

Annual Report 2002



AKADEMISKA HUS

Contents



Operations

- 1 The year in brief**
- 2 Akademiska Hus, summary**
- 3 Vision, business concept, success factors and objectives**
- 4 Statement by the President**
- 7 THE MARKET**
 - 8 Market shares
 - 10 Higher education and research
- 12 PROPERTY OPERATIONS**
 - 12 Akademiska Hus property operations
 - 16 Akademiska Hus i Lund AB
 - 18 Akademiska Hus i Göteborg AB
 - 22 Akademiska Hus i Linköping AB
 - 24 Akademiska Hus i Stockholm AB
 - 28 Akademiska Hus i Uppsala AB
 - 30 Akademiska Hus i Norr AB
- 32 CONSTRUCTION PROJECTS**
 - 32 Projects
 - 34 Awards for completed projects
 - 34 Design Centre, Lund
 - 36 Department of Nursing and the Neurotec Department, Huddinge
 - 36 The Konradsberg Campus
- 38 The future**
- 41 Sensitivity and risk analysis**
- 42 Five-year summary**
- 44 Financing**
- 48 Environmental Report**
- 52 Organisation and employees**
- 53 The board's mission**
- 54 Board**
- 55 Executive management**

Financial report

- 57 Definitions**
- 58 Summary of results**
- 59 Income statements**
- 60 Balance sheets**
- 62 Cash flow statements**
- 63 Notes with accounting and evaluation principles**
- 72 Audit report**
- 73 Addresses**

The Administration Report comprises pages 2–3, 7, 12–15, 32–33 and 38–46.

The year in brief

Akademiska Hus is a leader in the development of higher education environments and offers universities and colleges attractive study and research environments. The company has approximately 80 per cent of the education and research premises market at university locations and approximately 40 per cent at other higher education locations.

Income and financial results

Rental income for 2002 was SEK 4,199 million, an increase of SEK 259 million compared with the preceding year. The increase can be attributed mainly to the opening of new buildings and reconstructed buildings but also to index adjustments in existing agreements. Of the major new facilities to be opened during the year, particular mention can be made of the College of Nursing and Neurotec in Huddinge, built at a cost of SEK 288 million, and the Ingvar Kamprad Design Centre in Lund, built at a cost of SEK 225 million.

Net operating profit was SEK 2,539 million (2,462). Net interest income and expense was SEK -917 million (-864).

During the year, the Group conducted an internal examination of the book values of the properties. This resulted in write-downs totalling SEK 326 million, of which SEK 288 million were in Kista. The effect on the profit of reversals of write-downs made previously was SEK 160 million for the period.

The profit after financial items for the year was SEK 687 million (787).

Property holdings

The book value of the property holdings, excluding new construction in progress, totalled SEK 23,778 million at the year-end. New construction in progress totalled SEK 1,251 million. In conjunction with the year-end accounts, a valuation was made of the Group's properties. The valuation was made according to an internal model and revealed a total market value for the Akademiska Hus properties of SEK 36,475 million.

Rentable space totalled 3,244,314 square metres, compared with 3,202,460 square metres at the previous year-end. The rental value (base rent) was SEK 3,825 million at the end of the reporting period, an increase of SEK 55 million since the previous year-end. The level of vacant space was 1.8 per cent, an increase of 0.2 percentage units during the year.

Investments

Net investments for the year totalled SEK 1,743 million. The investments comprised mainly new construction and re-development.

At the year-end a number of construction projects were in progress, the largest of which were the Institute of Education in Stockholm, the refurbishment of the Biomedical Centre in Uppsala and redevelopment and new construction at the Karolinska Institute in Huddinge.

Profit and Key Figures	2002	2001
Management income, SEK m	4,240	3,976
Net operating profit, SEK m	2,539	2,462
Profit before taxes, SEK m	687	787
Managed properties, SEK m	23,778	22,625
Direct yield, %	10.9	11.4
Yield on equity after standard tax, %	6.9	8.4
Yield on total capital, %	6.0	6.7
Equity ratio, %	26.1	25.9
Internal financing level	85	53
Interest coverage level	171	185



THE COLLEGE OF NURSING, HUDDINGE

Akademiska Hus – summary

Assignment and owner

The primary task of Akademiska Hus is to offer universities and colleges suitable buildings for education and research. In its management capacity, the company is also responsible as the manager for safeguarding the significant economic and cultural values that exist in the properties.

Akademiska Hus should offer premises in competition with other property owners. The yield requirements and rents should as far as possible be in line with the market. It is not part of Akademiska Hus's assignment to build and manage residential premises for students.

Akademiska Hus is a property group. The shares in the parent company, Akademiska Hus AB, are wholly owned by the Swedish state. At the end of 2002 state ownership in Akademiska Hus AB was administered by the Ministry of Finance. With effect from 2003 administration will be transferred to the Ministry of Industry, Employment and Communications.

The state has declared that its ownership of Akademiska Hus should be long term.

Akademiska Hus AB has seven wholly-owned subsidiaries – six property management companies, regional companies, and a company for group development and support operations.

Background

Akademiska Hus was founded following a parliamentary decision in 1992. The background was the control of objectives and results introduced into state administration, which meant that the monopoly of the National Board of Public Buildings in providing state authorities with premises was replaced by the authorities being granted responsibility for securing their own premises. The decision meant that the administration by the National Board of Public Buildings of state properties ceased and was replaced by a new authority – The National Property Board, charged with the task of administering, among other things, the state cultural buildings – and two state property companies – Akademiska Hus and Vasakronan. The state's holdings of university and college properties were sold, with a few exceptions, to Akademiska Hus in 1993 and 1996.

Properties

An extremely large proportion of our buildings are on university and college campus areas, from Lund in the south to Kiruna in the north. The acquisitions from the state in 1993 and 1996 totalled SEK 14.4 billion. Since then Akademiska Hus has acquired properties on the market for

approximately SEK 2 billion. Investments in new construction and redevelopment have been very extensive due to the major focus on higher education and research during the 1990s. From 1997, construction investments totalled approximately SEK 2 billion per year. The properties' book value (excluding construction in progress) totalled SEK 23.8 million in December 2002 and the rentable space was 3.2 million square metres.

Tenants

Almost 90 per cent of Akademiska Hus's tenants are universities and colleges. At the university locations Akademiska Hus has a market share of approximately 80 per cent of the education and research premises. At higher education centres other than university towns and cities the proportion is different. On average, Akademiska Hus only has around 40 per cent of the college premises at these locations. The variation in the market share at these locations is, however, quite considerable.

Other major tenants are industrial research institutes and state authorities that have been relocated from Stockholm to the university areas in Linköping, Uppsala and Umeå.



KONRADSBERG CAMPUS

Vision, business concept, success factors and objectives

Vision

Akademiska Hus will be the universities' and colleges' best business partner. We should together attract international attention for our study and research environments.

Business concept

Akademiska Hus will lead the way in the development of higher education environments in Sweden and offer universities and colleges attractive study and research environments.

Success factors

Preserve and develop customer relations

Akademiska Hus will demonstrate its particular capacity to understand and satisfy the need for premises and service within higher education and research. Through proximity and visibility it should be easier for the tenants to contact our employees.

Preserve and develop employee expertise

This means that Akademiska Hus will train its employees to satisfy both the needs of the company for expertise in its opera-

tions as well as each individual employee's need to develop. We will recruit new employees, who will bring in new expertise and contribute to the company's overall development of skills.

Preserve and develop the property holdings

It is important to safeguard the aesthetic and cultural values in our property holdings. Through maintenance and gradual adaptation of the buildings we will ensure that the buildings retain their value and that the premises function well for the type of operations carried on by the tenants. We will use the properties' strategic locations for the long-term build-up of property values and the expansion of premises for training and research. Through active management we will satisfy the owners' profitability requirements.

Objectives

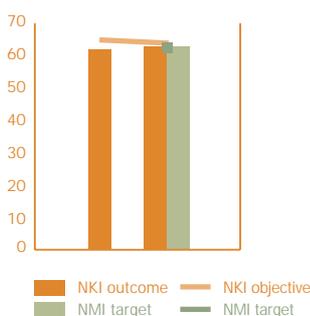
Operations at Akademiska Hus are directed at four general target areas.

Customer benefit

Each year measurements are made of customer benefit (NKI) via a questionnaire sent out to approximately 1,000 tenants and each year objectives are set on different levels within the Group. See Graph 1.

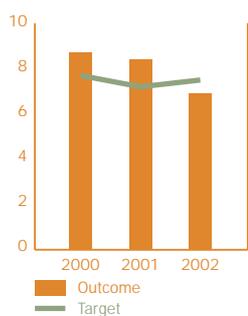
GRAPH 1

NKI/NMI for the Group



GRAPH 2

Return on equity after standard tax, %



Profitability

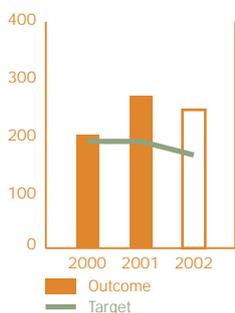
The owner has established three profitability targets:

- Return (profit after standard tax) on average equity should be equivalent to the five-year government bond interest rate plus 2.5 percentage units, viewed over an economic cycle.
- The Group's dividend target should be 50 per cent of the profit for the year after tax.
- The Group's equity ratio should be 25 per cent.

See Graphs 2, 3, 4.

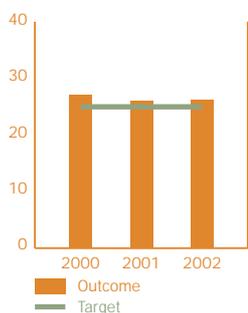
GRAPH 3

Group dividend target, SEK m



GRAPH 4

Group equity ratio, %



Satisfied employees

All employees are offered the opportunity to answer the employee questionnaire each year. This measurement (NMI) is analysed on different levels, from the group level down to individual units at the companies.

Reduced environmental load

Through a reduction in the use of energy in the properties Akademiska Hus is contributing to reducing the overall load on the environment. See environmental section, page 48.

Statement by the President



During 2002, Akademiska Hus developed a number of campus areas. Major projects, both redevelopment and new production, have been implemented on the campuses in Lund and Örebro as well as Huddinge and Konradsberg in Stockholm.

2002

Akademiska Hus has attractive properties and stable, long-term collaboration with its tenants. This is reflected in the fact that the level of vacant space, despite a weakening property market, is very low – less than two per cent – and the fact that work has continued, together with our tenants, to develop the campus areas. A large proportion of the investments are redevelopment projects to refurbish and adapt older premises. New production is often aimed at replacing premises outside the campus areas which the universities and colleges wish to vacate. On some campus areas concentration and new construction have led to premises being released for new tenants. One example is the Royal Institute of Technology campus at Valhallavägen in

Stockholm. During the year we have reached an agreement, and commenced gradual reconstruction and expansion, to receive the University College of Opera, the Swedish National Defence College and the Swedish Institute of International Affairs as new tenants in the area. On the university campus in Linköping a number of the premises released after being vacated by state authorities have been redeveloped and leased to companies working in areas closely related to the university. The increase in vacant premises at many locations is leading to an increase in the competition for tenants and this has naturally also had an impact on Akademiska Hus. We must now work even harder on customer care programmes, profiling and the development of properties for current tenants and new tenants.

Important events during the year in the development of our campus areas include:

- The completion of the construction of the Ingvar Kamprad Design Centre. At the same time we have reached an agreement with Lund University regarding extensive refurbishment of the Centre for Chemistry and Chemical Engineering located nearby.
- The start of construction of premises for advanced music education at Örebro University and an agreement with the municipal authority on a major land acquisition to secure long-term expansion reserves.
- The inauguration of the Konradsberg Campus for the Stockholm Institute of Education in conjunction with the completion of premises for the library etc.
- Completion of a major new construction for the College of Nursing in Huddinge. Together with current major redevelopment and extension of the Institute of Odontology this marks the end of a major investment to make the southern Karolinska Institute campus in Flemingsberg into a very attractive study and research environment.

In autumn 2002 there was a marked rise in the number of applicants for undergraduate courses. The number of new applicants increased by four per cent compared with autumn 2001. There was also a ten per cent increase in applicants who had studied at college previously. It is in the nursing sciences field in particular that the number of applicants has increased. The number of applicants for course programmes specialising in engineering and science, however, continues to fall.

Particularly noticeable is the decrease in interest in IT-related programmes. One effect of this is that the expansion of the IT University in Kista has been discontinued for the time being. This, coupled with a considerable deterioration in the rental market for non-residential premises in Kista, has also led to a poorer rental flow for Akademiska

Hus properties in Kista. In the annual accounts for 2002 therefore, write-downs of SEK 288 million have been made for the properties in Kista, which means an adaptation of the assets to prevailing market values. These write-downs are equivalent to around 20 per cent of the previous book values of the Kista properties. At the same time, positive non-recurring effects of SEK 234 million have been reported in the form of a reversal of previous write-downs of other properties and capital gains on property sales.

Profit for the year before tax was SEK 687 million (787). The profit has benefited from lower heating costs during the winter of 2002. Non-recurring items have had a net effect on profit of SEK -91 million. Direct yield was 10.9 per cent and return on equity was 6.9 per cent. The rentable space has now increased to 3.2 million square metres and the book value of the property assets, including new construction in progress, was SEK 25.0 billion. The market value of the properties was SEK 36.5 billion. Investments in reconstruction and new construction during the year totalled SEK 1.7 billion. Akademiska Hus has retained its good rating as a borrower (AA/A1+).

The years to come

Development during the next few years will be stable as a result of known rental flows and financial costs, which initially are relatively safe due to the fact that the average fixed interest period for the loans is 3.4 years. According to a forecast for 2003 and 2004, however, the profit before tax will fall to approximately SEK 578 million and approximately SEK 663 million respectively as a result of increased maintenance costs and a temporary loss of rental income as a result of major reconstruction projects and a considerable increase in energy costs. The profit on property operations will increase significantly once construction volumes have normalised, which it is estimated will take place in approximately two years.

The Group's investment plan is still very extensive, although it reveals for the first time a slight reduction in volume. This is a natural result of the fact that the expansion to satisfy the major investment in higher education and research during the 1990s has been largely completed. For 2003 and 2004, however, it is estimated that building investments will be on approximately the same level as the preceding year as a result of major redevelopment and an increasing volume of investments for new tenants. There is considerable uncertainty, however, regarding investment due to increasing concern among our tenants about future research funding and great uncertainty regarding the development of a number of larger properties. The latter applies

Energy savings are without doubt the most important environmental objective for Akademiska Hus and can at the same time contribute to reducing cost increases for both the company and the tenants.



in the first instance to the Ultuna area in Uppsala, which is facing concentration and restructuring as soon as the new organisation and savings at the University of Agricultural Sciences have been decided.

It is important that project-heavy property operations do not lose focus on the day-to-day management work and the ongoing contact with our tenants. The Satisfied Customer Index evaluation during the past two years means that during 2003 we will be investing a great deal in reinforcing customer care. The work on energy savings, which Akademiska Hus commenced systematically over two years ago, has been successful. The energy-saving targets that have been established were achieved both in 2001 and 2002. For the forthcoming period we have set a target of a two per cent annual saving over three years. Energy savings are without doubt the most important environmental objective for Akademiska Hus and can at the same time contribute to reducing cost increases for both the company and the tenants. This new objective will require very active co-operation with our tenants and considerable commitment on the part of our administrative personnel and specialists.

I pointed out initially a number of examples where developments have meant that universities and colleges have vacated certain premises on our campus areas and that these are now being adapted to new tenants. A further example is the University College of Arts, Crafts and Design in Stockholm, which will move from its property at Gärdet at the end of next year. This, and the capital losses in Kista, will undoubtedly be brought to the fore in the enquiry which the government has now set up to propose how a so-called purpose-built property should be defined and what principles for setting rent should be applied. We look forward with great anticipation to the work of the enquiry team during 2003.

Göteborg, February 2003

Christina Rogestam



Market

Akademiska Hus is the largest owner and manager of premises for universities and colleges in Sweden. The differences between locations, however, can vary considerably. At all university locations, with the exception of Växjö, Akademiska Hus has a market share of 72–91 per cent of the premises rented by universities and colleges. For the provincial university colleges the proportion of premises owned by Akademiska Hus varies significantly. In Kristianstad, Borås, Skövde, Gävle, Härnösand and Sundsvall Akademiska Hus is the dominant or sole landlord for the colleges.

In Malmö and Kalmar, Akademiska Hus owns a small number of the premises rented by the colleges. At other centres of higher education Akademiska Hus has no properties. Other property owners that rent premises to universities and colleges are the municipal authorities and municipal companies, AP-fastigheter, Skanska, Aberdeen Property Investors, Nordisk Renting, Vasallen, the National Property Board and others. Locally, a number of these players have relatively extensive holdings of college premises.

The competitive situation is becoming increasingly noticeable as universities and colleges are being contacted to a greater extent by our competitors and offered solutions for their property requirements. During 2002, for example, the College of Arts, Crafts and Design decided to vacate its premises at Valhallavägen in Stockholm and instead rent from another property company, which could satisfy the College's need for approximately 20,000 square metres of floor space.

Since the original acquisitions from the state in 1993 and 1996 the property holdings within Akademiska Hus have in many respects changed:

- Increased concentration on campus areas. At many university locations the Group has made complementary property acquisitions to expand the campus areas. At the same time there has been extensive new construction of premises to keep pace with the investment in higher education and research.
- Increased diversification on campus areas, where some of the premises released have been redeveloped and rented out to companies whose operations are closely linked to the university. Examples include Linköping and the Royal Institute of Technology area in Stockholm.
- The build-up of larger holdings at specific locations and the winding-down of smaller holdings. The aim of working with local representation as far as possible at the locations at which Akademiska Hus has properties has resulted in a major increase in the holdings in Borås, Skövde, Gävle, Härnösand and Sundsvall, and the phasing out of smaller holdings in Växjö and Östersund.
- The establishment and build-up of a large property holding in Norrköping following a decision by Linköping University to expand the Norrköping section significantly.
- New buildings for nursing science colleges. As a result of the endeavour to increase collaboration between the nursing science colleges and other higher education programmes and the nationalisation of nursing science colleges, Akademiska Hus has erected several new buildings for nursing science colleges on their campus areas.
- The acquisition of IBM Forum and Electrum in Kista, which took place in 1999 and 2001 to facilitate the expansion of the so-called IT University in Kista for the Royal Institute of Technology and Stockholm University. However, the demand for places has fallen as a result of the downturn throughout the whole of the IT industry and the management of the Royal Institute of Technology has announced that expansion in Kista has, for the time being at least, been discontinued.

Akademiska Hus is fulfilling its aim of investing exclusively for its own management and with 100 per cent ownership of the properties. The target group comprises universities and colleges and local tenants with a strong, long-term need to maintain a presence on campus areas, in the first instance relocated authorities and certain research institutes. The Group's investment capacity will be reserved initially to satisfy the needs of present tenants and the continued focus on complementary purchases to build up sustainable, long-term management units at those locations where Akademiska Hus is already established.

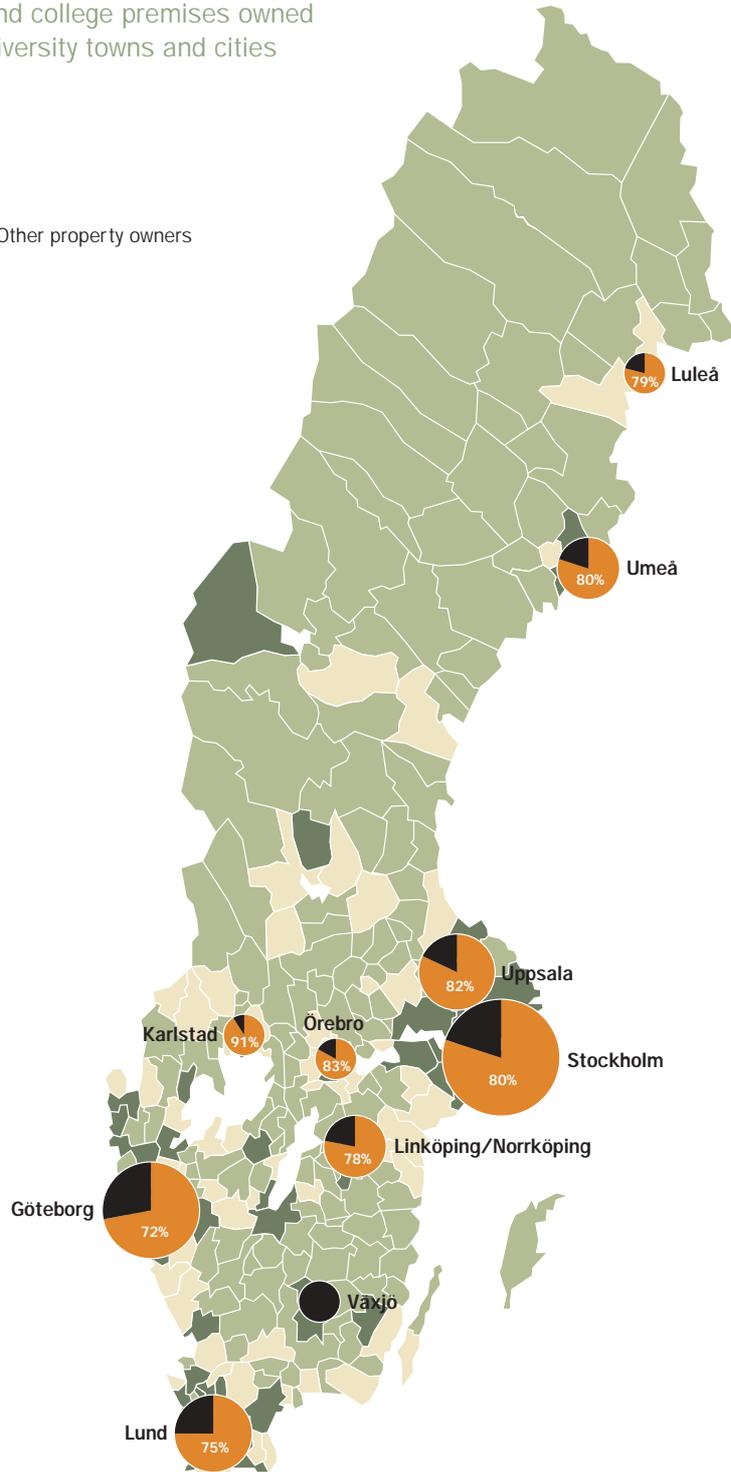
Market shares

Proportion of university and college premises owned by Akademiska Hus in university towns and cities

● Akademiska Hus
 ● Other property owners

Population change 2002

■ >0,5%
■ ≤0,5%
■ Negative

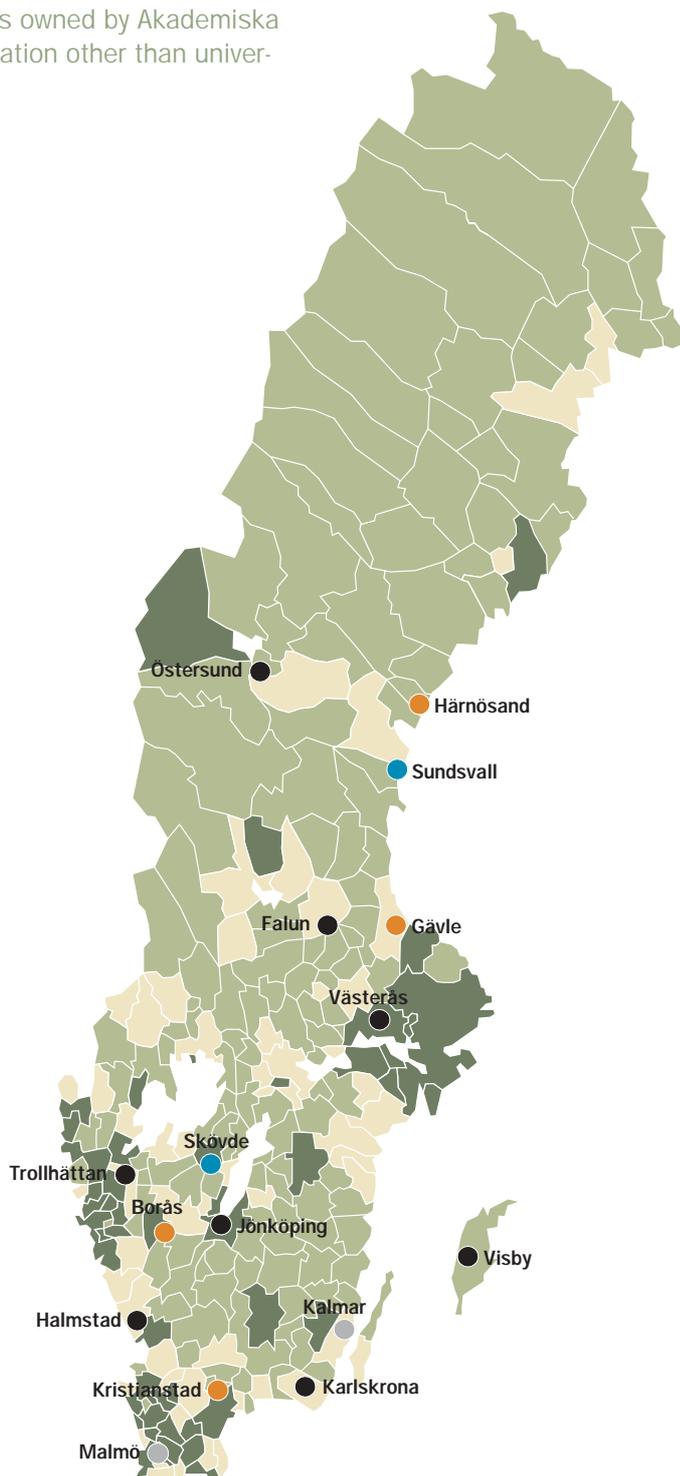


Proportion of college premises owned by Akademiska Hus at centres of higher education other than university towns and cities

- 75-100%
- 50-74%
- <50%
- None

Population change 2002

- >0,5%
- ≤0,5%
- Negative



Higher education and research

New university students

The number of new university students (students who have not previously pursued higher education) increased by 2.9 per cent between the 1999/00 and 2000/01 academic years. Following a fall for a number of years in the middle of the 1990s, the number has increased in recent years even if the rate of increase has been slightly lower than at the beginning of the 1990s. The number of new higher education students during the 2000/01 academic year was 72,100, of which approximately ten per cent, or just over 7,000, were exchange students and other foreign students from abroad who, on their own initiative, commenced studies at Swedish universities and colleges. See Graph 1.

