

INTERIM REPORT 17

JANUARY – MARCH

KLÖVERN

- » Profit before tax increased by 16 per cent to SEK 1,018 million (876) and net profit increased by 11 per cent to SEK 789 million (712), corresponding to SEK 0.77 (0.69) per ordinary share.
- » Income increased by 7 per cent to SEK 762 million (714).
- » The operating surplus increased by 9 per cent to SEK 503 million (463).
- » Profit from property management increased by 9 per cent to SEK 319 million (293).
- » Changes in value of properties amounted to SEK 676 million (726).
- » After taking possession of 5 properties for SEK 415 million, transfer of possession of 4 properties for SEK 109 million and investments of SEK 224 million, the value of the property portfolio amounted to SEK 40,442 million.
- » The interest coverage ratio amounted to 3.0 and the adjusted equity ratio improved to 37.5 per cent.

“*We are delighted with yet another strong quarter. For the first time we generate a profit before tax over one billion. Our strategy to focus and expand in growth regions continues. Our property portfolio now exceeds 40 billion. Region Stockholm dominates with 51 per cent and Gothenburg now accounts for 9 per cent.*

Rutger Arnhult, CEO

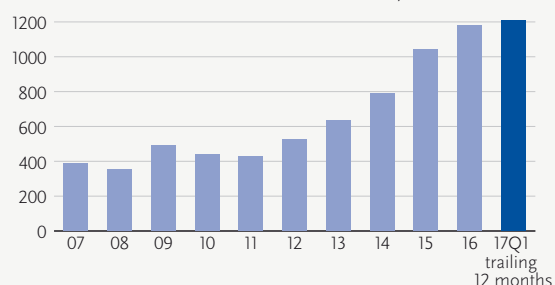
THIS IS KLÖVERN

KLÖVERN IS A REAL ESTATE COMPANY committed, with closeness and commitment, to offering customers efficient premises in selected growth regions.

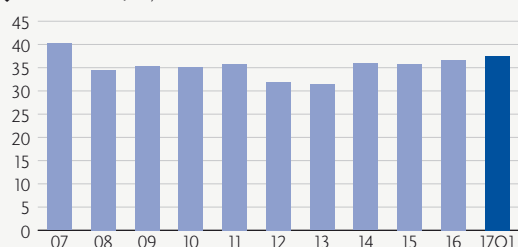
Our vision is to create environments for future enterprise. This requires active construction of city neighbourhoods, districts and other business clusters.

Klövern is one of the larger listed real estate companies in Sweden specializing in commercial premises and residential development.

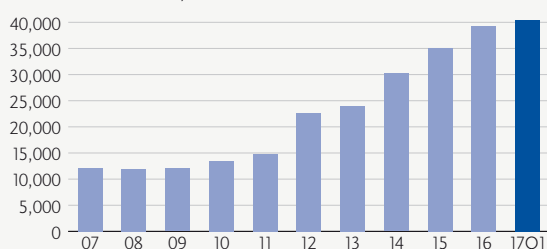
PROFIT FROM PROPERTY MANAGEMENT, SEKm



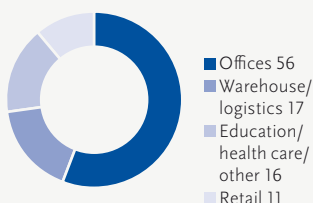
EQUITY RATIO, adjusted, %



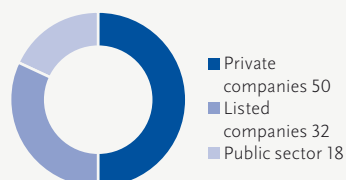
PROPERTY VALUE, SEKm



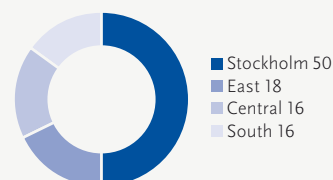
RENTAL VALUE BY TYPE OF PREMISES %



CONTRACT VALUE BY CUSTOMER CATEGORY, %



PROPERTY VALUE BY REGION, %



Record profit and continued streamlining of the property portfolio

Klövern is reporting a record profit for the first quarter of the year. Profit before tax of SEK 1,018 million exceeds the one billion mark for the first time, representing an increase of 16 per cent compared with Q1 2016. We are continuing work on our plan to focus the property portfolio clearly on the strongest growth regions in Sweden. There has been a clear geographical shift to the strongest regions in Sweden in the past five years and our market positions have been greatly reinforced.

Today, as much as 98 per cent of Klöverns total property value is located at our 12 selected growth locations. The average population growth during the past ten years at these locations has been above 15 per cent. The Stockholm portfolio makes up 45 per cent of the property value followed by Gothenburg at 9 per cent, Linköping at just over 7 per cent and Uppsala at 6 per cent.

There is no doubt that we are working in a tailwind at present. The property market continues to be strong, there are many project opportunities, prospects for financing are good and our local rental markets are showing strength. We are reporting a positive net moving-in of SEK 33 million for the quarter. At the same time, we note new records on many markets both as regards rental levels and yield requirements. Overall, this is continuing to drive property values in a positive direction and it is gratifying to see an increase in value of SEK 676 million during the quarter.

Profit from property management increased by 9 per cent to SEK 319 million. A basically stable operating surplus is supported by positive net moving-in, strong rental development and continued low interest rates. Acquisitions in Malmö and Lund at the end of last year and our own new production also made a positive contribution. During the quarter, Elite Hotels moved into around 10,000 sq.m. of newly built hotel space at the property Uppsala Gate in Uppsala.

Our aim of expanding to an increasing extent through our own development projects is starting to have a clear impact. The currently most extensive new build projects are S7 in Västerås, Gamlestaden in Gothenburg and Skeppet in Karlstad. Letting at these properties is making very good progress and we envisage these new builds being fully let on completion. Major refurbishment projects are taking place for the tenant ECDC in Solna, for Choice Hotels in Kista and for Mio Möbler in Lund. These major projects involve total investments of SEK 1 billion and encompass around 55,000 square metres.

