

1 JANUARY–30 JUNE 2019

## Changes in value provide higher earnings

Akademiska Hus increased its net operating income compared to the previous year. Profit for the period were also higher than the comparative period as a result of high changes in value. Akademiska Hus issued its first green bond during the quarter. Interest in financing sustainable projects was extremely strong. **Read more in the Statement by the President on page 3.**

### KEY EVENTS DURING THE QUARTER

- Akademiska Hus has now issued its first green bond. Interest in investing in sustainable projects that strengthen Sweden as a nation of knowledge was great and the issuance amounts to SEK 1,500 million. The bond was issued under the company's regular EMTN programme and is listed on the London Stock Exchange. The net proceeds will be used in accordance with Akademiska Hus' green framework, which has been given the highest possible rating and describes the initiatives that can be funded by green bonds.
- The last phase of the approximately 230 apartments is now ready for occupancy at Teknikringen in the middle of the KTH Campus in Stockholm. These student housing units, known as Draconis, have room for 430 undergraduate and graduate students and are the first to be built and owned by Akademiska Hus under its own management. Akademiska Hus has invested about SEK 400 million in the six new buildings with a total of almost 13,000 square metres.
- The campus in Örebro will be the first campus in the country to have a digital twin. This is made possible since Akademiska Hus worked with Örebro University in June to digitally scan all campus environments indoors and outdoors, which makes the initiative the largest of its kind in Sweden. The project is part of Örebro Campus Lab and 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. The digital twin will help to visualise how the buildings are used and how much energy they consume. This will enable the premises to be operated in completely new and sustainable ways.
- Akademiska Hus is investing SEK 156 million to convert the old barracks Building 3 on the Polacksbacken Campus into a modern education environment for the NTI Upper Secondary School and ProCivitas. The building is in the middle of one of the most interesting areas for development in Uppsala, with good public transportation and direct proximity to Ulleråker, an area that has extensive plans for new residential neighbourhoods.

### FINANCIAL KEY FIGURES

#### Period January–June

- Rental revenue was SEK 3,039 million (2,986).
- Net operating income totalled SEK 2,149 million (2,107).
- Profit before changes in value and tax was SEK 1,915 million (1,961).
- Unrealised changes in value of properties totalled SEK 1,760 million (547), corresponding to a 2.1 per cent (0.7) increase in the value of the properties.
- Total financing cost was SEK -517 million (-544), of which SEK -321 million (-432) relates to changes in the value of financial instruments.
- Profit before tax was SEK 3,355 million (2,076) and profit for the period was SEK 2,657 million (2,324).
- Investments in redevelopment, extensions and new construction totalled SEK 1,662 million (1,480).
- The yield (excluding properties under construction) was 4.9 per cent (5.4) 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 contribute 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 owner 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 six-month period was 10.3 years (10.5 at 31 December). The average remaining lease term is 6.3 years (6.5 at 31 December).

The financial vacancy rate accounts for 2.3 per cent (1.7 at 31 December) of our total rental revenue. The vacancy rate regarding rentable space excluding properties that will be demolished is 3.8 per cent (4.3 at 31 December). 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 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.

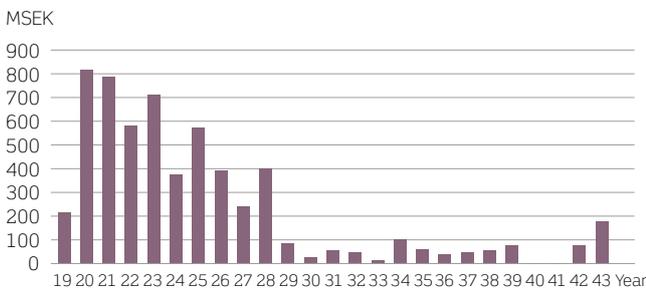
### P-1

Moody's short-term rating,  
January 2019

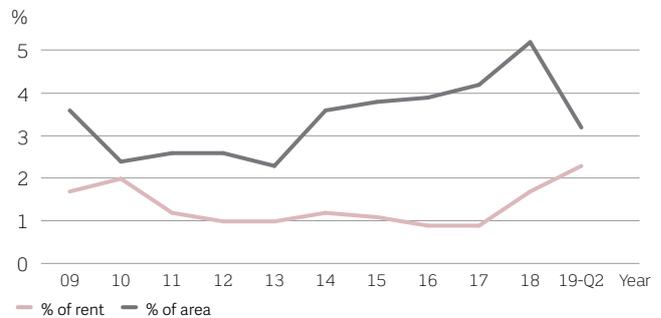
### AA

Standard & Poor's long-term rating,  
Stable outlook. September 2018

## MATURITY STRUCTURE ON LEASES



## LEVEL OF VACANT SPACE



## AKADEMISKA HUS IN BRIEF

	2019 April– June	2018 April– June	2019 Jan.– June	2018 Jan.– June	Rolling 12 months July 2018– June 2019	2018 Full- year	2017 Full- year
Income from property management, SEK m	1,547	1,540	3,120	3,082	6,156	6,117	5,806
Net operating income, SEK m	1,071	1,070	2,149	2,107	3,980	3,938	3,829
Profit before tax, SEK m	1,538	1,058	3,355	2,076	7,096	5,818	8,311
<b>Values as at 30/06/2019</b>							
Equity ratio <sup>1</sup>	43.6	43.5	43.6	43.5	43.6	45.8	43.3
Return on operating capital, % <sup>1,2</sup>	*	*	*	*	10.1	9.2	13.7
Return on equity, %	*	*	*	*	13.3	11.2	17.6
Interest coverage ratio, % <sup>1</sup>	*	*	*	*	710	736	871
Loan-to-value ratio, %	38.2	36.2	38.2	36.2	38.2	34.7	34.3
Yield, properties, % <sup>1,3</sup>	*	*	*	*	4.9	5.1	5.5
Yield, properties, % <sup>1,4</sup>	*	*	*	*	4.6	4.7	5.0
Assessed market value, properties, SEK m	88,932	82,465	88,932	82,465	88,932	85,865	80,444

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

<sup>1</sup> Values for 2019 exclude the accounting effects of IFRS 16 <sup>2</sup> The key figure has a new measures definition and the comparative figures are restated according to the new definition, which is explained on page 22 <sup>3</sup> Excluding properties under construction <sup>4</sup> Including properties under construction

### Owner's financial objectives:

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

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

## PRESIDENT KERSTIN LINDBERG GÖRANSSON COMMENTS:

# First green bond receive highest rating

Akademiska Hus has issued its 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. Investors who participated in the first green issuance included Swedbank Robur, Första AP-fonden, Andra AP-fonden, SPP Storebrand, Länsförsäkringar Västernorrland, Captor, Cliens Kapitalförvaltning, Skandia, Linköpings Kommun, Handelsbanken Fonder och SEB Investment Management, including SEB Företagsobligationsfond Hållbar.

The net proceeds will be used in accordance with Akademiska Hus' green framework, which describes the initiatives that can be funded by green bonds. 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.

This is of great strategic importance to us as a tool to remain at the absolute forefront of the industry in terms of sustainability and will strengthen our efforts to achieve our highly ambitious climate goals. We will be completely climate neutral in property management and in our internal operations by 2025.

