

KLÖVERN

Year end report 2004

- **Rental revenues amounted to SEKm 485 (323)**
- **Net profit increased to SEKm 193 (87)**
- **Earnings per share amounted to SEK 2.08 (1.65)**
- **The Board of Directors proposes a dividend of SEK 0.75 per share (0.50)**

Profit

Net profit for the year amounted to SEKm 193 (87). The result includes gains from property sales of SEKm 40 (19) and recalculation of deferred tax claim of SEK 31 million (0). The operating surplus was SEKm 286 (189) and net financial items were SEKm -129 (-103).

Cash flow and financial position

The cash flow amounted to SEKm -100 (148). The equity ratio at the end of the year was 36.0 per cent, in comparison with 28.4 per cent in the beginning of the year. Shareholders' equity was SEKm 1,631 in comparison with SEKm 908 in the beginning of the year. Liquid funds were SEKm 111 (211) and interest-bearing liabilities were SEKm 2,703 (2,316).

Revenue and property costs

Rental revenues amounted to SEKm 485 (323) for the year, property costs amounted to SEKm 199 (133) and operating surplus to SEKm 286 (189).

Property sales

During the year 20 properties (15) were sold for a total of SEKm 347 (185) with a total gain of SEKm 40 (19). The properties sold, consisting of approximately 54,000 sq.m., are situated in Bollnäs, Borgholm, Borås, Enköping, Falun, Kalmar, Karlskrona, Linköping, Torsby, Uppsala, Västerås och Örebro.

Fourth quarter of 2004

Profit after financial items amounted to SEKm 39 (24). Gains on sales of properties account for SEKm 14 (3). The operating surplus was SEKm 73 (60) and net financial items were SEKm -35 (-32). The cash flow amounted to SEKm -168 (-19). The revenue for the quarter includes one-off payments from vacating tenants of around SEKm 9. Measures at vacant areas for future lettings have led to increased repair and maintenance costs of approximately SEKm 10.

Operations

Klövern is a real estate company focused on acquiring, developing and selling high-yielding properties in large and medium-sized towns outside major city regions. Klöver seeks to expand by acquiring properties with the intention of achieving sufficient size to lay the foundations for effective management and a leading position.

Market and property holdings

The weak positive trend noted in the rental market in the first part of 2004, slackened off slightly in the fourth quarter of the year. Klöverns sees a continued cautious market in 2005, in particular for offices and industry. Demand for smaller office premises is increasing, however. There is increased demand for new premises in some market segments; Borås, Linköping, Norrköping and Nyköping.

Property holdings as of December 31, 2004

Type of premises	Number of properties	Area, thous. sq.m.	Rental value, SEKm	Econ. occupancy ratio, %
Offices	60	289	257	84
Industry/warehouse	44	334	175	86
Retail	22	73	65	96
Education/health care/sports facilities	6	60	47	94
Restaurant/hotel	2	27	22	93
Residential	11	25	22	97
Other ¹⁾	3	-	8	85
Total	148	808	596	87

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

Contract structure as of December 31, 2004

Year of maturity ¹⁾	Number of contracts	Area thous. sq.m.	Contract value, SEKm	Proportion of contract value, %
Commercial premises				
2005	616	196	139	26
2006	300	128	102	20
2007	242	127	89	17
2008	73	112	82	16
>2009	84	89	82	16
Sum	1,315	652	494	95
Residential	332	24	21	4
Sum excl. garage/parking	1,647	676	515	99
Garage/parking spaces	550	-	6	1
Total	2,197	676	521	100

1) The average leaseperiod was 2.7 years as of December 31, 2004.

Financing

At the end of the year, interest-bearing liabilities was SEKm 2,703, in comparison with SEKm 2,316 at the beginning of the year. The average annual borrowing rate was 5.1 percent (5.6) and the average fixed-interest period 2.1 years (2.4). Loans maturing during 2005 had, at the end of 2004, an average fixed-interest period of 170 days (76). The average fixed-capital period was 4.0 years (4.5).

Loan structure as of December 31, 2004

Year of maturity	SEKm	Average interest rate, %	% of total
2005	1,011	4.4	38
2006	491	4.8	18
2007	490	5.9	18
2008	461	5.3	17
2011	250	6.5	9
Total	2,703	5.1	100

Valuation of property holdings

As at 31 December 2004, Klöverm has externally valued all 148 properties. The valuations are yield valuations made according to the cash flow model. The majority of the valuations have been made by DTZ Sweden.

