05

Akademiska Hus

Interim Report January–March 2005

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

The Board and President of Akademiska Hus AB hereby present the Interim Report for the period January 1–March 31, 2005.

- **This interim report** has been prepared in accordance with the International Financial Reporting Standards (IFRS) and is the first financial report that Akademiska Hus has prepared according to IFRS. A presentation of the transition to IFRS and its effects is presented at the end of this interim report under the heading "Implementation of IFRS 2005".
- **In January,** an area in Gothenburg comprising four large buildings and totalling 63,000 square metres was sold to Chalmersfastigheter AB. At the same time, the Group was commissioned to manage all the buildings on the Chalmers campus.
- **Rental income** totalled SEK 1,117 million (1,115). The level of vacant space was 2.9 per cent, an increase from 2.8 per cent at the beginning of the year. The level of vacant space for the same period in 2004 was 2.2 per cent.
- **Profit after financial items** for the period was SEK 564 million (417). The profit after tax for the period was SEK 406 million (300). The improvement can be attributed to a capital gain and improved net interest income/expense.
- **The outlook for 2005** is a pre-tax profit in excess of SEK 1,800 million. Compared with 2004, this is an improvement of over SEK 500 million. No change in the value of investment properties has been taken into account although the profit for 2004 included a negative change in value.

Akademiska Hus

Property operations

Rental income and profit

Rental income amounted to SEK 1,117 million, an increase of SEK 2 million compared with the same period in 2004.

Operating costs increased marginally compared with the same period in 2004, due mainly to an increase in energy prices. Maintenance costs are slightly lower than in the preceding year, SEK 146 million (153). The maintenance investments made in previous years have meant that the standard of the Akademiska Hus property holdings is now generally high and the level of maintenance in the Group is falling. Net operating income was SEK 656 million (657).

It is estimated that the value of the properties will remain unchanged compared with the figure at the turn of the year, with due consideration given to sales. Investments have been recorded at the cost incurred.

Net financial income and expense was SEK –147 million (–208). The improvement can be attributed largely to new reporting procedures according to IFRS. The changes in market value for derivatives utilised now include the reported financing cost. Interest expense for the period, including changes in market value according to IFRS, totalled 3.55 per cent. The profit after financial items for the period was SEK 564 million (417).

It is estimated that the pre-tax profit for the full year will be in excess of SEK 1,800 million, an improvement of over SEK 500 million compared with the preceding year. No change in the value of the investment properties is forecast, which in 2004 amounted to SEK –478 million, It is estimated that net interest income/expense will improve by approximately SEK 70 million whilst other income and cost items in the Income Statement are the on same level as the preceding year

Property portfolio

The value of investment properties, excluding construction in progress, totalled SEK 37,413 million (36,237). Construction in progress as of March 31 was SEK 1,070 million (1,861). Rentable space totalled 3,258,591 square metres compared with 3,314,609 at the beginning of the year. During the period four properties totalling 63,000 square metres within Chalmers University of Technology, were sold. Vacant space was 2.9 per cent, an increase from 2.8 per cent at the turn of the year. A new valuation of the property holdings will be made as of June 30, 2005.

Investments

Net investments in properties totalled SEK –626 million (454). The negative net investment figure can be attributed to the sale to Chalmersfastigheter AB. As at March 31, 2005, a number of construction projects were in progress, the largest of which are:

Project	Location	Investment framework (SEK m)	Invested as at 31-3-2005 (SEK m)
Kemikum, Stage 2	Uppsala	433	437
Tre Vapen II	Stockholm	370	26
Swedish National Defence College	Stockholm	368	229
Centre for Chemistry and Chemical Engineering	Lund	346	78
Teknikens Hus	Karlstad	320	7

Key figures (according to IFRS)

	Jan–Mar 2005	Jan–Mar 2004	31-12-2004
Direct yield, %	7.0[1]	7.1[1]	7.1
Net operating income per sq. m.	807[1]	786[1]	806
Assessed fair value, investment properties, SEK m	37,413	36,237	38,230
Return on equity after standard tax, %	8.7[1]	4.3[1]	5.8
Return on total equity, %	6.5[1]	4.6[1]	5.3
Equity ratio, %	40.6	40.3	40.9
Internal financing, %	–12	74	81
Interest coverage ratio, %	444	300	265

[1] Calculated on a full-year basis.

Financing

Interest-bearing liabilities

Interest-bearing liabilities at the period-end amounted to SEK 17,883 million compared with SEK 17,648 million at the turn of the year (18,798 as at 1-1-2005). The financing requirements have decreased since the beginning of the year as a result of the sale of properties for approximately SEK 1,000 million. In addition to short-term financing, there have been two bond issues, each for CHF 80 million.

The fixed interest period has increased to 2.1 years from 1.6 years at the beginning of the year. The maturity has remained unchanged at 2.3 years.

