

Year-end report

Quarter

4

1 January - 31 December 2017

Strong property market strengthens earnings

Akademiska Hus shows a strong performance for 2017, mainly as a result of positive changes in the value of its property holdings. In its work developing future knowledge environments decisions regarding a number of major investments have been taken, including development of the Ångström Laboratory in Uppsala.

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

Key events during the quarter

- Akademiska Hus has decided to invest about SEK 1.2 billion in the development of the Ångström Laboratory in Uppsala. The initiative includes two additions of 30,000 square metres, where the Uppsala University's internationally renowned research and education can expand in an interdisciplinary environment.
- A construction project to build housing for 400 undergraduate and graduate students at Karolinska Institutet is now underway. The residences are being built on the Solna Campus in direct proximity to the growing Hagastaden neighbourhood. Akademiska Hus is investing over SEK 430 million in the project, with occupancy expected in phases during 2019/2020.
- The library at Karlstad University was designated Green Building of the Year (Årets Miljöbyggnad) at the 2017 Sweden Green Building Awards ceremony. The fifteen-year-old building is also the oldest building in Sweden to be upgraded to meet the standards for Miljöbyggnad certification at the gold level.
- To make Sweden's campuses even more sustainable, Akademiska Hus has invested in a number of new solar parks, including at Chalmers in Gothenburg and the Umeå Campus. With three new facilities also deployed in Linköping, Campus Valla is now the campus among Akademiska Hus' holdings that has the largest percentage of solar power.
- In December the second phase of the renovation of the former School of Architecture in Stockholm was completed. As a result, room was created for a new generation of creative young businesses in the A house innovation arena.

Financial key figures

FULL YEAR

- Rental revenue was SEK 5,582 million (5,482).
- Net operating income was SEK 3,829 million (3,667), an increase of SEK 162 million, which is largely attributable to completion of new buildings and an additional consideration.
- Changes in property values with an impact on profit totalled SEK 4,979 million (3,682), corresponding with a 6.8 per cent (5.5) increase in the value of the properties, including projects in progress.
- Changes in the value of financial instruments amounted to SEK -242 million (-241).
- Profit before tax for the full year amounted to SEK 8,311 million (6,714) and profit for the year was SEK 6,453 million (5,148).
- Investment in redevelopment and new construction for the full year totalled SEK 2,555 million (2,761).
- The yield (excluding properties under construction) was 5.5 per cent (5.7). The decline can mainly be attributed to the increase in property value.

FOURTH QUARTER

- Rental revenue was SEK 1,392 million (1,384).
- Net operating income amounted to SEK 836 million (732).
- Changes in property values amounted to SEK 1,395 million (1194). The change can primarily be attributed to lower yield requirements.
- Net interest income improved by SEK 40 million to SEK -29 million.
- Profit before tax was SEK 2,083 million (2,012). The increase is attributable to changes in value.



AKADEMISKA HUS

This is Akademiska Hus

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

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

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

CREDITWORTHY TENANTS AND LONG-TERM CONTRACTS

The majority of Akademiska Hus' revenue, approximately 90 per cent, comes from colleges and universities. Since they are essentially government agencies, this customer group has the highest credit rating. To meet customer needs, we often invest in specially adapted premises, which results in long lease terms. The average lease term during the year for all newly signed leases was 10 years (10). The average remaining lease term is 6 years (6). The vacancy rate is low,

in part because new projects are not initiated until contracts are signed.

LONG-TERM FINANCING

Cash flow from current operations is reinvested for the most part in new construction as well as in redevelopment and extensions of existing holdings. The liability portfolio is financed via the public financing programme and primarily in the bond market. Akademiska Hus has had a long-term rating from Standard & Poor's of AA since 1996 and the highest short-term rating of P-1 from Moody's since January 2017. These ratings reflect the state ownership, our strong financial position and our market position as the leader in knowledge environments for Swedish colleges and universities.

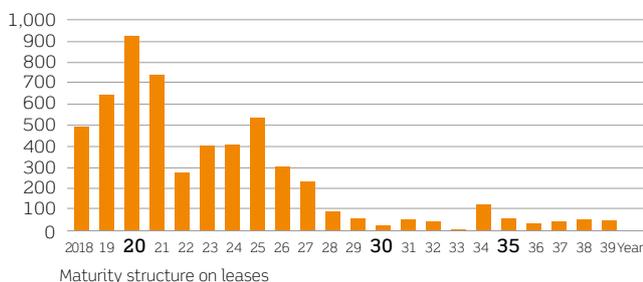
P-1

Moody's short-term rating,
18 January 2017

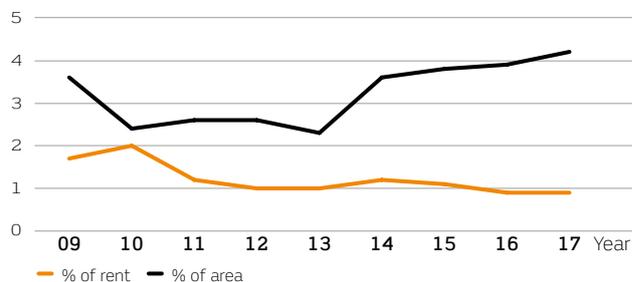
AA

Standard & Poor's long-term rating,
Stable outlook. 18 February 2017

LONG-TERM CONTRACTS, SEK M



LOW LEVEL OF VACANT SPACE, %



AKADEMISKA HUS IN BRIEF

	2017 Oct.-Dec.	2016 Oct.-Dec.	2017 Full-year	2016 full-year	2015 full-year
Income from property management, SEK m	1,449	1,439	5,806	5,666	5,646
Net operating income, SEK m	836	732	3,829	3,667	3,740
Profit before tax, SEK m	2,083	2,012	8,311	6,714	6,141
Values as at 31 Dec. 2017					
Equity ratio	43.3	41.4	43.3	41.4	40.7
Return on operating capital, %	*	*	5.9	6.2	6.9
Return on equity, %	*	*	17.6	16.3	15.0
Interest coverage ratio, %	*	*	871	694	743
Loan-to-value ratio, %	34.3	37.0	34.3	37.0	36.6
Yield, properties, % ¹	*	*	5.5	5.7	6.4
Yield, properties, % ²	*	*	5.0	5.3	5.8
Assessed fair value, properties, SEK m	80,444	73,013	80,444	73,013	66,575

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

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

OWNER'S FINANCIAL OBJECTIVES:

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

STRATEGIC SUSTAINABILITY GOALS:

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

Strong increase in property values

PRESIDENT KERSTIN LINDBERG GÖRANSSON COMMENTS:

The property industry continued to undergo strong value growth during the year. This is mainly due to the low interest rates, but also because of good access to liquidity in the market. Property values increased by a total of SEK 4,979 million for the period and along with our investments, our property value is now about SEK 80 billion. This trend is largely responsible for this year's strong financial performance, with a profit of SEK 6,453 million. Net operating income for the period increased somewhat compared with the previous year and totalled SEK 3,829 million.

