

PRESS RELEASE**20 10 2015**

Improved profit and large transaction in Stockholm

THE REPORT IN SUMMARY

The third quarter (July – September)

- Profits from property management improved by 26 per cent and were SEK 274 (217) million, which corresponds to SEK 1.51 (1.81) per share.
- The rental revenue increased by 3.2 per cent to SEK 570 (551) million and operating net fell to SEK 409 (404) million.
- Kungsleden's expansion continued by way of strategic acquisitions that totaled SEK 750 million during the third quarter. The property portfolio's value was SEK 24,346 million at the end of the quarter.
- Unrealised changes in value of SEK 202 million which corresponds to 0.8 per cent of the property value.

The interim period (January – September)

- Profits from property management improved by 13 per cent and were SEK 651 (575) million, which corresponds to SEK 3.57 (4.81) per share.
- The rental revenue decreased by 0.8 per cent to SEK 1,655 (1,669) million and operating net fell to SEK 1,104 (1,152) million.
- During the first nine months Kungsleden acquired properties totaling SEK 2.8 billion and divested non-strategic properties for SEK 0.6 billion.
- Unrealised changes in value of SEK 856 million which corresponds to 3.5 per cent of the property value.

Comments on events during and after the quarter

- Operating net for the third quarter was SEK 409 million, which is an improvement on both last quarter, SEK 362 million and the same quarter last year, SEK 404 million. On a 12-month rolling basis, operating net improved to SEK 1,443 (1,437) million.
- Net financial items continued to improve, thanks to a lower average loan volume, refinancing with lower borrowing costs and from exercising old interest rate swaps at a high coupon rate. Kungsleden's average interest rate went from 3.2 to 3.0 per cent.

- Profits from property management increased 26 per cent to SEK 274 (217) million.
- During the third quarter, the value of properties increased by SEK 315 million, of which SEK 202 million was unrealised change in value resulting from lower yield requirements and SEK 113 million was value-enhancing improvements to existing property. The average yield requirement for Kungsleden's portfolio fell from 6.9 to 6.7 per cent because of newly acquired properties lower initial yield and reduced yield.
- We made our largest acquisition thus far in Stockholm for SEK 3 billion after the end of the quarter. This creates a new inner city cluster that is 88,500 sq. m. of office and hotel space in Gärdet-Frihamnen, which is a section of Stockholm Royal Seaport. Kungsleden will take possession of the property on 1 December, at which point the value of our total property holdings will be SEK 27 billion.

Comments from CEO Biljana Pehrsson

Progress in operations

During the first nine months of the year, we optimised and expanded our property portfolio. We've fortified our existing cluster areas and have moved forward on the prioritised property development projects. We have also implemented a new, flatter organisation for the entire company and reinforced our management team with the addition of new market area managers, property managers and rental providers. New leasing is going well and several major new leases have been signed, such as the latest, with Regus, at our Kista One property. Operating net and profits from property management have also improved.

Additionally, we moved our main office to our own building at Warfvinges väg in Västra Kungsholmen, Stockholm. The move to these new, modern facilities has improved our work environment. In fact, the space has been nominated for an award as Sweden's most attractive office building (Sveriges Snyggaste Kontor). Even more important, though, is that the design of the new premises reflects our identity as a long-term property owner and landlord. The big event of the year, however, occurred after the end of the interim period.

A stronger position in Stockholm with addition of new, 89,000 sq. m. cluster

A key feature of Kungsleden's strategy is to increase property holdings in Swedish cities and regions where there is growth potential and local demand. We've focused particularly on strengthening our position in Stockholm. The reason is obvious: the level of economic growth in Stockholm is one of the highest in Europe and Stockholm is the leading capital city in Europe when it comes to innovation. The positive effects on local demand are clear: the vacancy rate for offices in Stockholm is 9 per cent and for the city centre, it is down to 5 per cent.

For this reason, we've had the expressed goal of supplementing our clusters in Kista and Danderyd with a cluster inside the City boundaries. And now, after a lot of hard work in the market, we've succeeded in making one of our largest acquisitions ever – a property portfolio consisting of 96,000 sq. m. leasable space worth SEK 3 billion. The acquisition provides us with a new inner city cluster that has 88,500 sq. m. of office and hotel space in expansive Gärdet-Frihamnen, which is a section of Stockholm Royal Seaport.

The Gärdet-Frihamnen holding is a perfect example of what Kungsleden strives to achieve with its clusters: a collection of properties with good accessibility in an area where the underlying demand is strong. This is one of the main urban development areas

of Stockholm, where 12,000 new residences and 35,000 new offices are being produced within an entirely new infrastructure, i.e. Norra Länken and Spårväg City (major road tunnel project and tram line).

At present, rents for the acquired properties are below the market rents in the area. For this reason, we believe that we should focus our efforts on improving and developing the properties in order to take advantage of their full leasing potential and create value over time. Following the acquisition, Stockholm's share of Kungsleden's total property portfolio increased to just over 40 per cent. Three years ago, it was barely 9 per cent.

Focus on active management and development of the portfolio to SEK 27 billion

Having made the major acquisition of Gärdet-Frihamnen, Kungsleden has completed the first phase of its strategic plan. Our stated goal since the rights issue a year ago has been to build up a property portfolio worth SEK 25 billion by 2017. Now, a year ahead of schedule, we have achieved a property value of SEK 27 billion with 76 per cent of the holdings located in our four major city areas. The company's earnings capacity has accordingly increased substantially. We have the size that's needed, and the right kind of properties in areas that are currently in demand, and will remain so in the future.

Now it's time to roll up our sleeves and get down to work. Our focus will now be on streamlining the portfolio and organisation, along with actively managing and developing our properties. It will also be on execution, which shows up in the bottom line. This will require that we focus on our customers and enrich the working day of our current and future tenants by providing attractive premises and always delivering that something extra. It's the only way to create lasting value in the property business.

We know what we want and we know where we're going. Our exciting journey continues.

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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 20 October 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.