

KLÖVERN

Interim report January- March 2005

- **Rental revenues amounted to SEK 139 million (105)**
- **Net profit for the period increased to SEK 42 million (29)**
- **Earnings per share amounted to SEK 0.39 (0.37)**
- **Klövern's expansion is continuing – 19 properties were acquired during the quarter for SEK 801 million**

Profit

Net profit for the period amounted to SEK 42 million (29). The result includes realised changes in the value from property sales of SEK 4 million (2) and unrealised changes in the value of properties of SEK 0 million (4). Net financial items amounted to SEK -35 million (-31).

Cash flow and financial position

The cash flow amounted to SEK 99 million (19). The equity ratio at the end of the quarter was 34.0 per cent, in comparison with 36.9 at the beginning of the year. Shareholders' equity was SEK 1,864 million in comparison with SEK 1,701 million at the beginning of the year. Liquid funds were SEK 209 million (154) and interest-bearing liabilities were SEK 3,353 million (2,703).

Rental revenue and property costs

Rental revenues amounted to SEK 139 million (105) for the period, property costs was SEK 58 million (44) and operating surplus amounted to SEK 81 million (61).

Operations

Klövern is a real estate company that acquires, develops and sells high-yielding properties in large and medium-sized towns outside major city regions.

Market and property holdings

Klövern notes a continued weak positive trend in the number of rental inquiries, mainly from companies within the education and service sector. A clearer positive development can be seen in the market segments of Norrköping, Nyköping and especially in Linköping. Moving in, net, during the period amounts to SEK 2 million. Major tenants, who have moved in during the quarter, are for example DFDS, head office for the Expert Group, Schneider and VLT AB.

Property holdings as of March 31, 2005

Type of premises	Number of properties	Area, thousand sq.m.	Rental value, SEKm	Economic occupancy ratio, %
Offices	63	318	295	85
Industry/warehouse	47	353	181	85
Retail	26	84	86	96
Education/health care/sports	6	70	54	89
Restaurant/hotel	2	30	27	89
Residential	13	30	25	93
Other ¹⁾	3	-	10	83
Total	160	885	678	87

1) Refers to garages, parking spaces, sign spaces and telecom masts.

Contract structure as of March 31, 2005

Year of maturity ¹⁾	Number of contracts	Area, thousand sq.m.	Contract value, SEKm	% of contract value
Commercial premises				
2005	505	118	91	16
2006	475	152	119	20
2007	300	159	120	20
2008	165	145	114	19
2009	59	46	45	8
>2010	62	77	71	12
Sum	1,566	697	560	95
Residential	390	28	23	4
Sum excl. garage/parking	1,956	725	583	99
Garage/parking	1,008	-	7	1
Total	2,964	725	590	100

1) The average leaseperiod was 2.8 years as of March 31, 2005.

Financing

At the end of the period, interest-bearing liabilities was SEK 3,353 million, in comparison with SEK 2,703 million at the beginning of the year. The average annual borrowing rate was 4.8 percent (5.1) and the average fixed-interest period 1.8 years (2.1). Loans maturing during 2005 had, at the end of the period, an average fixed-interest period of 107 days (170). The average fixed-capital period was 3.3 years (4.0). During the quarter, loans totalling SEK 729 million with floating interest have been provided with an interest cap at 4.0 per cent related to STIBOR 90 days. SEK 330 million with interest cap has a maturity of four years and SEK 399 million a maturity of five years. At per March 31, 2005, Klöver's financial instruments were undervalued by SEK 0.9 million (0.2).

Loan structure as of March 31, 2005

Year of maturity	SEKm	Average interest rate, %	% of total
2005 ¹⁾	1,517	4.0	45
2006	492	4.8	15
2007	519	5.9	15
2008	461	5.3	14
2009	32	5.7	1
2010	23	5.8	1
2011	309	6.5	9
Total	3,353	4.8	100

1) Of which SEK 729 million with an interest cap.

