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Akademiska Hus AB

New Issuer: Swedish Government-Related Real Estate Company

Summary Rating Rationale

On 9 January 2017, we assigned a first-time Prime-1 (P-1) short-term rating to Akademiska Hus AB (Akademiska). At the same time, we assigned a P-1 short-term rating to the company's €1.2 billion Euro Commercial Paper Programme.

Akademiska's P-1 short-term rating reflects the company's solid liquidity and its key role as the main provider of educational and research facilities to Swedish universities. The rating also reflects the stability of the state-funded Swedish higher education sector, and our expectation of extraordinary government support given the company's 100% ownership by the state. The company's well established track record of excellent access to local and international debt capital markets, its long history of stable operating performance, and very strong fixed charge coverage are additional credit strengths. Counterbalancing these strengths is the company's heavy reliance on short term debt, and a vulnerability to potential changes in government policy.

Credit Drivers

» Akademiska benefits from the stability and importance of the Swedish higher education sector that is state-funded by a Aaa sovereign

» Dominant market position as the key provider of campus facilities for Swedish universities and a long history of stable operating performance

» Strong fixed charge coverage and excellent access to local and international debt capital markets

» 100% government ownership and our expectation of extraordinary support

» Vulnerable to potential changes in government policy

» Heavy reliance on short term funding

Factors that Could Lead to a Downgrade

» A significant deterioration in operating performance leading to a substantial decline in credit metrics, coupled with a weakening of our expectation of extraordinary government support or

» A downgrade of Sweden (Aaa stable) or

» A sharp deterioration in the company's liquidity such that it no longer maintains an appropriate balance between its short term debt obligations and cash equivalents, undrawn revolving credit facilities, and internally generated cash flows

Key Indicators

Exhibit 1

Key Indicators for Akademiska HUS AB [1]

	30-Sep-2016(L)	31-Dec-2015	31-Dec-2014	31-Dec-2013	31-Dec-2012
FFO Payout	274%	189%	52%	54%	48%
Amount of Unencumbered Assets	99%	99%	99%	100%	99%
Debt / Gross Assets	41%	39%	34%	36%	37%
Net Debt / EBITDA	7.4x	6.4x	5.1x	5.3x	5.0x
Secured Debt / Gross Assets	0%	0%	0%	0%	0%
Gross Assets (USD Million)	$9,358	$8,844	$8,918	$9,877	$9,493
Development Pipeline	12%	8%	9%	13%	16%
EBITDA Margin (YTD)	71%	70%	69%	70%	75%
EBITDA Margin Volatility	2%	4%	5%	n/a	n/a
EBITDA / Fixed Charges (YTD) [2]	9.4x	7.6x	6.1x	6.0x	4.9x
Joint Venture Exposure (YTD)	0%	0%	0%	0%	0%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] Fixed Charges includes capitalized interests explained in Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations revised December 2015.
Source: Moody's Financial Metrics

Corporate Profile

Akademiska owns, develops, and manages properties for Swedish universities. The company's mission, as set by the Riksdag (Swedish Parliament), is to bring about the long-term sustainable development of university campuses with a primary focus on education and research. Akademiska is one of the largest real estate companies in Sweden with a SEK71.1 billion portfolio that generates SEK5.5 billion in annual rent. The company is the landlord for around 60% of the floor space used by universities in Sweden, with the remaining 40% market share highly fragmented among 30 or so different competitors.

Although wholly owned by the Swedish government, the company is run on a commercial basis and sets market rents that take into account operating risk. The state ownership unit at the Ministry of Enterprise and Innovation nominates eight of the company's board members, with the remaining two board seats given to employee representatives. The Ministry also sets financial targets for Akademiska's capital structure, profitability, and dividend policy. Members of the Riksdag and the public have the right to participate in the company's general meetings.

The company started operations in 1993 after taking over the ownership and management of previously state-owned properties. The company is headquartered in Gothenburg and has about 400 employees, of which 260 work in property management, 60 in project management, with the remainder in various administrative and finance tasks.

