

Interim Report

QUARTER
3-2020

1 JANUARY – 30 SEPTEMBER 2020

Stable operations in uncertain times

Akademiska Hus increased its net operating income compared to the previous year and profit before changes in value and tax improved. The company continues to have good liquidity despite the COVID-19 pandemic and interest in Akademiska Hus' green investments remains strong. **Read more in the Statement by the CEO on page 3.**

KEY EVENTS DURING THE QUARTER

- As part of its financial sustainability efforts, Akademiska Hus has issued its second green bond. Interest in investing in sustainable projects that strengthen Sweden as a nation of knowledge continues to be strong and the issuance is for a total of SEK 1,500 million. The proceeds will be used in accordance with Akademiska Hus' green framework, which has been given the highest possible rating – dark green – by the independent Centre for International Climate and Environmental Research (CICERO).
- Akademiska Hus has signed an agreement to acquire the property Alba Nova (Kattrumpstullen 1) in Stockholm from the National Property Board of Sweden. The exact purchase price will be based on market terms at 1 December 2020, but is currently expected to be about SEK 2 billion. Alba Nova consists of about 40,000 m² including one large main building and nine smaller separate buildings.
- Akademiska Hus is investing about SEK 67 million in a new building for the Nordic Genetic Resource Centre (NordGen) in Alnarp. The campus will thereby strengthen its position as a unique green meeting place for world-leading research, education and innovation. The new building will be about 1,700 square metres. Offices will account for the majority of the space, but there will also be modern lab facilities and a warehouse for seeds.
- Prizes continue to pour in for Biomedicum, one of the largest medical research labs in Europe, which Akademiska Hus built for Karolinska Institutet in Solna. As the only Swedish nominee, the building won in the prestigious international Mipim Awards 2020 competition in September. Biomedicum has previously been awarded the Building of the Year prize.

FINANCIAL KEY FIGURES

January–September

- Rental revenue was SEK 4,677 million (4,584).
- Net operating income totalled SEK 3,477 million (3,260).
- Profit before changes in value and tax was SEK 3,053 million (2,850).
- Changes in property values totalled SEK 1,588 million (2,547), corresponding with a 1.7 per cent (3.0) increase in the value of the properties.
- Total financing cost was SEK -543 million (-935), of which SEK -254 million (-659) relates to changes in the fair value of financial instruments.
- Profit before tax was SEK 4,388 million (4,737) and profit for the period was SEK 3,474 million (3,753).
- Investments in redevelopment, extensions and new construction totalled SEK 2,241 million (2,360).
- The yield (excluding properties under construction and expansion reserves) was 5.1 per cent (5.0) over the past 12 months.



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 housing 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 approximately 60 per cent.

CREDITWORTHY TENANTS AND LONG-TERM CONTRACTS

The majority of Akademiska Hus' revenue, approximately 92 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 at year end). The average remaining lease term is 6.2 years (6.5 at year end). The financial vacancy rate accounts for 2.4 per cent (2.2 at year end) of our total

rental revenue. The vacancy rate regarding rentable space excluding properties that will be demolished is 3.6 per cent (3.6 at year end). The vacancy rate is relatively low since new projects are generally not initiated until contracts have been signed.

LONG-TERM FINANCING

Cash flow from current operations is reinvested for the most part 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.

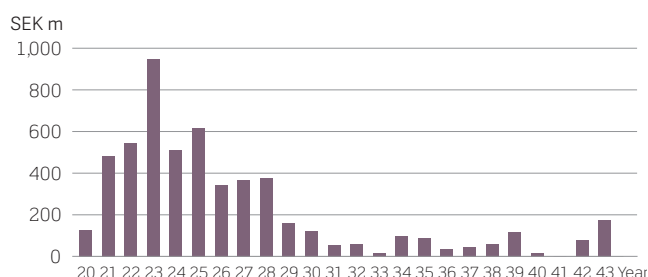
P-1

Moody's short-term rating,
December 19

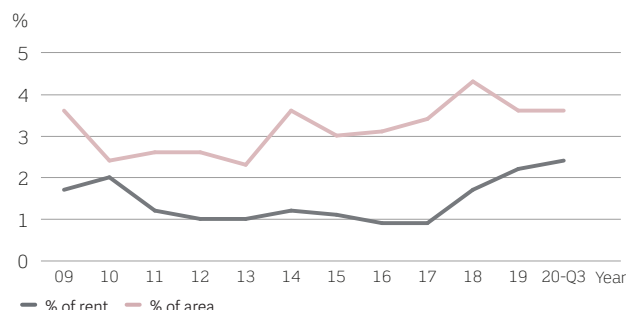
AA

Standard & Poor's long-term rating,
Stable outlook, September 20

MATURITY STRUCTURE ON LEASES



LEVEL OF VACANT SPACE



AKADEMISKA HUS IN BRIEF	2020	2019	2020	2019	Rolling 12 months Oct. 19– Sept. 20	2019	2018
	July–Sept.	July–Sept.	Jan.–Sept.	Jan.–Sept.		Full-year	Full-year
Income from property management, SEK m	1,588	1,579	4,776	4,699	6,294	6,217	6,117
Net operating income, SEK m	1,162	1,097	3,477	3,260	4,377	4,160	3,938
Profit before changes in value and taxes, SEK m:	999	934	3,053	2,850	3,793	3,589	3,592
Values as at 30/09/2020							
Equity ratio, %	43.2	42.4	43.2	42.4	43.2	44.5	45.8
Return on operating capital, %	*	*	*	*	8.6	10.3	9.2
Return on equity, %	*	*	*	*	11.1	12.2	11.2
Interest coverage ratio, %	*	*	*	*	735	679	736
Loan-to-value ratio, %	37.2	39.3	37.2	39.3	37.2	36.0	35.4
Yield, properties, % ¹	*	*	*	*	5.1	5.0	5.1
Yield, properties, % ²	*	*	*	*	4.7	4.6	4.7
Assessed market value, properties, SEK m	95,248	90,416	95,248	90,416	95,248	91,424	85,865

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

1) excluding properties under construction and expansion reserves 2) 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 value and related deferred tax.
- The equity ratio should be between 35 and 45 per cent.

CEO KERSTIN LINDBERG GÖRANSSON COMMENTS:

Close collaboration when campuses reopen

After the shutdown of all campus-based education during the spring term, the centres of education have now mostly reopened. However, distance education is still offered and most centres of education have prioritised campus-based learning for first year students and education in smaller groups in order to ensure safe working places. Consequently, we are collaborating with the centres of education to be able to utilise the premises in other ways than before and to enable centres of education to use outdoor environments to a greater extent for both teaching and meetings.

We notice that many students spend time on campus spontaneously since the start of the term; clearly they still want to be on campus to study and socialise. Many of our customers also describe the great significance of physical meetings for education and research, but note that of course, the big leap to digitalisation of learning environments will lead to major changes. It is too early to say how increased distance learning will affect the need for premises in the long term and what demands will be placed on the campus of the future, but we are carefully monitoring developments and future trends, and are maintaining close dialogue with the centres of education regarding these matters. Regarding our own operations, we comply with Public Health Agency recommendations through measures such as reduced travel and working from home as much as possible.

More students over the next few years

Demand for community properties continues to be strong, since investors view the segment as safe and with good underlying conditions, but of course the pandemic still creates some uncertainty regarding what will happen to the market in the long term. From our perspective, a weak labour market means an increase in the number of students. The government budget bill includes an initiative to create 19,000 new openings at higher education institutions.

