

Year-end report 2016

"We contribute to Sweden as a nation of knowledge"

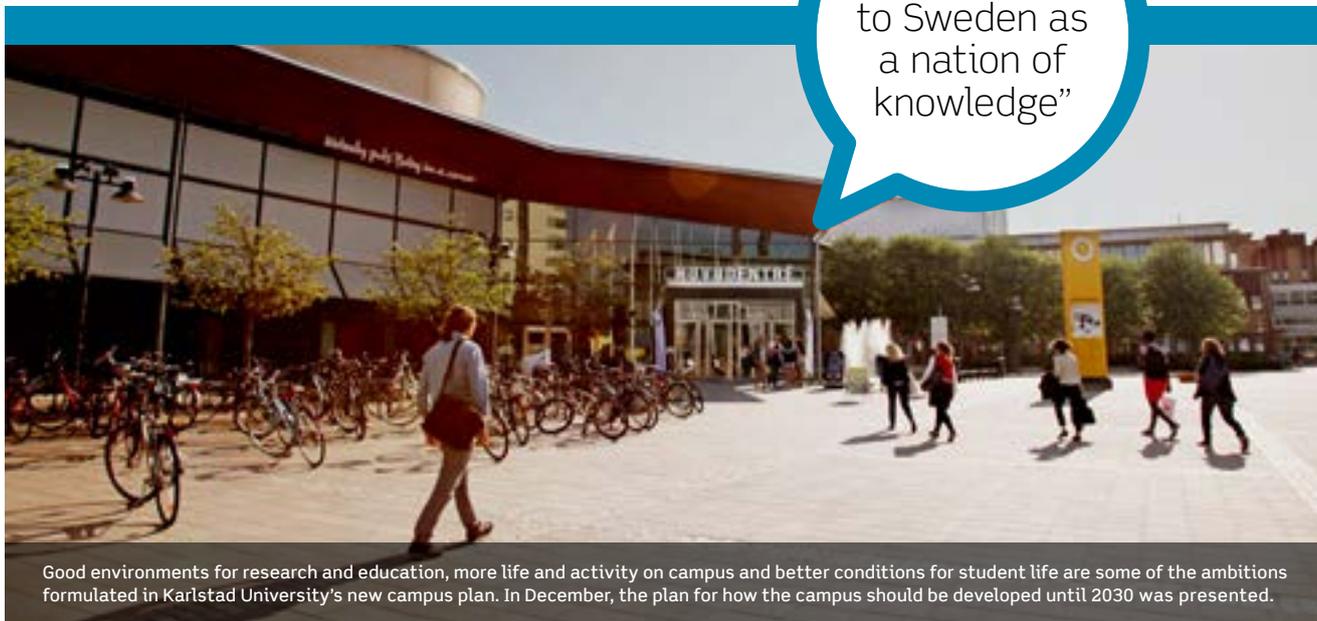


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Good environments for research and education, more life and activity on campus and better conditions for student life are some of the ambitions formulated in Karlstad University's new campus plan. In December, the plan for how the campus should be developed until 2030 was presented.

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.

FULL YEAR

- Rental revenue was SEK 5,482 million (5,450).
- Net operating income totalled SEK 3,667 million (3,740), a decrease of SEK 73 million, primarily attributable to higher management costs in projects.
- Net changes in property values had an impact on profit of SEK 3,682 million (2,655).
- Profit before tax for the period amounted to SEK 6,714 million (6,141) and profit for the year was SEK 5,148 million (4,780). The increase can be attributed to positive changes in property values but reduced by a lower net financial income.
- The value of the property portfolio amounts to approximately SEK 73 billion.
- Investment in redevelopment and new construction totalled SEK 2,761 million (2,499).
- The yield (excluding properties under construction) was 5.7 per cent (6.4). The decline can be explained by an increase in property value while net operating income remained essentially unchanged.

- Return on operating capital was 6.2 per cent (6.9).
- The equity ratio is 41.4 per cent (40.7).

FOURTH QUARTER

- Rental revenue was SEK 1,384 million (1,341), an increase of SEK 43 million.
- Net operating income declined to SEK 732 million (823). The decrease is mainly attributable to project-related maintenance costs.
- Changes in property values had an impact on profit of SEK 1,194 million (1,209), corresponding with 1.8 per cent (1.9) of the value of the properties.
- Net financial income and expense amounted to SEK 108 million (180).



AKADEMISKA HUS

Sustainable investments for Sweden as a nation of knowledge



The Albano Campus, a scientific hub connecting the university capital of Stockholm, is expected to be completed in 2020. It will be a campus with a focus on sustainability and innovation for over 15,000 students and researchers.

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PRESIDENT KERSTIN LINDBERG GÖRANSSON COMMENTS:

Strong performance

Akademiska Hus reports a strong performance for 2016. Profit for the year was SEK 5,148 million, driven mainly by the continued strong growth trend in the property market, which is creating substantial changes in the fair value of our properties.

Focus on efficiency

We continue our streamlining and development initiatives to ensure smooth operation of the underlying business. One concrete example is the new organisational structure that came into effect at year-end. Instead of regional divisions, our organisation will now be based on our core processes. This organisational format will facilitate the transfer of expertise throughout Sweden while enabling us to take a more structured approach to building and strengthening our skills. We will also be able to focus more on innovation in collaboration with the centres of education and others to develop new solutions.

Functional and cost-effective learning environments

Developing forward-looking campus plans and building correctly based on the requirements of our customers are important for the future. We need to be responsive to our customers' needs and desires, which should translate into high-quality sustainable and cost-effective learning environments. One important project with a focus on collaboration and a holistic perspective is Green Innovation Park – a joint initiative between Akademiska Hus and the Swedish University of Agricultural Sciences (SLU) that was completed during the year. The initiative strengthens the position of the Ultuna Campus as a green business centre.

