

Press Release
22 December 2008

Kungsleden sells 50% of Public Properties to Tredje AP-fonden and forms a Joint Venture for continued development

- The transaction is being conducted by Kungsleden selling 50% of its ownership within Public Properties to Tredje AP-fonden
- The sales price is based on a total value of the constituent properties of Hemsö of SEK 15.4 bn which exceeds acquisition value by SEK 2.1 m and represent approximately 98% of the book value
- The preliminary liquidity impact for Kungsleden amounts to approximately SEK 2.3 bn
- The transaction will imply that Kungsleden's prospects of exploiting potential deal opportunities in commercial properties will be enhanced and that Kungsleden will be able to derive more benefit from future deal opportunities in public properties
- The transaction, which is expected to be completed during the first quarter 2009, will generate a preliminary profit for calculating dividends for 2009 of SEK 800m

The listed Swedish property company Kungsleden AB (publ) ("Kungsleden") has signed an agreement with Tredje AP-fonden ("AP3") to divest 50% of its ownership of Hemsö Fastighets AB ("Hemsö") to AP3. Hemsö owns and manages Kungsleden's public properties in Sweden, which are mainly retirement home, care and school properties. The holding is well diversified nationwide, although concentrated on the major regional cities. There are 277 properties involved, which as of 30 September 2008 had a book value of SEK 15.6 bn.

The sales price is based on a property value of SEK 15.4 bn, or approximately 98% of the proforma book value¹ at the time of completion, which exceeds acquisition value excluding transaction costs by SEK 2.1 m. The average returns for Kungsleden on the holding in Hemsö since 2001 has been 25%.

¹ Including completion of ongoing projects

In terms of sales price, the property yield is 6.3% based on pro forma operating net in 2008. Gross leasable area is 1,326,000 sq.m. and total rental value is some SEK 1.4 bn as of September 30, 2008.

Kungsleden has developed and accumulated a substantial holding of public properties since this portfolio was created in 2001. Public properties represented 54% of Kungsleden's total book value as of 30 September 2008. This portfolio is well diversified in terms of customer segments, tenants and geographical diversity. Public properties feature stable tenants with long rental contracts.

Kungsleden is retaining its positive view of the potential of the Public Properties segment, and will together with AP3 continue to make an active contribution to Hemsö's ongoing progress during at least five years. The operations of Hemsö will initially be safeguarded through a management agreement between Kungsleden and Hemsö. The transaction is conditional on Hemsö retaining its financing on satisfactory terms and on approval from the Swedish Competition Authority. The transaction is scheduled for definitive completion in the first quarter of 2009 and corroborates the quality of the substantial portfolio within Public Properties, while in AP3, Kungsleden gains a reputable partner.

In future, Kungsleden will be reporting Hemsö pursuant to proportional consolidation. The transaction implies that Kungsleden's pro forma profits including tax effects for the first nine months of 2008 would be SEK 326 m, or SEK 2.40 per share, assuming that the transaction had been completed at the beginning of the year. As of 30 September 2008, the pro forma equity ratio is 36%, net debt is SEK 12.5 bn and shareholders' equity per share is SEK 63.70.

Kungsleden considers that the current market conditions may offer attractive deal opportunities. To enhance its prospects of exploiting this potential, the transaction with AP3 will create a stronger base for Kungsleden's other business while Kungsleden at the same time can derive more benefit from future deal opportunities in public properties. The coming years may offer attractive deal opportunities, and accordingly, a financially stronger Kungsleden would be able to act more quickly, and in a larger context. Kungsleden's business model focuses on the continuous enhancement of the composition and quality of its property portfolio with the objective of improving risk-adjusted returns.

Detta pressmeddelande finns tillgängligt på svenska på 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 September 2008, the property portfolio comprised 608 properties with a book value of SEK 28.5 bn. The holding was located in a total of 132 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.

Commenting, Thomas Erséus, Kungsleden's Chief Executive, said: *"Kungsleden has been accumulating a substantial holding within Public Properties since 2001, a business we think has very good potential extending into the future. We're delighted that AP3 shares our view of this sector, and through this deal, we're creating good prospects of continuing to develop Hemsö alongside AP3 optimally, and further consolidate Hemsö as a capable partner and landlord for existing and future tenants. We're convinced that through this transaction, we will continue to increase shareholder value for the future."*

Kungsleden and AP3 will be holding a joint press and analysts' conference today, 22 December at 11:00 a.m. at Kungsleden's head office, Medborgarplatsen 25, Stockholm, Sweden where Kungsleden's Chief Executive Thomas Erséus, Kungsleden's Deputy Chief Executive Johan Risberg and AP3's Bengt Hellström will present the transaction. At 11:00 a.m. the presentation that will be shown at the press and analysts' conference will be available at www.kungsleden.se.

SEB Enskilda have acted as lead financial advisor and Lundberg & Partners have acted as co-financial advisers to Kungsleden on this transaction. Mannheimer Swartling have acted as legal advisors.

Summary of financial effects:

	Before transaction	After transaction (pro forma)
	1 January – 30 September 2008	1 January – 30 September 2008¹
Profit after tax, SEK m	350	326
Profit after tax, per share	2.6	2.4
	30 September 2008	30 September 2008¹
Equity ratio, %	26.9	36.4
Loan-to-value, %	72.3	63.6
Net debt, SEK bn	20.0	12.5
Shareholders' equity per share	60.8	63.7

¹ The pro forma profit and balance sheet effects are calculated assuming the transaction is conducted on 31 December 2007

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 22/12 December 2008 at 8:30 a.m.

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