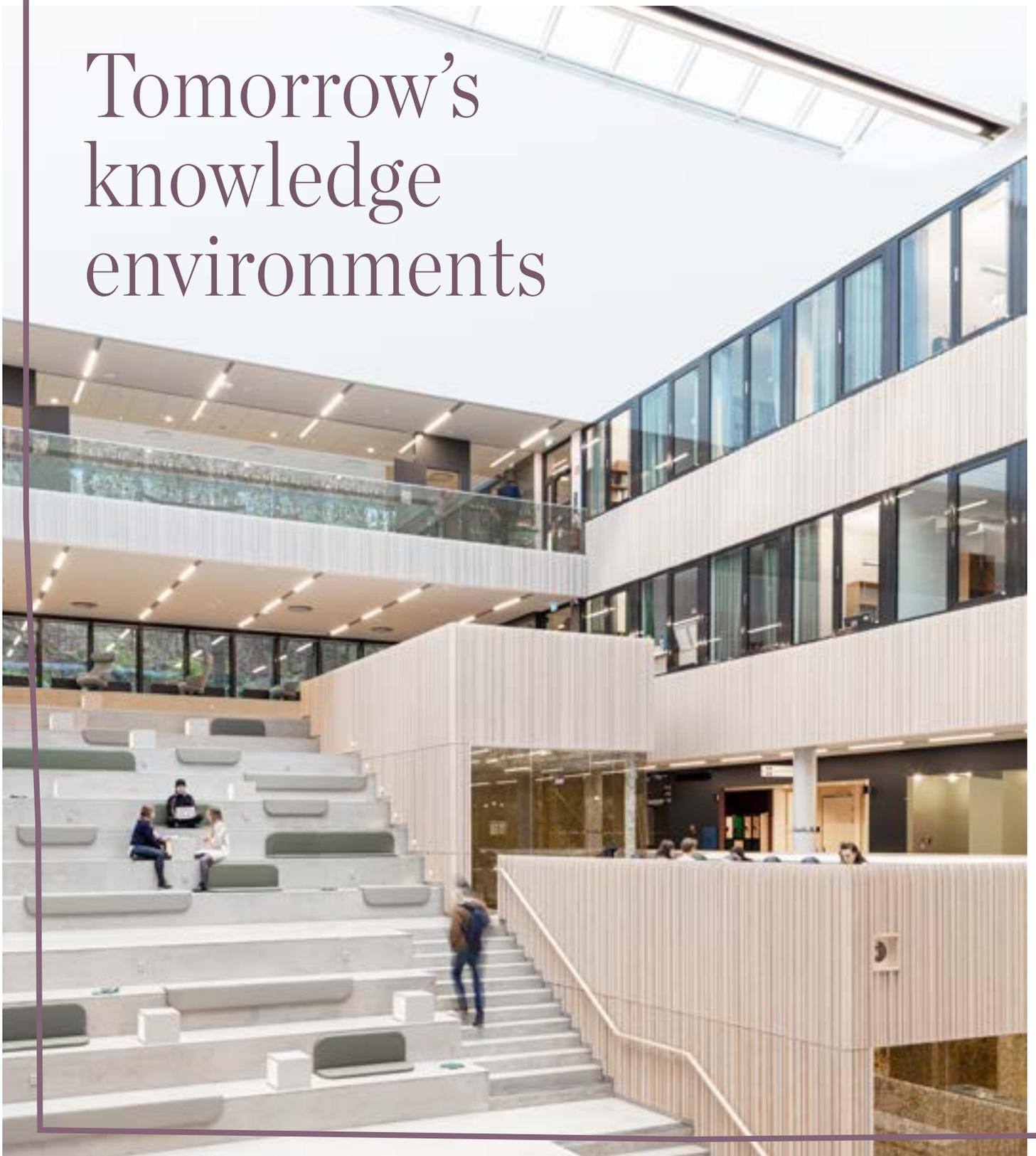


Tomorrow's knowledge environments



ANNUAL AND SUSTAINABILITY
REPORT 2019



AKADEMISKA HUS





We strengthen Sweden as a nation of knowledge

Together with academia, industry and the community, we develop and manage sustainable and attractive knowledge environments. In this way we strengthen Sweden as a nation of knowledge and create value for both our owner and our customers.

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About the Annual Report 2019

The audited Annual Report comprises pages 41–104. Our sustainability initiatives are incorporated in the Annual Report and presented in line with GRI Standards. The Sustainability Report comprises the pages listed on page 111 and has undergone a cursory audit. The Sustainability Report also includes Akademiska Hus' Statutory Sustainability Report in accordance with chapter 6 of the Swedish Annual Accounts Act.

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YEAR IN BRIEF



28

AN INNOVATIVE YEAR



With a focus on sustainability and innovation we create attractive knowledge environments



“In 2019, our innovation strategy was implemented in reality. This achievement can be seen in an array of innovation and development projects that are all advances in line with our mission – to strengthen Sweden, together with our customers, as a nation of knowledge, along with our goal to become completely climate neutral.”

KERSTIN LINDBERG GÖRANSSON
President



2019 – an eventful year

A new co-working concept, a high-profile building completed in Linköping and a investment worth billions of SEK in Gothenburg are just a few of the many features of 2019. A year when our innovation initiatives gain momentum and increase the pace to achieve our ambitious climate targets.

Billions of SEK invested in the Medicinareberget Campus in Gothenburg

We are investing about SEK 1.8 billion in a new 32,000 square-metre building that will enable the University of Gothenburg to gather large parts of its Faculty of Science operations in a single location. The building will also serve as a key element for continued development at Medicinareberget into an international Life science cluster, where academia and the business community can meet. The project is expected to be completed in the spring of 2023.



Art investments with the Public Art Agency of Sweden

Beginning in 2019, Akademiska Hus will invest at least SEK 10 million annually in art at Sweden's colleges and universities. The initiative is part of an in-depth collaboration with Public Art Agency Sweden, which will result in a new approach to the role of art in the development of attractive campuses.

Construction of more student housing in Uppsala

In March, we began construction of 108 new apartments at Ultuna that will provide campus-based housing to 132 undergraduate and graduate students. Solar panels will be placed on the roof that will cover a large portion of the building's energy needs. In the spring of 2020 occupancy is expected to begin and we are investing approximately SEK 193 million in the apartments. The project involves the conversion of a laboratory and is an example of how we can preserve and remodel existing buildings, instead of building new ones. The initiative will make Uppsala more attractive as a student town and help the Swedish University of Agricultural Sciences to cover its estimated student housing needs at Ultuna for the coming years.



PROFIT TREND

SEK M	2019	2018	2017	2016	2015
Property management income	6,217	6,117	5,806	5,666	5,646
Net operating income	4,121	3,938	3,829	3,667	3,740
Change in value, properties	3,872	2,585	4,979	3,682	2,655
Change in value, financial instruments	-503	-360	-242	-241	165
Profit before tax	6,957	5,818	8,311	6,714	6,141

Self-driving buses on Campus Valla in Linköping

Campus Valla is being used as a test bed for self-driving buses. The purpose of the "Ride the future" project is to test how self-driving buses can become a part of sustainable mobility solutions in the modern city. The initiative is being conducted as a collaborative effort involving Akademiska Hus, Linköping Municipality, Linköping University, RISE, Science Park Mjärdevi, Transdev Sweden, VTI and the Östgötatrafiken bus line.

New co-working concept launched

We are strengthening our offering of services by launching a national concept for co-working, makerspace, learning lab and other flexible meeting places. Conditions will thereby be created in which completely new ways of researching, working and studying can thrive in our campus-based premises. Several initiatives are underway around the country. In the autumn of 2019, "A Working Lab – Johanneberg Science Park" opened at Chalmers University of Technology in Gothenburg.



New gold standard building completed at Linköping University

In August, the Student Building (Studenthuset) opened – Campus Valla's new central hub that gathers all service functions for students and a modern library in a single location. The building meets the requirements for a Gold rating according to the Miljöbyggnad environmental certification system. Construction began in May 2017 and we have invested about SEK 460 million in the 16,100 square-metre buildings. The Student Building is a house of possibilities for studies and work, with 1,000 new study areas and innovative learning environments.



Akademiska Hus issues green bond

In June we issued our first green bond. Interest in investing in sustainable projects that strengthen Sweden as a nation of knowledge was great and the issuance was for SEK 1,500 million. The settlement proceeds were used to fund projects such as two Akademiska Hus construction projects which has now been completed. Both achieved gold rating in the Miljöbyggnad certifications system – "A Working Lab", the office and innovation arena in Johanneberg Science Park at Chalmers in Gothenburg, and the Student Building, Campus Valla's new central hub at Linköping University. Solar cell initiatives and energy efficiency projects around the country at several of Sweden's colleges and universities have been funded through the green bond.



Sweden's first virtual campus in Örebro

The campus in Örebro will be the first in the country to have a digital twin. Together with the University, we digitally scanned the campus, both inside and out, which makes the initiative the largest of its kind in Sweden. The scanning allows the buildings to be experienced virtually, as well as on site where the physical room is merged and strengthened with the digital twin via AR technology in apps, phones and glasses. The digital data from the scan will also be used for educational and research purposes at Örebro University and enable the premises to be operated in completely new and sustainable ways. The project is part of Örebro Campus Lab and the cooperation agreement that Akademiska Hus and Örebro University signed in the fall of 2018 with the objective of making the university the most digitalised and sustainable centre of education in Sweden.

Grand opening of our largest solar panel initiative

In September, a grand opening celebration was held for 5,462 square metres of new solar panels at the Swedish University of Agricultural Sciences in Uppsala. The initiative is the largest in the country in renewable energy for Akademiska Hus to date and an important component in the effort to achieve our vision for zero carbon footprint.



Collaboration and innovation are our path forward

Innovation, the climate challenge, digitalisation from a customer perspective and student accommodation on campus have been high on the agenda for Akademiska Hus during the year. “Collaboration with our customers and other participants has been the key to taking a major step forward in these matters” says President Kerstin Lindberg Göransson.

In 2019, we have achieved a number of advances that are in line with our goal to become completely climate neutral and with our mission – to strengthen Sweden as a nation of knowledge – together with our customers.

REINVESTMENT IN STABLE MARKETS

The commercial property market has performed well in 2019, buoyed by the robust economy combined with continued low interest rates. Interest in community properties which offer long contractual terms remains strong.

During the year we had positive changes in property values of SEK 3,872 million, which along with investments for the year of SEK 3,266 million resulted in a property value of more than SEK 91 billion. The changes in the value of the property portfolio are higher than the previous year, which had a major impact on profit for the year which was SEK 5,658 million.

The majority of our cash flow is reinvested in our projects and for the next few years we see a continued strong need for investments. Our approved and planned projects at year-end amounted to a total of SEK 13,400 million.

PROJECTS THAT STRENGTHEN CAMPUSES

During the year we completed several projects, such as the student building at Linköping University where we invested in a new on-campus central hub. Another example is the new

Humanisten building at the University of Gothenburg, where we completed a 32,000 square-metre redevelopment and extension project that enables the Faculty of Arts to co-locate the majority of its activities.

Of our projects in progress, the Albano Campus is the largest – it extends from Stockholm University in the north, via Royal Institute of Technology over to Hagastaden, with Karolinska Institutet to the west. I am proud of the project’s profound ambition regarding sustainability and that this is the first campus to be certified to Citylab standards.

We are continuing to focus on creating more student housing adjacent to campuses. At Royal Institute of Technology, 230 apartments are now completed with room for 430 undergraduate and graduate students.

THE PATH TOWARDS CLIMATE NEUTRALITY

To achieve climate neutrality, we continue to focus on renewable energy through initiatives such as large-scale installation of solar panels. We are also exploring other types of energy for future investments. One important decision that was made in 2019 is to certify all new construction according to gold rating in the Miljöbyggnad certification system and all major renovation projects according to silver rating. New construction and major renovation projects of student housing should fulfill the criteria for silver rating in the Miljöbyggnad certification system at a minimum and formal certification is encouraged.

We issued our first green bond during the year with great success. The issue proceeds will be used in accordance with Akademiska Hus’ green framework. I am very proud that Cicero, an independent auditor, awarded our green framework the highest possible rating level – dark green. We take our responsibility seriously which is why we fully support and base our initiatives on UN Global Compacts and its principles on human rights, labour rights, the environment and anti-corruption.

AN INNOVATIVE YEAR

We are in a transformation phase where no one knows exactly what the property and education industries of the future will look like. What we do know is that they both face sweeping changes associated with digitalisation. To equip ourselves and to ensure our future relevance, we need to understand the outside world and be

“I am very proud that Cicero, an independent auditor, awarded our green framework the highest possible rating level – dark green.”

KERSTIN LINDBERG GÖRANSSON
President



“We are continuing to focus on creating more student housing adjacent to campuses.”

KERSTIN LINDBERG GÖRANSSON
President

an agile organisation that is able to act quickly when necessary. For the past few years Akademiska Hus has worked based on an innovation strategy aimed at making us more mobile in areas such as energy, technology and learning environments.

In 2019, the innovation strategy was implemented through an array of innovation and development projects. Many of these projects are associated in one way or another with “A Working Lab” (AWL), our new office building and innovation arena at Johanneberg Science Park on the Chalmers campus in Gothenburg. We created a building here on the absolute cutting edge with respect to energy, technology and learning environments. It is also noteworthy that the campus in Örebro will be the first in the country to have a digital twin.

NEW CONCEPT FOR CO-WORKING ON CAMPUS

Co-working as a service is rapidly expanding in the office market. In 2019 we broadened our offering of services by launching a national concept and brand for co-working, maker-space and other flexible on-campus meeting places.

With AWL we promote completely new ways of working, studying and conducting research in our campus-based premises. Our first site was Chalmers, which opened in the autumn of 2019. In 2020 we will also launch the concept in other locations such as the Umeå Campus and Solna Campus, at Karolinska Institutet.

PROPERTY MANAGEMENT WITH RAPID PACE OF DEVELOPMENT

The digitalisation of society and demands for sustainability have a strong impact on management of our properties, for

which reason a large portion of our innovation and development projects are aimed at these areas. Collaborative projects in the property industry are becoming increasingly important. One good example is Accessy – a common solution for digital access to properties. We have also begun a major upgrade of the digital infrastructure in our properties. This initiative enables us to improve our management and operation process while creating increased customer value through higher facilities utilisation and better user experiences.

One issue for the future in the wake of digitalisation is information security. The risks increase as we as individuals and our properties become more connected. We will manage these risks on an ongoing basis and address the issues wisely.

CAMPUS DEVELOPMENT WITH MORE PLAYERS

Our mission is to provide Swedish colleges and universities with the best possible conditions for education and research. Campuses are developing more and more to become platforms for an array of functions, players and services. This is an exciting development in which we create attractive knowledge environments through collaborative efforts and design our spaces in a new way to increase the added value for everyone who is active on campus. Together with our customers we are taking many small steps which together enable us to fulfil our mission and achieve our vision – to strengthen Sweden as a nation of knowledge.

Kerstin Lindberg Göransson
President

Global megatrends that effect all of us

In a rapidly changing world, we need to address global trends in order to successfully navigate the challenges and find our path forward. The global megatrends impact all communities and affect the university world and the property industry more than ever. The development within digitalisation and the changed climate conditions are two of the trends that influence our strategies and goals, and thereby our daily activities.

CLIMATE CHANGE

The science is clear – climate change will impact living conditions on earth and have a profound effect on its ecosystem and balance. The path forward to reverse the trend and address the climate threat is currently extremely uncertain and major responsibility rests on both industry and individuals where global decisions will be crucial. History will remember 2019 as the year when many people, through the commitment and drive of a young generation, united and displayed their dissatisfaction all over the world.

Over the years to come, climate change is expected to affect the property industry in many different ways. The resilience of current holdings to extreme precipitation and rising water levels, changed temperatures and access to water, is becoming increasingly central and also needs to shape future construction plans. But besides the fact that the construction and property sector is affected by climate change, the industry, through its large climate emissions during construction and management, also has great opportunities and a great responsibility to be part of the transition towards a climate-neutral society. It is a matter of climate-smart construction with material and system choices designed with a focus on the climate, of implementing across-the-board efficiency improvements that benefit energy consumption and encourage local usage. Circular business models and digitalisation potential are important areas for development to promote processes that make it possible to achieve the global climate targets.

DIGITALISATION

Rapid digitalisation is fundamentally changing society. Many industries have been challenged by new business models, new participants and new consumer behaviours. Increased information and data quantities combined with intelligent systems have given rise to new services that capture human needs in a completely new way.

In the property industry, increased digitalisation also entails streamlining opportunities and smarter management of the core business, as well as completely new deals and services that can be developed. Co-working is one example of a service offering

that has been developed where property owners, either directly or in collaboration with external participators, develop “space as a service” as an added value offering to their customers. Property owners currently play an increasingly important role as community participants and urban builders, with the potential to contribute to the digital infrastructure of cities and create the smart cities of the future through innovative solutions and new technology. Here, the ability to work in value networks consisting of many players is becoming increasingly important. A growing challenge in the wake of digitalisation is that the large data quantities make data protection increasingly important. The need for data to be available at any time and anywhere also increases the risk of unauthorised dissemination of data.



Trends in higher education and research

In addition to global megatrends, we also have to relate to more industry-specific trends in higher education and research. In order to succeed with our mission and provide professional support to our customers, it is extremely important that we understand these issues and that we apply that knowledge as we work together to develop knowledge environments of the future.

NEW PARTICIPATORS CHALLENGE UNIVERSITIES

Applications for higher education are still at a high level. Degrees have a limited shelf life and for many lifelong learning is a reality in which skills must constantly be updated, or sometimes completely replaced. We see a steady increase in the number of participators offering shorter vocational training and certificates that quickly lead to jobs. The growing number of online courses is also changing the playing field, intensifying the competition for students of the future.

INTERNATIONALISATION – CAMPUS AS ECOSYSTEM

Awareness of Sweden as a nation of knowledge and as an attractive partner in research and higher education is a core issue that is highlighted in the Swedish Government's internationalisation inquiry. One obstacle that is noted is the shortage of undergraduate and graduate student housing. Here Akademiska Hus

can make a significant contribution and create campus environments which in addition to leading research and education environments also include housing and other services that help to enhance attractiveness and thereby draw more students and researchers to Sweden.

DEFINING THE CLIMATE ISSUE

In 2019, the higher education sector joined forces to formulate a common climate framework. Most universities have signed the framework and have therefore committed to reducing their own climate impact to be in line with society's overarching goals. More efficient use of premises, climate-smart construction and energy efficiency improvements are typical issues that the universities are now integrating into their strategies. This requires innovative solutions that are developed in collaboration with both property owners and others.



“Greta Thunberg says listen to the researchers. We must also do so, as far as possible, when it comes to our own carbon footprint. We also listen to our students who are strongly committed to these issues”

EVA ÅKESSON
Vice-Chancellor at Uppsala University

Swedish model for higher education and research

Under the Swedish model, the state is responsible for financing higher education. This promotes lifelong learning and ensures the supply of skills in Sweden. The centres of education are responsible for their supply of facilities, with Akademiska Hus as the market leading landlord.

The Parliament and the Government have overall responsibility for higher education and research in Sweden. In most cases, the higher education institutions are public authorities and have three main duties: Teaching and research, collaboration with the surrounding community and acting to ensure that research results benefit the public. In addition, according to the government mandate, they are also tasked with planning for the future supply of facilities. This is where we at Akademiska Hus contribute with our experience and expertise.

FOCUS ON EDUCATION AND RESEARCH

Colleges and universities are funded through government grants and external funds. Total revenue for colleges and universities have increased in real terms since the late 1990s, especially during the last decade. This trend is largely the result of major research initiatives, mainly due to the research policy proposals in 2008, 2012 and 2016 (UKÄ, 2019 Annual Report). Sweden is one of the OECD countries that invests most in research and development in relation to GDP.

The number of applicants to undergraduate and graduate level programmes are at a historically high level. Compared with about ten years ago, the number of applicants has increased by

30 per cent. In all, 60 per cent of beginners at the undergraduate level are women.

FOCUS ON COMMUNITY PROPERTIES

The commercial property market performed well in 2019. As previously, the majority of transactions took place in major cities and regional centres, where demand for office space remains high. Vacancy rates remain at very low levels, even though total office space continues to grow. New construction and major renovation projects are driving office rents to higher levels, while development is slower in smaller cities where fewer projects are in progress.

Interest in community properties continues to be strong. In the sub-segment premises for higher education and research Akademiska Hus is the leader with a market share of about 61 per cent. Demand for on-campus premises also depends in part on how well the campus is integrated with the city in general. Through improved communication opportunities, increased supply of services and development of undergraduate and graduate student housing, campuses can be made more attractive for both the centres of education and the business community.

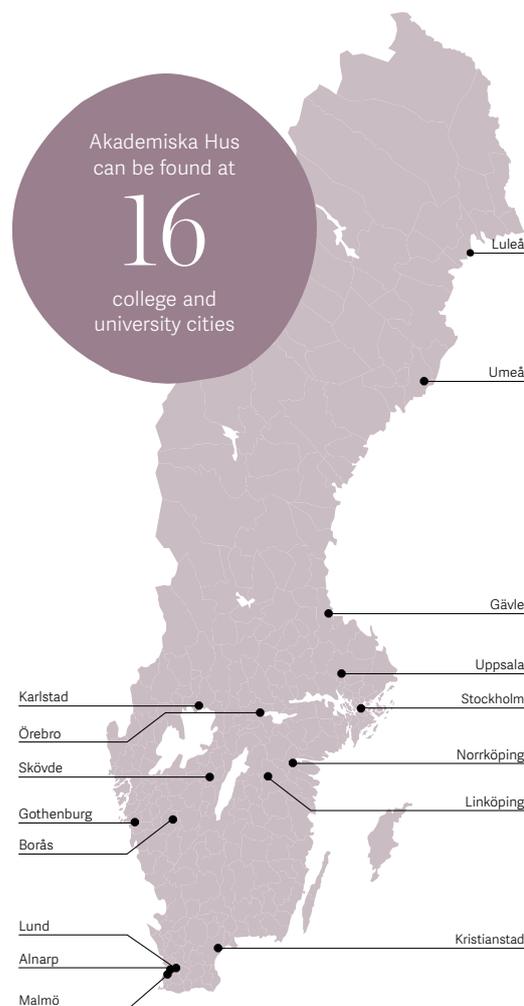
“We will ensure that Sweden’s students have favourable conditions for safe and secure studies. We invest in education and research to build a stronger society.”

MATILDA ERNKRANS
Minister of higher education and research



College and university cities

We are one of the largest property companies in Sweden with a total area of about 3.3 million square metres. Since the inception Akademiska Hus have invested approximately SEK 53 billion to strengthen the development of higher education institutions. Most of our cash flow is reinvested each year in our projects and our robust financial position creates stability and promotes a long-term approach for our customers.



	Outcome 2019	Budget 2020	Forecast 2021	Forecast 2022
PROPERTY HOLDINGS				
Average rentable area, 1,000 m ²	3,322	3,355	3,387	3,414
Property values, SEK m	91,424	92,500	95,000	97,500
Net investment in properties, SEK m	3,266	2,000	2,500	2,500
FINANCIAL KEY FIGURES				
Rental revenue, SEK m	6,050	6,400	6,700	6,900
Net operating income, SEK m	4,121	4,450	4,800	5,000
Profit before tax, SEK m ¹	6,957	3,850	4,150	4,350
Equity ratio, %	45.7	43.2	43.5	43.9
Return on operating capital, % ²	10.3	5.3	5.6	5.7
Return on equity, % ¹	12.2	6.6	6.9	7.0

¹ 2019 includes changes in value of properties. Budget and forecasts 2020–2022 exclude changes in the value of properties and changes in the value of financial instruments.

² 2019 includes changes in value of properties. Budget and forecasts 2020–2022 exclude changes in the value of properties.

Our six largest locations

Location	Market value and area	Largest centres of education
Stockholm	SEK 42 billion 945,000 m ²	Stockholm University Karolinska Institutet Royal Institute of Technology
Uppsala	SEK 16 billion 601,000 m ²	Uppsala University Swedish University of Agricultural Sciences, Ultuna
Gothenburg	SEK 9 billion 370,000 m ²	University of Gothenburg Chalmers University of Technology

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

We strengthen Sweden as a nation of knowledge

Based on our vision – We strengthen Sweden as a nation of knowledge – we serve as a strategic partner for centres of education in the development of tomorrow’s knowledge environments. We are a supplier of facilities and services that strengthen the customers operations and attractiveness.

Business concept

Working in collaboration with our customers, we develop, build and manage knowledge environments that make the centres of education more attractive and contribute to sustainable development in the community. We offer products and services based on the needs of the centres of education and where the campus experience is strengthened through relevant services.

Strategy

Our strategy until 2021 – Collaboration in the development of future knowledge environments – equips us to meet the challenges and ensures the company’s long-term relevance as a property company for Swedish centres of education. The cornerstones of the strategy are Upgraded core delivery, Enhanced customer relationships and Innovative business development.

Our strategy

Collaboration in the development of future knowledge environments

Upgraded core delivery

We upgrade our core delivery and simplify and improve daily life for our customers by taking long-term responsibility for a sustainable business and delivering high-quality facilities with a good user experience. We use the collective expertise of our employees and leverage our economies of scale to deliver constant development and higher efficiency in daily life.

To meet the demands and challenges of the future, a profound digital transformation of the business is currently underway. We are also investing in further strengthening our expertise in for instance learning environments. Our new climate targets and the decision to increase our level of ambition in regards to Miljöbyggnad certification system in all our new construction drives developments towards an upgraded and sustainable core delivery.

Enhanced customer relationships

We enhance our relationships with all customers. A good customer relationship is based on mutual respect and trust and is crucial for us to be able to work together to create campuses of the future. We must be sensitive and have insight into the needs and wishes of each customer regarding collaboration, always in balance with a viable commercial approach.

In order to enhance our customer relationships we have signed strategic collaboration agreements with several higher education institutions. One example is the collaboration agreement signed in 2019 with Uppsala University, which includes developing more sustainable campuses. A three-year action plan has been formulated with an array of measures linked to energy, sustainable mobility, greener and more beautiful campus environments.

Innovative business development

We create clear added value for both customer and owner through collaboration with customers in regards to development and innovation. We monitor the rapid changes in our industry to stay on the leading edge and leverage the potential of digitalisation. We must develop our value proposition in order to remain relevant for our customers.

We develop new business models and innovation environments by working dynamically and running small-scale test operations where successful pilot projects can subsequently be scaled up to size. For example, we have developed and launched our own concept and brand for co-working and flexible meeting places, AWL. We have also conducted a series of collaborative projects with customers and are involved in promoting industry-wide initiatives for property-related services.

Targets for follow-up of our strategy

The operational target aim towards the company's overall objectives and contribute to five different perspectives: Finance, Customer, Property, Employees and Development. The table presents the outcomes for 2017, 2018 and 2019, as well as the targets for 2019 and 2021, corresponding to the time horizon for the current business plan. The objective of climate neutrality, which was established in 2019, is presented on pages 32–33.

Finance

We deliver the owner's financial targets over a business cycle.

	Outcome 2017	Outcome 2018	Outcome 2019	Target 2019	Target 2021
Return on operating capital, %	13.7	9.2	10.3	≥ 6	≥ 6
Equity ratio, %	43.3	45.8	45.7	35–45	35–45
Dividend to the owner, %	60	60	60	40–70	40–70

Customer

We provide better deliverables than others and we are our customers' first choice.

	Outcome 2017	Outcome 2018	Outcome 2019	Target 2019	Target 2021
Customer Satisfaction Index	60	62	61	65	70

Property

Our work contributes to increase the long-term value of our property portfolio.

	Outcome 2017	Outcome 2018	Outcome 2019	Target 2019	Target 2021
Energy reduction (kWh/sq m), %	-1.6	+0.3	-4.6	-5.0	-3.7

Employees

We have dedicated employees who achieve high standards.

	Outcome 2017	Outcome 2018	Outcome 2019	Target 2019	Target 2021
Performance index, AHPI	*	65	73	75	77
Accident-free workplaces, ELTAR	*	2.4	2.4	≤3	≤2

Development

We are increasing the share of collaborative innovation projects with our customers, as well as construction of student housing.

	Outcome 2017	Outcome 2018	Outcome 2019	Target 2019	Target 2021
Number of undergraduate and graduate student housing units	*	510	710	710	1,700
Innovation in collaboration, %	*	47	62	50	70

*The targets were defined and measured for the first time in 2018

Comments to target fulfilment

Through measurable targets, we receive confirmation that our work is moving us forward. Below are comments on our target fulfilment and how we work to achieve our goals by 2021.

FINANCE

The Annual General Meeting 2019 resolved to change the financial targets. The decision does not affect what key figures the company will follow, but refers to the levels of the targets, as well as the calculation basis regarding return on operating capital, which also includes changes in value related to the property holdings. The targets should be achieved over a business cycle.

The return target should be at least 6.0 percent. The target for the equity ratio has changed from the interval 30–40 per cent to 35–45 per cent and the target for the dividend has been expanded from the 40–60 interval per cent to 40–70 per cent.

The large changes in value in recent years are the main reason that the return on operating capital exceeded the target. At year-end it was 10.3 per cent.

The large changes in value of our properties also affect the equity ratio, which was 45.7 per cent before the dividend.

CUSTOMER

The CSI survey for the year gave a result of 61 and is comparable to the level of 2018. The aim for 2019 was 65 per cent. Many initiatives were introduced during the year in order to strengthen customer relationships. For example, microfeedback was introduced into daily operations and a new application was developed to improve the dialogue and procedures for reporting problems. We believe that these initiatives will generate increased customer satisfaction over time. The target for CSI in 2021 is 70.

PROPERTY

In line with our energy reduction target of 50 per cent by 2025 and our new target of climate-neutral property operations by 2025, an extremely ambitious energy reduction target was set for 2019. The annual target of 5 per cent was not fully achieved, but we see a considerable improvement in the reduction rate from previous years, which shows that our efforts to accelerate our energy-saving projects have produced, and will continue to produce, clear results. The target for the years until 2021 is continually ambitious at 3.7 annually.

EMPLOYEES

The Akademiska Hus Performance index (AHPI) reflects the conditions for employees to perform according to their mission and was introduced in 2018. The target for 2019 was 75, which represents a situation with good leadership and good prospects for accomplishing the mission. During 2019, the units worked based on their results to create even better conditions. In management, the performance index rose nine units, which is a big improvement and which provides good conditions for a strong customer delivery. The target for 2021 is 77.

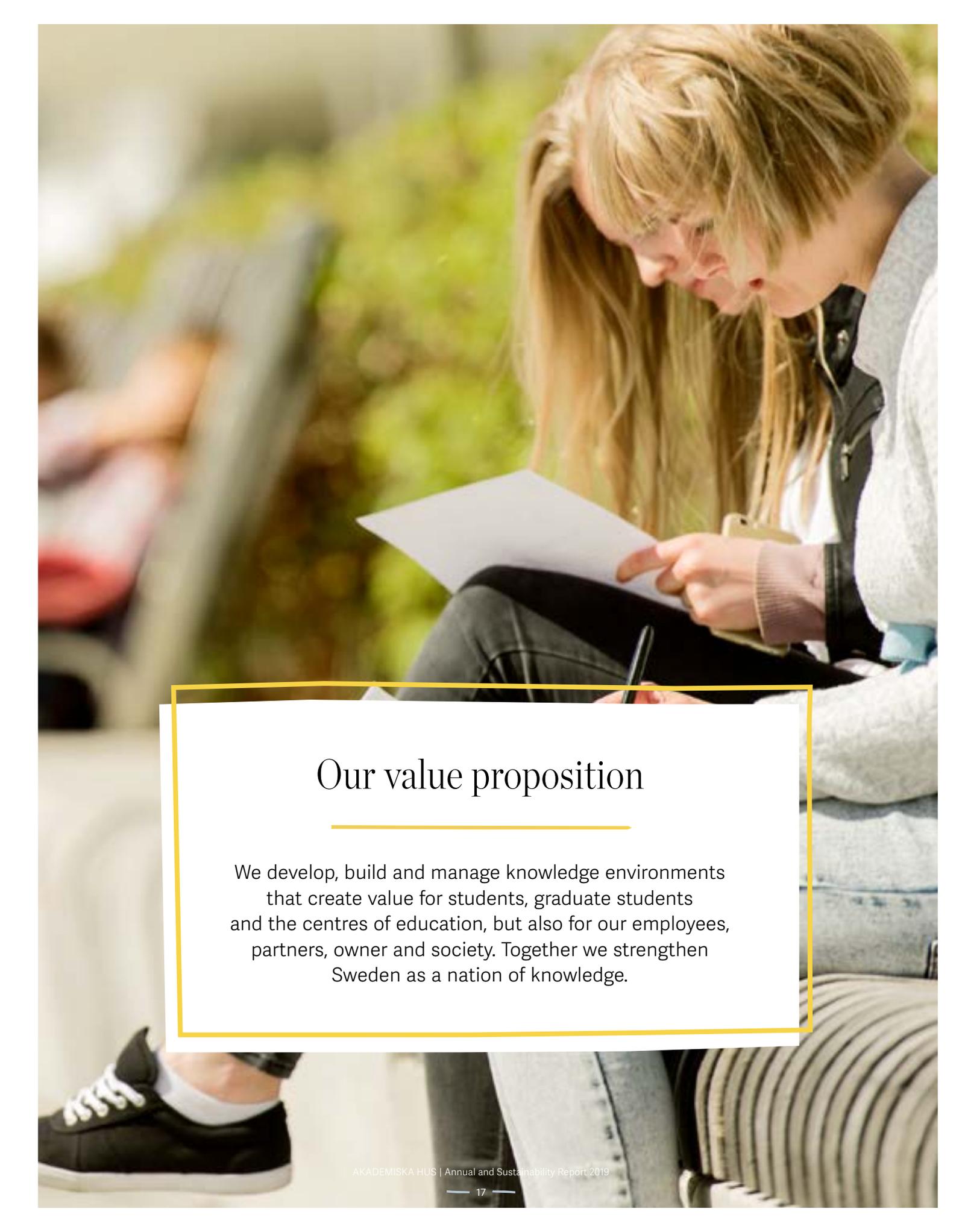
A quantitative target was introduced in 2018 for the goal of an accident-free workplace. We use ELTAR, which is the accident rate for our entrepreneurs, as our measure (for more information see page 120). We actively participate in the organisation Håll Nollan's work to achieve long-term improvement of quality and standards relating to surveys and to increase understanding of these matters within the industry. The target for 2021 is that ELTAR should not exceed 2.

DEVELOPMENT

With our student housing we want to create innovative homes for a sustainable quality of life. Our undergraduate and graduate student housing initiative is going on intensively and after the year's grand opening celebrations of student accommodation, the 2019 target of 710 units was reached. The target for 2021 is 1,700.

In order to maintain cutting-edge knowledge and a high development capacity in a rapidly changing world, we have targeted our innovation ability. We measure this by following the proportion of innovation projects that are run in collaboration with our customers. The target for 2019 was 50 per cent, which was achieved with a good margin as 20 of our 32 innovation projects was run in collaboration with our customers. We see this as a sign that our innovation projects are relevant and important for both us and our customers. The target for 2021 is 70 per cent.



A photograph of two young women with long blonde hair sitting outdoors. They are looking down at a white document held by one of them. The background is a blurred green outdoor setting. A white text box with a yellow border is overlaid on the bottom half of the image.

Our value proposition

We develop, build and manage knowledge environments that create value for students, graduate students and the centres of education, but also for our employees, partners, owner and society. Together we strengthen Sweden as a nation of knowledge.

How we contribute to a stronger nation of knowledge

Our goals and strategies are aimed at strengthening our delivery and the services we offer our customers. Through sustainable campus development we create the best conceivable conditions for colleges and universities around the country.

In our role as one of Sweden's largest property developers and managers, we have major opportunities to contribute to a more sustainable society and it is when we work closely with our customers that we achieve the best results. We are the market leader in our segment in Sweden and our nationwide presence enables us to transfer lessons gained from experience in one part of the country to another. The overall financial strength that our property portfolio provides creates the long-term security that Swedish research and education deserve.

We base our sustainability initiatives on the ten principles of the Global Compact and focus our work by basing our value

creation on the UN Global Sustainable Development Goals. In our business plan, the sustainability perspective is deeply integrated in our targets and activities, supporting the Global Goals and associated targets that we consider to be the highest priorities. By doing so, we contribute to the Global Goals.

Akademiska Hus has identified, in dialogue with our stakeholders, four areas that need to be prioritised if we are to succeed with long-term and successful value creation. Our overall value proposition can therefore be described based on the essential areas listed below.

Our four essential areas

Value-adding knowledge environments

With climate-smart and innovative investments in our campuses and a viable commercial approach we create long-term value and long-term benefit for both stakeholders and the environment. We also focus heavily on the social perspectives of well-being and accessibility.



Read more on pages 20–31

Responsible relationships

We strive to achieve high transparency in our customer relationships to create understanding of our role and our mission. We set clear requirements for high ethical standards that both we and our suppliers must meet, so that we can contribute to a sustainable society together.



Read more on pages 35–37

Resource efficiency for reduced climate impact

We use the assets at our disposal and the resources we consume more efficiently to reduce the burden on the environment. Collaboration on innovations is crucial and builds a high development capacity.



Read more on pages 32–34

Caring for people

By working proactively for a healthy and safe work environment for both employees and customers, as well as suppliers, we improve the industry and strengthen our relationship with our stakeholders.



Read more on pages 38–39



TOGETHER WE ENHANCE ONE ANOTHER
Sweden's higher education institutions are not only responsible for research and education, but also for its supply of premises. Akademiska Hus is owned by the Swedish state and our mission is to provide our customers with the best possible conditions to enable focus on research and education. We achieve the best results by working closely with our customers.

With our broad scope and leading expertise, we meet customer needs

The scope of our properties and projects is wide. 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.

Akademiska Hus is owned by the Swedish state and is one of the largest property companies in Sweden. With a focus on colleges and universities, we have an aggregated property value of SEK 91 billion. Most of the cash flow is reinvested into our operation, which provides security for our customers. Our stable finances have enabled us to invest approximately SEK 53 billion in new construction, additions and renovation projects since the inception of Akademiska Hus in 1993. Investments that make it possible to contribute to strengthening Sweden as a nation of knowledge while working closely with our customers.

OUR PROJECT OPERATIONS

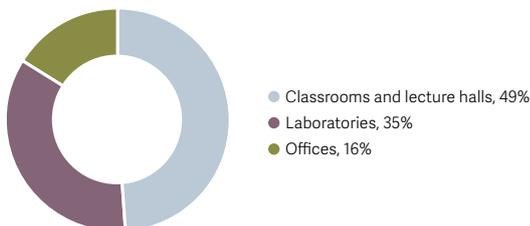
Projects account for a large part of Akademiska Hus' operations and given our extensive experience of building for education and research, we are a proactive and long-term partner for our customers. Our projects vary substantially, ranging from minor renovations to student accommodation and advanced new research facilities. Akademiska Hus is both builder and manager, for

which reason we build projects for long-term management. This approach provides us with excellent opportunities to invest in sustainable and innovative solutions. Investments are pursued from project concept to approved investment in a systematic process. Our financial capacity also means that we can invest and contribute to our customers' expansion, even during a recession.

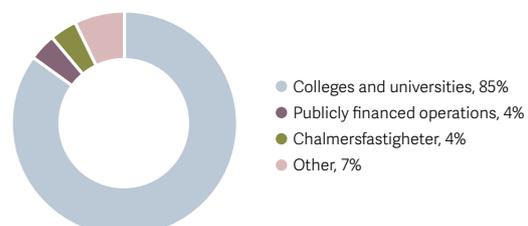
COLLABORATION IMPORTANT IN CONSTRUCTION PROCESS

Our projects create the conditions that enable students, graduate students and teachers to perform. We must therefore work together to understand the needs of our customers. We want to be a partner to the customers from the concept development stage in order to create the most efficient and sustainable projects together. By having clear requirements and expectations throughout the construction process, from early phases to the transfer, we can deliver a product of the right quality according to a common vision.

BREAKDOWN BY PREMISE CATEGORY



TENANT CATEGORIES



VALUE-ADDING KNOWLEDGE ENVIRONMENTS

Customised properties and facilities

COMMISSIONED PROJECTS 2019 OVER SEK 100 MILLION

Project name	Location	Type of premises	Investment limits, SEK m	Miljöbyggnad certification	Additional floor space, m ²	Completion	Customer
Humanisten	Gothenburg	Offices	668	Gold (new construction)/Silver (renovation)	12,100	2019-Q4	University of Gothenburg
Student Building	Linköping	Education	411	Gold	13,500	2019-Q2	Linköping University
Student housing at Royal Institute of Technology	Stockholm	Residential	400	—	8,900	2019-Q1	Akademiska Hus
A Working Lab	Gothenburg	Other	381	Gold	9,600	2019-Q3	Akademiska Hus
TOTAL			1,860				

APPROVED PROJECTS, 31 DEC. 2019 OVER SEK 100 MILLION

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

PLANNED PROJECTS, 31 DEC. 2019 OVER SEK 100 MILLION

Project name	Location	Type of premises	Investment limits, SEK m	Additional floor space, m ²	Expected completion	Customer
New art	Gothenburg	Education	1,653	26,500	2026-Q2	University of Gothenburg
Forum Medicum	Lund	Offices	809	11,600	2023-Q2	Lund University
Handels Hörne	Gothenburg	Offices	526	6,200	2024-Q2	University of Gothenburg
Student housing Aquila	Uppsala	Residential	338	4,100	2022-Q3	Akademiska Hus
Retzius	Stockholm	Laboratory	173	6,700	2022-Q1	Akademiska Hus
ITM school Innovation arena	Stockholm	Education	107	5,500	2023-Q4	Royal Institute of Technology
Botanicum	Stockholm	Laboratory	100	5,200	2022-Q3	Akademiska Hus
Projects under SEK 100 million			594			
TOTAL			4,300			

WE BUILD SUSTAINABLY

Both Akademiska Hus and our customers have high aspirations for sustainability. Our role as a long-term property owner provides an excellent opportunity for building wisely and sustainably. Our 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. In 2019, a decision was made to certify all new construction according to gold rating in the Miljöbyggnad certification system and all major renovation projects according to silver rating. New construction and major renovation projects of student housing should fulfil the criteria for silver rating in the Miljöbyggnad certification system at a minimum and formal certification is encouraged (*read more on page 34*).

As a property developer and owner, we want to create the most efficient and energy-smart buildings possible for our customers. To learn more about circular material flows and business models, we are participating in the collaborative project “Återbruk i Väst”, an arena for collaboration involving property owners, architects, public players and researchers who want to find methods and create conditions for more recycling in the construction industry.

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 (*read more on page 37*).

PROJECT REVIEWS

The project reviews are implemented to identify and manage risks associated with the projects and to contribute to constant improvements in Akademiska Hus’ management system and

project methodology “Common construction process”. The reviews support the operation and aid employees in their work. In 2019 the focus was on following up on and further develop project operations based on the results obtained during the 2018 reviews, which strengthened and further developed our common construction process.