Green investments and stable results

We continue to have good liquidity despite the COVID-19 pandemic and we note that interest in green investments remains strong. As part of our financial sustainability efforts, we have now issued an additional green bond of SEK 1.5 billion. The proceeds will be used in accordance with our green framework, where we have the highest possible rating – dark green.

Net operating income for the period increased compared to the same period last year and totalled SEK 3,477 million (3,260). Profit before changes in value and tax continues to be stable at SEK 3,053 million (2,850).

Projects that promote knowledge growth in Sweden

We have a number of projects in progress that continue to promote growth of campus environments all over Sweden. In early September, the grand opening of the first phase of Nya Ångström was celebrated at Uppsala University. The total expansion of 30,000 square metres will be completed in 2022. In addition, we completed our student housing project on the Ultuna campus

outside Uppsala. 132 undergraduate and graduate students have moved in to the renovated old chemistry lab, which is a good example of how new construction is not always necessary since older premises can be repurposed for new areas of use. This project is completely in line with our long-term sustainability efforts.

Unique place for research, education and innovation

A lot is happening on the Alnarp Campus outside Malmö. The Green Innovation Park co-working concept will have new premises and is gearing up its activities. The initiative will provide innovation and collaboration-driven green companies with a new meeting place in a creative environment with proximity to research and innovation infrastructure. We have also committed to invest SEK 67 million in a new building for the Nordic Genetic Resource Centre (NordGen) in Alnarp. With these initiatives the campus will strengthen its position as a unique green meeting place for world-leading research, education and innovation.

More investments in Albano

We have now signed a contract to acquire the property Alba Nova in Stockholm from the National Property Board of Sweden. The purchase price is expected to be approximately SEK 2 billion. Through the purchase of Alba Nova, Akademiska Hus can assume overall responsibility to an even greater extent for the development of the Albano Campus, the brand new campus that is growing into a modern and competitive knowledge environment.

Opening of our third co-working facility

In September, the grand opening was held for the co-working environment A Working Lab Innomedicum – a new central meeting place for innovation in the life sciences where students, researchers, businesspeople and startup companies can converge in the middle of the Solna Campus. The initiative is the product of our efforts in partnership with KI Innovations and KI Science Park. A Working Lab Innomedicum houses flexible workplaces, private offices, labs, meeting rooms, maker-space and event facilities. Earlier examples of A Working Lab can be found at Chalmers' Johanneberg Science Park in Gothenburg, as well as in Umeå. They are important additions for campus development to meet the needs of the future.



Kerstin
Lindberg Göransson

Chief Executive Officer

BUSINESS INTELLIGENCE AND MARKET ANALYSIS:

Continued stable property market

TRENDS

After the sharp decline in economic activity during spring, some recovery occurred during the third quarter. However, uncertainty related to the continued spread of the virus and uncertainty regarding additional restrictions is great, even though restrictions implemented to date are considerably less extensive than last spring. The fiscal and monetary measures that have been implemented have helped to mitigate the economic effects of the COVID-19 pandemic. Nevertheless, analysts expect that it will take a long time to recover from the historically large drops in GDP and weakening of the labour market. Continued stimulus measures are crucial for the recovery, with fiscal policy playing a key role to support increased economic activity. In the US, a new relief package is being discussed, and in Europe, the decision on a joint EU recovery fund has helped to increased opportunities to support the recovery even for countries that lack fiscal leeway. In Sweden, a historically high relief package of SEK 105 billion was presented in the autumn budget bill for 2021.

In addition to the effects of the COVID-19 pandemic, the lack of progress in the Brexit negotiations and the US presidential election later this autumn have also contributed to increased political uncertainty.

FINANCIAL MARKETS

Strong measures from the central banks (especially the extensive bond purchases) have contributed to continued narrowing credit spreads after a significant widening in connection with the virus outbreak last spring. Acute crisis policy aimed at ensuring the functionality of financial markets has shifted the focus away from inflation targets during the pandemic. However, the central banks in both the US (Federal Reserve, Fed) and Europe (ECB) are reviewing their monetary policy frameworks. In the US, this review has culminated in a more flexible approach to inflation targets, where the Fed will now aim to achieve *an average* inflation rate of 2 per cent. After a time of low inflation, it will now be permitted to exceed the target. This strategy will give the Fed greater opportunities to keep the policy rate low for a long time, which is also the message from both the ECB, with a policy rate of -0.50 per cent, and the Swedish central bank with a policy rate of zero per cent. Low policy rates and extensive bond purchases by central banks have led to continued low long-term interest rates, which have been the driving force behind a strong stock market trend.

PROPERTY MARKET

The property market has stabilised during the third quarter, but the pandemic continues to create uncertainty in many places. As in the last quarter, the impact is greatest on retail and hotels, while demand for housing and community properties has been affected the least. Investors prefer properties with low vacancy risk and more predictable cash flows. Activity in the transaction market is lower than the previous year. Transactions are generally initiated several months before closing, which means that the uncertainty of last spring probably had a pronounced effect on the figures. Aggregate transaction volume for the year as of 30 September amounted to SEK 102.5 billion (150.6), which is SEK 48.1 billion or 32 per cent lower than the corresponding period in 2019. Despite the year-on-year decline, the volume is still historically high. Housing was the most traded segment at about 28 per cent of volume, followed by offices at 22 per cent. So far this year, community properties have accounted for 12 per cent, an increase from 9 per cent compared to 2019. The market for premises appears to be unchanged and more and more businesses have returned to the offices in September. Despite the low vacancy rate in the major cities, it is too early to see how the pandemic will affect developments in the long term, since it takes time to assess and decide on changes in the use of premises. Landlords and consultants are noting some increase in sublets and transfers, which could be an early indication of a reduced need for premises in the future.

COMMUNITY PROPERTIES

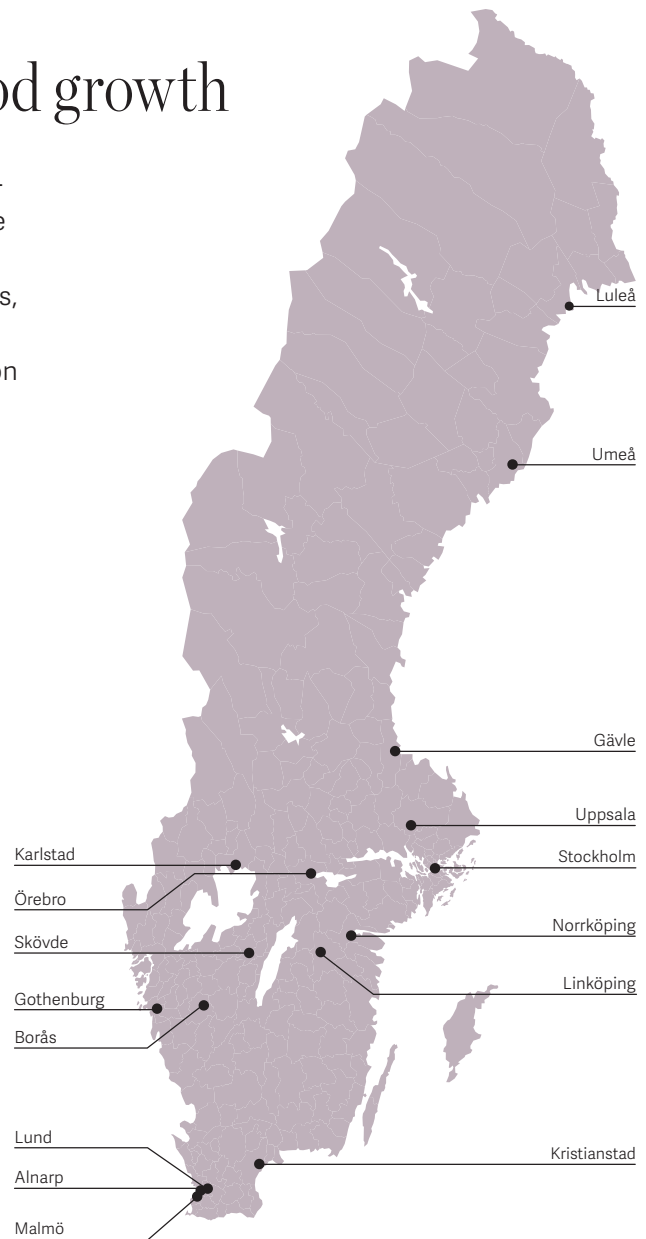
Transactions involving community properties still have the same low yield requirements as before the pandemic. Investors seek out this segment since the underlying conditions – mainly population growth and the large need for public sector investment – are expected to remain strong over a long period of time. Project intensity has also increased in the segment and major ongoing projects include expansion of infrastructure and community function. The sub-segment premises for higher education and research has not demonstrated any significant changes during the quarter regarding rent levels or vacant space during the quarter. The multiyear trend with fewer students enrolled at colleges and universities was broken last year. Pressure from applicants to the fall programmes and courses was high, as many consider pursuing continued studies when the labour market is weak. In the current situation, there is a great need to increase the number of student places. The government's budget bill includes increased funding to colleges and universities that will allow for almost 19,000 new openings in 2021. Together with our 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. With this approach our campuses become more attractive to students, higher education institutions and businesses.