Interest-bearing liabilities

Amounts in SEK m	31-3-2005	1-1-2005	31-12-2004
Bank financing	–	–	–
Commercial paper	1,794	2,323	2,323
ECP	1,181	883	963
Bonds and MTN	2,096	2,506	2,431
EMTN	9,658	9,663	9,645
Other loans	1,588	1,639	1,776
Total loans	**16,317**	**17,014**	**17,138**
Financial derivatives	1,055	1,273	–
Collateral received for derivatives entered into	315	316	315
Pension provision	196	195	195
Total, other interest-bearing liabilities	**1,566**	**1,784**	**510**
Total interest-bearing liability	**17,883**	**18,798**	**17,648**

Financing cost

The reporting of financing costs will be changed due to the new accounting standards (IFRS). These mean that changes in the market value of the derivatives that are used for the purpose of balancing the interest risk in the liability portfolio are now included in the reported financing cost. As the Group has a significant proportion of the interest risk coverage in derivatives that do not qualify for hedge accounting, the market value of these varies as a result of changes in the general interest level. Interest risk management aims to achieve a low financing cost over time. The changes in market value do not affect the cash flow and are not a target variable in financing operations. The cost will therefore in the future be reported both according to IFRS as well as earlier accounting principles.

The interest cost for the period, according to IFRS and including changes in market value, totalled 3.55 per cent, measured as interest cost in relation to the interest-bearing liabilities' average capital. According to earlier accounting principles, the interest cost was 4.30 per cent.

The average interest on the outstanding interest-bearing liability, including interest swaps, was 3.90 per cent at the end of the period, compared with 3.95 per cent at the turn of the year.

Financing cost breakdown

	IFRS	According to earlier principles	
	31-3-2005	31-3-2005	31-12-2004
Loan financing cost, %	2.75	2.75	3.05
Interest swaps, net interest, %	1.20	1.20	1.20
Period allocation and charges, %	–0.17	0.35	0.25
Changes in value, financial instruments, %	–0.23	–	–
Total financing cost	**3.55**	**4.30**	**4.50**

Facilities and rating

	Framework, 31-12-2004	Utilised, nom. 31-3-2005	Rating Standard & Poor´s
Banks	SEK 4,200 m	SEK 535 m	
Commercial Paper	SEK 4,000 m	SEK 1,802 m	A1+/K1
ECP (Euro Commercial Paper)	USD 600 m	SEK 1,167 m	A1+
MTN (Medium Term Note)	SEK 8,000 m	SEK 1,964 m	AA
EMTN (Euro Medium Term Note)	USD 1,500 m	SEK 10,080 m	AA/A1+

Accounting principles

Akademiska Hus's financial reports have historically been prepared in accordance with the Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council. With effect from January 1, 2005, Akademiska Hus's consolidated accounts are prepared according to the International Financial Reporting Standards (IFRS). This Interim Report is the first financial report that Akademiska Hus has prepared in accordance with IFRS. The Interim Report ahs been prepared in accordance with IAS 34, Interim Financial Reporting. At the end of this interim report, under the heading "Implementation of IFRS 2005", there is a presentation of how the transition from Swedish accounting principles to IFRS has affected the financial position, results and cash flow of Akademiska Hus.

The transition to IFRS entails changes in certain Akademiska Hus accounting principles. The new accounting principles are presented below. In other respects the accounting principles and computation methods applied are the same as in the Annual Report.

New accounting principles

Investment properties

Investment properties, i.e. properties owned with the aim of generating rental income or gains resulting from an increase in value are measured on a continuous basis at the fair value. The fair value is based on the period-end market values, which means the value at which a property could be assigned between knowledgeable parties that are independent of each other and who have an interest in the transaction being implemented. The changes in fair value are recognised in profit or loss and affect the operating profit.

The term investment property includes buildings, land, land improvements and building and land equipment.

In cases where Akademiska Hus uses part of a building for its own administration, the property is an investment property only if an insignificant part is used for administrative purposes. All properties in the Akademiska Hus Group have been classified as investment properties even if in exceptional cases there are properties where a slightly more significant part is used by Akademiska Hus, mainly for administrative purposes.

When an owner-occupied property is reclassified as an investment property, any fall in the reported value should be recognised in profit or loss. To the extent an increase in the reported value reverses a former impairment loss on the property, the increase is also recognised in net profit or loss. Any remaining part of the increase is reported in the revaluation reserve in equity. In conjunction with a subsequent disposal of the property, the surplus reported in equity (revaluation reserve) is transferred to the profit carried forward.

If an investment property is reclassified as an investment property or a stock asset, the property is reported at an assumed acquisition value, equivalent to a fair value of the property at the time of reclassification.

Any profit or loss that arises in conjunction with disposal or scrapping of the investment property is recognised in profit or loss and has an impact on the operating profit.