During 2000/01 the number of new students increased particularly in the teacher training programmes and MScEng programmes, with approximately 400 and 300 new students respectively. On the BScEng programmes, however, a distinct downturn was noted.

Registered students

The number of registered students is continuing to increase, a trend that has been maintained since the beginning of the 1980s. More than 300,000 students were registered in 2000/2001. The variation between centres of learning around the country, however, is considerable. The universities in Umeå, Uppsala, Stockholm, Linköping and Göteborg reported a major increase for 2000/01 and have in certain cases reversed the downturn from the previous year. See Graph 2 and Figure 1.

A number of the colleges have also increased their numbers, including the Institute of Education in Stockholm and Malmö University College, whilst Lund University, the Karolinska Institute, the Royal Institute of Technology, the Swedish University of Agricultural Sciences, Växjö University, Mälardalen University College, the Stockholm School of Business and Kristianstad University College have reported a fall in numbers.

Doctoral programmes

During the five academic years 1992/93–1996/97, 157,665 persons took a first degree at a university or college. Of these, 6.5 per cent had moved on to a PhD programme by the end of the 2000/01 academic year.

The highest number of new PhD students registered was in 1997/98, when almost 4,000 people commenced PhD programmes. During the years subsequent to this the number of new students was considerably lower and in the academic year 2000/01 just under 3,200 people had commenced PhD programmes. This marked downturn is linked

to the stricter financing requirements that came into effect in April 1998. Despite the downturn after 1997/98 there has still, viewed from a ten-year point of view, been a significant increase in the number of students. The increase is particularly obvious among female PhD students. See Graph 3.

Research

In 2001, income from research and PhD programmes at universities and colleges amounted to just over SEK 20 billion. Additional resources for this area have been relatively small in recent years. Since 1997, the figure has been approximately SEK 2.2 billion as a fixed price, i.e. just over ten per cent. See Graph 4.

The trend differs noticeably between different subject areas. Bioengineering research, for example, has received a significant increase in resources while areas such as chemical engineering and engineering mechanics have suffered major cutbacks.

Economy

Costs for universities and colleges during 2001 amounted to SEK 38.2 billion. This is equivalent to just under 1.8 per cent of the Swedish GNP for the same year. The total cost for the whole higher education sector is slightly higher. Including costs for student support and central authorities, the total cost is approximately SEK 47.2 billion, which is equivalent to 2.2 per cent of Sweden's GNP. See Graph 5.

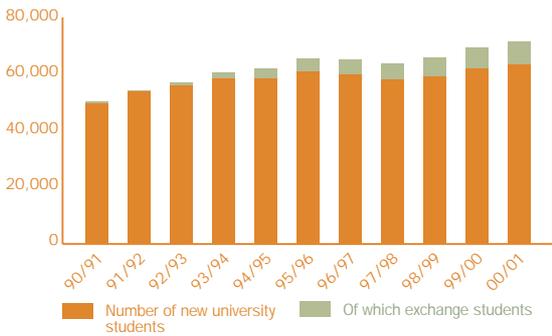
An international comparison shows that higher education and research account for a relatively large proportion of the Swedish GNP. According to the OECD report 'Education at a Glance', published in June 2001, Sweden was in fifth place among over 20 countries in the OECD.



THE COLLEGE OF NURSING, HUDDINGE

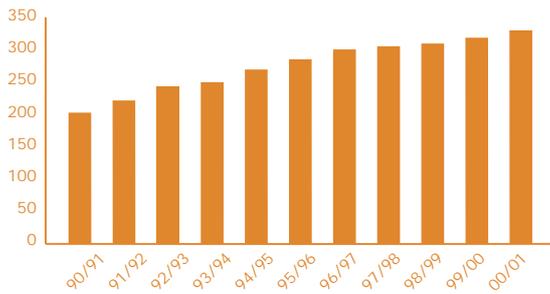
GRAPH 1

New university students, 1990/91–2000/01 academic years



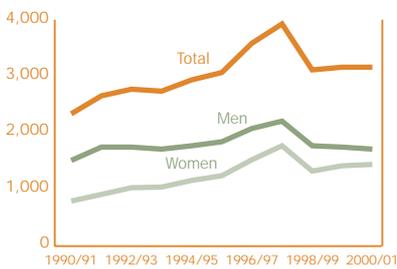
GRAPH 2

Registered students, 1990/91–2000/01 academic years, 1,000



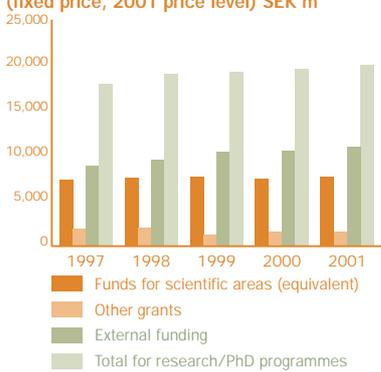
GRAPH 3

New PhD programme students, number



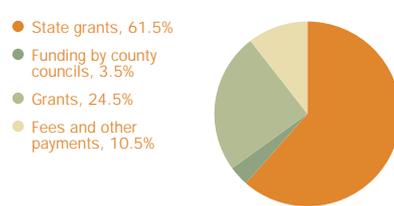
GRAPH 4

Income, research/PhD programmes (fixed price, 2001 price level) SEK m



GRAPH 5

Income, universities and colleges 2001



The direct state grants account for just over 60 per cent of the financing of operations at universities and colleges. The public sector (including the foundations created using employee fund resources) contributes a further 25 per cent of the financing. The remainder of the income is in the form of grants and fees from private companies and foundations.

In ten years the number of women who commenced a PhD programme increased by 79 per cent and the number of men by 15 per cent. The number of new students, both men and women, was highest during the 1997/98 academic year. Following the financing reform of 1998 the number of new students fell.

The increase in research resources is due largely to the fact that external financing has increased.

FIGURE 1

Students, academic year 2000/01

300,000 students on undergraduate programmes



18,100 active PhD students



During the academic year 2000/01, 72,100 new students came to the universities and colleges. In total, the number of students on undergraduate programmes was 300,000, i.e. the number of students was just over four times as high as the number of new students. Of all the students, 31,800 graduated with a first degree during the year. Approximately 45,000, or around 15 per cent of all students, had already taken a first degree. On the PhD programmes the number of new students was 3,200, i.e. approximately 10 per cent of the outflow of graduates. The number of persons active on the PhD programmes was almost six times as high as the number of new students and the number of PhD graduates was 2,400, i.e. approximately two-thirds of the total number of new students.

(Source: the National Agency for Higher Education)

Akademiska Hus property operations

Rental income

Akademiska Hus rental income for the year, including rent supplements, amounted to SEK 4,199 million (3,939), an increase of approximately seven per cent. The increase is the result of the completion of a number of large projects with a total rentable floor space of approximately 50,000 square metres. The added floor space has been rented out at an average rent of SEK 1,850 per square metre and has increased the rental income by 2.4 per cent for the year. The increase is also attributable to index increases in existing agreements. Graph 1 shows the rental income trend.

A breakdown according to type of premises is shown in Graph 2.

Rental and vacancy level

In the total portfolio of 3,244,314 square metres of rentable floor space, vacant space amounts to only 1.8 per cent or 57,789 square metres. In comparison with the property industry, the level of vacant space within Akademiska Hus is extremely low. The reason can be found in the long-term relationships and leases that exist between Akademiska Hus as the landlord and the different universities and colleges.

Of the vacant space, around 15,000 square metres are deemed to be "removal vacancies", particularly in Stockholm, Lund and Linköping. In Linköping, however, there is a further 8,000 square metres of vacant space on the university campus at Valla, directly beside the Mjärdevi area, which has been hit by the recession in the IT and telecom sectors. The vacant space situation in Linköping is expected to persist for the immediate future. Translated into monetary terms, the total vacant space amounts to approximately SEK 45 million or just one per cent of the total potential rent, fully leased, plus supplements, reflecting the fact that a large proportion of the vacant floor space has a relatively low rental value.

Graph 3 shows the rental and vacant space levels.

Tenants

Akademiska Hus has a customer base where the state has principal responsibility.

Table 1 shows the breakdown according to tenant category and Table 2 the largest tenants.

Tenant category

31-12-2002	Total floor space	Proportion, %
Universities and colleges	2,648,248	81.6
Other state authorities	92,231	2.8
Chalmers University of Technology	199,822	6.2
Municipal authorities	22,236	0.7
Institutes and foundations	69,916	2.2
Others	154,072	4.7
Vacant space	57,789	1.8
	3,244,314	100.0

TABLE 1

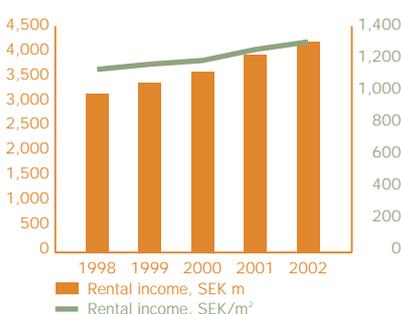
The 12 largest tenants

31-12-2002	Total floor space	Proportion, %
Lund University	339,434	10.5
Uppsala University	293,621	9.1
Göteborg University	232,848	7.2
Stockholm University	229,705	7.1
Swedish University of Agricultural Sciences	214,179	6.6
Royal Institute of Technology	212,376	6.5
Chalmersfastigheter AB	199,822	6.2
Karolinska Institute	182,267	5.6
Umeå University	179,057	5.5
Linköping University	172,948	5.3
Luleå University of Technology	97,189	3.0
Örebro University	74,113	2.3
Others	816,755	25.1
	3,244,314	100.0

TABLE 2

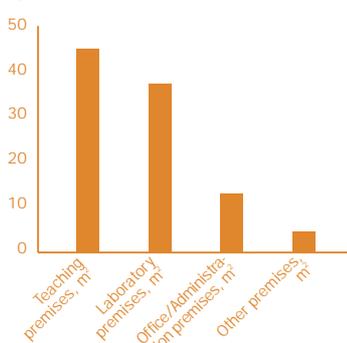
GRAPH 1

Rental income



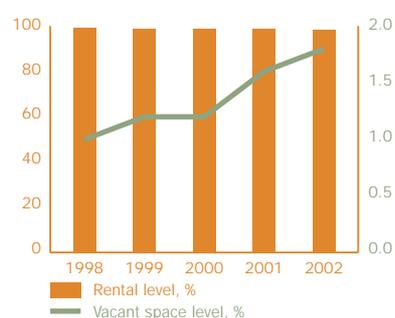
GRAPH 2

Types of premises, %



GRAPH 3

Rental and vacant space levels



Leases (due date structure)

The average term of newly-signed leases at Akademiska Hus is ten years and as of the year-end the average remaining term of the leases was 6.6 years. For large, complex, specialist buildings used for laboratory and research activities, leases are normally signed with terms of ten years or more. Graph 4 shows, as of the year-end, when the leases are due to come to an end. The rental value (base rent) for 2002 is SEK 3,825 million.

Operating costs

Operating costs within Akademiska Hus are defined as costs for measures taken at an expected interval of less than one year, the aim being to keep a management object functioning. Operating costs are divided into two main groups, energy and water supply and other operating costs. Graph 5 shows the operating cost trend over the past five years.

The operating cost trend depends principally on two things: increased energy costs in the form of major price increases and increased energy taxes and the increased technical complexity of the buildings. In recent years new premises have to a large extent been very resource-intensive from an energy point of view as they are generally laboratory premises and library buildings. In rent negotiations Akademiska Hus has been able to compensate itself for increasing operating costs. The relationship is reflected in an increase in rental income. The proportion of rental income accounted for by operating costs is reported in Graph 6.

Compared with other property companies, operating costs in SEK per square metre are high within Akademiska Hus. The reason for this can be found in the large proportion of laboratories. Graph 7 shows the operating cost broken down according to type of cost.

Akademiska Hus aims to improve the efficiency of energy use to reduce the load on the environment and to increase

management efficiency. To create better potential for this, a special project was commenced in 2002 for automatic meter reading for energy and water in the Group's buildings.

Maintenance costs

The term 'maintenance costs' refers to costs for measures aimed at reinstating worn or damaged parts of buildings to their original standard and function. With effect from 2002, Akademiska Hus will report separately the costs that can be expensed and for which compensation can be requested from the tenant. Graph 8 shows the maintenance cost trend over the past five years.

Viewed over time, maintenance costs have increased in line with rental income, see Graph 9. Variations between individual years could be relatively large as a result of changes in the volume of buildings under reconstruction.

Net operating income and direct yield

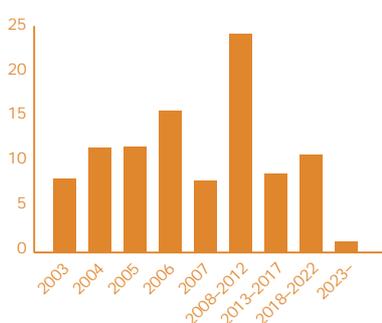
Net operating income shows the profit on the Group's buildings before depreciation, central administration costs and net interest income/expense. The trend in net operating income has been positive ever since Akademiska Hus was founded. Over the past five years the net operating income has increased by over SEK 500 million and now stands at over SEK 2,500 million.

At the same time direct yield over the past five years has fallen as a result of the major investment volume in redevelopment and new construction. This entails an increase in maintenance costs but is still at a good level, 10.9 per cent. Graph 10 shows the trend.

Compared with other players on the property market, Akademiska Hus has a relatively high direct yield. This is due to the large proportion of installation-intensive laboratories, which require, in relative terms, rapid depreciation.

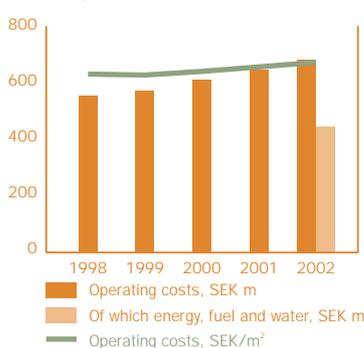
GRAPH 4

Lease due date structure, %



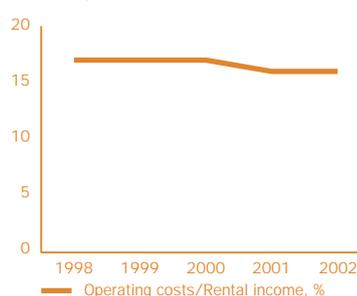
GRAPH 5

Operating costs



GRAPH 6

Operating costs – proportion



Akademiska Hus property operations

Graph 11 shows the direct yield compared with other property companies. The direct yield is defined as the net operating income in relation to the average book value of the properties. Differences in the definition of net operating income between the companies have not been taken into account. Akademiska Hus includes property administration in net operating income.

Book value and rentable floor space

The Akademiska Hus property portfolio at the year-end comprised total rentable floor space of 3,244,314 square metres (3,202,460). The total book value was SEK 23,778 million (22,625), which is equivalent to an average book value of SEK 7,329 per square metre (7,065). A breakdown of the portfolio according to location and category is shown in Table 3.

Graph 12 shows the proportion of rentable floor space in relation to the book value. Stockholm accounts for 27.7 per cent of the Group's total rentable floor space and 36.5 per cent of the Group's book value. Over the past three years in particular several large laboratory premises have been completed in Stockholm and acquisitions were made in Kista in 1999 and 2001. This has led to an increase in book values in Stockholm.

Property valuation

An internal property valuation was carried out within the Akademiska Hus Group during the year. It was done using a valuation method based on the direct yield for each building. The prerequisites in the valuation method have been agreed with external property consultants. The starting points in the valuation method were:

Division of holdings according to university location

31-12-2002	Teaching premises, m ²	Laboratory premises, m ²	Office/ Administrative premises, m ²	Other premises m ²	Total, m ²	%	Book value, KSEK	%	Book value, SEK/m ²
Lund	163,600	155,838	25,192	834	345,464	10.6	2,397,434	10.1	6,940
Göteborg	181,567	173,375	35,106	8,334	398,382	12.3	3,177,655	13.4	7,976
Karlstad	61,754	0	0	0	61,754	1.9	569,074	2.4	9,215
Linköping	47,709	118,919	28,646	11,806	207,080	6.4	1,331,732	5.6	6,431
Örebro	53,105	929	11,493	8,856	74,383	2.3	672,673	2.8	9,043
Greater Stockholm	385,271	292,318	155,581	67,013	900,183	27.7	8,670,489	36.5	9,632
Uppsala	101,606	288,073	91,451	45,524	526,654	16.2	2,843,678	12.0	5,400
Umeå	116,881	73,368	10,624	6,277	207,150	6.4	1,156,767	4.9	5,584
Luleå	33,356	51,703	13,341	1,564	99,964	3.1	551,940	2.3	5,521
	1,144,849	1,154,523	371,434	150,208	2,821,014	87.0	21,371,442	89.9	7,576
Other locations	281,668	56,036	52,663	32,933	423,300	13.0	2,406,222	10.1	5,684
Total	1,426,517	1,210,559	424,097	183,141	3,244,314	100.0	23,777,664	100.0	7,329

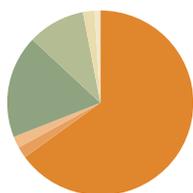
TABLE 3

Note: A breakdown into teaching premises, laboratory premises and other categories of premises has been made according to the materiality concept on the building level.

GRAPH 7

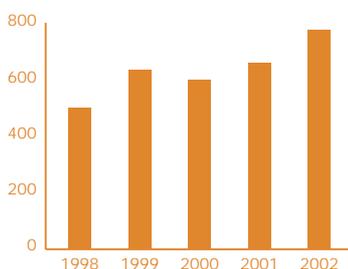
Breakdown of operating costs 2002

- Energy, fuel and water
- Other operating costs
- Materials purchased, operations
- Services purchased, operations
- Labour costs
- Refuse collection and official inspections
- Internal operating costs



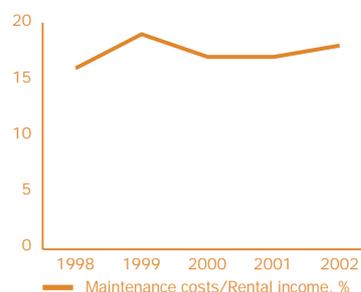
GRAPH 8

Maintenance costs, SEK m



GRAPH 9

Maintenance costs – proportion



- Classification of the buildings in the light of the main area of use and depreciation requirements. Buildings with similar depreciation requirements have been placed in the same category.
- It has been assumed that rental income, which is considered to be on market terms, is possible to extend subject to the same terms and conditions. In other cases it has been adjusted to the assessed market rent with due consideration given to rents deemed to be too high or too low at the time of renegotiation.
- Normal operating costs, including administration costs and possible site leasehold charges and property operation, have been used.
- Standardised maintenance cost calculations:
 - SEK 160 per square metre has been used for installation-intensive laboratory buildings older than 10 years.
 - SEK 120 per square metre has been used for other buildings.
- The yield demand has been differentiated for different object categories, different lease periods and town and location assessment, and ranges from 7.25 per cent to 14 per cent.
- Expansion reserves are included and have been valued on a standardised basis at 50 per cent of the assessed market value for each location.

The property valuation has revealed surplus values at all the subsidiaries, varying between 40 and 80 per cent compared with the book value. The surplus value for each subsidiary is reported in Table 4 and totals SEK 12,697 million for the Group (-).

Valuation model, Akademiska Hus, 31-12-2002, SEK m

Subsidiary	Market value, properties	Of which expansion reserves	Book value, properties	Surplus value
Lund	4,339	40	2,888	1,451
Göteborg	6,635	95	4,362	2,273
Linköping	3,803	70	2,409	1,394
Uppsala	5,532	174	3,131	2,401
Stockholm	12,873	180	8,687	4,186
North	3,293	41	2,301	992
Total	36,475	600	23,778	12,697

TABLE 4

Purchases and sales

No property purchases were made during 2002 although four sales took place, which are reported in Table 5.

Sales 2002, SEK m

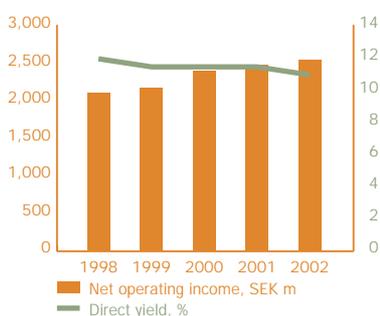
Property designation	Company, Akademiska Hus i.....AB	Sales amount	Capital gain
Guldfasanen	Stockholm	23	11
Ambassadören	Stockholm	81	67
Saxo 10	Lund	4	2
Sörfors	North	1	1
Total		109	81

TABLE 5

In addition to these sales, a property exchange has taken place within the Stockholm company, where the Medicinaren 8 property has been exchanged for the land area Grantorp 2:18 in Huddinge. The land value was KSEK 28,148 and the net effect of the exchange was 0 (zero).

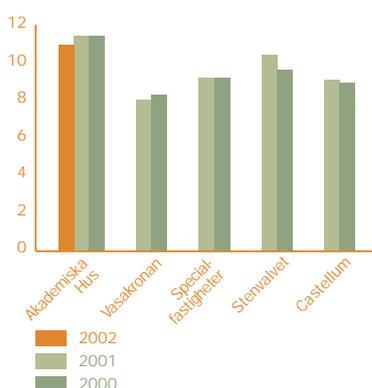
GRAPH 10

Net operating income and direct yield



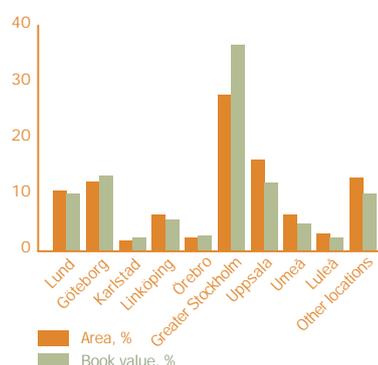
GRAPH 11

Direct yield, %



GRAPH 12

Rentable space and book value



Akademiska Hus i Lund AB

Market

Akademiska Hus i Lund AB owns and manages property holdings comprising 486,990 square metres of rentable floor space in Lund, Malmö, Alnarp, Kristianstad and Kalmar. The proportion of vacant floor space is 1.4 per cent. The company has a dominant market share in the university town of Lund, which is where 71 per cent of the company's holdings are located. The largest tenants are Lund University with 339,434 square metres of floor space, which is 70 per cent of the company's total floor space and the Swedish University of Agricultural Sciences with 61,143 square metres, which is 13 per cent of the company's total floor space.

Geography and campus

Akademiska Hus i Lund AB owns and manages properties within the university and college areas in southern Sweden. The property holdings are largely on campus areas, where people study, conduct research and work together.

In Lund, the university area extends from the centre of the town to Lund University of Technology in the north. Within the area there is a wide variety of buildings and environments, from historic buildings to modern, technically advanced buildings and from cosy urban environments to open park areas.

The campus area at Alnarp is dominated by the famous Alnarp Park. Set in the heart of the park are a number of buildings of high architectural quality. Many of the original buildings were built for the Alnarp Agricultural Institute during the latter half of the 19th century although today these house modern, functional study environments.

Apart from Lund and Alnarp, the company has properties in Malmö, Kalmar and the campus area in Kristianstad.

Key events during the year

During the year, one new building was brought into operation, the Ingvar Kamprad Design Centre at a project cost of SEK 225 million and with 9,900 square metres of floor space.

Reconstruction of the Faculty of Odontology in Malmö was also brought into operation at a project cost of SEK 36 million.

Income and financial results

The company's rental income during the year amounted to SEK 573 million (550). Net operating income before depreciation totalled SEK 260 million (292). The operating profit was SEK 156 million (196). Net operating income/expense was SEK -131 million (-128).

Property values

The book value of the property holdings at the year-end, including new construction in progress, amounted to SEK 2,961 million (2,874). The company uses an internal valuation model to establish the market value, SEK 4,339 million.

Leases

The average lease term period was 11.4 years. Graph 13 shows when, as of the year-end, the leases are due to come to an end.

Investments

During the year the company invested in properties, including new construction in progress, at a cost of SEK 192 million (260). Investment in 2002 in the Ingvar Kamprad Design Centre amounted to SEK 89 million and the total investment in this building, up to and including 2002, was SEK 208 million.

Expectations regarding future developments

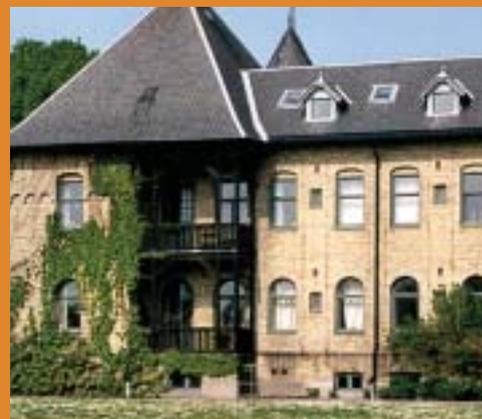
In the next few years the high rate of investment is expected to continue. The operating profit is expected to fall in the next few years as a result of the high maintenance costs in conjunction with development projects for, among other things, the Centre for Chemistry and Chemical Engineering, the Earth Sciences Centre and the Language Centre at Lund University as well as the Departments of Civil Engineering, Mechanical Engineering and Architecture at Lund University of Technology.



