

# Interim Report

Quarter  
2

1 January – 30 June 2018

## Completion of new buildings boosts net operating income

During the first half of the year Akademiska Hus increased its net operating income compared with the previous year. At the same time, profit before tax declined because of lower changes in the value of its property holdings. Several digital development projects are underway in collaboration with the centres of education to help improve the efficiency of their premises.

Read more in the Statement by the President on page 3.

### Key events during the quarter

- In June development of phase 4 of the Ångström Laboratory began at Uppsala University. Construction started on the addition of a new wing to the south that will primarily include classrooms and offices. The project includes two additions for a total of 30,000 square metres. Akademiska Hus is investing approximately SEK 1.2 billion.
- Akademiska Hus is also investing almost SEK 100 million in a renovation project to create a meeting place for innovation in life science on the Solna Campus. The building will provide the campus with a long-awaited central gathering point where students, researchers, visitors, businesspeople and startup companies can converge for knowledge-sharing, development and innovation.
- In early May Akademiska Hus kicked off its latest student housing project, which entails building 199 flats with room for 266 undergraduate and graduate students in the middle of the Luleå Campus. More campus-based housing facilities contributes to a more attractive neighbourhood with greater vibrance and activity, as well as increased security. Akademiska Hus is investing about SEK 180 million in the project.

### Financial key figures

#### JANUARY–JUNE

- Rental revenue was SEK 2,986 million (2,782).
- Net operating income totalled SEK 2,107 million (1,962), an increase of SEK 145 million attributable to completion of new buildings.
- Changes in property values with an impact on profit totalled SEK 547 million (1,917), corresponding with 0.7 per cent (2.6) of the value of the properties.
- The total financing cost was SEK –544 million (–302), including a total of SEK –112 million (–103) in net interest income.
- Profit before tax for the period amounted to SEK 2,076 million (3,547) and profit for the period was SEK 1,769 million (2,744).
- Investment in redevelopment and new construction during the period totalled SEK 1,433 million (1,536).
- The yield (excluding properties under construction) was 5.4 per cent (5.5) on a rolling 12-month basis.

#### SECOND QUARTER

- Rental revenue was SEK 1,497 million (1,373).
- Net operating income was SEK 1,070 million (969), an increase of SEK 101 million, which is largely attributable to completion of new buildings.
- Changes in property values amounted to SEK 284 million (1,015).
- Net interest income declined by SEK 10 million to SEK –53 million.
- Profit before tax was SEK 1,058 million (1,809). The decrease mainly relates to a lower increase in the value of the properties.



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 colleges and universities. 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 10.5 years (10). The average remaining lease term is 6 years (6). The vacancy

rate regarding rentable space is 4.5 per cent (3.9). The rate is low in part because new projects generally 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.

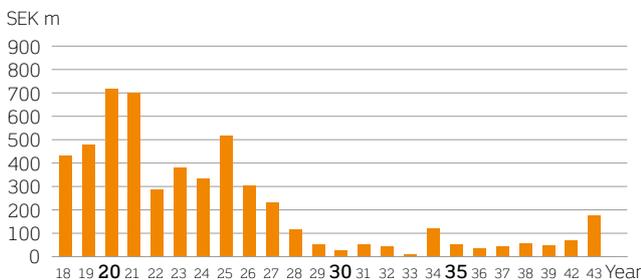
# P-1

Moody's short-term rating,  
January 2018

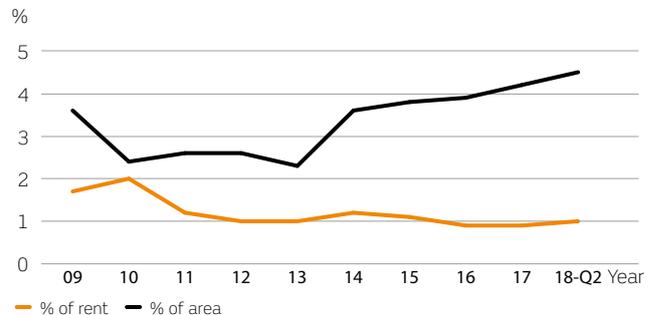
# AA

Standard & Poor's long-term rating,  
Stable outlook. February 2018

## MATURITY STRUCTURE ON LEASES



## LOW LEVEL OF VACANT SPACE, %



## AKADEMISKA HUS IN BRIEF

	2018 April- June	2017 April- June	2018 Jan.- June	2017 Jan.- June	Rolling 12 months July 17- June 18	2017 full-year	2016 full-year
Income from property management, SEK m	1,540	1,416	3,082	2,896	5,991	5,806	5,666
Net operating income, SEK m	1,070	969	2,107	1,962	3,973	3,829	3,667
Profit before tax, SEK m	1,058	1,809	2,076	3,547	6,839	8,311	6,714
<b>Values as at 30 June 2018</b>							
Equity ratio	43.5	41.3	43.5	41.3	43.5	43.3	41.4
Return on operating capital, %	*	*	*	*	5.9	5.9	6.2
Return on equity, %	*	*	*	*	14.2	17.6	16.3
Interest coverage ratio, %	*	*	81.2	89.0	81.3	87.1	69.4
Loan-to-value ratio, %	36.2	36.5	36.2	36.5	36.2	34.3	37
Yield, properties, % <sup>1</sup>	*	*	*	*	5.4	5.5	5.7
Yield, properties, % <sup>2</sup>	*	*	*	*	5.0	5.0	5.3
Assessed fair value, properties, SEK m	82,465	76,437	82,465	76,437	82,465	80,444	73,013

\* 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).
- 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.

# Digital development allows for more efficient premises

## PRESIDENT KERSTIN LINDBERG GÖRANSSON COMMENTS:

Education needs are changing and higher education and research are increasingly influenced by external factors such as digitalisation and globalisation. At present we are intensively working on an array of exciting issues, including the accelerating digital trend that is creating opportunities for us and for the entire property industry. As a result of digitalisation, the universities and colleges place greater demands on us to provide new, more efficient facilities adapted to learning and research in this new era. Our job is to help our customers improve the efficiency of their premises while making the campuses more attractive. To fulfil our mission we work closely with the centres of education on various development projects. For example, we encourage linking the various systems for heating, ventilation and reservations. We also develop visualisation solutions that allow both virtual and physical visits on campus with “enhanced reality”.

## INDUSTRY COLLABORATION

Achieving a high rate of development also requires collaboration within the industry. One good example of such collaboration is RealEstateCore – a common digital language specially designed by property owners for buildings. The aim is to make it possible to control the large quantity of data generated by today’s more modern buildings. By using a uniform digital language, benefit can be maximised and new services developed to benefit tenants and suppliers. RealEstateCore contributes to the smart city and is a collaboration involving stakeholders such as Akademiska Hus, Vasakronan and RISE.

## MAJOR INVESTMENT IN UPPSALA

In June construction began on the first part of phase 4 regarding the expansion of the Ångström Laboratory at Uppsala University. This project represents our largest joint initiative to date with Uppsala University. Akademiska Hus is investing about SEK 1.2 billion in the project, which includes two additions of a total of 30,000 square metres, where the centre of educa-



PHOTOS: TIRSEN &amp; ALLI

tion's internationally renowned research and education can expand in an interdisciplinary environment. The second part of the expansion will begin this autumn and the entire project is expected to be completed in the spring of 2022.

tion's internationally renowned research and education can expand in an interdisciplinary environment. The second part of the expansion will begin this autumn and the entire project is expected to be completed in the spring of 2022.

## MORE UNDERGRADUATE AND GRADUATE STUDENT HOUSING

In early May Akademiska Hus broke ground for its latest housing project in Luleå, which entails building 199 new flats with room for 266 undergraduate and graduate students in the middle of the Luleå Campus. The central location on campus will result in more vibrancy and activity during more hours of the day. So far this year, construction began on 700 student housing units.

