

# Year-end report

Quarter

4

1 January - 31 December 2018

## Completion of new buildings boosts net operating income

Akademiska Hus reports an increase in net operating income for 2018 compared with the previous year and increased profit before changes in value and tax. During the year the Company adopted ambitious new climate targets - a vision for a zero carbon footprint.

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

### Key events during the quarter

- Akademiska Hus has developed an array of ambitious targets to be able to contribute to a climate-neutral society and recently adopted a vision for a zero carbon footprint. The vision will be achieved through climate-neutral internal operations and property operations by 2025 and climate-neutral project operations by 2045.
- Akademiska Hus decided to invest approximately SEK 460 million in renovating the M-building in Lund to convert it into an attractive study and research environment that is sustainable and in which students and researchers can meet. The 24,400 square-metre project is expected to begin in late 2019, with completion in June 2022.
- In November the new climbing facility that Akademiska Hus built at the IKSU sport athletic centre on the Umeå Campus held its grand opening. The facility, which is called Lofoten, will contribute to the long-term development of climbing as a sport for all of Norrland. Along with IKSU's other activities, it represents an important aspect of the university city and is an important piece of the puzzle for Umeå University as a sport science university.
- At the Albano Campus in Stockholm 70,000 square metres of new university facilities and 1,000 housing units for undergraduate and graduate students, as well as parks, stores and restaurants are under construction. The area will be the first campus environment in Sweden to qualify for certification according to Citylab standards, thereby standing out as an urban development project at the absolute cutting edge of sustainability.

### Financial information

#### FULL-YEAR

- Rental revenue was SEK 5,928 million (5,582).
- Net operating income totalled SEK 3,938 million (3,829), an increase of SEK 109 million attributable to completion of new buildings.
- Profit before changes in value and tax was SEK 3,592 million (3,574).
- Unrealised changes in property values totalled SEK 2,585 million (4,979), corresponding with 3.0 per cent (6.2) of the value of the properties.
- The total financing cost was SEK -628 million (-430), including a total of SEK -268 million (-188) in net interest income.
- Profit before tax for the year amounted to SEK 5,818 million (8,311) and profit for the year was SEK 5,314 million (6,453). The reduction is mainly attributable to lower changes in property values.
- Investments in redevelopment, extensions and new construction during the period totalled SEK 2,842 million (2,555).
- The yield (excluding properties under construction) was 5.0 per cent (5.4).
- The Board of Directors proposes a dividend of SEK 1,663 million (1,630) to the 2019 Annual General Meeting.

#### FOURTH QUARTER

- Rental revenue was SEK 1,480 million (1,392).
- Net operating income was SEK 819 million (836), a reduction of SEK 17 million.
- Profit before changes in value and tax was SEK 702 million (787).
- Unrealised changes in property values totalled SEK 1,786 million (1,395).
- Net interest income amounted to SEK -93 million (-29).
- Profit before tax was SEK 2,517 million (2,083).



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 market 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 government agencies, this customer group has the highest credit rating available.

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 6.5 years (6). The financial vacancy rate accounts for 1.7 per cent (0.9) of our total rental revenue.

The vacancy rate regarding rentable space is 5.2 per cent (4.2).

One reason for the relatively low vacancy rate is that new projects generally are not initiated until contracts are signed.

## LONG-TERM FINANCING

Cash flow from current operations is for the most part reinvested in new construction as well as in redevelopment and extensions of existing holdings. The liability portfolio is financed via 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.

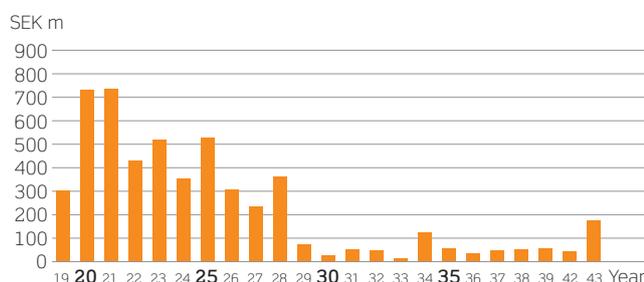
# P-1

Moody's short-term rating,  
January 2019

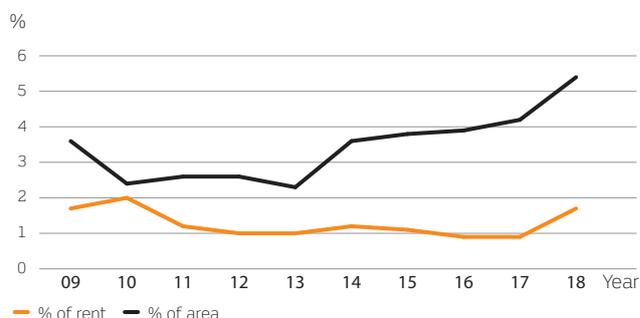
# AA

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

## MATURITY STRUCTURE ON LEASES



## VACANCY RATE SOMEWHAT INCREASED FROM LOW LEVELS



## AKADEMISKA HUS IN BRIEF

	2018 Oct.-Dec.	2017 Oct.-Dec.	2018 Full-year	2017 Full-year	2016 Full-year
Income from property management, SEK m	1,528	1,449	6,117	5,806	5,666
Net operating income, SEK m	819	836	3,938	3,829	3,667
Profit before tax, SEK m	2,517	2,083	5,818	8,311	6,715
<b>Values as at 31 Dec. 2018</b>					
Equity ratio	45.8	43.3	45.8	43.3	41.4
Return on operating capital, %	*	*	5.5	5.9	6.2
Return on equity, %	*	*	11.2	17.6	16.3
Interest coverage ratio, %	*	*	736	871	694
Loan-to-value ratio, %	34.7	34.3	34.7	34.3	37.0
Yield, properties, % <sup>1</sup>	*	*	5.1	5.5	5.7
Yield, properties, % <sup>2</sup>	*	*	4.7	5.0	5.3
Assessed market value, properties, SEK m	85,865	80,444	85,865	80,444	73,013

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

1) excluding properties under construction and expansion reserves 2) including properties under construction and expansion reserves

## 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.

Two of the owner's three financial objectives were not achieved. This is exclusively attributable to the large changes in market value because our property holdings are recognised in accordance with IFRS regulations. These changes in market value have a negative impact on the performance measures and have prevented us from achieving our financial objectives.

# Our vision for zero carbon footprint

## PRESIDENT KERSTIN LINDBERG GÖRANSSON COMMENTS:

Biomedicum, our largest construction project ever, was commissioned during the year. This contributed to an increased net operating income of SEK 3,938 million, compared with SEK 3,829 million the previous year. During the year we had positive changes in value of SEK 2,585 million, which along with investments during the year resulted in a property value of SEK 86 billion. The changes in the value of the property portfolio are lower than the previous year, resulting in a drop in profit for the year to SEK 5,314 million, compared with SEK 6,453 million the previous year.

