



Akademiska Hus Annual Report



2006

Contents

Review of the year	2
Statement by the President	4
Business concept, visions and objectives	6

MARKET

Rental and property market	8
Akademiska Hus market	10
Competitors	13
Our geographical sub-markets	14
Lease agreements and rental income	24
Rental and vacancy levels	26
Products and services	28
Risk management	30
The future	32

OPERATIONS

Property valuation	34
Profitability	38
Operating costs	39
Maintenance costs	41
Five-year summary	42
Comments on the five-year summary	43
Regions and the Group	44
Regions	45
Financing	46
Projects	49
Project presentation	52
Awards for completed projects	53
Environment	54

ORGANISATION

Employees	58
Corporate governance	61
Board of Directors and auditors	65
Executive management and Group management	66

FINANCIAL REPORT

Summary of results	68
Income statements	69
Balance sheets	70
Changes in equity	72
Cash flow statements	73
Notes	74
Audit report	95
Definitions	96
Addresses	97

The statutory annual report, which has been audited, comprises pages 6–60, 67–94



Statement by the President

President Thomas Norell summarises 2006 and gives his views on the market, operations and challenges facing Akademiska Hus.

Pages 4–5



Market

The Market section provides detailed information about Akademiska Hus's customers, services and market. New for this year are an expanded competitor analysis and a detailed description of the regional markets.

Pages 8–33

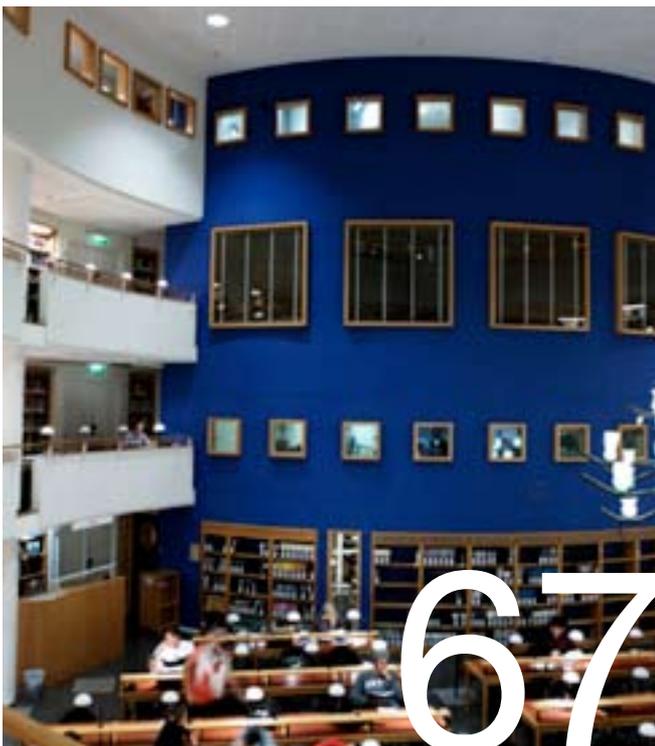
Pictured on the front page are students at Medicinareberget in Gothenburg in the walkway between Sahlgrenska University Hospital and Medicinareberget, which links the clinical and preclinical sections of the Faculty of Medicine.



Operations

How does Akademiska Hus work? The operations section contains information about the Company's property valuation, profitability, projects and management process as well as financing and risks. At the end of the section you will find a five-year review and key figures, complete with comments for the regions and for the Group as a whole.

Pages 34–56



Organisation

Who are the people behind the Company? In the organisation section you can read about employees, the executive management and the Board of Directors. You will also find detailed corporate governance information for the Group.

Pages 57–66

Financial report

The Financial report presents the Akademiska Hus operations in figures. At the end of the section you will also find definitions, report dates and contact details for all the regional offices.

Pages 67–96

Akademiska Hus – Presentation

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

Akademiska Hus's most dominant customer category is universities and colleges. Other customers 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.

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 3,230,000 square metres and the estimated market value of the properties is SEK 48,454 million.

Profit and key ratio

	2006	2005
Property management income, SEK m	4,596	4,533
Net operating profit, SEK m	2,843	2,727
Profit before tax, SEK m	4,229	9,270
Assessed fair value, properties, SEK m	48,454	45,616
Total yield, properties, %	9.8	24.7
of which direct yield, %	6.0	6.5
of which change in value, %	3.8	18.2
Return on equity after standard tax, %	12.9	34.2
Return on total capital, %	10.0	22.6
Equity ratio, %	47.2	44.8
Loan to value level, %	33.5	35.8
Interest coverage level, %	434	435



Background in brief

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 boards were free to go out onto the market and in open competition choose and negotiate the premises they wished 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 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 decade or so for Akademiska Hus has been marked by the build-up of the Company and significant property investments as a result of powerful expansion in higher education. The need in recent years to make savings in the university sector, in combination with increasing the range of premises, has heightened competition, to the considerable benefit of Akademiska Hus customers. The owner's ambition to allow Akademiska Hus to be one of the many players on the market where customers can negotiate a solution that best satisfies their needs has been realised.

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

Strong profit maintained

- Rental income amounted to SEK 4,544 million (4,481).
- Net operating profit increased to SEK 2,843 million (2,727), due in part to reduced maintenance costs but also to increased rental income.
- Net profit for the year after tax was SEK 3,038 million (6,654). A considerable proportion of the profit comprises changes in value in the Group's investment properties and derivatives and is therefore of a non-recurring nature.
- The level of vacant space was 3.5 per cent (3.2) of available space.
- The direct yield was 6.0 per cent (6.5).



SEK 500 million investment in the Karolinska Institute Science Park

A total of SEK 500 million will be invested in 20,000 square metres of modern research laboratories at the Karolinska Institute Science Park in Solna. An important customer is the biopharma company Biovitrum, which has signed a 15-year lease for approximately 12,000 square metres for occupation in summer 2009. The Science

Park is part of the development of the Solna Campus with the aim of becoming the leading centre of life science innovation in the Nordic region. Close by is the development of the Norra Station area and a new university hospital is planned directly adjacent to the campus.

Sales

During the year a number of properties have been sold:

- Part of the Svea Artilleri block in Stockholm was sold to Veidekke-Bouwfonds, primarily for residential construction. The sale is part of the Svea Fanfar project where Akademiska Hus is co-operating with Veidekke-Bouwfonds, the Royal University College of Music and the Stockholm Town Planning Office. In addition to housing, a new College of Music will be built under the auspices of Akademiska Hus.
- The Mölndal Växthuset 2 property in Mölndal, also known as Pedagogen, was sold to JM, which is planning to construct residential properties.
- Part of the Seminarier block in Uppsala has been sold to NCC, which among other things plans to construct residential properties.



Akademiska Hus sponsored the project Julstaden och Ljusstaden Göteborg. On the university campus in central Gothenburg part of the Christmas decorations could become an all-year-round attraction.

Photo: Patrik Gunnar Helin



10th anniversary of Akademiska Rodden

Akademiska Rodden in Stockholm celebrated its 10th anniversary in September with the traditional rowing race at Brunns-viken, beside Kräftriket on the Frescati campus in Stockholm. Akademiska Rodden is one of the largest rowing events in Sweden and is arranged by Akademiska Hus. Students and personnel from customers in Stockholm compete in four-man boats with a cox. In 2007, the event will be expanded into a national event for students.



Green Roof Award

Akademiska Hus has received the 2006 Green Roof Award from the Scandinavian Green Roof Association. The award-winning Green Roof can be found on a newly constructed building on the Royal Institute of Technology Campus in Stockholm with the Swedish National Defence College as the customer. The roof has been covered in easily maintained stone-crop plants which contribute to creating a more attractive setting. It also has a number of environmental benefits, including purification of rainwater.

New President and CEO

During 2006, Thomas Norell took over as the President and CEO of Akademiska Hus. Thomas has been the Vice President of the Group since 1993. He succeeded Joakim Ollén, who resigned from his position on October 17.



Christmas Lights project in Gothenburg

Akademiska Hus has been involved in sponsoring the Gothenburg lighting project *Jul- och ljusstaden*. In December the city streets and facades were decked in lights in an area extending from the Gothenburg Opera House on the river front along Kungssportsavennyn up to the Gothenburg Art Museum at the top of Avenyn. By Akademiska Hus illuminating the campus at Renströmsparken, located behind the Art Museum, the area could be extended all the way to Liseberg. The *Jul- och ljusstaden* project aims to attract visitors to Gothenburg during the winter months. Through its participation Akademiska Hus is seeking to show how the properties contribute to the urban landscape.



*An inauguration dance at the new University College of Dance building in Stockholm on September 29.
Photo: Håkan Larsson*

University of Dance moves into new premises

During the autumn the University College of Dance moved to the Royal Institute of Technology Campus in Stockholm. The building, originally constructed in 1966 for the Department of Mechanical Engineering at the Royal Institute of Technology, has been redeveloped to meet the needs of the new customer for teaching and administration facilities. The spacious machine rooms, previously used

for experiments which with advances in technology can now be simulated on computer, have been transformed into a stage and dance studios. The industrial character of the building has been preserved and developed, among other things in the form of a section housing the library and practice rooms with a striking lantern ceiling.

Statement by the President

Increased net operating profit and more satisfied customers

For Akademiska Hus the past year has been marked by more satisfied customers, stable rental revenue, improved net operating profit and a positive trend in the market value of our properties. The property market has remained strong although the rental market is only showing gradual signs of recovery.

We must never lose sight of the fact that when it comes to the market value of our properties it is purely a question of an unrealised increase in value. For Akademiska Hus this can be attributed to reduced yield requirements and not to an increase in the letting level or an increase in rents. The increase in value during 2006 was SEK 1.8 billion, in addition to net investments of SEK 1.8 billion. The value of properties at the year-end was SEK 48,454 million.

In a rising property market it is easy to underestimate future risks. This could involve yield requirements, operating costs and measures required to maintain and adapt premises to new customer requirements. Akademiska Hus is a long-term property owner with a relatively large proportion of premises for specific education and research requirements. In the market valuation of the properties we have taken into account these long-term risks through a general risk premium in the residual value assessments.

Management issues vital

The volume of vacant space available on the rental market has led to keen competition and pressure on rent levels, where the availability of floor space is high. Added to this are rising interest rates and the cost trend for property management, which in the light of the current low rate of inflation has not been compensated for fully by the indexing of the rents. There is thus every reason to focus firmly on management issues.

To reduce costs we have during the past year worked intensively to capitalise on economies of volume and co-ordination poten-

tial within the Group. High priority has been given to energy savings and a review of supply agreements as well as further investments in environmentally friendly, in-house production of heating and cooling wherever possible.

Net operating profit from property operations during 2006 amounted to SEK 2,843 million (2,727), which is confirmation that we are on the right path. The level of rented floor space has continued to be very high, 96.5 per cent. The buildings commissioned during the year have in terms of volume largely replaced the buildings that have been sold. The profit after financial items, but excluding increases in value in the property holdings, amounted to SEK 2,356 million (2,056).

Development within the largest customer group

The focus at Akademiska Hus is on creative, purpose-designed environments for higher education and research. Operations are thus closely associated with developments at universities and colleges, which is our largest customer group. We monitor closely the changes taking place within the sector. This largely takes the form of a review of the quality and the profile of the programmes on offer in order to fit in better with demand and the labour market. The number of towns with higher education facilities has fallen slightly although at the same time distance learning is on the increase. Student exchange between Sweden and other countries is also on the increase. The link between undergraduate programmes and research has been emphasised more clearly and teacher training programmes are linked more closely to research and other education in university towns. Within research, resources are being concentrated on larger units. To open up new research areas, research applications are being stimulated and alliances and co-operation between education and research units, both nationally and internationally, are being constantly developed.

High rate of investment in denser campuses

For Akademiska Hus the current changes in the university and college sector present many challenges. The main issue is finding solutions to changing needs. While the rate of investment continues to be high, the focus has moved away from expansion to reinvestment and changes which create a higher level of quality to satisfy new needs. The key words are concentration, density, co-operation and expansion of services on our campuses.

During 2006 building investments amounted to SEK 2.4 billion. In the years to come we expect the construction volume to remain roughly on the same level. The shortage of capacity on the construction market requires good forward planning and special initiatives in conjunction with negotiations with contractors.

Through structural adaptations and new construction there has been a certain release of objects. During 2006 we reached agreement on three major sales – the colleges of education in Mölndal and Uppsala and the current University College of Music in Stockholm. The sales totalled approximately SEK 600 million. The purchasers of these properties are planning in the first instance to construct residential properties.

Several new projects

We have reached agreement on the construction of new premises in Uppsala for teacher training, education and psychology linked to other university buildings. We are also building new facilities for the University College of Music in Stockholm.

In the immediate future Akademiska Hus will also commence construction for the Karolinska Institute Science Park in Solna. This initiative will satisfy a common interest at the University and in industry in the creation of a meeting point with modern, flexible research premises at a centre of excellence.

Within a few years we are planning, in co-operation with the Swedish University of Agricultural Sciences, to make major changes on the campuses in Ultuna and Alnarp. We are also planning to build new facilities for the Royal Institute of Technology and Stockholm University in the Albano area and in the other areas.

Creating attractive education and research premises through renewal is a stimulating task. At the same time it represents a major challenge in the light of the current pressure on the construction market.

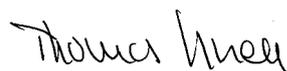
A key success factor for Akademiska Hus is how well we succeed in collaborating with our customers so that operational planning, property management and property development proceed in unison. In 2006, we succeeded in improving our customer satisfaction index. The task of improving co-operation with our customers is proceeding well, particularly with regard to campus planning and work allocation during the planning phase for new projects.

One of Sweden's best workplaces

We are also extremely pleased to report that Akademiska Hus has for the second year in succession made the final in the Alecta competition "Sweden's best workplace". This is something that we can to a large extent thank our customers for – few property companies can offer such advanced and exciting projects and working environments as Akademiska Hus.

In 2007 we expect that the profit after financial items will be on a par with this year's profit, excluding changes in value in the property holdings. This means just over SEK 2 billion, assuming that there are no material changes in the Akademiska Hus capital structure.

Gothenburg, March 7, 2007



Thomas Norell



Business concept, visions and objectives

AkaVision 2010 – overall strategies

AkaVision 2010

The most important control document at Akademiska Hus is AkaVision 2010. The executive management, with broad-based support within the organisation, lay down the business concept as well as strategies, corporate culture and key ratio within four sub-areas: marketing, properties, accounting and finance and empowerment and leadership.

AkaVision is the only overall policy document and describes the way we should work, deal with customers and manage our assets.

Mission

The owner's mission and the primary task of Akademiska Hus is "to offer universities and colleges suitable buildings for education and research". The Company will also have responsibility as manager for taking advantage of the major economic and cultural values in the buildings.

Business concept and vision

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

The key words in AkaVision 2010 are creativity, attractiveness, long-term thinking, profitability and efficiency, popularly summarised as KALLE.

Akademiska Hus shall

- create inspirational environments for our customers that attract attention and in doing so contribute to reinforcing Sweden as a nation of knowledge.
- be the most attractive property company for both customers and employees by focusing on ongoing improvements.
- through a long-term approach in our ownership create property management that is forward thinking and flexible and provides the customers with 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: marketing, properties, accounting and finance and empowerment and leadership.

Marketing

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 a local presence and external monitoring we are developing our knowledge of existing and potential customers 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.

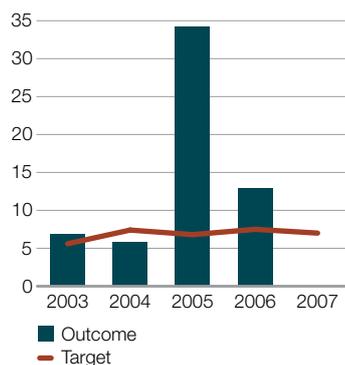
Our customers are:

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

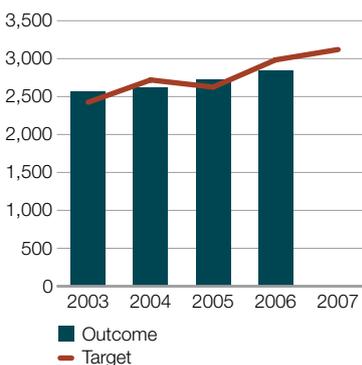
Properties

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

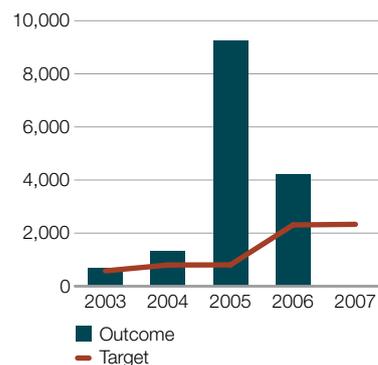
Return on equity, % ¹⁾



Net operating profit, SEK m



Profit before tax, SEK m ¹⁾



¹⁾ The improvement in profit in 2005 and 2006 can be attributed mainly to unrealised changes in value in investment properties.

Accounting and finance

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

We strive to achieve cost-effective operations with continuous improvements so that we can offer competitive rents and other services.

Empowerment and leadership

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

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

Akademiska Hus will be perceived as an attractive, developmental employer.

Objectives and fulfilment of objectives

The Akademiska Hus accounting and financial objectives have been established to provide a combination of a high return on equity, high growth capacity and financial stability. Other aims have been set in to ensure that customers, employees and other interested parties perceive Akademiska Hus as a leader in its field.

Marketing objectives

Akademiska Hus runs its own relatively extensive customer surveys as well as smaller so-called event surveys, following redevelopment for example. In a survey of over 600 decision-makers and operational representatives, the Satisfied Customer Index (NKI) increased by two units to 69 compared with the previous year. In addition, 92 per cent of the respondents stated that Akademiska Hus was as good as or better than in the previous year. The factors that had the greatest impact on the NKI are building operations, personal service and property man-

agement (maintaining assurances and service quality and good co-operation with regard to operation and maintenance).

Property objectives

Follow-up of electricity, heating and water consumption is reported together with other overall environmental objectives in the Environment section.

The overall environmental objectives for energy management have been established for the coming year and in the long term – in the case of energy management through to 2025. The long-term objective is that the volume of purchased energy, stated in terms of kWh/m², is reduced by 30 per cent compared with 2000.

Accounting and finance 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 five-year state bond interest rate plus four percentage points. For 2006, the return on equity was 12.9 per cent compared with the target of 7.5 per cent, as the interest rate trend during 2006 has meant that the average five-year state bond interest rate was 3.5 per cent. In addition, the dividend should be 2.5 per cent of equity. The equity ratio ought to be at least a 35 per cent. The formulation of the dividend target is under review.

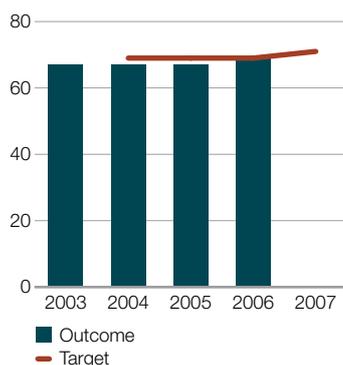
Employee and leadership objectives

The Satisfied Employee Index (NMI) describes how satisfied the employees are with their working situation. The survey for 2006 showed that the Group has stabilised on a clearly acceptable level. The outcome for the third year in succession was an NMI of 66. The outcome did not meet the objective, which was 69.

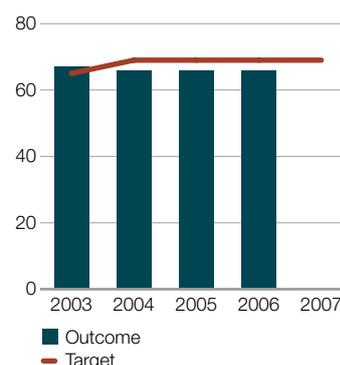
The factors which had the greatest impact on the NMI are the employer (the Company's objectives, confidence in the executive management and the working approach) and duties.

The total attendance at work was 96.0 per cent (exactly on target) and was a definite improvement on the figure of 94.6 per cent from last year.

NKI (Satisfied Customer Index)



NKI (Satisfied Customer Index)



Rental and property markets

Increased demand on a strong market

General market conditions

Sweden is going through a period of intense economic growth. The forecast for the next few years indicates a slightly lower rate of growth although still high. A large proportion of the GNP, almost 50 per cent, derives from the export industry. With increasing globalisation all countries are dependent on financial development in the world generally although Sweden's high proportion of exports makes the country even more dependent on developments in the world economy.

Property investments are fundamentally long-term even if an individual player through a purchase or sale could have a completely different time framework. For an investment to be profitable over time there must also be a demand for the investment object over the corresponding period. Properties are also by nature static in the fact that they cannot be moved when market conditions change. An investment in property therefore requires good knowledge of the present market and a good understanding of what it will be like in the future.

Regional centres of major significance

According to Nutek, Sweden can be divided into 72 functional regions when studying growth in the country. This is a considerable reduction from the 187 regions in 1970. This reduction can be attributed to the major changes in labour commuting that have taken place in recent years. Through an improved infrastructure and greater acceptance of longer travelling times the regions' labour areas have expanded. This trend has been greatest in Mälardalen and southern Sweden. Access to skilled labour is also an important factor in the propensity of companies to invest.

Growth in Sweden has over a long period of time taken place mostly in the city regions and in regional centres. Development in the three city regions is of major significance to overall growth in the country. Together these regions accounted for just over 50 per cent of the growth over the past 10 years. The 20 largest regional centres accounted for just over 35 per cent of the growth during the same period. The 49 smaller regions accounted for the remaining 10 per cent of the growth. Studies show that growth increases more quickly the larger the total regional labour market. However, there are exceptions to this pattern and an increasing number of smaller regions have in recent years demonstrated a high rate of growth.

For players on the property market, the regions' finances and long-term growth are important parameters to follow. Many property companies have in recent decades also reviewed their strategies, whereupon several have opted to concentrate operations on a small number of locations. At the same time, many have opted to realign operations by focusing on just one or a small number of market segments.

The property market

Properties have become an increasingly interesting alternative as investors throughout the world search for appropriate ways of investing their capital. The investments in property have in global terms probably never been as high as they are at present and this has also had an impact on the Swedish property market. The record number of transactions completed in 2005 will in all probability not be sur-

passed. As a result of the continued strong demand for properties the direct yield requirements have continued to fall. Prices, however, have stabilised and the chances of finding objects with reasonable yield levels have fallen.

The housing market has also been marked by very high demand and constantly rising prices. This applies in particular to attractive locations in the city regions. During the autumn, however, the first signs appeared of a slowdown in price rises for co-operative-owned properties.

Rental market

The strong development which has taken place in recent years on the property market has not been linked to the trends on the rental market that one might expect. Property prices have risen despite the fact that the rental market has for a long period been marked by stable rent levels and high levels of vacant space on the majority of sub-markets.

Expectations of a more positive trend on the rental market have grown with time. Consequently, changes in employment are being followed particularly closely as they are regarded as being an important indicator of how demand for non-residential premises will develop. The problem for the property industry is that the increase in productivity which has taken place in many industries has been achieved without generating more job opportunities or a demand for more premises. A further complication has been that many customers, in their endeavour to improve efficiency, have also reviewed their use of premises and today they demand less floor space per employee when they move or change their premises.

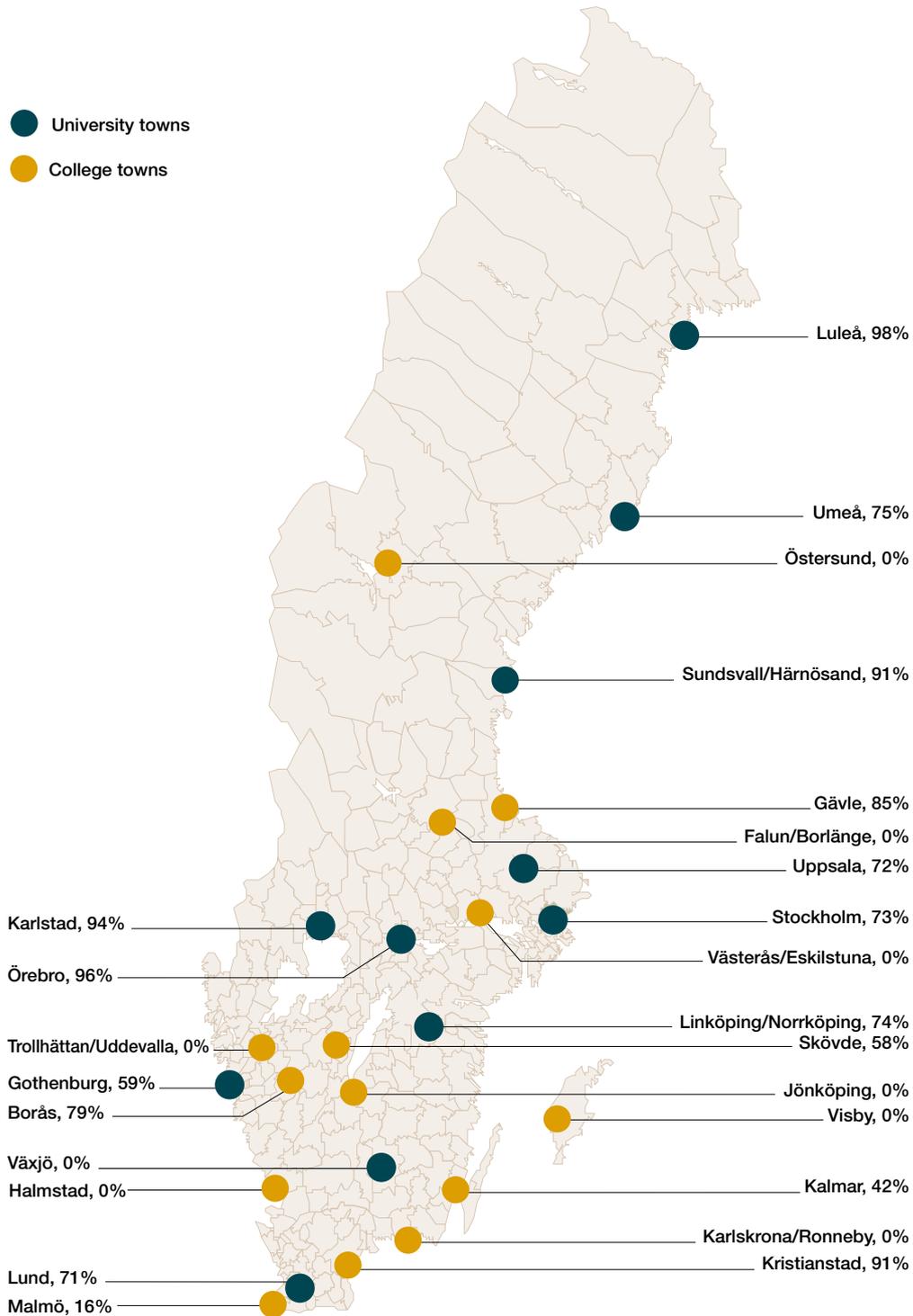
According to fresh forecasts from the National Labour Market Administration new jobs will materialise at an increasingly rapid rate in the next few years. The forecast for 2007 is just over 90,000 new jobs. For the rental market this means that rents are rising for modern, prime location office premises. As demand increases this will have an effect on other parts of the market. The rent gap between more modern and older offices has continued to widen and it is predicted that the latter will experience a continued fall in rent levels. Despite the increase in employment, the level of vacant space has only fallen marginally. The reason why it has not fallen more is that many customers are acquiring more efficient premises when they move. There is also a certain amount of new office construction which is increasing competition.

Construction market

For property development companies the boom which is currently affecting the construction market has led to difficulties in finding consultants and contractors and at the same time prices are rising. It is, however, not just Sweden that is undergoing a strong construction boom. This is also happening on many other markets in the world and on the Swedish market this is manifested in the form of a lack of materials within many product areas. This is now an acute problem for certain materials. For the property companies this means that both time schedules and calculations must be updated continuously to assure investment data before a decision to commence construction is taken.

The market

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 2006 with Akademiska Hus adjustments.

Akademiska Hus market

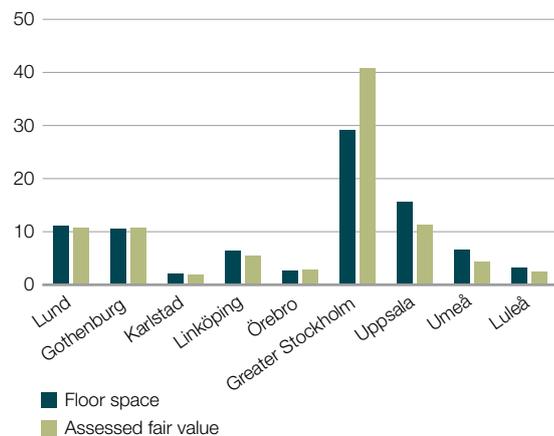
Higher education and research the largest customer group

Where is the Akademiska Hus market?

The business concept forms the basis for determining which market the company will operate in. The Akademiska Hus business concept states that "Akademiska Hus shall be the leading property company in Sweden for creative, purpose-designed environments for higher education and research". To achieve this the Company must maintain a presence throughout the country. Operations are run from Kiruna in the north to Malmö in the south. This means that Akademiska Hus stands out from other large property companies, which have chosen to focus their operations on a small number of locations or in a certain part of the country. The business concept also states that the Company's core customers are to be found within higher education and research.

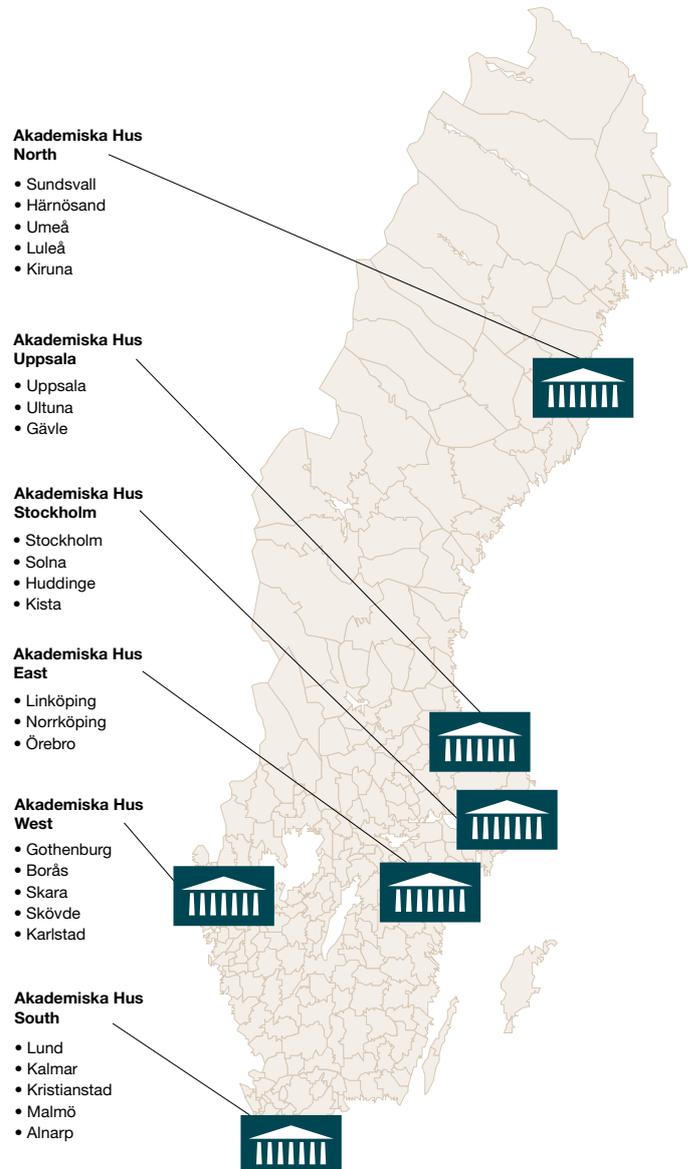
In recent decades the property industry has become increasingly specialised within a number of markets, such as housing, shopping centres and offices. Akademiska Hus is a property company that has expertise in advanced premises for higher education and research which no other company in the country possesses.

Rentable floor space in the holdings and assessed fair value, %



Breakdown of property holdings according to university location

	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
31-12-2006										
Lund	167	164	25	1	357	13	11.1	5,198	10.7	14,532
Gothenburg	186	112	30	14	342	8	10.6	5,213	10.8	15,262
Karlstad	65	0	3	0	68	0	2.1	990	2.0	14,671
Linköping	49	120	30	10	209	8	6.5	2,670	5.6	12,769
Örebro	64	0	12	9	85	0	2.6	1,393	2.9	16,315
Greater Stockholm	418	294	168	63	943	34	29.2	19,651	40.6	20,831
Uppsala	120	265	79	42	506	29	15.7	5,548	11.4	10,961
Umeå	119	74	14	11	218	1	6.7	2,136	4.4	9,814
Luleå	34	53	14	4	105	0	3.3	1,235	2.5	11,762
Other locations	256	67	49	25	397	19	12.2	4,420	9.1	11,138
TOTAL	1,478	1,149	424	179	3,230	112	100.0	48,454	100.0	15,000
Categories, %	46	35	13	6	100					





Interior of the Department of Mathematical Sciences at Chalmers University of Technology in Gothenburg.

Centres of learning the dominant customer group

In Sweden there are 21 centres of learning which are entitled to award degrees on both the undergraduate and postgraduate level. This group includes the universities and a number of the colleges. Of these, 16 rent premises from Akademiska Hus. There are also 28 centres of learning that are entitled to award degrees on the undergraduate level. Of these, ten rent premises from Akademiska Hus.

To conduct their operations the universities and colleges centres of learning use almost four million square metres of floor space. Just over 65 per cent of this floor space is rented from Akademiska Hus. University and colleges are the Group's clearly dominant customer group and together they account for just over 82 per cent of the Group's total rental income. All of the Group's 10 largest customers are either universities or colleges.

Developments for customers in higher education and research

In the face of increasingly keener global competition, access to knowledge has become more and more important. Sweden is therefore investing major resources in higher education and research. However, during 2005 both education and research decreased in extent, which was a break in the trend after many years of growth. The total operating costs at universities and colleges was SEK 44.6 billion in 2005.

Customer categories 31-12-2006

	Total rented floor space, m ²	Proportion, %
Universities and colleges	2,578,048	80
Other state authorities	128,697	4
Chalmers University of Technology	124,415	4
Institutes and foundations	58,466	2
Municipal authorities	25,293	1
Others	203,366	6
Vacant floor space	111,970	3
Total	3,230,255	100

The 10 largest customers

	Total floor space, m ²	Proportion, %
Lund University	343,247	10.6
Uppsala University	260,131	8.1
Stockholm University	227,186	7.0
Göteborg University	217,174	6.7
The Royal Institute of Technology	202,456	6.3
Umeå University	184,063	5.7
Linköping University	182,898	5.7
Karolinska Institute	169,851	5.3
The Swedish University of Agricultural Sciences	143,018	4.4
Chalmersfastigheter AB	124,415	3.9
Total	2,054,439	63.7

For the whole of the country the number of applicants for higher education for the autumn term 2006 fell by nine per cent compared with the preceding year. The falling trend persisted when the figures for the number of applicants for the spring term 2007 were presented. These figures show a drop of six per cent in the number of applicants compared with the previous year. Engineering and teacher training programmes are among the programmes that are experiencing a fall in the number of applicants. There are also fewer people taking the national university aptitude test. In the autumn term 2006 the decrease was 10 per cent.

Generally, however, the level of applications has continued to be high with an average of two applicants per place. For a number of programmes the decline in the number of applications is not a direct problem. There is, however, a considerable variation in the number of applicants between different programmes and different centres of learning, which means that there is a risk that the number of applicants for a number of programmes is lower than the number of places, which will generate problems for those colleges that are affected. The MScEng programmes are continuing to report a negative trend with regard to the number of applicants. This year the number fell by 12 per cent and over the past five years the number of applicants has fallen by 25 per cent. There are still, however, an average of 1.4 first-option applicants per place.

Unchanged resources for research

The previous government had the aim that 50 per cent of students born each year up to and including the age of 25 should carry on into higher education. In the budget bill presented by the recently elected government, it is stated that quality-enhancing measures will be prioritised rather than the quantitative expansion of higher education.

Income from research and graduate programmes fell during 2005 for the first time in over a decade following a reduction in research grants from external funding bodies. The two preceding years resulted in generally unchanged research resources. This means that the research income for universities and colleges has remained on the 2002 level. The colleges and the new universities have been hit hardest by the change whilst the established universities are coping relatively well. In the 2007 budget bill the government presented a research initiative extending through to 2009 to raise the level of research funding by SEK 900 million. In 2008, a new research policy bill will be presented where research grants could be increased even further.

Generally, universities and colleges reported a continued improvement in results during 2006. This can be attributed mainly to a positive trend in income for undergraduate programmes.

Customers other than universities and colleges

Just over SEK 400 million of the rental income for Akademiska Hus comes from customers other than universities and colleges. The figures show that they are a large and important part of the company's operations even if universities and colleges are the Group's core customers. Among these customers, state authorities as well as institutes and foundations make up the largest group. There are also, a number of companies and service operations.

