b>Total non-current liabilities</b>	<b>20,993</b>	<b>19,584</b>	<b>20,640</b>
Current liabilities			
Liabilities to credit institutions	-	-	-
Other interest-bearing liabilities	1,048	938	650
Liabilities of right of use	9	7	8
Other liabilities	874	1,030	945
<b>Total current liabilities</b>	<b>1,931</b>	<b>1,975</b>	<b>1,602</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>40,985</b>	<b>37,756</b>	<b>39,730</b>

## GROUP CHANGES IN EQUITY

SEK million	30 Jun 2020	30 Jun 2019	31 Dec 2019
Equity at beginning of period	17,488	15,767	15,767
Dividend	-	-524	-524
Comprehensive income for the period	573	954	2,245
Equity at end of period	18,061	16,197	17,488



# 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

### STOCKHOLM

**47%**

SEK 18,446 m

### VÄSTERÅS

**19%**

SEK 7,296 m

### GOTHENBURG

**11%**

SEK 4,293 m

### MALMÖ

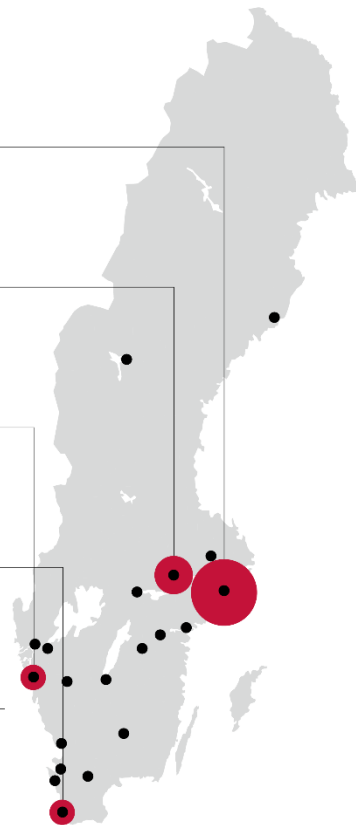
**11%**

SEK 4,429 m

### REGIONAL CITIES

**12%**

SEK 4,923 m



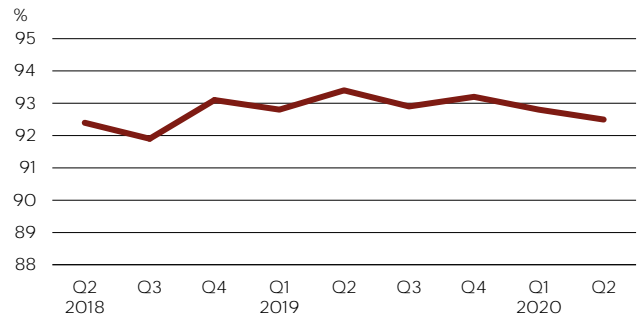
## PROPERTY PORTFOLIO

SEK million	No. of properties	Leasable area, 000 sq.m.	Book value	Occupancy rate, %	Rental value
Investment properties	198	1,832	36,845	92.5	1,299
Development properties	12	169	2,542	59.6	77
<b>Total property portfolio</b>	<b>210</b>	<b>2,000</b>	<b>39,387</b>	<b>90.7</b>	<b>1,376</b>

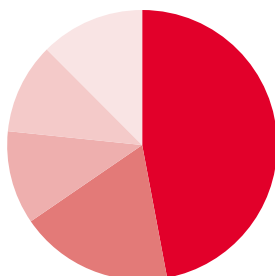
## OCCUPANCY RATE

The occupancy rate in our investment properties was 92.5 per cent, compared to 92.8 per cent at the beginning of the quarter. The occupancy rate was primarily impacted by ABB relocating from premises in Nyköping in the quarter.

## Occupancy rate investment properties by quarter

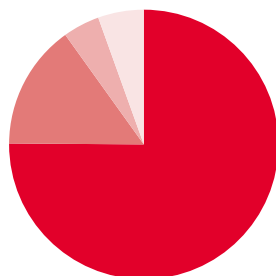


Property value per geography

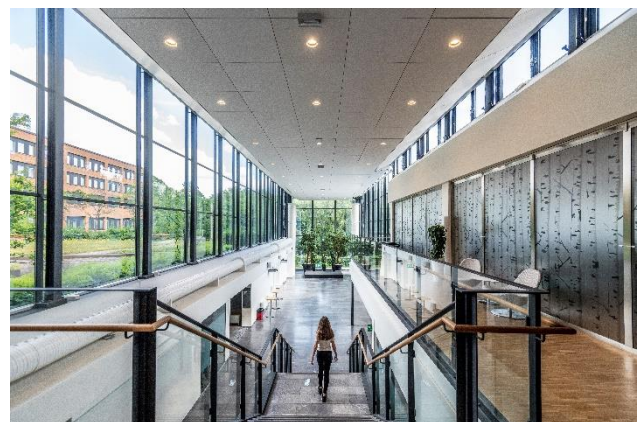


- Stockholm, 47%
- Västerås, 19%
- Gothenburg, 11%
- Malmö, 11%
- Regional cities, 12%

Property value per category



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



Common areas in property Trekanten 5 in Danderyd



## Rental revenue, investment properties

SEK per sq.m.	2019/2020 Jul-Jun	2018/2019 Jul-Jun
Office	1,836	1,708
Industrial/Warehouse	921	892
Retail	1,175	1,189
Average	1,487	1,394

## Property costs, investment properties

SEK per sq.m.	2019/2020 Jul-Jun			
	Office	Industrial/ Warehouse	Retail	Total
Operation	260	184	190	229
Maintenance	49	33	53	43
Property tax	104	25	81	78
Site leasehold fees	0	0	0	0
Direct property costs	414	242	325	350
Property administration	70	36	48	58
Total	484	278	373	408

SEK per sq.m.	2018/2019 Jul-Jun			
	Office	Industrial/ Warehouse	Retail	Total
Operation	248	176	143	215
Maintenance	41	25	56	36
Property tax	79	19	61	58
Site leasehold fees	13	2	3	8
Direct property costs	381	221	263	318
Property administration	61	45	51	55
Total	441	266	314	372

