

INTERIM REPORT 16

JANUARY – SEPTEMBER

KLÖVERN

- » Income increased by 6 per cent to SEK 2,138 million (2,013).
- » The operating surplus increased by 8 per cent to SEK 1,439 million (1,333).
- » Profit from property management increased by 17 per cent to SEK 918 million (786).
- » Changes in value of properties amounted to SEK 1,406 million (1,084).
- » Net profit increased by 14 per cent to SEK 1,694 million (1,482), corresponding to SEK 1.58 (1.35) per ordinary share.
- » After taking possession of 2 properties for SEK 398 million, sale of 8 properties for SEK 365 million and investments of SEK 1,109 million, the value of the property portfolio amounted to SEK 37,585 million.
- » The interest coverage ratio increased to 3.0 (2.6) and the adjusted equity ratio improved to 36.9 per cent.
- » After the end of the nine-month period a total of 28 properties have been acquired in Malmö and Lund for SEK 910 million with transfer of possession on 1 December 2016.

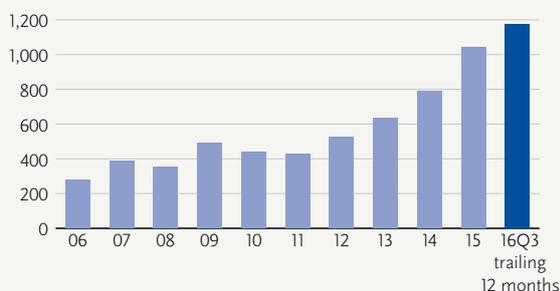
THIS IS KLÖVERN

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.

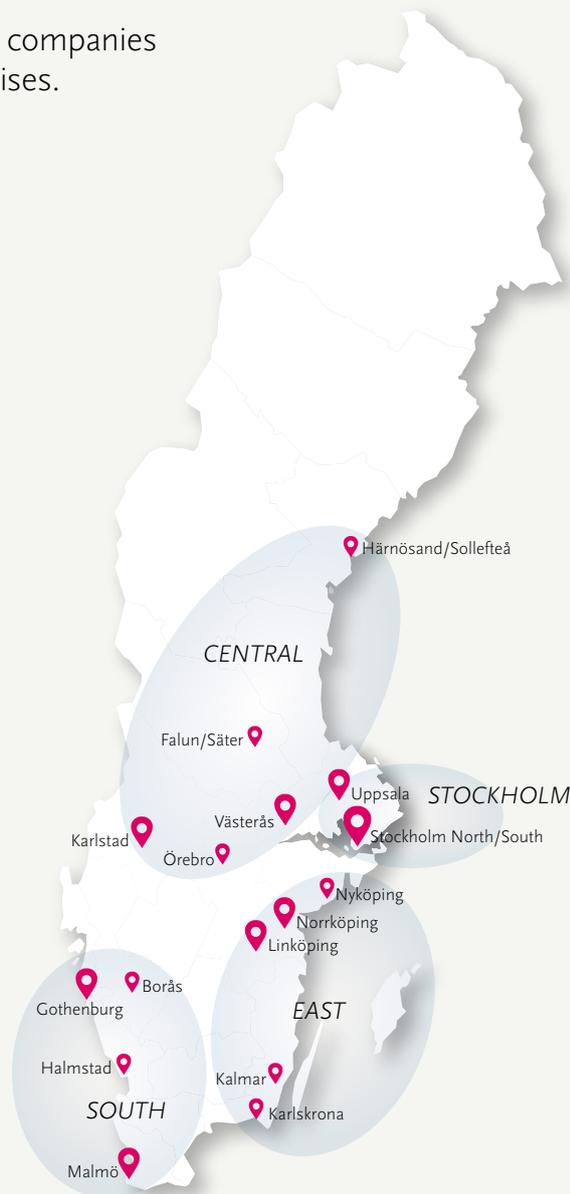
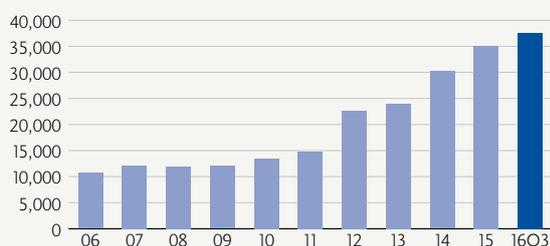
PROFIT FROM PROPERTY MANAGEMENT, SEKm



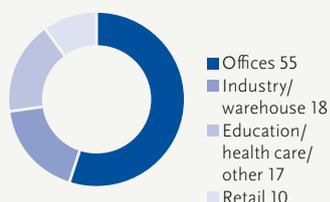
EQUITY RATIO, adjusted, %



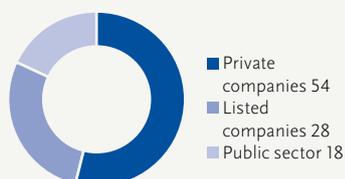
PROPERTY VALUE, SEKm



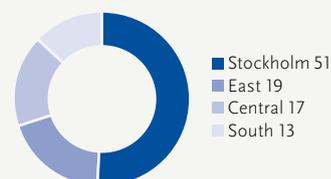
RENTAL VALUE BY TYPE OF PREMISES %



CONTRACT VALUE BY CUSTOMER CATEGORY, %



PROPERTY VALUE BY REGION, %



Continued good development of earnings

Klövern's development of earnings continued to be strong during the third quarter and profit from property management increased by 11 per cent. With contribution from positive changes in value of properties, profit before tax increased by 24 per cent. We have for some time held back with major acquisitions and instead focused on creating value through projects, while at the same time gradually further reinforcing the balance sheet. Market conditions continue to be favourable in the form of solid economic development and historically very low interest rates.

