

Year-end report

QUARTER
4-2020

1 JANUARY – 31 DECEMBER 2020

Stable operations despite an uncertain year

Akademiska Hus reports an increase in net operating income before changes in value and taxes for 2020 compared with the previous year. Essentially the entire Akademiska hus portfolio consists of properties within the community sector. The impact of the ongoing pandemic for this sector has been limited during the year.

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

KEY EVENTS DURING THE QUARTER

- On 1 December Akademiska Hus took possession of the Alba Nova (Kattrumpstullen 1) property in Stockholm, not far from the Albano Campus. The property was acquired from the National Property Board of Sweden and was valued at SEK 2.2 billion. Alba Nova consists of 40,000 square metres including one large main building and nine smaller separate buildings.
- The campus in Örebro has been equipped with over 4,000 sensors that measure light, temperature, humidity and movement. The purpose of the sensors is to enable the utilisation of the premises more sustainably and efficiently, while improving the indoor environment and energy consumption.
- In October, a digital ground-breaking event marked the start of a redevelopment and extension project for approximately SEK 500 million involving the M-building at the Faculty of Engineering (LTH) at Lund University. The 24,000 square-metre project is expected to be completed in June 2022.
- In December a digital celebration marked the official construction start of Forum Medicum at Lund University. Akademiska Hus is investing SEK 820 million in the project, which involves a new 16,000 square-metre building and remodelling of the 7,800 square-metre Biomedical Center. The project, which will be completed in 2023, is one of the largest initiatives that the University and Akademiska Hus have ever carried out together.
- After almost ten years as CEO of Akademiska Hus, Kerstin Lindberg Göransson has informed the Board of Directors that she wishes to step down from her position in December 2021. Recruitment of a new CEO has begun.

FINANCIAL KEY FIGURES

January – December

- Rental revenue was SEK 6,264 million (6,051).
- Net operating income totalled SEK 4,485 million (4,160).
- Profit before changes in value and tax was SEK 3,920 million (3,589).
- Changes in property values totalled SEK 3,141 million (3,872), which corresponds to a 3.7 per cent (4.8) increase in the value of the properties.
- Total financing cost was SEK -573 million (-880), of which SEK -192 million (-503) relates to changes in the fair value of financial instruments.
- Profit before tax was SEK 6,869 million (6,957) and profit for the period was SEK 5,440 million (5,658).
- Investments in redevelopment, extensions and new construction totalled SEK 2,872 million (3,266).
- The yield (excluding properties under construction and expansion reserves) was 5.0 per cent (5.0) over the past 12 months.
- The Board of Directors proposes a dividend of SEK 2,142 million (1,905) to the 2021 Annual General Meeting.



AKADEMISKA HUS

This is Akademiska Hus

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

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

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

CREDITWORTHY TENANTS AND LONG-TERM CONTRACTS

The majority of Akademiska Hus' revenue, approximately 92 per cent, comes from colleges and universities. Since they are essentially government agencies, this customer group has the highest credit rating. To meet customer needs, we often invest in specially adapted premises, which results in longer lease terms. The average lease term for all signed leases at 1 January was 10.5 years (10.0). The average remaining lease term is 6.5 years (6.5). The financial vacancy rate accounts for 2.4 per cent (2.2) of our total rental revenue. The vacancy rate regarding

rentable space excluding properties that will be demolished is 3.6 per cent (3.6). 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 main 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.

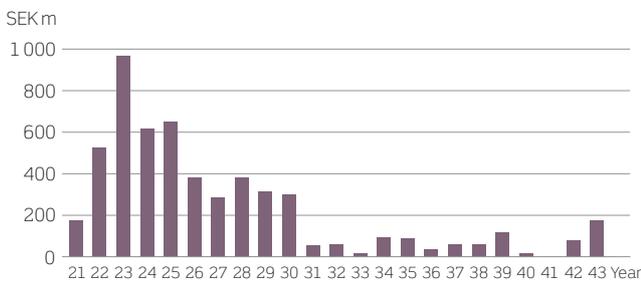
P-1

Moody's short-term rating,
December 20

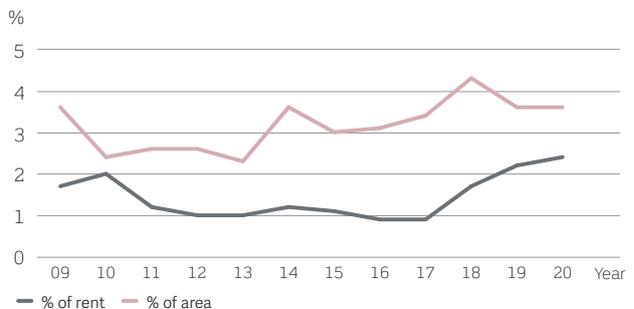
AA

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

MATURITY STRUCTURE ON LEASES



LEVEL OF VACANT SPACE



AKADEMISKA HUS IN BRIEF	2020	2019	2020	2019	2018
	Oct.-Dec.	Oct.-Dec.	Full-year	Full-year	Full-year
Income from property management, SEK m	1,642	1,518	6,418	6,217	6,117
Net operating income, SEK m	997	900	4,485	4,160	3,938
Profit before changes in value and taxes, SEK m:	857	740	3,920	3,589	3,592
Values as at 31/12/2020					
Equity ratio, %	44.5	44.5	44.5	44.5	45.8
Return on operating capital, %	*	*	9.0	10.3	9.2
Return on equity, %	*	*	11.1	12.2	11.2
Interest coverage ratio, %	*	*	768	679	736
Loan-to-value ratio, %	35.6	36.0	35.6	36.0	35.4
Yield, properties, % ¹	*	*	5.0	5.0	5.1
Yield, properties, % ²	*	*	4.7	4.6	4.7
Assessed market value, properties, SEK m	99,611	91,424	99,611	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 unrealised changes in value and related deferred tax.
- The equity ratio should be between 35 and 45 per cent.

CEO KERSTIN LINDBERG GÖRANSSON COMMENTS:

A different campus year

2020 was a year unlike any other in modern times. The decision to close campuses during the spring term and switch to distance learning and digital working methods entailed a revolutionary change for the centres of education, which had to reorganise their operations in a very short time. The mobility that we took for granted became severely limited, which had a large impact on the university world. The number of international students was cut in half in the autumn semester and research was affected by factors such as changes in the allocation of research grants. Despite the circumstances, we have engaged in an extremely close and constructive dialogue with our customers in order to assist them with their activities.

We have also supported our service tenants on campus with various temporary measures during the year, such as rent reductions and deferred rent, but since they represent such a small portion of our customer base these measures have had a marginal impact on earnings. Profit for the year before changes in value and tax increased by SEK 331 million compared with the previous year and totalled SEK 3,920 million. The improvement is attributable to an increase in net operating income of SEK 326 million compared with the previous year, mainly attributable to the completion of several new buildings in 2020, as well as reduced costs for operation and maintenance.

