

Increased property yield and strong gross profit

- Net sales reduced by 5 per cent to SEK 1,439 (1,511) m and gross profit increased to SEK 954 (952) m.
- Profit before tax was SEK 164 (286) m. The profit after tax for the interim period was SEK 237 (272) m, equivalent to SEK 1.70 (2.00) per share.
- Transaction with AP3 (the Swedish Third Pension Insurance Fund) completed, with half the ownership of 242 public properties transferred on 4 May.
- As of 30 June 2009, the property portfolio comprised 584 (603) properties with a book value of SEK 21,163 (28,576) m.
- In the interim period, 2 (36) properties were acquired for SEK 158 (2,667) m; 15 (3) properties and half the ownership of 242 properties was also divested for a total of SEK 7,517 (147) m, generating a loss of SEK –128 (31) m. These divestments affected profit for calculating dividends by SEK 891 (48) m.
- Profit for calculating dividends for the interim period was SEK 858 (322) m, equivalent to SEK 6.30 (2.40) per share.
- The Swedish Supreme Administrative Court's tax rulings on certain property transactions have caused Kungsleden to provision SEK 325 m for potential amendments to previous tax returns.
- The forecast for the full year 2009 profit for calculating dividends is SEK 975 m, or SEK 7.10 per share.

Second quarter (April-June)

- As a result of the transaction with AP3, net sales reduced by 13 per cent to SEK 668 (764) m.
- Profit before tax was SEK 244 (173) m. Profit after tax for the period was SEK 304 (199) m, equivalent to SEK 2.20 (1.50) per share.

“Kungsleden’s operations made continued positive progress in the second quarter, with a rising operating net in like-for-like terms. All divisions performed well, and we had a property yield of 7.1 per cent with limited value changes in the holding.

There is still no significant improvement on the credit market, and we still think it is hard to secure funding on reasonable terms.

Competition on the Swedish credit market has reduced since many foreign players have left the market. This has resulted in tighter access to credit and rising prices, especially on maturities of 3-5 years. Hopefully, current healthy profitability will tempt new players into the credit market with increased competition, and eventually, better pricing. The current situation is a contributor to a continued tough transaction market, with far fewer and smaller transactions, and cool interest among foreign property players.

Public properties sustained their positive progress in Sweden and Germany. Commercial property lettings were positive, with an increased operating surplus margin. Vacancy levels in our commercial holding, measured in terms of earnings capacity, reduced from 7.6 to 7.2 per cent in the second quarter. Despite us downscaling production capacity in Nordic Modular, profit performance was positive. There are some signs that the market for modular production may have bottomed out in the quarter.

The underlying market is continuing to make fairly positive progress, although it may well be some time yet before the economic recovery becomes more enduring. Although the economic conditions look like improving, Kungsleden is active in a late-cyclical sector, and there is a risk that we still have not seen the peak in the number of business insolvencies. In current market conditions, Kungsleden is focusing on its existing portfolio. For example, we are working actively on tenant adaptations to retain and attract new tenants.

No news has emerged regarding the Swedish Supreme Administrative Court’s tax rulings, which we previously reported in several press releases. Kungsleden – which wasn’t actually party to any of these rulings – still thinks that tax for the year may increase by SEK 325 m as a result of them. The regulatory structure is complex, and calculations will be reassessed quarterly. The definitive outcome may be higher or lower than our current judgment.

Kungsleden completed its transaction with AP3 in the quarter, involving this Fund acquiring 50 per cent of the shares of the company that owns and manages the majority of the public properties in Sweden. This means that from 4 May, we will be reporting half of the company that owns and manages Kungsleden’s Public properties in Sweden according to the proportional method.

Kungsleden’s book value calculated per square metre is low compared to replacement cost, we have generally low rent levels, good geographical diversity in our holding and positive net lettings. Both our operating net and vacancy levels made positive progress in the quarter, and with lower administrative costs, overall, the conditions for stable profit performance should be in place, despite continued risk on the tenant side. The Board of Directors’ estimate of profit for calculating dividends is unchanged at SEK 975 m.”

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Kungsleden 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 19 August 2009 at 1:30 p.m.

This press release is available in Swedish at www.kungsleden.se

Kungsleden's strategy is to ensure sustainable high and stable returns proceeding from its existing holding, and through acquisitions and divestments. As of 30 June 2009, the property portfolio comprised 584 properties with a book value of SEK 21.2 bn. The holding was located in a total of 131 municipalities, although concentrated on the Swedish provinces of Götaland and Svealand, and the Öresund region. Kungsleden has been quoted on the OMX Nordic Exchange Stockholm since 1999.