Demand for premises for sport, particularly health-promoting initiatives, is a trend which is now noticeable on campuses throughout Europe. For universities and colleges having sports or health care facilities on campus offers many advantages. Not only is it a matter of quality of life for the students and personnel in the area but it can also be used in marketing to attract new students. In recent years new health and keep-fit facilities have been created on the Solna campus and in Ultuna outside Uppsala. On the Valla campus in Linköping there has been a major investment in sport. Several facilities are in the pipeline, including the Umeå campus. Stores and restaurants are another customer group which is contributing to an improvement in the level of service and the range of facilities on the campuses. The prerequisites for attracting more customers in this category are therefore been studied closely, which among other things has resulted in the initiatives taken at Universum in Umeå.

Today there is an endeavour to bring about greater collaboration between universities and colleges and the surrounding community. One reason for this is a wish to transform the knowledge which exists at the centres of learning into concrete results in the form of new products and services which will benefit the population. This is an important parameter to take into account when Akademiska Hus offers new customers premises on a campus although in many cases it also represents a competitive advantage. One example of this is the biopharma company Biovitrum's move to the Solna campus, where the company can develop its collaboration with the Karolinska Institute.

Competitors

Interest in universities and colleges on the increase

Interest in investing in Swedish properties has increased among both Swedish and foreign investors. This has resulted in greater competition for objects that come onto the market.

For Akademiska Hus this led to considerable interest in those properties which the company sold in 2006 and the price of these properties was pushed up. The company has only made a small number of acquisitions in the light of the current market pressure.

Brand name increasingly important

On the rental market competition is keen in sub-markets with large volumes of vacant space. To succeed in letting premises it is therefore important to find customers who are looking for premises in the locations the company can offer and then in a cost-effective manner adapt those premises to satisfy the customer's requirements. It is, however, impossible for property companies to know of everyone who is looking for premises – those looking for premises must also be able to find the property company. In the light of the keen competition on the rental market the brand name has an increasingly important role to play. Akademiska Hus has a strong brand name when it comes to premises for universities and colleges. There are, however, many who do not know that the company also has other customers and many who are looking for premises do not always see Akademiska Hus as a potential solution. The company is therefore working to increase the level of awareness in categories other than universities and colleges.

The wide range of available premises on many markets means that customers have a wide choice when looking for new premises. This is also something which many capitalise on to find the best solution to their needs and at the same time negotiate the best possible

rent. There is an increase in demand for modern, efficient premises in good locations and this is something for which the customer is prepared to pay a premium. This has led to a situation where, following several years of stagnation, new commercial premises are also being built on markets where there is a high level of vacant space, Stockholm being a good example. Less modern premises in less attractive locations are the major losers and the rent gap is widening between these premises and the premises which the customers pay best for.

In recent years the property companies have shown greater interest than previously in state, municipal and county council customers. Universities and colleges are a major group in this segment, which means that the interest in these has also increased. Akademiska Hus nevertheless remains the clearly dominant landlord for universities and colleges and around 70 per cent of the total floor space they rent throughout the country is rented from Akademiska Hus. After Akademiska Hus Chalmersfastigheter AB and the National Property Board are the largest landlords within this segment.

The largest lessors of non-residential premises to universities and colleges:

	Floor space m ²	Proportion, %	Location
Akademiska Hus AB	2,702,000	73	Operations at 33 relocations
Chalmersfastigheter AB	150,000	4	Gothenburg
National Property Board	130,900	3	Uppsala, Lund, Stockholm, Gothenburg
Clara Foundation	51,500	1	Stockholm
Fastighets AB Vreten	38,200	1	Västerås
Fysikhuset Sthlm HB	37,500	1	Stockholm

At each university location there are a number of property owners that let premises to centres of learning. In the largest university centres the division between Akademiska Hus and other property owners is as follows:

	Umeå	Uppsala	Stockholm	Linköping/ Norrköping	Gothenburg	Lund
Total floor space, 1,000 m ²	244	571	915	247	399	497
Akademiska Hus market share, per cent	75.4	71.6	73.0	74.1	59.1	70.8
Total market share for the four largest competing companies on each market	17.4	21.5	15.2	17.7	22.4	16.0
Total market share of the five largest companies	92.8	93.1	88.2	91.8	81.5	86.8

Akademiska Hus comes out very well in a comparison with a number of the largest property companies in Sweden. The company is the largest in several of the parameters normally used when making a comparison in the industry.

	Investment value, properties, SEK, bn	Rental income 2006	Level of vacant space, rent, %	Rentable floor space, 1,000 m ²
Akademiska, Hus, AB	48.5	4,544	2.6	3,230
Vasakronan AB	38.1	2,706	7	1,803
AP Fastigheter AB	35.3	3,343	9	1,883
Fabege AB	27.2	2,343	11	1,624
Castellum AB	24.2	2,014	13	2,787
Wihlborgs Fastigheter AB	10.9	909	8	1,160

The above information has been taken from each company's year-end report for 2006.

Geographical markets

From a space campus in Kiruna to gardens in Alnarp

Akademiska Hus operations are divided into six regions, each of which covers its particular part of the country. The majority have operations at a number of locations. In total, Akademiska Hus operates at 33 locations throughout the country.

THE NORTHERN REGION (NORR)

It has been a long time since we have seen quite as many indications of positive development in northern Sweden as there were in 2006. There is talk of Kiruna becoming the Klondike of Sweden and Haparanda experiencing a major upturn following the establishment of IKEA. This is a much-longed-for break in the trend which is also having an impact on the property market, among other things in the form of new investments at many locations. In spite of this there are still major regional differences in the rate of growth between the different parts of Norrland and in particular between the inland areas and the coastal areas.

Akademiska Hus Norr conducts operations in five larger towns and a couple of smaller towns. The five larger towns are Kiruna, Luleå, Umeå, Sundsvall and Härnösand. Common to all these is the fact that there is higher education in one form or another. Umeå is the largest town in Norrland and is developing much more strongly than

many other towns of the equivalent size. Umeå comes after the city regions in terms of rate of growth over the past ten years. Luleå and Sundsvall, where the company also has large campuses, have also reported positive growth although not on the same strong level as Umeå. The rental market in these three towns is stable and has been so for several years. Akademiska Hus has very limited vacant space in these towns.

Viewed over a longer period, Härnösand and Kiruna have a clearly weaker rate of growth than the larger towns in Norrland. For Kiruna, however, the future is looking brighter with the major initiatives being taken in the town. The rental market is weak in these locations. Akademiska Hus has no vacant space in Kiruna although in Härnösand just over one-fifth of the holdings of approximately 38,000 square metres are vacant.

General facts about the major towns in the region

	Kiruna	Luleå	Umeå	Sundsvall	Härnösand
Population, December 31, 2006	23,258	73,313	111,235	94,516	25,080
Increase in population 2006	123	562	477	472	-147
Number of full-time students 2005	0	8,100	16,900	2,600	2,000
Rent level, A-locations, offices, SEK/m ²	700-1,000	900-1,200	1,100-1,400	900-1,200	700-1,000
Rent trend	Stable	Stable	Stable	Stable	Stable
Level of vacant space, %	7-10	2-5	3-5	3-6	3-5
Vacant space trend	Stable	Stable	Stable </tr		

Source: Statistics Sweden, Swedish National Agency for Higher Education and Newsec





Akademiska Hus Norr operates in Umeå, Luleå, Härnösand, Sundsvall and Kiruna. In the beautiful stone buildings in the award-winning area of Åkroken on the Sundsvall campus, Mid Sweden University has the base for a cohesive campus with scope for future expansion.

Property specification, Northern Region

Map reference	Property name	Property designation	Principal customer	Proportion of rentable floor space	Location	Rentable floor space, total, m ²		Rental income plus supplements, MSEK
						Vacant		
	Seminariet	Seminariet 16	Mid Sweden University, Kastellskolan	32%	Härnösand	4,281	2,273	3,260
	Sjöbefälsskolan, Topasen, Sambiblioteket etc.	Ädelstenen 6	Mid Sweden University, Municipality of Härnösand	77%	Härnösand	33,590	5,774	32,236
	Mätstugan	STG 388+ ¹⁾	Swedish Institute of Space Physics	100%	Lycksele	165		106
	Norrbyn	Norrbyn 2:122	Umeå University	100%	Norrbyn	2,240		5,655
	Västhagen	Västhagen 1	Mid Sweden University	100%	Sundsvall	6,188		6,161
	Åkroken	Åkroken 1	Mid Sweden University	92%	Sundsvall	24,030	196	39,617
1	Umeå Campus	Stadsliden 6:6	Umeå University, Swedish University of Agricultural Sciences	95%	Umeå	214,404	1,086	246,463
	Röbäcksdalen	Röbäcksdalen 1:6	Swedish University of Agricultural Sciences	100%	Umeå	3,202		2,018
	Kiruna	Kiruna 1:304–1:309	Swedish Institute of Space Physics	87%	Kiruna	8,296		12,981
2	Luleå campus	Porsön 1:405	Luleå University of Technology	100%	Luleå	105,012		124,043
TOTAL						401,408	9,329	472,540
Minus: rent reductions and vacant space								-11,931
Rental income, net								460,609

¹⁾ Building on leasehold property

STOCKHOLM-UPPSALA REGION

Stockholm and Uppsala are regarded as being the same labour market region although the differences between these sub-markets are considerable. Greater mobility means that the Mälars Region is now included, which provides a population base of just over 2.9 million inhabitants. Co-operation to market the whole area as "Stockholm – the Capital of Scandinavia" has brought together 35 municipal authorities from seven counties. Akademiska Hus Stockholm and Akademiska Hus Uppsala are responsible for operations in this part of the country.

Strong recovery in Stockholm

Following a number of years of economic slowdown at the beginning of the century, Stockholm has recovered strongly during the past year and has regained its position as the leading growth region in Sweden. Employment is on the increase and the rate of population growth is strong. Akademiska Hus Stockholm, which is the Group's largest regional company, has virtually all its operations gathered on a number of large campuses: at Frescati on Vallhallavägen, in Solna, at Kungsholmen, in Kista and in Flemingsberg. There is also a small research station on the island of Askö outside Trosa. The Stockholm rental market shows major differences between sub-markets. What is usually called "Inner city, other", i.e. Stockholm's inner city excluding the city centre, is the area that is now reporting the strongest rate of development. Kista still has a high level of vacant space, which means keen competition for customers. The majority of Akademiska Hus properties are located in the "Inner city, other" area although some of the holdings are to be found in Kista, which is where the company has its largest accumulation of vacant space.

Stable rental market in Uppsala

Uppsala, which is the fourth largest town in Sweden, also reports a strong rate of growth. Uppsala University is a major feature of the

town and the reason for its good access to qualified labour.

Akademiska Hus Uppsala has the majority of its property holdings in Uppsala and the adjoining area of Ultuna. The rental market in Uppsala is stable and there are signs that it is improving. Akademiska Hus has over 30,000 square metres of vacant floor space. Around half of this floor space cannot be let at the present time or is of minor rental value. In the next few years there could be a slight increase in the level of vacant space. Major efforts are being made to develop the Ultuna area, the aim being to renew and concentrate the premises which will be needed in the future for the Swedish University of Agricultural Sciences (SLU) and to attract activities which complement the operations being conducted at SLU in the area.

Akademiska Hus also carries on operations in Gävle, Tystberga and Skinnskatteberg. At the two latter locations the properties are small and the Tystberga property is completely empty, and could be disposed of during 2007. In Gävle, Gävle University College is the main customer. Here there is a small volume of vacant space. The rental market in Gävle is stable.

General facts about the major towns in the region

	Stockholm	Uppsala	Gävle
Population, December 31, 2006	782,885	185,187	92,415
Increase in population 2006	11,847	1,879	211
Number of full-time students 2005	59,000	23,900	6,100
Rent level, A-locations, offices, SEK/m ²	2,200–2,500 ¹⁾	1,400–1,600	1,000–1,200
Rent trend	Stable	Stable	Stable
Level of vacant space, %	8–10	4–6	5–8
Vacant space trend	Stable	Stable	Stable

¹⁾ Not the city centre.

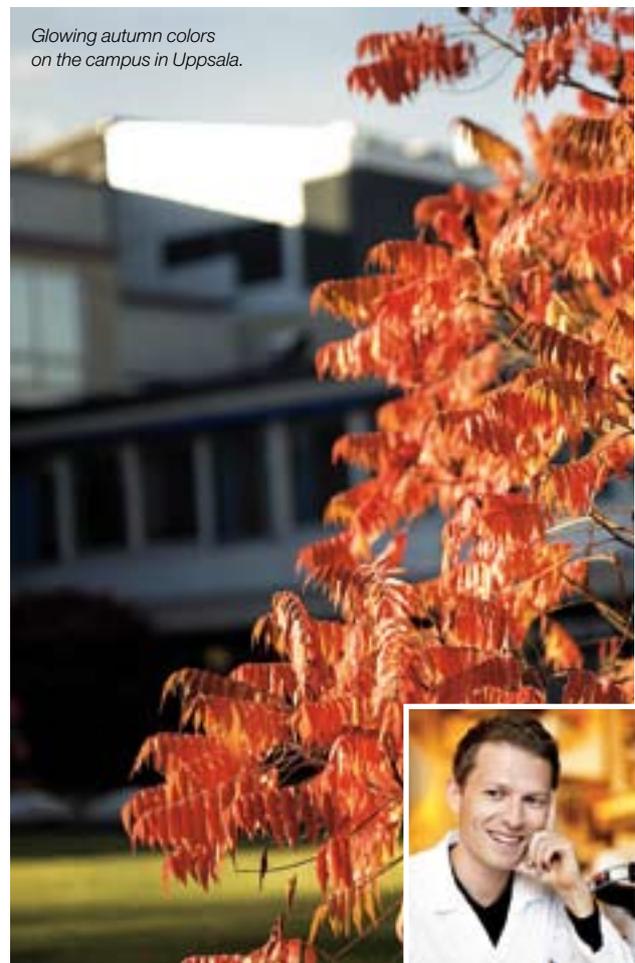
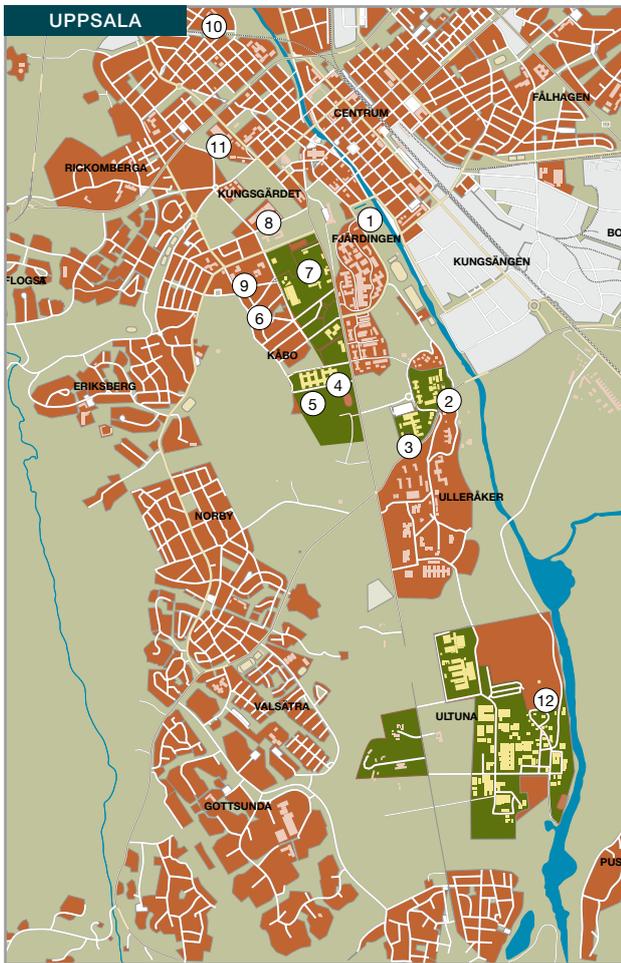
Source: Statistics Sweden, Swedish National Agency for Higher Education and Newsec.



Property specification, Stockholm Region

Map reference	Property name	Property designation	Principal customer	Proportion of rentable floor space	Location	Rentable floor space, total, m ²	Vacant	Rental income plus supplements, MSEK
	Askö	Askö 1:4	Stockholm University	98%	Trosa	2,402		2,505
1	Studentpalatset	Bergmannen Större 8	Stockholm University	100%	Stockholm	3,176		4,640
2	Campus Konradsberg	Centauren 1	Stockholm Institute of Education	100%	Stockholm	10,609		20,068
3	Arkitektur	Domherren 1	Royal Institute of Technology	100%	Stockholm	12,916		13,716
	Universitetsområdet Flemingsberg	Embryot 1	Karolinska Institute	100%	Huddinge	16,616		34,687
4	Campus KTH	Forskningen 1	Swedish National Defence College	29%	Stockholm	59,536	1,865	96,191
5	Campus Solna	Haga 4:35	Karolinska Institute	74%	Solna	157,357	5,477	415,226
6	Campus Solna	Haga 4:43	No customer, land only		Solna	540		
	Electrum	Keflavik 2	Royal Institute of Technology	50%	Stockholm	60,089	5,483	70,657
7	Spökslottet	Kungsstenen 4	Stockholm University	100%	Stockholm	1,433		2,566
8	Campus KTH	Maskiningenjören 1	Royal Institute of Technology	72%	Stockholm	23,511	1,420	47,466
	Universitetsområdet Flemingsberg	Medicinaren 4	Karolinska Institute	100%	Huddinge	48,291		85,491
9	Vanadishus	Mimer 5	The National Institute for Working Life	64%	Stockholm	12,439		28,278
10	GIH	Norra Djurgården 1:43	College of Physical Education and Sports	99%	Stockholm	12,588		13,974
11	Kräftriket	Norra Djurgården 1:44	Stockholm University	68%	Stockholm	28,431	3,922	37,589
12	Frescati Hage	Norra Djurgården 1:45	Stockholm University	92%	Stockholm	15,275	485	14,929
13	Lilla Frescati	Norra Djurgården 1:46	Stockholm University	99%	Stockholm	8,864		12,615
14	Frescati	Norra Djurgården 1:48	Stockholm University	96%	Stockholm	177,955	430	302,257
15	Campus KTH	Norra Djurgården 1:49	Royal Institute of Technology	87%	Stockholm	145,307	2,153	258,347
16	Albano	Norra Djurgården 2:2	No customer, land only		Stockholm	0		
	Nynäs	Nynäs 5:1	Stockholm University	100%	Nyköping	52		42
17	Campus Konradsberg	Ornbäraren 3	Stockholm Institute of Education	87%	Stockholm	40,578		73,773
	Forum	Reykjanes 1	Royal Institute of Technology	45%	Stockholm	48,998	3,785	52,288
18	Svea Fanfar	Svea Artilleri 12	Vacated		Stockholm	0	1,656	
19	Campus Konradsberg	Taffelberget 7	Stockholm Institute of Education	100%	Stockholm	0		536
20	Campus Gärdet	Tre Vapen 2	Sida	49%	Stockholm	53,196	7,450	59,238
21	Teaterhögskolan	Van Der Huff 8	National Academy of Mime and Acting	100%	Stockholm	5,648		7,433
TOTAL						945,807	34,126	1,654,512
Rent reductions and vacant space								-77,903
Income, properties sold								5,486
Rental income, net								1,582,095





Glowing autumn colors on the campus in Uppsala.

Property specification, Uppsala Region

Map reference	Property name	Property designation	Principal customer	Proportion of rentable floor space	Location	Rentable floor space, total, m ²	Vacant	Rental income plus supplements, MSEK
	Gävle Kungsbäck	Kungsbäck 2:8	Gävle University College	90%	Gävle	44,792	1,749	59,632
	Studsvik	Hånö Säteri 1:9			Tystberga	2,642	2,642	1,813
1	Svettis	Fjärdingen 34:1	Uppsala University	100%	Uppsala	1,950		1,820
2	MIC	Kronåsen 1:15	Uppsala University	90%	Uppsala	29,402	1,792	39,318
3	Ångströmslab	Kronåsen 7:1	Uppsala University	100%	Uppsala	49,658		92,872
4	BMC, Magistern	Kåbo 1:10	Uppsala University	98%	Uppsala	83,484	4,864	145,632
5	Rosendalsgymnasiet	Kåbo 1:20	Uppsala Municipal Authority	100%	Uppsala	9,489	428	13,927
6	SCASSS	Kåbo 38:9	SCASSS	100%	Uppsala	611		630
7	Kv Blåsenhus	Kåbo 5:1	Uppsala University	50%	Uppsala	37,901		44,130
8	Engelska Parken	Kåbo 14:3	Uppsala University	100%	Uppsala	41,066	458	57,484
9	Kv Lagerträdet (EBC)	Kåbo 34:12	Uppsala University	100%	Uppsala	30,934	1,279	42,507
11	Ekonomikum	Luthagen 62:7	Uppsala University	100%	Uppsala	21,838		28,370
12	Ultuna	Ultuna 2:23 m.fl.	Swedish University of Agricultural Sciences	75%	Uppsala	199,810	19,980	214,857
	Skinnskatteberg	Skinnskatteberg-Eriksbo 1:12	Swedish University of Agricultural Sciences	100%	Skinnskatteberg	3,216		1,656
		Ämthytan 4:49	Swedish University of Agricultural Sciences		Skinnskatteberg	828		324
TOTAL						557,621	33,192	744,972
Rent reductions and vacant space								-25,091
Income, properties sold								2,642
Rental income, net								722,523

EASTERN REGION (ÖST)

Major efforts are being made to develop the twin towns of Linköping and Norrköping into the fourth city region. Together with other towns within commuting distance the region has a labour market area with a population of approximately 500,000. This initiative should be viewed in the light of the link which exists between growth and population in a region. A joint initiative ought to benefit development in the region as a whole.

Akademiska Hus Öst carries on operations in three large towns and in Grythyttan. The large towns are Linköping, Norrköping and Örebro and they are all university towns. Linköping has a strong rate of growth, closely followed by Norrköping. Linköping University, one of the larger universities in Sweden has operations in the two towns and is a strong driving force for expansion in both. Örebro, which in terms of size is comparable to Linköping and Norrköping, also has an equivalent rate of growth. Örebro is part of the Mälardalen labour market region which, in line with improvements in the infrastructure, is becoming increasingly intertwined with the Stockholm-Uppsala

region. The rental market in the three towns is stable. Akademiska Hus has only a small volume of vacant space in Linköping.

In Grythyttan there is House of Culinary Art, which for a number of years has been part of the Eastern Region property holdings. There is only a limited rental market in Grythyttan and the Group does not have any vacant space.

General facts about the major towns in the region

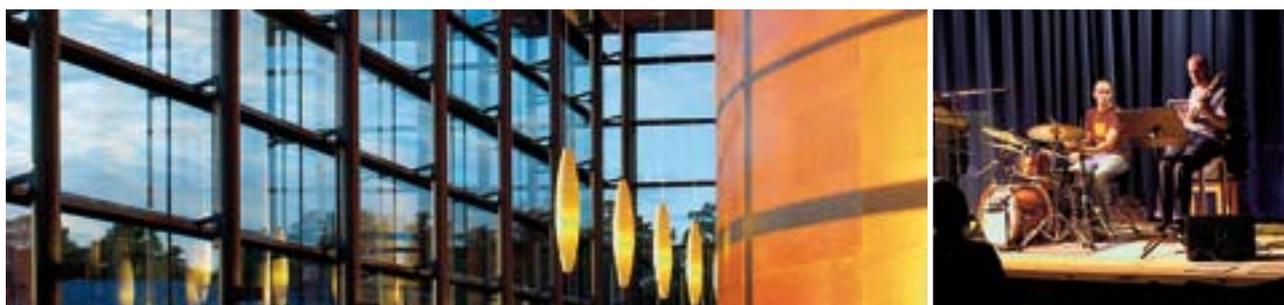
	Linköping	Norrköping	Örebro
Population, December 31, 2006	135,580	125,463	128,977
Increase in population 2006	944	821	1,244
Number of full-time students 2005	13,600	4,400	9,500
Rent level, A-locations, offices, SEK/m ²	1,300–1,500	1,100–1,400	1,100–1,300
Rent trend	Stable	Stable	Stable
Level of vacant space, %	4–6	4–8	5–8
Vacant space trend	Stable	Stable	Stable

Source: Statistics Sweden, Swedish National Agency for Higher Education and Newsec



Property specification, Eastern Region

Map reference	Property name	Property designation	Principal customer	Proportion of rentable floor space	Location	Rentable floor space, total, m ²	Vacant	Rental income plus supplements, MSEK
1	Campus Valla	Intellectet 1	Linköping University	73%	Linköping	209,061	7,752	262,032
2	Örebro universitet	Universitet	Örebro University	100%	Örebro	85,356		130,217
		Kåkenhus 11	Linköping University	100%	Norrköping	12,993		23,048
		Täppan 23	Linköping University	100%	Norrköping	16,269		28,200
		Kopparhammaren			Norrköping	0		0
		Grythyttan	Örebro University	100%	Grythyttan	3,122		3,826
TOTAL						326,801	7,752	447,323
								Rent reductions and vacant space
								-7,975
								Rental income, net
								439,348



Akademiska Hus Öst has operations in Linköping, Norrköping, Örebro and Grythyttan. The College of Music in Örebro, which was opened in 2004, has a concert hall and library as well as music studios, art and ceramic workshops and 48 individual practice rooms.

WESTERN REGION (VÄST)

Western Sweden is the region which has reported the strongest rate of growth over the past 10 years. To market itself internationally the region is co-operating with the Oslo region.

Akademiska Hus Väst carries on operations at a number of locations in Western Sweden. Gothenburg has had a very good rate of growth and is contributing strongly to development in the region. The city is a centre for international industry and trade and through the Port of Gothenburg it is also a hub for logistics and transport in northern Europe. Gothenburg is also a large and attractive student city. The majority of the Akademiska Hus property holdings in the Western Region are in Gothenburg, where the market is marked by keen competition for customers and stable rent levels. As a result of

current and concluded sales Akademiska Hus has no significant volumes of vacant space in Gothenburg.

Akademiska Hus also carries on operations in Borås, Karlstad, Skara and Skövde. Of these, Borås is the largest and it also has the strongest rate of growth. The rental market is stable in all four towns. Akademiska Hus has no significant vacant floor space in any of the towns. In Karlstad, major redevelopment of the campus is taking place and the floor space is leased in full to Karlstad University.

The company also has a couple of small research stations on the coast. On the island of Tjärnö, Göteborg University conducts marine research at the Tjärnö Marine Biology Laboratory and in Fiskebäckskil there is the Kristineberg Marine Research Station.

General facts about the major towns in the region

	Gothenburg	Borås	Skara	Skövde	Karlstad
Population, December 31, 2006	489,757	100,221	18,595	50,153	82,878
Increase in population 2006	4,815	896	17	173	782
Number of full-time students 2005	34,400	5,000	300	4,200	8,200
Rent level, A-locations, offices, SEK/m ²	1,300–1,600	900–1,200	750–1,000	900–1,150	1,100–1,300
Rent trend	Rising	Stable	Stable	Stable	Stable
Level of vacant space, %	8–10	5–7	1–5	4–6	6–8
Vacant space trend	Stable	Stable	Stable	Stable	Stable

Source: Statistics Sweden, Swedish National Agency for Higher Education and Newsec



Gothenburg is one of the most attractive places to study among students. On the Chalmers campus in Gothenburg Akademiska Hus Väst owns and manages 124,000 square metres. In addition, Akademiska Hus Väst handles the operation and parts of the maintenance of almost all the Chalmersfastigheter holdings, which amount to approximately 150,000 square metres.



Property specification, Western Region

Map reference	Property name	Property designation	Principal customer	Proportion of rentable floor space	Location	Rentable floor space, total, m ²	Rental income plus supplements, MSEK	
1	KK2	Annedal 20:2	Göteborg University	100%	Gothenburg	5,515	7,667	
2	Psykologen	Annedal 21:11	Göteborg University	100%	Gothenburg	6,169	8,751	
3	Dicksonsgatan	Lorensberg 13:6	Göteborg University	100%	Gothenburg	627	860	
4	Näckrosdammen	Lorensberg 21:1	Göteborg University	100%	Gothenburg	32,577	41,810	
5	Artisten	Lorensberg 24:3	Göteborg University	100%	Gothenburg	14,968	25,547	
6	Viktoriagatan	Vasastaden 12:19	Göteborg University	100%	Gothenburg	4,142	5,194	
7	Handels	Haga 22:1	Göteborg University	100%	Gothenburg	25,511	35,673	
8, 9, 10	Samvetet	Haga 21:19	Göteborg University	100%	Gothenburg	21,566	30,526	
11	Botan	Änggården 34:2	Göteborg University	100%	Gothenburg	9,789	18,263	
12	Medicinareberget	Änggården 718:138	Göteborg University	98%	Gothenburg	78,781	126,714	
13	Chalmers	Johanneberg 31:9	Chalmersfastigheter AB	98%	Gothenburg	128,158	153,933	
14	Mattecentrum	Krokslätt 109:20, 110:3	Chalmersfastigheter AB	100%	Gothenburg	11,259	23,678	
	Korsettfabriken	Kommandantsången 8:8		100%	Gothenburg	2,459	2,378	
	Karlstads universitet	Universitetet 1	Karlstad University	98%	Karlstad	67,493	95,441	
	Balder	Balder 7	University College Borås	100%	Borås	32,239	32,248	
	Sandgårdet	Sandgårdet 6, 7, 8, 11, 13, Innerstaden 1:3	University College Borås	100%	Borås	13,457	24,008	
	Högskolan Skövde	Göta 1	University College Skövde	100%	Skövde	19,770	25,918	
		Stenbocken 1	Swedish University of Agricultural Sciences	70%	Skara	4,197	266	3,601
		Sälgen 15	Swedish University of Agricultural Sciences	100%	Skara	671	329	
		Skytten 2	ATG Horse Clinics Ltd.	60%	Skara	4,911	3,844	
		Metes 2	Animal Protection Authority	100%	Skara	1,193	1,477	
	Tjämö	Korsnäs 1:16	Göteborg University	100%	Strömstad	5,961	9,050	
	Kristineberg	Skaftö-Fiskebäck 1:500	Royal Swedish Academy of Sciences	100%	Lysekil	2,748	4,409	
	Orrspelsgatan	Krokslätt 109:9	Residential	100%	Gothenburg	64	28	
TOTAL						494,225	7,835	681,347
	Rent reductions and vacant space							-28,575
	Income, properties sold							15,639
	Rental income, net							668,411

SOUTHERN REGION (SYD)

The Öresund region is currently going through a strong development phase. Öresund University, with 14 members and Medicon Valley, is one of the leading centres in Europe for research within biotechnology and medicine and is a strong contributing factor to the positive growth in the region. The population of the Öresund region is 3.6 million, which offers very good conditions for the companies in the region to find workers with the right skills and expertise.

Akademiska Hus Syd carries on operations at five locations in southern Sweden with the focal point in Lund. Almost three-quarters of the regional company's property holdings are to be found in Lund. Lund is very much a university town although there are also leading international companies and a strong entrepreneurial spirit at Ideon, the largest Research Park in Sweden. The rental market is stable with vacant space and rents on a par with the preceding year. Akademiska Hus has more vacant space in Lund and estimates that the figure could increase slightly in the years to come. There is no strong demand for premises.

In Malmö, which is the main urban centre in southern Sweden, Akademiska Hus has a large property which is leased mainly to Malmö University. Malmö, together with the other two city regions in the country, has reported the strongest rate of growth over the past 10 years. The rental market in Malmö is stable with a slight fall in the level of vacant space and there are signs that rents could increase slightly. Akademiska Hus has no vacant space in Malmö.

The regional company also has properties in Alnarp, Kristianstad and Kalmar. Alnarp is the smallest of these towns and the Swedish University of Agricultural Sciences is the largest customer. There is some vacant space and the assessment is that the figure could increase. The rental market in Alnarp is very small and consequently new customers for this unique park environment must be attracted from other parts of the region.

Kalmar and Kristianstad are comparable towns although Kalmar has a slightly stronger rate of growth. The property market is stable in the two towns. Akademiska Hus has no vacant space in Kristianstad although in Kalmar the level of vacant space is seven per cent.



Akademiska Hus Syd has almost three-quarters of its property holdings in the historic student town of Lund. The cafe at the Language and Literature Centre has become a popular meeting point for students and other people living in Lund.

General facts about the major towns in the region

	Lund	Kalmar	Kristianstad	Malmö
Population, December 31, 2006	103,286	61,321	76,540	276,244
Increase in population 2006	1,029	397	625	4,973
Number of full-time students 2005	24,100	6,000	5,200	11,000
Rent level, A-locations, offices, SEK/m ²	1,400–1,700	900–1,150	1,000–1,200	1,100–1,350 ¹⁾
Rent trend	Stable	Stable	Stable	Stable
Level of vacant space, %	2–4	5–8	3–5	5–8
Vacant space trend	Stable	Stable	Stable	Stable

¹⁾ Town centre, other.

Source: Statistics Sweden, Swedish National Agency for Higher Education and Newsec.



Property specification, Southern Region

Map reference	Property name	Property designation	Principal customer	Proportion of rentable floor space	Location	Rentable floor space, total, m ²	Rental income plus supplements, MSEK	Vacant
1	Språk & Litteraturcentrum, Universitetsbiblioteket	Absalon 5	Lund University	100%	Lund	31,258	38,574	711
2	Biomedicinskt Centrum, Astronomi, Zoologen	Eskil 21	Lund University	100%	Lund	55,566	118,842	
3	Lunds Tekniska Högskola	Helgonagården 6:16	Lund University Faculty of Engineering	100%	Lund	186,121	270,407	9,659
4	Kulturatanomen, Finngatan, Klassiska etc.	Hyphoff 5	Lund University	100%	Lund	8,131	8,303	1,024
5	Historiska inst	Maria Magle 6	Lund University	100%	Lund	2,146	2,646	
6	Socialhögskolan	Paradis 47	Lund University	100%	Lund	1,383	2,179	
7	Eden, Byrålogen, G:a Kirurgen etc.	Paradis 51	Lund University	100%	Lund	30,404	36,686	108
8	Socialhögskolan	Sankt Peter 33	Lund University	100%	Lund	942	1,171	
9	Geocentrum 1 etc.	Saxo 3	Lund University	100%	Lund	4,070	967	583
10	AH Kontorshus	Studentkåren 4	Akademiska Hus Syd	100%	Lund	2,519	2,625	
11	Fysik, Geocentrum 2 etc.	Sölve 1	Lund University	97%	Lund	35,127	56,132	548
	Alnarp	Alnarp 1:60	Swedish University of Agricultural Sciences	78%	Lomma	67,929	53,820	5,082
	Elevbostad	Alnarp 1:63	Swedish University of Agricultural Sciences	100%	Lomma	156	61	
	Bostad	Alnarp 1:64	Private residential	100%	Lomma	145	85	
	Tandvårdshögskolan	Klerken 4	Malmö University College	94%	Malmö	16,766	16,238	
	Nisbethska, Bibliotek, Falken	Falken 3	Kalmar University College	96%	Kalmar	12,325	15,819	467
	Rostad	Rostad 1	Kalmar University College	48%	Kalmar	3,936	3,505	1,539
	Sjöfartshögskolan etc.	Eldaren 1	Kalmar University College	91%	Kalmar	12,360	20,289	
	Högskolan	Näsby 34:24	Kristianstad University College	99%	Kristianstad	33,109	35,330	
TOTAL						504,393	683,679	19,721
	Rent reductions and vacant space							-9,629
	Rental income, net							674,050

Leases and rental income

Long leases offer good conditions

The Akademiska Hus contract portfolio is characterised by long leases. At the turn of the year the average remaining lease term was 6.4 years.

The average term for newly signed leases is 10 years. The lease terms are very evenly spread out over time and over the next 10 years leases fall due for renewal to a value of approximately 9 per cent of the base rent per year. In the regions, however, there is a greater spread of the lease renewal dates.

During 2006, 10 per cent of the lease portfolio was renegotiated, equivalent to SEK 406 million in rental value. The rental value (base rent) for 2006 was SEK 4,059 million (4,073).

Within Akademiska Hus renegotiations are in progress for leases which fall due for renewal in 2007 and where notice has been given of a change in terms. The largest renegotiations refer to leases with a rental value of approximately SEK 100 million per year and are being

conducted with Göteborg University. The Stockholm Region, followed by the Southern Region, has the smallest proportion of the rental value falling due for renewal within the next three years. In the Northern Region however the situation is different. Here just over 40 per cent of the rental value falls due for renewal through to 2008. In conjunction with renegotiations the renewal structure is taken into account with the aim of achieving a continued even spread over time.