Large investments in the future

Akademiska Hus has a substantial project portfolio that includes important investments in high-tech research facilities and other new construction projects. Approved and planned projects at year-end totalled SEK 16.7 billion. Our investment in the Albano Campus, which will be one of Sweden's foremost educational and research centres, totals SEK 3.2 billion and is one of our largest projects ever. Biomedicum in Solna, which will be one of the largest labo-

ratories in Europe, is another important investment in the future for a total of SEK 3.8 billion. Examples of other investment decisions taken during the year include the "Laboratory of the Future" on the Flemingsberg Campus, the redevelopment and extension of property on the Näckrosen Campus in Gothenburg, and the continued development of the Albano Campus, just to name a few.

Student accommodation prioritised

Student housing continues to be top priority for us and for Sweden's centres of education. We are active in a number of cities where more than 11,000 student housing units are being built on campus. In 2016, 600 student housing units were completed and ready for occupancy at our campuses.

Akademiska Hus' extensive total investments contribute to strengthening Sweden's centres of education and their international competitiveness. With this strategy, we deal with globalisation while helping to strengthen our country as a nation of knowledge.

Kerstin Lindberg Göransson
President

AKADEMISKA HUS IN BRIEF

	2016 Oct-Dec	2015 Oct-Dec	2016 Full year	2015 Full year
Income from property management, SEK m	1,439	1,394	5,666	5,646
Net operating income, SEK m	732	823	3,667	3,740
Changes in value, properties, SEK m	1,194	1,209	3,682	2,655
Profit before tax, SEK m	2,012	2,191	6,714	6,141
Vacant space, rent, %	1.0	0.8	0.9	1.1
Vacant space, area, %	3.9	3.8	3.9	3.8
Fair value, properties, SEK m	73,013	66,575	73,013	66,575
of which properties under construction, SEK m	4,802	3,484	4,802	3,484
Yield, % (excluding properties under construction)	—	—	5.7	6.4
Yield, % (including properties under construction)	—	—	5.3	5.8
Net operating income, SEK/m ²	—	—	1,135	1,174
Return on operating capital, %	—	—	6.2	6.9
Return on equity after standard tax, %	—	—	16.3	15.0
Equity ratio, %	—	—	41.4	40.7
Interest coverage ratio, % ¹	—	—	694	743
Internal financing level, %	—	—	82	132
Loan-to-value ratio, %	—	—	37.0	35.9

1) Excluding changes in the value of properties and financial derivatives

COMMENTS ON INCOME STATEMENT AND BALANCE SHEET ITEMS

Fourth quarter

Rental revenue during the fourth quarter amounted to SEK 1,384 million (1,341), an increase of SEK 43 million, primarily attributable to completion of new buildings. Property management expenses totalled SEK 707 million (571), an increase of SEK 136 million. The increase is primarily attributable to project-related maintenance costs.

The changes in property values amount to SEK 1,194 million (1,209) and are largely the result of reduced yield requirements and cost of capital, changes in cash flow due to ongoing projects approaching completion, and renegotiated leases. Net interest income and expense amounted to SEK 108 million (180). Profit before tax for the fourth quarter was SEK 1,486 million (1,699).

Full-year 2016

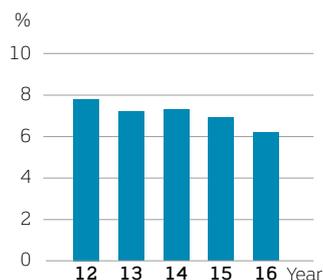
Rental revenue

Rental revenue was SEK 5,482 million (5,450), an increase of SEK 32 million. The increase is attributable to completion of new buildings, especially Royal College of Music in Stockholm, Arrhenius at Stockholm University, Malmö University and Ulls Hus in Uppsala.

Rental and vacancy levels

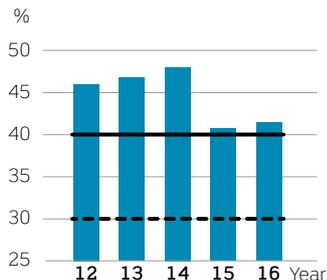
Property holdings at year-end 2016 amounted to 3.2 million square metres (3.2) of rentable area. In all, 125,000 square metres (122,000) of this rentable space was vacant, for a vacancy rate of 3.9 per cent (3.8). The vacant space has a distinctly lower rental value than the average for the holdings. In terms of value, the vacant space amounts to SEK 52.7 million (64) or just 0.9 per cent (1.1) of rental value. The largest individual blocks of vacant space can be found on the Ultuna Campus and amount to about 78,000 square metres. One reason is that Klinikcentrum (the Clinical Centre), approximately 30,000 m², is almost vacant after tenants moved to the Centre for Veterinary Medicine and Animal Science.

RETURN ON OPERATING CAPITAL



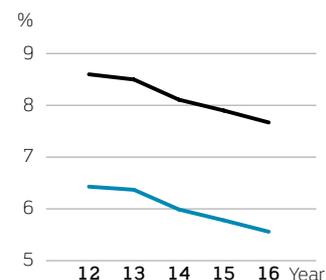
● Return on operating capital, %

EQUITY RATIO



— Upper target
- - Lower target

YIELD REQUIREMENT AND COST OF CAPITAL



— Yield target, %
— Cost of capital, %

Operating and maintenance costs

Operating costs for the year amounted to SEK 764 million (771), equivalent to SEK 237/m² (242). Of the operating costs, media provision amounted to SEK 519 million (519), equivalent to SEK 161/m² (163). The reduction in cost per square metre can primarily be explained by our systematic work with energy efficiency. Maintenance costs amounted to SEK 686 million (618). The increase is mainly due to project-related maintenance costs. The cost amounts to SEK 212/m² (194).

Property administration

Costs for property administration amounted to SEK 294 million (316). The decrease is mainly attributable to a decision last year to co-finance an expansion of the underground from Odenplan to Arenastaden with SEK 40 million. Costs associated with the implementation of a new organisation were charged to the second half of 2016.

