

kungsleden

"Kungsleden's rental revenue continues to increase"



# Interim Report January–June 2021

# INTERIM REPORT JANUARY-JUNE 2021

Kungsleden 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 2021, we owned 207 properties with a leasable area of some 2 million sq.m. and a total value of SEK 42,539 million.

## INTERIM REPORT JANUARY-JUNE

- Profit from property management increased by 6 per cent to SEK 650 million (611). The increase is mainly explained by higher rental revenue, but also by reduced selling and administration costs.
- New leasing was SEK 95 million (73), and net leasing was SEK 11 million (8).
- 52 lease contracts (57) with total rental value of SEK 147 million (94) were renegotiated in the period. The rent increase on renegotiated lease contracts averaged 8 per cent (10).
- After investments of SEK 564 million and positive unrealised changes in value of SEK 1,355 million, property value at the end of the period was SEK 42,539 million compared to 40,718 million at the beginning of the year.
- EPRA NRV increased to SEK 105.88 per share (96.13).

## SIGNIFICANT EVENTS DURING AND AFTER SECOND QUARTER

- Several major leasings and renegotiations were completed in the quarter, including a new 15-year lease contract signed with AA Logistik AB on 32,000 sq.m. in Finnslätten in Västerås, where a new logistics facility will be built.
- Kungsleden relocated into its new innovative head office, which is developed as Symbiotic concept, and is located in the Rotterdam District, Värtahamnen, Stockholm.
- In the quarter Kungsleden divested just over 50,000 sq.m. of residential building rights in properties Järfälla Veddesta 2:65, part of Norrköping Oxelbergen 1:2, and part of Västerås Effekten 5. The zoning plan on part of Gothenburg Stiernhielm 7, divested in 2016, also came into effect. These divestments will generate positive profits of over SEK 200 million.

Key ratios	2021	2020	2021	2020	2020
	Jan-Jun	Jan-Jun	Apr-Jun	Apr-Jun	Jan-Dec
Book value properties, MSEK	42,539	39,387	42,539	39,387	40,718
Property yield, investment properties, %	4.4	4.6	4.5	4.5	4.6
Occupancy rate, investment properties, %	92.4	92.5	92.4	92.5	92.9
Surplus ratio, investment properties, %	70.1	69.1	71.8	70.0	70.1
Surplus ratio, investment properties excluding non-recurring effects, %	69.2	68.9	71.1	70.1	70.4
Return on equity, %	14.8	10.9	12.4	5.2	9.1
LTV (loan-to-value) ratio, %	44.1	45.3	44.1	45.3	45.0
Interest coverage ratio, multiple	4.8	4.5	4.9	4.3	4.5
Net profit, SEK per share	7.91	2.62	2.80	1.07	7.50
EPRA NRV, SEK per share	105.88	96.13	105.88	96.13	99.50
EPRA NTA, SEK per share	103.02	94.18	103.02	94.18	97.13

## CEO'S STATEMENT

### Kungsleden's rental revenue continues to increase

The second quarter was a strong period for Kungsleden, and in the first half-year, we improved our profit from property management by 6 per cent to SEK 650 million. The rental market has gathered pace, the transaction market is setting records, Sweden's growth is forecast at its highest level for several years, and we're clearly seeing people getting back to life before the pandemic.

In June, we welcomed our colleagues to our new, inspirational head office in The Rotterdam District in Värtahamnen, Stockholm, an innovative office space that conforms to our Symbiotic concept, serving as a dynamic place focused on modern working methods that centre on people. The Rotterdam District consists of some 21,300 sq.m. of leasable office areas and restaurants, and is part of our Stockholm City East cluster, where we have about 85,000 sq.m. of leasable area. Kungsleden is developing Värtahamnen in partnership with other property owners, to help create a unique environment close to areas of natural beauty, the waterfront and Stockholm city centre.

#### SEVERAL NEW MAJOR LEASE CONTRACTS AND RISING AVERAGE RENTS

Finnslätten in Västerås is another of Kungsleden's strategic and expansive clusters. In June, we signed a contract with AA Logistik, with Kungsleden building a new logistics facility comprising 32,000 sq.m. of warehousing in offices, with the customer relocating there in 2024, much to the approval of the world-leading enterprises located in the area.

In the first half year, we signed 154 lease contracts, and are maintaining positive net leasing of SEK 11 million. We also continued to successfully renegotiate existing lease contracts worth SEK 147 million, achieving an averaged rent increase of 8 per cent. The average rent on our property portfolio increased by 4 per cent to SEK 1,537 per sq.m. as of 30 June.

#### VALUE-CREATING DIVESTMENTS AND PROJECTS

We are continuing to realise the excellent potential of the building rights in our portfolio, divesting 32,000 sq.m. of residential building rights in Järfälla in the quarter, at a price of SEK 8,000 per sq.m. GTA.



We also divested part of the property Västerås Effekten for housing, and signed a contract to divest an undeveloped part of the property Norrköping Oxelbergen 1:2 as housing. The zoning plan on 20,000 sq.m. of residential building rights in part of the property Stiernhielm 7 in Gothenburg also came into effect, which we will vacate after the summer. These four divestments will generate positive profit of over SEK 200 million.

With profitable investments in projects and tenant adaptations, positive changes in value increased the value of our property portfolio by over SEK 1.8 billion to SEK 42.5 billion.

#### HIGH GROWTH GENERATES GOOD DEMAND

Sweden's economic growth is continuing to accelerate. Sweden's National Institute of Economic Research (KI) is currently forecasting growth of 4.4 per cent, and the Swedish Government, 4.7 per cent GDP growth this year. Our pipeline of new leaseings and future projects is strong. We offer an attractive property portfolio in the right locations in growth markets, creditworthy customers, committed people and a dedicated focus on sustainability. We're looking forward to the second half-year with confidence, and will be welcoming everyone back to their workplaces after the summer!

Stockholm, 7 July 2021

Biljana Pehrsson, CEO

## CONSOLIDATED INCOME STATEMENT

MSEK	2021 Jan-Jun	2020 Jan-Jun	2021 Apr-Jun	2020 Apr-Jun	2020 Jan-Dec
<b>Revenue</b>					
Rental revenue	1,272	1,249	639	617	2,501
Other revenue	17	16	7	11	29
<b>Total revenue</b>	<b>1,289</b>	<b>1,265</b>	<b>646</b>	<b>627</b>	<b>2,530</b>
<b>Property costs</b>					
Operations	-247	-241	-114	-115	-445
Maintenance	-36	-38	-18	-18	-80
Property tax	-66	-73	-34	-36	-150
Property administration	-54	-60	-27	-31	-112
<b>Total property costs</b>	<b>-404</b>	<b>-411</b>	<b>-193</b>	<b>-200</b>	<b>-787</b>
<b>OPERATING NET</b>	<b>885</b>	<b>854</b>	<b>453</b>	<b>427</b>	<b>1,743</b>
<b>Selling and administration costs</b>	<b>-47</b>	<b>-53</b>	<b>-28</b>	<b>-28</b>	<b>-102</b>
Financial revenues and financial costs	-172	-175	-84	-90	-355
Costs of right of use	-15	-14	-8	-7	-29
<b>Net financial items</b>	<b>-187</b>	<b>-189</b>	<b>-92</b>	<b>-98</b>	<b>-384</b>
<b>PROFIT FROM PROPERTY MANAGEMENT</b>	<b>650</b>	<b>611</b>	<b>332</b>	<b>301</b>	<b>1,257</b>
<b>Changes in value</b>					
Properties	1,373	303	424	61	960
Interest derivatives	131	-178	1	-57	-157
<b>Total changes in value</b>	<b>1,504</b>	<b>126</b>	<b>425</b>	<b>4</b>	<b>803</b>
<b>PROFIT BEFORE TAX</b>	<b>2,154</b>	<b>737</b>	<b>757</b>	<b>305</b>	<b>2,060</b>
<b>Tax</b>	<b>-444</b>	<b>-165</b>	<b>-156</b>	<b>-71</b>	<b>-424</b>
<b>NET PROFIT</b>	<b>1,711</b>	<b>573</b>	<b>601</b>	<b>234</b>	<b>1,636</b>
NET PROFIT PER SHARE	7.91	2.62	2.80	1.07	7.50

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	2021 Jan-Jun	2020 Jan-Jun	2021 Apr-Jun	2020 Apr-Jun	2020 Jan-Dec
Net profit	1,711	573	601	234	1,636
<i>Other comprehensive income</i>					
Translation gains/losses for the year, on consolidation of foreign operations	0	0	0	0	0
<b>Net profit</b>	<b>1,711</b>	<b>573</b>	<b>601</b>	<b>234</b>	<b>1,636</b>

## COMMENTS ON RESULTS FOR THE SECOND QUARTER

Profit from property management for the second quarter rose by 10 per cent to SEK 332 million (301). The increase is mainly due to an increase in operating net by 6 per cent. Profit for the quarter were SEK 601 million, compared to SEK 234 million for the corresponding period of the previous year. Except the growth in profit from property management the increase is due to greater positive changes in value of properties.