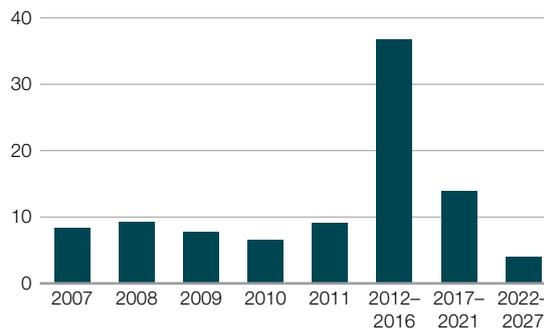
For larger, complex specialist buildings, for laboratories and research operations for example, which would require substantial redevelopment for alternative use of the premises, a lease is normally required which repays a large proportion of the investment within the term of the lease. In these cases leases are normally signed with terms of 10 years or more.

Long leases create good conditions for building up good relationships with the customers and focusing on efficient management.

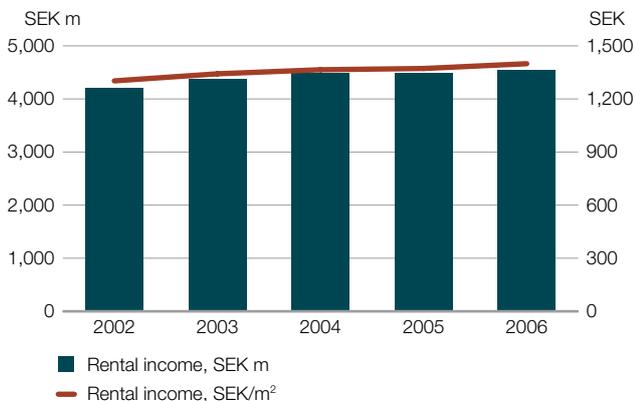
Leases 31-12-2006

Region	Average lease term, years	Average remaining lease term, years
South	9.7	6.8
West	11.8	7.5
East	10.0	5.3
Uppsala	10.1	6.1
Stockholm	10.8	6.9
North	8.3	4.9
Total	10.3	6.4

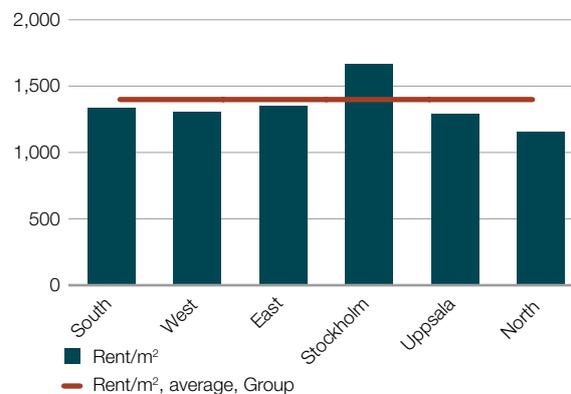
Lease (due date) structure, contracted rent, %



Rental income



Rental income per region, SEK/m²



An interior view of the Architecture building at Chalmers University of Technology in Gothenburg. The yellow sections to the left are part of the work of art Månskären by Curt Asker.



Rental and vacancy levels

Unchanged level of vacant space

Akademiska Hus has a level of rented space which, compared with the property industry as a whole, is very high. One of the factors which has contributed to this is the Company's focus on premises for universities and colleges in combination with the growth which has taken place in the higher education sector over the past decade.

This growth also brought with it a substantial need for premises, which in many cases was solved through new construction and the signing of long leases. In recent years the need within the higher education sector for more premises has fallen and many customers are re-examining their floor space requirements.

The total holdings at the end of 2006 amounted to 3,230,255 square metres. Of this figure, 111,955 square metres were unlet, equivalent to 3.5 per cent of the total floor space. The loss of rental income resulting from the vacant floor space is valued at SEK 125 million, giving an economic level of vacant space of 2.6 per cent. The difference between the 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 areas are being redeveloped and the leases have already been signed.

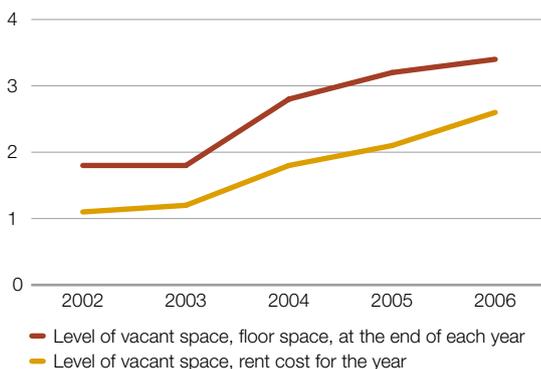
During 2006, vacant space increased by almost 8,000 square metres. Included in this increase is the Mathematics Centre, which became vacant during the year. The floor space is 11,259 square metres and is located on the Chalmers campus in Gothenburg. Around 4,000 square metres at the Mathematics Centre have been let on a short-term basis for 2006/2007. In the forecast made in 2006 it was assumed that vacant space would increase. This was based on the fact that the Pedagogen building, comprising approximately 36,000 square metres and located in Mölndal, would become vacant in 2006. This property has, however, been sold and does not affect the level of vacant space.

Based on the dialogue which is taking place with the Company's customers and the forecasts made for the letting of vacant premises, the level of vacant space will not change tangibly over the next few years. However, the situation differs between the regional companies and there are variations on local markets.



Akademiska Hus has a low level of vacant space. In 2006 the figure was 3.5 per cent.

Level of vacant space, %





In the Northern Region there is a low level of vacant space with the exception of Härnösand, where the level is approximately 23 per cent. This is the highest figure for a single town within Akademiska Hus. The demand for premises has continued to be low and consequently it could take time to find customers fill this vacant space.

The Uppsala Region has in recent years acquired more vacant floor space, particularly in Ultuna, as the Swedish University of Agricultural Sciences improves the efficiency of its use of premises. During the next few years the vacant space could increase slightly. To counteract this the Company is focusing on marketing Ultuna Park to companies which could benefit from proximity to the Swedish University of Agricultural Sciences.

In total, the largest volume of vacant space is to be found in the Stockholm Region although around half of this has already been let and the premises are being redeveloped. The vacant space will therefore fall as the projects are completed. Kista is the sub-market where the Company has the highest level of vacant space, approximately 8 per cent, which is half of the figure for the market in Kista as a whole. Consequently, the competition for customers is very keen in this area.

In the Eastern Region the level of vacant space for the Group continues to be low and the forecast for the next few years is stable.

In the Western Region the Pedagogen building in Mölndal has been sold. This means that the Company has reduced its vacant space by approximately 36,000 square metres. There are also plans for the Mathematics Centre, with approximately 11,000 square metres of vacant floor space, to be sold for redevelopment into student housing and for other purposes.

In the Southern Region the rental agreement reached previously with Lund University has not resulted in the vacant space made possible by the agreement. During the next two years an increase in the level of vacant space in Lund and Alnarp is expected.

Vacant space 31-12-2006	Location	Property	Square metres	Proportion, square metres	SEK m	Proportion, SEK m
Rentable	Gothenburg	Mathematics Centre, Chalmers	7,259		23.3	
	Uppsala, Ultuna	EMC	5,632		3.7	
	Stockholm, Kista	Electrum	5,483		7.2	
	Härnösand	Topasen	4,282		2.5	
	Stockholm, Kista	Forum	3,785		5.0	
	Uppsala, Ultuna	Ultuna	2,829		0.9	
	Stockholm	Wallenberg Laboratory	2,453		1.3	
	Härnösand	Seminariet	2,273		1.8	
	Uppsala	MIC	1,792		1.1	
	Lund	Chemistry Building	1,594		1.0	
	Others		17,347		17.5	
Total rentable vacant space			54,729	1.7%	65.3	1.3%
Non-rentable	Stockholm	College of Arts, Crafts and Design	6,810		24.7	
	Linköping	Terra	6,785		5.4	
	Uppsala, Ultuna	Clinical Centre, Buildings 3, 4 and 7	6,463		5.5	
	Uppsala	Magistern	3,530		1.9	
	Others		10,662		13.4	
Total non-rentable vacant space			34,250	1.1%	50.9	1.1%
Rentable space of minor economic value			22,976	0.7%	8.4	0.2%
TOTAL			111,955	3.5%	124.6	2.6%

Products and services

Specialised services satisfy customer needs

To succeed with good, long-term customer relations it is vital that the premises that are leased to them and the services which are provided support the customers' activities and provide added value to those who are working in the premises.

Akademiska Hus is therefore working actively and in close collaboration with the customers in order to develop the premises and the services. We offer a whole range of supplementary services that will make life easier for the customers and contribute to ensuring that their operations function in the manner they had envisaged.

Adaptable premises

The conditions in which customers operate change with time. It is therefore important that the premises can be adapted to new requirements. Akademiska Hus has developed an organisation and working models which make it possible to rapidly redevelop technically complicated premises without disrupting the activities that are taking place.

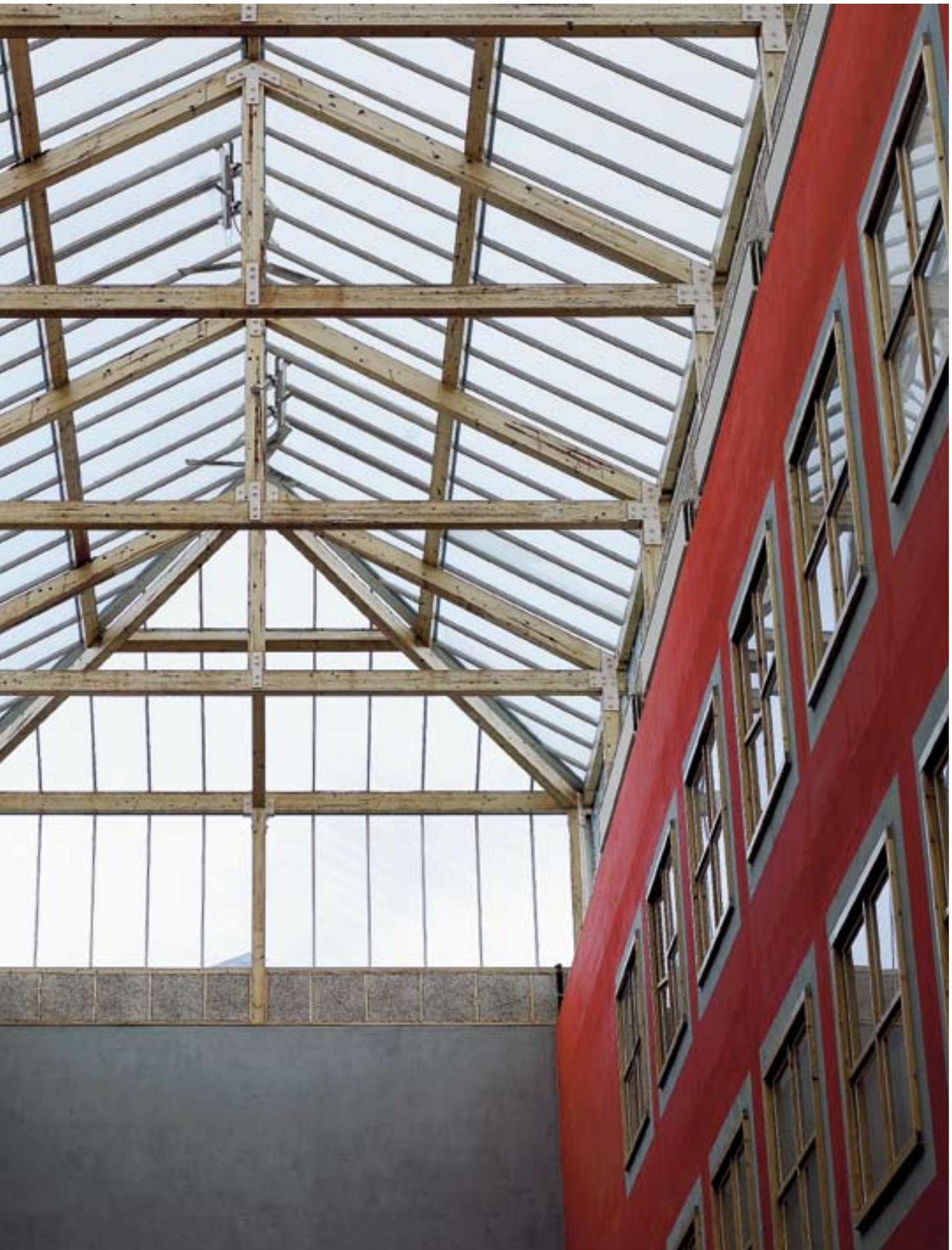
Advanced service

Universities and colleges, which make up the largest customer group for Akademiska Hus, often have their own service organisations. It is therefore common that they do not ask for service arrangements which are standard to the industry. Activities that are carried on in the premises, such as research, make specific demands on the service provided. Monitoring of cooling and freezing facilities via Web-based systems, where the customers should always be able to control and influence the status of their equipment, is just one example of such a specialised service. Another example is the logging of fume cupboard flows, which the customers need to do in their environmental work. Akademiska Hus is working actively to utilise the control and monitoring systems in each property to develop new services which are of significant benefit to the customer.

There is increasing interest in services which are not linked directly to the property but which are closer to the customer's operations. This is particularly obvious among customers who are not universities or colleges. Akademiska Hus does not have its own organisation to provide this type of service and instead it collaborates with experienced partners to offer such operationally linked services and in doing so create the greatest possible benefit for the customer. Examples of operationally linked services which are offered are help with removals, reception service, handling of residual products and security.

At Artisten in Gothenburg daylight streams in over the next generation of stars of stage and music. This is the base for the Academy of Music and Drama.





Risk management

Longer leases ensure stable income

Even in a rising market it is important to focus on future risks. Akademiska Hus devotes a great deal of energy to management issues to increase the potential to influence results in the long term. One example is the development of in-house energy solutions to reduce costs.

Akademiska Hus rental income is assured through long leases. Operating costs are in the short term regarded as fixed while maintenance costs are to a large extent floating and can be reduced to counteract a fall in profits or possible vacant space. The positive economic trend for the Group is expected to continue in the next few years.

Strategic risk

Major investments in creative environments for knowledge and research have created the Akademiska Hus campus environments. In this respect the property portfolio carries a certain strategic risk as the campus environments were created for a specific purpose and are not in a broad sense general. To handle and counteract this risk investments in campus areas are first and foremost made in general premises that can be adapted to different customers. Investments in specially adapted premises take place once a long lease is in place that will justify the investment.

Rental income

Rental income is assured leases which, by comparison with the industry in general are long. The average term for a newly signed lease with Akademiska Hus is 10 years and at the year-end the aver-

age remaining lease term was 6.4 years. For larger, complex specialist buildings intended for laboratory and research operations, leases are normally signed with terms of 10-15 years or more. Around 70 per cent of the rents are adapted annually to changes in the CPI. A small lease volume is also adapted to changes in interest rates.

In conjunction with rent negotiations there is a continuous follow-up of the lease renewal structure with the aim of securing an even spread of renewal dates. A change in rental income of one per cent affects the Group's pre-tax profit by SEK 45 million.

Rents from state-controlled customers account for 89 per cent of the rental income and this income does not represent a credit risk.

In Stockholm, Sida moved into 18,600 square metres on the Tre Vapen block in 2006. In 2007, the Swedish Environmental Protection Agency will move into 11,900 square metres in the same block. At the same time, new construction for the Biomedical Centre D building in Lund has commenced as well as redevelopment and extension of the Department of Mathematical Sciences in Gothenburg and new construction of the Ångström Laboratory Building 7 in Uppsala.

The rental income for 2007 will increase, due mainly to the commissioning of current new development projects. The largest projects are Tre Vapen for the Swedish Environmental Protection Agency, part of the redevelopment of the Chemical Centre in Lund and the A-building in the Valla area in Linköping.

Vacant space

An increase in vacant space has a direct impact on profit. The follow-up of current and future vacant space is a high priority. Special plans



have been drawn up to deal with all vacant space in conjunction with operational follow-up and these are also reported to the board of each regional company.

Vacant space amounts to 111,955 square metres (103,635), which is equivalent to 3.5 per cent (3.2). The economic level of vacant space is lower at 2.6 per cent (2.1), which reflects the fact that a large proportion of the vacant space has a relatively low rental value. The economic level of vacant space is equivalent to SEK 125 million (88). 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.

Vacant space within Akademiska Hus is very low compared with other property companies.

Operating costs

Energy costs make up the majority of the total operating costs and are regarded in part as fixed costs as heating is often still necessary even if floor space is vacant. In recent years energy costs have increased at a higher rate than the rents, which has had a negative impact on profit and increase in value. The rapid increase in energy prices, however, has had a limited effect on profit due to early procurement and energy-saving measures. A change in operating costs of one per cent affects profit by just under SEK 8 million.

Akademiska Hus is not exposed fully to increases in operating costs as approximately 50 per cent of the cost of energy, fuel and water is passed on to the customers as a rent supplement. To deal with possible rises in electricity prices, 82 per cent of the estimated consumption in 2007 was hedged as of the year-end. Electricity is

purchased directly on the electricity exchange Nordpool on a Group basis.

In negotiations and discussions with energy companies notice has also been given of price rises during the coming year. Akademiska Hus will continue to work to counter price rises, particularly district heating. Planning of in-house solutions is continuing and with the price trend which is expected in the future this is a highly prioritised area. Akademiska Hus will endeavour to invest in new energy solutions in all parts of the holdings where such investments are profitable.

Maintenance and investments

Maintenance costs are to a large extent floating and can be reduced to meet a fall in profit or vacant space. A change in maintenance costs of one percentage point would have an impact on profit of SEK 7 million.

The management organisation is working on a maintenance plan for each individual building. The measures taken over the years have meant that the property holdings are now well maintained.

Investments, i.e. value-enhancing measures, are only made if there is a calculation and a lease with a customer which together justify the investment on business grounds.

Financial risks

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 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, which is why fluctuations in market interest rates do not have an immediate impact on the liability portfolio.

Financing is presented in more detail on pages 46–48.

Operating risks

The term operating risk refers mainly to the risk of financial consequences and consequences related to trust which ensue from shortcomings in internal routines and systems. The handling of operating risks is aimed at identifying, assessing, monitoring and reducing those risks. The risks are assessed and handled based on the consequences they are expected to have and the degree of probability that they could occur. Internal directives and guidelines form the basis for risk management within Akademiska Hus. As opposed to market risks, the handling generally is directed more at reducing the risks. Corporate culture is critical in ensuring that internal controls are a normal and necessary operating requisite.

The operating risks that need to be handled can be divided into

- Administrative – insufficient or unsuitable routines, lack of controls and reporting, human error, lack of expertise, an unclear allocation of responsibility.
- IT – incorrect data systems, information security, stoppage risks
- Legal – sub-standard documentation, incorrect agreements

The Group and its assets are insured in line with the assessed insurance requirements.



The future

Management issues and in-house energy solutions a high priority

External factors

Economic climate and interest rates

The upturn in the economy is expected to continue in 2007. What was a relatively weak labour market, which appeared to be inhibitory, has now become stronger and will probably have a positive effect on the market for non-residential premises.

Continued rises in the key rate are expected in 2007.

Akademiska Hus has assumed an average interest cost of 4.25 per cent. This is linked to the fall in interest rates in recent years which, with a certain lag, is holding down our interest cost. For the Group, the rises in interest rates are to a certain extent being counteracted by bonds falling due which were issued at a considerably higher rate of interest. In 2007, significant amounts of interest swaps will fall due and which will have the same effect.

Property market and the market for non-residential premises

The property market continued to be strong during 2006 and was marked by falling direct yield requirements from what were already low levels. A strong contributing factor is the high level of liquidity in the property market.

The market for non-residential premises reveals a more diversified trend. Despite the rise in the price of properties, the rental market has for a long time had stable rent levels with a relatively high level of vacant space on many of the sub-markets. The increased level of employment will, however, probably affect rent levels during 2007. Being able to offer a customer attractive, modern environments is, and will continue to be, a crucial success factor.

Leases and vacant space

Rental income will increase in 2007. This can be attributed mainly to the full-year effects of buildings which were brought into use in 2006 but also the commissioning of buildings in 2007 (see list on page 51).

In 2007, the Swedish Environmental Protection Agency will move into redeveloped and extended premises on the Tre Vapen block in Stockholm.

In 2006, the Mathematics Centre on the Chalmers campus in Gothenburg became vacant. The Mathematics Centre has floor space of 11,259 square metres. The sale for conversion into student housing has commenced. No further major vacancies are expected to arise in 2007 and it is estimated that the level of vacant space will be 3.3 per cent.

Current vacant space within Akademiska Hus is to be found mainly in Linköping, Kista, Ultuna and Härnösand. In Linköping the level of vacant space has fallen. In Kista the vacant space is expected to continue as a result of the surplus of non-residential floor space. Vacant space in Härnösand is due to fewer places on courses and the savings on premises being made at Mid Sweden University.

As a result of the weak rental market in Härnösand the potential to find new customers for the empty premises is very limited. In the Ultuna area in Uppsala, which to a large extent has the Swedish University of Agricultural Sciences (SLU) as a customer, the vacant space is largely in the form of small buildings that require modernisa-

tion. These often cannot be rented out to another customer without substantial redevelopment. Large parts of the buildings in the Ultuna area currently rented by SLU are not suitable and discussions are taking place with SLU about future development. The long-term plan includes a number of large new constructions combined with extensive demolition of existing buildings.

Energy costs

In negotiations and discussions with energy companies notice has been given of continued price increases during the coming year. Akademiska Hus will continue the work of counteracting the negative price trend. Planning of in-house solutions is proceeding and in the light of the price trend which is expected in the future this is a high priority area. Akademiska Hus is endeavouring to invest in new energy solutions for all parts of its holdings where such investments are profitable. Energy-saving work has to date had a good effect and will be completed.

Challenges

It is predicted that the trend for non-residential premises will in the next few years be moderate. Combined with the very low rate of inflation there will not be any significant increase in rents in the future. To retain profitability and competitiveness Akademiska Hus commenced an operational development project in 2006. The aim is to in the future, with a retained level of quality, increase efficiency in the management process and at the same time reduce management costs.

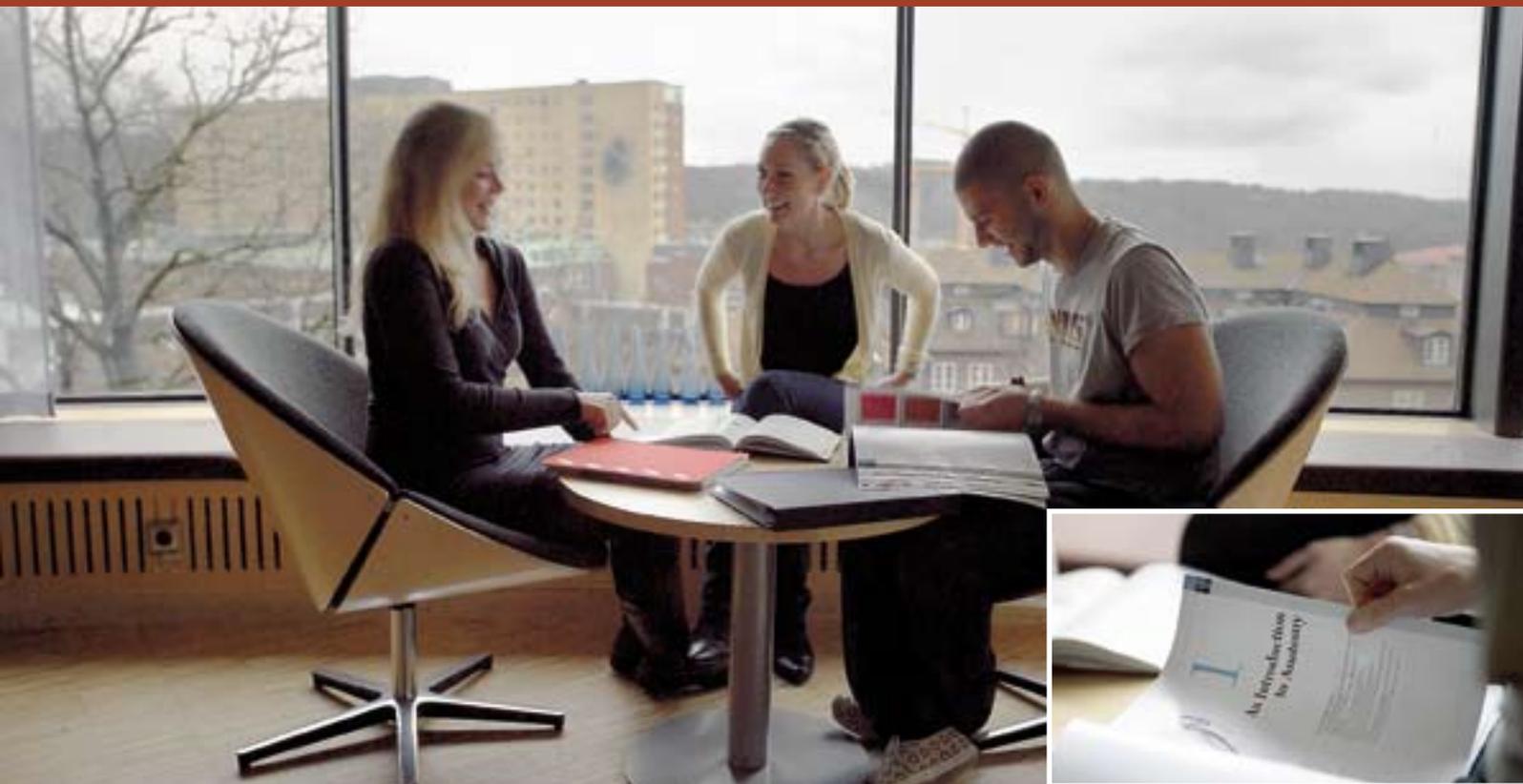
Another important area is the implementation of planned construction investments by Akademiska Hus. In 2007, the investments are expected to amount to SEK 2 billion and in 2008 SEK 1.7 billion. Managing very large future investments on an overheated construction market is an extremely demanding task, particularly in the procurement of contract work.

As always, it is a matter of preserving customer relations and being attentive to demands and changes. Akademiska Hus is working with specific activity plans to gradually strengthen customer relations and in doing so have more satisfied customers. An important part of this work involves co-operating with the customers and municipal representatives to plan the campuses so that long-term development potential can be highlighted. It is vital to capitalise on all the opportunities that exist to increase the range of services for those working on the campuses through collaboration with various parties, including restaurants, cafes, local shops and bookshops as well as healthcare and sports facilities.

Profit trend

The Group's expected future profit trend is considered to be positive. A low level of vacant space, longer leases with stable customers and the fact that Akademiska Hus is operating in a segment, higher education and research, which has become increasingly attractive on the market are success factors for the future.

The pre-tax profit is budgeted at SEK 2,331 million for 2007. The budgeted profit includes no unrealised changes in value. Com-



Academicum, at the top of Medicinareberget in Gothenburg, was nominated as Building of the Year 2004. The customer is the Sahlgrenska Academy at Göteborg University.

pared with 2006, rental income will increase in line with the completion of major redevelopment projects. The direct yield on assessed fair value is calculated at 6.8 per cent for 2007 compared with 6.0 per cent for 2006.

The equity ratio is set at 47 per cent for 2007 and will increase to 48 per cent in 2008. The owner requirement is an equity ratio of at least 35 per cent.

The return on equity will, according to the owner, amount to the average five-year government bond interest rate plus 4 percentage points. This ownership requirement was 7.5 per cent during 2006. In 2007, the return on equity is expected to be 6.6 per cent and 6.5 per cent for 2008.

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 2006, SEK m

Change	Impact on pre-tax profit, SEK m
Rental revenue, one per cent	45
Vacant space, one percentage point	43
Operating costs, one per cent	8
of which energy, fuel and water	3
Interest expense, one percentage point	169

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	%	SEK m
Cost of capital, one percentage point	5.4	2,565
Return requirement, one percentage point	5.7	2,725

Profit forecast	2006	Budget 2007	Forecast 2008
Holdings			
Average rentable floor space, 1,000 m ²	3,249	3,245	3,270
Level of vacant space as a percentage of the total floor space	3.5	3.3	3.5
Property values, SEK m	48,454	49,745	50,600
Net investments in properties, SEK m	1,785	2,000	1,700

Key figures

Rent level, SEK/m ²	1,399	1,430	1,463
Net operating profit, SEK m	2,843	2,933	3,187
Net operating profit, SEK/m ²	875	904	975
Total yield, properties, %	9.8	6.0	6.4
of which direct yield, %	6.0	6.0	6.4
of which change in value, %	3.8	— ¹⁾	— ¹⁾

Key financial figures

Operating profit, SEK m	4,649	3,091	3,173
Profit before tax, SEK m	4,229	2,331	2,393
Equity ratio, %	47	47	48
Return on equity, % ¹⁾	12.9	6.6	6.5
Return on total assets, % ¹⁾	10.0	5.8	5.7
Dividend, SEK m.	1,400 ²⁾	650	650
Interest coverage level, %	434	407	407

Sensitivity analysis, SEK m

Interest +/- 1 percentage point	169	171	182
Operating costs and maintenance costs +/- 1%	14	12	12
Rent +/- 1%	45	48	49

¹⁾ A change in value has not been forecast for 2007 and 2008.

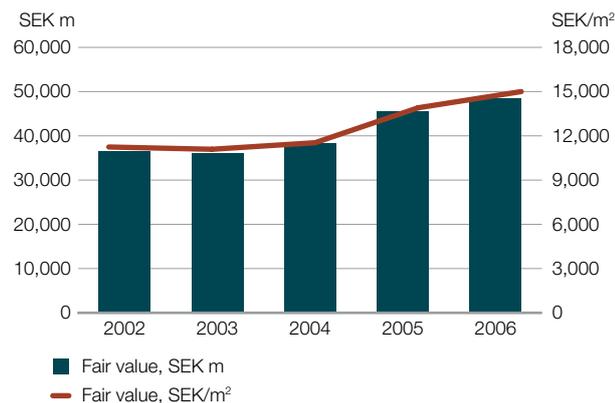
²⁾ According to a proposal by the Board at the Annual General Meeting on April 19, 2007.

Property valuation

Reduced yield requirements have led to higher property values

The fair value of Akademiska Hus investment properties as of the year-end 2006 was SEK 48,454 million (45,616). The unrealised change in value for the year is positive and was SEK 1,818 million (7,144). The market value per square metre is SEK 15,000 (13,903). The fair value has been set following an internal property valuation.

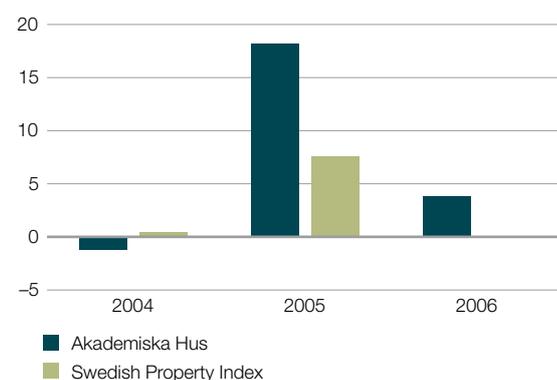
Property value



Change in value 2006

The change in value during the year was positive and amounted to SEK 1,818 million, which is equivalent to an increase of 3.8 per cent (18.2) of the fair value.

Change in value, %



The general upturn on the property market also continued during 2006. The increase in value for Akademiska Hus can be attributed almost entirely to a reduction in the yield requirement in the valuations. The rental levels/level of vacant space and rent levels have only changed marginally. During 2005 the positive change in value, SEK 7,144 million, was due in part to a transition to a new valuation model with a more detailed and precise methodology.

Changes 2006

Apart from unrealised changes in value, investments have been made totalling SEK 1,635 million, of which SEK 663 million referred to Stockholm. A minor acquisition took place during the year. Sales for the year amounted to SEK 615 million, of which the largest are the sale of Fastighets AB Artillerimusiken in Stockholm for SEK 374 million, the sale of Seminariet in Uppsala for SEK 140 million and the sale of Pedagogen in Mölndal for SEK 90 million.

Change in the property holdings during 2006	SEK m
Assessed fair value, December 31, 2005	45,616
+ Investments in new construction and redevelopment	1,603
+ Acquisitions	32
- Sales	-615
+ Unrealised change in fair value	1,818
of which increase in value due to reduced yield requirements	(1,683)
Assessed fair value, December 31, 2006	48,454

The market during 2006 has, despite the increase in interest rates, been marked by falling direct yield requirements. Customer factors, such as the category of customer, the customer's long-term presence and payment capacity have during the past year been regarded by the market as being more important. The increasing significance of customer factors has resulted in lower direct yield requirements, which in terms of value has been positive for Akademiska Hus, where 90 per cent of the customers are under state control and have long leases.

The direct yield requirement has generally been adjusted downwards during 2006 by between 0.5 and 1.0 percentage points for non-laboratory premises, which make up 64 per cent of the property holdings. However, the residual value risk for laboratory premises is still regarded as being relatively high and for these a downward adjustment of the yield requirement can only be made within the valuation locations A and D by 0.5 percentage points (for an explana-

Fair values of investment properties, regions, SEK m

Region	31-12-2006	31-12-2005	Change	Of which investments	Of which sales/scrapping	Of which unrealised change in value
North	4,190	3,967	223	126	-	98
Uppsala	6,170	6,007	163	152	-140	151
Stockholm	19,670	18,972	698	663	-374	410
East	4,729	4,392	337	73	-	264
West	7,252	6,717	535	130	-94	497
South	6,443	5,561	882	491	-7	398
Total	48,454	45,616	2,838	1,635	-615	1,818

tion of the valuation location see the Town and location section). The downward adjustment of the direct yield requirement has had a positive impact on profit of SEK 1,683 million.

External valuation

A selection of the properties is valued each year by external valuation companies as a benchmark for quality-assuring the internal valuation model. In addition, certain development properties with income and costs which are difficult to estimate, are valued externally. External valuations have been made by Newsec and DTZ.

Of the 100 objects in Akademiska Hus which had been valued the highest, 14 objects were valued externally. In terms of value, the external valuations account for approximately 10 per cent of the total value. The deviation in value for the externally valued objects compared with the internal valuation is on the object level within the margin of error +/- 10 per cent. The external valuations carried out confirmed the reliability of the Akademiska Hus internal valuation model.

Internal valuation

SEK 45,651 million (94 per cent) of the assessed fair value has been set using the internal cash flow valuation.

Assessed fair value, investment properties	SEK m	Share, %
Internal cash flow valuation	45,651	94
Expansion reserves according to the location price method	984	2
Other valuation using a separate valuation basis	1,819	4
Assessed fair value, investment properties, December 31, 2006	48,454	100

Valuation using the cash flow method

The value of an asset comprises the current value of the future cash flows which the asset is expected to generate. Within Akademiska

Hus the property valuation is based on each individual valuation object's expected cash flow during the coming 10 years with an estimated residual value for year 11. The cash flow comprises each valuation object's income and expenses, i.e. the net operating profit. To calculate the net operating profit during the calculation period an assessment is made of factors such as inflation, rents, vacant space and operating and maintenance costs. For the final year of the calculation period the residual value is calculated, which should be a probable market value at that point in time. The net operating profit for years 1–10 is discounted using a nominal cost of capital and the residual value for year 11, which is the net operating profit during the remaining estimated useful life, is discounted. The current value of the net operating profit and the residual value have been calculated using the same cost of capital, reduced by 3 per cent for stamp duty.

Akademiska Hus's view of cost of capital and direct yield requirements

Cost of capital and direct yield requirements in the Akademiska Hus valuation model can be traced partly from transactions on the property market and partly using in-house analyses. Both the demands of the market and in-house analyses have been checked with external valuation companies.

Cost of capital and direct yield requirements should be justified from both Akademiska Hus-specific conditions as well as practice within the property industry. It is in these yield requirements that the risk in the property holdings are highlighted. For Akademiska Hus the customers are a strength factor. Approximately 90 per cent of the customers are state-controlled and the average remaining term of current leases is 6.4 years. The cash flow during the calculation period is, using these conditions, extremely well assured and it is seldom that any major uncertainties prevail during the calculation period. The risk supplement in the cost of capital should, using these



prerequisites, be low. The uncertainty comprises largely residual value risks and the fact that Akademiska Hus is working in a specific segment of the property market.

The residual value risk means that there is a relatively high risk in the rent flow in the long-term and in particular for buildings outside the city areas with a significant element of specific operationally adapted premises. Several buildings are not general in the sense that they are not available for new customers or purposes without substantial redevelopment. The relatively wide range for direct yield requirements reflects an assessment of this situation.

Town and location

In conjunction with a valuation, town and location have been classified as follows:

- AA Inner-city locations in Stockholm and Gothenburg.
- A Malmö, Lund, other parts of Gothenburg, other parts of Stockholm, Solna, Kista and Uppsala
- B Borås, Kalmar, Skövde, Norrköping, Linköping, Huddinge, Sundsvall, Umeå and Luleå
- C Alnarp, Kristianstad, Röbbäcksdalen, Skara, Ultuna, Örebro, Karlstad and Gävle
- D Other locations

The division into different towns and locations reflects the demand on the market and the attractiveness of the properties. AA towns and locations are the most sought-after and attractive whilst D locations are in least demand. The town and location classifications have been based partly on the general division of the property market, where larger and more important towns have from a demographic, employment and economic point of view been assigned a higher degree of attractiveness, and also from the point of view of higher education and research, where AA and A locations are more attractive and are considered to be more stable and secure education and research locations in the long term.