## STOCKHOLM UNIVERSITY CITY TO BE DEVELOPED

The Solna Campus and neighbouring Hagastaden are growing and being developed with the goal of becoming a strong life science cluster. In addition to Karolinska Institutet, many authorities, institutions and companies are located here – all linked to health and medicine-related education and research.

When several Karolinska Institutet departments move in to the newly built Biomedicum research laboratory in 2018, other buildings will be vacated and new activities can be created. For example, we are investing almost SEK 100 million in a renovation project to create a meeting

place for innovation in life science. The building will provide the campus with a long-awaited central gathering point where students, researchers, visitors, business-people and startup companies can converge for knowledge-sharing, development and innovation. In addition, the area will be further strengthened when the global life science company Bayer moves to the Solna Campus in the spring of 2019.

## SUCCESSFUL BOND ISSUES

Akademiska Hus has successfully issued long-term bonds over the past year. The total value of the issuances is about SEK 10 billion, with an average maturity of 19 years. The maturity of the liability portfolio has thus been extended to 9.7 years, which is a strength for the continued development of operations.

## IMPROVED NET OPERATING INCOME

Net operating income for the six-month period increased somewhat compared with the previous year and totalled SEK 2,107 million. The increase is mainly attributable to the many large projects that we completed, including Biomedicum on the Solna Campus.



**Kerstin Lindberg Göransson**  
President

# Business intelligence and market analysis: Continued attractive property market

The property industry is benefiting from the strong economy and low interest rates. Demand for community properties continues to be high.

## TRENDS

Political issues have been in the spotlight once again during the late spring. The formation of the government in Italy triggered uncertainty in the financial markets, providing a reminder of the structural problems facing the country, with relatively low growth and productivity, as well as weak public finances. Challenges related to deeper cooperation persist within the EU, where migration is one of the stumbling blocks that tends to divide the Member States.

In the US, trade policy has clearly become protectionist and tariffs of 25 per cent on steel and aluminium have been implemented. As a result, trading partners such as China and the EU have imposed countermeasures in response. Current negotiations on global trade imbalances may adversely affect world trade in the long term, thereby also dampening growth, but the final effects are still difficult to assess. The global economy remains robust and the labour market is strong. For Sweden, industrial exports are benefitting from strong international demand and the weak krona. High demand combined with restrictions on supply have resulted in rising oil prices, thereby helping to provide inflationary stimuli that are desirable from the perspective of the central bank.

## FINANCIAL MARKETS

Strong labour market and slightly rising inflation at the beginning of the year support the decision by the US Federal Reserve (the Fed) to continue to raise interest rates. Interest rates rose by 0.25 percentage points in June and another two increases before the turn of the year were just announced, which means a certain upward adjustment of the rate of interest rate hikes. At the same time, the Fed is reducing its balance sheet, which had grown as a result of previous bond purchase programmes.

The central banks continue to be out of step with one another. The ECB has announced that it will extend the bond purchasing programme for the rest of the year, albeit at half the pace. An interest rate hike is therefore deemed to be likely after the summer of 2019 at the earliest, which is somewhat later than had been expected.

In Sweden, higher energy prices and the weak SEK have resulted in an inflation rate that is in line with the inflation target, but the low rate of wage increases as well as declining inflation from the service sector provide continued concern for the Riksbank. However, indications suggest that a first interest rate hike can be expected at the end of the year. Regardless of whether rates are raised before year-end, the Riksbank will probably proceed cautiously with its monetary policy tightening.

The increased uncertainty regarding trade barriers, the challenges of EU cooperation and the ECB's statements on postponing the first interest rate hike have contributed to slightly lower long-term interest rates in both Europe and Sweden during the quarter. US long-term rates have instead risen somewhat, but the yield curve remains flat.

## PROPERTY MARKET

Given the healthy economy, the prevailing low interest rate environment, and good access to liquidity, properties remain an attractive investment. Transaction volumes remain at high levels, amounting to SEK 57 billion as of 1 July, which is 30 per cent lower than the same period in 2017. The commercial office segment accounts for the majority, while interest in the residential segment is more cautious as a result of oversupply. Foreign investors are more interested in the Swedish property market in part because of the weak SEK and during the first half of the year they accounted for about 32 per cent of transaction volumes. The Stockholm area continues to attract the greatest interest in the transaction market. Yield targets in the larger cities are generally unchanged compared with previous quarters.

Demand for office space continues to be extremely strong in the large cities, resulting in a low vacancy rate. Rent levels remain high and in some cases are rising. As a result of this trend, tenants are seeking more efficiently utilised premises. Cellular offices are being converted into open office landscapes with activity-based workplaces, which often means that tenants wish to reduce the size of their premises. The regional cities are following the trend in the metropolitan areas with some delay and are therefore developing well.

## COMMUNITY PROPERTIES

Interest in community properties is strong since the segment typically has long leases, creditworthy tenants and relatively low dependence on the economy. The market is dominated by long-term owners, usually in the public sector. However, the segment does attract a growing number of private stakeholders. Sweden's demographics with a growing and aging population create a constant need for investments in the public sector, which benefits community properties in the long term. However, the transaction market for community properties has levelled off somewhat during the year. As previously, existing owners are focusing on refurbishing and modernising their property holdings and are restrictive when it comes to sales.

The sub-segment premises for higher education and research has undergone stable development during the quarter, with essentially unchanged rent levels and vacancy rates. High employment and a decline in the number of young people of university age have led to a slight drop in the number of applicants in recent years. More people under the age of 24 have chosen to delay their studies and have taken on jobs instead, indicating a countercyclical element in the demand for higher education. However, in pace with the current digitisation trend, demand for education is expected to increase moving forward as a result of labour market requirements for constant skills development and lifelong learning. At the same time, the centres of education must become more attractive through efforts to achieve full-scale campuses offering services, housing, public transportation and an integrated business community.