# PERFORMANCE ANALYSIS

## JANUARY-JUNE 2021

### REVENUE

Total revenue increased by SEK 24 million to SEK 1,289 million (1,265) in the first half-year. In a like-for-like portfolio of investment properties, rental revenue increased by SEK 32 million. The gains are explained by new leasing, renegotiation and indexation, but were countered by Covid-19-related discounting, as well as increased vacancies due to a higher share of tenants vacating early in the year. The positive net leasing in previous periods will have a positive effect later in the year, as tenants move in. Adjusted for items affecting comparability from early cancellation, the revenue increase in like-for-like portfolio terms of investment properties was 3 per cent.

### RENTAL REVENUE BY GEOGRAPHY

MSEK	2021	2020
	Jan-Jun	Jan-Jun
Stockholm	454	462
Gothenburg	148	141
Malmö	143	143
Västerås	294	272
Regional cities	171	160
Development properties	61	71
<b>Total rental revenue</b>	<b>1,272</b>	<b>1,249</b>
Other revenue	17	16
<b>Total revenue</b>	<b>1,289</b>	<b>1,265</b>

### RENTAL REVENUE

Rental revenue per sq.m. on investment properties continued to increase during the second quarter, and on a rolling 12-month basis, was SEK 1,529 per sq.m., a 3 per cent increase during the previous year. This increase is the outcome of successful new leasing and renegotiation work. On June 30, rental revenue per sq.m. for investment properties amounted to SEK 1,537 per sq.m.

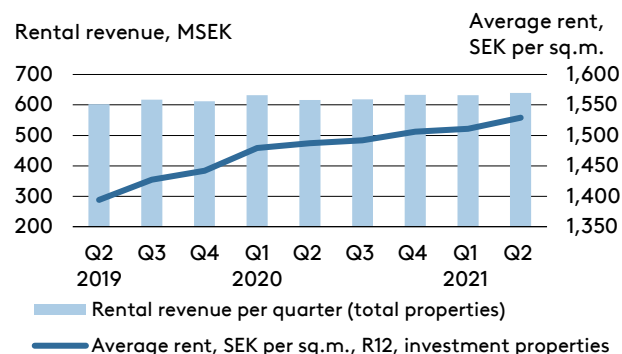
### PROGRESS OF RENTAL REVENUE

MSEK	2021	2020
	Jan-Jun	Jan-Jun
Investment properties (like-for-like portfolio terms)	1,208	1,176
Development properties	61	71
Acquired properties	2	0
Divested properties	0	2
<b>Total rental revenue</b>	<b>1,272</b>	<b>1,249</b>

### AVERAGE RENT, INVESTMENT PROPERTIES

SEK per sq.m.	2020 Jul-2021 Jun	2019 Jul-2020 Jun
Office	1,909	1,836
Industrial/ Warehouse	954	921
Retail	1,176	1,175
<b>Average</b>	<b>1,529</b>	<b>1,487</b>

### RENTAL REVENUE AND AVERAGE RENT



### PROPERTY COSTS

Total property costs decreased to SEK 404 million (411). Costs also decreased in like-for-like portfolio terms of investment properties, which is due to a net effect of reduced property administration costs, as well as electricity and heating costs because of a colder winter.

### PROGRESS OF PROPERTY COSTS

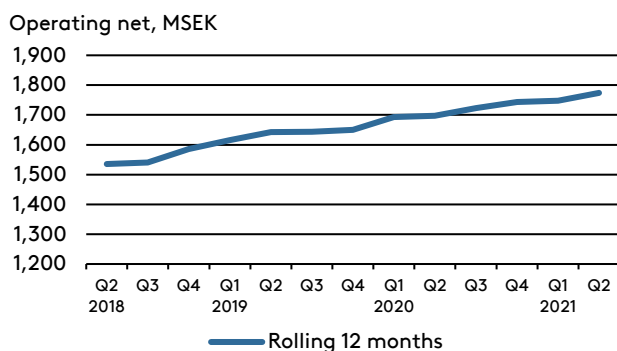
MSEK	2021	2020
	Jan-Jun	Jan-Jun
Investment properties (like-for-like portfolio terms)	371	378
Development properties	32	34
Acquired properties	1	0
Divested properties	0	0
<b>Total rental revenue</b>	<b>404</b>	<b>411</b>

### PROPERTY COSTS PER SQ.M. INVESTMENT PROPERTIES

2020 Jul-2021 Jun.	Industrial/			Total
	Office	Warehouse	Retail	
Operation	272	187	162	234
Maintenance	47	34	44	41
Property tax	100	22	76	73
<b>Direct property costs</b>	<b>419</b>	<b>243</b>	<b>282</b>	<b>349</b>
Property administration	69	34	45	55
<b>Total</b>	<b>487</b>	<b>277</b>	<b>328</b>	<b>404</b>
<i>Property costs 2019 Jul-2020 Jun</i>	<i>484</i>	<i>278</i>	<i>373</i>	<i>408</i>

## OPERATING NET

Operating net increased by SEK 31 million to SEK 885 million (854) in the interim period. In like-for-like portfolio terms of investment properties, operating net increased by SEK 33 million. After adjusting for items affecting comparability, the operating net increase in like-for-like portfolio terms was 5 per cent.



## SELLING AND ADMINISTRATION COSTS

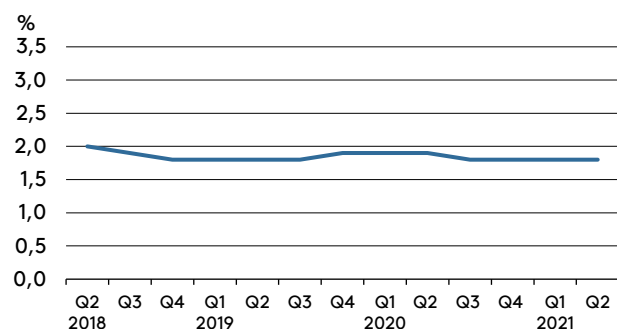
Selling and administration costs was SEK 47 million (53). The decrease is an outcome of lower personnel costs and travel costs.

## NET FINANCIAL ITEMS

Net financial items were SEK -187 million (-189), the decrease is due to a lower average interest rate on borrowing, 3-month Stibor being lower than in the corresponding period of the previous year, and borrowing costs of SEK 6 million were capitalized in the period attributable to projects. The decrease was reduced by non-recurring costs from the re-purchase of short-term bonds, and the loan portfolio being larger in the first half-year 2021 than in 2020.

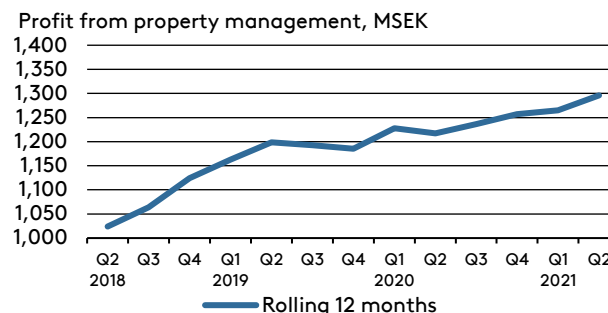
MSEK	2021 Jan-Jun	2020 Jan-Jun
Financial revenue	0	0
Interest expenses	-159	-162
One-off items related to repurchases of bonds	-5	-
Other financial costs	-14	-13
Capitalized borrowing costs	6	-
Costs of right of use	-15	-14
<b>Net financial items</b>	<b>-187</b>	<b>-189</b>

## AVERAGE INTEREST RATE PER QUARTER



## PROFIT FROM PROPERTY MANAGEMENT

The profit from property management was SEK 650 million (611) which corresponds to an increase of 6 per cent.



## CHANGES IN VALUE ON PROPERTIES

The trend of high demand for warehouse, industrial and logistics continued in 2021. In the office segment, the demand for transactions was also good. The unrealised increase in value on the property portfolio was SEK 1,355 million (304), or 3.2 per cent. This increase in value is due both to a downturn in the average required yield of 9 basis points, increased rental revenue, and completed projects. By the end of the period, the average required yield was 5.0 per cent, compared to 5.1 per cent at the beginning of the period. The realised changes in value amounted to SEK 18 million.

## UNREALISED CHANGES IN VALUE ON PROPERTIES

MSEK	2021 Jan-Jun
Change in yield requirements	719
Change in operating net	723
Changed assumptions of investments and other factors affecting the value	-87
<b>Total</b>	<b>1,355</b>

## CHANGES IN VALUE INTEREST RATE DERIVATIVES

The changes in value on financial instruments was positive of SEK 131 million (-178), a consequence of interest rates on longer maturities increasing in the period.

## TAX

The total tax expense in the period was SEK 444 million (165) of which SEK 0 million (0) is current tax. The tax expense corresponds to 20.6 per cent of profit before tax.



