

# KLÖVERN

## Interim Report, January – June 2005

- **Rental revenues amounted to SEK 302 million (212)**
- **Net profit for the period increased to SEK 164 million (84)**
- **Earnings per share increased to SEK 1.47 (1.08)**
- **Klövern's expansion is continuing – properties were acquired during the period for SEK 1,406 million (342)**

### Profit

Net profit for the period was SEK 164 million (84). The result includes realised changes in value from property sales of SEK 10 million (20) and unrealised changes in the value of properties of SEK 69 million (9). Net financial items amounted to SEK -75 million (-60).

### Cash flow and financial position

The cash flow amounted to SEK 54 million (-12). The equity ratio at the end of the period was 34.8 per cent, in comparison with 36.9 per cent at the beginning of the year. Shareholders' equity was SEK 2,049 million, in comparison with SEK 1,701 million at the beginning of the year. Liquid funds were SEK 164 million (110) and interest-bearing liabilities were SEK 3,545 million (2,703).

### Rental revenues and property costs

Rental revenues amounted to SEK 302 million (212) during the period, property costs were SEK 117 million (84) and the operating surplus amounted to SEK 185 million (128).

### Second quarter 2005

Net profit for the second quarter was SEK 122 million (55). The result includes realised changes in value from property sales of SEK 5 million (18) and unrealised changes in the value of properties of SEK 69 million (5). The operating surplus was SEK 103 million (68), net financial items SEK -40 million (-29) and the cash flow was SEK -45 million (-32).

### 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

The rental levels in Klöverns markets have generally remained unchanged during the first half of the year. There has been some increase in the number of letting enquiries, in particular in retail and education. New lettings, during the second quarter, mainly small companies in the commercial and services sector, account for approximately SEK 5 million.

## Property holdings as of June 30, 2005

Type of premises	Number of properties	Area, thousand sq.m.	Rental value, SEKm	Economic occupancy ratio, %
Offices	69	348	323	83
Industry/warehouse	50	397	198	82
Retail	27	96	105	95
Education/health care/sports facilities	7	72	58	90
Restaurant/hotel	4	36	33	90
Residential	7	27	22	92
Other <sup>1)</sup>	3	-	11	82
<b>Total</b>	<b>167</b>	<b>976</b>	<b>750</b>	<b>86</b>

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

## Contract structure as of June 30, 2005

Year of maturity <sup>1)</sup>	Number of contracts	Area, thousand sq.m.	Contract value, SEKm	Share of contract value, %
Commercial premises				
2005	355	87	60	9
2006	617	184	145	22
2007	366	167	130	20
2008	264	183	145	23
2009	87	58	57	9
>2010	68	85	77	12
<b>Sum</b>	<b>1,757</b>	<b>764</b>	<b>614</b>	<b>95</b>
Residential	355	25	21	4
<b>Sum excl. garage/parking</b>	<b>2,112</b>	<b>789</b>	<b>635</b>	<b>99</b>
Garage/parking	1,106	-	8	1
<b>Total</b>	<b>3,218</b>	<b>789</b>	<b>643</b>	<b>100</b>

1) The average leaseperiod was 2.8 years as of June 30, 2005.

## Financing

At the end of the period, interest-bearing liabilities totalled SEK 3,545 million, in comparison with SEK 2,703 million at the beginning of the year. The average interest rate was 4.6 per cent (5.1) and the average fixed-interest period 1.5 years (2.1). Loans maturing during 2005 had at the end of the quarter, an average fixed-interest period of 61 days (170). The average duration of tied-up capital was 3.4 years (4.0). During the first six months of the year, loans totalling SEK 929 million with floating interest have been provided with an interest cap at 4.0 per cent related till STIBOR 90 days. SEK 330 million with interest cap has a maturity of four years and SEK 599 million a maturity of five years. As per 30 June 2005, Klöverns financial instruments were undervalued by SEK 6.6 million (0.2).

