



Akademiska Hus Annual Report 2005



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(The statutory annual report, which has been audited, comprises pages 6–94.)



Market

Here you will find information about Akademiska Hus's national and regional markets. This section also describes the Group's market conditions as well as the customers, letting levels and future prospects.

Pages 8–29

Operations

This part contains a presentation of Akademiska Hus's property holdings and the valuation of the properties. This section also presents operating profitability, Group financing and planned and implemented property projects.

Pages 30–54

Organisation

In this section there is a detailed presentation of, among other things, Akademiska Hus employees and the Group's corporate governance.

Pages 55–61

Financial report

The Financial report presents Akademiska Hus operations in figures.

Pages 62–96

Akademiska Hus – Presentation

Akademiska Hus is one of the largest property companies in Sweden. The business concept is to be the leader in creative environments for higher education and research.

Akademiska Hus's most dominant tenant category is universities and colleges. Other tenants include research institutes and research-intensive companies as well as companies, public authorities and other organisations that have a strategic link to our campuses and which contribute to creating an attractive totality.

The Company's operations comprise owning, managing, planning, building and developing properties. The property holdings are to be found in almost every part of the country – from Kiruna in the north to Malmö in the south. The rentable floor space is 3,281,000 square metres and the estimated market value of the properties is SEK 45,616 million.

Why Akademiska Hus?

In 1993, the centralised allocation of premises within the state sector ceased and the National Board of Public Building was dissolved. To make better use of public funds, all government operations, along with universities, public authorities and departments were free to go out onto the market and in open competition choose and negotiate the premises they wish to occupy.

Two new companies and one authority took over the properties. Akademiska Hus was assigned primary responsibility for universities and colleges and Vasakronan was assigned responsibility for commercial properties. Both these companies are required to operate on market terms and in open competition. The National Property Board took over responsibility for, among other things, buildings of cultural and historical importance.

The first 13 years for Akademiska Hus has been marked by a build-up and significant property investments as a result of the powerful expansion of the higher education sector. The need in recent years to make savings in the university world, in combination with increasing the range of premises, has heightened competition, to the considerable benefit of Akademiska Hus tenants. The owner's ambition to allow Akademiska Hus to be one of the many players on the market where the customers can negotiate a solution that best satisfies their needs has been realised.

By working according to these conditions Akademiska Hus will contribute to the development of Sweden as a country characterised by research and knowledge.



Profit and key figures

	2005	2004 ¹⁾
Property management income, SEK m	4,533	4,530
Net operating profit, SEK m	2,727	2,625
Pre-tax profit, SEK m	9,270	1,324
Assessed fair value, 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

¹⁾ 2004 has been recalculated according to IFRS.

Akademiska Hus 2005

Very strong result

- The pre-tax profit for the period was SEK 9,270 million. The corresponding profit for 2004 was SEK 821 million, which when calculated according to the accounting principles now being applied is equivalent to SEK 1,324 million. The increase in the value of investment properties, which has had an impact on profit, amounted to SEK 7,214 million. This considerable improvement in profit is due mainly to the increase in the value of the Group's investment properties. Low maintenance costs and improved net financial income/expense have contributed to the improvement in profit.
- Profit for the year after tax was SEK 6,654 million (950).
- Rental income amounted to SEK 4,481 million (4,482). The level of vacant space was 3.2 per cent (2.8) of available space. Renegotiations at the majority of locations have led to unchanged or reduced rent levels as a result of increased competition and a general increase in the level of vacant space on the non-residential market.
- The direct yield was 6.5 per cent (7.1). The lower direct yield can be explained by the increased assessed fair values of the properties.



European disease control

The European Centre for Disease Prevention and Control (ECDC), the only EU authority that has to date been located in Sweden, has chosen Akademiska Hus premises on the Karolinska Campus in Solna. The ECDC has acquired an office in a unique property in a beautiful parkland setting with a marvellous location beside the Karolinska Institute and close to the Swedish Institute for Infectious Disease Control.

Strong increase in property values

The assessed fair value of Akademiska Hus property holdings has increased by 19 per cent and now amounts to SEK 45,616 million (38,230). The major increase can be attributed to the following factors:

- The strong general upturn in the Swedish property market during 2005.
- Following the introduction of new guidelines from IFRS and a new valuation method, there is greater accuracy in the valuation process and thus more accurate values.
- Investments made previously are affecting future maintenance requirements, resulting in higher valuation levels.
- Increased demand for the types of property that dominate the Akademiska Hus property portfolio, with tenants mainly from the public sector and with relatively long leases.



New major lease agreement with Lund University

During the autumn, Akademiska Hus and Lund University reached an agreement concerning the principles for future collaboration and the letting of approximately 177,000 square metres of floor space.

The agreement means, among other things, that the University has a shorter period of notice on certain leases and is also vacating large areas of floor space with the aim of reducing its costs for premises. For Akademiska Hus this will be an opportunity to create a living and more multifaceted campus environment by letting the premises vacated by the University to new tenants.

Idea competition for creative environments

By reason of Design Year 2005, Akademiska Hus invited students of design and architecture to enter a competition to design the creative environments of the future. The 50 or so contributions that were submitted include everything from concrete design proposals to pure programme ideas for campuses. The winners shared SEK 350,000 and Akademiska Hus is planning to realise some of the proposals.



Sale to Chalmersfastigheter AB

At the beginning of the year, Akademiska Hus sold an area containing four large buildings, totalling 63,000 square metres, for SEK 990 million to Chalmersfastigheter AB. The sale was part of a long-term co-operation agreement, which also means that Akademiska Hus has been granted an expanded assignment to manage all the buildings, 155,000 square metres, for Chalmersfastigheter AB at Johanneberg and Lindholmen. Existing leases were extended by between 10 and 15 years.



International urban development prize for the Åkroken campus

Akademiska Hus has been awarded the urban environment prize Charter Awards 2005 for the Åkroken campus in Sundsvall. This is the biggest international award in urban development. The prize is awarded by the American non-profit urban development organisation Congress for the New Urbanism. Akademiska Hus received the award in the "Neighbourhood, District and Corridor" category and was rewarded for the development of Åkroken as a good example of how a campus can be built as a "town within a town". The tone for the special architecture in the area was set by the company Arken Arkitekter AB.

Major energy prize

Akademiska Hus Technical Director Tomas Hallén has been awarded the Energy Prize for 2005. The reason given was: "In conjunction with a high degree of energy awareness, renewal and development of its property holdings, Akademiska Hus has helped to produce new, energy-efficient technical solutions. The person who in the first instance, through his procurement expertise, was the driving force behind the successful energy technology is Technical Director Tomas Hallén". The solutions in question have led to the energy requirements of certain buildings being reduced to one-fifth.



Statement by the President

Record results – of a non-recurring nature

It has become increasingly common in statements made by presidents on annual results to dwell mainly on the future. I will also endeavour to follow this line and attempt to present a number of reasonable predictions about what can be expected in 2006.

It is, however, impossible to present a profit of over SEK 9 billion, following a profit for the previous year of SEK 821 million, without commenting on the improvement in results in a relatively detailed way.

Firstly, it can be said that the new IFRS accounting policy has in two key respects led to the significant improvement in profit. In both cases, the principle is that in the income statement and the balance sheet it is taking the fair value of the assets as the starting point, that has had an impact. In part, there is an improvement in profit due the elimination of traditional depreciation according to plan. Recalculated to take this into account, the profit for 2004 would have been SEK 1,324 million instead of SEK 821 million. In addition, the assessed changes in value become part of the result regardless of whether they are realised or not.

The new principles are on the whole good and they give a considerably more correct picture of the result, particularly the equity, than the old method of reporting book values. The advantage of using the actual values is that the reported yield on the property capital is more realistic and comparable regardless of whether the holdings were acquired recently at the current market prices or whether they have been in the company over a longer period. It will be quite simply easier to compare different property companies, naturally on the assumption that the property valuations are made in an accurate and reasonably consistent manner.

It is also well known that in the property industry sales have taken place just before the year-end to realise assets and thus be able to take up as income the increase in the value of the holdings. With the new principles this type of transaction will be of lesser significance as an unrealised increase in value affects the income statement just as much as a realised increase in value.

Even if, as I see it, there are obvious advantages with the new rules one must be aware that they also logically lead to greater fluctuations in profit. An increase in value one year could naturally be replaced by a fall in value the next year. Nor will the profits be reflected in the cash flow – this is also the case under the old rules – and this must thus be analysed in a different way.

For Akademiska Hus there was a dramatic increase in profit in 2005. The main reason is the effect of the increased – but unrealised – values of our properties. At the same time that it is heartening to note that these values exist, it is not realistic to expect that the same increase in value can be repeated within the foreseeable future. A significant part of the result must therefore be regarded as a non-recurring effect. Nor can one ignore the risk that a possible future fall in value could have a perceptibly negative effect on profit although we do not expect such a fall in value in the next few years.

There are a number of reasons why the change in value in 2005 was so high, 19 per cent. The most important thing of course is the rapid increase in prices we have seen on the Swedish property market in recent years. Particularly with the present reduced yield requirements for good locations in Stockholm, a very positive change in value has arisen. For Akademiska Hus, which in terms of value has around 40 per cent of its holdings in the Stockholm area, this alone means an increase of just under SEK 4 billion.

Also relevant in this context is the fact that our property holdings have become more attractive on the market. In recent years a strong international inflow has characterised the property market and the investors have focused on large, stable objects with relatively secure, long-term tenants. As this fits in very well with the profile of our property holdings it can be said that our properties have moved away from

having a “boredom discount” to having a “security premium”. I see no indication that this trend will be broken in the next few years. This is of course positive for our owners, the people of Sweden.

Has the whole of this increase in value arisen only in 2005? The valuation we have made, which is based on the cash flow model, has been more painstaking and detailed than was the case in previous years when we provided information about the

assessed market value of our properties outside the actual result. We have also taken into account in the new model the normalised maintenance costs which we now have as well as the values in building rights and certain land assets which were not taken into account fully in the past. It is thus not only the price trend during 2005, which is contributing to the major increase in value that has now been noted.

To assure the value we have run a benchmarking process with 13 larger objects that have been valued externally. This has resulted in comparison values which are well in line with, and slightly above, the values which we now state using our valuation method.

Even without taking into account the change in value the result has more than doubled between 2004 and 2005. The main reason is that depreciation according to plan under the new accounting rules that ensue from IFRS are not charged to Group profit. A gradually improved net operating profit has also contributed to a good growth in profit.

Now that all structural changes in the accounts have been taken into consideration there remains the fact that operations are doing well. This is heartening in the light of the increasingly keener competition we are encountering. Other property companies are now more than willing to offer solutions to our tenants and this is the way it should be: competition is advantageous to our customers and stimulates us to achieve greater efficiency and better solutions for the customers.

During the year a number of negotiations led to reduced or unchanged rent levels. The high level of vacant space we constantly



see in many towns means that the non-residential rental market is something of a buyer's market – and it appears that this will remain the case during 2006. Particularly in times of significant economic pressure on universities and colleges it is important that we can help to rationalise premises and at the same time have the expertise and capacity to bring in other tenants who fit in to our property cluster. In doing this, both the company and the long-term value of our property holdings will be reinforced.

A good example of how interaction can be formulated was achieved during the year through a major general agreement with Lund University.

Even if the satisfied customer index only changed marginally we can derive pleasure from the fact that we have a good fifth place in the Fastighetsbarometern survey. The fact is that our customers – judging from our wide-ranging surveys – are more satisfied with Akademiska Hus now than ever before in our 13-year existence.

In the design area – in the broadest sense of the word – 2005 was a very successful year. Mention can be made in particular of the fact that we received one of the world's most prestigious development prizes – the Charter Award – for the design of Åkroken. The prize was awarded at a ceremony in Los Angeles and attracted a great deal of interest through the fact that we have succeeded in creating an urban area from a campus which in terms of both history and location fits in to the town of Sundsvall.

The design competition which we ran for the first time produced a whole range of exciting contributions from students of design and architecture from throughout the country. When the names of the winners of the anonymously assessed contributions were revealed it emerged that a large number were visiting students from other countries.

During 2006, our customers will continue to rationalise their use of premises. Large volumes of floor space will become vacant. However, we can see considerable potential for renewing our buildings and filling the vacant space. This could mean that we acquire new customers who fit into our campus environments. It could also lead to restructuring of our holdings, with more sales and acquisitions than what has been the case in recent years.

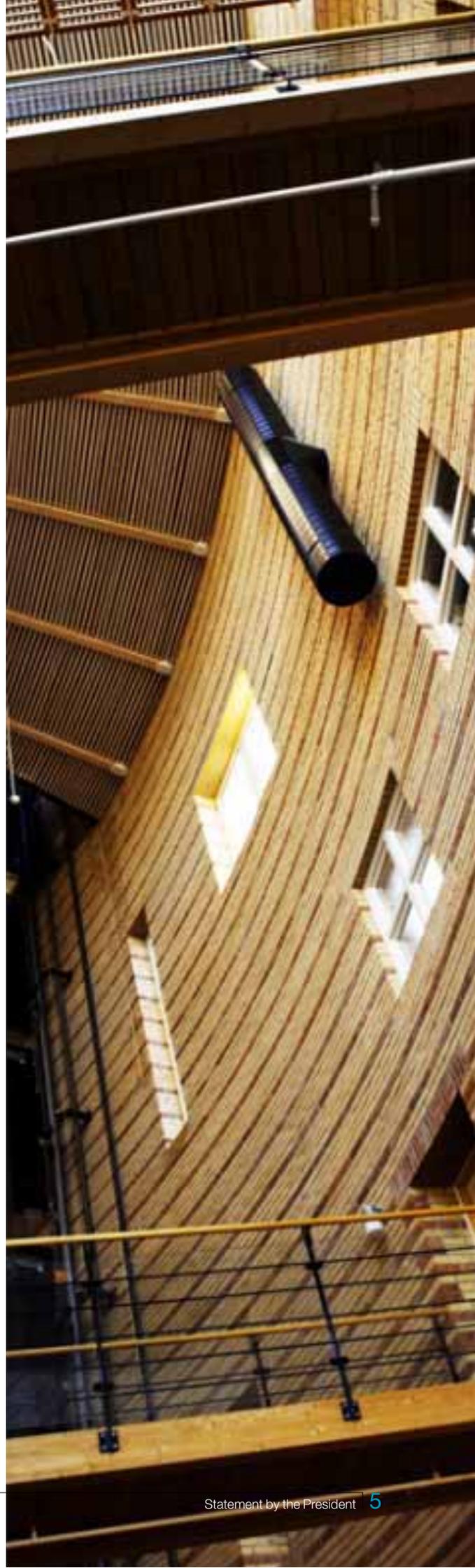
We should thus be capable of producing a result that is both pleasing to our customers and our owners. In monetary terms, the aim is to exceed 2005 slightly, although excluding the major increase in value that will probably remain unique to 2005.

We will have a clear focus during 2006 on reinforcing the customer's perception of value for money in our range and being one of the foremost companies in the Fastighetsbarometern survey. Hand in hand with this we will be investing in the development of the skills and expertise of all the personnel and we will be working to achieve the ambition of being the best workplace in Sweden.

2006 has got off to a promising start for our excellent company and we expect the strong rate of growth to continue.

Gothenburg, March 8, 2006

Joakim Ollén



Business concept, visions and objectives

AkaVision 2010 – overall strategies

AkaVision 2010

AkaVision 2010 is the Akademiska Hus strategy document to meet the future. The document describes how to handle our work, how to deal with customers and how to manage the property assets. AkaVision has come about through a process that involved everyone in the Group. This work led to a business concept, objectives and strategies as well as a description of the corporate culture – the correct approach in different contexts. AkaVision replaces all previous policies.

Mission

The owner's mission and the primary task of Akademiska Hus is "to offer universities and colleges suitable buildings for education and research".

Business concept and vision

Akademiska Hus shall be Sweden's leading property company in creative environments for higher education and research.

Akademiska Hus shall

- create inspirational environments for our tenants that attract attention and in doing so contribute to reinforcing Sweden as a nation of knowledge
- be the most attractive property company for both tenants and employees by focusing on continuous improvements
- through long-term thinking in our ownership create property management that is forward thinking, flexible and gives the tenants the service they are seeking
- create growth in value through good profitability and long-term property development
- offer the most cost-effective solutions and act in a businesslike manner in open competition.

Strategies

The Group works with strategies within four sub-areas: market, properties, finance, empowerment and leadership.

The following is an extract from these areas:

Market

We operate throughout the country in a number of larger towns and cities with advanced knowledge and research activities. We are endeavouring to be the leading player in a balanced local market. Through local presence and external monitoring we are developing our knowledge of existing and potential tenants and offer competitive solutions that include both premises and service.

We are working actively through uniform and consistent external and internal communication to disseminate knowledge about Akademiska Hus, strengthen our brand name and create an understanding of operations among customers, employees, interested parties and owners.

Our tenants are:

- universities and colleges
- research institutes and research-intensive companies, authorities and other organisations that have a strategic link to our campuses and which contribute to creating an attractive totality.

Properties

We develop campuses and buildings that are competitive in the long-term and manage these in an efficient, environmentally adapted way with due consideration given to the tenants' operations. We build and acquire for long-term ownership and in-house management of properties.

Accounting and finance

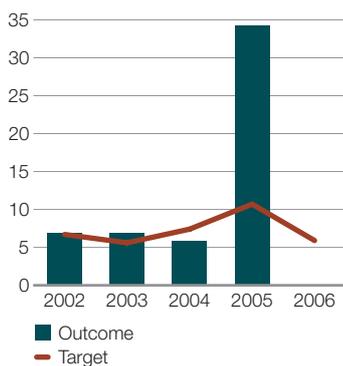
We endeavour to achieve a good profit trend, economic sustainability and financial capacity.

We carry on cost-effective operations with constant improvements so that we can offer competitive rents and other services.

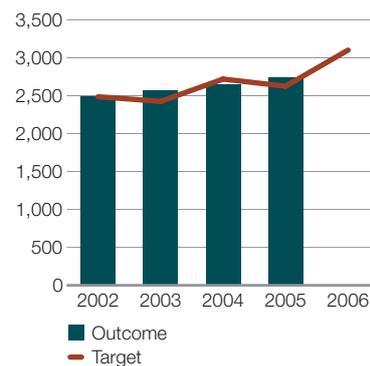
Empowerment and leadership

We work actively to co-ordinate work within the Group in order to achieve a higher level of efficiency and to be able to profile Akademiska Hus as a closely-knit company. Through AkaVision 2010 we will pursue a common course of action that is accepted by all employees.

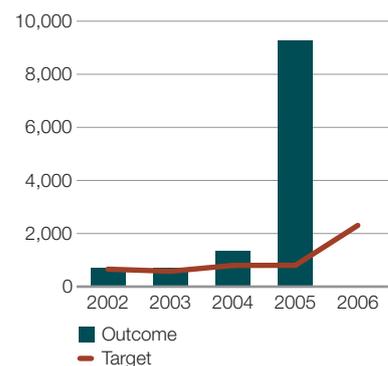
Return on equity, %



Net operating profit, SEK m



Profit before tax, SEK m



Our actions should be on business terms and with a focus on the tenant. The demand for a businesslike approach is just as important as ensuring in our relationships with tenants and employees that we can live up to the demands regarding ethics, morals and openness that ensue from our position as a public company.

Akademiska Hus shall be perceived as an attractive and developing employer.

Objectives and fulfilment of objectives

The Akademiska Hus financial objectives are established to provide a combination of a high yield on equity, high-growth capacity and financial stability. Other aims are set in order to ensure that tenants, employees and other interested parties perceive Akademiska Hus as a leader in its field.

Marketing objectives

In 2005, Akademiska Hus took part for the second time in the property industry Satisfied Customer Index (NKI), Fastighetsbarometern, for commercial properties in order to compare itself with other players in the industry and to follow its own development. The industry's NKI was 71 and the outcome for the participating companies was between 54 and 81. Akademiska Hus improved by two points to 75, which should be considered a very positive result. In the survey one to two people from each customer with responsibility for matters related to the letting of premises were questioned. The factors that had the greatest impact on the NKI are image, service, adaptation, fault notification and premises.

Akademiska Hus also runs its own major customer surveys and smaller in-depth surveys, e.g. following redevelopment. In a survey of over 600 decision-makers and operational representatives, 94 per cent stated that Akademiska Hus was as good or better compared with the previous year. Surveys were also run during the year dealing with students' perception of the educational environment.

Property objectives

The overall environmental objectives are energy management, material management, phasing out of hazardous substances and

the indoor environment. These are formulated for the coming year and are also long-term objectives for energy management through to 2025. The environmental objectives are reported in more detail in the environmental section.

Financial objectives

The owner's overall financial objectives are that the return (profit after tax) on equity over a business cycle shall be the equivalent of the average five-year state bond interest rate plus four percentage points over a business cycle. For 2005, the return on equity was 34.2 per cent. The advantageous interest rate trend during 2005 has meant that the average five-year state bond interest rate was 2.8 per cent. The yield requirement was thus 6.8 per cent. In addition, the dividend should be 2.5 per cent of equity. The equity ratio ought to be at least 35 per cent.

Other financial objectives for 2005 are that the net operating profit should be SEK 2,578 million. The outcome for 2005 was a net operating profit of SEK 2,727 million.

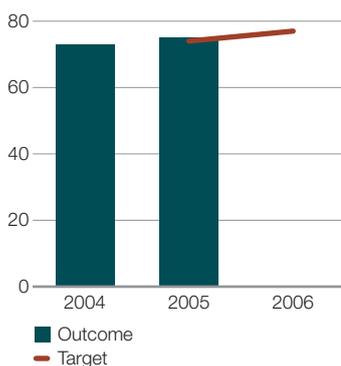
Empowerment and leadership objectives

The satisfied employee index (NMI) describes how satisfied the employees are with their working situation. The survey for 2005 showed that the Group has stabilised on a good level following the upturn of the previous year. The outcome was an NMI of 66 (66). The outcome, however, was not in line with the objective, which was 69.

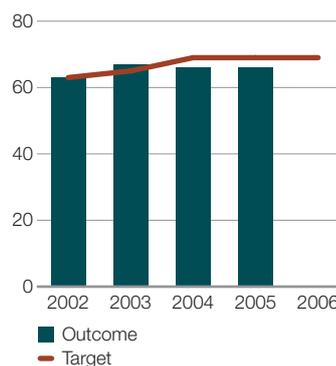
The factors that had the greatest impact on the NMI are the company's objectives, a high degree of tolerance, information about the company and duties. Salary, colleagues and expertise were also taken into account and have a relatively strong impact on the NMI.

The total work attendance was 94.6 per cent. The target of total absenteeism due to sickness falling below 5 per cent was thus not achieved.

NKI Fastighetsbarometern, %



NMI, %



The market in Sweden

Heated property market but with a continued high level of vacant space

THE PROPERTY MARKET

The Swedish economy has developed strongly over the past year and the outlook for 2006 continues to be positive. However, this has taken place up to now without an increase in employment, which usually ensues from an upturn in the economy. At the end of the year the labour market had begun to show signs of being affected by the good state of the economy.

For the property market, which on the whole follows the general trend in the country's economy, albeit with a certain displacement in time, the picture is slightly more complex. The value of the property transactions for the year broke all records. For the first time the value of completed transactions exceeded SEK 100 billion. The falling direct yield requirement, low interest rates and considerable interest in properties are pushing up prices. Interest in properties used for health care and education purposes has also increased and these are now being valued considerably higher than previously. The gradual increase in the repo interest rate predicted for 2006 could have a slight dampening effect on the interest in property investment although the signs are that it will remain on a high level.

Changes in employment are an important indicator for how demand for premises will grow. After several years of negative development everything now points to an improvement in the years to come. This is a much-longed-for sign on the market for non-residential property.

The level of vacant space has for a number of years been on a high yet relatively stable level. During 2005, a number of major lease

agreements were signed in Stockholm although these have only led to the vacant space being moved around within the holdings. The increase in employment which can now be detected will lead to an increase in demand for non-residential properties. However, the effect during 2006 is expected to be marginal and it will be a long time before the vacant space that exists today has been absorbed.

Rent levels have been relatively stable despite a high level of vacant space. On a few sub-markets, mainly for efficient premises in prime locations in the city regions, the rents are increasing. On other markets the increase in rents is expected to be small or non-existent during the coming year.

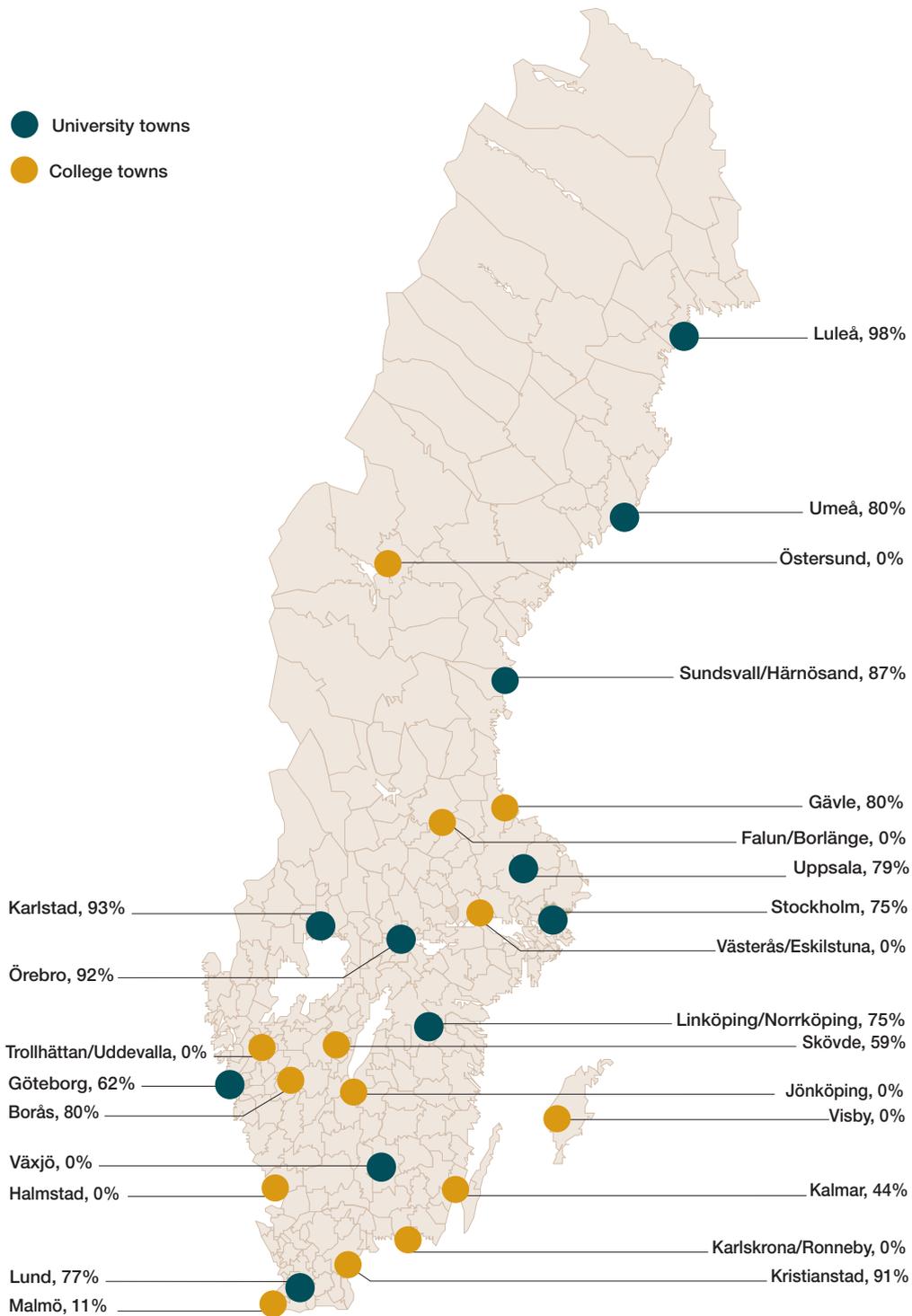
Today's customers are looking more and more for modern premises and old premises are being vacated. This has led to the construction of new offices, which had by and large hit rock bottom, reviving once again albeit to a limited extent. The customers are also more willing to move than in the past. The property owners must therefore make more effort than previously to retain the customers they have and at the same time generate greater potential for acquiring new customers.

The residential market continues to be heated throughout most of the country and is marked by rising prices and a high level of demand, particularly in the city regions. The construction of residential property, which is benefiting from low interest rates and real rises in income combined with public investment, are contributing to the level of construction being reinforced even further. The Swedish Construction Federation estimates that there will be a risk of a lack of skilled labour at the end of 2006.



The market in Sweden

AKADEMISKA HUS'S SHARE OF THE UNIVERSITY AND COLLEGE MARKET



Source: the Swedish Agency for Administrative Development list of leases for all state universities and colleges in 2004 with Akademiska Hus adjustments.

Customers

Higher education and research dominate

Akademiska Hus is creating living campuses where studies, research and companies interact and generate growth. The largest tenant group is universities and colleges, which account for around 87 per cent of the Group's total income.

The Group is the landlord for just over 60 per cent of the floor space used by universities and colleges. Their development and future need for premises is therefore a crucial prerequisite for the Company's operations.

Sweden is investing major resources in higher education and research although in recent years the increase in income for universities and colleges has been marginal. Their total income for 2004 was SEK 44.2 billion. The investment in higher education and research has led to Akademiska Hus investing in new and improved premises ever since the Company was founded.

Of the income, just over 47 per cent goes to undergraduate education and the remaining 53 per cent to research. Of undergraduate education, 86 per cent is financed directly through state grants. The research and graduate programmes have several financing sources, of which direct state funds account for 46 per cent. The remainder is funded externally. A large proportion of the external financing, however, is in the form of public funds from, for example, municipal authorities and county councils, research foundations and the EU.

After many years with a rise in the number of students in higher education, 2004 marked a break in the trend with the figure remaining virtually unchanged. The number of applicants, however, has continued to increase, which means keener competition for places.

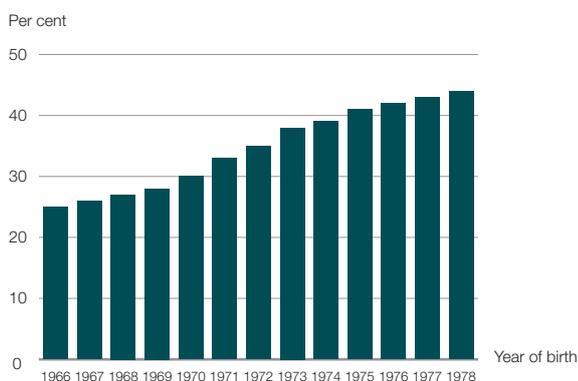
During the autumn term 2004, the number of registered students was approximately 360,000, of which almost 20,000 were in research programmes. For the 2006 calendar year, Parliament decided to increase the capacity by approximately 16,000 full-time students. Through to 2010 the number of 20-year-olds will increase by 30 per cent. The government objective is that half of all persons under 25 years of age will commence higher education. To achieve this objective the number of places for full-time students must be increased by a further 15,000 during this period.

Resources for research and graduate programmes remained largely unchanged during 2004 compared with the previous year. The number of new admissions to graduate programmes, however, fell by 20 per cent.

From the interim reports for 2005 from the universities and colleges it can be seen that finances have improved compared with the preceding year. The deficit for the year is estimated to be SEK 160 million compared with SEK 440 million the year before. The improved finances can be attributed mainly to the universities and colleges admitting fewer students although they have also reduced staffing levels.

The cutbacks in the economy which the universities and colleges have implemented are also affecting their demand for premises. This means that Akademiska Hus will have an increase in vacant space, particularly in Uppsala and Lund. The premises which the universities and colleges are vacating are now available for Akademiska Hus to offer to bodies that can complement the campus areas.

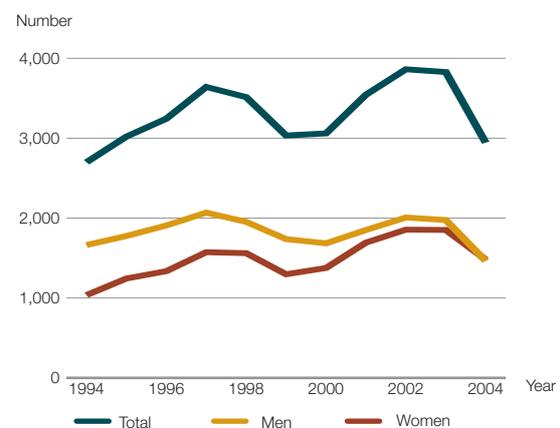
Proportion of persons born in a particular year who commenced higher education by the age of 25 ¹⁾



In the space of 10 year-groups, the proportion has increased from just over 25 per cent to 45 per cent. The proportion is 10 percentage points higher for women than for men.

¹⁾ National Agency for Higher Education Annual Report 2005.

New doctoral students ¹⁾



In 2004, just over 2,900 people commenced doctoral programmes. This is a significant reduction compared with previous years and was down to the level of the years before the graduate education reform of 1998.

Customers

| New customers complement universities and colleges



| Apart from universities and colleges, customers include certain state authorities, municipal authorities, institutes and foundations as well as companies and service operations.

Many of these are of value to the campus environment and ought to be close to universities and colleges.

Other customer categories have in total increased by one percentage point during the year. Even if their percentage share is not as great, the total floor space that they lease is almost 375,000 square metres. New customers that moved in during the year include the Swedish National Defence College, IVL the Swedish Environmental Research Institute, Uppsala Municipal Authority, | ECDC, the European Centre for Disease Prevention and Control, Biovitrum and Friskis & Svettis. In line with universities and colleges vacating premises as they improve the efficiency of their use of floor space this category will increase slightly in the coming years. Some of the floor space has already been leased. Customers include the | Swedish Environmental Protection Agency, Sida and GISFocus AB, which will move in as the premises are completed.

Customer categories 31-12-2005

	Total rented floor space, square metres	Proportion, %
Universities and colleges	2,653,746	81
Other state authorities	107,148	3
Chalmers University of Technology	124,819	4
Municipal authorities	25,284	1
Institutes and foundations	80,055	2
Miscellaneous	186,406	6
Vacant floor space	103,635	3
Total	3,281,093	100

The 10 largest customers

	Total rented floor space, square metres	Proportion, %
Lund University	347,051	10.6
Uppsala University	273,196	8.3
Göteborg University	249,686	7.6
Stockholm University	226,883	6.9
The Royal Institute of Technology	203,253	6.2
Umeå University	183,706	5.6
Linköping University	181,332	5.5
Karolinska Institute	169,066	5.2
The Swedish University of Agricultural Sciences	152,603	4.7
Chalmersfastigheter AB	124,819	3.8
Total	2,111,595	64.4

Leases

Long leases and renewed agreements



The Akademiska Hus contract portfolio is characterised by long leases, mainly with universities and colleges. The average term of a newly signed lease is 10.5 years and at the turn of the year the average remaining lease term was 6.5 years.

For the larger, complex special buildings for laboratory and research activities, where without major redevelopment it would be difficult to find an alternative use for the premises, a lease is normally required that repays a large proportion of the investment within the term of the lease. In these cases leases are normally signed with terms of 10 years or longer. In 2005, 10.5 per cent were renegotiated, equivalent to SEK 420 million in the rental value of the lease portfolio. The rental value (base rent) for 2005 amounted to SEK 4,073 million (4,012).

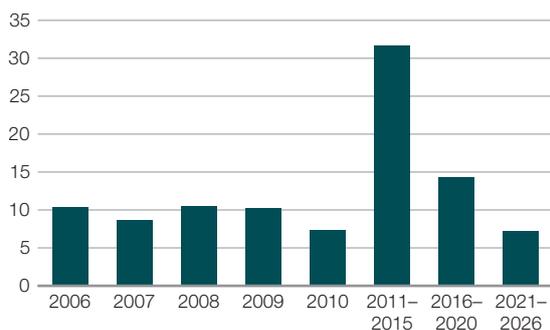
In 2006, approximately 10 per cent of the leases will fall due for renewal. These leases include 196,000 square metres leased by Lund University. These were renegotiated during 2005 and led to renewed rental of approximately 177,000 square metres. Other regions have a more even spread of lease renewal dates, even if Akademiska Hus Väst and Uppsala note a certain peak during the period 2006–2007.

In conjunction with renegotiations, the renewal structure is taken into account in order to achieve an even spread over time.

Leases 31-12-2005

Region	Average lease term, years	Average remaining lease term, years
South	11.1	5.9
Väst	11.3	7.1
Öst	10.1	6.2
Uppsala	10.0	6.0
Stockholm	10.9	7.3
Norr	8.3	5.2
Total	10.5	6.5

Lease due date structure, contracted rent, %



Rental income

Good rent flows but following tough negotiations

Akademiska Hus rental income, including rental supplements, totalled SEK 4,481 million for the year (4,482). The rental income is on the same level as 2004.

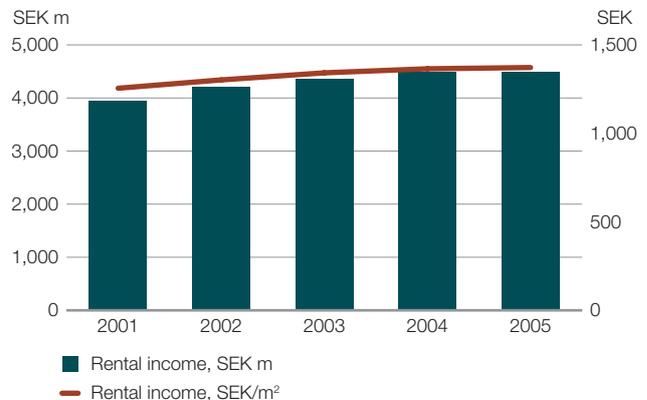
The negotiations have at a number of locations led to unchanged or reduced rent levels as a result of keener competition and a general increase in vacant space on the non-residential premises market.

Key changes during the year included:

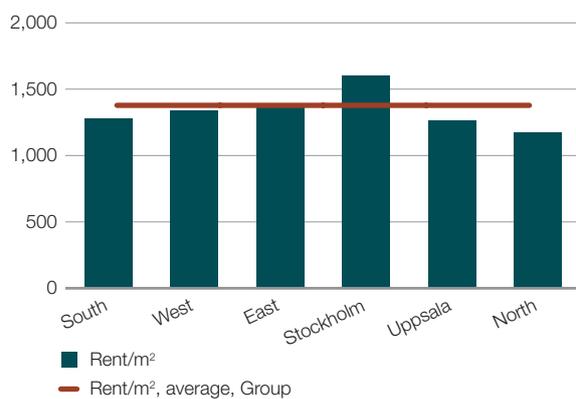
- Completion of new construction, including the Swedish National Defence College and the Swedish Institute for Infectious Disease Control in Stockholm as well as the library at the University College in Gävle.
- Completion of a number of major redevelopment projects, including Mathematical Sciences in Göteborg and Rosendal High School in Uppsala.
- The sale of 63,000 square metres to Chalmersfastigheter AB.
- Renegotiation of a number of major leases with the main Akademiska Hus tenant category, universities and colleges. Renegotiations have taken place with, among others, Lund University involving 177,000 square metres, Karlstad University involving 24,000 square metres, Gävle University College involving 37,000 square metres, Göteborg University involving 37,000 square metres and Luleå University of Technology, involving just over 16,000 square metres.
- Index increases in existing lease agreements.

Rental income was on average SEK 1,372 per square metre (1,365) and has increased during the past five years as a result of investments in the property holdings. Broken down according to region, the rental income varied from SEK 1,173 per square metre for Akademiska Hus Norr to SEK 1,603 per square metre for Akademiska Hus Stockholm.

Rental income



Rental income per region, SEK/m²



Rental level and vacant space

Low yet increasing level of vacant space

Akademiska Hus has a level of vacant space which, compared with the property industry as a whole is very low. However, with large property holdings even a low level of vacant space results in considerable floor space that is unlet. It is therefore important to follow the trend on the regional markets and actively search for new tenants for those parts of the holdings that will become or are already vacant.

The total holdings at the end of 2005 amounted to 3,281,093 square metres. This means a reduction in space of 1 per cent or approximately 33,500 square metres compared with the year before. The change can be attributed to the sale to Chalmersfastigheter AB in January 2005 and the space that was added through property development.

At the end of the year, 103,635 square metres were unlet, which is equivalent to 3.2 per cent of the total floor space. The loss of rental income on the vacant floor space is valued at SEK 88 million, which produces a financial level of vacant space of 2.1 per cent. The difference between the financial economic and the floor space-based level of vacant space can be explained by the fact that a large proportion of vacant space is in simpler premises that have a rental value that is lower than average. Around one-third of the vacant floor space cannot be let. These parts are being redeveloped and the leases have already been signed. The majority of the non-lettable floor space is on the Gärdet campus in Stockholm, where, among others, Sida and the National Swedish Environmental Protection Agency will take up occupancy in 2006 and 2007.