Rising property values despite the pandemic

The main portion of the Akademiska Hus portfolio consist of community properties. This segment has, with their low vacancy risk and predictable cashflow, together with the housing segment, proved to be most resilient during the current pandemic. At year-end the assessed fair value of our properties totalled SEK 99.6 billion, an increase of 9 per cent compared with the end of 2019. Our liquidity also continued to be solid despite the circumstances. Interest in our bonds has been strong and during the year we issued over SEK 6 billion in the Swedish capital market.

In December we acquired the 40,000 square-metre Alba Nova building in Stockholm, valued at SEK 2.2 billion. Through this purchase, we can assume overall responsibility to an even greater extent for the development of the Albano Campus into a modern and competitive knowledge environment.

Sustainability initiatives continue

Our sustainability work is more important than ever and we have completed an array of initiatives that are guiding us to our climate targets. One example is that we have continued our investments in solar panels. We now have a total of almost 70 facilities in our property holdings that generate over 6 million kWh of sustainable electricity annually for Swedish centres of education. Campus Örebro will be the first existing campus to be certified to Citylab standards and we have made a strong start on reusing and recycling for greater circularity in almost all of our construction projects, where Nya Handels in Gothen-

burg is a good example. But sustainability does not only relate to the climate and energy issue, but also involves human well-being. We have therefore focused strongly on outdoor environments on campus, which have become even more important as locations for work, studies and meetings.

Construction project for the future

We continue to develop and build knowledge environments. And even if we will see fewer new construction initiatives and more remodelling and streamlining of existing holdings moving forward, we have a number of projects in progress and some exciting construction starts during the year, including Natrium at Medicinareberget in Gothenburg, Forum Medicum and the remodelling of the M-building in Lund and the Retzius Laboratory at Karolinska Institutet.

Centres of education and students move in

Other highlights over the past year include the first phase (Building 3) of the multibillion Albano project in Stockholm, which was completed and ready for occupancy, as was the first phase of Nya Ångström in Uppsala. Approximately 400 undergraduate and graduate students were also able to move in to our student housing projects that was completed during the year – Polstjärnan in Luleå and Hydra in Uppsala.

Our projects are distinctive because they are carried out in close collaboration with our customers and with a focus on quality and sustainability. We proudly received the Building of the Year award for the long-awaited student building at Campus Valla in Linköping, which was completed this year and contains more than 1,000 study areas and a number of other spaces for meetings and interaction. We also received the important Håll Nollan award for safer construction sites along with NCC for the Ångström Laboratory in Uppsala, as well as the prestigious international Mipim Award for Biomedicum at Karolinska Institutet.

It has been an eventful and tumultuous year, to say the least. We will still have to wait a while to gain an understanding of what the new normal will be once the pandemic recedes and how we will develop our operations so that we remain relevant in the future. Meanwhile, we will continue to do our best to provide a good daily life environment for all of our customers.



Kerstin Lindberg Göransson
Chief Executive Officer

BUSINESS INTELLIGENCE AND MARKET ANALYSIS:

Continued stable property market

TRENDS

During the last quarter of the year, restrictions were imposed once again in many places in Europe and the US to reduce the spread of Covid-19, which increased in the autumn. One bright spot in this context is that vaccinations are now underway since several vaccines were approved by the appropriate regulatory authorities. The EU has completed negotiations on the details related to a relief package of EUR 750 billion and the long-term budget, suggesting that stimulus measures will now become reality within the eurozone. In the US, Congress passed a new fiscal stimulus package totalling USD 900 billion after the outcome of the presidential election was finally decided. The combination of fiscal and monetary policy stimulus measures provides support for economic development. For Sweden, however, fourth-quarter growth is expected to be weak, although economic indicators surprised somewhat on the upside, especially in the industrial sector, while parts of the service sector are still highly affected.

FINANCIAL MARKETS

At the end of the year, both the European Central Bank (ECB) and the Swedish central bank signalled that monetary policy will be expansionary for some time to come. The policy rate will be maintained at low levels, and bond yields will be kept down by bond purchasing programmes, which were also increased during the quarter. The ECB expanded the framework for the purchases by EUR 500 billion and the programme now totals EUR 1,850. The central bank of Sweden expanded the securities purchasing programme which now amounts to SEK 700 billion. This means that central banks will continue to influence the fixed income market in 2021. The central bank purchases includes not only securities issued by the state, but also by municipalities, companies and housing institutions.

The inflation target is no longer in the spotlight as the Swedish central bank, like the other central banks, focuses on crisis policy. The lack of actual prices, given that certain goods and services can barely be consumed as a result of the pandemic, has entailed great uncertainty in inflation measurements. The central bank of Sweden has emphasised the importance of maintaining long-term inflation expectations at an acceptable level. The December survey shows that 5-year inflation expectations remained unchanged at about 1.7 per cent, which is just under, but close to the inflation target.

PROPERTY MARKET

The property market demonstrated strong growth at the beginning of the year with rising rent levels and falling yield requirements for office buildings in several major cities and regional centres. The positive trend was then dampened by the Covid-19 pandemic, which continues to create uncertainty in several regards. Restrictions implemented to slow the spread of infection, which result in less movement in and around urban environments, have a negative impact on demand for commercial premises. The pandemic has had the strongest impact on the retail trade and hospitality segments, while demand for housing

and community properties increased since investors prefer properties with low vacancy risk and more predictable cash flows. Aggregate transaction volume for the year as of 31 December amounted to approximately SEK 183 billion (218), which is SEK 35 billion or 16 per cent lower than in 2019. Despite the year-on-year decline, the volume is still historically high, with a strong recovery towards the end of the year. In the spring there was great uncertainty regarding financing opportunities, which in some cases caused transactions to be cancelled or put on hold. Housing was the most traded property segment during the year at about 33 per cent of volume, followed by logistics/industry at 18 per cent, which took second place away from offices, which accounted for 16 per cent. Community properties accounted for 13 per cent of volume, a decline of 6 percentage points from 19 per cent compared with 2019, when Samhällsbyggnadsbolaget i Norden acquired the majority of Hemfosa in a record-breaking transaction. While the situation for office buildings apparently remains unchanged compared with previous quarters, office rents decreased slightly in downtown Stockholm, though the percentage is small. With an increased spread of infection in the fourth quarter, it is still too early to see how the pandemic will affect developments in the long term, since it takes time for companies to assess and decide on changes in the utilisation of premises. So far, hope that vaccines will be able to be mass produced in the first half of 2021 have calmed concerns and several property consultants expect a recovery over the next two years.