## Kungsleden's clusters

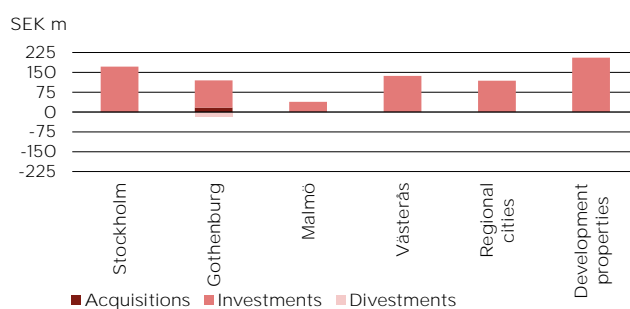
70 per cent of the property portfolio's book value is located in one of our 12 clusters.

		Leasable area, sq.m.	Book value, SEK bn
Stockholm	Kista City	147,000	4.5
	Stockholm City East	85,000	4.2
	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	52,000	0.7
Västerås	Västerås City	154,000	4.0
	Finnslätten	237,000	2.2
Rest of Sweden	City of Östersund	82,000	1.4

## Progress of the property portfolio Jan-Jun 2020

SEK million	Investment properties	Development properties	Total
Properties at beginning of period	34,862	3,448	38,310
Reclassifications	1,100	-1,100	-
Acquisitions, completed	17	-	17
Investments	568	206	774
Divestments, completed	-17	0	-17
Unrealised changes in value	315	-11	304
Properties at end of period	36,845	2,542	39,387

## Net investments by segment Jan-Jun 2020



## ACQUISITIONS, DIVESTMENTS, ACCESSED PROPERTIES AND CLOSED DIVESTMENTS

Kungsleden completed a barter transaction with the Municipality of Gothenburg at the beginning of January, with Kungsleden selling part of Järnbrott 168:1, and purchasing the freeholds of the properties Högsbo 11:5, Tynnered 1:13 and Rud 52:2.

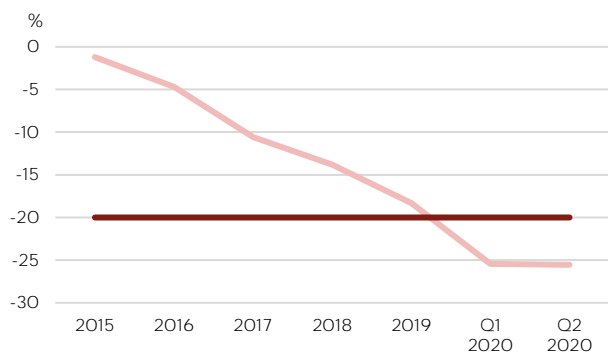
At the end of the second quarter, Kungsleden also signed a contract to sell the vacant property Fräsen 1 in Täby. Estimated date of closing is in the fourth quarter of 2020.



Restaurant Eatery located in property Stettin 6 on Gärdet in Stockholm

## ENERGY CONSUMPTION IN LIKE-FOR-LIKE PORTFOLIO

Kungsliden's goal was to reduce energy consumption by 3 per cent per year, or by 20 per cent from 2014 to 2020, which it achieved in early-2020. The reduction in the first half-year this year is mainly because of lower electricity and cooling consumption, partly as a result of focused work on energy efficiency.



## TARGET LEED CERTIFICATION

**50%** 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.

**38%** of the property value was certified as of 30 June 2020.



Restaurant Eatery at Gärdet 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 1,460 per sq.m. as per 30 June 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 61 million, from SEK 1,596 million to SEK 1,657 million. The increase is mainly due to increased rental revenues and operating net in like-for like portfolio terms.

## 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	4	-
Leasable area, 000 sq.m. <sup>1</sup>	508	258	223	465	377	1,832	-	-
Rental value, SEK m <sup>1</sup>	947	299	295	555	409	2,505	-	-
Rental revenues, SEK m <sup>1</sup>	859	281	278	524	364	2,306	-	-
Operating net, SEK m	655	206	197	361	239	1,657	-	-
Book value, SEK m	16,988	4,177	4,268	6,894	4,518	36,845	-	-
Occupancy rate, %	91.4	94.2	94.4	94.7	89.4	92.5	-	-
Surplus ratio, %	71.5	72.7	68.4	66.3	66.3	69.3	-	-
Property yield, %	3.9	4.9	4.6	5.2	5.3	4.5	-	-
Rental revenue, SEK per sq.m. <sup>1</sup>	1,970	1,186	1,391	1,299	1,197	1,460	-	-

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	4	-
Leasable area, 000 sq.m. <sup>1</sup>	1,040	578	131	83	1,832	-	-
Rental value, SEK m <sup>1</sup>	1,751	503	147	104	2,505	-	-
Rental revenues, SEK m <sup>1</sup>	1,604	473	133	97	2,306	-	-
Operating net, SEK m	1,161	317	85	94	1,657	-	-
Book value, SEK m	27,679	5,404	1,689	2,073	36,845	-	-
Occupancy rate, %	91.9	94.3	90.5	95.1	92.5	-	-
Surplus ratio, %	70.2	66.7	64.0	72.1	69.3	-	-
Property yield, %	4.2	5.9	5.0	4.6	4.5	-	-
Rental revenue, SEK per sq.m. <sup>1</sup>	1,811	935	1,195	1,250	1,460	-	-

1. As per 30 June

2. Not included in total

# OUR CUSTOMERS

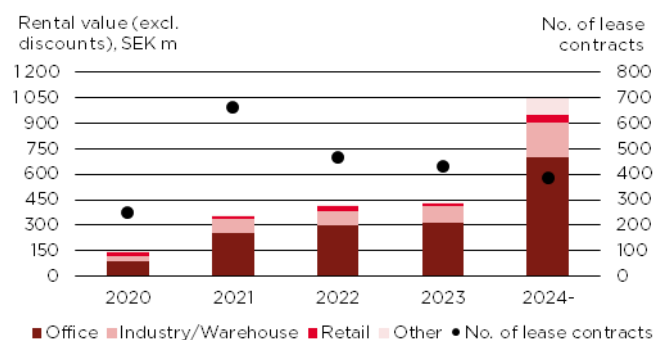
Tens of thousands of people spend their working days in Kungsleden's 210 properties. Whether multinational groups, public authorities, manufacturers, restaurants or start-ups, we're driven by sharpening customer competitiveness by providing inspiring and sustainable working environments and places. By applying our curiosity and responsiveness, we place our customers' current and future needs at the centre of everything we do.