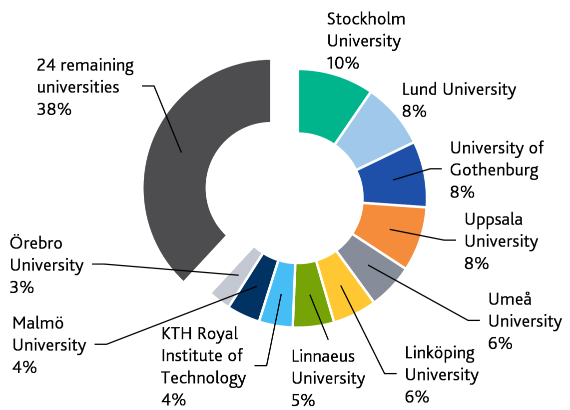
Detailed Rating Considerations

AKADEMISKA BENEFITS FROM THE STABILITY AND IMPORTANCE OF THE SWEDISH HIGHER EDUCATION SECTOR [1]THAT IS STATE-FUNDED BY a Aaa SOVEREIGN

There are around 340,000 students attending 34 higher education institutes (HEIs) in Sweden, with 62% of students attending the 10 largest universities as shown in Exhibit 2. There are a further 75,000 individuals employed by the sector. Around 30% of all those employed by the government in Sweden work in the higher education sector, making it the single largest public-sector undertaking.

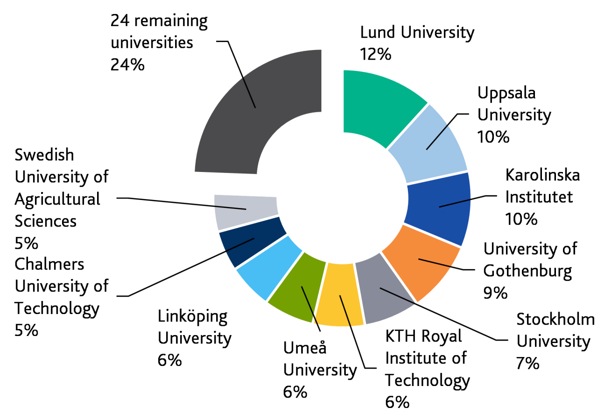
It has been the long-standing policy of the Swedish government since the 1940s to provide its citizens with free access to higher education. Swedish and EU students pay no university fees, and their education is financed by government funding allocated directly to HEIs by the Swedish Parliament as part of its annual budget process. The two key drivers of places offered at HEIs is student demand and the amount of direct government funding. Sweden allocated SEK66.7 billion to HEIs for education and research in 2015, which equates to 1.6% of Sweden's gross domestic product. The top ten universities received 76% of total government spending on HEIs as shown in Exhibit 3. We view the sector as government funded as around 90% of HEIs' total revenues are a direct allocation from the state.

Exhibit 2
62% of Students attend the 10 largest universities
Breakdown by university of the total # of 343,344 students



Note: Figures as of autumn semester 2015
Source: Swedish Higher Education Authority

Exhibit 3
76% of government spending goes to the top ten universities
Breakdown by university of the total SEK66.7 billion government expenditure in 2015



Source: Swedish Higher Education Authority

Student enrollment at Swedish HEIs was slightly down in the 2016 Autumn term compared to the previous year. However, we are less concerned with short term fluctuations in student intake numbers because we believe HEIs take a five or ten year view when making decisions on their property needs. The current number of students is 6% down on the 2010 peak of 365,000 but student numbers have been consistently above 300,000 since 2001 and we are positive on the long-term trends for state funding and overall student numbers.

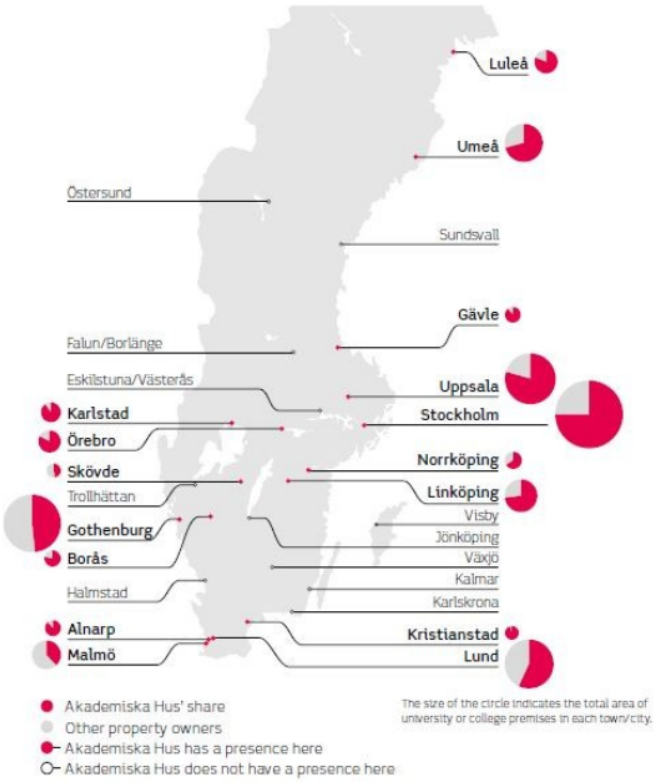
The Swedish higher education sector in which Akademiska operates offers long-term stability and predictability in our view, and is not prone to the demand and rental cycles we typically see in other real estate markets. This stability is reflected in Akademiska's historically stable rental income and vacancy rate that has not gone above 2% in the last ten years.