# Our college and university cities

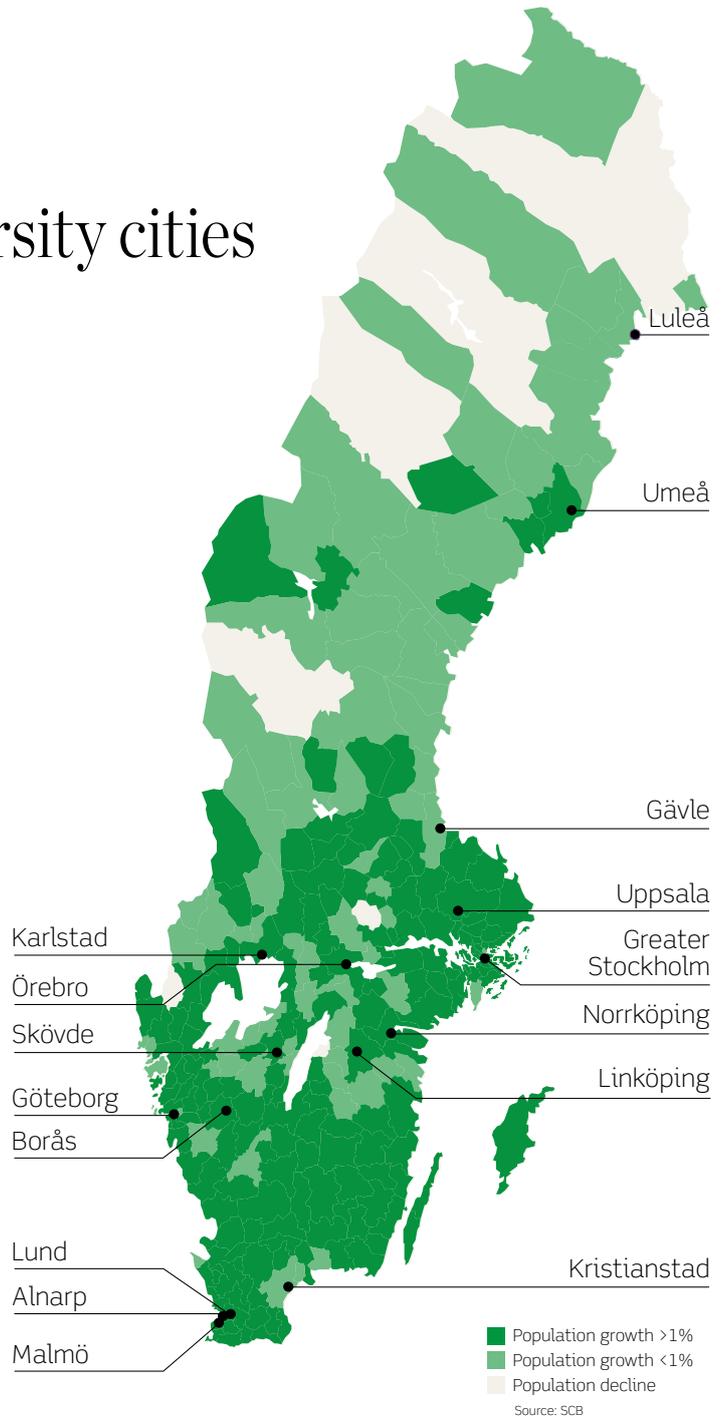
AKADEMISKA HUS CAN BE FOUND IN

# 16

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 82 billion, with 95 per cent located in university cities and 5 per cent in college towns.



■ Population growth >1%  
■ Population growth <1%  
■ Population decline  
 Source: SCB

Share, per city/town	Market value and area	Largest centres of education
Greater Stockholm	<b>SEK 37 billion</b> 953,000 m <sup>2</sup>	Stockholm University Karolinska Institutet Royal Institute of Technology
Uppsala	<b>SEK 15 billion</b> 609,000 m <sup>2</sup>	Uppsala University Swedish University of Agricultural Sciences, Ultuna
Gothenburg	<b>SEK 8 billion</b> 348,000 m <sup>2</sup>	University of Gothenburg Chalmers University of Technology

Share, per city/town	Market value and area	Largest centres of education
Lund	<b>SEK 7 billion</b> 359,000 m <sup>2</sup>	Lund University
Umeå	<b>SEK 4 billion</b> 236,000 m <sup>2</sup>	Umeå University Swedish University of Agricultural Sciences, Umeå
Linköping	<b>SEK 3 billion</b> 221,000 m <sup>2</sup>	Linköping University

Source: Share 2017: Swedish National Financial Management Authority

● Akademiska Hus

# Our operations

We take a long-term strategic approach to continually create attractive knowledge environments and campuses with our customers. By doing so we help the Swedish centres of education to continue to be well-positioned to attract undergraduate and graduate students from all over the world.

Our work is based on our core processes, thereby ensuring our ability to leverage our collective expertise across the country through a management organisation, a project organisation and three geographic units that are responsible for campus and business development. Efficiency, uniform processes and a strong focus on digital transformation provide a good foundation for our continued efforts to strengthen Sweden as a nation of knowledge.

## PROPERTY MANAGEMENT

Our property portfolio of about 3.3 million square metres mainly consists of high-tech research facilities and various types of education and commercial office premises. The properties must maintain a high standard for a long time, but at the same time be able to be adapted to meet the changing needs of our customers. High quality in maintenance services, responsible energy consumption and open communication with both customers and suppliers are crucial for increasing business benefits and value for our customers.

### Sustainability initiatives together with our customers

Based on Akademiska Hus' energy strategy and our ambitious sustainable development goals, we aim to halve the amount of energy delivered by 2025 and to eliminate the CO<sub>2</sub> footprint of our operations. A crucial component of this strategy involves reducing energy consumption in our current property holdings, but we are

also focusing on creating renewable energy, including through solar panels.

An important aspect of our sustainability efforts entails collaborating with our customers in various sustainability initiatives. The aim is not only to reduce the amount of energy used, but also to create commitment and visibility relating to sustainability, while leveraging our aggregate knowledge from different aspects of the field. The initiatives are based on a shared desire to act and invest

### STRATEGIC SUSTAINABILITY GOALS:

- Energy purchased each year, kWh/m<sup>2</sup>, will decrease at such a rate that there will be a 50 per cent reduction by 2025 compared with 2000.
- Eliminate CO<sub>2</sub> footprint from operations.
- Initiate sustainability initiatives with customers.
- Accident-free workplaces.



case

## New meeting place for innovation in life science on Solna Campus

The Solna Campus and neighbouring Hagastaden are growing and being developed with the goal of becoming the strongest life science cluster in the world. In addition to Karolinska Institutet, many authorities, institutions and companies are located here - all linked to health and medicine-related education and research. Akademiska Hus is now investing almost SEK 100 million in a renovation project that will provide the campus with a long-awaited gathering point where students, researchers, visitors, businesspeople and startup companies can converge for knowledge-sharing, development and innovation. The building is centrally located on the Solna Campus and will house offices and lab space. The total renovation project involves about 5,800 square metres. Construction start is planned for the autumn of 2018 with completion in late 2019.

in sustainable choices. A number of innovation projects are also underway along with our customers in these areas.

#### CAMPUS AND BUSINESS DEVELOPMENT

Sweden's learning environments and campuses are undergoing constant development. Needs, desires and visions are discussed at all centres of education. Campuses that are vibrant during all the hours of the day and interact with the surrounding community are crucial for Sweden's higher education institutions to be competitive. With our collective knowledge and in close collaboration with our customers, we formulate campus plans to develop entire campuses for the future.

#### Overall perspective for socially sustainable campuses

The campus is a venue for research and learning, as well as for encounters with the business community and the interface for encounters with the community at large, where everyone should feel welcome. In addition to developing efficient and inspiring learning environments, we meet user needs by creating accessible meeting places and collaborating with other stakeholders to ensure an attractive range of services. Restaurants, opportunities for cultural and sports activities and access to child care and pre-schools in close proximity to campus are examples of services that make life easier and increasingly integrated into and around the campus. More undergraduate and graduate student housing is high on the priority list at many centres of education. Campus-based student housing is one of the most important factors for creating a vibrant environment that is open, safe and inviting round the clock, every day of the week.

#### Strong innovative ability

To meet the challenges we face as a community builder we must enhance our power of innovation to ensure our delivery and contribute value to customers. Factors such as digitisation and globalisation affect teaching and research, and place new demands on

both existing and future knowledge environments. We will develop products, services and practices through structured innovation partnerships, thereby contributing to sustainable development in the community.

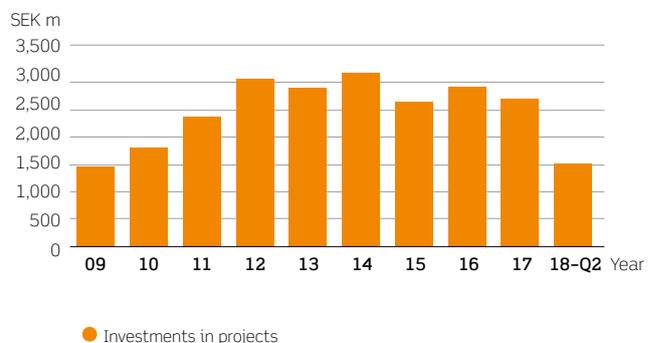
#### PROJECTS

The construction process represents a substantial portion of Akademiska Hus' business and our project portfolio consists of approved and planned projects for about SEK 14 billion. The construction projects, which are developed in close collaboration with our customers and other stakeholders, vary in nature from small-scale renovations to new advanced research facilities. Through these projects, we help to ensure that higher education institutions meet their long-term needs for premises appropriate for education and research. One of our strengths is the ability to coordinate and run the extensive and complex collaborative processes that are the key to a successful result. The ability to build sustainably is a key competitive advantage. Cost efficiency, skills development and experience feedback are key development areas in the projects unit.

