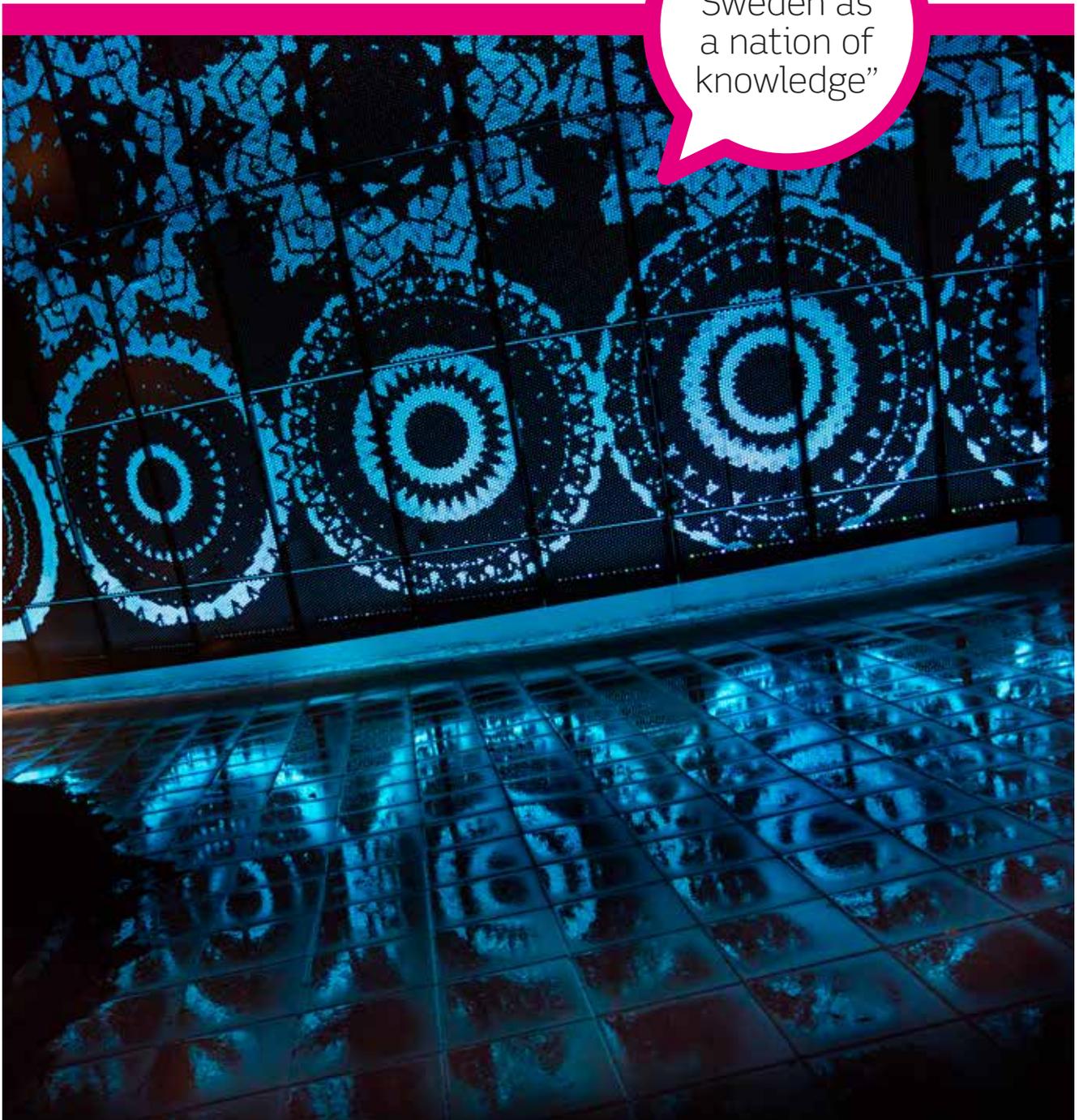


# Annual Report 2017

and Sustainability Report

“We build  
Sweden as  
a nation of  
knowledge”



AKADEMISKA HUS

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## PROPERTY SPECIFICATION

Available at:  
[akademiskahus.se](http://akademiskahus.se)



## Annual Report 2017

The audited Annual Report comprises pages 34-95. Our sustainability initiatives are incorporated in the Annual Report and presented in line with GRI G4 guidelines. The Sustainability Report comprises the pages listed on page 102 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.

# Akademiska Hus: Swe of sustainable learning

Akademiska Hus owns, develops and manages properties with a focus on higher education and research. We are wholly owned by the Swedish state. Our property portfolio is worth SEK 80 billion and our share of premises for higher education and research is approximately 60 per cent in this segment.

RESEARCHERS AND STUDENTS  
IN OUR PREMISES EACH DAY

**300**  
THOUSAND

SQUARE METRES  
RENTABLE SPACE

**3.3**  
MILLION

TOTAL PROPERTY PORTFOLIO

**80**  
SEK BILLION

PROJECT PORTFOLIO

**16.7**  
SEK BILLION

## FIVE-YEAR SUMMARY

### INCOME STATEMENT, SEK M

	2017	2016	2015	2014	2013
Property management income	5,806	5,666	5,646	5,681	5,588
Net operating income	3,829	3,667	3,740	3,717	3,506
Change in value, properties	4,979	3,682	2,655	3,529	232
Change in value, financial instruments	-242	-241	165	-548	7
Profit before tax	8,311	6,714	6,141	6,261	3,275
Profit for the year	6,453	5,148	4,780	5,215	2,568

### KEY FIGURES

Return on operating capital, %	5.9	6.2	6.9	7.3	7.2
Yield, %	5.5	5.7	6.4	6.9	6.8
Net operating income ratio, %	66	65	66	65	63
Equity ratio, %	43.3	41.4	40.7	48.0	46.8

# Sweden's leading builder of environments

## Greater social accountability

It is important to work with social responsibility in order to contribute to positive social developments and create value for our customers. Consequently, we focus on expanding our social sustainability initiatives in areas such as campus development, influence within our value chain, and employee culture and empowerment.

## Long-term contracts with creditworthy customers form our base

Colleges and universities, which are essentially government agencies, are the source of 90 per cent of our revenue. Long-term contracts and a high leasing level with customers who have the highest credit rating create stability. They also create investment opportunities so that we can continuously improve our offering.

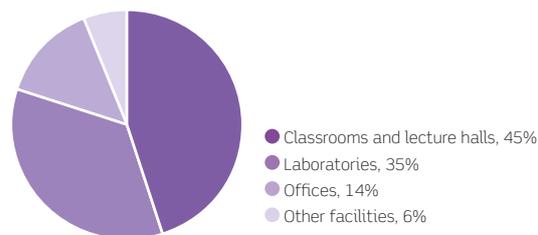
## Accelerating digital journey

We are in the middle of a transformation process regarding development of our business model, our deliverables and our internal processes. We are already working with several fascinating projects that clearly focus on digitisation. One example is A Working Lab, an innovation arena on the Chalmers campus in Gothenburg.

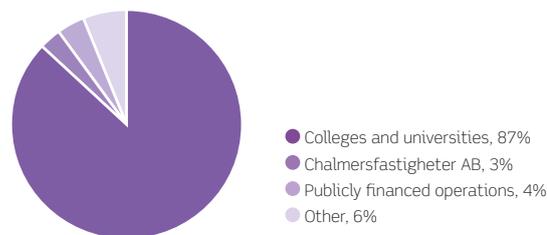
## High credit rating – a requirement for financing investments

We have a substantial investment portfolio. Cash flow from our operating activities is robust, but the debt portfolio will continue to be substantial. We strive to achieve relevant and transparent disclosure to enable lenders and credit rating agencies to find support when they conduct a credit background check on Akademiska Hus.

DISTRIBUTION PREMISES BY CATEGORY, %



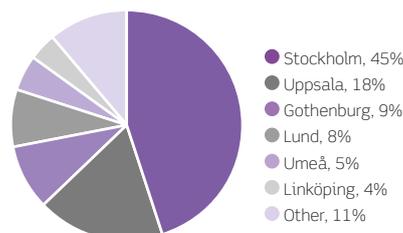
TENANT CATEGORIES, %



NET OPERATING INCOME



FAIR VALUE BY CITY, %



# Akademiska Hus 2017

## Important projects underway

We have a large project portfolio with many planned and ongoing projects. One of the most important construction starts in 2017 was A Working Lab, an innovation arena for participants in the built environment at the Johanneberg Campus of Chalmers University of Technology in Gothenburg. In December, the Board of Directors decided to invest about SEK 1.2 billion in an expansion of the Ångström Laboratory in Uppsala.

## The industry organisation “Håll Nollan” was formed

One of Akademiska Hus' sustainability goals is to promote an accident-free workplace. An important step in this initiative was taken during the year when the Håll Nollan industry organisation became reality. We believe that collaboration among industry participants is the only path forward to achieve truly safe workplaces. We therefore look forward to sharing our knowledge and learning from the experiences of others within the Håll Nollan framework. Read more about Håll Nollan on page 15.



## Transfer of major construction projects

Several major construction projects were completed during the year and tenants moved in. Some examples include the administration offices in the Segerstedt Building in Uppsala, the renovated Built Environment building in Gothenburg, and the Humanities Theatre in Uppsala, as shown on the cover. Read more about the Humanities Theatre on page 20.

## Vision

Leading knowledge environments.

## Business concept

Working in collaboration with our customers, we develop, build and manage knowledge environments that further Sweden's success as a nation of knowledge. Through our experience, expertise and size, we provide effective, sustainable environments for education, research and innovation.



## Student accommodation in collaboration and on our own

Good access to student accommodation makes the centres of education more attractive. In our campus plans we always study the need and opportunities for undergraduate and graduate student housing. In 2017 we analysed our property holdings and identified land where student housing could be built in a number of locations all over Sweden. Our focus over the next few years will continue to be based on our mission to promote construction of as many student housing units as possible. Read more about our work with student accommodation on page 17.

## The sun gives us energy

Part of our energy strategy is aimed at increasing the quantity of renewable energy. In 2017 we equipped Naturvetarhuset on the Umeå Campus with an 800-square-metre solar park that produces 120,000 kWh annually. It generates solar energy that provides 20 per cent of the building's total energy needs for operation. Campus Valla in Linköping has also been equipped with three new solar parks. Read more about our energy initiatives on page 30.

## Gender equality in the industry

In March 2017 Akademiska Hus initiated a collaboration with the AllBright foundation. We work proactively with three other property companies to encourage greater gender equality within the industry. To accomplish this objective, gender equality will be analysed in-house and all employees will receive training to ensure that they understand the company's core values and thereby be able to contribute to a good corporate culture.

## Values

### ATTENTIVE

Attentiveness and mutual understanding are essential for building strong, long-term relationships.

### COMMITTED

Wholeheartedness and commitment are reflected in everything we do.

### VALUE CREATION

Together we take overall responsibility for building lasting success for customers, the owner and each other.



# OUR MISSION

– to contribute to  
strengthening  
Sweden as a nation  
of knowledge

“Akademiska Hus Aktiebolag shall own, develop and manage properties for universities and colleges where the primary focus is on education and research and it shall carry on operations compatible therewith. Operations shall 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 Aktiebolag shall work to bring about long-term sustainable development of university and college campuses.”

“Akademiska Hus shall contribute to the creation of more student accommodation by making clear that the Company’s focus includes the construction and management of student accommodation.”

AKADEMISKA HUS' MISSION IS DECIDED BY THE RIKSDAG

# We shall be the customers' first choice

With new clear goals and the new organisation, Akademiska Hus shall always be the customers' first choice, able to stand strong in a comparison with the very best participants in the industry with respect to efficiency and customer experience, according to Board chair Anitra Steen and President Kerstin Lindberg Göransson in a conversation about the events of the past year.

***A new organisation became effective on 1 January 2017 and during the year it was time for the new organisation to begin to deliver results. How has that gone?***

**KLG:** We've already seen clear evidence that the new organisation is achieving the positive effects we had expected. The shift from a regional structure to an organisation based on our core processes has given us a more uniform approach to our work. Now one person is in charge of projects and another is in charge of administration for the entire country, while three people have overarching responsibility for customer relationship management. This approach results in closer and even more dedicated collaboration with our customers, Swedish centres of education. I hope now that we can develop our joint undertaking towards a partnership with objectives that we formulate together.

**AS:** The new management organisation plays an important role in the renewal of this approach, where a combination of external and internal recruitment has achieved a good balance between innovation and experience. As a result, the new organisation represents a new approach, while leveraging the expertise and history within the company.

***What challenges has the new organisation embraced?***

**KLG:** We are intensively working on an array of exciting issues, including the accelerating digital trend that is creating opportunities for us and for the entire property industry. As a result of digitisation, the universities and colleges place greater demands on us to provide new, more efficient facilities adapted to learning and research in this new era. Our job is to help our customers improve the efficiency of their premises while making them more attractive. To deal with this trend we work closely with the centres of education, in part by linking various systems for heating, ventilation and reservations, as well as by offering visualisation solutions that allow both virtual and physical visits with "enhanced reality". One interesting project is A Working Lab at Chalmers in Gothenburg, where we are developing and experimenting with the latest solutions in innovation and construction. About ten innovation projects are linked to the building, ranging from developing "active learning workrooms" and outdoor offices, to running the building on direct current and creating a digital twin of the building. This venture is providing us with a variety of

outstanding experiences that we can later benefit from in other projects around the country.

**AS:** For obvious reasons, each university and college focuses on the activities that occur at the individual centre of education. Akademiska Hus, which provides the premises where education and research are conducted, have the benefit of an overview of what is happening at a large portion of Sweden's higher education institutions. This collective knowledge benefits all of our customers.

***Digitisation is one of the three areas on which Akademiska Hus has chosen to focus over the next three years. Another such area is social sustainability. Why is that important for a property company?***

**KLG:** For us, social sustainability means that we work with the centres of education to create campuses that are safe, secure, vibrant, accessible and inclusive. Our mission is to offer attractive and efficient knowledge environments. Consequently, social sustainability is a key component in our work processes for campus planning and we listen to all stakeholders who are associated with the campus environments – students, graduate students, teachers, the surrounding communities, and others. This past autumn we conducted a new round of dialogues with Akademiska Hus' most important stakeholders and this time we focused in particular on the issues and priorities that are important for the students.

**AS:** In 2017 Akademiska Hus took a comprehensive approach to sustainability issues and adopted a strategy in which they are fully integrated into the company's business objectives. We carefully reviewed and extensively discussed the UN's 17 sustainable development goals, after which we selected those that are relevant to our operations. They are also now integrated in our business strategy. We are also pleased to note that our owner, the Swedish Government, has recognised our social sustainability initiative and held it up as a role model for other state-owned companies.

***The third area of focus is the customer experience. What are you doing to improve it?***

**KLG:** The most important change – our new organisation – has been carried out. We have already seen clear positive effects in 2017 in our internal working methods from the changes that have been



implemented and we expect them to have a clear impact on our deliverables and customer experience next year. Specifically, by focusing on the customer experience we will be better equipped to meet the expectations of our customers, large and small. This includes everything from feedback regarding daily management issues to collaboration regarding campus development. Quite simply, we will shift from being a provider of steel and concrete to being a service provider. Once we achieve success in this regard, we will also have created more and better contacts between us and our customers.

***You clearly state that you intend to achieve the defined goals within three years. That sounds like a challenging timetable, doesn't it?***

**KLK:** In three years, we will be the property owner that our customers choose because we are the best, not because they have to – that is our goal in a nutshell. Now we are prepared to achieve that goal, with a new organisation and the right mix of expertise. In our opinion the trend is moving so quickly that we must achieve our objectives within three years. We also see increased competition in our segment, with many knowledgeable participants who want to enter our market – maintaining and increasing our relevance is crucial.

**AS:** These issues are also crucial for the success of the universities and colleges. For example, they compete for the students who adopt the digital trend much faster than the centres of education and teachers do. If Sweden is to be able to position itself as a leading knowledge nation, the centres of education must be at the forefront of the digital trend. If Swedish institutes of higher learning are to be able to assert themselves in the international competition, they must be able to provide housing for undergraduate and graduate students. That is why Akademiska Hus' initiative to create 11,000 new student housing units by 2021 is so important. The addition of new housing opportunities is particularly important for all of the centres of education in Stockholm, which has a serious housing shortage.

***The goal for creating new student accommodation is ambitious. What are you doing to achieve it?***

**KLK:** We believe that 11,000 new housing units is a reasonable and realistic goal. Akademiska Hus will be responsible for building 6,500 of these units. The practical work of achieving the objective will be

performed through our existing project organisation and with designated employees who work with student housing throughout Sweden.

The government expanded our remit in 2014. Based on this remit, we have taken the initiative, in collaboration with the centres of education, to set the level of 11,000 housing units as a reasonable ambition to achieve. For our customers, almost all of whom have too few homes to offer, this represents an extremely significant investment that has been received with open arms. However, it is important to remember that this aspect of our remit is relatively small. While we are not the entire solution to the housing shortage at the centres of education, we are an important complement.

***Like any large property company, you are dependent on access to continual funding on good terms. What kind of a reception have you received from the credit market and the credit rating agencies regarding the investment in student housing?***

**KLK:** Building the new student housing units on the campuses increases the value of these areas as a whole, which has been an important positive factor in our discussions with the credit rating agencies and funders. The same applies to the fact that we are building the new residential properties on our own land. Our size, extensive experience and excellent reputation on the credit market have also generated concrete offers of extremely long-term financing on competitive terms.

***You must also be pleased about the strong performance for Akademiska Hus once again in 2017.***

**AS:** Yes, profit for the year was SEK 6.5 billion, which is an improvement over the previous year's excellent performance. However, keep in mind that increases in value account for a substantial portion of the result – this year the total value of our property holdings increased by 10.2 per cent. The actual measure of how well the business performs, net operating income, is about the same as the previous year.

***What improvements do you expect during the coming year?***

**KLK:** In 2018 the new organisation and the new talent that we recruited will give results in the form of more efficient resource utilisation. It should be possible to compare Akademiska Hus with the most efficient companies in the property industry. We must be able to handle that comparison for the sake of our credibility.



# Profitability at Akademiska Hus is based on sustainable values

A strong education and research sector is important for Sweden's competitiveness. Akademiska Hus aims to strengthen Sweden as a nation of knowledge and to create sustainable values for our owner and other stakeholders. How we plan, set goals and develop our business are affected by global trends and the expectations placed on us by the outside world.

## Strategic focus areas that influence our performance

A number of external factors, internationally and in Sweden, affect the conditions under which Akademiska Hus conducts business. Education needs are changing and higher education and research are increasingly influenced by external factors such as digi-

tisation and globalisation. Over the next few years three areas are of particular importance for Akademiska Hus' development; the customer experience, digitisation and social sustainability.

page 6

FOCUS AREAS

## High expectations from our stakeholders

Understanding the issues that are relevant to both internal and external stakeholders is crucial. With this approach we can prioritise our activities and act on issues that Akademiska Hus' stakeholders consider to be of primary importance. Consequently,

engaging in realistic dialogue with our stakeholders regarding needs and expectations is both important and requested. Conditions in both the property industry and the higher education sector are rapidly changing.

page 8

STAKEHOLDERS

## The materiality analysis lays the foundation for our goals

By analysing the issues that are most essential for our long-term value creation, we become aware of how we add value for our customers, our owner and our other stakeholders. We work hard to develop and improve

our offering to our customers. As a major participant in issues that are vital both across the industry and beyond, we accept our responsibility and drive development forward.

page 9

MATERIALITY ANALYSIS

## Long-term strategy governs our work

Development capacity, efficiency and customer value are key concepts that permeate the Akademiska Hus' strategy. Our strategy can be broken down into business and operational plans so that our

long-term priorities can be translated into action. If we are to successfully achieve our goals we must work together, thereby leveraging our own expertise and that of our customers.

page 11

STRATEGY

## Guided by management by goals

Short-term and long-term goals ensure continual growth. We measure our performance to adapt our operations in order to achieve our long-term goals. We must adjust these goals in response to a changing world.

With our role and mission as our starting point, we link our objectives to the UN's global development goals to better meet stakeholder expectations and to strengthen Sweden as a nation of knowledge.

page 12

FULFILMENT OF OBJECTIVES

# Customer experience, digital transformation and social sustainability

Three strategic focus areas will be particularly important over the next few years. The overarching purpose is to strengthen customer relationships on all levels and to be the preferred provider of premises and knowledge environments that we want to be. The goal is to contribute to attractive campus and knowledge environments that strengthen the Swedish centres of education so that they can continue to be well-positioned to attract undergraduate and graduate students from all over the world.

## CUSTOMER EXPERIENCE

### – BASED ON DAILY LIFE

One of our fundamental objectives is that our customers should be satisfied with our deliverables. This in turn provides a good platform for collaboration regarding knowledge and learning environments, campus plans, the influence of digitisation on higher education and other important issues for the future. Consequently, this autumn we will implement a systematic project to review how we can improve our day-to-day deliverables and how we can build more trusting relationships with both our tenants and the end users of the buildings – the approximately 300,000 students, researchers and employees who are active on campus. All of our efforts are aimed at strengthening our customer relationships and in-depth dialogue about our common challenges is the path forward. To strengthen the customer experience, we will introduce a project in 2018 to ensure that all employees gain a better understanding of the structure of our business and our customer relationships.

## DIGITISATION

### – AN ISSUE FOR THE FUTURE

Students are the first group among our stakeholders to have adopted a more digital lifestyle. Consequently, needs and expectations regarding buildings used in higher education are rapidly changing. Although much has already been affected by a more digitised world, the digital transformation is probably still in its infancy. About half of today's children aged two to three years old use the internet daily. From early childhood, this generation sees everything digital as a natural starting point. What kind of campus will they need? To develop campuses and learning environments able to withstand the test of time, we must understand their future needs.

The dialogue on digitisation with our customers has been underway for a long time. We conducted a business strategy analysis in 2016 that culminated in a report about digital trends in higher education. The discussion about these trends continued and evolved in 2017 through a number

of customer dialogues and workshops.

Along with the education sector, we are involved in a shift where we see the changing needs in everything from the digital structure of the buildings to how education can be provided.

Akademiska Hus' owner and Board of Directors expect that we will ensure a long-term relevant offering for the centres of education and that we will develop specific action plans and activities for our digital transformation. Our innovation strategy is one of the platforms we use to address these challenges and Akademiska Hus has now allocated resources to a dedicated department, Innovation and Sustainable Development, to lead and promote this project.

Our size works to our advantage in this project and we can break down our development and innovation needs into many smaller projects – often in close collaboration with our customers. We base our work on an overarching vision that is broken down into milestone projects and innovation challenges. Together we create the strategic





conditions necessary to develop both our business model and cost efficiency. We see a great need to test ambitious ideas and solutions on a small scale, after which we can scale up the results to apply to our property holdings at large. A strategic analysis project began in the autumn of 2017 and is continuing into the spring of 2018 to identify the future position that Akademiska Hus will occupy as a service-based and sustainable property company that is prepared to meet the demands of an increasingly digitised world.

#### SOCIALLY SUSTAINABLE CAMPUS – OUR RESPONSIBILITY

We want to develop our campuses based on a broader social perspective. For Akademiska Hus, social accountability entails contributing to positive social developments and creating value for our customers. The social perspective is fundamental for developing truly sustainable campuses. Through inclusion and participation, we create attractive, vibrant knowledge envi-

ronments where everyone feels welcome. Undergraduate and graduate students are a heterogeneous group and campuses must therefore allow for a variety of lifestyles. An integrated approach is therefore crucial and a supporting principle when we systematically work on campus plans together with the centres of education and other stakeholders. Campuses need to offer meeting places and our mission is to provide the best conceivable conditions under which ideas, people, cultures and academic disciplines can meet. In our role as a builder and property owner, we aim to strengthen and develop our work with social sustainability in three areas:

*Campus development* – where we clearly base our approach on the human perspective when designing campus plans in order to create accessible environments while making the customer more attractive. We are exploring the potential by evaluating our investments based on their ability to contribute to the global sustainable development goals in Agenda 2030 that

we have identified as most relevant for our business.

*Impact on the value chain* – where we proactively work to make fair and development-driven demands within sustainability. The objective is that we will understand, in dialogue with our suppliers, the challenges of the industry and be able to act more responsibly with respect to all sustainability perspectives, but with a special focus on the social perspective.

*Sustainable employees and sustainable corporate culture* – where the objective is to achieve an inclusive workplace that allows for both differences and development. Specifically, this may involve recruitment processes that focus on people who are otherwise excluded from the mainstream or hiring less experienced individuals to work for the company.

# Open dialogue with stakeholders for better deliverables

We develop knowledge environments together with our customers; undergraduate and graduate students use them. Therefore they participate in our dialogue with stakeholders. Sweden can thrive as a sustainable nation of knowledge in a climate based on trust and understanding.

Close collaboration with our stakeholders is crucial to be able to develop sustainable campuses and knowledge environments. As a major player in the built environment industry, we have many stakeholder relationships with a variety of interests that require a balanced approach when taking them into account. Customers, business partners, employees, lenders, suppliers and the owner all expect different things from Akademiska Hus. An open and broad-based dialogue increases understanding of our individual priorities and challenges, allowing us to develop a trusting relationship.

## END-USER PERSPECTIVE

This year we included undergraduate and graduate students in our dialogue with stakeholders for the first time. Although our customers are primarily the centres of education, we are developing the knowledge environments for the undergraduate and graduate students. Consequently, their perspective is extremely important for creating sustainable solutions when we develop campuses and learning environments together

with our customers. The stakeholder dialogue with this group is held directly on campus. We have chosen to meet with undergraduate and graduate students in their daily environment to gain a deeper understanding of the areas they value most and what can be improved or developed.

## SUSTAINABILITY IN THE CREDIT MARKET

Akademiska Hus has a substantial investment portfolio and with that comes a great responsibility. During the year we met with banks and credit rating agencies for an in-depth discussion of our respective positions and priorities regarding sustainability. The conversations were development-focused and will lead to greater consensus regarding the non-financial aspects, thereby increasing the transparency of the credit rating of our Company.

The banks are currently signalling growing interest in funding green investments and the existing frameworks are becoming increasingly established. The requirement levels for what is considered to be green and

sustainable are also increasing over time, at the same time that we see growing demand for green bonds, which also benefits the price scenario. The credit rating agencies have also begun to consider sustainability when analysing companies.

## BROAD DIALOGUE

In addition to the structured dialogues with our customers and our owner to continuously develop campus and learning environments, we also discuss requirements and expectations with our suppliers. We learn the opinions of our employees by conducting surveys and performance reviews. Community and business representatives, as well as politicians, are invited to our development processes and we actively contribute to industry-wide development projects. We consider the broad scope of these stakeholder dialogues to be crucial in providing direction and reassurance regarding the priorities that we choose.



## CAMPUSES TO PROMOTE BROADER RECRUITMENT

"Diversity is crucial if we are to avoid stagnancy in the discussions underway in higher education", says Viktoria Waldrin, a social anthropologist from White Arkitekter. In collaboration with representatives from Akademiska Hus, she has interviewed upper secondary school students about their expectations and perceptions about higher education. The report was discussed at a popular seminar at the 2017 Almedalen Week political event, where questions were raised regarding how campus design can promote broader recruitment. Engaging in an in-depth dialogue with undergraduate and graduate students is an important way to obtain a clearer picture of how knowledge environments can become sustainable.

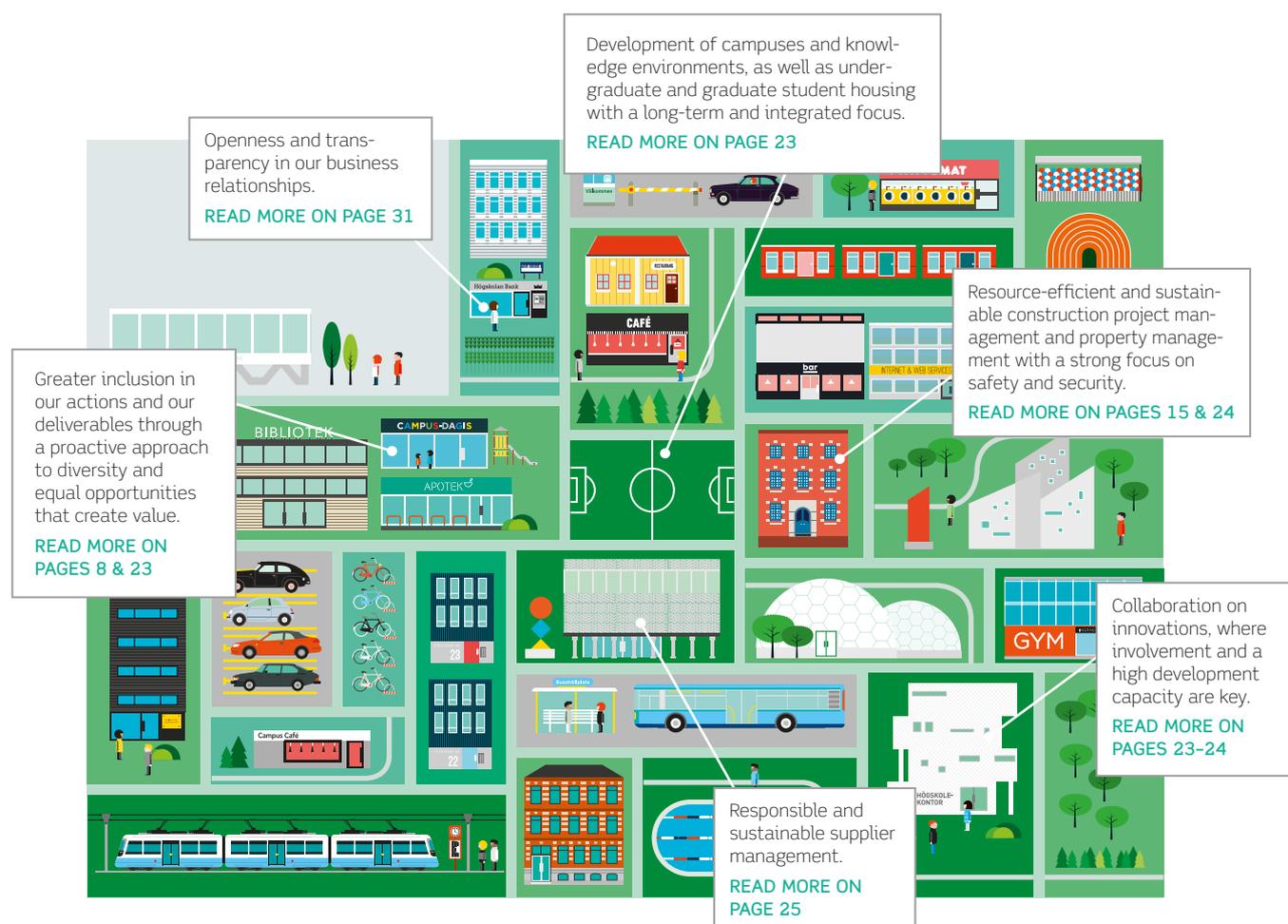
# Materiality Analysis – the basis of our overall responsibility

We want to keep an eye on the big picture regarding our development, project and administrative efforts. Continual dialogue with our stakeholders provides us with a good basis to identify the issues that are important for us to prioritise if we are to succeed.

To identify the issues on which we need to focus to reach our goals, we analyse insights from our stakeholder dialogues, along with other aspects, such as the owner’s mission, external factors and our own experiences.

Taken together they provide a picture of the crucial issues that are most essential for us to address. The materiality analysis is supported by a broad representation of various skills from the Company to capture a variety

of perspectives and approaches. Broad-based support is crucial since the important areas influence the content of both the business plan and operational planning.



The issues in the illustration emerged from the materiality analysis that Akademiska Hus conducted. The analysis was based on stakeholder dialogues, the owner’s mission, external factors and our own experiences. The issues serve as the basis of our assessment of the business and its impact on the economy, society and the environment, thereby better equipping us to address our overall responsibility when developing our knowledge environments.

## Focus areas

We do not want to miss any important issues or perspectives in our long-term efforts. We therefore engage in a variety of ways to promote a positive and productive dialogue.

The illustration below describes the various groups with which we regularly engage in dialogue and the areas within which they

expect us to focus. In 2017 we met with students on campus for the first time, which provides us with better insight into their daily lives and the issues that they consider to be important for us to focus on. Students proposed focus areas such as communication options on campus, as well as smart

solutions for energy and waste management. Dialogues with our customers have revealed the need for collaboration in security and sustainability as important future focus areas.

- Resource conservation on campus
- Smart solutions regarding energy, air, water and lighting, as well as sustainable transportation options
- Environments and facilities on campus, both indoors and out
- Social well-being through open and accessible campuses
- Collaboration and dialogue

- Provide attractive knowledge environments and campuses that enable the customer to compete in national and international arenas
- Contribute to increased construction of student accommodation
- Clarity of the Akademiska Hus business model and rent setting, organisation and governance
- Contribute to the customer's long-term sustainability efforts by being proactive and improving resource efficiency
- Collaboration regarding safety and security

- Long-term capital structure
- Professional risk exposure management
- Stable, long-term operations with profitability and yield in accordance with objectives and strategies
- Clear financial communication

- An attractive employer that offers good working conditions
- A safe and healthy working environment
- Good opportunities for competence development
- Understanding one's own role in the operations of Akademiska Hus

- Contribute to the Government's objective of reinforcing Sweden as a nation of knowledge
- Increased customer benefit through collaboration with centres of education
- Act as a forerunner in corporate social responsibility
- High resource efficiency
- Contribute to increased construction of student accommodation

- Clear and relevant procurement terms and conditions
- Clear and ambitious requirements for the environment, health and safety, quality and social responsibility
- Long-term relationships
- Active participation in dialogue on how society and the region can be developed, e.g. in urban development projects
- Possibility of including businesses on campus
- Contribute to increased construction of student accommodation



## Stakeholders & dialogue venue

### CUSTOMERS (AND THEIR EMPLOYEES)

- Meetings with various executives
- Development of campus plans
- Customer Satisfaction Survey

### EMPLOYEES

- Performance reviews and goal-setting process

### SUPPLIERS

- Meetings related to procurement of framework contracts, purchase orders and supplier meetings
- Audits

### LOCAL & BUSINESS COMMUNITIES

- Regional and city-wide planning and development meetings
- Meetings to discuss establishment plans
- Meetings with e.g. interest groups and industry organisations

### OWNER

- Annual strategy seminar
- Meetings with a focus on corporate governance

### LENDERS, BANKS AND RATINGS AGENCIES

- Financial statements
- Meetings

### STUDENTS

- Interviews and meetings on campus

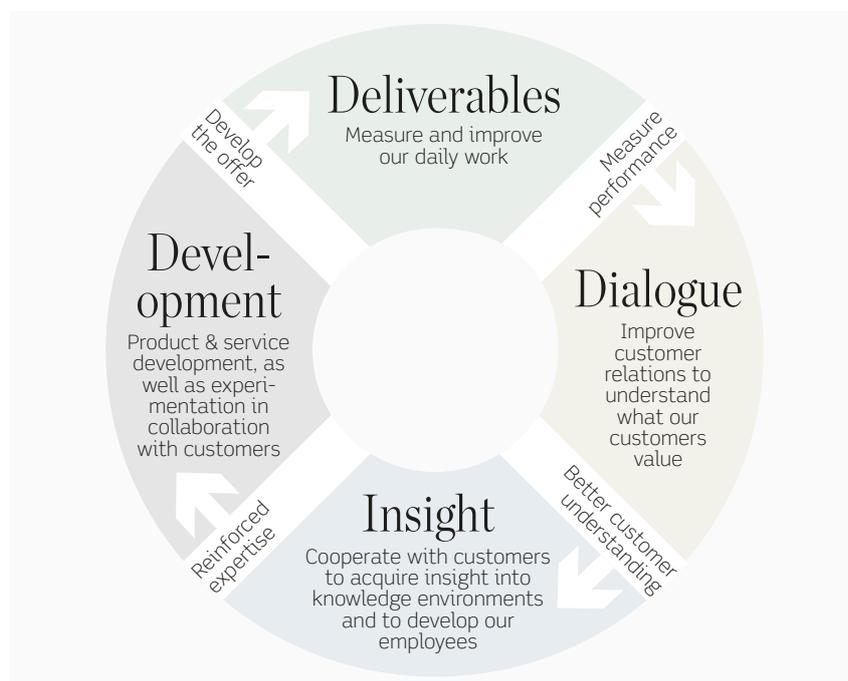
# Strategy as our gateway to the goals

Since 2013, Akademiska Hus has been following a long-term strategy that extends to 2025. The main focus of the strategy is the systematic development of customer value, with an eye to sustainability and open communication.

Through cooperation and dialogue with our customers, we create attractive campus environments that contribute to our common goal – to strengthen Sweden as a nation of knowledge. A number of trends have been strengthened since the strategic platform was designed and Akademiska Hus faces even stronger expectations – from both customers and its owner, as well as from society at large. The need for more student accommodation, the accelerated pace of digitisation, greater focus on social sustainability and stronger competition for undergraduate and graduate students are just a few examples where an attractive campus can contribute to the success of the centres of education. This means that both now and moving forward we will take an even clearer overall responsibility for development of tomorrow’s sustainable campuses along with our customers. The strategic focus areas for the next three years are customer experience, digitisation and social sustainability (read more on pages 6–7).

