

Annual Report 2016

and Sustainability Report

“We build
Sweden as
a nation of
knowledge”



AKADEMISKA HUS

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PROPERTY SPECIFICATION

See

www.akademiskahus.se



Annual Report 2016

The audited Annual Report comprises pages 28-88. Our sustainability initiatives are incorporated in the Annual Report and presented in line with GwRI G4 guidelines. The Sustainability Report comprises the pages listed on page 92 and has undergone a cursory audit.

This Annual Report is a translation of the Swedish original.

Akademiska Hus: Swe for higher education a

Akademiska Hus owns, develops and manages properties with a focus on higher education and research. We are wholly owned by the Swedish state. Our property portfolio is worth SEK 73 billion and we have a market share of approximately 60 per cent in our segment.

RESEARCHERS AND STUDENTS
IN OUR PREMISES EACH DAY

300

THOUSAND

SQUARE METRES
RENTABLE SPACE

3.2

MILLION

TOTAL PROPERTY PORTFOLIO

73

SEK BILLION

PROJECT PORTFOLIO

16.7

SEK BILLION

FIVE-YEAR SUMMARY

	2016	2015	2014	2013	2012
INCOME STATEMENT, SEK M					
Property management income	5,666	5,646	5,681	5,588	5,511
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
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

KEY FIGURES

Return on operating capital, %	6.2	6.9	7.3	7.2	7.8
Yield, %	5.7	6.4	6.9	6.8	7.1
Net operating income ratio, %	65	66	65	63	65
Equity ratio, %	41.4	40.7	48.0	46.8	46.0

Sweden's leading property company and research

Internationally attractive campus and knowledge environments

Internationalisation and digitisation are two major issues for the future. We take full responsibility and work with our customers to develop knowledge environments of the future. By doing so we can help to strengthen the international competitiveness of the centres of education.

Resource-efficient and sustainable governance in construction and property management

Optimising operations, energy efficiency, and choosing the right materials are important aspects of our sustainability efforts. By partnering with both customers and suppliers, we accelerate the pace of our efforts to reduce both environmental impact and costs.

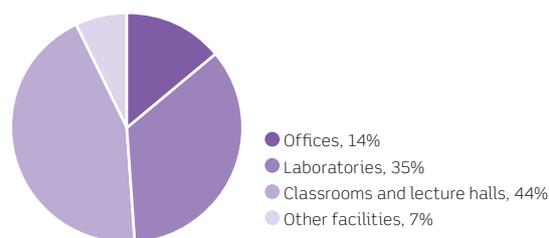
Long-term contracts with creditworthy customers form our base

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

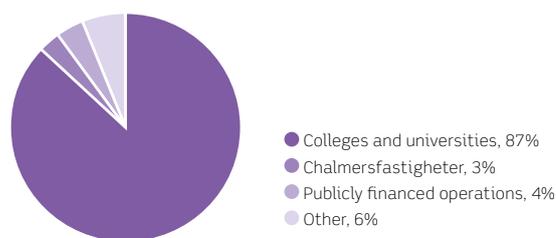
High credit rating – a requirement for financing investments

We have a substantial investment portfolio. Cash flow from our operating activities is good, but the debt portfolio will continue to be significant. We strive to achieve relevant and transparent disclosure to enable financiers and rating agencies to find support for their credit assessments of Akademiska Hus.

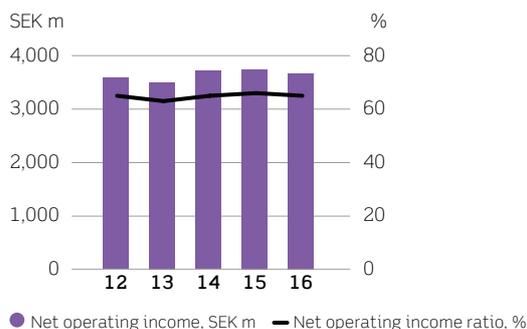
DISTRIBUTION PREMISES CATEGORY, %



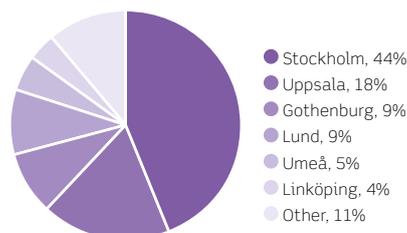
TENANT CATEGORIES, %



NET OPERATING INCOME



FAIR VALUE BY CITY, %



Akademiska Hus 2016

Transfer of major construction projects

Several major construction projects were completed during the year and tenants moved in. Examples include the new research facility Biotronen in Alnarp, the renovated V-Building in Lund and the Royal College of Music in Stockholm, which is shown on the cover. Read more about the Royal College of Music on page 15.

Important construction starts

We have a large project portfolio with many planned and ongoing projects. In 2016 one of the most important building starts was the Humanisten building, a new construction and extension project that will co-locate the activities of the Faculty of Arts at the University of Gothenburg. The project is a first step in the effort to make the campus a unique and creative meeting place for art, culture and the humanities. On the Umeå Campus, construction began on two projects: the new Medical Biology Centre (MBC) and a new building for the police training programme.

Humanisten in Gothenburg



Letter of intent paves the way for energy-saving initiative

During the year Akademiska Hus initiated several collaborations to improve the energy efficiency of our university campuses. For example, we signed a letter of intent along with the Swedish University of Agricultural Sciences formulating a common vision for the three campuses in Uppsala, Alnarp and Umeå. The letter of intent aims to reduce the amount of delivered energy by 25 per cent over the next ten years.

Vision

Leading knowledge environments.

Business concept

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

Student accommodation in collaboration and on our own

Good access to student accommodation makes the centres of education more attractive. Our campus plans always address the issue of undergraduate and graduate student housing, whether construction is by others or under our own auspices. In 2016 our renovation projects created student accommodation on the Alnarp Campus and at Frescati. In addition, we broke ground for 340 housing units at the Royal Institute of Technology (KTH) Campus in Stockholm. Read more about the KTH Campus on page 14.



Student accommodation just off-campus

Reorganisation

Beginning on 1 January 2017 we have a new organisational structure. Instead of regional divisions, we now base the organisation on our three main processes: property management, projects, and campus and business development. This approach shifts the focus to our property management business, improves our efficiency and our development capacity, and provides even better opportunities to create competitive knowledge environments throughout Sweden.

Akademiska Hus is subject to LOU

In June 2016 the Supreme Administrative Court confirmed that Akademiska Hus is considered to be a contracting authority that is subject to the Public Procurement Act (LOU). Read more on page 24.

Values

ATTENTIVE

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

COMMITTED

Wholeheartedness and commitment are reflected in everything we do.

VALUE CREATION

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



OUR MISSION

– to contribute to
strengthening
Sweden as a nation
of knowledge

“Akademiska Hus Aktiebolag will own, develop and manage properties for universities and colleges where the primary focus is on education and research and it will carry on operations compatible therewith. Operations will be run on a commercial basis and generate a yield that is in line with the market by setting rents that take into account the operating risk. Akademiska Hus Aktiebolag will work to bring about long-term sustainable development of university and college campuses.”

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

AKADEMISKA HUS’ MISSION IS DECIDED BY THE RIKSDAG

Integrated approach for a wiser Sweden

The development of tomorrow's campuses and an in-depth and more trusting dialogue with Swedish universities dominated the conversation when Akademiska Hus' Anitra Steen, Chair of the Board, and Kerstin Lindberg Göransson, President, summarised the past year.

A more in-depth, improved dialogue with your customers, the Swedish universities, has been a key priority over the past year. What needs improvement?

AS: "Good relationships with our customers are crucial for us to successfully conduct our business and achieve our goals – and ultimately, if we are to deliver the modern, innovative and high-quality knowledge environments that our customers demand.

Nor will we deny the fact that the cooperative climate with some Swedish colleges and universities has been strained.

The centres of education have expressed distrust to varying degrees regarding Akademiska Hus' mission to work under market-based business conditions. As the newly appointed Chair of the Board in 2016 it has therefore been valuable to visit the Swedish universities together with Kerstin where we could engage in a sincere straightforward dialogue with them."

What has been the biggest challenge at these meetings with customers?

AS: "The most important thing for us has been to explain our mission and how we have achieved it. When Akademiska Hus was formed in 1993 the purpose was to increase the efficiency of the State's property management, both by providing a more accurate picture of local costs in all official expenditure reporting, as well as by ensuring that the substantial value of the State's properties was properly utilised. This is where the division of roles in the system comes into play, where the universities don't have to set priorities between property maintenance and new construction investments and its core activity – education and research. The appropriations allow for rental of premises and the fact is that facility costs as a percentage of total expenses for the universities have fallen over the 24 years that Akademiska Hus has been active. At the same time, we have been able to build up a unique expertise in campus development and delivered a variety of high-quality education and research environments – premises that might never have been built if Akademiska Hus had not existed. We've been able to do so because we also built a good reputation in the financial markets and have the financial strength that provides stability and minimises risk, creating conditions that allow the centres of education to develop based on their needs and visions, regardless of fluctuations in the economy."

KLG: "In discussions about the future we also want to highlight the importance of increased cooperation that enables us to contrib-

ute to the visions of the higher education institutions. I think these discussions have been constructive and mutually increased awareness of our respective circumstances."

In practical terms, how would you make relationships with customers even better in the future?

AS: "Above all, of course, is that we can create world-class learning environments so that Swedish universities and colleges can continue to hold their own in international competition. To reach those goals, we need to further develop the campus approach and adapt both new construction and existing facilities to the new demands that, for example, digitisation and mobility place on education."

KLG: "Which in turn places demands on both us and our customers to streamline the building processes. Unfortunately, some of the new knowledge environments we build today – often high-profile buildings that we and our customers are justifiably proud of – are also expensive investments. Dealing with this issue is a shared responsibility: The centres of education have to focus more on ordering the features that the new environments will offer and we have to improve at providing solutions to their needs and presenting more cost-effective proposals, while being clear about what drives costs without necessarily providing better functionality. It's a matter of working together to determine what the 'right quality' is. This will require us at Akademiska Hus to increase our own pace of development and innovative skills, while getting involved at an even earlier phase of campus planning."

It sounds simple in theory, but harder in practice?

AS: "Yes, it is, and that's why these are important issues for the Boards at the colleges and universities to consider. They have to make the trade-off between the cost of new buildings and the existing education activities."

KLG: "We have good examples where universities have placed orders for functionality based on which we've formulated proposals and processes that combined high quality with cost effectiveness, where the customer has been satisfied with the process and the collaboration.

Beginning in the summer of 2016 Akademiska Hus has been subject to the Public Procurement Act (LOU). Our ambition is to handle procurement according to LOU so that it benefits both us and our customers, for example by applying slightly more pressure on prices and offering an even higher degree of transparency."



“Our top priority is to fulfil our mission and to strengthen Sweden’s centres of education”

An important way to both increase the quality of your services and to improve the cooperative climate with your customers is the reorganisation that Akademiska Hus implemented during the year. How will the change be noticed?

KLG: “Demands on the centres of education, and therefore also on the design of premises and campuses, are rapidly changing, especially the rapid digital transformation. For us it is crucial that the experience we acquire in one development project at a university benefits other universities and colleges. With the new organisation we depart from a regional division and work with our main processes instead, which 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 provide even more value moving forward.”

You talk a lot about the importance of campus development. Why is that so important?

KLG: “Traditionally, the campus environment as a whole, where people both live and study, has been typical at foreign universities in a completely different way than in Sweden. A rapid development is now under way where Swedish higher education institutions are increasingly demanding full-scale campuses that offer services, housing, good public transportation and an integrated business community. Our knowledge and methodology in campus develop-

ment is extremely useful here, where we include those factors and can also take an integrated approach to sustainability issues on campus. This involves energy issues and climate-smart solutions, of course, as well as diversity, accessibility and security issues. A comprehensive approach like this offers a number of advantages and Akademiska Hus has the skills to lead this trend.

We still have much to learn, especially from universities in other parts of the world, where the entire campus is a learning environment with extremely flexible facilities. At the same time, we are pleased to note that we are at the forefront, even in an international perspective, when it comes to creating meeting places and offering campus-wide internet connectivity.”

Two years ago Akademiska Hus was tasked with helping to increase construction of student accommodation. How has that gone?

KLG: “The development work for student accommodation has moved at a fast pace and we’ve really been able to make a difference. In Stockholm, where the housing situation for students has been the most difficult, we will have 6,000 new student housing units ready for occupancy in 2017 through the Stockholm 6000+ cooperation initiative. In the Gothenburg region, we are responsible for coordinating Gbg7000+, which should provide more than 7,000 new student housing units within ten years and similar major initiatives are under way in Lund, Umeå and Luleå.”

“Nobody should have to turn down the opportunity to study at a university because they don’t have anywhere to live.”

Kerstin Lindberg Göransson

AS: “Our strategy is to take responsibility for construction of on-campus student housing, where we need to have future control over the area, while others can build on land on the outskirts of the campus.”

Will the initiative to build new student housing continue at the same pace?

KLK: “Student accommodation is a key component of a vibrant campus, and the general housing shortage itself is a major obstacle for the development of higher education institutions. Nobody should have to turn down the opportunity to study at a university because they don’t have anywhere to live. This issue is enormously important for the higher education institutions so here we have to collaborate even more and do everything we can to produce as many student housing units as possible. But another major challenge involves developing a long-term plan so that we can build student accommodation with reasonable living expenses. To succeed, we must continue to cooperate with external partners, and reduce costs by investing in large volumes of new construction and more pre-fabricated housing.”

2016 has been an exceptional year for the property sector. How has that affected Akademiska Hus?

AS: “The strong growth in the value of properties has meant that the value of Akademiska Hus’ holdings has continued to grow and at year-end totalled SEK 73,013 million, an increase of 5.7 per cent. This

affects overall market rent levels. The trend in the property market has also led to continued strong interest and increased transaction volumes for the type of properties in the Akademiska Hus portfolio, while competition in the community property sector has intensified.”

Finally, what are your expectations for 2017?

KLK: “I hope to see our customers continue to be more accepting of both our mission and role in the Swedish university sector, as well as of our daily property management work and the way we lead development of new campuses. I also expect that we will take additional steps forward in digitisation, in our own operations and in the design of future research and education environments.

We will also continue our important sustainability initiatives. Akademiska Hus’ sustainability issues are integrated in the operation and we support and run our business in accordance with the corporate responsibility principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises. We will continue to do so moving forward.”

AS: “My hope is that over the coming year we will further develop discussions with our customers about how we drive down costs for our development projects and thereby reduce rent costs and that we will continue to contribute to maintaining the high pace of construction of more student housing.”

Akademiska Hus profitability is based on...

...sustainable values

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

Driving forces that affect our development

Most external factors, internationally and in Sweden, affect the conditions under which Akademiska Hus conducts business. Such factors range from changing educational needs to the increased interest in community

properties. Two-lasting trends are of particular importance for our development over the next few years: digitisation and internationalisation.

page 6

High expectations from our stakeholders

Insight into the issues that are relevant to both internal and external stakeholders is crucial for our ability to prioritise the right activities. This enables us to act in good time on issues that Akademiska Hus stakeholders consider to be urgent.

Ongoing dialogue with stakeholders is particularly important now, when conditions in both the property industry and the higher education sector are rapidly changing.

page 8

The materiality analysis lays the foundation for our goals

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

improve our offering to our customers and as a major participant in the community construction industry we take responsibility and drive development forward.

page 10

Long-term strategy guides our work

Development capacity, efficiency and customer value are key concepts that permeate the Akademiska Hus strategy.

Our strategy can be broken down into business and operational plans so that our long-

term priorities can be translated into action. Leveraging our expertise in collaboration with our customers is crucial if we are to achieve our goals.

page 11

Assessing fulfilment of objectives ensures that we are on the right path

Short-term and long-term objectives ensure continual development. By measuring our performance we can adapt and adjust our operations so we remain on course towards our long-term goals.

The road may have its twists and turns, but

by listening to and pursuing an ongoing dialogue with our customers, we improve our opportunities to strengthen Sweden as a nation of knowledge. Akademiska Hus employees are our primary resource for us to be able to achieve our goals.

page 12



Internationalisation and digitisation of Swedish higher education institutions

Sweden's colleges and universities face intensifying global competition. Attractive campus, research and education environments are growing in importance for positioning our universities on the international academic map in order to attract increasingly mobile students and researchers from all over the world.

The role of colleges and universities in higher education is changing. Swedish centres of education are now in competition with international players for undergraduate and graduate students, attracting cutting-edge research centres, and of course, for funding. A growing number of Swedish centres of education are actively working on branding and specialisation in an effort to strengthen their position among international competitors. Most of the universities are also

broadening their efforts in moving towards greater digitisation of both education and their operations in general. Local planners and educators need to work together to a greater degree to create technology-supported learning environments for the future offering internet-based teaching that no longer needs to be tied to a physical location.

Internationalisation – Swedish higher education institutions from a global perspective

It has become increasingly common to either spend some time studying abroad, or to obtain a full university education in another country. The number of students enrolled at a university or college outside their home country has significantly risen in recent years, an increase of more than 50 per cent between 2005 and 2012¹.

The Riksdag and the Government, which have overall responsibility for higher education and research in Sweden, are in favour of a continued globalised education sector. Politically, they aim to achieve greater internationalisation in order to raise the quality of research and higher education, improve the competitiveness of Swedish higher education institutions and make them more attractive. The foundation created by the Riksdag to promote internationalisation of higher education and research works to implement the political goal of increased enrolment of foreign students at Swedish universities. The EU-wide target is for 20 per cent of students in Europe who graduate in 2020 to have studied or practised abroad during their studies. Sweden is not there yet – we are currently at 14 per cent. It is therefore likely that in the future Swedish centres of education will be able to apply for state funds for further internationalisation initiatives.

An additional factor suggesting an increased focus on internationalisation is that the nationwide student base for most Swedish higher education institutions is not large enough, where more international students contribute increased revenues to the universities and colleges. There are also international funding opportunities if the centre of education succeeds in attracting investments in research and local incubator companies. Successful positioning in the international arena can strengthen the reputation of the centre of education, since international rankings are becoming increasingly important.

The increasing internationalisation of higher education and research makes it even more desirable for Akademiska Hus to contribute even more in the process of developing internationally competitive campus and learning environments. In this context, creating more undergraduate and graduate student housing closer to campuses becomes an important issue. Enabling undergraduate and graduate student mobility and continuing to promote accessibility in higher education for more people require the right conditions on campus.

Digitisation – promoting new solutions

Our world features always-connected mobile devices, cloud computing solutions and digital as the first choice for media consumption. Digitisation has rapidly changed, and continues to change, how people live all over the world. This trend provides both new opportunities and challenges for companies, organisations and authorities to consider. And Akademiska Hus is no exception.

Students have quickly embraced a more digital approach, which also changes expectations on campus. The ability to schedule studies based on daily life is viewed as a requirement. Individual students study wherever it is most convenient: at home, in cafés, or at digital or physical hubs with their mobile devices. This trend presents a challenge for traditional knowledge environments and educational programmes.

For Akademiska Hus, and for centres of education all over Sweden, technological developments entail new opportunities and challenges when designing buildings and campuses. Combining distance learning with campus-based education is becoming increasingly common and leads to changes in how premises are used. These changing education patterns mean there is a greater need for flexible premises, while learning environments need to be inspiring, fit for purpose, and stimulate education and development.

Knowledge and research environments at higher education institutions play an important role in how Sweden develops as a nation of knowledge. We are working together with the higher education institutions and other stakeholders to create competitive knowledge environments throughout the country. With digitisation, the competition for undergraduate and graduate students will intensify and become increasingly global. International boundaries will no longer be as crucial when choosing where to pursue undergraduate or graduate studies. It is therefore important that we and our customers remain vigilant and work together to create the most attractive knowledge environments possible.

The change is here, and it is here to stay. Digitisation will be an important perspective in our development and management of our campuses. With our collective expertise in campus development, our understanding of the needs of future knowledge environments and our awareness of global developments in this sector, we will be able to work together with universities and colleges to meet these future challenges and to benefit from the opportunities presented by digitisation.

¹ OECD (2016), Education at a Glance 2016: OECD Indicators, OECD Publishing, Paris.

Commitment – the core of our stakeholder relations

We want to build trust and understanding for Akademiska Hus' mission and role in society. Through open dialogue relating to issues that affect development both for us and for our stakeholders, we create shared commitment and opportunities for collaboration.

Customers, business partners, employees, suppliers and the owner all expect different things from Akademiska Hus. All of our sustainability goals are based on close collaboration between us and our stakeholders. An open dialogue increases understanding of our individual priorities and challenges, thereby promoting an inspiring and stimulating relationship. Effective collaboration is crucial if we are to jointly develop Sweden's most attractive campuses and knowledge environments.

MULTI-LEVEL DIALOGUE

As a major player in the built environment industry, we have a challenging and complex mission. Diverse interests must be addressed with a sound and balanced approach. We therefore engage in a variety of ways to promote a positive and productive dialogue. We carry out structured dialogues with our customers to continuously develop campus and learning environments, we discuss requirements and expectations with our suppliers, and we listen closely to our employees through surveys and performance reviews. Community and business representatives, as well as politicians, are invited to our development processes and we actively contribute to industry-wide development projects.

CUSTOMER PROXIMITY IS KEY

Our customers and employees continually share their knowledge and experiences, both in their daily work and through structured meetings. Strengthening the customer relationship is crucial to developing existing operations and new offers. Akademiska Hus meets regularly with the Association of Swedish Higher Education, where we try to create a collective picture of the needs of the centres of education. To identify development needs and obtain feedback on our

business from the individual universities and colleges, during the year our Chair and our President met with most of the Vice-Chancellors of the higher education institutions where we own properties. The meetings build valuable relationships at the same time that they complement the daily conversations between the facilities management department at the centres of education and Akademiska Hus. Read more about this dialogue on pages 2–4.

In 2016 our Customer Satisfaction Index (CSI) survey was revised. The survey resulted in a CSI of 61, which is not satisfactory. The customers are satisfied with our staff, but also indicate that we need to improve our interpersonal skills and become more attentive to their needs. We created our new organisation with these issues in mind.

INCREASED INTEREST FROM THE CREDIT MARKET

Akademiska Hus has a substantial investment portfolio and with that comes a great responsibility. During the year we met with the banks and ratings agencies to discuss our sustainability ambitions. The conversations will lead to greater consensus on the non-financial aspects, thereby increasing the transparency of the credit rating of our Company. In addition to our previous rating from Standard & Poor's, we added a short-term rating from Moody's during the year.

ENERGY ROADMAP

In order to realise our goal of a CO₂-free operation, we are dependent on a fossil-free energy supply. We have therefore met with most of our energy suppliers to learn about their roadmaps to fossil freedom. These dialogues, which were conducted with mutual trust and respect for the complexity of the energy systems, were consistently appreciated.



MARIA LINDROTH,
E.ON

"Energy provider E.on supplies both heating and cooling to Akademiska Hus in several locations in Sweden. We've set a high bar for our sustainability work and we welcome Akademiska Hus' initiative to discuss how we can achieve a fossil-free service. We consider it to be crucial to have a dedicated and knowledgeable partner in our efforts to achieve a fossil-free society, which will benefit both our own market position and that of our customers."

COLLABORATIVE DEVELOPMENT

Akademiska Hus is a partner in CityLab Action, a process approach for sustainable urban development. The method is based on collaboration among the players that influence and are influenced by urban development and the goal is to provide conditions for an engaging and effective process through which goals for sustainable urban development are achieved. The pilot session conducted in 2016 included 12 urban development projects and the Albano Campus was our contribution.

Akademiska Hus also launched a national industry-wide network to promote an accident-free workplace in the construction industry. Today, 13 companies and organisations have signed a manifesto for the upcoming initiative. The strength of this collaborative effort can be found in the scope of the network in which both customers and providers participate in joint discussions of requirements and methods.

Focus areas

We engage in dialogue with our key stakeholders on many different levels to understand what areas they consider to be top priorities.



Stakeholders & dialogue venue

● CUSTOMERS (AND THEIR EMPLOYEES)

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

● LOCAL AND BUSINESS COMMUNITIES

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

● FINANCIERS, BANKS AND RATING AGENCIES

- Financial statements
- Meetings

● SUPPLIERS

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

● POLITICIANS

- Dialogue about urban and regional development

● OWNER

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

● EMPLOYEES

- Performance reviews and goal-setting process
- Employee surveys

Issues that create value

Stakeholder dialogues, along with the owner's mission, external factors and personal experience form the basis of our assessment of the business and its impact on the economy, society and the environment. The materiality analysis addresses the issues that Akademiska Hus deems to be strategically important.

A WORLD IN CHANGE

Every year the Board of Directors and management of Akademiska Hus arrange a strategy day to provide an opportunity to jointly assess and discuss a selection of the areas of greatest strategic significance to the Company's future role and long-term value creation. The issues that are highlighted are based on an analysis that includes everything from trends to market and skills issues, as well as the insights and lessons extracted from dialogues with our stakeholders. During the year, a special focus was placed on the development of undergraduate and graduate student housing, as well as on analyses of the effects of digitisation on our Company and our customer offering.

TRUST AND RESPONSIBILITY

Akademiska Hus is dependent on the trust of the world around us. By taking a balanced approach to the areas highlighted in the stakeholder dialogues, we can improve our customer offering and make our business stronger and well equipped to meet future needs. Akademiska Hus expected to take great responsibility and the highlighted areas are often complex. Our customers see benefits in campuses evolving into functioning neighbourhoods, where an integrated approach that includes housing, services and transpor-

tation are important components. Our owner underscores the role of Akademiska Hus in society as a model in terms of energy and the environment, as well as in diversity, equality and transparency. The investor community is showing growing interest in our sustainability work and sees it as an asset in its valuation.

The Company carries out its annual risk analysis in connection with the annual business plan process. The ability to manage such risks and opportunities is analysed and improvement measures are planned. Read more about our risk management procedures on pages 40–43.

ANALYSIS AND CONSENSUS ON KEY ISSUES

We continue to work hard to develop and improve our offering to our customers and to meet the expectations of our stakeholders. The materiality analysis was carried out this year with a broad representation of various skills from the Company to capture many perspectives and approaches. It is crucial that the process of identifying key issues is well established within the operation as they are important data for the business plan and operational planning. The key issues are essentially the same as in previous years, but have been reworded for clarity.

KEY ISSUES

- Development of campuses and knowledge environments, as well as undergraduate and graduate student housing with a long-term and integrated focus.
- Resource-efficient and sustainable governance in construction projects and property management.
- Openness and transparency in our business relationships.
- Collaboration on innovations, where involvement and a high development capacity are key.
- Responsible and sustainable supplier management.
- Greater inclusion in our actions and our delivery through a proactive approach to diversity and equal opportunities.

OWNER'S FINANCIAL OBJECTIVES:

- Return on operating capital should be at least 6.5 per cent (excluding change in value).
- 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.

Strategy for increased value creation

Development capacity is key in Akademiska Hus' long-term strategy, which extends to 2025. We work with customers to create attractive campuses as part of the effort to strengthen Sweden as a nation of knowledge.

Our customers and owner have high expectations of Akademiska Hus. Our role includes meeting major societal challenges such as digitisation of education, properties and urban development, as well as helping to increase the number of student housing units and taking full responsibility for sustainable campuses. As 2017 begins, Akademiska Hus has taken an additional step in its development through a new organisational structure. With increased development capacity, clearer governance and a more efficient administration, we can better leverage the potential and expertise in the Company and deliver greater value to our customers and our owner moving forward. Read more on page 19.

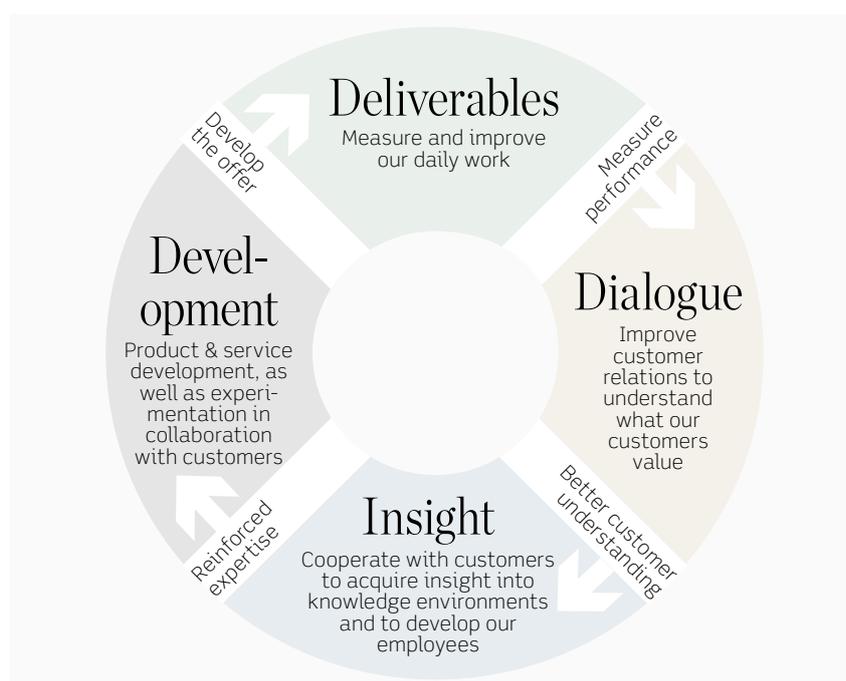
ADDITIONAL STRATEGIES

In addition to the overall strategy, there is an energy strategy and a financial strategy. Read more on pages 26 and 38.

In 2016 an innovation strategy was also implemented to enable clearer control and prioritisation of the Company's innovation efforts. The initiatives focus on challenge-driven innovation areas of great significance for Akademiska Hus:

- Knowledge and learning environments of the future
- Campus and urban development
- Building and energy technology

One project that encompasses several of these areas is the development of Johanneberg Science Park in Gothenburg. Read more about this on pages 16–17.



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

GLOBAL SUSTAINABLE DEVELOPMENT GOALS

During the year Akademiska Hus analysed how the operations help to achieve the 17 Global Sustainable Development Goals.

Our broad mission incorporates clear links to several of the objectives. In addition, we see that our approach to sustainable development of campuses, our focus on energy and material efficiency and the way we interact with others helps to achieve the global goals.



THE GLOBAL GOALS
For Sustainable Development

Working towards our vision

We promote long-term, active and sustainable property development and management with goals to achieve our vision - leading knowledge environments.