## LEASE CONTRACTS, MATURITY STRUCTURE

Kungsleden endeavours to achieve a diversified lease contract maturity structure. At present 10–20 per cent of the contract portfolio matures each year and can be renegotiated. As of 30 June, the average maturity of remaining lease contracts was 4.2 years.

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

## Lease contracts investment properties, maturity structure



## LEASING

Kungsleden signed lease contracts with a rental value of SEK 73 million (93) in the first half-year. These new lease contracts generally have higher rent per sq.m. than their predecessors. Net leasing for the period was SEK 8 million (10). Of the 132 new contracts signed in the period, 63 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



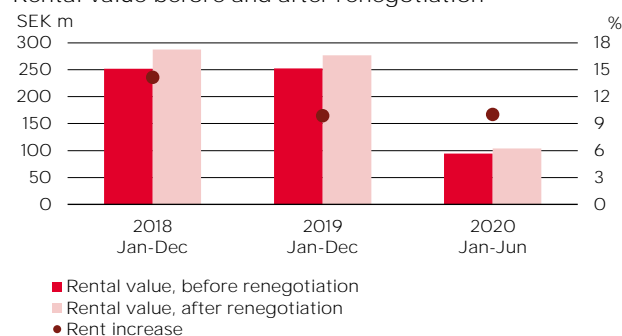
## KUNGSLEDEN'S LARGEST TENANTS

Tenant	Rental value, SEK million	Average duration, years
ABB	210	4.9
The Swedish Social Service Administration	53	4.6
ABB Power Grids	39	4.3
Municipality of Västerås	39	4.9
ICA	39	1.9
Blique	31	20.5
AFRY	28	4.2
Municipality of Stockholm	27	4.1
Biz Apartments	23	10.1
The Swedish Custom Service	22	3.2
10 largest tenants	511	5.6
Other	1,876	3.9
Total	2,387	4.2

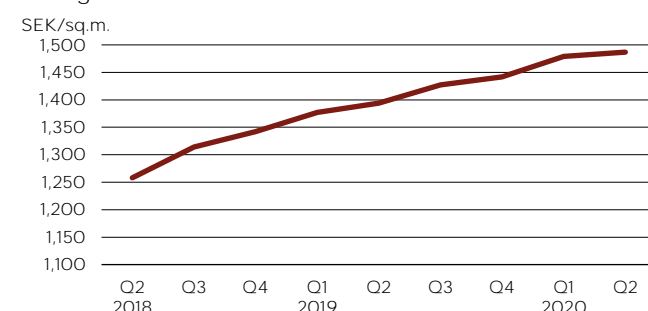
## RENEGOTIATION AND AVERAGE RENT

57 contracts with rental value of SEK 94 million were renegotiated in the period, resulting in average rental value increases of 10 per cent (7). Of the 57 contracts renegotiated, 11 resulted in increased leased area. The average rent in the investment property portfolio increased to SEK 1,487 per sq.m. (1,394), a 7 per cent increase on the previous 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 Kungsliden's business model and are making progressively increasing contributions to the company's earnings and profitability. This results in 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. As of 30 June, six major investment projects were in the construction phase, which have total investment volume of SEK 1,316 million. After completion, these converted properties are expected to generate annualised rental value of SEK 208 million.

## CURRENT MAJOR PROJECTS

**The 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, Kungsliden has decided to relocate its head office to the property and has signed a ten-year green lease on 1,400 sq.m. The premises will be improved to create an innovative showroom to inspire customers, investors, employees and visitors. Kungsliden is scheduled to access the premises during the second quarter of 2021. Leasing of remaining vacancies is ongoing, through discussions with several interested

parties. The estimated investment in the property is SEK 225 million.

### Stettin 6 - Stockholm City East

Stettin 6 is an office property in Värtahamnen offering modern and flexible premises with attractive courtyards and closeness to nature. The project phase relating to modernising frontages, entrances, the outdoor environment, courtyards and tenant improvement for restaurant operator Eatery is complete. Eatery opened in May and the business has exceeded expectations given the current restrictions. Tenant improvements for the Swedish Performing Arts Agency, which has signed a 12-year contract on approximately 2,900 sq.m., are ongoing. Leasing of the remaining premises is ongoing, through discussions with several interested parties. The estimated investment in the property is SEK 230 million.

### Eden by Kungsliden in Hyllie - Malmö

The Eden by Kungsliden project on Hyllie Boulevard in Malmö is a state-of-the-art office project designated a **Symbiotic Building**, Kungsliden's proprietary concept focusing on health, services, technology and nature. This building will be certified according to LEED and the 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. Production and leasing are progressing as planned. Kungsliden's estimated investment in Eden is SEK 384 million including land acquisition.