Capital expenditures

During the first quarter, 19 properties (9) totalling SEK 801 million (215) were acquired with a total area of approximately 101,000 sq.m. The majority of the properties are located in Linköping and were acquired in connection with Klöver's purchase of a large property portfolio from ByggVesta in Linköping. A total of SEK 11 million (15) was invested during the period in renovations of properties primarily in Borås, Karlstad, Linköping and Västerås.

Change of values, properties

During the first quarter of the year, seven properties (2) have been sold for a total purchase price of SEK 160 million (28), which exceeded the latest reported actual value by SEK 4 million (2). Sold properties, with a total area of approximately 24,000 sq.m., are located in Halmstad, Kalmar, Uppsala, Västerås and Örnköldsvik.

The property holdings have been valued as per March 31, 2005 and the change in actual value at the end of the period compared with the beginning of the year is SEK 0 million (4). As of March 31, 2005 approximately 20 per cent of Klöver's property holdings have been externally valued. As of December 31, 2004 all Klöver's properties were externally valued. The majority of the external valuations were performed by DTZ Sweden. Internal as well as external valuations have been made according to a cash flow model with a calculation period mainly of five years. A longer calculation period has been applied for properties with important leases exceeding five years. The earning capacity and cash flow of each property has been individually assessed. Rental revenue has been calculated on the basis of existing leases up until the end of the lease period. An assessment has then been made of the market conditions and the leases with a market rent have been assumed to be extended with unchanged conditions. Other leases have been adjusted after the end of the lease to an assessed market rent. An estimate of the market rent has been made for vacant premises and the time at which they can be expected to be let. Costs for operation and maintenance have been assessed individually for each property and on the basis of experience of similar properties. The use, age and maintenance status of the properties have been taken into account. Rental revenue and costs have been adjusted upwards by two percent in accordance with the assumed inflation rate.

Klövern's shareholders

As of March 31 2005, the number of outstanding shares in Klöver was 112,385,881 divided among approximately 30,500 owners.

Owner	Number of shares, million	Holding, %
Arvid Svensson Invest	17.0	15.1
Lantbrukarnas Riksförbund	13.2	11.7
Investment AB Öresund	7.6	6.7
SEB Fonder	6.5	5.8
Catella Fonder	6.1	5.4
Länsförsäkringar Södermanland	3.7	3.3
Fortis Bank NV	3.4	3.0
HQ Fonder	3.3	3.0
LF Fastighetsfonden	2.9	2.6
Gustaf Hermelin incl. family and company	2.3	2.1
Total largest shareholders	66.0	58.7
Other shareholders	46.4	41.3
Total all shareholders	112.4	100.0

Adjustment of financial goals

Klövern's board has revised the company's financial targets for the equity ratio and the interest coverage ratio.

- The target for the equity ratio has been increased from over 20 per cent to be in an interval between 25 and 35 per cent.
- The goal for the interest coverage ratio has been increased from a minimum of 1.3 times to a minimum of 1.5 times.
- The company's financial target for return on equity, long-term 15 per cent, retains.

Accounting principles

This interim report has been prepared in compliance with IAS 34 Interim reporting, which is in accordance with the requirements made in the Swedish Financial Accounting Standards Council's recommendation RR 31 Interim reports for groups. The accounting principles applied in this interim report are those described in Klöver's annual report for 2004, note 19. It is stated there, among other things, that the International Financial Reporting Standards (IFRS) will be applied from 2005 and that the comparison figures for 2004 has been recalculated in accordance with the new principles with exceptions that apply for financial instruments. In accordance with the rules for transition to IFRS, the new principles for financial instruments (for Klöver only interest cap and swaps) will only be applied in the parts of the accounts that refer to 2005.

