

Interim Report

Quarter
3

1 January - 30 September 2017

Strong property market increases earnings

Akademiska Hus reports a strong performance for the third quarter, due to a substantial change in value in the property portfolio. Net operating income for the period was essentially unchanged compared with the previous year. A number of new digital arenas and working methods have been tested in order to continue to advance campus development.

[Read more in the Statement by the President on page 3.](#)

Key events

- Akademiska Hus has decided to invest around SEK 110 million to renovate Frescati backe at Stockholm University. The Department of Child and Youth Studies will have a more integrated solution with classrooms in connection with the administrative facilities and flexible office solutions.
- Chalmers celebrates the grand opening of the Built Environment building after extensive renovation. The result is a building for research and education within Chalmers Built Environment, which includes the departments of Architecture and Civil and Environmental Engineering.
- The Segerstedt Building in Uppsala celebrated its grand opening. Uppsala University's new management and administration building gathers 600 employees, who previously worked at nine different addresses. The building is also open to students where they are offered study areas and student services.
- In September Akademiska Hus was one of nine partners chosen to participate in a major EU project for climate-smart solutions. This five-year project, known as IRIS, involves open data and testing climate-smart solutions for energy and sustainable transports.
- Akademiska Hus is now joining Uppsala Innovation Centre (UIC) as a partner, which will make it possible to provide more innovative growth companies with support and encourage their development in Uppsala County. UIC is one of Sweden's foremost business incubators.

Financial key figures

JANUARY-SEPTEMBER

- Rental revenue was SEK 4,190 million (4,098).
- Net operating income was SEK 2,993 million (2,935), an increase of SEK 58 million, which is largely attributable to completion of new buildings and an additional consideration.
- Changes in property values with an impact on profit totalled SEK 3,584 million (2,488), corresponding with a 4.9 per cent (3.7) increase in the value of the properties.
- Changes in the value of financial instruments amounted to SEK -144 million (-418).
- Profit before tax for the period amounted to SEK 6,228 million (4,703) and profit for the period was SEK 4,783 million (3,663).
- Investment in redevelopment and new construction during the period totalled SEK 2,154 million (2,103).
- The yield (excluding properties under construction) was 5.4 per cent (5.9) on a rolling 12-month basis. The decline can be explained by an increase in property value while net operating income remained unchanged.

THIRD QUARTER

- Rental revenue was SEK 1,408 million (1,358).
- Net operating income amounted to SEK 1,031 million (1,030).
- Changes in property values amounted to SEK 1,667 million (430). The change in value can primarily be attributed to lower yield requirements.
- Net interest income improved by SEK 30 million to SEK -56 million, which can mainly be attributed to the low interest rates.
- Pre-tax profit was SEK 2,681 million (1,199). The increase is attributable to changes in value.



AKADEMISKA HUS

This is Akademiska Hus

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

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

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

CREDITWORTHY TENANTS AND LONG-TERM CONTRACTS

The majority of Akademiska Hus' revenue, approximately 90 per cent, comes from colleges and universities. Since they are essentially government agencies, this customer group has the highest credit rating. To meet customer needs, we often invest in specially adapted premises, which results in long lease terms. The average lease term during the year was 10 years (11). The vacancy rate is low, partly as a result

of high demand for facilities for higher education and research, and also because new projects do not start until contracts are signed.

LONG-TERM FINANCING

Cash flow from current operations is reinvested in new construction as well as in redevelopment and extensions of existing holdings. When combined with an active debt management policy, Akademiska Hus is able to fund its extensive project portfolio. Akademiska Hus has had an AA rating from Standard & Poor's since 1996. As of January 2017 Akademiska Hus now also holds the highest short-term rating from Moody's. These ratings reflect our strong market and financial position as the leader in knowledge environments for Swedish colleges and universities.

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CREDIT RATING

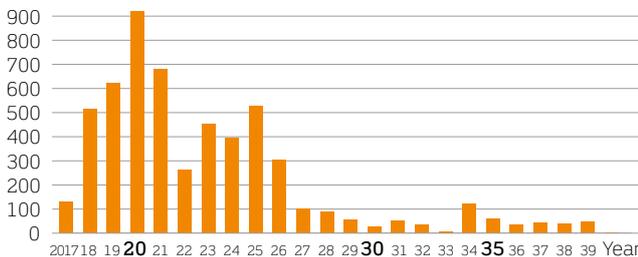
Moody's short term rating, January 17

AA

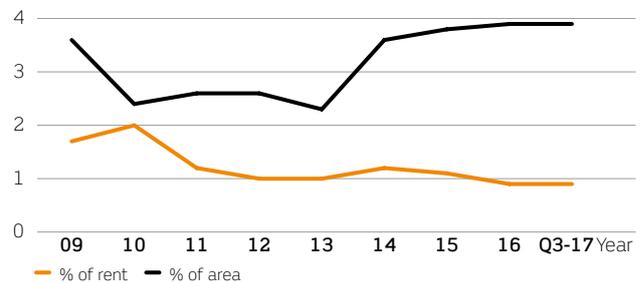
CREDIT RATING

Standard & Poor's long term rating, Stable outlook. February 17

MATURITY STRUCTURE ON LEASES, SEK M



LOW LEVEL OF VACANT SPACE, %



AKADEMISKA HUS IN BRIEF	2017 July- Sept.	2016 July- Sept.	2017 Jan.- Sept.	2016 Jan.- Sept.	Rolling 12 mon. Oct. 16- Sept. 17	2016 full-year	2015 full-year
Income from property management, SEK m	1,461	1,397	4,357	4,227	5,796	5,666	5,646
Net operating income, SEK m	1,031	1,030	2,993	2,935	3,725	3,667	3,740
Profit before tax, SEK m	2,681	1,199	6,228	4,703	8,239	6,715	6,141
Values as at 30 Sept. 2017							
Equity ratio	42.3	40.9	42.3	40.9	42.3	41.4	40.7
Return on operating capital, %	*	*	*	*	5.8	6.2	6.9
Return on equity, %	*	*	*	*	18.3	16.3	15.0
Interest coverage ratio, %	*	*	767	721	730	694	743
Loan-to-value ratio, %	36.5	38.6	36.5	38.6	36.5	37.0	36.6
Yield, properties, % ¹	*	*	*	*	5.4	5.7	6.4
Yield, properties, % ²	*	*	*	*	5.0	5.3	5.8
Assessed fair value, properties, SEK m	78,611	71,085	78,611	71,085	78,611	73,013	66,575

* Key figures are calculated only for the twelve-month period

1) excluding properties under construction 2) including properties under construction

OWNER'S FINANCIAL OBJECTIVES:

- Return on operating capital should be at least 6.5 per cent (excluding change in value).
- The dividend should be between 40 and 60 per cent of the profit for the year after tax, after reversal of changes in value and with related deferred tax.
- The equity ratio should be between 30 and 40 per cent.

STRATEGIC SUSTAINABILITY GOALS:

- Energy purchased each year, kWh/m², will decrease at such a rate that there will be a 50 per cent reduction by 2025 compared with 2000.
- Eliminate CO₂ footprint from operations.
- Initiate sustainability initiatives with customers.
- Accident-free workplaces.

Innovation projects for the campus of the future



PHOTOGRAPH: OLA KIELBYE

PRESIDENT KERSTIN LINDBERG GÖRANSSON COMMENTS:

In order to grow it is important to test new arenas and working methods. We were one of several businesses that arranged a creative laboratory in September to promote the campus of the future during the 2017 Gather Festival, a place where businesses, artists, innovators and many others could come together. In September Akademiska Hus also participated as a partner to East Sweden Hack, one of Sweden's largest hackathons, which combines open data with the Internet of Things, where we contributed with 1 billion readings from our energy database. During two intense days, 20 teams and 80 participants competed for the best solution for the "City of the Future". Yet another example of our focus on development is our newly signed partnership agreement with Uppsala Innovation Centre (UIC), a business incubator that is ranked as one of the best innovation centres in the world. We are also a partner in IRIS, a five-year EU project to test climate-smart transport and energy-related solutions. Gothenburg and six other cities in Europe have been awarded EUR 18 million for the project.

