

# Interim Report

January 1 – September 30, 2016

”We contribute to Sweden as a nation of knowledge”

PHOTOS: BERGSLAGSBILD AB



Along with Rotterdam and Glasgow, Umeå is one of the cities granted SEK 180 million in project funding from the EU's H2020 programme. SEK 40 million will be dedicated to turning University City into the most energy efficient neighbourhood possible.

## 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.

### JANUARY–SEPTEMBER

- Rental revenue was SEK 4,098 million (4,109).
- Net operating income totalled SEK 2,935 million (2,917), an increase of SEK 18 million, primarily attributable to lower property management costs.
- Net changes in property values had an impact on profit of SEK 2,488 million (1,446).
- Net financial income and expense for the period amounted to SEK –657 million (–362). This figure includes changes in the value of financial derivatives totalling SEK –418 million (–103), of which SEK –131 million (22) is unrealised.
- Profit before tax for the period amounted to SEK 4,703 million (3,950) and profit for the period was SEK 3,663 million (3,081). The increase can be attributed to positive changes in property values but reduced by a lower net financial income.
- Investment in redevelopment and new construction during the period totalled SEK 2,044 million (1,893).
- The yield (excluding properties under construction) was 5.9 per cent (6.5) on a rolling 12-month basis. The decline

can be explained by an increase in property value while net operating income remained unchanged.

- Return on operating capital was 6.4 per cent (6.8) on a rolling 12-month basis.
- The equity ratio at the end of the period was 40.9 per cent (46.8).

### THIRD QUARTER

- Rental revenue was SEK 1,358 million (1,387), a reduction of SEK 29 million mainly attributable to one-off revenue during the third quarter of 2015.
- Net operating income increased somewhat to SEK 1,030 million (1,024).
- Changes in property values totalled SEK 430 million (330), corresponding with 0.6 per cent (0.5) of the value of the properties.
- Net financial income and expense for the reporting period amounted to SEK –236 million (–266). Changes in the value of financial derivative instruments amounted to SEK –314 million (–169).

# Campuses grow with student accommodation

PRESIDENT KERSTIN LINDBERG  
GÖRANSSON COMMENTS:

## Focus on student accommodation

We have broken ground for a student accommodation project that will house 430 KTH students, which we are building under our own auspices. We sold land in Lund for 330 student housing units and in Gothenburg we initiated and kicked off GBG 7000+ a collaborative group with the aim of completing 7,000 student housing units by 2026. Just in time for the new term, some 40 students were able to move into the new student apartments at SLU in Alnarp and almost as many moved in to the exciting HSB Living Lab project on the Chalmers campus in Gothenburg. Students who live here will also be living research subjects whose experiences will be analysed and applied in order to develop student housing for the future. In all, we have now contributed to the construction of more than 11,000 student housing units adjacent to our campuses.

The UN's 17 17 sustainable development goals As a State-owned company we must meet high demands regarding sustainability. This is positive and drives our business forward. In order to clarify where we stand and what we need to focus on even more moving forward, during the quarter we conducted an inventory of the UN's global sustainable development goals and how they can be integrated into operations at Akademiska Hus. The objectives are complex and address many perspectives and interfaces. It is therefore encouraging to see that our business can relate to at least ten of the seventeen goals and that through our systematic working methods we are also actively contributing to them. One challenge now will be to develop clearer and more motivating goals that will provide guidance for our continued sustainability efforts.

## Innovation initiative in collaboration

As a large property company today, it is a given that we will work with innovation to improve both our own business and the services we provide to our customers. We promote and are included in a number of



At the end of 2017, students will be able to begin moving into the new student apartments in the middle of the Royal Institute of Technology campus in Stockholm.

DIAGRAM: UTOPIA ARKITEKTER

interesting innovation projects. For example, Akademiska Hus is one of several parties engaged in the "Smart Cities" project. In this project, the university town of Umeå will become an energy-efficient "Smart City" with the support of innovative and future-oriented solutions. Umeå has been granted SEK 40 million in EU funding under the Horizon 2020 "Smart Cities" programme. We are also involved in three of the projects that were granted support from the Swedish Energy Agency under the E2B2 programme. It is the largest Swedish research programme to date within the field of energy-efficient construction and housing and focuses on building knowledge and developing tools, methods and technologies.

## Grand opening of Green Innovation Park

In late September, Green Innovation Park – a business park with a focus on the green industry – celebrated its grand opening in Uppsala. We are responsible for this initiative along with the Swedish University of Agricultural Sciences. The goal is to create a neighbourhood for innovation and entrepreneurship where people will want to work, live and grow. This is a good example of how we take full responsibility for campus environments that grow and evolve with new functions and operators, contributing to the long-term benefit of these centres of education.

## Praised as an employer

Our employees and their skills represent an important component in our efforts to create customer value. We have therefore dedicated considerable effort in recent years to our Employer Branding initiative to clarify both ourselves and the property industry in general as an exciting employer. Broadening the recruitment base by strongly focusing on diversity has been one of the most important issues. We are an attractive employer, as shown by Universum's surveys. In September, I had the great pleasure of accepting an award when Akademiska Hus was named the Best Employer Branding Company in 2016. The prize is awarded to companies that actively engage the entire organisation, from management to the line, while working strategically and providing inspiration. It feels like an acknowledgement that our systematic and long-term efforts will continue moving forward.

## Our performance for the third quarter

Net operating income for the third quarter is unchanged compared with the same period last year and totals SEK 1,030 million. The positive changes in property values amount to SEK 430 million, an increase of SEK 100 million. Profit after tax for the reporting period increased due to the changes in value and total SEK 926 million.

## AKADEMISKA HUS IN BRIEF

	2016 Jul-Sep	2015 Jul-Sep	2016 Jan-Sep	2015 Jan-Sep	Rolling 12 months Oct 2015- Sep 2016	2015 Full-year	2014 Full-year
Income from property management, SEK m	1,397	1,437	4,227	4,252	5,621	5,646	5,630
Net operating income, SEK m	1,030	1,024	2,935	2,917	3,758	3,740	3,717
Changes in value, properties, SEK m	430	330	2,488	1,446	3,697	2,655	3,529
Profit before tax, SEK m	1,199	1,070	4,703	3,950	6,894	6,141	6,261
Vacant space, rent, %	1.9	1.6	0.9	1.2	0.8	1.1	1.2
Vacant space, area, %	3.9	4.2	3.9	4.2	3.7	3.8	3.6
Fair value, properties, SEK m	71,085	64,758	71,085	64,758	71,085	66,575	61,437
of which properties under construction, SEK m	4,302	4,747	4,302	4,747	4,302	3,484	5,407
Yield, % (excluding properties under construction)					5.9	6.4	6.8
Yield, % (including properties under construction)					5.5	5.8	6.2
Net operating income, SEK/m					1,166	1,174	1,160
Return on operating capital, %					6.4	6.9	7.3
Return on equity, %					15.8	15.0	15.5
Equity ratio, %	40.9	46.8	40.9	46.8	40.9	40.7	48.0
Interest coverage ratio, % <sup>1</sup>	691	850	721	779	795	743	671
Loan-to-value ratio, %	38.6	31.0	38.6	31.0	38.6	36.6	30.7

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

## COMMENTS ON INCOME STATEMENT AND BALANCE SHEET ITEMS

## Third Quarter

Rental revenue during the third quarter amounted to SEK 1,358 million (1,387), a reduction of SEK 29 million mainly attributable to rent payments reflected in a one-off post of SEK 39 million during the third quarter of 2015. Operating costs fell slightly and amounted to SEK 150 million (157). Maintenance costs also decreased by SEK 46 million to SEK 113 million, which is due to higher project-related maintenance costs in 2015. Property administration increased by SEK 5 million to SEK 56 million (51). Net operating income increased by SEK 6 million to SEK 1,030 million.