COLLEGE AND UNIVERSITY CITIES

Presence in cities with good growth

Akademiska Hus is one of the country's largest property companies with approximately 3.4 million square metres of rentable area and a property portfolio of SEK 95 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



Our six largest locations

Market share, per city/town	Market value and area	Largest centres of education
Stockholm 	SEK 45 billion 957,000 m²	Stockholm University Karolinska Institutet Royal Institute of Technology
Uppsala 	SEK 16 billion 607,000 m²	Uppsala University Swedish University of Agricultural Sciences, Ultuna
Gothenburg 	SEK 9 billion 368,000 m²	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 m²	Lund University
Umeå 	SEK 4 billion 240,000 m²	Umeå University Swedish University of Agricultural Sciences, Umeå
Linköping 	SEK 4 billion 234,000 m²	Linköping University

Source: Share 2019, Swedish National Financial Management Authority

How we contribute to a stronger nation of knowledge

We take a long-term strategic approach to continually develop attractive and innovative knowledge environments with our customers. With a focus on colleges and universities, we have an aggregated property value of SEK 95 billion. Most of the cash flow is reinvested, which provides security for our customers. Since 1993 when Akademiska Hus was founded, our stable finances have enabled us to invest about SEK 55 billion in new construction, additions and renovation projects. Investments that make it possible to contribute to strengthening Sweden as a nation of knowledge while working closely with our customers.

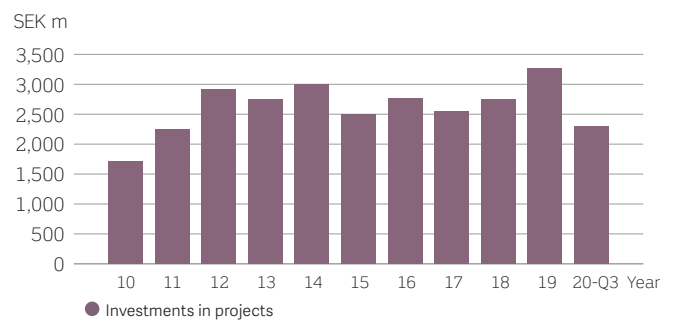
CUSTOMISED PROPERTIES

The scope of our properties and projects is large. A campus is home to everything from high-tech laboratories and teaching environments to co-working spaces. Our national presence and broad expertise enable us to transfer lessons gained from experience in one part of the country to another.

We build sustainably

Our role as a long-term property owner provides an excellent opportunity to build wisely and sustainably. The goal is to always deliver the highest possible customer value through resource efficiency and good cost management. At the same time, Akademiska Hus strives to minimise environmental impact through sustainable construction processes and carefully considered material choices. We have committed to certify all new construction projects to the Gold level of the Miljöbyggnad certification system and to ensure that all major renovation projects will qualify for at least the Silver level. New construction and major renovation of student housing projects must qualify, at a minimum, for a Silver rating in the Miljöbyggnad environmental certification system. Building sustainably also involves safety and reducing the risk of accidents at our

CONTINUED HIGH INVESTMENT RATE



The diagram shows annual investments in projects from 2010 to the third quarter of 2020 and on average, Akademiska Hus has had an investment rate of about SEK 2.5 billion per year. The company has invested approximately SEK 55 billion in new construction as well as in redevelopment and extensions since 1993.

construction sites. We work proactively for safer workplaces and are one of the initiators of the industry-wide organisation "Håll Nollan" initiative.



HYDRA – NEW STUDENT HOUSING IN UMEÅ

Just in time for the start of the new term, Akademiska Hus celebrated the grand opening of 91 new apartments at Ultuna, which will now provide 132 undergraduate and graduate students with long-awaited campus-based housing. The housing project, which includes a common pet shower and solar panels, marks the beginning for how we will design our student housing moving forward – with a focus on shared housing.

Akademiska Hus has invested about SEK 220 million in the new apartments, which the company has built under its own management. The initiative makes Uppsala more attractive as a student town and helps the Swedish University of Agricultural Sciences to cover its estimated student housing needs at Ultuna for the coming years.

Hydra includes a number of small apartments for one or two people, as well as three larger apartments, according to the new student housing concept for shared housing that Akademiska Hus has designed. Four or eight people live in these apartments, each with their own bedroom but with a shared kitchen, living room and bathroom.

TOMORROW'S KNOWLEDGE ENVIRONMENTS

With a long-term perspective, we develop knowledge environments that can be further developed to meet both current and future needs. Together with the administration, employees and students of the centre of education, we explore how the physical environment can be developed to create buildings and outdoor environments that are attractive and flexible. We follow a structured approach with a focus on long-term and sustainability. Working with our customers to translate our common knowledge into clearly defined campus development plans is the key to success.

Campus with many functions

The campus is a venue for research and learning, as well as for encounters with the business community and society at large. Creating places for this, building student housing and ensuring an attractive selection of services in collaboration with other stakeholders is becoming increasingly important for the centres of education. Restaurants, opportunities for cultural and sports activities and access to child care and preschools in close proximity to campus are examples of services that make life easier and they are increasingly integrated into and around the campus. Our method of developing campuses includes not only issues and visions about new buildings. It also involves how we maximise spaces between buildings and how we create a total vision that makes the campus a place where people enjoy life and thrive.

OUR VALUE PROPOSITION

We currently manage approximately 3.4 million square metres with the ambition that our properties will maintain a high standard for a long time, but can at the same time be adapted to meet the changing needs of our customers, which is why our service offering is constantly evolving.

Qualitative management close to customers

High quality in maintenance services, responsible energy consumption based on our ambitious climate targets and open communication with both customers and suppliers are crucial for increasing business benefits and value for our customers and tenants. Skills development and new digital tools for dialogue with our customers are two examples of how we work to develop our core delivery.