## New co-working brand launched

We are now taking the next step to broaden our offering of services by launching a national concept for co-working, maker-space, short contracts, learning lab and other flexible meeting places. All property owners are facing a transition period and in order to continue to be a key player we need to find new positions and business areas. Through our new concept, named A Working Lab, we offer innovative environments for education, work and innovation in the middle of the campus. A Working Lab is an investment in the future that creates value for both current and new customers.

## Sweden's first virtual campus

News that the campus in Örebro will be the first in the country to have a digital twin has drawn considerable attention. This is made possible because we at Akademiska Hus worked with Örebro University in June to digitally scan all campus environments indoors and outdoors, which makes the initiative the largest of its kind in Sweden. The scanning generates smart and innovative solutions that go above and beyond the ordinary, including an "indoor Google street view". The scanning allows the buildings to be remotely perceived virtually, as well as on site where the physical room is joined and strengthened with the digital twin via AR (Augmented Reality) technology in apps, phones and glasses. The digital data from the scan will also be used for educational and research purposes at Örebro University and enable the premises to be operated in completely new and sustainable ways. We will be able to link building related data and sensors to the scanned copy and visualise how the buildings are used, their health, and how much energy they consume. In the next step we can experiment and test things in the digital twin. The project is part of Örebro Campus Lab and



Photo: Akademiska Hus/Zynka BIM

The campus in Örebro will be the first in the country to have a digital twin.

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.

## First own student housing ready

Availability of housing is of great importance to the competitiveness of the centres of education. Together with our customers, our goal is that no one should have to turn down an opening at undergraduate or graduate school because they do not have anywhere to live. At Akademiska Hus we have worked systematically to create more campus-based undergraduate and graduate student housing. Now the final phase of the first buildings that we built and own under our own management is ready for occupancy. They are located in the middle of the Royal Institute of Technology (KTH) in central Stockholm with 230 apartments ready for occupancy, an investment of a total of SEK 400 million. Several housing construction projects are underway at other locations in Sweden.

## Performance for the six-month period

Net operating income for the six-month period increased somewhat compared with the previous year and totalled SEK 2,149 million. Profit for the six-month period was SEK 2,657 million, which is higher than the previous year due to higher changes in the value of property holdings.



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

Despite some economic bright spots in the statistics, the scenario of a slowdown in the global economy remains. The expansionary economic policy pursued in China is expected to contribute to an increase in international demand in the long term. However, trade negotiations between the US and China continue to create great uncertainty regarding global trade and growth, which has influenced trends in financial markets. Hopes that an agreement would be reached in May were dashed when the US imposed additional tariffs on Chinese goods. Negotiations continue and an agreement is expected to be reached, but the uncertainty regarding the time horizon is great.

To date, the UK has not yet reached an EU exit agreement. As a result, the exit date has been postponed until 31 October this year and Prime Minister May has resigned. The EU Commission has made it clear that the exit agreement will not be renegotiated, paving the way for continued turbulence regarding Brexit. The economy in Sweden continues to be strong, with a growth rate of 2.1 per cent during the first quarter compared to the corresponding period last year. However, weaker consumer confidence is beginning to be reflected in lower domestic demand, despite a continued strong labour market, which may also be a sign of the increased uncertainty in the rest of the world.

## FIXED INCOME MARKET

Both the US (Fed) and European (ECB) central banks have reacted to the growing political uncertainty and weaker growth forecasts by adjusting their interest forecasts downwards. The Fed notes a weak inflationary response from the continued strong labour market, and one or more rate cuts are deemed to be increasingly likely already in 2019. The ECB has announced that the key interest rate will remain unchanged at least until the second half of 2020. ECB President Draghi also noted in a speech at the ECB's annual central bank conference that the key interest rate could be further reduced. Moreover, he indicated that monetary policy could be made more expansionary through new bond purchases if the situation does not improve. The monetary policy stance has changed not only because of continued low inflation and external factors, but also because of falling long-term inflation expectations.

The lower expectations regarding the central banks' monetary policy have entailed lower international long-term interest rates, to which Swedish long rates have been adjusted. A German ten-year government bond has been trading at negative interest rates for most of the second quarter, and the Swedish equivalent is around zero. The lower interest rates have supported the stock markets, which continued to strengthen. The somewhat more cautious statements from the Fed and the ECB, as well as increased uncertainty abroad suggest that the Swedish Central Bank will also need to proceed cautiously to avoid jeopardising the recovery in the inflation trend that has occurred to date.

## PROPERTY MARKET

The trend in the property market continues to be strong, supported by good economic conditions. The transaction volume as of 30 June was SEK 85,2 billion (57,9), an increase of SEK 27,3 billion, which is about 47 per cent compared with the same period last year. Offices are the most traded segment at about 29 per cent of volume, followed by logistics/industry and housing, which accounted for about 22 and 21 per cent respectively. The share of community properties has increased and now accounts for 13 per cent of volume. International investors are continuously active with a share of 29 per cent. Demand for properties is primarily high in larger cities, which together account for 84 per cent of the total volume.

Transactions generally occur at a lower yield requirement than previously. Demand for offices continues to be robust in major cities and regional centres where there is population growth and a higher percentage of office-intensive occupations. Interest in modern, space-efficient and environmentally sound premises is rising, as can be seen in the rent trend which is driven by a high degree of new construction. In addition, increased demand can be seen for co-working facilities, where great emphasis is placed on flexible workplaces, service and supplementary services, as well as meeting places for networking.

## COMMUNITY PROPERTIES

In the community property segment higher transaction activity can be noted. Most major transactions have involved a portfolio of properties spread across several communities, but there are also examples of larger individual transactions in which the yield requirement is lower than previously. Long-term contracts with creditworthy tenants in businesses with relatively low cyclical dependence continue to contribute to demand for community properties. Investors also view population growth and the growing number of older people as trends creating a greater need for investment in the public sector. For example, there is already a shortage of openings in senior housing around the country.