## NEW ORGANISATIONAL STRUCTURE CONTRIBUTES TO DEVELOPMENT

We have dedicated our efforts over the past few years to creating an efficient organisation in which the employees have a solid understanding of the needs of the centres of education and the challenges that the Company faces. Meanwhile we have focused heavily on communication and dialogue to improve customer relations and to clarify our role and our deliverables. Implementation of the new organisational structure in 2017 was yet another step in our effort to become better equipped to manage future challenges. As of the beginning of 2017 we no longer have regional divisions; instead we have three core processes. We have organised the Company into a management unit, a project unit, and campus and business



The primary focus of our strategy is cooperation with our customers. Through dialogue with customers we promote insight and consensus on important issues such as sustainability and campus development. Consequently, even in the future we will be able to provide modern knowledge environments that help to make the centres of education attractive. Our strategic model comprises a 'development wheel' that drives us forward towards our vision and serves as the foundation of our business plan.

development unit that is divided into three geographic units, as well as a central staff for support functions. We continue to have a local presence through our existing properties. The purpose of the reorganisation is to create conditions under which we can realise our strategic objectives, increase our development capacity and become more efficient in both projects and management. The new structure focuses on the management business, while the existing potential and expertise within the company can be better utilised. We can therefore deliver greater value in both our everyday deliverables and our development projects to both our customers and our owner moving forward.

## FOCUS ON DEVELOPMENT CAPACITY

An important aspect of meeting the challenges of the future entails successfully conducting innovation initiatives and being well-prepared for the digital transformation of our business and industry. In response to a variety of external factors such as Agenda 2030 and the global sustainability objectives, changes in the state’s ownership policy and the owner’s expectations of our contribution to more student housing, a need has arisen for a clearer governance model that will be implemented in 2018.

# Management by objectives towards our vision

With a long-term perspective, we actively and sustainably develop and manage our properties and the surrounding environment. We set objectives that move us towards our vision – leading knowledge environments.

Progress has been made in several areas in 2017. One example is our work to achieve an accident-free workplace. The industry organisation that Akademiska Hus helped to create, “Håll Nollan”, has emerged during the year.

In 2017 we developed a new, clearer and comprehensive management tool, a balanced scorecard. The goal is to increase transparency both internally and externally regarding our strategic objectives and future

## Goals 2017

### DESCRIPTION

### FULFILMENT OF OBJECTIVES 2017

#### OWNER OBJECTIVES

<b>RETURN ON OPERATING CAPITAL</b> Should be at least 6.5 per cent <sup>1</sup>	The return on operating capital in 2017 was 5.9 per cent. The increase in equity, which makes it more difficult to achieve the owner's objective, can be explained by the substantial positive unrealised changes in value in the property portfolio in recent years. In addition, the net liability portfolio increased. Please see the sensitivity analysis on pages 62 and 73.
<b>DIVIDEND</b> Should be between 40–60 per cent of profit after tax <sup>2</sup>	The proposed dividend will amount to SEK 1,630 million, corresponding to 60 per cent of profit for the year available for the payment of a dividend. For more information about the allocation of profit, see page 55.
<b>EQUITY RATIO</b> Should be between 30–40 per cent	The equity ratio was 43.3 per cent. The increase in the equity ratio can be explained by the substantial positive unrealised changes in value in the property portfolio in recent years. Please see the sensitivity analysis on page 62.

#### SUSTAINABILITY GOALS

<b>ENERGY</b> Energy purchased each year, kWh/m <sup>2</sup> , will decrease at such a rate that there will be a 50-per cent reduction by 2025 compared with 2000.	The amount of purchased energy fell during the year by 1.6 (4.0) per cent, which exceeds the goal. Since the starting point in 2000, the decline has been just over 35 (34) per cent, which means that the long-term reduction goal is being followed. Major investments in energy efficiency measures have been carried out all over Sweden, but have not yet had full impact. A Company-wide energy audit is underway and is essentially expected to be completed in 2018.
<b>ELIMINATE CO<sub>2</sub>-FOOTPRINT FROM OPERATIONS</b> Relates to CO <sub>2</sub> -footprint for heating, cooling and electricity	Greenhouse gas emissions levels from properties during the year were 7.0 kg CO <sub>2</sub> /m <sup>2</sup> (7.7). The total reduction of indirect greenhouse gas emissions was just over 2.3 (11.4) per cent. The amount of solar electricity has increased by 5 (60) per cent from 2016. Extensive investments in energy efficiency were made during the year that will reduce the carbon footprint. Continued discussions with energy suppliers on their roadmap towards fossil free delivery will result in new agreements for products with reduced environmental impact, known as additional products.
<b>ACCIDENT-FREE WORKPLACE</b> The objective applies both to our own employees and to those whom we hire for our projects.	Activities have been carried out in accordance with the action plan, primarily focused on the management organisation. Training and aids in the form of system support and information materials have been developed and implemented to strengthen our employees' knowledge and awareness of the safe workplace. The “Håll Nollan” industry organisation was formed in 2017 at the initiative of Akademiska Hus and others. These parties within the construction industry are cooperating to jointly create safer workplaces.
<b>CSI</b> Increase Customer Satisfaction Index (CSI)	This year's CSI continues to show low customer satisfaction at 60 (61). This is not acceptable. The measurement indicates that our strength is in our people, but that customers experience the Company's management and ability to collaborate as areas for development. In 2018 great emphasis will be placed on the customer relationship with several strategic and operational activities to strengthen the customer experience.

1) Earnings before changes in value and tax, excluding net interest income/expense in relation to average operating capital, i.e. equity and net loan liability.

2) After reversal of changes in value and associated deferred tax.

priorities, which we do through our comprehensive goals and well-defined factors for success for each one of the four perspectives: Customer, Employee, Finances and Development. We link the goal areas to the global

sustainable development goals as defined by the UN that Akademiska Hus considers to be the highest priority in our business. By doing so we obtain a broad holistic view of our overall management, in which sus-

tainability is an integral component. This is in line with our aspirations about how we want to manage the business. The scorecard will be implemented during the first quarter of 2018.

## Scorecard 2018



GOALS	SUCCESS FACTORS	DESCRIPTION	
<b>CUSTOMER</b>			
“We provide better deliverables than others and we are our customers’ first choice”	<ul style="list-style-type: none"> <li>We treat our customers with respect and engage in <b>good business practices</b>.</li> <li>Through accurate, easily accessible and relevant <b>information</b> we simplify daily life for our customers.</li> <li>We accept <b>overall responsibility</b> and create value for our customers through efficient and attractive buildings and campuses.</li> </ul>	<p>One of our fundamental objectives is that our customers should be satisfied with our deliverables. Consequently we regularly measure our total customer satisfaction through a <b>Customer Satisfaction Index</b>.</p> <p>We also measure how our customers perceive our <b>interpersonal skills</b> and <b>reliability</b>. The results provide guidance for the areas that we should prioritise.</p>	 
<b>EMPLOYEES</b>			
“We have dedicated employees who achieve high standards”	<ul style="list-style-type: none"> <li>We have <b>leaders</b> who create conditions in which their employees are able to do a good job.</li> <li>We have responsible employees with the right <b>skills</b>.</li> <li>We have <b>healthy</b> employees and an accident-free workplace.</li> </ul>	<p>Employees are crucial to our success. Consequently we use the <b>Akademiska Hus Performance Index</b> to measure how the employees perceive that we meet the objectives of the success factors leaders, skills and health.</p> <p>Our objective is an <b>accident-free workplace</b>. As a result, we measure the accident rate and apply industry-wide working methods within the framework of the “Håll Nollan” initiative to promote a strong safety culture.</p>	 
<b>FINANCING</b>			
“Our work helps to increase the value of our property portfolio”	<ul style="list-style-type: none"> <li>We work actively and <b>responsibly</b> with the agreement portfolio.</li> <li>We are <b>cost-conscious</b> and have good control of our costs.</li> <li>We take responsibility for ensuring that our <b>investments</b> are <b>climate-smart</b> and future-safe.</li> </ul>	<p><b>Energy reduction</b> continues to be a focus area. Our energy strategy enables us to reduce the need for energy supplied to our properties. We carry out an annual <b>climate balance sheet</b> with the aim of reducing our carbon footprint, regarding areas such as operations, projects and travel.</p> <p><b>The owner’s objective</b> includes financial objectives regarding the Company’s return on operating capital, equity ratio and dividend.</p>	 
<b>DEVELOPMENT</b>			
“Our development capacity helps to increase customer value”	<ul style="list-style-type: none"> <li>We collaborate with others in the field of <b>sustainable development in the community</b> and <b>innovation</b>.</li> <li>We leverage the potential of <b>digitisation</b> to create added value.</li> <li>Our working methods and processes are <b>efficient</b> and maintain <b>high standards</b> throughout.</li> </ul>	<p>We need to maintain a high pace of innovation to meet future challenges, which will require an <b>infusion of internal innovation funds</b>.</p> <p>We see a continued need for <b>more student accommodation</b>. Consequently our objective is to help add 11,000 student housing units by 2021 and we will be directly responsible for building 6,500 of these units.</p>	 

# Focus on health, skills and leadership

Working in collaboration with our customers, we develop, build and manage knowledge environments that help make Swedish centres of education viable contenders among the international competitors. We must have engaged, motivated and healthy employees if we are to achieve our goals.

## MOST IMPORTANT RIGHT NOW

The employees are crucial for the success of Akademiska Hus. At the end of the year work began on a new tool to streamline the process of breaking down our strategy into business and operational plans. Now we will be able to see even more clearly how each employee can help Akademiska Hus achieve its mission through their daily work.

In 2017, the Company prioritised the following areas, which in various ways promote strengthening employees who want to and can do more.

## GOOD LEADERSHIP

Good managers and leaders represent one of the most important success factors for Akademiska Hus to achieve the objectives that we have set. A new manager and leadership philosophy was formulated and a variety of training programmes have been available to our managers and leaders since early 2017. A first mandatory course has been held in communicative leadership, which is of great importance for the comprehensive changes that Akademiska Hus has undergone in connection with its reorganisation. At the annual meetings for managers, ethics and diversity, as well as health and the work environment, were discussed

and resulted in updated guidelines and working methods in these areas.

## SUPPLY OF SKILLS CONTINUES TO BE A CRITICAL ISSUE FOR THE FUTURE

Hiring is a challenge for the property sector and there is strong competition for the attractive candidates currently on the market. Within projects and management there is a great need for experienced project managers, as well as operating engineers and technicians with high technical expertise.

To ensure that the appropriate skills are available, Akademiska Hus participates in both its own and industry-wide initiatives. For example, we offer internships, mentorship, summer jobs and opportunities to write theses. We also collaborate with secondary schools, upper secondary schools and vocational colleges with a focus on property management, as well as with colleges and universities. Akademiska Hus believes in being an inclusive company and is engaged in initiatives to increase the diversity of the property industry regarding gender, age and ethnicity.

## INTERNAL DEVELOPMENT

Creating knowledge environments of the future requires cutting edge expertise and the ability to work in close collaboration with our customers to effectively take development concepts from design to final con-



struction. In order to do a good job, our employees must constantly acquire new skills and have opportunities for growth. Akademiska Hus has therefore initiated an internal academy, with the vision of being a role model in the industry in terms of skills development. The training programs will be role-based and tailored to our operations, including both teacher-led courses and e-learning. Our own employees will be responsible for holding many of the training programmes.

## HEALTH INITIATIVE FOR SUSTAINABLE EMPLOYEES

During the year, a number of new services have been developed to promote good health. Centralised occupational health services ensure that we receive high-quality care that allows for targeted interventions to support and help all employees. Our health insurance provides us with access to preventive e-health services around the clock in areas such as stress management. Guidance is also available from a psychologist, lawyer, business advisor or health coach. In addition, OneLab's smart health analyses, which produce a baseline personalised health report have been offered to our employees since early 2017. During the year Akademiska Hus' wellness network offered engaged employees to participate in a fitness "challenge".

## ATTENDANCE

# 96.3%

Absenteeism due to illness in 2017 was 3.7 per cent, compared with 3.3 the previous year.

## NUMBER OF NEW EMPLOYEES IN 2017:

# 76

To be compared with 47 people who were employed in 2016.



The “Håll Nollan” industry organisation provides us with a forum where we can work with other parties to formulate ideas on how to reduce the risk of accidents in our workplaces. Initiatives include industry standards, sharing experiences and training programmes.



**Marcus Törnkrantz**  
Work Environment Engineer,  
Akademiska Hus

“As one of the initiators, Akademiska Hus is obviously committed to providing continued support and participation in the project. Moving forward, a large part of our efforts to develop procedures for safer construction sites will find a natural home under the Håll Nollan framework. Working together with others offers several advantages. We hope that Håll Nollan will become a forum where we can help each other, find inspiration, and ultimately improve conditions in the industry so that fewer people will be injured or killed on construction sites around Sweden.”

## Håll Nollan – important collaboration for safer construction sites.

The Håll Nollan industry organisation was officially launched at the Årets Bygge 2017 gala. As one of the initiators, Akademiska Hus is greatly encouraged that there is now a clear association for parties in the construction industry where we can work together to create safer construction sites.

Håll Nollan is a challenge and a reminder of one of the most crucial issues for those who work in the construction and property industry in Sweden – no one should be injured on our construction sites. The construction industry does not only refer to construction companies, but to all companies and organisations that order, plan and execute construction projects.

Håll Nollan was founded by a total of 13 parties who are involved in various

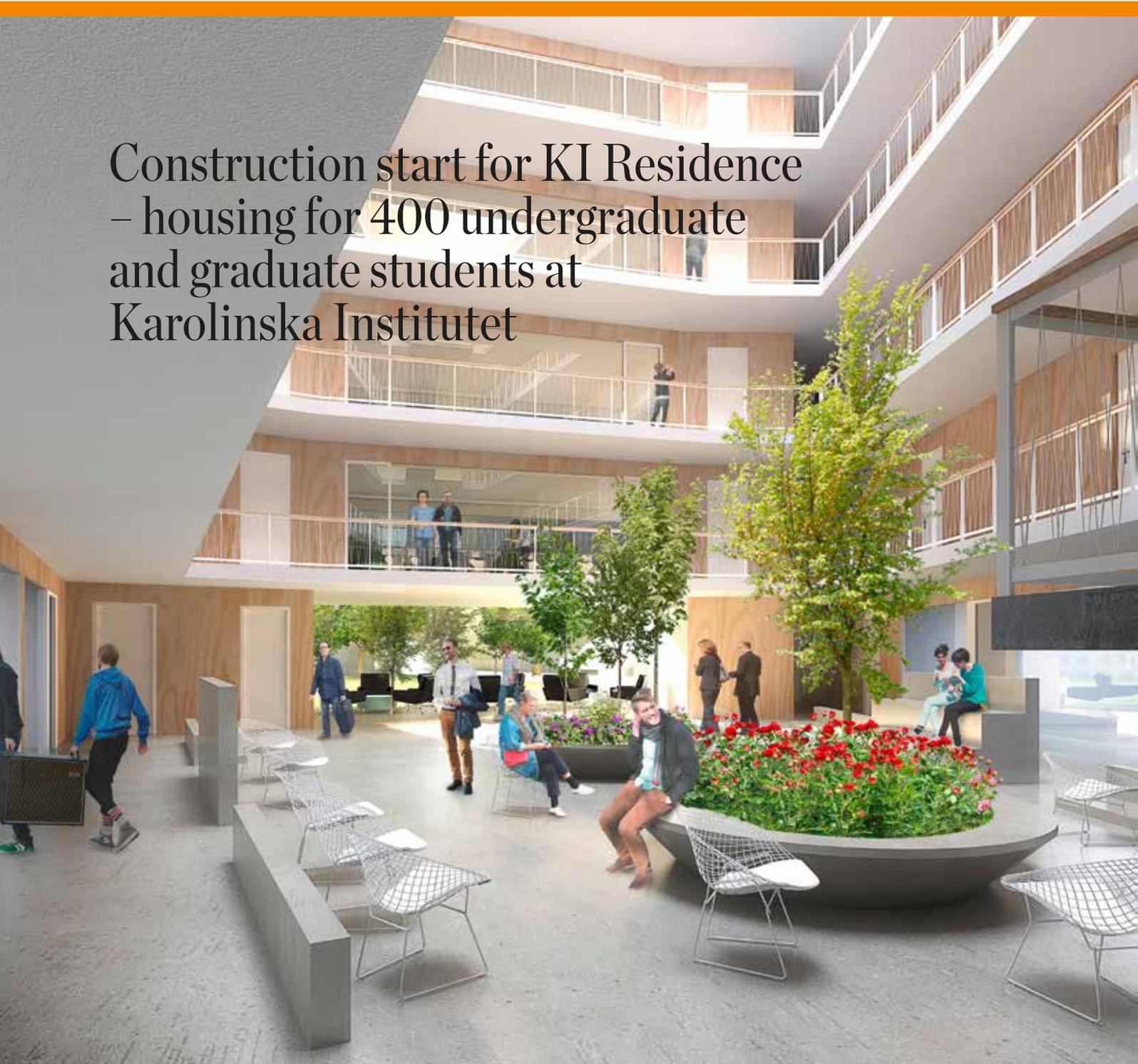
ways in the different phases of construction projects, including both contractors and property developers. Work groups comprised of representatives from members of the association will address four areas of interest that have been identified. We are pleased to note that more companies have already joined, and of course we hope that many more will follow their good example.

# 3,587

**CONSTRUCTION ACCIDENTS WITH SICK LEAVE REPORTED IN 2017**

Source: Swedish Work Environment Authority

## Construction start for KI Residence – housing for 400 undergraduate and graduate students at Karolinska Institutet



In November ground was broken for a project in which Akademiska Hus has invested about SEK 430 million to build 322 flats with room for over 400 undergraduate and graduate students on the Solna Campus, Karolinska Institutet (KI). The buildings, which are located on campus in direct proximity to the growing Haga-staden neighbourhood, will be ready for occupancy in 2019/2020.

The Stockholm area has a huge student housing shortage and availability of accommodation is critical for the city's centres

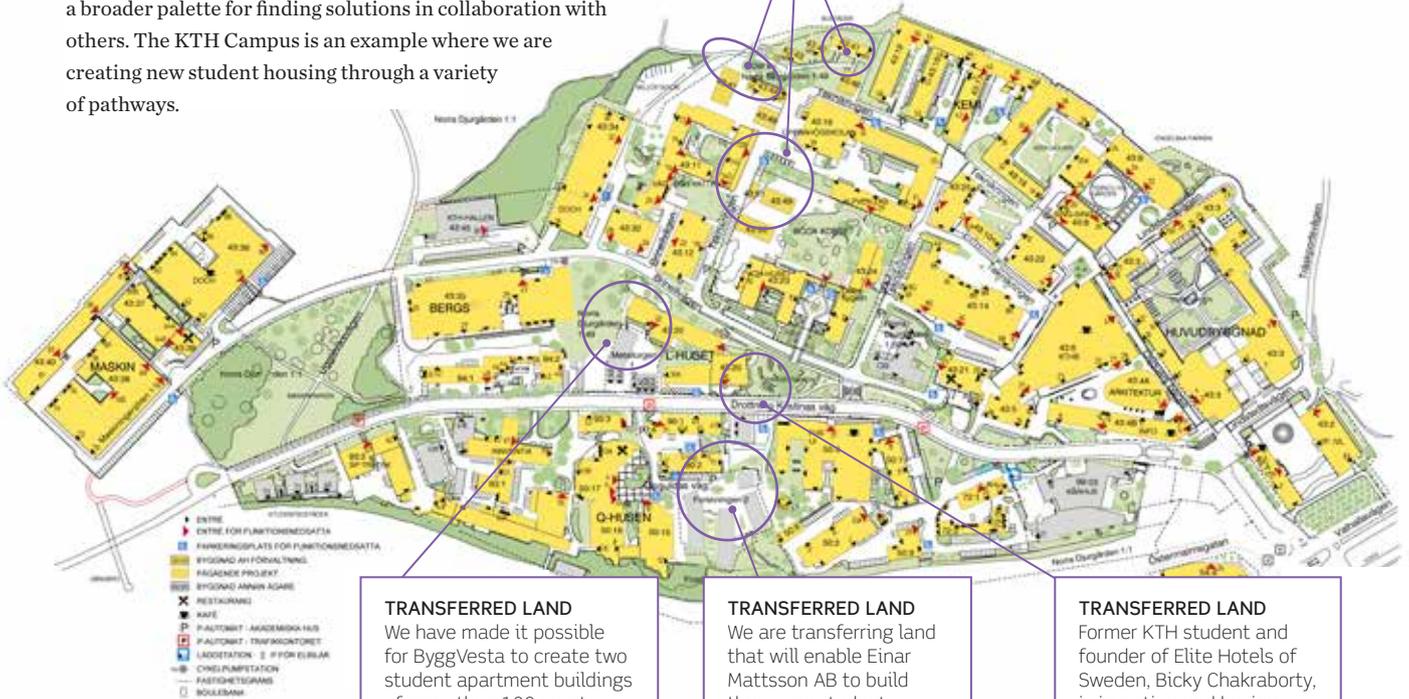
of education to remain attractive in the future. More student accommodation will also contribute to a more vibrant campus with round-the-clock activity, an objective that both Akademiska Hus and KI promote. KI is one of the world's leading medical schools and currently rents about 400 homes scattered around the greater Stockholm region. For KI, more and better housing is therefore a key factor for remaining an internationally attractive centre of education.

## Example – KTH Campus

Our campus plans always include the issue of student accommodation. Since we received our expanded remit from the Swedish state in 2014, we may also directly build student housing under our own management. This provides us with a broader palette for finding solutions in collaboration with others. The KTH Campus is an example where we are creating new student housing through a variety of pathways.

### OWN MANAGEMENT

On 8 September 2016 ground was broken for 430 new student housing units at Teknikringen on the KTH Campus. These student housing units are the first that Akademiska Hus is building under its own management.



### TRANSFERRED LAND

We have made it possible for ByggVesta to create two student apartment buildings of more than 100 apartments with new common outdoor spaces.

### TRANSFERRED LAND

We are transferring land that will enable Einar Mattsson AB to build three new student apartment buildings with 270 apartments.

### TRANSFERRED LAND

Former KTH student and founder of Elite Hotels of Sweden, Bicky Chakraborty, is investing and having 58 apartments built for students.

## Creating customer value with more student housing

The housing shortage should not pose an obstacle to education and research since, by extension, this could prevent the development of Sweden as a nation of knowledge. Consequently, the issue of student housing is always included when Akademiska Hus participates in formulating campus plans, whether the proposal entails building housing on land that Akademiska Hus owns, or on land belonging to some other property owner.

### CAMPUS VALUE THAT STRENGTHENS COMPETITIVENESS

Competition for international undergraduate and graduate students is intense. Becoming increasingly attractive to international undergraduate and graduate students is therefore crucial for the development of Sweden as a nation of knowledge. Adequate undergraduate and graduate student housing is an important component in the overall picture for a campus to meet international standards as a learning environment. Consequently, our investments in undergraduate and graduate student housing create value for our customers.

### MAPPING OUR CAMPUSES

In the spring of 2017 Akademiska Hus conducted a review of our entire property portfolio along with the customer and identified tracts of land on our campuses where student housing could be built. These geographic locations were analysed to avoid competing for sites where the centres of education want to build for their own purposes in the near future.

### ONLY PATH FORWARD – MORE UNDERGRADUATE AND GRADUATE STUDENT HOUSING

Despite the recent surge in construction of student housing in Sweden, many more flats are needed. Our forecast shows that by 2021 we can contribute to the construction of 11,000 undergraduate and graduate student housing units, including 6,500 that could be built under our own management. Between 2013 and 2017 we built or began construction on 3,500 of these units. Between 2021 and 2026, Akademiska Hus could be involved in the construction of an additional 10,000 units built close to campuses. It has not yet been determined how many will be built under our own management.



## A building that unifies within the built environment

In the past, architecture students have gone in one direction, and engineering students in another. They are now housed under one roof in the Built Environment building at Chalmers in Gothenburg. A grand opening celebration was held in September following a major renovation project.

The goal of the renovation project has been to contribute to more creative and stimulating learning environments. The new premises will encourage meetings between undergraduate and graduate students from the different departments along the walkways and at meeting places created on the entire block.

## Ground broken for A Working Lab in Gothenburg

In June ground was broken for A Working Lab. We will work here with our partners to find innovative methods and solutions, including for the three innovation challenges issued by Akademiska Hus for the project: “flexible and digital learning environments and workplaces”, “value-adding meeting places” and “a climate-friendly and resource-efficient building with a low CO<sub>2</sub> footprint”.

Several innovation projects are already up and running, and together with our innovation partners even more will begin, both during construction and afterwards. Akademiska Hus is investing a total of about SEK 380 million in the project. Occupancy is expected in the summer of 2019. The goal is for the new construction to achieve the sustainability requirements for the Swedish ‘Miljöbyggnad’ Gold certification level.





A long-term sustainable approach will be used to develop the Solna Campus at Karolinska Institutet. Consequently, the campus plan was designed in accordance with the United Nations' global sustainable development goals and the environmental objectives that Sweden has undertaken to achieve by 2030.



**Ole Petter Ottersen,**  
Vice-Chancellor, Karolinska Institutet

"As KI grows and research evolves, we need to invest in new environments and modern infrastructure that creates opportunities for beneficial and interdisciplinary research and education. Students, teachers and researchers must have the best possible working conditions, so that KI can remain globally competitive to retain and recruit employees in the future. Further development of the campus will enable KI to deliver even higher quality and become even more visible in the international arena."

## Campus plan for KI – Life science knowledge hub with a green heart

The campus plan for the period through 2030 is called "Life science knowledge hub with a green heart". Projects have begun during the year to achieve a more cohesive campus. To prioritise pedestrian and bike traffic, dedicated socially and ecologically value-creating green environments are being set aside. One initiative includes a wellness trail for walkers.

The plan will help Karolinska Institutet to achieve its vision of improving human health and creating a centre for the world's leading life science arena in Stockholm and Hagastaden. The plan serves as a framework for Akademiska Hus' development of the physical environment within the KI Solna Campus and for integration of the campus into the ongoing urban development initiative.

The fundamental idea of the campus plan is also to create more room for the business sector and to tie it closer to academia. In this way the plan will provide a stronger innovation environment on and around campus. The physical environment will be enhanced with expanded walkways and a wide range of attractive meeting places.



**Margaretha Fahlgren,**  
Professor at Uppsala University  
and chair of the steering  
committee for the Humanities  
Theatre project.

“The Humanities Theatre is a meeting place within the university between disciplines and faculties, with a focus on the humanist dialogue. The Humanities Theatre also opens the university to the community and encourages discussions, development and the search for knowledge.”



## Theatre in Uppsala provides a venue for humanist dialogue

In close collaboration with Uppsala University, Akademiska Hus has built a new arena dedicated to the humanist conversation, the Humanities Theatre.

The goal was to create a unique space for unlimited dialogue where the humanities are showcased. Here, the focus will be on human beings as thinking and creative individuals. The Humanities Theatre will invite dialogue within the university between subjects and faculties, as well as between the university and society - locally, nationally and internationally.

The building will also serve as a communication pathway linking existing buildings in the English Park campus. With its theatre, offices, classrooms and meeting facilities, the building will serve as an addition to several departments. The Humanities Theatre will also be available for independent activities where various events, lectures and meetings can be held in the evenings.

# We develop, build and manage for a wiser Sweden

We take a long-term strategic approach to continually create attractive and sustainable knowledge environments with our customers. We take full responsibility for the development of campuses at colleges and universities, where student accommodation plays an important role.

Akademiska Hus owns and manages several of Sweden's most sophisticated knowledge environments for education, research and innovation. Our work is based on our core processes so that we can apply our

collective expertise across the country. A collective management organisation is complemented by a project organisation and three geographic units that are responsible for campus and business development.

## Campus and business development

Campuses that are vibrant during all the hours of the day and interact with the surrounding community are crucial for Sweden's higher education institutions to be competitive. Consequently we formulate campus plans to develop entire campuses in close cooperation with our customers. With our collective knowledge we create campuses that provide, in addition to education and research, other services such as cafés, sport facilities, restaurants and supermarkets. Our campus plans always include the issue of student accommodation. The Campus and Business Development units have a special focus on public and customer relations.

[Read more on page 23](#)



## Projects

The construction process represents a substantial portion of Akademiska Hus' business. The construction projects vary in nature from small-scale renovations to new advanced research facilities. Akademiska Hus has a large project portfolio that evolves in close cooperation with our customers and other players. One of our strengths is the ability to coordinate and run the extensive and complex collaborative processes that are the key to a successful result. The ability to build sustainably is a key competitive advantage. Cost efficiency, skills development and experience feedback are key development areas in the projects unit.

[Read more on pages 24-28](#)



## Property Management

We manage properties in a way that ensures high quality, resource efficiency and long-term sustainable development. To maintain the high standard of our properties and facilities while preparing for the challenges of tomorrow and new needs, we focus on high-quality maintenance services and on the encounter with our customers and suppliers, as well as responsible use of energy and senior sustainability.

[Read more on pages 29-31](#)





# → Campus and business development

Sweden's learning environments and campuses are undergoing constant development. Needs, desires and visions are discussed at all centres of education. Factors such as digitisation and globalisation affect teaching and research, and place new demands on both existing and future knowledge environments.

## MOST IMPORTANT RIGHT NOW

The new organisational structure will enable us to develop an even closer relationship with our customers so that together we can understand our challenges and opportunities. As a result, we will be better equipped to contribute to their success through campus development.

Campus development is a key issue for us at Akademiska Hus. In collaboration with Sweden's centres of education we take full responsibility and contribute with our expertise and know-how in the development of long-term sustainable knowledge environments. The student housing shortage, which is found in several parts of Sweden, also affects how Sweden's centres of education want to develop their physical environments and campuses.

## CAMPUS PLANS AS TOOLS

The campus is a venue for research and learning, as well as for encounters with the business community and the interface for encounters with the community at large. In addition to developing efficient and inspiring learning environments, we meet user needs by creating meeting places, building student housing and collaborating with other stakeholders to ensure an attractive range of services. Restaurants, opportunities for cultural and sports activities and access to child care and preschools in close proximity to campus are examples of services that make life easier and increasingly integrated into and around the campus.

More undergraduate and graduate student housing is high on the priority list at many centres of education. Campus-based student housing is one of the most important factors for creating a vibrant environment that is open, safe and inviting round the clock, every day of the week.

Working with a centre of education to interpret and convert these visions so that the physical environment can best support the strategies is at the heart of campus development. Exploring how to achieve long-term sustainable development of the physical environment, in close consultation with the administration of the centre of education and its end users, results in the most successfully detailed development projects. 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.

## STRONG INNOVATIVE ABILITY

To meet the challenges we face as a community builder we must enhance our power of innovation to ensure our delivery and contribute value to customers. We will develop products, services and practices through structured innovation partnerships, thereby contributing to sustainable development in

the community. Knowledge and learning environments of the future, along with campus and urban development, are two areas in which we have prioritised innovation.

## PREMISES FOR EFFECTIVE LEARNING

The premises and rooms of a centre of education need to be adaptable and functional to optimise use in both the short term and the long term. The flexibility of the premises to allow different learning methods is important. One example of facilities that directly support education is the Active Learning Classroom (ALC), which promotes effective teaching in interactive classrooms using digital tools. We have created several ALCs in Sweden together with our customers, including interactive learning environments that we have been building in collaboration with Umeå University since 2014, with completion expected in 2018. Akademiska Hus is funding two research projects in order to evaluate them and learn from the new learning environments.

To ensure that the campus offers a sustainable environment, Akademiska Hus has developed a sustainability model that addresses a series of issues related to vibrant and attractive campuses.



# → Projects

Akademiska Hus' project portfolio consists of approved and planned projects for about SEK 17 billion. Through these projects, we help to ensure that higher education institutions meet their long-term needs for premises appropriate for education and research.



One of the largest projects that was completed in 2017 was the Segerstedt Building in Uppsala. The new building now houses 600 Uppsala University employees under one roof. In addition, the building serves as a meeting place for students, with study areas and meeting rooms.

#### MOST IMPORTANT RIGHT NOW

We will continue to work in our three focus areas that were identified in 2017. We aim to improve our construction process, strengthen our expertise and focus more on being a learning organisation.

Akademiska Hus is both builder and manager, where long-term management is part of our remit. Developing projects for long-term management provides us with excellent opportunities to invest in sustainable and innovative solutions. Investing activities are pursued according to a systematic evaluation process from project concept to approved investment. Investments exceeding SEK 50 million, which include about 95 per cent of our investments, are decided by the Board of Directors.

During the year, the project organisation identified three focus areas to further

strengthen our role as contractor and our task of optimally meeting the challenges that we and our customers face through our projects. The three areas are: the construction process, strengthened expertise and learning organisation.

#### CONSTRUCTION PROCESS

We will run a cost-effective, competitive, sustainable and collaborative construction process with clearly defined interfaces and transfer points. By setting clear project requirements throughout the construction process, from early phases to transfer phases, we can deliver a product of the right quality according to a common vision.

#### STRENGTHENED EXPERTISE

By focusing on the world of academia, we have accumulated experience that is of great benefit to our customers all over the country when we build Sweden as a nation of

knowledge together. Through our projects we create buildings for teachers, undergraduate and graduate students. We must constantly remain updated in order to find out, and better understand, what our customers need. By strengthening our expertise we become a better sounding board for our customers and a more challenging and skilled contractor.

#### LEARNING ORGANISATION

We want to create even better conditions for becoming a learning organisation. Knowledge sharing is currently a key concept in the industry. We work to find new structures for this purpose within the project unit through mentoring, seminars and development groups.

Overall, we believe that these three focus areas will strengthen our ability to work with our customers to create sustainable and efficient buildings.

#### DIGITISATION AND INNOVATION

During 2017, the digitisation discussion in the property industry gained further momentum and we see an increasingly clear interest from our customers and suppliers in the opportunities that will accompany digitisation. We are shifting to a more digital approach to running our construction projects. Albano in Stockholm is one example of a project that is testing new models moving towards a more digital approach.

One digital and innovation focused project that began during the year is A Working Lab on the Johanneberg campus at Chalmers in Gothenburg (read more on page 18). It is an innovation arena that is also serving as a test bed during the construction process. As one of Sweden's largest property companies, we have a large project portfolio. All of these investments aim to strengthen the business of our customers.

## SUSTAINABILITY IS A GIVEN

Both Akademiska Hus and many of our customers have high aspirations in 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 constantly strives to minimise environmental impact through sustainable construction processes and carefully considered material choices.

All new construction and major renovation projects must qualify, at a minimum, for a silver rating in the Miljöbyggnad environmental certification system. Building to Miljöbyggnad standards provides confirmation of important qualities in a building in terms of energy, indoor environment and material choices. To achieve this, we stay up to date on the latest methods and technologies. We currently have 37 certified buildings, including four at the gold level and 33 at the silver level.

The certified new construction and renovation projects must subsequently undergo a validation process, and to date twelve buildings have been verified with retained certificates. During the year two of the buildings certified at the Gold level garnered attention when the ABE school on the KTH campus in Stockholm submitted the environmental certification system's 1,000th application, and the University Library in Karlstad received the Green Building of the Year



The library at Karlstad University was designated Green Building of the Year (Årets Miljöbyggnad) at the 2017 Sweden Green Building Awards ceremony. The 15-year-old building is the oldest building ever to be upgraded to meet the standards for Miljöbyggnad certification at the Gold level. The certification is a result of long-term, targeted collaboration between the University Library, Karlstad University and Akademiska Hus.

(Årets Miljöbyggnad) award with the explanation: "To be able to certify a building at the very highest Green Building level 15 years after construction, without any refurbishment or renovations, is proof of great foresight, commitment and motivation regarding energy and environmental issues, and a building above and beyond the ordinary."

## SOCIAL RESPONSIBILITY AND CODE OF CONDUCT

A crucial contribution to a more sustainable society goes through the requirement specifications of our suppliers. Our largest purchase volumes are in construction, architectural and construction engineering services, as well as in the energy sector. Akademiska Hus purchases services and goods for approximately SEK 4 billion per year from almost 3,000 suppliers.

The Procurement Policy of Akademiska Hus describes the fundamental values that underlie purchasing and procurement. We require suppliers to meet "shall" criteria, including environmental, quality and safety standards, and have a Code of Conduct for suppliers. Compliance with these qualification requirements is mandatory in all procurement procedures. Contracts prepared

in 2017 replace earlier contracts on the category level, with a clarification of the process regarding requirements. This means that about 90 per cent of the aggregate purchasing volume (based on suppliers with more than SEK 100,000 in annual purchasing volume) is screened. The Code of Conduct is based on the ten fundamental principles of the UN Global Compact, and we hope to jointly develop sustainable supplier processes and value chains together with our suppliers.

Akademiska Hus is a member of the new "Håll Nollan" industry initiative. This initiative is a challenge and a reminder of one of the most crucial issues for the construction and property industry in Sweden: no one should be injured on construction sites. Read more about this on page 15.