OUR PROJECT PORTFOLIO

The project portfolio comprise of two parts, approved and planned projects and amount to SEK 13,400 million, of which about SEK 4,600 million has already been invested in projects in progress. All planned projects have an inquiry or planning framework where some form of agreement exist between the Company and the tenant.

Three approved projects dominate the portfolio: Albano, where the first phase will be commissioned in 2021, Naturvetenskap Life which will be commissioned in 2023 and Ångström phase 4 with planned commission in 2022. The main part of our project portfolio are new construction, extension, redevelopment and renovation of existing properties. The emphasis of the project portfolio can be found in Stockholm and Gothenburg but projects can be found among all our larger towns and cities.

Four of the major projects in the project portfolio is student housing projects which accounts for SEK 1,200 million.

PROJECT PORTFOLIO, SEK M

	31 Dec. 2019	31 Dec. 2018
Approved projects	9,100	9,900
Planned projects	4,300	4,100
Decided and planned projects	13,400	14,000
of which already invested in projects in progress	-4,600	-4,400
Remainder of decided and planned projects	8,800	9,600

Four large commissioned projects 2019



Linköping – Student Building

Through the new student building at Campus Valla, 1,000 new study areas and innovative learning environments have become reality. All service functions for students are provided in a single location: reception, student health, admissions and degree services, conference rooms, restaurant and a student-run café. A modern library has also been integrated in the building.

Tenant: Linköping University

Architect: White Arkitekter

Completion: Summer 2019

Miljöbyggnad certification: Gold level



Gothenburg – A Working Lab

An office and innovation arena and part of Johanneberg Science Park at Chalmers University of Technology in Gothenburg. This building will be the workplace for an array of players in the built environment moving forward. The building became a site for innovation already during the construction phase through a number of innovation projects (*read more on pages 27–29*).

Tenant: Akademiska Hus, RISE, Johanneberg Science Park and companies in the building's co-working space, as well as others.

Architect: Tengbom

Completion: Autumn 2019

Miljöbyggnad certification: Gold level



Stockholm – Student housing at Royal Institute of Technology

Akademiska Hus has built 230 student flats under its own management at Campus (Teknikringen) in Stockholm with room for over 400 students. The housing units mainly consist of two-bedroom flats to be shared by two students. The project involves six buildings on campus.

Tenant: Royal Institute of Technology

Architect: Utopia Arkitekter

Completion: Final phase spring 2019



Gothenburg – Humanisten

The new Humanisten building will enable the University of Gothenburg to improve the visibility and co-locate the activities of the Faculty of Arts, which were previously scattered around the city. The new section includes over 16,600 square metres and will house open meeting areas, study areas, an auditorium, classrooms and offices.

Tenant: University of Gothenburg

Architect: KUB Arkitekter

Completion: Year-end 2019/2020

Miljöbyggnad certification: Gold level

PRIZES AND AWARDS

In 2019, Biomedicum at Karolinska Institutet in Solna received the prestigious Building of the Year award. This award is the most prestigious honour in the built environment sector, highlighting examples of the industry's finest achievements in terms of quality, project collaboration, finances and design. The jury motivated its choice by noting that the project group successfully implemented an ambitious agenda regarding its approach to collaboration, the atmosphere on the job and putting safety first.

In 2019, Albano became Sweden's first campus certified to Citylab standards – a sustainability certification for entire neighbourhoods. The certification covers early and overarching planning and programme phases. In order to qualify, the project met the criteria for 20 indicators, covering both qualitative and quantitative assessment criteria and reporting requirements. The focus includes process management, organisation, dialogue and collaboration. In addition, the project must offer mixed use construction, sustainable travel modes, meeting places, green spaces, ecosystem services and energy systems with low climate impact.

The Ekonomikum reading room at Uppsala University won the Swedish Lighting Prize during the year. The jury explained that the project, demonstrates expertise about study environments and a thorough understanding of the interplay between light and colour, form and material.

Together, we create the knowledge environments of the future

Campuses always need to evolve and change to meet contemporary needs. With digitalisation and the high pace of change in society, the need for close dialogue and cooperation is greater than ever to create an environment that promotes research and education for the future.

Development of campuses are crucial for Akademiska Hus. With a long-term approach we develop knowledge environments that are sustainable and deployable to meet the requirements of today and the future. Working with a centre of education to interpret and convert these visions so that the physical environment can best support its strategies is at the heart of campus development. Together with the administration, employees and students of the centre of education, we explore how the physical environment can be developed to create attractive and flexible buildings and outdoor environments. We follow a structured approach with a focus on the long-term and sustainability. Leveraging the joint knowledge we share with our customers and converting it into clearly defined development plans and campus 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 spaces for this, building student housing (*read more on page 31*) 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. For example, in Stockholm an entire new knowledge environment and neighbourhood are under development. The Albano Campus connects the university capital of Stockholm, forming a sustainable campus with education environments for more than 15,000 students and researchers. Approximately 1,000 student housing units and premises for commercial services will also be built here. The project area is being transformed from a small industry area into a green, sustainable campus for science and daily life.

KNOWLEDGE ENVIRONMENT OR LEARNING ENVIRONMENT?

The concepts of knowledge environment and learning environment are often used interchangeably, or overlapping, when we discuss development of environments for research and higher education. This is how we define and distinguish between the concepts:

Knowledge environment is the physical framework that promotes spontaneous and planned meetings between people. It is an arena for education, research, innovation and collaboration. In many cases, a knowledge environment can be equated with a campus, but it may also comprise individual buildings in the city.

Learning environments are components in an efficient knowledge environment. Learning environments are the ingredients that are mixed in the knowledge environment and form a whole. Separately, they are strong and important; together they are indispensable.

SOCIAL SUSTAINABILITY AND GREEN ENVIRONMENTS

Our method of developing campuses includes not only questions and visions about new buildings. It also involves how we utilise spaces between buildings and how we create a total vision that makes the campus a place where people enjoy life and thrive. For example, when designing our campuses, we may promote physical activity through pedestrian paths and outdoor gyms, or base the design on the documented significance of green outdoor environments for stress relief. Art is also important for creating pleasant and attractive knowledge environments. We are therefore expanding our collaboration with Public Art Agency of Sweden starting in 2019 by investing in more art for our campuses.



The Albano Campus will be a scientific hub connecting the university capital of Stockholm, forming a sustainable campus with education environments for students and researchers. Approximately 1,000 student housing units and premises for commercial services will also be built here.

DIGITAL AND FLEXIBLE LEARNING ENVIRONMENTS

Regardless of industry, all businesses need to relate to and act based on an increasingly digital reality. For us, this reality involves everything from how we design learning environments of the future to how we develop and manage our properties using more climate-friendly services. In 2019 Akademiska Hus continued to work with digitalisation-related issues. There are several examples of how we test digital solutions for a groundbreaking approach to property management. One example is Örebro University, which was scanned in its entirety to create a digital twin – a digital information model that represents reality. In Umeå, we have studied utilisation of properties as part of the RUGGEDISED EU project, with the aim of developing services for smarter use of premises. With the help of digital technology and a focus on the people who spend time in our buildings,

we can create greater flexibility, efficiency and even completely new services (*read more on page 31*).

Digitalisation also greatly influences the design and use of new learning environments. A gradual, increasing integration is underway at Swedish centres of education between physical study and work environments and 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. In 2019, Akademiska Hus launched an initiative focused on learning environments, involving several development projects with different centres of education on converting existing, traditional lecture halls and study environments into flexible and needs-adapted learning environments.

Campus as test bed

Through structured innovation collaborations using the campus as a test bed, we contribute to sustainable community development. This can range from innovation projects to promote recycling in the construction process, to building an office building with a wooden frame and without a tent to protect it from the weather, or how we can increase the utilisation rate per square metre in our properties.



The property industry has major challenges in the transition to a sustainable society.

We live in a rapidly changing world. Innovation and digitalisation are high-priority areas of focus that will enable us to meet these changes and work with an agile approach in order to contribute to sustainable development in the community. Our innovation initiatives are based on a strategy to create, with better structure and clearer goals, an innovation process in three selected areas: Future knowledge and learning environments, Campus and urban development, and Construction and energy technology. The strategy has resulted in a strong innovation portfolio, which at

the end of 2019 consists of about 30 projects that are run in collaboration with customers and other partners.

Our campuses can advantageously serve as test beds for innovation, preferably in close collaboration with our customers. One clear example is A Working Lab at Johanneberg Science Park in Gothenburg. The construction project involved an impressive 16 innovation projects ranging from rooms for learning of the future to acoustics in a wooden frame building.

A Working Lab – Innovation engine

The building is the second phase of Johanneberg Science Park on the Chalmers campus in Gothenburg. It is an arena for innovation and collaboration where ideas and knowledge can be shared by academia, industry and community stakeholders.

With A Working Lab we have created an innovation arena in the built environment and learning environments. But the road forward has also involved an innovation process. The work proceeded by 16 innovation projects with a clear focus on climate and sustainability. A selection of which can be seen below. The innovation projects were given priority over the traditional construction project and several questions were kept open dur-

ing the construction process to avoid limiting the innovation projects. The innovation work determined what choices were made and it has not been possible to say from the beginning what should or should not be prioritised. This has been a new experience for all partners and a catalyst for how Akademiska Hus views innovation.

1

Learning Lab – reality lab for learning

In the “Learning Lab” innovation project we created a test bed in which we could learn more about how digital tools, furnishings, lighting, sound and other environmental factors can influence learning, creativity and outcomes. As part of the Learning Lab, we want to explore and develop the potential of the large flexible spaces, combined with technology that provides the right support for each activity. The long-term project will contribute to research and knowledge development related to learning over time. The Learning Lab will open in the spring of 2020.

2

Acoustics in a wooden frame and building without a weather tent

One of society’s major challenges involves building sustainably with reduced climate impact. This is one reason that wood is becoming more popular as a construction material even for large buildings. In A Working Lab, we have explored how we can take advantage of the strengths of wood construction and limit its weaknesses as much as possible. For example, the frame is built completely without a weather tent and new methods for weather protection have been tested. Another goal has been to achieve equivalent acoustics as in a concrete building and with the same flexible choices.

3

DC current from solar cells with battery storage

A Working Lab is our first DC-connected building (direct current) with solar panels and battery storage. By minimising the energy conversion between direct current and alternating current while also using battery storage to smooth out production peaks, the project has created new experiences for scalable and more efficient energy consumption. In the basement of the house there is a salt layer that can store energy through phase change (PCM, Phase Change Material) to achieve power reduction on cooling supplied to the building. This is the first time such a solution is being tested on a large scale.

4

BIM in management and scanning

A digital platform has been developed to link systems in the building with the aim of structuring property data for more efficient management. It has resulted in the products: Digital reading in operational and maintenance issues and a digital twin – a virtual information model that represents reality. The entire building has been scanned on three different occasions during the construction phase. When the technology is linked with the BIM model, property data can be displayed as a digital layer on the scanned indoor environment, similar to Google street view.

5

Follow-up research – learning about innovation management

Working with innovation as an engine in a construction project has been a new experience for all partners and a catalyst for how Akademiska Hus views innovation. Follow-up researchers from Chalmers and Royal Institute of Technology have studied the innovation process that Akademiska Hus uses. Through interviews and observations, the researchers have identified how to organise for collaborative innovation.

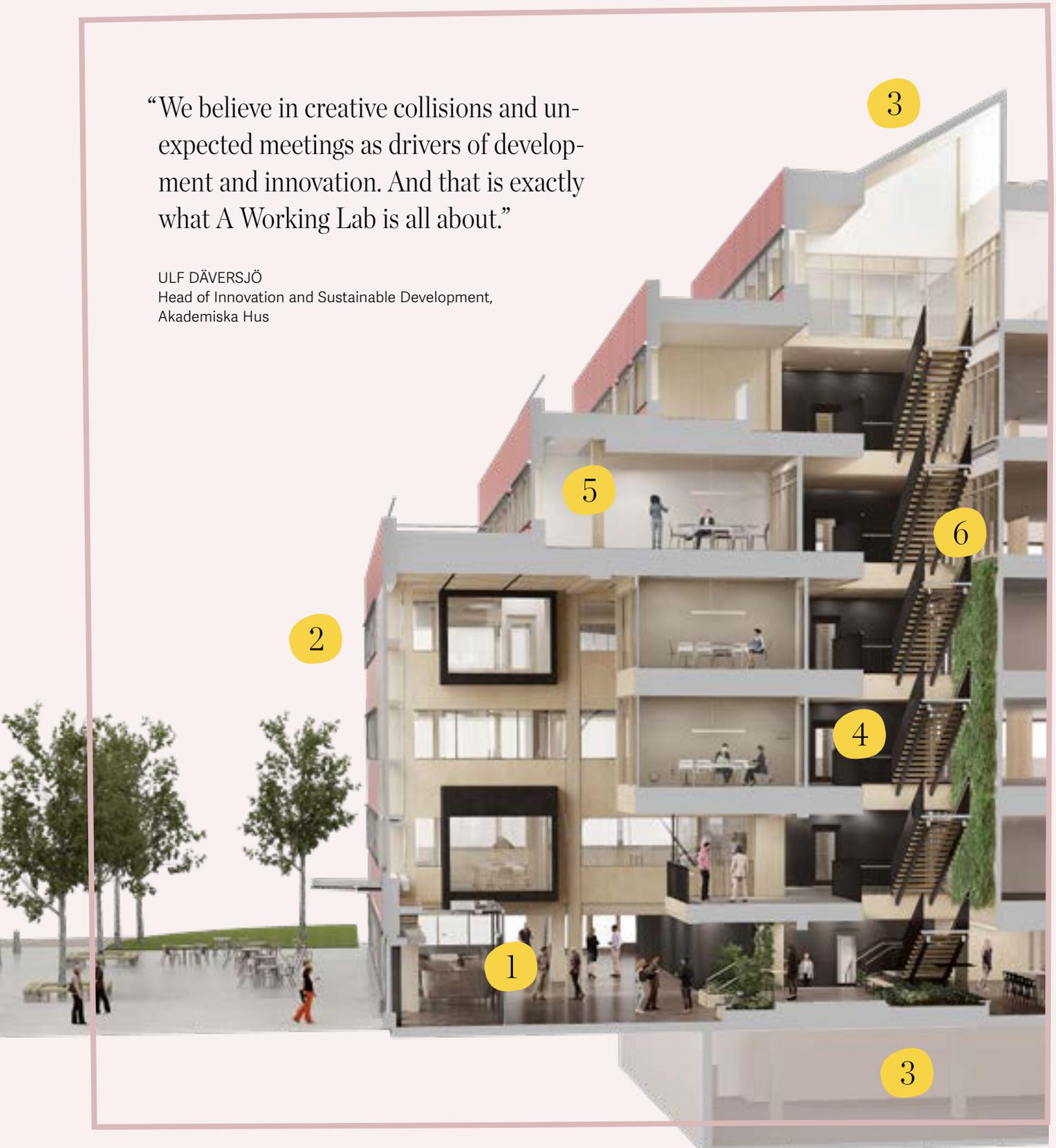
6

Reduced climate impact

One goal in the project was to reduce climate impact in the construction phase as well as during operation. In order to follow up on and continually influence the climate impact in the construction project, we worked with White Arkitekter and carried out comprehensive calculations of the project’s carbon footprint. Through active decisions regarding material choices, we were able to considerably reduce the carbon footprint by an estimated 15–20 per cent compared with more traditional material choices.

“We believe in creative collisions and unexpected meetings as drivers of development and innovation. And that is exactly what A Working Lab is all about.”

ULF DÄVERSJÖ
Head of Innovation and Sustainable Development,
Akademiska Hus



Our aspiration – the customer’s first choice

Our objective is to meet the needs and desires of our customers, today and in the future. We currently manage about 3.3 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, this is why our service offering is constantly evolving.

QUALITATIVE MANAGEMENT CLOSE TO CUSTOMERS

For Akademiska Hus, 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 business value for our customers and tenants. Skills development is crucial for us to be able to offer cutting edge management. In 2019, an important initiative was carried out as 75 per cent of our facility engineers were certified. This initiative will continue in 2020. Another project that also focuses on our operations and core delivery is *Value-creating operational procedures* in which we will formulate common working methods as guidance in daily work. In October each year we send out our CSI survey to about 1,000 customers and tenants. As an important complement to this, in 2019 we introduced the micro feedback function when reporting problems, an opportunity for us to continuously develop our customer relationships through more direct feedback.

SERVICES BASED ON NEEDS

Through systematic dialogue with our stakeholders, we learn what our customers’ needs look like and how they change. Our services are designed to provide answers and solutions for these needs and we continually work on updating our service offering to meet the demands of our customers.

(For more detailed information about our stakeholder dialogue, see the Sustainability notes, page 112).

Centres of education demand that we...

- Provide attractive knowledge environments and campuses that enable the customer to compete in national and international arenas.
- Contribute to the customer’s long-term sustainability efforts through a proactive approach and high resource efficiency.
- Contribute to increased construction of student accommodation.
- Develop and provide new services and benefits within property management.

Undergraduate and graduate students demand that we...

- Develop smart digital solutions.
- Plan and design environments suitable for their purpose, both indoors and outdoors.
- Develop campuses that are accessible and promote social wellbeing.
- Contribute to collaboration and dialogue.
- Help to create more student accommodation.



DEVELOPED CORE DELIVERY

In 2020 we will launch the convenient “My Campus” mobile app, which will offer a faster and more easily accessible way for us to meet our customers and the needs that arise daily in our properties.

Sweden’s leading property companies, including Akademiska Hus, have taken the initiative together with management company Fastighetsägarna Service to develop Accessy, a digital platform in which property owners can easily assign access, rights and authorities, to locked spaces such as offices, meeting rooms, facilities or apartments. The solution also handles accessibility to various services such as logistics and deliverables, waste management and other services. In addition to improved functionality, security will also increase by providing better control over who may be present in the building and when. Through Accessy, the property companies are designing a service that will allow people to easily identify themselves with Swedish Bank ID in order to receive a personal digital key. Accessy is an “open solution” for lock provider systems and property owners’ various apps, such as tenant apps. Accessy will certify those companies that meet the requirements for secure key management.

SUSTAINABLE CAMPUS DEVELOPMENT AND MORE STUDENT HOUSING UNITS

Developing knowledge environments is a complex process during which many perspectives must be considered. Our broad experience in properties for academia and our collective experience from around the country enable us to work with our customers to meet the challenges that are unique to each location. Such challenges may include development of outdoor environments, more campus-based student housing, projects to convert traditional learning environments to be more flexible, or to explore opportunities for developing new laboratory environments (*read more on page 25*).

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 that should be completed by 2026. The aim is to build 5,700 of these 11,000 units under our own management. 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. We cooperate with other actors in the industry to focus on student housing issues and to create more sustainable and affordable housing. We primarily work with block rentals of the undergraduate and graduate student housing that we build mainly with long leases of ten years. The block rental partner is

usually a centre of education or a foundation, but can also be a company which, like us, prioritises the undergraduate and graduate student housing issue and intends to rent to students and researchers in the long term. We support and coordinate innovation projects aimed at identifying new services and sustainable housing options for undergraduate and graduate students. For example, we carry out studies together with HSB Living Lab in Gothenburg and KTH Live-In Lab in Stockholm with a focus on how we can optimally design shared living arrangements from a sustainability perspective.

“Through an upgraded core delivery we will simplify and improve daily life for our customers.”

JONAS BJUGGREN

Administrative Manager, Akademiska Hus

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. Conferences, meetings, trainings and workshops are held here. The first example is “A Working Lab – Johanneberg Science Park” in Gothenburg. Our concept permeates the entire building there, but it can just as well be implemented in our existing environments and as part of a building.

Along with our customers, we develop and test both digital technology and physical environment, which can help to increase attractiveness, while improving study outcomes and degree of utilisation. In 2019 a “Learning Lab” has been under development at Chalmers’ Johanneberg Campus. This is a place for knowledge and new insights about how digital tools, furnishings, lighting, sound and other environmental factors can influence learning, creativity and outcomes.

Climate goals at the forefront – our path to success

The climate is changing around the world and global warming is a fact. Operations at Akademiska Hus contribute to the climate impact, which is why we have adopted ambitious climate targets that clearly signal the direction of the work moving forward in order to eliminate our climate footprint.

The research is clear. We are facing accelerating climate change and both strong and rapid measures are needed to mitigate the negative effects that result from rising temperatures. A great deal of responsibility rests on the business community and political decisions and policies will be crucial. Akademiska Hus has formulated climate targets that are on the leading edge of development, which will put great pressure on our operations to break new ground in several areas. At the same time, we cannot achieve success on our own. Many parties must cooperate and accept common responsibility in the complex transition that must now take place in order to achieve a climate-neutral society.

ENERGY EFFICIENT SOLUTIONS

Akademiska Hus has continuously been working to find energy-efficient solutions for the properties we own and manage. Initiatives involve both using less energy and using it smarter. Through a special focus on operational optimisation in our existing portfolio, we are steadily reducing both energy use and power requirements, and we try to benefit from our large campuses through measures such as taking advantage of excess energy between neighbouring buildings.

As existing buildings become increasingly energy efficient, we are now focusing on our construction projects, where a large portion of a building's footprint can be found. To increase expertise, we have introduced a working method where we continuously assess the climate impact of the project from a life cycle perspective, which provides well-founded decision support during project development and promotes insights on when and how decisions are made that have a major impact on climate impact. We see a development where procurement data will be evolved, construction conditions will change and project calculations will be based on facts that focus on the climate.

To achieve the profound climate transformation that society needs, the construction industry must fundamentally change. We need to carefully evaluate what needs serve as the foundation for a new construction project and question whether there are other options. Perhaps existing facilities can be used more efficiently, or recycled materials could be used. Achieving such a development requires new business models and systems that benefit resource-efficient measures, along with wise distribution of costs and risks among different players in the value chain.



“Building and managing properties affect the climate and the environment. The construction industry must fundamentally change its decision-making processes immediately and give the climate top priority. We use large quantities of resources such as materials and energy and we also generate waste.”

MIA EDOFSSON
Sustainability Manager, Akademiska Hus.

Our journey towards climate neutrality

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.

2025 – Climate neutral property operations, will be achieved through dedicated and active initiatives on proactive energy measures in existing and new buildings, investments in energy-saving technology, purchasing strategies for energy and through innovative solutions and projects for renewable energy, supported by digitalisation.

2025 – Climate neutrality in internal operations, where the major challenge is to change current travel patterns. The goal will be achieved through implementation of new digital alternatives to physical meetings and by setting targets for all travel that uses fossil fuels.

2045 – Climate-neutral project operations will be achieved by following and contributing to the actions that have been identified in Fossil Fuel-Free Sweden roadmap for fossil-free competitiveness in the construction and contracting industry by 2045. The carbon footprint from our construction projects accounts for an extensive portion of Akademiska Hus' total climate impact and the challenges of climate-neutral construction are many. In the run-up to 2045 we will therefore place great emphasis on clear follow-up and control of the impact of the projects, active decisions regarding design solutions, systems and material choices and a clarification of the company's requirements for contractors regarding execution. With joint efforts in the industry and future technological advances, we would like to believe it is possible. A crucial issue involves increasing the efficiency and appeal of existing buildings so that new construction is not always viewed as the preferable option.



REDUCE – INFLUENCE – CREATE

Our energy strategy has three main components. We want to *reduce* the quantity of delivered energy to one half of what it was in 2000 by 2025. We want to *influence* and collaborate with our energy suppliers to achieve a fossil-free and renewable product. We also want to *create* new renewable electricity that is equivalent to our needs.

In our efforts to reduce the amount of delivered energy to our properties, we focus on renewable energy, such as through solar installations. Akademiska Hus has a total of 60 facilities in its property portfolio that generate over 5 million kWh of sustainable electricity annually to Swedish centres of education. In 2020 additional facilities will be installed and the quantity of solar energy will thereby increase by 50 per cent.

In September 2019 the grand opening of 5,462 square metres of solar panels was celebrated in Uppsala, which will annually produce 1 million kWh for the Ultuna Campus together with existing installations. This is an important part of our zero carbon footprint vision and our aspiration to achieve a completely fossil free energy supply.

ENVIRONMENTAL CERTIFICATIONS

Building to Miljöbyggnad standards provides confirmation of important qualities in a building in terms of energy, indoor environment and material choices. In order to succeed in this endeavour, we stay up to date on the latest methods and technologies. We currently have 47 certified buildings, including eight at the gold level and 39 at the silver level. The certified new construction and renovation projects must subsequently undergo a validation process, and to date 24 buildings have been verified with retained certificates. In 2019 we made a decision to certify all new construction according to gold rating in the Miljöbyggnad certification system and all major renovation projects according to silver rating. New construction and major renovation projects of student housing should fulfil the criteria for silver rating in

the Miljöbyggnad certification system at a minimum and formal certification is encouraged. This ambition is not applicable in certain cases because of the nature of the operations, for which reason deviation from this objective can be approved. In 2019 the Innovation Arena and office building A Working Lab at Johanneberg Science Park in Gothenburg received the highest rating and achieved the Miljöbyggnad Gold rating. Reducing the carbon footprint has been an area of focus during the project. Through smart material choices, the climate impact of the building is up to 15 to 20 per cent lower than if traditional materials had been used.

RAISE THE BAR FOR CLIMATE CHANGE

Climate change affects us as property owners. For example, we see a growing risk of mould and dampness in a warmer and more humid climate, heating and cooling needs change with changing temperature conditions over the seasons, and our construction designs have to be adapted for new wind, snow and climate impacts. These are changes in the climate that we as a property owner need to relate to and on the basis of which we must act. We have therefore analysed our assets from a climate adaptation perspective. We have included this perspective in the annual risk analyses carried out regularly for each property area, as well as in the long-term development plans that are formulated for campuses and as part of the investment process for new- and rebuilds. In addition, we continually update the technology platform, our internal specifications, to create reasonable redundancy for the changes in the climate that are predicted.

Trust is built through responsible relationships

By accepting responsibility in our relationships we win the trust of our stakeholders and together we can create sustainable values. That is why we include sustainable requirements in procurement processes, we have a transparent rental model and we actively work for a safer construction industry.



Our focus is on creating value for our customers and on developing and managing sustainable and competitive knowledge environments for undergraduate and graduate students around the country, through responsible relationships. Collaboration is the road forward and therefore our relationships and the trust capital we possess are absolutely critical to how well we succeed in our mission, to strengthen Sweden as a nation of knowledge.

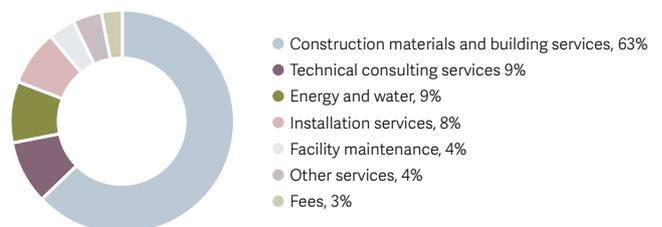
SUSTAINABLE SUPPLIER CHAINS

Akademiska Hus is a large purchasing organisation and buys products and services for about SEK 4.5 billion per year. Our 2,300 active suppliers are mainly Swedish companies. Since 2016, Akademiska Hus has been subject to the Public Procurement Act (LOU) and a restructuring was carried out in 2017 and 2018. LoU increases the opportunity for more and smaller suppliers to compete on equal terms.

We place demands on our suppliers regarding the environment, occupational health and safety, labour conditions and human rights, as well as business ethics and anti-corruption.

The requirements are specified in our Code of Conduct for suppliers, which is based on the ten principles of the UN Global Compact. Already in the procurement phase, interested suppliers must meet eligibility requirements and if they fail to do so, they are eliminated from consideration. When new framework agreements and project agreements are signed, the Code of Conduct is attached as an appendix. In all procurements,

SUPPLIERS, SHARE OF TOTAL PURCHASING VOLUME



suppliers must also certify that they have both environmental management and work environment management systems. If a supplier violates the Code of Conduct or the environmental and occupational health and safety requirements, the agreement may be terminated. About 200 new framework or project agreements were signed in 2019 and all of them were also assessed based on social and environment-related criteria.

In 2018 and 2019, Akademiska Hus, assisted by an external party, conducted 15 on-site quality, environment and work environment reviews of selected contractors, with the aim of ensuring that they comply with agreed terms and conditions. In 2020 Akademiska Hus plans to conduct additional random sample reviews. A whistleblower function has been in place for the past few years that can also be used to report deviations. No cases of violation of our Code of Conduct for suppliers were revealed in 2019.

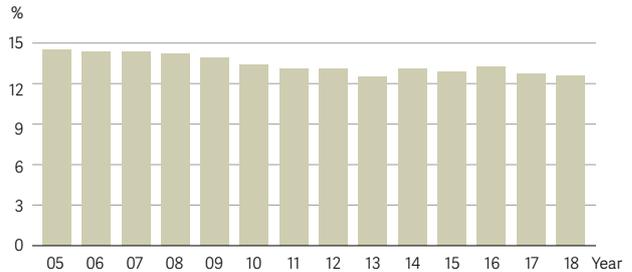
Akademiska Hus operates in an industry that has historically seen corruption, bribery, violation of labour laws, etc. It is therefore important that our employees always behave professionally and practice good business ethics in all contact with suppliers and customers. To reduce these risks, in 2019 we formulated a training programme in business ethics that is mandatory for all employees to complete in 2020.

TRANSPARENT RENTAL MODEL

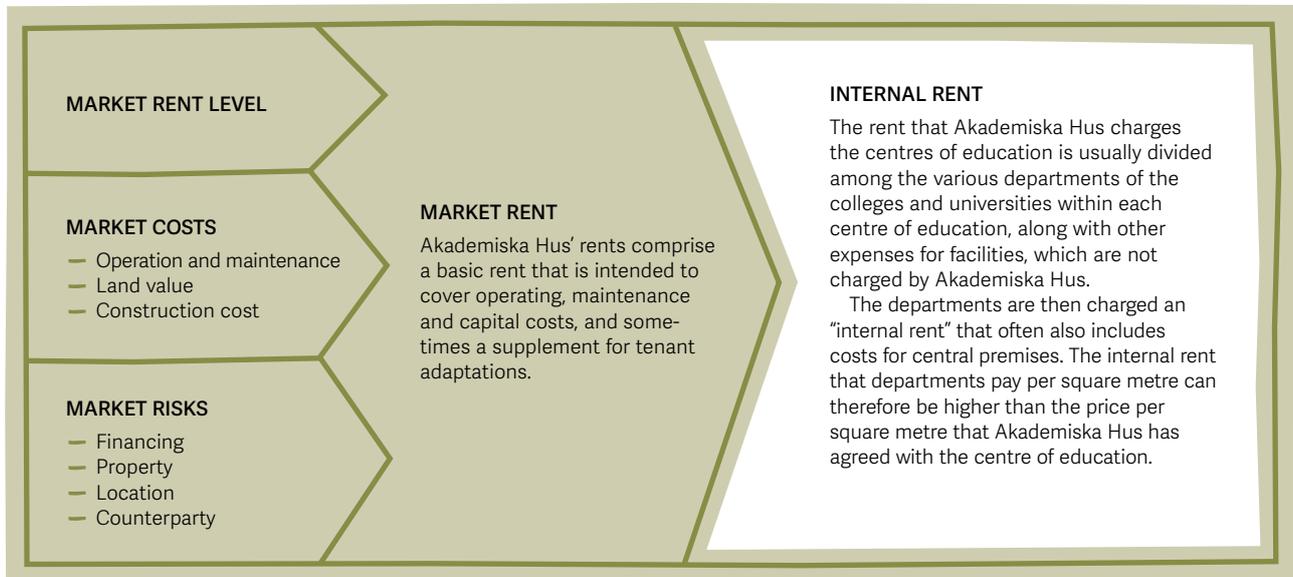
Akademiska Hus has a leading position on the property market. This entails a large responsibility, both for deliverables to customers and for development of the local rental market. Our rents are therefore always set at market-based rates, and we always strive for transparency and open negotiations with our tenants. We are active in an open market and set our rents the same way that other property companies do, which means that our calculations reflect the risk and costs associated with, for example, construction and management. Other factors include the general market rent level of the local community, along with the location, type of building and lease term of the property.

To compare rental prices charged by Akademiska Hus in relation to those charged by other property owners in a comparable portfolio, analyses are carried out regularly with assistance from an external valuation company. Transparency in how rents are set is important in dialogues with the customers.

STABLE PROPORTION OF COST OF PREMISES FOR SWEDEN'S CENTRES OF EDUCATION



The diagram above shows the proportion of cost of premises for Sweden's centres of education over time. Despite extensive investments, costs for premises as a percentage of total costs have declined somewhat over time.



We strive for openness in negotiations with customers, and through our experience and long-term relationships we can often find solutions to use premises wisely and efficiently. Detailed information about how rents are set and rent levels per building can be found in our property specification at akademiskahus.se.

HÅLL NOLLAN

Akademiska Hus was one of the players that saw the need for and took the initiative to establish an industry-wide organisation for safer construction sites. In 2017 the Håll Nollan organisation was formed, which now has over 70 members. In a relatively short time Håll Nollan has become established in the industry and is an important participator and a forum for focusing on safety issues. The objective is clear – no one should sustain injuries at construction sites in Sweden.

In 2019 we participated in an array of activities within the Håll Nollan initiative, including leadership training in safety culture, formulation and implementation of training in safer work environments for property developers, and creating and awarding the Håll Nollan work environment award. We also formulated a standard for entrepreneurs with associated work environment guides and participated in safety visits and seminars.

For Akademiska Hus, Håll Nollan is an important forum for exchanging experiences and we are pleased to share the lessons of our own development work in safety issues and the work environment with others through this important collaborative initiative.



The employees are key to achieving our goals

We have an important mission – to work with our customers to provide students and researchers with the best possible conditions and by doing so we can strengthen Sweden as a nation of knowledge. In order to succeed there is one key factor – our employees.

LEADERSHIP

Strong leadership is essential for successfully creating commitment. We focus on continually strengthening our managers and training in practical tools in order to pursue our ongoing change initiatives.

This year's mandatory training programme for all managers therefore had the theme *To lead in change*. The focus during the year has also been on continued work with appraisal assignment. Managers and employees work together to formulate a clear job mission describing the performance expected of the employee, what is to be achieved and when it should be ready, as well as what the employee needs to accomplish this mission. All employees will have a clear mission with supportive activities so that together we will achieve Akademiska Hus' goals.

EXPERTISE

We continue our aggressive initiative to expand the offering at Akademin, our internal education platform for active skills enhancement. During the year we have focused on developing both the interactive and teacher-led trainings within the areas that are of great relevance for the employees to be able to do their jobs. With rapid digital developments, it is important that our employees have a high level of digital expertise and feel confident with the tools we use.

All facility engineers have been offered the opportunity to complete competence based certification through the industry organisation FAVAL, an initiative for which about 75 per cent of facility engineers accepted the challenge. The goal is for training to be offered to everyone who is interested in becoming certified.

We consider certification to be a very important measure for creating legitimacy and for raising the skill level among employees who meet our customers. We also hope to stimulate interest in the opportunities offered by the property industry.

HEALTH

Over the course of the year we focused on initiatives that will enable employees to have a sustainable working life. We encourage and motivate our employees through targeted initiatives and an improved wellness system. We have successfully raised the commitment to personal health with 81 per cent of employees using their wellness allowance.

Prevention is important, for which reason initiatives have been implemented related to an array of health-promoting activities. Together, our dedicated wellness coaches all over the country have contributed to the wellness theme of the year – *Balance*. Activities such as workshops on motivation and daily exercise have been carried out based on the theme, supplemented with the opportunity for online exercise programmes. In addition, a weekly newsletter filled with inspiration on the *Balance* theme has been available to our employees to inspire them to pursue a healthier lifestyle (*read more on pages 119–120*).

EQUALLY UNIQUE

We work to create a working climate where equal treatment, equal opportunity and diversity are obvious integral components of the operation, internally as well as externally. During the year we continued to work with *Equally Unique*, our equal treatment plan, with a focus on skills-based recruitment. We also offered internships and summer jobs as part of the plan. In conjunction with International Work Environment Day for the year, we addressed issues such as bullying, gossip and harassment for all employees through joint group activities.

DESIGNATED EXCELLENT EMPLOYER

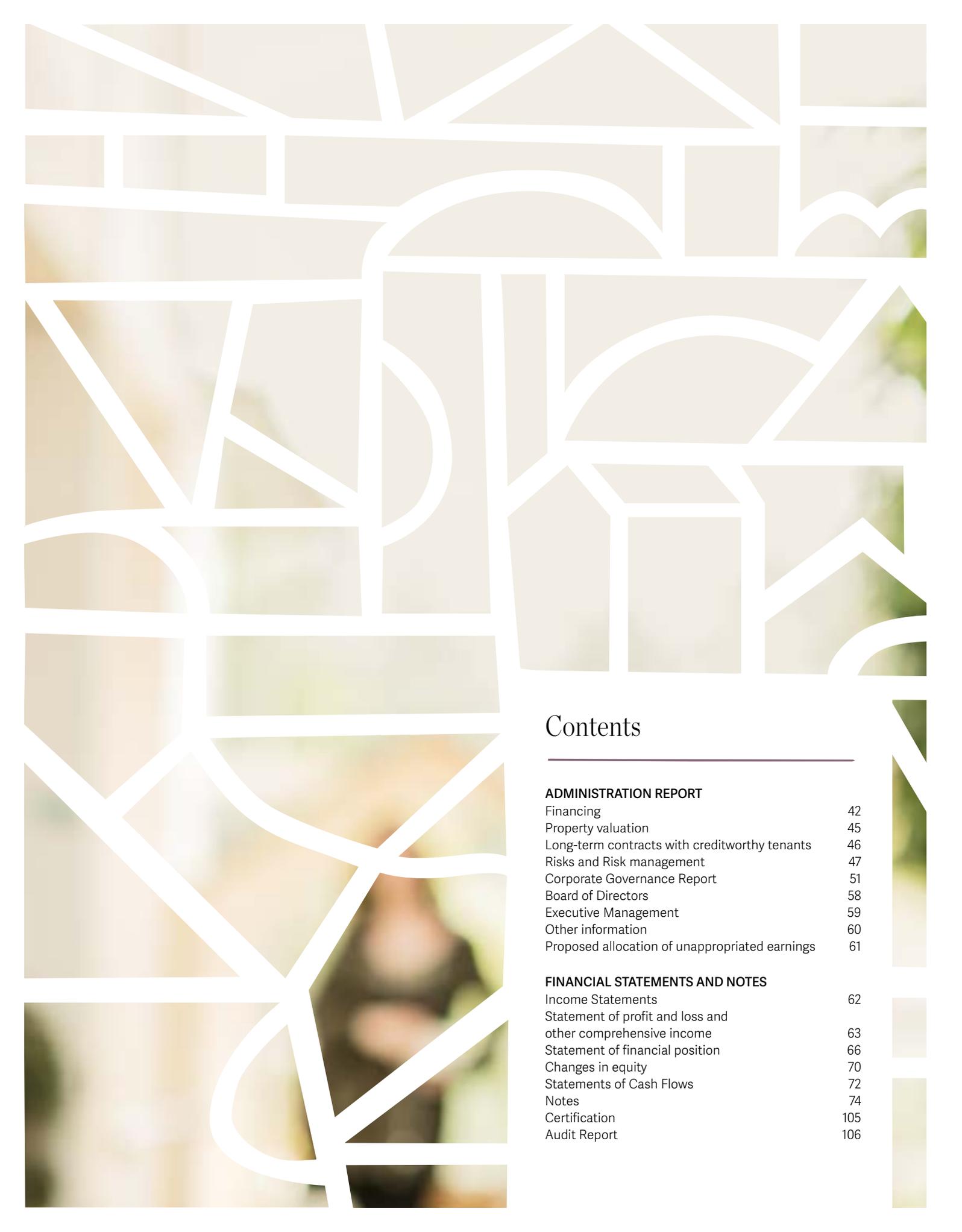
In 2019 Akademiska Hus was designated an "Excellent Employer" by Nyckeltalsinstitutet. The survey relates to actual, measurable working conditions and in their Attractive Employer Index survey we ranked among the top ten employers. The award shows that we are on the right path in our initiatives to create the right working conditions for our employees.

FOUR FACTORS FOR SUCCESS

Akademiska Hus faces a profound development journey in which our employees have a key role. Committed employees and responsible leadership are crucial to our success. That is why we need:

- Involvement of employees regarding the mission and vision to create strong commitment.
- Strengthen an innovation-oriented culture and view digitalisation as an enabler in the development of our deliverables to the customer.
- Gearing up digital skills as a natural part of the job.
- Dynamic working methods based on a learning organisation.





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Administration Report

The Board of Directors and the President of Akademiska Hus AB (publ), company registration number 556459-9156, hereby submit the 2019 Annual Report for the Group and the Parent Company.

Financing

Uncertainty regarding the global economy increased during the year. Interest rates remain at low levels. Akademiska Hus' liquidity has been strong during the year and three bond issues took place, totalling SEK 2,700 million.

FINANCIAL MARKETS IN 2019

The year began in an environment of political uncertainty with economic indicators signaling weak growth. Despite relatively good resilience in the US economy, uncertainty about the economic outlook resulted in both lower stock exchanges and lower long-term interest rates at the end of 2018. Uncertainty regarding a US-China trade agreement and the uncertainty relating to the terms and conditions of Brexit occasionally strengthened the cyclical turmoil in 2019, resulting in lower long-term interest rates, especially in the summer, both internationally and in Sweden. As a result, several central banks shifted to a more expansionary monetary policy, where the US Federal Reserve (the Fed) went from interest rate hikes in 2018 to three rate cuts in the fall of 2019.

The European Central Bank (ECB) also changed direction towards a more expansive monetary policy. In the autumn, interest rates were cut by 0.10 percentage points to -0.50 per cent, at the same time that the bond purchasing programme was reinstated to stimulate the European economy, which is showing clear signs of a slowdown, especially in the German automotive industry. During the autumn, the ECB also called for fiscal stimulus measures in those countries within the eurozone that are able to pursue such policies without challenging the budget and debt ratios, to dampen the downturn.

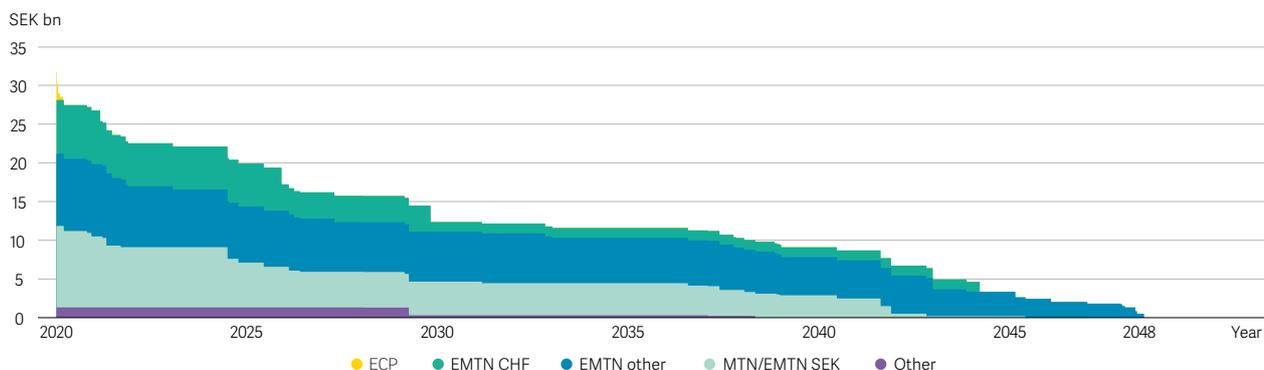
The Swedish economy also entered a calmer phase. The Swedish Central Bank does not see any major recession on the

horizon, and believes that inflation will only temporarily deviate from the target, for which reason it raised interest rates by 0.25 percentage points in December. However, the central bank policy rate is expected to remain at zero per cent throughout essentially the entire forecast period in order to help achieve the two per cent inflation target.

