

Interim Report

QUARTER
2-2020

1 JANUARY – 30 JUNE 2020

Continued stability despite uncertain times

Akademiska Hus increases its net operating income and earnings before changes in value and tax compared to the previous year. Within the community property sector, which is essentially the entire Akademiska Hus portfolio, the impact of the Covid-19 pandemic is still limited.

Read more in the Statement by the President on page 3.

KEY EVENTS DURING THE QUARTER

- The Government decided that colleges and universities will have the opportunity to open again for campus-based classes beginning on 15 June. Intensive efforts are underway at Sweden's higher education institutions to prepare for the return to on-campus teaching, which has been conducted remotely because of the pandemic since 18 March. Akademiska Hus has engaged in close dialogue with each centre of education regarding how we can support this effort.
- Akademiska Hus is investing about SEK 820 million in a new building at Lund University. The new Forum Medicum will provide a centre of education and research in medicine and health sciences and will be an important component in the future development of the Faculty of Medicine.
- The construction project is one of the largest initiatives that the University and Akademiska Hus have ever carried out together. Occupancy is planned for the early summer of 2023.
- The Solna Campus and neighbouring Hagastaden are growing and developing with the aim of becoming the strongest life science cluster in the world. Akademiska Hus is now starting to remodel the Retzius Laboratory, which will provide an opportunity for new operations associated with health and medicine to establish themselves in ultramodern premises on campus. Akademiska Hus is investing SEK 275 million in the project. Occupancy of the Retzius Laboratory is planned to the beginning of 2021.
- A Working Lab Universum recently opened at Umeå University, where businesses, students, start-ups, researchers and public organisations share office space. The co-working environment has its sights on research and business that can strengthen Västerbotten's position as an innovative and creative region. In the first phase, the premises include an 800 m² co-working environment in the Universum building, located in the middle of the Campus. The investors for the initiative are Akademiska Hus, along with the Innovation Office at Umeå University, SLU Holding, Umeå University Holding, Västerbotten Health Innovation Development Office and Umeå Science Park.

FINANCIAL KEY FIGURES

Period January – June

- Rental revenue was SEK 3,116 million (3,039).
- Net operating income totalled SEK 2,315 million (2,162).
- Profit before changes in value and tax was SEK 2,054 million (1,915).
- Changes in property values totalled SEK 572 million (1,760), corresponding with a 0.6 per cent (2.1) increase in the value of the properties.
- Total financing cost was SEK -348 million (-518), of which SEK -136 million (-321) relates to changes in the value of financial instruments.
- Profit before tax was SEK 2,490 million (3,355) and profit for the period was SEK 1,971 million (2,657).
- Investments in redevelopment, extensions and new construction totalled SEK 1,557 million (1,662).
- The yield (excluding properties under construction and expansion reserves) was 5.1 per cent (4.9) 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 cities, 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 our 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 93 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 10.4 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 2.2 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 3.5 per cent (3.6 at year end). One reason for the relatively low vacancy rate is that new projects generally are not initiated until contracts are signed.

LONG-TERM FINANCING

Cash flows from current operations are 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.

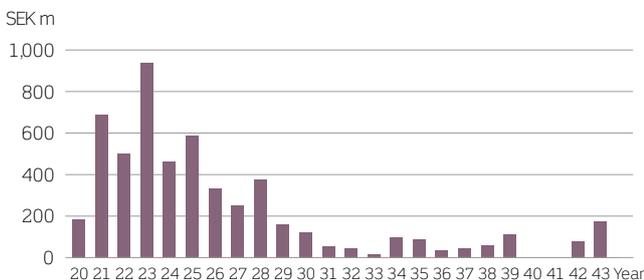
P-1

Moody's short-term rating,
December 19

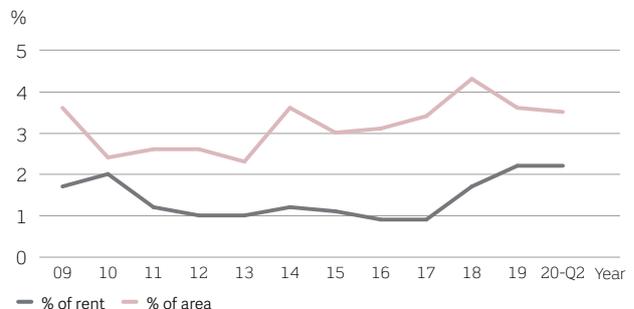
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Standard & Poor's long-term rating,
Stable outlook, September 19

MATURITY STRUCTURE ON LEASES



LEVEL OF VACANT SPACE



AKADEMISKA HUS IN BRIEF	2020	2019	2020	2019	Rolling 12 months July 2019– June 2020	2019 Full-year	2018 Full-year
	April– June	April– June	Jan.– June	Jan.– June			
Income from property management, SEK m	1,611	1,547	3,188	3,120	6,284	6,217	6,117
Net operating income, SEK m	1,209	1,079	2,315	2,162	4,312	4,160	3,953
Profit before changes in value and taxes, SEK m:	1,084	950	2,054	1,915	3,728	3,589	3,592
Values as at 30/06/2020							
Equity ratio	42.0	42.5	42.0	42.5	42.0	44.5	45.8
Return on operating capital, %	*	*	*	*	8.5	10.3	9.2
Return on equity, %	*	*	*	*	10.6	12.2	11.2
Interest coverage ratio, %	*	*	*	*	717	679	736
Loan-to-value ratio, %	38.3	38.2	38.3	38.2	38.3	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	93,548	88,932	93,548	88,932	93,548	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.

PRESIDENT KERSTIN LINDBERG GÖRANSSON COMMENTS:

Together we meet the new normal

The world situation is still highly uncertain because of the coronavirus pandemic, although Sweden and other countries are gradually beginning to ease their restrictions. Beginning on 15 June, the Swedish Government decided that colleges and universities may reopen for campus-based education, after conducting all classes remotely since 18 March. This entails a gradual return to normal. But we realise that the “new normal” and the rapid digitalisation of education and other parts of society will profoundly affect us and our customers.