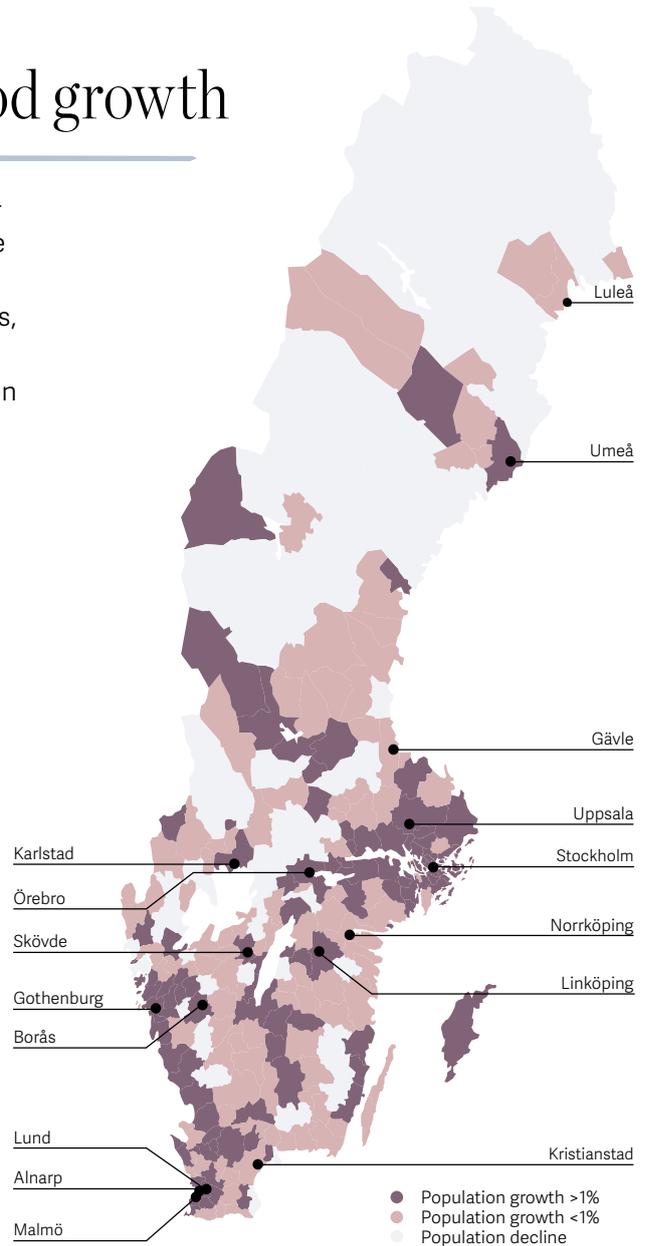
Akademiska Hus is active in the sub-segment premises for higher education and research where a campus is an attractive microenvironment for education, research and related activities. High employment and a decline in the number of young people of university age have led to a slight drop in the number of applicants in recent years. However, the total number of applicants to the fall term this year was unchanged compared with 2018, despite a smaller pool of young applicants. The trend for more applicants under the age of 25 to postpone their studies in order to work continues, with a reduction of 3 per cent, though this is offset by the number of older applicants. Demand for education is expected to increase in the long term with the digitalisation trend creating a greater need for knowledge in the labour market. At the same time, the centres of education are becoming more attractive through efforts to achieve full-scale campuses offering services, housing, public transportation and an integrated business community.

OUR COLLEGE AND UNIVERSITY CITIES

# Presence in cities with good growth

Akademiska Hus is one of the country's largest property companies with approximately 3.3 million square metres of rentable area and a property portfolio of SEK 89 billion. Together with colleges and universities, we strengthen Sweden as a nation of knowledge by developing and managing environments for education and research.

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



Source: Statistics Sweden

## Our six largest locations

Market share, per city/town	Market value and area	Largest centres of education	Market share, per city/town	Market value and area	Largest centres of education
Stockholm 	<b>SEK 41 billion</b> <b>972,000 m<sup>2</sup></b>	Stockholm University Karolinska Institutet Royal Institute of Technology	Lund 	<b>SEK 7 billion</b> <b>360,000 m<sup>2</sup></b>	Lund University
Uppsala 	<b>SEK 15 billion</b> <b>602,000 m<sup>2</sup></b>	Uppsala University Swedish University of Agricultural Sciences, Ultuna	Umeå 	<b>SEK 4 billion</b> <b>238,000 m<sup>2</sup></b>	Umeå University Swedish University of Agricultural Sciences, Umeå
Gothenburg 	<b>SEK 9 billion</b> <b>348,000 m<sup>2</sup></b>	University of Gothenburg Chalmers University of Technology	Linköping 	<b>SEK 4 billion</b> <b>221,000 m<sup>2</sup></b>	Linköping University

Source: Share 2018, Swedish National Financial Management Authority

# Our operations

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

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

## PROPERTY MANAGEMENT

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

## SUSTAINABILITY INITIATIVES TOGETHER WITH OUR CUSTOMERS

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

## THE MOST ATTRACTIVE MEETING PLACES IN SWEDEN AS A NATION OF KNOWLEDGE

Akademiska Hus is broadening its offering of services by launching a national concept for co-working, makerspace, short contracts, learning lab and other flexible meeting places. Conditions will thereby be created in which completely new ways of researching, working and studying can thrive in the property company's campus-based premises. Each site with A Working Lab has a co-working space and offers a basic range of services. Here companies, businesses and people with a variety of backgrounds can rent space for the time they need and gain access to services and physical environments based on their specific needs.

All A Working Lab sites are developed in collaboration with local partners and customers and vary in their focus depending on the context, partners and campus. About ten initiatives are currently underway around the country, at different stages and under development in various ways. First to open is "A Working Lab – Johanneberg Science Park" at Chalmers in Gothenburg, which will open in the autumn of 2019.



## 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 a priority 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.

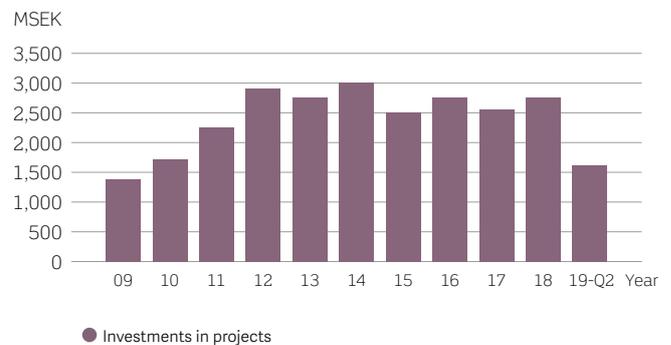
## PROJECTS

The construction process represents a substantial portion of Akademiska Hus' business and our project portfolio consists of approved and planned projects of about SEK 14 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. We are shifting to a more digital approach to running our construction projects. Examples include Albano in Stockholm, where we are testing new models to shift towards a more digital approach. Another digital and innovation-focused project that we are running is A Working Lab on the Johanneberg campus at Chalmers in Gothenburg. The building will be an innovation arena that also serves as a test bed during the construction process.

### CONTINUED HIGH INVESTMENT RATE



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

# Consolidated income statement

## Consolidated income statement, summary, SEK m

	2019 April–June	2018 April–June	2019 Jan.–June	2018 Jan.–June	Rolling 12 months July 2018– June 2019	2018 Full-year
Rental revenue	1,505	1,497	3,039	2,986	5,981	5,928
Other property management income	41	43	81	95	175	189
<b>Total property management income</b>	<b>1,547</b>	<b>1,540</b>	<b>3,120</b>	<b>3,082</b>	<b>6,156</b>	<b>6,117</b>
Operating costs	-201	-194	-472	-464	-902	-894
Maintenance costs	-143	-131	-235	-223	-689	-676
Property administration	-109	-104	-212	-188	-396	-372
Site leasehold fees	—	-21	—	-42	-42	-84
Other property management expenses	-24	-20	-52	-57	-147	-152
<b>Total costs from property management</b>	<b>-476</b>	<b>-469</b>	<b>-971</b>	<b>-975</b>	<b>-2,176</b>	<b>-2,179</b>
<b>NET OPERATING INCOME</b>	<b>1,071</b>	<b>1,070</b>	<b>2,149</b>	<b>2,107</b>	<b>3,980</b>	<b>3,938</b>
Central administration costs	-18	-18	-37	-35	-81	-78
Interest income	8	10	26	23	35	32
Interest expense	-89	-64	-180	-135	-345	-300
Site leasehold fees	-21	—	-42	—	-42	—
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>	<b>950</b>	<b>999</b>	<b>1,915</b>	<b>1,961</b>	<b>3,547</b>	<b>3,592</b>
Change in value, properties	711	284	1,760	547	3,798	2,585
Change in value, financial instruments	-124	-225	-321	-432	-249	-360
<b>PROFIT BEFORE TAX</b>	<b>1,538</b>	<b>1,058</b>	<b>3,355</b>	<b>2,076</b>	<b>7,096</b>	<b>5,818</b>
Tax	-318	481	-698	248	-1,449	-504
<b>PROFIT FOR THE PERIOD</b>	<b>1,220</b>	<b>1,539</b>	<b>2,657</b>	<b>2,324</b>	<b>5,647</b>	<b>5,314</b>
Of which attributable to the shareholder in the Parent Company	1,220	1,539	2,657	2,324	5,647	5,314

