

PRESS RELEASE**26 04 2018**

An eventful and positive quarter

THE REPORT IN BRIEF

The Quarter in Brief

- Profit from property management amounted to SEK 229 (216) million, with the increase due to improved financial net, an increase in operating net from acquired properties and a rent increase of 3.4 per cent in like-for-like portfolio terms, which was offset by the loss of operating net from divested and vacated properties.
- New leasing increased to SEK 49 (39) million, and net leasing was SEK 19 (9) million.
- Unrealised value increases in the property portfolio were SEK 581 (377) million. The value increase is a result of improved rental revenue and operating net, and the average required return reducing by 7 points.
- Net profit for the period increased to SEK 637 (492) million, or SEK 2.91 (2.60) per share.

Important events during and after the first quarter

- Kungsleden issued the first green bond in its current MTN programme, of SEK 2,5 billion and a four-year term. This is the largest green bond issued by a real estate company in Sweden.
- The LEED Platinum-certified property STUDIO (Tyfonen 1) in Malmo was acquired for SEK 1 billion. Kungsleden will access this property at the end of the second quarter. The property was completed in 2017 and has 14 floors, with leasable area of approximately 18,250 sq.m.
- The lease agreement with SMHI in Norrköping was extended, with a new ten-year agreement, with total rental value of about SEK 200 million.
- Properties worth SEK 859 million were accessed in February.
- The property Rausgård 22 in Helsingborg was sold at a price of SEK 555 million and is expected to be vacated at the midpoint of the year.

Biljana Pehrsson, CEO, comments:

The first quarter 2018 was a very eventful and positive period for Kungsleden, when we executed several attractive acquisitions and a successful issue of green bonds. Profit from property management was up by 6 per cent year on year. Profit from property management for the first quarter was SEK 229 (216) million for the first quarter. This improvement is due to a rent increase of 3.4 per cent in like-for-like portfolio terms, and reduced finance costs

THE SWEDISH PROPERTY SECTOR'S LARGEST ISSUE OF GREEN BONDS

We issued our first green bond of SEK 2.5 billion in the quarter – the largest to date by any real estate company in Sweden. This is a natural part of our endeavour to achieve a clear sustainability profile, and increase our share of unsecured borrowing. I'm pleased about the substantial interest we generated, and by securing several new investors. A total of 50 investors participated, of which some ten are new to Kungsleden. This issue means us taking another step towards an investment grade credit rating.

ACQUIRING ENVIRONMENTALLY CLASSIFIED AND CONTEMPORARY OFFICES

In transactions, our current focus is on complementary acquisitions on our core growth markets. We executed several strategic acquisitions in the quarter, which further enhance our already attractive property portfolio. We acquired the LEED Platinum certified property STUDIO (Tyfonen 1) in Malmö, with leasable area of 18,250 sq.m. This unique concept property has a central location, and will be part of our core holding generating stable, long-term cash flows from good tenants. We also acquired environmentally classified and contemporary office properties in central Gothenburg, where we have created an all-new office cluster – Gothenburg South Central – by acquiring part of the Tändstickan district, of 30,000 sq.m, as previously reported in our Year-end Report.

Our new acquisitions also contributed to the great success of our green bond issue, due to their very positive environmental values.

LEASING AND RENEGOTIATION REMAIN STRONG

The leasing market remained strong in the first quarter. New leasing amounted to a rental value of SEK 49 million. Net leasing was SEK 19 million.

The year also got off to a brisk start in terms of renegotiations, with 23 agreements renegotiated, and rental value increasing from SEK 51 to 56 million. On average, rent in the renegotiated agreements increased by 11 per cent. This process went best in Stockholm, which represents 39 per cent of the renegotiated contracts, achieving an average rent increase of 17 per cent.

The Mälardalen property management unit reported the single largest renegotiation, with SMHI (the Swedish Meteorological & Hydrological Institute) in Norrköping, which extended its relationship with us by signing a ten-year agreement on 14,500 sq.m. This agreement also involves us modernising these premises. Rent will increase by SEK 235 per sq.m. and total rental value amounts to some SEK 200 million.

A POSITIVE QUARTER WITH GOOD TEMPO IN OUR OPERATIONS

We took an investment decision on phase 2 of Blästern 14 in the quarter, a property where we are building a hotel and offices in central Stockholm. The termination of current office tenants progressed faster than expected, partly due to us being able to offer new premises from our own portfolio. Earlier vacation will enable the project to complete in 2020 instead of 2021 as previously reported.

The Tegnégallerian shopping centre in Växjö is now fully let, and construction will be complete during the second quarter, with a total aggregate investment volume of SEK 117 million, compared to an original budget of SEK 135 million. We are delighted to be able to complete this successful project, and bring this attractive shopping centre into our excellent portfolio of investment properties.

In summary, we continued to deliver in line with our strategy and plan in the quarter. We advanced our positioning as a financially stable and sustainable property owner, achieved continued success in leasing, and not least, further enhanced the quality of our property portfolio.

Stockholm, Sweden, 26 April, 2018

Biljana Pehrsson, CEO

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Detta pressmeddelande finns tillgängligt på svenska på www.kungsleden.se/pressmeddelanden

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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.