Co-working and lab for learning

A Working Lab is Akademiska Hus' national concept for co-working, makerspace, Learning Lab and other flexible meeting places. It is our concept for developing campus-based environments where it is easy for students, researchers, the businesses and other members of the community to meet under new flexible conditions. The concept is under development in collaboration with those who occupy our premises, with the building itself as a test bed. Here companies and businesses can rent space for the time they need and gain access to services and physical environments based on their specific needs.

Development of learning environments

Digitalisation greatly influences the design and use of new learning environments. A gradual, increasing integration is underway at Swedish centres of education between physical studies, work environments, virtual classrooms and social platforms. We are seeing an increased demand for learning environments that support educational methods based on more student-active learning, which has different spatial and digital requirements than more traditional lecture halls. We have therefore initiated several development projects with different centres of education on converting existing, traditional lecture halls and study environments into flexible and needs-adapted learning environments.

More student housing

Together with our customers we plan sustainable campuses that meet local needs for undergraduate and graduate student housing. We do so through our guidelines for student housing which were formulated in 2019 and our vision to create innovative homes for a sustainable quality of life. Akademiska Hus is involved in the production of 11,000 undergraduate and graduate student housing units by 2026. Access to undergraduate and graduate student housing is important for the individual, but also for the attractiveness of each centre of education and for Sweden as a nation of knowledge.

RESOURCE-EFFICIENT OPERATIONS

The climate is changing around the world and global warming is a fact. We base our sustainability initiatives on the ten principles of the Global Compact, with a focus on value creation built on the UN Global Sustainable Development Goals. We have adopted ambitious climate targets that clearly signal the direction of the work moving forward in order to eliminate our carbon footprint. For example, we have the goal of reducing the amount of delivered energy by 50 per cent by 2025, using 2000 as the basis year.

OUR VISION FOR ZERO CARBON FOOTPRINT

To achieve a completely climate-neutral operation by 2045, with intermediate targets for our internal operations and our property operations already in 2025, our entire business needs to be fundamentally restructured. These three ambitious goals require us to leverage existing technology through proactive decisions, while demanding and promoting new solutions. We must work together with other players in the industry and all choices and solutions must be made with a focus on the climate.

In summary, the Company will reach the following targets:

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

Consolidated income statement

CONSOLIDATED INCOME STATEMENT, SUMMARY, SEK m

	2020 July–Sept.	2019 July–Sept.	2020 Jan.–Sept.	2019 Jan.–Sept.	Rolling 12 months Oct. 19– Sept. 20	2019 Full-year
Rental revenue	1,561	1,545	4,677	4,584	6,143	6,050
Other property management income	28	34	99	115	151	166
Total property management income	1,588	1,579	4,776	4,699	6,294	6,217
Operating costs	-185	-188	-615	-660	-845	-891
Maintenance costs	-122	-165	-291	-400	-510	-619
Property administration	-85	-89	-287	-288	-391	-391
Other property management expenses	-34	-39	-106	-91	-171	-156
Total costs from property management	-426	-482	-1,299	-1,440	-1,916	-2,057
NET OPERATING INCOME	1,162	1,097	3,477	3,260	4,377	4,160
Central administration costs	-13	-15	-44	-52	-61	-69
Development costs	-7	-5	-25	-19	-46	-40
Interest income	13	9	39	35	47	43
Interest expense	-133	-131	-328	-311	-437	-420
Site leasehold fees	-23	-21	-66	-63	-87	-84
PROFIT BEFORE CHANGES IN VALUE AND TAXES	999	934	3,053	2,850	3,793	3,589
Change in value, properties	1,016	786	1,588	2,547	2,913	3,872
Change in value, financial instruments	-117	-338	-254	-659	-98	-503
PROFIT BEFORE TAX	1,898	1,383	4,388	4,737	6,608	6,957
Tax	-394	-286	-913	-984	-1,229	-1,300
PROFIT FOR THE PERIOD	1,504	1,096	3,474	3,753	5,379	5,658
Of which attributable to the shareholder in the Parent Company	1,504	1,096	3,474	3,753	5,379	5,658

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, SUMMARY, SEK m

	2020 July–Sept.	2019 July–Sept.	2020 Jan.–Sept.	2019 Jan.–Sept.	Rolling 12 months Oct. 19– Sept. 20	2019 Full-year
Profit for the period	1,504	1,096	3,474	3,753	5,379	5,658
Reclassifiable items						
Profit/loss from cash flow hedges	—	—	—	—	—	—
Tax attributable to cash flow hedges	—	—	—	—	—	—
Cash flow hedges, dissolved against profit and loss	—	—	—	—	—	—
Non-reclassifiable items						
Revaluation of defined benefit pensions	—	—	—	—	-84	-84
Tax attributable to pensions	—	—	—	—	17	17
TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD	0	0	0	0	-67	-67
COMPREHENSIVE INCOME FOR THE PERIOD	1,504	1,096	3,474	3,753	5,312	5,591
Of which attributable to the shareholder in the Parent Company	1,504	1,096	3,474	3,753	5,312	5,591

Comment: Operating profit

THIRD QUARTER

Profit for the quarter before changes in value and taxes increased by SEK 65 million and amounted to SEK 999 million (934). Net operating income increased by SEK 65 million and amounted to SEK 1,162 million (1,097). The increase is attributable to lower maintenance costs.

Changes in the value of properties are higher than for the corresponding quarter the previous year and totalled SEK 1,016 million (786).

PROFIT FOR THE PERIOD

Profit for the period before changes in value and tax was SEK 3,053 million (2,850). The improved performance is attributable to an increase in net operating income of SEK 217 million compared to the previous year, which is mainly attributable to reduced costs for operation and maintenance. In a comparable portfolio net operating income increased by 3.5 per cent, of which 2.3 per cent relates new assessments and subsequent reclassification of tenant adaptations.

Change in the value of properties was SEK 1,588 million (2,547), a decrease of SEK 959 million compared to the corresponding period in 2019. The yield requirement and cost of capital remained unchanged during the year. The average yield requirement amounted to 5.13 per cent (5.25).

The impact of the pandemic on earnings during the period has been limited. Revenue was affected to a limited extent by rental reductions and cancelled parking fees on some campuses, as a result of the pandemic.

On the cost side, energy costs are lower since all campuses closed in mid-March. However, most campuses reopened in the middle of August. Travel costs have also significantly dropped.

RENTAL REVENUE

Rental revenue increased by SEK 93 million compared to the same period in the previous year and totalled SEK 4,677 million (4,584). Completion of new buildings in 2019 and 2020 with an impact on the period contributed to an increase in revenue of approximately SEK 125 million, primarily regarding the Humanisten building in Gothenburg, Studenthuset (Student building) in Linköping, and AWL in Gothenburg. Index and rent renegotiations had an impact of about SEK 25 million. Revenue from tenant adaptations increased by SEK 65 million, mainly because reclassifications due to new assessments.

The increase is offset by the decline in rental revenue related to two major sales in Stockholm that were completed at the end of 2019 (SEK -40 million). Revenue were also negatively impacted by lower billing of media due to reduced energy consumption (SEK -36 million), as well as increased vacant space and rent cuts (SEK -46 million).

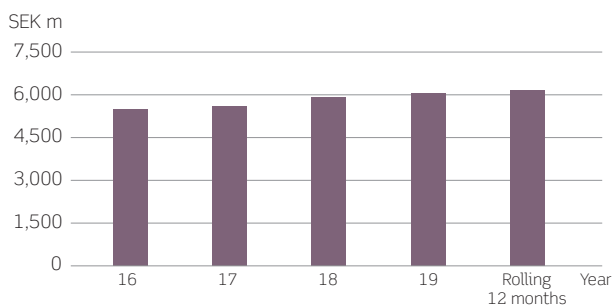
In a comparable portfolio, contractual rental revenue increased by 2 per cent compared to the corresponding period the previous year.

