

1 JANUARY – 31 DECEMBER 2019

Higher changes in value provide higher earnings

Akademiska Hus reports an increase in net operating income for 2019 compared to the previous year. During the year the Company focused on a number of innovation and development projects, several of them linked to Akademiska Hus' new office and innovation arena in Gothenburg. **Read more in the Statement by the President on page 3.**

KEY EVENTS DURING THE QUARTER

- Akademiska Hus is investing about SEK 1.8 billion in a new building that will enable the University of Gothenburg to gather large parts of its Faculty of Science operations in a single location. The building will also serve as an important piece of the puzzle for continued development at Medicinareberget. In addition to the new construction project of 32,000 square metres, Akademiska Hus is also investing in renovation of approximately 2,000 square metres of the existing Medicinarelängan facility. The project is expected to be completed in the spring of 2023.
- On 1 October 2019 Akademiska Hus took possession of the properties Domherren 1 (commonly known as A house) and Tre Vapen 7 in the Östermalm borough in Stockholm in accordance with the sales contract that Akademiska Hus and Balder signed in June 2019. The two properties are 10,400 and 11,700 square metres in size, respectively.
- Akademiska Hus is installing solar panels on seven buildings in Uppsala which will generate a total of 630,000 kWh of renewable electricity each year. The majority of the solar panels are being placed on the roofs at Uppsala University and are part of an extensive collaborative effort between Akademiska Hus and the university to develop Uppsala University's physical environment for education, research and collaboration. Akademiska Hus has set high climate targets and adopted a vision for a zero carbon footprint.
- The Solna Campus and neighbouring Hagastaden are growing and being developed with the aim of becoming the strongest life science cluster in the world. In order to provide an opportunity for new operations associated with health and medicine to become established on campus, Akademiska Hus is now investing SEK 275 million in remodelling the 24,000 square-metre Retzius Laboratory. State of the art office and lab environments will be created in this facility which, with its strategic location adjacent to Karolinska Institutet, also provides proximity to an array of other authorities, businesses and organisations.
- Together with HSB Living Lab, KTH Live-In Lab and several industry colleagues, Akademiska Hus is launching an extensive collaborative project to identify how we should design various types of housing in the future to make them as sustainable from social, environmental and economic perspectives.

FINANCIAL KEY FIGURES

January–December

- Rental revenue was SEK 6,050 million (5,928).
- Net operating income was SEK 4,121 million (3,938), which in a comparable portfolio corresponds to an increase of 1.0 per cent.
- Profit before changes in value and tax was SEK 3,589 million (3,592).
- Changes in property values totalled SEK 3,872 million (2,585), corresponding with a 4.7 per cent (3.4) increase in the value of the properties.
- Total financing cost was SEK -880 million (-628), of which SEK -503 million (-360) relates to changes in the value of financial instruments.
- Profit before tax was SEK 6,957 million (5,818) and profit for the period was SEK 5,658 million (5,314).
- Investments in redevelopment, extensions and new construction totalled SEK 3,266 million (2,842).
- The yield (excluding properties under construction) was 4.9 per cent (5.1).
- The Board of Directors proposes a dividend of SEK 1,905 million (1,663) to the 2020 Annual General Meeting.



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 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 10.5 years (10.5). The average remaining lease term is 6.5 years (6.5). The financial vacancy rate accounts for 2.2 per cent

(1.7) of our total rental revenue. The vacancy rate regarding rentable space excluding properties that will be demolished is 3.8 per cent (4.3). One reason for the relatively low vacancy rate is that new projects generally are not initiated until contracts are signed.

LONG-TERM FINANCING

Cash flow from current operations is mostly reinvested in new construction as well as in redevelopment 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.

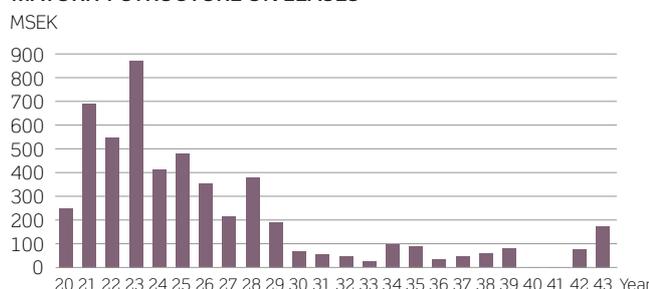
P-1

Moody's short-term rating,
Decembre 2019

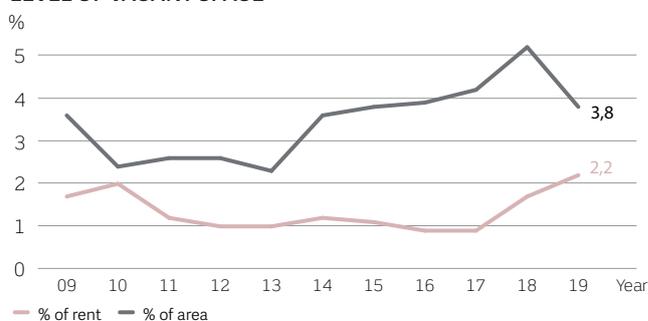
AA

Standard & Poor's long-term rating,
Stable outlook. September 2019

MATURITY STRUCTURE ON LEASES



LEVEL OF VACANT SPACE



AKADEMISKA HUS IN BRIEF

	2019 Oct.–Dec.	2018 Oct.–Dec.	2019 Full-year	2018 Full-year	2017 Full-year
Income from property management, SEK m	1,518	1,528	6,217	6,117	5,806
Net operating income, SEK m	879	819	4,121	3,938	3,829
Profit before tax, SEK m	2,220	2,517	6,957	5,818	8,311
Values as at 31 Dec. 2019					
Equity ratio ¹	45.7	45.8	45.7	45.8	43.3
Return on operating capital, % ^{1,2}	*	*	10.3	9.2	13.7
Return on equity, %	*	*	12.2	11.2	17.6
Interest coverage ratio, % ¹	*	*	665	736	871
Loan-to-value ratio, %	36.0	35.4	36.9	35.4	34.3
Yield, properties, % ^{1,3}	*	*	4.9	5.1	5.5
Yield, properties, % ^{1,4}	*	*	4.6	4.7	5.0
Assessed market value, properties, SEK m	91,424	85,865	91,424	85,865	80,444

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

¹⁾ Values for 2019 exclude the accounting effects of IFRS 16. ²⁾ The key figure has a new measures definition and the comparative figures are restated according to the new definition, which is explained on page 23.

³⁾ Excluding properties under construction and expansion reserves. ⁴⁾ Including properties under construction and expansion reserves.

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 2019 resolved on new financial objectives.

PRESIDENT KERSTIN LINDBERG GÖRANSSON COMMENTS:

An innovative year

During the year we had positive changes in the value of the property holdings of SEK 3,872 million, which along with investments resulted in a property value of over SEK 91 billion. The changes in the value of the property portfolio are higher than the previous year, which had a major impact on profit for the year which was SEK 5,658 million, compared with SEK 5,314 million the previous year.

