



AKADEMISKA HUS

Interim Report  
January 1–June 30, 2004



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

- Rental income increased by SEK 61 million compared with the corresponding period in 2003 to SEK 2,221 million. The level of vacant space was 2.2 per cent, an increase from 1.8 per cent at the beginning of the year.
- Profit after financial items for the period was SEK 393 million (460). The previous year included major capital gains and reversed write-downs of SEK 98 million, which this year amount to SEK 12 million.
- To increase the choice for the tenants a new rent model with floating rent has been introduced, mainly in respect of larger rental properties.
- A decision has been reached regarding the acquisition of the property Mimer 5 in Stockholm totalling 12,150 square metres and two further properties in the Stockholm area with expansion potential totalling 48,000 square metres. The property "Måltidens Hus" in Grythyttan is now in use.
- The prospects for 2004 remain unchanged – a profit of just over SEK 800 million before tax. This represents an improvement of around SEK 100 million compared with 2003.



### Akademiska Hus – the leader in creative environments

Akademiska Hus is one of the largest property companies in Sweden. The property portfolio comprises mainly university and college buildings. Our properties are to be found at over 20 locations and are managed through regional subsidiaries

Akademiska Hus's market share on its primary market, university and college premises, is 68 per cent.

### New challenges on a more open market

The Swedish property market is characterised by a greater degree of openness. For the market segments within which Akademiska Hus is operating this has meant more marked competition, including increased from foreign investors. For Akademiska Hus the challenge is to be found in meeting this competition and at the same time ensuring a positive future development for the company. During the period this has meant working actively to intensify contacts with our customers and reinforcing collaboration with old and new tenants.

With the aim of confirming the future development potential of Akademiska Hus, a comprehensive vision creation process commenced during the first half of the year involving all employees. This process is the basis of the company's business plan and is expected to be completed during the fourth quarter.

Together with its tenants Akademiska Hus is continuing to develop university and college campuses into living campuses. During the summer, for example, the College of Music will move into new premises at Örebro University. A decision has also been reached to commence rebuilding of the University College of Dance on the Royal Institute of Technology campus in Stockholm at the beginning of 2005.

During the period the extensive Tegnér Building project was completed for the Stockholm Institute of Education. Major rebuilding of the Centre for Chemistry and Chemical Engineering in Lund also commenced.

In addition, we inaugurated together with our customers:

- The Göteborg University Marine Biology Laboratory at Tjärnö.
- The Academicum Competence Centre at the Sahlgrenska Academy in Göteborg.
- The Department of Biology and Environmental Sciences at the University of Kalmar.

### Property operations

#### Property income and profit

Rental income amounted to SEK 2,221 million, an increase of SEK 61 million compared with the same period in 2003. Operating costs increased by SEK 20 million compared with the same period in 2003, due mainly to an increase in energy prices. Maintenance costs are SEK 25 million higher than the preceding year as a result of an increase in project-related maintenance. The focus on maintenance measures in previous years has meant that the standard of the Akademiska Hus property holdings is now generally high and in relative terms falling maintenance costs are expected in the future. Net operating income was SEK 1,274 million (1,275). Depreciation totalled SEK –473 million (–442) and net financial income and expense was SEK –411 million (–461).

The profit after financial items for the period was SEK 393 million (460).

A new rent model was introduced during the period with floating rent, which is adjusted over time in line with changes in the interest cost in exchange for a lower risk supplement in the rent calculation. Floating rent will be offered to tenants in respect of large rental properties with long leases. The aim is to give the tenants the opportunity to choose between different rent alternatives.

It is estimated that the pre-tax profit for the full year will be just over SEK 800 million, an improvement of approximately SEK 100 million compared with the preceding year. Rental income and net interest income and expense will improve by a total of around SEK 200 million whilst operating and maintenance costs are expected to increase by approximately SEK 100 million.

## Property portfolio

The book property value, excluding construction in progress, totalled SEK 24,783 million at the period-end, compared with SEK 24,412 million at the beginning of the year. There are no write-down needs. The computed net realisable value at the beginning of the year was SEK 36,100 million. A complete computation of the net realisable value of the property portfolio is done in conjunction with the year-end accounts.

