

PRESS RELEASE**11 07 2018**

Strong earnings in like-for-like portfolio terms and new investment decisions

THE REPORT IN BRIEF

The Quarter in Brief

- The profit from property management was SEK 505 million (466). The increase was mainly due to improved net financial items, and rent and operating net increases in like-for-like portfolio terms which compensated the decrease in operating net from acquired and divested property.
- New leasing increased to SEK 130 million (91), and net leasing was SEK 39 million (45).
- Unrealised changes in value in the property portfolio were SEK 985 million (665). The value increase is a result of improved rental revenue and operating net, and an 8 basis point decrease in the average required yield, excluding the effect of acquired and divested properties.
- Net profit increased to SEK 1,165 million (932), or SEK 5.33 per share (4.57). Excluding a non-recurring effect related to the reduction of Swedish corporation tax, net profit was SEK 1,052 million or SEK 4.82 per share.

Important events during and after the second quarter

- New lease contracts have been signed with tenants including Convendum and Aros Congress Center, with total rental value of SEK 315 million. The contract with Convendum is on area of 5,500 sq.m and has a 12-year term, while the agreement with Aros Congress Center is on area of 1,400 sq.m and has a five-year term.
- Kungsleden has re-arranged SEK 2.8 billion of bank loans, which extended its debt maturity, while reducing its finance costs. The fixed interest term on borrowing extended to 3 years through new interest rate swaps intended to stabilise profit from property management through the coming years. Overall, the average interest rate reduced to 2.0 per cent, against 2.4 per cent at the beginning of the year, while the average debt maturity extended from 4.7 years at the beginning of the year to 5.1 years at the end of the quarter.
- The property Lövkojan 10 in Katrineholm was sold for a price of SEK 55 million after deducting for deferred tax and vacated during the quarter. Yearly operating net for the property is SEK 2.7 million.

Biljana Pehrsson, CEO, comments:

The real estate market, and the leasing market in particular, made continued brisk progress in the second quarter 2018. With our restructured property portfolio, we actively exploited market opportunities for new leasing and renegotiation. The earnings effect is now clearly evident, as for the first half-year, Kungsleden reported increased rental revenue that resulted in operating net rising by SEK 30 million, or 4.5 per cent in like-for-like portfolio terms of investment properties.

Kungsleden also continued the success of its development projects. The office and meeting place project B26 in Västerås has transferred to the implementation phase, as has phase 2 of the Blästern project in Stockholm, with this property now fully leased as hotel, co-working concepts and office premises.

Profit from property management in the first half-year was up by over 8 per cent on the corresponding period of the previous year, and amounted to SEK 505 million (466). The increase was mainly because of improved net financial items and higher rental revenue, and operating net in like-for-like portfolio terms.

LEASING AND RENEGOTIATION REMAIN STRONG

The leasing market for commercial premises remained strong, with Stockholm as its powerhouse. We signed new lease contracts with total rental value of SEK 130 million, and with terminations for vacation of SEK 91 million, net leasing was SEK 39 million (45). We saw increased demand for large areas in our Stockholm City East and Gärdet/Frihamnen clusters.

We expect this trend to continue as the district evolves, while unoccupied premises in Stockholm city centre remain scarce.

In the first half-year, we renegotiated 59 lease contracts and increased their rental value from SEK 90 million to SEK 101 million. On average, the rent on these contracts increased by 12 per cent. The most successful renegotiations were in Stockholm, where a rent increase of 16 per cent was achieved with Danderyd Office in the forefront. This is thanks to close relationships and dialogue with our clients, which give us an understanding of their future requests and needs, so that we can meet them.

SUCCESSFUL PROJECT DEVELOPMENT

We concluded the first three of Kungsleden's development projects in the first half-year: the office property Enen 10 in Södertälje, the Tegnér 15 shopping centre in Växjö, and part of Laven 6 in Umeå. These properties have now returned to our management organisation.

We are now taking new projects into our investment programme, and achieved a 50 per cent occupancy level in B26 in the Mimer district of Västerås in the second quarter, thus enabling us to reach an investment decision on the implementation of this property. We have signed an agreement with Aros Congress Center on 1,400 sq.m for a co-working concept, including café and restaurant. As planned, this will make B26 into a contemporary meeting and workspace, integrating co-working concepts and traditional offices in a total of 4,700 sq.m, with planned opening in 2019.

In Stockholm, we signed a 12-year contract with our tenant Convendum on 5,500 sq.m of the street-facing building of the property Blästern 14. This tenant is also delivering a co-working concept. This means leasing of the phase 2 of the Blästern project is complete, and this phase now also transfers to implementation.

These two investment decisions mean we now have six projects in the implementation phase, and our SEK 3 billion-plus investment programme for 2017–2019 is progressing as planned.

POSITIVE MARKET CONDITIONS CONTINUE

Positive progress on the leasing market is being driven by underlying healthy economic growth. Nothing lasts forever, but I still don't see any signs of the demand for commercial

premises slowing. Forecasts for the Swedish economy indicate continued good growth for the remainder of 2018, with no slowdown apparent until 2019. In combination with our stable positive leasing performance, successes in project development and the addition of recently acquired, high-quality properties, this means I expect us to achieve the target of SEK 1.2 billion of profit from property management we set in 2020 as early as 2019.

Stockholm, Sweden, 30 June 2018

Biljana Pehrsson, CEO

For more information, please contact:

Biljana Pehrsson, CEO Kungsleden | +46 8 503 052 04 |

biljana.pehrsson@kungsleden.se

Anders Kvist, Deputy CEO and CFO Kungsleden | +46 8 503 052 11 |

anders.kvist@kungsleden.se

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

This information is information that Kungsleden AB is obliged to make public pursuant to the Securities Markets Act. The information was submitted for publication at 7.00 am CET on July 11, 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.