

1 JANUARY–30 SEPTEMBER 2019

## Higher changes in value provide higher earnings

Akademiska Hus reports higher earnings compared to the previous year as a result of higher changes in value of its property holdings. Net operating income also increased in relation to the comparative period. During the quarter several sustainable initiatives were carried out that take the Company one step closer to achieving its vision for a zero carbon footprint. **Read more in the Statement by the President on page 3.**

### KEY EVENTS DURING THE QUARTER

- Akademiska Hus has signed a contract with Balder regarding the sale of the properties Domherren 1 (commonly known as A house) and Tre Vapen 7 at Östermalm in Stockholm. The properties are 10,400 and 11,700 square metres in size, respectively. Balder assumes possession on 1 October 2019.
- The focus during the development of the new office and innovation arena A Working Lab, which opened its doors in September at the Johanneberg Science Park at Chalmers, has been to reduce our carbon footprint. Through smarter material choices alone, the climate impact of the building is expected to be up to 20 per cent lower than if traditional materials had been used. A Working Lab has been awarded the highest sustainability rating by achieving the gold level in the Miljöbyggnad environmental certification system.
- The Student Building at Linköping University celebrated its grand opening in August. Akademiska Hus has invested about SEK 460 million in the building, which will now be the new central hub of Campus Valla. The building houses innovative learning environments and 1,000 new study spaces, as well as service functions for students such as the reception area, student health, admissions and graduation services, group rooms and a student-run café, all gathered in one place. A modern library has also been integrated in the building.
- Accelerator, a new arena to showcase art, science and social issues where academia and the general public can meet, has opened on the Frescati Campus at Stockholm University. It is housed in an underground building from the 1930s that was originally used for experimental physics. Akademiska hus has completely renovated it for its new purpose.

### FINANCIAL KEY FIGURES

#### January–September

- Rental revenue was SEK 4,584 million (4,448).
- Net operating income totalled SEK 3,242 million (3,119).
- Profit before changes in value and tax was SEK 2,850 million (2,890) which in a comparable portfolio corresponds to an increase of 1.1 per cent.
- Unrealised changes in value of properties totalled SEK 2,547 million (799), corresponding to a 3.0 per cent (1.0) increase in the value of the properties.
- Total financing cost was SEK -935 million (-564), of which SEK -659 million (-389) relates to changes in the value of financial instruments.
- Profit before tax was SEK 4,737 million (3,300) and profit for the period was SEK 3,753 million (3,297).
- Investments in redevelopment, extensions and new construction totalled SEK 2,360 million (2,080).
- The yield (excluding properties under construction) was 5.0 per cent (5.3) over the past 12 months.

- Akademiska Hus has set high climate targets and adopted a vision for a zero carbon footprint. Important aspects of the Company's sustainability work include reducing the quantity of delivered energy and investing in renewable energy sources. During the last quarter, Akademiska Hus opened solar parks at both Örebro University and the Swedish University of Agricultural Sciences in Uppsala. The Company has also begun installation of solar panels on nine buildings at the University of Gothenburg, which will generate 675,000 kWh of renewable electricity annually.



AKADEMISKA HUS

# This is Akademiska Hus

Akademiska Hus' remit is to own, develop and manage properties for colleges and universities. Our operations will be run on a commercial basis and generate a yield that is in line with the market.

Akademiska Hus is wholly owned by the Swedish state and can be found throughout Sweden, primarily in the major university towns, but also in several smaller college towns.

We build and manage sustainable knowledge environments in close cooperation with colleges and universities. We help to strengthen the competitiveness of Swedish centres of education, where student accommodation plays a major role in campus development. There are many property owners in the segment of premises for higher education and research, but with its expertise, Akademiska Hus is the largest with a local share of about 60 per cent.

## CREDITWORTHY TENANTS AND LONG-TERM CONTRACTS

The majority of Akademiska Hus' revenue, approximately 90 per cent, comes from colleges and universities. Since they are essentially government agencies, this customer group has the highest possible credit rating. To meet customer needs, we often invest in specially adapted premises, which results in longer lease terms. The average lease term for all newly signed leases for the period was 10.4 years (10.5 at 31 December). The average remaining lease term is 6.4 years (6.5 at 31 December). The financial

vacancy rate accounts for 2.2 per cent (1.7 at 31 December) of our total rental revenue. The vacancy rate regarding rentable space excluding properties that will be demolished is 3.7 per cent (4.3 at 31 December). One reason for the relatively low vacancy rate is that new projects are generally not initiated until contracts are signed.

## LONG-TERM FINANCING

Cash flow from current operations is mainly reinvested in new constructions, redevelopments and extensions of existing holdings. The liability portfolio is financed via the public financing programme and primarily in the bond market. Akademiska Hus has had a long-term rating from Standard & Poor's of AA since 1996 and the highest short-term rating of P-1 from Moody's since January 2017. These ratings reflect the state ownership, our strong financial position and our market position as the leader in knowledge environments for Swedish colleges and universities.

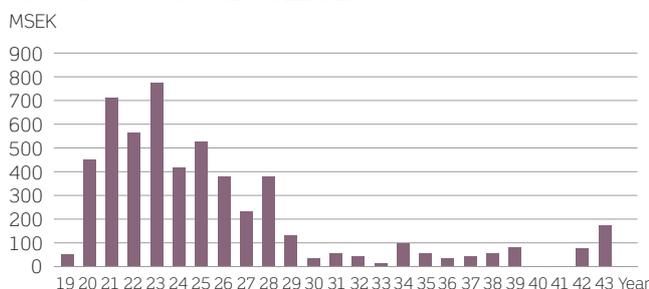
### P-1

Moody's short-term rating,  
January 2019

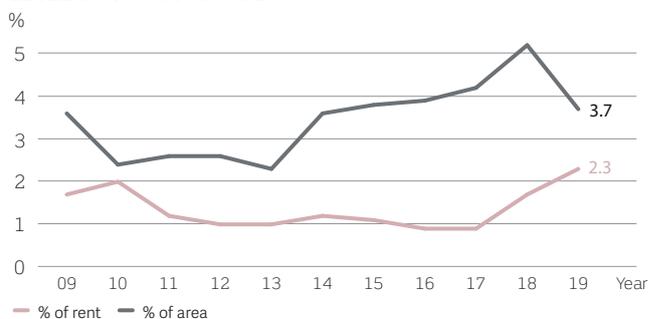
### AA

Standard & Poor's long-term rating,  
Stable outlook. September 19

## MATURITY STRUCTURE ON LEASES



## LEVEL OF VACANT SPACE



## AKADEMISKA HUS IN BRIEF

	2019 July– Sept.	2018 July– Sept.	2019 Jan.– Sept.	2018 Jan.– Sept.	Rolling 12 months Oct. 18– Sept. 19	2018 Full-year	2017 Full-year
Income from property management, SEK m	1,579	1,508	4,699	4,589	6,227	6,117	5,806
Net operating income, SEK m	1,092	1,012	3,242	3,119	4,061	3,938	3,829
Profit before tax, SEK m	1,383	1,224	4,737	3,300	7,255	5,818	8,311
Values as at 30/09/2019							
Equity ratio <sup>1</sup>	43.6	45.3	43.6	45.3	43.6	45.8	43.3
Return on operating capital, % <sup>1,2</sup>	*	*	*	*	10.9	9.2	13.7
Return on equity, %	*	*	*	*	13.3	11.2	17.6
Interest coverage ratio, % <sup>1</sup>	*	*	*	*	643	736	871
Loan-to-value ratio, %	39.3	35.9	39.3	35.9	39.3	34.7	34.3
Yield, properties, % <sup>1,3</sup>	*	*	*	*	5.0	5.1	5.5
Yield, properties, % <sup>1,4</sup>	*	*	*	*	4.6	4.7	5.0
Assessed market value, properties, SEK m	90,416	83,317	90,416	83,317	90,416	85,865	80,444

\*Key figures are calculated only for the twelve-month period

<sup>1</sup> Values for 2019 exclude the accounting effects of IFRS 16 <sup>2</sup> The key figure has a new measure definition and the comparative figures are restated according to the new definition, which is explained on page 23 <sup>3</sup> Excluding properties under construction <sup>4</sup> Including properties under construction

## Owner's financial objectives:

- Return on operating capital shall be at least 6.0 per cent over a business cycle.
- The ordinary dividend should amount to between 40 and 70 per cent of the net profit after tax after reversal of changes in fair value and related deferred tax.
- The equity ratio should be between 35 and 45 per cent.

The Annual General Meeting 29 April resolved on new financial objectives.

## PRESIDENT KERSTIN LINDBERG GÖRANSSON COMMENTS:

# Steady development with a focus on sustainability

Never before has the climate issue been as important as it is right now. People are gathering and demonstrating all over the world, demanding a faster transition to a long-term sustainable society. The younger generation is demanding that everyone with resources, not just politicians, should take on a much greater responsibility for the future. As a large property owner, we have an important role here, with great opportunities to move the trend in the right direction. For a long time we have had tough energy goals and a systematic approach to our sustainability initiatives. We have now accelerated the pace and set a vision for a zero carbon footprint regarding climate emissions from our entire business, from our operations and property management to our internal activities and our construction projects. But it is not enough to have visions and set tough targets; it is important to actually do things, too. One example is that we are continuing to install solar panels. The most recent facility, in which 2,000 square metres of rooftop were covered by solar panels, was opened at Campus Örebro in conjunction with the university's sustainability day. We have also begun to install solar panels on an area of 4,000 square metres at the Medicinareberget Campus in Gothenburg. In 2019, we will achieve the capacity to produce more than 6 million kWh annually across Sweden.