Furthermore, we expect the state to always support the sector and fund HEIs regardless of the economic cycle. In fact the number of students in higher education tends to go up during recessions.

DOMINANT MARKET POSITION AS THE KEY PROVIDER OF CAMPUS FACILITIES FOR SWEDISH UNIVERSITIES

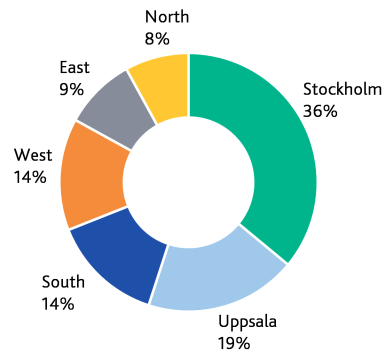
Unlike HEIs in many other countries who own their own properties or pay below market rents, all Swedish HEI's must pay market rents for their premises and cannot own property according to the Swedish Code of Statutes 1993:527 that has been in force since 1993. Swedish HEIs must therefore rely on external parties to help them plan, design, develop, and manage the educational and research facilities that they rent. Akademiska dominates the sector with a more than 60% market share by providing well-designed and appropriately managed facilities. The company maintains close relationships with universities, and works with them in planning and delivering on their long-term property needs. In our view, Akadermiska has carved out a unique high-barrier-to-entry position for itself as a reliable long-term partner with a proven track record of meeting the property needs of universities.

Exhibit 4
A well-diversified presence across Sweden
Breakdown of Akademiska's ~60% market share by floor space



Source: Akademiska Hus Annual report 2015

Exhibit 5
Akademiska's revenues are well diversified across various regions
Breakdown of revenue by region



Source: Company Data

Around 300,000 people work, study, and carry out research in Akademiska's premises every day, suggesting the company's market share could be as high as 75% based on the total number of students and people working in higher education. Its 3.23 million square metres of education, laboratory and office buildings valued at SEK71.1 billion are well diversified across Sweden and spread out across 40 campuses and 24 centers of education. The most recent yield on the portfolio, excluding properties under construction, was 5.9% on a rolling 12-month basis, and vacant space stood at 0.9% of rental value.

Around 90% of the company's SEK5.5 billion in annual rental revenues comes from universities, and the remaining 10% of rents include state-owned and municipal authorities. We view the company's rental income as ultimately the credit risk of the Swedish state, and notwithstanding the concentration risk to a Aaa sovereign, is by far the highest credit quality income stream of any rated European peer.

The average remaining lease term across the portfolio is 6 years, and the average lease term for new contracts is 11 years. The government must approve any HEI contract longer than 10 years, but this is normally a routine procedure. New leases for more complex laboratory and research specialist buildings that require a much higher investment command higher rents and are as long as 20 years. The company's proven track record of low vacancy rates and generally long lease lengths largely address our concerns about the limited alternative use for some of the Akademiska's buildings, especially the more specialized types located outside the larger cities.

As a long-term portfolio holder Akademiska is not a large buyer or seller of property and is therefore not reliant on liquidity in Sweden's commercial real estate investment market for its strategy. Instead, we expect the company to continue growing by developing projects to satisfy the property needs of universities. The cost to complete the company's current projects is SEK13.6 billion, of which SEK4.4 billion has already been invested. We are comfortable with the company's development pipeline that hovers around 10% of total assets because it is fully pre-let with no speculative developments. Furthermore, the company has an established track record of managing construction on time and to budget. The development pipeline helps improve the quality of Akademiska's portfolio, in our view, as it provides a steady stream of newer buildings on longer leases.

Exhibit 6
Education and Laboratory buildings represent 80% of Akademiska's floor space
Breakdown by type of building per square metres floor space