Other property management expenses

Other property management expenses increased by SEK 54 million to SEK 255 million (201). The increase is due to provisions and costs associated with smaller land and property sales.

Changes in value, properties

The changes in property values for the year in the income statement amounted to SEK 3,682 million (2,655). The changes in value are largely the result of reduced yield requirements and cost of capital, changes in cash flow due to ongoing projects approaching completion, and renegotiated leases.

PROPERTY MARKET

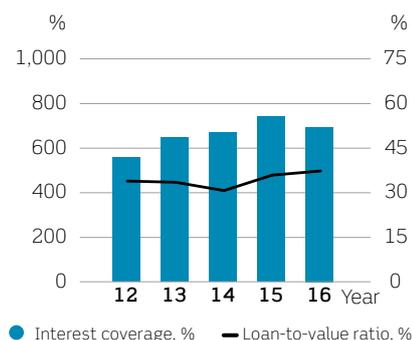
The Swedish economy continues to undergo strong growth at a rate of over 3 per cent. The clear improvement in the labour market is encouraging, with employment growth primarily in the service industries, resulting in declining vacancy levels in growth areas. The economy is supported by the expansionary monetary policy, which contributes to low interest costs and is the most important driver of continued declining yield requirements.

Activity in the property market increased sharply and the transaction market for the year amounted to approximately SEK 200 billion, which is about 35 per cent above the levels in 2014 and 2015. The trend was strong in all segments of the property market: demand for housing is driven by continued urbanisation and demand for commercial properties by the improved economy. The community property sector is supported by continued investments in the public sector. This segment is attractive because leases are usually signed for longer terms than for commercial properties and the tenant is a public authority.

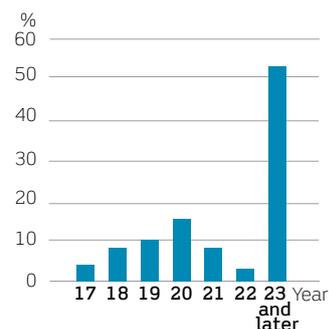
PROPERTIES

Change in property holdings, in SEK m	31-12-2016 Group	31-12-2015 Group
Opening fair value	66,575	61,437
+ Investment in new construction and redevelopment	2,761	2,497
+ Acquisitions	—	2
+ Capitalised interest expense	75	108
- Sales	-45	-33
+/- Change in value, unrealised, for remaining properties	3,647	2,564
of which change in value due to a change in the cost of capital and yield requirement	2,435	1,245
of which change in value due to adjusted value index (valuation status, average remaining term, property type)	-179	256
of which capitalised interest expense	-75	-108
of which other change in value (e.g. changed rental terms and conditions)	1,466	1,171
CLOSING FAIR VALUE	73,013	66,575

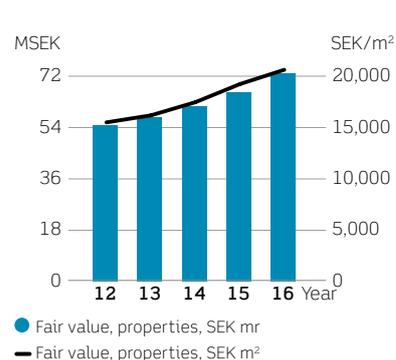
INTEREST COVERAGE RATIO AND LOAN-TO-VALUE RATIO



LEASE RENEWAL STRUCTURE



FAIR VALUE, PROPERTIES



case



Time capsule symbolised the start of construction of new Humanisten building

The new Humanisten building will enable the University of Gothenburg to improve the visibility and co-locate the activities of the Faculty of Arts, which were previously scattered around the city. In October a time capsule was filled to symbolise the start of construction. The project involves the renovation of and addition to the existing Humanisten building and can be viewed as a first step in the joint initiative by the University of Gothenburg and Akademi-ska Hus to make the campus south of Götaplatsen a unique and creative meeting place for art, culture and the humanities.

PHOTO: SOFIA SABELL

Although Akademiska Hus' property holdings focus on the community property sector, specifically higher education and research, value developments correlate with the market as a whole. With a presence that is strongest in the large well-established university locations, the portfolio is well diversified and 60 per cent of property values can be found in these towns and cities. This structure and approach provide good opportunities for coping with temporary fluctuations in the economy.

PROPERTY VALUATION

The fair value of Akademiska Hus properties as at 31 December 2016 was SEK 73,013 million (66,575), an increase of SEK 6,438 million (9.7 per cent) compared with the previous year. Of the total change in value, SEK 2,716 million (2,464) relate to net investments in properties. The remaining SEK 3,647 million relates to net changes in property values that arise due to the general trend in the property market as well as business events and affect cash flows. The total fair value of properties includes current new construction totalling SEK 4,802 million (3,484).

The fair value was calculated by means of an internal property valuation covering all the Company's properties. The valuation takes into account the increase in prices on the market and the increased demand for community properties through reduced yield requirement and cost of capital. The average yield requirement was 5.6 per

cent (5.8) and the average cost of capital was 7.7 per cent (7.9). During the year adjustments in yield requirements were made in the majority of Akademiska Hus' sub-markets, where the largest adjustments were made in the big cities and the most central locations. Each quarter Akademiska Hus engages two independent valuation institutes, NAI Svefa and Cushman & Wakefield, to verify the valuation conditions. In addition to financial parameters, the property value is affected by net operating income, rent levels, vacancy levels, lease term, property category and type of customer. The change in value attributable to such business transactions amounts to SEK 1,466 million (1,172). The Akademiska Hus financial level of vacant space in recent years has been stable at around 1 per cent and it is expected to remain on that level for the next few years.

To assure the internal valuation, selected properties are also valued each year by external valuation companies. In 2016, 73 valuation buildings at an estimated fair value of SEK 17,644 million were valued externally, corresponding to approximately 26.5 per cent of Akademiska Hus' total fair value at the beginning of the year. The valuations in 2016 were carried out by Cushman & Wakefield, which is authorised by the Swedish Society of Real Estate Economics. The external valuations confirm the reliability of the internal valuation model.