CONTINUED LARGE INVESTMENT VOLUME

We have taken decisions regarding a number of major investments during the year. One interesting example is A Working Lab, which is an innovation arena on the Chalmers campus in Gothenburg and represents an investment of SEK 380 million. About 15 innovation projects will be conducted here during the actual construction period together with a number of partners from academia, institutions and business. In 2019, when the tenants move in, this will be an innovative and sustainable collaborative environment. At the end of the year an investment of SEK 1,200 million was approved for development of the Ångström Laboratory. As a result, Uppsala University will have the opportunity to further expand its internationally prominent interdisciplinary research. Examples of important construction starts in 2017 include the new student building on Campus Valla in Linköping (SEK 400 million), and housing for 400 undergraduate and graduate students is now being built at Karolinska Institutet in Solna (SEK 430 million). Several major projects were also transferred to the customer during the year, such as the Humanities Theatre and the Segerstedt Building in Uppsala, and the Built Environment building at Chalmers.

STUDENT HOUSING

CONSTRUCTION BEGINS

The housing shortage for young people is another societal challenge that we have worked hard to address. No one should have to turn down the opportunity to pursue their studies because they cannot find a place to live. Since we received our extended mis-



DIAGRAM TENGBOM

sion, to be able to build student housing as a complement to research and education environments, we have worked systematically to identify opportunities to build new student housing on or adjacent to our campuses.

The forecast for the period ending in 2021 includes the aim of 11,000 new student housing units, about 6,500 of which we can build ourselves. The remainder can be built in locations where we have already transferred, or will transfer, land through sales, trades or leases. For the period 2021 to 2026 we see the potential for an additional 10,000 campus-based student housing units, about half of which we can build. In addition, 2017 was the final year of the Sthlm6000+ project and as one of the orchestrators we can conclude that the project will achieve its goal of a total of 6,000 student housing units ready for occupancy in 2018. This achievement represents an increase of the total number of student housing units in the Greater Stockholm region by 48 per cent.

LONG-TERM FINANCING

During the past year, bond issues and long-term financing amounted to SEK 8,100 million with an average maturity of 15 years. The longest maturities have been for 30 years. The financing initiatives have resulted in significant diversification of our lender base. Only SEK 1,500 million were issued in Sweden.

FOCUS ON SOCIAL SUSTAINABILITY

The year was eventful in many ways – 2017 was heavily influenced by development and change. In particular, the #MeToo movement at the end of the year set powerful forces in motion in most sectors of society. One of our focus areas is social sustainability, including the important components of respect, diversity and gender equality. Throughout 2017, we have collaborated with

the AllBright foundation to strengthen our gender equality work and to define and highlight our position. We also implement these perspectives in our campus planning process to develop inclusive and accessible environments for the future.

MORE INNOVATION PROJECTS

Innovation is an important part of our strategy and we are now involved as a partner in a number of projects that can drive us forward as a company, while also making a positive contribution to society, especially with regard to climate change and the development of future knowledge environments. We are constantly working on a variety of small and large measures to reduce the environmental impact of our portfolio. Succeeding in winning the award for Green Building of the Year (Karlstad University library) with a 15-year-old building confirms that it pays off. We invest heavily in solar panels throughout the country and now have a total of 30 facilities.

This spring we take further measures and install more solar power facilities. When they are ready our solar power installations will produce a total of 3 million kWh per year. These initiatives will make our campus a little greener and create good opportunities to focus on energy issues with our customers.

In 2018, we will also focus on addressing the rapid digitisation of properties and society and take advantage of the opportunities that arise to develop value-adding services for our customers.



Kerstin Lindberg Göransson
President

Business intelligence and market analysis:

Attractive property market

The property industry is benefiting from the strong economy and low interest rates. Demand for community properties is high, resulting in favourable change in value.

TRENDS

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

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

FINANCIAL MARKETS

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

The monetary policy normalisation process has made greater progress in the US than in Europe. While the improved economy in Europe in general and in Sweden in particular justifies tightening of the expansionary monetary policy, navigation toward the inflation target does not allow any change of course in the policies of either the European Central Bank (ECB) or the Riksbank. Prior to 2018 the ECB extended its bond purchasing programme for another nine months, albeit at a slower pace than previously. The Riksbank decided not to increase its bond purchasing programme at the December meeting, but its presence in the market will still be noticeable when upcoming bond maturities in 2019 are reinvested in advance. The challenge for the Riksbank is that if it tightens monetary policy before the ECB does so, it risks holding back the rate of inflation as a result of a stronger SEK.

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

PROPERTY MARKET

The transaction market cooled during the year on year on uncertainty in the housing market and transaction volume decreased compared with record-breaking 2016. At year-end the total transaction volume for 2017 was SEK 148 billion, to be compared with SEK 201 billion the previous year, representing a decline of SEK 53 billion. However, the comparative figures for 2016 were affected by a single large transaction. Despite the decline in the volume of transactions, there has been a strong increase in value in the property industry and the completed transactions indicate a lower yield requirement for offices, especially in large cities.

Foreign investors accounted for about 23 per cent of all investors compared with 2016, when foreign capital accounted for 19 per cent of the transaction volume. Stockholm has become established as a particularly strong market for office space in Europe, where only London and Paris have higher rents. One important reason is Stockholm's large technology industry with high demands for both location and modern conveniences. The rental market in Gothenburg and Malmö is also much stronger than in 2016. Outside the major cities rental prices are mainly driven by new construction and renovations. There is a clear trend for tenants to increasingly demand modern, space-efficient and environmentally friendly premises that meet high technical standards. However, average rents in small cities are moving sideways because of reduced demand for the larger proportion of older holdings.

COMMUNITY PROPERTIES

Interest in community properties has continued to rise since the market is not as cyclically or market-dependent as, for example, commercial premises. This trend is reflected in lower yield requirements for community properties, which is most obvious in the fastest growing locations. Despite the lower yield requirements, interest from investors is strong. Sellers in the current market often want to streamline their holdings or obtain capital for other investments. The capital freed up from the sales is often used to invest in existing holdings.