Intensive work is now underway in close collaboration with our customers to understand how the pandemic affect the way in which education is conducted, the change in the importance of the campus as a physical location and how our delivery can support the development of future knowledge environments in the long term. For example, premises may be streamlined, where centres of education need smaller spaces, but also remodelled to meet new needs and new forms of teaching. We conducted a study in May/June that shows that students feel digital teaching is an effective complement to classroom teaching, but many still prefer to be on campus to study with fellow students and to build networks. The significance of the physical encounter will probably not diminish – but will certainly take on new forms. 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.

Stable outlook for community properties

One sign of strength is that transactions involving community properties are closing at price levels similar to those before the pandemic. Against this background, our assumptions regarding yield targets are unchanged in the quarterly valuation. In all, 93 per cent of our income derives from publicly funded operations, where colleges and universities are the predominant customer group. Since we have a large proportion of creditworthy tenants, Akademiska Hus has performed well through the crisis, compared to many other industries and companies that have been severely affected. We have not needed to lay off or terminate staff, nor have we taken advantage of any of the government support measures. We have great understanding for the concerns of our tenants who run service companies and have seen their customer base disappear on campus during the spring. We have therefore discussed the situation with them individually and granted deferrals and rental discounts to help them through the crisis until the campuses reopen.

Good liquidity and stable earnings

Despite the turbulence in financial markets, interest in Akademiska Hus bonds has been strong and five issuances of a total of SEK 4,050 million were completed in the second quarter, contributing to continued good liquidity.

To date, we do not see any significant impact on earnings related to the pandemic. Net operating income for the six-

month period increased compared to the previous year and totalled SEK 2,315 million (2,162). Profit before changes in value and tax continue to be stable at SEK 2,054 million (1,915).

Climate change initiatives more important than ever

As part of our effort to become completely climate neutral, our goal is to reduce the proportion of energy delivered by 50 per cent from 2000 to 2025. This initiative is proceeding according to plan and through an array of measures and innovative solutions we have already achieved the target for our buildings on the Chalmers Campus in Gothenburg, five years ahead of schedule. Our prizewinning building, Studenthuset (the Student Building) on the Valla campus in Linköping, has been honoured once again and has now also been awarded the Swedish Solar Energy Prize. The solar panel initiative is one of many steps on the path to climate neutrality. I am also extremely proud that the first phase of the Albano Campus is now completed, a true model for sustainable urban construction.

Investments that strengthen campuses

Our project portfolio is still extensive and so far we have been able to successfully handle the challenges in the projects caused by the pandemic. Investment decisions have been taken for a new building at Lund university, Forum Medicum, which will be completed in the summer of 2023. We have also begun to remodel the Retzius Laboratory, which will provide an opportunity for new operations associated with health and medicine to establish themselves in ultramodern premises on the Solna Campus. Demand for our co-working concept and shorter, flexible contracts is greater than ever. We recently opened A Working Lab Universum in Umeå. Here businesses, students, start-ups, researchers and public organisations share office space in the middle of the Umeå Campus. The insights and experiences that we, our customers and other community participants gained this spring will hopefully help us to work together even more effectively with innovative and intelligent solutions that lead us in the right direction in our climate change initiatives, digitalisation and the continued development of Sweden as a nation of knowledge.



Kerstin
Lindberg Göransson

President

BUSINESS INTELLIGENCE AND MARKET ANALYSIS:

Continued strong property market

TRENDS

Activity in the world economy has plummeted in the wake of the Covid-19 outbreak, and current forecasts indicate that global GDP will shrink by around five per cent for full-year 2020. Massive fiscal stimulus measures have been rapidly implemented, causing increasing budget deficits in affected countries. In countries with already strained government finances, the potential for further fiscal support measures is limited. This is one reason why the European Commission has proposed a recovery fund, which is proposed to amount to EUR 750 billion, aimed at jointly supporting the countries that have been affected the most. Communities have begun to reopen in both Europe and the US, but indications that the spread of infection is on the rise once again are creating great uncertainty about how quickly activity can return to a more normal level.

The impact on the Swedish economy has been significant and Swedish GDP growth is expected to fall by about 5 per cent in 2020, while unemployment will rise to about 10 per cent.

FINANCIAL MARKETS

The central banks have rapidly taken powerful monetary policy measures, with a focus on supplying liquidity to financial markets, including by expanding bond purchase programmes, which have been of great importance both in keeping interest rates low and in narrowing credit spreads which widened at the Covid-19 outbreak. The US Federal Reserve, has launched a bond-buying programme that no longer has a limit to the amount of debt it will purchase. In Europe, the European Central Bank (ECB) has expanded its bond purchase programme with the aim of offsetting the effects of the pandemic emergency purchase program (PEPP) from EUR 750 to EUR 1,350 billion and extended it to mid-2021. The Swedish central bank expanded its bond purchase programme to SEK 500 billion and it also extends until the middle of 2021. The majority of the Swedish central bank's bond purchases so far have been in mortgage bonds, which has caused spreads on these bonds to narrow to the levels that prevailed before the Covid-19 outbreak. During the fall the Swedish central bank will also begin to purchase corporate bonds.

Key rates in the US and Sweden have remained unchanged around zero during the quarter, and the ECB has maintained the interest rate at -0.50 per cent. Bond yields have recovered parts of the interest rate decline from the first quarter, but interest rates remain low with 10-year government bond rates in Sweden around zero per cent. Stock market performance has shown a stronger recovery during the quarter, and at the time of writing the decline since the beginning of the year is about 6 per cent, after having plummeted by about 30 per cent in March. The recovery can be explained in part by expectations of continued extremely low interest rates, which benefits stock market performance.