#### Digitisation and innovation

The digitisation discussion in the property industry is in full swing and we see an increasingly clear interest from our customers and suppliers in the opportunities that will accompany digitisation. We are shifting to a more digital approach to running our construction projects. Examples include Albano in Stockholm, where we are testing new models to shift towards a more digital approach. Another digital and innovation-focused project that we are running is A Working Lab on the Johanneberg campus at Chalmers in Gothenburg. The building will be an innovation arena that also serves as a test bed during the construction process.

#### CONTINUED HIGH INVESTMENT RATE



The diagram shows annual investments in projects from 2009 to the second quarter of 2018 and on average, Akademiska Hus has had an investment rate of about SEK 2.5 billion per year. The company has invested approximately SEK 48 billion in new construction as well as in redevelopment and extensions since 1993.

# Consolidated income statement

## CONSOLIDATED INCOME STATEMENT, SUMMARY, SEK M

	2018 April-June	2017 April-June	2018 Jan.-June	2017 Jan.-June	Rolling 12 months July 2017-June 2018	2017 Full-year
Rental revenue	1,497	1,373	2,986	2,782	5,786	5,582
Other property management income	43	43	95	114	206	224
Total property management income	1,540	1,416	3,082	2,896	5,991	5,806
Operating costs	-194	-179	-464	-414	-835	-785
Maintenance costs	-131	-125	-223	-248	-590	-615
Property administration	-104	-80	-188	-149	-347	-309
Other property management expenses	-41	-63	-99	-123	-245	-268
Total costs from property management	-469	-447	-975	-934	-2,018	-1,977
<b>NET OPERATING INCOME</b>	<b>1,070</b>	<b>969</b>	<b>2,107</b>	<b>1,962</b>	<b>3,973</b>	<b>3,829</b>
Central administration costs	-18	-13	-35	-30	-71	-67
Net interest income/expense	-53	-43	-112	-103	-197	-188
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>	<b>999</b>	<b>913</b>	<b>1,961</b>	<b>1,829</b>	<b>3,706</b>	<b>3,574</b>
Change in value, properties	284	1,015	547	1,917	3,609	4,979
Change in value, financial instruments	-225	-119	-432	-199	-476	-242
<b>PROFIT BEFORE TAX</b>	<b>1,058</b>	<b>1,809</b>	<b>2,076</b>	<b>3,547</b>	<b>6,839</b>	<b>8,311</b>
Tax	481	-412	248	-803	-807	-1,858
<b>PROFIT FOR THE PERIOD</b>	<b>1,539</b>	<b>1,397</b>	<b>2,324</b>	<b>2,744</b>	<b>6,031</b>	<b>6,453</b>
Of which attributable to the shareholder in the Parent Company	1,539	1,397	2,324	2,744	6,031	6,453

# Consolidated statement of comprehensive income

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

	2018 April-June	2017 April-June	2018 Jan.-June	2017 Jan.-June	Rolling 12 months July 2017-June 2018	2017 Full-year
Profit for the period	1,539	1,397	2,324	2,744	6,031	6,453
Reclassifiable items						
Profit/loss from cash flow hedges	-11	3	—	-7	3	-4
Tax attributable to cash flow hedges	2	-1	—	1	—	1
Cash flow hedges, dissolved against profit and loss	-4	1	-7	1	-6	1
Non-reclassifiable items						
Revaluation of defined benefit pensions	—	—	—	—	-29	-29
Tax attributable to pensions	—	—	—	—	6	6
<b>TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-13</b>	<b>3</b>	<b>-7</b>	<b>-5</b>	<b>-26</b>	<b>-25</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,526</b>	<b>1,400</b>	<b>2,317</b>	<b>2,739</b>	<b>6,005</b>	<b>6,428</b>
Of which attributable to the shareholder in the Parent Company	1,526	1,400	2,317	2,739	6,005	6,428

## Comment: Operating profit

### SECOND QUARTER

Profit for the second quarter was SEK 1,539 million, which is SEK 142 million higher than the same period last year (1,397). The change is largely due to lower changes in the value of property holdings, which totalled SEK 284 million (1,015). At the same time the corporate tax rate changed, which had a positive impact on earnings. Net operating income improved by SEK 101 million to SEK 1,070 million (969), which can largely be explained by increased rental revenue in connection with completion of new buildings.

### FIRST HALF OF THE YEAR

Profit for the first half of the year was SEK 2,324 million, which is SEK 420 million lower than the same period last year. This drop can be explained by lower changes in the value of property holdings, which totalled SEK 547 million (1,917), as well as by the change in the corporate tax rate, which has a positive effect on earnings. The net operating income of the property business for the half year improved by SEK 145 million compared with the same period the previous year, to SEK 2,107 million (1,962).

### RENTAL REVENUE

During the first two quarters of the year revenue from property management was SEK 3,082 million (2,896), an increase of SEK 186 million compared with the same period in 2017. The majority of the increase relates to the completion of new buildings, including Biomedicum, Biomedicum Comparative Medicine (KM-B), the ABE School at KTH and the Segerstedt Building in Uppsala. Other property management income amounted to SEK 95 million (114). The decline is primarily attributable to an additional consideration of SEK 25 million in the previous year's profit.

### LEASING LEVEL

At the end of the quarter, the financial vacancy rate accounted for 1.0 per cent (0.9) of our total revenue. The rental value of the vacant premises is lower than the average for the holdings. In terms of space, vacancies totalled 150,000 m<sup>2</sup> (127,000), which is 4.5 per cent (3.9) of our total rentable area of 3.3 million m<sup>2</sup> (3.3 million).

Moving forward, vacant space is expected to increase somewhat because of occupancy changes at Karolinska Institutet that

will occur in conjunction with the completion of Biomedicum. Measures have been taken to address these vacancies.

### OPERATING AND MAINTENANCE COSTS

Expenses for operation and maintenance amounted to SEK 687 million (662). Operating costs increased by SEK 50 million to SEK 464 million, primarily because the cold weather at the beginning of the year resulted in increased costs for both heating and snow removal. Operating costs include media provision of SEK 310 million (276), equivalent to SEK 170/m<sup>2</sup> (160) over the past 12 months. Total maintenance costs fell by SEK 25 million and amounted to SEK 223 million (248). The maintenance costs that declined are mainly related to larger projects that have decreased in scope compared with the same period last year.

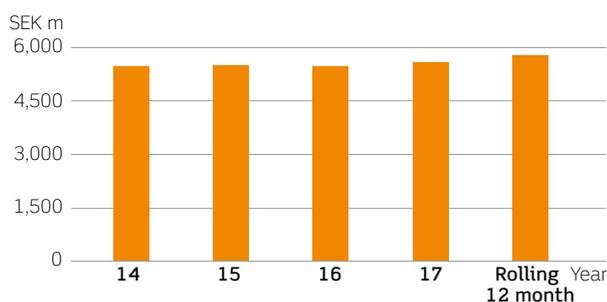
### ADMINISTRATION AND PROPERTY MANAGEMENT EXPENSES

Property administration increased by SEK 38 million to SEK 188 million (149). Expenses increased according to plan and are due in part to the full-year effects of recruitments in 2017, the decision requiring the company to comply with the Public Procurement Act LOU and the development work currently underway in digitisation and innovation. Central administration totalled SEK 35 million, which is in line with the previous year.