The focus is on health and well-being at our new head office in The Rotterdam District in Värtahamnen, Stockholm.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	30 Jun 2021	30 Jun 2020	31 Dec 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	12	12	12
Properties	42,539	39,387	40,718
Assets of right of use <sup>1</sup>	629	814	828
Equipment	3	3	3
Other long-term receivables	2	2	2
<b>Total non-current assets</b>	<b>43,186</b>	<b>40,219</b>	<b>41,564</b>
<b>Current assets</b>			
Current receivables	3	311	281
Derivatives	38	-	8
Cash and bank balances	901	455	685
<b>Total current assets</b>	<b>942</b>	<b>766</b>	<b>974</b>
<b>TOTAL ASSETS</b>	<b>44,128</b>	<b>40,985</b>	<b>42,538</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>19,367</b>	<b>18,061</b>	<b>18,500</b>
<b>Non-current liabilities</b>			
Liabilities to credit institutions	9,317	9,053	9,013
Other interest-bearing liabilities	6,846	8,196	8,346
Liabilities of right of use <sup>1</sup>	621	805	819
Derivatives	90	283	258
Deferred tax liability	3,350	2,652	2,910
Provisions	9	3	9
<b>Total non-current liabilities</b>	<b>20,233</b>	<b>20,993</b>	<b>21,355</b>
<b>Current liabilities</b>			
Liabilities to credit institutions	-	-	-
Other interest-bearing liabilities	3,508	1,048	1,670
Liabilities of right of use	8	9	9
Other liabilities	1,011	874	1,004
<b>Total current liabilities</b>	<b>4,527</b>	<b>1,931</b>	<b>2,684</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>44,128</b>	<b>40,985</b>	<b>42,538</b>

1. Revised assessment for measuring lease liabilities for site leasehold rights is made as of Q2 2021. Further information on page 21.

## GROUP CHANGES IN EQUITY

MSEK	30 Jun 2021	30 Jun 2020	31 Dec 2020
<b>Equity at beginning of period</b>	<b>18,500</b>	<b>17,488</b>	<b>17,488</b>
Repurchase of treasury shares	-241	-	-57
Dividend	-602	-	-567
Comprehensive income for the period	1,711	573	1,636
<b>Equity at end of period</b>	<b>19,367</b>	<b>18,061</b>	<b>18,500</b>

# OUR PROPERTIES

Kungsliden wants to make it possible for people to have a stimulating working life in sustainable places. With our high-reaching sustainability ambitions, we develop and manage attractive and functional properties and clusters in desirable locations in selected Swedish growth locations, with Stockholm representing the main market.

## OUR MARKETS

### STOCKHOLM

**46%**

19,385 MSEK

### VÄSTERÅS

**19%**

8,061 MSEK

### GOTHENBURG

**11%**

4,748 MSEK

### MALMÖ

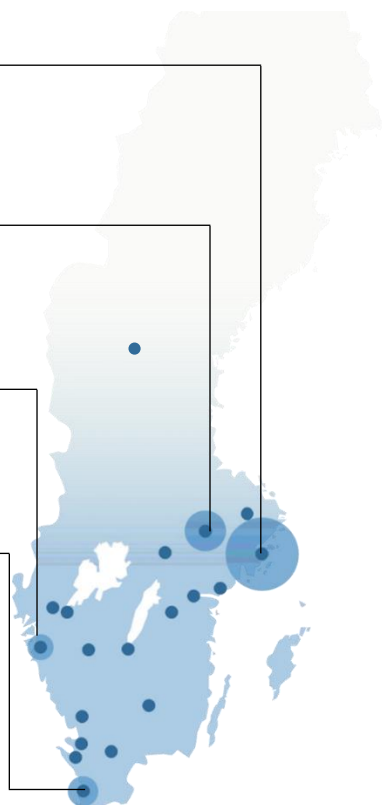
**11%**

4,918 MSEK

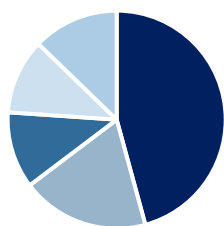
### REGIONAL CITIES

**13%**

5,427 MSEK

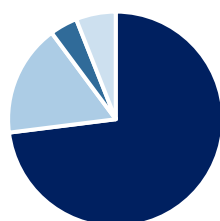


### PROPERTY VALUE BY GEOGRAPHY



- Stockholm, 46%
- Västerås, 19%
- Malmö, 11%
- Gothenburg, 11%
- Regional cities, 13%

### PROPERTY VALUE BY CATEGORY



- Office, 73%
- Industry/Warehouse, 17%
- Retail, 4%
- Other, 6%

## PROPERTY PORTFOLIO

Kungsliden owns 207 properties with a book value of SEK 42,539 million. The vast majority of the portfolio, nearly 90 per cent, is in one of our four priority growth markets: Stockholm, Gothenburg, Malmö and Västerås. In recent years, we have invested in optimising our portfolio and improving the quality of our properties. Currently, Kungsliden owns fewer properties, but with higher average rent per sq.m., and higher property value. The share of office and industrial, warehouse and logistics properties has increased steadily, now making up 90 per cent of property value.

Our ownership features sustainability and a long-term view and 45 per cent of the property portfolio are environmentally certified. We continuously work on developing, improving, modernising and adapting our properties for tenants. The occupancy rate in our investment properties was 92.4 per cent, compared to 92.6 per cent at the beginning of the quarter. 70 per cent of the total book value is located in one of our 12 clusters which enables us to be involved in driving the development of entire areas and work actively to develop our customer offer.

Region	Clusters	Leaseable area, sq.m.	Book value, BSEK
Stockholm	Kista City	147,000	4.6
	Stockholm City East	85,000	4.5
	Danderyd Office	100,000	3.4
	Stockholm City West	40,000	2.5
	Västberga	38,000	0.6
Gothenburg	Gothenburg South Central	40,000	1.7
	Högsbo	109,000	1.5
Malmö	Hyllie	48,000	1.6
	Fosie	52,000	0.7
Västerås	Västerås City	154,000	4.3
	Finnslätten	237,000	2.6
Rest of Sweden	City of Östersund	82,000	1.4

## PROGRESS OF THE PROPERTY PORTFOLIO JAN-JUN 2021

MSEK	Investment properties	Development properties	Total
Properties at beginning of period			
	37,715	3,004	40,719
Reclassifications <sup>1</sup>	-221	221	-
Acquisitions, completed	0	0	0
Investments	397	168	564
Divestments, completed	-99	-	-99
Unrealised changes in value	1,308	46	1,355
<b>Properties at end of period</b>	<b>39,101</b>	<b>3,438</b>	<b>42,539</b>

1. Investment property reclassified to development property



## ACQUISITIONS, DIVESTMENTS, ACCESSED PROPERTIES AND CLOSED DIVESTMENTS

Kungsleden vacated the property Täby Fräsen 1 in April. The property was divested in June 2020 and was already vacant on completion. In April, we also signed an agreement with K-Fastigheter to divest the property Järfälla Veddesta 2:65, as housing. The price was SEK 8,000 per sq.m. GTA, or SEK 259 million, with expected gross total area (GTA) of 32,000 sq.m. Kungsleden signed an agreement with Aroseken to divest part of the property Västerås Effekten 5 as future housing at the end of May. The objective is to create some 15,000 sq.m. GTA of housing with the zoning plan completed in 2023. The price was SEK 2,000 per sq.m. GTA. In June, Kungsleden signed a contract with Reliwe AB to divest an undeveloped part of the property Norrköping Oxelbergen 1:2, planned as housing. The price was SEK 16.6 million, corresponding to SEK 4,100 per sq.m. GTA, exceeding property book value by just over SEK 3 million. Date of closing is scheduled for Q4 2021. These four divestments will generate positive profit of over SEK 200 million.



Time to relax at our new head office in The Rotterdam District, Värtahamnen, Stockholm.

## KEY RATIOS PER GEOGRAPHY

### INVESTMENT PROPERTIES

As of 30 June 2021	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Total	Development properties	Total Kungsleden
No. of properties	49	41	41	16	45	192	15	207
Leasable area, 000 sq.m.	504	258	225	450	320	1,756	242	1,998
Book value, MSEK	17,822	4,615	4,551	7,569	4,544	39,101	3,438	42,539
Occupancy rate, %	89.9	95.0	92.5	94.8	93.4	92.4	58.7	90.0
Property yield, %	3.8	4.8	4.4	5.3	5.2	4.4	2.2	4.2

2021 Jan-Jun	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Total	Development properties	Total Kungsleden
Rental value, MSEK	506	155	155	310	184	1,310	103	1,414
Rental revenue, MSEK	454	148	143	294	171	1,211	61	1,272
Operating net, MSEK	334	108	98	194	115	849	36	885
Surplus ratio, %	73.4	72.8	69.0	65.9	67.1	70.1	58.7	69.6

## KEY RATIOS PER CATEGORY

### INVESTMENT PROPERTIES

As of 30 June 2021	Office	Industrial/ Warehouse	Retail	Other	Total	Development properties	Total Kungsleden
No. of properties	92	62	28	10	192	15	207
Leasable area, 000 sq.m.	979	565	131	81	1,756	242	1,998
Book value, MSEK	28,710	6,414	1,772	2,205	39,101	3,438	42,539
Occupancy rate, %	91.6	94.9	93.0	92.9	92.4	58.7	90.0
Property yield, %	4.2	5.5	5.1	4.3	4.4	2.2	4.2

2021 Jan-Jun	Office	Industrial/ Warehouse	Retail	Other	Total	Development properties	Total Kungsleden
Rental value, MSEK	905	263	73	70	1,310	103	1,414
Rental revenue, MSEK	828	250	67	66	1,211	61	1,272
Operating net, MSEK	590	167	44	47	849	36	885
Surplus ratio, %	71.3	66.8	65.8	72.3	70.1	58.7	69.6

# OUR CUSTOMERS

Regardless of our customers' type of business, Kungsliden endeavours to create attractive and sustainable places that strengthen them. The people who have their workplace in one of our properties are to thrive, be inspired and have the best possible conditions for performing their work.