## Certification with benefits

It has now been confirmed that our new building A Working Lab at the Johanneberg Science Park at Chalmers has been awarded the highest sustainability rating by achieving the gold level in the Miljöbyggnad environmental certification system. The focus during the development of the 12,000 square-metre office and innovation arena has been to reduce its carbon footprint. Through smart material choices alone, the climate impact of the building is expected to be up to 20 per cent lower than if traditional materials had been used.

I am also extremely proud that we have the first campus in the country that is certified to Citylab standards. In total 70,000 square metres of new university facilities and 1,000 housing units for undergraduate and graduate students, as well as parks, stores and restaurants, will be built on the Albano Campus, which has now gained attention as an urban development project on the leading edge of sustainability.

## Sharing economy and circular resource mindset

In September "Paviljongen", a meeting place for sharing, had its grand opening on the Umeå Campus. It is rooted in the "Sharing Green Areas" initiative, a sub-project in Sharing Cities Sweden, which aims to develop and test sharing services and the circular economy. Activities to promote sharing and collaboration will be arranged in conjunction with Paviljongen.

## Sustainability on many fronts

We take other aspects of sustainability, such as being able to contribute to people's well-being, extremely seriously. At the end of September we held a fully booked "Aha" seminar, where



Photo: Akademiska Hus

In 2019 Akademiska Hus is taking sustainable measures by installing more solar power facilities on campuses all over the country which, when completed, will help the Company's total solar power generation to reach over 6 million kWh per year.

topics included the importance of green environments for well-being and how to design student housing that will prevent loneliness. We will continue to focus on these important issues moving forward.

## Customers move in

Just in time for the start of the semester, the Student Building, the new central hub on Campus Valla at Linköping University, was completed. The building houses 1,000 new study spaces and innovative learning environments, along with all student services provided in a single location. A modern library has also been integrated in the building.

Accelerator, the new arena to showcase art and science, opened on the Frescati Campus at Stockholm University. It is housed in a building from the 1930s that was originally used for experimental physics. We also reopened the GIH swim centre in Stockholm after a long-awaited renovation project.

## Profit for the period

Net operating income for the period increased compared with the previous year and totalled SEK 3,242 million. Profit for the period was SEK 3,753 million, which is higher than the previous year because of higher changes in the value of property holdings and completion of new buildings.



Kerstin Lindberg Göransson

President

## BUSINESS INTELLIGENCE AND MARKET ANALYSIS:

# Attractive property market

The property industry benefits from low interest rates and demand for community properties continues to be high.

## TRENDS

Previously implemented trade restrictions, ongoing trade and Brexit negotiations, as well as new tensions in the Middle East all contribute to the increasing uncertainty that has affected financial markets for a long time. The decline in world trade and weaker global industrial production confirm a slowdown in the real economy. During the third quarter, concerns about the economy have risen as a result of increasingly weak sentiment indicators, primarily in the form of the purchasing managers' index, and the effects appear to be spreading from industry to the service sector. Europe in general, and Germany in particular, accounted for a large part of the lowered growth expectations during the year, but recently purchasing managers in the US have also signalled a clearer decline, which indicates a broader slowdown. So far, the Swedish manufacturing industry has shown some resilience, but with worsening prospects among important trading partners, the Swedish economy is also affected, even though a weak krona provides some support for exports. Signs of weakness in the latest unemployment statistics also suggest that households will be cautious.

## FINANCIAL MARKETS

The increased political and cyclical uncertainty has caused central banks to reverse direction. In the US, the Federal Reserve (Fed) has shifted from forecasting interest rate hikes at the beginning of the year to lowering interest rates by 0.25 percentage points in July, and further reductions are expected in both 2019 and 2020. In September, the European Central Bank (ECB) re-introduced the bond purchasing programme with EUR 20 billion per month and lowered the interest rate by 0.10 percentage points, while mitigating the adverse effects of negative interest rates in the banking system. These measures have been implemented with no end date and will continue until the inflation outlook is consistent with the target, which suggests a long period of low interest rates. The expanding monetary policy has contributed to substantially lower interest rates. In combination with expectations of weaker growth, government bond yields (even at long maturities) have periodically traded at negative interest rates. As monetary policy approaches termination, the pressure of fiscal stimulus in Europe is increasing in order to support an economic recovery and thus inflation.

Unlike the Fed and the ECB, at the September meeting, the Swedish Central Bank maintained a repo rate forecast indicating a rate hike around the turn of the year 2019/20, although the interest rate path was adjusted downwards significantly towards the end of the forecast period. Swedish bond yields, like their international counterparts, fell during the quarter. Lower interest rates have provided support to stock exchanges when growth forecasts are no longer the main driver, but uncertainty about the slowdown in the economy has periodically had an impact on stock market trends.

## PROPERTY MARKET

The property market is not showing any signs of slowing down, but is benefitting from the low interest rates, which creates a higher demand for the real return that properties generate. The transaction volume as of 30 September was SEK 136.0 billion (107.5), an increase of SEK 28.5 billion, which is about 26.5 per cent compared with the same period last year. Housing has exceeded offices as the most traded segment since the previous quarter and accounts for one third of the volume. Offices account for 28 per cent and logistics/industry rank third with 18 per cent. Community properties account for a share of 9 per cent, which is in line with the previous year. International investors continue to be active, with a share of 37 per cent (36). Demand for properties is primarily high in larger cities, which together account for 84 per cent of the total volume.

As a result of lower interest rates and a continued good capital market, transactions of office properties are subject to lower direct yield requirements than before, especially in metropolitan areas where properties are considered to be more marketable. Demand for office space remains high and rent levels continue to rise, despite the slowdown in the economy. Stockholm, Gothenburg and Uppsala in particular stand out with higher rent levels during the third quarter. In several locations, individual agreements have been signed at higher rents than previously, depending on the completion of newly produced properties or tenant adaptations.

## COMMUNITY PROPERTIES

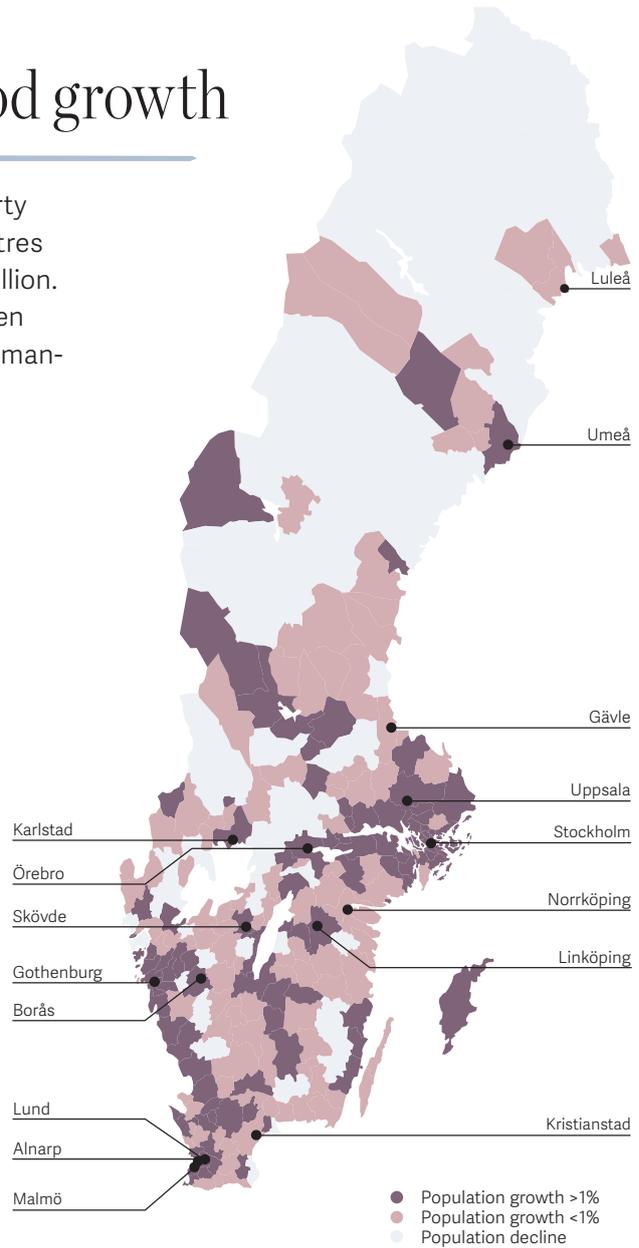
Interest in community properties is at a record high on the transaction market, with a general improvement in market conditions. As in previous quarters, portfolio transactions are primarily conducted as direct yield requirements reach increasingly lower levels. Besides the low interest rates, demand is largely attributable to the less cyclical nature of community properties compared with commercial properties. Several major players, both domestic and international, are looking for investment opportunities that provide a more secure real return. In Akademiska Hus' main market, premises for higher education and research, no general changes in rent levels or vacant space have been noted. Locally, the trend is affected by investments that have been carried out. In collaboration with customers, we continually improve our learning environments and work towards full-scale campuses with undergraduate and graduate student housing, service, good communications and an integrated business community.

OUR COLLEGE AND UNIVERSITY CITIES

# Presence in cities with good growth

Akademiska Hus is one of the country's largest property companies with approximately 3.3 million square metres of rentable area and a property portfolio of SEK 90 billion. Together with colleges and universities, we strengthen Sweden as a nation of knowledge by developing and managing environments for education and research.