DESCRIPTION	FULFILMENT OF OBJECTIVES 2016	COMMENT
OWNER OBJECTIVES		
RETURN ON OPERATING CAPITAL At least 6.5 per cent (excluding change in value) ¹	6.2 per cent.	The target for the year was not achieved because many large ongoing investment projects have not yet started to produce a return. See the sensitivity analysis in Note 3 on page 66.
DIVIDEND Between 40 and 60 per cent of profit for the year after tax, after reversal of changes in value and with related deferred tax	The proposed dividend will amount to SEK 1,393 million, corresponding to 60 per cent of profit available for the payment of a dividend.	For further information about the allocation of profit see page 53.
EQUITY RATIO Should be between 30 and 40 per cent	41.4 per cent.	
BUSINESS GOALS		
ENERGY Energy purchased each year, kWh/m ² , will decrease at such a rate that there will be a 50-per cent reduction by 2025 compared with 2000	The amount of purchased energy fell during the year by 4.0 per cent, which exceeds the goal. Since the starting point in 2000, the decline has been just over 34 per cent, which means that the long-term reduction commitment is being followed.	Major investments in energy efficiency measures have been carried out all over Sweden. An analysis of energy use has been initiated.
ELIMINATE CO₂ FOOTPRINT FROM OPERATIONS Refers to CO ₂ footprint for heating, cooling and electricity	Greenhouse gas emissions levels from properties declined during the year to 7.4 kg/m ² . The total reduction of indirect greenhouse gas emissions was just over 10 per cent. The amount of solar electricity has increased by 60 per cent from 2015.	During the year, several major energy efficiency improvements were carried out, which reduced the carbon footprint. Discussions with energy suppliers on their roadmap to fossil free delivery resulted in agreements for additional products with reduced environmental impact.
SUSTAINABILITY INITIATIVES Initiate 19 sustainability initiatives jointly with our customers	During the year several sustainability initiatives were launched with customers. Taken together they exceed the goals that were set.	Sustainability initiatives are based on a shared desire, between Akademiska Hus and our customers, to act and invest in sustainable choices. The initiatives are implemented with a focus primarily on energy, the environment and the indoor climate, but also relating to social aspects and innovation.
ACCIDENT-FREE WORKPLACES The objective applies both to our own employees and to those whom we hire for our projects	An action plan has been formulated with the themes Awareness, Dialogue, Prevention and Follow-up. The initiative is on schedule and will continue in 2017. The national Safe Construction Council network, which was initiated by Akademiska Hus, signed a declaration of intent relating to collaboration on work environment issues.	A major training initiative has been carried out internally to provide our employees with more knowledge and raise awareness about the safe workplace. Steering toward the goal is accomplished by measuring the implemented activities and ultimately the impact they have on the business.
ESI Increase Employee Satisfaction Index (ESI) to 72	The most recent survey was conducted in the first quarter of 2016. The results present a snapshot of employee satisfaction in 2015 and part of 2016. The ESI in this survey was 61.	Employee feedback indicated that the organisation needs to increase clarity and reduce decision-making paths, issues that have been addressed in the ongoing reorganisation.
CSI Increase Customer Satisfaction Index (CSI)	The Customer Satisfaction Survey was revised for 2016 in order to create a basis for further work. The CSI in this survey was 61.	The results of the CSI survey are not satisfactory. The customers are satisfied with our staff, but also indicate that we need to improve our interpersonal skills and become more attentive to their needs. We created our new organisational structure with these issues in mind.

1) Earnings before financial items, excluding changes in value in relation to average operating capital.

The strategy is translated into the daily work of our employees

Employees are crucial to our success. Akademiska Hus' strategy can be broken down into business and operational plans so that each employee can apply the strategy in their daily work and help us to create value.



SKILLS MANAGEMENT – CRITICAL ISSUE FOR THE FUTURE

Creating internationally competitive campus and knowledge environments requires cutting edge expertise and the ability to work in close collaboration with customers to effectively take development concepts from design to final construction. In property management, there is a large need for experienced operating engineers and technicians with high technical skills in order to effectively manage complex and digitised properties. To ensure the proper skills are available and to obtain different perspectives on future solutions, we believe in being an inclusive company that attracts diversity at every dimension.

Hiring is a challenge for participants in the property sector today and there is strong competition for the attractive candidates currently on the market. The sector has traditionally recruited internally, but broadening the selection and taking advantage of skills found in other sectors and target groups, such as recent immigrants, will be an important issue to address.

PROACTIVE INITIATIVES PRODUCE RESULTS

To ensure that the appropriate skills are available, Akademiska Hus participates in both its own and industry-wide initiatives, in order to make such employment more

attractive. For example, Akademiska Hus offers apprenticeships, internships, summer jobs, and opportunities to write theses. The Company also has collaborations with secondary schools, upper secondary schools, and vocational colleges with a focus on property management, and relevant colleges and universities. The entire organisation is involved in employer branding work. During the year Akademiska Hus was designated the most attractive employer in the property sector by engineering students, in a survey conducted by Universum.

OCCUPATIONAL HEALTH AND SAFETY

The pace in the construction industry is high and the demand for fast yet sustainable construction processes is growing. Tight schedules and complex projects increase the importance of occupational health and safety initiatives. Akademiska Hus has set a goal of achieving a completely accident-free workplace, for both the Company's own employees and others involved in our projects. In 2016, major initiatives were carried out to strengthen the safety culture and awareness of a safe workplace. Read more on page 24.

Absenteeism due to illness in 2016 was 3.3 per cent, compared with 3.7 the previous year. Stress is our biggest occupational hazard. During the year we completed occupational health and safety training for

case

The following pages provide examples of how our strategy is converted into actual projects and inspiring campuses.

all employees and managers with a special focus on the Work Environment Authority's new regulations on the organisational and social environment. As part of our wellness initiatives, we have also held lectures on mindfulness aimed at all employees.

EMPLOYEE SURVEY TAKES PULSE

In 2016, two short employee surveys were conducted, one focusing on employee satisfaction and motivation, and the other on the psychosocial work environment. The score on the Employee Satisfaction Index (ESI) was 61 and reflects employee satisfaction in 2015 and part of 2016. This result is not at a desirable level, although it does correspond to the average in the industry. Employee feedback indicated that our organisation needs to achieve increased clarity and shorter decision-making paths, issues that have been addressed in the ongoing reorganisation.

CHANGE MANAGEMENT CRITICAL TO CUSTOMER VALUE

In 2017 Akademiska Hus' new organisation goes into effect with the aim of increasing customer value, enhancing development capacity and running the business with greater resource efficiency. A more process-oriented organisation offers potential for development. It also means that leadership and employee empowerment need to be adapted. Company managers play an important role in paving the way for the transition to a new approach, where the ability to lead during the change becomes crucial.



Tomorrow's learning environments

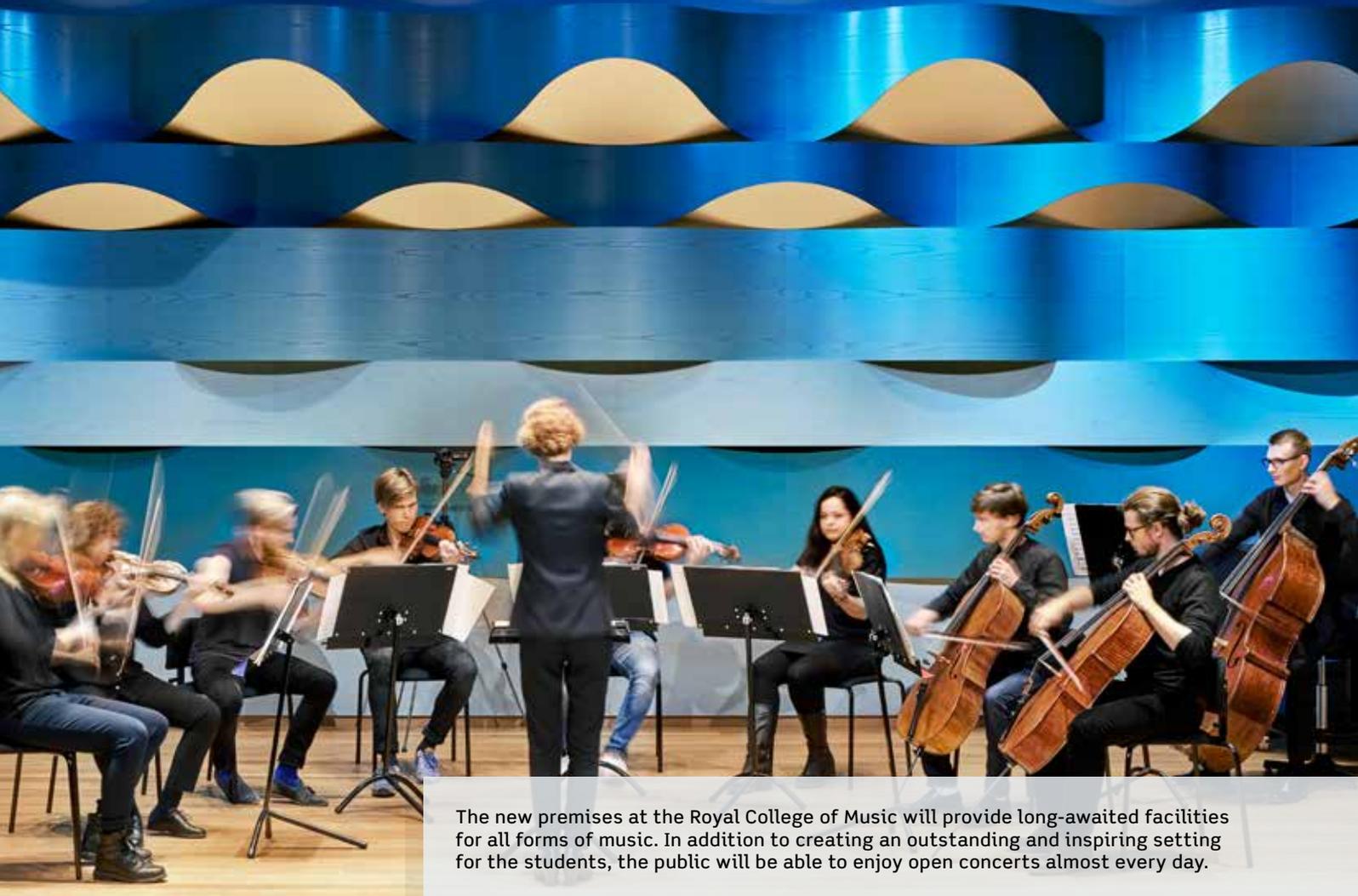
The KTH Campus in Stockholm has been further integrated into the city in recent years and evolved into a separate neighbourhood. Sustainable learning environments of the future will evolve with the Education Building, which in its design is an educational tool for aspiring architects and community builders. Bringing more student accommodation to the area has been crucial for strengthening the campus as a neighbourhood. Akademiska Hus has both provided land on which other contractors can build and has also begun working on its own housing project for over 400 undergraduate and graduate students at Teknikringen. More student housing will contribute to a more vibrant campus with round-the-clock activity, which strengthens both the centre of education and the city.



Kristianstad campus plan weaves campus and city together

The Kristianstad University campus plan was completed with the goal of increasing the attractiveness of the campus and developing both its proximity to and interaction within the neighbourhood. The university is housed in a former military facility outside the city centre with buildings in classic national romantic architecture. Interweaving the campus

with the city and the surrounding activities, including the Krinova science park, has been important. The next step in the plan involves formulating a bicycle strategy to make the campus more accessible and creating a university satellite at the station where commuting students can spend time between lectures and rail travel.



The new premises at the Royal College of Music will provide long-awaited facilities for all forms of music. In addition to creating an outstanding and inspiring setting for the students, the public will be able to enjoy open concerts almost every day.



Cecilia Rydinger Alin
Vice-Chancellor

Together with Akademiska Hus we have created the most modern college of music in the world. The new KMH campus will facilitate world-class education and research and further strengthen us in our vision to be a leading international training centre for high-quality musicians and music teachers.

Room for music at the new KMH

In September, the new College of Music facilities were ready for occupancy by the tenant, the Royal College of Music (KMH). The project has been special in many respects. Its location in Östermalm and the heritage building with the old royal stables made the project particularly challenging and set particularly high demands on collaboration between builder, customer and contractor.

The College of Music has needed new premises for a long time. It was important for Akademiska Hus to work with KMH to create long-term, sustainable facilities that can address the specific needs of the college with room for future professional musicians.

The new KMH facility reflects the existing operation, while preserving the cultural heritage of the area, in which the

old royal stables plays a leading role. Building around a heritage building placed high requirements for sustainability, architecture and interaction. The new College of Music will meet the requirements for a Silver rating according to the Miljöbyggnad environmental certification system.

The result is a beautiful modern composition of three buildings with concert halls, studios, classrooms, an experimental stage for students, choir rooms and student union facilities. Indoor passages connect the three separate buildings with their individual personalities. The Royal College of Music campus is open to both students and the public, and with the new architecture the idea is that the college will be more visible and accessible.



In recent years, Johanneberg Science Park at Chalmers in Gothenburg has grown through collaborative projects. The addition of the JSP Work Lab will be a creative meeting place that will strengthen the entire Chalmers campus.

JSP Work Lab – a construction project characterised by innovation

Johanneberg Science Park phase 2, or JSP Work Lab, with construction scheduled to start in March 2017, is Akademiska Hus' first building with its own innovation programme for both the construction process and its continued life as an innovation arena. The latest ideas in a number of areas will be tested here to design an innovative and sustainable building that will be a value-adding meeting place and collaborative environment for academia, industry and community stakeholders. Many innovative solutions are already being tested at Chalmers' Johanneberg campus. For example, with the ElectricCity bus line, research on public transportation of the future is being conducted and students have been living at the HSB Living Lab, an active research laboratory, since the beginning of the autumn term. With the JSP Work Lab we want to help promote progress in the property industry and find innovative solutions relating to both the construction process and the collaborative environment that is created.

To address the identified challenges, we want to build a sustainable building with energy solutions that can serve as a model for our own operations and for the industry as a whole. The building will be certified to comply with the standards

for the Swedish Miljöbyggnad gold certification level, which sets high demands on the construction process and continued good management when the property is completed and transitions to daily use. Some of the projects that are being pursued with this purpose involve converting direct current from solar cells and creating a measurement infrastructure that can also be taken out in other buildings. The goal is to minimize the carbon footprint at both the production and the operation stages in a building designed to meet future climate challenges.

The vision of the JSP Work Lab also includes digitisation opportunities, once we fill the building with learning environments and workplaces. A multifunctional auditorium and an Active Learning Workshop room are also planned for the building. Akademiska Hus has the expertise that can assist Swedish centres of education in their efforts to take future requirements for flexibility and efficiency into account while meeting the needs of the individual - which is becoming an increasingly important competitive factor. The innovation programme permeates the project from planning to completed building with its operations up and running.

New innovation arena at Johanneberg Science Park

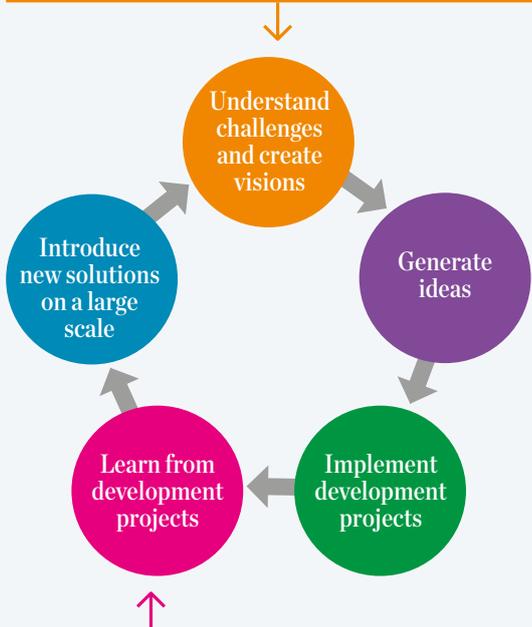
Actively working with innovation is fundamental if we are to create customer value and contribute to sustainable development in the community. Akademiska Hus is investing in several development projects that strengthen our business and generate customer benefit in various ways. In order to take a structured approach to managing the Company's investments

in projects related to innovation, Akademiska Hus has adopted an innovation strategy that has identified three focus areas. The initiatives focus on challenge-driven innovation areas of great strategic significance for Akademiska Hus: Knowledge and learning environments of the future, Campus and urban development, and Building and energy technology.

IDENTIFY AND ADDRESS INNOVATION CHALLENGES

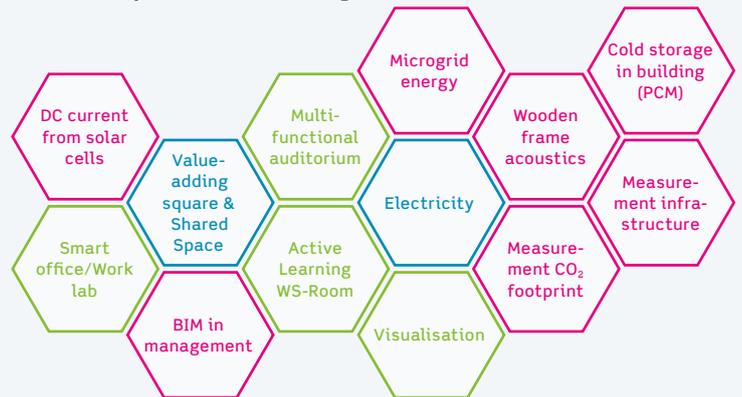
Both the construction process and the future use of the JSP Work Lab innovation arena are highly ambitious in nature. Several parties will pursue innovative projects here, with the building serving as a test and demonstration arena. The point of departure for the process driving construction of the building is the adoption of innovation challenges. JSP Work Lab will address three key challenges: design of flexible and digital learning environments and workplaces, development of value-adding meeting places within the building, and construction of a climate-friendly and resource-efficient building with a small CO₂ footprint.

-  Flexible digital learning environments and workplaces
-  Value-adding meeting places
-  A climate-friendly and resource-efficient building with a low CO₂ footprint



INNOVATION PROJECTS MEET CHALLENGES

Below is a selection of planned projects at the JSP Work Lab, classified by innovation challenge.



CONTINUOUS LEARNING ENSURES QUALITY

While the JSP Work Lab was under development, lessons were continually drawn, both from the comprehensive innovation process with support from researchers at Chalmers and KTH, and from completed innovation projects. Documentation and structured evaluation help to ensure that these lessons are properly applied. In the next step of the process, the lessons from the innovation projects are systematically disseminated to the relevant external parties.

IMPLEMENTATION OF DEVELOPMENT PROJECTS

The idea generation phase is an important step in the adopted innovation strategy. Akademiska Hus has applied a structured process, along with key partners, to identify and plan 13 innovation projects to meet the innovation challenges of the main project.

The innovation projects will be carried out together with innovation partners.

Our facilities engineers can now remotely manage the control systems in the buildings. Not only has the project made it possible to implement measures more quickly and thus save more energy, it has also resulted in software that can be used by the entire organisation.



Maryam Holmner
IT Project Manager

Developing the Mobile Portal has been a major project that included many parts of the organisation. Working in close collaboration with the facilities and management organisation, we successfully designed a digital toolbox for all roles in the operation. We introduced a mobile approach that saves time for employees and creates value for our customers.

Sustainable digitisation with Mobile Portal

The project with Akademiska Hus' Mobile Portal has involved the entire organisation and is a clear example of how sustainability and digitisation go hand in hand. After receiving a request from property management, the IT department developed a new energy management application. The goal was to enable remote management of the control systems in the buildings, allowing facilities engineers to regulate and troubleshoot ventilation and temperature issues in the buildings faster and more efficiently.

The Mobile Portal tool enables the facilities engineers to carry out adjustments and controls using iPads, inside the building or remotely. Instead of replac-

ing all existing control systems that were initially installed in the buildings, the focus has been on software development. By linking the tool to Akademiska Hus' Energy Portal the results are clearly visible. In addition to saving energy in the buildings, more time is also created for the facilities management organisation to be visible and meet our customers out on the campuses. The aim was to streamline working methods for property management, but the Mobile Portal project also enhanced mobile access throughout the Company. The tool has grown with multiple functions and was implemented in the fall for all employees in the organisation.

We develop, build and manage for a wiser Sweden

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

Akademiska Hus owns and manages many of Sweden's knowledge environments for education, research and innovation. To strengthen our future development capacity and increase customer value, a new organi-

sational structure was introduced in early 2017. Our new core process-based organisation is resource-efficient and creates value as we apply our expertise throughout Sweden. A collective management organi-

sation is complemented by a project organisation and three geographic units that are responsible for campus and business development.

Campus and business development

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

[Read more on page 20](#)

Projects

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

[Read more on pages 21-24](#)

Property Management

We apply a long-term strategic approach to management of our facilities and properties. The focus is on continually delivering high-quality maintenance services while pursuing efficient resource management. Proactivity in collaboration with our tenants is essential for increasing business benefits and value for our customers. An open dialogue with our customers is therefore a top priority for the entire management organisation at Akademiska Hus.

[Read more on pages 25-27](#)

→ Campus and business development

Current and future students will spend more waking hours at their chosen centre of education. On-campus services and opportunities will help attract undergraduate and graduate students from all over the world.

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.

VIBRANT CAMPUS ENVIRONMENT

The campus is a venue for research and learning, as well as for encounters with the business community and the interface for encounters with the community at large. In addition to developing efficient and inspiring learning environments, we meet customer needs by working in collaboration

with other stakeholders to ensure an attractive range of services. Restaurants, opportunities for cultural and sports activities and access to child care and preschools in close proximity to campus are examples of services that make life easier and increasingly integrated into and around the campus. Sustainable transport services and access to accommodation are other key issues.

CAMPUS PLANS AS TOOLS

Campuses become more attractive with increased accessibility and integration with the surrounding urban environment. Opportunities for meetings and collaboration with others are further examples of how

centres of education are profiled to appeal to an increasingly international target group of researchers and masters students. The key to success is to leverage the joint knowledge we share with our customers and convert it into clearly defined development plans and campus plans. The campus plan is always based on the vision of the individual university or college, and is developed in close cooperation with our customers. We follow a structured approach with a focus on the long-term and sustainability.

COLLABORATIVE INNOVATION

To meet the challenges we face as a community builder we must enhance our power of innovation to ensure our delivery and contribute value to customers. We will develop sustainable products, services and practices through structured innovation partnerships, thereby contributing to sustainable development in the community. Knowledge and learning environments of the future, along with campus and urban development, are two areas in which we have prioritised innovation. Read more on page 17.

PREMISES FOR EFFECTIVE LEARNING

Premises and rooms in the buildings need to be adaptable and functional to optimise use in both the short term and the long term. The flexibility of the premises to allow different learning methods is important. One example of facilities that support learning is the Active Learning Classroom (ALC), which promotes effective teaching in interactive classrooms using digital tools.

We have been working since 2014 with Umeå University, where we are building interactive learning environments that will be completed in 2018. Akademiska Hus is funding two research projects in order to evaluate them and learn from the new learning environments.



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

→ Projects

Akademiska Hus' project portfolio consists of approved and planned projects for SEK 16.7 billion. We work with long-term property ownership and a clear customer perspective where we apply our combined expertise to create added value for the customer.

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.

Investing activities are pursued according to a systematic evaluation process from project concept to approved investment. Investments exceeding SEK 30 million, which include about 85 per cent of our investments, are decided by the Board of Directors.

UNDERSTANDING FOR THE OPERATION

We create buildings for undergraduate and graduate students as well as teachers, which results in great diversity in our construction projects. The nature of the projects vary from minor renovations and office space to high-tech research facilities and entire urban development projects. In addition to extensive experience and expertise, construction of such specialised buildings requires a very good understanding of the type of activities in which the tenants will engage. Akademiska Hus' strength lies in coordinating and running comprehensive, often com-



The investment in the Albano Campus is expected to be SEK 3.2 billion over the next few years.

plex, collaborative processes required for the buildings to increase customer value.

CLOSE COLLABORATION WITH SEVERAL PARTIES

Dialogue with relevant stakeholders begins already when the colleges and universities engage in long-term campus planning.

Akademiska Hus' building process is well-established and developed in close collaboration with our customers. The process is adapted depending on the type of project and contract. Collaborative contracting often provides high efficiency and a good opportunity to take advantage of the knowledge and experience of the contractors.

PROJECT PORTFOLIO

SEK m	31-12-2016	31-12-2015
Decided projects	13,400	9,600
Planned projects	3,300	7,900
DECIDED AND PLANNED PROJECTS	16,700	17,500
of which already invested in current projects	-4,800	-3,500
REMAINDER OF DECIDED AND PLANNED PROJECTS	11,900	14,000
Concept projects	7,600	5,300
TOTAL REMAINING PROJECTS	19,500	19,300
Total excl. previous investments	24,300	22,800

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.

Our largest projects

COMPLETED PROJECTS, 31 DEC. 2016 > SEK 100 MILLION

Project name	Location	New construction/ redevelopment and extension	Total investment, SEK m	Customer	Lease, years	Additional annual rent, SEK m
Royal College of Music	Stockholm	New construction and redevelopment	848	Royal College of Music	20	43
Luleå A-house Renov for ETS and SRT	Luleå	New construction, redevelopment and extension	238	Luleå University of Technology	10	9
V-Building Lund	Lund	Redevelopment	221	Lund University	10	26
Parking level, Solna Campus	Solna	New construction	111	Akademiska Hus	—	6
Total			1,418			84

APPROVED PROJECTS, 31 DEC. 2016 > SEK 100 MILLION

Project name	Location	New construction/ redevelopment and extension	Total investment, SEK m	Customer	Lease, years	Additional annual rent, SEK m
Biomedicum	Stockholm	New construction	2,731	Karolinska Institutet	25	192
Albano Buildings 1, 2, and 4:	Stockholm	New construction	2,388	Stockholm University	20	149
Biomedicum - Comparative Medicine	Stockholm	New construction	1,005	Karolinska Institutet	25	76
Segerstedt Building	Uppsala	New construction	718	Uppsala University	20	42
Humanisten	Gothenburg	New construction and redevelopment	668	University of Gothenburg	10	56
Albano Building 3	Stockholm	New construction	438	Royal Institute of Technology	20	28
Valla Student Building	Linköping	New construction	411	Linköping University	10	43
Student accommodation KTH	Stockholm	New construction	400	Royal Institute of Technology	10	22
Student accommodation Teknikringen	Stockholm	New construction	400	Akademiska Hus	1	22
Built Environment Project	Gothenburg	Redevelopment	357	Chalmersfastigheter	10	36
Lab of the Future	Huddinge	Redevelopment	321	Karolinska Institutet	10	28
MBC	Umeå	Redevelopment and extension	315	Umeå University	20	21
Police programme, Södertörn	Stockholm	New construction and redevelopment	281	Södertörn University	10	21
Albano Development costs	Stockholm	New construction	258	Stockholm University	— ¹	— ¹
A-House	Stockholm	Redevelopment	241	Karolinska Institutet	5	15
KTH 43:25	Stockholm	New construction	185	Royal Institute of Technology	10	13
Police training programme Umeå University	Umeå	New construction and redevelopment	172	Umeå University	10	13
Education Building	Stockholm	New construction	160	Royal Institute of Technology	10	9
Humanities Theatre	Uppsala	New construction	129	Uppsala University	20	8
Albano Detail Planning	Stockholm	New construction	127	Stockholm University	—	—
EES School	Stockholm	Redevelopment	122	Royal Institute of Technology	10	10
GIH swimming centre	Stockholm	Redevelopment	118	City of Stockholm	20	6
Total			11,945			808

1) No rental period or annual rent since it is part of the total Albano project

PLANNED PROJECTS, 31 DEC. 2016 > SEK 100 MILLION

Project name	Location	New construction/ redevelopment and extension	Total investment, SEK m	Customer	Lease, years	Additional annual rent, SEK m
Ångström Phase 4	Uppsala	New construction and redevelopment	1,423	Uppsala University	20	72
KAR New construction accommodation for researchers	Solna	New construction	396	Karolinska Institutet	10	31
SIS Tomtebodan	Solna	Redevelopment and extension	360	Swedish International School	25	26
JSP2, Johanneberg Science Park 2	Gothenburg	New construction	293	Several, though not completed	7	23
Solibro	Ultuna	New construction and redevelopment	115	Solibro AB	1	6
MTC Annex	Solna	Redevelopment	114	Karolinska Institutet	10	15
Office adaptations Frescati backe	Stockholm	Redevelopment	100	Stockholm University	10	4
Total			1,378			177

BUDGET AND FORECAST

Each year Akademiska Hus formulates long-term forecasts with a focus on the next three years, as well as a one-year budget. By doing so we ensure that our operations are run efficiently and with a cost-conscious approach, while meeting the goals of our owner. The forecast for the next three years is largely influenced in terms of cash flow by the large project portfolio that is being completed with solitaires like Biomedicum and Albano.

Future yield is expected to remain stable at around six per cent. Our equity ratio remains strong and return on operating capital will initially drop, after which it will gradually increase as new investments begin to produce returns.

Despite this, the interest coverage ratio has been strong throughout the entire period and will strengthen further as the new properties begin generating rental revenue. No changes in the value of properties are forecast and nor are acquisitions or sales.

ANALYSIS OF PROJECT PORTFOLIO

Investments during the past five years have resulted in a significant expansion in Akademiska Hus' property holdings. Demand for new premises is greatest in those centres of education that focus on research. The investment portfolio includes new construction, redevelopment and refurbishment of existing properties. The majority of the project portfolio can be found in Stockholm and Uppsala, with examples like Biomedicum for about SEK 3,800 million and Albano for about SEK 3,200 million. As the investment portfolio is gradually completed, it is expected that the average remaining lease term will increase, since the properties that are being added to our property holdings have long leases. The project portfolio contains the approved projects of almost SEK 13,500 million that will affect the accounts over the next few years. At year-end, about SEK 4,800 million had already been invested. The annual investment rate moving for-

ward is expected to remain at approximately SEK 3,500 million per year. Our project portfolio at the end of 2016 represents most of our major initiatives for the future. Planned and approved projects largely consist of high-tech research facilities and digitised new construction projects for tomorrow's learning environments.

FORECAST

	2016	Forecast 2017	Forecast 2018	Forecast 2019
PROPERTY HOLDINGS				
Average rentable floor space, 1,000 m ²	3,231	3,232	3,292	3,334
Property values, SEK m	73,013	76,800	80,300	82,500
Net investment in properties, SEK m	3,717	3,800	3,500	2,200
KEY FIGURES				
Net operating income, SEK/m ²	1,135	1,248	1,330	1,354
Yield, properties, %	5.7	5.7	6.0	6.0
FINANCIAL KEY FIGURES				
Rental revenue, SEK m	5,482	5,600	5,900	6,100
Net operating income, SEK m	3,667	4,000	4,400	4,500
Profit before tax, SEK m	6,714	3,500	3,800	3,900
Equity ratio, %	41.4	41.2	41.7	42.0
Return on operating capital, %	6.2	6.3	6.6	6.4
Return on equity, % ¹	16.3	8.4	8.5	8.6
Interest coverage ratio, %	694	764	773	749

1) 2016 includes changes in value of properties. Forecasts for 2017-2019 do not include changes in value of properties.

Responsibility for the future

SUSTAINABLE CHOICES ARE A GIVEN

Both Akademiska Hus and many of our customers have set high sustainable development goals. Our role as a long-term property owner provides an excellent opportunity for building wisely and sustainably. Our goal is always to deliver the highest possible customer value through resource efficiency and good cost management. At the same time, Akademiska Hus constantly strives to minimise environmental impact through sustainable construction processes and carefully considered material choices.

All new construction and major renovation projects must qualify, at a minimum, for a silver rating in the Miljöbyggnad environmental certification system. Building to Miljöbyggnad standards provides confirmation of important qualities in a building in terms of energy, indoor environment and material choices. To achieve this, we stay up to date on the latest methods and technologies. We currently have 32 certified buildings, including 3 at the gold level and 29 at the silver level.

SOCIAL RESPONSIBILITY & CODE OF CONDUCT

Our main contribution to a more integrated and sustainable society goes through the requirement specifications of our suppliers.

Our largest purchase volumes are in construction, architectural and construction engineering services, as well as in the energy sector. Akademiska Hus purchases services and goods for approximately SEK 4 billion per year from almost 3,000 suppliers.

On 29 June the Supreme Administrative Court ruled that Akademiska Hus is a contracting authority. Since then, the Company has implemented a new LOU-adapted procurement process and centralised responsibility for all procurement proceedings. Since the summer all new calls for tender are announced in public databases and the ability to directly award bids has been sharply limited in accordance with the Public Procurement Act.