## LEASE CONTRACTS

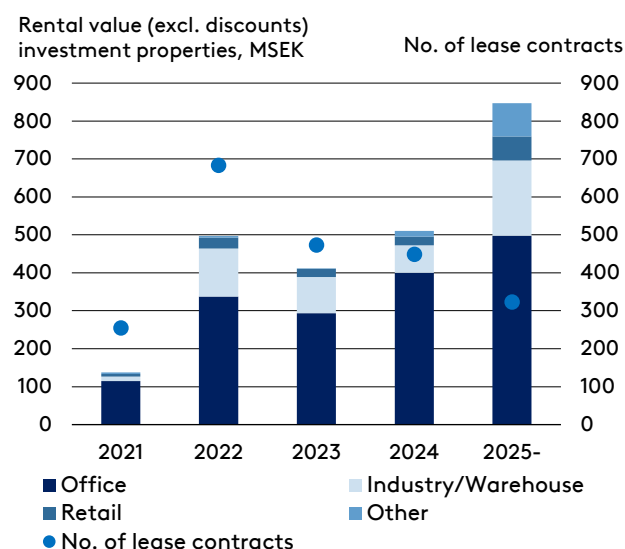
Kungsliden's lease contracts portfolio is widely spread across many different tenants, customer sizes and industries, which spreads the risk of rental losses and vacancies. 18 per cent of the total rental value of SEK 2,499 million is tenants from public sector. As of 30 June, the average maturity of remaining lease contracts was 4.1 years (4.2).

## KUNGSLEDEN'S LARGEST TENANTS

Tenant	Rental value, MSEK	Average duration, years
ABB	198	4.1
The Swedish Social Service Administration	53	3.6
Hitachi	52	2.7
Biz Apartments	42	9.1
Municipality of Västerås	41	4.4
Blique	31	19.5
ICA	30	2.1
The Swedish Armed Forces	29	2.7
Northvolt	29	3.7
Municipality of Stockholm	27	3.3
<b>10 largest tenants</b>	<b>533</b>	<b>5.0</b>
Other	1,966	3.9
<b>Total</b>	<b>2,499</b>	<b>4.1</b>

## MATURITY STRUCTURE, LEASE CONTRACTS

Kungsliden endeavours to achieve a diversified lease contract maturity structure. Around 10–20 per cent of the contract portfolio matures each year and can be renegotiated.

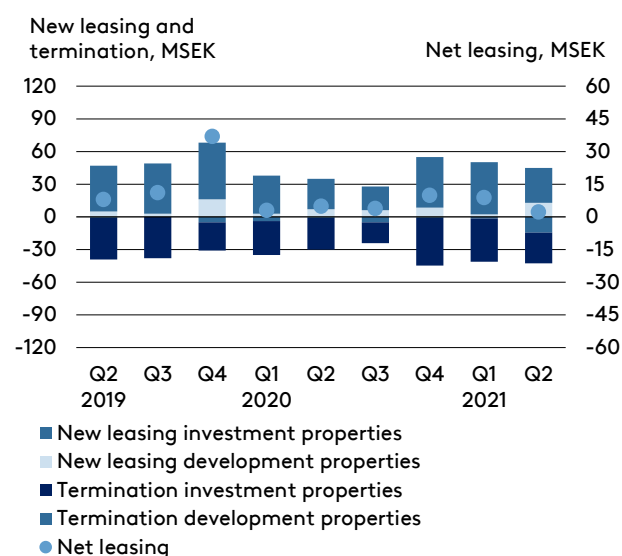


## LEASING

Kungsliden signed 154 lease contracts with a rental value of SEK 95 million (73) in the period. These new lease contracts generally have higher rent per sq.m. than their predecessors. Net leasing for the period was SEK 11 million (8).

Of the 154 new contracts signed in the period, 73 were green leases, which involves an undertaking between tenant and landlord on joint actions to maintain or improve the environmental performance of premises.

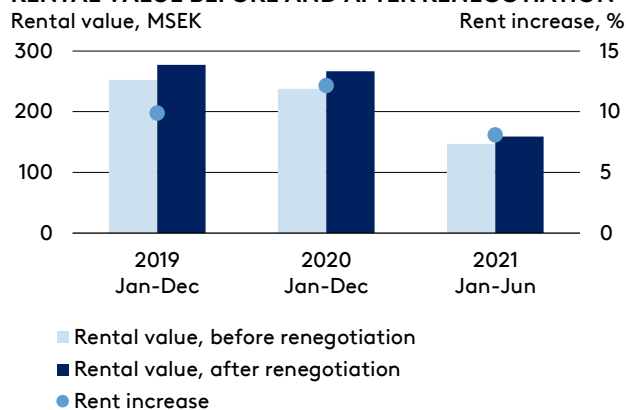
## NET LEASING



## RENEGOTIATION

52 contracts (57) with rental value of SEK 147 million (94) were renegotiated in the period, resulting in average rental value increases of 8 per cent (10). Of the renegotiated contracts, 12 resulted in increased leased area.

## RENTAL VALUE BEFORE AND AFTER RENEGOTIATION



# SUSTAINABILITY

Kungsleden's vision is to create attractive and sustainable places where people get inspired. We support the UN Global Compact and our sustainability work proceeds from the UN's global goals, where we contribute to 12 of the global goals. Kungsleden has launched climate targets that mean we will be climate positive across the value chain by 2035.

Kungsleden's sustainability strategy has three focuses: People, Planet and Culture.

## PEOPLE

A holistic perspective on health and well-being, centring on people. We apply our Symbiotic concept, which integrates green and social sustainability issues into one. Symbiotic is our innovation hub where we develop the sustainable and digital urban quarters, buildings and offices of the future, with a sharp focus on health and well-being.

## PLANET

The biggest challenge of our times is the climate issue, and to do what we can, we have adopted ambitious climate targets. We are a member of the Science Based Targets initiative (SBTi) and have pledged to reduce our Scope 1 and Scope 2 emissions by 50 per cent by 2030, with a sub-target of 25 per cent by 2025.

## CULTURE

Kungsleden will set an example in its sector, maintaining a positive corporate culture with the right conduct, and being a positive force in society. We are the main sponsor of youth social work charity Fryshuset. We have zero tolerance of accidents and corruption, and work actively on social sustainability.

Kungsleden reports its sustainability work in accordance with GRI, EPRA and TCFD recommendations, and participates in the GRESB each year. More information on our sustainability work is on our website: <https://www.kungsleden.se/en/sustainability/>.

	SUSTAINABILITY GOALS	ACTUALS JAN-JUN
Reduced energy consumption	We shall lower our energy consumption with 25 per cent in the property portfolio 2025 compared to 2020	-1.4%
Green lease agreements	In 2021 shall at least 120 green leases agreements be signed	73 agreements
Certified properties	Most of the property portfolio shall be certified by 2025	45%
Green financing	All financing should be green or sustainable in the long run	42%

# PROJECTS AND INVESTMENTS

## PROJECTS AND INVESTMENTS

Investments in new production, conversion and extension of the existing portfolio are important components of Kungsleden's business model and make progressive contributions to earnings and profitability. This results in increased cash flow and value growth through reduced vacancies, higher average rents, 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, with total investment volume of SEK 1,382 million. After completion, these projects are expected to contribute annualised rental value of SEK 227 million

## DIVISION OF OUR DEVELOPMENT PROPERTIES

Geography	No. of properties	Book value, MSEK	Leasable area, 000, sq.m.
Stockholm	4	1,563	53
Gothenburg	3	133	16
Malmö	2	367	12
Västerås	3	491	77
Regional cities	3	883	84
<b>Total</b>	<b>15</b>	<b>3,438</b>	<b>242</b>

## INVESTMENT PROGRAMME

MSEK	Actuals				Budget 2021	Plan 2022-2024
	2018	2019	2020	2021 Jan-Jun		
Development projects	578	598	594	233	600	1,800
Tenant improvements and other value-creating investments	596	799	638	251	700	2,100
Maintenance investments	126	112	163	80	100	300
<b>Total investments</b>	<b>1,300</b>	<b>1,509</b>	<b>1,395</b>	<b>564</b>	<b>1,400</b>	<b>4,200</b>

## MAJOR CURRENT PROJECTS

Property	Category	Municipality	Completed	Leasable area, sq.m.	Estimated rental value, MSEK	Occupancy rate, %	Book value, MSEK	Estimated investment, MSEK	Whereof completed, MSEK
Eden by Kungsleden <sup>1</sup>	Office	Malmö	2021	7,700	25	85	344	384 <sup>3</sup>	301
Stettin 6	Office	Stockholm	2021	25,000	70	93	1,426	285	191
The Rotterdam District	Office	Stockholm	2022	21,300	66	56	1,153	236	166
Taktpinnen 1	Office	Norrköping	2022	16,000	26	100	318	136	77
Oxel – part of Oxelbergen 1:2	Office	Norrköping	2023	6,000	12	32	82	91 <sup>2</sup>	57
Finnslätten 1 – part of	Office, Industrial	Västerås	2024	21,000	28	16	172	250 <sup>2</sup>	87
<b>Total</b>				<b>97,000</b>	<b>227</b>	<b>69</b>	<b>3,495</b>	<b>1,382</b>	<b>879</b>

1. New development

2. Investment phrased – the project is being completed as premises are leased

3. Investment including land acquisitions

**EDEN BY KUNGSLEDEN IN HYLLIE – MALMÖ**

The Eden by Kungsleden project on Hyllie Boulevard in Malmö is a state-of-the-art office implemented consistent with our Symbiotic Building concept. This building will be certified according to LEED and the WELL Building Standard.