During 2005, vacant space increased by almost 10,000 square metres, which resulted in an increased loss of rental income of SEK 10 million. Over half of this occurred in the Uppsala region. The trend can be compared with 2004 when the vacant space increased by 35,840 square metres. The majority of the increase then was in the Tre Vapen property in Stockholm. During 2006 and in the years thereafter, the level of vacant space at Akademiska Hus will probably rise. The trend, however, differs considerably from region to region.

In the north, the level of vacant space is low with the exception of Härnösand, where the level is approximately 22 per cent (approximately 8,500 square metres). There the demand for non-residential premises is also low and consequently it could take time to fill this vacant space.

For the Uppsala region, vacant space is increasing, mainly in Ultuna, in line with the fact that the Swedish University of Agricultural Sciences, SLU, is reviewing the efficiency of its use of premises. Within a few years around 40,000 square metres could become vacant in the region.

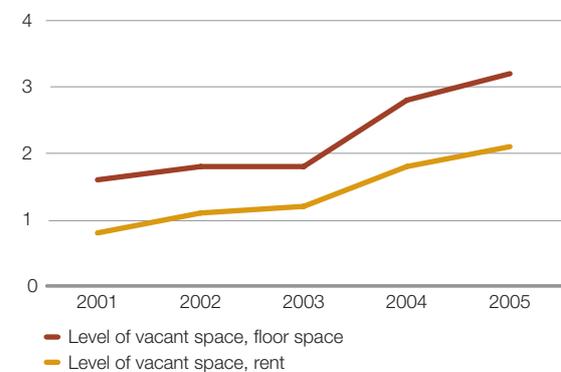
The largest amount of vacant space can be found in the Stockholm region. However, a large proportion of this has already been leased and the premises are being redeveloped. The level of vacant space will fall in line with the completion of projects. In Kista there is a higher level of vacant space although it should be borne in mind that it is a sub-market with a high level of vacant space and very keen competition for customers.

The eastern region has a low level of vacant space and the forecast for the coming years is stable.

In the western region, Pedagogen in Mölndal, with 36,000 square metres, and the Mathematics Centre with 11,000 square metres will become vacant during 2006. For both these properties a dialogue is in progress with the municipal authorities concerned in order to bring about a change in local planning which will allow housing to be built. Thereafter, the properties can be disposed of and consequently the level of vacant space will probably only be temporary.

Lund University will over the next two years vacate almost 19,000 square metres. This is a relatively large area, which will come out onto a market that is generally in balance. In addition, there is uncertainty regarding the future floor space requirements of the Swedish University of Agricultural Sciences in Alnarp.

Vacant space, %



Vacant space 31-12-2005	Location	Property	Square metres	Proportion,	
				square metres, %	SEK m
Rentable	Uppsala, Ultuna	EMC	7,081		2.0
	Uppsala, Ultuna	The Clinical Centre Buildings 3 and 7	5,520		5.1
	Stockholm, Kista	Electrum	4,544		7.1
	Härnösand	Topasen	4,282		2.7
	Alnarp	M26	3,114		0.4
	Kalmar	Kv Rostad	2,847		2.4
	Stockholm, Kista	Forum	2,810		3.4
	Härnösand	Seminariet	2,508		2.0
	Härnösand	School of Nautical Studies	1,685		1.1
	Others		14,948		9.0
Total rentable vacant space			49,339	1.5	35.2
Non-rentable	Stockholm	Tre Vapen	32,284		32.2
	Linköping	Terra	6,785		5.4
	Others ¹⁾		2,702		11.0
Total non-rentable vacant space			41,771	1.3	48.6
Rentable space of minor economic value			12,525	0.4	4.2
TOTAL			103,635	3.2	88.0

¹⁾ Contains to a certain extent costs for premises that were vacant during 2005 but which were let during the year.

Breakdown of property holdings

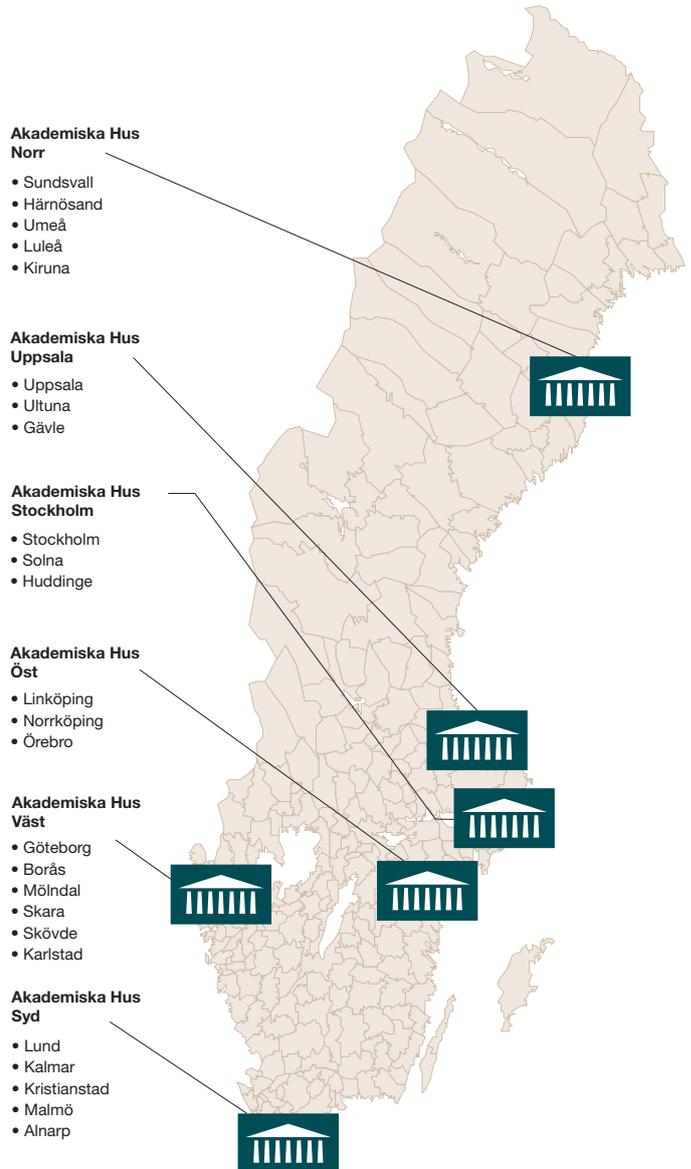
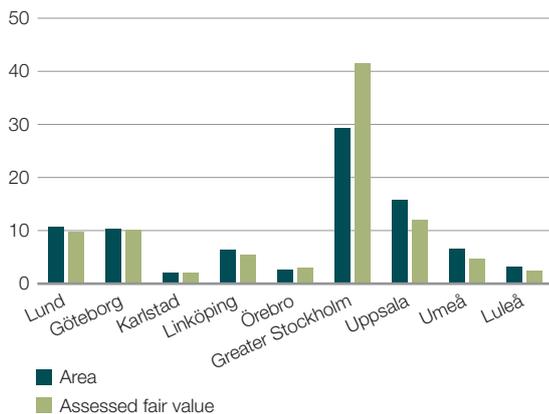
From Kiruna in the north to Malmö in the south

Akademiska Hus is to be found in the major university towns and cities with local property management organisations at the majority of locations. The regional organisations are supported by a Group office, located in Gothenburg with support functions for strategic business and market development, accounting and human resources, finance, law, planning and property development, IT and corporate communications.

The Akademiska Hus property holdings at the year-end amounted to a total rentable floor space of 3,281,093 square metres (3,314,609). The total fair value of the assets was SEK 45,616 million (38,230), which is equivalent to an average value of SEK 13,903/square metre (11,534).

Stockholm has 29 per cent of the Group's total rentable space, equivalent to 42 per cent of the assessed fair value.

Rentable floor space and assessed fair value, %



Breakdown of property holdings according to university location

31-12-2005	Teaching premises, 1,000 m ²	Laboratory premises, 1,000 m ²	Office/Administration premises, 1,000 m ²	Other premises, 1,000 m ²	Total, 1,000 m ²	Of which vacant space, 1,000 m ²	Area, %	Assessed fair value, SEK m	Assessed fair value, %	Assessed fair value, SEK/m ²
Lund	170	154	25	1	351	1	10.7	4,430	9.7	12,616
Göteborg	186	112	27	14	339	0	10.3	4,653	10.2	13,716
Karlstad	65	0	3	0	67	0	2.1	965	2.1	14,307
Linköping	49	120	30	9	209	7	6.4	2,466	5.4	11,825
Örebro	64	0	12	9	85	0	2.6	1,318	2.9	15,509
Greater Stockholm	434	294	170	63	960	53	29.2	18,947	41.6	19,746
Uppsala	130	263	79	44	516	22	15.7	5,424	11.9	10,506
Umeå	117	74	13	11	215	0	6.5	2,114	4.6	9,838
Luleå	33	53	14	4	104	1	3.2	1,105	2.4	10,599
Other locations	293	67	50	25	435	20	13.3	4,194	9.2	9,647
TOTAL	1,541	1,137	423	180	3,281	104	100.0	45,616	100.0	13,903
Categories, %	47	35	13	5	100					

The regional market

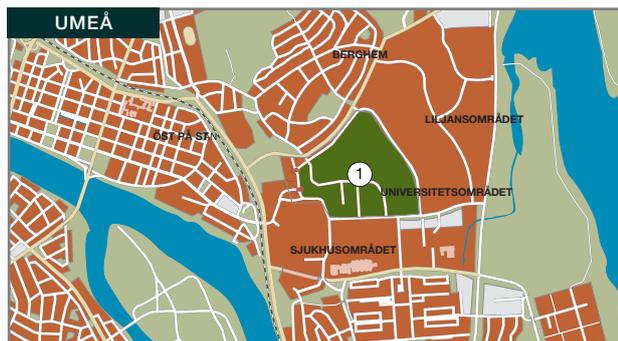
Our markets

THE NORTHERN REGION

Around 13 per cent of Akademiska Hus's total property holdings are to be found in northern Sweden. The majority of the properties are to be found in the expansive areas along the coast. There are major regional differences in Norrland between the inland area and the large towns and cities along the coast.

Umeå

Umeå is the most expansive municipality in Norrland and the municipality's growth target indicates continued strong expansion even if the rate of growth has stagnated slightly in recent years. The Bothnia Railway is expected to be an important factor for growth when it comes into operation in 2010. Umeå is Norrland's most densely populated urban area. The labour market is dominated by the public sector and the industrial base is differentiated. Umeå University is making a strong contribution to the positive development of the municipality. Umeå is also the location of the Swedish University of Agricultural Sciences, SLU. There are 27,000 students in Umeå, which makes it very much a university town.



The growth of the town has resulted in a lack of housing, which has now being remedied by a significant increase in the construction of residential property. The non-residential property market is relatively stable and the level of vacant space is around five per cent. Akademiska Hus has around 214,000 square metres of non-residential premises, of which Umeå University and SLU lease the majority. More than 60 per cent of the lease value has a term longer than three years. The level of vacant space is very low but is expected to increase marginally next year. Almost SEK 200 million is planned to be invested in the campus in the next few years. The station being built adjacent to the campus on the Bothnia Railway line will reinforce the area's attractiveness but at the same time competition from other property owners will increase.

Luleå

Luleå has almost doubled its population since 1950 and now has over 72,500 inhabitants. The rate of growth has fallen in recent years although forecasts indicate a positive trend in the future. Cornerstones in the growth of Luleå are metallurgy, education and



Property specification

Property designation	Map reference	Principal tenant	Proportion of rentable floor space, %	Location	Rentable floor space, total, m ²	Vacant	Rental income plus supplements, KSEK	Land area, m ²	Expansion reserves, m ²
Seminarieriet 16		Mid Sweden University, Kastellskolan	26	Härnösand	4,281	2,508	3,044	28,337	
Ädelstenen 6		Mid Sweden University, Municipality of Härnösand	77	Härnösand	33,590	5,967	31,337	43,567	
STG 388+ *		Swedish Institute of Space Physics	100	Lycksele	165		109		
Norrbyn 2:122		Umeå University	100	Norrbyn	2,240		5,586	9,504	
Västhagen 1		Mid Sweden University	100	Sundsvall	6,188		6,142	17,789	
Åkroken 1		Mid Sweden University	99	Sundsvall	24,304	196	39,199	32,900	3,300
Stadsliden 6:6	1	Umeå University, Swedish University of Agricultural Sciences	94	Umeå	211,677	336	252,524	899,902	37,270
Röbäcksdalen 1:6		Swedish University of Agricultural Sciences	100	Umeå	3,202		2,011	14,964	
Kiruna 1:304-1:309		Swedish Institute of Space Physics	89	Kiruna	8,296		13,099	204,343	
Porsön 1:405	2	Luleå University of Technology	97	Luleå	104,287	771	116,891	281,924	27,000
TOTAL					398,230	9,778	469,942	1,533,230	67,570
Minus: rent reductions and vacant space							-6,752		
Plus: income from properties sold, Skatan 9:12							1,186		
Rental income, net							464,376		

* Building on leasehold property.

research and good communications. Luleå University of Technology, LTU, with its 13,500 students, is an important factor in the development of the town, both now and in the future.

The non-residential market is relatively stable and although the level of vacant space in the central areas is low it is considerably higher in the peripheral areas. The construction of residential property is low, which has resulted in a lack of housing in the city.

Akademiska Hus has approximately 104,000 square metres of non-residential premises, of which LTU leases the majority. One-third of the leases run out after 2008. The Department of Health Science will move onto the campus in 2006. Investments totalling SEK 250 million are planned for the campus during the next two years. The company does not have any rentable vacant space in the area.

Härnösand

Since the boom years in the middle of the 1950s, Härnösand has had negative population growth. The labour market is dominated by the public sector. There is growing employment at the so-called contact centres and in the energy and environmental sector. Mid Sweden University, with 3,500 students, makes Härnösand very much a university town.

The property market is very weak with pressure on rents. There is a substantial surplus of non-residential premises. Akademiska Hus has almost 38,000 square metres, of which just over 8,000 square metres are vacant, which is the company's highest level of vacant space on any single market. Mid Sweden University and the municipality of Härnösand are the largest tenants and over 90 per cent of the leases run through to 2009 and later.

Sundsvall

The number of inhabitants in Sundsvall is slightly lower than the peak years at the end of the 1980s although in recent years positive

growth has been noted once again. The area, together with Timrå, Härnösand and Ånge, is the largest labour market in Norrland with 150,000 inhabitants within commuting distance. Sundsvall's three leading industrial sectors are cellulose and fibre technology, IT and telecommunications as well as banking and insurance. Mid Sweden University, with around 12,500 students in Sundsvall, has made its mark on the town and is an important factor in the future growth of the region.

The property market has been stable for many years and has weathered earlier downturns in the economy relatively well. The level of vacant space is approximately five per cent in the central areas although higher in the peripheral areas. Akademiska Hus has over 30,000 square metres of non-residential premises on the award-winning Åkroken Campus. Almost all the floor space is leased by Mid Sweden University and more than three-quarters of the lease value is longer than three years. The company has only 200 square metres of vacant space.

Kiruna

The very high demand for iron ore and LKAB's plans for powerful expansion means that the future for Kiruna is looking brighter than it has done for a long time. The negative trend in the population growth is expected to turn around in the coming years. Industry is dominated by mining although space research is also making a valuable contribution to the profile of the town.

The construction and property market in Kiruna has had many lean years behind it although plans to move part of the town to provide further ore mining potential offers new opportunities for this sector. Akademiska Hus has approximately 8,300 square metres of non-residential premises in the municipality. This space is rented out to the Swedish Institute of Space Physics and to Umeå University on long leases.



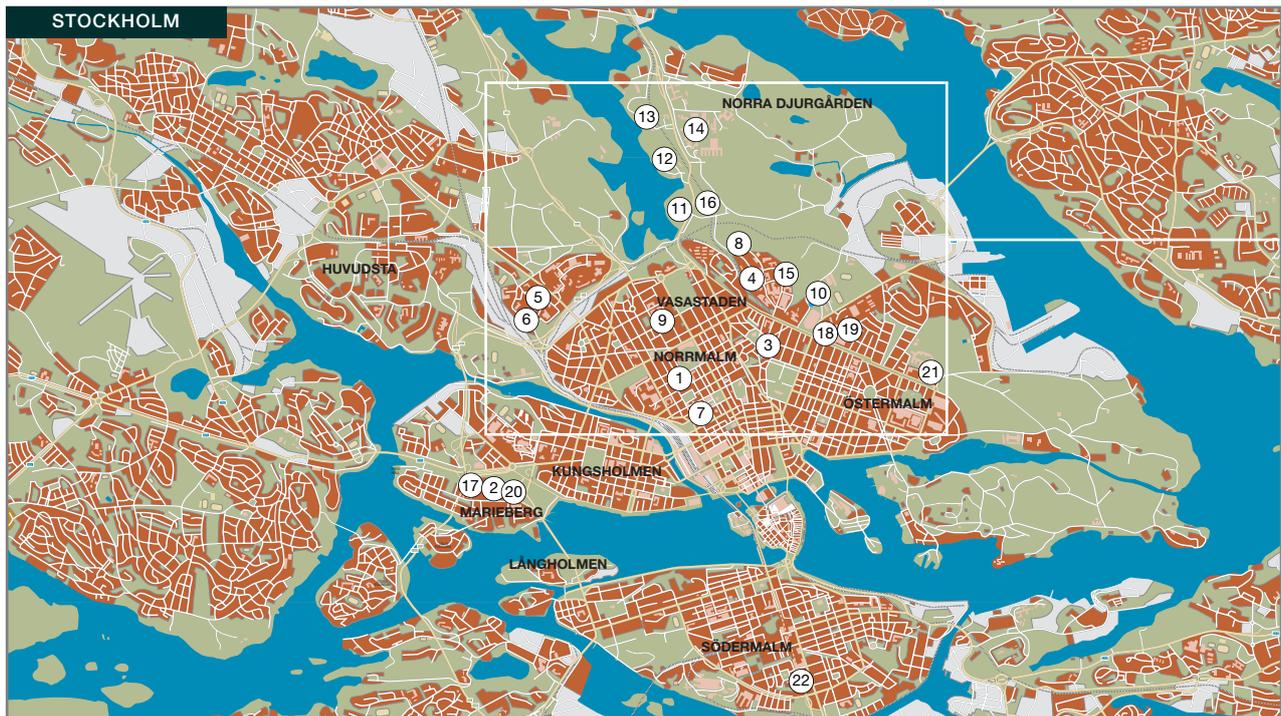
STOCKHOLM REGION AND UPPSALA REGION

Stockholm and Uppsala are a dominant part of the Stockholm-Mälars region in which just over 2.9 million people reside, equivalent to one-third of the population of Sweden. The area has almost half of the country's total economic base, half the country's active researchers and one-third of all the students in higher education in Sweden.

Stockholm

Stockholm county has approximately 1,886,000 inhabitants. In the first half of 2005 the population in the county increased by 7,400, equivalent to almost 60 per cent of the total growth in the country. Even if employment continues to increase, unemployment will remain generally unchanged. The level of growth is strongest in the private sector and the total salaries paid have increased more than in the country as a whole. Stockholm is not a distinct university town despite the fact that there are 21 universities and colleges with more than 75,000 students.

The good economic growth has still not had the expected impact on the property market. A positive sign is that a number of larger lettings took place during the year although despite this the level of vacant space has fallen slowly and is now approximately 17 per cent. There are plenty of empty offices and it will take a long time for the market to achieve a balance. The rent levels in good locations are stable although in less attractive locations there are signs that they are falling. Akademiska Hus has just over 962,000 square metres with a level of vacant space of just over five per cent. However, over half the vacant space has already been leased out and is currently being redeveloped. Kista is the single worst sub-market for the company and is also where competition for new tenants is keenest. In other parts of the market the company has, in the face of tough competition, signed leases with several new tenants during the year. Universities and colleges are the dominant tenant group although one-fifth of the rental income comes from other tenant categories. The lease portfolio has a good spread and approximately 70 per cent of the income is to be found in contracts that run out in 2010 or later.



Property specification

Property designation	Map reference	Principal tenant	Proportion of rentable floor space, %	Location	Rentable floor space, total, m ²	Vacant	Rental income plus supplements, KSEK	Land area, m ²	Expansion reserves, m ²
Askö 1:4		Stockholm University	98	Trosa	2,500		3,255	324,270	
Bergmannen Större 8	1	Stockholm University	100	Stockholm	3,176		4,596	1,232	
Centauren 1	2	Stockholm Institute of Education	100	Stockholm	10,111		19,888	17,281	
Domherren 1	3	Royal Institute of Technology	100	Stockholm	12,916		13,492	5,294	
Embryot 1		Karolinska Institute	100	Huddinge	16,616		33,931	36,119	42,000
Forskningen 1	4	Swedish National Defence College	28	Stockholm	59,678	1,750	74,007	63,247	15,000
Haga 4:35	5	Karolinska Institute	72	Solna	157,354	1,344	397,902	392,648	49,000
Haga 4:43	6	No tenant, land only		Solna	0			8,218	
Keflavik 2		Royal Institute of Technology	50	Stockholm	60,041	4,544	71,796	22,929	
Kungsstenen 4	7	Stockholm University	100	Stockholm	1,433		2,558	1,211	
Maskiningenjören 1	8	Royal Institute of Technology	94	Stockholm	23,511		43,715	24,383	
Medicinaren 4		Karolinska Institute	100	Huddinge	48,291		85,956	26,941	13,000
Mimer 5	9	The National Institute for Working Life	64	Stockholm	12,439		27,088	5,174	
Norra Djurgården 1:43	10	College of Physical Education and Sports	99	Stockholm	12,588		13,855	32,030	
Norra Djurgården 1:44	11	Stockholm University	76	Stockholm	28,384	5,866	37,488	70,540	
Norra Djurgården 1:45	12	Stockholm University	91	Stockholm	15,270	448	14,666	53,364	
Norra Djurgården 1:46	13	Stockholm University	99	Stockholm	8,864		13,071	18,255	
Norra Djurgården 1:48	14	Stockholm University	96	Stockholm	178,032	134	298,097	290,695	2,000
Norra Djurgården 1:49	15	Royal Institute of Technology	88	Stockholm	145,754	3,365	253,560	161,507	4,000
Norra Djurgården 2:2	16	No tenant, land only		Stockholm	0			48,692	
Nynäs 5:1		Stockholm University	100	Nyköping	52		86		
Ornbäraren 3	17	Stockholm Institute of Education	87	Stockholm	38,922		72,531	35,002	1,000
Reykjanes 1		Royal Institute of Technology	45	Stockholm	48,998	2,810	52,440	20,078	10,000
Svea Artilleri 1		No tenant, land only		Stockholm	0			1,649	
Svea Artilleri 12	18	Swartling Riding School		Stockholm	1,656			9,515	
Svea Artilleri 13	19	Royal School of Music	94	Stockholm	16,107		16,349	24,441	
Taffelberget 7	20	Stockholm Institute of Education	100	Stockholm	557		534	1,162	
Tre Vapen 2	21	University College of Film, Radio, Television and Theatre	25	Stockholm	53,196	32,284	53,744	29,614	
Van der Huff 8	22	National Academy of Mime and Acting	100	Stockholm	5,648		7,438	8,600	10,000
TOTAL					962,094	52,545	1,612,043	1,734,091	146,000
Minus: rent reductions and vacant space							-83,444		
Rental income, net								1,528,599	



Uppsala

Uppsala has during the past 50 years enjoyed a steady growth in population and is the country's fourth largest municipality in terms of population. Availability of qualified manpower is good and unemployment is lower than the national average. The service sector, including consulting, mainly within IT, has grown most rapidly in recent years. The public sector still remains the largest employer, employing around 30,000 people. Manufacturing industry is largely of a high-tech nature and strongly linked to research at the universities. Uppsala University and the Swedish University of Agricultural Sciences (SLU) with its employees and just over 40,000 students gives the city a strong academic feeling.

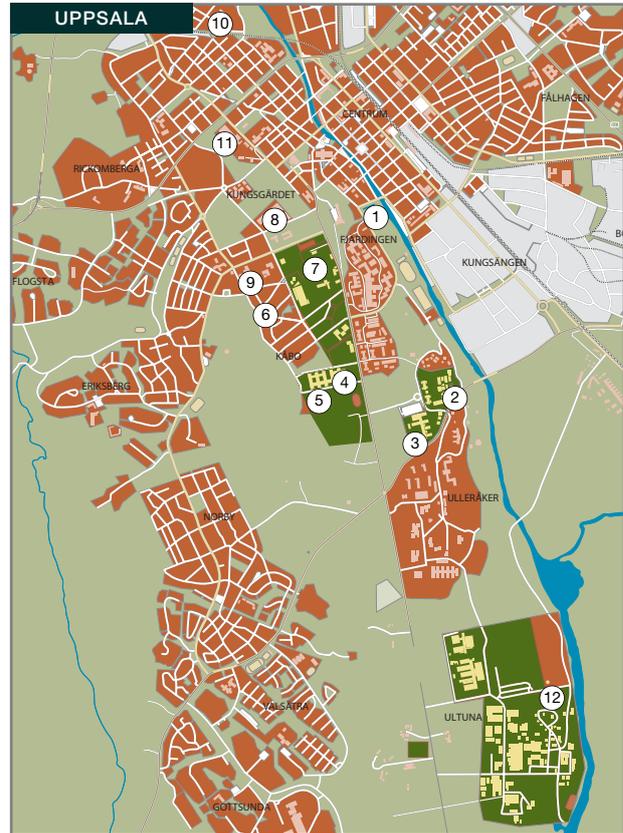
The level of vacant space in the central parts of Uppsala is low although less attractive off-centre office locations reveal vacant space levels of up to 12 per cent. There is considerable vacant space in Fyrislund.

The rent levels are stable. Akademiska Hus has almost 524,000 square metres in Uppsala and Ultuna. The main tenants are Uppsala University and SLU, which lease around 314,000 square metres and 201,000 square metres respectively. Three-quarters of the lease value has a term of more than three years. The company's level of vacant space in Uppsala is around four per cent although it could double in the next two years, mainly in Ultuna. There is considerable competition for tenants in Uppsala and it will thus be a challenge for the company to rent out the floor space that is being vacated. The company also has around 270,000 square metres of expansion potential.

Gävle

Gävle is the county town and the 15th largest town in the country. The region is investing a great deal in profiling itself towards the Mälardal region. Commerce and communications as well as the care sector are the two largest employment sectors and together they account for one-third of the jobs. Close behind is manufacturing industry in different forms. Plans for expansion of the port operations are seen as a positive factor. Gävle University College is growing and at present has around 13,000 students, who have quite a distinct impact on day-to-day life in the municipality and are of major significance to future growth.

On the property market, demand for non-residential premises has increased in recent years and availability has fallen slightly. The level of vacant space in the central parts is around five per cent although it is considerably higher in the peripheral locations. The rent level is stable. Akademiska Hus has just under 45,000 square metres of premises, the majority of which are rented to Gävle University College on long leases. A newly constructed library was opened in January 2006. The company has almost four per cent vacant space in Gävle.



Property specification

Property designation	Map reference	Principal tenant	Proportion of rentable floor space, %	Location	Rentable floor space, total, m ²	Vacant	Rental income plus supplements, KSEK	Land area, m ²	Expansion reserves, m ²
Kungsbäck 2:8		Gävle University College	90	Gävle	44,848	1,750	55,913	108,684	
Hånö Säteri 1:9		Uppsala University	100	Tystberga	2,642	2,642	1,909	0	
Fjärdingen 34:1	1	Uppsala University	100	Uppsala	1,950	0	1,788	0	
Kronåsen 1:15	2	Uppsala University	90	Uppsala	29,459	123	39,383	76,675	24,000
Kronåsen 7:1	3	Uppsala University	100	Uppsala	47,666	0	86,290	82,454	18,000
Kåbo 1:10	4	Uppsala University	98	Uppsala	83,484	1,334	144,179	133,176	28,800
Kåbo 1:20	5	Uppsala Municipal Authority	100	Uppsala	10,007	428	13,011	23,992	97,000
Kåbo 38:9	6	SCASSS	100	Uppsala	611	0	624	2,732	
Kåbo 5:1	7	Uppsala University	50	Uppsala	37,548	0	42,025	167,473	97,000
Kåbo 14:3	8	Uppsala University	100	Uppsala	41,066	458	59,528	0	
Kåbo 34:12	9	Uppsala University	100	Uppsala	30,934	1,279	41,460	0	5,625
Luthagen 13:1	10	Uppsala University	100	Uppsala	10,702	0	10,383	42,035	
Luthagen 62:7	11	Uppsala University	100	Uppsala	21,838	0	27,862	0	
Ultuna 2:23 and others	12	Sveriges lantbruksuniversitet	75	Uppsala	201,014	18,308	206,681	1,288,182	960
Skinnskatteberg-Eriksbo 1:12		Swedish University of Agricultural Sciences	100	Skinnskatteberg	3,216	0	2,197	31,344	
Ämthytan 4:49		Swedish University of Agricultural Sciences		Skinnskatteberg	1,419	0	0	0	
TOTAL					568,404	26,322	733,233	1,956,747	271,385
Minus: rent reductions and vacant space								-18,093	
Rental income, net								715,140	

Property specification

Property designation	Map reference	Principal tenant	Proportion of rentable floor space, %	Location	Rentable floor space, total, m ²	Vacant	Rental income plus supplements, KSEK	Land area, m ²	Expansion reserves, m ²
Intellektet 1	1	Linköping University	73	Linköping	208,523	6,785	269,382	1,032,112	300,000
Universitetet	2	Örebro University	100	Örebro	84,978		130,351	244,185	25,000
Kåkenhus 11		Linköping University	100	Norrköping	12,808		22,720	7,167	8,000
Täppan 23		Linköping University	100	Norrköping	16,269		27,698	1,429	
Grythyttan		Örebro University	100	Grythyttan	3,139		3,768	15,651	
Kopparhammaren				Norrköping	0		0	946	
TOTAL					325,717	6,785	453,919	1,301,490	333,000
Minus: rent reductions and vacant space								-6,891	
Rental income, net								447,028	

EASTERN REGION

The fourth city region comprises the towns of Linköping and Norrköping and towns within commuting distance or towns which in some other way interact within the region. The aim of the towns is to make the region into a competitive and attractive alternative to these three city regions in the country. The fourth city region's vision is to have 500,000 inhabitants. The Eastern Region also includes Örebro.

Linköping

Linköping is one of Sweden's most rapidly expanding towns with an expected stable growth of 700–900 persons per year. Industry is diversified. The major employers are to be found in the public sector, industry and commerce. There are around 21,000 students in Linköping and they make a strong contribution to the development of the town.

The property market in Linköping has stabilised, both with regard to the level of vacant space and the rent levels, following the downturn, which occurred mainly in the IT sector. Akademiska Hus has just over 208,000 square metres of floor space on the Valla Campus. Just over 85 per cent of the rental income comes from Linköping University and almost 60 per cent of these leases run out in 2009 or later. The company's vacant space of 6,800 square metres cannot be let during the year. There is very keen competition from the Mjärdevi area, which is adjacent to the company's properties and which has a high level of vacant space. The company has major expansion potential in the southern and eastern parts of the campus. A disused military exercise area, located close to the company's property, will be the major growth area in Linköping for a long time to come.

Norrköping

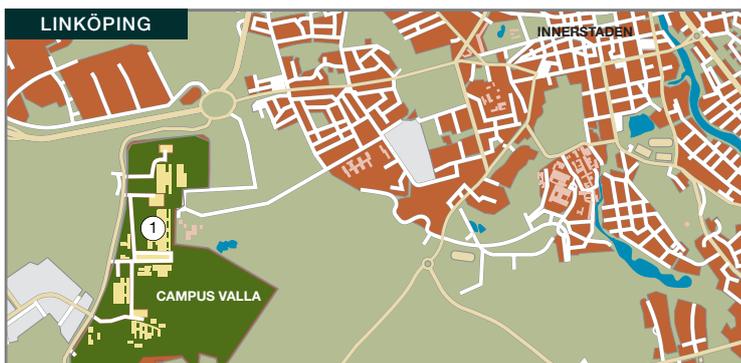
Norrköping is the seventh largest city in Sweden. The increase in population has taken off in recent years in conjunction with the expansion of the University. Linköping University has around 5,300 students on the Norrköping Campus. The level of employment in manufacturing industry is falling and at the same time commerce and communications are growing steadily. Unemployment is approximately 40 per cent higher than the country generally.

The property market is showing cautious optimism following a number of major transactions completed during the year and several company establishments will lead to new construction. There is very obvious competition for tenants in the inner city. In co-operation with the municipal authority, Akademiska Hus is working to develop its properties for the University but also for other interested parties. The company has around 29,000 square metres, which are leased by Linköping University on very long leases.

Örebro

Örebro's position as a logistics centre has been reinforced in recent years and the city has a good position in the heart of central Sweden. The population has now passed the 127,000 mark and is growing steadily. Industry is becoming more and more diversified. Unemployment is high although it has fallen during the year. Örebro University, which now has almost 15,000 students, has made a very positive contribution to this development.

The property market in Örebro is stable and forecasts indicate that the trend will persist. Akademiska Hus, in collaboration with the municipal authority, has studied the conditions for expanding the campus. The company has around 85,000 square metres of non-residential premises, which are leased by Örebro University. The majority of the leases run out in 2009 or later.



WESTERN REGION

Industry in Western Sweden is dominated by a small number of large companies with operations throughout the world. The automotive industry and its suppliers are very large employers. The success seen at the end of the 1990s and the beginning of the 2000s has been a strong contributing factor to the region's very strong growth. International competition, however, also poses a threat and the forecasts show that the region will have a slightly weaker rate of development than other regions over the next few years.

Göteborg

The Göteborg region has a steady increase in population and today there are around 872,000 inhabitants. It is a centre for international industry and trade as well as international logistics and transport in northern Europe. The small and medium-sized companies are developing rapidly in sectors such as biomedicine, biotechnology, environment, energy and IT as well as commerce and automotive supply. Göteborg also has almost 60,000 students.

The property market is stable although the level of vacant space has increased in recent years. Rents in prime locations fell at the beginning of the year but have now stabilised, although in other locations they are continuing to fall. Akademiska Hus has around 340,000 square metres of floor space in Göteborg. The majority of this space is leased by Göteborg University and Chalmersfastigheter. Two-thirds of the contract value run out in 2009 or later. The company will have vacant space totalling 11,000 square metres in 2006 although the property in question will be sold as soon as the local plan is in place. A plan to develop Medicinareberget has been produced and tenants are now being sought for the plans to be realised. There is considerable competition for tenants seeking new premises.

Möndal

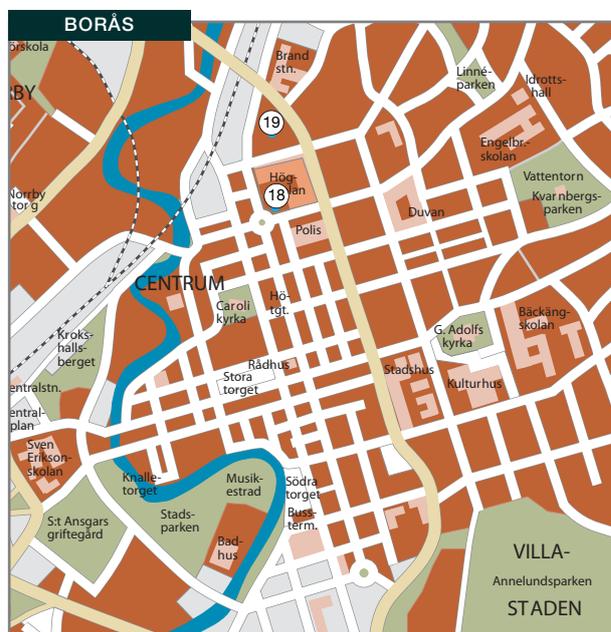
Möndal has a level of unemployment that is considerably lower than the national average. The largest industrial sectors are manufacturing and extraction as well as the care sector. Together they account for almost 50 per cent of the jobs. Inward and outward commuting, mainly between Göteborg and Möndal, is high. Plans for a new "town-like" centre have just been presented.

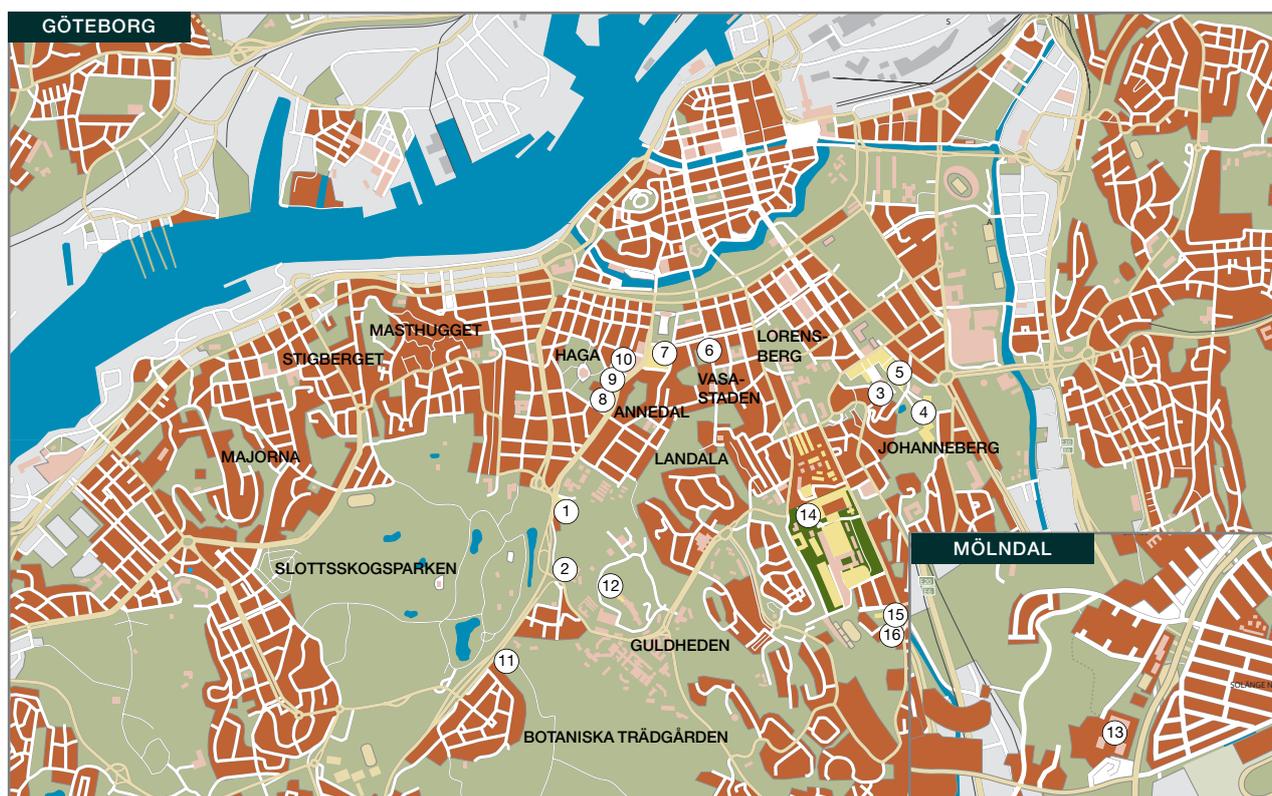
The property market has been influenced by developments in Göteborg, which have been positive, although it is also governed by developments in industry. Akademiska Hus has a property with almost 36,000 square metres in Möndal. This will be vacated in the summer of 2006, which will entail a substantial increase in the total vacant space in Möndal. In the light of the large availability of non-residential premises that already exist, and the fact that there is a shortage of housing, a request for a change in the local plan for the property, allowing a switch to housing, has been submitted.

Borås

Borås is growing and the population is almost 99,000. Commerce has an important role to play in industry, which is otherwise dominated by the public sector, industry and the service sector. University College Borås has more than 11,300 registered students.

The property market is stable. Akademiska Hus has almost 46,000 square metres centrally located, which are mainly leased by University College Borås. Approximately half have a term exceeding three years.