The Procurement Policy of Akademiska Hus describes the fundamental values that underlie purchasing and procurement. We require suppliers to meet “shall” criteria, including environmental, quality and safety standards, and conduct audits on a sample of them. We have screened 43 per cent of our active supplier base (providers with more than SEK 100,000 in annual purchasing volume) which account for 86 per cent of the aggregate purchasing volume.

A Code of Conduct specifically for suppliers was launched during the year and compliance with the code is now a manda-

tory requirement to qualify for all procurement contracts. The Code of Conduct is based on the ten fundamental principles of the UN Global Compact, and we hope to jointly develop sustainable supplier processes and value chains together with our suppliers.

Integration and segregation are major societal challenges and to contribute to greater integration, we are exploring the possibility of setting employment requirements for our contractors. The goal is to offer jobs to socially excluded individuals in an effort to create value for both society and the individual. This is being done on a small experimental scale to date, but may evolve over time.



WE SUPPORT

Accident-free workplaces

One of the Company's overarching sustainability goals is to achieve an accident-free workplace within Akademiska Hus' construction operations, including both construction projects and construction work in our managed property operations.

A strong safety culture is fundamental for success and we are working hard to build our internal expertise. We have focused extra on:

- clarifying our responsibility and role as builder and contractor
- raising awareness of risks and knowledge of legal requirements related to occupational health and safety and construction
- creating security by daring to speak up and give positive feedback to influence the safety culture at the construction site

During the year Akademiska Hus has also taken the initiative, along with other stakeholders in the industry, to establish a network called the Safe Construction Council. The goal is to reduce the number of construction site accidents by working to improve knowledge and modify the culture, as well as by setting common standards and strengthening requirements in the projects.

→ Property Management

Akademiska Hus practises long-term, resource-efficient property management. We deliver a robust product of the right quality while optimally using our resources. We practice management by goals and responsible energy consumption is a top priority.

Akademiska Hus manages more than 3.2 million square metres of rentable space. Our properties consist of high-tech research facilities, various types of classrooms and lecture halls, and offices. Versatility, flexibility and adaptability are therefore crucial for effectively working with strategic management of our properties.

ACTIVE OWNERSHIP AND LONG-TERM MANAGEMENT

Akademiska Hus' properties must maintain a high standard for a long time. Our property management includes all of the technical and financial measures carried out during the life cycle of a building. Ongoing and preventive maintenance in consultation with our customers is important for meaningful active ownership. Long-term management requires an ongoing dialogue with both our tenants and other parties who influence the use of facilities. This approach enables us to adapt our property management in line with the changing needs of our customers.

Years of experience in management of various kinds of properties, combined with well-developed processes for sharing experiences, knowledge transfer and continuous dialogue with customers and other suppliers, set the stage for Akademiska Hus to use the best and most resource-efficient solutions for each property, which increases long-term customer value.

GOOD SUPPLIER DIALOGUE ESSENTIAL FOR EFFICIENT OPERATION

The heating, cooling, water and electricity costs of our properties account for about 40 per cent of our operating and maintenance costs. The costs are thus largely directly linked to energy consumption, with electricity the single largest cost component. Akademiska Hus is working hard



with electricity consumption, at the same time that the focus on output is becoming more important since efficient energy consumption is based not only on using less energy, but also on using it at the right time of day.

To maintain an even price trend over time, we have a hedging strategy for electricity extending over several years. In addition to steady energy costs, it allows us to find long-term solutions to bring new renewable electricity to the market. The combination of good supplier dialogue and negotiation, along with effective maintenance, provide important conditions for management that generates value for our customers.

Akademiska Hus strives to achieve long-term collaborations with suppliers and in order, for example, to realise our goal of CO₂-free operation in the long term, we are dependent on a fossil-free energy supply. During the year we have therefore met with most of our energy suppliers to discuss the roadmap for both the short and the long term. Through continuous dialogue with suppliers we can create a good overview of future cost trends while achieving a high standard of reliability.

REDUCE, INFLUENCE, CREATE

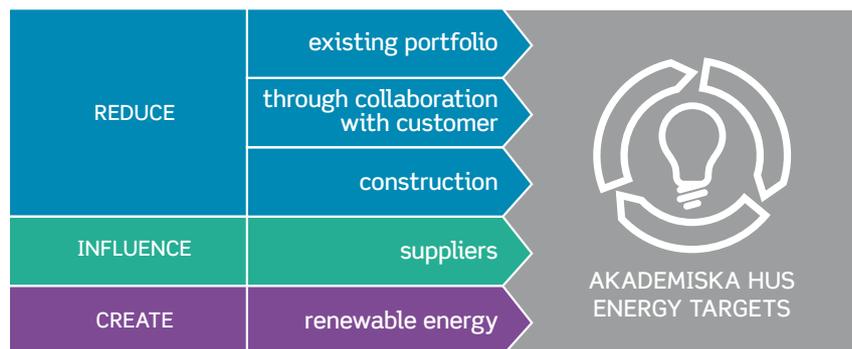
Supported by our energy strategy, we are working hard to achieve our energy consumption and CO₂ footprint goals. According to these ambitious goals, by 2025 we will reduce our energy consumption by half and eliminate the CO₂ footprint from our operations. Our energy strategy is based in part on reducing energy use in our current property portfolio, as well as on building energy-efficient buildings. For example, when working on preliminary development work for a campus we explore the potential of sharing excess energy with nearby buildings. This strategy enables us to reduce the need for energy delivered. Ensuring that a building design is durable and energy efficient over time is the first step.

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. To ensure that we achieve our goals, both the management and the Board of Directors of Akademiska Hus are involved in follow-up and assessment of the results of the energy strategy.

Akademiska Hus' business goal regarding reduced energy consumption also includes energy consumption by our customers. One way to reduce the quantity of energy used, and thus operating costs, is to divide the cost of energy between Akademiska Hus and our customers.

Since 2014 Akademiska Hus has had a goal under which we engage in cooperation initiatives with a focus on sustainability together with our customers every year. The initiative is based on a shared desire, between Akademiska Hus and our customers, to act and invest in sustainable choices. In 2016 initiatives were implemented with a focus primarily on energy, the environment and the indoor climate, but also relating to social aspects and innovation.

Energy strategy



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

NEW OPERATIONAL TECHNOLOGY AND DIGITAL ENERGY PORTAL

High energy savings goals, along with management responsibility for a variety of complex buildings, place high demands on facilities engineers as well as on effective tools and processes. The Energy Portal is a key tool in Akademiska Hus' facilities operations and was developed to monitor energy savings for the entire property portfolio.

The Energy Portal is based on a measurement database that is updated each hour with consumption and energy values from an array of measuring systems. Through continuous and detailed analysis of a building's energy performance, our facilities engineers can use the Energy Portal to calculate benefits and implement measures, both financially and environmentally. New and often digitised operational technology systems help to streamline management but also place high demands on the skills of our facilities engineers.

DISTRIBUTION OF ENERGY COSTS

Our aggressive energy targets are based in part on a partnership with our customers on energy issues. For this initiative to be effective, the party that actually uses the energy must have the incentive to act. In our existing buildings investments are required to reduce energy consumption and sometimes this involves maintenance to replace equipment that is still functional but inefficient.

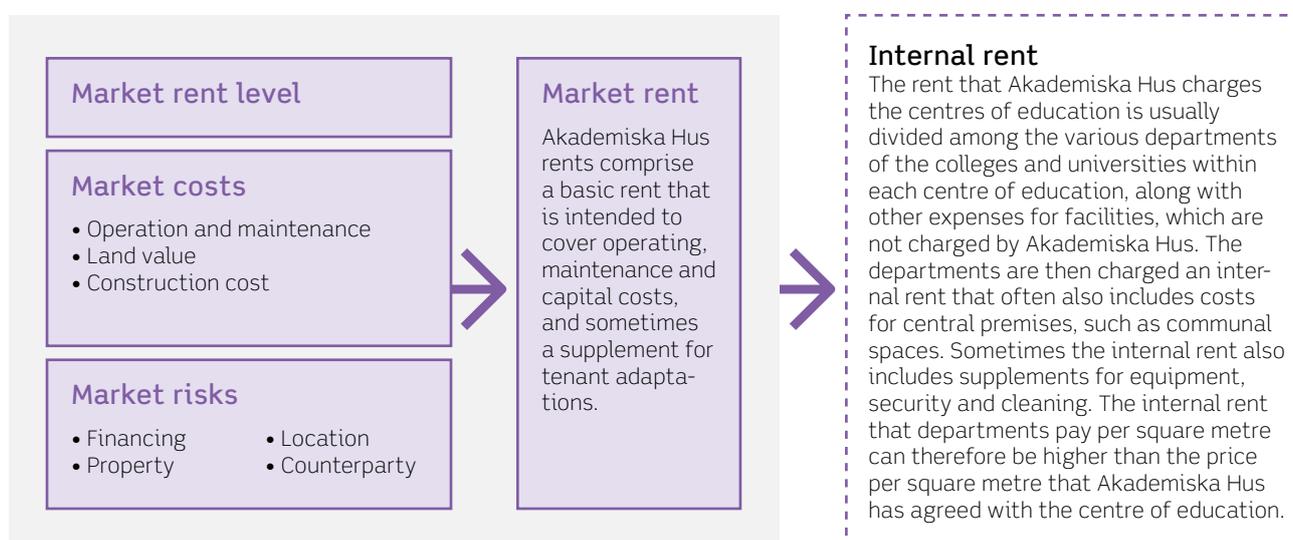
The aim is to allocate energy costs between Akademiska Hus and our customers so that both parties have an incentive to improve energy efficiency for the aspects over which each party has control. In practice this means that as property owner, in most cases, Akademiska Hus has the greatest control over the building's utilities (heating, cooling and some of the electricity).

Read more about how we manage our properties on page 18.



Effective management is the foundation of our rental model

The Akademiska Hus rent setting system is based on several factors where negotiations with the tenant are the foundation. With a total market share of 60 per cent, our leading position is associated with great responsibility - both for delivery to the customer and for development of the local rental market.



Akademiska Hus operates in an open market and our rents are competitive. Rents are set using the same methods as other property companies. This means that our calculations reflect the risk and costs associated with, for example, construction and management. We also take into account general market rent levels for the particular city, location, type of property and lease length. To compare rental prices charged by Akademiska Hus in relation to those charged by other property owners in a comparable portfolio, analyses are carried out regularly with assistance from an external valuation company.

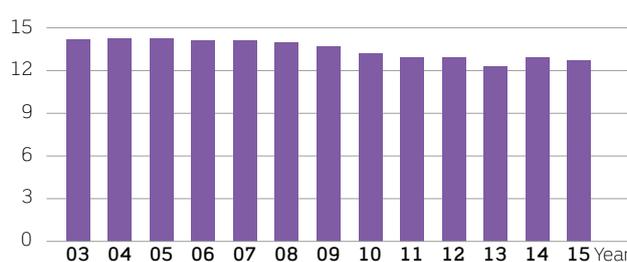
Transparency in how we set rents is important in our dialogues with the customers. Following a review of the rental model, the standard costs for administration and operation, the standard risk assessment for vacancy at the end of the rental period and the cost of capital during construction have fallen in recent years. In 2016 the management of Akademiska Hus continued to engage in the important dialogue with representa-

tives of our customers with the aim of creating additional consensus regarding how rents are set and other key rental terms.

We strive for openness in negotiations with customers, and through our experience and long-term relationships we can often find solutions to use premises wisely and efficiently.

Detailed information about rent levels per building can be found in our property specification at www.akademiskahus.se

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



Source: Swedish Higher Education Authority statistics database

We customise plans on customer request, at the same time that we improve them to achieve lower energy requirements and reduced operating costs. Regarding the proportion of costs, the biggest change between 2005 and 2015 is that the proportion of personnel costs increased from 60.0 to 62.7 per cent while the proportion of costs for premises dropped from 14.3 per cent to 12.7 per cent.

Administration Report

Akademiska Hus 2016

INCOME FROM PROPERTY MANAGEMENT

Rental revenue was SEK 5,482 million (5,450). The increase of SEK 32 million can mainly be attributed to completion of new buildings at the Royal College of Music in Stockholm, Arrhenius at Stockholm University, Malmö University and the Ull Building in Uppsala.

PROPERTY MANAGEMENT EXPENSES

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 decrease is mainly attributable to lower costs due to our systematic energy work, as well as to somewhat lower energy prices.

Maintenance costs amounted to SEK 686 million (618). The increase is attributable to maintenance costs within projects. The cost amounts to SEK 212/m² (194). We continue to invest in maintenance in order to maintain a good standard in our property holdings. Costs for property administration amounted to SEK 294 million (316). The decrease is mainly attributable to the 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.

NET OPERATING INCOME

Net operating income amounted to SEK 3,667 million (3,740). The decrease of SEK 73 million can mainly be attributed to maintenance costs within projects.

CHANGES IN VALUE

The changes in property values for the year in the income statement amounted to SEK 3,682 million (2,655), corresponding to a change in value of 5.7 per cent.

NET INTEREST INCOME AND EXPENSE

Net interest income and expense totalled SEK -549 million (-182), of which SEK -241 (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 changes in value are due to the somewhat declining market interest rates in 2016.

RESULTS

Profit before tax 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.

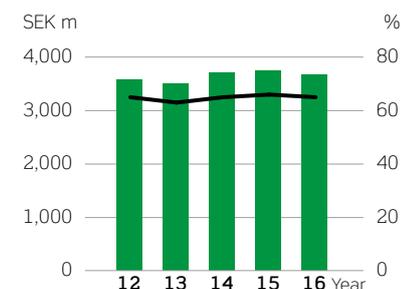
INVESTMENTS AND SALES

Net investments in properties totalled SEK 2,716 million (2,466) in 2016. Properties worth SEK 46 million (33) on the balance sheet were sold in 2016.

CASH FLOW

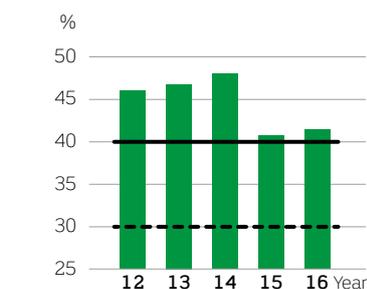
The Group's cash flow from current operations amounted to SEK 2,721 million (2,485), which was mainly reinvested in the business. Cash flow from investing activities totalled SEK -2,548 million (-2,204). The dividend paid during the year totalled SEK -3,290 million and consisted of the regular dividend of SEK 1,290 million, as well as the final instalment of the additional distribution of SEK 2,000 million. The dividend is primarily debt-financed.

NET OPERATING INCOME



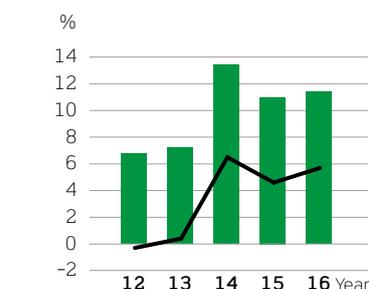
● Net operating income, SEK m
— Net operating income ratio, %

EQUITY RATIO



— Upper target
- - Lower target

TOTAL YIELD



● Total yield, %
— Change in value, %



Owner objectives

Return on operating capital should be at least 6.5 per cent (excluding change in value).

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.

PARENT COMPANY

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). The profit after financial items was SEK 1,974 million (1,902).

CAPITAL STRUCTURE

The stable result from management, though primarily the unrealised changes in the value of properties, helped to maintain the equity ratio at an even level of 41.4 per cent (40.7). Return on equity remains steady and amounted to 16.3 per cent (15.0), which was largely due to the unrealised changes in the value of the properties.

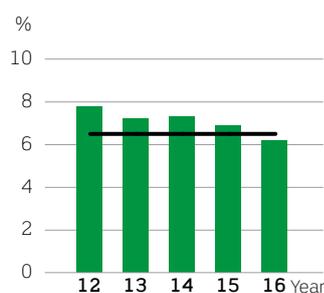
YIELD AND TOTAL YIELD

The yield (excluding properties under construction) was 5.7 per cent (6.4) on assessed fair value. The yield requirements in the market fell further in 2016. Total yield for 2016 was 11.4 per cent (11.0), where the difference compared with the direct yield is 5.7 percentage points (4.6) and comprises the change in value of the properties.

RETURN ON OPERATING CAPITAL

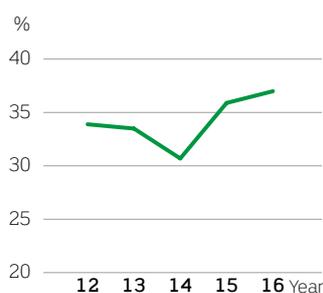
The yield on operating capital in 2016 was 6.2 per cent (6.9). Return on operating capital is lower mainly because equity and borrowed capital are larger than the previous year given the major changes in property values. The owner's yield target is that the return on operating capital, excluding changes in value should be at least 6.5 per cent. The target for the year was not achieved because many large ongoing investment projects have not yet started to produce a return.

RETURN ON OPERATING CAPITAL

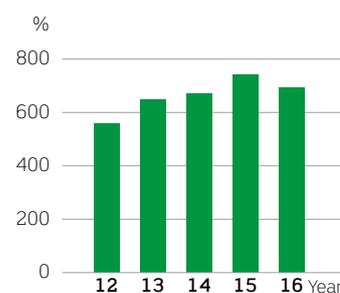


● Return on operating capital, %
— Target, %

LOAN-TO-VALUE RATIO



INTEREST COVERAGE RATIO



Five-year summary

	2016	2015 ⁶	2014	2013	2012 ⁷
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	2,485	3,161	3,060	2,126
Cash flow from investments	-2,548	-2,204	-439	-2,459	-2,388
Cash flow before financing	172	281	2,722	601	-262
Cash flow from financing	893	-534	-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/sq. m	1,697	1,710	1,715	1,664	1,644
Operating costs, SEK/sq. m	237	242	252	276	272
Maintenance costs, SEK/sq. m (including tenant adaptations)	212	194	194	208	176
Net operating income in relation to administration income, %	65	66	65	63	65
Net operating income, SEK/sq. m	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
Fair value, properties, SEK/sq. m ²	20,638	19,238	17,471	16,188	15,504
Energy use kWh/sq. m	204	212	224	231	235
CO ₂ , kg/sq. m	8	8	11	12	12
Financial key figures					
Return on equity, %	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	1,393 ⁵	1,290	1,445	1,374	1,355
Additional distribution, SEK m ⁴	—	—	6,500	—	—
Personnel					
Average number of employees	440	409	408	407	403
Employee Satisfaction Index (ESI)	61	61	66	68	69

1) Excluding properties under construction.

2) Excluding the value of properties under construction and expansion reserves land with building rights.

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) Decision at Extraordinary General Meeting on 19 October 2015.

5) Dividend proposed by the Board of Directors on 13 March 2017.

6) 2015 figures have been adjusted to facilitate comparison. The reason is the change in accounting of tenant improvements. In addition, the distribution between property administration costs and central administration has changed.

7) 2012 recalculated according to IAS 19R.



Community properties and the education sector

ATTRACTIVE SEGMENT

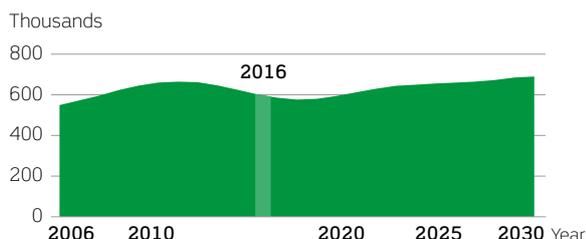
Sweden demonstrated strong economic growth in 2016. The lack of inflation represented a challenge, however, accompanied by a continued loose monetary policy. The property industry benefits directly from the low interest rates with continued declining yield requirements as a result. As a result of rising property prices, more and more investors were attracted to the community property sector because of its lower risk due to more secure cash flows and longer leases. Transaction activity increased during the year. Transaction volumes in community property amounted to approximately SEK 18 billion in 2016¹.

EDUCATION AND RESEARCH

The number of applicants to colleges and universities in 2016 declined by 1 per cent and the number admitted declined by 5 per cent compared with the same period in 2015. However, the number of applications to colleges and universities remains high in relation to the number admitted and the largest share of applications come from 19-year-olds.

Education and research are a constantly relevant and important issue. Consequently colleges and universities have a continued need for competitive research and education environments. The accelerating digitisation trend places further demands on high-tech standards and new solutions for facilities. This development is taking place in close collaboration with the centres of education, including through an established network of future learning environments. Offering attractive knowledge environments that appeal to international undergraduate and graduate students helps to maintain interest in Swedish university education over the long term.

19-23-YEAR-OLDS IN THE POPULATION 2006-2016,
FORECAST 2017-2030



Source: Statistics Sweden, 2016

GOVERNMENT GRANTS

Sweden's colleges and universities are financed by both government grants and external funding. The level of grants for education purposes is based on the number of students and their accomplishments. Grants are also awarded for research and education at the postgraduate level. Between 2014 and 2015 the total revenue of the centres of education increased by 2 per cent². Sweden invests the equivalent of approximately 3.3 per cent³ of GDP in research, which proportionally is among the largest investments in the world.

STRONG POSITION

Akademiska Hus has a market share of about 60 per cent⁴ in premises for higher education and research. Its presence is strongest in the large well-established university towns. These cities account for approximately 70 per cent of total rental revenue.

Investments in new construction, redevelopment and extensions are primarily attributable to Stockholm, Gothenburg and Uppsala. One emerging area is our contribution to building student accommodation, which is in line with the objective of developing more attractive campuses.

Despite the slowly growing competition in the field of community properties, there is no corresponding national player in the segment premises for higher education and research, but mainly local and regional players.

- 1) Newsec
- 2) Swedish Higher Education Authority (UKÄ) 2015 Annual Report
- 3) Statistics News from Statistics Sweden 201612
- 4) Swedish National Financial Management Authority

OTHER PARTICIPANTS IN THE MARKET SEGMENT

Location	Participants ¹
Stockholm	Clara Foundation Fysikhuset Stockholm KB National Property Board
Gothenburg	Chalmersfastigheter AB Hantverks- och Industrihus i Göteborg AB Higab AB
Uppsala	National Property Board County Council Service in Uppsala County
Lund	Fastighets AB ML 4 National Property Board Stiftelsen AF Bostäder
Umeå	Balticgruppen Design AB Universitetshallen Foundation
Linköping	Region Östergötland Östergötland County Council Universitetshallen Foundation

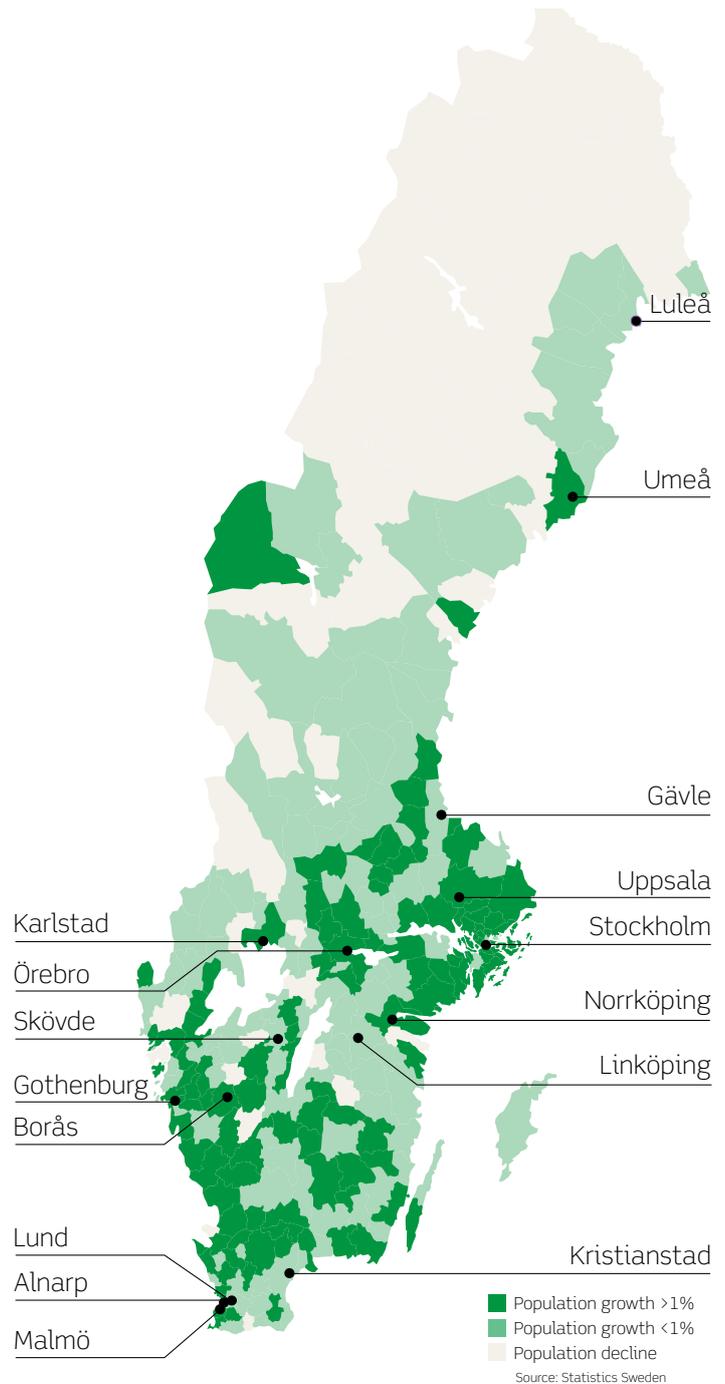
1) Other participants in our market segment are reported in square metres and presented in descending order.

Source: Swedish National Financial Management Authority

WE CAN BE FOUND IN
16
COLLEGE AND UNIVERSITY CITIES

Presence in cities
with good growth

Higher education and research are conducted throughout Sweden. Our market share is 60 per cent. Of the total market share, about 65 per cent is located in university cities and 30 per cent in college towns. Of the total property value of SEK 73 billion, 95 per cent is located in university cities and 5 per cent in college towns.



Market share, per city/town	Market value and area	Largest centres of education
Stockholm	SEK 32 billion 893,000 m ²	Stockholm University Karolinska Institutet Royal Institute of Technology
Gothenburg	SEK 7 billion 353,000 m ²	University of Gothenburg Chalmers University of Technology
Uppsala	SEK 13 billion 595,000 m ²	Uppsala University Swedish University of Agricultural Sciences, Ultuna

Market share, per city/town	Market value and area	Largest centres of education
Lund	SEK 6 billion 360,000 m ²	Lund University
Umeå	SEK 3 billion 231,000 m ²	Umeå University Swedish University of Agricultural Sciences, Umeå
Linköping	SEK 3 billion 225,000 m ²	Linköping University

Source: Swedish National Financial Management Authority

Long-term contracts with creditworthy tenants

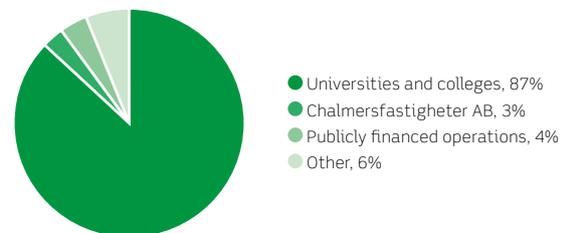
LONG-TERM CONTRACTS WITH CREDITWORTHY TENANTS

The majority of Akademiska Hus' revenue, approximately 90 per cent, comes from colleges and universities. Since colleges and universities are essentially government agencies, this customer group has the highest credit rating. Major investments are required to meet customer needs for facilities. Long leases are required to ensure that the investments pay for themselves within the contract period. During the year the average lease term was 10 years (11). At year-end, the average remaining lease term for all properties was 6 years (5.8). Currently, government approval is required for a public university or college to sign a lease of 10 years or longer. Discussions are under way regarding the possibility of increasing the mandate to allow longer leases to be signed by the individual university or college. If the proposal goes through, Akademiska Hus' counterparty risk will be even lower.

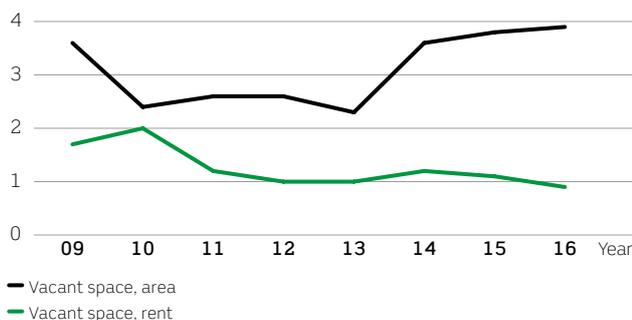
HIGH LEASING LEVEL

At the turn of the year the rentable area of the property portfolio was approximately 3.2 million square metres with a vacancy rate of approximately 3.9 per cent (3.8). The majority of vacant space involves simple facilities, for which reason the rental value is only SEK 52.7 million (64), or 0.9 per cent (1.1) of total holdings. The largest individual blocks of vacant space can be found on the Ultuna Campus and amount to about 78,000 square metres. The occupancy rate is high compared with the sector at large. Leases are always signed before construction begins, which reduces the risk of vacant space.

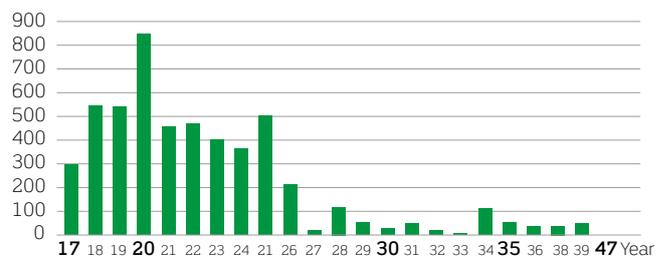
TENANT CATEGORIES



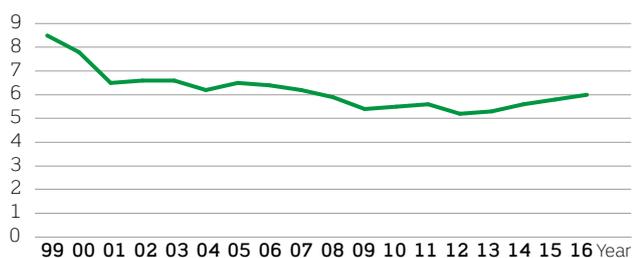
LEVEL OF VACANT SPACE, %



MATURITY STRUCTURE, PROPORTION OF LEASE VALUE, SEK million



AVERAGE REMAINING LEASE TERM, years



10 LARGEST CUSTOMERS, ANNUAL RENT, DECEMBER 2016

	SEK m	%
Lund University	577	11.1
Karolinska Institutet	551	10.6
Stockholm University	496	9.6
Royal Institute of Technology	469	9.0
Uppsala University	369	7.1
University of Gothenburg	332	6.4
Swedish University of Agricultural Sciences	312	6.0
Linköping University	286	5.5
Umeå University	237	4.6
Karlstad University	167	3.2
Total	3,797	73.1

Property valuation

With its strong position in regional sub-markets and long-term leases with creditworthy tenants, Akademiska Hus has a property portfolio with stable revenue flows and low risk. Major investments and a favourable trend in the property market in general have resulted in continued positive value growth.

FAIR VALUE

The fair value of Akademiska Hus' property portfolio as at December 2016 was SEK 73,013 million (66,575). The value of Akademiska Hus' property holdings has developed favourably during the year, in part due to the completion of several major projects in progress and in part because of the increase in value of existing properties. The projects in progress relate largely to improvements of existing space and the total fair value has increased in recent years at a faster pace than the number of square metres. The fair value per square metre as at 31 December 2016 is SEK 22,598 (20,705). The fair value of the property holdings was calculated by means of an internal property valuation covering all of the Company's properties and projects in progress.