**STETTIN 6 - STOCKHOLM CITY EAST**

Stettin 6 is an office property in Gärdet, offering modern and flexible premises with attractive courtyards and closeness to nature. Ahlsell Sverige AB signed a six-year lease contract on 2,600 sq.m. in the second quarter.

**FINNSLÄTTEN 1 - VÄSTERÅS**

An extensive modernisation project is ongoing in building 357 at Finnslätten. The building is being repurposed as offices, a school, production premises, and spaces to enhance the service offering in Finnslätten.

**THE ROTTERDAM DISTRICT - STOCKHOLM CITY EAST**

Work on new frontages and entrances to create a modern and harmonious expression is completed at the property Rotterdam 1, and Kungsleden moved into its new head office in the property in the quarter. This is a Symbiotic Office, focused on innovative working methods designed to inspire employees, investors, customers and visitors.

**TAKTPINNEN 1 - NORRKÖPING**

This project involves the modernisation of current tenant SMHI's (the Swedish Meteorological and Hydrological Institute) premises.

**OXEL – NORRKÖPING**

Oxelbergen is a district a few minutes' walk from Norrköping city centre, where Kungsleden is currently modernising and improving a building. Common areas, as well as frontages and entrances, are completed, and the remaining tenant improvements are being executed as premises are leased.

**BUILDING RIGHTS AND FORTHCOMING PROJECTS**

Kungsleden works actively on producing building rights in its existing portfolio and is currently engaged in several zoning plan processes on its properties. Once these building rights have been completed, total value is estimated at approximately SEK 2.5 billion, of which SEK 1.5 billion is currently in book value.

BTA, sq.m.	COMMERCIAL BUILDING RIGHTS				RESIDENTIAL BUILDING RIGHTS			
	Stockholm	Gothenburg/ Malmö	Västerås/ Mälardalen	Total	Stockholm	Gothenburg/ Malmö	Västerås/ Mälardalen	Total
Building rights existing	6,000	37,500	78,000	121,500	-	3,000	4,000	7,000
Zoning plan process ongoing	19,000	43,500	48,000	110,500	50,000	33,000	67,000	150,000
Feasibility study-ongoing	47,500	77,000	134,000	258,500	-	20,000	29,000	49,000
Future building rights	101,000	-	14,000	115,000	37,500	11,000	5,000	53,500
<b>Total</b>	<b>173,500</b>	<b>158,000</b>	<b>274,000</b>	<b>605,500</b>	<b>87,500</b>	<b>67,000</b>	<b>105,000</b>	<b>259,500</b>

A long-term approach and planning of future projects is necessary to enable execution of the adopted investment programme. Kungsleden's total pipeline of commercial project investments is worth an estimated SEK 13 billion, and forthcoming projects include our clusters in Finnslätten, Stockholm City West and Västberga.

Kungsleden divested the properties Järfälla Veddesta 2:65, part of Norrköping Oxelbergen 1:2, and part of Västerås Effekten 5 as part of continuing to realise the potential of building rights in our property portfolio.

# FINANCING

**Kungsliden has a strong financial position, with a low LTV ratio, high interest coverage ratio and good liquidity coverage.**

## UPDATED BASE PROSPECTUS FOR ITS MTN PROGRAM

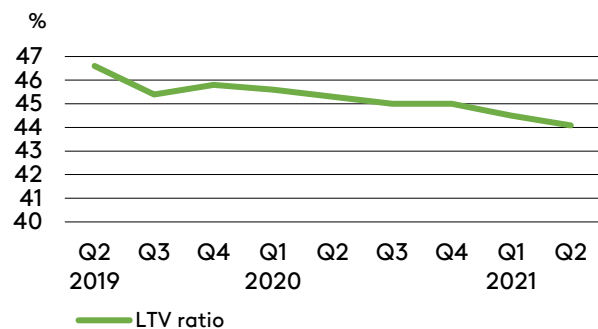
At the end of May, Kungsliden published an updated base prospectus for its MTN programme. In tandem with this update, the Board of Directors decided to increase the framework of bond borrowing from SEK 12 billion to SEK 15 billion or equivalent in euros or Norwegian kroner. The terms of the programme were also adapted to enable the issue of sustainability-linked bonds in future, proceeding from Kungsliden's ambitious sustainability strategy. Kungsliden has SEK 9.2 billion of outstanding bonds in this programme. A total nominal amount of nearly SEK 1.3 billion of bond loans mature in 2021. Kungsliden has a total of SEK 3,751 million of unutilised credit facilities with Swedish banks, including a SEK 250 million credit line, and closing cash in hand of SEK 888 million. Cash and available credit facilities are sufficient to deal with all loan maturities in 2021 and 2022. These facilities are fully secured with direct real estate collateral.

## IMPROVED LIQUIDITY POSITION AND GREEN FINANCING

In March, Kungsliden signed an agreement to extend and expand an existing loan facility via mortgage institution Nykredit, and in tandem with this refinancing, parts of this facility were restructured as a green loan. The total loan principal is SEK 1.4 billion, of which the green loan is SEK 0.4 billion and is financing the LEED Gold-certified property Bergudden 8 in Danderyd, near Stockholm. The loan has a term of 10 years, and extends the debt maturity of the loan portfolio by approx. 0.4 years. The new loan was issued at the beginning of April.

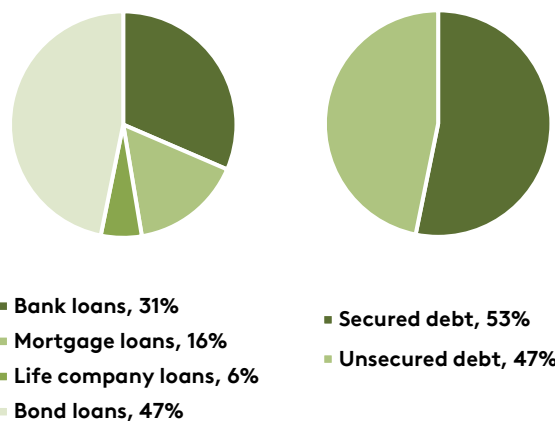
## STRONG FINANCIAL POSITION

Kungsliden's LTV ratio continued to decrease in the period. Net debt increased by SEK 513 million, while property value increased by SEK 1,820 million, which meant the LTV ratio decreased to 44.1 per cent at the end of the period, compared to 45.0 per cent at the beginning of the year.



Kungsliden has a Baa3 Investment Grade rating with Stable Outlook from Moody's. This public rating has enabled increased borrowing on the capital markets on competitive terms, thus helping improve diversification and spreading risk.

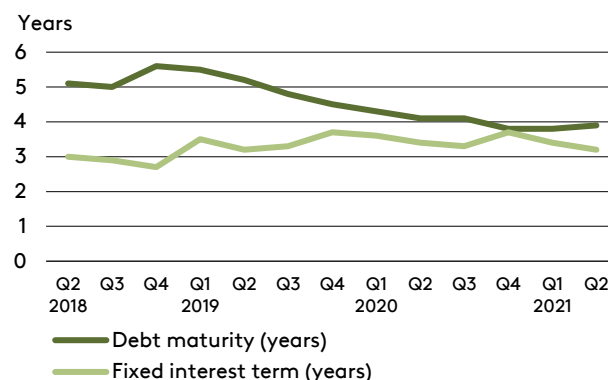
Moody's confirmed its rating in March 2021, and in its research, concludes that Kungsliden's new financial targets, with an LTV ratio not exceeding 45 per cent for the long term, is credit positive, because it indicates the company's intention to maintain low borrowing over time. For a rating upgrade, Moody's wants positive progress of the LTV ratio to continue, and the share of borrowing without dedicated real estate collateral to increase further. Moody's most recent publication on Kungsliden is available for download from <https://www.kungsliden.se/en/investors/funding/capital-markets-products/>.



## DEBT MATURITY AND FIXED INTEREST TERM

Net financial items are a significant cost item in the Income Statement, primarily affected by changes in required yields. Kungsliden endeavours to achieve well-considered debt maturity profile and fixed interest term to maintain stable and cost-efficient financial net for the long term. The average interest rate at the end of the quarter remained at 1.8 per cent. By extending mortgage loans, the average debt maturity increased to 3.9 years by the end of the quarter.