LARGE AND SMALL GRAND OPENINGS

Just in time for the start of the term, 600 employees at Uppsala University moved from nine different addresses to their new management and administration building, the Segerstedt building, which has been under construction since 2014. The Built Environment building at Chalmers also celebrated

its grand opening during the fall after an extensive renovation project. The focus has been on creating a sustainable building from every perspective that contributes to more creative learning environments within the field of the built environment. The sustainable campus of the future is based on many climate-smart solutions that together form a good whole. One good example is the pool for electric cargo bikes that opened on the Umeå Campus a few weeks ago – an initiative to provide staff and students with a convenient option to choose climate-smart transports, where we are involved as a partner.

EFFORTS FOR MORE STUDENT HOUSING

The severe housing shortage was highlighted once again at the start of the fall term – especially for all the students moving to a new city to begin their studies. Despite the surge in housing construction in recent years, it will be some time before the need is met. In 2014 we received our extended mission: to be able to build student housing as a complement to research and education environments. Ever since that time, we have worked systematically to identify opportunities to build new student housing on or adjacent to our campuses. Our forecast up to 2021 includes the potential to build housing for 11,000 students. In our opinion, we have the capacity to have 6,500 of these units built, while the remainder can be built in locations where we have already transferred, or will transfer, land through sales,

trades or leases. For the period 2021 to 2026 we see the potential for an additional 10,000 student housing units to be built for students close to the campus. In addition to the immediate benefits of expanding the number of student housing units, we also see that they contribute to developing even more vibrant campuses.

LONG-TERM BOND FINANCING

The fall has entailed high activity in our financing business with good demand from bond investors. Bonds worth a total of about SEK 4,000 million were issued, including SEK 3,000 million to foreign investors with an average maturity of 14 years. It is gratifying to see the trust from these lenders that enables these long maturities.

PROFIT FOR THE PERIOD

Net operating income for the period was essentially unchanged compared with the previous year and totalled SEK 2,993 million. The positive changes in property values amounted to SEK 3,584 million for the period and the changes in value are largely responsible for the increase in profit of SEK 1,120 million to SEK 4,783 million.



**Kerstin
Lindberg Göransson**
President

Business intelligence and market analysis:

Attractive property market

Market conditions for facilities for higher education and research are robust. Population growth and a strong economy with low interest rates are driving demand on the property market.

TRENDS

The global economy improved during the third quarter, and many indicators suggest continued robust demand. The long recovery period is now beginning to produce effects such as high capacity utilisation, which in turn generates investments, as well as a significantly improved labour market. The trend on international stock exchanges has been favourable, though the turmoil relating to North Korea has had some impact. Good growth combined with the supply of liquidity from central banks are strong driving forces. Continued low inflation and low inflation expectations motivate the central banks to continue with the massive monetary policy incentive measures. In the US, growth expectations have been adjusted downwards since the previously announced powerful fiscal stimulus measures now appear to be more uncertain.

Economic data and indicators in Europe show continued strength, and for Sweden, the economy is growing at a pace of just over 3 per cent. In 2018, additional financial incentives will be provided as a result of the fiscal policy initiatives recently announced in the budget proposal. In Europe the political uncertainty has declined somewhat since the German election in September. With both the French and German elections settled, conditions are now better for working on a more integrated EU with France and Germany at the helm.

FIXED INCOME MARKET

The fixed income market has focused on the actions of the central banks during the quarter. The US Federal Reserve (the Fed) faces the dilemma of very low unemployment, which in itself would justify a tightening of monetary policy, at the same time that inflation is not increasing at the pace that was expected. The current inflation gap is believed to be due to temporary factors and two interest rate hikes of 0.25 percentage points each have been implemented during the year. In October the Fed also began, as was previously announced, to reduce the balance sheet, albeit on a small scale in relation to the large bond portfolio that was built up through the bond purchase programs.

The recent weakening of the USD against the EUR, and thus also the SEK, has placed the European Central Bank (ECB), as well as the Riksbank in a difficult position, since a stronger currency poses further difficulties in reaching the inflation target. A stronger SEK would make it difficult for the Riksbank to initiate tightening of monetary policy before the ECB.

PROPERTY MARKET

The transaction volume as of 30 September was about SEK 100 billion, a decrease of 20 per cent compared with the same period the previous year. Nevertheless, market conditions for properties have improved during the third quarter. Completed transactions demonstrate a declining yield requirement, especially in urban areas and the larger growth areas. A favourable economy and increased modernisation have caused office rents to rise and clearly contributed to improving the attractiveness of the market. Higher office rents have also prompted several operators to invest in new construction. Tenants demand modern, space-efficient and environmentally friendly premises that meet high technical standards. Consequently it is not uncommon for older office buildings to be converted into housing, especially in Stockholm. A clear increase in the proportion of international investors could be seen during the third quarter. The trend shows that Swedish properties are attractive even from an international perspective.

COMMUNITY PROPERTIES

Interest in community properties is growing since the market is not as cyclically or market-dependent as, for example, commercial premises. Demand for community properties is largely driven by demographic factors. Sweden's growing and ageing population is creating a need for additional investments in the public sector and education. This trend is especially reflected in lower yield requirements for community properties and most clearly in the locations undergoing the strongest population growth. The rental market varies greatly depending on location, implemented investments and tenant adaptations. Overall, no trend can be seen in rental developments. Companies and institutions specialising in community properties continue to be active, investing in expanding and modernising their stocks.