New construction in progress in investment properties is reported at the cost incurred until the new investment has been completed, whereupon it is reclassified as investment property. At the time of reclassification the difference between the reported value and the fair value is recognised in profit or loss and has an impact on the operating profit.

Goodwill

Goodwill is reported in the Balance Sheet as an intangible asset at the acquisition value with a deduction for accumulated impairment losses. Goodwill is assessed to have an indeterminate period of use. Goodwill is allocated to cash-generating units and the reported value is tested for impairment at least once a year. Testing for impairment takes place more often if there are indications that a reduction in value has taken place during the year.

If an acquisition means that the fair value of acquired assets, liabilities and contingent liabilities exceeds the acquisition value, the surplus is reported immediately as income in the Income Statement.

Financial assets and liabilities

Initially, financial instruments are reported at fair value and thereafter on a continuous basis at the fair value or the accrued acquisition value based on the initial categorisation.

Financial instruments are divided into the following categories:
1. Financial assets at fair value through profit or loss
2. Held-to-maturity assets
3. Loans and receivables
4. Available-for-sale assets

All Akademiska Hus investments, as well as derivatives with a positive market value that do not satisfy the requirements for hedge accounting, are categorised as "Financial assets at fair value through profit or loss". This categorisation is based on two subcategories: held for trading and other financial assets as covered by IAS 39. Assets in this category are reported initially at the acquisition value, i.e. the fair value at the time of acquisition, and are measured thereafter on a continuous basis at the fair value. The change in value is reported continuously through profit or loss.

Financial assets, with fixed or determinable payments, a fixed maturity date and where the company intends and is able to hold to maturity, are categorised as "Held-to-maturity assets". As at March 31, 2005, Akademiska Hus did not hold any financial instruments in this category.

Akademiska Hus accounts receivable are categorised as "Loans and receivables" and are reported and measured continuously at the accrued acquisition value. At each period-end this asset is tested for impairment.

The category "Available-for-sale assets" covers all instruments that do not fall under any of the other three categories. Akademiska Hus did not hold any financial instruments in this category as at March 31, 2005.

Financial liabilities can be divided into the following categories:

1. Liabilities held for trading
2. Other liabilities

Derivatives with a negative market value and which do not satisfy the demands for hedge accounting are classified as "Liabilities held for trading". These liabilities are recognised initially at the acquisition value and thereafter directly at the fair value. The change in value is recognised directly in profit or loss.

Financial liabilities that are not covered by hedge accounting are categorised as "Liabilities held for trading" and are reported and measured at the accrued acquisition value. Direct costs incurred in conjunction with the raising of loans are included in the acquisition value.

Hedge accounting

Hedge accounting at Akademiska Hus takes place through a division into two types of hedges depending on the purpose of the hedge: "Fair value hedge" and "Cash flow hedge".

In the case of a fair value hedge, both the hedge item, in respect of the hedged risk, as well as the hedging instrument are measured at the fair value. The changes in value are recognised immediately in profit or loss.

In the case of a cash flow hedge, the derivative contract is measured at the fair value at the same time that the hedged item is measured according to the original categorisation. The change in value of the derivative instrument that qualifies for hedging according to the requirements for cash flow hedges is recognised directly in equity until the underlying transaction is reflected in the Income Statement, whereupon any accumulated gain or loss is taken up.

One of the criteria for hedge accounting to be applied is that the hedge is expected to be effective both on entering and during the hedging period. The ineffective part of the hedge, i.e. the difference between the change in value and the exposure (the risk associated with interest, price of electricity or currency exchange rate), which is hedged in underlying transactions and changes in value in the hedging instrument's (derivative's) equivalent risk, shall be taken up directly.

Financial assets and liabilities in a foreign currency

Financial assets and liabilities in a foreign currency are translated at the exchange rate at the period-end, whereupon exchange rate differences are recognised in profit or loss. Both realised and unrealised exchange rate differences are recognised in profit or loss.

Fair value, financial instruments

When valuing financial instruments at the fair value, official quotations as at the period-end are used. In those cases where these are not available, a valuation is made through the discounting of future cash flows at the quoted market rate of interest for each period.

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 87 million (23), of which income from regional companies totalled SEK 87 million. Operating profit was SEK –13 million (–0.1) and net financial income and expense was SEK 92 million (240), including SEK 0 million (185) in dividends from regional companies. Profit before appropriations and taxes was SEK 79 million (240).

Investments

Investments in machinery and equipment totalled SEK 0 million (0.8).

Equity

Equity totalled SEK 5,387 million compared with SEK 5,801 million at the turn of the year. The effect on opening equity as at 1-1-2005 as a result of a change in accounting principles for financial instruments (IAS 39) was SEK –472 million after tax.