### NEW TARGETS FOR CLIMATE NEUTRALITY

The climate issue continues to be one of the most important challenges for society. The UN climate report published in late 2018 put new light on the issue. As one of Sweden's largest property companies, we have a clear opportunity to contribute to a positive trend regarding climate emissions. During the year we adopted ambitious new climate targets – a vision for a zero carbon footprint. Our property operations and our internal operations will have reached the target by 2025. The more complex construction project operation is progressing according to the roadmap of the Construction and Contracting industry and the target is to reach a climate-neutral value chain by 2045. Investments in solar panels contribute to this target. Our 40 solar parks generate over 2.5 million kWh of sustainable electricity annually at Swedish centres of education. In 2019 we will take further measures by installing more solar power facilities to increase capacity to 5 million kWh per year.

### FIRST CAMPUS ON THE WAY TO BEING CERTIFIED TO CITYLAB STANDARDS

We are now working with our customers to give our development and sustainability initiatives an additional boost. One good example is the growing Albano Campus in Stockholm. In all, 70,000 square metres of new university facilities, 1,000 housing units for undergraduate and graduate students, along with park environments, stores and restaurants, will be built here. The area will be the first campus



Biomedicum, one of the largest research labs in Europe, was completed for Karolinska Institutet in 2018. This construction project – the largest ever undertaken by Akademiska Hus – was completed ahead of schedule and under budget.

environment to qualify for certification according to Citylab standards, thereby standing out as an urban development project at the absolute cutting edge of sustainability.

Also driving progress is the expanded collaboration initiative between Akademiska Hus and the Royal Institute of Technology (KTH), where we have signed a memorandum of intent to strengthen our long-term strategic collaboration in education, research and innovation. Another exciting example is the cooperative agreement with Örebro University – “Örebro Campus Lab” – where the goal is to work together to make the university the most digitalised centre of education in Sweden.

### STRATEGIC PLAN TO 2021

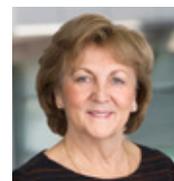
Like others in the property industry, we face major challenges. This includes digitalisation that affects the entire society, the climate challenge and other global external factors. To deal with these challenges we formulated a new strategy during the year: “collaboration in the development of future knowledge environments”. We will work at a faster pace with our customers, as well as with other players, to develop innovative solutions for more efficient operations, improved basic delivery and future-oriented knowledge environments. We already have about 20 innovation projects underway, including many driven within the framework for the construction of A Working Lab on the Chalmers Campus in Gothenburg. Another example is the approximately SEK 100 million we are investing in a meeting place for innovation in life science on the Solna Campus. The renovated building will provide the campus with a long-awaited

gathering point where students, researchers, visitors, businesspeople and startup companies can meet for knowledge-sharing, development and innovation.

### STRONG DEMAND FOR STUDENT ACCOMMODATION AND KNOWLEDGE ENVIRONMENTS

During the year 227 students moved in to our newly built student housing at KTH in Stockholm as a result of our efforts to contribute to more student housing. We also decided to invest about SEK 200 million in the construction of 130 housing units on the Ultuna Campus in Uppsala. In addition, we submitted a plan application for 600 new student housing units in Lund. Construction of approximately 200 on-campus student housing units in Luleå is also underway right now.

In 2018 we took major steps regarding our level of ambition in a number of areas. We will strengthen our basic delivery at the same time that we take advantage of the opportunities provided by digitalisation. We will remain on the cutting edge regarding innovation and development, especially in sustainability. In order to succeed with our targets and aspirations, we are increasing collaboration with our customers and other stakeholders. Together we will develop new future-oriented solutions to streamline our operations and to generate value for Swedish centres of education.



**Kerstin Lindberg Göransson**  
President

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# Business intelligence and market analysis: Continued attractive property market

The strong economy and interest rate situation benefit the property industry. Interest in community properties continues to be strong.

## TRENDS

The beginning of 2018 was characterised by optimism about the economy. Fiscal stimulus measures in the US combined with expectations of continued interest rate hikes from the US Federal Reserve resulted in inflation expectations and caused interest rates to rise. However, sentiment in the global economy dampened during the year. Economic indicators such as the Purchasing Managers Index have generally pointed to a slowdown, albeit from high levels and indicating continued good growth. Questions have arisen regarding China's economy, where credit growth gradually dropped during the year. Ongoing trade negotiations between the US and the rest of the world, especially China, have further contributed to increased uncertainty regarding prospects for global trade and its effect on growth. The economic performance in Europe did not meet expectations and growth forecasts have been adjusted downwards. During the year formation of the government and budget negotiations with Italy, as well as Brexit negotiations have resulted in additional tensions in the eurozone. Sweden also showed some signs of a slowdown in economic activity.

## FINANCIAL MARKETS

In response to the continued strong labour market and rising wages, the Fed raised interest rates four times during the year. At the same time the Fed is continuing to reduce its balance sheet, which is also contributing to a tightening of monetary policy. Short interest rates in the US have risen during the year, but bond yields have not risen at the same pace. The yield curve is therefore extremely flat, which is associated with further uncertainty regarding growth prospects since the slope of the US yield curve has historically been a good economic indicator.

The European Central Bank (ECB) and the Riksbank have also taken steps towards a tightening of monetary policy during the year. The ECB has reduced the pace of and finally ended its bond purchasing programme. However, it has signalled that interest rates will not increase until the autumn of 2019 at the earliest, which means a continued negative policy rate in Europe. As a result of inflation expectations relating to the target of two per cent and signs of somewhat increased pressure on costs in the economy, the Riksbank raised the policy rate by 0.25 percentage points in December. Thus the Riksbank is moving ahead of the ECB, but at the same time has noted the importance of a weak SEK in its aspiration to reach the inflation target, for which reason there is still reason to believe that it will approach interest rate hikes with great caution. Bond yields in Europe and Sweden have fallen during the year, largely driven by increased concerns about growth, especially during the autumn.

## PROPERTY MARKET

The commercial property market has performed well in 2018, buoyed by the robust economy. Demand for office space is high in the major cities and regional centres, resulting in lower vacancy rates and rising rental prices. In the transaction market there is strong interest in Swedish properties and transaction volumes are about the same level as in 2017. As of 31 December the year's transaction volume amounted to SEK 153 billion (151), an increase of about one per cent compared with the previous year. With the exception of 2016, which in general was an exceptionally strong year for properties, transaction volumes have been at about the same level for four years. Domestic participants accounted for 73 per cent (77) of the transaction volume, which means that foreign investors – with a 27 per cent share (23) – assumed a more significant position than in prior years; the weakening of the SEK was likely a contributing factor. Transactions primarily involve housing and offices, which accounted for 34 per cent (26) and 23 per cent (18) of the volume, respectively. In addition, a somewhat larger portion of transactions are being carried out in major cities and regional centres compared with 2017, since the amount for the rest of the country was only 17 per cent (20) of the total volume. Despite a stronger rental market, transactions are generally occurring with unchanged yield requirements, probably because the cost of financing is expected to rise once the monetary policy normalises.