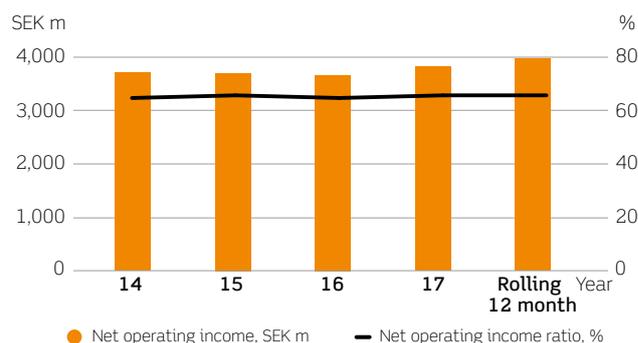
### NET INTEREST INCOME AND EXPENSE

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 112 million (103) during the first half of the year, corresponding to an interest rate of 0.95 per cent (0.98). The extensive bond issuances have made it possible to cut back on short-term funding through ECP. As a result, interest expense on loans increased to some extent. The cost of interest rate swaps fell because parts of the interest rate swap portfolio with negative market value were realised at the end of last year. Capitalised interest expense for projects in progress, which was not included in net interest and income expense, totalled SEK 47 million (44) during the period.

### STABLE RENTAL REVENUE



### RISING NET OPERATING INCOME AND STABLE NET OPERATING INCOME RATIO



## TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

	1 Jan. 2018- 30 June 2018	1 Jan. 2017- 30 June 2017	1 Jan. 2018- 31 Dec. 2017
Interest cost for loans, net, %	0.86	0.74	0.74
Interest swaps, net interest, %	0.09	0.24	0.20
<b>Net interest income and expense, %</b>	<b>0.95</b>	<b>0.98</b>	<b>0.94</b>
Changes in value, financial derivatives, %	2.99	1.36	0.85
<b>Total financing cost, %</b>	<b>3.94</b>	<b>2.34</b>	<b>1.79</b>

## CHANGES IN VALUE, PROPERTIES

The fair value of the Group's property holdings was set using an internal property valuation that is compared annually against external value statements. As of 30 June 2018 the change in value of properties with an impact on profit was SEK 547 million, a decrease of SEK 1,370 million compared with the same period in 2017.

The decline in relation to the comparative period can largely be explained by a more moderate development of the cost of capital and yield targets. The decline can also be attributed to changes made in the valuation model as of 31 March 2018, such as the change in treatment of the standard vacancy rate and the deduction for a stamp duty, which had an impact on all sub-markets of SEK 230 million. The remaining change in value is attributable to projects in progress, renegotiated leases and other factors affecting value. The average yield requirement was 5.5 per cent (5.6).

The largest changes in value can be seen in the Stockholm region and in Uppsala. These changes are generally due to actual outcomes of previous model changes, as well as the large proportion of project properties in these market areas.

## CHANGE IN VALUE, FINANCIAL INSTRUMENTS

Changes in value in the derivative portfolio amounted to SEK -432 million (-199). The derivative portfolio primarily consists of interest rate swaps with future starts 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. Just over 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 combined with a flatter yield curve have a negative impact on profit, while the opposite is true for rising interest rates and steeper yield curves. Thus, in a fixed income market with large fluctuations in interest rates, the changes in value will be significant.

## COMPARATIVE CALCULATION, TOTAL FINANCING COST

Over the past five years the average fixed interest period in the total liability portfolio has been relatively long. The performance analysis becomes more demanding because of the substantial use of interest derivatives, which generate changes in value with interest rate fluctuations in the market. The changes in value consist of 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.

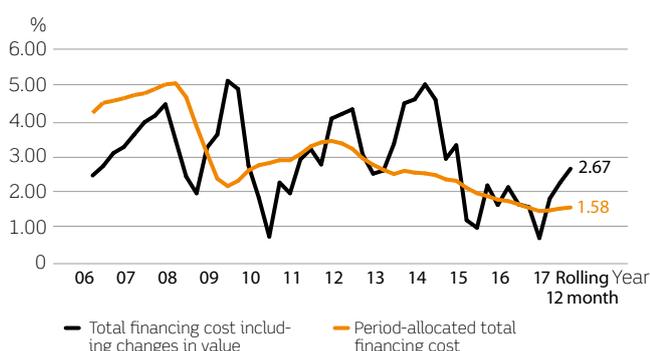
To clarify the underlying financing cost, a comparative calculation is carried out in which the cash flows of realised interest rate derivatives are also attributed (allocated) to the underlying maturity of each instrument. This allocation for the past twelve-month period corresponds with an interest expense of 0.60 per cent. 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 1.58 per cent as of 30 June. The calculation confirms that the long fixed interest period has resulted in relatively stable financing costs.

The interest coverage ratio for the rolling 12-month period continues to be high at 813 per cent (741), see diagram below. When calculating the interest coverage ratio, the capitalised interest expense and accrued earnings from the closed interest rate derivatives are reversed.

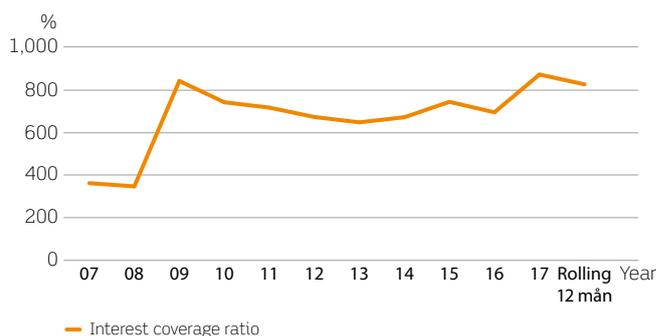
## TAX

The Riksdag has decided that the corporate tax rate, which is currently 22.0%, will be lowered in two steps. The first reduction will occur in 2019 to 21.4% and the second in 2021 to 20.6%. Deferred taxes will be revalued based on the tax rate applicable at the time when the deferred tax is expected to be settled. For Akademiska Hus this entails a revaluation to 20.6% and as a result the deferred tax liability was revalued to SEK 10,959 million and a deferred tax income of SEK 706 million is reported in the second quarter.

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



## INTEREST COVERAGE RATIO



# Consolidated balance sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY, SEK M	30 June 2018	30 June 2017	31 Dec. 2017
<b>ASSETS</b>			
Non-current assets			
Properties	82,465	76,437	80,444
Equipment, fixtures and fittings	20	10	8
Derivatives	1,389	2,048	1,053
Other non-current receivables	262	126	209
<b>Total non-current assets</b>	<b>84,136</b>	<b>78,621</b>	<b>81,715</b>
Current assets			
Current receivables			
Derivatives	772	128	598
Other current receivables	1,889	1,088	1,765
<b>Total current receivables</b>	<b>2,661</b>	<b>1,216</b>	<b>2,363</b>
Cash and cash equivalents			
Cash and cash equivalents	4,955	6,213	6,479
<b>Total cash and cash equivalents</b>	<b>4,955</b>	<b>6,213</b>	<b>6,479</b>
<b>Total current assets</b>	<b>7,616</b>	<b>7,429</b>	<b>8,842</b>
<b>TOTAL ASSETS</b>	<b>91,752</b>	<b>86,050</b>	<b>90,557</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	39,873	35,497	39,186
<b>LIABILITIES</b>			
Non-current liabilities			
Loans	28,098	21,936	25,198
Derivatives	898	719	935
Deferred tax	10,959	10,560	11,444
Other non-current liabilities	560	543	571
<b>Total non-current liabilities</b>	<b>40,514</b>	<b>33,758</b>	<b>38,149</b>
Current liabilities			
Loans	7,251	12,436	9,541
Derivatives	88	90	69
Other current liabilities	4,026	4,269	3,613
<b>Total current liabilities</b>	<b>11,365</b>	<b>16,795</b>	<b>13,223</b>
<b>Total liabilities</b>	<b>51,879</b>	<b>50,553</b>	<b>51,371</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>91,752</b>	<b>86,050</b>	<b>90,557</b>

## Comment: Balance sheet

### PROPERTIES

As of 30 June 2018 the fair value of Akademiska Hus' property holdings totalled SEK 82,465 million, an increase of SEK 2,021 million and 2.5 per cent compared with 31 December 2017. Fair value includes the completed portions of projects in progress. At the end of the year, projects in progress totalled SEK 4,218 million. The change in value with an impact on profit including capitalised interest expense was SEK 547 million (1,917). 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 parameters of the valuation model were changed in 2018, which is reflected in the reduced earnings for the period compared

with the previous year. The average yield requirement was 5.5 per cent and is unchanged since 1 January.

