

JANUARY - MARCH 2019

# Q1 2019

"A strong start to 2019"

Biljana Pehrsson, CEO



20 YEARS ON THE STOCK MARKET 1999-2019

KUNGSLEDEN

# INTERIM REPORT JANUARY-MARCH 2019

Kungsleden is a long-term property owner whose vision is to create attractive and sustainable places that enrich people's working day. By owning, actively managing and developing commercial properties in Sweden's growth regions, we seek to generate attractive total returns. As of 31 March 2019, Kungsleden owned 208 properties with total book value of SEK 35,418 million.

## THE INTERIM PERIOD IN BRIEF

- Profit from property management increased by 17 per cent to SEK 267 million (229). The increase was due to a higher operating net in like-for-like portfolio terms, and improved net financial items.
- New leasing amounted to SEK 46 million (49) and net leasing for the period was SEK 2 million (19).
- Changes in value on properties amounted to SEK 489 million (585). The value increase is a result of a higher operating net and reduced required valuation yield.
- Property value at the end of the period was SEK 35,418 million.
- Net profit after tax for the period was SEK 526 million (637), or SEK 2.41 per share (2.91).
- Current NAV increased to SEK 82.64 per share (74.09).

## IMPORTANT EVENTS DURING AND AFTER THE QUARTER

- Kungsleden accessed the final part of the Tändstickan district of Gothenburg in January.
- The Eskilstuna property portfolio was vacated in January, which means Kungsleden fully exiting this municipality.
- Moody's confirmed its positive outlook for Kungsleden for upgrading to investment grade.
- A revolving credit facility of a total of SEK 2 billion was renegotiated in advance on favourable financing terms, with a new maturity of February 2023.
- Kungsleden executed bond issues during the quarter and after its end, which refinances outstanding bonds that mature in July. As a result, Kungsleden has no bond or loan maturities in 2019 or 2020.

Key ratios	2019 Jan-Mar	2018 Jan-Mar
Property yield, investment properties, %	4.7	4.7
Occupancy rate, investment properties, %	92.8	91.9
Surplus ratio, investment properties, %	66.8	61.6
Book value properties, SEK million	35,418	32,620
Return on equity, %	13.1	17.5
LTV (loan-to-value) ratio, %	46.6	48.0
Interest coverage ratio, times	4.3	3.3
Net profit, SEK per share	2.41	2.91
EPRA NNAV (current net asset value), SEK per share	82.64	74.09
Share of certified properties, %	17	9

# CEO'S STATEMENT

## A STRONG START TO 2019

Our profit from property management for the first quarter increased by 17 per cent to SEK 267 million (229). Rental revenues and operating net in like-for-like portfolio terms increased by 5 and 12 per cent respectively. Net interest income improved by 18 per cent on the corresponding period of 2018. Accordingly, we are starting 2019 with strong earnings.

### DEMAND STILL HIGH

Demand for office premises remained favourable early in the year in our priority growth markets – Stockholm, Gothenburg, Malmö and Västerås – where 87 per cent of our portfolio is located. In Västerås, where Kungsliden is the largest commercial property owner with 575,000 sq.m of commercial space of which 160,000 sq.m are offices, we are noting very robust demand driven by business expansion and a brisk activity in the region. The urbanisation process is continuing, and combined with business expansion, is a major driver on our priority markets.

New leasing in the first quarter was SEK 46 million, a strong number given that we signed a very high number of lease contracts in the fourth quarter 2018. Net leasing for the quarter was SEK 2 million.

### A SOUGHT-AFTER PROPERTY PORTFOLIO AND EXCITING PROJECTS IN PIPELINE

Activity on the transaction market has been brisk, and transaction volume in the first quarter was stronger than in the previous year. We accessed one of our latest acquisitions in the quarter: a third office property in the Tändstickan quarter of Gothenburg. This property is in our new office cluster, in one of Gothenburg's most attractive districts – South Central. These LEED Gold-certified properties are fully leased to reputable tenants.

With our properties in Gårda and Stiernhielm, we can now keep developing this attractive location, with its central position and good communications – fully consistent with our vision of creating attractive and sustainable places that enrich people's working day.

We vacated our portfolio of retail and office properties in Eskilstuna at the beginning of January, which means we have fully exited this city.

This further sharpens our focus on attractive and modern offices offering with good future potential. Retail properties now represent only 5 per cent of our total property value.

We invested a total of SEK 314 million in major current projects and tenant adaptations, as well as maintenance, in the period.

We now have five major projects in the implementation phase, with a total rental value of SEK 176 million and a total investment budget of SEK 1,211 million, to be completed in the years 2020-2022. The Blique by Nobis Hotel in our property Blästern 14 opens in April, which is located where the new Hagastaden meets the Vasastan district of Stockholm. This completes the first phase of our largest development project in the area.

Over and above major current projects, we have a great pipeline of future projects that we're working actively to realise. Our future development potential lies within our current portfolio, and the investment volume is nearly SEK 8 billion. I am looking forward to informing you more about these as we move forward.



### STRONGER FINANCIAL POSITION

Kungsliden's financial position remains very good. Borrowing in the period resulted in an extension of our fixed interest terms and debt maturity. We have rolled over our bank borrowings with green finance, and at lower margins. We have also replaced all bond maturities in 2019 with new bonds with longer maturities and lower costs. As a result, we have no loan maturities remaining to refinance for the years 2019 and 2020.

### TARGET-ORIENTED WORK PAYING OFF

Our market, office properties in Sweden's metropolitan areas, is showing no signs of a slowdown. Growth forecasts for Sweden and globally have been generally notched down, with Swedish GDP anticipated at around 1.5 per cent in 2019. Continued growth combined with urbanisation, with businesses and people migrating to metropolitan areas, mean we think that Kungsliden will continue to see good demand for premises, not least offices. Apart from attractive offices, we also have several new, value-creating projects in our pipeline. Goal-oriented work on creating a high-quality property portfolio, and effective customer-focused management in recent years, mean we are well prepared for both positive and negative market conditions. I am proud of the positioning we have today, and feel confident that we will be able to keep delivering on our targets in future.

Stockholm, 26 April 2019

Biljana Pehrsson, CEO

## GROUP COMPREHENSIVE INCOME

SEK million	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
<b>Revenue</b>			
Rental revenue	586	586	2,377
Other revenue	3	1	8
<b>Total revenue</b>	<b>589</b>	<b>588</b>	<b>2,385</b>
<b>Property costs</b>			
Operations	-132	-144	-460
Maintenance	-19	-25	-81
Property tax	-27	-29	-115
Site leasehold fees	-	-8	-33
Property administration	-27	-28	-110
<b>Total property costs</b>	<b>-205</b>	<b>-233</b>	<b>-800</b>
<b>OPERATING NET</b>	<b>384</b>	<b>354</b>	<b>1,586</b>
<b>Selling- and administration costs</b>	<b>-28</b>	<b>-27</b>	<b>-95</b>
Interest net	-81	-98	-366
Costs of right of use	-7	-	-
<b>Net financial items</b>	<b>-88</b>	<b>-98</b>	<b>-366</b>
<b>PROFIT FROM PROPERTY MANAGEMENT</b>	<b>267</b>	<b>229</b>	<b>1,124</b>
<b>Changes in value</b>			
Properties	489	585	1,603
Interest derivatives	-91	1	-73
<b>Total changes in value</b>	<b>398</b>	<b>586</b>	<b>1,529</b>
<b>PROFIT BEFORE TAX</b>	<b>665</b>	<b>815</b>	<b>2,653</b>
<b>Tax</b>	<b>-139</b>	<b>-178</b>	<b>-598</b>
<b>NET PROFIT</b>	<b>526</b>	<b>637</b>	<b>2,055</b>
<b>Other comprehensive income</b>			
Translation gains/losses for the period on translation of foreign operations	0	0	0
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>526</b>	<b>637</b>	<b>2,055</b>
<b>NET PROFIT PER SHARE</b>	<b>2.41</b>	<b>2.91</b>	<b>9.41</b>

## PERFORMANCE ANALYSIS JANUARY-MARCH 2019

### REVENUE

Total revenues were basically unchanged and amounted to SEK 589 million (588) for the period. In a like-for-like portfolio of investment properties, total revenue increased by SEK 26 million and rental revenues by SEK 24 million year-on-year. The increase is a result of new leasing, renegotiation and indexation, as well as previous development properties that has been transferred to investment properties, which contributed SEK 3 million. The rental revenue increase in a like-for-like portfolio of investment properties was 4.7 per cent.

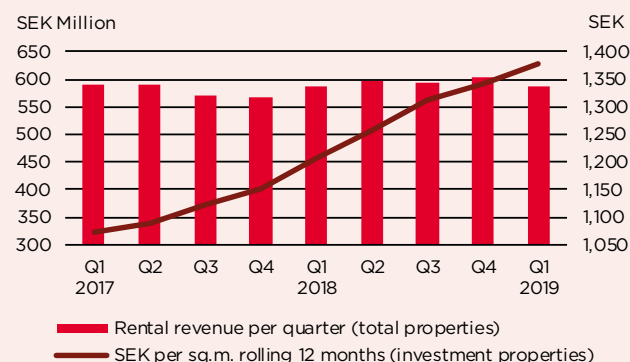
The loss of rental revenue from divested properties was SEK 40 million, and the vacation of development properties was SEK 11 million. This deficit was partly compensated by additional rental revenue from accessed properties of SEK 25 million.