# Consolidated statement of comprehensive income

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

	2019 April–June	2018 April–June	2019 Jan.–June	2018 Jan.–June	Rolling 12 months July 2018– June 2019	2018 Full-year
Profit for the period	1,220	1,539	2,657	2,324	5,647	5,314
Reclassifiable items						
Profit/loss from cash flow hedges	—	-11	—	—	—	—
Tax attributable to cash flow hedges	—	2	—	—	—	—
Cash flow hedges, dissolved against profit and loss	—	-4	—	-7	—	-7
Non-reclassifiable items						
Revaluation of defined benefit pensions	—	—	—	—	-40	-40
Tax attributable to pensions	—	—	—	—	8	8
<b>TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>—</b>	<b>-13</b>	<b>—</b>	<b>-7</b>	<b>-46</b>	<b>-39</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,220</b>	<b>1,526</b>	<b>2,657</b>	<b>2,317</b>	<b>5,601</b>	<b>5,275</b>
Of which attributable to the shareholder in the Parent Company	1,220	1,526	2,657	2,317	5,601	5,275

# Comment: Operating profit

## SECOND QUARTER

Profit for the quarter was SEK 1,220 million (1,539). The lower profit was mainly the result of the change that was decided regarding the corporate tax rate in 2018, which had a positive impact on profit in 2018.

Net operating income is unchanged at SEK 1,071 million (1,070).

## FIRST HALF OF THE YEAR

Profit for the first half of the year was SEK 2,657 million (2,324). The increase is partly due to the change in value of properties which is SEK 1,213 million higher compared to the same period in 2018 and partly because the change that was decided regarding the corporate tax rate in 2018 which had a positive impact on profit in 2018.

Net operating income improved compared to the same period the previous year, to SEK 2,149 million (2,107), which can mainly be explained by the completion of new buildings in 2018 that had an impact on the six-month period. In a comparable portfolio the net operating income has decreased by 0.6 per cent.

The positive effect related to a change in accounting policy regarding site leasehold fees (42) is offset by increased costs primarily for property administration.

## RENTAL REVENUE

During the first half of the year rental revenue increased and totalled SEK 3,039 million (2,986). 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.

In a comparable portfolio the rental revenue is the same, excluding the change in vacancies. The rental revenue increased by 2.1 per cent. Other property management income amounted to SEK 81 million (95). The reduction can mainly be attributed to the lower volume of services provided to tenants.

## LEASING LEVEL

The financial vacancy rate for the period accounts for 2.3 per cent (1.0) of our total rental revenue, corresponding to SEK 87 million (37). The increased financial vacancy rate is attributable to occupancy changes at Karolinska Institutet in conjunction with the

completion of Biomedicum in the spring of 2018. We continue to focus on our rentable vacant space to facilitate future rentals.

Vacant space in terms of area totalled 124,000 m<sup>2</sup>, which is 3.8 per cent (3.5) of our total rentable area of 3.3 million m<sup>2</sup> (3.3). Properties that are intended to be demolished and therefore are not rentable have been excluded from vacant area.

## OPERATING AND MAINTENANCE COSTS

Expenses for operation and maintenance amounted to SEK 707 million (687). The primary explanation is higher costs for remedial maintenance, as well as additional operating costs related to new properties. In a comparable portfolio the expenses for operating and maintenance increased by 2.2 per cent. Operating costs involve supervision and service, as well as media provision.

Operating costs of SEK 472 million (464) include media provision of SEK 309 million (310), equivalent to SEK 179/m<sup>2</sup> (179) over the past 12 months. Total maintenance costs increased compared with the same period in 2018 and totalled SEK 235 million (223). Preventive and remedial maintenance increased, while project maintenance declined for the period.

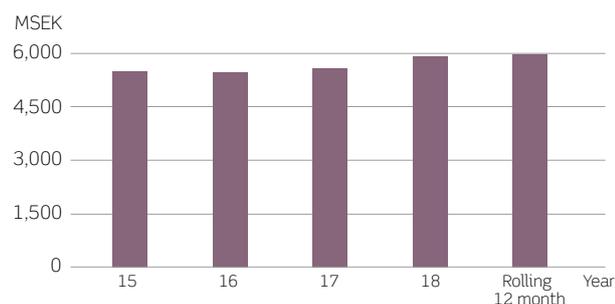
## ADMINISTRATION AND PROPERTY MANAGEMENT EXPENSES

Property administration amounted to SEK 212 million (188). The increase can mainly be attributed to the full-year effects of recruitments in 2018. The costs of development work, including in relation to the new business concept, also increased compared with the previous year, which is in line with the company's strategy. On 1 January 2019 the accounting policy regarding site leasehold fees changed. These costs are now recognised as a financial expense under net operating income instead of as an operating cost.

## NET INTEREST INCOME/EXPENSE

Net interest income consists of interest on loans and net interest income related to the interest rate swap portfolio. The cost of these items amounted to SEK 154 million (112) during the six-month period, corresponding to an interest rate of 1.19 per cent (0.95). The increase is mainly attributable to the extensive long-term bond issuances during the previous year. Capitalised

### STABLE RENTAL REVENUE



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



interest expense for projects in progress, which was not included in net interest income, totalled SEK 44 million (47) during the six-month period. The composition of the financial net can be found on page 22.

## TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

	1 Jan. 2019– 30 June 2019	1 Jan. 2018– 30 June 2018	1 Jan. 2018– 31 Dec. 2018
Interest cost for loans, including charges, %	1.06	0.86	0.88
Interest swaps, net interest, %	0.13	0.09	0.09
<b>Current net interest income and expense, %</b>	<b>1.19</b>	<b>0.95</b>	<b>0.97</b>
Changes in value, financial derivatives, %	1.79	2.99	1.33
<b>Total financing cost, %</b>	<b>2.98</b>	<b>3.94</b>	<b>2.30</b>

## CHANGES IN VALUE, PROPERTIES

The fair value of the Group's property holdings is 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 June 2019, the change in value of properties with an impact on profit was SEK 1,760 million, an increase of SEK 1,213 million compared to the same period in 2018.

This increase in relation to the comparative period can be attributed to the lower cost of capital and yield requirement for sub-markets with a substantial impact on the value within the company to some extent. The increase can also be explained by other changes in value that is attributable to projects in progress, renegotiated leases and other factors affecting value. The average yield requirement was 5.29 per cent (5.45).