## DEBT MATURITY AND FIXED INTEREST TERM



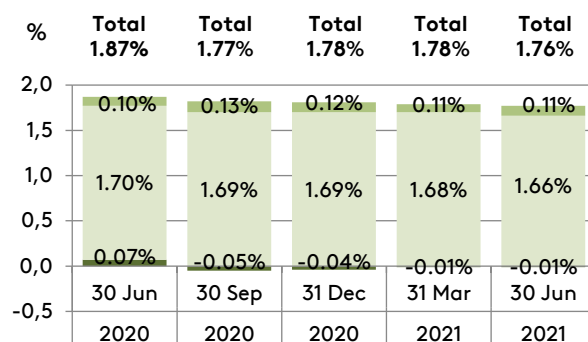
Kungsleden works actively on adapting the Group's fixed interest term profile in accordance with its adopted business plan. At the end of the period, the nominal amount of the swap portfolio was SEK 9,950 million. To benefit from interest on longer maturities having risen since year-end, Kungsleden cancelled forward-starting swaps. These forward-starting swaps would have started in 2022, with SEK 3 billion maturing in 2029, and SEK 1 billion maturing in 2026. On cancellation, Kungsleden arranged new swaps with current interest rates starting in 2023 and the same maturity dates and nominal amounts as the cancelled swaps. These measures will have a positive impact on ongoing net financial items from 2022, compared to the situation without cancellation. The share of the loan portfolio with a longer fixed interest term is some 56 per cent, if forward-starting swaps are included. The average fixed interest term was 3.2 years at the end of the quarter. The interest coverage ratio over the most recent 12-month period remained high at a multiple of 4.7.

#### GREEN FINANCING

Kungsleden has just over SEK 7 billion of outstanding green bonds, a green bank loan of just over SEK 800 million, and a green mortgage loan of SEK 400 million to finance environmentally certified properties. The share of green financing is 42 per cent of the total loan portfolio. Green bonds are issued pursuant to the terms and conditions of Kungsleden's green framework.

This framework clarifies how the proceeds from green bond loans can be utilised, more at <https://www.kungsleden.se/en/investors/funding/capital-markets-products/>. These bonds are quoted on Nasdaq Stockholm's Green Bond list, a market segment of green bonds that applies specific standards to bonds quoted on this marketplace.

#### AVERAGE INTEREST RATE



- Difference in three-month interest rate and fixed rate on interest rate derivatives
- Interest margin, arrangement fees and credit facility cost
- Interest base for bank and bond loans

#### MATURITY STRUCTURE OF LOANS AND INTEREST RATE DERIVATIVES

As of 30 June 2021 (MSEK)	Bank loans and other borrowings	Bonds	Unutilised credits	Total credit facilities	Interest rate derivatives	Forward starting interest rate derivatives	Ave. interest rate, derivatives, %
2021	-	1,288	250	1,538	-	-	-
2022	-	2,220	-	2,220	-	-	-
2023	1,354	1,350	2,600	5,304	-	-	-
2024	2,399	1,300	-	3,699	1,450	-	0.6
2025	2,441	1,050	-	3,491	2,500	-	0.4
2026	630	1,000	-	1,630	-850 <sup>2</sup>	2,000 <sup>1</sup>	0.7
2027	516	600	-	1,116	-	-	-
2028	-	400	-	400	600 <sup>3</sup>	-	0.0
2029	1,701	-	-	1,701	-	3,000 <sup>4</sup>	0.8
2030	-	-	-	-	-	-	-
2031	1,423	-	-	1,423	-	-	-
<b>Total</b>	<b>10,463</b>	<b>9,208</b>	<b>2,850</b>	<b>22,521</b>	<b>3,700</b>	<b>5,000</b>	<b>-</b>

1. Starts in June and December 2022

2. Receiver swaps which transfers bonds with fixed interest rate to floating interest rate

3. Where of SEK -400 million is receiver swaps which transfers bonds with fixed interest rate to floating interest rate

4. Starts in January 2023

KUNGSLEDEN'S FINANCIAL GOALS 2021-2025		
Property value	55 BSEK	The property portfolio shall continue to grow and be at least SEK 55 billion at the end of 2025.
Profit from property management	1,650 MSEK	Profit from property management in 2025 shall at least reach SEK 1,650 million.
Return on equity	>10 per cent per year	Return on equity shall exceed 10 per cent per year over time.
Loan-to-value ratio	<45 per cent	The LTV-ratio shall not exceed 45 per cent in the long run.
Interest coverage ratio	2.5 times	The interest coverage ratio shall be above 2.5 times.
Share dividend	>50 per cent	The dividend shall increase over time and be at least 50 per cent of profit from property management after nominal tax.

# KUNGSLEDEN'S SHARE

Kungsliden's share is on Nasdaq Stockholm's Large Cap list. Market capitalisation was SEK 22.3 billion at the end of the second quarter.

The price paid for the Kungsliden share at the beginning of the year was SEK 90.10, and SEK 103.60 at the end of the second quarter. The lowest closing price in the interim period was on 18 February at SEK 84.25. The highest price was on 10 June at SEK 113.60.

## SHARE CAPITAL

Kungsliden 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. Kungsliden's Board of Directors and management owns a total of 2,804,691 shares, corresponding to 1.3 per cent of the capital.

A repurchase programme to optimise capital structure, and thus create shareholder value, were ongoing from November 2020, and continued until the AGM 2021. This programme had a total up to SEK 300 million, and had been completed by the date of the AGM, corresponding to 3,361,006 shares, with an average closing price of SEK 88.75.

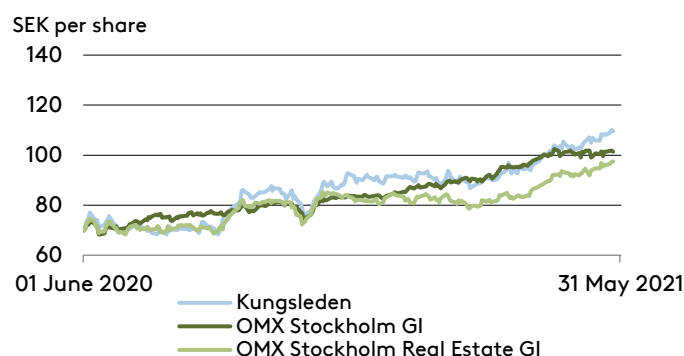
## DIVIDEND

In February 2021, the Board of Directors adopted new financial goals that focus on growth. These goals have features including a new dividend policy, to be applied effective the current financial year. The new dividend policy means Kungsliden's share dividend over time should increase, and be at least 50 per cent of profit from property management after nominal tax.

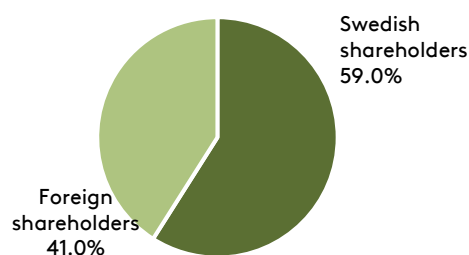
## KEY RATIOS PER SHARE

Data per share	2020	
	2020 Jul-2021 Jun	Jan-Dec
Dividend paid, SEK	3.30	1.90
Total return on share, %	54.0	-6.5
Dividend yield on share, %	2.7	3.1
Profit from property management, SEK	5.98	5.76
Net profit, SEK	12.80	7.50
EPRA EPS, SEK	5.84	5.53
	<b>30 Jun 2021</b>	<b>31 Dec 2020</b>
EPRA NRV, SEK	105.88	99.50
EPRA NTA, SEK	103.02	97.13
EPRA NDV, SEK	90.06	84.95
Equity, SEK	90.06	84.95
Share price, SEK	103.60	90.10

## TOTAL RETURN ON SHARE 1 JUNE 2020 – 31 MAY 2021



## OWNER SHIP STRUCTURE AS PER 31 MAY 2021



## SHAREHOLDERS AS PER 31 MAY 2021

Name	No. of shares	Share of capital, %
Gösta Welandson and companies	31,677,781	14.5
Ilija Batljan	15,177,397	6.9
BlackRock	11,043,787	5.1
APG Asset Management	8,470,809	3.9
BMO Global Asset Management	7,343,890	3.4
Vanguard	6,928,850	3.2
Olle Florén and companies	6,750,797	3.1
Handelsbanken		
Investment Funds	4,705,367	2.2
Länsförsäkringar		
Investment Funds	3,792,255	1.7
Dimensional Fund Advisors	2,451,713	1.1
<b>Total 10 largest owners</b>	<b>98,342,646</b>	<b>45.0</b>
Foreign shareholders, other	53,218,965	24.4
Swedish shareholders, other	63,480,685	29.1
<b>Total no. of shares outstanding</b>	<b>215,042,296</b>	<b>98.5</b>
Treasury shares	3,361,006	1.5
<b>Total no. of registered shares</b>	<b>218,403,302</b>	<b>100.0</b>