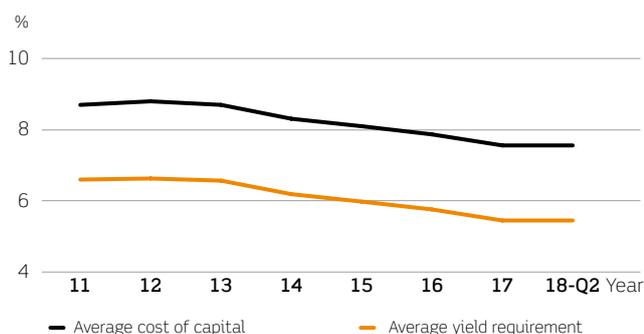
Akademiska Hus engages an external rating agency to verify the yield requirement and fixed costs on a quarterly basis to ensure that market rates are applied in the internal valuation. About 30 per cent of property holdings is valued externally each year. External valuations are used as a benchmark for 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 +/- 4,100 to 8,200 million in the Akademiska Hus portfolio.

Properties 30 June 2018 (incl. new construction in progress and capitalised interest expense)

CHANGE IN PROPERTY HOLDINGS, SEK M	30 June 2018	30 June 2017	31 Dec. 2017
Opening fair value	80,444	73,013	73,013
+ Investment in new construction and redevelopment	1,480	1,536	2,656
+ Acquisitions	—	—	—
- Sales	-6	-30	-204
<b>± Change in fair value</b>	<b>547</b>	<b>1,917</b>	<b>4,979</b>
Of which change in value due to a change in the cost of capital and yield requirement	310	1,400	3,395
Of which change in value due to changed parameters in the valuation model	-230	—	—
Of which other change in value	467	518	1,584
<b>CLOSING FAIR VALUE</b>	<b>82,465</b>	<b>76,437</b>	<b>80,444</b>

### UNCHANGED YIELD REQUIREMENT AND COST OF CAPITAL



The yield requirement and cost of capital for 2011 to 2017 have been adjusted by 0.2 percentage points for the stamp duty, which is attributable to the change in the model implemented during the first quarter.

### CHANGE IN VALUE BY SEGMENT including investment in new construction and redevelopment

Segment	Change in value, %	Contribution to change in value, percentage points
South	1.3	0.3
Mid-Sweden	2.9	1.5
North	2.9	0.7
<b>Total</b>		<b>2.5</b>

## FINANCING

The net liability portfolio increased by SEK 2,285 million during the quarter and totalled SEK 29,854 million as at 30 June. The increase is mainly attributable to the dividend of SEK 1,630 million that was paid. Following the high activity in the bond market since 2017, bonds due in 2018 are largely financed in advance. Credit spreads have narrowed somewhat during the quarter and demand for Akademiska Hus' long-term bonds has allowed for an additional four issuances of a total of SEK 900 million. European and Asian investors have invested in bonds with maturities of 22 and 30 years, respectively.

## NET LOAN LIABILITY

SEK M	30 June 2018	30 June 2017	31 Dec. 2017
Loans	-35,336	-34,371	-34,741
Derivatives - liabilities	-985	-733	-956
Collateral for derivatives	-1,058	-1,426	-858
Cash and cash equivalents	4,955	6,213	6,478
Other current receivables	409	256	857
Derivatives - receivables	2,161	2,176	1,651
<b>Total net loan liability</b>	<b>-29,854</b>	<b>-27,885</b>	<b>-27,569</b>

## Fixed interest period and maturity

As previously, the long-term bond issuances during the quarter contributed to an increase in average maturity. The bond issuances that were carried out over the past 18 months total about SEK 10,200 million and have had an average maturity of about 19 years. This has aided in achieving a desirable extension of average maturity, which is now almost 10 years.

Bonds denominated in foreign currency are swapped for SEK with floating interest rates, for which reason issuances do not entail a corresponding extension of maturity. Interest rate risk in the debt portfolio is instead primarily managed using interest rate derivatives. As previously, debt management will focus on allocating the portfolio's interest rate risk to the most effective periods. 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 uncer-

tainty, 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 both fixed interest and maturity terms longer than 15 years.
- Index-linked bond portfolio – bonds linked to the real interest rate.

## FIXED INTEREST PERIOD AND MATURITY, YEARS

	Fixed interest, years, June 2018	Fixed interest, years, Dec. 2017	Maturity, years, June 2018	Maturity, years, Dec. 2017
Basic portfolio	4.1	4.5	7.2	4.5
Non-current portfolio	22.5	23.0	22.5	23.0
Index-linked bond portfolio	4.3	4.8	4.3	4.8
<b>Total portfolio</b>	<b>7.2</b>	<b>7.6</b>	<b>9.7</b>	<b>7.6</b>

## FIXED INTEREST PERIOD IN TOTAL PORTFOLIO



## AVERAGE MATURITY AND PORTION OF DEBT MATURING



## PROJECTS

The project portfolio refers to future investments over the next few years, with an emphasis on the Stockholm area, where there are several large new construction and renovation projects.

The project portfolio with approved and planned projects totalled SEK 14,400 million, of which about SEK 4,200 million has already been invested in projects in progress.

Of the projects in progress, Albano (SEK 3,300 million) which will be completed in 2021 along with phase 4 of Ångström (SEK 1,200 million) are the two largest. This quarter our largest project to date, Biomedicum, was commissioned and transferred to the customer.

The project portfolio contains a number of concept projects totalling about SEK 11,500 million. The largest concept project involves student housing in Uppsala (SEK 1,200 million). Several large projects are in the Gothenburg area, including the Faculty of Fine Applied and Performing Arts, Gibraltarvallen student housing and the New University Library.

The total project portfolio includes twelve student housing projects totalling SEK 4,800 million.

## PROJECT PORTFOLIO

SEK M	30 June 2018	31 Dec. 2017
Decided projects	10,200	13,000
Planned projects	4,200	3,700
<b>DECIDED AND PLANNED PROJECTS</b>	<b>14,400</b>	<b>16,700</b>
of which already invested in projects in progress	-4,200	-5,700
<b>REMAINDER OF DECIDED AND PLANNED PROJECTS</b>	<b>10,200</b>	<b>11,000</b>
Concept projects	11,500	9,800
<b>TOTAL REMAINING PROJECTS</b>	<b>21,700</b>	<b>20,800</b>
Total project portfolio	25,900	26,500

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

Property	Location	Type of premises	Investment limits SEK m	Percentage accrued, %	Additional floor space, m <sup>2</sup>	Expected completion	Customer
Albano	Stockholm	Education	3,302	16	100,000	2021-Q4	Stockholm University
Ångström Phase 4	Uppsala	Laboratory	1,185	7	30,000	2022-Q4	Uppsala University
Humanisten	Gothenburg	Offices	668	56	12,100	2019-Q4	University of Gothenburg
KI Residence	Stockholm	Residential	434	4	15,500	2019-Q3	Karolinska Institutet
Valla Student Building	Linköping	Education	411	44	13,500	2019-Q3	Linköping University
Student accommodation Teknikringen	Stockholm	Residential	400	69	8,900	2019-Q1	Akademiska Hus
A Working Lab	Gothenburg	Other	381	44	9,600	2019-Q3	Akademiska Hus
Lab of the Future	Stockholm	Laboratory	322	72	-	2018-Q4	Karolinska Institutet
Medical Biology Centre	Umeå	Laboratory	306	57	1,800	2020-Q1	Umeå University
Police programme, Södertörn	Stockholm	Education	260	100	5,400	2018-Q2	Södertörn University
A house	Stockholm	Other	241	33	900	2019-Q4	Akademiska Hus
Polstjärnan student housing	Luleå	Residential	183	18	6,000	2020-Q1	Akademiska Hus
GIH swimming centre	Stockholm	Education	118	19	-	2019-Q3	City of Stockholm
Child and youth studies Frescati Backe	Stockholm	Education	111	21	-	2019-Q2	Stockholm University
Projects under SEK 100 million			1,878				
<b>TOTAL</b>			<b>10,200</b>				