Total revenue, SEK million	2019	2018
	Jan-Mar	Jan-Mar
Stockholm	210	193
Gothenburg	67	54
Malmö	67	56
Västerås	134	127
Regional cities and other	90	128
Development properties	18	29
<b>Total rental revenue</b>	<b>586</b>	<b>586</b>
Other revenue	3	1
<b>Total revenue</b>	<b>589</b>	<b>588</b>

Rental revenue, SEK million	2019	2018
	Jan-Mar	Jan-Mar
Like-for-like portfolio terms (investment properties)	533	509
Acquired properties	33	8
Development properties	18	29
Divested properties	1	41
<b>Total rental revenue</b>	<b>586</b>	<b>586</b>

Rental revenue per sq.m in the investment portfolio continued to increase in the quarter, and amounted to SEK 1,377 per sq.m on a rolling 12-month basis, compared to SEK 1,207 per sq.m one year previously.

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



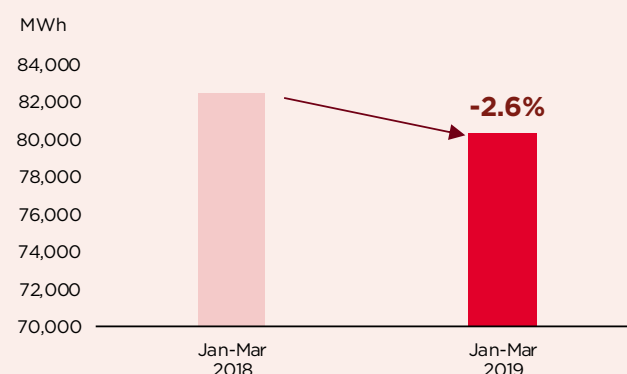
### PROPERTY COSTS

Total property costs amounted to SEK 205 million (233), a SEK 28 million decrease. In a like-for-like portfolio of investment properties, costs decreased by SEK 19 million. Excluding non-recurring effects from the adoption of IFRS 16, the decrease was SEK 11 million, with more information on page 6. The decrease is explained by the previous year's cold winter with heavy snowfall compared to this year's more normal heating and snow clearance levels. The net effect of the reduction of costs from divested properties and development properties, as well as costs for accessed properties, resulted in a decrease of SEK 10 million.

Property costs, SEK million	2019	2018
	Jan-Mar	Jan-Mar
Like-for-like portfolio terms (investment properties)	182	201
Acquired properties	8	2
Development properties	13	15
Divested properties	2	16
<b>Property costs</b>	<b>205</b>	<b>233</b>

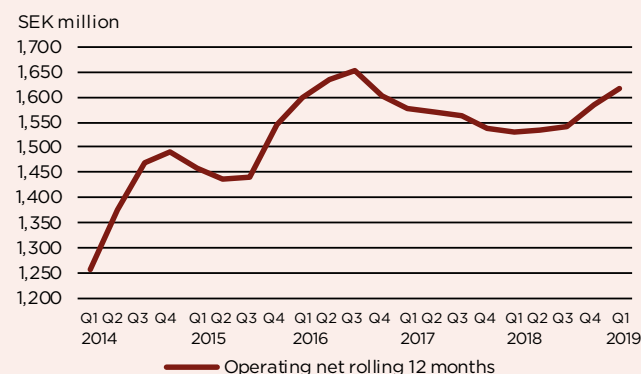
### ENERGY CONSUMPTION IN LIKE-FOR LIKE PORTFOLIO

Kungsleden's target is to reduce energy consumption by 3 per cent per year, or by 20 per cent, from 2014 to 2020. Energy consumption in a like-for-like portfolio reduced by 2.6 per cent in the period, in year-on-year terms.



### OPERATING NET

Operating net increased by SEK 30 million to SEK 384 million (354) in the period. In a like-for-like portfolio of investment properties, operating net increased by SEK 46 million. Excluding non-recurring effects from the adoption of IFRS 16, the increase was SEK 38 million - a 12.3 per cent improvement, with more information on the effects of IFRS 16 on page 6. The loss of operating net from divested properties was SEK 26 million, and additional operating net from accessed properties was SEK 19 million, i.e. a net decrease of SEK 7 million. For development properties, the operating net decreased by SEK 10 million due to vacation of areas.



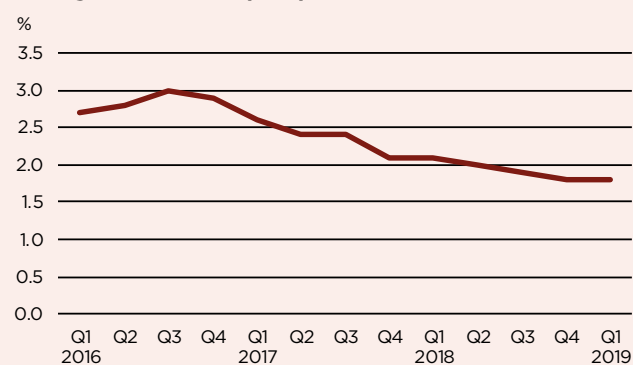
### SELLING- AND ADMINISTRATION COSTS

Selling and administration costs were SEK 28 million (27), which is comparable to the previous year.

## NET FINANCIAL ITEMS

Net financial items were SEK -88 million (-98). The year-on-year improvement is mainly explained by the cost of interest rate hedges reducing after close-outs of interest swaps and arranging new finance on better terms. Other financial expenses increased by approximately SEK 7 million due to an amended accounting policy for site-leasehold fees. For more information, see the section on IFRS 16 on page 6. Restatements are mainly expenses for site leasehold fees that were previously charged to operating net. The average interest rate at the end of the period was 1.8 per cent (2.1).

### Average interest rate per quarter



## PROFIT FROM PROPERTY MANAGEMENT

Profit from property management for the period increased to SEK 267 million (229), or by 17 per cent. The profit increase is due to an increased operating net in a like-for-like portfolio and improved net financial items.



## CHANGES IN VALUES ON PROPERTIES

The unrealised increase in value in the property portfolio was SEK 496 million (581) in the quarter, or 1.4 per cent. The increase in value is due to an improved operating net, mainly due to higher rental revenue and a reduction in the average required yield of 4 basis points. The effect of divested and acquired properties impacted the average required yield by another 4 basis points. At the end of the period, the average required yield was 5.4 per cent. Deductions received for deferred tax on properties accessed in the period resulted in an unrealised change in value of SEK 27 million. The realised changes in value for the period were SEK -7 million (4).

## CHANGES IN VALUE ON INTEREST RATE DERIVATIVES

The change in value on financial instruments was SEK -91 million (1), and is due to interest rates on longer maturities falling.

## TAX

The total tax expense for the period amounted to SEK 139 million (178), of which SEK 0 million (0) is current tax. The new corporation tax rate, which applies effective 1 January 2019, reduced the tax expense due to a lower tax rate. The tax rate will reduce again in 2021, to 20.6 per cent. The new interest deduction regulations are not expected to exert any material impact on the year-2019 tax computation.

## NET PROFIT

Net profit for the period amounted to SEK 526 million compared to SEK 637 million for the corresponding period last year. The decrease is partly due to changes in value from properties and partly to unrealised changes in value of interest rate derivatives.

## IFRS 16

The new accounting standard for leases (IFRS 16) was adopted on 1 January 2019. More information can be found in the Annual Report 2018. For Kungsliden, this new standard mainly meant that site-leaseholds should be recognised in the Balance Sheet at the measured present value of future fees. In the Income Statement, site-leasehold fees should instead only be recognised as a property cost allocated in a depreciation component recognised as a property cost, and an interest component recognised in net financial items. This reclassification has no impact on comprehensive income, and the standard has not been applied retroactively. To improve comparability, the following table illustrates how the current year's Income Statement and key ratios have been affected by this change of accounting policy.