Project development, including development of building rights, contributed to increase in property value by SEK 156 million during the quarter, which is a result that should now rather be regarded as part of our operating profit. During the quarter, we have invested a total of SEK 224 million in development projects compared with total investments of SEK 1.6 billion last year. I regard it as feasible for Klöverns to achieve a project volume of SEK 2 billion during 2018, bearing in mind that we will by then have also started production of some residential projects in Klöverns Living.

Klövern Living is working with a large number of development projects. Local planning processes are in progress for over 5,000 apartments in above all Stockholm, Uppsala, Västerås, Karlstad, Linköping and Nyköping. My assessment is that Klöverns will start production of at least 200–300 apartments in 2017/2018 and at least 300–500 apartments in 2019/2020.

At the beginning of the year, we have continued to work actively with transactions. Through acquisitions we have complemented the portfolio in Gothenburg, Stockholm and Nyköping. Our divestments mean that we completely leave Borås, Karlskrona, Hässleholm, Ängelholm, Kristinehamn and Ystad. We have also sold some properties in Lund, Örebro and Norrköping to further streamline the portfolios at these locations.

Klövern's financial strength also improved further during the quarter. The interest coverage ratio amounted to 3.0 and the adjusted equity ratio increased to 37.5 per cent compared with 36.7 per cent at year-end. The net asset value per share (EPRA NAV) amounted to SEK 12.93, corresponding to an increase of over 10 per cent since the year-end.

All in all, we are very satisfied with developments and our achievements at Klöverns in early 2017. We look forward confidently to continued healthy development during the year.

Rutger Arnhult, CEO Klöverns



The properties Nordstaden 18:3, 18:4 in Gothenburg.



The property Mejramen 1 in Mölndal.

The income statement items are compared with the corresponding period last year. The balance sheet items refer to the position at the end of the period and are compared with the preceding year-end. The quarter refers to January–March and the year refers to January–December.

PROFIT

The operating surplus increased to SEK 503 million (463) during the first quarter of the year. The operating surplus for a comparable portfolio amounted to SEK 457 million (454). The operating margin amounted to 66 per cent (65). Profit from property management, i.e. profit excluding changes in value and tax, increased to SEK 319 million (293). The operating surplus and profit from property management were both positively affected by net acquisitions, net moving-in, rising rent levels and a recovered rent loss amounting to SEK 8 million. Profit before tax increased to SEK 1,018 million (876) and was affected by SEK 676 million (726) relating to changes in value of properties and SEK 35 million (–140) for derivatives.

INCOME AND EXPENSES

Income increased to SEK 762 million (714). The increase in income is mainly attributable to net acquisitions, net moving-in, rising rent levels and a recovered rent loss of SEK 8 million. For a comparable portfolio, income amounted to SEK 700 million (697). Property costs totalled SEK 259 million (251). Property costs include rent losses of SEK 2 million (1). Property costs for a comparable portfolio amounted to SEK 243 million (243). Central administration costs amounted to SEK 22 million (23).

NET MOVING-IN AND THE OCCUPANCY RATE

Net moving-in amounted to SEK 33 million (8).

Among the largest tenants moving in during the quarter were Elite Hotels on around 10,000 sq.m. in a new building at the central station in Uppsala, and an upper secondary school for Lärande i Sverige AB encompassing 2,000 sq.m. in the property Antennen 9 in Linköping.

The largest vacating tenants were TeliaSonera in the property Kanoten 10 in Karlstad with around 1,900 sq.m. and Saab in the property Kallebäck 17:1 in Gothenburg with around net 3,800 sq.m.

The average remaining lease contract period was 3.8 years (3.7). The economic occupancy rate for all properties

was 89 per cent (89) and the area-based occupancy rate was 82 per cent (82). The economic occupancy rate for investment properties was 90 per cent (90) and for development properties 75 per cent (75).

Among large contracts that were signed during the quarter, where the tenant has not yet moved in, was a 10-year lease contract with Systembolaget for around 1,100 sq.m. in Globen Shopping in Stockholm with estimated moving in during the spring of 2018.

SHAREHOLDINGS

Klövern's holding in the real estate company A Group Of Retail Assets Sweden (Agora) amounts to 2,909,342 ordinary shares of Class B corresponding to 9.3 per cent of the total number of outstanding shares. The holding in Agora is reported as financial assets valued at fair value via the statement of income.

CASH FLOW

The cash flow from current operations amounted during the quarter to SEK 328 million (359). Investment operations have affected the cash flow by SEK –531 million (–248) net, mainly by a combination of property transactions and investments in existing properties. Financing operations have affected the cash flow by SEK 460 million (241). Overall, total cash flow amounted to SEK 257 million (352). Liquid assets at the end of the quarter totalled SEK 386 million compared with SEK 364 million as at 31 March 2016.

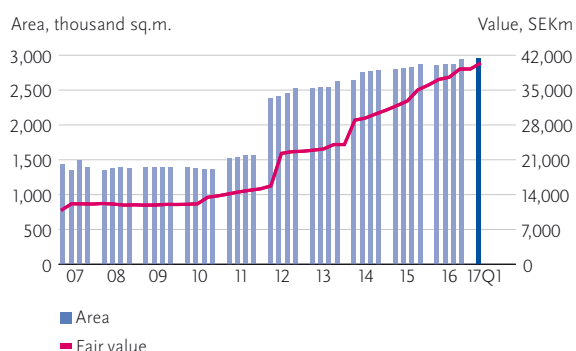
FINANCING

On 31 March 2017, the interest-bearing liabilities amounted to SEK 24,411 million (23,869) and the average financing rate for the whole financial portfolio was 2.5 per cent (2.5). Net financial income during the quarter totalled SEK –162 million (–147), of which financial income accounted for SEK 1 million (0). The interest coverage ratio was 3.0 (3.0) during the quarter.