# GROUP CASH FLOW

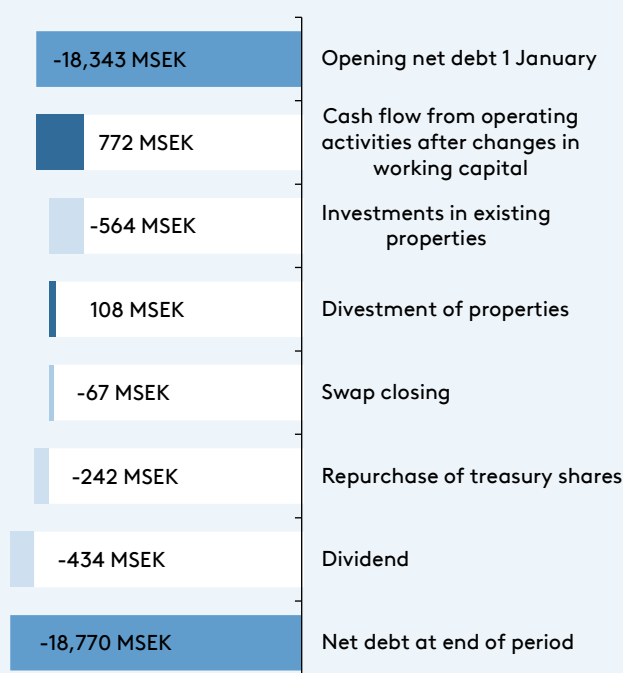
MSEK	2021 Jan-Jun	2020 Jan-Jun	2021 Apr-Jun	2020 Apr-Jun	2020 Jan-Dec
<b>OPERATIONS</b>					
Profit from property management	650	611	332	301	1,257
Adjustments for non-cash items	10	23	21	26	17
Tax paid	0	0	0	1	0
<b>Cash flow before changes in working capital</b>	<b>660</b>	<b>634</b>	<b>353</b>	<b>328</b>	<b>1,274</b>
Changes in working capital	112	-35	-11	-25	-148
<b>Cash flow after changes in working capital</b>	<b>773</b>	<b>600</b>	<b>342</b>	<b>303</b>	<b>1,125</b>
<b>INVESTING ACTIVITIES</b>					
Investments in current properties	-564	-774	-334	-415	-1,395
Acquisition of properties	0	-17	0	0	-82
Divestment of properties	108	16	31	0	32
Other intangible and tangible assets, net	-1	-2	-1	-1	-4
Financial assets, net	-67	0	-67	0	-12
<b>Cash flow from investing activities</b>	<b>-524</b>	<b>-776</b>	<b>-370</b>	<b>-415</b>	<b>-1,460</b>
<b>FINANCING ACTIVITIES</b>					
Dividend	-434	-131	-151	0	-415
Repayment of loans	-1,781	-591	-1,099	-320	-1,860
New loans	2,423	999	1,423	399	3,000
Repurchase of treasury shares	-242	0	-4	0	-57
<b>Cash flow from financing activities</b>	<b>-33</b>	<b>277</b>	<b>170</b>	<b>79</b>	<b>667</b>
<b>CASH FLOW FOR THE PERIOD</b>					
<b>Cash and cash equivalents at beginning of period</b>	<b>685</b>	<b>353</b>	<b>759</b>	<b>489</b>	<b>353</b>
Exchange rate difference in cash and cash equivalents	0	0	0	0	0
<b>Cash and cash equivalents at end of period</b>	<b>901</b>	<b>455</b>	<b>901</b>	<b>455</b>	<b>685</b>

## CASH FLOW AND LOAN-TO-VALUE RATIO

Operating cash flow after changes in working capital was SEK 773 million. SEK 564 million was invested in existing properties and projects in the period. Kungsleden vacated the property Tändstiftet 2 in Täby, near Stockholm, in the first quarter, receiving purchase consideration of SEK 46 million. Purchase consideration of SEK 31 million was also received on completing the sale of generation permits in Finnslätten, Västerås. In the second quarter the property Fräsen 1 in Täby was vacated receiving a purchase consideration of SEK 30 million and also a smaller purchase consideration of some SEK 2 million referring to previous transactions.

Kungsleden repurchased a total of SEK 242 million of treasury shares. A dividend of SEK 434 million was paid to shareholders, which was the second dividend payment for the financial year 2019 and the first dividend out of four for the financial year 2020. Liabilities increased by SEK 642 million, and because cash and bank balances increased by SEK 215 million, net debt increased by SEK 427 million. The LTV ratio decreased from 45.0 per cent at the beginning of the year to 44.1 per cent at the end of the period due to unrealised increases in value in the property portfolio. Total liquid funds available were SEK 3,751 million (3,386), including granted and available credit facilities, after deducting for back-up for outstanding commercial paper.

## CHANGE IN NET DEBT JANUARY–JUNE 2021





# SEGMENT REPORTING

## JAN-JUN 2021<sup>1</sup>

MSEK	Stockholm	Gothenburg	Malmö	Västerås	Regional cities	Development properties	Unallocated	Total
Revenue	455	150	144	301	171	68	-	1,289
Property costs	-122	-42	-45	-107	-56	-32	-	-404
<b>Operating net</b>	<b>334</b>	<b>108</b>	<b>98</b>	<b>194</b>	<b>115</b>	<b>36</b>	-	<b>885</b>
Selling and administration costs	-	-	-	-	-	-	-47	-47
Net financial items	-	-	-	-	-	-	-187	-187
<b>Profit from property management</b>	<b>334</b>	<b>108</b>	<b>98</b>	<b>194</b>	<b>115</b>	<b>36</b>	<b>-234</b>	<b>651</b>
<b>Changes in value</b>								
Properties	329	253	157	323	268	42	-	1,373
Interest rate derivatives	-	-	-	-	-	-	131	131
<b>Profit before tax</b>	<b>578</b>	<b>251</b>	<b>222</b>	<b>432</b>	<b>293</b>	<b>57</b>	<b>-103</b>	<b>2,155</b>
Tax	-	-	-	-	-	-	-444	-444
<b>Net profit</b>	<b>578</b>	<b>251</b>	<b>222</b>	<b>432</b>	<b>293</b>	<b>57</b>	<b>-547</b>	<b>1,711</b>
<b>Book value properties</b>	<b>17,822</b>	<b>4,615</b>	<b>4,551</b>	<b>7,569</b>	<b>4,544</b>	<b>3,438</b>	-	<b>42,539</b>

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

MSEK	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
<b>Operating net</b>	<b>330</b>	<b>103</b>	<b>97</b>	<b>183</b>	<b>118</b>	<b>23</b>	-	<b>854</b>
Selling and administration costs	-	-	-	-	-	-	-53	-53
Net financial items	-	-	-	-	-	-	-189	-189
<b>Profit from property management</b>	<b>330</b>	<b>103</b>	<b>97</b>	<b>183</b>	<b>118</b>	<b>23</b>	<b>-242</b>	<b>611</b>
<b>Changes in value</b>								
Properties	235	18	-17	117	-38	-12	-	303
Interest rate derivatives	-	-	-	-	-	-	-178	-178
<b>Profit before tax</b>	<b>565</b>	<b>121</b>	<b>80</b>	<b>300</b>	<b>80</b>	<b>11</b>	<b>-420</b>	<b>736</b>
Tax	-	-	-	-	-	-	-165	-165
<b>Net profit</b>	<b>565</b>	<b>121</b>	<b>80</b>	<b>300</b>	<b>80</b>	<b>11</b>	<b>-585</b>	<b>572</b>
<b>Book value properties</b>	<b>16,988</b>	<b>4,177</b>	<b>4,268</b>	<b>6,894</b>	<b>4,518</b>	<b>2,542</b>	-	<b>39,387</b>

1. Which properties are included in the category project properties varies over time (see page 22 for definitions)

# KEY RATIOS

	2021 Jan-Jun	2020 Jan-Jun	2021 Apr-Jun	2020 Apr-Jun	2020 Jan-Dec
<b>Property related</b>					
Property yield, %	4.2	4.4	4.3	4.4	4.4
Occupancy rate, %	90.0	90.7	90.0	90.7	90.7
Surplus ratio, %	69.6	68.4	70.8	69.3	69.7
<b>Actuals investment properties</b>					
Property yield investment properties, %	4.4	4.6	4.5	4.5	4.6
Occupancy rate investment properties, %	92.4	92.5	92.4	92.5	92.9
EPRA vacancy rate investment properties, %	7.6	7.5	7.6	7.5	7.1
Surplus ratio investment properties, %	70.1	69.1	71.8	70.0	70.1
Surplus ratio investment properties excluding non-recurring effects, %	69.2	68.9	71.1	70.1	70.4
Average rent investment properties, SEK/sq.m. <sup>1</sup>	1,529	1,487	-	-	1,506
Property costs investment properties, SEK/sq.m. <sup>1</sup>	404	408	-	-	407
<b>Financial</b>					
Return on total assets, %	3.9	4.0	3.9	3.9	4.0
Return on equity, %	14.8	10.9	12.4	5.2	9.1
Interest coverage ratio, multiple	4.8	4.5	4.9	4.3	4.5
Equity ratio, %	43.9	44.1	-	-	43.5
LTV (loan-to-value) ratio, %	44.1	45.3	-	-	45.0
<b>Data per share</b>					
Dividend paid, SEK	-	-	-	-	1.90
Total return on share, %	-	-	-	-	-6.5
Dividend yield on share, %	-	-	-	-	3.1
Profit from property management, SEK	3.01	2.80	1.54	1.38	5.76
Net profit, SEK	7.91	2.62	2.80	1.07	7.50
Cash flow before changes in working capital, SEK	3.05	2.90	1.64	1.49	5.84
EPRA EPS (profit from property management after tax), SEK	2.96	2.65	1.51	1.31	5.53
EPRA NRV (long-term net asset value), SEK	105.88	96.13	-	-	99.50
EPRA NTA (current net asset value), SEK	103.02	94.18	-	-	97.13
EPRA NDV (disposal value), SEK	90.06	82.70	-	-	84.95
Equity, SEK	90.06	82.70	-	-	84.95
Outstanding no. of shares at end of period	215,042,296	218,403,302	215,042,296	218,403,302	217,764,570
Average number of shares	216,403,433	218,403,302	215,062,989	218,403,302	218,243,619