Consolidated Income Statement, Summary

Amounts in SEK m	2005 Jan–Mar	2004 Jan–Mar	2004 (12 months)
Rental income	1,117	1,115	4,482
Other property management income	15	14	48
Total operating income	**1,132**	**1,129**	**4,530**
Property management expenses			
Operating expenses	–243	–241	–783
Maintenance expenses	–146	–153	–806
Property administration	–69	–58	–244
Other property management expenses	–17	–20	–72
Net operating profit	**656**	**657**	**2,625**
Capital gain/loss on the sale of fixed assets	56	–	–
Revaluation of investment properties	–	–27	–478
Central administration expenses	–4	–7	–35
Other operating income	20	11	51
Other operating expenses	–18	–9	–44
Operating profit	**711**	**625**	**2,119**
Net financial income/expense	–147	–208	–795
Profit before taxes	**564**	**417**	**1,324**
Taxes	–158	–117	–374
Net profit for the period	**406**	**300**	**950**

Consolidated Balance Sheet, Summary

Amounts in SEK m	31-3-2005	31-3-2004	31-12-2004
ASSETS			
Intangible assets	24	7	33
Tangible assets			
Managed properties	37,413	36,237	38,230
Construction in progress	1,070	1,861	806
Equipment and fittings	37	49	41
Total tangible assets	**38,520**	**38,147**	**39,077**
Financial assets	930	185	194
Current assets			
Receivables	914	762	1,016
Liquid funds	394	1,112	329
Total current assets	**1,308**	**1,874**	**1,345**
Total assets	**40,781**	**40,213**	**40,649**
EQUITY AND LIABILITIES			
Equity	16,552	16,218	16,618
Liabilities			
Long-term liabilities			
Interest-bearing	10,280	12,342	11,858
Non-interest-bearing	4,284	4,098	4,283
Total long-term liabilities	**14,564**	**16,440**	**16,141**
Current liabilities			
Interest-bearing	7,603	5,446	5,790
Non-interest-bearing	2,063	2,109	2,100
Total current liabilities	**9,666**	**7,555**	**7,890**
Total liabilities	**24,230**	**23,995**	**24,031**
Total equity and liabilities	**40,781**	**40,213**	**40,649**
Memorandum items			
Pledged assets	32	24	77
Contingent liabilities	2	1	1

Consolidated Cash Flow Statement, Summary

Amounts in SEK m	2005 (3 months)	2004 (3 months)	2004 (12 months)
Cash flow from current operations before changes in working capital	–184	333	1,690
Change in working capital (excl. liquid funds)	–57	–63	–490
Cash flow from current operations	**–241**	**270**	**1,200**
Net investments 1)	73	–454	–1,502
Cash flow from investments	**73**	**–454**	**–1,502**
Dividend granted	–	–	–250
Financing	233	829	414
Cash flow from financing	**65**	**829**	**164**
Cash flow for the period	**65**	**645**	**–138**

1) The term 'net investments' refers to investments in and sales of intangible and tangible assets.

Changes in consolidated equity

	Restricted reserves		Non-restricted reserves		
Amounts in SEK m	Share capital	Restricted reserves	Non-restricted reserves	Profit for the period	Total equity
Equity 1-1-2004	**2,135**	**3,817**	**9,965**	**–**	**15,917**
Profit for the period Jan–Mar 2004	–	–	–	300	300
Equity 31-3-2004	**2,135**	**3,817**	**9,965**	**300**	**16,218**
Dividend	–	–	–250	–	–250
Movement between restricted and non-restricted equity	–	236	–236	–	–
Profit for the period Apr–Dec 2004	–	–	–	650	650
Equity 31-12-2004	**2,135**	**4,053**	**9,479**	**950**	**16,618**
Effects of the transition to IFRS (net after tax)	–	–	–472	–	–472
Equity 1-1-2005	**2,135**	**4,053**	**9,007**	**950**	**16,146**
Profit for the period Jan–Mar 2005	–	–	–	406	406
Equity 31-3-2005	**2,135**	**4,053**	**9,007**	**1,356**	**16,552**

Group's Geographical Areas, Summary

Amounts in SEK m	2005 (3 months)	2004 (3 months)	2004 (12 months)
Income, including other operating income			
Lund	168	162	641
Göteborg	244	199	823
Linköping	113	110	443
Uppsala	181	178	716
Stockholm	389	381	1,508
North	113	110	450
Other operations	–87	23	95
Elimination of intra-Group income	–87	–23	–95
Total income	**1,208**	**1,140**	**4,581**
Operating profit, excluding central overheads			
Lund	81	82	308
Göteborg	168	101	416
Linköping	65	65	88
Uppsala	96	71	66
Stockholm	252	234	921
North	62	72	330
Other operations	1	2	4
Elimination of intra-Group income	–11	5	21
Total operating profit, excluding central overheads	**714**	**632**	**2,154**
Income statement reconciliation			
Operating profit, excluding central overheads	714	632	2,154
Central overheads	–4	–7	–35
Profit on financial items (net)	–147	–208	–795
Tax for the period	–158	–117	–374
Profit for the period according to the Income Statement	**406**	**300**	**950**