LEASING LEVEL

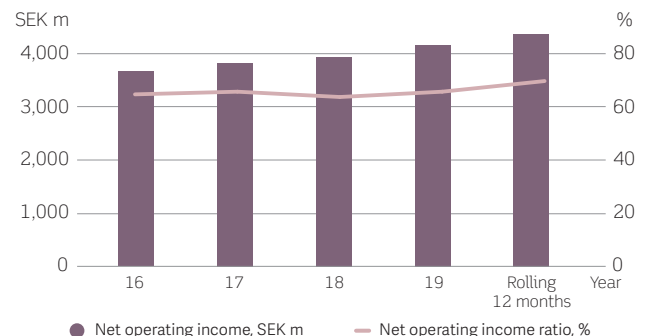
The financial vacancy rate for the period accounts for 2.4 per cent (2.2 at year end) of our total rental revenue, corresponding to SEK 121 million (106 for third quarter 2019). The increase can be explained by a slight increase in average rent for new vacant space. However, the majority of vacant space is still at Karolinska Institutet and arose when Biomedicum was commissioned in the spring of 2018. This vacant space has gradually declined. Currently, 60 per cent of these vacancies are leased and several discussions are underway with potential tenants.

Vacant space in terms of area at the end of the third quarter amounted to 120,000 square metres, which is 3.6 per cent (3.6 at the end of 2019) of our total rentable area of 3.4 million square metres. Rentable floor space increased by 35,000 square metres compared to year end.

STABLE RENTAL REVENUE



STABLE NET OPERATING INCOME AND RISING NET OPERATING INCOME RATIO



OPERATING AND MAINTENANCE COSTS

Expenses for operation and maintenance decreased by SEK 155 million and amounted to SEK 906 million (1,060). Maintenance costs declined by SEK 109 million compared to the same period the previous year and totalled SEK 291 million (400). Costs are lower in part because project maintenance costs are capitalised (beginning in 2020) as a result of a new assessment regarding useful life, but also because of significantly lower media costs. The comparative year was not adjusted.

Operating costs involve supervision and service, as well as media provision. Operating costs of SEK 615 million (660) include media provision of SEK 377 million (428), equivalent to SEK 158/m² (181) over the past 12 months. The lower operating costs are attributable in their entirety to lower media costs due to the mild winter, low energy prices and because no classes were held on campus during the spring semester. In August our campuses gradually reopened.

Other property management expenses increased by SEK 15 million mainly as a result of extra costs in Luleå, as well as costs for a new business, A Working Lab.

ADMINISTRATION COSTS

Total administration costs including development costs declined by SEK 3 million. Beginning in 2020, development costs are recognised separately in the income statement and are described on page 23. They amounted to SEK 25 million (19). Comparative years, including key ratios, were restated.

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 289 million (276) during the period, corresponding to an interest rate of 1.49 per cent (1.20). The increase is mainly attributable to the higher cost of loans with floating 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 78 million (67) for the period. See table describing the composition of net interest income and expense on page 22.

TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

	2020 Jan.–Sept.	2019 Jan.–Sept.	2019 Full year
Interest cost for loans, including charges, %	1.33	1.07	1.07
Interest swaps, net interest, %	0.16	0.13	0.14
Net interest income/expense, %	1.49	1.20	1.21
Changes in value, financial derivatives, %	1.01	2.55	1.39
Total financing cost, %	2.50	3.76	2.60

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 is externally valued. As of 30 September 2020 the change in value of properties with an impact on profit was SEK 1,588 million, a decrease of SEK 959 million compared to the same period in 2019.

The decrease is primarily due to unchanged yield requirements and cost of capital during the year. The remaining part can be explained by other changes in value, attributable to projects in progress, renegotiated leases and other factors that affects valuation. The average yield requirement was 5.13 per cent (5.25).

To estimate the impact of COVID-19 on change in value, an analysis of rental losses was carried out. The results show a marginal loss of revenue and thus have no impact on the long-term property value. The limited effect can generally be attributed to the fact that Akademiska Hus' property portfolio primarily consists of community properties or other publicly funded operations. This segment comprises 92 per cent of the company's aggregate holdings. The identified rental losses are mainly attributable to a smaller proportion of other customers within the remainder of the portfolio.

CHANGES IN VALUE, FINANCIAL INSTRUMENTS

Changes in fair value in the derivative portfolio amounted to SEK -254 million (-659), which can primarily be attributed to lower market interest rates. The derivative portfolio largely consists of interest derivatives (mainly interest rate swaps and interest rate futures) that are primarily entered into with the aim of extending the fixed interest period in the liability portfolio, where about 60 per cent of financing currently relies on variable interest rates. About one third of Akademiska Hus' interest risk exposure derives from interest derivatives, 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 fair 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.

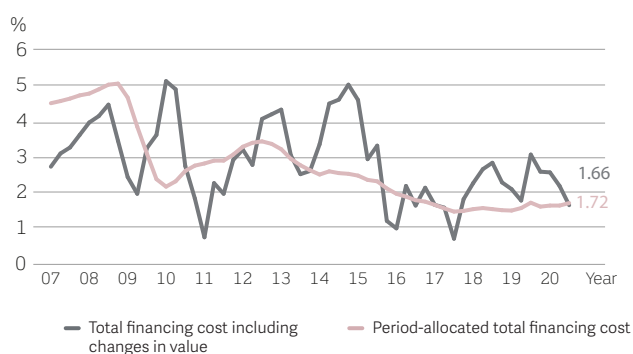
To clarify the underlying financing cost, a comparative calculation is carried out in which the cash flows of realised interest rate derivatives are also attributed (allocated) to the underlying maturity of each instrument. This allocation for the past twelve-month period corresponds with an interest expense of 0.29 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 1.72 per cent for the period. 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 735 per cent (643), see diagram below.

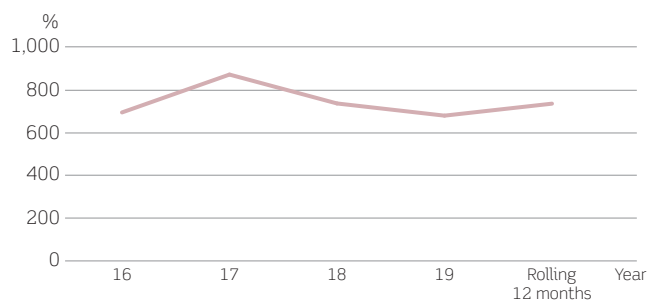
TAX

In 2020, the corporate tax rate is 21.4 per cent. It will be lowered to 20.6 per cent in 2021. The current tax for the year of SEK 312 million was calculated at a rate of 21.4 per cent. Deferred taxes will be revalued based on the tax rate applicable at the time when the deferred tax is expected to be settled. Consequently, the deferred tax liability was calculated at a rate of 20.6 per cent

COMPARATIVE CALCULATION TOTAL FINANCING COST, ROLLING 12-MONTH BASIS



INTEREST COVERAGE RATIO CONTINUES AT HIGH LEVEL



Consolidated statement of financial position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY, SEK m