PROPERTY MARKET

During the previous quarter, uncertainty regarding developments in the property market was extremely high in the wake of the Covid-19 pandemic. In addition to limited mobility and an increase in remote work, several transactions were cancelled because of the more challenging financing market. The market situation is more stable now compared to the previous quarter. The prevailing low interest rate environment entails continued interest in alternative investments, such as properties, which have a positive real return. After being becalmed for a couple of months, the transaction market has now begun to recover, especially with regard to the community properties, housing and office segments, with mainly tax-financed operations as tenants. Aggregate transaction volume for the year as of 30 June amounted to SEK 78 billion, which is SEK 8 billion or 9 per cent lower than the corresponding period in 2019. Housing and offices were the most traded segments at about 27 per cent and 25 per cent respectively. Community properties accounted for 13 per cent of the volume, which is the same level as the previous year. Statistics from Newsec show that, despite the crisis, so far the rental market for offices is relatively unaffected.

COMMUNITY PROPERTIES RESILIENT

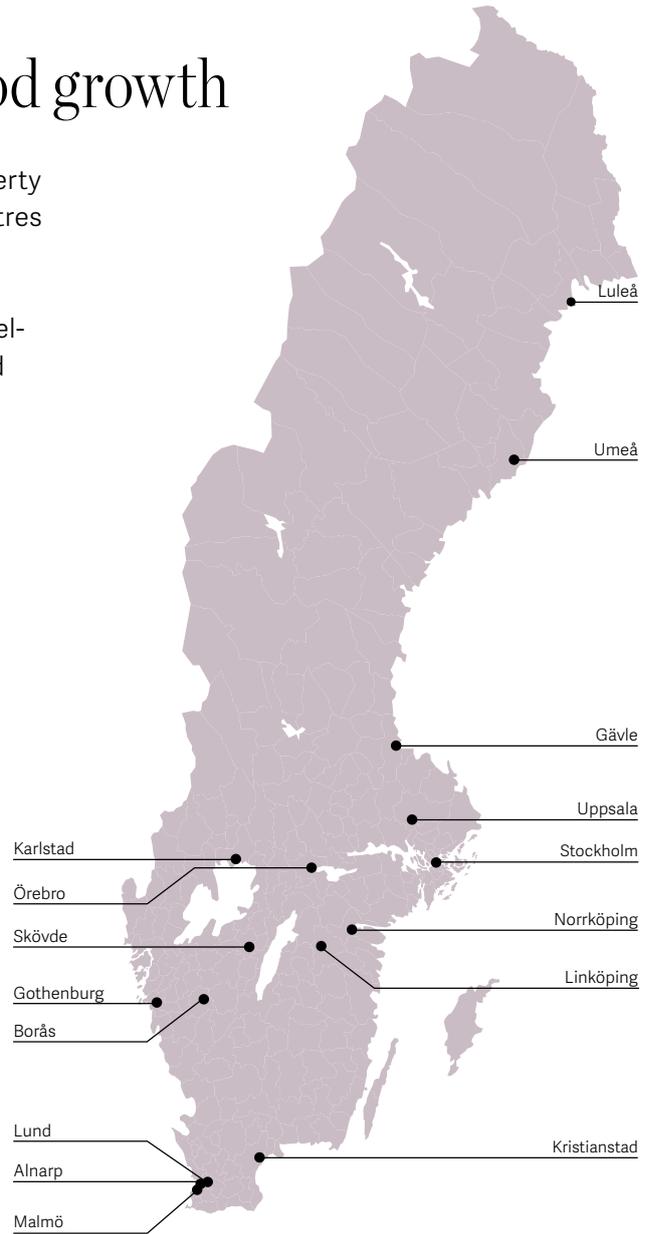
Market conditions for community properties continue to be strong. Community properties in secondary locations and small towns are desirable if underlying factors – such as high population growth, and thus a strong need for public sector investments – are strong and ensure long-term demand for premises. According to several transaction and valuation professionals, deals involving community properties are being completed at price levels similar to those prior to the crisis. Moreover, project activity has increased, since the need for newly produced and/or expanded premises is strong in areas such as the judicial system, health care and social services. Akademiska Hus' main market, premises for higher education and research, is normally countercyclical since the number of students tends to be higher when the economy is weaker. Campus-based classes are now permitted provided that Public Health Agency provisions and general recommendations to reduce the spread of infection are followed. On-campus classes were banned from 18 March to 15 June. It is still too early to say anything about the consequences of this ban, but the transition to education via digital media may lead to a lower need for premises in the event that higher education institutions, students and the business community conclude that remote learning can be equally effective.

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 94 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 location	Market value and area	Largest centres of education
Stockholm	SEK 43 billion 956,000 m ²	Stockholm University Karolinska Institutet Royal Institute of Technology
Uppsala	SEK 16 billion 609,000 m ²	Uppsala University Swedish University of Agricultural Sciences, Ultuna
Gothenburg	SEK 9 billion 368,000 m ²	University of Gothenburg Chalmers University of Technology

Market share, per location	Market value and area	Largest centres of education
Lund	SEK 8 billion 360,000 m ²	Lund University
Umeå	SEK 4 billion 240,000 m ²	Umeå University Swedish University of Agricultural Sciences, Umeå
Linköping	SEK 4 billion 234,000 m ²	Linköping University

● Akademiska Hus ● Other

Source: Share 2019, Swedish National Financial Management Authority

This is 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 94 billion. Most of the cash flow is reinvested, which provides security for our customers. Our stable finances have enabled us to invest about SEK 54 billion in new construction, additions and renovation projects since 1993, when Akademiska Hus was founded. Investments that make it possible, working closely with our customers, to contribute to strengthening Sweden as a nation of knowledge.