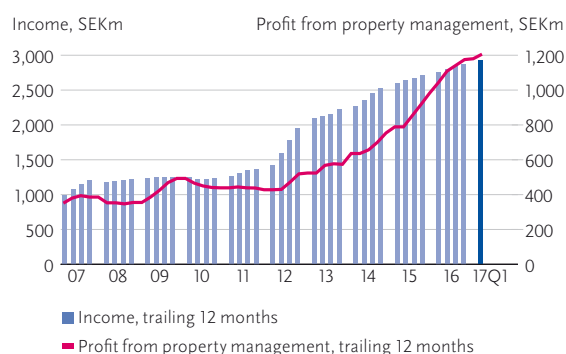
The average period of fixed interest as at 31 March was 2.4 years (2.6). Credit volumes with swap agreements are treated as having fixed interest. At the end of the period, Klövern had interest swaps totalling SEK 9,055 million (9,055) and interest-rate caps of SEK 5,000 million (5,000). The average remaining term of derivatives was 3.8 years.

The average period of tied-up capital was 2.8 years (3.0) as at 31 March. Unutilized credit volumes, including

PROPERTIES: VALUE AND AREA



INCOME & PROFIT



unused credit facilities of SEK 400 million (400), amounted to SEK 2,698 million (3,201).

Klöver's interest-bearing liabilities are mainly secured by mortgages in properties. Unsecured interest-bearing liabilities consist of outstanding commercial paper and unsecured bonds, SEK 2,520 million (2,448) and SEK 4,350 million (4,350) respectively, at the end of the period. The commercial paper programme has a framework amount of SEK 3,000 million, after an increase of the framework amount by SEK 500 million at the beginning of the first quarter of 2017.

Interest rate swaps effectively limit the interest rate risk. An increase in the short market rates of one percentage point would increase Klöver's average borrowing rate by 0.5 percentage points and Klöver's financial expenses by SEK 130 million. Changes in value of derivatives amounted during the quarter to SEK 35 million (–140). On 31 March, the value was SEK –447 million (–482).

Unrealized change in value does not affect the cash flow. On maturity, the value of the derivative is always zero. All derivatives are classified at Level 2 according to IFRS 13. No derivatives have changed classification during the period. Klöver's assessment is that there is no significant difference between the book value and the fair value of interest-bearing liabilities.

At the end of the period, the adjusted equity ratio was 37.5 per cent (36.7).

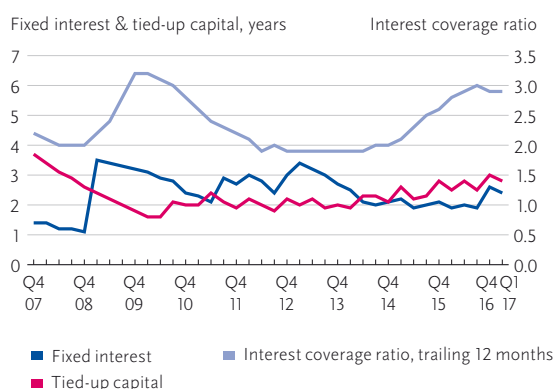
PROJECT DEVELOPMENT AND BUILDING RIGHTS

Investments in existing properties often take place in connection with new lettings with the aim of customizing and modernising the premises and thus increasing the rental value. A total of SEK 224 million (357) was invested during the quarter. In all, 295 projects (304) are in process and SEK 1,146 million (1,096) remains to be invested in these properties. Total estimated expenditure for the same projects amounts to SEK 2,693 million (2,973).

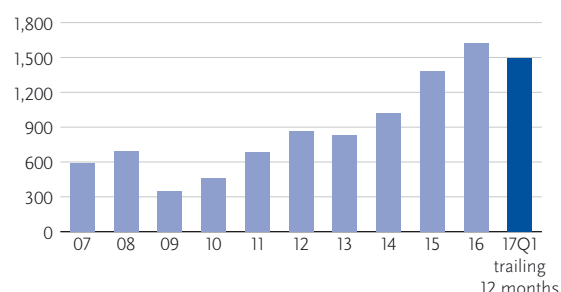
At the end of the quarter, assessed building rights and building rights with local plans totalled 2,159,000 sq.m. (2,164,000) and are valued at SEK 1,204 million (1,126). 724,000 sq.m. (729,000) of the building rights are included in local plans and the remainder are classified as assessed. Within the building rights portfolio, Klöver Living is working with a number of housing development projects. Klöver makes the assessment that there is potential, within the existing portfolio, mostly by amended local plans, to create as many as 8,000 to 12,000 apartments – in Stockholm, Uppsala, Västerås, Karlstad and Linköping, among other places.

Through the moving in of Elite Hotels during the first quarter Klöver completed its big project at the central

FIXED INTEREST, TIED-UP CAPITAL & INTEREST COVERAGE RATIO



INVESTMENTS, SEKm



FIXED INTEREST AND TIED-UP CAPITAL

Year due	Fixed interest	Tied-up capital			
	Loan volume, SEKm	Contract volume, SEKm	Utilized, SEKm	Of which bonds outstanding, SEKm	Unutilized, SEKm
Floating*	14,626	—	—	—	—
2017	1,360	6,174	5,374	—	800
2018	415	8,784	6,886	1,800	1,898
2019	1,415	6,186	6,186	1,000	—
2020	1,815	2,959	2,959	2,250	—
2021	2,400	—	—	—	—
2022	1,280	—	—	—	—
2023	1,100	—	—	—	—
Later	—	3,006	3,006	—	—
Total	24,411	27,109	24,411	5,050	2,698

* SEK 5,000 million of Floating volume is covered by interest-rate caps.