The path towards climate neutrality

Akademiska Hus' goal is to become climate neutral. In 2019 we made a decision that of our new construction moving forward will achieve the gold level in the Miljöbyggnad environmental certification system with the exception of student housing and larger renovation projects that should achieve at least the silver level. During the year the Albano Campus in Stockholm was the first campus in the country to be certified to Citylab standards. We will continue to focus on renewable energy through initiatives such as large-scale installation of solar panels, while exploring other types of energy to invest in moving forward.

In 2019 we issued our first green bond. Interest in investing in sustainable projects that strengthen Sweden as a nation of knowledge was so strong that the issuance for a total of SEK 1,500 million was oversubscribed. The issue proceeds will be used in accordance with Akademiska Hus' green framework. I am extremely proud that the review by the independent Centre for International Climate and Environmental Research (Cicero) assigned our framework the highest possible rating – dark green.

New concept for co-working on campus

We have broadened our offering of services by launching A Working Lab (AWL), a national concept and brand for co-working, makerspace and other flexible meeting places. With this approach we promote completely new ways of working, studying and conducting research in our campusbased premises. First to open the doors was "A Working Lab – Johanneberg Science Park" at Chalmers in Gothenburg, which opened in the autumn of 2019. In 2020 we will also launch co-working in other locations such as the Umeå Campus and Solna Campus, at Karolinska Institutet.

Sweden as a nation of knowledge is growing

The majority of our cash flow is reinvested in construction projects, which is one of the principal strengths at Akademiska Hus and a source of security for our customers. During the year we completed several projects, such as the student building at Linköping University where we invested SEK 460 million in a new central hub at Campus Valla. Another example is the new Humanisten building at the University of Gothenburg, where we invested about SEK 800 million in a 32,000 square-metre redevelopment and extension project that enables the Faculty of Arts to co-locate the majority of its activities.

We are also continuing to focus on creating more student housing adjacent to the campuses. At KTH 230 flats are now completed with room for 430 undergraduate and graduate stu-



Photo: Tengbom Arkitekter

A Working Lab is Akademiska Hus' new office and innovation arena, where several innovation projects are in progress and which also includes Akademiska Hus' first environment for co-working and other flexible meeting places.

dents – the first project that have we both built and intend to manage. Akademiska Hus is involved in the production of 11,000 undergraduate and graduate student housing units by 2026. The aim is to build 5,700 of these 11,000 units under our own management.

Innovation strategy becomes reality

In 2019, we have achieved a number of advances that are in line with our mission – to strengthen Sweden as a nation of knowledge, together with our customers. Both the property and the education industries are facing changes associated with digitisation. To prepare for these changes and to secure our future relevance, we have been working on an innovation strategy for several years. In 2019 this strategy was implemented in reality, as manifested through a wide range of innovation and development projects that strengthen our core business. Several of them are associated with A Working Lab, our new office building and innovation arena at Johanneberg Science Park on the Chalmers campus in Gothenburg. We can now say that we created a building on the absolute cutting edge with respect to energy, technology and learning environments.



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

Trade negotiations between the US and China and uncertainty about the conditions for Brexit were the main themes in financial markets during the year. Deteriorating economic prospects have also had an impact and recession concerns have contributed to falling long-term interest rates, especially late in the summer. Following the election in the UK in December, where the Tories led by Boris Johnson gained the majority in Parliament, uncertainty regarding Brexit declined when it became clear that the exit would take place on 1 February 2020. Reactions to an initial US-China trade agreement have also been favourable, which contributed to some optimism towards the end of the year.

The downward trend in global economic indicators and statistics for industry appears to have stabilised somewhat at a lower level. However, the service sector, where the decline has been limited to date, is showing signs of a continued slowdown.

FINANCIAL MARKETS

In response to political uncertainty and the global economic slowdown, the US Federal Reserve (Fed) changed direction towards a more expansionary monetary policy and cut interest rates three times during the year. Similarly, the European Central Bank (ECB) has implemented monetary policy easing with reduced interest rates, while also reintroducing the bond purchasing programme. Although the Swedish central bank raised interest rates by 0.25 percentage points at the December meeting, the repo rate is then forecast to remain at zero per cent in the coming years, which, like the ECB, suggests that key rates will remain low for a long time. Christine Lagarde took over as the new President of the ECB in November and at the December meeting she repeated the need for fiscal stimulus, in the eurozone countries where it is possible, in order to support economic developments in Europe.

Progress with a US-China trade agreement and slightly improved conditions for continued negotiations in the Brexit process at the end of the year have resulted in rising international, as well as Swedish, long-term interest rates, albeit from a very low level after the fall in interest rates during the summer. Stock markets surged, supported by low interest rates and reduced political uncertainty.

RECORD HIGH VOLUME IN TRANSACTION MARKET

The commercial property market has performed well in 2019, buoyed by the robust economy combined with continued low interest rates. The Riksbank holds the opinion that the low interest rate situation with zero interest rates will continue until 2022, which means a slower rate of increase than was previously

communicated. As a result of the low interest environment, investors increasingly turned to alternative asset classes such as properties. A significant inflow of capital can be clearly seen in the transaction market where both Swedish and foreign institutions put continued pressure on yield requirements. According to the December 2019 Newsec market report for offices, as of 31 December 2019 transaction volume for the year was a record high of SEK 218 billion, an increase of SEK 61 billion or about 39 per cent compared with the previous year and SEK 17 billion or 8 per cent higher than the previous record in 2016. Domestic participants accounted for 70 per cent (72) of the transaction volume, which means that foreign investors – with a 30 per cent share (28) – assumed a more significant position than in 2018. Transactions primarily involve housing and offices, which accounted for 32 per cent and 25 per cent of the volume, respectively. As previously, 83 per cent of transactions took place in major cities and regional centres, where demand for office space remains high. Vacancy rates remain at very low levels, even though total office space continues to grow. Meanwhile, a large number of office projects are expected to be completed in the coming years. Demand for modern, space-efficient and environmentally certified buildings has increased, as reflected in higher rent levels in major cities where the majority of new production is being built.