FINANCING IN 2019

After a period of high activity in the bond market, much of Akademiska Hus' financing needs in 2019 were pre-financed. In addition, liquidity was further strengthened by the property sales that occurred during the year. Cash flow from operations has largely financed investments in the Akademiska Hus project portfolio of about SEK 3,200 million. The dividend to the owner was SEK 1,663 million, and bonds maturing in 2019 amounted to SEK 2,400 million. During the year, three bonds were issued for a total of about SEK 2,700 million, including SEK 1,500 million that related to Akademiska Hus' first green bond, which was based on the green framework completed during the spring. Issuances for the year mainly involved investors in Sweden, but also in Central Europe, with maturities of 5 and 26 years, respectively, thereby contributing to continued diversification of both the investor base and bonds maturing over time. See the financing maturity structure in the diagram below and the composition of financing sources on page 44.

LONG DEBT MATURITY STRUCTURE



The ECP programme continues to be Akademiska Hus' primary source of short-term funding. Conditions for short-term funding, which is highly cost-effective, have been good during the year. Use of the ECP programme has increased somewhat during the year. The domestic commercial paper programme has not been used since 2017. Committed credit facilities have been maintained at SEK 5,500 million, of which SEK 3,500 million was extended and thus has a maturity of two years, with the option for a one-year extension on one more occasion. The remaining SEK 2,000 million has a term of 12 months. All credit facilities were unutilised at year-end. Combined with the ECP and bond issuances, sales and quarterly rental payments, access to liquidity has been strong during the year.

OUTLOOK FOR FINANCING ACTIVITIES IN 2020

Akademiska Hus' investment rate in its own project portfolio remains high. Investments of about SEK 2,500 million are expected during 2020, which are largely funded by cash flow from operations. Bonds maturing in 2020 amount to approximately SEK 1,400 million.

Although financial market sentiment has responded positively to the progress relating to trade agreements and Brexit at year-end 2019/2020, the persistent uncertainty is difficult to assess. European and Swedish monetary policy suggest that policy rates will be maintained at a very low level. At the same time, low bond yields with negative European ten-year treasury rates and the Swedish equivalent hovering around zero per cent, indicate expectations of an extended period of low growth and inflation. In a situation with additional geopolitical advances or improved economic prospects, however, interest rates could quickly rise, given the low-interest environment that still prevails. Interest rate risk at Akademiska Hus is largely being managed through interest derivatives, mainly in order to lengthen duration. Debt management in 2020 will continue to focus on allocating interest rate duration to the periods of the yield curve deemed to be effective.

FINANCIAL RISK MANAGEMENT

Exposure to financial risks is based on the capital structure with the distribution between loans and equity. Higher debt ratio entails greater exposure to financial risks. One of the owner objectives for Akademiska Hus reflects this since the equity ratio, as resolved by the April 2019 Annual General Meeting, must fall within a range of 35 to 45 per cent.

The main financial risks that the debt management policy addresses involve exposure to interest rate and refinancing risk. Normally, financial markets price in long-term fixed interest periods and maturities at higher risk premiums. The objective of debt management is therefore to balance the additional costs of long-term fixed interest periods and maturities, and thus limit uncertainty, against savings of more short-term fixed interest periods and maturities, where greater uncertainty is accepted.

The liability portfolio is allocated as follows:

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

INTEREST RISK

The bonds in the long-term portfolio contribute to an extremely long fixed interest period and account for a significant portion of the interest rate risk exposure in the total portfolio. One of the mandates for interest rate risk therefore relates to the proportion of the total portfolio that the long-term portfolio may constitute.

The index-linked bond portfolio entails diversification of the liability portfolio and is justified because rental income from property operations is largely tied to inflation. The index-linked bond portfolio's proportion of the total portfolio also represents a separate mandate.

FINANCING PROGRAMMES AND RATING

Board of Directors	Rating Standard & Poor's	Rating Moody's	Framework 31 Dec. 2019	Utilised nominal 31 Dec. 2019
Committed credit facilities in bank			SEK 5,500 m	
Commercial paper	A1+/K1		SEK 4,000 m	
ECP (Euro Commercial Paper)	A1+	P-1	EUR 1,200 m	EUR 344 m
MTN (Medium Term Note) ¹	AA		SEK 8,000 m	SEK 650 m
EMTN (Euro Medium Term Note)	AA/A1+		EUR 4,000 m	EUR 2,729 m

1) Not updated since 2009.

Financing

Interest rate risk is primarily managed in the basic portfolio, where the mandate is defined as a range for average duration. The choice of fixed interest period in the basic portfolio and the size of the long-term portfolio are of great importance for interest rate risk exposure in the liability portfolio. In recent years the average fixed interest period in the total portfolio has been relatively long (see diagram below), which contributes to the preservation of the stability of overall financing costs over time.

REFINANCING RISK

The mandate for refinancing risk is defined as the share of loans maturing within 12 months. To manage refinancing risk, the aim is to establish a well-diversified liability portfolio to ensure that it is possible to finance through various creditor categories, geographic markets, currencies and maturities at any time. The extensive bond issuances in recent years have helped to substantially reduce the risk of refinancing in the near future and contributed to a distribution of maturities over an extended period of time. The diagram below on the right shows how the proportion of maturities due within twelve months has developed over time.

The mandate for the debt portfolio is presented in the Risk section on page 50 and note 21. The table on the right shows the mandate as well as outcome at year-end.

Financial risks	Mandate	Outcome 31 Dec. 2019
Refinancing risk		
portion of debt maturing within 12 months	Max 40% of total portfolio	17.6%
Interest risk		
average fixed interest, basic portfolio	3–6 years	3.6 years
proportion long-term portfolio	Max 20% of total portfolio	16.8%
proportion index-linked bond portfolio	Max 5% of total portfolio	1.5%
Counterparty risk		
	Limit system and CSA agreements with derivative transactions	Satisfied
Foreign currency risk		
	No currency exposure with foreign financing is allowed	Satisfied

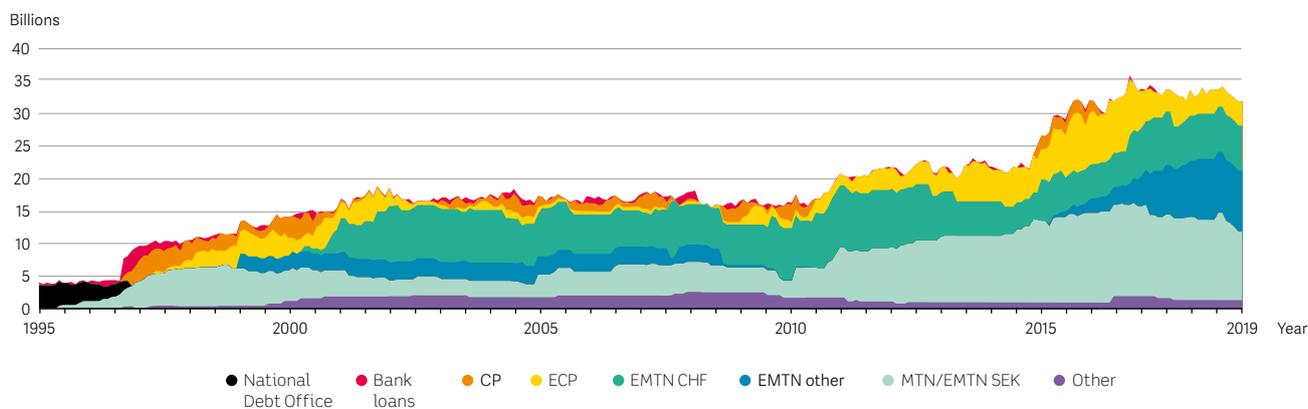
FIXED INTEREST PERIOD IN TOTAL PORTFOLIO



PERCENTAGE MATURING



FINANCING SOURCES



Property valuation

Akademiska Hus has a well-designed internal process for property valuation that is quality assured and follows good market practices in the property industry. External valuations and assessments of valuation parameters enhance the reliability of the process.

VALUATION METHODS

The fair value of Akademiska Hus' property portfolio is assessed quarterly using the cash flow method and/or the sales comparison approach. Under the cash flow method, a property is valued based on the sum of forecasted net operating income during a set period, as well as the residual value of the property after the end of the calculation period. Forecasted net operating income and residual value are restated to reflect the value at the beginning of the calculation period, that is, the present point in time. The factor used to restate cash flows is called the cost of capital and is determined based on estimated yield requirement and expected inflation. The yield requirement is a key measure of risk in the property industry and reflects the return an investor would demand for a property on an open and transparent transaction market at a specific point in time. Valuation with the sales comparison approach uses key figures from known transactions where comparable properties have been sold.

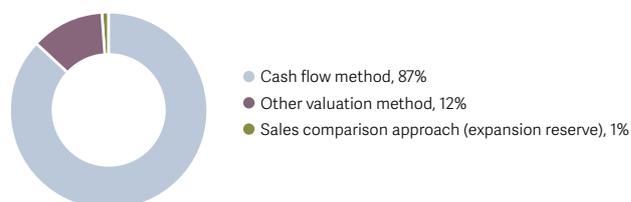
Akademiska Hus' valuation process complies with good market practice in the property industry and the cash flows and yield targets that are used are justified based on both property-specific and industry-specific conditions. Rental revenue is calculated based on current leases and an assessment of market rent level is made after the term of the lease has expired. Operating costs are estimated based on the normalised historical outcome of each property, while maintenance costs and property administration costs are assessed based on actual costs and key figures for the industry. Each year Akademiska Hus allows the yield requirement, cost of capital and other valuation conditions to be verified by external independent valuation agencies.

At the end of the year the fair value of Akademiska Hus' property portfolio was SEK 91 billion. About SEK 79 billion or 87 per cent of the value was assessed through a ten-year cash flow model where yield requirements and cost of capital are determined based on 156 different risk classes based on location, remaining lease term and type of premise. For approximately SEK 11 billion or 12 per cent of the property holdings, primarily new construction and properties under construction, the calculation period and yield requirement have been permitted to vary on an individual basis to reflect specific conditions. Expansion reserves (building rights and raw land) comprise of approximately SEK 1 billion or 1 per cent of the portfolio and are

valued according to the sales comparison approach based on external valuations from qualified valuation professionals.

To verify the internal valuation, about 25–30 per cent of the property holdings are also valued each year by external valuation professionals. During the year, properties with a combined value of about SEK 28 billion, corresponding to about 30 per cent of Akademiska Hus' total fair value as at 31 Dec. 2019, were valued by external professionals. The valuations were carried out by Svefa AB, who is authorised by the Swedish Society of Real Estate Economics. The external valuations confirm the reliability of our internal valuation model. All property valuation includes elements of assessment that have a certain degree of uncertainty. A normal uncertainty range in property valuation is +/- five to ten per cent, which for Akademiska Hus would be equivalent to approximately +/- SEK 4,570 million to SEK 9,140 million. Read Note 12 on page 84 for a more detailed description of Akademiska Hus' valuation process.

DISTRIBUTION VALUATION METHODS



RESIDUAL VALUE RISK

Akademiska Hus is active in the market for premises for higher education and research. The majority of our premises consist of offices and classrooms, which have a low degree of customisation. However, certain premises require a higher degree of customisation, such as laboratories and other technologically advanced premises. These spaces are often designed for a specific tenant, and may require significant investments to modernise or possibly to repurpose the premises in case a tenant chooses to leave after the end of the contract period. The residual value risk for customised properties is quantified through charges in estimated cash flow and direct yield requirements.

Long-term contracts with creditworthy tenants

The majority of Akademiska Hus' revenue, approximately 90 per cent, comes from colleges and universities. Since colleges and universities are essentially government agencies, this customer group has the highest credit rating.

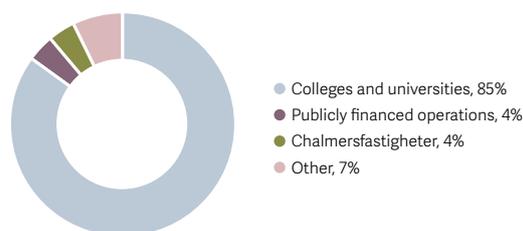
Long leases ensure that investments are repaid during the term of the lease. During the year the average lease term for new leases was 10.5 years (10.5). At year-end, the average remaining lease term for all properties was 6.5 years (6.5). Currently, government approval is required for a public university or college to sign a lease of ten years or longer.

high compared with the sector at large, since leases are usually signed before new projects can begin. We work proactively to facilitate new rentals and thereby minimise the financial vacancy rate, which may entail adaptations and investments in existing premises.

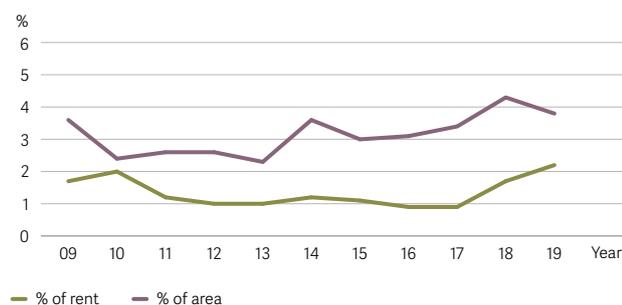
HIGH LEASING LEVEL

The rentable area of the property portfolio at year-end was 3.3 million square metres with a vacancy rate of 3.8 per cent (4.3), which corresponds with 125,000 square metres (144,000). The financial vacancy rate accounted for 2.2 per cent (1.7) of our total rental revenue. The increased financial vacancy rate is attributable to occupancy changes at Karolinska Institutet resulting from the completion of Biomedicum. The occupancy rate is

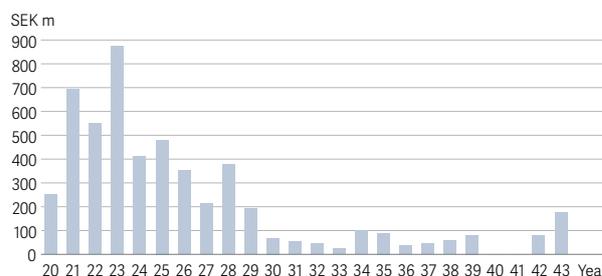
TENANT CATEGORIES



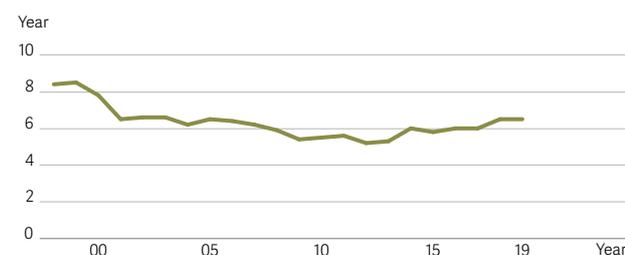
LEVEL OF VACANT SPACE



MATURITY STRUCTURE ON LEASES



AVERAGE REMAINING LEASE TERM



10 largest customers, annual rent, 2019	SEK m	%
Karolinska Institutet	724	12.2
Lund University	598	10.1
Uppsala University	537	9.0
Royal Institute of Technology	523	8.8
Stockholm University	521	8.8
University of Gothenburg	346	5.8
Swedish University of Agricultural Sciences	319	5.4
Linköping University	317	5.3
Umeå University	273	4.6
Chalmersfastigheter AB	187	3.1
Total	4,345	73.1

Risks and risk management

By being aware of our risks, we can prevent and manage them, which will contribute to long-term value creation in which both opportunities and risks are taken into account. Risk management is an integral component in our operations management, where we take a structured approach to identifying risks that can affect our ability to achieve our goals.

STRUCTURED RISK MANAGEMENT ON MULTIPLE LEVELS

Risk management occurs on several levels in the Company and involves employees from all units. Using the company's goals and strategy as a point of departure, Executive Management identifies risks on a company-wide level. The risks are assessed based on the probability that they will occur and the consequences they would have. Both of these parameters are then weighted together to achieve a risk level. The risks that are considered to be the most significant are taken into account in the business plan, which is adopted by the Board. Executive Management is responsible for identifying measures and ensuring that risks are managed.

On a unit level, analyses are carried out to identify risks that could significantly impact the ability of the unit to achieve its goals, after which they are assessed in a similar manner as company-wide risks. The outcome of the risk assessment is taken into account when formulating the operational plans. The operational plans describe measures each unit takes to manage significant risks. The head of each unit is responsible for ensuring that proposed measures are carried out.

Risk management at Akademiska Hus is coordinated and monitored by a risk management group that includes employees from several staff functions who report to the Vice President.

RISKS AND OPPORTUNITIES

With a well-balanced approach to risk management, we increase the opportunities for reaching our goals as well as the prospects for taking advantage of available business opportunities. Examples of areas that present opportunities, but are also associated with risks, are the rapid digitalisation and technological developments currently underway in society. These trends present great opportunities to streamline our property management and develop new services, but we also realise that they entail risks for us. To take advantage of the opportunities, we need to adopt the new technology and adapt our operations, which requires that we have the right skills. Such developments also entail an increased need for focused and effective information security procedures. The climate issue is another field that continues to be in focus and that promotes innovative development. Climate and environment-related risks have been identified relating both to how we are affected by climate change as a company, as well as regarding the environmental impact of our operations.

The risks identified by Executive Management as the most material risks (Material Company-wide risks), as well as a number of industry-specific risks and financial risks that we as property owners and borrowers in the financial market relate to (Industry-specific risks), are described in the following section.

Strategic risks

Strategic risks originate from factors in our environment that are wholly or partly outside our direct control and influence.

DESCRIPTION	ANALYSIS	MANAGEMENT
MATERIAL COMPANY-WIDE RISKS		
CLIMATE CHANGE Risk of negative impact on our properties and campuses due to changes in the climate	Climate change may result in property damage. Properties may need to be adapted, which could lead to an increased need for investments in both properties (existing as well as new construction) and surrounding land.	<ul style="list-style-type: none"> Continual updating of our internal specifications for construction to create reasonable redundancy for expected changes caused by the climate Annual risk analysis from an environmental perspective by property area All major investment matters (SEK >10 million) are assessed from a climate perspective
PACE OF DEVELOPMENT Risk that we are unable to meet customer expectations because we fail to adapt quickly enough to the new conditions associated with digitalisation	Digitalisation changes the conditions in our industry while offering new opportunities to streamline our operation and to develop our business model to create new values for our customers and owner. If we do not keep pace with the changing needs of our customers, or other players on the market, we risk losing our position in this segment.	<ul style="list-style-type: none"> Updated short-term strategy (2019–2021) Broad digital transformation of our existing operations (working methods, infrastructure, expertise and tools) Development of new business models based on sharing economy principles Transition to more dynamic and customer-centred working methods
CORRECT EXPERTISE Risk of inability to deliver on established strategies and goals due to a lack of the correct expertise in a changing world	In a rapidly changing world, with accelerating digitalisation and technology development, growing customer demands and the need for new knowledge, we must continually ensure that our employees have the right skills and expertise for their jobs. All employees need to enhance their skills to keep pace with these changes and growing demands. Moreover, there is strong competition for talent on the labour market in the industry and there is always a risk of losing skilled employees.	<ul style="list-style-type: none"> Conduct assignment appraisals to ensure that we have the correct expertise and to identify development needs Established education platform for internal education Targeted initiatives for different occupations such as certification of facilities engineers Dedicated initiatives to ensure that all employees are able to keep up with digital developments Proactive approach to a development-oriented culture
DEMAND FOR PREMISES Risk of impact on property values because of new methods of working and changing needs for premises	Initiatives to streamline premises together with higher education institutions and the development of new workplace concepts places demands on changing business models with flexible rental conditions and premise solutions. If the offering of premises does not evolve, there is a risk of vacancies and extensive investment needs, which would have a negative impact on cash flows and property values.	<ul style="list-style-type: none"> Designing flexible premises that can be adapted based on changing needs for premises or changing demand Develop business models to meet the demand for more flexible contractual terms Longer lease terms apply for customised premises Regular dialogue with customers Continual monitoring of demand, business models and the need for premises
INDUSTRY-SPECIFIC RISKS		
FAIR VALUE OF THE PROPERTIES Risk that our financial position is affected as a result of change in the fair value of the properties	The fair value of properties is based on both external and internal factors such as market trends, yield targets, cost of capital, vacant space and rent trends. For Akademiska Hus, changes in the fair value of the properties are rarely realised, for which reason the Company's liquidity usually is not affected. However, this can have an impact on reported profit, which can therefore show large variations between the years and also affect our financial position.	<ul style="list-style-type: none"> Business intelligence Regular analysis of the risk profile of the property portfolio Concentration of the property holdings to strategic cities provides good development potential A large share of the property portfolio is located in cohesive campuses Primarily long-term contracts
VACANT SPACE AND LOSS OF REVENUE Risk of negative impact on financial performance due to vacant space and/or reduced rental revenue	Akademiska Hus' main customers are colleges and universities, a customer group with high creditworthiness. The long-term development needs of the centres of education (see also the risk Demand for premises) and access to research grants, which can be affected by factors such as political decisions and economic cycles, can have an impact on both rental revenue and vacancy rate.	<ul style="list-style-type: none"> Design flexible premises that can be adapted based on changing needs Specially adapted buildings generally have long-term leases Leases are usually signed before new construction begins Regular dialogue with customers
OPERATION AND MAINTENANCE Risk of increased operating and maintenance costs that Akademiska Hus cannot compensate for through increased rent, index adjustment or further invoicing, as well as the risk of unforeseen repair and maintenance costs	Operating and maintenance costs are affected by factors such as electricity and water consumption, as well as price trends for goods and services. Unplanned maintenance or repair expenses can negatively impact financial performance and the fair value of properties.	<ul style="list-style-type: none"> Structured and focused work to increase energy efficiency in the properties Long-term maintenance plans aimed at optimising maintenance costs over time Structured energy optimisation in collaboration with our customers
POLITICAL DECISIONS Risk of changing conditions as a result of political decisions	Akademiska Hus' operations are affected by Government policies in general and education policy in particular. For example, a change in the education policy could affect the conditions for and focus of the operation.	<ul style="list-style-type: none"> Constant business intelligence and trend monitoring Continuous dialogue with owner and stakeholders

Operating risks

Operating risks are risks that arise in our day-to-day operations and that we can largely influence through our internal processes, working methods and corporate culture.

DESCRIPTION	ANALYSIS	MANAGEMENT
MATERIAL COMPANY-WIDE RISKS		
PROJECT MANAGEMENT Risk of expectation gap and lack of goal fulfilment, as well as negative consequences resulting from challenging and complex projects	Our investment projects are often complex, take place over a long time, include many parties and have many stakeholders. Formulation and adoption of guidance towards a shared vision are crucial for successful implementation. The complexity of project operations places high demands on ongoing development and adaptation of our project management to ensure that we deliver in line with expectations.	<ul style="list-style-type: none"> • A uniform and common building process • Encourage work on process at an early stage, including jointly embracing vision with customers • Gold level in the Miljöbyggnad standard for new construction as well as climate neutral construction process by 2045 • Project management training • Business advisory committee that follows development of projects • Continued development of customer dialogue • "Standard building" as vision for construction costs
DELIVERABLES TO CUSTOMER Risk that our delivery to the customer is not, or is perceived not to be, good enough due to lack of understanding of the customer's operations, as well as inadequate responsiveness to the customer's needs	In order to improve deliverables to the customer, we need to increase our responsiveness and strengthen our collaboration and dialogue with customers. We also need to develop our deliverables by leveraging the potential of new technology and digitalisation. The risk also includes our ability to coordinate our deliverables so that the customer experiences seamless delivery from Akademiska Hus. Success factors entail benefitting from the potential of digitalisation, cooperating internally and learning from one another.	<ul style="list-style-type: none"> • A customer-focused organisation • Strengthen strategic collaboration with core customers by entering into partnership agreements • Strengthened coordination of our collective deliverables to customer • Continued focus on improved communication to customer • Develop incident reporting procedures and the ability to work proactively by leveraging digital tools, thereby enhancing the customer experience • Process and development groups for spreading good working methods • Developed dialogue with the customer to explore how our deliverables are perceived and how they can be improved
INFORMATION SECURITY Risk that information is lost, winds up in the wrong hands, or is not available due to shortcomings in our information security	The importance of clear and developed structures and procedures for ensuring a good standard of information security increases in pace with digitalisation, a development that is complex and accelerating. Inadequate internal procedures or insufficient protection against, for example, external intrusions entail a risk of sensitive information being lost or falling into the wrong hands, which could have serious consequences and damage trust.	<ul style="list-style-type: none"> • Transparency and risk analysis of information security • Continued development of our system administration to ensure effective information security procedures • Prepare a training plan to increase and maintain skills and awareness throughout the organisation • Integrate information security more clearly as part of the relationship with external parties
UNETHICAL BEHAVIOUR – EXTERNAL PARTY Risk of financial consequences and reduced trust as a result of unethical behaviour among external parties with a link to Akademiska Hus	Improper or unethical behaviour such as substandard working conditions, corruption or negative environmental impact involving a supplier, subcontractor or other external party linked to Akademiska Hus could have a negative impact on us. This risk also includes the possibility that an external party could commit a crime against Akademiska Hus.	<ul style="list-style-type: none"> • Systematic supplier reviews • Ongoing work to strengthen control and transparency in the ordering process • Follow-up of contractual compliance • Code of Conduct for suppliers
INDUSTRY-SPECIFIC RISKS		
ENVIRONMENTAL IMPACT Risk of a negative impact on the environment as a result of our business of building and managing properties and developing campuses	Our operations affect the environment both locally and globally. Both construction and property management are associated with heavy consumption of resources such as materials and energy. In addition, new construction usually occupies undeveloped land and sometimes also has an impact on green areas.	<ul style="list-style-type: none"> • Identified how we as a company can contribute to the global sustainability goals in Agenda 2030 • The sustainability perspective is fully integrated into our overarching goals • Climate neutrality targets established for the operation • Strong focus on sustainability when developing campuses • All new construction will certify according to gold rating in the Miljöbyggnad certification system and all major renovation projects according to silver rating. New construction and major renovation projects of student housing should fulfill the criteria for silver rating in the Miljöbyggnad certification system at a minimum and formal certification is encouraged. • Materials used in our projects are assessed with regard to their impact on the environment through the Byggsvarubedömningen (BVB) scheme • We are environmentally certified to ISO 14001:15

Compliance risks

Compliance risks address how we, as a company and as individual employees, comply with laws as well as external and internal regulations.

DESCRIPTION	ANALYSIS	MANAGEMENT
MATERIAL COMPANY-WIDE RISKS		
UNETHICAL BEHAVIOUR – INTERNAL PARTY Risk of financial consequences and damaged trust as a result of employees who do not comply with applicable laws, as well as internal and external regulations	Unethical behaviour can have major negative consequences for Akademiska Hus, both financially and in the form of damaged trust in relation to our owner, customers and other stakeholders. Theft, accepting bribes, or using a supplier's dependence on Akademiska Hus for private advantage are examples of unethical behaviours that are not permitted.	<ul style="list-style-type: none"> • Ethics Council • Code of Conduct • Guidelines for business ethics • Online training linked to the internal training platform • Clear information on current regulations as part of the new employee introduction process • Continual work on values and corporate culture • Whistle-blower system

Financial risks

Financial risks are primarily the specific risks that can be derived from our financing activities. The Board of Directors determines our approach to financial risks and mandate for their management through the financing policy and the financial risk management plan.

DESCRIPTION	ANALYSIS	MANAGEMENT
INTEREST RISK Risk that profit will vary because of changes in market rates	In our capacity as a borrower, fluctuations in market interest rates can have a substantial impact on financial performance. The additional cost associated with long-term fixed interest period needs to be balanced against the increased uncertainty associated with a short-term fixed interest period.	<ul style="list-style-type: none"> • Interest risk is managed through the mandate for the fixed interest period and comprises three parts: <ul style="list-style-type: none"> – The long-term portfolio may not exceed 20 per cent of the total portfolio – The index-linked bond portfolio may not exceed 5 per cent of the total portfolio – The average fixed interest period of the basic portfolio shall be in the range of 3–6 years
REFINANCING RISK Risk that it will be more difficult or more expensive to obtain financing, for example as a result of changed conditions in the financial market	In our capacity as a borrower, it is crucial to ensure access to the financing market. In a situation where financial markets are not in balance and functionality is inadequate, financing can be more difficult and considerably more costly. When deciding on financing, the additional cost of long-term maturity needs to be balanced against the increased uncertainty associated with short-term fixed maturity.	<ul style="list-style-type: none"> • Refinancing risk is managed through a mandate for maturity, expressed as the proportion of loans maturing within each twelve-month period may not exceed 40 per cent of the total portfolio • Aim for cost-effective and well-balanced diversification of the debt portfolio
COUNTERPARTY RISK The risk of financial consequences associated with failure of a counterparty to meet its undertakings	Akademiska Hus' exposure to counterparty risk arises from investment of excess liquidity and from derivative transactions when surplus/deficit values arise.	<ul style="list-style-type: none"> • Exposure to counterparty risk is managed by imposing a limit based on ownership circumstances, ratings and the term of the commitment. • In derivative transactions, supplementary agreements to ISDA (International Swaps and Derivatives Association) agreements, known as CSA (Credit Support Annex) agreements, are required, thereby substantially reducing exposure
FOREIGN CURRENCY RISK Risk that financial performance will vary as a result of exchange rate changes	Akademiska Hus' financing is denominated in part in foreign currency, for which reason exposure to foreign currency risk arises.	<ul style="list-style-type: none"> • When financing in a foreign currency, foreign currency risk must be eliminated. Exchange rate hedging is carried out using forward rate or cross currency interest rate derivative agreements

Sensitivity analysis, see page 68, Note 3 on page 79 and Note 12 on page 86.

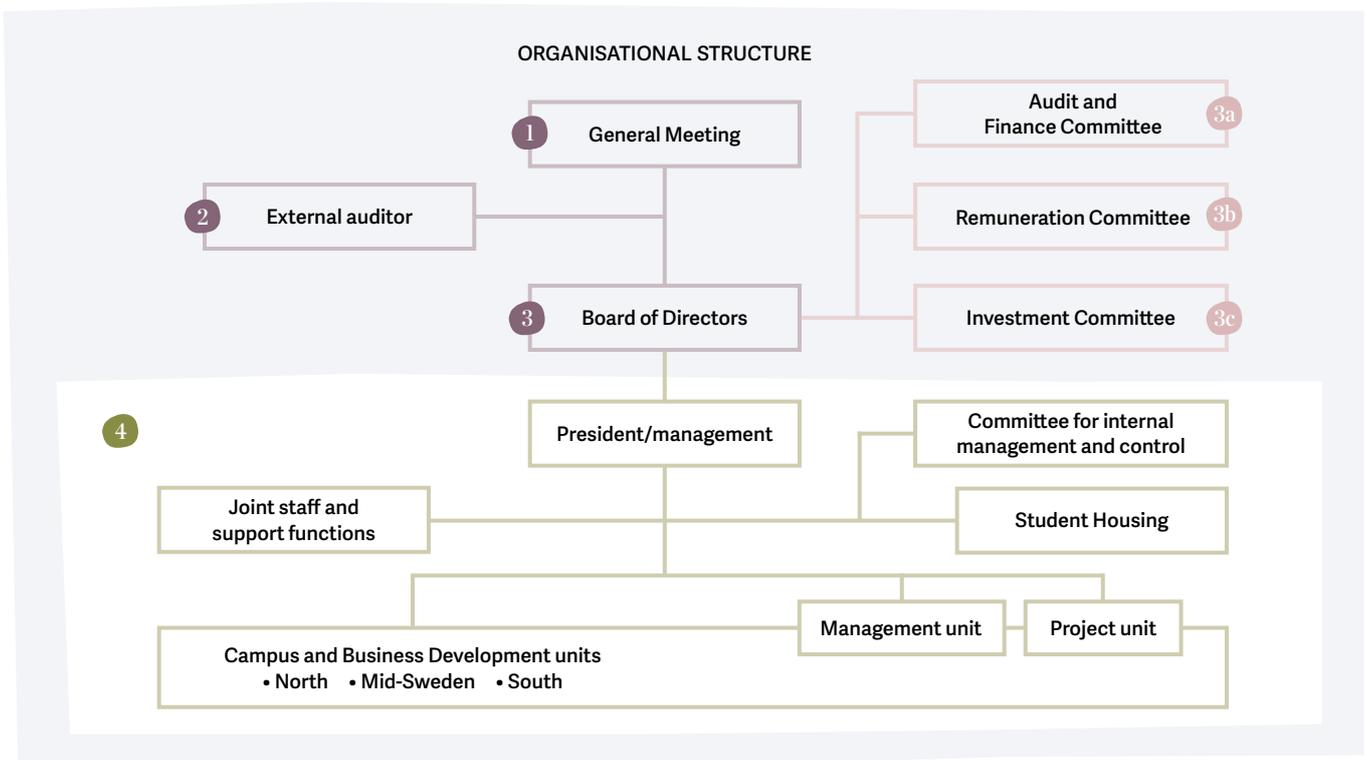
Corporate Governance Report

This corporate governance report describes the structure and principles for governance of operations at Akademiska Hus to achieve the vision of strengthening Sweden as a nation of knowledge. With a well-supported strategy and clear allocation of responsibility between different Company bodies, the operation is efficiently governed to guide us towards our goals.

FOUNDATIONS OF CORPORATE GOVERNANCE AT AKADEMISKA HUS

Akademiska Hus AB (publ) is a property company that is wholly owned by the Swedish state. Its administration is handled by the Ministry of Enterprise and Innovation on behalf of the Ministry of Education and Research, which is the principal. The Company bases its corporate governance on the application

of Swedish law, the State's ownership policy and guidelines for companies with state ownership 2017, the Swedish Code of Corporate Governance (the Code) and the Articles of Association. Because the Company is wholly owned by the Swedish state, certain provisions of the Code do not apply, as it is primarily written for businesses with diversified ownership. Deviations from the Code are described on page 57.



AKADEMISKA HUS' MISSION ACCORDING TO THE ARTICLES OF ASSOCIATION

The object of the Company's operations is to own, develop and manage properties for colleges and universities, where the primary focus is on education and research, as well as activities compatible therewith. Operations will be run on a commercial

basis and generate a yield that is in line with the market by setting rents that take into account the operating risk. Akademiska Hus will work to assure the long-term, sustainable development of university and college campuses.

1 GENERAL MEETING

The General Meeting is the highest decision-making body at Akademiska Hus. The shareholder exercises influence at the General Meeting. In addition, the General Meeting appoints the Board of Directors and auditor. According to the State's ownership policy, the Annual General Meeting must be held before 30 April each year. Notice of General Meetings shall be published no earlier than six weeks and no later than four weeks prior to the Meeting in post and domestic newspapers, as well as on the Company's website. Members of the Parliament and the public have the right to participate and must register their participation as described in the notice.

Annual General Meeting 2019

The Annual General Meeting was held on 29 April 2019. The meeting was opened by Chair person of the Board Anitra Steen, who was also appointed to chair the proceedings. The owner was represented by Christine Leandersson, Ministry of Enterprise and Innovation.

Decisions at the 2019 Annual General Meeting

The Annual General Meeting adopted the income statement and balance sheet for the 2018 financial year and discharged the Board of Directors and the President from liability for the year. The AGM approved the Board's proposal for profit distribution, which entails a dividend of SEK 1,663 million to the owner. Other matters addressed included resolutions about Akademiska Hus' economic targets, adoption of the principles for remuneration and other terms of employment for senior executives, resolutions on fees to the Board of Directors and committees, as well as election of the Chair of the Board and Board members, as well as the auditor. The minutes and other documents related to the AGM are posted on the Akademiska Hus website akademiskahus.se.

Annual General Meeting 2020

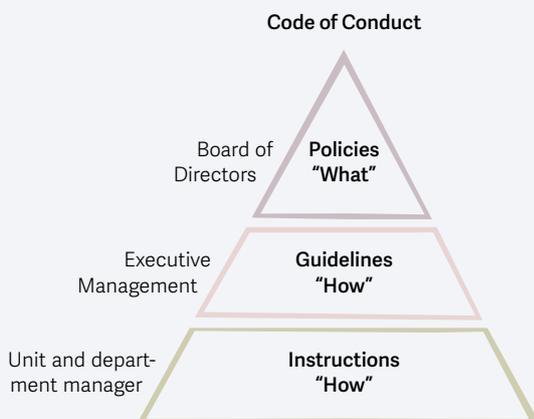
The next Annual General Meeting will be held on 28 April 2020 in Stockholm.

2 AUDITORS

The 2019 AGM resolved to elect Öhrlings Pricewaterhouse Coopers AB (PwC) to serve as auditors for a one-year period until the 2020 AGM with Helena Ehrenborg as lead auditor. The auditors perform a limited review of the interim report as at 30 September and audit the annual and consolidated accounts. They also conduct a management audit, as well as a limited review of the sustainability report. In addition, the auditors express their opinions of this corporate governance report and whether Akademiska Hus complies with the Government Guidelines for terms of employment for senior executives, and submit their statements to the meeting. Every year the auditors review their audit plan and risk assessment with the Audit and Finance Committee. The auditors participate in at least two committee meetings per year. Each year the auditors attend at least one meeting with the Board of Directors that is not attended by the President.

Akademiska Hus has no internal audit function. Instead, the management allocated dedicated resources tasked with developing and strengthening the area of internal management and control within Akademiska Hus where the Audit and Finance Committee receives regular feedback on the work. The Board of Directors believes that the best way to improve internal management and control is a long-term focused initiative in this area. Consequently, the Board's continued assessment is that no internal audit function is needed. The decision is addressed annually to be considered once again.

GOVERNANCE STRUCTURE



Examples of external governing regulations:

- Companies Act
- Accounting Act
- Annual Accounts Act
- The State's ownership policy and guidelines for companies with state ownership 2017
- Swedish Code of Corporate Governance
- IFRS
- Code about gifts, rewards and other benefits in business
- UN Global Compact principles
- Global Reporting Initiatives (GRI) guidelines Standards
- Stock market rules

Examples of internal governing regulations:

- Rules of Procedure for the Board of Directors and committees
- Instructions to the President
- Code of Conduct
- Allocation of responsibility and authority
- Financing policy
- Sustainability policy
- Procurement policy
- Investment policy
- Policy for personal data processing
- Business ethics guidelines
- Equality and Diversity Plan

3 BOARD OF DIRECTORS

The Board of Directors is responsible for the organisation and for management of the affairs of the company. The Board of Directors convenes the Annual General Meeting. The work is based on the Rules of Procedure adopted annually by the Board of Directors, which determines the allocation of work among the directors, the number of regular Board meetings, matters to be addressed at regular Board meetings and the responsibilities of the Chairman of the Board. The division of responsibilities between the Board and the CEO is regulated by special instructions to the President. In addition, the Rules of Procedure are adopted annually for each of the Board's committees. The Board has also adopted the "Instructions for financial reporting" to regulate financial reporting procedures to the Board.

Nomination process

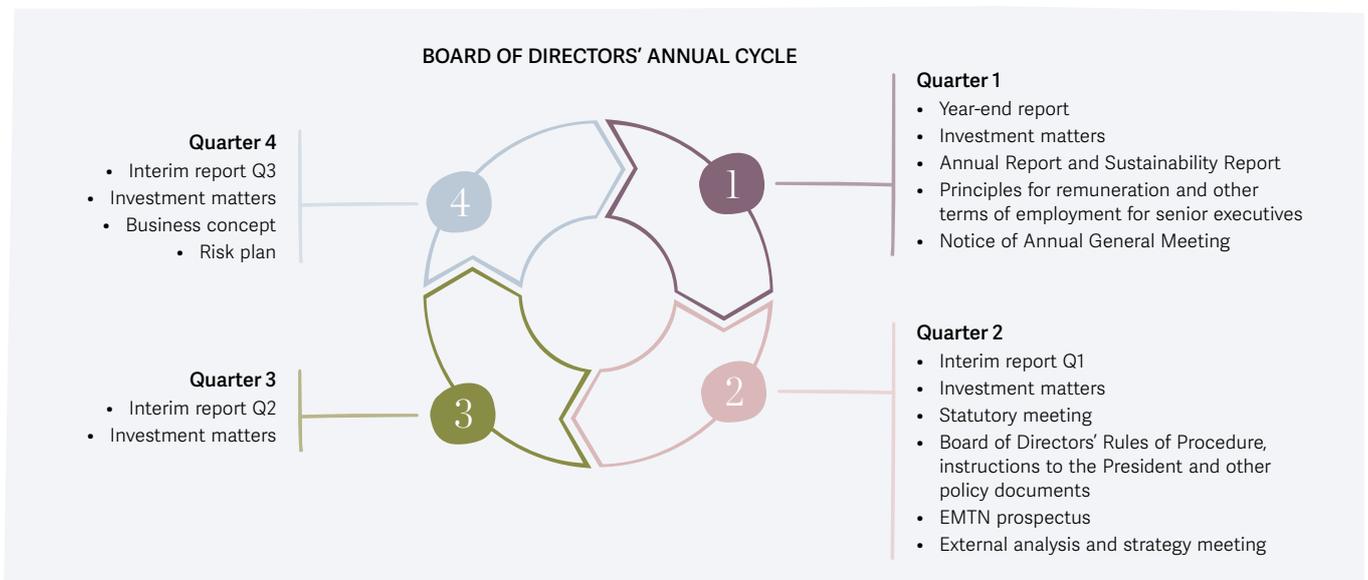
Directors of state-owned enterprises are appointed through a structured nomination process with common uniform principles as outlined in the State ownership policy and guidelines for companies with state ownership 2017. These principles replace the rules in the Code for preparation of decisions for nomination of Directors and auditors. The Board nomination process is co-ordinated by the state ownership unit at the Ministry of Enterprise and Innovation. A consistent and structured approach ensures a high standard of quality throughout the nomination process. The need for skills is analysed based on the company's operations, situation and future challenges, the composition of the Board and assessments of the Board. The owner's expectation for diversity on the Boards of Directors under the ownership policy is also observed. Upon completion of the process nominations are announced in accordance with the Code.

Composition of the Board of Directors

According to the Articles of Association, the Board of Directors for Akademiska Hus shall consist of a minimum of three and a maximum of ten Directors elected by the Annual General Meeting, with no deputies. Until the 2019 AGM, the Board consisted of seven Directors elected by the AGM. The Annual General Meeting on 29 April 2019 resolved that the Board should have seven members elected by the AGM. In addition, the Board includes two employee representatives designated by their respective trade unions. Seven Directors were re-elected at the AGM. The AGM concluded that the Board has the relevant skills and background to manage the Company and that the Board as a whole has experience of areas that are important for the Company such as corporate governance, management, the real estate industry, universities and higher education, change and development initiatives, as well as financial expertise.