The healthy earnings in the third quarter have led to a further improvement in the company's financial strength. At the end of September, the adjusted equity ratio was 36.9 per cent, an improvement of just over one percentage point since the beginning of the year and on the way toward our long-term goal of 40 per cent.

Net moving-in, which was positive during the nine-month period but negative during the quarter, was affected by a couple of long-announced large vacations in Kista. These have to a great extent been compensated for by Tele2 in September moving in to its new head office encompassing around 20,000 sq.m. and that StayAt has at the same time opened a new apartment hotel of over 7,000 sq.m. in the same area. Looking at future moving in, it may be noted that we have signed lease contracts during the quarter for a new upper secondary school of around 4,000 sq.m. in Västerås and with the EU agency European Centre for Disease Prevention and Control for 9,400 sq.m. in Solna, in both cases with moving-in planned to take place during 2018. The office premises vacated by Ericsson in Kista are of high quality and we are now working on further developing the 40,000 sq.m. under the name of Kista Gate to a top modern multi-tenant unit to attract a good mix of tenants.

On the transaction side, Klöver has had relatively few large transactions for a long period. Looking back, it can be noted that, with the exception of the acquisition of a midsize project building in central Stockholm during the spring, we have not taken possession of any major acquired property since November 2015. Although there has continued to be a high level of activity in the Swedish transaction market, we have not seen many properties for sale that would fit our portfolio. This is also a question of price. Apace with rising property values, we have gradually become more selective and instead allocated more capital to project activities, where we have often seen greater potential for long-term creation of value. Through the over 350 projects now in process, with a remaining investment volume of SEK 1.3 billion, we are strengthening Klöver's position in a number of important cities, including Stockholm, Uppsala, Gothenburg, Karlstad and Västerås.

We are continuing to concentrate the property portfolio geographically and during 2016 have signed contracts to sell some smaller properties in, among other places, Helsingborg and Köping. We can also envisage divesting properties with a good development of value, which are fully developed from Klöver's point of view.

In the residential segment, Klöver Living is continuing to work with a number of projects at different stages. We maintain the assessment that there may be scope for as many as between 8,000 and 12,000 apartments in our existing property portfolio, in Stockholm, among other places. The pace and extent of our future expansion in the residential segment depends partly on the additional volume of building rights for residential properties that is created in the future. At the same time, alternative ways of developing the value of building rights provide great flexibility as regards investment volume and the balance between risk level and value creation.

Overall, we are very satisfied with the development during the third quarter of 2016 and look forward to favourable conditions for continued healthy development in the final quarter of the year.

Rutger Arnhult, CEO Klöver



StayAt, tenant in the property Helgafjäll 2, in Kista.

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 July–September, the period refers to January–September and the year refers to January–December.

PROFIT

The operating surplus increased to SEK 496 million (460) during the quarter. The operating surplus for a comparable portfolio increased to SEK 447 million (445). The operating margin amounted to 70 per cent (69). Profit from property management, i.e. profit excluding changes in value and tax, increased to SEK 321 million (288). The operating surplus and profit from property management were both positively affected by net acquisitions and net moving-in. Profit before tax increased to SEK 639 million (514) and was affected by SEK 317 million (309) relating to changes in value of properties and SEK –1 million (–75) for derivatives.

INCOME AND EXPENSES

Income increased to SEK 708 million (667) during the quarter. The increase in income is mainly attributable to net acquisitions and net moving-in. Income for a comparable portfolio increased to SEK 643 million (640). Property costs totalled SEK 212 million (207). The property costs for a comparable portfolio increased to SEK 196 million (195). Property costs include rent losses of SEK 0 million (3). Central administration costs amounted to SEK 22 million (20).

NET MOVING-IN AND OCCUPANCY RATE

Net moving-in amounted to SEK –11 million (–6) during the quarter, the corresponding amount during the period being SEK 6 million (23).

Among the largest tenants moving in during the quarter were Tele2, encompassing 19,000 sq.m. at the property Isafjord 8 and StayAt HotelApart at the property Helgafjäll 2 with around 7,500 sq.m., both properties being in Kista. The Municipality of Härnösand have moved in to the property Ädelsten 6, with 5,900 sq.m.

The largest vacating tenants were Ericsson in Kista, encompassing 45,000 sq.m. and the Mid Sweden University in Härnösand with 10,000 sq.m.

The average remaining lease contract period was 3.8 years (3.5) at 30 September. The economic occupancy rate

for all properties was 89 per cent (91) and the area-based occupancy rate 82 per cent (83). The economic occupancy rate for investment properties was 90 per cent (93) and for development properties 75 per cent (62).

The major contracts signed during the quarter where the tenant has not yet moved in include a 15-year lease contract with the EU agency European Centre for Disease Prevention and Control (ECDC) encompassing around 9,400 sq.m. in the property Hilton 3 in Solna with estimated moving in during February 2018 and 15-year contracts with the City of Västerås, totaling approximately 4,000 sq.m. for an upper secondary school with estimated moving-in to take place during the second half of 2018.

SHAREHOLDINGS

Klövern's holding in the real estate group 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. During the third quarter, Klövern acquired 584,342 ordinary shares of Class B in connection with the new issue that took place. Agora is reported as financial assets valued via the income statement.