Scope of special adaptation and category of premises

In the valuation a division has been made into laboratory premises and non-laboratory premises. The proportion of laboratory premises within Akademiska Hus is 35 per cent. For these premises there is a relatively higher risk in the rent flow in the long term as they represent a significant element of specific operationally adapted premises. To counter this risk, laboratory premises have a generally higher direct yield requirement with regard to the residual value.

Remaining rental period

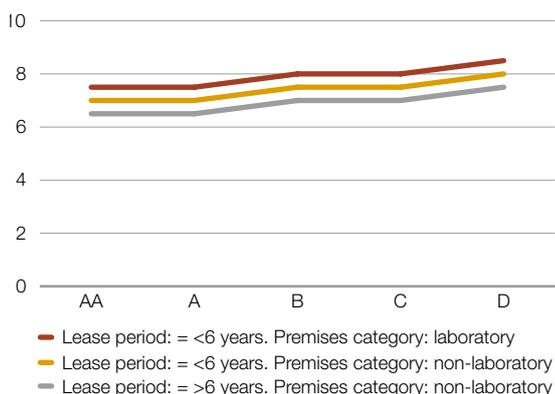
From a valuation point of view a division has been made into average remaining lease period exceeding six years and equal to or less than six years. For valuation objects with an average remaining lease period exceeding six years the relative risk is lower as the cash flow valuation is predominantly based on hedged flows. A lower direct yield requirement could be assigned to these valuation objects compared with those which are based to a greater degree on assessments.



Cost of capital and direct yield requirements

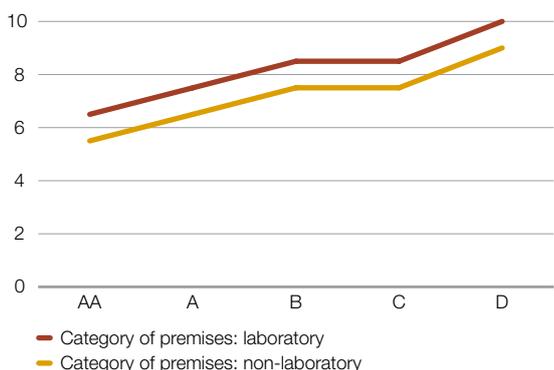
The cost of capital for the cash flow varies for different valuation objects within the range 6.5–8.5 per cent depending on the town, location, lease period and category of premises in the valuation object. The cost of capital varies moderately, which can be explained by what are on average long and secure flows during the cash flow period.

Cost of capital, % per town and location



The long-term direct yield requirement in conjunction with the residual value period varies between 5.5 per cent and 10.0 per cent depending on the town, location and category of premises. There is less sensitivity to the direct yield requirement compared with the cost of capital by reason of the fact that the direct yield requirement refers to uncertain conditions after year 10.

Direct yield requirement, % per town and location



Other assumptions

The following assumptions form the basis for the market valuation

- The calculation period is 10 years.
- Inflation is estimated at 2.0 per cent per year throughout the whole of the calculation period.
- The rent trend is estimated at a maximum of inflation (CPI). Consideration has been given to the formulation of the lease agreement, which has an annual rent trend equal to an average of 70 per cent of the CPI. The rent is assumed to be the assessed market rent at the end of the lease period.
- For current lease agreements the present level of vacant space has been used. At the end of the lease agreement a general level of vacant space of five per cent has been assumed.
- It has been assessed that in normal circumstances operating costs follow inflation.
- Property administration costs have been set at the standard of SEK 70/m² (70).
- Maintenance costs have been set at a standard of SEK 70/m² (70) for non-laboratory premises and SEK 110/m² (110) for laboratory premises. The standard figures adopted reflect the actual costs.
- Costs have been taken into account for installation-intensive premises and for a small number of other premises with a considerable need for refurbishment of a maintenance nature.

Expansion reserves

Of the assessed fair value, SEK 984 million comprises expansion reserves, where building rights of approximately 1.1 million square metres gross area are included. As these do not generate cash flow they had been valued using the location prices for construction rights as a guide with a deduction for estimated development costs such as roads in conjunction with expansion. In some cases, where the planning conditions for a new development are unclear, the pure land values have been used to set the values.

Other valuation

SEK 45,651 million has been valued according to the internal valuation model and SEK 984 million refers to expansion reserves. The remaining value, SEK 1,819 million, comprises mainly development properties with uncertain future income and costs as well as the few Akademiska Hus residential objects. These have been valued individually outside the internal valuation model using the valuation method which has been most applicable.

In addition to investment properties, Akademiska Hus current new construction amounting to SEK 894 million (1,121), which has been valued at the cost incurred.

Profitability

Owner requirement for 2006 exceeded

Net operating profit and direct yield

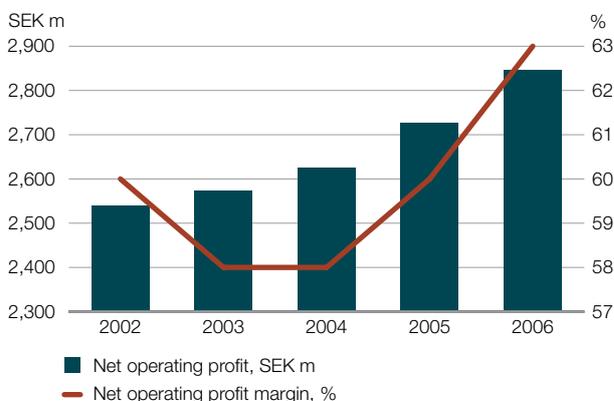
The net operating profit, i.e. the profit from the Group's property operations before central administration costs and net financial income/expense, totalled SEK 2,843 million (2,727). The net operating profit has been positive ever since Akademiska Hus was founded. The net operating profit margin was 62 per cent (60).

The direct yield during 2006 fell slightly and amounts to 6.0 per cent (6.5) of the assessed fair value.

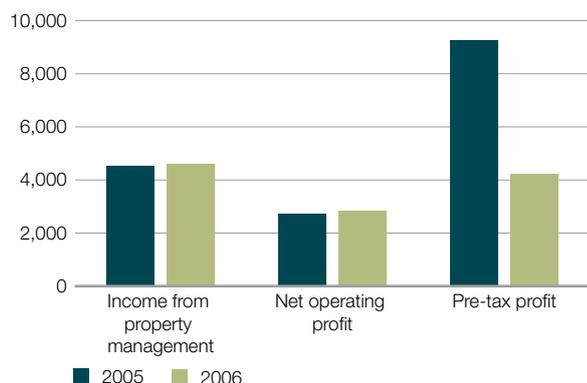
Return on equity and total assets

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 five-year government bond interest rate has on average been 3.5 per cent for 2006. The yield requirement has thus amounted to 7.5 per cent. The return on equity for 2006 was 12.9 per cent (34.2) and the yield on total assets was 10.0 per cent (22.6).

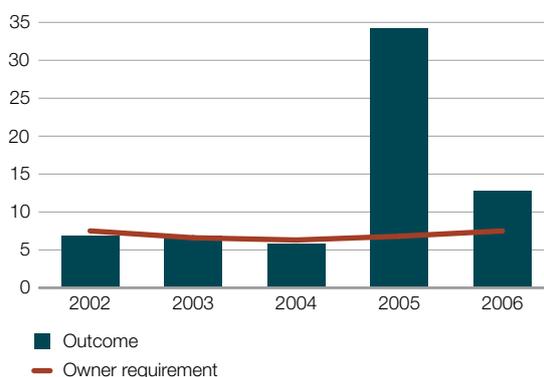
Net operating profit margin



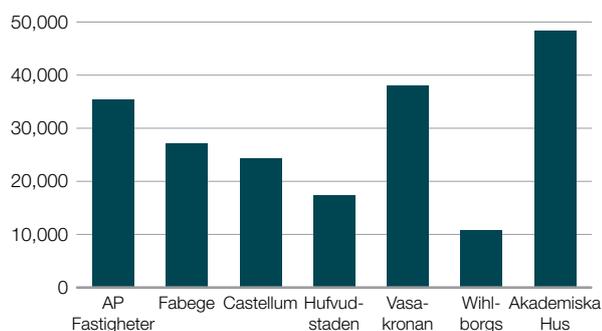
Income and profit, SEK m



Return on equity, %

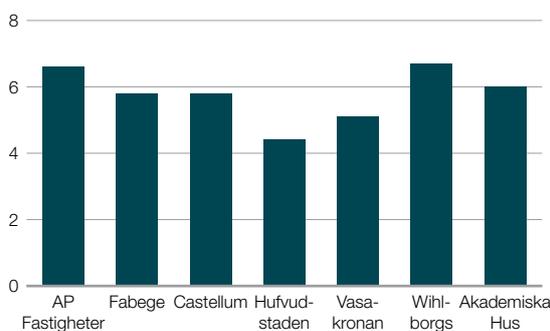


Fair value, 2006, SEK m



The above information has been taken from the companies' year-end reports for 2006.

Direct yield, 2006, %



The above information has been taken from the companies' year-end reports for 2006. 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 of December 31, 2006

Operating costs

Operating costs, a significant item that can be influenced

Operating costs are the largest direct cost that can be influenced within property management. In 2006, the operating costs amounted to SEK 803 million (762) of which energy, fuel and water amounted to SEK 538 million (510). The operating costs thus accounted for around 40 per cent of the management costs.

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

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

The operating cost trend is due mainly to increased energy costs, which originate to a large extent in political decisions such as the introduction of trade in emission rights (CO₂ equivalents) as well as increased energy taxes. The technical complexity of the buildings is also significant from an operating cost point of view. New and redeveloped premises that have been added in recent years have to a large extent taken the form of premises with large laboratory areas. These are more resource-intensive than normal classrooms from both an energy and supervision and care point of view. The proportion of rental income that goes to meet operating costs is, however, relatively stable. On average for the Group, the operating costs for the year amount to SEK 247/m² (233). Of the operating costs, SEK 166/m² (155) referred to energy, fuel and water. The local breakdown of operating costs is reported in the table below.

Akademiska Hus is working actively to reduce operating costs by, among other things optimising operation in existing systems and introducing new technical systems that offer more efficient use of energy. Examples of new technical systems are the major ground storage facilities which are being installed or have been installed in Lund, Örebro, Gothenburg, Karlstad and Kristianstad. A further contributing factor to keeping increases in operating costs, despite everything, on a moderate level are the successful negotiations by Akademiska Hus with energy suppliers.

The Group procurement of electricity on the electricity exchange (Nordpool) is also part of the process of reducing operating costs and the result for Akademiska Hus has been very good.

In order to be able to successfully implement changes in technical systems and design new, effective systems for energy use, Akademiska Hus needs greater knowledge of energy use in the buildings. Energy management can be improved even further in line with the incentive models which are being introduced to the benefit of both customers and landlord. In line with this there is the aim that energy costs are debited to a balanced extent as a supplement to the rent. At the turn of the year 2006/2007 electricity and heating were debited separately in 49 per cent of the leases. The aim is to apportion energy costs between Akademiska Hus and the customers in such a way that it offers an incentive to both parties to make energy savings. Of the operating costs for the year of SEK 803 million, SEK 268 million was passed on directly to the customer. The passing on of energy, fuel and water charges varies locally between 17 and just over 70 per cent and is due among other things to the proportion of energy-intensive laboratories and the lease renewal structure.

The task of modifying the level of debiting is continuing in conjunction with all lease negotiations. However, as a result of the long average lease length (6.4 years) this change will take time. Local variations in the operating cost structure arise and are caused by:

- Different degrees to which the cost, particularly for energy, is passed on to the customer, which means a variation in incentives for the customers to manage their use of energy and other resources.
- The age structure of the buildings is of some significance as older buildings are more energy-intensive.
- Towns with technical and medical development and research have as a rule high energy costs as a result of the higher proportion of laboratories.

Akademiska Hus operating costs should be assessed in the light of the complexity of the premises, including the large proportion of laboratories as well as the long utilisation time of the premises,

Operating costs, SEK m	Regional company						Group
	South	West	East	Uppsala	Stockholm	North	
Electricity	50	43	30	64	87	31	304
Heating	28	28	16	40	62	18	192
Water	3	3	2	5	4	3	20
Cooling	3	1	3	0	9	1	17
Energy, other	3	3	0	0	9	0	5
Total energy, fuel, water	87	78	51	109	171	53	538
Energy, fuel and water in SEK/m ²	174	152	157	194	181	133	166
Land costs, maintenance etc.	9	6	5	12	21	8	61
Building costs	1	8	2	17	22	9	59
Waste management	2	3	0	2	4	2	13
Labour cost, operations	14	16	6	17	19	8	80
Other	13	6	3	2	26	2	52
Total other operating costs	39	39	16	50	92	29	265
Total operating costs	126	117	67	159	263	82	803
Operating costs in SEK/m ²	251	227	207	282	278	206	247
Proportion of energy cost passed on	34%	37%	34%	71%	62%	17%	49%

which is gradually increasing. Laboratories total 1.1 million square metres (35 per cent) and from an energy point of view they require considerably more resources than other premises.

Energy activities

Akademiska Hus commenced a project a number of years ago to follow up and handle measurements and statistics regarding the use of energy and water. The project resulted in a computerised tool for groupwide follow-up of results following measures taken to improve energy efficiency. The tool has since the turn of the year 2005/2006 been in use in all regions and today registration and follow-up of energy and water use is taking place in the new system. It is used, among other things, to register measurements, follow-up costs and invoice energy costs to customers. In addition, it allows easy access to information about energy use in different buildings.

Today figures are compiled from more than 6,000 meters in the

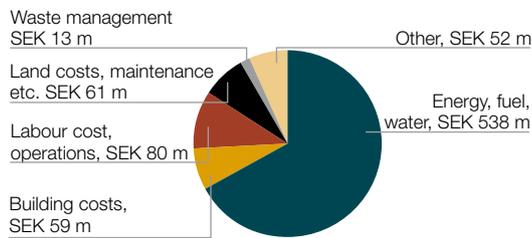
system, which allows easy access to each individual facility in the Group. The results are presented both in the new tool and in reports from the Group's database.

The new system offers considerable opportunity to improve efficiency, in particular through automated, standardised energy invoicing to customers. The system will be gradually supplemented with other tools.

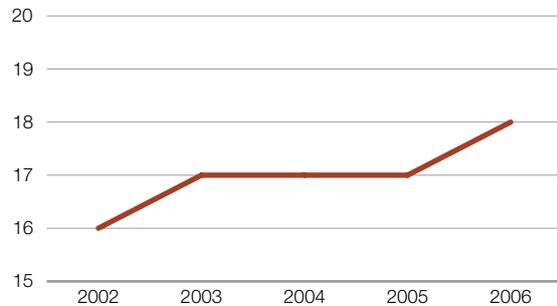
Akademiska Hus is also introducing automated hourly reading of all meters. This task is expected to be completed within two years. The reading also includes the weather stations which have been set up in all towns. The weather stations provide general climate data, degree days and current weather, available in conjunction with energy evaluations.

During the year another aid, "the Palette" has been developed further: a collection of tangible recommendations and advice to be applied in conjunction with improving energy efficiency.

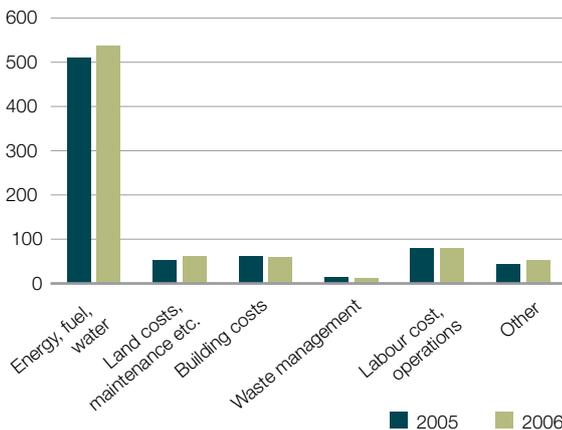
Operating cost breakdown 2006



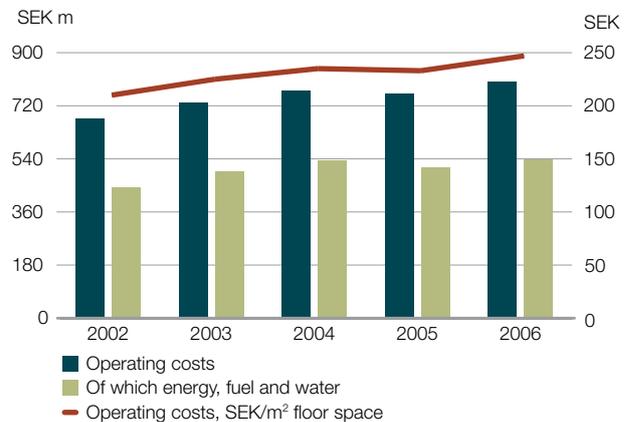
Operating costs – proportion of rental income, %



Operating cost 2005–2006, SEK m



Operating costs



Maintenance costs

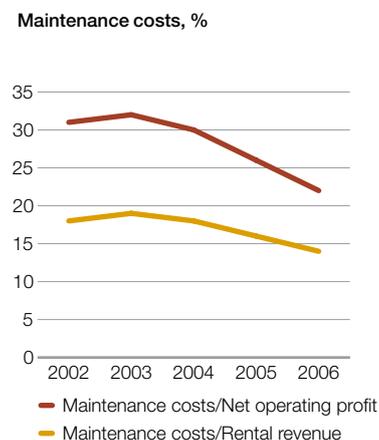
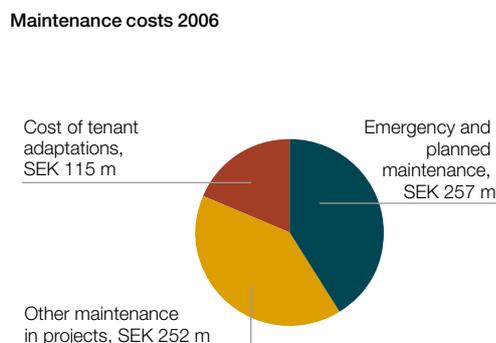
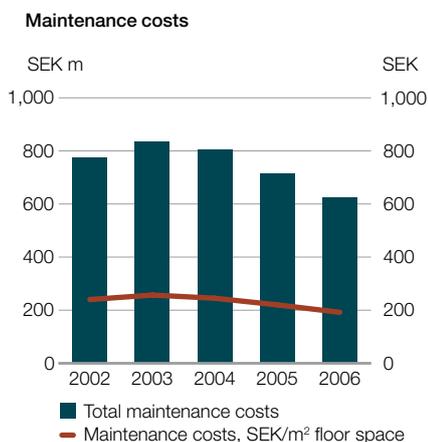
Maintenance costs falling

Maintenance costs arise when work is done to reinstate worn or damaged parts of a building to their original standard and function.

Maintenance costs for the year totalled SEK 624 million (717). 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 257 million (264) refers to emergency and planned maintenance, SEK 252 million (299) refers to maintenance in projects and SEK 115 million (154) refers to tenant adaptations. Averaged for the Group, maintenance costs for the year totalled SEK 192/m² (219). Emergency and planned maintenance

was SEK 79/m² (81) and maintenance in projects was SEK 78/m² (92). A regional breakdown of the maintenance costs is shown in the table. The maintenance costs vary between the regions, mainly as a result of maintenance in projects in conjunction with redevelopment. In Linköping, for example, redevelopment of the A-building, which houses office and teaching premises, meant that maintenance measures at a cost of SEK 20 million were taken. The A-building was constructed in 1972 and up to now has not undergone any major maintenance programme. In the Southern region major redevelopment projects took place during the year, including the Faculty of Odontology in Malmö, SEK 53 million, and the Centre for Chemistry and Chemical Engineering in Lund, SEK 45 million. In Umeå, Universum has given rise to maintenance work at a cost of SEK 11 million and in Stockholm the figure for the redevelopment of the former College of Arts, Crafts and Design for SIDA and the Swedish Environmental Protection Agency was SEK 26 million.

Maintenance costs, SEK m	Region						Total
	South	West	East	Uppsala	Stockholm	North	
Emergency and planned maintenance	44	39	24	41	73	36	257
Maintenance in projects	117	34	20	3	53	25	252
Tenant adaptations	38	25	6	30	2	14	115
Total maintenance costs	199	98	50	74	128	75	624
Maintenance costs in SEK/m ²	397	190	152	131	135	188	192
of which emergency and planned maintenance, SEK/m ²	88	76	73	72	77	91	79
of which maintenance in projects, SEK/m ²	233	66	61	5	56	63	78
of which tenant adaptation, SEK/m ²	76	49	18	54	2	34	35



Five-year summary

	Graph	2006	2005	2004	2003	2002
Income statement, SEK m						
Management income		4,596	4,533	4,530	4,413	4,240
Operating costs		-803	-762	-783	-730	-677
Maintenance costs		-624	-717	-806	-835	-775
Property administration		-253	-254	-245	-216	-195
Net operating profit		2,843	2,727	2,625	2,573	2,539
Change in value, investment properties		1,874	7,214	-478	-	-
Central administration costs		-38	-35	-35	-22	-24
Operating profit	1	4,649	9,917	2,119	1,604	1,604
Net financial income		-419	-647	-794	-895	-917
Profit before tax	1	4,229	9,270	1,324	710	687
Profit for the year		3,038	6,654	950	503	495
Balance sheet, SEK m						
Assessed fair value, properties	2	48,454	45,616	38,230	36,118	36,475
New construction in progress		894	1,121	806	1,555	1,251
Other assets		3,147	3,414	1,385	1,471	2,708
Equity		24,801	22,455	16,618	7,506	7,248
Interest-bearing liabilities		18,270	19,140	17,454	16,794	17,390
Other liabilities and provisions		9,424	8,556	6,349	3,138	3,099
Cash flow, SEK m						
Cash flow from current operations		1,777	1,675	1,200	1,591	1,575
Cash flow from investments	3	-1,000	-328	-1,502	-1,894	-1,766
Cash flow before financing		777	1,347	-302	-303	-191
Cash flow from financing		-624	-450	164	-840	-147
Cash flow for the year	3	153	897	-139	-1,143	-338
Property-related key figures						
Total yield, properties, %		9.8	24.7	5.9	1.3	-
of which direct yield, %		6.0	6.5	7.1	7.1	7.0
of which change in value, %		3.8	18.2	-1.2	-5.8	-
Rental revenue, SEK per m ²		1,399	1,372	1,365	1,342	1,302
Operating costs, SEK per m ²		247	233	238	225	210
Maintenance costs, SEK per m ² (including tenant adaptations)		192	219	245	257	240
Net operating profit in relation to management income, %		62	60	58	58	60
Net operating profit, SEK/m ²		875	835	799	791	787
Vacant space, area, %		3.5	3.2	2.8	1.8	1.8
Vacant space, rent, %		2.6	2.1	1.8	1.2	1.1
Assessed fair value, properties, SEK/m ²	2	15,000	13,903	11,534	11,089	11,243
Financial key figures						
Return on equity after standard tax, % ¹⁾	4	12.9	34.2	5.8	6.9	6.9
Return on total assets, % ²⁾	4	10.0	22.6	5.4	5.9	6.0
Interest-bearing net loan liability, SEK m		16,250	16,336	-	-	-
Equity ratio, %		47.2	44.8	41.1	-	-
Interest coverage level, % ³⁾	5	434	435	327	179	175
Interest cost in relation to average capital in interest-bearing liability, %		2.5	3.8	4.5	5.3	5.6
Loan to value level, %	5	33.5	35.8	-	-	-
Dividend, SEK m		1,400 ⁴⁾	660	394	250	245
Customers and personnel						
Satisfied Customer Index (NKI)		69	67	67	67	63
Average number of employees		434	446	442	430	427
Satisfied Employee Index (NMI)		66	66	66	67	63

¹⁾ The owner's yield 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 2006, the average government bond interest rate was 3.52 per cent.

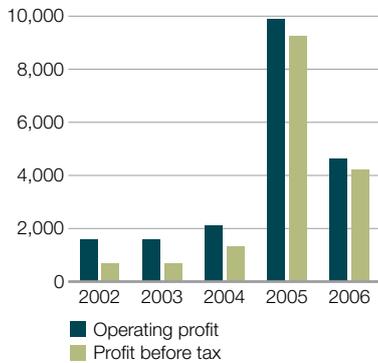
²⁾ According to IFRS 2006 and 2005.

³⁾ Excluding changes in value, investment properties, 2006, 2005 and 2004.

⁴⁾ According to a proposition by the Board at the Annual General Meeting held on April 19, 2007.

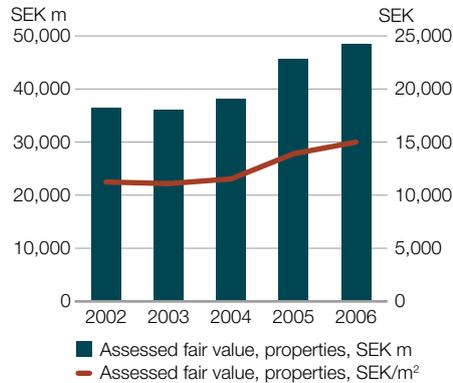
Comments on the five-year summary

1. Profit, SEK m



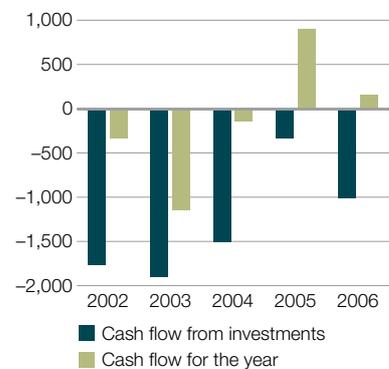
The Group's operating profit was SEK 4,649 million (9,917), which is below the record figure from 2005. The change mainly derives from an increase in net operating profit of SEK 116 million and an increase in the assessed fair value of properties which amounts to SEK 1,874 million. The profit before tax was SEK 4,229 million (9,270). Due to the lower interest rates, net interest income/expense is SEK 228 million lower than the previous year.

2. Fair value, investment properties



The assessed fair value has increased and totals SEK 48,454 million (45,616). The increase is due partly to investments made during the year totalling SEK 1,635 and partly to an increase in property values, primarily in city areas, as a result of reduced direct yield requirements.

3. Investments and cash flow, SEK m

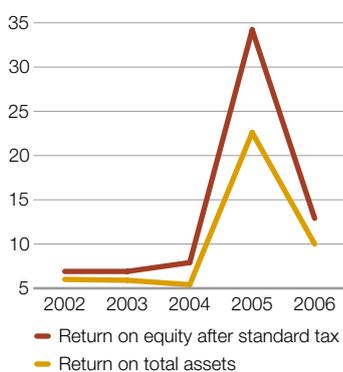


Net investments from properties for 2006 totalled SEK 1,804 million. Over the past five years the annual net investments have amounted to between SEK 1,500 and 2,000 million with the exception of 2005 when part of the property holdings on the Chalmers campus in Gothenburg were sold to Chalmersfastigheter AB (in the graph investments are reported with a minus sign).

The pre-tax profit was SEK 4,229 million and adjustments for items not included in the cash flow, mainly unrealised values, properties, totalled SEK 2,007 million. Following a decrease in both current receivables and non-interest-bearing liabilities, cash flow from current operations was SEK 1,777 million. Net investments had a negative impact on cash flow to the amount of SEK 1,000 million.

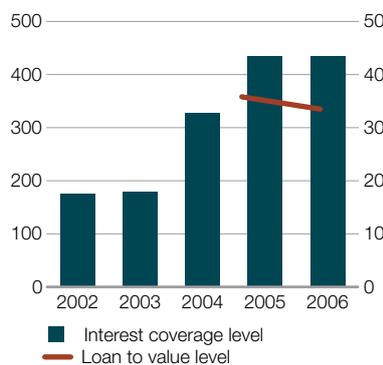
Financing operations reduced the cash flow by SEK 624 million, largely due to a dividend amounting to SEK 660 million. Following a change in liquid funds, cash flow for the year amounted to SEK 153 million.

4. Return, %

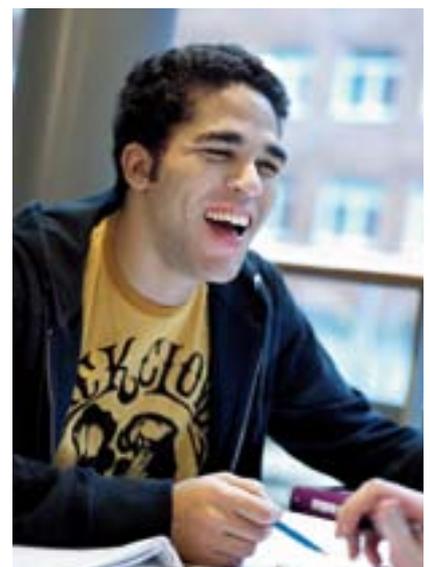


The return was 12.9 per cent on equity and 10.0 per cent on total assets. The target set by the owner of a return on equity of the average five-year government bond interest rate plus 4.0 percentage points viewed over a business cycle has been achieved.

5. Interest coverage level and loan to value level, %



The loan to value level was 33.5 per cent for the year. The interest coverage level was 434 per cent.



Regions and Group

Key figures

Key figures for the regional companies and the Group

	Region						Group
	South	West	East	Uppsala	Stockholm	North	
Key figures							
Rental income, SEK/m ²	1,336	1,306	1,351	1,287	1,668	1,154	1,399
Operating costs, SEK/m ²	251	229	210	282	277	203	247
Maintenance costs, SEK/m ²	397	190	152	131	135	188	192
Net operating profit, SEK/m ²	606	809	930	794	1,150	689	875
Property administration costs, SEK/m ²	83	75	71	73	84	72	78
Vacant space, %	3.9%	1.6%	2.4%	6.0%	3.6%	2.3%	3.5%
Direct yield on assessed fair value, %	5.1%	5.9%	6.6%	7.3%	5.6%	6.8%	6.0%

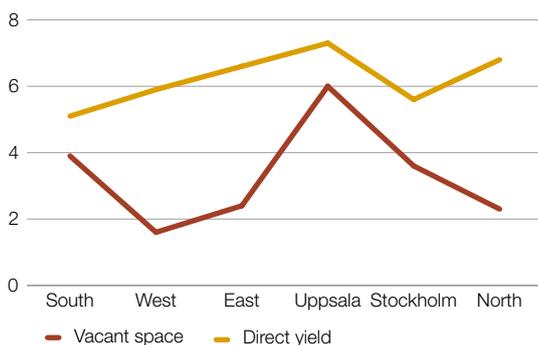
Property facts

Average rentable space, m ²	502,133	511,932	325,308	561,532	948,745	399,311	3,248,961
Vacant space, m ²	19,721	7,835	7,752	33,192	34,126	9,329	111,955
Assessed fair value, properties, SEK m	6,443	7,251	4,729	6,170	19,671	4,190	48,454
Assessed fair value, properties SEK/m ²	12,773	14,671	14,472	11,065	20,798	10,439	15,000

NKI and NMI

Satisfied Customer Index (NKI)	65	69	77	68	66	74	69
Satisfied Employee Index (NMI)	62	59	69	69	68	71	66

Vacant space and direct yield, %

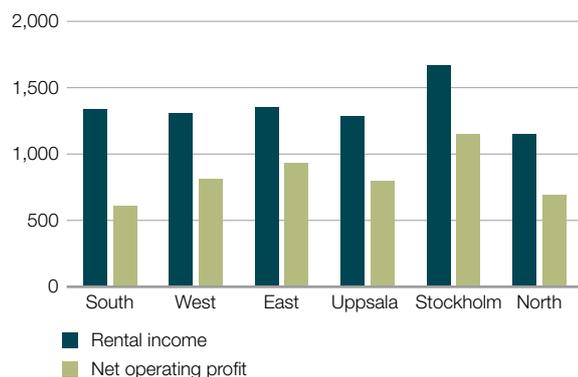


Direct yield was on average 6.0 per cent.

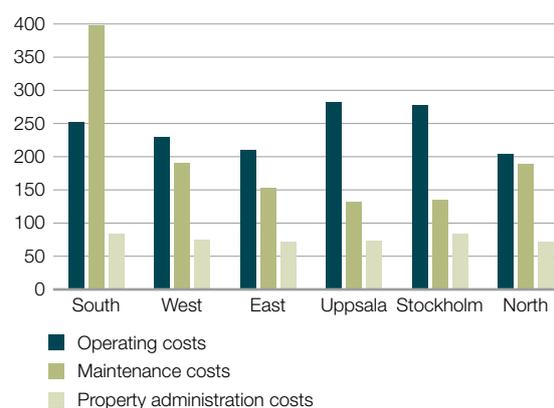
The regional companies reported a direct yield of between 5.1 and 7.3 per cent.

The level of vacant space continues to be low, even if there was a slight increase on the preceding year.

Rental income and net operating profit, SEK/m²



Management costs, SEK/m²



Rental income was on average SEK 1,399/m² and varies between SEK 1,154/m² in the Northern region and SEK 1,668/m² in the Stockholm region. The variation is due mainly to different market conditions. Stockholm and the Western region have a larger proportion of laboratories, which means increased rental income.

The net operating profit, calculated in SEK/m², is on average SEK 875/m² and is highest in Stockholm with SEK 1,150/m².

Operating costs calculated in SEK/m² amount to between SEK 203/m² for the Northern region and SEK 282/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 71/m² in the Eastern region and SEK 84/m² in the Stockholm region.

The maintenance costs vary most between the regional companies owing to large maintenance projects, where, among others, the Southern region carried out extensive work during the year at the Centre for Chemistry and Chemical Engineering and at the Faculty of Odontology.

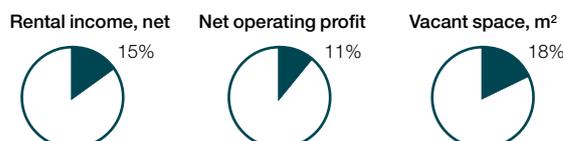
Regions

Financial results and overview

Regional company's proportion of the Group

Southern region

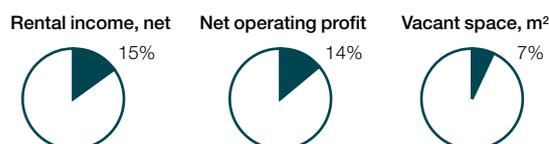
SEK m	2006	2005
Rental income, net	671	639
Net operating profit	304	342
Operating profit	158	238
Profit for the year	20	76



"A number of extensive maintenance projects have had a negative impact on the operating profit for the region compared with the previous year. Total vacant space has increased slightly, due largely to a gradual fall in the floor space leased by Lund University. Major efforts were made during the year to increase customer satisfaction, which has resulted in a considerably improved NKI. Our existing customers are our most important marketing channel," says Regional Director Mikael Lundström.

Western region

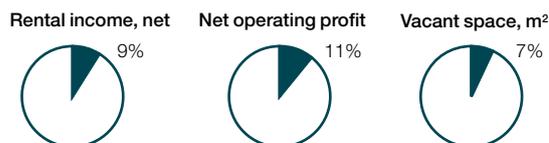
SEK m	2006	2005
Rental income, net	668	706
Net operating profit	415	441
Operating profit	331	697
Profit for the year	167	320



"Despite an organisationally difficult year the Western region has maintained a very good result with regard to NKI, which can be ascribed to professional, dedicated personnel. The region is continuing to report good results, net operating profit has fallen slightly on last year. The level of vacant space is lower than expected thanks to the temporary leasing of space at the Mathematics Centre and other places," says Regional Director Birgitta Hohlfält.

Eastern region

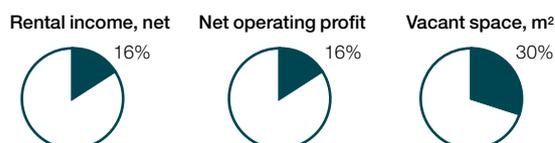
SEK m	2006	2005
Rental income, net	439	447
Net operating profit	303	281
Operating profit	191	179
Profit for the year	62	49



"During 2006 significant new investments were decided with long-term leases in Linköping, Norrköping and Örebro. In doing so, our main customers are demonstrating both strength and belief in the future," says Regional Director Bengt Erlandsson.

Uppsala region

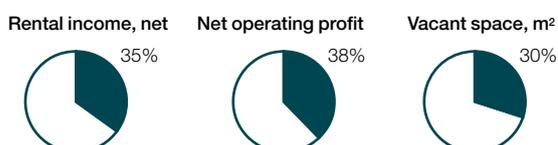
SEK m	2006	2005
Rental income, net	723	715
Net operating profit	447	397
Operating profit	366	221
Profit for the year	173	49



"The two universities in the Uppsala region are in the process of improving the efficiency of their use of premises and are planning for the future. This means that Akademiska Hus Uppsala is going through a period dominated by heavy investment. Thanks to the well maintained finances in the company it is possible to finance these necessary investments in the future, the cost of which will run into the billions," says Regional Director Hans Antonsson.