Akademiska Hus can be found in **16** college and university cities



Source: Statistics Sweden

## Our six largest locations

Market share, per city/town	Market value and area	Largest centres of education	Market share, per city/town	Market value and area	Largest centres of education
Stockholm 	<b>SEK 42</b> billion <b>972,000</b> m <sup>2</sup>	Stockholm University Karolinska Institutet Royal Institute of Technology	Lund 	<b>SEK 8</b> billion <b>360,000</b> m <sup>2</sup>	Lund University
Uppsala 	<b>SEK 16</b> billion <b>602,000</b> m <sup>2</sup>	Uppsala University Swedish University of Agricultural Sciences, Ultuna	Umeå 	<b>SEK 4</b> billion <b>238,000</b> m <sup>2</sup>	Umeå University Swedish University of Agricultural Sciences, Umeå
Gothenburg 	<b>SEK 9</b> billion <b>357,000</b> m <sup>2</sup>	University of Gothenburg Chalmers University of Technology	Linköping 	<b>SEK 4</b> billion <b>234,000</b> m <sup>2</sup>	Linköping University

● Akademiska Hus ● Other

Source: Share 2018, Swedish National Financial Management Authority

# Our operations

We take a long-term strategic approach to continually create attractive knowledge environments and campuses with our customers. By doing so we help the Swedish centres of education to continue to be well-positioned to attract undergraduate and graduate students from all over the world.

Our operation is based on our core processes, thereby ensuring our ability to leverage our collective expertise across the country through a management organisation, a project organisation and three geographic units that are responsible for campus and business development. Efficiency, uniform processes and a strong focus on digital transformation provide a good foundation for our continued efforts to strengthen Sweden as a nation of knowledge.

## PROPERTY MANAGEMENT

Our property portfolio of about 3.3 million square metres mainly consists of high-tech research facilities and various types of education and commercial office premises. The properties must maintain a high standard for a long time, but at the same time be able to be adapted to meet the changing needs of our customers. High quality in maintenance services, responsible energy consumption and open communication with both customers and suppliers are crucial for increasing business benefits and value for our customers.

## SUSTAINABILITY INITIATIVES TOGETHER WITH OUR CUSTOMERS

Akademiska Hus has set high climate targets and we recently adopted a vision for a zero carbon footprint. We constantly work to find energy-efficient solutions for properties we own and manage both by using less energy and using it appropriately. By 2025 we will reduce the quantity of delivered energy by 50 per cent, while also focusing on creating renewable energy, including through solar panels.

An important aspect of our sustainability efforts entails collaborating with our customers in various sustainability initiatives. The aim is not only to reduce the amount of energy used, but also to create commitment and visibility relating to sustainability, while leveraging our aggregate knowledge from different aspects of the field. The initiatives are based on a shared desire to act and invest in sustainable choices. A number of innovation projects are also underway along with our customers in these areas.

## ALBANO IS SWEDEN'S FIRST CAMPUS CERTIFIED TO CITYLAB STANDARDS

A cohesive university district is growing in Stockholm that extends from Stockholm University in the north, via KTH over to Hagastaden, and with Karolinska Institutet to the west. In all, 70,000 square metres of new university facilities and 1,000 housing units for undergraduate and graduate students, as well as parks, stores and restaurants, will be built here.

The Albano Campus is developing into a modern and competitive university environment in harmony with nature and with the objective of becoming a role model in sustainable urban development. As proof that the project has achieved success in terms of sustainability, the Albano campus is now certified to Citylab standards, which, unlike other environmental certifications initiatives, not only applies to individual buildings, but also covers an entire urban development project. The area thus becomes the first campus in Sweden to receive Citylab certification. Development of the Albano Campus is a collaborative project involving Akademiska Hus, Stockholm University, KTH, Svenska Bostäder and the City of Stockholm.



## CAMPUS AND BUSINESS DEVELOPMENT

Sweden's learning environments and campuses are undergoing constant development. Needs, desires and visions are discussed at all centres of education. Campuses that are vibrant during all the hours of the day and interact with the surrounding community are crucial for Sweden's higher education institutions to be competitive. With our collective knowledge and in close collaboration with our customers, we formulate campus plans to develop entire campuses for the future.

### Overall perspective for socially sustainable campuses

The campus is a venue for research and learning, as well as for encounters with the business community and is the interface for encounters with the community at large, where everyone should feel welcome. In addition to developing efficient and inspiring learning environments, we meet user needs by creating accessible meeting places and ensuring an attractive offering of services in collaboration with other stakeholders. Restaurants, opportunities for cultural and sports activities and access to child care and preschools in close proximity to campus are examples of services that are increasingly integrated into and around the campus, which facilitates daily life. More undergraduate and graduate student housing is a priority list at many centres of education. Campus-based student housing is one of the most important factors for creating a vibrant environment that is open, safe and inviting round the clock, every day of the week.

### OUR VISION FOR ZERO CARBON FOOTPRINT:

Akademiska Hus has developed ambitious targets to be able to contribute to a climate-neutral society. In summary, the Company will reach the following targets related to climate neutrality:

- Climate-neutral property operations by 2025
- Climate-neutral internal operations by 2025
- Climate-neutral project operations by 2045

### Strong innovative ability

To meet the challenges we face as a community builder we must enhance our power of innovation to ensure our deliverables and contribute value to customers. Factors such as digitisation and globalisation affect teaching and research, and place new demands on both existing and future knowledge environments. We will develop products and practices through structured innovation partnerships, thereby contributing to sustainable development in the community. In order to remain relevant, it is also important to broaden the offering of services. Our campus environments are exciting and accessible meeting places for business, academia, the community and the individual. We are working with our customers to develop a co-working concept in order to offer flexible and attractive workspaces that can be rented for short periods.

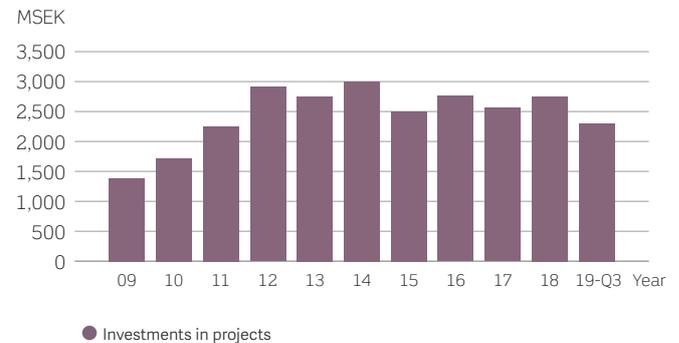
## PROJECTS

The construction process represents a substantial portion of Akademiska Hus' business and our project portfolio consists of approved and planned projects for about SEK 16 billion. The construction projects, which are developed in close collaboration with our customers and other stakeholders, vary in nature from small-scale renovations to new advanced research facilities. Through these projects, we help to ensure that higher education institutions meet their long-term needs for premises appropriate for education and research. One of our strengths is the ability to coordinate and run the extensive and complex collaborative processes that are the key to a successful result. The ability to build sustainably is a key competitive advantage. Cost efficiency, skills development and experience feedback are key development areas in the projects unit.

### Digitisation and innovation

The digitisation discussion in the property industry is ongoing and we see an increasingly clear interest from our customers and suppliers in the opportunities that will accompany digitisation. We are shifting to a more digital approach to running our construction projects. Examples include Albano in Stockholm, where we are testing new models to shift towards a more digital approach. Another digital and innovation-focused project that we are running is A Working Lab on the Johanneberg campus at Chalmers in Gothenburg. The building will be an innovation arena that also serves as a test bed during the construction process.

### CONTINUED HIGH INVESTMENT RATE



The diagram shows annual investments in projects from 2009 to the third quarter of 2019. On average, Akademiska Hus has had an investment rate of about SEK 2.5 billion per year. The company has invested approximately SEK 52 billion in new construction as well as in redevelopment and extensions since 1993.

# Consolidated income statement

## Consolidated income statement, summary, SEK m

	2019 July–Sept.	2018 July–Sept.	2019 Jan.–Sept.	2018 Jan.–Sept.	Rolling 12-months Oct. 2018– Sept. 2019	2018 Full-year
Rental revenue	1,545	1,462	4,584	4,448	6,064	5,928
Other property management income	34	46	115	141	163	189
<b>Total property management income</b>	<b>1,579</b>	<b>1,508</b>	<b>4,699</b>	<b>4,589</b>	<b>6,227</b>	<b>6,117</b>
Operating costs	-188	-179	-660	-643	-911	-894
Maintenance costs	-165	-165	-400	-387	-689	-676
Property administration	-94	-79	-306	-267	-411	-372
Site leasehold fees	—	-22	—	-64	-20	-84
Other property management expenses	-39	-51	-91	-109	-134	-152
<b>Total costs from property management</b>	<b>-487</b>	<b>-496</b>	<b>-1,458</b>	<b>-1,470</b>	<b>-2,166</b>	<b>-2,179</b>
<b>NET OPERATING INCOME</b>	<b>1,092</b>	<b>1,012</b>	<b>3,242</b>	<b>3,119</b>	<b>4,061</b>	<b>3,938</b>
Central administration costs	-16	-19	-53	-54	-78	-78
Interest income	9	4	35	27	41	32
Interest expense	-131	-67	-311	-202	-409	-300
Site leasehold fees	-21	—	-63	—	-63	—
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>	<b>934</b>	<b>930</b>	<b>2,850</b>	<b>2,890</b>	<b>3,551</b>	<b>3,592</b>
Change in value, properties	786	252	2,547	799	4,333	2,585
Change in value, financial instruments	-338	43	-659	-389	-629	-360
<b>PROFIT BEFORE TAX</b>	<b>1,383</b>	<b>1,224</b>	<b>4,737</b>	<b>3,300</b>	<b>7,255</b>	<b>5,818</b>
Tax	-286	-250	-984	-3	-1,485	-504
<b>PROFIT FOR THE PERIOD</b>	<b>1,096</b>	<b>974</b>	<b>3,753</b>	<b>3,297</b>	<b>5,770</b>	<b>5,314</b>
Of which attributable to the shareholder in the Parent Company	1,096	974	3,753	3,297	5,770	5,314

