



AKADEMISKA HUS

Interim Report
January 1–September 30
2004



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Akademiska Hus AB (Publ) Reg. No. 556459-9156

- Rental income increased by SEK 90 million compared with the corresponding period in 2003 and amounted to SEK 3,372 million. The level of vacant space was 2.9 per cent, an increase on the figure of 1.8 per cent at the beginning of the year.
- Profit after financial items for the period was SEK 671 million (684).
- The outlook for 2004 remains unchanged – a profit of just over SEK 800 million before tax. This represents an improvement of around SEK 100 million compared with 2003.

“ In the face of increasing competition we are satisfied that we will continue to report good results.

The property sector is marked by considerable interest among investors but also by a sizeable number of properties. Among our largest group of customers, universities and colleges, there is a tangible need to make savings. We are working actively to develop our business acumen in order to offer our customers creative and cost-effective premises. At the same time, we will have the opportunity to develop our property sectors with a good operating mix. ”

Joakim Ollén, CEO, Akademiska Hus



Akademiska Hus – the leading property company in Sweden for creative study and research environments

Akademiska Hus is one of the largest property companies in Sweden. Our properties are to be found at over 20 locations and are managed through regional subsidiaries.

Akademiska Hus's market share on its primary market, university and college premises, is 68 per cent.

Property operations

Property income and profit

Rental income amounted to SEK 3,336 million, an increase of SEK 90 million compared with the same period in 2003. Operating costs increased by SEK 32 million compared with the same period in 2003, due mainly to an increase in energy prices. Maintenance costs are on the same level as the preceding year, SEK 613 million (627). The investment made in previous years in maintenance has meant that the standard of the Akademiska Hus property holdings is now generally high and in relative terms falling maintenance costs are expected in the future. Net operating income was SEK 1,993 million (1,947). Depreciation totalled SEK –720 million (–620). In 2003 reversed write-downs were SEK 59 million and write-downs SEK –7 million. Net financial income and expense was SEK –602 million (–679). The improvements can be attributed to a shorter fixed interest period and lower interest expense.

The profit after financial items for the period was SEK 671 million (684).

It is estimated that the pre-tax profit for the full year will be just over SEK 800 million, an improvement of approximately SEK 100 million compared with the preceding year. Rental income and net interest income and expense will improve by around SEK 200 million whilst operating costs and depreciation in particular are expected to increase.

Property portfolio

The book property value, excluding construction in progress, totalled SEK 25,412 million at the period-end, compared with

SEK 24,412 million at the beginning of the year. The computed net realisable value at the beginning of the year was SEK 36,100 million. A complete computation of the net realisable value is made in conjunction with the year-end accounts. The book value of construction in progress as of September 30, 2004 was SEK 1,253 million, compared with SEK 1,555 million at the beginning of the year.

Rentable space totalled 3,321,675 square metres compared with 3,257,122 square metres at the beginning of the year. The increase can be attributed to the commissioning of a number of major projects and acquisitions.

The following major projects were completed:

- The Tegnér Building for the Stockholm Institute of Education, 9,600 square metres.
- The College of Music in Örebro, 9,237 square metres.
- Sandgärdet in Borås, 6,580 square metres.
- Building 123:2 for the University College of Film, Radio, Television and Theatre in Stockholm, 6,300 square metres.

The following acquisitions were also made:

- The Academy of Culinary Art in Grythyttan, 3,144 square metres.
- Luleå Sports Centre, 2,389 square metres.
- Norra Djurgården 2:2 in Stockholm, building rights for 44,000 square metres.
- Haga 4:43 in Solna, building rights for 4,000 square metres
- Mimer 5 in Stockholm, 12,150 square metres

The level of vacant space was 2.9 per cent, an increase on the figure of 1.8 per cent at the beginning of the year. The increase in vacant space can be attributed to the vacation of premises by the College of Arts, Crafts and Design in Stockholm totalling 28,984 square metres and the vacating of 9,500 square metres of floor space in Uppsala in preparation for redevelopment on behalf of a new tenant.

Investments

Net investments for the period totalled SEK 1,399 million and are mainly in the form of new construction and redevelopment.

A number of construction projects were in progress at the period-end, the largest of which are:

Project	Location	Investment framework (SEK m)	Invested as of 30-9-2004 (SEK m)
Kemikum, Stage 2, extension	Uppsala	433	429
Swedish National Defence College, new construction	Stockholm	368	144
Biomedical Centre, refurbishment	Uppsala	351	357
Centre for Chemistry and Chemical Engineering, refurbishment and extension	Lund	348	32
College of Film, Radio, Television and Theatre, new construction	Stockholm	341	304
Teknikens Hus, new construction	Karlstad	320	5

Key figures	Jan–Sept 2004	Jan–Sept 2003	2003
Direct yield, %	10,6*	10,8*	10,7
Net operating income, SEK/sq. m.	803*	794*	791
Book value, properties, SEK m	25,412	24,246	24,412
Computed net realisable value, properties, SEK m	36,100	36,550	36,100
Return on equity after standard tax, %	8,0*	8,4*	6,9
Return on total assets, %	6,0*	6,4*	5,9
Equity ratio, %	27,4	26,8	27,4
Internal financing, %	86	89	85
Interest coverage ratio, %	211	198	177

* Calculated on a full-year basis

The Group's equity ratio should in the long term be at least 25 per cent.