The most important effects of the transition to IFRS relate to reporting of properties and to a limited extent also financial instruments. Properties are classified as management properties and valued at their actual value in the balance sheet with unrealised changes in value in the income statement. Previously, Klöver's properties were reported as current assets (inventories) at the lowest of acquisition value and actual value. Income from capital sales has been changed to realised changes in value, which is calculated as the difference between the sales price and the most recent reported actual value. Previously, the income from property sales has consisted of the difference between the sales price and the reported value of the properties.

See below for the effects of the recalculation of the comparison figures for the net profit for the first quarter for 2004 and the full year of 2004 and for information on equity at the beginning and end of 2004 and as at 31 March 2004.

Income Statement – Recalculation to IFRS SEKm	2004	2004	
	3 months Jan-Mar	12 months Jan - Dec	
Net profit according to previous accounting principles	27	193	
Reported net income property sales	-4	-40	
Changes in value properties, realised	2	30	
Changes in value properties, not-realised	4	30	
Changes in value financial instrument, not-realised	0	0	
Net profit according to IFRS	29	213	
Shareholders' equity – Recalculation to IFRS SEKm	31.03.2004	31.12.2004	01.01.2004
Shareholders' equity according to previous accounting principles	1,191	1,631	908
Reporting of properties at actual value	52	70	50
Financial instruments at actual value ¹⁾	0	0	0
Shareholders' equity according to IFRS	1,243	1,701	958

1) Amounts to SEK -0.2 million.

Events after the end of the period

Klöverns Annual General Meeting of Shareholders April 13, 2005

The annual general meeting of shareholders April 13, 2005, decided in accordance with the board's proposition of a dividend of SEK 0.75. Stefan Dahlbo (chairman), Gustaf Hermelin, Lars Holmgren, Anna-Greta Lundh and Johan Piehl were re-elected as board members. Lars Rosvall, Fredrik Svensson and Per Uhlén were elected as board members. Decisions were made concerning principles for appointment of an election committee that means that the election committee is to be appointed annually, and consists of the chairman of the board, a representative of each owner whose shareholding in the company on 31 August exceeds five per cent of the shares and votes in the company, and one representative of the other shareholders. The names of the persons who are to take part in the election committee is to be published at the latest by 15 September on Klöverns website. The Annual General Meeting of Shareholders authorised the board, until the next Annual General Meeting, on one or more occasions, with or without a deviation from the right of priority of the shareholders, to decide on a new issue of at most 10,000,000 shares, each share to be at a nominal value of SEK 5, for acquisition of companies or properties. It is proposed that payment for the new shares be made by payment in kind, a set-off or cash payment.

Acquisition of properties

Klövern has acquired 12 properties in Linköping and one each in Eskilstuna, Kalmar, Norrköping and Trosa for a total purchase price of SEK 597 million. The major part of the total space of 104,000 sq.m. consists of very centrally located office and retail premises. The rental value amounts to SEK 86 million, the economic occupancy rate 83 per cent and the initial direct yield to approximately 7 per cent. The acquisition is taking place in the form of companies and as individual properties. It is being financed by new issue of shares equivalent to SEK 148 million, loan financing of SEK 435 million and internal funds. The issue consists of approximately 8.0 million shares at a price of SEK 19.25 before dividend. The issue is directed at Diligentia.

Calendar 2005

Interim report January – June 2005

Wednesday August 17

Interim report January – September 2005

Wednesday November 2

Reports are available at Klöverns website, www.klovern.se, where visitors may also subscribe to annual reports, interim reports and press releases.

Nyköping, May 3, 2005

Klövern AB (publ)

Gustaf Hermelin, President and CEO

This interim report has not been subject to examination by the Company's auditors.

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Klövern is a real estate company active in the Swedish real estate market by acquiring, developing and disposing of properties with a focus on high return on equity. As of March 31, 2005 the book value of the properties amounts to appr. 4.8 billion Swedish kronor and rental revenue on an annual basis is about SEKm 590. The Klöverns share is listed at Stockholmsbörsen's O-list.