Summary	
Valuation date	31 December 2004
Book value	SEKm 4,123
Yield value	SEKm 4,193
Calculation period	Mainly five years (in longer important leases, the calculation period has been adapted to the duration of the lease)
Direct yield	Between 5.0 and 14.0 per cent
Cost of capital	Between 6.5 and 15.0 per cent
Long-term vacancy	Normally between 5 and 10 per cent
Operation and maintenance costs	Outcome for respective property and experience of comparable properties
Inflation	Two per cent

Valuation model

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. Major maintenance and tenant adaptations have been reported separately as periodic maintenance or investments.

Market assessment

The yield, cost of capital and the long-term vacancy have been set individually for each property on the basis of an assessment of the local market and the location of the property. The yield has been calculated on the property's earning capacity and development of value at the end of the calculation period. The residual values have been calculated according to the required direct yield of between 5.0 and 14.0 per cent. The cost of capital is the required return on the total equity and set at between 6.5 and 15.0 per cent. The long-term vacancies have been assessed on the basis of the property's location, purpose and the local market. The long-term vacancies normally total between 5 och 10 per cent.

Capital expenditures

During the year 64 properties (38) with a total area of approximately 276,000 sq.m. have been acquired for SEKm 1,476 (1,107). The properties are located in Borås, Kalmar, Norrköping, Västerås, Örebro and Örnsköldsvik. A total of SEKm 69 was invested during the year in renovations of properties, primarily in Karlstad, Luleå, Uppsala, Västerås and Örebro. The amounts have been capitalized in their entirety.

Proposed dividend

The Board of Directors proposes a dividend for the 2004 financial year of SEK 0.75 per share (0.50), equivalent to SEKm 84. The proposal means that slightly more than 50 per cent of profit after financial items will be distributed to the shareholders. The proposed dividend is based on the number of shares outstanding, 112.4 million, following a resolution at an extra general meeting of shareholders held January 20, 2005.

Organization and personnel

During 2004, the organization has grown apace with the expansion of the Group. At the beginning of the year, Klöverm had 37 employees, which increased to 51 persons by the end of the year. Klöverm is organized in ten local units based on the geographical location of the properties and customers, with a head office with group functions in Nyköping.

Central administration

Costs for central administration totalled SEKm 30 (17) during the year. SEKm 2 (0) of this amount was allocated to a profit share trust for Klöverm's employees.

Parent company

The role of the Parent Company is to handle overall Group functions and to act as owner of the Group's subsidiaries. The profit after tax for 2004 amounted to SEKm 10 (-12). Additionally, the parent company has received SEKm 181 (97) in group contributions from subsidiaries. As of 31 December, parent company liquid assets were SEKm 13 (6). Net investments in shares, certificates and equipment amounted to SEKm 1 (3).

Tax situation

For the tax year 2003, Klöverm had a deficit for tax purposes of SEKm 992. In connection with the 2004 tax assessment, the Tax Agency has decided to tax Klöverm in accordance with its submitted tax return. The deficit is mainly attributable to sales of Swedish and foreign subsidiaries in the former IT consultancy operation. After the end of the 2003 tax assessment period, Klöverm filed a claim for a capital loss on the sale of a subsidiary for an additional amount of approximately SEKm 5,000. The claim is therefore formally treated as a request for reconsideration of the tax assessment for 2003. In response to an enquiry from Klöverm, the Tax Agency has indicated that it will complete the investigation into the right of deduction during 2005 and then state the Tax Agency's view on the claim for a deduction.

In the financial statements for 2004, the Company reports a deferred tax claim of SEKm 231, which is based on Klöverm's assessment of the Company's current earning capacity. The deferred tax claim has thereby increased by SEKm 31 as at 31 December 2004. The deferred tax claim is attributable to the tax deficit declared by the Company and which the Tax Agency taxed the Company in accordance with in the tax assessment for 2004. Except from this there are additional deductions of approximately SEKm 1,300 which Klöverm considers it will be able to use in future tax assessments. The deferred tax claim is subject to re-examination at each accounting year-end.