The book value of construction in progress as of June 30, 2004 was SEK 1,480 million, compared with SEK 1,555 million at the beginning of the year.

Rentable space totalled 3,280,337 square metres compared with 3,257,122 square metres at the beginning of the year. The increase in vacant space can be attributed to the completion of two projects and two acquisitions. These included the completion of the Tegnér Building, with 9,600 square metres of floor space, for the Stockholm Institute of Education.

The following acquisitions were also made:

- "Måltidens Hus" in Grythyttan, 3,144 square metres.
- Luleå Sports Centre, 2,389 square metres.

In addition, decisions have been reached regarding the acquisition of

- Mimer 5 in Stockholm, 12,150 square metres. The principal tenant is the National Institute for Working Life.
- Norra Djurgården 2:2 in Stockholm, building right 44,000 square metres.
- Haga 4:43 in Solna, building right 4,000 square metres.

The level of vacant space was 2.2 per cent, an increase on the figure of 1.8 per cent at the beginning of the year. The increase in vacant space can be attributed to the vacating of 9,500 square metres of floor space in Uppsala in preparation for redevelopment on behalf of a new tenant.

## Investments

Net investments for the period totalled SEK 746 million and are mainly in the form of new construction and redevelopment.

A number of construction projects were in progress at the period-end, the largest of which are:

Project	Location	Investment framework (SEK m)	Invested as of 30-6-2004 (SEK m)
Kemikum, Stage 3, extension	Uppsala	433	419
Swedish National Defence College, new construction	Stockholm	368	115
Biomedical Centre, refurbishment	Uppsala	352	356
New construction for the College of Film, Radio, Television and Theatre	Stockholm	341	259
Teknikens Hus, new construction	Karlstad	320	4
Centre for Chemistry and Chemical Engineering	Lund	304	22

## Key figures (%)

	Jan-June 2004	Jan-June 2003	2003
Direct yield, %	10.4*	10.6*	10.7
Net operating income, SEK/sq.m.	780*	782*	791
Book value, properties, SEK m	24,783	24,191	24,412
Return on equity after standard tax, %	7.2*	7.9*	6.9
Return on total assets, %	5.8*	6.3*	5.9
Equity ratio, %	26.9	26.8	27.4
Internal financing, %	94	74	85
Interest coverage ratio, %	195	197	177

\* Calculated on a full-year basis.

The Group's equity ratio should in the long term be at least 25 per cent.

## Financing

Interest-bearing liabilities at the period-end amounted to SEK 17,382 million compared with SEK 16,794 million at the beginning of the year. The outstanding net debt was affected by the fact that the Group received collateral for derivatives totalling SEK 350 million (SEK 323 million at the beginning of the year). Net financial income and expense for the period was SEK -411 (-461).

Interest-bearing liability, SEK m	30-6-2004	31-12-2003
Bank financing	—	14
Commercial paper	1,297	398
ECP	517	461
Domestic bonds and MTN	2,548	2,540
EMTN	10,890	11,204
Other loans	1,780	1,782
<b>Total loans</b>	<b>17,032</b>	<b>16,399</b>
Collateral for derivative transactions	350	395
<b>Total interest-bearing liability</b>	<b>17,382</b>	<b>16,794</b>

The financing cost for the period totalled 4.70 per cent, measured as interest cost in relation to the average interest-bearing liability capital. The equivalent cost for the whole of 2003 was 5.30 per cent.

Financing requirements during the first half of 2004 have been relatively limited and were satisfied mainly through issues within the ECP programme.

The fixed interest period has been shortened slightly to 2.2 years from 2.4 years at the beginning of the year and the maturity during the same period fell to 2.7 years from 3.2 years.

