

AKADEMISKA HUS AB (Publ) Reg. No. 556459-9156

- **Profit before tax** for the period amounted to SEK 2,049 million (1,600). Lower maintenance costs, improved net operating profit and the commissioning of new building investments contributed to the improvement in profit. The profit has been affected by income of a non-recurring nature totalling SEK 55 million.
- **Profit for the period** was SEK 1,475 million (1,152).
- **Rental income** amounted to SEK 3,369 million (3,334). The level of vacant space was 3.7 per cent (3.1). In terms of value, the vacant space accounts for 2.6 per cent (2.0). The increase in vacant space was mainly in Göteborg.
- **Sales for the first three quarters** of the year amounted to just over SEK 600 million. Investments in redevelopment and new construction amounted to just over SEK 750 million.
- **The direct yield** on a full-year basis is estimated at 6.6 per cent (6.5).
- **The prospects for 2006** are a profit after net financial income/expense of just over SEK 2,200 million notwithstanding changes in the value of properties and net financial income/expense.

Profit and key figures

	Jan–Sept 2006	Jan–Sept 2005	2005 Full year	2004 Full year
Property management income	3,407	3,373	4,533	4,530
Operating profit	2,197	2,094	2,727	2,625
Changes in value, investment properties	185	56	7,214	-478
Pre-tax profit	2,049	1,600	9,269	1,324
Assessed fair value, investment properties, SEK m	45,894	37,766	45,616	38,230
Direct yield, %	6.6*	–	6.5	7.1
Operating profit per square metre	950*	–	835	799
Return on equity after standard tax, %	7.4*	–	34.2	5.8
Return on total assets, %	6.0*	–	21.9	5.4
Equity ratio, %	46.0	39.4	44.8	41.1
Internal financing level, %	146*	–**	323***	92

* Full-year assessment based on the forecast profit for 2006.

** During 2005 there was a negative net investment as part of the property holdings were sold to Chalmersfastigheter AB and consequently comparison figures are not stated.

*** During 2005, net investments were affected by the sale of properties to Chalmersfastigheter AB.

Statement by the President Thomas Norell

"The profit after nine months is in line with plan and the operating profit has improved compared with the previous year. The Group has decided to invest in modern research laboratories at the Karolinska Institute Science Park, which it is estimated will cover 20,000 square metres. The investment is estimated to be just over SEK 500 million and the largest tenant will be Biovitrum.

As with the rest of the property industry, Akademiska Hus will be affected by the continued rise in interest rates and energy prices and the continued increase in competition."

Results

Rental income

Rental income amounted to SEK 3,369 million (3,334). The increase is mainly attributable to projects which have been completed and are now available for letting.

Rental and vacancy levels

The total holdings amounted to 3,231,000 square metres (3,281,000 at the turn of the year) of rentable space. The vacancy level was 3.7 per cent (3.1) of the total floor space, which is equivalent to 119,300 square metres (93,613). This figure includes vacant space to a value of SEK 92 million (67) or 2.6 per cent (2.0) of the rent fully leased plus supplements, which reflects the fact that a large proportion of the vacant space has a lower rental value than the average for the holdings. During the first three quarters of 2006 the level of vacant space increased mainly in Göteborg, where the Mathematics Centre on the Chalmers campus became vacant. It is considered probable that in the near future a proportion of the floor space within Akademiska Hus will remain vacant. This applies mainly to Kista and Härnösand.

Leases

The average term for newly signed lease agreements is ten years and as of September the average remaining lease term was 6.7 years (6.5). For the larger, complex specialist buildings for laboratory and research activities a lease is normally signed with a term of ten years or longer.

Operating costs

For the first three quarters of 2006 operating costs amounted to SEK 603 million (553), of which energy and water amounted to SEK 412 million (377). The increase in operating costs can be attributed mainly to the rise in energy costs in the form of price rises and the increasing technical complexity of the buildings. Compared with other property companies, operating costs in SEK per square metre within Akademiska Hus are relatively high due to the high proportion of technically advanced premises. Laboratory premises and similar total 1.1 million square metres of floor space (34 per cent) and from an energy point of view they are considerably more resource-intensive than other premises.