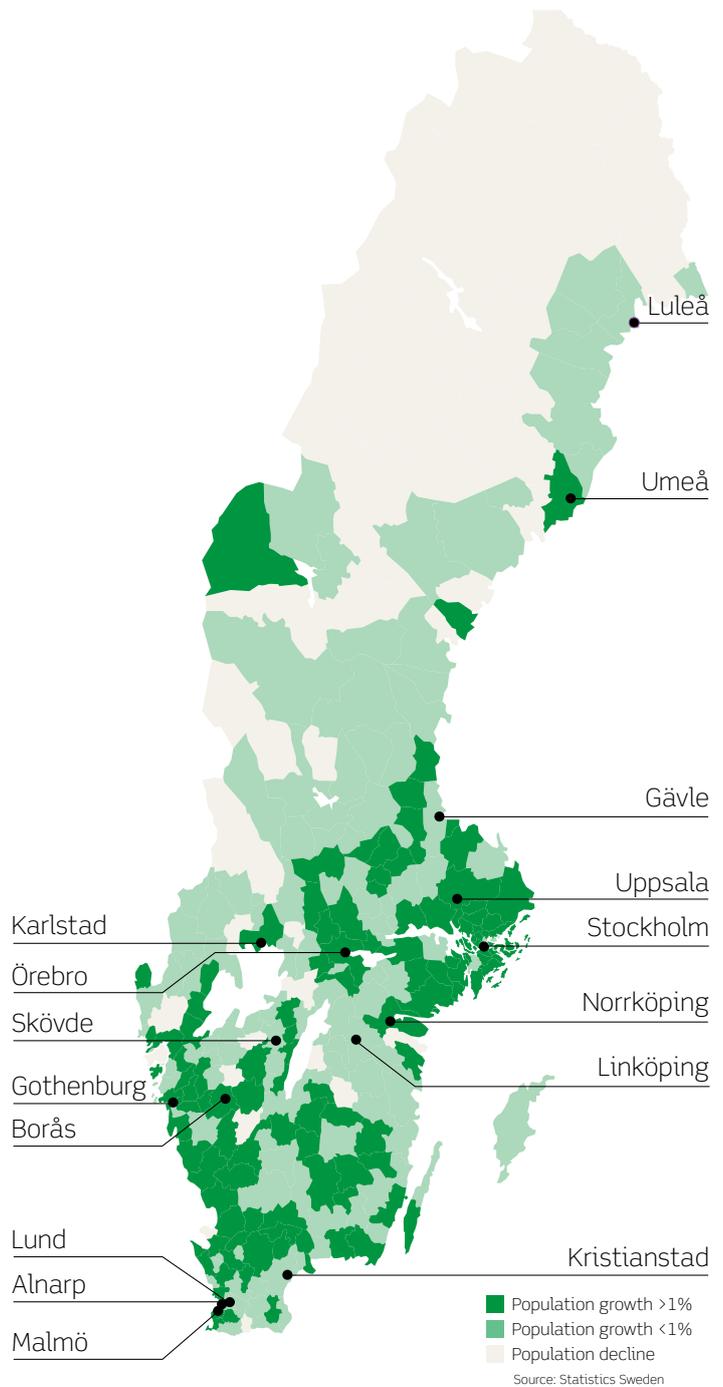
AKADEMISKA HUS CAN BE FOUND IN

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COLLEGE AND UNIVERSITY CITIES

Presence in cities with good growth

Akademiska Hus has a 60 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 79 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 35 billion 895,000 m ²	Stockholm University Karolinska Institutet Royal Institute of Technology
Gothenburg 	SEK 7 billion 351,000 m ²	University of Gothenburg Chalmers University of Technology
Uppsala 	SEK 14 billion 613,000 m ²	Uppsala University Swedish University of Agricultural Sciences, Ultuna

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

● Akademiska Hus

Source, Andel 2016: Swedish National Financial Management Authority

Our operations

Akademiska Hus creates value through long-term, resource-efficient property management. During the year several important projects were completed and ground was broken for everything from student housing to the innovation arena, A working lab. Investments were made for a single goal – to reinforce Sweden as a nation of knowledge.

Akademiska Hus conducts business throughout Sweden. To strengthen our future development capacity and to increase customer value, a new organisational structure was introduced on 1 January 2017. Departing from the previous regional division and using our core processes instead allows us to apply our collective expertise while being more resource efficient and creating value. A collective management organisation is complemented by a project organisation and three geographic units that are responsible for campus and business development. Efficiency, uniform processes and a strong focus on innovation and development provide a good foundation for further work creating competitive knowledge environments.



PROPERTY MANAGEMENT

Akademiska Hus manages properties that mainly consist of research and education facilities for colleges and universities. Through long-term, resource efficient management in which we continually maintain, repair and customise the properties we increase the value of our property portfolio.

Sustainable property management

The property management division is dedicated to sustainability, where two important elements are operational optimisation and energy efficiency. Akademiska Hus has set high goals – for example, we will cut energy consumption in half by 2025 (relation to the baseline in 2000), while at the same time we have the long-term objective of CO₂ free operation. Reducing energy consumption, but also increasing the ability to use energy at the right time are key elements

in reducing both environmental impact and operating costs. To achieve this, we operate proactively to implement improvements in cooperation with both tenants and suppliers. A number of innovation projects are also underway along with our customers in these areas.

High-quality property management

Providing high-quality property management is fundamental for our customers to be able to optimally conduct their business. High digital expertise enables us to develop our processes. For example, our facilities engineers have streamlined their procedures by installing remote control systems in the properties.



CAMPUS AND BUSINESS 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 tomorrow's attractive and sustainable knowledge environments.

Integrated approach increasingly important

Demand and international competition are driving the trend towards full-scale campuses with services, housing, public transportation and an integrated business community. A vibrant campus adds value for students, colleges and universities as well as the surrounding community. Ultimately, the students and graduate choose where they wish to pursue their studies or research. This choice affects demand and consequently the potential for centres of education and Akademiska Hus to implement important investments.

case

Built Environment building celebrates grand opening at Chalmers in Gothenburg

Previously, engineering students have gone in one direction and architecture students in another. Now it will be different in the renovated Built Environment building at Chalmers. The vision is that collaboration and integration will characterise the future of learning and research within Chalmers Built Environment, which includes the departments of Architecture and Civil and Environmental Engineering.

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 in the new centrally located café and unique library and study environment.

Akademiska Hus invested a total of approximately SEK 360 million in the renovation project, for which it was engaged by Chalmersfastigheter and Chalmers University of Technology.

Strategic campus development in cooperation

Akademiska Hus' extensive experience and collaboration with customers are key factors for campus development. 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. Innovative campus development solutions that lead to economically, ecologically and socially sustainable environments are encouraged. The model is designed with a special focus on the needs of centres of education and their activities. Areas included are architectural aspects, energy, diversity, accessibility and security. Student housing is also a key component that is always included in long-term campus planning.



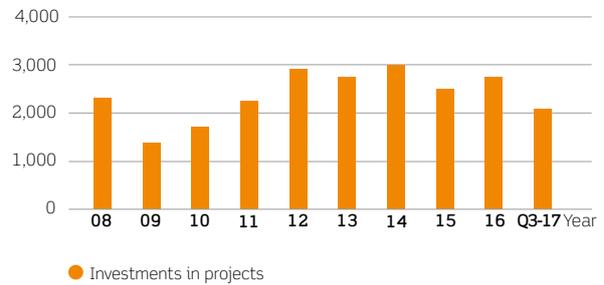
PROJECTS

The ability to coordinate and conduct collaboration processes is the key to success for project operations at Akademiska Hus. The project portfolio with approved and planned projects is valued at approximately SEK 17 billion and projects range from minor renovations to new advanced research facilities. The projects division focuses on improving cost efficiency, expertise and experience transfer in order to leverage the aggregate abilities of the organisation.

Sustainably construction as a competitive advantage

All of our projects are developed to permit long-term management, which provides us with excellent opportunities to invest in sustainable and innovative solutions. By setting clear project requirements for the entire construction process, we can deliver a product of the right quality according to a common vision. The reduction in energy consumption that the property management organisation can achieve depends in part on how the property is built. In new construction projects, and regularly throughout the lifetime of each building, we ensure that it has well-adapted and energy-efficient systems and maintenance solutions. Designing energy-efficient buildings and exploring opportunities to use excess energy between adjacent buildings, are important pieces of the puzzle that help to reduce the need for providing energy.

AKADEMISKA HUS' INVESTMENTS IN PROJECTS 2008-2017, SEK M



The diagram shows annual investments in projects from 2008 to the third quarter of 2017 and on average, Akademiska Hus has had an investment rate of about SEK 2.5 billion per year. The company has invested approximately SEK 40 billion in new construction as well as in redevelopment and extensions since 1993.