The largest changes in value can be seen in the market areas Mid-Sweden and South, primarily in the Greater Stockholm Region and in the Gothenburg and Lund Region. These changes are generally due to a positive rental development in the the Stockholm Region and a stronger impact on value at a lower cost of capital and yield requirements on all the mentioned submarkets.

## CHANGES IN VALUE, FINANCIAL INSTRUMENTS

Changes in value in the derivative portfolio amounted to SEK -321 million (-432), which can be explained by lower market interest rates during the six-month period. The derivative portfolio largely consists of interest rate swaps with future starts that are mainly entered into with the aim of extending the fixed interest period in the liability portfolio, where 60 per cent of financing currently relies on variable interest rates. One third of Akademi-

ska Hus' interest risk exposure derives from interest rate swaps, for which reason 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 when interest rates rise. 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. The changes in value consist of a present value for both realised and unrealised interest rate derivatives. A certain proportion of interest rate derivatives is realised on an ongoing basis (monthly or quarterly), even if the maturity of the underlying instrument is long-term.

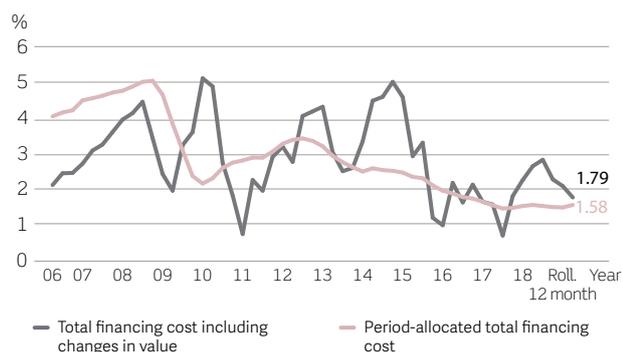
To clarify the underlying financing cost, a comparative calculation is carried out in which the cash flows of realised interest rate derivatives are also attributed (allocated) to the underlying maturity of each instrument. This allocation for the past twelve-month period corresponds with an interest expense of 0.49 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 1.58 per cent as at 30 June. The calculation confirms 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 710 per cent (813), see diagram below.

## TAX

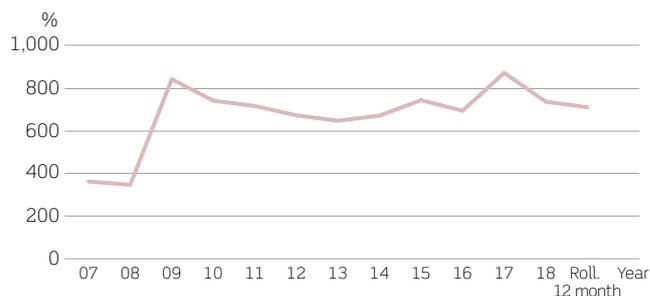
The corporate tax was lowered to 21.4% in 2019 as a first step and will be further lowered to 20.6% in 2021. The current tax for the year of SEK 216 million was calculated at a rate of 21.4%. Deferred taxes will be revalued based on the tax rate applicable at the time when the deferred tax is expected to be settled. This means that the deferred tax liability has been calculated at 20.6%.

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

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



## INTEREST COVERAGE RATIO



# Statement of financial position

Statement of financial position, summary, SEK m	30 June 2019	30 June 2018	31 Dec. 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Properties	88,932	82,465	85,865
Site leasehold rights	2,736	—	—
Equipment, fixtures and fittings	20	20	23
Derivatives	4,403	1,389	1,614
Other non-current receivables	430	262	430
<b>Total non-current assets</b>	<b>96,522</b>	<b>84,136</b>	<b>87,933</b>
<b>Current assets</b>			
<b>Current receivables</b>			
Derivatives	30	772	67
Other current receivables	1,858	1,889	2,173
<b>Total current receivables</b>	<b>1,887</b>	<b>2,661</b>	<b>2,240</b>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents	4,814	4,955	3,304
<b>Total cash and cash equivalents</b>	<b>4,814</b>	<b>4,955</b>	<b>3,304</b>
<b>Total current assets</b>	<b>6,702</b>	<b>7,616</b>	<b>5,544</b>
<b>TOTAL ASSETS</b>	<b>103,224</b>	<b>91,752</b>	<b>93,477</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	43,826	39,873	42,832
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans	30,770	28,098	28,262
Derivatives	1,793	898	941
Deferred tax	12,111	10,959	11,630
Long-term debt site leasehold rights	2,736	—	—
Other non-current liabilities	608	560	602
<b>Total non-current liabilities</b>	<b>48,019</b>	<b>40,514</b>	<b>41,435</b>
<b>Current liabilities</b>			
Loans	5,782	7,251	5,259
Derivatives	48	88	136
Other current liabilities	5,549	4,026	3,815
<b>Total current liabilities</b>	<b>11,380</b>	<b>11,365</b>	<b>9,210</b>
<b>Total liabilities</b>	<b>59,398</b>	<b>51,879</b>	<b>50,645</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>103,224</b>	<b>91,752</b>	<b>93,477</b>

# Comment: Statement of financial position

## PROPERTIES

As of the end of the first half of the year, the fair value of Akademiska Hus' property holdings totalled SEK 88,932 million, an increase of SEK 3,067 million and 3,6 per cent compared with 31 December 2018. Fair value includes the completed portions of projects in progress. Projects in progress totalled SEK 5,342 million. The change in value with an impact on profit and capitalised interest expense was SEK 1,760 million (547), including changes in value realised for properties sold during the period of SEK 0 million (0). The remaining changes relate to investments and sales, where we sold part of the property Ultuna 2:23, called "stallarna" (the stable), to the Swedish University of Agricultural Sciences for SEK 355 million during the first quarter of 2019.

The fair value is 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 5.29 per cent, a decline of 0.09 percentage points since December 31 2018.

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 valued externally. External valuations are used as a benchmark for the internal valuation, thereby confirming its reliability that we end up within the interval stated below.

All property valuation includes assessments that are associated with a certain degree of uncertainty. A normal uncertainty range in conjunction with a property valuation is +/- five to ten per cent, which would be equivalent to approximately SEK +/- 4,445 to 8,890 million in the Akademiska Hus portfolio.

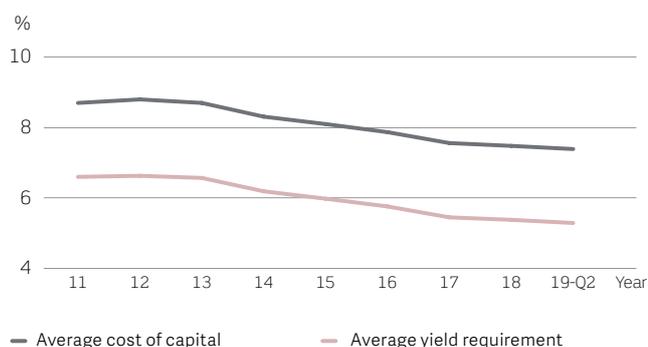
## PROPERTIES 30 JUNE 2019 (incl. new construction in progress and capitalised interest expense)

