

**PRESS RELEASE****Kungsleden (publ)****24 October 2018, 07:00 am CET****Interim report January – September 2018****A strong third quarter – profit from property management up by 14%**

- The profit from property management increased by 14 per cent during the third quarter and 11 per cent to SEK 821 million (742) during the interim period. The increase was due to improved operating net in like-for-like portfolio terms, improved net financial items, and reduced selling- and administration costs.
- New leasing increased to SEK 167 million (153), and net leasing was SEK 27 million (61).
- Unrealised changes in value in the property portfolio were SEK 1,288 million (1,051). The value increase is a result of a higher operating net and reduced required valuation yield. Current NAV increased by 14 per cent to SEK 77.05 per share (EPRA NNNAV).
- Net profit increased by 18 per cent to SEK 1,662 million (1,413), or SEK 7.61 per share (6.77).

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

- Kungsleden reached a deal on the sale of a power network, cooling and water/wastewater plant at Finnslätten, Västerås, to regional utility Mälarenergi, for a sales price of just over SEK 30 million. The assets have low book values, and gains will be recognised as Kungsleden vacates these installations.
- Four new lease contracts were signed at the B26 property in Västerås City. These deals cover 22,500 sq.m with total rental value of SEK 28 million, and average rent of approximately SEK 2,500 per sq.m. This means B26 moves to the construction phase.
- Kungsleden was rated a Green Star in the GRESB (Global Real Estate Sustainability Benchmark), and ranked as Europe's fifth most sustainable real estate company. Kungsleden received a Bronze Medal from the EPRA (European Public Real Estate Association) in the quarter for reporting a wide range of sustainability key indicators.
- Moody's confirmed Kungsleden Ba1 with positive outlook in the third quarter.

**Biljana Pehrsson, CEO, comments:****VALUE-CREATING MANAGEMENT WITH THE CUSTOMER IN FOCUS**

Kungsleden continued its positive progress in the third quarter, when we reported profit from property management for the first nine months of the year that was 11 per cent higher than the corresponding period of last year. Third-quarter profit from property management was up 14 per cent on the corresponding period of 2017. Market conditions remain positive, with high demand for offices, and good tempo on the transaction market. Our focus is on our customers, and how we can contribute to each other's businesses.

## THE CUSTOMER IN FOCUS – OUR CUSTOMER PROMISE

Key trends, not at least on the office market, are that premises should help build a company's brand, that the need for flexibility is growing, and businesses have widely differing needs for premises. Small enterprises and start-ups want flexibility so they can switch rapidly between larger or smaller premises, depending on how their business develops. Medium-sized businesses and large corporations want to build their brands and create meeting places, so they focus on premises that promote their identities in design and floor-plans. Our largest tenant, ABB, is an example, emphasising the importance of showcasing their world-leading technology, and that premises should help convey their pride to their customers.

In the third quarter, we developed and formulated our customer promise centring on customer needs and addressing these trends: *“Kungsleden customers should always feel welcome. We should contribute to your business, simplify and facilitate things for you.”*

To deliver on this, we provide a broad portfolio of properties and premises, as well as agreements with differing levels of service. We formulated a new client proposition in the third quarter: “Turnkey premises in three minutes,” which maximises simplicity and flexibility. Launch is in the fourth quarter.

## OUR PROPERTIES OFFER HIGH VALUE GROWTH POTENTIAL

We believe that over half of our properties offer substantial value growth potential. This may be about leasing large vacant areas, as in Kista City and Gärdet/Värtahamnen, or if a property has a rent level significantly below market. By modernising, converting and extending, we can realise higher rental revenue, reduce vacancies, lift operating costs, and thus increase property values. This kind of successful value-creating work typically generates double-digit total returns (according to the MSCI definition).

Development projects are also contributing more to Kungsleden's profitability. We completed the Holar 1 project in Kista City at the beginning of October, and our tenant The Studio Hotel accessed the property. Overall, we brought four major projects to their completion this year, which together, bring us SEK 49 million of annual rental value when fully leased.

We now have five major project in the construction phase. In the third quarter, we started two construction projects – a new custodial facility in Östersund, and the B26 office property in Västerås. These five projects are scheduled for completion in 2019 and 2020, and have total rental value of SEK 124 million.

We also commenced marketing Eden, our new office project in Hyllie, Malmö, in October. This property will enable us to offer the latest digital solutions, highest level of service and innovative, naturally inspired common areas. We also have an array of new value-creating projects in our pipeline.

## OUTLOOK STILL POSITIVE

There are concerns in the global markets that can have an impact on the Swedish economy. However, forecasts for Sweden's economy continue to speak for good economic growth this year and 2019. There is a continued strong market for commercial premises, and Kungsleden is financially stable and well equipped for future interest rate increases.

Stockholm, Sweden, 24 October 2018

*Biljana Pehrsson, CEO*

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*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 7.00 am CET on October 24, 2018.*

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.