PROPERTY VALUE

73

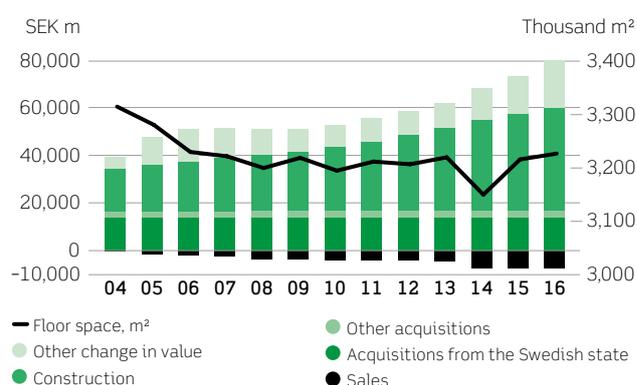
SEK BILLION

VALUATION METHODS

Akademiska Hus' holdings have been valued individually without any account being taken of portfolio effects. The property holdings are divided into three different valuation categories: properties valued according to an internal cash flow valuation (91 per cent), expansion reserves (2 per cent) and properties valued using a special valuation basis due to an abnormal risk assessment (7 per cent). The valuation methods comply with good market practice in the property industry and the cash flows and yield targets that are used are justified based on both property-specific and industry-specific conditions. The risk exposure in Akademiska Hus' property portfolio has primarily been reflected by variations in yield targets, which is a central measure of risk in the property sector. Each year Akademiska Hus allows the yield requirement, cost of capital and other valuation conditions to be verified by two external independent valuation institutes, NAI Svefa and Cushman & Wakefield. Read Note 16 for more detailed information about Akademiska Hus' valuation methods.

All property valuation involves estimation elements, which customarily is associated with some uncertainty. A normal uncertainty range in property valuation is +/- 5 to 10 per cent, which for Akademiska Hus would be equivalent to approximately SEK 3,300 million to SEK 6,600 million.

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

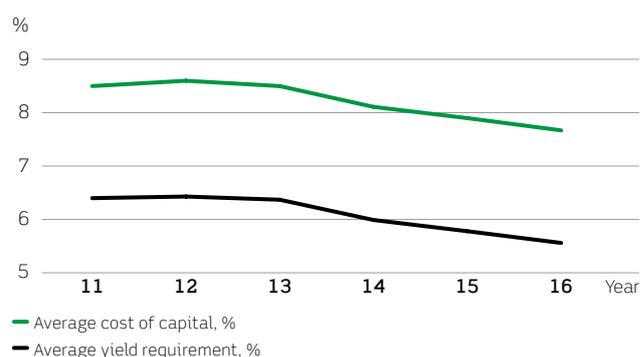


SENSITIVITY ANALYSIS, PROPERTY VALUE

Change	Impact on fair value, SEK m ¹	Impact on fair value, percentage points
Rental revenue, +/- one percentage point	389	0.5
Vacant space, +/- one percentage point	421	0.6
Operating costs, +/- one percentage point	80	0.1
of which media provision	39	0.1
Cost of capital, + one percentage point	-4,384	-6.0
Cost of capital, - one percentage point	4,831	6.6
Yield target, + one percentage point	-5,655	-7.7
Yield target, - one percentage point	8,318	11.4

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

YIELD REQUIREMENTS AND COST OF CAPITAL, %



To verify the internal valuation, selected properties are also valued each year by external valuation companies. During the year, 73 valuation buildings at a fair value of SEK 17,637 million were valued externally, corresponding to approximately 27 per cent of Akademiska Hus' total fair value. The valuations 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.

RESIDUAL VALUE RISK

Akademiska Hus operates in a specific segment of the property market, which means that a substantial share of our property holdings are more adapted to specialist uses and consequently they have a slightly more uncertain residual value than for more general properties, such as office buildings and residential buildings. Residual risk for our customised properties is quantified mainly in the form of charges to cash flow and in the direct yield target.

CHANGE IN VALUE 2016

The total increase in the carrying amount of properties for the year was SEK 6,438 million (5,138), for a closing fair value of SEK 73,013 million (66,575), including construction in progress brought forward of SEK 4,802 million (3,484). Of the total change in value, SEK 2,761 million (2,497) relates to investments in new construction and redevelopment. The unrealised change in value in the income statement was SEK 3,647 million (2,564).

Investments, purchases and sales

Change in value attributable to investments consist of projects completed during the year and change in construction in progress. The Royal College of Music in Stockholm is the largest completed project, along with several smaller projects. Current projects in progress include Biomedicum in Stockholm, the new Humanisten building in Gothenburg and the new building for the Police training programme in Umeå.

During the year three small properties in Lund and land in Stockholm were sold. The sales resulted in a change in the balance sheet of SEK -46 million.

Valuation conditions

To reflect the general rise in prices and demand for community properties, the yield targets and cost of capital in the internal valuation were lowered by between 0.05 and 0.35 percentage points. The average cost of capital was 7.7 per cent (7.9) and the average yield target was 5.6 per cent (5.8) after adjustment for stamp duty. The positive change in value due to the reduction amounted to SEK 2,435 million (1,245) in 2016.

In Akademiska Hus' valuation model, the cost of capital and yield targets are adjusted for each valuation building based on rental period, city/location and type of building. The change in value for the year attributable to the changes in these parameters is SEK -179 million (256). It is mainly the rental period that changes from year to year as contracts gradually expire and new leases are signed.

Other changes in value

The post 'Other changes in value' refers to cash-flow related changes that derive from a change in net operating income. Change for the year amounted to SEK 1,466 million (1,172) and largely depends on new leases signed or renewed in connection with new projects. Impairment losses arise when premises are vacated or when costs for items such as operation and maintenance increase.

CHANGE IN VALUE, PROPERTIES

Change in property holdings, SEK m	31-12-2016	31-12-2015
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	-46	-33
+/- Change in fair value	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	1,466	1,171
Closing fair value	73,013	66,575

SEK 65,495 million (90 per cent) of the fair value has been set by means of an internal cash flow valuation. Other properties have been valued individually using the most appropriate valuation method, see Note 16.

Financing

Risk premiums in the credit market have decreased during the year. Political risks renew uncertainty in Europe. Akademiska Hus completed nine bond issues.

FINANCIAL MARKET IN 2016

The year reflects a financial landscape with increased political risk. Both Britain's vote on withdrawal from the EU (Brexit) and the US presidential election with Donald Trump as the winner came as surprises where the polls proved to be inaccurate. Recovered commodity prices and the slow pace of the discontinuation of the stimulative monetary policy in the US improved conditions for emerging economies this year. The exceptionally stimulative monetary policy that is still being pursued is a concern in the event of a renewed economic slowdown. Central banks have noted a need to begin a normalisation process to recover the capacity for future stimulus measures. The US Federal Reserve (Fed) raised interest rates for the first time in December 2015, which was intended to be followed by additional rate hikes in 2016. Although the US economy performed relatively well, the recovery has been somewhat slower than expected, for which reason rates were not increased up until December 2016.

Meanwhile, the European Central Bank (ECB) decided on further easing since inflation had not reached a level deemed to be sustainable. In March the key rate was cut to a record low of minus 0.4 per cent and bond purchases continued during the year.

The world's central banks face many challenges after a prolonged period of extremely stimulative monetary policy. A common conclusion at this time is that monetary policy is approaching the end of the road where additional measures would only have a limited effect on the economy. In combination with unusually high levels of debt, however, a rate increase process could result in a tightening effect that is stronger than it would otherwise be, which could cause the central bank to proceed cautiously once normalisation does begin. Meanwhile, in recent years the central banks have underscored the importance of structural measures since the generally acting monetary policy produced undesired effects in the form of inflated asset prices.

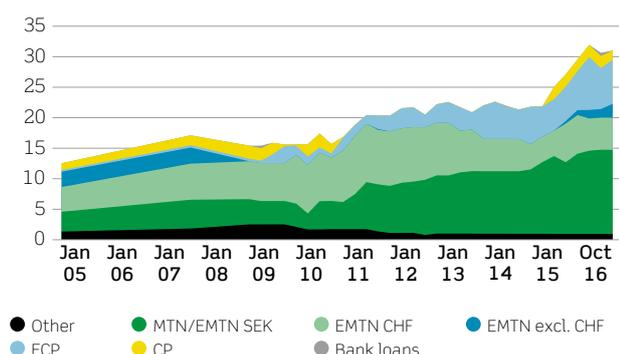
The fixed income market has been relatively stable, though political surprises resulted in declining interest rates after Brexit and rising interest rates at the end of the year in connection with the US presidential election.

DEBT MANAGEMENT IN 2016

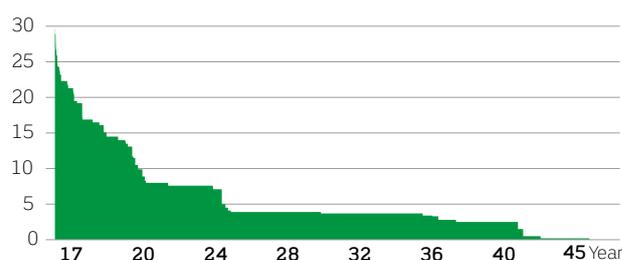
The Riksbank has conducted Swedish monetary policy in the shadow of the ECB, with limited room to manoeuvre, and carried out both rate cuts and additional bond purchases. Long-term rates demonstrated good adaptation to international markets with influences from Brexit and the US presidential election. Upward pressure on long-term rates, combined with indications of continued easing of monetary policy in Sweden, contributed to steeper yield curves with associated added costs from the borrower's perspective.

The fixed interest period in the basic portfolio has generally remained at a stable level over course of the year. The risk scenario from a net borrower perspective is still considered asymmetric in the medium term; even if the time horizon for negative interest rates is prolonged, the additional cost for an extension can be justified, provided that it takes place in effective periods. This risk scenario with extremely depressed interest rates combined with the growing risk of additional increases in long-term international interest rates justifies an upward adjustment of the lower limit of the fixed interest mandate from two to three years for 2017. In 2016, a major restructuring of the interest rate swap portfolio was carried out in which ineffective fixed-interest periods were replaced with more effective risk coverage for rising interest rates. Interest rate derivatives continue to serve as an important means to maintain the fixed interest period.

FINANCING SOURCES, SEK bn



DEBT MATURITY STRUCTURE, SEK bn



WELL-DIVERSIFIED FUNDING

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 net liability portfolio totalled SEK 26,962 million at year-end, which was an increase of SEK 3,038 million. The equity ratio was 41.4 per cent. 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 denominated in Hong Kong dollars and Australian dollars in the Asian market for over SEK 1,800 million.

Prior to the additional distribution in 2015 the committed credit facilities were increased by SEK 2,000 million. Liquidity during the year remained at a good level to meet fluctuations in payment flows. With the final payment from the additional distribution completed and with good access to funding on the short-term credit market, committed credit facilities were reduced by SEK 1,000 million during the year. The trend in the banking market with increased demands for cost-driving capital adequacy justifies a continued increased focus on bond financing. The lion's share of short-term funding was obtained through the ECP programme, where activity was maintained at a high level. At year-end cash and cash equivalents amounted to SEK 5,370 million.

During the fourth quarter Akademiska Hus completed a rating process with Moody's, which announced in January 2017 that Akademiska Hus had received the highest short-term rating of Prime-1 (P-1), which was also awarded to the ECP programme. The rating, which complements the existing Standard & Poor's rating, is expected to contribute to continued stable financing conditions in the short-term credit market. The rating reflects Akademiska Hus' leading market position as the dominant player for campuses intended for the extremely stable state-funded Swedish higher education sector.

OUTLOOK FOR FINANCING ACTIVITIES IN 2017

The divergent trends between the economy in the US and in Europe represent yet another challenge for financial markets to value. Although the questions relating to US policy are many, there is broad consensus that the Fed will continue to raise interest rates. The risks of a premature tightening of monetary policy are deemed to be significant, for which reason the extraordinarily loose monetary policy can be expected to continue in 2017 despite pronounced criticism.

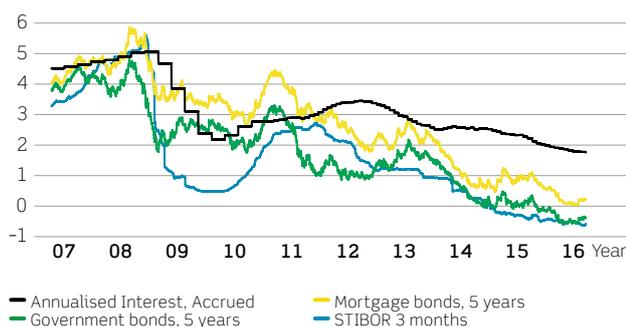
In 2017, the refinancing need consists of maturing bonds of SEK 1,000 million, as well as short-term financing in the ECP and certificate market of EUR 748 million. Investments in the property portfolio are estimated at about SEK 4,000 million. The strong cash flow allows a high proportion of self-financing. The limited need for refinancing in the bond portfolio allows debt management in 2017 to focus on the continued restructuring and further development of financial risk management in the now significantly larger debt portfolio. The extensive bond issues of SEK 12,600 million over the past two years have ensured good maturity. The mandate for loans maturing within 12 months (maturity mandate) was raised for the financing of the dividend in 2015. For 2017 a somewhat lower liquidity reserve is considered to be fully satisfactory and the mandate has therefore been adjusted downwards from 50 to 45 per cent.

FINANCING POLICY, STRATEGIES AND OBJECTIVES

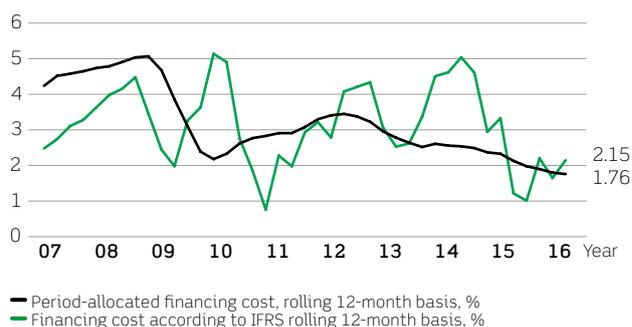
Akademiska Hus carries on active debt management where the strategy is to weigh up the financial risks against the desired low financing cost over time. The two key policy documents adopted by the Board are:

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

INTEREST RATE TRENDS AND AKADEMISKA HUS' FINANCING COST, %



COMPARISONS, DIFFERENT CALCULATIONS OF FINANCING COST, %



The financing objectives are:

- Use centralised financial management to leverage economies of scale and facilitate efficient handling of exposure to financial risks within the Group.
- Use the strong financial position and good rating, within the framework of the risk mandate, to achieve as low a financing cost as possible.
- Use public financing programmes to maintain stable and continuous access to cost-effective financing in relevant markets.

FIXED INTEREST PERIOD AND MATURITY

The exposure to financial risks derives from the capital structure with the distribution between loans and equity. Financing activities primarily manage exposure to interest rate and refinancing risk. 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. Systematic risk analyses are carried out to identify and utilise opportunities that financial markets offer.

- 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.
- Basic portfolio – remaining portion of ECP, commercial papers, loans, bonds and interest rate derivatives.

FIXED INTEREST PERIOD AND MATURITY

	SEK m	Fixed interest, years, Dec. 2016	Fixed interest, years, Dec. 2015	Maturity, years, Dec. 2016	Maturity, years, Dec. 2015
Basic portfolio	22,962	4.7	3.6	2.3	2.6
Non-current portfolio	3,611	23.7	24.7	23.7	24.7
Index-linked bond portfolio	900	5.8	6.8	5.8	6.8
Total portfolio		7.2	6.9	5.2	6.1

MATURITY STRUCTURE FOR FIXED INTEREST PERIODS AND NET DEBT MATURITY AS AT 31/12/2016

Year	Fixed interest, SEK m	Maturity, SEK m
2017	5,034	11,729
2018	4,408	2,064
2019	2,420	2,220
2020	1,370	950
2021	5,045	2,850
2022	0	1,200
2023	426	400
2024 and later	7,715	5,005
TOTAL	26,418	26,418

FORMS OF FINANCING AND RATING

Exposure to the various financial risks is managed within each mandate adopted annually in the risk plan. The choice of fixed interest period in the basic portfolio and the percentage of the long bond portfolio has a large impact on net interest income and expense.

FINANCING PROGRAMMES AND RATING

	Rating Standard & Poor's	Framework 31-12-2016	Utilised nom. 31-12-2016
Committed credit facilities in bank		SEK 3,000 m	0
Commercial paper	A1+/K1	SEK 4,000 m	SEK 1,500 m
ECP (Euro Commercial Paper) ¹	A1+	EUR 1,200 m	EUR 748 m
MTN (Medium Term Note) ²	AA	SEK 8,000 m	SEK 770 m
EMTN (Euro Medium Term Note)	AA/A1+	EUR 3,000 m	EUR 2,208 m

- 1) Moody's P-1 beginning in January 2017
2) Not updated since 2009

FINANCING COST

Net interest income and expense amounted to SEK –549 million (–182) during the period, of which SEK –241 (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 changes in value can mainly be attributed to the somewhat declining market interest rates. The significant share of realised losses is attributable to the ongoing restructuring of the interest rate swap portfolio so that ineffective interest rate periods have been terminated and replaced with more effective protection. As a result, deficit values have been gradually 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). Interest-bearing net loan liability increased by SEK 3,038 million during the year and amounted to SEK 26,962 million. The interest coverage ratio, calculated on the cash flow impact of net interest income and expense, amounted to 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 page 38 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.

FINANCING COST, BREAKDOWN

	2016	2015	2014	2013	2012
Loan financing cost, including charges, %	0.83	1.38	2.01	2.24	2.75
Interest swaps, net interest, %	0.47	0.58	0.42	0.39	0.40
Financing cost, %	1.30	1.96	2.43	2.63	3.15
Changes in value, financial derivatives, %	0.85	–0.74	2.61	–0.01	1.06
Total financing cost, %	2.15	1.22	5.04	2.62	4.21

Risks and risk management

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

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

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

ANNUAL BUSINESS PLAN PROCESS

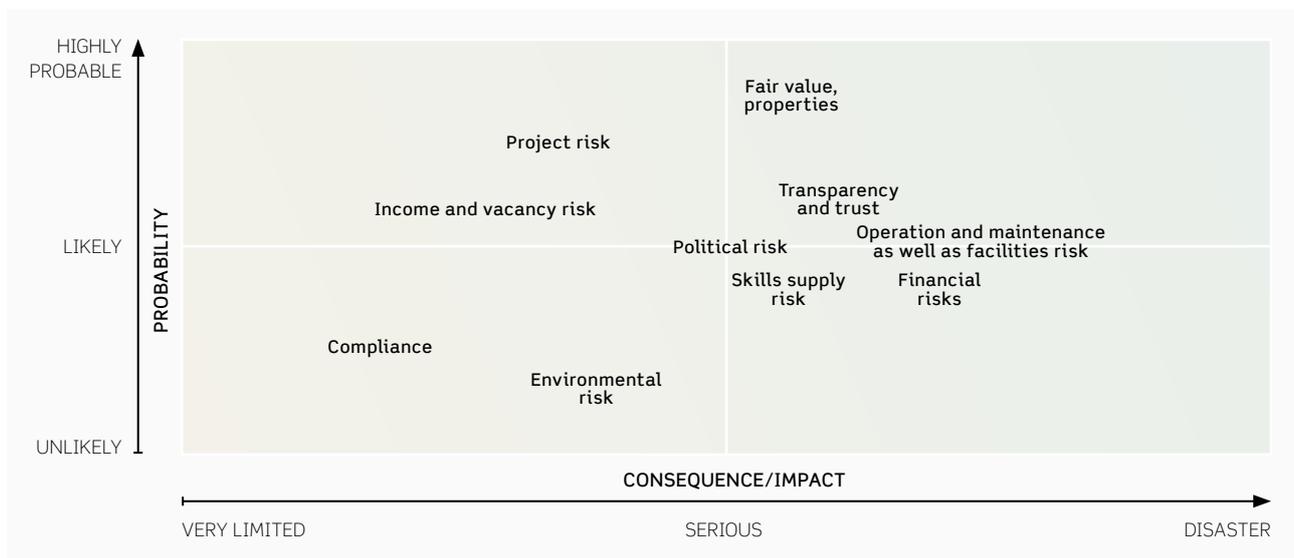
Each year Akademiska Hus' Board of Directors addresses the Company's long-term strategy and decides on a new business plan. The business plan takes into account the Company's overall risks that have been identified, based on its strategy and long-term

objectives. Each year the Board of Directors also adopts policy documents such as the Sustainability Policy, Code of Conduct, Financing Policy and Procurement Policy, which are intended to document how the Company manages its risks.

RISKS AND LIABILITY

During the year, the risk assessment process was further developed to ensure that all significant risks are continuously included and managed. Risk management is a continuous process in which a clearly allocated ownership and general awareness of risks in the organisation is crucial.

Risks identified in this year's process were analysed with respect to the likelihood of their occurrence, their potential impact and the ability to manage the individual risk. The graphic below presents the assessment of risk areas based on these perspectives. The assessment was carried out taking into account the protection that is already in place in the area.



Strategic risks

Consist of external market factors that cannot be controlled, but whose negative impact could be limited.

Operating risks

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

Legal risks

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

Financial risks

Mainly involve exposure to interest rate and refinancing risk.

STRATEGIC RISKS	ANALYSIS	MANAGEMENT
<p>FAIR VALUE OF BUILDINGS</p> <p>Risk of a negative impact on earnings due to changes in the fair value of properties</p>	<p>The fair value of buildings is influenced by market trends, yield targets, rent trends and vacancy rates, as well as redevelopment and new construction.</p>	<p>Fair value risk is managed by regularly analysing the risk profile and business opportunities of the property portfolio. Concentrating the property portfolio to university cities provides good development potential and good sales opportunities. Because lease terms are long, changes in value demonstrate less variation when yield targets change. A large share of the property portfolio is located in cohesive campuses. The Akademiska Hus property portfolio is updated and modified through purchases, sales and investments in new construction and redevelopment.</p> <p>For more information see the Property valuation section on pages 34-36.</p>
<p>TRANSPARENCY AND TRUST</p> <p>Risk of a lack of trust from the owner and other stakeholders</p>	<p>Trust and good relations can be achieved and maintained by behaving as a role model and with high transparency. Setting rents, planning and development of campuses as well as the Company's sustainability work are areas where our stakeholders demand great openness.</p>	<p>To strengthen our ability to inspire trust we work proactively with our values and our corporate culture. During the year we trained our staff on diversity issues and implemented a process model for sustainability as support for campus development. We have also introduced a Code of Conduct for suppliers with a clear focus on transparency and human rights.</p>
<p>INCOME AND VACANCY RISK</p> <p>Risk of loss of income due to vacancies or reduced rental income</p>	<p>External factors that affect the Company's rental income and vacancy rates include the development needs of the centres of education, their access to research grants, political decisions and economic fluctuations.</p> <p>Colleges and universities are primarily State-funded, for which reason the risk of reduced revenue and non-payment is low. In recent years, the interest of private property companies in community properties, strong regional players and increased client demands have contributed to intensified competition.</p>	<p>Akademiska Hus strives to achieve generally designed facilities that can be redesigned based on the development needs of the centres of education. Buildings specially adapted for research and development often have long lease terms with a high probability of renewal. Investing in properties requires leases to be signed before construction begins. Taken together, this gives a low risk of vacancy.</p> <p>Our regional presence and regular dialogue with our customers will help to strengthen our position as a supplier of knowledge environments.</p>
<p>POLITICAL RISK</p> <p>Risk of changing conditions as a result of political decisions</p>	<p>The operation is affected by Government policies in general and education policy in particular. A change in this brief from the owner, the Swedish state, could entail both risks and opportunities.</p> <p>As a major energy user, changes in national and international energy policies could have an impact on the Company's financial performance.</p>	<p>The risk scenario can be kept up to date through a systematic business intelligence analysis. We engage in continuous dialogue with our owner and stakeholders to ensure consensus on goals and strategies.</p>

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

LEGAL RISKS	ANALYSIS	MANAGEMENT
<p>COMPLIANCE</p> <p>The risk that laws and regulations are not followed</p>	<p>Compliance with applicable laws and regulations affecting our business is of great importance to Akademiska Hus to avoid unnecessary costs and to ensure that we set a good example.</p> <p>Compliance with applicable laws and regulations should be easy and obvious and leave little room for interpretation. As a state-owned company, it is crucial to set a good example, in business as well as in other relationships.</p>	<p>Akademiska Hus' Code of Conduct offers guidance on how we should act. Each year, managers and employees engage in a dialogue on compliance with the Code of Conduct.</p> <p>The Company has established an ethical council and an external whistle-blower system that is independent of the company, to which both employees and external partners can report suspected irregularities.</p>

FINANCIAL RISKS	ANALYSIS	MANAGEMENT
<p>INTEREST RISK</p> <p>Risk that profit will vary because of changes in market rates</p>	<p>The added cost of the long fixed interest period is balanced against the increased uncertainty of short fixed interest periods.</p>	<p>Fixed interest mandate</p> <ul style="list-style-type: none"> • basic portfolio 3-6 years • long-term bond portfolio - maximum of 20 per cent of total portfolio • index-linked bond portfolio - maximum of 10 per cent of total portfolio
<p>REFINANCING RISK</p> <p>The risk that financing potential is limited when loans are due to be refinanced and that the cost is higher than expected</p>	<p>The added cost of the long maturities is balanced against the increased uncertainty of short fixed interest periods.</p>	<p>Maturing loans within a twelve-month period - maximum of 45 per cent of the total portfolio.</p>
<p>CREDIT AND COUNTERPARTY RISK</p> <p>The risk of a loss because a counterparty does not meet its undertakings</p>	<p>Exposure occurs with both liquidity management and derivative transactions and depends on the creditworthiness of the counterparty and the duration of the commitment.</p>	<p>The credit limit is based on the rating and the term of the commitment. ISDA agreements are always signed before derivative transactions are carried out. CSA agreement cover the very high proportion of exposure to derivatives.</p>
<p>CURRENCY EXPOSURE RISK</p> <p>Risk that exchange rate changes affect the income statements and balance sheets</p>	<p>Underlying property operations are conducted in Sweden and in Swedish kronor.</p>	<p>When financing in a foreign currency, the exchange rate risk is eliminated.</p>

Sensitivity analysis, Note 3 on page 65 and Note 16 on page 74.

Corporate Governance Report

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

FOUNDATIONS OF CORPORATE GOVERNANCE AT AKADEMISKA HUS

Akademiska Hus (publ) is a property company that is wholly owned by the Swedish state. Administration is handled by the Ministry of Enterprise and Innovation on behalf of the Ministry of Education and Research, which is the principal. The Company is subject to the State's ownership policy and guidelines for companies with state ownership and applies the Swedish Code of Corporate Governance (the Code). Because the Company is wholly owned by the Swedish state, certain provisions of the Code do not apply, as it is primarily written for businesses with diversified ownership. Deviations from the Code are described on page 46.

IMPORTANT ISSUES 2016

- Public Procurement Act judgement and adaptation to it
- Organisational changes
- Customer relations and customer satisfaction
- Digitisation
- Appointment of new CFO/Vice President
- Energy strategy

AKADEMISKA HUS' MISSION ACCORDING TO THE ARTICLES OF ASSOCIATION

The object of the Company's operations is to own, develop and manage properties for colleges and universities, where the primary focus is on education and research, as well as activities compatible therewith. Operations will be run on a commercial basis and generate a yield that is in line with the market by setting rents that take into account the operating risk. Akademiska Hus Aktiebolag will work to bring about long-term sustainable development of university and college campuses.

Objective

Read more
on page 12.

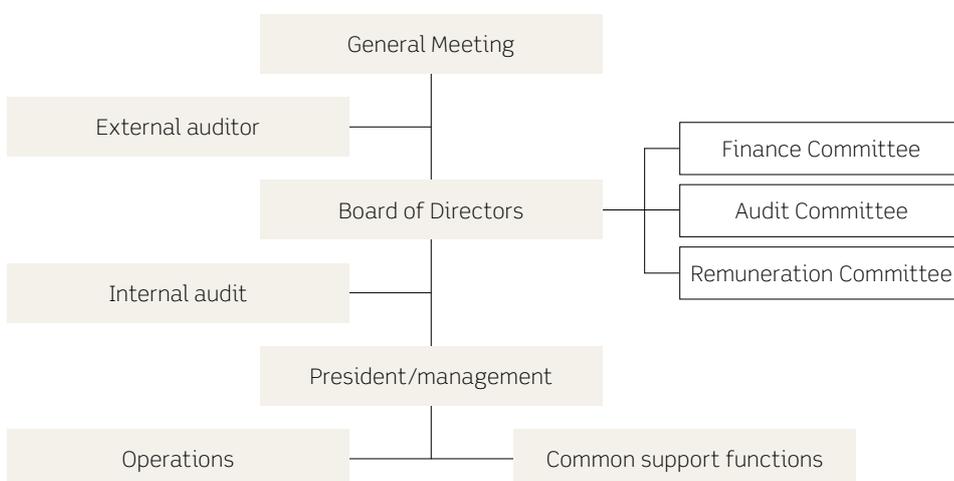
FINANCIAL OBJECTIVES

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

SUSTAINABILITY GOALS

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

Governance and organisational chart



Examples of external governing regulations:

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

Examples of internal governing regulations

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

GENERAL MEETING

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

Annual General Meeting 2016

The Annual General Meeting was held on 28 April 2016. The meeting was opened by Chairperson of the Board Eva-Britt Gustafsson, who was also appointed to chair the proceedings. The owner was represented by Malin Fries, Ministry of Enterprise and Innovation.

Decisions at the 2016 Annual General Meeting

The Annual General Meeting adopted the income statement and balance sheet for the 2015 financial year and discharged the Board of Directors and the President from liability for the year. The AGM approved the Board's proposal for profit distribution, which entails a dividend of SEK 1,290,000,000 to the owner. Other matters addressed included adoption of the principles for remuneration and other terms of employment for senior executives, resolutions on fees to the Board of Directors and committees, as well as election of Board members and auditor. The minutes and other documents related to the AGM are posted on the Akademiska Hus website www.akademiskahus.se.

Extraordinary General Meeting

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

Annual General Meeting 2017

The next Annual General Meeting will be held on 28 April 2017 in Stockholm.

AUDITORS

The 2016 AGM resolved to re-elect KPMG AB to serve as auditors for a one-year period until the 2017 AGM. KPMG appointed Björn Flinck, authorised public accountant, to serve as lead auditor. The auditors perform a limited review of the interim report as at 30 September and audit the annual and consolidated accounts. They also conduct a limited review of the sustainability report. In addition, the auditors express their opinions of this corporate governance report and whether Akademiska Hus complies with the Government Guidelines for terms of employment for senior executives, and submit their statements to the meeting. Every year the auditors review their audit plan and risk assessment with the Audit Committee. The auditors participate in at least two Audit Committee meetings per year. Each year the auditors attend at least one meeting with the Board of Directors that is not attended by the President.

INTERNAL AUDIT

Akademiska Hus has an Internal Audit function comprising an employed internal auditor. The Internal Audit reports directly to the Board, and also to the Audit Committee on an ongoing basis. The work of the Internal Audit is governed by internal audit instructions and an annual internal audit plan, both of which are adopted by the Board of Directors.

BOARD OF DIRECTORS

The Board of Directors is responsible for the organisation and for management of the affairs of the company. The Board of Directors convenes the Annual General Meeting. Each year the Board of Directors adopts Rules of Procedure for its work. The Rules of Procedure govern the allocation of work among the directors, the number of regular Board meetings, matters to be addressed at regular Board meetings and the responsibilities of the Chairman of the Board. The Rules of Procedure also include instructions for the Board committees. The division of responsibilities between the Board and the CEO is regulated by special instructions to the President. The Board has also adopted the document "Instructions for financial reporting" which regulates financial reporting procedures to the Board.