## Changes in group equity

CHANGES IN GROUP EQUITY IN BRIEF, SEK M	Attributable to the Parent Company's shareholder					Total equity
	Share capital	Other contrib- uted capital	Hedge reserve <sup>1</sup>	Actuarial profit and loss	Profit for the year brought forward	
<b>EQUITY, 1 Jan. 2017</b>	<b>2,135</b>	<b>2,135</b>	<b>9</b>	<b>21</b>	<b>29,851</b>	<b>34,152</b>
Dividends <sup>2</sup>	—	—	—	—	-1,393	-1,393
Total comprehensive income, Jan.-June 2017	—	—	-5	—	2,744	2,739
<b>EQUITY, 30 JUNE 2017</b>	<b>2,135</b>	<b>2,135</b>	<b>4</b>	<b>21</b>	<b>31,202</b>	<b>35,497</b>
Total comprehensive income, July-Dec. 2017	—	—	3	-22	3,708	3,689
<b>EQUITY, 31 DEC. 2017</b>	<b>2,135</b>	<b>2,135</b>	<b>7</b>	<b>-1</b>	<b>34,910</b>	<b>39,186</b>
Dividends <sup>3</sup>	—	—	—	—	-1,630	-1,630
Total comprehensive income, Jan.-June 2018	—	—	-7	—	2,324	2,317
<b>EQUITY, 30 JUNE 2018</b>	<b>2,135</b>	<b>2,135</b>	<b>0</b>	<b>-1</b>	<b>35,604</b>	<b>39,873</b>

1) During the second quarter of 2018 Akademiska Hus decided that it would no longer apply hedge accounting for cash flow hedges. These hedges are instead recognised through profit or loss.

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

3) Dividend of SEK 1,630,000,000 was authorised by the Annual General Meeting on 27 April 2018.

## Consolidated statement of cash flows

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

	2018 Jan.-June	2017 Jan.-June	2017 Full-year
<b>CURRENT OPERATIONS</b>			
Profit before tax	2,076	3,547	8,311
Adjustment for items not included in the cash flow	-116	-1,810	-4,742
Tax paid	-202	-202	-347
<b>CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL</b>	<b>1,757</b>	<b>1,535</b>	<b>3,222</b>
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL<sup>1</sup></b>			
Increase (-)/decrease (+) in current receivables	-213	335	-355
Increase (+)/decrease (-) in current liabilities	-86	-76	-747
<b>CASH FLOW FROM CURRENT OPERATIONS</b>	<b>1,458</b>	<b>1,794</b>	<b>2,120</b>
<b>INVESTMENTS</b>			
Investment in properties	-1,433	-1,536	-2,555
Sale of properties	6	55	204
Investment in other non-current assets	-14	-1	-1
Increase in non-current receivables	—	274	—
Decrease in non-current receivables	-53	—	11
<b>CASH FLOW FROM INVESTMENTS</b>	<b>-1,494</b>	<b>-1,208</b>	<b>-2,341</b>
<b>FINANCING ACTIVITIES</b>			
Change in interest-bearing loans	-314	1,650	2,723
Change in collateral <sup>1</sup>	456	—	—
Dividend paid	-1,630	-1,393	-1,393
<b>CASH FLOW FROM FINANCING</b>	<b>-1,488</b>	<b>257</b>	<b>1,330</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>-1,524</b>	<b>843</b>	<b>1,109</b>
Opening cash and cash equivalents	6,479	5,370	5,370
Closing cash and cash equivalents	4,955	6,213	6,479

1) In 2018 Credit Support Annex (CSA) was reclassified from working capital to financing activities. Corresponding reclassification for comparative periods was not carried out.

## Comment: Statement of cash flows

Cash flow from current operations before changes in working capital totalled SEK 1,757 million (1,535). The impact of investment in properties on cash flow was SEK 1,433 million (1,536).

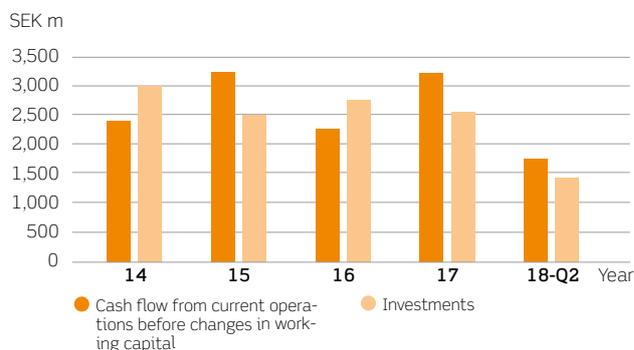
Cash Flow relating to financing activities amounted to SEK -1,488 million (257). Cash flow is lower compared with the same period last year because the dividend of SEK 1,630 million (1,393) was not financed by increasing borrowing, but by reducing current investments (cash and cash equivalents) which gradually matured during the period.

Total cash flow for the year was SEK -1,524 million (843).

### CASH FLOW AND INVESTMENTS

Total cash flow from current operations before change in working capital during the period 2014 to June 2018 was SEK 12,911 million. Investments during the same period totalled SEK 12,278 million. The table shows that cash flow from current operations is reinvested largely in new construction as well as in redevelopment and extensions of existing holdings.

### STABLE CASH FLOW FROM CURRENT OPERATIONS



## Risk management

The Board decides each year, in conjunction with the strategy seminar, on long-term development, the strategic plan, the competitive situation and total risk exposure. The Board of Directors also regularly monitors 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 42–45 of the 2017 Annual Report.

### SENSITIVITY ANALYSIS, PROPERTY VALUE 30 JUNE 2018

CHANGE	Impact on pre-tax profit, SEK m	Impact on fair value, SEK m <sup>1)</sup>	Impact on fair value, percentage points
Rental revenue, +/- one per cent	58	405	0.5
Vacant space, +/- one percentage point	57	-677	-0.8
Operating costs, +/- one per cent	8	-86	-0.1
of which media provision	6	-43	-0.1
Cost of capital, + one percentage point	-4,936	-4,936	-6.0
Cost of capital, - one percentage point	5,444	5,444	6.6
Yield target, + one percentage point	-6,459	-6,459	-7.8
Yield target, - one percentage point	9,611	9,611	11.7