## Loan structure as of June 30, 2005

Year of maturity	SEKm	Average interest rate, %	% of total
2005 <sup>1)</sup>	1,715	3.6	48
2006	491	4.8	14
2007	514	5.9	14
2008	461	5.3	13
2009	32	5.7	1
2010	23	5.8	1
2011	309	6.5	9
<b>Total</b>	<b>3,545</b>	<b>4.6</b>	<b>100</b>

1) Of which SEK 929 million with an interest cap.

## Acquisitions and investments

During the first half of the year, 36 properties (13) have been acquired for SEK 1,406 million (342) with a total area of around 205,000 sq.m. The majority of the properties are located in Linköping and were acquired in connection with Klöverns purchase of major property holdings from ByggVesta and Diligentia. The period's total investments in reconstruction was SEK 22 million (48) relating to properties mainly in Borås, Karlstad, Linköping, Nyköping and Västerås.

## Property sales

During the period, 17 properties (9) have been sold for a total purchase price of SEK 282 million (193), which exceeded the most recently reported actual value by SEK 10 million (20). The properties sold consisting of approximately 37,000 sq.m., of which around half were residential, are located in Halmstad, Kalmar, Kristianstad, Linköping, Uppsala, Västerås and Örnsköldsvik.

## Changes in value, properties

Klövern's property holdings have been valued as at June 30, 2005 and not-realised changes in values in the second quarter totals 69 million (5). Klövern had all properties valued externally on December 31, 2004, and a rolling timetable has subsequently applied for external valuations, the principle being to externally value approximately 25 per cent of the property holdings each quarter. As at 30 June DTZ Sweden made valuations of 24 per cent of Klöverns property holdings located in different markets. 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 have been individually assessed. Rental revenues have 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 revenues and costs have been adjusted upwards by two per cent in accordance with the assumed inflation rate.

## Klövern's owners

As of 30 June, 2005, the number of shares in Klövern was 120,364,259 divided among approximately 30,100 owners.

<b>Owner</b>	<b>Number of shares, million</b>	<b>Holding, %</b>
Arvid Svensson Invest	17.0	14.1
Lantbrukarnas Riksförbund	13.2	11.0
Skandia	8.4	7.0
Investment AB Öresund	7.6	6.3
Catella Fonder	4.5	3.7
Banque Generale de Luxembourg	4.4	3.6
LF Fastighetsfonden	3.8	3.2
SEB Fonder	3.7	3.1
Länsförsäkringar Södermanland	3.7	3.1
HQ Fonder	3.2	2.7
<b>Total largest shareholders</b>	<b>69.5</b>	<b>57.7</b>
Other shareholders	50.9	42.3
<b>Total all shareholders</b>	<b>120.4</b>	<b>100.0</b>

## 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) are applied from 2005 and that the comparison figures for 2004 have 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 interest caps 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 for Klöver relate to the 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 property sales has been changed to realised changes in value, which is calculated as the difference between the sales price and the most recently 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.

The effects of the recalculation of the comparison figures for the net profit for the first six months of 2004 and the full year of 2004 and information on equity at the beginning and end of 2004 and as at 30 June 2004 are shown below.

	2004		
	6 months Jan-Jun	12 months Jan - Dec	
<b>Income Statement – Recalculation to IFRS</b>			
<b>SEKm</b>			
<b>Net profit according to previous accounting principles</b>	81	193	
Reported net income property sales	-26	-40	
Changes in value properties, realised	20	30	
Changes in value properties, not-realised	9	30	
Changes in value financial instrument, not-realised	0	0	
<b>Net profit according to IFRS</b>	<b>84</b>	<b>213</b>	
<b>Shareholders' equity – Recalculation to IFRS</b>			
<b>SEKm</b>	<b>30.06.2004</b>	<b>31.12.2004</b>	<b>01.01.2004</b>
<b>Shareholders' equity according to previous accounting principles</b>	1,247	1,631	908
Reporting of properties at actual value	53	70	50
Financial instruments at actual value <sup>1)</sup>	0	0	0
<b>Shareholders' equity according to IFRS</b>	<b>1,300</b>	<b>1,701</b>	<b>958</b>

1) Amounts to SEK -0.2 million.