STRONG INTEREST IN COMMUNITY PROPERTIES

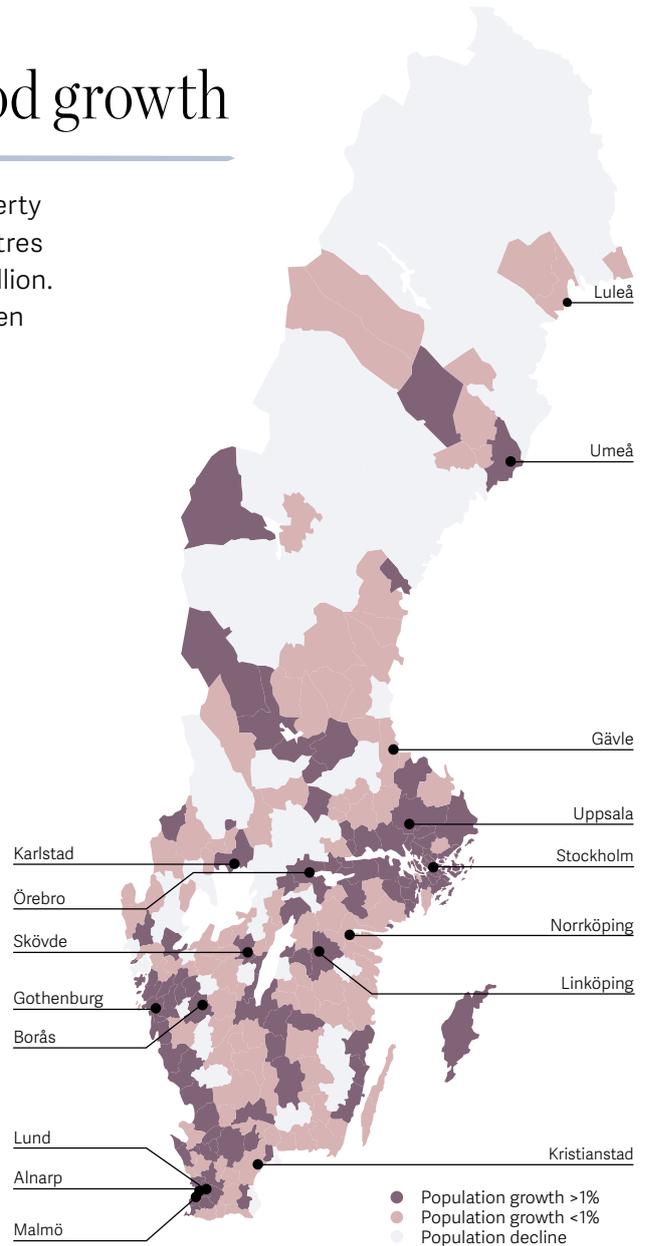
There is substantial interest in community properties in the transaction market, where the share of the total volume amounts to 19 per cent (8), corresponding to about SEK 41 billion (13). The increase can largely be attributed to the acquisition of industry colleague Hemfosa by Samhällsbyggnadsbolaget i Norden (SBB). SBB's offering corresponded with a premium of just over 20 per cent compared with Hemfosa's share price on the Stockholm Stock Exchange before the offer was made public. The bid premium indicates increasingly lower yield requirements for community properties, which typically have long remaining contract periods and tax-financed tenants. In the sub-segment premises for higher education and research Akademiska Hus is the leader with a market share of about 60 per cent. A campus is an attractive microenvironment for education, research and related activities. Demand for on-campus premises also depends on how well the campus is integrated with the city in general. Through improved communication opportunities, increased supply of services and development of undergraduate and graduate student housing, campuses can be made more attractive for both the centres of education and the 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 91 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 at **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
Stockholm 	SEK 42 billion 945,000 m ²	Stockholm University Karolinska Institutet Royal Institute of Technology
Uppsala 	SEK 16 billion 601,000 m ²	Uppsala University Swedish University of Agricultural Sciences, Ultuna
Gothenburg 	SEK 9 billion 370,000 m ²	University of Gothenburg Chalmers University of Technology

● Akademiska Hus ● Other

Market share, per city/town	Market value and area	Largest centres of education
Lund 	SEK 8 billion 360,000 m ²	Lund University
Umeå 	SEK 4 billion 238,000 m ²	Umeå University Swedish University of Agricultural Sciences, Umeå
Linköping 	SEK 4 billion 238,000 m ²	Linköping University

Source: Market share 2019, 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 work 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.

AKADEMISKA HUS AIMS FOR MILJÖBYGGNAD GOLD

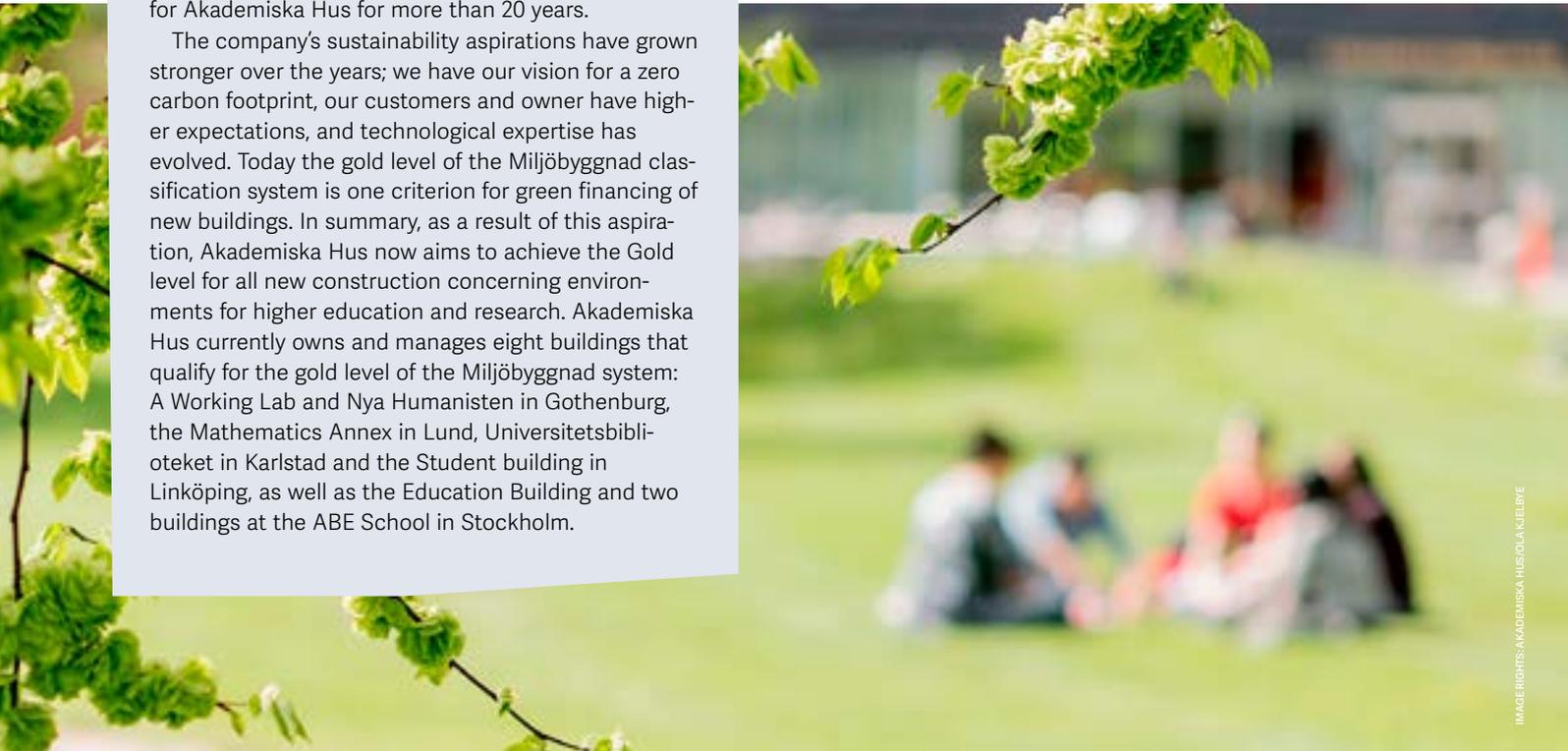
The climate issue is one of society's major challenges and sustainability has been a prioritised area of focus for Akademiska Hus for more than 20 years.