Consolidated income statement

CONSOLIDATED INCOME STATEMENT, SUMMARY, SEK M

	2017 July-Sept.	2016 July-Sept.	2017 Jan.-Sept.	2016 Jan.-Sept.	Rolling 12-months Oct. 2016- Sept. 2017	2016 Full year
Rental revenue	1,408	1,358	4,190	4,098	5,574	5,482
Other property management income	53	39	167	129	222	184
Total property management income	1,461	1,397	4,357	4,227	5,796	5,666
Operating costs	-167	-150	-581	-553	-792	-764
Maintenance costs	-134	-113	-382	-368	-700	-686
Property administration	-67	-56	-216	-200	-310	-294
Other property management expenses	-62	-48	-185	-171	-269	-255
Total costs from property management	-430	-367	-1,364	-1,292	-2,071	-1,999
NET OPERATING INCOME	1,031	1,030	2,993	2,935	3,725	3,667
Central administration costs	-16	-25	-46	-63	-68	-85
Net interest income/expense	-56	-86	-159	-239	-228	-308
PROFIT BEFORE CHANGES IN VALUE AND TAXES¹	959	919	2,788	2,633	3,429	3,274
Change in value, properties	1,667	430	3,584	2,488	4,778	3,682
Change in value, financial instruments	55	-150	-144	-418	33	-241
PROFIT BEFORE TAX	2,681	1,199	6,228	4,703	8,239	6,715
Tax	-642	-273	-1,445	-1,040	-1,971	-1,566
PROFIT FOR THE PERIOD	2,039	926	4,783	3,663	6,269	5,149
Of which attributable to the shareholder in the Parent Company	2,039	926	4,783	3,663	6,269	5,149

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, SUMMARY, SEK M

	2017 July-Sept.	2016 July-Sept.	2017 Jan.-Sept.	2016 Jan.-Sept.	Rolling 12-months Oct. 2016- Sept. 2017	2016 Full year
Profit for the period	2,039	926	4,783	3,663	6,269	5,149
Reclassifiable items						
Profit/loss from cash flow hedges	—	15	-7	41	4	52
Tax attributable to cash flow hedges	5	-3	6	-9	3	-12
Cash flow hedges, dissolved against profit and loss	-1	—	—	1	—	1
Non-reclassifiable items						
Revaluation of defined benefit pensions	—	—	—	—	-24	-24
Tax attributable to pensions	—	—	—	—	5	5
TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD	4	12	-1	33	-12	22
COMPREHENSIVE INCOME FOR THE PERIOD	2,043	938	4,782	3,696	6,257	5,171
Of which attributable to the shareholder in the Parent Company	2,043	938	4,782	3,696	6,257	5,171

1) There is a new heading under the income statement. Changes in value are reported separately. See also note 1.

Comment: Operating profit

THIRD QUARTER

Rental revenue during the third quarter of the year was SEK 1,408 million (1,358), an increase of SEK 50 million. The increase is mainly attributable to completion of new buildings, the largest of which is the Segerstedt Building in Uppsala, which was commissioned in the second quarter of 2017.

Operating costs increased by SEK 17 million to SEK 167 million (150), primarily attributable to media and increased labour costs for maintenance staff. Maintenance costs increased by SEK 21 million to a total of SEK 134 million, mainly due to a major energy-related maintenance project at Stockholm University in 2017 (SEK 19 million).

Overall, administration costs (property management and central administration) are unchanged compared with the previous year at SEK 82 million. Other property management expenses increased by SEK 14 million to SEK 62 million. The increase is mainly attributable to increased costs for site leasehold charges in Stockholm with a limited impact on earnings since the majority of these costs are passed on to the customer. Net operating income is essentially unchanged at SEK 1,031 million (1,030).

Net interest income improved by SEK 30 million to SEK -56 million. The change is mainly attributable to the low interest rate situation.

The changes in property values for the quarter amounted to SEK 1,667 million (430), largely because of lower yield requirements and cost of capital, changes in cash flow due to projects in progress approaching completion, and renegotiated leases.

Profit before tax for the third quarter was SEK 2,681 million (1,199). The increase is mainly attributable to changes in property values.

PROFIT FOR THE PERIOD

The profit for the quarter, SEK 4,783 million, is clearly better than the corresponding period in 2016 (3,663). This improvement can primarily be explained by the increase in the market value of the property portfolio of SEK 3,584 million during the first three quarters of the year, which is significantly more than the corresponding period in 2016 (2,488). Moreover, net operating income improved and amounted to SEK 2,993 million (2,935).

RENTAL REVENUE

During the first three quarters of the year rental revenue increased by SEK 92 million and totalled SEK 4,190 million (4,098). SEK 66 million can be attributed to completion of new buildings especially in Stockholm

(Royal College of Music, A-house, Nobel Building), Uppsala (Segerstedt Building, Humanities Theatre, Östra längan) and Lund (New Biotron). SEK 21 million is attributable to renegotiations of contracts.

Other property management income amounted to SEK 167 million (129), an increase of SEK 38 million. SEK 25 million relates to an additional consideration attributable to a sale dating back to 2010. SEK 11 million is attributable to an increase in services for tenants.

LEASING LEVEL

The leasing level is unchanged compared with the last quarter. Vacant space totalled 128,000 m², which is 3.9 per cent (3.9) of our total rentable area of 3.3 million m². The rentable area increased by 7,500 m² since the first quarter and can mainly be explained by the completion of the Education Building and the ABE School at KTH.

The rental value of vacant premises is clearly lower than the average for the holdings. Vacant premises account for 0.9 per cent (0.9) of our total revenue. As previously, the largest individual blocks of vacant space can be found on the Ultuna Campus and amount to about 78,000 m², where Klinikcentrum (the Clinical Centre), approximately 30,000 m², is essentially vacant after the Centre for Veterinary Medicine and Animal Science moved to new premises.

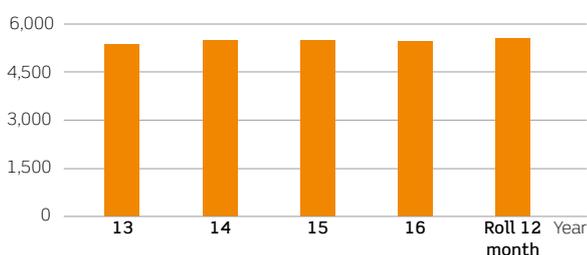
OPERATING AND MAINTENANCE COSTS

Expenses for operation and maintenance amounted to SEK 963 million (921). The increased cost is mainly attributable to maintenance.

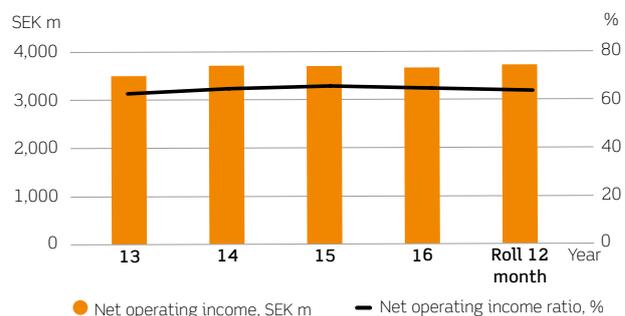
Total maintenance costs amounted to SEK 382 million (368). The underlying maintenance costs relating to remedial and preventive maintenance have increased marginally. The increase (SEK 19 million) can mainly be attributed to a major energy project at Stockholm University. The renovation of the A-house at KTH, the EES school and the main building at KTH are among the larger maintenance projects to date this year.

Operating costs increased by SEK 28 million to SEK 581 million (553), including an increase of SEK 15 million for media costs due to the increase in sales of media to customers. Operating costs include media provision of SEK 385 million (370), equivalent to SEK 157/m² (161). Other increased operating costs are mainly attributable to labour costs.

RENTAL REVENUE, SEK M



NET OPERATING INCOME AND NET OPERATING INCOME RATIO, SEK M AND %



ADMINISTRATION AND PROPERTY MANAGEMENT EXPENSES

Administration costs include property management and central administration, which together are essentially unchanged. Property administration increased and amounted to SEK 216 million (200). The increase can primarily be explained by a change in an accounting policy in 2017 related to capitalisation of project costs.

Central administration costs decreased to SEK 46 million (63), due to lower costs for the new organisation that became effective on 1 January 2017, as well as lower consultant costs.

Other property management expenses increased by SEK 14 million and totalled SEK 185 million (171), mainly attributable to the increased cost for site leasehold charges in Stockholm, with a limited impact on earnings since the majority of these costs are passed on to the customer.