Property specification

Property designation	Map reference	Principal tenant	Proportion of rentable floor space, %	Location	Rentable floor space, total, m ²	Vacant	Rental income plus supplements, KSEK	Land area, m ²	Expansion reserves, m ²
Annedal 20:2	1	Göteborg University	100	Göteborg	5,506		7,616	10,428	
Annedal 21:11	2	Göteborg University	100	Göteborg	6,169		8,688	3,125	
Lorensberg 13:6	3	Göteborg University	100	Göteborg	627		857	630	
Lorensberg 21:1	4	Göteborg University	100	Göteborg	32,559		41,833	35,248	
Lorensberg 24:3	5	Göteborg University	100	Göteborg	14,968		25,457	9,605	
Vasastaden 12:19	6	Göteborg University	100	Göteborg	4,142		5,237	3,827	
Haga 22:1	7	Göteborg University	100	Göteborg	25,443		36,380	12,605	
Haga 21:19	8, 9, 10	Göteborg University	100	Göteborg	21,590		29,909	7,433	
Änggården 34:2	11	Göteborg University	100	Göteborg	9,789		18,214	11,280	
Änggården 718:138	12	Göteborg University	98	Göteborg	78,458		132,369	194,398	40,000
Växthuset 2	13	Göteborg University	100	Mölndal	35,978		30,352	82,973	
Korsnäs 1:16		Göteborg University	100	Strömstad	5,961		9,291	18,704	
Johanneberg 31:9	14	Chalmersfastigheter AB	98	Göteborg	128,227	310	141,125	182,800	50,000
Krokslätt 109:21	15	Chalmersfastigheter AB	100	Göteborg	414		104	782	
Krokslätt 109:20, 110:3	15, 16	Chalmersfastigheter AB	100	Göteborg	11,259		23,297	19,246	
Universitetet 1	17	Karlstad University	98	Karlstad	67,486		97,672	139,892	
Balder 7	18	University College Borås	100	Borås	32,316		37,297	7,454	
Sandgärdet 6, 7, 8, 11, 13, Innerstaden 1:3	19	University College Borås	100	Borås	13,457		23,504	12,256	8,000
Göta 1		University College Skövde	100	Skövde	19,770		25,405	34,015	
Stenbocken 1		Swedish University of Agricultural Sciences	70	Skara	4,197	266	4,056	17,709	
Sälgen 15		Swedish University of Agricultural Sciences	100	Skara	671		327	4,583	
Skytten 2		ATG-klinikerna AB	60	Skara	4,911		3,689	19,623	
Metes 2		Animal Protection Authority	100	Skara	1,193		1,446	1,731	
Skaftö-Fiskebäck 1:500		Royal Swedish Academy of Sciences	100	Lysekil	2,748		4,387	1,932	
Krokslätt 109:9		Residential	100	Göteborg	64		28	1,169	
TOTAL					527,903	576	708,540	833,448	98,000
Minus: rent reductions and vacant space							-2,457		
Rental income, net								706,083	

Karlstad

Karlstad has a vision to have a population of 100,000 and develop as a regional centre. Here there is a unique expertise cluster within everything from sawmills to pulp and paper technology and the packaging industry. The labour market is stable although the overall level of employment is above the national average. Karlstad University has 11,000 students.

The property market is stable and the level of vacant space in the central areas is low. Several property transactions were completed during the year. Akademiska Hus has around 67,000 square metres, of which Karlstad University leases the majority. During the autumn, work commenced on a new science building for the University. It will be completed in 2008 and will comprise approximately 12,000 square metres. More than 95 per cent of the holdings have leases that run through to 2014 or longer. The company has no vacant space.

Skövde

Volvo dominates the labour market in Skövde. Particularly strong industrial sectors include manufacturing industry, commerce and the public sector. The town also has a large garrison. University College Skövde has around 7,000 students.

The level of vacant space for non-residential premises is around five per cent in the central areas but considerably higher further out. Skövde's property market is stable although quite a number of large property transactions were completed during the year. Akademiska Hus has approximately 19,000 square metres, which are leased by University College Skövde. The company has no vacant space.

Skara

Over the past 10 years Skara has had a slight increase in population even if the trend was broken in 2003. Today the town has just over 18,000 inhabitants. Most people work in manufacturing industry, the care sector, commerce and communications. SLU has around 300 students in Skara.

Akademiska Hus has approximately 11,000 square metres, of which SLU and the ATG clinic are the largest tenants. The level of vacant space is just over two per cent.



SOUTHERN REGION

The Öresund region, with 3.6 million people, is a strong region and is the foundation for the positive development in southern Sweden. There is considerable exchange within the region although the potential is even greater. Over 27 million journeys are made each year across Öresund.

Malmö

The labour market in Malmö is dominated by commerce and communications, finance and consulting as well as care, which together account for over 50 per cent of the jobs. The city has four centres of higher education, which together have over 20,000 students. The development of Universitetsholmen is playing an important role in the transformation of Malmö from an industrial city to a knowledge city.

The property holdings in the central parts of the city are largely old and the majority of the vacant space, which is around 16 per cent, comprises premises in need of modernisation. The level of new construction in the centre is low, partly as a result of the economy and the relatively low demand, and partly as a result of the fact that there are few sites available for construction. Despite this, the rental levels are stable. Akademiska Hus has just over 16,000 square metres in Malmö, of which the majority are leased by Malmö University College on long leases. The company has no vacant space.

Lund

Lund has 101,300 inhabitants and is the 12th largest municipality in the country. The proportion of companies in research and education as well as health and medical care is considerably higher in Lund than in the rest of the country. The University is the largest in Scandinavia and its 42,500 students make Lund very much a university town.

The interest in commercial properties in Lund is considerable although the turnover continues to be very low. The property market is stable with a low level of vacant space of a few per cent in the central parts and approximately six per cent outside the centre. During the year, Akademiska Hus renegotiated almost half of the non-residential premises leased by Lund University. The agreement offers a good foundation for work in the future but it also means that the company's level of vacant space during the next two years will be around five per cent. This opens up opportunities to increase the proportion of other tenants from the current level of approximately one per cent of the premises. Competition for new customers however is extremely keen, particularly from Ideon, where there is some vacant space. The company has approximately 350,000 square metres of floor space in Lund.

Alnarp

With its unique park environment, Alnarp is like an oasis, embedded in an intensive city region in the heart of an agricultural landscape and within a convenient distance to Malmö, Lund and Lomma. SLU, with almost 900 students, dominates Alnarp, which has a few hundred inhabitants.

Alnarp does not have any large property market although Akademiska Hus has around 69,000 square metres here, of which SLU leases just over 54,000 square metres. There are also some 40 smaller tenants. The level of vacant space is approximately six per cent although SLU is in the process of reviewing its operations and future need for premises. There is therefore a very tangible risk that relatively large areas of floor space will be released. The location and

the profile of the area mean that it could take a long time to fill vacant space.

Kristianstad

The food industry and agriculture, together with the public sector, form the basis for business and industry in the region. The University College, with over 11,000 registered students, is a very dominant feature in the town.

The property market is stable, with no major changes predicted in the near future. The level of vacant space is low in the centre and up to ten per cent off-centre. Akademiska Hus has just over 33,000 square metres of non-residential premises in the town, all of which are leased by Kristianstad University College on long leases.

Kalmar

Kalmar has a positive population trend and over 60,600 inhabitants. The largest employment sectors are healthcare as well as trade and communications. University College Kalmar has given the municipality a lift. There are around 9,500 registered students.

The property market is stable with a low level of vacant space in the central areas and a high level further out. Akademiska Hus has almost 29,000 square metres, of which the majority are leased by Kalmar University College on long leases. A weak level of demand for non-residential premises means that the company still has 2,800 square metres of vacant space.





Property specification

Property designation	Map reference	Principal tenant	Proportion of rentable floor space,%		Rentable floor space, total, m ²		Rental income plus supplements, KSEK		Land area, m ²	Expansion reserves, m ²
				Location		Vacant				
Absalon 5	1	Lund University	100	Lund	31,258		41,736	30,640		
Eskil 21	2	Lund University	100	Lund	47,153		108,855	43,394		
Helgonagården 6:16	3	Lund University Lund University Faculty of Engineering	100	Lund	187,694	516	245,949	374,588	50,000	
Hyphoff 5	4	Lund University	100	Lund	8,336		8,193	23,722		
Maria Magle 6	5	Lund University	100	Lund	2,581		2,483	2,472		
Paradis 47	6	Lund University	100	Lund	1,397		2,166	3,154		
Paradis 51	7	Lund University	100	Lund	30,996		33,935	35,697		
Sankt Peter 33	8	Lund University	100	Lund	949		1,143	849		
Saxo 3	9	Lund University	100	Lund	4,052		5,843	6,653		
Studentkåren 4	10	Akademiska Hus South	100	Lund	2,519		2,594	25,268	15,000	
Sölve 1	11	Lund University	98	Lund	34,178		47,237	47,000		
Alnarp 1:60		Swedish University of Agricultural Sciences	78	Lomma	68,918	4,266	55,850	930,608	200,000	
Alnarp 1:63		Swedish University of Agricultural Sciences	100	Lomma	121		61	1,296		
Alnarp 1:64		Private residential	100	Lomma	119		72	1,149		
Klerken 4		Malmö University College	95	Malmö	16,766		15,080	7,643		
Falken 3		Kalmar University College	100	Kalmar	12,304	488	15,649	13,965		
Rostad 1		Kalmar University College	98	Kalmar	3,935	2,359	3,513	13,574		
Eldaren 1		Kalmar University College	91	Kalmar	12,360		20,103	12,831		
Näsby 34:24		Kristianstad University College	99	Kristianstad	33,109		34,961	80,184		
TOTAL					498,745	7,629	645,423	1,654,687	265,000	
Minus: rent reductions and vacant space								-6,103		
Rental income, net								639,320		

Our services support the tenant's operations



The starting point for Akademiska Hus's management is the needs of the tenant. The premises, in combination with the services which the company offers, should support and provide added value to the operations being carried on in those premises. An important part of this work therefore is to continuously pick up on customer requirements and to offer services that satisfy those requirements. A whole range of supplementary services have been produced to make day-to-day life easier for the tenants and to contribute to their operations functioning optimally.

As each operating area is unique, the tenants' need for premises and services are linked to these areas. These needs also vary over time as conditions change. This means that the premises are adapted optimally to the intended operations and that the range of services develops alongside these operations.

In order to always be in a position to provide premises that can match current needs optimally, Akademiska Hus offers property-related services. These services can include:

- Customer adaptation – adaptation of premises to satisfy new or changed requirements.
- Ventilated workplaces – function control of smoke boxes and other facilities as well as logging of air flows required in the customer's working environment undertakings.

- Production and process-related media supply, e.g. gases, compressed air and liquids.
- Monitoring of refrigerator and freezer rooms via the internet. By using the property's control and monitoring systems, the tenant has a simple means of controlling equipment containing important research material.

More and more customers are also requesting services that are not linked directly to the property but more to the customer's operations. Akademiska Hus has opted to co-operate with skilled partners in order to offer such operations-related service and in doing so provide maximum customer benefit. Examples of these services include:

- Help with removals
- Reception service
- Handling of waste products
- Security service
- Space optimisation

Akademiska Hus carries on active development work in order to constantly improve existing products and services. This also includes following up what customers are looking for in order to quickly offer new products and services.

The future

Focus on value for money

The market in 2006 will be characterised by a continued high level of vacant space and thus a large range of available premises. As the type of customer Akademiska Hus works with is very much in demand at many property companies there will be very keen competition. For universities and colleges there is also a very tangible need to make savings.

The potential to achieve higher rent levels in conjunction with negotiations with existing tenants is limited.

New projects can be run with a reasonable level of profitability and major investments will be made in, among others, Stockholm, Lund and Karlstad.

In 2006, Akademiska Hus will prioritise investments to reinforce the tenant's perception of value for money in what is being offered. This will, among other things, take place through efforts to improve the attractiveness of the property areas together with a greater focus on improving efficiency within management and planning.

External factors

The economy and interest rates

The turnaround in the economy is expected to continue in both 2006 and 2007. A relatively weak labour market appears to be having a restraining effect on the market for non-residential premises.

The increase in interest rates that can be expected in 2006 will probably not have any significant effect on property prices. The yield levels are expected to be on a level where there is scope for a limited increase in interest rates.

The property market and the market for non-residential premises

The market for non-residential premises is still at a standstill without any clear indications of a change. In Stockholm, a number of large lettings have taken place although generally this has only meant that the vacant space has been moved around within the holdings. Many are looking for modern premises and old premises are being vacated. There are signs that tenants are more willing to move and that the property owners must work harder to keep their tenants.

Despite the fact that the level of vacant space still continues to be high in many places this has not had a negative effect on rent levels, which are still relatively stable. However, large volumes of vacant space and weak growth in employment mean that it will take a long time before existing vacant space is absorbed and the rent levels increase. Generally speaking, it is more probable that we will see an increase in rents at a number of locations rather than further reductions.

In the construction sector a number of good years are predicted. The construction of residential property has fallen behind over a number of years. In combination with the low interest rates the construction market is now entering a boom period. The risk of a shortage of skilled labour at the end of 2006 has been highlighted by the Swedish Construction Federation. The part of the construction market that is still lagging behind is investment in non-residential premises. This is the case for both private and public investment. Private investment is being weighed down by the continued high level of vacant space in

the office holdings. This has meant that in reality no new office construction has commenced since the middle of 2002.

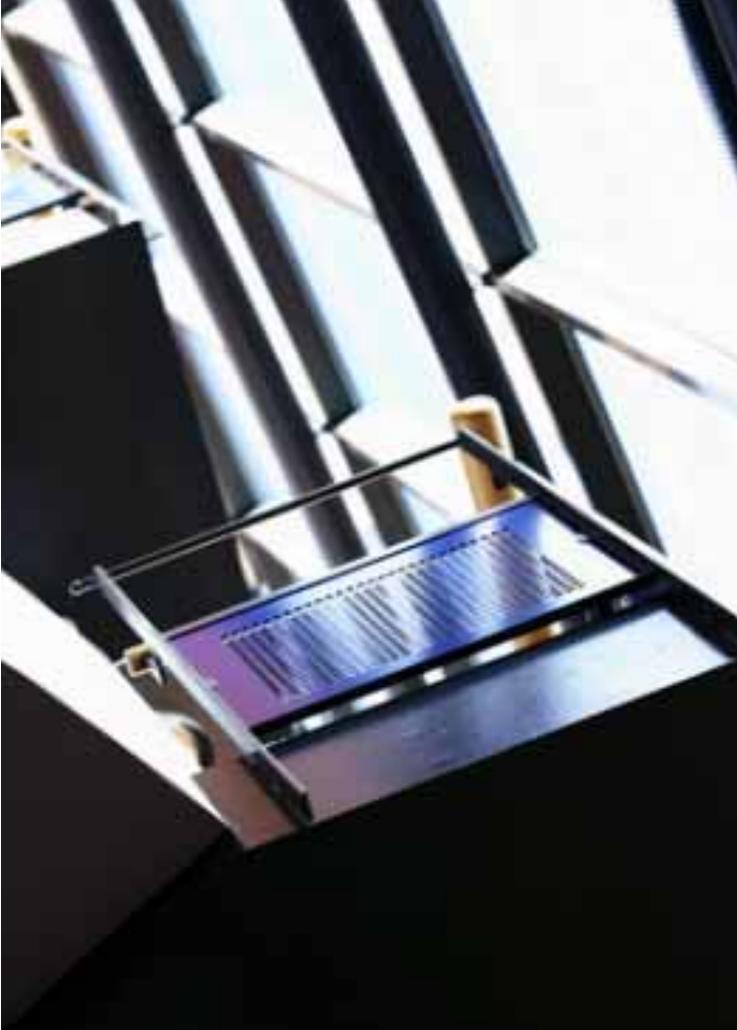
Leases and vacant space

In 2005, extensive renegotiations took place with Lund University. The results of this have been taken into account in the budget for 2006 and the simulation for 2007. In June 2006, Sida will move into premises comprising 18,600 square metres on the Tre Vapen block in Stockholm. In 2007, the National Swedish Environmental Protection Agency will move into premises comprising 11,900 square metres on the same block. At the end of 2005, a new 20-year lease for 14,700 square metres was signed with the Royal School of Music in premises that will be constructed on the Svea Artilleri block.

Vacant space will increase in 2006, mainly as a result of the increased vacant space in Göteborg, where the Växthuset block (Institute of Education), totalling 36,000 square metres, will become available when the Institute of Education moves to premises not owned by Akademiska Hus. In addition, the Mathematics Centre, totalling over 11,000 square metres, on the Chalmers campus in Göteborg will become vacant. In general, the vacant space will be mainly, as is the case at present, in Linköping, Kista, Uppsala and Härnösand. In total, the vacant space is expected to increase to 5.1 per cent and in financial terms to three per cent.

The renegotiations regarding new rents for all Akademiska Hus leasehold properties in the country have now been completed. The leasehold periods are as a rule 10 years, commencing on October 1, 2006. The increase is approximately 25 per cent. The increased costs for Akademiska Hus are covered largely by special settlement clauses in the lease agreements and compensation through CPI-indexing of the rents.





Energy costs

Costs for district heating and electricity are expected to rise in 2006. In negotiations and discussions with energy supply companies further increases were indicated in the years to come.

Akademiska Hus will continue to work to counteract the increase in prices, mainly for district heating. The planning of in-house solutions is ongoing. In Lund, Europe's largest facility for heating and cooling using underground storage technology will be opened in spring 2006. With the price trend expected in the future this area will be a high priority.

Akademiska Hus will endeavour to invest in new energy solutions in all parts of its holdings where such investments are profitable.

Strategic challenges

An important area for the Group is to reinforce the customer's perception of value for money in the products that are provided. They should be combined with efforts to increase the attractiveness of the property areas.

In an increasingly competitive situation it is important to maintain control over costs and a high level of efficiency in management and planning. Development in these areas will commence in 2006.

The work that has commenced to make Akademiska Hus known as the leading property company when it comes to creating innovative environments for higher education and research will continue. As part of this, an advertising campaign was run during the year, which will be followed by further activities later.

Profit trend

Based on the external assessment and the Group's expected future profit trend, the low level of vacant space and future investments, there is reason to take a positive view of developments over the next few years.

The budgeted profit before tax for 2006 is SEK 2,307 million. The improvement in profit compared with 2005 can be explained by the fact that maintenance levels are expected to fall as a result of the substantial investments made in the properties.

The direct yield on assessed fair value is estimated at 6.7 per cent for both 2006 and 2007.

The equity ratio will remain at 45 per cent for 2006 and increase to 46 per cent for 2007, which more than meets the owner's requirement for an equity ratio of at least 35 per cent.

The return on equity is another yield requirement from the owners and will amount to the average five-year state bond interest rate plus four percentage points, which during 2005 should amount to approximately 7.5 per cent. In 2006, the return on equity is estimated at 7.3 per cent and in 2007 it is estimated at 7.1 per cent.

	2005	Budget 2006	Forecast 2007
Profit forecast			
Holdings			
Average rentable floor space, 1,000 m ²	3,266	3,283	3,300
Level of vacant space as a percentage of the total floor space	3.2	5.2	4.3
Property values, SEK m	45,616	46,700	47,700
Net investments in properties (SEK m)	469	1,700	1,400

Key figures

Rent level, SEK/m ²	1,372	1,374	1,403
Net operating profit, SEK m	2,727	3,101	3,185
Net operating profit, SEK/ m ²	835	947	965
Direct yield on assessed fair value, %	6.5	6.7	6.7

Key financial figures

Operating profit, SEK m	9,917	2,953	3,179
Pre-tax profit, SEK m	9,270	2,307	2,330
Equity ratio, %	45	45	46
Return on equity, %	34.2	7.3	7.1
Return on total assets, %	21.9	5.9	5.8
Dividend, SEK m	660 ¹⁾	580	600
Internal financing level, %	323	98	120
Interest coverage level, %	417	457	452

Sensitivity analysis, SEK m

Interest +/- 1 percentage point	175	174	176
Operating costs and maintenance costs +/- 10%	147	113	116
Rent +/- 5%	224	225	230

¹⁾ According to the Board's proposal at the Annual General Meeting on April 27, 2006.

Property valuation

The fair value of investment properties has increased by almost 20 per cent

The assessed fair value of Akademiska Hus investment properties, excluding new construction in progress, amounted to SEK 45,616 million (38,230) at the year-end. The change can be explained by an increase in the unrealised fair value of SEK 7,144 million and SEK 242 million in net investment in investment properties (excluding current new construction progress).

The transition to IFRS (IAS 40) has meant that properties which were previously reported at the acquisition value with a supplement for value-enhancing improvements and with a deduction for accumulated depreciation are reported at the fair value. In accordance with this method, Akademiska Hus reports the changes in value in the Income Statement.

The significant increase in the fair value can be attributed mainly to the following factors:

- The general upturn in the Swedish property market, which is reflected in the fact that cost of capital and direct yield requirements had already begun to fall in 2004. The new levels have been established with greater accuracy during 2005. This trend has been very tangible in the city regions and has entailed a significant increase in value in the Akademiska Hus property holdings. The direct yield, calculated as the net operating profit in relation to each year's assessed fair value, excluding expansion reserves, thus fell from 7.1 per cent in 2004 to 6.5 per cent in 2005.
- A new valuation model with more precise methodology has resulted in greater accuracy in the valuation.
- Increased demand in the category of properties that dominate Akademiska Hus holdings: properties with relatively long leases and with tenants with a good credit rating.
- As a result of the investments made in recent years, future maintenance costs are expected to be lower. This will have a positive effect on the properties' cash flows and will thus also have a positive impact on the property values.
- Values in building rights and land assets have been taken into account in full. The increase in value of these expansion reserves is mainly the result of the work aimed at reducing previously uncertain planning assumptions for larger expansion areas adjacent to the company's campus areas.

Changes in the Akademiska Hus property holdings

Prior to the preparation of the final accounts for 2005, Akademiska Hus introduced a cash flow-based valuation as a general method for

confirming the assessed fair value of the investment properties. The fair value has been established through an internal property valuation. Previously, the valuation was made using the direct yield method. The valuations are based on the market location at the turn of the year 2005/2006 and have been conducted in accordance with the Swedish Property Index (SFI) guidelines.

Apart from unrealised increases in value, investments in new construction and development totalling SEK 1,101 million were made, of which SEK 625 million refers to the commissioning of new construction and redevelopments in Stockholm. No acquisitions were made during the year. Sales during the year totalled SEK 859 million, of which SEK 855 million was part of the sale in Göteborg to Chalmersfastigheter AB.

Change in the property holdings during 2005	SEK m
Assessed fair value, December 31, 2004	38,230
+ Investments in new construction and redevelopment	1,101
+ Acquisitions	-
- Sales	-859
+ Unrealised changes in fair value	7,144
of which increase in value, low future maintenance costs	(1,125)
of which increase in value, expansion reserves	(82)
of which reduced yield requirements and corrected values	(5,937)
Assessed fair value, December 31, 2005	45,616

In the valuation, SEK 3,906 million is an increase in value in the Stockholm region, which is equivalent to an increase of 27 per cent and comprises 55 per cent of the change in value of the Group's investment properties.

Valuation using the cash flow method

The cash flow method aims to establish the value of a property through the current calculation of the future cash flows which are expected as well as the assessed residual value. The cash flow comprise the net operating profit over a 10-year cash flow period. For the current calculation of the cash flows a cost of capital is used which is the same for all years for each valuation objects. The residual value is set with the aid of a direct yield requirement that is based on experience and a market analysis.

The property holdings have been valued in the light of various criteria, such as town and location, the extent of special adaptation, the type of premises and the remaining lease term.

Fair value, investment properties, regions SEK m

Region	31-12-2005	31-12-2004	Change	Of which investment, net ¹⁾	Unrealised change in value	Unrealised change in value, %
Norr	3,967	3,037	930	74	856	28
Uppsala	6,007	5,535	472	131	341	6
Stockholm	18,972	14,497	4,475	569	3 906	27
Öst	4,392	3,909	483	76	407	10
Väst	6,717	6,610	107	-808	915	14
Syd	5,561	4,642	919	200	719	15
Total	45,616	38,230	7,386	242	7 144	19

¹⁾ Net investment in investment properties, excluding new construction in progress.



Town and location have been classified as follows:

1. Inner-city area in Göteborg and Stockholm
2. Malmö, Lund, Borås and other parts of Göteborg, other parts of Stockholm, Solna, Kista, Uppsala
3. Alnarp, Kristianstad, Kalmar, Skövde, Skara, Norrköping, Linköping, Örebro, Karlstad, Huddinge, Ultuna, Gävle, Sundsvall, Umeå, Luleå
4. Other locations

The cash flow valuation has been made using a cash flow period of 10 years.

The cost of capital for the cash flow varies for different objects within the range 6.5–8.5 per cent depending on the town, location, lease term and the dominant category of premises in the valuation object. A cost of capital of less than seven per cent has only been used for valuation objects with relatively general premises in the major towns and cities and with a remaining lease term of more than six years.

The residual value has been calculated based on the outgoing net operating profit after 10 years with a direct yield requirement that varies between 5.5 per cent and 10.5 per cent depending on the town, location and dominant category of premises. The wide range for the direct yield requirements reflects an assessment of a relatively high risk in the long-term rental flow for buildings outside the city areas with a large element of premises adapted specifically to operations. The current residual value has been calculated using the same cost of capital applied for the cash flow period. The current net operating profit and residual value have been reduced by three per cent for stamp duty.

The assumptions made in the cash flow calculation part are as follows:

- Income and costs have been adjusted in accordance with the leases with an assumed annual inflation level of two per cent.
- A general level of vacant space of five per cent has been assumed when the present leases run out.
- Maintenance costs have been calculated using a standard figure of SEK 70/m² for non-laboratory premises and SEK 110/m² for laboratory premises.

- Costs have been taken into account for premises with a high installation level and for a small number of other premises with substantial refurbishment requirements of a maintenance nature.
- Operating costs have been taken up at the budgeted amount.
- Property administration has been taken up at a standard figure of SEK 70/m².

Proportion of cash flow-valued objects

SEK 43,398 million of the assessed fair value has been set using the internal cash flow valuation. The expansion reserves of SEK 960 million have been valued using the location price method. The remainder, SEK 1,258 million refers to objects with a special valuation basis. These comprise mainly development properties with uncertain future income and cost. Also included are the few residential objects owned by Akademiska Hus.

Expansion reserves

Of the assessed fair value, SEK 960 million comprises expansion reserves that include building rights of approximately one million square metres gross area. As these do not generate any cash flow they have been valued using the location price method for building rights with a deduction for assessed development costs, such as roads, in conjunction with expansion.

In some cases where the plan conditions for new construction are unclear, the “raw land values” have been used to establish the values.

External valuation as a benchmark

External valuations are being carried out as a benchmark for the internal cash flow valuations and for certain development properties where the income and costs are difficult to assess.

Of the 100 objects that have been valued the highest within Akademiska Hus, 13 objects in the Stockholm, Uppsala and northern regions were valued externally. The value of these according to the external valuation was SEK 6,171 million whilst the internal valuation set the total assessed fair value at SEK 6,039 million.

New construction in progress

New construction in progress has been valued at the cost incurred and amounts to SEK 1,121 million.

Profitability

Owner requirement for 2005 exceeded

Net operating profit and direct yield

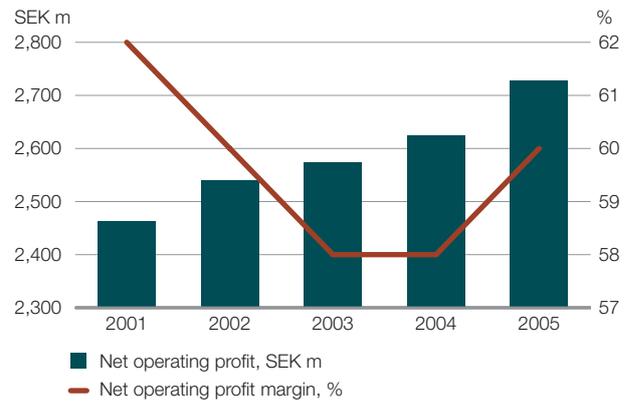
The net operating profit, i.e. the profit from the Group's property operations before central administration costs and net financial income/expense, totalled SEK 2,727 million (2,625). The net operating profit has been positive ever since Akademiska Hus was founded. The net operating profit margin was 60 per cent (58).

The direct yield during 2005 fell slightly and amounts to 6.5 per cent (7.1) of the assessed fair value.

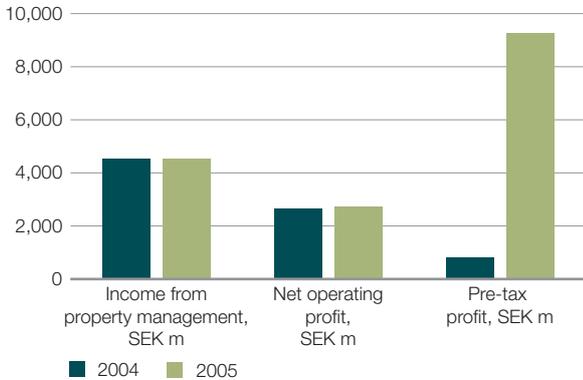
Return on equity and total assets

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 advantageous interest rate situation during 2005 has meant that the five-year government bond interest rate has on average been 2.8 per cent. The yield requirement has thus amounted to 6.8 per cent. The return on equity for 2005 was 34.2 per cent (5.8) and the yield on total assets was 21.9 per cent (5.4).

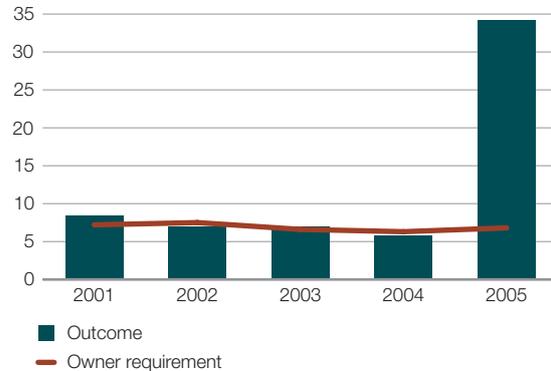
Net operating profit margin



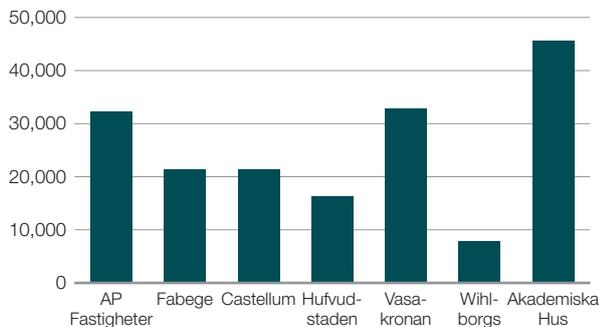
Income and profit, SEK m



Return on equity, %

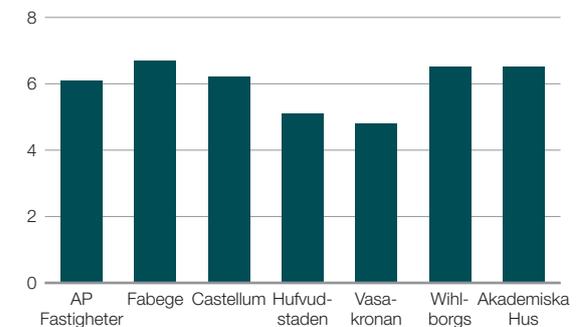


Fair value 2005, SEK m



The above information has been taken from the companies' year-end statements/reports for 2005.

Direct yield 2005, %



The above information has been taken from the companies' year-end statements/reports for 2005. The direct yield has been defined as the net operating profit in relation to the average assessed fair value according to the Income Statement and Balance Sheet as at 31-12-2005.

Operating costs

Fall in operating costs despite increased energy prices

Operating costs are the largest direct cost that can be influenced within property management. For 2005, the operating costs amounted to SEK 762 million (783), of which energy, fuel and water amounted to SEK 510 million (533). The operating costs thus accounted for around 70 per cent of the variable costs.

Operating costs are measures taken to maintain the function of a building and are divided into:

- Cost of energy and water supply.
- Other operating costs, such as labour costs for operating technicians/building supervisors and ground staff as well as refuse collection and official inspections.

The operating cost trend is due mainly to the increase in the cost of energy in the form of price increases as well as increased energy taxes. The increasing technical complexity of the buildings is also significant. New and redeveloped premises have in recent years been very resource-intensive as they have largely comprised laboratory buildings. It has been possible to compensate for the increased technical complexity by increasing the rental income. The operating cost proportion of the rental income is also stable.

The average operating cost for the Group for the year was SEK 233/m² (238). Of the operating costs, SEK 155/m² (162) was for energy, fuel and water. The local breakdown of operating costs can be seen in the table below.

Akademiska Hus is working actively to reduce operating costs by, among other things, optimising operations in existing systems and introducing new technical systems that offer more efficient use of energy. One example of this is the major underground storage

facilities which Akademiska Hus has installed in Lund, Örebro and Göteborg. A further contributing factor to the low operating costs is the successful negotiations with energy suppliers by Akademiska Hus. In addition, energy is procured jointly for the Group through Nordpool, which results in lower total electricity costs.

In order to change systems efficiently and design new, effective systems for energy use, Akademiska Hus requires greater knowledge of how the energy is used in the buildings.

Working together, energy management efficiency can be improved even further. Consequently, the aim is to debit energy costs as a supplement to the rent to a balanced extent. At the turn of the year 2005/2006, electricity and heating were debited separately in 49 per cent of the leases. The aim is to split the energy cost between Akademiska Hus and the customers in a manner that offers incentives to both parties to make energy savings.

Of the total operating costs for the year of SEK 762 million, SEK 266 million was passed on directly to the tenants.

Compared with other property companies, operating costs calculated in SEK/m² are relatively high within Akademiska Hus due to the high proportion of laboratories. The laboratory premises total 1.1 million square metres (35 per cent) and from an energy point of view they are significantly more resource-intensive than other premises.

The degree to which costs for energy, fuel and water are passed on varies locally from 0 to 60 per cent. This is due, among other things, to the proportion of energy-intensive laboratories and the agreement expiry structure. The task of increasing the degree to which costs are passed on is part of all agreement negotiations. However, as a result of the long, average agreement term (6.5 years), this change will take time.

Operating costs, SEK m	Region						Group
	South	West	East	Uppsala	Stockholm	North	
Electricity	42	39	28	59	77	27	264
Heating	32	29	14	41	63	17	196
Water	3	3	2	4	6	3	20
Cooling	1	2	3	0	9	1	16
Energy, other	2	2	0	0	10	0	14
Total energy, fuel, water	80	75	47	104	165	48	510
Energy, fuel and water in SEK/m ²	159	142	144	183	172	120	155
Land costs, maintenance etc	3	7	5	10	21	6	52
Building costs	3	11	2	19	20	7	62
Waste management	2	3	0	2	5	2	14
Labour costs, operations	15	15	6	17	19	7	79
Miscellaneous	15	-1	3	3	22	3	45
Total, other operating costs	38	35	16	51	87	25	252
Total operating costs	118	110	63	155	253	73	762
Operating costs in SEK/m ²	235	209	195	274	265	185	233
Proportion of energy cost passed on, %	24	25	28	52	41	12	35

Certain local variations in the operating cost structure occur and are caused by:

- Different charging levels for, in particular, energy, which entail different incentives for tenants to improve their energy management.
- The age structure of the buildings is of some significance as older buildings are more energy-intensive.
- Locations with technical and medical development and research have as a rule higher energy costs as a result of the higher proportion of laboratories.

Energy activities

A project for improved cost and efficiency regarding the handling of energy and water commenced within Akademiska Hus in 2002. The project has now been completed and led to the Group commissioning a joint energy follow-up system during the year. All regions use this system for the registration of measurements as well as follow-up of costs and use. The system offers considerable potential for integration and efficiency improvement. The follow-up system will also permit automated, standardised energy invoicing to customers.

The system will be gradually supplemented through the provision of further tools, although a certain degree of caution with regard to the rate of introduction of new tools will be observed, with due consideration given to both personnel and the retention of stability in the basic system.

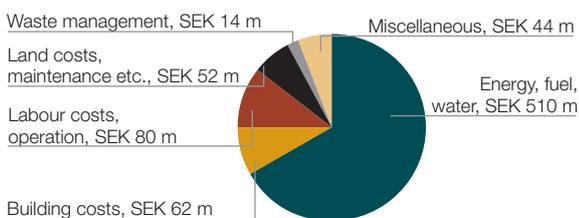
From the turn of the year 2005/2006 all registration and follow-up of energy and water will take place in the new, joint system. This means that measurements from over 6,000 meters will be compiled and will allow easy accessible follow-up of each individual facility within Akademiska Hus. The results will be presented in the new follow-up system, where the level of detail is high, and also in the Group's data banks, which provide more general reports.

Alongside the introduction of the energy follow-up system there will be the introduction of automated, hourly reading of all meters currently used in the Group's facilities. In addition, weather stations were installed during the year at a number of the Akademiska Hus operating locations with automated, hourly readings. General climate data, degree days etc., as well as current weather conditions, are thus available in conjunction with energy evaluations. The task of introducing automatic, hourly readings is expected to be completed within two years.

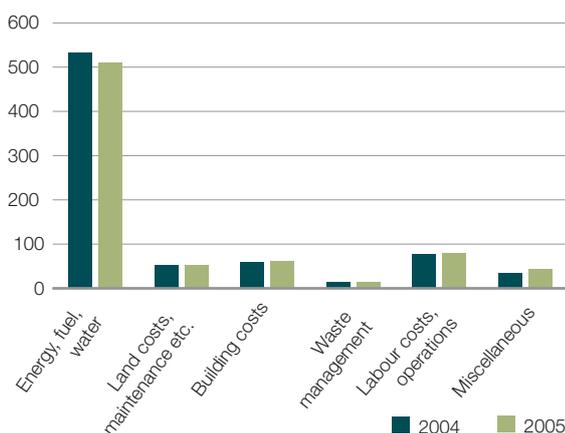
During the year, yet another aid was also made available which comes under the name "Paletten" – a collection of manageable recommendations and advice that can be applied in improving property efficiency.



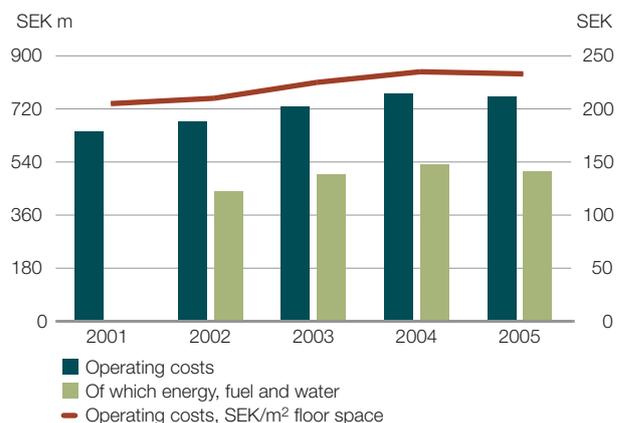
Breakdown of the operating costs 2005



Operating costs 2004-2005, SEK m



Operating costs



Maintenance costs

The high standard of the property holdings will result in falling maintenance costs in the future

‘Maintenance costs’ refers to costs for reinstating worn and damaged parts of a building to their original standard and function, i.e. measures taken to maintain a property/building in its original condition and function.

Maintenance costs for the year totalled SEK 717 million (806). Akademiska Hus has for a number of years focused on maintenance measures, which has meant that the standard of the property holdings is now generally high and maintenance levels are expected to fall in relative terms in the future. Variations between individual years can, however, be relatively large as a result of changes in the volume of redevelopment. Viewed over time, maintenance costs have developed in line with rental revenue and the net operating profit.

Of the maintenance costs, SEK 264 million (308) refers to emergency and planned maintenance, SEK 299 million (370) refers to maintenance in projects and SEK 154 million (128) refers to tenant adaptations. Averaged for the Group, maintenance costs for the year totalled SEK 219/m² (245). Emergency and planned maintenance was SEK 81/m² (94) and maintenance in projects was SEK 92/m² (113). A regional breakdown of the maintenance costs is shown in the table.

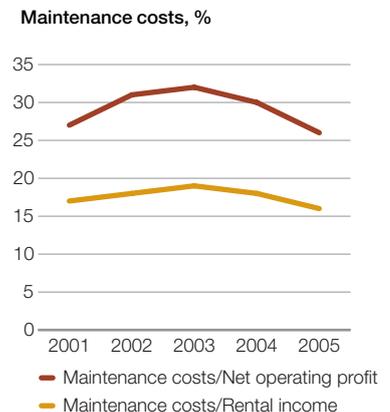
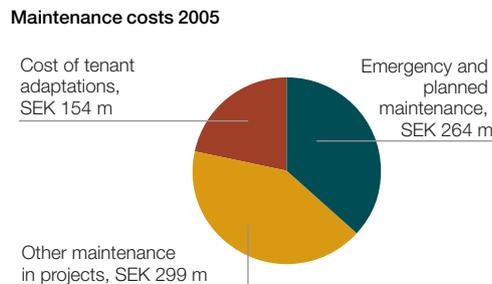
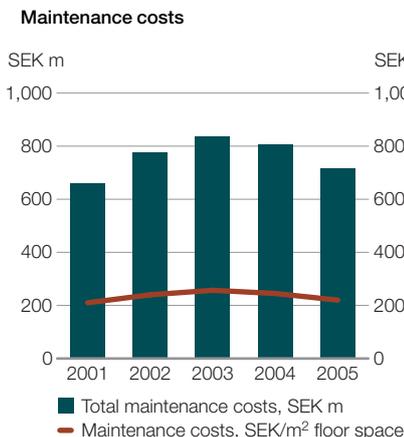
The maintenance costs vary between regions, mainly as a result of maintenance in projects in conjunction with redevelopment.

