

Quarterly accounts 2015, Q2

This report presents the second quarter accounts and the revised financial forecast 2015 for income, expenses including revised assumptions and uncertainties.

In table 1 the second quarter accounts show that income exceeds the second quarter forecast by DKK 12.6 M. For the most part, an extraordinary income of DKK 11.4 M concerning reimbursement of rent explains the difference.

Furthermore, capital gain on investments (by Danske Capital) has exceeded the expectations by DKK 0.4 M. However, these gains fluctuate with bond prices, which has risen and fallen significantly during 2015 so far.

Finally, other operation costs are below the second quarter forecast by DKK 7.6 M, mainly caused by the newly agreed rent reduction. Furthermore, the second quarter forecast for Facility Management and the Faculty include activities, which are planned for third or fourth quarter 2015.

Enclosure 3

Table 1: Second quarter budget vs. actual accounts and year-end forecast 1 vs. forecast 2

| Income DKK' 000 | Forecast 1, Q2 | Accounts Q2 | Difference to Forecast 1, Q2 | Forecast 1 | Forecast 2 | Forecast 2 vs. Forecast 1 |
|---|----------------|----------------|------------------------------|----------------|----------------|---------------------------|
| Government Grants | 44.552 | 44.552 | - | 89.104 | 88.254 | -850 |
| Tuition | 71.245 | 71.839 | 594 | 143.849 | 146.816 | 2.967 |
| Research Grants (Government and other sources) | 13.254 | 12.961 | -293 | 26.507 | 25.065 | -1.442 |
| Rental Income | 900 | 1.144 | 244 | 1.800 | 1.800 | - |
| Other Income | 1.455 | 1.754 | 299 | 2.910 | 3.273 | 363 |
| Extraordinary Income | - | 11.446 | 11.446 | - | 11.446 | 11.446 |
| Administrative Savings | -1.869 | -1.869 | -1 | -3.737 | -3.700 | 37 |
| Financial income | 900 | 1.254 | 354 | 1.800 | 1.800 | - |
| Total income | 130.437 | 143.081 | 12.644 | 262.233 | 274.754 | 12.521 |
| | | | | | | |
| Costs DKK' 000 | Forecast 1, Q2 | Accounts Q2 | Difference to Forecast 1, Q2 | Forecast 1 | Forecast 2 | Forecast 2 vs. Forecast 1 |
| Wages and Salaries | | | | | | |
| Management | 1.793 | 1.895 | 103 | 3.585 | 3.560 | -25 |
| Communication Department | 2.971 | 2.989 | 19 | 5.941 | 5.879 | -62 |
| Department of Finance and Personnel | 7.555 | 7.405 | -150 | 15.110 | 15.110 | - |
| - Employer contributions, Flexible job scheme, ect. | -246 | -427 | -181 | -492 | -871 | -379 |
| IT Department | 5.147 | 5.190 | 44 | 10.293 | 10.293 | - |
| Facilities Management | 2.824 | 2.988 | 165 | 5.647 | 5.647 | - |
| Student Affairs and Programmes | 7.223 | 7.326 | 104 | 14.445 | 14.612 | 167 |
| Faculty incl. PhD School, RL and Study Board | 43.819 | 44.190 | 372 | 87.637 | 87.637 | - |
| - Library | 118 | 136 | 18 | 236 | 236 | - |
| - Research Projects | 7.988 | 7.147 | -841 | 15.977 | 15.213 | -764 |
| Total wages and salaries | 79.189 | 78.839 | -350 | 158.379 | 157.316 | -1.063 |
| | | | | | | |
| Other Operations | | | | | | |
| Management | 950 | 879 | -71 | 1.899 | 1.899 | -0 |
| - Management pools | 586 | - | -586 | 1.172 | 742 | -430 |
| Communication Department | 1.933 | 2.066 | 133 | 3.867 | 3.929 | 62 |
| Department of Finance and Personnel | 3.548 | 3.434 | -114 | 7.095 | 7.317 | 222 |
| - Rent (domicile), taxes, depreciation, provisions | 23.524 | 19.734 | -3.790 | 47.048 | 38.602 | -8.446 |
| - Financial costs | 3 | - | -3 | 5 | 5 | - |
| IT Department | 2.808 | 2.849 | 42 | 5.615 | 6.980 | 1.365 |
| Facilities Management | 8.499 | 6.482 | -2.017 | 16.997 | 18.100 | 1.103 |
| Student Affairs and Programmes | 1.512 | 1.210 | -302 | 3.024 | 3.226 | 202 |
| - E-Business programme | 1.361 | 1.551 | 190 | 2.721 | 3.102 | 381 |
| Faculty incl. PhD School, RL and Study Board | 4.634 | 3.154 | -1.480 | 9.268 | 9.100 | -168 |
| - Library | 1.009 | 1.155 | 146 | 2.018 | 2.083 | 65 |
| - Research Projects | 1.929 | 2.198 | 269 | 3.858 | 3.575 | -283 |
| Total other operations | 52.293 | 44.712 | -7.581 | 104.587 | 98.660 | -5.927 |
| | | | | | | |
| Total costs | 131.483 | 123.551 | -7.932 | 262.966 | 255.976 | -6.990 |
| | | | | | | |
| Result | -1.046 | 19.530 | 20.576 | -732 | 18.778 | 19.510 |