COMMUNITY PROPERTIES

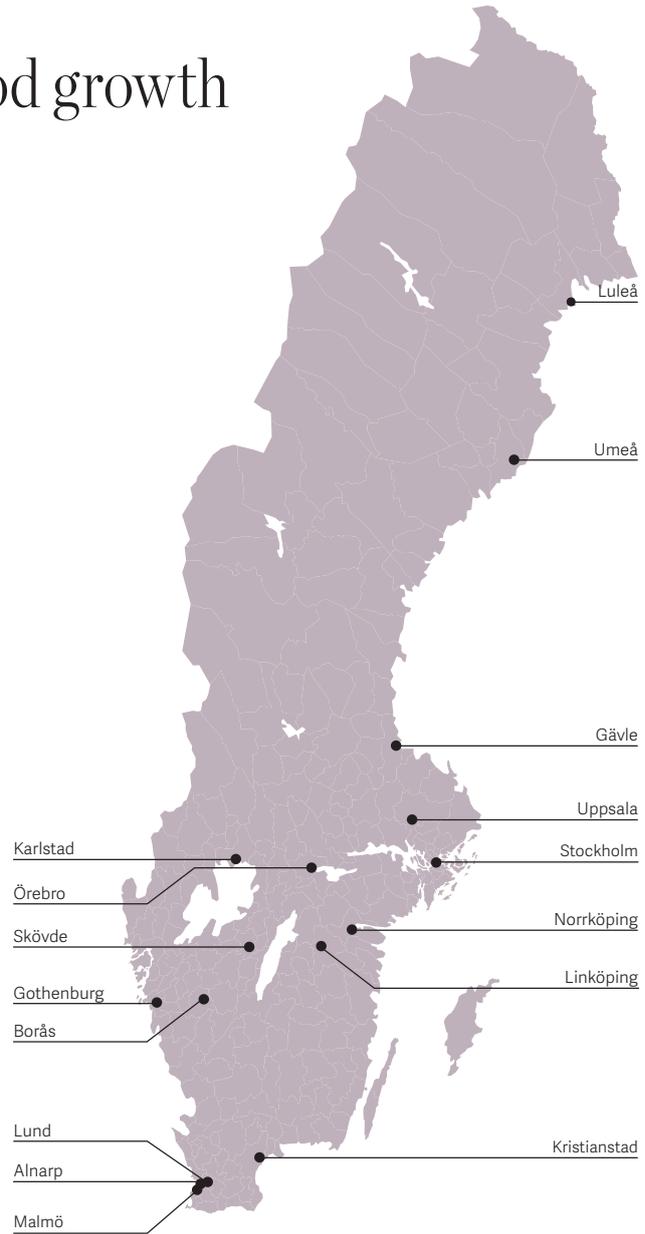
Interest in community properties remains high and transactions in the fourth quarter indicate increased demand and thus a lower yield requirement than before. Investors consider underlying strong market factors such as high population growth and a strong need for investments in the public sector. The positive trend in the quarter is most apparent in the major cities and regional centres, where most transactions occur, though better market conditions are also apparent in smaller towns. Akademiska Hus' main market, premises for higher education and research, is usually resilient to fluctuations in the property market since the number of students tends to be higher when the economy is weaker. In the wake of the pandemic, there is a growing need for new openings for students and the Parliament has approved the Government's budget bill for increased funding to colleges and universities, which will allow for almost 19,000 new openings in 2021. The Government also presented a bill aimed at increasing investments in Swedish research. Openings for more students does not necessarily entail an increase in the need for premises since digitalisation and changed behaviours in conjunction with the pandemic may lead to a higher degree of distance learning and streamlining of premises. In collaboration with our customers, we continually improve our learning environments and work towards campuses with undergraduate and graduate student housing, service, good communications and an integrated business community.

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 99.6 billion. Together with colleges and universities, we strengthen Sweden as a nation of knowledge by developing and managing environments for education and research.

Akademiska Hus can be found at
16
college and university cities



Our six largest locations

Market share, per city/town	Market value and area	Largest centres of education
Stockholm 	SEK 48 billion 993,000 m ²	Stockholm University, Karolinska Institutet, Royal Institute of Technology
Uppsala 	SEK 17 billion 607,000 m ²	Uppsala University, Swedish University of Agricultural Sciences, Ultuna
Gothenburg 	SEK 10 billion 368,000 m ²	University of Gothenburg, Chalmers University of Technology

Market share, per city/town	Market value and area	Largest centres of education
Lund 	SEK 8 billion 359,000 m ²	Lund University
Umeå 	SEK 4 billion 239,000 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 2020, Swedish National Financial Management Authority

How we contribute to a stronger nation of knowledge

We take a long-term strategic approach to continually develop attractive and innovative knowledge environments together with our customers. With a focus on colleges and universities, we have an aggregated property value of SEK 99.6 billion. Most of the cash flow is reinvested, which provides security for our customers. Since Akademiska Hus was founded in 1993, our stable finances have enabled us to invest approximately SEK 56 billion in new construction, additions and renovation projects. Working closely with our customers these investments make it possible to contribute to strengthen Sweden as a nation of knowledge.

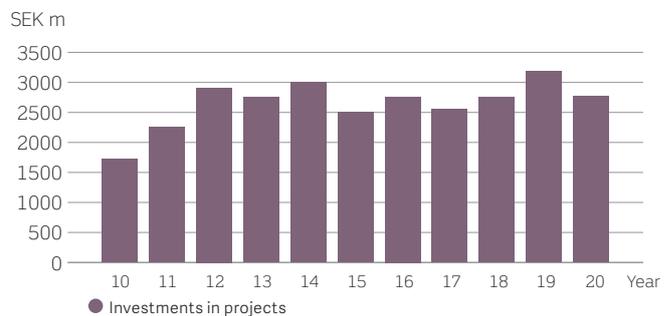
CUSTOMISED PROPERTIES

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

CONTINUED HIGH INVESTMENT RATE



The diagram shows annual investments in projects from 2010 to 2020 and on average, Akademiska Hus has had an investment rate of about SEK 2.5 billion per year. The company has invested approximately SEK 56 billion in new construction as well as in redevelopment and extensions since 1993.



AKADEMISKA HUS PUBLISHES COLIVING STUDY

Akademiska Hus has released an interdisciplinary study on how tomorrow's coliving arrangements should be designed to be as climate-smart and sustainable as possible. The study shows that the carbon footprint per person can be reduced by over 50 per cent when housing is designed so that common areas such as kitchens and bathrooms are shared.

Akademiska Hus collaborated with stakeholders such as HSB Living Lab and KTH Live-In Lab to conduct the study, which culminated in the report "Shared living of the future: A report on sustainability in lifestyle and housing" (Framtidens delade boende: En rapport om hållbarhet i livsstil och bostad). Several forms of housing for students, researchers and young adults around Sweden have been examined from several perspectives – financial and organisational considerations, housing and building design, as well as the potential for residents to achieve a sustainable lifestyle. The findings of the study will serve as the foundation for the company's future research and provide guidance when Akademiska Hus designs innovative and campus-based student housing which will include shared spaces.

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. 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.

TOMORROW'S KNOWLEDGE ENVIRONMENTS

With a long-term perspective, we develop knowledge environments that can be further developed to meet both current and future needs. Together with the administration, employees and students of the centre of education, we explore how the physical environment can be developed to create buildings and outdoor environments that are attractive and flexible. We follow a structured approach that focus on the long-term and sustainability. Working with our customers to translate our 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 are 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 targets and open communication with both customers and suppliers are crucial for increasing business benefits and value for our customers and tenants. Skills development and new digital tools for dialogue with our customers are two examples of how we work to develop our core delivery.

