

PRESS RELEASE**17 02 2015**

Kungsleden increases profit from property management with 66 percent and raises dividend

THE REPORT IN BRIEF

Fourth quarter (October – December)

- Rental income increased by 14 percent to SEK 524 (460) million and net operating income rose to SEK 338 (316) million.
- Profits from property management improved by 19 percent and were SEK 154 (129) million, which corresponds to SEK 0.90 (1.09) per share.
- Net leasing was SEK 3 (12) million.

Full year (January – December)

- Rental income increased by 31 percent to SEK 2,193 (1,669) million and net operating income rose to SEK 1,491 (1,131) million.
- Profits from property management improved by 66 percent and were SEK 730 (441) million, which corresponds to SEK 5.02 (4.02) per share.
- Net leasing was SEK 6 (26) million.

Comments on events during and after the quarter

- During the quarter, an important strategic acquisition of the Kista holdings was completed. A total of 74,000 square metres of modern office space has been added to our existing office complex at Kista with the flagship Kista One. The acquisition means that Kungsleden is now a leading player at one of the country's largest workplaces – Kista Science City. During and after the quarter strategic properties were acquired totalling SEK 2.4 billion. The streamlining of the property holdings continued with the sale of non-strategic properties for SEK 300 million at a profit of SEK 11 million.
- Year-end valuation of all properties was conducted and the result was an increase in value of almost SEK 600 million, or just over 3 per cent. The largest positive value adjustment took place in the office segment in Stockholm and Västerås due to improved net operating income, investments made and lower yield requirements in the market.
- Net operating income and profits from property management increased by 7 per cent to SEK 338 (316) million and by 19 per cent to SEK 154 (129) million due to larger

property holdings and lower property and financing costs.

- 65 per cent of the subsidiary Nordic Modular Group was sold to Inter IKEA Investments with the closing in January 2015.
- The Board proposes a dividend of SEK 1.50 (1.25) per share.

Comments from Biljana Pehrsson, CEO

2014 was a positive and very eventful year for Kungsleden. Extensive efforts have been made in the ongoing restructuring of our property holdings. During the year we bought and sold properties at a value of over SEK 5 billion. This is an impressive achievement by the organisation and it is gratifying to note that all sales were made at a profit. A unifying theme in the ongoing restructuring process for our holdings is a gradual concentration into clusters in our targeted regions and locations. This year, we have witnessed the strength of our strategy. One example is the office property, Danderyd Kontor, where the vacancy rate dropped from 10 to 5 per cent in one year.

The Kista acquisition is an important part of our strategy

During the fourth quarter, Kungsleden completed an important strategic acquisition in Kista worth SEK 2 billion. We will thereby be creating a cluster at one of Sweden's most important work sites, Kista Science City. Additionally during the quarter, we acquired a modern office building complex that is under construction in Hyllie, Malmö. Through the purchases and sales over the course of the year, we have achieved our goal of concentrating more than 50 per cent of our holdings in the major cities Stockholm, Gothenburg and Malmö, of which the lion's share is in Stockholm. It is worth remembering that this is a major change for Kungsleden, which, just a year ago, had 25 per cent of its holdings in the metropolitan regions. During the quarter, we also continued to streamline our operations through the sale of Kungsleden's last property abroad, and we sold a majority stake in Nordic Modular Group.

Increased value of the holdings

All of our properties were valued at the end of the year. The increase in value during the quarter was almost SEK 600 million, which corresponds to just over 3 per cent. It is worth noting that the value has increased the most for our office holdings in Stockholm and Västerås. On a full year basis, the overall increase in value was over SEK 1 billion of which SEK 186 million is realised gains from sales. At the end of the year, the value of the property holdings was SEK 19.6 billion. With the new rights issue completed during the quarter, we have the financial flexibility to grow our property holdings to SEK 25 billion as an initial sub-goal. The long-term ambition is to grow the value of the holdings to SEK 30 billion.

A strong quarter

Operations continued with a positive trend during the fourth quarter. Net operating income was SEK 338 million, an increase of 7 per cent compared to the same period last year. In a comparable set of holdings, the net operating income rose by 3.6 per cent. Profits from property management grew by 19 per cent from the previous year and totaled SEK 154 million. The trend for interest costs remained satisfactory with an average interest rate of 5 per cent, compared to 5.8 per cent at the beginning of the year. During the quarter, new leases were signed for a total of approximately 50,000 sq.m. The financial occupancy rate was 89 per cent. Profit before tax rose by 204 per cent to SEK 642 million.

Positive outlook

In 2015, I believe we will continue to see this positive development at Kungsleden in at least three ways. Firstly, we must ensure the potential to grow net operating income by continuing to be close to our customers and actively work on property development and profiling. Secondly, we want to grow through property acquisitions according to our strategy. Thirdly, we will see continued improvements in Kungsleden's financing costs. During 2015, we also expect to be able to put an end to Kungsleden's tax litigation. Whatever the outcome, we expect to benefit by being able to soon direct our full attention to business operations instead of these tax issues. On account of this good performance, the Board proposes a dividend of SEK 1.50 (1.25) per share for 2014. With the positive annual results, we have confidence in Kungsleden's new strategy. We look forward with confidence to 2015.

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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 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.