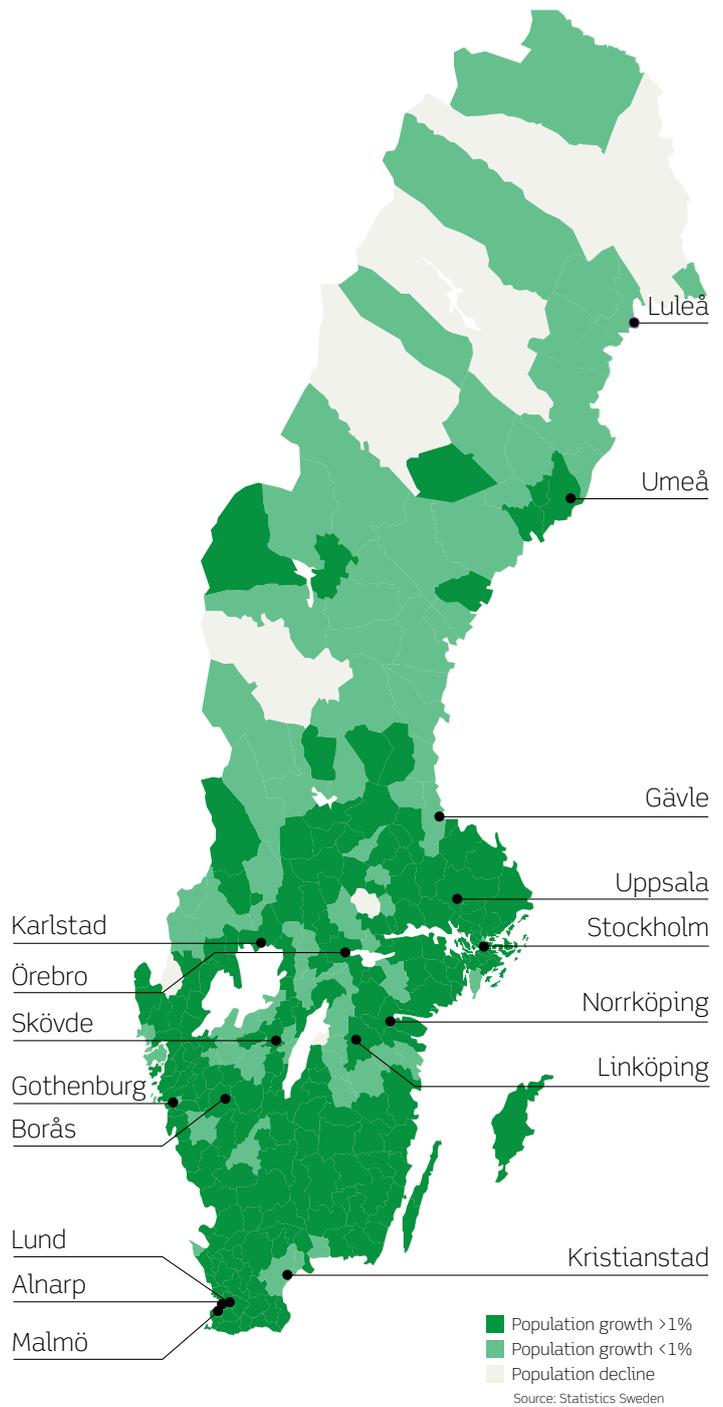
AKADEMISKA HUS CAN BE FOUND IN

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COLLEGE AND UNIVERSITY CITIES

Presence in cities with good growth

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

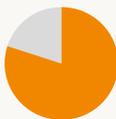


Share, per city/town

Market value and area

Largest centres of education

Stockholm



SEK 36 billion
906,000 m²

Stockholm University
 Karolinska Institutet
 Royal Institute of Technology

Uppsala



SEK 14 billion
609,000 m²

Uppsala University
 Swedish University of Agricultural Sciences, Ultuna

Gothenburg



SEK 8 billion
348,000 m²

University of Gothenburg
 Chalmers University of Technology

Share, per city/town

Market value and area

Largest centres of education

Lund



SEK 7 billion
359,000 m²

Lund University

Umeå



SEK 4 billion
231,000 m²

Umeå University
 Swedish University of Agricultural Sciences, Umeå

Linköping



SEK 3 billion
221,000 m²

Linköping University

● Akademiska Hus

Source, Share 2017: Swedish National Financial Management Authority

Our operations

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

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



PROPERTY MANAGEMENT

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

Sustainable property management

The property management division is dedicated to sustainability, where two important elements are operational optimisation and

energy efficiency. Akademiska Hus has set high goals – for example, we will cut energy consumption in half by 2025 (relation to the baseline in 2000), while at the same time we have the long-term objective of CO₂ free operation. Reducing energy consumption, but also increasing the ability to use energy at the right time are key elements in reducing both environmental impact and operating costs. To achieve this, we operate proactively to implement improvements in cooperation with both tenants and suppliers. A number of innovation projects are also underway along with our customers in these areas.

High-quality property management

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



CAMPUS AND BUSINESS DEVELOPMENT

Campus development is a key issue for us at Akademiska Hus. In collaboration with Sweden's centres of education we take full responsibility and contribute with our expertise and know-how in the development of tomorrow's attractive and sustainable knowledge environments.

case

Billion kronor investment in the Ångström Laboratory

Akademiska Hus and Uppsala University are engaging in the largest joint initiative ever through the expansion of the Ångström Laboratory. The 72,000 square-metre facility currently houses premises used for research and education in space physics, mathematics, innovative energy, materials science and nanotechnology. About 5,000 researchers and students work here daily, but the facility is now overcrowded.

Akademiska Hus is investing about SEK 1.2 billion in two additions of 30,000 square metres, where the centre of education's internationally renowned research and education can expand in an interdisciplinary environment. The new additions will also make it possible for IT research to work more closely with the other activities at Ångström. The physical environment will promote the educational philosophy that Uppsala University wants to work with in the future, in terms of both teaching facilities and meeting places. Students, teachers and didactics researchers have therefore been involved in the planning process. Construction work on two additions is planned to begin in the spring and autumn of 2018, with occupancy expected in autumn 2020 and spring 2022, respectively.

Integrated approach increasingly important

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

Strategic campus development in cooperation

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



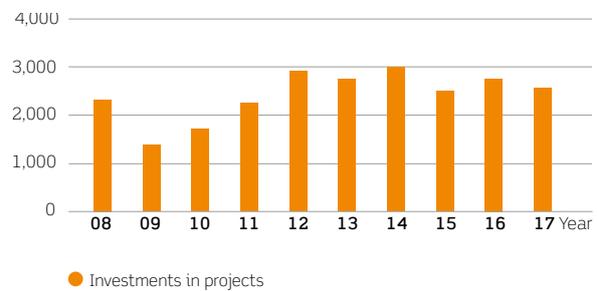
PROJECTS

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

Sustainably construction as a competitive advantage

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

CONTINUED HIGH INVESTMENT RATE, SEK M



The diagram shows annual investments in projects from 2008 to 2017 and on average, Akademiska Hus has had an investment rate of about SEK 2.5 billion per year. The company has invested approximately SEK 45 billion in new construction as well as in redevelopment and extensions since 1993.