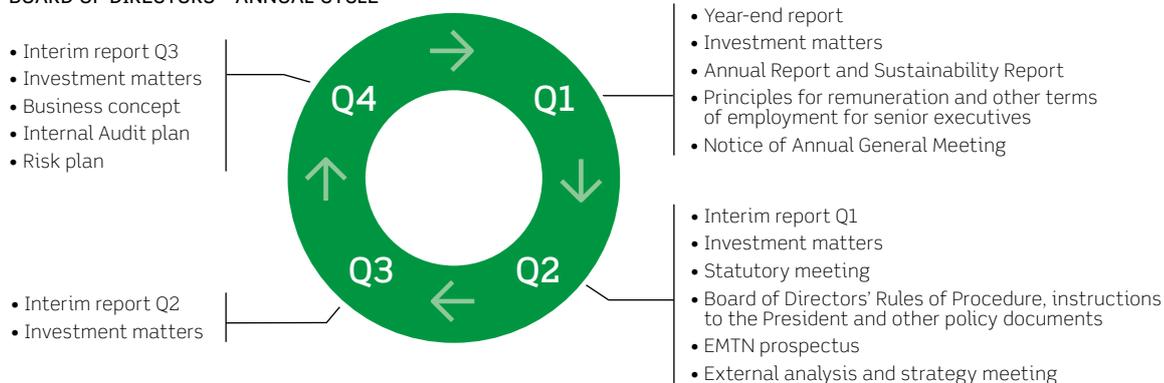
Nomination process

Directors of state-owned enterprises are appointed through a structured nomination process with common uniform principles as outlined in the "State ownership policy and guidelines for companies with state ownership 2015". These principles replace the rules in the Code for preparation of decisions for nomination of Directors and auditors. The Board nomination process is co-ordinated by the state ownership unit at the Ministry of Enterprise and Innovation. To determine potential hiring needs a work group analyses the needs for expertise based on the Company's operations, future challenges and the composition of the Board. Directors are selected from a broad recruitment base in order to take advantage of the expertise of both men and women as well as among people with different backgrounds and experiences. Upon completion of the process nominations are announced in accordance with the Code. A consistent and structured approach ensures a high standard of quality throughout the nomination process.

Composition of the Board of Directors

According to the Articles of Association, the Board of Directors for Akademiska Hus shall consist of a minimum of three and a maximum of ten Directors with no deputies. The Board consisted of eight Directors until the AGM in 2016, after which it had seven elected Directors. The Board also includes two employee representatives designated by their respective trade unions. Five members were re-elected and two new members were elected to the Board at the Annual General Meeting. The AGM concluded that the Board has the relevant skills to manage the Company and that the Board as a whole has experience of areas that are important for the Company such as corporate governance, management, the real estate industry, universities and higher education, change and development initiatives, as well as financial expertise.

BOARD OF DIRECTORS – ANNUAL CYCLE



Work of the Board of Directors in 2016

In its Rules of Procedure the Board set a schedule for information and decisions during its work year that essentially follows the Board's annual cycle.

At all Board meetings during the year the President presents a report on significant events involving the Company and the respective committee chairs present reports from the committee meetings that were held between Board meetings. During the year the Board's discussions focused on customer benefit and customer satisfaction. At the beginning of the year the Board resolved to restructure the organisation of Akademiska Hus commencing on 1 January 2017, and then monitored the progress of the internal initiatives to achieve that goal. One reason for the reorganisation is to improve efficiency and thereby increase customer value. As part of its efforts to achieve the Company's sustainability goals, the Board adopted a common energy strategy during the year. Other important issues that the Board addressed included digitisation from a customer perspective, student housing on campus and adaptation of operations to the announcement from the Supreme Administrative Court that Akademiska Hus is subject to the Public Procurement Act (LOU). A number of investment matters were also addressed, the largest of which was the establishment of a new campus at Albano for Stockholm University.

In 2016, ten regular Board meetings were held, including the statutory meeting. To inform and update members about its activities, some Board meetings are held at the centres of education that are Akademiska Hus customers and combined wherever possible with meetings with the leadership of these institutions. During the year the Umeå Campus was visited in connection with one Board

meeting. No extraordinary meetings were held during the year.

The attendance by the members of the Board of Directors is presented in the tables on page 48.

Board committees

The Board has established three committees to specifically monitor and prepare Board issues in specific areas. Committee members are elected at the statutory Board meeting held immediately after the AGM.

- The Finance Committee is responsible for:
 - Support and follow up financing activities.
 - Prepare matters to be decided by the Board, including Financing Policy and a risk plan.
- The Audit Committee shall perform the tasks required of an audit committee under the Companies Act and the Code with responsibilities to include:
 - Monitor the Company's financial reporting and ensure that it maintains a high standard of quality.
 - Regarding the financial statements, monitor the efficiency of the Company's internal control systems and risk management.
 - Meet regularly with the Company's auditors to learn about the scope and focus of the audit.
 - Discuss coordination between the external and internal audit and views on the Company's risks.
 - Remain informed about the audit of the annual accounts and the consolidated accounts.
 - Establish guidelines for non-audit services that may be procured from the Company's auditors.
 - Assist in the preparation of proposals for the election of auditors at the Annual General Meeting.

DEVIATIONS FROM THE CODE

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

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

REPORTING OF THE INDEPENDENCE OF BOARD MEMBERS
(CODE RULE 4.5)

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

Board of Directors



ANITRA STEEN

Chair since 2016. Remuneration Committee Chairperson.

Year of birth: 1949

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

Previous positions:

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

Education: B.A.



BRITTA BURREAU

Member since 2014. Finance Committee Chairperson.

Year of birth: 1964

Position: CEO of KPA Pension.

Other positions: Chairperson for the Scouts.

Previous positions: CEO of Nordea Liv and Accenture.

Education: M.Sc. and MBA.



OLOF EHLÉN

Member since 2011.

Year of birth: 1949

Other positions: Chairman of the Board for Svevia AB and Instalco Intressenter AB as well as advisor for FSN Capital.

Previous positions: President and CEO of NCC AB.

Education: M.Sc. Eng.



KRISTINA EKENGREN

Member since 2016. Audit Committee Chairperson.

Year of birth: 1969

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

Other positions:

Board member of Jernhusen, Teracom Group, VisitSweden and others.

Previous positions:

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

Education: M.A.



THOMAS JENNINGER

Employee representative (Ledarna union) since 2008.

Year of birth: 1956

Position: Operating manager at Akademiska Hus Uppsala.

Education: Production engineering studies.



ANDERS LARSSON

Employee representative (SEKO union) since 2009.

Year of birth: 1963

Position: Operating engineer at Akademiska Hus Stockholm.

Education: Production engineering studies.



INGELA LINDH

Member since 2014. Left the Board of Directors 31 Dec. 2016.

Year of birth: 1959

Position: Deputy city manager and CEO of Stockholm Stadshus AB.

Other positions: Board member of the Royal College of Music and Sweden Green Building Council.

Previous positions: Director of City Planning for the City of Stockholm. President of AB Stockholmshem.

Education: Architect MSA.



CHRISTER NERLICH

Board member elected in 2017.

Year of birth: 1961

Position: Chief Financial Officer of Vasakronan.

Other positions: -

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

Education: MBA.



GUNNAR SVEMBERG

Member since 2009.

Year of birth: 1947

Other positions: Board member of Uppsala University, Kemakta Konsult AB and the Göran Gustafsson Foundation for Scientific and Medical Research. Member of the board of IVA and KVVS in Gothenburg.

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

Education: Ph.D. in engineering Professor of Energy Technology.



INGEMAR ZIEGLER

Member since 2007.

Year of birth: 1947.

Other positions: Board member of Stockholm Concert Hall and the Clara Foundation.

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

Education: B.A.

AUDITORS, KPMG AB, BJÖRN FLINK, LEAD AUDITOR

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

- The tasks of the Remuneration Committee are to:
 - Prepare decisions regarding terms and conditions for salaries and employment for the President and the Executive Management.
 - Formulate proposals for guidelines for remuneration and other terms of employment for the President and other senior executives.
 - Monitor and evaluate the application of the guidelines for remuneration to senior executives prior to adoption by the AGM.

The President, Vice President, CFO and the Treasurer may participate at committee meetings in the capacity of presenters.

Evaluation of the work of the Board and the President in 2016

The Board of Directors uses a structured, systematic process to evaluate the work of the Board and the President. Evaluation takes place once a year with the aim of developing the working forms and efficiency of the Board of Directors. The chairman leads the evaluation, which is carried out by all members of the Board. The owner, through the Government Offices, is informed about the results of the evaluation. The work of the Government Offices related to the Board nomination process also includes an ongoing evaluation of the boards of all state-owned companies, which includes their work, the composition of the Board and their skills.

GOVERNANCE OF AKADEMISKA HUS

The Board of Directors is ultimately responsible for ensuring that the Company is managed in compliance with laws and regulations, as well as the instructions provided by the owner. As part of this work, the Board formulates relevant policies and governing documents. Akademiska Hus' long-term strategy, the financial targets adopted by the AGM and the Board's sustainability goals, serve as the basis of the annual process of formulating a business plan. The business plan, together with policy documents, comprises the overall basis for control of the Company.

The business plan describes the way Akademiska Hus deals with customers, manages assets and addresses the future. The plan specifies activities to be implemented to achieve the strategic goals of the business and metrics for monitoring. It also describes the

efforts to achieve the financial goals through a number of strategic control parameters that are monitored internally, linked to a long-term economic plan. Business planning begins with joint strategy days held by the Board and management in the spring and ends when the Board adopts the business plan at its December Board meeting. A business intelligence analysis that includes customers, business locations, market segments and finance is carried out as part of the planning process.

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

To implement the Company's strategy and business plan the organisation is structured as shown on page 44. A reorganisation of the operation began in 2016, which mainly entailed replacement of existing regions with two operational areas and three market areas. The new organisation is effective as of 2017. The description below reflects the structure in 2016.

President, Vice President and management group

At the beginning of the year Executive Management consisted of thirteen members including the President and Vice President. The President, or the Vice President acting on behalf of the President, is responsible for ongoing management in compliance with applicable laws and regulations and in accordance with the instructions for the President approved by the Board. In addition to the President and Vice President, the Executive Management team comprises the six Regional Directors, the CFO, the Corporate Communications Director, the Purchasing Director, the General Counsel and the Human Resources Director, all of whom report directly to the President. Executive Management is a forum for information and decisions regarding joint strategic Company matters. It is also the steering committee for the prioritised processes.

ATTENDANCE OF THE BOARD OF DIRECTORS – FINANCIAL YEAR 2016

	Number of Board meetings	Number of meetings of the Finance Committee	Number of meetings of the Audit Committee	Number of meetings of the Remuneration Committee
Anitra Steen	7/7			1/1
Eva-Britt Gustafsson	3/3		3/3	2/2
Britta Burreau	8/10	3/3		
Olof Ehrlén	9/10			
Kristina Ekengren	7/7		3/3	1/1
Thomas Jennlinger	8/10			
Anders Larsson	10/10			
Ingela Lindh	6/10			
Leif Ljungqvist	3/3	1/1	3/3	2/2
Pia Sandvik ¹	2/3	0/1	1/3	
Gunnar Svedberg	9/10			3/3
Ingemar Ziegler	9/10	2/2	5/6	

1) Left the Board of Directors in connection with the Annual General Meeting in April 2016.

Executive Management 1 January 2017

KERSTIN
LINDBERG GÖRANSSON

CATARINA FRITZ

KERSTIN LINDBERG GÖRANSSON

President. Employed 2011.

Year of birth: 1956

Other positions: Board member of AP3 and Jernhusen AB, Board member of K2 National Knowledge Centre for Public Transport.

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

Education: MBA.

ULF DÄVERSJÖ

Head of Innovation and sustainable development. Employed 2014.

Year of birth: 1979

Previous positions: Management consultant for Capgemini Consulting, Global Purchaser at Arla Foods, Business Analyst at Arla Foods.

Education: MBA.



PETER BOHMAN



BIRGITTA VAN DALEN

CATARINA FRITZ

CFO and Vice President. Employed 2016.

Year of birth: 1963

Previous positions: CFO of Keolis Sweden, Investor and Stockholm Stock Exchange.

Education: MBA.

HAYAR GOHARY

Project Manager. Employed 2007.

Year of birth: 1975

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

Education: M.Sc. Eng.

MAGNUS HUSS

Market area director. Employed 1993.

Year of birth: 1967

Other positions: Board member of AFF Forum.

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

Education: Engineering degree, technical college.



ULF DÄVERSJÖ



HAYAR GOHARY

PETER BOHMAN

Market area director. Employed 2013.

Year of birth: 1972

Other positions: Board member of Realus AB and IFU Arena AB.

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

Education: B.Sc. in Business Administration with focus on real estate.

CECILIA NIELSEN

CIO. Employed 2012.

Year of birth: 1969

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

Education: B.A.



MAGNUS HUSS



CECILIA NIELSEN

BIRGITTA VAN DALEN

Market area director. Employed 2005.

Year of birth: 1958

Previous positions: Planning adviser for Akademiska Hus, Head of property supply and operating manager at Karlstad University, Planning Manager at the Property Department, Karlstad Municipal Authority.

Education: B.A. Soc. Admin.

MEMBERS OF EXECUTIVE MANAGEMENT BEGINNING 1 MARCH 2017

JONAS BJUGGREN

Administrative Manager.

MARIE HALLANDER LARSSON

Human Resources Director.

EXECUTIVE MANAGEMENT 2016

Kerstin Lindberg Göransson President.

Catarina Fritz CFO and Vice President
Joined Executive Management 1 Oct. 2016

Peter Bohman Regional Director, Uppsala.

Birgitta van Dalen Regional Director, West.

Ulf Däversjö Purchasing Director.

Cecilia Nielsen Director of Communications.

Carolin Åberg Sjöqvist General Counsel.

Left Executive Management 31 Dec. 2016.

Fredrik Färm acting Human Resources Director. 1 April 2016-31 Jan. 2017.

Roger Granberg acting Regional Director, North. 1 Oct. 2016-31 Dec. 2016.

Mikael Walmerud Vice President.

Left Executive Management 30 Sept. 2016.

David Carlsson Regional Director, North.
Left Executive Management 30 Sept. 2016.

Lars Hagman Regional Director, East.

Left Executive Management 31 Dec. 2016.

Tomas Ringdahl Regional Director, South.

Left Executive Management 31 Dec. 2016.

Sten Wetterblad Regional Director,

Stockholm Region. Left Executive Management 31 Dec. 2016.

Jonas Ragnarsson CFO. Left Executive

Management 31 Jan. 2016.

Kristina Korsgren Human Resources

Director. Left Executive Management

31 March 2016.

Anders Ruth acting CFO.

1 Feb. 2016-30 Sept. 2016.

Regions

Akademiska Hus conducts business in six regions. Each region is headed by a Regional Director who is responsible for operations in the region and reports to the President. The Regional Director for each region is included in the Executive Management team. Investment matters are initiated and prepared by the regional management and are then reviewed by Executive Management. The Board decides on major investments. Beginning in 2017 Akademiska Hus has a new organisational structure, see page 19.

Common support functions

A number of support functions with a variety of areas of expertise provide support to management and the business in its day-to-day work. Business & Finance, HR, purchasing, legal affairs and communication report directly to the President and specialist functions for property management, sustainability and IT report directly to the Vice President.

Ethical Council and whistle-blowers

Akademiska Hus has a Code of Conduct that provides guidance on how employees should act to live up to the Company's positions and values and provides guidance in potentially difficult situations. A basic requirement is to act in compliance with the principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the ILO Core Conventions and the OECD Guidelines for Multinational Enterprises. The Company has an Ethical Council that provides support to employees to which suspected deviations from ethical guidelines or other irregularities can be reported. Akademiska Hus has also set up an independent system for whistle-blowing, to which both Akademiska Hus employees and external parties can anonymously report suspected irregularities.

In September Akademiska Hus filed a police complaint against an employee in a senior position and a supplier who worked for the

Company. Following a tip received by the Company's whistle-blower system and completion of an internal investigation, it was discovered that the employee abused his executive position in the Company and was probably guilty of financial irregularities. The employee was terminated effective immediately. As a result of this event, the Company reviewed its ethical guidelines and procedures for handling invoicing and monitoring of construction projects.

REMUNERATION

- The AGM resolved on principles for remuneration and other terms and conditions of employment for executives. The principles are in line with the States's "Guidelines for terms and conditions of employment for senior executives in state-owned companies".
- A fee is paid to the members of the Board of Directors according to a decision reached at the Annual General Meeting. The members of the Board of Directors who are employed within Akademiska Hus and the Government Offices do not receive any fee for this work. See the table on page 69 for information about remuneration.
- Payment to the President and other senior executives comprises a basic salary and a pension. Payment to the President is decided by the Board of Directors following a recommendation from the Remuneration Committee. Remuneration to other senior executives is decided by the President following consultation with the Remuneration Committee. Remuneration comprises a basic salary and a defined contribution pension based on the ITP premiums according to a collective agreement. No variable or bonus-based remuneration is paid. Salary surveys are conducted to make a comparison with other property companies. No changes will be made regarding the principles for remuneration to the Board of Directors and senior executives for 2017.

For a detailed description of remuneration, pensions, periods of notice, severance pay and fees to auditors, see the administration report on page 52 and Notes 10 and 11.

Internal control of financial reporting

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

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

CONTROL ENVIRONMENT

The basis for internal control comprises the control environment with the organisation, decision procedures and responsibility. Each year the Board of Directors adopts a number of policy documents such as the Rules of Procedure for the Board of Directors, instructions to the President, allocation of responsibility and authority, attestation and authorisation guidelines, instructions for financial reporting and financing policy describing the division of responsibilities and delegation of authority. The control environment also encompasses the culture and the values based on which the Board of Directors and management communicate and act, which is communicated in part via the Code of Conduct that is adopted by the Board Of Directors each year.

The Board of Directors has overall responsibility for internal control of financial reporting. The Board of Directors has established an Audit Committee which has tasks that include preparing the Board's work with quality assurance of the Company's financial reporting. The responsibility of the Board of Directors and the internal allocation of work within the Board and its committees are clarified in the Rules of Procedure.

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

RISK ASSESSMENT

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

CONTROL ACTIVITIES

Control activities that are designed to prevent, detect and correct errors and deviations are incorporated in the financial reporting process used by Akademiska Hus. These controls have been designed to deal with the risk of significant errors that may arise in financial reporting, and comprise both general and detailed checks. Control activities take place at several different levels in the Company and include approval of transactions, account reconciliations and analytical follow-up.

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

INFORMATION AND COMMUNICATION

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

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

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

FOLLOW-UP AND EVALUATION

Internal management and control of financial reporting are monitored and evaluated continuously by the Board of Directors, President, Executive Management and the accounting and finance department to ensure that procedures are appropriate and efficient. Opportunities for improvement are identified through controls and analyses. Any shortcomings in the system are reported to the relevant person to ensure that improvements can be made. On each balance sheet date, the President, Vice President and CFO review the financials with the individual responsible for each region and support function to monitor and discuss performance, financial position and other relevant issues.

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

The internal audit unit is instructed by the Board of Directors to independently review and evaluate the Company's internal management and control procedures, including internal control over financial reporting.

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

Other information

REMUNERATION TO SENIOR EXECUTIVES

Principles for remuneration to the Board of Directors and senior executives

Akademiska Hus follows the owner's guidelines governing terms and conditions of employment for senior executives. Payment to the President and other senior executives comprises a basic salary and a pension. Pension expenses refer to the cost charged to the profit for the year. Payment to the President is decided by the Board of Directors following a recommendation from the Remuneration Committee. Remuneration to other senior executives is decided by the President of the Parent Company following consultation with the Remuneration Committee. Remuneration comprises a basic salary and a defined contribution pension based on the ITP premiums according to a collective agreement. No changes are proposed regarding the principles for remuneration to the Board of Directors and senior executives for 2017.

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

Remuneration for committee work was set at the 2016 Annual General Meeting.

Pensions

Akademiska Hus has taken out an individual occupational pension solution for the President, Kerstin Lindberg Göransson, where the agreed retirement age is 65 years. Akademiska Hus allocates 30 per cent of Kerstin Lindberg Göransson's fixed monthly salary, which is paid into an occupational pension insurance plan according to a special agreement drawn up with a pension company.

The pension package includes a sickness and early retirement pension, a retirement pension and optional survivor's pension and/or repayment cover.

Other senior executives have similar defined contribution agreements with a maximum allocation of 30 per cent of their salary, or what is termed a high-income earner solution with an opt-out premium that is costneutral compared with traditional, collectively agreed ITP.

Periods of notice and severance pay

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

Other senior executives within the Group have an agreed period of notice of between six and twelve months depending on when the agreements were signed. Agreements entered into after 2009 follow government guidelines with a period of notice of six months and in the event of notice being given by the Company, severance pay is payable for a maximum of eighteen months. Agreements entered into before 2009 stipulate a period of notice of twelve months and severance pay for twelve months. All agreements, however, fall within the framework of twenty-four months, including the period of notice. Salary payable or remuneration for work performed during the time severance pay is received shall be set off on a krona-by-krona basis.

Other information about salaries and remuneration can be seen in Note 10 on pages 69 and 70.

PERMITS AND REPORTING REQUIREMENTS

A number of facilities within the Group require a permit or need to be reported to a supervisory authority in order to be used. These facilities have been reported and applications for permits (as required) were submitted to the supervisory authorities concerned and have been granted. The facilities in question are as follows:

One facility for combustion technology research that requires a permit, and a number of facilities classified as subject to declaration with respect to energy production and sewer system.

EVENTS AFTER THE YEAR-END

Akademiska Hus has a new organisational structure as of 1 January 2017. We are replacing the regional divisions with our core processes. 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.

FUTURE DEVELOPMENTS

Akademiska Hus has a project portfolio with approved and planned investments of SEK 16.7 billion. The property portfolio is expected to increase in value by approximately SEK 10 billion over the next three years. As new properties are completed, streamlining initiatives make progress and economies of scale are leveraged, net operating income will increase. The good cash flow limits the need for new financing to approximately SEK 4.5 billion for the upcoming three-year period. In the current situation with continued low interest rates the interest coverage ratio will also continue to be very good.

Proposed allocation of unappropriated earnings

According to the owner's financial targets for Akademiska Hus, which were adopted at the Annual General Meeting on 28 April 2014, the dividend should amount to between 40 and 60 per cent of the net profit after tax after reversal of changes in fair value and related deferred tax. When deciding on a dividend, consideration should be given to the Group's capital structure and capital requirements (equity ratio 30 to 40 per cent). The other economic objectives are that the return on operating capital should be at least 6.5 per cent and the Group's equity ratio should be 30 to 40 per cent. The average yield on operating capital over five years was 7.1 per cent whilst the target was 6.5 per cent. Return on operating capital in 2016 was 6.2 per cent. At the end of 2016, the equity ratio was 41.4 per cent for the Group and 19.1 per cent for the Parent Company. After the proposed dividend, the equity ratio will be 40.4 per cent for the Group and 16.9 per cent for the Parent Company.

Available for allocation at the Annual General Meeting:

Retained earnings	SEK 1,041,014,599
Profit for the year	SEK 1,314,644,758
Total	SEK 2,355,659,357

The Board of Directors and the President propose that the profit be allocated in such a way that SEK 1,393,000,000 is paid to the shareholder and SEK 962,659,357 is carried forward. For details of the financial results and the financial position in general, reference can be made to the following financial statements.

The Annual General Meeting will be held on 28 April 2017 in Stockholm.

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

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

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

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

	Outcome consolidated results	Changes in value in the Group	Profit used for calculation of dividend
Income from property management	5,666	—	5,666
Property management expenses	-1,999	—	-1,999
Net operating income	3,667	—	3,667
Central administration costs	-85	—	-85
Changes in value, properties	3,682	-3,647	35
Profit before net financial income/expense	7,264	-3,647	3,617
Total, financial items	-550	24	-526
Profit/loss before appropriations and taxes	6,714	-3,623	3,091
Tax/current tax	-1,566	797	-769
Profit after tax	5,148	-2,826	2,322
Dividend, 60% of the profit available for the payment of a dividend			1,393

The dividend as decided at the Annual General Meeting held on 28 April 2016 was SEK 1,290 million.

Income Statements

Amounts in SEK 1,000	Note	Group		Parent Company	
		2016	2015 ¹	2016	2015 ¹
INCOME FROM PROPERTY MANAGEMENT					
Rental revenue	6	5,482,031	5,450,189	5,482,030	5,450,189
Other property management income	7	184,000	195,591	220,133	299,467
Total property management income		5,666,031	5,645,780	5,702,163	5,749,656
PROPERTY MANAGEMENT EXPENSES					
Operating costs	9	-764,146	-770,685	-762,374	-768,620
Maintenance costs		-686,339	-617,609	-686,339	-617,609
Property administration	9	-293,607	-316,446	-283,052	-297,594
Other property management expenses	8	-255,064	-200,936	-245,554	-203,933
Total property management expenses	5	-1,999,156	-1,905,676	-1,977,319	-1,887,756
NET OPERATING INCOME		3,666,875	3,740,104	3,724,844	3,861,900
Central administration costs	5	-85,264	-72,613	-85,264	-72,612
Depreciation and impairment as well as reversed impairment in property management	9	—	—	-1,040,307	-1,597,712
Changes in property values, positive		5,042,194	3,683,216	—	—
Changes in property values, negative		-1,359,994	-1,027,851	—	—
Total changes in property values	16	3,682,200	2,655,365	—	—
PROFIT BEFORE FINANCIAL ITEMS	10, 11, 29	7,263,811	6,322,856	2,599,273	2,191,576
Financial income		78,679	360,299	78,679	360,299
Financial expense		-628,088	-541,733	-703,471	-649,965
Total, financial items	12, 28, 29	-549,409	-181,434	-624,792	-289,666
PROFIT AFTER FINANCIAL ITEMS		6,714,402	6,141,422	1,974,481	1,901,910
Appropriations	13	—	—	-174,672	-157,558
PROFIT BEFORE TAX		6,714,402	6,141,422	1,799,809	1,744,352
Tax	14	-1,566,375	-1,361,314	-485,164	-393,928
PROFIT FOR THE YEAR	15	5,148,027	4,780,108	1,314,645	1,350,424
Of which attributable to the shareholder in the Parent Company		5,148,027	4,780,108		
PROFIT PER SHARE					
Profit per share, SEK		2,411	2,239		
Profit per share after dilution, SEK		2,411	2,239		
Number of shares, average and at the period-end		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.

Statement of profit or loss and other comprehensive income

Amounts in SEK 1,000	Note	Group		Parent Company	
		2016	2015	2016	2015
PROFIT FOR THE YEAR		5,148,027	4,780,108	1,314,645	1,350,424
ITEMS THAT HAVE BEEN RECLASSIFIED OR CAN BE RECLASSIFIED TO PROFIT FOR THE YEAR					
Profit/loss from cash flow hedges	27	51,819	-21,217	51,819	-21,217
Tax attributable to cash flow hedges	14	-11,566	3,542	-11,566	3,542
Cash flow hedges, net after tax, dissolved against profit or loss	27	754	5,118	754	5,118
ITEMS THAT CANNOT BE RECLASSIFIED TO PROFIT FOR THE YEAR					
Revaluation of defined benefit pensions	29	-23,867	22,025	—	—
Tax attributable to defined benefit pensions	14	5,251	-4,845	—	—
Total, other comprehensive income		22,391	4,623	41,007	-12,557
COMPREHENSIVE INCOME FOR THE YEAR		5,170,418	4,784,731	1,355,652	1,337,867
Of which attributable to the shareholder in the Parent Company		5,170,418	4,784,731		

Balance Sheets

Amounts in SEK 1,000	Note	Group		Parent Company	
		31-12-2016	31-12-2015	31-12-2016	31-12-2015
ASSETS					
NON-CURRENT ASSETS					
Tangible non-current assets					
Properties	16, 17	73,012,860	66,574,882	41,590,753	39,899,507
Equipment, fixtures and fittings	18	11,104	14,189	11,104	14,189
Total tangible, non-current assets		73,023,964	66,589,071	41,601,857	39,913,696
Financial assets					
Shares in Group companies	19	—	—	650	650
Derivatives	20, 33	2,172,381	1,657,964	2,172,381	1,657,964
Other non-current receivables	21	223,516	343,273	223,516	343,273
Total financial assets	25	2,395,897	2,001,237	2,396,547	2,001,887
TOTAL NON-CURRENT ASSETS		75,419,861	68,590,308	43,998,404	41,915,583
CURRENT ASSETS					
Current receivables					
Rent receivables and accounts receivable	22	317,130	271,407	317,130	271,407
Current prepaid tax	14	15,267	32,655	15,267	32,655
Other receivables	23	1,015,831	896,413	1,015,830	896,412
Prepaid expenses and accrued income	24	77,624	86,688	77,624	86,688
Derivatives	20, 33	214,551	250,618	214,551	250,618
Total current receivables	25	1,640,403	1,537,781	1,640,402	1,537,780
CASH AND CASH EQUIVALENTS/CASH AND BANK BALANCES					
Current investments	33	4,823,977	2,503,989	4,823,977	2,503,989
Cash and bank balances		545,640	1,800,596	545,492	1,800,447
Total cash and cash equivalents/cash and bank balances	26	5,369,617	4,304,585	5,369,469	4,304,436
TOTAL CURRENT ASSETS		7,010,020	5,842,366	7,009,871	5,842,216
TOTAL ASSETS		82,429,881	74,432,674	51,008,275	47,757,799

Balance Sheets

Amounts in SEK 1,000	Note	Group		Parent Company	
		31-12-2016	31-12-2015	31-12-2016	31-12-2015
EQUITY AND LIABILITIES					
EQUITY (ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDER)				RESTRICTED EQUITY	
Share capital		2,135,000	2,135,000	2,135,000	2,135,000
Other contributed equity		2,134,950	2,134,950	—	—
Statutory reserve		—	—	2,134,950	2,134,950
Hedge reserve	27	9,592	-31,415	—	—
Actuarial profit and loss		21,413	40,029	—	—
Fair value reserve	27	—	—	9,592	-31,415
Retained earnings, including profit for the year		29,850,722	25,992,695	—	—
Retained earnings (in the Parent Company)		—	—	1,031,422	970,998
Profit for the year (in the Parent Company)		—	—	1,314,645	1,350,424
TOTAL EQUITY		34,151,677	30,271,259	6,625,609	6,559,957
Untaxed reserves	13	—	—	4,025,123	3,850,452
LIABILITIES					
Non-current liabilities					
Loans	28	22,805,209	18,621,944	22,805,209	18,621,944
Derivatives	20, 33	632,093	601,526	632,093	601,526
Deferred tax liability	14	9,981,816	8,761,330	2,218,713	2,074,187
Other liabilities	30	110,717	50,747	110,716	50,747
Provisions for pensions and similar obligations	29	442,794	401,434	282,484	271,800
Total non-current liabilities		33,972,629	28,436,981	26,049,215	21,620,204
Current liabilities					
Accounts payable		213,144	301,808	213,144	301,808
Liabilities to Group companies		—	—	2,152	2,152
Other liabilities	30	2,061,217	3,570,029	2,061,818	3,570,629
Accrued expenses and prepaid income	31	2,021,527	1,858,660	2,021,527	1,858,660
Loans	28	9,951,354	9,776,909	9,951,354	9,776,909
Derivatives	20, 33	58,333	217,028	58,333	217,028
Total current liabilities		14,305,575	15,724,434	14,308,328	15,727,186
TOTAL LIABILITIES	32	48,278,204	44,161,415	40,357,543	37,347,390
TOTAL EQUITY AND LIABILITIES		82,429,881	74,432,674	51,008,275	47,757,799

Changes in equity, Group

Amounts in SEK 1,000	Note	Attributable to the Parent Company's shareholder					Total equity
		Share capital	Other contributed capital	Hedge reserve	Actuarial profit and loss	Profit for the year brought forward	
OPENING BALANCE AS AT JANUARY 1, 2015		2,135,000	2,134,950	-18,858	22,849	29,157,587	33,431,528
Comprehensive income							
Profit for the year		—	—	—	—	4,780,108	4,780,108
Other comprehensive income							
Profit/loss from cash flow hedges	27	—	—	-12,557	—	—	-12,557
Revaluation of defined benefit pensions		—	—	—	17,180	—	17,180
Total, other comprehensive income		—	—	-12,557	17,180	4,780,108	4,784,731
Bonus issues, etc.							
Reduction of share capital ¹		-5,000,000	—	—	—	5,000,000	0
Bonus issue ²		5,000,000	—	—	—	-5,000,000	0
Total bonus issues		0	—	—	—	0	0
Transactions with shareholder							
Dividend ²		—	—	—	—	-7,945,000	-7,945,000
Total transactions with shareholder		—	—	—	—	-7,945,000	-7,945,000
CLOSING BALANCE AS AT DECEMBER 31, 2015		2,135,000	2,134,950	-31,415	40,029	25,992,695	30,271,259
Comprehensive income							
Profit for the year		—	—	—	—	5,148,027	5,148,027
Other comprehensive income							
Profit/loss from cash flow hedges	27	—	—	41,007	—	—	41,007
Revaluation of defined benefit pensions		—	—	—	-18,616	—	-18,616
Total, other comprehensive income		—	—	41,007	-18,616	5,148,027	5,170,418
Transactions with shareholder							
Dividends ³		—	—	—	—	-1,290,000	-1,290,000
Total transactions with shareholder		—	—	—	—	-1,290,000	-1,290,000
CLOSING BALANCE AS AT DECEMBER 31, 2016		2,135,000	2,134,950	9,592	21,413	29,850,722	34,151,677

1) 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 a bonus issue of SEK 5,000,000,000 by raising the value of properties.