	Jan-Mar 2019	IFRS 16	Jan-Mar 2019	Jan-Mar 2018
			excluding IFRS 16	
Revenue	589		589	588
Property costs	-205	8	-213	-233
<b>OPERATING NET</b>	<b>384</b>	<b>8</b>	<b>376</b>	<b>354</b>
Selling- and administration costs	-28	-1	-27	-27
Net financial items	-88	-7	-81	-98
<b>PROFIT FROM PROPERTY MANAGEMENT</b>	<b>267</b>	<b>-</b>	<b>267</b>	<b>229</b>
Property yield investment properties, %	4.7		4.6	4.7
Surplus ratio investment properties, %	66.8		65.3	61.6
Return on total assets, %	3.9		3.8	4.0
Equity ratio, %	44.1		45.1	43.1

## GROUP BALANCE SHEET

SEK million	2019-03-31	2018-03-31	2018-12-31
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12	8	11
Properties	35,418	32,620	34,697
Assets of right of use	776	-	-
Equipment	5	7	5
Other long-term receivables	4	12	4
<b>Total non-current assets</b>	<b>36,216</b>	<b>32,647</b>	<b>34,718</b>
<b>Current assets</b>			
Current receivables	302	259	201
Derivatives	-	-	4
Cash and bank balances	400	1,498	471
<b>Total current assets</b>	<b>702</b>	<b>1,757</b>	<b>677</b>
<b>TOTAL ASSETS</b>	<b>36,918</b>	<b>34,405</b>	<b>35,394</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>16,293</b>	<b>14,829</b>	<b>15,767</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	9,307	8,999	9,204
Other interest-bearing liabilities	6,646	6,746	6,246
Liabilities of right of use	745	-	-
Derivatives	122	141	34
Deferred tax liability	2,018	1,511	1,892
Provisions	5	12	5
<b>Total non-current liabilities</b>	<b>18,843</b>	<b>17,409</b>	<b>17,381</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	-	0	-
Other interest-bearing liabilities	938	1,400	1,432
Liabilities of right of use	31	-	-
Other liabilities	813	766	814
<b>Total current liabilities</b>	<b>1,782</b>	<b>2,166</b>	<b>2,246</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>36,918</b>	<b>34,405</b>	<b>35,394</b>

## GROUP CHANGES IN EQUITY

SEK million	2019-03-31	2018-03-31	2018-12-31
Equity at beginning of period	15,767	14,192	14,192
Dividend	-	-	-480
Comprehensive income for the period	526	637	2,055
<b>Equity at end of period</b>	<b>16,293</b>	<b>14,829</b>	<b>15,767</b>

# KUNGSLEDEN'S PROPERTY PORTFOLIO

87 per cent of the portfolio is in one of Kungsleden's priority growth markets of Stockholm, Gothenburg, Malmö and Västerås.

## OUR MARKETS

### STOCKHOLM

**47%**  
SEK 16,641 m

### VÄSTERÅS

**17%**  
SEK 6,134 m

### GOTHENBURG

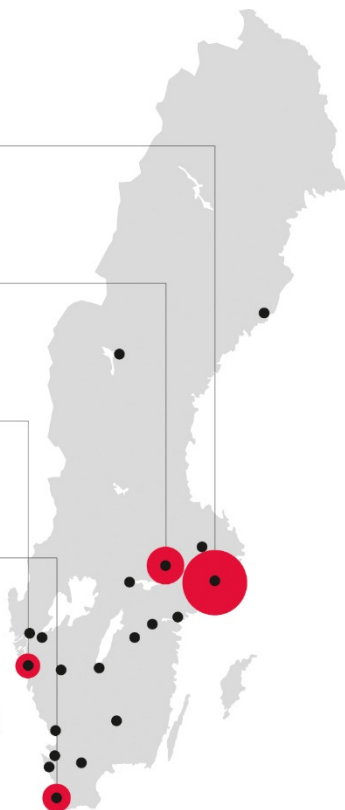
**11%**  
SEK 4,021 m

### MALMÖ

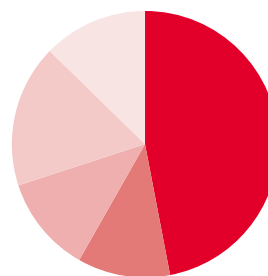
**12%**  
SEK 4,166 m

### REGIONAL CITIES AND OTHER

**13%**  
SEK 4,456 m

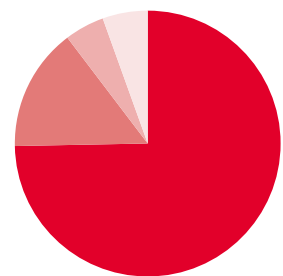


### Property value per geography



- Stockholm, 47%
- Gothenburg, 11%
- Malmö, 12%
- Västerås, 17%
- Regional cities and other, 13%

### Property value per category



- Office, 75%
- Industrial/Warehouse, 15%
- Retail, 5%
- Other, 5%

### Property portfolio 2019-03-31

SEK million	No. of properties	Leasable area, 000 sq.m	Book value	Occupancy rate, %	Rental value <sup>1</sup>
Investment properties	196	1,822	32,419	92.8	619
Development properties	12	161	2,999	66.9	33
<b>Total property holdings</b>	<b>208</b>	<b>1,983</b>	<b>35,418</b>	<b>91.2</b>	<b>653</b>

<sup>1</sup> Rolling 12 months

### Kungsleden's clusters

72 percent of the property portfolio's book value is located in one of our twelve clusters.

		Leasable area, sq.m.	Book value, SEK billion
<b>Stockholm</b>	Kista City	147,000	4.4
	Stockholm City East	85,000	3.7
	Danderyd Office	100,000	3.0
	Stockholm City West	49,000	2.8
	Västberga	38,000	0.4
<b>Gothenburg</b>	Högsbo	109,000	1.3
	Gothenburg South Central	40,000	1.4
<b>Malmö</b>	Hyllie	40,000	1.3
	Fosie	52,000	0.7
<b>Västerås</b>	Västerås City	153,000	3.5
	Finnslätten	237,000	1.7
<b>Rest of Sweden</b>	City of Östersund	79,000	1.2

## Sustainability targets and actuals

Focus area	Target		Actual	
<b>LEED certification</b>	<b>50%</b>	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.	<b>17%</b>	of the property value was certified as of March 31, 2019.
<b>Green leases</b>	<b>115</b>	At least 115 new green lease agreements to be signed in 2019.	<b>15</b>	green leases was signed during the period January-March 2019.



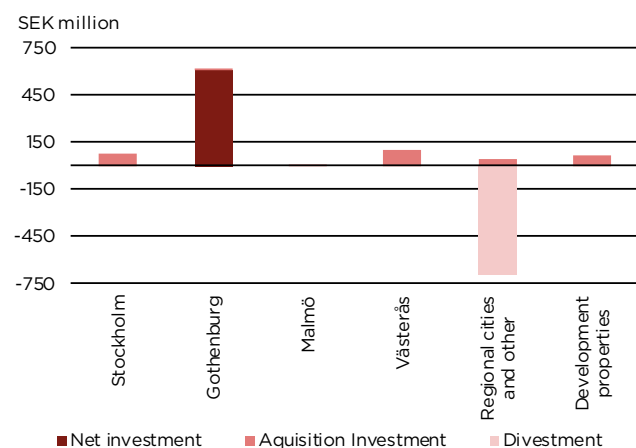
# PROGRESS OF THE PROPERTY PORTFOLIO

87 per cent of Kungsliden's operations, including property development and investment projects, are concentrated on its four priority growth markets of Stockholm, Gothenburg, Malmö and Västerås. As of 31 March, Kungsliden owned 208 properties with book value of SEK 35,418 million.

## Progress of the property portfolio

Jan-Mar 2019 SEK million	Investment properties	Development properties	Total
Properties at beginning of period	31,800	2,897	<b>34,697</b>
Reclassifications	-209	209	<b>0</b>
Acquisitions, completed	608	0	<b>608</b>
Investments	250	64	<b>314</b>
Divestments, completed	-489	-207	<b>-696</b>
Unrealised changes in value	460	36	<b>496</b>
<b>Properties at end of period</b>	<b>32,419</b>	<b>2,999</b>	<b>35,418</b>

## Net investments by segment Jan-Mar 2019



## ACQUISITIONS AND DIVESTMENTS

No acquisitions or divestments were conducted in the period.

## ACCESSED AND VACATED PROPERTIES

Kungsliden vacated 15 retail and office properties in Eskilstuna in January, which meant Kungsliden exiting the municipality.

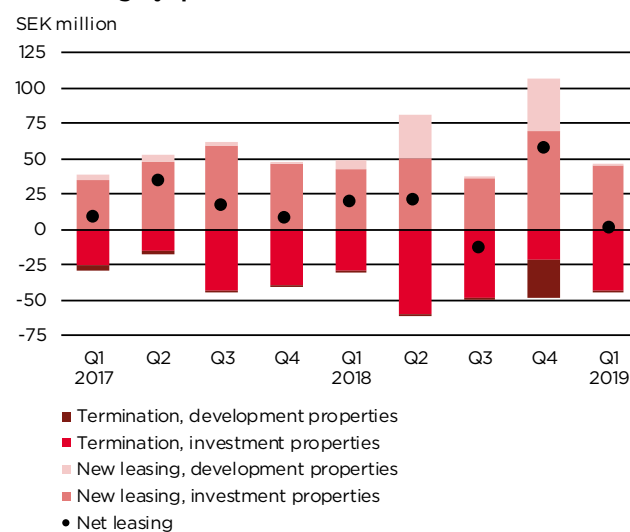
Kungsliden accessed the final phase of the Tändstickan quarter of Gothenburg (Kallebäck 2:11) in the first quarter of the year.

## LEASING

Kungsliden signed lease contracts with rental value of SEK 46 million (49) in the period. These new lease contracts generally have higher rent excluding heating and hot water per sq.m than previous contracts. Net leasing for the period amounted to SEK 2 million (19).

15 of the new lease contracts signed in the year are green leases, which involve an agreement between the tenant and property owner on joint action to maintain or improve the environmental performance of premises.

## Net leasing by quarter



# INVESTMENT PROPERTIES

Kungsliden develops its property portfolio through active and sustainable management, and maintaining close dialogue with customers. Most of our properties are classified as investment properties. The others are development properties, where we maintain vacant areas, or plan vacation for lease in the short term, or for demolition to enable re-development.