In Linköping, work was completed on the redevelopment of the A-building, which houses office and teaching premises, and involved maintenance work at a cost of SEK 44 million. The A-building was constructed in 1972 and up to now has not undergone any major maintenance.

In Uppsala, the former Medical Products Agency premises were completed and now house the Rosendal High School. The building was constructed in the middle of the 1970s and over the years no extensive maintenance work has been carried out. In conjunction with redevelopment work which can be regarded as maintenance was carried out at a cost of SEK 33 million. In the southern region major redevelopment projects took place during the year, including the Faculty of Odontology in Malmö, SEK 26 million, and the Centre for Chemistry and Chemical Engineering in Lund, SEK 11 million.

During 2005, work was carried out aimed at improving the evaluation of maintenance activities in line with market requirements. A change in the definition of maintenance will be introduced within the Group from 2006.

Maintenance costs, SEK m	Region						Total
	South	West	East	Uppsala	Stockholm	North	
Emergency and planned maintenance	49	42	26	45	77	25	264
Maintenance in projects	73	25	49	51	71	30	299
Tenant adaptations	17	55	8	19	4	51	154
Total maintenance costs	139	122	83	115	152	106	717
Maintenance costs in SEK/m ²	279	232	255	203	159	266	219
– of which emergency and planned maintenance, SEK/m ²	98	80	81	79	81	64	81
– of which maintenance in projects, SEK/m ²	145	48	151	91	74	74	91
– of which tenant adaptation, SEK/m ²	35	104	23	33	5	128	47



Sensitivity and risk analysis

Potential to influence the net operating profit is limited in the short term

Rental revenue is assured through long leases. Operating costs are in the short term to be considered as fixed whilst maintenance costs are to a large extent floating and can be reduced to meet a decrease in profit or vacant space.

Strategic risk

A certain strategic risk exists in the Akademiska Hus property holdings. Major investments in innovative environments for know-how and research have led to the creation of the campus environments. In this respect the property portfolio has a low risk spread. Campus environments have a specific purpose and are not in the broad sense general. To handle this risk, investments are being made in campus areas, mainly in general purpose premises that can be adapted to different tenants. Investments in specially adapted premises are only made when there is a long lease that justifies the investment.

Operating and financial risks

Akademiska Hus conducts long-term operations, which means that the potential for influencing the net operating profit in the short term is limited. Rental income and rental costs are sluggish and are affected gradually over several years whilst vacant space and other cost items have a more direct impact on the Income Statement.

Rental income

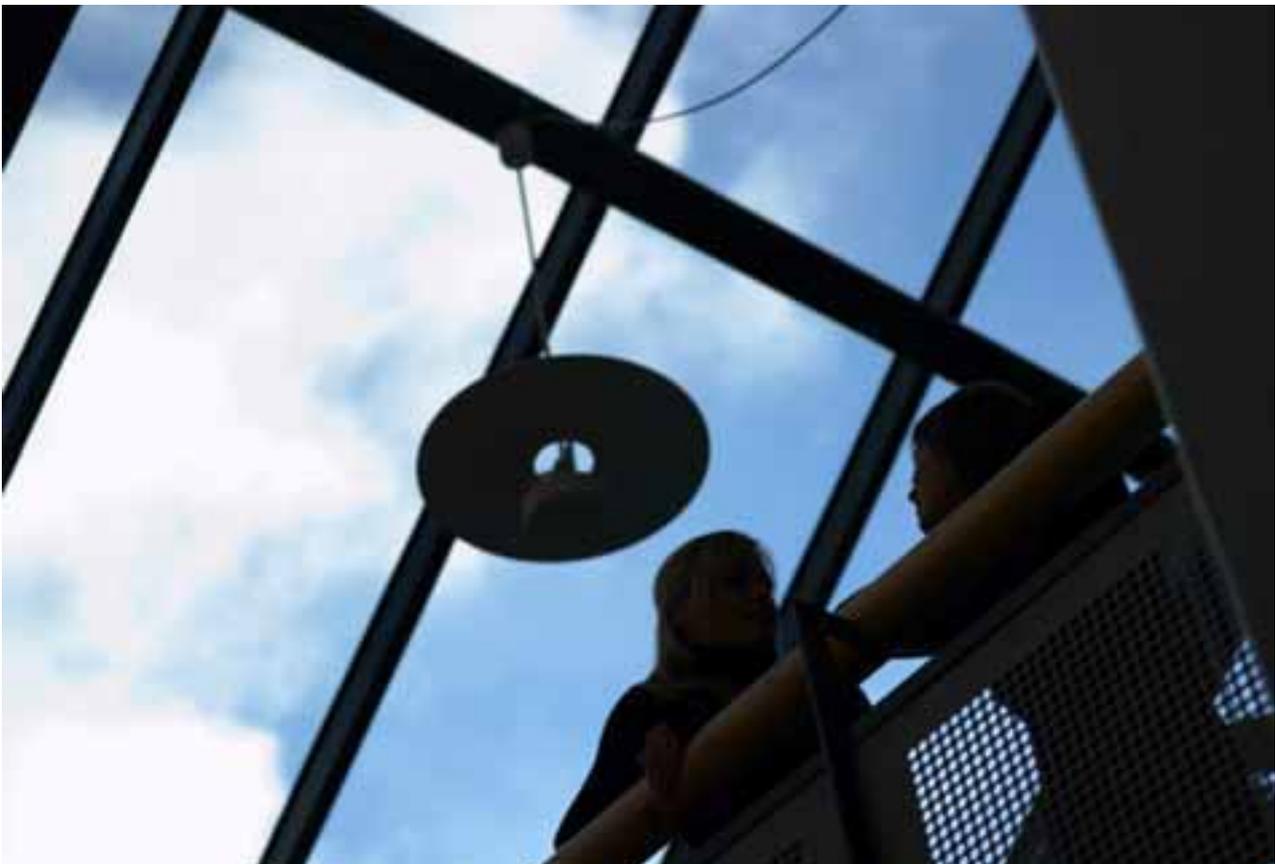
Rental income is assured through what are, even for the property industry, long lease agreements with inflation indexing. The majority of Akademiska Hus leases run over long periods and are linked to inflation, which means that changes other than inflation only have an impact in conjunction with renegotiations. The average term for newly signed leases in Akademiska Hus is 10.5 years and as at the year-end the average remaining term was 6.5 years. For larger, more complex, specialist buildings for laboratory and research operations, leases are normally signed for ten to fifteen years or more.

Ongoing follow-up of the lease renewal structure takes place with the aim of securing an even spread of lease renewal dates. A change in rental revenue of one per cent affects the Group's pre-tax profit by SEK 45 million.

Rents from state-controlled tenants account for 89 per cent of the rental income. These rental receivables are not considered to represent a credit risk.

Vacant space

Increased vacant space can be seen directly in the Income Statement. A follow-up of existing and future vacant space is a high priority. Special action plans are being drawn up for all vacant space in conjunction with operational follow-up. This is also reported by each regional board.





Compared with other property companies, vacant space within Akademiska Hus is very low and in square metres it is 3.2 per cent. The economic level of vacant space is lower and is 2.1 per cent due to the fact that a large proportion of the buildings are of a simpler nature with a lower rental value than the average. The economic level of vacant space is equivalent to SEK 88 million. A change in the economic level of vacant space of one percentage point is equivalent to a change in pre-tax profit of SEK 45 million.

Operating costs

Energy, fuel and water costs account for around two-thirds of the total operating costs. In the short term, these are considered to be fixed costs as the buildings need to be heated even if they are vacant. A reduction in energy consumption in a building is also often linked to a particular measure that has been taken.

A change in operating costs of one per cent would have an impact on profit of just under SEK 8 million.

Akademiska Hus is not exposed fully to increases in operating costs as around 35 per cent of the costs for energy, fuel and water are passed on to the tenant as a supplement to the rent. The cost of electricity is also largely hedged. As of the year-end, approximately 68 per cent of estimated use during 2006 is hedged. Electricity is purchased directly from Nordpool on a group basis and is governed by special guidelines.

Maintenance and investments

As a result of the extensive maintenance that has been carried out in recent years Akademiska Hus property holdings are well maintained. The management organisation is working on maintenance plans for each individual building. The long average lease period also means that conditions exist to ensure efficient management.

Maintenance costs are to a large 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 would have an impact on profit of SEK 7 million.

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 will carry on financing operations with well-adapted strategies, striking a balance between financial risks and a low financing cost. The finance plan adopted by the Board presents the Group's risk approach and how exposure to financial risks should be handled. Handling of the liability portfolio's interest risk takes place within the framework of a separate fixed interest mandate.

The average fixed interest period at the year-end was 2.4 years and fluctuations in the interest cost will thus not have an immediate impact on the liability portfolio.

Financing is presented in more detail in the Financing section.

Sensitivity analysis

The table shows how the Group's pre-tax profit would be affected. The effect is on an annual basis after full impact. The calculation does not take into account fixed interest periods.

Sensitivity analysis 2005, SEK m

Change	Impact on pre-tax profit, SEK m
Rental income, one per cent	45
Vacant space, one percentage point	44
Operating costs, one per cent	8
Maintenance costs, one per cent	7
Interest expense, one percentage point	175

Assessed fair value

The assessed fair value has been produced using an in-house calculation model. A change in the different conditions in the calculation model affects the assessed fair value of the properties. This does not, however, affect the cash flow until a possible sale takes place.

A change in the following variables in the calculation model affects the assessed fair value of the Company's properties.

Impact on assessed fair value

Change of one percentage point	SEK m
Cost of capital	2,853
Return requirement	2,713

Five-year summary with comments

	Graph	2005	2004	2003	2002	2001
Income statement, SEK m						
Management income		4,533	4,530	4,413	4,240	3,976
Operating costs		762	783	730	677	638
Maintenance costs		717	806	835	775	658
Property administration		254	245	216	195	167
Net operating profit		2,727	2,625	2,573	2,539	2,462
Change in value, investment properties		7,214	-478	-	-	-
Central administration costs		35	35	22	24	23
Operating profit	1	9,917	2,119	1,604	1,604	1,651
Net financial income		-647	-794	-895	-917	-864
Profit before tax	1	9,270	1,324	710	687	787
Profit for the year		6,654	950	503	495	567
Balance sheet, SEK m						
Assessed fair value, properties	2	45,616	38,230	36,118	36,475	-
New construction in progress		1,121	806	1,555	1,251	1,594
Other assets		3,414	1,385	1,471	2,708	2,940
Equity		22,455	16,618	7,506	7,248	7,024
Interest-bearing liabilities		17,994	17,454	16,794	17,390	17,267
Other liabilities and provisions		9,702	6,349	3,138	3,099	2,868
Cash flow, SEK m						
Cash flow from current operations		1,675	1,200	1,591	1,575	1,522
Cash flow from investments	3	-328	-1,502	-1,894	-1,766	-2,780
Cash flow before financing		1,347	-302	-303	-191	-1,257
Cash flow from financing		-450	164	-840	-147	2,043
Cash flow for the year	3	897	-139	-1,143	-338	786
Property-related key figures						
Direct yield, %		6.5	7.1	7.1	7.0	-
Rental income, SEK per m ²		1,372	1,365	1,342	1,302	1,255
Operating costs, SEK per m ²		233	238	225	210	205
Maintenance costs, SEK per m ² (including tenant adaptations)		219	245	257	240	210
Net operating profit in relation to management income, %		60	58	58	60	62
Net operating income, SEK/m ²		835	799	791	787	784
Level of vacant space, area		3.2	2.8	1.8	1.8	1.6
Level of vacant space, rent		2.1	1.8	1.2	1.1	0.8
Assessed fair value, properties, SEK/m ²	2	13,903	11,534	11,089	11,243	-
Carrying value, properties in regional companies, SEK m		25,818	26,021	24,412	23,778	22,625
Financial key figures						
Return on equity after standard tax, % ¹⁾	4	34.2	5.8	6.9	6.9	8.4
Return on total assets, %	4	21.9	5.4	5.9	6.0	6.7
Net liability, SEK m		17,915	17,126	16,327	15,779	15,318
Equity ratio according to earlier accounting principles, %		-	-	27.4	26.1	25.9
Equity ratio, assessed fair value, properties, %		44.8	41.1	-	-	-
Internal financing level, %	5	323	92	85	85	53
Interest coverage level, % ⁵⁾	5	417	327	179	175	191
Interest cost in relation to average capital in interest-bearing liability, %		3.8	4.5	5.3	5.6	5.6
Tenants and personnel						
Satisfied Customer Index (Fastighetsbarometern) ²⁾		75	73	-	-	-
Satisfied Customer Index (NKI) ³⁾		67	67	67	63	62
Average number of employees		446	442	430	427	411
Satisfied Employee Index (NMI) ⁴⁾		66	66	67	63	61

Note. The figures for 2004 and 2005 have been prepared according to IFRS. The figures for other years have been prepared according to the accounting principles applicable at the time.

¹⁾ The owner's return requirement is that the return on adjusted equity should be equivalent to the average five-year government bond interest rate plus 4.0 percentage points viewed over a business cycle (up to 2004 the requirement was 2.5). During 2005, the average government bond interest rate was 2.8 per cent.

²⁾ Fastighetsbarometern for commercial properties, measurement by the CFI Group.

³⁾ A new method of measuring non-financial key figures has been used since 2000.

⁴⁾ A new measurement for non-financial key figures has been used since 2001.

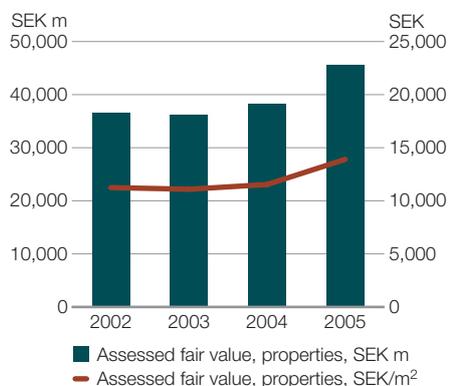
⁵⁾ Excluding changes in value 2005 and 2004.

1. Profit, SEK m



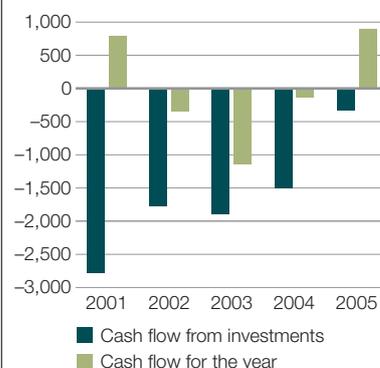
The Group's operating profit was SEK 9,917 million (2,119), which is considerably higher than the past five years. The change mainly derives from the increase in the assessed fair value of the properties, which was SEK 7,214 million. The pre-tax profit was SEK 9,270 million (1,324), an improvement of SEK 7,946 million compared with the previous year. The improvement in profit arose as a result of an improved net operating profit of SEK 102 million and the above increase in value. Net interest income/expense is, due to the lower interest expense, SEK 147 million lower than the previous year.

2. Fair value, investment properties



The assessed fair value has increased and totalled SEK 45,616 million (38,230). The increase is due mainly to increased property values in the city areas as a result of reduced direct yield requirements. The market takes a positive view of the type of property and customer that dominate at Akademiska Hus, i.e. long leases with tenants with a good credit rating.

3. Investments and cash flow, SEK m

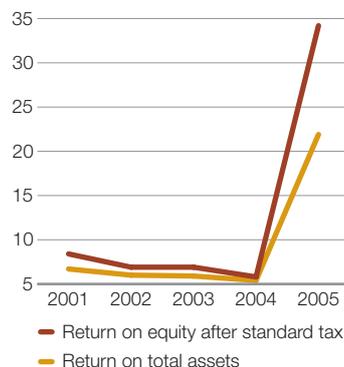


Net investments from properties for 2005 totalled SEK 469 million. Over the past five years the annual net investments have amounted to between SEK 1,500 and 2,000 million with the exception of 2001 when the Electrum property in Kista was acquired for SEK 925 million (in the graph investments are reported with a minus sign).

The profit after financial items was SEK 9,270 million and adjustments for items not included in the cash flow, mainly unrealised values, properties, totalled SEK 7,595 million. Following a decrease in both current receivables and non-interest-bearing liabilities, cash flow from current operations was SEK 1,675 million. Net investments had a negative impact on cash flow to the amount of SEK 328 million and the low figure can be explained by income from property sales.

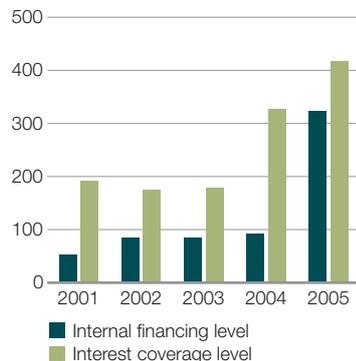
Financing operations reduced the cash flow by SEK 450 million, largely due to a dividend amounting to SEK 394 million. Following a change in liquid funds, cash flow for the year amounted to SEK 897 million.

4. Return, %



The return was 34.2 per cent on equity and 21.9 per cent on total assets. The target set by the owner of a return on equity of the average five-year government bond interest rate plus 4.0 percentage points viewed over a business cycle has been achieved.

5. Internal financing and interest coverage level, %



The internal financing level was 323 per cent for the year. A lower investment level during the year had a positive effect on the internal financing level. The interest coverage level was 417 per cent. The increase can be attributed to the lower interest expense and thus lower financial costs.



|Regions and the Group

Key figures

	Regions						Group
	South	West	East	Uppsala	Stockholm	North	
Rental income, SEK/m ²	1,279	1,340	1,376	1,267	1,603	1,173	1,372
Operating costs, SEK/m ²	235	209	195	274	265	185	233
Maintenance costs, SEK/m ²	279	232	255	203	159	266	219
Net operating profit, SEK/m ²	684	836	865	703	1 078	653	835
Property administration costs, SEK/m ²	80	75	67	74	79	69	78
Vacant space, %	1.5	0.1	2.1	4.7	5.5	2.5	3.2
Vacant space, rent, %	0.1	–	0.1	0.4	1.3	0.2	2.1
Direct yield on assessed fair value, %	6.7	6.6	6.8	6.9	6.1	7.4	6.5

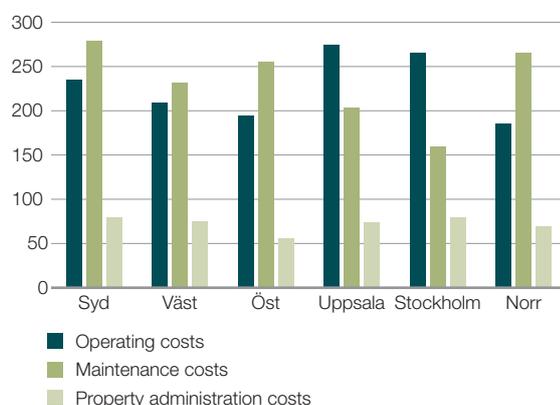
| Rental income and net operating profit, SEK/m²



Rental income was on average SEK 1,372/m² and varies between SEK 1,173/m² in the northern region and SEK 1,603/m² in the Stockholm region. The difference is due mainly to different market conditions. Stockholm has a large proportion of laboratories, which means increased rental income.

The net operating profit, calculated in SEK/m², is on average SEK 835/m² and is highest in Stockholm with SEK 1,078/m².

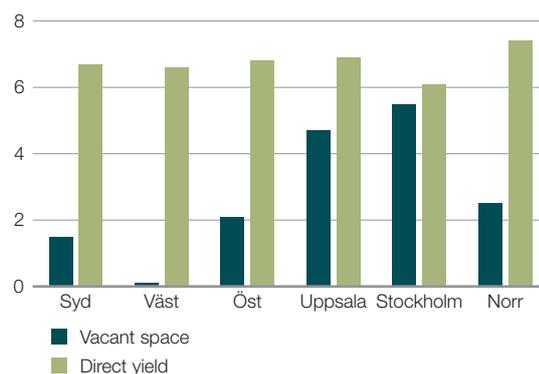
Management costs, SEK/m²



Operating costs calculated in SEK/m² amount to between SEK 185/m² for the northern region and SEK 274/m² for the Uppsala region. Approximately two-thirds of the operating costs are for energy, fuel and water. Stockholm has a considerably higher proportion of laboratories, which are more resource-intensive in this respect.

Property administration is between SEK 67/m² for in the eastern region and SEK 80/m² in the southern region. The maintenance costs vary most between the regions owing to large maintenance projects, where, among other things, Uppsala carried out extensive work at Rosendal High School during the year.

Vacant space and direct yield, %



Direct yield was on average 6.5 per cent.

The regions reported a direct yield of between 6.1 and 7.4 per cent.

The level of vacant space continues to be low, even if it increased slightly during the past year.

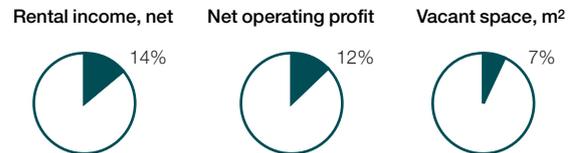
Regions

Financial results and property facts

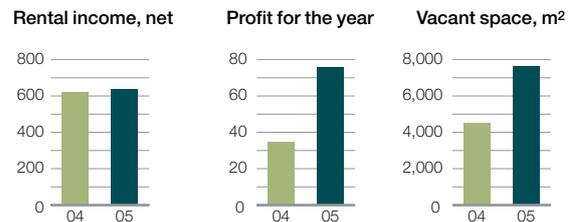
SOUTHERN REGION

	2005	2004
Financial results		
Rental income, net, SEK m	639	625
Net operating profit, SEK m	342	336
Operating profit, SEK m	238	212
Profit for the year, SEK m	76	35
Property facts		
Average rentable space, m ²	499,736	499,526
Vacant space, m ² (%)	7,629 (1.5%)	4,544 (0.9%)
Assessed fair value, properties, SEK m	5,561	4,642
New construction in progress, SEK m	370	159
Property investments/new construction during the year, SEK m	410	225
NKI and NMI		
Satisfied Customer Index (NKI)	57	63
Satisfied Employee Index (NMI)	61	61

Region's proportion of the Group



Outcome for the region compared with the preceding year



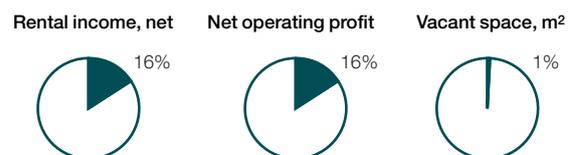
"A number of successful negotiations during the year have meant that the tenants have paid for adaptations in the form of a non-recurring rent payment, which has led to an increase in rent revenue and at the same time we have succeeded in keeping costs within budget. The assessed fair value of the properties has increased considerably as a result of an upturn in the property market. The task of reducing the level of vacant space has been intensified following notice of vacation of premises in Alnarj and Kalmar and this will result in new tenants taking up occupancy in 2006," says Regional Director Mikael Lundström.



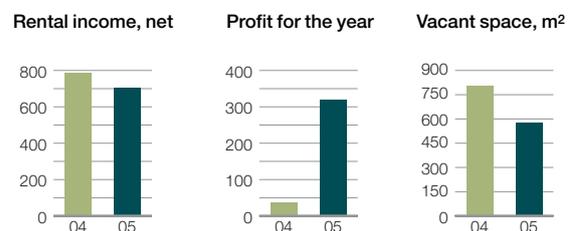
WESTERN REGION

	2005	2004
Financial results		
Rental income, net, SEK m	706	798
Net operating profit, SEK m	441	459
Operating profit, SEK m	697	286
Profit for the year, SEK m	320	38
Property facts		
Average rentable space, m ²	526,989	584,726
Vacant space, m ² (%)	576 (0.1%)	807 (0.1%)
Assessed fair value, properties, SEK m	6,717	6,610
New construction in progress, SEK m	118	126
Property investments/new construction during the year, SEK m	105	206
NKI and NMI		
Satisfied Customer Index (NKI)	70	67
Satisfied Employee Index (NMI)	62	65

Region's proportion of the Group



Outcome for the region compared with the preceding year



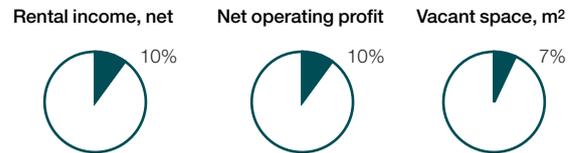
"It is heartening to see that through our employees' good co-operation with our tenants we have increased the NKI in all management areas. The sale of 63,000 square metres to Chalmersfastigheter AB and being commissioned to manage the majority of their holdings in Göteborg has also had a positive impact on the key figures and the positive result for the year," says Regional Director Eva Lindberg.



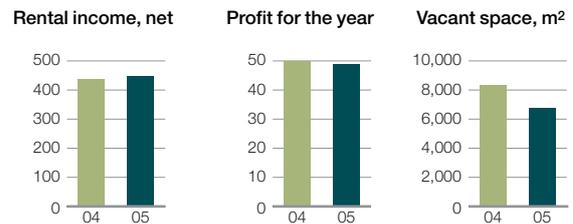
EASTERN REGION

	2005	2004
Financial results		
Rental income, net, SEK m	447	438
Net operating profit, SEK m	281	304
Operating profit, SEK m	179	203
Profit for the year, SEK m	49	50
Property facts		
Average rentable space, m ²	324,905	316,577
Vacant space, m ² (%)	6,785 (2.1%)	8,315 (2.6%)
Assessed fair value, properties, SEK m	4,393	3,909
New construction in progress, SEK m	37	31
Property investments/new construction during the year, SEK m	82	238
NKI and NMI		
Satisfied Customer Index (NKI)	73	77
Satisfied Employee Index (NMI)	66	71

Region's proportion of the Group



Outcome for the region compared with the preceding year



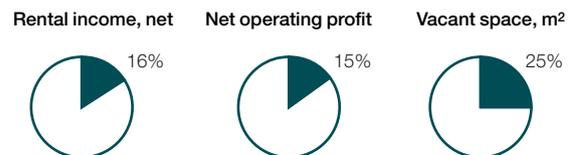
"The profit level has been maintained compared with the preceding year. After a number of years with a weak market and falling rent levels, we have noted a certain increase in demand," says Regional Director Bengt Erlandsson.



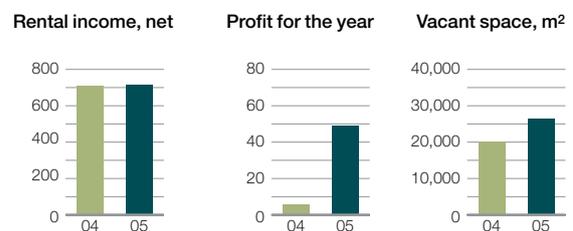
UPPSALA REGION

	2005	2004
Financial results		
Rental income, net, SEK m	715	710
Net operating profit, SEK m	397	309
Operating profit, SEK m	221	157
Profit for the year, SEK m	49	5
Property facts		
Average rentable space, m ²	564,414	568,533
Vacant space, m ² (%)	26,322 (4.6%)	20,192 (3.6%)
Assessed fair value, properties, SEK m	6,007	5,535
New construction in progress, SEK m	133	96
Property investments/new construction during the year, SEK m	168	85
NKI and NMI		
Satisfied Customer Index (NKI)	66	64
Satisfied Employee Index (NMI)	72	69

Region's proportion of the Group



Outcome for the region compared with the preceding year



"The major maintenance project on the Kemikum block in Uppsala, which has been a considerable charge on the region's profit in recent years, has now been completed. A significantly better profit can thus be reported for 2005 compared with the preceding year. However, substantial maintenance requirements still remain for the property holdings in Ultuna. These are planned to commence during the next few years," says Regional Director Hans Antonsson.



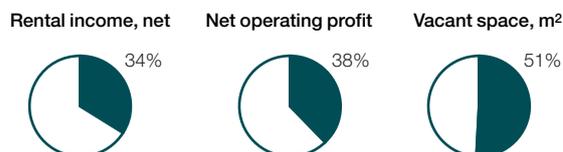
STOCKHOLM REGION

	2005	2004
Financial results		
Rental income, net, SEK m	1,529	1,474
Net operating profit, SEK m	1,028	957
Operating profit, SEK m	816	583
Profit for the year, SEK m	240	54
Property facts		
Average rentable space, m ²	953,782	922,091
Vacant space, m ² (%)	52,545 (5.5%)	49,107 (5.2%)
Assessed fair value, properties, SEK m	18,972	14,496
New construction in progress, SEK m	395	366
Property investments/new construction during the year, SEK m	600	937
NKI and NMI		
Satisfied Customer Index (NKI)	66	65
Satisfied Employee Index (NMI)	63	65

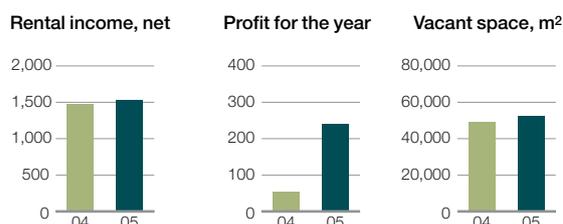
"The Stockholm region's economy has recovered slightly during the past year, which has led to an increase in demand for non-residential premises even though the level of vacant space in the region is still relatively high. The assessed fair value of the company's properties in Stockholm has increased significantly as a result of the high demand for properties in the city. The level of vacant space has risen slightly although this includes 25,000 square metres which are being redeveloped and leased to Sida and the National Swedish Environmental Protection Agency," says Regional Director Lennart Karlsson.



Region's proportion of the Group



Outcome for the region compared with the preceding year



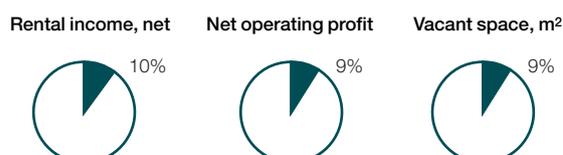
NORTHERN REGION

	2005	2004
Financial results		
Rental income, net, SEK m	464	438
Net operating profit, SEK m	259	273
Operating profit, SEK m	193	183
Profit for the year, SEK m	68	56
Property facts		
Average rentable space, m ²	396,048	392,154
Vacant space, m ² (%)	9,778 (2.5%)	10,819 (2.7%)
Assessed fair value, properties, SEK m	3,967	3,037
New construction in progress, SEK m	68	28
Property investments/new construction during the year, SEK m	117	63
NKI and NMI		
Satisfied Customer Index (NKI)	76	73
Satisfied Employee Index (NMI)	74	67

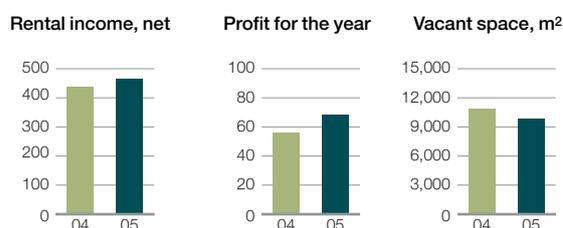
"A positive profit trend has been noted in operations during 2005 compared with the preceding year despite major costs linked to the extensive property development that is currently taking place. During the coming years the positive profit trend is expected to continue in line with property development assuming more normal proportions and at the same time the income side will be reinforced," says Regional Director Lars Gustafsson.



Region's proportion of the Group



Outcome for the region compared with the preceding year



Financing

Operations with carefully considered financial risks

Akademiska Hus will carry on financing, making use of well-adapted strategies and striking a balance between financial risks and a low financing cost. The Group Board lays down the long-term strategic orientation for debt management.

The Board also decides each year on the governing document, the Finance Plan. This contains authorisations and mandates for the forthcoming year as well as the Finance Policy, which defines the Group's risk approach and how exposure to financial risks should be handled.

Financing operations – objectives and strategies

- Using the financial position and good rating and remaining within the framework of the risk limits in the Finance Policy, achieve as low a financing cost as possible.
- Via the public financing programmes secure cost-effective financing on the sub-markets that best takes into account Akademiska Hus's credit rating.
- Using co-ordinated finance management facilitate the utilisation of economies of scale and the efficient handling of financial risks.

Fixed interest and maturity mandate

The Board adopts a special risk mandate for handling the interest risk.

Of the total debt portfolio, three parts have been separated to refine the portfolio to which a fixed interest mandate has been assigned.

The Group's liability varies as a result of the quarterly rent payments. This results in a seasonal variation in the fixed interest all things being equal. From the total debt portfolio a part equivalent to a maximum of the next quarter's rent payments of approximately SEK 1,400 million (including VAT) has been separated.

Real interest rate bonds are also handled outside the fixed interest mandate. This constitutes diversification in the debt portfolio and means that the Group is not only exposed to nominal interest rates. Net exposure to real interest rates at the year-end totalled approximately SEK 190 million.

A third part outside the fixed interest mandate refers to the design of certain lease agreements. Apart from indexing the rent there is an adjustment in the light of the government loan rate or subsidy rate, normally every fifth year. This justifies taking into account the interest risk in the lease agreements. At the turn of the year this part of the liability portfolio amounted to SEK 1,713 million.

The fixed interest mandate adopted by the Board is expressed as the range for the average fixed interest period for the interest-bearing liability, including interest derivatives. During 2005, this range was one to three years.

The Group has also adopted a maturity mandate. This means that loans should have such a spread that a maximum of 40 per cent of the liability portfolio falls due for renewal within a 12-month period.

Rating

Since 1996, when the rating was given for the first time, Akademiska Hus has a long-term AA rating with a stable outlook and a short-term rating of A1+/K1 from Standard & Poor's (S&P).

S&P's justification is that the rating reflects the Group's key role with regard to the needs of universities and colleges by providing high-quality research and teaching premises. They also emphasise the strength and significance of the higher education sector in Sweden, which is the main tenant group for Akademiska Hus, as well as the owner's stated long-term perspective and interest in the company. S&P also consider that Akademiska Hus has a satisfactory financial position despite a high debt-equity ratio.

Financing forms and facilities

Akademiska Hus has been well established on the public market since 1996 and now has four short-term and long-term financing programmes, both domestic and international. At the year-end there were bank overdraft facilities of SEK 4,200 million, of which SEK 2,700 million was unconfirmed.

Financial risks and risk management

Financial risk	Definition of risk exposure	Risk limit according to the policy
Interest risk	The risk of affecting the Group's profit as a result of a change in market interest rates.	The interest risk should be handled within a fixed interest mandate.
Refinancing risk	The risk that the cost is higher or financing potential is limited when loans are to be renewed.	Diversification via different financing forms should be even and well balanced. A maximum of 40 per cent of the portfolio should fall due for renewal within a 12-month period. Credit assurances should be sufficient.
Credit and counter-party risk	The risk of a loss if a counter-party does not meet its undertakings.	A limit for counter-party risks is based on a rating and the term of the commitment. ISDA agreements are always signed before derivative transactions are carried out. For major commitments, a CSA agreement should be sought.
Currency risk	The risk that exchange rate changes affect the Group's Income Statement and Balance Sheet.	In conjunction with financing in foreign currency, the risk should be eliminated. Limited currency exposure in conjunction with electricity trading is accepted.

Facilities and rating

	Framework 31-12-2005	Utilised, nominal 31-12-2005	Rating, Standard & Poor's
Bank	SEK 4,200 m	–	–
Commercial paper	SEK 4,000 m	–	A1+/K1
ECP (Euro Commercial Paper)	USD 600 m	USD 55 m	A1+
MTN (Medium Term Note)	SEK 8,000 m	SEK 4,154 m	AA
EMTN (Euro Medium Term Note)	USD 1,500 m	USD 1,175 m	AA/A1+

Liability management during 2005

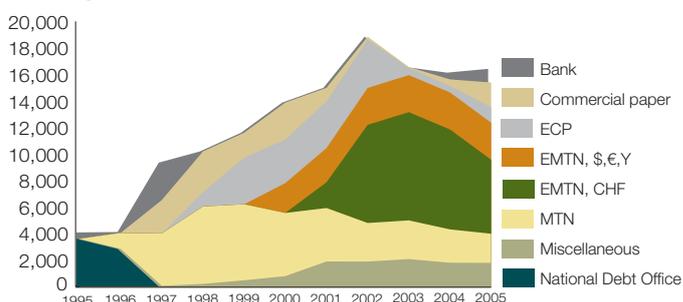
At the beginning of the year the average fixed interest period for Akademiska Hus was 1.6 years. This was extended during the year and at the year-end it was 2.4 years. The year began with falling interest rates and during the first quarter the fixed interest period was extended slightly. Interest rates fell further during the second quarter. Apart from the external economy generally, Swedish interest rates were affected by weak domestic figures and the proposal for new supervisory rules for life assurance companies. The fixed interest period was shortened during the period and was just over one year during the summer. In June, the Swedish Riksbank reduced its forecast for Swedish growth and inflation thus justifying a reduction in the repo rate to 1.50 per cent. As a result of stronger trade figures from the USA, Europe and Sweden during the late summer, market interest rates rose again. In Sweden, initial budget discussions and concern about an expansive finance policy contributed to the upturn in interest rates. The fixed interest period was extended gradually during the autumn.

During the year, the price of oil rose considerably and discussions took place about whether it would have a dampening effect on the economy or whether it would push up inflation. Towards the end of the summer the fixed interest period was once again extended in the wake of stronger figures and as expectations that the Swedish Riksbank would raise the repo rate grew stronger.

The maturity was extended during the year from 2.3 years to 4.0 years. The long-term financing programmes have been used to extend the maturity. The falling market interest rates and the

demand for longer bonds contributed to Akademiska Hus for the first time in seven years issuing nominal bonds in Sweden. With a term of five years, SEK 1,500 million was issued as well as an issue of SEK 200 million with a term of 15 years. In addition, SEK 1,000 million was issued in 10-year real interest bonds and SEK 510 million in real interest bonds with a shorter term were repurchased. In addition to the issues in Sweden, the Swiss market has been an important source of financing for the Group during the year. Seventy per cent of the Group's total financing originated from abroad.

Financing sources, 1995–2005, SEK m



Renewal structure for fixed interest and liability maturity as of 31-12-2005

Year	Fixed interest, SEK m	Maturity, SEK m
2006	8,036	4,023
2007	3,393	1,818
2008	– 800	2,828
2009	1,940	2,349
2010 and later	4,323	6,049
Total	16,892	17,067

(Nominal amounts)

Key figures

	2001	2002	2003	2004	2005
Interest-bearing liabilities, SEK m	17,267	17,390	16,794	17,454	17,994
Internal financing, %	53	85	85	92	323
Interest coverage, %	191	175	179	327	417
Interest cost, %	5.60	5.55	5.30	4.50	3.85



Financing cost

The new rules (IFRS) for the reporting of financial instruments means that changes in the market values of the derivative portfolio should be reported in profit and loss. This has led to a significant impact on profit and loss during the year. The net interest income/expense was SEK –648 million (–794), of which the change in value in derivative instruments was SEK –26 million. The average liability portfolio was SEK 16,794 million (17,547). The sale to Chalmersfastigheter AB for SEK 990 million at the beginning of the year meant that financing requirements were limited. The financing cost was 4.10 per cent (4.50), calculated as the interest cost in relation to the average capital in interest-bearing liabilities and 3.85 per cent according to IFRS. As at December 31, the average interest on the outstanding debt was 2.35 per cent (2.82) excluding interest derivatives and 3.50 per cent (4.26) including interest derivatives. The lower financing cost can be explained mainly by falling interest rates during the year in combination with a slightly shorter fixed interest period and slightly lower financing requirements.

The new rules have not led to a need to change the view regarding the handling of financial instruments at Akademiska Hus. The Group will in the future present the interest expense, including and excluding the impact of IFRS, as information and to facilitate comparison with previous years. For further information, see Note 3, Transition to International Financial Reporting.

Financing cost, composition

	2001	2002	2003	2004	2005
Financing cost for loans, %	4.85	4.75	3.97	3.05	2.62
Net interest income/expense, swaps, %	0.30	0.40	0.90	1.20	1.05
Allocations to specific periods and charges, %	0.45	0.40	0.43	0.25	0.03
Changes in value, financial instruments, according to IFRS, %	–	–	–	–	0.15
Total financing cost, %	5.60	5.55	5.30	4.50	3.85

Interest-bearing liability as at the year-end and the average interest rate

	Bonds, fixed interest		Other long-term liabilities, floating interest		ECP and commercial paper		Total within the balance sheet		Interest swaps, fixed interest		Interest swaps, floating interest		Total	
	SEK m	Interest, %	SEK m	Interest, %	SEK m	Interest, %	SEK m	Interest, %	SEK m	Interest, %	SEK m	Interest, %	SEK m	Interest, %
31-12-2005	2,911	4.40	14,150	2.01	435	1.57	17,496	2.35	6,451	4.64	–6,451	–1.65	17,496	3.50
31-12-2006	2,095	3.61	10,755				12,850		5,151	5.39	–5,151		12,850	
31-12-2007	1,572	3.21	9,515				11,087		1,961	4.55	–1,961		11,087	
31-12-2008	1,499	3.09	6,955				8,454		2,561	3.90	–2,561		8,454	
31-12-2009	1,499	3.09	4,703				6,202		1,261	2.80	–1,261		6,202	
31-12-2010			2,759				2,759		461	6.96	–461		2,759	
31-12-2011			2,162				2,162		461	6.96	–461		2,162	
31-12-2012			1,507				1,507		461	6.96	–461		1,507	
31-12-2013			1,505				1,505						1,505	

Prospects for 2006

The Swedish Riksbank raised the repo rate by 0.25 percentage points in January and February. A further rise or rises during the year will lead to modest restraint in monetary policy in Sweden. At the end of 2005, the ECB commenced a cautious interest rate increase phase whilst at the end of the year the Federal Reserve moved towards the end of an interest rate increase phase. A continued high price of oil and a clearer impact on consumer prices internationally could contribute to an extended interest rate increase phase. In Sweden, concern regarding rising imported inflation as a result of the continued weak exchange rates, a more positive development on the labour market and an expansive finance policy in the lead-up to the election could have a similar effect. At the same time, there is concern regarding restraint in Europe taking place too early coupled with expectations of growth in the economy that are far too positive. Restraint that comes too early and too quickly risks suppressing the upturn in the economy prematurely.