Work of the Board of Directors in 2019

In its Rules of Procedure the Board set a schedule for information and decisions during its work year that essentially follows the Board's annual cycle (see below). At all Board meetings during the year the President presents a report on significant events involving the Company and the respective committee chairs present reports from the committee meetings that were held between Board meetings. During the year the Board focused in particular on issues concerning innovation, digitalisation, risk and internal control, information security and climate targets. In addition, a number of investment matters were addressed. In 2019, ten regular Board meetings were held, including the statutory meeting. To inform and update members about its activities, some Board meetings are held at the centres of education that are Akademiska Hus customers and combined wherever possible with meetings with the leadership of these institutions. The attendance by the members of the Board of Directors is presented in the tables on the next page.



Board of Directors	Presence/ Total number of meetings
Anitra Steen, chair person	10/10
Anders Larsson	7/10
Anna Magnusson	9/10
Britta Burreau	10/10
Christer Nerlich	10/10
Ingemar Ziegler	9/10
Peter Gudmundson	10/10
Thomas Jennlinger	10/10
Örjan Wikforss	10/10

Board committees

The Board has established three committees to specifically monitor and prepare Board issues within their respective focus areas. Committee members are elected at the statutory Board meeting held immediately after the AGM. Representatives of the business such as the President, CFO, Human Resources Director, Market Area Director and Project Manager may participate at committee meetings in the capacity of presenters.

- 3a The primary duties of the Audit and Finance Committee are as follows:
- Support and follow up financing activities.
 - Prepare matters to be decided by the Board, including Financing Policy and a risk plan.
 - Monitor the Company's financial reporting and ensuring that it maintains a high standard of quality.
 - Regarding the financial statements, monitor the efficiency of the Company's internal control systems and risk management.
 - Meet regularly with the Company's auditors to learn about the scope, focus and results of the audit.
 - Remain informed about the audit of the annual accounts and the consolidated accounts.
 - Establish guidelines for non-audit services that may be procured from the Company's auditors.
 - Prepare proposals for the election of auditors at the Annual General Meeting.

In 2019 the focus continued to be on internal control, where the committee particularly monitored developments in the risk management process. Moreover, the committee discussed relevant accounting regulations. The attendance at the meetings by the members of the Board of Directors is presented in the table below.

Audit and Finance Committee	Presence/ Total number of meetings
Christer Nerlich, chair person	7/7
Britta Burreau	7/7
Peter Gudmundson	7/7

- 3b The primary duties of the Remuneration Committee are as follows:
- Prepare decisions regarding terms and conditions for salaries and employment for the President and senior executives.
 - Formulate proposals for guidelines for remuneration and other terms of employment for the President and other senior executives.
 - Monitor and evaluate the application of the guidelines for remuneration to senior executives prior to adoption by the AGM.
 - Serve as advisory body to the President regarding succession planning and appointment of senior executives.
 - Propose appropriate employment contract templates for senior executives to the Board of Directors.

In 2019 the Remuneration Committee also followed up on HR activities. The attendance at the meetings by the members of the Board of Directors is presented in the table below.

Remuneration Committee	Presence/ Total number of meetings
Anitra Steen, chair person	3/3
Anna Magnusson	3/3
Ingemar Ziegler	3/3

- 3c The primary duties of the Investment Committee are as follows:
- Prepare and analyse proposals for major investments.
 - Monitor and analyse the Company's reporting of major projects in progress.
 - Assist Executive Management with formulation of an investment strategy.

In 2019, the Committee continued to work on developing and improving the investment process. The attendance at the meetings by the members of the Board of Directors is presented in the table below.

Investment Committee	Presence/ Total number of meetings
Anitra Steen, chair person	8/8
Ingemar Ziegler	8/8
Örjan Wikforss	8/8

Evaluation of the work of the Board and the President

The Board of Directors conducts an annual evaluation of the work of the Board and the President. The evaluation takes place either internally or externally with the aim of developing the working forms and efficiency of the Board of Directors. The results of the evaluation are presented to both the Chair person and the Board of Directors as a whole. The owner, through the Government Offices, is also informed about the results of the

evaluation. The work of the Government Offices related to the Board nomination process also includes an ongoing evaluation of the boards of all state-owned companies, which includes their work, the composition of the Board and their skills.

4 THE COMPANY'S ORGANISATION

President and Executive Management

The President, or the Vice President acting on behalf of the President, is responsible for ongoing management in compliance with applicable laws and regulations and in accordance with the instructions for the President approved by the Board. Executive Management consists of eleven members including the President. Executive Management is a forum for information and decisions regarding joint strategic Company matters and often serves as the steering committee for strategically important projects. In addition to the President, the Executive Management team comprises the Chief Financial Officer, Project Director, three Market Area Directors, Administrative Manager, Corporate Communications Officer, Head of Innovation and Sustainable Development, the Human Resources Director and the General Counsel, all of whom report directly to the President. The Company's General Counsel serves as secretary for the Executive Management team. Executive Management has an even distribution between the number of men and women.

Operational units

The Company's main processes are conducted within four operational units. The Management unit is responsible for management deliverables with a focus on customer benefit, ensures sustainable and efficient operation, and pursues energy efficiency improvements and digitalisation of the property management organisation. The Project unit is responsible for efficient project deliverables with a focus on customer benefit, ensuring high standards for sourcing and project leadership skills, while creating conditions for efficient and sustainable management. The Campus and Business Development unit is divided into three geographic areas: North, Mid-Sweden and South. The unit's primary areas of responsibility include strategic customer relationships, development of knowledge and learning environments of the future, strategic campus and property development, and overarching responsibility for in-

vestments. Student housing, which in 2018 became an independent unit, is responsible for developing campus-based undergraduate and graduate student housing. The organisation focuses on the management business, creates conditions to achieve our strategic goals and makes it possible to adapt the company faster and more efficiently to external changes.

Joint staff and support functions

A number of staff and support functions with a variety of areas of expertise provide support to management and the business in its day-to-day work. Organisationally, HR falls under the President, including common service, innovation and sustainable development, communication and legal affairs, including purchasing. Business, finance, IT, analysis and valuation, risk control, controlling and risk management are subordinate to the Chief Financial Officer, who in turn is subordinate to the President.

Committee for internal management and control

In 2019 a committee for internal management and control was created. The committee serves as support for the President to develop work with governance, risk management and internal control. The committee consists of the President, the Chief Financial Officer, General Counsel and process developers for internal management and control. Developments take place in close collaboration with the Audit and Finance Committee.

SUSTAINABLE GOVERNANCE OF AKADEMISKA HUS

The Board of Directors is responsible, based on instructions provided by the owner, for adopting a strategy and objectives for the company. A detailed structure provides support for how Akademiska Hus should be managed, with sustainability as a key component.

The strategy and operational planning process is carried out annually, beginning with strategy days held for the Board and management. The sustainability perspective has been fully integrated into the adopted strategy in a sustainable objective. This approach includes the global objectives for sustainable development, which is in line with owner expectations. In addition to the strategy, individual climate targets have been defined.

The business plan and associated scorecard are formulated



based on the adopted strategy. The Company-wide business plan is based on operational plans and budgets for operational units, as well as joint staff and support functions. The plan and scorecard specify activities to be implemented to achieve both strategic goals and climate targets, as well as key figures for measurement and follow-up purposes.

The adopted business plan is followed up on a regular basis through the President's quarterly reporting to the Board of Directors. In addition, quarterly feedback sessions are held at the unit level with the coordinators of the respective operational units and joint staff and support functions. The potential of each employee to both contribute and influence the work of achieving the common goals is clarified through the assignment appraisal, which is an advanced form of the performance review.

The Board of Directors is also ultimately responsible for ensuring that the Company is run in compliance with laws and regulations, as well as the guidelines provided by the owner. As part of this work, the Board adopts relevant policies and governing documents annually, see the chart presenting the governance structure on page 52. The strategy and operational planning process, along with the adopted governing documents, serve as the foundation for the overarching governance of the Company.

CODE OF CONDUCT, ETHICS COUNCIL AND WHISTLE-BLOWER SYSTEM

Akademiska Hus has a Code of Conduct that outlines the ethical business behaviour expected of its employees. A basic requirement is to act in compliance with the principles of the UN Global Compact, Agenda 2030, the UN Guiding Principles on Business and Human Rights, the ILO Core Conventions and the OECD Guidelines for Multinational Enterprises. For the Company's employees there are also business ethics guidelines based on the rules in the Code regarding gifts, rewards and other benefits in business. This provides guidance on how employees should behave and provides guidance in potentially difficult situations. An Ethics Council provides support to employees to which questions or suspected deviations from ethical guidelines or other irregularities can be reported.

A code of conduct is enclosed for suppliers as part of all tenders, which each tenderer must read, accept and ensure that subcontractors, if any, also comply with the code.

Akademiska Hus has also set up an independent system for whistle-blowing, to which both Akademiska Hus employees and external parties can anonymously report suspected irregularities. In 2019 the Company received no reports about corruption that led to a police complaint through the Ethics Council, whistle-blower system or directly from employees.

REMUNERATION

The AGM resolved on principles for remuneration and other terms and conditions of employment for executives. The principles are in line with the State's "Guidelines for terms and conditions of employment for senior executives in state-owned companies".

A fee is paid to the members of the Board of Directors according to a decision reached at the Annual General Meeting.

The members of the Board of Directors who are employed within Akademiska Hus and the Government Offices do not receive any fee for this work. See the table on page 83 for information about remuneration.

Payment to the President and other senior executives comprises a basic salary and a pension. Payment to the President is decided by the Board of Directors following a recommendation from the Remuneration Committee. Remuneration to other senior executives is decided by the President following consultation with the Remuneration Committee. Remuneration comprises a basic salary and a defined contribution pension based on the ITP premiums according to a collective agreement. No variable or bonus-based remuneration is paid. Salary surveys are conducted to make a comparison with other property companies. Guidelines for remuneration to the Board of Directors and senior executives for 2020 will be adapted to the update of the Swedish Code of Corporate Governance that applies from 1 January 2020.

For a detailed description of remuneration, pensions, periods of notice, severance pay and fees to auditors, see the administration report on page 60 and Notes 10 and 11.

INTERNAL CONTROL OF FINANCIAL REPORTING

The Board of Directors has overall responsibility for internal control of financial reporting, as regulated by the Swedish Companies Act and the Code. The following section has been prepared in accordance with the Annual Accounts Act and the Code and is thus limited to internal control of financial reporting, which aims to provide reasonable assurance regarding the reliability of external financial reporting in the form of interim reports and annual reports. Internal control at Akademiska Hus is based on the COSO Framework for Internal Control, which is an established framework.

In 2019, an internal review was also carried out with the aim of creating a picture of the current situation, both in terms of what works well and what can be strengthened; the results were provided to the Audit and Finance Committee.

Control environment

The basis for internal control comprises the control environment in the organisation and decision procedures, as well as roles and responsibilities. Each year the Board of Directors adopts a number of policy documents such as the Rules of Procedure for the Board of Directors and its committees, instructions to the President, allocation of responsibility and authority, instructions for financial reporting, plan for handling financial risks and policies. The control environment also encompasses the culture and the values based on which the Board of Directors and corporate management communicate and act, which is communicated in part via the Code of Conduct that is adopted annually by the Board of Directors.

The responsibility of the Board of Directors and the internal allocation of work within its committees are clarified in the Rules of Procedure. The Board of Directors has established an Audit and Finance Committee which has tasks that include

preparing the Board's work with quality assurance of the Company's financial reporting. The Chief Financial Officer is responsible for ensuring that internal accounting policies and guidelines for financial reporting are in place and formulated in compliance with current legal requirements, listing requirements and accounting standards.

Risk assessments

Akademiska Hus has an established process to identify, assess and manage risks where each risk has a risk owner. Risk management comprises an integral component of operations management, where risk analyses are conducted on both a Company-wide and unit level. The material risks that are identified are documented together with measures in business and operational plans to allow for follow up. For a more extensive description, see the risk section in the annual report on pages 47–50.

Risk assessments to identify and evaluate the processes where the greatest risk of errors that could have a material impact on financial reporting can be found, are carried out regularly. Risks relating to financial reporting are regularly discussed with the Company's external auditors, who also present their annual risk assessment to the Audit and Finance Committee, as well as the Board of Directors.

Control activities

The Company's internal processes and procedures provide support for ongoing risk management. Control activities aimed at preventing, discovering and managing the risk of significant errors that may arise in financial reporting comprise both general and detailed checks. Control activities take place at several different levels in the Company and include approval of transactions, authorisation of supplier invoices and payments, account reconciliations and analytical follow-up.

IT systems that are used for financial reporting include built-in automatic controls to ensure reliable financial reporting. There are also processes and control measures in the general IT environment regarding matters such as system permissions, system updates and backup procedures. As the digital transformation is implemented, functional IT processes and information security will become increasingly important.

Akademiska Hus works continually to improve processes linked to financial reporting. As part of developing and strengthening internal control, work is underway documenting and formalising controls within processes which, based on risk analysis, are considered to be significant for financial reporting.

Information and communication

Governing documents such as policies and guidelines are available for all employees on the Company's intranet. Internal information channels in general include information from regular meetings of Executive Management, leadership forums held four times a year, local information meetings for all employees and meetings in various forums for concerned specialist functions.

The Audit and Finance Committee and the Board receive financial information from Executive Management at each bal-

ance sheet date. In addition, the Audit and Finance Committee receives regular feedback regarding the initiatives conducted with the aim of strengthening and developing internal management and control within Akademiska Hus as a whole. The Audit and Finance Committee also receives regular feedback from the external auditors and is thereby kept up to date on current observations related to internal management and control.

External reporting complies with the State's ownership policy guidelines. Financial information in the form of the annual report and year-end report is available on the Akademiska Hus website www.akademiskahus.se.

Follow-up and evaluation

Internal control of financial reporting is monitored and evaluated continuously by the Board of Directors, President, Executive Management and the accounting and finance departments to ensure that procedures are appropriate and efficient. Improvement and development opportunities are identified in this process.

On each balance sheet date, the President and Chief Financial Officer review the financials with the individual responsible for each operational unit to monitor and discuss the financial performance and important business-related matters. The overall financial results of the staff and support functions are also monitored.

Each quarter the Board receives financial information and an analysis, as well as a report from the most recent meetings of the different committees. The Audit and Finance Committee has a specific responsibility to follow up audit matters and more extensive matters of principle with regard to financial reporting where issues concerning property valuation and the liability portfolio are particularly important.

Moreover, the Company's external auditors assess the internal controls as part of the annual audit, after which recommendations are provided. Akademiska Hus includes these recommendations in the ongoing work of developing and strengthening internal control. In addition, separate assessments of the special focus areas are carried out as needed, which has occurred in 2019.

Deviations from the code Nomination Committee (Code rules 1.3–1.4, 2.1–2.7, 4.6, 8.1 and 10.2)

The Code has mainly been prepared for companies with a spread of ownership. At such companies, the election committee is in the first instance a body for shareholders to prepare decisions regarding appointments. For state-owned companies, the rules regarding an election committee are replaced by principles governing a structured nomination process according to the Government's ownership policy.

Reporting of the independence of board members (Code rule 4.5)

The purpose of this code rule is to protect minority shareholders in limited liability companies, which is not applicable to wholly state-owned companies.

Board of Directors



ANITRA STEEN

Chair person since 2016. Chair person of the Remuneration Committee and Investment Committee.
Year of birth: 1949

Other positions: Chair person AFA Försäkring och Teracom Group AB. Board member of Attendo AB, Oral Care AB, Baven AB and Pressens Opinionsnämnd.

Previous positions: Under-secretary at the Ministry of Finance, State Secretary at the Ministry of Education and Ministry of Finance, Director General of the National Agency for Higher Education Services and the National Tax Board, as well as CEO of Systembolaget AB. Chair person of Stockholm University and Board member of SAS, Södersjukhuset hospital, Lantmännen, PostNord and others.

Education: BA.



BRITTA BURREAU

Member since 2014.

Year of birth: 1964

Position: CEO of KPA AB and KPA Pensionsförsäkring AB.

Other positions: Chair person for the Scouts. Director, Group management at Folksam. Chairman of the Board for KPA Pensionsservice AB.

Previous positions: CEO of Nordea Liv and Senior Manager at Accenture. Board member Nordea Liv Group, Board member Svensk Försäkring.

Education: M.Sc. Eng and Executive MBA in Finance.



PETER GUDMUNDSON

Board member elected in 2017.

Year of birth: 1955

Position: Professor, Royal Institute of Technology.

Other positions: Member of the board of Royal Swedish Academy of Engineering Sciences.

Previous positions: Vice-Chancellor Royal Institute of Technology, Vice Dean Royal Institute of Technology, Head of Department Royal Institute of Technology, CEO SICOMP, consultant Tre Konsulter AB, and researcher Brown Boveri Research Centre in Switzerland.

Education: PhD. and M.Sc. Eng.



ANNA MAGNUSSON

Board member elected in 2018.

Year of birth: 1977

Position: Assistant undersecretary Ministry of Enterprise and Innovation, Head of the unit for state-owned enterprises.

Previous positions: Assistant undersecretary Ministry of Finance, Expert Ministry of Finance, and Legal Counsel Sveaskog Förvaltnings AB.

Education: LL.M. BA.



CHRISTER NERLICH

Board member elected in 2017.

Chairman of the Audit and Finance Committee

Year of birth: 1961

Position: Chief Financial Officer of Vasakronan.

Previous positions: Chief Financial Officer of AP Fastigheter and Corporate finance NewSec.

Education: MBA.



ÖRJAN WIKFORSS

Board member elected in 2017.

Year of birth: 1950

Position: CEO of Arkitekturanalys AB.

Other positions: Vice Chairman of the Board of Directors of the Royal Swedish Opera, Board member of Tengbomgruppen AB and member of the Royal Swedish Academy of Engineering Sciences.

Previous positions: Professor in project communication, Royal Institute of Technology. CEO of FFNS Arkitekter and Wikforss Arkitektkontor.

Education: Architect, PhD. and professor.



INGEMAR ZIEGLER

Member since 2007.

Year of birth: 1947

Position: CEO IZAB.

Previous positions: CEO of AB Storstockholms Lokaltrafik, Locum AB, Diösförvaltning, Stockholms Mark- och Lokaliseringsbolag.

Finance Secretary of the City of Stockholm.

Education: BA.



THOMAS JENNINGER

Employee representative (Ledarna union) since 2008.

Year of birth: 1956

Position: Operating manager Akademiska Hus.

Education: Operating manager.



ANDERS LARSSON

Employee representative (SEKO union) since 2009.

Year of birth: 1963

Position: Operating engineer at Akademiska Hus.

Education: Production engineering studies.

AUDITORS

Helena Ehrenborg, Öhrings PricewaterhouseCoopers AB (PwC). Lead auditor since 2018.

Authorised public accountant. **Year of birth:** 1965 **Education:** MBA. **Other audit assignments, selection:** Vasakronan AB, Jernhusen AB, HSB Riksförbund, Pandox AB and Atrium Ljungberg.

Executive Management



KERSTIN LINDBERG GÖRANSSON

President. Employed 2011.

Year of birth: 1956

Other positions: Board member of Sveaskog, Hemnet Group AB and Vice Chair person Win Win Gothenburg Sustainability Award.

Previous positions: Airport Director of Stockholm-Arlanda Airport, CFO and Vice President of the Scandic Group.

Education: MBA.



CATARINA FRITZ

Chief Financial Officer and Vice President. Employed 2016.

Year of birth: 1963

Other positions: Board member of Green Cargo.

Previous positions: CFO at Keolis Sverige, Frösunda LSS, Addici, Aditro Group and the Stockholm Stock Exchange. CFO Investor.

Education: MBA.



JONAS BJUGGREN

Administrative Manager. Employed 2017.

Year of birth: 1974

Other positions: Board member of Kungsleden AB. **Previous positions:** Regional Manager Vasakronan, Market Area Manager and Business Unit Manager at AP Fastigheter and Project Manager at Skanska and Sweco.

Education: M.Sc. Eng.



PETER BOHMAN

Market Area Director. Employed 2013.

Year of birth: 1972

Other positions: Board member of Luleå Science Park AB, SLU Holding and Realus AB.

Previous positions: Terminal Manager and on-call Airport Director at Stockholm-Arlanda Airport. Various management positions at Swedavia.

Education: MBA.



ÅSA HENNINGE

Market Area Director. Employed 2019.

Year of birth: 1971

Previous positions: CEO Wästbygg Projektutveckling, Head Analyst Svefa, project manager Skanska Nya Hem and head of marketing Lundbergs.

Education: M.Sc. Eng.



ULF DÄVERSJÖ

Head of Innovation and Sustainable Development. Employed 2014.

Year of birth: 1979

Other positions: Board member of Accessy AB.

Previous positions: Purchasing Director Akademiska Hus, Management Consultant Caggemini Consulting, and Global Purchaser Arla Foods.

Education: MBA.



HAYAR GOHARY

Project Director. Employed 2007.

Year of birth: 1975

Other positions: Chair person Håll nollan.

Previous positions: Project manager for Vallentuna Municipality. Project manager for Akademiska Hus.

Education: M.Sc. Eng.



MAGNUS HUSS

Market Area Director. Employed 1993.

Year of birth: 1967

Other positions: Board member of Byggherrarna.

Previous positions: Project Manager, Head of Property Management and Property Manager for Akademiska Hus. Engineer at the National Board of Public Buildings.

Education: Engineering degree, technical college.



MARIE HALLANDER LARSSON

Human Resources Director. Employed 2017.

Year of birth: 1961

Other positions: Brunmåla Hästklinik AB.

Previous positions: Human Resources Director for Försäkringskassan, Swedbank AB, Posten AB, Scandic Hotels AB and Wedins AB.

Education: B.A.



CAROLIN ÅBERG SJÖQVIST

General Counsel. Employed 2004.

Year of birth: 1968

Previous positions: Lawyer, Advokatfirman Glimstedt and Associate Judge of Appeal, Court of Appeal for Western Sweden.

Education: LL.M.



CECILIA WIDE

Corporate Communications Officer. Employed 2012.

Year of birth: 1969

Previous positions: Head of Corporate Communications at SP Sveriges Tekniska Forskningsinstitut AB.

Education: BA.

Other information

REMUNERATION TO SENIOR EXECUTIVES

Principles for remuneration to the Board of Directors and senior executives

Akademiska Hus follows the owner's guidelines governing terms and conditions of employment for senior executives. Payment to the President and other senior executives comprises a basic salary and a pension. Pension expenses refer to the cost charged to the profit for the year. Payment to the President is decided by the Board of Directors following a recommendation from the Remuneration Committee. Remuneration to other senior executives is decided by the President of the Parent Company following consultation with the Remuneration Committee. Remuneration comprises a basic salary and a defined contribution pension based on the ITP premiums according to a collective agreement. Guidelines for remuneration to the Board of Directors and senior executives for 2020 will be adapted to the update of the Swedish Code of Corporate Governance that applies from 1 January 2020.

A fee is paid to the members of the Board of Directors according to a decision reached at the Annual General Meeting. Board members who are employed in the Akademiska Hus Group, or who work at the Government Offices, do not receive any fee for this work.

Remuneration for committee work was set at the 2019 Annual General Meeting.

PENSIONS

Akademiska Hus has taken out an individual occupational pension solution for the President, Kerstin Lindberg Göransson, where the agreed retirement age is 65 years. Akademiska Hus allocates 30 per cent of Kerstin Lindberg Göransson's fixed monthly salary, which is paid into an occupational pension insurance plan according to a special agreement drawn up with a pension company. The pension package includes a sickness and early retirement pension, a retirement pension and optional survivor's pension and/or repayment cover. Other senior executives have similar defined contribution agreements with a maximum allocation of 30 per cent of their salary, or what is termed a high-income earner solution with an opt-out premium that is costneutral compared with traditional, collectively agreed ITP.

Periods of notice and severance pay

An agreement has been reached with the President, Kerstin Lindberg Göransson, regarding a mutual period of notice of six months. In the event of notice being given by the Company, severance pay is payable for a further eighteen months. The severance pay shall be considered to include payment for holidays and pension benefits. The severance pay is reduced by any

amount Kerstin Lindberg Göransson may receive from other employment or through other activities.

Other senior executives within the Group have an agreed mutual period of notice of six months. In the event of notice being given by the Company, severance pay is payable for a further 12 months. Salary payable or remuneration for work performed during the time severance pay is received shall be set off on a krona-by-krona basis. Other information about salaries and remuneration can be seen in Note 10 on pages 82–83.

PERMITS AND REPORTING REQUIREMENTS

A number of facilities within the Group require a permit or need to be reported to a supervisory authority in order to be used. These facilities have been reported and applications for permits (as required) were submitted to the supervisory authorities concerned and have been granted. The facilities in question are as follows: One facility for combustion technology research that requires a permit, and a number of facilities classified as subject to declaration with respect to energy production and sewer system.

SUSTAINABILITY REPORT

In accordance with Chapter 6, section 11 of the Swedish Annual Accounts Act, Akademiska Hus has chosen to prepare the statutory Sustainability Report as a separate report. The scope of the Sustainability Report, which also includes Akademiska Hus' sustainability report figures, is stated on page 111.

EVENTS AFTER THE YEAR-END

By the end of January the spread of Covid-19 accelerated globally. For this reason the Company's crisis management unit has been engaged. Continuous planning and evaluations are taking place in order to manage responses. At present, the assessment is that the financial implications of Covid-19 is limited due to the Company's operations.

FUTURE DEVELOPMENTS

Akademiska Hus has a project portfolio with approved and planned investments of SEK 13.4 billion. The property portfolio is expected to increase in value by approximately SEK 7.5 billion over the next three years. Net operating income will increase as new properties are completed and our streamlining initiatives make progress, at the same time that we leverage our economies of scale. A good cash flow limits our need for new financing to approximately SEK 2,5 billion for the upcoming three-year period. The forecast for the return on both equity and operating capital does not include future changes in value and is thus expected to increase during the period, as our large ongoing projects begin to generate returns.

Proposed allocation of unappropriated earnings

According to the owner's financial targets for Akademiska Hus, which were adopted at the Annual General Meeting on 29 April 2019, the 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. When deciding on a dividend, consideration should be given to the Group's capital structure and capital requirements. The other economic objectives are that the return on operating capital should be at least 6.0 per cent over a business cycle and the Group's equity ratio should be 35 to 45 per cent. Return on operating capital in 2019 was 10.3 per cent. At the end of 2019, the equity ratio was 45.7 per cent for the Group and 18.5 per cent for the Parent Company. After the proposed dividend, the equity ratio will be 44.7 per cent for the Group and 15.7 per cent for the Parent Company.

Available for allocation at the Annual General Meeting:

Retained earnings	SEK 744,112,503
Profit for the year	SEK 1,977,916,813
Total	SEK 2,722,029,316

The Board of Directors and the President propose that the profit be allocated in such a way that SEK 1,905,000,000 is paid to the shareholder and SEK 817,029,316 is carried forward. For details of the financial results and the financial position in general, reference can be made to the following financial statements. The Annual General Meeting will be held on 28 April 2020 in Stockholm.

STATEMENT BY THE BOARD OF DIRECTORS PURSUANT TO SECTION 18, SUB-SECTION 4 OF THE COMPANIES ACT

The Board of Directors is of the opinion that the Company's liquidity can be maintained securely. On observance of the relationship between the Company's assets, liabilities and equity, and with due consideration given to profit forecasts and investment requirements as of this date, we believe that the proposed dividend is justifiable in the light of the demands that the nature, extent and risk of operations make on the level of equity. The proposed dividend is thus acceptable in the light of the Company's consolidation requirements, liquidity and position in general.

The dividend does not affect the Company's capacity to discharge its short-term and long-term obligations or to implement necessary investments. It is also the opinion of the Board of Directors that the Company's financial position, in the light of the proposed dividend, is secure for the creditors. Nor can the Board of Directors identify any other circumstances that indicate that the dividend ought not to be paid in accordance with the proposal presented by the Board of Directors. The proposed value transfer can thus be justified in the light of what is stated in Section 17, sub-section 3, paragraphs 2–3 of the Companies Act.

PROFIT USED AS A BASIS FOR CALCULATION OF DIVIDEND, SEK M	Outcome consolidated results	Changes in value in the Group	Profit used for calculation of dividend
Income from property management	6,217		6,217
Property management expenses	-2,096		-2,096
NET OPERATING INCOME	4,121		4,121
Central administration costs	-70		-70
Interest income	43		43
Interest expense	-420		-420
Site leasehold fees	-84		-84
PROFIT BEFORE CHANGES IN VALUE AND TAXES	3,589		3,589
Changes in value, properties	3,872	-3,864	8
Changes in value, financial instruments	-503	165	-338
PROFIT BEFORE APPROPRIATIONS AND TAXES	6,957	-3,699	3,259
Tax/current tax	-1,300	762	-538
PROFIT AFTER TAX	5,658	-2,937	2,721
Dividend, 70% of the profit available for the payment of a dividend			1,905

The dividend as decided at the Annual General Meeting held on 29 April 2019 was SEK 1,663 million.

Income Statements

Amounts in KSEK 1,000	Note	Group		Parent Company	
		2019	2018	2019	2018
INCOME FROM PROPERTY MANAGEMENT					
Rental revenue	4	6,050,479	5,927,669	6,050,479	5,927,669
Other property management income	5	166,368	189,034	262,112	190,458
Total property management income		6,216,847	6,116,703	6,321,591	6,118,127
PROPERTY MANAGEMENT EXPENSES					
Operating costs		-891,203	-893,634	-886,942	-890,451
Maintenance costs		-618,912	-676,387	-618,912	-676,387
Property administration		-429,968	-372,395	-409,802	-364,869
Site leasehold fees	6	—	-84,382	-84,128	-84,382
Other property management expenses	6	-155,857	-151,754	-155,842	-165,575
Total property management expenses	7, 8	-2,095,939	-2,178,553	-2,155,626	-2,181,664
NET OPERATING INCOME		4,120,908	3,938,151	4,156,966	3,936,464
Central administration costs	7	-70,466	-78,069	-70,466	-78,069
Dividends from shares in subsidiaries		—	—	818,500	—
Interest income	9	43,361	32,057	43,361	32,057
Interest expense	9	-420,357	-299,929	-505,611	-391,861
Site leasehold fees	9	-84,128	—	—	—
Depreciation, impairment and reversed impairment in property management	8	—	—	-1,580,198	-1,315,493
PROFIT BEFORE CHANGES IN VALUE AND TAXES	10, 11, 30	3,589,317	3,592,206	2,862,551	2,183,097
Changes in value, properties	12	3,871,504	2,585,030	—	—
Changes in value, financial instruments	9	-503,467	-359,632	-503,467	-359,632
PROFIT BEFORE APPROPRIATIONS AND TAXES		6,957,354	5,817,604	2,359,084	1,823,465
Appropriations	14	—	—	-36,706	-137,557
PROFIT BEFORE TAX	15	6,957,354	5,817,604	2,322,378	1,685,908
Tax	16	-1,299,502	-503,659	-344,461	-191,615
PROFIT FOR THE YEAR	17	5,657,852	5,313,945	1,977,917	1,494,292
Of which attributable to the shareholder in the Parent Company		5,657,852	5,313,945	—	—

Statement of profit and loss and other comprehensive income

Amounts in KSEK 1,000	Note	Group		Parent Company	
		2019	2018	2019	2018
PROFIT FOR THE YEAR		5,657,852	5,313,945	1,977,917	1,494,292
ITEMS THAT HAVE BEEN RECLASSIFIED OR CAN BE RECLASSIFIED TO PROFIT FOR THE YEAR					
Profit and loss from cash flow hedges		—	—	—	—
Tax attributable to cash flow hedges		—	—	—	—
Cash flow hedges, net after tax, dissolved against profit and loss	28	—	-6,814	—	-6,814
ITEMS THAT CANNOT BE RECLASSIFIED TO PROFIT FOR THE YEAR					
Revaluation of defined benefit pensions	30	-84,178	-39,772	—	—
Tax attributable to defined benefit pensions	16	17,341	8,193	—	—
Total, other comprehensive income		-66,837	-38,393	0	-6,814
COMPREHENSIVE INCOME FOR THE YEAR		5,591,015	5,275,552	1,977,917	1,487,478
Of which attributable to the shareholder in the Parent Company		5,591,015	5,275,552	—	—

Comments on the Group's performance

FULL-YEAR 2019

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

Net operating income improved compared with the previous year to SEK 4,121 million (3,938), which can mainly be explained by the completion of new buildings in 2018 that had an impact on 2019. In a comparable portfolio net operating income increased by 1.0 per cent. A changed accounting policy relating to site leasehold fees had a positive impact on net operating income of SEK 84 million. The change does not affect profit for the year.

RENTAL REVENUE

Rental revenue increased compared with the previous year and totalled SEK 6,050 million (5,928). The majority of the increase is related to the completion of new buildings in 2018 that had full impact on 2019, especially Biomedicum and the National Police Academy in Flemingsberg, as well as student housing at the Royal Institute of Technology.

In a comparable portfolio, rental revenue increased by 0.3 per cent compared with the previous year; excluding the change in vacant space, rental revenue increased by 2.2 per cent.

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

LEASING LEVEL

The financial vacancy rate at the end of 2019 was 2.2 per cent (1.7) of our total rental revenue, which corresponds with SEK 141 million (139). The increased financial vacancy rate is attributable to occupancy changes at Karolinska Institutet resulting from the completion of Biomedicum. Vacant space in terms of area at year-end amounted to 125,000 square metres (144,000), which is 3.8 per cent (4.3) of our total rentable area of 3.3 million square metres (3.3).

OPERATING AND MAINTENANCE COSTS

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

Operating costs involve supervision and service, as well as media provision. Operating costs of SEK 891 million (894) include media provision of SEK 576 million (595), equivalent to SEK 174/m² (177) over the past 12 months.

Maintenance costs declined compared with the same period the previous year and totalled SEK 619 million (676). The reduced costs mainly relate to project maintenance. In a comparable portfolio operating and maintenance costs decreased by 2.6 per cent.

ADMINISTRATIVE EXPENSES

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

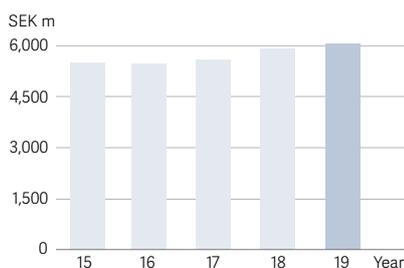
NET INTEREST INCOME AND EXPENSE

Net interest income, which primarily consists of interest on loans and net interest income from the interest rate swap portfolio, amounted to SEK 377 million (268) during the period, corresponding to an interest rate of 1.21 per cent (0.97). The increase is mainly attributable to the higher cost of loans with floating interest rates due to the increase in STIBOR. Capitalised interest expense for projects in progress, which was not included in net interest income, totalled SEK 86 million (92) during the year. See table describing the composition of net interest income and expense on page 65.

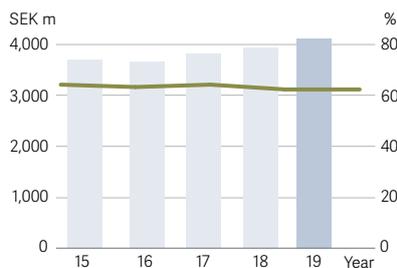
CHANGES IN VALUE, PROPERTIES

The fair value of the Group's property holdings was set using an internal property valuation that is compared annually against external value statements where a selection of the holdings was externally valued. As of 31 December 2019 the change in value of properties with an impact on profit was SEK 3,872 million,

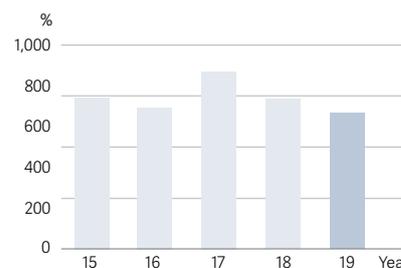
STABLE RENTAL REVENUE



RISING NET OPERATING INCOME AND STABLE NET OPERATING INCOME RATIO



INTEREST COVERAGE RATIO CONTINUES AT HIGH LEVEL



an increase of SEK 1,287 million compared with the same period in 2018.

This increase in relation to the comparative period can mainly be attributed to the lower cost of capital and yield requirement for sub-markets with a substantial impact on the value in the company. The remaining portion can be explained by other change in value, which is attributable to projects in progress, renegotiated leases and other factors affecting value. The average yield requirement was 5.13 per cent (5.38).

The largest changes in value can be seen in the market areas Mid-Sweden and South, primarily in the Greater Stockholm Region, but also in the Gothenburg and Lund Region. These changes are generally due to favourable rental developments in the Stockholm region, as well as to the lower cost of capital and yield requirements for all of the aforementioned sub-markets, which have a stronger impact on value.

CHANGES IN VALUE, FINANCIAL INSTRUMENTS

Changes in value in the derivative portfolio amounted to SEK -503 million (-360), which can be attributed to the lower market interest rates and flatter yield curve during the year. The derivative portfolio largely consists of interest rate swaps that are mainly entered into with the aim of extending the fixed interest period in the liability portfolio, where 60 per cent of financing currently relies on floating interest rates. During the year, the swap portfolio was restructured, where interest rate swaps with a forward start were closed and new interest rate swaps were entered into. The closed swaps have had negative market values, which have been realised, especially during the fourth quarter. One third of Akademiska Hus' interest risk exposure derives from interest rate swaps, which means that even minor changes in the interest rate situation affects earnings through changes in fair value. Falling market interest rates combined with a flatter yield curve have a negative impact on profit, while the opposite is true for rising interest rates and steeper yield curve. Thus, in a fixed income market with large fluctuations in interest rates, the changes in value will be significant.

COMPARATIVE CALCULATION, TOTAL FINANCING COST

In recent years, Akademiska Hus has had a relatively long fixed interest period in the total debt portfolio, which includes interest rate derivatives. Changes in market interest rates generate changes in the fair value of the interest rate derivatives. A portion of interest rate derivatives is realised on an ongoing basis (monthly or quarterly), even if the maturity of the underlying instrument is long-term.

To clarify the underlying financing cost, a comparative calculation is carried out in which the cash flows of realised interest rate derivatives are also attributed (allocated) to the underlying maturity of each instrument. This allocation for the past twelve-month period corresponds with an interest expense of 0.41 per cent. The diagram on the left shows this comparative calculation of the underlying financing cost, in which interest rates are expressed as rolling 12-month interest rate (annualised). The accrued finance charge amounted to 1.62 per cent as

of 31 December. The calculation shows that the long fixed interest period has resulted in relatively stable financing costs. When calculating the interest coverage ratio, the capitalised interest expense and accrued earnings from the closed interest rate derivatives are included. The interest coverage ratio continues to be high at 665 per cent (736), see diagram on page 64.

TOTAL FINANCING COST

INCLUDING CHANGES IN VALUE

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

TOTAL FINANCING COST

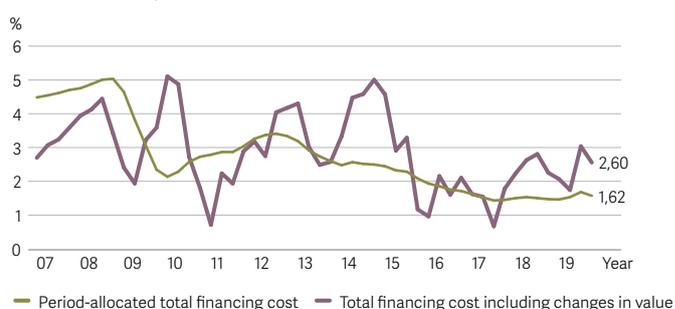
DISTRIBUTED, SEK M

	1 Jan. 2019– 31 Dec. 2019	1 Jan. 2018– 31 Dec. 2018
Net interest income/expense, net loans and financial assets	-343	-278
Net interest derivatives	-46	-27
Other interest costs	-74	-55
Capitalised interest expense, projects	86	92
Total net interest income/expense	-377	-268
Change in value, independent financial derivatives		
– unrealised	-263	-160
– realised	-339	-39
Changes in value, fair value hedges	98	-160
Total changes in value	-503	-360
Site leasehold fees	-84	—
Reported net interest income and expense	-965	-628

TAX

The corporate tax was lowered to 21.4 per cent in 2019 as a first step and will be further lowered to 20.6 per cent in 2021. The current tax for the year of SEK 336 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. This means that the deferred tax liability has been calculated at 20.6 per cent. The interest deduction in the corporate sector has been limited beginning on 1 January 2019. The new rules have had no effect on the taxes for the year.

COMPARISONS, DIFFERENT CALCULATIONS OF FINANCING COST



Statement of financial position

Amounts in KSEK 1,000	Note	Group		Parent Company	
		2019	2018	2019	2018
ASSETS					
NON-CURRENT ASSETS					
Capitalised expenditure	18	3,929	—	3,929	—
Properties	12, 13, 15	91,423,889	85,865,127	45,318,125	44,373,630
Site leasehold rights		2,736,336	—	—	—
Equipment, fixtures and fittings	18	21,467	23,219	21,467	23,219
Shares in Group companies	19	—	—	650	650
Derivatives	20, 21, 22	4,303,565	1,614,260	4,303,565	1,614,260
Other non-current receivables	22, 23	504,052	430,333	504,052	430,333
TOTAL NON-CURRENT ASSETS		98,993,238	87,932,939	50,151,789	46,442,092
CURRENT ASSETS					
<i>Current receivables</i>					
Rent receivables and accounts receivable	24	538,450	651,707	538,450	651,707
Receivables from subsidiaries		—	—	818,650	—
Current prepaid tax		48,937	35,340	48,937	35,340
Other current receivables	25	961,413	1,391,436	961,412	1,391,436
Prepaid expenses and accrued income	26	93,479	94,499	93,479	94,499
Derivatives	21	13,507	66,847	13,507	66,847
Total current receivables	20, 22	1,655,785	2,239,830	1,655,935	2,239,829
<i>Cash and cash equivalents</i>					
Current investments		2,179,944	1,841,605	2,179,944	1,841,605
Cash and cash equivalents		2,157,014	1,462,187	1,338,129	1,462,043
Total cash and cash equivalents	20, 27	4,336,958	3,303,792	3,518,073	3,303,648
TOTAL CURRENT ASSETS		5,992,743	5,543,623	5,992,508	5,543,477
TOTAL ASSETS		104,985,982	93,476,561	56,144,296	51,985,569

FINANCIAL STATEMENTS

Amounts in KSEK 1,000	Note	Group		Parent Company	
		2019	2018	2019	2018
EQUITY AND LIABILITIES					
EQUITY (attributable to the Parent Company's shareholder)					
Share capital		2,135,000	2,135,000	2,135,000	2,135,000
Other contributed equity		2,134,950	2,134,950	—	—
Statutory reserve		—	—	2,134,950	2,134,950
Hedge reserve	28	—	—	—	—
Actuarial profit and loss		-99,362	-32,525	—	—
Fair value reserve	28	—	—	—	—
Retained earnings, including profit for the year		42,589,190	38,594,339	—	—
Retained earnings (in the Parent Company)		—	—	744,113	912,820
Profit for the year (in the Parent Company)		—	—	1,977,917	1,494,292
TOTAL EQUITY		46,759,778	42,831,764	6,991,979	6,677,063
Untaxed reserves	14	—	—	4,380,469	4,343,763
LIABILITIES					
<i>Non-current liabilities</i>					
Loans	20, 21	30,016,478	28,261,967	30,016,478	28,261,967
Derivatives	20, 21	1,660,203	941,330	1,660,203	941,330
Deferred tax liability	16	12,575,646	11,629,682	2,205,706	2,197,442
Other non-current liabilities	29	111,259	46,328	111,259	46,328
Non-current liabilities, site leasehold rights		2,736,335	—	—	—
Provisions for pensions and similar obligations	30	661,924	555,339	311,094	304,772
Total non-current liabilities		47,761,845	41,434,646	34,304,739	31,751,839
<i>Current liabilities</i>					
Accounts payable		300,755	415,958	300,755	415,958
Liabilities to Group companies		—	—	2,151	2,153
Income tax liabilities	16	—	—	—	—
Other current liabilities	29	2,767,099	1,245,069	2,767,699	1,245,669
Accrued expenses and prepaid income	31	2,330,372	2,154,309	2,330,372	2,154,309
Loans	20, 21	4,931,757	5,258,691	4,931,757	5,258,691
Derivatives	20, 21	134,374	136,124	134,374	136,124
Total current liabilities		10,464,358	9,210,151	10,467,109	9,212,904
TOTAL LIABILITIES	32	58,226,203	50,644,798	44,771,848	40,964,743
TOTAL EQUITY AND LIABILITIES		104,985,982	93,476,561	56,144,296	51,985,569

Comments on the Group's statement of financial position

PROPERTIES

As of 31 December 2019 the fair value of Akademiska Hus' property holdings totalled SEK 91,424 million, an increase of SEK 5,559 million and 6.5 per cent compared with 31 December 2018. Fair value includes the completed portions of projects in progress. The unrealised change in value and capitalised interest expense was SEK 3,865 million (2,585). Remaining changes relate to investments in properties for the year of SEK 3,266 million (2,842) and sales of SEK -1,572 million (-6). In the first quarter of 2019 Akademiska Hus sold part of the property Ultuna 2:23, called "Stallarna" (the stable), to the Swedish University of Agricultural Sciences. In the fourth quarter, part of the property Studentkåren 4 was sold to Blekinge nation, while the properties Domherren 1 and Tre Vapen 7 were sold to Fastighets AB Balder. The sale of the latter properties was issued through the sale of shares, thereby generating a profit of SEK 819 million in the subsidiary Akademiska Hus Holding AB.

