

# Akademiska Hus Interim Report

## January 1 – June 30, 2006



AKADEMISKA HUS AB (Publ) Reg. No. 556459-9156

- **Pre-tax profit** for the period amounted to SEK 1,419 million (985). Lower maintenance costs, an improved net operating profit and the continued increase in the value of the properties are contributing to the improvement in profit.
- **Profit for the period** was SEK 1,020 million (709).
- **Rental income** amounted to SEK 2,262 million (2,228). The level of vacant space was 4.1 per cent (2.9). In monetary terms, vacant space was 2.5 per cent (2.0). The increase in the level of vacant space is mainly in Göteborg.
- **During the first half of the year** sales totalled just over SEK 600 million and investments and purchases totalled just over SEK 500 million.
- **The direct yield** on a full-year basis is estimated at 6.7 per cent (6.5).
- **The prospects for 2006** are a profit after net interest income/expense of just over SEK 2,200 million notwithstanding changes in the value of properties and net interest income/expense.

### Profit and key figures

	Jan-June 2006	Jan-June 2005	2005	2004
Property management income	2,289	2,256	4,533	4,530
Net operating profit	1,488	1,365	2,727	2,625
Changes in value, investment properties	91	56	7,214	-478
Pre-tax profit	1,419	985	9,269	1,324
Assessed fair value, investment properties, SEK m	45,574	37,529	45,616	38,230
Direct yield, %	6.7*	–	6.5	7.1
Net operating profit per square metre	948*	–	835	799,
Return on equity after standard tax, %	7.2*	–	34.2	5.8
Return on total assets, %	5.8*	–	21.9	5.4
Equity ratio, %	46.9	38.7	44.8	41.1
Internal financing level, %	273*	-215	323	92

\* Full-year assessment based on the profit forecast for 2006.

### Statement by the President Joakim Ollén

“The first half of the year has produced satisfactory results. The net operating profit has risen, which reflects the ambition to improve maintenance efficiency and generally hold back costs. At the same time net interest income/expense has continued to improve and there has been a rise in property values.

The year has, however, been marked by a gradual upturn in interest rates, a strong rise in energy prices and continued stiff competition on the non-residential rental market. All these factors are contributing to suppressing profits and a levelling off in property prices in the property industry in general, which is also the case for Akademiska Hus. The good profit trend that has been noted to date

will thus be limited by the new conditions. This will continue to require a great of effort involving improved management efficiency and reduced maintenance costs, coupled with active property development if we are to achieve the desired level of profitability.

To date this year a number of major deals were completed. The sale of part of the Svea Artilleri block in Stockholm to Veidekke/Bouwfunds and the sale of the Växthuset block in Mölndal have contributed to the creation of new housing in attractive areas. The sale of a property on the Seminariet block in Uppsala to NCC will in time lead to additional housing. In Göteborg, Korsettfabriken has been acquired for conversion to offices for our own needs”.

## Results

### Rental income

Rental income amounted to SEK 2,262 million (2,228). The increase is mainly attributable to projects that have been completed and are thus available for letting.

### Rental and vacancy levels

The total holdings amounted to 3,233,000 square metres of rental space (3,281,000 at the turn of the year). The vacancy level was 4.1 per cent (2.9) of the total floor space, which is equivalent to 132,642 square metres (93,613). This figure includes vacant space to a value of SEK 60 million (45) or 2.5 per cent (2.0) of the rent fully leased plus supplements. This reflects the fact that a large proportion of the vacant space has a lower rental value than the average for the holdings. During the first half of 2006 vacant space increased mainly in Göteborg, where the Mathematics Centre on the Chalmers Campus became vacant. In the near future it is deemed probable that a proportion of the floor space within Akademiska Hus will remain vacant. This applies mainly to Kista and Hårnösand.

### Leases

The average term for newly signed lease agreements is 10 years and at the turn of the year the average remaining lease term was 6.4 years (6.3). For the larger, complex specialist buildings for laboratory and research activities a lease is normally required that repays the investment within the term of the lease. In these cases leases are normally signed with terms of 10 years or longer.

