

PRESS RELEASE**17 02 2016**

Kungsleden increases profit from property management with 32 per cent and raises dividend

THE REPORT IN BRIEF

Fourth quarter (October – December)

- Rental revenue increased by 26 percent to SEK 659 (524) million and net operating income rose to SEK 441 (338) million.
- Profits from property management improved by 105 percent and were SEK 316 (154) million, which corresponds to SEK 1.73 (0.90) per share.
- Unrealised changes in value were SEK 114 (595) million.

Full year (January – December)

- Rental revenue increased by 6 percent to SEK 2,314 (2,193) million and net operating income rose to SEK 1,545 (1,491) million.
- Profits from property management improved by 32 percent and were SEK 966 (730) million, which corresponds to SEK 5.31 (5.02) per share.
- Unrealised changes in value were SEK 970 (930) million.

Comments on events during and after the quarter

- Rental revenue for the quarter increased by 26 per cent to SEK 659 million, primarily due to properties acquired and taken over, along with revenue from early redemption of leases. Operating net was SEK 441 million, which is a 30 per cent improvement compared to the same quarter last year (SEK 338 million). Operating net for the full year improved to SEK 1,545 (1,491) million.
- Financial expenses continued to fall during the quarter. On a full-year basis net financial items improved to SEK –473 (–660) million. By restructuring the interest rate swap portfolio, refinancing and new loans that were acquired, it was possible to lower our average interest rate from 5 to 2.7 per cent. At the same time, average maturity on loans was lengthened to 3.6 years, compared to 2.6 years at the beginning of the year.
- Profits from property management for the quarter increased by 105 percent to SEK 316 (154) million and for the full year profits from property management totaled SEK 966 (730) million.

- The new cluster, Gärdet/Frihamnen, which is 89,000 sq. m. of office and hotel space in the growing area of Norra Djurgårdsstaden, was acquired and taken over during the quarter. This increased the value of property holdings in Stockholm to SEK 11.6 billion, which corresponds to 42 per cent of Kungsliden's entire property portfolio.
- In December, the Administrative Court of Appeal handed down an adverse ruling on Kungsliden's last remaining tax case, pertaining to a transaction that occurred in 2007. Kungsliden made a provision and payment of SEK 1.3 billion related to that ruling.
- The Board proposes a dividend of SEK 2.00 (1.50) per share.

Comments from Biljana Pehrsson, CEO

The restructuring of Kungsliden's property portfolio accelerated in 2015. At the end of the last quarter, we completed the acquisition and take over of a new, important cluster, Gärdet/Frihamnen, which is 89,000 sq. m of office and hotel space in downtown Stockholm. For full-year 2015, we acquired strategic properties for SEK 5.8 million and divested non-strategic properties for just over SEK 700 million. Having done that, we managed to achieve our 2017 goals on the size, earnings and structure of the property portfolio, ahead of schedule.

The value of the portfolio is now SEK 27.5 billion, with an earnings capacity, expressed as operating net, of SEK 1.7 billion. The structure has also significantly improved: 59 per cent of the property value exists in the metropolitan regions of Stockholm, Gothenburg and Malmö. We have reduced our geographic distribution from 91 to 69 municipalities and 64 per cent of the portfolio is comprised of offices, with nearly 60 per cent located in one of our eleven clusters. During the quarter, we implemented our strategic goal of exiting module operations when we sold the remaining portion of Nordic Modular Group to Inter IKEA Investments.

The earnings capacity, expressed as profits from property management, has also improved due to our endeavours thanks to, in part reducing the burden of old, costly interest rate swaps and restructuring the interest rate swap portfolio and in part by renegotiating the loan portfolio. We have managed to reduce our average borrowing costs (average interest rate) from 5 to 2.7 per cent during the year, while simultaneously lengthening the average maturity on loans to 3.6 years, compared to 2.6 years at the beginning of the year.

Higher quality with new organisation

At the start of the fourth quarter, we launched a new organisation, with the aim of achieving a higher level of quality and efficiency in our pursuits to be a long-term and active manager and landlord. We fortified the management organisation by expanding the scope of responsibility for regional managers and by hiring marketing area and leasing managers. The aim is to ramp up our processing and communicating efforts with both old and new tenants so that we sign more leases and establish more long-term relations with customers.

New leasing has gone very well throughout 2015, resulting in a rental value of SEK 133 million, which is 22 per cent higher than last year. In Kista alone, we managed to lease 9,000 sq. m. of space over a period of just eight months. Nevertheless, cancellation of

leases has also been high. Regardless, we had net leasing for the fourth quarter of SEK 10 million. For the full year, net leasing was SEK 7.5 million and with completed renegotiations, we were able to achieve a rent increase of 12 per cent, on average.

In December, the Administrative Court of Appeal handed down an adverse ruling on Kungsleden's last remaining tax case. This required us to make a provision and payment in the fourth quarter of just over SEK 1.3 billion in tax related to that case. Since 2013, Kungsleden's profit, equity and liquidity have been negatively impacted by almost SEK 3 billion, in total, for additional tax on transactions that were made during the period 2004–2007. Now, at last, all of these tax cases have been concluded.

We now aim towards 2020

Now we can start the next chapter of Kungsleden's journey, with a larger, structurally-improved property portfolio, a strong financial position and an optimised organisation. This has motivated us to formulate a new, long-term business plan containing clear, operational goals for the coming years – Kungsleden 2020.

Our vision is to create attractive premises that enrich people's working days. The rental market is strong and above all, there is a healthy demand for office facilities. The locations of our clusters are attractive, with good accessibility. We have a comprehensive offering at our clusters and are proactive in creating attractive premises. Our aim is to offer variety in terms of size, standard and price, which provides our tenants with a high level of flexibility. Given the high rate of change experienced by today's companies, flexibility is very important. Our clusters help establish us locally more firmly and make our property management efforts more rational. We want to implement a "shopping centre approach" at our clusters. This involves creating an attractive indoor environment at each location, but just as important are profiling, mix of companies, service offering in the area and an attractive outdoor environment. The goal is to achieve a higher occupancy rate, along with rental and value growth via satisfied customers.

By 2020, we aim to be one of Sweden's largest and most profitable listed property companies. The strategy focuses on continued portfolio optimisation and expansion with quality in Sweden's most important growth markets - Stockholm, Gothenburg, Öresund and Västerås. At the same time, will concentrate on establishing larger, more efficient units by setting up more and larger clusters.

I'm looking forward to further excellent collaboration with both colleagues and customers. Now, we aim towards 2020.

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

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 February 2016 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.