The growth in the portfolio is expected to be very moderate during the year. The financing requirements comprised largely loans falling due for renewal totalling SEK 3,900 million and net investments of SEK 1,700 million. During the first quarter of 2006, SEK 3,500 million will fall due for renewal and to safeguard the maturity long-term issues could be implemented during the year.

Portfolio analysis

The table below shows the annual remaining debt portfolio and the fixed interest expense. The derivative and interest derivative parts of the debt portfolio are reported.

Projects

SEK 20 billion invested in construction projects

Projects

Project objectives

Since the Company was founded in 1993 a total of SEK 20 billion has been invested in new construction and redevelopment, which makes Akademiska Hus one of Sweden's largest building developers.

With such a large annual project volume, it is essential for Akademiska Hus to have a construction process that has been carefully considered and systematised and which leads to projects being designed and produced in such a way that the Company can achieve the objective of offering tenants creative environments with the right level of quality and with competitive rents.

'Creative environment' means that the buildings should be inspirational and effective to work in, that there should be prerequisites for being able to think a little better in buildings that are constructed and managed by Akademiska Hus and the environments and composition of different tenants on the campuses should reinforce the creativity of the tenants. This means good architecture, both with regard to the campuses as a whole as well as individual buildings. The plans should offer the conditions to work efficiently and premises should be grouped in a carefully considered way with links that feel natural but which also create conditions for interdisciplinary interaction. Akademiska Hus has formulated specific guidelines to ensure good architecture.

In order to be able to offer competitive rents, the investment cost together with the annual costs for operation and maintenance must be minimised. As Akademiska Hus builds for long-term management it places considerable emphasis on making Life Cycle Cost (LCC) assessments in its projects to secure the optimum balance between investment and operating and maintenance costs.

Property development

It is in the interests of both the tenants and Akademiska Hus that the development potential that exists in the properties and the campus areas is utilised optimally. Akademiska Hus works continuously to develop plans for the properties and campuses that have a broad-based design and where all the conditions have been mapped. This could include a desire to increase the level of service in the form of stores and restaurants, proximity to housing, assessed development of existing operations and possible supplementation with other tenants.

Akademiska Hus follows the property market actively in order to rapidly identify potential for purchasing properties that fit into core operations or sell properties that do not fit in. Akademiska Hus also has a number of building rights in attractive locations and is working actively to exercise these rights.

Thinking through and producing plans for future changes offers a good level of preparedness and means that it is quicker to implement future building projects. The time for implementation of the project is often tight and it is of major importance for Akademiska Hus to make use of every opportunity to save time without sacrificing precision and quality.

Early stages

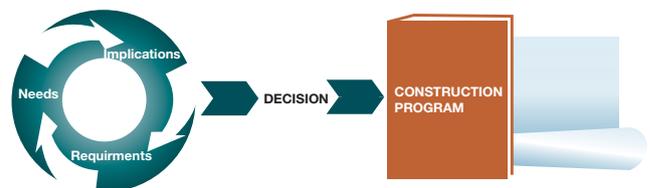
It is at the early stages, when ideas are to be formulated and when project conditions are to be analysed, that universities and colleges and other knowledge-intensive operations have the considerable benefit of a contractor with solid knowledge of research and education.

Akademiska Hus offers advanced support at these early stages, which are the most important in the implementation of a project. Ideas regarding a change are mapped and analysed, the need for premises is identified, internal and external links are noted, location alternatives are examined and costs are estimated, all of which take place in close, continuous co-operation with the customer.

In a preliminary study there could be parallel assignments or a competition for architects to highlight further aspects in the change process.

The planning process

In the Akademiska Hus 'Planning Guidelines' there is a detailed description of how the Company views the planning process and the demands that are made on the project management (often the Company's own personnel) and planners (always external). Even here considerable emphasis is placed on the early stages, particularly the importance of the correct formulation of a building programme that meets the customer's requirements satisfactorily. Presenting alternative solutions and their financial implications related to the satisfaction of needs offers the customer the correct prerequisites for examining how the needs can be satisfied.



Only when all the implications have been clarified and accepted by those involved in the planning process can a decision regarding the building programme be taken.

Good planning includes systematically addressing issues regarding availability, working environment and moisture protection. By quality-assuring the planning process with regard to these parameters costly changes at later stages are avoided.

The planning process is to a large extent dependent on how the construction process is organised, which depends on the many parameters that are included. The starting point, however, is always a carefully considered construction programme.

Akademiska Hus is continuously constructing buildings for laboratories and teaching premises and these buildings are very special as a result of the scope and complexity with regard to installations. In these cases, Akademiska Hus guides the construction



Blåsenhus is a large, centrally located block where there is potential for 120,000 square metres of future gross floor space. Akademiska Hus owns most of the land. At the present time only a small proportion of the land has been earmarked for buildings. The images show examples of how the area could be developed.

process towards procurement based on relatively finalised documents as the Company's extensive experience is then used optimally.

For buildings that are less complex and with a lower installation level a procurement form can be chosen which is closer to a total contract.

For a building to be simple to construct and simple to use and take care of it is important to design it with a high degree of generality. The term "generality" means that both the premises and the building should be usable for different operations without being changed as well as solutions that are generally applicable and repeatable. As both generality and flexibility (changeability) are important components in the planning and affect all planners, Akademiska Hus has confirmed the Company's view regarding these matters.

The construction process

Procurement always takes place according to Akademiska Hus guidelines and always in competition. Based on an assessment of the market and local conditions it is decided whether a project should be divided up into several smaller sub-contracts or whether a small number of larger parts should be chosen.

It is vitally important that the contractors' experience and knowledge of construction methods and choice of materials is introduced into a project. This can take place in different ways depending on how the construction process is organised. Akademiska Hus is currently testing methods for co-operation solutions with contrac-

tors based on procurement in competition. Partnering is one such method.

Akademiska Hus attaches great importance to systematic quality and environmental work and that the suppliers the Company works with discharge their undertakings with the same orientation. Akademiska Hus assures itself that this takes place by carrying out internal project audits and second-party project audits.

Akademiska Hus is careful to work with its own small control organisations and makes demands on the suppliers engaged that they must assure themselves that the product supplied is free of faults. The supplier must be able to show that its work and controls are carried out with the knowledge and systematology required to ensure that the risk of error is minimised. This is followed up, among other things, through second-party audits.

By drawing up good documents for contract procurement and continuously following up and controlling project costs, Akademiska Hus can achieve overall cost effectiveness. In particular, the Company can minimise unexpected extra costs and deal with undesired time displacements. The cost of changes and additional work for a project carried out under Akademiska Hus management is therefore normally just a few per cent.

The construction process is concluded with all the systems in the construction being tested together, which can be extensive and time-consuming. This time period must be planned in detail so that everything harmonises and so that any shortcomings which the joint test reveals can be rectified in time.

The construction process



Projects 2005

The Group's project portfolio is SEK 5,339 million (6,615). Apart from net investments in properties this also includes maintenance linked to the projects. The different investments are categorised as current/decided, planned and miscellaneous.

- Current/decided projects are projects that have commenced or are decided, SEK 3,674 million.
- Planned projects are projects where some form of arrangement or agreement exists between the Company and the tenant, SEK 920 million.
- Miscellaneous projects are projects currently being examined, SEK 745 million.

The fall in the project portfolio during 2005 can be explained by the fact that a number of major projects were completed during the year. In addition, the desire on the part of universities and colleges to expand their premises has come to a halt, which has meant that larger new construction projects in particular have fallen in extent. Divided according to region, Stockholm project operations no longer dominate and projects are now evenly spread throughout the country. Of the total project volume, new construction accounts for around 30 per cent and redevelopment for the remainder. The level is the same as the preceding year. This means that the proportion of redevelopment is decreasing in terms of amount to approximately SEK 4,000 million.

During 2005, investments in properties and new construction in progress totalled SEK 1,482 million (1,866).

Completed projects

During 2005, ten projects over SEK 50 million were completed. The total additional floor space in these projects is approximately 30,000 square metres. Completion has taken place gradually during the year. Projects completed during 2005 with a project framework in excess of SEK 50 million are shown below.

Completed projects during 2005 in excess of SEK 50 million

Project name	Location	New construction/ redevelopment	Total investment, SEK m	Tenant	Lease, years	Estimated annual net operating profit, SEK m
Swedish National Defence College	Stockholm	New construction	336	Swedish National Defence College	10	28
Swedish Institute for Infectious Disease Control	Stockholm	New construction	101	Swedish Institute for Infectious Disease Control	15	8
Gävle Library	Gävle	New construction	85	Gävle University College	20	7
Kemikum, stage 2	Uppsala	Redevelopment	437	Uppsala University	10	
Department of Mathematical Sciences	Göteborg	Redevelopment	122	Chalmersfastigheter AB	20	
Rosendal High School	Uppsala	Redevelopment	84	Municipality of Uppsala	10	
A-Building, Part A	Linköping	Redevelopment	70	Linköping University	10	
Royal Institute of Technology, Old Library	Stockholm	Redevelopment	69	IVL Svenska Miljöinstitutet	12	
Swedish National Defence College	Stockholm	Redevelopment	65	Swedish National Defence College	10	
Languages – Humanities Building	Lund	Redevelopment	51	Lund University	10	

Note: The computed annual net operating profit is only stated for new construction projects.

Current projects

The majority of the projects that are in progress/have been completed are redevelopment projects. Current projects with a project framework in excess of SEK 50 million are reported below.

Current/decided projects, 31-12-2005 over SEK 50 million

Project name	Location	New construction/ redevelopment	Total investment, SEK m	Tenant	Completion date	Lease, years	Estimated annual net operating profit, SEK m
Building 21 Karlstad	Karlstad	New construction	300	Karlstad University	2008-06	20	22
Biomedical Centre, Building D	Lund	New construction	261	Lund University	2006-04	10	19
Ångström Building 7	Uppsala	New construction	126	Uppsala University	2006-07	20	11,6
Umeå IKSU	Umeå	New construction	60	Stiftelsen Universitetshallen	2007-01	10	5
Tre Vapen II	Stockholm	Redevelopment	370	Sida	2006-08	10	
Centre for Chemistry and Chemical Engineering	Lund	Redevelopment	356	Lund University	2009-01	10	
Tre Vapen II	Stockholm	Redevelopment	327	National Swedish Environmental Protection Agency	2007-06	6	
University College of Dance	Stockholm	Redevelopment	94	University College of Dance	2006-08	20	
A-Building, part B	Linköping	Redevelopment	78	Linköping University	2006-06	10	
Centre for Chemistry and Chemical Engineering, 3 and 4	Lund	Redevelopment	75	Lund University	2007-12	10	
A-Building, part C	Linköping	Redevelopment	73	Linköping University	2007-06	10	
Luleå, C-Building, Stage II	Luleå	Redevelopment	71	Luleå University of Technology	2007-01	10	
Berzelius Laboratory/Nano	Lund	Redevelopment	68	Lund University	2006-01	–	
Luleå F-Building	Luleå	Redevelopment	65	Luleå University of Technology	2006-09	10	
TVH Laboratory Wing	Malmö	Redevelopment	55	Malmö University College	2006-01	10	

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

Project presentation

Development plans for Medicinareberget in Göteborg

Medicinareberget is the centre for medical and scientific research at Göteborg University. Here there is the Sahlgrenska Academy and the medical, nursing science and odontological activities for Göteborg University as well as parts of the Faculty of Natural Science.

The area is adjacent to Sahlgrenska University Hospital, just a couple of kilometres from the centre of Göteborg.

Akademiska Hus owns the majority of the undeveloped space within the area, which is a vital resource with considerable expansion potential. The current general plan for the area was produced by the National Swedish Board of Public Building in 1990. Changing needs and new conditions have meant that several of the starting points in the old plan are no longer valid.

The task of producing a new plan for the area was commenced in spring 2003 through co-operation between Göteborg University, Higab and Akademiska Hus, which led the work. In winter 2004/2005 the results of the work were handed over in the form of a development plan for the area to the Town Planning Office, which is now running the work with a new municipal general plan for the area.

The aim behind the plan is to provide general urban guidelines for the future development of Medicinareberget into an attractive knowledge centre that is well integrated with the city.

The expansion proposal includes total expansion potential of approximately 140,000 square metres gross area, which is roughly equivalent to a doubling of the current development.

The development plan includes a number of key points:

- Medicinareberget will become, together with the hospital, an integral part of the city and part of the city's academic area.
- The road running through the area will be transformed into a green esplanade and through traffic will be channelled into a new tunnel under Medicinareberget.
- Expansion potential for research, education, companies, medical care and housing.
- Research, education and medical care will be brought closer together with short lines of communication.
- Entrances to Medicinareberget will be developed and access to the area will be improved.
- Green areas will be developed and squares and meeting places will be created at strategic locations.

The vision is that Medicinareberget will be developed into one of the most attractive research, education and company environments in the Nordic region within medicine and bioscience. By making use of the unique combination of the proximity to Sahlgrenska University Hospital, the city centre, the University's academic area and beautiful countryside a functional and stimulating knowledge environment of high international class will be created.



The image shows what the possible development of Medicinareberget could look like (the picture has been arranged).

Awards for completed projects

Akademiska Hus has received many awards for high quality in architecture and the environment



Åkroken Campus in Sundsvall

2003

Geocentre, Lund

Lund Urban Construction Award 2003

Department of Nursing and Neurotec, Karolinska Institutet Huddinge

Nominated for the Kasper Salin Award

University College of Opera, Stockholm

Nominated for the Building of the Year Award

2004

Royal Institute of Technology Library, Stockholm

Helgo Award

School of Music, Örebro

Building of the Year Award, Örebro Building Committee

Academicum Göteborg

Nominated for the Building of the Year Award

Language and Literature Centre, Lund

Nominated for the Kasper Salin Award
Lund Urban Development Award 2004

2005

Åkroken Campus, Sundsvall

Charter Awards, international urban development award

Library, Gävle University College

Nominated for the Town Planning Award

Tomas Hallén

Technical Director, Akademiska Hus
Energy Award 2005

2004 Academicum, Göteborg, nominated for the Building of the Year Award 2004; **Byggindustrin magazine, Royal Institute of Technology Library, Stockholm**, Helgo Award 2004; **National Swedish Property Board Architecture Prize, Astronomy Building, Lund** nominated for the Helgo Award; **National Swedish Property Board Architectural Award, School of Music, Örebro**, Örebro Municipal Authority Urban Development Award 2004, nominated for the Building of the Year Award 2005; **Byggindustrin magazine Language and Literature Centre, Lund** Lund Urban Development Award 2004, Nominated for the Kasper Salin Award 2004, Navet, Alnarp Lomma municipal authority award for good construction culture. **2003 Geocentre Lund**, Lund Urban Construction Award 2003; **Department of Nursing and Neurotec, Karolinska Institute, Huddinge**, nominated for the Kasper Salin Award; **University College of Opera, Stockholm**, nominated for the Building of the Year Award; **2002 Library, Karlstad University**, Municipality of Karlstad Building Prize; **Royal Institute of Technology Library, Stockholm**, ROT prize 2002; **Design Centre**, 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; **1997 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; **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

Environmental work

Reduce energy use and the Group's environmental impact

Akademiska Hus is working constantly and actively to reduce the Group's environmental impact by improving the efficiency of existing systems with new technical solutions and with improved systematisation. The Group was ISO 14001 certified during autumn 2004.

Certification demands continuous improvement and follow-up of the environmental work and Akademiska Hus now has an efficient system for handling proposals for improvements within the Group. Akademiska Hus will develop the campuses and buildings that are competitive in the long-term and it will manage these in an efficient and environmentally adapted manner with a great deal of consideration given to the tenant's activities.

Environmental aspects – four major environmental issues

Energy management

The most important question and the greatest challenge for Akademiska Hus is the reduction in the use of energy. Electricity, fuel and water account for a large proportion of the variable costs and energy use, apart from being an important environmental issue, is also a major cost for the Group that can be influenced. Akademiska Hus is working continuously on both technical measures in property management as well as information campaigns and co-operation with the tenants to reduce the use of energy.

The objectives regarding the use of energy which Akademiska Hus established in 2000 have in principle already been achieved and the Group has therefore developed and raised the targets. In the reformulated general environmental objectives for energy use the ambition is to reduce the use of energy by 30 per cent up to and including 2025 compared with 2000 without sacrificing functionality and operational orientation. Akademiska Hus is currently working on producing a plan which is well founded and realistic in order to achieve this objective. Akademiska Hus formulated a range of measures during 2005 to improve energy efficiency in the properties.

Akademiska Hus is installing new technology in underground facilities based on switching between heating and cooling storage underground. This technology increases the use of electricity marginally but reduces overall energy use and thus reduces the impact on the environment. In Lund, Akademiska Hus is building one of Europe's largest underground storage facilities. The facility will supply cooling and heating to three large building complexes housing the Chemistry, Design and Architecture departments. Akademiska Hus has also installed underground storage facilities in Örebro and Göteborg and more are planned.

Examples of measures taken to improve the efficiency of energy use:

- During the year, Akademiska Hus installed on a test basis a completely new system for needs-controlled ventilation, where the airflow is opened when a person enters the room. The system has already been installed in a number of properties in Göteborg and Lund.
- Needs-controlled lighting, where lights in corridors are switched on and off depending on whether someone is present or not. It is a challenge for the Group to constantly find new systems and

new solutions to reduce energy use. This is part of the shift that must come about if the use of energy is to be reduced by 30 per cent through to 2025.

Materials management

Akademiska Hus is working actively in ByggaBoDialogen, MilaB, BYKR and other industry bodies to improve the industry's handling and management of materials. Material management covers the purchase, use, handling and phasing out of different materials and operations.

During 2005, Akademiska Hus produced templates for Group environmental requirements in procurement assignments for the purchase of goods and services in a whole range of areas.

Phasing out of hazardous substances

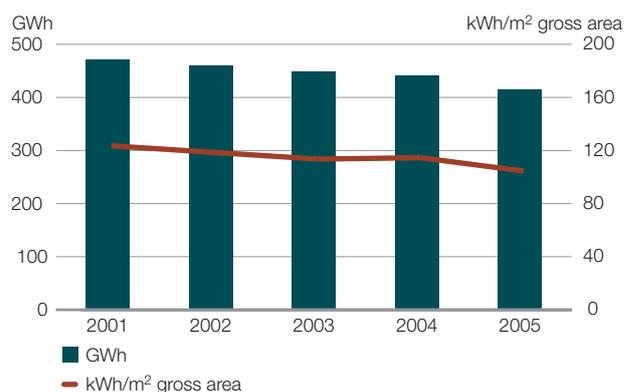
The term "hazardous substances" refers to substances in chemical products or goods which could affect the environment or health in an undesirable way. These could exist in the form of built-in substances in construction materials and in chemical products used in property operations. Elimination of chemical products has taken place in all regions. Involvement in MilaB and BYKR has been considerable and tools common to the industry are being developed to facilitate the choice of materials and products.

The elimination of PCB and mercury took place in previous years throughout the whole of the Akademiska Hus property holdings and has now in reality been completed.

Indoor environment

For Akademiska Hus it is of greatest importance that the buildings do not give rise to health problems. During 2005, the Group developed the aim of achieving a good indoor environment even further. The aim in particular was to improve the Akademiska Hus result in the NKI survey and this was achieved during the year. The premises should be pleasant, have a good climate and be suitable for their intended purpose. Several activities were run during the year with the aim of ensuring a good indoor environment. Radon measurements were made according to plan in several regions. Another example is the noise inventory and the preparation of acoustics plans.

Use of electricity



Legal requirements

Within Akademiska Hus there are several facilities that require permits (see Financial Report).

Environmental work

Akademiska Hus has an environmental network comprising personnel from the different regions. This environmental network facilitates the transfer of experience and methods. Collaboration is one of the most important parameters for improving environmental work.

The work is conducted partly on the Group level and partly through regional projects. A large number of the personnel have been involved and environmental issues have acquired greater importance within the Company.

Akademiska Hus has a Group activity plan where a number of objectives and activities are being formulated and which will be achieved each calendar year. The aims and activities have been concretised in the regions' business plans through a formal examination, with decisions, responsibility, information and follow-up. Of the 26 activities laid down for 2005, Akademiska Hus has concluded 15 whilst 11 are still in progress. The active environmental work is taking place on a local level and the activity list will create a sense of involvement and highlight the concrete measures that are being taken.

Akademiska Hus also has discussions with the tenants who use the premises, in particular the students, to allow the environmental work to be run as efficiently as possible.

Video conferences are used to minimise travel between the regions.

Education

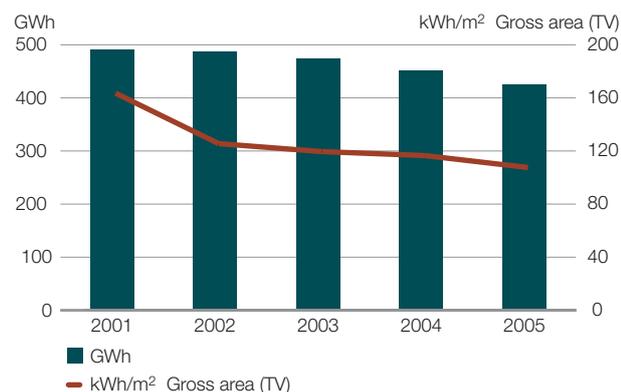
The Akademiska Hus environmental network is also of considerable help in environmental education in the different regions. The training material was produced during 2005 and was distributed to the members of the environmental network. A series of environmental programmes dealing with environmental work were run during the year. These dealt with both general environmental studies as well as specific training in waste management and statutory requirements.

Environmental policy

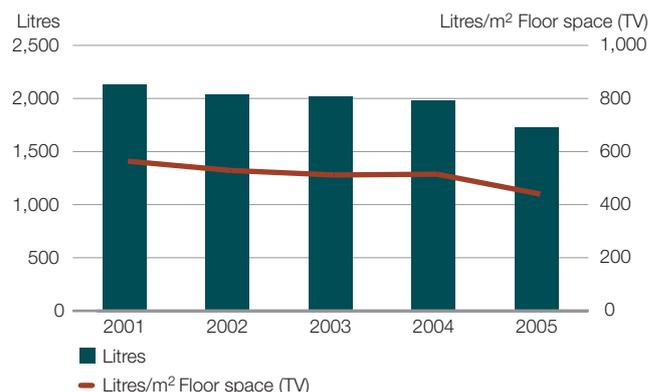
The Akademiska Hus environmental policy is laid down in AkaVision 2010. It is stated that the Company will develop and manage properties in a manner that is characterised by consideration for the environment. The Company will maintain a good, sound indoor environment within the framework of ecologically sustainable systems. Consideration for the environment is realised, among other things, by Akademiska Hus:

- being environmentally certified and thus satisfying current laws, ordinances and other demands,
- working to ensure that the demands to prevent pollution which could arise in operations are met and ensure that the environmental work is constantly improved,
- building and managing properties in a more environmentally adapted and resource-efficient manner,
- working to ensure that similar environmental consideration is shown by tenants, suppliers and other partners so that it has an impact throughout the whole of operations,
- endeavouring to find the most effective energy solution for each property and which is of benefit to the tenant and Akademiska Hus,
- assigning high priority to improving energy efficiency and the development of alternative energy production
- taking into account environmental impact when choosing different materials, products and services,
- testing and developing technology and methods with a good environmental profile,
- running, following up and informing about environmental work in an effective way,
- constantly improving its environmental work.
- through its own high level of expertise it should be at the forefront in the development and use of modern and effective technology and with a good environmental profile which supports construction and management and thus ultimately the customers' operations.

Use of heat



Use of water



Overall environmental objectives

	Energy management	Material management	Phasing out of hazardous substances	Indoor environment
ENVIRONMENTAL ASPECTS AND VISION	Akademiska Hus buildings and facilities are designed, constructed and managed in such a way that the environmental load resulting from the use of energy is minimised.	The use of materials at Akademiska Hus is sustainable in the long term.	People and the environment will not be exposed to the negative impact of substances in construction materials or other products used in conjunction with the management of buildings and facilities.	The buildings' indoor environment offers good comfort and does not give rise to any health problems.
LONG-TERM ENVIRONMENTAL OBJECTIVES	The proportion of purchased energy, stated in kWh/m ² , will be reduced by 10 per cent through to 2010 and by 30 per cent through to 2025 compared with 2000.	The volume of building material deposited will be reduced to half through to 2010 compared with 2003.	Materials and products used in buildings or in other operations will not have a negative impact on people's health or the environment.	No stated health problems are registered and the tenant will be satisfied with the indoor climate.
OBJECTIVE 1	Use of electricity (property electricity and the tenant's operating electricity) will be reduced by 10 per cent, stated in kWh/m ² , through to 2010 compared with 2000.	Active involvement in the industry's development regarding material management.	Active involvement in the industry's development with regard to material management	Active involvement in the industry's development with regard to a good indoor environment.
OBJECTIVE 2	Emissions into the air of carbon dioxide resulting from energy production (own or indirect) will be minimised in the long term. (Emissions in conjunction with research are exempted).	In projects and management, Akademiska Hus will apply the prioritisation ladder for material management (reuse, material recycling, energy recycling, disposal).		All suppliers who are engaged by Akademiska Hus will in projects and management have environmental demands made on them with regard to the handling of matters related to the indoor environment.
OBJECTIVE 3	Active involvement in the industry's development regarding energy management.			All materials and products used at Akademiska Hus will be of a low-emission type.
OBJECTIVE 4	Use of oil as a main alternative for heating will be phased out through to 2010.			Buildings and premises will be planned, built and managed in such a way that problems resulting from moisture do not arise.

Region	Electricity			Electricity			Heating			Heating			Water		
	kWh/m ² 2003	Floor space (TV) 2004	2005	kWh/m ² 2003	Gross area (TV) 2004	2005	kWh/m ² 2003	Floor space (TV) 2004	2005	kWh/m ² 2003	Gross area (TV) 2004	2005	Litres/m ² 2003	Floor space (TV) 2004	2005
South	127	127	125	101	101	98	134	130	124	106	104	97	351	367	339
West	141	133	123	108	102	94	130	125	108	95	83	80	476	459	356
East	133	134	128	109	108	103	118	112	106	97	90	85	480	519	457
Uppsala	169	168	161	129	130	122	191	195	191	147	151	144	649	550	504
Stockholm	130	120	116	103	112	92	157	138	131	124	129	103	496	568	431
North	127	122	121	102	99	98	121	119	117	98	96	94	435	439	402
Total	138	133	128	109	110	100	146	137	132	115	112	103	489	492	417

Employees

Continued co-ordination between regions improves efficiency



During the year the Group has continued to work to bring about increased operational co-ordination. The aim is to create valuable co-ordination advantages for customers – within energy supply and purchasing for example. One of the aims of this increased harmonisation is to bring about greater unity between the regions and to reduce duplication of work.

During 2004, all employees took part in the task of creating a vision regarding the future orientation and values at Akademiska Hus. This resulted in the strategy document AkaVision 2010. The work was also aimed at reducing the number of policy documents and instead gathering the Group's overall positions within marketing, finance, ethics, equality and diversity. Through AkaVision 2010 Akademiska Hus has created a common set of values, using the business concept as a starting point and clarified through the principles of creativity, attractiveness, long-term thinking, profitability and efficiency.

Co-ordination of accounting and human resource administration

During the year the Group reviewed the potential for working more efficiently within the accounting and human resource functions. A thorough examination of this area has resulted in a decision that business support functions will remain in the regions and other accounting and human resource administration will be placed in a joint unit at the Group office in Göteborg. Apart from the direct reduction in costs, with approximately 10 fewer jobs, the quality is also expected to increase thanks to standardised handling of the accounting and human resource processes. The change will be implemented during 2006.

Finding the right employees

The property industry will generally experience increasing problems with recruitment of operating personnel. One reason is the lack of training programmes, both on the high school and higher education level, which are focused directly on the property industry. The generally high average age in the industry is also contributing to making

new recruitment difficult. Akademiska Hus, together with other companies and organisations, is attempting to draw attention to training and manning problems in the industry. Among other things, the Company is involved in the non-profit-making association The Property Employers' Association for Development, FFU, which through a variety of activities is attempting to encourage employees to move into the property industry.

The combination of technically interesting management environments, large, advanced construction projects and the customers' sophisticated operations are contributing to attracting new employees to Akademiska Hus.

Training to keep pace with the tenants

The rate of training and development in the Group continues to be high. As the majority of customers are active in higher education and research it is important that employees have a good level of education from the outset and that during the time they are employed they receive ongoing in-service training to keep pace with new demands from customers and new conditions.

The average education cost per employee in 2005 was SEK 18,000 (19,000), which covers external and internal education. Based on business plans and the individual objectives examined during the appraisal discussions, each employee has a personal development plan. The training includes both advanced courses within each area of expertise as well as general courses in areas such as customer care and personal development.

Once a year a joint training day is run for all employees in the Company. Considerable emphasis is placed on increased knowledge and understanding regarding the part of the Group in which each employee is personally active. A secondary aim is to get to know each other across regional boundaries. Customers are also invited to the training days as speakers. Twice a year all the management group members from all the regions, approximately 50 in total, meet for development activities and an exchange of experience.

Employee survey

The employees' satisfaction with their working situation and Akademiska Hus as an employer are measured each year through a questionnaire. The 2005 questionnaire showed that the Group has attained a consistently good level.

The response rate was very high and 91 per cent of the employees took part. The results show the satisfied employee index, NMI, on the Group level, on the regional level and for individual property and management areas. On a 100-point scale, 70–80 is a strong rating and over 80 is excellent. The result for 2005 was an NMI of 66 (66). The most important factors behind the NMI are the employer (the company's objectives, a high degree of tolerance and information about the company) and the duties. Salary, colleagues and utilisation of skills also have a relatively strong impact on the NMI.

In summary, 79 per cent of the employees in the in NMI survey stated that Akademiska Hus was at least as good or better than the preceding year.

Results from the employee survey form the basis for development plans for supervisors and managers on both the individual level and the Group level.

Working environment and personnel care

In the NMI, the employees increased the rating from 83 to 84 with regard to the physical working environment. The figures for Other working environment factors were also good. Apart from preventing illness and accidents at work, the ongoing working environment programme is aimed at constantly improving methods and systems and increasing satisfaction and involvement. The employees are encouraged to influence their working situation through, among other things, the employee survey, appraisal discussions, improvement suggestions and involvement in Group projects such as AkaVision 2010.

Personnel turnover continued to be on the same relatively low level, four per cent, as 2004.

Absenteeism due to sickness was 5.4 per cent, of which absenteeism due to long-term sickness, i.e. a continuous period of absence due to sickness of at least 60 days, was 3.6 percentage points. Thirty people were off sick for a long period during the year. Of these, 17 work part-time, which is in line with the company's ambition that those off sick should, if possible, maintain contact with the workplace. The Group rehabilitation plan states how all absenteeism due to sickness

should be handled and how co-operation with the Social Insurance Office should proceed in conjunction with rehabilitation inquiries.

Akademiska Hus has received a diploma from Alecta Pension Insurance for its work on reinforcing knowledge within the Company about, among other things, ITP, the cost of absenteeism due to sickness and routines for maintaining contact with employees who are off work sick.

Best Workplace in Sweden

For the sixth year, Alecta arranged the Best Workplace in Sweden competition. By making the award, Alecta is seeking to encourage workplaces that have realised the link between good leadership, empowerment, a good working environment and profitability, and which, through its satisfying and creative ideas, could inspire others to achieve success.

Akademiska Hus took part for the first time and was one of 10 companies to be nominated for the final. Akademiska Hus was also strongly represented in a book of ideas containing good examples of things can be done to improve employee satisfaction and in doing so increase the Company's profitability. One example taken from Akademiska Hus was the way in which AkaVision 2010 was produced.

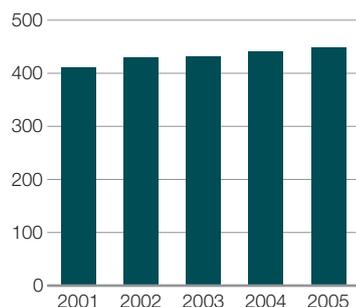
Towards a better gender balance

Akademiska Hus had at the end of the year 448 employees, of whom 26 per cent are women. There is a conscious endeavour to achieve a better gender balance both within positions in the organisation and within management groups and Group networks. In the more operative positions the property industry is still very much male-dominated, although Akademiska Hus does have nine woman property managers and six female project leaders in traditional male positions.

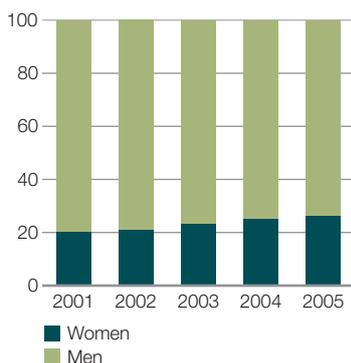
Diversity work

Akademiska Hus has relatively few employees with an immigrant background. At present around 30 people in the Group have this background, half of whom are technical personnel and the remainder work in administration and management. The Company's guidelines include working to achieve greater ethnic diversity which, among other things, means that each time a person is recruited the Company should take into account ethnic diversity as a key factor.

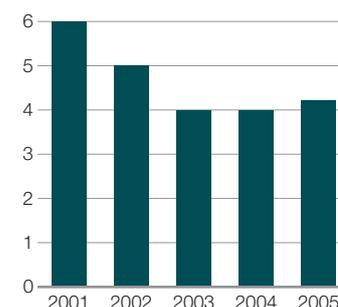
Average number of employees



Gender distribution, %



Staff turnover, %





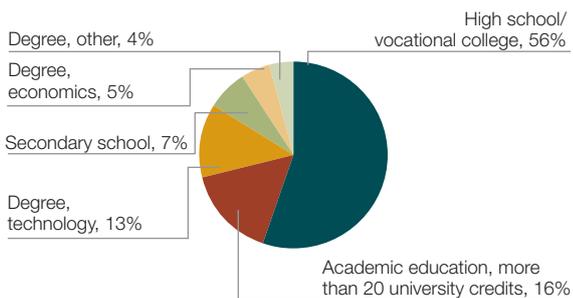
Extract from the employee questionnaire

	2003	2004	2005
I support the Company's objectives	87	87	85
I am generally very satisfied with my duties	78	77	78
The Company invests in staff training to develop the company's collective expertise	76	75	73
The Company gives me the opportunity to develop my expertise	76	75	75
I am generally very satisfied with my immediate superior	80	79	79
I have the authority to take action to solve problems that arise in my work	82	82	82
Are you happy at work?	87	87	86

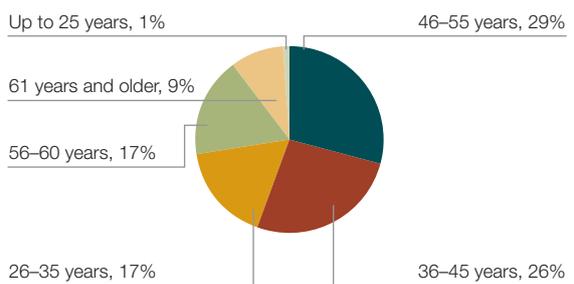
Number of employees according to position and gender

	Women	Men
Operating engineers	6	169
Property supervisors	9	23
Property managers	1	11
Project managers	6	17
Accounting personnel	38	5
Group Management and Executive Management	4	12
Other positions	51	96

Education level, %



Age distribution, %



Corporate governance

The overall aim is to create value

State ownership policy

Value creation is the overall objective for companies under state ownership. The aim of creating value demands long-term thinking, efficiency, profitability, the capacity to develop and the assumption of environmental and social responsibility. State companies, like all companies on the market, are encountering increasingly keener competition. The government's management as owner therefore demands a clear and open ownership policy that is adapted to increasing and changing demands. State-owned companies include both companies subject to market demands and companies with specific social interests. Akademiska Hus belongs to the former.

Akademiska Hus is wholly owned by the Swedish state through the Ministry of Industry, Employment and Communications. It is the owner's policy that ownership of Akademiska Hus should be long term.

The government and the Ministry of Industry, Employment and Communications decide on state ownership policy and guidelines for state-owned companies (www.naring.regeringen.se).

Akademiska Hus's assignment

The primary task is to offer the country's universities and colleges healthy, suitable buildings for education and research. The Company should also have the responsibility as manager of capitalising on the significant economic and cultural values that exist in the properties.

Akademiska Hus shall be Sweden's leading property company in creative environments for higher education and research.

Swedish Corporate Governance Code

Previously, Sweden did not have any collective corporate governance code. This does not mean, however, that there have been no rules within this area. The basis for corporate governance in Sweden is the Swedish Companies Act, which, after the reworking and modernisation that have taken place during the past decade, governs a number of the issues which in other countries are dealt with in codes and similar sets of rules.

The Code is based on the principle of "comply or explain". The companies that apply the Code can either comply with individual rules or provide clear explanations for deviations. Explaining does not constitute a breach of the Code.

Even if the Code is directed in the first instance at listed companies, it ought to be possible for it to be applied to a large extent to state-owned companies and Akademiska Hus intends to apply the rules laid down in the Code in full with one exception.

Deviation from the Code

The Code has been prepared for companies with a broad ownership base. The election committee is in the first instance a body for shareholders to prepare decisions regarding appointments. For companies wholly owned by the State the rules laid down in the Code regarding an election committee are replaced by principles regarding a structured nomination process, which is to be found in the 2005 state ownership policy. Akademiska Hus will therefore not apply the rules in the Code that apply to the appointment of the Board and the auditors.

Internal control

Within Akademiska Hus there is internal control on a number of levels. Internal control is based on the overall policy document

AkaVision 2010. To assure the Group's assets and liabilities and the financial reports, there are, among other things, guidelines that apply to property valuation and financial management as well as guidelines for operative and legal reporting.

The Akademiska Hus organisation, with a Group office and regional offices, offers a good opportunity to create control potential. There are a number of activities and methods to assure the control and reliability in the reports and compliance with guidelines. All units in the Group use the same accounting system and chart of accounts, which offers a good opportunity for overview and control. This will be reinforced further by the introduction in 2006 of a common accounting and human resources unit. This new unit will ensure, mainly for transaction-intensive duties, "arm's length distance" between core operations and accounting.

Akademiska Hus reports are made monthly and quarterly according to fixed, standardised routines. This reporting forms the basis for the Group's consolidated reports. The regions and the organisations are responsible for compliance with the Group's guidelines and that reports are correct and presented according to the time schedule.

The financial reports presented at mid-year and at the year-end, as well as the internal controls, are audited by the Company's external auditors, both on the Group level and on the regional company level.

The Audit Committee exercises the control of the Board. This takes place via follow-up of the internal control as well as meetings and discussions with the Company's external auditors.

Work of the Board

The Board is responsible for the overall management of the Company's business according to the Companies Act and decisions of major strategic and financial significance. The Board also decides on investments and divestments as well as adoption of the budget and annual accounts.

The work of the Board is controlled by the rules of procedure adopted each year by the Board. The rules of procedure lay down the Board's working methods, the instructions for the President and instructions for the Board's committees.

The Board meets at least five times a year, of which one meeting should be devoted to matters of a long-term, strategic nature. If necessary, extraordinary meetings are held for specific matters. The Group's auditors take part each year in at least one Board meeting. In 2005, the Board met as follows:

<i>January</i>	Year-end report.
<i>February</i>	Annual Report, AkaVision 2010 and the finance plan.
<i>April</i>	Quarterly report, evaluation of the work of the Board, investments, rules of procedure for the Board, allocation of responsibility and authorisation, election of members of the Finance Committee, Remuneration Committee and Audit Committee.
<i>June</i>	Strategy issues, investments, information and marketing activities.
<i>July</i>	Interim report.
<i>September</i>	Change of name for the regional companies, investments, finance issues.
<i>October</i>	Interim report, investments.

December Business plan and budget for 2006, including overall environmental objectives, marketing plan, finance plan and an equality and diversity plan.