## Sale of properties to Diös

Klövern has entered into an agreement to sell eleven properties in nine locations from Gävle and Falun in the south to Luleå in the north to the newly established real-estate company Diös Fastigheter AB. With this sale, Klöverm has become a part owner of Diös. The properties comprise of around 43,000 sq.m. The sales price is approximately SEK 187 million, which entails a realised change in value of SEK 5 million. The properties will be vacated in the third quarter of 2005.

## Parent company

The operation consists of group-wide functions and ownership and operation of the Group's subsidiaries. Net profit in the parent company totalled SEK -9 million (-5). The parent company's liquid funds totalled SEK 13 million on 30 June, which was the same amount as at the beginning of the year. Net investments in shares, participations and inventories totalled SEK 1 million (1).

## Events after the end of the period

### Acquisition of properties

Klövern has acquired seven properties for a total purchase price of SEK 119 million. The properties are located in Borås, Karlstad and Norrköping and transfer of possession takes place in the third quarter of 2005.

### Sale of properties

Klövern has sold three residential properties in Linköping and one industrial property in Eskilstuna totalling SEK 35 million. The sales price exceeds the most recently reported actual value by SEK 4 million, which will affect Klöverm's income for the third quarter of 2005.

## Calendar

Interim report January-September 2005

Wednesday, 2 November

Annual Accounts Bulletin for 2005

Wednesday, 8 February 2006

Reports are available on Klöverm's website [www.klovern.se](http://www.klovern.se), where it is also possible to subscribe to annual reports, interim reports and press releases.

Nyköping, 17 August 2005

Klövern AB (publ)

Gustaf Hermelin

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 a high return on equity. As at 30 June 2005, the book value of the properties totals approximately SEK 5.4 billion and the rental income on an annual basis is approximately SEK 640 million. The Klöverm share is listed on the Stockholm stock exchange's O list.

<b>Groups' Income of Statements SEKm</b>	<b>2005 3 months Apr-Jun</b>	<b>2004 3 months Apr-Jun</b>	<b>2005 6 months Jan-Jun</b>	<b>2004 6 months Jan-Jun</b>	<b>2004 12 months Jan-Dec</b>	<b>Rolling 12 months Jul-Jun</b>
Rental revenues	163.1	107.0	301.9	211.8	484.6	574.7
Property costs	-60.0	-39.4	-117.4	-83.6	-199.1	-232.8
<b>Operating surplus</b>	<b>103.1</b>	<b>67.6</b>	<b>184.5</b>	<b>128.2</b>	<b>285.5</b>	<b>341.9</b>
Depreciation of equipments	-0.7	-0.4	-1.2	-0.8	-1.5	-2.0
Central administration	-9.2	-5.9	-17.2	-11.8	-29.7	-35.1
<b>Operating profit</b>	<b>93.2</b>	<b>61.3</b>	<b>166.1</b>	<b>115.6</b>	<b>254.3</b>	<b>304.8</b>
Financial incomes	1.8	0.5	3.3	1.9	3.0	4.4
Financial costs	-42.1	-29.5	-78.5	-62.3	-132.1	-148.3
<b>Profit after financial items</b>	<b>52.9</b>	<b>32.3</b>	<b>90.9</b>	<b>55.2</b>	<b>125.2</b>	<b>160.9</b>
Changes in value properties, realised	5.5	18.0	9.8	20.0	30.0	19.9
Changes in value properties, not-realised	69.4	5.0	69.4	9.0	30.0	90.4
Changes in value financial items, not-realised	-5.7	0.0	-6.4	0.0	0.0	-6.4
<b>Profit before tax</b>	<b>122.1</b>	<b>55.3</b>	<b>163.7</b>	<b>84.2</b>	<b>185.2</b>	<b>264.8</b>
Current tax <sup>1) 2)</sup>	0.0	0.0	0.0	0.0	-2.9	-2.9
Deferred tax <sup>1) 3)</sup>	0.0	0.0	0.0	0.0	31.0	31.0
<b>Net profit for the period</b>	<b>122.1</b>	<b>55.3</b>	<b>163.7</b>	<b>84.2</b>	<b>213.3</b>	<b>292.9</b>
Earnings per share before dilution, SEK	1.06	0.63	1.47	1.11	2.33	2.75
Earnings per share after dilution, SEK	1.06	0.63	1.47	1.08	2.30	2.75
Number of shares outstanding at the end of the period before dilution, million	120.4	88.7	120.4	84.5	105.8	120.4
Number of shares outstanding at the end of the period after dilution, million	120.4	88.8	120.4	88.8	105.8	120.4
Average number of shares outstanding before dilution, million	114.8	88.4	111.2	75.7	91.7	106.4
Average number of shares outstanding after dilution, million	114.8	88.8	111.2	80.0	92.9	106.4