Financing

Interest-bearing liabilities at the period-end amounted to SEK 17,501 million compared with SEK 16,794 million at the beginning of the year. The outstanding net debt was affected by the fact that the Group received collateral totalling SEK 298 million for derivative transactions. Net financial income and expense for the period was SEK –602 million (–679).

The financing cost for the period totalled 4.50 per cent, measured as interest expense in relation to the average interest-bearing liability capital. The equivalent cost for the whole of 2003 was 5.30 per cent.

Group financing requirements continue to be limited. During the third quarter only the short-term financing programmes were utilised to benefit from the low rate of interest.

The fixed interest period has been shortened to 1.85 years from 2.4 years at the beginning of the year and the maturity during the same period fell to 2.4 years from 3.2 years.

Interest-bearing liability, SEK m	30-9-2004	21-12-2003
Bank financing	320	14
Commercial paper	1,596	398
ECP	1,317	461
Domestic bonds and MTN	2,548	2,540
EMTN	9,645	11,204
Other loans	1,777	1,782
Total loans	17,204	16,399
Collateral for derivate transactions	298	395
Total interest-bearing liability	17,501	16,794

Facilities and rating	Framework, 30-9-2004	Utilised, nom. 30-9-2004	Rating Standard & Poor's
Banks	SEK 4,200 m	SEK 320 m	
Commercial Paper	SEK 4,000 m	SEK 1,600 m	A1+/K1
Euro Commercial Paper (ECP)	USD 600 m	SEK 1,324 m	A1+
MTN (Medium Term Note)	SEK 8,000 m	SEK 2,187 m	AA
EMTN (Euro Medium Term Note)	USD 1,500 m	SEK 9,645 m	AA/A1+

The Group's liquid assets at the period-end, including short-term investments, amounted to SEK 309 million.

The corresponding amount at the beginning of the year was SEK 467 million.

Accounting principles

This Interim Report was prepared in compliance with Recommendation RR20, Interim Reports, of the Swedish Financial Accounting Standards Council. The accounting principles and computation methods are the same as the methods and principles applied in the most recent annual report. Accounting Standards Council recommendation RR29, Remuneration to employees, came into effect on January 1, 2004. This has meant a change in the Akademiska Hus

reporting principle regarding benefit-determined pension plans. The transfer to RR29 means that the Group's pension provisions increased by SEK 23.5 million. This effect, net after tax, has been reported as a reduction in the opening non-restricted equity, equivalent to SEK 16.9 million. The comparison figures have not been recalculated.

This report has not been audited.

Parent Company

Operations

Akademiska Hus AB is the parent company in the Akademiska Hus Group. Operations comprise Group management and other joint Group functions. The Parent Company handles all financing in the Group (See Financing section).

Income and profit

The Company's income totalled SEK 69 million (17), of which income from subsidiaries totalled SEK 68 million.

Operating profit was SEK 2.8 million (3.3) and net financial income and expense was SEK 332 million (461), including SEK 185 million (295) in dividends from subsidiaries.

Profit before appropriations and taxes was SEK 334 million (465).

Investments

Investments in machinery and equipment totalled SEK 3.2 million (0.0).

Göteborg, October 28, 2004



Joakim Ollén
CEO

Consolidated Income Statement, Summary

Amounts in SEK m	2004 July–Sept	2003 July–Sept	2004 (9 months)	2003 (9 months)	2003 (12 months)
Rental income	1,115	1,088	3,336	3,248	4,364
Other property management income	11	9	36	34	49
Property management expenses					
Operating expenses	-152	-140	-550	-518	-730
Maintenance expenses	-187	-226	-613	-627	-835
Property administration	-51	-44	-161	-149	-215
Other property management expenses	-15	-15	-53	-41	-59
Net operating profit	721	672	1,993	1,947	2,574
Depreciation, write-downs and reversed write-downs in property management	-247	-230	-720	-620	-983
Gross profit	474	442	1,273	1,327	1,591
Central administration expenses	-4	-2	-18	-14	-22
Other operating income	9	11	55	76	95
Other operating expenses	-8	-9	-37	-26	-59
Operating profit	471	442	1,273	1,364	1,605
Net financial income/expense	-191	-218	-602	-679	-895
Profit before taxes	280	224	671	684	710
Taxes	-78	-63	-188	-192	-207
Net profit for the period	202	161	483	493	503