The government's objective is that the boards should have a high degree of expertise, which is well adapted to each company's operations, situation and future challenges. During 2005, the Board comprised Claes Ljungh, Chairman, Charlotte Axelsson, Sigbrit Franke, Marianne Förander, Birgitta Kantola, Maj-Charlotte Wallin (re-elected) and Per Granath (newly elected). The employees were represented on the Board by Parzin Seradji (Ledarna) and Sveinn Jonsson (SEKO).

Nomination process

The overall responsibility for Board nominations rests with the Ministry of Industry, Employment and Communications. The nomination and appointment of new members are preceded by an ongoing dialogue between the Ministry of Industry, Employment and Communications and the Chairman of the Board.

Board committees

Finance Committee

Appointed each year by the Board. The task of the Committee is to prepare and monitor financing issues and in doing so assist the Board in these issues. Feedback on the Committee's work is made to the Board.

Audit Committee

The task of the Audit Committee is to assist the Board in matters relating to financial risk, reporting and external audits and also to assist the owner in electing auditors. Feedback on the Committee's work takes place to the Board. The Group's auditors elected at the Annual Meeting take part in all Audit Committee meetings.

Remuneration Committee

The Remuneration Committee is appointed each year by the Board and is charged with the task of preparing decisions regarding salary

conditions and terms and conditions of employment for the President and the executive management. Feedback on the work of the Remuneration Committee is given to the Board.

Allocation of responsibility and authority

AkaVision 2010 is the overall instrument for control of the Group. The vision is put into effect each year in an overall business plan.

Group management

Group management work is handled by two groups: the Group Management (President, Vice-President, Director of Planning and Heads of Units at the Parent Company) and the Executive Management (President, Vice-President, Director of Planning and Regional Directors).

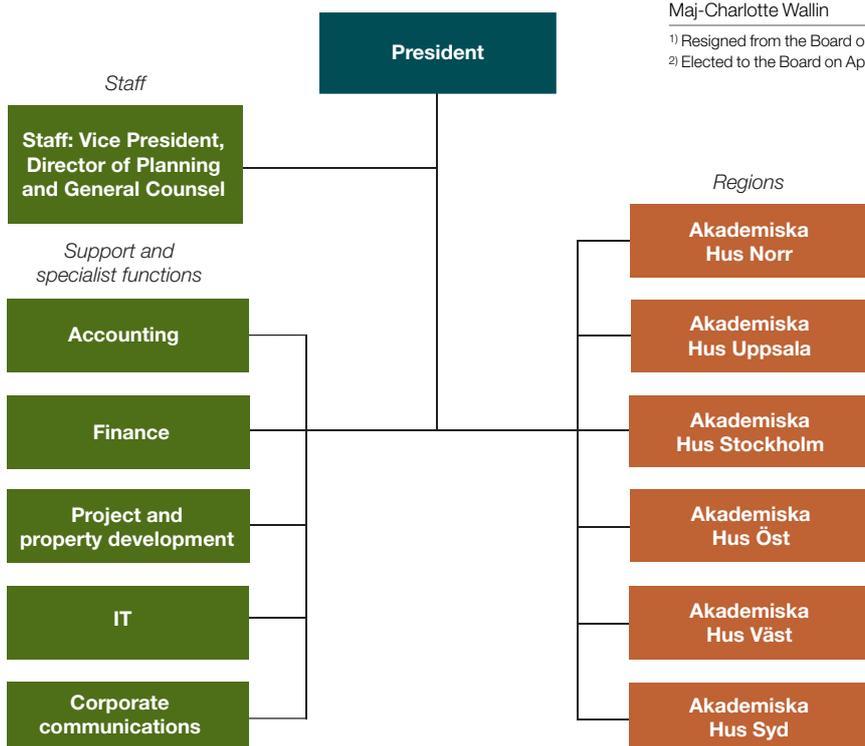
Group organisation

The Group comprises a Parent Company (Group Head Office) and six wholly owned regional companies. The regions own and manage the properties. The regions are built up with management organisations and are located in Umeå, Uppsala, Stockholm, Linköping, Göteborg and Lund. To benefit further from the know-how/expertise and increase the exchange of experience within the Group, there are joint process networks with representation from all regions in the Group. At present there are networks for accounting, IT, human resources, marketing and corporate communications. The purpose of the networks, apart from an exchange of experience, is to produce proposals for handling Group issues and development in each area. The groups meet three to six times a year.

	Board meetings	Finance Committee	Audit Committee	Remuneration Committee
Number of meetings	9	3	4	1
Claes Ljungh	9	3		1
Lennart Nilsson ¹⁾	1	1		
Charlotte Axelsson	7			1
Sigbrit Franke	8			1
Marianne Förander	8		4	
Per Granath ²⁾	5		3	
Sveinn Jonsson	7			
Birgitta Kantola	7	3		
Parzin Seradji	9			
Maj-Charlotte Wallin	9		4	

¹⁾ Resigned from the Board on April 26, 2005

²⁾ Elected to the Board on April 26, 2005.



Board and auditors

BOARD

Claes Ljungh

Born 1950. Chairman since 2004. Member since 2002. Member of the board of Teracom AB. Chairman of the Swedish Skating Association.



Claes Ljungh

Charlotte Axelsson

Born 1948. Member since 1998. President of HSB Stockholm AB. Member of the board of the National Swedish Property Board and Vår Bostad. Chairwoman of the employers' association Fastigo AB, deputy in the HSB National Association, HSB Project Partner.



Charlotte Axelsson



Sigbrit Franke

Sigbrit Franke

Born 1942. Member since 2001. University chancellor, Swedish National Agency for Higher Education. Chairman of the board of the Långmanska Culture Fund Foundation and the Royal Dramatic Theatre. Member of the board of MISTRA (Foundation for Strategic Environmental Research).



Marianne Förander



Per Granath



Sveinn Jonsson

Marianne Förander

Born 1967. Member since 2003. Deputy Director at the Ministry of Industry, Employment and Communications, State Ownership Unit. Member of the board of Vasallen AB.

Per Granath

Born 1954. Member since 2005. President and CEO of Intellecta AB (publ). Chairman of the board of Svefa Holding AB.

Sveinn Jonsson

Born 1942. Employee representative (SEKO) since 2001. Operating engineer at Akademiska Hus Syd. No other board appointments.

Birgitta Kantola

Born 1948. Member since 1995. Deputy County Governor. Deputy Chairwoman of the board of Fortum Abp, Helsinki, member of the board of Civitas Holding AB, Vasakronan AB, Nordea Bank AB (publ), Öms pensionsförs bol. Varma, Helsinki. StoraEnso Abp, Helsinki.



Birgitta Kantola



Parzin Seradji



Maj-Charlotte Wallin

Parzin Seradji

Born 1959. Employee representative (Ledarna) since 2001. Operating engineer at Akademiska Hus Stockholm. No other board appointments.

Maj-Charlotte Wallin

Born 1953. Member since 2004. Controller, Alecta pensionsförsäkring, öms. No other board appointments.



Peter Gustafsson



Jonas Hällström

AUDITORS

Peter Gustafsson

Born 1956. Auditor at Akademiska Hus since 2003. Deloitte AB. Authorised Public Accountant.

Jonas Hällström

Born 1956. Auditor at Akademiska Hus since 2003. Swedish National Audit Office. Authorised Public Accountant.

Executive Management and Group Management

Executive Management



Bengt Erlandsson, Hans Antonsson, Eva Lindberg, Joakim Ollén, Thomas Norell, Lennart Karlsson, Lars Gustafsson, Mikael Lundström. Not pictured: Anders Rubensson.

Group Management



Gunnar Oders, Tomas Hallén, Thomas Norell, Hans Lindh, Joakim Ollén, Carolin Åberg Sjöqvist, Agneta Rodosi, Hanna Janson, Per Brantsing-Karlsson, Anders Rubensson.

EXECUTIVE MANAGEMENT

Joakim Ollén

Born 1952. CEO and President, Akademiska Hus AB. Employed 2003.

LL.B. Previous experience: Director General of the National Land Survey Authority, member of Parliament, Finance Directorate, municipal commissioner in Malmö. Board appointments: Chairman of the board of the GIS Institute in Gävle, Chairman of the Swedish Angling and Fishery Conservation Association, Chairman of the board of the Swedish

Museum of Architecture, Member of the Board of GIS Focus Holding AB.

Thomas Norell

Born 1944. Vice-President, Akademiska Hus. Employed 1993. Studies at Stockholm University. Previous experience: Director of Planning, National Swedish Board of Public Building, Assistant Under-Secretary, Ministry of Finance. Board appointments: Deputy Chairman, Stipendiestiftelse för Japanstudier.

Hans Antonsson

Born 1950. Regional Director, Akademiska Hus Uppsala. Employed 1996. MScEng. Previous experience: President Akademiska Hus i Umeå/Luleå, President UMI Fastighetsutveckling, Head of Property Department Umeå Municipal Authority, Assistant Director, Head of Property Supply, Umeå University.

Bengt Erlandsson

Born 1946. Regional Director, Akademiska Hus Öst. Employed 1993, Construction engineer. Studies at Linköping University. Previous experience: property manager, National Swedish Board of Public Building, Area Manager AB Stångåstaden, Head of Human Resources, Tekniska Verken i Linköping AB.

Lars Gustafsson

Born 1946. Regional Director, Akademiska Hus Norr. Employed 1993. Construction engineer. Previous experience: Property manager etc. at the National Board of Public Building.

Lennart Karlsson

Born 1954. Regional Director, Akademiska Hus Stockholm. Employed 1993. MScEng. Executive MBA. Previous experience: President, Förvaltnings AB Galären, project manager Åke Larsson Byggare AB.

Eva Lindberg

Born 1958. Regional Director, Akademiska Hus Väst. Employed 2003. MScEng. Executive MBA. Previous experience: Material and Production Control Manager, Saab Automobile/GM, Business Manager, Saab Automobile AB, project manager, NCC AB. Board appointments: member of Byggherreggruppen i Göteborg.

Mikael Lundström

Born 1961. Regional Director, Akademiska Hus Syd. Employed 2005. MScEng. Previous experience: managerial positions within Jones Lang LaSalle, Skandia and NCC.

Anders Rubensson

Born 1951. Planning Director, Akademiska Hus. Employed 1993. BA Soc. Admin. Previous experience: Head of department, regional administration manager and other positions at the National Board of Public Building. Board appointments: member of ALMEGA Fastighetsarbetsgivarna.

GROUP MANAGEMENT

Joakim Ollén

See above.

Thomas Norell

See above.

Per Brantsing-Karlsson

Born 1964. IT Manager, Akademiska Hus. Employed 2003. MBA. Previous experience: operational consultant Preera AB and Ekan AB, economist specialising in IT, Förorternas Bostads AB and Bostads AB Poseidon.

Tomas Hallén

Born 1951. Technical Director, Akademiska Hus. Employed 1998. MScEng. Previous experience: own consulting firm Energiprojekt AB. Board appointments: member of Chalmers EnergiCentrum CEC, member of Projekt EnergiSystem PES, member of the Energy Development Board, EUN for overall control of the energy authority STEM. Member of the National Board of Housing, Building and Planning Energy Council. Member of the IVA Academy.

Hanna Janson

Born 1975. Acting Director of Corporate Communications, Akademiska Hus. Head of Corporate Communications, Akademiska Hus Stockholm. Employed 2005. MBA. Previous experience: consultant JKL.

Hans Lindh

Born 1951. Head of marketing, Akademiska Hus, marketing manager Akademiska Hus Stockholm. Employed 1993. MScEng. Previous experience: property developer and project manager Åke Larsson Byggare AB, Ray Wilson Co and ABV.

Gunnar Oders

Born 1956. Head of Accounting and Finance, Akademiska Hus. Employed 2001. MBA. Previous experience: Head of Accounting and Finance, Higab and Bostads AB Poseidon.

Agneta Rodosi

Born 1957. Treasurer, Akademiska Hus. Employed 1994. MBA. Previous experience: responsible for the money and capital markets at Första Sparbanken and den Norske Creditbank, Sweden. Board appointments: member of the board of the Första AP-Fonden and the Swedish Ships' Mortgage Bank.

Anders Rubensson

See above.

Carolin Åberg Sjöqvist

Born 1968. General Counsel, Akademiska Hus. Employed 2004. LL.B. Previous experience: lawyer Advokatfirman Glimstedt, Associate Judge of Appeal, Court of Appeal for Western Sweden.



Financial Report

62–96



Financial result summary

Group

Income

The Group's turnover for 2005 was SEK 4,606 million (4,581). Of this, rental income accounted for SEK 4,481 million (4,482). The income level fell as a result of sales of properties to Chalmersfastigheter AB and a number of renegotiations that took place in an increasingly keener competitive climate. This is balanced by the contribution from redevelopment and new construction.

Profit

The operating profit before net interest income and expense totalled SEK 9,917 million (2,119). Net interest income and expense totalled SEK -647 million (-794) and the pre-tax profit was SEK 9,270 million (1,324). The major improvement in profit is mainly attributable to the increase in the fair value of investment properties of SEK 7,214 (-478). The increase in 2005 can be explained by the strong general upturn in the Swedish property market.

Property values

The Group makes use of an internal valuation model, which forms the basis for establishing the fair value. This value was SEK 45,616 million (38,230).

Investments

Net investments in properties and new construction progress for 2005 amounted to SEK 469 million (1,840). The reason for the low net investment is the sale of properties to Chalmersfastigheter for SEK 990 million. A number of major projects were completed in 2005, including buildings for the Swedish National Defence College, the Swedish Institute for Infectious Disease Control in Stockholm and the library at Gävle University College. Major completed redevelopment projects included Mathematical Sciences on the Chalmers Campus in Göteborg, the A-Building, Part A, for Linköping University and the former Medical Products Agency premises in Uppsala, which have been rebuilt for Rosendal High School.

Cash flow

The Group's cash flow from current operations totalled SEK 1,675 million (1,200). Investments totalled SEK -328 million (-1,502), which generated a cash flow after investments of SEK 1,347 million (-302).

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 buildings and tenants' operations. Energy use is reported separately in the Environmental Report. There are a number of facilities within the Group that either require a permit or which need to be reported to the supervisory authority. These facilities have been reported and applications for permits (as required) have been submitted to the supervisory authorities concerned. The facilities concerned are:

- Two boilers for combustion technology research on the Chalmers campus in Göteborg.
- Two boilers for heating and electricity production at the Royal Institute of Technology in Stockholm. Not in operation.
- A number of heat pump facilities for extracting heat from bedrock, seawater and ground heating/cooling at 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.
- Underground storage for the Astronomy and SOL Centre building in Lund. Academicum (Kunskaps huset) in Göteborg and the School of Music in Örebro.

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 2004 was SEK 107 million (95). Operating profit before net interest income and expense totalled SEK -20 million (-7). Net interest income and expense was SEK 225 million (185), excluding dividends from regional companies totalling SEK 190 million (185). The pre-tax profit was SEK 452 million (344).

Proposed allocation of unappropriated earnings

According to the owner's financial objectives for Akademiska Hus, the dividend shall be 2.5 per cent of the Group's equity. When deciding a dividend, consideration should be given to the Group's capital structure and capital requirements. The other financial targets are that the equity ratio should be at least 35 per cent and that the yield on equity should be equivalent to the average five-year government bond interest rate plus four percentage points, which during 2005 means 6.8 per cent. During 2005, the equity ratio was 44.8 per cent and the return on equity was 34.2 per cent. In the light of all the financial objectives, the Board proposes a dividend of SEK 660 million.

Available for allocation at the Annual Meeting:

Profit brought forward	SEK 714,785,928
Profit for the year	SEK 375,859,714
Total	SEK 1,090,645,642

The Board and the President propose that the profit be allocated in such a way that SEK 660,000,000 is paid to the shareholder as a dividend and that SEK 430,645,642 is carried forward. For details of the financial results and the financial position in general, reference can be made to the following financial reports.

Income Statements

Amounts in SEK 1,000	Note	Group IFRS		Parent Company Annual Accounts Act	
		2005	2004	2005	2004
Income from property management	6				
Rental income	7	4,480,648	4,482,067	–	–
Other property management income	7, 8	52,589	48,222	–	–
Total property management income		4,533,237	4,530,289	–	–
Property management expenses					
Operating costs	10	–762,365	–783,101	–	–
Maintenance costs		–716,524	–805,981	–	–
Property administration	10	–254,550	–244,543	–93,853	–68,603
Other property management expenses	9	–72,632	–71,844	–	–
Total property management expenses		–1,806,071	–1,905,469	–93,853	–68,603
Net operating profit/loss		2,727,166	2,624,820	–93,853	–68,603
Changes in property values, positive		8,669,210	1,607,960	–	–
Changes in property values, negative		–1,455,628	–2,086,215	–	–
Total changes in property values	6, 20	7,213,582	–478,255	–	–
Central administration expenses		–34,602	–34,541	–32,951	–32,831
Other operating income	6, 11	72,403	51,119	107,126	94,857
Other operating expenses	12	–61,245	–44,489	–123	–404
Total, other operating items		11,158	6,630	107,003	94,453
Profit/loss before financial income and expense	6, 13, 14, 31	9,917,304	2,118,654	–19,801	–6,981
Financial income		333,179	9,852	1,391,897	1,159,670
Financial expense		–980,830	–804,299	–976,219	–789,647
Total, financial income and expense	15, 30, 31	–647,651	–794,447	415,678	370,023
Profit after financial income and expense		9,269,653	1,324,207	395,877	363,042
Appropriations	16	–	–	55,678	–18,560
Profit before tax		9,269,653	1,324,207	451,555	344,482
Taxes	17	–2,615,977	–373,995	–75,695	–44,829
NET PROFIT FOR THE YEAR	18	6,653,676	950,212	375,860	299,653
Of which attributable to the shareholder in the Parent Company		6,653,676	950,212		

Balance Sheets

Amounts in SEK 1,000	Note	Group IFRS		Parent Company Annual Accounts Act	
		31-12-2005	31-12-2004	31-12-2005	31-12-2004
ASSETS					
Fixed assets					
<i>Intangible assets</i>					
Development expenses brought forward	19	–	9,775	–	9,775
Total intangible assets		–	9,775	–	9,775
<i>Tangible assets</i>					
Investment properties	20	45,616,146	38,230,248	–	–
Construction in progress in investment properties	21	1,121,436	805,790	–	–
Equipment and fittings	22	26,403	41,216	7,153	6,023
Total tangible assets		46,763,985	39,077,254	7,153	6,023
<i>Financial assets</i>					
Shares in Group companies	23	–	–	1,564,200	1,564,200
Receivables from Group companies	27	–	–	21,433,234	22,123,234
Other investments held as fixed assets	27	50	50	–	–
Deferred tax	17	–	–	88,528	–
Derivatives	24, 27	1,068,846	–	1,068,846	–
Other non-current receivables	25	4,665	–	–	–
Total financial assets		1,073,561	50	24,154,808	23,687,434
Total fixed assets		47,837,546	39,087,079	24,161,961	23,703,232
Current assets					
<i>Current receivables</i>					
Rental receivable and accounts receivable	25	465,999	540,041	52	19
Receivables from Group companies		–	–	5,691	47,430
Current tax liability	17	–	54,087	59,911	16,753
Other receivables		166,066	56,056	1,982	9,297
Prepaid expenses and accrued income	26	149,383	355,278	33,244	324,373
Derivative instruments	24	306,843	–	306,843	–
Total current assets	27	1,088,291	1,005,462	407,723	397,872
<i>Liquid funds</i>					
Current investments		418,149	45,300	418,149	45,300
Cash and bank balances		807,330	283,328	807,275	283,276
Total liquid funds	28	1,225,479	328,628	1,225,424	328,576
Total current assets		2,313,770	1,334,090	1,633,147	726,448
TOTAL ASSETS	6	50,151,316	40,421,169	25,795,108	24,429,680

Balance Sheets

Amounts in SEK 1,000	Note	Group IFRS		Parent Company Annual Accounts Act	
		31-12-2005	31-12-2004	31-12-2005	31-12-2004
EQUITY AND LIABILITIES					
Equity					
<i>Restricted equity attributable to the Parent Company's shareholder</i>			<i>Restricted equity</i>		
Share capital		2,135,000	2,135,000	2,135,000	2,135,000
Other contributed capital		2,134,950	2,134,950	–	–
Statutory reserve		–	–	2,134,950	2,134,950
			<i>Non-restricted equity</i>		
Hedge reserve	29	33,637	–	–	–
Fair value reserve		–	–	33,637	–
Profit brought forward, including profit for the year		18,151,366	12,347,859	–	–
Profit brought forward (in the Parent Company)		–	–	681,149	1,231,665
Profit for the year (in the Parent Company)		–	–	375,860	299,653
Total equity		22,454,953	16,617,809	5,360,596	5,801,268
Untaxed reserves	16	–	–	224,501	280,178
Liabilities					
<i>Non-current liabilities</i>					
Loans	30	13,472,358	11,664,492	13,277,705	11,467,943
Derivatives	24	924,936	–	924,936	–
Deferred tax	17	6,259,004	4,066,102	–	–
Pension provisions and similar obligations	31	201,904	194,541	78,630	80,793
Total non-current liabilities		20,858,202	15,925,135	14,281,271	11,548,736
<i>Current liabilities</i>					
Accounts payable		313,553	199,344	22,006	4,677
Liabilities to Group companies		–	–	994,334	634,975
Income tax liabilities	17	45,370	–	–	–
Other liabilities	32	728,859	496,086	508,253	325,896
Accrued expenses and prepaid income	33	1,707,945	1,709,153	361,713	365,145
Loans	30	4,023,320	5,473,642	4,023,320	5,468,805
Derivatives	24	19,114	–	19,114	–
Total current liabilities		6,838,161	7,878,225	5,928,740	6,799,498
Total liabilities	6, 34	27,696,363	23,803,360	20,210,011	18,348,234
TOTAL EQUITY AND LIABILITIES		50,151,316	40,421,169	25,795,108	24,429,680
MEMORANDUM ITEMS					
Pledged assets	36	52,335	76,767	52,335	76,767
Contingent liabilities	37	1,893	1,627	102,004	90,225

Changes in equity

Amounts in SEK 1,000	Note	Attributable to the Parent Company's shareholder				Total equity
		Share capital	Other contributed capital	Hedge reserve	Profit brought forward	
GROUP						
OPENING BALANCE AS AT JANUARY 1, 2004	3	2,135,000	2,134,950	–	11,647,647	15,917,597
Dividend		–	–	–	–250,000	–250,000
Profit for the year		–	–	–	950,212	950,212
CLOSING BALANCE AS AT DECEMBER 31, 2004		2,135,000	2,134,950	–	12,347,859	16,617,809
OPENING BALANCE AS AT JANUARY 1, 2005		2,135,000	2,134,950	–	12,347,859	16,617,809
Adjustment for change in accounting principle IAS 39	3	–	–	–21,981	–633,566	–655,547
Tax effect of change in accounting principle	3	–	–	6,155	177,398	183,553
ADJUSTED OPENING BALANCE AS AT JANUARY 1, 2005		2,135,000	2,134,950	–15,826	11,891,691	16,145,815
Cash flow hedging						
Reported directly against equity		–	–	51,122	–	51,122
Dissolved against profit and loss		–	–	16,583	–	16,583
Transferred to the acquisition value of a hedged item		–	–	992	–	992
Tax attributable to items reported directly against equity		–	–	–19,235	–	–19,235
Dividend		–	–	–	–394,000	–394,000
Profit for the year		–	–	–	6,653,676	6,653,676
CLOSING BALANCE AS AT DECEMBER 31, 2005		2,135,000	2,134,950	33,637	18,151,367	22,454,953

Other contributed capital comprises a share premium reserve of KSEK 2,134,950 (applies to both the opening and closing balance in conjunction with all the above reporting periods).

Amounts in SEK 1,000	Note	Restricted equity		Non-restricted equity		Total equity
		Share capital	Statutory reserve	Fair value reserve	Profit brought forward	
PARENT COMPANY						
OPENING BALANCE AS AT JANUARY 1, 2004		2,135,000	2,134,950	–	1,481,665	5,751,615
Dividend		–	–	–	–250,000	–250,000
Profit for the year		–	–	–	299,653	299,653
CLOSING BALANCE AS AT DECEMBER 31, 2004		2,135,000	2,134,950	–	1,531,318	5,801,268
OPENING BALANCE AS AT JANUARY 1, 2005		2,135,000	2,134,950	–	1,531,318	5,801,268
Adjustment for change in accounting principle, Annual Accounts Act 4:14	3	–	–	–21,981	–633,566	–655,547
Tax effect of change in accounting principle	3	–	–	6,155	177,398	183,553
ADJUSTED OPENING BALANCE AS AT JANUARY 1, 2005		2,135,000	2,134,950	–15,826	1,075,150	5,329,274
Cash flow hedging						
Reported directly against equity		–	–	51,122	–	51,122
Dissolved against profit and loss		–	–	16,583	–	16,583
Transferred to the acquisition value of a hedged item		–	–	992	–	992
Tax attributable to items reported directly against equity		–	–	–19,235	–	–19,235
Dividend		–	–	–	–394,000	–394,000
Profit for the year		–	–	–	375,860	375,860
CLOSING BALANCE AS AT DECEMBER 31, 2005		2,135,000	2,134,950	33,637	1,057,010	5,360,596

Share capital is divided into 2,135,000 shares at a nominal value of SEK 1,000 with one (1) vote per share (applies to both the opening and closing number of shares in conjunction with all the above reporting periods).

Cash Flow Statements

Amounts in SEK 1,000	Note	Group IFRS		Parent Company Annual Accounts Act	
		2005	2004	2005	2004
Current operations					
Profit after financial income and expense	38	9,269,653	1,324,207	395,877	363,042
Adjustment for items not included in the cash flow	39	-7,595,154	508,557	-411,288	13,730
Tax paid		-158,114	-142,997	-43,063	-51,809
Cash flow from current operations before changes in working capital		1,516,385	1,689,767	-58,474	324,963
Cash flow from changes in working capital					
Increase (-)/decrease (+) in current receivables		149,678	-263,544	340,150	-57,768
Increase (+)/decrease (-) in current liabilities		9,309	-226,168	18,822	-21,675
Cash flow from current operations		1,675,372	1,200,055	300,498	245,520
Investments					
	40				
Investment in shares in Group companies		-	-118,715	-	-
Investment in investment properties		-588,809	-805,052	-	-
Sale of investment properties		871,450	25,129	-	-
Investments in new construction in progress		-743,817	-588,779	-	-
Sale of new construction in progress		141,971	-	-	-
Investment in other fixed assets		-7,247	-15,241	-4,514	-19,819
Sale of other fixed assets		2,938	305	-	-
Increase (-)/decrease (+) in non-current receivables		-4,665	-	690,000	-543,917
Cash flow from investments		-328,179	-1,502,353	685,486	-563,736
Financing					
Raising of interest-bearing loans, excluding refinancing		-	413,675	304,864	429,625
Amortisation of interest-bearing loans		-56,342	-	-	-
Dividend paid		-394,000	-250,000	-394,000	-250,000
Cash flow from financing		-450,342	163,675	-89,136	179,625
Cash flow for the year		896,851	-138,623	896,848	-138,591
Opening liquid funds		328,628	467,251	328,576	467,167
Closing liquid funds	28,41	1,225,479	328,628	1,225,424	328,576

Notes

1 General information

Akademiska Hus AB (publ) (registration number 556459-9156) is a limited liability company registered in Sweden. The Company's registered office is in Göteborg. Akademiska Hus is wholly owned by the Swedish state.

The Company is the parent company in the Akademiska Hus Group, the principal task of which is to own and manage university and college properties. The Company's core operations and its regional companies are presented in earlier sections.

All amounts are stated in SEK 1,000.

2 Adoption of the Annual Report

The Annual Report was adopted by the Board and approved for publication on March 8, 2006.

3 Transition to International Financial Reporting Standards (IFRS)

Akademiska Hus's date for the transition to IFRS was January 1, 2004 as IFRS demands a comparison year. The financial information for the Group in 2004 according to Swedish accounting principles has been recalculated to comply with IFRS. The following is an account of the reporting of the transition from Akademiska Hus's previous accounting principles to IFRS together with the effects of the transition on equity, the balance sheet and the reported profit in conjunction with the transition.

The IFRS recommendations that had an effect on equity, the balance sheet and the reported profit are mainly:

- IAS 39 Financial instruments: recognition and measurement have led to a change in the measurement and recognition principles for financial instruments. Up to December 31, 2004, all financial instruments were in principle recognised at the acquisition value and financial derivatives were not recognised in the balance sheet. In addition, realised profits on closed derivative contracts as well as the repurchase of bonds issued were carried forward and allocated to a period across the term of the underlying instruments/loans to secure an even loan cost over the years. The transition to IAS 39 means that the main rule for measurement is that financial assets and all derivatives are at fair value whilst all financial liabilities should be recognised at the accrued acquisition value. Hedge accounting may only be applied when specific requirements are met according to defined hedging methods. In conjunction with a fair value hedge, both loan financing and financial derivatives are recognised at the fair value with changes in value recognised in profit and loss. Financial derivatives that qualify for cash flow hedging are measured at the fair value and the changes in value are recognised continuously against equity (hedge reserve) until the underlying changes in value of the transaction affects profit or loss.

- IAS 40 Investment properties has led to a change in the recognition principles for investment properties. Up to December 31, 2003, investment properties were recognised in the Balance Sheet at the acquisition value

with a supplement for value-enhancing improvements, reduced by accumulated depreciation according to plan, impairments and reversed impairments. According to IFRS, the investment properties are measured at the fair value (assessed fair value) and the changes in value are recognised in profit and loss.

- Akademiska Hus has previously made the assessment that two acquisitions of shares in subsidiaries which essentially only contain one investment property in each company constituted a business combination. Akademiska Hus has thus previously recognised a goodwill item related to these two combinations. In accordance with IFRS 3, these two combinations have instead been classified as a combination of a group of assets or net assets which do not constitute a business and consequently the costs for the Group have been divided over the individually identifiable assets and liabilities based on their relative fair value at the time of acquisition.
- IAS 1 Presentation of financial statements has affected the presentation of the interest-bearing liabilities and tax receivables. The changes have not had any effect on the Group's reported profit or total assets.

Other IAS/IFRS recommendations have not entailed any material changes or effects compared with the accounting principles previously applied in the Group.

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 balance according to IFRS. Certain exceptions to the retrospective application are permitted however. Akademiska Hus has chosen to apply the following:

- IAS 39 Financial instruments: recognition and measurement. Akademiska Hus has applied IAS 39 since January 1, 2005 and makes use of the exception granted in IFRS 1 for companies that are applying IFRS for the first time not to recalculate comparative figures/information for 2004. Consequently, the reporting and valuation of financial instruments, handling of cash flow and fair value hedges and the application of hedge accounting has taken place in accordance with generally accepted accounting principles in Sweden.
- IFRS 3 Business combinations. The rules in IFRS 3 are applied prospectively to acquisitions and business combinations that take place from and including the transition date, January 1, 2004.
- IAS 19 Employee benefits. On January 1, 2004, Akademiska Hus implemented RR 29 Employee benefits. RR 29 concurs essentially with IAS 19 and consequently the pension liability calculated 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. Retrospective application would mean that the accumulated effect from the beginning of each pension plan would be allocated to the part which affected the calculations and to a non-reported part, the 'corridor'. Akademiska Hus instead reports all these effects directly in opening equity as at January 1, 2004. Consequently, the introduction of IAS 19 will have no effect in conjunction with the transition to IFRS.

Note 3 cont'd

Consolidated Income Statement 2004

Amounts in KSEK	Reference	According to Swedish accounting principles	Effect of the transition to IFRS	IFRS 2004
Net operating profit		2,646,853	–	2,646,853
Depreciation and impairment losses and reversed impairment losses in property management	A, D	–1,013,444	991,411	–22,033
Changes in value, properties	A	–	–478,255	–478,255
Total changes in value, properties		–1,013,444	513,156	–500,288
Gross profit		1,633,409	513,156	2,146,565
Central administration costs		–34,541	–	–34,541
Other operating income	A	68,869	–17,750	51,119
Other operating costs	A	–51,999	7,510	–44,489
Total, other operating items		16,870	–10,240	6,630
Profit before financial items		1,615,738	502,916	2,118,654
Profit from financial items		–794,447	–	–794,447
Profit before tax		821,291	502,916	1,324,207
Tax	A, E	–233,351	–140,644	–373,995
NET PROFIT FOR THE YEAR		587,940	362,272	950,212

Note 3 cont'd

Consolidated Balance Sheet 1-1-2004, 31-12-2004 and opening balance 1-1-2005

Amounts in KSEK	Reference	According to Swedish accounting principles 1-1-2004	Effect to transition to RR 29 1-1-2004	Effect to transition to IFRS 1-1-2004	IFRS 1-1-2004	According to Swedish accounting principles 31-12-2004	Effect to transition to IFRS 31-12-2004	IFRS 31-12-2004	Effect to transition to IFRS 1-1-2005	IFRS 1-1-2005
ASSETS										
Intangible assets	D	6,117	–	–	6,117	32,704	–22,929	9,775	–	9,775
Investment properties	A	24,411,923	–	11,706,077	36,118,000	26,021,331	12,208,917	38,230,248	–	38,230,248
New construction in progress in investment properties		1,555,497	–	–	1,555,497	805,790	–	805,790	–	805,790
Other tangible assets		52,109	–	–	52,109	41,216	–	41,216	–	41,216
Financial assets	E	185,217	–	–185,167	50	194,132	–194,082	50	542,494	542,544
Current assets	B, C	1,227,949	–	–	1,227,949	1,345,245	–65,242	1,280,003	32,755	1,312,758
Current prepaid tax	C	–	–	–	–	–	54,087	54,087	–	54,087
TOTAL ASSETS		27,438,812	–	11,520,910	38,959,722	28,440,418	11,980,751	40,421,169	575,249	40,996,418
EQUITY AND LIABILITIES										
Equity										
Restricted equity		5,951,662	–	–	5,951,662	6,188,381	–	6,188,381	–	6,188,381
Non-restricted reserves/profit brought forward	A, B	1,051,896	–16,870	8,428,375	9,463,401	1,050,841	8,428,375	9,479,216	–471,994	9,007,222
Profit for the year	A, D, E	502,534	–	–	502,534	587,940	362,272	950,212	–	950,212
Total equity		7,506,092	–16,870	8,428,375	15,917,597	7,827,162	8,790,647	16,617,809	–471,994	16,145,815
Liabilities										
Non-current interest-bearing liabilities	B, C	16,794,471	–	–	16,794,471	17,454,179	–5,789,687	11,664,492	930,449	12,594,941
Provisions for employee benefits and similar undertakings		163,272	23,430	–	186,702	194,541	–	194,541	–	194,541
Provision, deferred tax	E	745,111	–6,560	3,092,535	3,831,086	864,843	3,201,259	4,066,102	–183,553	3,882,549
Current interest-bearing liabilities	B, C	–	–	–	–	–	5,789,687	5,789,687	–29,390	5,760,297
Non-interest-bearing liabilities	B, C	2,229,866	–	–	2,229,866	2,099,693	–11,155	2,088,538	329,737	2,418,275
Total liabilities		19,932,720	16,870	3,092,535	23,042,125	20,613,256	3,190,104	23,803,360	1,047,243	24,850,603
TOTAL EQUITY AND LIABILITIES		27,438,812	–	11,520,910	38,959,722	28,440,418	11,980,751	40,421,169	575,249	40,996,418

Note 3 cont'd

Changes in Group equity as at 1-1-2004, 31-12-2004 and 1-1-2005

Amounts in KSEK	Reference	Share capital	Earlier restricted and non-restricted equity	Total equity
Equity 1-1-2004 according to Swedish accounting principles		2,135,000	5,371,092	7,506,092
Effect of the change in accounting principle (RR 29)		–	–23,430	–23,430
Deferred tax		–	6,560	6,560
Adjusted opening balance 1-1-2004 according to Swedish accounting principles		2,135,000	5,354,222	7,489,222
Effects of the transition to IFRS				
Fair value, investment properties, adjustment of opening balance	A	–	11,706,077	11,706,077
Deferred tax	E	–	–3,277,702	–3,277,702
Equity 1-1-2004 according to IFRS		2,135,000	13,782,597	15,917,597
Equity 31-12-2004 according to Swedish accounting principles		2,135,000	5,692,162	7,827,162
Effects of the transition to IFRS				
Adjustment of opening effects as at 1-1-2004 (see above, investment properties after tax)	A	–	8,428,375	8,428,375
Fair value, investment properties	A	–	502,299	502,299
Reversal, goodwill amortisation	D	–	617	617
Deferred tax	E	–	–140,644	–140,644
Equity as at 31-12-2004 according to IFRS		2,135,000	14,482,809	16,617,809
Non-recurring effects in conjunction with the transition to IFRS (IAS 39)				
Profits and losses brought forward, closed derivative contracts	B	–	–221,323	–221,323
Financial assets measured at fair value through profit or loss, fair value, financial derivatives		–	135,351	135,351
Financial liabilities measured at fair value through profit or loss, fair value, financial derivatives		–	–559,902	–559,902
Other financial liabilities, accrued acquisition value, financial loan liabilities		–	–3,122	–3,122
Hedging of fair value (currency and interest)		–	15,430	15,430
Effects of the transition to IFRS to be carried forward/ allocated to a specific period (IAS 39)				
Cash flow hedging (currency and interest)	B	–	–993	–993
Cash flow hedging (electricity price)		–	–20,988	–20,988
Deferred tax on IFRS changes (IAS 39)	E	–	183,553	183,553
Equity 1-1-2005 according to IFRS		2,135,000	14,010,815	16,145,815

Key figures 2004 and as at 1-1-2005

	According to Swedish accounting principles 2004	IFRS 2004	IFRS 1-1-2005
Direct yield, %	10.5	7.1	7.1*
Direct yield, fair value, %	7.1	7.1	7.1*
Net operating income per square metre	806	799	799
Carrying value, investment properties, SEK m	26,021	38,230	38,230
Fair value, investment properties, SEK m	38,230	38,230	38,230
Return on equity after tax, %	7.7	5.8	5.9*
Return on total equity, %	5.8	5.4	5.3*
Equity ratio, %	27.5	41.1	39.4*
Internal financing level	90	92	92*
Interest coverage level	202	327	327*

* Calculated on a full-year basis.

Note 3 cont'd

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 recognised 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 KSEK 11,706,077 before tax.

The changes in the accounting principles mean that the estimated changes in the Group's property holdings are recognised through profit and loss and affect the operating profit. The change in fair value in 2004 had a negative effect on profit to the amount of KSEK 478,255. 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 KSEK 990,794. Furthermore, the change in principles means that the capital gain in the light of previous carrying 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 net capital gain positively to the amount of KSEK 10,240 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)*

According to Akademiska Hus's earlier accounting principles, all financial instruments, with the exception of derivatives, were reported initially (or at the time of acquisition) at cost and valued according to the lowest cost principle. In conjunction with the transition to IFRS, all financial instruments, including derivatives, will be recognised in the Balance Sheet at fair value at the time of acquisition.

According to 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 recognition of the changes in value of the financial instruments is decided by the initial classification of each financial instrument. All Akademiska Hus's financial assets are classified as 'Financial assets at fair value in profit and loss', i.e. measured at fair value, and the changes in value will be recognised directly in profit and loss. The financial liabilities will be measured at the amortised cost with the ongoing changes in value recognised in the result.

The transition to IAS 39 consequently produces effects in conjunction with revaluation from acquisition value to fair value and accrued acquisition value, which has affected the opening balance.

According to earlier principles, Akademiska Hus carried forward the result from closed derivatives as well as repurchases of bonds issued and allocated these over the term of the underlying loan/instrument. Net recognition is not applicable under IAS 32 unless a legal right exists to net recognition, which means that closed derivatives should be carried forward at the gross amount up to the due date whilst realised derivatives are recognised as profit. Repurchased bonds issued are removed from the Balance Sheet and the effects are recognised as income. In conjunction with the transition to IFRS, a non-recurring effect was recognised in the opening balance.

According to Akademiska Hus's earlier accounting principles, currency and interest derivatives entered into for hedging purposes were recognised net with the underlying loan financing. According to IAS 39, all derivatives will be recognised 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 and loss. The change in value for derivatives which qualify for hedge accounting are recognised directly in equity until the underlying transaction is reflected in profit and loss, whereupon any accumulated profit or loss is recognised as income.

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 according to the cash flow hedging principle, which means that the realised profit on electricity derivatives is brought forward and set off together with the underlying actual electricity supplies against the operating profit. The electricity derivatives held/purchased within the deviation mandate are valued on an ongoing basis at the fair value, with changes in value recognised against profit.