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

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

Changes in equity, Parent Company

Amounts in SEK 1,000	Note	Restricted equity		Non-restricted equity		Total equity
		Share capital	Statutory reserve	Fair value reserve	Profit for the year brought forward	
OPENING BALANCE AS AT JANUARY 1, 2015		2,135,000	2,134,950	-18,858	3,915,998	8,167,090
Comprehensive income						
Profit for the year		—	—	—	1,350,424	1,350,424
Other comprehensive income						
Profit/loss from cash flow hedges	27	—	—	-12,557	—	-12,557
Total, other comprehensive income		—	—	-12,557	1,350,424	1,337,867
Bonus issues, etc.						
Reduction of share capital ¹		-5,000,000	—	—	5,000,000	0
Bonus issue ¹		5,000,000	—	—	—	5,000,000
Total bonus issues		0	—	—	5,000,000	5,000,000
Transactions with shareholder						
Dividend ²		—	—	—	-7,945,000	-7,945,000
Total transactions with shareholder		—	—	—	-7,945,000	-7,945,000
CLOSING BALANCE AS AT DECEMBER 31, 2015		2,135,000	2,134,950	-31,415	2,321,422	6,559,957
Comprehensive income						
Profit for the year		—	—	—	1,314,645	1,314,645
Other comprehensive income						
Profit/loss from cash flow hedges	27	—	—	41,007	—	41,007
Total, other comprehensive income		—	—	41,007	1,314,645	1,355,652
Transactions with shareholder						
Dividends ³		—	—	—	-1,290,000	-1,290,000
Total transactions with shareholder		—	—	—	-1,290,000	-1,290,000
CLOSING BALANCE AS AT DECEMBER 31, 2016		2,135,000	2,134,950	9,592	2,346,067	6,625,609

1) 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 a bonus issue of SEK 5,000,000,000 by raising the value of properties.

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

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

Statements of Cash Flows

Amounts in SEK 1,000	Note	Group		Parent Company	
		2016	2015	2016	2015
CURRENT OPERATIONS					
Profit after financial items	38	6,714,402	6,141,422	1,974,481	1,901,910
Adjustment for items not included in the cash flow	39	-4,106,076	-2,593,655	655,639	1,645,793
Tax paid		-334,816	-295,669	-334,816	-295,607
CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL		2,273,510	3,252,098	2,295,304	3,252,096
CASH FLOW FROM CHANGES IN WORKING CAPITAL					
Increase (-)/Decrease (+) in current receivables		-156,078	-373,324	-156,078	-373,324
Increase (+)/Decrease (-) in current liabilities		603,069	-394,467	581,275	-394,403
CASH FLOW FROM CURRENT OPERATIONS		2,720,501	2,484,307	2,720,501	2,484,369
INVESTING ACTIVITIES					
	40				
Investment in properties		-2,761,150	-2,498,769	-2,761,150	-2,498,769
Sale of properties		103,072	124,134	103,072	124,134
Investment in other non-current assets		-2,457	-6,867	-2,457	-6,867
Sale of other non-current assets		—	209	—	209
Decrease in non-current receivables		112,275	177,630	112,275	177,630
CASH FLOW FROM INVESTING ACTIVITIES		-2,548,260	-2,203,663	-2,548,260	-2,203,663
FINANCING ACTIVITIES					
Raising of interest-bearing loans, excluding refinancing		4,182,791	5,410,848	4,182,791	5,410,848
Dividend paid		-3,290,000	-5,945,000	-3,290,000	-5,945,000
CASH FLOW FROM FINANCING ACTIVITIES		892,791	-534,152	892,791	-534,152
CASH FLOW FOR THE YEAR		1,065,032	-253,508	1,065,032	-253,446
Cash and cash equivalents at the beginning of the year		4,304,585	4,558,093	4,304,436	4,557,882
Closing cash and cash equivalents	26	5,369,617	4,304,585	5,369,468	4,304,436

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Amounts are in SEK 1,000 unless stated otherwise.

1 General information

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

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

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

2 General accounting principles

The consolidated accounts have been prepared in accordance with the EU-endorsed International Financial Reporting Standards (IFRS) as at 31 December 2016. The Group also applies Swedish Financial Reporting Board recommendation RFR 1, Supplementary Rules for Consolidated Financial Statements, which specifies the supplements to IFRS disclosures required pursuant to the rules in the Annual Accounts Act.

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

NEW AND AMENDED IFRS STANDARDS AND INTERPRETATIONS 2016

No new or amended IFRSs that have a material impact on Akademiska Hus' reporting have entered into force in 2016.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS THAT HAVE NOT YET COME INTO EFFECT

The International Accounting Standards Board (IASB) has issued the following new and amended standards, which had not yet come into effect at the time of publication of this Annual Report:

Standard	Will be applied for the financial year commencing:
IFRS 9 Financial Instruments	January 1, 2018 or later
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
IFRS 16 Leases ¹	January 1, 2019 or later

1) Not yet approved for application in the EU, but adopted by IASB in 2016.

IFRS 9 Financial Instruments was adopted by the EU in autumn 2016 with effective date 1 January 2018. The recommendation provides for a new classification of financial assets and liabilities and a new model of credit provisions that take into account the Group's expected credit losses. In practice, these will not have any major impact on Akademiska Hus, but they may need to be documented. The largest change in the regulatory framework for Akademiska Hus relates to hedge accounting. Here, too, Akademiska Hus is mainly affected regarding documentation and a review will be carried out well in advance of the transition to the new rules.

IFRS 15 Revenue Recognition was also adopted during the autumn of 2016, effective 1 January 2018. Clarifications to the recommendation were also formulated in 2016 and are expected to be adopted by the EU during the first half of 2017. Akademiska Hus' income consists primarily of rental revenue. Regarding the clarifications issued in 2016 and not yet adopted by the EU, they include identifying performance obligations of principals in relation to agents. The distinction between principal and

agent can affect recognition of revenue in respect of invoicing to the tenant, which in turn determines whether Akademiska Hus acts as principal or agent in such situations. In 2017, an analysis of current leases will be carried out to clarify the principal and agent relationship and to investigate the possible distinction between rental and service revenue.

CONSOLIDATED ACCOUNTS

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

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

SEGMENT REPORTING

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

The Group is organised and controlled based on a geographical division into markets/administration areas. The geographical areas (segments) are exposed to similar risks and opportunities, which differ compared to other geographical areas (segments). Geographical areas concur with each region and thus constitute the segments for which reports are presented.

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

REVENUE RECOGNITION

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

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

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

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

REMUNERATION TO EMPLOYEES

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

Defined contribution plans

In the case of defined contribution plans, the Company pays fixed con-

tributions to a separate, independent legal entity and has no obligation to make further contributions. The Group's profit is charged with costs as the benefits are earned, which normally concurs with the point at which premiums are paid.

Defined benefit plans

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

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

The defined benefit costs are divided into the following categories:

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

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

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

TAX

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

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

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

Deferred tax is computed using the tax rates that are expected to apply for the period in which the asset is recovered or the liability settled.

Tax receivables and tax liabilities are offset and reported at a net

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

TRANSLATION OF ITEMS IN FOREIGN CURRENCY

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

PROPERTIES

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

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

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

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

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

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

FAIR VALUE, PROPERTIES

The Group's properties are measured at fair value (assessed market value). An internal valuation model is used for this purpose that is quality-assured in part by checking conditions with external property valuers and in part through externally performed valuations. The valuation is based on each property's expected cash flow during the coming ten years and an estimated residual value for year eleven. The yield target has been differentiated for different types of property and the rental period as well as the town and location assessment. The rental revenue included in the valuation has been assessed on market terms and in the model, normalised operating costs have been used. Maintenance costs have been calculated on a standardised basis according to the use of the property.

CARRYING AMOUNT INVESTMENT PROPERTIES

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

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

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

EQUIPMENT, FIXTURES AND FITTINGS

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

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

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

Computer equipment	33%
Equipment, fixtures and fittings	20%

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

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

IMPAIRMENT

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

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

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

FINANCIAL INSTRUMENTS

The general principles for the valuation of financial instruments are that financial investment assets and all derivatives should be valued at fair value whilst other financial assets and financial liabilities are valued at the accrued acquisition value.

Financial instruments are reported initially at the acquisition value, corresponding to the fair value of the instrument with an addition for transaction costs for all financial instruments apart from those that belong to the category Financial Assets, which are valued at fair value through profit or loss. Reporting subsequently takes place depending on how they are classified, as stated below.

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

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

The Group categorises its financial instruments as:

- *Assets valued at fair value in profit or loss*

Assets in this category are reported initially at the acquisition value, i.e. fair value at the time of acquisition, and are subsequently valued continuously at fair value. The change in value is reported continuously through profit or loss. All Akademiska Hus investment assets

and outstanding derivatives (with a positive fair value) fall into this category.

- *Loan receivables and accounts receivable*

Assets in this category are non-derivative financial assets with established or establishable payment flows that are not listed on an active market. These assets are reported and valued on a continuous basis at the accrued acquisition value. Akademiska Hus' accounts receivable also fall into this category and are reported and valued continuously at the acquisition value. At each period-end, an impairment examination is made of this asset. Non-current security holdings fall into this category and are valued at the accrued acquisition value unless an impairment requirement has been identified.

- *Liabilities valued at fair value through profit or loss*

These liabilities are reported initially at the acquisition value and thereafter on an ongoing basis at fair value. The change in value is reported on a continuous basis through profit or loss. Akademiska Hus' outstanding derivatives with a negative fair value fall into this category.

- *Other financial liabilities*

Liabilities in this category are reported and valued at the accrued acquisition value according to the annual equivalent rate method. Direct costs when loans are raised are included in the acquisition value. All debt financing is included in this category. Akademiska Hus' accounts payable and other liabilities are classified under this category but are reported at the acquisition value.

Offsetting of financial assets and liabilities

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

Calculation of fair value, financial instruments

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

The nominal value of accounts receivable and accounts payable, reduced by possible estimated credits, is assumed to be equivalent to their fair value. Information according to IFRS 13 about the level in the fair value hierarchy for different items can be found in Note 33.

Rent receivables, accounts receivable and other receivables

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

Cash and cash equivalents

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

Current investments

Current investments with a term in excess of three months comprise interest-bearing securities and are reported and valued at fair value. Changes in value (unrealised profits and losses) are reported on a continuous basis through net interest income and expense.

In the Statement of Cash Flows, current investments with a term in excess of three months are not classified as cash and cash equivalents.

Loan financing

All loan financing is reported initially at fair value, net after transaction costs. Borrowing is subsequently reported at the accrued acquisition value and any difference between the amount received and the repayment amount is reported in net interest income and expense divided over the loan period on application of the annual equivalent rate method.

Borrowing that constitutes a hedged item in conjunction with fair value hedging is reported and valued on an ongoing basis after the acquisition point at fair value with account taken of the hedged risk. Changes in value are reported in net interest income and expense.

Loan financing in foreign currency is translated and the effects are reported through profit or loss.

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

Accounts payable and other liabilities

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

Financial derivatives

Derivatives are held primarily with the aim of securing long-term, cost-effective debt financing and handling the Group's financial risk exposure by hedging interest and currency exposure against fluctuations in interest rates and exchange rates.

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

Interest derivatives (interest future contracts, interest swap agreements, FRA contracts and interest options) are held mainly to secure the desired fixed interest period in existing debt financing. Interest derivatives are valued on an ongoing basis at fair value and the effects attributable to the changes in value are reported against net interest income and expense in conjunction with hedging of fair value and against Other comprehensive income in conjunction with cash flow hedging. The net of the accrued interest income and interest expense is allocated to specific periods and expensed over the term of the derivative.

In conjunction with financing in a foreign currency, all future payment flows are hedged so that no currency risk remains. Currency risk hedging takes place with the aid of currency derivatives (currency future contracts, currency swap agreements or combined with an interest swap agreement). Currency derivatives are translated at the period-end exchange rate and when hedge reporting is applied, the effects of the currency translation of the derivative naturally meet the effects of the currency translation of the debt in the financial result.

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

With the aim of evening out price variations on the electricity market, and in doing so achieve an even trend for the Group's electricity costs, future electricity use is hedged with the aid of electricity futures. Electricity futures are valued continuously at fair value and when hedge reporting according to the cash flow method is applied, the changes in value are reported directly against Other comprehensive income. The effects of price hedging, the difference between the electricity future's hedged price and the average spot price during the term of the electricity future, are offset against profit and are transferred on maturity from equity and reported as an operating cost. Consequently, the result of the electricity future and the Group's physical electricity purchases constitute the actual electricity cost.

Hedge accounting

Akademiska Hus' hedge accounting takes place through a division into two different methods of hedging depending on the aim of the hedging: fair value hedging and cash flow hedging.

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

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

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

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

PROVISIONS

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

PARENT COMPANY, ACCOUNTING PRINCIPLES

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

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

Amended accounting principles

No amendments to RFR 2 with a material impact on the Parent Company's financial statements were made during 2016.

Properties

Properties are reported in a legal entity at the acquisition value with a deduction for accumulated depreciation, impairments and reversed impairments. The depreciation period is based on each property's useful life.

During the year 0 (34) properties were revised upwards. Depreciation on the upwards revaluation occurs linearly with such an amount that the revaluation is completely written off when the properties are otherwise fully depreciated.

Shares in subsidiaries

Shares in subsidiaries are reported at the acquisition value.

Remuneration to employees

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

Deferred tax

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

3 Estimates and assessments

When preparing reports in compliance with IFRS, the Executive Management and the Board of Directors must make assessments and assumptions that affect the reported asset and liability items and income and cost items in the final accounts as well as information provided generally, including contingent liabilities. These assessments are based on historical experience and different assumptions the Executive Management and the Board of Directors have considered reasonable under the prevailing circumstances. The conclusions drawn form the basis for decisions regarding reported values of assets and liabilities in those cases where these cannot be established easily through information from other sources. The actual outcome could differ from these assessments if other assumptions are made or if other conditions emerge. Assessments could have a material impact on the Akademiska Hus profit and financial position, particularly within regard to valuation of properties (see also Note 16).

When calculating the Group's pension liability in accordance with IAS 19, a number of assumptions are made, including the discount rate in current value assessment, expected salary increases, inflation, staff turnover, remaining period of service for those covered by the pension plan as well as expected mortality assumptions. The levels of these parameters are adapted to company-specific conditions and partly to normal external conditions (see also Note 29).

SENSITIVITY ANALYSIS, IMPACT ON PROFIT

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

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

SENSITIVITY ANALYSIS, IMPACT ON PROFIT

Change	Impact on pre-tax profit, SEK m	Impact on return on operating capital, percentage points	Impact on fair value, SEK m ¹	Impact on fair value, percentage points
Rental revenue, +/- one percentage point	55	0.1	389	0.5
Vacant space, +/- one percentage point	52	0.1	421	0.6
Operating costs, +/- one percentage point	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

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

4 Segment reporting

The Group's operations are controlled and reported on a regional basis. Segment reporting has been prepared using the same accounting principles applied to the Group as a whole. Revenue per segment is based on the tenant's geographical location whilst assets and liabilities are based on the tenant's physical location.

All revenue is generated in Sweden and all regions carry on property management.

For details of larger customers, see Note 6.

No sales between the segments have taken place.

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

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

Segment information 2016	South	West	East	Uppsala	Stockholm	North	Total, operating segments	Other operations	Group
Rental revenue	776,539	741,538	511,404	1,028,787	1,979,682	444,075	5,482,025	6	5,482,031
Other property management income	17,691	51,389	15,156	20,656	61,023	17,818	183,733	267	184,000
Total income	794,230	792,927	526,560	1,049,443	2,040,705	461,893	5,665,758	273	5,666,031
Operating costs	-115,134	-111,353	-81,222	-153,350	-241,069	-62,014	-764,142	-4	-764,146
Maintenance costs	-66,392	-104,982	-41,229	-59,404	-363,319	-51,013	-686,339	—	-686,339
Property administration	-23,367	-25,745	-15,769	-24,427	-38,639	-10,929	-138,876	-154,731	-293,607
Other property management expenses	-36,447	-40,313	-7,704	-22,024	-99,350	-45,609	-251,447	-3,617	-255,064
Total costs, property management	-241,340	-282,393	-145,924	-259,205	-742,377	-169,565	-1,840,804	-158,352	-1,999,156
NET OPERATING INCOME	552,890	510,534	380,636	790,238	1,298,328	292,328	3,824,954	-158,079	3,666,875
Central overheads									-85,264
Changes in value, properties									3,682,200
Profit before financial items									7,263,811
Profit/loss from net financial income and expense									-549,409
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME									6,714,402
Properties	8,255,233	9,123,585	5,139,266	13,851,038	31,848,993	4,794,746	73,012,860	—	73,012,860
of which invested during the year	72,114	290,008	51,329	527,608	1,564,391	255,700	2,761,150	—	2,761,150

Segment information 2015	South	West	East	Uppsala	Stockholm	North	Total operating segments	Other operations	Group
Rental revenue	773,179	730,725	525,312	1,043,076	1,911,463	466,434	5,450,189	—	5,450,189
Other property management income	28,056	49,327	10,674	16,883	74,786	15,431	195,157	434	195,591
Total income	801,235	780,052	535,986	1,059,959	1,986,249	481,865	5,645,346	434	5,645,780
Operating costs	-121,767	-111,821	-84,548	-150,805	-240,702	-61,042	-770,685	—	-770,685
Maintenance costs	-96,862	-85,527	-43,626	-77,814	-223,927	-89,853	-617,609	—	-617,609
Property administration	-24,920	-25,833	-14,759	-24,557	-79,342	-11,693	-181,104	-135,342	-316,446
Other property management expenses	-28,163	-36,522	-5,351	-17,789	-86,626	-25,325	-199,776	-1,160	-200,936
Total costs, property management	-271,712	-259,703	-148,284	-270,965	-630,597	-187,913	-1,769,174	-136,502	-1,905,676
NET OPERATING INCOME	529,523	520,349	387,702	788,994	1,355,652	293,952	3,876,172	-136,068	3,740,104
Central overheads									-72,613
Changes in value, properties									2,655,365
Profit before financial items									6,322,856
Profit/loss from net financial income and expense									-181,434
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME									6,141,422
Properties	8,191,267	8,123,673	4,934,488	12,690,913	28,214,159	4,420,382	66,574,882	—	66,574,882
of which invested during the year	207,792	124,700	26,461	241,465	1,752,309	146,041	2,498,768	—	2,498,768

5 Categorised operating costs

Functions reported in the Income Statements	Group		Parent Company	
	2016	2015	2016	2015
Property management	-1,999,156	-1,905,676	-1,977,319	-1,887,756
Central administration costs	-85,264	-72,613	-85,264	-72,612
TOTAL OPERATING COSTS ACCORDING TO FUNCTION	-2,084,420	-1,978,289	-2,062,583	-1,960,368
CATEGORISED FUNCTION COSTS				
Energy, fuel and water	-531,559	-563,347	-531,559	-563,347
Property administration	-37,281	-64,253	-33,536	-45,402
Maintenance costs, material and services purchased	-808,670	-722,407	-799,160	-722,407
Site leasehold charges	-61,586	-58,226	-61,586	-58,226
Property tax	-3,399	-3,737	-3,399	-3,737
Personnel costs	-419,261	-352,830	-412,452	-352,830
Depreciation	-5,518	-6,190	-5,518	-6,190
Other costs	-217,146	-207,299	-215,373	-208,229
TOTAL CATEGORISED OPERATING COSTS	-2,084,420	-1,978,289	-2,062,583	-1,960,368

6 Rental revenue

All properties are leased under operational lease agreements and generate rental revenue. The rental revenue during the period amounted to KSEK 5,482,031 (5,450,189) and the direct costs for the properties during the period totalled KSEK 1,999,156 (1,905,676). Profit for the

year includes KSEK 474,979 (533,395) for variable charges. Lund University and Karolinska Institutet account for 11 per cent and 10 per cent of rental revenue, respectively.

LEASE TERMS AS AT 31-12-2016

Due date	Number of leases	Contracted annual rent	Proportion, %
Non-residential premises			
2017	235	257,660	4
2018	263	467,571	8
2019	187	559,648	10
2020	176	846,382	15
2021	58	481,469	8
2022	26	149,027	3
2023 and later	179	3,029,577	52
Other	263	24,056	0
TOTAL	1,387	5,815,390	100

CONTRACTED RENTAL REVENUE AS AT 31-12-2016 ACCORDING TO THE SIZE OF THE LEASE

Annual rent	Number of leases	Contracted annual rent	Proportion, %
Non-residential premises			
> 70,000	3	388,256	7
30,000 - 70,000	36	1,527,595	26
10,000 - 30,000	141	2,359,467	41
7,500 - 10,000	44	379,986	6
5,000 - 7,500	63	390,090	7
2,500 - 5,000	102	382,335	7
< 2,500	735	363,605	6
Other	263	24,056	0
TOTAL	1,387	5,815,390	100

7 Other property management income

	Group		Parent Company	
	2016	2015	2016	2015
Parking revenue	61,533	60,297	61,533	60,297
Profit on the sale of other non-current assets	—	—	36,089	103,876
Income from external property management assignments and similar assignments	54,766	78,154	54,766	78,154
Income from services performed on behalf of tenants	65,076	48,298	65,076	48,298
Other	2,625	8,842	2,669	8,842
TOTAL	184,000	195,591	220,133	299,467

8 Other property management expenses

	Group		Parent Company	
	2016	2015	2016	2015
Site leasehold charges, property tax and other risk costs	-70,871	-67,945	-70,871	-67,945
Studies	-18,299	-20,336	-18,299	-20,336
Loss on the sale and disposal of other noncurrent assets	-24,765	—	-12,283	-2,211
Costs for external property management assignments and similar assignments	-39,568	-53,394	-39,568	-53,394
Costs for services performed on behalf of tenants	-60,371	-41,133	-60,371	-41,133
Other	-41,190	-18,128	-44,162	-18,914
TOTAL	-255,064	-200,936	-245,554	-203,933

9 Depreciation, impairments and reversed impairments in property management

	Group		Parent Company	
	2016	2015	2016	2015
Properties	—	—	-1,034,789	-1,591,522
Equipment, fixtures and fittings	-5,518	-6,190	-5,518	-6,190
TOTAL	-5,518	-6,190	-1,040,307	-1,597,712

In the Group and Parent Company, KSEK 3,746 (3,095) has been reported as property administration and KSEK 1,772 (3,095) as operating costs.

10 Employees and personnel costs

The average number of employees was as follows:

	2016	2015
AKADEMISKA HUS AB		
Head Office, Gothenburg	94	86
Southern Region	50	48
Western Region	67	59
Eastern Region	30	27
Uppsala Region	61	59
Stockholm Region	101	97
Northern Region	37	33
Subsidiaries	—	—
GROUP, TOTAL	440	409

The proportion of women (based on the average number of employees) in the Parent Company and the Group is 28 per cent (26).

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

The Board comprises 6 (8) members elected at the Annual General Meeting and 2 (2) members appointed by the employees. 3 (4) of the members are women, i.e. 38 per cent (40).

Overall management of the Group rests with the Executive Management, which comprises 7 (8) men and 5 (5) women. The Executive Management comprises the President, Vice President, CFO, Human Resources Director, Corporate Communications Director, Purchasing Director, General Counsel and Regional Directors.

REMUNERATION TO THE BOARD

		2016				2015			
		Director's fees	Remuneration Committee	Finance Committee	Audit Committee	Director's fees	Remuneration Committee	Finance Committee	Audit Committee
Chair	Eva-Britt Gustafsson ²	135	5	—	10	260	10	10	10
Chair	Anitra Steen ²	115	10	—	—	—	—	—	—
Member	Britta Burreau ¹	138	—	20	—	130	—	20	—
Member	Olof Ehrlén	135	—	—	—	130	—	—	10
Employee representative	Thomas Jennlinger	—	—	—	—	—	—	—	—
Employee representative	Anders Larsson	—	—	—	—	—	—	—	—
Member	Ingela Lindh ¹	138	—	—	—	130	—	—	—
Member	Leif Ljungqvist ²	—	—	—	—	—	—	—	—
Member	Kristina Ekengren ²	—	—	—	—	—	—	—	—
Member	Pia Sandvik ²	68	—	10	10	130	—	20	10
Member	Gunnar Svedberg	138	10	—	—	130	10	—	—
Member	Ingemar Ziegler	145	—	10	20	130	—	—	20
TOTAL		1,012	25	40	40	1,040	20	50	50

1) Member for part of 2015.

2) Member for part of 2016.

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

	Group		Parent Company	
	2016	2015	2016	2015
SALARIES AND REMUNERATION				
Board members, President and Vice President	7,115	6,005	7,115	6,005
Other employees	263,833	221,462	263,833	221,462
TOTAL	270,948	227,467	270,948	227,467
SOCIAL SECURITY COSTS				
Board members, President and Vice President	4,081	3,511	4,081	3,511
(of which pension costs)	(2,557)	(2,065)	(2,557)	(2,065)
Other employees	120,041	104,200	124,041	104,200
(of which pension costs)	(70,227)	(56,994)	(70,227)	(56,994)
TOTAL	124,122	107,711	128,122	107,711
(of which pension costs)	(72,784)	(59,059)	(72,784)	(59,059)

The Group's and Parent Company's outstanding pension obligations to the President, Regional Directors and other members of Executive Management total KSEK 3,443 (3,349). The subsidiaries do not have any employees and no salaries have been paid.

REMUNERATION TO SENIOR EXECUTIVES

		2016		2015	
		Basic salary ⁹	Pension cost	Basic salary ⁹	Pension cost
CEO/President	Kerstin Lindberg Göransson	3,482	933	3,108	813
Vice President	Michael Walmerud ¹	1,735	513	1,689	454
CFO/Vice President	Catarina Fritz ²	540	138	—	—
Regional Director, South	Tomas Ringdahl	1,533	359	1,516	326
Regional Director, West	Birgitta van Dalen	1,314	553	1,258	495
Regional Director, East	Lars Hagman	1,187	252	1,168	227
Regional Director, Uppsala	Peter Bohman	1,586	375	1,469	313
Regional Director, Stockholm	Sten Wetterblad	1,915	481	1,829	480
Regional Director, North	David Carlsson ³	1,039	311	1,344	277
Regional Director, North	Roger Granberg ⁴	270	64	—	—
CIO	Cecilia Nielsen	1,068	204	968	184
General Counsel	Carolin Åberg-Sjöqvist	1,043	267	939	228
CFO	Jonas Ragnarsson ⁵	283	59	1,994	461
Purchasing Director	Ulf Däversjö ⁶	1,580	370	1,167	215
Human Resources Director	Kristina Korsgren ⁷	250	78	1,103	260
Human Resources Director	Fredrik Färm ⁸	668	144	—	—
TOTAL		19,493	5,101	19,552	4,733

1) Michael Walmerud left Executive Management on 30 September 2016.

2) Catarina Fritz took over as CFO on 1 October 2016.

3) David Carlsson left Executive Management on 30 September 2016.

4) Roger Granberg joined Executive Management on 1 October 2016.

5) Jonas Ragnarsson took up the position of CFO 1 October 2014 and stepped down on 11 February 2016.

6) Ulf Däversjö became a member of Executive Management on 1 February 2015.

7) Kristina Korsgren left Executive Management on 29 February 2016.

8) Fredrik Färm took up the position of acting Human Resources Director on 1 March 2016.

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

11 Fees and disbursements to auditors out of pocket expenses

	Group and Parent Company	
	2016	2015
KPMG AB		
Audit assignment	899	833
Audit work in addition to the audit assignment	204	185
Tax consulting	63	137
Other services	90	150
TOTAL	1,256	1,305

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

‘Audit assignment’ refers to payment to the auditor for the statutory audit, such as work necessary to submit the audit report. ‘Audit work in addition to the audit assignment’ in effect refers to what can be designated quality assurance services (for example, examination of a prospectus for an EMTN programme) as well as the provision of advice or other assistance as a result of observations made in conjunction with

such an examination or the performance of other such duties. ‘Tax consulting’ is self-explanatory. ‘Other services’ refers mainly to fees for consultation in conjunction with examination of tax returns and consultation regarding financial instruments, the Sustainability Report and accounting-related issues.

14 Tax

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

	Group		Parent Company	
	2016	2015	2016	2015
TAX ON PROFIT FOR THE YEAR				
Current tax				
Current tax on profit for the year	-352,204	-337,129	-352,204	-337,129
Total current tax	-352,204	-337,129	-352,204	-337,129
DEFERRED TAX ATTRIBUTABLE TO TEMPORARY DIFFERENCES				
Financial instruments	-10,488	-73,498	-10,488	-73,498
Properties	-1,175,219	-942,398	-122,472	16,699
Tax allocation reserve	-29,962	-11,498	—	—
Pension provisions	1,498	3,239	—	—
Other	0	-30	—	—
Total deferred tax	-1,214,171	-1,024,185	-132,960	-56,799
TOTAL TAX ON PROFIT FOR THE YEAR	-1,566,375	-1,361,314	-485,164	-393,928

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

	Group		Parent Company	
	2016	2015	2016	2015
Reported profit before tax	6,714,402	6,141,422	1,799,809	1,744,352
Tax at the current tax rate	-1,477,169	-1,351,113	-395,958	-383,757
Tax effect of expenses that are not tax deductible/taxable (permanent differences):				
Non-deductible expenses	-225,910	-87,332	-225,910	-87,332
Non-taxable income ¹	139,477	80,926	139,477	80,926
Taxable standard interest calculated on the tax allocation reserve	-2,773	-3,765	-2,773	-3,765
Other	—	-30	—	—
TOTAL REPORTED TAX EXPENSE	-1,566,375	-1,361,314	-485,164	-393,928

1) Non-taxable income includes the tax effect from disposal of trade-related shares totalling KSEK 0 (10,535).