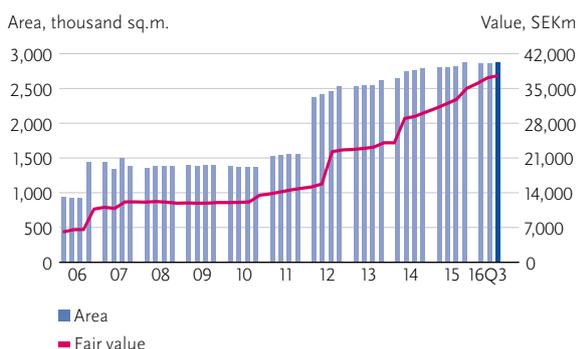
CASH FLOW

The cash flow from operating activities amounted during the quarter to SEK 290 million (184). Investment activities have affected the cash flow by SEK –303 million (–621) net, mainly by a combination of property transactions and investments in existing properties. The cash flow from financing activities has affected the cash flow by SEK 94 million (417). Overall, the cash flow amounted to SEK 81 million (–20). Liquid assets at the end of the quarter totalled SEK 271 million compared with SEK 124 million as at 30 September 2015.

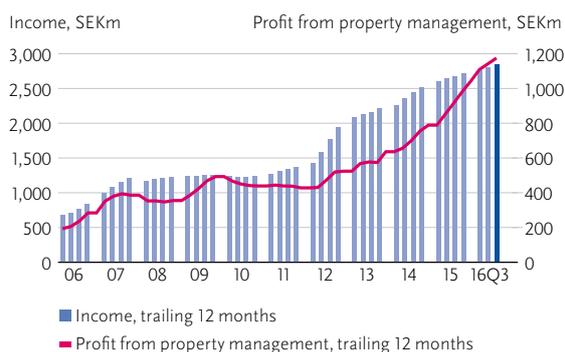
FINANCING

On 30 September, the interest-bearing liabilities amounted to SEK 22,894 million (21,486) and the average financing rate for the whole financial portfolio was 2.6 per cent (2.7). Net financial items during the quarter totalled SEK –153 million (–152), of which financial income accounted for SEK 0 million (0), and the interest coverage ratio improved to 3.1 (2.9). The average period of fixed interest as at 30 September was 1.9 years (2.1). Credit volumes with swap agree-

PROPERTIES: VALUE AND AREA



INCOME & PROFIT



ments are treated as having fixed interest. At the end of the period, Klöver had interest swaps totalling SEK 10,036 million (10,040). The average remaining term of derivatives was 3.5 years.

The average period of tied-up capital was 2.5 years (2.8) as at 30 September. Unutilized credit volumes, including unused credit facilities of SEK 400 million (359), amounted to SEK 3,334 million (2,954).

Klövern's interest-bearing liabilities are mainly secured by mortgages in properties. Unsecured interest-bearing liabilities consist of outstanding commercial paper and unsecured bonds, SEK 2,493 million (1,622) and SEK 4,000 million (3,200) respectively, at the end of the period. The commercial paper programme has a framework amount of SEK 2,500 million.

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 105 million. Changes in value of derivatives amounted during the quarter to SEK –1 million (–75). On 30 September, the value was SEK –614 million (–467).

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.

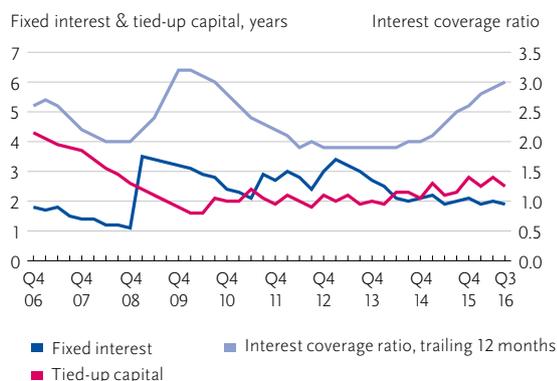
At the end of the period, the adjusted equity ratio was 36.9 per cent (35.8).

PROPERTY TRANSACTIONS

During the period January–September, 2 properties (15) have been taken possession of for a total purchase price, including adjustment compensation of SEK 22 million for part of the property Stockholm Grishuvudet 2, of SEK 398 million (1,199). Klöver has sold and handed over 8 properties (14) during the period for a total of SEK 365 million (543).

During 2016, Klöver has investigated the possibility of divesting the properties Isafjord 4 and Isafjord 5 in Kista but has now decided to no longer pursue that process.

FIXED INTEREST, TIED-UP CAPITAL & INTEREST COVERAGE RATIO



BUILDING RIGHTS W/ LOCAL PLANS SQ.M. PER REGION, %



PROJECT VOLUME PER REGION, %



FIXED INTEREST AND TIED-UP CAPITAL

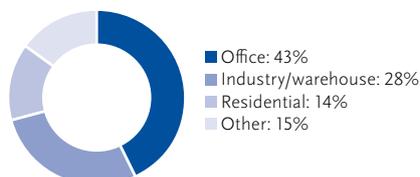
Year due	Fixed interest		Tied-up capital			
	Loan volume, SEKm	Interest, %	Contract volume, SEKm	Utilized, SEKm	Of which bonds outstanding, SEKm	Unutilized, SEKm
Floating	11,478	2.2	—	—	—	—
2016	900	2.8	1,609	1,609	—	—
2017	2,110	2.7	6,916	5,815	1,150	1,101
2018	1,396	2.0	9,469	7,236	1,800	2,233
2019	1,415	2.1	5,326	5,326	1,000	—
2020	1,815	2.7	750	750	750	—
2021	1,400	3.0	—	—	—	—
2022	1,280	5.3	—	—	—	—
2023	1,100	4.4	—	—	—	—
2024	—	—	—	—	—	—
Later	—	—	2,158	2,158	—	—
Total	22,894	2.6	26,228	22,894	4,700	3,334