The fair value was calculated by means of an internal property valuation covering all the Company's properties. The value is af-

ected by property-specific conditions such as net operating income, rent levels, vacancy levels, lease term and property type, as well as by market-related yield targets and cost of capital. The average yield requirement was 5.13 per cent, a decline of 0.25 percentage points since January 1.

Akademiska Hus engages an external rating agency to verify the yield requirement and fixed costs on a quarterly basis to ensure that market rates are applied in the internal valuation.

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

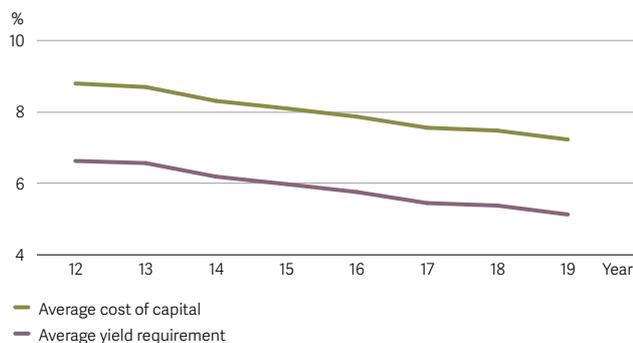
All property valuation includes assessments that are associated with a certain degree of uncertainty. A normal uncertainty range in conjunction with a property valuation is +/- five to ten per cent, which would be equivalent to approximately SEK +/- 4,570 to SEK 9,140 million in the Akademiska Hus portfolio.

PROPERTIES

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

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

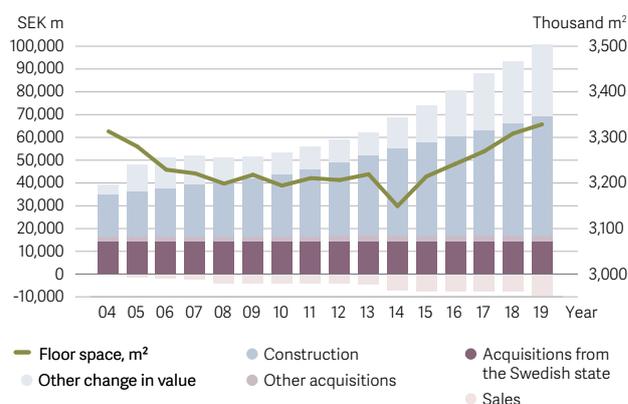
DEVELOPMENT OF YIELD REQUIREMENT AND COST OF CAPITAL



SENSITIVITY ANALYSIS

	Outcome 2019	Change in cost of capital and yield targets in 2020	
		Increase by one percentage point	Decrease by one percentage point
Changes in value, properties, SEK m	3,872	-12,964	17,463
Return on equity, per cent	12.2	-11.9	37.2
Return on operating capital, per cent	10.3	-7.2	30.4
Equity ratio, per cent	45.7	41.0	50.5
Loan-to-value ratio, per cent	36.0	41.9	30.2

PROPERTY PORTFOLIO'S ACCUMULATED VALUE GROWTH AND NUMBER OF SQUARE METRES FLOOR SPACE, M²



FINANCING

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

The net liability portfolio at year-end totalled SEK 32,902 million, corresponding to an increase of SEK 2,486 million during the year, which is largely attributable to revaluation effects in accordance to hedge accounting (for more information, see Notes 20, 21 and 28). The equity ratio at year-end was 45.7 per cent (45.8).

FIXED INTEREST PERIOD AND MATURITY

The long-term bond issuances of recent years have helped to achieve a long period for tied-up capital, which at year-end was 10.7 years. Committed credit facilities in amounted to SEK 5,500 million. During 2019, two committed credit facilities of a total of SEK 3,500 million were extended by one year, resulting in a maturity of two years, with an option for a one-year extension. The term for the remaining SEK 2,000 million in credit facilities is 12 months. All credit facilities were unutilised at year-end. In addition to credit facilities, surplus liquidity at year-end was SEK 4,337 million

Long-term bonds denominated in SEK at fixed interest, which comprise the long-term portfolio, amounted to about SEK 5,600 million at year-end. The long-term portfolio contributes to retaining a relatively long-term fixed interest period in the total portfolio of 6.8 years. Bonds denominated in foreign currency are swapped for SEK with floating interest rates, for which reason these issuances do not entail a corresponding extension of maturity. Interest rate risk in the debt portfolio is instead largely 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. As previously, debt management will focus on allocating the portfolio's interest rate risk to the most effective periods on the yield curve. The table below presents fixed interest and maturity terms in the sub-portfolios as of year-end.

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.

NET DEBT

SEK m	31 Dec. 2019	31 Dec. 2018
Gross loan debt	-34,948	-33,521
Assets		
Collateral for derivatives, net	-2,568	-891
Cash and cash equivalents	4,337	3,304
Current receivables	277	692
Total net debt	-32,902	-30,416

FIXED INTEREST PERIOD AND MATURITY

SEK m	Fixed interest, years 31 Dec. 2019	Fixed interest, years 31 Dec. 2018	Maturity, years 31 Dec. 2019	Maturity, years 31 Dec. 2018
Basic portfolio	3.6	4.1	8.5	8.5
Long-term portfolio	20.9	21.8	20.9	21.8
Index-linked bond portfolio	5.4	3.8	5.4	3.8
Total portfolio	6.8	7.3	10.7	10.8

Changes in equity, Group

Amounts in KSEK 1,000	Note	Attributable to the Parent Company's shareholder					Total equity
		Share capital	Other contributed capital	Hedge reserve	Actuarial profit and loss	Profit for the year brought forward	
OPENING BALANCE 2018-01-01		2,135,000	2,134,950	6,814	-946	34,910,394	39,186,212
COMPREHENSIVE INCOME							
Profit for the year		—	—	—	—	5,313,945	5,313,945
OTHER COMPREHENSIVE INCOME							
Profit and loss from cash flow hedges	28	—	—	-6,814	—	—	-6,814
Revaluation of defined benefit pensions		—	—	—	-31,579	—	-31,579
Total, other comprehensive income		0	0	-6,814	-31,579	5,313,945	5,275,552
TRANSACTIONS WITH SHAREHOLDER							
Dividend ¹		—	—	—	—	-1,630,000	-1,630,000
Total transactions with shareholder		0	0	0	0	-1,630,000	-1,630,000
CLOSING BALANCE 2018-12-31		2,135,000	2,134,950	0	-32,525	38,594,339	42,831,764
COMPREHENSIVE INCOME							
Profit for the year		—	—	—	—	5,657,852	5,567,852
OTHER COMPREHENSIVE INCOME							
Revaluation of defined benefit pensions		—	—	—	-66,837	—	-66,837
Total, other comprehensive income		0	0	0	-66,837	5,657,852	5,591,015
TRANSACTIONS WITH SHAREHOLDER							
Dividend ²		—	—	—	—	-1,663,000	-1,663,000
Total transactions with shareholder		0	0	0	0	-1,663,000	-1,663,000
CLOSING BALANCE 2019-12-31		2,135,000	2,134,950	0	-99,362	42,589,190	46,759,778

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

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

Changes in equity, Parent Company

Amounts in KSEK 1,000	Note	Restricted equity		Non-restricted equity		Total equity
		Share capital	Statutory reserve	Fair value reserve	Profit for the year brought forward	
OPENING BALANCE 2018-01-01		2,135,000	2,134,950	6,814	2,542,821	6,819,585
COMPREHENSIVE INCOME						
Profit for the year		—	—	—	1,494,292	1,494,292
OTHER COMPREHENSIVE INCOME						
Profit and loss from cash flow hedges	28	—	—	-6,814	—	-6,814
Total, other comprehensive income		0	0	-6,814	1,494,292	1,487,478
TRANSACTIONS WITH SHAREHOLDER						
Dividend ¹		—	—	—	-1,630,000	-1,630,000
Total transactions with shareholder		0	0	0	-1,630,000	-1,630,000
CLOSING BALANCE 2018-12-31		2,135,000	2,134,950	0	2,407,113	6,677,063
COMPREHENSIVE INCOME						
Profit for the year					1,977,917	1,977,917
OTHER COMPREHENSIVE INCOME						
Total, other comprehensive income		0	0	0	1,977,917	1,977,917
TRANSACTIONS WITH SHAREHOLDER						
Dividend ²		—	—	—	-1,663,000	-1,663,000
Total transactions with shareholder		—	—	—	-1,663,000	-1,663,000
CLOSING BALANCE 2019-12-31		2,135,000	2,134,950	0	2,722,029	6,991,979

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

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

Statements of Cash Flows

Amounts in KSEK 1,000	Note	Group		Parent Company	
		2019	2018	2019	2018
CURRENT OPERATIONS					
Profit after financial items		6,957,354	5,817,604	2,359,084	1,823,464
Adjustment for items not included in the cash flow	33	-3,926,102	-2,312,605	672,762	1,675,219
Tax paid		-349,794	-377,666	-349,794	-377,666
CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL		2,681,459	3,127,333	2,682,052	3,121,017
CASH FLOW FROM CHANGES IN WORKING CAPITAL					
Increase (-)/Decrease (+) in current receivables		507,523	-543,075	507,373	-543,076
Increase (+)/Decrease (-) in current liabilities		330,177	414,155	330,175	420,474
CASH FLOW FROM CURRENT OPERATIONS		837,700	2,998,413	837,548	2,998,415
INVESTING ACTIVITIES					
Investment in properties		-3,180,449	-2,752,773	-3,180,449	-2,752,773
Sale of properties		1,579,023	6,000	759,841	6,000
Investment in other non-current assets		-10,078	-23,316	-10,078	-23,316
Decrease in non-current receivables		-73,719	-221,402	-73,719	-221,402
CASH FLOW FROM INVESTING ACTIVITIES		-1,685,223	-2,991,491	-2,504,406	-2,991,491
FINANCING ACTIVITIES					
Raising of interest-bearing loans, excluding refinancing		14,518,116	17,863,274	14,518,116	17,801,644
Repayment of loan		-15,200,065	-19,875,925	-15,200,065	-19,814,295
Interest paid		-387,162	-335,327	-387,162	-335,327
Realised derivatives and CSA		1,931,342	795,364	1,931,342	795,364
Dividend paid		-1,663,000	-1,630,000	-1,663,000	-1,630,000
CASH FLOW FROM FINANCING ACTIVITIES		-800,770	-3,182,614	-800,770	-3,182,614
CASH FLOW FOR THE YEAR		1,033,166	-3,175,692	214,425	-3,175,690
Cash and cash equivalents at the beginning of the year		3,303,792	6,479,484	3,303,648	6,479,338
Closing cash and cash equivalents	27	4,336,958	3,303,792	3,518,073	3,303,648

Comments on the consolidated statement of cash flows

Cash flow from current operations before changes in working capital totalled SEK 2,681 million (3,127). The impact of investments in properties on cash flow was SEK 3,180 million (2,753). Cash flow from investing activities includes a sale of SEK 1,579 million relating to part of the property Ultuna 2:23, the properties Domherren 1, Tre Vapen 7 and part of the property Studentkåren 4. Sale of properties in 2018 amounted to SEK 6 million.

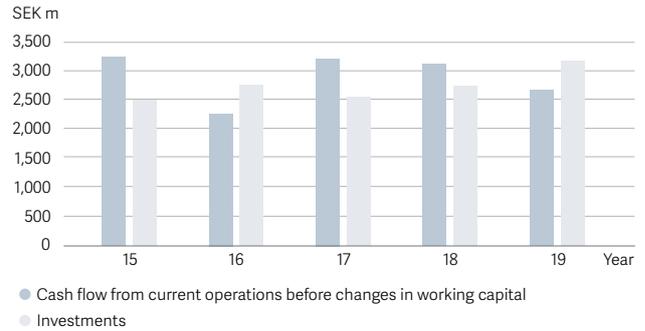
Cash flow relating to financing activities amounted to SEK -801 million (-3,183). The improved cash flow is due to lower net amortisation and an increased inflow of CSA collateral as a result of higher receivables in relation to derivative counterparties.

Total cash flow for the year was SEK 1,033 million (-3,176).

CASH FLOW AND INVESTMENTS

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

STABLE CASH FLOW FROM CURRENT OPERATIONS



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Notes

1 General information

Akademiska Hus AB (publ), registration number 556459-9156, is a limited liability company registered in Sweden. The Company's registered office is in Gothenburg. Akademiska Hus is wholly owned by the Swedish state.

The Company is the Parent Company in the Akademiska Hus Group, the principal task of which is to own and manage university and college properties.

The Parent Company's functional currency is SEK. All amounts are in SEK 1,000 unless stated otherwise.

Amounts denominated in other currencies than SEK has been restated using the year-end rate.

2 General accounting policies

The consolidated accounts have been prepared in accordance with the EU-endorsed International Financial Reporting Standards (IFRS) as at 31 December 2019. The Group also applies Swedish Financial Reporting Board recommendation RFR 1, Supplementary Rules for Consolidated Financial Statements, which specifies the supplements to IFRS disclosures required pursuant to the rules in the Annual Accounts Act.

In the Annual Report, items have been valued at cost except with regard to revaluation of properties, financial assets that can be sold and financial assets and liabilities (including derivatives) valued at fair value in the Statement of Financial Position. The following is a description of the more material accounting policies that have been applied.

NEW AND AMENDED IFRS STANDARDS AND INTERPRETATIONS 2019

IFRS 16 Leasing – Effect of the introduction of the standard

Akademiska Hus applies IFRS 16 Leases according to the simplified transition approach from 1 January 2019, which means that the standard will not be applied retroactively. The new standard will affect recognition of the Group's operating leases where the Group is the lessee.

The review identified site leasehold agreements as the most important leases. The implementation of the standard essentially means that leases relating to site leasehold rights will be recognised in the consolidated statement of financial position. However, the introduction of the standard will have a limited impact on the financial statements, since the Group essentially operates as a lessor and leases where the Group is a lessee only occur to a limited extent in relation to the rest of the Group's operations. The transition to IFRS 16 has therefore not had any impact on the Group's equity. Since the simplified transition approach will be applied, comparative figures for 2018 will not be restated. The Group has chosen to apply the exemption not to recognise short-term leases and leases of low value assets as right-of-use assets and lease liability in the statement of financial position. Payments related to these leases will instead be recognised as an expense on a straight line basis over the lease term. For lease obligations relating to site leasehold rights, the Group recognises right-of-use assets at a value of about SEK 2,736 million and lease liabilities of about SEK 2,736 million on 1 January 2019. There will be no net effect from deferred tax as the asset and liability are of equal value at the time of transition to IFRS 16. The right-of-use asset will be recognised at fair value as these represent part of the Group's investment properties.

CONSOLIDATED ACCOUNTS

The consolidated accounts cover the Parent Company and companies over which the Parent Company has a controlling influence. A controlling influence entails a right to formulate strategies for financial activities with the aim of securing financial advantages. The existence and effect of potential voting rights that can currently be exercised or converted are taken into account when assessing whether the Group can exercise a controlling influence over another company. All subsidiaries are wholly owned. The subsidiaries are included in the consolidated accounts with effect from the point at which the controlling influence is achieved and they are not included at the point at which the controlling influence ceases.

The consolidated year-end accounts have been prepared according to the acquisition method, which means that the Parent Company's carrying amount of shares in subsidiaries is eliminated against equity, including the capital share of untaxed reserves in the subsidiaries.

SEGMENT REPORTING

Operating segments are reported in a way that concurs with the internal report presented to the highest-ranking executive decision-maker. The highest-ranking executive decision-maker is the function that is responsible for allocating resources and assessing the results of operating segments. At Akademiska Hus, this function has been identified as the President of the Parent Company.

The Group is organised and controlled based on a geographical division into markets/administration areas. The geographical areas (segments) are exposed to similar risks and opportunities.

Segments are consolidated according to the same accounting policies as for the Group as a whole.

REVENUE RECOGNITION

In its capacity as property owner, the Group has signed operational lease agreements with customers and consequently the Group's reported income mainly comprises rental revenue. Where applicable, reported rental revenue has been reduced by the sum of the discounts granted to tenants. In those cases where lease agreements result in reduced rent during a certain period, which is equivalent to a higher rent during another (later) period, this higher or lower rent is allocated to a specific period over the term of the lease. Rental revenue, lease revenue and parking revenue are reported in advance and the allocation of rents to specific periods therefore takes place so that only part of the rents that accrue to the period are reported as revenue. Revenue recognition normally takes place linearly over the term of the lease agreement apart from exceptional cases when another method better reflects how financial advantages accrue to the Group.

Other property management income is reported, where applicable, in the same way as rental revenue. This post largely comprises revenues as a direct result of the leases and mainly consists of revenues from parking, services for tenants and other management tasks.

Interest income is reported as income divided across the term on application of the annual equivalent rate method.

Dividend income is reported when the right to receive payment has been confirmed.

REMUNERATION TO EMPLOYEES

Remuneration to employees in the form of salary, paid holiday, payment while off sick etc., as well as pensions, are reported as they are earned. As regards to pensions and other remuneration following termination of employment, these are classified as defined contribution pension plans or defined benefit pension plans.

Defined contribution plans

In the case of defined contribution plans, the Company pays fixed contributions to a separate, independent legal entity and has no obligation to make further contributions. The Group's profit is charged with costs as the benefits are earned, which normally concurs with the point at which premiums are paid.

Defined benefit plans

For defined benefit pension plans, the cost of the pension plan is based on actuarial calculations according to what is termed the Projected Unit Credit Method. A calculation is made each year by an independent actuary. Revaluations, including actuarial gains and losses, effects of changes in the asset ceiling and the yield on plan assets (excluding the interest component, which is reported in the Statement of Comprehensive Income) are reported directly in the Statement of Financial Position as income or a cost equivalent to the change in the Statement of Total Comprehensive Income during the period in which they arise. Revaluations, which are reported under Other comprehensive income, affect the retained earnings and will not be reversed to profit and loss. Service costs from previous periods are reported in the Statement of Comprehensive Income for the period in which the plan was changed. Net interest is calculated on application of the discount rate at the beginning of the period on the net defined benefit liability or asset.

The discount rate is the interest rate at the year-end on high-quality mortgage bonds with a maturity corresponding to the Group's pension obligations. When there is not a functioning market for such mortgage bonds, the market for government bonds with similar maturity is used instead.

The defined benefit costs are divided into the following categories:

- service costs (including service costs for the current period, service costs for previous periods and profits and losses in respect of reductions and/or adjustments)
- net interest cost or net interest expense
- actuarial profit and loss

The first two categories are reported in the Statement of Comprehensive Income as a personnel cost (service cost) or net interest income and expense (net interest expense). Profits and losses in respect of reductions and adjustments are reported as service costs from previous periods. Revaluations are reported under Other comprehensive income.

The defined benefit pension obligations reported in the Statement of Financial Position are equivalent to the current surplus or deficit related to the Group's defined benefit obligations. A surplus is only reported to the extent that it is equivalent to the present value of future repayments from each pension plan or future reductions in premium payments into the plan.

TAX

The tax expense (- income) for the period comprises current and deferred tax. Taxes are reported in the Statement of Comprehensive Income with the exception of the underlying transaction, which is reported under Other comprehensive income or directly against equity, whereupon the associated tax effect is reported under Other comprehensive income or against equity.

Current tax is the tax calculated by on the taxable profit for a period. The taxable profit for the year differs from the reported profit for the year in the fact that an adjustment has been made for non-taxable and non-deductible items. The Group's current tax liability is computed according to the tax rates stipulated or notified as of the year-end.

Deferred tax is reported in accordance with the Statement of Financial Position method. According to this method, deferred tax liabilities are reported in the Statement of Financial Position for all taxable temporary differences between the carrying amounts and taxable values of assets and liabilities. Deferred tax assets are reported in the Statement of Financial Position with regard to deficit deductions and all deductible temporary differences to the extent it is likely that the amounts can be offset against future taxable surpluses. The reported value of deferred tax assets is examined at each year-end and reduced to the extent it is no longer probable that a sufficient taxable surplus will be available for utilisation.

The parliament has lowered the corporate tax for 2019 to 21.4 per cent. The next reduction will occur in 2021 to 20.6 per cent. Deferred taxes are revalued using the tax rate that is expected to apply for the period in which the asset is recovered or the liability settled.

Tax receivables and tax liabilities are offset and reported at a net amount in the Statement of Financial Position when there is a legal right to offset and when there is an intention to either receive or pay a net amount or receive payment of a receivable and pay the liability at the same time.

TRANSLATION OF ITEMS IN FOREIGN CURRENCY

Financial assets and liabilities in foreign currency are translated at the year-end rate, whereupon realised and unrealised translation differences are expensed. Translation differences in operating receivables and liabilities are reported under Other property management income or Other property management expense whilst translation differences attributable to financial assets and liabilities are reported under Net interest income.

PROPERTIES

Properties, i.e. properties that are held to generate rental revenue or gains from an increase in value, are measured continuously at fair value (assessed market value). The fair value is based on the assessed market value at the year-end, which means the value at which a property could be transferred between knowledgeable parties who are independent of each other and who have an interest in the transaction being implemented. Changes in fair value are reported in the Statement of Comprehensive Income under the heading Changes in value, properties.

The term "properties" includes buildings and land, land systems, building and land equipment as well as properties under construction (new construction in progress).

Property sales and property purchases are reported in conjunction with the risks and benefits linked to title being transferred to the purchaser or seller, which normally takes place on the completion date, as long as this does not conflict with the terms and conditions in the contract of sale. For property sales through companies, the sale is reported at the date of taking possession.

A profit or loss that arises on the sale or disposal of properties comprises the difference between the sales price and the most recent valuation (reported value based on the most recent revaluation at fair value). The result in conjunction with sale or disposal is reported in the Consolidated Statement of Comprehensive Income under the heading Changes in the value of properties. In the Parent Company the result is reported as other property management income/expense.

In those cases where Akademiska Hus uses part of a building for its own administration, the property is only classified as a property for investment if an insignificant part is used for administrative purposes.

If a property is reclassified as a property held for resale or an inventory item, the property is reported at the assumed acquisition value, equivalent to the fair value of the property at the time of reclassification.

FAIR VALUE, PROPERTIES

Akademiska Hus has an internal property valuation process that is highly developed and has been quality assured. Information regarding valuation principles as well as levels of input data, assumptions and prerequisites are produced by the Company's valuation specialists and ultimately adopted by the President.

Akademiska Hus valuation models comply with good market practice in the property industry and the cash flows and yield targets that are used are justified based on both property-specific conditions and industry-specific conditions. The properties have been valued individually without any account being taken of portfolio effects. For a more detailed description of Akademiska Hus' valuation methods, see Note 12.

EQUIPMENT, FIXTURES AND FITTINGS

Equipment, fixtures and fittings mainly comprise IT equipment and office equipment. These are reported at the acquisition value reduced by depreciation according to plan and possible impairment.

Depreciation according to plan is based on the original acquisition value reduced by the estimated residual value and takes place on a linear basis over the estimated useful life of the asset.

Depreciation according to plan is normally carried out using the following percentages of the acquisition value:

<i>Computer equipment</i>	33%
<i>Equipment, fixtures and fittings</i>	20%
<i>Capitalised expenditure</i>	20%

Depreciation according to plan of equipment, fixtures and fittings is reported as an operating cost or under property administration.

The profit or loss that arises on scrapping or disposal of equipment, fixtures and fittings is reported as Other property management income or Other property management expense.

IMPAIRMENT

Impairment takes place in those cases where the reported value of the asset exceeds the recovery value. Reported values for the Company's assets are checked at each period-end to determine if there is any indication of an impairment requirement. If there is such an indication, the recoverable value of the asset is calculated. The recoverable value is the higher of the value in use and the net realisable value.

When computing the value in use, future cash flows are discounted at a rate of interest before tax that it is envisaged will take into account the market's assessment of risk-free interest and risk linked to the specific asset. For an asset which does not, independent of other assets, generate any cash flow, the recoverable value of the cash-generating unit to which the asset belongs is calculated.

Reversal of previous impairments takes place when the recoverable value for a previously impaired asset exceeds the carrying amount and the need for impairment made previously is no longer considered necessary. The reversal is reported in the Statement of Comprehensive Income. An examination of past impairments takes place on an individual basis.

FINANCIAL INSTRUMENTS

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 and loss. Reporting subsequently takes place depending on how they are classified, as stated below.

A financial asset or financial liability is recorded in the Statement of Financial Position when the Company becomes a party to the contractual terms and conditions of the instrument or when applicable according to "regular way purchase" principles. Accounts receivable are recorded in the Statement of Financial Position when an invoice has been sent. A liability is recorded when the counter-party has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recorded when an invoice has been received.

A financial asset is removed from the Statement of Financial Position when the rights in the agreement are realised, matures or the Company loses control over them. The same applies to part of the financial asset. A financial liability is removed from the Statement of Financial Position when the obligation in the agreement is discharged or is extinguished in some other way. The same applies to a portion of a financial liability.

The Group categorises its financial instruments as:

Assets:

Derivatives measured at fair value through profit and loss

All derivatives are held for hedging purposes and recognised at fair value through profit or loss. Some of these derivatives are included in the hedging package, while others are "independent derivatives".

Measured at fair value through profit and loss

Assets in this category are initially recognised at cost, i.e. fair value at the time of acquisition, and are subsequently measured continuously at fair value. The change in value is reported continuously through profit and loss. All Akademiska Hus investment assets fall into this category. The assets are classified as "hold to collect" and Akademiska Hus uses the fair value option for these investments. All change in value in these items are recognised through profit and loss under changes in value.

Measured at amortised cost

Assets in this category are non-derivative financial assets with established or establishable payment flows that are not listed on an active market. These assets are recognised and measured on a continuous basis at the accrued acquisition value. Akademiska Hus' accounts receivable fall into this category and are reported at cost.

Liabilities:

Derivatives measured at fair value through profit and loss

All derivatives are held for hedging purposes and recognised at fair value through profit and loss. Some of these derivatives are included in the hedging package, while others are "independent derivatives".

Measured at fair value through profit or loss

These liabilities are initially recognised at cost and thereafter continuously at fair value. The change in value is reported on a continuous basis through profit and loss. Bonds that are included in the hedging package belong to this category.

Measured at amortised cost

Financial liabilities measured at amortised cost are initially recognised in the balance sheet at fair value, including the transaction cost. After initial recognition instruments in this category are measured at amortised cost. Bonds that are not included in the hedging package and current liabilities belong to this category.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported at a net amount in the Statement of Financial Position when there is a legal right to offset and when there is an intention to settle the items at a net amount or at the same time realise the asset and settle the debt. Information relating to offset financial assets and liabilities under IFRS 7 can be seen in Note 21.

Calculation of fair value, financial instruments

When establishing the fair value of current investments, derivatives and loan debts, the official market listing at the period-end is used and calculation takes place according to generally accepted methods. In those cases where such listings are not available, a valuation is made through discounting of future cash flows at the listed market interest rate for each term. Translation into Swedish kronor takes place at the current rate at the period-end. Calculated and estimated fair values are indica-

tive and will not necessarily be realised. The nominal value of accounts receivable and accounts payable, reduced by possible estimated credits, is assumed to be equivalent to their fair value. Information according to IFRS 13 about the level in the fair value hierarchy for different items can be found in Note 20.

Rent receivables, accounts receivable and other receivables

Rent receivables and accounts receivable are reported initially at the fair value and are then reported at the invoiced amount following a deduction for any impairment (bad debts), which is equivalent to the accrued acquisition value. The estimated term of rent receivables and accounts receivable is short and consequently the value is reported at the nominal amount without discounting. Doubtful receivables are assessed individually and any impairment is reported within operating costs.

Assets measured at amortised cost or at fair value through other comprehensive income must be tested for impairment. Most of Akademiska Hus' assets are not subject to this requirement since they are recognised at fair value through profit and loss. However, accounts receivable are recognised at amortised cost, but since Akademiska Hus' customers are mainly government authorities, these receivables are not tested for impairment, since the amount is not considered to have a material impact on profit.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and current investments with maturity in less than three months. These are classified as cash and cash equivalents because they consist of extremely liquid commercial papers that can be immediately traded at a value equal to the carrying amount. The current investments are measured at fair value through profit and loss. Cash and cash equivalents are held at amortised cost.

Current investments

Current investments with a term in excess of three months comprise interest-bearing securities and are reported and valued at fair value. Changes in value (unrealised profits and losses) are reported on a continuous basis through net interest income and expense. In the Statement of Cash Flows, current investments with a term in excess of three months are not classified as cash and cash equivalents.

Loan financing

All loan financing is initially reported at fair value, net after transaction costs. Borrowing is subsequently reported at amortised cost and any difference between the amount received and the repayment amount is reported in net interest income and expense divided over the loan period on application of the annual equivalent rate method. Borrowing that constitutes a hedged item in conjunction with fair value hedging is recognised and measured after the acquisition point continuously at fair value with account taken of the hedged risk. Changes in value are reported in net interest income and expense. Loan financing in foreign currency is translated and the effects are reported through profit and loss.

The Group applies IAS 23 Borrowing Costs. IAS 23 means that the Group capitalises interest expense attributable to properties under construction that take a significant period of time to complete. Capitalised interest expense has a positive effect on net interest income and expense and a negative effect on the change in fair value of properties to the equivalent amount. Financing costs for properties under construction that do not take a significant period of time to complete are charged in full to the financial result for each year.

Accounts payable and other liabilities

Accounts payable and other liabilities have a short expected term and are valued at the nominal value without discounting.

Financial derivatives

Derivatives are held primarily with the aim of securing long-term, cost-effective debt financing and handling the Group's financial risk

exposure by hedging interest and currency exposure against fluctuations in interest rates and exchange rates. Derivatives are valued at fair value and changes in value are reported on an ongoing basis against net financial income and expense.

Interest derivatives (future contracts, interest swap agreements, FRA contracts and interest options) are held mainly to secure the desired fixed interest period in existing debt financing. Interest derivatives are measured continuously at fair value and the effects attributable to the changes in value are recognised in net interest income and expense. The net of the accrued interest income and interest expense is allocated to specific periods and expensed over the term of the derivative. In conjunction with financing in a foreign currency, all future payment flows are hedged so that no currency risk remains. Currency risk hedging takes place with the aid of currency derivatives (currency future contracts, currency swap agreements or combined with an interest swap agreement). Currency derivatives are translated at the period-end exchange rate and when hedge accounting is applied, the effects of the currency translation of the derivative naturally meet the effects of the currency translation of the debt in net interest income and expense. Independent derivatives, i.e. derivatives that are not included in any hedge relationship, are valued at fair value and the change in value is recorded directly in net interest income and expense. With the aim of leveling out price variations on the electricity market, and in doing so achieve an even trend for the Group's electricity costs, future electricity use is hedged with the aid of electricity derivatives. Electricity derivatives are measured continuously at fair value and the changes in value are recognised continuously in profit and loss. The effects of price hedging, the difference between the electricity future's hedged price and the average spot price during the term of the electricity future, are offset against profit and are transferred on maturity from net interest income and expense and reported as an operating cost. Consequently, the result of the electricity future and the Group's physical electricity purchases constitute the actual electricity cost.

Hedge accounting

Akademiska Hus' hedge accounting is based on "Fair value hedging". This means that both the hedged item/exposure and the hedging instrument are measured at fair value. Akademiska Hus uses cross currency interest rate derivatives agreements to hedge bonds issued in foreign currencies. This is done in accordance with the financing and risk policies. Changes in value are continuously recognised through profit and loss, which also means that accounting ineffectiveness also ends up in profit and loss.

The requirements that must be met to qualify for hedge accounting under IFRS 9 are an economic relationship, credit risk and hedge ratio. "Economic relationship" means that there must be an economic relationship between the hedged item and the hedging instrument. Akademiska Hus ensures that there is an economic relationship because the critical terms match for the hedged item and the hedging instrument. This is done in connection with debt issuance. The second requirement is that the effect of credit risk must not dominate the change in market value. Regarding credit risk, Akademiska Hus can conclude that change in credit risk does not have any significant effect on the market value of the hedging package. Akademiska Hus has an extremely stable rating and any credit risk is managed through "CSA agreements". According to the third criterion, the Company must determine the hedge ratio of its hedging package. Akademiska Hus' hedge ratio is 1:1 since the hedging instruments are a direct reflection of the underlying hedge item.

PROVISIONS

Provisions are reported in the Statement of Financial Position when the Company has a formal or informal undertaking because of an event that has occurred and where it is probable that an outflow of resources is required to settle the undertaking and a reliable estimate of the amount can be made.

PARENT COMPANY, ACCOUNTING POLICIES

The Parent Company has prepared its annual accounts according to the Annual Accounts Act and the Swedish Accounting Standards Board recommendation RFR 2 Reporting for Legal Entities and applicable statements from the Swedish Financial Reporting Board.

RFR 2 means that in the annual accounts for the legal entity, the Parent Company shall apply all EU-endorsed IFRSs and statements as far as this is possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act and with consideration given to the link between accounting and taxation. The recommendation states the exceptions and addenda that are to be made to IFRS. The differences between the Group's and the Parent Company's accounting policies are stated below.

Amended accounting policies

No amendments to RFR 2 with a material impact on the Parent Company's financial statements were made during 2019.

Properties

Properties are reported in a legal entity at the acquisition value with a deduction for accumulated depreciation, impairments and reversed impairments.

During the year 0 (0) properties were revised upwards. Depreciation on the upwards revaluation occurs linearly with such an amount that the revaluation is completely written off when the properties are otherwise fully depreciated.

Depreciation according to plan is based on the original acquisition value reduced by the estimated residual value and takes place on a linear basis over the estimated useful life of the asset.

Depreciation according to plan is normally carried out using the following percentages of the acquisition value:

<i>Land systems</i>	5%
<i>Buildings</i>	1.7%
<i>Building equipment</i>	10%
<i>Land equipment</i>	20%

Shares in subsidiaries

Shares in subsidiaries are reported at the acquisition value.

Remuneration to employees

The Parent Company's pension undertakings have been calculated and reported based on the Safeguarding of Pension Commitments Act. Application of the Safeguarding of Pension Commitments Act is a prerequisite for the right to make a tax deduction.

Deferred tax

The amounts that are allocated to untaxed reserves comprise taxable temporary differences. Because of the link between accounting and taxation, the deferred tax liability that is attributable to the untaxed reserves is not reported separately in a legal entity. These are thus reported at the gross amount in the Statement of Financial Position. The appropriations are reported at the gross amount in the Statement of Comprehensive Income.

3 Estimates and judgments

When preparing reports in compliance with IFRS, the Executive Management and the Board of Directors must make assessments and assumptions that affect the reported asset and liability items and income and cost items in the final accounts as well as information provided generally, including contingent liabilities. These assessments are based on historical experience and different assumptions the Executive Management and the Board of Directors have considered reasonable under the prevailing circumstances. The conclusions drawn form the basis for decisions regarding reported values of assets and liabilities in those cases where these cannot be established easily through information from other sources. The actual outcome could differ from these assessments if other assumptions are made or if other conditions emerge. Assessments could have a material impact on the Akademiska Hus profit and financial position, particularly within regard to valuation of properties (see also Note 12).

When calculating the Group's pension liability in accordance with IAS 19, a number of assumptions are made, including the discount rate in current value assessment, expected salary increases, inflation, staff turnover, remaining period of service for those covered by the pension plan as well as expected mortality assumptions. The levels of these parameters are adapted to company-specific conditions and partly to normal external conditions (see also Note 30).

Sensitivity analysis, impact on profit

The sensitivity analysis shows how the profit before tax, return on operating capital and fair value of the properties would be affected in the event of changes in different variables. The analysis shows the impact on an annual basis at full effect.

Changes in the cost of capital or yield target are factors that affect the fair value most. The impact on profit of a change in value, however, would not affect the cash flow as it is unrealised. In the sensitivity analysis, the current lease portfolio has been taken into account with regard to rental revenue and vacant space.

SENSITIVITY ANALYSIS, IMPACT ON PROFIT

Change	Impact on pre-tax profit, SEK m	Impact on return on operating capital, percentage points	Impact on fair value, SEK m ¹	Impact on fair value, percentage points
Rental revenue, +/- one percentage point	61	0.6	458	0.5
Vacant space, +/- one percentage point	59	-0.9	-748	-0.8
Operating costs, +/- one percentage point	9	-0.1	-90	-0.1
of which media provision	6	0.0	-45	0.0
Cost of capital, + one percentage point	-5,397	-6.9	-5,397	-5.9
Cost of capital, - one percentage point	5,949	7.2	5,949	6.5
Yield target, + one percentage point	-7,567	-9.8	-7,567	-8.3
Yield target, - one percentage point	11,514	13.6	11,514	12.6

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

The amounts for change in the cost of capital and yield only relate to properties that were measured through cash flow, which is SEK 79,174 million (87%)

4 Rental revenue

All properties are leased under operational lease agreements and generate rental revenue. The rental revenue during the period amounted to KSEK 6,050,479 (5,927,669) and the direct costs for the properties during the period totalled KSEK 2,095,939 (2,178,553).

The two largest tenants are Karolinska Institutet and Lund University, which account for 12.2 per cent and 10.1 per cent of rental revenue, respectively.

LEASE TERMS AS AT 31 DEC. 2019

Due date	Number of leases	Contracted annual rent	Proportion, %
Non-residential premises			
2020	291	278,424	5
2021	324	783,461	14
2022	194	584,457	10
2023	196	1,015,153	18
2024	66	446,400	8
2025	47	545,368	9
2026 and later	164	2,039,734	35
Other	350	59,802	1
Total	1,632	5,752,799	100

CONTRACTED RENTAL REVENUE AS AT 31 DEC. 2019 ACCORDING TO THE SIZE OF THE LEASE

Annual rent	Number of leases	Contracted annual rent	Proportion, %
Non-residential premises			
> 70,000	4	523,452	9
30,000–70,000	32	1,360,092	23
10,000–30,000	132	2,223,386	39
7,500–10,000	44	388,951	7
5,000–7,500	64	398,119	7
2,500–5,000	105	396,171	7
< 2,500	901	402,826	7
Other	350	59,802	1
Total	1,632	5,752,799	100

5 Other property management income

	Group		Parent Company	
	2019	2018	2019	2018
Parking revenue	72,103	68,407	72,104	68,408
Profit on the sale of other non-current assets	—	—	94,555	1,424
Income from external property management assignments and similar assignments	36,510	31,843	36,510	31,843
Income from services performed on behalf of tenants	55,488	83,371	55,488	83,370
Other	2,267	5,413	3,455	5,413
TOTAL	166,368	189,034	262,112	190,458

6 Other property management expenses/Site leasehold fees

	Group		Parent Company	
	2019	2018	2019	2018
Property tax and other risk costs	-16,359	-9,037	-16,359	-9,037
Site leasehold fees	—	-84,382	-84,128	-84,382
Studies	-29,854	-21,153	-29,854	-21,153
Loss on the sale and disposal of other noncurrent assets	—	—	-960	-13,821
Costs for external property management assignments and similar assignments	-23,426	-16,122	-23,426	-16,122
Costs for services performed on behalf of tenants	-44,908	-77,534	-44,908	-77,534
Other	-41,310	-27,908	-40,335	-27,908
TOTAL	-155,857	-236,136	-239,970	-249,957

7 Categorised operating costs

	Group		Parent Company	
	2019	2018	2019	2018
Functions reported in the Income Statements				
Property management	-2,095,939	-2,178,553	-2,155,626	-2,181,664
Central administration costs	-70,466	-78,069	-70,466	-78,069
TOTAL OPERATING COSTS ACCORDING TO FUNCTION	-2,166,405	-2,256,622	-2,226,092	-2,259,733
CATEGORISED FUNCTION COSTS				
Energy, fuel and water	-580,060	-599,777	-580,060	-599,777
Property administration	-94,535	-76,667	-94,535	-72,325
Maintenance costs, material and services purchased	-702,038	-776,509	-693,697	-790,330
Site leasehold fees	—	-84,382	-84,128	-84,382
Property tax	-10,672	-3,775	-10,672	-3,775
Personnel costs	-493,192	-453,886	-477,107	-453,886
Depreciation	—	-6,368	—	—
Other costs	-285,908	-255,258	-285,893	-255,258
TOTAL CATEGORISED OPERATING COSTS	-2,166,405	-2,256,622	-2,226,092	-2,259,733

8 Depreciation, impairment and reversed impairment in property management

	Group		Parent Company	
	2019	2018	2019	2018
Properties	—	—	-1,571,857	-1,309,125
Equipment, fixtures and fittings	—	—	-8,341	-6,368
TOTAL	0	0	-1,580,198	-1,315,493

Depreciation for the Group is recognised under property administration and operating costs.