The company's sustainability aspirations have grown stronger over the years; we have our vision for a zero carbon footprint, our customers and owner have higher expectations, and technological expertise has evolved. Today the gold level of the Miljöbyggnad classification system is one criterion for green financing of new buildings. In summary, as a result of this aspiration, Akademiska Hus now aims to achieve the Gold level for all new construction concerning environments for higher education and research. Akademiska Hus currently owns and manages eight buildings that qualify for the gold level of the Miljöbyggnad system: A Working Lab and Nya Humanisten in Gothenburg, the Mathematics Annex in Lund, Universitetsbiblioteket in Karlstad and the Student building in Linköping, as well as the Education Building and two buildings at the ABE School in Stockholm.

SUSTAINABILITY INITIATIVES TOGETHER WITH OUR CUSTOMERS

Akademiska Hus has set high climate targets and we have 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 compared with 2000 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.



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 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 high on the 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 an array of 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.

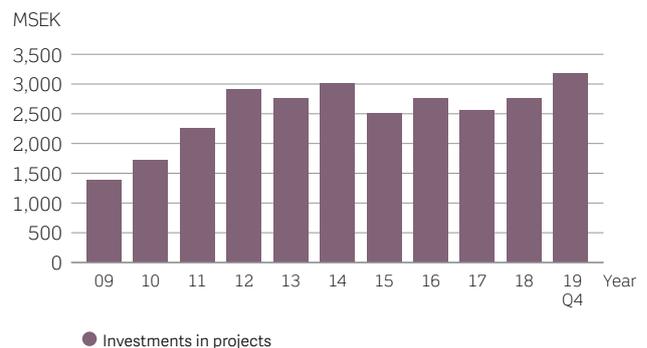
PROJECTS

The construction process represents a substantial portion of Akademiska Hus' business and our project portfolio consists of approved and planned projects for about SEK 13 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 in full swing and we see an increasingly clear interest from our customers and suppliers in the opportunities that will accompany digitisation. All over the country, we are engaged in a large number of innovative projects together with our customers, with the aim of digitising our holdings. Examples include Albano in Stockholm, where we are testing new models to shift towards a more digital approach. In another project, the campus in Örebro will be the first in the country to have a digital twin. This is made possible because Akademiska Hus and Örebro University digitally scan all campus environments, which makes the initiative the largest of its kind in Sweden. The project is part of the cooperation agreement that Akademiska Hus and Örebro University signed in the fall of 2018 with the objective of working together to make the university the most digitalised and sustainable centre of education in Sweden.

CONTINUED HIGH INVESTMENT RATE



The diagram shows annual investments in projects from 2009 to 2019. On average, Akademiska Hus has had an investment rate of about SEK 2.5 billion per year. The company has invested approximately SEK 53 billion in new construction as well as in extensions and redevelopment since 1993.

FIVE-YEAR SUMMARY	2019	2018	2017	2016	2015⁶
INCOME STATEMENTS, SEK M					
Property management income	6,217	6,117	5,806	5,666	5,646
Operating costs	-891	-894	-785	-764	-771
Maintenance costs	-619	-676	-615	-686	-618
Property administration	-430	-372	-309	-294	-316
Net operating income	4,121	3,938	3,829	3,667	3,740
Central administration costs	-70	-78	-67	-85	-72
Net interest income/expense	-377	-268	-188	-308	-347
Earnings before changes in value and taxes ¹	3,589	3,592	3,574	3,274	3,321
Change in value, properties	3,872	2,585	4,979	3,682	2,655
Change in value, financial instruments	-503	-360	-242	-241	165
Profit before tax	6,957	5,818	8,311	6,714	6,141
Profit for the year	5,658	5,314	6,453	5,148	4,780
STATEMENT OF FINANCIAL POSITION, SEK M					
Fair value, properties	91,424	85,865	80,444	73,013	66,575
Other assets	13,562	7,612	10,113	9,417	7,858
Equity	46,760	42,832	39,186	34,152	30,271
Interest-bearing liabilities	37,516	35,081	37,051	35,627	30,831
Other liabilities and provisions	20,710	15,564	14,320	12,651	13,331
CASH FLOW, SEK M					
Cash flow from current operations	3,519	2,998	2,121	2,721	2,485
Cash flow from investing activities	-1,685	-2,991	-2,341	-2,548	-2,204
Cash flow before financing	1,834	7	-220	172	281
Cash flow from financing activities	-801	-3,183	1,330	893	-534
Cash flow for the year	1,033	-3,175	1,110	1,065	-253
PROPERTY-RELATED KEY FIGURES					
Total yield, properties, %	9.5	8.5	12.5	11.4	11.0
of which direct yield, % ²	4.9	5.1	5.5	5.7	6.4
of which change in value, % ³	4.7	3.4	7.0	5.7	4.6
Rental revenue, SEK/m ²	1,820	1,791	1,715	1,697	1,710
Operating costs, SEK/m ²	268	270	241	237	242
Maintenance costs, SEK/m ²	186	204	189	212	194
Net operating income in relation to property management income, %	65	64	66	65	66
Net operating income, SEK/m ²	1,214	1,190	1,176	1,135	1,174
Level of vacant space, area, %	3.7	5.2	4.2	3.9	3.8
Level of vacant space, rent, %	2.2	1.7	1.0	0.9	1.1
Fair value, properties, SEK/m ² ⁴	25,736	24,173	22,476	20,638	19,238
Energy use, kWh/m ²	192	201	201	204	212
CO ₂ , kg/m ²	7	7	9	8	8
FINANCIAL KEY FIGURES					
Return on equity after standard tax, %	12.2	11.2	17.6	16.3	15.0
Return on operating capital, % ⁵	10.3	9.2	13.7	12.6	11.8
Return on total assets, %	7.5	6.6	10.1	10.8	10.7
Interest-bearing net loan liability, SEK m	32,900	30,416	27,976	26,962	23,924
Equity ratio, %	45.7	45.8	43.3	41.4	40.7
Interest coverage ratio, %	665	736	871	694	743
Financing cost, %	2.6	2.3	1.8	2.2	1.2
Loan-to-value ratio, %	36.0	35.4	34.3	37.0	35.9
Internal financing level, %	172.7	115	137	84	132
Ordinary dividend, SEK m	—	1,663	1,630	1,393	1,290
PERSONNEL					
Average number of employees	490	480	449	440	409

¹ There is a new heading under the income statement. Changes in value are reported separately. See also Note 1.

² Excluding properties under construction and expansion reserves.

³ Change in value in relation to average value of properties, excluding new construction in progress and expansion reserves.

⁴ Excluding the value of properties under construction and expansion reserves.

⁵ The owner's yield target is that the return on operating capital, excluding changes in value, should be at least 6.0 per cent over a business cycle. This key figure has a new definition since 2019, see page 23. Comparative figures for 2015–2018 are adjusted to simplify comparisons.

⁶ The board of directors will decide on the proposed dividend at its meeting on 17 March 2020.