## Investment programme

SEK million	ACTUALS				PLAN	
	2017	2018	2019	2020 Jan-Jun	2020	2021-2023
Development projects	312	578	598	324	600	1,800
Tenant improvements and other value-creating investments	499	596	799	389	700	2,100
Maintenance investments	114	126	112	61	100	300
<b>Total investments</b>	<b>925</b>	<b>1,300</b>	<b>1,509</b>	<b>774</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
The Rotterdam District	Office	Stockholm	2021	21,300	61	76	1,045	225	84
Stettin 6	Office	Stockholm	2021	25,000	57	77	1,252	230	96
Eden by Kungsliden <sup>1</sup>	Office	Malmö	2021	7,900	25	54	138	384	88
Oxel - part of Oxelbergen 1:2	Office	Norrköping	2021	6,000	12	27	78	91 <sup>2</sup>	53
Taktpinnen 1	Office	Norrköping	2022	16,000	25	100	270	136	51
Finnslätten 1 - part of	Office, Industry	Västerås	2024	21,000	28	13	173	250 <sup>2</sup>	71
<b>Total</b>				<b>97,200</b>	<b>208</b>		<b>2,955</b>	<b>1,316</b>	<b>443</b>

1. New development

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

**Oxel - 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. Common areas, as well as renovations of frontages and entrances is complete, and the first tenants have accessed their premises. The estimated investment volume is SEK 91 million. The remaining tenant improvements are ongoing and will be accessed as premises are leased.

**Taktpinnen 1 - Norrköping**

This project involves the modernisation of current tenant SMHI's (the Swedish Meteorological & Hydrological Institute) premises. Total estimated investment is SEK 136 million, scheduled for completion in 2022. The project is progressing according to plan, with the new entrance building completed in June.

**Finnslätten 1 - Västerås**

Kungsliden's modernisation project at Building 357 in Finnslätten is ongoing. This building, of 21,000 sq.m., is being modified to create offices, a school, production premises, and spaces to enhance the service offering in Finnslätten. ABB relocated to new and modernised space integrated with its production and warehousing in building 358 in the second quarter. Tenant improvements for Scandinavian Gene Synthesis AB (SGS DNA) and leasing of remaining premises are ongoing. The total estimated investment volume is SEK 250 million, and the project is being completed as premises are leased.

**COMPLETED PROJECTS**

Investments in the properties Blästern 14, Mimer 5 and Karlslund 5:2 are now completed. These projects have been successful, generating high profitability. Total investments for the three projects were SEK 879 million, and total project return were SEK 415 million.

**MAJOR COMPLETED PROJECTS**

Property	Category	Municipality	Leasable area, sq.m.	Investment, SEK million	Rental value, SEK million	Project return, SEK million	Outcome, IRR, %
Blästern 14	Hotel, Office	Stockholm	17,200	595	62	327	11
B26 - part of Mimer 5	Office	Västerås	4,600	147	12	27	9
Karlslund 5:2 - part of	Social Services Property	Östersund	2,700	137	11	61	9
<b>Total</b>			<b>24,500</b>	<b>879</b>	<b>85</b>	<b>415</b>	

**BUILDING RIGHTS**

Sq.m.	Commercial building rights				Residential building rights			
	Stockholm	Gothenburg/ Malmö	Västerås/ Mälardalen	Total	Stockholm	Gothenburg/ Malmö	Västerås/ Mälardalen	Total
Building rights existing	3,000	19,000	37,000	59,000	-	3,000	4,000	7,000
Zooning plan process ongoing	15,000	43,500	23,000	81,500	50,000	33,000	90,000	173,000
Feasibility study-ongoing	51,500	82,500	134,000	268,000	34,500	37,000	14,000	85,500
Future building rights	104,000	-	15,000	119,000	3,000	11,000	5,000	19,000
<b>Total sq.m.</b>	<b>173,500</b>	<b>145,000</b>	<b>209,000</b>	<b>527,500</b>	<b>87,500</b>	<b>84,000</b>	<b>113,000</b>	<b>284,500</b>

**FORTHCOMING PROJECTS AND BUILDING RIGHTS**

Kungsliden estimates its total pipeline of commercial project investments at about SEK 12 billion. Leasing of the property Borgarfjord 5, known as a:place, is ongoing in Kista, Stockholm. This project involves approximately 10,000 sq.m. of offices, to be developed into new, flexible office premises with a roof terrace and services. Major investments in current and forthcoming vacancies are planned at the property Ribban 5 in central Nyköping. Planning for a major forthcoming 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 change process is expected to start in 2020. A collaborative project is ongoing in Finnslätten, scheduled for completion in the fall 2020. The new zoning plan work can then begin, enabling the creation of offices, workshops/warehousing, housing and education premises.

Kungsliden received land allocation in its Västberga cluster in the quarter, which after the zoning plan is complete, will enable a project investment involving 22,000 sq.m. of office/hotel premises.

Long-term processing and planning of future projects are required to enable the execution of the adopted investment programme. As part of this, Kungsliden is preparing new building rights focused on commercial usage in its existing property portfolio, and through new land allocations. At present, zoning plan processes are ongoing in seven properties, representing a total of some 81,500 sq.m. of commercial building rights and about 173,000 sq.m. of residential building rights. Current commercial building rights are estimated at 59,000 sq.m.

# FINANCING

Kungsleden has a strong financial position, with a low LTV ratio, good liquidity reserves and stable cash flow, which has resulted in a high interest coverage ratio.

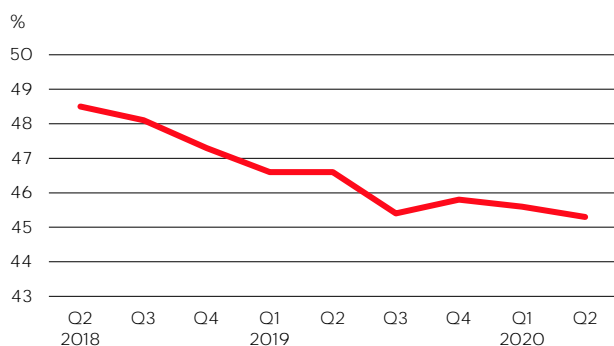
## MOODY'S CONFIRMS INVESTMENT GRADE RATING

Confirming Kungsleden's good financial position, Moody's upgraded Kungsleden's credit rating to Investment Grade (Baa3) with stable outlook in the second half-year 2019. Moody's confirmed this rating in June and published a new Credit Opinion on Kungsleden. In its review, Moody's highlighted Kungsleden's high-quality and well-diversified property portfolio focused mainly on offices in Sweden's growth markets, and continued improvements to its LTV ratio, good liquidity reserves with a low share of short-term loan maturities, strong interest coverage ratio and a reduced share of secured debt. Moody's most recent publication on Kungsleden is available for download from Kungsleden's website:

<https://www.kungsleden.se/en/investors/funding/capital-markets-products/>

## LOAN-TO-VALUE RATIO

Kungsleden's guidance is that its LTV ratio should not exceed 50 per cent. Net debt increased by SEK 307 million in the interim period and property value increased by SEK 1,077 million. Accordingly, the LTV ratio reduced to 45.3 per cent, compared to 45.8 per cent at the beginning of the year.