C) *Division of interest-bearing liabilities into a current and non-current 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 liabilities into a current part and a non-current part. In conjunction with the transition to IFRS, the division of the Group's liabilities will be made into current and non-current liabilities. Provisions are also classified as a non-current or current liability. In addition, current tax liabilities, which were previously included under 'Other receivables', have been 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 (IFRS 3)*

According to the earlier Akademiska Hus accounting principles, the Group recognised a goodwill item as at December 31, 2004 of KSEK 22,929 and amortisation of goodwill of KSEK 617 for the 2004 financial year. Goodwill that arose according to the earlier accounting principles was related to the acquisition of shares in two companies, which are classified and recognised as business combinations. These two companies contained essentially only one property each. In accordance with IFRS 3, these two combinations have instead been classified as one combination of a group of assets or net assets that do not constitute a business and consequently the costs for the Group have been divided among the individually identifiable assets and liabilities based on their relative fair values at the time of acquisition. The previously recognised goodwill as of December 31, 2004 of KSEK 22,929 and amortisation of goodwill for the 2004 financial year of KSEK 617 are reversed in conjunction with the preparation of comparison figures for the 2005 IFRS consolidated accounts.

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 recognised. In the light of the fact that Akademiska Hus is a Swedish group, a tax rate of 28 per cent has been used when calculating the deferred tax.

Material effects on cash flow 2004

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

4 General accounting principles

The consolidated accounts have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) as well as interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as at December 31, 2005. The transition date for reporting according to IFRS is January 1, 2004, which means that comparison figures for 2004 have been recalculated according to the new principles. The Group also applies Swedish Financial Accounting Standards Council recommendation RR 30, Supplementary Rules for Consolidated Financial Statements, which specifies the supplements to the IFRS information required pursuant to the rules in the Annual Accounts Act.

In the Annual Report, items have been valued at cost except with regard to revaluation of investment properties, financial assets that can be sold and financial assets and liabilities (including derivatives valued at fair value through profit and loss. The following is a description of the more material accounting principles that have been applied.

Consolidated accounts

The consolidated accounts cover the Parent Company and companies over which the Parent Company has a deciding influence (regional companies). A deciding influence means a right to formulate strategies for financial activities with the aim of securing economic advantages. The occurrence and effect of potential voting rights which can at present be exercised or converted are taken into account when assessing whether the Group can exercise a deciding influence over another company. All regional companies are wholly owned. The regional companies are included in the consolidated accounts with effect from the point at which the deciding influence is achieved and they are not included at the point at which the deciding influence ceases.

The Group's year-end accounts have been prepared according to the acquisition method, which means that the Parent Company's carrying value for shares in regional companies is eliminated against equity, including the capital part of untaxed reserves in the regional companies.

Goodwill is reported in the Balance Sheet as an intangible asset at the acquisition value with a deduction for accumulated impairments. Goodwill comprises the amount by which the acquisition value exceeds the fair value of the Group's proportion of the acquired regional companies' identifiable net assets at the time of acquisition. Profit or loss in conjunction with disposal of the unit includes the remaining reported value of the goodwill attributable to the disposed operations. Goodwill is allocated to the smallest possible cash-generating unit.

Goodwill has been assessed to have an indeterminate useful life. Goodwill is allocated to the smallest possible cash-generating unit and the carrying amount is examined at least once a year for possible impairment requirements. Examination of impairment requirements takes place more often if there are indications that a fall 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.

In the case of an acquisition of a group of assets or net assets which does not comprise a business, the costs for the Group are instead divided up into individually identifiable assets and liabilities in the Group based on their relative fair values at the time of acquisition.

If necessary, the regional companies' accounts are adjusted in order for the accounts to follow the same principles that are applied by other Group companies. Intra-Group transactions are eliminated when the consolidated accounts are drawn up. Unrealised losses are also eliminated if the transaction does not constitute evidence that an impairment requirement is needed.

Segment reporting

The Group is organised and controlled based on a geographical division into markets/administration areas that are used as a primary segment. The geographical areas (segments) are exposed to similar risks and opportunities that differ from other geographical areas (segments). Geographical areas concur with each regional company. At present, there is only one secondary segment, property management, and consequently no further division is possible.

Income reporting

In its capacity as a landlord the Group has signed operational lease agreements with customers and consequently the Group's reported income mainly comprises rental income. Where applicable, reported rental income has been

reduced by the value of discounts granted to tenants. Rental income, lease income and parking income are reported in advance and the allocation of rents to specific periods thus takes place so that only part of the rents that accrue to the period are reported as income. Income reporting normally takes place linearly over the term of the lease agreement except in exceptional cases when an alternative method better reflects how financial benefits accrue to the Group.

Rental income is reported as income divided over the term on application of the annualised percentage interest rate method.

Dividend income is reported when the right to receive payment has been confirmed.

Other operating income and operating expenses

Other operating income and operating expenses comprise income and costs attributable to normal operations but which derive from secondary activities or which cannot be clearly placed under any of the other items in the Income Statement.

Remuneration to employees

The Group has both defined contribution and defined benefit pension plans. A defined benefit pension plan is a pension plan that guarantees the amount the employee receives as a pension benefit on retirement, normally based on a series of factors, such as salary and period of service. A defined contribution pension plan is a pension plan where once the Group has paid its pension premium to a separate legal entity it has discharged its undertaking to the employee.

Defined contribution pension plans are reported as a cost during the period to which the premiums paid refer.

Pension expenses for defined benefit plans are calculated with the aid of the so-called Projected Unit Credit Method in such a way that it divides the costs over the employee's professional life. The calculation is made annually by independent actuaries. These undertakings, i.e. the liability which is reported, is valued at the current value of the expected future payment, where the calculated future salary increases are taken into account making use of a discount interest rate which is equivalent to the interest rate on first-class company bonds or government bonds issued in the same currency in which the pension will be paid with a remaining term that is comparable with the current undertakings. Accumulated actuarial gains and losses outside the 10 per cent 'corridor' are divided over the employees' average remaining calculated period of employment. Costs related to service during the earlier periods are reported directly in the Income Statement unless the changes in the pension plan are subject to the employees remaining in service during a stated period. In such a case the cost related to the period of employment from earlier periods is divided linearly over the earning period.

Tax

The tax cost for the period (- income) comprises current and deferred tax. Taxes are reported in the Income Statement with the exception of when the underlying transaction is reported directly against equity, whereupon the associated tax effect is reported under equity.

Current tax is the tax computed on the taxable profit for the period. The taxable profit for the year differs from the reported profit for the year in the fact that an adjustment has been made for non-taxable and non-deductible items. The Group's current tax liability is computed according to the tax rates stipulated or notified as of the year-end.

Deferred tax is reported in accordance with the balance sheet method. According to this method deferred tax liabilities are reported in the Balance Sheet for all taxable temporary differences between the carrying and taxable values of assets and liabilities. Deferred tax liabilities are reported in the Balance Sheet with regard to deficit deductions and all deductible temporary differences to the extent it is likely that the amounts can be set off against future taxable surpluses. The reported value of deferred taxes is examined at each year-end and reduced to the extent it is no longer probable that a sufficient taxable surplus will be available for utilisation.

Deferred tax is computed using the tax rates that are expected to apply for the period in which the asset is recovered or the liability settled.

Tax receivables and tax liabilities are set off and reported at a net amount in the Balance Sheet when there is a legal right to set off and when there is an intention to either receive or pay a net amount or receive payment for a receivable and pay the liability at the same time.

Note 4 cont'd

Recalculation of items in foreign currency

Financial assets and liabilities in foreign currency are calculated at the year-end rate, whereupon realised and unrealised translation differences are taken up as income. Translation differences on operating receivables and liabilities are reported under Other operating income or Other operating expenses whilst translation differences attributable to financial assets and liabilities are reported under Net interest income and expense.

Intangible assets

The Group's intangible assets mainly comprise expenses for IT projects brought forward.

Costs for the development and/or maintenance of IT projects are expensed when they arise except in those cases where the costs are estimated to entail probable financial advantages for the Group during a period of more than one year and that these exceed the development costs and can be checked. In these cases the charge is reported as an intangible asset. Charges mainly include consulting costs, time worked internally and licence costs. Capitalised expenses for IT projects are depreciated over the expected useful life, which does not exceed five years.

Investment properties

Investment properties, i.e. properties that are held for the purpose of generating rental income or gains from an increase in value are valued continuously at fair value (assessed market value). The fair value is based on the assessed market value at the year-end, which means the value at which the property could be transferred between knowledgeable parties who are independent of each other and who have an interest in the transaction being implemented. Changes in fair value are reported in the Income Statement with the effects of changes in the value of the properties.

Investment properties include buildings and land, land improvements and buildings and land equipment.

Property sales and property purchases are reported in conjunction with the risks and benefits linked to title passing to the purchaser or seller, which normally takes place on the completion date.

A profit or loss that arises on a sale or disposal of investment properties comprises the difference between the sales price and the most recent valuation (carrying amount based on the most recent revaluation at fair value). The result in conjunction with sale or disposal is reported in the Income Statement with the effect on the changes in value of properties.

In those cases where Akademiska Hus uses part of a building for its own administration, the property only comprises an investment property if an insignificant part is used for administrative purposes.

If an investment property is reclassified as a property held for resale or stock item, the property is reported at the assumed acquisition value, equivalent to the property's fair value at the time of reclassification.

Fair value, investment properties

When valuing the investment properties at fair value (assessed market value) an internal valuation model is used which is quality-assured through the checking of the conditions with external property valuers and through external valuations. The valuation is based on each property's expected cash flow during the coming ten years and an estimated residual value for year eleven. The yield requirement has been differentiated for different types of objects, the rental period and the town and location assessment. The rental income included in the valuation has been assessed on market terms and standardised costs have been used in the model. Maintenance costs have been calculated on a standard basis, depending on the use of the property.

New construction in progress

New construction in progress in investment properties is reported at the cost incurred until the new investment has been completed when reclassification to investment property takes place. At the time of reclassification the difference between the carrying amount and the assessed market value is reported in the Income Statement with the effect of the change in value of the properties.

Equipment and fittings

Equipment and fittings mainly comprise IT equipment and office equipment. This is reported at the acquisition value reduced by depreciation according to plan and possible impairments.

Depreciation according to plan is based on the original acquisition value reduced by the estimated residual value and takes place linearly over the expected useful life of the asset.

Depreciation according to plan normally takes place using the following percentages of the acquisition value:

Computer equipment	33%
Equipment, fixtures and fittings	20%

Depreciation according to plan of equipment, fixtures and fittings is reported as an operating cost or property administration.

The profit or loss which arises on scrapping or disposal of equipment, fixtures and fittings is reported as Other operating income or as Other operating expense.

Impairment

Impairment takes place in those cases where the reported value of the asset exceeds the recoverable amount. Carrying amounts for the Company's assets are checked at each period-end to determine if there is any indication of an impairment requirement. If there is any such indication the recoverable amount of the asset is calculated. The recoverable amount is the higher of the value in use and the net realisable value.

On computing the value in use, future cash flows are discounted at a rate of interest before tax that is envisaged to take into account the market's assessment of risk-free interest and risk linked to the specific asset. For an asset which does not generate any cash flow independently of other assets, the recoverable amount for the cash-generating unit to which the asset belongs is calculated.

Reversal of previous impairments takes place when the recoverable amount for a previously impaired property exceeds the carrying amount and the need for impairment which was previously made is no longer considered necessary and is reported in the Income Statement. An examination of previous impairments takes place on an individual basis.

Financial instruments

The general principle for the valuation of financial instruments is that financial assets and all derivatives should be valued at fair value whilst financial liabilities are valued at the accrued acquisition value.

Financial instruments are reported initially at the acquisition value, corresponding to the fair value of the instrument with an addition for transaction costs for all financial instruments apart from those that belong to the Financial Assets category, which are valued at fair value through profit and loss. Reporting subsequently takes place depending on how they are classified as stated below.

A financial asset or financial liability is recorded in the Balance Sheet when the Company becomes a party to the contractual terms and conditions of the instrument or when applicable according to regular way purchase. The receivables are recorded in the Balance Sheet when an invoice has been sent. A liability can be recorded when the counter-party has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recorded when an invoice has been received.

A financial asset is removed from the Balance Sheet when the rights in the agreement are realised, when they fall due or the Company loses control over them. The same applies to part of a financial asset. A financial liability is removed from the Balance Sheet when the obligation in the agreement is discharged or is in some other way extinguished. The same applies to part of a financial liability.

The Group categorises its financial instruments as:

- *Assets which are valued at fair value through profit and loss*
Assets under this category are reported initially at the acquisition value, i.e. fair value at the time of acquisition, and are subsequently valued continuously at fair value. The change in value is reported continuously in the Income Statement. All Akademiska Hus investment assets and outstanding derivatives (with a positive fair value) come under this category.
- *Loan receivables and other receivables*
Assets under this category are non-derivative financial assets with established or establishable payment flows which are not listed on an active market. These assets are reported and valued on a continuous basis at the accrued acquisition value. Akademiska Hus's accounts receivable are also classified under this category and are reported and valued continuously at the acquisition value. At each period-end an impairment examination is

Note 4 cont'd

made of this asset. Non-current security holdings fall under this category and are valued at the acquisition value unless an impairment requirement has been identified.

- **Liabilities valued at fair value through profit and loss**

These liabilities are reported initially at the acquisition value and thereafter on a continuous basis at fair value. The change in value is reported on a continuous basis through profit or loss. Akademiska Hus's outstanding derivatives with a negative fair value come under this category.

- **Other financial liabilities**

Liabilities in this category are reported and valued at the accrued acquisition value according to the annualised percentage interest rate method. Direct costs when loans are raised are included in the acquisition value. All loan financing is included in this category. Akademiska Hus's accounts payable and other liabilities also come under this category but are reported at the acquisition value.

Set-off of financial assets and liabilities

Financial assets and liabilities are set off and reported at a net amount in the balance sheet when there is a legal right to set off and when there is an intention to settle the items with a net amount or at the same time realise the asset and settle the debt.

Calculation of fair value, financial instruments

When establishing the fair value for current investments, derivatives and loan liabilities the official market listing at the period-end is used and calculation takes place using generally accepted methods. In those cases where such methods are lacking, a valuation is made through discounting of future cash flows at the listed market interest rate for each term. Calculation into Swedish kronor is made at the listed rate at the period-end. Calculated and estimated fair values are indicative and will not necessarily be realised.

The nominal value, reduced by possible estimated credits, for accounts receivable and accounts payable is assumed to be equivalent to their fair value.

Rental receivables and accounts receivable and other receivables

Rental receivables and accounts receivable are reported at the amount which, following individual assessment, they are expected to paid.

Liquid funds

Liquid funds comprise cash and bank balances and current investments with a term shorter than three months. These assets are regarded as being saleable immediately with a negligible risk of changes in value, which means that the carrying amount (acquisition value plus accrued coupon) is equivalent to the fair value.

Current investments

Current investments with a period in excess of three months comprise interest-bearing securities and are reported and valued at fair value. Changes in value (unrealised profits and losses) are reported on a continuous basis through net interest income and expense.

In the Cash Flow Statement, current investments with a term in excess of three months are not classified as liquid funds.

Loan financing

All loan financing is reported initially at fair value, net after transaction costs. Borrowing is subsequently reported at the accrued acquisition value and any difference between the amount received and the repayment amount is reported under Net interest income and expense divided over the loan period with the application of the annualised percentage interest rate method.

Borrowing that comprises a hedged item in conjunction with fair value hedging is reported and valued after the acquisition point on a continuous basis at fair value. The change in value is reported under Net interest income and expense.

Loan financing in foreign currency is translated and the effects are reported through profit or loss.

The accrued coupon interest is allocated to a specific period and taken up as income over the term.

Loan costs, interest and transaction costs are reported as costs during the period they arise regardless of how the funds borrowed were utilised.

The financing cost for the Group's current new construction is charged entirely to each year's net interest income and expense.

Accounts payable and other liabilities

Accounts payable and other liabilities have a short expected term and are valued without discounting at the nominal value.

Financial derivatives

Derivatives are held primarily with the aim of securing long-term, cost-effective loan financing and to handle the Group's financial risk exposure by hedging existing interest and currency exposure against fluctuations in interest levels and exchange rates.

All derivatives are valued at fair value and changes in value are reported on a continuous basis against the financial result with the exception of the outstanding derivatives, which comprise hedging instruments. In a hedging situation, where the underlying balance sheet item is business-related, the derivatives' changes in value are reported against operating income. Changes in value attributable to the derivatives, which comprise hedging instruments in a cash flow hedge, are charged to equity and reported against financial or operating profit at the time the underlying exposures affect the result.

Interest derivatives (interest forward contracts, interest swaps, FRA contracts and interest options) are held mainly to secure the desired fixed interest period in existing loan financing. Interest derivatives are valued on a continuous basis at fair value and the effects attributable to the changes in value are reported against net interest income and expense in conjunction with the hedging of fair value and against equity in conjunction with cash flow hedging. The net of the accrued income interest and expense interest is allocated to a specific period and taken up as income over the term of the derivative.

In conjunction with financing in a foreign currency, all future payment flows are hedged so that no currency risk remains. Currency hedging takes place with the aid of currency derivatives (forward exchange contracts and currency swap agreements or, alternatively, combined with interest swap agreements). Currency derivatives are recalculated at the period-end exchange rate and when hedge reporting is applied the effects of the currency translation of the derivative naturally meet the effects of the currency translation of the loans in the financial result.

Independent derivatives, i.e. derivatives that are not included in a hedging situation, are valued at fair value and the change in value is recorded directly against the financial result.

With the aim of evening out price variations on the electricity market and in doing so achieve an even trend for the Group's electricity costs, future electricity consumption is hedged with the aid of electricity derivatives. Electricity derivatives are valued continuously at fair value and when hedge reporting according to the cash flow method is applied the changes in value are reported directly against equity. The effects of price hedging, the difference between an electricity derivative's assured price and the average spot price during the term of the derivative, are set off against profit and on maturity are transferred from equity and reported as an operating cost. Consequently, the result of the derivative together with the Group's physical electricity purchases constitute the actual electricity cost.

In principle, all currency risks attributable to outstanding electricity derivatives are exchange rate hedged with the aid of forward exchange contracts. Currency derivatives are valued on an ongoing basis at fair value and when hedge accounting according to the cash flow method is applied the changes in value are reported directly against equity. The effects are expensed on settlement, i.e. the effects are transferred from equity and reported as an operating cost.

Hedge accounting

Akademiska Hus's hedge accounting takes place through a division into two different methods of hedging depending on the aim of the hedging: 'Fair value hedging' and 'Cash flow hedging'.

In conjunction with fair value hedging, both the hedged item/exposure and the hedging instrument are valued at fair value. The changes in value are reported continuously through profit and loss.

In conjunction with cash flow hedging, the hedging instrument is valued at the fair value at the same time that the hedged item, in conjunction with borrowing, is valued according to the current valuation method (categorisation). A change in value attributable to a derivative which qualifies for hedge accounting according to the demands for cash flow hedging, is reported on a

Note 4 cont'd

continuous basis against equity until the underlying transaction/exposure affects the Income Statement.

One of the criteria for hedge accounting to be applied is that the hedging situation is expected to be effective both at the time of entering into as well as during the hedging period. The ineffective part of the hedge, i.e. the difference between the changes in value in the exposure (interest, electricity price or exchange rate risk) which are hedged in the underlying transaction/flow and the change in value in the hedging instrument's (derivative's) equivalent risk is taken up as income.

When a hedging measure is entered into, the relationship between the hedging instrument and the hedged item, the aim of the hedging measure and the method for calculating the effectiveness are documented.

Appropriations

Appropriations are reported in the Balance Sheet. When the Company has a formal or informal undertaking as a result of an event that has occurred and where it is probable that an outflow of resources is required to settle the undertaking and a reliable estimate of the amount can be made.

Parent Company, accounting principles

The Parent Company has prepared its annual accounts according to the Annual Accounts Act and the Swedish Financial Accounting Standards Council recommendation RR 32, Reporting for legal entities, and applicable statements from the Emerging Issues Task Force. RR 32 means that in the annual accounts for the legal entity, the Parent Company shall apply all EU-approved IFRS and statements, as far as this is possible within the framework of the Annual Accounts Act and the safeguarding of Pension Commitments Act and with consideration given to the link between accounting and taxation. The recommendation states the exceptions and addenda that are to be made to IFRS. The differences between the Group's and the Parent Company's accounting principles are stated below.

Investment properties

Investment properties are reported in a legal entity at the acquisition value with a deduction for accumulated depreciation, impairments and reversed impairments. The depreciation period is based on each investment property's useful life.

Payments to employees

The Parent Company's pension undertakings have been calculated and reported based on the Safeguarding of Pension Commitments Act. Application of the Safeguarding of Pension Commitments Act is a prerequisite for the right to make a tax deduction.

Deferred tax

The amounts which are allocated to untaxed reserves comprise taxable temporary differences. As a result of the link between accounting and taxation, the deferred tax liability attributable to the untaxed reserves is not reported separately in a legal entity. These are both reported at the gross amount in the Balance Sheet. The appropriations are reported at the gross amount in the Income Statement.

5 Estimates and assessments

When preparing reports in compliance with IFRS, the management and the Board must make assessments and assumptions that affect the reported asset and liability items and income and cost items in the final accounts as well as information provided generally, including contingent liabilities. These assessments are based on historical experience and other assumptions the management and the Board have considered to be reasonable under the prevailing circumstances. The conclusions drawn form the basis for decisions regarding the carrying amounts of assets and liabilities in those cases where these cannot be established easily through information from other sources. The actual outcome could differ from these assessments if other assumptions are made or if other conditions emerge. Particularly within the area of valuation of investment properties, assessments could have a material impact on the Akademiska Hus profit and position (see also following note).

6 Segment reporting

The geographical segment presentation has been prepared according to the same accounting principles applied to the Group as a whole. Net sales per segment are based on the tenant's geographical location whilst assets and liabilities are based on their physical location.

Income, including Other operating income	2005	2004
South	653,808	641,337
West	748,545	823,160
East	450,756	442,995
Uppsala	717,187	716,206
Stockholm	1,562,881	1,507,843
North	472,609	449,828
Other operations	107,126	94,857
Elimination of intra-Group income	-107,272	-94,818
Total income	4,605,640	4,581,408

In addition to the sales between the Parent Company and the Group's geographical segments, no significant sales between the segments have occurred.

Profit/loss before financial items, excluding central overheads	2005	2004
South	1,053,546	307,551
West	1,466,390	415,350
East	712,244	88,202
Uppsala	728,336	65,961
Stockholm	4,919,808	920,394
North	1,108,750	330,036
Other operations	-18,340	4,148
Elimination of intra-Group costs	-18,828	21,553
Total profit/loss before financial items, excluding central overheads	9,951,906	2,153,195

Reconciliation of Income Statement

Profit before net interest income and expense, excluding central overheads	9,951,906	2,153,195
Central overheads	-34,602	-34,541
Result from financial items (net)	-647,651	-794,447
Tax	-2,615,977	-373,995

Profit for the year according to the Income Statement	6,653,676	950,212
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Depreciation and impairments in property management	2005	2004
South	-1,317	-1,730
West	-1,212	-1,331
East	-486	-619
Uppsala	-1,902	-1,920
Stockholm	-10,264	-11,290
North	-706	-1,526
Other operations	-13,036	-3,617
Total depreciation and impairments in property management	-28,923	-22,033

Note 6, cont'd

Changes in value, investment properties	2005	2004
South	718,780	-24,226
West	972,557	-39,494
East	421,095	-213,665
Uppsala	341,420	-238,719
Stockholm	3,904,485	-22,366
North	855,245	60,215
Total changes in value, investment properties	7 213,582	-478,255

Assets (Balance Sheet total)	31-12-2005	31-12-2004
South	6,038,870	4,841,447
West	6,905,305	6,837,162
East	4,491,904	3,954,314
Uppsala	6,197,168	5,763,445
Stockholm	19,793,125	15,223,530
North	4,086,876	3,106,458
Other operations	25,649,148	24,432,159
Elimination of intra-Group transactions	-23,011,080	-23,737,346
Total assets	50,151,316	40,421,169

Liabilities (balance sheet total)	31-12-2005	31-12-2004
South	3,838,587	3,280,890
West	3,970,421	4,780,773
East	2,807,302	2,660,548
Uppsala	3,773,808	3,778,044
Stockholm	12,238,329	10,943,337
North	2,374,833	2,088,781
Other operations	20,124,750	18,427,002
Elimination of intra-Group transactions	-21,431,667	-22,156,015
Total liabilities	27,696,363	23,803,360

Investments	2005	2004
South	410,202	226,490
West	105,589	207,821
East	82,122	239,083
Uppsala	168,421	86,683
Stockholm	600,871	1,074,184
North	117,790	63,128
Other operations	4,514	7,073
Total investments	1,489,509	1,904,462

'Investments' refers to gross investments in intangible assets, investment properties, new construction in progress and equipment, fixtures and fittings. 'Other operations' refers to the Parent Company Akademiska Hus AB and Akademiska Hus Utveckling och Support AB.

7 Lease agreements

All the investment properties are leased under operational lease agreements and generate rental income. The rental income during the period amounted KSEK 4,480,648 (4,482,067) and the direct costs for property management during the period amounted to KSEK 1,806,071 (1,905,469).

Terms, lease contracts as at 31-12-2005

Due date	Number of contracts	Contracted annual rent	Proportion in %
Non-residential premises			
2006	248	434,190	10
2007	214	353,141	8
2008	196	414,444	10
2009	149	420,499	10
2010	61	299,391	7
2011	31	260,985	6
2012 and later	252	2,009,684	48
Miscellaneous	287	26,134	1
Total	1,438	4,218,468	100

Contracted annual income as at 31-12-2005 and according to the size of the contract

Contracted rental income per contract, KSEK	Number of contracts	Contracted annual rent	Proportion in %
Non-residential premises			
>90 000	1	107,280	3
50,000-90,000	3	153,622	4
30,000-50,000	13	477,590	11
20,000-30,000	19	466,048	11
15,000-20,000	33	573,162	14
10,000-15,000	55	678,454	15
7,500-10,000	53	478,897	11
5,000-7,500	65	394,386	9
2,500-5,000	122	459,615	11
<2,500	787	403,280	10
Miscellaneous	287	26,134	1
Total	1,438	4,218,468	100

8 Other management income

	Group IFRS		Parent Company Annual Accounts Act	
	2005	2004	2005	2004
Parking income	45,715	41,058	-	-
Miscellaneous	6,874	7,164	-	-
Total	52,589	48,222	-	-

9 Other management expenses

	Group IFRS		Parent Company Annual Accounts Act	
	2005	2004	2005	2004
Site leasehold charges, property tax and other risk costs	-68,218	-65,153	-	-
Miscellaneous	-4,414	-6,691	-	-
Total	-72,632	-71,844	-	-

10 Depreciation and impairments in property management

	Group IFRS		Parent Company Annual Accounts Act	
	2005	2004	2005	2004
<i>Depreciation within property management</i>				
Equipment, fixtures and fittings	-19,148	-20,800	-3,261	-2,384
Expenses brought forward for IT projects	-383	-1,233	-383	-1,233
<i>Impairments within property management</i>				
Expenses brought forward for IT projects	-9,392	-	-9,392	-
Total	-28,923	-22,033	-13,036	-3,617

In the Group KSEK 19,157 (11,016) has been reported as property administration and KSEK 9,766 (11,017) has been reported as an operating cost. In the Parent Company, KSEK 13,036 (3,617) has been reported as property administration.

11 Other operating income

	Group IFRS		Parent Company Annual Accounts Act	
	2005	2004	2005	2004
Profit on the sale of other non-current assets	209	-	-	-
Income from external management assignments and similar assignments	38,462	18,761	-	-
Income from services performed for tenants	26,008	27,832	-	-
Invoicing to regional companies	-	-	96,690	94,293
Miscellaneous	7,724	4,526	10,436	564
Total	72,403	51,119	107,126	94,857

12 Other operating expenses

	Group IFRS		Parent Company Annual Accounts Act	
	2005	2004	2005	2004
Loss on the sale and disposal of other non-current assets	-123	-430	-123	-404
Costs, external management assignments and similar assignments	-35,289	-16,814	-	-
Costs, services performed for tenants	-24,179	-26,127	-	-
Evacuation costs	-	-1,118	-	-
Miscellaneous	-1,654	-	-	-
Total	-61,245	-44,489	-123	-404

13 Employees and personnel costs

The average number of employees was as follows:

	2005	2004
<i>Parent Company</i>		
Göteborg	40	40
<i>Regional companies</i>		
Akademiska Hus Utveckling och Support AB	-	-
West	68	72
East	36	36
South	78	75
North	39	38
Stockholm	105	104
Uppsala	80	77
Group total	446	442

The proportion of women (based on the average number of employees) in the Parent Company is 43 per cent (45) and in the Group 25 per cent (24).

Gender division, Board, Group management and other persons in leading positions

The Board comprises nine members (9), of whom five (5) are women, i.e. 56 per cent (56).

Group management takes place through two groups, the Group Management (President, Vice President, Planning Director, Head of Marketing and Unit Managers at the Group office) and the Executive Management (President, Vice President, Planning Director and Regional Company Directors). The Group Management as at January 1, 2006 comprised seven men (6) and three women (3), i.e. 70 per cent men (67) and 30 per cent women (33). The Executive Management comprises eight men (8) and one woman (1), i.e. 89 per cent men (89) and 11 per cent women (11).

Other people in leading positions within the Group consist of 26 men (29) and 11 women (12), i.e. 70 per cent men (71) and 30 per cent women (29).

Note 13 cont'd

Salaries, other remuneration and social security costs

	2005			2004		
	Parent Company	Regional companies	Group	Parent Company	Regional companies	Group
<i>Salaries and remuneration</i>						
Board members, President	2,646	6,674	9,320	2,504	6,380	8,884
Other employees	22,166	133,506	155,672	21,250	136,017	157,267
Total	24,812	140,180	164,992	23,754	142,397	166,151
<i>Social security costs</i>						
Board members	2,008	4,911	6,919	1,918	9,579	11,497
(Pension costs, President)	(745)	(2,849)	(3,594)	(1,111)	(7,599)	(8,710)
Other employees	17,673	72,140	89,813	17,526	65,521	83,047
(Pension costs)	(10,759)	(29,362)	(40,121)	(10,555)	(21,827)	(32,382)
Total	19,681	77,051	96,732	19,444	75,100	94,544
(Pension costs)	(11,504)	(32,211)	(43,715)	(11,666)	(29,426)	(41,092)

The Group's outstanding pension obligations to the President and the Regional Company Directors totalled KSEK 5,442 (4,433). The corresponding amount in the Parent Company is KSEK 0 (0).

Payments to the Board

		Board fee	Remuneration committee	Finance committee	Audit committee
Chairman of the Board	Claes Ljungh	143	10	25	–
Member	Charlotte Axelsson	72	10	–	–
Member	Sigbrit Franke	72	5	–	–
Member	Marianne Förander	72	–	–	12
Member	Birgitta Kantola	72	–	25	–
Member	Maj-Charlotte Wallin	72	–	–	12
Member	Per Granath ¹⁾	36	–	–	8
Deputy chairman	Lennart Nilsson ¹⁾	52	4	13	–
Employee representative	Sveinn Jonsson	–	–	–	–
Employee representative	Parzin Seradji	–	–	–	–
Total		591	29	63	32

¹⁾ Board member during part of 2005.

Payments to the Executive Management

		Salary	Pension cost
CEO and President	Joakim Ollén	1,786	745
Vice-President, Akademiska Hus AB	Thomas Norell	1,469	385
Regional Director, South	Mikael Lundström ¹⁾	270	–
Regional Director, South	Sune Walter ¹⁾	761	303
Regional Director, West	Eva Lindberg	981	342
Regional Director, East	Bengt Erlandsson	779	655
Regional Director, Uppsala	Hans Antonsson	904	138
Regional Director, Stockholm	Lennart Karlsson	1,350	352
Regional Director, North	Lars Gustafsson	906	709
Head of Marketing/Vice President, Stockholm	Hans Lindh	861	295
CIO, Akademiska Hus AB	Per Brantsing-Karlsson	686	130
Technical Director, Akademiska Hus AB	Tomas Hallén	856	282
Corporate Communications Director, Akademiska Hus AB	Katarina Hägg Peterson ²⁾	638	88
CFO, Akademiska Hus AB	Gunnar Oders	758	169
Treasurer, Akademiska Hus AB	Agneta Rodosi	1,147	193
Planning Director, Akademiska Hus AB	Anders Rubensson	1,128	367
Lawyer, Akademiska Hus AB	Carolin Åberg Sjöqvist ²⁾	176	70
Total		15,456	5,223

¹⁾ Employed during part of 2005.

²⁾ On parental leave during part of 2005.

Note 13 cont'd

Principles governing remuneration to the Board and executive management

The members of the Board receive a fee as decided at the Annual Meeting. Board members who are employed within the Akademiska Hus Group do not receive any fee for this work.

Payment for committee work was set at the 2005 Annual Meeting.

Payment to the CEO and other senior executives comprises a basic salary and a pension. The pension cost refers to the cost that has had an impact on the profit for the year. All payments are excluding social insurance charges and employer's contribution. Payment to the CEO is decided by the Board following a recommendation by the Remuneration Committee. Payments to other senior executives are decided by the President of the Parent Company following consultation with the Remuneration Committee. Payment comprises a basic salary, other benefits and a charge-defined pension.

Pensions

Akademiska Hus has taken out individual occupational pension insurance for the CEO. The agreed retirement age is 62 years. For the CEO, the company allocates 45 per cent of the agreed fixed salary to a defined charge pension insurance.

For other persons in leading positions (Group Management) the pension is equivalent to the ITP plan from the age of 65.

Severance pay

An agreement has been reached with the CEO regarding a period of notice given by the Company of 12 months. In the event of such notice being given, a lump sum can be paid in the form of salary for a maximum of 24 months (including the period of notice). Other persons in leading positions within the Group have an agreed period of notice of between 6 and 12 months. In the event of notice being given by the Company, a lump-sum payment can be paid in the form of salary for 6 to 24 months (including the period of notice).

Absenteeism due to sickness, Group and the Parent Company

	Group		Parent Company	
	2005	2004	2005	2004
Total absenteeism due to sickness, %	5.4	5.1	2.9	4.3
Long-term absenteeism due to sickness, % of total absenteeism due to sickness	67.2	68.4	46.0	60.9
Absenteeism due to sickness, men, %	4.7	4.1	3.4	3.8
Absenteeism due to sickness, women, %	7.4	8.3	2.4	4.9
Absenteeism due to sickness, employees under 30 years, %	5.0	1.6	1.6	1.8
Absenteeism due to sickness, employees 30-49 years, %	3.4	4.3	1.8	4.3
Absenteeism due to sickness, employees 50 years and older, %	7.7	6.7	4.9	5.0

The total absenteeism due to sickness is stated as a percentage of the employees' total ordinary working time. Long-term absenteeism refers to absenteeism over a continuous period of 60 days or more.

14 Fees and expenses paid to auditors and auditing companies

	Parent Company	Regional companies	Group
2005			
<i>Deloitte AB</i>			
Audit assignments	1,298	809	2,107
Other assignments	814	8	822
<i>National Audit Office</i>			
Audit assignments	59	–	59
Total	2,171	817	2,988
2004			
<i>Deloitte AB</i>			
Audit assignments	1,157	780	1,937
Other assignments	1,256	45	1,301
<i>National Audit Office</i>			
Audit assignments	65	–	65
Total	2,478	825	3,303

'Audit assignment' refers to the examination of the Annual Report and the accounting records as well as the administration by the Board and the President, other duties that are incumbent on the Company's auditor to perform (e.g. examination of a prospectus for an EMTN programme) as well as advice or other assistance as a result of observations made in conjunction with such an examination or the performance of such other duties. Everything else is classified as Other assignments.

15 Result from financial income and expense

	Group IFRS		Parent Company Annual Accounts Act	
	2005	2004	2005	2004
<i>Result from shares in Group companies</i>				
Dividend	–	–	190,000	185,000
Total	–	–	190,000	185,000
<i>Result from other securities and receivables accounted for as non-current assets</i>				
Interest income, Group companies	–	–	869,489	964,901
Interest income, miscellaneous	236,773	–	236,773	–
Total	236,773	–	1,106,262	964,901
<i>Other interest income and similar profit/loss items</i>				
Interest income, Group companies	–	–	892	2,708
Interest income, miscellaneous	96,406	9,852	94,743	7,061
Total	96,406	9,852	95,635	9,769
Result of financial income	333,179	9,852	1,391,897	1,159,670
<i>Other interest expense and similar profit/loss items</i>				
Interest expense, Group companies	–	–	–10,103	–5,265
Interest expense, miscellaneous	–980,830	–804,299	–966,116	–784,382
Result, financial expense	–980,830	–804,299	–976,219	–789,647
Result of financial items, net	–647,651	–794,447	415,678	370,023

Note 15, cont'd

The changes in value, financial items, are broken down as follows:

	Group IFRS		Parent Company Annual Accounts Act	
	2005	2004	2005	2004
<i>Unrealised changes in value</i>				
Changes in value, independent derivatives	54,062	-	54,062	-
Changes in value, fair value hedging	-11,147	-	-11,147	-
Total	42,915	-	42,915	-
<i>Realised changes in value</i>				
Changes in value, independent derivatives	-10,598	-	-10,598	-
Changes in value, cash flow hedges	993	-	993	-
Changes in value, other liabilities	-59,022	-	-59,022	-
Total	-68,627	-	-68,627	-
Total changes in value	-25,712	-	-25,712	-

The Group and the Parent Company used the exceptions granted in IFRS 1 to companies applying IFRS for the first time not to recalculate comparison figures/information for 2004.

16 Appropriations and untaxed reserves (Parent Company)

	31-12-2005	31-12-2004
<i>Appropriations</i>		
Change in tax allocation reserve	54,316	-17,250
Difference between book depreciation and depreciation according to plan	1,362	-1,310
Total	55,678	-18,560
<i>Untaxed reserves</i>		
Allocation to tax allocation reserve, 2000 tax assessment	-	27,166
Allocation to tax allocation reserve, 2001 tax assessment	15,168	42,317
Allocation to tax allocation reserve, 2002 tax assessment	46,497	46,497
Allocation to tax allocation reserve, 2003 tax assessment	49,834	49,834
Allocation to tax allocation reserve, 2004 tax assessment	59,687	59,687
Allocation to tax allocation reserve, 2005 tax assessment	53,367	53,367
Allocation to tax allocation reserve, 2006 tax assessment	-	-
Additional depreciation	-52	1,310
Total	224,501	280,178

17 Taxes

The following components are included in the Group's and Parent Company's tax expense:

	Group IFRS		Parent Company Annual Accounts Act	
	2005	2004	2005	2004
Tax on profit for the year				
<i>Current tax</i>				
Current tax on profit for the year	-258,297	-150,440	95	-44,829
Total current tax	-258,297	-150,440	95	-44,829
<i>Deferred tax</i>				
Deferred tax attributable to a change in temporary differences	-2,357,680	-223,555	-75,790	-
Total deferred tax	-2,357,680	-223,555	-75,790	-
Total tax on profit for the year	-2,615,977	-373,995	-75,695	-44,829

The difference between the reported tax expense and tax expense based on the current tax rate comprises the following components:

	Group IFRS		Parent Company Annual Accounts Act	
	2005	2004	2005	2004
Reported profit before tax	9,269,653	1,324,207	451,555	344,482
Tax according to the current tax rate	-2,595,563	-370,777	-126,435	-96,455
<i>Tax effect of expenses that are not tax deductible/taxable (permanent differences):</i>				
Non-deductible expenses	-675	-2,274	-394	-215
Non-taxable income	460	553	57	41
Taxable standard interest calculated on the tax allocation reserve	-6,934	-	-2,218	-
Dividend from regional companies	-	-	53,200	51,800
Adjustment of tax expense from previous years	-13,325	-1,497	95	-
Total reported tax expense	-2,615,977	-373,995	-75,695	-44,829

Note 17, cont'd

Reported deferred prepaid tax/liabilities

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
<i>Deferred prepaid tax attributable to temporary differences</i>				
Financial instruments	101,318	-	101,318	-
Miscellaneous	6,450	-	291	-
Total reported deferred prepaid tax	107,768	-	101,609	-
<i>Deferred prepaid tax attributable to temporary differences</i>				
Tax allocation fund	-287,350	-244,483	-	-
Investment properties	-6,058,395	-3,792,091	-	-
Cash flow hedging	-13,081	-	-13,081	-
Miscellaneous	-7,946	-29,528	-	-
Total reported deferred prepaid tax	-6,366,772	-4,066,102	-13,081	-
Total reported deferred prepaid tax/tax liability	-6,259,004	-4,066,102	88,528	-

The following deferred prepaid tax refers to items reported against equity:

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
<i>Cash flow hedge</i>				
- Exchange rate interest swap	-25	-	-25	-
- Currency derivative	-571	-	-571	-
- Electricity derivative	-18,639	-	-18,639	-
Total deferred tax reported in equity	-19,235	-	-19,235	-

Unreported deferred tax

In the Parent Company no deferred tax in respect of untaxed reserves has been reported. The deferred tax liability related to untaxed reserves totals KSEK 62,860 (78,450). The consolidated accounts do not include any material unreported temporary differences between carrying and tax values for assets and liabilities. All tax deficit deductions within the Group can be utilised for an unlimited period in the future.