INVESTMENTS AND BUILDING RIGHTS

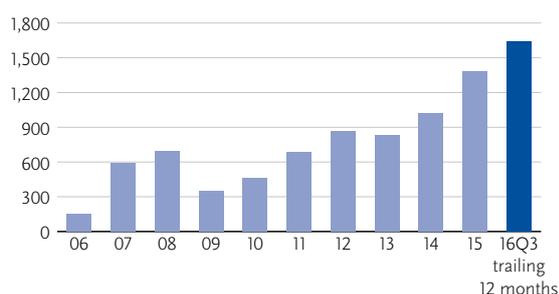
Investments in existing properties often take place in connection with new lettings with the aim of customizing and modernising the premises and thus increasing the rental value. A total of SEK 1,109 million (852) was invested during the period. In all, 354 projects (310) are in process and SEK 1,255 million (1,606) remains to be invested in these properties. Total estimated expenditure for the same projects amounts to SEK 3,850 million (3,451).

At the end of the quarter, assessed building rights and building rights with local plans totalled 2,172,000 sq.m. (2,225,000) and are valued at SEK 1,055 million (1,023). 738,000 sq.m. (817,000) 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.

BUILDING RIGHTS WITH LOCAL PLANS BY TYPE OF PREMISES, %



INVESTMENTS, SEKm



PROPERTIES AND CHANGES IN VALUE

As at 30 September 2016, Klöver's portfolio consisted of 409 properties (415). The rental value amounted to SEK 3,281 million (3,182) and the fair value of the properties was SEK 37,585 million (35,032).

The total lettable area amounted to 2,873,000 sq.m. (2,872,000). The changes in value of the properties totalled SEK 1,406 million (1,084) during the period January to September. The changes in value include realized changes in value of SEK 11 million (–4) and unrealized changes in

PROPERTY TRANSACTIONS 2016: ACQUISITIONS

City	Property	Category	Lettable area, sq.m.	Quarter
Stockholm	Orgelpipan 4 ¹	Office	4,507	Q2
Gothenburg	Mellby 3:198	Education/Health care/Other	2,576	Q2
Total			7,083	

¹Site leasehold

PROPERTY TRANSACTIONS 2016: DIVESTMENTS

City	Property	Category	Lettable area, sq.m.	Quarter
Helsingborg	Triangeln 3	Industry/warehouse	5,470	Q1
Köping	Drotten 2	Office	3,473	Q2
Nyköping	Hotellet 18	Retail	822	Q2
Malmö	Gjuteriet 21	Education/Health care/Other	0	Q3
Malmö	Gjutformen 1	Education/Health care/Other	0	Q3
Karlstad	Tvätten 3	Office	2,545	Q3
Karlstad	Sälgen 6	Office	1,574	Q3
Gothenburg	Kortedala 36:23 ¹	Industry/warehouse	8,620	Q3
Total			22,504	

¹Site leasehold

CHANGES IN FAIR VALUE OF PROPERTIES, EXCL. TRANSACTIONS

SEKm	16Q1	16Q2	16Q3	16Q3 Trailing 12 months
Operating surplus and required yield	607	149	193	1,013
Development of building rights	83	146	63	363
Projects >25 million	275	350	253	1,294
Projects <25 million	108	146	132	540
Total changes in value (excluding transactions)	1,073	791	641	3,210

PROPERTIES: FAIR VALUE

SEKm	2016 Jan–Sep	2015 Jan–Sep
Fair value, as per January 1	35,032	30,208
Acquisitions	398	1,199
Investments	1,109	852
Divestments	–349	–547
Unrealized changes in value	1,395	1,088
Fair value at the end of the period	37,585	32,800

CHANGES IN FAIR VALUE OF PROPERTIES, EXCL. TRANSACTIONS, JAN–SEP, SEKm



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 due to project, SEKm	Estimated completion year
Stockholm	Isafjord 8	Office	In3prenör	Tele2, 16Q3	26,112	890	675	70	60	16Q4
Uppsala	Kungsängen 10:1;2	Office/hotel	Wästbygg	Elite Hotels,17Q1	19,240	695	492	92	33	17Q1
Karlstad	Pinassen 2	Office	Peab Sverige	PWC,17Q3	14,099	177	292	132	29	17Q4
Västerås	Sigurd 7	Office/hotel	Aros Bygg	Choice Hotels,18Q1	8,059	40	216	195	16	18Q2
Stockholm	Borgarfjord 4	Office	Gärahovs Bygg	Eniro, 16Q2	13,356	315	174	40	19	16Q4
Stockholm	Helgafjäll 2	Hotel	Gärahovs Bygg	StayAt Hotel, 16Q3	13,832	278	167	31	21	17Q4
Stockholm	Knarrarnäs 4	Hotel	—	Choice Hotels,17Q3	6,800	82	163	153	11	17Q4
Gothenburg	Gamlestaden 39:13	Office	AF Bygg Gbg	—	11,478	141	127	75	11	17Q4
Total					112,976	2,618	2,306	788	200	

value of SEK 1,395 million (1,088). The unrealized changes in value do not affect the cash flow. On average, Klöver's property portfolio, as at 30 September, has been valued with a yield requirement of 6.3 per cent (6.5). The value of the properties has increased, mainly due to investments made in connection with new letting, rising market rents, lower yield requirements and development of building rights.