In December 2004, the Tax Agency in Stockholm made reconsideration decisions for the income tax assessments for 1999 and 2000. These decisions entail that the Tax Agency is increasing the tax assessment of the Company by SEKm 41 for the 1999 tax assessment, which means a lower established deficit. A lower deficit in the 1999 tax assessment has in turn led to a surplus in the tax assessment for 2000 of SEKm 10, which for the 2004 financial year entails a current tax expense of SEKm 3 and interest expense of SEKm 1. A tax surcharge of SEKm 4 is to be added to this amount. Klöver does not intend to object to the matter on its merits, but has appealed against the Tax Agency's right to assess the Company for arrears and the Tax Agency's decision to impose a tax surcharge. The tax surcharge is regarded for the time being only as a contingent liability.

Klövern's shareholders

As of December 31 2004, the number of shares outstanding in Klöver is 105,785,881 divided among approximately 31,300 owners.

Shareholder	No. of shares, Mln	Holding, %
Arvid Svensson Invest	17.0	16.1
Lantbrukarnas Riksförbund	13.2	12.5
Investment AB Öresund	7.4	7.0
SEB Fonder	7.1	6.7
Länsförsäkringar Södermanland	3.7	3.4
HQ Fonder	3.5	3.3
Banque Generale de Luxembourg	2.8	2.7
Gustaf Hermelin incl. family and co	2.5	2.4
LF Fastighetsfonden	2.5	2.4
Erik Paulsson incl. family and co	2.0	1.9
Total largest shareholders	61.7	58.4
Other shareholders	44.1	41.6
Total all shareholders	105.8	100.0

Acquisition of properties in Linköping

In December 2004, it was announced that Klöver was acquiring 16 properties at a value of SEKm 750 from ByggVesta in Linköping. The properties are being acquired in companies and handover of possession will take place on 1 March 2005. The properties consist of a total of approximately 68,000 sq.m. of commercial space and approximately 10,000 sq.m. of residential. Thirteen of the properties are situated in Linköping and the other three in Motala, Tranås and Vadstena. The rental value is SEKm 86, the occupancy ratio approximately 89 per cent and the yield around 7.3 per cent. After the acquisition, Klöver's lettable area in Linköping totals approximately 120,000 sq.m. The acquisition is being financed by a directed share issue equivalent to SEKm 120, loan financing of SEKm 540 and internal funds. The issue consists of 6.6 million new shares at a price of SEK 18.40.

Reporting and accounting principles

Klövern's accounting principles are unchanged compared to the preceding year. As from January 2004, RR29, Employee Benefits, has come into effect. Since the Group's pension commitments are based on a defined contribution scheme, application of this recommendation has not had any effects on the consolidated accounts. The Company follows the recommendations of the Swedish Financial Accounting Standards Board (SFASB) and the

statements of the Emerging Issues Task Force of the SFASB. This interim report has been compiled in accordance with the recommendation of the SFASB RR20 Interim reporting. Effects in connection with the transition to IFRS are described on page 11 in the year end report.

Events after the end of the reporting period

Klövern's extraordinary shareholders' meeting, 20 January 2005

At an extraordinary shareholders' meeting on 20 January 2005, the board was authorised, until the next annual general meeting of shareholders, on one or more occasions, with or without setting aside shareholders' preferential rights, to decide on a new issue of at most 10,000,000 shares, each share of a nominal SEK 5, for acquisition of companies or properties. Payment for the new shares may be made by payment in kind, set-off or cash.

Property sale

Klövern has sold three properties situated in Halmstad, Västerås and Örnsköldsvik for a total of SEKm 68. These sales have been made at present valuations and do not therefore give rise to realised changes in value.

Annual Report and Annual General Meeting

The Annual Report for 2004 will be available at the Company's head office in Nyköping and at Klövern's website, www.klovern.se, from mid-March. The Annual General Meeting of Klövern AB will be held at 4:00 p.m., Wednesday, April 13, 2005 at Restaurangskolan, Gästabudsvägen 4, Nyköpings Strand in Nyköping.

Calendar 2005

Annual Report 2004	March
Annual General Meeting	Wednesday April 13
Interim Report January – March 2005	Tuesday May 3
Interim Report January – June 2005	Wednesday August 17
Interim Report January – September 2005	Wednesday November 2

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

Nyköping, February 9, 2005
Klövern AB (publ)

Board of directors

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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 December 31, 2004 the book value of the properties amounts to appr. 4.1 billion Swedish kronor and rental revenue on an annual basis is about SEKm 520. The Klövern share is listed at Stockholmsbörsen's O-list.