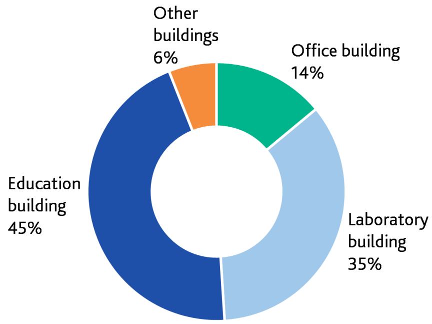


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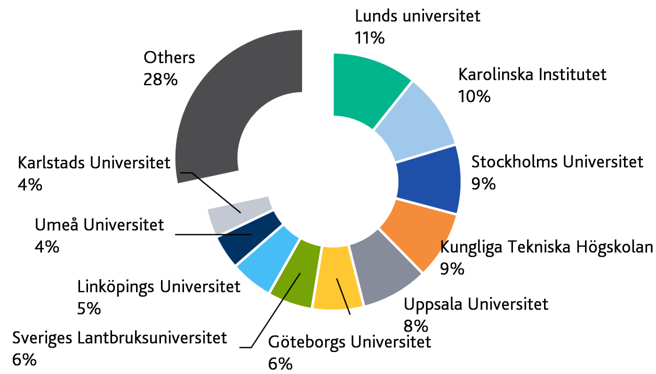
Exhibit 7
Top ten tenants represent 72% of Akademiska's rental revenues



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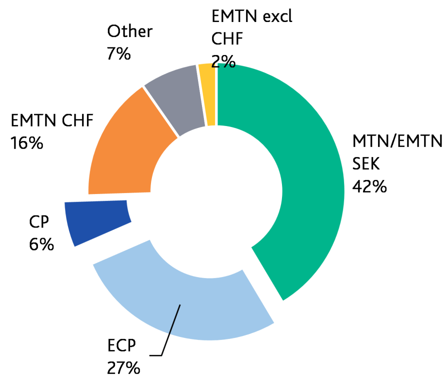
STRONG FIXED CHARGE COVERAGE AND EXCELLENT ACCESS TO LOCAL AND INTERNATIONAL DEBT CAPITAL MARKETS

Akademiska's most recently reported leverage ratio as measured by Moody's adjusted gross debt to total assets stood at a moderate 41%, and we expect the ratio to stay around this level for the next 12 to 18 months. Fixed charge coverage stood at a very strong 9.4x, and we expect this ratio to be sustained above 7x over the next year or so. Commercial paper makes up around one third of Akademiska's outstanding debt as shown in Exhibit 8, and the company currently issues short term debt at negative rates which helps its coverage ratio.

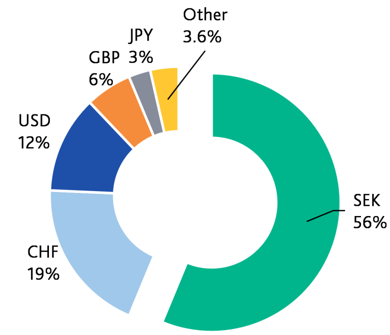
To satisfy investor demand and further diversify its investor base, 44% of the company's debt is issued in foreign currencies as shown in Exhibit 9. The company hedges all its foreign currency risk. The company's use of cross currency swaps introduces counterparty risk, mark-to-market pricing volatility onto its balance sheet, and the possibility that the company may have to post cash collateral under credit support annexes (CSAs) with derivative counterparties. In our view, the benefits of accessing a wider international investors base outside its local market outweigh the moderate and manageable risks introduced by the use of cross currency swaps.

Exhibit 8
Short term commercial paper makes up 33% of Akademiska's funding mix
Breakdown of outstanding debt



Source: Company Data

Exhibit 9
44% of outstanding debt is in foreign currencies
Breakdown of outstanding debt



Source: Company Data

100% GOVERNMENT OWNERSHIP AND OUR EXPECTATION OF EXTRAORDINARY SUPPORT

We apply Joint Default Analysis (JDA) under our Government-Related Issuers Rating Methodology to explain our views of the credit links between Akademiska and its supporting central government. Our approach explicitly accounts for (1) Akademiska's standalone risk or Baseline Credit Assessment (BCA) assessed under our Global Rating Methodology for REITs and Other Commercial Property Firms (2) Sweden's Aaa rating as the supporting government (3) an estimate of the default correlation between the two entities and (4) an estimate of the likelihood of extraordinary government support.

Based on our assessment of the very high level of default dependence coupled with our expectation of the strong likelihood of the Swedish government providing extraordinary support, Akademiska benefits from a one to two notch uplift above its estimated a1 BCA.

As outlined in Exhibit 10, our overall view on the very high level of default dependence is driven by our assessment of following three factors:

1. The operational and financial linkages between the company and the national government are very high, including an explicit and well recognized public policy mandate set by the Riksdag to contribute to the government's objective of reinforcing Sweden as a nation of knowledge. Furthermore, the government names the company's board and sets its financial objectives. Ninety percent of the company's revenues are rental income from state-funded universities. The company also pays annual dividends to the state that we estimate make up around 0.1% of Sweden's overall revenues.
2. The company and the government rely heavily on the same economic base, implying a very high level of default dependence. Both of them derive nearly 100% of their revenues from within Sweden.
3. Exposure to common credit risks is low for both the company and the government.

