



Akademiska Hus | March 8, 2006



AKADEMISKA HUS

- **Manages mainly university and college buildings and is the largest property company in Sweden in terms of value.**
- **Is wholly owned by the Swedish state through the Ministry of Industry, Employment and Communications.**
- **Has long-term lease agreements with stable, creditworthy tenants.**
- **Has since 1996 had the long-term rating AA with a stable outlook and short-term rating A1+/K1 from Standard & Poor's. The ratings have remained unchanged.**

Akademiska Hus

Akademiska Hus owns mainly university and college properties and is wholly owned by the Swedish state through the Ministry of Industry, Employment and Communications. The business concept is to be the leading property company in Sweden in the provision of

creative environments for higher education and research. Universities and colleges are the dominant customer group. In the future, the Group's resources will be invested in the long-term, strategic development of the campus concept, in improving energy efficiency and in broadening the customer base. At the larger university centres, Akademiska Hus has regional companies with local management. These are supported by the Parent Company with functions for strategic business and market development, accounting and human resources, finance, legal affairs, project and property development, IT and corporate communications.

Since 1996, Akademiska Hus has had a long-term AA rating with a stable outlook and a short-term A1+/K1 rating from Standard & Poor's (S&P). The latest rating statement from S&P, dated April 20, 2005, stated in brief: The ratings reflect the Group's key role as the owner and manager of high-quality premises for universities and colleges, the strong involvement of the Swedish state in higher education and research and the long-term aims of the owner. At the same time, S&P feels that Akademiska Hus has reported satisfactory financial results despite a high leverage factor.

Results 2005

At the turn of the year, the Group owned properties with an assessed fair value of SEK 45.6 billion, which is an increase of SEK 7.4 billion since 2004. The major increase in 2005 can be attributed to the following:

- A strong, general upturn in the Swedish property market.
- A new valuation model, with more thorough, more well-defined methodology, has brought a greater level of precision to the valuation process and thus more accurate values.
- Investments made have reduced future maintenance requirements, resulting in an improved cash flow and higher property values.
- Increased demand for the types of property that dominate the Group's property portfolio, with customers mainly from the public sector and with relatively long leases.

Financing

State ownership and a good rating make it possible to seek financing on the public market, both in Sweden and abroad. The long-term financing programmes have been used during the year to extend the maturity. The falling market interest rates and a demand for more long-term investments have made possible, for the first time in several years, value-for-money bond issues in Sweden. The Swiss bond market has also been an important source of financing. At the turn of the year 2005, around 70 per cent of the financing came from outside Sweden.

The general terms and conditions of the MTN and EMTN programmes include an ownership clause, which stipulates that if the Swedish state ceases, either directly or indirectly, to be the majority shareholder, the loans and any interest thereon shall fall due for payment immediately.

Facilities and rating

	Framework 31-12-2005	Utilised nom. 31-12-2005	Rating Standard & Poor's
Bank	SEK 4,200 m	–	–
Commercial paper	SEK 4,000 m	–	A1+/K1
ECP	USD 600 m	USD 55 m	A1+
MTN	SEK 8,000 m	SEK 4,154 m	AA
EMTN	USD 1,500 m	USD 1,175 m	AA/A1+

Key ratios

	2005	2004
Management income, SEK m	4,533	4,530
Net operating profit, SEK m	2,727	2,625
Change in value, managed properties, SEK m	7,214	–478
Profit before tax, SEK m	9,270	1,324
Assessed fair value, investment properties, SEK m	45,616	38,230
Direct yield, %	6.5	7.1
Return on equity after standard tax, %	34.2	5.8
Return on total assets, %	21.9	5.4
Equity ratio, %	44.8	41.1
Internal financing level, %	323	92
Interest coverage level, %	417	327
Vacant space, rent, %	2.1	1.8
Vacant space, area, %	3.2	2.8

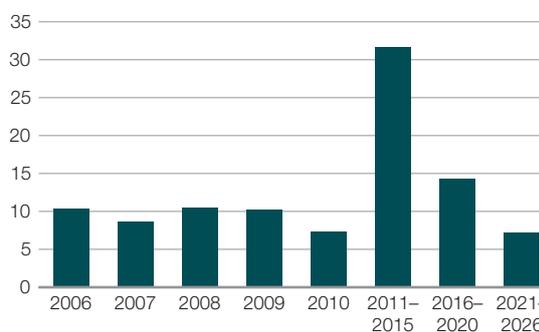
The interest cost for the period, including unrealised changes in value, amounted to 3.85 per cent, measured as the interest cost in relation to the average capital in interest-bearing liabilities. The average fixed interest period during the year was 2.1 years. As at 31.12.2005, the fixed interest period was 2.4 years and at the same point in time the maturity was 4.0 years.

Management

The total rentable floor space within the Group at the end of 2005 was approximately 3.3 million square metres. The customer base is mainly under state control. Universities and colleges clearly dominate and account for 87 per cent of the Group's total income. Apart from universities and colleges, the customers include certain government authorities and a number of institutes and foundations. These are often located on campuses and have research-related operations. New customers include the Swedish National Defence College, the Swedish Institute of International Affairs and the ECDC (The European Centre for Disease Prevention and Control). Before a decision is reached to commence a construction project or acquire a property there must always be an agreement regarding the content and length of the lease agreement.

The financial level of vacant space has increased slightly but still constitutes only 2.1 per cent of the rental income as a large proportion of the vacant premises have a lower rental value than the average for the holdings.

Lease expiry structure as a proportion of the rent, %



The graph shows the proportion of the contracted rent that expires each year. The average lease term for new leases is approximately 10.5 years and at the year-end the average remaining lease term was 6.5 years. In the case of the more complex specialist buildings intended for laboratory and research activities, the lease term is normally ten years or longer.