# 37

NUMBER OF CERTIFIED  
BUILDINGS, INCLUDING

# 4

AT THE GOLD LEVEL



**WE SUPPORT**

## Our largest projects

### COMPLETED PROJECTS, 31 DEC. 2017 > SEK 100 MILLION

Project name	Location	Type of premises	Investment limits, SEK m	Additional floor space, m <sup>2</sup>	Completed	Customer
Biomedicum - Comparative Medicine	Stockholm	Laboratory	774	11,000	2017-Q4	Karolinska Institutet
Segerstedt Building	Uppsala	Offices	715	17,400	2017-Q2	Uppsala University
Built Environment	Gothenburg	Education	324	20,600	2017-Q4	Chalmersfastigheter
ABE School	Stockholm	Education	185	4,500	2017-Q4	Royal Institute of Technology
Education Building	Stockholm	Education	130	2,800	2017-Q4	Royal Institute of Technology
Humanities Theatre	Uppsala	Education	129	2,300	2017-Q2	Uppsala University
EES School	Stockholm	Education	125	—	2017-Q4	Royal Institute of Technology
D Building phase 1 and 3	Linköping	Offices	112	900	2017-Q1	Linköping University
<b>Total</b>			<b>2,500</b>	<b>59,500</b>		

### APPROVED PROJECTS, 31 DEC. 2017 > SEK 100 MILLION

Project name	Location	Type of premises	Investment limits, SEK m	Percentage accrued, %	Additional floor space, m <sup>2</sup>	Expected completion	Customer
Albano	Stockholm	Education	3,302	11	100,000	2021-Q4	Stockholm University
Biomedicum	Stockholm	Laboratory	2,822	66	48,000	2018-Q2	Karolinska Institutet
Ångström Phase 4	Uppsala	Laboratory	1,185	4	30,000	2021-Q3	Uppsala University
Humanisten	Gothenburg	Education and offices	668	36	12,100	2019-Q4	University of Gothenburg
KI Residence	Stockholm	Residential	434	2	15,500	2019-Q3	Karolinska Institutet
Valla Student Building	Linköping	Education	411	24	13,500	2019-Q3	Linköping University
Student accommodation Teknikringen	Stockholm	Residential	400	41	8,900	2019-Q1	Akademiska Hus <sup>1</sup>
A Working Lab	Gothenburg	Other	381	21	9,600	2019-Q3	Akademiska Hus and others
Lab of the Future	Stockholm	Laboratory	322	53	—	2018-Q4	Karolinska Institutet
Medical Biology Centre	Umeå	Laboratory	306	41	1,800	2020-Q1	Umeå University
Police programme, Södertörn	Stockholm	Education	260	99	5,400	2018-Q1	Södertörn University
A house	Stockholm	Other	241	31	900	2018-Q4	Akademiska Hus and others
Police training programme, Umeå University	Umeå	Education	165	91	5,000	2018-Q1	Umeå University
GIH swimming centre	Stockholm	Other	118	14	—	2019-Q3	City of Stockholm
Child and youth studies Frescati backe	Stockholm	Education	111	8	—	2019-Q2	Stockholm University
Projects < SEK 100 million			1,874	—			
<b>Total</b>			<b>13,000</b>		<b>250,700</b>		

### PLANNED PROJECTS, 31 DEC. 2017 > SEK 100 MILLION

Project name	Location	Type of premises	Investment limits, SEK m	Additional floor space, m <sup>2</sup>	Expected completion	Customer
Naturvetenskap life	Gothenburg	Laboratory	958	26,500	2022-Q2	University of Gothenburg
Forum Medicum	Lund	Offices	570	11,600	2021-Q3	Lund University
Handels Hörne	Gothenburg	Education	470	6,200	2023-Q1	University of Gothenburg
Tomtebodan	Stockholm	Education	360	4,100	2020-Q2	Akademiska Hus
Maskinteknik LTH	Lund	Education	350	—	2022-Q2	Lund University
Polstjärnan student housing	Luleå	Residential	177	6,400	2020-Q1	Akademiska Hus <sup>1</sup>
Hydra student housing	Uppsala	Residential	175	—	2020-Q1	Akademiska Hus <sup>1</sup>
IKSU campus hotel	Umeå	Other	170	6,700	2021-Q2	Akademiska Hus <sup>1</sup>
Aila student housing	Kista	Residential	111	2,600	2019-Q1	Akademiska Hus <sup>1</sup>
Projects < SEK 100 million			359			
<b>Total</b>			<b>3,700</b>	<b>64,000</b>		

1) Student housing to be managed and rented out by others.

## PROJECT PORTFOLIO

SEK m	31 Dec. 2017	31 Dec. 2016
Decided projects	13,000	13,400
Planned projects	3,700	3,330
<b>DECIDED AND PLANNED PROJECTS</b>	<b>16,700</b>	<b>16,700</b>
of which already invested in projects in progress	-5,700	-4,800
<b>REMAINDER OF DECIDED AND PLANNED PROJECTS</b>	<b>11,000</b>	<b>11,900</b>
Concept projects	9,800	7,600
<b>TOTAL REMAINING PROJECTS</b>	<b>20,800</b>	<b>19,500</b>
Total project portfolio	26,500	24,300

The different investments are categorised as:

- Decided projects.
- Planned projects – have an inquiry or planning framework, where some form of agreement exists between the Company and the tenant.
- Concept projects – projects likely to be carried out within five years.

Akademiska Hus' project portfolio is divided into approved, planned and concept projects and totals SEK 26,500 million, including SEK 5,700 million that has already been invested. Our approved projects are dominated by the two major projects in Stockholm – Biomedicum, which will be completed in 2018, and Albano, where the first phase will be commissioned in 2021. Both projects will have long lease terms (25 and 20 years, respectively). The majority of new construction projects in our project portfolio have an average lease term of 10 to 25 years.



## Humanisten, Gothenburg

**Activity:** Education and research **Architect:** KUB Arkitekter  
**Tenant:** University of Gothenburg **Completion:** 4th quarter, 2019  
**Project description:** The new Humanisten building will provide opportunities to co-locate the activities of the Faculty of Arts, which were previously scattered around the city. The project involves both the renovation of and addition to the existing Humanisten building and can be viewed as a first step in the effort to make the campus south of Göta-platsen a unique and creative meeting place for art, culture and the humanities in Gothenburg.



## Valla Student Building, Linköping

**Activity:** Classrooms and lecture halls, library and study areas  
**Tenant:** Linköping University  
**Architect:** White Arkitekter  
**Completion:** 3rd quarter, 2019  
**Project description:** The new student building will become a natural meeting place for students, with study areas and a library in attractive surroundings. The new building will meet high energy efficiency requirements and have a clear goal to meet the standards for Miljöbyggnad certification at the gold level.

Building student housing has been part of Akademiska Hus' expanded remit since 2014. Examples include projects in progress such as KI Residence and student housing at Teknikringen at the Royal Institute of Technology. Student housing projects can also be found in the categories planned and concept projects for a total of SEK 3,300 million. In addition, we could potentially contribute with additional investments up until 2021.

Below are some of the projects in our project portfolio.



## Medical Biology Centre, Umeå

**Activity:** Education and research **Architect:** LINK Arkitektur  
**Tenant:** Umeå University **Completion:** 1st quarter, 2020  
**Project description:** The oldest building on the Umeå Campus, the Biology Building from 1961, will undergo total renovation in a redevelopment and extension project. The aim is to gather the Faculty of Health Sciences and part of the cutting edge medical research under one roof. The new centre represents a major investment in an interactive and dynamic research and education environment that promotes an internationally competitive operation.



## Biomedicum, Solna

**Activity:** Medical research  
**Tenant:** Karolinska Institutet  
**Architect:** Berg Arkitektkontor/Arkitektfirmaet C.F. Møller  
**Completion:** 2nd quarter, 2018  
**Project description:** When Biomedicum celebrates its grand opening in 2018 it will be one of the largest research labs in Europe, with an ultramodern laboratory facility with room for 1,700 researchers. The project began in 2013 and is Akademiska Hus' single largest construction project to date.

**ANALYSIS OF PROJECT PORTFOLIO**

Akademiska Hus' project portfolio, with investment projects that will be completed over the next few years, is extensive and entails a major addition to Akademiska Hus' property holdings. Demand for new premises is greatest in those centres of education that focus on research. The investment portfolio includes new construction and redevelopment, as well as upgrades to existing properties. The emphasis in the project portfolio can be found in Stockholm and Gothenburg, though projects can also be found in all of our larger towns and cities. As the investments are gradually completed, it is expected that the average remaining lease term will increase, since the properties that are being added to our property holdings have long leases. The project portfolio contains the approved projects of SEK 13,000 million that will expand our holdings over the next few years. At year-end, about

SEK 5,700 million had already been invested. The annual investment rate is expected to remain at approximately SEK 3,000 million. Compared with previous years, our project portfolio has never been larger than at the end of 2017. Planned and approved projects largely consist of high-tech research facilities and new construction projects for tomorrow's learning environments.

**BUDGET AND FORECAST**

Each year Akademiska Hus formulates a budget for the following year and a forecast for the next two years after that. By doing so we ensure that our operations are run with a focus on efficiency and a cost-conscious approach. Net operating income is invested in our project portfolio.

The yield excluding properties under construction is expected to remain at the same level as today, around 5.5 per cent,

with unchanged yield requirement and cost of capital. Our equity ratio remains strong and we believe that return on capital will gradually increase as new investments begin to produce returns. Profit before tax is expected to continue to be stable.

Changes in property values, acquisition and sales are not included in the budget or forecast.

**AKADEMISKA HUS  
PROJECT PORTFOLIO**

**16.7**  
SEK BILLION

**FORECAST**

	2017	Forecast 2018	Forecast 2019	Forecast 2020
<b>PROPERTY HOLDINGS</b>				
Average rentable area, 1,000 m <sup>2</sup>	3,256	3,318	3,374	3,407
Property values, SEK m	80,444	83,500	86,500	89,000
Net investment in properties, SEK m	2,351	3,000	3,200	2,500
<b>Key figures</b>				
Net operating income, SEK/m <sup>2</sup>	1,176	1,189	1,252	1,330
Yield, properties, % (excluding properties under construction)	5.5	5.1	5.2	5.4
Yield, properties, % (including properties under construction)	5.0	4.8	5.0	5.2
<b>Financial key figures</b>				
Rental revenue, SEK m	5,582	6,000	6,150	6,400
Net operating income, SEK m	3,829	4,000	4,200	4,500
Profit before tax, SEK m	8,311	3,600	3,850	4,100
Equity ratio, %	43.3	43.7	43.9	44.5
Return on operating capital, %	5.9	5.7	5.9	6.0
Return on equity, % <sup>1</sup>	17.6	7.0	7.3	7.4

1) 2017 includes changes in value of properties. Forecasts for 2018-2020 do not include changes in value of properties.

# → Property Management

With property holdings of about 3.3 million square metres, Akademiska Hus works with a strategic and long-term approach to management. 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.



#### MOST IMPORTANT RIGHT NOW

In 2018 we are increasing our focus on the customer even more. Based on good quality everyday deliverables and a close relationship with our customers, we strive to be our customers' first choice. The customer experience is an explicit focus for Akademiska Hus moving forward and with it our hope to improve the results on the CSI (see page 12).

High quality in maintenance services, responsible energy consumption and open communication with both customers and suppliers are crucial for increasing business benefits and value for our customers. For Akademiska Hus, property management is an umbrella term used to cover all the technical and financial measures carried out during the life of a building. Our properties must maintain a high standard for a long time. Our properties consist of offices, high-tech research facilities, and various types of classrooms and lecture halls. Versatility, flexibility and adaptability are therefore crucial for effectively working with strategic management of our properties. Akademiska Hus' management organisation consists of 282 employees who take care of our buildings and some of the furnishing and equipment inside the buildings, with a focus on service and professionalism. By maintaining a close and continual dialogue with our tenants and other parties who influence the use of the premises we can provide long-term property management while adapting our work to meet the changing needs of our

customers. Along with our many years of experience and extensive expertise in property management, this provides excellent opportunities for Akademiska Hus to create conditions for sustainable property management while enhancing the value of active ownership and increasing long-term customer value. In 2018 we are increasing our focus on the customer even more

#### FOCUS ON SUSTAINABLE PROPERTY MANAGEMENT

The heating, cooling, water and electricity costs of our properties account for about 40 per cent of our operating and maintenance costs. Since the costs are largely directly linked to energy consumption, with electricity the single largest cost component, Akademiska Hus is working intensively to find energy-efficient solutions. A crucial component of this strategy involves reducing energy consumption in our current property holdings, but we are also focusing on incorporating energy-efficient buildings in our new developments.

But using less energy is not the only

important issue, it should also be used appropriately. To maintain an even price trend over time, we have a hedging strategy for electricity extending over several years. In addition to steady energy costs, it allows us to find long-term solutions to bring new renewable electricity to the market.

The combination of good supplier dialogue and negotiation, along with effective maintenance, provide important conditions for management that generates value for our customers. It also provides us with a good overview of future cost trends while achieving a high standard of reliability. We therefore strive to establish long-term relationships with suppliers, along with energy that is completely fossil-free.

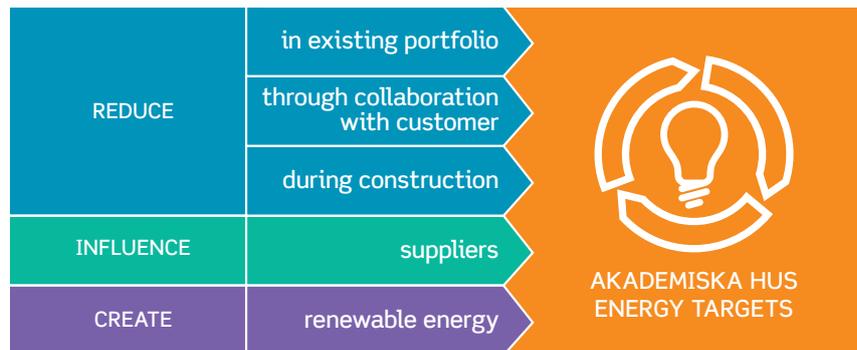
#### SUSTAINABILITY INITIATIVES TOGETHER WITH OUR CUSTOMERS

An important aspect of Akademiska Hus' sustainability efforts entails collaborating with our customers in various sustainability initiatives. The aim is not only to reduce the amount of energy used, but also to create commitment and visibility relating to sus-

OUR CO<sub>2</sub> DECLINED BY**2.3%**

IN 2017

## AKADEMISKA HUS' ENERGY STRATEGY



Our energy strategy is based on three elements, each of which has the goal of having an actual influence. We will **REDUCE** the quantity of delivered energy to one half of what it was in 2000 by 2025. At the same time, we want to **INFLUENCE** and interact with our energy suppliers to achieve a fossil-free and renewable product. We also strive to ensure that new renewable electricity is **CREATED** that is equivalent to our needs, which means that we try to find parties for collaboration.

tainability, while leveraging our aggregate knowledge from different aspects of the field. To further raise our level of ambition and show that we truly take energy issues seriously, for the past few years we have launched a variety of initiatives focused on sustainability in collaboration with our customers. The initiatives are based on a shared desire to act and invest in sustainable choices. The objective is to allocate energy costs between Akademiska Hus and our customers so that both parties have an incentive to improve energy efficiency for the aspects over which each party has control. In practice this means that as property owner, in most cases, Akademiska Hus has the greatest control over the building's utilities (heating, cooling and some of the electricity).

## ENERGY PORTAL AND DIGITAL OPERATIONAL TECHNOLOGY

Ambitious energy savings goals, along with management responsibility for a variety of complex buildings, place high demands on facilities engineers as well as on effective tools and processes. To assist in this endeavour we have our Energy Portal, a key tool in Akademiska Hus' facilities operations that was developed to monitor energy savings for

the entire property portfolio. The Energy Portal is based on a measurement database that is updated regularly with consumption and energy values from an array of measuring systems. By analysing a building's energy performance, our facilities engineers can calculate and implement measures that provide benefit, both financially and environmentally. New and often digitised operational technology systems help to streamline management but also place high demands on the skills of our facilities engineers.

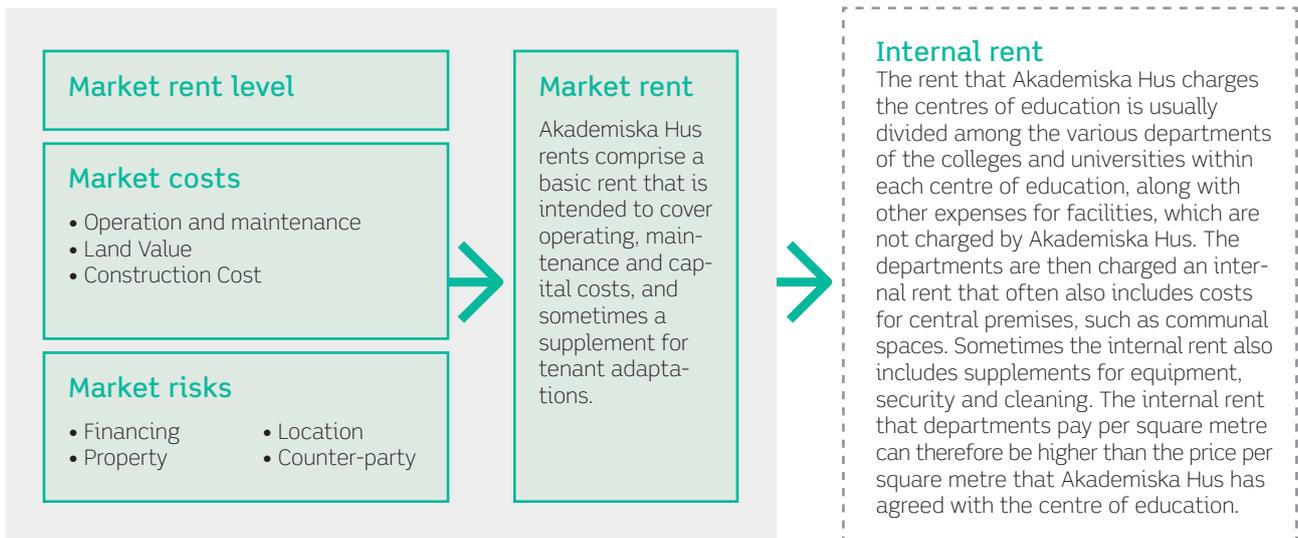
## AKADEMISKA HUS' ENERGY INITIATIVES IN 2017

Based on Akademiska Hus' energy strategy and our ambitious sustainable development goals, we aim to halve the amount of energy delivered by 2025 and to eliminate the CO<sub>2</sub> footprint of our operations. A crucial component of this strategy involves reducing energy consumption in our current property holdings, but we are also focusing on creating renewable energy. In 2017 we equipped Naturvetarhuset on the Umeå Campus with an 800-square-metre solar park. It produces 120,000 kWh annually, which supplies 20 per cent of the building's energy needs for operations. Campus Valla in Linköping has also been expanded with

three new solar parks. Our investment in solar energy is one of our contributions to the transition to a fossil free society. Through such initiatives we make our campuses a little greener and create good opportunities to focus on energy together with our customers. Another example of our work with energy is that we explore the possibility of using excess energy from nearby buildings during the early stages of development of new buildings. This strategy enables us to reduce the need for energy delivered. Our properties shall have well-designed, energy efficient systems and maintenance solutions. In order to achieve our goals, the management and the Board of Directors of Akademiska Hus, as well as mid-level managers and the maintenance organisation, are all involved in follow-up and assessment of the results of the energy strategy.

## Market-based rents and transparent rental model

With its leading position on the property market, Akademiska Hus is responsible for deliverables to customers and for local rental market trends, for which reason our rents are always market-based. We always strive for transparency and engage in open tenant negotiations.



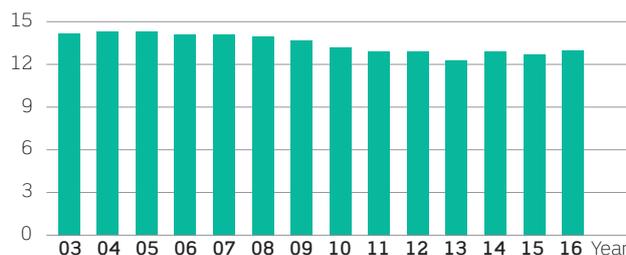
Akademiska Hus operates in an open market and our rents are competitive. We set our rents the same way that other property companies do, which means that our calculations reflect the risk and costs associated with, for example, construction and management. Other factors include the general market rent 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 we set rents is important in our dialogues with the customers. Following a review of the rental model, the standard costs for administration and operation, the standard risk assessment for vacancy at the end of the rental period and the cost of capital during construction have fallen in recent years. 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 rent levels per building can be found in our property specification at [akademiskahus.se](http://akademiskahus.se)

STABLE COST OF PREMISES FOR SWEDEN'S CENTRES OF EDUCATION, %



We customise plans on customer request, at the same time that we improve them to achieve lower energy requirements and reduced operating costs.

Source: Swedish Higher Education Authority statistics database

# Our college and university cities

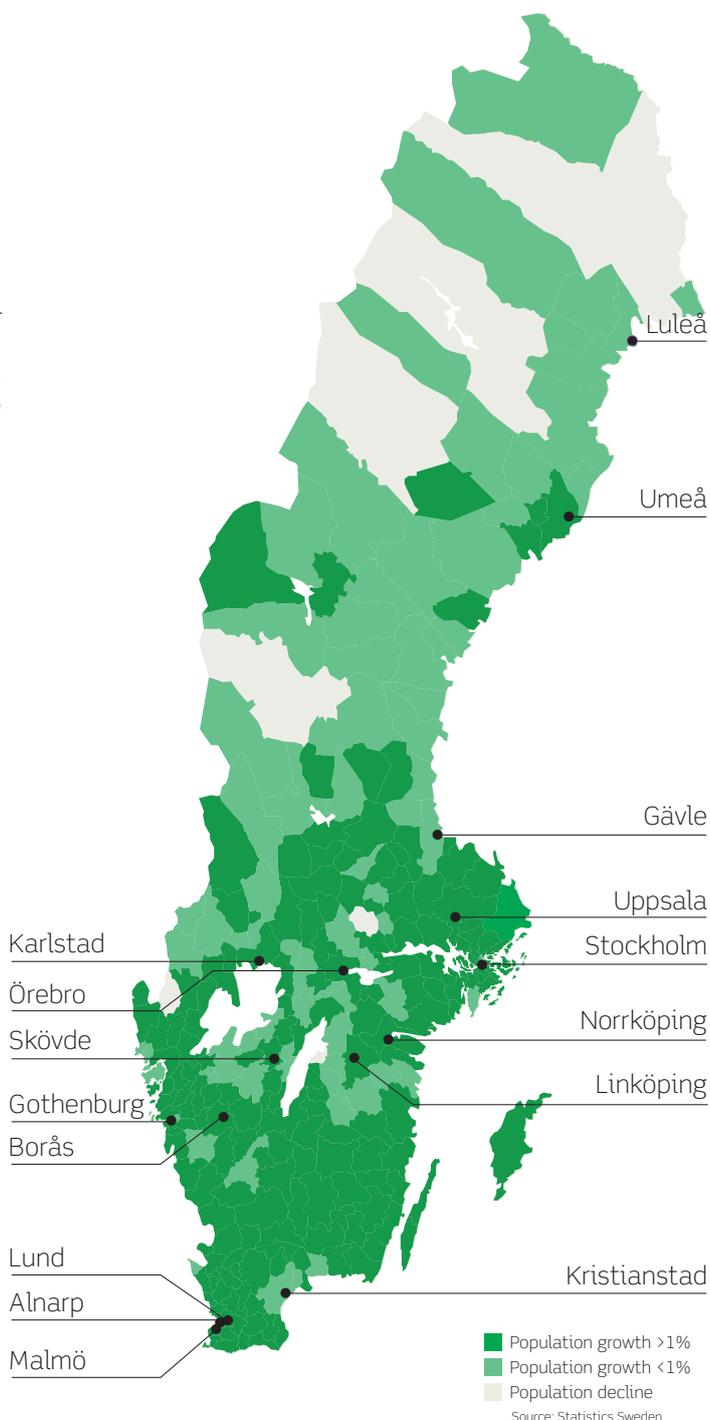
AKADEMISKA HUS CAN BE FOUND IN

# 16

COLLEGE AND UNIVERSITY CITIES

## Presence in cities with good growth

Akademiska Hus has a 61 per cent share of premises for higher education and research, which means it is the single largest participant in this segment. The total property value of Akademiska Hus' holdings is SEK 80 billion, with 95 per cent located in university cities and 5 per cent in college towns.



■ Population growth >1%  
■ Population growth <1%  
■ Population decline  
Source: Statistics Sweden

Share, per city/town	Market value and area	Largest centres of education
Stockholm 	SEK <b>36</b> billion 906,000 m <sup>2</sup>	Stockholm University Karolinska Institutet Royal Institute of Technology
Uppsala 	SEK <b>14</b> billion 609,000 m <sup>2</sup>	Uppsala University Swedish University of Agricultural Sciences, Ultuna
Gothenburg 	SEK <b>8</b> billion 348,000 m <sup>2</sup>	University of Gothenburg Chalmers University of Technology

Share, per city/town	Market value and area	Largest centres of education
Lund 	SEK <b>7</b> billion 359,000 m <sup>2</sup>	Lund University
Umeå 	SEK <b>4</b> billion 231,000 m <sup>2</sup>	Umeå University Swedish University of Agricultural Sciences, Umeå
Linköping 	SEK <b>3</b> billion 221,000 m <sup>2</sup>	Linköping University

Source: Swedish National Financial Management Authority

# Education sector

## EDUCATION AND RESEARCH

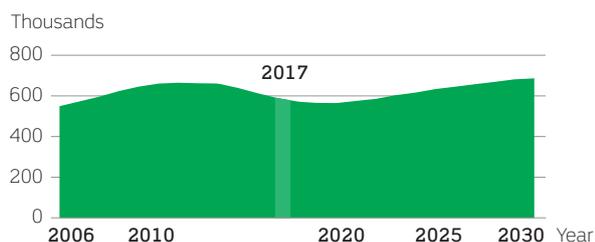
The number of applicants to universities and colleges is on a historically high level, though with a slight decline in recent years – despite the favourable trend on the labour market. While 19-year-olds are still the largest age group among applicants, the ages of applicants without previous higher education has changed in recent years. First-time college applicants are older now.

The Swedish Government has set clear research policy goals; for example, Sweden shall be an attractive country for international investments in research and development, and that public and private investments in research should continue to exceed the EU target of 3 per cent of GDP. In 2015 Sweden, Austria, Denmark, Finland and Germany were the EU countries that invested most in research and development.

In 2017 the Swedish Higher Education Agency (UKÄ) conducted an analysis of strategies for distance education at higher education institutions, which revealed the importance of educational and technological developments. The trend is also viewed as a future opportunity for expanding recruitment of talent and for lifelong learning. Future challenges include the high cost of development and financing of distance education.

The overall picture of continued pressure from the high number of applications to universities and colleges, a strong political focus on investment in research, and growing interest in distance education shows that there is still a great need for competitive research and education environments.

19-23-YEAR-OLDS IN THE POPULATION 2006-2017, FORECAST 2018-2030



Source: Statistics Sweden

## GOVERNMENT GRANTS

Sweden's colleges and universities are financed by both government grants and external funding. The level of grants for education purposes is based on the number of students and their accomplishments. Grants are also awarded for research and education at the postgraduate level. According to UKÄ's 2017 annual report, total revenue at higher education institutions increased by SEK 2.1 billion between 2015 and 2016. Increased revenue for research and education at the postgraduate level account for the majority of this increase, for a total of SEK 1.8 billion.

## STRONG POSITION

Akademiska Hus has a market share of 61 per cent in premises for higher education and research. Its presence is strongest in the large well-established university cities. These cities account for approximately 70 per cent of total rental revenue. Investments in new construction, redevelopment and extensions are primarily attributable to the Stockholm region, Gothenburg and Uppsala. One emerging area is our contribution to building student accommodation, which is in line with the objective of developing more attractive campuses. Despite the slowly growing competition in the field of community properties, there is no corresponding national player in the segment premises for higher education and research, but mainly local and regional players.

## OTHER PARTICIPANTS IN THE MARKET SEGMENT

Location	Participants <sup>1</sup>
Stockholm	Clara Foundation Fysikhuset Stockholm KB Fastighets AB Telefonfabriken
Gothenburg	Chalmersfastigheter AB Hantverks- och Industrihus i Göteborg AB Higab AB
Uppsala	National Property Board County Council Service in Uppsala County
Lund	Fastighets AB ML 4 National Property Board Hemsö Landsdomaren KB
Umeå	Balticgruppen Design AB Universitetshallen Foundation
Linköping	Region Östergötland Universitetshallen Foundation

1) Other participants in our market segment are reported in square metres and presented in descending order

Source: Swedish National Financial Management Authority

# Administration Report

## TRENDS

The global economy has continued to strengthen during the year. The absence of underlying inflationary pressures has encouraged several central banks to continue with powerful monetary stimulus measures, which have been a strong driving force for the strong performance of the stock market. Rising optimism continued among businesses and households during the year in response to the prolonged period of rising asset prices combined with strong labour markets. The improved economy also benefits emerging economies, where rising commodity prices contribute to prosperity. The economic boom in China continued in 2017, but the growth rate is expected to decline moving forward, albeit from high levels.

The recovery has made greater progress in the US than in the Eurozone, but even there the year was characterised by improved labour market conditions and the increasing economic activity is spreading across more countries. Hopes for greater EU cooperation have been raised again, especially since both the German federal election and the French presidential election have now passed without any surprising influence from EU-critical votes. In Sweden, growth is good and employment will continue to increase. Exports are benefiting from improved global demand and the weak SEK, while high activity levels in the construction sector contribute to growth.

## FINANCIAL MARKETS

The central banks have played a crucial role for the mood in financial markets. Low unemployment in the US prompted the US Federal Reserve (the Fed) to implement three rate hikes in 2017, while a reduction of the balance sheet, which grew as a result of its extensive bond purchasing programme, has been launched.

The monetary policy normalisation process has made greater progress in the US than in Europe. While the improved economy in Europe in general and in Sweden in particular justifies tightening of the expansionary monetary policy, navigation toward the inflation target does not allow any change of course in the policies of either the European Central Bank (ECB) or the Riksbank. Prior to 2018 the ECB extended its bond purchasing programme for another nine months, albeit at a slower pace than previously. The Riksbank decided not to increase its bond purchasing programme at the December meeting, but its presence in the market will still be noticeable when upcoming bond maturities in 2019 are reinvested in advance. The importance of not jeopardising the recovery in inflation by a stronger SEK was underscored and opportunities for the ECB to tighten monetary policy are considered limited.

Interest rates for Swedish and European bond yields were largely unchanged during the year. Short interest rates were held down by negative policy rates, which resulted in continued steep yield curves. In the US, however, the tightening of monetary policy has led to an extremely flat yield curve, though its implications are difficult to interpret.

## PROPERTY MARKET

Interest in the Swedish property market continues to be strong, driven by the robust economy and the prevailing low interest rate environment. The volume of transactions has been at historically high levels since 2014, though this figure fell during the year compared with 2016, when a single large transaction affected the comparative figures. In total, transactions with a value of approximately SEK 150 billion were completed in 2017. This activity included the majority of segments in the Swedish property market, where domestic participants accounted for the majority of the transaction volume. However, the share of foreign investors did increase somewhat during the year and totalled almost one quarter. This interest is supported both by the weak Swedish krona and because the Swedish property market is expected to show stable cash flows. Good prospects for selling the properties is yet another positive factor with an investment horizon of up to about ten years. Completed transactions indicate that yield requirements were even lower during the year, where the prevailing low interest rate environment is a significant driver of the real estate market.

Strong growth and improved labour market conditions create good prospects for strong demand for offices, with declining vacancy rates and rising rent levels as a result. This trend is strongest in the metropolitan areas and contributes to continued investment in modernisation of the existing portfolio as well as new production. There is a clear trend for tenants to increasingly demand modern, space-efficient and environmentally friendly premises that meet high technical standards. With the risk that the favourable conditions in the fixed income market will likely be replaced by tightening measures, the housing market will probably simmer down somewhat moving forward.

## COMMUNITY PROPERTIES

Interest in community properties continues to be strong. This trend is due to demographic factors, where a growing population increases the need for public sector investments in health care and education, and the trend is therefore most obvious in the fastest growing communities. Demand is also high for premises for higher education and research, which comprise a sub-segment of community properties. International competition is driving the trend towards full-scale campuses with services, housing, public transportation and an integrated business community. The digitisation trend requires premises that meet high technical standards, which is an additional incentive for continued investment. Premises for higher education typically have long leases, creditworthy tenants and relatively low dependence on the economy, all factors that help to make them attractive. Growth in the value of properties correlates with the overall market, albeit to a somewhat milder extent, and the declining yield requirements are evident in this segment as well.

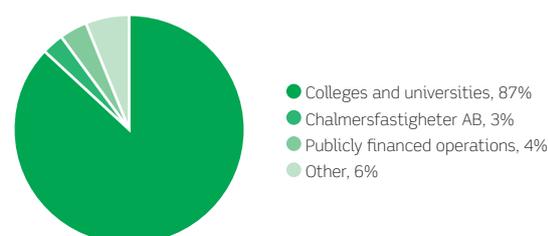
## Long-term contracts with creditworthy tenants

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. Substantial investments are required to meet customer needs for facilities. Long leases are required to ensure that the investments are repaid within the contract period. During the year the average lease term for new leases was 10 years (10). At year-end, the average remaining lease term for all properties was 6 years (6). Currently, government approval is required for a public university or college to sign a lease of 10 years or longer.

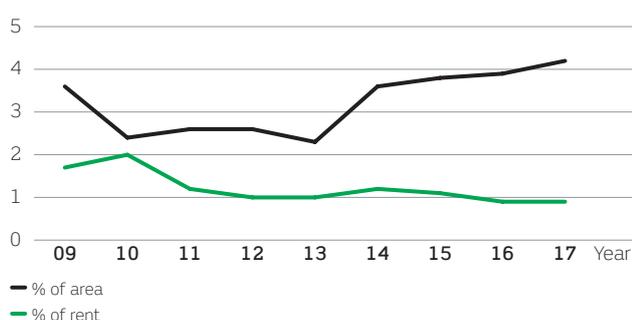
### HIGH LEASING LEVEL

The rentable area of the property portfolio at year-end was 3.3 million square metres with a vacancy rate of 4.2 per cent (3.9). The financial vacancy rate, measured in the rental value of vacant premises, is much lower and totalled 1.0 per cent (0.9). The largest blocks of vacant space remained unchanged during the year and can be found on the Ultuna Campus. They amounted to about 78,000 square metres, including 30,000 square metres at Klinikcentrum (the Clinical Centre). The occupancy rate is high compared with the sector at large, since leases are usually signed before new projects can begin.