## Rental revenue, investment properties

SEK per sq.m.	2018/2019 Apr-Mar	2017/2018 Apr-Mar
Office	1,695	1,573
Industrial/Warehouse	871	751
Retail	1,212	1,131
<b>Average</b>	<b>1,377</b>	<b>1,207</b>

## Property costs, investment properties

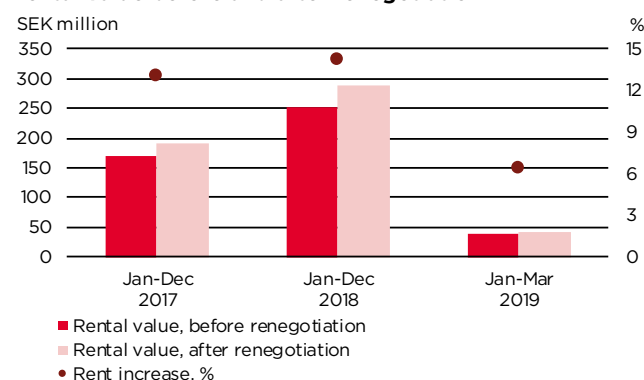
SEK per sq.m.	2018/2019 Apr-Mar			
	Office	Industrial/ Warehouse	Retail	Total
Operation	247	171	164	215
Maintenance	42	22	55	36
Site leasehold and property tax	96	22	61	69
<b>Direct property costs</b>	<b>386</b>	<b>214</b>	<b>280</b>	<b>320</b>
Property administration	56	48	52	53
<b>Total</b>	<b>442</b>	<b>262</b>	<b>332</b>	<b>373</b>

SEK per sq.m.	2017/2018 Apr-Mar			
	Office	Industrial/ Warehouse	Retail	Total
Operation	239	136	194	195
Maintenance	43	22	39	35
Site leasehold and property tax	98	20	62	65
<b>Direct property costs</b>	<b>380</b>	<b>178</b>	<b>295</b>	<b>295</b>
Property administration	62	34	54	51
<b>Total</b>	<b>442</b>	<b>212</b>	<b>349</b>	<b>346</b>

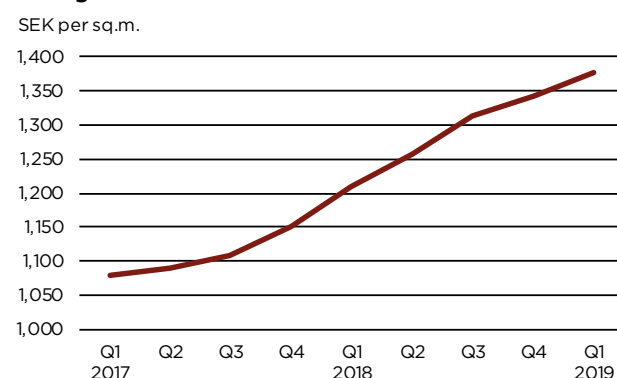
## RENEGOTIATION AND AVERAGE RENT

The lease contracts that were renegotiated in the period resulted in an average increase of rental values of 6 per cent (11). The average rent increased to SEK 1,377 per sq.m (1,207), an increase of 14 per cent compared to previous year.

## Rental value before and after renegotiation



## Average rent

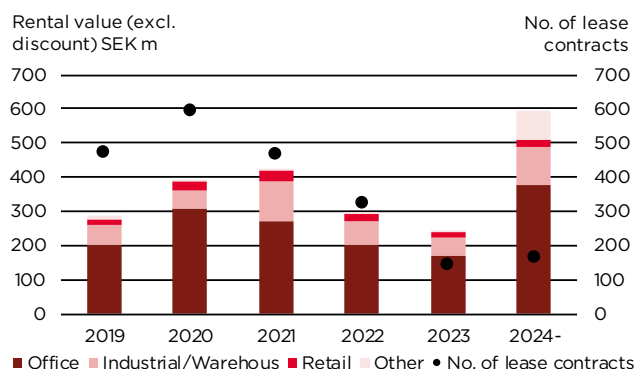


## LEASE CONTRACTS, MATURITY STRUCTURE

Kungsliden endeavours to achieve a diversified lease contract maturity structure. At present, 10–20 per cent of the contract portfolio matures each year and can be renegotiated. As of 31 March, the average maturity of remaining lease contracts was 4.1 years (3.9).

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

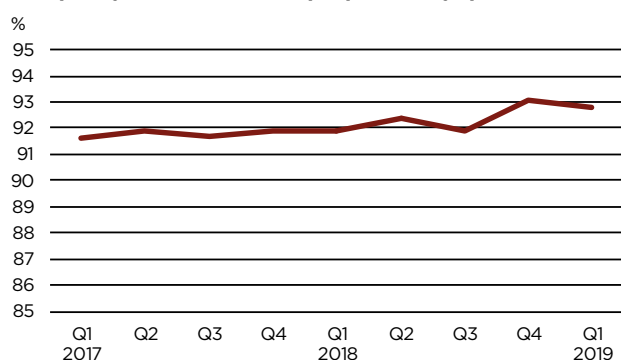
### Rental value, maturity structure



### OCCUPANCY RATE

The occupancy rate of investment properties was 92.8 per cent, compared to 93.1 per cent at the beginning of the year.

### Occupancy rate investment properties by quarter



### Kungsliden's largest tenants

Tenant	Rental value, SEK m	Average years
ABB	269	4,0
The Swedish Social Service Administration	52	5,5
Biz Apartments	40	9,3
ICA	38	2,9
Municipality of Västerås	38	5,0
ÅF	26	4,4
Westinghouse Electric Sweden	24	3,8
City of Stockholm	23	1,7
The Swedish Custom Service	22	4,5
SMHI	21	11,7
<b>10 largest tenants</b>	<b>554</b>	<b>4,8</b>

### 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 1,413 per sq.m, compared to SEK 1,377 per sq.m for the first quarter.

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, but properties that have been divested but not vacated 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, earning capacity in terms of operating net increased by SEK 37 million from SEK 1,520 million to SEK 1,557 million. The increase is explained by increase operating net in like-for like holdings.

### Earnings capacity investment properties by geography

	Stockholm	Gothenburg	Malmö	Västerås	Regional cities and other	Total investment properties	whereof sold not vacated	purchased not accessed <sup>2</sup>
No. of properties <sup>1</sup>	50	41	40	18	47	196	2	-
Leasable area, 000 sq.m <sup>1</sup>	493	258	221	476	374	1,822	-	-
Rental value, SEK m <sup>1</sup>	895	283	285	553	386	2,402	-	-
Operating net, SEK m	584	195	201	338	238	1,557	-	-
Rental revenue, SEK per sq.m <sup>1</sup>	1,909	1,133	1,382	1,267	1,143	1,413	-	-

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

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

### Earnings capacity investment properties by category

	Office	Industrial/Warehouse	Retail	Other	Total investment properties	whereof sold not vacated	purchased not accessed <sup>2</sup>
No. of properties <sup>1</sup>	93	65	28	10	196	2	-
Leasable area, 000 sq.m <sup>1</sup>	1,030	578	132	82	1,822	-	-
Rental value, SEK m <sup>1</sup>	1,644	492	147	119	2,402	-	-
Operating net, SEK m	1,054	308	99	95	1,557	-	-
Rental revenue, SEK per sq.m <sup>1</sup>	1,714	915	1,184	1,544	1,413	-	-

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

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

# PROJECT AND INVESTMENTS

## PROJECTS AND INVESTMENTS

Investments in new development, conversion and extension of the existing portfolio are an important component of Kungsleden's business model and is providing a progressively increasing contribution to the company's earnings and profitability. It generates increasing cash flow and value growth through reduced vacancies, higher average rents, and in some cases, the addition of leasable area.

Kungsleden has an investment programme of over SEK 3 billion for 2017–2019. Kungsleden expects to invest a total of SEK 1,300 million in 2019, of which SEK 314 million in the first quarter. The aim for these investments is 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 31 March, 5 major investment projects were in the implementation phase. These projects have aggregate investment volume of SEK 1,211 million. After completion, these converted properties are expected to generate annualised rental value of SEK 176 million. Several projects are already fully leased, and Kungsleden judges that the demand for the remaining premises is good.

## CURRENT MAJOR PROJECTS

### Blästern 14, Stockholm City West

This project is divided into two phases. Phase 1 is a hotel conversion for hotel operator Nobis, which accesses the premises in early-April 2019. This hotel – Blique by Nobis – will open at the end of April. Phase 2 involves the modernisation of 5,500 sq.m of offices. This phase is also fully leased, through an agreement with Covendum, a premium co-working concept focusing on services, technology and design. Phase 2 is scheduled for completion in early 2020. The Blästern 14 project on Gävlegatan in central Stockholm involves a total investment of approximately SEK 560 million, and rental value of SEK 65 million.