⁷ 2015 figures have been adjusted to facilitate comparison. The reason is the change in accounting of tenant improvements. In addition, the distribution between property administration costs and central administration has changed.

Consolidated income statement

Consolidated income statement, summary, SEK m	2019 Oct.–Dec.	2018 Oct.–Dec.	2019 Full-year	2018 Full-year
Rental revenue	1,466	1,480	6,050	5,928
Other property management income	51	48	166	189
Total property management income	1,518	1,528	6,217	6,117
Operating costs	-231	-251	-891	-894
Maintenance costs	-219	-289	-619	-676
Property administration	-124	-106	-430	-372
Site leasehold fees	—	-20	—	-84
Other property management expenses	-65	-43	-156	-152
Total costs from property management	-638	-709	-2,096	-2,179
NET OPERATING INCOME	879	819	4,121	3,938
Central administration costs	-17	-24	-70	-78
Interest income	8	5	43	32
Interest expense	-109	-98	-420	-300
Site leasehold fees	-21	—	-84	—
PROFIT BEFORE CHANGES IN VALUE AND TAXES	740	702	3,589	3,592
Change in value, properties	1,325	1,786	3,872	2,585
Change in value, financial instruments	156	30	-503	-360
PROFIT BEFORE TAX	2,220	2,517	6,957	5,818
Tax	-315	-501	-1,300	-504
PROFIT FOR THE YEAR	1,905	2,017	5,658	5,314
Of which attributable to the shareholder in the Parent Company	1,905	2,017	5,658	5,314

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income, summary, SEK m	2019 Oct.–Dec.	2018 Oct.–Dec.	2018 Full-year	2018 Full-year
Profit for the year	1,905	2,017	5,658	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
Non-reclassifiable items				
Revaluation of defined benefit pensions	-84	-40	-84	-40
Tax attributable to pensions	17	8	17	8
TOTAL, OTHER COMPREHENSIVE INCOME FOR THE YEAR	-67	-32	-67	-39
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,838	1,985	5,591	5,275
Of which attributable to the shareholder in the Parent Company	1,838	1,985	5,591	5,275

Comment: Operating profit

FOURTH QUARTER

Profit for the quarter before changes in value and taxes was SEK 740 million (702). Change in the value of properties was SEK 1,325 million (1,786).

Net operating income improved by SEK 60 million and totalled SEK 879 million (819), mainly because of lower maintenance costs compared with the same period the previous year.

FULL-YEAR 2019

The Company's profit for the year before changes in value and taxes totalled SEK 3,589 million (3,592). The change in value of properties was SEK 3,872 million (2,585), an increase by SEK 1,287 million higher compared with 2018. The effect of change in value is reduced by increased costs related to financial items and because tax expense for the year is higher compared with the previous year, when the corporate tax rate was lowered.

Net operating income improved by SEK 183 million compared with the previous year to SEK 4,121 million (3,938), 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 1.0 per cent.

A changed accounting policy relating to site leasehold fees had a positive impact on net operating income of SEK 84 million. The change does not affect profit for the year.

RENTAL REVENUE

Rental revenue increased by SEK 122 million compared to the previous year and totalled SEK 6,050 million (5,928). 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 0.3 per cent compared to the previous year; excluding the change in vacant space, rental revenue increased by 2.2 per cent.

Other property management income amounted to SEK 166 million (189). The reduction can mainly be attributed to the lower volume of services provided to tenants, which produces a corresponding effect on other property management expenses.

LEASING LEVEL

The financial vacancy rate at the end of 2019 was 2.2 per cent (1.7) of our total rental revenue, which corresponds with SEK

141 million (109). The increased financial vacancy rate is attributable to occupancy changes at Karolinska Institutet resulting from the completion of Biomedicum. Vacant space in terms of area by the end of the year amounted to 125,000 m² (144,000), which is 3.8 per cent (4.3) of our total rentable area of 3.3 million m² (3.3).

OPERATING AND MAINTENANCE COSTS

Expenses for operation and maintenance decreased by SEK 60 million and amounted to SEK 1,510 million (1,570). The lower costs are due to both lower operating costs and lower maintenance costs.

Operating costs involve supervision and service, as well as media provision. Operating costs of SEK 891 million (894) include media provision of SEK 576 million (595), equivalent to SEK 174/m² (180) over the past 12 months.

Maintenance costs declined by SEK 57 million compared to the same period the previous year and totalled SEK 619 million (676). The reduced costs mainly relate to project maintenance.

In a comparable portfolio operating and maintenance costs decreased by 2.6 per cent.

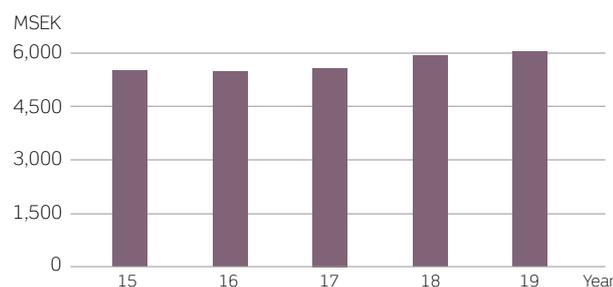
ADMINISTRATION COSTS

Property administration amounted to SEK 430 million (372). The increase is primarily attributable to the full-year effect of hiring related to strategic decisions and changes in the organisation. In general, costs related to development work related to innovation, new business concepts, and our IT deliverables increased compared with the previous year. Central administration declined by SEK 8 million to SEK 70 million (78).

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 377 million (268) during the period, corresponding to an interest rate of 1.21 per cent (0.97). The increase is mainly attributable to the higher cost of loans with variable interest rates due to the increase in STIBOR. Capitalised interest expense for projects in progress, which was not included in net interest income, totalled SEK 86 million (92) during the year. See table describing the composition of net interest income and expense on page 23.

STABLE RENTAL REVENUE



RISING NET OPERATING INCOME AND STABLE NET OPERATING INCOME RATIO



TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

	1 Jan. 2019– 31 Dec. 2019	1 Jan. 2018– 31 Dec. 2018
Interest cost for loans, including charges, %	1.07	0.88
Interest swaps, net interest, %	0.14	0.09
Net interest income/expense, %	1.21	0.97
Changes in value, financial derivatives, %	1.39	1.33
Total financing cost, %	2.60	2.30

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 31 December 2019 the change in value of properties with an impact on profit was SEK 3,872 million, an increase of SEK 1,287 million compared with 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 the value in the company. The remaining portion can 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 5.13 per cent (5.38).

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 -503 million (-360), which can be attributed to the lower market interest rates and flatter yield curve during the year. The derivative portfolio largely consists of interest rate swaps 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. During the year, the swap portfolio was restructured, where interest rate swaps with a future start were closed and new interest rate swaps were entered into. The closed swaps have had negative market values, which have been realised, especially during the fourth

quarter. 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 portion 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 0.41 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 finance charge amounted to 1.62 per cent as of 31 December. The calculation shows that the long fixed interest period has resulted in relatively stable financing costs.

