

# Financial information



Ingvar Kamprad Design Centre, Lund University

## **AKADEMISKA HUS – THE SECOND LARGEST PROPERTY COMPANY IN SWEDEN**

- Over three million square metres of rentable floor space
- Property value in excess of SEK 49 billion
- Operations in 29 towns and cities throughout Sweden

## **Owns and manages university and college properties**

- 84% of the floor space is let to universities and colleges
- 64% market share for the whole country

## **Wholly-owned by the Swedish government through the Ministry of Enterprise Energy and Communications.**

- Ownership clause in the MTN and EMTN programmes

## **Long leases with customers with a high credit rating.**

- 87% of the rental income derives from government-controlled customers

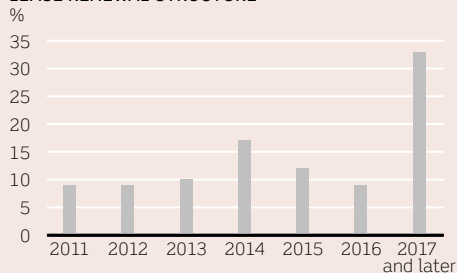
## **Rating**

- Since 1996, the Group has had a long-term rating from Standard & Poor's of AA with a stable outlook and a short-term rating of A1+/K1

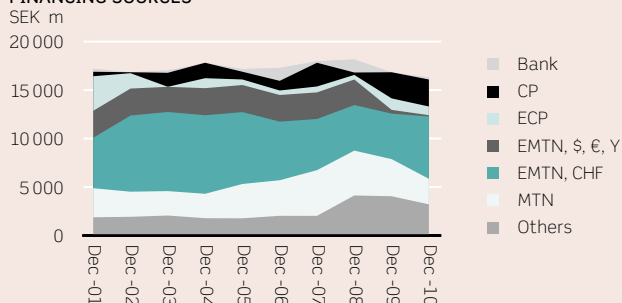


**AKADEMISKA HUS**

## LEASE RENEWAL STRUCTURE



## FINANCING SOURCES



FINANCING PROGRAMMES AND RATING	RATING STANDARD & POOR'S	FRAME-WORK 31-12-2010	UTILISED, NOMINAL 31-12-2010	FINANCIAL COVENANTS
Commercial paper	A1+/K1	SEK 4,000 m	SEK 1,565 m	
ECP (Euro Commercial Paper)	A1+	EUR 600 m	EUR 74 m	
MTN* (Medium Term Note)	AA	SEK 8,000 m	SEK 2,506 m	Owner clause
EMTN (Euro Medium Term Note)	AA/A1+	EUR 2,000 m	EUR 950 m	Owner clause
Bank, confirmed		SEK 2,000 m		
Bank, unconfirmed		SEK 1,700 m		

\* Not updated 2010

## RESULTS 2010

- Rental income increased to SEK 4,983 million (4,927)
- Net operating income amounted to SEK 3,134 million (3,149)
- Assessed fair value totalled SEK 49,497 million (47,723)
- The properties' unrealised change in value amounted to SEK 106 million (-1,208)
- Profit before tax, excluding changes in value, increased to SEK 2,834 million (2,538)

The Group's position as owner of well-located properties and a large proportion of customers with government links is advantageous in times of financial uncertainty. Core operations are characterised by long-term leases with customers with a good credit rating, which limits the risk of deterioration in the cash flow. The demand for education and research is counter-cyclical to the state of the economy, which in a period of recession could result in increased demand.

Approximately SEK 1,700 million was invested in the property holdings during 2010.

## MANAGEMENT

The total rentable floor space was 3.2 million square metres. The proportion of laboratory premises is high, 34%. From a technical point of view these are more complex and in terms of energy they are considerably more resource-intensive than other premises. The financial level of vacant space was only 2.0% as the vacant premises have a lower than average rental value.

Before a construction project commences an agreement must be in place governing the formulation of the lease. The lease renewal dates are well distributed over time. The average term for a newly signed lease is 10.2 years and at the year-end the average remaining term was 5.4 years. For complex, specialist buildings intended for laboratory and research activities, a lease is required where a large proportion of the investment is repaid within the lease period. For buildings of this type, leases are signed for 10 years or more.

## PROFIT AND PROPERTY-RELATED

KEY FIGURES	2010	2009	2008
Management income, SEK m	5,176	5,115	4,957
Net operating income, SEK m	3,134	3,149	3,053
Changes in value, investment properties, SEK m	87	-1,208	-2,192
Profit after financial income and expense (excluding change in value of investment properties), SEK m	2,834	2,538	2,424
Profit after financial income and expense (including change in value of investment properties), SEK m	2,921	1,330	232
Net operating income, SEK/m <sup>2</sup>	979	986	955
Assessed fair value, investment properties, SEK m	49,497	47,723	47,524
Gross investments, SEK m	1,719	1,385	1,446
Total yield, properties, %	7.0	4.3	1.9
of which direct yield, %	6.7	6.8	6.4
of which change in value, %	0.3	-2.5	-4.5
Return on equity after standard tax, %	8.6	4.0	0.7
Equity ratio, %	47.5	47.3	46.5
Loan-to-value ratio, properties, %	31.8	32.5	32.6
Vacant space, rent, %	2.0	1.9	1.5
Vacant space, area, %	3.5	3.8	3.7

## FINANCIAL KEY FIGURES

Interest coverage level, %	741	841	347
Internal financing level, %	151	165	222
Interest-bearing net loan liabilities, SEK m	15,726	15,531	15,090
Interest-bearing liabilities, SEK m	18,973	18,781	19,414
Fixed interest period, December, years	2.8	3.5	1.9
Fixed interest period, annual average, years	3.0	3.2	1.8
Maturity, December, years	4.1	3.3	4.2
Maturity, annual average, years	3.8	3.2	3.9

## FINANCING

The Group has been well established on the public financing market since 1996 with short-term and long-term financing programmes, both domestic and international. In addition to the programmes, there were bank facilities totalling SEK 3,700 million, of which SEK 1,700 million was unconfirmed.

The fixed interest period varied during the year from 2.7 to 3.6 years and at the turn of the year the figure was 2.8 years. The year has been characterised by the extremely light monetary policy in many countries and in combination with quantitative relief measures this has begun to have a positive impact on growth. However, government finances in several countries in southern Europe gave cause for concern on the credit market during 2010. The Swedish economy on the other hand demonstrated a very strong rate of recovery during the year.

In 2010 an improvement was noted on the credit market and two long-term issues could be implemented. At the beginning of the year a CHF 250 million (SEK 1,700 million) bond was issued with a term of 8.3 years. At mid-year, swapping financing in foreign currency to Swedish kronor became less beneficial and the focus switched to the Swedish bond market. During the autumn a kronor issue totalling SEK 2,000 million was implemented with a term of five years. Maturity at the year-end was 4.1 years (3.3).

The general terms and conditions of the MTN and EMTN programmes include an owner clause which means that the loans fall due for immediate repayment if the Swedish government ceases, directly or indirectly, to be the majority shareholder.

Net interest income/expense was SEK -263 million (-576), which is equivalent to an interest cost, including changes in the value of financial derivatives, of 1.84% (3.63) during the period. Unrealised changes in value of financial derivatives have limited interest expense at the same time that rising variable interest rates during the second half of the year had the opposite effect. According to earlier computation principles, the financing cost has risen to 2.77% from 2.39%.

## FOR FURTHER INFORMATION, PLEASE CONTACT:

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