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

# Consolidated segments

## THE GROUP'S GEOGRAPHICAL SEGMENTS IN BRIEF

SEGMENT INFORMATION 1 JANUARY 2018-30 JUNE 2018, SEK M	South <sup>1</sup>	Mid-Sweden <sup>2</sup>	North <sup>3</sup>	Total, operating segments	Other operations <sup>4</sup>	Group
Revenue, including other operating revenue	817	1,445	820	3,082	—	3,082
Property management costs, including other operating costs	-262	-369	-244	-875	-100	-975
<b>NET OPERATING INCOME</b>	<b>555</b>	<b>1,076</b>	<b>576</b>	<b>2,207</b>	<b>-100</b>	<b>2,107</b>
Central administration costs						-35
Net interest income/expense						-112
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>						<b>1,961</b>
Change in value, properties	-46	235	358	547	—	547
Change in value, financial instruments						-432
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>2,076</b>
Total assets include:						
Properties	18,953	42,705	20,807	82,465	—	82,465
of which invested during the year	279	928	226	1,433	—	1,433
SEGMENT INFORMATION 1 JAN. 2017-30 JUNE 2017, SEK M	South <sup>1</sup>	Mid-Sweden <sup>2</sup>	North <sup>3</sup>	Total, operating segments	Other operations <sup>4</sup>	Group
Revenue, including other operating revenue	783	1,307	806	2,896	—	2,896
Property management costs, including other operating costs	-230	-417	-218	-865	-69	-934
<b>NET OPERATING INCOME</b>	<b>553</b>	<b>890</b>	<b>588</b>	<b>2,031</b>	<b>-69</b>	<b>1,962</b>
Central administration costs						-30
Net interest income/expense						-103
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>						<b>1,829</b>
Change in value, properties	378	1,133	407	1,917	—	1,917
Change in value, financial instruments						-199
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>3,547</b>
Total assets include:						
Properties	18,006	39,158	19,273	76,437	—	76,437
of which invested during the year	250	1,036	250	1,536	—	1,536
SEGMENT INFORMATION 1 JAN. 2017-31 DEC. 2017, SEK M	South <sup>1</sup>	Mid-Sweden <sup>2</sup>	North <sup>3</sup>	Total, operating segments	Other operations <sup>4</sup>	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
<b>NET OPERATING INCOME</b>	<b>1,053</b>	<b>1,755</b>	<b>1,179</b>	<b>3,987</b>	<b>-158</b>	<b>3,829</b>
Central administration costs						-67
Net interest income/expense						-188
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>						<b>3,574</b>
Change in value, properties	940	2,781	1,258	4,979	—	4,979
Change in value, financial instruments						-243
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>8,310</b>
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

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

2) Mid-Sweden: Stockholm, Linköping, Norrköping, Örebro.

3) North: Uppsala, Gävle, Umeå, Luleå.

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

## Parent Company income statement

PARENT COMPANY INCOME STATEMENT, SUMMARY, SEK M	2018 April-June	2017 April-June	2018 Jan.-June	2017 Jan.-June	2017 Full year
Income from property management	1,540	1,446	3,083	2,926	5,975
Property management expenses	-464	-442	-979	-927	-1,959
<b>NET OPERATING INCOME</b>	<b>1,075</b>	<b>1,004</b>	<b>2,104</b>	<b>1,999</b>	<b>4,016</b>
Central administration costs	-18	-13	-35	-30	-67
Depreciation and impairment as well as reversed impairment in property management	-308	-284	-611	-573	-1,160
<b>PROFIT BEFORE FINANCIAL ITEMS</b>	<b>749</b>	<b>707</b>	<b>1,458</b>	<b>1,396</b>	<b>2,789</b>
Net financial income/expense	-302	-184	-591	-346	-532
Appropriations	—	—	—	—	-181
<b>PROFIT BEFORE TAX</b>	<b>447</b>	<b>523</b>	<b>867</b>	<b>1,050</b>	<b>2,076</b>
Tax	52	-122	-50	-247	-487
<b>PROFIT FOR THE PERIOD</b>	<b>499</b>	<b>401</b>	<b>818</b>	<b>803</b>	<b>1,590</b>

## Parent Company statement of comprehensive income, summary

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME, SUMMARY SEK M	2018 April-June	2017 April-June	2018 Jan.-June	2017 Jan.-June	2017 Full-year
Profit for the period	499	401	818	803	1,590
Reclassifiable items					
Profit/loss from cash flow hedges	-11	1	—	-7	-4
Tax attributable to cash flow hedges	2	1	—	1	1
Cash flow hedges, reclassified to the income statement	-4	1	-7	1	1
<b>TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-13</b>	<b>3</b>	<b>-7</b>	<b>5</b>	<b>-3</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>486</b>	<b>404</b>	<b>811</b>	<b>798</b>	<b>1,587</b>

# Parent Company – balance sheet

PARENT COMPANY BALANCE SHEET, SUMMARY, SEK M	30 June 2018	30 June 2017	31 Dec. 2017
<b>ASSETS</b>			
Non-current assets			
Properties	43,764	42,512	42,951
Equipment, fixtures and fittings	20	10	8
Shares in Group companies	1	1	1
Derivatives	1,389	2,048	1,053
Other non-current receivables	262	126	209
<b>Total non-current assets</b>	<b>45,435</b>	<b>44,697</b>	<b>44,222</b>
Current assets			
Derivatives	772	128	598
Other current receivables	1,889	1,088	1,765
Cash and bank balances	4,955	6,213	6,479
<b>Total current assets</b>	<b>7,616</b>	<b>7,429</b>	<b>8,842</b>
<b>TOTAL ASSETS</b>	<b>53,051</b>	<b>52,126</b>	<b>53,065</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	6,001	6,029	6,820
Untaxed reserves	4,206	4,025	4,206
<b>LIABILITIES</b>			
Non-current liabilities			
Loans	28,098	21,935	25,198
Derivatives	898	719	936
Deferred tax	2,127	2,241	2,315
Other non-current liabilities	354	378	365
<b>Total non-current liabilities</b>	<b>31,477</b>	<b>25,273</b>	<b>28,814</b>
Current liabilities			
Loans	7,239	12,437	9,541
Derivatives	88	90	69
Other current liabilities	4,041	4,272	3,616
<b>Total current liabilities</b>	<b>11,368</b>	<b>16,799</b>	<b>13,225</b>
<b>Total liabilities</b>	<b>42,845</b>	<b>42,072</b>	<b>42,039</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>53,051</b>	<b>52,126</b>	<b>53,065</b>

# Parent Company

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

## REVENUE AND PROFIT/LOSS

The Company's sales for the period amounted to SEK 3,083 million (2,926). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). Profit before financial items was SEK 1,458 million (1,396) and net financial income/expense was SEK -591 million (-364). Profit after tax was SEK 818 million (803).

## 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.

## TAX

The corporate tax rate is being gradually reduced from the current 22.0% to 20.6% by 2021. Consequently, the deferred tax liability has been revalued to SEK 2,217 million and a deferred tax income of SEK 144 million is reported in the second quarter.

## INVESTMENTS

Investment in machinery and equipment amounted to SEK 14 million (1) and in properties to SEK 1,433 million (1,537).

## EQUITY

Equity totalled SEK 6,001 million compared with SEK 6,820 million at year-end. In May 2018 a dividend of SEK 1,630 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 Interim 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, 13 July 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 2018

As of 1 January 2018, the Akademiska Hus Group applies IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.

Other than some changes in terminology, the transition to IFRS 9 Financial Instruments has not had any impact on measurement of Akademiska Hus' financial instruments. Derivatives will continue to be carried at fair value through profit or loss. Hedge accounting is still considered to be effective under the new standard. 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.

Only a small portion of the Group's revenues are subject to IFRS 15. These items are considered to be integrated components 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 generally accepted in the property industry. Owner objectives have also been set for return on operating capital and the equity ratio. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies.

### Return on equity

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

### Return on operating capital

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

### Loan-to-value ratio

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

### Yield

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

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

### Net operating income ratio

Net operating income in relation to property management income.

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

### Total financing cost including changes in value

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

### Interest coverage ratio

Net operating income with the addition for central administration in relation to net financial income/expense, with the addition of 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. 2018- 30 June 2018	1 Jan. 2017- 30 June 2017	1 Jan. 2017- 31 Dec. 2017
Loans	-35,336	-34,371	-34,741
Derivatives - liabilities	-985	-733	-956
Collateral for derivatives	-1,058	-1,426	-858
Cash and cash equivalents	4,955	6,213	6,478
Other current receivables	409	256	857
Derivatives - receivables	2,161	2,176	1,651
<b>Total net loan liability</b>	<b>-29,854</b>	<b>-27,885</b>	<b>-27,569</b>
<b>Fixed income funds - assets (full-year basis)</b>	<b>-29,501</b>	<b>-28,035</b>	<b>-29,973</b>

### 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, 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.

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

Interim Report January–September 2018 26 October 2018

Year-end report February 2019

Annual Report 2018 March 2019

## 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, Sweden

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