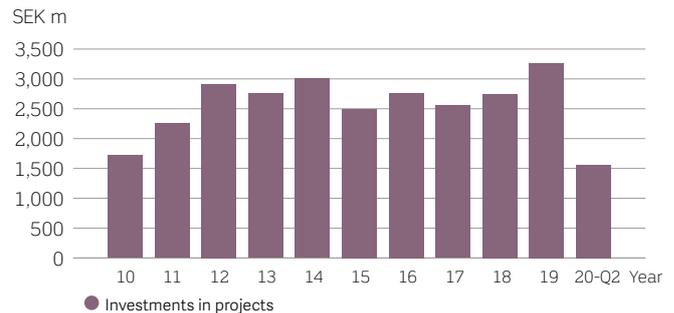
CUSTOMISED PROPERTIES

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 for building wisely and sustainably. The goal is always to 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 decided 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 student housing projects must qualify, at a minimum, for a Silver rating in the Miljöbyggnad environmental certification system and formal certification is encouraged. Building sustainably also involves safety and reducing the risk of accidents at our construction sites. We work proactively for safer workplaces and are one of the orchestrators of the industry-wide organisation "Håll Nollan" initiative.

CONTINUED HIGH INVESTMENT RATE



The diagram shows annual investments in projects from 2010 to the second quarter of 2020 on average, Akademiska Hus has had an investment rate of about SEK 2.5 billion per year. The company has invested approximately SEK 54 billion in new construction as well as in redevelopment and extensions since 1993.



FIRST PHASE OF ALBANO CAMPUS IS FINISHED

At the Albano Campus in Stockholm 70,000 square metres of new university facilities and 1,000 housing units for undergraduate and graduate students, as well as parks, stores and restaurants are under construction. Now the initiative has reached an important milestone in that the very first building is ready for occupancy.

As Stockholm University and KTH evolve, modern new facilities are needed for research, education and collaboration. Consequently, in November 2015 construction kicked off for the Albano Campus, which with its strategic location just a stone's throw from downtown Stockholm will strengthen the links between the city's universities and forms a new neighbourhood that is vibrant regardless of time of day.

Akademiska Hus is investing a total of about SEK 3 billion in four buildings. Now the first is ready, Building 3, which with its six floors contains offices, lab environments, a café and a conference facility. The Albano Campus is being developed in harmony with nature and with the objective of becoming a role model in sustainable urban development.

TOMORROW'S KNOWLEDGE ENVIRONMENTS

With a long-term perspective, we create 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 the 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 increasingly integrated into and around the campus. Our method of developing campuses includes not only questions 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 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, 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 goals 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 business community 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 learning 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 comparison 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 April–June	2019 April–June	2020 Jan.–June	2019 Jan.–June	Rolling 12 months July 2019– June 2020	2019 Full-year
Rental revenue	1,578	1,505	3,116	3,039	6,128	6,050
Other property management income	33	41	72	81	157	166
Total property management income	1,611	1,547	3,188	3,120	6,284	6,217
Operating costs	-178	-201	-430	-472	-849	-891
Maintenance costs	-94	-143	-169	-235	-553	-619
Property administration	-101	-101	-202	-198	-395	-391
Other property management expenses	-30	-24	-72	-52	-175	-156
Total costs from property management	-403	-468	-873	-958	-1,972	-2,057
NET OPERATING INCOME	1,209	1,079	2,315	2,162	4,312	4,160
Central administration costs	-16	-17	-31	-37	-63	-69
Development costs	-10	-8	-18	-14	-45	-40
Interest income	14	8	26	26	43	43
Interest expense	-91	-89	-195	-180	-435	-420
Site leasehold fees	-21	-21	-43	-42	-84	-84
PROFIT BEFORE CHANGES IN VALUE AND TAXES	1,084	950	2,054	1,915	3,728	3,589
Change in value, properties	402	711	572	1,760	2,683	3,872
Change in value, financial instruments	81	-124	-136	-321	-319	-503
PROFIT BEFORE TAX	1,567	1,538	2,490	3,355	6,093	6,957
Tax	-327	-318	-519	-698	-1,121	-1,300
PROFIT FOR THE PERIOD	1,240	1,220	1,971	2,657	4,972	5,658
Of which attributable to the shareholder in the Parent Company	1,240	1,220	1,971	2,657	4,972	5,658

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, SUMMARY, SEK M

	2020 April–June	2019 April–June	2020 Jan.–June	2019 Jan.–June	Rolling 12 months July 2019– June 2020	2019 Full-year
Profit for the period	1,240	1,220	1,971	2,657	4,972	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	1,240	1,220	1,971	2,657	4,905	5,591
Of which attributable to the shareholder in the Parent Company	1,240	1,220	1,971	2,657	4,905	5,591

Comment: Operating profit

SECOND QUARTER

Profit for the quarter before changes in value and taxes increased by SEK 134 million since the beginning of the year and amounted to SEK 1,084 million (950). Net operating income increased by SEK 130 million since the beginning of the year and amounted to SEK 1,209 million (1,079). The increase is attributable to changes in rental revenue, as well as lower operating and maintenance costs.

Changes in value of properties amounted to SEK 402 million (711), which is lower than for the corresponding quarter the previous year.

FIRST HALF OF THE YEAR

Profit for the period before changes in value and tax was SEK 2,054 million (1,915). The improved performance is attributable to an increase in net operating income of SEK 153 million compared to the previous year, mainly attributable to reduced costs for operation and maintenance. In a comparable portfolio net operating income increased by 2 per cent.

Change in the value of properties was SEK 572 million (1,760), a decrease of SEK 1,188 million compared to the corresponding period in 2019. Yield requirements have been left unchanged compared to year end since the consequences of the pandemic with respect to valuation of community properties are still difficult to assess. Last year the cost of capital and yield requirements were lowered during the corresponding period, which explains the difference with respect to the change in value.

The impact of the pandemic on earnings during the first half of the year has been limited. Revenue was affected by a smaller rental reductions (SEK 2 million) 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 down in mid-March. Travel costs are also significantly lower.

RENTAL REVENUE

Rental revenue increased by SEK 77 million compared to the same period in the previous year and totalled SEK 3,116 million (3,039). Completion of new buildings in 2019 and 2020 with an impact on the period contributed to an increase in revenue of approximately SEK 90 million, primarily regarding Studenthuset (Student building) in Linköping, as well as the Humanisten building and AWL in Gothenburg. Index and rent renegotiations had an impact of SEK 15 million. Revenue from tenant adaptations increased by SEK 44 million in part because of reclassification. See page 22 for more information.