Klöver values 100 per cent of the property portfolio every quarter, 20 to 30 per cent of which normally being valued externally. The external valuations have been performed by Cushman & Wakefield and Savills. Every property in the portfolio has 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 Klöver's annual report for 2015 for a detailed description of valuation principles.

SHARES

At 30 September, the total number of registered shares in the company was 932,437,980, of which 78,360,480 were ordinary shares of Class A, 837,633,500 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 30 September, the closing price was SEK 10.50 per ordinary share of Class A, SEK 10.67 per ordinary share of Class B and SEK 312.30 per preference share, corresponding to a total market capitalization of SEK 14,896 million (13,327). The number of shareholders at the end of the period was approximately 46,200 (43,900). 79 per cent (80) of the total number of shares are Swedish-owned. Klöver does not hold any of its own ordinary or preference shares.

MAJOR SHAREHOLDERS 30.09.2016 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	15,785	101,847	655	12.6	15.8
Corem Property Group	9,500	129,400	—	14.9	13.7
Arvid Svensson Invest	13,300	52,997	685	7.1	11.4
Gårdarike	8,619	2,250	46	1.1	5.4
Länsförsäkringar funds	—	70,780	—	7.5	4.3
Handelsbanken funds	1,300	43,364	—	4.7	3.4
Swedbank Robur funds	2,184	21,682	—	2.5	2.6
CBNY-Norges Bank	538	28,915	54	3.1	2.1
Nordea Investment Funds	616	17,269	164	1.9	1.4
SEB Investment Management	580	14,611	0	1.6	1.2
Total largest shareholders	52,422	483,115	1,604	57.6	61.6
Other shareholders	25,938	354,519	14,840	42.4	38.4
Total outstanding shares	78,360	837,634	16,444	100.0	100.0
Repurchased own shares	—	—	—		
Total registered shares	78,360	837,634	16,444		

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

MAJOR PREFERENCE SHAREHOLDERS 30.09.2016

	No. preference shares, thousands	No. ordinary shares A thousands	No. ordinary shares B thousands	Share of capital, %	Share of votes, %
Avanza Pension	766	558	4,403	0.6	0.6
PPB Holding	721	—	—	0.0	0.0
Arvid Svensson Invest	685	13,300	52,997	7.1	11.4
Rutger Arnhult via companies	655	15,785	101,847	12.6	15.8
Robur Försäkring	500	—	—	0.0	0.0
Cormac Förvaltnings AB	485	305	5,751	0.7	0.5
Lantbrukarnas Ekonomi	352	—	—	0.0	0.0
Nordnet Pensionsförsäkring	270	399	2,387	0.3	0.4
Patrik Brummer	255	—	—	0.0	0.0
ICA-handlarnas Förbund	252	—	—	0.0	0.0
Total largest shareholders	5,711	28,821	246,558	30.1	32.7
Other shareholders	10,733	49,539	591,076	69.9	67.3
Total outstanding shares	16,444	78,360	837,634	100.0	100.0
Repurchased own shares	—	—	—		
Total registered shares	16,444	78,360	837,634		

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

DEVELOPMENT OF SHARE CAPITAL

Date	Event	Number of ordinary shares A	Number of ordinary shares B	Number of ordinary shares A+B	Number of preference shares	Accumulated share capital, SEK
01.01.2010		166,544,326		166,544,326		832,721,630
13.01.2012	New issue	166,544,360		166,544,360		832,721,800
13.01.2012	Bonus issue	166,544,360		166,544,360	4,163,609	853,539,845
06.03.2012	New issue	166,544,360		166,544,360	11,708,140	891,262,500
10.04.2012	New issue	166,544,360		166,544,360	11,774,778	891,595,690
19.04.2012	New issue	166,544,360		166,544,360	11,775,363	891,598,615
29.06.2012	New issue	166,544,360		166,544,360	12,238,363	893,913,615
09.07.2012	New issue	166,544,360		166,544,360	12,686,363	896,153,615
14.09.2012	New issue	166,544,360		166,544,360	13,598,863	900,716,115
17.09.2012	New issue	166,544,360		166,544,360	13,731,338	901,378,490
08.10.2012	New issue	166,544,360		166,544,360	17,314,688	919,295,240
08.10.2012	New issue	166,544,360		166,544,360	18,419,688	924,820,240
17.10.2012	New issue	166,544,360		166,544,360	18,536,338	925,403,490
24.03.2014	New issue	166,544,360		166,544,360	18,836,338	926,903,490
11.04.2014	New issue	166,544,360		166,544,360	19,823,806	931,840,830
28.05.2014	New issue	166,544,360		166,544,360	20,388,000	934,661,800
11.11.2014	Reduction of share capital	166,544,360		166,544,360	20,388,000	186,932,360
25/27.11.2014	New issue	166,544,360		166,544,360	32,888,000	199,432,360
05.12.2014	Bonus issue of B-shares	166,544,360	1,665,443,600	1,831,987,960	32,888,000	1,864,875,960
22.12.2014	Reverse split	83,272,180	832,721,800	915,993,980	16,444,000	1,864,875,960
20.01.2015	Conversion	82,187,432	833,806,548	915,993,980	16,444,000	1,864,875,960
03.02.2015	Conversion	81,871,406	834,122,574	915,993,980	16,444,000	1,864,875,960
16.07.2015	Conversion	81,862,506	834,131,474	915,993,980	16,444,000	1,864,875,960
05.08.2015	Conversion	81,862,397	834,131,583	915,993,980	16,444,000	1,864,875,960
04.02.2016	Conversion	79,861,425	836,132,555	915,993,980	16,444,000	1,864,875,960
09.08.2016	Conversion	78,360,480	837,633,500	915,993,980	16,444,000	1,864,875,960

TAXES

During the first quarter, deferred tax amounted to SEK –94 million (–134) and current tax 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 total net tax effect thereby amounts to SEK 4 million due to different tax rates. The net amount burdened results in the second quarter.