Co-working and lab for learning

A Working Lab is Akademiska Hus' national concept for co-working, makerspace, Learning Lab and other flexible meeting places. It is our concept for developing campus-based environments where it is easy for students, researchers, the 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. 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 project 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

FIVE-YEAR SUMMARY	2020	2019	2018	2017	2016
INCOME STATEMENTS, SEK M					
Property management income	6,418	6,217	6,117	5,806	5,666
Operating costs	-850	-891	-894	-785	-764
Maintenance costs	-445	-619	-676	-615	-686
Property administration	-403	-391	-372	-309	-294
Net operating income	4,485	4,160	3,938	3,829	3,667
Central administration costs	-60	-69	-78	-67	-85
Development costs ¹	-40	-40	—	—	—
Net interest income/expense	-381	-377	-268	-188	-308
Profit before changes in value and taxes	3,920	3,589	3,592	3,574	3,274
Change in value, properties	3,141	3,872	2,585	4,979	3,682
Change in value, financial instruments	-192	-503	-360	-242	-241
Profit before tax	6,869	6,957	5,818	8,311	6,714
Profit for the year	5,440	5,658	5,314	6,453	5,148
STATEMENT OF FINANCIAL POSITION, SEK M					
Fair value, properties	99,611	91,424	85,865	80,444	73,013
Other assets	13,365	13,562	7,612	10,113	9,417
Equity	50,292	46,760	42,832	39,186	34,152
Liabilities and provisions	62,684	58,226	50,645	51,371	48,278
CASH FLOW, SEK M					
Cash flow from current operations	3,588	3,519	2,998	2,121	2,721
Cash flow from investing activities	-3,639	-1,685	-2,991	-2,341	-2,548
Cash flow before financing	-51	1,834	7	-220	172
Cash flow from financing activities	-1,420	-801	-3,183	1,330	893
Cash flow for the year	-660	1,033	-3,176	1,110	1,065
PROPERTY-RELATED KEY FIGURES					
Total yield, properties, %	8.7	9.8	8.5	12.5	11.4
of which direct yield, % ²	5.0	5.0	5.1	5.5	5.7
of which change in value, % ³	3.7	4.8	3.5	7.4	6.0
Rental revenue, SEK/m ²	1,867	1,820	1,791	1,715	1,697
Operating costs, SEK/m ²	253	268	270	241	237
Maintenance costs, SEK/m ²	133	186	204	189	212
Net operating income in relation to property management income, %	70	67	64	66	65
Net operating income, SEK/m ²	1,337	1,251	1,190	1,176	1,135
Level of vacant space, area, %	3.6	3.8	5.2	4.2	3.9
Level of vacant space, rent, %	2.4	2.2	1.7	1.0	0.9
Fair value, properties, SEK/m ² ⁴	27,703	25,736	24,173	22,476	20,638
Energy use, kWh/m ²	183	192	201	201	204
CO ₂ , kg/m ²	7	7	7	9	8
FINANCIAL KEY FIGURES					
Return on equity after standard tax, %	11.1	12.2	11.2	17.6	16.3
Return on operating capital, % ⁵	9.0	10.3	9.2	13.7	12.6
Return on total assets, %	6.8	7.5	6.6	10.1	10.8
Interest-bearing net loan liability, SEK m	35,468	32,900	30,416	27,976	26,962
Equity ratio, %	44.5	44.5	45.8	43.3	41.4
Interest coverage ratio, %	768	679	736	871	694
Financing cost, %	2.1	2.6	2.3	1.8	2.2
Loan-to-value ratio, %	35.6	36.0	35.4	34.3	37.0
Internal financing level, %	221.7	172.7	115	137	84
Ordinary dividend, SEK m	—	1,905	1,663	1,630	1,393
PERSONNEL					
Average number of employees	523	490	480	449	440

¹ Beginning in 2020, development costs are recognised separately. Comparative figures for 2019 have been adjusted. For definition, see page 24.

² Excluding properties under construction and expansion reserves.

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

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

⁵ The owner's yield target is that the return on operating capital, excluding changes in value, should be at least 6.0 per cent over a business cycle. This key figure has a new definition since 2019, see page 23. Comparative figures for 2016–2018 are adjusted to simplify comparisons.

Consolidated income statement

CONSOLIDATED INCOME STATEMENT, SUMMARY, SEK M

	2020 Oct.–Dec.	2019 Oct.–Dec.	2020 Full-year	2019 Full-year
Rental revenue	1,587	1,466	6,264	6,051
Other property management income	55	51	155	166
Total property management income	1,642	1,518	6,418	6,217
Operating costs	-235	-231	-850	-891
Maintenance costs	-154	-219	-445	-619
Property administration	-115	-103	-403	-391
Other property management expenses	-140	-65	-236	-156
Total costs from property management	-645	-618	-1,933	-2,057
NET OPERATING INCOME	997	900	4,485	4,160
Central administration costs	-16	-17	-60	-69
Development costs	-15	-21	-40	-40
Interest income	9	8	48	43
Interest expense	-101	-109	-429	-420
Site leasehold fees	-18	-21	-84	-84
PROFIT BEFORE CHANGES IN VALUE AND TAXES	857	740	3,920	3,589
Change in value, properties	1,553	1,325	3,141	3,872
Change in value, financial instruments	62	156	-192	-503
PROFIT BEFORE TAX	2,471	2,220	6,869	6,957
Tax	-516	-315	-1,429	-1,300
PROFIT FOR THE YEAR	1,955	1,905	5,440	5,658
Of which attributable to the shareholder in the Parent Company	1,955	1,905	5,440	5,658

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, SUMMARY, SEK M

	2020 Oct.–Dec.	2019 Oct.–Dec.	2020 Full-year	2019 Full-year
Profit for the year	1,955	1,905	5,440	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	-3	-84	-3	-84
Tax attributable to pensions	1	17	1	17
TOTAL, OTHER COMPREHENSIVE INCOME FOR THE YEAR	-2	-67	-2	-67
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,953	1,838	5,438	5,591
Of which attributable to the shareholder in the Parent Company	1,953	1,838	5,438	5,591

Comment: Operating profit

FOURTH QUARTER

Profit for the quarter before changes in value and taxes increased by SEK 117 million compared with the fourth quarter of the previous year and amounted to SEK 857 million (740). Net operating income increased by SEK 97 million and amounted to SEK 997 million (900). The increase is mainly attributable to lower maintenance costs and a new assessment of tenant adaptations, but is offset by a provision for non-recurring costs related to Luleå University of Technology.

Changes in the value of properties are higher than for the corresponding quarter the previous year and totalled SEK 1,553 million (1,325).

FULL-YEAR 2020

Profit for the year before changes in value and tax was SEK 3,920 million (3,589). The improved performance is attributable to an increase in net operating income of SEK 325 million compared with the previous year, which is a combination of completion of additional new buildings, reduced costs for operation and maintenance, and a new assessment of tenant adaptations. In a comparable portfolio, net operating income increased by 4.3 per cent, of which 1.7 per cent relates to a new assessment of tenant adaptations.