The increase is offset by the decline in rental revenue related to two major sales in Stockholm at the end of 2019 (SEK -27 million). The decline in revenue relates to the lower billing of media due to reduced energy consumption (SEK -26 million), as well as increased rent cuts of SEK -22 million.

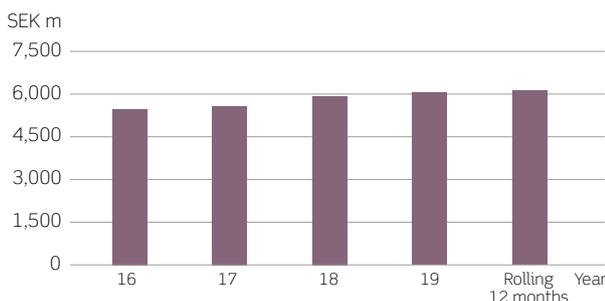
In a comparable portfolio, rental revenue increased by 2 per cent compared to the corresponding period the previous year.

LEASING LEVEL

The financial vacancy rate accounts for 2.2 per cent (2.2 at year end) of our total rental revenue, corresponding to SEK 76 million (87 for the second quarter of 2019). The majority of vacant space is at Karolinska Institutet and arose when Biomedicum was commissioned in the spring of 2018. At the end of the first half of the year, 40 per cent of these vacancies are rented and several discussions are underway with potential tenants.

Vacant space in terms of area at the end of the second quarter amounted to 120,000 square metres, which is 3.5 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 29,000 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 109 million and amounted to SEK 598 million (707). Costs are lower in part because certain 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.

Maintenance costs declined by SEK 66 million compared to the same period the previous year and totalled SEK 169 million (235). The reduction can mainly be attributed to project maintenance, which is being capitalised beginning in 2020. The comparative year has not been adjusted.

Operating costs involve supervision and service, as well as media provision. Operating costs of SEK 430 million (472) include media provision of SEK 266 million (309), equivalent to SEK 161/m² (180) over the past 12 months. The lower operating costs are in their entirety attributable to lower media costs due to the mild winter, low energy prices and because no classes were held on campus during the pandemic.

Other property management expenses increased by SEK 20 million in part because of costs for establishment of a new business area, AWL.

ADMINISTRATION COSTS

Total administration costs declined by SEK 2 million. Beginning in 2020, development costs are recognised separately in the income statement and are described on page 23. They amounted to SEK 18 million (14). 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 169 million (154) during the period, corresponding to an interest rate of 1.44 per cent (1.19). The increase is mainly attributable to the higher cost of loans with floating interest rates due to the increase in stibor. Capitalised interest costs for projects in progress, which was not included in net interest income, totalled SEK 50 million (44) during the six-month period. See table describing the composition of net interest income and expense on page 22.

TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

	2020 Jan.–June	2019 Jan.–June	2019 Full year
Interest cost for loans, including charges, %	1.29	1.06	1.07
Interest swaps, net interest, %	0.15	0.13	0.14
Net interest income/expense, %	1.44	1.19	1.21
Changes in value, financial derivatives, %	0.74	1.79	1.39
Total financing cost, %	2.18	2.98	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 June 2020 the change in value of properties with an impact on profit was SEK 572 million, a decrease of SEK 1,188 million compared to the same period in 2019.

To estimate the impact of Covid-19 on change in value, an analysis of rental losses during the second quarter has been 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 – a segment that comprises 93 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.

The main reason for this decrease in relation to the comparative period in 2019 is that the cost of capital and yield requirements were left unchanged. The remaining portion can be explained by a modest development in other change in value, attributable to projects in progress, renegotiated leases and other factors affecting value. The average yield requirement was 5.13 per cent (5.29).

The largest changes in value can mainly be seen in the Stockholm region and the Gothenburg region, largely due to the continued positive rental trend in these metropolitan regions.

CHANGES IN VALUE, FINANCIAL INSTRUMENTS

Changes in value in the derivative portfolio amounted to SEK -136 million (-321), which can be attributed to the lower market interest rates and flatter yield curve. 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 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.

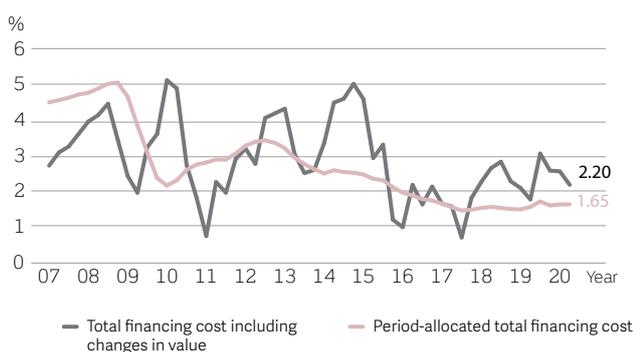
To clarify the underlying financing cost, a comparative calculation is carried out in which the cash flows of realised interest rate derivatives are also attributed (allocated) to the underlying maturity of each instrument. This allocation for the past twelve-month period corresponds to an interest expense of 0.31 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 1.65 per cent as at 30 June. 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 717 per cent (710), see diagram below on the right.