Consolidated Balance Sheet, Summary

Amounts in SEK m	30-9-2004	30-9-2003	31-12-2003
Assets			
Intangible assets	6	5	6
Tangible assets			
Managed properties	25,412	24,246	24,412
Construction in progress	1,253	1,564	1,555
Equipment and fittings	45	52	52
Total tangible assets	26,710	25,863	26,020
Financial assets	185	152	185
Current assets	1,278	1,963	1,228
Total assets	28,180	27,983	27,439
Equity, provisions and liabilities			
Equity			
Restricted equity	5,952	5,729	5,952
Non-restricted equity	1,771	1,767	1,554
Total equity	7,722	7,496	7,506
Provisions	935	822	908
Liabilities			
Interest-bearing liabilities	17,501	17,442	16,794
Non-interest-bearing liabilities	2,022	2,224	2,230
Total liabilities	19,523	19,666	19,024
Total equity, provisions and liabilities	28,180	27,983	27,439

Consolidated Cash Flow Statement, Summary

Amounts in SEK m	2004 (9 months)	2003 (9 months)	2003 (12 months)
Cash flow from current operations before changes in working capital	1,179	1,043	1,542
Change in working capital (excl. liquid funds)	-394	98	49
Cash flow from current operations	784	1,141	1,591
Net investments	-1,399	-1,360	-1,894
Cash flow from investments	-1,399	-1,360	-1,894
Dividend granted	-250	-245	-245
Financing	707	52	-595
Cash flow from financing	457	-193	-840
Cash flow for the period	-158	-412	-1,143

Changes in consolidated equity

Amounts in SEK	Share capital	Restricted reserves	Non-restricted equity	Total equity
Equity 31-12-2002	2,135	3,594	1,519	7,248
Dividend	—	—	-245	-245
Movement between restricted and non-restricted equity	—	—	—	0
Profit for the period	—	—	493	493
Equity 30-9-2003	2,135	3,594	1,767	7,496
Dividend	—	—	—	0
Movement between restricted and non-restricted equity	—	223	-223	0
Profit for the period	—	—	10	10
Equity 31-12-2003	2,135	3,817	1,554	7,506
Dividend	—	—	-250	-250
Movement between restricted and non-restricted equity	—	—	—	0
Change in accounting principle	—	—	-17	-17
Profit for the period	—	—	483	483
Equity 30-9-2004	2,135	3,817	1,770	7,722

Group's Geographical Areas, Summary

Amounts in SEK m	2004 (9 months)	2003 (9 months)	2003 (12 months)
Income, including other operating income			
Lund	482	460	616
Göteborg	607	581	793
Linköping	330	321	431
Uppsala	551	558	738
Stockholm	1,121	1,096	1,472
North	336	342	458
Other operations	69	62	87
Elimination of intra-Group income	-69	-62	-87
Total income	3,427	3,358	4,508
Operating profit, excluding central overheads			
Lund	164	166	226
Göteborg	228	203	255
Linköping	166	171	222
Uppsala	132	228	221
Stockholm	439	436	507
North	142	160	179
Other operations	4	-2	-1
Elimination of intra-Group income	16	16	18
Total operating profit, excluding central overheads	1,291	1,378	1,627
<i>Income statement reconciliation</i>			
Operating profit, excluding central overheads	1,291	1,378	1,627
Central overheads	-18	-14	-22
Profit on financial items (net)	-602	-679	-895
Tax for the period	-188	-192	-207
Profit for the period according to the income statement	483	493	503

Managed properties

Amounts in SEK m	30-9-2004	31-12-2003
Opening book value	24,412	23,778
Sales and disposals	-11	-97
Investments	657	856
Transferred from new construction in progress	1,059	835
Depreciation	-704	-882
Write-downs	—	-192
Reversed write-downs	—	-114
Closing book value	25,412	24,412

Parent Company

Akademiska Hus AB

Box 476
Stampgatan 14
SE-401 27 Göteborg
Telephone: +46 31-63 24 00
Fax: +46 31-63 24 01
www.akademiskahus.se
info@akademiskahus.se

Subsidiaries

**Akademiska Hus
i Lund AB**

Ole Römers väg 2
SE-223 63 Lund
Telephone: +46 46-31 13 00
Fax: +46 46-31 13 01

**Akademiska Hus
i Stockholm AB**

Box 12277
Rålambsvägen 32 A
SE-102 27 Stockholm
Telephone: +46 8-685 75 00
Fax: +46 8-685 75 01

**Akademiska Hus
i Göteborg AB**

Box 476
Stampgatan 14
SE-401 27 Göteborg
Telephone: +46 31-63 25 00
Fax: +46 31-63 25 01

**Akademiska Hus
i Uppsala AB**

Box 185
Artillerigatan 7
SE-751 04 Uppsala
Telephone: +46 18-68 32 00
Fax: +46 18-68 32 01

**Akademiska Hus
i Linköping AB**

Olaus Magnus väg 34
SE-583 30 Linköping
Telephone: +46 13-36 45 00
Fax: +46 13-36 45 01

**Akademiska Hus
i Norr AB**

Box 7985
Petrus Laestadius väg
SE-907 19 Umeå
Telephone: +46 90-786 11 00
Fax: +46 90-786 11 01



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