	30 Sept. 2020	30 Sept. 2019	31 Dec. 2019
ASSETS			
Non-current assets			
Capitalised expenditure	3	—	4
Properties	95,248	90,416	91,424
Site leasehold rights	2,736	2,736	2,736
Equipment, fixtures and fittings	20	22	21
Derivatives	5,360	6,188	4,304
Other non-current receivables	511	488	504
Total non-current assets	103,877	99,851	98,993
Current assets			
Current receivables			
Derivatives	689	65	14
Other current receivables	1,838	1,973	1,642
Total current receivables	2,528	2,038	1,656
Cash and cash equivalents			
Cash and cash equivalents	5,387	3,959	4,337
Total cash and cash equivalents	5,387	3,959	4,337
Total current assets	7,915	5,997	5,993
TOTAL ASSETS	111,792	105,848	104,986
EQUITY AND LIABILITIES			
Equity	48,329	44,922	46,760
LIABILITIES			
Non-current liabilities			
Loans	31,873	32,369	30,016
Derivatives	2,378	2,616	1,660
Deferred tax	13,177	12,290	12,576
Long-term debt finance lease	2,736	2,736	2,736
Other non-current liabilities	808	615	773
Total non-current liabilities	50,972	50,627	47,762
Current liabilities			
Loans	5,655	3,647	4,932
Derivatives	49	12	134
Other current liabilities	6,787	6,640	5,398
Total current liabilities	12,491	10,299	10,464
Total liabilities	63,463	60,926	58,226
TOTAL EQUITY AND LIABILITIES	111,792	105,848	104,986

Comment: Statement of financial position

PROPERTIES

As of the end of the third quarter, the fair value of Akademiska Hus' property holdings totalled SEK 95,248 million, an increase of SEK 3,824 million and 4.2 per cent compared to year end. Fair value includes the completed portions of projects in progress. The unrealised change in value amounted to SEK 1,585 million (2,547). The yield requirements and cost of capital has remained unchanged during the year which leads to a decrease of SEK 1441 million in comparison to the previous year. Other changes in value amounted to 1 585 as of 30 september 2020 which is an increase of 479 million compared to the previous year. This increase is primarily due to larger projects in progress in the Stockholm region primarily. Overall this leads to a decrease in total changes in value of 962 million in comparison to the previous year. Remaining changes relate to investments in properties for the year of SEK 2,241 million (2,360) and sales of SEK -2 million (-355).

During the three first quarters of 2020, the ongoing pandemic had a limited effect on community properties in general, a segment that accounts for the majority of the Akademiska Hus property portfolio. Impact on property value has thus been marginal. The assessment is that it is no changes in fair value related to the effects of the COVID-19 pandemic need to be made at this time.

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 requirements and cost of capital. The average yield requirement was 5.13 per cent and is therefore unchanged compared to year end. Akademiska Hus engages external rating agencies to verify the yield requirement and fixed costs on a quarterly basis to ensure that market rates are applied in the internal valuation.

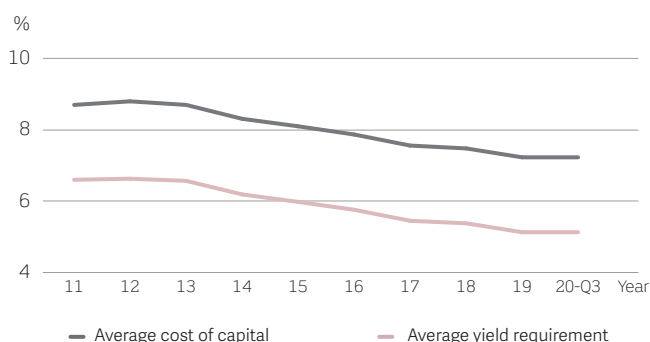
Each year 25–30 per cent of the property portfolio is also valued by external valuation professionals. External valuations are used as a benchmark for the internal valuation, thereby confirming its reliability that we are within the interval stated below.

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 +/- 4,762 million to SEK 9,525 million in the Akademiska Hus portfolio.

PROPERTIES 30 SEPTEMBER 2020 (incl. new construction in progress and capitalised interest costs)

Change in property holdings, SEK m	30 Sept. 2020	30 Sept. 2019	31 Dec. 2019
Opening fair value	91,424	85,865	85,865
+ Investment in new construction, extensions and redevelopment	2,241	2,360	3,266
+ Acquisitions	—	—	—
- Sales	-2	-355	-1,572
+/- Change in fair value	1,585	2,547	3,865
Of which change in value due to a change in the cost of capital and yield requirement	—	1,441	2,727
Of which other change in value	1,585	1,106	1,138
CLOSING FAIR VALUE	95,248	90,416	91,424

YIELD REQUIREMENTS AND COST OF CAPITAL



CHANGE IN VALUE BY GEOGRAPHIC AREA

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

Geographic area	Change in value, %	Contribution to change in value, percentage points
South	2.7	0.6
Mid-Sweden	6.0	3.2
North	1.7	0.4
Total		4.2

FINANCING

The extensive monetary policy measures have helped to stabilise financial markets, which can be noted in the continued narrowing of credit spreads in the third quarter. A green public bond issuance raised SEK 1,500 million in the Swedish bond market. The fixed income bond matures in 7 years. The proceeds will be used to fund green projects or assets in accordance with Akademiska Hus' green framework, which was published in June last year.

Committed credit facilities in bank amounted to SEK 6,000 million. All of these credit facilities were unutilised as at 30 September. The bond issuance, committed credit facilities and rental payments in the quarter contributed to continued good liquidity for Akademiska Hus.

The net liability portfolio totalled SEK 35,422 million as at 30 September, corresponding to an increase of SEK 2,520 million since year end, which is largely attributable to completed issuances and revaluation effects of the gross loan debt in accordance with hedge accounting (for more information, see Notes 20 and 21 in the 2019 annual report). The equity ratio at year-end was 43.2 per cent (42.4).

NET LOAN LIABILITY

SEK m	30 Sept. 2020	30 Sept. 2019	31 Dec. 2019
Gross loan debt	-37,528	-36,016	-34,948
Collateral for derivatives, net	-3,657	-3,666	-2,568
Cash and cash equivalents	5,387	3,959	4,337
Other current receivables	375	232	277
Total net loan liability	-35,422	-35,491	-32,902

FIXED INTEREST PERIOD AND MATURITY

Previous long-term bond issuances have helped to achieve a long period for tied-up capital, which at 30 September was 9.8 years. Bonds denominated in foreign currencies 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.

Normally, financial markets rate 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. In recent times, the added cost of long-term fixed interest has fallen substantially, leading to an extension of interest rate duration in the liability portfolio during the year, which as at 30 September was 7.3 years. As before, debt management will focus on allocating the portfolio's interest rate risk to the most effective periods.

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

	Fixed interest, years, Sept. 2020	Fixed interest, years, Dec. 2019	Maturity, years, Sept. 2020	Maturity, years, Dec. 2019
Basic portfolio	4.4	3.6	7.6	8.5
Long-term portfolio	20.2	20.8	20.2	20.8
Index-linked bond portfolio	4.7	5.4	4.7	5.4
Total portfolio	7.3	6.8	9.8	10.7

Year	Fixed interest, SEK m	Maturity, SEK m
2020	11,575	2,544
2021-2025	15,392	15,562
2026-2030	1,900	3,852
2031-2035	200	776
2036-2040	2,301	2,912
2041-2045	2,730	6,925
2046-2050	505	2,033
TOTAL	34,603	34,603

The table above shows the nominal amounts.

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. The projects are mainly located 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 approximately SEK 6,500 million has already been invested in projects in progress. No major projects were completed during the quarter.

Of the approved projects in progress, the two largest are Albano (SEK 3,300 million), with completion expected in 2020–2022, and Natrium (SEK 1,800 million).