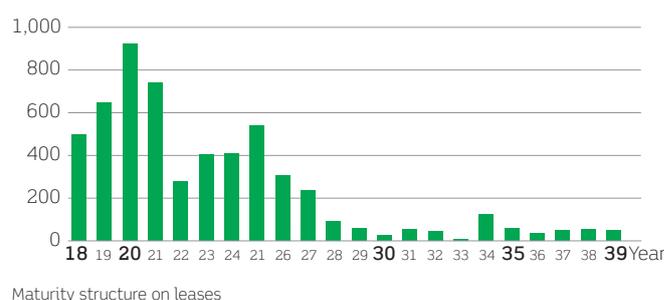
### TENANT CATEGORIES



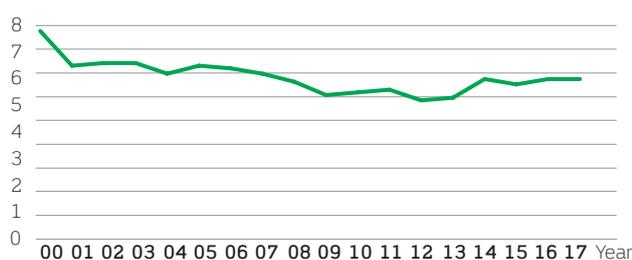
### LOW LEVEL OF VACANT SPACE, %



### LONG-TERM CONTRACTS, SEK M



### AVERAGE REMAINING LEASE TERM, years



### 10 LARGEST CUSTOMERS, ANNUAL RENT, DECEMBER 2017

	SEK m	%
Lund University	588	10.3
Karolinska Institutet	550	9.6
Uppsala University	544	9.5
Royal Institute of Technology	522	9.1
Uppsala University	509	8.9
University of Gothenburg	357	6.2
Swedish University of Agricultural Sciences	354	6.2
Linköping University	322	5.6
Umeå University	258	4.5
Karlstad University	193	3.4
<b>Total</b>	<b>4,195</b>	<b>73.4</b>



# Five-year summary

	2017	2016	2015 <sup>8</sup>	2014	2013
<b>Income statement, SEK m</b>					
Property management income	5,806	5,666	5,646	5,681	5,588
Operating costs	-784	-764	-771	-808	-889
Maintenance costs	-615	-686	-618	-621	-668
Property administration	-309	-294	-316	-326	-272
Net operating income	3,829	3,667	3,740	3,717	3,506
Central administration costs	-67	-85	-72	-46	-73
Net interest income/expense	-188	-308	-347	-391	-397
Earnings before changes in value and taxes <sup>1</sup>	3,574	3,274	3,321	3,280	3,036
Change in value, properties	4,979	3,682	2,655	3,529	232
Change in value, financial instruments	-242	-241	165	-548	7
Profit before tax	8,311	6,714	6,141	6,261	3,275
Profit for the year	6,453	5,148	4,780	5,215	2,568
<b>Statement of financial position, SEK m</b>					
Fair value, properties	80,444	73,013	66,575	61,437	57,557
Other assets	10,113	9,417	7,858	8,282	5,785
Equity	39,186	34,152	30,271	33,432	29,614
Interest-bearing loans	34,740	32,756	28,399	23,124	22,175
Other liabilities and provisions	14,347	12,651	13,331	10,205	9,868
<b>Cash flow, SEK m</b>					
Cash flow from current operations	2,121	2,721	2,024	3,161	3,060
Cash flow from investments	-2,341	-2,548	-1,731	-439	-2,459
Cash flow before financing	-220	172	293	2,722	601
Cash flow from financing	1,330	893	-546	-853	-1,159
Cash flow for the year	1,110	1,065	-253	1,869	-558
<b>Property-related key figures</b>					
Total yield, properties, %	12.5	11.4	11.0	13.4	7.2
of which direct yield, % <sup>2</sup>	5.5	5.7	6.4	6.9	6.8
of which change in value, % <sup>3</sup>	7.0	5.7	4.6	6.5	0.4
Rental revenue, SEK/m <sup>2</sup>	1,715	1,697	1,710	1,715	1,664
Operating costs, SEK/m <sup>2</sup>	241	237	242	252	276
Maintenance costs, SEK/m <sup>2</sup> (including tenant adaptations)	189	212	194	194	208
Net operating income in relation to administration income, %	66	65	66	65	63
Net operating income, SEK/m <sup>2</sup>	1,176	1,135	1,174	1,160	1,089
Level of vacant space, area, %	4.2	3.9	3.8	3.6	2.1
Level of vacant space, rent, %	1.0	0.9	1.1	1.2	0.9
Fair value, properties, SEK/m <sup>4</sup>	22,476	20,638	19,238	17,471	16,188
Energy use, kWh/m <sup>2</sup>	201	204	212	224	231
CO <sub>2</sub> , kg/m <sup>2</sup>	9	8	8	11	12
<b>Financial key figures</b>					
Return on equity, %	17.6	16.3	15.0	15.5	8.8
Return on operating capital, % <sup>5</sup>	5.9	6.2	6.9	7.3	7.2
Return on total assets, %	10.1	10.8	10.7	10.9	6.1
Interest-bearing net loan liability, SEK m	27,569	26,962	23,924	18,871	19,278
Equity ratio, %	43.3	41.4	40.7	48.0	46.8
Interest coverage ratio, %	871	694	743	671	647
Total financing cost including changes in value, %	1.8	2.2	1.2	5.0	2.6
Loan-to-value ratio, %	34.3	37.0	35.9	30.7	33.5
Internal financing level, %	137	84	132	278	124
Ordinary dividend, SEK m	<sup>6</sup>	1,393	1,290	1,445	1,374
Additional distribution, SEK m <sup>7</sup>	—	—	—	6,500	—
<b>Personnel</b>					
Average number of employees	449	440	409	408	407

- 1) There is a new heading under the income statement. Changes in value are reported separately. See also note 2.  
2) Excluding properties under construction.  
3) Change in value in relation to average value of properties, excluding projects in progress and expansion reserves.  
4) Excluding the value of properties under construction and expansion reserves.  
5) The owner's yield target is that the return on operating capital, excluding changes in value should be at least 6.5 per cent.

- 6) The Board of Directors will decide on the proposed dividend at its meeting on 14 March 2018.  
7) Decision at Extraordinary General Meeting on 19 October 2015.  
8) 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.

## 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

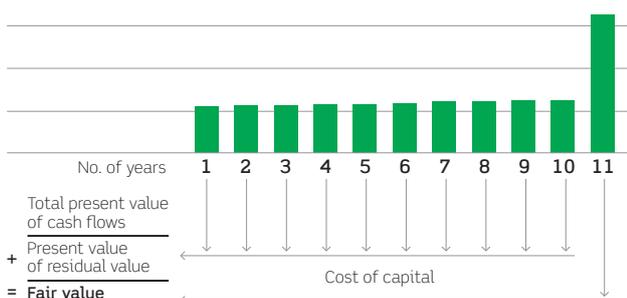
The fair value of Akademiska Hus' property holdings is determined on a quarterly basis by means of an internal property valuation covering all of the Company's properties and projects in progress. The properties have been valued individually without any account being taken of portfolio effects.

The primary valuation method is a ten-year cash flow model in which the cost of capital and yield targets are set using about 150 risk categories based on city, contract length and type of premises. 90 per cent of holdings are assessed using this model; see the diagram below for a more detailed description of the cash flow model. Because of a specific risk assessment, 9 per cent of the holdings are valued according to more individualised cash flow models where the length of the calculation period and yield targets are allowed to vary as needed. Expansion reserves account for 1 per cent of the value and are valued according to the location price method with exploitation calculations as a complement. An individual assessment of future cash flows is conducted for all valuation objects that undergo cash flow valuation with respect to factors such as changes in rent levels and market rents, vacancy rates and property costs.

The valuation methods 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 and industry-specific conditions.

The risk exposure in Akademiska Hus' property portfolio has primarily been reflected by variations in yield targets, which is a central measure of risk in the property sector. Each year Akademiska Hus allows the yield requirement, cost of capital and other valuation conditions to be verified by external independent valuation agencies. Read Note 16 for a more detailed description of Akademiska Hus' valuation methods.

### CASH FLOW MODEL



The yield target is used to capitalise the cash flow for the remaining period.

### PROPERTY VALUE AS AT 31 DECEMBER 2017

**80**  
SEK BILLION

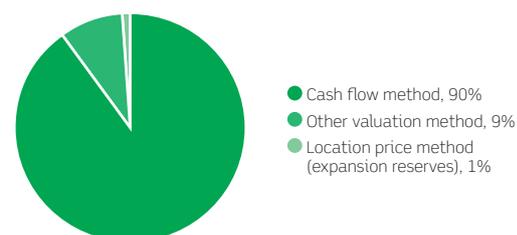
All property valuation involves estimation elements, which customarily is associated with some uncertainty. A normal uncertainty range in property valuation is +/- 5 to 10 per cent, which for Akademiska Hus would be equivalent to approximately SEK 4,000 million to SEK 8,000 million.

To verify the internal valuation, selected properties are also valued each year by external valuation companies. During the year, 83 valuation buildings at a fair value of about SEK 21,000 million were valued externally, corresponding to approximately 26 per cent of Akademiska Hus' total fair value. The valuations were carried out by NAI Svefa AB, which is authorised by the Swedish Society of Real Estate Economics. The external valuations confirm the reliability of the internal valuation model.

### RESIDUAL VALUE RISK

Akademiska Hus operates in a specific segment of the property market, which means that a substantial share of our property holdings 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. Residual risk for our customised properties is quantified mainly in the form of charges to cash flow and in the direct yield target.

### DISTRIBUTION VALUATION METHODS



# Financing

The liability portfolio is financed via the public financing programme and primarily in the bond market. Akademiska Hus has had a long-term rating from Standard & Poor's of AA since 1996 and the highest short-term rating of P-1 from Moody's since January 2017.

## LONG-TERM FINANCING AND EXPANDED INVESTOR BASE

ECB and the Riksbank, like the larger central banks, have implemented extensive monetary stimuli with low key interest rates and extensive bond purchasing programmes aimed at achieving the inflation targets. The low absolute level of interest rates, and the prolonged period of low interest rates, have brought new challenges for participants in the fixed income market. The ECB's ongoing bond purchase programme includes not only government bonds but also covered bonds and corporate bonds. The bond market has thus been drained of significant volumes of bonds, which are now "locked away" in the central bank's balance sheet. The supply of corporate bonds has thus been insufficient, for which reason credit risk premiums (credit spreads) continued to fall during the year. This situation has in turn triggered investor demand for corporate bonds with longer maturities from borrowers with good creditworthiness.

Consequently, both Central European and Asian investors have shown great interest in Akademiska Hus' long-term bonds. The long-term perspective in the property management justifies long maturities in the liability portfolio, for which reason priority has been given to these long-term bonds.

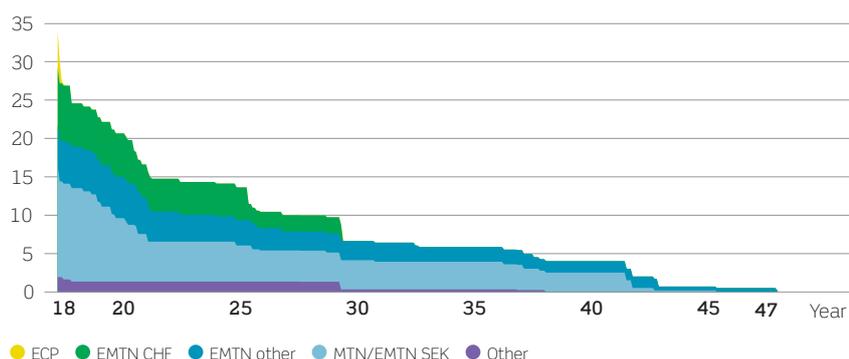
Since the mandate for the maturity of currency interest-rate swaps has been extended to 30 years, Akademiska Hus has been able to take advantage of these opportunities. The long-term foreign issues are swapped for a floating rate denominated in SEK with a fixed cost for the credit risk premium for the entire term. Given the market situation, the interests of both investors and Akademiska Hus have coincided over the past year. Akademiska Hus' additional cost for long maturity has therefore been limited.

During the year SEK 7,100 million were issued in the bond market. One valuable contribution to diversification has been the long-term bonds denominated in SEK bought by Asian Investors. Foreign investors have accounted for SEK 5,600 million of the issuances. In addition to Asia, the investor base is resident in Central Europe and Sweden; please see the table below. Akademiska Hus also received long-term financing from Nordic Investment Bank (NIB) during the year. The loan, which partially funds four projects, is for SEK 1,000 million and has a maturity of 12 years, will thereby help to further diversify the liability portfolio.

Akademiska Hus' primary short-term funding source is the ECP programme. Conditions for short-term funding, a highly

cost-effective source of funding, have been good during the year. The ECP programme has therefore been used at a relatively high level, though it has been adjusted downwards somewhat as a result of high activity in the bond market. The Swedish commercial paper programme has not been used since the second quarter. Committed credit facilities of SEK 3,000 million have been retained. Combined with the extensive bond issuances, as well as the quarterly rental payments, access to liquidity has been very good.

LONG DEBT MATURITY STRUCTURE, SEK bn



BOND ISSUES AND  
LONG-TERM LOANS 2017

Geographic market	SEK m	Average maturity, years
Asia	1,550	19.8
Central Europe	1,950	21.8
Switzerland	2,100	12.1
Sweden	1,500	7.0
<b>Total bond issues</b>	<b>7,100</b>	<b>15.4</b>
Nordic Investment Bank (NIB)	1,000	12.0
<b>Total long-term financing</b>	<b>8,100</b>	<b>15.0</b>

**OUTLOOK FOR FINANCING  
ACTIVITIES IN 2018**

While the global economy continued to grow at a good pace as 2018 began, the environment is also characterised by surprisingly low inflation and similar inflation expectations. Financial markets have not yet priced in either significant tightening of monetary policy, or that robust growth will trigger an upswing in long-term interest rates. The period of extremely low interest rates has been prolonged and the time for a shift in monetary policy is likely approaching. Market reactions may be significant when pricing the new interest rate scenario.

Akademiska Hus' investment rate in its own project portfolio remains high and is expected to amount to about SEK 3,000 million in 2018. Cash flow from operations will be able to fund investments during the year with a good margin. As a result of the extensive long-term financing of SEK 8,100 million raised in 2017, maturing bonds of SEK 4,400 million in 2018 are already refinanced. The restructuring and extension of the liability portfolio, which increased after the additional distribution, is therefore already completed. Prior to 2018 the mandate for the proportion of loans maturing within 12 months was adjusted down from 45 to 40 per cent. In the event that demand for long-term bonds should continue, there is capacity for more issuances in order to further extend the maturity profile.

Debt management will continue to focus on liability portfolio diversification, by broadening the investor base and further developing financial risk management. As a result of the massive stimulus measures from central banks, the low interest-rate environment will continue and the risk scenario in the fixed income market is expected to continue to be asymmetric for Akademiska Hus in its role as a borrower. The potential for continued low or falling interest rates, given the low interest rates that still prevail, is considered to be limited, while a rise in interest rates is likely to be both rapid and extensive. Interest rate risk is largely being managed through interest derivatives, mainly in order to lengthen duration. As in previous years, debt management will focus on allocating interest rate duration to the periods of the yield curve deemed to be effective.

**STRATEGIES AND GOALS**

Akademiska Hus pursues active debt management, where the strategy is to weigh up the financial risks, given the existing mandate, against the desired low and stable financing cost over time. The stability and continuity typical of the property business are also reflected in debt management. Akademiska Hus has had a long-term rating of AA with stable outlook from Standard & Poor's since 1996, which was complemented in January 2017 by the highest short-term rating of P-1 from Moody's. Financing takes place mainly through well-established public financing programmes, primarily through the EMTN and ECP programmes. Building on a strong financial position, creditworthy tenants and extremely good ratings, the debt management objective is to continuously achieve well-diversified access to cost-effective financing in relevant markets.

Systematic risk analyses are carried out to support effective management of the financial risks and to take advantage of opportunities in the financial markets. Two key policy documents support debt management; the financing policy and the plan for handling financial risks (risk plan). Both documents are adopted annually by the Board of Directors.

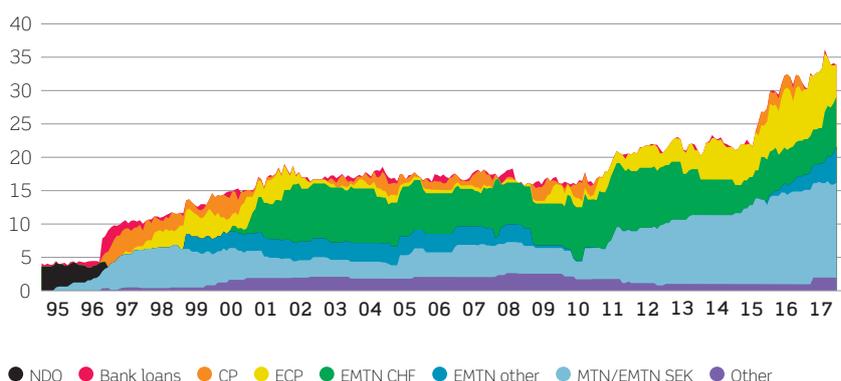
- **Financing policy:** Describes the long-term strategic orientation, the Group's approach to financial risks and the mandate to handle these risks, as well as the allocation of liability.
- **Risk plan:** Justifies and proposes annual mandates for financial risk management in light of the risk scenario and opportunities in financial markets.

**FINANCING PROGRAMMES AND RATING**

	Rating Standard & Poor's	Rating Moody's	Framework 31 Dec. 2017	Utilised nom. 31 Dec. 2017
Committed credit facilities in bank			SEK 3000 m	—
Commercial paper	A1+/K1		SEK 4,000 m	—
ECP (Euro Commercial Paper)	A1+	P-1	EUR 1,200 m	EUR 496 m
MTN (Medium Term Note) <sup>1</sup>	AA		SEK 8,000 m	SEK 770 m
EMTN (Euro Medium Term Note)	AA/A1+		EUR 3,000 m	EUR 2,811 m

1) Not updated since 2009.

**DIFFERENT FINANCING SOURCES, SEK BN**



### MANDATE FINANCIAL RISK MANAGEMENT

The exposure to financial risks derives from the capital structure with the distribution between loans and equity in that higher debt means greater exposure to financial risks. One of the owner objectives for Akademiska Hus reflects this by requiring the equity ratio to fall within a range of 30 to 40 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, over the long-term, 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 fixed interest and maturity terms in excess of 15 years.
- Index-linked bond portfolio – bonds linked to the real interest rate.

The bonds in the long 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 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. For this reason, the index-linked bond portfolio's proportion of the total portfolio relates to a separate mandate.

The main interest rate risk is managed in the basic portfolio, where the mandate is defined as a range for average duration. The mandate is currently between 3 and 6 years. The choice of fixed interest period in the basic portfolio and the size of the long portfolio are of great importance for interest rate risk exposure in the liability portfolio. Over the past five years the average fixed interest period in the total liability portfolio has been relatively long-term, see the diagram below to the left. This helps to preserve the stability of overall financing costs over time.

To manage refinancing risk, the aim is to establish a well-diversified liability portfolio to ensure that it is possible at any time to finance through various creditor categories, geographic markets, currencies and maturities. Debt management in recent years has therefore focused on broadening the investor base. Market conditions have also been such that a desirable extension of duration has been achieved by carrying out the substantial long-term bond issues, especially

in 2017. The scope of the issuances has entailed a downward adjustment of ECP financing. Overall, the share of loans maturing within a rolling 12-month period decreased and at year-end was barely 30 per cent. The diagram below on the right shows the trend over time.

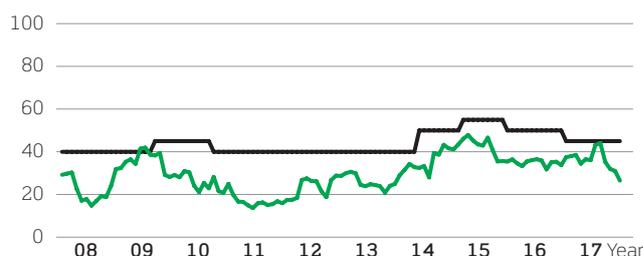
The mandate is reviewed annually or as needed. External changes may cause the mandate to be adjusted to reflect the assessment of risks and opportunities in the financial markets. The approach ensures that the mandate is always relevant and carefully considered.

For more information about the mandate for the total portfolio and the three sub-portfolios, please see the Risk section on page 45.

FIXED INTEREST PERIOD IN TOTAL PORTFOLIO, YEARS



PERCENTAGE MATURING, %



— Limit for percentage maturing within a rolling 12-month period  
— Share of loans (gross) maturing within a rolling 12-month period

## Risks and risk management

Akademiska Hus is one of Sweden's largest property companies with a focus on knowledge environments designed for higher education and research. A prerequisite for creating value and developing our role in society is our ability to manage opportunities and risks.

'Risk' in this case refers to a possible impact due to external events. Risk is not unequivocally negative with cost-driving effects, but rather an expression of uncertainty. There is also usually a positive potential that can be leveraged.

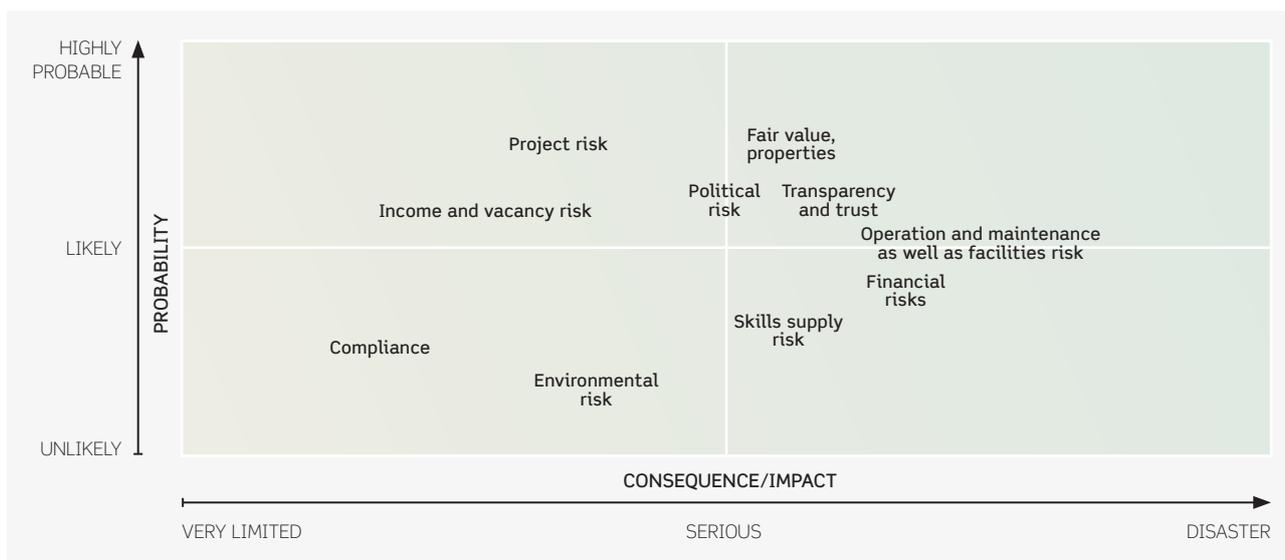
The mandate from our owner stipulates that operations will be run on a commercial basis by setting rents that take operating risk into account. The yield targets will be achieved over time by leveraging opportunities and managing exposure to significant risks. A requirement for achieving this is to have a conscious and reasonable level of risk-taking along with good internal governance and control.

### ANNUAL BUSINESS PLAN PROCESS

Each year Akademiska Hus' Board of Directors addresses the Company's long-term strategy and decides on a new business plan. The business plan takes into account the Company's overall risks that have been identified, based on its strategy and long-term objectives. Each year the Board of Directors also adopts policy documents such as the Sustainability Policy, Code of Conduct, Financing Policy and Procurement Policy, which are intended to document how the Company manages its risks.

### RISKS AND LIABILITY

During the year, the focus clearly concentrated on identifying the activities carried out by respective risk owners to manage existing risks. The process for ensuring the relevance and validity of the risk register, which is constantly updated, was further refined and the most significant risks are continuously managed. Risk management is a continuous process in which clear ownership and general awareness of risks in the organisation are crucial for success. Risks identified in this year's process were analysed with respect to the likelihood of their occurrence, their potential impact and the ability to manage the individual risk. The graphic below presents the assessment of risk areas based on these perspectives. The assessment was carried out taking into account the protection that is already in place in the area.



**Strategic risks**

Consist of both external factors and business risks that cannot be controlled, but whose negative impact could be limited.

**Operating risks**

Mainly refer to the risks of financial consequences and consequences related to trust which ensue from shortcomings in internal procedures and systems, as well as operational risks related to management and construction.

**Legal risks**

Encompass both ethical positions for our employees and our stakeholders, as well as good knowledge of the rules and laws that apply in construction and management.

**Financial risks**

Mainly involve exposure to interest rate and refinancing risk.

STRATEGIC RISKS	ANALYSIS	MANAGEMENT
<p><b>FAIR VALUE OF BUILDINGS</b></p> <p>Risk of a negative impact on earnings due to changes in the fair value of properties</p>	<p>The fair value of buildings is influenced by market trends, yield targets, rent trends and vacancy rates, as well as redevelopment and new construction. The assessment in the risk matrix is based on an outlook of 1-3 years.</p>	<p>Fair value risk is managed by regularly analysing the risk profile and business opportunities of the property portfolio. Concentrating the property portfolio to university cities provides good development potential and good sales opportunities. Because lease terms are long, changes in value demonstrate less variation when yield targets change. A large share of the property portfolio is located in cohesive campuses. The Akademiska Hus property portfolio is developed through investments in new construction and redevelopment.</p> <p>For more information see the Property valuation section on pages 35 and 38.</p>
<p><b>TRANSPARENCY AND TRUST</b></p> <p>Risk of a lack of trust from the owner and other stakeholders</p>	<p>Trust and good relations can be achieved and maintained by behaving as a role model and with high transparency. Setting rents, planning and development of campuses as well as the Company's sustainability work are areas where our stakeholders demand great openness.</p>	<p>To strengthen our ability to inspire trust we work proactively with our values and our corporate culture. During the year we trained our staff on diversity issues and implemented a process model for sustainability as support for campus development. We have also introduced a Code of Conduct for suppliers with a clear focus on transparency and human rights.</p>
<p><b>INCOME AND VACANCY RISK</b></p> <p>Risk of loss of income due to vacancies or reduced rental income</p>	<p>External factors that affect the Company's rental income and vacancy rates include the development needs of the centres of education, their access to research grants, political decisions and economic fluctuations.</p> <p>Colleges and universities are primarily State-funded, for which reason the risk of reduced revenue and non-payment is low. In recent years, the interest of private property companies in community properties, strong regional players and increased client demands have contributed to intensified competition.</p>	<p>Akademiska Hus strives to achieve generally designed facilities that can be redesigned based on the development needs of the centres of education. Buildings specially adapted for research and development often have long lease terms with a high probability of renewal. Investing in properties requires leases to be signed before construction begins. Taken together, this gives a low risk of vacancy.</p> <p>Our regional presence and regular dialogue with our customers will help to strengthen our position as a supplier of knowledge environments.</p>
<p><b>POLITICAL RISK</b></p> <p>Risk of changing conditions as a result of political decisions</p>	<p>The operation is affected by Government policies in general and education policy in particular. A change in this brief from the owner, the Swedish state, could entail both risks and opportunities.</p> <p>As a major energy user, changes in national and international energy policies could have an impact on the Company's financial performance.</p>	<p>The risk scenario can be kept up to date through a systematic business intelligence analysis. We engage in continuous dialogue with our owner and stakeholders to ensure consensus on goals and strategies.</p>

OPERATING RISKS	ANALYSIS	MANAGEMENT
<p><b>PROJECT RISK</b></p> <p>This risk relates to financial, scheduling and technical impact associated with project delivery</p>	<p>Each year Akademiska Hus invests billions of SEK to build new and develop existing properties. Projects are complex and involve many parties for which reason the clarity of agreements and structured processes are crucial.</p> <p>Production costs and decisions related to physical design are key for achieving a process that is safe, resource-efficient and cost-effective.</p>	<p>Investments are not initiated until an agreement is reached with the tenant and are regulated contractually regarding both entrepreneur and tenant, for which reason production risk is limited. Risks linked to the physical design and implementation are limited through structured project briefings. A high level of expertise and structured sustainability initiatives, including efforts to achieve an accident-free workplace, provide higher cost effectiveness and quality. Our suppliers must meet high ethical standards since they are required to comply with the Code of Conduct for suppliers.</p>
<p><b>OPERATION AND MAINTENANCE AS WELL AS FACILITIES RISK</b></p> <p>This risk relates to the effects of poor operation and maintenance, as well breakdowns in the facility</p>	<p>A focus on operation and maintenance costs is important for the net operating income ratio of the properties and thus their fair value.</p> <p>Neglected maintenance leads to higher maintenance costs in the long term. Several of our customers have facilities with highly advanced and sensitive activities; consequently disruptions in operations, both temporary and long-term, can have serious consequences.</p> <p>Electricity price risk is an area that can have major financial consequences if not managed wisely.</p>	<p>We engage in continual dialogue with our customers to learn about their activities in order to achieve high operational reliability and prevent disruptions.</p> <p>To ensure high level of operational reliability, each building has a maintenance plan, which leads to cost-effective maintenance of the properties.</p> <p>Akademiska Hus works actively to hedge future electricity prices, providing greater security regarding future costs.</p> <p>A clear focus on achieving the goal of reducing energy use by 50 per cent during the period 2000-2025 influences daily work.</p>
<p><b>SKILLS SUPPLY RISK</b></p> <p>The risk of not being able to attract, recruit, retain and develop staff with the right skills</p>	<p>Today there is strong competition and high demand for skills in property management as well as in construction and project management. We are currently perceived as an attractive employer, which is positive and promotes the possibility of ensuring that the right skills are available.</p> <p>Broadening recruitment of young people and groups that do not normally apply for work in the property business will be crucial to ensure the availability of employees with the right skills over time.</p>	<p>We cooperate with several vocational colleges and training programmes and participate in activities to promote access to the right skills in the industry.</p> <p>We actively work to ensure attractive working conditions with good skills development and duties that encourage growth. The ongoing process of change with the new organisation causes extra focus on clarity regarding employees' roles and responsibilities in the organisation.</p>
<p><b>ENVIRONMENTAL RISK</b></p> <p>Risk of impact on the environment and society</p>	<p>When managing and developing campuses, as well as in new construction and redevelopment, it is important to plan the change so that materials and resources are used in a responsible manner.</p> <p>Responsible management, construction and development of campuses require a long-term approach, good skills and high ambitions.</p>	<p>Akademiska Hus works with long-term strategic development of campuses by formulating campus plans with a strong focus on sustainability.</p> <p>All new construction and major renovations are environmentally certified according to the Miljöbyggnad system, for at least a silver rating. Materials are assessed with regard to their impact on the environment through the Byggarbetsmiljö (BVB) scheme. Resource and energy efficiency initiatives are conducted throughout the operation.</p> <p>The Company is certified to ISO 14001 for the environment and AFS 2001:1 for the working environment.</p>

LEGAL RISKS	ANALYSIS	MANAGEMENT
<p><b>COMPLIANCE</b></p> <p>The risk that laws and regulations are not followed</p>	<p>Akademiska Hus operates in an environment that has historically been affected by corruption and improprieties. Compliance with applicable laws and regulations affecting our business is therefore of particular importance to Akademiska Hus to avoid unnecessary costs and to ensure that we and our partners set a good example.</p> <p>Compliance with applicable laws and regulations should be easy and obvious and leave little room for interpretation. As a state-owned company, it is crucial to set a good example, in business as well as in other relationships.</p>	<p>Akademiska Hus' Code of Conduct offers guidance on how we should act. Each year, managers and employees engage in a dialogue on compliance with the Code of Conduct. In connection with procurement proceedings we also place demands on our partners through a Code of Conduct for Suppliers.</p> <p>The Company has an ethical council and an external whistleblower system that is independent of the company, to which both employees and external partners can report suspected irregularities.</p> <p>In 2017, an extensive analysis was conducted to clarify how the new data protection regulation affects handling of personal data in the company's processes. Changes or adjustments resulting from this analysis are continually implemented.</p> <p>A new incident reporting system was introduced and a transition to the new ISO 14001:2017 standard began.</p>

FINANCIAL RISKS	ANALYSIS	MANAGEMENT
<p><b>INTEREST RISK</b></p> <p>Risk that profit will vary because of changes in market rates</p>	<p>The additional cost for long-term fixed interest is balanced against the increased uncertainty as short-term fixed interest means.</p>	<p>The fixed interest period comprises three parts:</p> <ul style="list-style-type: none"> <li>• The long-term portfolio may not exceed 20 per cent of the total portfolio</li> <li>• The index-linked bond portfolio may not exceed 10 per cent of the total portfolio</li> <li>• The average fixed interest period of the basic portfolio shall be in the range of 3-6 years</li> </ul>
<p><b>REFINANCING RISK</b></p> <p>Risk that obtaining financing is associated with difficulties or significantly higher costs</p>	<p>The additional cost of long-term maturity is balanced against the increased uncertainty associated with short-term fixed interest periods.</p>	<p>Maturity mandate:</p> <ul style="list-style-type: none"> <li>• The proportion of loans maturing within each twelve-month period may not exceed 40 per cent of the total portfolio</li> </ul>
<p><b>COUNTERPARTY RISK</b></p> <p>The risk of a loss because a counterparty does not meet its undertakings</p>	<p>Exposure to counterparty risk arises from investment of excess liquidity and from derivative transactions.</p>	<p>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 the ISDA ("CSA agreements") are required, thereby substantially reducing exposure.</p>
<p><b>CURRENCY EXPOSURE RISK</b></p> <p>Risk that profit will vary because of exchange rate changes</p>	<p>Property operations are conducted in Sweden and in Swedish kronor.</p>	<p>When financing in a foreign currency, the exchange rate risk must be eliminated.</p>

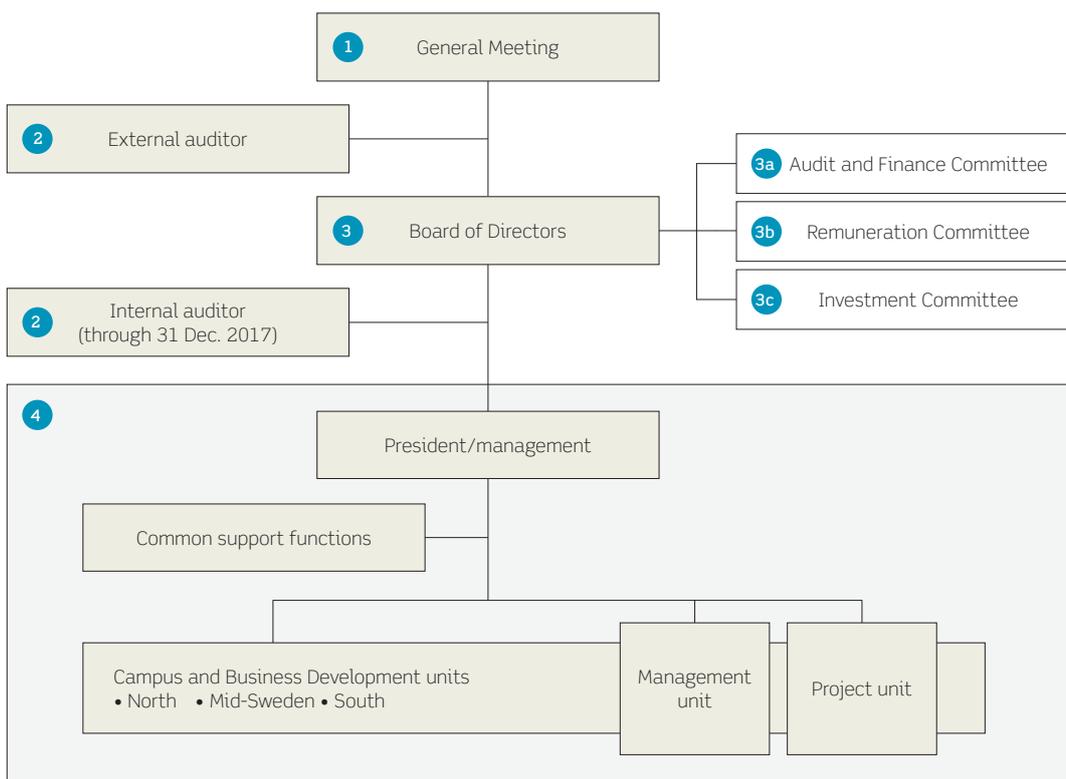
Sensitivity analysis, see page 62, Note 3 on page 73 and Note 16 on page 82.

# Corporate Governance Report

This corporate governance report describes the structure and principles for governance of operations at Akademiska Hus. With a clear allocation of responsibility between different Company bodies and procedures that ensure transparency, the operation is efficiently governed to guide us towards our goals.

**FOUNDATIONS OF CORPORATE GOVERNANCE AT AKADEMISKA HUS**  
Akademiska Hus (publ) is a property company that is wholly owned by the Swedish state. 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 is subject to the State's ownership policy and guidelines for companies with state ownership and applies the Swedish Code of Corporate Governance (the Code). 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 48.

## Organisational structure



### 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 Aktiebolag shall work to bring about long-term sustainable development of university and college campuses.

### Objective

Read more  
on page 12.

#### FINANCIAL OBJECTIVES

The General Meeting has adopted three financial objectives for Akademiska Hus.

#### SUSTAINABILITY GOALS

The Board of Directors has adopted four sustainability goals for Akademiska Hus.

## 1 GENERAL MEETING

The General Meeting is the highest decision-making body at Akademiska Hus. The shareholder formally exercises influence at the General Meeting. The General Meeting appoints the Board of Directors and auditors. 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- och Inrikes Tidningar, as well as on the Company's website. Members of the Riksdag and the public have the right to participate and must register their participation as described in the notice.

### Annual General Meeting 2017

The Annual General Meeting was held on 28 April 2017. The meeting was opened by Chairperson of the Board Anitra Steen, who was also appointed to chair the proceedings. The owner was represented by Malin Fries, Ministry of Enterprise and Innovation.

### Decisions at the 2017 Annual General Meeting

The Annual General Meeting adopted the income statement and balance sheet for the 2016 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 1,393,000,000 to the owner. Other matters addressed included 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 Board members and auditor. The minutes and other documents related to the AGM are posted on the Akademiska Hus website [akademiskahus.se](http://akademiskahus.se).

### Extraordinary General Meeting

In January 2017 an Extraordinary General Meeting was held to elect an additional Board member.

### Annual General Meeting 2018

The next Annual General Meeting will be held on 27 April 2018 in Stockholm.

## 2 AUDITORS

The 2017 AGM resolved to re-elect KPMG AB to serve as auditors for a one-year period until the 2018 AGM. KPMG appointed Björn Flink,

authorised public accountant, to serve 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 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.

In 2017 the Board of Directors evaluated the structure of the Company's work with internal control and in November the Board decided to end the internal audit function in the Company at year-end 2017/2018. The Board of Directors believes that a long-term focused initiative to improve processes and procedures is the best way to improve internal management and control. Management will therefore allocate dedicated resources to strengthen internal procedures and processes.