The changes in property values amount to SEK 430 million (330) and are largely the result of reduced yield requirements and cost of capital, changes in cash flow due to ongoing projects approaching completion, and renegotiated leases. Net financial items improved by SEK 30 million to SEK -236 million. The positive change in value relates to financial instruments and can be explained by continued falling market interest rates and flatter return curves. Profit before tax for the third quarter was SEK 1,199 million (1,070). The increase can mainly be attributed to changes in property values.

## January–September 2016

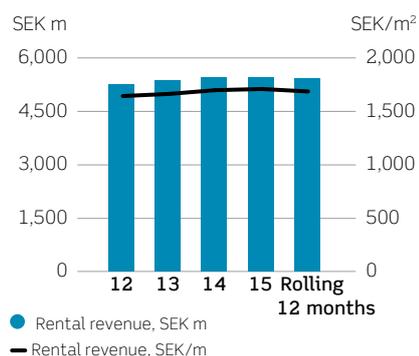
## Rental revenue

Rental revenue was SEK 4,098 million (4,109), a reduction of SEK 11 million. The completion of new buildings, including Ulls Hus in Uppsala, Malmö University and Arrhenius at Stockholm University, increased rental revenue, while one-off revenue in 2015 had a negative impact.

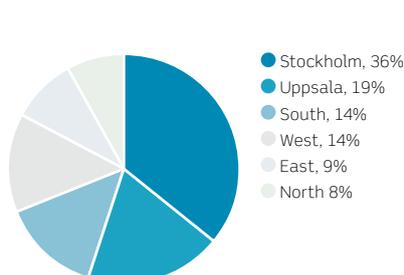
## Rental and vacancy levels

Property holdings at the close of the third quarter of 2016 amounted to 3.23 million square metres (3.20) of rentable area. In all, 128,000 square metres (135,000) of this space was vacant, for a vacancy rate of 3.9 per cent (4.2). The vacancy rate remained essentially unchanged compared with year-end. The vacant space has a distinctly lower rental value than the average for the holdings. In terms of value, the vacant space amounts to SEK 38.0 million (52.6) or just 0.9 per cent (1.2) of rental value. The largest individual blocks of vacant space can be found on the Ultuna Campus and amount to about 78,000 square metres. One reason is that Klinikcentrum (the Clinical Centre, KC) is almost vacant after tenants moved to the

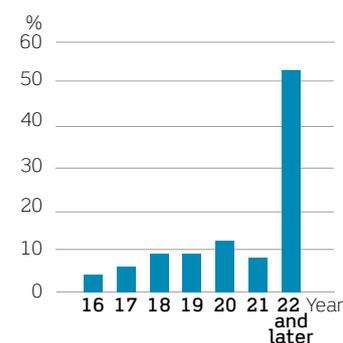
## RENTAL REVENUE



## RENTAL REVENUE PER REGION



## LEASE RENEWAL STRUCTURE



Centre for Veterinary Medicine and Animal Science (VHC). Vacant space for KC totalled approximately 30,000 square metres.

#### Leases

A characteristic feature of Akademiska Hus is long leases with colleges and universities. The average term of a newly signed lease is eleven years. At the end of the period, the average remaining lease term was 6.0 years (5.9). In the case of the complex specialist buildings for laboratory and research work, a lease is normally required where a large proportion of the investment is repaid during the term of the lease. In these cases, leases are signed with terms of 10, 15 or 20 years.

Akademiska Hus' predominant customer group, colleges and universities, accounts for approximately 90 per cent of total rental revenue. All customers comprising centres of education, apart from Chalmers University of Technology, have the Swedish state as principal and thus have the highest credit rating.

#### Operating and maintenance costs

Operating costs for the period amounted to SEK 553 million (568), equivalent to SEK 235/m<sup>2</sup> (247), calculated on a rolling 12-month basis. Of the operating costs, media provision amounted to SEK 370 million (376), equivalent to SEK 159/m<sup>2</sup> (167). The reduction in SEK per square metre can primarily be explained by our systematic work with energy efficiency.

Maintenance costs amounted to SEK 368 million (384). The reduction is due to higher project-related maintenance costs in 2015. The cost amounts to SEK 187/m<sup>2</sup> (186), calculated on a rolling 12-month basis. We continue to invest in maintenance in order to maintain the standard of our property holdings.

#### Property administration

Costs for property administration for the period amounted to SEK 200 million (239). The decrease is attributable to our decision last year to co-finance SEK 40 million for an expansion of the underground from Odenplan to Arenastaden. The project will be carried out with others, including the City of Stockholm and the City of Solna over the next five years.

#### Other property management expenses

Other property management expenses increased by SEK 27 million to SEK 171 million during the first nine months of the year compared with the same period last year due to fewer land and property sales.

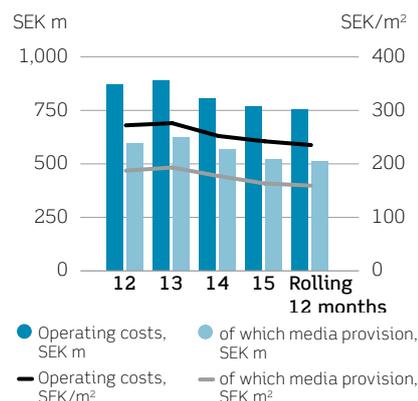
#### Changes in value, properties

The changes in property values for the period in the income statement amount to SEK 2,488 million (1,446), including changes in value realised for properties sold during the period of SEK 35 million (80). The changes in value are largely the result of reduced

### PROPERTIES

Change in property holdings, in SEK m	30-09-2016 Group	30-09-2015 Group	31-12-2015 Group
Opening fair value	66,575	61,437	61,437
+ Investment in new construction and redevelopment	2,044	1,891	2,497
+ Acquisitions	—	2	2
+ Capitalised interest expense	59	80	108
- Sales	-46	-18	-33
+/- Change in value, unrealised, for remaining properties	2,453	1,366	2,564
of which change in value due to a change in the cost of capital and yield requirement	1,403	674	1,245
of which change in value due to adjusted value index (valuation status, average remaining term, property type)	-115	66	256
of which capitalised interest expense	-59	-80	-108
of which other change in value	1,224	706	1,171
<b>CLOSING FAIR VALUE</b>	<b>71,085</b>	<b>64,758</b>	<b>66,575</b>