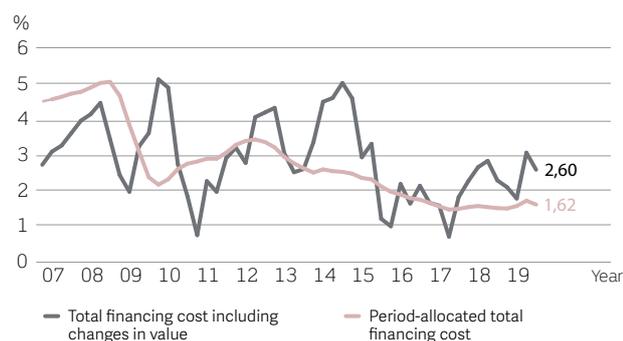
When calculating the interest coverage ratio, the capitalised interest expense and accrued earnings from the closed interest rate derivatives are included. The interest coverage ratio continues to be high at 665 per cent (736), see diagram below.

TAX

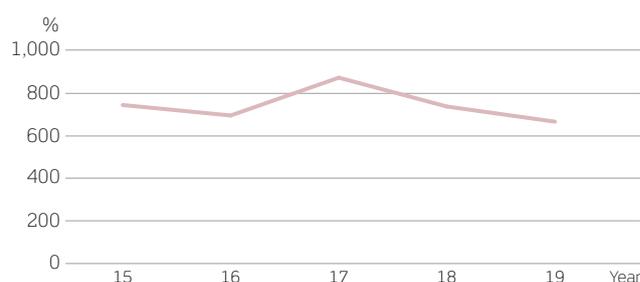
The corporate tax was decreased to 21.4% in 2019 as a first step and will be further lowered to 20.6% in 2021. The current tax for the year of SEK 336 million was calculated at a rate of 21.4%. Deferred taxes will be revalued based on the tax rate applicable at the time when the deferred tax is expected 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 have no effect on the taxes for the year.

COMPARATIVE CALCULATION TOTAL FINANCING COST, ROLLING 12-MONTH BASIS



INTEREST COVERAGE RATIO



Consolidated balance sheet

Consolidated balance sheet, summary, SEK m	31 Dec. 2019	31 Dec. 2018
ASSETS		
Non-current assets		
Capitalised expenditure	4	—
Properties	91,424	85,865
Site leasehold rights	2,736	—
Equipment, fixtures and fittings	21	23
Derivatives	4,304	1,614
Other non-current receivables	504	430
Total non-current assets	98,993	87,933
Current assets		
Current receivables		
Derivatives	14	67
Other current receivables	1,642	2,173
Total current receivables	1,656	2,240
Cash and cash equivalents		
Cash and cash equivalents	4,337	3,304
Total cash and cash equivalents	4,337	3,304
Total current assets	5,993	5,544
TOTAL ASSETS	104,986	93,477
EQUITY AND LIABILITIES		
Equity	46,760	42,832
LIABILITIES		
Non-current liabilities		
Loans	30,016	28,262
Derivatives	1,660	941
Deferred tax	12,576	11,630
Non-current liabilities, site leasehold rights	2,736	—
Other non-current liabilities	773	602
Total non-current liabilities	47,762	41,435
Current liabilities		
Loans	4,932	5,259
Derivatives	134	136
Other current liabilities	5,398	3,815
Total current liabilities	10,464	9,210
Total liabilities	58,226	50,645
TOTAL EQUITY AND LIABILITIES	104,986	93,477

Comment: Balance sheet

PROPERTIES

As of the end of the fourth quarter, the fair value of Akademiska Hus' property holdings totalled SEK 91,424 million, an increase of SEK 5,559 million and 6.5 per cent compared with 31 December 2018. Fair value includes the completed portions of projects in progress. The unrealised change in value amounted to SEK 3,865 million (2,585). Remaining changes relate to investments in properties for the year of SEK 3,266 million (2,842) and sales of SEK -1,572 million (-6). In the first quarter of 2019 Akademiska Hus sold part of the property Ultuna 2:23, called "Stallarna" (the stable), to the Swedish University of Agricultural Sciences. In the fourth quarter, part of the property Studentkåren 4 was sold to Blekinge nation, while the properties Domherren 1 and Tre Vapen 7 were sold to Fastighets AB Balder.

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 5.13 per cent, a decline of 0.25 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 are 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 +/- 4,570 to SEK 9,140 million in the Akademiska Hus portfolio.

PROPERTIES 31 DECEMBER 2019

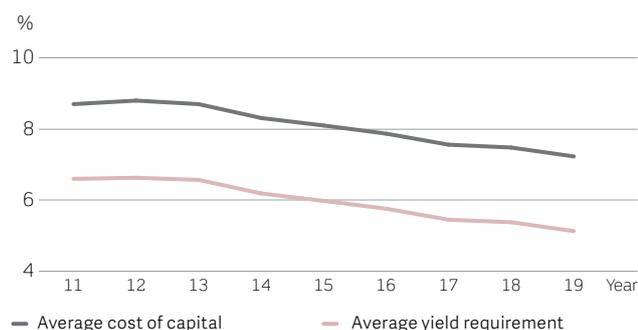
(incl. new construction in progress and capitalised interest expense)

Change in property holdings, SEK m	31 Dec. 2019	31 Dec. 2018
Opening fair value	85,865	80,444
+ Investment in new construction, extensions and redevelopment	3,266	2,842
+ Acquisitions	—	—
- Sales	-1,572	-6
+/- Change in fair value	3,865	2,585
<i>Of which change in value due to a change in the cost of capital and yield requirement</i>	<i>2,727</i>	<i>1,385</i>
<i>Of which other change in value</i>	<i>1,138</i>	<i>1,200</i>
CLOSING FAIR VALUE	91,424	85,865

SITE LEASEHOLD RIGHTS

With effect from 1 January 2019 the Group applies new accounting rules in accordance with IFRS 16 Leases. This means that the lease liability for site leasehold fees amounted 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. For calculation of site leasehold fees, please see Note 1, page 22.

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	8.9	2.0
Mid-Sweden	7.4	3.9
North	2.4	0.6
Total		6.5

FINANCING

Credit spreads narrowed at the beginning of the year and remained at a low level during the rest of the year. Demand for Akademiska Hus' bonds has been robust. However, very good liquidity has meant a limited need for funding and activity in the bond market has therefore been somewhat lower during the year. Three issuances for a total of about SEK 2,700 million were completed. A first green bond for SEK 1,500 million with a five-year term in the Swedish bond market accounted for the largest portion of issuances for the year. In addition, a 26-year issue of about SEK 700 million was made possible with investors in Central Europe. Through the repurchase of bonds with a short remaining maturity, a 5-year issue of SEK 500 million was also completed. During the year, bond repurchases totalling SEK 2,300 million were carried out, some of which related to bond maturity as early as 2019.

The net liability portfolio at year-end totalled SEK 32,900 million, corresponding to an increase of SEK 2,484 million during the year, which is largely attributable to revaluation effects in accordance with hedge accounting (for more information, see notes 20 and 21 in the 2018 annual report). The equity ratio at year-end was 45.7 per cent (45.8).

