

PRESS RELEASE**23 04 2015**

SEK 243 million value increase in the property portfolio

THE REPORT IN SUMMARY

The first quarter (January – March)

- The rental revenue fell by 7 per cent to SEK 525 (567) million and operating net fell to SEK 333 (366) million during the first quarter.
- Profits from property management improved by 4 per cent and were SEK 175 (168) million, which corresponds to SEK 0.96 (1.43) per share.
- Unrealised changes in value of SEK 243 million primarily due to lower yield requirements and improved operating net in strong growth markets.

Comments on events during and after the quarter

- During and immediately after the quarter we expanded three of our clusters – Kista Science City, Västerås City and Högsbo – through property acquisitions for SEK 1.3 billion. We also continued our optimisation efforts and sold non-strategic properties for SEK 552 million. Accordingly, we will be exiting 19 municipalities during the month of May.
- We reached an agreement with our largest tenant, ABB, to replace the large Master lease agreement with 17 new, competitively priced leases. The new agreements provide both Kungsleden and ABB with more security and flexibility.
- Kungsleden's property portfolio reported a positive change in value of SEK 243 million during the quarter. The value increase primarily results from lower yield requirements. Since year-end, the average yield requirement fell from 7.4 to 7.3 per cent. If we include the newly accessed Kista properties, the average yield requirement as of 31 March is 7.2 per cent.
- Operating net fell by 9 per cent to SEK 333 (366) million, resulting from a smaller property portfolio compared to the same period last year. Profits from property management increased by 4 per cent to SEK 175 (168) million. This was due to an improvement in net financial items resulting from fewer loans and lower interest rates.

Comments from CEO Biljana Pehrsson

During the first quarter, we continued implementing Kungsleden's new strategy with great vigour. Optimisation efforts progressed and the management organisation was strengthened with the addition of new employees and working methods. We grew three of our clusters during and directly after the quarter through property purchases for SEK 1.3 billion. At Kista Science City we expanded our customer offering by acquiring Hornafjord 1, a modern office building in a class between Kista One (a top-location property) and Kungsleden's traditional Kista properties, which target a more cost conscious customer group. Kungsleden's property cluster, Västerås City, grew with the acquisition of Skrapan, a fully leased prestigious property at a prime location. In Högsbo, near Gothenburg, five properties were acquired for SEK 293 million.

Low vacancy rate with concentrated holdings

One benefit of Kungsleden's strategy is the ability to achieve very low vacancy rates at our clusters thanks to a high market presence. This is particularly evident at Danderyd and Västerås, where we've been implementing our cluster strategy for the longest period of time. For this reason, we believe that there is great potential for some of our new acquisitions in Högsbo, where the current vacancy rate is more than 30 per cent. They also fit very nicely into our Högsbo cluster, where the average vacancy rate is 6 per cent.

Simultaneous to increasing our presence in our largest markets, Kungsleden sold non-strategic properties during the quarter for SEK 552 million. With these sales, we are approaching our goal for 2017, i.e. to own and manage properties in no more than 70 municipalities. We are already down to 71 municipalities.

Now, we are continuing our efforts to expand the property portfolio via acquisitions and by investing in renovation and extensions at existing properties. With an equity ratio of just over 40 per cent and good access to financing, we have excellent conditions for continued growth. To further boost our ability to grow, Kungsleden's Board will approach the AGM and request a mandate to issue preference shares. A rights issue of preference shares could be necessary if Kungsleden needs financing for a major acquisition and if preference shares are deemed the most attractive financing alternative.

Tighter customer relations and higher flexibility

We also reached an important milestone during the quarter. After two years of negotiations, we reached an agreement with our largest customer and tenant, ABB, to replace the large Master lease agreement with 17 new, competitively priced leases comprising all of Kungsleden's properties leased to ABB in Västerås. The restructuring increases flexibility and the average contract duration has been lengthened from 3 to 7.6 years. The initial rental revenue for the new leases will be somewhat lower after this restructuring. However, this is more than equally compensated by the clarified, more flexible contract structure. Both Kungsleden and external appraisers agree that on the whole, this has increased the property value. The new lease agreements are also evidence of a deeper, stronger customer relationship with ABB and we look forward to long-term collaboration with this important tenant.

Successful optimisation

Operating net for the first quarter was SEK 333 million, which corresponds to a decrease of 9 per cent compared to the same period last year. This is explained by a smaller property portfolio subsequent to sales during 2014 for SEK 2.6 billion. Profits from property management simultaneously increased by 4 per cent since last year to SEK 175 million.

This was due to a significant improvement in net financial items resulting from fewer loans and lower interest rates.

In total, Kungsleden reports an unrealised change in value for the property portfolio of SEK 243 million for the first quarter. The positive value changes result from, primarily, lower yield requirements and secondarily, improved operating net at Kungleden's properties located in the most attractive rental markets. The yield requirement used for valuation is a minimum of 5.25 per cent and a maximum of 13 per cent. Since year-end, the average yield requirement fell from 7.4 to 7.3 per cent. If we include the newly accessed Kista properties, the average yield requirement as of 31 March is 7.2 per cent.

The new Kungsleden is a long-term owner with active management and property development. We now have a larger, and above all more concentrated and higher quality property portfolio. More than 70 per cent of our properties are located in the four most important strategic growth markets – Stockholm, Gothenburg, Malmö and Västerås – and of the total portfolio, approximately half belong to clusters. Property clusters provide customers with greater freedom of choice and more efficient management. All of this helps create more value. Our focus is on creating satisfied customers, employees and shareholders.

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Kungsleden AB (publ) discloses the information in this press release according to the Swedish Securities Markets Act and/or the Swedish Financial Trading Act. The information was provided for public release on 23 April 2015 at 7:00 a.m.

Kungsleden's business concept is to own, manage and improve commercial properties in growth regions in Sweden and to deliver attractive total returns. Kungsleden's strategies to create value are based on meeting the premises requirements of customers by managing, improving and developing properties and planning consents and by optimising the company's property portfolio. Kungsleden has been quoted on NASDAQ Stockholm since 1999.