KLÖVERN'S LARGEST PROJECTS IN PROGRESS

City	Property	Project type	Contractor	Largest tenant, moving-in year/quarter	Project area, sq.m.	Fair value, SEKm	Estimated investment, SEKm	Remaining investment, SEKm	Increase in rental value, SEKm	Estimated completion year/quarter
Karlstad	Pinassen 2	Office	Peab	Tieto, 17Q4	14,244	253	302	67	31	17Q4
Västerås	Sigurd 7	Office/hotel	Aros Bygg	Choice Hotels, 18Q1	8,059	122	216	114	16	18Q2
Stockholm	Knarrarnäs 4	Hotel	—	Choice Hotels, 18Q3	6,800	80	163	148	11	18Q3
Stockholm	Hilton 3	Office	In3prenör	ECDC, 18Q1	9,407	196	148	133	15	18Q1
Göteborg	Gamlestaden 39:13	Office	AF Bygg	Tholin&Larsson, 17Q3	11,478	172	121	38	11	17Q4
Lund	Traktorn 4	Retail	Veidekke	Mio, 17Q3	5,165	32	52	32	3	17Q3
Total					55,153	855	1,002	532	87	

station in Uppsala. Other large projects – such as the office building Skeppet in Karlstad, the office/hotel building S7 in Västerås, the redevelopment of an office building in Solna for the EU-agency ECDC, development of the Gamlestaden district in Gothenburg and a large project for Mio in Lund – are proceeding according to plan.

In total, Klövern's project development - including development of building rights – contributed to increases in value of properties by SEK 156 million during the first quarter of 2017, or SEK 652 million during the last four quarters.

PROPERTY TRANSACTIONS

During the quarter January–March, 5 properties (0) have been taken possession of for a total purchase price of SEK 415 million (0) and 4 properties (1) divested for a total of SEK 109 million (110). During the quarter, Klövern also, inter alia, entered into contracts to divest all of the company's 14 properties in Borås and at the same time to acquire 9 properties in Mölndal and Partille with transfer of possession on 1 April 2017.

PROPERTIES AND CHANGES IN VALUE

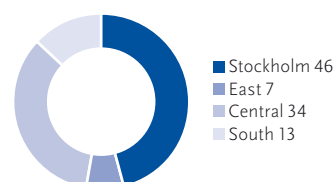
On 31 March, Klövern's portfolio consisted of 432 properties (431). The rental value amounted to SEK 3,475 million (3,386) and the fair value of the properties was SEK 40,442 million (39,234).

The total lettable area amounted to 2,964,000 (2,943,000). The changes in value of the properties totalled SEK 676 million (726) during the quarter. The changes in value include realized changes in value of SEK 0 million (10) and unrealized changes in value of SEK 676 million (716). The unrealized changes in value do not affect the cash flow. On average, Klövern's property portfolio, as at 31 March has been valued with a yield requirement of 6.1 per cent (6.2). The value of the properties has increased, mainly due to investments made in connection with new letting, rising market rents, lower yield requirements and the development of the building rights portfolio.

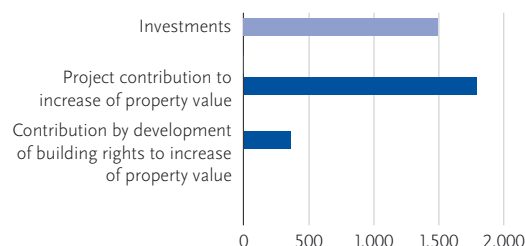
Klövern values 100 per cent of the property portfolio every quarter, of which 20 to 30 per cent are normally valued externally. The external valuations have been performed by Cushman & Wakefield and Savills. Every property in the portfolio has thus been valued externally at least once during a rolling 12-month period. All properties are classified at Level 3 in accordance with IFRS 13.

No properties have changed classification during the period. See Klövern's annual report for 2016 for a detailed description of valuation principles.

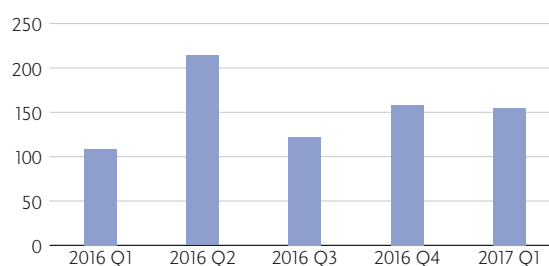
PROJECT VOLUME BY REGION, %



VALUE CREATION THROUGH PROJECTS/BUILDING RIGHTS, ROLLING 12 MONTHS TO 17Q1, SEKm



NET VALUE CREATION THROUGH PROJECTS AND DEVELOPMENT OF BUILDING RIGHTS, SEKm



Change in fair value of properties due to projects and development of building rights, minus investments

PROPERTY TRANSACTIONS 2017: ACQUISITIONS

City	Property	Category	Lettable area, sq.m.	Quarter
Nyköping	Klädeshandlaren 15	Retail	12,225	Q1
Gothenburg	Kobbegården 6:141	Office	5,267	Q1
Gothenburg	Kobbegården 6:168	Office	8,355	Q1
Gothenburg	Nordstaden 18:3	Office	2,266	Q1
Gothenburg	Nordstaden 18:4	Office	0	Q1
Total			28,113	

PROPERTY TRANSACTIONS 2017: DIVESTMENTS

City	Property	Category	Lettable area, sq.m.	Quarter
Örebro	Bageriet 2	Retail	3,109	Q1
Malmö	Bjälken 3	Warehouse/logistics	2,631	Q1
Kristinehamn	Uroxen 14	Office	3,006	Q1
Norrköping	Malmen 6	Warehouse/logistics	6,900	Q1
Total			15,646	

PROPERTIES: FAIR VALUE

SEKm	2017 Jan–March	2015 Jan–March
Fair value, as per January 1	39,234	35,032
Aquisitions	415	—
Investments	224	357
Divestments	–107	–100
Unrealized changes in value	676	716
Fair value at the end of the period	40,442	36,005