NET INTEREST INCOME/EXPENSE

Current financing costs consist of interest on loans and net interest income related to the interest rate swap portfolio. This cost of these items declined to SEK 159 million (239) for the period, corresponding to an interest rate of 0.98 per cent (1.35). The declining cost can be explained by the extremely low interest rates, which have gradually had an impact on refinancing and new financing. The cost of interest rate swaps has fallen because parts of the interest rate swap portfolio with negative market value were realised during the last quarter of last year.

Interest-bearing net loan liability increased by SEK 998 million to SEK 28,460 million. The interest coverage ratio continues to be high at 730 per cent (795) on a rolling 12-month basis.

CHANGES IN VALUE, PROPERTIES

The fair value of the Group's property holdings was set using an internal property valuation that is compared annually against external value statements. As of 30 September 2017, changes in property values with an impact on profit totalled SEK 3,584 million (2,488), including realised changes in value for properties sold during the period of SEK 0 million (35), an increase of 4.9 per cent (3.7) of the value of the properties.

The increase of 76.9 per cent (57.2) largely relates to the lower yield requirement on several of the sub-markets. The average yield requirement was 5.3 per cent (5.6). 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 Greater Stockholm region and the Mid-Sweden market area, which account for 2.9 percentage points of the change in value and is generally attributable to

large reductions of yield requirements compared with smaller sub-markets, as well as a larger proportion of project properties.

CHANGE IN VALUE, FINANCIAL INSTRUMENTS

Changes in value in the derivatives portfolio amounted to SEK -144 million (-418). Instruments, in the form of interest rate swaps, 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. Half of the Company's interest risk exposure derives from interest rate swaps and consequently even minor changes in the interest rate situation will affect 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.

TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

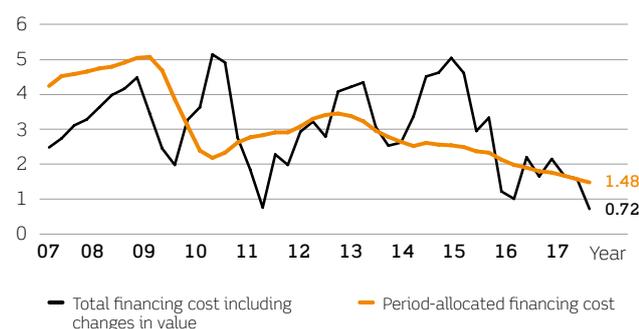
	1 Jan. - 30 Sept. 2017	1 Jan. - 30 Sept. 2016	1 Jan. - 31 Dec. 2016
Loan financing cost, including charges, %	0.75	0.87	0.83
Interest swaps, net interest, %	0.23	0.48	0.47
Financing cost, %	0.98	1.35	1.30
Changes in value, financial derivatives, %	1.34	1.98	0.85
Total financing cost, %	2.32	3.33	2.15

COMPARATIVE CALCULATION, TOTAL FINANCING COST

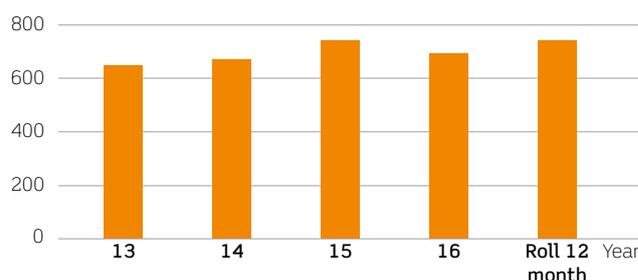
Over the past ten years Akademiska Hus has had an average fixed interest period of 5.5 years in the total liability portfolio. Consequently, the recognised financing costs over time demonstrate good stability. The analysis is significantly complicated by the substantial use of interest derivatives, which generate change in value with interest rate fluctuations in the market. Changes in value in interest rate derivatives are both realised and unrealised. A certain proportion of interest rate derivatives is realised on an ongoing basis (monthly or quarterly), even if the underlying fixed interest period is long-term.

To clarify the underlying financing cost, a supplementary calculation (period-allocated financing cost) is carried out in which the cash flows of realised interest rate derivatives are also attributed to the underlying fixed interest period of each instrument. The diagram below on the left shows a comparative calculation of the above in which interest rates are expressed as rolling 12-month interest rate (annualised).

COMPARATIVE CALCULATION TOTAL FINANCING COST, ROLLING 12-MONTH BASIS, %



INTEREST COVERAGE RATIO, %



Consolidated balance sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY, SEK M

	30 Sept. 2017	30 Sept. 2016	31 Dec. 2016
ASSETS			
Non-current assets			
Properties	78,611	71,085	73,013
Equipment, fixtures and fittings	9	12	11
Derivatives	1,019	2,493	2,172
Other non-current receivables	151	232	224
Total non-current assets	79,790	73,822	75,420
Current assets			
Current receivables			
Derivatives	618	57	215
Other current receivables	2,481	1,850	1,426
Total current receivables	3,099	1,907	1,641
Cash and cash equivalents			
Cash and cash equivalents	5,895	4,228	5,370
Total cash and cash equivalents	5,895	4,228	5,370
Total current assets	8,994	6,135	7,011
TOTAL ASSETS	88,784	79,957	82,430
EQUITY AND LIABILITIES			
Equity	37,541	32,677	34,152
LIABILITIES			
Non-current liabilities			
Loans	22,519	22,634	22,805
Derivatives	902	991	632
Deferred tax	11,051	9,551	9,982
Other non-current liabilities	553	498	554
Total non-current liabilities	35,025	33,674	33,973
Current liabilities			
Loans	12,540	9,665	9,951
Derivatives	250	157	58
Other current liabilities	3,427	3,784	4,296
Total current liabilities	16,217	13,606	14,305
Total liabilities	51,242	47,280	48,278
TOTAL EQUITY AND LIABILITIES	88,784	79,957	82,430

Comment: Balance sheet

PROPERTIES

As of 30 September 2017 the fair value of Akademiska Hus' property holdings totalled SEK 78,611 million, an increase of SEK 5,599 million and 7.7 per cent compared with 31 December 2016. Fair value includes the completed portion of projects in progress. At the end of the year, projects in progress totalled SEK 6,667 million. The change in value with an impact on profit was SEK 3,584 million (2,488), including changes in value realised for properties sold during the period 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 reduc-

tions in yield requirement and cost of capital. The average yield requirement was 5.3 per cent, a decline of 0.2 percentage points since January 1.

Akademiska Hus engages an external rating agency to verify the yield requirement and fixed costs on a quarterly basis to ensure that market rates are applied in the internal valuation. A selection of property portfolio is also valued externally each year. External valuations are used as a benchmark for the internal valuation, thereby strengthening its reliability.

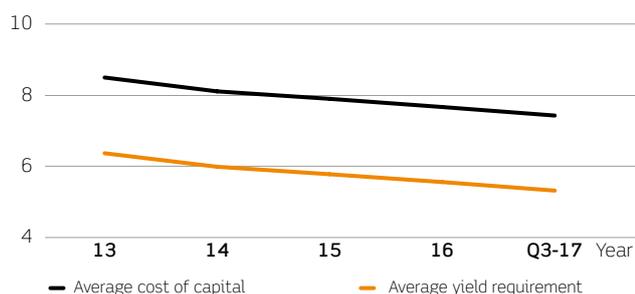
All property valuation includes assessments that are associated with a certain degree of uncertainty. A normal uncertainty range in conjunction with a property valuation is +/- five to ten per cent, which would be equivalent to approximately SEK +/- 3,900-7,800 million in the Akademiska Hus portfolio.