Stockholm region

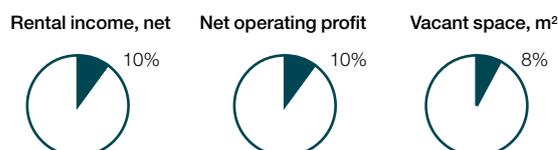
SEK m	2006	2005
Rental income, net	1 582	1 529
Net operating profit	1 102	1 028
Operating profit	987	816
Profit for the year	498	240



"The property market in Stockholm was strong during 2006 and the company's operations have developed positively. The net operating profit has increased by SEK 63 million, due in part to the commissioning of new premises for, among others, Sida and the University College of Dance as well as the continued improvement in operating efficiency. Profit for the year has also been affected positively by the company working actively with property development through the sale of the Svea Artilleri 13 property in Stockholm," says Regional Director Lennart Karlsson.

Northern region

SEK m	2006	2005
Rental income, net	461	464
Net operating profit	276	259
Operating profit	173	193
Profit for the year	62	68



"The relatively high rate of investment in recent years will in the years to come revert to more normal levels even if a couple of exciting productions still remain to be implemented. Good demand and satisfied customers and employees will contribute to the expected positive growth in profit in the future. The next few years will also be marked by continuous improvement in all areas of management," says Regional Director Mattias Lindberg.

Financing

Focus on strategic credit provision and exposure to financial risks

Group financing

Akademiska Hus makes use of well-adapted strategies and strikes a balance between financial risks and a low financing cost. Each year the Group Board adopts the Finance Plan, which states the long-term strategic orientation and allocation of responsibility as well as concrete financing plans for the coming year. The Finance Plan also includes authorisations and mandates for the coming year as well as 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 a stated risk mandate, 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 the Group's credit rating.
- Using co-ordinated finance management, facilitate the utilisation of economies of scale and the efficient handling of financial risks within the Group.

Fixed interest mandate

The total debt portfolio is divided into four separate portfolios with regard to interest fixing in order to refine the main part of the debt portfolio to which a fixed interest mandate has been assigned. Interest derivatives are included in the calculation of the interest risk exposure. The portfolios are as follows:

Short-term portfolio

The Group's interest-bearing net loan liability varies as a result of the incoming rent payments each quarter. This entails seasonal variations in the fixed interest. The average interest fixing period on loans that fall due pending each quarter's rent payments is therefore handled in a separate portfolio. The portfolio can amount to a maximum of SEK 1,400 million.

Real interest portfolio

Real interest exposure represents a diversification in the debt portfolio and makes it possible for the Group to avoid being exposed exclusively to changes in nominal interest rates. The portfolio can amount to a maximum of 15 per cent of the interest-bearing liabilities.

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 interest rates.	The interest risk should be managed within a fixed interest mandate.
Refinancing risk	The risk that the cost is higher or financing potential is limited when loans are due to be renewed.	Diversification via different financing forms should be even and well balanced. A maximum of 40 per cent should fall due for renewal within a 12-month period. Bank overdraft facilities 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 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.

Net exposure to real interest rates at the year-end amounted to SEK 190 million.

Dedicated portfolio

The Group has a small number of large leases with interest-linked rent in addition to indexing. Adjustment takes place in the light of the government loan rate or subsidy rate, normally every fifth year. This justifies taking into account the interest risk in these lease agreements. At the turn of the year this exposure amounted to SEK 1,724 million.

Risk-calculated portfolio

This portfolio, which has been given the fixed interest mandate adopted by the Board, amounted to SEK 14,000 million at the turn of the year. The mandate is expressed as the range for the average fixed interest period for the portfolio. During 2006, the range was 1–3 years and in December it was changed to 1–2.5 years.

Maturity mandate

The Board also adopts a maturity mandate with the aim of limiting the refinancing risk. Loans that fall due within a 12-month period can amount to a maximum of 40 per cent of the total loan volume.

Rating

Since 1996, the Group has had 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 for the rating is: "The ratings on 100% state-owned Akademiska Hus AB reflect the company's role as the major provider of high-quality rented university premises in Sweden, the strength and importance of the Swedish education sector, its main customer, the company's long-term lease agreements and stable rent base, and expected timely support from its owner, in case of financial distress. The ratings also reflect Akademiska Hus' adequate financial performance, expected flat revenue base and somewhat high debt levels."

Financing forms and facilities

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

Facilities and rating

	Rating Standard & Poor's	Framework 31-12-2006	Utilised, nominal 31-12-2006
Commercial Paper	A1+/K1	SEK 4,000 m	SEK 1,610 m
ECP (Euro Commercial Paper)	A1+	USD 600 m	USD 75 m
MTN (Medium Term Note)	AA	SEK 8,000 m	SEK 4,390 m
EMTN (Euro Medium Term Note)	AA/A1+	USD 1,500 m	USD 880 m

Interest-bearing net loan debt, including derivatives

Amounts in SEK m	31-12-2006	31-12-2005
Total loans from financing programmes	16,907	17,496
Financial derivatives	1,155	943
Security received for derivative transactions	29	498
Total, other financial liabilities	1,184	1,441
LIABILITIES	18,091	18,937
Current investments	815	418
Cash and bank	564	807
Financial derivatives	462	1,376
ASSETS	1,841	2,601

NET LOAN DEBT (including financial derivatives)	16,250	16,336
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The table above does not include pension provisions and similar commitments amounting to SEK 212 million (202).

Liability management during 2006

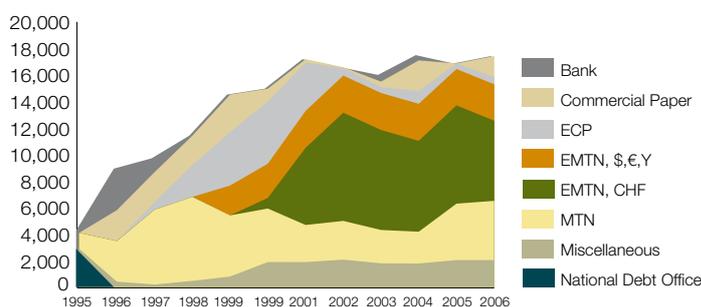
The management of fixed interest is central to financing operations. The Group's actions are based on analyses and interpretations of financial markets, both domestic and international. The Group's average fixed interest period at the beginning of the year was 2.4 years. Through to late autumn, the fixed interest period was kept relatively stable after which it was shortened, closing the year at 1.9 years.

Early in the year the expected growth in GNP was revised upwards at the same time that the labour market started to look brighter. The Swedish Riksbank drew attention to the increase in household debt and rising property prices and it expressed concern that this trend could heighten the risk of major corrections later. Monetary policy was gradually tightened and the repo rate was raised from 1.5 per cent to 3.0 per cent. Despite an improved labour market and expectations of an increase in the rate of salary increases, the continued high growth in productivity contributed to limiting the pressure on costs. Continued international competition and confidence in the fight against inflation by the central banks have held back inflation. Signs of a weakening in the USA, indications that the housing market is beginning to cool down and falling energy prices have changed the scenario for short-term interest rates. The flatter yield curve at the end of the year was reinforced in Sweden by domestic factors. The Swedish Financial Supervisory Authority recommendations regarding the discount rate for life assurance companies and the National Debt Office forecasts of an increased budget surplus contributed to an increase in demand for long-term bonds. This demand offered the potential for Akademiska Hus to issue long-term bonds in Sweden at the end of the year. Before the end of the

year SEK 800 million was issued with terms of between 10–14 years and in January 2007 a further SEK 320 million was issued with terms of 8–12 years.

The average maturity was extended at the beginning of the year to four years through a relatively large bond issue in Switzerland. During the year refinancing has taken place primarily through the short-term financing programmes and the average maturity gradually shortened. The bond issues in Sweden in December meant that the average maturity at the end of the year was 3.7 years. Of the Group's total financing, 60 per cent originated from abroad.

Financing sources, 1995–2006, SEK m



Renewal structure for fixed interest and net loan liability maturity as of 31-12-2006

Year	Fixed interest	Maturity
	SEK m	SEK m
2007	12,892	3,850
2008	-500	2,674
2009	1,800	2,260
2010	2,301	3,094
2011 and later	987	4,851
Total	17,480	16,729

Key figures

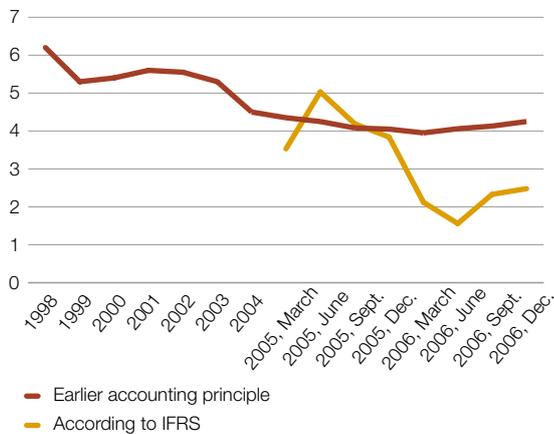
	2002	2003	2004	2005	2006
Interest-bearing net loan debt, SEK m ¹⁾	-	-	-	16,336	16,250
Interest-bearing liabilities	17,390	16,794	17,454	19,140	18,270
Interest coverage, %	175	179	327	435	434
Fixed interest, December, years	3.4	2.4	1.6	2.4	1.9
Maturity, December, years	3.9	3.2	2.3	4.0	3.7

¹⁾ Recalculation according to IFRS was not made for 2004 and earlier.

Financing cost

IFRS means that the derivative portfolio is market-valued, which means a considerable variation in profit during the year. The net interest income/expense was SEK -419 million (-647), of which SEK 228 million (43) were unrealised changes in value in interest derivatives. The interest-bearing net loan debt, excluding cash and bank, was on average SEK 16,773 million (16,794). In relation to this, the financing cost according to IFRS was 2.48 per cent (3.85). Calculated using the earlier accounting principles, the cost was 4.24 per cent (4.10). As of December 31, the net loan debt average interest rate was 3.35 per cent (2.35) excluding interest derivatives, and 4.21 per cent (3.50) including interest derivatives. The higher rate of interest can be explained mainly by rising short-term interest rates during the year as a result of the increases in the repo rate by the Swedish Riksbank.

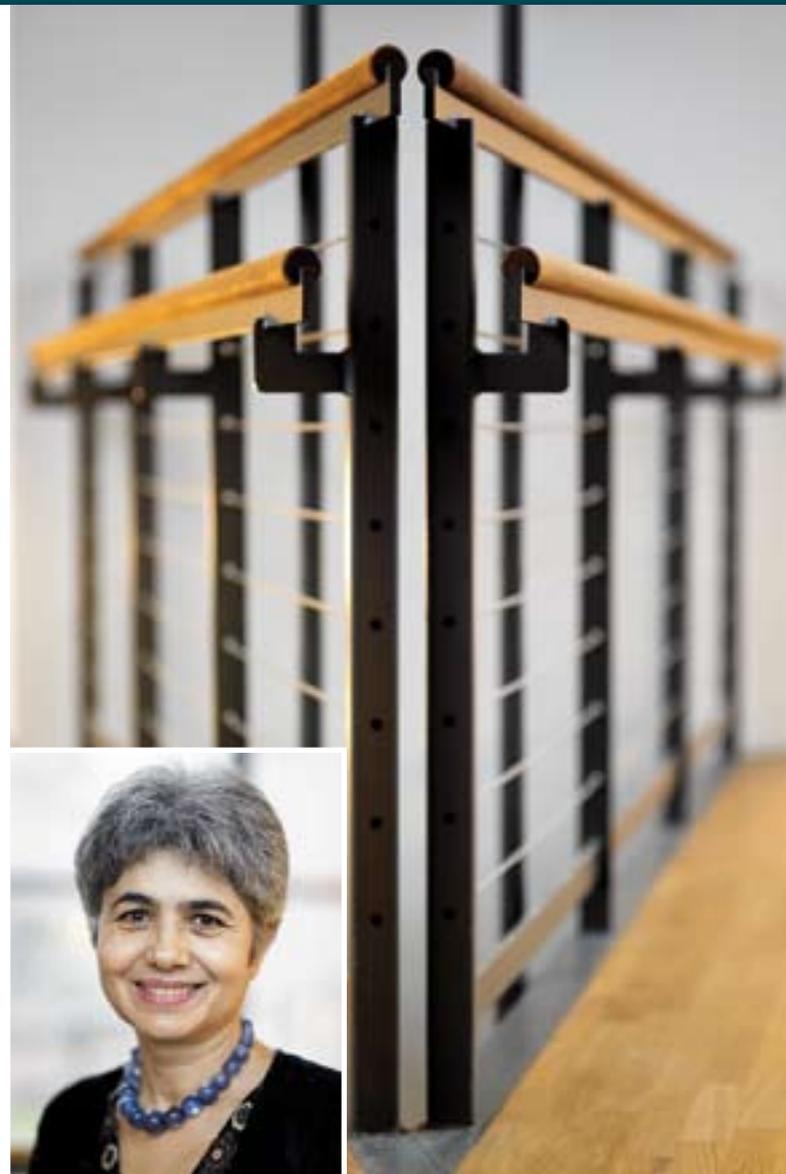
Comparisons, different calculations of the interest cost, %



The new accounting rules have not led to any change in the view regarding the use of interest derivatives. The Group will continue, either as information or to facilitate comparison with previous years, to present the interest cost, including and excluding the impact of IFRS.

Prospects for 2007

It is the Group's assessment that the Swedish Riksbank will probably continue to raise the repo rate slightly during 2007. This is justified by good economic growth, improvement on the labour market, increased unit labour costs and in time a slight rise in inflation. Inflation is expected, despite this, to remain at an historically low level. Internationally, the ECB expressed concern towards the end of 2006 about the inflation trend and the tightening of monetary policy will probably continue during 2007. At the beginning of 2007 the US economy showed signs of slowing down slightly and the next adjustment by the Federal Reserve will probably take the form of a reduction in the interest rate even if it will probably take some time before this happens. Globalisation, international competition, considerable confidence in the fight against inflation by the central banks, good liquidity and a high level of demand for bonds from insurance companies, pension funds and central banks are holding back long-term interest rates. This is also expected to limit the risk of rising long-term interest rates in Sweden.



Portfolio growth for the Group is expected to be moderate during 2007. Financing requirements comprised largely loans falling due amounting to SEK 4,500 million. Net investments of SEK 2,000 million and dividends totalling SEK 1,400 million are expected to be financed to a certain extent by the good cash flow from property operations. A relatively large interest-rate turnover in the portfolio mean that the Riksbank increases in the repo rate are regarded as having a limited effect on the Group's financing cost. For more detailed information see the financial notes.

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

	Bonds, fixed interest		Other long-term liabilities, floating interest		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, %
31-12-2006	2,739	3.70	12,053	3.35	2,115	2.92	16,907	3.35	5,561	5.08	-5,561	-2.41	16,907	4.21
31-12-2007	2,171	3.43	11,239				13,410		2,761	3.74	-2,761		13,410	
31-12-2008	2,098	3.35	8,679				10,777		3,361	3.39	-3,361		10,777	
31-12-2009	2,098	3.35	6,427				8,525		2,061	2.40	-2,061		8,525	
31-12-2010	599	4.01	6,484				7,083		1,261	3.66	-1,261		7,083	
31-12-2011	599	4.01	3,887				4,486		961	5.07	-961		4,486	
31-12-2012	599	4.01	3,232				3,831		961	5.07	-961		3,831	
31-12-2013	599	4.01	3,230				3,829						3,829	
31-12-2014	599	4.01	1,698				2,297						2,297	

Projects

Continued high rate of investment

Since the Company was founded in 1993 a total of SEK 21 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 implemented in such a way that the Company can achieve the objective of offering the customers creative environments with the right level of quality and with competitive rents.

The term 'creative environments' 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 customers on the campuses should reinforce the creativity of the customers. 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.

The aim is to also increase availability throughout the whole of the property holdings so that in the first instance all public premises function better for people with different types of disability.

Akademiska Hus is currently in the process of introducing a new joint project management system which will make it easier to make use of all the project experience within the Group.

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 we place considerable emphasis on making Life Cycle Cost (LCC) assessments in our projects to secure the optimum balance between investment and operating and maintenance costs.

Property development

It is in the interests of both the customers 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 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 customers who see the benefit of being in a campus area.

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 allocated for implementation of the project is often tight and it is vital that Akademiska Hus makes use of every opportunity to save time without sacrificing accuracy 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 greatest benefit of a contractor with solid knowledge of research and education.

Akademiska Hus offers advanced support at these early stages, 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.

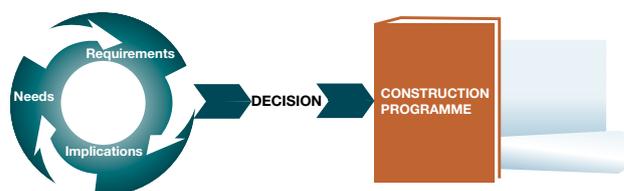
In a preliminary study there could be parallel assignments or a competition for architects to highlight further aspects in the change process.

The planning process

In the Akademiska Hus 'Planning Guidelines' there is a detailed description of how the Company sees 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. 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.

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 and these buildings are special as a result of the scope and complexity with regard to installations. In these cases, Akademiska Hus guides the construction 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 easy 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 (i.e. easily changeable) 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 contractors 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 audits in projects.

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 to ensure that the risk of error is minimised. This is followed up, among other things, through the aforementioned second-party audits.

By drawing up good documents for contract procurement and following up and controlling project costs continuously, Akademiska Hus can achieve overall cost effectiveness. In particular, we 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 that any shortcomings which the joint test reveals can be rectified in time.

The construction process



Evening rain falling over the School of Economics and Commercial Law in Gothenburg.

Projects 2006

The Group's project portfolio amounts to SEK 8,400 million (5,339). 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 4,440 million.
- Planned projects are projects where some form of arrangement or agreement exists between the Company and the customer, SEK 915 million.
- Miscellaneous projects are projects under examination, SEK 3,045 million.

During 2006 the total Group portfolio increased following the addition of a number of major projects during the year. The largest of the

current projects is the new construction of Pedagogikum in Uppsala, SEK 516 million, the redevelopment of Tre Vapen for the Swedish Environmental Protection Agency in Stockholm, SEK 293 million, new construction for the Karolinska Institute Science Park in Stockholm, SEK 540 million and new construction for the College of Music, SEK 460 million, also in Stockholm.

Divided according to region, Stockholm and Uppsala dominate project operations. Thereafter there is a relatively even 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 has increased in terms of amount to approximately SEK 6,000 million.

During 2006, investments in properties and new construction in progress totalled SEK 2,400 million (1,482).

Completed projects during 2006 in excess of SEK 50 million

Project name	Location	New construction/ redevelopment	Total investment, SEK m	Customer	Lease, years	Estimated annual net operating profit
Biomedical Centre Building D	Lund	New construction	281	Lund University	10	19
Ångström Building 7	Uppsala	New construction	121	Uppsala University	20	9
Tre Vapen 2	Stockholm	Redevelopment	397	SIDA	10	
Department of Mathematical Sciences	Gothenburg	Redevelopment	117	Chalmersfastigheter AB	20	
Maskiningenjören 1	Stockholm	Redevelopment	101	University College of Dance	10	
A-building, reconstruction part B	Linköping	Redevelopment	85	Linköping University	7	
Centre for Chemistry and Chemical Engineering 1	Lund	Redevelopment	75	Lund University	10	
TVH Lab Wing	Malmö	Redevelopment	71	Malmö University	10	
Berzeli lab/Nano	Lund	Redevelopment	67	Lund University	10	

Current/decided projects, 31-12-2006 over SEK 50 million

Project name	Location	New construction/ redevelopment	Total investment, SEK m	Customer	Lease, years	Estimated annual net operating profit
Karolinska Institute Science Park	Stockholm	New construction	540	Biovitrum	15	34
Pedagogikum	Uppsala	New construction	516	Uppsala University	20	39
College of Music	Stockholm	New construction	460	College of Music	10	28
Hus 21	Karlstad	New construction	278	Karlstad University	20	22
Bilbergiska Building	Örebro	New construction	150	Örebro University	15	10
LMC	Gothenburg	New construction	97	Göteborg University	20	7
Animal Building	Stockholm	New construction	77	Biovitrum	20	6
IKSU extension	Umeå	New construction	60	Stiftelsen Universitetshallen	10	5
Tre Vapen 2 Swedish Environmental Protection Agency	Stockholm	Redevelopment	293	Swedish Environmental Protection Agency	6	
Kåkenhus, redevelopment, buildings 6+7	Norrköping	Redevelopment	130	Linköping University	10	
Tre Vapen 2 National Academy of Mime and Acting	Stockholm	Redevelopment	130	National Academy of Mime and Acting	15	
Natural Sciences Building	Umeå	Redevelopment and extension	79	Umeå University	7	
C Building, stage II	Luleå	Redevelopment and extension	69	Luleå University of Technology	10	
Ultuna Teaching Building	Ultuna	Redevelopment and extension	64	Swedish University of Agricultural Sciences	20	
Ultuna Ecology Building	Ultuna	Redevelopment and extension	61	Swedish University of Agricultural Sciences	10	
Centre for Chemistry and Chemical Engineering	Lund	Redevelopment	353	Lund University	10	
A Building, redevelopment part C	Linköping	Redevelopment	83	Linköping University	7	
Histology	Gothenburg	Redevelopment	62	Göteborg University	10	
Geosciences	Stockholm	Redevelopment	53	Stockholm University	14	

Project presentation

Building of the future for natural sciences and engineering in Karlstad

Natural sciences and engineering will in the future have more space on the university campus in Karlstad. Akademiska Hus is constructing a new building, a very distinctive building which will reflect the high ambitions of the University in education and research within engineering and natural sciences. A building for creativity and encounters.

The university campus in Karlstad is gathered on the outskirts of the town. It is a campus undergoing constant development where the latest additions are the award-winning library and the 'Studenternas Hus' service centre. Existing buildings are also in a constant state of transformation to satisfy demands for dynamic operations at this young university.

The most recent in a series of projects is yet another new construction, a building designed specially for engineering and natural sciences. The building will be ready for opening in summer 2008. Science and man will meet in a range of creative environments. The premises are designed to provide the opportunity for new education, where theory is put into practice in educational workshops, experimental areas and well-equipped laboratories. To satisfy this ambition the building will be constructed with large open spaces and considerable opportunity for individual work as a complement to traditional classrooms. The classrooms are in turn flexible and can, if necessary, be transformed into rooms for group work. The environment for the teaching and research personnel has been designed in such a way that it will stimulate encounters, with smaller workrooms, to the benefit of more common areas. New information technology is playing an increasingly important role in teaching and a multimedia studio in the form of a 'hanging egg', one of the building's most exciting architectural solutions, will be an important element.

The University is seeking to expand contact with the surrounding community and industry. A large part of the building will therefore be open to the public, with areas for conferences and exhibitions as well as a cafeteria. A generous glazed facade will provide the opportunity to see day-to-day activities in progress and will show an open, inviting, creative university.

The project is being run as a partnering project, which means close collaboration with the customer and the contractors. There is a constant search for the best, most cost-effective and creative solutions in each phase. The buildings are designed generally, with a flexible interior to allow them to be changed over time and be adapted to new teaching subjects.

When the building is opened the University's 2010 vision for the physical environment will have been realised. Akademiska Hus is now working together with the University, the municipal authority had other parties on a new vision and plan to develop the university campus and the eastern part of Karlstad even further.

Fact file:

- Project cost: SEK 278 million
- Total floor space, 15,600 square metres
- Laboratories, 3,100 square metres
- 600 student workplaces
- 204 workrooms
- 8 computer rooms
- 150-seat cafeteria
- Multimedia studio
- Opening, summer 2008

Exciting architecture, open spaces and flexible classrooms are characteristic features of the new Akademiska Hus construction for Karlstad University, which is due to be completed in summer 2008.



Photo: Christian Frisenstam, Nordstrand Frisenstam Rung

Awards for completed projects

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

2004

Royal Institute of Technology Library, Stockholm

Helgo Award

School of Music, Örebro

Building of the Year Award, Örebro Building Committee

Academicum, Gothenburg

Nominated for the Building of the Year Award, Magazine Byggindeindustrin

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

Building of the Year. Building and Environment Office, Municipality of Gävle Nominated for the Town Planning Award

Tomas Hallén

Energy Award 2005

2006

Swedish National Defence College, Stockholm

Green Roof of the Year

Swedish National Defence College and the Swedish Institute of International Affairs, Stockholm

Nominated for the Concrete Industry Architecture Award

University College of Film, Radio, Television and Theatre, Stockholm

Nominated for the Concrete Industry Architecture Award

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, Gothenburg**, Per and Alma Olsson Award for Good Architecture **Central Library, Härmösand, 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, Härmösand**, 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, Gothenburg**, National Association of Master Painters, Best Colour Scheme **Ecology Building, Lund**, Joint winner of the Urban Construction Award **School of Economics and Commercial Law, Gothenburg**, Kasper Salin Award, Per and Alma Olsson Award for Good Architecture **1994 Wallenbergsalen, Gothenburg**, Concrete Panel Association Architectural Award **1993 School of Performing Arts, Gothenburg**, SAR West Architectural Award, Per and Alma Olsson Award for Good Architecture

The winner of the 2006 Green Roof Award is to be found on the Royal Institute of Technology campus in Stockholm on a newly constructed building where the customer is the Swedish National Defence College. Akademiska Hus has covered three roofs with plants to achieve a number of environmental benefits – an attractive outdoor environment for the customers, retention of greenery in the area and improved handling of rainwater.



Photo: Jörgen Orback

Environment

Considerable commitment on the part of customers and employees

To what extent is Akademiska Hus living up to its environmental policy? Using concrete examples from operations during 2006, a link can be shown between the ambitions and visions in AkaVision 2010 and the work that is taking place on a day-to-day basis.

Akademiska Hus will be environmentally certified and in doing so satisfy applicable laws, ordinances and other requirements

The Group has already been certified according to ISO 14001:1996. The certification body SP therefore carried out an upgrading audit in June 2006 and looked, among other things, at the way the Group handles internal audits. There was also an examination of the review made by the management team, compliance with legislation, objectives and action plans as well as the handling of deviations based on the increased demands in ISO 14001:2004.

The audit resulted in the Group being awarded a certificate according to the new ISO standard. SP also carried out audits in the South, West, East and Stockholm regions and the final assessment was: "The Group and subsidiaries have a very efficient environmental programme. Commitment on the part of management and employees has resulted in them succeeding in their work related to environmental issues."

New ISO 14001:2004 means stricter demands for systematised and documented control of compliance with legislation. To satisfy these demands, Akademiska Hus has during the year become affiliated to a Web-based service for continuous updating of current laws, ordinances and local regulations.

Akademiska Hus will work to ensure compliance with demands regarding prevention of pollutants that could arise in the course of operations

During the year the Group has worked to prevent pollutants. One of the means employed has been the production of instructions for the handling of coolants. Akademiska Hus has also been involved in the Ecocycle Council steering committee and reference group in the work on a common industry standard "Guidelines for ecocycle-adapted waste handling in conjunction with construction and demolition". The Stockholm region has signed a general agreement with Sellbergs regarding waste disposal in projects to ensure correct handling from construction site to waste disposal station.

Akademiska Hus builds and manages property in an environmentally adapted and resource-efficient way

A tool employed to quality assure and environmentally assure the project process was developed during the year. An important aid in this context is a group template for environmental control in construction projects. According to this template, project-specific environmental objectives are formulated based on a risk analysis of each individual project. The template structures and simplifies follow-up of environmental work.

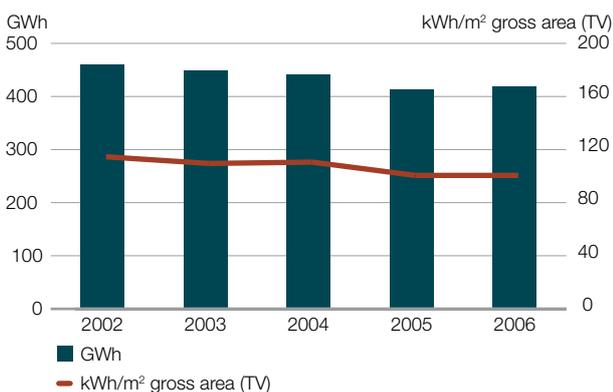
Within property management, control and follow-up of environmental objectives and activities take place with the aid of the operating plan or business plan prepared at each unit, in addition to the ongoing work based on instructions governing the handling of purchases, waste, coolants etc. During 2006, for example, the Group commenced the production of measurement plans for determining the levels of radon in the Group's properties.

Akademiska Hus is working to ensure that similar environmental care is demonstrated by customers, suppliers and other partners to ensure that it has an impact throughout the whole of the Group's operations

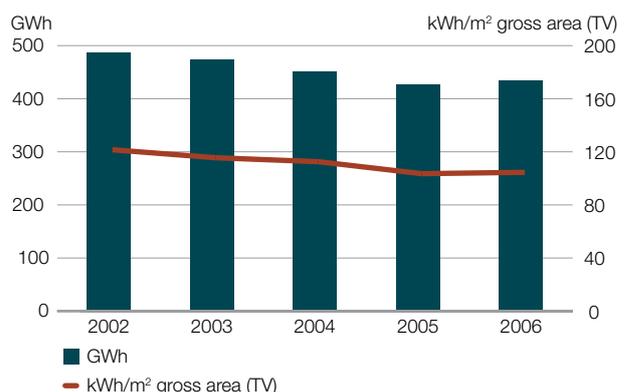
Akademiska Hus has during the year also carried on a range of activities together with customers to build a common view on important environmental issues such as energy use, waste disposal and a good indoor environment. An example of this is the brochure "Sluta slösa" (Stop wasting), which was produced together with Stockholm University, the Royal Institute of Technology, the Karolinska Institute, the University College of Opera in Stockholm and the University College of Dance in Stockholm. The material used includes an "Energy Hunt" at Stockholm University.

A successful example of how Akademiska Hus in collaboration with the customer can save energy is the three-year incentive agreement reached with Stockholm University regarding the property area Frescati 2003. Akademiska Hus had established the target of cutting energy use by six per cent (electricity and heating) during the period 2003–2005. If Stockholm University contributed to the savings exceeding six per cent of the 2002 consumption, 50 per cent of the surplus would go to a joint environmental fund. Energy consumption was reduced by 8.6 per cent or 5.5 million kWh, which during the period pro-

Electricity consumption



Heating consumption



duced almost SEK 3.3 million in savings. Of the 2.6 per cent which exceeded the target, half, approximately SEK 570,000, was placed in an environmental fund which Akademiska Hus and Stockholm University decide on jointly.

SEK 100,000 has been allocated to the first 10 departments that are awarded an environmental diploma at Stockholm University. During 2006, two departments received SEK 10,000 each after being awarded their diploma.

During 2006 an energy-saving hunt was organised, financed by the common environmental fund. The energy-saving hunt took place during November and resulted in every person who turned off their computer and the lights in their room at the end of the day taking part in a draw with attractive prizes such as microwave ovens, kettles and cinema tickets.

Akademiska Hus endeavours to find the most efficient energy solution for each property to the benefit of both customers and Akademiska Hus

As energy-saving represents a considerable part of the Group's environmental impact all employees are involved in improving and reducing impact in each property. Examples of this are the involvement by Akademiska Hus and the National Board of Housing Building and Planning work on producing proposals for new legislation governing environmental declarations. A large number of energy-mapping initiatives have also taken place in the property holdings. These have led to a whole series of changes, ranging from rebuilding a ventilation unit to adjustment of control times.

Akademiska Hus makes improving energy efficiency and the development of alternative energy production a high priority

In June 2006 one of the largest energy stores for heating and cooling was opened at the Centre for Chemistry and Chemical Engineering in Lund. The store provides heating and cooling for the whole of the Centre, comprising approximately 50,000 square metres as well as cooling for adjacent buildings.

Test bores have been made to evaluate the potential for aquifer storage for the production of cooling and heating at Akademiska Hus properties in Kristianstad.

Akademiska Hus is not only aiming to reduce consumption of energy but also to switch to environmentally superior forms of energy, such as district heating and cooling. The East region, for example, only purchases "green electricity" for Linköping University. Akademiska Hus has also examined the potential for in-house production of district heating together with Locum in Stockholm.

Akademiska Hus takes into account environmental impact when choosing materials, products and services

Akademiska Hus has systems and means in both property management and building production for choosing chemical products and building materials. For a number of years materials used in new construction and redevelopment projects have been environmentally assessed. In conjunction with the procurement of services such as consultants or contractors on annual agreements and general agreements, the environment is one of the parameters used when evaluating tenders.

The new ISO 14001:2004 stipulates expanded responsibility for ensuring that each supplier has relevant environmental know-how with consideration given to the work in question. Akademiska Hus therefore uses a prequalification system for quality, environment and working environment in conjunction with the procurement of general agreements or annual agreements for consultants and contractors.

Akademiska Hus tests and develops technology and methods with a good environmental profile

Akademiska Hus also tests alternative energy production in suitable projects, such as energy-efficient glass with solar cells. The technology is currently being tested in a number of projects, including the facade at the Royal Institute of Technology, on the roof of the Gärdet Campus and in Linköping.

Another example is the involvement of Akademiska Hus in energy research at the energy centre at Chalmers. The Group is also involved in a number of external working groups to move environmental work forward within the industry, among other things under the auspices of the Ecocycle Council and the Bygga-bo dialogue.

Examples of this are the Group's involvement in the development of MilaB, an environmental assessment system for building materials.

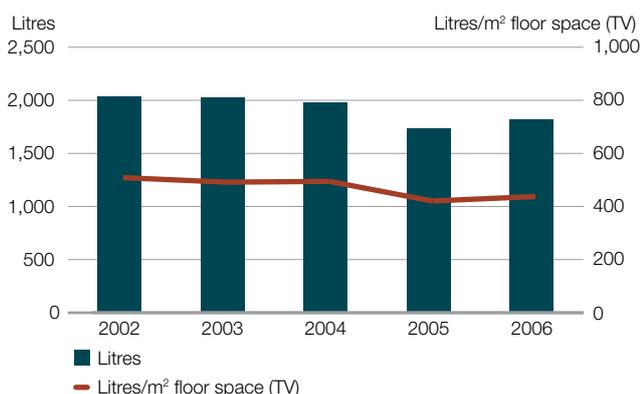
Akademiska Hus is effective in running follow-ups and informing about environmental work

Environmental work should be a natural part of operations. To meet this end environmental responsibility is promoted on the line level. The Group's environmental network and the environmental co-ordinators in the regions are a source of line support on all levels. It is therefore essential that the flow of information functions efficiently throughout the whole organisation. Information about the structured environmental work that is being pursued is readily available to all employees on AkaCampus, the Group's intranet.

Follow-up of environmental work takes place among other things through in-house audits (a total of 14 were conducted during 2006). Ten of these audits were performed by in-house auditors, which is an integral part of the feedback of experience between the regions. Akademiska Hus also follows up environmental work through ongoing contact between the management team, environmental co-ordinators and operating personnel.

Akademiska Hus is endeavouring to achieve a high level of environmental know-how. This has led to the group taking part in the work of the "Bygga-bo dialogue" to produce environmental training for different categories in the industry. A number of employees attended this training programme during the year, resulting in them becoming environmental pilots and since then they have passed on knowledge to their colleagues on the home front. In-house education initiatives have also been taken as necessary. In 2006, a number of employees attended a training programme dealing with the MilaB environmental assessment system.

Water consumption



Reconciliation of overall environmental objectives and activities for Akademiska Hus, 2006

Environmental aspects and vision (from AkaVision 2010)

ENERGY MANAGEMENT

We assign high priority to improving energy efficiency and the development of alternative energy production. We endeavour to find the most effective energy solution for each property to the benefit of both the customer and us.

Long-term	2006	Activities implemented	Objectives achieved
The proportion of purchased energy stated in kWh/m ² will be reduced by 10 per cent through to 2010 and 30 per cent through to 2025 compared with 2000.	<ul style="list-style-type: none"> The total energy requirement for 2006 will be reduced compared with the outcome for 2005. The number of leases where electricity is reported separately will be presented. Emissions into the air of carbon dioxide as a result of energy production (in-house or indirect) will be reported. Active involvement in the development of energy management within the industry. 	<ul style="list-style-type: none"> During the year a number of energy efficiency-enhancing projects were run, including the replacement of inefficient lighting facilities, night-time patrols with subsequent savings activities, collaboration projects with customers with the aim of saving energy etc. Models have been produced where the customer has a greater incentive to save electricity. Our emissions of greenhouse gases are strongly linked to the use of energy and in principle all our facilities are linked to local district heating networks. Each year we gather information from our energy providers about equivalent emissions of greenhouse gases (CO₂) in conjunction with energy transformation. Akademiska Hus has for a number of years been involved in different local and national networks with the aim of finding new, common approaches to improving efficiency in the use of energy. Examples of such networks are the Bygga-bo dialogue, BELOK, Byggherreforum, the Ecocycle Council, UFOS etc. 	<p>The energy used in 2006 was in effect unchanged compared with the preceding year measured in terms of kWh/m². It should, however, be stated that Akademiska Hus had in 2005 achieved the long-term environmental objectives for energy savings through to 2010 as laid down by the Ecocycle Council.</p> <ul style="list-style-type: none"> During the year a clause was included in renegotiated leases regarding separate reporting of electricity use. The emission of greenhouse gases in the form of carbon dioxide equivalents based on data from the provider. As regards emissions of greenhouse gases resulting from the use of energy, the report is based on information from Vattenfall about the Nordic electricity mix. On average for the country district heating accounts for approximately 30g CO₂/kWh and from electricity approximately 6.5 g CO₂/kWh.