## CONTINUED STRONG MARKET FOR COMMUNITY PROPERTIES

The transaction market for community properties was somewhat cautious during the year, while it increased for new construction. Current owners are usually restrictive with respect to sales and in those cases where sales do occur, they are usually motivated by a strategy to streamline holdings and free up capital that can be reinvested. Moreover, fewer transactions involving community properties occur during election years since both sellers and buyers adopt a wait-and-see approach regarding political change.

Akademiska Hus' property holdings are primarily concentrated to Sweden's major cities and regional centres, which are markets that have generally strengthened during the year. In the sub-segment premises for higher education and research Akademiska Hus is the leader with a market share of 60 per cent. A campus is an attractive microenvironment for education, research and related activities. Demand for on-campus premises also depends on how well the campus is integrated with the city in general. Through improved infrastructure, increased supply of services and residential development, campuses can be made more attractive for both the centres of education and the business community.

# Our college and university cities

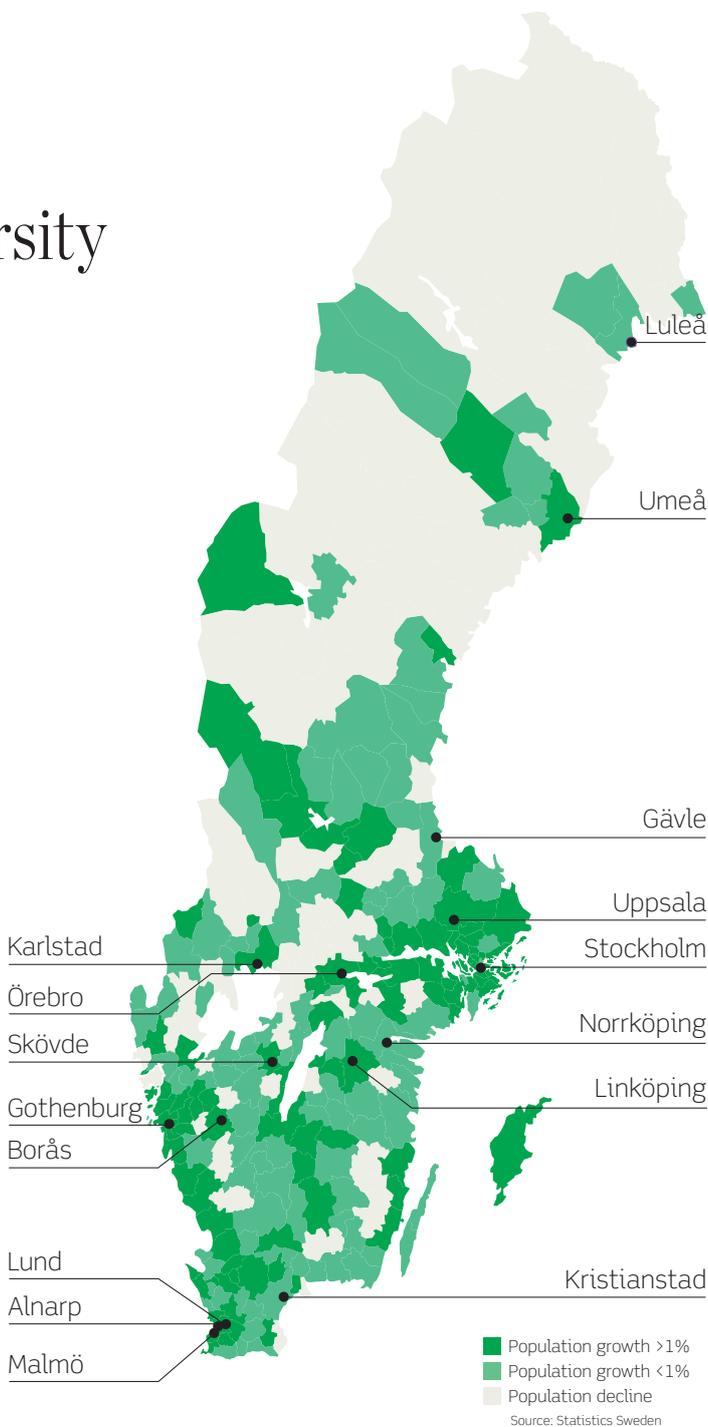
AKADEMISKA HUS CAN BE FOUND IN

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COLLEGE AND UNIVERSITY CITIES

## Presence in cities with good growth

Akademiska Hus has a 60 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 86 billion, with 97 per cent located in university cities and 3 per cent in college towns.



■ Population growth >1%  
■ Population growth <1%  
■ Population decline  
 Source: Statistics Sweden

Share, per city/town	Market value and area	Largest centres of education
Greater Stockholm	<b>SEK 39 billion</b> 957,000 m <sup>2</sup>	Stockholm University Karolinska Institutet Royal Institute of Technology
Uppsala	<b>SEK 15 billion</b> 604,000 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> 358,000 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 2018: 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 in sustainable choices. A number of innovation projects are also underway along with our customers in these areas.

### 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

### Akademiska Hus' new climate-neutral targets

Akademiska Hus has developed an array of ambitious targets to be able to contribute to a climate-neutral society. In summary, the Company will reach the following targets related to climate neutrality:

- **Climate-neutral property operations by 2025:** the target will be achieved by deliberately working with proactive energy-saving measures, investments in energy-saving technology and renewable solutions, as well as through clear energy purchasing strategies.
- **Climate-neutral internal operations by 2025:** the target includes Akademiska Hus' business trips and other impact from consumables, etc.
- **Climate-neutral project operations by 2045:** the target will be achieved through clear follow-up of the impact of the projects by taking active decisions regarding design solutions, systems and material choices, clarifying our client demands regarding execution, and enthusiastically searching for climate-smart solutions that equally fulfil the needs of our customers.



### CAMPUS AND BUSINESS DEVELOPMENT

Sweden's learning environments and campuses are undergoing constant development. Needs, desires and visions are discussed together with 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 preschools 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 deliverables and create value for 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.

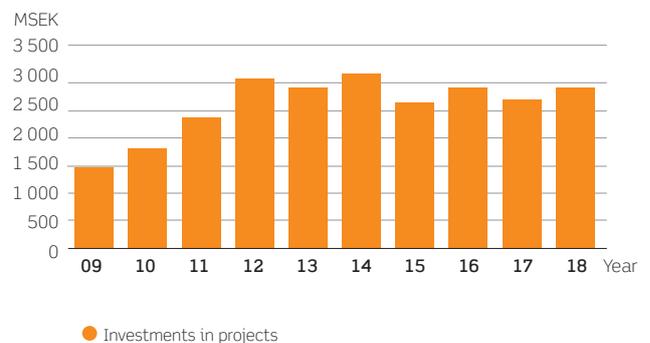
### PROJECTS

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 increasing 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 University of Technology in Gothenburg. The building will be an innovation arena that also serves as a test bed during the construction process.