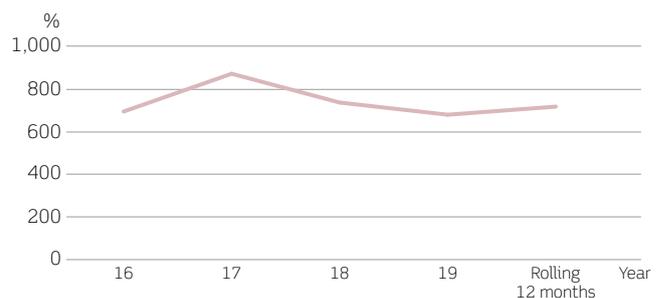
TAX

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 210 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 has been calculated at a rate of 20.6 per cent

COMPARATIVE CALCULATION TOTAL FINANCING COST, ROLLING 12-MONTH BASIS



INTEREST COVERAGE RATIO REMAINS HIGH



Consolidated statement of financial position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY, SEK M

	30 June 2020	30 June 2019	31 Dec. 2019
ASSETS			
Non-current assets			
Capitalised expenditure	4	—	4
Properties	93,548	88,932	91,424
Site leasehold rights	2,736	2,736	2,736
Equipment, fixtures and fittings	18	20	21
Derivatives	5,340	4,403	4,304
Other non-current receivables	571	430	504
Total non-current assets	102,218	96,522	98,993
Current assets			
Current receivables			
Derivatives	739	30	14
Other current receivables	1,842	1,858	1,642
Total current receivables	2,581	1,887	1,656
Cash and cash equivalents			
Cash and cash equivalents	6,627	4,814	4,337
Total cash and cash equivalents	6,627	4,814	4,337
Total current assets	9,209	6,702	5,993
TOTAL ASSETS	111,426	103,224	104,986
EQUITY AND LIABILITIES			
Equity	46,826	43,826	46,760
LIABILITIES			
Non-current liabilities			
Loans	32,137	30,770	30,016
Derivatives	2,260	1,793	1,660
Deferred tax	12,885	12,111	12,576
Long-term debt finance lease	2,736	2,736	2,736
Other non-current liabilities	796	608	773
Total non-current liabilities	50,814	48,019	47,762
Current liabilities			
Loans	7,318	5,782	4,932
Derivatives	108	48	134
Other current liabilities	6,361	5,549	5,398
Total current liabilities	13,787	11,380	10,464
Total liabilities	64,601	59,398	58,226
TOTAL EQUITY AND LIABILITIES	111,426	103,224	104,986

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 93,548 million, an increase of SEK 2,124 million or 2.3 per cent compared to 31 December 2019. Fair value includes the completed portions of projects in progress. The unrealised change in value amounted to SEK 570 million (1,760). Remaining changes relate to investments in properties for the year of SEK 1,557 million (1,662) and sales of SEK -2 million (-355).

During the first half 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 limited. The assessment is that it is not necessary to take an impairment charge related to the effects of the Covid-19 pandemic 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 with 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.

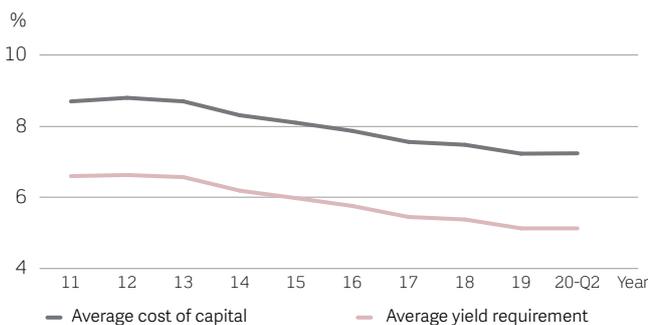
Each year 25–30 per cent of the property portfolio is also valued by external valuation professionals. External valuations are used as a benchmark for the internal valuation, thereby confirming its reliability that we are within the interval stated below.

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 +/- 4,677 million to SEK 9,355 million in the Akademiska Hus portfolio.

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

Change in property holdings, SEK m	30 June 2020	30 June 2019	31 Dec. 2019
Opening fair value	91,424	85,865	85,865
+ Investment in new construction, extensions and redevelopment	1,557	1,662	3,266
+ Acquisitions	—	—	—
- Sales	-2	-355	-1,572
+/- Change in fair value	570	1,760	3,865
Of which change in value due to a change in the cost of capital and yield requirement	—	698	2,727
Of which other change in value	570	1,062	1,138
CLOSING FAIR VALUE	93,548	88,932	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	1.5	0.4
Mid-Sweden	2.9	1.5
North	1.9	0.4
Total		2.3

FINANCING

The stress in financial markets led to sharply widening spreads earlier this year. Extensive monetary policy measures have contributed to stabilise the situation and spreads have narrowed during the second quarter, albeit to a higher level than before the Covid-19 pandemic. Interest in Akademiska Hus bonds was strong during the second quarter and five issuances of a total of SEK 4,050 million were completed in the Swedish bond market. Maturities have mainly been in the 2–3 year segment.

Committed credit facilities in banks have been expanded by SEK 500 million with a two-year term with the option for a one-year extension on two occasions. Total committed credit facilities in banks amounted to SEK 6,000 million. All of these credit facilities were unutilised as at 30 June. Bond issuances, the committed credit facilities and rental payments in the quarter contributed to continued good liquidity.

The net liability portfolio at 30 June totalled SEK 35,863 million, corresponding to an increase of SEK 2,961 million during the six-month period, 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 the end of the quarter was 42.0 per cent (42.5).

NET LOAN LIABILITY

SEK m	30 June 2020	30 June 2019	31 Dec. 2019
Gross loan debt	-39,455	-36,552	-34,948
Collateral for derivatives, net	-3,540	-2,540	-2,568
Cash and cash equivalents	6,627	4,814	4,337
Other current receivables	504	344	277
Total net loan liability	-35,863	-33,934	-32,902

FIXED INTEREST PERIOD AND MATURITY

The long-term bond issuances of recent years have helped to achieve a long period for tied-up capital, which at 30 June was 9.5 years. Bonds denominated in foreign currency are swapped to 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 value 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 six-month period, which as at 30 June was 7.4 years. As previously, 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, June 2020	Fixed interest, years, Dec. 2019	Maturity, years, June 2020	Maturity, years, December 2019
Basic portfolio	4.7	3.6	7.3	8.5
Long-term portfolio	20.4	20.8	20.4	20.8
Index-linked bond portfolio	5.0	5.4	5.0	5.4
Total portfolio	7.4	6.8	9.5	10.7