9 Financial income and expense

	Group		Parent Company	
	2019	2018	2019	2018
Total interest income	43,361	32,057	43,361	32,057
Total interest expense	-420,357	-299,929	-505,611	-391,861
TOTAL NET INTEREST INCOME/EXPENSE	-376,996	-267,872	-462,250	-359,804
UNREALISED CHANGES IN VALUE				
Independent derivatives	-262,627	-159,991	-262,627	-159,991
Fair value hedges	98,091	-160,492	98,091	-160,492
TOTAL UNREALISED CHANGES IN VALUE	-164,536	-320,483	-164,536	-320,483
REALISED CHANGES IN VALUE				
Independent derivatives	-338,931	-39,149	-338,931	-39,149
TOTAL REALISED CHANGES IN VALUE	-338,931	-39,149	-338,931	-39,149
Site leasehold fees	-84,128	—	—	—
NET INTEREST INCOME AND EXPENSE	-964,591	-627,504	-965,717	-719,436

10 Employees and personnel costs

The average number of employees was as follows:

	2019	2018
AKADEMISKA HUS AB		
Women	160	151
Men	330	329
GROUP, TOTAL	490	480

The proportion of women (based on the average number of employees) in the Parent Company and the Group is 33 per cent (31).

GENDER DIVISION, BOARD, GROUP MANAGEMENT AND OTHER PERSONS IN EXECUTIVE POSITIONS

The Board comprises 7 (7) members elected at the Annual General Meeting and 2 (2) members appointed by the employees. 3 (3) of the members are women, i.e. 33 per cent (33). Overall management of the Group rests with the Executive Management, which comprises 5 (5) men and 6 (5) women. The Executive Management team comprises the President, Chief Financial Officer and Vice President, Project Manager, three Market Area Directors, Administrative Manager, Corporate Communications Officer, Head of Innovation and Sustainable Development, the Human Resources Director and the General Counsel.

The Group's and Parent Company's outstanding pension obligations to the President, Regional Directors and other members of Executive Management total KSEK 8,463 (7,239). The subsidiaries do not have any employees and no salaries have been paid.

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

	Group		Parent Company	
	2019	2018	2019	2018
SALARIES AND REMUNERATION				
Board members, President and Vice President	8,069	7,904	8,069	7,904
Other employees	294,637	278,990	294,637	278,990
TOTAL	302,706	286,894	302,706	286,894
SOCIAL SECURITY COSTS				
Board members, President and Vice President	4,747	4,662	4,747	4,662
(of which pension costs)	(2,212)	(2,179)	(2,212)	(2,179)
Other employees	141,477	147,886	141,477	147,886
(of which pension costs)	(48,698)	(59,622)	(48,698)	(59,622)
TOTAL	146,224	152,548	146,224	152,548
(of which pension costs)	(50,910)	(61,801)	(50,910)	(61,801)

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REMUNERATION TO THE BOARD

		2019				2018			
		Directors' fees	Investment Committee	Remuneration Committee	Audit and Finance Committee	Directors' fees	Investment Committee	Remuneration Committee	Audit and Finance Committee
Chair person	Anitra Steen	327	30	10	—	313	30	10	—
Member	Britta Burreau	158	—	—	30	153	—	—	30
Member	Peter Gudmundson	158	—	—	30	153	—	—	30
Employee representative	Thomas Jennlinger	—	—	—	—	—	—	—	—
Employee representative	Anders Larsson	—	—	—	—	—	—	—	—
Member	Christer Nerlich	158	—	—	40	153	—	—	40
Member	Örjan Wikforss	158	20	—	—	153	20	—	—
Member	Ingemar Ziegler	158	20	10	—	153	20	5	—
Member	Anna Magnusson ¹	—	—	—	—	—	—	—	—
Member	Caroline Arehult ²	—	—	—	—	75	10	—	—
Member	Kristina Ekengren ²	—	—	—	—	—	—	—	—
Member	Gunnar Svedberg ²	—	—	—	—	75	5	—	—
TOTAL		1,117	70	20	100	1,225	85	15	100

1) Elected as board member 27 April at the 2018 Annual General Meeting

2) Left the Board of Directors as a board member at the Annual General Meeting 27 April 2018

REMUNERATION TO SENIOR EXECUTIVES

		2019		2018	
		Basic salary ¹	Pension cost	Basic salary ¹	Pension cost
CEO/President	Kerstin Lindberg Göransson	4,192	1,178	4,082	692
CFO/Vice President	Catarina Fritz	2,296	602	2,252	541
Administrative Manager	Jonas Bjuggren	1,987	487	1,979	464
Project Manager	Hayar Gohary	1,649	397	1,573	345
Market Area Director	Peter Bohman	1,623	391	1,591	349
Market Area Director	Magnus Huss	1,595	381	1,504	325
Head of Innovation and sustainable development	Ulf Däversjö	1,592	390	1,592	301
Human Resources Director	Marie Hallander Larsson	1,544	364	1,491	321
CIO	Cecilia Wide	1,273	289	1,215	153
General Counsel	Carolin Åberg Sjöqvist ²	775	288	—	—
Market Area Director	Åsa Henninge ³	571	88	—	—
Market Area Director	Birgitta van Dalen ⁴	1,050	472	1,574	747
TOTAL		20,147	5,327	18,853	4,238

1) No payments were made in addition to the above reported basic salary.

2) Joined Executive Management in July 2019.

3) Joined Executive Management in August 2019.

4) Left Executive Management in August 2019.

11 Fees and disbursements to auditors out of pocket expenses

	Group		Parent Company	
	2019	2018	2019	2018
KPMG AB				
Audit assignment	—	—	—	—
Audit work in addition to the audit assignment	—	90	—	90
Tax consulting	178	145	178	145
Other services	—	—	—	—
TOTAL	178	235	178	235
ÖHRLINGS PRICEWATERHOUSECOOPERS AB				
Audit assignment	1,150	984	1,150	984
Audit work in addition to the audit assignment	—	150	—	150
Tax consulting	743	184	743	184
Other services	454	1,082	454	1,082
TOTAL	2,347	2,400	2,347	2,400
TOTAL	2,526	2,635	2,526	2,635

Audit assignment refers to payment to the auditor for the statutory audit, such as work necessary to submit the audit report. Audit work in addition to the audit assignment in effect refers to what can be designated quality assurance services (for example, examination of a prospec-

tus for an EMTN programme) as well as the provision of advice or other assistance as a result of observations made in conjunction with such an examination or the performance of other such duties.

12 Properties (Group)

The fair value of properties has changed during the year as follows:

	Group	
	31 Dec. 2019	31 Dec. 2018
Change in property holdings, in SEK 1,000		
Opening fair value	85,865,127	80,444,369
+ Investment in new construction, extensions and redevelopment	3,180,449	2,749,796
+ Acquisitions	—	—
+ Capitalised interest expense	85,833	91,932
- Sales	-1,572,299	-6,000
+/- Change in value, unrealised	3,864,779	2,585,030
Of which change in value due to adjusted value index	—	-230,289
Of which change in value due to a change in the cost of capital and yield requirement	2,727,264	1,384,985
Of which change in value due to adjusted value index (valuation status, average remaining term, property type)	361,667	-237,197
Of which capitalised interest expense	-85,833	-91,932
Of which other change in value	861,681	1,759,463
CLOSING FAIR VALUE	91,423,889	85,865,127

	2019	2018
Changes in value, property holdings		
Positive	5,001,479	3,945,051
Negative	-1,136,700	-1,360,021
Result from sales and disposal	6,725	—
TOTAL CHANGES IN VALUE, PROPERTIES	3,871,504	2,585,030

VALUATION MODELS/METHODS

The fair value of the Group's properties as at 31 December 2019 has been set using an internal property valuation. The valuation has been conducted using different valuation methods as follows: SEK 79,174 million (87 per cent) of the fair value has been set through an internal cash flow valuation, where the cash flow figures used comprise the net operating income for each property. Rental revenue was calculated based on current leases and an assessment of market rent level is made after the term of the lease has expired. Operating costs are estimated based on the normalised historical outcome of each property, while maintenance costs and property administrative costs are assessed based on actual costs and key indicators for the industry.

For an initial calculation period of ten years, a current value is computed for the cash flow generated each year using a nominal cost of capital. The residual value from year 11 is calculated based on the market's actual yield targets. Residual value is in turn calculated at the current value using nominal cost of capital. The property's fair value comprises the sum of the current cash flows during the calculation period and the current residual value.

The starting point when choosing the cost of capital is the nominal interest rate on the secondary market for government bonds with a term equivalent to the length of the calculation period. A risk premium is

added to cover the market risk and the property-related risk. The yield targets are assessed, as far as possible, using the property transactions that have been completed on the market and, as far as possible, using comparable properties. Each year, Akademiska Hus has the yield target, cost of capital and other valuation prerequisites verified by two external valuation institutes.

Both the cost of capital for discounting the cash flow as well as the yield target have been differentiated for each property depending on the town, location, lease term and type of premises. The risks are thus analysed in several dimensions and are generally assessed to be higher for properties with shorter leases, installation-intensive premises and properties in less attractive locations.

Expansion reserves, SEK 1,161 million (1 per cent), were measured according to the sales comparison approach based on external valuations. In some cases, the planning conditions for new construction are unclear and consequently the pure land values have been used to establish the fair value. The expansion reserves include construction rights covering a gross area of approximately 1.60 million square metres (GFS).

SEK 11,089 million (12 per cent) of the assessed market value was set based on other valuation methods. This primarily relates to properties with a special risk assessment where a more individually adapted cash flow method has been used to be able to adapt the length of the estimate and yield requirement based on needs. This group also includes objects valued by external valuers or at indicative selling price.

The total fair value of properties includes new construction in progress amounting to SEK 4,610 million (4,404), which has also been valued using the internal cash flow valuation with a deduction for remaining investment.

Valuation conditions 2019

Yield requirements and cost of capital declined by between 0.05 and 0.75 percentage points during the year, due to general price-driving factors in the property market for community properties. Overall, the positive change in value attributable to changes in yield requirements and cost of capital in 2019 amounted to SEK 2,727 million (1,385). Well-located, efficient properties with a strong customer base and good rental potential are in greatest demand and are naturally less sensitive to external changes and are therefore assigned a lower yield requirement.

Characteristic of Akademiska Hus are long leases with stable, credit-worthy customers. The majority of tenants have a public principal and thus a very good credit rating, which means a low rent risk during the term of the lease. Around 85 per cent of income derives from the dominant customer group, universities and colleges. All centres of education, apart from Chalmers University of Technology, have the Swedish state as principal and thus have a high credit rating. The average remaining lease term is 6.5 years (6.5). The valuation divided the leases into three categories based on average remaining lease term. For valuation properties with a longer remaining lease term, the relative risk is lower as the cash flow valuation is based predominantly on hedged revenue flows.

The city, town and location classifications have been based in part on the general division of the property market. Larger and important cities and towns have been assigned a higher degree of attractiveness from, for example, a demographic, employment and economic point of view. From the point of view of higher education and research, in addition to Sweden's three largest cities – Stockholm, Gothenburg and Malmö – the classic university towns of Lund and Uppsala, and to a certain extent Linköping and Umeå, are considered to be more attractive and more stable over the long term. The division into different cities, towns and locations reflects the demand on the market and the attractiveness of the properties. Inner-city locations in Stockholm and Gothenburg are in greatest demand and most attractive while smaller, rural locations are less in demand.

Akademiska Hus operates in a specific segment of the property market, which means that our properties are more adapted to specialist uses and consequently they have a slightly more uncertain residual value than for more general properties, such as office buildings and residential

buildings. This means that many of our properties are not available for new tenants or other purposes without substantial redevelopment. After an initial calculation period, assessment of the residual value needs to reflect the more property specific risks in more concrete terms. An assessment of the uncertainty regarding modernity, standard/condition, technical risk and redevelopment/adaptation requirements is made at the point at which residual value is calculated. These risks are quantified mainly in the form of charges to cash flow and in the direct yield target.

The cost of capital for the cash flow varies for different properties within the range 5.93–11.74 per cent depending on the lease term, town/city, location, and type of premises. The long-term yield target varies between 3.85 per cent and 9.55 per cent depending on the town/city, location and type of premises.

The average yield target and cost of capital for each segment are shown in the table below.

	31 Dec. 2019		31 Dec. 2018	
	Yield target, %	Cost of capital, %	Yield target, %	Cost of capital, %
South	5.4	7.5	5.7	7.8
Mid-Sweden	4.8	6.9	5.0	7.1
North	5.6	7.7	5.8	8.0
Group	5.1	7.2	5.4	7.5

Other assumptions

The following assumptions form the basis for the internal market valuation:

Valuation assumptions

Lease term	10 years, > 6 years < = 10 years, < = 6 years
Division into town, city, location	26 towns, cities, locations
Special adaptation/type of premises	Installation-intensive premises/ non-installation-intensive premises
Calculation period	10 years
Inflation assumption, year 1	2.0%
Inflation assumption, years 2–10	2.0%
Vacant space	Actual and/or 3%
Property administration	SEK 45/m ²
Maintenance costs, non-installation-intensive premises	SEK 100/m ²
Maintenance costs, installation-intensive premises	SEK 140/m ²

Assumptions about inflation have been made based on the views of different forecasters, such as the National Institute of Economic Research, the Swedish central bank and other banks. The long-term inflation assumption of 2 per cent corresponds with the Swedish central bank's long-term inflation target. The rent trend during the term of the lease is estimated at maximum of inflation (CPI), with consideration taken to the index share of the lease. Actual vacancy is applied as it occurs and after the contract period a standard vacancy rate of 3 per cent is applied. Standard formulas are applied for property administration costs and maintenance costs.

Sensitivity analysis

The sensitivity analysis shows how the fair value is affected in conjunction with changes in different variables. The impact on profit of a change in value, however, would not affect the cash flow as it is unrealised.

Notes

Change	Impact on fair value, SEK m	Impact on fair value, percentage points
Rental revenue, +/- one per cent	+/- 458	0.5
Vacant space, +/- one percentage point	+/- 748	0.8
Operating costs, +/- one per cent	+/- 90	0.1
of which media provision	+/- 45	0.1
Maintenance costs, +/- SEK 10/m ²	+/- 555	0.8
Property administration, +/- SEK 10/m ²	+/- 555	0.8
Cost of capital, + one percentage point	-5,397	-5.9
Cost of capital, - one percentage point	5,949	6.5
Yield target, + one percentage point	-7,567	-8.3
Yield target, - one percentage point	11,514	12.6

A change in maintenance costs that affects the profit and return on equity has been calculated based on actual maintenance costs. The impact on fair value has been calculated based on a standard maintenance cost and standard property administration cost in the valuation model.

Other

There are no limits with regard to the right to sell the properties or use the rental revenue.

All properties are leased under operational lease agreements and generate rental revenue. The rental revenue during the period amounted to KSEK 6,050,479 (5,927,669) and the direct costs for the properties during the period totalled KSEK 2,095,939 (2,178,553).

External valuation

To assure the internal valuation, selected properties are valued each year by external valuation companies. During the year, valuation buildings at a fair value of SEK 27,782 million were valued externally, corresponding to approximately 30 per cent of the Akademiska Hus total fair value. The 2019 valuations were carried out by Svefa AB, an appraisal firm that is authorised by the Swedish Professionals for the Built Environment. The external valuations confirm the reliability of the internal valuation model.

13 Properties (Parent Company)

Carrying amount for properties amounted to KSEK 45,318,125 (44,373,630). The amount includes land, land systems, buildings, build- ing equipment, land equipment and ongoing projects.

Fiscal residual value amounted to KSEK 27,718,787 (27,288,820).

The carrying amount of properties changed as follows during the year:

	Parent Company	
	31 Dec. 2019	31 Dec. 2018
Opening acquisition value	58,348,099	55,639,687
Investment in new construction and redevelopment	3,180,449	2,749,796
Sales and disposals	-813,388	-41,384
CLOSING ACCUMULATED ACQUISITION VALUE	60,715,160	58,348,099
Opening impairments	6,911,789	7,082,756
Depreciation for the year on revaluations	-169,279	-170,967
CLOSING ACCUMULATED REVALUATIONS	6,742,510	6,911,789
Opening depreciation	-20,738,738	-19,632,018
Reclassifications	-100	-1,218
Sales and disposals	259,099	18,737
Depreciation for the year	-1,314,711	-1,124,239
CLOSING ACCUMULATED DEPRECIATION ACCORDING TO PLAN	-21,794,450	-20,738,738
Opening impairments	-147,520	-139,067
Reclassifications	100	1,218
Sales and disposals	10,033	5,068
Reversed impairments	18,362	9,967
Impairments for the year	-226,070	-24,706
CLOSING ACCUMULATED IMPAIRMENTS	-345,095	-147,520
CARRYING AMOUNT	45,318,125	44,373,630

14 Appropriations and untaxed reserves

	Parent Company	
	31 Dec. 2019	31 Dec. 2018
APPROPRIATIONS		
Change in tax allocation reserve	-18,106	543
Difference between recorded depreciation and depreciation according to plan	-18,600	-138,100
TOTAL	-36,706	-137,557
UNTAXED RESERVES		
Tax allocation reserve, provision made 2013	—	441,894
Tax allocation reserve, provision made 2014	447,887	447,887
Tax allocation reserve, provision made 2015	507,298	507,298
Tax allocation reserve, provision made 2016	537,145	537,145
Tax allocation reserve, provision made 2017	571,000	571,000
Tax allocation reserve, provision made 2018	480,000	480,000
Tax allocation reserve, provision made 2019	460,000	—
Additional depreciation	1,377,139	1,358,539
TOTAL	4,380,469	4,343,763

15 Segment reporting

The Group's operations are controlled and reported by unit. Segment reporting has been prepared using the same accounting policies applied to the Group as a whole. Revenue per segment is based on organisational affiliation, whilst assets and liabilities are based on the tenant's physical location.

All revenue is generated in Sweden and all units engage in property management.

For details of larger customers, see Note 4.

No sales between the segments have taken place.

Investments refer to gross investments in properties, construction of properties in progress and equipment, fixtures and fittings. Other operations refer to operations that are not attributable to the segments.

Net operating income is the most important measure of performance and is reported and followed up on a regular basis by the Group's supreme decision-maker. The profit after net operating income is not reported and is not followed up for each segment. Properties are the asset measurement that is reported internally and is followed up for each segment. Internal follow-up of other assets and liabilities only takes place on the overall level for the Group.

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Segment information 1 Jan. 2019 – 31 Dec. 2019	South	Mid-Sweden	North	Total, operating segments	Other operations ¹	Group
Rental revenue	1,598,190	2,896,438	1,555,851	6,050,479	—	6,050,479
Other property management income	35,340	85,815	45,023	166,178	190	166,368
Total income	1,633,530	2,982,253	1,600,874	6,216,657	190	6,216,847
Operating costs	-285,166	-362,231	-239,575	-886,972	-4,231	-891,203
Maintenance costs	-188,559	-223,379	-206,930	-618,868	-44	-618,912
Property administration	-80,476	-77,284	-71,212	-228,972	-200,996	-429,968
Other property management expenses	-33,398	-55,874	-54,491	-143,763	-12,093	-155,857
Total costs, property management	-587,599	-718,768	-572,208	-1,878,575	-217,364	-2,095,939
NET OPERATING INCOME	1,045,931	2,263,485	1,028,666	4,338,082	-217,174	4,120,908
Central administration costs						-70,466
Interest income						43,361
Interest expense						-420,357
Site leasehold fees						-84,128
PROFIT BEFORE CHANGES IN VALUE AND TAXES						3,589,318
Change in value, properties	1,063,170	2,583,888	224,446	3,871,504	—	3,871,504
Change in value, financial instruments						-503,467
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME						6,957,354
Total assets include:						
Properties	21,305,675	48,238,745	21,879,469	91,423,889	—	91,423,889
of which invested during the year	687,846	1,935,733	642,703	3,266,282	—	3,266,282
Segment information 1 Jan. 2018 – 31 Dec. 2018	South	Mid-Sweden	North	Total, operating segments	Other operations ¹	Group
Rental revenue	1,567,910	2,785,017	1,574,786	5,927,713	-44	5,927,669
Other property management income	48,997	76,280	63,757	189,034	—	189,034
Total income	1,616,907	2,861,297	1,638,543	6,116,747	-44	6,116,703
Operating costs	-279,181	-352,454	-248,447	-880,082	-13,552	-893,634
Maintenance costs	-182,537	-335,549	-157,811	-675,897	-490	-676,387
Property administration	-72,416	-72,400	-58,672	-203,488	-168,907	-372,395
Other property management expenses ²	-41,204	-125,210	-52,991	-219,405	-16,731	-236,136
Total costs, property management	-575,338	-885,613	-517,921	-1,978,872	-199,680	-2,178,553
NET OPERATING INCOME	1,041,569	1,975,684	1,120,622	4,137,875	-199,724	3,938,151
Central administration costs						-78,069
Interest income						32,057
Interest expense						-299,929
Site leasehold fees						—
PROFIT BEFORE CHANGES IN VALUE AND TAXES						3,592,206
Change in value, properties	322,278	1,531,519	731,233	2,585,030	—	2,585,030
Change in value, financial instruments						-359,632
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME						5,817,604
Total assets include:						
Properties	19,570,659	44,927,148	21,367,320	85,865,127	—	85,865,127
of which invested during the year	535,803	1,886,569	419,356	2,841,728	—	2,841,728

1) "Other operations" refer to operations that are not attributable to the respective segment. 2) For 2018 site leasehold fees are included in other property management expenses.

16 Tax

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
TAX ON PROFIT FOR THE YEAR				
<i>Current tax</i>				
Current tax on profit for the year	-336,197	-314,677	-336,197	-314,677
Total current tax	-336,197	-314,677	-336,197	-314,677
<i>Deferred tax attributable to temporary differences</i>				
Financial instruments	35,545	64,851	35,545	64,851
Properties	-998,180	-1,006,805	-43,809	-96,728
Tax allocation reserve	-3,983	119	—	—
Pension provisions	3,313	9,705	—	—
Effect of change in tax rate	—	743,148	—	154,939
Total deferred tax	-963,305	-188,982	-8,264	123,062
TOTAL TAX ON PROFIT FOR THE YEAR	-1,299,502	-503,659	-344,461	-191,615

The difference between the reported tax expense and tax expense based on the current tax rate comprises the following components:

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Reported profit before tax	6,957,354	5,817,604	2,322,378	1,685,908
Tax at the current tax rate	-1,488,874	-1,279,873	-496,989	-370,900
Tax effect of expenses that are not tax deductible/taxable (permanent differences):				
Non-deductible expenses	-1,427	-1,738	-1,427	-1,738
Non-taxable revenues	—	8,658	—	8,658
Taxable standard interest calculated on the tax allocation reserve	-6,095	-2,340	-6,095	-2,340
Non-taxable sale of subsidiary	175,299	—	—	—
Anticipated dividend from subsidiary	—	—	175,159	—
Effect of change in tax rate	38,527	743,148	—	154,939
Adjustment of tax expense for previous years	-15,109	28,486	-15,109	19,766
Other	-1,823	—	—	—
TOTAL REPORTED TAX EXPENSE	-1,299,502	-503,659	-344,461	-191,615

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
<i>Deferred tax assets attributable to temporary differences</i>				
Financial instruments	121,871	86,325	121,870	86,325
Pension provisions	72,271	51,617	—	—
Total, reported deferred tax receivables	194,142	137,942	121,870	86,325
<i>Deferred tax liabilities attributable to temporary differences</i>				
Tax allocation reserve	-660,733	-656,749	—	—
Properties	-12,109,055	-11,110,875	-2,327,576	-2,283,767
Total, reported deferred tax liability	-12,769,788	-11,767,624	-2,327,576	-2,283,767
TOTAL, REPORTED DEFERRED TAX LIABILITY	-12,575,646	-11,629,682	-2,205,706	-2,197,442

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Cash flow hedge				
- actuarial gains and losses	17,341	8,193	—	—
TOTAL DEFERRED TAX REPORTED IN OTHER COMPREHENSIVE INCOME	17,341	8,193	0	0

17 Dividend

The dividend paid to the shareholder on 02 May 2019 totalled SEK 1,663,000,000 (1,630,000,000). The dividend per share was SEK 778.92 (763.47).

As regards the dividend for the year, the Board proposes a dividend of SEK 892.27 per share, for a total of SEK 1,905,000,000, to be paid to the shareholder as instructed by the owner. A decision regarding a dividend will be reached by the shareholder at the Annual General Meeting. The dividend has not been recorded as a liability in the Annual Report.

Available for allocation at the Annual General Meeting:

Profit brought forward	SEK 744,112,503
Profit for the year	SEK 1,977,916,813
Total	SEK 2,722,029,316

The Board of Directors and the President propose that the profit be allocated in such a way that SEK 1,905,000,000 is paid to the shareholder and SEK 817,029,316 is carried forward.

PROFIT USED AS A BASIS FOR CALCULATION OF DIVIDEND, SEK M

	Outcome consolidated results	Changes in value in the Group	Profit used for calculation of dividend
Income from property management	6,217		6,217
Property management expenses	-2,096		-2,096
NET OPERATING INCOME	4,121		4,121
Central administration costs	-70		-70
Interest income	43		43
Interest expense	-420		-420
Site leasehold fees	-84		-84
PROFIT BEFORE CHANGES IN VALUE AND TAXES	3,589		3,589
Changes in value, properties	3,872	-3,864	8
Changes in value, financial instruments	-503	165	-338
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	6,957	-3,699	3,259
Tax/current tax	-1,300	762	-538
PROFIT AFTER TAX	5,658	-2,937	2,721
Dividend, 70% of the profit available for the payment of a dividend			1,905

The dividend as decided at the Annual General Meeting held on 29 April 2019 was SEK 1,663 million.

18 Equipment, fixtures and fittings

	Group		Parent Company	
	2019	2018	2019	2018
Opening acquisition value	98,668	77,199	98,668	77,199
Purchases for the year	6,589	21,470	6,589	21,470
CLOSING ACCUMULATED ACQUISITION VALUE	105,257	98,669	105,257	98,669
Opening depreciation	-75,449	-69,082	-75,449	-69,082
Depreciation for the year	-8,341	-6,368	-8,341	-6,368
CLOSING ACCUMULATED DEPRECIATION	-83,790	-75,450	-83,790	-75,450
CARRYING AMOUNT	21,467	23,219	21,467	23,219

During the year KSEK 3,929 (0) was invested in intangible assets.

19 Shares in Group companies

					Parent Company	
					2019	2018
Opening acquisition value					650	650
Acquisition of subsidiaries					—	—
Sale of subsidiaries					—	—
CARRYING AMOUNT					650	650
					2019	2018
Parent Company directly owned companies	Company reg.no	Registered office	Total number of shares	Share of equity in % ¹	2019	2018
Akademiska Hus Utveckling och Support AB	556610-2975	Gothenburg	500 (500)	100 (100)	500	500
Kunskapsmiljön 7 AB	556966-0037	Gothenburg	500 (500)	100 (100)	50	50
Akademiska Hus Holding AB	556981-6803	Gothenburg	100 (100)	100 (100)	100	100
TOTAL					650	650
					2019	2018
Parent Company indirectly owned companies	Company reg. no	Registered office	Total number of shares	Share of equity in % ¹	2019	2018
Akademiska Hus Kunskapen 1 AB	559210-5687	Gothenburg	500 (500)	100 (100)	50	0
TOTAL					50	0

1) Corresponds to the number of votes.

20 Loans and financial instruments

FINANCIAL INSTRUMENTS BY CATEGORY, SEK 1,000	2019				
	Derivatives measured at fair value through profit and loss	Measured at fair value through profit and loss	Measured at amortised cost	Total carrying amount	Total fair value
Non-current assets					
Currency derivatives					
Interest rate derivatives	1,312,430			1,312,430	1,312,430
Cross currency interest rate derivatives	2,991,135			2,991,135	2,991,135
Electricity derivatives					
TOTAL NON-CURRENT ASSETS	4,303,565	—	—	4,303,565	4,303,565
Current assets					
Currency derivatives	1,256			1,256	1,256
Interest rate derivatives	5,234			5,234	5,234
Cross currency interest rate derivatives					
Electricity derivatives	7,017			7,017	7,017
Current investments		2,179,944		2,179,944	2,179,944
Accounts receivable			538,450	538,450	538,450
Cash and cash equivalents			2,157,014	2,157,014	2,157,014
TOTAL CURRENT ASSETS	13,507	2,179,944	2,695,464	4,888,915	4,888,915
Non-current liabilities					
Currency derivatives					
Interest rate derivatives	-1,660,141			-1,660,141	-1,660,141
Cross currency interest rate derivatives					
Electricity derivatives	-62			-62	-62
Swedish bonds			-10,566,332	-10,566,332	-13,185,977
Foreign bonds		-18,142,983		-18,142,983	-18,142,983
Other loans			-1,307,163	-1,307,163	-1,334,732
TOTAL NON-CURRENT LIABILITIES	-1,660,203	-18,142,983	-11,873,495	-31,676,681	-34,232,895
Current liabilities					
Currency derivatives	-124,245			-124,245	-124,245
Interest rate derivatives	-10,129			-10,129	-10,129
Cross currency interest rate derivatives					
Electricity derivatives					
ECP			-3,545,890	-3,545,890	-3,546,340
Swedish bonds			-1,368,877	-1,368,877	-1,388,511
Foreign bonds					
Other loans			-16,990	-16,990	-16,990
Accounts payable			-300,755	-300,755	-300,755
TOTAL CURRENT LIABILITIES	-134,374	—	-5,232,513	-5,366,886	-5,386,970

The amount shown in the table is the Group's cash and cash equivalents. The Parent Company has KSEK 1,338,129 in cash and cash equivalents. All derivatives are held for hedging purposes. The fair value of accounts receivable, cash and cash equivalents and accounts payable corresponds to the carrying amount.

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FINANCIAL INSTRUMENTS BY CATEGORY, SEK 1,000	2018				
	Derivatives measured at fair value through profit and loss	Measured at fair value through profit and loss	Measured at amortised cost	Total carrying amount	Total fair value
Non-current assets					
Currency derivatives					
Interest rate derivatives	805,937			805,937	805,937
Cross currency interest rate derivatives	791,999			791,999	791,999
Electricity derivatives	16,324			16,324	16,324
TOTAL NON-CURRENT ASSETS	1,614,260	—	—	1,614,260	1,614,260
Current assets					
Currency derivatives					
Interest rate derivatives	25,439			25,439	25,439
Cross currency interest rate derivatives					
Electricity derivatives	41,408			41,408	41,408
Current investments		1,841,605		1,841,605	1,841,605
Accounts receivable			651,707	651,707	651,707
Cash and cash equivalents			1,462,187	1,462,187	1,462,187
TOTAL CURRENT ASSETS	66,847	1,841,605	2,113,894	4,022,346	4,022,346
Non-current liabilities					
Currency derivatives					
Interest rate derivatives	-829,817			-829,817	-829,817
Cross currency interest rate derivatives	-111,513			-111,513	-111,513
Electricity derivatives					
Swedish bonds			-11,719,726	-11,719,726	-13,727,590
Foreign bonds		-15,220,104		-15,220,104	-15,220,104
Other loans			-1,322,137	-1,322,137	-1,033,211
TOTAL NON-CURRENT LIABILITIES	-941,330	-15,220,104	-13,041,863	-29,203,297	-30,922,235
Current liabilities					
Currency derivatives					
Interest rate derivatives	-28,267			-28,267	-28,267
Cross currency interest rate derivatives	-107,857			-107,857	-107,857
Electricity derivatives					
ECP			-2,800,067	-2,800,067	-2,854,672
Swedish bonds			-2,443,110	-2,443,110	-2,455,813
Foreign bonds					
Other loans			-15,514	-15,514	-15,514
Accounts payable			-415,958	-415,958	-415,958
TOTAL CURRENT LIABILITIES	-136,124	—	-5,674,649	-5,810,773	-5,878,081

The amount shown in the table is the Group's cash and cash equivalents. The Parent Company has KSEK 1,462,043 in cash and cash equivalents. All derivatives are held for hedging purposes. The fair value of accounts receivable, cash and cash equivalents and accounts payable corresponds to the carrying amount.

Loans

The Group's financing takes place mainly through the public financing programmes. Through their standardised terms and conditions, these permit rational, cost-effective financing. The Group has international ECP and EMTN programmes, as well as a domestic commercial paper programme. The MTN programme has not been updated since 2009. Loans are reported at amortised cost except for loans included in the hedge accounting which are measured at fair value through profit and loss. The Group's risk management is presented in note 21 Financial risk management. The average capital for bank financing during 2019 was SEK 60 million (103).

FINANCING COST

The finance net amounted to SEK -965 million (-628) and the average net debt portfolio was SEK 31,014 million (29,941). The financing cost amounted to 2.60 per cent (2.30), calculated as interest expense in relation to debt, excluding site leasehold fees and pensions. The changes in value in the financial derivative instruments correspond to an increase in interest expense of 1.39 per cent (1.33).

FINANCING COST, BREAKDOWN, %

	2019	2018	2017	2016	2015
Loan financing cost, including charges	1.07	0.88	0.74	0.83	1.38
Interest swaps, net interest, %	0.14	0.09	0.20	0.47	0.58
Financing cost, %	1.21	0.97	0.94	1.30	1.96
Changes in value, financial derivatives, %	1.39	1.33	0.85	0.85	-0.74
TOTAL FINANCING COST	2.60	2.30	1.79	2.15	1.22

EFFECT OF FINANCIAL DERIVATIVES ON PROFIT

Independent interest rate derivatives are reported at fair value and variations in market value are recognised in net interest income and expense. Interest derivatives are mainly entered into with the aim of extending the fixed interest period in the debt portfolio, which largely consists of financing at floating interest rates. Falling interest rates entail a negative impact on profit from these interest rate derivatives and the opposite is true when interest rates rise. The changes in value relate to the changed present value of future cash flows from interest rate derivatives, at prevailing interest rates. Consequently these do not have any immediate effect on cash flow, as long as they remain unrealised. Certain interest rate derivatives are closed and settled on an ongoing basis (monthly or quarterly) and replaced with new ones, which means that profits are continuously realised. Falling interest rates, combined with interest rate derivatives for purposes of extension, mean that interest expense will be higher than if the extension had not been implemented. However, the lower interest rate can be used when refinancing and with sales of fixed interest at a later date. As time passes, no surplus or deficit values of interest rate derivatives will remain at maturity.

The currency and interest risks that arise in conjunction with long-term financing, usually bonds in foreign currency, are hedged with cross currency interest rate derivatives. The changes in value for each instrument can be attributed to changes in both exchange rates and interest rates. Hedge accounting is applied for these forms of financing, where only the inefficiency that arises due to different valuation practices is recognised in the income statement.

Financial instruments valued at fair value

The following table shows the financial assets and liabilities that are valued at fair value. They are classified in a hierarchy, comprising three levels and based on the information used to determine their fair value.

Level 1 refers to when fair value is determined by listed prices on active markets for identical assets and liabilities. Level 2 refers to when fair value is set based on observable data other than listed prices on active markets. Level 3 refers to when the set fair value is essentially based on data that is not observable, i.e. the Company's own assumptions. The fair value of financial assets and liabilities is set by using information that is attributable to one or more of the above-mentioned levels. The classification is determined by the lowest level in the hierarchy for the information that has a material impact on the value. The Group mainly holds derivatives that are on level 2. The valuation of the instruments is done according to the zero coupon method, which means that all the future cash flows of the instrument are set at the current value. The zero coupon interest rates used to discount the cash flows are calculated according to practice using DEPO/FRA/SWAP listings as a foundation. The source of this information is real-time data from Bloomberg.

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit and loss				
Current investments		2,179,944		2,179,944
Independent derivatives		1,325,937		1,325,937
Fair value hedges		2,991,135		2,991,135
TOTAL ASSETS	—	6,497,016	—	6,497,016
Financial liabilities measured at fair value through profit and loss				
Independent derivatives		-1,794,577		-1,794,577
Fair value hedges				
Bonds (fair value)		-18,142,983		-18,142,983
TOTAL LIABILITIES	—	-19,937,560	—	-19,937,560
	2018			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit and loss				
Current investments		1,841,605		1,841,605
Independent derivatives		889,108		889,108
Fair value hedges		791,999		791,999
TOTAL ASSETS	—	3,522,712	—	3,522,712
Financial liabilities measured at fair value through profit and loss				
Independent derivatives		-965,941		-965,941
Fair value hedges		-111,513		-111,513
Bonds (fair value)		-15,220,104		-15,220,104
TOTAL LIABILITIES	—	-16,297,558	—	-16,297,558

Notes

Fair value measurement	Measurement method	31 Dec. 2019		31 Dec. 2018	
		Fair value	Impact on profit	Fair value	Impact on profit
Derivatives – independent and in hedge relationship	Discounted cash flows: The valuation model uses the present value of future cash flows	2,522,495	830,320	603,653	-235,113
Current investments: Discount paper	Discounted cash flows: The valuation model uses the present value of future cash flows	2,179,944	-93	1,841,605	-1,649
Bond	Discounted cash flows: The valuation model uses the present value of future cash flows	-18,142,983	-1,331,855	-15,220,104	-124,519

MATERIAL CONTRACTUAL TERMS AND CONDITIONS

The general terms and conditions for the EMTN and MTN programmes include a clause which specifies that if the Swedish state ceases, directly or indirectly, to hold more than 50 per cent of the shares, equivalent to more than 50 per cent of the shareholding and more than 50 per cent of the votes, the loans and any interest shall fall due for repayment immediately. The contractual terms and conditions for the short-term financing programmes do not include any equivalent undertaking. Ever since the programmes were established, the Group's policy has been not to accept any terms and conditions that require, for example, that a certain rating, equity ratio or interest coverage ratio be maintained.

HEDGE ACCOUNTING

When financing in a foreign currency, all future payment flows are hedged so that the exchange risk is eliminated. Through cross currency interest rate derivatives agreements, all interest payments, both fixed and floating, are hedged as well as future repayments. All the measures taken have the express purpose of hedging and eliminating an exchange rate risk so that all financing is denominated in Swedish kronor. Effective hedging means that changes in the value of the hedged position and the hedging instrument on balance counteract each other.

CAPITAL MANAGEMENT

The Group strives to achieve good growth in profit, financial sustainability and financial capacity. The financial objectives are set to provide a combination of a high return on equity, high growth capacity and financial stability.

According to the owner's financial targets for Akademiska Hus, the dividend should amount to between 40 and 70 per cent of the net profit after tax after reversal of changes in fair value and related deferred tax. When deciding on a dividend, consideration should be given to the Group's capital structure and capital requirements. The equity ratio should be between 35 and 45 per cent and return on operating capital should be at least 6.0 per cent over a business cycle.

At the end of 2019, the equity ratio was 45.7 per cent (45.8) for the Group and 18.5 per cent (19.4) for the Parent Company. After the dividend of SEK 1,905 million proposed by the Board of Directors, the equity ratio will be 44.7 per cent for the Group and 15.7 per cent for the Parent Company.

The Group's capital structure comprises an interest-bearing net loan debt and equity attributable to the Parent Company's shareholder (share capital, other contributed capital, retained earnings, including profit for the year).

Capital management, SEK 1,000	Group		Parent Company	
	2019	2018	2019	2018
Gross debt	-34,948,235	-33,520,658	-34,948,235	-33,520,658
Assets				
Collateral for derivatives, net	-2,567,318	-890,663	-2,567,318	-890,663
Cash and cash equivalents	4,336,958	3,303,792	3,518,073	3,303,648
Current receivables	277,509	691,869	277,509	691,869
NET DEBT	-32,901,086	-30,415,660	-33,719,917	-30,415,804
Interest-bearing portion of pension liability	-661,924	-555,339	-311,094	-304,772
Site leasehold fees	-2,736,336	—	—	—
TOTAL INTEREST-BEARING DEBT	-36,299,346	-30,970,999	-34,031,065	-30,720,576

All loans are included in gross debt. The net debt portfolio includes some current receivables, cash and cash equivalents and security transfers for derivatives.

21 Financial risk management (Group)

Akademiska Hus carries on active debt management where the strategy is to weigh the financial risks, given the existing mandate, against the desired low and stable financing cost over time. The two key policy documents adopted by the Board are:

- Finance Policy: Describes the long-term strategic orientation, the Group's approach to financial risks and the mandate to handle these risks, as well as the allocation of accountability.
- Plan for handling financial risks (Risk Plan): Justifies annual mandates for financial risk management in the light of the risk scenario and existing exposure. Also includes analysis of developments in financial markets, including both opportunities and challenges from the point of view of debt management.

INTEREST RATE RISK

The term "interest risk" refers to the risk that the Group's net interest income and expense may vary due to a change in market interest rates. A balance must be reached between saving and uncertainty on the one hand and higher costs (risk premium) and predictability on the other. The average fixed interest period is a measure of the sensitivity in net interest income and expense in conjunction with a change in market interest rates; The longer the fixed interest period, the longer it takes for an interest rate change to be reflected in current cash flow. Since it is not possible to achieve a desired fixed interest on individual financing occasions, interest derivatives are used to adjust the fixed interest period.

According to the Finance Policy, there should be a mandate to manage interest rate risk in the three main sub-portfolios as follows:

Long-term bond portfolio – bonds denominated in SEK with fixed interest and maturity terms in excess of 15 years. These bonds represent a significant interest risk exposure, which justifies a separate mandate. The portfolio is therefore permitted to amount to a maximum of 20 per cent (20) of the total portfolio. At the turn of the year, long-term bonds totalling SEK 5,567 million (5,576) were issued, equivalent to 16.8 per cent (17.0) of the total portfolio.

Index-linked bond portfolio – bonds linked to the real interest rate, must not exceed 5 per cent (10) of the total portfolio. At the turn of the year, index-linked bonds totalling SEK 500 million (900) were issued, equivalent to 1.5 per cent (2.7) of the total portfolio.

Basic portfolio – consists of the remaining portion of commercial paper, ECPs, bonds, loans and interest rate derivatives. The portfolio is managed within an average fixed interest period mandate. The current mandate is a fixed interest period of 3 to 6 years (3 to 6 years). The fixed interest period at the year-end was 3.6 years (4.1), including interest derivatives.

MATURITY STRUCTURE FOR LIABILITY MATURITY AND FIXED INTEREST PERIODS, SEK M

	Maturity SEK m	Fixed interest SEK m
2020	5,044	13,825
2021–2025	10,535	11,764
2026–2030	3,880	900
2031–2035	776	200
2036–2040	3,032	2,301
2041–2045	6,725	2,530
2046–2050	2,033	505
TOTAL	32,025	32,025

The table above shows the nominal amounts. Cross currency interest rate derivatives affect the financial position and earnings of the Group as shown in the tables below. Hedge accounting is applied for cross currency interest rate derivatives.