Investment properties

Amounts in SEK m	31-3-2005	31-12-2004
Opening book value	38,230	24,412
Sales and disposals	–855	–25
Investments	7	1,185
Transferred from new construction in progress	31	1,430
Adjustment in value, opening effect January 1, 2004	–	11,706
Adjustment in value, effect for the year	–	–478
Closing book value	**37,413**	**38,230**

Implementation of IFRS 2005

General

Akademiska Hus's date for the transition to IFRS is January 1, 2004 as IFRS requires re-computation of a comparative year. The financial information for the Group in 2004 according to the Swedish accounting principles will be recomputed to comply with IFRS. The following is a complete account and report on the transition from Akademiska Hus's previous accounting principles to IFRS. The areas and IFRS standards which Akademiska Hus preliminarily considers will have the greatest impact on equity, the Balance Sheet and reported profit in conjunction with the transition to IFRS are:

• Financial instruments (IAS 39)

– Introduction of fair value as a measurement standard for financial instruments
– All financial instruments will be reported in the Balance Sheet
– Clarification that hedge accounting will only be applied when strict requirements are met

• Investment properties (IAS 40)

– Measurement of investment properties at fair value
– Changes in the fair value are recognised in profit or loss

• Goodwill (IFRS 3)

– Goodwill will not be amortised according to plan

• Division of interest-bearing liabilities into current and long-term parts (IAS 1)

Application of the transition rules (IFRS 1)

The transition to IFRS is reported in accordance with IFRS 1 "First-time Adoption of IFRS". The main rule in IFRS 1 requires that a company applies all IFRS standards retrospectively when adopting the opening balances according to IFRS. Certain exceptions to the retrospective application are permitted however. Akademiska Hus has chosen to apply the following:

• Financial instruments (IAS 39)

Akademiska Hus applies IAS 39 with effect from January 1, 2005 and uses the exception granted in IFRS 1 for companies that are applying IFRS for the first time to not re-compute comparison figures/information for 2004. Consequently, recognition and measurement of financial instruments, the handling of cash flow and fair value hedging and the application of hedge accounting have taken place in accordance with generally accepted Swedish accounting principles.

• Goodwill (IFRS 3)

The rules in IFRS 3 Business Combinations will be applied prospectively to business combinations which are carried out from and including the transition date January 1, 2004.

• Defined benefit pension plans (IAS 19)

On January 1, 2004, Akademiska Hus implemented RR 29 Employee benefits. RR 29 concurs essentially with IAS 19 and consequently the pension liability computed and reported as at January 1, 2004 concurs with IFRS. Akademiska Hus has opted, in accordance with the rules in IFRS 1, not to apply IAS 19 retrospectively. A retrospective application would mean that the accumulated effect from the beginning of each pension plan would be allocated to the part which affected the computations and to a non-reported part, the so-called corridor. Akademiska Hus instead reports all these effects directly in opening equity as at January 1, 2004. As this has already been done, based on RR 29, the introduction of IAS 19 will have no effect in conjunction with the transition to IFRS.

Change in accounting principles and effects in conjunction with the transition to IFRS – preliminary assessment

In the opinion of the management the following tables present and quantify (preliminarily) the most material effects of the transition to IFRS. The information below has been prepared according to IFRS standards, which are expected to be applied on December 31, 2005. IFRS is still the subject of review and approval by the EU and consequently changes could still take place. As the rules were recently introduced, clarification by the standard-setter and the development of practice within the area means further clarifications could affect the information below.

Consolidated Income Statement – summary
– reconciliation between Swedish accounting principles and IFRS 2004

Amounts in SEK m	Reference	According to Swedish accounting principles 2004, Jan–Mar	Effect of transition to IFRS 2004, Jan–Mar	IFRS 2004, Jan–Mar	According to Swedish accounting principles 2004, Jan–Dec	Effect of transition to IFRS 2004, Jan–Dec	IFRS 2004, Jan–Dec
Rental income		1,115	–	1,115	4,482	–	4,482
Other property management income		14	–	14	48	–	48
Total operating income		**1,129**	**–**	**1,129**	**4,530**	**–**	**4,530**
Property management costs							
Operating costs		–239	–2	–241	–772	–11	–783
Maintenance costs		–153	–	–153	–806	–	–806
Property administration		–55	–3	–58	–233	–11	–244
Other property management costs		–21	–	–21	–72	–	–72
Net operating profit		**662**	**–5**	**657**	**2,647**	**–22**	**2,625**
Depreciation and impairment losses and reversed impairment losses in property management	A, D	–233	233	–	–1,013	1,013	–
Gross profit		429	228	657	1,634	991	2,625
Capital gain/loss on the sale of fixed assets	A	–	–	–	–	–	–
Revaluation, investment properties	A	–	–27	–27	–	–478	–478
Central administration costs		–7	–	–7	–35	–	–35
Other operating income	A	11	–	11	69	–18	51
Other operating expenses	A	–15	6	–9	–52	8	–44
Operating profit/loss		**418**	**207**	**625**	**1,616**	**503**	**2,119**
Financial items		–208	–	–208	–795	–	–795
Profit before taxes		**210**	**207**	**417**	**821**	**503**	**1,324**
Taxes	A, E	–59	–58	–117	–233	–141	–374
Net profit for the period		**151**	**149**	**300**	**588**	**362**	**950**