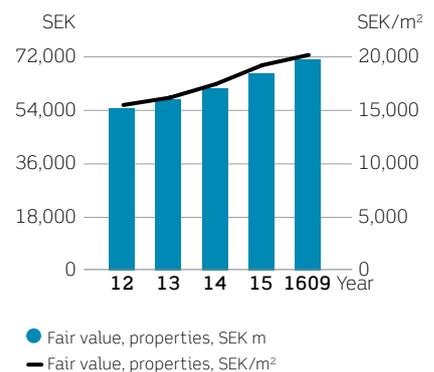
### OPERATING COSTS



### NET OPERATING INCOME



### FAIR VALUE, PROPERTIES



## case

## The Gbg7000 + collaborative project will eliminate the student accommodation shortage

In Gothenburg, Akademiska Hus is one of the participants in the Gbg7000+ collaborative project. Together with other participants such as the University of Gothenburg, Chalmers University of Technology and the foundation Stiftelsen Göteborgs Studentbostäder, we will contribute to the construction of at least 7,000 student housing units in and around Gothenburg between 2016 and 2026. With this initiative, we want to help to eliminate the current housing shortage and to ensure that the region does not risk falling behind, either in regional development or as a city where knowledge is pursued.

PHOTOS: OLA KJELBYE



yield requirements and cost of capital, changes in cash flow due to ongoing projects approaching completion, and renegotiated leases.

### Equity ratio

The Akademiska Hus Group's equity ratio at the end of the period was 40.9 per cent (46.8). The reduction is due to an adjustment of Akademiska Hus' capital structure to the owner's objective. On 19 October 2015 Akademiska Hus held an Extraordinary General Meeting, which resolved to pay an additional distribution of SEK 6,500 million to its owner, the Swedish state. The additional distribution was disbursed on several occasions, including SEK 4,500 million paid in 2015. The remaining SEK 2,000 million was paid on 1 April 2016.

### PROPERTY MARKET

The Swedish property market continues to be viewed as an investment with good risk-adjusted returns in the current low interest rate environment. Sweden demonstrates high growth despite economic and political uncertainty in the business environment. Domestic and international property investors are continuing to enjoy the benefits of the extraordinarily low interest rates. As of 30 September the year's transaction volume amounted to about SEK 120 billion, which when compared with the same period in 2015 represents an increase of approximately 28 per cent. Of this amount, SEK 31 billion is attributable to the third quarter, which historically entails lower activity compared with the other quarters. On the whole, however, transaction volumes are usually higher in the second half of the year than during the first. The transaction market is clearly dominated by domestic investors, who are mainly attracted by residential properties and residential projects. The housing shortage in big cities raises great political interest and the rate of construction is therefore expected to continue to rise. International investors primarily seek commercial properties and prime office space in the inner cities, which are investment objects for which domestic investors also have a strong preference.

Rent levels around the country continue to rise as demand for office space increases with employment in office-intensive indus-

tries. Vacancy rates remain low in downtown Stockholm and Gothenburg, as well as in Västra Hamnen by the water in Malmö, which explains the high prime rents in these areas. Prime rent in Stockholm rose sharply in the third quarter, while Gothenburg and Malmö remained at unchanged levels for some time. In all three cities individual agreements were signed at significantly higher levels than previously, exclusively for newly built properties.

Akademiska Hus has significant holdings in community properties in regional cities and metropolitan centres. Interest in community properties is steadily growing, especially for properties with publicly funded tenants with lease terms longer than 10 years. The market trend in the segment can be explained by the lower counterparty risk that is usually associated with community properties. A factor that continues to drive growth is the Government's growing investment in higher education. One uncertainty factor, however, is that colleges and universities have shown a slight decline in enrolment for students admitted to the autumn term of 2016 compared with 2015. Akademiska Hus works continually to develop its property portfolio with a focus on attractive campuses in order to create stimulating working and learning environments that promote learning.

### PROPERTY VALUATION

The fair value of Akademiska Hus properties as of September 2016 was SEK 71,085 million, compared with SEK 66,575 million at year-end. The increase in the fair value of SEK 4,510 million (6.8 per cent) is largely explained by the investments of SEK 2,044 million, and a continued favourable situation on the property market. Total property value includes new construction in progress of SEK 4,302 million (3,484). The fair value has been calculated by means of an internal property valuation covering all the Company's properties. Akademiska Hus' internal valuation model is described in greater detail in the 2015 annual report.

The average yield requirement was 5.6 per cent (5.7) and the average cost of capital was 7.8 per cent (7.8). Yield requirements and cost of capital declined during the third quarter by 0.05 percentage points for the strongest submarkets 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 during the quarter amounted to SEK 314 million. Each quarter Akademiska Hus engages two independent valuation institutes, NAI Svefa and Cushman & Wakefield, to verify the valuation conditions.

Properties worth SEK 46 million on the balance sheet were sold during the year. The divestments relate to land in Stockholm as well as the properties Maria Magle 6 and Lund Tegelbruket 7 in Lund.

In addition to financial parameters, the property value is affected by the level of vacant space, rent levels, net operating income, lease term, property category and type of customer. The change in value attributable to such business transactions as at 30 September 2016 amounts to SEK 1,050 million (692). The Akademiska Hus financial level of vacant space in recent years has been stable at around 1 per cent and it is expected to remain on that level for the next few years.

To assure the internal valuation, on two occasions each year selected properties are valued by external valuation companies authorised by the Swedish Society of Real Estate Economics. External valuations are used as a benchmark for the internal valuation, thereby confirming its reliability.

All property valuation includes assessments that are associated with a certain degree of uncertainty. A normal uncertainty range in conjunction with a property valuation is +/- five to ten per cent, which would be equivalent to approximately SEK +/- 3,550–7,100 million in the Akademiska Hus portfolio.

#### PROJECT OPERATIONS, INVESTMENTS AND SALES

The project portfolio with decided and planned projects totalled SEK 16,064 million, of which SEK 4,366 million has already been invested in ongoing projects. We also have a series of concept projects worth SEK 7,264 million. Concept projects refer to projects deemed probable, but that are uncertain in time and scope. The project portfolio refers to future investments over several years, with an emphasis on the Stockholm and Uppsala regions, where there are several large new construction and renovation projects. For further information about the large projects, reference can be made to the 2015 Annual Report.

PROJECT PORTFOLIO (SEK M)	30-09-2016	31-12-2015
Decided projects	13,630	9,610
Planned projects	2,434	7,865
<b>DECIDED AND PLANNED PROJECTS</b>	<b>16,064</b>	<b>17,475</b>
of which already invested in current projects	-4,366	-3,484
<b>REMAINDER OF DECIDED AND PLANNED PROJECTS</b>	<b>11,698</b>	<b>13,991</b>
Concept projects	7,264	5,301
<b>TOTAL REMAINING PROJECTS</b>	<b>18,962</b>	<b>19,292</b>

Net investment in properties during the period amounted to SEK 1,999 million (1,875). During the second quarter land was sold in Stockholm and one property was sold in Lund and during the third quarter land was sold in Lund. The total sales price was SEK 81 million. On 1 July 2015 contracts were signed for the sale of land in Ultuna, Uppsala. The buyer is expected to take possession in 2016 and 2017.