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 mr	Impact on fair value, percentage points
Rental revenue, +/- one per cent	55	0.1	389	0.5
Vacant space, +/- one percentage point	52	0.1	451	0.6
Operating costs, +/- one per cent	8	0.0	-80	-0.1
of which media provision	5	0.0	-39	-0.1
Cost of capital, + one percentage point	-4,384	0.2	-4,384	-6.0
Cost of capital, - one percentage point	4,831	-0.2	4,831	6.6
Yield target, + one percentage point	-5,655	0.3	-5,655	-7.7
Yield target, - one percentage point	8,318	-0.4	8,318	11.4

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 +/- 3,650–7,300 million in the Akademiska Hus portfolio.

PROJECT OPERATIONS, INVESTMENTS AND SALES

The project portfolio with decided and planned projects totalled SEK 16,710 million, of which SEK 4,803 million has already been invested in ongoing projects. We also have a series of concept projects worth SEK 7,559 million. Concept projects refer to projects deemed probable, but that are uncertain in time and scope. The project portfolio refers to future investments over several years, with an emphasis on the Stockholm and Uppsala regions, where there are several large new construction and renovation projects.

PROJECT PORTFOLIO (SEK M)	31-12 2016	31-12-2015
Decided projects	13,431	9,610
Planned projects	3,279	7,865
DECIDED AND PLANNED PROJECTS	16,710	17,475
of which already invested in current projects	-4,803	-3,484
REMAINDER OF DECIDED AND PLANNED PROJECTS	11,907	13,991
Concept projects	7,559	5,301
TOTAL REMAINING PROJECTS	19,466	19,292

Major new construction projects completed during the year (invested amount):

- Royal College of Music, new construction, SEK 847 million
- Luleå University of Technology, renovation, SEK 238 million
- Lund University, renovation of V-building, SEK 220 million

Major redevelopment projects in progress (final cost forecast):

- Albano, new construction for Stockholm University, SEK 3,226 million
- Biomedicum, new construction for Karolinska Institutet in Solna including Comparative Medicine, SEK 3,736 million
- Segerstedthuset, new construction for Uppsala University, SEK 718 million
- Humanisten building, new construction and redevelopment for University of Gothenburg, SEK 620 million
- Valla Student Building, new construction for Linköping University, SEK 411 million

Net investment in properties in 2016 amounted to SEK 2,716 million (2,466). During the second quarter land was sold in Stockholm and one property was sold in Lund and during the third quarter land was sold in Lund.

FINANCING

Financial markets continued to be characterised by the exceptionally loose monetary policy in 2016, with negative interest rates and extensive bond purchases by the central banks. The central banks have faced the challenges of handling an unexpected economic

slowdown in this environment, with continued low inflation expectations as a result. The US Federal Reserve has started to raise interest rates, albeit at a very slow pace. As a result of the stabilisation of the global economy, which in general still continues, financial markets have changed their expectations and prices reflect the opinion that it will soon be time for a gradual return to more normal conditions. Inflation expectations have risen somewhat and the economic outlook has improved, leading to a slight rise in long rates. In addition there is an increase in risk premiums related to political uncertainty, especially in the United States after the presidential election, but even in Europe with Britain's upcoming exit from the EU.

During the year Akademiska Hus completed adjusting the capital structure, as decided by the owner, through the final payment of SEK 2,000 million of the additional distribution in April. The equity ratio was 41.4 per cent and the net liability portfolio was SEK 26,962 million at year-end. As in 2015, financing activities focused on a balanced and cost-effectively implemented well-diversified financing of the increase in debt, primarily through the EMTN and ECP programmes. In this context the slight decline in credit risk premiums in the bond markets during the year provided a positive contribution. Akademiska Hus completed nine bond issues for a total of about SEK 4,800 million during the year, with SEK 2,400 million related to refinancing. A further diversification was achieved through bond issues in the Asian market for over SEK 1,800 million. The trend in the banking market with increased demands for cost-driving capital adequacy justifies a continued increased focus on bond financing.

The increasing debt has also had an impact on utilisation of the ECP programme. In order to achieve more stable conditions for this financing Moody's conducted a credit rating analysis in the fourth quarter. In early January 2017 the highest short-term rating, Prime 1 (P-1), was published for Akademiska Hus' ECP programme.

The fixed income market has not had any clear trend during the year and the political events in particular have surprised and generated interest rate movements. Fixed interest was adjusted slightly upwards during the year.

Net financial income/expense

Net interest income and expense amounted to SEK -549 million (-182) during the period, of which SEK -241 million (165) relates to changes in value of financial derivatives. SEK -24 million (297) of the change in value is unrealised and SEK -217 million is realised (-132). The realised changes in value can mainly be attributed to the somewhat declining market interest rates in 2016.

The significant share of realised losses is attributable to the restructuring of the interest rate swap portfolio so that ineffective interest rate periods have been replaced with more effective protection. As a result, deficit values have been realised throughout the year. Net interest income and expense is equivalent to an interest cost of 2.1 per cent (1.2) during the period in which the changes in value correspond to an increase in interest expense of 0.8 percentage points (decrease 0.7).

NET INTEREST INCOME AND EXPENSE, BREAKDOWN, SEK M

SEK M	01-01-2016- 12-31-2016	01-01-2015- 31-12-2015
Interest cost, net loans and financial assets	-233	-309
Net interest derivatives	-133	-129
Change in value, independent financial derivatives		
- unrealised	-18	256
- realised	-217	-132
Changes in value, fair value hedges	-6	41
Other interest costs	-17	-17
Capitalised interest expense, projects	75	108
Reported net interest income and expense	-549	-182

FINANCING COST, BREAKDOWN

	01-01-2016- 31-12-2016	01-01-2015- 31-12-2015
Loan financing cost, including charges, %	0.83	1.38
Interest swaps, net interest, %	0.47	0.58
Financing cost, %	1.30	1.96
Changes in value, financial derivatives, %	0.85	-0.74
Total financing cost, %	2.15	1.22

Interest-bearing net loan liability increased by SEK 3 038 million during the year and amounted to SEK 26 962 million (23 924). The interest coverage ratio was 694 per cent (743). Since derivative financial instruments account for a significant proportion of the fixed interest period, variations in the outcome of net interest income and expense will become noticeable during periods of major interest rate changes. The diagram on the lower right presents a comparative calculation in which the present value effect of changes in value, both realised and unrealised, is placed against the remaining term of the instruments.