### Operating costs

For the first half of 2006 operating costs amounted to SEK 435 million (410), of which energy and water amounted to SEK 298 million (288). The increase in operating costs can be attributed mainly to the rise in energy costs in the form of price increases and the increase in the technical complexity of the buildings. Compared with other property companies the operating costs in SEK per square metre are relatively high within Akademiska Hus due to the high proportion of technically advanced premises. The laboratories and similar premises total 1.1 million square metres of floor space (34 per cent) and from an energy point of view they are considerably more resource-intensive than other premises.

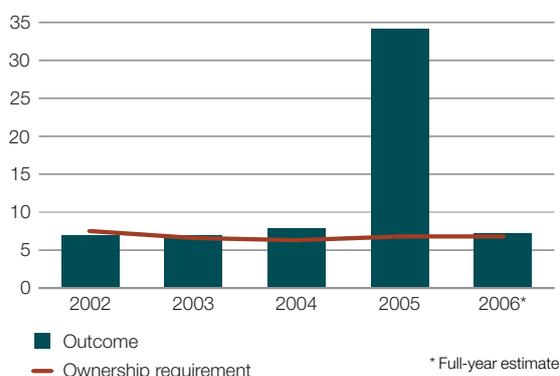
### Maintenance costs

Maintenance costs for the period amounted to SEK 209 million (322). The investment by Akademiska Hus in maintenance over several years has meant that the standard of the property holdings is now generally high and the level of maintenance in relative terms is expected to fall in the future.

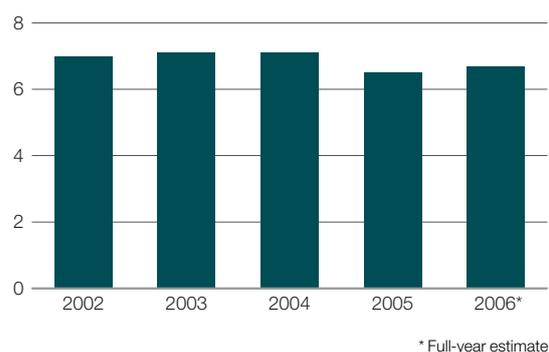
### Net operating profit, 2002-2006



### Return on equity, 2002-2006, %



### Direct yield 2002-2006, %



### Net interest income/expense

Net interest income/expense for the period totalled SEK -131 million (-419). The reason for the improvement is the low average rate of interest during the first half of the year, 1.6 per cent (5.0).

## Financing

### Interest-bearing liabilities

At the period-end, interest-bearing liabilities amounted to SEK 17,384 million compared with SEK 19,139 million as at 31-12-2005. The maturity was 3.5 years compared with 4.0 years at the turn of the year.

The fixed interest period for the part of the liability portfolio covered by the fixed interest mandate has been reduced slightly to 2.2 years compared with 2.4 years at the turn of the year.

### Interest-bearing liabilities

Amounts in SEK m	30-6-2006	31-12-2005
Bank financing	151	–
Commercial paper	1,245	–
ECP	501	435
Bonds & MTN	3,875	4,886
EMTN	7,235	10,593
Other loans	3,244	1,582
<b>Total loans</b>	<b>16,251</b>	<b>17,496</b>
Financial derivatives	886	943
Security received for derivative transactions	40	498
Pension provision	207	202
<b>Total, other interest-bearing liabilities</b>	<b>1,133</b>	<b>1,643</b>
<b>Total interest-bearing liabilities</b>	<b>17,384</b>	<b>19,139</b>

### Financing cost

The interest expense for the period, according to IFRS and including changes in the market value of financial derivatives, totalled 1.56 per cent, measured as the interest cost in relation to the average interest-bearing liability. A positive result in the interest swaps as a result of the upturn in interest rates after the turn of the year contributed to improved net interest income/expense during the period. According to previous accounting principles the interest expense was 4.06 per cent (4.25).