#### CONTINUED HIGH INVESTMENT RATE, SEK M



The diagram shows annual investments in projects from 2009 to 2018 and on average, Akademiska Hus has had an investment rate of about SEK 2.5 billion per year. We have invested approximately SEK 50 billion in new construction as well as in redevelopment and extensions since 1993.

FIVE-YEAR SUMMARY	2018	2017	2016	2015 <sup>8</sup>	2014
<b>INCOME STATEMENTS, SEK M</b>					
Property management income	6,117	5,806	5,666	5,646	5,681
Operating costs	-894	-785	-764	-771	-808
Maintenance costs	-676	-615	-686	-618	-621
Property administration	-372	-309	-294	-316	-326
Net operating income	3,938	3,829	3,667	3,740	3,717
Central administration costs	-78	-67	-85	-72	-46
Net interest income/expense	-268	-188	-308	-347	-391
Earnings before changes in value and taxes <sup>1</sup>	3,592	3,574	3,274	3,321	3,280
Change in value, properties	2,585	4,979	3,682	2,655	3,529
Change in value, financial instruments	-360	-242	-241	165	-548
Profit before tax	5,818	8,311	6,714	6,141	6,261
Profit for the year	5,314	6,453	5,148	4,780	5,215
<b>STATEMENT OF FINANCIAL POSITION, SEK M</b>					
Fair value, properties	85,865	80,444	73,013	66,575	61,437
Other assets	7,612	10,113	9,417	7,858	8,282
Equity	42,832	39,186	34,152	30,271	33,432
Interest-bearing liabilities	35,081	37,051	35,627	30,831	26,082
Other liabilities and provisions	15,564	14,320	12,651	13,331	10,205
<b>CASH FLOW, SEK M</b>					
Cash flow from current operations	2,998	2,121	2,721	2,485	3,161
Cash flow from investments	-2,991	-2,341	-2,548	-2,204	-439
Cash flow before financing	7	-220	172	281	2,722
Cash flow from financing	-3,183	1,330	893	-534	-853
Cash flow for the year	-3,175	1,110	1,065	-253	1,869
<b>PROPERTY-RELATED KEY FIGURES</b>					
Total yield, properties, %	8.5	12.5	11.4	11.0	13.4
of which direct yield, % <sup>2</sup>	5.1	5.5	5.7	6.4	6.9
of which change in value, % <sup>3</sup>	3.4	7.0	5.7	4.6	6.5
Rental revenue, SEK/m <sup>2</sup>	1,791	1,715	1,697	1,710	1,715
Operating costs, SEK/m <sup>2</sup>	270	241	237	242	252
Maintenance costs, SEK/m <sup>2</sup>	204	189	212	194	194
Net operating income in relation to property management income, %	64	66	65	66	65
Net operating income, SEK/m <sup>2</sup>	1,190	1,176	1,135	1,174	1,160
Level of vacant space, area, %	5.2	4.2	3.9	3.8	3.6
Level of vacant space, rent, %	1.7	1.0	0.9	1.1	1.2
Fair value, properties, SEK/m <sup>2</sup> <sup>4</sup>	24,173	22,476	20,638	19,238	17,471
Energy use, kWh/m <sup>2</sup>	201	201	204	212	224
CO <sub>2</sub> , kg/m <sup>2</sup>	7	9	8	8	11
<b>FINANCIAL KEY FIGURES</b>					
Return on equity after standard tax, %	11.2	17.6	16.3	15.0	15.5
Return on operating capital, % <sup>5</sup>	5.5	5.9	6.2	6.9	7.3
Return on total assets, %	6.6	10.1	10.8	10.7	10.9
Interest-bearing net loan liability, SEK m	29,812	27,569	26,962	23,924	18,871
Equity ratio, %	45.8	43.3	41.4	40.7	48.0
Interest coverage ratio, %	736	871	694	743	671
Financing cost, %	2.3	1.8	2.2	1.2	5.0
Loan-to-value ratio, %	34.7	34.3	37.0	35.9	30.7
Internal financing level, %	115	137	84	132	278
Ordinary dividend, SEK m <sup>6</sup>	—	1,630	1,393	1,290	1,445
Additional distribution, SEK m <sup>7</sup>	—	—	—	—	6,500
<b>PERSONNEL</b>					
Average number of employees	480	449	440	409	408

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 and expansion reserves.

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 2019.

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	2018 Oct.-Dec.	2017 Oct.-Dec.	2018 Full-year	2017 Full-year
Rental revenue	1,480	1,392	5,928	5,582
Other property management income	48	57	189	224
Total property management income	1,528	1,449	6,117	5,806
Operating costs	-251	-203	-894	-785
Maintenance costs	-289	-233	-676	-615
Property administration	-106	-93	-372	-309
Other property management expenses	-64	-83	-236	-268
Total costs from property management	-709	-613	-2,179	-1,977
<b>NET OPERATING INCOME</b>	<b>819</b>	<b>836</b>	<b>3,938</b>	<b>3,829</b>
Central administration costs	-24	-21	-78	-67
Net interest income/expense	-93	-29	-268	-188
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>	<b>702</b>	<b>787</b>	<b>3,592</b>	<b>3,574</b>
Change in value, properties	1,786	1,395	2,585	4,979
Change in value, financial instruments	30	-99	-360	-242
<b>PROFIT BEFORE TAX</b>	<b>2,517</b>	<b>2,083</b>	<b>5,818</b>	<b>8,311</b>
Tax	-501	-413	-504	-1,858
<b>PROFIT FOR THE YEAR</b>	<b>2,017</b>	<b>1,670</b>	<b>5,314</b>	<b>6,453</b>
Of which attributable to the shareholder in the Parent Company	2,017	1,670	5,314	6,453

## Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, SUMMARY, SEK M	2018 Oct.-Dec.	2017 Oct.-Dec.	2018 Full-year	2017 Full-year
Profit for the year	2,017	1,670	5,314	6,453
Reclassifiable items				
Profit/loss from cash flow hedges	—	3	—	-4
Tax attributable to cash flow hedges	—	-5	—	1
Cash flow hedges, dissolved against profit and loss	—	1	-7	1
Non-reclassifiable items				
Revaluation of defined benefit pensions	-40	-29	-40	-29
Tax attributable to pensions	8	6	8	6
<b>TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-32</b>	<b>-24</b>	<b>-39</b>	<b>-25</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>1,985</b>	<b>1,646</b>	<b>5,275</b>	<b>6,428</b>
Of which attributable to the shareholder in the Parent Company	1,985	1,646	5,275	6,428

## Comment: Operating profit

### FOURTH QUARTER

Profit for the fourth quarter was SEK 2,017 million, which is SEK 347 million higher than the same period last year (1,670). The increase can mainly be explained by higher positive changes in the value of property holdings for the period, which totalled SEK 1,786 million (1,395).

Net operating income for the quarter dropped by SEK 17 million to SEK 819 million (836), which can mainly be explained by unforeseen costs relating to remedial maintenance compared with the corresponding period last year.