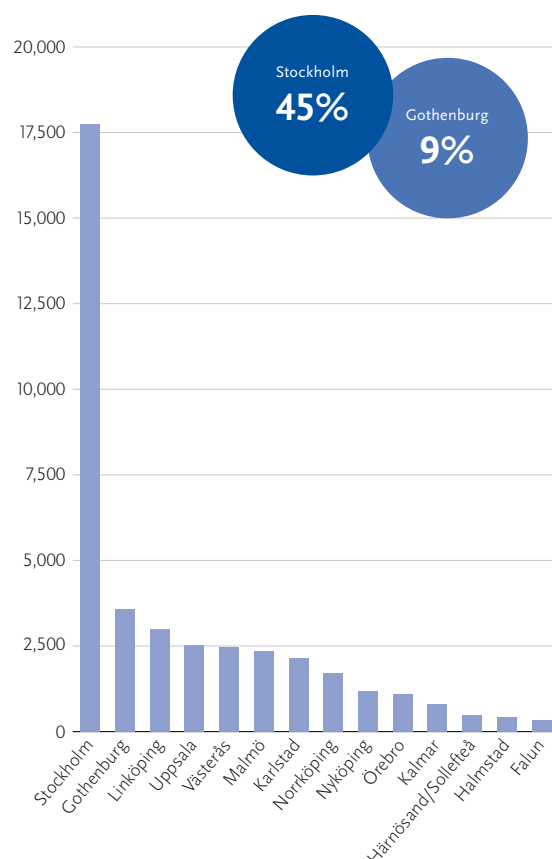
CHANGES IN FAIR VALUE OF PROPERTIES, EXCL. TRANSACTIONS

SEKm	16Q1	17Q1	12 months 2016	Trailing 12 months 17Q1
Operating surplus and required yield	607	520	1,105	1,018
Development of building rights	83	78	364	359
Projects >25 million	275	154	1,276	1,155
Projects <25 million	108	148	591	631
Total changes in value (excluding transactions)	1,073	900	3,336	3,163



The property Uppsala Gate (Kungsängen 10:2), a newly built hotel for Elite Hotels with moving in during the quarter.

PROPERTY VALUE, SEKm



Including acquisitions in Mölndal/Partille taken possession of in 2017Q2, excluding property portfolios in Borås – transfer of possession took place in 2017Q2 – and Karlskrona, for which a contract for divestment has been signed.

SHARES

After conversion of 3,573,279 Class A ordinary shares to Class B ordinary shares during the month of February, the total number of registered shares in the company amounts to 932,437,980, of which 74,787,201 ordinary shares of Class A, 841,206,779 ordinary shares of Class B and 16,444,000 preference shares. An ordinary share of Class A confers entitlement to one vote while an ordinary share of Class B, like a preference share, confers entitlement to one-tenth of a vote. Klöver's shares are listed on Nasdaq Stockholm. On 31 March, the closing price was SEK 8.77 per ordinary share of Class A, SEK 8.93 per ordinary share of Class B and SEK 279.90 per preference share, corresponding to a total capitalization of SEK 12,771 million (13,479). The number of shareholders at the end of the period was approximately 46,800 (46,500). 79 per cent (77) of the total number of shares are Swedish-owned. Klöver does not hold any of its own ordinary or preference shares.

TAXES

In the first quarter, deferred tax amounted to SEK –229 million (–164) whereas current tax amounted to SEK 0 million (0).

During the second quarter of 2015, the Supreme Administrative Court decided to refer the case concerning upward adjustment of tax of SEK 77 million made by the Tax Agency, to the Administrative Court. During the second quarter of 2016, the Administrative Court decided to increase the company's tax due by this amount. The judgment has been appealed against to the Administrative Court of Appeal. The company has made provision for current tax amounting to SEK 21 million. The deferred tax decreases on the other hand by SEK 17 million, as the tax value of the properties increases by SEK 77 million. The net total tax effect thereby amounts to SEK 4 million depending on different tax rates. The net amount was charged to income during the second quarter of 2016.

ORGANIZATION

Klöver's business model entails closeness to the customer by having our own local staff at all 16 business units, allocated to four geographic regions. The regions are Stockholm (Stockholm North, Stockholm South and Uppsala), East (Linköping, Norrköping, Nyköping, Karlskrona and Kalmar), Central (Västerås, Karlstad, Örebro, Falun and Härnösand/Sollefteå) and South (Gothenburg, Malmö and Halmstad).

At year-end, Klöver had 234 employees (227). The average age was 44 (44) and the proportion of women was 41 per cent (40).

SIGNIFICANT RISKS AND UNCERTAINTY FACTORS

A real estate company is exposed to various risks and opportunities in its business activities. Internal regulations and policies limit exposure to different risks. Klöver's significant risks and exposure and their management are described on pages 62–65 of the 2016 annual report.

LARGEST SHAREHOLDERS 31.03.2017 SORTED BY SHARE OF VOTES

	No. ordinary shares A thousands	No. ordinary shares B thousands	No. preference shares, thousands	Share of capital, %	Share of votes, %
Rutger Arnhult via companies	13,502	119,977	655	14.3	15.9
Corem Property Group	9,500	129,400	—	14.9	13.9
Arvid Svensson Invest	13,300	52,997	685	7.1	11.6
Gårdarke	11,457	2,250	50	1.4	7.2
Länsförsäkringar funds	—	66,131	—	7.0	4.1
Handelsbanken funds	1,299	48,526	—	5.3	3.8
Swedbank Robur funds	1,301	21,588	—	2.4	2.1
CBNY-Norges Bank	487	26,619	50	2.9	1.9
Nordea Investment Funds	546	16,724	147	1.8	1.3
Swedbank AS (Estonia)	1	18,533	59	1.9	1.1
Total largest shareholders	51,393	502,745	1,646	59.6	63.4
Other shareholders	23,394	338,462	14,798	40.4	36.6
Total outstanding shares	74,787	841,207	16,444	100.0	100.0
Repurchased own shares	—	—	—		
Total registered shares	74,787	841,207	16,444		

Shares of capital/votes have been rounded off downwards to the nearest one-tenth of a percentage point.

LARGEST HOLDERS OF PREFERENCE SHARES 31.03.2017

	No. preference shares, thousands	No. ordinary shares A thousands	No. ordinary shares B thousands	Share of capital, %	Share of votes, %
Avanza Pension	771	523	5,661	0.7	0.7
PPB Holding	721	—	—	0.0	0.0
Arvid Svensson Invest	685	13,300	52,997	7.1	11.6
Rutger Arnhult via companies	655	13,502	119,977	14.3	15.9
Cormac Förvaltnings AB	460	—	—	0.0	0.0
Swedbank Försäkring	433	285	5,618	0.6	0.5
Lantbruksintressenter	272	—	—	0.0	0.0
Patrik Brummer	255	—	—	0.0	0.0
ICA-handlarnas Förbund	252	—	—	0.0	0.0
Axel Johnson AB	221	—	—	0.0	0.0
Total largest shareholders	4,725	27,610	184,253	23.2	24.0
Other shareholders	11,719	47,177	656,954	76.8	76.0
Total outstanding shares	16,444	74,787	841,207	100.0	100.0
Repurchased own shares	—	—	—		
Total registered shares	16,444	74,787	841,207		

Shares of capital/votes have been rounded off downwards to the nearest one-tenth of a percentage point.