FIVE-YEAR SUMMARY	2017	2016	2015 ^a	2014	2013
INCOME STATEMENT, SEK M					
Property management income	5,806	5,666	5,646	5,681	5,588
Operating costs	-785	-764	-771	-808	-889
Maintenance costs	-615	-686	-618	-621	-668
Property administration	-309	-294	-316	-326	-272
Net operating income	3,829	3,667	3,740	3,717	3,506
Central administration costs	-67	-85	-72	-46	-73
Net interest income/expense	-188	-308	-347	-391	-397
Earnings before changes in value and taxes ¹	3,574	3,274	3,321	3,280	3,036
Change in value, properties	4,979	3,682	2,655	3,529	232
Change in value, financial instruments	-242	-241	165	-548	7
Profit before tax	8,311	6,714	6,141	6,261	3,275
Profit for the year	6,453	5,148	4,780	5,215	2,568
STATEMENT OF FINANCIAL POSITION, SEK M					
Fair value, properties	80,444	73,013	66,575	61,437	57,557
Other assets	10,113	9,417	7,858	8,282	5,785
Equity	39,186	34,152	30,271	33,432	29,614
Interest-bearing liabilities	37,051	35,627	30,831	26,082	23,860
Other liabilities and provisions	14,320	12,651	13,331	10,205	9,868
CASH FLOW, SEK M					
Cash flow from current operations	2,121	2,721	2,485	3,161	3,060
Cash flow from investments	-2,341	-2,548	-2,204	-439	-2,459
Cash flow before financing	-220	172	281	2,722	601
Cash flow from financing	1,330	893	-534	-853	-1,159
Cash flow for the year	1,110	1,065	-253	1,869	-558
PROPERTY-RELATED KEY FIGURES					
Total yield, properties, %	12.5	11.4	11.0	13.4	7.2
of which direct yield, % ²	5.5	5.7	6.4	6.9	6.8
of which change in value, % ³	7.0	5.7	4.6	6.5	0.4
Rental revenue, SEK/m ²	1,715	1,697	1,710	1,715	1,664
Operating costs, SEK/m ²	241	237	242	252	276
Maintenance costs, SEK/m ²	189	212	194	194	208
Net operating income in relation to administration income, %	66	65	66	65	63
Net operating income, SEK/m ²	1,176	1,135	1,174	1,160	1,089
Level of vacant space, area, %	4.2	3.9	3.8	3.6	2.1
Level of vacant space, rent, %	1.0	0.9	1.1	1.2	0.9
Fair value, properties, SEK/m ²⁴	22,476	20,638	19,238	17,471	16,188
Energy use, kWh/m ²	201	204	212	224	231
CO ₂ , kg/m ²	9	8	8	11	12
FINANCIAL KEY FIGURES					
Return on equity after standard tax, %	17.6	16.3	15.0	15.5	8.8
Return on operating capital, % ⁵	5.9	6.2	6.9	7.3	7.2
Return on total assets, %	10.1	10.8	10.7	10.9	6.1
Interest-bearing net loan liability, SEK m	27,569	26,962	23,924	18,871	19,278
Equity ratio, %	43.3	41.4	40.7	48.0	46.8
Interest coverage ratio, %	871	694	743	671	647
Interest cost in relation to average capital in interest-bearing liabilities, %	1.8	2.2	1.2	5.0	2.6
Loan-to-value ratio, %	34.3	37.0	35.9	30.7	33.5
Internal financing level, %	137	84	132	278	124
Ordinary dividend, SEK m	⁶	1,393	1,290	1,445	1,374
Additional distribution, SEK m ⁷	—	—	—	6,500	—
PERSONNEL					
Average number of employees	441	440	409	408	407

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

2) Excluding properties under construction.

3) Change in value in relation to average value of properties, excluding properties under construction and expansion reserves.

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

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

6) The Board of Directors will decide on the proposed dividend at its meeting on 14 March 2018.

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

8) 2015 figures have been adjusted to facilitate comparison. The reason is the change in accounting of tenant improvements. In addition, the distribution between property administration costs and central administration has changed.

Consolidated income statement

CONSOLIDATED INCOME STATEMENT, SUMMARY, SEK M

	2017 Oct.-Dec.	2016 Oct.-Dec.	2017 Full-year	2016 Full year
Rental revenue	1,392	1,384	5,582	5,482
Other property management income	57	55	224	184
Total property management income	1,449	1,439	5,806	5,666
Operating costs	-203	-211	-785	-764
Maintenance costs	-233	-318	-615	-686
Property administration	-93	-94	-309	-294
Other property management expenses	-83	-84	-268	-255
Total costs from property management	-613	-707	-1,977	-1,999
NET OPERATING INCOME	836	732	3,829	3,667
Central administration costs	-21	-22	-67	-85
Net interest income/expense	-29	-69	-188	-308
PROFIT BEFORE CHANGES IN VALUE AND TAXES¹	787	641	3,574	3,274
Change in value, properties	1,395	1,194	4,979	3,682
Change in value, financial instruments	-99	177	-242	-241
PROFIT BEFORE TAX	2,083	2,012	8,311	6,714
Tax	-413	-526	-1,858	-1,566
PROFIT FOR THE YEAR	1,670	1,486	6,453	5,148
Of which attributable to the shareholder in the Parent Company	1,670	1,486	6,453	5,148

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, SUMMARY, SEK M

	2017 Oct.-Dec.	2016 Oct.-Dec.	2017 Full-year	2016 Full year
Profit for the period	1,670	1,486	6,453	5,148
Reclassifiable items				
Profit/loss from cash flow hedges	3	11	-4	52
Tax attributable to cash flow hedges	-5	-3	1	-12
Cash flow hedges, dissolved against profit and loss	1	—	1	1
Non-reclassifiable items				
Revaluation of defined benefit pensions	-29	-24	-29	-24
Tax attributable to pensions	6	5	6	5
TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD	-24	-11	-25	22
COMPREHENSIVE INCOME FOR THE PERIOD	1,646	1,475	6,428	5,170
Of which attributable to the shareholder in the Parent Company	1,646	1,475	6,428	5,170

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

Comment: Operating profit

FOURTH QUARTER

Rental revenue during the fourth quarter amounted to SEK 1,392 million (1,384). The increase is mainly attributable to completion of new buildings, the largest of which is the Segerstedt Building in Uppsala, which was commissioned in the second quarter of 2017.

Operating costs declined by SEK 8 million to SEK 203 million, primarily due to media costs. Maintenance costs decreased by SEK 85 million to SEK 233 million, which can be explained by several major maintenance projects during the fourth quarter of 2016.

Administration costs and property management expenses, which consist of property management and central administration, as well as other property management expenses, are unchanged compared with the previous year at SEK 197 million. Net operating income increased by SEK 104 million to SEK 836 million, mainly due to lower maintenance costs.

Net interest income improved during the quarter by SEK 40 million to SEK -29 million. The change is mainly attributable to lower interest rates.

The change in property value continued to be significant in the fourth quarter at SEK 1,395 million (1194), and was largely the result of lower yield requirements and cost of capital, changes in cash flow due to projects in progress approaching completion, and renegotiated leases.