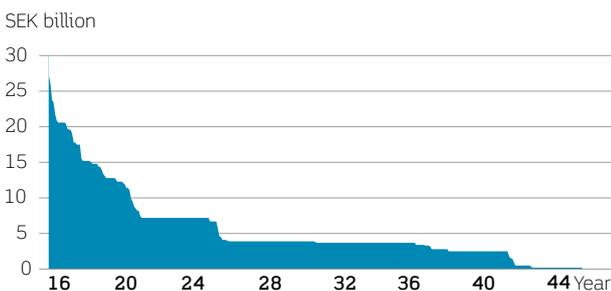
#### FINANCING

The period began in the wake of the UK referendum with the surprising outcome of an exit from the EU. Already low global interest rates dropped to even lower levels and rates in Sweden remained around this new level during the quarter. Upcoming negotiations between the EU and the UK constitute an uncertainty factor that will continue to be a challenge for financial markets to value.

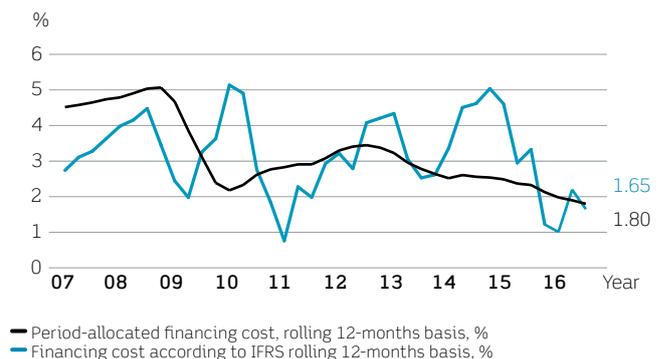
The central banks have pursued quantitative easing for a long time, and in recent times the focus has been on using the fiscal measures as an opportunity to kick-start economic activity. Moreover, politicians have questioned the low-interest rate policy, which could weaken confidence in the currently pursued monetary policy.

In general, the mood during the quarter has been cautious. Market participants have been waiting for signs indicating where the economy is headed, which has also caused central banks to move cautiously forward. The ECB decided at its most recent meeting not to discuss issues related to the extension of quantitative easing, while the financial markets had expected pronounced support for continued low interest rates. The surprise had an impact on both the stock market and interest rates. The reaction shows how sensitive the market is to indications that monetary easing will not last forever.

#### DEBT MATURITY



#### COMPARISONS, DIFFERENT CALCULATIONS OF FINANCING COST



Nevertheless, despite Brexit and political uncertainty, risk premiums have fallen during the quarter. Quantitative easing and corporate bond purchases by the central banks have contributed to lower credit spreads. We have noted a high level of activity in the bond market with investors seeking fixed income assets in an environment of central bank stimulus. Akademiska Hus maintained slightly higher liquidity reserves than previously to address the uncertainty related to Brexit. The turbulence in the financial markets did not materialise, however, probably thanks to reassurance from several central banks that they were well-prepared to supply liquidity should the need arise. In the aftermath of these events Akademiska Hus reduced its liquidity reserves somewhat, and we have had slightly less activity in the ECP market. During the quarter, we completed a bond issue for SEK 1,000 million with a maturity of five-years. We have issued a total of almost SEK 4,000 million to date this year, including approximately SEK 1,000 million denominated in foreign currency.

Fixed interest period and maturity are generally somewhat shorter than at year-end.

#### Net loan liability

The table below shows the fixed interest period and maturity structure for the net liability portfolio.

#### FIXED INTEREST PERIOD AND MATURITY

	SEK m	Fixed interest, years, Sep 2016	Fixed interest, years, Dec 2015	Maturity, years, Sep 2016	Maturity, years, Dec 2015
Non-current portfolio	3,613	23.9	24.7	23.9	24.7
Basic portfolio	23,108	4.1	3.6	2.6	2.6
Index-linked bond portfolio	900	6.0	6.8	6.0	6.8
Total portfolio		6.8	6.9	5.5	6.1

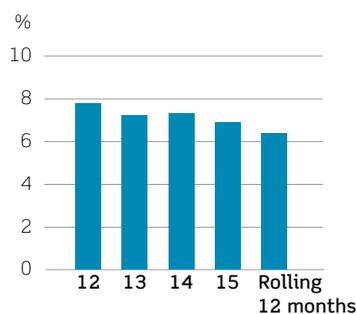
#### Net financial income/expense

Net interest income and expense totalled SEK –657 million (–362), of which SEK –418 (–103) relates to changes in value of financial derivatives. SEK –131 million (22) of the change in value is unrealised and SEK –287 million is realised (–125). The changes in value can be explained by continued falling market interest rates and flatter return curves. Net interest income and expense is equivalent to an interest cost of 3.33 per cent (2.76) during the period in which the changes in value correspond to an increase in interest expense of 1.98 percentage points (0.65). Interest-bearing net loan liability increased by SEK 3,548 million since year-end and amounted to SEK 27,472 million at the end of the period. The interest coverage ratio, calculated on the cash flow impact of net interest income and expense, amounted to 795 per cent (766), calculated on a rolling 12-month basis.

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

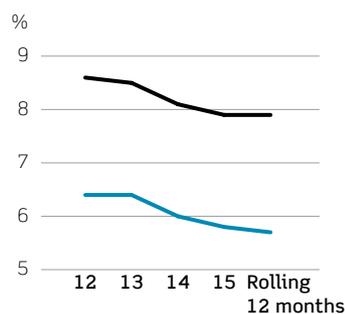
	01-01-2016–30-09-2016	01-01-2015–30-09-2015	01-01-2015–31-12-2015
Interest cost, net loans and financial assets	-185	-238	-309
Net interest derivatives	-101	-93	-129
Change in value, independent financial derivatives			
–unrealised	-165	53	256
–realised	-287	-125	-132
Changes in value, fair value hedges	34	-31	41
Other interest costs	-11	-9	-17
Capitalised interest expense, projects	58	81	108
<b>Reported net interest income and expense</b>	<b>-657</b>	<b>-362</b>	<b>-182</b>

#### RETURN ON OPERATING CAPITAL



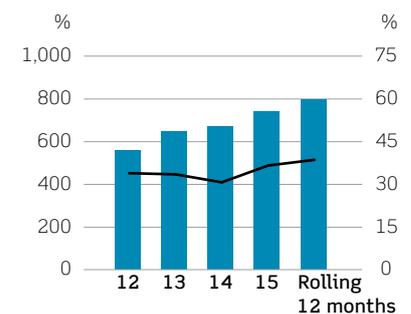
● Return on operating capital, %

#### YIELD REQUIREMENT AND COST OF CAPITAL



— Yield target, %  
— Cost of capital, %

#### INTEREST COVERAGE RATIO AND LOAN-TO-VALUE RATIO



● Interest coverage, % — Loan-to-value ratio, %

## FINANCING COST, BREAKDOWN

	01-01-2016- 30-09-2016	01-01-2015- 30-09-2015	01-01-2015- 31-12-2015
Loan financing cost, including charges, %	0.87	1.52	1.38
Interest swaps, net interest, %	0.48	0.59	0.58
<b>Financing cost, %</b>	<b>1.35</b>	<b>2.11</b>	<b>1.96</b>
Changes in value, financial derivatives, %	1.98	0.65	-0.74
<b>Total financing cost, %</b>	<b>3.33</b>	<b>2.76</b>	<b>1.22</b>