NET LOAN LIABILITY

SEK M	2016-01-01- 2016-12-31	2015-01-01- 2015-12-31
Loans	-32,757	-28,399
Derivatives - liabilities	-690	-819
Collateral for derivatives	-1,762	-1,380
Cash and cash equivalents	5,369	4,304
Other current receivables	492	461
Derivatives receivables	2,386	1,909
Total net loan liability	-26,962	-23,924

FIXED INTEREST PERIOD AND MATURITY

	Fixed interest, years, Dec. 2016	Fixed interest, years, Dec. 2015	Maturity, years, Dec. 2016	Maturity, years, Dec. 2015
Non-current portfolio	23.7	24.7	23.7	24.7
Basic portfolio	4.7	3.6	2.3	2.6
Index-linked bond portfolio	5.8	6.8	5.8	6.8
Total portfolio	7.2	6.9	5.2	6.1

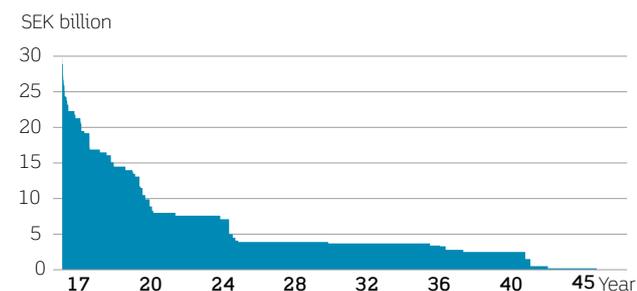
RISK MANAGEMENT

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 39–43 of the 2015 Annual Report.

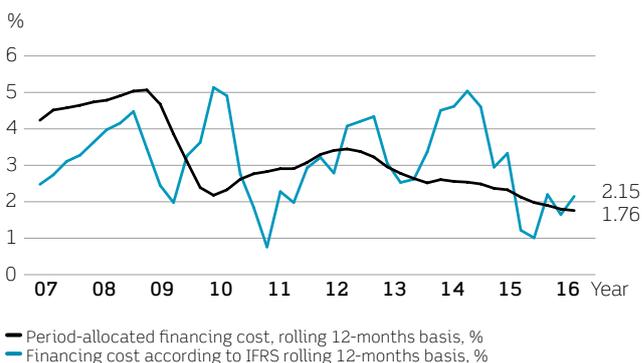
EVENTS AFTER THE END OF THE REPORTING PERIOD

On 17 January 2017 an Extraordinary General Meeting was held during which Christer Nerlich was elected to serve on the Board Of Directors. Otherwise no events of a material nature occurred after the end of the reporting period.

DEBT MATURITY



COMPARISONS, DIFFERENT CALCULATIONS OF FINANCING COST



FIVE-YEAR SUMMARY

FIVE-YEAR SUMMARY	2016	2015 ⁷⁾	2014	2013	2012 ⁴⁾
INCOME STATEMENT, SEK M					
Property management income	5,666	5,646	5,681	5,588	5,511
Operating costs	-764	-771	-808	-889	-870
Maintenance costs	-686	-618	-621	-668	-564
Property administration	-294	-316	-326	-272	-278
Net operating income	3,667	3,740	3,717	3,506	3,588
Change in value, properties	3,682	2,655	3,529	232	-291
Central administration costs	-85	-72	-46	-73	-66
Profit before financial items	7,264	6,323	7,200	3,665	3,231
Net financial income/expense	-549	-182	-939	-390	-682
Profit before tax	6,714	6,141	6,261	3,275	2,549
Profit for the year	5,148	4,780	5,215	2,568	3,149
STATEMENT OF FINANCIAL POSITION, SEK M					
Fair value, properties	73,013	66,575	61,437	57,557	54,677
Other assets	9,417	7,858	8,282	5,785	6,955
Equity	34,152	30,271	33,432	29,614	28,336
Interest-bearing liabilities	35,627	30,831	26,082	23,860	24,212
Other liabilities and provisions	12,651	13,331	10,205	9,868	9,084
CASH FLOW, SEK M					
Cash flow from current operations	2,721	2,024	3,161	3,060	2,126
Cash flow from investments	-2,548	-1,731	-439	-2,459	-2,388
Cash flow before financing	172	293	2,722	601	-262
Cash flow from financing	893	-546	-853	-1,159	-1,081
Cash flow for the year	1,065	-253	1,869	-558	-1,343
PROPERTY-RELATED KEY FIGURES					
Total yield, properties, %	11.4	11.0	13.4	7.2	6.8
of which direct yield, % ¹⁾	5.7	6.4	6.9	6.8	7.1
of which change in value, %	5.7	4.6	6.5	0.4	-0.3
Rental revenue, SEK/m ²	1,697	1,710	1,715	1,664	1,644
Operating costs, SEK/m ²	237	242	252	276	272
Maintenance costs, SEK/m	212	194	194	208	176
Net operating income in relation to administration income, %	65	66	65	63	65
Net operating income, SEK/m ²	1,135	1,174	1,160	1,089	1,120
Level of vacant space, area, %	3.9	3.8	3.6	2.1	2.6
Level of vacant space, rent, %	0.9	1.1	1.2	0.9	1.0
Estimated fair value, properties, SEK/m ²	20,638	19,238	17,471	16,188	15,504
Energy use kWh/m ²	204	212	224	231	235
CO ₂ , kg/m ²	8	8	11	12	12
FINANCIAL KEY FIGURES					
Return on equity after standard tax, %	16.3	15.0	15.5	8.8	6.9
Return on operating capital, % ³⁾	6.2	6.9	7.3	7.2	7.8
Return on total assets, %	10.8	10.7	10.9	6.1	5.6
Interest-bearing net loan liability, SEK m	26,962	23,924	18,871	19,278	18,528
Equity ratio, %	41.4	40.7	48.0	46.8	46.0
Interest coverage ratio, %	694	743	671	647	558
Interest cost in relation to average capital in interest-bearing liabilities, %	2.2	1.2	5.0	2.6	4.2
Loan-to-value ratio, %	37.0	35.9	30.7	33.5	33.9
Internal financing level, %	84	132	278	124	93
Ordinary dividend, SEK m	⁵⁾	1,290	1,445	1,374	1,355
Additional distribution, SEK m ⁶⁾	—	—	6,500	—	—
PERSONNEL					
Average number of employees	440	409	408	407	403
Satisfied Employee Index (SEI)	61	61	66	68	69