Financial forecast 2015

The second quarter financial follow up shows expectations to income and expenses has changed from a bottom line of DKK -0.7 M in forecast 1 to DKK 19.5 M in forecast 2. Equity shows and equivalent change of DKK 19.5 M from DKK 47.8 M to DKK 67.3 M.

Table 2: Actual accounts and expectations to income, expenses and equity

| | Accounts 2013 | Accounts 2014 | Budget 2015 (Nov 2014) | Forecast 1 (May 2015) | Changes | Forecast 2 (August 2015) |
|------------------|---------------|---------------|---------------------------|--------------------------|---------|-----------------------------|
| | (DKK M) | (DKK M) | (DKK M) | (DKK M) | (DKK M) | (DKK M) |
| Income | 262,0 | 261,0 | 273,4 | 262,2 | 12,5 | 274,8 |
| Expenses | 257,6 | 260,9 | 275,2 | 263,0 | 7,0 | 256,0 |
| Result | 4,4 | 0,1 | -1,8 | -0,7 | 19,5 | 18,8 |
| Equity, end-year | 48,5 | 48,6 | 46,8 | 47,8 | 19,5 | 67,3 |

Break down of income forecast

The first quarter forecast expects income to increase by DKK 12.5 M compared to forecast 1.

Education and government grants

The most recent forecast of student activity (table 3) expects a rise of DKK 4.1 M in tuition and tariff due to:

- A binging forward of 21 MSC Full Time Students and completion bonuses as an effect of the student progress reform.
- A slight increase in part-time students by 8 FTEs after a longer period of decreasing activity.

However, the rise is countered by the general 1 percent cut back of appropriations announced in June, reducing tuition and government grants by DDK 1.2 M and DKK 0.9 M.

Enclosure 3

Table 3: Student activity forecast 2015 as per August 2015

| | Forecast 1 2015 (Apr 2015) | Forecast 2 2015 (August 2015) |
|--|-------------------------------|----------------------------------|
| | (DKK M) | (DKK M) |
| Income full-time students | 121,7 | 121,9 |
| Total completion bonus | 10,3 | 11,1 |
| Total Income part-time (tariff and tuition) | 11,8 | 12,8 |
| Total Income from education | 143,8 | 145,8 |
| NB: Bonuses does not include foreign exchange students | | |
| Master of Science, FTEs | 727 | 748 |
| Bachelor, FTEs | 509 | 501 |
| Guest students, FTEs | 30 | 29 |
| Part-time education, FTEs | 95 | 103 |
| Completion bonus, MSc | 106 | 133 |
| Completion bonus, BSc | 136 | 136 |

External funding

The portfolio of research projects started this year with a strategic goal of an external funding equivalent of DKK 35.8 M. The most recent forecast from the department shows an expected research consumption of DKK 25.1 M, which is a downsizing of DKK 1.4 M compared to forecast 1.

Other income

The university finalized the matter of a permanent reduction in the annual rent for the tenancy at Rued Langgaards Vej in June 2015. The university has received a reimbursement of DDK 11.4 M regarding rent during 2013 and 2014, which is booked as extraordinary income.

Break down of expenses forecast

Forecast 2 expects expenses to drop DKK 7.0 M compared to forecast 1.

Wages and salaries

The university expects wages and salaries to drop by DKK 1.1 M. The drop is mainly due to the downsizing of research project portfolio resulting in pay roll savings of DKK 0.8 M. Furthermore, minor adjustments of net DKK 0.4 M in holiday pay obligation and salary refunds from sickness and maternity leave is made.

Rent

The university adjusts the annual rent for Rued Langgaards Vej downwards by DDK 7.5 M due to the newly negotiated lease agreement.