PROPERTIES, 30 SEPT. 2017

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

Change in property holdings, in SEK m	30 Sept. 2017	30 Sept. 2016	31 Dec. 2016
OPENING FAIR VALUE	73,013	66,575	66,575
+ Investment in new construction and redevelopment	2,154	2,103	2,836
+ Acquisitions	—	—	—
- Sales	-139	-46	-46
+/- Change in fair value	3,584	2,453	3,647
Of which change in value due to a change in the cost of capital and yield requirement	2,755	1,403	2,435
Of which other change in value	829	1,050	1,212
CLOSING FAIR VALUE	78,611	71,085	73,013

YIELD REQUIREMENTS AND COST OF CAPITAL, %



CHANGE IN VALUE BY SEGMENT

including investments in new construction and redevelopment

Segment	Change in value, %	Contribution to change in value, percentage points
South	3.5	0.8
Mid-Sweden	5.7	2.9
North	4.6	1.2
Total		4.9

FINANCING

The period after the summer was characterised by extremely high activity in the corporate bond market, where demand from investors who mainly want long-term maturities has been a consistent feature. Akademiska Hus has prioritised this demand and bonds worth a total of about SEK 4,000 million were issued, including SEK 3,000 million to foreign investors with an average maturity of 14 years.

The issues included a bond of CHF 250 million (SEK 2,115 million) with a maturity of 12 years as the largest. In addition, foreign investors invested in bonds denominated in SEK with maturities of 20 and 30 years respectively. As a result of the bond issues and lease payments, liquidity was very good.

Fixed interest period and maturity

The extensive long-term bond issues have helped to extend the average maturity in the portfolio by 0.8 years. The addition of long-term bonds at fixed interest denominated in SEK has helped to maintain a comparatively long fixed interest period. Debt management will continue to focus on allocating the portfolio's interest rate risk to the most effective periods, usually by using interest rate derivatives. Due to the continued absence of inflationary impulses in the economy, the expansionary monetary policy remains in place, which means that the continued long fixed interest periods will continue for the time being.

In a normal situation, financial markets price in long-term fixed interest periods and maturities at higher risk premiums. The objective of risk management is therefore to balance the additional costs of long-term fixed interest periods and maturities, and thus limit uncertainty, against savings of more short-term fixed interest periods and maturities, where greater uncertainty is accepted.

The liability portfolio is allocated as follows:

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

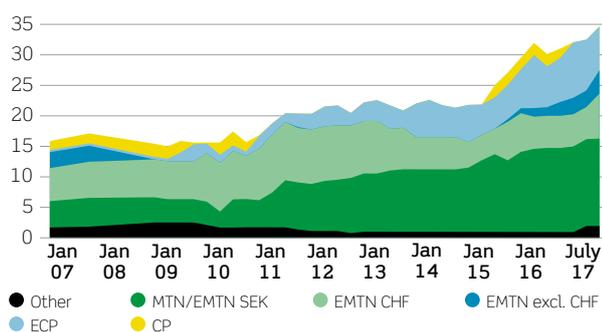
FIXED INTEREST PERIOD AND MATURITY, YEARS

	SEK m	Fixed interest, 30 Sept. 2017	Fixed interest, 31 Dec. 2016	Maturity, 30 Sept. 2017	Maturity, 31 Dec. 2016
Basic portfolio	25,400	5.0	4.7	3.5	2.3
Non-current portfolio	4,000	22.6	23.7	22.6	23.7
Index-linked bond portfolio	900	5.0	5.7	5.0	5.7
Total portfolio		7.3	7.2	6.1	5.2

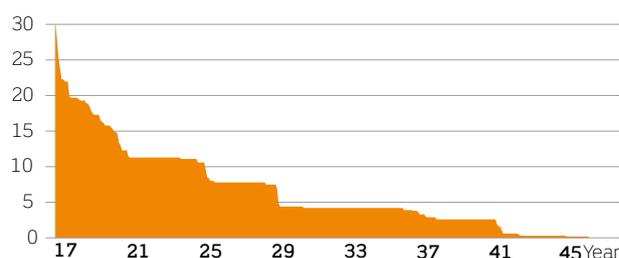
NET LOAN LIABILITY

SEK M	30 Sept. 2017	30 Sept. 2016	31 Dec. 2016
Loans	-35,059	-32,299	-32,757
Derivatives - liabilities	-919	-1,149	-690
Collateral for derivatives	-782	-1,515	-1,762
Cash and cash equivalents	5,895	4,228	5,369
Other current receivables	769	713	492
Derivatives receivables	1,636	2,550	2,386
Total net loan liability	-28,460	-27,472	-26,962

FINANCING SOURCES, SEK BN



DEBT MATURITY STRUCTURE, SEK BN



PROJECTS

The project portfolio with approved and planned projects totalled SEK 18,400 million, of which SEK 6,700 million has already been invested in projects in progress. In addition, the project portfolio contains a number of concept projects worth SEK 10,800 million. Concept projects refer to projects deemed probable within a five-year period, but that are uncertain in their scope. The project portfolio refers to future investments over several years, with an emphasis on the Stockholm region, where there are several large new construction and renovation projects.

Several large new concept projects have been added during the year, thereby increasing the concept project portfolio by SEK 3,200 million. The majority are located in Gothenburg and the largest is Sahlgrenska Life, an initiative in the Gothenburg region to strengthen the Life Sciences aimed at promoting interaction between research, clinical practice and business.

Of the large projects (over SEK 100 million), Biomedicum and Albano are the two largest with planned completion in 2018 and 2021, respectively. In 2017, projects such as the KI student housing project for graduate students and the Johanneberg Science Park innovation project have now been approved.

PROJECT PORTFOLIO

SEK m	30 Sept. 2017	31 Dec. 2016
Decided projects	14,400	13,400
Planned projects	4,000	3,300
DECIDED AND PLANNED PROJECTS	18,400	16,700
of which already invested in current projects	-6,700	-4,800
REMAINDER OF DECIDED AND PLANNED PROJECTS	11,700	11,900
Concept projects	10,800	7,600
TOTAL REMAINING PROJECTS	22,500	19,500
Total excl. previous investments	29,300	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.

DECIDED PROJECTS

Location	Property	Investment limits, SEK m	Accrued, SEK m	Percentage accrued, %	Additional floor space, m ²	Expected completion	Customer
Stockholm	Albano	3,302	332	10	41,600	Oct. -21	Stockholm University
Stockholm	Biomedicum	2,822	1,818	64	49,000	Apr. -18	Karolinska Institutet
Stockholm	Biomedicum - Comparative Medicine	886	750	85	11,000	Dec. -17	Karolinska Institutet
Uppsala	Segerstedt Building	725	636	88	17,400	Dec. -17	Uppsala University
Gothenburg	Humanisten	668	193	29	12,100	Dec. -19	University of Gothenburg
Stockholm	KI graduate student housing	434	7	2	15,500	Aug. -19	Karolinska Institutet
Linköping	Valla Student Building	411	76	18	13,500	July -19	Linköping University
Stockholm	Student housing Teknikringen	400	151	38	8,900	March -19	Akademiska Hus
Gothenburg	Johanneberg Science Park 2	381	64	17	9,600	Aug. -19	Akademiska Hus
Gothenburg	Built Environment Project	357	312	87	20,600	Dec. -17	Chalmersfastigheter
Stockholm	Lab of the Future	322	163	51	—	Nov. -18	Karolinska Institutet
Umeå	MBC	306	122	40	1,800	March -20	Umeå University
Stockholm	Police programme, Södertörn	260	242	93	5,400	Dec. -17	Södertörn University
Stockholm	A house	241	110	46	900	Dec. -18	Akademiska Hus
Stockholm	ABE School	185	159	86	4,500	Dec. -17	Royal Institute of Technology
Umeå	Police training programme, Umeå University	165	127	77	5,000	Dec. -17	Umeå University
Stockholm	Education Building	130	131	100	2,800	Dec. -17	Royal Institute of Technology
Stockholm	EES School	125	58	46	—	Oct. -17	Royal Institute of Technology
Stockholm	GIH swimming centre	118	17	14	—	March -19	City of Stockholm
Stockholm	Parking facility, Solna Campus	117	91	78	16,600	Dec. -17	Akademiska Hus
Uppsala	Humanities Theatre	116	124	100	2,300	Dec. -17	Uppsala University
Stockholm	Office adaptations Frescati backe	111	5	5	—	July -18	Stockholm University
Projects under SEK 100 million		1,807	979	54			
TOTAL		14,389	6,667		238,500		