MATERIAL MANAGEMENT

We build and manage our properties in an environmentally adapted and resource-efficient way.

Long-term	2006	Activities implemented	Objectives achieved
The value of construction waste which is deposited will be reduced to half through to 2010 compared with 2005.	<ul style="list-style-type: none"> Waste dumped from investment projects will be reported. Active involvement in developments within the industry dealing with material management. 	<ul style="list-style-type: none"> Demands are made in the tender documents that sorted waste and waste which is sent for dumping is gathered and documented. Akademiska Hus has been involved in the steering committee and reference group in the Ecocycle Council project "Guidelines for ecocycle-adapted waste handling in conjunction with construction and demolition". 	<ul style="list-style-type: none"> Dumped waste is documented by saving receipts for each individual project.

PHASING OUT OF HAZARDOUS SUBSTANCES

We will work to ensure that the demands for preventing pollutants that could arise in operations are met and we will also work to ensure that our environmental work is improved continuously.

Long-term	2006	Activities implemented	Objectives achieved
Materials and products which are used in a building or in operations should not affect the health of human beings or the environment negatively.	<p>a) Akademiska Hus will have a functioning system for the phasing out of undesired chemical products in property management. The number of products in the Group with a chemical content on the "blacklist/avoidance list" will be reduced compared with 2005.</p> <p>b) an assessment of environmental impact in conjunction with choosing between different materials and products. More than 50 per cent of the number of investment/redevelopment projects will use MilaB to evaluate hazardous substances in materials and products.</p> <ul style="list-style-type: none"> Active involvement in development within the industry aimed at phasing out hazardous substances. 	<p>Akademiska Hus is working on "criteria for choosing chemical products" and is structuring purchasing routines for products with a chemical content.</p> <ul style="list-style-type: none"> Akademiska Hus is a partner in and user of the MilaB environmental assessment of construction materials. The demand that MilaB is used in investment and redevelopment projects is laid down in the project environmental programme. Akademiska Hus has been involved in the Ecocycle Council working groups for the "Development of building product declarations" and the "Website for building product declarations". Akademiska Hus is involved in MilaB, environmental assessment of construction materials. 	<ul style="list-style-type: none"> Ongoing work aimed at reducing the number of products with contents on the "blacklist" is continuing. MilaB is used generally in projects. Proposals for a new template for building product declarations. A review of criteria for environmental assessment has been made together with the Built Environment Department.

INDOOR ENVIRONMENT

Our properties and campuses will satisfy the changing needs of our customers over time.

Long-term	2006	Activities implemented	Objectives achieved
No established health problems are registered and the customer should be satisfied with the indoor climate.	<ul style="list-style-type: none"> In the outcome regarding "satisfied customers" in the NKI survey improve the outcome by one unit with regard to the questions <ul style="list-style-type: none"> The premises are pleasant. The premises have a good indoor climate. The premises are suitable for their purpose. We will be involved in development within the industry regarding a good indoor environment. Produce a plan aimed at mapping the presence of radon in our buildings. The risk of moisture damage will be assessed in all investment projects commenced during 2006. 	<ul style="list-style-type: none"> The NKI survey was run during 2006. Akademiska Hus has been involved in the production of a new R1, Swedish Indoor Climate Institute. Mapping of the occurrence of radon is continuing. Demands for methodical moisture assurance are made on suppliers involved in projects according to a template. Demands are made in the template for the environmental programme. 	<ul style="list-style-type: none"> The results of the NKI survey were <ul style="list-style-type: none"> the 'premises are pleasant' figure increased by two units. the 'premises have a good indoor climate' figure fell by one unit. the 'premises are suitable for their purpose' figure increased by one unit. Where the radon level exceeds the limit for schools and teaching premises, i.e. 200 bq, measures are taken. Moisture dimensioning is carried out generally in investment projects and major redevelopment projects.

Region	Electricity			Electricity			Heating			Heating			Water		
	kWh/m ² Floor space (TV)	2004	2005	2006	kWh/m ² Gross area (TV)	2004	2005	2006	kWh/m ² Floor space (TV)	2004	2005	2006	kWh/m ² Gross area (TV)	2004	2005
South	127	125	130	101	98	102	130	124	117	104	97	92	367	339	337
West	133	123	125	102	94	96	125	108	111	83	80	85	459	356	434
East	134	128	126	108	103	102	112	106	102	90	85	83	519	457	423
Uppsala	168	161	156	130	122	118	195	191	194	151	144	147	550	504	496
Stockholm	120	115	121	112	90	93	138	131	138	129	103	106	568	436	463
North	122	121	118	99	98	95	119	117	114	96	94	92	439	402	406
Total	133	128	129	110	100	100	137	132	134	112	103	104	492	418	435



Organisation

57–66



Employees

Healthier employees through a new health initiative

For Akademiska Hus employees 2006 was marked by a new health initiative. The Company has noted increasing competition for skilled workers. It has therefore become even more important to continue to develop Akademiska Hus even more as an attractive employer.

With AkaVision 2010 Akademiska Hus has created a common set of values using the business concept as a starting point and clarified through KALLE, an acronym for the five key words (in Swedish): creativity, attractiveness, long-term thinking, profitability and efficiency.

Process orientation

The Group is conducting extensive process work and the co-ordination and development work follows the management system and process map. It can be noted that the new platform for in-house information and communication, the AkaCampus intranet, is built up according to this process map.

The Group has defined operational processes and how these are inter-linked and has described this in the form of an overall process map. This forms the starting point for controlling, following up and developing operations on different levels. This means that Group control and co-ordination take place partly via the existing line organisation, and partly in a matrix organisation via the processes. Each year the management lays down objectives and key figures for each process.

Human resource development and new employment

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

Retirements at Akademiska Hus are gradually increasing and combined with a general increase in mobility and keener competition on the labour market it has become more important than ever to position Akademiska Hus as an attractive, stimulating employer.

The level of education and development in the Group continues to be high. As the majority of Akademiska Hus customers are active within higher education and research it is important that employees from the outset have a good level of education and that they receive continuous in-service training throughout their employment in order to keep pace with the customers' renewed demands and conditions.

Education costs per employee in 2006 were on average SEK 18,000 (18,000), which covers external and in-house education. Based on business plans and the individual objectives that emerge from appraisal discussions, each employee has a personal development plan. The education includes both a deepening of knowledge within specialist areas as well as general education within, for example, customer care and personal development.

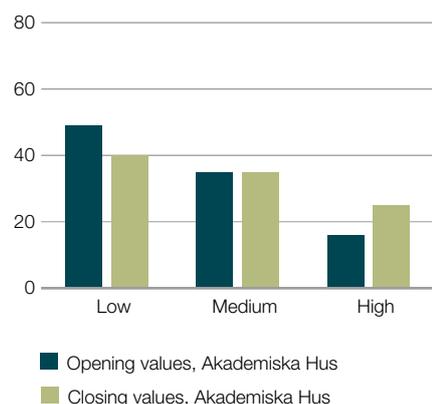
Once a year a joint training day is run for all employees in the Group where considerable emphasis is placed on greater knowledge of and understanding of the parts of the Group in which one is not personally active. Customers and other external persons are invited as speakers on the training day. Twice a year the management team members from all the companies, around 50 employees in all, meet for development activities and an exchange of experience. The development of the Group's processes takes place within approximately 15 networks with representation from the units concerned. The networks, which form a good base for both individual and organisational development, normally meet 3-6 times each year.

Healthcare initiative

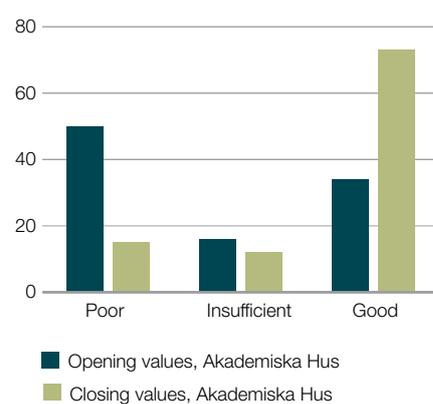
Akademiska Hus has, in collaboration with the healthcare company Spiritgruppen, offered all employees the opportunity to take part in a three-year health development programme aimed at increasing awareness of health and reducing poor health. In total, 87 per cent of employees took part in the human resource develop programme during 2005/2006. The programme was received well by employees and many have improved their eating habits and physical fitness. In total, 73 per cent have good eating habits compared with 34 per cent when the programme started. Some 67 per cent improved their physical fitness, which clearly exceeds the target of 45 per cent.

Results from the Spirit programme

Change in fitness, %

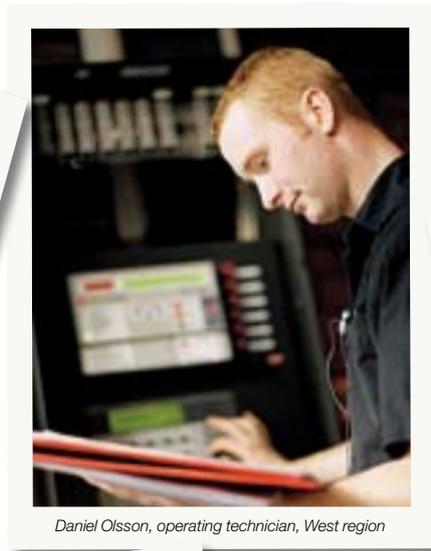


Change in eating habits, %

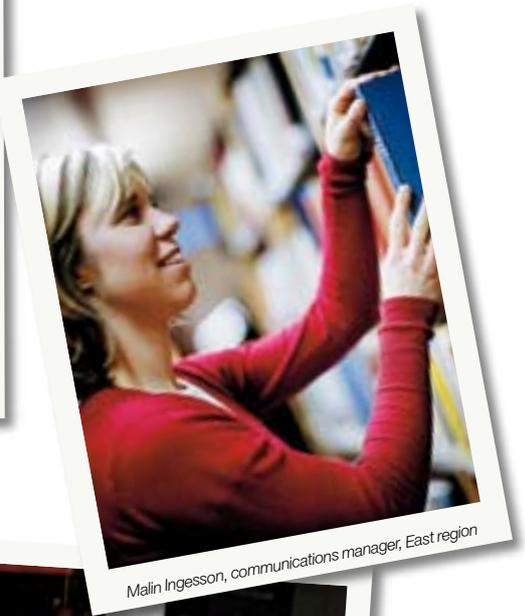




Anna Pettersson, switchboard operator, Group office



Daniel Olsson, operating technician, West region



Malin Ingesson, communications manager, East region



Anders Bergander, Head of IT operations, Group office and Mats Anderberger, Head of IT, Stockholm region.



The approximately 420 employees in the Group meet in August each year for a joint training day. In 2006 they met in Lund.

Absenteeism due to illness was 4.0 per cent, of which long-term absenteeism due to illness, i.e. a continuous period of absence due to illness of at least 60 days, was 2.6 per cent. This is a substantial improvement on the previous year when total absenteeism due to illness was 5.4 per cent and due to long-term illness 3.6 per cent.

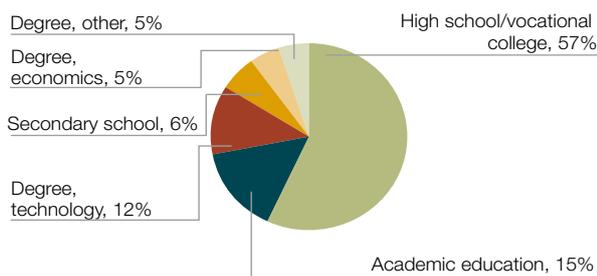
To prevent and reduce costs arising from absenteeism due to illness, Akademiska Hus, together with Alecta, has produced a Group action plan for dealing with sickness and rehabilitation. The plan has been approved by all managers and an education element has been included. The aim is to achieve a uniform approach, which

has been clarified for both managers and employees, creating conditions to deal with someone affected by illness in a better way.

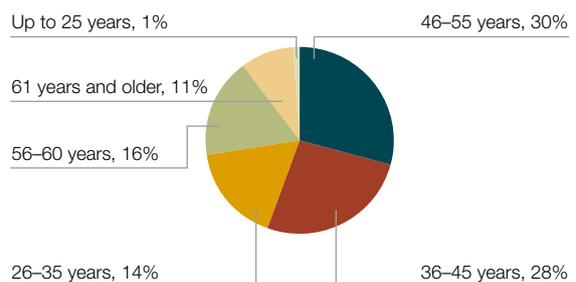
Akademiska Hus has received a diploma from Alecta pension insurance for its work on reinforcing knowledge within the company of, among other things, ITP, the cost of absenteeism due to illness and routines for maintaining contact with employees who are off sick.

The personnel turnover has increased and was in 2006 10.6 per cent (4.0). The main reasons are retirements and reorganisation as well as rationalisation within accounting administration.

Education level, %



Age distribution, %



Employee survey

The employees' satisfaction with their working situation and Akademiska Hus as an employer are measured each year through a questionnaire. The 2006 questionnaire showed that the Group has stabilised on a good level.

The response rate was very high and 94 per cent (91) of 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, confidence in the executive management and the working approach) and the duties.

In summary, 81 per cent of the employees in the 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 certification

At the end of May 2006 it was decided to certify the Group's working environment programme according to AFS 2001:1 "Systematic management of the work environment". The task of formulating standardised routines and mapping risks and training requirements continued throughout the autumn. The certification audits have commenced and we expect them to be completed during spring 2007 when we will be awarded a certificate for the Group.

In the NMI survey, the employees increased the rating from 83 to 84 with regard to the physical working environment. The figure for 'Other working environment factors' was also good.

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.

Best Workplace in Sweden

For the seventh year in succession, Alecta arranged the Best Workplace in Sweden competition. By making the award, Alecta is seek-

ing to encourage workplaces that have realised the link between good leadership, empowerment, a good working environment and profitability, and which, through its enjoyable and creative ideas, could inspire others to achieve success.

Akademiska Hus took part for the second time and made the final again this year. Akademiska Hus was the first company among the ten foremost companies to be nominated two years in succession. This year the competition was very keen. A total of 126 companies entered and took part in the questionnaire which all employees are required to answer. The ten companies that went to the final underwent a careful examination, including in-depth interviews with employees.

As a nominated company a feedback report is presented with opinions on what produced positive and negative results. Akademiska Hus received a high score for, among other things, work on the overall control document AkaVision, the new intranet AkaCampus, good team spirit and the work on certification of the working environment.

Towards a better gender balance

At the end of the year Akademiska Hus had 419 employees, of whom 24 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 eight female property managers and six female project leaders in what are traditionally male positions.

Diversity work

Around 12 per cent (approximately 50 persons) of Akademiska Hus employees have a foreign 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.

Extract from the employee questionnaire

	2004	2005	2006
I support the Company's objectives	87	85	86
I am generally very satisfied with my duties	77	78	78
The Company invests in staff training to develop the Company's collective expertise	75	73	74
The Company gives me the opportunity to develop my expertise	75	75	77
I am generally very satisfied with my immediate superior	79	79	79
I have the authority to take action to solve problems that arise in my work	82	82	84
Are you happy at work?	87	86	87

Number of employees according to position and gender

	Women	Men
Operating engineers	4	167
Property supervisors	8	22
Property managers	1	11
Project managers	6	18
Accounting personnel	37	5
Executive Management	4	12
Other positions	39	85

Corporate governance

The overall aim is to create value

A continuous process is taking place to develop the rules and routines which ensure transparency, a clear allocation of responsibility between different corporate bodies and the efficient functioning of the Board of Directors.

This report, which was adopted by the Board in January 2007, describes the structure and processes for Group management and control. The Company complies with the Swedish Corporate Governance Code and also applies the guidelines laid down by the government in its ownership policy (www.naring.regeringen.se).

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 state ownership policy (see below). Akademiska Hus will therefore not apply the rules in the Code that apply to the appointment of the Board and the auditors.

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 shall 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 suitable, creative environments for higher education and research.

Owner control – State ownership policy

Akademiska Hus is wholly owned by the Swedish state through the Ministry of Enterprise, Energy and Communications. It is the owner's policy that ownership of Akademiska Hus should be long term. The government and the Ministry of Enterprise, Energy and Communications decide on state ownership policy and guidelines for state-owned companies.

The Annual General Meeting must be held within six months of the end of the financial year but should take place before April 30 each year. At the Annual General Meeting the shareholders elect, among others, the Board of Directors and auditors and also decide on discharge from liability for the Board of Directors and the President.

It is the Government's objective that the Board should have a high level of expertise which is well adapted to the Company's operations, situation and future challenges.

The owner applies a structured nomination process in conjunction with the appointment of Board members and auditors. The nomination process is conducted and co-ordinated by the unit for state ownership within the Ministry of Enterprise, Energy and Communications. The selection of members is made from a broad recruitment base.

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 major 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 set forth the Board's working methods, the instructions for the President and instructions for the Board's committees.

During 2006 the Board comprised seven members elected at the Annual General Meeting as well as two members representing the employees in the Company. Of the seven members elected at the Annual General Meeting, one member is an employee at the Swedish Government Offices.

The Chairman of the Board leads the work of the Board and represents the Board and the Company in dealings with the owner. The Chairman is also responsible for an evaluation of the work of the Board.

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 at during the year the Board met on one occasion the Company's auditor without the President or other person from the Executive Management being present. In 2006, the Board met as follows:

January	Year-end report, investments
March	Annual Report, investments
April (two meetings)	Quarterly report, investments, rules of procedure for the Board, allocation of responsibility and authorisation, election of members of the Finance Committee, Remuneration Committee and Audit Committee.
June	Investments, allocation of responsibility and authorisation (adjustment)
July	Interim report
August	Strategic issues
October (two meetings)	Interim report, investments, evaluation of the Board, release and appointment of the President
December	Business plan and budget for 2007, including overall working environment and environmental objectives, finance plan and an equality and diversity plan.

The Board held ten meetings during the year at which minutes were taken. The Board members receive written documentation regarding the agenda well in advance of each Board meeting.

Attendance by the members of the Board can be seen in the table on the next page.

Attendance by the members of the Group Board
Number of meetings during 2006: 10

Board members	Number of meetings attended
Charlotte Axelsson	9
Sigbrit Franke	9
Marianne Förander	10
Maj-Charlotte Wallin	9
Birgitta Kantola	3 (Resigned from the Board at the Annual General Meeting on April 27)
Per Granath	10
Claes Ljungh	10
Parzin Seradji	9
Svein Jonsson	10
Göran Wendel	5 (Elected to the Board at the Annual General Meeting on April 27)

During the year the Board appointed three committees, the Finance Committee, the Audit Committee and the Remuneration Committee.

During the year the Board appointed three committees:
Finance Committee

Members	Duties	Number of meetings during 2006
Claes Ljungh Göran Wendel	The task of the Committee is to prepare and monitor financing issues and provide assistance to the Board in the handling of these issues.	2

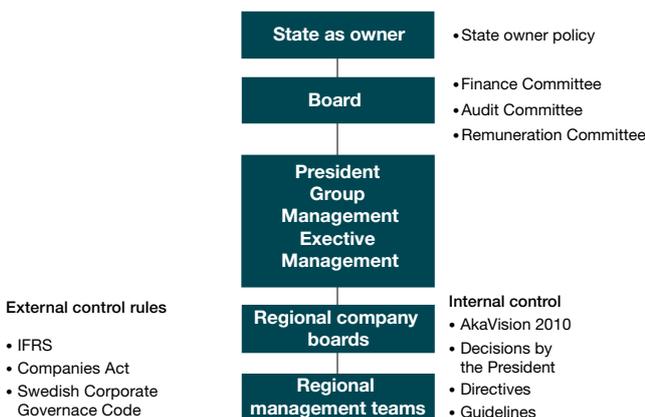
Audit Committee

Members	Duties	Number of meetings during 2006
Maj-Charlotte Wallin Per Granath Marianne Förander	The task of the Committee is to assist the Board in matters related to financial risk, reporting and external audits and assist the owner in the election of auditors.	3

Remuneration Committee

Members	Duties	Number of meetings during 2006
Sigbrit Franke Charlotte Axelsson Claes Ljungh	The task of the Committee is to prepare decisions regarding salary and terms and conditions of employment for the President and the Executive Management.	1

Control structure, Akademiska Hus



The meetings can also be attended by the Head of Accounting and Finance, the Treasurer, the Planning Director, the Vice-President and the President for the purposes of presentation. All attended the meetings during the year. Feedback on the work of the committees is presented to the Board.

Corporate governance

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

Corporate governance proceeds from the Group Management and Executive Management. The Group Management comprises the CEO, Planning Director, Treasurer, Head of Accounting and Finance, IT Manager, Director of Corporate Communications, Head of marketing, Technical Director and General Counsel. The Executive Management comprises the CEO, Planning Director and the six heads of the regional companies.

The President, who is also the CEO, leads operations within the frameworks decided by the Board. The heads of the regional companies and the members of the Executive Management report to the CEO.

The Group Management supports the President in leading operations, primarily running and developing the control process, the management system and the support processes as well as preparing matters for the Group Board. The Group Management is the process owner for the support processes apart from Construction projects.

The Executive Management supports the President in leading operations, primarily running and developing the Group's main process. The task of the Executive Management is also to act as adviser to the CEO on business and strategy issues related to operations. The Executive Management is the process owner for the main process and the support process Construction projects.

The Parent Company units are responsible for financial reporting for the Group, financing, IT, law, corporate communications and other matters of a Group nature. Certain Group areas, such as environment and energy, are dealt with through a network of persons from different parts of the Group.

Remuneration and other terms and conditions of employment for persons in executive positions are payable in accordance with the state "Guidelines for terms and conditions of employment for holders of executive positions".

Control of the regional companies

The President of the Parent Company is the chairman of all the boards of the regional companies. External persons with local knowledge of industry and higher education as well as employee representatives are also included. At all the meetings it is the Director of the regional company who presents the matters to be dealt with.

Investment matters are initiated and prepared by the company management for examination by the board of the regional company. In conjunction with major investments the matter is decided by the Group Board after being confirmed by the board of the regional company.

The regional companies have their own company management which allows efficient control of the company.

REPORT ON INTERNAL CONTROL BY THE BOARD

General

The Board has overall responsibility for financial reporting and is responsible under the Companies Act and the Swedish Corporate Governance Code for internal control. This report has been prepared in accordance with Sections 3.7.2 and 3.7.3 of the Code and is thus limited to internal control regarding financial reporting. The report is not part of the formal annual report and has not been examined by the Company's auditors.

Internal control regarding financial reporting at Akademiska Hus is a process that involves the Board, Executive Management and personnel and is formulated in such a way that it provides reasonable assurance that the Company's objectives are achieved in the following respects:

- Efficiency and suitability of operations.
- Reliable financial reporting.
- Compliance with applicable laws and ordinances.

Internal control regarding financial reporting is presented within five areas and forms the basis for a good control structure.

Control environment

The document AkaVision 2010 describes the way Akademiska Hus works, deals with customers, handles assets and addresses the future. AkaVision 2010 came into being following a work process in which everyone in the company was involved. The work resulted in a business concept, objectives and strategies and a description of the corporate culture – in other words the way the Company acts in different contexts. With AkaVision 2010 as a basis a number of directives and guidelines were drawn up for certain strategic areas within Akademiska Hus, such as property valuation and financing. During 2006 an organisational change took place through the creation of a joint accounting and human resources unit. The new unit, which is charged primarily with responsibility for transaction-intensive matters, assures the control function in relation to regional core operations as in organisational terms it is separate from core operations.

Risk assessment

The risk analysis for Akademiska Hus entails identifying the processes where the risk of material errors in financial reporting is greatest. The risk is considered to be greatest in the processes where there is a risk that any errors become more serious due to the high values in the transactions or that the process is highly complex. The most important risks are considered to be:

Income risks. Premises which do not have a customer often still retain their costs. The level of vacant space within Akademiska Hus is by industry standards low but still represents loss of income amounting to just over SEK 100 million. A follow-up of the level of vacant space takes place monthly.

Cost risks. In the case of property management costs, movements in energy costs constitute the greatest risk. Other costs are estimated to follow the general price trend. The energy cost trend is

monitored daily and reported at least once a month to the Group Management.

Property valuation. In the property valuation process it is important that trends in the property market are monitored and that frequent checks are made with external valuers. The valuation parameters and so on which are used are checked with the Audit Committee.

Financing. The Group's financing operations and their risks are described on pages 46-48. Trends related to financing issues are prepared within the Finance Committee and a report is presented at each Board meeting.

Control activities

Using standardised reporting routines and the adopted rules of procedure, errors and deviations should be prevented, discovered and corrected. For key processes, both risks and controls are documented in the process descriptions which have been produced.

General risks exist in all items in the reports. The matrix on the next page shows the more specific risks and associated control structures which are linked to material income statement and balance sheet items in Akademiska Hus operations. Risk management with regard to these items has been assigned maximum priority. Within the income statement these items are rental income, operating costs, changes in value and financial items. In the balance sheet the key items are investment properties and interest-bearing liabilities.

Information and communication

During 2006 a new intranet was brought into use where all current directives and guidelines, instructions and manuals are published. Within the Group the various professional categories within the different processes meet on a regular basis at network meetings. Systems and routines are in place to provide the Board and the Executive Management with the necessary reports in relation to established objectives.

Follow-up

At each Board meeting the Board receives financial information and an analysis as well as a report from the most recent meetings of the different committees.

Apart from audit matters, the audit committee discusses more extensive matters of principle with regard to financial reporting, including property valuation.

The Group Management handles result follow-up through a reporting system, which includes a budget as well as actual results, key figures, deviations etc.

To ensure consistent, uniform financial reporting, the Group's report manual includes a standard reporting package for all units. All reporting units use the same account/code plan and the same accounting system.

The follow-up of processes and quality is an internal process at Akademiska Hus.

Income statement

Item	Risks	Control structure – directives etc.	Control structure – process support	Control structure – system support
Rental income	<ul style="list-style-type: none"> – Renewal structure – All rental income is not debited – Correct rental income is not debited 		<ul style="list-style-type: none"> – Process descriptions of the leasing process – Process description of the sales ledger/debiting of rent 	<ul style="list-style-type: none"> – System controls in the rent system
Operating costs		<ul style="list-style-type: none"> – Guideline for electricity trading 	<ul style="list-style-type: none"> – Process description, electricity trading – Organisationally separate back-office function 	<ul style="list-style-type: none"> – Energy follow-up system
Changes in value, investment properties	<ul style="list-style-type: none"> – Incorrectly calculated market values 	<ul style="list-style-type: none"> – Directive for property valuation 	<ul style="list-style-type: none"> – Valuation manual and process description produced. Delimitation between what is an asset and what is to be expensed 	<ul style="list-style-type: none"> – Reconciliation of the fixed assets register – Standardised system support
Net financial items	<ul style="list-style-type: none"> – Interest risk – Refinancing risk – Credit and counterparty risk – Currency risk 	<ul style="list-style-type: none"> – Financing directive – Guideline for the back-office function 	<ul style="list-style-type: none"> – Process description, financing – Organisationally separate back-office function 	<ul style="list-style-type: none"> – Reconciliation in the finance system

Balance Sheet

Item	Risks	Control structure – directives etc.	Control structure – process support	Control structure – system support
Investment properties	<ul style="list-style-type: none"> – Assurance that all investment properties are reported – Assurance of correct valuation 	<ul style="list-style-type: none"> – Directive for property valuation 	<ul style="list-style-type: none"> – Valuation manual and process description produced. Delimitation between what is an asset and what is to be expensed 	<ul style="list-style-type: none"> – Reconciliation of the fixed assets register – Standardised system support
Interest-bearing liabilities	<ul style="list-style-type: none"> – Interest risk – Refinancing risk – Credit and counterparty risk – Currency risk 	<ul style="list-style-type: none"> – Financing directive – Guideline for the back-office function 	<ul style="list-style-type: none"> – Process description, financing – Organisationally separate back-office function 	<ul style="list-style-type: none"> – Reconciliation in the finance system

Board and auditors

BOARD

Claes Ljungh

Born 1950. Chairman since 2004. Member since 2002. Director-General of the Legal, Financial and Administrative Services Agency. Chairman of the Swedish Skating Association. Member of the board of Teracom AB.



Claes Ljungh

Charlotte Axelsson

Born 1948. Member since 1998. President of HSB Stockholm. Chairwoman of the employers' association Fastigo. Member of the board of the National Swedish Property Board. Also appointments linked to work as president of HSB Stockholm.



Charlotte Axelsson



Sigbrit Franke

Sigbrit Franke

Born 1942. Member since 2001. University chancellor, Swedish National Agency for Higher Education. Chairwoman 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 Enterprise, Energy and Communications, State Ownership Unit. Member of the board of Vasallen AB, Specialfastigheter Sverige AB.

Per Granath

Born 1954. Member since 2005. President and CEO of Humana Group AB. Chairman of the board of Svefa Holding AB.

Sveinn Jonsson

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



Parzin Seradji



Maj-Charlotte Wallin



Göran Wendel

Parzin Seradji

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

Maj-Charlotte Wallin

Born 1953. Member since 2004. Vice-President, Alecta pensionsförsäkring, öms. No other board appointments.

Göran Wendel

Born 1954. Member since 2006. President of Svenska Bostäder AB. Member of the board of the employers' association Fastigo.

AUDITORS

Peter Gustafsson

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



Peter Gustafsson



Anita Nilsson

Anita Nilsson

Born 1955. Auditor at Akademiska Hus since September 2006. Swedish National Audit Office. Authorised Public Accountant

Executive Management and Group Management



EXECUTIVE MANAGEMENT

Thomas Norell¹⁾

Born 1944. 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, Stipendiestiftelsen för Japanstudier.

Hans Antonsson

Born 1950. Regional Director, Akademiska Hus Uppsala. Employed 1996 MScEng. Previous experience: President Akademiska Hus 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.

Birgitta Hohlfält

Born 1958. Regional Director, Akademiska Hus Väst. Employed 2005. Public administration, Göteborg University. Previous experience: Planning adviser, Akademiska Hus Group Office. Head of property supply and operating manager Karlstad University, Planning Manager, Property Department, Karlstad Municipal Authority.

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.

Matias Lindberg

Born 1965. Regional Director, Akademiska Hus Norr. Employed 2006. Administrative Economist. Previous experience: President AB Telgebostäder, Vallonbygden AB and Årehus AB.

Mikael Lundström

Born 1961. Regional Director, Akademiska Hus Syd. Employed 2005. MScEng. Previous experience: managerial positions within Jones Lang LaSalle AB, market area manager Skandlia and head of administration, southern region, 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.

¹⁾ Thomas Norell succeeded Joakim Ollén as CEO and President on October 17, 2006.



GROUP MANAGEMENT

Thomas Norell¹⁾

See Executive Management.

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 Energi-System 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.

Katarina Hägg Peterson

Born 1969. Director of Corporate Communications, Akademiska Hus. Employed 2004. MBA. Previous experience: consultant JKL. Head of corporate communications Nokia Home Communications, Head of marketing, Swedish Fashion Council.

Hans Lindh

Born 1951. Marketing Director, 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. Director 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 Swedish Ships' Mortgage Bank.

Carolin Åberg Sjöqvist

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

Anders Rubensson

See Executive Management.



Financial report

67–96



Financial result summary

Group

Income

The Group's turnover for 2006 was SEK 4,704 million (4,606). Of this, rental income accounted for SEK 4,544 million (4,481). The increase in income can be attributed mainly to redevelopment and new construction.

Profit

- The net operating profit was SEK 2,843 million (2,727) thanks to reduced maintenance costs and a slight increase in rental income.
- Operating profit before financial income and expense totalled SEK 4,649 million (9,917).
- Profit before tax amounted to SEK 4,229 million (9,270). The major change in profit can be explained mainly by the lower increase in the fair value of investment properties in 2006, which amounted to SEK 1,874 million (7,214). The increase in 2006 can be attributed to the continued general upturn in the Swedish property market.

Property values

The Group makes use of an internal valuation model, which forms the basis for setting the fair value. This value at the year-end was SEK 48,454 million (45,616).

Investments

Net investments in properties and new construction in progress in 2006 amounted to SEK 1,785 million (469). The reason for the high net investment is the fact that the sale of properties in 2005 amounted to SEK 990 million. A number of major projects were completed in 2006. Major new construction projects were completed in Karlstad for natural sciences and engineering. Completed projects included the Centre for Chemistry and Chemical Engineering and the Biomedical Centre in Lund, the A building, Part B in Linköping and a new wing at the Ångström Laboratory in Uppsala. In Stockholm, premises were completed for SIDA, the University College of Dance and ECDC (European Centre for Disease Prevention and Control).

Sales

During the year Kv. Växthuset (the former Pedagogen) in Mölndal, totalling 36,000 square metres, the College of Music property in Stockholm, totalling 16,000 square metres, and Kv. Seminarieriet in Uppsala, totalling 11,000 square metres, were sold. The contribution to profit from sales totalled SEK 56 million.

Cash flow

The Group's cash flow from current operations totalled SEK 1,777 million (1,675). Investments totalled SEK -1,000 million (-328), which generated cash flow after investments of SEK 777 million (1,347). Cash flow from financing totalled SEK -624 million (-450). Cash flow for the year amounted to SEK 153 million (897).

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 customers' operations. Energy use is reported separately in the Environmental Report. There are a number of facilities within the Group which require a permit or which need to be

reported to a supervisory authority. These facilities have been reported and applications for permits (as required) have been submitted to the supervisory authorities concerned. The facilities in question are: Two boilers for combustion technology research, two boilers for heating and electricity production, heat pump facilities for extracting heat from bedrock, seawater and ground heating/cooling, extraction of groundwater for cooling purposes, sewage facilities and ground storage for heating and cooling.

The Group's dependence on facilities requiring permits and those carrying reporting obligations is of minor importance.

Parent Company

Income, profit and investments

The Parent Company's income for 2006 was SEK 132 million (107). Of this amount income from regional companies totalled SEK 122 million (97). The operating profit was SEK 3 million (-20). Net interest income and expense was SEK 1,181 million (416), including dividends from regional companies totalling SEK 710 million (190). The profit before appropriations and tax was SEK 1,184 million (396). Investment in machinery and equipment totalled SEK 3 million (4). Equity amounted to SEK 5,683 million (5,361).

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 return on equity should be equivalent to the five-year government bond interest rate plus four percentage points, which during 2006 means 7.5 per cent. During 2006, the equity ratio was 47.2 per cent for the Group and 23.5 per cent for the Parent Company. After the proposed dividend the equity ratio will be 45.8 per cent for the Group and 18.8 per cent for the Parent Company, which is reassuring in the light of the fact that operations since the end of the financial year have been run at a profit. The owner's equity ratio target will be achieved even after the proposed dividend.

Available for allocation at the Annual General Meeting

Profit brought forward	SEK 398,852,525
Profit for the year	SEK 1,014,102,287
Total	SEK 1,412,954,812

The Board and the President propose that the profit be allocated in such a way that SEK 1,400,000,000 is paid to the shareholder as a dividend and that SEK 12,954,812 is carried forward.

The proposed ordinary dividend for 2006 is based on the current dividend target which is 2.5 per cent of equity and amounts to SEK 620 million. In the light of the company's high equity ratio and the investment requirements in the coming years, an increased dividend of SEK 780 million is proposed in addition to the dividend target, making a total dividend of SEK 1,400 million.