Change in property holdings, SEK m	30 June 2019	30 June 2018	31 Dec. 2018
Opening fair value	85,865	80,444	80,444
+ Investment in new construction, extensions and redevelopment	1,662	1,480	2,842
+ Acquisitions	—	—	—
- Sales	-355	-6	-6
<b>+/- Change in fair value</b>	<b>1,760</b>	<b>547</b>	<b>2,585</b>
Of which change in value due to a change in the cost of capital and yield requirement	698	310	1,385
Of which other change in value	1,062	237	1,200
<b>CLOSING FAIR VALUE</b>	<b>88,932</b>	<b>82,465</b>	<b>85,865</b>

## SITE LEASEHOLD RIGHTS

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

## YIELD REQUIREMENTS AND COST OF CAPITAL



## CHANGE IN VALUE BY SEGMENT

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

Segment	Change in value, %	Contribution to change in value, percentage points
South	5.5	1.3
Mid-Sweden	4.7	2.5
North	-0.6	-0.1
<b>Total</b>		<b>3.6</b>

## FINANCING

The net liability portfolio increased by SEK 3,518 million during the quarter and totalled SEK 33,934 million as at 30 June. Credit spreads narrowed at the beginning of the year and remained at a lower level during the second quarter. The need for financing in the spring has been limited, but in June Akademiska Hus published its green framework, which also prompted the first green bond issue. A public issuance of SEK 1,500 million with a maturity of 5 years was carried out under the existing EMTN programme. The issue was divided into a fixed rate note of SEK 1,000 million and a floating rate note of SEK 500 million.

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

SEK m	1 Jan. 2019– 30 June 2019	1 Jan. 2018– 30 June 2018	1 Jan. 2018– 31 Dec. 2018
Gross loan debt	-36,552	-35,336	-33,521
Assets			
Collateral for derivatives, net	-2,540	-1,058	-891
Cash and cash equivalents	4,814	4,955	3,304
Other current receivables	344	409	692
<b>Total net loan liability</b>	<b>-33,934</b>	<b>-31,030</b>	<b>-30,416</b>

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

### FIXED INTEREST PERIOD AND MATURITY

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

Normally, financial markets price in long-term fixed interest periods and maturities at higher risk premiums. The objective of

debt management is therefore to balance the additional costs of long-term fixed interest periods and maturities, and thus limit uncertainty, against savings of more short-term fixed interest periods and maturities, where greater uncertainty is accepted.

### The liability portfolio is allocated as follows:

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

### FIXED INTEREST PERIOD AND MATURITY, YEARS

	Fixed interest, years, June 2019	Fixed interest, years, Dec. 2018	Maturity, years, June 2019	Maturity, years, Dec. 2018
Basic portfolio	3.6	4.1	8.4	8.5
Long-term portfolio	21.3	21.8	21.3	21.8
Index-linked bond portfolio	6.0	3.8	6.0	3.8
<b>Total portfolio</b>	<b>7.5</b>	<b>7.3</b>	<b>10.6</b>	<b>10.8</b>

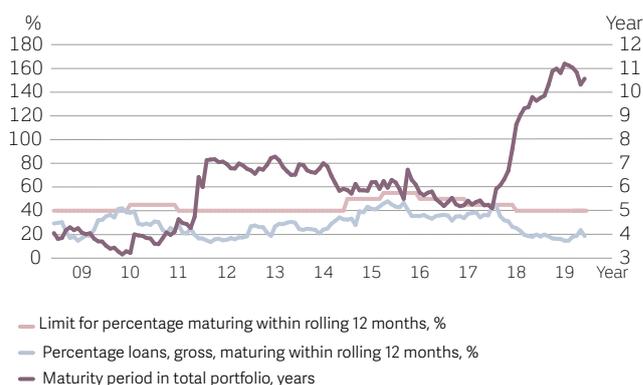
Year	Maturity, SEK m	Fixed interest, SEK m
2019	3,829	15,631
2020–2024	10,540	10,914
2025–2029	6,546	1,400
2030–2034	776	200
2035–2039	2,626	1,895
2040–2044	5,812	2,736
2045–2049	3,351	705
<b>TOTAL</b>	<b>33,481</b>	<b>33,481</b>

The table above shows the nominal amounts. Foreign currency bonds are swapped to financing in SEK through cross currency swaps. All future repayments are thereby hedged so that the exchange risk is eliminated.

### FIXED INTEREST PERIOD IN TOTAL PORTFOLIO



### AVERAGE MATURITY AND PORTION OF DEBT MATURING



## PROJECTS

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

Approved and planned projects totalled SEK 13,800 million, of which about SEK 5,300 million has already been invested in projects in progress. No major new buildings were completed or changes made during the period. 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 a number of student housing projects in our project portfolio and more projects are at the planning stage. Approved student housing projects amounted to SEK 1,300 million.

## PROJECT PORTFOLIO

SEK m	30 June 2019	31 Dec. 2018
Approved projects	10,000	9,900
Planned projects	3,800	4,100
<b>APPROVED AND PLANNED PROJECTS</b>	<b>13,800</b>	<b>14,000</b>
of which already invested in projects in progress	-5,300	-4,400
<b>REMAINDER OF APPROVED AND PLANNED PROJECTS</b>	<b>8,500</b>	<b>9,600</b>

The different investments are categorised as:

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

## APPROVED PROJECTS

Property	Location	Type of premises	Investment limits SEK m	Percentage accrued, %	Additional floor space, m <sup>2</sup>	Expected completion	Customer
Albano	Stockholm	Education	3,302	43	100,000	2022-Q2	Stockholm University
Ångström Phase 4	Uppsala	Laboratory	1,185	20	30,000	2022-Q4	Uppsala University
Humanisten	Gothenburg	Offices	668	96	12,100	2019-Q4	University of Gothenburg
LTH Maskinteknik	Lund	Education	499	3	19,000	2022-Q2	Lund University
KI Residence	Stockholm	Residential	434	4	15,500	2020-Q1	Karolinska Institutet
Valla Student Building	Linköping	Education	411	100	13,500	2019-Q3	Linköping University
Student accommodation Teknikringen	Stockholm	Residential	400	83	8,900	2019-Q2	Akademiska Hus
A Working Lab	Gothenburg	Other	381	86	9,600	2019-Q3	Akademiska Hus
A house	Stockholm	Other	317	54	3,500	2020-Q1	Akademiska Hus
Medical Biology Centre	Umeå	Laboratory	306	94	1,800	2020-Q1	Umeå University
Hydra student housing	Uppsala	Residential	193	–	4,600	2020-Q2	Akademiska Hus
Polstjärnan student housing	Luleå	Residential	183	83	6,000	2020-Q1	Akademiska Hus
ITC	Uppsala	Education	156	–	–	2020-Q3	IT Gymnasiet Sverige AB
GIH swimming centre	Stockholm	Other	118	67	–	2019-Q3	City of Stockholm
Child and youth studies Frescati Backe	Stockholm	Education	111	54	–	2019-Q2	Stockholm University
Projects under SEK 100 million			1,336				
<b>TOTAL</b>			<b>10,000</b>				