## LIQUIDITY POSITION AND VALUE CREATING ACTIVITIES IN THE SECOND 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.

Despite limited activity on the Nordic capital markets from mid-first quarter onwards, during June, we noted increased interest from credit investors in lending to issuers with good credit ratings. Kungsleden has benefited from this improved sentiment, and in June, issued a SEK 300 million bond with a five-year maturity. This issue enabled Kungsleden to establish a new, lower price point in the market compared to the pricing prevailing since the end of the first quarter. This issue will help to further improve Kungsleden's already good liquidity position. Kungsleden has a total of SEK 2,100 million of unutilised credit facilities with Swedish banks after deducting for outstanding corporate paper and closing cash in hand of SEK 455 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 May, the Board of Directors decided to update the prospectus for Kungsleden's MTN programme, and in tandem with this update, updated the framework from SEK 8,000 million to SEK 12,000 million. The updated prospectus is available on Kungsleden's website. At the end of the period, Kungsleden had SEK 7,600 million of outstanding bond loans within its SEK 12,000 million MTN programme. Green bond loans make up SEK 4,300 million of this total.

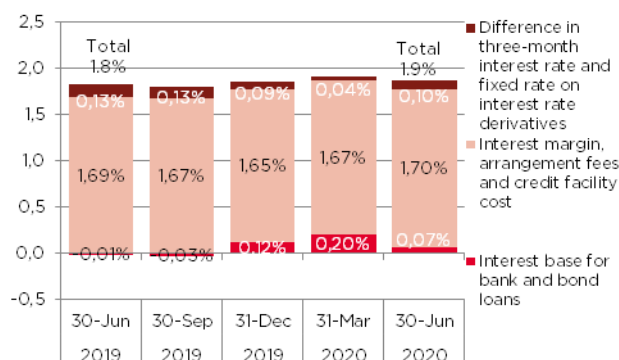
## DEBT MATURITY AND FIXED INTEREST TERM

Net financial items are 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. At the end of the period, the average interest rate remained unchanged at 1.9 per cent.

The average debt maturity is 4.1 years (5.2). The share of short-term borrowing reduced further in the first half-year, with only SEK 500 million of corporate paper, which is fully covered by bank credit facilities, maturing in the remainder of 2020.

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 first quarter, 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 3.4 years (3.2), without affecting financing costs. The interest coverage ratio remained high at a multiple of 4.5 (4.6).

## Average interest rate





## GREEN FINANCING

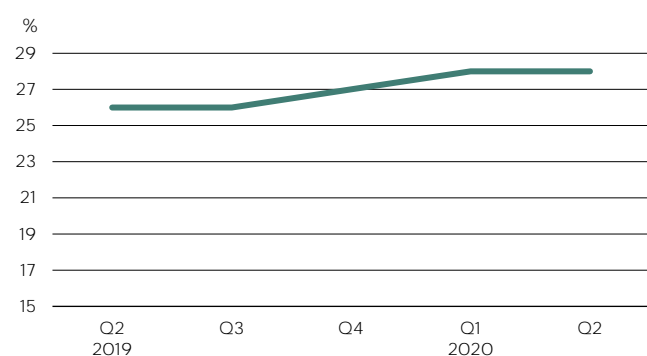
Kungsleden has issued a total of SEK 4,300 million of green bond loans. Green bond loans are issued pursuant to the terms & conditions of the green bond framework. This framework clarifies how the proceeds from green bond loans may be utilised.

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.

Kungsleden's green framework is stated at [www.kungsleden.se/en/investors/funding/capital-markets-products/](http://www.kungsleden.se/en/investors/funding/capital-markets-products/). A letter to investors in Kungsleden'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 was published in March, and will be available at [www.kungsleden.se/globalassets/dokument/kapitalmarknadsprodukter-prospekt-m.m/investerarrapport-2019.pdf](http://www.kungsleden.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.

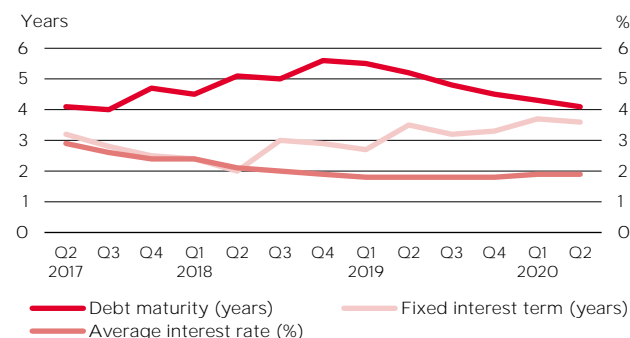
Kungsleden has also arranged a SEK 0.9 billion green bank loan, secured against direct collateral for the LEED Gold certified property Färöarna 3 in Kista in Stockholm.