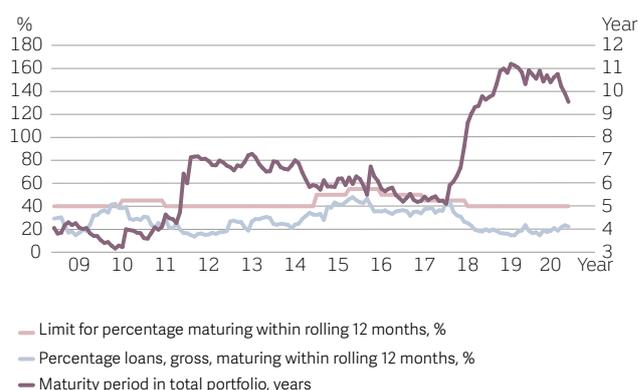
Year	Fixed interest, SEK m	Maturity, SEK m
2020	13,701	5,070
2021–2025	14,952	15,116
2026–2030	2,300	3,853
2031–2035	200	776
2036–2040	2,301	2,917
2041–2045	2,730	6,925
2046–2050	505	2,033
TOTAL	36,689	36,689

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 6,000 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 2020–2022, and Natrium (SEK 1,800 million).

Several student housing projects are included in our project portfolio and more will be added moving forward. Three of the approved projects involve student housing, which together amount to SEK 800 million.

PROJECT PORTFOLIO

SEK m	30 June 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	-6,000	-4,600
REMAINDER OF APPROVED AND PLANNED PROJECTS	7,400	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	75	100,000	2022-Q2	Stockholm University
Natrium	Gothenburg	Laboratory	1,803	11	28,000	2023-Q2	University of Gothenburg
Ångström Phase 4	Uppsala	Laboratory	1,185	49	30,000	2022-Q4	Uppsala University
Forum Medicum	Lund	Education	821	7	13,800	2022-Q2	Lund University
LTH Maskinteknik	Lund	Education	499	11	19,000	2022-Q2	Lund University
KI Residence	Stockholm	Residential	434	75	15,500	2020-Q3	Karolinska Institutet
Medical Biology Centre	Umeå	Laboratory	306	77	1,800	2020-Q3	Umeå University
Hydra student housing	Uppsala	Residential	193	70	4,600	2020-Q3	Akademiska Hus
Polstjärnan student housing	Luleå	Residential	183	92	6,000	2020-Q3	Akademiska Hus
Retzius	Stockholm	Laboratory	179	0	–	2020-Q4	Akademiska Hus
ITC IT upper secondary school	Uppsala	Education	156	93	–	2020-Q3	IT Gymnasiet Sverige AB
Projects under SEK 100 million			1,341				
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.–June 2019	—	—	—	2,657	2,657
EQUITY, 30 JUNE 2019	2,135	2,135	-32	39,588	43,826
Total comprehensive income, July–Dec. 2019	—	—	-67	3,001	2,934
EQUITY, 31 DEC. 2019	2,135	2,135	-99	42,589	46,760
Dividends ²				-1,905	-1,905
Total comprehensive income, Jan.–June 2020	—	—	—	1,971	1,971
EQUITY, 30/06/2020	2,135	2,135	-99	42,655	46,826

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.–June	2019 Jan.–June	2019 Full-year
CURRENT OPERATIONS			
Profit before tax	2,490	3,355	6,957
Adjustment for items not included in the cash flow	-484	-1,443	-3,926
Tax paid	-206	-206	-350
CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	1,800	1,706	2,681
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Increase (-)/decrease (+) in current receivables	-191	420	507
Increase (+)/decrease (-) in current liabilities	56	89	330
CASH FLOW FROM CURRENT OPERATIONS	1,665	2,215	3,519
INVESTING ACTIVITIES			
Investment in properties	-1,507	-1,618	-3,180
Sale of properties	4	355	1,579
Investment in other non-current assets	-2	-1	-10
Increase (-)/decrease (+) in non-current receivables	-67	—	-74
CASH FLOW FROM INVESTING ACTIVITIES	-1,572	-1,264	-1,685
FINANCING ACTIVITIES			
Raising of interest-bearing loans, excluding refinancing	12,963	7,349	14,518
Repayment of loan	-9,642	-6,569	-15,200
Interest paid	-162	-120	-387
Realised derivatives and CSA	943	1,562	1,931
Dividend paid	-1,905	-1,663	-1,663
CASH FLOW FROM FINANCING ACTIVITIES	2,197	559	-801
CASH FLOW FOR THE PERIOD	2,290	1,510	1,033
Opening cash and cash equivalents	4,337	3,304	3,304
Closing cash and cash equivalents	6,627	4,814	4,337

Comment: Statement of cash flows

Cash flow from current operations before changes in working capital totalled SEK 1,800 million (1,706). The impact of investments in properties on cash flow was SEK 1,507 million (1,618).

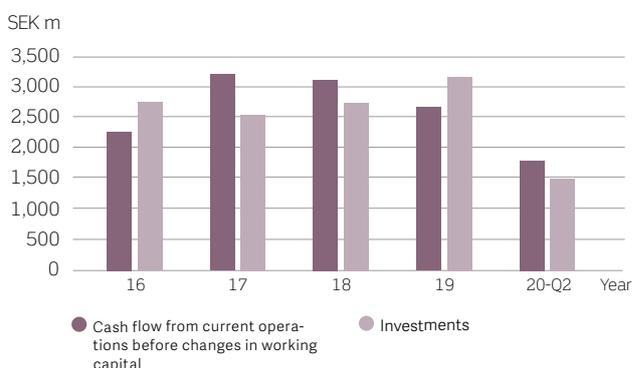
Cash flows from financing activities amounted to SEK 2 197 million (559). The improved cash flow is mainly due to an increase in net borrowing. During the first half of 2020, a net of SEK 4,550 million in bonds was issued.

Total cash flow for the year was SEK 2,290 million (1,510).