## Changes in group equity

Changes in group equity in brief, SEK m	Attributable to the Parent Company's shareholder					
	Share capital	Other contributed capital	Hedge reserve	Actuarial profit and loss	Profit for the year brought forward	Total equity
<b>EQUITY, 1 January 2018</b>	<b>2,135</b>	<b>2,135</b>	<b>6</b>	<b>-1</b>	<b>34,910</b>	<b>39,186</b>
Dividends <sup>1</sup>	—	—	—	—	-1,630	-1,630
Total comprehensive income, Jan.–June 2018	—	—	-6	—	2,324	2,318
<b>EQUITY, 30 JUNE 2018</b>	<b>2,135</b>	<b>2,135</b>	<b>—</b>	<b>-1</b>	<b>35,604</b>	<b>39,873</b>
Total comprehensive income, July–Dec. 2018	—	—	—	-32	2,990	2,958
<b>EQUITY, 31 DEC. 2018</b>	<b>2,135</b>	<b>2,135</b>	<b>—</b>	<b>-33</b>	<b>38,594</b>	<b>42,832</b>
Dividends <sup>2</sup>	—	—	—	—	-1,663	-1,663
Total comprehensive income, Jan.–June 2019	—	—	—	—	2,657	2,657
<b>EQUITY, 30 JUNE 2019</b>	<b>2,135</b>	<b>2,135</b>	<b>—</b>	<b>-33</b>	<b>39,588</b>	<b>43,826</b>

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

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

## Consolidated statement of cash flows

Consolidated statement of cash flows, summary, SEK m	2019 Jan.–June	2018 Jan.–June	2018 Full-year
<b>CURRENT OPERATIONS</b>			
Profit before tax	3,355	2,076	5,818
Adjustment for items not included in the cash flow	-1,443	-116	-2,313
Tax paid	-206	-202	-378
<b>CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL</b>	<b>1,706</b>	<b>1,757</b>	<b>3,127</b>
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL<sup>1</sup></b>			
Increase (-)/decrease (+) in current receivables	420	-213	-543
Increase (+)/decrease (-) in current liabilities	89	-86	414
<b>CASH FLOW FROM CURRENT OPERATIONS</b>	<b>2,215</b>	<b>1,458</b>	<b>2,998</b>
<b>INVESTING ACTIVITIES</b>			
Investment in properties	-1,618	-1,433	-2,753
Sale of properties	355	6	6
Investment in other non-current assets	-1	-14	-23
Increase (-)/decrease (+) in non-current receivables	—	-53	-221
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-1,264</b>	<b>-1,494</b>	<b>-2,991</b>
<b>FINANCING ACTIVITIES</b>			
Raising of interest-bearing loans, excluding refinancing	7,349	10,164	17,863
Repayment of loan	-6,569	-10,385	-19,876
Interest paid	-120	-94	-335
Realised derivatives and CSA	1,562	456	795
Dividend paid	-1,663	-1,630	-1,630
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>559</b>	<b>-1,488</b>	<b>-3,183</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>1,510</b>	<b>-1,524</b>	<b>-3,175</b>
Opening cash and cash equivalents	3,304	6,479	6,479
Closing cash and cash equivalents	4,814	4,955	3,304

## Comment: Statement of cash flows

Cash flow from current operations before changes in working capital totalled SEK 1,706 million (1,757). The impact of investments in properties on cash flow was SEK 1,618 million (1,433). Cash flow from investing activities includes the sale to the Swedish University of Agricultural Sciences of SEK 355 million relating to part of the property Ultuna 2:23.

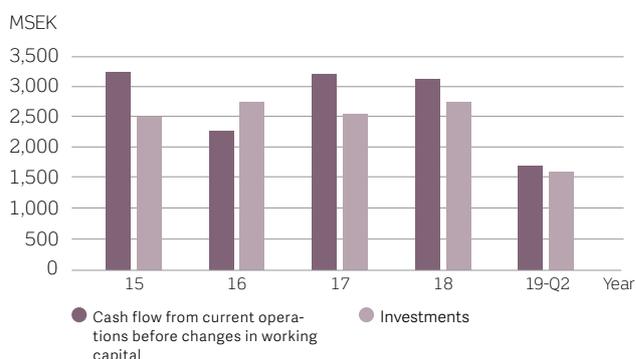
Cash flow relating to financing activities amounted to SEK 559 million (-1,488). The improved cash flow is due to an increase in net borrowing and an increased inflow of CSA collateral as a result of higher receivables in relation to derivative counterparties.

Total cash flow for the year was SEK 1,510 million (-1,524).

### CASH FLOW AND INVESTMENTS

Total cash flow from current operations before change in working capital during the period 2015 to June 2019 was SEK 13,581 million. Investments during the same period totalled SEK 12,196 million. The diagram shows that cash flow from current operations is reinvested largely in new construction as well as in redevelopment and extensions of existing holdings.

### STABLE CASH FLOW FROM CURRENT OPERATIONS



## Risk management

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

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

### SENSITIVITY ANALYSIS, PROPERTY VALUE 30 JUNE 2019

Change	Impact on pre-tax profit, SEK m	Impact on fair value, SEK m <sup>1)</sup>	Impact on fair value, percentage points
Rental revenue, +/- one per cent	60	431	0.5
Vacant space, +/- one percentage point	58	-718	-0.8
Operating costs, +/- one per cent	9	-89	-0.1
of which media provision	6	-45	-0.1
Cost of capital, + one percentage point	-5,176	-5,176	-5.8
Cost of capital, - one percentage point	5,705	5,705	6.4
Yield target, + one percentage point	-7,107	-7,017	-7.9
Yield target, - one percentage point	10,539	10,539	11.9

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

# Consolidated segments

## THE GROUP'S GEOGRAPHICAL SEGMENTS IN BRIEF

Segment information 1 January 2019–30 June 2019, SEK million	South <sup>1</sup>	Mid-Sweden <sup>2</sup>	North <sup>3</sup>	Total, operating segments	Other operations <sup>4</sup>	Group
Revenue, including other operating revenue	812	1,480	828	3,120	—	3,120
Property management costs, including other operating costs	-261	-341	-283	-885	-86	-971
<b>NET OPERATING INCOME</b>	<b>551</b>	<b>1,139</b>	<b>545</b>	<b>2,235</b>	<b>-86</b>	<b>2,149</b>
Central administration costs						-37
Interest income						26
Interest expense						-180
Site leasehold fees						-42
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>						<b>1,916</b>
Change in value, properties	730	1,008	22	1,760	—	1,760
Change in value, financial instruments						-321
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>3,355</b>
Total assets include:						
Properties	20,645	47,044	21,243	88,932	—	88,932
of which invested during the year	344	1,110	209	1,662	—	1,662
<b>Segment information 1 January 2018–30 June 2018, SEK m</b>						
Revenue, including other operating revenue	817	1,445	820	3,082	—	3,082
Property management costs, including other operating costs	-262	-369	-244	-875	-100	-975
<b>NET OPERATING INCOME</b>	<b>555</b>	<b>1,076</b>	<b>576</b>	<b>2,207</b>	<b>-100</b>	<b>2,107</b>
Central administration costs						-35
Interest income						23
Interest expense						-135
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>						<b>1,961</b>
Change in value, properties	-46	235	358	547	—	547
Change in value, financial instruments						-432
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>2,076</b>
Total assets include:						
Properties	18,953	42,705	20,807	82,465	—	82,465
of which invested during the year	287	961	232	1,480	—	1,480
<b>Segment information 1 Jan. 2018–31 Dec. 2018, SEK m</b>						
Revenue, including other operating revenue	1,617	2,861	1,639	6,117	—	6,117
Property management costs, including other operating costs	-575	-887	-518	-1,980	-199	-2,179
<b>NET OPERATING INCOME</b>	<b>1,042</b>	<b>1,974</b>	<b>1,121</b>	<b>4,137</b>	<b>-199</b>	<b>3,938</b>
Central administration costs						-78
Interest income						32
Interest expense						-300
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>						<b>3,592</b>
Change in value, properties	322	1,532	731	2,585	—	2,585
Change in value, financial instruments						-360
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>5,818</b>
Total assets include:						
Properties	19,571	44,927	21,367	85,865	—	85,865
of which invested during the year	536	1,887	419	2,842	—	2,842