### Financing cost, composition

	1-1-2006 30-6-2006	1-1-2005 31-12-2005	1-1-2005 30-6-2005
Financing cost for loans, %	2.60	2.62	2.72
Net interest income/expense, interest swaps, %	0.97	1.05	1.14
Allocations to specific periods and charges, %	0.02	0.03	–0.01
Changes in value, financial derivatives, %	–2.03	0.15	1.18
<b>Total financing cost</b>	<b>1.56</b>	<b>3.85</b>	<b>5.03</b>

## Investments

Net investments in properties for the first half of 2006 totalled SEK -79 million (-230). The sale was completed of the Svea Artilleri block in Stockholm, the Seminarieriet block in Uppsala and Växthuset, the so-called Pedagogen, in Mölndal, which amounted to a total of SEK 615 million. Acquisitions to date amounted to SEK 31 million. The remainder comprises investments in existing management properties.

### Property valuation

The assessed fair value of Akademiska Hus investment properties as at June 30, 2006 was set through an internal property valuation. The fair value amounts to SEK 45.6 billion. Investments were neutralised by sales.

In the year-end accounts for 2005, Akademiska Hus introduced a new cash flow-based valuation model as a general method for determining the assessed fair value of investment properties according to IAS 40. Previously, the valuation was made using the direct yield method. External valuations were carried out partly as a benchmark for the internal cash flow valuations and partly for certain development properties where income and costs were difficult to assess.

### Assessed fair value, investment properties

Amounts in SEK m	30-6-2006 1-1-2006	31-12-2005 1-1-2005
Opening assessed fair value	45,616	38,230
Investments in investment properties and reclassifications	441	1,101
Direct investments, including acquisitions	95	–
Sales and disposals	–615	–859
Unrealised changes in fair value	37	7,144
<b>Closing assessed fair value</b>	<b>45,574</b>	<b>45,616</b>

### Profitability

Net operating profit, i.e. the profit from the Group's operations before changes in value, central administration costs and net interest income/expense, amounted to SEK 1,488 million (1,365). The net operating profit has increased from 60 per cent to 65 per cent.

The direct yield on a full-year basis is estimated at 6.7 per cent, which is virtually unchanged compared with the turn of the year.

The return on equity on a full-year basis is estimated at 7.2 per cent (34.2). One of the owner's requirements for profitability is that the return on equity should be equivalent to the average five-year government bond interest rate plus four percentage points viewed over a business cycle. The average during 2005 for the five-year government bond interest rate was 2.84 per cent and the owner requirement was thus 6.84 per cent.

### The owner's financial objectives

With effect from 2005, the owner's financial objectives were set at:

- The yield requirement, calculated as the return (profit after tax) on average equity, shall be equivalent to the five-year government bond interest rate plus four percentage points viewed over a business cycle.
- The Group's dividend target is 2.5 per cent of equity.
- The Group's equity ratio should be a minimum of 35 per cent.

### Accounting principles

Akademiska Hus complies with the EU-approved International Financial Reporting Standards (IFRS) and the interpretations made by the International Financial Reporting Interpretations Committee (IFRIC). This interim report has been prepared according to IAS 34 Interim Financial Reporting. Accounting principles and computation methods remain unchanged compared with the annual report the previous year.

### Parent Company

#### Operations

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

### Turnover and profit/loss

The Company's turnover was SEK 218 million (195). Of this figure, income from regional companies amounted to SEK 218 million (195). The operating profit was SEK 5.1 million (-5.1) and net financial income/expense was SEK 1,002 million (235), including dividends from regional companies, SEK 710 million (190). The profit before appropriations and tax was SEK 1,007 million (230).

### Investments

Investment in machinery and equipment amounted to SEK 1 million (4).

### Equity

Equity totalled SEK 5,651 million compared with SEK 5,361 million at the year-end.