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	
		2006	2005	2006	2005
Income from property management	5				
Rental income	6	4,543,873	4,480,648	-	-
Other property management income	6,7	52,065	52,589	-	-
Total property management income		4,595,938	4,533,237	-	-
Property management expenses					
Operating costs	9	-803,499	-762,365	-	-
Maintenance costs		-623,648	-716,524	-	-
Property administration	9	-252,758	-254,550	-89,303	-93,853
Other property management expenses	8	-72,834	-72,632	-	-
Total property management expenses		-1,752,739	-1,806,071	-89,303	-93,853
Net operating profit/loss		2,843,199	2,727,166	-89,303	-93,853
Changes in property values, positive		3,316,148	8,669,210	-	-
Changes in property values, negative		-1,442,401	-1,455,628	-	-
Total changes in property values	5,19	1,873,747	7,213,582	-	-
Central administration costs		-37,750	-34,602	-36,142	-32,951
Other operating income	5,10	107,695	72,403	132,503	107,126
Other operating costs	11	-138,349	-61,245	-4,178	-123
Total, other operating items		-30,654	11,158	128,325	107,003
Profit/loss before financial income and expense	5,12,13,31	4,648,542	9,917,304	2,880	-19,801
Financial income		461,717	333,179	2,048,771	1,391,897
Financial expense		-880,797	-980,830	-867,617	-976,219
Total, financial income and expense	14,30,31	-419,080	-647,651	1,181,154	415,678
Profit after financial income and expense		4,229,462	9,269,653	1,184,034	395,877
Appropriations	15	-	-	-48,046	55,678
Profit before tax		4,229,462	9,269,653	1,135,988	451,555
Taxes	16	-1,191,393	-2,615,977	-121,886	-75,695
NET PROFIT FOR THE YEAR	17	3,038,069	6,653,676	1,014,102	375,860
Of which attributable to the shareholder in the Parent Company		3,038,069	6,653,676		

Balance Sheets

Amounts in SEK 1,000	Note	Group IFRS		Parent Company Annual Accounts Act	
		31-12-2006	31-12-2005	31-12-2006	31-12-2005
ASSETS					
Fixed assets					
<i>Intangible assets</i>					
Development expenses brought forward	18	-	-	-	-
Total intangible assets		-	-	-	-
<i>Tangible assets</i>					
Investment properties	19	48,454,287	45,616,146	-	-
Construction in progress in investment properties	20	893,817	1,121,436	-	-
Equipment and fittings	21	24,520	26,403	5,696	7,153
Total tangible assets		49,372,624	46,763,985	5,696	7,153
<i>Financial assets</i>					
Shares in Group companies	22	-	-	1,564,200	1,564,200
Receivables from Group companies	27	-	-	-	21,433,234
Other investments held as fixed assets	27	50	50	-	-
Derivative instruments	23,27	385,028	1,068,846	385,028	1,068,846
Other non-current receivables	24,27	513,442	4,665	-	-
Total financial assets		898,520	1,073,561	1,949,228	24,066,280
Deferred tax	16,27	-	-	33,014	88,528
Total fixed assets		50,271,144	47,837,546	1,987,938	24,161,961
Current assets					
<i>Current receivables</i>					
Rental income and accounts receivable	25	369,342	465,999	-	52
Receivables from Group companies		-	-	20,721,967	5,691
Current tax liability	16	-	-	6,856	59,911
Other receivables		295,656	166,066	8,870	1,982
Prepaid expenses and accrued income	26	102,460	149,383	30,290	33,244
Derivative instruments	23	77,702	306,843	77,702	306,843
Total current assets	27	845,160	1,088,291	20,845,685	407,723
<i>Liquid funds</i>					
Current investments		815,250	418,149	815,250	418,149
Cash and bank balances		563,563	807,330	563,507	807,275
Total liquid funds	28	1,378,813	1,225,479	1,378,757	1,225,424
Total current assets		2,223,973	2,313,770	22,224,442	1,633,147
TOTAL ASSETS	5	52,495,117	50,151,316	24,212,380	25,795,108

Balance Sheets

Amounts in SEK 1,000	Note	Group IFRS		Parent Company Annual Accounts Act	
		31-12-2006	31-12-2005	31-12-2006	31-12-2005
EQUITY AND LIABILITIES					
Equity					
<i>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/Share premium reserve		2,134,950	2,134,950	–	–
Statutory reserve		–	–	2,134,950	2,134,950
				<i>Non-restricted equity</i>	
Hedge reserve	29	1,842	33,636	–	–
Fair value reserve	29	–	–	1,842	33,636
Profit brought forward, including profit for the year		20,529,436	18,151,367	–	–
Profit brought forward (in the Parent Company)		–	–	397,010	681,150
Profit for the year (in the Parent Company)		–	–	1,014,102	375,860
Total equity		24,801,228	22,454,953	5,682,904	5,360,596
Untaxed reserves	15	–	–	272,546	224,501
Liabilities					
<i>Non-current liabilities</i>					
Loans	30	13,062,578	13,472,358	12,881,932	13,277,705
Derivative instruments	23	909,762	924,936	909,762	924,936
Deferred tax	16	7,218,838	6,259,004	–	–
Other liabilities	32	9,134	–	2,487	–
Pension provisions and similar obligations	31	212,064	201,904	77,130	78,630
Total non-current liabilities		21,412,376	20,858,202	13,871,311	14,281,271
<i>Current liabilities</i>					
Accounts payable		86,358	313,553	18,155	22,006
Liabilities to Group companies		–	–	2,470	994,334
Income tax liabilities	16	101,775	45,370	–	–
Other liabilities	32	298,178	728,859	39,314	508,253
Accrued expenses and prepaid income	33	1,705,292	1,707,945	242,773	361,713
Loans	30	3,844,218	4,023,320	3,837,215	4,023,320
Derivative instruments	23	245,692	19,114	245,692	19,114
Total current liabilities		6,281,513	6,838,161	4,385,619	5,928,740
Total liabilities	5,34	27,693,889	27,696,363	18,256,930	20,210,011
TOTAL EQUITY AND LIABILITIES		52,495,117	50,151,316	24,212,380	25,795,108
MEMORANDUM ITEMS					
Pledged assets	36	319,812	52,335	319,812	52,335
Contingent liabilities	37	2,107	1,893	111,799	102,004

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 OF JANUARY 1, 2005		2,135,000	2,134,950	-	12,347,859	16,617,809
Adjustment for change in accounting principle IAS 39		-	-	-21,981	-633,566	-655,547
Tax effect of change in accounting principle		-	-	6,155	177,398	183,553
ADJUSTED OPENING BALANCE AS OF JANUARY 1, 2005		2,135,000	2,134,950	-15,826	11,891,691	16,145,815
Profit from cash flow hedging	29	-	-	51,163	-	51,163
Tax attributable to items reported directly against equity		-	-	-19,235	-	-19,235
<i>Income and expenses for the period reported directly against equity, excluding transactions with the Company's owner</i>		-	-	31,928	-	31,928
Cash flow hedging	29	-	-	-	-	-
Dissolved against profit and loss		-	-	17,534	-	17,534
Profit for the year		-	-	-	6,653,676	6,653,676
<i>Total income and expenses for the period, excluding transactions with the Company's owner</i>		-	-	49,462	6,653,676	6,703,138
Dividend		-	-	-	-394,000	-394,000
CLOSING BALANCE AS OF DECEMBER 31, 2005		2,135,000	2,134,950	33,636	18,151,367	22,454,953
Profit from cash flow hedging	29	-	-	-15,233	-	-15,233
Tax attributable to items reported directly against equity		-	-	12,362	-	12,362
<i>Income and expenses for the period reported directly against equity, excluding transactions with the Company's owner</i>		-	-	-2,871	-	-2,871
Cash flow hedging	29	-	-	-	-	-
Dissolved against profit and loss		-	-	-28,923	-	-28,923
Profit for the year		-	-	-	3,038,069	3,038,069
<i>Total income and expenses for the period, excluding transactions with the Company's owner</i>		-	-	-31,794	3,038,069	3,006,275
Dividend		-	-	-	-660,000	-660,000
CLOSING BALANCE AS OF DECEMBER 31, 2006		2,135,000	2,134,950	1,842	20,529,436	24,801,228

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 OF 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		-	-	-21,981	-633,566	-655,547
Tax effect of change in accounting principle		-	-	6,155	177,398	183,553
ADJUSTED OPENING BALANCE AS OF JANUARY 1, 2005		2,135,000	2,134,950	-15,826	1,075,150	5,329,274
Profit from cash flow hedging	29	-	-	51,163	-	51,163
Tax attributable to items reported directly against equity		-	-	-19,235	-	-19,235
<i>Income and expenses for the period reported directly against equity, excluding transactions with the Company's owner</i>		-	-	31,928	-	31,928
Cash flow hedging	29	-	-	-	-	-
Dissolved against profit and loss		-	-	17,534	-	17,534
Profit for the year		-	-	-	375,860	375,860
<i>Total income and expenses for the period, excluding transactions with the Company's owner</i>		-	-	49,462	375,860	425,322
Dividend		-	-	-	-394,000	-394,000
CLOSING BALANCE AS OF DECEMBER 31, 2005		2,135,000	2,134,950	33,636	1,057,010	5,360,596
Profit from cash flow hedging	29	-	-	-15,233	-	-15,233
Tax attributable to items reported directly against equity		-	-	12,362	-	12,362
<i>Income and expenses for the period reported directly against equity, excluding transactions with the Company's owner</i>		-	-	-2,871	-	-2,871
Cash flow hedging	29	-	-	-	-	-
Dissolved against profit and loss		-	-	-28,923	-	-28,923
Profit for the year		-	-	-	1,014,102	1,014,102
<i>Total income and expenses for the period, excluding transactions with the Company's owner</i>		-	-	-31,794	1,014,102	982,308
Dividend		-	-	-	-660,000	-660,000
CLOSING BALANCE AS OF DECEMBER 31, 2006		2,135,000	2,134,950	1,842	1,411,112	5,682,904

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	
		2006	2005	2006	2005
Current operations					
Profit after financial income and expense	38	4,229,462	9,269,653	1,184,034	395,877
Adjustment for items not included in the cash flow	39	-2,059,460	-7,465,330	-212,677	-281,464
Tax paid		-163,055	-158,114	-953	-43,063
Cash flow from current operations before changes in working capital		2,006,947	1,646,209	970,404	71,350
Cash flow from changes in working capital					
Increase (-)/decrease (+) in current receivables		148,622	46,904	-20,720,158	237,375
Increase (+)/decrease (-) in current liabilities		-377,684	9,309	-124,646	18,822
Cash flow from current operations		1,777,885	1,702,422	-19,874,400	327,547
Investments					
	40				
Investment in shares in Group companies		-15,421	-	-	-
Investment in investment properties		-620,056	-588,809	-	-
Sale of investment properties		93,453	871,450	-	-
Investments in new construction in progress		-570,621	-743,817	-	-
Sale of new construction in progress		-	141,971	-	-
Investment in other fixed assets		-9,133	-7,247	-2,875	-4,514
Sale of other fixed assets		422	2,938	35	-
Increase (-)/decrease (+) in non-current receivables		121,155	-248,130	21,612,855	446,535
Cash flow from investments		-1,000,201	-571,644	21,610,015	442,021
Financing					
Raising of interest-bearing loans, excluding refinancing		35,650	160,073	-	521,280
Amortisation of interest-bearing loans		-	-	-922,282	-
Dividend paid		-660,000	-394,000	-660,000	-394,000
Cash flow from financing		-624,350	-233,927	-1,582,282	127,280
Cash flow for the year		153,334	896,851	153,333	896,848
Opening liquid funds		1,225,479	328,628	1,225,424	328,576
Closing liquid funds	28,41	1,378,813	1,225,479	1,378,757	1,225,424

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 Gothenburg. 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.

The Company's functional currency is SEK.

All amounts are in SEK 1,000 unless stated otherwise.

2 Adoption of the Annual Report

The Annual Report was adopted by the Board and approved for publication on March 7, 2007.

3 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 of December 31, 2006. 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 the fair value through profit and loss. The following is a description of the more material accounting principles that have been applied.

New and amended IFRS standards and interpretations

The International Accounting Standards Board (IASB) has issued the following new and amended standards which in conjunction with the publication of this Annual Report had not yet come into effect:

- IFRS 7 Financial Instruments: Disclosures
Comes into effect in the financial year commencing January 1, 2007 or later.
- Amendment to IAS 1 Presentation of Financial Statements
Comes into effect in the financial year commencing January 1, 2007 or later.
- IFRS 8 Operating Segments (has not yet been approved by the EU for application)
Comes into effect in the financial year commencing January 1, 2009 or later.

The IASB's International Financial Reporting Interpretations Committee (IFRIC) has issued the following new interpretations, which have not yet come into effect:

- IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting of Hyperinflationary Economies
Comes into effect in the financial year commencing March 1, 2006 or later.
- IFRIC 8 Scope of IFRS 2
Comes into effect in the financial year commencing May 1, 2006 or later.
- IFRIC 9 Reassessment of Embedded Derivatives
Comes into effect in the financial year commencing June 1, 2006 or later.
- IFRIC 10 Interim Financial Reporting and Impairment (has not yet been approved by the EU for application)
Comes into effect in the financial year commencing November 1, 2006 or later.
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions
Comes into effect in the financial year commencing March 1, 2007 or later.
- IFRIC 12 Service Concession Arrangements (has not yet been approved by the EU for application)
Comes into effect in the financial year commencing January 1, 2008 or later.

The Executive Management expects that the introduction of these new and amended standards and interpretations in future periods will not entail any material financial effect on the Group's financial reports.

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 annual 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 share of the acquired identifiable net assets of the regional company at the time of acquisition. Any profit or loss on disposal of the unit includes the remaining reported value of the goodwill which refers to the divested operations.

Goodwill has been assessed to have an indeterminate useful life. Goodwill is allocated to the least possible cash generating unit and the reported value 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 in the Income Statement. In the event an acquisition takes place of a group of assets or net assets which do not comprise a business, the costs in 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 them to follow the same principles that are applied by other Group companies. All transactions between Group companies and 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 which are used as a primary segment. The geographical areas (segments) are exposed to similar risks and opportunities which differ compared with 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 landlord the Group has signed operational lease agreements with customers and consequently the Group's reported income mainly comprises rental income. Reported rental income has, where applicable, been reduced by the value of discounts granted to customers. In those cases where lease agreements result in reduced rent during a certain period, which is equivalent to a higher rent during another (later) period, this higher or lower rent is allocated to a specific period over the term of the lease. Rental income, lease income and parking income are reported in advance and the allocation of rents to specific periods therefore 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 another method better reflects how financial advantages accrue to the Group.

Interest income is reported as income divided across 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 which are attributable to normal operations but which derive from secondary activities or which cannot in an obvious way be placed under any of the other items in the Income Statement.

Remuneration to employees

The Group has both defined contribution and defined benefit pension schemes. A defined benefit pension scheme is a pension scheme that guarantees an amount the employee receives as a pension benefit on retirement, normally based on a number of different factors such as salary and period of service. A defined contribution pension scheme is a pension scheme where the Group after having paid its pension premium to a separate legal entity has discharged its undertaking to the employee.

Defined contribution pension schemes are reported as a cost during the period during which the premiums were paid can be allocated.

Pension expenses for defined benefit schemes are calculated with the aid of the 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 as the pension will be paid with a remaining term that is comparable with the current undertakings. Accumulated actuarial gains and losses, outside the 'corridor', are divided over the employees' average remaining calculated period of employment through to retirement. The corridor comprises the higher of 10 per cent of the current value of the defined benefit pension commitments or 10 per cent of the value of the management assets. Costs related to service during the earlier periods are reported directly in the Income Statement unless the changes in the pension scheme are subject to the employees remaining in service during a stated period. In such a case the cost regarding the period of employment is separated from earlier periods linearly over the earning period.

Tax

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

Actual tax is the tax computed on the taxable profit for a 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 the untaxed reserves 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 of a receivable and pay the liability at the same time.

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 capitalised. 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 expenses are estimated to bring probable financial advantages to 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 the 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 have an interest in the transaction being implemented. Changes in fair value are reported in the Income Statement with the effects of changes in value of the properties.

The term investment properties includes buildings and land, land equipment and buildings and land equipment.

Property sales and property purchases are reported in conjunction with the risks and benefits linked to title transferring to the purchaser or seller, which normally takes place on the completion date, as long as this does not conflict with the terms and conditions in the contract of sale.

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 (reported value based on the most recent evaluation at the fair value). The result in conjunction with sale or disposal is reported in the Income Statement with an effect on the changes in the 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 inventory 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 externally performed 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 as well as the town and location assessment. The rental income which is included in the valuation has been assessed on market terms and in the model normalised operating costs have been used. Maintenance costs have been calculated on a standard basis based 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 takes place to investment property. At the time of reclassification the difference between the reported value and the assessed market value is reported in the Income Statement with the effect of the change in value of the properties.

Equipment, fixtures 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 impairment.

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 and installations is reported as Other operating income or Other operating expense.

Impairments

Impairment takes place in those cases where the reported value of the asset exceeds the recovery value. Reported values 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 such an indication the recoverable value of the asset is calculated. The recoverable value is the highest of the useful value and the net sales value.

Note 3, cont.

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

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

Financial instruments

The general principles 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 category Financial Assets, 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' principles. 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, fall due or the company loses control over them. The same applies to part of the 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 a write-down examination is 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 which are valued at fair value through profit and loss**
These liabilities are reported initially at the acquisition value and thereafter on an ongoing 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 are classified 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 are also classified 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 fair value for current investments, derivatives and loan liabilities the official market listing at the period-end is used and calculation takes place according to generally accepted methods. In those cases where such listings 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.

Nominal value, reduced by possible estimated credits, for accounts receivable and accounts payable are 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 be 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 reported value (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 in net interest income and expense divided over the loan period with the application of the annualised percentage interest rate method.

Borrowing which constitutes a hedged item in conjunction with fair value hedging is reported and valued after the acquisition point on an ongoing basis at fair value. Changes in value are reported in net interest income and expense.

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

Accrued coupon interest is allocated to a specific period and expensed over the term.

Loan costs, interest and transaction costs are reported as a cost during the period they arise regardless of when the funds borrowed have been used.

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 an ongoing basis against financial result with the exception of the outstanding derivatives, which comprise hedging instruments. In a hedging circumstance where the underlying balance sheet item is business-related the derivative's 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 against equity and reported against financial or operating profit at the time the underlying exposures affect the result.

Interest derivatives (interest future contracts, interest swap agreements, FRA contracts and interest options) are held mainly to secure the desired fixed interest period in existing loan financing. Interest derivatives are valued on an ongoing basis at fair value and the effects attributable to the changes in value are reported against net interest income and expense in conjunction

Note 3, cont.

with hedging of fair value and against equity in conjunction with cash flow hedging. The net of the accrued income interest and expense is allocated to specific periods and expensed 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 a currency derivative (currency future contract and currency swap agreement or, alternatively, combined with an interest swap agreement). Currency derivatives are recalculated at the period-end exchange rate and when hedging reporting is applied the effects of the currency recalculation of the derivative naturally meet the effects of the currency recalculation of the loans in the financial result.

Independent derivatives, i.e. derivatives that are not included in any hedging relationship, 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 the electricity derivative's assured price and the average spot price during the term of the derivative, are set off against profit and are transferred on maturity 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 hedged with the aid of exchange rate futures. 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, are reported on an ongoing 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 relationship is expected to be effective both at the time of entering into the relationship as well as during the hedging period. The ineffective part of the hedging, 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 expensed.

When a hedging measure is entered into, the relationship between the hedging instrument and the hedged item as well as the aim of the hedging measure, together with 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 Accounting Standards Board 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 with consideration given to the link between accounting and taxation. The recommendation states which exceptions and addenda 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.

4 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 relevant and reasonable under the prevailing circumstances. The conclusions drawn form the basis for decisions regarding reported values of assets and liabilities in those cases where these cannot simply be established 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).

5 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 customers's geographical location whilst assets and liabilities are based on the customers's physical location.

Income, including Other operating income	2006	2005
South	692,496	653,808
West	719,542	748,545
East	447,324	450,756
Uppsala	730,331	717,187
Stockholm	1,638,112	1,562,881
North	477,075	472,609
Other operations	132,503	107,126
Elimination of intra-Group items	-133,750	-107,272
Total income	4,703,633	4,605,640

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

Note 5, cont.

Profit before financial items, excluding central overheads	2006	2005
South	704,193	1,053,546
West	946,423	1,466,390
East	566,976	712,244
Uppsala	597,717	728,336
Stockholm	1,491,860	4,919,808
North	376,106	1,108,750
Other operations	39,022	-18,340
Elimination of intra-Group items	-36,005	-18,828
Profit before financial items, excluding central overheads	4,686,292	9,951,906

Reconciliation of Income Statement

Profit before financial items, excluding central overheads	4,686,292	9,951,906
Central overheads	-37,750	-34,602
Result from financial items (net)	-419,080	-647,651
Tax	-1,191,393	-2,615,977

Profit for the year according to the Income Statement	3,038,069	6,653,676
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Depreciation and impairments in property management	2006	2005
South	-874	-1,317
West	-967	-1,212
East	-340	-486
Uppsala	-1,792	-1,902
Stockholm	-10,995	-10,264
North	-614	-706
Other operations	-4,167	-13,036
Total depreciation and impairments in property management	-19 749	-28 923

Changes in value, investment properties	2006	2005
South	398,002	718,780
West	550,526	972,557
East	264,038	421,095
Uppsala	153,124	341,420
Stockholm	410,447	3,904,485
North	97,610	855,245
Total changes in value, investment properties	1,873,747	7,213,582

Assets (Balance Sheet total)	31-12-2006	31-12-2005
South	6,713,093	6,038,870
West	7,571,382	6,905,305
East	4,852,611	4,491,904
Uppsala	6,468,729	6,197,168
Stockholm	20,855,008	19,793,125
North	4,380,044	4,086,876
Other operations	24,214,850	25,649,148
Elimination of intra-Group transactions	-22,560,600	-23,011,080
Total assets	52,495,117	50,151,316

Liabilities (Balance Sheet total)	31-12-2006	31-12-2005
South	4,095,266	3,838,587
West	4,254,365	3,970,421
East	2,812,517	2,807,302
Uppsala	3,669,492	3,773,808
Stockholm	12,480,403	12,238,329
North	2,463,390	2,374,833
Other operations	18,256,938	20,124,750
Elimination of intra-Group items	-20,338,482	-21,431,667
Total liabilities	27,693,889	27,696,363

Investments	2006	2005
South	221,669	410,202
West	135,641	105,589
East	134,288	82,122
Uppsala	124,998	168,421
Stockholm	616,246	600,871
North	190,514	117,790
Other operations	2,875	4,514
Total investments	1,426,231	1,489,509

'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.

6 Lease contracts

All the investment properties are leased under operational lease agreements and generate rental income. The rental income during the period amounted KSEK 4,543,873 (4,480,648) and the direct costs for property management amounted to KSEK 1,752,739 (1,806,071).

Terms, lease contracts as of 31-12-2006

Due date	Number of contracts	Contracted annual rent	Proportion, %
Non-residential premises			
2007	281	355,509	9
2008	185	379,967	9
2009	196	327,437	8
2010	83	349,199	8
2011	69	388,079	9
2012 and later	306	2,291,995	56
Miscellaneous	314	21,800	1
Total	1,434	4,113,986	100

Note 6, cont.

Contracted annual income as of 31-12-2006 and according to the size of the contract

Contracted rental income per contract, KSEK	Number of contracts	Contracted annual rent	Proportion, %
Non-residential premises			
>90 000	1	107,887	3
50 000–90 000	3	155,497	4
30 000–50 000	14	516,540	13
20 000–30 000	17	412,437	10
15 000–20 000	36	628,110	15
10 000–15 000	54	666,798	16
7 500–10 000	48	413,957	10
5 000–7 500	62	380,282	9
2 500–5 000	112	417,304	10
<2 500	773	393,374	9
Miscellaneous	314	21,800	1
Total	1,434	4,113,986	100

7 Other management income

	Group IFRS		Parent Company Annual Accounts Act	
	2006	2005	2006	2005
Parking income	41,859	45,715	–	–
Miscellaneous	10,206	6,874	–	–
Total	52,065	52,589	–	–

8 Other management expenses

	Group IFRS		Parent Company Annual Accounts Act	
	2006	2005	2006	2005
Site leasehold charges, property tax and other risk costs	–68,488	–68,218	–	–
Miscellaneous	–4,346	–4,414	–	–
Total	–72,834	–72,632	–	–

9 Depreciation and impairments in property management

	Group IFRS		Parent Company Annual Accounts Act	
	2006	2005	2006	2005
<i>Depreciation within property management</i>				
Equipment, fixtures and fittings	–19,749	–19,148	–4,167	–3,261
Expenses brought forward for IT projects	–	–383	–	–383
<i>Impairments within property management</i>				
Expenses brought forward for IT projects	–	–9,392	–	–9,392
Total	–19,749	–28,923	–4,167	–13,036

In the Group, KSEK 11,958 (20,980) has been reported as property administration and KSEK 7,791 (7,943) has been reported as an operating cost. In the Parent Company KSEK 4,167 (13,036) has been reported as property administration.

10 Other operating income

	Group IFRS		Parent Company Annual Accounts Act	
	2006	2005	2006	2005
Profit on the sale of other fixed assets	278	209	–	–
Income from external management assignments and similar assignments	59,973	38,462	–	–
Income from services performed for customers	37,557	26,008	–	–
Invoicing to regional companies	–	–	121,553	96,690
Miscellaneous	9,887	7,724	10,950	10,436
Total	107,695	72,403	132,503	107,126

11 Other operating expenses

	Group IFRS		Parent Company Annual Accounts Act	
	2006	2005	2006	2005
Loss on sale and disposal of other fixed assets	–128	–123	–128	–123
Costs, external management assignments and similar assignments	–49,091	–35,289	–	–
Costs, services performed for customers	–34,280	–24,179	–	–
Evacuation costs	–11,500	–	–	–
Miscellaneous	–43,350	–1,654	–4,050	–
Total	–138,349	–61,245	–4,178	–123

12 Employees and personnel costs

The average number of employees was as follows:

	2006	2005
<i>Parent Company</i>		
Gothenburg	54	40
<i>Regional companies</i>		
South	72	78
West	62	68
East	31	36
Uppsala	80	80
Stockholm	98	105
North	37	39
Akademiska Hus Utveckling och Support AB	–	–
Group total	434	446

The proportion of women (based on the average number of employees) in the Parent Company is 52 per cent (43) and in the Group 25 per cent (25).

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

The Board comprises nine members (9), of whom four (5) are women, i.e. 44 per cent (56). Management within the Group takes place through two groups, the Group Management (President, Planning Director, Head of Marketing and Unit Managers at the Group office) and the Executive Management (President, Planning Director and Regional Company Directors). As of January 1, 2007, the Group Management comprises six men (7) and three women (3), i.e. 67 per cent men (70) and 33 per cent women (30). The Executive Management comprises seven men (8) and one woman (1), i.e. 88 per cent men (89) and 12 per cent women (11).

Other people in leading positions within the Group consist of 25 men (26) and eight women (11), i.e. 76 per cent men (70) and 24 per cent women (30).

Note 12, cont.

Salaries, other remuneration and social security costs

	2006			2005		
	Parent Company	Regional companies	Group	Parent Company	Regional companies	Group
<i>Salaries and remuneration</i>						
Board members, President	2,633	6,700	9,333	2,646	6,674	9,320
Other employees	28,061	129,065	157,126	22,166	133,506	155,672
Total	30,694	135,765	166,459	24,812	140,180	164,992
<i>Social security costs</i>						
Board members, President	1,702	5,218	6,920	2,008	4,911	6,919
(Pension costs, President)	(1,001)	(3,527)	(4,528)	(745)	(2,849)	(3,594)
Other employees	16,982	67,777	84,759	17,673	72,140	89,813
(Pension costs)	(9,908)	(37,060)	(46,968)	(10,759)	(29,362)	(40,121)
Total	18,684	72,995	91,679	19,681	77,051	96,732
(Pension costs)	(10,909)	(40,587)	(51,496)	(11,504)	(32,211)	(43,715)

The Group's outstanding pension obligations to the Presidents and the Regional Company Directors totalled KSEK 4,699 (5,442). The corresponding amount in the Parent Company is KSEK 1,266 (0). Joakim Ollén resigned from his position as President and CEO of Akademiska Hus AB on October 17. Salary, social security expenses, pension expenses and special employer's contributions on pensions according to current agreements have been reported as central administration costs for 2006.

Payments to the Board

		Board fee	Remuneration Committee	Finance Committee	Audit Committee
Chairman of the Board	Claes Ljungh	150	11	25	–
Member	Charlotte Axelsson	74	11	–	–
Member	Sigbrit Franke	74	11	–	–
Member	Marianne Förander	74	–	–	15
Member	Per Granath	74	–	–	15
Member	Maj-Charlotte Wallin	74	–	–	15
Member	Göran Wendel ¹⁾	38	–	12	–
Member	Birgitta Kantola ¹⁾	36	–	13	–
Employee representative	Sveinn Jonsson	–	–	–	–
Employee representative	Parzin Seradji	–	–	–	–
Total		594	33	50	45

¹⁾ Member during part of 2006.

Payments to the Executive Management

		Basic salary	Pension cost
CEO/President	Thomas Norell ¹⁾	1,385	389
CEO/President	Joakim Ollén ¹⁾	1,899	746
Regional Director, Akademiska Hus Syd	Mikael Lundström	1,155	408
Regional Director, Akademiska Hus Väst	Birgitta Hohlfält ¹⁾	73	–
Regional Director, Akademiska Hus Väst	Stellan Olsson ¹⁾	637	256
Regional Director, Akademiska Hus Väst	Eva Lindberg ¹⁾	215	219
Regional Director, Akademiska Hus Öst	Bengt Erlandsson	824	265
Regional Director, Uppsala	Hans Antonsson	921	306
Regional Director, Stockholm	Lennart Karlsson	1,296	405
Head of Marketing/Vice President, Stockholm	Hans Lindh	793	359
Regional Director, Akademiska Hus Norr	Matias Lindberg ¹⁾	219	67
Regional Director, Akademiska Hus Norr	Lars Gustafsson ¹⁾	626	635
CIO, Akademiska Hus AB	Per Brantsing-Karlsson	645	172
Technical Director, Akademiska Hus AB	Tomas Hallén	837	363
Corporate Communications Director, Akademiska Hus AB	Katarina Hägg Peterson ²⁾	116	133
Corporate Communications Director, Akademiska Hus AB	Hanna Jansson ³⁾	243	57
CFO, Akademiska Hus AB	Gunnar Odors	699	236
Treasurer, Akademiska Hus AB	Agneta Rodosi	847	258
Planning Director, Akademiska Hus AB	Anders Rubensson	1,059	526
Lawyer, Akademiska Hus AB	Carolin Åberg Sjöqvist ²⁾	522	96
Total		15,011	5,896

¹⁾ CEO/President and Regional Director during part of 2006.

²⁾ On parental leave during part of 2006.

³⁾ Corporate Communications Director during part of 2006.

Note 12, cont.

Principles governing remuneration to the Board and Executive Management

The members of the Board receive a fee as decided at the Annual General 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 2006 Annual General 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 have been decided by the President of the Parent Company following consultation with the Remuneration Committee. Payment comprises a basic salary and a charge-defined pension.

Pensions

Akademiska Hus has taken out an individual occupational pension solution for the CEO. The agreed retirement age is 65 years.

For other persons in leading positions (Group Management) the pension is equivalent to the ITP alternative or individual occupational pension solution with 65 years as the retirement age.

Severance pay

An agreement has been reached with the CEO that the period of notice given by the Company shall be 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 a salary for 6 to 24 months (including the period of notice).

Absenteeism due to illness, Group and the Parent Company

	Group		Parent Company	
	2006	2005	2006	2005
Total absenteeism due to illness, %	4.0	5.4	3.5	2.9
Long-term absenteeism due to illness, % of total absenteeism due to illness	65.9	67.2	61.7	46.0
Absenteeism due to illness, men, %	3.2	4.7	3.8	3.4
Absenteeism due to illness, women, %	6.4	7.4	3.2	2.4
Absenteeism due to illness, employees under 30 years, %	4.4	5.0	1.8	1.6
Absenteeism due to illness, employees 30–49 years, %	2.8	3.4	3.0	1.8
Absenteeism due to illness, employees 50 years and older, %	5.3	7.7	4.5	4.9

The total absenteeism due to illness 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.

13 Fees and expenses paid to auditors

	Parent Company	Regional companies	Group
2006			
<i>Deloitte AB</i>			
Audit assignment	378	810	1,188
Other assignments	599	385	984
<i>National Audit Office</i>			
Audit assignment	60	–	60
Total	1,037	1,195	2,232
2005			
<i>Deloitte AB</i>			
Audit assignment	489	809	1,298
Other assignments	814	8	822
<i>National Audit Office</i>			
Audit assignment	59	–	59
Total	1,362	817	2,179

The term 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.

14 Result from financial income and expense

	Group IFRS		Parent Company Annual Accounts Act	
	2006	2005	2006	2005
<i>Result from shares in Group companies</i>				
Dividend	–	–	710,000	190,000
Total	–	–	710,000	190,000
<i>Result from other securities and receivables accounted for as fixed assets</i>				
Interest income, Group companies	–	–	–	869,489
Interest income, miscellaneous	194,474	236,773	194,474	236,773
Total	194,474	236,773	194,474	1,106,262
<i>Other interest income and similar profit/loss items</i>				
Interest income, Group companies	–	–	879,985	892
Interest income, miscellaneous	267,243	96,406	264,312	94,743
Total	267,243	96,406	1,144,297	95,635
Result, financial income	461,717	333,179	2,048,771	1,391,897
<i>Other interest expense and similar profit/loss items</i>				
Interest expense, Group companies	–	–	–62	–10,103
Interest expense, miscellaneous	–880,797	–980,830	–867,555	–966,116
Result, financial expense	–880,797	–980,830	–867,617	–976,219
Result, financial items, net	–419,080	–647,651	1,181,154	415,678

Note 14, cont.

Change in value, financial items, are as follows:

	Group IFRS		Parent Company Annual Accounts Act	
	2006	2005	2006	2005
<i>Unrealised changes in value</i>				
Changes in value, independent derivatives	233,430	54,062	233,430	54,062
Changes in value, fair value assurance	-4,879	-11,147	-4,879	-11,147
Total	228,551	42,915	228,551	42,915
<i>Realised changes in value</i>				
Changes in value, independent derivatives	-10,651	-10,598	-10,651	-10,598
Changes in value, cash flow hedges	2,167	993	2,167	993
Changes in value, other liabilities	-	-59,022	-	-59,022
Total	-8,484	-68,627	-8,484	-68,627
Total changes in value	220,067	-25,712	220,067	-25,712

15 Appropriations and untaxed reserves (Parent Company)

	31-12-2006	31-12-2005
<i>Appropriations</i>		
Change in tax allocation reserve	-47,994	54,316
Difference between book depreciation and depreciation according to plan	-52	1,362
Total	-48,046	55,678
<i>Untaxed reserves</i>		
Allocation to tax allocation reserve, 2001 tax assessment	-	15,168
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	-	-
Allocation to tax allocation reserve, 2007 tax assessment	63,161	-
Additional depreciation	-	-52
Total	272,546	224,501

16 Taxes

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

	Group IFRS		Parent Company Annual Accounts Act	
	2006	2005	2006	2005
Tax on profit for the year				
<i>Actual tax</i>				
Actual tax on profit for the year	-219,460	-258,297	-54,008	95
Total actual tax	-219,460	-258,297	-54,008	95
<i>Deferred tax</i>				
Deferred tax attributable to a change in temporary differences	-971,933	-2,357,680	-67,878	-75,790
Total deferred tax	-971,333	-2,357,680	-67,878	-75,790
Total tax on profit for the year	-1,191,393	-2,615,977	-121,886	-75,695

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	
	2006	2005	2006	2005
Reported profit before tax	4,229,462	9,269,653	1,135,988	451,555
Tax according to the current tax rate	-1,184,249	-2,595,503	-318,077	-126,435
<i>Tax effect of expenses that are not tax deductible/taxable (permanent differences):</i>				
Non-deductible expenses	-12,075	-675	-568	-394
Non-taxable income	5,404	460	246	57
Taxable standard interest calculated on the tax allocation fund	-6,699	-6,934	-1,476	-2,218
Dividend from regional companies	-	-	198,800	53,200
Adjustment of tax expense from previous years	6,226	-13,325	-811	95
Total reported tax expense	-1,191,393	-2,615,977	-121,886	-75,695

Note 16, cont.

Reported deferred tax claim/liability

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
<i>Deferred tax claims attributable to temporary differences</i>				
Financial instruments	33,203	101,318	33,203	101,318
Miscellaneous	6,843	6,450	529	291
Reported deferred tax claim	40,046	107,768	33,732	101,609
<i>Deferred tax liabilities attributable to temporary differences</i>				
Tax allocation fund	-335,948	-287,350	-	-
Investment properties	-6,922,218	-6,058,395	-	-
Cash flow hedging	-718	-13,081	-718	-13,081
Miscellaneous	-	-7,946	-	-
Total reported deferred tax liability	-7,258,884	-6,366,772	-718	-13,081
Total reported deferred tax receivables/liabilities	-7,218,838	-6,259,004	33,014	88,528

The following deferred tax receivables/liabilities refer to items reported against equity.

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
<i>Cash flow hedge</i>				
- Exchange rate interest swap	98	13	98	13
- Currency derivative	1,439	-331	1,439	-331
- Electricity derivative	-2,255	-12,763	-2,255	-12,763
Total deferred tax reported in equity	-718	-13,081	-718	-13,081

Unreported deferred tax

In the Parent Company no deferred tax regarding untaxed reserves has been reported. The deferred tax liability related to untaxed reserves totals KSEK 76,313 (62,860). 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.

17 Dividend

The dividend per share was paid to the shareholder on May 31, 2006, totalling SEK 660,000,000 (394,000,000). The dividend per share was SEK 309.13 (184.54). As regards the dividend for the year, the Board proposes a dividend of SEK 655.74 per share to be paid to the shareholder on April 26, 2007. 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 1,400,000,000.