Maintenance costs

Maintenance costs for the period amounted to SEK 376 million (500). The investment in maintenance made by Akademiska Hus over several years has meant that the standard of the property holdings is now generally high and the level of maintenance in relative terms is expected to fall in the future.

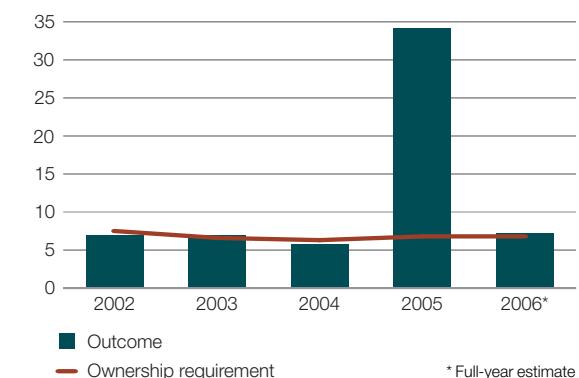
Net financial income/expense

Net financial income/expense for the period totalled SEK -294 million (-528). The reason for the improvement is twofold: the increase in interest rates after the turn of the year has had a positive effect on the valuation of the interest swaps and the interest-bearing liability is slightly lower.

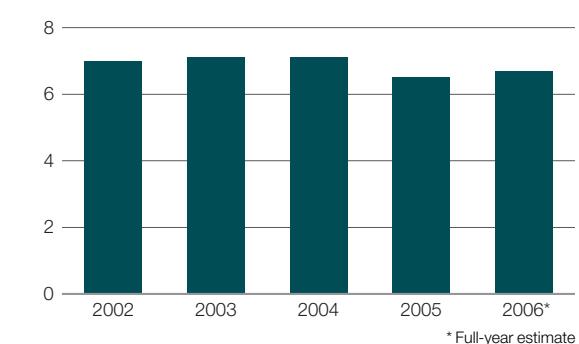
Operating profit, 2002–2006



Return on equity, 2002–2006, %



Direct yield, 2002–2006, %



Financing

Interest-bearing liabilities

At the period-end interest-bearing liabilities amounted to SEK 17,800 million compared with SEK 19,139 million as at 31-12-2005. The maturity was 3.4 years compared with 4.0 years at the turn of the year.

The fixed interest period for the part of the liability portfolio covered by the fixed interest mandate has been shortened slightly to 2.0 years compared with 2.4 years at the turn of the year.

Interest-bearing liabilities

Amounts in SEK m	30-9-2006	31-12-2005
Bank financing	815	–
Commercial paper	1,049	–
ECP	471	435
Bonds & MTN	3,917	4,886
EMTN	7,248	10,593
Other loans	3,262	1,582
Total loans	16,762	17,496
Financial derivatives	829	943
Security received for derivative transactions	–	498
Pension provision	209	202
Total, other interest-bearing liabilities	1,038	1,643
Total interest-bearing liabilities	17,800	19,139

Financing cost

The interest cost for the period according to IFRS, including changes in the market value of financial derivatives, totalled 2.33 per cent, measured as the interest cost in relation to the average interest-bearing liability. A positive result in the interest swaps as a result of the upturn in interest rates after the turn of the year contributed to improved net financial income/expense during the period. According to previous accounting principles the interest expense was 4.13 per cent (4.12).

Financing cost, composition

	1-1-2006 30-9-2006	1-1-2005 31-12-2005	1-1-2005 30-9-2005
Financing cost for loans, %	2.68	2.62	2.65
Net financial income/expense, interest swaps, %	0.96	1.05	1.08
Allocations to specific periods and charges, %	0.02	0.03	0.03
Changes in value, derivatives, %	-1.33	0.15	0.43
Total financing cost	2.33	3.85	4.19

Investments

Net investments in properties up to and including September 2006 amounted to SEK 150 million (-60). The sale has taken place of the Svea Artilleri block in Stockholm, the Seminariet block in Uppsala and Växthuset, also known as Pedagogen, in Mölndal, for a total of SEK 615 million. The sales had a positive impact on profit amounting to SEK 55 million. Acquisitions to date amount to SEK 31 million.

The remainder comprises investments in existing investment properties.

Property valuation

The assessed fair value of Akademiska Hus investment properties as of September 30, 2006 was set through an internal property valuation. The fair value amounts to SEK 45.9 billion. Investments made were neutralised by sales.