### Part of Karlslund 5:2 in Östersund

This project involves the development of custodial premises and a probation centre for the Swedish Prison & Probation Service, with a total area of just over 3,300 sq.m. This property, Karlslund 5:2 in central Östersund, already accommodates several public authorities and other organisations such as the police service, public prosecutor's office, emergency services, SOS Alarm, Swedish Customs, the Church of Sweden and the County Administrative Board. All these bodies are members of Trygghetens Hus, a collaborative co-location project whose mission is to help improve public safety and services. This project involves a total investment of SEK 160 million, and is scheduled for completion in spring 2020.

## Investment programme

SEK million					PLAN	
	2016	2017	2018	Jan-Mar 2019	2019	2020-2023
Development projects	141	312	578	97	600	1,800
Tenant improvements and other value-creating investments	341	499	596	198	600	1,800
Maintenance investments	127	114	126	19	100	400
<b>Total investments</b>	<b>609</b>	<b>925</b>	<b>1,300</b>	<b>314</b>	<b>1,300</b>	<b>4,000</b>

## Major current projects

Property designation	Category	Municipality	Completed	Leasable area, sq.m.	Estimated rental value, SEK m	Occupancy rate, %	Book value investment properties, SEK m	Book value development properties, SEK m	Estimated investment, SEK m	Whereof completed, SEK m
Blästern 14	Hotel, Office	Stockholm	2019, 2020 <sup>1</sup>	17,000	65	100	-	1,018	560	440
Rotterdam 1	Office	Stockholm	2020	21,300	61	65	-	949	225	22
Karlslund 5:2 - part of	Social services property (new development)	Östersund	2020	3,300	13	100	55	-	160	55
Taktpinnen 1	Office	Norrköping	2022	16,000	25	100	214	-	136	6
B26 Mimer 5 - part of	Office	Västerås	2019	4,700	12	52	40	-	130	40
<b>Total</b>				<b>62,300</b>	<b>176</b>		<b>310</b>	<b>1,967</b>	<b>1,211</b>	<b>563</b>
Other development properties							-	1,032		
Other investment properties							32,109	-		
<b>Total development and investment properties</b>							<b>32,419</b>	<b>2,999</b>		

<sup>1</sup> Hotel to be completed in Q2 2019. Office phase scheduled for completion in Q1 2020.



### **B26, part of Mimer, Västerås City**

This building has a total of 4,700 sq.m of leasable area, and is located centrally in the Mimer 5 quarter. With a new coworking and services concept produced jointly with Aros Congress Center, B26 will be a new and exciting centre for enterprises and individuals with a shared interest in creativity and business. The preliminary estimate of this investment is SEK 130 million, which is scheduled to be ready for occupancy in late-2019.

### **Rotterdam District, Stockholm City East**

Project planning of a new frontage design and entrances to create a contemporary and harmonic implementation is ongoing. The entrances onto Hangövägen in Värtahamnen, and the existing restaurant is planned for conversion to make the ground floor more welcoming and open to the public. Leasing of remaining vacant areas and adaptation of premises for Easypark, The Beverage Group and Vision is ongoing. The estimated investment volume for the whole project is SEK 225 million.

### **Taktpinnen 1, Norrköping**

The scale of the conversion for SMHI (the Swedish Meteorological and Hydrological Institute) at the office property Taktpinnen 1 in Norrköping has increased due to a need for premises that has changed during the term of the project. This change has resulted in a supplementary agreement to lease an additional 1,864 sq.m. This change means a somewhat higher forecast for both the rental value and the final cost at the same time as the project end date moving forward to 2022. SMHI has been occupying this property since the mid-1970s, and will be located there through project implementation.

### **COMPLETED PROJECTS**

No projects were completed in the first quarter of 2019.

### **FORTHCOMING PROJECTS**

Project Eden is the name of Kungsleden's land allocation in Hyllie, Malmö. This property is strategically located by Hyllie Boulevard, and will be a Symbiotic Building, Kungsleden's proprietary brand concept focusing on health, service, technology and nature. The building will have LEED and WELL Building Standard certification, which is the first international building standard focusing on human well-being at work. Leasing of this project, which has some 8,000 sq.m of offices, is ongoing, and construction start is scheduled for 2019.

At Stettin 6, an office property in Värtahamnen (Stockholm City East cluster) leasing work is ongoing on a total of 9,000 sq.m. The property offers contemporary and flexible premises with attractive courtyards and closeness to nature.

Conceptual and leasing work is ongoing in a vacant building of some 6,000 sq.m in the centrally located Oxelbergen 2:1 district of Norrköping.

Conceptual development and leasing of the property Borgarfjord 5 of approximately 10,000 sq.m of leasable area is ongoing in Kista, near Stockholm. This property will be vacant in the third quarter of 2019.

### **Vision Finnslätten – a collaborative project with future investment opportunities**

A successful collaborative project on how Finnslätten will continue to develop and grow alongside businesses in the location started in autumn 2018. The aim of these efforts is to create a new, attractive urban district to attract more innovative enterprises and talented people, as well as research and development.

This process was initiated jointly by Kungsleden and ABB, and is in close partnership with the City of Västerås, Mälardalen University and a number of other businesses including Northvolt, AA-logistik and Quintus. Kungsleden, as the single largest property owner in the location, will get the opportunity to invest in several value-creating development projects through this collective initiative, for existing and potential businesses in the location.

# FINANCING

Kungsleden is now a financially stable company with well-diversified borrowing and a spread maturity structure of interest-bearing liabilities, which limits its refinancing risk. Kungsleden endeavours to have a low share of short-term borrowing, and at any time, have contingency to meet payments including loan roll-overs for the coming 12 months.

## SIGNIFICANT EVENTS IN THE INTERIM PERIOD

In the first quarter of the year, Kungsleden refinanced a secured bank loan of approximately SEK 3,200 million. This re-financing contributed to reducing finance costs and extending the average debt maturity, which was 5.5 years at the end of the period.

Approximately SEK 900 million of the new facilities are a green bank loan, which is secured against direct collateral in a LEED Gold-certified property.

An existing SEK 2,000 million revolving credit facility was also re-financed in the period, with new maturity in February 2023. The extension of this credit facility enables good liquidity contingency for a horizon of several years, and enables Kungsleden to keep benefiting from good demand from credit investors in the commercial paper market.

At the end of the period, Kungsleden had SEK 450 million of outstanding commercial paper.

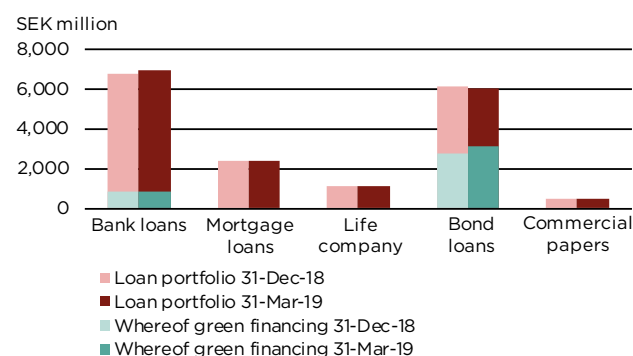
In the first quarter, Kungsleden exercised a right within the terms of its bonds to re-purchase existing bond loans with final maturity in June 2019 in advance. This bond had a nominal amount of SEK 494 million, an interest corresponding to Stibor +3.50 per cent, was re-purchased without incurring any redemption cost. The re-purchase was financed through the issue of a green bond in Kungsleden's MTN programme with a nominal amount of SEK 400 million and an interest corresponding to Stibor +1.80 per cent with final maturity in March 2023.

In the quarter, Moody's confirmed Kungsleden's Ba1 rating with positive outlook. Kungsleden's goal-oriented work on creating a high-quality property portfolio, coupled with progressively consolidating its financial position, was a contributor to Kungsleden satisfying the standards applying to an investment grade company.

Nevertheless, Moody's decided to maintain the current Ba1 rating with positive outlook, referring to its opinion of increased uncertainty regarding future market conditions, and it wanting Kungsleden to build more capacity, mainly in terms of achieving an LTV ratio down towards 45 per cent. Since the rating was assigned, Kungsleden has secured better financing terms from the capital markets and banking system, which helped its average interest rate to keep decreasing, simultaneous with extending its debt maturity.

Kungsleden is a frequent issuer on the capital markets. At the end of the quarter, it had SEK 5,988 million of outstanding bonds within its SEK 8,000 million MTN programme, with green bonds representing SEK 3,100 million of this total. Another SEK 500 million of green bonds were issued after the end of the period with a four-year maturity, which means that all bond maturities in 2019 in 2020 have now been dealt with.