18 Dividend

The dividend was paid to the shareholder on May 10, 2005 and totalled SEK 394,000,000 (250,000,000). The dividend per share was SEK 184.54 (117.10). As regards the dividend for the year, the Board proposes a dividend of SEK 309.13 per share to be paid to the shareholder on April 27, 2006. A decision regarding a dividend will be reached by the shareholder at the Annual General Meeting. The dividend has not been recorded as a liability in the Annual Report. The dividend is estimated at SEK 660,000,000.

19 Costs brought forward for development work

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
Opening acquisition value	11,008	7,232	11,008	-
Sales and disposals	-	-7,232	-	-
Purchases	-	11,008	-	11,008
Closing accumulated acquisition value	11,008	11,008	11,008	11,008
Opening depreciation	-1,233	-1,115	-1,233	-
Sales and disposals	-	1,115	-	-
Depreciation for the year	-383	-1,233	-383	-1,233
Closing accumulated depreciation	-1,616	-1,233	-1,616	-1,233
Opening impairments	-	-	-	-
Impairments for the year	-9,392	-	-9,392	-
Closing accumulated impairments	-9,392	-	-9,392	-
Carrying value	-	9,775	-	9,775

Development costs totalling KSEK 14,717 (3,577) were expensed during the year.

During 2005, impairments in respect of costs brought forward for development work totalling KSEK 9,392 were reported as property administration. The impairment as a whole has been charged to the net operating profit/deficit. The impairment is based on a calculation of the Group's value in use and is mainly attributable to consulting costs and internally generated time for the development of IT systems.

20 Investment properties (Group)

The assessed fair value of investment properties has been changed during the year as follows:

	31-12-2005	31-12-2004
Opening carrying value	38,230,248	36,118,000
Investments transferred from new construction in progress	512,306	1,430,083
Direct investments	588,810	1,185,841
Sales and disposals	-859,289	-25,421
Net change in value	7,144,069	-478,255
Carrying value	45,616,146	38,230,248

Changes in value can be broken down into the following components:

	2005	2004
<i>Changes in value</i>		
Positive	8,597,860	1,607,960
Negative	-1,453,790	-2,086,215
<i>Profit on sales and disposals</i>		
Positive	71,350	-
Negative	-1,838	-
Total changes in value, investment properties	7,213,582	-478,255

Note 20, cont'd

The assessed fair value of the Group's investment properties as at December 31, 2005 has been set following an internal property valuation. The valuation was based on different valuation models as follows:

Cash flow method	Evaluation object with a relatively safe income and expenses that can be calculated	SEK 43,398 m
Location price method	Expansion reserves	SEK 960 m
Special basis for calculation	A development object with uncertain conditions and residential property	SEK 1,258 m
Total		SEK 45,616 m

External valuation

External valuations have been made as a benchmark for the internal cash flow valuation. A total of 13 major valuation objects have been valued externally. The value of these objects according to the external valuation totalled SEK 6,171 million. These objects are recorded in the final accounts at SEK 6,039 million according to the internal valuation. To some extent external valuations have been used for management objects with a special calculation basis.

Calculation basis for cash flow valuation

The cash flow valuation has been made with a cash flow period of 10 years

The cost of capital for the cash flow varies for different objects in the range 6.5 per cent to 8.5 per cent depending on the location/town, rental period and dominant type of premises.

The residual value at the end of the calculation period has been calculated on the outgoing net operating profit with a direct yield requirement that varies between 6.0 per cent and 10.5 per cent depending on the location/town and the volume of specially adapted premises. The residual value has been calculated at the present value using the same cost of capital used for the cash flow period.

Income and expenses have been adjusted in price according to the lease agreements and an annual inflation assumption of 2 per cent. When current lease agreements run out a general vacancy level of 5 per cent has been adopted.

Costs for current maintenance have been recorded at SEK 70/m² for rentable, non-laboratory premises and SEK 110/ m² for rentable laboratory premises. For more complex, specialist buildings and certain other objects which are facing extensive refurbishment of a maintenance nature, major forthcoming maintenance costs have been taken into account in the cash flow valuation at estimated amounts.

Operating costs have been taken into account at budgeted amounts. A standard figure for property administration has been entered at SEK 70/ m² for rentable premises. The present value of the net operating profit and the residual value have been reduced by three per cent for stamp duty.

Expansion reserves

The expansion reserves in conjunction with the Group's campuses have building rights totalling approximately one million square metres above ground. These building rights have been valued using the location price method.

A deduction has been made for overheads as a result of exploitation agreements with the municipalities concerned or estimated costs for the construction of roads etc. in conjunction with future expansion.

A number of land areas have been valued as 'raw land' as a result of unclear planning conditions for municipal construction.

Miscellaneous

There are no limits with regard to the right to sell the investment properties or use the rental income.

All the investment properties are leased under operational lease agreements and generate rental income. The rental income during the period amounted to KSEK 4,480,648 (4,482,067) and the direct costs for the investment properties during the period totalled KSEK 1,806,071 (1,905,469).

The term 'investments' refers to direct investments in investment properties. Investments in new construction in progress are reported at the cost incurred.

The tax assessment values are as follows:

	31-12-2005	31-12-2004
Buildings	119,055	118,111
Land	52,442	53,511
Total	171,497	171,622

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

21 Construction in progress in investment properties (Group)

	31-12-2005	31-12-2004
Opening acquisition value	805,790	1,555,497
Purchases	893,452	680,376
Sales	-65,500	-
Transfer to investment properties	-512,306	-1,430,083
Closing accumulated acquisition value	1,121,436	805,790

New construction in progress has been recorded in the final accounts at cost. An assessment has been made and it is considered that new construction in progress would not in any case be valued lower using another method.

22 Equipment, fixtures and fittings

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
Opening acquisition value	134,768	127,951	8,407	-
Purchases	7,247	10,349	4,514	8,811
Sales and disposals	-14,965	-3,532	-317	-404
Closing accumulated acquisition value	127,050	134,768	12,604	8,407
Opening depreciation	-93,552	-75,842	-2,384	-
Sales and disposals	12,053	3,090	194	-
Depreciation for the year	-19,148	-20,800	-3,261	-2,384
Closing accumulated depreciation	-100,647	-93,552	-5,451	-2,384
Carrying value	26,403	41,216	7,153	6,023

23 Shares in Group companies

	31-12-2005	31-12-2004
Opening acquisition value	1,564,200	1,564,200
Shareholders' contributions granted	-	-
Purchase of shares in regional companies	-	-
Sale of shares in regional companies	-	-
Carrying value at the year-end	1,564,200	1,564,200

Note 23, cont'd

Specification of the Parent Company's shareholdings in Group companies

	Company reg. no.	Registered office	Total number of shares	Share of equity in % ¹⁾	Carrying value
Akademiska Hus Väst AB	556467-8760	Göteborg	95,000	100	189,950
Akademiska Hus Öst AB	556467-8778	Linköping	50,000	100	99,950
Akademiska Hus Syd AB	556467-8786	Lund	85,000	100	169,950
Akademiska Hus Norr AB	556467-8752	Umeå	50,000	100	159,950
Akademiska Hus Stockholm AB	556467-8737	Stockholm	335,000	100	669,950
Akademiska Hus 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.

24 Derivatives (Group)

Derivatives are used to handle interest risk exposure and to eliminate currency risks in conjunction with financing in a foreign currency. The fair value of interest and currency swap agreements include the underlying capital amounts and accrued interest. The Group's risk management is described in Note 35 Financial Risk Management.

Reported values, derivatives, are broken down as follows:

	31-12-2005		31-12-2004			31-12-2005		31-12-2004	
	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	Assets	Liabilities
Non-current					Current				
<i>Independent derivatives</i>					<i>Independent derivatives</i>				
– interest derivatives	295,112	743,440	–	–	– interest derivatives	38,635	19,114	–	–
<i>Hedging instrument, fair value hedging</i>					<i>Hedging instrument, fair value hedging</i>				
– interest derivatives	235,284	22,136	–	–	– interest derivatives	226,159	–	–	–
– exchange rate interest swaps	507,763	159,360	–	–	<i>Hedging instrument, cash flow hedging</i>				
<i>Hedging instrument, cash flow hedging</i>					– currency derivatives	13,630	–	–	–
– interest derivatives	585	–	–	–	– electricity derivative	28,419	–	–	–
– exchange rate interest swaps	12,939	–	–	–	Total, current	306,843	19,114	–	–
– electricity derivatives	17,163	–	–	–	Total, derivatives	1,375,689	944,050	–	–
Total, non-current	1,068,846	924,936	–	–					

Fair value is equivalent to the reported value in the table above. The Group makes use of the exceptions granted in IFRS 1 for companies that are applying IFRS for the first time not to recalculate comparative figures/information for 2004.

Note 24, cont'd

The Group's derivatives have the following due date structure, SEK m

	31-12-2005						31-12-2004					
	Independent derivatives ¹⁾		Fair value hedging ²⁾		Cash flow hedging ³⁾		Independent derivatives ¹⁾		Fair value hedging ²⁾		Cash flow hedging ³⁾	
	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value
2005	-	-	-	-	-	-	2,100	-56	-1,273	-83	-1,507	-236
2006	-701	18	-3,021	214	-1,088	55	-700	25	-2,896	188	-46	-3
2007	2,843	-199	-785	125	-121	15	2,800	-282	-	-	-11	-1
2008	-600	-3	-2,148	141	-38	3	-600	-11	-2,081	197	-	-
2009	1,940	-112	-2,349	268	-	-	1,300	-124	-2,250	189	-	-
2010	1,537	-10	-1,785	-93	-	-	300	-4	-1,942	-165	-	-
2011	1,410	-	-604	-3	-	-	-	-	-	-	-	-
2012	-	-	-639	-5	-	-	-	-	-310	-6	-	-
2013 and later	676	-125	-1,000	142	-	-	1,261	-92	-	-	-	-
Total	7,105	-431	-12,331	789	-1,247	73	6,461	-544	-10,752	320	-1,564	-240

¹⁾ Nominal amount, independent derivatives, a positive amount constitutes an extension of the portfolio's fixed interest.

²⁾ Nominal amount, fair value hedging, a negative amount constitutes a purchase of foreign currency.

³⁾ Nominal amount, cash flow hedging, a negative amount constitutes a purchase of foreign currency and/or a purchase of electricity derivatives.

The table below shows the due date structure for derivatives in SEK million, which constitute hedging instruments in cash flow hedging.

	31-12-2005						31-12-2004					
	Exchange rate interest swaps ¹⁾		Currency derivatives ¹⁾		Electricity derivatives ²⁾		Exchange rate interest swaps ¹⁾		Currency derivatives ¹⁾		Electricity derivatives ²⁾	
	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value
2006	-483	13	-476	14	-129	28	-468	-138	-966	-81	-73	-17
2007	-	-	-35	-	-86	15	-	-	-	-	-46	-3
2008	-	-	-11	-	-27	3	-	-	-	-	-11	-1
Total	-483	13	-522	14	-242	46	-468	-138	-966	-81	-130	-21

¹⁾ Nominal amount, exchange rate interest swaps and interest derivatives, a negative amount constitutes a purchase of foreign currency.

²⁾ Nominal amount, electricity derivative, a negative amount constitutes a purchase of electricity derivatives.

The following table shows the due date structure for forecast flows/volumes for electricity together with electricity derivatives and currency derivatives entered into with the aim of hedging the electricity price. All outstanding exchange rate hedgings are in EUR/SEK.

	Forecast volume, MWh	Hedging level price, in %	Hedging level currency, in %
2006	458,359	76.9	67.2
2007	460,503	51.4	31.0
2008	460,908	17.2	8.7

25 Rent receivables and accounts receivable

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
Rent receivables and accounts receivable	467,445	540,041	52	19
Provision, doubtful rent receivables and accounts receivable	-1,446	-	-	-
Total current	465,999	540,041	52	19
Other non-current receivables	4,665	-	-	-
Total non-current	4,665	-	-	-
Total rent receivables and accounts receivable	470,664	540,041	52	19

The Group's non-current receivables amounting to KSEK 4,665 are expected to be realised within 5 years of the year-end.

26 Prepaid expenses and accrued income

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
Accrued rent	12,825	-	-	-
Prepaid rent	2,987	3,095	-	-
Accrued interest income	118	278	-	71
Prepaid interest expense	651	857	651	857
Prepaid energy costs	69,712	-	-	-
Losses on closed derivative contracts allocated to a specific period	-	314,712	-	314,712
Miscellaneous	63,090	36,336	32,593	8,733
Total	149,383	355,278	33,244	324,373

In conjunction with the transfer to IFRS the previous principle regarding the settling and allocation to a specific period of a loss is attributable to closed derivative contracts is not applicable and the reported amount for 2004 is included in the opening balance and remains in the profit brought forward.

27 Due date structure, receivables

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
<i>Due date structure</i>				
Receivables expected to be realised within one year of the year-end	1,025,897	768,768	407,493	162,828
Receivables expected to be realised within 1–5 years of the year-end	953,712	201,992	887,873	201,442
Receivables expected to be realised later than five years after the year-end	182,243	34,752	21,702,965	22,156,836
Total	2,161,852	1,005,512	22,998,331	22,521,106

28 Liquid funds

Current investments mainly comprise surplus liquidity invested in the day loan market and collateral granted attributable to the credit support annexes (CSA). At the turn of the year the Group had granted collateral through CSA agreements of KSEK 0 (45,300). Blocked bank funds in respect of pledged assets for stock market-cleared derivatives are included to the amount of KSEK 52,335 (31,467) in the reported amount for cash and bank holdings for the Group and the Parent Company.

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
Cash and bank holdings	807,330	283,328	807,275	283,276
Current investments	418,149	45,300	418,149	45,300
Total	1,225,479	328,628	1,225,424	328,576

The fair value is equivalent to the reported value for cash and bank holdings is and current investments.

Liquid funds in the Cash Flow Statement include the following:

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
Cash and bank holdings	807,330	283,328	807,275	283,276
Current investments	418,149	45,300	418,149	45,300
Total	1,225,479	328,628	1,225,424	328,576

29 Hedge reserve/Fair value reserve

	Group IFRS	Parent Company Annual Accounts Act
	31-12-2005	31-12-2004
Opening balance as at January 1, 2005	-15,826	-15,826
Change in value, derivatives (cash flow hedging)		
Exchange rate interest swap	88	88
Currency derivatives	2,040	2,040
Electricity derivatives	49,987	49,987
Transferred to the financial result	-	-
Transferred to the operating result	16,583	16,583
Tax effect	-19,235	-19,235
Closing balance as at December 31, 2005	33,637	33,637

30 Loans

The Group's financing takes place mainly through borrowing via four public financing programmes. Through their standardised terms and conditions these permit rational, cost-effective financing. The Group has a domestic commercial paper programme, an MTN programme and international ECP and EMTN programmes. Bank financing is used to a limited extent. The average capital for bank financing during 2005 was SEK 5 million (257).

The Group risk management is presented in Note 35 Financial risk management.

Note 30, cont'd

Financing cost

Net interest income and expense totalled SEK –648 million (–794) and the average liability portfolio was SEK 16,794 million (17,547). Financing costs totalled 3.85 per cent (4.50), measured as interest cost in relation to the average interest-bearing liability according to IFRS. As at December 31, 2005, the average interest on outstanding liabilities was 2.35 per cent (2.82) excluding interest derivatives, and 3.50 (4.26) per cent including interest derivatives.

	2001	2002	2003	2004	2005
Financing cost for loans, %	4.85	4.75	3.97	3.05	2.62
Net interest income/expense, interest rate swaps, %	0.30	0.40	0.90	1.20	1.05
Allocations to specific periods and charges, %	0.45	0.40	0.43	0.25	0.03
Changes in value, financial instruments according to IFRS, %	–	–	–	–	0.15
Total financing cost, %	5.60	5.55	5.30	4.50	3.85

A permanent change in the market interest rate of one percentage point would affect Akademiska Hus's financing cost to the amount of SEK 175 million (171). In the calculation, the interest tie-up for loans or derivatives has not been taken into account.

Borrowing can be broken down as follows:

	Group IFRS				Parent Company Annual Accounts Act			
	31-12-2005		31-12-2004		31-12-2005		31-12-2004	
	Reported value	Fair value	Reported value	Fair value	Reported value	Fair value	Reported value	Fair value
Bonds & MTN	4,322	4,343	2,040	2,230	4,322	4,343	2,040	2,230
EMTN	7,569	7,577	8,322	8,555	7,569	7,577	8,322	8,555
Other loans	1,582	1,583	1,303	1,214	1,387	1,387	1,107	1,009
Total, non-current loans	13,473	13,503	11,665	11,999	13,278	13,307	11,469	11,794
Bank financing	–	–	–	–	–	–	–	–
Commercial paper	–	–	2,323	2,324	–	–	2,323	2,324
ECP	435	434	963	882	435	434	963	882
Bonds & MTN	564	568	391	402	564	568	391	402
EMTN	3,024	3,024	1,323	1,217	3,024	3,024	1,323	1,217
Other loans	–	–	473	330	–	–	468	330
Total current loans	4,023	4,026	5,473	5,155	4,023	4,026	5,468	5,155
Total loans	17,496	17,529	17,138	17,154	17,301	17,333	16,937	16,949

The figures presented in the above table do not include accrued coupon interest.

Due date structure, loans, SEK m

	Fixed interest			Variable interest				
	Loans	Derivatives	Total	Loans	ECP and commercial paper	Derivatives	Total	Total
2006:1	3,586	–3,022	564	–	437	1,056	1,493	2,057
2006:2	–	–1,000	–1,000	–	–	1,000	1,000	–
2006:3	–	–	–	–	–	–	–	–
2006:4	–	300	300	–	–	–300	–300	–
2007	1,335	2,058	3,393	483	–	–2,088	–1,605	1,788
2008	1,948	–2,748	–800	880	–	2,681	3,561	2,761
2009	2,349	–409	1,940	–	–	310	310	2,250
2010	3,285	–248	3,037	–	–	404	404	3,441
2011	604	806	1,410	–	–	595	595	2,005
2012	639	–639	–	–	–	654	654	654
2013 and later	200	–324	–124	1,321	–	739	2,060	1,936
Total	13,946	–5,226	8,720	2,684	437	5,051	8,172	16,892

The above table shows borrowing (nominal amount) together with outstanding interest and currency derivatives. Loans and derivatives in foreign currency have been calculated at the year-end exchange rate. As all loans raised in a foreign currency are swapped to Swedish kronor the exchange rate effect is neutralised. Positive value = the Group pays interest, negative value = the Group receives interest.

Note 30, cont'd

Important contractual terms and conditions

The Group's bond programmes, MTN and EMTN, include a clause regarding state ownership. In the event the Swedish state ceases to be the holder, directly or indirectly, of more than 50 per cent of the shares in Akademiska Hus AB, equivalent to more than 50 per cent of the shares and more than 50 per cent of the votes, the bonds fall due for payment immediately. The Group has no agreement where the terms and conditions are linked to a certain rating level.

Currency distribution loans

The Group's loans as of the year-end are distributed as follows under the original currency and in SEK m after taking into account currency and interest swap agreements:

Currency	31-12-2005				31-12-2004			
	Nominal amount	Interest %	Interest % in SEK	Amount in SEK m	Nominal amount	Interest %	Interest % in SEK	Amount in SEK m
<i>Swapped to SEK</i>								
<i>ECP</i>								
EUR	–	–	–	–	134	2.03	2.12	963
USD	55	3.88	1.57	435	–	–	–	–
Total			1.57	435			2.12	963
<i>EMTN</i>								
CHF	1,260	2.93	1.99	7,690	1,150	3.34	2.36	6,851
EUR	250	4.50	1.92	2,440	250	4.50	2.49	2,250
JPY	3,000	1.97	2.01	213	3,000	1.97	2.20	244
Total			1.97	10,343			2.38	9,345
<i>Other loans</i>								
JPY	20,000	1.59	1.85	1,387	15,000	1.78	2.22	1,107
USD	–	–	–	–	50	2.56	2.16	468
Total			1.85	1,387			2.20	1,575
Total			1.95	12,165			2.34	11,883
<i>Unswapped (in SEK m)</i>								
Commercial paper	–	–	–	–	2,330	2.09	2.09	2,323
Bonds & MTN	4,920	–	3.27	5,136	2,664	5.57	5.57	2,731
Other loans	195	–	3.24	195	201	4.30	4.30	201
Total			3.27	5,331			3.84	5,255
Total			2.35	17,496			2.82	17<138

31 Allocations to pensions and similar commitments

Defined benefit pension plans

Almost all employees in the Akademiska Hus Group are covered by defined benefit pension plans, which means that the employees are guaranteed a pension equivalent to a certain percentage of their salary. The pension plan mainly comprises a retirement pension, sickness pension and family pension. The pension commitments regarding the ITP plan retirement pension are secured mainly through provisions in the Balance Sheet, the FPG/PRI system and the ITP plan family pension, sickness pension and occupational group life through insurance premiums. All pension commitments which the Akademiska Hus Group took over from the National Board of Public Building when the Company was formed on October 1, 1993 are defined benefit plans, secured through provisions in the Balance Sheet, guaranteed by the National Debt Office and administered by the National Government Employees Pension Board (SPV). The Group also has employees who are covered by defined contribution pension plans, so-called alternative ITP for high-income earners, as well as individual pension assurances to senior executives. The contributions for the latter plans are normally a percentage of the employee's salary.

Hedge accounting

When financing in a foreign currency all future payment flows are hedged so that no exchange risk remains. Through exchange rate interest swaps, all interest payments, both fixed and variable, are hedged as well as future repayments. All the measures taken have the express purpose of hedging and eliminating any exchange rate risk so that all financing is denominated in Swedish kronor. Effective hedging means that changes in the value of the hedged position and the actual hedging transaction on balance counteract each other.

The following provisions have been made in the Balance Sheet:

	31-12-2005	31-12-2004
Current value of the commitment at the period-end	235,883	194,541
Actuarial profits (+) losses (-) brought forward	-33,979	–
Allocated to pensions	201,904	194,541

The total pension cost is as follows:

	2005	2004
Benefits earned during the year	4,946	5,906
Interest on the pension provision	9,284	8,465
Pension costs, defined benefit plans	14,230	14,371
Pension costs, defined contribution plans	24,645	26,172
Employer's contribution and tax on returns, other pension costs	9,136	7,633
Total pension costs	48,011	48,176

Note 31, cont'd

The actuarial computation of the pension commitments and pension costs is based on the following assumptions:

	31-12-2005	31-12-2004
Discount rate	5.00	5.00
Salary increase	3.00	3.00
Inflation	2.00	2.00
Income base amount	2.75	2.75
Personnel turnover	0	0
Remaining period of service, years	17.0	15.7

Pension commitments and provisions for pension undertakings and net actuarial gains/losses for the defined benefit plans have changed as follows:

Pension commitments	31-12-2005	31-12-2004
Opening balance	194,541	186,702
Benefits earned during the year	4,946	5,906
Interest costs	9,284	8,465
Benefits paid	-6,867	-6,532
Closing balance	201,904	194,541
Actuarial gains and losses	31-12-2005	31-12-2004
Opening balance, actuarial gains (+)/losses (-)	5,538	-
Actuarial gains (+)/losses (-) on pension commitments	-39,517	5,538
Closing balance, actuarial gains (+)/losses (-)	-33,979	5,538

Information regarding the reporting of benefit-defined pension plans which cover several employers – Alecta

The retirement pension and family pension undertaking for white-collar workers in Sweden is secured through insurance with Alecta. According to a statement from the Swedish Financial Accounting Standards Council Emerging Issues Task Force, URA 42, this is a defined benefit plan covering several employers. For the 2005 financial year the Company has not had access to such information that makes it possible to report this plan as a defined benefit plan. The pension plan according to ITP, which is secured through insurance with Alecta, is therefore reported as a defined contribution plan. The charges for the year for pension insurance taken out with Alecta total SEK 9.2 million (9.1). Alecta's surplus can be distributed to the policyholders and/or the insured. At the end of 2005, Alecta's surplus in the form of the collective consolidation level amounted to 128.5 per cent (128.0). The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance undertakings, calculated according to Alecta's insurance calculation assumptions, which do not concur with IAS 19.

Provisions for pensions and similar commitments in the Parent Company

The reported pension liability in the Parent Company comprises:

	31-12-2005	31-12-2004
FPG/PRI Pensions	14,239	12,721
Other pensions	64,391	68,072
Total	78,630	80,793

Other pensions in the Parent Company refer mainly to the historical pension liability that was taken over from the National Board of Public Building when the Akademiska Hus Group was founded.

Pension commitments and provisions for pension commitments for the defined benefit plans in the Parent Company have changed as follows:

	31-12-2005	31-12-2004
Opening balance	80,793	81,688
Other changes	-196	633
Interest costs	3,348	3,873
Payments	-5,315	-5,401
Closing balance	78,630	80,793

The total pension cost in the Parent Company is broken down as follows:

	2005	2004
Other income/costs for changes in the pension liability	-196	633
Interest part of the pension cost	3,348	3,873
Pension costs, defined benefit plans	3,152	4,506
Pension costs, defined contribution plans	9,188	8,460
Employer's contribution and tax on the yield, other pension costs	2,513	2,573
Total pension costs	14,853	15,539

Actuarial assumptions

The actuarial calculation of pension commitments and pension costs in the Parent Company is based on the actuarial assumptions stipulated in the FPG/PRI system and by the Swedish Financial Supervisory Authority.

32 Other liabilities

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
Other interest-bearing liabilities	498,362	316,045	498,362	316,045
Other non-interest-bearing liabilities	230,497	180,041	9,891	9,851
Total, other liabilities	728,859	496,086	508,253	325,896

The Parent Company has entered into a supplementary agreement, Credit Support Annex (CSA) to the ISDA agreements, with the aim of reducing exposure to counter-party risks in derivative contracts. The agreement means that the parties mutually undertake to furnish collateral in the form of liquid funds or securities with a good rating for undervalues in outstanding derivatives. The agreement in turn gives the secured party right of disposal of collateral received. As at December 31, 2005, collateral received increased net the Group's gross debt by KSEK 498,362 (316,045) and at the same time it was included as part of the Group's liquidity surplus.

Other liabilities fall due for payment within one year of the year-end.

33 Accrued expenses and prepaid income

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
Prepaid rental income	1,104,577	1,110,171	–	–
Profits on closed derivative contracts allocated to specific periods	–	93,389	–	93,389
Accrued holiday pay	10,407	8,180	2,527	2,076
Accrued social insurance charges	6,545	5,887	764	653
Accrued interest	329,951	248,144	329,951	248,144
Prepaid income	12,229	5	–	–
Other interim liabilities	244,236	243,377	28,471	20,883
Total	1,707,945	1,709,153	361,713	365,145

In conjunction with the transition to IFRS the earlier principle regarding the carrying forward and allocation to a specific period of losses attributable to closed derivative contracts is not applicable and the reported amount in 2004 is included in the opening balance and remains as profit brought forward.

35 Financial risk management (Group)

In its capacity as a net borrower, Akademiska Hus is exposed to financial risks, particularly interest rate risks, refinancing risks, credit risks and exchange rate risks. The governing document, the Finance Plan, is adopted each year by the Board. It contains authorisation and a mandate for the forthcoming year as well as a finance policy that defines the Group's risk approach and how exposure to financial risks should be handled. The Group's financial management is centralised at the Parent Company's Treasury Department, which allows effective and co-ordinated financial risk management.

Interest risk

The term 'interest risk' refers to the negative impact on Group profit as a result of a change in market interest rates. The Group's interest rate risk exposure is high due to the relatively high leverage and interest expense is the single largest cost item. The handling of the interest risk 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 policy states that the interest risk should be handled within a fixed interest mandate adopted by the Board.

Due date structure for fixed interest periods and liability capital tie-up, SEK m

	Capital tie-up, loans	Fixed interest period, loans	Fixed interest period, derivatives	Fixed interest period, total
2006:1	4,023	4,506	6,086	10,592
2006:2	–	390	–3,257	–2,867
2006:3	–	–	–1,500	–1,500
2006:4	–	1,811	–	1,811
2007	1,818	1,335	2,058	3,393
2008	2,828	1,948	–2,748	–800
2009	2,349	2,349	–409	1,940
2010	3,285	3,285	–248	3,037
2011	604	604	806	1,410
2012	639	639	–639	–
2013 and later	1,521	200	–324	–124
Total	17,067	17,067	–175	16,892

The above table shows nominal amounts. The nominal amounts have been recalculated at the year-end rate. As all loans that are raised in foreign currency are swapped to Swedish kronor the exchange rate effect is neutralised. Positive value = the Group pays interest, negative value = the Group receives interest.

34 Due date structure, liabilities

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
<i>Due date structure</i>				
Liabilities that fall due for payment within one year of the year-end	6,838,161	7,720,646	5,928,740	6,680,914
Liabilities that fall due for payment within 1-5 years of the year-end	10,417,636	9,380,780	10,417,636	9,328,113
Liabilities that fall due for payment later than five years after the year-end	10,440,566	6,701,934	3,863,635	2,339,207
Total	27,696,363	23,803,360	20,210,011	18,348,234

The current mandate states that the fixed interest period, including interest derivatives, should be between one and three years. The Group defines the average fixed interest period as 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 and securing the fixed interest period. The point of departure, however, is that these derivatives should be used mainly when the desired fixed interest period is difficult to achieve within existing borrowing or can only be achieved at a considerable additional cost.

The fixed interest period at the year-end was 2.4 years (1.6), including interest derivatives. The average fixed interest period during the year was 1.85 years (2.09).

Bonds with a real interest rate construction have been issued to secure diversification so that the Group is not exposed exclusively to changes in nominal interest rates. Real interest rate bond loans are handled in a separate portfolio outside the fixed interest mandate. The net exposure in real interest rates at the year-end totalled approximately SEK 190 million (700).

Note 35, cont'd

Exchange rate risk

A currency risk constitutes a risk that exchange rate changes will have a negative impact on the Group's Income Statement and Balance Sheet. In conjunction with borrowing in a foreign currency, the Group is exposed to an exchange rate risk. As the Group's operations are exclusively in Swedish kronor the policy is that all exchange rate risks in conjunction with financing in a foreign currency should be eliminated. All payment flows attributable to borrowing are hedged with the aid of forward rate agreements and currency swaps. The Group accepts exchange rate exposure for electricity trading, as this takes place to a limited extent.

Currency breakdown, loans and derivatives, SEK m

Original currency	Loans	Derivatives	Total
CHF	7,612	-7,612	-
EUR	2,349	-2,349	-
JPY	1,554	-1,554	-
SEK	5,115	11,777	16,892
USD	437	-437	-
Total	17,067	-175	16,892

The above table shows nominal amounts. The nominal amounts have been recalculated at the year-end rate.

Exchange rate risk

The term 'refinancing risk' refers to the risk that the cost is higher and that the financing opportunities are limited when the loans that fall due are to be renewed. The policy states that unutilised credit facilities should be in place to a sufficient extent to guarantee good payment capacity. The aim is to limit the costs by seeking to strike a balance between short-term, medium-term and long-term financing, and endeavouring to achieve diversification between different financing arrangements and markets. Loans that fall due should have a spread so that a maximum of 40 per cent fall due for refinancing within a 12-month period.

The Group has a very good credit rating, which offers a good opportunity to achieve the diversification aimed for through the public financing programmes.

The Group's liquid assets at the end of 2005 totalled SEK 1,225 million (329). At the year-end, bank facilities granted totalled SEK 4,200 million (4,200), of which SEK 2,700 million (2,700) was unconfirmed.

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 (Euro Commercial Paper)	USD 600 m	USD 55 m	A1+
MTN (Medium Term Note)	SEK 8 000 m	SEK 4,154 m	AA
EMTN (Euro Medium Term Note)	USD 1,500 m	USD 1,175 m	AA/A1+

Credit risk and counter-party risk

The term 'credit and counter-party risk' refers to the risk of a loss when a counter-party does not fulfil its undertakings. The Group is exposed when surplus liquidity is placed in financial assets and also in conjunction with trade in derivatives. The Group applies a conservative counter-party risk policy in the form of a limit system, where the permitted exposure depends on the counter-party's rating or the maturity of the involvement. The limits are related to the Group's risk capacity in the form of equity.

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 charac-

terised by good liquidity in the secondary market and be in accordance with the limit structure laid down in the policy.

The Group's policy is that an internationally standardised netting agreement, a so-called ISDA agreement, should always be signed with a counter-party before derivative transactions take place. As at December 31, 2005, the total counter-party exposure in derivatives (calculated as the net claim per counter-party) stood at SEK 1,110 million (-445). With the aim of further reducing exposure to a counter-party risk, the Parent Company has entered into a number of supplementary agreements, Credit Support Annexes (CSA), to the ISDA agreements. The agreements mean that the parties mutually undertake to place collateral in the form of liquid funds or bonds for the value deficit in the outstanding derivative contracts. At the year-end, the Group had received SEK 498 million net (271).

The table below shows the Group's exposure to counter-party risks divided according to different rating categories and maturities.

Counter-party risks, excluding rent receivables, SEK m

	Receivable	Liability	Collateral received/ granted	Net exposure
<i>Institute with a long rating</i>				
AAA/Aaa	-	-	-	-
AA+/Aa1	33	-	-	33
AA/Aa	-	-	-	-
AA-/Aa3	717	-340	-76	301
A+/A1	440	-	-422	18
A/A2	701	-19	-	682
<i>Institute with only a short rating</i>				
K1	-	-	-	-
Clearing institute	46	-21	51	76
Total	1,937	-380	-447	1,110

Positive figure = Group receivable, negative figure = Group liability.

Credit risk attributable to rent receivables

The Group has a relatively high concentration of credit risk in rent receivables. The assessed credit risk in rent receivables, however, is low on account of the tenant's good credit rating.

Electricity price risk

The term 'electricity price risk' refers to the risk of fluctuations in the future price of electricity within a year and between years affecting the Group's operating costs negatively as a result of uncertainty on the Nordic electricity production mix. With the aim of reducing the exposure to changes in the electricity price, financial electricity futures are used. As a result, the Group has laid down a long-term price hedging strategy.

The counter-party risk is concentrated on NordPool. In the table above the outstanding exposure attributable to electricity derivatives is included in the Clearing institute amount. An exchange rate risk attributable to electricity derivatives entered into are exchange-hedged with the aid of exchange futures.

36 Pledged assets

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
Blocked bank funds	52,335	31,467	52,335	31,467
Current investments	–	45,300	–	45,300
Total	52,335	76,767	52,335	76,767

Unsettled results from transactions in stock exchange-cleared derivatives have been secured through blocked bank funds.

The Parent Company has entered into a supplementary agreement (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 disposal of the collateral received. As at December 31, 2005, no collateral had been furnished for the Group's liabilities.

37 Contingent liabilities

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
Contingent liability, FPG/PRI	1,893	1,627	285	254
Guarantee for regional companies' pension undertakings	–	–	101,719	89,971
Total	1,893	1,627	102,004	90,225

38 Interest paid and received

	Group IFRS		Parent Company Annual Accounts Act	
	2005	2004	2005	2004
Interest received	56,584	13,322	915,211	974,719
Interest paid	–756,069	–832,605	–743,280	–809,548
Total	–699,485	–819,283	171,931	165,171

39 Adjustments for items not included in the cash flow

	Group IFRS		Parent Company Annual Accounts Act	
	2005	2004	2005	2004
Depreciation	19,531	22,033	3,644	3,617
Impairments	9,392	–	9,392	–
Change in value, investment properties	–7,213,581	478,255	–	–
Capital gain (-)/loss (+) on the sale of other tangible non-current assets	–209	26	–	–
Change in value, financial instruments	164,565	–	164,565	–
Cash flow hedge	68,698	–	68,698	–
Change in accounting principle, financial instruments	–655,547	–	–655,547	–
Change in pension provisions and similar undertakings	7,363	7,839	–2,163	9,709
Change in other provisions	4,511	–	–	–
Miscellaneous	123	404	123	404
Total	–7,595,154	508,557	–411,288	13,730

40 Purchase sum in conjunction with investments, acquisitions and disposals

For investments and acquisitions for the period a total amount of KSEK 1,489,509 (1,500,669) has been paid, of which KSEK 1,339,875 was paid in liquid funds. For disposals for the period a total amount of KSEK 1,016,359 (25,434) has been received, of which KSEK 1,016,359 was received in liquid funds.

41 Change in interest-bearing net loan liabilities

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2005	31-12-2004	31-12-2005	31-12-2004
Opening amount	17,125,551	16,327,220	–4,566,521	–4,590,820
Increase (-) / Decrease (+) in interest-bearing receivables	–	–	690,000	–543,917
Increase (-) / Decrease (+) in current investments	–372,849	130,640	–372,849	130,640
Increase (-) / Decrease (+) in liquid funds	–524,002	7,983	–523,999	7,951
Increase (-) / Decrease (+) in non-current funds	1,224,788	739,138	1,226,683	745,791
Increase (+) / Decrease (-) in current loans	–1,281,130	–79,430	–921,819	–316,166
Change in interest-bearing net loan liability	–953,193	798,331	98,016	24,299
Amount at the year-end	16,172,358	17,125,551	–4,468,505	–4,566,521

42 Events after the year-end

No events of material significance occurred outside normal operations after the end of the financial year.

43 Transactions with related parties

	Group IFRS		Parent Company Annual Accounts Act	
	2005	2004	2005	2004
Income				
Companies within the Akademiska Hus Group	–	–	967,071	1,246,902
Other state-owned companies run on a profit-making basis	418	122	–	7
Total	418	122	967,071	1,246,909
Costs				
Companies within the Akademiska Hus Group	–	–	–10,104	–5,705
Other state-owned companies run on a profit-making basis	–60,636	–43,436	–18,628	–8,995
Total	–60,636	–43,436	–28,732	–14,700
Receivables				
Companies within the Akademiska Hus Group	–	–	21,438,925	22,170,664
Other state-owned companies run on a profit-making basis	4	5	–	–
Total	4	5	21,438,925	22,170,664
Liabilities				
Companies within the Akademiska Hus Group	–	–	994,334	634,975
Other state-owned companies run on a profit-making basis	5,031	2,001	4,265	126
Total	5,031	2,001	998,599	635,101

In conjunction with intra-Group sales and purchases, the same pricing principles are applied as would have been the case in transactions with an external party. Intra-Group property purchases and sales take place subject to a fiscal residual value. Purchases and sales of other non-current assets take place at the carrying value.

Göteborg, March 8, 2006

Claes Ljungh <i>Chairman</i>	Charlotte Axelsson	Sigbrit Franke
Marianne Förander	Per Granath	Birgitta Kantola
Maj-Charlotte Wallin	Sveinn Jonsson	Parzin Seradji
	Joakim Ollén <i>President</i>	

Our audit report was submitted on March 8, 2006

DELOITTE AB	Riksrevisionen
Peter Gustafsson <i>Authorised Public Accountant</i>	Jonas Hällström <i>Authorised Public Accountant</i>

Audit Report

To the annual 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 the 2005 financial year. The Board of Directors and the President are responsible for the accounts and administration of the Company and for the application of the Annual Accounts Act when preparing the annual accounts and that the international accounting standards IFRS, as adopted by the EU, and the Annual Accounts Act are applied when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration on the basis of our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. These standards require that we plan and perform the audit to obtain very good but not absolutely certain assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and assessing the material estimates made by the Board and the President when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any member of the Board or the President. We also examined whether any Board member or the President has in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and thereby give a true and fair picture of the Company's results and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with the international accounting standards, IFRS, as adopted by the EU, and the Annual Accounts Act and give a true and fair picture of the Group's results and financial position. The Administration Report is consistent with the other parts of the annual accounts and consolidated accounts.

We recommend to the annual meeting of the shareholders that the Income Statements and Balance Sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Administration Report, and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Göteborg, March 8, 2006

DELOITTE AB

Riksrevisionen

Peter Gustafsson

Jonas Hällström

Authorised Public Accountant

Authorised Public Accountant

Definitions

Direct yield

Net operating profit in relation to the average assessed fair value.

Equity ratio

Reported equity in relation to total assets carried forward.

Floor space, m²

Rentable floor space in square metres.

Floor space, m², gross

The gross floor space of the buildings. Comprises rentable floor space as well as common areas and the area surrounding the building.

Interest coverage ratio

Profit before financial items excluding changes in value of properties in relation to net interest income/expense.

Internal financing

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

Letting and vacant space levels

Rented or vacant floor space in relation to the total floor space. Financial letting or vacant space levels are rental income for space let and estimated rental income for vacant space in relation to the total rental income.

Maintenance costs

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

Net debt

Interest-bearing liabilities minus interest-bearing assets.

Net investments

Closing balance minus the opening balance for non-current assets plus depreciation and impairments minus revaluations.

Operating expenses

Expenses for measures taken with an expected interval of less 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, letting, 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.

Return on total assets

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

Return on equity after standard tax

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

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AKADEMISKA HUS

Report Schedule 2006

Interim Report January – March 2006, April 27, 2006

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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