## Share of green financing

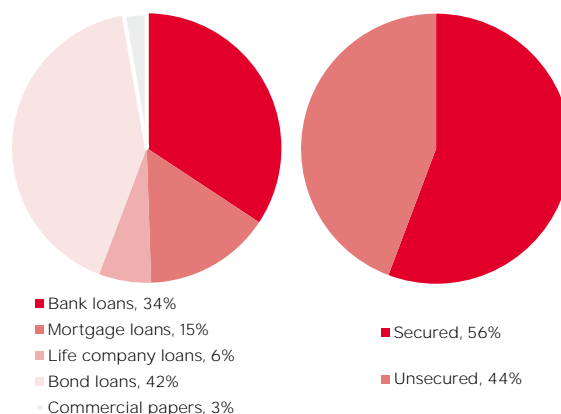


Investor interest in green bond loans remains high, and issuing green bond loans is a natural step in Kungsleden's sustainability work. Apart from the sustainability aspect, green finance often offers better interest terms than traditional borrowing. The ambition is that in time, all green assets will be financed with green borrowing. The share of green borrowing was 28 per cent (26) 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 30 June 2020



## Maturity structure of loans and interest rate derivatives

As per 30 June 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	498	-	250	748	-	-	-
2021	-	2,400	-	2,400	-	-	-
2022	-	2,500	-	2,500	2,000	-	0.3
2023	1,368	1,100	2,600 <sup>1</sup>	5,068	-	-	-
2024	2,440	1,000	-	3,440	1,450	-	0.6
2025	2,466	300	-	2,766	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	10,698	7,600	2,850	21,148	4,650	5,000	-

1. Whereof SEK 498 million is back-up for issued commercial papers

2. Starts in January 2021

3. Starts in June and December 2022

4. Receiver swap

# KUNGSLEDEN'S SHARE

Kungsleden's share is on Nasdaq Stockholm's Large Cap list. Market capitalisation was SEK 15.2 billion at the end of the second quarter.

The price paid for the Kungsleden share at the beginning of the year was SEK 98.40, and SEK 69.40 at the end of the second 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 2,766,996 shares, corresponding to 1.3 per cent of the capital.

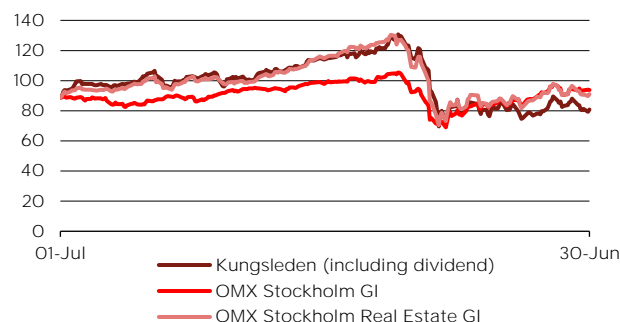
## SHARE DIVIDEND

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 uncertainty in the market, the Board decided before the Annual General Meeting in April to postpone a new dividend proposal until the consequences can be better reviewed.

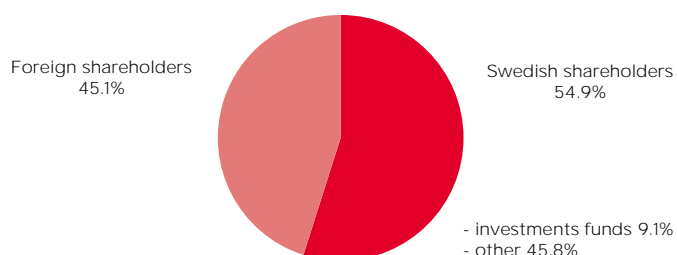
## Key ratios per share

Data per share	2019/2020 Jul-Jun	2019 Jan-Dec
Dividend paid, SEK	1.80	2.35
Total return on share, %	-7.0	60.2
Dividend yield on share, %	-	-
Profit from property management, SEK	5.58	5.43
Net profit, SEK	8.53	10.28
EPRA EPS (profit from property management after tax), SEK	5.37	5.37
	30 Jun 2020	31 Dec 2019
EPRA NDV, SEK	82.70	80.07
EPRA NRV (long-term net asset value), SEK	96.13	91.94
EPRA NTA (current net asset value), SEK	94.18	90.10
Equity, SEK	82.70	80.07
Share price, SEK	69.40	98.40

Total return on share, 1 July 2019 – 30 June 2020  
SEK/share



Ownership structure as per 31 May 2020



Shareholders as per 31 May 2020

Name	No. of shares	Share of capital, %
Gösta Welandson and companies	31,637,781	14.5
BlackRock	10,412,767	4.8
APG Asset Management	7,981,000	3.7
Vanguard	6,827,506	3.1
Olle Florén and companies	6,750,797	3.1
Handelsbanken Investment Funds	6,673,778	3.1
Norges Bank	5,823,798	2.7
BMO Global Asset Management	5,264,398	2.4
Nordea Investment Funds	3,140,332	1.4
Dimensional Fund Advisors	2,598,856	1.2
Total 10 largest owners	87,111,013	39.9
Foreign shareholders, other	56,501,941	25.9
Swedish shareholders, other	74,790,348	34.2
Total	218,403,302	100.0

## GROUP CASH FLOW

SEK million	2020 Jan-Jun	2019 Jan-Jun	2020 Apr-Jun	2019 Apr-Jun	2019 Jan-Dec
<b>OPERATIONS</b>					
Profit from property management	611	579	301	312	1,185
Adjustments for non-cash items	23	6	26	20	3
Tax paid	0	0	1	0	-3
Cash flow before changes in working capital	634	586	328	332	1,186
Changes in working capital	-35	-143	-25	-176	72
Cash flow after changes in working capital	600	443	303	156	1,257
<b>INVESTING ACTIVITIES</b>					
Investments in current properties	-774	-675	-415	-361	-1,509
Acquisition of properties	-17	-608	0	0	-1,080
Divestment of properties	16	677	0	0	724
Other intangible and tangible assets, net	-2	-4	-1	-2	-5
Financial assets, net	0	0	0	0	0
Cash flow from investing activities	-775	-610	-415	-363	-1,870
<b>FINANCING ACTIVITIES</b>					
Dividend	-131	-251	0	-131	-513
Repayment of loans	-591	-4,020	-320	-120	-6,602
New loans	999	4,509	399	600	7,609
Cash flow from financing activities	277	238	79	349	495
<b>CASH FLOW FOR THE PERIOD</b>					
Cash and cash equivalents at beginning of period	353	471	489	400	471
Exchange rate difference in cash and cash equivalents	0	0	0	0	0
Cash and cash equivalents at end of period	455	542	455	542	353

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

Operating cash flow after changes in working capital was SEK 600 million in the period.