ORGANIZATION

Klövern's business model entails closeness to the customer by having our own local staff at all 17 business units, allo-

cated 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/Säter and Härnösand/Sollefteå) and South (Gothenburg, Malmö, Borås and Halmstad).

At the end of the quarter, Klövern had 229 employees (214). The average age was 44 (43) and the proportion of women was 39 per cent (39).

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. Klövern's significant risks and exposure and their management are described on pages 62–65 of the 2015 annual report.

DISPUTES

Klövern has no major ongoing rental disputes.

PROFIT AND KEY RATIOS

The tables below show income statement items and key ratios broken down according to Klöver's 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.

INCOME STATEMENT ITEMS AND INVESTMENTS PER PROPERTY SEGMENT AND REGION

	Income, SEKm		Property costs, SEKm		Operating surplus, SEKm		Operating margin, %		Investments, SEKm	
	2016 Jan–Sep	2015 Jan–Sep	2016 Jan–Sep	2015 Jan–Sep	2016 Jan–Sep	2015 Jan–Sep	2016 Jan–Sep	2015 Jan–Sep	2016 Jan–Sep	2015 Jan–Sep
Stockholm	898	811	–281	–272	617	539	69	66	681	539
East	482	484	–157	–155	325	329	67	68	100	116
Central	454	454	–158	–166	296	288	65	63	237	130
South	304	264	–103	–87	201	177	66	67	91	67
Investment	2,021	1,930	–630	–626	1,391	1,304	69	68	577	440
Development	117	83	–69	–54	48	29	41	35	532	412
Total	2,138	2,013	–699	–680	1,439	1,333	67	66	1,109	852

KEY RATIOS PER PROPERTY SEGMENT AND REGION

	Fair value, SEKm		Yield requirement ¹⁾ , %		Area, 000 sq.m.		Rental value, SEKm		Ec. occupancy rate, %	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Stockholm	19,336	15,788	5.7	6.1	831	771	1,437	1,273	86	90
East	6,959	6,572	6.9	7.0	749	750	721	711	91	90
Central	6,484	6,016	7.1	7.3	742	751	679	677	89	90
South	4,806	4,424	6.6	7.0	551	551	444	415	93	90
Investment	34,485	29,710	6.3	6.6	2,555	2,505	3,044	2,881	90	92
Development	3,100	3,090	6.3	6.6	318	318	237	195	75	60
Total	37,585	32,800	6.3	6.6	2,873	2,823	3,281	3,076	89	90

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/Säter and Härnösand/Sollefteå. **South:** Gothenburg, Malmö, Borås and Halmstad.



Sketch of Kopparhusen in Norrköping.

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 2015.

Klövern's holding in Tribona AB (publ) amounted to 29.5 per cent at the opening of the fourth quarter of 2015. The whole shareholding was divested at the end of October 2015. Holdings, which exceed 20 per cent, but are less than 50 per cent of the votes, are reported as participation rights in associated companies and Klöverns therefore reported the holding in Tribona as participation rights in associated companies until the shares were divested. The holding was reported in accordance with the equity method. This means that the book value for the Group of the holding is adjusted by Klöverns share of the net profit and other comprehensive income with the exception of any dividend received. Associated companies are reported at acquisition value in the parent company.

DIVIDEND

During the second quarter, a dividend of SEK 0.35 per ordinary share, totalling SEK 321 million (275) has been paid. During the first, second and third quarter respectively, a dividend of SEK 5.00 per preference share has been paid, totalling SEK 247 million (247).

EVENTS AFTER THE END OF THE PERIOD

After the end of the period a total of 28 properties have been acquired in Malmö and Lund for SEK 910 million with transfer of possession on 1 December 2016. For additional details, see press release published on 19 October 2016.

Stockholm, 20 October 2016

The Board of Directors of Klöverns AB (publ)

REVIEW REPORT

To the Board of Directors of Klöverns AB (publ)
Reg.no. 556482-5833

Introduction

We have reviewed the summary financial information in the interim report for Klöverns AB (publ) as at 30 September 2016 for the nine-month period that ended on that date. The Board of Directors and the CEO are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

The direction and scope of the review

We have performed this review in accordance with the International Standard on Review Engagements ISRE 2410 2410 Review of financial interim report information performed by the auditor appointed by the company. A review consists of making enquiries in the first place to persons who are responsible for financial issues and accounting matters, performing an analytical review and undertaking other general review measures. A review has a different focus and a considerably reduced scope compared with the focus and scope of an audit in accordance with the International Standards on Auditing, ISA, and generally accepted auditing standards in Sweden otherwise. The review measures undertaken have not made it possible for us to acquire such certainty as to be aware of all important circumstances that could have been identified in the performance of an audit. The conclusion stated is based on a general review and does not therefore have the same degree of certainty as a statement based on an audit.