1) Excluding properties under construction.

2) Excluding the value of properties under construction and expansion reserves.

3) The owner's yield target is that the return on operating capital, excluding changes in value should be at least 6.5 per cent.

4) 2012 recalculated according to IAS 19R.

5) The Board of Directors will decide on the proposed dividend at its meeting on 13 March 2017.

6) Decision at Extraordinary General Meeting on 19 October 2015.

7) 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.

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT,
SUMMARY, SEK M

	2016 Oct-Dec	2015 Oct-Dec ¹	2016 Full year	2015 Full year ¹
Rental revenue	1,384	1,341	5,482	5,450
Other property management income	55	53	184	196
Total property management income	1,439	1,394	5,666	5,646
Operating costs	-211	-203	-764	-771
Maintenance costs	-318	-234	-686	-618
Property administration	-94	-77	-294	-316
Other property management expenses	-84	-57	-255	-201
Total costs from property management	-707	-571	-1,999	-1,906
NET OPERATING INCOME	732	823	3,667	3,740
Central administration costs	-22	-21	-85	-72
Changes in value, properties	1,194	1,209	3,682	2,655
PROFIT BEFORE FINANCIAL ITEMS	1,904	2,011	7,264	6,323
Net financial income/expense	108	180	-549	-182
PROFIT BEFORE TAX	2,012	2,191	6,714	6,141
Tax	-526	-492	-1,566	-1,361
PROFIT FOR THE YEAR	1,486	1,699	5,148	4,780
Of which attributable to the shareholder in the Parent Company	1,486	1,699	5,148	4,780
PROFIT PER SHARE				
Profit per share, SEK	696	796	2,411	2,239
Profit per share after dilution, SEK	696	796	2,411	2,239
Number of shares, average and at the period-end	2,135,000	2,135,000	2,135,000	2,135,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME,
SUMMARY, SEK M

	2016 Oct-Dec	2015 Oct-Dec ¹	2016 Full year	2015 Full year ¹
Profit for the period	1,486	1,699	5,148	4,780
Items that have been reclassified or can be reclassified to profit for the period				
Profit/loss from cash flow hedges	11	-4	52	-21
Tax attributable to cash flow hedges	-3	0	-12	3
Cash flow hedges, dissolved against profit and loss	0	2	1	5
Items that cannot be reclassified to profit for the period				
Revaluation of defined benefit pensions	-24	22	-24	22
Tax attributable to pensions	5	-5	5	-5
TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-11	15	22	4
COMPREHENSIVE INCOME FOR THE PERIOD	1,475	1,714	5,170	4,784
Of which attributable to the shareholder in the Parent Company	1,475	1,714	5,170	4,784

1) 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.

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY, SEK M

	31-12-2016	31-12-2015
ASSETS		
Non-current assets		
Tangible non-current assets		
Properties	73,013	66,575
Equipment, fixtures and fittings	11	14
Total tangible, non-current assets	73,024	66,589
Financial assets		
Derivatives	2,172	1,658
Other non-current receivables	224	343
Total financial assets	2,396	2,001
Total non-current assets	75,420	68,590
Current assets		
Current receivables		
Derivatives	215	251
Other current receivables	1,425	1,287
Total current receivables	1,640	1,538
Cash and cash equivalents		
Cash and cash equivalents	5,370	4,305
Total cash and cash equivalents	5,370	4,305
Total current assets	7,010	5,843
TOTAL ASSETS	82,430	74,433
EQUITY AND LIABILITIES		
Equity	34,152	30,271
LIABILITIES		
Non-current liabilities		
Loans	22,805	18,622
Derivatives	632	602
Deferred tax	9,982	8,761
Other non-current liabilities	554	452
Total non-current liabilities	33,973	28,437
Current liabilities		
Loans	9,951	9,777
Derivatives	58	217
Other current liabilities	4,296	5,731
Total current liabilities	14,305	15,725
Total liabilities	48,278	44,162
TOTAL EQUITY AND LIABILITIES	82,430	74,433
NOTE		
Pledged assets	429	589
Contingent liabilities	4	4

GROUP EQUITY AND STATEMENTS OF CASH FLOWS

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. 2015	2,135	2,135	-19	23	29,158	33,432
Dividends ¹	—	—	—	—	-7,945	-7,945
Reductions in share capital ²	-5,000	—	—	—	5,000	0
Bonus issues ²	5,000	—	—	—	-5,000	0
Total comprehensive income, Jan.-Dec. 2015	—	—	-13	17	4,780	4,784
EQUITY, 31 DEC. 2015	2,135	2,135	-32	40	25,993	30,271
Dividends 1	—	—	—	—	-1,290	-1,290
Total comprehensive income, Jan.-Dec. 2016	—	—	41	-19	5,148	5,170
EQUITY, 31 DEC. 2016	2,135	2,135	10	21	29,851	34,152

1) Dividend of SEK 1,445,000,000 at the Annual General Meeting on 28 April 2015 and additional distribution of SEK 6,500,000,000 at the Extraordinary General Meeting 19 October 2015.