## Loan portfolio



## Maturity structure, loans and interest rate derivatives

As per 31 March (SEKm)	Bank loans and other borrowings	Bonds	Unutilised credits	Total credit facilities	Interest rate derivatives	Forward starting interest rate derivatives	Ave. interest rate, derivatives, %
2019	450	488	250	1,188	-	-	-
2020	-	-	-	-	-	-	-
2021	492	2,400	-	2,892	-	-	-
2022	-	2,500	-	2,500	2,000	-	0.3
2023	1,385	600	2,000 <sup>1</sup>	3,985	-	3,000 <sup>2</sup>	0.9
2024	2,514	-	-	2,514	1,450	-	0.6
2025	2,497	-	-	2,497	1,000	-	0.8
2026	630	-	-	630	-	2,000 <sup>3</sup>	1.4
2027	1,594	-	-	1,594	-	-	-
2036	1,340	-	-	1,340	-	-	-
<b>Total</b>	<b>10,903</b>	<b>5,988</b>	<b>2,250</b>	<b>19,141</b>	<b>4,450</b>	<b>5,000</b>	

<sup>1</sup> Whereof SEK 450 million is back-up for issued commercial paper

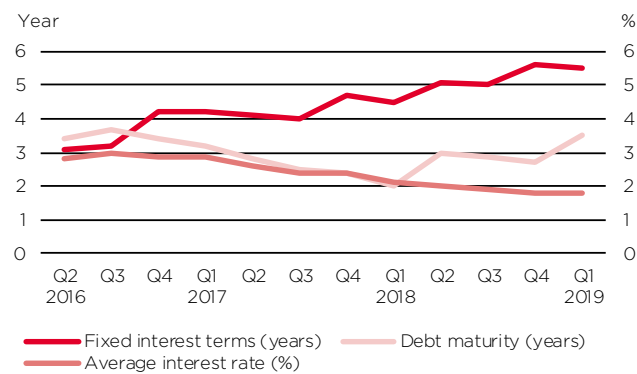
<sup>2</sup> Starts in January 2020

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



**FIXED INTEREST TERM AND INTEREST COVERAGE RATIO**

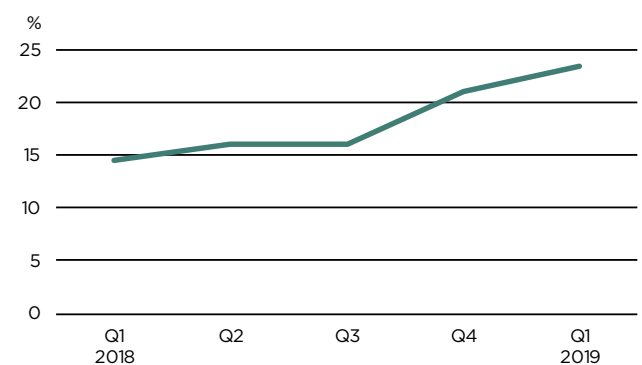
Kungsliden works actively to adapt the group’s interest fixing profile to conform with its business plan, and within the auspices of the group’s Finance Policy. Kungsliden arranged SEK 2,000 million of new forward-starting swaps in the quarter, starting in 2022 and final maturity in 2026. These actions contributed to extending the average fixed interest period to 3.5 years (2.7). The interest coverage ratio during the preceding 12-month period, continued to increase through higher earnings and lower financial expenses, and was a multiple of 4.3 at the end of the period.



**GREEN FINANCING**

Investor interest in green bonds has progressively increased, and issuing green bonds is a natural step in our sustainability work. Apart from the sustainability aspect, green finance also usually offers better interest terms than traditional borrowing. Kungsliden’s ambition is that in time, all green assets will be financed with green loans. At the end of the quarter, outstanding green finance was approximately SEK 4,000 million, of which approximately SEK 900 million consisted of a green bank loan, and SEK 3,100 million of green bonds. Green loans represent some 24 per cent of the total loan portfolio.

**Share of green financing**



# KUNGSLEDEN'S SHARE

Kungsleden's share is on Nasdaq Stockholm's Large Cap list. Market capitalisation was SEK 16.2 billion at the end of the first quarter.

The price paid for the Kungsleden share at the beginning of the year was SEK 62.00, and SEK 74.00 at the end of the first quarter. The lowest closing price in the year was on 2 January at SEK 62.30. The highest closing price was on 29 March at SEK 74.00.

## SHARE CAPITAL AND TURNOVER

Kungsleden has one share class, ordinary shares, and each share carries one vote. Share capital was unchanged in the quarter, at SEK 91,001,376. There are 218,403,302 ordinary shares.

56 million (53.8) Kungsleden shares were traded in the quarter, with a total value of SEK 3.9 billion (3.0). Nasdaq Stockholm represented 51.1 per cent of all trading in the Kungsleden share.

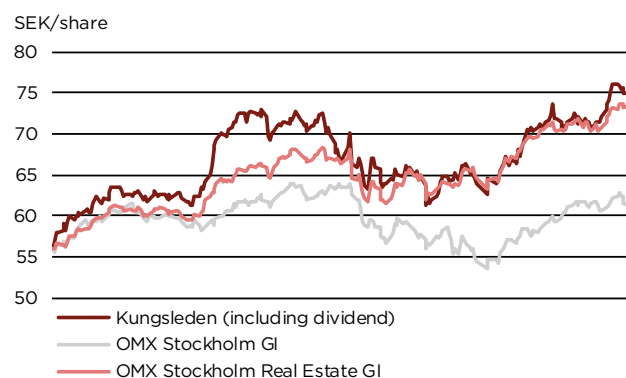
## DIVIDEND POLICY

The company's dividend policy stipulates that the dividend should progress consistently with profit from property management. In 2018, profit from property management increased by 14 per cent. The Board of Directors has proposed at the AGM 2019 increases the dividend to SEK 2.40 per share (2.20), a 9 per cent increase on the previous year.

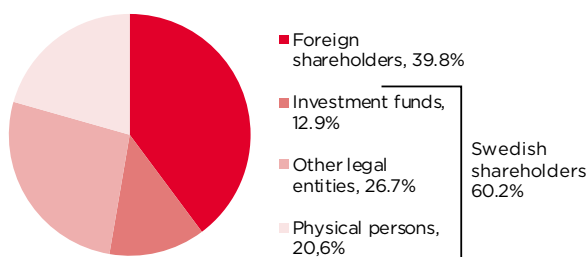
## Key ratios per share

Data per share	2018/2019 Apr-Mar	2018 Jan-Dec
Dividend paid, SEK	2.20	2.20
Total return on share, %	36.7	9.4
Dividend yield on share, %	3.2	3.8
Profit from property management, SEK	5.32	5.15
Net profit, SEK	8.90	9.41
EPRA EPS (profit from property management after tax), SEK	5.03	4.84
	<b>2019-03-31</b>	<b>2018-12-31</b>
EPRA NAV (long-term net asset value), SEK	84.40	81.01
EPRA NNAV (current net asset value), SEK	82.64	79.66
Equity, SEK	74.60	72.19
Share price, SEK	74.00	62.90

## Total return on share, 1 April 2018-31 March 2019



## Ownership structure



## Shareholders as per 31 March 2019

Name	No. of shares	Share of capital, %
Gösta Welandson and companies	31,637,781	14.5
Olle Florén and companies	6,750,797	3.1
Vanguard	6,337,007	2.9
BlackRock	6,095,364	2.8
Handelsbanken investment funds	5,700,000	2.6
APG Asset Management	5,564,085	2.5
Norges Bank	5,355,695	2.5
TR Property Investment Trust	4,530,553	2.1
Rutger Arnhult	3,645,559	1.7
Catella investment funds	3,386,740	1.6
<b>Total 10 largest owners</b>	<b>79,003,581</b>	<b>36.2</b>
Foreign shareholders, other	59,124,955	27.1
Swedish shareholders, other	80,274,766	36.8
<b>Total</b>	<b>218,403,302</b>	<b>100.0</b>



## GROUP CASH FLOW

SEK million	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
<b>OPERATIONS</b>			
Profit from property management	267	229	1,124
Adjustments for non-cash items	-14	12	7
Tax paid	0	0	0
<b>Cash flow before changes in working capital</b>	<b>253</b>	<b>241</b>	<b>1,131</b>
Changes in working capital	32	42	-4
<b>Cash flow after changes in working capital</b>	<b>285</b>	<b>284</b>	<b>1,127</b>
<b>INVESTING ACTIVITIES</b>			
Investments in current properties	-314	-222	-1,300
Acquisition of properties	-608	-859	-1,836
Divestment of properties	676	19	1,005
Other intangible and tangible assets, net	0	0	0
Financial assets, net	0	-29	-206
<b>Cash flow from investing activities</b>	<b>-246</b>	<b>-1,090</b>	<b>-2,337</b>
<b>FINANCING ACTIVITIES</b>			
Dividend	-120	-	-360
Repayment of loans	-3,899	-2,329	-3,602
New loans	3,909	4,320	5,330
<b>Cash flow from financing activities</b>	<b>-110</b>	<b>1,991</b>	<b>1,368</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>-71</b>	<b>1,185</b>	<b>158</b>
Cash and cash equivalents at beginning of period	471	313	313
Exchange rate difference in cash and cash equivalents	-	-	0
<b>Cash and cash equivalents at end of period</b>	<b>400</b>	<b>1,498</b>	<b>471</b>

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

Operating cash flow after changes in working capital was SEK 285 million in the period.

SEK 314 million was invested in existing properties and projects in the period.

Purchase consideration of SEK 608 million was paid on accessing the third property in the Tändstickan district of Gothenburg.

Purchase consideration of SEK 676 million was received in January on vacating Kungsleden's portfolio in Eskilstuna.

A dividend of SEK 120 million was paid to shareholders, which is the final payment of a total of four for the dividend resolved for the financial year 2017. Borrowings in the year meant that interest-bearing liabilities increased by SEK 10 million gross. As cash and bank balances decreased by SEK 71 million, net debt increased by SEK 81 million.