Profit before tax for the fourth quarter was SEK 2,083 million (2,012). The increase is mainly attributable to changes in property value and a higher net operating income.

FULL-YEAR 2017

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

RENTAL REVENUE

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

Stockholm, and the Segerstedt Building and the Humanities Theatre were commissioned in Uppsala.

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

LEASING LEVEL

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

OPERATING AND MAINTENANCE COSTS

Expenses for operation and maintenance amounted to SEK 1,400 million (1,450). The lower cost is mainly attributable to fewer major maintenance projects than the previous year.

Total maintenance costs amounted to SEK 615 million (686). The maintenance costs that declined are mainly related to major projects, since there were fewer such projects compared with 2016.

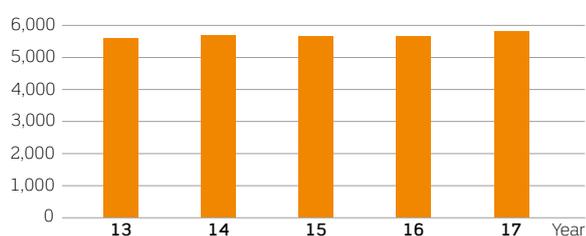
Operating costs increased by SEK 21 million to SEK 785 million, primarily due to increased costs for supervision and service related to the completion of new premises. Operating costs include media provision of SEK 521 million (519), equivalent to SEK 160/m² (161).

ADMINISTRATION AND PROPERTY MANAGEMENT EXPENSES

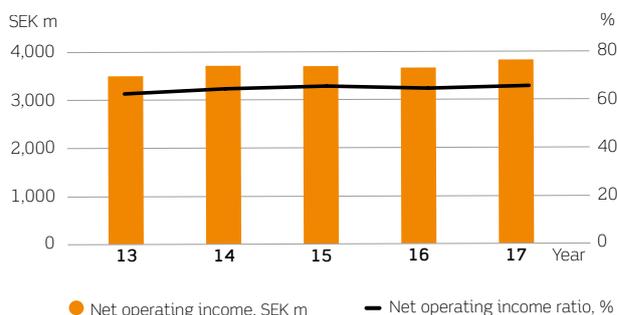
Administration costs include costs for property management and central administration, which together are essentially unchanged. Property administration increased by SEK 15 million and totalled SEK 309 million, which is a combination of additions to the purchasing organisation related to LoU (the Swedish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

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

STABLE RENTAL REVENUE, SEK M



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



NET INTEREST INCOME AND EXPENSE

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

CHANGES IN VALUE, PROPERTIES

The fair value of the Group's property holdings was set using an internal property valuation that is compared annually against external value statements. As of 31 December 2017, changes in property value with an impact on profit totalled SEK 4,979 million (3,682), including realised changes in value for properties sold during the period of SEK 0 million (35), an increase of 6.8 per cent (5.5) of the value of the properties.

The increase of 68.2 per cent (66.8) largely relates to the lower yield requirement on several of the sub-markets. The average yield requirement was 5.25 per cent (5.55). The remaining change in value is attributable to projects in progress, renegotiated leases and other factors affecting value.

The largest increase in value was noted in the Greater Stockholm region and is generally attributable to large reductions of yield requirements compared with smaller sub-markets, as well as a larger proportion of project properties.

CHANGE IN VALUE, FINANCIAL INSTRUMENTS

Changes in value in the derivative portfolio amounted to SEK -242 million (-241). The derivative portfolio primarily consists of interest rate swaps that are mainly entered into with the aim of extending the fixed interest period in the liability portfolio, where 60 per cent of financing currently relies on variable interest rates. One third of the Group's interest risk exposure derives from interest rate swaps, for which reason even minor changes in the interest rate situation affects earnings through changes in fair value. Falling market interest rates entail a negative impact on profit and the opposite is true when interest rates rise. Thus, in a fixed income market with large fluctuations in interest rates, the changes in value will be significant.

TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

	1 Jan. 2017- 31 Dec. 2017	1 Jan. 2016- 31 Dec. 2016
Interest cost for loans, including charges, %	0.74	0.83
Interest swaps, net interest, %	0.20	0.47
Net interest income and expense, %	0.94	1.30
Changes in value, financial derivatives, %	0.85	0.85
Total financing cost, %	1.79	2.15

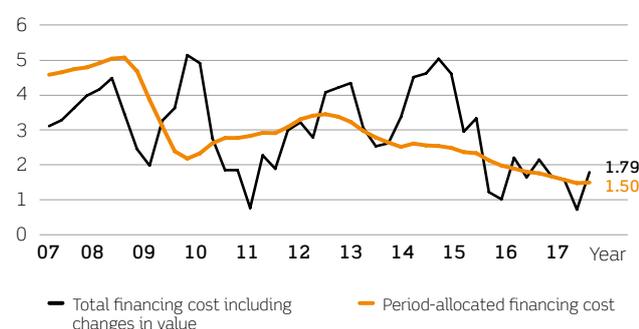
COMPARATIVE CALCULATION, TOTAL FINANCING COST

Over the past ten years Akademiska Hus has had an average fixed interest period of 5.7 years in the total liability portfolio. The performance analysis is significantly complicated by the substantial use of interest derivatives, which generate changes in value with interest rate fluctuations in the market. The changes in value consist of a present value for both realised and unrealised interest rate derivatives. A certain proportion of interest rate derivatives is realised on an ongoing basis (monthly or quarterly), even if the maturity of the underlying instrument is long-term.

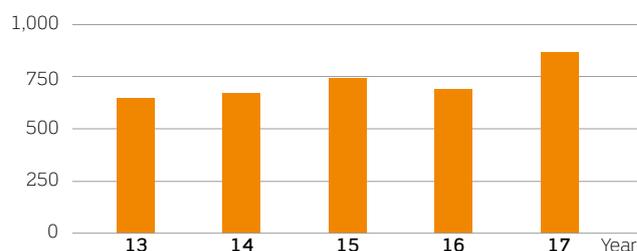
To clarify the underlying financing cost, a comparative calculation is carried out in which the cash flows of realised interest rate derivatives are also attributed to the underlying maturity of each instrument. This period allocation of earnings from closed interest rate derivatives amounts to SEK -156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

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

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



IMPROVED INTEREST COVERAGE RATIO, %



Consolidated balance sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY, SEK M

	31 Dec. 2017	31 Dec. 2016
ASSETS		
Non-current assets		
Properties	80,444	73,013
Equipment, fixtures and fittings	8	11
Derivatives	1,053	2,172
Other non-current receivables	209	224
Total non-current assets	81,715	75,420
Current assets		
Current receivables		
Derivatives	598	215
Other current receivables	1,765	1,425
Total current receivables	2,363	1,640
Cash and cash equivalents		
Cash and cash equivalents	6,479	5,370
Total cash and cash equivalents	6,479	5,370
Total current assets	8,842	7,010
TOTAL ASSETS	90,557	82,430
EQUITY AND LIABILITIES		
Equity	39,186	34,152
LIABILITIES		
Non-current liabilities		
Loans	25,198	22,805
Derivatives	935	632
Deferred tax	11,444	9,982
Other non-current liabilities	571	554
Total non-current liabilities	38,149	33,973
Current liabilities		
Loans	9,541	9,951
Derivatives	69	58
Other current liabilities	3,613	4,296
Total current liabilities	13,223	14,305
Total liabilities	51,371	48,278
TOTAL EQUITY AND LIABILITIES	90,557	82,430