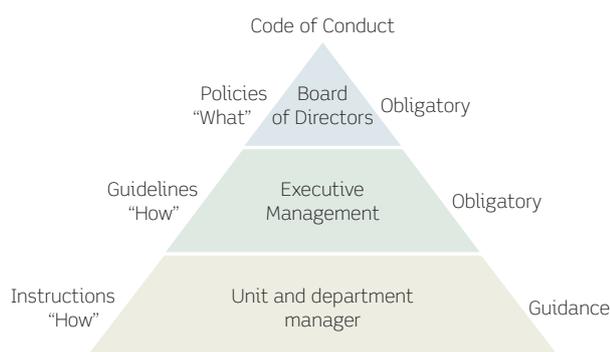
## 3 BOARD OF DIRECTORS

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. Each year the Board of Directors adopts Rules of Procedure for its work. The Rules of Procedure govern 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. The Board has also adopted the document "Instructions for financial reporting" which regulates 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. To

## Governance structure



### Examples of external governing regulations:

- Companies Act
- Accounting Act
- Annual Accounts Act
- State ownership policy
- IFRS
- Swedish Code of Corporate Governance
- Code about gifts, rewards and other benefits in business
- UN Global Compact principles
- Global Reporting Initiatives (GRI) guidelines G4
- Stock market rules

### Examples of internal governing regulations:

- Articles of Association
- Rules of Procedure for the Board of Directors
- Instructions to the President
- Allocation of responsibility and authority
- Strategy documents
- Code of Conduct
- Sustainability Policy, Procurement Policy and Financing Policy
- Attestation and authorisation guidelines
- Rules of Procedure for the Board of Directors' committees
- Business ethics guidelines
- Other guidelines

determine potential hiring needs a work group analyses the needs for expertise based on the Company's operations, future challenges and the composition of the Board. The requirement for diversity on the Boards of Directors under the Annual Accounts Act is also observed. Directors are selected from a broad recruitment base in order to take advantage of the expertise of both men and women as well as among people with different backgrounds and experiences. Upon completion of the process nominations are announced in accordance with the Code. A consistent and structured approach ensures a high standard of quality throughout the nomination process.

#### 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 with no deputies. The Board consisted of seven Directors until the AGM in 2017. The Annual General Meeting on 28 April 2017 resolved that the Board should have nine members elected by the AGM. The Board also includes two employee representatives designated by their respective trade unions. Six members were re-elected and three new members were elected to the Board at the Annual General Meeting. The AGM concluded that the Board has the relevant skills 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 2017

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's discussions focused on customer benefit and deliverables. Other important issues that the Board addressed included innovation, digitisation from a customer perspective, student housing on campus and development of the investment and construction process. In addition, a number of investment matters were addressed.

In 2017, eleven regular Board meetings were held, including two statutory meetings. 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 page 50.

#### Board committees

Until 28 April 2017, there were three committees established by the Board of Directors: the Finance, Audit, and Remuneration Committees. The Board of Directors resolved at the statutory board meeting on 28 April 2017 to establish three new committees: the Audit and Finance Committee (merged into a single committee), the Investment Committee and the Remuneration Committee, in order to specifically monitor and prepare Board issues in certain areas. Committee members are elected at the statutory Board meeting held immediately after the AGM.

#### 3a The tasks of the Audit and Finance Committee are to:

- 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 and focus 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.

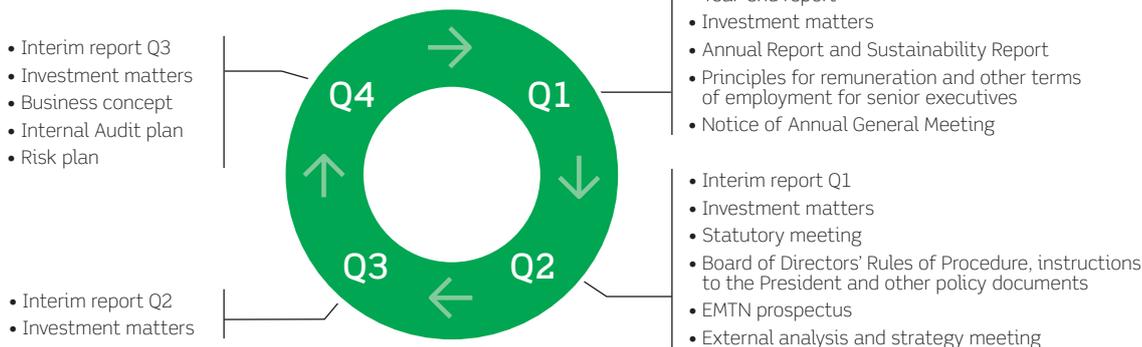
#### DEVIATIONS FROM THE CODE NOMINATION COMMITTEE (CODE RULES 1.3-1.4, 2.1-2.7, 4.6, 8.1 AND 10.2)

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' ANNUAL CYCLE



## Board of Directors



### ANITRA STEEN

Chair since 2016. Chair of the Remuneration Committee and Investment Committee.

**Year of birth:** 1949

#### **Other positions:**

Chairperson of the Board for AFA Försäkring, and Board member of PostNord, Attendo AB and Oral Care AB.

#### **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. Chairperson of Stockholm University and Board member of SAS, Södersjukhuset hospital, Lantmännen and others.

**Education:** BA.



### CAROLINE AREHULT

Board member elected in 2017.

**Year of birth:** 1973

**Position:** CEO of Skanska Fastigheter Stockholm.

#### **Previous positions:**

Worked with project and property development for 19 years at Skanska and has held positions such as property manager and sales and leasing manager.

**Education:** M.Sc. Eng.



### BRITTA BUREAU

Member since 2014.

**Year of birth:** 1964

**Position:** CEO of KPA Pension.

#### **Other positions:**

Chairperson for the Scouts.

#### **Previous positions:**

CEO of Nordea Liv and Accenture.

**Education:** M.Sc. Eng. and MBA.



### KRISTINA EKENGREN

Member since 2016.

**Year of birth:** 1969

**Position:** Deputy Director at the Ministry of Enterprise and Innovation.

#### **Other positions:**

Board member Infra-nord, Teracom Group, Saminvest and V.S. VisitSweden.

#### **Previous positions:**

Deputy Director and Department Secretary at the Ministry of Finance. Financial analyst at Delphi Economics.

**Education:** Master's program in business administration.



### PETER GUDMUNDSON

Board member elected in 2017.

**Year of birth:** 1955

**Position:** Professor, Royal Institute of Technology.

#### **Other positions:**

Board member of Swerea KIMAB AB, member of the Royal Swedish Academy of Engineering Sciences.

#### **Previous positions:**

Vice-Chancellor KTH, Vice Dean KTH, Head of Department KTH, CEO SICOMP, consultant Tre Konsulter AB, researcher Brown Boveri Research Centre in Switzerland.

**Education:** PhD. PhD. and M.Sc. Eng.



### THOMAS JENNINGER

Employee representative (Ledarna union) since 2008.

**Year of birth:** 1956

**Position:** Operating manager at Akademiska Hus Uppsala.

**Education:** Production engineering studies.



### ANDERS LARSSON

Employee representative (SEKO union) since 2009.

**Year of birth:** 1963

**Position:** Operating engineer at Akademiska Hus Stockholm.

**Education:** Production engineering studies.



### CHRISTER NERLICH

Board member elected in 2017. Chairman of the Audit and Finance Committee.

**Year of birth:** 1961

**Position:** Chief Financial Officer of Vasakronan.

#### **Other positions:**

Chief Financial Officer of AP Fastigheter and Corporate finance NewSec.

**Education:** MBA.



### GUNNAR SVEDBERG

Member since 2009.

**Year of birth:** 1947

#### **Other positions:**

Board member of Uppsala University and the Göran Gustafsson Foundation for Scientific and Medical Research. Member of the board of IVA and KVVS in Gothenburg.

**Previous positions:** CEO of Innventia AB, Vice-Chancellor at the University of Gothenburg, Vice-Chancellor at Mid Sweden University, and Deputy Vice-Chancellor at the Royal Institute of Technology.

**Education:** PhD. in engineering Professor of Energy Technology.



### ÖRJAN WIKFORSS

Board member elected in 2017.

**Year of birth:** 1950

**Position:** CEO of Arkitekturanalys AB.

#### **Other positions:**

Board member of the Royal Swedish Opera and Tengbom AB. Member of the board of IVA.

**Previous positions:** Professor in project communication, KTH. CEO of FFNS Arkitekter and Wikforss Arkitektkontor.

**Education:** Architect, PhD. and professor.



### INGEMAR ZIEGLER

Member since 2007.

**Year of birth:** 1947

#### **Other positions:**

Board member of Stockholm Concert Hall.

**Previous positions:** CEO of AB Storstockholms Lokaltrafik, Locum AB, Diösförvaltning, Stockholms Mark- och Lokaliseringsbolag. Finance Secretary of the City of Stockholm.

**Education:** BA.

### AUDITORS, KPMG AB, BJÖRN FLINK, LEAD AUDITOR

Born 1959. MBA. Lead auditor for Akademiska Hus since 2014. Authorised public accountant. Other audit assignments, selection: Hemfosa Fastigheter, Axfast and Stenvalvet. Directorships: Board member of FAR, the trade association for auditors, accounting consultants, and advisers.

**3b** *The tasks of the Remuneration Committee* are to:

- 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.

**3c** *The tasks of the Investment Committee* are to:

- 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.

The President, CFO, Human Resources Director, Market Area Director and Project Manager may participate at committee meetings in the capacity of presenters.

**Evaluation of the work of the Board and the President in 2017**

The Board of Directors uses a structured, systematic process to evaluate the work of the Board and the President. Evaluation takes place once a year with the aim of developing the working forms and efficiency of the Board of Directors. The chairman leads the evaluation, which is carried out by all members of the Board. The owner, through the Government Offices, is 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.

**GOVERNANCE OF AKADEMISKA HUS**

The Board of Directors is ultimately responsible for ensuring that the Company is managed in compliance with laws and regulations, as well as the instructions provided by the owner. As part of this

work, the Board formulates relevant policies and governing documents. Akademiska Hus' long-term strategy, the financial targets adopted by the AGM and the Board's sustainability goals, serve as the basis of the annual process of formulating a business plan. The business plan, along with the policy documents, comprise the overall basis for control of the Company.

Business planning begins with joint strategy days held by the Board and management in the spring and ends when the Board adopts the business plan at its December Board meeting.

The business plan, which is prepared for the next three years, is based on the long-term strategy. The plan describes how Akademiska Hus develops customer relationships, manages assets and addresses future challenges and opportunities. The plan specifies activities to be implemented to achieve the strategic goals of the business. It also describes the efforts to achieve the financial goals. A business intelligence analysis that includes customer relationships and deliverables, the impact of innovation and digitisation on the Company's operations and the student housing issue is carried out as part of the planning process.

The business plan, which covers the entire company, is broken down into clear operational plans for operational units and support functions. The operational plans include operational objectives and activities to meet the goals. The operational plans are continuously monitored with quarterly feedback sessions between management and the coordinator for the respective operational unit and functions during which the operational objectives and operational control parameters are addressed.

To implement the Company's strategy and business plan the organisation is structured as shown on page 46. On 1 January 2017 Akademiska Hus implemented its new organisational structure. The previous regional divisions were replaced by three main processes, with the Company organised into a Management unit, a Project unit, as well as three geographic units for Campus and Business Development, which has long-term responsibility for customer relations. The purpose is to increase the Company's development capacity and deliverables. The organisation focuses on the management business and enables the Company to adapt faster and more efficiently to external changes. The Company continues to have a local presence through the existing properties. Coordinated support functions

**ATTENDANCE OF THE BOARD OF DIRECTORS - FINANCIAL YEAR 2017**

	Number of Board meetings	Number of meetings of the Audit Committee	Number of meetings of the Finance Committee	Number of meetings of the Audit and Finance Committee	Number of meetings of the Investment Committee	Number of meetings of the Remuneration Committee
Anitra Steen	11/11				5/5	2/2
Caroline Arehult <sup>1</sup>	7/7				4/4	
Britta Burreau	11/11		1/1	4/4		
Kristina Ekengren	11/11	3/3		4/4		2/2
Peter Gudmundson <sup>1</sup>	6/7			4/4		
Thomas Jennlinger	10/11					
Anders Larsson	9/11					
Christer Nerlich <sup>2</sup>	11/11	3/3		4/4		
Gunnar Svedberg	11/11					2/2
Örjan Wikforss <sup>1</sup>	6/7				4/4	
Ingemar Ziegler	11/11	3/3	1/1		4/5	
Olof Ehrlén <sup>3</sup>	4/4				1/1	

1) Elected 28 April 2017 at General Meeting. 2) Elected 17 January 2017 at Extraordinary General Meeting. 3) Left the Board of Directors 28 April 2017.

# Executive Management



**KERSTIN  
LINDBERG GÖRANSSON**



**CATARINA FRITZ**

**KERSTIN LINDBERG GÖRANSSON**

President. Employed 2011.  
**Year of birth:** 1956  
**Other positions:** Board member of AP3.  
**Previous positions:** Airport Director of Stockholm-Arlanda Airport, Accounting and Finance Director and Vice President of the Scandic Group.  
**Education:** MBA.

**CATARINA FRITZ**

Chief Financial Officer and Vice President Employed 2016.  
**Year of birth:** 1963  
**Previous positions:** CFO at Keolis Sverige, Frösunda LSS, Addici, Aditro Group, the Stockholm Stock Exchange and Investor.  
**Education:** MBA.

**ULF DÄVERSJÖ**

Head of Innovation and sustainable development. Employed 2014.  
**Year of birth:** 1979  
**Previous positions:** Purchasing Director Akademiska Hus, Management Consultant at Capgemini Consulting, and Global Purchaser Arla Foods.  
**Education:** MBA.

**HAYAR GOHARY**

Project Manager. Employed 2007.  
**Year of birth:** 1975  
**Previous positions:** Project manager for Vallentuna Municipality. Project manager for Akademiska Hus.  
**Education:** M.Sc. Eng.



**JONAS BJUGGREN**



**PETER BOHMAN**

**JONAS BJUGGREN**

Administrative Manager. Employed 2017.  
**Year of birth:** 1974  
**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.  
Member of Executive Management since 1 March 2017.

**PETER BOHMAN**

Market Area Director. Employed 2013.  
**Year of birth:** 1972  
**Other positions:** Board member of Realus AB and IFU Arena AB.  
**Previous positions:** Terminal Manager and on-call Airport Director at Stockholm-Arlanda Airport. Various management positions at Swedavia.  
**Education:** B.Sc. in Business Administration with focus on real estate.

**MARIE HALLANDER LARSSON**

Human Resources Director. Employed 2017.  
**Year of birth:** 1961  
**Previous positions:** Human Resources Director for Försäkringskassan, Swedbank AB, Posten AB, Scandic Hotels AB and Wedins AB. Member of Executive Management since 1 March 2017.

**MAGNUS HUSS**

Market Area Director. Employed 1993.  
**Year of birth:** 1967  
**Other positions:** Board member of AFF Forum.  
**Previous positions:** Project Manager, Head of Property Management, and Property Manager for Akademiska Hus Stockholm. Engineer and facilities technician at the National Board of Public Buildings.  
**Education:** Engineering degree, technical college.



**BIRGITTA VAN DALEN**



**ULF DÄVERSJÖ**

**BIRGITTA VAN DALEN**

Market Area Director. Employed 2005.  
**Year of birth:** 1958  
**Previous positions:** Regional Director for Akademiska Hus, Planning adviser for Akademiska Hus, Head of property supply and operating manager at Karlstad University, Planning Manager at the Property Department, Karlstad Municipal Authority.  
**Education:** B.A. Soc. Admin.

**CECILIA NIELSEN**

Corporate Communications Officer Employed 2012.  
**Year of birth:** 1969  
**Previous positions:** Head of Corporate Communications at SP Sveriges Tekniska Forskningsinstitut AB.  
**Education:** BA.



**HAYAR GOHARY**



**MARIE HALLANDER  
LARSSON**



**MAGNUS HUSS**



**CECILIA NIELSEN**

50/50

EQUAL NUMBER OF  
MEN AND WOMEN IN  
EXECUTIVE MANAGEMENT  
AT AKADEMISKA HUS.

were also implemented in conjunction with the reorganisation. In summary, the Company is better equipped to create competitive knowledge environments throughout the country.

#### 4 THE COMPANY'S ORGANISATION

##### President and Executive Management

Executive Management consists of ten members including the President. The Company's General Counsel serves as secretary for the Executive Management team. The President, or the Vice President (Chief Financial Officer) 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. In addition to the President, the Executive Management team comprises the Chief Financial Officer, Project Manager, three Market Area Directors, Administrative Manager, Corporate Communications Officer, Head of Innovation and Sustainable Development and the Human Resources Director, all of whom report directly to the President. Executive Management is a forum for information and decisions regarding joint strategic Company matters. It is also the steering committee for the prioritised processes.

##### Operational units

The Company's main processes are conducted within three operational units. The Management unit is responsible for management deliverables with a focus on customer benefit, ensures sustainable and efficient operation, energy efficiency improvements and digitisation of the property management organisation. The Project unit is responsible for project deliverables, 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, strategic campus and property development, and overarching responsibility for investments.

##### Common support functions

A number of support functions with a variety of areas of expertise provide support to management and the business in its day-to-day work. Human resources and corporate communications fall organisationally under the President, while business, finance, legal affairs, purchasing, IT, valuation and analysis, risk management, controlling and common services are subordinate to the Chief Financial Officer. In addition, a new support function was established, Innovation and Sustainable Development, to increase the Company's innovation and development capacity. Organisationally this function is subordinate to the President.

##### CODE OF CONDUCT, ETHICAL COUNCIL AND WHISTLE-BLOWERS

Akademiska Hus has a Code of Conduct that provides guidance on how employees should act to live up to the Company's positions and values and provides guidance in potentially difficult situations.

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. An Ethical Council provides support to employees to which suspected deviations from ethical guidelines or other irregularities can be reported. 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 2017 the Company received no reports about corruption that led to a police complaint through the Ethical Council, whistle-blower system or directly to employees.

##### IMPORTANT ISSUES 2017

- conversion to the Public Procurement Act
- implementation of new organisational structure
- customer relationships and deliverables
- digitisation
- innovation and sustainability
- social sustainability
- undergraduate and graduate student housing
- increased focus on internal management and control
- business ethics
- accident-free workplaces.

##### 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 77 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. No changes will be made regarding the principles for remuneration to the Board of Directors and senior executives for 2018.

For a detailed description of remuneration, pensions, periods of notice, severance pay and fees to auditors, see the administration report on page 54 and Notes 10 and 11.

# Internal control of financial reporting

The responsibility of the Board of Directors for internal control is governed by the Swedish Companies Act and the Code. This report has been prepared in accordance with the Annual Accounts Act and the Code and is thus limited to internal control of financial reporting. The purpose of internal control of financial reporting is to provide reasonable assurance regarding the reliability of external financial reporting in the form of interim reports and annual reports, and that they are prepared in compliance with relevant laws, regulations, accounting standards and the specific guidelines for external reporting that apply to state-owned companies.

The description below is based on the five components that the Committee of Sponsoring Organisations of the Treadway Commission (COSO) defined in its framework for internal management and control.

## CONTROL ENVIRONMENT

The basis for internal control comprises the control environment with the organisation, decision procedures and responsibility. Each year the Board of Directors adopts a number of policy documents such as the Rules of Procedure for the Board of Directors, the Rules of Procedure for the committees, instructions to the CEO, allocation of responsibility and authority, instructions for financial reporting, plan for handling financial risks and financing policy describing the division of responsibilities and delegation of authority. 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 by the Board of Directors each year.

The Board of Directors has overall responsibility for internal control of financial reporting. 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 responsibility of the Board of Directors and the internal allocation of work within the Board and its committees are clarified in the Rules of Procedure.

Akademiska Hus' accounting and financial reporting is handled by a central unit. The Chief Financial Officer is responsible for ensuring that internal accounting policies and guidelines for financial reporting are in place and in compliance with current legal requirements, listing requirements and accounting standards.

## RISK ASSESSMENT

Risk assessments regarding financial reporting, which aim to identify and evaluate the business areas and processes where the greatest risk of errors that could have a material impact on financial reporting can be found, are carried out on several levels in the Company. Executive Management identifies and evaluates ongoing risk areas in order to ensure that reliable controls aimed at avoiding errors in financial reporting are in place in the relevant processes. Risk analysis and risks relating to financial reporting are regularly discussed with the external auditors, who also present their annual risk assessment to the Audit Committee and the Board of Directors.

## CONTROL ACTIVITIES

Control activities that are designed to prevent, detect and correct errors and deviations are incorporated in the financial reporting

process used by Akademiska Hus. These controls have been designed to deal with the risk of significant errors that may arise in financial reporting, and 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.

All IT systems that are used for financial reporting include built-in automatic controls to ensure reliable financial reporting. Control measures also take place in the general IT environment, in the form of well-developed regulations that govern system permissions, system updates and backup procedures.

## INFORMATION AND COMMUNICATION

Governing documents such as policies and accounting guidelines are available for all employees on the Company's intranet. Special guidelines and instructions relating to final account events are distributed by the head of accounting and controller to all concerned employees through a shared files area. Internal information channels in general include information from regular meetings of Executive Management, Leader Forums held four times a year, local information meetings for all staff and meetings in various forums for concerned specialist functions.

The Audit and Finance Committee receives regular updates from both the internal auditor and external auditors and is thereby kept up to date on current findings in internal management and control. The Audit Committee and the Board receive financial information from Executive Management at each balance sheet date.

External reporting complies with the State's ownership policy guidelines.

## FOLLOW-UP AND EVALUATION

Internal management and control of financial reporting are monitored and evaluated continuously by the Board of Directors, President, Executive Management and the accounting and finance department to ensure that procedures are appropriate and efficient. Opportunities for improvement are identified through controls and analyses. Any shortcomings in the system are reported to the relevant person to ensure that improvements can be made. 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 support functions are 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.

During the year the Board of Directors decided to discontinue the internal audit function. Instead, dedicated resources will be allocated with the task of strengthening the internal management and control structure and procedures.

Akademiska Hus continuously reviews and updates internal management and control procedures within the Company, for example, to take into account and implement measures regarding recommendations from both the internal audit and the company's external auditors.

# 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. No changes are proposed regarding the principles for remuneration to the Board of Directors and senior executives for 2018.

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 2017 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 period of notice of between six and twelve months depending on when the agreements were signed. Agreements entered into after 2009 follow government guidelines with a period of notice of six months and in the event of notice being given by the Company, severance pay is payable for a maximum of eighteen months. Agreements entered into before 2009 stipulate a period of notice of twelve months and severance pay for twelve months. All agreements, however, fall within the framework of twenty-four months, including the period of notice. 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 77–78.

## 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 102.

## EVENTS AFTER THE YEAR-END

There were no events of a material nature after the end of the reporting period.

## FUTURE DEVELOPMENTS

Akademiska Hus has a project portfolio with approved and planned investments of SEK 16.7 billion. The property portfolio is expected to increase in value by approximately SEK 9 billion over the next three years. Net operating income is expected to increase as new properties are completed, our streamlining initiatives make progress and economies of scale are leveraged. The good cash flow limits the need for new financing to approximately SEK 3.5 billion for the upcoming three-year period. Given the low interest rates, the interest coverage ratio is expected to remain strong.

# Proposed allocation of unappropriated earnings

According to the owner's financial targets for Akademiska Hus, which were adopted at the Annual General Meeting on 28 April 2014, the dividend should amount to between 40 and 60 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 (equity ratio 30 to 40 per cent). The other economic objectives are that the return on operating capital should be at least 6.5 per cent and the Group's equity ratio should be 30 to 40 per cent. The average yield on operating capital over five years was 6.7 per cent whilst the target was 6.5 per cent. Return on operating capital in 2017 was 5.9 per cent. At the end of 2017, the equity ratio was 43.3 per cent for the Group and 19.0 per cent for the Parent Company. After the proposed dividend, the equity ratio will be 42.2 per cent for the Group and 16.5 per cent for the Parent Company.

Available for allocation at the Annual General Meeting:

Retained earnings	SEK 959,880,931
Profit for the year	SEK 1,589,753,596
Total	SEK 2,549,634,527

The Board of Directors and the President propose that the profit be allocated in such a way that SEK 1,630,000,000 is paid to the shareholder and SEK 919,634,527 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 27 April 2018 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	5,806	—	5,806
Property management expenses	-1,977	—	-1,977
<b>Net operating income</b>	<b>3,829</b>	<b>—</b>	<b>3,829</b>
Central administration costs	-67	—	-67
Net interest income/expense	-188	—	-188
<b>Profit before changes in value and taxes</b>	<b>3,574</b>	<b>—</b>	<b>3,574</b>
Changes in value, properties	4,979	-4,979	—
Change in value, financial instruments	-242	189	-53
<b>Profit/loss before appropriations and taxes</b>	<b>8,311</b>	<b>-4,790</b>	<b>3,521</b>
Tax/current tax	-1,858	1,054	-804
<b>Profit after tax</b>	<b>6,453</b>	<b>-3,736</b>	<b>2,717</b>
Dividend, 60% of the profit available for the payment of a dividend			1,630

The dividend as decided at the Annual General Meeting held on 28 April 2017 was SEK 1,393 million.

# Income Statements

Amounts in KSEK 1,000	Note	Group		Parent Company	
		2017	2016	2017	2016
<b>INCOME FROM PROPERTY MANAGEMENT</b>					
Rental revenue	6	5,581,924	5,482,031	5,581,924	5,482,030
Other property management income	7	224,216	184,000	392,843	220,133
<b>Total property management income</b>		<b>5,806,140</b>	<b>5,666,031</b>	<b>5,974,767</b>	<b>5,702,163</b>
<b>PROPERTY MANAGEMENT EXPENSES</b>					
Operating costs	9	-784,660	-764,146	-782,694	-762,374
Maintenance costs		-615,476	-686,339	-615,476	-686,339
Property administration	9	-308,900	-293,607	-289,456	-283,052
Other property management expenses	8	-268,073	-255,064	-271,077	-245,554
<b>Total property management expenses</b>		<b>-1,977,109</b>	<b>-1,999,156</b>	<b>-1,958,703</b>	<b>-1,977,319</b>
<b>NET OPERATING INCOME</b>		<b>3,829,031</b>	<b>3,666,875</b>	<b>4,016,064</b>	<b>3,724,844</b>
Central administration costs	5	-66,809	-85,264	-66,809	-85,264
Net interest income/expense	12, 28	-188,464	-308,371	-289,632	-383,754
Depreciation and impairment as well as reversed impairment in property management	9	—	—	-1,159,924	-1,040,307
<b>EARNINGS BEFORE CHANGES IN VALUE AND TAX</b>	10, 11, 29	<b>3,573,758</b>	<b>3,274,470</b>	<b>2,499,699</b>	<b>2,215,519</b>
Changes in value, properties	16	4,979,366	3,682,200	—	—
Changes in value, financial instruments	12	-242,268	-241,038	-242,268	-241,038
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>	28, 29	<b>8,310,856</b>	<b>6,714,402</b>	<b>2,257,431</b>	<b>1,974,481</b>
Appropriations	13	—	—	-181,083	-174,672
<b>PROFIT BEFORE TAX</b>		<b>8,310,856</b>	<b>6,714,402</b>	<b>2,076,348</b>	<b>1,799,809</b>
Tax	14	-1,858,186	-1,566,375	-486,594	-485,164
<b>PROFIT FOR THE YEAR</b>	15	<b>6,452,670</b>	<b>5,148,027</b>	<b>1,589,754</b>	<b>1,314,645</b>
Of which attributable to the shareholder in the Parent Company		6,452,670	5,148,027		

# Statement of profit or loss and other comprehensive income

Amounts in KSEK 1,000	Note	Group		Parent Company	
		2017	2016	2017	2016
<b>PROFIT FOR THE YEAR</b>		6,452,670	5,148,027	1,589,754	1,314,645
ITEMS THAT HAVE BEEN RECLASSIFIED OR CAN BE RECLASSIFIED TO PROFIT FOR THE YEAR					
Profit/loss from cash flow hedges	27	-4,332	51,819	-4,332	51,819
Tax attributable to cash flow hedges	14, 27	828	-11,566	828	-11,566
Cash flow hedges, net after tax, dissolved against profit or loss	27	726	754	726	754
ITEMS THAT CANNOT BE RECLASSIFIED TO PROFIT FOR THE YEAR					
Revaluation of defined benefit pensions	29	-28,665	-23,867	—	—
Tax attributable to defined benefit pensions	14	6,306	5,251	—	—
Total, other comprehensive income		-25,137	22,391	-2,778	41,007
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>6,427,533</b>	<b>5,170,418</b>	<b>1,586,976</b>	<b>1,355,652</b>
Of which attributable to the shareholder in the Parent Company		6,427,533	5,170,418		

## Comments on the Group's performance

### FULL-YEAR 2017

Profit for the year was SEK 6,453 million, which is an improvement of SEK 1,305 million compared with the previous year. The main explanation is an increase in the fair value of the property holdings of almost SEK 5,000 million in 2017, to be compared with a corresponding increase in value of SEK 3,700 million in 2016. In addition to the change in value, net operating income improved by SEK 162 million and totalled SEK 3,829 million.

### RENTAL REVENUE

During the year rental revenue increased by SEK 100 million compared with 2016 and totalled SEK 5,582 million (5,482). This increase is mainly attributable to completion of new buildings in Stockholm and Uppsala. The Royal College of Music, the Laboratory of the Future at Södertörn and part of the A house were commissioned in Stockholm, and the Segerstedt Building and the Humanities Theatre were commissioned in Uppsala.

Other property management income amounted to SEK 224 million (184). The increase relates to an additional consideration and a minor increase in revenue for tenant services.

### LEASING LEVEL

The rentable area of the property portfolio at year-end was 3.3 million square metres with a vacancy rate of 4.2 per cent (3.9). The financial vacancy rate, measured in the rental value of vacant premises, is much lower and totalled 1.0 per cent (0.9). The largest blocks of vacant space remained unchanged during the year and can be found on the Ultuna Campus. They amounted to about 78,000 square metres, including 30,000 square metres at Klinikcentrum (the Clinical Centre). The occupancy rate is high compared with the sector at large, since leases are always signed before new projects can begin.

### OPERATING AND MAINTENANCE COSTS

Expenses for operation and maintenance amounted to SEK 1,400 million (1,450).

Total maintenance costs amounted to SEK 615 million (686). The maintenance costs that declined are mainly related to major pro-

jects, since there were fewer such projects compared with 2016.

Operating costs increased by SEK 21 million to SEK 785 million, primarily due to increased costs for supervision and service related to the completion of new premises. Operating costs include media provision of SEK 521 million (519), equivalent to SEK 160/m<sup>2</sup> (161).

### ADMINISTRATION AND PROPERTY MANAGEMENT EXPENSES

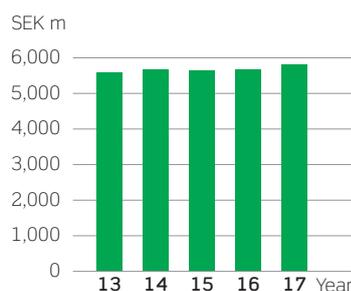
Administration costs include costs for property management and central administration, which together are essentially unchanged. Property administration increased by SEK 15 million and totalled SEK 309 million, which is a combination of additions to the purchasing organisation related to LoU (the Swedish Public Procurement Act) and changes in accounting policies for projects. As a result of accounting changes, a larger share of costs that were previously attributed to projects will now be expensed. Central administration decreased to SEK 67 million due to higher restructuring costs in 2016 in preparation for our new organisation, which became effective on 1 January 2017, as well as lower consultant costs.

Other property management expenses are unchanged compared with the previous year.

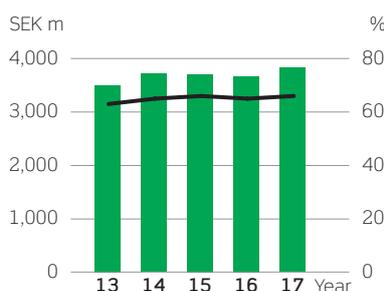
### NET INTEREST INCOME AND EXPENSE

Net interest income and expense consists of interest on loans and net interest income related to the interest rate swap portfolio. The cost of these items amounted to SEK 188 million (308) for the year, corresponding to an interest rate of 0.94 per cent (1.30). Interest rates continue to be extremely low, which explains the lower cost of loans. As in 2016, the interest rate swap portfolio was restructured at the end of the year. In order to allocate interest rate risk to effective periods, interest rate swaps with short remaining maturity were replaced by interest rate swaps with future starts, where protection against rising interest rates is deemed more cost effective given current market conditions. This has resulted in lower net interest income/expense from the interest rate swap portfolio. Capitalised interest expense for projects in progress, which was not included in net interest and income expense, totalled SEK 101 million (75) at year-end.

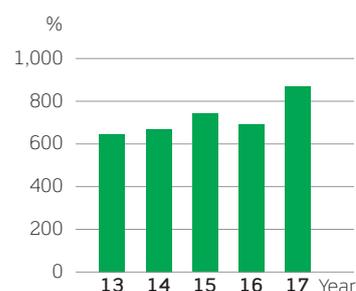
#### STABLE RENTAL REVENUE



#### RISING NET OPERATING INCOME



#### IMPROVED INTEREST COVERAGE RATIO



● Net operating income, SEK m  
— Net operating income ratio, %

### CHANGES IN VALUE, PROPERTIES

The fair value of the Group's property holdings was set using an internal property valuation. The change in value with an impact on profit for the year was SEK 4,979 million (3,682), including changes in value realised of SEK 0 million (35). The change in value corresponds with an increase of 6.8 per cent (5.5) of the total property value.

The largest part of the increase, 68.2 per cent (66.8), relates to the lower yield requirement on several of the sub-markets. The average yield requirement was 5.25 per cent (5.55). The remaining change in value is attributable to projects in progress, renegotiated leases and other factors affecting value. The largest increase in value was noted in the Stockholm Region, which has a larger proportion of project properties, but where the yield requirements also fell compared with smaller sub-markets.

### CHANGES IN VALUE, FINANCIAL INSTRUMENTS

Changes in value in the derivative portfolio amounted to SEK -242 million (-241). The derivative portfolio primarily 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 variable interest rates. One third of the Group's interest risk exposure derives from interest rate swaps, for which reason even minor changes in the interest rate situation affects earnings through changes in fair value. Falling market interest rates entail a negative impact on profit and the opposite is true when interest rates rise. Thus, in a fixed income market with large fluctuations in interest rates, the changes in value will be significant.

Cross currency interest-rate swaps are included in bond financing

denominated in foreign currency for the purpose of eliminating currency risk exposure. This approach creates financing in SEK at a fixed credit margin over the entire maturity. The changes in value in fair value hedges are an accounting method to express ineffectiveness and have no impact on future cash flows.

### COMPARATIVE CALCULATION, TOTAL FINANCING COST

Over the past five years Akademiska Hus has had a relatively long fixed interest period in the total liability portfolio. The performance analysis is significantly complicated by the substantial use of interest derivatives, which generate changes in value with interest rate fluctuations in the market. The changes in value consist of a present value for both realised and unrealised interest rate derivatives. A certain proportion of interest rate derivatives is realised on an ongoing basis (monthly or quarterly), even if the maturity of the underlying instrument is long-term.

To clarify the underlying financing cost, a comparative calculation is carried out in which the cash flows of realised interest rate derivatives are also attributed to the underlying maturity of each instrument. This period allocation of earnings from closed interest rate derivatives amounted to SEK -156 million for 2017. The diagram below on the right shows this comparative calculation in which interest rates are expressed as rolling 12-month interest rate (annualised). The accrued financing cost amounted to 1.50 per cent for 2017. The calculation confirms that the long fixed interest period has resulted in relatively stable financing costs over time.

The interest coverage ratio continues to be high at 871 per cent (694), see diagram on page 58. When calculating the interest coverage ratio, the capitalised interest expense and accrued earnings from the closed interest rate derivatives are reversed.

### TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

	01-01-2017- 31-12-2017	01-01-2016- 31-12-2016
Interest cost for loans, including charges, %	0.74	0.83
Interest swaps, net interest, %	0.20	0.47
Net interest income and expense, %	0.94	1.30
Changes in value, financial derivatives, %	0.85	0.85
<b>Total financing cost, %</b>	<b>1.79</b>	<b>2.15</b>

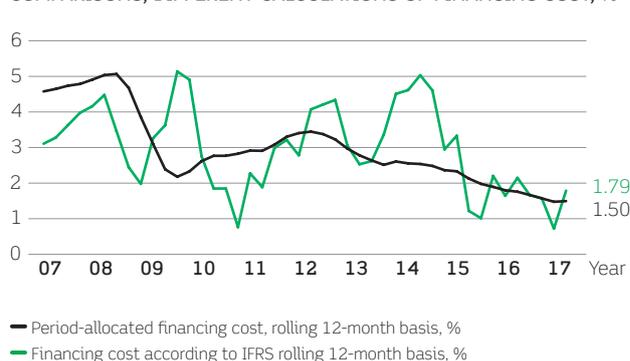
### TOTAL FINANCING COST BROKEN DOWN IN SEK MILLION

	01-01-2017- 31-12-2017	01-01-2016- 31-12-2016
Interest cost, net loans and financial assets	-221	-233
Net interest derivatives	-60	-133
Change in value, independent financial derivatives		
- unrealised	-8	-18
- realised	-54	-217
Changes in value, fair value hedges	-181	-6
Other interest costs	-8	-17
Capitalised interest expense, projects	101	75
<b>Reported net interest income and expense</b>	<b>-431</b>	<b>-549</b>

### COMMENTS ON THE PARENT COMPANY'S PERFORMANCE

The Company's revenue for the year totalled SEK 5,975 million (5,702). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). The profit before change in value and tax was SEK 2,500 million (2,216) and net financial income/expense was SEK -532 million (-625). Profit after tax was SEK 1,590 million (1,315).