INCOME STATEMENT ITEMS AND INVESTMENTS PER PROPERTY SEGMENT AND REGION

	Income, SEKm		Property costs, SEKm		Operating surplus, SEKm		Operating margin, %		Investments, SEKm	
	2017 Jan–March	2016 Jan–March	2017 Jan–March	2016 Jan–March	2017 Jan–March	2016 Jan–March	2017 Jan–March	2016 Jan–March	2017 Jan–March	2016 Jan–March
Stockholm	316	300	–103	–100	213	200	67	67	77	233
East	168	161	–58	–58	110	103	65	64	35	27
Central	151	153	–51	–58	100	95	66	62	63	60
South	127	100	–47	–35	80	65	63	65	49	37
Investment	724	678	–237	–228	487	450	67	66	148	120
Development	38	36	–22	–23	16	13	42	36	76	237
Total	762	714	–259	–251	503	463	66	65	224	357

KEY RATIOS PER PROPERTY SEGMENT AND REGION

	Fair value, SEKm		Yield requirements ¹⁾ , %		Area, 000 sq.m.		Rental value, SEKm		Ec. occupancy rate, %	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Stockholm	20,281	18,075	5.5	5.9	843	808	1,488	1,363	87	90
East	7,322	6,792	6.8	6.9	753	749	750	718	92	91
Central	6,502	6,251	6.9	7.1	688	750	639	675	89	90
South	6,337	4,887	6.4	6.7	680	557	598	440	89	92
Investment	37,890	32,437	6.1	6.4	2,677	2,544	3,267	2,977	90	92
Development	2,552	3,568	6.6	6.5	287	320	208	219	75	69
Total	40,442	36,005	6.1	6.4	2,964	2,864	3,475	3,196	89	91

¹⁾ Yield requirement is estimated excluding building rights.

Stockholm: Stockholm North, Stockholm South and Uppsala. **East:** Linköping, Norrköping, Nyköping, Karlskrona and Kalmar.

Central: Västerås, Karlstad, Örebro, Falun and Härnösand/Sollefteå. **South:** Gothenburg, Malmö, Borås and Halmstad.



Outlines of three large projects in progress (clockwise from the top): Pinassen 2 (Skeppet) in Karlstad, Hilton 3 in Solna and S7 in Västerås.

DISPUTES

Klövern has no major ongoing rental disputes.

PROFIT AND KEY RATIOS

The tables on the previous page show income statement items and key ratios broken down according to Klöverns regions. For the group as a whole, the corresponding figures are also broken down according to investment and development properties. The operating surplus is affected by projects or restrictions on letting before development of the properties. The upper table shows current operations including properties sold during the period, and investments made. The lower table shows the situation at the end of the respective quarter.

ACCOUNTING POLICIES

This interim report for the Group has been prepared in accordance with the Annual Accounts Act and IAS 34 Interim Financial Statements and, in the case of the parent company, the Annual Accounts Act. The accounting policies applied in this interim report are in essential parts those described in Note 1 of Klöverns annual report for 2016.

DIVIDEND

The Board of Directors proposes to the Annual General Meeting, for the 2016 financial year, a dividend of SEK 0.40 (0.35) per ordinary share to be paid in four instalments of SEK 0.10 and a dividend of SEK 20.00 (20.00) per preference share to be paid in four instalments of SEK 5.00. It

is proposed that the record dates for dividends on ordinary and preference shares be 30 June 2017, 29 September 2017, 29 December 2017 and 29 March 2018. During the first quarter of 2017, dividend totalling SEK 82 million (82) has been paid to the preference shareholders.

EVENTS AFTER THE END OF THE PERIOD

At the beginning of April 2017 Klöverns took possession of nine properties in Mölndal and Partille and transferred possession of all the company's divested 14 properties in Borås. The underlying property value of the acquired and divested properties amounted to SEK 498 million and SEK 478 million, respectively.

On 4 April, Klöverns announced that it had divested four properties in Lund and 11 properties in Ystad and acquired a site leasehold in Kista. The underlying property value for the divested properties amounted to SEK 209 million while the corresponding amount for the acquired site leasehold was SEK 41 million. In April, Klöverns has also divested the properties Ekstaven 2 in Hässleholm and Programmeraren 9 in Ängelholm for a total underlying property value of SEK 40 million.

Stockholm, 26 April 2017

The Board of Directors of Klöverns AB (publ)

This interim report has not been reviewed by Klöverns auditors.



The property Helgafjäll 2 in Kista.

Consolidated Statement of Income

Summary

SEKm	2017 3 months Jan–Mar	2016 3 months Jan–Mar	2016 12 months Jan–Dec	Rolling 12 months Apr–Mar
Income	762	714	2,876	2,924
Property costs	–259	–251	–985	–993
Operating surplus	503	463	1,891	1,931
Central administration	–22	–23	–100	–99
Net financial items	–162	–147	–611	–626
Profit from property management	319	293	1,180	1,206
Changes in value, properties	676	726	1,709	1,659
Changes in value, derivatives	35	–140	–114	61
Changes in value, financial assets	–5	–3	–19	–21
Write-down of goodwill	–7	0	0	–7
Profit before tax	1,018	876	2,756	2,898
Current tax	0	0	–24	–24
Deferred tax	–229	–164	–473	–538
Net profit for the period	789	712	2,259	2,336
Other comprehensive income, items which may later be reversed in the income statement	—	—	—	—
Comprehensive income for the period	789	712	2,259	2,336
Earnings per ordinary share, SEK	0.77	0.69	2.11	2.19
No. of ordinary shares outstanding at the end of the period, million	916.0	916.0	916.0	916.0
No. of preference shares outstanding at the end of the period, million	16.4	16.4	16.4	16.4
Average no. of outstanding ordinary shares, million	916.0	916.0	916.0	916.0
Average no. of outstanding preference shares, million	16.4	16.4	16.4	16.4

The profit is fully attributable to the parent company's shareholders.
There are no outstanding warrants or convertibles.