CROSS CURRENCY INTEREST RATE DERIVATIVES WHERE HEDGE ACCOUNTING IS APPLIED	2019				
	AUD	CHF	EUR	HKD	USD
Carrying amount (SEK 1,000)	75,221	1,524,051	1,196,165	104,506	91,192
Nominal amount in each currency	91,000	850,000	510,000	1,314,000	100,000
Maturity	2026–2032	2021–2044	2032–2048	2021	2023–2027
Hedge ratio	1:1	1:1	1:1	1:1	1:1
Change in value for outstanding derivatives since 1 January SEK 1,000	-76,550	-949,315	-1,087,049	-103,849	-90,294
Change in value of the hedged item to determine effectiveness SEK 1,000	73,704	914,169	1,022,294	108,400	90,424
Weighted average for forward rate during the year	3.52	0.82	1.73	1.86	2.78

CROSS CURRENCY INTEREST RATE DERIVATIVES WHERE HEDGE ACCOUNTING IS APPLIED	2018				
	AUD	CHF	EUR	HKD	USD
Carrying amount (SEK 1,000)	-1,284	581,954	96,537	1,625	1,653
Nominal amount in each currency	91,000	850,000	440,000	1,314,000	100,000
Maturity	2026–2032	2021–2044	2032–2048	2021	2023–2027
Hedge ratio	1:1	1:1	1:1	1:1	1:1
Change in value for outstanding derivatives since 1 January SEK 1,000	1,656	348,083	103,566	120,038	62,399

Notes

In conjunction with debt issuance denominated in foreign currency, Akademiska Hus enters into cross currency interest rate derivative agreements where the critical terms match for the hedged item and the hedging instrument. Accounting ineffectiveness arises since the basis spreads only affect the market valuation of derivatives and not the valuation of the issued bonds.

Interest rate swaps affect the financial position and earnings of the Group as shown in the table below.

Interest rate derivatives where hedge accounting is not applied, SEK 1,000	2019 Fair value	2018 Fair value
Carrying amount	-352,604	-106,298
Nominal amount	6,150,000	3,600,000
Maturity	2020–2024	2019–2028

The table above shows the nominal amount and maturity for the swaps that are current as at the closing day. Nominal amount for forward starting swaps is KSEK 4,600,000 (9,600,000).

Interest sensitivity

Akademiska Hus' profit is sensitive to higher/lower interest expense due to changes in interest rates. Interest risk shows a change in value in SEK 1,000 at an interest rate movement of one percentage point. This interest sensitivity amounts to KSEK 22,263 (22,160) at year-end 2019.

FOREIGN CURRENCY RISK

A foreign currency risk is the risk that exchange rate changes will have an impact on the Income Statements and Statement of financial position. According to the Finance Policy, all foreign currency risk in conjunction with financing in foreign currency should be eliminated since the operation is denominated exclusively in Swedish kronor. All payment flows in foreign currency attributable to financing are therefore hedged with the aid of forward rate agreements and cross currency derivative agreements.

CURRENCY BREAKDOWN, LOANS AND DERIVATIVES, SEK M

Original currency	Loans	Derivatives	Total
AUD	595	-595	0
CHF	8,197	-8,197	0
EUR	5,336	-5,336	0
HKD	1,576	-1,576	0
SEK	13,234	18,651	31,885
USD	4,484	-4,484	0
TOTAL	33,422	-1,537	31,885

The table above shows the nominal amounts. The nominal amounts have been recalculated at the year-end rate.

Reference rates

As a result of the IBOR reform, we will use new reference rates in the future. The table for currency distribution above shows outstanding nominal volumes for our bonds denominated in foreign currency for which we apply hedge accounting. The change in reference rate will affect the market valuation of these bonds and their associated derivatives. We are monitoring developments related to this reform, but believe that it will have a limited impact on accounting.

Currency derivatives affect the financial position and earnings of the Group as follows:

Currency derivatives where hedge accounting is not applied, SEK 1,000	2019	2018
Carrying amount	-122,989	-28,267
Nominal amount	3,689,810	2,858,118
Maturity	2020	2019

LIQUIDITY AND REFINANCING RISK

Refers to the risk that the Group will be exposed to higher than expected expenses or that financing potential is limited when loans are due to be refinanced. The aim is to limit the costs of maturity by seeking to strike a balance between short-term, medium-term and long-term financing, and endeavouring to achieve diversification between different financing arrangements and markets. The Group's extremely high creditworthiness allows a diversified supply of credit through the public financing programmes.

According to the maturity mandate, a maximum of 40 per cent (40) may fall due for refinancing within a 12-month period. At the year-end the percentage maturing within 12 months was 17.6 per cent (16.1 per cent). Unutilised credit facilities should be in place to guarantee good payment capacity.

The Group's cash and bank balances at the end of 2019 totalled SEK 4,337 million (3,304). At year-end, there were also committed credit facilities in banks for a total of SEK 5,500 million (5,500).

FINANCING PROGRAMMES AND RATING	Rating Standard & Poor's	Rating Moody's	Framework 31 Dec. 2019	Utilised, nominal 31 Dec. 2019
Committed credit facilities in bank			SEK 5,500 m	
Commercial paper	A1+/K1		SEK 4,000 m	
ECP (Euro Commercial Paper ¹)	A1+	P-1	EUR 1,200 m	EUR 344 m
MTN (Medium Term Note)	AA		SEK 8,000 m	SEK 650 m
EMTN (Euro Medium Term Note)	AA/A1+		EUR 4,000 m	EUR 2,729 m

1) Not updated since 2009.

The following table shows the remaining contractual term for the Group's financial liabilities. The liquidity flows are not discounted and foreign flows have been translated at the rate on the closing date. For those instruments where the future floating rate of interest is unknown, the rate of interest has been calculated with the aid of the implicit forward interest rates for the yield curve on the closing date. Use is made primarily of rental revenue to meet the obligations linked to the Group's financial liabilities presented in the table below. The rental revenue falls due for payment quarterly and is subject to long agreement terms. The credit risk associated with rental revenue is considered low.

Liquidity risk, SEK m	Loans	Derivatives	Current investments	Accounts payable	Total
2020	-6,124	-43	2,180	-301	-4,288
2021	-4,624	-35			-4,658
2022	-1,371	-13			-1,384
2023	-798	31			-767
2024	-2,583	42			-2,541
2025–2029	-8,355	310			-8,045
2030–2034	-2,369	-407			-2,776
2035–2039	-3,567	-291			-3,858
2040–2044	-6,496	-16			-6,513
2045–2049	-3,476				-3,476
TOTAL	-39,763	-422	2,180	-301	-38,306

Notes

CREDIT RISK AND COUNTER-PARTY RISK

The risk of a loss if a counter-party does not meet its undertakings. The Group is exposed when surplus liquidity is placed in financial assets and in conjunction with claims for change in value of derivatives. The Risk Plan includes a limit system where permitted exposure depends on the credit rating of the counter party, ownership and the term of the commitment. The limits are related to the Group's risk capacity in the form of equity. In addition, investments should be characterised by good liquidity in the secondary market.

The Group's policy is that internationally standardised netting agreements, ISDA agreements, was always be signed with a counter-party before uncleared derivative transactions take place. As at 31 December 2019, the total counter-party exposure in derivatives (calculated as the net claim per counter-party) was at SEK 2,546 million (683). With the aim of reducing exposure to a counter-party risk, the Group has entered into a number of supplementary agreements, Credit Support Annexes (CSA), to the ISDA agreements. The agreements mean that the parties mutually undertake to make collateral available in the form of cash and cash equivalents or bonds for the undervalues in outstanding derivative contracts. At year-end, the Group had received collateral of SEK 2,603 million (902) net.

The table below shows financial assets and liabilities (derivatives) that are not offset in the balance sheet, but are covered by framework agreements for netting or similar agreements:

SEK 1,000	Amounts that are not offset, but are covered by framework agreements for netting or similar agreements		
	2019		
	Carrying amount	Collateral	Net
Derivatives financial assets	4,317,072	-2,645,232	1,671,840
Derivatives financial liabilities	-1,794,577	41,575	-1,753,002
TOTAL	2,522,495	-2,603,657	-81,162

SEK 1,000	Amounts that are not offset, but are covered by framework agreements for netting or similar agreements		
	2018		
	Carrying amount	Collateral	Net
Derivatives financial assets	1,681,107	-1,005,356	675,751
Derivatives financial liabilities	-1,077,454	103,710	-973,744
TOTAL	603,653	-901,646	-297,993

The net amount for 2018 was relatively high because of a difference between the day of valuation and day of transaction for transfer of collateral (GAP risk). During these days certain prices were volatile.

The table below shows the Group's exposure to counter-party risks divided according to different rating categories:

Counter-party risks, excluding rent receivables, SEK m	Receivable	Liability	Collateral received/ granted	Net exposure
INSTITUTIONS WITH A LONG RATING				
AA-/Aa3	51	-52	7	-8
A+/A1	1,457		1,467	10
A/A2	336		384	-48
BBB+/Baa1	403		432	-29
BBB+/Baa2 only with CSA	316		313	3
INSTITUTIONS WITH ONLY A SHORT RATING				
K-1				
Companies wholly owned by the Swedish state	1,675			1,675
Companies wholly owned by the Swedish state	505			505
TOTAL	4,743	-52	2,603	2,088

CREDIT RISK ATTRIBUTABLE TO RENT RECEIVABLES

A large proportion of the Group's receivables are rent receivables. The maximum credit risk exposure for rent receivables and accounts receivable is equal to their carrying amounts. However, the assessed credit risk in rent receivables is low in the light of the high credit rating of the tenants.

ELECTRICITY PRICE RISK

The risk approach and mandate for handling the electricity price risk is governed by the guidelines for purchasing electricity. The term "electricity price risk" refers to the risk that the future price of electricity will affect the Group's operating costs negatively and with low predictability. With the aim of reducing exposure to changes in the electricity price, different financial price-hedging instruments are used (electricity derivatives). The Group stipulates a long-term price hedging strategy. Trade in physical electric power (spot) and financial price-hedging instruments takes place through Nord Pool. To limit the counter-party risk, all financial trading is cleared through third party against which Akademiska Hus pledges and receives security, depending on whether the derivative position has a positive or negative value.

Electricity derivatives affect the financial position and earnings of the Group as follows:

Electricity derivatives where hedge accounting is not applied	2019	2018
Carrying amount, SEK 1,000	6,955	57,732
Nominal amount (MWh)	936,908	1,329,785
Maturity	2020-2022	2019-2021

RISK CONTROL

Ongoing work is being done to improve the level of expertise, routines and internal control. There is strict allocation of responsibility between the Treasury and Risk Control. The unit handles accounting and administration as well as compliance with the mandates. The task of developing and refining analytical support and risk control is ongoing.

22 Maturity structure, receivables

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Receivables expected to be cleared within one year of the year-end	1,655,785	2,239,827	1,655,935	2,239,827
Receivables expected to be cleared within 1–5 years of the year-end	1,267,769	1,277,577	1,267,769	1,277,577
Receivables expected to be cleared later than five years after the year-end	3,539,848	767,018	3,539,848	767,018
TOTAL	6,463,402	4,284,422	6,463,552	4,284,422

23 Other non-current receivables

Other non-interest-bearing receivables will be cleared as follows:

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Cleared within 5 years	386,326	272,635	386,326	272,635
Cleared after 5 years	117,726	157,698	117,726	157,698
TOTAL NON-INTEREST-BEARING RECEIVABLES	504,052	430,333	504,052	430,333

24 Rent receivables and accounts receivable

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Rent receivables and accounts receivable	552,800	658,138	552,800	658,138
Provision, doubtful rent receivables and accounts receivable	-14,350	-6,431	-14,350	-6,431
TOTAL	538,450	651,707	538,450	651,707

Rent receivables and accounts receivable are reported at amortised cost. The fair value of rent receivables and accounts receivable concurs with the carrying amount as of the year-end and there is no impairment requirement. Of the overdue rent receivables and accounts receivable

as at 31 December 2019, KSEK 118,357 were 1–5 days overdue, KSEK 6,190 were 6–30 days overdue, KSEK 18,402 were 31–60 days overdue and KSEK 45,899 were more than 60 days overdue. Overdue receivables do not include impaired receivables.

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Opening balance	-6,431	-828	-6,431	-828
Provisions for the year	-9,002	-5,822	-9,002	-5,822
Established credit losses	1,083	219	1,083	219
CLOSING BALANCE	-14,350	-6,431	-14,350	-6,431

25 Other current receivables

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
VAT receivable	488,629	447,148	488,629	447,148
Settlement, taxes and charges	277,509	691,870	277,509	691,870
Other current receivables	195,275	252,418	195,274	252,418
TOTAL	961,413	1,391,436	961,412	1,391,436

26 Prepaid expenses and accrued income

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Accrued rent	42,554	45,148	42,554	45,148
Prepaid operating costs	30,489	31,638	30,489	31,638
Other	20,435	17,713	20,435	17,713
TOTAL	93,479	94,499	93,479	94,499

27 Cash and cash equivalents

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Current investments	2,179,944	1,841,605	2,179,944	1,841,605
Cash and bank balances	2,157,014	1,462,187	1,338,129	1,462,043
TOTAL	4,336,958	3,303,792	3,518,073	3,303,648

Cash and cash equivalents are recognised and measured at cost. Fair value is equivalent to the carrying amount. Current investments comprise temporary surplus liquidity that is invested in the short term. These investments are measured at fair value. Current investments can be found on level 2 in the fair value hierarchy. Blocked bank funds in

respect of pledged assets for exchange-cleared derivatives are included to the amount of KSEK 9,807 (4,967) in the reported amount for cash and bank balances for the Group and the Parent Company. This is a buffer to cover expected daily collateral requirements.

28 Hedge reserve/Fair value reserve

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Opening balance	0	6,814	0	6,814
Transferred to operating profit	—	-6,814	—	-6,814
CLOSING BALANCE	0	0	0	0

In 2018 Akademiska Hus decided that it would no longer apply hedge accounting for cash flow hedges. New hedges are instead recognised

through profit and loss. The tax effect, KSEK 0 (0), refers to the change for the year. The closing deferred tax receivable/payable is reported in Note 16 Taxes.

29 Other liabilities

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Other interest-bearing liabilities	2,645,232	1,005,356	2,645,232	1,005,356
Other non-interest-bearing liabilities	233,126	286,041	233,726	286,641
TOTAL	2,878,358	1,291,397	2,878,958	1,291,997

The fair value is equivalent to the carrying amount of other liabilities. The Parent Company has entered into a supplementary agreement, a Credit Support Annex (CSA) to the ISDA agreement, with the aim of handling exposure to counter-party risks in derivatives. The agreement means that the parties mutually undertake to furnish collateral in the form of cash and cash equivalents or securities with a good rating for undervalues in outstanding derivatives. The agreement in turn gives the secured party right of disposal of collateral received. As of the year-end, the Group received collateral through the CSA agreements totalling KSEK 2,645,232 (1,005,356).

Of the Group's other liabilities, KSEK 2,767,099 falls due for payment within one year of the year-end, KSEK 0 within one to five years of the year-end, and KSEK 111,259 later than five years after the year-end.

30 Provisions for pensions

The Group's pension commitments include both defined contribution and defined benefit pension plans according to collective bargaining agreements.

DEFINED CONTRIBUTION PENSION PLANS

The Group's defined contribution pension plans, ITP1 and Alternative ITP (a pension for high-income earners) and flex pension cover all Group employees. The defined contribution pension plans mainly comprise a retirement pension, sickness pension and family pension. The premiums are paid continuously throughout the year to different insurance companies. The premiums are based on salary.

The total cost for the financial year for defined contribution pension plans excluding payroll tax (Group and Parent Company) amounted to KSEK 28,410 (27,355).

DEFINED BENEFIT PENSION PLANS

All Group employees are covered by the Group's defined benefit pension plan, ITP 2. According to this plan, the employees are entitled to pension benefits based on their pensionable income as well as the number of years of service. The pension plan mainly comprises a retirement pension, sickness pension and family pension. The pension commitments are secured through provisions in the PRI system as well as the ITP plan family pension, sickness pension and occupational group life through insurance premiums. All pension commitments which the Akademiska Hus Group took over from the National Board of Public Building when the Company was formed on 1 October 1993 are defined benefit plans, secured through provisions in the Statement of Financial Position, guaranteed by the National Debt Office and administered by the National Government Employees' Pension Board (SPV). All defined benefit pension commitments are credit-insured by PRI Pensionsgaranti.

The most recent actuarial calculation of the present value of the defined benefit commitment was carried out by an authorised actuary on 31 December 2019. When calculating the present value of the defined benefit commitment and associated costs for employment during the current and previous periods, the Projected Unit Credit Method was used.

The ITP 2 plan exposes the Group to a number of actuarial risks, such as an interest risk, risk regarding life expectancy and the increase in the income base amount.

Interest risk – A reduction in the bond interest rate will increase the pension liability. Possible future decreases in the interest rate on first-class mortgage bonds in SEK could thus entail a risk that the Group's pension expense and undertakings could increase.

Life expectancy risk – The present value of the defined benefit obligation is calculated with consideration given to the Group's best assessment regarding mortality for members of the plan, both during and after employment. There is a risk that life expectancy will increase for the members of the plan, which would in that case increase both the pension costs and the Group's commitment.

Salary risk – The present value of the defined benefit commitment is calculated in the light of future salaries for members of the plan. Major salary increases compared with what was included in the actuarial calculations entail a risk that the Group's liability could increase, as could the Group's pension expense.

Income base amount – The present value of the defined benefit obligations is calculated in the light of future increases in the income base amount. A larger increase than assumed in the actuarial calculations means a risk that the Group's liability could increase, as could the Group's pension expense.

The actuarial computation of the pension commitments and pension costs is based on the following assumptions:

Assumptions	2019	2018
Discount rate, %	1.50	2.35
Salary increase, %	2.80	3.00
Inflation, %	1.80	2.00
Income base amount, %	2.30	2.50
Personnel turnover, %	2.00	2.00
Remaining period of service, years	10.20	10.70
Mortality	DUS14	DUS14

Assumptions regarding life expectancy are based on public statistics and experience of mortality calculations in Sweden and have been adopted in consultation with actuarial experts. These assumptions result in the following average remaining life expectancy for a person who retires at the age of 65:

Estimated average remaining life expectancy, years	31 Dec. 2019	31 Dec. 2018
Retirement at the year-end		
Men	21.8	21.8
Women	24.4	24.4
Retirement 20 years after the year-end		
Men	23.6	23.6
Women	25.5	25.5

The following amounts regarding the defined benefit pension cost are reported in the Income Statement:

Amount reported in the Income Statement	2019	2018
Benefits earned during the year	24,117	21,011
Interest on pension provision	13,467	12,767
PARTS OF THE DEFINED BENEFIT PENSION COST REPORTED IN THE PROFIT FOR THE YEAR	37,584	33,778

The defined benefit costs have been reported as a personnel cost and interest cost respectively. The following actuarial gains and losses have been reported under Total comprehensive income:

Total amount reported under Other comprehensive income	31 Dec. 2019	31 Dec. 2018
Actuarial gains and losses that arise as a result of changes in financial assumptions	85,013	24,574
Actuarial gains and losses that arise as a result of changes in experience	-835	15,198
TOTAL AMOUNT REPORTED UNDER OTHER COMPREHENSIVE INCOME	84,178	39,772

The change for the period in the defined benefit obligation can be seen in the following table:

Change in the defined benefit obligation for the period	31 Dec. 2019	31 Dec. 2018
Opening balance	555,339	496,522
Service costs during the period	24,117	21,011
Net interest cost	13,467	12,767
Actuarial gains (-)/losses (+)		
Changes in financial assumptions	85,013	24,574
Experience-based adjustments	-835	15,198
Pension payments	-15,177	-14,733
CLOSING BALANCE	661,924	555,339

The estimated term of the Group's defined benefit pension commitment can be seen in the following table:

Estimated term for the pension commitment	31 Dec. 2019	31 Dec. 2018
Fall due for payment within one year of the year-end	14,925	14,863
Fall due for payment 1–5 years after the year-end	62,115	57,793
Fall due for payment later than five years after the year-end	584,884	482,683
TOTAL	661,924	555,339

Below is a sensitivity analysis of the defined benefit obligations reflecting changes in the applied assumptions for the discount rate, inflation and wage growth. The sensitivity analysis is based on the change in one assumption while all other assumptions are held constant. Such a scenario is unlikely in practice, and changes in certain assumptions can be correlated.

Sensitivity analysis, pension obligations	31 Dec. 2019	31 Dec. 2018
Recorded pension obligation under the reported assumptions	661,924	555,339
Discount rate increases by 0.5 percentage points	596,054	502,101
Discount rate decreases by 0.5 percentage points	737,488	616,162
Inflation increases by 0.5 percentage points	715,296	598,672
Wage growth increases by 0.5 percentage points	704,382	590,405

FUTURE PAYMENTS

The Group is expected to pay KSEK 39,715 (37,584) in charges for the defined benefit plan during the forthcoming financial year.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS IN THE PARENT COMPANY

The reported pension liability in the Parent Company comprises:

	31 Dec. 2019	31 Dec. 2018
FPG/PRI pensions	254,902	244,951
Other pensions	56,192	59,821
TOTAL	311,094	304,772

Other pensions in the Parent Company mainly refer to the historical pension liability that was taken over from the National Board of Public Building when the Akademiska Hus Group was founded in 1993.

Pension commitments and provisions for pension commitments for the defined benefit plans in the Parent Company have changed as follows:

	31 Dec. 2019	31 Dec. 2018
Pension commitments		
Opening balance	304,772	290,069
Pension costs, defined benefit plans	14,309	18,058
Interest expense	12,419	11,897
Payments	-15,336	-15,252
Prepaid pension funds	-5,070	—
CLOSING BALANCE	311,094	304,772

The total pension cost in the Parent Company is broken down as follows:

	2019	2018
Pension costs, defined benefit plans	14,309	18,058
Interest part of the pension cost	12,419	11,897
PENSION COSTS, DEFINED BENEFIT PLANS	26,728	29,955
Pension costs, defined contribution plans	28,410	27,355
Employer's contribution and tax on the yield, other pension costs	13,040	13,593
TOTAL PENSION COSTS	68,178	70,903

31 Accrued expenses and prepaid income

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Prepaid rental revenue	1,852,243	1,700,135	1,852,243	1,700,135
Accrued salary and personnel costs	45,105	43,184	45,105	43,184
Accrued operating and maintenance costs	98,119	106,359	98,119	106,359
Accrued investments	33,591	33,160	33,591	33,160
Accrued interest	222,892	213,665	222,892	213,665
Other interim liabilities	78,422	57,806	78,422	57,806
TOTAL	2,330,372	2,154,309	2,330,372	2,154,309

32 Maturity structure, liabilities

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Liabilities due for payment within one year of the year-end	10,464,357	9,210,151	10,467,109	9,212,904
Liabilities due for payment within 1–5 years of the year-end	8,754,263	9,711,837	8,754,263	9,711,837
Liabilities due for payment later than five years after the year-end	39,007,583	31,722,810	25,550,476	22,040,002
TOTAL	58,226,203	50,644,798	44,771,848	40,964,743

33 Adjustments for items not included in cash flow

	Group		Parent Company	
	2019	2018	2019	2018
Depreciation, etc	8,341	6,368	1,580,198	1,315,493
Change in value, properties	-3,950,612	-2,676,962	—	—
Capital gain (-)/loss (+) on sale of tangible, non-current assets	—	—	-94,555	-1,423
Changes in value, financial instruments	-64,004	359,797	-64,004	359,797
Dividends from subsidiaries	—	—	-818,500	—
Change in pension provisions and similar commitments	22,407	31,581	6,322	29,579
Other	57,766	-33,389	63,301	-28,227
TOTAL	-3,926,102	-2,312,605	672,762	1,675,219

Purchase sum in conjunction with investments, acquisitions and disposals

For investments and acquisitions for the period, a total of KSEK 3,190,527 (2,776,089) has been paid by the Group, of which KSEK 3,190,527 was paid in cash and cash equivalents. The Parent Company also invested KSEK 0 (0) in shares in subsidiaries. For disposals for the period, a total of KSEK 1,579,023 (6,000) has been received, of which KSEK 1,579,023 was received in cash and cash equivalents.

Comments financing activities

Opening liabilities for interest-bearing liabilities including derivatives in the Group totalled KSEK 34,598,112. The closing balance amounted to KSEK 36,742,812. This increase consists of a positive cash flow of KSEK 862,230 from financing activities and changes that do not affect cash flow of KSEK 1,282,469 relating to amortisation of premiums/discounts, exchange rates and fair value. The equivalent also applies for the Parent Company.

34 Pledged assets

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Blocked bank funds	9,807	4,967	9,807	4,967
Current investments	77,914	114,692	77,914	114,692
TOTAL	87,721	119,659	87,721	119,659

Unsettled results from transactions as well as standardised computed safety margins using exchange-cleared derivatives have been secured through blocked bank funds.

35 Contingent liabilities

	Group		Parent Company	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Contingent liability, FPG/PR	5,199	4,899	5,199	4,899
TOTAL	5,199	4,899	5,199	4,899

36 Transactions with related parties

In conjunction with intra-Group purchases and sales, the same pricing principles are applied as would have been the case in transactions with an external party. Intra-Group property purchases and sales take place subject to a fiscal residual value. Purchases and sales of other current

assets take place at the carrying amount. There were no transactions with the President, Board of Directors or senior executives, apart from salary and other remuneration, see Note 10.

Transactions with Group companies are shown in the table below.

	Group		Parent Company	
	2019	2018	2019	2018
INCOME				
Companies within the Akademiska Hus Group	—	—	388,841	—
TOTAL		—	388,841	—
RECEIVABLES				
Companies within the Akademiska Hus Group	—	—	150	—
TOTAL			150	
LIABILITIES				
Companies within the Akademiska Hus Group	—	—	2,151	2,153
TOTAL	0	0	2,151	2,153

37 Events after the year-end

By the end of January the spread of Covid-19 accelerated globally. For this reason the Company's crisis management unit has taken action. Continuous planning and evaluations are taking place in order to manage responses. At present, the assessment is that the financial implications of Covid-19 is limited due to the Company's operations.

Certification

The Board of Directors and the President hereby certify that the Annual Report has been prepared in accordance with the Annual Accounts Act and RFR 2 and provides a fair picture of the Company's position and results and that the Administration Report provides a fair overview of the development of the Group's operations, position and results and describes material risks and uncertainties facing the Company.

The Board of Directors and the President hereby certify that the Consolidated Accounts have been prepared in accordance

with International Financial Reporting Standards (IFRS), as endorsed by the EU, and provide a fair picture of the Group's position and results and that the Administration Report for the Group provides a fair overview of the development of the Group's operations, position and results and describes material risks and uncertainties facing the companies that form part of the Group.

The Sustainability Report for 2019 has been approved for publication by the Board of Directors and the CEO.

Gothenburg, 17 March 2020

Anitra Steen
Chairman of the Board

Britta Burreau
Board member

Peter Gudmundson
Board member

Thomas Jennlinger
Employee representative

Anders Larsson
Employee representative

Anna Magnusson
Board member

Christer Nerlich
Board member

Örjan Wikforss
Board member

Ingemar Ziegler
Board member

Kerstin Lindberg Göransson,
President

Our Audit Report was submitted on 17 March 2020.
Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg
Authorised Public Accountant

Auditor's Report

REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

Opinions

We have audited the annual accounts and the consolidated financial statements of Akademiska Hus AB for 2019, with the exception of the Corporate Governance Report on pages 51–59. The annual accounts and consolidated accounts of the company are included on pages 41–105 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not include the Corporate Governance Report found on pages 51–59. The statutory Administration Report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent Company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis of Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. The auditors' responsibility according to these standards is described in detail in the section Auditor's Responsibility. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden, and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Emphasis and scope of the audit

The Group's operations comprise owning, developing and managing properties for universities and other higher education institutions, with a main focus on education and research. In Akademiska Hus' operations it is, above all, the large impact on the financial statements of the assessments and estimates made by the Board and management that impact our risk assessment. In our opinion, the largest risk of misstatements in the Annual Report stems from the valuation of properties. In addition to this, we have identified a number of other risks and key areas which have impacted the financial statements.

Our audit comprises the review of all significant properties and business processes for the financial reporting, including rent process, purchase process, financing process and valuation process.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of

bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole (see the table below). These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Materiality

- Overall materiality: 930 (930) million
- Special materiality: 200 (190) million

Benchmark

- Overall materiality: corresponding to 0.8% of the Group's total assets.
- Special materiality: corresponding to 5% the Group's profit before tax, excluding changes in value of investment properties and financial instruments. Used as our starting point in the audit of items in the income statement and balance sheet related to property management

Basis for audit materiality

We chose total assets as a benchmark for our overall assessment of materiality of the financial statements as a whole, given that the value of the investment properties has a material impact and significance on the Group's financial position and is a particularly important area for the audit. We also defined a specific materiality for the audit of results from property management, including the working capital-related balance sheet items.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current

period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Measurement of investment properties

We refer to the Administration Report and the description of the Akademiska Hus Group's summary of significant General Accounting policies, Note 2, and Properties (Group) Note 12.

As of the 31 December 2019, the value of the investment properties was SEK 91.4 billion. The investment properties comprise a significant part of the balance sheet, and the measurement of the investment properties are, by their nature, subjective and subject to management's assessments of, for example, the specific property's location, condition and future rent income.

Fair value of the Group's property portfolio is based on internal calculations, mainly by applying measurement of cash flows. For a minor part of the property portfolio, the location price method is used or, alternatively, measurement at cost. In order to ensure the quality of the internal measurements, external measurements have been collected as well for approximately 30% of the value of the property portfolio.

When determining the fair value of the properties, consideration is taken to current information, such as current rent agreements, assessment of rent levels and operating costs. In order to arrive at the final valuations, the Company uses assessments and make estimates about future returns, net operating costs and assessed market rent, which are impacted by current requirements of direct yield and comparable market transactions.

The significance of the assessment and estimates that are included in the determination of the fair value is significant, together with the fact that the amounts are significant, make the measurement of investment properties to a key audit matter.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our audit has, among other areas, focused on the Company's internal control and quality control concerning measurements made as of the 31 December 2019. The audit team, including our evaluation specialists, has collected and reviewed a sample of the evaluation reports in order to assess the cash flow evaluation applied by Akademiska Hus, the mathematical correctness and the reasonability of assessment made.

Our audit has, among other task, included the following audit procedures

- Checked that the measurements are in accordance with Akademiska Hus' guidelines and instructions for property valuation.
- Reviewed, by samples, significant controls in the Group's internal valuation process.
- Sampled the mathematical calculations of the model.
- Assessed input through sampled follow-up against historical outcomes and compared with accessible market data.
- We have had meeting with management to discuss significant assessments and evaluations.
- Sampled input in the calculation models against information in relevant systems.
- Taken part of the external valuations and compared these to the internal calculations.

Our work has been focused on the largest investment properties, the most significant assessments and the properties where values have varied most compared to last year. In the cases where assessments of future operating costs net, occupancy grade and requirements of returns have deviated from our initial expectations, these deviations have been discussed with representatives of the Group and, when needed, complementing documentation has been collected.

Finally, we have certified that the models used, that the assessments and sensibility analyses made by Akademiska Hus, are described correctly in Note 12.

The values are based on assessments and are inherently subject to inherent uncertainty. Based on our review, our assessment is that the assumptions used by Akademiska Hus are within an acceptable range.

As a result of our review, we have not reported any material observations to the Audit Committee.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–40 and 111–129. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information, and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and the consolidated financial statements, the Board of Directors and the Managing Director are responsible for the assessment of the Company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and application of the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the Board of Directors intends to liquidate the Company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the Company's financial reporting process.

Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated financial statements.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionens's website:

www.revisorsinspektionen.se/revisornsansvar

This description is a part of the Auditors' Report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Akademiska Hus AB for the year 2019 and the proposed appropriations of the Company's profit or loss.

We recommend that the meeting of the General Meeting allocate the profit in accordance with the proposal in the Administration Report and grant the members of the Board and the Managing Director discharge from liability for the financial year.

Basis of Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities

section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the Company's and the Group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the Company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the Company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditors' responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the Company;
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our goal with the audit of the proposal of allocation of the Company's profit or loss, and therefore our opinion thereof is to, with reasonable assurance assess whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect acts and omissions which can give rise to liability to the Company, or that the proposed allocation of earnings or loss is not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration can be found on the web page of The Swedish Inspectorate of Auditors (Revisorsinspektionen): www.revisorsinspektionen.se/revisorsnansvar. This description is a part of the Auditors' Report.

The auditor's examination of the corporate governance report

The Board of Directors is responsible for that the corporate governance statement on pages 51–59 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Akademiska Hus AB by the general meeting of the shareholders on the 29 April 2019 and has been the company's auditor since the 27 April 2018.

Stockholm, 17 March 2020
Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg
Authorised Public Accountant

Sustainability notes

ABOUT AKADEMISKA HUS' SUSTAINABILITY REPORT

The Annual Report is Akademiska Hus' sustainability report and follows the guidelines in the Global Reporting Initiative (GRI) framework. As of 2018, the report has been prepared in accordance with GRI Standards at the Core level. Akademiska Hus aims to fully integrate sustainability into its regular operations, for which reason the description for the most part is incorporated into the regular structure of the Annual Report. For increased transparency and clarity, information about boundaries, responsibilities, follow up and governance is provided for each sustainability aspect in the sustainability notes on page 115.

Since 2013 Akademiska Hus has supported the UN Global Compact and thus takes a stand and accepts responsibility for the ten principles relating to human rights, labour rights, the environment and anti-corruption issues, which comprise the base of the Global Compact's mission. The report serves as our Communication on Progress and is an account of our support linked to both the ten principles of the Global Compact and the UN's 17 global sustainability goals.

The Sustainability Report of Akademiska Hus follows the financial year, is published annually and covers the entire Group, see note 1. The Sustainability Report includes pages 6–7, 12–39, 47–50 and 111–123 and also includes Akademiska Hus' statutory sustainability reporting in accordance with chapter 6 of the Annual Accounts Act. Akademiska Hus' external auditors examined the information and the Auditor's Limited Assurance Report on the Sustainability Report and statement regarding the Statutory Sustainability Report are presented on page 124. The previous Annual Report was published on 22 March 2019.

No significant changes occurred in the organisation or in our supply chain in 2019, but Akademiska Hus' property portfolio has changed somewhat due to sales, acquisition and completion of new buildings/projects. The changes do not significantly affect the sustainability report, but need to be considered when comparing energy consumption and other emissions. In 2018 Akademiska Hus began to calculate the climate impact of construction projects and in 2019 two new construction projects were completed where climate impacts have been calculated and that are now included in GRI 305-3. No other significant changes in the scope or boundaries of GRI reporting have been made from previous years and relevant boundaries are described under each sub-area.

CONTACT

Mia Edofsson, Sustainability Manager
mia.edofsson@akademiskahus.se

Stakeholder dialogue – formats and key issues

We want to be sure that we address the right issues and perspectives in our long-term work. We therefore engage in a variety of ways to promote a positive and productive dialogue with our stakeholders. Our stakeholders are participants who are influenced by, or who influence, our operations and we view customers, students and researchers, employees, suppliers, local

and business communities, our owner and financial participants as the most important stakeholder groups.

The table below describes the various groups with which we regularly engage in dialogue, the formats of the meetings and the areas within which they expect us to focus.

STAKEHOLDER GROUPS	ACTIVITIES	AREAS OF INTEREST
CUSTOMERS (and their employees)	<ul style="list-style-type: none"> Meetings with various executives Development of campus plans Customer satisfaction surveys 	<ul style="list-style-type: none"> Provide attractive knowledge environments and campuses that enable the customer to compete in national and international arenas Contribute to the customer's long-term sustainability efforts through a proactive approach and high resource efficiency Contribute to increased construction of student housing Develop and provide new services and benefits within property management Be clear about the organisation, governance, business model and rent setting at Akademiska Hus Collaboration in personal safety and IT
UNDERGRADUATE AND GRADUATE STUDENTS	<ul style="list-style-type: none"> Interviews and meetings on campus 	<ul style="list-style-type: none"> Resource conservation on campus Development of smart digital solutions Efficient environments, both indoors and outdoors Social well-being through open and accessible campuses Opportunity for collaboration and dialogue More student housing
EMPLOYEES	<ul style="list-style-type: none"> Performance reviews and goal-setting process 	<ul style="list-style-type: none"> Attractive employer offering market-based working conditions Safe and healthy working environment Good opportunities for skills development Each person should understand their role in the operation
SUPPLIERS	<ul style="list-style-type: none"> Meetings related to procurement of framework contracts and orders, as well as supplier meetings Start-up meetings Audits 	<ul style="list-style-type: none"> Clear, relevant procurement terms and conditions Clear and ambitious requirements for the environment, health and safety, quality and social responsibility Relationships that benefit both parties Expectation of follow-up and feedback
LOCAL AND BUSINESS COMMUNITIES	<ul style="list-style-type: none"> Regional and city-wide planning and development meetings Meetings to discuss establishment plans Meetings with and participation in association and industry organisations 	<ul style="list-style-type: none"> Be active in the dialogue on community/regional development Create opportunities to include businesses on campus Contribute to increased construction of student housing Be an active participant in innovation-driven development Be socially sustainable – a good community participant
OWNER	<ul style="list-style-type: none"> Annual strategy seminar Meetings with a focus on corporate governance Board meetings 	<ul style="list-style-type: none"> Contribute to the Government's objective of reinforcing Sweden as a nation of knowledge Increased customer benefit through collaboration with centres of education Serve as a role model in sustainable business practices High resource efficiency Contribute to increased construction of student housing
LENDERS, BANKS AND CREDIT RATING AGENCIES	<ul style="list-style-type: none"> Meetings in conjunction with financial reports 	<ul style="list-style-type: none"> Lenders, banks and credit rating agencies Meetings in conjunction with financial reports Long-term capital structure Professional risk exposure management Stable, long-term and sustainable operations with profitability and yield in accordance with objectives Clear financial communication Presence on market for green bonds

OUR ESSENTIAL AREAS

To identify the issues that are most important for value creation at Akademiska Hus, a materiality analysis is conducted in which the Company creates in an aggregate picture of the situation in the outside world, the role of the Company in the market, our impact on the environment, stakeholder expectations and other factors. The analysis is updated annually with the latest information available to keep it up to date and relevant. In 2018 a comprehensive external analysis was conducted in conjunction to the formulation of the company's new strategy, which produced important insights regarding changes in society that both clearly and quickly affect our industry and operations.

Another external factor that affected operations at Akademiska Hus is the international community's aggregate picture of current sustainability challenges. Akademiska Hus' governance and sustainability initiatives are therefore well founded in the ten principles of the Global Compact and our value creation rests on the UN's Global Sustainable Development Goals. Our business plan contains targets and activities that are clearly linked to the Global Goals and associated targets considered to be most relevant for Akademiska Hus, thereby ensuring that we contribute to the Global Goals through our daily work.

Using stakeholder dialogues as a point of departure, we have identified four topics that we consider to be particularly important for our sustainability efforts and thus our value creation.

The matrix on page 115 describes the strategic impact and relevance of each area in our operation, as well as sustainability governance for each of them.

RESOURCE EFFICIENCY FOR REDUCED CLIMATE IMPACT

We use the assets at our disposal and the resources we consume more efficiently to reduce the burden on the environment. Collaboration on innovations is crucial and builds a high development capacity.

RESPONSIBLE RELATIONSHIPS

We strive to achieve high transparency in our customer relationships to create understanding of our role and our mission, and we set clear requirements for high ethical standards that both we and our suppliers must meet, so that together we can contribute to a sustainable society.

VALUE-ADDING KNOWLEDGE ENVIRONMENTS

With climate-smart and innovative investments in our campuses and a viable commercial approach we create long-term benefit for both stakeholders and the environment. We also focus heavily on the social perspectives of well-being and accessibility.

CARING FOR PEOPLE

By working proactively for a healthy and safe work environment for both employees and customers, as well as suppliers, we improve the industry and strengthen our relationship with our stakeholders.

UN Global Objectives

PRIORITISED GOALS

Prioritised targets

Akademiska Hus contributes through



4. QUALITY EDUCATION FOR EVERYONE

To ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

4.A Create inclusive and safe educational environments

Build and improve educational environments that are adapted for children and people with disabilities, and that take into account gender equality aspects and thus offer a safe, peaceful, inclusive and appropriate learning environment for everyone.

- Consideration is given to accessibility and "differences" when designing and planning buildings and campuses.
- Research collaboration on evidence linked to new learning environments
- Focus on varied apartment design in student housing that promotes housing at different stages of life.



5. GENDER EQUALITY

Achieve equality and the empowerment of all women and girls.

5.5 Ensure full participation for women in leadership and decision-making

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

- Active work with equal treatment within Akademiska Hus through the "Equally Unique" plan.



7. SUSTAINABLE ENERGY FOR EVERYONE

Ensure access to affordable, reliable, sustainable and modern energy for all.

7.2 Increase the share of renewable energy in the world

By 2030, substantially increase the share of renewable energy in the global energy mix.

- Goals and activities to achieve climate neutral property operations and internal operations, which includes investments in renewable energy.

7.A Enhance access to clean energy research and technology

By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.

- Innovation partnerships with customers and other parties related to renewable solutions for energy production and systems.

PRIORITISED GOALS

Prioritised targets

Akademiska Hus contributes through

**8. DECENT WORKING CONDITIONS AND ECONOMIC GROWTH**

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent working conditions for all.

8.2 Promote economic productivity through diversification, technological upgrading and innovation

Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

- Active work with energy plans and technological upgrading.
- Innovation partnerships with customers and other parties related to technological upgrading and increased efficiency.

8.4 Improve resource efficiency in consumption and production

Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.

- Goals to achieve climate-neutral project operations and activities to comply with Fossil Fuel-Free Sweden's Roadmap to 2045.
- "Co-Living" – an innovation project based on various types of shared living arrangements.

8.8 Protect labour rights and promote safe and secure working environments for all

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

- Proactive involvement in and founder of the industry organisation "Håll Nollan", which promotes stronger requirements for safe workplaces.
- Work environment dialogues are conducted regularly in our property management areas.

**11. SUSTAINABLE CITIES AND COMMUNITIES**

Make cities and human settlements inclusive, safe, resilient and sustainable.

11.1 Safe and affordable housing

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

- Goal regarding number of student housing units created.
- Focus on affordable student housing situation through reasonable monthly rent and plan for sustainable daily life.

11.3 Inclusive and sustainable urbanisation.

By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

- Environmental certification of all new construction (Gold) and major renovation projects (at least Silver).
- Method for campus plans with strong focus on participation through an array of stakeholders.
- Climate change resilience is taken into account when investing.

11.4 Protect the world's cultural and natural heritage

Strengthen efforts to protect and safeguard the world's cultural and natural heritage.

- Method for campus plans, including ecosystem services and control of protected cultural and natural heritage sites.

11.7 Create safe and inclusive green spaces for all

By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.

- Method for campus plans, including green spaces and their role in the urban environment.
- Participant in Vinnova project "Restorative workplaces" with focus on showing the importance of green environments for well-being and performance.

**12. SUSTAINABLE CONSUMPTION AND PRODUCTION**

Ensure sustainable consumption and production patterns.

12.2 Sustainable management and efficient use of natural resources

By 2030, achieve the sustainable management and efficient use of natural resources.

- Goal regarding energy reduction and systematic work with operational optimisation throughout our property holdings.
- Develop business models for efficiency improvements in premises through, for example, digitalisation of properties.

12.4 Sound management of chemicals and wastes

By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

- Control and requirements for chemicals included as part of the quality work linked to Miljöbyggnad certification of buildings.
- Chemicals used in operations are registered and monitored in the Byggarubedömning system.