Our project portfolio includes several student housing projects and more will be added moving forward. Three of the approved projects involve student housing, which together amount to SEK 600 million.

PROJECT PORTFOLIO

SEK m	30 Sept. 2020	31 Dec. 2019
Approved projects	10,400	9,100
Planned projects	3,000	4,300
APPROVED AND PLANNED PROJECTS	13,400	13,400
of which already invested in projects in progress	-6,500	-4,600
REMAINDER OF APPROVED AND PLANNED PROJECTS	6,900	8,800

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

Project name	Location	Type of premises	Investment limits SEK m	Percentage accrued, %	Additional floor space, m ²	Expected completion	Customer
Albano	Stockholm	Education	3,302	81	100,000	2022-Q2	Stockholm University
Natrium	Gothenburg	Laboratory	1,803	13	28,000	2023-Q2	University of Gothenburg
Ångström Phase 4	Uppsala	Laboratory	1,185	55	30,000	2022-Q4	Uppsala University
Forum Medicum	Lund	Education	821	9	13,800	2023-Q2	Lund University
LTH Maskinteknik	Lund	Education	499	17	19,000	2022-Q2	Lund University
KI Residence	Stockholm	Residential	434	79	15,500	2021-Q3	Karolinska Institutet
Medical Biology Centre	Umeå	Laboratory	306	77	1,800	2020-Q4	Umeå University
Hydra student housing	Uppsala	Residential	193	78	4,600	2020-Q4	Akademiska Hus
Retzius	Stockholm	Laboratory	179	0	–	2020-Q4	Akademiska Hus
ITC IT upper secondary school	Uppsala	Education	156	97	–	2020-Q4	IT Gymnasiet Sverige AB
C-Building Luleå	Luleå	Education	122	0	–	2020-Q4	Akademiska Hus
Projects under SEK 100 million			1,401				
TOTAL			10,400				

Changes in group equity

CHANGES IN GROUP EQUITY IN SUMMARY, SEK m	Attributable to the Parent Company's shareholder				
	Share capital	Other contributed capital	Actuarial profit and loss	Profit for the year brought forward	Total equity
EQUITY, 1 Jan. 2019	2,135	2,135	-32	38,594	42,832
Dividends ¹	—	—	—	-1,663	-1,663
Total comprehensive income, Jan.–Sept. 2019	—	—	—	3,753	3,753
EQUITY, 30 SEPT. 2019	2,135	2,135	-32	40,684	44,922
Total comprehensive income, Oct.–Dec. 2019	—	—	-67	1,905	1,838
EQUITY, 31 DEC. 2019	2,135	2,135	-99	42,589	46,760
Dividends ²	—	—	—	-1,905	-1,905
Total comprehensive income, Jan.–Sept. 2020	—	—	—	3,474	3,474
EQUITY, 30 SEPT. 2020	2,135	2,135	-99	44,158	48,329

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

2) Dividend of SEK 1,905,000,000 was authorised by the Annual General Meeting on 28 April 2020.

Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY, SEK m	2020 Jan.–Sept.	2019 Jan.–Sept.	2019 Full-year
CURRENT OPERATIONS			
Profit before tax	4,388	4,737	6,957
Adjustment for items not included in the cash flow	-1,449	-2,034	-3,926
Tax paid	-309	-308	-350
CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	2,630	2,395	2,681
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Increase (-)/decrease (+) in current receivables	-187	309	507
Increase (+)/decrease (-) in current liabilities	490	177	330
CASH FLOW FROM CURRENT OPERATIONS	2,933	2,881	3,519
INVESTING ACTIVITIES			
Investment in properties	-2,162	-2,293	-3,180
Sale of properties	4	355	1,579
Investment in other non-current assets	-7	-5	-10
Increase (+)/decrease (-) in non-current receivables	-6	-58	-74
CASH FLOW FROM INVESTING ACTIVITIES	-2,171	-2,001	-1,685
FINANCING ACTIVITIES			
Raising of interest-bearing loans, excluding refinancing	13,410	10,742	14,518
Repayment of loan	-11,975	-11,833	-15,200
Interest paid	-289	-252	-387
Realised derivatives and CSA	1,047	2,781	1,931
Dividend paid	-1,905	-1,663	-1,663
CASH FLOW FROM FINANCING ACTIVITIES	288	-225	-801
CASH FLOW FOR THE PERIOD	1,050	655	1,033
Opening cash and cash equivalents	4,337	3,304	3,304
Closing cash and cash equivalents	5,387	3,959	4,337

Comment: Statement of cash flows

Cash flow from current operations before changes in working capital totalled SEK 2,630 million (2,395). The impact of investments in properties on cash flow was SEK 2,162 million (2,293).

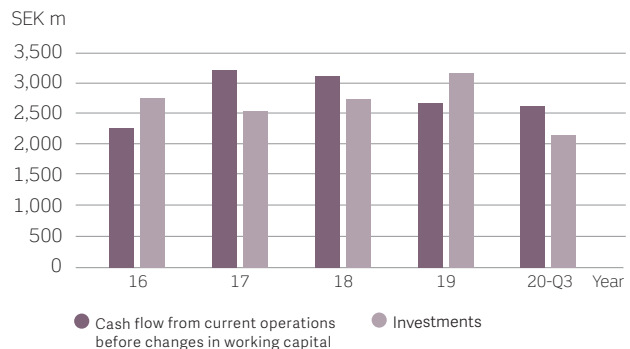
Cash flow relating to financing activities amounted to SEK 228 million (-225). The improved cash flow is largely due to an increase in net borrowing during the year of SEK 1,435 million.

Total cash flow for the year was SEK 1,050 million (655).

CASH FLOW AND INVESTMENTS

Total cash flow from current operations before change in working capital during the period 2016 to September 2020 was SEK 13,934 million. Investments during the same period totalled SEK 13,414 million. The diagram shows that cash flow from current operations is reinvested mainly 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 pandemic has led to testing of new, digital work methods, which fundamentally impacts Akademiska Hus and our customers. One effect of the pandemic may be that in the future, education may be conducted in a different way. This may entail a reduction in the need for premises at centres of education in the long term. This could lead to a decline in demand for the premises that Akademiska Hus provides, which could entail an increased risk of higher vacancies and lower rental revenue.

The global COVID-19 pandemic has entailed rising volatility in financial markets. There is a risk that it will become more difficult and/or associated with higher costs for Akademiska Hus to obtain financing. Measures from central banks have helped to improve access to liquidity in financial markets. Interest in bonds from Akademiska Hus has been strong, and the completed issuance, committed credit facilities and rental payments during the quarter have contributed to continued good liquidity. The impact of the COVID-19 pandemic is considered to be limited.

Akademiska Hus' exposure to counterparty risk arises from investment of excess liquidity and from trading with financial instruments. Exposure to counterparty risk is managed by imposing a limit based on ownership circumstances, ratings and the term of the commitment. Counterparty exposure when trading in financial derivative instruments is managed through Credit Support Annex (CSA) agreements. With CSA agreements, collateral corresponding to the undervalue in derivative contracts is exchanged mutually between the derivative counterparties and Akademiska Hus, thereby substantially reducing counterparty risk exposure. The COVID-19 pandemic has not affected handling of counterparty risk at this time and the impact on counterparty risk exposure is considered to be limited. Credit risk for the company's accounts receivable is still considered to be low since our customers are primarily colleges and universities, which are financed by the Swedish state. The COVID-19 pandemic has not affected our assessment of this risk.