Consolidated Statements of income SEKm	2005 3 months Jan-Mar	2004 3 months Jan-Mar	2004 12 months Jan-Dec	Rolling 12 months Apr-Mar
Rental revenues	138.8	104.8	484.6	518.6
Property costs	-57.4	-44.2	-199.1	-212.2
Operating surplus	81.4	60.6	285.5	306.4
Depreciation of equipments	-0.5	-0.4	-1.5	-1.7
Central administration	-8.0	-5.9	-29.7	-31.8
Operating profit	72.9	54.3	254.3	272.9
Financial incomes	1.5	1.4	3.0	3.1
Financial costs	-36.4	-32.8	-132.1	-135.7
Profit after financial items	38.0	22.9	125.2	140.3
Changes in value properties, realised	4.4	2.0	30.0	32.4
Changes in value properties, not-realised	0.0	4.0	30.0	26.0
Changes in value financial items, not-realised	-0.7	0.0	0.0	-0.7
Profit before tax	41.7	28.9	185.2	198.0
Current tax ^{1) 2)}	0.0	0.0	-2.9	-2.9
Deferred tax ^{1) 3)}	0.0	0.0	31.0	31.0
Net profit for the period	41.7	28.9	213.3	226.1
Earnings per share before dilution, SEK	0.39	0.38	2.33	2.27
Earnings per share after dilution, SEK	0.39	0.37	2.30	2.27
Number of shares outstanding at the end of the period before dilution, million	112.4	84.5	105.8	112.4
Number of shares outstanding at the end of the period after dilution, million	112.4	88.8	105.8	112.4
Average number of shares outstanding before dilution, million	107.7	75.7	91.7	99.7
Average number of shares outstanding after dilution, million	107.7	80.0	92.9	99.8

1) Due to Klöver's unused deficit deduction (see Annual Report 2004 page 36), current tax as well as deferred tax amounts to zero.

2) Re-taxation of previous financial year has increased the current tax by SEKm 2.8 concerning 2004.

3) Reevaluation of the deferred tax claim has affected the result for 2004 positively by SEKm 31.

Consolidated Balance Sheets			
SEKm	31.03.2005	31.03.2004	31.12.2004
Fixed assets			
Properties	4,849.2	3,148.8	4,193.1
Equipment	7.3	6.3	5.7
Deferred tax claim	231.0	200.0	231.0
Total fixed assets	5,087.5	3,355.1	4,429.8
Currents assets			
Short-term receivables	90.4	86.5	63.1
Escrow accounts ¹⁾	100.0	65.0	1.0
Liquid funds	208.9	154.0	110.0
Total current assets	399.3	305.5	174.1
TOTAL ASSETS	5,486.8	3,660.6	4,603.9
SHAREHOLDER'S EQUITY AND LIABILITIES			
Share capital	1,864.0	1,242.8	1,701.0
Provisions	11.5	12.0	11.5
Subordinated convertible debenture loan	0.0	47.0	0.0
Interest-bearing liabilities	3,352.7	2,209.8	2,703.4
Derivatives	0.2	0.2	0.2
Accounts payable	30.5	22.4	45.9
Other liabilities	30.1	5.1	5.3
Accrued expenses and prepaid income	197.8	121.3	136.6
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES	5,486.8	3,660.6	4,603.9

1) Consists of amounts in escrow accounts as collateral for repayment of loans or to be used for financing of investments in properties.

Groups changes in shareholder's equity, SEKm	Share capital	Restricted reserves	Non-restricted reserves	Shareholder's equity
Shareholder's equity 31.12.2003 according to previous principles	337.0	299.3	272.1	908.4
New issue	169.6	355.5	–	525.1
Conversion of loan	22.3	26.7	–	49.0
Allocation to restricted equity	–	0.3	-0.3	0.0
Dividend	–	–	-44.3	-44.3
Net profit for the year	–	–	192.9	192.9
Shareholder's equity 31.12.2004 according to previous principles	528.9	681.7	420.5	1,631.1
Adaptation to IFRS	–	–	69.8	69.8
Shareholder's equity 31.12.2004 according to IFRS	528.9	681.7	490.3	1,700.9
New issue	33.0	88.4	–	121.4
Allocation to restricted equity	–	0.1	-0.1	0.0
Dividend	–	–	–	0.0
Net profit for the year	–	–	41.7	41.7
Shareholder's equity 31.03.2005 according to IFRS	561.9	770.2	531.9	1,864.0