Other operating expenses

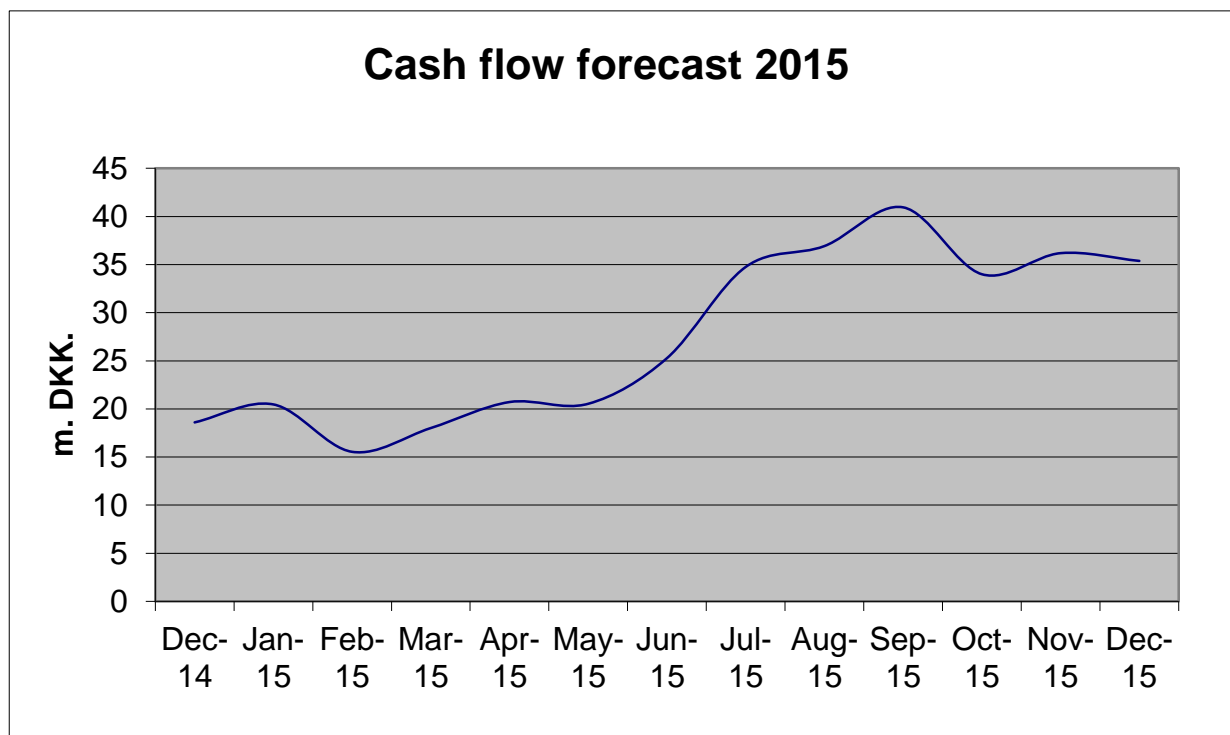
Other operating expenses increases by DKK 1.5 M. The new lease transfers interior building maintenance from the land lord to the university, estimated to DDK 0.7 M in 2015. Furthermore, the university is bringing forward a replacement of some outdated it-hardware for staff, common areas and teaching, amounting to DKK 1.3 M in total. Minor changes of net DDK 0.5 M in other operating items counter this, especially a drop in of DKK 0.4 M in research project consumption.

Cash flow forecast

The cash flow forecast below shows a positive cash flow throughout the year. The university will consider reducing cash holdings and equivalently raising the bond and stock holdings.

The sharp increase in liquid funds in July was a result of the rent reimbursement at Rued Langgaardsvej corresponding to more than DKK 15 M. In August and September, liquidity is expected to rise even further due to tuition from part-time students. However, the increase in liquidity will drop again in October because of the quarterly rent payment. During the last months of the year, the administration fee (wages and salaries) and the EBUSS programme are paid to Copenhagen Business School. Furthermore, the university receives prepayment of tuition grants according to the expectations set forward in the original forecast for 2015. However, as the student activity will be somewhat higher than the original expectations, the university will probably receive an additional DKK 2 M. on the Supplementary Appropriation Act in December.

Figure 1: Cash flow forecast 2015 (Aug 2015)



Forecast 2015 assumptions and uncertainties

The most recent forecast of student activity shows an increase in MSC student activity equivalent of 21 FTEs compared to the previous forecast due to the student progress reform. The rise in full-time students is most likely not permanent, but a bringing forward of student activity from 2016. Furthermore, completion bonus forecast was reduced by DKK 1.4 M during the first quarter due to implementation of the government study progress reform in 2015. In general, tuition is subject to the over-all inherent uncertainty of end year adjustments to government tuition grants according to the Appropriation Act.

The portfolio of research projects started this year with a strategic goal of an external funding of DKK 35.8M. The most recent forecast from the department shows a drop to DKK 25.1 M in expected external funding. Direct expenses, mainly wages and salaries, has dropped accordingly, maintaining an average overhead of approximately 25 percent. The forecast assumes that the department carries out project activities as planned without any delays.

Expected capital gain on investments (by Danske Capital) is maintained at DKK 1.8M for now. The second quarter showed mayor short terms shifts in bond prices, and changes in bond prices might significantly influence the end year result.

The new lease for Rued Langgaards Vej transfers interior building maintenance from the land lord to the university. The yearly maintenance costs are estimated to DKK 1.5 M. However, some fluctuation in interior building costs between financial years is to be expected.