NET LOAN LIABILITY

SEK m	31 Dec. 2019	31 Dec. 2018
Gross loan debt	-34,948	-33,521
Assets		
Collateral for derivatives, net	-2,567	-891
Cash and cash equivalents	4,337	3,304
Other current receivables	278	692
Total net loan liability	-32,900	-30,416

FIXED INTEREST PERIOD AND MATURITY

The long-term bond issuances of recent years have helped to achieve a long period for tied-up capital, which at year-end was 10.7 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. At year-end, the average fixed-interest period in the total portfolio was 6.8 years.

During the fourth quarter, two committed credit facilities in the bank for a total of SEK 3,500 million were extended by one year, resulting in a maturity of two years, with an option for a one-year extension. The term for the remaining SEK 2,000 million in credit facilities is 12 months. All credit facilities were unutilised at year-end. In addition to credit facilities, surplus liquidity at year-end was SEK 4,337 million

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, Dec. 2019	Fixed interest, years, Dec. 2018	Maturity, years, Dec. 2019	Maturity, years, Dec. 2018
Basic portfolio	3.6	4.1	8.5	8.5
Long-term portfolio	20.9	21.8	20.9	21.8
Index-linked bond portfolio	5.4	3.8	5.4	3.8
Total portfolio	6.8	7.3	10.7	10.8

Year	Maturity, SEK m	Fixed interest, SEK m
2020	5,044	13,825
2021–2025	10,536	11,764
2026–2030	3,880	900
2031–2035	776	200
2036–2040	3,032	2,301
2041–2045	6,725	2,530
2046–2050	2,033	505
TOTAL	32,025	32,025

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, primarily in Stockholm and Gothenburg, where there are several large new construction and renovation projects.

Our approved and planned projects amounted to SEK 13,400 million, of which about SEK 4,600 million has already been invested in projects in progress. Several major projects were completed during the quarter for a value of SEK 2,200 million, the largest of which is Humanisten in Gothenburg (SEK 668 million). The Naturvetenskap Life project in Gothenburg has been reclassified from planned to approved project.

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 more will be added moving forward. Approved projects include four student housing projects for a total of SEK 1,300 million.

PROJECT PORTFOLIO

SEK m	31 Dec. 2019	31 Dec. 2018
Approved projects	9,100	9,900
Planned projects	4,300	4,100
APPROVED AND PLANNED PROJECTS	13,400	14,000
of which already invested in projects in progress	-4,600	-4,400
REMAINDER OF APPROVED AND PLANNED PROJECTS	8,800	9,600

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 ²	Expected completion	Customer
Albano	Stockholm	Education	3,302	57	100,000	2022-Q2	Stockholm University
Naturvetenskap life	Gothenburg	Laboratory	1,803	6	28,000	2023-Q2	University of Gothenburg
Ångström Phase 4	Uppsala	Laboratory	1,185	37	30,000	2022-Q4	Uppsala University
LTH Maskinteknik	Lund	Education	499	3	19,000	2022-Q2	Lund University
KI Residence	Stockholm	Residential	434	66	15,500	2020-Q1	Karolinska Institutet
Medical Biology Centre	Umeå	Laboratory	306	85	1,800	2020-Q1	Umeå University
Hydra student housing	Uppsala	Residential	193	30	4,600	2020-Q3	Akademiska Hus
Polstjärnan student housing	Luleå	Residential	183	89	6,000	2020-Q1	Akademiska Hus
ITC	Uppsala	Education	156	32	—	2020-Q3	IT Gymnasiet Sverige AB
Projects under SEK 100 million			1,039				
TOTAL			9,100				

Changes in group equity

Changes in group equity in brief, SEK m	Attributable to the Parent Company's shareholder					Total equity
	Share capital	Other contributed capital	Hedge reserve	Actuarial profit and loss	Profit for the year brought forward	
EQUITY, 1 January 2018	2,135	2,135	7	-1	34,911	39,186
Dividends ¹	—	—	—	—	-1,630	-1,630
Total comprehensive income, Jan.–Dec. 2018	—	—	-7	-31	5,314	5,276
EQUITY, 31 DEC. 2018	2,135	2,135	0	-32	38,595	42,832
Dividends ²	—	—	—	—	-1,663	-1,663
Total comprehensive income, Jan.–Dec. 2019	—	—	—	-67	5,658	5,591
EQUITY, 31 DEC. 2019	2,135	2,135	0	-99	42,589	46,760

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 Full-year	2018 Full-year
CURRENT OPERATIONS		
Profit before tax	6,957	5,818
Adjustment for items not included in the cash flow	-3,926	-2,313
Tax paid	-350	-378
CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	2,681	3,127
CASH FLOW FROM CHANGES IN WORKING CAPITAL¹		
Increase (-)/decrease (+) in current receivables	507	-543
Increase (+)/decrease (-) in current liabilities	330	414
CASH FLOW FROM CURRENT OPERATIONS	3,519	2,998
INVESTING ACTIVITIES		
Investment in properties	-3,180	-2,753
Sale of properties	1,579	6
Investment in other non-current assets	-10	-23
Increase (-)/decrease (+) in non-current receivables	-74	-221
CASH FLOW FROM INVESTING ACTIVITIES	-1,685	-2,991
FINANCING ACTIVITIES		
Raising of interest-bearing loans, excluding refinancing	14,518	17,863
Repayment of loan	-15,200	-19,876
Interest paid	-387	-335
Realised derivatives and CSA	1,931	795
Dividend paid	-1,663	-1,630
CASH FLOW FROM FINANCING ACTIVITIES	-801	-3,183
CASH FLOW FOR THE YEAR	1,033	-3,175
Cash and cash equivalents at the beginning of the year	3,304	6,479
Closing cash and cash equivalents	4,337	3,304

Comment: Statement of cash flows

Cash flow from current operations before changes in working capital totalled SEK 2,681 million (3,127). The impact of investment in properties on cash flow was SEK 3,180 million (2,753). Cash flow from investing activities includes a sale of SEK 1,579 million relating to part of the property Ultuna 2:23, the properties Domherren 1, Tre Vapen 7 and part of the property Studentkåren 4.

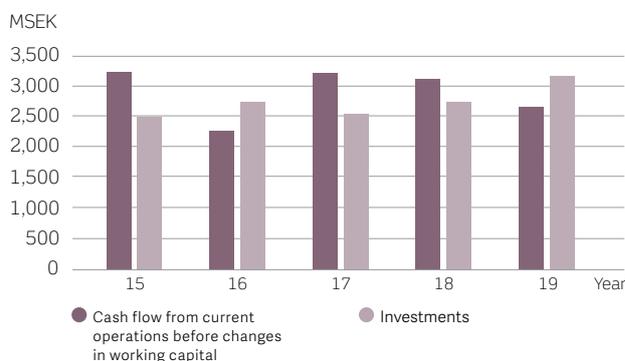
Cash flow relating to financing activities amounted to SEK -801 million (-3,183). The improved cash flow is due to a decrease in net amortisation and an increased inflow of CSA collateral as a result of higher receivables in relation to derivative counterparties.

Total cash flow for the year was SEK 1,033 million (-3,175).