ASTRONOMY BUILDING, DEPARTMENT OF ASTRONOMY, LUND

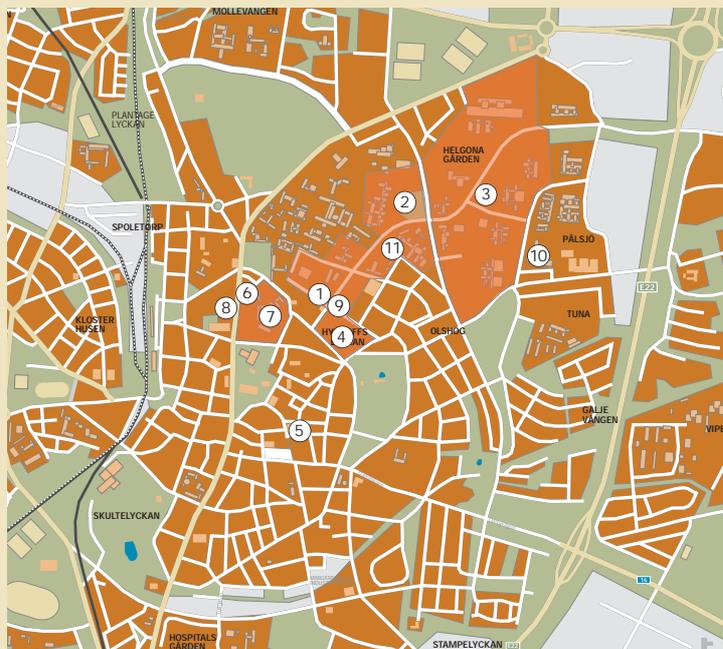


UNIVERSITY COLLEGE LIBRARY, KALMAR



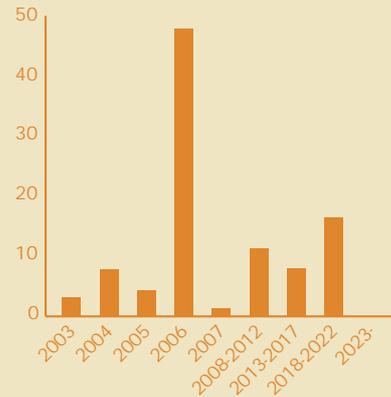
ALNARP

LUND



GRAPH 13

Lease renewal date structure, proportion



Key management figures

Rental income, SEK/m ²	1,209
Operating costs, SEK/m ²	217
Maintenance costs, SEK/m ²	371
Net operating profit, SEK/m ²	537
Property administration costs, SEK/m ²	60
Direct yield, %	9.2
Operating profit, SEK/m ²	323

TABLE 6

Property facts

Rental income net, SEK m	573
Average rentable floor space, m ²	483,783
Book value, properties, SEK m	2,888
Assessed market value, SEK m	4,339
New construction in progress, SEK m	73

TABLE 7

Miscellaneous

Number of employees	74
Satisfied Customer Index (NKI)	62
Satisfied Employee Index (NMI)	58

TABLE 8

Property specification

Property designation	Map reference	Location	Rentable floor space, total, m ²	Rentable income plus supplements	Land area	Expansion reserves
Absalon 5	1	Lund	26,974	25,385	30,640	—
Eskil 21	2	Lund	46,585	111,901	44,449	—
Helgonagården 6:16	3	Lund	186,904	243,328	377,391	50,000
Hyphof 5	4	Lund	8,392	7,994	23,722	—
Maria Magle 6	5	Lund	2,581	2,426	2,472	—
Paradis 47	6	Lund	1,397	2,098	3,154	—
Paradis 51	7	Lund	31,123	33,225	35,697	—
Sankt Peter 33	8	Lund	949	1,117	849	—
Saxo 3	9	Lund	4,312	3,418	6,653	—
Studentkåren 4	10	Lund	2,519	2,550	25,268	—
Sölve 1	11	Lund	33,728	29,424	47,000	—
Alnarp 1:60		Lomma	75,273	50,528	930,608	—
Alnarp 1:63		Lomma	121	59	1,296	—
Alnarp 1:64		Lomma	119	66	1,149	—
Klerken 4		Malmö	16,679	12,676	7,643	—
Falken 3		Kalmar	12,316	14,303	13,965	—
Rostad 1		Kalmar	3,973	3,758	13,574	—
Näsby 34:24		Kristianstad	33,045	36,199	80,184	—
Total			486,990	580,455	1,645,714	50,000
Minus: rent reductions and vacant space				-7,620		
Plus: income from properties sold				112		
Rental income, net				572,947		

TABLE 9

Akademiska Hus i Göteborg AB

Market

Akademiska Hus i Göteborg AB owns and manages property holdings comprising 573,146 square metres of rentable floor space. The proportion of vacant floor space is 0.2 per cent. The properties are located in Göteborg, Mölndal, Karlstad, Borås, Skövde, Skara and in Bohuslän at Fiskebäckskil and on the island of Tjörnö. The majority of the holdings, 70 per cent, are in Göteborg. The company's market share at universities and colleges is 75 per cent.

The largest tenants are Göteborg University with 232,848 square metres of floor space, which is 41 per cent of the company's holdings, Karlstad University with 61,289 square metres of floor space, which is 11 per cent of the company's holdings, Chalmers University of Technology with 199,822 square metres of floor space, which is 35 per cent of the company's holdings, the Swedish University of Agricultural Sciences with 9,929 square metres of floor space, Borås University College with 34,492 square metres of floor space and Skövde University College with 19,129 square metres of floor space.

Geography and campus

Akademiska Hus i Göteborg's property holdings comprise mainly premises for universities and colleges in western Sweden. Together with its tenants the company works to develop attractive study and research environments. Also in close co-operation with the tenants the company works in a very focused way on environmental issues.

Over the past thirty years Göteborg has changed from being a strongly industrialised city into a city of know-how and learning and Göteborg University and Chalmers have become increasingly important assets in this respect.

Göteborg University carries on its activities in individual buildings in the city centre and on a number of campus areas, both large and small. On the largest campus area, Medicinareberget, the main activities are within medicine and scientific research and education.

On the island of Tjörnö in Bohuslän, Göteborg University and Stockholm University run their marine biology programmes and research. The water conditions in the Koster Fjord outside Tjörnö offer unique opportunities for this type of work. The Kristineberg Marine Research Station outside Lysekil is Sweden's largest field station for marine research and it is here that a number of researchers and PhD students from the Royal Swedish Academy of Sciences and Göteborg University carry out their work.

Chalmers University of Technology carries on education and research in engineering, science and architecture. Akademiska Hus i Göteborg AB and Chalmers joined forces during the year to commence the development of the exterior environment. Chalmers' personnel and students have also been involved, providing views on improvements.

Karlstad University, located nine kilometres outside the centre of Karlstad, is a campus area that has grown considerably in recent years. Today, the university has over 9,000 students. The new library has been a strategically important investment for the university and in conjunction with the construction, the university and Akademiska Hus i Göteborg AB have worked together to produce an environmental programme. The programme includes the use of natural materials, sorting of waste at source and low energy consumption.

Borås University College is a living campus in the heart of the town and is expanding with the addition of new, ration-



MICROTECHNOLOGY CENTRE, GÖTEBORG



SKÖVDE UNIVERSITY COLLEGE



SCHOOL OF BUSINESS AND COMMERCIAL LAW, GÖTEBORG

al premises. Apart from the more traditional education programmes the college is attracting students to programmes that are unique in Sweden within librarianship and textile science and these have attracted students from all over the country.

Skövde University College is a modern college with a strong profile. The majority of the programmes are within science, engineering and humanities. The college premises are located in a former regimental area and the new buildings have been adapted architecturally to the old environment.

The Swedish University of Agricultural Sciences in Skara has strong links to the local area. There is a unique food technology programme and research of very immediate importance is run in collaboration with the food sector in the surrounding region. Many pioneering discoveries have been made in Skara, particularly within the veterinary science field, where traditions go back more than one hundred years.

Key events during the year

Karlstad University's new library and hall were inaugurated by the Minister for Education, Thomas Östros, on January 22, 2002. The building has a floor space of 10,419 square metres and apart from the library and hall it also includes offices and an entrance hall for the university. In December, the building was awarded the 2002 Karlstad Municipality Building Prize.

On January 26, 2002 the first stage of the expansion of Sandgärdet for Borås University College was inaugurated by former Prime Minister Ingvar Carlsson. The building comprises 6,821 square metres and includes premises for the Department of Computing and Business Science.

A new president for the company was recruited during the year, and will take over in spring 2003. Bo Karlsson, who has been president since the company was founded in 1993, will be stepping down in line with the company's age policy and he will take up other duties within the Group. The new president is Eva Lindberg.

Income and financial results

The company's rental income during the year amounted to SEK 750 million (718). Net operating income before depreciation totalled SEK 475 million (457). The operating profit was SEK 354 million (314). Net interest income/expense amounted to SEK -199 million (-195).

Property values

The book value of the property holdings, including new construction in progress, amounted to SEK 4,444 million (4,384) at the year-end. The company uses an internal valuation model, which forms the basis for establishing an assessed market value. For Akademiska Hus i Göteborg AB this value is SEK 6,635 million.

Leases

The average lease term is 10.2 years.

Investments

During the year the company invested in properties, including new construction in progress, at a cost of SEK 178 million (333).

Expectations regarding future developments

In the years to come the operating profit is expected to remain on approximately the same level as in recent financial years.



WALLENBERGSALEN MEDICINAREBERGET, GÖTEBORG



DEPARTMENTS OF CHEMICAL ENGINEERING AND BIO ENGINEERING, CHALMERS UNIVERSITY OF TECHNOLOGY, GÖTEBORG



GÖTEBORG UNIVERSITY SCHOOL OF FILM AND PHOTOGRAPHY

Akademiska Hus i Göteborg AB

GÖTEBORG



Key management figures

Rental income, SEK/m ²	1,317
Operating costs, SEK/m ²	196
Maintenance costs, SEK/m ²	229
Net operating profit, SEK/m ²	830
Property administration costs, SEK/m ²	67
Direct yield, %	11.2
Operating profit, SEK/m ²	619

TABLE 10

Property facts

Rental income, SEK m	750
Average rentable floor space, m ²	572,274
Book value, properties, SEK m	4,362
Assessed market value, properties, SEK m	6,635
New construction in progress, SEK m	82

TABLE 11

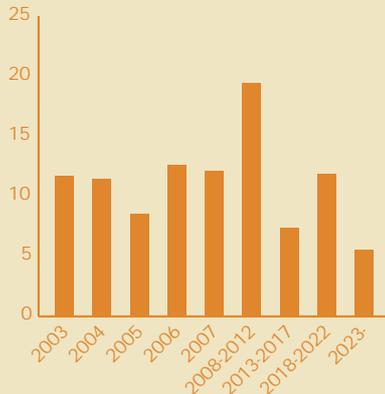
Miscellaneous

Number of employees	70
Satisfied Customer Index (NKI)	65
Satisfied Employee Index (NMI)	65

TABLE 12

GRAPH 14

Lease renewal date structure, proportion



KARLSTAD

BORÅS

Property specification

Property designation	Map reference	Location	Rentable floor space, total, m ²	Rentable income plus supplements	Land area	Expansion reserves
Annedal 20:2	1	Göteborg	5,506	7,277	10,428	—
Annedal 21:11	2	Göteborg	6,168	8,655	3,125	—
Lorensberg 13:6	3	Göteborg	626	812	630	—
Lorensberg 21:1	4	Göteborg	32,559	40,508	35,248	—
Lorensberg 24:3	5	Göteborg	14,966	31,354	9,605	—
Vasastaden 12:19	6	Göteborg	4,138	4,648	3,827	—
Kungsladugård 31:5	8	Göteborg	6,615	6,401	11,629	—
Haga 22:1	9	Göteborg	24,468	35,018	12,605	—
Haga 21:2, 21:19, 23:25	10, 11, 12	Göteborg	21,588	29,130	7,433	—
Änggården 34:2	13	Göteborg	9,788	17,409	11,280	—
Änggården 718:138	14	Göteborg	69,769	126,353	194,398	40,000
Växthuset 2	7	Mölnådal	35,934	29,372	82,973	25,000
Korsnäs 1:16		Strömstad	4,941	6,640	18,704	—
Johanneberg 31:9	15	Göteborg	190,354	226,402	182,800	59,000
Krokslätt 109:21		Göteborg	414	100	782	—
Krokslätt 109:20, 110:3	16, 17	Göteborg	11,359	22,712	19,246	10,000
Universitetet 1	18	Karlstad	61,754	83,117	138,068	4,500
Balder 7	19	Borås	32,267	33,901	7,454	—
Sandgården 6, 7, 8, 11, 13, Innerstaden 1:3	20	Borås	6,821	12,581	12,256	8,000
Göta 1		Skövde	19,636	23,133	34,015	—
Stenbocken 1		Skara	4,167	2,756	17,709	—
Sälgen 15		Skara	670	318	4,583	—
Skytten 2		Skara	4,555	3,203	19,623	—
Metes 2		Skara	1,271	737	1,731	—
Skaftö-Fiskebäck 1:500		Lysekil	2,748	8,006	1,932	—
Krokslätt 109:9		Göteborg	64	28	1,169	—
Total			573,146	760,571	843,253	146,500
Minus: rent reductions and vacant space				-10,202		
Rental income, net				750,369		

TABLE 13

Akademiska Hus i Linköping AB

Market

Akademiska Hus i Linköping AB owns and manages property holdings, comprising 310,508 square metres of rentable floor space in Linköping, Norrköping and Örebro. The proportion of vacant floor space is six per cent. Of the company's holdings, 67 per cent are located in Linköping, nine per cent in Norrköping and 24 per cent in Örebro. The largest tenants are Linköping University with 172,948 square metres of floor space, which is 56 per cent of the company's holdings, and Örebro University with 74,113 square metres of floor space, which is 24 per cent of the company's holdings.

Geography and campus

The properties are gathered within three interlinked campus areas.

The Valla Campus in Linköping is the company's largest campus area. The first buildings in the area date back to the beginning of the 1970s and the aim has been to gather all university activities (apart from the Faculty of Health Sciences) within the campus. A considerable proportion of the premises on the Valla Campus are rented by research and laboratory companies that wish to be close to the university. Two examples are the Swedish National Road and Transport Research Institute (VTI) and the Swedish Defence Research Institute (FOI).

The Norrköping Campus is part of Linköping University. Here the company manages two large buildings, Kåkenhus and Tåppan.

The foundation of the Örebro Campus was laid in 1969. Through rapid expansion during the 1990s Örebro University has acquired a distinct campus character with residential buildings and shops linked directly to the area.

Key events during the year

Major investments brought into use during the year included:

- Extension and redevelopment of the Technology building in Örebro.
- Redevelopment of the NOVA building in Linköping.

In addition, construction of a new building commenced at the College of Music in Örebro.

Income and financial results

The company's rental income during the year amounted to SEK 404 million (376). Net operating income before depreciation was SEK 276 million (255). The operating profit was SEK 213 million (171). Net interest income/expense was SEK -109 million (-109). Key management figures are reported in Table 14 on page 23.

Property values

The book value of the property holdings, including new construction in progress, totalled SEK 2,457 million (2,371) as of the year-end. The calculated market value as of the year-end was SEK 3,803 million. The market value has been calculated according to an internal valuation model. A list of properties is presented in Table 17. Other property facts are presented in Table 15.

Leases

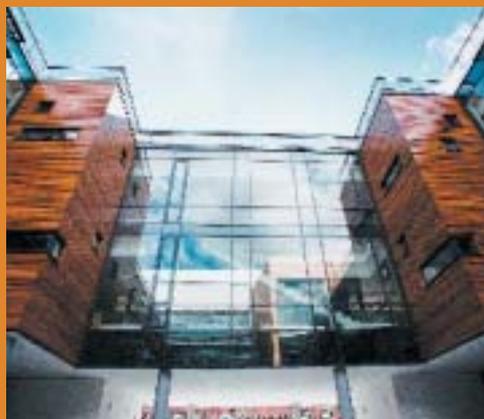
The average lease term for the company is 10.2 years. Graph 15 shows when, as of the year-end, the leases come to an end.

Investments

During the year the company invested in properties, including new construction in progress, at a cost of SEK 148 million (151).

Expectations regarding future developments

The company expects the high investment volume to continue, particularly in Örebro. The operating profit will fall in the years to come as a result of significant maintenance costs in conjunction with the redevelopment of the A Building in Linköping. In the long term the forecast is positive. Our largest tenants, Linköping University and Örebro University, continue to have a high level of applicants and their economies are in balance.



TÅPPAN, NORRKÖPING



THE LIBRARY, ÖREBRO



ZENIT, LINKÖPING

LINKÖPING



ÖREBRO



Key management figures

Rental income, SEK/m ²	1,394
Operating costs, SEK/m ²	169
Maintenance costs, SEK/m ²	179
Net operating profit, SEK/m ²	896
Property administration costs, SEK/m ²	56
Direct yield, %	11.7
Operating profit, SEK/m ²	692

TABLE 14

Property facts

Rental income, SEK m	404
Average rentable floor space, m ²	307,821
Book value, properties, SEK m	2,409
Assessed market value, SEK m	3,803
New construction in progress, SEK m	48

TABLE 15

Miscellaneous

Number of employees	34
Satisfied Customer Index (NKI)	65
Satisfied Employee Index (NMI)	68

TABLE 16

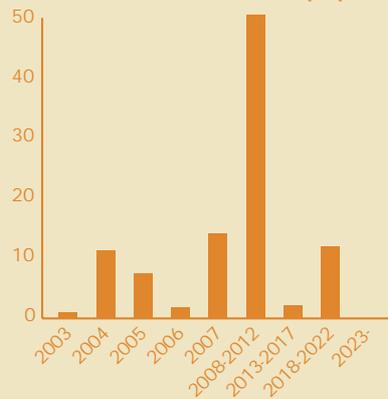
Property specification

Property designation	Map reference	Location	Rentable floor space, total, m ²	Rentable income plus supplements	Land area	Expansion reserves
Adjunkten 1	1	Linköping	6,268	0	40,107	—
Intellektet 1	2	Linköping	200,812	272,779	1,060,112	250,000
Universitetet	3	Örebro	74,383	100,142	244,185	25,000
Kåkenhus 11		Norrköping	12,775	21,960	7,167	5,000
Täppan 23		Norrköping	16,270	26,899	1,429	—
Total			310,508	421,780	1,353,000	280,000
Minus: rent reductions and vacant space				-18,223		
Rental income, net				403,557		

TABLE 17

GRAPH 15

Lease renewal date structure, proportion



Akademiska Hus i Stockholm AB

Market

Akademiska Hus i Stockholm AB owns and manages properties with a total of 903,370 square metres of rentable floor space and is thus the clear market leader for premises for higher education and research in the region. The proportion of vacant floor space is 1.8 per cent or 16,136 square metres. The company's largest tenants are Stockholm University with 229,705 square metres of floor space, which is 25 per cent of the company's holdings, the Royal Institute of Technology with 212,376 square metres of floor space, which is 24 per cent of the company's holdings and the Karolinska Institute with 182,267 square metres of floor space, which is 20 per cent of the company's holdings.

Campus areas

The majority of the company's buildings are gathered in a number of campus areas, from Kista in the north to Flemingsberg in the south.

Since 1917 the Royal Institute of Technology has been on the campus area located beside Östra Station, north of Valhallavägen. The first buildings were designed by the institute's own professor, Erik Lallerstedt. Apart from the Royal Institute of Technology there are several research institutes in the area. The University College of Opera, the Swedish National Defence College and the Swedish Institute for International Affairs will also move into the area within the near future, producing an exciting mix of activities.

At Frescati, in north Djurgården, there is Stockholm University. The campus also has a number of adjoining areas: Kräftriket, Frescati Hage, Frescati Backe and Lilla Frescati. The first university departments moved to Frescati in 1964. The Stockholm University campus is strongly characterised by the natural surroundings at Djurgården and its parkland, open fields and large oak trees. David Helldén, Ralph Erskine and Carl Nyrén are just some of the architects who have made a strong contribution to giving the campus area its character as an architectural park.

In 1946, the Karolinska Institute was able to move its library and administrative departments into the newly-built premises at the Norrbacka area in Solna. The following summer

the Departments of Anatomy and Histology also moved into new premises. On the other side of Solnavägen there was already the newly-erected Karolinska Hospital. The Karolinska Institute is today one of Europe's largest and most renowned medical universities. A whole range of new buildings has grown up on the campus to create the best conditions for the research and education that is taking place there. In the area there is also the Swedish Institute for Infectious Disease Control and the Department of Remedial Education.

Akademiska Hus was established in Kista in 1999 through the purchase of the Forum property from IBM. In 2001, the Electrum property was bought from the City of Stockholm. The properties form the campus for the IT University although they also house other activities and meeting places, which contribute to establishing a stimulating and creative environment for those who work there. The campus has a very central location in Kista.

The Huddinge campus in Flemingsberg, south of Stockholm, is also the site of the Karolinska Institute South campus. In recent years a whole series of new buildings have been erected on the campus along Alfred Nobels Allé, which is the main arterial road in the area. The main building of the Karolinska Institute South houses the new library and a spacious cafeteria, which function as a hub for the area. The University area also includes Södertörn University College, Huddinge University Hospital and the Novum Science Park.

In Konradsberg, at Kungsholmen, a concentrated campus is now growing for the Institute of Education. The main building, designed by Albert Törnqvist, was erected in 1861 as a hospital and was converted in 1996 for the activities of the Institute of Education. In 1999, construction of the campus area commenced and is due to be completed in 2004. A number of our foremost architects are involved in the work of creating an environment that provides opportunities for productive meetings between students, teachers and researchers.

Along the eastern part of Valhallavägen there are two areas for artistic institutes. Here there is the Royal College of Music and Tre Vapen (the College of Arts, Crafts and Design and the College of Film, Radio, Television and Theatre). Both these buildings are facing major changes to satisfy the needs of the



KONRADSBERG CAMPUS, STOCKHOLM
INSTITUTE OF EDUCATION



SCHOOL OF BUSINESS, STOCKHOLM



THE ROYAL INSTITUTE OF TECHNOLOGY, STOCKHOLM

future. Work commenced on the Tre Vapen 2 property in December 2002 to provide new premises for the Department of Drama. The College of Arts, Crafts and Design will move from the area at the turn of the year 2003/2004.

The College of Physical Education also has its campus on Valhallavägen strategically located beside the Stockholms Stadion arena, the Östermalm sports park and the mile upon mile of open areas within the National City Park.

At Observatorielunden there is the so-called Studentpalatset building, which is a popular meeting point for students from several of the colleges in Stockholm. Here there are places to study, a cafe and a student health centre. One block away is the so-called Spökslottet building, which is used by Stockholm University.

At Söder in Stockholm there is the National Academy of Mime and Acting. The Academy, the history of which goes back to Gustavus III, has its premises at Helgalunden. The building, which previously housed the Katarina Secondary School, was erected in a classic functional style.

On the island of Askö, in the southern part of the Stockholm archipelago, there is a Marine Biology Research Station. It is from here that Stockholm University conducts its research in the Baltic.

Key events during the year

During the year the company raised its Satisfied Customer Index score by four units from 57 to 61.

During the year the company sold the properties Ambasadören 5 and Guldfasanen 6 in Stockholm. The company has also implemented an exchange of properties in Huddinge, which means that the company received an area of land (part of the Grantorp 2:18 and Medicinaren 5 properties) and at the same time vacated the Medicinaren 8 property.

The following major building projects were commenced during the year:

- Buildings K and Z on the Institute of Education campus at Konradsberg.
- New construction for the Department of Nursing Sciences at the Karolinska Institute in Flemingsberg.
- Extension of Medicinaren 4 for the Karolinska Institute in Flemingsberg.

The company's internal valuation model has been used to determine possible write-down requirements. This has led to the company's holdings in Kista being analysed further and

valued externally. The result of this analysis and valuation is that the book value of the holdings in Kista has been written down by SEK 288 million. In other parts of the property holdings the company has reversed write-downs made previously by SEK 54 million.

During the year the College of Arts, Crafts and Design decided to move its operations from an Akademiska Hus property at Gärdet in Stockholm.

Income and financial results

The company's rental income during the year amounted to SEK 1,352 million (1,232). Net operating income before depreciation amounted to SEK 855 million (801). The operating profit was SEK 391 million (535). Net interest income/expense amounted to SEK -437 million (-383).

Property values

The book value of the property holdings, including new construction in progress, amounted at the year-end to SEK 9,500 million (9,040). The company uses an internal valuation model, which forms the basis for establishing an estimated market value. For Akademiska Hus i Stockholm AB this value is SEK 12,873 million.

Leases

The average lease term is 9.0 years.

Investments

During the year the company invested in properties, including new construction in progress, at a cost of SEK 1,046 million (1,872). Major projects in progress include the completion of the Institute of Education campus in Konradsberg, new construction for the Department of Drama in Stockholm, reconstruction of the Berzelius Laboratory and the Department of Anatomy at the Karolinska Institute in Solna and the new construction of the Astrid Fagreus Laboratory for the Swedish Institute for Infectious Disease Control in Solna.

Expectations regarding future development

During the coming financial years the rate of investment will continue to be high. The operating profit is expected to fall due to increased maintenance costs coupled with a fall in rents in conjunction with reconstruction projects.