### FULL-YEAR 2018

Profit for the year was SEK 5,314 million, which is SEK 1,139 million lower than the same period last year. It is mainly attributable to lower changes in the value of property holdings, which totalled SEK 2,585 million (4,979). The impact of the lower changes in value on profit is offset to some extent by the effect of a change in the corporate tax rate. The effect of the changed corporate tax rate amounted to SEK 743 million.

The net operating income for the period improved by SEK 109 million compared with the previous year, to SEK 3,938 million (3,829), which can mainly be explained by the completion of new buildings during the year.

### RENTAL REVENUE

During the year rental revenue with a deduction for vacancies increased by SEK 346 million compared with the previous year and totalled SEK 5,928 million (5,582). The majority of the increase relates to the completion of new buildings, including Biomedicum and Biomedicum Comparative Medicine (KM-B) in Stockholm, the National Police Academy in Huddinge and the Segerstedt Building in Uppsala. The financial vacancy rate increased during the year, for which reason the addition of the effect from completion of new buildings did not have its full impact on reported rental revenue.

Other property management income amounted to SEK 189 million (224). The decrease is primarily attributable to an additional consideration of SEK 25 million that was included in the previous year's profit.

### LEASING LEVEL

The vacancy rate increased during the year and is fully attributable to occupancy changes at Karolinska Institutet in conjunction with the completion of Biomedicum. The financial vacancy rate accounts for 1.7 per cent (0.9) of our total rental revenue, which corresponds with SEK 109 million (54).

In terms of area, vacancies totalled 173,000 m<sup>2</sup> (127,000), which is 5.2 per cent (3.9) of our total rentable area of 3.3 million m<sup>2</sup> (3.3 million). We work proactively to facilitate new rentals and thereby minimise the financial vacancy rate, which may entail adaptations and investments in existing premises.

### OPERATING AND MAINTENANCE COSTS

Expenses for operation and maintenance amounted to SEK 1,570 million (1,400). Operating costs involve supervision and service, as well as media provision. The increase in operating costs of SEK 109 million can mainly be attributed to the cold weather at the beginning of the year which resulted in increased costs for both heating and snow removal, as well as an increased need for cooling during the unusually hot summer. Operating costs of SEK 894 million (785) include media provision of SEK 595 million (521), equivalent to SEK 177/m<sup>2</sup> (160) over the past 12 months.

Maintenance costs increased by SEK 61 million to SEK 676 million (615) mainly as a result of increased costs for remedial maintenance than the previous year.

### ADMINISTRATION AND PROPERTY MANAGEMENT EXPENSES

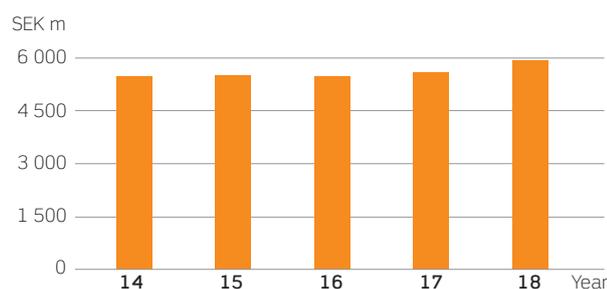
Property administration increased by SEK 63 million to SEK 372 million (309). The increase is planned and is primarily attributable to the full-year effects of recruitments in 2017, expansion of the management organisation for Campus & Business Development and purchasing. In addition, development work in digitisation and innovation entailed increased costs for the year.

Central administration totalled SEK 78 million, which is somewhat higher than the previous year, but is in line with the plan.

### 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. The cost of these items amounted to SEK 268 million (188) for the period, corresponding to an interest rate of 0.97 per cent (0.94).

#### STABLE RENTAL REVENUE THAT INCREASES AS NEW BUILDINGS ARE COMPLETED



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



The extensive bond issuances during the year have made it possible to cut back on short-term funding through ECP. As a result, interest expense on loans increased to some extent. Capitalised interest expense for projects in progress, which was not included in net interest income and expense, totalled SEK 92 million (101) at year-end.

#### TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

	1 Jan. 2018-31 Dec. 2018	1 Jan. 2017-31 Dec. 2017
Interest cost for loans, net, %	0.88	0.74
Interest swaps, net interest, %	0.09	0.20
<b>Net interest income and expense, %</b>	<b>0.97</b>	<b>0.94</b>
Changes in value, financial derivatives, %	1.33	0.85
<b>Total financing cost, %</b>	<b>2.30</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 where a selection of the holdings were externally valued. As of 31 December 2018 the change in value of properties with an impact on profit was SEK 2,585 million, a decrease of SEK 2,394 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 2018 valuation model, such as the change in treatment of the standard vacancy rate and the deduction for a stamp duty, which resulted in a negative impact on all sub-markets of SEK 230 million. Other change in value is attributable to projects in progress, renegotiated leases and other factors affecting value. The average yield requirement was 5.38 per cent (5.45).

The largest changes in value can be seen in the greater Stockholm region and in Uppsala. These changes are generally due to the large proportion of project properties in these market areas that are approaching completion.

#### CHANGE IN VALUE, FINANCIAL INSTRUMENTS

Changes in value in the derivative portfolio amounted to SEK -360 million (-242). The derivative portfolio primarily consists of forward started 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 just over 60 per cent of financing currently relies on floating interest rates. About 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 use of interest derivatives is substantial and interest rate fluctuations generate changes in value (fair values). The recognised changes in value are both realised and unrealised. 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.

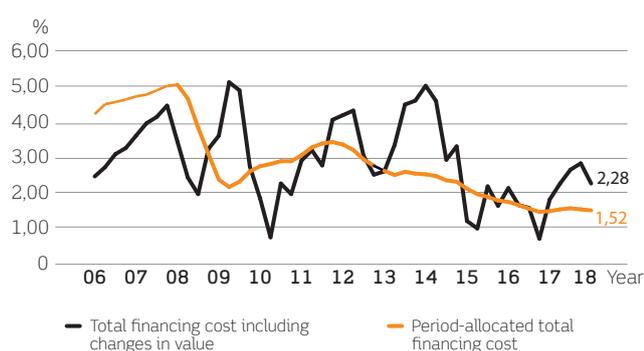
To clarify the underlying financing cost, a comparative calculation is carried out in which the cash flows of realised interest rate derivatives are also attributed (allocated) to the underlying maturity of each instrument. This allocation for the past twelve-month period corresponds with an interest expense of 0.52 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 1.52 per cent at year-end. The calculation confirms that the long fixed interest period has resulted in relatively stable financing costs.

The interest coverage ratio continues to be high, although it fell during the year as a result of the somewhat higher net interest income, and was 736 per cent (871) at year-end, see diagram below. When calculating the interest coverage ratio, the capitalised interest expense and accrued earnings from the closed interest rate derivatives are reversed.