Consolidated Statements of Income SEKm	2004	2003	2004	2003
	3 months Oct.-Dec.	3 months Oct.-Dec.	12 months Jan.-Dec.	12 months Jan.-Dec.
Net revenues	145.4	109.1	484.6	322.5
Property costs	-72.8	-49.2	-199.0	-133.2
Operating surplus	72.6	59.9	285.6	189.3
Result from property sales	13.5	2.6	39.7	19.2
Depreciation of equipment	-0.5	-0.3	-1.6	-1.4
Central administration	-11.4	-6.2	-29.7	-16.9
Operating result	74.2	56.0	294.0	190.2
Financial incomes	0.4	2.4	3.0	3.8
Financial costs	-35.3	-34.6	-132.2	-107.2
Profit after financial items	39.3	23.8	164.8	86.8
Current taxes ^{1,2)}	-2.8	-0.2	-2.8	-0.2
Deferred taxes ²⁾	31.0	0.0	31.0	0.0
Net profit for the period	67.5	23.6	193.0	86.6
Earnings per share before dilution, SEK	0.64	0.36	2.10	1.73
Earnings per share after dilution, SEK	0.64	0.35	2.08	1.65
Number of shares outstanding at the end of the period before dilution, million	105.8	67.4	105.8	67.4
Number of shares outstanding at the end of the period after dilution, million	105.8	71.9	105.8	71.9
Average number of shares outstanding before dilution, million	105.8	66.2	91.7	50.0
Average number of shares outstanding after dilution, million	105.8	70.6	92.9	54.5

1) In connection with acquisitions of shares in subsidiaries during 2003 current tax of SEKm 0.2 has affected the profit.

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

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

Consolidated Balance Sheets		
SEKm	31.12.2004	31.12.2003
Fixed assets		
Deferred tax claim	231.0	200.0
Equipment	5.7	6.2
Total fixed assets	236.7	206.2
Current assets		
Properties	4,123.1	2,889.6
Short-term receivables	63.1	58.3
Liquid funds ¹⁾	111.0	210.8
Total current assets	4,297.2	3,158.7
TOTAL ASSETS	4,533.9	3,364.9
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital and restricted reserves	1,210.7	636.3
Non-restricted reserves	420.5	272.1
Total shareholders' equity	1,631.2	908.4
Provisions	11.5	12.2
Subordinated convertible debenture loan	0.0	49.0
Interest-bearing liabilities	2,703.4	2,266.8
Accrued expenses and prepaid income	136.5	91.7
Accounts payable	45.9	35.1
Other liabilities	5.4	1.7
Total liabilities	2,902.7	2,456.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,533.9	3,364.9

1) This includes SEKm 1 (76) in funds earmarked for repayment of loans.

Changes in shareholders' equity	December 31, 2004				Dec. 31, 2003 Shareholders' equity
	Share capital	Restricted reserves	Non-restricted reserves	Shareholders' equity	
Opening balance January 1	337.0	299.3	272.1	908.4	522.2
New issue	191.7	382.4	0.0	574.1	299.8
Other. Net	0.0	0.3	-44.6	-44.3	-0.2
Net profit for the period	0.0	0.0	193.0	193.0	86.6
Closing balance	528.7	682.0	420.5	1,631.2	908.4

Consolidated Statements of Cash Flow SEKm	2004	2003	2004	2003
	3 months Oct.-Dec.	3 months Oct.-Dec.	12 months Jan.-Dec.	12 months Jan.-Dec.
Current operations				
Profit after financial items	39.3	23.6	164.8	86.6
Adjustment for items not included in cash flow, etc.	3.0	-1.6	5.4	-5.1
Paid income taxes	-2.8	-0.2	-2.8	-0.2
Cash flow from current operations before change in working capital	39.5	21.8	167.4	81.3
Change in working capital				
Change in operating receivables	-24.5	1.3	-4.9	30.9
Change in operating liabilities	-22.4	-0.7	59.5	-27.1
Total change in working capital	-46.9	0.6	54.6	3.8
Cash flow from current operations	-7.4	22.4	222.0	85.1
Investment operations				
Sale of properties	140.5	42.9	307.6	185.1
Acquisition of properties ¹⁾	-170.1	-207.2	-1,211.5	-899.9
Acquisition of tangible fixed assets	-0.4	-0.4	-1.1	-2.2
Cash flow from investment operations	-30.0	-164.7	-905.0	-717.0
Financing operations				
Change in interest-bearing liabilities ²⁾³⁾	-130.5	123.7	627.4	779.9
Dividend	0.0	0.0	-44.3	0.0
Cash flow from financing operations	-130.5	123.7	583.1	779.9
Cash flow for the period	-167.9	-18.6	-99.9	148.0
Liquid funds at the beginning of the period	278.9	229.5	210.9	62.9
Liquid funds at the end of the period	111.0	210.9	111.0	210.9