<b>Facilities and rating</b>	Framework, 30-6-2004	Utilised, nom. 30-6-2004	Rating, Standard & Poor's
Banks	SEK 4,200 m	SEK 360 m	
Commercial Paper	SEK 4,000 m	SEK 1,300 m	A1+/K1
Euro Commercial Paper (ECP)	USD 600	SEK 521 m	A1+
MTN (Medium Term Note)	SEK 8,000 m	SEK 2,187 m	AA
EMTN (Euro Medium Term Note)	USD 1,500	SEK 10,890 m	AA/A1+

The Group's liquid assets at the period-end, including short-term investments, amounted to SEK 676 million. The corresponding amount at the beginning of the year was SEK 467 million.

### Accounting principles

This Interim Report was prepared in compliance with Recommendation RR20, Interim Reports, of the Swedish Financial Accounting Standards Council. The accounting principles and computation methods are the same as those applied in the most recent annual report. Accounting Standards Council recommendation RR29, Remuneration to employees, came into effect on January 1, 2004. This has

meant that Akademiska Hus's reporting principle regarding benefit-determined pension plans has changed. The transfer to RR29 means that the Group's pension provisions increased by SEK 23.5 million as of the opening balance on January 1, 2004. This effect, net after tax, has been reported as a reduction in the opening non-restricted equity equivalent to SEK 16.9 million. The comparison figures have not been recalculated.

## Parent Company

### Operations

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

### Income and profit

The Company's income totalled SEK 46 million (11), of which income from subsidiaries totalled SEK 46 million. Operating profit was SEK 1.2 million (0.3) and net financial income and expense was SEK 290 million (415), including SEK 185 million (295) in dividends from subsidiaries.

Profit before appropriations and taxes was SEK 291 million (415).

### Investments

Investments in machinery and equipment totalled SEK 2.9 million (0.0).

### Equity

Equity totalled SEK 5,763 million compared with SEK 5,752 million at the beginning of the year. Of these amounts, SEK 1,493 million and SEK 1,482 million respectively were non-restricted equity. A dividend of SEK 250 million (245) was paid during the period.

Göteborg, August 26, 2004



Joakim Ollén  
President

## Consolidated Income Statement, Summary

Amounts in SEK m	2004 (6 months)	2003 (6 months)	2003 (12 months)
Rental income	2,221	2,160	4,364
Other property management income	25	25	49
Property management expenses			
Operating expenses	-398	-378	-730
Maintenance expenses	-426	-401	-835
Property administration	-110	-105	-215
Other property management expenses	-38	-26	-59
<b>Net operating profit</b>	<b>1,274</b>	<b>1,275</b>	<b>2,574</b>
Depreciation, write-downs and reversed write-downs in property management	-473	-390	-983
<b>Gross profit</b>	<b>801</b>	<b>885</b>	<b>1,591</b>
Central administration expenses	-14	-12	-22
Other operating income	46	65	95
Other operating expenses	-29	-17	-59
<b>Operating profit</b>	<b>804</b>	<b>921</b>	<b>1,605</b>
Net financial income/expense	-411	-461	-895
<b>Profit before taxes</b>	<b>393</b>	<b>460</b>	<b>710</b>
Taxes	-110	-129	-207
<b>Net profit for the period</b>	<b>283</b>	<b>331</b>	<b>503</b>

## Consolidated Balance Sheet, Summary

Amounts in SEK m	30-6-2004	30-6-2003	31-12-2003
<b>Assets</b>			
Intangible assets	7	4	6
Tangible assets			
Managed properties	24,783	24,191	24,412
Construction in progress	1,480	1,452	1,555
Equipment and fittings	49	56	52
Total tangible assets	26,312	25,699	26,020
Financial assets	192	153	185
Current assets	1,454	1,528	1,228
<b>Total assets</b>	<b>27,965</b>	<b>27,384</b>	<b>27,439</b>
<b>Equity, provisions and liabilities</b>			
Equity			
Restricted equity	5,952	5,729	5,952
Non-restricted equity	1,570	1,606	1,554
Total equity	7,522	7,335	7,506
Provisions	934	820	908
Liabilities			
Interest-bearing liabilities	17,382	16,854	16,794
Non-interest-bearing liabilities	2,127	2,375	2,230
Total liabilities	19,509	19,229	19,024
<b>Total equity, provisions and liabilities</b>	<b>27,965</b>	<b>27,384</b>	<b>27,439</b>

