

**PRESS RELEASE****17 07 2015**

## **The expansion ahead of plan and with a good profit**

### **THE REPORT IN SUMMARY**

#### **The second quarter (April – June)**

- Profits from property management improved by 6 per cent and were SEK 202 (191) million, which corresponds to SEK 1.11 (1.58) per share.
- The rental revenue increased by 1,6 per cent to SEK 560 (551) million and operating net fell to SEK 362 (383) million.
- Kungsleden's expansion continued by way of strategic acquisitions that totaled SEK 1.2 billion during the second quarter. The property portfolio's value was SEK 23,259 million at the end of the quarter.
- Unrealised changes in value of SEK 411 million which corresponds to 1.8 per cent of the property value.

#### **The half-year period (January – June)**

- Profits from property management improved by 5 per cent and were SEK 377 (359) million, which corresponds to SEK 2.07 (3.00) per share.
- The rental revenue decreased by 3 per cent to SEK 1,085 (1,118) million and operating net fell to SEK 695 (748) million.
- During the first half of the year Kungsleden acquired properties totaling SEK 2.0 billion and divested non-strategic properties for SEK 0.6 billion.
- Unrealised changes in value of SEK 654 million which corresponds to 2.9 per cent of the property value.

#### **Comments on events during and after the quarter**

- Profits from property management increased by 6 per cent from SEK 202 (191) million thanks to lower interest rates resulting from refinancing, new loans obtained and restructuring of the interest rate swap portfolio. Second quarter profit before tax was SEK 801 (278) million, which is an improvement of 188 per cent compared to last year.
- The value of Kungsleden's property portfolio, excluding acquisitions and divestitures, increased during the quarter by SEK 505 million, of which SEK 411

million was unrealised changes in value and SEK 94 million was value-enhancing tenant improvements, maintenance and renovation of existing property. The unrealised changes in value were primarily the result of lower yield requirements. The average yield requirement for Kungsleden's portfolio fell from 7.2 to 6.9 per cent as of 30 June 2015.

- Kungsleden lowers its average interest rate from 5.1 to 3.2 percent as of 30 June 2015 pro forma, following refinancing and new loans with lower average interest rates, restructuring of the interest rate portfolio and interest rate swaps that have matured thus far during the year.

### **Comments from CEO Biljana Pehrsson**

During the second quarter of the year, we kept our focus on growing the property portfolio and creating attractive, efficiently managed clusters in Sweden's most important growth markets. Our aim with this is to delivery attractive overall returns. Strategic acquisitions were made for a total of SEK 1.2 billion, after which 33 per cent of property value was localised to Stockholm and more than 60 per cent of the total property value is office facilities. Kungsleden is now a new company, with concentrated, modernised property holdings that have huge potential.

#### **GREAT POTENTIAL IN OUR CLUSTERS**

Our assessment is that most of our potential exists in our clusters. At present, nearly half of the property portfolio is concentrated in these eight clusters: Kista City, Danderyd Kontor, Stockholm City, Västberga in Stockholm, Västerås City, Finnslätten Industrial Area in Västerås, Högsbo in Göteborg and Hyllie in Malmö. We feel that there is potential in these areas because of our ability to create attractive customer offerings with flexible solutions for premises and through efficient management. The rental market is strong and there is healthy demand for modern premises in our clusters. We've already achieved a lower vacancy rate at our established clusters. For example, for our newly finalised new leases and renegotiated leases at, for example, Danderyd Kontor, the rent is 5–10 per cent higher per sq. m. We also believe that the long-term potential for rental and value increase exists in our four most important and largest markets – Stockholm, Gothenburg, Malmö and Västerås. This was confirmed in an analysis by Newsec of rental increase potential. Their prognosis for the next three years was good, with an average annual growth in rents for offices at Kungsleden's selected markets of between 1.5 and 3.5 per cent. Kista City and Västra Kungsholmen were highest with a 3.5 per cent increase, while the expected increase for Västerås was 2.0 per cent and for Gothenburg, it was 1.5 per cent. According to Newsec, only Malmö is expected to exhibit a weaker trend.

#### **DEVELOPMENT EFFORTS PROGRESSING AS PLANNED**

We also anticipate good results from our development projects, having completed our first major project, Aspgården in Umeå ahead of schedule and within budget. The International English School will open its doors there to 600 students this fall. One of the next in line is the office and hotel project, Blästern 14 in Hagastaden, Stockholm. This innovative project, which we refer to as a "city oasis" has an estimated investment volume of SEK 350 million. The aim is to create an active place for both residents and visitors in the area to meet, as well as those working in the vicinity. Additionally, we have two major projects in the development stage with a total investment volume of SEK 440 million. The goal is to complete 4–5 projects for a total of SEK 1 billion over 2–3 years, generating a project profit of 20 per cent or more.

## STABLE FOUNDATION FOR CONTINUED EXPANSION

Furthermore, we've strengthened our financial position and balance sheet, which is, for example reflected in our equity ratio, which has gone from 31 to 40 per cent in less than two years and our LTV ratio is currently 56 per cent. We've simultaneously lowered our average interest rate to 3.2 per cent pro forma, thereby establishing a stable financial foundation for continued expansion.

In addition, we have fortified the organisation in preparation for this continued growth. New employees have brought new talent to the organisation, primarily in these areas: leasing, management and development. Another important component of our organisational development is the company-wide quality assurance and efficiency project that we've implemented called "Kungsleden's Flow". It focuses on structure, culture and processes, where we are now about halfway towards meeting our goals. It's an exciting journey that has demanded much from the organisation. However, everyone at Kungsleden is very motivated and excited about our efforts, which is important to overall success and good bottom-line results.

We aim to achieve a property portfolio worth SEK 25 billion in 2017. We already have a property portfolio worth SEK 23.7 billion (including Terminalen 2 and Vagnslidret 1, which are acquired properties that have not yet been taken in possession). I'm optimistic that we will reach SEK 25 billion already this year. With a portfolio like ours, we can generate profits from property management of SEK 1 billion far ahead of schedule.

So, we're now ready to aim higher, towards achieving our long-term goal of a property portfolio worth SEK 30 billion.

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

Biljana Pehrsson, CEO, Kungsleden | +46 8 503 052 04 |  
[biljana.pehrsson@kungsleden.se](mailto:biljana.pehrsson@kungsleden.se)

Anders Kvist, Deputy CEO and CFO, Kungsleden | +46 8 503 052 11 |  
[anders.kvist@kungsleden.se](mailto:anders.kvist@kungsleden.se)

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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 17 July 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.