Conclusion

On the basis of our general review, no circumstances have emerged which would lead us to consider that the interim report is not, in all substantials, prepared in accordance with IAS 34 and the Annual Accounts Act and, in the case of the parent company, with the Annual Accounts Act.

Stockholm, 20 October 2016

Ernst & Young AB
Fredric Hävrén
Authorized public accountant

Consolidated Statement of Income

SEKm	2016 3 months Jul–Sep	2015 3 months Jul–Sep	2016 9 months Jan–Sep	2015 9 months Jan–Sep	2015 12 months Jan–Dec	Rolling 12 months Oct–Sep
Income	708	667	2,138	2,013	2,718	2,843
Property costs	–212	–207	–699	–680	–952	–971
Operating surplus	496	460	1,439	1,333	1,766	1,872
Central administration	–22	–20	–73	–66	–92	–99
Net financial items	–153	–152	–448	–481	–631	–598
Profit from property management	321	288	918	786	1,043	1,175
Share in earnings of associated companies	—	0	—	24	171	147
Changes in value, properties	317	309	1,406	1,084	1,252	1,574
Changes in value, derivatives	–1	–75	–225	12	91	–146
Changes in value, financial assets	2	–8	2	–8	–4	6
Write-down of goodwill	—	—	0	–10	–12	–2
Profit before tax	639	514	2,101	1,888	2,541	2,754
Current tax	0	0	–22	0	–2	–24
Deferred tax	–94	–134	–385	–406	–531	–510
Net profit for the period	545	380	1,694	1,482	2,008	2,220
Other comprehensive income, items which may later be reversed in the income statement	—	1	—	0	–2	–2
Comprehensive income for the period	545	381	1,694	1,482	2,006	2,218
Earnings per ordinary share, SEK	0.51	0.33	1.58	1.35	1.83	2.06
No. of ordinary shares outstanding at the end of the period, million	916.0	916.0	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	16.4	16.4
Average no. of outstanding ordinary shares, million	916.0	916.0	916.0	916.0	916.0	916.0
Average no. of outstanding preference shares, million	16.4	16.4	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

SEKm	30.09.2016	30.09.2015	31.12.2015
Assets			
Goodwill	233	235	233
Investment properties	37,585	32,800	35,032
Machinery and equipment	15	13	12
Participation rights in associated companies	—	459	—
Financial assets at fair value through statement of income	122	109	112
Other receivables	583	381	482
Liquid funds	271	124	12
Total assets	38,809	34,121	35,883
Shareholders' equity and liabilities			
Shareholders' equity	12,434	10,866	11,390
Minority interest	0	0	0
Deferred tax liability	1,888	1,383	1,503
Interest-bearing liabilities	22,894	20,309	21,486
Derivatives	614	641	467
Accounts payable	37	53	250
Other liabilities	247	268	188
Accrued expenses and prepaid income	695	601	599
Total shareholders' equity and liabilities	38,809	34,121	35,883

Change in Consolidated Shareholders' Equity

SEKm	
Shareholders' equity 31.12.2014	9,988
Dividend	–604
Other comprehensive income	–2
Net profit for the period	2,008
Shareholders' equity 31.12.2015	11,390
Dividend	–650
Other comprehensive income	—
Net profit for the period	1,694
Shareholders' equity 30.09.2016	12,434

Consolidated Cash Flow Statement

SEKm	2016 3 months Jul–Sep	2015 3 months Jul–Sep	2016 9 months Jan–Sep	2015 9 months Jan–Sep	2015 12 months Jan–Dec
Current operations					
Profit from property management	321	288	918	786	1,043
Adjustment for items not included in the cash flow	1	1	3	3	4
Income tax paid	0	0	–4	0	–2
Cash flow from current operations before change in working capital	322	289	917	789	1,045
Changes in working capital					
Change in operating receivables	48	70	58	37	–70
Change in operating liabilities	–80	–175	–158	–274	–77
Total change in working capital	–32	–105	–100	–237	–147
Cash flow from current operations	290	184	817	552	898
Investment operations					
Divestment of properties	53	56	200	408	411
Acquisition of and investment in properties	–345	–674	–1,507	–2,051	–4,118
Acquisition of machinery and equipment	–3	–2	–6	–4	–4
Change in financial assets	–8	–1	–7	72	678
Cash flow from investment operations	–303	–621	–1,320	–1,575	–3,033
Financing operations					
Change in interest-bearing liabilities	176	556	1,408	1,439	2,616
Realized changes in value, derivatives	—	–56	–79	–56	–151
Dividend	–82	–83	–567	–522	–604
Cash flow from financing operations	94	417	762	861	1,861
Total cash flow	81	–20	259	–162	–274
Liquid funds at the beginning of the period	190	144	12	286	286
Liquid funds at the end of the period	271	124	271	124	12

Parent Company Income Statement

SEKm	2016 3 months Jul–Sep	2015 3 months Jul–Sep	2016 9 months Jan–Sep	2015 9 months Jan–Sep	2015 12 months Jan–Dec
Net sales	47	46	147	149	195
Cost of services sold	–35	–32	–120	–102	–155
Gross profit	12	14	27	47	40
Central administration	–22	–20	–73	–66	–92
Operating profit	–10	–6	–46	–19	–52
Net financial items	–95	–92	–347	–284	761
Profit before tax	–105	–98	–393	–303	709
Current tax	—	—	—	—	—
Deferred tax	—	—	—	—	–24
Net profit for the period	–105	–98	–393	–303	685
Other comprehensive income	—	—	—	—	—
Comprehensive income for the period	–105	–98	–393	–303	685