# Consolidated statement of comprehensive income

## Consolidated statement of comprehensive income, summary, SEK m

	2019 July–Sept.	2018 July–Sept.	2019 Jan.–Sept.	2018 Jan.–Sept.	Rolling 12-months Oct. 2018– Sept. 2019	2018 Full-year
Profit for the period	1,096	974	3,753	3,297	5,770	5,314
Reclassifiable items						
Profit/loss from cash flow hedges	—	—	—	—	—	—
Tax attributable to cash flow hedges	—	—	—	—	—	—
Cash flow hedges, dissolved against profit and loss	—	—	—	-7	—	-7
Non-reclassifiable items						
Revaluation of defined benefit pensions	—	—	—	—	-40	-40
Tax attributable to pensions	—	—	—	—	8	8
<b>TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7</b>	<b>-32</b>	<b>-39</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,096</b>	<b>974</b>	<b>3,753</b>	<b>3,290</b>	<b>5,738</b>	<b>5,275</b>
Of which attributable to the shareholder in the Parent Company	1,096	974	3,753	3,290	5,738	5,275

# Comment: Operating profit

## THIRD QUARTER

Profit for the quarter was SEK 1,096 million (974). The improved performance can mainly be attributed to the change in the value of properties, which is greater than the same period in the previous year.

Net operating income improved by SEK 80 million to SEK 1,092 million (1,012), which can mainly be attributed to the completion of new buildings in 2019.

## PROFIT FOR THE PERIOD

Profit for the first three quarters was SEK 3,753 million (3,297). The increase is mainly due to that the change in value of properties is SEK 1,748 million higher compared to the same period in 2018. The tax reported for the period is higher compared with the same period in 2018 when the corporate tax rate was reduced.

Net operating income improved by SEK 123 million compared to the same period the previous year, to SEK 3,242 million (3,119), which can mainly be explained by the completion of new buildings in 2018 that had an impact on 2019. In a comparable portfolio net operating income increased by 1.1 per cent. In the calculation the site leasehold fees have been reversed.

A changed accounting policy relating to site leasehold fees had a positive impact on net operating income of SEK 64 million. The change does not affect profit for the period.

## RENTAL REVENUE

During the first three quarters of the year rental revenue increased by SEK 136 million and totalled SEK 4,584 million (4,448). The majority of the increase is related to the completion of new buildings in 2018 that had an impact on the period, especially Biomedicum and the National Police Academy in Flemingsberg, as well as student housing at KTH. In a comparable portfolio, rental revenue increased by 1.2 per cent compared to the previous year; excluding the change in vacant space, rental revenue increased 2.7 per cent.

Other property management income amounted to SEK 115 million (141). The reduction can mainly be attributed to the lower volume of services provided to tenants, which also affects other property management expenses.

## LEASING LEVEL

The financial vacancy rate for the period accounts for 2.2 per

cent (1.7 at 31 December) of our total rental revenue, corresponding to SEK 107 million (72). The increased financial vacancy rate is attributable to occupancy changes at Karolinska Institutet in conjunction with the completion of Biomedicum in the spring of 2018. We continue to focus on our rentable vacant space to facilitate future rentals.

Vacant space in terms of area amounted to 127,000 m<sup>2</sup>, which is 3.7 per cent (4.3 at 31 December) of our total rentable area of 3.3 million m<sup>2</sup> (3.3 at 31 December).

## OPERATING AND MAINTENANCE COSTS

Expenses for operation and maintenance increased somewhat and amounted to SEK 1,060 million (1,030). The primary explanation is higher costs for preventive and remedial maintenance, as well as additional operating costs related to commissioned properties. In a comparable portfolio operating and maintenance costs increased by 1.5 per cent.

Operating costs involve supervision and service, as well as media provision. Operating costs of SEK 660 million (643) include media provision of SEK 428 million (426), equivalent to SEK 179/m<sup>2</sup> (179) over the past 12 months.

Maintenance costs increased compared to the same period in 2018 and totalled SEK 400 million (387). Preventive and remedial maintenance increased, while project maintenance declined for the period.

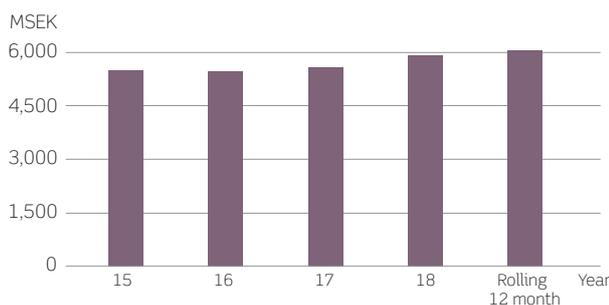
## ADMINISTRATION COSTS

Property administration amounted to SEK 306 million (267). The increase can mainly be attributed to the full-year effects of recruitments in 2018. The costs related to development work, including in relation to the new business concept, as well as to our IT platform, also increased compared with the previous year, according to plan.

## NET INTEREST INCOME/EXPENSE

Net interest income, which primarily consists of interest on loans and net interest income from the interest rate swap portfolio, amounted to SEK 276 million (175) during the period, corresponding to an interest rate of 1.21 per cent (0.82). The increase is mainly attributable to the extensive long-term bond issuances during the previous year, as well as to the higher cost of loans with variable interest rates due to the increase in STIBOR. Capi-

### STABLE RENTAL REVENUE



### RISING NET OPERATING INCOME AND STABLE NET OPERATING INCOME RATIO



talised interest expense for projects in progress, which was not included in net interest income and expense, totalled SEK 67 million (70) during the period. See table describing the composition of net interest income and expense on page 23.

## TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

	1 Jan. 2019– 30 Sept. 2019	1 Jan. 2018– 30 Sept. 2018	1 Jan. 2018– 31 Dec. 2018
Interest cost for loans, including charges, %	1.07	0.74	0.88
Interest swaps, net interest, %	0.13	0.08	0.09
<b>Net interest income/expense, %</b>	<b>1.21</b>	<b>0.82</b>	<b>0.97</b>
Changes in value, financial derivatives, %	2.55	1.86	1.33
<b>Total financing cost, %</b>	<b>3.76</b>	<b>2.68</b>	<b>2.30</b>

## CHANGES IN VALUE, PROPERTIES

The fair value of the Group's property holdings was set using an internal property valuation that is compared annually against external value statements where a selection of the holdings was externally valued. As of 30 September 2019, the change in value of properties with an impact on profit was SEK 2,547 million, an increase of SEK 1,748 million compared to the same period in 2018.

This increase in relation to the comparative period can mainly be attributed to the lower cost of capital and yield requirement for sub-markets with a substantial impact on fair value. The increase can also be explained by other change in value, which is attributable to projects in progress, renegotiated leases and other factors affecting value. The average yield requirement was 5.25 per cent (5.47).

The largest changes in value can be seen in the market areas Mid-Sweden and South, primarily in the Greater Stockholm Region, but also in the Gothenburg and Lund Region. These changes are generally due to favourable rental developments in the Stockholm region, as well as to the lower cost of capital and yield requirements for all of the aforementioned sub-markets, which have a stronger impact on value.

## CHANGES IN VALUE, FINANCIAL INSTRUMENTS

Changes in value in the derivative portfolio amounted to SEK -659 million (-389), which can be attributed to the substantially lower longer market interest rates and flatter yield curve to date this year. The derivative portfolio largely consists of interest rate swaps with future starts that are mainly entered into with the aim of extending the fixed interest period in the liability portfolio,

where 60 per cent of financing currently relies on variable interest rates. One third of Akademiska Hus' interest risk exposure derives from interest rate swaps, which means that even minor changes in the interest rate situation affects earnings through changes in fair value. Falling market interest rates combined with a flatter yield curve have a negative impact on profit, while the opposite is true for rising interest rates and steeper yield curve. Thus, in a fixed income market with large fluctuations in interest rates, the changes in value will be significant.

## COMPARATIVE CALCULATION, TOTAL FINANCING COST

In recent years, Akademiska Hus has had a relatively long fixed interest period in the total liability portfolio, which includes interest rate derivatives. Changes in market interest rates generate changes in the value of the interest rate derivatives. A certain proportion of interest rate derivatives is realised on an ongoing basis (monthly or quarterly), even if the maturity of the underlying instrument is long-term.

To clarify the underlying financing cost, a comparative calculation is carried out in which the cash flows of realised interest rate derivatives are also attributed (allocated) to the underlying maturity of each instrument. This allocation for the past twelve-month period corresponds with an interest expense of 0.47 per cent. The diagram below on the left shows this comparative calculation of the underlying financing cost, in which interest rates are expressed as rolling 12-month interest rate (annualised). The accrued financing cost amounted to 1.73 per cent as of 30 September. The calculation shows that the long fixed interest period has resulted in relatively stable financing costs.