In the year-end accounts for 2005, Akademiska Hus introduced a new valuation model based on the cash flow method in order to determine the assessed fair value of investment properties according to IAS 40. Previously, the valuation was made using the direct yield method. External valuations were carried out partly as a benchmark for the internal cash flow valuations and partly for certain development properties where income and costs were difficult to assess.

Assessed fair value, investment properties

Amounts in SEK m	1-1-2006 30-9-2006	1-1-2005 31-12-2005
Opening assessed fair value	45,616	38,230
Investments in investment properties and reclassifications	612	1,101
Direct investments, including acquisitions	153	–
Sales and disposals	-615	-859
Unrealised changes in fair value	128	7,144
Closing assessed fair value	45,894	45,616

Profitability

Operating profit, i.e. the profit from the Group's operations before changes in value, Central administration costs and net financial income/expense, amounted to SEK 2,197 million (2,094). The net operating profit level has increased from 62 per cent to 64 per cent.

The direct yield for the full year is estimated at 6.6 per cent, which is virtually unchanged compared with the figure at the turn of the year.

The return on equity on a full-year basis is estimated at 7.4 per cent (34.2). The owner's profitability stipulation 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 average during 2005 for the five-year government bond interest rate was 2.84 per cent and the owner requirement was thus 6.84 per cent.

The owner's financial objectives

With effect from 2005, the owner's financial objectives were set at:

- The yield requirement, calculated as the return (profit after tax) on average equity, shall be equivalent to the average five-year government bond interest rate plus four percentage points viewed over a business cycle.
- The Group's dividend target is 2.5 per cent of equity.
- The Group's equity ratio should be a minimum of 35 per cent.

Accounting principles

Akademiska Hus complies with the EU-approved International Financial Reporting Standards (IFRS) and the interpretations made by the International Financial Reporting Interpretations Committee (IFRIC). This interim report has been prepared according to IAS 34 Interim Financial Reporting. Accounting principles and computation methods remain unchanged compared with the annual report the previous year.

This report has not been the subject of examination by the auditors.

Parent Company

Operations

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

Income and profit/loss

The Company's income totalled SEK 314 million (285). Of this figure, income from regional companies amounted to SEK 314 million (285). The operating loss was SEK -0.1 million (-0.4) and net financial income/expense was SEK 1,069 million (337), including dividends from regional companies amounting to SEK 710 million (190). The profit before appropriations and tax was SEK 1,069 million (336).

Investments

Investment in machinery and equipment amounted to SEK 2 million (4).

Equity

Equity totalled SEK 5,271 million compared with SEK 5,361 million at the turn of the year.

Consolidated Income Statement, summary

Amounts in SEK m	2006 Jan–Sept	2005 Jan–Sept	2006 July–Sept	2005 July–Sept	2005 (12 months)
Rental income	3,369	3,334	1,107	1,106	4,481
Other property management income	38	39	11	11	52
Total property management income	3,407	3,373	1,118	1,117	4,533
Operating costs	-603	-553	-168	-143	-762
Maintenance costs	-376	-500	-167	-178	-717
Property administration	-185	-170	-60	-48	-255
Other property management expenses	-46	-56	-14	-19	-72
Total property management expenses	-1,210	-1,279	-409	-388	-1,806
Operating profit	2,197	2,094	709	729	2,727
Changes in property values, positive	185	56	94	–	8,669
Changes in property values, negative	–	–	–	–	-1,455
Total changes in property values	185	56	94	–	7,214
Central administration expenses	-23	-19	-10	-9	-35
Other operating income	65	50	23	17	72
Other operating expenses	-81	-53	-23	-13	-61
Total, other operating items	-16	-3	–	-4	11
Profit before financial income/expense	2,343	2,128	793	724	9,917
Financial income/expense	-294	-528	-163	-109	-648
Profit before tax	2,049	1,600	630	615	9,269
Tax	-574	-448	-175	-172	-2,616
Net profit for the period	1,475	1,152	455	443	6,653