Consolidated Statements of Cash Flow SEKm	2005 3 months Jan-Mar	2004 3 months Jan-Mar	2004 12 months Jan-Dec	Rolling 12 months Apr-Mar
Current operations				
Profit after financial items	38.0	22.9	125.2	140.3
Realised change in value, properties	4.4	2.0	30.0	32.4
Adjustment for items not included in cash flow, etc.	-0.2	0.3	0.5	0.0
Paid income taxes	0.0	0.0	-2.9	-2.9
Cash flow from current operations before change in working capital	42.2	25.2	152.8	169.8
Change in working capital				
Change in operating receivables	-27.3	-28.2	-4.9	-4.0
Change in operating liabilities	70.4	20.4	59.5	109.5
Total change in working capital	43.1	-7.8	54.6	105.5
Cash flow from current operations	85.3	17.4	207.4	275.3
Investment operations				
Sale of properties	156.1	25.6	317.3	447.8
Acquisition of properties ¹⁾	-690.8	-168.1	-1,206.6	-1,729.3
Acquisition of tangible fixed assets	-2.0	-0.5	-1.1	-2.6
Change in amounts in escrow accounts	-99.0	11.0	75.0	-35.0
Cash flow from investment operations	-635.7	-132.0	-815.4	-1,319.1
Financing operations				
Raised/repaid loans ^{2) 3)}	649.3	133.8	627.5	1,143.0
Dividend	0.0	0.0	-44.3	-44.3
Cash flow from financing operations	649.3	133.8	583.2	1,098.7
Cash flow for the period	98.9	19.2	-24.8	54.9
Liquid funds at the beginning of the period	110.0	134.8	134.8	154.0
Liquid funds at the end of the period	208.9	154.0	110.0	208.9

1) The property acquisitions have been partly financed by issues in kind, totalling SEKm 121 during the first quarter, 2005 and SEKm 334 for 2004.

2) New issue due to redemption of convertible loans to shares has been carried out at SEKm 49 from March to September 2004.

3) During the first quarter of 2004, interest-bearing liabilities were reduced by SEKm 191 by the issue in kind.

Key financial indicators	2005	2004	2004	Rolling
	3 months Jan-Mar	3 months Jan-Mar	12 months Jan-Dec	12 months Apr-Mar
Return on equity before dilution, %	2.3	2.6	16.0	14.6
Return on equity after dilution, %	2.3	2.6	15.8	14.6
Equity ratio at the end of the period before dilution, %	34.0	34.0	36.9	34.0
Equity ratio at the end of the period after dilution, %	34.0	35.2	36.9	34.0
Equity per share at the end of the period before dilution, SEK	16.58	14.71	16.08	16.58
Equity per share at the end of the period after dilution, SEK	16.58	14.52	16.08	16.58
Interest coverage ratio, times	2.0	1.7	1.9	2.0

Definitions

Calculation of ratios

Ratios based on average number of shares outstanding are calculated based on weighted averages. In reported ratios after dilution, due consideration was, for 2004, given to the effect of issued warrants and effects of issued subordinated convertible debenture loan with an amount of SEKm 50.

Equity per share

Reported equity in relation to the number of shares outstanding at end of period.

Equity ratio

Reported shareholders' equity in relation to reported total assets at the end of the period.

Earnings per share

Profit for the period in relation to average number of shares outstanding.

Interest coverage ratio

Profit after financial items, plus financial costs, in relation to financial costs.

Return on equity

Profit after taxes in relation to average shareholders' equity.