12.5 Substantially reduce waste generation

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

- Akademiska Hus is a participant in the innovation project "Återvinning i Väst" (Recycling in Western Sweden), which is run by IVL to build knowledge and create methods to increase the prospects for reuse.

12.7 Promote sustainable public procurement practices

Promote public procurement practices that are sustainable, in accordance with national policies and priorities.

- Participation in industry-wide groups with goals to formulate requirements and standards for sustainable procurement, in areas such as demolition and construction equipment.

**17. ADOPTION AND GLOBAL PARTNERSHIP**

Strengthen the means of implementation and revitalise the global partnership for sustainable development.

- Initiator and partner in an array of collaborative projects with a focus on sustainable development together with customers, researchers, industry colleagues and other parties.

SUSTAINABILITY NOTES

SUSTAINABILITY GOVERNANCE	Value-adding knowledge environments	Resource efficiency for reduced climate impact	Caring for people	Responsible relationships	
GRI STANDARDS	<ul style="list-style-type: none"> – GRI 201: Economic Performance – GRI 203: Indirect economic impacts 	<ul style="list-style-type: none"> – GRI 302 (CRE-1): Energy – GRI 305 (CRE-3): Emissions – GRI 307: Environmental compliance – CRE 8: Product responsibility 	<ul style="list-style-type: none"> – GRI 403: Occupational Health and safety – GRI 405: Diversity and equal opportunity 	<ul style="list-style-type: none"> – GRI 205: Anti-corruption – GRI 308 and 414: Supplier Environmental Assessment regarding the environment and social criteria 	
GRI 103-1	<p>WHY THE TOPIC IS IMPORTANT TO US</p> <p>By creating value-adding, sustainable and inclusive knowledge environments, we can contribute positively to the social economy, the environment and the people who use our environments.</p>	<p>Our operations have an impact on the environment, but by increasing resource efficiency and working according to the precautionary principle, we can reduce our impact. The principle is applied when choosing materials and planning projects to prevent damage to the environment and injuries to people.</p>	<p>The key to success, development and profitability is our employees. It is therefore important that everyone in our premises experiences well-being and job satisfaction. Our operations, with both construction projects and property operations, are associated with risk relating to occupational health and safety.</p>	<p>As a major client in an industry known for corruption and human rights violations, we have a responsibility to build responsible relationships with high ethical standards and a strong moral compass.</p>	
	<p>RESPONSIBILITY AND IMPACT ON THE VALUE CHAIN</p> <p>Our responsibility is to meet the need for knowledge environments from customers, students and researchers. Impact occurs in conjunction with construction, purchasing, property management and development.</p>	<p>Our responsibility is to be resource efficient in our operations, while making demands on suppliers of energy and materials. Impact occurs in conjunction with construction, purchasing, property management and development.</p>	<p>We are formally responsible for our employees. We are committed to achieving the goal of zero occupational injuries for everyone in our premises or whom we hire. This impact affects the workday of our employees during construction, management, and purchasing.</p>	<p>Our responsibility is to set clear requirements. Suppliers and entrepreneurs have a major responsibility to comply with them. Impact occurs in conjunction with construction, purchasing, property management and development.</p>	
	<p>BOUNDARIES IN REPORTING</p> <p>We develop knowledge environments and campuses primarily together with our customers, but other stakeholder groups are also involved in the processes.</p>	<p>We focus on the entire operation, from planning and implementation of construction projects to the ongoing management of properties and campuses.</p>	<p>Reporting mainly occurs regarding our own employees with additional information for suppliers where such information is available. We do not report on customers and users.</p>	<p>The boundary was set to include our employees, as well as first-line contacts regarding our suppliers.</p>	
GRI 103-2	<p>HOW WE WORK</p> <p>We develop campus plans that are long-term and take into account current and future needs, through dialogue with customers and other stakeholders.</p>	<p>We promote resource-efficient use of materials and energy, but also efficient use of premises.</p>	<p>See specific governance in the Sustainability notes (403: 1–7) and information in the employee section on pages 38–39.</p>	<p>Our process includes “shall” criteria for suppliers when signing contracts and randomly following up on them.</p>	
	<p>WE WANT TO ACHIEVE THE FOLLOWING</p> <p>The goal is to create value-adding knowledge environments that help to make the centres of education more attractive and strengthen Sweden as a nation of knowledge.</p>	<p>The goal is to reduce climate impact by reducing resource consumption and through efficient use of those resources.</p>	<p>We want to create a healthy and risk-free workplace that inspires people to grow and contribute.</p>	<p>The goal is to achieve a high standard of ethics in procurement, to monitor compliance with these standards, and to build responsible and accountable relationships.</p>	
	<p>• POLICIES¹</p>	<ul style="list-style-type: none"> – Process method for Campus development, with a focus on sustainability 	<ul style="list-style-type: none"> – Sustainability policy – Energy guidelines – Travel guidelines 	<ul style="list-style-type: none"> – Equality and diversity plan – Sustainability policy – Anti-bullying guidelines 	<ul style="list-style-type: none"> – Code of Conduct, internal and for suppliers – Procurement policy – Purchasing procedures
	<p>• COMMITMENTS IN ADDITION TO SWEDISH LAWS AND GUIDELINES</p>	<ul style="list-style-type: none"> – Campus plans and other planning documents together with customers 	<ul style="list-style-type: none"> – Member of Fossil Fuel-Free Sweden; signed two roadmaps – Certification of new buildings and major renovation projects according to Miljöbyggnad standards 	<ul style="list-style-type: none"> – Work to promote stronger industry requirements through the “Håll Nollan” initiative 	<ul style="list-style-type: none"> – We support the Global Compact in its work with its ten principles and the UN’s global sustainability goals
	<p>• GOALS^{1,2}</p>	<ul style="list-style-type: none"> – Customer Satisfaction Index – Number of student residences – Innovation in collaboration 	<ul style="list-style-type: none"> – Energy reduction – Number of environmentally certified buildings – Climate neutrality 	<ul style="list-style-type: none"> – Accident-free workplace (ELTAR) – Performance index (AHPI); 	<ul style="list-style-type: none"> – Customer Satisfaction Index – Number of cases of corruption – Number/percentage of supplier controls
	<p>• SPECIAL PROCESSES, PROJECTS, PROGRAMMES AND INITIATIVES¹</p>	<ul style="list-style-type: none"> – Process method for Campus development – Citylab – Environment and Work environment – management system 	<ul style="list-style-type: none"> – Climate calculations in projects – System and material selection studies – Environmental building certifications – Environmental and Occupational Safety and Health Management Systems 	<ul style="list-style-type: none"> – Reporting in the IA system for incidents and accidents – Reporting of “Sick and healthy” – Assignment appraisal 	<ul style="list-style-type: none"> – Whistle-blower system, internal and external – Training video business ethics
GRI 103-3	<p>EVALUATION OF CONTROL</p> <ul style="list-style-type: none"> – Analysis of Customer Satisfaction Index (pages 14–15) 	<ul style="list-style-type: none"> – Annual carbon footprint (page 15) – Environmental and Occupational Safety and Health Management Systems followed up through Management review 	<ul style="list-style-type: none"> – Annual audits (internal, external, pages 22, 36) – Analysis of Performance index (AHPI) 	<ul style="list-style-type: none"> – Ethics Council – Supplier Assessments (pages 35, 36) 	

Read more about the division of responsibilities and control mechanisms in the Corporate Governance Report on pages 51–59.

- 1) All Akademiska Hus’ properties and units are included.
- 2) Read more about targets and outcomes on pages 14–15.

SUPPLEMENTAL INFORMATION

In this section we describe the methods, assumptions and conversion factors used to develop Akademiska Hus's GRI indicators. In addition, supplementary tables and information are presented for the annual report, as well as a description of omitted information.

FINANCIAL RESPONSIBILITY

Financial accountability for our operations along with sound and stable finances are fundamental if we are to succeed with the mandate from our owner. Accepting financial responsibility is also crucial for a long-term approach and meeting the expectations of our customers and other stakeholders. Financial accountability is important in all four of our areas of focus, but it is absolutely crucial in "Value-adding knowledge environments" and "Responsible relationships".

GRI 201-1 Direct economic value generated and distributed

SEK 1,000	2019	2018	2017
DIRECT VALUE GENERATED			
Income	6,217	6,117	5,806
ECONOMIC VALUE DISTRIBUTED			
Payments to suppliers ¹⁾	-1,717	-1,730	-1,571
Employee wages and benefits	-295	-279	-249
Fees and remuneration to the Board and President	-13	-11	-12
Social security costs	-141	-149	-125
Tax ²⁾	-431	-403	-476
Interest paid to lenders, net	-966	-719	-532
Dividend to shareholder	-1,663	-1,630	-1,393
ECONOMIC VALUE RETAINED	991	1,196	1,448

1) Operating costs, property administration, other property management expenses and central administration

2) Current tax, property tax and site leasehold fees

ENVIRONMENTAL RESPONSIBILITY

Large quantities of materials are used in new construction, renovations and tenant adaptation of our properties. The materials used impact the environment both when they are produced and when they are transported. It is therefore important to reduce the quantity of material used and to aim to reduce the climate impact of the materials we choose. We also need to ensure that materials that are used do not contain hazardous substances that are spread indoors or to ecosystems. The topic of environmental responsibility is primarily reflected in our focus on "Resource efficiency for reduced climate impact".

Energy consumption

Akademiska Hus' energy consumption as reported below is based on the system limit delivered energy, for which reason energy from solar panels, geothermal energy, etc., are not included in the Company's combined energy consumption or when assessing climate impact.

Akademiska Hus invests heavily in increasing capacity for renewable energy in the form of solar panels, which reduces the need for delivered energy while also helping to reduce the carbon footprint.

MWh	2019	2018	2017
Own electricity generation from renewables			
– Solar power	3,873	2,057	1,228

The production capacity of electricity through solar panels has increased by 88 per cent compared with 2018 and 215 per cent compared with 2017. Production now corresponds with about 1 per cent of our total electricity consumption.

GRI 302-1: Energy Consumption within the organisation

All energy is measured and includes energy consumption by tenants.

MWh ¹⁾	2019	2018	2017
Total energy consumption (non-renewable energy)	34,977	38,192	48,773
Total energy consumption (renewable energy)	729,057	755,615	730,842
Total electricity	382,280	384,370	381,601
– including energy charges passed on to tenant	253,313	258,652	270,936
Total heating	298,058	307,876	307,389
– including energy charges passed on to tenant	71,350	80,043	83,718
Total cooling	77,854	86,662	74,103
– including energy charges passed on to tenant	70,622	76,504	64,188
Total steam	5,842	14,899	16,523
– including energy charges passed on to tenant	5,354	7,570	9,586

1) Fuel types are presented under indicators 305-1 and 305-2.

During the year the property holdings have increased and with a larger holding the need for energy increases. In spite of this, energy consumption has fallen 3.8 per cent which can be attributed to the Company's systematic and offensive energy initiatives. Renewable or recovered energy currently account for 96 per cent of energy consumption. Recovered energy refers to the proportion stated in the district heating suppliers' production mixes; for example, heat from waste incineration and waste heat from industry.

GRI CRE-1 Energy intensity

kWh/sq m	2019	2018	2017
Energy intensity = Energy consumption per square metre	192.4	201.6	200.8

Energy intensity has decreased by 4.6 per cent, primarily for the activities listed under 302-1. Energy consumption also includes energy consumption by tenants. Usable floor area (UFA) is used in the calculation and is a time-weighted value.

GRI 302-4 Reduction of energy consumption

	2019	2018	2017
Total reduction (MWh)	29,772	-14,191	4,383
Invested, SEK	168,269,193	126,996,023	186,360,175

Energy investments increased in 2019, which is attributable to an increased focus on implementation of energy measures to accelerate our efforts toward achieving our energy and climate targets. Energy investments refer to installation measures, including replacement of heat recovery batteries, fans, pumps, lighting, installation of heat pumps and climate scale measures such as window changes and additional insulation.

Greenhouse gas emissions

Akademiska Hus' main greenhouse gas emissions occur through indirect emissions attributable to the purchase of electricity, heating, cooling and steam (scope 2), as well as indirect emissions primarily from construction projects (scope 3). Direct emissions (scope 1) are minimal in our operations but are reported to give the overall picture of our total climate impact for the long term.

GRI 305-1: Direct greenhouse gas emissions (scope 1)

In 2019, scope 1 emissions amounted to 86 tonnes of CO₂e, attributable to travel with personal or leased vehicles, as well as work-related travel by private car. The carbon footprint from the leased vehicle fleet has almost halved during the year, because of the Company's strategy to move towards a fossil-free vehicle fleet. The research and incinerator plant that Akademiska Hus has at Chalmers University of Technology has only used biofuel during the year, for which reason it has no climate impact.

Tonnes CO ₂ e	2019	2018	2017
Emissions furnace Chalmers	0	1.2	—
Work-related travel with personal, leased and private vehicles	86	96	—

Fuel consumption within the organisation amounted to 3,354 MWh and is based on purchased biogas. The emission factor for biogas is 0 g CO₂/kWh.

GRI 305-2: Indirect greenhouse gas emissions (scope 2)

Emissions consist of CO₂ from delivered electricity, heating, cooling and steam and includes climate impact from tenant's energy consumption. CO₂-calculations are based on input data provided by suppliers that is market based values, for 2018 (unless stated otherwise) and include CO₂e – in other words, the entire greenhouse effect.

Tonnes CO ₂ e	2019	2018	2017
Purchased electricity, heating, cooling and steam	28,246	29,129	28,495

CO₂-emissions declined during the year by 3.0 per cent, mainly because the fuel mix offered by certain energy suppliers improved.

GRI 305-3: Indirect greenhouse gas emissions (scope 3)

In 2018 Akademiska Hus began to calculate the climate impact of construction projects. In 2019, two new construction projects were completed – A Working Lab in Gothenburg and the Student Building in Linköping. The Company has set high targets for climate neutrality in its project operations by 2045 and climate calculations are an important step in this objective. The calculations are based on the life cycle stages for Production (A1–3) and Transport (A4) and include, as a minimum, the requirements specified in the Miljöbyggnad certification system. If possible, the calculations are based on climate declarations (EPDs), but where these are unavailable, generic data have been used.

	2019	2018	2017
Construction projects			
A1–A3 – Materials in construction projects	6,472	—	—
A4 – Transports to construction sites	586	—	—
Total construction projects	7,058	—	—
Work-related travel			
Air	258	263	205
Train	0	0	0
Rental car	10	9	8
Taxi	7	7	5
Total work-related travel, scope 3	275	279	218
Total Scope 3	7,333	279	218

GRI 305-4 /CRE-3: Greenhouse gas emissions intensity

Greenhouse gas emissions levels from Akademiska Hus properties was 7.1 kg of CO₂ per square metre (7.0 kg CO₂/m²). Emissions intensity is based on scope 2 as presented in 305-2 and the area in square metres used in the calculation is usable floor area (UFA).

ENVIRONMENTAL COMPLIANCE**GRI 307-1: Environmental compliance**

Akademiska Hus uses an external web-based service where all current laws and regulations are collected regarding the work environment and environment. New or amended laws and regulations are continually updated in the system. Relevant changes are sent to managers in the operation and are also addressed in the Health and Safety Committees, both locally and centrally. No fines or sanctions were imposed relating to the environment in 2018.

In 2019, systematic work environment management (SAM 2001:1) follow-up was implemented as an annual activity for our local health and safety committees. How employees perceive the organisational and social work environment (AFS 2015:4) is also followed up in conjunction with the annual Akademiska Hus performance index survey.

In the Project unit, environmental and work environment items are entered in the project tool "Aka Projekt", to be followed through the different phases of the project.

SOCIAL RESPONSIBILITY

Our operations are based on collaboration, within the organisation, with our customers and with other stakeholders. Strengthening Sweden as a nation of knowledge through value-adding knowledge environments entails placing people at the centre and taking many different requirements into consideration. It also means that we work to create a working climate and a culture where equal treatment, equal opportunity, diversity, safety and security are a given, internally as well as externally. Social responsibility is important in all four of our areas of focus, but it is absolutely crucial in "Value-adding knowledge environments" and "Responsible relationships".

All personnel data have been compiled as of 31 December 2019.

WORKFORCE**GRI 102-8: Workforce**

As of 31 December 2019 Akademiska Hus had 503 (485) employees, of whom 486 (481) are permanently employed and the remainder are temporary employees. In all, 15 employees within the organisation had part-time contracts, including 8 men and 7 women. Akademiska Hus has no significant variations in the number of employees over the year.

Number of employees per unit and gender

Number	Women	Men	Total
Staff	76	46	122
Campus and Business Development	10	13	23
Property Management	54	241	295
Projects	23	33	56
AWL	1	2	3
Student housing	3	1	4
TOTAL	167	336	503
Per cent	33	67	100

In addition to employees, a large number of hired workers are engaged. The majority of them can be contractors, architects and construction engineering consultants. The scope of this group varies over time and it is difficult to find reliable statistics for the number of people in this group, for which reason it is excluded from the report.

GRI 102-41: Proportion of the workforce covered by collective bargaining agreements

Collective agreements apply to all employees except those who belong to Executive Management.

DIVERSITY AND EQUAL OPPORTUNITY**GRI 405-1: Diversity in the Board of Directors, management and other employees based on age and gender**

Akademiska Hus' management group consists of 6 (5) women and 5 (5) men. The Board of Directors is represented by 3 (3) women and 6 (6) men.

The table below shows the distribution between men and women, broken down by activity and excluding management. In the company as a whole, Akademiska Hus has 31 per cent (32) women. The Management Unit is least equal in the company, with only 15 per cent (16) women. The most even gender distribution can be found in the Campus and Business Development unit.

Gender distribution employees, excluding Executive Management

Unit	Gender	Per cent/ unit	Per cent total	Number
Staff	Women	61	15	62
	Men	39	9	39
Campus and Business Development	Women	47	2	9
	Men	53	2	10
Property Management	Women	15	9	37
	Men	85	50	212
Projects	Women	40	5	21
	Men	60	7	31
AWL	Women	33	0	1
	Men	67	0	2
Student housing	Women	67	0	2
	Men	33	0	1
AKADEMISKA HUS TOTAL	Women		31	132
	Men		69	295

Diversity within the organisation

The table below shows the age and gender distribution among all employees, management and the Board of Directors:

Composition of the company	2019 Number of women	2018 Number of women	2019 Number of men	2018 Number of men	2019 Total number	2018 Total number
Board of Directors¹						
Under 30 years	—	—	—	—	—	—
30–50 years	1	1	—	—	1	1
Over 50 years	2	2	6	6	8	8
Executive Management						
Under 30 years	—	—	—	—	—	—
30–50 years	2	1	4	4	6	5
Over 50 years	4	4	1	1	5	5
Employees in managerial position²						
Under 30 years	2	1	—	1	2	2
30–50 years	19	22	25	21	44	43
Over 50 years	8	8	11	14	19	22
Other employees						
Under 30 years	11	7	19	18	30	25
30–50 years	83	73	132	132	215	205
Over 50 years	38	37	144	141	182	178

1) Employee representatives are included in the statistics

2) Excluding Executive Management

OCCUPATIONAL HEALTH AND SAFETY

GRI 403-1-7: Topic-specific management approach for health and safety

Occupational health and safety is a high priority at Akademiska Hus where our objective is an accident-free and healthy workplace. We work proactively through a structured approach to prevent risks and avoid work-related accidents and ill health. Akademiska Hus is certified under the provisions on systematic work environment management (AFS 2001:1), which apply to our entire operation.

Our environmental and occupational safety and health management systems with policies, procedures and guidelines is available on our intranet. The management system requirements apply to all employees and hired workers. Occupational health and safety duties, for which the CEO has ultimate responsibility, are divided and documented in the organisation. The principle is that the manager who is responsible for personnel is responsible for systematic work environment management-related duties. However, occupational health and safety duties are also divided in the organisation associated with our responsibility as property developer and owner. Our local safety representatives have an important function in our systematic work environment management and that we will work together to improve the working environment at Akademiska Hus.

Risk identification and risk elimination are the foundation of our systematic work environment management. Risk assessments are carried out on different levels and in specific situations, such as the annual risk assessment in all departments, prior to calls/orders of construction-related services or with changes in the operation.

Handling of accidents and incidents is also included in our risk management procedures. Both environmental and occupational health and safety matters are reported and managed in our dedicated Incident and Accident (IA) system. The system provides a structured approach to investigate and rectify such events to prevent them from happening again. Moreover, the system serves as a good source of data for statistics and analyses. Safety representatives have the right to stop any work that is considered to be dangerous or that could be associated with a risk of injury or ill health. In our construction projects, incidents and accidents must also be reported in our system so that we can learn from the experience. As an employer, our contractor is formally responsible for investigating and implementing corrective measures in the event of work injuries. However, our job is to see whether we can learn any lessons from the event in our capacity as property developer with responsibility for the early stages such as design and planning, as well as overarching conditions for the project.

At Akademiska Hus, employees have considerable influence over the Company's occupational health and safety initiatives and the safety representative has an important role. Influence is exercised through participation in risk assessments, occupational health and safety committees, the wellness group, etc. At Akademiska Hus we have six local health and safety committees and one central health and safety committee in which both employer and employee representatives participate. During the year, we also held two-day work environment training programmes where managers and safety representatives work together to strengthen collaboration in systematic work environment management.

Akademiska Hus has a cohesive contract with occupational health-care providers in the locations where Akademiska Hus has its employees. Through dialogue and continual follow-up meetings, we ensure that the organisation's needs for support are met. The "Sick and Healthy" service provides structure and support for management of reporting absence due to illness and reporting back to work after illness, as well as reporting absence to take care of sick children. The service gives employees access to professional healthcare advice and is available 24 hours a day, every day of the year. In order to capture early signs of ill health with the possibility of introducing measures at an early stage, the "Sick and Healthy" service provides an indication of repeated short-term absence

and work-related ill health. Our Occupational Health Care contract includes a dedicated rehab coordinator to provide optimal rehabilitation support. The Occupational Health Care service is primarily intended to support managers with delegated occupational health and safety duties, but each employee also has the right to schedule an appointment with the Occupational Health Care service to receive support and guidance on issues concerning conditions at work. Our focus with the occupational health care service is to promote health and prevent illness in accordance with the intentions of the Swedish Work Environment Act.

All employees have health insurance that provides access to several preventive health services such as eHealth services and counselling, available free of charge and around the clock. In order to enable employees to take good care of their health, all employees are offered a work environment and health analysis at regular intervals.

Akademiska Hus wants to inspire and create opportunities for a healthy lifestyle. Each year our wellness group promotes a wellness theme with various wellness activities that are carried out throughout the Company. In 2019 the wellness theme was Balance. Through our collaboration with ActiWay, each employee has access to an annual wellness allowance of SEK 3,000. Through active work from our wellness group and simple administration of the wellness allowance, we have continuously improved the ratio of active individuals who have taken advantage of their wellness allowance and in 2019 80 per cent of employees use some portion of their wellness allowance.

Akademiska Hus operations include many buildings and large land areas all over Sweden. In order to achieve resource-efficient management, operation and construction, we need to cooperate with many different suppliers. Collaboration on business terms is based on clear requirements and expectations, as well as dialogue and follow up. By setting clear requirements for the work environment, we can contribute to and promote sustainable development for the entire construction and property industry. Our Code of Conduct for suppliers, clear specifications in procurement documents and instructions for suppliers are some examples of how we address these issues. Akademiska Hus is an initiator, co-founder and actively involved in the "Håll nollan" organisation, which aims to achieve the goal of zero accidents in the construction industry. As part of this initiative, during the year we helped to formulate a common working method for property developers which we have now implemented in our operations. The point of departure is to create clarity regarding the activities we as property developers can influence with the aim of creating good conditions for a safe work environment in our construction projects. The Håll Nollan property developer training programme – the role of the property developer for a safe work environment, is also part of the initiative we helped to put in place, with the aim of providing knowledge on how we can take responsibility for our part of systematic work environment management as professional property developers. During the year our management representatives also participated in Håll Nollan leadership training. We also actively participate in the Property Developers' work environment group association with the aim of encouraging property developers to accept their responsibility for the work environment.

GRI 403-8: Number of workers covered by an occupational health and safety management system

All employees at Akademiska Hus are covered by the requirements, guidelines and procedures in our occupational health and safety management system. The system complies with relevant laws and regulations. Our management system is certified to AFS 2001:1 Systematic work environment management.

The management system also contains governing documents that apply to our consultants, suppliers and contractors. Akademiska Hus aims to contribute to good health and safety for employees, contractors, suppliers customers and end users.

	2019	2018	2017
Occupational health care service for own personnel, distribution of utilisation in %			
– Promote	1	4	*
– Prevent	79	65	*
– Rehabilitate	20	31	*
Percentage of individuals using wellness allowance ¹	81.4	77.8	*

1) Percentage of full-year employees who used some part of their wellness allowance

GRI 403-9, 10: Work-related injuries and health

During the year a total of 16 work-related injuries were reported for Akademiska Hus personnel, including four vehicular accidents. Three work-related injuries resulted in absence, one of which relates to a vehicular accident. The accident rate is thereby 2.5. Based on reported incidents and accidents, the most common cause of injury/risk involves being hit by flying or falling objects during tasks related to maintenance and repairs. The most common types of injury resulting from the above are crush injuries or other soft tissue injury, closely followed by wounds.

	2019	2018	2017
Akademiska Hus personnel			
Number of work-related fatal accidents	0	0	0
Number of work-related injuries	16	18	24
Number of work-related injuries with absence	3	0	*
Accident Rate (LTAR) ¹	2.5	0	*
Number of days of self-reported work-related sickness absence	10	5	*
Total sickness absence in %	3.8	4.1	3.7
– Women	4.8	4.9	4.1
– Men	3.3	3.8	3.5
Contractors in construction projects			
Number of work-related fatal accidents	0	0	0
Number of work-related injuries with absence	9	8	*
Accident Rate (ELTAR) ²	2.4	2.4	*

* Basis not available due to transition to new reporting system (IA).

1) LTAR relates to the accident rate for own personnel, excluding vehicular accidents. The accident rate is defined as the number of workplace accidents that lead to absence for more than one day (8 hours) per 1 million hours worked. Accidents for own employees are reported in the IA system. The number of hours worked was 800,697 for own employees in 2019, the data are obtained from our payroll system, Agda.

2) ELTAR relates to the accident rate for contractors in our construction projects, excluding vehicular accidents. The accident rate is defined as the number of workplace accidents that lead to absence for more than one day (8 hours) per 1 million hours worked. Accidents involving contractors are reported in our IA system. This reporting is not considered to be complete at this time, since all projects do not yet report into our system. Measurement and reporting are under development. The number of hours worked for contractors is based on our investment in new construction and redevelopment, with the assumption that 60% is the cost of labour at an hourly price of SEK 500 per hour. The number of hours worked was 3,677,347 for contractors in 2019.

In our construction projects, nine work-related injuries with absence were reported for contractors during the year, corresponding to an accident rate of 2.4, which from an industry perspective is considered to be low. The accident rate is defined as the number of workplace accidents that lead to absence on one or more contractual workdays per one million hours worked. Some under-reporting is likely and given that we only started recording this data in 2018, patience is required as we continually work to encourage people to report such information and to improve its quality. All construction projects are entered in our system, which permits reporting and setting clear requirements for contractors to report information.

Absenteeism due to illness remains at a stable low level at 3.8%. Our sickness absence reporting system provides an opportunity for early identification of employees who experience work-related ill health. Over the course of the year, ten employees have stated that their absence is due to conditions at work. Here are those who suffered work-related injuries with absence as a result. In addition, there is ill health due to stress as well as physical symptoms, for example in the neck and shoulders.

We work continuously with health-promoting and preventive activities with the aim of preventing employees from suffering work-related injuries and ill-health. Akademiska Hus' work environment goal of an accident-free workplace is an important starting point for our systematic work environment management. Over the past few years, we have been working across the board with employees, safety representatives and managers to increase awareness of and knowledge about the work environment. For example we conducted several company-adapted work environment training programmes for safety representatives and managers. These programmes are conducted jointly with managers and safety representatives to strengthen cooperation regarding and understanding of these issues. To promote knowledge sharing, learning and collaboration, each year we invite all safety representatives to a safety ombudsman day. Moreover, we have a current work environment theme for all employees in conjunction with the international work environment day. In 2019, a training day was held for our Executive Management with a focus on both practical and strategic aspects of systematic work environment management. Risk assessments are an important cornerstone of our preventive systematic work environment management. During the year we improved awareness and methodological support in the organisation, especially with respect to considering work environment risks in our development projects, as well as when implementing changes. Another important cornerstone in our systematic work environment management is reporting and management of incidents and accidents. Ever since we implemented a new system, we have continually worked with our reporting culture, especially with respect to increasing the quality of investigations and measures for learning from and preventing injuries and ill-health. All employees also have access to an array of benefits and services offered to strengthen and support employees to address issues that could otherwise contribute to ill health. Examples include counselling, support for domestic violence, help desk for bullying, wellness allowance and access to a health portal with e-health programmes.

GRI index

GENERAL STANDARD DISCLOSURES

GRI Standard	Disclosure	Description	Page or reference	Comment/Disclosed information	Global Compact principle
ORGANISATION PROFILE					
GRI 102: General standard disclosures, 2016	102-1	Organisation name	Cover, 51		
	102-2	Important brands, products, and services	1, 30-31, 51		
	102-3	Location of headquarters	129		
	102-4	Location of operations	11		
	102-5	Ownership and legal form	51		
	102-6	Markets served	11, 20, 46		
	102-7	Scale of the organisation	3, 10-11, 62, 67, 117		
	102-8	Workforce	117		6
	102-9	Supply chain	35-36		
	102-10	Significant changes to the organisation and its supply chain	111		
	102-11	Application of precautionary principle	111, 115		7
	102-12	External initiatives on sustainability that the organisation supports and/or by which it is covered	115		
	102-13	Membership of organisations			Available on our website akademiskahus.se/en
STRATEGY AND ANALYSIS					
	102-14	Statements from decision-maker	6-7		1
ETHICS AND INTEGRITY					
	102-16	Values, principles and ethical guidelines	18, 35, 50, 113-115		2, 6, 10
GOVERNANCE					
	102-18	Governance structure	51-59		
DIALOGUE WITH STAKEHOLDERS					
	102-40	Stakeholder groups	30, 112		
	102-41	Proportion of the workforce covered by collective bargaining agreements	117		3
	102-42	Identification and selection of stakeholder groups	112		
	102-43	Approach to stakeholder engagement	112		
	102-44	Stakeholder concerns and how they are handled	112-113		
REPORTING PROFILE					
	102-45	Entities included in the reporting	91, 111		
	102-46	Process for defining report content and topic boundaries	18, 113		
	102-47	Identified material topics	18, 113		
	102-48	Restatements of information	111		
	102-49	Material changes	111	Reporting of climate impact of new construction projects is added (305-3). Work-related travel is reported in 305-1 and 305-3, including for the previous year.	
	102-50	Reporting period	111		
	102-51	Date of most recent report	111		
	102-52	Reporting cycle	111		
	102-53	Contact point for questions regarding the report	111		
	102-54	Claims of reporting in accordance with the GRI Standards	111		
	102-55	GRI index	121-123		
	102-56	External assurance	124	The Sustainability Report has been reviewed by auditors on behalf of the Board of Directors and the President of Akademiska Hus.	

SUSTAINABILITY NOTES

GRI index

GRI 200: ECONOMIC STANDARDS

GRI Standard	Disclosure	Description	Page or reference	Comment/Disclosed information	Global Compact principle
ECONOMIC PERFORMANCE					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	55–57, 115		
GRI 201: Economic performance, 2016	201-1	Direct economic value generated and distributed	116		
INDIRECT ECONOMIC IMPACTS					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	55–57, 115		
GRI 203: Indirect economic impacts, 2016	203-1	Investments in infrastructure and services for public benefit	11, 20-22, 25, 31		
ANTI-CORRUPTION					10
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	55–57, 115		
GRI 205: Anti-corruption, 2016	205-1	Percentage of operations assessed for risks related to corruption	49, 56–57		
	205-3	Number of cases of corruption	56		

GRI 300: ENVIRONMENTAL STANDARDS

ENERGY					8, 9
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	55–57, 115	Reporting is based on delivered energy for all indicators under energy.	
GRI 302: Energy, 2016	302-1	Energy Consumption within the organisation	116-117		
	CRE-1	Energy intensity	116		
	302-4	Reduction of energy consumption	116	The report indicates change in energy consumption on a total level between 2018 and 2019, not by initiative.	
EMISSIONS					10
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	55–57, 115		
GRI 305: Emissions, 2016	305-1	Direct greenhouse gas emissions	117		
	305-2	Indirect greenhouse gas emissions	117		
	305-3	Indirect greenhouse gas emissions	32–33, 117	Climate impact from construction projects omitted due to the lack of information.	
	CRE-3	Greenhouse gas emissions intensity	117		
COMPLIANCE					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	55–57, 115		
GRI 307: Environmental compliance, 2016	307-1	Compliance with environmental laws and regulations	117		
SUPPLIER ASSESSMENT					8
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	55–57, 115		
GRI 308: Screening of new suppliers using environmental criteria, 2016	308-1	Percentage of new suppliers screened using environmental criteria	35–36		

SUSTAINABILITY NOTES

GRI index

GRI 400: SOCIAL STANDARDS

GRI Standard	Disclosure	Description	Page or reference	Comment/Disclosed information	Global Compact principle
OCCUPATIONAL HEALTH AND SAFETY					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	55–57, 115		
Topic-specific management approach for health and safety					
GRI 403: Health and safety, 2018	403-1	Occupational health and safety management system	119		
	403-2	Hazard identification, risk assessment and incident investigation	47, 119		
	403-3	Occupational health services	38, 119		
	403-4	Consultation and communication on occupational health and safety	38, 119		
	403-5	Worker training on occupational health and safety	38, 119		
	403-6	Promotion of worker health	38, 119		
	403-7	Prevention and mitigation of occupational health and safety impacts	38, 119-120		
Results occupational health and safety					
	403-8	Number of workers covered by an occupational health and safety management system	119–120		
	403-9	Work-related injuries	120	Reporting concerning contractors is under development and therefore is incomplete.	
	403-10	Work-related ill health	120	Statistics only relate to own employees. We do not have access to statistics on hired personnel and contractors.	
DIVERSITY AND EQUAL OPPORTUNITY					
					6
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	55–57, 115		
GRI 405: Diversity and equal opportunity, 2016	405-1	Diversity of governance bodies and employees	118		
ASSESSMENT OF SUPPLIERS					
					10
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	55–57, 115		
GRI 414: Screening new suppliers using social criteria, 2016	414-1	Percentage of new suppliers screened using social criteria	35–36		
INDUSTRY-SPECIFIC DISCLOSURES					
CRE: PRODUCT RESPONSIBILITY					
					7, 8, 9, 10
	CRE-8	Type and number of sustainability certificates, ratings and scores for new construction	34		
OTHER					
Child labour, Forced labour				The Code of Conduct includes these principles, but the areas are not identified as main risk areas within our operations.	7, 8, 9, 10

Assurance Report

Sustainability Report and Opinion on the Statutory Sustainability Report

To Akademiska Hus AB (publ.), Corp. Id. 556459-9156

Introduction

We have been engaged by the Board of Directors of Akademiska Hus (publ.) to undertake a limited assurance engagement of Akademiska Hus AB's (publ.) Sustainability Report for the year 2019. The company has defined the scope of the Sustainability Report and the Statutory Sustainability Report on page 111 in this report.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report, in accordance with the applicable criteria, and the Annual Accounts Act respectively. The criteria are defined on page 111 in the Sustainability Report, and are parts of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that Akademiska Hus AB (publ.) has developed. This responsibility also includes the internal control, which is deemed necessary to establish a Sustainability Report that does not contain material misstatement, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to provide an opinion on the Statutory Sustainability Report.

We conducted our limited assurance engagement in accordance with ISAE3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. We have conducted our review regarding the Statutory Sustainability Report in accordance with FAR's recommendation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and a review according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an

audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Akademiska Hus according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and review according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The stated conclusion based on a limited assurance and review in accordance with RevR 12, therefore, does not have the security that a stated conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Managing Director as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not, in all material respects, prepared in accordance with the criteria defined by the Board of Directors and Managing Director.

A Statutory Sustainability Report has been prepared.

Gothenburg, 17 March 2020

Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg
Authorised Public Accountant

Åsa Ekberg
Expert Member of FAR

FIVE-YEAR SUMMARY

FIVE-YEAR SUMMARY	2019	2018	2017	2016	2015 ⁶
INCOME STATEMENTS, SEK m					
Property management income	6,217	6,117	5,806	5,666	5,646
Operating costs	-891	-894	-785	-764	-771
Maintenance costs	-619	-676	-615	-686	-618
Property administration	-430	-372	-309	-294	-316
Net operating income	4,121	3,938	3,829	3,667	3,740
Central administration costs	-70	-78	-67	-85	-72
Net interest income/expense	-377	-268	-188	-308	-347
Earnings before changes in value and taxes ¹	3,589	3,592	3,574	3,274	3,321
Change in value, properties	3,872	2,585	4,979	3,682	2,655
Change in value, financial instruments	-503	-360	-242	-241	165
Profit before tax	6,957	5,818	8,311	6,714	6,141
Profit for the year	5,658	5,314	6,453	5,148	4,780
STATEMENT OF FINANCIAL POSITION, SEK m					
Fair value, properties	91,424	85,865	80,444	73,013	66,575
Other assets	13,562	7,612	10,113	9,417	7,858
Equity	46,760	42,832	39,186	34,152	30,271
Interest-bearing liabilities ¹	40,992	35,081	37,051	35,627	30,831
Other liabilities and provisions	17,234	15,564	14,320	12,651	13,331
CASH FLOW, SEK m					
Cash flow from current operations	3,519	2,998	2,121	2,721	2,485
Cash flow from investing activities	-1,685	-2,991	-2,341	-2,548	-2,204
Cash flow before financing	1,834	7	-220	172	281
Cash flow from financing activities	-801	-3,183	1,330	893	-534
Cash flow for the year	1,033	-3,176	1,110	1,065	-253
PROPERTY-RELATED KEY FIGURES					
Total yield, properties, % ⁷	9.5	8.5	12.5	11.4	11.0
of which direct yield, % ^{2,7}	4.9	5.1	5.5	5.7	6.4
of which change in value, % ³	4.7	3.4	7.0	5.7	4.6
Rental revenue, SEK/m ²	1,820	1,791	1,715	1,697	1,710
Operating costs, SEK/m ²	268	270	241	237	242
Maintenance costs, SEK/m ²	186	204	189	212	194
Net operating income in relation to property management income, % ⁷	65	64	66	65	66
Net operating income, SEK/m ² ⁷	1,214	1,190	1,176	1,135	1,174
Level of vacant space, area, %	3.8	5.2	4.2	3.9	3.8
Level of vacant space, rent, %	2.2	1.7	1.0	0.9	1.1
Fair value, properties, SEK/m ² ⁴	25,736	24,173	22,476	20,638	19,238
Energy use, kWh/m ²	192	201	201	204	212
CO ₂ , kg/m ²	7	7	9	8	8
FINANCIAL KEY FIGURES					
Return on equity after standard tax, %	12.2	11.2	17.6	16.3	15.0
Return on operating capital, % ^{5,7}	10.3	5.5	5.9	6.2	6.9
Return on total assets, % ⁷	7.5	6.6	10.1	10.8	10.7
Net debt, SEK m	32,902	30,416	27,976	26,962	23,924
Equity ratio, % ⁷	45.7	45.8	43.3	41.4	40.7
Interest coverage ratio, % ⁷	665	736	871	694	743
Financing cost, %	2.6	2.3	1.8	2.2	1.2
Loan-to-value ratio, %	36.0	35.4	34.3	37.0	35.9
Internal financing level, %	172.7	115	137	84	132
Ordinary dividend, SEK m	—	1,663	1,630	1,393	1,290
PERSONNEL					
Average number of employees	490	480	449	440	409

1) Values for 2019 include site leasehold fees.

2) Excluding properties under construction and expansion reserves.

3) Change in value in relation to average value of properties, excluding properties under construction 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, should be at least 6.0 per cent over a business cycle.

6) 2015 figures have been adjusted to facilitate comparison. The reason is the change in accounting of tenant improvements. In addition, the distribution between property administration costs and central administration has changed.

7) Values for 2019 exclude the accounting effects of IFRS 16.

Key figures

ALTERNATIVE PERFORMANCE MEASURES

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

Return on equity

Profit before tax less the standard tax (according to the current tax rate) in relation to average equity (OB+CB)/2.

Return on operating capital

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

Return on total assets

Earnings before appropriations and taxes excluding financial expenses in relation to average equity and liabilities, excluding liability for leasehold rights (IB+UB)/2.

Loan-to-value ratio

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

Yield

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

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

Net operating income ratio

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

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

Total financing cost including changes in value

Net interest excluding capitalised interest expense and the change in value of financial derivatives, in relation to average interest-bearing capital. (See the table on page 127).

Interest coverage ratio

Net operating income with reversal of site leasehold fees and the addition of central administration costs in relation to net financial income/expense excluding site leasehold fees, including period allocation of realised profits from derivatives and including capitalised interest in projects. The interest coverage ratio is a financial measure that shows how many times the Company is able to pay its interest with adjusted earnings before financial items.

Period-allocated financing cost

Net interest income and expense in the form of the financing cost for loans, net interest for financial derivatives and period allocation of realised profits on financial derivatives over the remaining term of the underlying instrument, in relation to average interest-bearing capital. (See table below.)

SEK m	1 Jan. 2019– 31 Dec. 2019	1 Jan. 2018– 31 Dec. 2018
Net interest income/expense	-343	-278
Net interest derivatives	-46	-27
Other interest costs	-74	-55
Capitalised interest expense, projects	86	92
Total net interest income/expense	-377	-268
Change in value, independent financial derivatives		
– unrealised	-263	-160
– realised	-339	-39
Changes in value, fair value hedges	98	-160
Total changes in value	-503	-360
Site leasehold fees	-84	—
Reported net interest income and expense	-965	-628
Average interest-bearing capital (full-year basis)	-32,805	-31,688

Internal financing ratio

Cash flow from current operations before changes in working capital in relation to net investments.

Net investments

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

Net debt

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

SEK m	1 Jan. 2019– 31 Dec. 2019	1 Jan. 2018– 31 Dec. 2018
Gross debt	-34,948	-33,521
Assets		
Collateral for derivatives, net	-2,568	-891
Cash and cash equivalents	4,337	3,304
Other current receivables	277	692
Total net debt	-32,902	-30,416

Operating capital

Equity plus interest-bearing net loan liability.

Equity ratio

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

Total yield

Direct yield from properties and their change in value, expressed in per cent.

Definitions

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 or 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. Costs for tenant adaptations are also recognised here.

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.

Information schedule

28 April 2020	Annual General Meeting
28 April 2020	Interim Report, January – March 2020
10 July 2020	Interim report January – June 2020
22 October 2020	Interim Report, January – September 2020
February 2021	Year-end report 2020
March 2021	Annual Report 2020

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AKADEMISKA HUS

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