Comment: Balance sheet

PROPERTIES

As of 31 December 2017 the fair value of Akademiska Hus' property holdings totalled SEK 80,444 million, an increase of SEK 7,431 million and 10.2 per cent compared with 31 December 2016. Fair value includes the completed portion of projects in progress. At the end of the year, projects in progress totalled SEK 5,717 million. The change in value with an impact on profit and capitalised interest expense was SEK 4,979 million (3,682), including changes in value realised for properties sold during the period of SEK 0 million (35). The remaining change relates to net investments.

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

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

Akademiska Hus engages an external rating agency to verify the yield requirement and fixed costs on a quarterly basis to ensure that market rates are applied in the internal valuation. About 30 per cent of property holdings is valued externally each year. External valuations are used as a benchmark for the internal valuation, thereby strengthening its reliability.

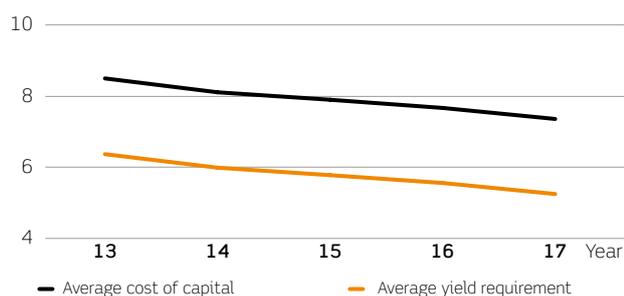
All property valuation includes assessments that are associated with a certain degree of uncertainty. A normal uncertainty range in conjunction with a property valuation is +/- five to ten per cent, which would be equivalent to approximately SEK +/- 4,000 – 8,000 million in the Akademiska Hus portfolio.

PROPERTIES, 31 DEC. 2017

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

Change in property holdings, in SEK m	31 Dec. 2017	31 Dec. 2016
OPENING FAIR VALUE	73,013	66,575
+ Investment in new construction and redevelopment	2,656	2,836
+ Acquisitions	—	—
- Sales	-204	-45
+/- Change in fair value	4,979	3,647
Of which change in value due to a change in the cost of capital and yield requirement	3,395	2,435
Of which other change in value	1,584	1,212
CLOSING FAIR VALUE	80,444	73,013

LOWER YIELD REQUIREMENTS AND COST OF CAPITAL, %



CHANGE IN VALUE BY SEGMENT

including investments in new construction and redevelopment

Segment	Change in value, %	Contribution to change in value, percentage points
South	7.7	1.8
Mid-Sweden	12.2	6.2
North	8.5	2.2
Total		10.2

FINANCING

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

NET LOAN LIABILITY

SEK M	31 Dec. 2017	31 Dec. 2016
Loans	-34,741	-32,757
Derivatives - liabilities	-956	-690
Collateral for derivatives	-858	-1,762
Cash and cash equivalents	6,478	5,369
Other current receivables	857	492
Derivatives receivables	1,651	2,386
Total net loan liability	-27,569	-26,962

BOND ISSUES AND LONG-TERM LOANS 2017

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

Fixed interest period and maturity

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

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

The liability portfolio is allocated as follows:

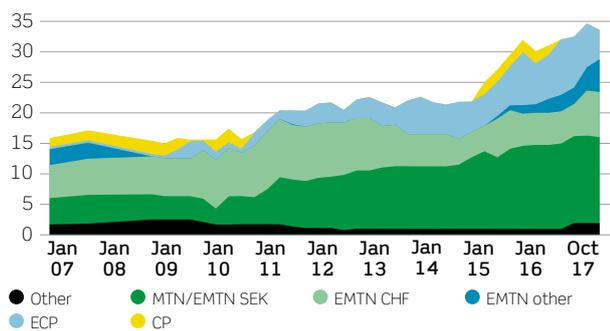
- Basic portfolio – ECP, commercial papers, loans, bonds and interest rate derivatives.
- Long-term portfolio – bonds denominated in SEK with fixed interest and maturity terms in excess of 15 years.
- Index-linked bond portfolio – bonds linked to the real interest rate.

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

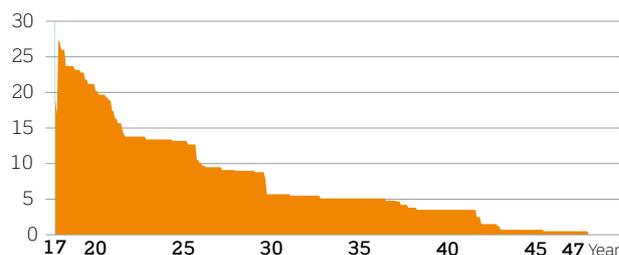
FIXED INTEREST PERIOD AND MATURITY, YEARS

	SEK m	Fixed interest 31 Dec. 2017	Fixed interest 31 Dec. 2016	Maturity 31 Dec. 2017	Maturity 31 Dec. 2016
Basic portfolio	22,900	4.5	4.7	4.5	2.3
Non-current portfolio	4,800	23.0	23.7	23.0	23.7
Index-linked bond portfolio	900	4.8	5.8	4.8	5.7
Total portfolio		7.6	7.2	7.6	5.2

DIFFERENT FINANCING SOURCES, SEK BN



LONG DEBT MATURITY STRUCTURE, SEK BN



PROJECTS

The project portfolio with approved and planned projects totalled SEK 16,700 million, of which SEK 5,700 million has already been invested in projects in progress. In addition, the project portfolio contains a number of concept projects. Concept projects refer to projects deemed probable within a five-year period, but that are uncertain in their scope. Concept projects account for almost SEK 9,800 million, the largest of which is Sahlgrenska Life, an initiative in the Gothenburg region to strengthen the Life Sciences aimed at promoting interaction between research, clinical practice and business.

The project portfolio refers to future investments over several years, which currently has an emphasis on the Greater Stockholm region, where there are several large new construction and renovation projects. The project portfolio also includes eight projects involving student housing, for a total of SEK 3,000 million.

Of the large projects in progress (over SEK 100 million), Biomedicum and Albano are the two largest with planned completion in 2018 and 2021, respectively. In 2017, approval was granted for projects such as the innovation project A Working Lab and Ångström phase 4.