## Effect of financial derivatives on profit

Independent interest rate derivatives are reported at market value (fair value) and variations in market value are recognised in net interest income and expense. Interest derivatives are mainly entered into with the aim of extending the fixed interest period in the liability portfolio, which largely consists of financing at variable interest rates. Falling interest rates entail a negative impact on profit from these interest rate derivatives; the opposite is true when interest rates rise. The changes in value relate to the changed current value of future cash flows from interest rate derivatives, at prevailing interest rates. Consequently these do not have any immediate effect on cash flow, as long as they remain unrealised. Certain interest rate derivatives are closed and settled on an ongoing basis (monthly or quarterly) and replaced with new ones, which means that profits are continuously realised. Falling interest rates, combined with interest rate derivatives for purposes of extension, mean that interest expense will be higher than if the extension had not been implemented. However, the lower interest rate can be used when refinancing and with sales of fixed interest at a later date. Over time no surplus or deficit values of interest rate derivatives will remain at maturity.

The currency and interest risks that arise in conjunction with long-term financing, usually bonds in foreign currency, are hedged with currency-interest rate swaps. The changes in value for each instrument can be attributed to changes in both exchange rates and interest rates. Hedge accounting is applied for these forms of financing, where only the inefficiencies that arise due to different valuation practices are recognised in the income statement.

## RISK MANAGEMENT

The Board decides each year on long-term development, the strategic plan, the competitive situation and total risk exposure. The Board of Directors has routines and processes for examining how

the organisation handles the risks that can arise in business operations. This means that risks can be identified, analysed, assessed and handled effectively. Major disputes are reported on an ongoing basis to the Board of Directors. Among other things, an Audit Committee handles matters related to financial risk, reporting and control, as well as property valuation. In addition, there is a Finance Committee, which follows financial risks in more detail and prepares the means to handle these risks.

Regarding changes in value, reporting according to IFRS means that properties are recorded at fair value in the Balance Sheet and that the changes in value affect the Income Statement. The value of the properties is determined by general market factors such as risk premiums, availability and demand on the property market as well as specific circumstances related to the properties.

Rental revenue is assured through long leases. The average term for a newly signed lease with Akademiska Hus is 11 years and the average remaining lease term is 6.0 years. Follow up of vacant space is a top priority and special measures are prepared. Vacant space for the period was 3.9 per cent of the floor space and 0.9 per cent of the rental value. Compared with other property companies the level of vacant space at Akademiska Hus is very low.

Akademiska Hus is not exposed fully to increases in operating costs as more than 60 per cent of the cost of media provision is passed on to tenants as a rent supplement.

The use of energy is hedged to offset any price increases. The purchase of energy takes place directly through Nord Pool and is governed by the Company's "Guidelines for Purchasing Electricity".

Maintenance costs are largely variable and can be reduced to counter a decrease in profit or increase in vacant space. The management organisation is working on maintenance planning for each individual building. The measures taken over the years have meant that the property holdings are now well maintained.

Akademiska Hus carries on financing operations with well-adapted strategies, striking a balance between financial risks and a low financing cost. The Finance Policy decided by the Board of Directors lays down the Group's risk approach and how exposure to financial risks will be handled. The interest risk in the liability portfolio is handled within a separate fixed interest mandate.

For a more detailed description of Akademiska Hus' risk management, please see the 2015 Annual Report.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

No events of a material nature occurred after the end of the reporting period.

## 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	Impact on fair value, percentage points
Rental revenue, +/- one per cent	54	0.1	399	0.6
Vacant space, +/- one percentage point	56	0.1	-420	-0.6
Operating costs, +/- one per cent	8	0.0	79	0.1
of which media provision	5	0.0	39	0.1
Cost of capital, + one percentage point	-4,298	0.2	-4,298	-6.1
Cost of capital, - one percentage point	4,727	-0.3	4,727	6.7
Yield target, + one percentage point	-5,488	0.3	-5,488	-7.7
Yield target, - one percentage point	8,009	-0.4	8,009	11.3

## CONSOLIDATED INCOME STATEMENT

## CONSOLIDATED INCOME STATEMENT, SUMMARY, SEK M

	2016 Jul-Sep	2015 Jul-Sep <sup>1</sup>	2016 Jan-Sep	2015 Jan-Sep <sup>1</sup>	Rolling 12 months Oct 2015- Sep 2016 <sup>1</sup>	2015 Full-year <sup>1</sup>
Rental revenue	1,358	1,387	4,098	4,109	5,439	5,450
Other property management income	39	50	129	143	182	196
Total property management income	1,397	1,437	4,227	4,252	5,621	5,646
Operating costs	-150	-157	-553	-568	-756	-771
Maintenance costs	-113	-159	-368	-384	-602	-618
Property administration	-56	-51	-200	-239	-277	-316
Other property management expenses	-48	-46	-171	-144	-228	-201
Total costs from property management	-367	-413	-1,292	-1,335	-1,863	-1,906
<b>NET OPERATING INCOME</b>	<b>1,030</b>	<b>1,024</b>	<b>2,935</b>	<b>2,917</b>	<b>3,758</b>	<b>3,740</b>
Central administration costs	-25	-18	-63	-51	-84	-72
Changes in value, properties	430	330	2,488	1,446	3,697	2,655
<b>PROFIT BEFORE FINANCIAL ITEMS</b>	<b>1,435</b>	<b>1,336</b>	<b>5,360</b>	<b>4,312</b>	<b>7,371</b>	<b>6,323</b>
Net financial income/expense	-236	-266	-657	-362	-477	-182
<b>PROFIT BEFORE TAX</b>	<b>1,199</b>	<b>1,070</b>	<b>4,703</b>	<b>3,950</b>	<b>6,894</b>	<b>6,141</b>
Tax	-273	-235	-1,040	-869	-1,532	-1,361
<b>PROFIT FOR THE PERIOD</b>	<b>926</b>	<b>835</b>	<b>3,663</b>	<b>3,081</b>	<b>5,362</b>	<b>4,780</b>
Of which attributable to the shareholder in the Parent Company	926	835	3,663	3,081	5,362	4,780
<b>PROFIT PER SHARE</b>						
Profit per share, SEK	434	391	1,716	1,443		2,239
Profit per share after dilution, SEK	434	391	1,716	1,443		2,239
Number of shares, average and at the period-end	2,135,000	2,135,000	2,135,000	2,135,000		2,135,000

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, SUMMARY, SEK M

	2016 Jul-Sep	2015 Jul-Sep <sup>1</sup>	2016 Jan-Sep	2015 Jan-Sep <sup>1</sup>	Rolling 12 months Oct 2015- Sep 2016 <sup>1</sup>	2015 Full-year <sup>1</sup>
Profit for the period	926	835	3,663	3,081	5,362	4,780
Items that have been reclassified or can be reclassified to profit for the period						
Profit/loss from cash flow hedges	15	-14	41	-17	37	-21
Tax attributable to cash flow hedges	-3	3	-9	3	-9	3
Cash flow hedges reversed to profit or loss	—	1	1	3	3	5
Items that cannot be reclassified to profit for the period						
Revaluation of defined benefit pensions	—	—	—	—	22	22
Tax attributable to pensions	—	—	—	—	-5	-5
<b>TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>12</b>	<b>-10</b>	<b>33</b>	<b>-11</b>	<b>48</b>	<b>4</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>938</b>	<b>825</b>	<b>3,696</b>	<b>3,070</b>	<b>5,410</b>	<b>4,784</b>
Of which attributable to the shareholder in the Parent Company	938	825	3,696	3,070	5,410	4,784

1) 2015 figures have been adjusted to facilitate comparison. The reason is the change in accounting of tenant improvements. In addition, the distribution between property administration costs and central administration has changed.

## CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY, SEK M	30-09-2016	30-09-2015	31-12-2015
<b>ASSETS</b>			
Non-current assets			
Tangible non-current assets			
Properties	71,085	64,758	66,575
Equipment, fixtures and fittings	12	16	14
Total tangible, non-current assets	71,097	64,774	66,589
Financial assets			
Derivatives	2,493	1,652	1,658
Other non-current receivables	232	308	343
Total financial assets	2,725	1,960	2,001
Total non-current assets	73,822	66,734	68,590
Current assets			
Current receivables			
Derivatives	57	477	251
Other current receivables	1,850	1,223	1,287
Total current receivables	1,907	1,700	1,538
Cash and cash equivalents			
Cash and cash equivalents	4,228	6,547	4,305
Total cash and cash equivalents	4,228	6,547	4,305
Total current assets	6,135	8,247	5,843
<b>TOTAL ASSETS</b>	<b>79,957</b>	<b>74,981</b>	<b>74,433</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	32,677	35,057	30,271
<b>LIABILITIES</b>			
Non-current liabilities			
Loans	22,634	14,457	18,622
Derivatives	991	699	602
Deferred tax	9,551	8,309	8,761
Other non-current liabilities	498	470	452
Total non-current liabilities	33,674	23,935	28,437
Current liabilities			
Loans	9,665	11,823	9,777
Derivatives	157	200	217
Other current liabilities	3,784	3,966	5,731
Total current liabilities	13,606	15,989	15,725
Total liabilities	47,280	39,924	44,162
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>79,957</b>	<b>74,981</b>	<b>74,433</b>
<b>NOTE</b>			
Pledged assets	595	520	589
Contingent liabilities	4	4	4

## GROUP EQUITY AND STATEMENTS OF CASH FLOWS

CHANGES IN GROUP EQUITY IN BRIEF,  
SEK M

Attributable to the Parent Company's shareholder

	Share capital	Other contributed capital	Hedge reserve	Actuarial profit and loss	Profit for the year brought forward	Total equity
<b>EQUITY, 01-01-2015</b>	<b>2,135</b>	<b>2,135</b>	<b>-19</b>	<b>23</b>	<b>29,158</b>	<b>33,432</b>
Dividends <sup>1</sup>	—	—	—	—	-1,445	-1,445
Reductions in share capital <sup>2</sup>	-5,000	—	—	—	5,000	0
Bonus issues <sup>2</sup>	5,000	—	—	—	-5,000	0
Total comprehensive income, Jan.-Sept. 2015	—	—	-11	—	3,081	3,070
<b>EQUITY, 30-09-2015</b>	<b>2,135</b>	<b>2,135</b>	<b>-30</b>	<b>23</b>	<b>30,794</b>	<b>35,057</b>
Additional distribution <sup>1</sup>	—	—	—	—	-6,500	-6,500
Total comprehensive income, Oct.-Dec. 2015	—	—	-2	17	1,699	1,714
<b>EQUITY, 31-12-2015</b>	<b>2,135</b>	<b>2,135</b>	<b>-32</b>	<b>40</b>	<b>25,993</b>	<b>30,271</b>
Dividend	—	—	—	—	-1,290	-1,290
Total comprehensive income, Jan.-Sept. 2016	—	—	33	—	3,663	3,696
<b>EQUITY, 30-09-2016</b>	<b>2,135</b>	<b>2,135</b>	<b>1</b>	<b>40</b>	<b>28,366</b>	<b>32,677</b>

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

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

## CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY, SEK M

	2016 Jan-Sep	2015 Jan-Sep	2015 Jan-Dec
<b>CURRENT OPERATIONS</b>			
Profit before tax	4,703	3,950	6,141
Adjustment for items not included in the cash flow	-2,617	-1,545	-3,054
Tax paid	-303	-286	-296
<b>CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL</b>	<b>1,783</b>	<b>2,119</b>	<b>2,791</b>
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL</b>			
Increase (-)/decrease (+) in current receivables	-520	-275	-373
Increase (+)/decrease (-) in current liabilities	84	-143	-394
<b>CASH FLOW FROM CURRENT OPERATIONS</b>	<b>1,347</b>	<b>1,701</b>	<b>2,024</b>
<b>INVESTMENTS</b>			
Investment in properties	-2,044	-1,893	-2,499
Sale of properties	81	82	124
Investment in other non-current assets	-3	-6	-7
Increase in non-current receivables	-464	—	—
Decrease in non-current receivables	—	330	651
<b>CASH FLOW FROM INVESTMENTS</b>	<b>-2,430</b>	<b>-1,487</b>	<b>-1,731</b>
<b>FINANCING ACTIVITIES</b>			
Raising of interest-bearing loans, excluding refinancing	4,296	3,220	5,399
Dividend paid	-3,290	-1,445	-5,945
<b>CASH FLOW FROM FINANCING</b>	<b>1,006</b>	<b>1,775</b>	<b>-546</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>-77</b>	<b>1,989</b>	<b>-253</b>
Opening cash and cash equivalents	4,305	4,558	4,558
Closing cash and cash equivalents	4,228	6,547	4,305