Reported deferred tax receivables/liability:

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Deferred tax assets attributable to temporary differences				
Financial instruments	10,215	20,702	10,215	20,702
Cash flow hedge	—	9,490	—	9,490
Properties	17,615	22,664	17,615	22,664
Pension provisions	35,268	28,519	—	—
Total, reported deferred tax receivables	63,098	81,375	27,830	52,856
Deferred tax liabilities attributable to temporary differences				
Tax allocation reserve	-620,638	-590,677	—	—
Properties	-9,422,219	-8,252,048	-2,244,467	-2,127,043
Financial instruments	-2,076	—	-2,076	—
Other	19	20	—	—
Total, reported deferred tax liability	-10,044,914	-8,842,705	-2,246,543	-2,127,043
TOTAL, REPORTED DEFERRED TAX LIABILITY	-9,981,816	-8,761,330	-2,218,713	-2,074,187

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

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Cash flow hedge				
- currency derivatives	-159	1,890	-159	1,890
- electricity derivatives	-11,407	1,652	-11,407	1,652
- actuarial gains and losses	5,251	-4,845	—	—
TOTAL DEFERRED TAX REPORTED IN OTHER COMPREHENSIVE INCOME	-6,315	-1,303	-11,566	3,542

UNREPORTED DEFERRED TAX

No deferred tax in respect of untaxed reserves has been reported in the Parent Company. The deferred tax liability related to untaxed reserves totals SEK 885,527 (847,009) and is included in these reserves. The

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

15 Dividend

The dividend paid to the shareholder on 30 April 2016 totalled SEK 1,290,000,000 (1,445,000,000). The dividend per share was SEK 604.22 (676.81). In 2015 an additional distribution of SEK 6,500,000,000 (0), equivalent to SEK 3,044.50 per share, was approved at the Extraordinary General Meeting on 19 October 2015. Of this additional distribution, SEK 4,500,000,000 was paid in 2015. The remaining SEK 2,000,000,000 was paid before the 2016 Annual General Meeting and the amount was reported as a current liability in the 2015 financial statements.

As regards the dividend for the year, the Board proposes a dividend of SEK 652.57 per share, for a total of SEK 1,393,000,000, to be paid to the shareholder as instructed by the owner. A decision regarding a dividend will be reached by the shareholder at the Annual General Meeting.

The dividend has not been recorded as a liability in the Annual Report.

Available for allocation at the Annual General Meeting:

Retained earnings	SEK 1,041,014,599
Profit for the year	SEK 1,314,644,758
Total	SEK 2,355,659,357

The Board of Directors propose that the profit be allocated in such a way that SEK 1,393,000,000 is paid to the shareholder and SEK 962,659,357 is carried forward.

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

	Outcome consolidated results	Changes in value in the Group	Profit used for calculation of dividend
Income from property management	5,666	—	5,666
Property management expenses	-1,999	—	-1,999
NET OPERATING INCOME	3,667	—	3,667
Central administration costs	-85	—	-85
Changes in value, properties	3,682	-3,647	35
PROFIT BEFORE NET FINANCIAL INCOME/EXPENSE	7,264	-3,623	3,617
Total, financial items	-550	24	-526
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	6,714	-3,441	3,091
Tax/current tax	-1,566	797	-769
PROFIT AFTER TAX	5,148	-2,826	2,322
Dividend, 60% of the profit available for the payment of a dividend			1,393

The dividend as decided at the Annual General Meeting held on 28 April 2016 was SEK 1,290 million.

16 Properties (Group)

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

	Group	
	31-12-2016	31-12-2015
Change in property holdings, in SEK 1,000		
Opening fair value	66,574,882	61,436,648
+ Investment in new construction and redevelopment	2,761,150	2,496,968
+ Acquisitions	0	1,800
+ Capitalised interest expense	75,384	108,234
- Sales	-45,500	-32,971
+/- Change in value, unrealised	3,646,944	2,564,203
Of which change in value due to a change in the cost of capital and yield requirement	2,435,057	1,244,997
Of which change in value due to adjusted value index (valuation status, average remaining term, property type)	-179,181	255,928
Of which capitalised interest expense	-75,384	-108,234
Of which other change in value	1,466,452	1,171,512
CLOSING FAIR VALUE	73,012,860	66,574,882
	2016	2015
Changes in value, property holdings		
Positive	5,006,937	3,592,054
Negative	-1,359,994	-1,027,851
Result from sales and disposals		
Positive	35,257	91,162
Negative	—	—
TOTAL CHANGES IN VALUE, PROPERTIES	3,682,200	2,655,365

VALUATION MODELS/METHODS

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

Akademiska Hus valuation models comply with good market practice in the property industry and the cash flows and yield targets that are used are justified based on both property-specific conditions and industry-specific conditions. The properties have been valued individually without any account being taken of portfolio effects.

The fair value of the Group's properties as at 31 December 2016 has been set using an internal property valuation. The valuation has been conducted using different valuation methods as follows:

	SEK m	Share, %
Internal cash flow valuation	65,495	90
Expansion reserves	1,282	2
Other valuation (including properties under construction and development properties)	6,236	8
TOTAL	73,013	100

SEK 65,495 million (90 per cent) of the fair value has been set through an internal cash flow valuation, where the cash flow figures used comprise the revenue and costs for each property, i.e. the net operating income. Rental revenue was calculated based on current leases. If the rent level at the end of the lease is deemed to be in line with the market, it is assumed that the agreement can be extended subject to the same terms and conditions. In other cases, rents are adjusted to the market level. Operating costs are assessed based on historical outcome and forecasts. Property administration costs are assessed based on the average cost level within Akademiska Hus and the maintenance costs are assessed based on actual costs and key figures for the industry.

For an initial calculation period of 10 years, a current value is com-

puted for the cash flow generated each year using a nominal cost of capital. In addition, the residual value from year 11 is calculated based on the market's actual yield targets. This residual value is in turn calculated at the current value using nominal cost of capital. The property's fair value comprises the sum of the current cash flows during the calculation period and the current residual value.

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

The yield targets are assessed, as far as possible, using the property transactions that have been completed on the market and, as far as possible, using comparable properties. Each year, Akademiska Hus has the yield target, cost of capital and other valuation prerequisites verified by two independent valuation institutes, NAI Svefa and Cushman & Wakefield.

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

Expansion reserves, SEK 1,282 million (2 per cent) have been valued using the location prices for construction rights with a deduction for development costs, supplemented by developer calculations. In some cases, the planning conditions for new construction are unclear and consequently the pure land values have been used to establish the fair value. The expansion reserves include construction rights covering a gross area of approximately 1.8 million square metres.

SEK 6,236 million (8 per cent) relates to properties valued using a special valuation basis due to abnormal risk. These have been valued individually using the valuation method that was deemed to be most appropriate.

The total fair value of properties includes new construction in progress amounting to SEK 4,802 million (3,484), which has also been valued using the internal cash flow valuation with a deduction for remaining investment.

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

Valuation conditions 2016

Yield requirements and cost of capital declined by between 0.05 and 0.40 percentage points during the year, due to general price-driving factors in the property market for community properties. Overall, the positive change in value attributable to changes in yield requirements and cost of capital in 2016 amounted to SEK 2,435 million (1,245). Well-located, efficient properties with a strong customer base and good rental potential are in greatest demand and are naturally less sensitive to external changes.

Characteristic of Akademiska Hus are long leases with stable, credit-worthy customers. The majority of tenants have a public principal and thus a very good credit rating, which means a low rent risk during the term of the lease. Around 89 per cent of income derives from the dominant customer group, universities and colleges. All centres of education, apart from Chalmers University of Technology, have the Swedish state as principal and thus have a high credit rating. The average remaining lease term is 6.0 years (5.8). The valuation divided the leases into three categories based on average remaining lease term. For valuation properties with a longer remaining lease term, the relative risk is lower as the cash flow valuation is based predominantly on hedged flows.

The city, town and location classifications have been based in part on the general division of the property market. Larger and important cities and towns have been assigned a higher degree of attractiveness from, for example, a demographic, employment and economic point of view. This is also the case from the point of view of higher education and research, where Sweden's three largest cities, Stockholm, Gothenburg and Malmö, but also the classic university towns of Lund and Uppsala and to a certain extent Linköping and Umeå, are more attractive and

are considered to be more stable and secure education and research locations in the long term. The division into different cities, towns and locations reflects the demand on the market and the attractiveness of the properties. Inner-city locations in Stockholm and Gothenburg are in greatest demand and most attractive while smaller, rural locations are less in demand.

Akademiska Hus operates in a specific segment of the property market, which means that our properties are more adapted to specialist uses and consequently they have a slightly more uncertain residual value than for more general properties, such as office buildings and residential buildings. This means that many of our properties are not available for new tenants or other purposes without substantial redevelopment. After an initial calculation period, assessment of the residual value needs to reflect the more property specific risks in more concrete terms. An assessment of the uncertainty regarding modernity, standard/condition, technical risk and redevelopment/adaptation requirements is made at the point at which residual value is calculated. These risks are quantified mainly in the form of charges to cash flow rather than the direct yield target.

The cost of capital for the cash flow varies for different properties within the range 6.28–11.89 per cent depending on the lease term, town/city, location, and type of premises. The long-term yield target varies between 4.20 per cent and 9.70 per cent depending on the town/city, location and type of premises.

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

	31-12-2016		31-12-2015	
	Yield target, %	Cost of capital, %	Yield target, %	Cost of capital, %
South	6.1	8.2	6.2	8.3
West	5.5	7.6	5.8	7.9
East	6.4	8.5	6.5	8.6
Uppsala	6.0	8.1	6.1	8.2
Stockholm	5.0	7.1	5.3	7.4
North	6.2	8.4	6.4	8.6
Group	5.6	7.7	5.8	7.9

Other assumptions

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

Valuation assumptions

Lease term	=> 10 years, > 6 years, =< 6 years
Division into town, city, location	25 towns, cities, locations
Special adaptation/type of premises	Installation-intensive premises/ non-installation-intensive premises
Calculation period	10 years
Inflation assumption, year 1	1.0%
Inflation assumption, years 2-10	2.0%
Vacant space	Actual and/or 5%
Deduction for stamp duty	4.25%
Property administration	SEK 45/m ²
Maintenance costs, non-installation-intensive premises	SEK 100/m ²
Maintenance costs, installation-intensive premises	SEK 140/m ²

Assumptions about inflation have been made based on the views of different forecasters, such as the National Institute of Economic Research, the Riksbank and other banks. The long-term inflation assumption of 2 per cent corresponds with the Riksbank's long-term inflation target. The rent trend during the term of the lease is estimated at maximum of inflation (CPI), with consideration taken to the index share of the lease. After expiration of the contract period, adjust the rent when necessary to estimated market rent. Actual vacancy is applied as it occurs and

after the contract period a standard vacancy rate of 5 per cent is applied. Standard formulas are applied for property administration costs and maintenance costs. Operating costs are assessed according to historic outcome and forecast.

Sensitivity analysis

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

Change	Impact on fair value, SEK m	Impact on fair value, percentage points
Rental revenue, +/- one per cent	389	0.5
Vacant space, +/- one percentage point	421	0.6
Operating costs, +/- one per cent	80	0.1
of which media provision	39	0.1
Maintenance costs, +/- SEK 10/m ²	509	0.8
Property administration, +/- SEK 10/m ²	509	0.8
Cost of capital, + one percentage point	-4,384	-6.0
Cost of capital, - one percentage point	4,831	6.6
Yield target, + one percentage point	-5,655	-7.7
Yield target, - one percentage point	8,318	11.4

The impact on fair value has been calculated based on a standard maintenance cost and standard property administration cost in the valuation model.

Other

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

All properties are leased under operational lease agreements and generate rental revenue. The rental revenue during the period amounted to KSEK 5,482,031 (5,450,189) and the direct costs for the properties during the period totalled KSEK 1,999,156 (1,905,676).

External valuation

To assure the internal valuation, selected properties are valued each year by external valuation companies. During the year, 73 valuation buildings/sellable units at a fair value of SEK 17,637 million were valued externally, corresponding to approximately 25 per cent of the Akademiska Hus total fair value. 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.

17 Properties (Parent Company)

Carrying amount for properties amounts to KSEK 41,590,753 (39,899,507). The amount includes land, land systems, buildings, building equipment and land equipment. Fiscal residual value amounts to KSEK 25,190,871 (25,581,843).

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

	Parent Company	
	31-12-2016	31-12-2015
Opening acquisition value	50,481,344	48,024,992
Investment in new construction and redevelopment	2,761,150	2,496,968
Acquisitions	—	1,800
Sales and disposals	-56,427	-42,416
CLOSING ACCUMULATED ACQUISITION VALUE	53,186,067	50,481,344
Opening impairments	7,424,690	1,250,000
Revaluations for the year	—	6,410,256
Depreciation for the year on revaluations	-170,967	-235,566
CLOSING ACCUMULATED REVALUATIONS	7,253,723	7,424,690
Opening depreciation	-17,659,736	-16,308,505
Reclassifications	-42,401	-5,855
Sales and disposals	21,312	14,558
Depreciation for the year	-989,945	-1,359,934
CLOSING ACCUMULATED DEPRECIATION ACCORDING TO PLAN	-18,670,770	-17,659,736
Opening impairments	-346,791	-361,229
Reclassifications	42,401	5,855
Sales and disposals	—	4,605
Reversed impairments	137,483	29,144
Impairments for the year	-11,360	-25,166
CLOSING ACCUMULATED IMPAIRMENTS	-178,267	-346,791
CARRYING AMOUNT	41,590,753	39,899,507

19 Shares in Group companies

	Parent Company	
	31-12-2016	31-12-2015
Opening acquisition value	650	700
Acquisition of subsidiaries	—	—
Sale of subsidiaries	—	-50
CARRYING AMOUNT	650	650

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

Subsidiaries	Company reg. no.	Registered office	Total number of shares	Share of equity in % ¹⁾	Parent Company	
					31-12-2016 Carrying amount	31-12-2015 Carrying amount
Akademiska Hus Utveckling och Support AB	556610-2975	Göteborg	500 (500)	100 (100)	500	500
Kunskapsmiljön 7 AB	556966-0037	Göteborg	500 (500)	100 (100)	50	50
Akademiska Hus Holding AB	556981-6803	Göteborg	100 (100)	100 (100)	100	100
TOTAL					650	650

1) Corresponds to the number of votes.

18 Equipment, fixtures and fittings

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Opening acquisition value	75,851	76,244	75,851	76,244
Purchases	2,457	6,867	2,457	6,867
Transferred from new construction in progress	—	—	—	—
Sales and disposals	-2,053	-7,260	-2,053	-7,260
CLOSING ACCUMULATED ACQUISITION VALUE	76,255	75,851	76,255	75,851
Opening depreciation	-61,662	-62,528	-61,662	-62,528
Sales and disposals	2,029	7,056	2,029	7,056
Depreciation for the year	-5,518	-6,190	-5,518	-6,190
CLOSING ACCUMULATED DEPRECIATION	-65,151	-61,662	-65,151	-61,662
CARRYING AMOUNT	11,104	14,189	11,104	14,189

20 Derivatives (Group)

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

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

Carrying amounts, derivatives, are broken down as follows:

		31-12-2016		31-12-2015	
		Assets	Liabilities	Assets	Liabilities
NON-CURRENT	Independent derivatives				
	- interest rate derivatives	586,884	616,432	461,669	585,273
	Hedging instruments, fair value hedging				
	- cross currency interest rate swap agreements	1,582,460	15,661	1,196,258	—
	Hedging instruments, cash flow hedging				
	- currency derivatives	—	—	37	208
	- electricity derivatives	3,037	—	—	16,045
TOTAL, NON-CURRENT		2,172,381	632,093	1,657,964	601,526
CURRENT	Independent derivatives				
	- interest rate derivatives	3,399	33,124	12,166	65,652
	Hedging instruments, fair value hedging				
	- cross currency interest rate swap agreements	—	—	226,566	—
	Hedging instruments, cash flow hedging				
	- currency derivatives	211,152	24,794	11,886	119,709
	- electricity derivatives	—	415	—	31,667
TOTAL, CURRENT		214,551	58,333	250,618	217,028
TOTAL, DERIVATIVES		2,386,932	690,426	1,908,582	818,554

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

The maturity structure of the Group's derivatives is as follows, SEK m:

	31-12-2016						31-12-2015					
	Independent derivatives ¹		Fair value hedging ²		Cash flow hedging ³		Independent derivatives ¹		Fair value hedging ²		Cash flow hedging ³	
	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value
2017	7,573	175	0	0	-1,214	10	100	-18	0	0	-74	-13
2018	-850	-4	-3,002	834	-25	1	-3,600	-46	-2,822	640	-19	-3
2019	9,800	-105	0	0	-11	-7	1,000	-123	0	0	—	—
2020	-1,500	57	0	0	—	—	100	149	0	0	—	—
2021	850	4	-3,316	640	—	—	2,326	-25	-1,700	279	—	—
2022	1,200	-58	0	0	—	—	1,200	-38	0	0	—	—
2023	1,708	22	-453	24	—	—	700	-25	-2,545	-85	—	—
2024 and later	1,407	32	-2,619	70	—	—	—	—	—	—	—	—
TOTAL	20,188	124	-9,390	1,568	-1,250	4	1,826	-126	-7,067	834	-93	-16

1) Nominal amount, independent derivatives. A positive amount constitutes an extension of the portfolio's fixed interest.

2) Nominal amount, fair value hedging. A negative amount constitutes a purchase of foreign currency.

3) Nominal amount, cash flow hedging. A negative amount constitutes a purchase of foreign currency and/or a purchase of electricity derivatives.

The table below shows the maturity structure for electricity and currency derivatives, SEK m, which constitute hedging instruments in cash flow hedging.

	31-12-2016				31-12-2015			
	Currency derivatives ¹		Electricity derivatives ²		Currency derivatives ¹		Electricity derivatives ²	
	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value	Nominal amount	Fair value
2017	-1,150	8	-64	2	-24	—	-50	-13
2018	—	—	-25	1	—	—	-19	-3
2019	—	—	-11	-7	—	—	—	—
TOTAL	-1,150	8	-100	-4	-24	0	-69	-16

1) Nominal amount, currency derivatives. A negative amount constitutes a purchase of foreign currency.

2) Nominal amount, electricity derivatives. A negative amount constitutes a purchase of electricity derivatives.

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

	Forecast use, MWh	Hedging level, price, %
2017	420,000	84
2018	420,000	63
2019	420,000	41

21 Other non-current receivables

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Other non-interest-bearing receivables	223,516	343,273	223,516	343,273
TOTAL	223,516	343,273	223,516	343,273

Of the Group's non-current receivables, KSEK 131,427 is expected to be realised within five years of the year-end and KSEK 92,089 later than five years.

The interest-bearing promissory note changed as follows:

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Opening balance	—	192,911	—	192,911
Reclassification to current receivables	—	-192,911	—	-192,911
CLOSING BALANCE	0	0	0	0

Other non-interest-bearing receivables changed as follows:

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Opening balance	343,273	278,247	343,273	278,247
Purchases for the year	39,751	263,955	39,751	263,955
Allocation against profit or loss for the year	-151,389	-189,073	-151,389	-189,073
Reclassification to current receivables	-8,118	-9,856	-8,118	-9,856
CLOSING BALANCE	223,517	343,273	223,517	343,273

22 Rent receivables and accounts receivable

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Rent receivables and accounts receivable	318,183	273,298	318,183	273,298
Provision, doubtful rent receivables and accounts receivable	-1,053	-1,891	-1,053	-1,891
TOTAL	317,130	271,407	317,130	271,407

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

Of the rent receivables and accounts receivable that had fallen due as at 31 December 2016, KSEK 28,475 had fallen due by 1–5 days, KSEK 2,106 had fallen due by 5–30 days, KSEK 2,179 had fallen due by 30–60 days and KSEK 2,677 had fallen due by more than 60 days. Receivables falling due do not include impaired receivables.

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

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Opening balance	-1,891	-128	-1,891	-128
Provisions for the year	-92	-1,845	-92	-1,845
Reversed provisions	885	—	885	—
Established credit losses	45	82	45	82
CLOSING BALANCE	-1,053	-1,891	-1,053	-1,891

23 Other receivables

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Interest-bearing promissory note	192,911	192,911	192,911	192,911
VAT receivable	243,834	118,740	243,834	118,740
Settlement, taxes and charges	491,799	461,235	491,799	461,235
Other current receivables	87,287	123,527	87,286	123,526
TOTAL	1,015,831	896,413	1,015,830	896,412

Other current receivables are reported at amortised cost.

24 Prepaid expenses and accrued income

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Accrued rent	35,103	44,750	35,103	44,750
Accrued interest income	1,199	2,470	1,199	2,470
Prepaid operating costs	28,285	12,637	28,285	12,637
Other	13,037	26,831	13,037	26,831
TOTAL	77,624	86,688	77,624	86,688

25 Maturity structure, receivables

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Receivables expected to be cleared within one year of the year-end	1,640,403	1,537,781	1,640,402	1,537,780
Receivables expected to be cleared within 1-5 years of the year-end	1,945,880	1,322,761	1,945,880	1,322,761
Receivables expected to be cleared later than five years after the year-end	450,017	678,476	450,017	678,476
TOTAL	4,036,300	3,539,018	4,036,299	3,539,017

26 Cash and cash equivalents/
Cash and bank balances

Current investments comprise temporary surplus liquidity, invested in the short term, totalling KSEK 4,692,814 (2,160,838) and collateral granted attributable to Credit Support Annex (CSA) agreements totalling KSEK 131,164 (343,151). Blocked bank funds in respect of pledged assets for stock market-cleared derivatives are included to the amount of KSEK 297,757 (245,597) in the reported amount for cash and bank balances for the Group and the Parent Company. This is a buffer to cover expected daily collateral requirements.

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Current investments	4,823,977	2,503,989	4,823,977	2,503,989
Cash and bank balances	545,640	1,800,596	545,492	1,800,447
TOTAL	5,369,617	4,304,585	5,369,469	4,304,436

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

27 Hedge reserve/Fair value reserve

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Opening balance	-31,415	-18,858	-31,415	-18,858
Change in value, derivatives (cash flow hedging)				
- currency derivatives	-53	-13,769	-53	-13,769
- electricity derivatives	51,872	-7,448	51,872	-7,448
Transferred to operating profit	754	5,118	754	5,118
Tax effect	-11,566	3,542	-11,566	3,542
CLOSING BALANCE	9,592	-31,415	9,592	-31,415

The tax effect, KSEK -11,566 (3,542) refers to the change for the year. The closing deferred tax receivable/payable is reported in Note 14 Taxes.

28 Loans

The Group's financing takes place mainly through the public financing programmes. Through their standardised terms and conditions, these permit rational, cost-effective financing. The Group has international ECP and EMTN programmes, as well as a domestic commercial paper programme. The MTN programme has not been updated since 2009. Bank financing is used to a limited extent. The average capital for bank financing during 2016 was SEK 231 million (113).

Loans in the Group are reported at amortised cost.

The Group's risk management is presented in Note 34 Financial risk management.

FINANCING COST

Net interest income and expense amounted to SEK -549 million (-182) and the average net liability portfolio was SEK 25,443 million (21,628). The financing cost amounted to 2.15 per cent (1.22), calculated as interest expense in relation to average interest-bearing net loan liability, excluding cash and bank holdings. The changes in value in the financial derivative instruments correspond to an increase in interest expense of 0.85 per cent (decrease 0.74).

FINANCING COST, BREAKDOWN, %

	2016	2015	2014	2013	2012
Loan financing cost, including charges, %	0.83	1.38	2.01	2.24	2.75
Interest swaps, net interest, %	0.47	0.58	0.42	0.39	0.40
Financing costs, %	1.30	1.96	2.43	2.63	3.15
Changes in value, financial derivatives, %	0.85	-0.74	2.61	-0.01	1.06
TOTAL FINANCING COST	2.15	1.22	5.04	2.62	4.21

EFFECT OF FINANCIAL DERIVATIVES ON PROFIT

Independent interest rate derivatives are reported at market value (fair value) and variations in market value are recognised in net interest income and expense. Interest derivatives are mainly entered into with the aim of extending the fixed interest period in the liability portfolio, which largely consists of financing at variable interest rates. Falling interest rates entail a negative impact on profit from these interest rate derivatives; the opposite is true when interest rates rise. The changes in value relate to the changed current value of future cash flows from interest rate derivatives, at prevailing interest rates. Consequently these do not have any immediate effect on cash flow, as long as they remain unrealised. Certain interest rate derivatives are closed and settled on an ongoing basis (monthly or quarterly) and replaced with new ones, which means that profits are continuously realised. Falling interest rates, combined with interest rate derivatives for purposes of extension, mean

that interest expense will be higher than if the extension had not been implemented. However, the lower interest rate can be used when refinancing and with sales of fixed interest at a later date. As time passes, no surplus or deficit values of interest rate derivatives will remain at maturity.

The currency and interest risks that arise in conjunction with long-term financing, usually bonds in foreign currency, are hedged with cur-

rency-interest rate swaps. The changes in value for each instrument can be attributed to changes in both exchange rates and interest rates. Hedge accounting is applied for these forms of financing, where only the inefficiencies that arise due to different valuation practices are recognised in the income statement.

Borrowing can be broken down as follows, SEK m:

	Group				Parent Company			
	31-12-2016		31-12-2015		31-12-2016		31-12-2015	
	Carrying amount	Fair value						
NON-CURRENT LOANS								
Category, other financial liabilities								
Bonds & MTN	770	837	770	831	770	837	770	831
EMTN	12,049	12,565	10,046	9,941	12,049	12,565	10,046	9,941
Other loans	356	426	372	426	356	426	372	426
TOTAL	13,175	13,828	11,188	11,198	13,175	13,828	11,188	11,198
Category, financial liabilities at fair value through profit or loss according to the fair value hedging method								
EMTN	8,840	8,833	6,714	6,712	8,840	8,833	6,714	6,712
Other loans	790	790	720	719	790	790	720	719
TOTAL	9,630	9,623	7,434	7,431	9,630	9,623	7,434	7,431
TOTAL NON-CURRENT LOANS	22,805	23,451	18,622	18,629	22,805	23,451	18,622	18,629
CURRENT LOANS								
Category, other financial liabilities								
Commercial paper	1,500	1,503	2,001	2,003	1,500	1,503	2,001	2,003
ECP	7,436	7,449	5,528	5,534	7,436	7,449	5,528	5,534
Bonds & MTN	—	—	350	357	—	—	350	357
EMTN	1,000	1,011	605	621	1,000	1,011	605	621
Other loans	15	15	15	15	15	15	15	15
TOTAL	9,951	9,978	8,499	8,530	9,951	9,978	8,499	8,530
Category, financial liabilities at fair value through profit or loss according to the fair value hedging method								
Bonds & MTN	—	—	1,278	1,283	—	—	1,278	1,283
EMTN	—	—	—	—	—	—	—	—
Other loans	—	—	—	—	—	—	—	—
TOTAL	0	0	1,278	1,283	0	0	1,278	1,283
TOTAL CURRENT LOANS	9,951	9,978	9,777	9,813	9,951	9,978	9,777	9,813
TOTAL LOANS	32,756	33,429	28,399	28,442	32,756	33,429	28,399	28,442

The above table shows nominal amounts excluding accrued coupon interest.

	Fixed interest			Variable interest			Total	Total
	Loans	Derivatives	Total	Loans	ECP	Derivatives		
2017	500	160	660	500	8,973	-400	9,073	9,733
2018	4,602	-3,002	1,600	500	0	2,308	2,808	4,408
2019	1,420	800	2,220	1,000	0	-800	200	2,420
2020	650	300	950	720	0	-300	420	1,370
2021	5,316	-2,466	2,850	200	0	1,995	2,195	5,045
2022	0	1,200	1,200	0	0	-1,200	-1,200	0
2023	453	-53	400	0	0	26	26	426
2024 and later	7,580	-2,319	5,261	118	0	2,246	2,364	7,625
TOTAL	20,521	-5,380	15,140	3,038	8,973	3,874	15,886	31,026

The table on the preceding page shows financing (nominal amount) together with outstanding interest and currency derivatives. Loans and derivatives in foreign currency have been translated at the year-end exchange rate. As all loans raised in a foreign currency are swapped to Swedish kronor, the exchange rate effect is eliminated. A positive figure means that the Group pays interest and a negative figure means that the Group receives interest.

MATERIAL CONTRACTUAL TERMS AND CONDITIONS

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

HEDGE ACCOUNTING

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

29 Provisions for pensions

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

DEFINED CONTRIBUTION PENSION PLANS

The Group's defined contribution pension plans, ITP 1 and Alternative ITP (a pension for high-income earners) cover all Group employees. The defined contribution pension plans mainly comprise a retirement pension, sickness pension and family pension. The premiums are paid continuously throughout the year to different insurance companies. The premiums are based on salary.

The total cost for the financial year for defined contribution pension plans excluding payroll tax (Group and Parent Company) amounted to KSEK 22,788 (21,695).

DEFINED BENEFIT PENSION PLANS

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

The most recent actuarial calculation of the current value of the defined benefit commitment was carried out by an authorised actuary on 31 December 2016. When calculating the current value of the defined benefit commitment and associated costs for employment during the current period and associated costs for employment during previous periods, the Projected Unit Credit Method was used.

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

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

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

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

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

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

Assumptions	2016	2015
Discount rate, %	2.65	3.00
Salary increase, %	1.50	1.50
Inflation, %	1.50	1.50
Income base amount, %	2.50	2.50
Personnel turnover, %	2.00	2.00
Mortality	DUS14	DUS14

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

Estimated average remaining life expectancy, years	31-12-2016	31-12-2015
Retirement at the year-end		
Men	20.4	20.4
Women	23.3	23.3
Retirement 20 years after the year-end		
Men	22.3	22.3
Women	24.6	24.6

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

Amount reported in the Income Statement	2016	2015
Benefits earned during the year	25,074	22,821
Interest on pension provision	11,837	9,771
PARTS OF THE DEFINED BENEFIT PENSION COST REPORTED IN THE PROFIT FOR THE YEAR	36,911	32,592

The defined benefit costs have been reported as a personnel cost and interest cost respectively.