The change in the value of properties was SEK 3,141 million (3,872), a decrease of SEK 731 million compared with 2019. The average yield requirement was 5.00 per cent (5.13).

IMPACT OF COVID-19

The impact of the pandemic on earnings during the period has been limited. Revenue was affected to a limited extent by rental reductions and cancelled parking fees on some campuses. Energy costs are lower since all campuses closed in mid-March. However, most campuses reopened in the middle of August, but physical attendance continued to be low. Travel costs have also dropped.

RENTAL REVENUE

Rental revenue increased by SEK 213 million compared with the previous year and totalled SEK 6,264 million (6,051). Completion of new buildings in 2019 and 2020 with an impact on the year contributed to an increase in revenue of approximately SEK 165 million, primarily regarding the Humanisten building in Gothenburg, as well as Albano Building 3 and Studenthuset (Student building) in Linköping. Index and rent renegotiations had an impact of about SEK 35 million and revenue related to tenant adaptations have increased by SEK 108 million, mainly as a result of a new assessment.

The increase is offset by the decline in rental revenue of SEK 44 million related to two major property sales in Stockholm that were completed at the end of 2019. Revenue was also affected by lower billing of media due to reduced energy consumption, which had a negative impact of SEK 43 million, while increased vacant space and rent cuts had a negative impact of SEK 12 million.

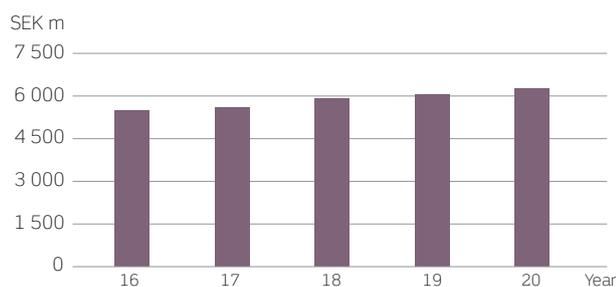
In a comparable portfolio, contractual rental revenue increased by 2.4 per cent compared with the previous year.

LEASING LEVEL

The financial vacancy rate accounts for 2.4 per cent (2.2) of our total rental revenue, which corresponds with SEK 156 million (141). The majority of vacant space is still at Karolinska Institutet and mainly arose when Biomedicum was commissioned in the spring of 2018. This vacant space has gradually declined. Currently, approximately 60 per cent of these vacancies are rented and several discussions are underway with potential tenants.

Vacant space in terms of area at year-end amounted to 120,000 square metres, corresponding to 3.6 per cent (3.6) of our total rentable area of 3.4 million square metres. Rentable floor space increased during the year by 52,000 square metres, mainly as a result of completion of new buildings and the acquisition of Alba Nova.

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 215 million and amounted to SEK 1,295 million (1,510).

Operating costs consist of supervision and service, as well as media provision. Operating costs of SEK 850 million (891) include media provision of SEK 531 million (605), equivalent to SEK 160/m² (174) over the past 12 months. The lower operating costs are attributable in their entirety to lower media costs due to the mild winter, low energy prices and lower activity on campus during the pandemic.

Maintenance costs declined by SEK 174 million compared with the same period the previous year and totalled SEK 445 million (619). Costs are lower mainly because project maintenance costs are capitalised beginning in 2020 as a result of a new assessment regarding useful life. The comparative year was not adjusted.

Other property management expenses have increased by SEK 80 million, mainly as a result of a provision for non-recurring costs attributable to Luleå University of Technology.

ADMINISTRATION COSTS

Total administration costs increased by SEK 2 million and amounted to SEK 462 million (460). Beginning in 2020, development costs are recognised separately in the income statement. This is described on page 24. They amounted to SEK 40 million (40). The comparative year, including key figures, was 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 381 million (377) for the year. This corresponds to an interest rate of 1.48 per cent (1.21), which includes capitalised interest expense for projects in progress of SEK 102 million (86). Higher STIBOR and increased borrowing have resulted in a somewhat higher net interest income during the year. See table describing the composition of net interest income and expense on page 23.

TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

	2020 Full year	2019 Full year
Interest cost for loans, including charges, %	1.31	1.07
Interest swaps, net interest, %	0.17	0.14
Net interest income/expense, %	1.48	1.21
Changes in value, financial derivatives, %	0.59	1.39
Total financing cost, %	2.07	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 was externally valued.

The change in value of the year was SEK 3,141 million (3,872) which corresponds to 3.7 percent (4.8). The changes in value are explained by amended yield requirements of SEK 1,828 million (2,727) as well as by other changes in value of SEK 1,310 million (1,138) which is attributable to projects in progress, renegotiated leases and other factors affecting valuations. The average yield requirements was as at year-end 5.0 percent (5.13). During the first the quarters the yield requirement was left unchanged and was only amended in the fourth quarter. The market development during 2020 has not been as strong as in 2019 which can to some extent be explained by the uncertain situation due to covid-19.

To estimate the impact of COVID-19 on change in fair value, a thorough analysis of rental losses was carried out. The results show a marginal loss of revenue and thus no impact on the long-term property value. The limited effect can generally be attributed to the fact that Akademiska Hus' property portfolio primarily consists of community properties or other publicly funded operations. This segment comprises approximately 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.

CHANGES IN VALUE, FINANCIAL INSTRUMENTS

Changes in value in the derivative portfolio amounted to SEK -192 million (-503), which can primarily be attributed to lower market interest rates during the year. 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. Approximately 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.

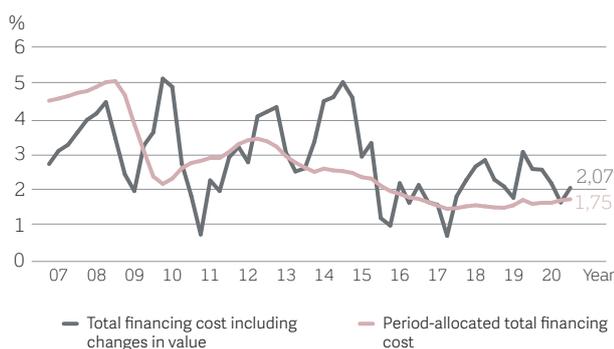
To clarify the underlying financing cost, a comparative calculation is carried out in which the cash flows of realised interest rate derivatives are also attributed (allocated) to the underlying maturity of each instrument. This allocation for the past twelve-month period corresponds with an interest expense of 0.28 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 1.75 per cent for the year. 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 768 per cent (679), see diagram below.

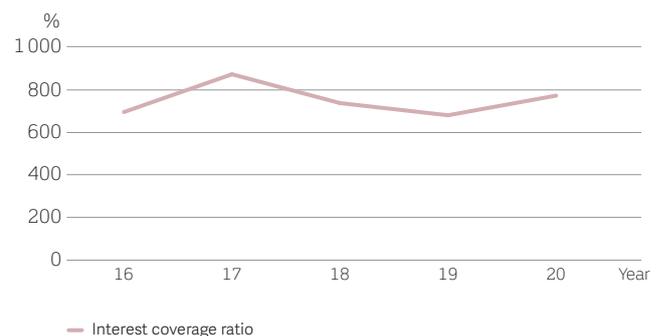
TAX

In 2020, the corporate tax rate was 21.4 per cent. In 2021 it will be lowered to 20.6 per cent. The current tax for the year of SEK 484 million was calculated at a rate of 21.4 per cent. Deferred taxes will be revalued based on the tax rate applicable at the time when the deferred tax is expected to be settled. Consequently, the deferred tax liability was calculated at a rate of 20.6 per cent.