## Consolidated Income Statement, summary

Amounts in SEK m	2006 Jan - June	2005 Jan - June	2006 April-June	2005 April-June	2005 (12 months)
Rental income	2,262	2,228	1,122	1,111	4,481
Other property management income	27	28	9	13	52
<b>Total property management income</b>	<b>2,289</b>	<b>2,256</b>	<b>1,131</b>	<b>1,124</b>	<b>4,533</b>
Operating costs	-435	-410	-183	-167	-762
Maintenance costs	-209	-322	-119	-176	-717
Property administration	-125	-122	-60	-53	-255
Other property management expenses	-32	-37	-18	-20	-72
<b>Total property management expenses</b>	<b>-801</b>	<b>-891</b>	<b>-380</b>	<b>-416</b>	<b>-1,806</b>
<b>Net operating profit</b>	<b>1,488</b>	<b>1,365</b>	<b>751</b>	<b>708</b>	<b>2,727</b>
Changes in property values, positive	91	56	116	-	8,669
Changes in property values, negative	-	-	-	-	-1,455
<b>Total changes in property values</b>	<b>91</b>	<b>56</b>	<b>116</b>	<b>708</b>	<b>7,214</b>
Central administration expenses	-13	-10	-5	-6	-35
Other operating income	42	33	21	13	72
Other operating expenses	-58	-40	-40	-22	-61
<b>Total, other operating items</b>	<b>-16</b>	<b>-7</b>	<b>-19</b>	<b>-9</b>	<b>11</b>
<b>Profit before financial income/expense</b>	<b>1,550</b>	<b>1,404</b>	<b>843</b>	<b>693</b>	<b>9,917</b>
Financial income/expense	-131	-419	-41	-272	-648
<b>Pre-tax profit</b>	<b>1,419</b>	<b>985</b>	<b>802</b>	<b>421</b>	<b>9,269</b>
Tax	-399	-276	-226	-118	-2,616
<b>Net profit for the period</b>	<b>1,020</b>	<b>709</b>	<b>576</b>	<b>303</b>	<b>6,653</b>

# Consolidated Balance Sheet, summary

Amounts in SEK m	30-6-2006	30-6-2005	31-12-2005
<b>ASSETS</b>			
Intangible assets	–	24	–
Tangible assets			
Investment properties	45,574	37,529	45,616
Construction in progress	1,306	1,345	1,122
Equipment and fittings	32	34	26
<b>Total tangible assets</b>	<b>46,912</b>	<b>38,908</b>	<b>46,764</b>
Financial assets	1,059	1,327	1,074
Current assets			
Receivables	438	790	1,088
Liquid funds	243	1,547	1,225
<b>Total current assets</b>	<b>681</b>	<b>2,337</b>	<b>2,313</b>
<b>Total assets</b>	<b>48,652</b>	<b>42,596</b>	<b>50,151</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	22,841	16,504	22,455
Liabilities			
Non-current liabilities			
Interest-bearing	14,873	13,162	14,599
Non-interest-bearing	6,486	4,283	6,259
<b>Total non-current liabilities</b>	<b>21,359</b>	<b>17,445</b>	<b>20,858</b>
Current liabilities			
Interest-bearing	2,511	6,349	4,540
Non-interest-bearing	1,941	2,298	2,298
<b>Total current liabilities</b>	<b>4,452</b>	<b>8,647</b>	<b>6,838</b>
<b>Total liabilities</b>	<b>25,811</b>	<b>26,092</b>	<b>27,696</b>
<b>Total equity and liabilities</b>	<b>48,652</b>	<b>42,596</b>	<b>50,151</b>
<b>Memorandum items</b>			
Pledged assets	204	19	52
Contingent liabilities	2	2	2

## Consolidated Cash Flow Statement, summary

Amounts SEK m	2006 (6 months)	2005 (6 months)	2005 (12 months)
Cash flow from current operations before changes in working capital	1,213	1,216	1,516
Change in working capital (excl. liquid funds)	-2	-79	159
<b>Cash flow from current operations</b>	<b>1,211</b>	<b>1,137</b>	<b>1,675</b>
Net investments*	-685	228	-328
<b>Cash flow from investments</b>	<b>-685</b>	<b>228</b>	<b>-328</b>
Dividend paid	-660	-394	-394
Financing	-848	247	-56
<b>Cash flow from financing</b>	<b>-1,508</b>	<b>-147</b>	<b>-450</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>-982</b>	<b>1,218</b>	<b>897</b>

\* 'Net Investments' refer to investment in and sale of tangible assets.