Exhibit 10
A very high level of overall default dependence
Dependence Factors

Dependence	Low	Moderate	High	Very High
(1) Operational and Financial Linkages				
» Direct and Indirect Government Transfers as a % of GRI Revenue				✓
» Government Purchases as a % of GRI Revenue	✓			
» GRI Payments (Dividends) as a % of Government Revenue	✓			
(2) Reliance on Overlapping Revenue Base				
» Percentage of income derived from within the government's territory				✓
(3) Exposure to Common Credit Risks				
» Foreign Exchange Risk in Debt Structure	✓			
» Shared Industry Exposure	✓			
» Political Event Risks	✓			
Overall Guidance Dependence Level				✓

Source: Moody's

As outlined in Exhibit 11, our overall view on the strong likelihood of extraordinary support is driven by our assessment of the following six factors:

1. We are not aware of any explicit or verbal guarantees from the Swedish government covering Akademiska's debt obligations. Furthermore, the company operates on a commercial basis and there is no special legal status that would prevent it from entering normal bankruptcy proceedings.

2. The central government owns 100% of the company and does not have any privatization plans, implying a very high probability of extraordinary support. The Government most recently committed to Akademiska continuing to be wholly owned by the state in a December 2013 government bill.

3. There are legal and policy barriers to support in the form of European Union (EU) rules prohibiting preferential support to commercial entities, which the Swedish government is likely to obey in our view.

4. The government appoints Akademiska's board members, sets its financial policies, and influences its financial condition through regulation and funding of Swedish universities. Collectively, these considerations suggest a high probability of extraordinary support.

5. The reputation risk and political embarrassment of allowing Akademiska to fail and disrupting the main provider of campus facilities to the Swedish higher education sector, in conjunction with the possible increase in public sector borrowing costs that would follow such a default, provide a clear incentive for the government to act and implies a strong probability of extraordinary support.

6. The company plays a key role in supporting higher education which is an important public service largely financed by tax revenues suggesting a moderate probability of extraordinary support.

Exhibit 11

A strong overall likelihood of extraordinary support

Support Factors

Support	Low	Moderate	Strong	High	Very High
(1) Guarantees					
» Explicit Guarantees	✓				
» Verbal Guarantees and/or Comfort Letters	✓				
» Special Legal Status	✓				
(2) Ownership					
» Ownership Level					✓
» Privatization Plans					✓
(3) Barriers to Support	✓				
(4) Level of Government Intervention					
» History of State Bailouts				✓	
» Ideological and Political Inclinations				✓	
» Government Direction of GRI				✓	
» Business Planning				✓	
(5) Political Linkages			✓		
(6) Economic Importance		✓			
Overall Guidance Support Range			✓		

Source: Moody's

VULNERABLE TO POTENTIAL CHANGES IN GOVERNMENT POLICY

While not expected in the foreseeable future, we would view as credit negative potential changes in government policy that resulted in:

» more aggressive financial targets for Akademiska or

» a major change in the company's mission that results in a much riskier business profile or

» a material weakening in the currently strong support and funding for the higher education sector or

» a change in legislation allowing HEIs to own their own properties

Akademiska's financial targets were last set in April 2014 following a December 2013 government bill that clarified the company's role and reconfirmed the government's intention for the company to remain 100% state owned. While there is no formal timeline for the periodic comprehensive review of the company's operations by the government, we understand that this could take place every five years or so. In any case the company is in a quarterly dialogue with the relevant government Ministry and the state can set new targets or amend Akademiska's mission any time it wishes. The company's equity ratio [2] (defined as equity divided by total assets) was 40.9%, at the upper limit of the 30% to 40% range set by the state. Return on operating capital [3], defined as operating profit (excluding changes in value) divided by average operating capital, was 6.4% on a rolling 12-month which is close to the minimum 6.5% set by the state. The state's dividend policy requires the company to pay between 40% and 60% of after-tax yearly profit, and we would expect the state to reduce or stop dividends in the unlikely event there was a significant deterioration in the company's operating performance.

While to our knowledge this is not being discussed or considered, a change in the current law that would allow HEIs to own their own property poses a long-term threat to Akademiska's well established and successful business model.

Liquidity Analysis

HEAVY RELIANCE ON SHORT-TERM FUNDING

Akademiska's strong liquidity profile is underpinned by:

» a cash position of SEK 4.2 billion

» a secure and stable SEK5.5 billion gross annual rental income stream

» SEK3 billion of credit facilities (RCFs), of which SEK2.5 billion is undrawn. Of the total of SEK3 billion of RCFs, SEK500 million is due in February 2017, SEK1.5 billion is due in April 2017, and SEK1 billion in November 2017.