COMPARATIVE CALCULATION TOTAL FINANCING COST, ROLLING 12-MONTH BASIS



INTEREST COVERAGE RATIO CONTINUES AT HIGH LEVEL



Consolidated statement of financial position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY, SEK M	31 Dec. 2020	31 Dec. 2019
ASSETS		
Non-current assets		
Capitalised expenditure	3	4
Properties	99,611	91,424
Site leasehold rights	2,736	2,736
Equipment, fixtures and fittings	34	21
Derivatives	4,277	4,304
Other non-current receivables	548	504
Total non-current assets	107,209	98,993
Current assets		
Current receivables		
Derivatives	534	14
Other current receivables	1,557	1,642
Total current receivables	2,091	1,656
Cash and cash equivalents		
Cash and cash equivalents	3,677	4,337
Total cash and cash equivalents	3,677	4,337
Total current assets	5,768	5,993
TOTAL ASSETS	112,976	104,986
EQUITY AND LIABILITIES		
Equity	50,292	46,760
LIABILITIES		
Non-current liabilities		
Loans	31,603	30,016
Derivatives	2,210	1,660
Deferred tax	13,842	12,576
Long-term debt finance lease	2,736	2,736
Other non-current liabilities	924	773
Total non-current liabilities	51,315	47,762
Current liabilities		
Loans	5,487	4,932
Derivatives	147	134
Other current liabilities	5,734	5,398
Total current liabilities	11,369	10,464
Total liabilities	62,684	58,226
TOTAL EQUITY AND LIABILITIES	112,976	104,986

Comment: Statement of financial position

PROPERTIES

As of the end of the fourth quarter, the fair value of Akademiska Hus' property holdings totalled SEK 99,611 million, an increase of SEK 8,187 million and 9.0 per cent compared with 31 December 2019. The fair value includes the completed portions of projects in progress. The unrealised change in value amounted to SEK 3,138 million (3,865). The yield requirements and cost of capital were left unchanged during the first three quarters of the year, taking into account the uncertain market situation related to the COVID-19 pandemic. In the fourth quarter, the yield requirement and cost of capital were lowered, but in terms of the full year the market trend has not been as strong as the previous year. Other change in value as of 31 December 2020 is SEK 1,310 million, representing an increase of SEK 172 million in relation to the same period the previous year. This increase is primarily attributable to improved cash flow in the Greater Stockholm region. In summary, this results in a decrease in total change in market value of SEK 727 million compared with the same period the previous year. Remaining changes relate to investments in properties for the year of SEK 2,872 million (3,266), acquisitions off SEK 2,179 million (0) and sales of SEK -2 million (-1,572). The average yield requirement was 5.00 per cent (5.13).

In 2020, the ongoing pandemic had a limited effect on community properties in general, a segment that accounts for the

majority of the Akademiska Hus property portfolio. Impact on property value has thus been marginal. The assessment is that it is not necessary to make an impairment related to the effects of the COVID-19 pandemic at this time.

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 target and cost of capital. 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.

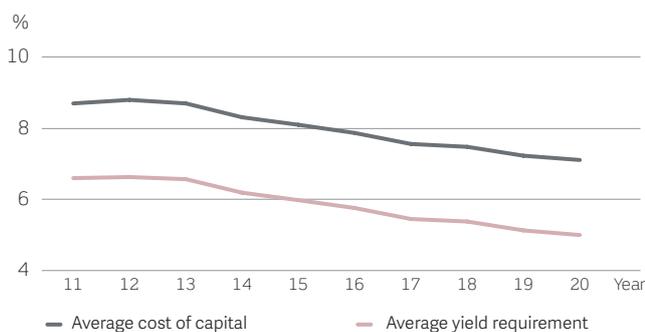
Each year 25-30 per cent of the property portfolio is also valued by external valuation professionals. External valuations are used as a benchmark for the internal valuation, thereby confirming its reliability that we are within the interval stated below.

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 +/- 4,981 million to SEK 9,961 million in the Akademiska Hus portfolio.

PROPERTIES 31 DECEMBER 2020 (incl. new construction in progress and capitalised interest costs)

Change in property holdings, SEK m	31 Dec. 2020	31 Dec. 2019
Opening fair value	91,424	85,865
+ Investment in new construction, extensions and redevelopment	2,872	3,266
+ Acquisitions	2,179	—
- Sales	-2	-1,572
+/- Change in fair value	3,138	3,865
Of which change in value due to a change in the cost of capital and yield requirement	1,828	2,727
Of which other change in value	1,310	1,138
CLOSING FAIR VALUE	99,611	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	4.9	1.1
Mid-Sweden	13.6	7.1
North	2.8	0.7
Total		9.0

FINANCING

The pandemic initially led to widening credit spreads. Subsequently, rapid and powerful measures from central banks in financial markets contributed to gradually narrowing credit spreads. During the year Akademiska Hus completed a buyback of SEK 200 million, as well as eight issuances totalling SEK 6,250 million in the Swedish bond market. Maturities mainly ranged between 2 and 3 years. One of the issuances was Akademiska Hus' second green bond of SEK 1,500 million, with a maturity of 7 years.

During the year, committed credit facilities were increased by SEK 500 million and thereby amounted to SEK 6,000 million. All of these credit facilities were unutilised at year-end. The bond issuances during the year, the committed credit facilities and stable rental payments contributed to continued good liquidity for Akademiska Hus.

The net liability portfolio at year-end totalled SEK 35,468 million, corresponding to an increase of SEK 2,566 million during the year, which is largely attributable to an increase in net borrowing. The equity ratio at 31 December was 44.5 per cent (44.5).

NET LOAN LIABILITY

SEK m	31 Dec. 2020	31 Dec. 2019
Gross loan debt	-37,091	-34,948
Collateral for derivatives, net	-2,439	-2,568
Cash and cash equivalents	3,677	4,337
Other current receivables	385	277
Total net loan liability	-35,468	-32,902

FIXED INTEREST PERIOD AND MATURITY

Previous long-term bond issuances have helped to achieve a long period for tied-up capital, which at 31 December was 9.9 years. Bonds denominated in foreign currency are swapped for SEK with floating interest rates and therefore do not entail a corresponding extension of maturity. Interest rate risk in the debt portfolio is instead primarily managed using interest rate derivatives.

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. During the year, the added cost of long-term fixed interest has fallen, leading to an extension of interest rate duration in the liability portfolio, which as at 31 December was 7.1 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.

