

PRESS RELEASE**19 10 2016**

Strong leasing results and value of property portfolio still rising

THE REPORT IN BRIEF

Third quarter (Jul – Sep)

- New leasing increased to SEK 45 (29) million and net leasing increased to SEK 9 (–4) million.
- Rental revenue increased 7 per cent to SEK 603 (562) million and operating net increased 5 per cent to SEK 428 (409) million.
- Profit from property management increased by 2 per cent to SEK 269 (264) million, not including profit from participation in associates during 2015.
- The positive change in value of the property portfolio was SEK 273 (202) million, which is attributable to a higher operating net and lower yield requirements.
- Profit for the period increased to SEK 400 (322) million, which corresponds to SEK 2.20 (1.77) per share.
- Equity continued to increase and amounted to SEK 55.71 per share, as compared to SEK 51.28 at the beginning of the year. EPRA NAV amounted to SEK 65.50 per share, as compared to 56.76 at the beginning of the year.
- LTV fell even further, to 57.9 per cent. At the start of the year, LTV was 61.9 per cent.

Comments on events during and after the third quarter

- Eight non-strategic properties, worth SEK 186 million, were divested. This increases the concentration of holdings even further and once the properties have been vacated, Kungsleden will be present in 59 municipalities.
- There was early redemption of a bond loan and Kungsleden has, for the first time, issued commercial paper for SEK 1,080 million with average interest rate of 0.37 per cent.
- Redevelopment of Tegnér shopping mall in Växjö entered the implementation stage, and it is expected to open early in 2018. The redevelopment of Tegnér will attract new and attractive tenants within retail, restaurant and service. The investment amounts to SEK 150 million. Rental revenue in the property is expected to increase by at least SEK 10 million after the investment has been made.

Comments from Biljana Pehrsson, CEO

I am very pleased to report that Kungsleden's performance remains strong. New leasing increased with 55 percent compared to the same period last year and was SEK 45 (29) million. We divested eight non-strategic properties and we exited yet another municipality during the quarter. We are now present in 59 municipalities — as compared to 140 when we changed our strategy just over three years ago — and 78 percent of the property value is now concentrated to Stockholm, Gothenburg, Malmö and Västerås.

Rental revenue and operating net continued to increase in the third quarter. This is attributable to the fact that we now have a higher percentage of office properties in Stockholm compared to last year. The value of property holdings rose by SEK 273 million in the third quarter, which is equally attributable to improved operating net as to lower yield requirements. Most of the increase in value has occurred in our office properties in clusters in Stockholm and Västerås. The market yield used in the portfolio range from 4.40 per cent (lowest) to 12.0 per cent (highest). The average yield valuation is 6.2 per cent.

Profit from property management for the interim period was SEK 755 million, which is an improvement of 21 per cent compared to the corresponding period in 2015 if profit from participation in associates in 2015 is excluded.

GOOD LEASING RESULTS AND STRENGTHENING OF PROPERTY MANAGEMENT ORGANISATION

The rental market continues to be strong in our priority growth markets Stockholm, Gothenburg, Malmö and Västerås, with a healthy rate of increase in new leasing. During the quarter, we signed more than 50 lease agreements with both new customers and prior customers who have returned to us. There was a high level of new leasing in general, totalling SEK 45 million, where SEK 25 million is attributable to properties in our clusters and SEK 20 million is attributable to our other properties. For the interim period, new leasing was SEK 149 million, which is an improvement of 60 per cent compared to last year. Net leasing in the third quarter amounted to SEK 9 (–4) million. For the interim period, net leasing was SEK 49 (–2) million.

Lease agreements valued at SEK 9 million were renegotiated during the quarter, resulting in an increase in rent level by 18 per cent on average. For the interim period, lease agreements with rental value of SEK 53 million were renegotiated, resulting in an average rental increase of 8.2 per cent.

In line with our continued efforts to focus on both customers and operations, we opened two new offices during the quarter – a cluster office in Danderyd and a local office in Norrköping. We have a new asset and property management market area, Norrköping/Linköping with a property portfolio of 164,000 sq. m. After year-end, it will become part of the Mälardalen management region. At present, the properties are spread across several regions.

NEW RESIDENTIAL STRATEGY

We have a new strategy on how to derive maximum benefits from our existing and future residential building rights totalling 450,000 sq. m. In summary, we will actively develop the value of our building rights by working with the local authorities on zoning issues, with the aim of creating attractive residential projects and then selling the building rights as the zoning work progresses.

TEGNÉR ENTERS IMPLEMENTATION STAGE

During the quarter, renovation of the centrally located Tegnér shopping mall in Växjö entered the implementation stage. An agreement with a key tenant for 3,000 sq. m. of space was signed during the quarter, which means that the outlook is very positive as regards the future success of this property. The investment is estimated as SEK 150 million and once the redevelopment has been completed, rental revenue at the property is expected to increase by at least SEK 10 million. Including Tegnér shopping mall, we

now have four projects in the implementation stage. The total investment volume is SEK 826 million, with a good return.

HIGH LEVEL OF INTEREST AND COMMITMENT

During recent months, we've been met by a high level of interest from the property market, capital market and other important stakeholders. This is certainly encouraging and important, but even more exciting is the level of enthusiasm and commitment within the company. During the quarter, we conducted an employee survey and the results were quite satisfying. The response rate was 100 per cent and the results for both job satisfaction and the Employee Satisfaction Index exceeded our very high expectations and goals.

At Business Arena Stockholm in September, a team from Kungsleden hosted visitors at our popular lounge. We presented some of our vacant premises using the latest Virtual Reality technology. It's a new way of showing and marketing our premises and just one of the many examples of what we are doing to be on the cutting edge and provide the highest possible level of service to our existing and potential customers.

MANY WANT TO BE WHERE WE ARE

Our strategy is based on the increasing level urbanization and healthy growth in metropolitan areas, which are mega trends that are generating a high demand for office space. This provides us with an excellent foundation for our operations. However, to achieve our goal of becoming Sweden's most profitable property company, we are working very diligently to maximise the full potential of our properties and clusters, streamline our organisation and further increase the concentration of our holdings.

Stockholm, 19 October 2016

Biljana Pehrsson, CEO

For more information, please contact:

Biljana Pehrsson, CEO, Kungsleden | +46 8 503 052 04 |

biljana.pehrsson@kungsleden.se

Anders Kvist, Deputy CEO and CFO, Kungsleden | +46 8 503 052 11 |

anders.kvist@kungsleden.se

This press release is available in English at www.kungsleden.se/press

The information was provided for public release on 19/10, 2016 07.00 a.m

Kungsleden owns, manages, and develops offices and other commercial properties in Stockholm and Sweden's other growth regions. We create value by offering attractive and functional premises in the right locations at the right price. A significant part of our properties are gathered in clusters that enrich people's working day. Kungsleden's goal is to deliver attractive total return on our properties and to our shareholders.