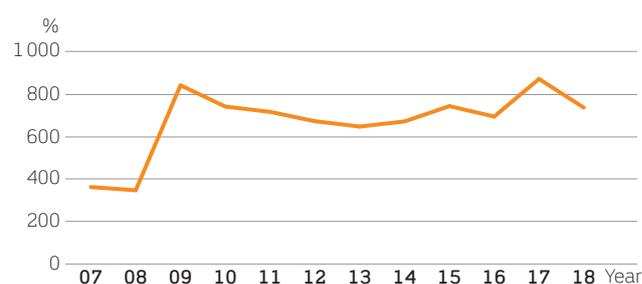
#### TAX

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 11,630 million and a deferred tax income of SEK 743 million is reported in 2018.

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



#### INTEREST COVERAGE RATIO REMAINS HIGH



# Consolidated balance sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY, SEK M	31 Dec. 2018	31 Dec. 2017
<b>ASSETS</b>		
Non-current assets		
Properties	85,865	80,444
Equipment, fixtures and fittings	23	8
Derivatives	1,614	1,053
Other non-current receivables	430	209
<b>Total non-current assets</b>	<b>87,933</b>	<b>81,715</b>
Current assets		
Current receivables		
Derivatives	67	598
Other current receivables	2,173	1,765
<b>Total current receivables</b>	<b>2,240</b>	<b>2,363</b>
Cash and cash equivalents		
Cash and cash equivalents	3,304	6,479
<b>Total cash and cash equivalents</b>	<b>3,304</b>	<b>6,479</b>
<b>Total current assets</b>	<b>5,544</b>	<b>8,842</b>
<b>TOTAL ASSETS</b>	<b>93,477</b>	<b>90,557</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	42,832	39,186
<b>LIABILITIES</b>		
Non-current liabilities		
Loans	28,262	25,198
Derivatives	941	935
Deferred tax	11,630	11,444
Other non-current liabilities	602	571
<b>Total non-current liabilities</b>	<b>41,435</b>	<b>38,149</b>
Current liabilities		
Loans	5,259	9,541
Derivatives	136	69
Other current liabilities	3,815	3,613
<b>Total current liabilities</b>	<b>9,210</b>	<b>13,223</b>
<b>Total liabilities</b>	<b>50,645</b>	<b>51,371</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>93,477</b>	<b>90,557</b>

## Comment: Balance sheet

### PROPERTIES

As of 31 December 2018 the fair value of Akademiska Hus' property holdings totalled SEK 85,865 million, an increase of SEK 5,421 million and 6.7 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 4,404 million. The change in value with an impact on profit and capitalised interest expense was SEK 2,585 million (4,979), including changes in value realised for properties sold during the period of SEK 0 million (0). The remaining change relates to investments and sales.

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. Changes in the valuation model implemented in 2018 reduced the impact on profit compared with the previous year. The average

yield requirement was 5.38 per cent, a decline of 0.07 percentage points since January 1.

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. A selection of the property portfolio is also valued externally each year. External valuations are used as a benchmark for the internal valuation, thereby confirming its reliability that we end up within the interval stated below.

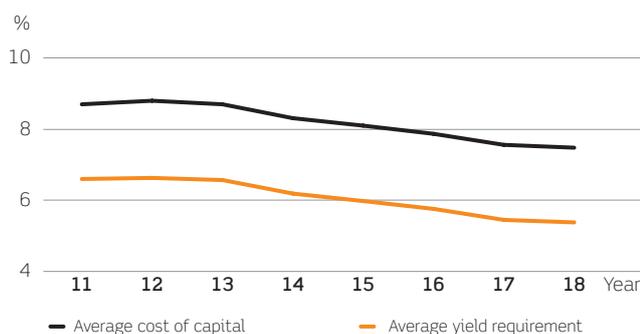
All property valuation includes assessments that are associated with a certain degree of uncertainty. A normal uncertainty range in conjunction with a property valuation is +/- five to ten per cent, which would be equivalent to approximately SEK +/- 4,290–8,580 million in the Akademiska Hus portfolio.

Properties 31 December 2018 (incl. new construction in progress and capitalised interest expense)

CHANGE IN PROPERTY HOLDINGS, SEK M	31 Dec. 2018	31 Dec. 2017
Opening fair value	80,444	73,013
+ Investment in new construction and redevelopment	2,842	2,656
+ Acquisitions	—	—
- Sales	-6	-204
<b>+/- Change in fair value</b>	<b>2,585</b>	<b>4,979</b>
Of which change in value due to a change in the cost of capital and yield requirement	1,385	3,395
Of which change in value due to changed parameters in the valuation model	-230	—
Of which other change in value <sup>1</sup>	1,430	1,584
<b>CLOSING FAIR VALUE</b>	<b>85,865</b>	<b>80,444</b>

1) Projects in progress, renegotiated leases and other factors affecting value.

### DEVELOPMENT OF 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 of 2018.

### CHANGE IN VALUE BY SEGMENT

including investments in new construction and redevelopment, as well as sales

Segment	Change in value, %	Contribution to change in value, percentage points
South	4.6	1.1
Mid-Sweden	8.2	4.2
North	5.7	1.4
<b>Total</b>		<b>6.7</b>

## FINANCING

The net liability portfolio increased by SEK 2,243 million during the year and totalled SEK 29,812 million at year-end. The equity ratio was 45.8 per cent (43.3). Initially credit spreads continued to narrow, but during the later portion of the year they widened instead. Demand for Akademiska Hus' bonds has been robust and 14 issuances for a total of about SEK 4,700 million were completed. As in 2017, debt management has focused on diversification of the liability portfolio, with issues aimed at investors in Central Europe, Asia and Switzerland. Long maturities have been prioritised and the average maturity for the year's bond issuances has been about 26 years.

## NET LOAN LIABILITY

SEK M	31 Dec. 2018	31 Dec. 2017
Loans	-33,521	-34,741
Derivatives - liabilities	-1,077	-956
Collateral for derivatives	-891	-858
Cash and cash equivalents	3,304	6,478
Other current receivables	692	857
Derivatives - receivables	1,681	1,651
<b>Total net loan liability</b>	<b>-29,812</b>	<b>-27,569</b>

## BOND ISSUES 2018

GEOGRAPHIC MARKET	Volume, SEK million	Average maturity, years
Central Europe	2,600	27
Switzerland	1,300	26
Asia	800	21
<b>Total</b>	<b>4,700</b>	<b>26</b>

## Fixed interest period and maturity

Bond issuances during the year continued to contribute to an extension of capital tied up in the liability portfolio. Capital was tied up an average of about 11 years as of 31 December. Fixed rate bonds denominated in SEK contribute to an extension of interest rate duration, while bonds denominated in foreign currency are swapped for SEK with floating interest rates, for which reason these issuances do not entail a corresponding extension of maturity.

Interest rate risk in the debt portfolio is instead primarily managed using interest rate derivatives, and as previously, an effort is made to allocate interest rate risk to the most effective periods.

During the fourth quarter credit facilities in banks were expanded to SEK 5,500 million, including SEK 3,500 million that relates to bank facilities with a two-year term and the option for an extension one year at a time on two occasions. The remaining SEK 2,000 million has a term of 12 months. This is in line with the increase in debt that has occurred in recent years. In addition to credit facilities at banks, the Company also held a solid surplus liquidity of SEK 3,304 million at year-end.