SEK 774 million was invested in existing properties and projects in the period.

During the first quarter a swap deal with the Municipality of Gothenburg was completed where Kungsleden 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 in the first quarter to the shareholders, which was the final payment for the financial year 2018.

The interest-bearing liabilities increased by SEK 409 million. As cash and bank balances increased by SEK 102 million, net debt increased by SEK 307 million. Kungsleden's LTV ratio decreased from 45.8 per cent to 45.3 per cent at end of period due to unrealised increases in value in the property portfolio. Total liquid funds available were SEK 2,807 million (1,954), including granted and available credit facilities, after deducting for backups for issued commercial paper.

### Change in net debt January–June 2020





## SEGMENT REPORTING

JAN-JUN 2020<sup>1</sup>

SEK million	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Unallocated	Total
Revenue	465	144	143	283	184	46	-	1,265
Property costs	-135	-41	-46	-100	-66	-23	-	-411
Operating net	330	103	97	183	118	23	-	854
Selling- and administration costs	-	-	-	-	-	-	-53	-53
Net financial items	-	-	-	-	-	-	-189	-189
Profit from property management	330	103	97	183	118	23	-242	611
Changes in value								
Properties	235	18	-17	117	-38	-12	-	303
Interest rate derivatives	-	-	-	-	-	-	-178	-178
Profit before tax	565	121	80	300	80	11	-420	737
Tax	-	-	-	-	-	-	-165	-165
Net profit	565	121	80	300	80	11	-585	573
Book value properties	16,988	4,177	4,268	6,894	4,518	2,542	-	39,387

JAN-JUN 2019<sup>1</sup>

SEK million	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Unallocated	Total
Revenue	421	137	142	267	178	47	-	1,192
Property costs	-118	-38	-38	-101	-66	-24	-	-385
Operating net	303	99	104	166	112	23	-	807
Selling- and administration costs	-	-	-	-	-	-	-53	-53
Net financial items	-	-	-	-	-	-	-174	-174
Profit from property management	303	99	104	166	112	23	-227	579
Changes in value								
Properties	294	133	47	222	64	84	-	844
Interest rate derivatives	-	-	-	-	-	-	-210	-210
Profit before tax	597	232	151	388	176	107	-437	1,214
Tax	-	-	-	-	-	-	-260	-260
Net profit	597	232	151	388	180	107	-697	954
Book value properties	14,610	3,956	4,168	6,114	4,230	3,053	-	36,131

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

## KEY RATIOS

	2020 Jan-Jun	2019 Jan-Jun	2020 Apr-Jun	2019 Apr-Jun	2019 Jan-Dec
<b>Property related</b>					
Property yield, %	4.4	4.6	4.4	4.7	4.5
Occupancy rate, %	90.7	91.8	90.7	91.8	91.5
Surplus ratio, %	68.4	67.9	69.3	70.2	68.2
<b>Actuals, investment properties</b>					
Property yield, investment properties, %	4.6	4.8	4.5	4.9	4.8
Occupancy rate, investment properties, %	92.5	93.4	92.5	93.4	93.2
EPRA vacancy rate, investment properties, %	7.5	6.6	7.5	6.6	6.8
Surplus ratio, investment properties, %	69.1	68.7	70.0	70.5	68.9
Surplus ratio, investment properties excluding non-recurring effects, %	68.9	67.9	70.1	69.7	69.0
Rental revenue, investment properties, SEK/sq.m. <sup>1</sup>	1,487	1,394	-	-	1,442
Property costs, investment properties, SEK/sq.m. <sup>1</sup>	408	372	-	-	392
<b>Financial</b>					
Return on total assets, %	4.0	4.1	3.9	4.3	4.1
Return on equity, %	10.8	11.7	5.2	10.5	13.6
Interest coverage ratio, multiple	4.5	4.6	4.3	4.9	4.6
Equity ratio, %	44.1	42.9	-	-	44.0
LTV (loan-to-value) ratio, %	45.3	46.6	-	-	45.8
<b>Data per share</b>					
Dividend paid, SEK	-	-	-	-	2.35
Total return on share, %	-	-	-	-	60.2
Dividend yield on share, %	-	-	-	-	-
Profit from property management, SEK	2.80	2.65	1.38	1.43	5.43
Net profit, SEK	2.62	4.37	1.07	1.96	10.28
Cash flow before changes in working capital, SEK	2.90	2.68	1.49	1.52	5.43
EPRA EPS (profit from property management after tax), SEK	2.65	2.65	1.31	1.48	5.37
EPRA NDV, SEK	82.70	74.16	-	-	80.07
EPRA NRV (long-term net asset value), SEK <sup>2</sup>	96.13	85.05	-	-	91.94
EPRA NTA (current net asset value), SEK <sup>2</sup>	94.18	83.89	-	-	90.10
Equity, SEK	82.70	74.16	-	-	80.07
Outstanding no. of shares at end of period	218,403,302	218,403,302	218,403,302	218,403,302	218,403,302
Average number of shares	218,403,302	218,403,302	218,403,302	218,403,302	218,403,302

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

2. 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
<b>As per 30 June 2020</b>							
No. of properties	51	41	41	18	47	12	210
Leasable area, 000 sq.m.	508	258	223	465	377	169	2,000
Book value, SEK m	16,988	4,177	4,268	6,894	4,518	2,542	39,387
Occupancy rate, %	91.4	94.2	94.4	94.7	89.4	59.6	90.7
<b>Jan-Jun 2020</b>							
Rental value, SEK m	505	150	152	289	202	77	1,376
Rental revenue, SEK m	462	141	143	275	183	46	1,249
Operating net, SEK m	330	103	97	183	119	22	854
Surplus ratio, %	71.5	73.0	67.9	66.6	64.8	48.6	68.4
Property yield, %	3.9	5.0	4.6	5.4	5.3	1.8	4.4
New leasing, SEK m	19	8	5	9	22	10	73
Net leasing, SEK m	-16	4	-3	7	10	6	8
Investments, SEK m	172	103	38	136	118	206	774
Unrealised changes in value - properties, SEK m	235	18	-17	117	-38	-11	304