### COMPARISONS, DIFFERENT CALCULATIONS OF FINANCING COST, %



# Balance Sheets

Amounts in KSEK 1,000	Note	Group		Parent Company	
		31-12-2017	31-12-2016	31-12-2017	31-12-2016
<b>ASSETS</b>					
NON-CURRENT ASSETS					
Properties	16, 17	80,444,370	73,012,860	42,951,358	41,590,753
Equipment, fixtures and fittings	18	8,117	11,104	8,117	11,104
Shares in Group companies	19	—	—	650	650
Derivatives	20, 25, 33	1,053,358	2,172,381	1,053,358	2,172,381
Other non-current receivables	21.25	208,931	223,516	208,931	223,516
<b>TOTAL NON-CURRENT ASSETS</b>	25	<b>81,714,777</b>	<b>75,419,861</b>	<b>44,222,415</b>	<b>43,998,404</b>
CURRENT ASSETS					
Current receivables					
Rent receivables and accounts receivable	22	316,423	317,130	316,423	317,130
Current prepaid tax	14	—	15,267	—	15,267
Other receivables	23	1,320,431	1,015,831	1,320,430	1,015,830
Prepaid expenses and accrued income	24	128,373	77,624	128,373	77,624
Derivatives	20, 33	597,755	214,551	597,755	214,551
<b>Total current receivables</b>	25	<b>2,362,982</b>	<b>1,640,403</b>	<b>2,362,981</b>	<b>1,640,402</b>
CASH AND CASH EQUIVALENTS/CASH AND BANK BALANCES					
Current investments	33	5,480,660	4,823,977	5,480,660	4,823,977
Cash and bank balances		998,824	545,640	998,678	545,492
<b>Total cash and cash equivalents/cash and bank balances</b>	26	<b>6,479,484</b>	<b>5,369,617</b>	<b>6,479,338</b>	<b>5,369,469</b>
<b>TOTAL CURRENT ASSETS</b>		<b>8,842,466</b>	<b>7,010,020</b>	<b>8,842,319</b>	<b>7,009,871</b>
<b>TOTAL ASSETS</b>		<b>90,557,243</b>	<b>82,429,881</b>	<b>53,064,734</b>	<b>51,008,275</b>

# Balance Sheets

Amounts in KSEK 1,000	Note	Group		Parent Company	
		31-12-2017	31-12-2016	31-12-2017	31-12-2016
<b>EQUITY AND LIABILITIES</b>					
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	27	6,814	9,592	—	—
Actuarial profit and loss		-946	21,413	—	—
Fair value reserve	27	—	—	6,814	9,592
Retained earnings, including profit for the year		34,910,394	29,850,722	—	—
Retained earnings (in the Parent Company)		—	—	953,067	1,031,422
Profit for the year (in the Parent Company)		—	—	1,589,754	1,314,645
<b>TOTAL EQUITY</b>		<b>39,186,212</b>	<b>34,151,677</b>	<b>6,819,585</b>	<b>6,625,609</b>
Untaxed reserves	13	—	—	4,206,207	4,025,123
<b>LIABILITIES</b>					
Non-current liabilities					
Loans	28	25,198,340	22,805,209	25,198,340	22,805,209
Derivatives	20, 33	935,468	632,093	935,468	632,093
Deferred tax liability	14	11,443,540	9,981,816	2,315,151	2,218,713
Other liabilities	30	74,555	110,717	74,555	110,716
Provisions for pensions and similar obligations	29	496,522	442,794	290,069	282,484
<b>Total non-current liabilities</b>		<b>38,148,425</b>	<b>33,972,629</b>	<b>28,813,583</b>	<b>26,049,215</b>
Current liabilities					
Accounts payable		492,159	213,144	492,159	213,144
Liabilities to Group companies		—	—	2,153	2,152
Income tax liabilities	14	27,649	—	27,649	—
Other liabilities	30	1,142,818	2,061,217	1,143,418	2,061,818
Accrued expenses and prepaid income	31	1,950,146	2,021,527	1,950,146	2,021,527
Loans	28	9,541,313	9,951,354	9,541,313	9,951,354
Derivatives	20, 33	68,521	58,333	68,521	58,333
<b>Total current liabilities</b>		<b>13,222,607</b>	<b>14,305,575</b>	<b>13,225,360</b>	<b>14,308,328</b>
<b>TOTAL LIABILITIES</b>	32	<b>51,371,031</b>	<b>48,278,204</b>	<b>42,038,943</b>	<b>40,357,543</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>90,557,243</b>	<b>82,429,881</b>	<b>53,064,734</b>	<b>51,008,275</b>

## Comments on the Group's balance sheet

### PROPERTIES

As at 31 December 2017 the fair value of Akademiska Hus' property holdings totalled SEK 80,444 million, an increase of SEK 7,432 million corresponding to 10.2 per cent compared with 31 December 2016. Fair value includes the completed portion of projects in progress, for a total of SEK 5,717 million. The change in value with an impact on profit and capitalised interest expense was SEK 4,979 million (3,682), including changes in value realised for properties sold during the year of SEK 0 million (35). The remaining change relates to net investments.

The fair value was calculated by means of an internal property valuation covering all the Company's properties. The value is affected by property-specific conditions such as net operating income, rent levels, vacancy levels, lease term and type of premises. The general increase in prices on the property market and demand

for community properties is reflected in the valuation by the reductions in yield requirement and cost of capital. The average yield requirement was 5.25 per cent, a decline of about 0.3 percentage points since 31 December.

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. About 25 to 30 per cent of property holdings are valued externally each year. External valuations are used as a benchmark for the internal valuation, thereby strengthening its reliability.

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 +/- 4,000 – 8,000 million in the Akademiska Hus portfolio.

### PROPERTIES

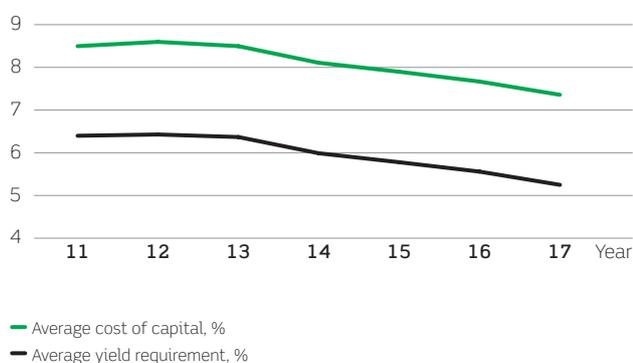
(incl. new construction in progress and capitalised interest expense)

Change in property holdings, SEK m	31-12-2017	31-12-2016
Opening fair value	73,013	66,575
+ Investment in new construction and redevelopment	2,656	2,836
+ Acquisitions	—	—
- Sales	-204	-46
<b>+/- Change in fair value</b>	<b>4,979</b>	<b>3,647</b>
Of which change in value due to a change in the cost of capital and yield requirement	3,395	2,435
Of which other change in value	1,585	1,212
<b>Closing fair value</b>	<b>80,444</b>	<b>73,013</b>

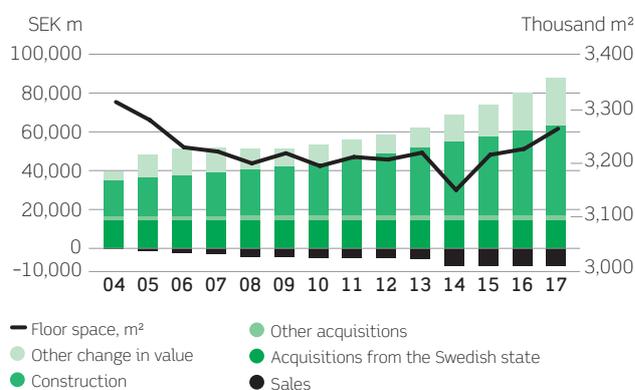
### SENSITIVITY ANALYSIS

Outcome 2017	Change in cost of capital and yield targets in 2018		
	Increase by one percentage point	Decrease by one percentage point	
Fair value, SEK m	4,979	-11,535	15,454
Return on equity, per cent	17.6	-17.5	32.3
Return on operating capital, per cent	5.9	6.1	5.2
Equity ratio, per cent	43.3	38.9	48.6
Loan-to-value ratio, per cent	34.3	39.8	29.0

### YIELD REQUIREMENTS AND COST OF CAPITAL, %



### PROPERTY PORTFOLIO'S ACCUMULATED VALUE GROWTH AND NUMBER OF SQUARE METRES FLOOR SPACE, M<sup>2</sup>



**FINANCING**

The net liability portfolio increased by SEK 607 million during the year and totalled SEK 27,569 million at year-end. The equity ratio was 43.3 per cent (41.4). Tighter credit spreads combined with a strong interest in Akademiska Hus' bonds with extremely long maturities from foreign investors have made extensive issuances possible. Consequently, it has been possible to meet the request for further diversification of the liability portfolio. During the year, 16 bond issues were carried out for a total of SEK 7,100 million, with foreign investors accounting for SEK 5,600 million of this amount. Of these, SEK 4,500 million related to bonds denominated in foreign currencies represented by AUD, USD, EUR and CHF. Maturities have varied between 2.5 and 30 years, with an emphasis on the longer segment as shown in the table below. The average maturity of issuances for the year was just over 15 years.

**NET LOAN LIABILITY**

SEK m	31-12-2017	31-12-2016
Loans	-34,740	-32,757
Derivatives - liabilities	-958	-690
Collateral for derivatives	-858	-1,762
Cash and cash equivalents	6,479	5,369
Other current receivables	857	492
Derivatives - receivables	1,651	2,386
<b>Total net loan liability</b>	<b>-27,569</b>	<b>-26,962</b>

**BOND ISSUES AND LONG-TERM FINANCING**

Volume broken down by maturity interval

Maturity, year	Volume, SEK million
0-5	1,000
6-10	650
11-15	3,900
16-20	650
21-25	1,000
26-30	900
<b>Total</b>	<b>8,100</b>

**FIXED INTEREST PERIOD AND MATURITY**

The extensive long-term bonds and the loan from the Nordic Investment Bank have made it possible to reduce short-term financing and also serve as pre-funding of bonds maturing in 2018. They have therefore helped to extend the average maturity in the liability portfolio by just over two years. Stricter requirements for banks' capital adequacy is costly and justifies the continued focus on bond financing. During the year Akademiska Hus maintained good surplus liquidity and as of year-end it was SEK 6,479 million.

Long-term bonds denominated in SEK at fixed interest, which added SEK 1,175 to the long-term portfolio during the year, helped to maintain a relatively long fixed interest period in the total portfolio of about 7.6 years.

**FIXED INTEREST PERIOD AND MATURITY**

	SEK m	Fixed interest		Maturity	
		31-12-2017	31-12-2016	31-12-2017	31-12-2016
Basic portfolio	22,900	4.5	4.7	4.5	2.3
Non-current portfolio	4,800	23.0	23.7	23.0	23.7
Index-linked bond portfolio	900	4.8	5.8	4.8	5.8
<b>Total portfolio</b>		<b>7.6</b>	<b>7.2</b>	<b>7.6</b>	<b>5.2</b>

# 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	
<b>OPENING BALANCE AS AT 1 JANUARY 2016</b>		<b>2,135,000</b>	<b>2,134,950</b>	<b>-31,415</b>	<b>40,029</b>	<b>25,992,695</b>	<b>30,271,259</b>
Comprehensive income							
Profit for the year		—	—	—	—	5,148,027	5,148,027
Other comprehensive income							
Profit/loss from cash flow hedges	26	—	—	41,007	—	—	41,007
Revaluation of defined benefit pensions		—	—	—	-18,616	—	-18,616
Total, other comprehensive income		—	—	41,007	-18,616	5,148,027	5,170,418
Transactions with shareholder							
Dividend <sup>1</sup>		—	—	—	—	-1,290,000	-1,290,000
Total transactions with shareholder		—	—	—	—	-1,290,000	-1,290,000
<b>CLOSING BALANCE AS AT 31 DECEMBER 2016</b>		<b>2,135,000</b>	<b>2,134,950</b>	<b>9,592</b>	<b>21,413</b>	<b>29,850,722</b>	<b>34,151,677</b>
Comprehensive income							
Profit for the year		—	—	—	—	6,452,671	6,452,671
Other comprehensive income							
Profit/loss from cash flow hedges	26	—	—	-2,778	—	—	-2,778
Revaluation of defined benefit pensions		—	—	—	-22,359	—	-22,359
Total, other comprehensive income		—	—	-2,778	-22,359	6,452,671	6,427,534
Transactions with shareholder							
Dividends <sup>2</sup>		—	—	—	—	-1,393,000	-1,393,000
Total transactions with shareholder		—	—	—	—	-1,393,000	-1,393,000
<b>CLOSING BALANCE AS AT 31 DECEMBER 2017</b>		<b>2,135,000</b>	<b>2,134,950</b>	<b>6,814</b>	<b>-946</b>	<b>34,910,394</b>	<b>39,186,212</b>

1) Dividend of SEK 1,290,000,000 was authorised by the Annual General Meeting on 28 April 2016.

2) Dividend of SEK 1,393,000,000 was authorised by the Annual General Meeting on 28 April 2017.

# 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	
<b>OPENING BALANCE AS AT 1 JANUARY 2016</b>		<b>2,135,000</b>	<b>2,134,950</b>	<b>-31,415</b>	<b>2,321,422</b>	<b>6,559,957</b>
Comprehensive income						
Profit for the year		—	—	—	1,314,645	1,314,645
Other comprehensive income						
Profit/loss from cash flow hedges	26	—	—	41,007	—	41,007
Total, other comprehensive income		—	—	41,007	1,314,645	1,355,652
Transactions with shareholder						
Dividend <sup>1</sup>		—	—	—	-1,290,000	-1,290,000
Total transactions with shareholder		—	—	—	-1,290,000	-1,290,000
<b>CLOSING BALANCE AS AT 31 DECEMBER 2016</b>		<b>2,135,000</b>	<b>2,134,950</b>	<b>9,592</b>	<b>2,346,067</b>	<b>6,625,609</b>
Comprehensive income						
Profit for the year		—	—	—	1,589,754	1,589,754
Other comprehensive income						
Profit/loss from cash flow hedges	26	—	—	-2,778	—	-2,778
Total, other comprehensive income		—	—	-2,778	1,589,754	1,586,976
Transactions with shareholder						
Dividends <sup>2</sup>		—	—	—	-1,393,000	-1,393,000
Total transactions with shareholder		—	—	—	-1,393,000	-1,393,000
<b>CLOSING BALANCE AS AT 31 DECEMBER 2017</b>		<b>2,135,000</b>	<b>2,134,950</b>	<b>6,814</b>	<b>2,542,821</b>	<b>6,819,585</b>

1) Dividend of SEK 1,290,000,000 was authorised by the Annual General Meeting on 28 April 2016.

2) Dividend of SEK 1,393,000,000 was authorised by the Annual General Meeting on 28 April 2017.

# Statements of Cash Flows

Amounts in KSEK 1,000	Note	Group		Parent Company	
		2017	2016	2017	2016
<b>CURRENT OPERATIONS</b>					
Profit after financial items	37	8,310,856	6,714,402	2,257,431	1,974,481
Adjustment for items not included in the cash flow	38	-4,742,203	-4,106,076	1,308,219	655,639
Tax paid		-346,456	-334,816	-346,456	-334,816
<b>CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL</b>		<b>3,222,197</b>	<b>2,273,510</b>	<b>3,219,194</b>	<b>2,295,304</b>
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL</b>					
Increase (-)/Decrease (+) in current receivables		-354,389	-156,078	-354,641	-156,078
Increase (+)/Decrease (-) in current liabilities		-747,136	603,069	-743,879	581,275
<b>CASH FLOW FROM CURRENT OPERATIONS</b>		<b>2,120,672</b>	<b>2,720,501</b>	<b>2,120,674</b>	<b>2,720,501</b>
<b>INVESTING ACTIVITIES</b>					
Investment in properties	39	-2,554,723	-2,761,150	-2,554,723	-2,761,150
Sale of properties		203,750	103,072	203,750	103,072
Investment in other non-current assets		-944	-2,457	-944	-2,457
Decrease in non-current receivables		11,221	112,275	11,221	112,275
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-2,340,696</b>	<b>-2,548,260</b>	<b>-2,340,696</b>	<b>-2,548,260</b>
<b>FINANCING ACTIVITIES</b>					
Raising of interest-bearing loans, excluding refinancing	40	2,722,891	4,182,791	2,722,891	4,182,791
Dividend paid		-1,393,000	-3,290,000	-1,393,000	-3,290,000
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>1,329,891</b>	<b>892,791</b>	<b>1,329,891</b>	<b>892,791</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>1,109,867</b>	<b>1,065,032</b>	<b>1,109,869</b>	<b>1,065,032</b>
Cash and cash equivalents at the beginning of the year		5,369,617	4,304,585	5,369,468	4,304,436
Closing cash and cash equivalents	25	6,479,484	5,369,617	6,479,338	5,369,468

## Comments on the consolidated statement of cash flows

Cash flow from current operations before changes in working capital totalled SEK 3,222 million (2,274). The impact of investment in properties on cash flow was SEK 2,555 million (2,761).

Cash Flow relating to financing activities amounted to SEK 1,330 million (893). New loans were taken out to pay for an extra distribution to the owner in April 2016. In May 2017 a dividend of SEK 1,393 million was paid to the owner.

Total cash flow for the year amounted to SEK 1,110 million (1,065).

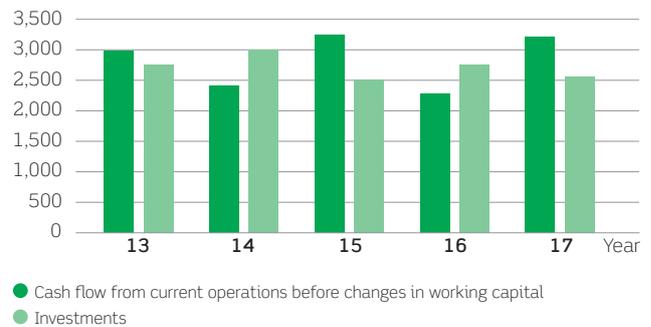
### CASH FLOW AND INVESTMENTS

Total cash flow from current operations before change in working capital during the period 2013 to 2017 was SEK 14,144 million.

Investments during the same period totalled SEK 13,589 million.

The table shows that cash flow from current operations is reinvested in its entirety in new construction as well as in redevelopment and extensions of existing holdings.

STABLE CASH FLOW FROM CURRENT OPERATIONS, SEK m



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# Notes

Amounts are in SEK 1,000 unless stated otherwise.

## 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. Essentially the entire Group's operations are conducted in the Parent Company.

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

## 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 2017. 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 accounting policies are unchanged compared with the most recent annual report, with the exception of changes in headings in the income statement and segment reporting. Profit through net operating income is unchanged. Reporting was adapted to conform with current industry practice by reporting changes in the value of properties and financial instruments under separate headings. The comparative figures are restated.

### NEW AND AMENDED IFRS STANDARDS AND INTERPRETATIONS 2017

No new or amended IFRSs that have a material impact on Akademiska Hus' reporting have entered into force in 2017.

### NEW AND AMENDED STANDARDS AND INTERPRETATIONS THAT COME INTO EFFECT 2018 AND LATER

As of 1 January 2018, the Akademiska Hus Group applies IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers. They have not been applied in preparing these financial statements. The analysis of the effects of implementing IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers has been concluded.

IFRS 9 Financial instruments provides a model for the classification and measurement of financial instruments, a forward-looking impairment model for financial assets and a significantly revised approach to hedge accounting. Classification and measurement under IFRS 9 are based on the business model a company applies for management of financial assets and the characteristics of the contractual cash flows of the financial asset. Other than some changes in terminology, the amendment has no impact on measurement of Akademiska Hus' financial instruments. Derivatives will continue to be carried at fair value through profit or loss. Akademiska Hus applies hedge accounting and will continue to do so under IFRS 9 and estimates that the hedge is effective even under the new standard. Consequently, the transition to IFRS 9 will have no effect on operations. No restatement of comparative figures will take place. A loss provision will be recognised for all

financial assets measured at amortised cost or at fair value through other comprehensive income. This loss reserve will not be material to the Group or the parent company.

IFRS 15 Revenue from contracts with customers provides a single model for revenue recognition regarding customer contracts not covered by other standards. A study conducted in 2017 showed that the consequences of IFRS 15 will not have any material effect on the Group's net sales either with regards to the amount recognised as revenues or the timing of when revenues are recognised. The Group's revenue primarily consists of rental revenue that is recognised under IAS 17 Leasing, which will be replaced on 1 January 2019 by IFRS 16 Leasing. Only a small portion of the Group's revenues are subject to IFRS 15. These revenues include charges for additional services such as electricity, heat, water, cooling, ventilation, etc. These items are considered to be integrated components of the lease. Our tenants have no influence on the choice of provider, frequency or execution of these services. The amounts involved are not significant for Akademiska Hus and will be recognised in the income statement as rental revenue.

IFRS 16 Leasing was adopted by the EU in 2017 and shall apply to financial years starting on or after 1 January 2019. The standard will affect recognition of the Group's operating leases where the Group is the lessee. For this type of lease, the future value is calculated and entered in the balance sheet. The Group has a few such leases, for which reason the assessment is that the standard will not have any significant effect on the Group's financial reporting, other than leasehold agreements that might increase the balance sheet total and net operating income.

### CONSOLIDATED ACCOUNTS

The consolidated accounts cover the Parent Company and companies over which the Parent Company has a controlling influence. A controlling influence means 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 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. Commencing on 1 November 2017 the Group pays flex pension to employees who are over the age of 25 and under the age of 65 years. The premium corresponds with 0.2 per cent of pensionable salary in 2017 and has been raised to 0.4 per cent for contract year 2018.

### 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 or 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 gains and losses

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 current 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 computed 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.

Deferred tax is computed using the tax rates that are 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 capitalised. 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 valued 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 of the 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 16.

#### CARRYING AMOUNT INVESTMENT PROPERTIES

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:

Land systems	5 %
Buildings	1.7 %
Building equipment	10 %
Land equipment	20 %

#### 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:

Computer equipment	33 %
Equipment, fixtures and fittings	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 valued at the accrued acquisition value.

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 valued at fair value through profit or 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, fall due 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 valued at fair value through profit or loss*  
Assets in this category are reported initially at the acquisition value, i.e. fair value at the time of acquisition, and are subsequently valued continuously at fair value. The change in value is reported continuously through profit or loss. All Akademiska Hus investment assets and outstanding derivatives (with a positive fair value) fall into this category.
- *Loan receivables and accounts receivable*  
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 reported and valued on a continuous basis at the accrued acquisition value. Akademiska Hus's accounts receivable also fall into this category and are reported and valued continuously at the acquisition value. At each period-end, an impairment examination is made of this asset. Non-current security holdings fall into this category and are valued at the accrued acquisition value unless an impairment requirement has been identified.
- *Liabilities valued at fair value through profit or loss*  
These liabilities are reported initially at the acquisition value and thereafter on an ongoing basis at fair value. The change in value is reported on a continuous basis through profit or loss. Akademiska Hus' outstanding derivatives with a negative fair value fall into this category.
- *Other financial liabilities*  
Liabilities in this category are reported and valued at the accrued acquisition value according to the annual equivalent rate method. Direct costs when loans are raised are included in the acquisition value. All debt financing is included in this category. Akademiska Hus' accounts payable and other liabilities are classified under this category but are reported at the acquisition value.

#### 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 the notes to the balance sheet.

**Calculation of fair value, financial instruments**

When establishing the fair value of current investments, derivatives and loan liabilities, 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 listed rate at the period-end. Calculated and estimated fair values are indicative 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 33.

**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.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances and current investments with a term shorter than three months. These assets are regarded as being sellable immediately with a negligible risk of changes in value, which means that the reported value (acquisition value plus accrued coupon) is equivalent to the fair value.

**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 reported initially at fair value, net after transaction costs. Borrowing is subsequently reported at the accrued acquisition value 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 reported and valued on an ongoing basis after the acquisition point 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 or 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 with the exception of the outstanding derivatives, which comprise hedging instruments. In a hedging situation where the underlying Statement of Financial Position item is business-related, the changes in value of the derivative are reported against operating profit. Changes in value attributable to the derivatives that comprise hedging instruments in a cash flow hedge are reported under Other comprehensive income, are accumulated in equity and are reported against financial or operating profit at the time the underlying exposure affects the profit.

Interest derivatives (interest 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 valued on an ongoing basis at fair value and the effects attributable to the changes in value are reported against net interest income and expense in conjunction with hedging of fair value and against Other comprehensive income in conjunction with cash flow hedging. 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 reporting is applied, the effects of the currency translation of the derivative naturally meet the effects of the currency translation of the debt in the financial result.

Independent derivatives, i.e. derivatives that are not included in any hedging relationship, are valued at fair value and the change in value is recorded directly against the net interest income and expense.

With the aim of evening 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 futures. Electricity futures are valued continuously at fair value and when hedge reporting according to the cash flow method is applied, the changes in value are reported directly against Other comprehensive income. 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 equity 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 takes place through a division into two different methods of hedging depending on the aim of the hedging: fair value hedging and cash flow hedging.

In the case of fair value hedging, both the hedged item/exposure and the hedging instrument are valued at fair value. The changes in value are reported continuously in profit or loss.

With cash flow hedging, the hedging instrument is valued at the fair value at the same time that the hedged item in conjunction with borrowing is valued according to the current valuation method (categorisation). According to the demands for cash flow hedging, a change in value attributable to a derivative that qualifies for hedge accounting is reported on an ongoing basis in Other comprehensive income and is accumulated in equity until the underlying transaction/exposure affects the Statement of Comprehensive Income.

One of the criteria for hedge accounting to be applied is that the hedging relationship is expected to be effective both at the time of entering into the relationship as well as during the hedging period. The ineffective part of the hedging, i.e. the difference between the changes in value in the exposure (interest, electricity price or exchange rate risk) which are hedged in the underlying transaction/flow and the change in value in the hedging instrument's (derivative's) equivalent risk is expensed.

When a hedging measure is entered into, the relationship between the hedging instrument and the hedged item, along with the aim of the hedging measure and the method used to calculate the effectiveness, are documented.

## 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 2017.

### Properties

Properties are reported in a legal entity at the acquisition value with

a deduction for accumulated depreciation, impairments and reversed impairments. The depreciation period is based on each property's useful life.

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.

### 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 assessments

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 16).

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 29).

### SENSITIVITY ANALYSIS, IMPACT ON PROFIT

The sensitivity analysis shows how the pre-tax profit, 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 <sup>1</sup>	Impact on fair value, percentage points
Rental revenue, +/- one percentage point	+/-56	+/-0.1	+/-402	+/-0.5
Vacant space, +/- one percentage point	+/-53	+/-0.1	+/-471	+/-0.6
Operating costs, +/- one percentage point	+/-8	+/-0.0	+/-84	+/-0.1
of which media provision	+/-5	+/-0.0	+/-42	+/-0.1
Cost of capital, + one percentage point	-4,880	0.2	-4,880	-6.1
Cost of capital, - one percentage point	5,387	-0.2	5,387	6.7
Yield target, + one percentage point	-6,655	0.2	-6,655	-8.3
Yield target, - one percentage point	10,067	-0.3	10,067	12.5

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

## 4 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 and assets per segment are based on the tenant's geographical location whilst assets and liabilities are based on the tenant's physical location. Commencing on 1 January 2017, reporting on Akademiska Hus' operating segments are divided into South, Mid-Sweden and North. Comparative figures for 2016 have been adapted to the new division.

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

For details of larger customers, see Note 6.

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.

Segment information 1 Jan. 2017 - 31 Dec. 2017	South	Mid-Sweden	North	Total, operating segments	Other operations <sup>1</sup>	Group
Rental revenue	1,504,067	2,553,792	1,523,781	5,581,640	284	5,581,924
Other property management income	68,307	63,788	92,121	224,216	0	224,216
Total income	1,572,374	2,617,580	1,615,902	5,805,856	284	5,806,140
Operating costs	-233,176	-322,762	-227,765	-783,703	-957	-784,660
Maintenance costs	-157,710	-341,381	-116,353	-615,444	-32	-615,476
Property administration	-50,559	-60,749	-39,004	-150,312	-158,588	-308,900
Other property management expenses	-77,100	-138,536	-53,608	-269,244	1,171	-268,073
Total costs, property management	-518,545	-863,428	-436,730	-1,818,703	-158,406	-1,977,109
<b>NET OPERATING INCOME</b>	<b>1,053,829</b>	<b>1,754,152</b>	<b>1,179,172</b>	<b>3,987,153</b>	<b>-158,122</b>	<b>3,829,031</b>
Central overheads						-66,809
Net interest income/expense						-188,464
Profit before changes in value and taxes						3,573,758
Change in value, properties	940,159	2,780,678	1,258,529	4,979,366		4,979,366
Change in value, financial instruments						-242,268
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>8,310,856</b>
Total assets include:						
Properties	18,712,579	41,509,060	20,222,731	80,444,370	—	80,444,370
of which invested during the year	458,353	1,740,123	457,418	2,655,894	—	2,655,894

Segment information 1 Jan. 2016 - 31 Dec. 2016	South	Mid-Sweden	North	Total, operating segments	Other operations <sup>1</sup>	Group
Rental revenue	1,518,077	2,491,086	1,472,862	5,482,025	6	5,482,031
Other property management income	69,080	76,179	38,474	183,733	267	184,000
Total income	1,587,157	2,567,265	1,511,336	5,665,758	273	5,666,031
Operating costs	-226,487	-322,291	-215,364	-764,142	-4	-764,146
Maintenance costs	-171,374	-404,548	-110,417	-686,339	—	-686,339
Property administration	-49,112	-54,408	-35,356	-138,876	-154,731	-293,607
Other property management expenses	-76,760	-107,054	-67,633	-251,447	-3,617	-255,064
Total costs, property management	-523,733	-888,301	-428,770	-1,840,804	-158,352	-1,999,156
<b>NET OPERATING INCOME</b>	<b>1,063,424</b>	<b>1,678,964</b>	<b>1,082,566</b>	<b>3,824,954</b>	<b>-158,079</b>	<b>3,666,875</b>
Central overheads						-85,264
Net interest income/expense						-308,371
Profit before changes in value and taxes						3,274,470
Change in value, properties	762,474	2,182,491	737,235			3,682,200
Change in value, financial instruments						-241,038
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>6,714,402</b>
Total assets include:						
Properties	17,378,818	36,988,259	18,645,783	73,012,860	—	73,012,860
of which invested during the year	368,717	1,670,519	797,298	2,836,534	—	2,836,534

1) 'Other operations' refer to operations that are not attributable to the respective segment.

## 5 Categorised operating costs

Functions reported in the Income Statements	Group		Parent Company	
	2017	2016	2017	2016
Property management	-1,977,109	-1,999,156	-1,958,704	-1,977,319
Central administration costs	-66,809	-85,264	-66,809	-85,264
<b>TOTAL OPERATING COSTS ACCORDING TO FUNCTION</b>	<b>-2,043,918</b>	<b>-2,084,420</b>	<b>-2,025,513</b>	<b>-2,062,583</b>
<b>CATEGORISED FUNCTION COSTS</b>				
Energy, fuel and water	-539,896	-531,559	-539,896	-531,559
Property administration	-66,429	-37,281	-64,463	-33,536
Maintenance costs, material and services purchased	-715,656	-808,670	-718,659	-799,160
Site leasehold charges	-82,717	-61,586	-82,717	-61,586
Property tax	-3,725	-3,399	-3,725	-3,399
Personnel costs	-402,046	-419,261	-384,568	-412,452
Depreciation	-3,932	-5,518	-3,932	-5,518
Other costs	-229,517	-217,146	-227,553	-215,373
<b>TOTAL CATEGORISED OPERATING COSTS</b>	<b>-2,043,918</b>	<b>-2,084,420</b>	<b>-2,025,513</b>	<b>-2,062,583</b>

## 6 Rental revenue

All properties are leased under operational lease agreements and generate rental revenue. The rental revenue during the period amounted to KSEK 5,581,924 (5,482,031) and the direct costs for the properties during the period totalled KSEK 1,977,109 (1,999,156). Profit for the

year includes KSEK 512,717 (474,979) for variable charges. Lund University and Karolinska Institutet account for 11.2 per cent and 10.6 per cent of rental revenue, respectively.

### LEASE TERMS AS AT 31-12-2017

Due date	Number of leases	Contracted annual rent	Proportion, %
Non-residential premises			
2018	222	477,267	9
2019	258	572,164	10
2020	232	871,933	16
2021	179	667,426	12
2022	49	256,303	5
2023	35	363,435	6
2024 and later	149	2,261,897	41
Other	309	28,037	1
<b>TOTAL</b>	<b>1,433</b>	<b>5,498,463</b>	<b>100</b>

### CONTRACTED RENTAL REVENUE AS AT 31-12-2017 ACCORDING TO THE SIZE OF THE LEASE

Annual rent	Number of leases	Contracted annual rent	Proportion, %
Non-residential premises			
> 70,000	3	392,835	7
30,000 - 70,000	33	1,398,176	25
10,000 - 30,000	126	2,118,734	39
7,500 - 10,000	44	384,398	7
5,000 - 7,500	63	394,276	7
2,500 - 5,000	108	406,548	7
< 2,500	747	375,458	7
Other	309	28,037	1
<b>TOTAL</b>	<b>1,433</b>	<b>5,498,463</b>	<b>100</b>

## 7 Other property management income

	Group		Parent Company	
	2017	2016	2017	2016
Parking revenue	66,275	61,533	66,275	61,533
Profit on the sale of other non-current assets	—	—	168,628	36,089
Income from external property management assignments and similar assignments	49,286	54,766	49,286	54,766
Income from services performed on behalf of tenants	78,217	65,076	78,217	65,076
Other	30,438	2,625	30,437	2,669
<b>TOTAL</b>	<b>224,216</b>	<b>184,000</b>	<b>392,843</b>	<b>220,133</b>

## 8 Other property management expenses

	Group		Parent Company	
	2017	2016	2017	2016
Site leasehold charges, property tax and other risk costs	-92,144	-70,871	-92,144	-70,871
Studies	-25,072	-18,299	-25,072	-18,299
Loss on the sale and disposal of other noncurrent assets	—	-24,765	-3,004	-12,283
Costs for external property management assignments and similar assignments	-44,188	-39,568	-44,188	-39,568
Costs for services performed on behalf of tenants	-71,247	-60,371	-71,247	-60,371
Other	-35,422	-41,190	-35,422	-44,162
<b>TOTAL</b>	<b>-268,073</b>	<b>-255,064</b>	<b>-271,077</b>	<b>-245,554</b>

## 9 Depreciation, impairments and reversed impairments in property management

	Group		Parent Company	
	2017	2016	2017	2016
Properties	—	—	-1,155,992	-1,034,789
Equipment, fixtures and fittings	-3,932	-5,518	-3,932	-5,518
<b>TOTAL</b>	<b>-3,932</b>	<b>-5,518</b>	<b>-1,159,924</b>	<b>-1,040,307</b>

In the Group, KSEK 1,966 (3,746) has been reported as property administration and KSEK 1,966 (1,772) as operating costs.

## 10 Employees and personnel costs

The average number of employees was as follows:

	2017	2016
<b>AKADEMISKA HUS AB</b>		
Head Office, Gothenburg	93	94
South	118	117
Mid-Sweden	139	131
North	99	98
Subsidiaries	—	—
<b>GROUP, TOTAL</b>	<b>449</b>	<b>440</b>

The proportion of women (based on the average number of employees) in the Parent Company and the Group is 29 per cent (28).

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

The Board comprises 9 (6) members elected at the Annual General Meeting and 2 (2) members appointed by the employees. 4 (3) of the members are women, i.e. 44 per cent (38).

Overall management of the Group rests with the Executive Management, which comprises 5 (7) men and 5 (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 and the Human Resources Director.

### SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

	2017		2016	
	Group	Parent Company	Group	Parent Company
<b>SALARIES AND REMUNERATION</b>				
Board members, President and Vice President	7,578	7,578	7,115	7,115
Other employees	249,403	249,403	263,833	263,833
<b>TOTAL</b>	<b>256,981</b>	<b>256,981</b>	<b>270,948</b>	<b>270,948</b>
<b>SOCIAL SECURITY COSTS</b>				
Board members, President and Vice President	3,942	3,942	4,081	4,081
(of which pension costs)	(2,629)	(2,629)	(2,557)	(2,557)
Other employees	125,139	125,139	120,041	124,041
(of which pension costs)	(70,979)	(70,979)	(70,227)	(70,227)
<b>TOTAL</b>	<b>129,081</b>	<b>129,081</b>	<b>124,122</b>	<b>128,122</b>
(of which pension costs)	(73,608)	(73,608)	(72,784)	(72,784)

The Group's and Parent Company's outstanding pension obligations to the President and other members of Executive Management total

KSEK 5,483 (3,443). The subsidiaries do not have any employees and no salaries have been paid.