Consolidated Balance Sheet – summary

– reconciliation between Swedish accounting principles and IFRS 1-1-2004, 31-3-2004, 31-12-2004 and 1-1-2005

Amounts in SEK m	Reference	According to Swedish accounting principles 1-1-04	Effect of transition to IFRS 1-1-04	IFRS 1-1-04	According to Swedish accounting principles 31-3-04	Effect of transition to IFRS 31-3-04	IFRS 31-3-04	According to Swedish accounting principles 31-12-04	Effect of transition to IFRS 31-12-04	IFRS 31-12-04	Effect of transition to IFRS 1-1-05	IFRS 1-1-05
ASSETS												
Intangible assets	D	6	–	6	7	–	7	33	–	33	–	33
Tangible fixed assets												
Managed properties	A	24,412	11,706	36,118	24,324	11,913	36,237	26,021	12,209	38,230	–	38,230
Construction in progress		1,556	–	1,556	1,861	–	1,861	806	–	806	–	806
Equipment and fittings		52	–	52	49	–	49	41	–	41	–	41
Total tangible fixed assets		**26,020**	**11,706**	**37,726**	**26,234**	**11,913**	**38,147**	**26,868**	**12,209**	**39,077**	**–**	**39,077**
Financial assets	B, E	185	–	185	185	–	185	194	–	194	726	920
Current assets												
Current receivables	B, C	761	–	761	762	–	762	1,016	–	1,016	33	1,049
Liquid funds		467	–	467	1,112	–	1,112	329	–	329	–	329
Total current assets		**1,228**	**–**	**1,228**	**1,874**	**–**	**1,874**	**1,345**	**–**	**1,345**	**33**	**1,378**
Total assets		**27,439**	**11,706**	**39,145**	**28,300**	**11,913**	**40,213**	**28,440**	**12,209**	**40,649**	**759**	**41,408**
EQUITY, PROVISIONS AND LIABILITIES												
Equity												
Restricted equity		5,952	–	5,952	5,952	–	5,952	6,188	–	6,188	–	6,188
Non-restricted equity	A, B, D, E	1,554	8,428	9,982	1,689	8,577	10,266	1,639	8,791	10,430	–472	9,958
Total equity		**7,506**	**8,428**	**15,934**	**7,641**	**8,577**	**16,218**	**7,827**	**8,791**	**16,618**	**–472**	**16,146**
Provisions	C	908	–908	–	927	–927	–	1,059	–1,059	–	–	–
Liabilities												
Long-term liabilities												
Interest-bearing	B, C	16,794	163	16,957	17,623	–5,281	12,342	17,454	–5,596	11,858	931	12,789
Non-interest-bearing	C, E	–	4,023	4,023	–	4,098	4,098	–	4,283	4,283	–	4,283
Total long-term liabilities		**16,794**	**4,186**	**20,980**	**17,623**	**–1,183**	**16,440**	**17,454**	**–1,313**	**16,141**	**931**	**17,072**
Current liabilities												
Interest-bearing	B, C	–	–	0	–	5,446	5,446	–	5,790	5,790	219	6,009
Non-interest-bearing	B, C	2,231	–	2,231	2,109	–	2,109	2,100	–	2,100	81	2,181
Total current liabilities		**2,231**	**0**	**2,231**	**2,109**	**5,446**	**7,555**	**2,100**	**5,790**	**7,890**	**300**	**8,190**
Total liabilities		**19,025**	**4,186**	**23,211**	**19,732**	**4,263**	**23,995**	**19,554**	**4,477**	**24,031**	**1,231**	**25,262**
Total equity, provisions and liabilities		**27,439**	**11,706**	**39,145**	**28,300**	**11,913**	**40,213**	**28,440**	**12,209**	**40,649**	**759**	**41,408**

Changes in Group equity

– reconciliation between Swedish accounting principles and IFRS 2004 as well as 1-1-2005