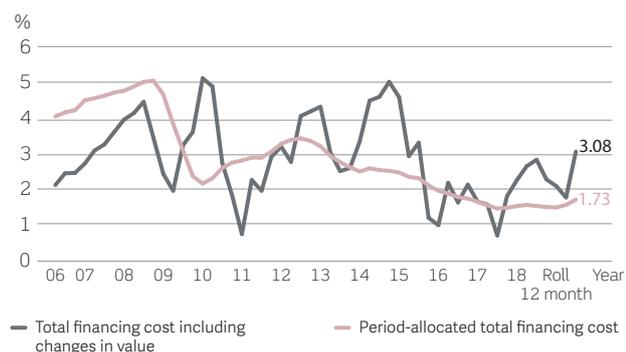
When calculating the interest coverage ratio, the capitalised interest expense and accrued earnings from the closed interest rate derivatives are included. The interest coverage ratio continues to be high at 643 per cent (808), see diagram below.

## TAX

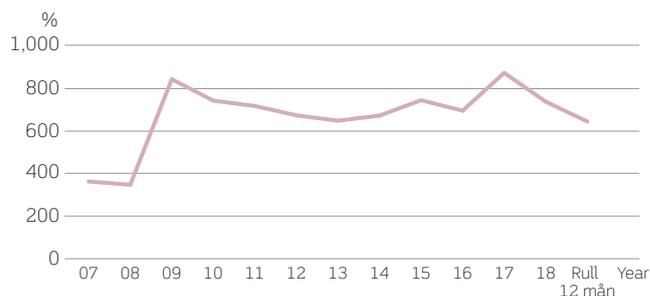
The corporate tax was lowered to 21.4% in 2019 as a first step and will be further lowered to 20.6% in 2021. The current tax for the year of SEK 323 million was calculated at a rate of 21.4%. Deferred taxes will be revalued based on the tax rate applicable at the time when the deferred tax is expected to be settled. This means that the deferred tax liability has been calculated at 20.6%.

The interest deduction in the corporate sector has been limited beginning on 1 January 2019. The new rules are not expected to have any effect on the tax calculation for the year.

### COMPARATIVE CALCULATION TOTAL FINANCING COST, ROLLING 12-MONTH BASIS



### INTEREST COVERAGE RATIO



# Statement of financial position

Consolidated statement of financial position, summary, SEK m	30 Sept. 2019	30 Sept. 2018	31 Dec. 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Properties	90,416	83,317	85,865
Site leasehold rights	2,736	—	—
Equipment, fixtures and fittings	22	25	23
Derivatives	6,188	1,286	1,614
Other non-current receivables	488	312	430
<b>Total non-current assets</b>	<b>99,851</b>	<b>84,941</b>	<b>87,933</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Derivatives	65	256	67
Other current receivables	1,973	2,075	2,173
<b>Total current receivables</b>	<b>2,038</b>	<b>2,330</b>	<b>2,240</b>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents	3,959	2,901	3,304
<b>Total cash and cash equivalents</b>	<b>3,959</b>	<b>2,901</b>	<b>3,304</b>
<b>Total current assets</b>	<b>5,997</b>	<b>5,231</b>	<b>5,544</b>
<b>TOTAL ASSETS</b>	<b>105,848</b>	<b>90,172</b>	<b>93,477</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	44,922	40,847	42,832
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans	32,369	27,120	28,262
Derivatives	2,616	750	941
Deferred tax	12,290	11,120	11,630
Non-current liabilities, site leasehold rights	2,736	—	—
Other non-current liabilities	615	565	602
<b>Total non-current liabilities</b>	<b>50,627</b>	<b>39,554</b>	<b>41,435</b>
<b>Current liabilities</b>			
Loans	3,647	6,047	5,259
Derivatives	12	160	136
Other current liabilities	6,640	3,564	3,815
<b>Total current liabilities</b>	<b>10,299</b>	<b>9,771</b>	<b>9,210</b>
<b>Total liabilities</b>	<b>60,926</b>	<b>49,325</b>	<b>50,645</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>105,848</b>	<b>90,172</b>	<b>93,477</b>

# Comment: Statement of financial position

## PROPERTIES

As of the end of the third quarter, the fair value of Akademiska Hus' property holdings totalled SEK 90,416 million. This is an increase of SEK 4,551 million and 5.3 per cent compared to 31 December 2018. Fair value includes the completed portions of projects in progress of which 2.3 per cent is attributable to investments. At the end of the year, projects in progress totalled SEK 5,955 million. The change in value with an impact on profit including capitalised interest expense was SEK 2,547 million (799). Other changes relate to investments and sales, where we sold part of the property Ultuna 2:23, called "Stallarna" (the stable), to the Swedish University of Agricultural Sciences for SEK 355 million during the first quarter of 2019.

The fair value was calculated by means of an internal property valuation covering all the Company's properties. The value is affected by property-specific conditions such as net operating income, rent levels, vacancy levels, lease term and property

type, as well as by market-related yield targets and cost of capital. The average yield requirement was 5.25 per cent, a decline of 0.13 percentage points since January 1.

Akademiska Hus engages an external rating agency to verify the yield requirement and fixed costs on a quarterly basis to ensure that market rates are applied in the internal valuation. Each year 25–30 per cent of the property portfolio is also valued by external valuation professionals. External valuations are used as a benchmark for the internal valuation, thereby confirming its reliability that we end up within the interval stated below.

All property valuation includes assessments that are associated with a certain degree of uncertainty. A normal uncertainty range in conjunction with a property valuation is +/- five to ten per cent, which would be equivalent to approximately SEK +/- 4,520 to 9,040 million in the Akademiska Hus portfolio.

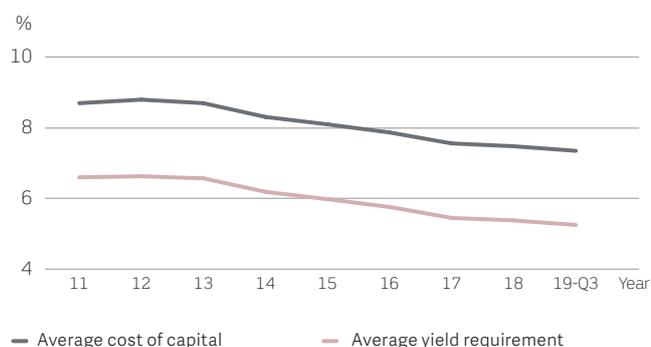
### PROPERTIES 30 SEPTEMBER 2019 (incl. new construction in progress and capitalised interest expense)

Change in property holdings, SEK m	30 Sept. 2019	30 Sept. 2018	31 Dec. 2018
Opening fair value	85,865	80,444	80,444
+ Investment in new construction, extensions and redevelopment	2,360	2,080	2,842
+ Acquisitions	—	—	—
- Sales	-355	-6	-6
<b>+/- Change in fair value</b>	<b>2,547</b>	<b>799</b>	<b>2,585</b>
Of which change in value due to a change in the cost of capital and yield requirement	1,441	80	1,385
Of which other change in value	1,106	719	1,200
<b>CLOSING FAIR VALUE</b>	<b>90,416</b>	<b>83,317</b>	<b>85,865</b>

## SITE LEASEHOLD RIGHTS

With effect from 1 January 2019 the Group applies the new rules in accordance with IFRS 16 Leases. This means that the lease liability for site leasehold fees amounts to SEK 2,736 million and is recognised as a long-term debt. A corresponding right-of-use asset is recognised in the balance sheet under non-current assets.

### YIELD REQUIREMENTS AND COST OF CAPITAL



### CHANGE IN VALUE BY SEGMENT

including investments in new construction, extensions and redevelopment, as well as sales

Segment	Change in value, %	Contribution to change in value, percentage points
South	7.6	1.7
Mid-Sweden	6.1	3.2
North	1.5	0.4
<b>Total</b>		<b>5.3</b>

## FINANCING

Credit spreads remained narrow during the third quarter. Liquidity has been very good, for which reason funding needs have been limited. Net repurchases and maturities of bonds during the quarter enabled an issue of SEK 500 million with a maturity of 5 years in the Swedish bond market. The net liability portfolio increased by SEK 5,075 million since the beginning of the year, which is largely attributable to revaluation effects in accordance with IFRS 9 (for more information, see notes 20 and 21 in the 2018 annual report).

## NET LOAN LIABILITY <sup>1)</sup>

SEK m	30 Sept. 2019	30 Sept. 2018	31 Dec. 2018
Gross loan debt	-36,016	-33,166	-33,521
Assets			
Collateral for derivatives, net	-3,666	-536	-891
Cash and cash equivalents	3,959	2,901	3,304
Other current receivables	232	326	692
<b>Total net loan liability</b>	<b>-35,491</b>	<b>-30,475</b>	<b>-30,416</b>

1) The net liability portfolio has been redefined for the 2018 annual report. Derivatives are now excluded from the concept. As a result, the comparative figures have been restated.

## FIXED INTEREST PERIOD AND MATURITY

The long-term bond issuances of recent years helped to keep the long tied-up capital at close to 11 years. Bonds denominated in foreign currency are swapped for SEK with floating interest rates and therefore do not entail a corresponding extension of maturity. Interest rate risk in the debt portfolio is instead primarily managed using interest rate derivatives. As previously, debt management will focus on allocating the portfolio's interest rate risk to the most effective periods.