THE IT UNIVERSITY, KISTA



THE RETZIUS LABORATORY, KI CAMPUS, SOLNA



THE DEPARTMENT OF NURSING AND THE NEUROTEC DEPARTMENT, KI, CAMPUS HUDDINGE

Akademiska Hus i Stockholm AB

STOCKHOLM



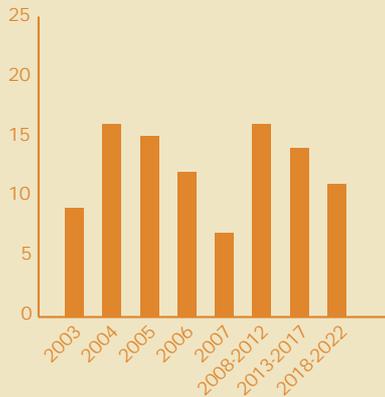
Key management figures

Rental income, SEK/m ²	1,545
Operating costs, SEK/m ²	239
Maintenance costs, SEK/m ²	229
Net operating profit, SEK/m ²	959
Property administration costs, SEK/m ²	69
Direct yield, %	10.2
Operating profit, SEK/m ²	439

TABLE 18

GRAPH 16

Lease renewal date structure, proportion



Property facts

Rental income, SEK m	1,352
Average rentable floor space, m ²	891,367
Book value, properties, SEK m	8,687
Assessed market value, SEK m	12,873
New construction in progress, SEK m	813

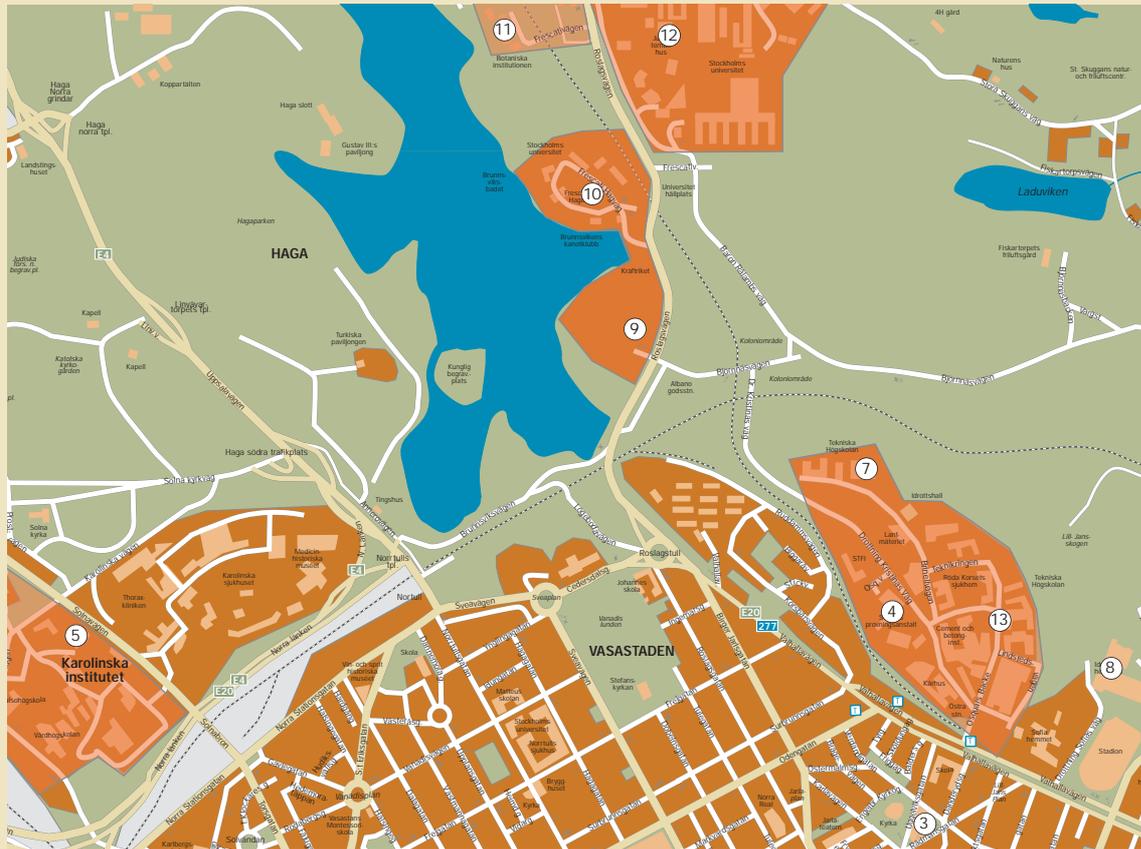
TABLE 19

Miscellaneous

Number of employees	100
Satisfied Customer Index (NKI)	61
Satisfied Employee Index (NMI)	61

TABLE 20

STOCKHOLM



Property specification

Property designation	Map Map reference	Location	Rentable floor space, total, m ²	Rentable income plus supplements	Land area	Expansion reserves
Askö 1:4		Trosa	2,998	3,305	324,270	
Askö 1:5		Trosa	137	41	7,995	
Bergsmannen Större 8	1	Stockholm	3,175	4,467	1,232	
Centauren 1	2	Stockholm	10,415	19,338	17,281	
Del av Grantorp 2:18		Huddinge	0		15,030	40,000
Domherren 1	3	Stockholm	12,913	13,046	5,294	
Embryot 1		Huddinge	16,957	13,923	14,518	
Forskningen 1	4	Stockholm	49,392	63,614	63,747	35,000
Haga 4:35	5	Solna	148,388	345,894	306,563	79,000
Keflavik 2		Stockholm	60,041	74,182	22,929	
Kungstenen 4	6	Stockholm	1,433	2,486	1,211	
Maskiningenjören 1	7	Stockholm	23,644	42,245	24,383	
Medicinaren 4		Huddinge	48,291	78,100	22,918	
Medicinaren 5		Huddinge	0		4,150	15,000
Norra Djurgården 1:43	8	Stockholm	12,404	12,751	32,030	
Norra Djurgården 1:44	9	Stockholm	26,925	38,053	70,540	
Norra Djurgården 1:45	10	Stockholm	15,290	13,349	53,364	
Norra Djurgården 1:46	11	Stockholm	8,965	12,095	18,255	
Norra Djurgården 1:48	12	Stockholm	177,785	289,785	290,695	2,000
Norra Djurgården 1:49	13	Stockholm	146,769	226,018	161,507	3,000
Nynäs 5:1		Nyköping	52	83	0	
Ornbäraren 3	14	Stockholm	29,469	42,773	35,002	1,000
Reykjanes 1		Stockholm	47,263	62,892	20,078	10,000
Svea Artilleri 13	15	Stockholm	16,265	14,620	24,441	5,000
Taffelberget 7	16	Stockholm	557	517	1,162	
Tre Vapen 2	17	Stockholm	38,208	30,368	29,614	4,000
Van der Huff 8	18	Stockholm	5,634	6,632	8,600	10,000
Total			903,370	1,410,577	1,576,809	204,000
Minus: rent reductions and vacant space				-62,304		
Plus: income from properties sold				4,099		
Rental income, net				1,352,372		

TABLE 21

Akademiska Hus i Uppsala AB

Market

Akademiska Hus i Uppsala AB owns and manages university and college buildings equivalent to 577,791 square metres of floor space. The premises are located mainly in the Municipality of Uppsala (91 per cent) but also at the University College in Gävle (8 per cent) and a small education unit at Skinnskatteberg (1 per cent). The company's largest tenants are Uppsala University with 293,621 square metres of floor space, which is 51 per cent of the company's holdings, the Swedish University of Agricultural Sciences with 178,584 square metres of floor space, which is 31 per cent of the company's holdings, and Gävle University College with 37,256 square metres of floor space.

The market share in Uppsala is around 80 per cent and in Gävle around 87 per cent. The proportion of vacant floor space is 0.9 per cent of the total property holdings.

In addition to the management of its own premises, Akademiska Hus i Uppsala AB has been granted operating responsibility by the National Swedish Property Board for all the board's premises in Uppsala. This is equivalent to approximately 93,000 square metres of floor space.

Geography and campus

In conjunction with the considerable increase in the university's operations in Uppsala there is now an extensive campus area, comprising education and research units, running north to south along Dag Hammarskjölds väg.

Future development will further reinforce the campus area. There are also large expansion reserves for university activities in Uppsala.

Key events during the year

The project, which has extended over many years, to maintain and modernise the Biomedical Centre has continued intensively during the year and will be concluded during 2003.

The second stage of an equivalent maintenance project commenced within the Kemikum block, where the old chemistry building will be transformed into premises for social science and humanities students.

Income and financial results

The company's rental income during the year totalled SEK 676 million (655). Net operating income before depreciation totalled SEK 385 million (420). The operating profit totalled SEK 268 million (274) and net interest income/expense SEK -146 million (-145). Key figures are presented in Table 19 on page 29.

Property values

The book value of the property holdings, including new construction in progress, amounted at the year-end to SEK 3,341 million (3,250). The estimated market value on the same date was SEK 5,532 million. The market value has been calculated according to an internal valuation model. A list of properties and other property facts are shown in the tables on page 29.

Leases

The average lease term for the company is 8.0 years. Graph 17 shows when, as of the year-end, the leases are due to run out. The company has a good lease renewal date spread.

Investments

During the year the company invested in properties, including new construction in progress, at a cost of SEK 205 million (115).

Expectations regarding future developments

At present there is an extensive re-organisation of operations at the Swedish University of Agricultural Sciences, which will lead to demands for operational adaptation of the premises. The result of this will be more efficient use of premises by the University. The proportion of vacant floor space at Ultuna will result in a short-term increase over the next few years.

Plans are in place at Uppsala University for new, concentrated premises for teacher training and education within the next few years.

Gävle University College is planning the addition of a new library, located centrally in the college area at Kungsbäck.



RIKSÄPPLET, UPPSALA

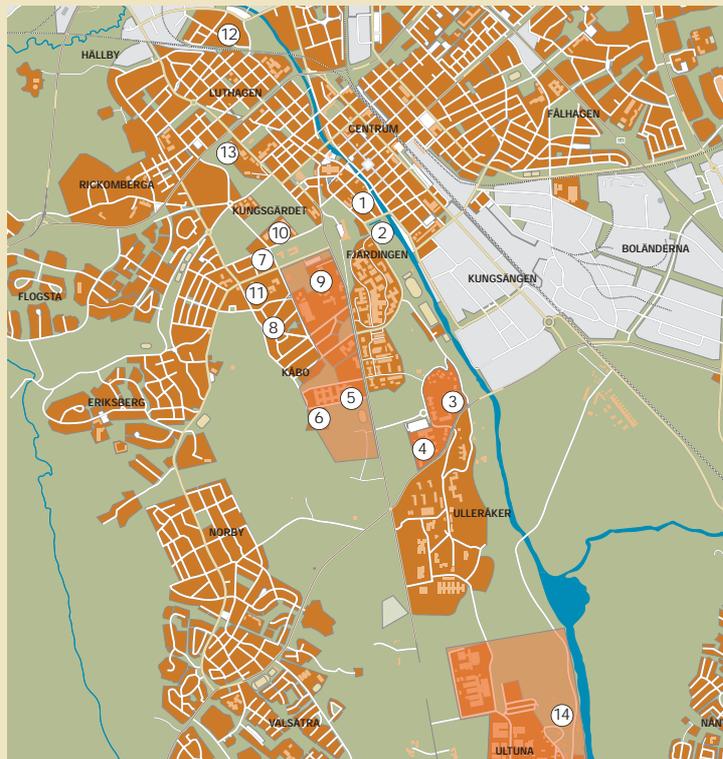


THE ULTUNA RESTAURANT, SWEDISH UNIVERSITY OF AGRICULTURAL SCIENCES, UPPSALA



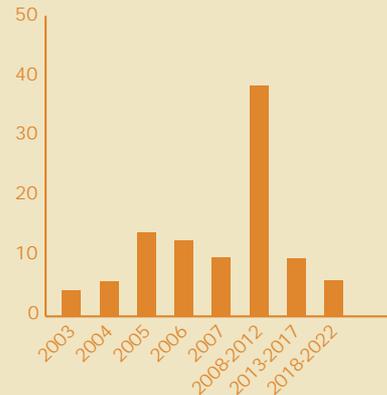
THE ÅNGSTRÖM LABORATORY, UPPSALA

UPPSALA



GRAPH 17

Lease renewal date structure, proportion



Key management figures

Rental income, SEK/m ²	1,178
Operating costs, SEK/m ²	229
Maintenance costs, SEK/m ²	216
Net operating profit, SEK/m ²	665
Property administration costs, SEK/m ²	55
Direct yield, %	12.4
Operating profit, SEK/m ²	463

TABLE 22

Property facts

Rental income, SEK m	676
Average rentable floor space, m ²	578,865
Book value, properties, SEK m	3,116
Assessed market value, SEK m	5,532
New construction in progress, SEK m	225

TABLE 23

Miscellaneous

Number of employees	74
Satisfied Customer Index (NKI)	59
Satisfied Employee Index (NMI)	62

TABLE 24

Property specification

Property designation	Map reference	Location	Rentable floor space, total, m ²	Rentable income plus supplements	Land area	Expansion reserves
Kungsback 2:8		Gävle	43,058	53,833	110,746	—
Häno Säteri 1:9		Tystberga	2,641	1,871	1,455	—
Fjärdingen 28:1	1	Uppsala	5,519	4,687	3,197	—
Fjärdingen 34:1	2	Uppsala	1,962	1,746	960	—
Kronåsen 1:15	3	Uppsala	30,685	34,655	68,661	18,000
Kåbo 1:10	5	Uppsala	83,598	131,872	98,721	24,000
Kåbo 1:20	6	Uppsala	9,908	14,196	164,115	102,000
Kåbo 24:4	7	Uppsala	1,370	1,370	10,410	—
Kåbo 38:9	8	Uppsala	610	605	2,732	—
Kåbo 5:1	9	Uppsala	33,070	34,236	163,485	90,000
Luthagen 13:1	12	Uppsala	10,838	10,078	42,035	12,000
Kronåsen 7:1	4	Uppsala	45,491	87,985	82,454	19,000
Kåbo 14:3	10	Uppsala	44,744	44,806	34,347	—
Kåbo 5:6		Uppsala	2,765	2,299	3,726	—
Kåbo 34:12	11	Uppsala	30,978	40,378	53,921	8,000
Luthagen 62:7	13	Uppsala	21,838	27,125	58,496	17,000
Ultuna 2:23 med flera	14	Uppsala	203,278	186,633	1,288,182	—
Skinnskatteberg-Eriksbo 1:12		Skinnskatteberg	5,438	2,492	31,344	—
Prästgården 1:41		Skinnskatteberg	0	0	19,728	—
Total			577,791	680,867	2,238,715	290,000
Minus: rent reductions and vacant space				-5,012		
Rental income, net				675,855		

TABLE 25

Akademiska Hus i Norr AB

Market

Akademiska Hus i Norr AB owns and manages property holdings comprising 392,509 square metres of rentable floor space in Kiruna, Luleå, Umeå, Sundsvall and Härnösand. The proportion of vacant floor space is 2.6 per cent. The company's largest tenant is Umeå University with 179,057 square metres of floor space, which is 46 per cent of the holdings, Luleå University of Technology with 97,189 square metres of floor space, which is 25 per cent of the holdings, and Mid Sweden University with 46,651 square metres of floor space, which is 12 per cent of the holdings.

Geography and campus

Akademiska Hus i Norr AB owns and manages properties within university and college areas in northern Sweden. The property holdings are largely within campus areas.

Five kilometres outside Kiruna is a space campus, which is where the Swedish Institute for Space Physics runs its research and education.

The campus area in Luleå is located four kilometres north-west of the centre of Luleå and comprises seven buildings gathered in two rows, separated by a pedestrianised area. The premises are leased by Luleå University of Technology.

The properties in Umeå are gathered on a campus located two kilometres east of the centre of town and adjacent to the university hospital. The largest tenants are Umeå University, the Swedish University of Agricultural Sciences and the National Institute for Working Life.

In Härnösand the properties are gathered directly adjacent to the centre of the town. The largest tenant is Mid Sweden University.

The university college area in Sundsvall is west of the town centre and here the tenant is also Mid Sweden University.

Key events during the year

During the year new premises were brought into use in Umeå for police training in the form of the Northern Behavioural Sci-

ence Building. The project cost was SEK 65 million and the floor space 4,750 square metres.

Income and financial results

The company's rental income during the year amounted to SEK 444 million (416). Net operating income before depreciation was SEK 283 million (269). The operating profit was SEK 223 million (168). Net interest income/expense was SEK -100 million (-100).

Key management figures are presented in Table 26.

Property values

The book value of the property holdings, including new construction in progress, amounted at the year-end to SEK 2,310 million (2,286). The estimated market value at the year-end was SEK 3,293 million. The market value has been calculated according to an internal valuation model. A property specification and other property facts are to be found in the tables on page 31.

Leases

The average lease term for the company is 9.4 years. Graph 18 shows when, as of the year-end, the leases are due to run out. Of the leases that will come to an end in 2003, 68 per cent have been renegotiated.

Investments

During the year the company invested in properties, including new construction in progress, at a cost of SEK 83 million (90).

Expectations regarding future developments

The planned new construction and reconstruction projects, which could fall at the same time, mean that the investment rate will probably increase slightly over the next few years. During the equivalent period the operating profit is expected to fall as a result of major maintenance costs and reduced rental income due to market adaptation of the rent level, which has taken place in conjunction with the renegotiation of a number of major leases.



LIBRARY, LULEÅ

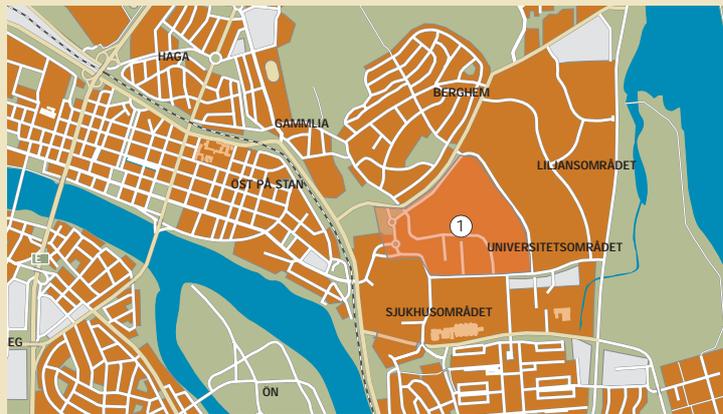


SPACE CAMPUS, KIRUNA



ÅKROKEN, SUNDSVALL

UMEÅ

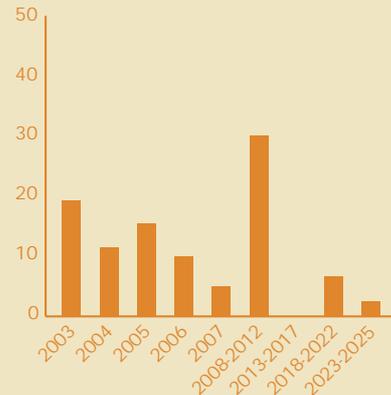


LULEÅ



GRAPH 18

Lease renewal date structure, proportion



Key management figures

Rental income, SEK/m ²	1,159
Operating costs, SEK/m ²	163
Maintenance costs, SEK/m ²	123
Net operating profit, SEK/m ²	725
Property administration costs, SEK/m ²	61
Direct yield, %	12
Operating profit, SEK/m ²	572

TABLE 26

Property facts

Rental income, SEK m	444
Average rentable floor space, m ²	391,082
Book value, properties, SEK m	2,301
Assessed market value, SEK m	3,293
New construction in progress, SEK m	9

TABLE 27

Miscellaneous

Number of employees	41
Satisfied Customer Index (NKI)	67
Satisfied Employee Index (NMI)	67

TABLE 28

Property specification

Property designation	Map reference	Location	Rentable floor space, total, m ²	Rentable income plus supplements	Land area	Expansion reserves
Skatan 9:12		Hällnäs	2,577	1,151	641,200	
Seminariet 16		Härnösand	4,749	3,649	28,337	
Ädelstenen 6		Härnösand	34,549	34,832	43,567	
STG 388+ **		Lycksele	208	86		
Norrbyn 2:122		Norrbyn	2,240	5,382	9,504	
Västhagen 1		Sundsvall	6,177	6,391	17,789	5,000
Åkroken 1		Sundsvall	22,903	34,772	32,900	20,000
Stadsliden 6:6	1	Umeå	203,571	230,564	949,902	80,000
Röbäcksdalen 1:6		Umeå	3,579	2,010	14,964	
Bispgården 2:1		Bispgården	3,687	2,258	4,871,894	
Kiruna 1:304-1:309		Kiruna	8,305	14,362	204,343	
Porsön 1:405	2	Luleå	99,964	116,598	274,611	60,000
Total			392,509	452,055	7,089,011	165,000
Minus: rent reductions and vacant space				-8,564		
Plus: income from properties sold				19		
Rental income, net				443,510		

TABLE 29

Projects

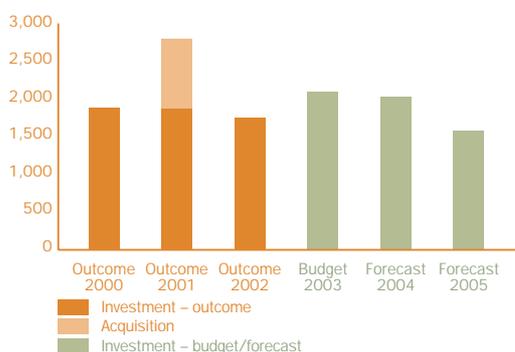
Akademiska Hus project work is aimed, through new construction and redevelopment, at offering tenants an education and research environment that is adapted continuously to operational development. The Group's project portfolio totals SEK 7,589 million (8,704).

During 2002, investments in projects, net investments, amounted to SEK 1,743 million (2,782). The total project volume for the past three years and the forecast for the coming two years are shown in Graph 1. Table 2 shows current projects at the year-end that have a project framework in excess of SEK 50 million.

Of the total project volume, new construction accounts for approximately 40 per cent while the proportion of redevelopment accounts for approximately 60 per cent.

GRAPH 1

Net investments in properties, SEK m



A prerequisite for each project is that an agreement has been reached with the tenant regarding a long-term lease. Project work includes education premises, different types of research laboratories and joint campus buildings for libraries, restaurants etc. In addition, there are certain highly-demanding specialist buildings for different research purposes, such as clean room laboratories, special greenhouses, safety laboratories for infectious disease control work and premises for experimental research in medicine.

By Akademiska Hus co-operating with several universities and colleges it has built up a large body of experience regarding the development of premises within this sector. The company works particularly actively with the tenants to formulate demands for a building at the early stages of a project. This includes of course the architectural design, which is the result of competitions among invited architects or so-called parallel assignments given to different firms of architects. The fact that Akademiska Hus will manage the buildings in the long term means that life cycle cost considerations in conjunction with different demands and designs naturally form part of the investigation and planning work.

Project operations are managed by each subsidiary with the support of building, environment, plumbing, ventilation and electricity experts, who work within the company Akademiska Hus Utveckling och Support AB.

The services of external consultants are engaged to plan the construction.

All building work is procured through contractors following a tendering process.

Projects commenced during 2002 with a project framework in excess of SEK 50 million are shown in Table 1.

Projects over SEK 50 million commenced in 2002

Project name	New building/ redevelopment/ extension	Location	Total investment, SEK m	Tenant	Lease, years	Annual rent, SEK m	Estimated annual operating sur- plus, SEK m
Department of Nursing and Neurotec	New construction	Stockholm	288	Karolinska Institute	16	30	26
Ingvar Kamprad Design Centre	New construction	Lund	225	Lund University	20	19	16
Institute of Education Campus Konradsberg, K-building	New construction	Stockholm	151	Stockholm Institute of Education	19	12	10
Northern Behavioural Science Building	New construction	Umeå	65	Umeå University	10	7	6
Institute of Education Campus Konradsberg, Z-building	New construction	Stockholm	50	Stockholm Institute of Education	17	4	3
Royal Institute of Technology Library	Redevelopment	Stockholm	186	Royal Institute of Technology	20	19	—
Extension, Faculty of Odontology	Redevelopment	Stockholm	151	Karolinska Institute	14	16	—
Technology Building	Redevelopment	Örebro	75	Örebro University	10	8	—
Institute of Education Campus Konradsberg, F, G, H and J buildings	Redevelopment	Stockholm	52	Stockholm Institute of Education	11	10	—

TABLE 1

Note: The calculated annual operating surplus is only stated for new construction projects.



ROYAL INSTITUTE OF TECHNOLOGY

Projects in progress on 31-12-2002 over SEK 50 million

Project name	New building/ redevelopment/ extension	Location	Total investment, SEK m	Tenant	Lease, years	Annual rent, SEK m	Estimated annual operating surplus, SEK m
University College of Film, Radio, Television and Theatre	New construction	Stockholm	319	University College of Film, Radio, Television and Theatre	20	25	21
Swedish Institute for Infectious Disease Control, Astrid Fagrens Laboratory	New construction	Stockholm	218	Karolinska Institute	20	20	18
Institute of Education, Round Building	New construction	Stockholm	205	Stockholm Institute of Education	15	17	15
School of Music	New construction	Örebro	193	Örebro University	10	17	15
Borås University College, stage 2	New construction	Borås	114	Borås University College	20	11	9
Library-Language Centre	New construction	Lund	102	Lund University	10	10	9
Medical Studies Building	New construction	Göteborg	72	Göteborg University	10	8	7
Kemikum, stage 2	Redevelopment	Uppsala	362	Uppsala University	10	28	—
Renewal of the Biomedical Centre	Redevelopment	Uppsala	348	Uppsala University	10	Part of a larger agreement	—
Centre for Chemistry and Chemical Engineering 1	Redevelopment	Lund	304	Lund University	10	33	—
Berzelius Laboratory	Redevelopment	Stockholm	211	Karolinska Institute	10	20	—
Earth Sciences Centre	Redevelopment	Lund	173	Lund University	10	21	—
Medical Epidemiology	Redevelopment	Stockholm	152	Karolinska Institute	10	15	—
Institute of Education Campus Konradsberg	Redevelopment	Stockholm	81	Stockholm Institute of Education	10-12	10	—
Biomedical Centre, adaptation for chemistry	Redevelopment	Uppsala	81	Uppsala University	10	Part of a larger agreement	—
Chalmers, School of Electrical and Computer Engineering, stage 3	Redevelopment	Göteborg	80	Chalmers Fastigheter AB	20	10	—
Mathematical Information Technology Centre	Redevelopment	Uppsala	80	Uppsala University	10	27*	—
Extension, K-building	Redevelopment	Linköping	78	Linköping University	10	7	—
Chemical Centre 3 and 4	Redevelopment	Lund	75	Lund University	10	3	—
Royal Institute of Technology, Industrial Economics	Redevelopment	Stockholm	73	Royal Institute of Technology	10	9	—
Royal Institute of Technology, Numerical Analysis and Computer Science	Redevelopment	Stockholm	67	Royal Institute of Technology	10	9	—
Redevelopment, Pharmacology	Redevelopment	Göteborg	60	Göteborg University	10	3	—
Biomedical Centre, animal building	Redevelopment	Uppsala	51	Uppsala University	10	4	—
University College of Opera	Redevelopment	Stockholm	58	University College of Opera	15	5	—

TABLE 2

Note: The calculated annual operating surplus is only stated for new construction projects.