Amounts in SEK m	Reference	Restricted reserves		Non-restricted reserves		
		Share capital	Restricted reserves	Non-restricted reserves	Profit/loss for the period	Total equity
Equity 1-1-2004 according to the present accounting principles		**2,135**	**3,817**	**1,554**	**–**	**7,506**
Fair value, investment properties, adjustment of opening balance	A	–	–	11,706	–	11,706
Deferred tax	E	–	–	–3,278	–	–3,278
Equity 1-1-2004 according to IFRS		**2,135**	**3,817**	**9,982**	**–**	**15,934**
Equity as at 31-3-2004 according to the present accounting principles		**2,135**	**3,817**	**1,538**	**151**	**7,641**
Effects in conjunction with the transition to IFRS						
Adjustment of opening effects as at January 1, 2004, see above	A	–	–	8,428	–	8,428
Reversal, depreciation, investment properties	A	–	–	–	228	228
Reversal, capital gain, investment properties	A	–	–	–	6	6
Fair value, investment properties, result for the period	A	–	–	–	–27	–27
Reversal, goodwill amortisation	D	–	–	–	–	–
Deferred tax	E	–	–	–	–58	–58
Equity as at 31-3-2004 according to IFRS		**2,135**	**3,817**	**9,966**	**300**	**16,218**
Equity as at 31-12-2004 according to the present accounting principles		**2,135**	**4,053**	**1,051**	**588**	**7,827**
Effects in conjunction with the transition to IFRS						
Adjustment of opening effects as at January 1, 2004, see above	A	–	–	8,428	–	8,428
Reversal, depreciation, investment properties	A	–	–	–	991	991
Reversal, capital loss, investment properties	A	–	–	–	–10	–10
Fair value, investment properties, result for the period	A	–	–	–	–478	–478
Reversal, goodwill amortisation	D	–	–	–	–	–
Deferred tax	E	–	–	–	–141	–141
Equity as at 31-12-2004 according to IFRS		**2,135**	**4,053**	**9,479**	**950**	**16,618**
Non-recurring effects in conjunction with the transition to IFRS (IAS 39)	B					
Losses brought forward, closed derivative transactions		–	–	–351	–	–351
Profits brought forward, closed derivative transactions		–	–	129	–	129
Financial assets measured at the fair value through profit and loss						
Fair value, financial derivatives		–	–	135	–	135
Financial liabilities measured at fair value through profit and loss						
Fair value, financial derivatives		–	–	–560	–	–560
Other financial liabilities						
Accrued acquisition value, financial loan liabilities		–	–	–3	–	–3
Hedging of fair value						
Underlying loans (currency and interest)		–	–	–90	–	–90
Hedging instruments (currency and interest)		–	–	106	–	106
Effects of the transition to IFRS to be carried forward/allocated to a specific period	B					
Cash flow hedging						
Hedging instrument (currency and interest)		–	–	–1	–	–1
Hedging instrument (electricity price)		–	–	–21	–	–21
Deferred tax on IFRS changes	E		–	183	–	183
Equity 1-1-2005 according to IFRS		**2,135**	**4,053**	**9,007**	**950**	**16,146**

Key figures
– reconciliation between Swedish accounting principles and IFRS

	According to Swedish accounting principles 31-3-2004	IFRS, 31-3-2004	According to Swedish accounting principles 31-3-2004	IFRS, 31-12-2004	IFRS, 1-1-05
Direct yield, %	10.3[1)]	7.1[1)]	10.5	7.1	7.1
Direct yield on fair value, %	–	7.1[1)]	7.1	7.1	7.1
Net operating income per square metre	786[1)]	786[1)]	806	806	806
Book value, properties, SEK m	24,324	36,237	26,021	38,230	38,230
Assessed fair value, properties, SEK m	36,237	36,237	38,230	38,230	38,230
Return on equity after standard tax, %	7.3[1)]	4.3[1)]	7.7	5.8	5.9
Return on total equity, %	5.6[1)]	4.6[1)]	5.8	5.3	5.3
Equity/assets ratio, %	27.1	40.3	27.5	40.9	39.0
Internal financing level, %	84	74	90	81	81
Interest coverage level, %	200	300	202	265	265

[1)] Full-year assessment.

Comments (references to the above tables)

A) Investment properties (IAS 40)

According to the accounting principles applied previously by Akademiska Hus, investment properties were reported at the acquisition cost less a deduction for accumulated depreciation, impairment losses and reversed impairment losses. In the Income Statement, historical depreciation according to plan, impairment losses and reversed impairment losses have thus affected the profit.

According to IAS 40, a company can choose between applying the cost method (which essentially concurs with Akademiska Hus's earlier accounting principles) and a fair value measurement. The Board of Akademiska Hus decided that the Group's investment properties would be measured on an ongoing basis and reported at the fair value. The effect on equity brought forward as at January 1, 2004 and investment properties as a result of the change in measurement principles totalled SEK 11,706 million before tax.