CASH FLOW AND INVESTMENTS

Total cash flow from current operations before change in working capital during the period 2016 to June 2020 was SEK 13,104 million. Investments during the same period totalled SEK 12,759 million. The diagram on the right 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 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. Rapid and powerful measures from central banks have generally helped to improve access to liquidity in financial markets. Interest in bonds from Akademiska Hus has been strong during the quarter, and completed issuances, 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 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 through the crisis. We therefore see no risk that the company's ability 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 30/06/2020

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	434	0.5
Vacant space, +/- one percentage point	60	-768	-0.8
Operating costs, +/- one per cent	8	-94	-0.1
of which media provision	5	-48	-0.1
Cost of capital, + one percentage point		-5,462	5.8
Cost of capital, - one percentage point		6,019	6.4
Yield requirement, + one percentage point		-7,673	-8.2
Yield requirement, - one percentage point		11,656	12.5

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

Parent Company income statement

PARENT COMPANY INCOME STATEMENT, SUMMARY, SEK M	2020 April–June	2019 April–June	2020 Jan.–June	2019 Jan.–June	2019 Full year
Income from property management	1,616	1,547	3,192	3,231	6,313
Property management expenses	-415	-485	-904	-993	-2,117
NET OPERATING INCOME	1,201	1,062	2,288	2,237	4,196
Central administration costs	-16	-17	-31	-37	-69
Development costs	-10	-8	-18	-14	-40
Depreciation and impairment as well as reversed impairment in property management	-419	-532	-759	-892	-1,580
PROFIT BEFORE FINANCIAL ITEMS	755	504	1,481	1,294	2,506
Dividends from shares in subsidiaries	—	—	—	—	819
Interest income	14	8	26	26	43
Interest expense	-118	-113	-245	-224	-506
Change in value, financial instruments	81	-124	-136	-321	-503
Appropriations	—	—	—	—	-37
PROFIT BEFORE TAX	732	275	1,125	776	2,322
Tax	-155	-58	-238	-166	-344
PROFIT FOR THE PERIOD	577	217	887	609	1,978

Parent Company statement of comprehensive income

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME, SUMMARY, SEK M	2020 April–June	2019 April–June	2020 Jan.–June	2019 Jan.–June	2019 Full-year
Profit for the period	577	217	887	609	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	577	217	887	609	1,978

Parent Company statement of financial position

PARENT COMPANY STATEMENT OF FINANCIAL POSITION, SUMMARY, SEK M

	30 June 2020	30 June 2019	31 Dec. 2019
ASSETS			
Non-current assets			
Capitalised expenditure	4	—	4
Properties	46,072	44,858	45,318
Equipment, fixtures and fittings	18	20	21
Shares in Group companies	1	1	1
Derivatives	5,340	4,403	4,304
Other non-current receivables	571	430	504
Total non-current assets	52,005	49,712	50,152
Current assets			
Receivables from subsidiary	—	—	819
Derivatives	739	30	14
Other current receivables	1,842	1,858	1,642
Cash and cash equivalents	6,627	4,814	3,518
Total current assets	9,208	6,701	5,993
TOTAL ASSETS	61,213	56,414	56,144
EQUITY AND LIABILITIES			
Equity	5,974	5,623	6,992
Untaxed reserves	4,380	4,344	4,380
LIABILITIES			
Non-current liabilities			
Loans	32,137	30,770	30,016
Derivatives	2,260	1,793	1,660
Deferred tax	2,233	2,147	2,206
Other non-current liabilities	438	353	422
Total non-current liabilities	37,069	35,064	34,305
Current liabilities			
Loans	7,318	5,782	4,932
Derivatives	108	48	134
Other current liabilities	6,364	5,552	5,401
Total current liabilities	13,790	11,382	10,467
Total liabilities	50,859	46,447	44,772
TOTAL EQUITY AND LIABILITIES	61,213	56,414	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 3,192 million (3,231). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). Profit before financial items was SEK 1,481 million (1,294). Profit after tax was SEK 887 million (609).

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 2 million (1) and in properties to SEK 1,507 million (1,619).

EQUITY

Equity totalled SEK 5,974 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.

Signing of the report

The Board of Directors and the Chief Executive Officer assure that the Half-year report provide a true and fair view of the parent company's and the Group's operations, financial position and result and describe significant risks and uncertainties that the parent company and the companies included in the Group are faced with.

Gothenburg, 10 July 2020

Anitra Steen
Chair person of the Board

Britta Burreau
Board member

Peter Gudmundson
Board member

Svante Hagman
Board member

Thomas Jenninger
Employee representative

Anders Larsson
Employee representative

Anna Magnusson
Board member

Christer Nerlich
Board member

Robin Teigland
Board member

Örjan Wikforss
Board member

Kerstin Lindberg Göransson
President

This Interim Report has not been the subject of an examination by the auditors.

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 principle for the valuation of financial instruments is 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.

Costs for tenant adaptations, which were previously reported net against rental revenue, have been reclassified beginning with the second quarter of 2020 as depreciation. The reclassification had an impact on second quarter rental revenue of SEK 23 million and depreciation in the Parent Company of SEK -23 million.

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 properties 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.–June	2019 Jan.–June	2019 Full-year
Net interest income/expense, net loans and financial assets	-181	-157	-343
Net interest derivatives	-22	-19	-46
Other interest costs	-15	-22	-74
Capitalised interest costs, projects	50	44	86
Total net interest income /expense	-169	-154	-377
Change in value, independent financial derivatives			
-unrealised	-206	-383	-263
-realised	-26	-60	-339
Changes in value, fair value hedges	97	121	98
Total changes in value	-136	-321	-503
Site leasehold fees	-43	-42	-84
Reported net interest income and expense	-348	-518	-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 June 2020	30 June 2019	31 Dec. 2019
Gross loan debt	-39,455	-36,552	-34,948
Collateral for derivatives, net	-3,540	-2,540	-2,568
Cash and cash equivalents	6,627	4,814	4,337
Other current receivables	504	344	277
Total net loan liability	-35,863	-33,934	-32,902
Average interest-bearing capital (full-year basis)	-29,046	-30,448	-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–June 2020	10 July 2020
Interim Report January–September 2020	22 October 2020
Year-end report 2020	February 2021
Annual Report 2020	March 2021

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