## QUARTERLY SUMMARY

### INCOME STATEMENT IN SUMMARY

SEK million	2020		2019			2018		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Revenue	627	638	613	618	604	589	607	594
Operating net	427	427	419	424	423	384	412	424
Selling- and administration costs	-28	-25	-35	-20	-25	-28	-21	-19
Net financial items	-98	-92	-87	-94	-86	-88	-87	-89
Profit from property management	301	310	296	310	312	267	303	316
Profit (loss) from divestment	0	-1	0	-2	3	-7	-19	-1
Unrealised changes in value, properties	60	243	496	418	352	496	331	302
Unrealised changes in value, financial instruments	-57	-121	200	-65	-118	-91	-55	48
Profit before tax	305	432	992	661	549	665	560	666
Tax	-71	-94	-222	-140	-121	-139	-167	-169
Net profit	234	338	770	521	428	526	393	497

### BALANCE SHEET IN SUMMARY

SEK million	2020		2019			2018		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
<b>ASSETS</b>								
Non-current assets								
Intangible assets	12	12	12	13	13	12	11	9
Properties	39,387	38,912	38,310	36,833	36,131	35,418	34,697	34,012
Assets of right of use	814	815	812	773	774	776	-	-
Equipment	3	4	4	4	5	5	5	6
Other long-term receivables	2	2	2	4	4	4	4	12
Total non-current assets	40,219	39,745	39,140	37,628	36,927	36,216	34,718	34,040
Current assets								
Current receivables	311	331	237	404	287	302	201	205
Derivatives	-	-	-	-	-	-	4	24
Cash and bank balances	455	489	353	548	542	400	471	554
Total current assets	766	820	590	952	829	702	677	784
<b>TOTAL ASSETS</b>	<b>40,985</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>EQUITY AND LIABILITIES</b>								
Equity	18,061	17,826	17,488	16,718	16,197	16,293	15,767	15,375
Interest-bearing liabilities								
Liabilities to credit institutions	9,053	9,373	9,094	9,114	9,287	9,307	9,204	9,226
Bond loans (unsecured)	7,600	7,300	7,000	6,600	6,488	5,988	6,082	6,082
Other borrowing	1,644	1,545	1,796	1,546	1,596	1,596	1,596	1,596
Total interest-bearing liabilities	18,298	18,219	17,889	17,260	17,371	16,891	16,882	16,904
Non-interest-bearing liabilities								
Provisions	3	3	3	5	5	5	5	12
Deferred tax liabilities	2,652	2,581	2,488	2,277	2,139	2,018	1,892	1,721
Liabilities of right of use	814	815	812	773	774	776	-	-
Derivatives	283	226	105	305	240	122	34	-
Other non-interest-bearing liabilities	874	894	945	1,242	1,030	813	814	810
Total non-interest-bearing liabilities	4,626	4,520	4,353	4,602	4,188	3,734	2,745	2,543
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>40,985</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>

## PARENT COMPANY

### INCOME STATEMENT IN SUMMARY

SEK million	2020 Jan-Jun	2019 Jan-Jun	2020 Apr-Jun	2019 Apr-Jun	2019 Jan-Dec
Intra-group revenue	0	0	0	0	0
Administration costs	-19	-17	-11	-7	-31
Operating profit (loss)	-19	-17	-11	-7	-31
Profit from financial items	55	-195	59	-95	241
Profit before tax	36	-212	48	-102	210
Tax	-7	-52	-9	-75	-5
Net profit	28	-264	38	-177	205

### BALANCE SHEET IN SUMMARY

SEK million	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>ASSETS</b>			
Shares in group companies	2,520	3,028	2,572
Receivables from group companies	15,823	19,374	15,558
Other receivables	196	208	204
Cash and cash equivalents	452	541	350
<b>TOTAL ASSETS</b>	<b>18,991</b>	<b>23,151</b>	<b>18,684</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	7,944	7,446	7,916
Non-current liabilities	7,335	6,242	7,107
Liabilities to group companies	2,629	8,049	2,837
Other liabilities	1,083	1,414	824
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18,991</b>	<b>23,151</b>	<b>18,684</b>

## OTHER INFORMATION

### ORGANISATION AND EMPLOYEES

The average number of employees was 128 (111) for the period.

### RISKS AND UNCERTAINTIES

Kungsliden'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 Kungsliden'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 Kungsliden, 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

Kungsliden 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).

Kungsliden 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 NNAV. 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.

### 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.

Stockholm 8 July 2020

Charlotte Axelsson  
Chair of the Board

Ingalill Berglund  
Board member

Jonas Bjuggren  
Board member

Christer Nilsson  
Board member

Jonas Olavi  
Board member

Charlotta Wikström  
Board member

Fredrik Wirdenius  
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 8 July 2020.

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.

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 after tax for the last four quarters in relation to average equity for the five constituent periods. For individual quarters, returns are annualised and divided by average equity for the two constituent periods.

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, 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 full deferred 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 total of the share price change during the period and dividends paid in the period after redemption in relation to the share price at the end 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  
Kungsliden 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

Interim report  
Jan-Sep 2020  
21 October 2020

Year-End report  
Jan-Dec 2020  
11 February 2021

Presentation of interim report  
Kungsleden presents the interim report on  
8 July 2020 at 08.45.

The presentation will be held in English and is  
available on:  
<https://www.kungsleden.se/en/investors/calendar/2020/Release-of-Interim-report-january-june-2020/>

Phone number to the conference:  
SE: +46 8 505 583 75  
UK: +44 333 300 92 63  
US: +1 83 324 984 03

After the presentation a recorded version of the  
webcast 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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