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 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, December 2018	Fixed interest, years, December 2017	Maturity, years, December 2018	Maturity, years, December 2017
Basic portfolio	4.1	4.5	8.5	4.5
Non-current portfolio	21.8	23.0	21.8	23.0
Index-linked bond portfolio	3.8	4.8	3.8	4.8
<b>Total portfolio</b>	<b>7.3</b>	<b>7.6</b>	<b>10.8</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.

Our decided and planned projects totalled SEK 14,000 million, of which about SEK 4,400 million has already been invested in projects in progress. Of the approved projects in progress, the two largest are Albano (SEK 3,300 million), which will be completed in 2021, and phase 4 of Ångström (SEK 1,200 million). During the fourth quarter the Lab of the Future project at Karolinska Institutet was completed.

The project portfolio contains a number of concept projects totalling about SEK 11,700 million. The largest concept project involves student housing in Uppsala (SEK 1,200 million), which is intended to be commissioned in 2022. Several large projects are in the Gothenburg area, including the Faculty of Fine Applied and Performing Arts, the New University Library and Gibraltarvallen student housing.

The total project portfolio includes 13 student housing projects totalling SEK 4,500 million.

## PROJECT PORTFOLIO

SEK M	31 Dec. 2018	31 Dec. 2017
Decided projects	9,900	13,000
Planned projects	4,100	3,700
<b>DECIDED AND PLANNED PROJECTS</b>	<b>14,000</b>	<b>16,700</b>
of which already invested in projects in progress	-4,400	-5,700
<b>REMAINDER OF DECIDED AND PLANNED PROJECTS</b>	<b>9,600</b>	<b>11,000</b>
Concept projects	11,700	9,800
<b>TOTAL REMAINING PROJECTS</b>	<b>21,300</b>	<b>20,800</b>
Total project portfolio	25,700	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	30	100,000	2021-Q4	Stockholm University
Ångström Phase 4	Uppsala	Laboratory	1,185	13	30,000	2022-Q4	Uppsala University
Humanisten	Gothenburg	Offices	668	71	12,100	2019-Q4	University of Gothenburg
LTH Maskinteknik	Lund	Education	459	2	19,000	2022-Q2	Lund University
KI Residence	Stockholm	Residential	434	4	15,500	2020-Q1	Karolinska Institutet
Valla Student Building	Linköping	Education	411	82	13,500	2019-Q3	Linköping University
Student accommodation Teknikringen	Stockholm	Residential	400	83	8,900	2019-Q1	Akademiska Hus
A Working Lab	Gothenburg	Other	381	62	9,600	2019-Q3	Akademiska Hus
A house	Stockholm	Other	317	39	3,500	2020-Q3	Akademiska Hus
Medical Biology Centre	Umeå	Laboratory	306	100	1,800	2020-Q1	Umeå University
Hydra student housing	Uppsala	Residential	193	-	4,600	2020-Q2	Akademiska Hus
Polstjärnan student housing	Luleå	Residential	183	44	6,000	2020-Q1	Akademiska Hus
GIH swimming centre	Stockholm	Other	118	30	-	2019-Q3	City of Stockholm
Child and youth studies Frescati Backe	Stockholm	Education	111	48	-	2019-Q2	Stockholm University
Projects under SEK 100 million			1,432				
<b>TOTAL</b>			<b>9,900</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 contributed 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>10</b>	<b>21</b>	<b>29,851</b>	<b>34,152</b>
Dividends <sup>2</sup>	—	—	—	—	-1,393	-1,393
Total comprehensive income, Jan.-Dec. 2017	—	—	-3	-22	6,453	6,428
<b>EQUITY, 31 DEC. 2017</b>	<b>2,135</b>	<b>2,135</b>	<b>7</b>	<b>-1</b>	<b>34,911</b>	<b>39,186</b>
Dividends <sup>3</sup>	—	—	—	—	-1,630	-1,630
Total comprehensive income, Jan.-Dec. 2018	—	—	-7	-31	5,314	5,276
<b>EQUITY, 31 DEC. 2018</b>	<b>2,135</b>	<b>2,135</b>	<b>0</b>	<b>-32</b>	<b>38,595</b>	<b>42,832</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 Full-year	2017 Full-year
<b>CURRENT OPERATIONS</b>		
Profit before tax	5,818	8,311
Adjustment for items not included in the cash flow	-2,313	-4,742
Tax paid	-378	-347
<b>CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL</b>	<b>3,127</b>	<b>3,222</b>
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL<sup>1</sup></b>		
Increase (-)/decrease (+) in current receivables	-543	-354
Increase (+)/decrease (-) in current liabilities	414	-747
<b>CASH FLOW FROM CURRENT OPERATIONS</b>	<b>2,998</b>	<b>2,121</b>
<b>INVESTMENTS</b>		
Investment in properties	-2,753	-2,555
Sale of properties	6	204
Investment in other non-current assets	-23	-1
Increase in non-current receivables	—	—
Decrease in non-current receivables	-221	11
<b>CASH FLOW FROM INVESTMENTS</b>	<b>-2,991</b>	<b>-2,341</b>
<b>FINANCING ACTIVITIES</b>		
Change in interest-bearing loans <sup>1</sup>	-1,553	2,723
Dividend paid	-1,630	-1,393
<b>CASH FLOW FROM FINANCING</b>	<b>-3,183</b>	<b>1,330</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>-3,175</b>	<b>1,110</b>
Cash and cash equivalents at the beginning of the year	6,479	5,370
Closing cash and cash equivalents	3,304	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 3,127 million (3,222). The impact of investment in properties on cash flow was SEK 2,753 million (2,555).

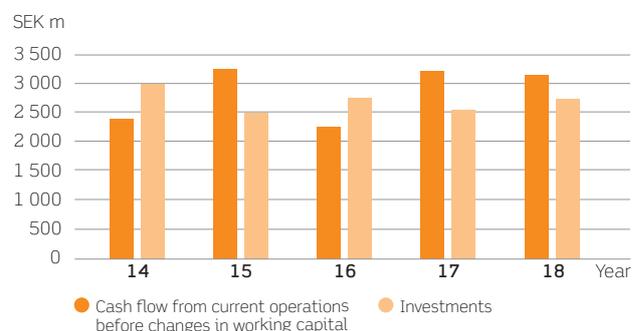
Cash flow relating to financing activities amounted to SEK -3,183 million (1,330). The lower cash flow is mainly due to a loan that matured and a dividend of SEK 1,630 million (1,393) that was financed in advance through higher borrowing in 2017.

Total cash flow for the year was SEK -3,175 million (1,110).