Normally, financial markets price in long-term fixed interest periods and maturities at higher risk premiums. The objective of debt management is therefore to balance the additional costs of long-term fixed interest periods and maturities, and thus limit uncertainty, against savings of more short-term fixed interest periods and maturities, where greater uncertainty is accepted.

## The liability portfolio is allocated as follows:

- Basic portfolio – ECP, commercial papers, loans, bonds and interest rate derivatives.
- Long-term portfolio – bonds denominated in SEK with both fixed interest and maturity terms longer than 15 years.
- Index-linked bond portfolio – bonds linked to the real interest rate.

## FIXED INTEREST PERIOD AND MATURITY, YEARS

	Fixed interest, years, Sept. 2019	Fixed interest, years, Dec. 2018	Maturity, years, Sept. 2019	Maturity, years, December 2018
Basic portfolio	3.8	4.1	8.8	8.5
Long-term portfolio	21.1	21.8	21.1	21.8
Index-linked bond portfolio	5.7	3.8	5.7	3.8
<b>Total portfolio</b>	<b>6.9</b>	<b>7.3</b>	<b>10.9</b>	<b>10.8</b>

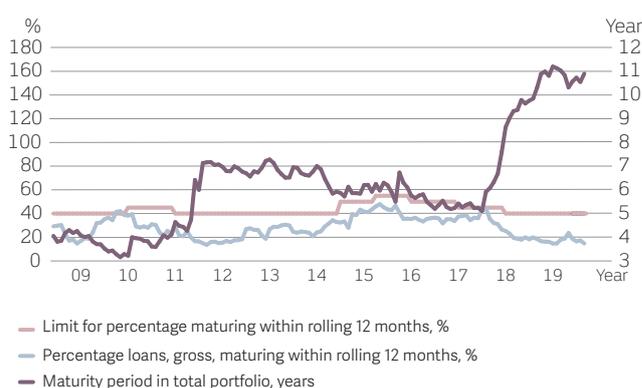
Year	Maturity, SEK m	Fixed interest, SEK m
2019	2,136	12,538
2020–2024	11,010	12,783
2025–2029	6,546	1,400
2030–2034	776	200
2035–2039	2,626	1,895
2040–2044	5,812	2,736
2045–2049	3,351	705
<b>TOTAL</b>	<b>32,257</b>	<b>32,257</b>

The table above shows the nominal amounts. Bonds denominated in foreign currency are swapped for SEK through currency interest-rate swaps. Consequently, all future repayments are currency hedged.

## FIXED INTEREST PERIOD IN TOTAL PORTFOLIO



## AVERAGE MATURITY AND PORTION OF DEBT MATURING



## PROJECTS

The project portfolio refers to future investments over the next few years, with an emphasis on the Stockholm area, where there are several large new construction and renovation projects.

Our approved and planned projects totalled SEK 15,600 million, of which about SEK 6,000 million has already been invested in projects in progress. This quarter no major new buildings were completed and the biggest change is that the redevelopment and extension of the Faculty of Fine, Applied, and Performing Arts, Artisten, has been added as a planned project (SEK 1,500 million). Of the approved projects in progress, the two largest are Albano (SEK 3,300 million), with completion expected 2020–2022, and phase 4 of Ångström (SEK 1,200 million).

We have several student housing projects in our project portfolio and many more are expected. Approved projects include four student housing projects totalling SEK 1,300 million.

## PROJECT PORTFOLIO

SEK m	30 Sept. 2019	31 Dec. 2018
Approved projects	10,100	9,900
Planned projects	5,500	4,100
<b>APPROVED AND PLANNED PROJECTS</b>	<b>15,600</b>	<b>14,000</b>
of which already invested in projects in progress	-6,000	-4,400
<b>REMAINDER OF APPROVED AND PLANNED PROJECTS</b>	<b>9,600</b>	<b>9,600</b>

The different investments are categorised as:

- Approved projects.
- Planned projects – have an inquiry or planning framework, where some form of agreement exists between the Company and the tenant.

## APPROVED PROJECTS

Property	Location	Type of premises	Investment limits SEK m	Percentage accrued, %	Additional floor space, m <sup>2</sup>	Expected completion	Customer
Albano	Stockholm	Education	3,302	49	100,000	2022-Q2	Stockholm University
Ångström Phase 4	Uppsala	Laboratory	1,185	27	30,000	2022-Q4	Uppsala University
Humanisten	Gothenburg	Offices	668	100	12,100	2019-Q4	University of Gothenburg
LTH Maskinteknik	Lund	Education	499	3	19,000	2022-Q2	Lund University
KI Residence	Stockholm	Residential	434	4	15,500	2020-Q1	Karolinska Institutet
Valla Student Building	Linköping	Education	411	100	13,500	2019-Q3	Linköping University
Student accommodation Teknikringen	Stockholm	Residential	400	83	8,900	2019-Q3	Akademiska Hus
A Working Lab	Gothenburg	Other	381	98	9,600	2019-Q3	Akademiska Hus
Medical Biology Centre	Umeå	Laboratory	306	100	1,800	2020-Q1	Umeå University
A house	Stockholm	Other	317	56	3,500	2020-Q1	Akademiska Hus
Hydra student housing	Uppsala	Residential	193	–	4,600	2020-Q2	Akademiska Hus
Polstjärnan student housing	Luleå	Residential	183	99	6,000	2020-Q1	Akademiska Hus
ITC	Uppsala	Education	156	14	–	2020-Q3	IT Gymnasiet Sverige AB
GIH swimming centre	Stockholm	Other	118	69	–	2019-Q3	City of Stockholm
Child and youth studies Frescati Backe	Stockholm	Education	111	57	–	2019-Q3	Stockholm University
Projects under SEK 100 million			1,451				
<b>TOTAL</b>			<b>10,100</b>				

## Changes in group equity

Changes in group equity in brief, SEK m	Attributable to the Parent Company's shareholder					Total equity
	Share capital	Other contribut- ed capital	Hedge reserve	Actuarial profit and loss	Profit for the year brought forward	
<b>EQUITY, 1 JAN. 2018</b>	<b>2,135</b>	<b>2,135</b>	<b>7</b>	<b>-1</b>	<b>34,910</b>	<b>39,186</b>
Dividends <sup>1</sup>	—	—	—	—	-1,630	-1,630
Total comprehensive income, Jan.–Sept. 2018	—	—	-7	—	3,297	3,290
<b>EQUITY, 30 SEPT. 2018</b>	<b>2,135</b>	<b>2,135</b>	<b>0</b>	<b>-1</b>	<b>36,577</b>	<b>40,847</b>
Total comprehensive income, July–Dec. 2018	—	—	—	-32	2,017	1,985
<b>EQUITY, 31 DEC. 2018</b>	<b>2,135</b>	<b>2,135</b>	<b>0</b>	<b>-33</b>	<b>38,594</b>	<b>42,832</b>
Dividends <sup>2</sup>	—	—	—	—	-1,663	-1,663
Total comprehensive income, Jan.–Sept. 2019	—	—	—	—	3,753	3,753
<b>EQUITY, 30 SEPT. 2019</b>	<b>2,135</b>	<b>2,135</b>	<b>0</b>	<b>-33</b>	<b>40,684</b>	<b>44,922</b>

1) Dividend of SEK 1,630,000,000 was authorised by the Annual General Meeting on 27 April 2018.

2) Dividend of SEK 1,663,000,000 was authorised by the Annual General Meeting on 29 April 2019.

## Consolidated statement of cash flows

Consolidated statement of cash flows, summary, SEK m	2019 Jan.–Sept.	2018 Jan.–Sept.	2018 Full-year
<b>CURRENT OPERATIONS</b>			
Profit before tax	4,737	3,300	5,818
Adjustment for items not included in the cash flow	-2,034	-962	-2,313
Tax paid	-308	-302	-378
<b>CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL</b>	<b>2,395</b>	<b>2,035</b>	<b>3,127</b>
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL<sup>1</sup></b>			
Increase (-)/decrease (+) in current receivables	309	-439	-543
Increase (+)/decrease (-) in current liabilities	177	19	414
<b>CASH FLOW FROM CURRENT OPERATIONS</b>	<b>2,881</b>	<b>1,615</b>	<b>2,998</b>
<b>INVESTING ACTIVITIES</b>			
Investment in properties	-2,293	-2,010	-2,753
Sale of properties	355	6	6
Investment in other non-current assets	-5	-23	-23
Increase (-)/decrease (+) in non-current receivables	-58	-103	-221
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-2,001</b>	<b>-2,130</b>	<b>-2,991</b>
<b>FINANCING ACTIVITIES</b>			
Raising of interest-bearing loans, excluding refinancing	10,742	14,102	17,863
Repayment of loan	-11,833	-15,734	-19,876
Interest paid	-252	-208	-335
Realised derivatives and CSA	2,781	407	795
Dividend paid	-1,663	-1,630	-1,630
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-225</b>	<b>-3,063</b>	<b>-3,183</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>655</b>	<b>-3,578</b>	<b>-3,175</b>
Opening cash and cash equivalents	3,304	6,479	6,479
Closing cash and cash equivalents	3,959	2,901	3,304

## Comment: Statement of cash flows

Cash flow from current operations before changes in working capital totalled SEK 2,395 million (2,035). The impact of investments in properties on cash flow was SEK -2,293 million (-2,010). Cash flow from investing activities includes the sale to the Swedish University of Agricultural Sciences of SEK 355 million relating to part of the property Ultuna 2:23.