Despite global concerns regarding the effects of COVID-19, Akademiska Hus has managed well during the crisis. We therefore see no risk that the company's ability to survive as a going concern has been affected. Read more about the material risks that Akademiska Hus faces on pages 47–50 of the 2019 Annual Report.

SENSITIVITY ANALYSIS, PROPERTY VALUE 30/09/2020

Change	Impact on net operating income, SEK m	Impact on change in value and assessed fair value, SEK m ¹⁾	Impact on fair value, percentage points
Rental revenue, +/- one per cent	61	420	0.4
Vacant space, +/- one percentage point	60	-759	-0.8
Operating costs, +/- one per cent	8	-93	-0.1
of which media provision	5	-48	-0.1
Cost of capital, + one percentage point		-5,398	-5.7
Cost of capital, - one percentage point		5,948	6.2
Yield requirement, + one percentage point		-7,581	-8.0
Yield requirement, - one percentage point		11,521	12.1

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

Parent Company income statement

PARENT COMPANY INCOME STATEMENT, SUMMARY, SEK m	2020 July–Sept.	2019 July–Sept.	2020 Jan.–Sept.	2019 Jan.–Sept.	2019 Full year
Income from property management	1,588	1,579	4,781	4,809	6,313
Property management expenses	-446	-496	-1,350	-1,489	-2,117
NET OPERATING INCOME	1,142	1,083	3,431	3,302	4,196
Central administration costs	-13	-15	-44	-52	-69
Development costs	-7	-5	-25	-19	-40
Depreciation and impairment as well as reversed impairment in property management	-367	-334	-1,126	-1,226	-1,580
PROFIT BEFORE FINANCIAL ITEMS	755	729	2,236	2,023	2,506
Dividends from shares in subsidiaries	—	—	—	—	819
Interest income	13	9	39	35	43
Interest expense	-161	-154	-406	-378	-506
Change in value, financial instruments	-117	-338	-254	-659	-503
Appropriations	—	—	—	—	-37
PROFIT BEFORE TAX	490	246	1,615	1,022	2,322
Tax	-104	-52	-342	-219	-344
PROFIT FOR THE PERIOD	386	194	1,273	803	1,978

Parent Company statement of comprehensive income

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME, SUMMARY, SEK m	2020 July–Sept.	2019 July–Sept.	2020 Jan.–Sept.	2019 Jan.–Sept.	2019 Full-year
Profit for the period	386	194	1,273	803	1,978
Reclassifiable items					
Profit/loss from cash flow hedges	—	—	—	—	—
Tax attributable to cash flow hedges	—	—	—	—	—
Cash flow hedges, reclassified to the income statement	—	—	—	—	—
TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD	0	0	0	0	0
COMPREHENSIVE INCOME FOR THE PERIOD	386	194	1,273	803	1,978

Parent Company statement of financial position

PARENT COMPANY STATEMENT OF FINANCIAL POSITION, SUMMARY, SEK m

	30 Sept. 2020	30 Sept. 2019	31 Dec. 2019
ASSETS			
Non-current assets			
Capitalised expenditure	3	—	4
Properties	46,364	45,201	45,318
Equipment, fixtures and fittings	20	22	21
Shares in Group companies	1	1	1
Derivatives	5,360	6,188	4,304
Other non-current receivables	511	488	504
Total non-current assets	52,258	51,900	50,152
Current assets			
Receivables from subsidiary	—	—	819
Derivatives	689	65	14
Other current receivables	1,839	1,973	1,642
Cash and cash equivalents	5,387	3,959	3,518
Total current assets	7,915	5,997	5,993
TOTAL ASSETS	60,172	57,896	56,144
EQUITY AND LIABILITIES			
Equity	6,360	5,817	6,992
Untaxed reserves	4,380	4,344	4,380
LIABILITIES			
Non-current liabilities			
Loans	31,873	32,369	30,016
Derivatives	2,378	2,616	1,660
Deferred tax	2,235	2,093	2,206
Other non-current liabilities	451	356	422
Total non-current liabilities	36,937	37,434	34,305
Current liabilities			
Loans	5,655	3,647	4,932
Derivatives	49	12	134
Other current liabilities	6,790	6,643	5,401
Total current liabilities	12,494	10,302	10,467
Total liabilities	49,431	47,736	44,772
TOTAL EQUITY AND LIABILITIES	60,172	57,896	56,144

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 AND LOSS

The Company's sales for the period amounted to SEK 4,781 million (4,809). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). Profit before financial items was SEK 2,236 million (2,023). Profit after tax was SEK 1,273 million (803).

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

Investments in machinery and equipment amounted to SEK 7 million (5) and in properties to SEK 2,162 million (2,293).

EQUITY

Equity totalled SEK 6,360 million compared with SEK 6,992 million at year-end. In May 2020 a dividend of SEK 1,905 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.

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, 22 October 2020

Kerstin Lindberg Göransson
President

Auditor's report

Akademiska Hus AB 556459-9156

INTRODUCTION

We have reviewed the condensed interim financial information (interim report) of Akademiska Hus AB as of 30 September 2020 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish 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 the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Göteborg, 22 October 2020
Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg
Authorized 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 in the financial statements and the related notes as well as 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.

Beginning with the first quarter of 2020, Akademiska Hus no longer reports a division into different operating segments under IFRS 8, since the Group is considered to have only one operating segment. This assessment is based on how the Group as a whole is monitored by the highest operational decision-maker. All operations, including assets, are geographically located in Sweden.

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.

In 2019 Akademiska Hus chose to reverse the effect of IFRS 16 when calculating alternative performance measures in order to achieve greater comparability. Since comparative figures are now available, the reversal will no longer be made.

Return on equity

Profit before tax after 21.4 per cent tax rate in relation to average equity (OB+CB)/2.

Return on operating capital

Earnings before changes in value and tax with the addition of changes in value excluding net interest income/expense in relation to average operating capital (OB+CB)/2.

Loan-to-value ratio

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

Yield

Net operating income in relation to average assessed property value (OB+CB)/2.

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

Net operating income ratio

Net operating income 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

	2020 Jan.–Sept.	2019 Jan.–Sept.	2019 Full-year
Net interest income/expense, net loans and financial assets	-292	-256	-343
Net interest derivatives	-37	-32	-46
Other interest costs	-37	-54	-74
Capitalised interest costs, projects	78	67	86
Total net interest income/expense	-289	-275	-377
Change in value, independent financial derivatives			
-unrealised	-261	-796	-263
-realised	-35	-18	-339
Changes in value, fair value hedges	42	155	98
Total changes in value	-254	-659	-503
Site leasehold fees	-66	-63	-84
Reported net interest income and expense	-608	-997	-965

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. 2020	30 Sept. 2019	31 Dec. 2019
Gross loan debt	-37,528	-33,166	-34,948
Collateral for derivatives, net	-3,657	-536	-2,568
Cash and cash equivalents	5,387	2,901	4,337
Other current receivables	375	326	277
Total net loan liability	-35,422	-30,475	-32,902
Average interest-bearing capital (full-year basis)	-31,702	-31,352	-32,805

Operating capital

Equity plus interest-bearing net loan liability.

Interest coverage ratio

Net operating income with the addition of central administration costs and development costs in relation to net financial income/expense, 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 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.

Development costs

Development costs relate to costs for innovation and operational development, as well as associated staff costs. These company-wide strategic costs are aimed at developing operations for the company and/or the customer. They are not directly linked to the current property portfolio and are usually one-off posts.

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

Interim Report January–September 2020	22 October 2020
Year-end report 2020	February 2021
Annual Report 2020	March 2021

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