### CASH FLOW AND INVESTMENTS

Total cash flow from current operations before change in working capital during the period 2014 to 2018 was SEK 14,310 million. Investments during the same period totalled SEK 13,584 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 31 DEC. 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	59	418	0.5
Vacant space, +/- one percentage point	57	-693	-0.8
Operating costs, +/- one per cent	9	-86	-0.1
of which media provision	6	-43	-0.1
Cost of capital, + one percentage point	-5,033	-5,033	-5.9
Cost of capital, - one percentage point	5,550	5,550	6.5
Yield target, + one percentage point	-6,692	-6,692	-7.8
Yield target, - one percentage point	9,997	9,997	11.6

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

# Consolidated segments

## THE GROUP'S GEOGRAPHICAL SEGMENTS IN BRIEF

SEGMENT INFORMATION 1 JAN. 2018-31 DEC. 2018, SEK M	South <sup>1</sup>	Mid-Swe- den <sup>2</sup>	North <sup>3</sup>	Total, oper- ating seg- ments	Other operations <sup>4</sup>	Group
Revenue, including other operating revenue	1,617	2,861	1,639	6,117	—	6,117
Property management costs, including other operating costs	-575	-887	-518	-1,980	-199	-2,179
<b>NET OPERATING INCOME</b>	<b>1,042</b>	<b>1,974</b>	<b>1,121</b>	<b>4,137</b>	<b>-199</b>	<b>3,938</b>
Central administration costs						-78
Net interest income/expense						-268
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>						<b>3,592</b>
Change in value, properties	322	1,532	731	2,585	—	2,585
Change in value, financial instruments						-360
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>5,818</b>
Total assets include:						
Properties	19,571	44,927	21,367	85,865	—	85,865
of which invested during the year	536	1,886	420	2,842	—	2,842
SEGMENT INFORMATION 1 JAN. 2017-31 DEC. 2017, SEK M	South <sup>1</sup>	Mid-Swe- den <sup>2</sup>	North <sup>3</sup>	Total, oper- ating seg- ments	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						-242
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>8,311</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 Oct.-Dec.	2,017 Oct.-Dec.	2018 Full-year	2,017 Full-year
Income from property management	1,528	1,493	6,118	5,975
Property management expenses	-712	-610	-2,182	-1,959
<b>NET OPERATING INCOME</b>	<b>816</b>	<b>883</b>	<b>3,936</b>	<b>4,016</b>
Central administration costs	-24	-21	-78	-67
Depreciation and impairment as well as reversed impairment in property management	-380	-293	-1,315	-1,160
<b>PROFIT BEFORE FINANCIAL ITEMS</b>	<b>412</b>	<b>569</b>	<b>2,543</b>	<b>2,789</b>
Net financial income/expense	-85	-159	-719	-532
Appropriations	-138	-181	-138	-181
<b>PROFIT BEFORE TAX</b>	<b>190</b>	<b>229</b>	<b>1,686</b>	<b>2,076</b>
Tax	-14	-34	-192	-487
<b>PROFIT FOR THE PERIOD</b>	<b>176</b>	<b>196</b>	<b>1,494</b>	<b>1,590</b>

## Parent Company statement of comprehensive income

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME, SUMMARY, SEK M	2018 Oct.-Dec.	2,017 Oct.-Dec.	2018 Full-year	2017 Full-year
Profit for the period	176	196	1,494	1,590
Reclassifiable items				
Profit/loss from cash flow hedges	—	4	—	-4
Tax attributable to cash flow hedges	—	1	—	1
Cash flow hedges, reclassified to the income statement	—	1	-7	1
<b>TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>0</b>	<b>5</b>	<b>-7</b>	<b>-3</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>176</b>	<b>201</b>	<b>1,487</b>	<b>1,587</b>

# Parent Company balance sheet

PARENT COMPANY BALANCE SHEET, SUMMARY, SEK M	31 Dec. 2018	31 Dec. 2017
<b>ASSETS</b>		
Non-current assets		
Properties	44,374	42,951
Equipment, fixtures and fittings	23	8
Shares in Group companies	1	1
Derivatives	1,614	1,053
Other non-current receivables	430	209
<b>Total non-current assets</b>	<b>46,442</b>	<b>44,222</b>
Current assets		
Derivatives	67	598
Other current receivables	2,173	1,765
Cash and bank balances	3,304	6,479
<b>Total current assets</b>	<b>5,543</b>	<b>8,842</b>
<b>TOTAL ASSETS</b>	<b>51,986</b>	<b>53,065</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	6,677	6,820
Untaxed reserves	4,344	4,206
<b>LIABILITIES</b>		
Non-current liabilities		
Loans	28,262	25,198
Derivatives	941	936
Deferred tax	2,197	2,315
Other non-current liabilities	351	365
<b>Total non-current liabilities</b>	<b>31,752</b>	<b>28,814</b>
Current liabilities		
Loans	5,259	9,541
Derivatives	136	69
Other current liabilities	3,818	3,616
<b>Total current liabilities</b>	<b>9,213</b>	<b>13,225</b>
<b>Total liabilities</b>	<b>40,965</b>	<b>42,039</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>51,986</b>	<b>53,065</b>

# Parent Company

Akademiska Hus AB is the Parent Company in the Akademiska Hus Group, which is wholly owned by the Swedish state. Operations comprise of 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 6,118 million (5,975). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). Profit before financial items was SEK 2,543 million (2,789) and net financial income/expense was SEK -719 million (-532). Profit after tax was SEK 1,494 million (1,590).

## 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 2,197 million and a deferred tax income of SEK 155 million is reported in 2018.

## INVESTMENTS

Investment in machinery and equipment amounted to SEK 23 million (1) and in properties to SEK 2,753 million (2,555).

## EQUITY

Equity totalled SEK 6,677 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 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, 14 February 2019

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 valued at fair value through profit or loss. Hedge accounting is still considered to be effective under the new standard. A loss provision is supposed to be recognised for all financial assets measured at amortised cost or at fair value through other comprehensive income. This provision will not be accounted for in 2018 since it is not of significant value.

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.

### New accounting policies 2019

Akademiska Hus will apply IFRS 16 according to the simplified transition approach from 1 January 2019, which means that the standard will not be applied retroactively. The new standard will affect recognition of the Group's operating leases where the Group is the lessee. A review of the Group's leases has shown that only leasehold agreements were assessed to have any material impact on the Group's financial reporting. Lease liability as at 1 January 2019 is SEK 2,736 million. Right-of-use for the corresponding amount will be recognised as property at fair value. Site leasehold charges of SEK 84 million will be recognised in their entirety as a financial expense instead of as other property management expense, which means that net operating income will improve.

## 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. 2018-31 Dec. 2018	1 Jan. 2017-31 Dec. 2017
Loans	-33,521	-34,741
Derivatives - liabilities	-1,077	-956
Collateral for derivatives	-891	-858
Cash and cash equivalents	3,304	6,478
Other current receivables	692	857
Derivatives - receivables	1,681	1,651
<b>Total net loan liability</b>	<b>-29,812</b>	<b>-27,569</b>
<b>Average interest-bearing capital (full-year basis)</b>	<b>-31,688</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

Annual Report 2018	22 March 2019
Annual General Meeting	29 April 2019
Interim Report, January-March 2019	29 April 2019
Interim Report January-June 2019	12 July 2019
Interim Report January-September 2019	23 October 2019

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