## SEGMENT INFORMATION

## CONSOLIDATED SEGMENT SUMMARY

SEGMENT INFORMATION 01-01-2016-30-09-2016, SEK M	South	West	East	Uppsala	Stockholm	North	Total, operating segments	Other opera- tions <sup>1</sup>	Group
Revenue, including other operating revenue	596	594	394	780	1,519	344	4,227	—	4,227
Property management costs, including other operating costs	-174	-186	-101	-183	-449	-101	-1,194	-98	-1,292
<b>NET OPERATING INCOME</b>	<b>422</b>	<b>408</b>	<b>293</b>	<b>597</b>	<b>1,070</b>	<b>243</b>	<b>3,033</b>	<b>-98</b>	<b>2,935</b>
Central administration costs									-63
Changes in value, properties									2,488
<b>PROFIT BEFORE FINANCIAL ITEMS</b>									<b>5,360</b>
Net financial income/expense									-657
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>									<b>4,703</b>
Total assets include:									
Properties	8,120	8,672	5,027	13,559	31,058	4,649	71,085	—	71,085
of which invested during the year	54	221	44	403	1,128	194	2,044	—	2,044
<b>SEGMENT INFORMATION 01-01-2015-30-09-2015, SEK M</b>									
Revenue, including other operating revenue	601	585	402	828	1,477	359	4,252	—	4,252
Property management costs, including other operating costs	-193	-172	-107	-227	-408	-136	-1,243	-92	-1,335
<b>NET OPERATING INCOME</b>	<b>408</b>	<b>413</b>	<b>295</b>	<b>601</b>	<b>1,069</b>	<b>223</b>	<b>3,009</b>	<b>-92</b>	<b>2,917</b>
Central administration costs									-51
Changes in value, properties									1,446
<b>PROFIT BEFORE FINANCIAL ITEMS</b>									<b>4,312</b>
Net financial income/expense									-362
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>									<b>3,950</b>
Total assets include:									
Properties	8,267	7,717	4,935	12,616	26,924	4,299	64,758	—	<b>64,758</b>
of which invested during the year	183	90	17	208	1,314	81	1,893	—	<b>1,893</b>
<b>SEGMENT INFORMATION 01-01-2015-31-12-2015, SEK M</b>									
Revenue, including other operating revenue	801	780	536	1,060	1,986	482	5,645	1	5,646
Property management costs, including other operating costs	-272	-259	-148	-271	-631	-188	-1,769	-137	-1,906
<b>NET OPERATING INCOME</b>	<b>529</b>	<b>521</b>	<b>388</b>	<b>789</b>	<b>1,355</b>	<b>294</b>	<b>3,876</b>	<b>-136</b>	<b>3,740</b>
Central administration costs									-72
Changes in value, properties									2,655
<b>PROFIT BEFORE FINANCIAL ITEMS</b>									<b>6,323</b>
Net financial income/expense									-182
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>									<b>6,141</b>
Total assets include:									
Properties	8,191	8,124	4,935	12,691	28,214	4,420	66,575	—	<b>66,575</b>
of which invested during the year	208	125	26	242	1,752	146	2,499	—	<b>2,499</b>

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

## PARENT COMPANY INCOME STATEMENTS

PARENT COMPANY INCOME STATEMENT, SUMMARY, SEK M	2016 Jul-Sep	2015 Jul-Sep <sup>1</sup>	2016 Jan-Sept	2015 Jan-Sep <sup>1</sup>	2015 Full-year <sup>1</sup>
Rental revenue	1,358	1,387	4,098	4,109	5,450
Other property management income	53	49	165	224	300
Total property management income	1,411	1,436	4,263	4,333	5,750
Operating costs	-149	-156	-551	-566	-769
Maintenance costs	-113	-159	-368	-384	-618
Property administration	-53	-46	-191	-223	-297
Other property management expenses	-50	-46	-162	-145	-204
Total costs from property management	-365	-407	-1,272	-1,318	-1,888
<b>NET OPERATING INCOME</b>	<b>1,046</b>	<b>1,029</b>	<b>2,991</b>	<b>3,015</b>	<b>3,862</b>
Central administration costs	-25	-18	-63	-51	-72
Depreciation and impairment as well as reversed impairment in property management	-297	-420	-771	-1,155	-1,598
<b>PROFIT BEFORE FINANCIAL ITEMS</b>	<b>724</b>	<b>591</b>	<b>2,157</b>	<b>1,809</b>	<b>2,192</b>
Net financial income/expense	-254	-277	-715	-443	-290
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>470</b>	<b>314</b>	<b>1,442</b>	<b>1,366</b>	<b>1,902</b>
Appropriations	—	—	—	—	-158
<b>PROFIT BEFORE TAX</b>	<b>470</b>	<b>314</b>	<b>1,442</b>	<b>1,366</b>	<b>1,744</b>
Tax	-113	-68	-323	-300	-394
<b>PROFIT FOR THE PERIOD</b>	<b>357</b>	<b>246</b>	<b>1,119</b>	<b>1,066</b>	<b>1,350</b>
<b>PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME, SUMMARY SEK M</b>	<b>2016 Jul-Sep</b>	<b>2015 Jul-Sep<sup>1</sup></b>	<b>2016 Jan-Sept</b>	<b>2015 Jan-Sep<sup>1</sup></b>	<b>2015 Full-year<sup>1</sup></b>
Profit for the period	357	246	1,119	1,066	1,350
Items that have been reclassified or can be reclassified to profit for the period					
Profit/loss from cash flow hedges	15	-13	41	-16	-21
Tax attributable to cash flow hedges	-3	3	-9	3	4
Cash flow hedges reversed to profit or loss	—	1	1	3	5
<b>TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>12</b>	<b>-9</b>	<b>33</b>	<b>-10</b>	<b>-12</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>369</b>	<b>237</b>	<b>1,152</b>	<b>1,056</b>	<b>1,338</b>
<b>PROFIT PER SHARE</b>					
Profit per share, SEK	173	111	540	495	627
Profit per share after dilution, SEK	173	111	540	495	627
Number of shares, average and at the period-end	2,135,000	2,135,000	2,135,000	2,135,000	2,135,000

1) 2015 figures have been adjusted to facilitate comparison. The reason is the change in accounting of tenant improvements. In addition, the distribution between property administration costs and central administration has changed.

## PARENT COMPANY BALANCE SHEETS

## PARENT COMPANY BALANCE SHEET, SUMMARY, SEK M

	30-09-2016	30-09-2015	31-12-2015
<b>ASSETS</b>			
Non-current assets			
Tangible non-current assets			
Properties	41,142	39,740	39,900
Equipment, fixtures and fittings	12	16	14
Total tangible, non-current assets	41,154	39,756	39,914
Financial assets			
Shares in Group companies	1	1	1
Derivatives	2,493	1,652	1,658
Other non-current receivables	232	308	343
Total financial assets	2,726	1,961	2,002
Total non-current assets	43,880	41,717	41,916
Current assets			
Current receivables			
Derivatives	57	477	251
Other current receivables	1,850	1,223	1,287
Total current receivables	1,907	1,700	1,538
Cash and bank balances			
Cash and bank balances	4,228	6,547	4,304
Total cash and bank balances	4,228	6,547	4,304
Total current assets	6,135	8,247	5,842
<b>TOTAL ASSETS</b>	<b>50,015</b>	<b>49,964</b>	<b>47,758</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	6,422	12,778	6,560
Untaxed reserves	3,850	3,693	3,850
Non-current liabilities			
Loans	22,634	14,457	18,622
Derivatives	991	699	602
Deferred tax	2,146	2,026	2,074
Other non-current liabilities	362	320	323
Total non-current liabilities	26,133	17,502	21,621
Current liabilities			
Loans	9,665	11,823	9,777
Derivatives	157	200	217
Other current liabilities	3,788	3,968	5,733
Total current liabilities	13,610	15,991	15,727
Total liabilities	39,743	33,493	37,348
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>50,015</b>	<b>49,964</b>	<b>47,758</b>
<b>NOTE</b>			
Pledged assets	595	520	589
Contingent liabilities	4	4	4