### REMUNERATION TO THE BOARD

		2017					2016				
		Director's fees	Investment Committee	Remuneration Committee	Finance Committee	Audit Committee	Director's fees	Investment Committee	Remuneration Committee	Finance Committee	Audit Committee
Chair	Anitra Steen <sup>1</sup>	298	30	20	—	—	115	—	10	—	—
Chair	Eva-Britt Gustafsson <sup>2</sup>	—	—	—	—	—	135	—	5	—	10
Member	Caroline Arehult <sup>3</sup>	75	—	—	10	—	—	—	—	—	—
Member	Britta Burreau	145	—	—	10	15	138	—	—	20	—
Member	Kristina Ekengren	—	—	—	—	—	—	—	—	—	—
Member	Peter Gudmundson <sup>3</sup>	75	—	—	—	15	—	—	—	—	—
Employee representative	Thomas Jennlinger	—	—	—	—	—	—	—	—	—	—
Employee representative	Anders Larsson	—	—	—	—	—	—	—	—	—	—
Member	Christer Nerlich <sup>4</sup>	105	—	—	—	20	—	—	—	—	—
Member	Gunnar Svedberg	145	—	20	—	—	138	—	10	—	—
Member	Örjan Wikforss <sup>3</sup>	75	10	—	—	—	—	—	—	—	—
Member	Ingemar Ziegler	145	40	—	10	—	145	—	—	10	20
Member	Olof Ehlén <sup>5</sup>	70	—	—	—	—	135	—	—	—	—
Member	Ingela Lindh <sup>6</sup>	35	—	—	—	—	138	—	—	—	—
Member	Leif Ljungqvist <sup>7</sup>	—	—	—	—	—	—	—	—	—	—
Member	Pia Sandvik <sup>8</sup>	—	—	—	—	—	68	—	—	10	10
<b>TOTAL</b>		<b>1,168</b>	<b>80</b>	<b>40</b>	<b>30</b>	<b>50</b>	<b>1,012</b>	<b>25</b>	<b>40</b>	<b>40</b>	

- Anitra Steen was elected to serve as chairperson of the Board of Directors in conjunction with the general meeting in April 2016.
- Eva-Britt Gustafsson stepped down as chairperson of the Board of Directors in conjunction with the general meeting in April 2016.
- Caroline Arehult, Peter Gudmundson and Örjan Wikforss were elected to serve as members of the Board of Directors in April 2017.
- Christer Nerlich was elected to serve as a member of the Board of Directors in January 2017.

- Olof Ehlén left his position as member of the Board of Directors in April 2017.
- Ingela Lindh left her position as member of the Board of Directors in December 2016.
- Leif Ljungqvist left his position as member of the Board of Directors in April 2016.
- Pia Sandvik left her position as member of the Board of Directors in April 2016.

## REMUNERATION TO SENIOR EXECUTIVES

		2017		2016	
		Basic salary <sup>15</sup>	Pension cost	Basic salary <sup>15</sup>	Pension cost
CEO/President	Kerstin Lindberg Göransson	4,028	1,064	3,482	933
Chief Financial Officer/ Vice President	Catarina Fritz <sup>1</sup>	2,235	537	540	138
Administrative Manager	Jonas Bjuggren <sup>2</sup>	1,577	357	—	—
Market Area Director	Peter Bohman <sup>3</sup>	1,616	359	1,586	375
Market Area Director	Birgitta van Dalen <sup>4</sup>	1,554	729	1,314	553
Head of Innovation and sustainable development	Ulf Däversjö <sup>5</sup>	1,302	284	1,580	370
Project Manager	Hayar Gohary <sup>6</sup>	1,467	327	—	—
Human Resources Director	Marie Hallander Larsson <sup>7</sup>	1,222	256	—	—
Market Area Director	Magnus Huss <sup>8</sup>	1,459	311	—	—
CIO	Cecilia Nielsen	1,226	254	1,068	204
Vice President	Michael Walmerud <sup>9</sup>	—	—	1,735	513
Regional Director, South	Tomas Ringdahl	—	—	1,533	359
Regional Director, East	Lars Hagman	—	—	1,187	252
Regional Director, Stockholm	Sten Wetterblad	—	—	1,915	481
Regional Director, North	David Carlsson <sup>10</sup>	—	—	1,039	311
Regional Director, North	Roger Granberg <sup>11</sup>	—	—	270	64
General Counsel	Carolin Åberg-Sjöqvist	—	—	1,043	267
CFO	Jonas Ragnarsson <sup>12</sup>	—	—	283	59
Human Resources Director	Kristina Korsgren <sup>13</sup>	—	—	250	78
Acting Director of Human Resources	Fredrik Färm <sup>14</sup>	—	—	668	144
<b>TOTAL</b>		<b>17,686</b>	<b>4,478</b>	<b>19,493</b>	<b>5,101</b>

1) Catarina Fritz took up the position of Chief Financial Officer in October 2016.

2) Jonas Bjuggren joined Executive Management in March 2017.

3) Peter Bohman was Regional Director, Uppsala, in 2016. In January 2017 he became Market Area Director.

4) Birgitta van Dalen was Regional Director, West, in 2016. In January 2017 she became Market Area Director.

5) Ulf Däversjö was Head of Innovation in 2016. In January 2017 he became Head of Innovation and Sustainable Development.

6) Hayar Gohary joined Executive Management in January 2017.

7) Marie Hallander Larsson joined Executive Management in March 2017.

8) Magnus Huss joined Executive Management in January 2017.

9) Michael Walmerud left Executive Management in October 2016.

10) David Carlsson left Executive Management in September 2016.

11) Roger Granberg joined Executive Management in October 2016 and left in December.

12) Jonas Ragnarsson left Executive Management in February 2016.

13) Kristina Korsgren left Executive Management in February 2016.

14) Fredrik Färm took up the position of acting Human Resources Director in March 2016 and left Executive Management in January 2017.

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

## 11 Fees and disbursements to auditors out of pocket expenses

	Group and Parent Company	
	2017	2016
<b>KPMG AB</b>		
Audit assignment	1,038	899
Audit work in addition to the audit assignment	—	204
Tax consulting	2	63
Other services	87	90
<b>TOTAL</b>	<b>1,127</b>	<b>1,256</b>

KPMG AB was elected to serve as auditors at the Annual General Meeting on 28 April 2014.

'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 prospectus 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. 'Tax consulting' is self-explanatory. 'Other services' refers mainly to fees for consultation in conjunction with examination of tax returns and consultation regarding financial instruments, the Sustainability Report and accounting-related issues.

## 12 Financial income and expense

	Group		Parent Company	
	2017	2016	2017	2016
<b>OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS</b>				
Interest income, other <sup>1</sup>	9,707	8,862	9,707	8,862
Changes in value, independent derivatives	29,115	69,817	29,115	69,817
Total	38,822	78,679	38,822	78,679
<b>RESULT, FINANCIAL INCOME</b>	<b>38,822</b>	<b>78,679</b>	<b>38,822</b>	<b>78,679</b>
<b>OTHER INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS</b>				
Interest expense, other <sup>1</sup>	-198,171	-317,233	-299,339	-392,616
Changes in value, independent derivatives	-90,164	-286,497	-90,164	-286,497
Changes in value, fair value hedges	-181,219	-24,358	-181,219	-24,358
<b>RESULT, FINANCIAL EXPENSE</b>	<b>-469,554</b>	<b>-628,088</b>	<b>-570,722</b>	<b>-703,471</b>
<b>RESULT, NET FINANCIAL INCOME AND EXPENSE</b>	<b>-430,732</b>	<b>-549,409</b>	<b>-531,900</b>	<b>-624,792</b>
1) of which interest income/interest expense deriving from financial instruments that are not valued at fair value through profit or loss.	-123,973	-157,740	-225,142	-233,123

	Group		Parent Company	
	2017	2016	2017	2016
Changes in value, financial items, are as follows:				
<b>UNREALISED CHANGES IN VALUE</b>				
Independent derivatives	10,478	-70,174	10,478	-70,174
Fair value hedging, hedging instruments	-181,219	-24,358	-181,219	-24,358
<b>TOTAL</b>	<b>-170,741</b>	<b>-94,532</b>	<b>-170,741</b>	<b>-94,532</b>
<b>REALISED CHANGES IN VALUE</b>				
Independent derivatives	-71,527	-146,506	-71,527	-146,138
<b>TOTAL</b>	<b>-71,527</b>	<b>-146,506</b>	<b>-71,527</b>	<b>-146,138</b>
<b>TOTAL CHANGES IN VALUE</b>	<b>-242,268</b>	<b>-241,038</b>	<b>-242,268</b>	<b>-241,038</b>

The headings in the income statement changed in 2017, for which reason comparative figures for 2016 were adjusted to the new division.

## 13 Appropriations and untaxed reserves

	Parent Company	
	31 Dec. 2017	31 Dec. 2016
<b>APPROPRIATIONS</b>		
Change in tax allocation reserve	164,683	-136,189
Difference between recorded depreciation and depreciation according to plan	16,400	-38,483
<b>TOTAL</b>	<b>181,083</b>	<b>-174,672</b>
<b>UNTAXED RESERVES</b>		
Tax allocation reserve, provision made 2011	—	437,485
Tax allocation reserve, provision made 2012	449,374	449,374
Tax allocation reserve, provision made 2013	441,894	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	602,169	—
Additional depreciation	1,220,439	1,204,040
<b>TOTAL</b>	<b>4,206,207</b>	<b>4,025,123</b>

## 14 Tax

The following components are included in the Group and Parent Company tax expense:

	Group		Parent Company	
	2017	2016	2017	2016
TAX ON PROFIT FOR THE YEAR				
Current tax on profit for the year	-389,372	-352,204	-389,372	-352,204
Total current tax	-389,372	-352,204	-389,372	-352,204
DEFERRED TAX ATTRIBUTABLE TO TEMPORARY DIFFERENCES				
Financial instruments	18,173	-10,488	18,173	-10,488
Properties	-1,454,600	-1,175,219	-115,395	-122,472
Tax allocation reserve	-36,230	-29,962	—	—
Pension provisions	3,843	1,498	—	—
Total deferred tax	-1,468,814	-1,214,171	-97,222	-132,960
<b>TOTAL TAX ON PROFIT FOR THE YEAR</b>	<b>-1,858,186</b>	<b>-1,566,375</b>	<b>-486,594</b>	<b>-485,164</b>

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

	Group		Parent Company	
	2017	2016	2017	2016
Reported profit before tax	8,310,856	6,714,402	2,076,348	1,799,809
Tax at the current tax rate	-1,828,388	-1,477,169	-456,796	-395,958
Tax effect of expenses that are not tax deductible/taxable (permanent differences):				
Non-deductible expenses	-196,044	-225,910	-196,044	-225,910
Non-taxable revenues	167,453	139,477	167,453	139,477
Taxable standard interest calculated on the tax allocation reserve	-1,207	-2,773	-1,207	-2,773
<b>TOTAL REPORTED TAX EXPENSE</b>	<b>-1,858,186</b>	<b>-1,566,375</b>	<b>-486,594</b>	<b>-485,164</b>

Reported deferred tax receivables/liability:

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Deferred tax assets attributable to temporary differences				
Financial instruments	28,387	10,215	28,387	10,215
Properties	—	17,615	—	17,615
Pension provisions	45,420	35,268	—	—
Total, reported deferred tax receivables	73,807	63,098	28,387	27,830
Deferred tax liabilities attributable to temporary differences				
Tax allocation reserve	-656,869	-620,638	—	—
Properties	-10,859,206	-9,422,219	-2,342,247	-2,244,467
Cash flow hedges	-1,248	-2,076	-1,248	-2,076
Other	-24	19	-43	—
Total, reported deferred tax liability	-11,517,347	-10,044,914	-2,343,538	-2,246,543
<b>TOTAL, REPORTED DEFERRED TAX LIABILITY</b>	<b>-11,443,540</b>	<b>-9,981,816</b>	<b>-2,315,151</b>	<b>-2,218,713</b>

The following deferred tax assets/liabilities refer to items where a change has been reported in Other comprehensive income.

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Cash flow hedge				
- currency derivatives	320	-159	320	-159
- electricity derivatives	508	-11,407	508	-11,407
- actuarial gains and losses	6,306	5,251	—	—
<b>TOTAL DEFERRED TAX REPORTED IN OTHER COMPREHENSIVE INCOME</b>	<b>7,134</b>	<b>-6,315</b>	<b>828</b>	<b>-11,566</b>

#### UNREPORTED DEFERRED TAX

No deferred tax in respect of untaxed reserves has been reported in the Parent Company. The deferred tax liability related to untaxed reserves totals SEK 925,365 (885,527) and is included in these reserves. The

consolidated accounts do not include any material unreported temporary differences between carrying amounts and tax values for assets and liabilities. All tax deficit deductions within the Group can be utilised for an unlimited period in the future.

## 15 Dividend

The dividend paid to the shareholder on 15 May 2017 totalled SEK 1,393,000,000 (1,290,000,000). The dividend per share was SEK 652.46 (604.22).

As regards the dividend for the year, the Board proposes a dividend of SEK 763.47 per share, for a total of SEK 1,630,000,000, 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 959,880,931
Profit for the year	SEK 1,589,753,596
<b>Total</b>	<b>SEK 2,549,634,527</b>

The Board of Directors and the President propose that the profit be allocated in such a way that SEK 1,630,000,000 is paid to the shareholder and SEK 919,634,527 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	5,806	—	5,806
Property management expenses	-1,977	—	-1,977
<b>NET OPERATING INCOME</b>	<b>3,829</b>	<b>—</b>	<b>3,829</b>
Central administration costs	-67	—	-67
Net interest income/expense	-188	—	-188
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>	<b>3,574</b>	<b>—</b>	<b>3,574</b>
Changes in value, properties	4,979	-4,979	—
Changes in value, financial instruments	-242	189	-53
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES</b>	<b>8,311</b>	<b>-4,790</b>	<b>3,521</b>
Tax/current tax	-1,858	1,054	-804
<b>PROFIT AFTER TAX</b>	<b>6,453</b>	<b>-3,736</b>	<b>2,717</b>
Dividend, 60% of the profit available for the payment of a dividend			1,630

The dividend as decided at the Annual General Meeting held on 28 April 2017 was SEK 1,393 million.

## 16 Properties (Group)

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

Change in property holdings, in SEK 1,000	Group	
	31-12-2017	31-12-2016
Opening fair value	73,012,860	66,574,882
+ Investment in new construction and redevelopment	2,554,724	2,761,150
+ Acquisitions	—	—
+ Capitalised interest expense	101,170	75,384
- Sales	-203,750	-45,500
+/- Change in value, unrealised	4,979,366	3,646,944
Of which change in value due to a change in the cost of capital and yield requirement	3,394,628	2,435,057
Of which change in value due to adjusted value index (valuation status, average remaining term, property type)	18,318	-179,181
Of which capitalised interest expense	-101,170	-75,384
Of which other change in value	1,667,590	1,466,452
<b>CLOSING FAIR VALUE</b>	<b>80,444,370</b>	<b>73,012,860</b>
	<b>2017</b>	<b>2016</b>
Changes in value, property holdings		
Positive	6,116,866	5,006,937
Negative	-1,137,500	-1,359,994
Result from sales and disposals	—	—
Positive	—	35,257
Negative	—	—
<b>TOTAL CHANGES IN VALUE, PROPERTIES</b>	<b>4,979,366</b>	<b>3,682,200</b>

### VALUATION MODELS/METHODS

The fair value of the Group's properties as at 31 December 2017 has been set using an internal property valuation. The valuation has been conducted using different valuation methods as follows:

	SEK m	Share, %
Cash flow method	72,281	90
Location price method (expansion reserves)	1,213	2
Other valuation method	6,950	8
<b>TOTAL</b>	<b>80,444</b>	<b>100</b>

SEK 72,281 million (90 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 10 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, NAI Svefa and DTZ.

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 1,213 million (2 per cent) have been valued using the location prices for construction rights with a deduction for development costs, supplemented by developer calculations. 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 1.65 million square metres.

SEK 6,950 million (9 per cent) of the fair value has been 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 5,717 million (4,802), which has also been valued using the internal cash flow valuation with a deduction for remaining investment.

The properties are on level 3 in the fair value hierarchy.

### Valuation conditions 2017

Yield requirements and cost of capital declined by between 0.05 and 0.90 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 2017 amounted to SEK 3,395 million (2,435). 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 90 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 5.52 years (6.01). 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 5.93–11.89 per cent depending on the lease term, town/city, location, and type of premises. The long-term yield target varies between 4.15 per cent and 9.70 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.

	31-12-2017		31-12-2016	
	Yield target, %	Cost of capital, %	Yield target, %	Cost of capital, %
South	5.6	7.7	5.8	7.9
Mid-Sweden	4.9	7.0	5.3	7.4
North	5.7	7.9	6.1	8.2
Group	5.3	7.4	5.6	7.7

#### 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	1.0%
Inflation assumption, years 2-10	2.0%
Vacant space	Actual and/or 5%
Property administration	SEK 45/m <sup>2</sup>
Maintenance costs, non- installation-intensive premises	SEK 100/m <sup>2</sup>
Maintenance costs, installation- intensive premises	SEK 140/m <sup>2</sup>

Assumptions about inflation have been made based on the views of different forecasters, such as the National Institute of Economic Research, the Riksbank and other banks. The long-term inflation assumption of 2 per cent corresponds with the Riksbank'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 5 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.

Change	Impact on fair value, SEK m	Impact on fair value, percentage points
Rental revenue, +/- one per cent	+/-402	0.5
Vacant space, +/- one percentage point	+/-471	0.6
Operating costs, +/- one per cent	+/-84	0.1
of which media provision	+/-42	0.1
Maintenance costs, +/- SEK 10/m <sup>2</sup>	537	0.8
Property administration, +/- SEK 10/m <sup>2</sup>	537	0.8
Cost of capital, + one percentage point	-4,880	-6.1
Cost of capital, - one percentage point	5,387	6.7
Yield target, + one percentage point	-6,655	-8.3
Yield target, - one percentage point	10,067	12.5

A change in the maintenance cost 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 5,581,924 (5,482,031) and the direct costs for the properties during the period totalled KSEK 1,977,109 (1,999,156).

#### External valuation

To assure the internal valuation, selected properties are valued each year by external valuation companies. During the year, 76 valuation buildings/sellable units and seven expansion reserves at a fair value of SEK 21,226 million were valued externally, corresponding to approximately 26 per cent of Akademiska Hus' total fair value. The 2017 valuations were carried out by NAI Svefa AB, which is authorised by the Swedish Society of Real Estate Economics. The external valuations confirm the reliability of the internal valuation model.

**17** Properties (Parent Company)

Carrying amount for properties amounts to KSEK 42,951,358 (41,590,753). The amount includes land, land systems, buildings, building equipment and land equipment. Fiscal residual value amounts to KSEK 25,093,306 (25,190,871).

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

	Parent Company	
	31-12-2017	31-12-2016
Opening acquisition value	53,186,067	50,481,344
Investment in new construction and redevelopment	2,554,724	2,761,150
Acquisitions	—	—
Sales and disposals	-101,104	-56,427
<b>CLOSING ACCUMULATED ACQUISITION VALUE</b>	<b>55,639,687</b>	<b>53,186,067</b>
Opening revaluations	7,253,723	7,424,690
Revaluations for the year	—	—
Depreciation for the year on revaluations	-170,967	-170,967
<b>CLOSING ACCUMULATED REVALUATIONS</b>	<b>7,082,756</b>	<b>7,253,723</b>
Opening depreciation	-18,670,770	-17,659,736
Reclassifications	-6,002	-42,401
Sales and disposals	47,013	21,312
Depreciation for the year	-1,002,259	-989,945
<b>CLOSING ACCUMULATED DEPRECIATION ACCORDING TO PLAN</b>	<b>-19,632,018</b>	<b>-18,670,770</b>
Opening impairments	-178,267	-346,791
Reclassifications	6,002	42,401
Sales and disposals	15,966	—
Reversed impairments	26,224	137,483
Impairments for the year	-8,992	-11,360
<b>CLOSING ACCUMULATED IMPAIRMENTS</b>	<b>-139,067</b>	<b>-178,267</b>
<b>CARRYING AMOUNT</b>	<b>42,951,358</b>	<b>41,590,753</b>

**18** Equipment, fixtures and fittings

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Opening acquisition value	76,255	75,851	76,255	75,851
Purchases	944	2,457	944	2,457
Transferred from new construction in progress	—	—	—	—
Sales and disposals	—	-2,053	—	-2,053
<b>CLOSING ACCUMULATED ACQUISITION VALUE</b>	<b>77,199</b>	<b>76,255</b>	<b>77,199</b>	<b>76,255</b>
Opening depreciation	-65,151	-61,662	-65,151	-61,662
Sales and disposals	—	2,029	—	2,029
Depreciation for the year	-3,932	-5,518	-3,932	-5,518
<b>CLOSING ACCUMULATED DEPRECIATION</b>	<b>-69,083</b>	<b>-65,151</b>	<b>-69,083</b>	<b>-65,151</b>
<b>CARRYING AMOUNT</b>	<b>8,117</b>	<b>11,104</b>	<b>8,117</b>	<b>11,104</b>

## 19 Shares in Group companies

	Parent Company	
	31-12-2017	31-12-2016
Opening acquisition value	650	650
Acquisition of subsidiaries	—	—
Sale of subsidiaries	—	—
<b>CARRYING AMOUNT</b>	<b>650</b>	<b>650</b>

Specification of the Parent Company's shareholdings in Group companies:

Subsidiaries	Company reg. no.	Registered office	Total number of shares	Share of equity in % <sup>1</sup>	Parent Company	
					31-12-2017 Carrying amount	31-12-2016 Carrying amount
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
<b>TOTAL</b>					<b>650</b>	<b>650</b>

1) Corresponds to the number of votes.

## 20 Derivatives (Group)

Derivatives are used to handle interest risk exposure and to eliminate currency risks in conjunction with financing in a foreign currency and for electricity price risk management. The fair value of interest and cross currency interest rate swap agreements includes the underlying

capital amounts and accrued interest. The Group's risk management is presented in Note 34 Financial risk management.

Carrying amounts, derivatives, are broken down as follows:

	31-12-2017		31-12-2016	
	Assets	Liabilities	Assets	Liabilities
<b>NON-CURRENT</b>				
Independent derivatives				
- interest rate derivatives	605,162	528,433	586,884	616,432
Hedging instruments, fair value hedging				
- interest rate derivatives				
- cross currency interest rate swap agreements	448,196	413,342	1,582,460	15,661
Hedging instruments, cash flow hedging				
- currency derivatives				
- electricity derivatives		-6,307	3,037	
<b>TOTAL, NON-CURRENT</b>	<b>1,053,358</b>	<b>935,468</b>	<b>2,172,381</b>	<b>632,093</b>
<b>CURRENT</b>				
Independent derivatives				
- interest rate derivatives	580,899	14,723	3,399	33,124
- currency derivatives				
Hedging instruments, fair value hedging				
- cross currency interest rate swap agreements				
Hedging instruments, cash flow hedging				
- currency derivatives	16,856	53,798	211,152	24,794
- electricity derivatives				415
<b>TOTAL, CURRENT</b>	<b>597,755</b>	<b>68,521</b>	<b>214,551</b>	<b>58,333</b>
<b>TOTAL, DERIVATIVES</b>	<b>1,651,114</b>	<b>1,003,989</b>	<b>2,386,932</b>	<b>690,426</b>

Fair value is equivalent to the carrying amount in the table above. Derivatives and swap agreements are on level 2 in the fair value hierarchy, see Note 33.

The following table shows the maturity structure for forecast electricity use together with electricity derivatives and currency derivatives entered into with the aim of hedging the electricity price.

	Forecast use, MWh	Hedging level, price, %
2017	410,000	65
2018	410,000	44
2019	410,000	30

**21** Other non-current receivables

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Interest-bearing promissory note	—	—	—	—
Non-interest-bearing promissory note	—	—	—	—
Other non-interest-bearing receivables	208,931	223,516	208,931	223,516
<b>TOTAL</b>	<b>208,931</b>	<b>223,516</b>	<b>208,931</b>	<b>223,516</b>

Of the Group's non-current receivables, KSEK 120,851 is expected to be realised within five years of the year-end and KSEK 88,080 later than five years.

Other non-interest-bearing receivables changed as follows:

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Opening balance	223,516	343,273	223,516	343,273
Purchases for the year	176,860	39,751	176,860	39,751
Allocation against profit or loss for the year	-162,198	-151,390	-162,198	-151,390
Reclassification to current receivables	-29,248	-8,118	-29,248	-8,118
<b>CLOSING BALANCE</b>	<b>208,931</b>	<b>223,516</b>	<b>208,931</b>	<b>223,516</b>

**22** Rent receivables and accounts receivable

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Rent receivables and accounts receivable	317,251	318,183	317,251	318,183
Provision, doubtful rent receivables and accounts receivable	-828	-1,053	-828	-1,053
<b>TOTAL</b>	<b>316,423</b>	<b>317,130</b>	<b>316,423</b>	<b>317,130</b>

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 rent receivables and accounts receivable that had fallen due as at 31 December 2017, KSEK 53,925 had fallen due by 1–5 days, KSEK 3,901 had fallen due by 5–30 days, KSEK 1,394 had fallen due by 30–60 days and KSEK 16,713 had fallen due by more than 60 days. Receivables falling due do not include impaired receivables.

The provision for doubtful rent receivables and accounts receivable changed as follows:

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Opening balance	-1,053	-1,891	-1,053	-1,891
Provisions for the year	-472	-92	-472	-92
Reversed provisions	—	885	—	885
Established credit losses	697	45	697	45
<b>CLOSING BALANCE</b>	<b>-828</b>	<b>-1,053</b>	<b>-828</b>	<b>-1,053</b>

**23** Other receivables

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Interest-bearing promissory note (reclassified from non-current receivables)	—	192,911	—	192,911
VAT receivable	340,442	243,834	340,442	243,834
Settlement, taxes and charges	856,982	491,799	856,982	491,799
Other current receivables	123,007	87,287	123,007	87,286
<b>TOTAL</b>	<b>1,320,431</b>	<b>1,015,831</b>	<b>1,320,430</b>	<b>1,015,830</b>

Other current receivables are reported at amortised cost.

**24** Prepaid expenses and accrued income

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Accrued rent	35,539	35,103	35,539	35,103
Accrued interest income	—	1,199	—	1,199
Prepaid operating costs	30,655	28,285	30,655	28,285
Other	62,179	13,037	62,179	13,037
<b>TOTAL</b>	<b>128,373</b>	<b>77,624</b>	<b>128,373</b>	<b>77,624</b>

**25** Maturity structure, receivables

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Receivables expected to be cleared within one year of the year-end	1,784,754	1,640,403	1,784,753	1,640,402
Receivables expected to be cleared within 1–5 years of the year-end	838,969	1,945,880	838,969	1,945,880
Receivables expected to be cleared later than five years after the year-end	1,001,549	450,017	1,001,549	450,017
<b>TOTAL</b>	<b>3,625,272</b>	<b>4,036,300</b>	<b>3,625,271</b>	<b>4,036,299</b>

## 26 Cash and cash equivalents/ Cash and bank balances

Current investments comprise temporary surplus liquidity, invested in the short term, totalling KSEK 5,249,516 (4,692,814) and collateral granted attributable to Credit Support Annex (CSA) agreements totalling KSEK 231,144 (131,164). Blocked bank funds in respect of pledged assets for exchange-cleared derivatives are included to the amount of KSEK 64,148 (297,757) 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.

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Current investments	5,480,660	4,823,977	5,480,660	4,823,977
Cash and bank balances	998,824	545,640	998,678	545,492
<b>TOTAL</b>	<b>6,479,484</b>	<b>5,369,617</b>	<b>6,479,338</b>	<b>5,369,469</b>

Cash and cash equivalents are reported and valued according to the category 'assets valued at fair value through profit or loss'. Fair value is equivalent to the carrying amount of cash and bank holdings and current investments. Cash and bank holdings are on level 1 and current investments are on level 2 in the fair value hierarchy.

## 27 Hedge reserve/Fair value reserve

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Opening balance	9,592	-31,415	9,592	-31,415
Change in value, derivatives (cash flow hedging)				
- currency derivatives	-2,178	-53	-2,178	-53
- electricity derivatives	-2,154	51,872	-2,154	51,872
Transferred to operating profit	726	754	726	754
Tax effect	828	-11,566	828	-11,566
<b>CLOSING BALANCE</b>	<b>6,814</b>	<b>9,592</b>	<b>6,814</b>	<b>9,592</b>

The tax effect, KSEK 828 (-11,566) refers to the change for the year. The closing deferred tax receivable/payable is reported in Note 14 Taxes.

## 28 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. Bank financing is used to a limited extent. The average capital for bank financing during 2017 was SEK 258 million (231).

Loans in the Group are reported at amortised cost. The Group's risk management is presented in Note 34 Financial risk management.

### FINANCING COST

Net interest income and expense amounted to SEK -430 million (-549) and the average net liability portfolio was SEK 27,265 million (25,443). The financing cost amounted to 1.79 per cent (2.15), calculated as interest expense in relation to average interest-bearing net loan liability, excluding cash and bank holdings. The changes in value in the financial derivative instruments correspond to an increase in interest expense of 0.85 per cent (0.85).

### FINANCING COST, BREAKDOWN, %

	2017	2016	2015	2014	2013
Loan financing cost, including charges, %	0.74	0.83	1.38	2.01	2.24
Interest swaps, net interest, %	0.20	0.47	0.58	0.42	0.39
<b>Financing cost, %</b>	<b>0.94</b>	<b>1.30</b>	<b>1.96</b>	<b>2.43</b>	<b>2.63</b>
Changes in value, financial derivatives, %	0.85	0.85	-0.74	2.61	-0.01
<b>TOTAL FINANCING COST</b>	<b>1.79</b>	<b>2.15</b>	<b>1.22</b>	<b>5.04</b>	<b>2.62</b>

### EFFECT OF FINANCIAL DERIVATIVES ON PROFIT

Independent interest rate derivatives are reported at market value (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 liability portfolio, which largely consists of financing at variable interest rates. Falling interest rates entail a negative impact on profit from these interest rate derivatives; the opposite is true when interest rates rise. The changes in value relate to the changed current 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 currency-interest rate swaps. 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.

Borrowing can be broken down as follows, SEK m:

	Group				Parent Company			
	31-12-2017		31-12-2016		31-12-2017		31-12-2016	
	Carrying amount	Fair value						
<b>NON-CURRENT LOANS</b>								
<b>Category, other financial liabilities</b>								
Bonds & MTN	770	824	770	837	770	824	770	837
EMTN	12,574	14,119	12,049	12,565	12,574	14,119	12,049	12,565
Other loans	1,339	1,428	356	426	1,339	1,428	356	426
<b>TOTAL</b>	<b>14,682</b>	<b>16,372</b>	<b>13,175</b>	<b>13,828</b>	<b>14,682</b>	<b>16,372</b>	<b>13,175</b>	<b>13,828</b>
<b>Category, financial liabilities at fair value through profit or loss according to the fair value hedging method</b>								
Bonds & MTN	—	—	—	—	—	—	—	—
EMTN	10,516	10,581	8,840	8,833	10,516	10,581	8,840	8,833
Other loans	—	—	790	790	—	—	790	790
<b>TOTAL</b>	<b>10,516</b>	<b>10,581</b>	<b>9,630</b>	<b>9,623</b>	<b>10,516</b>	<b>10,581</b>	<b>9,630</b>	<b>9,623</b>
<b>TOTAL NON-CURRENT LOANS</b>	<b>25,198</b>	<b>26,953</b>	<b>22,805</b>	<b>23,451</b>	<b>25,198</b>	<b>26,953</b>	<b>22,805</b>	<b>23,451</b>
<b>CURRENT LOANS</b>								
<b>Category, other financial liabilities</b>								
Commercial paper	—	—	1,500	1,503	—	—	1,500	1,503
ECP	4,768	4,774	7,436	7,449	4,768	4,774	7,436	7,449
Bonds & MTN	—	—	—	—	—	—	—	—
EMTN	1,900	1,902	1,000	1,011	1,900	1,902	1,000	1,011
Other loans	746	746	15	15	746	746	15	15
<b>TOTAL</b>	<b>7,414</b>	<b>7,423</b>	<b>9,951</b>	<b>9,978</b>	<b>7,414</b>	<b>7,423</b>	<b>9,951</b>	<b>9,978</b>
<b>Category, financial liabilities at fair value through profit or loss according to the fair value hedging method</b>								
Bonds & MTN	—	—	—	—	—	—	—	—
EMTN	2,128	2,128	—	—	2,128	2,128	—	—
Other loans	—	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>2,128</b>	<b>2,128</b>	<b>—</b>	<b>—</b>	<b>2,128</b>	<b>2,128</b>	<b>—</b>	<b>—</b>
<b>TOTAL CURRENT LOANS</b>	<b>9,541</b>	<b>9,551</b>	<b>9,951</b>	<b>9,978</b>	<b>9,541</b>	<b>9,551</b>	<b>9,951</b>	<b>9,978</b>
<b>TOTAL LOANS</b>	<b>34,740</b>	<b>36,503</b>	<b>32,757</b>	<b>33,429</b>	<b>34,740</b>	<b>36,503</b>	<b>32,756</b>	<b>33,429</b>

The above table shows nominal amounts excluding accrued coupon interest.

	Fixed interest			Variable interest			Total	Total
	Loans	Derivatives	Total	Loans	ECP	Derivatives		
2018	4,226	-2,820	1,406	500	4,793	2,308	7,601	9,007
2019	1,420	0	1,420	1,000	0	0	1,000	2,420
2020	1,650	300	1,950	720	0	-300	420	2,370
2021	5,055	-2,455	2,600	200	0	2,245	2,445	5,045
2022	1,000	1,200	2,200	0	0	-1,200	-1,200	1,000
2023	409	-209	200	0	0	226	226	426
2024	200	300	500	0	0	-300	-300	200
2025 and later	13,336	-6,959	6,377	111	0	7,066	7,177	13,554
<b>TOTAL</b>	<b>27,296</b>	<b>-10,643</b>	<b>16,653</b>	<b>2,531</b>	<b>4,793</b>	<b>10,045</b>	<b>17,369</b>	<b>34,022</b>

The above table shows financing (nominal amount) together with outstanding interest and currency derivatives. Loans and derivatives in foreign currency have been translated at the year-end exchange rate. As all loans raised in a foreign currency are swapped to Swedish kronor,

the exchange rate effect is eliminated. A positive figure means that the Group pays interest and a negative figure means that the Group receives interest.

## 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 swap agreements, all interest payments, both fixed and variable, 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 actual hedging transaction on balance counteract each other.

## 29 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 24,722 (22,788).

### 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 current value of the defined benefit commitment was carried out by an authorised actuary on 31 December 2017. When calculating the current 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 rate of interest will increase the pension liability. Possible future falls 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 current 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 current 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 current 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	2017	2016
Discount rate, %	2.50	2.65
Salary increase, %	3.00	1.50
Inflation, %	1.90	1.50
Income base amount, %	2.50	2.50
Personnel turnover, %	2.00	2.00
Remaining period of service, years	12.10	15.20
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	31-12-2017	31-12-2016
Retirement at the year-end		
Men	21.8	20.4
Women	24.4	23.3
Retirement 20 years after the year-end		
Men	23.6	22.3
Women	25.5	24.6

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

Amount reported in the Income Statement	2017	2016
Benefits earned during the year	27,564	25,074
Interest on pension provision	11,547	11,837
<b>PARTS OF THE DEFINED BENEFIT PENSION COST REPORTED IN THE PROFIT FOR THE YEAR</b>	<b>39,111</b>	<b>36,911</b>

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	31-12-2017	31-12-2016
Revaluation of the net defined benefit liability	—	—
Actuarial gains and losses that arise as a result of changes in demographic assumptions	—	—
Actuarial gains and losses that arise as a result of changes in financial assumptions	41,807	24,207
Actuarial gains and losses that arise as a result of changes in experience	-13,142	-340
<b>TOTAL AMOUNT REPORTED UNDER OTHER COMPREHENSIVE INCOME</b>	<b>28,665</b>	<b>23,867</b>

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	31-12-2017	31-12-2016
Opening balance	442,794	401,434
Service costs during the period	27,564	25,074
Net interest cost	11,547	11,837
Actuarial gains (+)/losses (-)		
Changes in demographic assumptions	—	—
Changes in financial assumptions	41,807	24,207
Experience-based adjustments	-13,142	-340
Pension payments	-14,048	-19,418
<b>CLOSING BALANCE</b>	<b>496,522</b>	<b>442,794</b>

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

Estimated term for the pension commitment	31-12-2017	31-12-2016
Fall due for payment within one year of the year-end	14,530	14,048
Fall due for payment 1-5 years after the year-end	55,143	56,358
Fall due for payment later than five years after the year-end	426,849	372,388
<b>TOTAL</b>	<b>496,522</b>	<b>442,794</b>

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 held constant. Such a scenario is unlikely in practice, and changes in certain assumptions can be correlated.