The following actuarial gains and losses have been reported under Total comprehensive income:

	31-12-2016	31-12-2015
Total amount reported under Other comprehensive income		
Revaluation of the net defined benefit liability		
Actuarial gains and losses that arise as a result of changes in demographic assumptions	—	4,304
Actuarial gains and losses that arise as a result of changes in financial assumptions	24,207	23,299
Actuarial gains and losses that arise as a result of changes in experience	-340	-5,578
TOTAL AMOUNT REPORTED UNDER OTHER COMPREHENSIVE INCOME	23,867	22,025

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

	31-12-2016	31-12-2015
Change in the defined benefit obligation for the period		
Opening balance	401,434	407,140
Service costs during the period	25,074	22,821
Net interest cost	11,837	9,771
Actuarial gains (-)/losses (+)		
Changes in demographic assumptions	0	-4,304
Changes in financial assumptions	24,207	-23,299
Experience-based adjustments	-340	5,578
Pension payments	-19,418	-16,273
CLOSING BALANCE	442,794	401,434

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

	31-12-2016	31-12-2015
Estimated term for the pension commitment		
Fall due for payment within one year of the year-end	14,048	13,682
Fall due for payment 1-5 years after the year-end	56,358	56,401
Fall due for payment later than five years after the year-end	372,388	331,351
TOTAL	442,794	401,434

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

	31-12-2016
Sensitivity analysis, pension obligations	
Recorded pension obligation under the reported assumptions	442,794
Discount rate increases by 0.5 percentage points	408,846
Discount rate decreases by 0.5 percentage points	481,364
Inflation increases by 0.5 percentage points	487,919
Wage growth increases by 0.5 percentage points	470,442

FUTURE PAYMENTS

The Group is expected to pay KSEK 39,111 (36,911) in charges for the defined benefit plan during the forthcoming financial year.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS IN THE PARENT COMPANY

The reported pension liability in the Parent Company comprises:

	31-12-2016	31-12-2015
FPG/PRI pensions	216,604	205,799
Other pensions	65,880	66,001
TOTAL	282,484	271,800

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

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

	31-12-2016	31-12-2015
Pension commitments		
Opening balance	271,800	270,208
Pension costs, defined benefit plans	13,223	5,267
Interest expense	11,085	10,027
Payments	-13,624	-13,702
CLOSING BALANCE	282,484	271,800

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

	2016	2015
Pension costs, defined benefit plans	13,223	5,267
Interest part of the pension cost	11,085	10,027
PENSION COSTS, DEFINED BENEFIT PLANS	24,308	15,294
Pension costs, defined contribution plans	22,788	21,695
Employer's contribution and tax on the yield, other pension costs	11,131	8,607
TOTAL PENSION COSTS	58,227	45,596

ACTUARIAL ASSUMPTIONS

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

30 Other liabilities

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Other interestbearing liabilities	1,762,042	1,380,100	1,762,042	1,380,100
Other non-interest-bearing liabilities	409,892	2,240,676	410,492	2,241,276
TOTAL, OTHER LIABILITIES	2,171,934	3,620,776	2,172,534	3,621,376

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

The Parent Company has entered into a supplementary agreement, a Credit Support Annex (CSA) to the ISDA agreement, with the aim of handling exposure to counter-party risks in derivatives. The agreement means that the parties mutually undertake to furnish collateral in the form of cash and cash equivalents or securities with a good rating for undervalues in outstanding derivatives. The agreement in turn gives the secured party right of disposal of collateral received. As of the year-end, the Group received collateral through the CSA agreements totalling KSEK 1,631,000 (1,380,100).

Of the Group's other liabilities, KSEK 2,061,218 falls due for payment within one year of the year-end, KSEK 104,469 within one to five years of the year-end, and KSEK 6,247 later than five years after the year-end.

31 Accrued expenses and prepaid income

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Prepaid rental revenue	1,487,165	1,335,956	1,487,165	1,335,956
Accrued salary and personnel costs	35,098	31,582	35,098	31,582
Accrued operating and maintenance costs	89,139	88,617	89,139	88,617
Accrued investments	195,441	198,292	195,441	198,292
Accrued interest	196,289	184,689	196,289	184,689
Other interim liabilities	18,395	19,524	18,395	19,524
TOTAL	2,021,527	1,858,660	2,021,527	1,858,660

32 Maturity structure, liabilities

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Liabilities due for payment within one year of the year-end	14,305,575	15,724,434	14,308,328	15,727,186
Liabilities due for payment within 1-5 years of the year-end	14,984,129	8,447,157	14,984,129	8,447,157
Liabilities due for payment later than five years after the year-end	18,988,500	19,989,824	11,065,086	13,173,047
TOTAL	48,278,204	44,161,415	40,357,543	37,347,390

33 Financial instruments valued at fair value

The following table shows the financial assets and liabilities that are valued at fair value. These are purchased to be held to maturity and are identified already at initial recognition. They are classified in a hierarchy, comprising three levels and based on the information used to set their fair value.

Level 1 refers to when fair value is set based on listed prices on active markets for identical assets and liabilities. Level 2 refers to when fair value is set based on observable data other than listed prices on active markets. Level 3 refers to when the set fair value is essentially based on data that is not observable, i.e. the Company's own assumptions.

The fair value of financial assets and liabilities is set by using information that is attributable to one or more of the above-mentioned levels. The classification is determined by the lowest level in the hierarchy for the information that has a material impact on the value.

The Group mainly holds derivatives that are on level 2. The valuation of the instruments is done according to the zero coupon method, which means that all the future cash flows of the instrument are set at the current value. The zero coupon interest rates used to discount the cash flows are calculated with the aid of STIBOR/LIBOR for short-term interest rates and swap notations for longer terms. The source of this information is real-time data from Thomson/Reuters.

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

34 Financial risk management (Group)

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

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

The Parent Company's Treasury Department handles the Group's financial management. This arrangement fosters effective and co-ordinated financial risk management that also allows utilisation of the opportunities offered in the financial markets.

INTEREST RISK

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

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

Long-term bond portfolio – bonds with fixed interest and maturity terms in excess of 15 years. These bonds represent a significant interest risk exposure, which justifies a separate mandate. The portfolio is therefore permitted to amount to a maximum of 20 per cent (20) of the total portfolio. At the turn of the year, long-term bonds totalling SEK 3,611 million (3,619) were issued, equivalent to 11.2 per cent (13.3) of the total portfolio.

Index-linked bond portfolio – bonds linked to the real interest rate, must not exceed 10 per cent (10) of the total portfolio. At the turn of the year, index-linked bonds totalling SEK 900 million (900) were issued, equivalent to 2.8 per cent (6.75) of the total portfolio.

Basic portfolio – consists of the remaining portion of commercial paper, bonds and interest rate derivatives. The portfolio is managed within an average fixed interest period mandate. The current mandate is a fixed interest period of 2 to 6 years (2–5 years). The fixed interest period at the year-end was 4.7 years (3.6), including interest derivatives.

MATURITY STRUCTURE FOR FIXED INTEREST PERIODS AND NET DEBT MATURITY, SEK M

	Fixed interest, SEK m	Maturity, SEK m
2017	5,034	11,729
2018	4,408	2,064
2019	2,420	2,220
2020	1,370	950
2021	5,045	2,850
2022	0	1,200
2023	426	400
2024 och senare	7,715	5,005
TOTAL	26,418	26,418

The table above shows the nominal amounts. The nominal amounts have been recalculated at the year-end rate. As all loans raised in a for-

eign currency are swapped to Swedish kronor, the exchange rate effect is neutralised. A positive figure means that the Group pays interest and a negative figure means that the Group receives interest.

CURRENCY EXPOSURE RISK

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

CURRENCY BREAKDOWN, LOANS AND DERIVATIVES, SEK M

Original currency	Loans	Derivatives	Total
AUD	393	-393	0
CAD	54	-54	0
CHF	6,234	-6,234	0
GBP	3,116	-3,116	0
HKD	1,535	-1,535	0
JPY	776	-776	0
SEK	15,669	15,357	31,026
USD	4,756	-4,756	0
TOTAL	32,532	-1,506	31,026

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

LIQUIDITY AND REFINANCING RISK

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

According to the maturity mandate, a maximum of 50 per cent (50) may fall due for refinancing within a 12-month period.

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

The Group's cash and bank balances at the end of 2016 totalled SEK 5,370 million (4,305). At the year-end, bank facilities granted totalled SEK 3,000 million (4,000).

FACILITIES AND RATING

	Rating Standard & Poor's	Framework 31-12-2016	Utilised, nominal 31-12-2016
Bank		SEK 3,000 m	0
Commercial paper	A1+/K1	SEK 4,000 m	SEK 1,500 m
ECP (Euro Commercial Paper)	A1+	EUR 1,200 m	EUR 748 m
MTN (Medium Term Note) ¹	AA	SEK 8,000 m	SEK 770 m
EMTN (Euro Medium Term Note)	AA/A1+	EUR 3,000 m	EUR 2,208 m

1) Not updated since 2009.

The following table shows the remaining contractual term for the Group's financial liabilities. The liquidity flows are not discounted and foreign flows have been translated at the rate on the closing date. For those instruments where the future variable rate of interest is unknown, the rate of interest has been calculated with the aid of the implicit forward interest rates for the yield curve on the closing date.

Use is made primarily of rental revenue to meet the obligations linked to the Group's financial liabilities presented in the following table.

The rental revenue falls due for payment quarterly and is subject to long agreement terms. The credit risk associated with rental revenue is considered low.

LIQUIDITY RISK, SEK M

	Loans	Hedged loans	Derivative insurance	Derivatives	Current investments	Total
2017	-2,746	-7,635	367	-80	4,937	-5,157
2018	-2,339	-3,164	815	-58	—	-4,746
2019	-2,251	-100	-370	-45	—	-2,765
2020	-1,587	-100	13	20	—	-1,655
2021	-2,388	-3,416	486	23	—	-5,296
2022	-172	-31	-44	3	—	-244
2023	-172	-478	-24	32	—	-642
2024 and later	-6,774	-2,665	-556	106	—	-9,888
TOTAL	-18,429	-17,590	687	2	4,937	-30,393

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

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

	Amounts that are not offset, but are covered by framework agreements for netting or similar agreements 31-12-2016			Amounts that are not offset, but are covered by framework agreements for netting or similar agreements 31-12-2015		
	Reported financial assets/liabilities gross	Cash collateral received	Net amount	Reported financial assets/liabilities gross	Cash collateral received	Net amount
ASSETS						
Derivatives	2,386,932	-1,762,042	624,890	1,908,582	-1,380,100	528,482
TOTAL	2,386,932	-1,762,042	624,890	1,908,582	-1,380,100	528,482
LIABILITIES						
Derivatives	690,426	-131,164	559,262	818,553	-343,151	475,402
TOTAL	690,426	-131,164	559,262	818,553	-343,151	475,402

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

COUNTER-PARTY RISK, EXCLUDING RENT RECEIVABLES, SEK M

	Receivable	Liability	Collateral received/granted	Net exposure
INSTITUTIONS WITH A LONG RATING				
AA-/Aa3	237	-54	62	121
A+/A1	229	-73	-87	243
A/A2	1,216	—	1,321	-105
A-/A3	1,601	—	311	1,290
BBB+/Baa1	441	-14	42	385
INSTITUTIONS WITH ONLY A SHORT RATING				
K-1	350	—	—	350
Companies wholly owned by the Swedish state	1940	—	—	1,940
Companies wholly owned by the Swedish state	550	—	—	550
TOTAL	6,564	-141	1,649	4,774

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

CREDIT RISK AND COUNTER-PARTY RISK

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

The Group's policy is that internationally standardised netting agreements, ISDA agreements, should always be signed with a counter-party before uncleared derivative transactions take place. As at 31 December 2016, the total counter-party exposure in derivatives (calculated as the net claim per counter-party) stood at SEK 1,508 million (1,008). With the aim of reducing exposure to a counter-party risk, the Group has entered into a number of supplementary agreements, Credit Support Annexes (CSA), to the ISDA agreements. The agreements mean that the parties mutually undertake to make collateral available in the form of cash and cash equivalents or bonds for the undervalues in outstanding derivative contracts. At the year-end, the Group had received SEK 1,631 million (1,037) net.

ELECTRICITY PRICE RISK

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

CREDIT RISK ATTRIBUTABLE TO RENT RECEIVABLES

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

RISK CONTROL

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

SENSITIVITY ANALYSIS, LIABILITY PORTFOLIO

The interest-bearing liability portfolio is constantly exposed to interest rate changes on the market. The analysis of the liability portfolio interest sensitivity is divided into two parts:

- Changes in the value of interest derivatives (current values).
- Cash flow effects (net interest income/expense) over a calendar year for items with a short fixed interest period, which are given a new short-term rate of interest for the remainder of the year.

As the fixed interest period is diversified and in accordance with the current risk mandate, a minimum of two years on average, the variations in the interest cost will fluctuate to a lesser extent than if the fixed interest period had been very short, e.g. three months.

The Company has fixed interest periods both within and outside the Statement of Financial Position in the form of interest derivatives. The aim of these derivatives is to facilitate a change in the liability portfolio's fixed interest period in addition to what is achieved directly in the financing.

The table shows the impact on profit of a rise in interest of one percentage point. The calculations are based on an unchanged liability amount.

	Nominal amount, SEK m	Maturity, years, average	Fixed interest, years, average	Interest risk, one interest point, SEK m	Interest, %	Change in value of +100 interest points, SEK m as of the year-end ¹	Net interest income/expense with 100 interest points, SEK m during the remainder of the calendar year ¹
Fixed interest positions with a fixed interest period longer than one year within the Statement of Financial Position ²	10,631	10.9	10.4	9.6	2.1	0	0
Interest derivatives, fixed interest	4,250	0.0	4.3	3.6	2.1	184	0
Interest derivatives, variable interest	-4,250	0.0	0.2	0.3	0.2	0	36
Variable interest within the Statement of Financial Position ³	20,395	3.0	0.2	0.5	-0.2	0	-167
TOTAL	31,026	13.9	15.1	14.0	4.2	184	-131

1) Refers to +100 interest points in a parallel displacement of the yield curve.

2) Fixed interest positions with a fixed interest period in excess of one year within the Statement of Financial Position refer to issues in SEK that are not included in fair value hedges.

3) Variable interest within the Statement of Financial Position refers to the total effect of issues in a foreign currency which, via derivatives, have been swapped to variable interest in SEK and which are reported as hedges and FRN issues.

35 Asset management (Group)

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

According to the owner's financial targets for Akademiska Hus, the dividend should amount to between 40 and 60 per cent of the net profit after tax after reversal of changes in fair value and related deferred tax. When deciding on a dividend, consideration should be given to the Group's capital structure and capital requirements (equity ratio 30 per cent to 40 per cent).

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

At the end of 2016, the equity ratio was 41.4 per cent (40.7) for the Group and 19.1 per cent (20.0) for the Parent Company. After the dividend of SEK 1,393 million proposed by the Board of Directors, the equity ratio will be 40.4 per cent for the Group and 16.9 per cent for the Parent Company.

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

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

The Group's capital is as follows:

	31-12-2016	31-12-2015
Loans from financing programmes (Note 28)	32,756,563	28,398,853
Collateral received for derivative transactions entered into (Note 30)	1,762,042	1,380,100
Financial derivatives (Note 20)	-1,696,506	-1,090,028
Cash and cash equivalents (Note 26)	-5,369,617	-4,304,585
INTEREST-BEARING NET LOAN LIABILITY	27,452,482	24,384,340
EQUITY	34,151,677	30,271,259

36 Pledged assets

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Blocked bank funds	297,756	245,597	297,756	245,597
Current investments	131,164	343,151	131,164	343,151
TOTAL	428,920	588,748	428,920	588,748

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

Pledged assets have decreased by SEK 160 million. The Group also received collateral of SEK 1,762 million, see Note 34.

37 Contingent liabilities

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Contingent liability, FPG/PRI	4,332	4,116	4,332	4,116
TOTAL	4,332	4,116	4,332	4,116

38 Interest received and paid

	Group		Parent Company	
	2016	2015	2016	2015
Interest received	2,933	13,515	2,933	13,515
Interest paid	-533,460	-580,630	-533,460	-580,630
TOTAL	-530,527	-567,115	-530,527	-567,115

39 Adjustments for items not included in the cash flow

	Group		Parent Company	
	2016	2015	2016	2015
Depreciation, impairments and reversed impairments	5,518	6,190	1,040,307	1,597,712
Change in value, properties	-3,722,328	-2,672,437	—	—
Capital gain (-)/loss (+) on sale of tangible, non-current assets	-35,257	-91,346	-23,849	-101,130
Change in value, financial instruments	-424,077	163,719	-424,077	163,719
Cash flow hedge	52,575	-16,100	52,575	-16,100
Change in pension provisions and similar commitments	17,493	16,319	10,683	1,592
Other	—	—	—	—
TOTAL	-4,106,076	-2,593,655	655,639	1,645,793

40 Purchase sum in conjunction with investments, acquisitions and disposals

For investments and acquisitions for the period, a total of KSEK 2,763,607 (2,505,635) has been paid, of which KSEK 2,763,607 was paid in cash and cash equivalents. The Parent Company also invested KSEK 0 (0) in shares in subsidiaries. For disposals for the period, a total of KSEK 103,072 (124,343) has been received, of which KSEK 103,072 was received in cash and cash equivalents.

41 Change in interest-bearing net loan liabilities

	Group		Parent Company	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Opening amount	23,923,104	18,870,044	23,923,272	18,870,274
Increase (-)/Decrease (+) in interest-bearing receivables	-478,875	375,902	-478,875	375,902
Increase (-)/Decrease (+) in current investments	-2,378,588	282,773	-2,378,588	282,710
Increase (-)/Decrease (+) in cash and cash equivalents	1,254,956	-29,264	1,254,956	-29,264
Increase (-)/Decrease (+) in current receivables	30,564	-461,235	30,564	-461,235
Increase (+)/Decrease (-) in interest-bearing liabilities	4,611,254	4,884,885	4,611,254	4,884,885
CHANGE IN INTEREST-BEARING NET LOAN LIABILITIES	3,039,311	5,053,060	3,039,311	5,052,998
AMOUNT AT THE YEAR-END	26,962,415	23,923,104	26,962,583	23,923,272

42 Transactions with related parties

In conjunction with intra-Group purchases and sales, the same pricing principles are applied as would have been the case in transactions with an external party. Intra-Group property purchases and sales take place subject to a fiscal residual value. Purchases and sales of other current assets take place at the carrying amount. There were no transactions with the President, Board of Directors or senior executives, apart from salary and other remuneration, see Note 10.

Transactions with Group companies are shown in the table below.

	Group		Parent Company	
	2016	2015	2016	2015
Income				
Companies within the Akademiska Hus Group	—	—	—	16,648
TOTAL	—	—	0	16,648
Liabilities				
Companies within the Akademiska Hus Group	—	—	2,153	2,153
TOTAL	—	—	2,153	2,153

43 Events after the year-end

Akademiska Hus has a new organisational structure as of 1 January 2017. We are replacing the regional divisions with our core processes. 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.

Signing of the Annual Report

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

The Board of Directors and the President hereby certify that the

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

Gothenburg, 13 March 2017

Anitra Steen
Chairman

Britta Burreau
Board member

Olof Ehrlén
Board member

Kristina Ekengren
Board member

Thomas Jennlinger
Employee representative

Anders Larsson
Employee representative

Christer Nerlich
Board member

Gunnar Svedberg
Board member

Ingemar Ziegler
Board member

Kerstin Lindberg Göransson
President

Our Audit Report was submitted on March 17, 2017.

KPMG AB
Björn Flinck
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of Akademiska Hus AB (publ) , corp. id 556459-915

Report on the annual accounts and consolidated accounts

OPINIONS

We have audited the annual accounts and consolidated accounts of Akademiska Hus AB (publ) for the year 2016, except for the corporate governance statement on pages 44–51. The annual accounts and consolidated accounts of the company are included on pages 28–88 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 44–51. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENT PROPERTY

See note 2 General accounting principles, note 16 Properties (Group) and note 17 Properties (Parent Company) on pages 61, 74 and 76 respectively in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter	Response in the audit
<p>Investment property is held at fair value in the consolidated accounts. As per 31 December 2016 Investment property amounts to MSEK 73,013, which is approximately 90 % of total consolidated assets.</p> <p>Accounting for investment property at fair value requires significant judgements and estimates of future events. Fair value has been determined through internal valuations. In addition, in order to validate reliability in valuations, external valuations have been obtained for a selection of properties held by the group.</p> <p>Given the significant share of total consolidated assets and the significant judgements and estimates of future events required when valuing investment property we consider valuation of investment property as a key audit matter in our audit.</p> <p>The risk is that fair value of investment property could be over- or underestimated and that any adjustment to fair value would directly affect the periods' result.</p>	<p>We have considered if the valuation methods used are reasonable by comparing them with our experience from methods used by other property companies and external property appraisers and those assumptions and prerequisites normally used in investment property valuations.</p> <p>We have assessed the expertise of the internal valuation organization.</p> <p>We have taken part of and assessed the relevance of the information gathered by the Company from external sources to support significant assumptions and preconditions in valuation models used.</p> <p>We have tested controls established by the Company to ensure that input data to internal valuations are accurate and complete.</p> <p>We have, on sample basis, tested property valuations. In doing so, we used market data derived from external sources in order to challenge significant assumptions and estimates used, in particular on yields and imputed rates of interest.</p> <p>We have checked the accuracy of disclosures on investment property given in the notes to the annual report, in particular on significant assumptions and key estimates used.</p>

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–27 och sidan 98–101. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

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

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

AUDITOR'S RESPONSIBILITY

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

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Akademiska Hus AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

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

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

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

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

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

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

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 44–51 has been prepared in accordance with the Annual Accounts Act.

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

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

Gothenburg, 17 March 2017

KPMG AB
Björn Flink
Authorized Public Accountant

About the Sustainability Report

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

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

The Sustainability Report of Akademiska Hus covers the financial year and is published annually. The most recent report was published on 31 March 2016. Akademiska Hus presents its sustainability work based on the Company's main processes, with the focus on those areas that are considered most important. No significant changes have taken place in the business during the accounting period. The data presented cover the financial year 2016, from 1 January to 31 December, and applies to Akademiska Hus as a Group.

The Sustainability Report includes the cross-reference table presented on pages 94–95 and the pages to which the table refers. The cross reference table presents a summary of the GRI indicators that are reported and page references to the respective indicator and COP.

A summary of the trade organisations of which the Company is a member can be found at akademiskahus.se.



Contact

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Sustainability Manager
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GRI data

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

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

As at 31 December 2016 Akademiska Hus employs a total of 442 people, all of whom are permanently employed, with the exception of eight people who are on trial contracts. 22 people have part-time jobs.

Distribution of men and women, by region:

	Gender		Total
	Men	Women	
Akademiska Hus Head Office	44	51	95
Akademiska Hus Southern Region	37	14	51
Akademiska Hus Western Region	51	17	68
Akademiska Hus Eastern Region	27	3	30
Akademiska Hus Uppsala Region	48	12	60
Akademiska Hus Stockholm Region	78	23	101
Akademiska Hus Northern Region	33	4	37
Total	317	124	442
	72%	28%	100%

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

Material aspect	GRI aspect	Boundary
Efficient use of resources	Energy Emissions	Own operations and supply chain and customers
A safe working environment	Occupational Health and safety	Own operations and supply chain
Good supplier management	Environment Working conditions	Supply chain
High transparency and effective anti-corruption programme	Anti-corruption	Own operations and customers
Diversity	Diversity and equal opportunity	Own operations

In addition to these essential areas we see collaboration regarding innovation, campus development and student accommodation as important issues for our business. Read more on page 10.

G4-EC1: DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

Economic stakeholder relations

Direct economic value generated

Income	5,666
Economic value distributed	
Payments to suppliers	-1,689
Employee wages and benefits	-264
Fees and remuneration to the Board and CEO	-11
Social security costs	-120
Interest paid to lenders, net	-625
Dividends to shareholders	-1,290
Economic value retained	1,667

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

Income Statement	page 54
Allocation of unappropriated earnings	page 53
Staff note	Note 10, pages 69–70

G4-EN3: ENERGY CONSUMPTION WITHIN THE ORGANISATION

MWh	2016	2015
Total energy consumption (non-renewable energy)	92,416	90,771
Total energy consumption (renewable energy)	691,582	712,723
Total electricity	387,329	401,424
charges passed on to tenant	269,863	264,279
Total heating	306,208	313,043
charges passed on to tenant	106,048	78,129
Total cooling	73,447	75,120
charges passed on to tenant	68,162	64,544
Total steam	17,014	13,907
charges passed on to tenant	11,253	13,907

Own electricity generation from renewables

	2016	2015
Solar electricity (MWh)	1,165	726

Degree day method has been used for correction of heat.

G4-EN6: REDUCTION OF ENERGY CONSUMPTION

	2016	2015
Total reduction (MWh)	19,496	19,393
Invested (SEK)	130,233,675	125,992,000

G4-EN16: ENERGY INDIRECT GREENHOUSE GAS EMISSIONS

Total CO₂ emissions in 2016 amounted to 28,275 tons (32 909 tons).¹

G4-EN19: REDUCTION IN EMISSIONS OF GREENHOUSE GASES

Total CO₂ emissions in 2016 amounted to 4 634 tons (2 227 tons).^{1,2}

- 1) All CO₂ data in this summary is based on information from suppliers who report in accordance with current accounting standards. 2015 emission factors for heating were used since emission factors for 2016 were not available at the time this report was prepared.
- 2) The reduction is based on the difference between the total energy reduction in 2015 and 2016.

G4-CRE3: GREENHOUSE GAS EMISSION LEVELS FROM PROPERTIES

Greenhouse gas emissions levels from Akademiska Hus properties was 7.4 kg of CO₂/m² (8.1 kg of CO₂/m²).

G4-LA6: WORK-RELATED INJURIES AND ILLNESSES

Accident statistics are recorded in our internal "AkaÄrende" system, which classifies them into the categories: own staff, construction operations and management.

During the year, six injuries to our own staff were reported to the Swedish Social Insurance Agency.

During the same period, 16 accidents involving our own staff were reported to the "AkaÄrende" system. The most frequently occurring types of work-related injury are accidental falls (from low height), and vehicle-related accidents.

G4-LA12: DIVERSITY WITHIN THE ORGANISATION

As at 31 December 2016, Akademiska Hus employees included 72 per cent men and 28 per cent women.

Age and gender:

Composition of the company	2016		
	Number	Number of women	Number of men
Board of Directors			
Under 30 years	0	0	0
30–50 years	1	1	0
Over 50 years	7	2	5
Executive Management			
Under 30 years	0	0	0
30–50 years	5	2	3
Over 50 years	7	3	4
Employees in managerial position¹			
Under 30 years	0	0	0
30–50 years	35	11	24
Over 50 years	26	4	22
Other employees			
Under 30 years	15	4	11
30–50 years	185	62	123
Over 50 years	169	38	131

1) Executive Management is reported separately.

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

GRI och COP index

Indicator	Description	Page or reference	Comment	Global Compact principle
STRATEGY AND ANALYSIS				
G4-1	Statement from the President	2-4		
ORGANISATION PROFILE				
G4-3	Organisation name	Front cover		
G4-4	Brands, products, and services	1, 19		
G4-5	Location of head office	100		
G4-6	Number of countries in which the organisation operates	100		
G4-7	Ownership structure and legal form	44		
G4-8	Markets in which the organisation operates	33		
G4-9	Scale of the reporting organisation	Inside cover, 54, 69		
G4-10	Total workforce by employment type, employment contract, region and gender	92	Akademiska Hus reports number of employees by employment type, gender and region. The Company also has a large number of temporary employees from staffing companies, but they are not reported because no data is available. Akademiska Hus has no significant variations in the number of employees over the year.	6
G4-11	Proportion of the workforce covered by collective bargaining agreements		All employees are signed to the collective "Almega Fastigheter Salary Agreement" except for employees in business management positions.	3
G4-12	Description of the organisation's supply chain	8-10, 24-25		
G4-13	Significant changes during the reporting period		No significant changes during the financial year	
G4-14	Description of whether and how the organisation follows the Precautionary Principle	8-10	Akademiska Hus works according to environmental management system ISO 14001:2004	
G4-15	Externally developed economic, environmental and social declarations, principles or other initiatives that the organisation supports or is affiliated with	92		
G4-16	Membership of organisations and/or national/international lobbying organisations		www.akademiskahus.se (Sustainability/Sustainability partnerships)	
ESSENTIAL ASPECTS AND LIMITATIONS				
G4-17	Entities that are included in the organisation's financial statements	76, 92		
G4-18	Description of the process for defining report content and aspect boundaries	8-10		
G4-19	Material aspects identified	8-10		
G4-20	Aspect and boundaries within the organisation	92		
G4-21	Aspect and boundaries outside the organisation	92		
G4-22	Changes to the information provided in previous reports and the reasons for such changes		No significant changes have been made to information submitted in the 2015 report.	
G4-23	Significant changes that have been made since the previous reporting period	92		
COMMUNICATION AND STAKEHOLDERS				
G4-24	Stakeholder groups engaged by the organisation	8-10		
G4-25	Principle for identifying and selecting stakeholders	8-10		
G4-26	Approach to stakeholder engagement	8-10		
G4-27	Important areas and issues that have been raised in communication with stakeholders	8-10		
INFORMATION ON ACCOUNTING AND CONTROL				
G4-28	Reporting period	92		
G4-29	Publication date for latest report	92		
G4-30	Reporting cycle	92		
G4-31	Contact for questions regarding the report and its content	92		
G4-32	Report GRI Content Index according to the GRI reporting level Core and external assurance report	92, 94-95, 97		
G4-33	Statement of the organisation's policy and procedures for external assurance of reporting	92, 97		
G4-34	Statement of the organisation's corporate governance	44-51		

Signatures of Board of Directors Sustainability Report

The Sustainability Report for 2016 has been approved for publication by
the Board of Directors and the CEO of Akademiska Hus AB.

Gothenburg, 13 March 2017

Anitra Steen
Chairman

Britta Burreau
Board member

Olof Ehrlén
Board member

Kristina Ekengren
Board member

Thomas Jennlinger
Employee representative

Anders Larsson
Employee representative

Christer Nerlich
Board member

Gunnar Svedberg
Board member

Ingemar Ziegler
Board member

Kerstin Lindberg Göransson
President

Auditor's Report

Auditor's Limited Assurance Report on Akademiska Hus AB (Publ.) Sustainability Report

This is the translation of the auditor's report in Swedish.

To Akademiska Hus AB (Publ.)

INTRODUCTION

We have been engaged by the Board of Directors of Akademiska Hus to undertake a limited assurance engagement of Akademiska Hus AB (Publ.) Sustainability Report for the year 2016. Akademiska Hus has defined the scope of the Sustainability Report on page 92.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 92 in the Sustainability Report, that are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance proce-

dures. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Consequently, the procedures performed do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

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

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

CONCLUSION

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

Gothenburg, 17 March 2017

KPMG AB

Björn Flink
Authorized Public Accountant

Torbjörn Westman
Expert Member of FAR

Performance measures and definitions

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. (Please see the table on the top right)

Internal financing ratio

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

NET INTEREST INCOME AND EXPENSE, BREAKDOWN, SEK M

SEK M	01-01-2016- 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	30	27
- 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	01-01-2016- 31-12-2016	01-01-2015- 31-12-2015
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 interest-bearing net loan liability.

Interest-bearing liabilities

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

Equity ratio

Equity in relation to Total equity and liabilities.

Total yield

Direct yield from properties and their change in value, expressed in per cent.

DEFINITIONS

Operating costs

Operating costs are costs incurred to keep a property, installation or similar facility functioning. Operating costs are divided into media provision, monitoring and service.

Property administration

Cost of management, day-to-day accounting administration, leasing, contact with tenants, handling of registers, contracts and drawings, technical planning and follow-up and human resource administration.

Rental revenue

The basic rent, index-linked, and estimated rent for vacant rentable floor space and supplements, with a deduction for vacant space and rent reductions.

Floor space, m², GFS

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

Floor space, m²

Rentable floor space in square metres.

Maintenance costs

Costs for measures taken aimed at reinstating the original standard and function of worn or damaged parts of a building. Costs for tenant adaptations are also recognised here.

Rental and vacancy levels

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

INFORMATION SCHEDULE

April 28, 2017	Annual General Meeting
April 28, 2017	Interim Report, January–March 2017
July 15, 2017	Interim report April–June 2017
October 27, 2017	Interim Report, July–September 2017
February 2018	Year-end report 2017
March 2018	Annual Report 2017

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