## PARENT COMPANY'S EQUITY

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

	Restricted equity		Non-restricted equity		Total equity
	Share capital	Statutory reserve	Fair value reserve	Profit for the year brought forward	
<b>EQUITY, 01-01-2015</b>	<b>2,135</b>	<b>2,135</b>	<b>-19</b>	<b>3,917</b>	<b>8,168</b>
Dividends <sup>1</sup>	—	—	—	-1,445	-1,445
Reductions in share capital <sup>2</sup>	-5,000	—	—	5,000	0
Bonus issues <sup>2</sup>	5,000	—	—	—	5,000
Total comprehensive income, Jan.-Sept. 2015	—	—	-10	1,066	1,056
<b>EQUITY, 30-09-2015</b>	<b>2,135</b>	<b>2,135</b>	<b>-29</b>	<b>8,538</b>	<b>12,778</b>
Additional distribution <sup>1</sup>	—	—	—	-6,500	-6,500
Total comprehensive income, Oct.-Dec. 2015	—	—	-2	284	282
<b>EQUITY, 31-12-2015</b>	<b>2,135</b>	<b>2,135</b>	<b>-31</b>	<b>2,322</b>	<b>6,560</b>
Dividend	—	—	—	-1,290	-1,290
Total comprehensive income, Jan.-Sept. 2016	—	—	33	1,119	1,152
<b>EQUITY, 30-09-2016</b>	<b>2,135</b>	<b>2,135</b>	<b>2</b>	<b>2,151</b>	<b>6,422</b>

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

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

## NOTE 1 ACCOUNTING POLICIES

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

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

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

### New accounting policies 2016

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

## NOTE 2 ALTERNATIVE PERFORMANCE MEASURES

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

### Return on equity

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

### Return on operating capital

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

### Return on total assets

Earnings before financial items plus financial income in relation to the average total equity and liabilities (IB+UB)/2.

### Loan-to-value ratio

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

### Yield

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

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

### Net operating income ratio

Net operating income in relation to property management income.

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

### Financing cost according to IFRS

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

### Interest coverage ratio

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

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

### Period-allocated financing cost

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

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

SEK M	01-01-2016- 30-9-2016	01-01-2015- 30-09-2015	01-01-2015- 31-12-2015
Interest cost, net loans and financial assets	-185	-238	-309
Net interest derivatives	-101	-93	-129
Change in value, independent financial derivatives			
-unrealised	-165	53	256
-realised	-287	-125	-132
Changes in value, fair value hedges	34	-31	41
Other interest costs	-11	-9	-17
Capitalised interest expense, projects	58	81	108
<b>Reported net interest income and expense</b>	<b>-657</b>	<b>-362</b>	<b>-182</b>
<b>Fixed income funds - asset (full-year basis)</b>	<b>-27,883</b>	<b>-21,003</b>	<b>-22,397</b>

### Net investments

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

### Net loan liability

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

SEK M	01-01-2016- 30-9-2016	01-01-2015- 30-09-2015	01-01-2015- 31-12-2015
Loans	-32,299	-26,280	-28,399
Derivatives - liabilities	-1,149	-899	-819
Collateral for derivatives	-1,515	-1,601	-1,380
Cash and cash equivalents	4,228	6,547	4,304
Other current receivables	713	—	461
Derivatives receivables	2,550	2,129	1,909
<b>Total net loan liability</b>	<b>-27,472</b>	<b>-20,104</b>	<b>-23,924</b>

### Operating capital

Equity plus net loan liabilities.

### Equity ratio

Equity in relation to Total equity and liabilities.

### Total yield

Direct yield from properties and their change in value, expressed in per cent.

## NOTE 3 FINANCIAL OBJECTIVES

The owner's financial objectives are as follows:

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

## PARENT COMPANY

Akademiska Hus AB is the Parent Company in the Akademiska Hus Group and is wholly owned by the Swedish state. Operations comprise mainly owning and managing university and college properties. The majority of the Group's revenue is derived from leasing property for education purposes under government auspices.

### Revenue and profit/loss

The Company's sales for the period amounted to SEK 4,263 million (4,333). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). The profit before financial items was SEK 2,157 million (1,809) and net financial income/expense was SEK -715 million (-443). Profit after tax was SEK 1,119 million (1,066).

### Depreciation

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

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

### Investments

Investment in machinery and equipment amounted to SEK 3 million (6) and in properties to SEK 2,044 million (1,893).

### Equity

Equity totalled SEK 6,422 million compared with SEK 6,560 million at year-end. On 28 April 2016 the Annual General Meeting resolved on a dividend of SEK 604.22 (676.81) per share, a total of SEK 1,290 million that was paid during the second quarter.

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

Gothenburg, 25 October 2016

Kerstin Lindberg Göransson  
*President*

**The auditor's report on the general review of interim financial information (interim report) has been prepared in accordance with IAS 34 and Chapter 9, Annual Accounts Act (1955:1554)**

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

**Introduction**

We have performed a limited review of the interim financial information (the interim report) for Akademiska Hus AB (publ) as at September 30, 2016 and the nine month period ending on that date. The Board and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the

Entity. A general review involves making inquiries, mainly of individuals responsible for financial and accounting matters, applying analytical and other review procedures. A review has a different focus and significantly narrower scope than the orientation and scope of an audit in accordance with ISA and generally accepted auditing standards. The review procedures that are followed during a general review do not enable us to achieve a sufficient level of assurance to guarantee that we identify all significant circumstances that would have been identified by an audit. The conclusion reached from a general review does not therefore carry the same level of confidence as a conclusion based on an audit.

**Conclusion**

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

Gothenburg, 25 October 2016  
KPMG AB

Björn Flink  
*Authorised Public Accountant*

## DEFINITIONS

## DEFINITIONS/GLOSSARY

**Operating costs**

Operating costs are costs incurred to keep a property, installation or similar facility functioning. Operating costs are divided into media provision, monitoring and service.

**Property administration**

Cost of management, day-to-day accounting administration, leasing, contact with tenants, handling of registers, contracts and drawings, technical planning and follow-up and human resource administration.

**Rental revenue**

The basic rent, index-linked, and estimated rent for vacant rentable floor space and supplements, with a deduction for vacancies and rent reductions.

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

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

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

Rentable floor space in square metres.

**Maintenance costs**

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

**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.

**CONTACT PERSONS**

Kerstin Lindberg Göransson, President  
Telephone: +46 708 91 61 10  
E-mail: Kerstin.LindbergGoransson@akademiskahus.se

Catarina Fritz, CFO  
Telephone: +46 703 42 94 69  
E-mail: catarina.fritz@akademiskahus.se

**ADDRESS: GROUP OFFICE**

Akademiska Hus AB  
Stampgatan 14  
Box 483  
SE-401 27 Gothenburg

Telephone: +46 31 63 24 00  
URL: [www.akademiskahus.se](http://www.akademiskahus.se)  
E-mail: [info@akademiskahus.se](mailto:info@akademiskahus.se)  
Reg. no.: 556459-9156

**REPORT CALENDAR**

Year-end report 2016	15 February 2017
Annual Report 2016	31 March 2017
Annual General Meeting	28 April 2017
Interim Report January-March 2017	28 April 2017
Interim Report January-June 2017	14 July 2017
Interim Report January-September 2017	25 October 2017



AKADEMISKA HUS