* The annual rent includes the base rent for existing buildings.

Awards for completed projects

2002

Library, Karlstad University
Municipality of Karlstad Building Prize
Royal Institute of Technology Library, Stockholm
ROT prize 2002
Design Centre, Lund
Nominated for the "Building of the Year" award 2002

2001

Entrance Building, School of Chemical Engineering, Chalmers University of Technology, Göteborg
Per and Alma Olsson Award for Good Architecture
Central Library, Härnösand University Library, Kalmar
Nominated in each county as the most popular building in conjunction with the Year of Architecture 2001.

2000

School of Business, Stockholm University
Nominated for the Reconstruction of the Year Award
Central Library, Härnösand
Library of the Year 2000, DIK Association

1999

Aula Magna, Frescati
European Steel Design Award

Zenit Building, Linköping
1999 Architectural Award, SAR Eastern Götaland

1998

Åkroken, Sundsvall
Best Colour Scheme 1996–98,
National Association of Master Painters
Urban Environment Award

Alnarpsgården, Alnarp

Europa Nostra Awards 1998
GEO Building, Frescati
Concrete Panel Association Architectural Award

Aula Magna, Frescati

Stockholm Chamber of Commerce Architectural Award
Stockholm Regional History Society Architectural Award
Kristianstad University College
Kristianstad Municipality Building Environment Award

1997

Konradsberg, Stockholm
Stockholm Association of Master Builders, ROT Diploma

1996

Royal Institute of Technology Main Building, Stockholm
ROT Award
The painting and decorating industry honourable mention for colour planning

Alnarpsgården, Alnarp

The Helgo Award
Lomma Municipality Award for Good Building Design

1995

Lundberg Laboratory, Göteborg
National Association of Master Painters, Best Colour Scheme

Ecology Building, Lund

Joint winner of the Urban Construction Award

School of Economics and Commercial Law, Göteborg

Kasper Salin Award
Per and Alma Olsson Award for Good Architecture

1994

Wallenbergsalen, Göteborg
Concrete Panel Association Architectural Award

1993

School of Performing Arts, Göteborg
SAR West Architectural Award
Per and Alma Olsson Award for Good Architecture

The Ingvar Kamprad Design Centre, Lund University of Technology

Design for many people

The Design Centre in Lund was inaugurated in autumn 2002. Akademiska Hus has constructed a new building which, even at the project stage, had attracted a great deal of attention.

The Design Centre came into being as the result of an intensive process in close collaboration with the users where, to a certain extent, construction and design took place in parallel. Lund University of Technology and the Department of Design Sciences are no ordinary users as the customer has design, the environment and availability as intrinsic elements in its work.

One of the wishes of the customer was that the architecture should add something extra and after initial parallel designs the assignment went to architect Gunilla Svensson, who prepared the drawings for the Design Centre, which constitutes a transition between the Lund University of Technology campus and the Ideon Science Park. The building has been nominated for the Building Industry Building of the Year Award 2002 for its special architecture.

As chairman of the Dutch Stitching IKEA Foundation, Ingvar Kamprad made a donation to Lund University of Technology in 1998. The aim of the donation was to reinforce in the long term education and research in the industrial design field "design for many people".

The Department of Design Sciences works on a broad basis, dealing to a large extent with the interaction between the human being and technology, with a focus on creating a good environment, designing not only products but also machinery, software and so on. The Department is extremely active and outward-going. Here there is life and movement in the design rooms, studios and workshops, where there are people almost 24 hours a day.

The building was planned according to the specific needs of the Department and includes premises for laboratory work where research groups can carry out studies and tests. The fact that the Department is now gathered at one location makes the build-up phase much easier.

The Design Centre is characterised to a large extent by research in rehabilitation technology, which is at the forefront internationally. This means, among other things, far-reaching adaptation and availability for people who are functionally disabled – those who have visual or hearing impairments or who have physical difficulties. During the project phase availability consultants and specialists from the users were in place as advisers.



KARLSTAD UNIVERSITY LIBRARY



ROYAL INSTITUTE OF TECHNOLOGY LIBRARY

FACTFILE DESIGN CENTRE

Project framework, SEK m	225
of which investment	217
Type of premises	Education
Project start, year-month	2000-6
Opened, year-month	2001-8 and 2002-6
Rentable floor space, m ²	9,875
Tenant	Lund University
Lease term, years	20 years
Annual rent, SEK m	19.4



Department of Nursing and the Neurotec Department, Karolinska Institute, Campus Huddinge

Karolinska Institute now at Södertörn

In what is a very expansive area, close to the University College at Södertörn and Huddinge University Hospital, Akademiska Hus has during the year erected a building for the Karolinska Institute, KI South.

The building houses teaching premises for nursing science, physiotherapy and occupational therapy and the plans include seminar and group rooms, physical education facilities, an ergonomics laboratory, offices and research rooms. Extensive work has been devoted to the external environment, including landscaping, and the completed building has been assessed to be robust, simple and functional.

The project was completed in a very short time. After the clearance work in autumn 2000 the project commenced during the fourth quarter of that year. In August 2002, the building was ready for opening. Despite the tight time schedule the project's financial framework could be maintained, due largely to the very close collaboration between the customer, planner and contractor. The departments now make up one of KI South's four buildings, located on Alfred Nobels allé in immediate proximity to the University College at Södertörn.

For the Karolinska Institute the need arose to bring together operations in conjunction with the merger a few years ago with the School of Health Sciences, which was run under the auspices of Stockholm County Council. Following the merger, operations were spread between Solna, Huddinge and Stockholm. Within the Karolinska Institute there was at the same time a wish to make its operations at Södertörn more visible.

Today the whole of Karolinska Institute South is highly visible within the expansive Huddinge campus. For the Department of Nursing and the Neurotec Department the new joint building means that the students, faculty members and other employees are gathered under one roof. Nurses, physiotherapists and occupational therapists are trained in the new premises, which have been adapted well to the activities that take place there. Group lectures can also be followed simultaneously by distance students at other locations thanks to the fact that the premises and equipment have been adapted for video conferences. Another wish from the customer was that individual workrooms should be built for a large number of the employees.

Konradsberg Campus

Environment makes meetings possible

During the year, Akademiska Hus completed stages one and two of this project, which meant a new joint campus area for the Stockholm Institute of Education – the Konradsberg Campus. Project planning commenced in 1994 and construction started two years later. Departments linked to education and didactics are gradually moving into the new premises. Apart from a number of new buildings the project also included reconstruction and refurbishment – in the area there were already buildings from different eras, ranging from 1860 to 1950, and the aim and challenge of the project has been to bring together the different parts into one unit, a campus. The customer has expressed a desire for flexibility that would permit the organisation to change as well as a desire to preserve the qualities in the existing buildings.

The oldest building, the hospital from 1860, was rebuilt into workplaces for teaching staff and researchers, into teaching premises and into facilities for the Student Union. The new buildings include the library – one of several key meeting points in the area. Subjects such as sport, music and drama take place in the new sports hall and the new music, movement and drama rooms.

Stages three and four of the project are currently in progress and include further new construction and development before the Konradsberg Campus will be finally completed in autumn 2004.

The Institute of Education was previously split between a number of different addresses in the Stockholm region and the wish for a joint campus has been in existence for decades. When the Rålambshov Hospital in Konradsberg was closed in 1995 Akademiska Hus bought the building and thus opened up new opportunities, including bringing together the Institute of Education and linking and opening up buildings and the environment to the area surrounding Rålambshov Park. On the Konradsberg Campus the Institute of Education has a centrally-located campus with good communications as well as a number of residential buildings for students and researchers. Here the Institute of Education's many courses, expanding research and commissioned education programmes have a concentrated research and teaching environment.

Spontaneous meetings between students, researchers and teachers can take place on the campus. According to the Institute of Education in Stockholm such meetings help develop the work being done there.



FACTFILE DEPARTMENT OF NURSING AND THE NEUROTEC DEPARTMENT, HUDDINGE

Project framework, SEK m	340
of which investment	340
Type of premises	Education
Project start, year-month	2000-11
Opened, year-month	2002-8
Rentable floor space, m ²	16,627
Tenant	Karolinska Institute
Lease term, years	16 years
Annual rent, SEK m	32.0



FACTFILE KONRADSBERG CAMPUS

Project framework, SEK m	524
of which investment	505
Type of premises	Education
Project start, year-month	1999-6
Opened, year-month	2001-7 and 2002-7
Rentable floor space, m ²	23,484
Tenant	Institute of Education
Lease term, years	5-20 years
Annual rent, SEK m	48.0



Future

External factors

The number of applicants for university undergraduate programmes increased markedly during 2002. The number of new applicants increased by four per cent compared with autumn 2001. The increase in the number of persons who previously studied at higher education level was ten per cent. In total, the number of admissions rose by six per cent compared with the autumn term 2001. It is mainly within nursing and caring sciences that the number of applicants is on the increase. The number of applicants for course programmes with a mathematics or science orientation continues to fall. This is particularly noticeable in the drastic fall in interest in programmes focusing on the IT sector.

The break in the trend in autumn 2002, together with the gradual increase in the future of groups of 19-year olds, has reduced financial concern for undergraduate programmes, with the exception of certain specialisations and certain colleges that have been particularly hard hit. Of the Akademiska Hus tenants it is mainly the Royal Institute of Technology, Chalmers University of Technology, the Swedish University of Agricultural Sciences and Mid Sweden University that are planning to continue to make savings in the future.

Instead, concern has increased tangibly during 2002 with regard to research funding as a result of the general downturn on the financial markets, which has had a negative impact on the capital of the research foundations. The estimated loss of financing from research foundations and business and industry is significant and increased faculty grants can only compensate to a limited extent. At the same time it is very difficult to predict when and in which research areas or locations this could have an effect.

For Akademiska Hus this means that both the extent and times for different projects in the investment plan must be reviewed gradually together with the tenants.

The shortage of accommodation for students is still very distinct in the older university locations. The new production that has commenced, or which has been planned, will only have an impact in a few years' time.

The protracted recession is leading to the range of available premises increasing, particularly in the Stockholm area, with greater competition and pressure on the price of floor space as a result. The greater range of premises available on the rental market is also affecting Akademiska Hus locally and the level of vacant space is increasing (Stockholm, Linköping, Ultuna and Härnösand).

The previously strongly overheated construction market, particularly in Stockholm and Uppsala, reverted to a more normal level in 2002. The very tangible slowdown in office and industrial investment will hardly be compensated for by increased production of residential property. We are therefore in a good position with regard to contract procurement in 2003.

The cost of district heating and electricity is continuing to increase significantly, although Akademiska Hus is compensated

to a large extent through agreements where electricity costs are charged separately and are not included in the rent.

The trend on the financial markets is of course difficult to predict but is of great significance to Akademiska Hus. The interest cost forecast in the budget for 2003 is, however, relatively certain due to the fixed interest period for the loans.

On September 12, 2002 it was decided at a government meeting that an enquiry would be set up to examine the question of rents for purpose-built properties within the cultural sector and the university and college sector. It is estimated that the enquiry will not be completed before the end of 2003 and consequently any effects that will result from this are as yet unknown.

Ownership requirements

In the 2003 budget and the forecast for 2004–2005, dividends equivalent to half of the profit after standard tax have been taken into account. Through this limitation of the dividend the equity ratio will increase to just over 26 per cent in 2003.

The owner's yield stipulation – the five-year government bond interest rate plus 2.5 per cent – is at present equivalent to approximately 7.5 per cent. In the budget for 2003, the yield is calculated at 5.6 per cent; in the forecast for 2004 the figure is 6.3 per cent and in the forecast for 2005 just over nine per cent. The fall during 2003 and 2004 is in the first instance an effect of major development measures with a great deal of expensed maintenance in projects and rental reductions during these years. For the period 2001 to 2005 as a whole, however, the owner's yield stipulations are being met.

Tenants – investment plan – vacant space – etc.

Moving into 2003, a special customer care programme has been started within the Group. The programme is aimed at reinforcing customer orientation in the company's operations and is a priority area in the Group's business plans for 2003. A plan of action has been formulated which, among other things, includes:

- Local training aimed at customer care for the subsidiaries' front-line personnel.
- Local activities for the analysis and follow-up of tenant questionnaires, including a programme of measures.
- Group seminars with managers and project leaders.

The investment plan has been reduced slightly. The wish for future expansion of floor space has decreased, although the investment plan still reflects a situation where over the next few years large investments will be made as a result of the focus on education and research during the 1990s. A number of major projects, particularly within the Stockholm company, were completed during the year. In addition, the projects planned previously for the College of Arts, Crafts and Design have been removed from the investment plan.

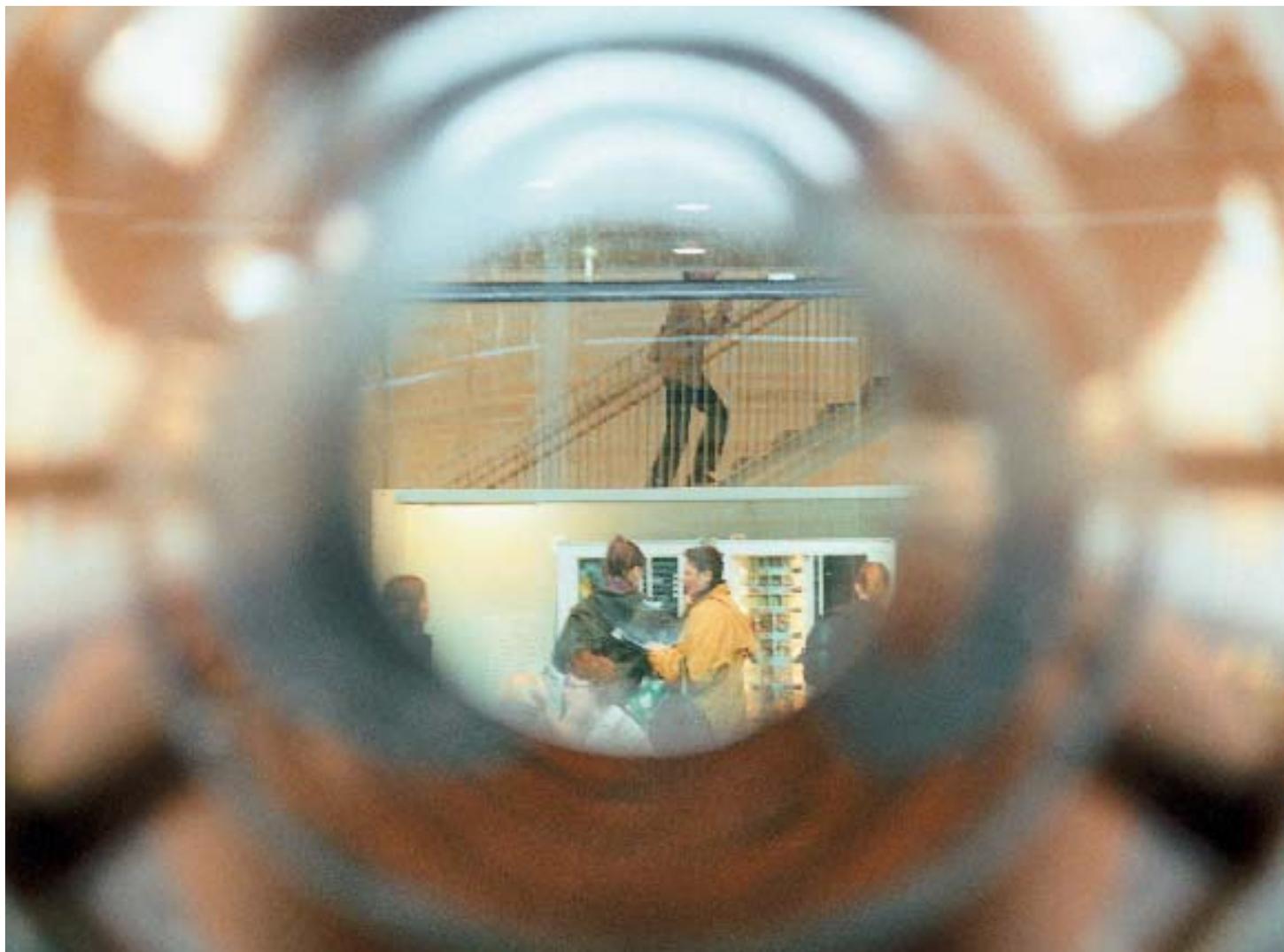
The investment plan includes projects, which have not yet commenced, at an estimated final cost of approximately SEK 5,300

million. Half of this volume is in the form of redevelopment and refurbishment of older, sub-standard premises. Of the new construction volume, SEK 1,000 million refers to projects that do not form part of the normal expansion of universities and colleges. The two largest projects are a research park at the Karolinska Institute in Solna, at a cost of SEK 509 million, and the Swedish National Defence College and the Swedish Institute of International Affairs at the Royal Institute of Technology area, at a cost of SEK 300 million, including certain redevelopment. The largest, as yet uncommenced, new construction projects for universities and colleges are the new construction for the Biomedical Centre, stage D, in Lund, at a cost of SEK 218 million, new construction for the Department of Natural Science and the Department of Economics/Statistics in Örebro, SEK 175 million plus SEK 124 million, and new construction for the teacher training and education programmes in Uppsala, SEK 140 million.

The time schedules for many of the redevelopment and new construction projects are uncertain. The project schedules in the investment plan are from experience more optimistic than prove ultimately to be the case.

Developments and the impending reorganisation of operations at the Swedish University of Agricultural Sciences has meant that the future need for premises for this tenant is uncertain. This applies in particular to the Ultuna area.

It is expected that five acquisitions of college properties will be implemented during 2003, including land for expansion reserves. This investment is estimated at SEK 350 million. Akademiska Hus i Norr AB has commenced the sale of Bispgården in Ragunda (Mid Sweden University will vacate the premises in the summer of 2003) and Akademiska Hus i Uppsala AB has budgeted for the sale of a property on Trädgårdsgatan following a move to the newly-constructed office on the Blåsenhus block. The College of Arts, Crafts and Design's part of the Tre Vapen property still remains in the Group budget and forecast.



THE COLLEGE OF NURSING, HUDDINGE

Future

It is expected that vacant space will increase during 2003. The reasons for this are:

- The College of Arts, Crafts and Design will be vacating its premises, totalling 27,835 square metres, on Valhallavägen in Stockholm.
- New vacant space in Kista totalling 6,833 square metres.
- Additional vacant space of 10,461 square metres compared with the forecast at the Ultuna area as a result of the forthcoming reorganisation of the Swedish University of Agricultural Sciences.
- Mid Sweden University will be leaving Bispgården, with a total of 3,954 square metres of vacant space.

This means that the vacant space according to the budget will amount to just over three per cent. For 2004 and 2005, however, the vacant space level is expected to fall to around two per cent as a result of the vacant space after the College of Arts, Crafts and Design ceasing and the fact that Bispgården will be sold.

The building sector's ecocycle committee has proposed an overall objective where they state that the use of purchased energy in

residential and non-residential properties in 2010 should have fallen by a total of ten per cent compared with the 2000 figure and that the use of oil and electricity will be reduced by 20 per cent during the same period. In the prerequisites for the budget and forecast work during the autumn an energy efficiency target extending over several years has been set for operations at Akademiska Hus. The aim is a two per cent annual saving over a three-year period.

Profit forecast 2003–2005

The Group's profit according to the 2003 budget will worsen slightly, in the first instance as a result of the major redevelopment projects with increasing maintenance. As a result of maintenance measures planned for the period, extensive rent reductions will be granted. For 2003, the reductions are estimated to be SEK 75 million. In the forecast for 2004 the profit will improve and in the forecast for 2005 there will be a marked improvement. Direct yield for the years 2003, 2004 and 2005 is estimated at 9.9 per cent, 10.7 per cent and 11.8 per cent respectively. See Table 1.

Profit forecast	2002	2003	2004	2005
<i>Property holdings</i>				
Average rentable floor space, 1,000 m ²	3,225	3,252	3,282	3,361
Property values, SEK m	23,778	24,658	25,718	27,204
Net investments, SEK m	1,743	2,082	2,025	1,575
<i>Key figures</i>				
Rent level, fully rented plus supplement, SEK/m ²	1,337	1,371	1,391	1,431
Net operating income, SEK m	2,539	2,427	2,690	3,124
Net operating income, SEK/m ²	787	746	820	930
Direct yield, %	10.9	9.9	10.7	11.8
<i>Key financial figures</i>				
Operating profit, SEK m	1,604	1,498	1,652	2,017
Pre-tax profit, SEK m	687	578	663	1,001
Equity ratio, %	26.1	26.3	26.3	27.5
Return on equity, %	6.9	5.6	6.3	9.1
Return on total capital, %	6.0	5.6	5.9	7.0
Dividend, SEK m	245*	270	205	135
Internal financing level, %	85	64	72	115
Interest coverage level, %	171	160	164	194
<i>Sensitivity analysis, SEK m</i>				
Interest +/- 1 percentage unit	165	170	180	185
Operating costs +/- 10%	68	74	77	80
Maintenance costs +/- 10%	67	82	69	52
Rent +/- 5%	210	216	223	236

TABLE 1

Note: The forecast for 2005 has not taken into account forthcoming changes in accounting principles.

* According to the Board's proposal at the Annual General Meeting on April 11, 2003.

Sensitivity and risk analysis

Property company operations are long-term operations and the possibility of affecting the profit is therefore limited in the short term. The following is a presentation of the most important economic factors regarding future development.

Rental income

Rental income is assured through extremely long leases even by industry standards. The majority of the Akademiska Hus leases have long terms linked to inflation, which means that changes other than inflation only have an impact in conjunction with renegotiations.

The average term for new leases at Akademiska Hus is ten years and as of the year-end the average remaining lease term was 6.6 years. For larger, more complex specialist buildings for laboratory and research activities, leases are normally signed with terms of ten years or more. Graph 4 on page 13 shows when, as of the year-end, the contracted leases run out.

Within the Group's subsidiaries the lease renewal structures is followed annually with the aim of achieving an even spread of lease renewal dates. A change in the rental income of one per cent affects the Group's pre-tax profit to the amount of SEK 42 million.

Akademiska Hus has a stable customer base, which to over 90 per cent is in the form of state-owned bodies.

Vacant space

Vacant space within the Group is by industry standards very low, 1.8 per cent, which, calculated at an economic level of vacant space, is equivalent to 1.1 per cent. The reason for the difference can be found in the fact that it is mainly buildings of a simpler nature with a lower rental value that are vacant. The economic level of vacant space is SEK 45 million. A change in the economic level of vacant space of one per cent is equivalent to a change in pre-tax profit of SEK 40 million. The Akademiska Hus property holdings, which are mainly concentrated in large university and college locations, are assessed to have a very low vacant space risk. In an operational follow-up, the follow-up of vacant space is assigned high priority. Special plans have been drawn up for all vacant space and these are reported to the board of each subsidiary.

Operating costs

Energy, fuel and water costs amount to around 65 per cent of the total operating costs and, at least in the short term, are considered to be a fixed cost as the buildings need to be heated even if they are vacant.

The Group is working actively on energy-saving measures. A change in operating costs of one per cent would have an impact on profit of SEK 7 million. Akademiska Hus has a relatively low

exposure to increases in operating costs as supplements for increased energy, fuel and water costs are in many cases passed on to the tenant. The cost of electricity is also to a large extent price-assured. As of the year-end, approximately 80 per cent of estimated use during 2003 was price-assured.

Maintenance costs

Maintenance costs, i.e. costs to reinstate worn or damaged parts of buildings to the original standard and function are, compared with the operating costs, to a greater extent floating and can be reduced to meet a fall in profit or vacant space. A change in the maintenance costs of one per cent has an impact on profit of SEK 7 million. For a number of years the Group has focused on extensive maintenance measures to achieve a high maintenance status of the property holdings and could, if necessary, reduce maintenance levels temporarily.

Investments

Investments, i.e. value-enhancing measures, are only carried out if there is a calculation and a lease with a tenant which justifies, on business terms, the investment being made.

Financial costs

Akademiska Hus's interest-bearing loans at the year-end totalled SEK 17,390 million. Interest expenses for the Group are the largest individual cost item and for the year amount to SEK 916.6 million net. To control the Group's finance operations there is a finance policy laid down by the board. The financing work is presented in more detail on page 44.

The fixed interest period at the year-end was 3.4 years and fluctuations in the interest cost will thus not have full impact immediately. In the calculation in Table 1 this fixing of interest has not been taken into account.

Sensitivity analysis – summary

Table 1 shows how the Group's pre-tax profit would be affected in the event of changes in a number of key factors. The effect is the effect on an annual basis after full impact. The calculation does not take into account the fixing of interest.