Consolidated Balance Sheet, summary

Amounts in SEK m	30-9-2006	30-9-2005	31-12-2005
ASSETS			
Intangible assets	–	24	–
Tangible assets			
Investment properties	45,894	37,766	45,616
Construction in progress	1,425	1,395	1,122
Equipment and fittings	28	30	26
Total tangible assets	47,347	39,191	46,764
Financial assets	1,135	1,279	1,074
Current assets			
Receivables	1,112	869	1,088
Liquid funds	147	1,594	1,225
Total current assets	1,259	2,463	2,313
Total assets	49,741	42,957	50,151
EQUITY AND LIABILITIES			
Equity	23,314	16,944	22,455
Liabilities			
Non-current liabilities			
Interest-bearing	13,993	13,390	14,599
Non-interest-bearing	6,597	4,284	6,259
Total non-current liabilities	20,590	17,674	20,858
Current liabilities			
Interest-bearing	3,807	5,889	4,540
Non-interest-bearing	2,030	2,450	2,298
Total current liabilities	5,837	8,339	6,838
Total liabilities	26,427	26,013	27,696
Total equity and liabilities	49,741	42,957	50,151
Memorandum items			
Pledged assets	118	37	52
Contingent liabilities	2	2	2

Consolidated Cash Flow Statement, summary

Amounts in SEK m	2006 (9 months)	2005 (9 months)	2005 (12 months)
Cash flow from current operations before changes in working capital	1,581	1,518	1,516
Change in working capital (excl. liquid funds)	-544	-234	159
Cash flow from current operations	1,037	1,284	1,675
Net investments*	-932	-59	-328
Cash flow from investments	-932	-59	-328
Dividend paid	-660	-394	-394
Financing	-523	434	-56
Cash flow from financing	-1,183	40	-450
CASH FLOW FOR THE PERIOD	-1,078	1,265	897

* "Net investments" refers to investment in and sale of tangible assets.

Changes in Group Equity

Amounts in SEK m	Attributable to the Parent Company's shareholder				Total equity
	Share capital	Share premium reserve	Hedge reserve	Profit brought forward	
Equity 1-1-2005	2,135	2,135	-16	11,892	16,146
Dividend	-	-	-	-394	-394
Equity not reported in the Income Statement	-	-	41	-	41
Profit for the period, Jan–Sept 2005	-	-	-	1,152	1,152
Equity 30-9-2005	2,135	2,135	25	12,650	16,944
Equity not reported in the Income Statement	-	-	9	-	9
Profit for the period, Oct–Dec 2005	-	-	-	5,501	5,501
Equity 31-12-2005	2,135	2,135	34	18,151	22,455
Dividend				-660	-660
Equity not reported in the Income Statement	-	-	44	-	44
Profit from the period, Jan–Sept 2006	-	-	-	1,475	1,475
Equity 30-9-2006	2,135	2,135	78	18,966	23,314

The Group's geographical areas, summary

Amounts in SEK m	2006 Jan–Sept	2005 Jan–Sept	2006 July–Sept	2005 July–Sept	2005 (12 months)
Income, including other operating income					
South	506	490	167	160	654
West	532	618	173	190	748
East	336	340	111	113	451
Uppsala	534	534	171	169	717
Stockholm	1,213	1,156	401	389	1,563
North	351	341	118	113	472
Other operations	86	286	32	91	107
Elimination of intra-Group income	-86	-286	-32	-91	-107
Total income	3,472	3,479	1,141	1,134	4,605
Profit/loss before net financial income/expense, excluding central overheads					
South	256	262	115	75	1,054
West	518	393	106	119	1,466
East	314	217	81	84	712
Uppsala	502	291	111	99	728
Stockholm	611	776	306	268	4,920
North	171	187	108	70	1,109
Other operations	21	6	3	6	-18
Elimination of intra-Group income	-27	15	-27	12	-19
Profit/loss before net financial income/expense, excluding central overheads	2,366	2,147	803	733	9,952
<i>Reconciliation of the Income Statement</i>					
Profit/loss before net financial income/expense, excluding central overheads	2,366	2,147	803	733	9,952
Central overheads	-23	-19	-10	-9	-35
Profit/loss on net financial income/expense	-294	-528	-163	-109	-648
Tax for the period	-574	-448	-175	-172	-2,616
Profit for the period according to the Income Statement	1,475	1,152	455	443	6,653

Göteborg, November 8, 2006

Thomas Norell
President



Report schedule

Year-End Report 2006

January 2007

Annual Report 2006

March 2007

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