1. Average rent and property costs SEK per sq.m. are based on 12-months rolling

# QUARTERLY SUMMARY

## INCOME STATEMENT IN SUMMARY

MSEK	2021		2020			2019		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
Revenue	646	643	642	622	627	638	613	618
Operating net	453	432	438	451	427	427	419	424
Selling and administration costs	-28	-19	-28	-21	-28	-25	-35	-20
Net financial items	-92	-95	-93	-101	-98	-92	-87	-94
Profit from property management	332	318	317	329	301	310	296	310
Profit (loss) from divestment	2	16	9	3	0	-1	1	-2
Unrealised changes in value, properties	422	932	469	175	60	243	496	418
Unrealised changes in value, financial instruments	1	130	34	-13	-57	-121	200	-65
Profit before tax	757	1 397	829	494	305	432	992	661
Tax	-156	-288	-152	-107	-71	-94	-222	-140
Net profit	601	1 109	676	387	234	338	770	521

## BALANSRÄKNINGAR I SAMMANDRAG

MSEK	2021		2020			2019		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2	Quarter 1	Quarter 4	Quarter 3
<b>ASSETS</b>								
<b>Non-current assets</b>								
Intangible assets	12	12	12	12	12	12	12	13
Properties	42,539	41,814	40,718	39,872	39,387	38,912	38,310	36,833
Assets of right of use <sup>1</sup>	629	1,022	828	828	814	815	812	773
Equipment	3	3	3	3	3	4	4	4
Other long-term receivables	2	2	2	2	2	2	2	4
<b>Total non-current assets</b>	<b>43,186</b>	<b>42,853</b>	<b>41,564</b>	<b>40,717</b>	<b>40,219</b>	<b>39,745</b>	<b>39,140</b>	<b>37,628</b>
<b>Current assets</b>								
Current receivables	3	416	281	316	311	331	237	404
Derivatives	38	37	8	5	-	-	-	-
Cash and bank balances	901	759	685	966	455	489	353	548
<b>Total current assets</b>	<b>942</b>	<b>1,213</b>	<b>974</b>	<b>1,287</b>	<b>766</b>	<b>820</b>	<b>590</b>	<b>952</b>
<b>TOTAL ASSETS</b>	<b>44,128</b>	<b>44,066</b>	<b>42,538</b>	<b>42,004</b>	<b>40,985</b>	<b>40,565</b>	<b>39,730</b>	<b>38,579</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>19,367</b>	<b>19,372</b>	<b>18,500</b>	<b>18,448</b>	<b>18,061</b>	<b>17,826</b>	<b>17,488</b>	<b>16,718</b>
<b>Interest-bearing liabilities</b>								
Liabilities to credit institutions	9,317	8,993	9,013	9,033	9,053	9,373	9,094	9,114
Bond loans (unsecured)	9,208	9,208	8,720	8,420	7,600	7,300	7,000	6,600
Other borrowing	1,146	1,146	1,296	1,445	1,644	1,545	1,796	1,546
<b>Total interest-bearing liabilities</b>	<b>19,671</b>	<b>19,347</b>	<b>19,029</b>	<b>18,898</b>	<b>18,298</b>	<b>18,219</b>	<b>17,889</b>	<b>17,260</b>
<b>Non-interest-bearing liabilities</b>								
Provisions	9	9	9	3	3	3	3	5
Deferred tax liabilities	3,350	3,195	2,910	2,759	2,652	2,581	2,488	2,277
Liabilities of right of use <sup>1</sup>	629	1,022	828	828	814	815	812	773
Derivatives	90	157	258	301	283	226	105	305
Other non-interest-bearing liabilities	1,011	964	1,004	767	874	894	945	1,242
<b>Total non-interest-bearing liabilities</b>	<b>5,090</b>	<b>5,347</b>	<b>5,010</b>	<b>4,658</b>	<b>4,626</b>	<b>4,520</b>	<b>4,353</b>	<b>4,602</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>44,128</b>	<b>44,066</b>	<b>42,538</b>	<b>42,004</b>	<b>40,985</b>	<b>40,565</b>	<b>39,730</b>	<b>38,579</b>

1. Revised assessment for measuring lease liabilities for site leasehold rights is made as of Q2 2021. Further information on page 21.

# PARENT COMPANY

## INCOME STATEMENT IN SUMMARY

MSEK	2021 Jan-Jun	2020 Jan-Jun	2021 Apr-Jun	2020 Apr-Jun	2020 Jan-Dec
Intra-group revenue	0	0	0	0	0
Administration costs	-17	-19	-10	-11	-37
<b>Operating profit (loss)</b>	<b>-17</b>	<b>-19</b>	<b>-10</b>	<b>-11</b>	<b>-37</b>
Profit from financial items	398	55	171	59	937
<b>Profit before tax</b>	<b>381</b>	<b>36</b>	<b>161</b>	<b>48</b>	<b>900</b>
Tax	-78	-7	-33	-9	30
<b>Net profit</b>	<b>302</b>	<b>28</b>	<b>128</b>	<b>38</b>	<b>930</b>

## BALANCE SHEET IN SUMMARY

MSEK	30 Jun 2021	30 Jun 2020	31 Dec 2020
<b>ASSETS</b>			
Shares in group companies	3,069	2,520	3,068
Receivables from group companies	17,095	15,823	17,429
Other receivables	157	196	233
Cash and cash equivalents	899	452	684
<b>TOTAL ASSETS</b>	<b>21,220</b>	<b>18,991</b>	<b>21,414</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	7,680	7,944	8,222
Non-current liabilities	5,792	7,335	7,460
Liabilities to group companies	3,746	2,629	3,731
Other liabilities	4,002	1,083	2,001
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>21,220</b>	<b>18,991</b>	<b>21,414</b>

# OTHER INFORMATION

## ORGANISATION AND EMPLOYEES

The average number of employees was 133 (128) 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. More information on Kungsleden's risks and risk management is on pages 82-86 of the Annual Report for 2020.

## 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 Vacancy rate, EPRA EPS, EPRA NDV, EPRA NRV and EPRA NTA in accordance with European Public Real Estate Association (EPRA) definitions. For further information see definitions on page 22.

# ACCOUNTING POLICIES

Kungsleden's consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the EU. 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 accounting policies stated in the annual accounts for 2020. 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.

## VALUATION 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 and 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. No significant difference is deemed to exist between book and fair values. 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.

## REVISED ASSESSMENT FOR MEASURING LEASE LIABILITIES FOR SITE-LEASEHOLD RIGHTS

Since the adoption of IFRS 16, Kungsleden has judged that a ground rent interest rate of 3.25 per cent should apply as a general discount rate for all site-leasehold rights for measuring the lease liability. An individual assessment of the discount rate for each site-leasehold right has been made for Q2 2021. Individual assessments are based on required yields at the acquisition date, adjusted for major changes during the holding period. This revised assessment in Q2 means the lease liability and assets with right of use decrease by SEK 390 million.

## AMENDED ACCOUNTING POLICIES

Kungsleden has amended its accounting policy for capitalising borrowing costs pursuant to IAS 23 effective 1 January 2021. Kungsleden did not previously use the scope exemptions of this Standard. Qualifying assets are assets that take significant time to complete for intended use or sale, which for the Group, are new production, extension and conversion projects. Because the Group's projects have increased gradually over recent years, the capitalisation of borrowing cost in their cost gives a fairer view of the investment. The application of the aforementioned accounting policy will not involve re-statement of comparative figures, because borrowing costs related to projects were not of material amounts in previous years. The amended accounting policy only applies to the Group. In the parent company, borrowing costs are still expensed in the period they occur. Other accounting policies are unchanged since the annual accounts for 2020.

Stockholm 7 July 2021

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 information that Kungsleden AB is obliged to make public pursuant to the Securities Markets Act. The information was submitted for publication at 06.55 CET on July 7 2021.

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 leasable area.

### CONTRACTED ANNUAL RENT

Rent (excl. 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 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.

### 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 and 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.

### 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 (3.7 per cent for properties), in relation to the number of shares at the end of the period.

### EPRA NDV (DISPOSAL VALUE) 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.

### 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 20.

# FINANCIAL CALENDAR AND INVITATION TO PRESENTATION

**INTERIM REPORT JAN-SEP**

21 Oct 2021

**YEAR-END REPORT JAN-DEC**

16 Feb 2022

Kungsleden presents its interim report to investors, analysts and media on 7 July 2021 at 08.45.

The presentation will be held in English and is available on:  
[https://kungsleden.creo.se/en/210707/presentation\\_of\\_q2\\_report\\_2021](https://kungsleden.creo.se/en/210707/presentation_of_q2_report_2021)

Phone number to the conference:

SE: +46 8 566 426 92

UK: +44 333 300 9031

US: +1 646 722 4902

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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