Sensitivity analysis

Change of one per cent	Impact on pre-tax profit (SEK m)
Rental income	42
Vacant space, one percentage unit	40
Operating costs	7
Maintenance costs	7
Interest expense, one percentage unit	165

TABLE 1

Five-year summary

	2002	2001	2000	1999	1998
<i>Income statement, SEK m</i>					
Management income	4,240	3,976	3,654	3,407	3,198
Operating costs	677	638	608	569	552
Maintenance costs	775	658	598	634	499
Property administration	195	167	—	—	—
Net operating income	2,539	2,462	2,393	2,157	2,100
Depreciation and write-downs	993	822	686	608	599
Central administration costs	24	23	159	142	141
Net financial income	-917	-864	-773	-653	-661
Profit before tax	687	787	786	762	698
<i>Balance sheet, SEK m</i>					
Managed properties	23,778	22,625	20,750	18,572	16,826
New construction in progress	1,251	1,594	1,490	2,476	1,636
Other assets	2,708	2,940	1,944	2,482	1,546
Equity	7,248	7,024	6,529	6,546	6,403
Interest-bearing liabilities	17,390	17,267	15,024	14,595	11,418
Other liabilities and provisions	3,099	2,868	2,631	2,389	2,187
<i>Cash flow, SEK m</i>					
Cash flow from current operations	1,575	1,522	1,487	1,230	1,253
Investments	-1,766	-2,780	-1,890	-3,196	-1,885
Cash flow before financing	-191	-1,257	-403	-1,966	-632
Cash flow from financing	-147	2,043	-171	2,777	1,477
Cash flow for the year	-339	786	-574	811	845
<i>Property-related key figures</i>					
Direct yield, %	10.9	11.4	11.4	11.4	11.9
Rental income per m ²	1,302	1,255	1,187	1,164	1,132
Maintenance costs per m ²	210	205	200	196	197
Operating costs per m ² (including tenant adaptations)	240	210	196	218	178
Net operating income in relation to administration income, %	60	62	65	63	66
Net operating income per m ²	787	784	786	743	750
Level of vacant space, area	1.8	1.6	1.2	1.2	1.0
Level of vacant space, rent	1.0	0.7	0.5	0.6	0.5
Book value, properties	23,778	22,625	20,750	18,572	16,826
Market value, properties	36,475	—	—	—	—
<i>Financial key figures</i>					
Return on equity after standard tax*	6.9	8.4	8.6	8.5	8.0
Return on total capital	6.0	6.7	6.6	6.6	7.2
Net liability	15,779	15,318	13,860	12,859	10,491
Equity ratio	26.1	25.9	27.4	27.8	32.0
Internal financing level	84.6	53.2	72.6	38.5	59.3
Interest coverage level	171	185	198	212	204
Interest cost in relation to fixed interest liability's average capital, %	5.55	5.60	5.40	5.30	6.20
<i>Tenants and personnel</i>					
Satisfied Customer Index (NKI)**	63	62	63		
Average number of employees	427	411	390	388	350
Satisfied Employee Index (NMI)***	63	61			

* The owner's yield requirements are that the yield on adjusted equity should be equivalent to the five-year government bond interest rate plus 2.5 percentage units viewed over a business cycle. The average interest rate of the five-year government bond interest rate during the year was 5.0 per cent. As of December 31, 2001 it was 5.2 per cent.

** A new method of measuring non-financial key figures has been employed since 2000.

*** A new method of measuring non-financial key figures has been employed since 2001.

Miscellaneous

Apart from economic and financial objectives, Akademiska Hus works with targets for, among other things, customers and employees. In 2000 the Group changed the method for reporting the ratings given by tenants and employees. Under the old method the rating was stated as a proportion of those who had awarded grades five and four on the questionnaire's five-point scale. With the new method an average is reported on a scale of 1 to 100. The Satisfied Customer Index (NKI) is the tenant's total rating of Akademiska

Hus based on questions regarding an ideal landlord, expectations and the overall rating. From 2001, a measurement is made in the form of an NMI (Satisfied Employee Index) of the employees' level of satisfaction with their working situation. The most important factors behind the NMI are confidence in managers and colleagues (employer role) as well as an evaluation of the duties. The Group measurement of non-financial key figures was previously carried out every second year. From 2000 the aim is that these measurements should take place each year.



Financing

Financial risk management

In its capacity as a net borrower, Akademiska Hus is exposed to financial risks, particularly interest rate risks and re-financing risks. The risk approach adopted by the Group is defined in a finance policy laid down by the board. The Group's financial management is centralised at the Parent Company's Treasury department, which leads to economies of scale in conjunction with financing and risk management.

Interest risk

Interest expense is the single largest cost item for the properties. Interest risk management in the form of a choice of a fixed interest period in the liability portfolio is consequently one of the most important tasks of the Treasury department. The board has therefore decided to assign liability portfolio management a special risk mandate, expressed as a spread of an interest-bearing liability's average fixed interest period, interest derivatives included. The spread is at present two to four years. The average fixed interest period is a measurement of the sensitivity in net interest income and expense in conjunction with a change in the market interest rates. The Group uses derivatives as a means of adjusting the fixed interest period in conjunction with given underlying maturity. The point of departure, however, is that these instruments should be used mainly when the desired fixed interest period is difficult to achieve within the balance sheet or can only be achieved at a considerable additional cost.

Graph 1 shows the selected fixed interest period and the fixed interest rate mandate decided by the board on each occasion.

Certain leases include, apart from the customary inflation indexing of the rent, a link to interest rate changes, measured as the government borrowing rate or subsidy interest rate. A check on the interest rates and new calculation of the rent takes place every five years. This type of

lease requires the interest risk in the lease to be balanced against the interest risk in the liability portfolio. These contracts thus need to be handled separately and are not included in the fixed interest mandate. This part of the liability portfolio was approximately SEK 2,000 million at the year-end. As diversification of the Group's financing, bonds with a real interest rate construction were issued. These bonds are directed partly at other investor categories and make it possible for the Group not to be exposed exclusively to changes in nominal interest rates. Net exposure in real interest at the turn of the year amounted to approximately SEK 700 million and was handled in a separate portfolio outside the fixed interest mandate. The Group's outstanding liability also varies according to a seasonal pattern as rent of approximately SEK 1,250 million (including VAT) is received every quarter. To avoid this variation affecting the fixed interest rate period with the same periodicity, the part of the liability portfolio that is equivalent to the maximum forthcoming quarter's rent is also handled in a separate portfolio and is excluded from the fixed interest mandate.

Refinancing risk

When loans fall due there is always a refinancing risk, i.e. a risk that the cost is higher and that the financing opportunities are limited when the loans that fall due are to be renewed. The aim is to limit the effects of such a market situation. This is achieved partly through an appropriate balance between short-term and long-term financing and endeavouring to achieve diversification between different financing sources and markets. Unutilised credit facilities should also be in place to a sufficient extent to guarantee good payment capacity.

Credit risk and counter-party risk

The Group is also exposed to certain credit risks and counter-party risks. A section in the finance policy defines the Group's view of these risks. A limit structure based on the counter-party's rating and the term of the exposure has been established. A credit risk arises when temporary surplus liquidity is placed in financial assets. As the Group is in the long term a net borrower, periods of surplus liquidity are more of a temporary nature. Investments should therefore be characterised by good liquidity in the secondary market and be in accordance with the limit structure that has been laid down. A counter-party risk arises when the Group uses derivatives, i.e. the risk that the counter-party does not fulfil its undertaking according to the contract. The Group's policy is that a so-called ISDA agreement should always be signed between the parties before derivative transactions take

GRAPH 1

Fixed interest period and fixed interest mandate

Fixed interest period, years



place. The agreements are drawn up in accordance with an international standard and the aim is that if any of the parties fails to meet its undertakings all transactions are market valued and net calculated. The agreements also govern how outstanding transactions should be concluded. With the aim of reducing exposure to counter-party risks in derivative contracts, the Parent Company has entered into a number of supplementary agreements, Credit Support Annex (CSA), to the ISDA agreements. These mean that the parties mutually undertake to post collateral in the form of liquid funds or bonds for underlying values in outstanding derivative contracts. Table 1 shows the Group's exposure to counter-parties in different rating groups and the long-term commitment. At the turn of the year the Group had received collateral through CSA agreements totalling SEK 804 million. This collateral increased the Group's gross liability at the same time that it was included in the Group's liquidity surplus at the year-end. The Group had in turn provided collateral to clearing houses totalling SEK 37 million.

Currency risk

The Group only owns properties in Sweden and should therefore not be exposed to any currency risk in conjunction with financing. When financing takes place in foreign currency all payment flows are hedged.

Back-office

Control, analysis, reporting and follow-up of limits and the finance policy risk mandate are handled by the Accounting

Counter-party risks, SEK m

Counter-party	Term				CSA
	1-180 d	181-360 d	1-6 years	6-10 years	
<i>Institutes with a long rating</i>					
AAA/Aaa	—	—	—	—	—
AA+/Aa1	31	34	34	—	—
AA/Aa2	—	—	—	—	—
AA-/Aa3	-279	-265	-218	43	-38
A+/A1	748	783	777	19	-652
A/A2	1,022	81	81	12	-114
<i>Institutes with only a short rating</i>					
K1	—	—	—	—	—
Clearing house	-21	—	—	—	37
Total	1,501	633	674	74	-767

TABLE 1

Positive value = group receivable

Negative value = group liability

Facilities and rating, million

	Framework 31-12-2002	Utilised nom. 31-12-2002	Rating Standard & Poor's
Bank	SEK 4,600	—	
Syndicated credit	SEK 1,350	—	
Commercial paper	SEK 4,000	SEK 90	A1+/K1
ECP*	USD 600	SEK 571	A1+
MTN**	SEK 8,000	SEK 2,887	AA
EMTN***	USD 1,500	SEK 10,857	AA/A1+

TABLE 2

* Euro Commercial Paper

** Medium Term Note

*** Euro Medium Term Note

department back office. Organisationally, this unit is separate from, and independent of, the Treasury department.

Group financing

The Group is now well established on the public market with short-term and long-term financing programmes, both Swedish and international.

In recent years the Swiss market in particular has been very attractive to the Group and this was also the case during 2002. Of a total equivalent of around SEK 2,570 million issued under the long-term programmes during the year, approximately SEK 1,870 million came from the Swiss market (CHF 300 million).

The Swedish MTN programme has been used sparingly in recent years. During the past year, however, the relative pricing of Akademiska Hus as a borrower has generally improved and this applies in particular to the loans issued in Swedish kronor. The potential was thus presented once again to issue krona bonds and during the year SEK 600 million was issued within the framework of the programme.

Of the short-term financing programmes, the ECP programme has dominated and during the year the equivalent of approximately SEK 1,700 million was issued. The programme has been given the Standard & Poor's highest international short rating. As the ECP market is strongly rating-dependent, the Group's good rating has contributed to advantageous pricing relative to the domestic commercial paper programme.

At the turn of the year bank facilities granted totalled SEK 4,600 million, of which SEK 2,100 million was unconfirmed.

Financing costs and fixed interest

Financing costs.

Net interest income and expense totalled SEK -917 million (-864). The average capital in the liability portfolio increased to SEK 16,454 million (15,457). Financing costs totalled 5.55 per cent (5.60), measured as interest cost in relation to the average capital sum of liabilities. As of December 31, 2002, the average rate of interest on outstanding interest-bearing liabilities was 4.78 per cent, excluding interest derivatives, and 5.64 per cent including interest derivatives. See Table 4.

The Group has a principle that all financial results from realised derivative transactions, repurchase of bonds and early repayment of loans should be allocated to specific periods over the remaining term of each instrument. The

Interest-bearing liabilities, SEK m

	31-12-2002	31-12-2001	31-12-2000
Bank financing	—	—	—
Commercial paper	89	261	987
ECP	558	3,702	4,727
Bonds + MTN	2,920	2,819	4,048
EMTN	10,957	8,601	3,380
Other	2,062	1,878	1,882
Total	16,586	17,261	15,024

TABLE 3

financing cost of the Group's new construction in progress is charged in full to each year's net interest income and expense. See notes, with accounting and valuation principles, page 63.

Graph 2 shows how the financing cost has changed over the past five years and the five-year swap interest trend as a comparison.

Fixed interest

During the first half of the year there was a fixed interest period of between 2.3 and 2.7 years. At the end of the summer, interest rates in the USA had been forced down to historically low levels. The positive signs in the economy that appeared at the time were interpreted as the recession bottoming out. Yield curves during the interest rate downturn had become increasingly flatter and there was a risk of a rise in interest rates in combination with steeper yield curves. Despite this, the figures at the beginning of the autumn showed that the turnaround in the economy had not materialised to the extent the market had hoped. Stock market recovery during the autumn, however, can be seen as a sign that the interest rate cuts that were made were expect-

ed to produce an effect. During the second half of the year, when confirmation of the turnaround in the economy was expected, the fixed interest period varied between 3.2 and 3.6 years. Towards the end of the year the central banks once again reduced the short-term interest rates to promote a long-term upturn in the economy.

The fixed interest period at the year-end was 3.4 years (2.3) including interest derivatives. During the year the average was 3.0 years (2.4). The maturity fell to 3.9 years (4.3).

The Group's liquid assets totalled SEK 1,611 million at the end of 2002.

Analysis of the liability portfolio

Table 4 shows the remaining liability portfolio on a half-yearly basis, including fixed interest expense. The liability portfolio's parts in the form of loans and interest derivatives are reported. For instruments with a term in excess of one year, annualised rates are noted and for the others simple annual interest. For loans with a floating rate of interest this is only known for the current interest period. The rate of interest for future periods is fixed on forthcoming interest-fixing dates. In those cases where bonds and long-term financing in foreign currency have been converted into loans in Swedish kronor with a floating interest rate, as well as real interest bonds issued, these are reported under "Other long-term liabilities, floating interest". The "Interest swaps, fixed interest and period allocations" item not only includes interest swaps at a fixed rate of interest but also period-allocated results of interest derivatives and outstanding, valued futures and FRA contracts at the year-end.

The table below shows that the financing cost of outstanding interest-bearing liabilities at the year-end, including interest derivatives, was 5.64 per cent.

GRAPH 2

Interest rate trend and financing cost



Interest-bearing liabilities at half-yearly intervals and the average rates of interest

Date	Bonds, fixed interest, SEK m	Interest, %	Other long-term liabilities, floating interest SEK m	Interest, %	ECP and commercial paper SEK m	Interest, %	Total within the balance sheet SEK m	Interest, %	Interest swaps, fixed interest and specific period allocations SEK m	Interest, %	Interest swaps, fixed interest SEK m	Interest, %	TOTAL SEK m	Interest, %
31.12.02	1,947	7.18	14,003	4.46	636	4.38	16,586	4.78	8,450	5.40	-8,450	-4.18	16,586	5.64
30.06.03	1,550	6.87	13,799		553	4.29	15,902		8,450	5.40			15,902	
31.12.03	1,550	6.87	13,174				14,724		8,180	5.41			14,724	
30.06.04	1,550	6.87	12,858				14,408		7,830	5.43			14,408	
31.12.04	1,432	6.74	11,610				13,042		7,200	5.49			13,042	
30.06.05	1,033	6.44	10,335				11,368		6,450	5.57			11,368	
31.12.05	983	6.52	9,865				10,848		6,350	5.57			10,848	
30.06.06	396	5.30	6,968				7,364		6,350	5.57			7,363	
31.12.06	396	5.30	6,964				7,360		6,050	5.55			7,360	
30.06.07	396	5.30	6,962				7,358		3,200	5.48			7,358	
31.12.07	73	5.72	6,960				7,033		1,900	5.51			7,033	
30.06.08			5,458				5,458		1,400	5.57			5,458	
31.12.08			4,089				4,089		1,000	5.41			4,089	
30.06.09			1,837				1,837						1,837	
31.12.09			1,835				1,835						1,835	
30.06.10			763				763						763	
31.12.10			488				488						488	

TABLE 4



Environmental work

Extensive environmental work took place within the Akademiska Hus Group during 2002. A number of projects have been run and those that were completed include the PCB clearance programme, which has now been implemented throughout all our property holdings. The design of an environmental management system according to the ISO standard and associated routines and other aids has commenced and certain parts have been completed. The aim is that this system will be implemented at the companies during 2003. Many collaboration projects, mainly with tenants as partners, have been run where the focus is on environmental care in new construction projects, waste handling etc. During 2002, the companies in Göteborg and Lund chose to award diplomas for their environmental work according to the City of Göteborg environmental diploma model.

Energy issues during 2002 have, as in previous years, been a top environmental priority for the Akademiska Hus Group and energy efficiency and savings objectives have been included in the companies' business plans. Certain energy objectives have been linked to an incentive programme for Akademiska Hus personnel, which has further contributed to the achievement of these objectives.

The main theme in this environmental report is energy. The report describes how energy issues are analysed, how objectives formulated and handled in management and building projects and how energy use is finally followed up and reported.

Virtually all energy that is used within Akademiska Hus is bought ready for use in the form of electricity, heating and cooling from external suppliers. Our own transformation of oil, biomass and so on to heat energy only takes place to a limited extent. There are exceptions, including Chalmers in Göteborg, where there is a large, advanced boiler system in operation, mainly for research purposes. There are also some smaller, oil-fired boilers at places where district heating is not available.

As the transformation from one energy form to another (e.g. from wood chips into heating and cooling) almost always entails emissions into the environment of undesired and in certain cases harmful substances, we are looking for new, preferably local, ways of providing energy which overall generate fewer pollutant emissions into the environment. During the year, a system in Lund was tested and followed up where the energy storage capacity of the ground was used together with a "cooling-heating pump". The system extracts heat from the ground during the cold period whilst heat is stored (cools the building) during the warm period. The heating and cooling requirements of the building can thus be satisfied using only small amounts of purchased energy in the form of electricity.

Akademiska Hus has followed up energy requirements relatively well over the years. Unfortunately, the results from year to year and between different facilities are not always comparable as both the activities in the buildings and the climate differ from one period to another. This means that a facility that shows high energy use figures, both in total and in relative terms, could still

be more energy efficient depending on the nature of the operations and the period of use.

One question which sometimes arises with regard to energy issues is which party has the greatest potential to influence energy requirements or which party benefits most from a particular energy-saving measure; the landlord or the user (tenant). The answer is often both parties. It is important that relevant measures are implemented to promote profitable and appropriate efficiency-enhancing projects. The improvement of energy efficiency could be a question of simple measures taken in day-to-day operations as well as innovative installation solutions of a simpler or more complicated nature.

The latter can be exemplified by a modern lighting system, which could provide sufficient quality light even at the 7W/square metre level compared with another type, which achieves the same quality of light at 11 W/square metre. On an annual basis this would mean, assuming 3,000 hours of use, that the system with the lower output requirement uses 21 kWh/square metre/year whilst the facility with the higher output requirement would need 33 kWh/square metre/year. The difference could appear to be marginal but is in fact considerable if a large volume of floor space is involved.

When planning heating and cooling facilities for our buildings the starting point is often a duration graph, see Figure 1, where the normal outdoor temperature throughout the year is reported on an hourly basis.

Ground storage technology for the Department of Astronomy, Lund University

There was a desire on the part of both the tenant and Akademiska Hus to give the Astronomy Project a clear environmental profile from an energy point of view. The aim was to design a cooling-heating pump system with a capacity of 120 kW heating and 120 kW cooling. The facility for ground storage technology that was brought into use comprises in principle a cooling-heating pump which gathers energy in the form of heating or cooling from a number of deep holes drilled in the ground which are linked to the building's heating and cooling system. When necessary, for servicing and repair for example, the district heating network capacity can be used. Apart from an addition of only 25 per cent purchased energy the facility now provides the equivalent of the whole building's energy requirements for heating, cooling and hot water. The operating disruptions have been few and were due to adjustment and other minor technical problems. The project has been so successful that Akademiska Hus is now planning further facilities of this type at other locations.



STOCKHOLM SCHOOL OF BUSINESS

New lighting facility for the Arrhenius Laboratory, Stockholm University (covers approximately 17,000 square metres of floor space)

The project has involved creating an efficient lighting system equipped with modern control technology aimed at achieving low energy consumption. The lighting system is fitted with an advanced bus system (DALI) for the control of light strength based on presence. The system is switched on manually and switched off automatically. The extinguishing function has certain special features, which mean that the light is not switched off completely when someone temporarily leaves the room but is simply turned down and later switched off if no one returns to the room after a certain period of time. This extinguishing function is important to extend the life span of the fluorescent tubes and the HF devices. The aim was to improve the lighting quality and at the same time create a more energy-efficient system in conjunction with the replacement of the lighting system from 1972. The new lighting system meets the increased quality requirements and from an energy point of view has theoretically reduced the need for energy by approximately 50 per cent. More accurate measurements will be made during 2003 to determine more exactly the savings that have been made.

KEY building, Linköping University (7,386 square metres of floor space or 10,671 square metres of gross floor space)

The aim of the project has been to develop a method for designing energy-efficient buildings from a holistic point of view. The project has been part of the EU Thermi programme and in 1995 it was selected to develop a method for the design of energy efficient premises. Specific objectives have been established for air quality, noise, light output and daylight factor (relationship between intensity, lux, of diffuse outdoor light against a vertical surface indoors and a vertical surface outdoors). The daylight factor meant that the building has been fitted with several window sections, which allow a great deal of daylight to enter, leading to a greater heating surplus in the buildings. Apart from having an energy-efficient building, the aim was to also verify that the simulation tools used in the design of the building meet the quality stipulations that were laid down. After being in operation for around two years the measurement results show that the building's energy requirement is approximately 40 kW/square metre/year and the heating requirement approximately 95 kW/square metre/year. These figures indicate, in comparison with other buildings in the area, that the KEY building is an energy-efficient building, particularly with regard to electricity requirements, and it can be deemed to have satisfied the objectives laid down when the project was started.

Environmental work

By entering the desired room temperature and balance temperature in conjunction with a constant room temperature it is possible to produce the dimensioned heating and cooling requirements. Further modelling can take place, such as the addition of heat recycling, and in doing so calculate both the reduced heating and cooling requirements. It is important that energy-efficient facilities are installed which, apart from fulfilling the envisaged function, provide good operating economy in both the short term and the long term.

The Akademiska Hus planning guidelines include a number of energy efficiency target figures.

Through periodic follow-up of energy use on the building level, sometimes for even smaller units, we follow up and continuously

make the adjustments necessary to achieve the objectives that have been set. In the follow-up of energy use, Akademiska Hus distinguishes between heating and electrical energy. Experience shows that after implementing an energy efficiency project we often see that the heating requirements fall more quickly than electricity requirements.

Table 1 and Figure 2 shows the energy use for the different Akademiska Hus subsidiaries for 2002.

The total energy requirements at Akademiska Hus for 2002 fell in relation to the year before.

Energy use is reported on an ongoing basis for tenants in the tenant dialogue.

Duration graph

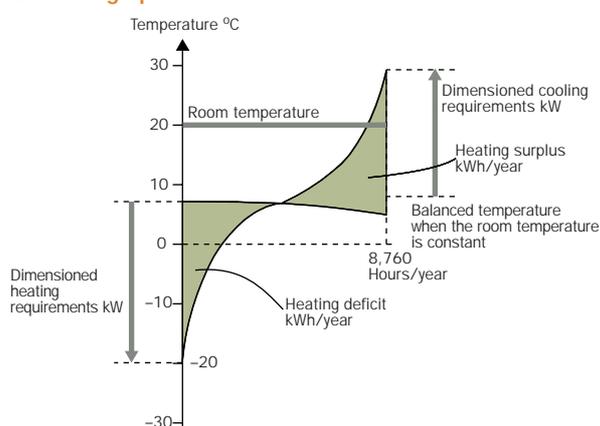


FIGURE 1

Energy use 2002

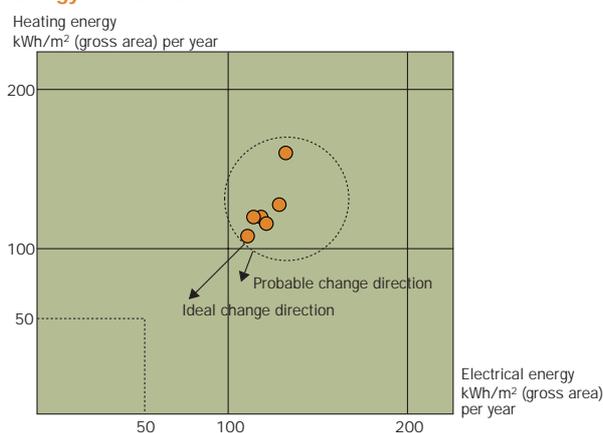


FIGURE 2

Energy and water use

	Electricity			Electricity			Heating			Heating			Water		
	KWh/m²/year LOA(TV)			KWh/m²/year BTA(TV)			KWh/m²/year LOA(TV)			KWh/m²/year BTA(TV)			KWh/m² BTA(TV)		
	-00	-01	-02	-00	-01	-02	-00	-01	-02	-00	-01	-02	-00	-01	-02
Akademiska Hus i Lund AB	153	162	138	123	131	111	166	159	149	134	129	120	466	439	364
Akademiska Hus i Göteborg AB	140	145	144	109	112	111	146	139	144	114	108	101	486	556	521
Akademiska Hus i Linköping AB	139	139	137	114	114	110	137	134	128	112	110	103	558	447	535
Akademiska Hus i Uppsala AB	178	178	176	134	136	134	204	218	218	154	167	162	592	577	588
Akademiska Hus i Stockholm AB	157	140	130	121	116	108	158	143	143	122	119	119	652	643	546
Akademiska Hus i Norr AB	126	132	135	103	106	108	139	139	133	112	110	106	455	465	419
Total	149	152	143	115	119	114	159	159	151	123	125	121	540	541	506

TABLE 1

PCB clearance

During the year, the group PCB project, which commenced three years ago, was completed. The project included an inventory, an analysis, finding suitable forms of clearance and then clearing joints with a PCB-content higher than 500 ppm.

A number of PCB joints remain that have still not been cleared. The reason for this is that these joints are indoors, applied where leaching takes place very slowly and where they are not considered to constitute any immediate risk to human

health. Akademiska Hus, together with the tenants and the local authorities through a dispensation process, have agreed that these joints will be co-ordinated with other redevelopment or maintenance work to minimise operational disruptions for the tenant.

Within the project, just under 70,000 metres of joints with a PCB-content higher than 500 ppm have been identified and cleared.



Organisation and employees

Organisation

The Group comprises a parent company and seven wholly-owned subsidiaries. Akademiska Hus operations are organised in such a way that six local subsidiaries own and manage the properties. The companies are built up in the form of efficient management organisations and are located in Umeå, Uppsala, Stockholm, Linköping, Göteborg and Lund. The local presence promotes close relationships with the tenants and good knowledge of both the tenants' work and the properties.

The seventh subsidiary, Akademiska Hus Utveckling och Support AB, works with Group development and support functions, mainly within the planning of premises, construction, management, energy efficiency, IT and personnel. The Parent Company is responsible for Group management, Group accounting, controlling and financing.

To capitalise on the knowledge and expertise, and to increase the exchange of experience within the Group, there are five common fora with representation from all companies in the Group. At present, the President/executive management, building management, projects, environment and accounting/human resources units each have a forum. The aim of the groups, apart from increasing the exchange of experience, is to produce proposals for dealing with Group matters and development within each area. The groups meet three to six times a year.