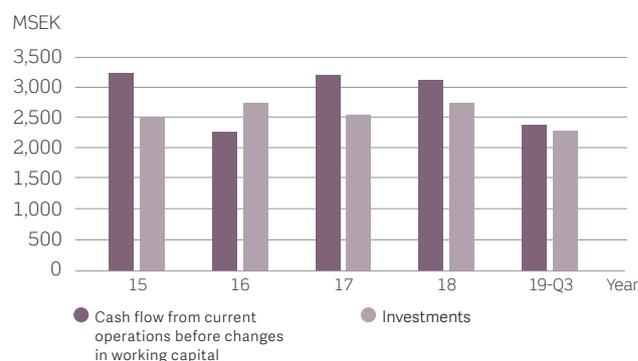
Cash flow relating to financing activities amounted to SEK -225 million (-3,063). The improved cash flow is due to a decrease in net amortisation and an increased inflow of CSA collateral as a result of higher receivables in relation to derivative counterparties.

Total cash flow for the year was SEK 655 million (-3,578).

### CASH FLOW AND INVESTMENTS

Total cash flow from current operations before change in working capital during the period 2015 to September 2019 was SEK 14,270 million. Investments during the same period totalled SEK 12,871 million. The diagram shows that cash flow from current operations is reinvested largely in new construction as well as in redevelopment and extensions of existing holdings.

### STABLE CASH FLOW FROM CURRENT OPERATIONS



## Risk management

The Board decides each year, in conjunction with the strategy seminar, on long-term development, the strategic plan, the competitive situation and total risk exposure. The Board of Directors also regularly monitors how the organisation handles the risks that can arise in business operations. This means that

risks can be identified, analysed, assessed and handled effectively. Major disputes are reported on an ongoing basis to the Board of Directors. The Company has not identified any significant risks other than those described on pages 43–47 of the 2018 Annual Report.

### SENSITIVITY ANALYSIS, PROPERTY VALUE 30 SEPT. 2019

Change	Impact on pre-tax profit, SEK m	Impact on fair value, SEK m <sup>1)</sup>	Impact on fair value, percentage points
Rental revenue, +/- one per cent	61	446	0.5
Vacant space, +/- one percentage point	58	-729	-0.8
Operating costs, +/- one per cent	9	-88	-0.1
of which media provision	6	-44	0.0
Cost of capital, + one percentage point	-5,246	-5,246	-5.8
Cost of capital, - one percentage point	5,782	5,782	6.4
Yield target, + one percentage point	-7,176	-7,176	-7.9
Yield target, - one percentage point	10,809	10,809	12.0

1) Refers only to properties subjected to discounted cash flow analysis.

# Consolidated segments

## THE GROUP'S GEOGRAPHICAL SEGMENTS IN BRIEF

Segment information 1 JAN. 2019-30 SEPT. 2019, SEK million	South <sup>1</sup>	Mid-Sweden <sup>2</sup>	North <sup>3</sup>	Total, operating segments	Other operations <sup>4</sup>	Group
Revenue, including other operating revenue	1,225	2,228	1,246	4,699	—	4,699
Property management costs, including other operating costs	-403	-503	-416	-1,322	-136	-1,458
<b>NET OPERATING INCOME</b>	<b>822</b>	<b>1,725</b>	<b>830</b>	<b>3,377</b>	<b>-136</b>	<b>3,241</b>
Central administration costs						-53
Interest income						35
Interest expense						-311
Site leasehold fees						-63
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>						<b>2,850</b>
Change in value, properties	983	1,278	286	2,547	—	2,547
Change in value, financial instruments						-659
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>4,737</b>
Total assets include:						
Properties	21,053	47,684	21,679	90,416	—	90,416
of which invested during the year	499	1,480	382	2,360	—	2,360
<b>Segment information 1 Jan. 2018–30 Sept. 2018, SEK m</b>						
Revenue, including other operating revenue	1,215	2,148	1,266	4,629	-40	4,589
Property management costs, including other operating costs	-384	-589	-358	-1,331	-138	-1,470
<b>NET OPERATING INCOME</b>	<b>831</b>	<b>1,559</b>	<b>908</b>	<b>3,298</b>	<b>-178</b>	<b>3,119</b>
Central administration costs						-54
Interest income						-27
Interest expense						-202
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>						<b>2,890</b>
Change in value, properties	-24	466	357	799	—	799
Change in value, financial instruments						-389
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>3,300</b>
Total assets include:						
Properties	19,083	43,349	20,885	83,317	—	83,317
of which invested during the year	394	1,374	312	2,080	—	2,080
<b>Segment information 1 Jan. 2018–31 Dec. 2018, SEK m</b>						
Revenue, including other operating revenue	1,617	2,861	1,639	6,117	—	6,117
Property management costs, including other operating costs	-575	-887	-518	-1,980	-199	-2,179
<b>NET OPERATING INCOME</b>	<b>1,042</b>	<b>1,974</b>	<b>1,121</b>	<b>4,137</b>	<b>-199</b>	<b>3,938</b>
Central administration costs						-78
Interest income						32
Interest expense						-300
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>						<b>3,592</b>
Change in value, properties	322	1,532	731	2,585	—	2,585
Change in value, financial instruments						-360
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>5,818</b>
Total assets include:						
Properties	19,571	44,927	21,367	85,865	—	85,865
of which invested during the year	536	1,887	419	2,842	—	2,842

1) South: Lund, Alnarp, Malmö, Kristianstad, Karlstad, Skövde, Gothenburg, Borås.

2) Mid-Sweden: Stockholm, Linköping, Norrköping, Örebro.

3) North: Uppsala, Gävle, Umeå, Luleå.

4) "Other operations" refer to operations that are not attributable to the respective segment.

## Parent Company income statement

Parent Company income statement, summary, SEK m	2019 July–Sept.	2018 July–Sept.	2019 Jan.–Sept.	2018 Jan.–Sept.	2018 Full-year
Income from property management	1,579	1,508	4,809	4,590	6,118
Property management expenses	-501	-492	-1,507	-1,470	-2,182
<b>NET OPERATING INCOME</b>	<b>1,078</b>	<b>1,016</b>	<b>3,302</b>	<b>3,120</b>	<b>3,936</b>
Central administration costs	-16	-19	-53	-54	-78
Depreciation and impairment as well as reversed impairment in property management	-334	-325	-1,226	-936	-1,315
<b>PROFIT BEFORE FINANCIAL ITEMS</b>	<b>729</b>	<b>672</b>	<b>2,023</b>	<b>2,131</b>	<b>2,543</b>
Interest income	9	4	35	27	32
Interest expense	-154	-90	-378	-272	-392
Change in value, financial instruments	-338	43	-659	-389	-360
Appropriations	—	—	—	—	-138
<b>PROFIT BEFORE TAX</b>	<b>246</b>	<b>629</b>	<b>1,022</b>	<b>1,496</b>	<b>1,686</b>
Tax	-52	-128	-219	-177	-192
<b>PROFIT FOR THE PERIOD</b>	<b>194</b>	<b>501</b>	<b>803</b>	<b>1,319</b>	<b>1,494</b>

## Parent Company statement of comprehensive income

Parent Company statement of comprehensive income, summary, SEK m	2019 July–Sept.	2018 July–Sept.	2019 Jan.–Sept.	2018 Jan.–Sept.	2018 Full-year
Profit for the period	194	501	803	1,319	1,494
Reclassifiable items					
Profit/loss from cash flow hedges	—	—	—	—	—
Tax attributable to cash flow hedges	—	—	—	—	—
Cash flow hedges, reclassified to the income statement	—	—	—	-7	-7
<b>TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7</b>	<b>-7</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>194</b>	<b>501</b>	<b>803</b>	<b>1,312</b>	<b>1,487</b>

# Parent Company balance sheet

Parent Company balance sheet, summary, SEK m	30 Sept. 2019	30 Sept. 2018	31 Dec. 2018
<b>ASSETS</b>			
Non-current assets			
Properties	45,201	44,018	44,374
Equipment, fixtures and fittings	22	25	23
Shares in Group companies	1	1	1
Derivatives	6,188	1,286	1,614
Other non-current receivables	488	312	430
<b>Total non-current assets</b>	<b>51,900</b>	<b>45,642</b>	<b>46,442</b>
Current assets			
Derivatives	65	256	67
Other current receivables	1,973	2,075	2,173
Cash and cash equivalents	3,959	2,901	3,304
<b>Total current assets</b>	<b>5,997</b>	<b>5,231</b>	<b>5,543</b>
<b>TOTAL ASSETS</b>	<b>57,896</b>	<b>50,873</b>	<b>51,986</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	5,817	6,501	6,677
Untaxed reserves	4,344	4,206	4,344
<b>LIABILITIES</b>			
Non-current liabilities			
Loans	32,369	27,120	28,262
Derivatives	2,616	750	941
Deferred tax	2,093	2,165	2,197
Other non-current liabilities	356	356	351
<b>Total non-current liabilities</b>	<b>37,434</b>	<b>30,391</b>	<b>31,752</b>
Current liabilities			
Loans	3,647	6,047	5,259
Derivatives	12	160	136
Other current liabilities	6,643	3,567	3,818
<b>Total current liabilities</b>	<b>10,302</b>	<b>9,774</b>	<b>9,213</b>
<b>Total liabilities</b>	<b>47,736</b>	<b>40,165</b>	<b>40,965</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>57,896</b>	<b>50,873</b>	<b>51,986</b>

# Parent Company

Akademiska Hus AB is the Parent Company in the Akademiska Hus Group and is wholly owned by the Swedish state. Operations comprise mainly owning and managing university and college properties. The majority of the Group's revenue is derived from leasing property for education purposes under government auspices. Essentially the entire Group's operations are conducted in the Parent Company, which means that the description of risks and uncertainties is the same in both the Group and the Parent Company.