PROJECT PORTFOLIO

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

The different investments are categorised as:

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

DECIDED PROJECTS

Location	Property	Investment limits, SEK m	Accrued, SEK m	Percentage accrued, %	Additional floor space, m ²	Expected completion	Customer
Stockholm	Albano	3,302	376	11	100,000	Oct. -21	Stockholm University
Stockholm	Biomedicum	2,822	1,857	66	48,000	Apr. -18	Karolinska Institutet
Uppsala	Ångström Phase 4	1,185	49	4	30,000	Aug. -21	Uppsala University
Gothenburg	Humanisten	668	242	36	12,100	Dec. -19	University of Gothenburg
Stockholm	KI Residence	434	8	2	15,500	Aug. -19	Karolinska Institutet
Linköping	Valla Student Building	411	97	24	13,500	July -19	Linköping University
Stockholm	Student accommodation Teknikringen	400	162	41	8,900	March -19	Akademiska Hus
Gothenburg	A Working Lab	381	79	21	9,600	Aug. -19	Akademiska Hus
Stockholm	Lab of the Future	322	172	53	—	Nov. -18	Karolinska Institutet
Umeå	MBC Biology Building	306	124	41	1,800	March -20	Umeå University
Stockholm	Police programme, Södertörn	260	258	99	5,400	March -18	Södertörn University
Stockholm	A house	241	75	31	900	Dec. -18	Akademiska Hus
Umeå	Police training programme, Umeå University	165	150	91	5,000	March -18	Umeå University
Stockholm	GIH swimming centre	118	17	14	—	Aug. -19	City of Stockholm
Stockholm	Child and youth studies Frescati backe	111	9	8	—	June -18	Stockholm University
Stockholm	Biomedicum - Comparative Medicine ¹	—	774	100	—	Dec. -17	Karolinska Institutet
Gothenburg	Built Environment Project ¹	—	324	100	—	Dec. -17	Chalmersfastigheter
Projects under SEK 100 million		1,874	925	30			
TOTAL		13,000	5,700		250,700		

1) These projects were commissioned and transferred to the customer during the fourth quarter of 2017.

Changes in group equity

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
EQUITY, 1 JAN. 2016	2,135	2,135	-32	40	25,993	30,271
Dividends ¹					-1,290	-1,290
Total comprehensive income, Jan.-Dec. 2016			41	-19	5,148	5,170
EQUITY, 31 DEC. 2016	2,135	2,135	10	21	29,851	34,152
Dividends ²					-1,393	-1,393
Total comprehensive income, Jan.-Dec. 2017			-3	-22	6,453	6,428
EQUITY, 31 DEC. 2017	2,135	2,135	7	-1	34,911	39,186

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

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

Consolidated statement of cash flows

CONSOLIDATED STATEMENT OF CASH FLOWS, SUMMARY, SEK M

	2017 Full-year	2016 Full-year
CURRENT OPERATIONS		
Profit before tax	8,311	6,714
Adjustment for items not included in the cash flow	-4,742	-4,106
Tax paid	-347	-335
CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	3,222	2,274
CASH FLOW FROM CHANGES IN WORKING CAPITAL		
Increase (-)/decrease (+) in current receivables	-354	-156
Increase (+)/decrease (-) in current liabilities	-747	603
CASH FLOW FROM CURRENT OPERATIONS	2,121	2,721
INVESTMENTS		
Investment in properties	-2,555	-2,761
Sale of properties	204	103
Investment in other non-current assets	-1	-2
Increase in non-current receivables	—	—
Decrease in non-current receivables	11	112
CASH FLOW FROM INVESTMENTS	-2,341	-2,548
FINANCING ACTIVITIES		
Raising of interest-bearing loans, excluding refinancing	2,723	4,183
Dividend paid	-1,393	-3,290
CASH FLOW FROM FINANCING	1,330	893
CASH FLOW FOR THE PERIOD	1,110	1,065
Opening cash and cash equivalents	5,370	4,305
Closing cash and cash equivalents	6,479	5,370

Comment: Statement of cash flows

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

Cash Flow relating to financing activities amounted to SEK 1,330 million (893). During the previous year new loans were taken for payment of an extra dividend to shareholders, which took place in April 2016. In May 2017 a dividend of SEK 1,393 million was paid to the shareholder.

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

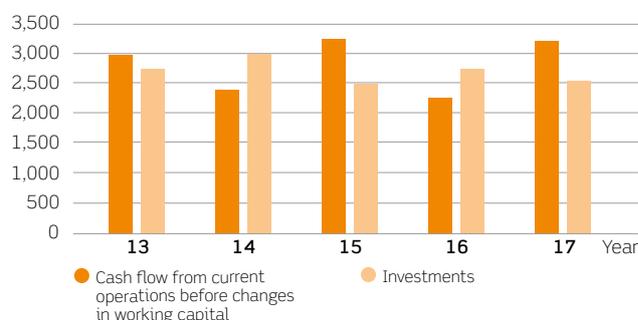
CASH FLOW AND INVESTMENTS

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

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

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

STABLE CASH FLOW FROM CURRENT OPERATIONS, SEK M



Risk management

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

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

SENSITIVITY ANALYSIS, IMPACT ON PROFIT 31 DEC. 2017

Change	Impact on pre-tax profit, SEK m	Impact on fair value, SEK m	Impact on fair value, percentage points
Rental revenue, +/- one per cent	56	402	0.5
Vacant space, +/- one percentage point	53	-471	-0.6
Operating costs, +/- one per cent	8	-84	-0.1
of which media provision	5	-42	-0.1
Cost of capital, + one percentage point	-4,880	-4,880	-6.1
Cost of capital, - one percentage point	5,387	5,387	6.7
Yield target, + one percentage point	-6,655	-6,655	-8.3
Yield target, - one percentage point	10,067	10,067	12.5

Consolidated segments

THE GROUP'S GEOGRAPHICAL SEGMENTS IN BRIEF

SEGMENT INFORMATION¹ 1 JAN. 2017-31 DEC. 2017, SEK M	South ²	Central ³	North ⁴	Total, operating segments	Other operations ⁵	Group
Revenue, including other operating revenue	1,572	2,618	1,616	5,806	—	5,806
Property management costs, including other operating costs	-519	-863	-437	-1,819	-158	-1,977
NET OPERATING INCOME	1,053	1,755	1,179	3,987	-158	3,829
Central administration costs						-67
Net interest income/expense						-188
PROFIT BEFORE CHANGES IN VALUE AND TAXES⁶						3,574
Change in value, properties	940	2,781	1,258			4,979
Change in value, financial instruments						-243
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME						8,310
Total assets include:						
Properties	18,712	41,509	20,223	80,444	—	80,444
of which invested during the year	458	1,740	458	2,656	—	2,656
SEGMENT INFORMATION¹ 1 JAN. 2016-31 DEC. 2016, SEK M	South ²	Central ³	North ⁴	Total, operating segments	Other operations ⁵	Group
Revenue, including other operating revenue	1,587	2,568	1,511	5,666	—	5,666
Property management costs, including other operating costs	-516	-875	-421	-1,812	-187	-1,999
NET OPERATING INCOME	1,071	1,693	1,090	3,854	-187	3,667
Central administration costs						-85
Net interest income/expense						-308
PROFIT BEFORE CHANGES IN VALUE AND TAXES⁶						3,274
Change in value, properties	762	2,183	737			3,682
Change in value, financial instruments						-241
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME						6,714
Total assets include:						
Properties	17,379	36,988	18,646	73,013	—	73,013
of which invested during the year	369	1,670	797	2,836	—	2,836