FIXED INTEREST PERIOD AND MATURITY

	Fixed interest, years, Dec. 2020	Fixed interest, years, Dec. 2019	Maturity, years, Dec. 2020	Maturity, years, December 2019
Basic portfolio	4.39	3.6	7.8	8.5
Long-term portfolio	19.9	20.8	19.9	20.8
Total portfolio	7.1	6.8	9.9	10.7

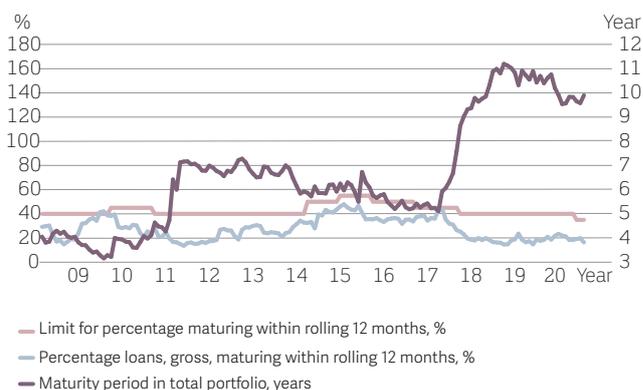
Year	Fixed interest, SEK m	Maturity, SEK m
2021	12,056	5,669
2022-2026	13,798	11,908
2027-2031	3,150	4,522
2032-2036	325	901
2037-2041	3,976	4,583
2042-2046	730	5,131
2047-2051	505	1,827
TOTAL	34,541	34,541

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 13,900 million, of which approximately SEK 4,900 million has already been invested in projects in progress. During the year, six major projects were commissioned for a total of SEK 1,300 million; two of the largest projects were Albano Building 3 (SEK 440 million) and the Medical Biology Centre in Umeå (SEK 190 million).

Of the approved projects in progress, the two largest are Albano (SEK 2,860 million), with completion expected 2020–2022, and Natrium (SEK 1,800 million) with completion in 2023.

Our project portfolio includes several student housing projects and more will be added going forward. The approved and planned projects include two student housing projects with a combined budget of about SEK 880 million.

PROJECT PORTFOLIO

SEK m	31 Dec. 2020	31 Dec. 2019
Approved projects	9,400	9,100
Planned projects	4,500	4,300
APPROVED AND PLANNED PROJECTS	13,900	13,400
of which already invested in projects in progress	-4,900	-4,600
REMAINDER OF APPROVED AND PLANNED PROJECTS	9,000	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	2,864	87	100,000	2022-Q2	Stockholm University
Natrium	Gothenburg	Laboratory	1,803	18	28,000	2023-Q2	University of Gothenburg
Ångström Phase 4	Uppsala	Laboratory	1,185	42	30,000	2022-Q4	Uppsala University
Forum Medicum	Lund	Education	821	14	13,800	2023-Q2	Lund University
LTH Maskinteknik	Lund	Education	499	24	19,000	2022-Q2	Lund University
KI Residence	Stockholm	Residential	434	84	15,500	2021-Q2	Karolinska Institutet
A-, B-, and E-building Luleå	Luleå	Education	320	0	–	2023-Q4	Luleå University of Technology
Retzius	Stockholm	Laboratory	179	30	–	2022-Q2	Akademiska Hus
C-Building Luleå	Luleå	Education	122	9	–	2022-Q2	Luleå University of Technology
Projects under SEK 100 million			1,173				
TOTAL			9,400				

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.–Dec. 2019	—	—	-67	5,658	5,658
EQUITY, 31 DEC. 2019	2,135	2,135	-99	42,589	46,760
Dividends ²	—	—	—	-1,905	-1,905
Total comprehensive income, Jan.–Dec. 2020	—	—	-3	5,440	5,438
EQUITY, 31 DEC. 2020	2,135	2,135	-102	46,124	50,292

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 Full-year	2019 Full-year
CURRENT OPERATIONS		
Profit after financial items	6,869	6,957
Adjustment for items not included in the cash flow	-2,966	-3,926
Tax paid	-315	-350
CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	3,588	2,681
CASH FLOW FROM CHANGES IN WORKING CAPITAL		
Increase (+)/decrease (-) in current receivables	6	507
Increase (+)/decrease (-) in current liabilities	805	330
CASH FLOW FROM CURRENT OPERATIONS	4,399	3,519
INVESTING ACTIVITIES		
Investment in properties	-2,770	-3,180
Sale of properties	4	1,579
Investment in other non-current assets	-25	-10
Acquisition of shares in Group companies	-802	0
Increase (+)/decrease (-) in non-current receivables	-46	-74
CASH FLOW FROM INVESTING ACTIVITIES	-3,639	-1,685
FINANCING ACTIVITIES		
Raising of interest-bearing loans, excluding refinancing	15,327	14,518
Repayment of loan	-13,148	-15,200
Amortisation of loan related to acquisition	-1,075	0
Interest paid	-430	-387
Realised derivatives and CSA	-189	1,931
Dividend paid	-1,905	-1,663
CASH FLOW FROM FINANCING ACTIVITIES	-1,420	-801
CASH FLOW FOR THE YEAR	-660	1,033
Cash and cash equivalents at the beginning of the year	4,337	3,304
Closing cash and cash equivalents	3,677	4,337

Comment: Statement of cash flows

Cash flow from current operations before changes in working capital totalled SEK 3,588 million (2,681). The change compared with the previous year is primarily attributable to an improved operating surplus, but also due to the realization of negative changes in fair value attributable to financial instruments was made in 2019, which has not occurred in 2020. Cash flow from investing activities amounted to -3,639 Mkr (-1,685). The change compared with the previous year mainly refers to the sale of properties that were carried out in 2019 for SEK 1,579 million. During 2020, only a small sale was made, SEK 4 million. In 2020, investments have been made in investment properties of SEK 2,770 M (3,180). In addition, Alba Nova has been acquired via limited partnerships which has affected cash flow from investing activities by SEK 802 million.

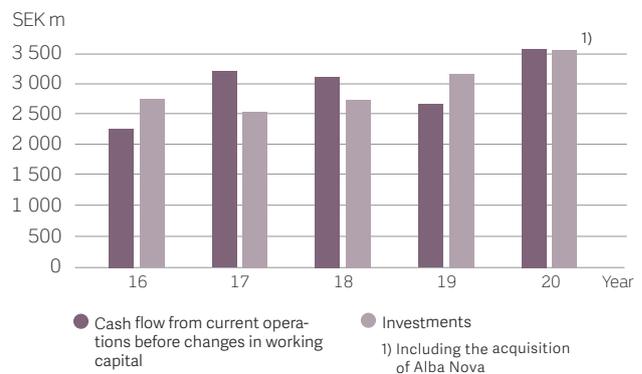
Cash flow from financing activities amounted to -1,420 Mkr (-801). The positive net borrowing of SEK 2,179 M (-682) in 2020 is offset to some extent by cash flows related to pledged collateral regarding financial derivatives. In addition, the cash flow from financing activities has been affected by repayment of the SEK 1,075 million loan that was acquired in connection to the acquisition of Alba Nova.

In total, cash flow for the year amounted to SEK -660 M (1,033).