Changes in group equity

CHANGES IN GROUP EQUITY IN BRIEF, SEK M	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	
EQUITY, 1 JAN. 2016	2,135	2,135	-32	40	25,993	30,271
Dividends ¹	—	—	—	—	-1,290	-1,290
Total comprehensive income, Jan.-Sept. 2016	—	—	33	—	3,663	-3,696
EQUITY, 30 SEPT. 2016	2,135	2,135	1	40	28,366	32,677
Dividends	—	—	—	—	—	—
Total comprehensive income, Oct.-Dec. 2016	—	—	9	-19	1,485	1,475
EQUITY, 31 DEC. 2016	2,135	2,135	10	21	29,851	34,152
Dividends ²	—	—	—	—	-1,393	-1,393
Total comprehensive income, Jan.-Sept. 2017	—	—	-1	—	4,782	4,782
EQUITY, 30 SEPT. 2017	2,135	2,135	9	21	33,240	37,541

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.

Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY, SEK M	2017 Jan.-Sept.	2016 Jan.-Sept.	2016 Full-year
CURRENT OPERATIONS			
Profit before tax	6,229	4,703	6,715
Adjustment for items not included in the cash flow	-3,582	-2,617	-4,106
Tax paid	-246	-303	-335
CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	2,401	1,783	2,274
CASH FLOW FROM CHANGES IN WORKING CAPITAL			
Increase (-)/decrease (+) in current receivables	-1,070	-520	-156
Increase (+)/decrease (-) in current liabilities	-995	84	603
CASH FLOW FROM CURRENT OPERATIONS	336	1,347	2,721
INVESTMENTS			
Investment in properties	-2,085	-2,044	-2,761
Sale of properties	139	81	103
Investment in other non-current assets	-1	-3	-2
Increase in non-current receivables	—	-464	—
Decrease in non-current receivables	895	—	112
CASH FLOW FROM INVESTMENTS	-1,052	-2,430	-2,548
FINANCING ACTIVITIES			
Raising of interest-bearing loans, excluding refinancing	2,634	4,296	4,183
Dividend paid	-1,393	-3,290	-3,290
CASH FLOW FROM FINANCING	1,241	1,006	893
CASH FLOW FOR THE PERIOD	525	-77	1,066
Opening cash and cash equivalents	5,370	4,305	4,305
Closing cash and cash equivalents	5,895	4,228	5,370

Comment: Statement of cash flows

Cash flow from current operations before changes in working capital totalled SEK 2,401 million (1,783). The impact of investment in properties on cash flow was SEK 2,085 million (2,044).

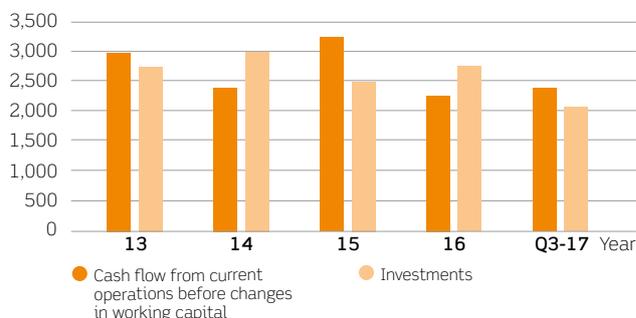
Cash Flow relating to financing activities amounted to SEK 1,241 million (-769). During the previous year new loans were taken for payment of an additional distribution to the owner, which took place in April, 2016. In May 2017 a dividend of SEK 1,393 million was paid to the owner.

Total cash flow for the year amounted to SEK 525 million (-77).

CASH FLOW AND INVESTMENTS

Total cash flow from current operations before change in working capital during the period January 2013 to September 2017 was SEK 13,332 million. Investments during the same period totalled SEK 13,119 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.

CASH FLOW AND INVESTMENTS, SEK M



Risk management

The Board decides each year on long-term development, the strategic plan, the competitive situation and total risk exposure. The Board of Directors has routines and processes for examining how the organisation handles the risks that can arise in business operations. This means that risks can be identified, analysed, assessed and

handled effectively. Major disputes are reported on an ongoing basis to the Board of Directors. The Company has not identified any significant risks other than those described on pages 40–43 of the 2016 Annual Report.

SENSITIVITY ANALYSIS, IMPACT ON PROFIT 30 SEPT. 2017

Change	Impact on pre-tax profit, SEK m	Impact on fair value, SEK m	Impact on fair value, percentage points
Rental revenue, +/- one per cent	56	614	0.8
Vacant space, +/- one percentage point	63	-453	-0.6
Operating costs, +/- one per cent	8	82	0.1
of which media provision	5	41	0.1
Cost of capital, + one percentage point	-4,698	-4,698	-6.0
Cost of capital, - one percentage point	5,178	5,178	6.6
Yield target, + one percentage point	-6,403	-6,403	-8.1
Yield target, - one percentage point	9,650	9,650	12.3

Consolidated segments

THE GROUP'S GEOGRAPHICAL SEGMENTS IN BRIEF

SEGMENT INFORMATION ¹ 1 JAN. 2017-30 SEPT. 2017, SEK M	South ²	Central ³	North ⁴	Total, operating segments	Other operations ⁵	Group
Revenue, including other operating revenue	1,182	1,963	1,212	4,357	—	4,357
Property management costs, including other operating costs	-332	-608	-311	-1,252	-112	-1,364
NET OPERATING INCOME	850	1,355	901	3,105	-112	2,993
Central administration costs						-46
Net interest income/expense						-159
PROFIT BEFORE CHANGES IN VALUE AND TAXES⁶						2,788
Change in value, properties						3,584
Change in value, financial instruments						-144
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME						6,228
Total assets include:						
Properties	18,359	40,486	19,766	78,611	—	78,611
of which invested during the year	365	1,380	409	2,154	—	2,154
SEGMENT INFORMATION ¹ 1 JAN. 2016-30 SEPT. 2016, SEK M	South ²	Central ³	North ⁴	Total, operating segments	Other operations ⁵	Group
Revenue, including other operating revenue	1,190	1,920	1,123	4,233	-6	4,227
Property management costs, including other operating costs	-354	-541	-277	-1,172	-120	-1,292
NET OPERATING INCOME	836	-1,379	846	3,061	-126	2,935
Central administration costs						-63
Net interest income/expense						-239
PROFIT BEFORE CHANGES IN VALUE AND TAXES⁶						2,633
Change in value, properties						2,488
Change in value, financial instruments						-418
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME						4,703
Total assets include:						
Properties	16,792	36,085	18,208	71,085	—	71,085
of which invested during the year	280	1,216	607	2,103	—	2,103
SEGMENT INFORMATION ¹ 1 JAN. 2016-31 DEC. 2016, SEK M	South ²	Central ³	North ⁴	Total, operating segments	Other operations ⁵	Group
Revenue, including other operating revenue	1,587	2,568	1,511	5,666	—	5,666
Property management costs, including other operating costs	-516	-875	-421	-1,812	-187	-1,999
NET OPERATING INCOME	1,071	1,693	1,090	3,854	-187	3,667
Central administration costs						-85
Net interest income/expense						-308
PROFIT BEFORE CHANGES IN VALUE AND TAXES⁶						3,274
Change in value, properties						3,682
Change in value, financial instruments						-241
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME						6,715
Total assets include:						
Properties	17,379	36,988	18,646	73,013	—	73,013
of which invested during the year	369	1,670	797	2,836	—	2,836

1) Commencing on 1 January 2017, Akademiska Hus' operating segments are divided into North, Central and South for reporting purposes. They were previously divided into six regions.