» SEK5 billion of unused limits under its two commercial paper programs and unused capacity under its medium term notes (MTN) programs as shown in Exhibit 13

In line with market practice and how many Swedish companies finance themselves, Akademiska relies heavily on short-term debt with SEK8.9 billion outstanding under its two commercial paper programme representing around a third of its overall funding. The company's financial policy puts a 50% limit on loans maturing in the next 12 months, and 29% of the company's debt is due in 2017 as shown in Exhibit 12. Given its strong credit profile and association with the state, we expect Akademiska to always have access to short term and long term debt capital markets even during volatile periods. Nonetheless, the company can withstand an unlikely and prolonged shut down of capital markets given its short-term debt is largely covered by availability under the company's existing RCFs, cash on balance sheet, and internally generated cash flow. In addition, the company's high-quality wholly unencumbered assets give it great financial flexibility and in any case we believe the company can easily access additional bank funding should it ever be needed.

The major demands on cash in 2017 are around SEK4 billion in capital expenditure on developments and dividends of around SEK1.3 billion. Around 36%, or SEK1.5 billion, of the company's current cash balance is from unrestricted cash collateral posted by its derivative counterparties. We expect the company to appropriately manage its cash position should it be required to start posting large cash amounts to its derivative counterparties.

We assigned a P-1 rating to the company's €1.2 billion Euro Commercial Paper Programme that can be issued in Euros, USD, Yen, SEK, GBP, CHF, Norwegian Kroner, and such other currencies as may be agreed on. Notes under this programme can only be issued on a discounted or fixed interest basis subject to a minimum maturity of one day and a maximum maturity of 364 days. The Notes are unconditional and unsecured obligations ranking pari passu with all other unsubordinated and unsecured obligations of Akademiska. The company also has a separate SEK4 billion commercial paper programme that we do not rate.

Exhibit 12
29% of debt expires in 2017

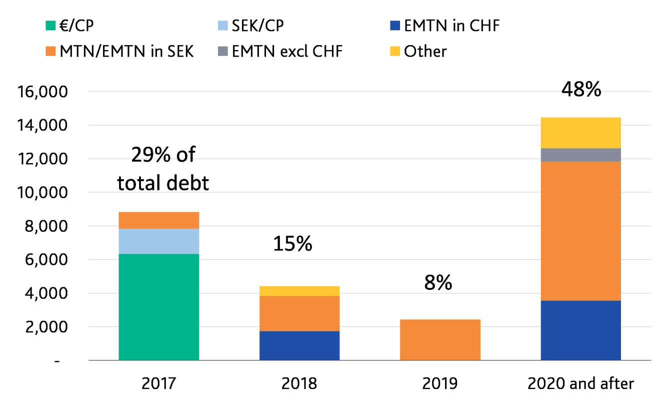


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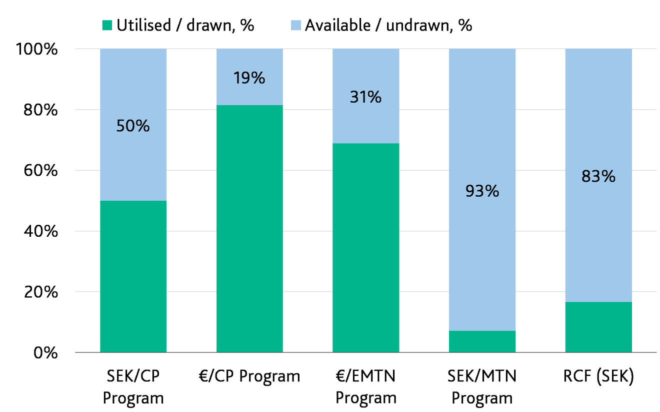
Exhibit 13
Ample undrawn capacity under Akademiska's various programs



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Rating Methodology and Scorecard Factors