# Consolidated Cash Flow Statement, Summary

Amounts in SEK m	2004 (6 months)	2003 (6 months)	2003 (12 months)
Cash flow from current operations before changes in working capital	728	654	1,542
Change in working capital (excl. liquid funds)	-102	179	49
<b>Cash flow from current operations</b>	<b>626</b>	<b>833</b>	<b>1,591</b>
Net investments*	-754	-966	-1,894
<b>Cash flow from investments</b>	<b>-754</b>	<b>-966</b>	<b>-1,894</b>
Dividend granted	-250	-245	-245
Financing	587	-536	-595
<b>Cash flow from financing</b>	<b>337</b>	<b>-781</b>	<b>-840</b>
<b>Cash flow for the period</b>	<b>209</b>	<b>-914</b>	<b>-1,143</b>

\* Net investments refer to investments in and sale of intangible and tangible assets.

## Changes in consolidated equity

Amounts in SEK m	Share capital	Restricted reserves	Non-restricted equity	Total equity
<b>Equity 31-12-2002</b>	<b>2,135</b>	<b>3,594</b>	<b>1,519</b>	<b>7,248</b>
Dividend	—	—	-245	-245
Movement between restricted and non-restricted equity	—	—	—	0
Profit for the period	—	—	331	331
<b>Equity 30-6-2003</b>	<b>2,135</b>	<b>3,594</b>	<b>1,605</b>	<b>7,334</b>
Dividend	—	—	—	0
Movement between restricted and non-restricted equity	—	223	-223	0
Profit for the period	—	—	172	172
<b>Equity 31-12-2003</b>	<b>2,135</b>	<b>3,817</b>	<b>1,554</b>	<b>7,506</b>
Dividend	—	—	-250	-250
Movement between restricted and non-restricted equity	—	—	—	0
Change in accounting principle	—	—	-17	-17
Profit for the period	—	—	283	283
<b>Equity 30-6-2004</b>	<b>2,135</b>	<b>3,817</b>	<b>1,570</b>	<b>7,522</b>

# Group's Geographical Areas, Summary

Amounts in SEK m	2004 (6 months)	2003 (6 months)	2003 (12 months)
<b>Income, including other operating income</b>			
Lund	326	304	616
Göteborg	404	387	793
Linköping	218	214	431
Uppsala	371	385	738
Stockholm	750	732	1,472
North	223	229	458
Other operations	46	41	87
Elimination of intra-Group income	-46	-42	-87
<b>Total income</b>	<b>2,292</b>	<b>2,250</b>	<b>4,508</b>
<b>Operating profit, excluding central overheads</b>			
Lund	112	112	226
Göteborg	140	131	255
Linköping	107	114	222
Uppsala	55	172	221
Stockholm	291	286	507
North	98	108	179
Other operations	3	—	-1
Elimination of intra-Group income	12	10	18
<b>Total operating profit excluding central overheads</b>	<b>818</b>	<b>933</b>	<b>1,627</b>
<i>Income statement reconciliation</i>			
Operating profit, excluding central overheads	818	933	1,627
Central overheads	-14	-12	-22
Profit on financial items (net)	-411	-461	-895
Tax for the period	-110	-129	-207
Profit for the period according to the income statement	283	331	503

## Managed properties

Amounts in SEK m	30-6-2004	31-12-2003
Opening book value	24,412	23,778
Sales and disposals	-10	-97
Investments	151	856
Transferred from new construction in progress	694	835
Depreciation	-462	-882
Write-downs	—	-192
Reversed write-downs	—	114
Closing book value	24,783	24,412

### Auditors' review report (translation)

We have reviewed this interim report in accordance with the recommendation issued by the Swedish Institute of Authorised Public Accountants, FAR. A review is considerably more limited than an audit.

Nothing has emerged to indicate that this interim report does not satisfy the requirements laid down in the Swedish Annual Accounts Act.

Göteborg, August 26, 2004

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Swedish National Audit Office  
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