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

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

3) Central: Stockholm, Linköping, Norrköping, Örebro

4) North: Uppsala, Gävle, Umeå, Luleå

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

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

Parent Company income statement

PARENT COMPANY INCOME STATEMENT, SUMMARY, SEK M	2017 Oct.-Dec.	2016 Oct.-Dec.	2017 Full year	2016 Full year
Income from property management	1,493	1,439	5,975	5,702
Property management expenses	-610	-705	-1,959	-1,977
NET OPERATING INCOME	883	734	4,016	3,725
Central administration costs	-21	-22	-67	-85
Depreciation and impairments as well as reversed impairments in property management	-293	-269	-1,160	-1,040
PROFIT BEFORE FINANCIAL ITEMS	569	443	2,789	2,599
Net financial income/expense	-159	90	-532	-625
Appropriations	-181	-175	-181	-175
PROFIT BEFORE TAX	229	358	2,076	1,800
Tax	-34	-162	-487	-485
PROFIT FOR THE PERIOD	196	196	1,590	1,315

Parent Company statement of comprehensive income, summary

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME, SUMMARY SEK M	2017 Oct.-Dec.	2016 Oct.-Dec.	2017 Full year	2016 Full year
Profit for the period	196	196	1,590	1,315
Reclassifiable items				
Profit/loss from cash flow hedges	4	11	-4	52
Tax attributable to cash flow hedges	1	-3	1	-12
Cash flow hedges, reclassified to the income statement	1	-	1	1
TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD	5	8	-3	41
COMPREHENSIVE INCOME FOR THE PERIOD	201	204	1,587	1,356

Parent Company – balance sheet

PARENT COMPANY BALANCE SHEET, SUMMARY, SEK M

	31 Dec. 2017	31 Dec. 2016
ASSETS		
Non-current assets		
Properties	42,951	41,591
Equipment, fixtures and fittings	8	11
Shares in Group companies	1	1
Derivatives	1,053	2,172
Other non-current receivables	209	223
Total non-current assets	44,222	43,998
Current assets		
Derivatives	598	215
Other current receivables	1,765	1,425
Cash and bank balances	6,479	5,369
Total current assets	8,842	7,010
TOTAL ASSETS	53,065	51,008
EQUITY AND LIABILITIES		
Equity	6,820	6,626
Untaxed reserves	4,206	4,025
LIABILITIES		
Non-current liabilities		
Loans	25,198	22,805
Derivatives	936	632
Deferred tax	2,315	2,219
Other non-current liabilities	365	393
Total non-current liabilities	28,814	26,049
Current liabilities		
Loans	9,541	9,951
Derivatives	69	58
Other current liabilities	3,616	4,299
Total current liabilities	13,225	14,308
Total liabilities	42,039	40,357
TOTAL EQUITY AND LIABILITIES	53,065	51,008

Parent Company

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

Revenue and profit/loss

The Company's revenue for the year totalled SEK 5,975 million (5,702). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). The profit before financial items was SEK 2,789 million (2,600) and net financial income/expense was SEK -532 million (-625). Profit after tax was SEK 1,590 million (1,315).

Depreciation

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

Investments

Investment in machinery and equipment amounted to SEK 1 million (2) and in properties to SEK 2,555 million (2,761).

Equity

Equity totalled SEK 6,820 million. In May 2017 a dividend of SEK 1,393 million was paid to the shareholder.

Events after the end of the reporting period

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

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

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, 15 February 2018

Kerstin Lindberg Göransson
President

Notes

Note 1 ACCOUNTING POLICIES

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

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

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

NEW ACCOUNTING POLICIES 2017

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

NEW ACCOUNTING POLICIES 2018

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

IFRS 9 provides a model for the classification and measurement of financial instruments, a forward-looking impairment model for financial assets and a significantly revised approach to hedge accounting. Classification and measurement under IFRS 9 are based on the business model a company applies for management of financial assets and the characteristics of the contractual cash flows of the financial asset. Other than some changes in terminology, the amendment has no impact on measurement of Akademiska Hus' financial instruments. Derivatives will continue to be carried at fair value through profit or loss. Akademiska Hus applies hedge accounting and will continue to do so under IFRS 9 and estimates that the hedge is effective even under the new standard. Consequently, the transition to IFRS 9 will have no effect on operations. No restatement of comparative figures will take place. A loss provision will be recognised for all financial assets measured at amortised cost or at fair value through other comprehensive income. This loss reserve will not be material to the Group or the parent company.

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

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 gen-

erally accepted in the property industry. Owner objectives have also been set for return on operating capital and the equity ratio. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies.

RETURN ON EQUITY

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

RETURN ON OPERATING CAPITAL

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

LOAN-TO-VALUE RATIO

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

YIELD

Operating surplus in relation to the average fair value, excluding buildings under construction. This performance measure shows the return from operations in relation to the value of the properties.

NET OPERATING INCOME RATIO

Net operating income in relation to property management income.

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

TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

Net interest and the change in value of financial derivatives, in relation to average interest-bearing capital. (See table below.)

INTEREST COVERAGE RATIO

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

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

NET INVESTMENTS

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

NET LOAN LIABILITY

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

SEK M	1 Jan. 2017- 31 Dec. 2017	1 Jan. 2016- 31 Dec. 2016
Loans	-34,741	-32,757
Derivatives - liabilities	-956	-690
Collateral for derivatives	-858	-1,762
Cash and cash equivalents	6,478	5,369
Other current receivables	857	492
Derivatives receivables	1,651	2,386
Total net loan liability	-27,569	-26,962
Fixed income funds - asset (full-year basis)	-29,973	-28,104

OPERATING CAPITAL

Equity plus interest-bearing net loan liability.

EQUITY RATIO

Equity in relation to Total equity and liabilities.

TOTAL YIELD

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

Definitions/Glossary

Operating costs

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

Property administration

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

Rental revenue

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

Floor space, m², GFS

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

Floor space, m²

Rentable floor space in square metres.

Maintenance costs

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

Rental and vacancy levels

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

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

REPORT CALENDAR

Annual Report 2017	23 March 2018
Annual General Meeting	27 April 2018
Interim Report, January-March 2018	27 April 2018
Interim Report January-June 2018	13 July 2018
Interim Report January-September 2018	26 October 2018

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