2) South: Lund, Alnarp, Malmö, Kristianstad, Karlstad, Skövde, Gothenburg, Borås

3) Central: Stockholm, Linköping, Norrköping, Örebro

4) North: Uppsala, Gävle, Umeå, Luleå

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

6) There is a new heading. Changes in value are reported separately. See also Note 1.

Parent Company income statement

PARENT COMPANY INCOME STATEMENT, SUMMARY, SEK M	2017 July-Sept.	2016 July-Sept.	2017 Jan.-Sept.	2016 Jan.-Sept.	2016 Full year
Income from property management	1,556	1,411	4,482	4,263	5,702
Property management expenses	-422	-365	-1,349	-1,272	-1,977
NET OPERATING INCOME	1,134	1,046	3,133	2,991	3,725
Central administration costs	-16	-25	-46	-63	-85
Depreciation and impairments as well as reversed impairments in property management	-294	-297	-867	-771	-1,040
PROFIT BEFORE FINANCIAL ITEMS	824	724	2,220	2,157	2,600
Net financial income/expense	-27	-254	-373	-715	-625
Appropriations	—	—	—	—	-175
PROFIT BEFORE TAX	797	470	1,847	1,442	1,800
Tax	-206	-113	-453	-323	-485
PROFIT FOR THE PERIOD	591	357	1,394	1,119	1,315

Parent Company statement of comprehensive income, summary

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME, SUMMARY SEK M	2017 July-Sept.	2016 July-Sept.	2017 Jan.-Sept.	2016 Jan.-Sept.	2016 Full year
Profit for the period	591	357	1,394	1,119	1,315
Reclassifiable items					
Profit/loss from cash flow hedges	—	15	-7	41	52
Tax attributable to cash flow hedges	6	-3	6	-9	-12
Cash flow hedges, reclassified to the income statement	—	—	—	1	1
TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD	6	12	-1	33	41
COMPREHENSIVE INCOME FOR THE PERIOD	597	369	1,393	1,152	1,356

Parent Company – balance sheet

PARENT COMPANY BALANCE SHEET, SUMMARY, SEK M

	30 Sept. 2017	30 Sept. 2016	31 Dec. 2016
ASSETS			
Non-current assets			
Properties	42,799	41,142	41,591
Equipment, fixtures and fittings	9	12	11
Shares in Group companies	1	1	1
Derivatives	1,019	2,493	2,172
Other non-current receivables	151	232	223
Total non-current assets	43,979	43,880	43,998
Current assets			
Derivatives	618	57	215
Other current receivables	2,481	1,850	1,426
Cash and bank balances	5,895	4,228	5,369
Total current assets	8,993	6,135	7,010
TOTAL ASSETS	52,972	50,015	51,008
EQUITY AND LIABILITIES			
Equity	6,626	6,422	6,626
Untaxed reserves	4,025	3,850	4,025
LIABILITIES			
Non-current liabilities			
Loans	22,519	22,634	22,805
Derivatives	902	991	632
Deferred tax	2,296	2,146	2,219
Other non-current liabilities	383	362	393
Total non-current liabilities	26,100	26,133	26,049
Current liabilities			
Loans	12,540	9,665	9,951
Derivatives	250	157	58
Other current liabilities	3,430	3,788	4,299
Total current liabilities	16,220	13,610	14,308
Total liabilities	42,320	39,743	40,357
TOTAL EQUITY AND LIABILITIES	52,972	50,015	51,008

Parent Company

Akademiska Hus AB is the Parent Company in the Akademiska Hus Group and is wholly owned by the Swedish state. Operations comprise mainly owning and managing university and college properties. The majority of the Group's revenue is derived from leasing property for education purposes under government auspices. Essentially the entire Group's operations are conducted in the Parent Company, which means that the description of risks and uncertainties is the same in both the Group and the Parent Company.

Revenue and profit/loss

The Company's sales for the period amounted to SEK 4,482 million (4,263). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). The profit before financial items was SEK 2,220 million (2,157) and net financial income/expense was SEK -373 million (-715). Profit after tax was SEK 1,394 million (1,119).

Depreciation

The revaluations of investment properties made in 2014 and 2015 are depreciated at a rate such that the revaluation is fully written off when the rest of the building is fully depreciated.

Investments

Investment in machinery and equipment amounted to SEK 1 million (1) and in properties to SEK 2,084 million (2,044).

Equity

Equity totalled SEK 6,626 million. In May 2017 a dividend of SEK 1,393 million was paid to the shareholder.

Events after the end of the reporting period

No events of a material nature occurred after the end of the reporting period in either the Parent Company or the Group.

The President hereby certifies that this Interim Report provides a true and fair overview of the Company's and the Group's operations, financial position and results and describes material risks and uncertainties that the Company and the companies that form part of the Group face.

Gothenburg, 25 October 2017

Kerstin Lindberg Göransson
President

Examination report

To the Board of Directors of Akademiska Hus AB (publ)
Reg. no. 556459-9156

Introduction

We have performed a limited review of the interim financial information (the interim report) for Akademiska Hus AB (publ) as at September 30, 2017 and the nine month period ending on that date. The Board and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A general review involves making inquiries, mainly of individuals responsible for financial and accounting matters, applying analytical and other review procedures. A review has a different focus and

significantly narrower scope than the orientation and scope of an audit in accordance with ISA and generally accepted auditing standards. The review procedures that are followed during a general review do not enable us to achieve a sufficient level of assurance to guarantee that we identify all significant circumstances that would have been identified by an audit. The conclusion reached from a general review does not therefore carry the same level of confidence as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act and for the Parent Company in accordance with the Annual Accounts Act.

Gothenburg, 25 October 2016

KPMG AB

Björn Flink

Authorised Public Accountant

Notes

Note 1 Accounting policies

Akademiska Hus complies with the EU-endorsed International Financial Reporting Standards (IFRS). This Interim Report for the Group has been prepared according to IAS 34 Interim Financial Reporting, and for the Parent Company in accordance with the Annual Accounts Act and the recommendation of the Swedish Financial Reporting Board, RFR 2 Accounting for Legal Entities.

Unless stated otherwise below, the accounting policies and computation methods are the same as the accounting policies used in the most recent Annual Report.

Disclosures under IAS 34.16A are presented except in the financial statements and the related notes in other parts of the interim report.

NEW ACCOUNTING POLICIES 2017

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.

Note 2 Alternative performance measures

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

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 $(IB+UB)/2$.

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. (See table below.)

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.

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	1 Jan. 2017- 30 Sept. 2017	1 Jan. 2016- 30 Sept. 2016	1 Jan. 2016- 31 Dec. 2016
Loans	-35,059	-32,299	-32,757
Derivatives - liabilities	-919	-1,149	-690
Collateral for derivatives	-782	-1,515	-1,762
Cash and cash equivalents	5,895	4,228	5,369
Other current receivables	769	713	492
Derivatives receivables	1,636	2,550	2,386
Total net loan liability	-28,460	-27,472	-26,962
Fixed income funds - assets (full-year basis)	29,605	28,317	-28,104

OPERATING CAPITAL

Equity plus interest-bearing net loan liability.

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/Glossary

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, m², GFS

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

Floor space, m²

Rentable floor space in square metres.

Maintenance costs

Costs for measures taken aimed at reinstating the original standard and function of worn or damaged parts of a building.

Rental and vacancy levels

Leased or vacant floor space in relation to the total floor space. Financial leasing or vacant space levels are rental revenue for space leased and estimated rental revenue for vacant space in relation to the total rental revenue.

The information in this interim report is such that Akademiska Hus (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act.

REPORT CALENDAR

Year-end report	February 2018
Annual Report 2017	March 2018

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