In addition to these fora there are Group specialist meetings where everyone who works within the same function in the Group is given the opportunity to exchange experience a number of times a year. Examples include property managers, project managers, installation workers, IT co-ordinators and personnel administrators.

Employee questionnaire

The satisfaction of the employees with their working situation and Akademiska Hus as an employer is measured annually in the form of a questionnaire. The results are reported on the company/unit level as an NMI (Satisfied Employee Index) on a 100-point scale, where a score of 70–80 is good and over 80 excellent. The most important factors behind the NMI are duties, employer and immediate superior.

This year's questionnaire showed an improvement compared with the preceding year. The score for job satisfaction rose from 83 to 85 and the score for the question about recommending a position at Akademiska Hus rose from 72 to 77.

Staff turnover continued to be relatively low and fell from 6 per cent in 2001 to 5 per cent in 2002.

Equality

At the year-end, Akademiska Hus had 430 employees, of whom 23 per cent were women. There is a conscious endeavour to achieve a better gender balance, both in positions within the organisation and within the management groups and Group fora. In the more operative positions the property industry is still very

male-dominated, although Akademiska Hus has increased the number of female operating engineers from two to five and female property managers from six to nine during the past year. See Graphs 2 and 3.

Education

As part of the Group's focus on reinforcing customer orientation in its work and strengthening the brand name, Akademiska Hus is running Group seminars for management groups, property managers and property administrators. The subsidiaries have also run, or are planning to run, courses in customer care and seminars dealing with the attitude of personnel in their dealings with customers.

Ten employees from Akademiska Hus have taken a university course in environmental matters related to property management. The academic foundation course and advanced course include environmental management, environmental audits, environmental issues related to property management, environmental implications for products and waste/sewage.

Nine managers within the Group are attending a two-year leadership development programme, the overall aim of which is to provide an in-depth, more varied level of self-awareness and will result in a plan for the individual manager's leadership to bring about increased customer and employee benefit and profitability.

The training cost per employee in the Group was around SEK 20,000.

Reward system

Akademiska Hus has an incentive programme, "Target", which is aimed at improving operating efficiency and customer benefit. The incentive programme, which is a three-year trial programme running from 2001 to 2003, means that all permanent employees receive an incentive supplement if the operating objectives are achieved within the Group/company/unit. The target areas that are measured are linked to profitability, the NKI (Satisfied Customer Index), customer benefit and energy savings.

Payment per employee and per year is maximised to one month's salary. The result during the year was on average 75 per cent of the monthly salary.

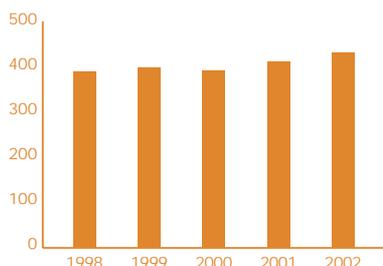
Extract from the employee questionnaire

	2002	2001
I support the company's objectives	85	83
I am generally very satisfied with my duties	76	75
Our company invests in staff training to develop the company's collective expertise	76	75
Our company gives me the opportunity to develop my expertise	74	73
I am generally very satisfied with my immediate superior	76	75
I have the authority to take action to solve problems that arise in my work	81	80

TABLE 1

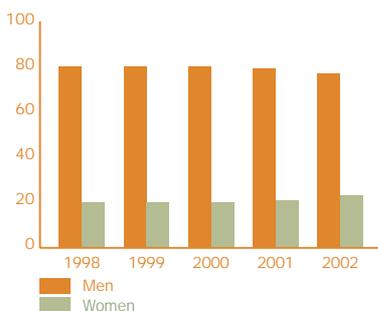
GRAPH 1

Average number of employees



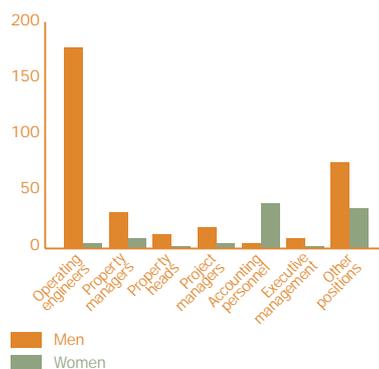
GRAPH 2

Gender distribution, %



GRAPH 3

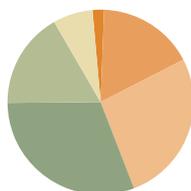
Breakdown of employees according to position and gender 2002



GRAPH 4

Age distribution

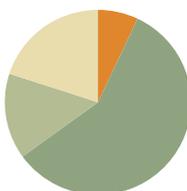
- Up to 25 years
- 26 to 35 years
- 36 to 45 years
- 46 to 55 years
- 56 to 60 years
- 61 and older



GRAPH 5

Education level

- Secondary school
- High school/vocational college
- Academic education, more than 20 university points
- Degree



The board's mission

The work of the board

The board is responsible for fulfilling the owner's assignment in accordance with the instructions stated in the adopted owner directive.

The board has adopted rules of procedure, which create the prerequisites for ensuring that the work of the board proceeds correctly and efficiently. At least five board meetings are planned each year and are held in conjunction with the company's reports:

<i>February</i>	Year-end report
<i>June</i>	Quarterly report, forecast, election of committees
<i>August</i>	Mid-year report
<i>October</i>	Quarterly report, forecast
<i>December</i>	Budget for the following year

Other matters dealt with during 2002 that are included the Group business plan are Group policy documents, rules of procedure for the board, capital structure and financing requirements, acquisitions and sales, development and new construction investments.

The board elects the following committees:

The Finance Committee, which is an advisory body for the President in financing issues, such as financing strategy, financial risk management etc.

The Remuneration Committee, which is a preparatory body for the board concerning matters of payment to persons in senior positions within the Group.

Policy documents

Akademiska Hus has laid down policy documents which have been adopted by the board as follows:

Business Plan for 2003–2005, Rent Policy, Management and Construction Policy, Finance Policy, Human Resources Policy, IT policy, Quality Policy, Environmental Policy, Architecture Policy, Equality Plan and Diversity Plan. The board has also adopted a Responsibility and Authority Allocation, which, among other things, means that all investments over SEK 50 million are decided by the board of the Parent Company.

At the Annual General Meeting on March 20, 2002, Annika Lundius and Jan S. Nilsson retired from the board and Claes Ljung was elected to the board.

Board



Back row, left to right: Sveinn Jonsson, Parzin Seradji, Lennart Nilsson, Christina Rogestam, Fritz Staffas and Claes Ljungh.
Front row, left to right: Sigbrit Franke, Veronika Rundkvist, Birgitta Kantola and Charlotte Axelsson.

Sveinn Jonsson

Born 1942. Employee representative (SEKO) since 2001. Operating engineer at Akademiska Hus i Lund AB.

Parzin Seradji

Born 1959. Employee representative (Ledarna) since 2001. Operating engineer at Akademiska Hus i Stockholm AB.

Lennart Nilsson

Born 1942. Chairman since 1995. Director. Chairman of the board of the Swedish Export Credits Guarantee Board. Chairman of the board of AP-fastigheter AB. Member of the board of Statistics Sweden. Member of the board of Simberg & Partners AB.

Christina Rogestam

Born 1943. Member since 1992. President of Akademiska Hus AB. Chairman of the National Museums of World Culture. Chairman of the area board IMER, Malmö University College. Chairman/member of seven subsidiaries of Akademiska Hus AB.

Fritz Staffas

Born 1933. Member since 1993. Director. Member of the board of the subsidiary Akademiska Hus i Stockholm AB. Chairman of the board of Sidec Technologies AB. Chairman of the board of Rosendals Bygg & Installations AB. Member of the board of Malå Geoscience Förvaltnings AB and its subsidiaries.

Claes Ljungh

Born 1950. Member since 2002. State Secretary, Ministry of Finance.

Sigbrit Franke

Born 1942. Member since 2001. University chancellor, Swedish National Agency for Higher Education. Chairman of the board of the Korsvägen Foundation, Göteborg. Chairman of the board of the Långmanska Culture Fund Foundation. Member of the board of MISTRA. Member of the board of the Sweden-America Foundation. Member of the board of Måltidsakademien.

Veronika Rundkvist

Born 1973. Member since 2001. Business analyst, SKF Nova AB.

Birgitta Kantola

Born 1948. Member since 1995. Deputy County Governor. Member of the board of Civitas Holding, Stockholm. Member of the board of Vasakronan AB, Stockholm. Member of the board of Fortum Abp, Helsinki. Member of the board of Kommunfinans Abp, Helsinki.

Charlotte Axelsson

Born 1948. Member since 1998. President of Svenska Bostäder AB. Member of the board of the National Swedish Property Board. Member of the board of Kista Science City. Member of the board of HBV Husbyggnadsvaror AB. Member of the board of Fastigo AB.

Executive Management and Auditors

Executive Committee



Back row, left to right: Christina Rogestam, Thomas Norell and Agneta Rodosi. Front row, left to right: Anders Rubensson and Gunnar Oders.

Christina Rogestam

Born 1943
President,
Akademiska Hus AB.

Thomas Norell

Born 1944
Vice President,
Akademiska Hus AB.

Agneta Rodosi

Born 1957
Treasurer,
Akademiska Hus AB.

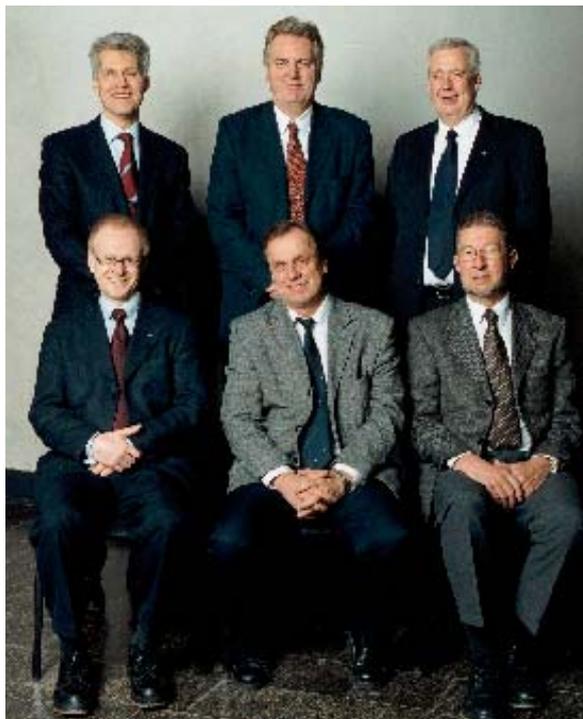
Anders Rubensson

Born 1951
President,
Akademiska Hus Utveckling
och Support AB.

Gunnar Oders

Born 1956
Head of Accounting and Finance,
Akademiska Hus AB.

Presidents of subsidiaries



Back row, left to right: Lennart Karlsson, Anders Rubensson and Sune Walter. Front row, left to right: Hans Antonsson, Lars Gustafsson and Bengt Erlandsson. Not pictured: Bo Karlsson

Lennart Karlsson

Born 1954
Akademiska Hus i Stockholm AB.

Sune Walter

Born 1943
Akademiska Hus i Lund AB.

Hans Antonsson

Born 1950
Akademiska Hus i Uppsala AB.

Lars Gustafsson

Born 1946
Akademiska Hus i Norr AB.

Bengt Erlandsson

Born 1946
Akademiska Hus i Linköping AB.

Bo Karlsson

Born 1942
Akademiska Hus i Göteborg AB.

Auditors



Staffan Nyström and Ulf Pettersson.

Staffan Nyström

Born 1949
Auditor since 1999.
National Audit Bureau
Authorised Public
Accountant.

Ulf Pettersson

Born 1952
Auditor since 1998.
KPMG
Authorised Public
Accountant.



Financial report

Definitions

Return on equity after standard tax

Earnings after financial income and expense with a deduction for full tax in relation to average equity.

Return on capital employed

Operating profit plus financial income in relation to average total assets.

Direct yield

Net operating profit in relation to the average book value of managed properties.

Operating expenses

Expenses for measures taken at an expected interval of more than once a year aimed at maintaining the function of a management object. Operating expenses are divided into energy and water supply and other operating expenses.

Property administration

Cost of management, day-to-day accounting administration, renting, contact with tenants, handling of registers, contracts and drawings, technical planning and follow-up and personnel administration.

Rental income

The basic rent, index-linked, and estimated rent for vacant rentable floor space and supplements, with a deduction for vacancies and rent reductions.

Floor space, sq. m.

Rentable floor space in square metres.

Net investments

Closing balance minus the opening balance for fixed assets plus depreciation and write-downs minus write-ups.

Net debt

Interest-bearing liabilities minus interest-bearing assets.

Interest coverage ratio

Operating profit plus financial income in relation to financial expense.

Internal financing

Cash flow from current operations before changes in working capital in relation to investments in fixed assets.

Equity ratio

Net equity in relation to total assets carried forward.

Maintenance costs

Costs for measures taken to reinstate worn or damaged parts of buildings to their original standard and function.

Renting level

Rented floor space in relation to the total rentable floor space.

Vacant space level

Vacant floor space as a proportion of the total rentable floor space.

Financial result summary

Group

Turnover and profit

The Group's turnover for 2002 was SEK 4,360.1 million (4,057.1). Of this amount, rental income accounted for SEK 4,198.6 million (3,939.3). Operating profit before net interest income and expense totalled SEK 1,603.6 million (1,651.3). Net interest income and expense totalled SEK -916.6 million (-864.3) and the pre-tax profit was SEK 687.0 million (787.0).

Property values

The book value of the property holdings, including construction in progress, totalled SEK 25,028.5 million at the year-end (24,219.0). The Group makes use of an internal valuation model, which forms the basis of the assessed market value. For Akademiska Hus this value is SEK 36,475 million. This valuation model has also formed the basis of the write-downs reported for 2002.

Investments

The Group's net investments in fixed assets were primarily in the form of new construction, redevelopment and property acquisitions and during 2002 this totalled SEK 1,767.0 million (2,781.7).

Cash flow

The Group's cash flow before investments totalled SEK 1,574.7 million (1,522.0). Investments totalled SEK 1,766.4 million (2,779.5), which generated a cash flow after investments of SEK -191.6 million (-1,257.5).

Environmental impact

Environmental impact caused by buildings and their operation is extremely moderate within the Akademiska Hus Group.

The greatest source of environmental impact, albeit indirect, is energy use for the running of buildings and tenants' operations. Energy use is reported separately in the Environmental Report.

Within the Group there are a number of facilities that either require a permit or which need to be reported to the supervisory authority. These facilities have been reported and permits have been applied for and secured from the supervisory authorities concerned. The facilities involved are:

- Two boilers for heating and electricity production on the Chalmers University of Technology campus in Göteborg.
- Two boilers for heating and electricity production at the Royal Institute of Technology in Stockholm. Not in operation.
- A number of heating pump facilities for extracting heat from bedrock, seawater and ground heating/cooling at, among other locations, Tjärnö outside Strömstad, Kristineberg in Lysekil, in Härnösand and at the mansion house at Chalmers University of Technology in Göteborg.
- Extraction of groundwater for cooling purposes in Umeå and at Åkroken, Sundsvall.
- Sewage facility at Kronlund, Vindeln and at Askö, Trosa.
- Ground storage for the Astronomy building in Lund.

The Group's dependence on facilities requiring permits and those carrying reporting obligations is of minor importance.

Parent Company

Turnover and profit

The Parent Company's income for 2002 was SEK 21.0 million (35.6). Operating profit before net interest income and expense totalled SEK -1.8 million (-9.6). Net interest income and expense was SEK 206.2 million, excluding dividends from subsidiaries totalling SEK 465.0 million. Net interest income and expense during the preceding year was SEK 195.8 million and dividends totalling SEK 445.0 million were received from subsidiaries. The pre-tax profit was SEK 619.6 million (584.7).

Proposed allocation of unappropriated earnings

According to the Consolidated Balance Sheet, the Group's non-restricted equity totalled SEK 1,519.2 million. No allocation to restricted reserves is proposed.

Available for allocation at the Annual General Meeting:

Profit brought forward	SEK 726,119,563
Profit for the year	SEK 576,416,622
Total	SEK 1,302,536,185

The Board and the President propose that the profit be allocated in such a way that SEK 245,000,000 is paid to the shareholder as a dividend and that SEK 1,057,536,185 is carried forward. For details of the financial results and the financial position in general, reference can be made to the following Income Statements, Balance Sheets and notes thereto.

Income Statements

Amounts in SEK 1,000	Note	Group		Parent Company	
		2002	2001	2002	2001
Rental income		4,198,610	3,939,292	—	—
Other property management income	1	41,141	37,122	—	—
		4,239,751	3,976,414	—	—
Operating costs		-677,250	-638,040	—	—
Maintenance costs		-774,541	-658,051	—	—
Property administration		-195,216	-167,097	—	—
Other property management expenses	2	-53,875	-51,479	—	—
		-1,700,882	-1,514,667	—	—
<i>Net operating profit</i>		2,538,869	2,461,747	—	—
Property management depreciation and write-downs	3	-992,742	-822,170	—	—
Gross profit		1,546,127	1,639,577	—	—
Central administration expenses		-24,014	-22,502	-22,788	-42,405
Other operating income	5	120,317	80,659	21,003	35,676
Other operating expenses	6	-38,770	-46,486	—	-2,924
Operating profit/loss	4,7,8	1,603,660	1,651,248	-1,785	-9,653
<i>Result from financial items</i>	9				
Result from shares in Group companies		—	—	465,000	445,000
Result from other securities and receivables reported as fixed assets		—	—	1,128,268	1,068,024
Other interest income and similar profit/loss items		53,458	61,463	52,297	60,475
Interest expense and similar profit/loss items		-970,020	-925,741	-974,354	-932,679
Profit after financial items		687,098	786,970	669,426	631,167
Appropriations	10	—	—	-49,834	-46,497
Profit before taxes		687,098	786,970	619,592	584,670
Taxes	11	-192,144	-220,150	-43,176	-39,057
Net profit for the year		494,954	566,820	576,416	545,613

Balance Sheets

Amounts in SEK 1,000	Note	Group		Parent Company	
		31-12-2002	31-12-2001	31-12-2002	31-12-2001
Assets					
Fixed assets					
<i>Intangible assets</i>					
Development expenses brought forward	12	3,105	—	—	—
<i>Tangible assets</i>					
Managed properties	13	23,777,664	22,625,302	—	—
Equipment and fittings	14	59,924	24,406	—	—
Construction in progress	15	1,250,800	1,593,676	—	—
		25,088,388	24,243,384	—	—
<i>Financial assets</i>					
Shares in Group companies	16	—	—	1,564,200	1,564,200
Receivables from Group companies	17	—	—	20,969,016	20,324,016
Other securities held as fixed assets	18	50	50	—	—
Deferred tax recoverable	19	171,780	139,977	—	—
Other long-term receivables	20	374	1,051	374	554
		172,204	141,078	22,533,590	21,888,770
Total fixed assets		25,263,697	24,384,462	22,533,590	21,888,770
Current assets					
<i>Current receivables</i>					
Rental income and accounts receivable		254,486	159,967	20	113
Receivables from Group companies		—	—	396	2,937
Prepaid tax		75,057	81,298	18,051	20,854
Other receivables		172,625	201,849	21,673	10,352
Prepaid expenses and accrued income	21	360,643	382,592	317,655	315,694
		862,811	825,706	357,795	349,950
Current investments	22	937,808	1,523,628	937,808	1,523,628
Cash and bank balances		672,784	425,595	672,009	425,050
Total current assets		2,473,403	2,774,929	1,967,612	2,298,628
Total assets		27,737,100	27,159,391	24,501,202	24,187,398

Amounts in SEK 1,000	Note	Group		Parent Company	
		31-12-2002	31-12-2001	31-12-2002	31-12-2001
Equity and liabilities					
Equity	23				
<i>Restricted equity</i>					
Share capital		2,135,000	2,135,000	2,135,000	2,135,000
Restricted reserves/Share premium reserve		3,594,393	3,340,559	2,134,950	2,134,950
		5,729,393	5,475,559	4,269,950	4,269,950
<i>Non-restricted equity</i>					
Profit brought forward		1,024,211	981,225	726,120	453,890
Profit for the year		494,954	566,820	576,416	545,613
		1,519,165	1,548,045	1,302,536	999,503
Total equity		7,248,558	7,023,604	5,572,486	5,269,453
Untaxed reserves	24	—	—	232,828	182,994
Provisions					
Provisions for pensions and similar commitments	25	158,310	148,828	74,472	75,825
Provisions for deferred tax		658,785	560,182	—	—
		817,095	709,010	74,472	75,825
Interest-bearing liabilities					
Loans	26	16,586,040	17,260,779	16,371,560	17,092,301
Liabilities to Group companies		—	—	952,290	1,149,085
Other interest-bearing liabilities	27	803,878	6,133	803,878	6,133
		17,389,918	17,266,912	18,127,728	18,247,519
Non-interest-bearing liabilities					
Accounts payable		291,611	300,097	1,437	4,113
Liabilities to Group companies		—	—	4,739	—
Income tax liabilities		12,811	14,623	—	—
Other liabilities		123,767	152,527	20,264	260
Accrued expenses and prepaid income	28	1,853,340	1,692,618	467,248	407,234
		2,281,529	2,159,865	493,688	411,607
Total liabilities	29	19,671,447	19,426,777	18,621,416	18,659,126
Total equity and liabilities		27,737,100	27,159,391	24,501,202	24,187,398
Pledged assets	30	38,445	9,325	38,445	9,325
Contingent liabilities	31	1,230	1,023	83,872	73,035

Cash Flow Statements

Amounts in SEK 1,000	Note	Group		Parent Company	
		2002	2001	2002	2001
Current operations					
Profit after financial income and expense	32	687,098	786,970	669,426	631,167
Adjustment for items not included in the cash flow etc.	33	928,407	803,458	-1,353	-5,753
		1,615,505	1,590,428	668,073	625,414
Group contribution granted		—	—	-4,699	—
Tax paid		-120,915	-110,408	-39,057	-47,395
Cash flow from current operations before changes in working capital		1,494,590	1,480,020	624,317	578,019
<i>Cash flow from changes in working capital</i>					
Increase (-)/decrease (+) in current receivables		-43,346	-76,599	-10,648	-4,146
Increase (+)/decrease (-) in non-interest-bearing liabilities		123,476	118,613	82,081	39,035
Cash flow from current operations		1,574,720	1,522,034	695,750	612,908
Investments					
Investments in managed properties		-1,882,842	-2,815,756	—	—
Sale of managed properties		139,432	49,991	—	—
Investments in shares in Group companies		—	—	—	-60,500
Sale of shares in Group companies		—	—	—	59,950
Investments in other fixed assets		-24,107	-16,152	—	—
Sale of other fixed assets		483	210	—	3,612
Increase (-)/decrease (+) in long-term receivables		677	2,188	-644,820	-1,889,344
Cash flow from investments		-1,766,357	-2,779,519	-644,820	-1,886,282
Financing					
Raising of interest-bearing loans, excluding refinancing		127,843	2,248,214	—	2,258,804
Amortisation of interest-bearing loans		-4,837	-4,838	-119,791	—
Dividend paid		-270,000	-200,000	-270,000	-200,000
Cash flow from financing		-146,994	2,043,376	-389,791	2,058,804
Cash flow for the year		-338,631	785,891	-338,861	785,430
Opening liquid funds		1,949,223	1,163,332	1,948,678	1,163,248
Closing liquid funds	34	1,610,592	1,949,223	1,609,817	1,948,678
		-338,631	785,891	-338,861	785,430

Notes, accounting and valuation principles

(Amounts in SEK 1,000 unless stated otherwise)

General accounting principles

The Annual Report has been prepared in accordance with the Swedish Annual Accounts Act. The company has complied with the recommendations and statements of the Swedish Financial Accounting Standards Council, apart from the reporting of leasing, where the Swedish Accounting Standards Board general advice 2000:4 BFNAR has been applied.

Sales costs have been reported in the Income Statement under 'Property administration expenses'. Sales costs in the Company's business operations are minor and these items have consequently been combined.

Valuation principles

Managed properties

Managed properties have been recorded at the acquisition value, reduced by depreciation according to plan. Construction under the management of the Company has been charged with direct and indirect costs, with the exception of interest expenses. Construction in progress has been valued in the same way.

Tax

The Company and the Group apply the Swedish Financial Accounting Standards Council's recommendation RR 9 Income taxes. The total tax comprises actual tax and deferred tax. Taxes are reported in the Income Statement with the exception of the underlying transaction, which is reported directly against equity, whereupon the associated tax effect is reported under equity. Actual tax (previously called Tax paid) is tax that is to be paid or received for the year in question. Also included is adjustment of actual tax attributable to earlier periods. Deferred tax is calculated according to the balance sheet method, using temporary differences between reported values and tax values of assets and liabilities as the starting point. The amounts are calculated on how the temporary differences are expected to be evened out and with the application of the tax rates and tax rules that have been decided or announced as of the year-end. Untaxed reserves are reported inclusive of any

deferred tax liability. Untaxed reserves in deductible temporary differences and deficit deductions are only reported to the extent it is likely that these will entail lower tax payments in the future.

Depreciation principles for fixed assets

Depreciation according to plan has been calculated on the original acquisition value, reduced by the estimated residual value, and depreciation takes place over the economic life of the asset. A write-down has been made where there has been a permanent fall in value.

Depreciation according to plan takes place using the following percentages: Intangible fixed assets 20 per cent; Land improvements 5 per cent; buildings 2.5 per cent; building equipment included in acquired properties 20 per cent; other building equipment 10 per cent; land equipment 20 per cent; computer equipment 33 per cent; equipment, fixtures and fittings 20 per cent.

Write-downs

The reported values of the Group's assets are checked at each year-end to examine whether there is any indication of write-down needs. If there is such an indication, the recoverable value of the asset is calculated as the higher of the beneficial value and the net sales value. A write-down is made if the recoverable value is lower than the reported value.

When calculating the beneficial value, future cash flows are discounted to a rate of interest before tax that it is envisaged will take into account the market's assessment of risk-free interest and the risk associated with the specific asset. For an asset that is not independent of other assets generating a cash flow, the recoverable value is calculated for the cash-generating unit to which the asset belongs.

