

## **Increased profit from property management and positive net lettings**

### **RESULTS IN BRIEF**

#### **Second quarter (April–June)**

- Net sales increased to SEK 564 (561) m and gross profit rose to SEK 313 (308) m.
- Profit from property management improved, amounting to SEK 133 (110) m, equivalent to SEK 1.00 (0.80) per share.
- Profit/loss before tax was SEK 332 (8) m, and net profit/loss was SEK 261 (–671) m, or SEK 1.90 (–4.90) per share. The increase in net profit/loss is mainly due to the second quarter 2012 being charged with SEK –725 m of provisions for tax risks.
- Cash flow from operating activities was SEK 140 (122) m, or SEK 1.00 (0.90) per share.

#### **Interim period (January–June)**

- Net sales were down to SEK 1,051 (1,117) m, and gross profit decreased to SEK 594 (613) m due to a smaller property portfolio on average.
- Profit from property management was SEK 221 (227) m, or SEK 1.60 (1.70) per share.
- Profit/loss before tax was SEK 568 (382) m, and net profit/loss was SEK 469 (–558) m, or SEK 3.40 (–4.10) per share. The increase in net profit/loss is mainly due to the first half-year 2012 being charged with SEK –985 m of provisions for tax risks.
- Cash flow from operating activities was SEK 272 (242) m, or SEK 2.00 (1.80) per share.
- The property portfolio as of 30 June 2013 consisted of 278 (278) properties with a book value of SEK 15,947 (15,777) m.

### **SIGNIFICANT EVENTS**

#### **Second quarter (April–June)**

- Kungsleden purchased 2 (–) properties for SEK 69 m and sold 3 (3) properties for SEK 22 (93) m, generating a profit of SEK 5 (17) m. In addition, Kungsleden agreed the purchase of another property for SEK 173 m, and the sale of a property in Germany for SEK 93 m, transactions reported in the second half-year.

- Biljana Pehrsson was appointed as Kungsleden AB's new Chief Executive succeeding Thomas Erséus, who left in April. She takes up her position on 1 September.

### **Interim period (January–June)**

- On 15 February 2013, Kungsleden transferred possession of the shares of Hemsö to AP3 (the Third Swedish National Pension Fund), which also redeemed its SEK 1,500 m shareholder loan. Accordingly, Kungsleden significantly strengthened its liquidity. Simultaneously, Kungsleden took possession of 11 properties purchased from Hemsö for SEK 1,549 m.
- Kungsleden amortised loans in the first quarter.

### **After the end of the period**

- 5 properties were purchased for SEK 130 m, with completion in the third quarter. Including completed and agreed purchases in the first half-year, Kungsleden purchased a total of 8 properties for SEK 371 m.
- In mid-August, Kungsleden signed a memorandum of understanding with GE Capital Real Estate to purchase 84 properties for approximately SEK 5.5 billion. This transaction will not require Kungsleden to raise additional risk capital. A definitive purchase agreement is scheduled for October after due diligence concludes, with scheduled completion on the properties at the end of the year.

## **A COMMENT FROM OUR CHIEF EXECUTIVE**

I'm satisfied with Kungsleden's progress in the second quarter, with the continued implementation of our new business strategy, property purchases and positive profit performance.

Work on identifying and screening suitable acquisition opportunities for our large-scale investment programme resulted in property purchases totalling SEK 371 m until the beginning of July. These properties are in selected Swedish growth regions in the office, retail and industrial/warehouse segments, with healthy property yield levels in the 7.5–8.3 per cent interval. The locations include Gothenburg, Lund and Norrköping.

With this type of property purchase, we've started to build a property portfolio that's attractive for the long term, and we still have a lot of capacity left. Over a horizon of a few years, we stated that we may make SEK 5–6 billion of investments, and we're seeing good investment opportunities in properties with moderate risk and property yields of 7.0–8.5 per cent.

In mid-August, Kungsleden signed a memorandum of understanding with GE Capital Real Estate to purchase 84 properties for approximately SEK 5.5 billion. This portfolio, of approximately 567,000 sq.m., is mainly located in Stockholm and Gothenburg, and the majority consists of office properties. Accordingly, this transaction would imply that planned investments are essentially complete. It will not require Kungsleden to raise

additional risk capital. A definitive purchase agreement is scheduled for October after due diligence concludes, with scheduled completion on the properties at the end of the year.

The creation of the property portfolio that is optimal for us also includes selling properties that lie outside the core focus of the new strategy, at the right time and an acceptable price. Such a concentration process occurred in the quarter, when we sold a retirement home property in Germany for approximately SEK 93 m, which was comparable to book value.

In the existing property portfolio, we made SEK 134 m of profitable investments in the first half-year as conversions and extensions, in consultation with tenants. These investments meant property values increasing through higher rent levels, and often, longer contract terms too.

It's pleasing that after a somewhat slow start to the year, we were able to turn around our net letting, so it was mildly positive for the first half-year as a whole.

As for profit performance, the second quarter returned a positive trend across the board. Net sales, gross profit and profit from property management all improved across the line. The increase in profit from property management is substantial, and apart from a higher gross profit in our property operation, is due to lower central administration costs and better net financial position. Our program to reduce administration costs is starting to pay off as in the second quarter of 2013, these costs were SEK 32 m, against SEK 45 m in the corresponding quarter of the previous year, and SEK 52 m in the first quarter of 2013. In quarterly terms, there are some items affecting comparability, but the underlying cost trend is clearly downward.

There's nothing new to report regarding Kungsleden's tax proceedings. We judge that the risk in these proceedings is unchanged compare to the previous quarter. Some proceedings have been delayed, but in several cases, we anticipate rulings in autumn 2013.

At Kungsleden, we feel that we're creating shareholder value through the small and large-scale investments and activities initiated within the auspices of the company's new strategy. I and my colleagues at Kungsleden are looking forward to completing this journey together alongside our new Chief Executive Biljana Pehrsson, who joins us on 1 September.

Anders Kvist  
*Interim Chief Executive*

For more information, please contact:

Anders Kvist, Interim Chief Executive and Chief Financial Officer Kungsleden  
phone +46 8 503 052 11 | mobile +46 70 690 65 63

*Detta pressmeddelande finns tillgängligt på svenska på [www.kungsleden.se/pressmeddelanden](http://www.kungsleden.se/pressmeddelanden)*

---

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 16 August 2013 at 8:00 a.m.

Kungsleden's business concept is to own, manage and enhance properties in Sweden's growth regions, and to generate sustainable high and stable returns. The focus on value creation is by satisfying customers' needs for premises, managing and enhancing properties, and optimising the company's property portfolio. Kungsleden has been quoted on Nasdaq OMX Stockholm since 1999.