CASH FLOW AND INVESTMENTS

Total cash flow from current operations before change in working capital during the period 2015 to 2019 was SEK 14,556 million. Investments during the same period totalled SEK 13,758 million. The diagram shows that cash flow from current operations is reinvested largely in new construction as well as in re-development 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 31 DEC. 2019

Change	Impact on pre-tax profit, SEK m	Impact on fair value, SEK m ¹⁾	Impact on fair value, percentage points
Rental revenue, +/- one per cent	61	458	0.5
Vacant space, +/- one percentage point	59	-748	-0.8
Operating costs, +/- one per cent	9	-90	-0.1
of which media provision	6	-45	0.0
Cost of capital, + one percentage point	-5,397	-5,397	-5.9
Cost of capital, - one percentage point	5,949	5,949	6.5
Yield target, + one percentage point	-7,567	-7,567	-8.3
Yield target, - one percentage point	11,514	11,514	12.6

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

Consolidated segments

THE GROUP'S GEOGRAPHICAL SEGMENTS IN BRIEF

Segment information 1 Jan. 2019–31 Dec. 2019, SEK million	South ¹	Mid-Sweden ²	North ³	Total, operating segments	Other operations ⁴	Group
Revenue, including other operating revenue	1,634	2,982	1,601	6,218	—	6,217
Property management costs, including other operating costs	-588	-719	-572	-1,879	-216	-2,096
NET OPERATING INCOME	1,047	2,263	1,029	4,339	-217	4,121
Central administration costs						-70
Interest income						43
Interest expense						-420
Site leasehold fees						-84
PROFIT BEFORE CHANGES IN VALUE AND TAXES						3,589
Change in value, properties	1,063	2,584	225	3,872	—	3,872
Change in value, financial instruments						-503
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME						6,957
Total assets include:						
Properties	21,306	48,239	21,879	91,424	—	91,424
of which invested during the year	688	1,936	643	3,266	—	3,266
Segment information 1 Jan. 2018–31 Dec. 2018, SEK m	South ¹	Mid-Sweden ²	North ³	Total, operating segments	Other operations ⁴	Group
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
NET OPERATING INCOME	1,042	1,974	1,121	4,137	-199	3,938
Central administration costs						-78
Interest income						32
Interest expense						-300
PROFIT BEFORE CHANGES IN VALUE AND TAXES						3,592
Change in value, properties	322	1,532	731	2,585	—	2,585
Change in value, financial instruments						-360
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME						5,818
Total assets include:						
Properties	19,571	44,927	21,367	85,865	—	85,865
of which invested during the year	536	1,886	420	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 Oct.–Dec.	2018 Oct.–Dec.	2019 Full-year	2018 Full-year
Income from property management	1,503	1,528	6,313	6,118
Property management expenses	-649	-712	-2,156	-2,182
NET OPERATING INCOME	855	816	4,157	3,936
Central administration costs	-17	-24	-70	-78
Depreciation and impairment as well as reversed impairment in property management	-354	-380	-1,580	-1,315
PROFIT BEFORE FINANCIAL ITEMS	483	412	2,506	2,543
Dividends from subsidiaries	819	—	819	—
Interest income	8	5	43	32
Interest expense	-128	-119	-506	-392
Change in value, financial instruments	156	30	-503	-360
Appropriations	-37	-138	-37	-138
PROFIT BEFORE TAX	1,301	190	2,322	1,686
Tax	-126	-14	-344	-192
PROFIT FOR THE YEAR	1,175	176	1,978	1,494

Parent Company statement of comprehensive income

Parent Company statement of comprehensive income, summary, SEK m	2019 Oct.–Dec.	2018 Oct.–Dec.	2019 Full-year	2018 Full-year
Profit for the year	1,175	176	1,978	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
TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD	0	0	0	-7
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,175	176	1,978	1,487

Parent Company balance sheet

Parent Company balance sheet, summary, SEK m	31 Dec. 2019	31 Dec. 2018
ASSETS		
Non-current assets		
Capitalised expenditure	4	—
Properties	45,318	44,374
Equipment, fixtures and fittings	21	23
Shares in Group companies	1	1
Derivatives	4,304	1,614
Other non-current receivables	504	430
Total non-current assets	50,152	46,442
Current assets		
Claims from subsidiaries	819	—
Derivatives	14	67
Other current receivables	1,642	2,173
Cash and cash equivalents	3,518	3,304
Total current assets	5,993	5,543
TOTAL ASSETS	56,144	51,986
EQUITY AND LIABILITIES		
Equity	6,992	6,677
Untaxed reserves	4,380	4,344
LIABILITIES		
Non-current liabilities		
Loans	30,016	28,262
Derivatives	1,660	941
Deferred tax	2,206	2,197
Other non-current liabilities	422	351
Total non-current liabilities	34,305	31,752
Current liabilities		
Loans	4,932	5,259
Derivatives	134	136
Other current liabilities	5,401	3,818
Total current liabilities	10,467	9,213
Total liabilities	44,772	40,965
TOTAL EQUITY AND LIABILITIES	56,144	51,986

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 revenue for the year totalled SEK 6,313 million (6,118). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). Profit before financial items was SEK 2,506 million (2,543). Profit after tax was SEK 1,978 million (1,494).

SALES

During the year four properties have been sold, part of the property Ultuna 2:23, part of the property Studentkåren 4,

Domherren 1 and Tre Vapen 7. The sales have had an impact on profit during the year of SEK -16 million (0). The sale of Domherren 1 and Tre Vapen 7 was effected through the sale of shares, thereby generating a profit of SEK 819 million in the subsidiary Akademiska Hus Holding AB.

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 21 million (23) and in properties to SEK 3,180 million (2,753).

EQUITY

Equity totalled SEK 6,992 million compared with SEK 6,677 million for the previous year. In May 2019 a dividend of SEK 1,663 million was paid to the shareholder.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No events of a material nature occurred after the end of the reporting period in either the Parent Company or the Group.

This year-end report has not been the subject of an examination by the auditors.

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, 18 February 2020

Kerstin Lindberg Göransson
President

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 in 2019 were SEK 84 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, breakdown, SEK m

	2019 Full-year	2018 Full-year
Net interest income/expense, net loans and financial assets	-342	-278
Net interest derivatives	-46	-27
Other interest costs	-74	-55
Capitalised interest expense, projects	86	92
Total net interest income/expense	-376	-268
Change in value, independent financial derivatives		
-unrealised	-263	-160
-realised	-339	-39
Changes in value, fair value hedges	98	-160
Total changes in value	-503	-360
Site leasehold fees	-84	—
Reported net interest income and expense	-964	-628

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	31 Dec. 2019	31 Dec. 2018
Gross loan debt	-34,948	-33,521
Assets		
Collateral for derivatives, net	-2,567	-891
Cash and cash equivalents	4,337	3,304
Other current receivables	278	692
Total net loan liability	-32,900	-30,416
Average interest-bearing capital (full-year) basis)	-32,805	-31,688

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, M², GFS

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

FLOOR SPACE, M²

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

Annual Report 2019	27 March 2020
Annual General Meeting	28 April 2020
Interim Report, January–March 2020	28 April 2020
Interim Report January–June 2020	10 July 2020
Interim Report January–Sept. 2020	22 Oct. 2020

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