## REVENUE AND PROFIT/LOSS

The Company's sales for the period amounted to SEK 3,302 million (3,120). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). Profit before financial items was SEK 2,023 million (2,131). Profit after tax was SEK 803 million (1,319).

## DEPRECIATION

The revaluations of investment properties made in 2014 and 2015 are depreciated at a rate such that the revaluation is fully written off when the rest of the building is fully depreciated.

## INVESTMENTS

Investment in machinery and equipment amounted to SEK 5 million (21) and in properties to SEK 2,293 million (2,010).

## EQUITY

Equity totalled SEK 5,817 million compared with SEK 6,677 million at year-end. In May 2019 a dividend of SEK 1,663 million was paid to the shareholder.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

A sales agreement was signed with Fastighets AB Balder for the properties Domherren 1 and Tre Vapen 7. The buyer takes possession on 1 October 2019.

The President hereby certifies that this Interim Report provides a true and fair overview of the Company's and the Group's operations, financial position and results and describes material risks and uncertainties that the Company and the companies that form part of the Group face.

Gothenburg, 23 October 2019

Kerstin Lindberg Göransson  
*President*

# Examination Report

To the Board of Directors of Akademiska Hus AB (publ)  
Reg. no. 556459-9156

## INTRODUCTION

We have performed a limited review of the interim financial information (interim report) for Akademiska Hus AB (publ) as at 30 September 2019 and the nine month period ending on that date. The Board and the CEO are responsible for the preparation and presentation of this financial interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

## SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A general review involves making inquiries, mainly of individuals responsible for financial and accounting matters, applying analytical and other review procedures. A review

has a different focus and significantly narrower scope than the orientation and scope of an audit in accordance with ISA and generally accepted auditing standards. The review procedures that are followed during a general review do not enable us to achieve a sufficient level of assurance to guarantee that we identify all significant circumstances that would have been identified by an audit. The conclusion reached from a general review does not therefore carry the same level of confidence as a conclusion based on an audit.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act and for the Parent Company in accordance with the Annual Accounts Act.

Gothenburg, 23 October 2019

Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg  
*Authorised Public Accountant*

# Notes

## NOTE 1 ACCOUNTING POLICIES

Akademiska Hus complies with the EU-endorsed International Financial Reporting Standards (IFRS). This Interim Report for the Group has been prepared according to IAS 34 Interim Financial Reporting, and for the Parent Company in accordance with the Annual Accounts Act and the recommendation of the Swedish Financial Reporting Board, RFR 2 Accounting for Legal Entities.

Unless stated otherwise below, the accounting policies and computation methods are the same as the accounting policies used in the most recent Annual Report.

Disclosures under IAS 34.16A are presented except in the financial statements and the related notes in other parts of the interim report.

The general principles for the valuation of financial instruments are that financial investment assets and all derivatives should be valued at fair value whilst other financial assets and financial liabilities are measured at amortised cost. 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 measured at fair value through profit or loss.

### New accounting policies 2019

With effect from 1 January 2019 the Group applies IFRS 16 Leases according to the simplified transition approach. Consequently, the standard will not be applied retroactively. The new standard will affect recognition of the Group's operating leases where the Group is the lessee.

The review identified site leasehold agreements as the most important leases, which means that leases relating to site leasehold rights are recognised in the consolidated balance sheet. However, the impact of the introduction of the standard on the financial statements has been limited, since the Group essentially operates as a lessor and leases where the Group is a lessee only arise to a limited extent in relation to the rest of the Group's operations. The transition to IFRS 16 has therefore not had any impact on the Group's equity. Since the simplified transition approach is applied, comparative figures for 2018 have not been restated. The Group has chosen to apply the exemption not to recognise short-term leases and leases of low value assets as right-of-use assets and lease liability in the balance sheet. Payments related to these leases will instead be recognised as an expense on a straight line basis over the lease term.

The lease liability for site leasehold fees as at 1 January 2019 was SEK 2,736 million. A corresponding right-of-use asset is recognised in the balance sheet. The lease liability was calculated based on an average interest rate of 3.08%. Site leasehold fees during the first three quarters of 2019 were SEK 63 million and are recognised as a financial expense after net operating income. There will be no net effect from deferred tax as the asset and liability are of equal value at the time of transition to IFRS 16.

Akademiska Hus has chosen to reverse the effect of implementation of IFRS 16 when calculating the alternative performance measures presented in the report to increase comparability.

## NOTE 2 ALTERNATIVE PERFORMANCE MEASURES

In accordance with European Securities and Markets Authority guidelines (ESMA) on reporting of alternative performance measures, the definition and reconciliation of alternative performance measures for Akademiska Hus are presented here. The guidelines entail additional disclosures regarding financial measures that are not defined in IFRS. The performance measures presented below are reported in the interim report. They are used for internal governance and follow-up and are generally accepted in the property industry. Owner objectives have also been set for return on operating capital and the equity ratio. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies.

### Return on equity

Profit before tax less the standard tax (according to the current tax rate) in relation to average equity  $(OB+CB)/2$ .

### Return on operating capital

Profit before tax excluding the change in value of financial instruments and net interest income/expense in relation to average operating capital.

### Loan-to-value ratio

Net loan liability in relation to the closing value of properties.

### Yield

Net operating income with reversal of site leasehold fees in relation to average fair value excluding buildings under construction and expansion reserves.

This performance measure shows the return from operations in relation to the value of the properties.

### Net operating income ratio

Net operating income with reversal of site leasehold fees in relation to property management income.

The net operating income ratio shows how much the Company gets to keep from each krona earned from business operations. It is a type of efficiency measure that is comparable over time.

### Net interest income and expense, composition, SEK m

	1 Jan. 2019– 30 Sept. 2019	1 Jan. 2018– 30 Sept. 2018	1 Jan. 2018–31 Dec. 2018
Net interest income/ expense, net loans and financial assets	-256	-206	-278
Net interest derivatives	-32	-19	-27
Other interest costs	-54	-51	-55
Capitalised interest ex- pense, projects	67	70	92
<b>Total net interest income/ expense</b>	<b>-275</b>	<b>-206</b>	<b>-268</b>
Change in value, independ- ent financial derivatives			
-unrealised	-796	-168	-160
-realised	-18	26	39
Changes in value, fair value hedges	155	-216	-160
<b>Total changes in value</b>	<b>-659</b>	<b>-358</b>	<b>-360</b>
Site leasehold fees	-63	—	—
<b>Financial net</b>	<b>-997</b>	<b>-564</b>	<b>-628</b>

### Net investments

Closing balance minus the opening balance for non-current assets plus depreciation and impairments minus revaluations.

### Net loan liability

All loans are included in gross loan debt. Net loan liability includes some current receivables, cash and cash equivalents and security transfers for derivatives. Pension provisions and similar items are not included.

SEK m	30 Sept. 2019	30 Sept. 2018	31 Dec. 2018
Gross loan debt	-36,016	-33,166	-33,521
Assets			
Collateral for derivatives, net	-3,666	-536	-891
Cash and cash equivalents	3,959	2,901	3,304
Other current receivables	232	326	692
<b>Total net loan liability</b>	<b>-35,491</b>	<b>-30,475</b>	<b>-30,416</b>
<b>Average interest-bearing capital (full-year basis)</b>	<b>-32,778</b>	<b>-31,352</b>	<b>-31,688</b>

### Operating capital

Equity plus interest-bearing net loan liability.

### Interest coverage ratio

Net operating income with reversal of site leasehold fees and the addition of central administration costs in relation to net financial income/expense excluding site leasehold fees, including period allocation of realised profits from derivatives and including capitalised interest in projects.

The interest coverage ratio is a financial measure that shows how many times the Company is able to pay its interest with adjusted earnings before financial items.

### Equity ratio

Equity in relation to total assets excluding site leasehold rights at the end of the period.

# Definitions/Glossary

## Operating costs

Operating costs are costs incurred to keep a property, installation or similar facility functioning. Operating costs are divided into media provision, supervision and service.

## Property administration

Cost of management, day-to-day accounting administration, leasing, contact with tenants, handling of registers, contracts and drawings, technical planning and follow-up and human resource administration.

## Rental revenue

The basic rent, index-linked, and estimated rent for vacant rentable floor space and supplements, with a deduction for vacant space and rent reductions.

## Comparable portfolio

Property holdings excluding properties that have been acquired and sold or have been classified as projects during the period or the comparison period.

## FLOOR SPACE, M<sup>2</sup>, GFS

Gross floor space of building. Comprises rentable floor space as well as common areas and the areas surrounding the building.

## FLOOR SPACE, M<sup>2</sup>

Rentable floor space in square metres.

## Maintenance costs

Costs for measures taken aimed at reinstating the original standard and function of worn or damaged parts of a building.

## Rental and vacancy levels

Leased or vacant floor space in relation to the total floor space. Financial leasing or vacant space levels are rental revenue for space leased and estimated rental revenue for vacant space in relation to the total rental revenue.

The information in this interim report is such that Akademiska Hus (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act.

## REPORT CALENDAR

Year-end report 2019 18 February 2020

Annual Report 2019 March 2020

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