Parent Company Balance Sheet

SEKm	30.09.2016	30.09.2015	31.12.2015
ASSETS			
Machinery and equipment	4	6	5
Participation rights in group companies	1,875	1,875	1,875
Participation rights in other companies	—	517	—
Receivables from group companies	16,534	21,366	18,095
Deferred tax assets	340	364	340
Accounts receivables	1,627	62	58
Liquid funds	390	228	100
TOTAL ASSETS	20,770	24,418	20,473
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	6,298	6,352	7,340
Interest-bearing liabilities	12,891	9,665	11,578
Liabilities to group companies	1,242	7,833	1,298
Accounts payable	1	4	7
Other liabilities	262	485	179
Accrued expenses and prepaid income	76	79	71
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	20,770	24,418	20,473

Key ratios

	30.09.2016 3 months Jul–Sep	30.09.2015 3 months Jul–Sep	30.09.2016 9 months Jan–Sep	30.09.2015 9 months Jan–Sep	30.09.2016 rolling 12 months Oct–Sep	2015	2014	2013	2012
Property									
Number of properties	409	412	409	412	409	415	408	402	387
Lettable area, 000 sq.m.	2,873	2,823	2,873	2,823	2,873	2,872	2,792	2,624	2,529
Rental value, SEKm	3,281	3,076	3,281	3,076	3,281	3,182	2,983	2,570	2,468
Fair value properties, SEKm	37,585	32,800	37,585	32,800	37,585	35,032	30,208	24,059	22,624
Yield requirement valuation, %	6.3	6.6	6.3	6.6	6.3	6.5	6.9	7.2	7.2
Operating margin, %	70	69	67	66	66	65	65	63	62
Occupancy rate, economic, %	89	90	89	90	89	91	90	90	88
Occupancy rate, area, %	82	82	82	82	82	83	81	82	81
Average lease term, years	3.8	3.4	3.8	3.4	3.8	3.5	3.3	3.5	3.4
Financial									
Return on equity, %	4.5	3.6	14.2	14.2	19.6	18.9	14.5	11.6	5.8
Equity ratio, %	32.0	31.8	32.0	31.8	32.0	31.7	31.5	28.5	28.1
Equity ratio, adjusted, %	36.9	36.4	36.9	36.4	36.9	35.8	35.9	31.4	31.9
Leverage, %	60	60	60	60	60	61	60	65	64
Leverage properties, %	44	46	44	46	44	47	51	57	59
Interest coverage ratio	3.1	2.9	3.0	2.6	3.0	2.6	2.0	1.9	1.9
Average interest, %	2.6	2.9	2.6	2.9	2.6	2.7	3.5	4.3	4.3
Average fixed-interest period, years	1.9	2.0	1.9	2.0	1.9	2.1	2.1	2.7	3.0
Average period of tied-up capital, years	2.5	2.3	2.5	2.3	2.5	2.8	2.1	2.0	2.2
Interest-bearing liabilities, SEKm	22,894	20,309	22,894	20,309	22,894	21,486	18,870	16,163	15,229
Share¹									
Equity per ordinary share, SEK	7.97	6.62	7.97	6.62	7.97	7.38	5.20	4.83	4.69
EPRA NAV, SEK	10.70	8.83	10.70	8.83	10.70	9.53	7.05	5.93	5.94
Equity per preference share, SEK	312.30	292.00	312.30	292.00	312.30	281.50	317.50	300.00	273.50
Profit from property management per ordinary share, SEK	0.26	0.22	0.73	0.59	0.92	0.78	0.61	0.49	0.43
Earnings per ordinary share, SEK	0.51	0.33	1.58	1.35	2.06	1.83	1.02	0.68	0.23
Share price ordinary share A at end of period, SEK	10.50	7.95	10.50	7.95	10.50	9.45	8.20	5.18	4.65
Share price ordinary share B at end of period, SEK	10.67	7.90	10.67	7.90	10.67	9.50	7.60	—	—
Share price preference share at end of period, SEK	312.30	292.00	312.30	292.00	312.30	281.50	317.50	300.00	273.50
Market capitalization, SEKm	14,896	12,042	14,896	12,042	14,896	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	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	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	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	16.4	9.3	9.3
Dividend per ordinary share, SEK	—	—	—	—	—	0.35	0.30	0.27	0.27
Dividend per preference share, SEK	—	—	—	—	—	20.00	20.00	20.00	20.00
Dividend in relation to profit from property management, %	—	—	—	—	—	62	77	68	83
Dividend preference shares in relation to profit from property management, %	—	—	—	—	—	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.

PROPERTY VALUE,
SEK BILLION

37.6

RENTAL VALUE,
SEK BILLION

3.3

LETTABLE AREA,
THOUSAND SQ.M.

2,873

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, %

36.9

NUMBER OF
SHAREHOLDERS

46,200

Calendar

Final day for trading conferring the right to dividend for preference shareholders	28 Dec 2016
Record date for dividend to preference shareholders	30 Dec 2016
Expected date for dividend to preference shareholders	4 Jan 2016
Year-end report, 2016	10 Feb 2017
Annual report	Week 12 2017
Annual General Meeting	26 Apr 2017

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This information is information that Klöver AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and Securities Market Act. The information was submitted for publication, through the agency of the contact persons set out above, at 07:30 CET on 20 October 2016.

KLÖVERN

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