CASH FLOW AND INVESTMENTS

Total cash flow from current operations before change in working capital during the period 2016 to 2020 was SEK 14,892 million. Investments during the same period totalled SEK 14,022 million. The diagram shows that cash flow from current operations is mainly reinvested 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 working 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 initially entailed rising volatility in financial markets. There is a risk that it will become more difficult and/or associated with higher costs for Akademiska Hus to obtain financing. Measures from central banks have helped to improve access to liquidity in financial markets. Interest in bonds from Akademiska Hus has been strong, and the completed issuances, committed credit facilities and rental payments during the year 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 duration of the commitment. Counterparty exposure when trading in financial derivative instruments is managed through Credit Support Annex (CSA) agreements. With CSA agreements, collateral corresponding to the negative market value in derivative contracts is exchanged mutually between the derivative counterparties and Akademiska Hus, thereby substantially reducing counterparty risk exposure. The COVID-19 pandemic has not affected handling of counterparty risk at this time and the impact on counterparty risk exposure is considered to be limited. Credit risk for the company's accounts receivable is still considered to be low since our customers are primarily colleges and universities, which are financed by the Swedish state. The COVID-19 pandemic has not affected our assessment of this risk.

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

SENSITIVITY ANALYSIS, PROPERTY VALUE 31/12/2020

	Increase by one percentage point			Decrease by one percentage point		
	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	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	63	405	0.4	-63	-405	-0.4
Vacant space	-61	-791	-0.8	61	791	0.8
Operating costs	-9	-96	-0.1	9	96	0.1
of which media provision	-5	-49	0.0	5	49	0.0
Cost of capital		-5,627	-5.6		6,193	6.2
Yield target		-8,101	-8.1		12,455	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 Oct.–Dec.	2019 Oct.–Dec.	2020 Full year	2019 Full year
Income from property management	1,634	1,503	6,414	6,313
Property management expenses	-654	-628	-2,004	-2,117
NET OPERATING INCOME	980	875	4,410	4,196
Central administration costs	-16	-17	-60	-69
Development costs	-15	-21	-40	-40
Depreciation and impairment as well as reversed impairment in property management	-469	-354	-1,594	-1,580
PROFIT BEFORE FINANCIAL ITEMS	481	483	2,717	2,506
Dividends from shares in subsidiaries	24	819	24	819
Interest income	9	8	48	43
Interest expense	-125	-128	-531	-506
Change in value, financial instruments	62	156	-192	-503
Appropriations	448	-37	448	-37
PROFIT BEFORE TAX	899	1,301	2,514	2,322
Tax	-189	-126	-530	-344
PROFIT FOR THE YEAR	710	1,175	1,983	1,978

Parent Company statement of comprehensive income

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME, SUMMARY, SEK M

	2020 Oct.–Dec.	2019 Oct.–Dec.	2020 Full year	2019 Full year
Profit for the year	710	1,175	1,983	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 YEAR	0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	710	1,175	1,983	1,978

Parent Company statement of financial position

PARENT COMPANY STATEMENT OF FINANCIAL POSITION, SUMMARY, SEK M	31 Dec. 2020	31 Dec. 2019
ASSETS		
Non-current assets		
Capitalised expenditure	3	4
Properties	46,507	45,318
Equipment, fixtures and fittings	34	21
Shares in Group companies	826	1
Derivatives	4,277	4,304
Other non-current receivables	548	504
Total non-current assets	52,194	50,152
Current assets		
Receivables from subsidiary	1,022	819
Derivatives	534	14
Other current receivables	1,547	1,642
Cash and cash equivalents	3,676	3,518
Total current assets	6,780	5,993
TOTAL ASSETS	58,974	56,144
EQUITY AND LIABILITIES		
Equity	7,070	6,992
Untaxed reserves	3,933	4,380
LIABILITIES		
Non-current liabilities		
Loans	31,603	30,016
Derivatives	2,210	1,660
Deferred tax	2,252	2,206
Other non-current liabilities	558	422
Total non-current liabilities	36,623	34,305
Current liabilities		
Loans	5,487	4,932
Derivatives	147	134
Other current liabilities	5,713	5,401
Total current liabilities	11,347	10,467
Total liabilities	47,970	44,772
TOTAL EQUITY AND LIABILITIES	58,974	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 of 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 6,414 million (6,313). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). Profit before financial items was SEK 2,217 million (2,506). Profit after tax was SEK 1,983 million (1,978).

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 25 million (10) and in properties to SEK 2,770 million (3,180).

EQUITY

Equity totalled SEK 7,070 million compared with SEK 6,992 million for the previous year. 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.

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

The CEO 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, 17 February 2021

Kerstin Lindberg Göransson
Chief Executive Officer

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 not only presented in the financial statements and the related notes but also in other parts of the interim report.

The general principles for the valuation of financial instruments are that financial investment assets and all derivatives should be valued at fair value whilst other financial assets and financial liabilities are measured at amortised cost. Financial instruments are reported initially at the acquisition value, corresponding to the fair value of the instrument with an addition for transaction costs for all financial instruments apart from those that belong to the category Financial Assets, which are measured at fair value through profit or loss.

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

NOTE 2 ALTERNATIVE PERFORMANCE MEASURES

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

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

Return on equity

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

Return on operating capital

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

Loan-to-value ratio

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

Yield

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

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

Net operating income ratio

Net operating income in relation to property management income.

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

Net interest income and expense, breakdown, SEK m

	2020 Full-year	2019 Full-year
Net interest income/expense, net loans and financial assets	-386	-343
Net interest derivatives	-53	-46
Other interest costs	-44	-74
Capitalised interest costs, projects	102	86
Total net interest income/expense	-381	-377
Change in value, independent financial derivatives		
-unrealised	-122	-263
-realised	-52	-339
Changes in value, fair value hedges	-18	98
Total changes in value	-192	-503
Site leasehold fees	-84	-84
Reported net interest income and expense	-657	-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	31 Dec. 2020	31 Dec. 2019
Gross loan debt	-37,091	-34,948
Collateral for derivatives, net	-2,439	-2,568
Cash and cash equivalents	3,677	4,337
Other current receivables	385	277
Total net loan liability	-35,468	-32,902
Average interest-bearing capital (full-year basis)	32,021	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

Annual Report 2020	26 March 2021
Annual General Meeting	28 April 2021
Interim Report January–March 2021	28 April 2021
Interim Report January–June 2021	14 July 2021
Interim Report January–Sept. 2021	27 Oct. 2021

CONTACT PERSONS

Kerstin Lindberg Göransson, CEO
 Telephone: +46 708 91 61 10
 E-mail: kerstin.lindberggoransson@akademiskahus.se

Catarina Fritz, CFO
 Telephone: +46 703 42 94 69
 E-mail: catarina.fritz@akademiskahus.se

ADDRESS: GROUP OFFICE

Akademiska Hus AB
 Sven Hultins plats 5
 Box 483, SE-401 27 Gothenburg, Sweden
 Telephone: +46 10 557 24 00
 URL: www.akademiskahus.se
 e-mail: info@akademiskahus.se
 Reg. no.: 556459-9156