Exhibit 14
Rating Methodology Grid Outcome for Akademiska HUS AB

REITs and Other Commercial Property Firms Industry Grid [1][2]	Current LTM 30-Sep-2016		Moody's 12-18 Month Forward View As of 21-Nov-2016 [3]	
Factor 1: Liquidity and Funding (24.5%)	Measure	Score	Measure	Score
a) Liquidity Coverage	A	A	A	A
b) Debt Maturities	Ba	Ba	Ba	Ba
c) FFO Payout	274%	Ca	47% - 50%	Aa
d) Amount of Unencumbered Assets	99%	Aa	98% - 100%	Aa
Factor 2: Leverage and Capital Structure (30.5%)				
a) Debt / Gross Assets	41%	Baa	41% - 43%	Baa
b) Net Debt / EBITDA	7.4x	Ba	7.6x - 8x	Ba
c) Secured Debt / Gross Assets	0%	Aa	0%	Aa
d) Access to Capital	A	A	A	A
Factor 3: Market Position and Asset Quality (22%)				
a) Franchise / Brand Name	Aa	Aa	Aa	Aa
b) Gross Assets(USD Million)	$9,358	Baa	$9300 - $9500	Baa
c) Diversity: Location / Tenant / Industry / Economic	A	A	A	A
d) Development Pipeline	12%	Ba	7% - 8%	A
e) Asset Quality	A	A	A	A
Factor 4: Cash Flows and Earnings (23%)				
a) EBITDA Margin (YTD)	71%	A	70% - 73%	A
b) EBITDA Margin Volatility	2%	Baa	1% - 2%	A
c) EBITDA / Fixed Charges (YTD) [4]	9.4x	Aa	7x - 7.3x	Aa
d) Joint Venture Exposure (YTD)	0%	Aa	0%	Aa
Rating:				
a) Indicated Rating from Grid		A3		A2
b) Adjusted / Estimated Baseline Credit Assessment (BCA)				a1

Government-Related Issuer	Factor
a) Baseline Credit Assessment	a1
b) Government Local Currency Rating	Aaa
c) Default Dependence	Very High
d) Support	Strong
e) Indicated Rating Range	Aa2 - Aa3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 9/30/2016(L).
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
[4] Fixed Charges includes capitalized interests explained in Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations revised December 2015.
Source: Moody's Financial Metrics

Peers

Although we believe that Akademiska's property portfolio and business objectives are unique compared to rated European commercial real estate companies, below is a comparison with some of the highest rated peers in our rated universe:

- Deutsche Wohnen A.G. is the second largest residential property company in Germany. It owns and manages a multi-family residential rental portfolio of around 160,000 units, located predominantly in the Berlin metropolitan area, with a fair value of EUR12.7 billion (March 2016), or EUR 1,284 per sqm. Deutsche Wohnen also regularly sells residential units and operates nursing facilities via 49%-owned Katharinenhof Group (unrated). The company is listed on the Frankfurt stock exchange, with a market capitalisation of EUR9.7 billion as of 17 May 2016, compared with a net asset value of EUR7.9 billion at the end of March 2016.
- Gecina S.A. (A3/stable) is a leading French REIT (real estate investment trust) and is incorporated as a Societe d'Investissement Immobilier Cotee (SIIC). The company owns, manages and develops a mixed property portfolio encompassing prime-quality offices in and around Paris, representing 70% of the total portfolio by asset value and 65% by rent, multifamily residential and student accommodation (20% and 22%, respectively) and healthcare facilities (10% and 13% respectively).
- PSP Swiss Property AG (PSP) owns office and commercial properties throughout Switzerland with an estimated value of CHF 6.3 billion. The majority of the properties are located in prime locations in Zurich, Geneva, Basel, Bern and Lausanne. In addition, the company owns development sites and projects valued at CHF 0.4 billion. Almost two thirds of the portfolio value is made up of offices, while retail properties, restaurants and parking spaces, typically in the form of ground floor space within office blocks, represent the rest of the portfolio. The company is listed on the SIX Swiss exchange with a market capitalisation of CHF4.0 billion as of 3 November 2016, representing a 5.5% premium to net asset value of CHF3.8 billion at 30 June 2016. The company is the second largest listed real estate company in Switzerland in terms of market capitalization. PSP was established in 2000 through the IPO of Zurich Financial Services' property portfolio and has grown through few selected acquisitions, including the purchase of the property portfolios of Swisscom in 2001 and REG Real Estate in 2004.
- Corio N.V. Following the completion of the merger with Klépierre S.A. on 31 March 2015, Corio ceased to exist as a separate entity. Klépierre is a French REIT (SIIC) and one of the largest shopping centre property companies in Europe with a portfolio of approximately 160 shopping centers in 16 countries with a fair market value of EUR22.6 billion on 30 June 2016. The company is listed on Euronext ParisTM and Euronext Amsterdam, with a market capitalisation of EUR13.5 billion as of 10 August 2016.