Sensitivity analysis, pension obligations	31-12-2017	31-12-2016
Recorded pension obligation under the reported assumptions	496,522	442,794
Discount rate increases by 0.5 percentage points	449,377	408,846
Discount rate decreases by 0.5 percentage points	550,356	481,364
Inflation increases by 0.5 percentage points	534,786	487,919
Wage growth increases by 0.5 percentage points	527,007	470,442

#### FUTURE PAYMENTS

The Group is expected to pay KSEK 33,778 (39,111) 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:

	31-12-2017	31-12-2016
PRI pensions	228,182	216,604
Other pensions	61,887	65,880
<b>TOTAL</b>	<b>290,069</b>	<b>282,484</b>

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:

Pension commitments	31-12-2017	31-12-2016
Opening balance	282,484	271,800
Pension costs, defined benefit plans	10,265	13,223
Interest expense	11,451	11,085
Payments	-14,131	-13,624
<b>CLOSING BALANCE</b>	<b>290,069</b>	<b>282,484</b>

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

	2017	2016
Pension costs, defined benefit plans	10,265	13,223
Interest part of the pension cost	11,451	11,085
<b>PENSION COSTS, DEFINED BENEFIT PLANS</b>	<b>21,716</b>	<b>24,308</b>
Pension costs, defined contribution plans	24,722	22,788
Employer's contribution and tax on the yield, other pension costs	10,942	11,131
<b>TOTAL PENSION COSTS</b>	<b>57,380</b>	<b>58,227</b>

#### ACTUARIAL ASSUMPTIONS

The actuarial calculation of pension commitments and pension costs in the Parent Company is based on the actuarial assumptions laid down in the PRI system and by the Swedish Financial Supervisory Authority.

## 30 Other liabilities

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Other interestbearing liabilities	857,982	1,762,042	857,982	1,762,042
Other non-interest-bearing liabilities	359,391	409,892	359,991	410,492
<b>TOTAL, OTHER LIABILITIES</b>	<b>1,217,373</b>	<b>2,171,934</b>	<b>1,217,973</b>	<b>2,172,534</b>

Other liabilities are reported and valued according to the Other financial liabilities category. The fair value is equivalent to the carrying amount of other liabilities. The Group's other liabilities are on level 2 in the fair value hierarchy.

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 totaling KSEK 858,000 (1,762,000).

Of the Group's other liabilities, KSEK 1,143,418 falls due for payment within one year of the year-end, KSEK 67,674 within one to five years of the year-end, and KSEK 6,281 later than five years after the year-end.

### 31 Accrued expenses and prepaid income

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Prepaid rental revenue	1,553,637	1,487,165	1,553,637	1,487,165
Accrued salary and personnel costs	37,730	35,098	37,730	35,098
Accrued operating and maintenance costs	81,371	89,139	81,371	89,139
Accrued investments	1,021	195,441	1,021	195,441
Accrued interest	208,566	196,289	208,566	196,289
Other interim liabilities	67,821	18,395	67,821	18,395
<b>TOTAL</b>	<b>1,950,146</b>	<b>2,021,527</b>	<b>1,950,146</b>	<b>2,021,527</b>

### 33 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 set their fair value.

Level 1 refers to when fair value is set based on 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 infor-

2017	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Investments				
- current investment	—	5,249,516	—	5,249,516
Independent derivatives				
- interest rate derivatives	—	607,833	—	607,833
- currency derivatives	—	—	—	—
- cross currency interest rate swap agreements	—	—	—	—
Hedging instruments, fair value hedging				
- interest rate derivatives	—	—	—	—
- cross currency interest rate swap agreements	—	1,026,425	—	1,026,425
Hedging instruments, cash flow hedging				
- currency derivatives	—	16,856	—	16,856
- electricity derivatives	—	—	—	—
<b>TOTAL ASSETS</b>	<b>—</b>	<b>6,900,630</b>	<b>—</b>	<b>6,900,630</b>
<b>LIABILITIES</b>				
Independent derivatives				
- interest rate derivatives	—	956,497	—	956,497
- currency derivatives	—	—	—	—
- cross currency interest rate swap agreements	—	—	—	—
Hedging instruments, fair value hedging				
- interest rate derivatives	—	—	—	—
- cross currency interest rate swap agreements	—	—	—	—
Hedging instruments, cash flow hedging				
- currency derivatives	—	52,506	—	52,506
- electricity derivatives	-5,014	—	—	-5,014
<b>TOTAL LIABILITIES</b>	<b>-5,014</b>	<b>1,009,003</b>	<b>—</b>	<b>1,003,989</b>

### 32 Maturity structure, liabilities

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Liabilities due for payment within one year of the year-end	13,222,607	14,305,575	13,225,360	14,308,328
Liabilities due for payment within 1-5 years of the year-end	9,708,292	14,984,129	9,708,291	14,984,129
Liabilities due for payment later than five years after the year-end	28,440,133	18,988,500	19,105,292	11,065,086
<b>TOTAL</b>	<b>51,371,031</b>	<b>48,278,204</b>	<b>42,038,943</b>	<b>40,357,543</b>

mation 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 with the aid of STIBOR/LIBOR for short-term interest rates and swap notations for longer terms. The source of this information is real-time data from Thomson/Reuters.

2016	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Investments				
- current investment	—	4,692,812	—	4,692,812
Independent derivatives				
- interest rate derivatives	—	590,283	—	590,283
- currency derivatives	—	—	—	—
- cross currency interest rate swap agreements	—	—	—	—
Hedging instruments, fair value hedging				
- interest rate derivatives	—	—	—	—
- cross currency interest rate swap agreements	—	1,582,461	—	1,582,461
Hedging instruments, cash flow hedging				
- currency derivatives	—	211,152	—	211,152
- electricity derivatives	—	3,037	—	3,037
<b>TOTAL ASSETS</b>	<b>—</b>	<b>7,079,745</b>	<b>—</b>	<b>7,079,745</b>
<b>LIABILITIES</b>				
Independent derivatives				
- interest rate derivatives	—	665,218	—	665,218
- currency derivatives	—	—	—	—
- cross currency interest rate swap agreements	—	—	—	—
Hedging instruments, fair value hedging				
- interest rate derivatives	—	—	—	—
- cross currency interest rate swap agreements	—	—	—	—
Hedging instruments, cash flow hedging				
- currency derivatives	—	24,793	—	24,793
- electricity derivatives	415	—	—	415
<b>TOTAL LIABILITIES</b>	<b>415</b>	<b>690,011</b>	<b>—</b>	<b>690,426</b>

### 34 Financial risk management (Group)

Akademiska Hus carries on active debt management where the strategy is to weigh up 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 liability.
- 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 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 the 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, the Group uses interest derivatives as a means of adjusting and securing the desired 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 4,778 million (3,611) were issued, equivalent to 14.07 per cent (11.22) of the total portfolio.

Index-linked bond portfolio – bonds linked to the real interest rate, must not exceed 10 per cent (10) of the total portfolio. At the turn of the year, index-linked bonds totalling SEK 900 million (900) were issued, equivalent to 2.65 per cent (2.8) of the total portfolio.

Basic portfolio – consists of the remaining portion of commercial paper, bonds 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 (2 to 6 years). The fixed interest period at the year-end was 4.5 years (4.69), including interest derivatives.

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

	Fixed interest, SEK m	Maturity, SEK m
2018:1	1,865	13,535
2018:2	-517	-517
2018:3	2,313	300
2018:4	—	—
2019	2,420	1,884
2020	2,370	1,950
2021	5,045	2,600
2022	1,000	2,200
2023	426	200
2024	200	500
2025 and later	13,300	5,770
<b>TOTAL</b>	<b>28,422</b>	<b>28,422</b>

The table above shows the nominal amounts. The nominal amounts have been recalculated at the year-end rate. As all loans raised in a foreign currency are swapped to Swedish kronor, the exchange rate effect is neutralised. A positive figure means that the Group pays interest and a negative figure means that the Group receives interest.

#### CURRENCY EXPOSURE RISK

A currency risk is the risk that exchange rate changes will have an impact on the Income Statements and Consolidated Balance Sheets. The policy is that all currency exposure risk in conjunction with financing in foreign currency should be eliminated as the operation is denominated exclusively in Swedish kronor. All payment flows in foreign currency attributable to financing are hedged with the aid of forward exchange swaps and cross currency swap agreements.

#### CURRENCY BREAKDOWN, LOANS AND DERIVATIVES, SEK M

Original currency	Loans	Derivatives	Total
AUD	582	-582	—
CHF	7,977	-7,977	—
EUR	1,769	-1,769	—
GBP	277	-277	—
HKD	1,375	-1,375	—
JPY	726	-726	—
SEK	16,578	17,444	34,022
USD	5,334	-5,334	—
<b>TOTAL</b>	<b>34,618</b>	<b>-596</b>	<b>34,022</b>

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

#### 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 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 45 per cent (50) may fall due for refinancing within a 12-month period.

Unutilised credit facilities should be in place to guarantee good payment capacity.

The Group's cash and bank balances at the end of 2016 totalled SEK 6,479 million (5,370). At the year-end, bank facilities granted totalled SEK 3,000 million (3,000).

#### FACILITIES AND RATING

	Rating Standard & Poor's	Rating Moody's	Framework 31-12-2017	Utilised, nominal 31-12-2017
Committed credit facilities in bank			SEK 3,000 m	—
Commercial paper	A1+/K1		SEK 4,000 m	—
ECP (Euro Commercial Paper)	A1+	P-1	EUR 1,200 m	EUR 496 m
MTN (Medium Term Note) <sup>1</sup>	AA		SEK 8,000 m	SEK 770 m
EMTN (Euro Medium Term Note)	AA/A1+		EUR 3,000 m	EUR 2,811 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 variable 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 on the next page. 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	Hedged loans	Derivative insurance	Derivatives	Current investments	Total
2018	-2,203	-7,789	667	-32	5,955	-3,402
2019	-2,320	-111	-356	-20	—	-2,807
2020	-2,659	-112	9	19	—	-2,743
2021	-2,461	-3,166	197	26	—	-5,404
2022	-244	-48	-1,086	45	—	-1,333
2023	-244	-452	-108	12	—	-792
2024	-444	-37	-111	27	—	-565
2025 and later	-11,074	-5,079	-1,344	37	—	-17,460
<b>TOTAL</b>	<b>-21,649</b>	<b>-16,794</b>	<b>-2,132</b>	<b>114</b>	<b>5,955</b>	<b>-34,506</b>

Positive value = payments received, negative value = payments made.

## 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 changes in the value of derivatives. The Risk Plan includes a limit system where permitted exposure depends on the counter-party's credit rating or ownership and the term of the involvement. 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, should always be signed with a counter-party before uncleared derivative transactions take place. As at 31 December 2017, the total counter-party exposure in derivatives (calculated as the net claim per counter-party) stood at SEK 815 million (1,508). 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 the year-end, the Group had received SEK 629 million (1,631) 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:

	Amounts that are not offset, but are covered by framework agreements for netting or similar agreements 31-12-2017			Amounts that are not offset, but are covered by framework agreements for netting or similar agreements 31-12-2016		
	Reported financial assets/liabilities gross	Cash collateral received	Net amount	Reported financial assets/liabilities gross	Cash collateral received	Net amount
<b>ASSETS</b>						
Derivatives	1,651,114	-857,982	793,131	2,386,932	-1,762,042	624,890
<b>TOTAL</b>	<b>1,651,114</b>	<b>-857,982</b>	<b>793,131</b>	<b>2,386,932</b>	<b>-1,762,042</b>	<b>624,890</b>
<b>LIABILITIES</b>						
Derivatives	1,003,989	-231,144	772,845	690,426	-131,164	559,262
<b>TOTAL</b>	<b>1,003,989</b>	<b>-231,144</b>	<b>772,845</b>	<b>690,426</b>	<b>-131,164</b>	<b>559,262</b>

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

## COUNTER-PARTY RISK, EXCLUDING RENT RECEIVABLES, SEK M

	Receivable	Liability	Collateral received/granted	Net exposure
<b>INSTITUTIONS WITH A LONG RATING</b>				
AA-/Aa3	73	-16	49	8
A+/A1	160	-94	-94	160
A/A2	510	-62	558	-110
A-/A3	555	-12	—	543
BBB+/Baa1	220	-119	116	-15
<b>INSTITUTIONS WITH ONLY A SHORT RATING</b>				
K-1	700	—	—	700
Companies wholly owned by the Swedish state	3,891	—	—	3,891
Companies partly owned by the Swedish state	100	—	—	100
<b>TOTAL</b>	<b>6,209</b>	<b>-303</b>	<b>629</b>	<b>5,277</b>

Positive figure = Group receivable, negative figure = Group liability.

## 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.

## 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.

## 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.

### 35 Asset management (Group)

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 60 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 (equity ratio 30 per cent to 40 per cent).

The other financial targets are that the equity ratio should be between 30 and 40 per cent and that the return on operating capital should be at least 6.5 per cent.

At the end of 2017, the equity ratio was 43.3 per cent (41.4) for the Group and 19.0 per cent (19.1) for the Parent Company. After the dividend of SEK 1,630 million proposed by the Board of Directors, the equity ratio will be 42.2 per cent for the Group and 16.5 per cent for the Parent Company.

Financing operations are described in the Financing section in the Administration Report, Note 28 Loans and Note 34 Financial risk management.

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

The Group's capital is as follows:

	31-12-2017	31-12-2016
Loans from financing programmes (Note 28)	34,739,653	32,756,563
Collateral received for derivative transactions entered into (Note 30)	857,982	1,762,042
Financial derivatives (Note 20)	-647,125	-1,696,506
Cash and cash equivalents (Note 26)	-6,479,484	-5,369,617
<b>INTEREST-BEARING NET LOAN LIABILITY</b>	<b>28,471,026</b>	<b>27,452,482</b>
<b>EQUITY</b>	<b>39,186,212</b>	<b>34,151,677</b>

### 36 Pledged assets

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Blocked bank funds	64,148	297,756	64,148	297,756
Current investments	231,144	131,164	231,144	131,164
<b>TOTAL</b>	<b>295,292</b>	<b>428,920</b>	<b>295,292</b>	<b>428,920</b>

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

Pledged assets have decreased by SEK 134 million. The Group also received collateral of SEK 858 million, see Note 34.

### 37 Contingent liabilities

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Contingent liability, PRI	4,564	4,332	4,564	4,332
<b>TOTAL</b>	<b>4,564</b>	<b>4,332</b>	<b>4,564</b>	<b>4,332</b>

### 38 Adjustments for items not included in cash flow

	Group		Parent Company	
	2017	2016	2017	2016
Depreciation, etc	3,932	5,518	1,159,923	1,040,307
Change in value, properties	-5,080,536	-3,722,328	—	—
Capital gain (-)/loss (+) on sale of tangible, non-current assets	—	-35,257	-168,627	-23,849
Changes in value, financial instruments	312,945	-424,077	312,945	-424,077
Cash flow hedge	-3,607	52,575	-3,607	52,575
Change in pension provisions and similar commitments	25,063	17,493	7,585	10,683
Other	—	—	—	—
<b>TOTAL</b>	<b>-4,742,203</b>	<b>-4,106,076</b>	<b>1,308,219</b>	<b>655,639</b>

### 39 Purchase sum in conjunction with investments, acquisitions and disposals

For investments and acquisitions for the period, a total of KSEK 2,555,667 (2,763,607) has been paid, of which KSEK 2,555,667 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 203,750 (103,072) has been received, of which KSEK 203,750 was received in cash and cash equivalents.

### 40 Reconciliation of liabilities attributable to financing activities

Opening liabilities for interest-bearing liabilities including derivatives in the Group total SEK 33,447 million. Closing balance totals SEK 35,744 million, corresponding to an increase of SEK 2,297 million. This increase consists of a positive cash flow of SEK 2,723 million from financing activities and changes that do not affect cash flow of SEK -426 million relating to amortisation of premiums/discounts, exchange rates and fair value.

The equivalent also applies for the Parent Company.

## 41 Change in interest-bearing net loan liabilities

	Group		Parent Company	
	31-12-2017	31-12-2016	31-12-2017	31-12-2016
Opening amount	26,962,415	23,923,104	26,962,583	23,923,272
Increase (-)/ Decrease (+) in interest-bearing receivables	736,344	-478,875	736,344	-478,875
Increase (-)/ Decrease (+) in current investments	-656,682	-2,378,588	-656,682	-2,378,588
Increase (-)/ Decrease (+) in cash and cash equivalents	-453,186	1,254,956	-453,186	1,254,956
Increase (-)/ Decrease (+) in current receivables	-365,183	30,564	-365,183	30,564
Increase (+)/ Decrease (-) in interest-bearing liabilities	1,345,101	4,611,254	1,345,101	4,611,254
Increase (+)/ Decrease (-) in interest-bearing liabilities, addition following merger	—	—	—	—
<b>CHANGE IN INTEREST-BEARING NET LOAN LIABILITIES</b>	<b>606,394</b>	<b>3,039,311</b>	<b>606,394</b>	<b>3,039,311</b>
<b>AMOUNT AT THE YEAR-END</b>	<b>27,568,809</b>	<b>26,962,415</b>	<b>27,568,977</b>	<b>26,962,583</b>

## 42 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	
	2017	2016	2017	2016
<b>Income</b>				
Companies within the Akademiska Hus Group	—	—	—	—
<b>TOTAL</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Liabilities</b>				
Companies within the Akademiska Hus Group	—	—	2,153	2,153
<b>TOTAL</b>			<b>2,153</b>	<b>2,153</b>

## 43 Events after the year-end

There were no events of a material nature after the end of the reporting period.

# 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 Inter-

national 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 2017 has been approved for publication by the Board of Directors and the CEO.

Gothenburg, 14 March 2018

Anitra Steen  
Chairman

Caroline Arehult  
Board member

Britta Burreau  
Board member

Kristina Ekengren  
Board member

Peter Gudmundson  
Board member

Thomas Jennlinger  
Employee representative

Anders Larsson  
Employee representative

Christer Nerlich  
Board member

Gunnar Svedberg  
Board member

Örjan Wikforss  
Board member

Ingemar Ziegler  
Board member

Kerstin Lindberg Göransson  
President

Our Audit Report was submitted on 16 March 2018.

KPMG AB  
Björn Flink  
Authorised Public Accountant

# Auditor's Report

To the general meeting of the shareholders of Akademiska Hus AB, corp. id 556459-9156

## Report on the annual accounts and consolidated accounts

### OPINIONS

We have audited the annual accounts and consolidated accounts of Akademiska Hus AB for the year 2017, except for the corporate governance statement on pages 46–53. The annual accounts and consolidated accounts of the company are included on pages 34–95 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 the parent company as of 31 December 2017 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 2017 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 opinions do not cover the corporate governance statement on pages 46–53. 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 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 FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and 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. 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 opinions.

### 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.

**VALUATION OF INVESTMENT PROPERTY**

See note 2 General accounting principles, note 16 Properties (Group) and note 17 Properties (Parent Company) on pages 69, 82 and 84 respectively in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter	Response in the audit
<p>Investment property is held at fair value in the consolidated accounts.</p> <p>As per 31 December 2017 Investment property amounts to MSEK 80,444, which is approximately 90 % of total consolidated assets. Accounting for investment property at fair value requires significant judgements and estimates of future events. Fair value has been determined through internal valuations. In addition, in order to validate reliability in valuations, external valuations have been obtained for a selection of properties held by the group.</p> <p>Given the significant share of total consolidated assets and the significant judgements and estimates of future events required when valuing investment property we consider valuation of investment property as a key audit matter in our audit.</p> <p>The risk is that fair value of investment property could be over- or underestimated and that any adjustment to fair value would directly affect the periods' result.</p>	<p>We have considered if the valuation methods used are reasonable by comparing them with our experience from methods used by other property companies and external property appraisers and those assumptions and prerequisites normally used in investment property valuations.</p> <p>We have assessed the expertise of the internal valuation organization.</p> <p>We have taken part of and assessed the relevance of the information gathered by the Company from external sources to support significant assumptions and preconditions in valuation models used.</p> <p>We have tested controls established by the Company to ensure that input data to internal valuations are accurate and complete.</p> <p>We have, on sample basis, tested property valuations. In doing so, we used market data derived from external sources in order to challenge significant assumptions and estimates used, in particular on yields and imputed rates of interest.</p> <p>We have checked the accuracy of disclosures on investment property given in the notes to the annual report, in particular on significant assumptions and key estimates used.</p>

**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 5, 11, 13, 16–22, 26–28, 31–33 and 107–108. 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. The Board of Directors and the Managing Director 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 consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend 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.

**AUDITOR'S 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 accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and

consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## 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 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### BASIS FOR 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 fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

## AUDITOR'S 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, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance 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 generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of

the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

## THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 46–53 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 statement 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.

KPMG AB, Box 3018, 169 03, Solna, was appointed auditor of Akademiska Hus AB by the general meeting of the shareholders on April 28th 2014. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2014.

Gothenburg 16 March 2018

KPMG AB  
Björn Flink  
Authorized Public Accountant



# About the Sustainability Report

Akademiska Hus' sustainability report is an integral part of the annual report and follows the Global Reporting Initiative (GRI) guidelines, GRI G4, and the GRI's Construction and Real Estate Sector Supplement. The report is in accordance with the "Core" option. KPMG has reviewed and certified the sustainability report.

Since 2013 Akademiska Hus has supported the UN Global Compact initiative and thus takes a stand and accepts responsibility for ten recognised principles relating to human rights, labour rights, the environment and anti-corruption issues. The principles are based on the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and the Rio Declaration. The Annual Report and the Sustainability Report also serve as Akademiska Hus' Communication on Progress (COP) for reporting work to the Global Compact.

The Sustainability Report of Akademiska Hus covers the financial year and is published annually. The most recent report was published on 24 March 2017. Akademiska Hus presents its sustainability work based on the Company's main processes, with the focus on those areas that are considered most important. No significant changes have taken place in the business during the accounting period. The data presented cover the financial year 2017, from 1 January to 31 December, and applies to Akademiska Hus as a Group.

The sustainability report includes pages 2–3, 6–10, 12, 14–15, 23–25, 29–30, 42–45, 52–53 and 102–106. The sustainability report also

includes Akademiska Hus' statutory sustainability report in accordance with chapter 6 of the Swedish Annual Accounts Act. The cross-reference table presents a summary of the GRI indicators that are reported and page references to the respective indicator and COP.

A summary of the trade organisations of which the Company is a member can be found at [akademiskahus.se](http://akademiskahus.se).



## Contact

Mia Edofsson  
Sustainability Manager  
[mia.edofsson@akademiskahus.se](mailto:mia.edofsson@akademiskahus.se)

## GRI data

The following information about the GRI indicators is not presented anywhere else in the Annual Report.

### G4-10: TOTAL WORKFORCE BY EMPLOYMENT TYPE, EMPLOYMENT CONTRACT, REGION AND GENDER

As at 31 December 2017 Akademiska Hus employs a total of 466 people, all of whom are permanently employed, with the exception of ten people who are on trial contracts. Nineteen people have part-time jobs.

Distribution of men and women, by region:

	Gender		Total
	Women	Men	
Staff and operational support	71	52	123
Campus and business development	11	8	19
Property Management	45	237	282
Projects	13	29	42
<b>Total</b>	<b>140</b>	<b>326</b>	<b>466</b>
	30%	70%	100%

### G4-20-21: ASPECT AND BOUNDARIES WITHIN AND OUTSIDE THE ORGANISATION

Material aspect	GRI aspect	Boundary
<b>Efficient use of resources</b>	Energy Emissions	Own operations and supply chain and customers
<b>A safe working environment</b>	Occupational Health and safety	Own operations and supply chain
<b>Good supplier management</b>	Supplier Environmental Assessment regarding the environment and working conditions	Supply chain
<b>High transparency and effective anti-corruption programme</b>	Anti-corruption	Own operations and customers
<b>Diversity</b>	Diversity and equal opportunity	Own operations

In addition to these essential areas we see collaboration regarding innovation, campus development and student accommodation as important issues for our business. Read more on page 9.

**G4-EC1: DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED**

Economic stakeholder relations

**Direct economic value generated**

Income	5,806
<b>Economic value distributed</b>	
Payments to suppliers	-1,658
Employee wages and benefits	-249
Fees and remuneration to the Board and CEO	-12
Social security costs	-125
Interest paid to lenders, net	-532
Dividends to shareholders	-1,393
<b>Economic value retained</b>	<b>1,837</b>

Other key figures for the EC-1 indicator can be found in:

Income Statement page 56  
Allocation of unappropriated earnings page 55  
Staff note Note 10, pages 77–78.

**G4-EN3: ENERGY CONSUMPTION WITHIN THE ORGANISATION**

MWh	2017	2016
Total energy consumption (energy that is neither renewable nor recovered)	48,773	92,416
Total energy consumption (renewable or recovered energy)	730,842	691,582
Total electricity	381,601	387,329
including energy charges passed on to tenant	270,936	269,863
Total heating	307,389	306,208
including energy charges passed on to tenant	83,718	106,048
Total cooling	74,103	73,447
including energy charges passed on to tenant	64,188	68,162
Total steam	16,523	17,014
including energy charges passed on to tenant	9,586	11,253

Own electricity generation from renewables	2017	2016
Solar electricity (MWh)	1,228	1,165

Degree day method has been used for correction of heat.

**G4-EN6: REDUCTION OF ENERGY CONSUMPTION**

	2017	2016
Total reduction (MWh)	4,383	19,496
Invested (SEK)	186,360,175	130,233,675

**G4-EN16: ENERGY INDIRECT GREENHOUSE GAS EMISSIONS**Total CO<sub>2</sub> emissions in 2017 amounted to 28,495 tons (29,162 tons).<sup>1</sup>

1) All CO<sub>2</sub>-data in this summary is based on information from suppliers who report in accordance with current accounting standards. 2016 emission factors for heating were primarily used since emission factors for 2017 were not available at the time this report was prepared.

**G4-CRE3: GREENHOUSE GAS EMISSION LEVELS FROM PROPERTIES**Greenhouse gas emissions levels from Akademiska Hus properties was 7.0 kg of CO<sub>2</sub>/m<sup>2</sup> (7.7 kg CO<sub>2</sub>/m<sup>2</sup>).**G4-LA6: WORK-RELATED INJURIES AND ILLNESSES**

Work-related injuries and illnesses are reported in the systems "AkaÄrende" and AFA's Informationssystem Arbetsmiljö (IA).

During the year a total of 24 work-related injuries were reported for Akademiska Hus personnel. These injuries included 7 driving accidents and 3 work-related illnesses as a result of stress. The most common type of occupational injury for employees include driving accidents (7), fall accidents (6) and stress (3).

During the same period, 62 injuries were reported for contractors involved in our management and construction projects. The most common type of occupational injuries for contractors included lacerations, puncture wounds or crush injuries (18), fall accidents (14) and materials that collapsed, fell or broke (7).

LA-5 Representation on health and safety committees 47 employees (10 per cent) är committed i Health and safety committees.

**G4-LA12: DIVERSITY WITHIN THE ORGANISATION**

As at 31 December 2017, Akademiska Hus employees included 30 per cent women and 70 per cent men.

**Age and gender:**

Composition of the company	2017		
	Number	Number of women	Number of men
<b>Board of Directors</b>			
Under 30 years			
30-50 years	2	2	
Over 50 years	9	2	7
<b>Executive Management</b>			
Under 30 years			
30-50 years	6	1	5
Over 50 years	4	4	—
<b>Employees in managerial position<sup>1</sup></b>			
Under 30 years	2	1	1
30-50 years	40	17	23
Over 50 years	26	5	21
<b>Other employees</b>			
Under 30 years	25	6	19
30-50 years	197	71	126
Over 50 years	166	35	131

1) Executive Management is reported separately

The table shows the composition of the composition of the company by gender and age for different levels within the company.

# GRI and COP index

Indicator	Description	Page or reference	Comment	Global Compact principle
<b>STRATEGY AND ANALYSIS</b>				
G4-1	Statement from the President	2-3		
<b>ORGANISATION PROFILE</b>				
G4-3	Organisation name	Front cover		
G4-4	Brands, products, and services	1, 21		
G4-5	Location of head office	108		
G4-6	Number of countries in which the organisation operates	108		
G4-7	Ownership structure and legal form	46		
G4-8	Markets in which the organisation operates	32		
G4-9	Scale of the reporting organisation	Inside cover, 56, 77, 102		
G4-10	Total workforce by employment type, employment contract, region and gender	102	Akademiska Hus reports the number of employees by employment type, gender and operational unit. The Company also has a large number of temporary employees from staffing companies, but they are not reported because no data is available. Akademiska Hus has no significant variations in the number of employees over the year.	6
G4-11	Proportion of the workforce covered by collective bargaining agreements		All employees are signed to the collective "Almega Fastigheter Salary Agreement" except for employees in business management positions.	3
G4-12	Description of the organisation's supply chain	8-10, 25, 29-30		
G4-13	Significant changes during the reporting period		No significant changes during the financial year.	
G4-14	Description of whether and how the organisation follows the Precautionary Principle	44	Akademiska Hus works according to environmental management system ISO 14001:2004.	
G4-15	Externally developed economic, environmental and social declarations, principles or other initiatives that the organisation supports or is affiliated with	102		
G4-16	Membership of organisations and/or national/international lobbying organisations		akademiskahus.se (Sustainability/Sustainability partnerships)	
<b>ESSENTIAL ASPECTS AND LIMITATIONS</b>				
G4-17	Entities that are included in the organisation's financial statements	85, 102		
G4-18	Description of the process for defining report content and aspect boundaries	8-10		
G4-19	Material aspects identified	8-10		
G4-20	Aspect and boundaries within the organisation	102		
G4-21	Aspect and boundaries outside the organisation	102		
G4-22	Changes to the information provided in previous reports and the reasons for such changes		No significant changes have been made to information submitted in the 2016 report.	
G4-23	Significant changes that have been made since the previous reporting period	102		
<b>COMMUNICATION AND STAKEHOLDERS</b>				
G4-24	Stakeholder groups engaged by the organisation	8-10		
G4-25	Principle for identifying and selecting stakeholders	8-10		
G4-26	Approach to stakeholder engagement	8-10		
G4-27	Important areas and issues that have been raised in communication with stakeholders	8-10		
<b>INFORMATION ON ACCOUNTING AND CONTROL</b>				
G4-28	Reporting period	102		
G4-29	Publication date for latest report	102		
G4-30	Reporting cycle	102		
G4-31	Contact for questions regarding the report and its content	102		
G4-32	Report GRI Content Index according to the GRI reporting level Core and external assurance report	102, 104-105, 106		

Indicator	Description	Page or reference	Comment	Global Compact principle
G4-33	Statement of the organisation's policy and procedures for external assurance of reporting	102, 106		
G4-34	Statement of the organisation's corporate governance	46-53		
<b>ETHICS AND INTEGRITY</b>				
G4-56	The organisation's values, principles and ethical standards such as codes of conduct	25, 42		10
<b>FINANCES</b>				
<b>DMA</b>	<b>Economic Performance</b>	Inside cover, 6-7, 12		
EC-1	Direct economic value generated and distributed	55-56, 76-78, 103		
<b>DMA</b>	<b>Indirect economic impacts</b>	1, 6-7, 23-25		
EC-7	Investments in infrastructure and services for public benefit	23-30		
<b>ENVIRONMENT</b>				
<b>DMA</b>	<b>Energy</b>	12, 29-30		
EN-3	Energy Consumption within the organisation	29-30, 103	Akademiska Hus reports on electricity, heating and cooling because these areas account for the dominant share of energy consumption.	7, 8
EN-6	Reduction of energy consumption	29-30, 103	Akademiska Hus reports on electricity, heating and cooling because these areas account for the dominant share of energy consumption.	8, 9
<b>DMA</b>	<b>Emissions</b>	29-30		
EN-16	Energy indirect greenhouse gas emissions (scope 2)	103		7, 8
CRE-3	Greenhouse gas emission levels from properties	103		
<b>DMA</b>	<b>Supplier Environmental Assessment</b>	25		
EN-32	Number of new suppliers that have undergone environmental inspection	25	The information relates to the percentage of active suppliers.	8
<b>DMA</b>	<b>Occupational Health and safety</b>	15, 25		
LA-5	Representation on health and safety committees	103		
LA-6	Work-related injuries and illnesses	14, 103	Akademiska Hus reports total figures for absence through sickness and injuries at work for the company as a whole. Work-related injuries and illnesses for contractors cannot be reported due to unavailability of data.	
<b>DMA</b>	<b>Diversity and equal opportunity</b>	14, 25		
LA-12	Diversity within the organisation	103		6
<b>DMA</b>	<b>Monitoring of suppliers' working conditions</b>	25		
LA-14	Number of new suppliers that have undergone inspection of working conditions	25	The information relates to the percentage of active suppliers.	
<b>DMA</b>	<b>Anti-corruption</b>	25, 42-45, 52-53		
SO-5	Corruption incidents and action taken	52		10
<b>DMA</b>	<b>Product and Service labelling</b>	8, 12		
PR-5	Results from customer satisfaction surveys	12		
CRE-8	Type and number of sustainability certificates, ratings and scores for new construction	25		
<b>Human rights</b>				1, 2
Consistently important issue throughout the value chain. Given high priority in efforts to establish accident-free workplaces.				
<b>Child labour</b>				5
The Code of Conduct covers this principle, but this area is not identified as one of the main risk areas for Akademiska Hus.				
<b>Forced labour</b>				4
The Code of Conduct covers this principle, but this area is not identified as one of the main risk areas for Akademiska Hus.				

# Assurance Statement

**Auditor's Limited Assurance Report on Akademiska Hus AB (Publ.) Sustainability Report and statement regarding 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 to undertake a limited assurance engagement of Akademiska Hus AB (Publ.) Sustainability Report for the year 2017. Akademiska Hus has defined the scopes of the Sustainability Report and the Statutory Sustainability Report on page 102 in this document.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with applicable criteria and the Annual Accounts Act respectively. The criteria are defined on page 102 in the Sustainability Report, and are part of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative), that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to express an opinion regarding the Statutory Sustainability Report.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of 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. Our examination regarding the Statutory Sustainability Report has been conducted in accordance with FAR:s accounting standard RevR12. The auditor's opinion regarding the Stat-

utory Sustainability Report. A limited assurance engagement and an examination according to RevR 12 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.

The 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 of Akademiska Hus in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

Our procedures are based on the criteria defined by the Board of Directors and Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusions below.

## CONCLUSIONS

Based on the limited assurance procedures performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A Statutory Sustainability Report has been prepared.

Gothenburg, 16 March 2018

KPMG AB

Björn Flink  
Authorized Public Accountant

Torbjörn Westman  
Expert Member of FAR

# 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 after 22 per cent tax rate in relation to average equity (IB+UB)/2.

### Return on operating capital

Earnings before changes in value and tax, excluding net interest income/expense in relation to average operating capital (IB+UB)/2.

### Return on total assets

Earnings before appropriations and taxes excluding financial expenses in relation to average Total equity and liabilities (IB+UB)/2.

### Loan-to-value ratio

Interest-bearing net loan debt in relation to the closing value of properties.

### Yield

Operating surplus in relation to the average fair value, excluding buildings under construction.

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

### Net operating income ratio

Net operating income in relation to property management income.

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

### Total financing cost including changes in value

Net interest and the change in value of financial derivatives, in relation to average interest-bearing capital. (Please see the table on the top right.)

### Interest coverage ratio

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

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

### 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. (Please see the table on the top right.)

### Internal financing ratio

Cash flow from current operations before changes in working capital in relation to net investments.

## NET INTEREST INCOME AND EXPENSE, BREAKDOWN, SEK M

SEK M	01-01-2017- 31-12-2017	01-01-2016- 31-12-2016
Interest cost, net loans and financial assets	-221	-233
Net interest derivatives	-60	-133
Change in value, independent financial derivatives		
- unrealised	-8	-18
- realised	-54	-217
Changes in value, fair value hedges	-181	-6
Other interest costs	-8	-17
Capitalised interest expense, projects	101	75
<b>Reported net interest income and expense</b>	<b>-431</b>	<b>-549</b>
<b>Average interest-bearing capital (full-year basis)</b>	<b>-29,973</b>	<b>-28,104</b>

### Net investments

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

### Net loan liability

Loans, derivatives, portion of current receivables and liabilities as well as cash and cash equivalents. Pension provisions and similar items are not included.

SEK M	01-01-2017- 31-12-2017	01-01-2016- 31-12-2016
Loans	-34,740	-32,757
Derivatives - liabilities	-958	-690
Collateral for derivatives	-858	-1,762
Cash and cash equivalents	6,479	5,369
Other current receivables	857	492
Derivatives - receivables	1,651	2,386
<b>Total net loan liability</b>	<b>-27,569</b>	<b>-26,962</b>

### Operating capital

Equity plus interest-bearing net loan liability.

### Interest-bearing liabilities

Interest-bearing loans, including pension provisions and similar items.

### Equity ratio

Equity in relation to Total equity and liabilities.

### 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, monitoring 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.

**Floor space, m<sup>2</sup>, GFS**

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

**Floor space, m<sup>2</sup>**

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

27 April 2018	Annual General Meeting
27 April 2018	Interim Report, January-March 2018
13 July 2018	Interim report April-June 2018
26 October 2018	Interim Report, July-September 2018
February 2019	Year-end report 2018
March 2019	Annual Report 2018

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