Consolidated Balance Sheet

Summary

SEKm	31.03.2017	31.03.2016	31.12.2016
ASSETS			
Goodwill	226	233	233
Investment properties	40,442	36,005	39,234
Machinery and equipment	17	11	18
Financial assets valued at fair value via the statement of income	93	109	99
Other receivables	943	488	814
Liquid funds	386	364	129
TOTAL ASSETS	42,107	37,210	40,527
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	13,788	12,102	12,999
Deferred tax liability	2,207	1,666	1,978
Interest-bearing liabilities	24,411	21,809	23,869
Derivatives	447	607	482
Accounts payable	83	65	259
Other liabilities	311	153	251
Accrued expenses and prepaid income	860	808	689
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	42,107	37,210	40,527

Change in Consolidated Shareholders' Equity

Summary

SEKm	
Shareholders' equity 31.12.2015	11,390
Dividend	–650
Other comprehensive income	—
Net profit for the period	2,259
Shareholders' equity 31.12.2016	12,999
Dividend	—
Other comprehensive income	—
Net profit for the period	789
Shareholders' equity 31.12.2017	13,788

Consolidated Cash Flow Statement

Summary

SEKm		2017 3 months Jan–Mar	2016 3 months Jan–Mar	2016 12 months Jan–Dec
Current operations				
Profit from property management		319	293	1,179
Adjustment for items not included in the cash flow		1	1	5
Income tax paid		0	0	–26
Cash flow from current operations before change in working capital		320	294	1,158
Changes in working capital				
Change in operating receivables		–129	–6	11
Change in operating liabilities		137	71	167
Total change in working capital		8	65	178
Cash flow from current operations		328	359	1,336
Investment operations				
Divestment of properties		109	110	465
Acquisition of and investment in properties		–639	–357	–3,118
Acquisition of machinery and equipment		0	–1	–10
Change in financial assets		–1	0	–189
Cash flow from investment operations		–531	–248	–2,852
Financing operations				
Change in interest-bearing liabilities		542	323	2,382
Realized changes in value, derivatives		—	—	–99
Dividend		–82	–82	–650
Cash flow from financing operations		460	241	1,633
Total cash flow		257	352	117
Liquid funds at the beginning of the period		129	12	12
Liquid funds at the end of the period		386	364	129

Parent Company Income Statement

Summary

SEKm	2017 3 months Jan–Mar	2016 3 months Jan–Mar	2016 12 months Jan–Dec
Net sales	54	48	205
Cost of services sold	–46	–38	–171
Gross profit	8	10	34
Central administration	–22	–23	–100
Operating profit	–14	–13	–66
Net financial items	–105	–97	743
Profit before tax	–119	–110	677
Current tax	—	—	—
Deferred tax	—	—	15
Net profit for the period	–119	–110	692
Other comprehensive income	—	—	—
Comprehensive income for the period	–119	–110	692

Parent Company Balance Sheet

Summary

SEKm	31.03.2017	31.03.2016	31.12.2016
ASSETS			
Machinery and equipment	5	5	6
Participation rights in group companies	1,875	1,875	1,875
Receivables from group companies	21,403	18,076	20,699
Derivatives	10	—	11
Deferred tax assets	355	340	355
Accounts receivables	50	43	60
Liquid funds	156	364	74
TOTAL ASSETS	23,854	20,703	23,080
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	7,265	7,230	7,383
Interest-bearing liabilities	14,694	11,980	14,142
Liabilities to group companies	1,677	1,279	1,280
Accounts payable	3	3	21
Other liabilities	108	106	181
Accrued expenses and prepaid income	107	105	73
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	23,854	20,703	23,080

Key ratios

	31.03.2017 3 months Jan–Mar	31.03.2016 3 months Jan–Mar	31.03.2017 Rolling 12 months April–Mar	2016	2015	2014	2013	2012
Property								
Number of properties	432	414	432	431	415	408	402	387
Lettable area, 000 sq.m.	2,964	2,864	2,964	2,943	2,872	2,792	2,624	2,529
Rental value, SEKm	3,475	3,196	3,475	3,386	3,182	2,983	2,570	2,468
Fair value properties, SEKm	40,442	36,005	40,442	39,234	35,032	30,208	24,059	22,624
Yield requirement valuation, %	6.1	6.4	6.1	6.2	6.5	6.9	7.2	7.2
Operating margin, %	66	65	66	66	65	65	63	62
Occupancy rate, economic, %	89	91	89	89	91	90	90	88
Occupancy rate, area, %	82	83	82	82	83	81	82	81
Average lease term, years	3.8	3.6	3.8	3.7	3.5	3.3	3.5	3.4
Financial								
Return on equity, %	5.9	6.1	18.5	18.6	18.9	14.5	11.6	5.8
Equity ratio, %	32.7	32.5	32.7	32.1	31.7	31.5	28.5	28.1
Equity ratio, adjusted, %	37.5	37.2	37.5	36.7	35.8	35.9	31.4	31.9
Leverage, %	59	59	59	60	61	60	65	64
Leverage properties, %	43	45	43	44	47	51	57	59
Interest coverage ratio	3.0	3.0	2.9	2.9	2.6	2.0	1.9	1.9
Average interest, %	2.5	2.6	2.5	2.5	2.7	3.5	4.3	4.3
Average fixed-interest period, years	2.4	1.9	2.4	2.6	2.1	2.1	2.7	3.0
Average period of tied-up capital, years	2.8	2.5	2.8	3.0	2.8	2.1	2.0	2.2
Interest-bearing liabilities, SEKm	24,411	21,809	24,411	23,869	21,486	18,870	16,163	15,229
Share¹								
Equity per ordinary share, SEK	10.03	8.06	10.03	9.01	7.38	5.20	4.83	4.69
EPRA NAV, SEK	12.93	10.54	12.93	11.70	9.53	7.05	5.93	5.94
Equity per preference share, SEK	279.90	287.00	279.90	288.50	281.50	317.50	300.00	273.50
Profit from property management per ordinary share, SEK	0.26	0.23	0.96	0.93	0.78	0.61	0.49	0.43
Earnings per ordinary share, SEK	0.77	0.69	2.19	2.11	1.83	1.02	0.68	0.23
Share price ordinary share A at end of period, SEK	8.77	9.05	8.77	9.38	9.45	8.20	5.18	4.65
Share price ordinary share B at end of period, SEK	8.93	9.19	8.93	9.55	9.50	7.60	—	—
Share price preference share at end of period, SEK	279.90	287.00	279.90	288.50	281.50	317.50	300.00	273.50
Market capitalization, SEKm	12,771	13,126	12,771	13,479	13,327	12,232	7,527	6,670
Total no. of registered ordinary shares at end of period, million	916.0	916.0	916.0	916.0	916.0	916.0	916.0	916.0
Total no. of outstanding ordinary shares at end of period, million	916.0	916.0	916.0	916.0	916.0	916.0	916.0	888.5
Total no. of registered preference shares at end of period, million	16.4	16.4	16.4	16.4	16.4	16.4	9.3	9.3
Total no. of outstanding preference shares at end of period, million	16.4	16.4	16.4	16.4	16.4	16.4	9.3	9.3
Dividend per ordinary share, SEK	—	—	—	0.40 ²	0.35	0.30	0.27	0.27
Dividend per preference share, SEK	—	—	—	20.00 ²	20.00	20.00	20.00	20.00
Dividend in relation to profit from property management, %	—	—	—	59 ²	62	77	68	83
Dividend preference shares in relation to profit from property management, %	—	—	—	28 ²	32	42	29	35

