

**PRESS RELEASE****15 02 2018**

## **The new Kungsleden delivers strong result for 2017**

THE REPORT IN BRIEF

### **The Year in Brief**

- Profit from property management was SEK 985 (990) million. Despite the loss of operating net from vacated properties of SEK 112 million, profit from property management was virtually unchanged year on year, thanks to improvements in the like-for-like property portfolio, as well as additional operating net from accessed properties and improved financial net.
- New leasing was SEK 201 (216) million and net leasing was SEK 69 (99) million.
- Unrealised changes in value in the property portfolio amounted to SEK 1,417 (1,659) million, mainly attributable to an improved operating net.
- Kungsleden vacated properties with a value of SEK 1,692 million.
- Net profit for the period increased to SEK 1,906 million (1,869), corresponding to SEK 9.03 per share (10,01).

### **Important events during and after the fourth quarter**

- The Stockholm City West cluster expanded with 11,200 square metres through the acquisition of the properties Gladan 5, 6 and 7.
- Kungsleden created a new, modern office cluster in Gothenburg by acquiring parts of the Tändstickan urban block, with area of approximately 30,000 square metres.
- During the period, the property Stenvreten 4:1 in Enköping was sold to the current tenant, and after the end of the period, the property Rausgård 22 in Helsingborg was divested.
- The Board of Directors intends to propose a dividend of SEK 2.20 (2.00) per share with quarterly disbursement of the dividend.

### **Biljana Pehrsson, CEO, comments:**

*We completed Kungsleden's transformation in 2017, and its positive effects are already visible in our earnings. Profit from property management of SEK 985 million for 2017 is on a par with the previous year, despite our property portfolio being significantly smaller in the year due to sales of non-strategic properties for SEK 2 billion. Improved earnings in the existing portfolio, contributions from strategic property acquisitions and lower finance costs are strong contributors.*

### **HIGH-QUALITY PROPERTIES IN GROWTH MARKETS ARE LIFTING OUR EARNINGS**

The commercial rental market remains very good. The demand for offices is strong, especially in Stockholm, and there is good tenant mobility. Kungsleden now owns the right kind of properties in the right locations, enabling us to exploit opportunities on the market. New leasing totaled SEK 201 million for the year. All new lease agreements have been signed with higher rent per square metre than previously. We conducted several rent renegotiations, and achieved good outcomes with retained positive customer relations. Renegotiations resulted in an average rent increase of 13 per cent.

Overall, Kungsleden's rental revenue in its like-for-like portfolio increased by 2.4 per cent in 2017. An improved operating net also played a key role in the development of property values, which increased by SEK 1.4 billion in the year. The average yield in valuation of our properties was 5.8 per cent at year-end, a decrease of 0.3 percentage points in the year.

#### CONTINUED OPTIMISATION OF OUR PROPERTY PORTFOLIO

Even if we have made the major moves in our property portfolio, there is always room for optimisation. We are now executing selective property acquisitions that advance our position on existing markets, especially our clusters. In the fourth quarter, we acquired three office properties on Warfvinges väg, Gladan 5, 6 and 7, expanding our Stockholm City West cluster by 11,200 square metres to 46,400 square metres of office premises. Our aim is to develop these properties and create new, modern office space in western Kungsholmen, where demand is very positive.

We took another major step in February 2018 when we purchased two office buildings and car parking facility in the expansive Southern Center of Gothenburg. With our existing office properties, we are now creating an attractive and modern office cluster—Gothenburg South Center, totaling 50,000 square metres.

These transactions further increase our presence in Sweden's two strongest office markets—Stockholm and Gothenburg. We think these markets have very positive growth potential in the short and long-term. 71 per cent of Kungsleden's current property portfolio consists of offices, and more than 82 per cent of the portfolio value is located in our four priority markets of Stockholm, Gothenburg, Malmö and Västerås.

The major divestments of non-strategic properties are complete, but we are continuing to utilise the good market to selectively sell properties where we see limited potential.

#### VALUE-CREATING PROPERTY INVESTMENTS

Kungsleden's new portfolio provides good opportunities for profitable investment through tenant improvements and property modernisation. We invested a total of SEK 925 million in our property portfolio in 2017.

Development projects in the implementation phase (aggregated amount of SEK 1,133 million) are on schedule and on budget. Three of these projects will be complete this spring—Tegnér in Växjö, Laven in Umeå, and Enen in Södertälje. One new project is entering the implementation phase—the Swedish Prison and Probation Service in Östersund. Kungsleden's objective is for investments of this kind to generate a minimum return, measured as IRR (internal rate of return), of 9 per cent.

Additionally, new projects will progressively enter the investment programme.

#### OUR FOCUS NOW AND ONWARDS

The cyclical upturn in the Swedish economy and property market has been long-lasting, but at some point, it will turn. Kungsleden is well prepared for leaner times, due to factors including a strong financial position, visible in a loan-to-value ratio significantly below 50 per cent.

However, I see no signs of the demand for commercial premises fading at present. We have a strong pipeline of new leasing and renegotiations. In tandem with utilising favorable market conditions, we will be focusing more on our customers and staff. Obviously, the real estate business is about the quality and location of properties, but now more than ever, it is a people business. We are a team with a culture that reflects our core values—being professional, and showing consideration for our customers, partners and each other. And, not least, by enjoying what we do.

Our sights are now set on growing our earnings year by year, by increasing the rental revenue and operating net in our existing property portfolio and executing our ambitious investment programme. We intend to increase profit from property management by more than 20 per cent to at least SEK 1.2 billion by 2020.

Stockholm, Sweden, 15 February 2018

*Biljana Pehrsson, CEO*

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*This information is information that Kungsleden AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 7.00 am CET on Feb 15, 2018.*

Kungsleden is a long term property-owner that provides attractive, functional premises that enrich people's working days. We create value by owning, managing and developing offices and other commercial properties in Stockholm and Sweden's other growth regions. A large portion of our properties belong to attractively located clusters where we also engage in the development of the whole area. Kungsleden's goal is to deliver an attractive total return on our properties and for our shareholders. Kungsleden is listed on NASDAQ Nordic Large Cap.