Exhibit 16
Real Estate Peers - Grid Outcome

REITs and Other Commercial Property Firms Industry Grid [1]	Deutsche Wohnen	Gecina	PSP Swiss Property	Corio N.V. (Klépierre)	Akademiska HUS AB
Factors as of:	Q3 2016	Q2 2016	Q2 2016	Q2 2016	Q3 2016
Factor 1: Liquidity and Funding (24.5%)					
a) Liquidity Coverage	A	Ba	Ba	Baa	A
b) Debt Maturities	Aa	Baa	Aa	Ba	Ba
c) FFO Payout	59%	42%	79%	57%	274%
d) Amount of Unencumbered Assets	26%	94%	100%	89%	99%
Factor 2: Leverage and Capital Structure (30.5%)					
a) Debt / Gross Assets	37%	35%	31%	54%	41%
b) Net Debt / EBITDA	9.4x	9.4x	8.5x	10x	7.4x
c) Secured Debt / Gross Assets	29%	6%	0%	8%	0%
d) Access to Capital	A	Baa	A	Aa	A
Factor 3: Market Position and Asset Quality (22%)					
a) Franchise / Brand Name	A	A	A	Aa	Aa
b) Gross Assets(USD Million)	$17,165	$14,805	$7,002	$20,301	$9,358
c) Diversity: Location / Tenant / Industry / Economic	Baa	Ba	Baa	Aa	A
d) Development Pipeline	0%	8%	4%	4%	12%
e) Asset Quality	A	A	Aa	A	A
Factor 4: Cash Flows and Earnings (23%)					
a) EBITDA Margin (YTD)	52%	81%	91%	81%	71%
b) EBITDA Margin Volatility	17%	2%	2%	1%	2%
c) EBITDA / Fixed Charges (YTD)	5.0x	4.8x	8.1x	4.9x	9.4x
d) Joint Venture Exposure (YTD)	0%	0%	0%	8%	0%
Rating:					
a) Indicated Rating from Grid	Baa1	Baa1	A2	A3	A3
b) Actual Rating Assigned	A3	A3	A3	A3	a1 (BCA)
c) Gap	1	1	-1	0	2

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Source: Moody's

- SAS AB (B2 stable) is based in Stockholm and is publicly listed with 49.7% owned by the governments of Denmark, Norway and Sweden, and the remaining 50.3% is owned by private investors (7.5% of which is held by the Knut and Wallenberg Foundation). SAS AB is the holding company for Scandinavian Airlines System Denmark-Norway-Sweden, referred to as the SAS Consortium, which is one of Europe's largest passenger airlines, with total revenues of around SEK39.1 billion and 28.4 million passengers in the 12 months to April 2016. The Consortium primarily serves the Scandinavian and the European region, as well as a number of destinations in the US and Asia. The Consortium remains the company's primary vehicle for secured financing and aircraft leasing.
- Telia Company AB (Telia, Baa1/Prime-2) is a leading provider of wireline and wireless services in the Nordic and Baltic regions. In the financial year ended December 2015, it generated approximately SEK86.6 billion (circa EUR9.3 billion) in revenues and approximately SEK25.3 billion in EBITDA (circa EUR2.7 billion) excluding non-recurring items. The company was formed in 2002 from the merger of Telia AB (the Swedish incumbent telecoms operator) and Sonera Corporation (the leading Finnish telecoms operator). As of December 2015, the Swedish and Finnish governments hold stakes of 37.3% and 3.2%, respectively, in Telia.

Exhibit 17
GRI Peers - Rating Grid Outcome

GRI Name	SAS AB	TELIA COMPANY AB	Akademiska HUS AB
Franchise	CFG	CFG	CFG
Country	Sweden	Sweden	Sweden
Industry Type	Transportation: Airlines - GRI	Telecommunications - GRI	Real Estate - GRI
BCA Rating	b3	baa2	a1
BCA Outlook	Stable	Stable	Stable
Dependence Score	**Hi(70%)**	**Lo(30%)**	**Very Hi(90%)**
Support Score	**Lo(0-30%)**	**Lo(0-30%)**	**Strong(51%-70%)**
Supporter Rating	Aaa	Aaa	Aaa
Supporter Outlook	Stable	Stable	Stable
GRI Rating	B2	Baa1	Aa2-Aa3
GRI Outlook	Stable	Stable	Stable

Source: Moody's

Ratings

Exhibit 18

Category	Moody's Rating
AKADEMISKA HUS AB	
Outlook	
Commercial Paper -Dom Curr	P-1
ST Issuer Rating	P-1

Source: Moody's Investors Service

Endnotes

1 All figures and information referring to the education sector in this section are based on "Higher education in Sweden: 2016 Status report" published by the Swedish Higher Education Authority

2 as of September 2016

3 equivalent to the five-year government bond interest rate plus 400 basis points viewed over a business cycle

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