A write-down is reversed if a change has taken place in the calculations used to determine the recoverable value. A reversal is only made to the extent the book value of the asset does not exceed the book value that would have been reported, with a deduction for depreciation, if no write-down had been made.

Notes

Loan costs

Loan costs are charged to profit for the period to which they are attributable, regardless of when the funds raised were used.

Leasing – lessees

The Swedish Accounting Standards Board general advice BFNAR 2000:4 regarding reporting of leasing agreements is applied. All leasing agreements are reported as operational in accordance with these rules.

Operational leasing means that the leasing charge is carried as an expense over the term of the agreement, distributed according to usage, which could differ from the leasing charge that was de facto paid during the year.

Provisions (apart from deferred tax)

A provision is reported in the balance sheet in accordance with RR 16 Provisions, contingent liabilities and contingent assets, when the company has a formal or informal undertaking as a result of an event that has occurred and where it is likely that an outflow of resources is required to settle the undertaking and a reliable estimate of the amount can be made.

Receivables

Receivables are recorded at the amounts at which they are expected to be paid.

Liabilities and financial instruments

Liabilities are recorded at the nominal value, with the exception of bonds and commercial paper/Euro Commercial Paper. Bonds issued are reported in the Balance Sheet at the amount received, with an addition for the part of the price difference attributable to the period up to the year-end. The price difference, which is the difference between the

nominal value of the bond and the amount received on issue, is divided on a straight-line basis over the term of the bond. Commercial paper and Euro Commercial Paper are recorded at the nominal value, with a deduction for interest for the period from the closing date to the due date.

The Group applies the principle that the profit or loss on closed positions for derivatives, the repurchase of bonds and the premature repayment of loans is allocated over the remaining terms of the underlying instruments. This procedure results in a more stable financing cost over time compared with if all these results had been reported in full during the year in which the result is realised. Net interest income/expense from interest swaps is taken up as income on an ongoing basis.

Consolidated accounts

The consolidated accounts have been prepared in accordance with the Swedish Financial Standards Council recommendation regarding consolidated accounts. The consolidated accounts include the Parent Company and the subsidiaries. All the subsidiaries are wholly owned. The annual accounts for the Group have been prepared according to the purchase method, which means that the Parent Company's book value of shares in subsidiaries is eliminated against the subsidiary's equity, including the capital part of untaxed reserves.

Group information

The Company is wholly owned by the Swedish State. The Group includes seven wholly-owned subsidiaries.

Of the total purchases and sales made by the Parent Company, less than one per cent of the total purchases and 99 per cent of the total sales were to other companies within the Akademiska Hus Group.

NOTE 1 ▷ OTHER PROPERTY MANAGEMENT INCOME

	Group		Parent Company	
	2002	2001	2002	2001
Parking income	34,236	31,175	—	—
Leasing income	4,747	3,736	—	—
Miscellaneous	2,158	2,211	—	—
Total	41,141	37,122	—	—

NOTE 2 ▷ OTHER PROPERTY MANAGEMENT EXPENSES

	Group		Parent Company	
	2002	2001	2002	2001
Site leasehold charges	-45,807	-45,472	—	—
Property tax	-1,858	-1,630	—	—
Miscellaneous	-6,210	-4,377	—	—
Total	-53,875	-51,479	—	—

NOTE 3 ▷ DEPRECIATION AND WRITE-DOWN OF INTANGIBLE AND TANGIBLE FIXED ASSETS

	Group		Parent Company	
	2002	2001	2002	2001
<i>Depreciation according to plan within property management</i>				
Land improvements	-19,215	-15,190	—	—
Buildings	-578,398	-529,816	—	—
Buildings and land equipment	-211,459	-224,138	—	—
Equipment and fittings	-18,128	-9,426	—	—
Expenses brought forward for IT projects	-352	—	—	—
<i>Write-downs within property management</i>				
Buildings	-325,670	-43,600	—	—
<i>Reversed write-downs within property management</i>				
Buildings	160,480	—	—	—
Total	-992,742	-822,170	—	—

Of the write-downs for the year, SEK 288 million refers to properties owned by Akademiska Hus i Stockholm AB. These properties are located in Kista.

NOTE 4 ▷ RENTAL AND LEASING COMMITMENTS

Charges paid during the year for operational leasing agreements, excluding tenancy agreements for non-residential premises, amounted to SEK 0.3 million.

NOTE 5 ▷ OTHER OPERATING INCOME

	Group		Parent Company	
	2002	2001	2002	2001
Income from external management assignments and similar assignments	18,360	16,128	—	—
Income from services performed for tenants	15,589	26,537	—	—
Invoicing to subsidiaries	—	—	20,920	35,392
Profit on sale of fixed assets	82,966	30,840	—	—
Miscellaneous	3,402	7,154	83	284
Total	120,317	80,659	21,003	35,676

NOTE 6 ▷ OTHER OPERATING EXPENSES

	Group		Parent Company	
	2002	2001	2002	2001
Costs, external management assignments and similar assignments	-15,162	-15,146	—	—
Costs, services performed for tenants	-14,459	-24,579	—	—
Loss on sale and disposal of fixed assets	-9,149	-6,761	—	-2,924
Total	-38,770	-46,486	—	-2,924

NOTE 7 ▷ EMPLOYEES AND PERSONNEL COSTS

The average number of employees was as follows:

	2002	2001
<i>Parent Company</i>		
Göteborg	10	21
<i>Subsidiary companies</i>		
Akademiska Hus Utveckling och Support AB	24	11
Göteborg	73	76
Linköping	32	31
Lund	79	74
North	40	41
Stockholm	97	91
Uppsala	72	66
Group total	427	411

The proportion of women in the Parent Company is 50 per cent (48) and in the Group 21 per cent (21).

Notes

CONT'D NOTE 7 ► EMPLOYEES AND PERSONNEL COSTS

Salaries, other remuneration and social security costs

	2002			2001		
	Parent Company	Subsidiaries	Group	Parent Company	Subsidiaries	Group
<i>Salaries and remuneration</i>						
Board members, President and Vice-President	3,442	10,187	13,629	3,082	9,158	12,240
Other employees	4,852	127,285	132,137	8,610	112,661	121,271
Total	8,294	137,472	145,766	11,692	121,819	133,511
<i>Social security costs</i>						
Board members, President and Vice-President	2,705	6,943	9,648	1,994	5,510	7,504
(pension costs)	(1,585)	(3,626)	(5,211)	(993)	(2,680)	(3,673)
Other employees	2,110	63,000	65,110	3,525	52,170	55,695
(pension costs)	(537)	(20,226)	(20,763)	(713)	(15,511)	(16,224)
Total	4,815	69,943	74,758	5,519	57,680	63,199
(pension costs)	(2,122)	(23,852)	(25,974)	(1,706)	(18,191)	(19,897)

During 2002, a total of SEK 11,578,000 (10,027,000) was allocated within the Group as incentive payments. The Parent Company accounted for SEK 575,000 (579,000) of this amount. The incentive programme commenced in 2000. The rules for the incentive programme are that it is directed at all employees and can amount to a maximum of one month's salary.

The Group's outstanding pension obligations to the Board members, President and Vice-President totalled SEK 9,302 (8,079). The corresponding amount in the Parent Company is SEK 1,131,000 (1,100,000).

Remuneration to the executive management

A total fee of SEK 105,000 has been paid to the Chairman of the Board. The ordinary external members of the Board receive an annual fee of SEK 55,000. Two of the members have also received remuneration in their capacity as members of the Company's Finance Committee. Those Board members and members of the Finance Committee who are employed by the Group do not receive any fees for these positions.

Remuneration totalling SEK 1,594,000 has been paid to the President. In addition, individual occupational pension insurance has been taken out with the President as the beneficiary. The annual premium is equivalent to the allocation under the ITP plan. On that part of the salary that exceeds the maximum pensionable salary under the ITP plan, the Company takes out supplementary benefits in accordance with the ITP plan, amounting to 32.5% for a retirement and disability pension and 16.25% for a collective family pension. Premiums for pension and insurance benefits totalled SEK 1,239,000. The agreed retirement age is 62 years. The period of notice of termination of employment by the Company is 12 months. Should the Company give notice of termination of employment, the President is entitled to severance pay equivalent to two years' salary. If severance pay is paid, normal salary is not payable during the period of notice. A deduction from the severance pay is made if a salary or other remuneration is received from new employment. In the case of notice of termination of employment by the President, salary is payable during the period of notice, i.e. six months. There is no entitlement to severance pay in addition to this.

A pension equivalent to the ITP plan is payable to the other members of the executive management from the age of 65 years. The period of notice of termination of employment by the Company is 12 months. In the case of notice of termination by the Company, severance pay can be paid in the form of a salary for a maximum of 24 months (including the period of notice).

NOTE 8 ► FEES AND EXPENSES PAID TO AUDITORS AND AUDITING COMPANIES

	Parent Company	Subsidiaries	Group
<i>KPMG</i>			
Auditing assignments	290	933	1,223
Other assignments	700	317	1,017
<i>National Audit Bureau</i>			
Auditing assignments	37	—	37
Other assignments	—	—	—
Total	1,027	1,250	2,277

NOTE 9 ▷ RESULT FROM FINANCIAL ITEMS

	Group		Parent Company	
	2002	2001	2002	2001
<i>Result from shares in Group companies</i>				
Dividend	—	—	465,000	445,000
Total	—	—	465,000	445,000
<i>Result from other securities and receivables reported as fixed assets</i>				
Interest income from Group companies	—	—	1,128,268	1,068,024
Total	—	—	1,128,268	1,068,024
<i>Other interest income and similar profit/loss items</i>				
Interest income from Group companies	—	—	1,050	980
Interest income, miscellaneous	53,458	61,463	51,247	59,495
Total	53,458	61,463	52,297	60,475
<i>Interest expense and similar profit/loss items</i>				
Interest expense, Group companies	—	—	-19,997	-18,883
Interest expense, miscellaneous	-970,020	-925,741	-954,357	-913,796
Total	-970,020	-925,741	-974,354	-932,679

Of the external interest expense, SEK 39,659,000 (38,944,000) is the profit on derivatives allocated to a particular period.

NOTE 10 ▷ APPROPRIATIONS

	Parent Company	
	2002	2001
Allocation to tax allocation reserve, 2002 tax assessment	—	-46,497
Allocation to tax allocation reserve, 2003 tax assessment	-49,834	—
Total	-49,834	-46,497

NOTE 11 ▷ TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
	2002	2001	2002	2001
<i>Actual tax expense (-), tax income (+)</i>				
Tax expense for the period	-125,344	-128,623	-43,176	-39,057
<i>Deferred tax expense (-), tax income (+)</i>				
Deferred tax expense regarding temporary differences	-123,759	-103,578	—	—
Deferred tax income regarding temporary differences	56,959	12,051	—	—
Total reported tax expense	-192,144	-220,150	-43,176	-39,057
<i>Reconciliation of effective tax rate</i>				
Pre-tax profit	687,098	786,970	619,592	584,670
Tax according to current tax rate, %	28.0	28.0	28.0	28.0
<i>Tax effects:</i>				
Non-deductible expenses, %	0.5	0.2	0.1	—
Non-taxable income, %	-0.6	-0.3	-21.1	-21.3
Tax attributable to earlier years, %	0.1	0.1	—	—
Average effective tax rate, %	28.0	28.0	7.0	6.7

NOTE 12 ▷ EXPENSES BROUGHT FORWARD FOR DEVELOPMENT WORK

	Group		Parent Company	
	2002	2001	2002	2001
Opening acquisition value	—	—	—	—
Purchases	3,457	—	—	—
<i>Closing accumulated acquisition value</i>	<i>3,457</i>	<i>—</i>	<i>—</i>	<i>—</i>
Opening depreciation	—	—	—	—
Depreciation for the year	-352	—	—	—
<i>Closing accumulated depreciation</i>	<i>-352</i>	<i>—</i>	<i>—</i>	<i>—</i>
Closing book value	3,105	—	—	—

Notes

NOTE 13 ▷ MANAGED PROPERTIES

	Group	
	2002	2001
Opening acquisition value	27,284,951	24,604,233
Purchases	886,629	1,812,411
Sales and disposals	-107,355	-31,393
Reclassifications	1,306,021	899,700
<i>Closing accumulated acquisition value</i>	29,370,246	27,284,951
Opening depreciation	-4,162,323	-3,401,017
Reclassifications	-32,020	—
Sales and disposals	21,329	7,839
Depreciation for the year	-809,072	-769,145
<i>Closing accumulated depreciation</i>	-4,982,086	-4,162,323
Opening write-downs	-497,326	-453,726
Reclassifications	32,020	—
Sales and disposals	20,000	—
Reversed write-downs	160,480	—
Write-downs for the year	-325,670	-43,600
<i>Closing accumulated write-downs</i>	-610,496	-497,326
Closing book value	23,777,664	22,625,302

The closing book value is broken down as follows:

	Group	
	2002	2001
Land	1,689,569	1,664,742
Land improvements	343,494	283,228
Buildings	20,284,871	19,297,513
Buildings and land equipment	1,459,730	1,379,819
Total	23,777,664	22,625,302
Tax value, buildings	143,590	131,521
Tax value, land	47,059	48,033
Total	190,649	179,554

The majority of the Group's properties are taxed as specialist buildings and have thus not been allocated any tax values.

NOTE 14 ▷ EQUIPMENT, FIXTURES AND FITTINGS

	Group		Parent Company	
	2002	2001	2002	2001
Opening acquisition value	71,615	59,145	—	16,453
Purchases	20,650	16,152	—	1,368
Sales and disposals	-5,347	-3,682	—	-17,821
Reclassifications	33,068	—	—	—
<i>Closing accumulated acquisition value</i>	119,986	71,615	—	—
Opening depreciation	-47,209	-38,503	—	-9,917
Sales and disposals	5,275	720	—	9,917
Depreciation for the year	-18,128	-9,426	—	—
<i>Closing accumulated depreciation</i>	-60,062	-47,209	—	—
Closing book value	59,924	24,406	—	—

NOTE 15 ▷ CONSTRUCTION IN PROGRESS

	Group	
	2002	2001
Opening acquisition value	1,593,676	1,489,776
Purchases	993,214	1,003,345
Reclassifications, Balance Sheet	-1,336,090	-899,445
Closing accumulated acquisition value	1,250,800	1,593,676

NOTE 16 ▷ SHARES IN GROUP COMPANIES

	Parent Company	
	2002	2001
Opening acquisition value	1,564,200	1,563,650
Shareholders' contributions granted	—	60,000
Purchase of shares in subsidiaries	—	500
Sale of shares in subsidiaries	—	-59,950
<i>Closing accumulated acquisition value</i>	1,564,200	1,564,200
Book value at the year-end	1,564,200	1,564,200

CONT'D NOTE 16 ▷ SHARES IN GROUP COMPANIES

Specification of the Parent Company's shareholdings in Group companies

	Company reg. no.	Registered office	Total number of shares	Share of equity in % ¹⁾	Book value
Akademiska Hus i Göteborg AB	556467-8760	Göteborg	95,000	100	189,950
Akademiska Hus i Linköping AB	556467-8778	Linköping	50,000	100	99,950
Akademiska Hus i Lund AB	556467-8786	Lund	85,000	100	169,950
Akademiska Hus i Norr AB	556467-8752	Umeå	50,000	100	159,950
Akademiska Hus i Stockholm AB	556467-8737	Stockholm	335,000	100	669,950
Akademiska Hus i Uppsala AB	556467-8745	Uppsala	55,000	100	273,950
Akademiska Hus Utveckling och Support AB	556610-2975	Göteborg	500	100	500
Total					1,564,200

1) Corresponds to the number of votes.

NOTE 17 ▷ RECEIVABLES FROM GROUP COMPANIES

	Parent Company	
	2002	2001
Receivables at the beginning of the year	20,324,016	18,434,016
Additional receivables	645,000	1,890,000
Receivables at the year-end	20,969,016	20,324,016

NOTE 18 ▷ OTHER LONG-TERM SECURITY HOLDINGS

	Group		Parent Company	
	2002	2001	2002	2001
Assets at the beginning of the year	50	50	—	—
Assets at the year-end	50	50	—	—

NOTE 19 ▷ DEFERRED TAX RECOVERABLE

Group	Deferred tax recoverable	Net deferred tax liability	Net
<i>31-12-2002</i>			
Buildings and land	171,557	—	171,557
Pension provisions	223	—	223
Net deferred tax recoverable	171,780	—	171,780
<i>31-12-2001</i>			
Buildings and land	139,251	—	139,251
Pension provisions	726	—	726
Net deferred tax recoverable	139,977	—	139,977

NOTE 20 ▷ OTHER LONG-TERM RECEIVABLES

	Group		Parent Company	
	2002	2001	2002	2001
Receivables at the beginning of the year	1,051	3,239	554	1,210
Settled receivables	-677	-2,188	-180	-656
Receivables at the year-end	374	1,051	374	554

NOTE 21 ▷ PRE-PAID EXPENSES AND ACCRUED INCOME

The amounts reported for the Group and the Parent Company include SEK 308.2 million (305.3) in respect of losses on closed FRA contracts, closed interest payment contracts and options allocated over a period, and which are divided between the terms of the underlying instruments. The amount as of 31.12.2002 will be allocated over the period 2003–2012, of which SEK 255.5 million will be allocated over the period 2003–2007.

NOTE 22 ▷ SHORT-TERM INVESTMENTS

Refers to bank deposits, SEK 937.8 million (1,125.0), and investments in interest-bearing securities, SEK 0.0 million (398.6).

NOTE 23 ▷ EQUITY

	Share capital	Restricted reserves	Non-restricted equity
Group			
Amount at the beginning of the year	2,135 000	3,340,559	1,548,045
Dividend			-270,000
Movement between restricted and non-restricted equity		253,834	-253,834
Profit for the year			494,954
Amount at the year-end	2,135 000	3,594,393	1,519,165

	Share capital	Share premium reserve	Non-restricted equity
--	---------------	-----------------------	-----------------------

Parent Company

Amount at the beginning of the year	2,135,000	2,134,950	999,503
<i>Profit allocation</i>			
Dividend			-270,000
Group contribution granted			-4,699
Tax effect of group contribution			1,316
Profit for the year			576,416
Amount at the year-end	2,135,000	2,134,950	1,302,536

The share capital comprises 2,135,000 shares at a par value of SEK 1,000 each, carrying one (1) vote per share.

NOTE 24 ▷ UNTAXED RESERVES

	Parent Company	
	2002	2001
<i>Tax allocation reserves</i>		
Allocated in the 1998 tax assessment	30,896	30,896
Allocated in the 1999 tax assessment	36,118	36,118
Allocated in the 2000 tax assessment	27,166	27,166
Allocated in the 2001 tax assessment	42,317	42,317
Allocated in the 2002 tax assessment	46,497	46,497
Allocated in the 2003 tax assessment	49,834	—
Total	232,828	182,994

NOTE 25 ▷ PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

	Group		Parent Company	
	2002	2001	2002	2001
FPG/PRI Pensions	61,490	51,155	1,705	1,594
Other pensions	96,820	97,673	72,767	74,231
Total	158,310	148,828	74,472	75,825

Notes

NOTE 26 ▷ LOANS

	Group		Parent Company	
	2002	2001	2002	2001
Bond loans	2,919,949	2,819,304	2,919,949	2,819,304
EMTN	10,957,335	8,601,377	10,957,335	8,601,377
Commercial paper	89,004	260,505	89,004	260,505
Euro Commercial Paper	557,560	3,702,203	557,560	3,702,203
Other loans	2,062,192	1,877,390	1,847,712	1,708,912
Total	16,586,040	17,260,779	16,371,560	17,092,301

Derivatives are used as a complement when handling interest risks and to eliminate currency risks when financing in a foreign currency. The Company's positions at the end of the financial year were as follows.

Interest derivative	Nominal amount, SEK m	Average term, years
<i>Contracts with a remaining term of less than one year</i>		
FRA, forward rate agreements, STINA swaps, SEK	1,000	0.3
Interest swaps, SEK	270	0.9
Interest swaps, foreign currency	203	0.3
<i>Contracts with a remaining term of more than one year</i>		
Forward rate agreements, SEK	920	5.5
Interest swaps, SEK	8,380	4.2
Interest swaps, foreign currency	11,097	4.5

Positive amounts represent an extension of the portfolio.

Currency swaps, SEK m	2002	2001
<i>Maturity structure</i>		
Contracts with a remaining term of less than one year	1,397	4,967
Contracts with a remaining term of 1–5 years	6,195	3,721
Contracts with a remaining term of more than five years	5,684	5,374
Total	13,276	14,062

NOTE 27 ▷ OTHER INTEREST-BEARING LIABILITIES

The Parent Company has entered into supplementary agreements (Credit Support Annex) to the ISDA, with the aim of reducing exposure to counter-party risks in derivative contracts. These agreements are mutual, follow international standards and mean that the parties undertake to assure the underlying values in the outstanding derivative contracts. The agreement grants the assured party right of disposition of the collateral received.

As of the year-end, collateral received is reported in accordance herewith as an asset in the Company's balance sheet. Other interest-bearing liabilities comprise an equivalent liability to the party furnishing the collateral.

NOTE 28 ▷ ACCRUED EXPENSES AND PREPAID INCOME

The amount reported for the Group includes prepaid rental income of SEK 1,071.0 million (1,040.8). In addition, the item for the Group and the Parent Company includes SEK 119.2 million (122.6) in respect of profits on closed FRA contracts and forward rate agreements and options allocated to a specific period, which are divided between the terms of the underlying instruments. The amount as of 31.12.2002 will be allocated over the period 2003–2012, including SEK 96.8 million during the period 2003–2007.

NOTE 29 ▷ LIABILITIES

	Group		Parent Company	
	2002	2001	2002	2001
<i>Due date structure</i>				
Liabilities that fall due for payment within one year of the year-end	4,837,050	7,301,651	4,023,560	6,709,236
Liabilities that fall due for payment 1–5 years from the year-end	7,744,316	5,806,070	7,710,487	5,781,904
Liabilities that fall due for payment later than five years after the year-end	7,090,081	6,319,056	6,887,369	6,167,986
Total	19,671,447	19,426,777	18,621,416	18,659,126

Loans that fall due for payment will be replaced by new financing within established credit frameworks and financing programmes at the rate they fall due for payment.

NOTE 30 ▷ PLEDGED ASSETS

	Group		Parent Company	
	2002	2001	2002	2001
<i>For own liabilities and allocations</i>				
Blocked bank funds	38,445	9,325	38,445	9,325
Current investments	—	—	—	—
Total	38,445	9,325	38,445	9,325

Unsettled results from stock exchange-cleared, off balance sheet instruments have been secured through blocked bank funds. No further security has been provided for Group liabilities.

NOTE 31 ▷ CONTINGENT LIABILITIES

	Group		Parent Company	
	2002	2001	2002	2001
Contingent liability, FPG/PRI	1,230	1,023	34	32
Guarantee for subsidiary companies' pension undertakings	—	—	83,838	73,003
Total	1,230	1,023	83,872	73,035

NOTE 32 ▷ INTEREST PAID AND SIMILAR ITEMS

	Group		Parent Company	
	2002	2001	2002	2001
Book interest etc. in current operations	-970,020	-925,741	-974,354	-932,679
Change in interest etc. entered as a liability and in profits on derivative instruments allocated to a particular period	35,183	118,955	35,058	116,551
Interest paid etc.	-934,837	-806,786	-939,296	-816,128

NOTE 33 ▷ ADJUSTMENTS TO ITEMS NOT INCLUDED IN THE CASH FLOW ETC.

	Group		Parent Company	
	2002	2001	2002	2001
Depreciation and write-downs	992,742	822,170	—	—
Capital gain (-)/loss (+) on sale of tangible assets	-73,817	-23,931	—	2,924
Change in pension provisions and similar undertakings	9,482	5,219	-1,353	-8,677
Total	928,407	803,458	-1,353	-5,753

NOTE 34 ▷ LIQUID ASSETS

	Group		Parent Company	
	2002	2001	2002	2001
Cash and bank holdings	672,784	425,595	672,009	425,050
Short-term investments	937,808	1,523,628	937,808	1,523,628
Total	1,610,592	1,949,223	1,609,817	1,948,678

Göteborg, February 19, 2003

Lennart Nilsson
Chairman

Charlotte Axelsson

Sigbrit Franke

Sveinn Jonsson

Birgitta Kantola

Claes Ljung

Veronika Rundkvist

Parzin Seradji

Fritz Staffas

Christina Rogestam
President

Our audit report was submitted on February 19, 2003

KPMG
Ulf Pettersson
Authorised Public Accountant

Staffan Nyström
Authorised Public Accountant

Audit Report

To the Annual General Meeting of Akademiska Hus AB (publ),
company registration number 556459-9156

We have examined the annual accounts, consolidated accounts, accounting records and the administration of the Board of Directors and the President of Akademiska Hus AB for 2002. The Board of Directors and the President are responsible for the accounting records and the administration. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration on the basis of our audit.

The examination has been carried out in accordance with generally accepted auditing standards in Sweden. This means that we have planned and performed the audit to assure ourselves to a reasonable extent that the annual accounts and the consolidated accounts do not contain material errors. An audit includes examining a selection of the supporting documents for amounts and other information in the accounting records. An audit also includes an examination of the accounting principles and their application by the Board of Directors and the President and an assessment of the overall information in the annual accounts and the consolidated accounts. As a basis for our

statement on discharge from liability, we have examined material decisions, measures and conditions in the Company to enable us to assess whether any Board Member or the President is liable for compensation to the Company. We have also examined whether a Board member or the President has acted in any way that is contrary to the Companies Act, the Annual Accounts Act or the Articles of Association. We consider that our audit gives us reasonable grounds for our statements below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and therefore provide a fair picture of the Company's and the Group's financial results and financial position in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting that the Income Statement and Balance Sheet for the Parent Company and for the Group be adopted, that the profit of the Parent Company be distributed according to the proposal in the Administration Report and that the members of the Board and the President be discharged from liability for the financial year.

Göteborg, February 19, 2003

KPMG
Ulf Pettersson
Authorised Public Accountant

Staffan Nyström
Authorised Public Accountant

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