

**PRESS RELEASE****2017 04 25**

## **Rights issue completed Good leasing results**

THE REPORT IN BRIEF

### **The quarter in brief**

- Rental revenue amounted to SEK 591 million (614) and operating net was SEK 362 million (388).
- Profit from property management amounted to SEK 216 million (236).
- Unrealised value changes in the property portfolio amounted to SEK 365 million (526).
- Profit for the period increased to SEK 488 million (385), corresponding to SEK 2.59 per share (2,07).
- New leasing amounted to SEK 39 million (56) and net leasing to SEK 9 million (8).

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

- During the quarter a rights issue was completed with preferential rights for existing shareholders. The issue increased the equity to SEK 1,598 million net after share issue costs. This means that the number of shares increased from 182,002,752 to 218,403,302.
- Access was gained to the office property Emporia Office with 10,250 sq.m. leasable area on March 31.
- Access was gained to the he newly built hotel property Godsvagnen 9 in Hammarby Sjöstad with an area of approx. 8,000 sq.m. on 4 April.

### **CEO Biljana Pehrsson comments**

*Kungsleden completed a rights issue in the first quarter of 2017, which was the final piece of the puzzle to make Kungsleden a stable and high-quality real estate company. The transformation of the company is essentially complete. The rental of our portfolio has developed well in a strong rental market, and now we are focusing on increasing operating net in our investment properties and implementing our investment program.*

### **Fewer properties and stronger results**

During the last 15 months Kungsleden has been a net seller – we have divested non-strategic properties and residential building rights for a total of SEK 1,448 million. The divestments have led to a profit of SEK 77 million plus future earn-out of approximately SEK 240 million. This corresponds to a total profit of more than SEK 300 million, which will be realised this year and in the next two to three years.

The divestments mean that we owned significantly fewer properties during the first quarter of 2017 compared with the same period in 2016 – 245 compared with 285 – and about 7 per cent less by sq.m of leasable area. This is the main reason

why the rental revenue, operating net and profit from property management have decreased in the first quarter of 2017 compared with the corresponding period in 2016. Thanks to positive changes in the value of the property portfolio and financial instruments, Kungsleden's profit before tax increased to SEK 618 million (458).

### **Good leasing and higher rents**

During the quarter we have continued to focus on leasing and can report a positive new leasing result of SEK 39 (56) million. The termination of leasing agreements amounted to SEK 30 (48) million, which resulted in a net leasing income of SEK 9 (8) million. The new lease agreements made during the quarter have increased rent levels per square metre to between 5 and 30 per cent relative to earlier lease agreements or vacancy rent. We have not yet seen an improved occupancy rate despite the strong net leasing during 2016. This is due to the fact that most of the properties will be accessed later in 2017 and during 2018. The economic occupancy rate excluding development properties at the end of March was 91.6 per cent.

### **Rights issue and value-creating investments**

Kungsleden's rights issue is completed. The share issue was oversubscribed and had, according to the Dutch investment bank Kempen & Co, the second lowest discount ever for a preferential rights issue in Sweden. Now we can reduce our loan-to value (LTV) ratio and continue to grow with financial balance while at the same time implementing value-creating investments. Our investment programme in development properties increased to almost SEK 2.2 billion during the quarter following a new strategic direction to invest SEK 90 million in the property Oxelberg 1:2 in Norrköping. The total investment programme for 2017-2019 is estimated to SEK 3 billion.

### **Current accessed properties and divestments**

On 31 March, we accessed 10,250 sq.m of modern office space in the Emporia Office in Hyllie. Within three days, we had already leased out an office of 400 sq.m within the property to Lidl. On 4 April, we accessed a newly-built property of approx. 8,000 sq.m in the expanding Hammarby Sjöstad district. The property is fully leased with a ten-year lease agreement.

### **Positive rental developments**

We believe in continued positive rental market both in large cities and in regional cities such as Västerås, Norrköping and Eskilstuna. Our focus continues to be on renting out vacant properties, renegotiate at a higher rent per sq.m and make investments that gives a yield of 6 per cent or more. Over time, this will lead to a greater operating net and cash flow.

### **Outlook**

Kungsleden expects Profit from Property Management for 2017 to be roughly in line with 2016. When Kungsleden has completed its investment programme in 2019, Profit from Property Management per share is expected to be at least 20 per cent higher than in 2017.

### **For more information, please contact**

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This press release is available in Swedish at [www.kungsleden.se/press](http://www.kungsleden.se/press)

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

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