Kungsleden's LTV ratio continued to decrease from 47.3 per cent to 46.6 per cent due to unrealised increases in value in the property portfolio. Total liquid funds available were SEK 2,200 million (2,137), including granted and available credit facilities, after deducting for backups for issued commercial paper.

### Change in net debt January-March 2019



## SEGMENT REPORTING

### JAN-MAR 2019<sup>1</sup>

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

### JAN-MAR 2018<sup>1</sup>

SEK million	Stockholm	Gothenburg	Malmö	Västerås	Regional cities and other	Development properties	Unallocated	Total
Revenue	203	55	57	132	120	20	-	<b>588</b>
Property costs	-67	-22	-20	-61	-48	-15	-	<b>-233</b>
<b>Operating net</b>	<b>136</b>	<b>33</b>	<b>37</b>	<b>71</b>	<b>72</b>	<b>5</b>	<b>-</b>	<b>354</b>
Selling- and administration costs	-	-	-	-	-	-	-27	<b>-27</b>
Net financial items	-	-	-	-	-	-	-98	<b>-98</b>
<b>Profit from property management</b>	<b>136</b>	<b>33</b>	<b>37</b>	<b>71</b>	<b>72</b>	<b>5</b>	<b>-125</b>	<b>229</b>
<b>Changes in value, assets</b>								
Properties	254	66	11	118	94	38	4	<b>585</b>
Interest rate derivatives	-	-	-	-	-	-	1	<b>1</b>
<b>Profit before tax</b>	<b>391</b>	<b>99</b>	<b>48</b>	<b>189</b>	<b>166</b>	<b>42</b>	<b>-120</b>	<b>815</b>
Tax	-	-	-	-	-	-	-178	<b>-178</b>
<b>Net profit</b>	<b>391</b>	<b>99</b>	<b>48</b>	<b>189</b>	<b>166</b>	<b>42</b>	<b>-299</b>	<b>637</b>
<b>Book value properties</b>	<b>13,993</b>	<b>3,062</b>	<b>3,029</b>	<b>5,394</b>	<b>5,166</b>	<b>1,976</b>	<b>-</b>	<b>32,620</b>

<sup>1</sup> Which properties are included in the category project properties varies over time. It can therefore partly differ this year compared to what was reported in the same period last year (see page 23 for current definitions).

## KEY RATIOS

	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
<b>Property related</b>			
Property yield, %	4.4	4.5	4.8
Occupancy rate, %	91.2	90.6	91.5
Surplus ratio, %	65.5	60.4	66.7
Actuals, investment properties			
Property yield, investment properties, %	4.7	4.7	5.1
Occupancy rate, investment properties, %	92.8	91.9	93.1
Surplus ratio, investment properties, %	66.8	61.6	67.7
Rental revenue, investment properties, SEK/sq.m			1,342
Property costs, investment properties, SEK/sq.m			381
<b>Financial</b>			
Return on total assets, %	3.9	4.0	4.4
Return on equity, %	13.1	17.5	13.7
Interest coverage ratio, times	4.3	3.3	4.1
Equity ratio, %	44.1	43.1	44.5
Debt/equity ratio, multiple	1.0	1.2	1.1
LTV (loan-to-value) ratio, %	46.6	48.0	47.3
<b>Data per share</b>			
Dividend paid, SEK			2.20
Total return on share, %			9.4
Dividend yield on share, %			3.8
Profit from property management, SEK	1.22	1.05	5.15
Net profit, SEK	2.41	2.91	9.41
Cash flow before changes in working capital, SEK	1.16	1.10	5.18
EPRA EPS (profit from property management after tax), SEK	1.17	0.98	4.84
EPRA NAV (long-term net asset value), SEK	84.40	75.46	81.01
EPRA NNNNAV (current net asset value), SEK	82.64	74.09	79.66
Equity, SEK	74.60	67.90	72.19
Outstanding no. of shares at end of period	218,403,302	218,403,302	218,403,302
Average number of shares	218,403,302	218,403,302	218,403,302

## KEY RATIOS BY SEGMENT

	Stockholm	Gothenburg	Malmö	Västerås	Regional cities and other	Development properties	Total
No. of properties	50	41	40	18	47	12	<b>208</b>
Leasable area, 000 sq.m	493	258	221	476	374	161	<b>1,983</b>
Rental value, SEK m	228	76	72	143	101	33	<b>653</b>
Rental revenue, SEK m	210	67	67	134	90	18	<b>586</b>
Operating net, SEK m	149	46	52	77	55	5	<b>384</b>
Book value, SEK m	14,416	3,894	4,041	5,912	4,157	2,999	<b>35,418</b>
Occupancy rate, %	92.0	97.4	93.6	93.1	90.3	66.9	<b>91.2</b>
Surplus ratio, %	71.1	69.1	77.6	57.5	60.7	27.6	<b>65.5</b>
Property yield, %	4.2	5.2	5.2	5.3	4.9	0.7	<b>4.4</b>
New leasing, SEK m	17	3	9	3	14	1	<b>46</b>
Net leasing, SEK m	-4	0	1	-1	6	0	<b>2</b>
Investments, SEK m	76	16	9	107	42	64	<b>314</b>
Unrealised changes in value – properties, SEK m	187	90	23	109	51	36	<b>496</b>

## QUARTERLY SUMMARY

### INCOME STATEMENT IN SUMMARY

SEK million	2019		2018		2017			
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Revenue	589	607	594	597	588	567	574	591
Operating net	384	412	424	396	354	367	418	391
Selling and administration costs	-28	-21	-19	-27	-27	-31	-36	-29
Net financial items	-88	-87	-89	-93	-98	-93	-107	-111
<b>Profit from property management</b>	<b>267</b>	<b>303</b>	<b>316</b>	<b>276</b>	<b>229</b>	<b>243</b>	<b>276</b>	<b>250</b>
Profit (loss) from divestment	-7	-19	-1	0	4	7	-12	-1
Unrealised changes in value, properties	496	331	302	404	581	367	386	288
Unrealised changes in value, financial instruments	-91	-55	48	-67	1	5	15	28
<b>Profit before tax</b>	<b>665</b>	<b>560</b>	<b>666</b>	<b>612</b>	<b>815</b>	<b>622</b>	<b>664</b>	<b>565</b>
Tax	-139	-167	-169	-84	-178	-129	-183	-125
<b>Net profit</b>	<b>526</b>	<b>393</b>	<b>497</b>	<b>528</b>	<b>637</b>	<b>493</b>	<b>481</b>	<b>440</b>

### BALANCE SHEET IN SUMMARY

SEK million	2019		2018		2017			
	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
<b>ASSETS</b>								
<b>Non-current assets</b>								
Intangible assets	12	11	9	9	8	9	10	11
Properties	35,418	34,697	34,012	33,692	32,620	30,974	30,227	30,592
Assets of right of use	776	-	-	-	-	-	-	-
Equipment	5	5	6	6	7	7	8	8
Other long-term receivables	4	4	12	12	12	12	12	12
<b>Total non-current assets</b>	<b>36,216</b>	<b>34,718</b>	<b>34,040</b>	<b>33,719</b>	<b>32,647</b>	<b>31,002</b>	<b>30,257</b>	<b>30,623</b>
<b>Current assets</b>								
Current receivables	302	201	205	49	259	231	247	286
Derivatives	-	4	24	-	-	-	-	-
Cash and bank balances	400	471	554	643	1,498	313	241	452
<b>Total current assets</b>	<b>702</b>	<b>677</b>	<b>784</b>	<b>692</b>	<b>1,757</b>	<b>544</b>	<b>488</b>	<b>738</b>
<b>TOTAL ASSETS</b>	<b>36,918</b>	<b>35,394</b>	<b>34,823</b>	<b>34,411</b>	<b>34,405</b>	<b>31,546</b>	<b>30,745</b>	<b>31,360</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>16,293</b>	<b>15,767</b>	<b>15,375</b>	<b>14,877</b>	<b>14,829</b>	<b>14,192</b>	<b>13,699</b>	<b>13,218</b>
<b>Interest-bearing liabilities</b>								
Liabilities to credit institutions	9,307	9,204	9,226	9,249	8,999	11,078	12,431	13,198
Bond loans (unsecured)	5,988	6,082	6,082	5,800	5,600	1,950	600	600
Other borrowing	1,596	1,596	1,596	1,946	2,546	2,126	2,026	2,025
<b>Total interest-bearing liabilities</b>	<b>16,891</b>	<b>16,882</b>	<b>16,904</b>	<b>16,995</b>	<b>17,144</b>	<b>15,153</b>	<b>15,057</b>	<b>15,823</b>
<b>Non interest-bearing liabilities</b>								
Provisions	5	5	12	12	12	12	12	12
Deferred tax liabilities	2,018	1,892	1,721	1,551	1,511	1,333	1,180	1,079
Liabilities of right of use	776	-	-	-	-	-	-	-
Derivatives	122	34	-	147	141	171	185	367
Other non interest-bearing liabilities	813	814	810	828	766	684	612	861
<b>Total non interest-bearing liabilities</b>	<b>3,734</b>	<b>2,745</b>	<b>2,543</b>	<b>2,539</b>	<b>2,431</b>	<b>2,199</b>	<b>1,989</b>	<b>2,319</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>36,918</b>	<b>35,394</b>	<b>34,823</b>	<b>34,411</b>	<b>34,405</b>	<b>31,546</b>	<b>30,745</b>	<b>31,360</b>