18 Costs brought forward for development work

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
Opening acquisition value	11,008	11,008	11,008	11,008
Sales and disposals	-	-	-	-
Purchases	-	-	-	-
Closing accumulated acquisition value	11,008	11,008	11,008	11,008
Opening depreciation	-1,616	-1,233	-1,616	-1,233
Sales and disposals	-	-	-	-
Depreciation for the year	-	-383	-	-383
Closing accumulated depreciation	-1,616	-1,616	-1,616	-1,616
Opening impairments	-9,392	-	-9,392	-
Impairments for the year	-	-9,392	-	-9,392
Closing accumulated impairments	-9,392	-9,392	-9,392	-9,392
Carrying value	-	-	-	-

Development costs totalling KSEK 10,204 (14,717) were expensed during the year.

During 2005, impairments regarding 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 operating surplus/deficit for 2005. 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 an IT system.

19 Investment properties (Group)

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

	31-12-2006	31-12-2005
Opening carrying value	45,616,146	38,230,248
Investments transferred from new construction in progress	983,488	512,306
Direct investments	652,224	588,810
Sales and disposals	-615,000	-859,287
Net change in value	1,817,429	7,144,069
Carrying value	48,454,287	45,616,146

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

	2006	2005
<i>Changes in value</i>		
Positive	3,259,730	8,597,860
Negative	-1,442,301	-1,453,790
<i>Profit on sales and disposals</i>		
Positive	56,418	71,350
Negative	-100	-1,838
Total changes in value, investment properties	1,873,747	7,213,582

Note 19, cont.

The assessed fair value of the Group's investment properties as of December 31, 2006 has been set following an internal property valuation. The valuation was based on different valuation methods as follows:

		SEK m	Share, %
Internal valuation model	Cash flow method	45,651	94
Expansion reserves	Location price method	984	2
Other valuation	Special basis for calculation	1,819	4
Total		48,454	100

External valuation

A selection of the properties is valued each year by external valuation companies as a benchmark for quality-assuring the internal valuation model. In addition, certain development properties with income and costs which are difficult to estimate are valued externally. External valuations have been made by Newsec and DTZ.

Of the 100 objects in Akademiska Hus which had been valued the highest, 14 objects were valued externally. In terms of value, the external valuations account for approximately 10 per cent of the total value. The deviation in value for the externally valued objects compared with the internal valuation is on the object level within the margin of error +/- 10 per cent. The external valuations carried out confirmed the reliability of the Akademiska Hus internal valuation model.

Internal valuation

SEK 45,651 million (94 per cent) of the assessed fair value has been set using the internal cash flow valuation.

Valuation using the cash flow method

The value of an asset comprises the current value of the future cash flows which the asset is expected to generate. Within Akademiska Hus the property valuation is based on each individual valuation object's expected cash flow during the coming 10 years with an estimated residual value for year 11. The cash flow comprises each valuation object's income and expenses, i.e. the net operating profit. To calculate the net operating profit during the calculation period an assessment is made of, factors such as inflation, rents, vacant space and operating and maintenance costs. For the final year of the calculation period the residual value is calculated, which should be a probable market value at that point in time. The net operating profit for years 1–10 is discounted using a nominal cost of capital and the residual value for year 11, which is the net operating profit during the remaining estimated useful life, is discounted with a direct yield requirement. The current value of the net operating profit and the residual value have been calculated using the same cost of capital, reduced by 3 per cent for stamp duty.

Akademiska Hus's view of cost of capital and direct yield requirements

Cost of capital and direct yield requirements in the Akademiska Hus valuation model can be traced partly from transactions on the property market and partly using in-house analyses. Both the demands of the market and in-house analyses have been checked with external valuation companies.

Cost of capital and direct yield requirements should be justified from both Akademiska Hus-specific conditions as well as practice within the property industry. It is in these yield requirements that the risk in the property holdings are highlighted. For Akademiska Hus the customers are a strength factor. Approximately 90 per cent of the customers are state-controlled and the average remaining term of current leases is 6.4 years. The cash flow during the calculation period is, using these conditions, extremely well assured and it is seldom that any major uncertainties prevail during the calculation period. The risk supplement in the cost of capital should, using these prerequisites, be low. The uncertainty comprises largely residual value risks and the fact that Akademiska Hus is working in a specific segment of the property market.

The residual value risk means that there is a relatively high risk in the rent flow in the long-term and in particular for buildings outside the city areas with a significant element of specific operationally adapted premises. Several buildings are not general in the sense that they are not available for new customers or purposes without substantial redevelopment. The relatively wide range for direct yield requirements reflects an assessment of this situation.

Town and location

In conjunction with an internal valuation, town and location have been classified as follows:

AA	Inner-city locations in Stockholm and Gothenburg
A	Malmö, Lund, other parts of Gothenburg, other parts of Stockholm, Solna, Kista and Uppsala
B	Borås, Kalmar, Skövde, Norrköping, Linköping, Huddinge, Sundsvall, Umeå and Luleå
C	Alnarp, Kristianstad, Röbbäcksdalen, Skara, Ultuna, Örebro, Karlstad and Gävle
D	Other locations

The division into different towns and locations reflects the demand on the market and the attractiveness of the properties. AA towns and locations are the most sought-after and attractive whilst D locations are in least demand. The town and location classifications have been based partly on the general division of the property market, where larger and more important towns have from a demographic, employment and economic point of view been assigned a higher degree of attractiveness, and also from the point of view of higher education and research, where AA and A locations are more attractive and are considered to be more stable and secure education and research locations in the long term.

Scope of special adaptation and category of premises

In the valuation a division has been made into laboratory premises and non-laboratory premises. The proportion of laboratory premises within Akademiska Hus is 35 per cent. For these premises there is a relatively higher risk in the rent flow in the long term as they represent a significant element of specific operationally adapted premises. To counter this risk, laboratory premises have a generally higher direct yield requirement with regard to the residual value.

Remaining rental period

From a valuation point of view a division has been made into average remaining lease period exceeding six years and equal to or less than six years. For valuation objects with an average remaining lease period exceeding six years the relative risk is lower as the cash flow valuation is predominantly based on hedged flows. A lower direct yield requirement could be assigned to these valuation objects compared with those which are based to a greater degree on assessments.

Cost of capital and direct yield requirements

The cost of capital for the cash flow varies for different valuation objects within the range 6.5–8.5 per cent depending on the town, location, lease period and category of premises in the valuation object. The cost of capital varies, which can be explained by what are on average long and secure flows during the cash flow period.

The long-term direct yield requirement in conjunction with the residual value period varies between 5.5 per cent and 10.0 per cent depending on the town, location and category of premises. There is less sensitivity to the direct yield requirement compared with the cost of capital by reason of the fact that the direct yield requirement refers to uncertain conditions after year 10.

Other assumptions

The following assumptions form the basis for the market valuation:

- The calculation period is 10 years.
- Inflation is estimated at 2.0 per cent per year throughout the whole of the calculation period.
- The rent trend is estimated at a maximum of inflation (CPI). Consideration has been given to the formulation of the lease agreement, which has an annual rent trend equal to an average of 70 per cent of the CPI. The rent is assumed to be the assessed market rent at the end of the lease period.
- For current lease agreements the present level of vacant space has been used. At the end of the lease agreement a general level of vacant space of five per cent has been assumed.
- It has been assessed that in normal circumstances operating costs follow inflation.

Note 19, cont.

- Property administration costs have been set at a standard of SEK 70/m² (70).
- Maintenance costs have been set at a standard of SEK 70/m² (70) for non-laboratory premises and SEK 110/m² (110) for laboratory premises. The standard maintenance figures adopted reflect the actual costs.
- Costs have been taken into account for installation-intensive premises and for a small number of other premises with a considerable need for refurbishment of a maintenance nature.

Expansion reserves

Of the assessed fair value, SEK 984 million comprises expansion reserves, where building rights of approximately 1.1 million square metres gross area are included. As these do not generate cash flow they have been valued using the location prices for construction rights as a guide with a deduction for estimated development costs such as roads in conjunction with expansion. In some cases, where the planning conditions for a new development are unclear, the pure land values have been used to set the values.

Other valuation

SEK 45,651 million has been valued according to the internal valuation model and SEK 984 million refers to expansion reserves. The remaining figure, SEK 1,819 million, comprises mainly development properties with uncertain future income and costs as well as the few Akademiska Hus residential objects. These have been valued individually outside the internal valuation model using the valuation method which has been most applicable.

Miscellaneous

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

All investment properties are leased under operational lease agreements and generate rental income. The rental income during the period amounted to KSEK 4,543,873 (4,480,648) and the direct costs for the investment properties during the period totalled KSEK 1,752,739 (1,806,071).

The term 'investments' refers to direct investments in investment properties. Investments in new construction in progress, which totalled SEK 894 million (1,121) are reported at the cost incurred.

The tax assessment values are as follows:

	31-12-2006	31-12-2005
Buildings	147,265	119,055
Land	59,062	52,442
Total	206,327	171,497

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

Note 22, cont. 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 Syd AB	556467-8786	Lund	85,000	100	169,950
Akademiska Hus Väst AB	556467-8760	Gothenburg	95,000	100	189,950
Akademiska Hus Öst AB	556467-8778	Linköping	50,000	100	99,950
Akademiska Hus Uppsala AB	556467-8745	Uppsala	55,000	100	273,950
Akademiska Hus Stockholm AB	556467-8737	Stockholm	335,000	100	669,950
Akademiska Hus Norr AB	556467-8752	Umeå	50,000	100	159,950
Akademiska Hus Utveckling och Support AB	556610-2975	Gothenburg	500	100	500
Total					1,564,200

¹⁾ Corresponds to the number of votes.

20 Construction in progress, investment properties (Group)

	31-12-2006	31-12-2005
Opening acquisition value	1,121,436	805,790
Purchases	765,304	893,452
Sales	–	–65,500
Transferred to investment properties	–983,918	–512,306
Transferred to other fixed assets	–9,005	–
Closing accumulated acquisition value	893,817	1,121,436

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.

21 Equipment, fixtures and fittings

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
Opening acquisition value	127,050	134,768	12,604	8,407
Purchases	9,134	7,247	2,875	4,514
Transferred from new construction in progress	9,005	–	–	–
Sales and disposals	–5,313	–14,965	–569	–317
Closing accumulated acquisition value	139,876	127,050	14,910	12,604
Opening depreciation	–100,647	–93,552	–5,451	–2,384
Sales and disposals	5,040	12,053	404	194
Depreciation for the year	–19,749	–19,148	–4,167	–3,261
Closing accumulated depreciation	–115,356	–100,647	–9,214	–5,451
Carrying value	24,520	26,403	5,696	7,153

22 Shares in Group companies

	31-12-2006	31-12-2005
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

23 Derivative instruments (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 includes 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:

	31-12-2006		31-12-2005		31-12-2006		31-12-2005	
	IFRS/Annual Accounts Act		IFRS/Annual Accounts Act		IFRS/Annual Accounts Act		IFRS/Annual Accounts Act	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Non-current								
<i>Independent derivatives</i>								
– interest derivatives	54,864	194,712	295,112	743,440				
<i>Hedging instrument, fair value hedging</i>								
– interest derivatives	–	39,543	235,284	22,136				
– exchange rate interest swaps	319,392	672,655	507,763	159,360				
<i>Hedging instrument, cash flow hedging</i>								
– interest derivatives	–	2,852	585	–				
– exchange rate interest swaps	–	–	12,939	–				
– electricity derivatives	10,772	–	17,163	–				
Total, non-current	385,028	909,762	1,068,846	924,936				
Current								
<i>Independent derivatives</i>								
– interest derivatives	77,702	151,643	38,635	19,114				
<i>Hedging instrument, fair value hedging</i>								
– exchange rate interest swaps	–	42,672	226,159	–				
<i>Hedging instrument, cash flow hedging</i>								
– interest derivatives	–	50,824	13,630	–				
– electricity derivatives	–	553	28,419	–				
Total, current	77,702	245,692	306,843	19,114				
Total, derivatives	462,730	1,155,454	1,375,689	944,050				

Fair value is equivalent to the reported value in the table above.

The due date structure of the Group's derivatives is as follows, SEK m.

	31-12-2006						31-12-2005					
	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
2006	–	–	–	–	–	–	–701	18	–3,021	214	–1,088	55
2007	2,800	–73	–281	–42	–1,201	–51	2,843	–199	–785	125	–121	15
2008	–600	–4	–1,994	25	–191	8	–600	–3	–2,148	141	–38	3
2009	1,800	–63	–2,260	87	–106	–	1,940	–112	–2,349	268	–	–
2010	800	–10	–1,593	–332	–	–	1,537	–10	–1,785	–93	–	–
2011	300	11	–562	–56	–	–	1,410	–	–604	–3	–	–
2012	–	–	–570	–89	–	–	–	–	–639	–5	–	–
2013	961	–74	–	–	–	–	461	–125	–	–	–	–
2014 and later	–	–	–2,606	–28	–	–	415	–	–1,200	142	–	–
Total	6,061	–213	–9,866	–435	–1,498	–43	7,305	–431	–12,531	789	–1,247	73

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, SEK million, which constitute hedging instruments in cash flow hedging.

	31-12-2006						31-12-2005					
	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
2007	–450	–21	–624	–29	–127	–1	–	–	–35	–	–86	15
2008	–	–	–83	–2	–108	10	–	–	–11	–	–27	3
2009	–	–	–49	–1	–57	1	–	–	–	–	–	–
Total	–450	–21	–756	–32	–292	10	–483	13	–522	14	–242	46

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

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

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

	Forecast volume, MWh	Hedging level price, %	Hedging level currency, %
2007	461,560	81.5	67.8
2008	461,560	60.9	57.1
2009	461,560	32.3	28.5

24 Other non-current receivables

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
Interest-bearing note	320,089	–	–	–
Non-interest-bearing note	130,222	–	–	–
Other non-interest-bearing	63,131	4,665	–	–
Total	513,442	4,665	–	–

Of the Group's other non-current receivables, KSEK 372,121 is expected to be realised within five years of the year-end and KSEK 141,321 later than five years.

With regard to other non-current receivables, the fair value is equivalent to the reported value.

25 Rent receivables and accounts receivable

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
Rent receivables and accounts receivable	370,039	467,445	–	52
Provision, doubtful rent receivables and accounts receivable	–697	–1,446	–	–
Total	369,342	465,999	–	52

26 Prepaid expenses and accrued income

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
Accrued rent	15,557	12,825	–	–
Prepaid rental income	2,795	2,987	–	–
Accrued rental income	1,043	118	1,043	–
Prepaid interest expense	290	651	290	651
Prepaid energy costs	22,717	69,712	–	–
Miscellaneous	60,058	63,090	28,957	32,593
Total	102,460	149,383	30,290	33,244

27 Due date structure, receivables

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
<i>Due date structure</i>				
Receivables expected to be realised within one year from the closing day	845,160	1,025,897	20,845,685	407,493
Receivables expected to be realised within 1–5 years from the closing day	600,861	953,712	228,740	887,873
Receivables expected to be realised later than five years after the closing day	297,659	182,243	189,302	21,702,965
Total	1,743,680	2,161,852	21,263,727	22,998,331

28 Liquid funds

Current investments mainly comprise temporary 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 275,250 (0). Blocked bank funds in respect of pledged assets for stock market-cleared derivatives are included to the amount of KSEK 44,562 (52,335) in the reported amount for cash and bank balances for the Group and the Parent Company.

Liquid funds according to the Cash Flow Statement concur with liquid funds in the Balance Sheet.

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
Cash and bank balances	563,563	807,330	563,507	807,275
Current investments	815,250	418,149	815,250	418,149
Total	1,378,813	1,225,479	1,378,757	1,225,424

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

29 Hedge reserve/Fair value reserve

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
Opening balance	33,636	–15,826	33,636	–15,826
Change in value, derivative instrument (cash flow hedging)				
– exchange rate interest swap	–115	88	–115	88
– currency derivatives	–6,008	1,089	–6,008	1,089
– electricity derivatives	–9,111	49,987	–9,111	49,987
Transferred to net financial income/expense	92	951	92	951
Transferred to the operating result	–29,014	16,582	–29,014	16,582
Tax effect	12,362	–19,235	12,362	–19,235
Closing balance	1,842	33,636	1,842	33,636

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 MTM programme and international ECP and EMTN programmes. Bank financing is used to a limited extent. The average capital for bank financing during 2006 was SEK 315 million (5).

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

Financing cost

Net interest income and expense totalled SEK –419 million (–648) and the average liability portfolio was SEK 16,773 million (16,794). Financing costs totalled 2.48 per cent (3.85), measured as interest cost in relation to the average interest-bearing net loan liability, excluding cash and bank holdings, according to IFRS. As of December 31, 2006, the average interest on outstanding liabilities was 3.35 per cent (2.35) excluding interest derivatives, and 4.21 (3.50) per cent including interest derivatives.

Note 30, cont.

Financing cost

	2002	2003	2004	2005	2006
Financing cost for loans, %	4.75	3.97	3.05	2.62	2.81
Net interest income/expense, interest rate swaps, %	0.40	0.90	1.20	1.05	0.93
Allocations to specific periods and charges, %	0.40	0.43	0.25	0.03	0.02
Changes in value, financial instruments according to IFRS, %	–	–	–	0.15	–1.28
Total financing cost, %	5.55	5.30	4.50	3.85	2.48

A permanent change in the market interest rate of one percentage point would affect Akademiska Hus's financing cost to the amount of SEK 169 million (175). In the calculation the interest tie-up for loans or derivatives has not been taken into account.

Borrowing can be broken down as follows, SEK m:

	Group IFRS				Parent Company Annual Accounts Act			
	31-12-2006		31-12-2005		31-12-2006		31-12-2005	
	Reported value	Fair value	Reported value	Fair value	Reported value	Fair value	Reported value	Fair value
Bonds & MTN	4,419	4,378	4,322	4,343	4,419	4,378	4,322	4,343
EMTN	5,542	5,542	7,569	7,577	5,542	5,542	7,569	7,577
Other loans	3,102	3,101	1,582	1,583	2,921	2,920	1,387	1,387
Total, non-current loans	13,063	13,021	13,473	13,503	12,882	12,840	13,278	13,307
Bank financing	–	–	–	–	–	–	–	–
Commercial paper	1,605	1,605	–	–	1,605	1,605	–	–
ECP	510	510	435	434	510	510	435	434
Bonds & MTN	297	300	564	568	297	300	564	568
EMTN	1,425	1,427	3,024	3,024	1,425	1,427	3,024	3,024
Other loans	7	7	–	–	–	–	–	–
Total current loans	3,844	3,849	4,023	4,026	3,837	3,842	4,023	4,026
Total loans	16,907	16,870	17,496	17,529	16,719	16,682	17,301	17,333

The amounts in the table above are excluding accrued coupon interest.

Due date structure, loans, SEK m

	Fixed interest			Floating interest				
	Loans	Derivatives	Total	Loans	ECP and commercial paper	Derivatives	Sub-total	Total
2007:1	–	1,699	1,699	450	2,119	–2,153	416	2,115
2007:2	–	–900	–900	–	–	900	900	–
2007:3	731	269	1,000	100	–	–231	–131	869
2007:4	450	1,000	1,450	–	–	–1,000	–1,000	450
2008	1,694	–2,594	–900	980	–	2,681	3,661	2,761
2009	2,260	–460	1,800	–	–	950	950	2,750
2010	3,094	–793	2,301	–	–	1,142	1,142	3,443
2011	562	–262	300	–	–	295	295	595
2012	569	–569	–	–	–	653	653	653
2013	–	961	961	–	–	–961	–961	–
2014 and later	2,206	–2,606	–400	1,514	–	2,730	4,244	3,844
Total	11,566	–4,255	7,311	3,044	2,119	5,006	10,169	17,480

The above table shows financing (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.

Important contractual terms and conditions

The Group's bond programmes, MTN and EMTN, include a clause regarding state ownership. In the event the 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	31-12-2006				31-12-2005			
	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>								
GBP	5	5.09	3.00	67	–	–	–	–
USD	65	5.34	2.88	443	55	3.88	1.57	435
Total			2.90	510			1.57	435
<i>EMTN</i>								
CHF	760	2.49	3.37	4,265	1,260	2.93	1.99	7,690
EUR	250	4.50	3.26	2,275	250	4.50	1.92	2,440
JPY	3,000	1.97	3.33	177	3,000	1.97	2.01	213
Total			3.33	6,717			1.97	10,343
<i>Other loans</i>								
JPY	20,000	1.59	3.26	1,162	20,000	1.59	1.85	1,387
CHF	250	2.26	3.35	1,369	–	–	–	–
Sub-total			3.31	2,531			1.85	1,387
Total				9,758			1.95	12,165
<i>Unswapped (in SEK m)</i>								
Commercial paper	1,610	–	2.95	1,605	–	–	–	–
Bonds & MTM	4,640	–	3.60	4,966	4,920	–	3.27	5,136
Other loans	578	–	3.32	578	195	–	3.24	195
Sub-total			3.43	7,149			3.27	5,331
Total			3.35	16,907			2.35	17,496

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 in foreign currency, both fixed and variable, are hedged as well as future repayments. All the measures taken have the express purpose of hedging and eliminating an exchange rate risk so that all financing is denominated in Swedish kronor. Effective hedging means that changes in value of the hedged position and the actual hedging transaction on balance counteract each other.

31 Allocations to pensions and similar commitments

Defined contribution pension plans

The Group's defined contribution pension plans, so-called alternative ITP for high-income earners, as well as individual pension assurances to leading executives, cover employees in all Group companies. The defined contribution pension plans mainly comprise a retirement pension, sickness pension and family pension. The premiums are paid continuously throughout the year by each Group company to different insurance companies. The premium amounts are based on the salary.

The pension costs for the year amounted to KSEK 12,541 (15,384).

Defined benefit pension plans

All employees in the Akademiska Hus Group are covered by defined benefit pension plans. According to these plans the employees are entitled to pension benefits based on their pensionable income as well as the number of years of service. The pension plan mainly comprises a retirement pension, sickness pension and family pension. The pension commitments are secured through provisions in the FPG/PRI system and the ITP plan family pension, sickness pension and occupational group life are through insurance premi-

ums. 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 most recent actuarial calculation of the current value of the defined benefit commitments was carried out by an authorised actuary on December 31, 2006. When calculating the current value of the defined benefit commitments and associated costs for employment during the current period and associated costs for employment during previous periods, the Projected Unit Credit Method was used.

Information regarding the reporting of defined benefit 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 statements from the Swedish Financial Accounting Standards Council Emerging Issues Task Force, URA 42 and URA 45, this is a defined benefit plan

Note 31, cont.

covering several employers. For the 2006 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 9.5 million (9.2). Alecta's surplus can be distributed to the policyholders and/or the insured. At the end of 2006, Alecta's surplus in the form of the collective consolidation level amounted to 143.1 per cent (128.5). 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.

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

	31-12-2006	31-12-2005
Discount rate	3.90	3.90
Salary increase	3.00	3.00
Inflation	2.75	2.75
Income base amount	1.80	1.80
Personnel turnover	–	–
Remaining period of service, years	17.4	17.0

The total pension cost is as follows:

	2006	2005
Benefits earned during the year	7,757	4,946
Interest on the pension provision	9,092	9,284
Actuarial gains (-)/losses (+)	1,021	–
Pension costs, defined benefit plans	17,870	14,230
Pension costs, defined contribution plans	22,029	24,645
Employer's contribution and tax on returns, other pension costs	7,307	9,136
Total pension costs	47,206	48,011

The following provisions attributable to the Group's defined benefit commitment have been made in the Balance Sheet:

	31-12-2006	31-12-2005
Current value of the commitment at the period-end	237,043	235,883
Actuarial profits (+) losses (-) brought forward	-24,979	-33,979
Allocated to pensions	212,064	201,904

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

	31-12-2006	31-12-2005
Opening balance	201,904	194,541
Benefits earned during the year	7,757	4,946
Interest costs	9,092	9,284
Amortisation, actuarial gains (+)/losses (-)	1,021	–
Benefits paid	-7,710	-6,867
Closing balance	212,064	201,904

	31-12-2006	31-12-2005
Actuarial gains/losses		
Opening balance, actuarial gains (+)/losses (-)	-33,979	5,538
Actuarial gains (+)/losses (-) to be reported	1,021	–
Actuarial gains (+)/losses (-) on pension commitments	7,979	-39,517
Closing balance, actuarial gains (+)/losses (-)	-24,979	-33,979

Future payments

The Group is expected to pay KSEK 16,594 (17,870) in charges for the defined benefit plans during the forthcoming financial year.

Provisions for pensions and similar commitments in the Parent Company

The reported pension liability in the Parent Company comprises:

	31-12-2006	31-12-2005
FPG/PRI Pensions	15,298	14,239
Other pensions	61,832	64,391
Total	77,130	78,630

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:

	31-12-2006	31-12-2005
Opening balance	78,630	80,793
Other changes	879	-196
Interest costs	3,271	3,348
Payments	-5,650	-5,315
Closing balance	77,130	78,630

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

	2006	2005
Other income/costs for changes in the pension liability	879	-196
Interest part of the pension cost	3,271	3,348
Pension costs, defined contribution plans	4,150	3,152
Pension costs, defined contribution plans	5,644	9,188
Employer's contribution and tax on the yield, other pension costs	1,476	2,513
Total pension costs	11,270	14,853

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	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
Other interest-bearing liabilities	28,871	498,362	28,871	498,362
Other non-interest-bearing liabilities	278,441	230,497	12,930	9,891
Total, other liabilities	307,312	728,859	41,801	508,253

The Parent Company has entered into a supplementary agreement, Credit Support Annex, (CSA) to the ISDA, with the aim of reducing exposure to counter-party risks in derivatives. 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 of the year-end, the Group received collateral through the CSA agreement totalling KSEK 28,871 (498,362).

Of the Group's other liabilities KSEK 298,178 falls due for payment within one year of the year-end, KSEK 3,576 within five years of the year-end and KSEK 5,378 later than five years after the year-end.

33 Accrued expenses and prepaid income

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
Prepaid rental income	1,144,982	1,116,806	–	–
Accrued salary and personnel costs	26,239	16,952	5,292	3,291
Accrued operating and maintenance costs	108,396	107,236	–	–
Accrued investments	191,574	123,586	–	–
Accrued interest	214,944	329,951	214,944	329,951
Other interim liabilities	19,157	13,414	22,537	28,471
Total	1,705,292	1,707,945	242,773	361,713

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 Finance Plan states that the interest risk should be handled within a fixed interest mandate

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
2007:1	2,569	2,769	10,772	13,541
2007:2	–	390	–3,367	–2,977
2007:3	831	831	–1,031	–200
2007:4	450	1,828	700	2,528
2008	2,674	2,094	–2,594	–500
2009	2,260	2,260	–460	1,800
2010	3,094	3,094	–793	2,301
2011	562	562	–262	300
2012	569	569	–569	–
2013	–	–	961	961
2014 and later	3,720	2,332	–2,606	–274
Total	16,729	16,729	751	17,480

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 Liabilities

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
<i>Due date structure</i>				
Liabilities that fall due for payment within one year from the closing day	6,281,513	6,838,161	4,385,619	5,928,740
Liabilities that fall due for payment within 1–5 years from the closing day	9,293,423	10,417,636	9,270,616	10,417,636
Liabilities that fall due for payment later than five years after the closing day	12,118,953	10,440,566	4,600,695	3,863,635
Total	27,693,889	27,696,363	18,256,930	20,210,011

adopted by the Board. The current mandate states that the fixed interest period, including interest derivatives, should be 1–2.5 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 desired 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 1.9 years (2.4), including interest derivatives. The average fixed interest period during the year was 2.08 years (1.85).

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 (190).

Note 35, cont.

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 risk in conjunction with financing in a foreign currency should be eliminated. All payment flows attributable to borrowing are exchange 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	5,680	-5,680	-
EUR	2,260	-2,260	-
GBP	67	-67	-
JPY	1,326	-1,326	-
SEK	6,949	10,531	17,480
USD	447	-447	-
Total	16,729	751	17,480

The table above shows nominal amounts. The nominal amounts were recalculated using the year-end rate.

Refinancing 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 Finance Plan 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 2006 totalled SEK 1,379 million (1,225). 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

	Rating Standard & Poor's	Framework 31-12-2006	Utilised nom. 31-12-2006
Bank		SEK 4,200 m	-
Commercial paper	A1+/K1	SEK 4,000 m	SEK 1 610 m
ECP (Euro Commercial Paper)	A1+	USD 600 m	USD 75 m
MTN (Medium Term Note)	AA	SEK 8,000 m	SEK 4 390 m
EMTN (Euro Medium Term Note)	AA/A1+	USD 1,500 m	USD 880 m

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. The Finance Plan includes a limit system where permitted exposure depends on the counter-party's credit rating and 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 characterised 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 internationally standardised netting agreements, ISDA agreements, should always be signed with a counter-party before derivative transactions take place. As of December 31, 2006, the total counter-party exposure in derivatives (calculated as the net claim per counter-party) stood at SEK 662 million (1,110). 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 deficits in outstanding derivative contracts. At the year-end, the Group had granted SEK 247 million (received 498) net.

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	-	-258	-	-258
AA/Aa	-	-	-	-
AA-/Aa3	123	-486	86	-277
A+/A1	984	-7	161	1,138
A/A2	-	-	-	-
<i>Institute with only a short rating</i>				
K1	-	-	-	-
Clearing institute	15	-	44	59
Total	1,122	-751	291	662

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 in the light of the good credit rating of the customers.

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 in 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 is exchange-hedged with the aid of exchange futures.

36 Pledged assets

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
Blocked bank funds	44,562	52,335	44,562	52,335
Current investments	275,250	–	275,250	–
Total	319,812	52,335	319,812	52,335

Unsettled results from transactions as well as standardised computed safety margins using stock exchange-cleared derivatives have been secured through blocked bank funds.

The Parent Company has entered into supplementary agreements (Credit Support Annexes) to the existing ISDA agreements 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 derivative contracts. The agreement grants the assured party right of disposal of the collateral received. As of December 31, 2006, no collateral had been furnished for the Group's liabilities.

37 Contingent liabilities

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
Contingent liability, FPG/PRI	2,107	1,893	306	285
Guarantee for regional companies' pension undertakings	–	–	111,493	101,719
Total	2,107	1,893	111,799	102,004

38 Interest paid and received

	Group IFRS		Parent Company Annual Accounts Act	
	2006	2005	2006	2005
Interest received	51,622	56,584	928,677	915,211
Interest paid	–692,186	–756,069	–679,535	–743,280
Total	–640,564	–699,485	249,142	171,931

39 Adjustments in items not included in the cash flow

	Group IFRS		Parent Company Annual Accounts Act	
	2006	2005	2006	2005
Depreciation	19,749	19,531	4,167	3,644
Impairments	–	9,392	–	9,392
Change in value, investment properties	–1,817,429	–7,213,581	–	–
Capital gain (–)/loss (+) on sale of other tangible, non-current assets	–56,318	–209	–	–
Change in value, financial instruments	–171,315	294,389	–171,315	294,389
Cash flow hedge	–44,157	68,698	–44,157	68,698
Change in accounting principle, financial instruments	–	–655,547	–	–655,547
Change in pension provisions and similar undertakings	10,160	7,363	–1,500	–2,163
Change in other provisions	–	4,511	–	–
Miscellaneous	–150	123	128	123
Total	–2,059,460	–7,465,330	–212,677	–281,464

40 Purchase sum in conjunction with investments, acquisitions and disposals

For investments and acquisitions for the period a total of KSEK 1,426,231 (1,489,509) has been paid, of which KSEK 1,230,935 was paid in liquid funds. For disposals for the period a total amount of KSEK 672,130 (1,016,359) has been received, of which KSEK 93,875 was received in liquid funds.

41 Change in interest-bearing net loan liabilities

	Group IFRS		Parent Company Annual Accounts Act	
	31-12-2006	31-12-2005	31-12-2006	31-12-2005
Opening amount	16,042,533	17,125,551	–4,598,329	–4,566,521
Increase (–) / Decrease (+) in interest-bearing receivables	499,710	–346,240	912,289	343,760
Increase (–) / Decrease (+) in current investments	–397,101	–372,849	–397,101	–372,849
Increase (–) / Decrease (+) in liquid funds	243,767	–524,002	243,768	–523,999
Increase (+) / Decrease (–) in interest-bearing liabilities	35,650	160,073	–922,282	521,280
Change in interest-bearing net loan liability	382,026	–1,083,018	–163,326	–31,808
Amount at year-end	16,424,559	16,042,533	–4,761,655	–4,598,329

42 Events after the year-end

On February 19, 2007, Akademiska Hus Stockholm AB sold the Mimer 5 property, comprising approximately 12,000 square metres of rentable floor space, to Fabege. The sale involved shares in the wholly owned subsidiary Vanadishus AB and the purchase sum was SEK 359 million.

43 Transactions with related parties

	Group IFRS		Parent Company Annual Accounts Act	
	2006	2005	2006	2005
Income				
Companies within the Akademiska Hus Group	–	–	999,934	967,071
Other state-owned companies run on a profit-making basis	3,507	418	–	–
Total	3,507	418	999,934	967,071
Costs				
Companies within the Akademiska Hus Group	–	–	–492	–10,104
Other state-owned companies run on a profit-making basis	–46,256	–60,636	–38,942	–18,628
Total	–46,256	–60,636	–39,434	–28,732
Receivables				
Companies within the Akademiska Hus Group	–	–	20,721,967	21,438,925
Other state-owned companies run on a profit-making basis	–	4	–	–
Total	–	4	20,721,967	21,438,925
Liabilities				
Companies within the Akademiska Hus Group	–	–	2,470	994,334
Other state-owned companies run on a profit-making basis	4,874	5,031	–	4,265
Total	4,874	5,031	2,470	998,599

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 fixed assets take place at the carrying value.

Gothenburg, March 7, 2007

Claes Ljungh
Chairman

Charlotte Axelsson

Sigbrit Franke

Marianne Förander

Per Granath

Maj-Charlotte Wallin

Göran Wendel

Sveinn Jonsson

Parzin Seradji

Thomas Norell
President

Our audit report was submitted on March 7, 2007

DELOITTE AB

National Audit Office

Peter Gustafsson
Authorised Public Accountant

Anita Nilsson
Authorised Public Accountant

Audit Report

To the Annual Meeting of Akademiska Hus AB (Publ.)

Company registration number 556459-9156

(A direct translation of the Swedish Audit Report)

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Akademiska Hus AB (publ) for the financial year 2006. The company's annual accounts and consolidated accounts are included in the printed version of this document on pages 6-60, 67-94. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute, 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 significant estimates made by the Board of Directors 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 Board member 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 give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of 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 statutory administration report and that the members of the Board of Directors and the Presidents be discharged from liability for the financial year.

Gothenburg, March 7, 2007

DELOITTE AB

National Audit Office

Peter Gustafsson

Anita Nilsson

Authorised Public Accountant

Authorised Public Accountant

Definitions

Direct yield

Net operating profit in relation to the average assessed fair value.

Equity ratio

Net 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 surrounding construction area.

Interest-bearing net loan liability

Interest-bearing loans, financial derivatives and short-term, interest-bearing investments. Pension provisions and similar items are not included.

Interest-bearing liabilities

Interest-bearing loans, including pension provisions and similar items.

Interest coverage ratio

Operating profit before financial items excluding changes in value of properties in relation to net interest income/expense excluding changes in value of financial derivatives.

Letting and vacant space levels

Rented or vacant floor space in relation to the total rentable 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.

Loan to value level, %

Interest-bearing net loan liability in relation to property value, year end.

Maintenance costs

Costs for measures taken to reinstate worn or damaged parts of buildings to their original standard and function.

Net investments

Closing balance minus the opening balance for fixed 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 customers, 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 equity after standard tax

Earnings after financial income and expense with a deduction for full tax in relation to average equity.

Return on total assets

Operating profit plus financial income in relation to average total assets.

Addresses

GROUP HEAD OFFICE

Akademiska Hus

Box 483
Stampgatan 14
SE-401 27 Gothenburg, Sweden
Telephone: +46 31 63 24 00
Fax: +46 31 63 24 01
www.akademiskahus.se
info@akademiskahus.se

REGIONAL OFFICES

Akademiska Hus Syd (South)

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

Akademiska Hus Väst (West)

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

Akademiska Hus Öst (East)

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

Akademiska Hus Stockholm

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

Akademiska Hus Uppsala

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

Akademiska Hus Norr (North)

Box 7985
Artedigränd 2
SE-907 19 Umeå, Sweden
Telephone: +46 90 17 62 00
Fax: +46 90 17 62 01

Philipp

Reception

Management
Organisation vind

Seminarierum
3:229 - 3:232

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AKADEMISKA HUS

Report Schedule 2006

Interim Report January – March 2007, April 19, 2007
Interim Report January – June 2007, August 15, 2007
Interim Report January – September 2007, October 23, 2007
Year-end Report 2007, January 2008
Annual Report 2007, March 2008
www.akademiskahus.se

For further information, please contact:

Thomas Norell, President
Telephone: +46 8 685 75 55
E-mail: thomas.norell@akademiskahus.se
Katarina Hägg Peterson, Corporate Communications Director
Telephone: +46 31 63 24 22
E-mail: katarina.hagg@akademiskahus.se