## Changes in Group Equity

Amounts in SEK m	Attributable to the Parent Company's shareholder				Total equity
	Share capital	Other contributed capital	Hedge reserve	Profit brought forward	
<b>Equity 1-1-2005</b>	<b>2,135</b>	<b>2,135</b>	<b>-16</b>	<b>11,892</b>	<b>16,146</b>
Dividend	-	-	-	-394	-394
Equity not reported in the Income Statement	-	-	44	-	44
Profit for the period, January-June 2005	-	-	-	709	709
<b>Equity 30-6-2005</b>	<b>2,135</b>	<b>2,135</b>	<b>28</b>	<b>12,207</b>	<b>16,505</b>
Equity not reported in the Income Statement	-	-	6	-	6
Profit for the period, July-December 2005	-	-	-	5,944	5,944
<b>Equity 31-12-2005</b>	<b>2,135</b>	<b>2,135</b>	<b>34</b>	<b>18,151</b>	<b>22,455</b>
Dividend	-	-	-	-660	-660
Equity not reported in the Income Statement	-	-	26	-	26
Profit for the period, Jan-June 2006	-	-	-	1,020	1,020
<b>Equity 30-6-2006</b>	<b>2,135</b>	<b>2,135</b>	<b>60</b>	<b>18,511</b>	<b>22,841</b>

# The Group's geographical areas, summary

Amounts in SEK m	2006 Jan-June	2005 Jan-June	2006 April-June	2005 April-June	2005 (12 months)
<b>Income, including other operating income</b>					
South	339	330	170	162	654
West	359	428	177	184	748
East	225	227	110	114	451
Uppsala	363	365	179	184	717
Stockholm	812	767	402	378	1,563
North	233	228	114	115	472
Other operations	54	195	27	108	107
Elimination of intra-Group income	-54	-195	-27	-108	-107
<b>Total income</b>	<b>2,331</b>	<b>2,345</b>	<b>1,152</b>	<b>1,137</b>	<b>4,605</b>
<b>Profit/loss before net interest income/expense, excluding central overheads</b>					
South	141	187	42	106	1,054
West	412	274	303	105	1,466
East	233	133	153	68	712
Uppsala	391	192	280	96	728
Stockholm	305	508	74	256	4,920
North	63	117	-9	55	1,109
Other operations	18	-	12	-1	-18
Elimination of intra-Group items	-	3	-7	14	-19
<b>Profit/loss before net interest income/expense, excluding central overheads</b>	<b>1,563</b>	<b>1,414</b>	<b>848</b>	<b>699</b>	<b>9,952</b>
<i>Reconciliation of the Income Statement</i>					
Profit/loss before net interest income/expense, excluding central overheads	1,563	1,414	848	699	9,952
Central overheads	-13	-10	-5	-6	-35
Profit/loss on interest income/expense (net)	-131	-419	-41	-272	-648
Tax for the period	-399	-276	-226	-118	-2,616
<b>Profit for the period according to the Income Statement</b>	<b>1,020</b>	<b>709</b>	<b>576</b>	<b>303</b>	<b>6,653</b>

Göteborg, July 14, 2006

Joakim Ollén  
President

Our review report was submitted on July 14, 2006

DELOITTE AB

Peter Gustafsson  
Authorised Public Accountant



# REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

## Akademiska Hus AB (Publ)

Corporate identity number 556459-9156

We have reviewed interim financial information of Akademiska Hus AB (Publ) as of January 1 – June 30, 2006. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with SÖG 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" published by FAR. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially

less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of (or "does not present fairly, in all material respects,") the financial position of the entity as of June 30, 2006, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34.

Göteborg, July 14, 2006  
DELOITTE AB

Peter Gustafsson  
*Authorized public accountant*

## Report schedule

Interim Report January-June 2006	July 14, 2006
Interim Report January-September 2006	October 31, 2006
Year-End Report 2006	January 2007
Annual Report 2006	March 2007

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