1) Due to Klöverns 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 2.9 concerning 2004.

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

<b>Consolidated Balance Sheets SEKm</b>			
	<b>30.06.2005</b>	<b>30.06.2004</b>	<b>31.12.2004</b>
<b>Fixed assets</b>			
Properties	5,416.8	3,162.8	4,193.1
Equipment	7.0	6.1	5.7
Deferred tax claim	231.0	200.0	231.0
<b>Total fixed assets</b>	<b>5,654.8</b>	<b>3,368.9</b>	<b>4,429.8</b>
<b>Currents assets</b>			
Short-term receivables	56.3	126.9	63.1
Escrow accounts <sup>1)</sup>	6.8	95.0	1.0
Liquid funds	163.9	122.4	110.0
<b>Total current assets</b>	<b>227.0</b>	<b>344.3</b>	<b>174.1</b>
<b>TOTAL ASSETS</b>	<b>5,881.8</b>	<b>3,713.2</b>	<b>4,603.9</b>
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>			
Share capital	2,049.4	1,299.9	1,701.0
Provisions	11.5	11.1	11.5
Interest-bearing liabilities	3,544.5	2,235.1	2,703.4
Derivatives	0.2	0.2	0.2
Accounts payable	27.6	29.5	45.9
Other liabilities	7.7	4.1	5.3
Accrued expenses and prepaid income	240.9	133.3	136.6
<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>	<b>5,881.8</b>	<b>3,713.2</b>	<b>4,603.9</b>

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

<b>Groups changes in shareholder's equity SEKm</b>	<b>Share capital</b>	<b>Restricted reserves</b>	<b>Non- restricted reserves</b>	<b>Shareholder's equity</b>
<b>Shareholder's equity 31.12.2003 according to previous principles</b>	<b>337.0</b>	<b>299.3</b>	<b>272.1</b>	<b>908.4</b>
New issue	169.6	355.5	–	525.1
Conversion of convertible debenture 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
<b>Shareholder's equity 31.12.2004 according to previous principles</b>	<b>528.9</b>	<b>681.7</b>	<b>420.5</b>	<b>1,631.1</b>
Adaptation to IFRS	-	-	69.8	69.8
<b>Shareholder's equity 31.12.2004 according to IFRS</b>	<b>528.9</b>	<b>681.7</b>	<b>490.3</b>	<b>1,700.9</b>
New issue	72.9	196.0	–	268.9
Allocation to restricted equity	–	0.1	-0.1	0.0
Dividend	–	–	-84.3	-84.3
Net profit for the year	–	–	163.9	163.9
<b>Shareholder's equity 31.06.2005 according to IFRS</b>	<b>601.8</b>	<b>877.8</b>	<b>569.8</b>	<b>2,049.4</b>