2) On 28 April 2015 the Annual General Meeting reached a decision to reduce the Parent Company's share capital by a total of SEK 5,000,000,000 for allocation to non-restricted equity. Furthermore, the Annual General Meeting approved bonus issues of a total of SEK 5,000,000,000 by raising the value of properties.

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY, SEK M

	2016 Full year	2015 Full year
CURRENT OPERATIONS		
Profit before tax	6,714	6,141
Adjustment for items not included in the cash flow	-4,106	-2,593
Tax paid	-335	-296
CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	2,274	3,252
CASH FLOW FROM CHANGES IN WORKING CAPITAL		
Increase (-)/decrease (+) in current receivables	-156	-373
Increase (+)/decrease (-) in current liabilities	603	-394
CASH FLOW FROM CURRENT OPERATIONS	2,721	2,485
INVESTMENTS		
Investment in properties	-2,761	-2,499
Sale of properties	103	124
Investment in other non-current assets	-2	-7
Increase in non-current receivables	-	-
Decrease in non-current receivables	112	651
CASH FLOW FROM INVESTMENTS	-2,548	-2,204
FINANCING ACTIVITIES		
Raising of interest-bearing loans, excluding refinancing	4,183	5,411
Dividend paid	-3,290	-5,945
CASH FLOW FROM FINANCING	893	-534
CASH FLOW FOR THE PERIOD	1,065	-253
Opening cash and cash equivalents	4,305	4,558
Closing cash and cash equivalents	5,370	4,305

SEGMENT INFORMATION

CONSOLIDATED SEGMENT SUMMARY

SEGMENT INFORMATION
01-01-2016-31-12-2016, SEK M

	South	West	East	Uppsala	Stockholm	North	Total, operating segments	Other opera- tions ¹	Group
Revenue, including other operating revenue	794	793	527	1,049	2,041	462	5,666	0	5,666
Property management costs, including other operating costs	-241	-282	-146	-259	-743	-170	-1,841	-158	-1,999
NET OPERATING INCOME	553	511	381	790	1,298	292	3,825	-158	3,667
Central administration costs									-85
Changes in value, properties									3,682
PROFIT BEFORE FINANCIAL ITEMS									7,264
Net financial income/expense									-549
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME									6,714
Total assets include:									
Properties	8,255	9,124	5,139	13,851	31,849	4,795	73,013	—	73,013
of which invested during the year	72	290	51	528	1,564	256	2,761	—	2,761

SEGMENT INFORMATION
01-01-2015-31-12-2015, SEK M

	South	West	East	Uppsala	Stockholm	North	Total, operating segments	Other opera- tions ¹	Group
Revenue, including other operating revenue	801	780	536	1,060	1,986	482	5,645	1	5,646
Property management costs, including other operating costs	-272	-259	-148	-271	-631	-188	-1,769	-137	-1,906
NET OPERATING INCOME	529	521	388	789	1,355	294	3,876	-136	3,740
Central administration costs									-72
Changes in value, properties									2,655
PROFIT BEFORE FINANCIAL ITEMS									6,323
Net financial income/expense									-182
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME									6,141
Total assets include:									
Properties	8,191	8,124	4,935	12,691	28,214	4,420	66,575	—	66,575
of which invested during the year	208	125	26	242	1,752	146	2,499	—	2,499

1) Other operations¹ refer to operations that are not attributable to the regions.

PARENT COMPANY INCOME STATEMENTS

PARENT COMPANY INCOME STATEMENT,
SUMMARY, SEK M

	2016 Oct-Dec	2015 Oct-Dec ¹	2016 Full year	2015 Full year ¹
Rental revenue	1 384	1 341	5 482	5 450
Other property management income	55	76	220	300
Total property management income	1 439	1 417	5 702	5 750
Operating costs	-211	-203	-762	-769
Maintenance costs	-318	-234	-686	-618
Property administration	-92	-74	-283	-297
Other property management expenses	-84	-59	-246	-204
Total costs from property management	-705	-570	-1 977	-1 888
NET OPERATING INCOME	734	847	3 725	3 862
Central administration costs	-22	-21	-85	-72
Depreciation and impairment as well as reversed impairment in property management	-269	-443	-1 040	-1 598
PROFIT BEFORE FINANCIAL ITEMS	443	383	2 599	2 192
Net financial income/expense	90	153	-625	-290
PROFIT AFTER FINANCIAL ITEMS	533	536	1 974	1 902
Appropriations	-175	-158	-175	-158
PROFIT BEFORE TAX	358	378	1 800	1 744
Tax	-162	-94	-485	-394
PROFIT FOR THE YEAR	196	284	1 315	1 350

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME,
SUMMARY SEK M

	2016 Oct-Dec	2015 Oct-Dec ¹	2016 Full year	2015 Full year ¹
Profit for the period	196	284	1,315	1,350
Items that have been reclassified or can be reclassified to profit for the period				
Profit/loss from cash flow hedges	11	-5	52	-21
Tax attributable to cash flow hedges	-3	1	-12	4
Cash flow hedges, dissolved against profit and loss	0	2	1	5
TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD	8	-2	41	-12
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	204	282	1,356	1,338
PROFIT PER SHARE				
Profit per share, SEK	96	132	635	627
Profit per share after dilution, SEK	96	132	635	627
Number of shares, average and at the period-end	2,135,000	2,135,000	2,135,000	2,135,000

1) 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.