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

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

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

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

## Parent Company income statement

Parent Company income statement, summary, SEK m	2019 April–June	2018 April–June	2019 Jan.–June	2018 Jan.–June	2018 Full-year
Income from property management	1,547	1,540	3,231	3,083	6,118
Property management expenses	-493	-464	-1,006	-979	-2,182
<b>NET OPERATING INCOME</b>	<b>1,054</b>	<b>1,075</b>	<b>2,224</b>	<b>2,104</b>	<b>3,936</b>
Central administration costs	-18	-18	-37	-35	-78
Depreciation and impairment as well as reversed impairment in property management	-532	-308	-892	-611	-1,315
<b>PROFIT BEFORE FINANCIAL ITEMS</b>	<b>504</b>	<b>749</b>	<b>1,294</b>	<b>1,458</b>	<b>2,543</b>
Interest income	8	10	26	23	32
Interest expense	-113	-88	-224	-182	-392
Change in value, financial instruments	-124	-224	-321	-432	-360
Appropriations	—	—	—	—	-138
<b>PROFIT BEFORE TAX</b>	<b>275</b>	<b>447</b>	<b>776</b>	<b>867</b>	<b>1,686</b>
Tax	-58	52	-166	-50	-192
<b>PROFIT FOR THE PERIOD</b>	<b>217</b>	<b>499</b>	<b>609</b>	<b>818</b>	<b>1,494</b>

## Parent Company statement of comprehensive income

Parent Company statement of comprehensive income, summary, SEK m	2019 April–June	2018 April–June	2019 Jan.–June	2018 Jan.–June	2018 Full-year
Profit for the period	217	499	609	818	1,494
Reclassifiable items					
Profit/loss from cash flow hedges	—	-11	—	—	—
Tax attributable to cash flow hedges	—	2	—	—	—
Cash flow hedges, reclassified to the income statement	—	-4	—	-7	-7
<b>TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>—</b>	<b>-13</b>	<b>—</b>	<b>-7</b>	<b>-7</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>217</b>	<b>486</b>	<b>609</b>	<b>811</b>	<b>1,487</b>

# Parent Company statement of financial position

Parent Company statement of financial position, summary, SEK m	30 June 2019	30 June 2018	31 Dec. 2018
<b>ASSETS</b>			
Non-current assets			
Properties	44,858	43,764	44,374
Equipment, fixtures and fittings	20	20	23
Shares in Group companies	1	1	1
Derivatives	4,403	1,389	1,614
Other non-current receivables	430	262	430
<b>Total non-current assets</b>	<b>49,712</b>	<b>45,435</b>	<b>46,442</b>
Current assets			
Derivatives	30	772	67
Other current receivables	1,858	1,889	2,173
Cash and cash equivalents	4,814	4,955	3,304
<b>Total current assets</b>	<b>6,701</b>	<b>7,616</b>	<b>5,543</b>
<b>TOTAL ASSETS</b>	<b>56,414</b>	<b>53,051</b>	<b>51,986</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	5,623	6,001	6,677
Untaxed reserves	4,344	4,206	4,344
<b>LIABILITIES</b>			
Non-current liabilities			
Loans	30,770	28,098	28,262
Derivatives	1,793	898	941
Deferred tax	2,147	2,127	2,197
Other non-current liabilities	353	354	351
<b>Total non-current liabilities</b>	<b>35,064</b>	<b>31,477</b>	<b>31,752</b>
Current liabilities			
Loans	5,782	7,239	5,259
Derivatives	48	88	136
Other current liabilities	5,552	4,041	3,818
<b>Total current liabilities</b>	<b>11,382</b>	<b>11,368</b>	<b>9,213</b>
<b>Total liabilities</b>	<b>46,447</b>	<b>42,845</b>	<b>40,965</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>56,414</b>	<b>53,051</b>	<b>51,986</b>

# Parent Company

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

## REVENUE AND PROFIT/LOSS

The Company's sales for the period amounted to SEK 3,231 million (3,083). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). Profit before financial items was SEK 1,294 million (1,458). Profit after tax was SEK 609 million (818).

## 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 1 million (14) and in properties to SEK 1,619 million (1,433).

## EQUITY

Equity totalled SEK 5,623 million compared with SEK 6,677 million at year-end. In May 2019 a dividend of SEK 1,663 million was paid to the shareholder.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

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

This Interim 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, 12 July 2019

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. Site leasehold fees during the first half of the year of 2019 were SEK 42 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 after 22 per cent tax rate in relation to average equity (OB+CB)/2.

### Return on operating capital

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

### Loan-to-value ratio

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

### Yield

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

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

### Net operating income ratio

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

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

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

	1 Jan. 2019– 30 June 2019	1 Jan. 2018– 30 June 2018	1 Jan. 2018– 31 Dec. 2018
Net interest income/expense, net loans and financial assets	-157	-127	-278
Net interest derivatives	-19	-13	-27
Other interest costs	-22	-20	-55
Capitalised interest expense, projects	44	47	92
<b>Total net interest income/expense</b>	<b>-154</b>	<b>-113</b>	<b>-268</b>
Change in value, independent financial derivatives			
-unrealised	-383	-221	-160
-realised	-60	36	39
Changes in value, fair value hedges	121	-246	-160
<b>Total changes in value</b>	<b>-321</b>	<b>-431</b>	<b>-360</b>
Site leasehold fees	-42	—	—
<b>Financial net</b>	<b>-518</b>	<b>-544</b>	<b>-628</b>

### Net investments

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

### Net loan liability

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

SEK m	1 Jan. 2019– 30 June 2019	1 Jan. 2018– 30 June 2018	1 Jan. 2018– 31 Dec. 2018
Gross loan debt	-36,552	-35,336	-33,521
Assets			
Collateral for derivatives, net	-2,540	-1,058	-891
Cash and cash equivalents	4,814	4,955	3,304
Other current receivables	344	409	692
<b>Total net loan liability</b>	<b>-33,934</b>	<b>-31,030</b>	<b>-30,416</b>
<b>Average interest-bearing capital (full-year basis)</b>	<b>-30,448</b>	<b>-29,501</b>	<b>-31,688</b>

### Operating capital

Equity plus interest-bearing net loan liability.

### Interest coverage ratio

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

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

### Equity ratio

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

# Definitions/Glossary

## Comparable portfolio

Property holdings excluding buildings that are acquired or disposed, or classified as development properties during the period or comparative period.

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

Rentable floor space in square metres.

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

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

## Maintenance costs

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

## 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 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.

## 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.

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 2019	23 October 2019
Year-end report 2019	18 February 2020
Annual Report 2019	March 2020

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