1) The property acquisitions have been partly financed by issues in kind, totalling SEKm 334 of year 2004 and SEKm 299 for the year 2003.

2) New issue due to redemption of convertible loans to shares has been carried out at SEKm 49 from January to September 2004 and SEKm 1 in the full year 2003.

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

Key financial indicators	2004	2003	2004	2003
	3 months Oct.-Dec.	3 months Oct.-Dec.	12 months Jan.-Dec.	12 months Jan.-Dec.
Return on equity before dilution, %	4.2	2.8	15.2	12.1
Return on equity after dilution, %	4.2	2.7	15.2	11.7
Equity ratio at the end of the period before dilution, %	36.0	27.0	36.0	27.0
Equity ratio at the end of the period after dilution, %	36.0	28.4	36.0	28.4
Visible equity per share at the end of the period before dilution, SEK	15.42	13.48	15.42	13.48
Visible equity per share at the end of the period after dilution, SEK	15.42	13.32	15.42	13.32
Interest coverage ratio, times	2.1	1.7	2.2	1.8

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 given to the effect of issued warrants and effect of issued subordinated convertible debenture loan with an amount of SEKm 50.

Return on equity

Profit after taxes in relation to average shareholders' equity.

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.

Visible equity per share

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

Interest coverage ratio

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

Visible equity per share

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

Transition to IFRS

As from 2005, all listed companies within the EU are to draw up consolidated accounts in accordance with the International Financial Reporting Standards (IFRS), which also include the current International Accounting Standards (IAS). The recommendations of the Swedish Financial Accounting Standards Council substantially comply with existing IAS/IFRS, which means that large parts of Klöver's consolidated accounts are already adapted to the new regulatory framework. The Klöver Group's financial reporting for 2005 will be made in accordance with IFRS and the comparison figures for 2004 will be recalculated. The most important effects of the transition to IFRS for Klöver relate to the reporting of properties and to a limited extent financial instruments as well. The most important changes of the accounting principles for the Klöver Group are described and commented upon below. The effects of the transition to IFRS which are reported are preliminary and based on currently applicable standards which may be changed up to 31 December 2005.

Effect on result for the year

SEKm

<u>Result for 2004 acc. to present accounting principles</u>	193
Reported result for the year from sale of properties	-40
Changes in value of properties during the year, realise	30
<u>Changes in value of properties during the year, unrealised</u>	36
Result for 2004 according to IFRS (prel.)	219

Effect on equity

SEKm

<u>Equity 31 December 2003 acc. to present principles</u>	908
<u>Unrealised change in value of properties at 31 December 2003</u>	50
Equity as at 1 January 2004 according to IFRS (prel.)	958
<u>Equity 31 December 2004 acc. to present principles</u>	1,631
Adjustment of opening balance 1 January 2004, see above	50
Adjusted for reported result property sales	-40
Adjusted for year's change in value of properties, realised	30
<u>Adjusted for year's change in value of properties, unrealised</u>	36
Equity 31 December 2004 according to IFRS (prel.)	1,707

Management properties (IAS 40)

The properties will be valued at their actual value in the balance sheet with unrealised changes in value in the statement of income. Previously, Klöver's properties have been reported as properties held for resale (inventories) at the lowest of acquisition and actual value. Result from property sales will be changed to realised changes in value, which are calculated as the difference between the sale price and the most recent valuation. Previously, the result of property sales has consisted of the difference between the sales price and the reported value of the properties.

Financial instruments (IAS 39)

In 2004, Klöver has only had marginal use of interest derivatives for management of the debt portfolio. Interest derivatives are to be valued at actual value in the balance sheet, which differs from the present situation where the value is stated in the notes to the statement of income and balance sheet. As at 31 December 2004, the market value of Klöver's financial instruments is SEKm -0.2.