PARENT COMPANY BALANCE SHEETS

PARENT COMPANY BALANCE SHEET, SUMMARY, SEK M

	31-12-2016	31-12-2015
ASSETS		
Non-current assets		
Tangible non-current assets		
Properties	41,591	39,900
Equipment, fixtures and fittings	11	14
Total tangible, non-current assets	41,602	39,914
Financial assets		
Shares in Group companies	1	1
Derivatives	2,172	1,658
Other non-current receivables	223	343
Total financial assets	2,396	2,002
Total non-current assets	43,998	41,916
Current assets		
Current receivables		
Derivatives	215	251
Other current receivables	1,425	1,287
Total current receivables	1,640	1,538
Cash and bank balances		
Cash and bank balances	5,369	4,304
Total cash and bank balances	5,369	4,304
Total current assets	7,010	5,842
TOTAL ASSETS	51,008	47,758
EQUITY AND LIABILITIES		
Equity	6,626	6,560
Untaxed reserves	4,025	3,850
Non-current liabilities		
Loans	22,805	18,622
Derivatives	632	602
Deferred tax	2,219	2,074
Other non-current liabilities	393	323
Total non-current liabilities	26,049	21,621
Current liabilities		
Loans	9,951	9,777
Derivatives	58	217
Other current liabilities	4,299	5,733
Total current liabilities	14,308	15,727
Total liabilities	40,357	37,348
TOTAL EQUITY AND LIABILITIES	51,008	47,758
NOTE		
Pledged assets	429	589
Contingent liabilities	4	4

PARENT COMPANY EQUITY

CHANGES IN PARENT COMPANY'S EQUITY,
IN BRIEF, SEK M

	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Fair value reserve	Profit for the year brought forward	
EQUITY, 1 JAN. 2015	2,135	2,135	-19	3,917	8 168
Dividends ¹⁾	—	—	—	-7,945	-7,945
Reductions in share capital ²⁾	-5,000	—	—	5,000	0
Bonus issues ²⁾	5,000	—	—	—	5,000
Total comprehensive income, Jan.-Dec. 2015	—	—	-12	1,350	1,338
EQUITY, 31 DEC. 2015	2,135	2,135	-31	2,322	6,560
Dividend	—	—	—	-1,290	-1,290
Total comprehensive income, Jan.-Dec. 2016	—	—	41	1,315	1,356
EQUITY, 31 DEC. 2016	2,135	2,135	10	2,346	6,626

1) Dividend of SEK 1,445,000,000 at the Annual General Meeting on 28 April 2015 and additional distribution of SEK 6,500,000,000 at the Extraordinary General Meeting 19 October 2015.

2) On 28 April 2015 the Annual General Meeting reached a decision to reduce the Parent Company's share capital by a total of SEK 5,000,000,000 for allocation to non-restricted equity. Furthermore, the Annual General Meeting approved bonus issues of a total of SEK 5,000,000,000 by raising the value of properties.

NOTE 1 ACCOUNTING POLICIES

Akademiska Hus complies with the EU-endorsed International Financial Reporting Standards (IFRS). This year-end 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 2016

No new accounting policies applicable from 2016 have significantly affected the Akademiska Hus Group.

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

Earnings after financial items after 22 per cent tax in relation to average equity (IB+UB)/2.

Return on operating capital

Earnings before financial items, excluding changes in value in relation to average operating capital (IB+UB)/2.

Return on total assets

Earnings before financial items plus financial income in relation to the 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.

Financing cost according to IFRS

Net financial income/expense in the form of the financing cost for loans, net interest for financial derivatives and the change in fair value of financial derivatives, in relation to average interest-bearing capital. (Please see the table on the top right)

Interest coverage ratio

Profit before financial items, excluding changes in the value of properties in relation to net financial income/expense, excluding changes in value, financial derivatives, including period allocation of realised profits from derivatives and including capitalised interest in projects. (Please see the table on the top right)

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

Period-allocated financing cost

Net interest income and expense in the form of the financing cost for loans, net interest for financial derivatives and period allocation of realised profits on financial derivatives over the remaining term of the underlying instrument, in relation to average, interest-bearing capital. (See table below.)

NET INTEREST INCOME AND EXPENSE, BREAKDOWN, SEK M

SEK M	01-01-2016- 31-12-2016	01-01-2015- 31-12-2015
Interest cost, net loans and financial assets	-233	-309
Net interest derivatives	-133	-129
Change in value, independent financial derivatives		
- unrealised	-18	256
- realised	-217	-132
Changes in value, fair value hedges	-6	41
Other interest costs	-17	-17
Capitalised interest expense, projects	75	108
Reported net interest income and expense	-549	-182
Fixed income funds - asset (full-year basis)	-28,104	-22,397

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	2016-01-01- 2016-12-31	2015-01-01- 2015-12-31
Loans	-32,757	-28,399
Derivatives - liabilities	-690	-819
Collateral for derivatives	-1,762	-1,380
Cash and cash equivalents	5,369	4,304
Other current receivables	492	461
Derivatives receivables	2,386	1,909
Total net loan liability	-26,962	-23,924

Operating capital

Equity plus net loan liabilities.

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.

NOTE 3 FINANCIAL OBJECTIVES

The owner's financial objectives are as follows:

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

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.

Revenue and profit/loss

The Company's revenue totalled SEK 5,702 million (5,750). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). The profit before financial items was SEK 2,599 million (2,192) and net financial income/expense was SEK -625 million (-290). Profit after tax was SEK 1,315 million (1,350).

Depreciation

The depreciation schedule for the Company's buildings changed with effect from 2016. The buildings are now depreciated over 60 years (previously 40 years), which better reflects the economic life of the buildings. The new schedule is applied prospectively. No retroactive restatement has been made.

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 properties amounted to SEK 2,761 million (2,499).

Equity

At the turn of the year equity amounted to SEK 6,626 million (6,560).

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

The President hereby certifies that this year-end 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, 15 February 2017

Kerstin Lindberg Göransson
President

DEFINITIONS

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 vacancies 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.

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REPORT CALENDAR

Annual Report 2016	24 March 2017
Annual General Meeting	28 April 2017
Interim Report January-March 2017	28 April 2017
Interim Report January-June 2017	14 July 2017
Interim Report January-September 2017	25 October 2017

The information in this year-end 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.



AKADEMISKA HUS