<b>Consolidated Statements of Cash Flow SEKm</b>	<b>2005 3 months Apr-Jun</b>	<b>2004 3 months Apr-Jun</b>	<b>2005 6 months Jan-Jun</b>	<b>2004 6 months Jan-Jun</b>	<b>2004 12 months Jan-Dec</b>	<b>Rolling 12 months Jul-Jun</b>
<b>Current operations</b>						
Profit after financial items	52.9	32.3	90.9	55.2	125.2	160.9
Realised change in value, properties	5.4	18.0	9.8	20.0	30.0	19.8
Adjustment for items not included in cash flow, etc.	1.4	2.5	1.2	2.8	0.5	-1.1
Paid income taxes	0.0	0.0	0.0	0.0	-2.9	-2.9
<b>Cash flow from current operations before change in working capital</b>	<b>59.7</b>	<b>52.8</b>	<b>101.9</b>	<b>78.0</b>	<b>152.8</b>	<b>176.7</b>
<b>Change in working capital</b>						
Change in operating receivables	33.9	-40.4	6.8	-68.6	-4.9	70.5
Change in operating liabilities	13.0	17.8	83.4	38.2	59.5	104.7
<b>Total change in working capital</b>	<b>46.9</b>	<b>-22.6</b>	<b>90.2</b>	<b>-30.4</b>	<b>54.6</b>	<b>175.2</b>
<b>Cash flow from current operations</b>	<b>106.6</b>	<b>30.2</b>	<b>192.1</b>	<b>47.6</b>	<b>207.4</b>	<b>351.9</b>
<b>Investment operations</b>						
Sale of properties	115.8	147.4	271.9	173.0	317.3	416.2
Acquisition of properties <sup>1)</sup>	-467.8	-159.3	-1,158.6	-327.4	-1,206.6	-2,037.8
Acquisition of tangible fixed assets	-0.3	-0.2	-2.3	-0.7	-1.1	-2.7
Change in amounts in escrow accounts	93.2	-30.0	-5.8	-19.0	75.0	88.2
<b>Cash flow from investment operations</b>	<b>-259.1</b>	<b>-42.1</b>	<b>-894.8</b>	<b>-174.1</b>	<b>-815.4</b>	<b>-1,536.1</b>
<b>Financing operations</b>						
Raised/repaid loans <sup>2)3)</sup>	191.8	24.6	840.9	158.4	627.5	1,310.0
Dividend	-84.3	-44.3	-84.3	-44.3	-44.3	-84.3
<b>Cash flow from financing operations</b>	<b>107.5</b>	<b>-19.7</b>	<b>756.6</b>	<b>114.1</b>	<b>583.2</b>	<b>1,225.7</b>
<b>Cash flow for the period</b>	<b>-45.0</b>	<b>-31.6</b>	<b>53.9</b>	<b>-12.4</b>	<b>-24.8</b>	<b>41.5</b>
Liquid funds at the beginning of the period	208.9	154.0	110.0	134.8	134.8	122.4
<b>Liquid funds at the end of the period</b>	<b>163.9</b>	<b>122.4</b>	<b>163.9</b>	<b>122.4</b>	<b>110.0</b>	<b>163.9</b>

1) The property acquisitions have been partly financed by issues in kind, totalling SEKm 269 during the first six months, 2005 and SEKm 334 for 2004.

2) New issue due to redemption of convertible loans to shares has been carried out at SEKm 49 during the first and the second quarter of 2004.

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

<b>Key financial indicators</b>	<b>2005 3 months Apr-Jun</b>	<b>2004 3 months Apr-Jun</b>	<b>2005 6 months Jan-Jun</b>	<b>2004 6 months Jan-Jun</b>	<b>2004 12 months Jan-Dec</b>	<b>Rolling 12 months Jul-Jun</b>
Return on equity before dilution, %	6.5	4.3	8.7	7.5	16.0	17.5
Return on equity after dilution, %	6.5	4.3	8.7	7.3	15.8	17.5
Equity ratio at the end of the period before dilution, %	34.8	35.0	34.8	35.0	36.9	34.8
Equity ratio at the end of the period after dilution, %	34.8	35.0	34.8	35.0	36.9	34.8
Equity per share at the end of the period before dilution, SEK	17.02	10.80	17.02	10.80	16.08	17.02
Equity per share at the end of the period after dilution, SEK	17.02	10.80	17.02	10.80	16.08	17.02
Interest coverage ratio, times	2.3	2.1	2.2	1.9	1.9	2.1

## 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.