## PARENT COMPANY

### INCOME STATEMENT IN SUMMARY

SEK million	2019 Jan-Mar	2018 Jan-Mar	2018 Jan-Dec
Intra-group revenue	0	0	0
Administration costs	-10	-12	-34
<b>Operating profit (loss)</b>	<b>-10</b>	<b>-12</b>	<b>-34</b>
Profit from financial items	-100	20	463
<b>Profit before tax</b>	<b>-110</b>	<b>8</b>	<b>429</b>
Tax	23	-2	-43
<b>Net profit</b>	<b>-87</b>	<b>6</b>	<b>386</b>

### BALANCE SHEET IN SUMMARY

SEK million	2019-03-31	2018-03-31	2018-12-31
<b>ASSETS</b>			
Participations in group companies	3,018	2,507	3,018
Receivables from group companies	19,015	16,305	18,802
Other receivables	233	254	210
Cash and cash equivalents	399	1,483	470
<b>TOTAL ASSETS</b>	<b>22,665</b>	<b>20,549</b>	<b>22,500</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	8,147	8,335	8,234
Non-current liabilities	5,624	5,743	5,137
Liabilities to group companies	7,928	5,048	7,534
Other liabilities	966	1,423	1,595
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>22,665</b>	<b>20,549</b>	<b>22,500</b>

## OTHER INFORMATION

### ORGANISATION AND EMPLOYEES

The average number of employees was 110 (104) for the period.

### RISKS AND UNCERTAINTIES

Kungsleden's operations, results of operations and financial position are affected by a number of risk factors. These relate mainly to properties, tax and financing. No material changes to risks and uncertainty factors occurred in 2019. More information on Kungsleden's risks and risk management is on pages 52-55 of the Annual Report for 2018.

### INFORMATION BASED ON FORECASTS

Some of the items in this report are forecasts and actual outcomes may differ significantly. In addition to the factors that have been expressly commented on, other factors may also have a material impact on actual outcomes, such as economic growth, interest rates, financing terms, required yields on property assets and political decisions.

### ALTERNATIVE PERFORMANCE MEASURES

Kungsleden applies European Securities and Markets Authority (ESMA) guidelines on alternative performance measures. According to these guidelines, an alternative performance measure is a financial metric of historical or future earnings performance, financial position, financial results or cash flows, which is not defined or stated in applicable rules for financial reporting (IFRS and the Swedish Annual Accounts Act). Kungsleden reports EPRA EPS, EPRA NAV and EPRA NNNAV in accordance with European Public Real Estate Association (EPRA) definitions.

### EVENTS AFTER THE END OF THE PERIOD

No significant events have occurred since the end of the interim period.

## 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 IFRS 16 Leases. 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 holdings 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. For derivatives, where Kungsleden holds a number of interest rate swaps, market valuations are conducted each quarter with classification at level 2. No significant difference is deemed to exist between book and fair values.

### NEW ACCOUNTING POLICIES

IFRS 16 Leases replaced IAS 17 Leases with associated interpretation statements. The new standard requires that lessees report assets and liabilities related to all leases, with the exception of agreements less than twelve months and/or of low value. For lessors, the new standard means almost no change from current standards. Kungsleden will be applying IFRS 16 Leases effective 1 January 2019, and accordingly, will not be applying this standard retroactively. Comparative figures for 2018 have not been restated, in accordance with the modified retrospective approach. Recognised right-of-use assets will be assigned the same value as the recognised lease liability as of 1 January 2019. The Income Statement has been impacted by a majority of lease expenses being reclassified from property costs to net financial items. Accordingly, profit from property management is not impacted by the new Standard. For more information, see page 6.

Stockholm 26 April 2019

Biljana Pehrsson  
Chief Executive Officer

This interim report has not been reviewed by the company's auditors. This document is a translation of an original document in Swedish. In any instance of discrepancy, the original document should be taken as authoritative.

## DEFINITIONS

### PROPERTY RELATED KEY RATIOS

#### 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 interim 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 property management unit, urban concentration, category, cluster and investment-and development properties.*

The value for the interim 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.

#### Operating and maintenance cost, SEK per sq.m

Operating and maintenance cost in relation to average leasable area.

#### Operating net

Total revenues less property costs.

#### Vacancy rate

Estimated market rent for vacant areas in relation to rental value.

#### Occupancy rate

This metric is intended to facilitate assessment of possible rental revenue in relation to the total value of possible vacant area. Calculated as rental revenue before deductions in relation to rental value.

#### Property costs, SEK per sq.m

Property costs in relation to average leasable area.

#### Profit from property management

Profit from property management is a specific performance metric used in the property sector to facilitate comparability in the industry. Calculated as the sum of operating net, selling and administration costs and net financial items.

#### Average remaining contract length maturity

Remaining contract value divided by annual rent.

#### Rental revenue

Charged rents, rent surcharges and rental guarantees less rent discounts.

#### Rental value

Rental revenue plus estimated market rent for vacant units.

#### Contracted annual rent

Rent (exclusive of heating) plus a fixed additional supplement.

#### Average rent, SEK per sq.m

Rental revenues in relation to average leasable area.

#### Leasable area

Leased area and leasable vacant area.

#### Surplus ratio

Operating net in relation to rental revenues.

#### Other revenue

Revenues which have no direct link to lease agreements.

### FINANCIAL KEY RATIOS

#### Return on equity

Net profit for the period after tax in relation to average equity. At interim reporting, returns are converted to a full-year basis. Average equity is calculated as the sum of the opening and closing balances divided by two.

#### Return on total assets

Operating net, profit from property divestment, selling and administration costs in relation to average assets. At interim 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.

#### LTV (loan-to-value) ratio

Interest-bearing liabilities less cash and bank balances, and in relation to the book value of properties.

#### 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.

#### Debt/equity ratio

Interest-bearing liabilities in relation to equity.

#### Equity ratio

Equity including minority interests in relation to total assets.

### SHARE-RELATED KEY RATIOS

#### Dividend yield on shares

Adopted/proposed dividend/redemption in relation to the share price at year-end.

#### Total return on shares

The sum of the share price change during the period and during the dividend paid/redemption period in relation to the share price at the beginning of the period.

#### Adopted/proposed dividend per share

The Board of Directors' proposed dividend or dividend per share approved by the AGM.

#### Equity per share

Equity in relation to the number of shares at period end.

#### EPRA EPS (profit from property management after tax) per share

Profit from property management less taxable profit in relation to the average number of shares in the period.

#### EPRA NAV (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.

#### EPRA NNAV (current net asset value) per share

Reported equity adjusted for the estimated fair value of deferred tax (3.7 per cent), instead of reported value, in relation to the number of shares at the end of 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.

#### Cash flow before changes in working capital per share

Cash flow before changes in working capital in relation to the average number of shares.

#### Net profit for the period, per share

Net profit for the period in relation to the average number of shares in the period.

### GLOSSARY

#### Property costs

The costs for electricity, heating, water, property management, cleaning, property administration, insurance and maintenance less invoiced supplement for operations and maintenance.

#### Investment properties

The total property holding excluding development properties.

#### Category

The properties' primary usage by area. The type of area that accounts for the largest share of total area determines how properties are classified. Accordingly, a property with 51 per cent office space is classified as an office property. The categories are Office, Industrial/Warehouse, Retail and Other.

#### Cluster

Kungsleden defines clusters as a gathered property holding in a location with good accessibility, in a market with good growth and development potential. The optimal cluster has a favourable mix of offices, retail and residential, and an attractive service offering.

#### Contract value

Rent according to the lease agreements plus indexation and rent surcharges expressed as an annual value.

#### Development properties

Properties with areas of vacant possession that are planned to be vacated, short-term leased or demolished to enable development. Individual properties are classified as development properties on a quarterly basis, which may affect comparisons between periods. If a property changes classification between development and investment property, the comparative period is not affected.

#### Segment

Stockholm means Greater Stockholm, Gothenburg means Greater Gothenburg and Malmö means Greater Malmö.

#### 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.

#### Unrealised changes in value

Result of change in estimated market value of properties compared with the previous reporting period.

#### 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.

#### ESMA guidelines

See additional information on page 21.

# FINANCIAL CALENDAR, CONTACTS AND INVITATION TO PRESENTATION

## CALENDAR 2019

Annual General Meeting

**26 April**

Interim report

Jan-Jun 2019

**10 July**

Interim report

Jan-Sep 2019

**23 October**

### Presentation of interim report

Kungsleden presents the interim report on 26 April 2019 at 08.30.

The presentation will be held in English and is available on:

[www.kungsleden.se/Q1presentation](http://www.kungsleden.se/Q1presentation)

Phone number to the conference:

SE: +46 8 505 583 56

UK: +44 333 300 92 69

After the presentation a recorded version of the webcast together with the presentation will be available at:

<https://www.kungsleden.se/investerare/rapporter-och-presentationer/>

The report is also available at:

<https://kungsleden.se/investerare/rapporter-och-presentationer/>

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