¹⁾ Historical figures are adjusted for the bonus issue and reverse share split completed during Q4 2014.

Klövern shows some key figures in the interim report which are not defined under IFRS. The company considers that these key figures provide essential additional information about the company. For additional information about these key figures see Klövern's website under the heading Financial statistics.

²⁾ Proposed dividend.

PROPERTY VALUE,
SEK BILLION

40.4

RENTAL VALUE,
SEK BILLION

3.5

LETTABLE AREA,
THOUSAND SQ.M.

2,964

Definitions

PROPERTY

AREA-BASED OCCUPANCY RATE

Let area in relation to total lettable area.

DEVELOPMENT PROPERTIES

Properties where conversion or extension projects are in process or planned, which lead to a higher standard or changed use of premises.

ECONOMIC OCCUPANCY RATE

Lease value in relation to rental value.

INVESTMENT PROPERTIES

Properties currently being actively managed.

LEASE VALUE

Rent for premises, index and rent supplement, according to lease.

NET MOVING-IN

Lease value of tenants moving in less lease value of vacating tenants.

OPERATING MARGIN

Operating surplus as a percentage of income.

OPERATING SURPLUS

Income less property costs.

PROFIT FROM PROPERTY MANAGEMENT

Profit before changes in value and tax.

REALIZED CHANGE IN VALUE

Property sales after deduction of the properties' most recently reported fair value and selling expenses.

RENTAL VALUE

Lease value plus assessed market value for space not rented.

UNREALIZED CHANGE IN VALUE

Change in fair value excluding acquisitions, sales, investments and realized changes in value.

YIELD REQUIREMENT, VALUATION

The required yield of property valuations on the residual value.

FINANCE

EQUITY RATIO

Reported equity in relation to reported total assets.

EQUITY RATIO, ADJUSTED

Reported equity adjusted for the value of derivatives, goodwill and deferred tax liabilities exceeding 5 per cent of the difference between taxable value and fair value of the properties in relation to reported total assets adjusted for goodwill.

INTEREST COVERAGE RATIO

Profit from property management plus financial costs in relation to financial costs.

LEVERAGE

Interest-bearing liabilities after deduction of the market value of the listed share portfolio and liquid funds in relation to the fair value of the properties.

LEVERAGE PROPERTIES

Interest-bearing liabilities with secured financing in properties in relation to the fair value of the properties.

RETURN ON EQUITY

Net profit in relation to average equity.

SHARE

EARNINGS PER ORDINARY SHARE

Net profit for the period, after deduction of earnings to preference shares, in relation to the average number of outstanding ordinary shares.

EARNINGS PER PREFERENCE SHARE

Accumulated share of the annual dividend of SEK 20 per preference share based on the number of outstanding preference shares at the end of each quarter.

EPRA NAV

Equity, after deduction for equity attributable to preference shares adding back derivatives and deferred tax liability, in relation to the number of outstanding ordinary shares.

EQUITY PER ORDINARY SHARE

Equity after deduction for equity attributable to preference shares in relation to the number of outstanding ordinary shares.

EQUITY PER PREFERENCE SHARE

Based on the share price of the preference share at the end of each period.

PROFIT FROM PROPERTY MANAGEMENT PER ORDINARY SHARE

Profit from property management after deduction of earnings to preference shares, in relation to the average number of outstanding ordinary shares.

INTEREST COVERAGE
RATIO

3.0

EQUITY RATIO,
ADJUSTED, %

37.5

NUMBER OF
SHAREHOLDERS

46,800

Calendar

2017 Annual General Meeting	26 April 2017
Final day for trading conferring the right to dividend for ordinary/preference shareholders	28 June 2017
Record date for dividend to ordinary/preference shareholders	30 June 2017
Expected date for dividend to ordinary/preference shareholders	5 July 2017
Interim report, January–June 2017	12 July 2017
Interim report, January–September 2017	19 October 2017
Year-end report 2017	14 February 2018

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The information in the year-end report is such that Klöver AB (publ) is obliged to publish under the EU Market Abuse Regulation and the Securities Market Act. The information was made available for publication, through the above-mentioned contact persons, at 07:30 CEST on 26 April 2017.

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