This means that changes in fair value of the Group's property holdings is reported in the Income Statement and affects the operating profit. This also means that depreciation and impairment losses and reversed impairment losses are reversed in the 2004 Income Statement according to IFRS, which has had a positive impact on profit of SEK 991 million (Jan–Mar 228). Furthermore, the change in principles for the measurement of investment properties at fair value means that the capital gain in the light of previous book values is reversed and is instead replaced by what the properties sold commanded in relation to the most recent valuation made of each property. This affected the 2004 capital gain net positively to the amount of SEK 10 million (Jan–Mar negative to the amount of SEK 6 million) and the corresponding effect on operating profit, which is thus reversed in the 2004 Income Statement according to IFRS.

The previous definition and classification of investment properties in relation to owner-occupied properties and properties held for sale has thus not been changed or affected after Akademiska Hus introduced fair value as a measurement standard for investment properties.

B) Financial instruments (IAS 39)

The general principles for the measurement of financial instruments according to IAS 39 are that financial assets and all derivatives shall be measured at fair value whilst financial liabilities are measured at cost. Current reporting of the changes in value of the financial instruments are decided by the initial classification of each financial instrument. Under the current principles, Akademiska Hus reports all the financial instruments at cost. In conjunction with a transition to IFRS. all financial instruments, including derivatives, will be reported in the Balance Sheet. All Akademiska Hus's financial assets will be classified as "Assets at fair value in profit or loss" and measured at fair value, i.e. the changes in value will be recognised directly in profit or loss. The financial liabilities will be measured at the amortised cost with the ongoing changes in value reported in the result. The effects which the revaluation from acquisition value to fair value and accrued acquisition value generate will affect the opening balance.

According to current principles, Akademiska Hus carries forward closed derivatives as well as repurchases of bonds issued and allocates these over the term of the underlying loan/instrument. Offsetting is not permitted according to IAS 32 unless a legal right exists to set off, which means that closed derivatives should be carried forward at the gross amount up to the due date whilst realised derivatives are reported as profit. Repurchased bonds issued are removed from the Balance Sheet and the effects are reported as income. In conjunction with the transition to IFRS, a non-recurring effect will be reported in the opening balance. According to the present accounting principles, currency and interest derivatives, which are entered into for hedging purposes, are reported net with the underlying loan financing.

According to IAS 39, all derivatives will be reported in the Balance Sheet at fair value. The change in value for derivatives which qualify for hedge accounting according to the requirements for fair value hedging and derivative instruments which do not qualify for hedge accounting are recognised directly in profit or loss. The change in value for derivatives which qualify for hedge accounting according to the requirements for cash flow hedging are recognised directly in equity until the underlying transaction is reflected in profit or loss, whereupon any accumulated profit or loss is recognised as income. One of the criteria for hedge accounting to be applied is that the hedge is expected to be effective both on entering as well as during the hedging period. The ineffective part of hedging, i.e. the difference between the change in value in the exposure (interest or currency risk) which is hedged in the underlying transaction and the change in value in the hedging instrument's (derivative's) equivalent risk will be recognised directly in profit or loss.

During 2004, Akademiska Hus took over trading in electricity as well as trading in electricity derivatives for the purpose of hedging. Electricity derivatives that were entered into for the purpose of hedging future consumption are hedged, which means that the realised profit on electricity derivatives brought forward to the underlying transaction affects the profit in accordance with the cash flow hedge. The electricity derivative held/purchased within the deviation mandate is measured on an ongoing basis at the fair value with changes in value reported against profit.

C) Division of interest-bearing liabilities into a current and long-term part (IAS 1)

Akademiska Hus has previously divided the Group's liabilities into interest-bearing and non-interest bearing. According to IAS 1, there will also be a division of interest-bearing liabilities into a current part and a long-term part. In conjunction with the transition to IFRS, the division of the Group's liabilities will be made into current and long-term interest-bearing liabilities. In addition, current tax liabilities, which were previously included under 'Other receivables', will be reported on a separate line in the Balance Sheet. These changes have not had any effect on the Group's reported profit or the total assets.

D) Goodwill

According to IFRS, goodwill will not be amortised but will instead be tested annually for possible impairment. An impairment test will, however, take place more often if there are indications of impairment during the year. An impairment decrease of KSEK 617 reported in 2004 has been reversed. In conjunction with an examination of the purchase price allocation to identified assets, liabilities and contingent liabilities according to IFRS 3 for the business combinations made during 2004, no material differences were noted in relation to the purchase price allocation prepared according to the earlier Akademiska Hus reporting principles. The excess part between the price paid and the acquired net assets has been allocated to properties and goodwill.

E) Deferred tax on IFRS changes

The majority of the above IFRS changes mean that differences arise between the reported value and the tax value. For those changes that entail differences, deferred tax has been reported. In the light of the fact that Akademiska Hus is a Swedish group, an interest rate of 28 per cent has been used when calculating the deferred tax.

Material effects on cash flow 2004

There are no material effects between the cash flow statement according to the Swedish accounting principles and the cash flow statement according to IFRS.

AKADEMISKA HUS

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