

Interim Report

Quarter
3

1 January – 30 September 2018

Increased net operating income as new buildings are completed

Akademiska Hus continued to increase its net operating income compared with the previous year. Profit before tax declined because of lower changes in the value of property holdings. Strategic collaborative projects were initiated to create attractive campuses and to strengthen the Company's customer delivery.

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

Key events during the quarter

- Akademiska Hus is investing SEK 193 million to build 108 flats with room for 132 undergraduate and graduate students on the Ultuna Campus. The initiative will make Uppsala more attractive as a student town and help the Swedish University of Agricultural Sciences to meet its estimated student housing needs at Ultuna for the coming years.
- In September ground was broken for Accelerator. An arena to showcase art, science and social issues is being created at a central location on the Frescati Campus at Stockholm University, where academia and the general public can meet. Akademiska Hus is investing SEK 91 million in the project, which is expected to be completed in late 2019.
- The development of the new Humanisten building can be viewed as a first step in the effort to make the campus south of Götaplatsen a unique and creative meeting place for art, culture and the humanities in Gothenburg. The construction project is in full swing, and the building has already been awarded the highest sustainability rating by achieving the gold level in the Miljöbyggnad environmental certification system.
- Akademiska Hus has successfully issued long-term bonds during the year. Two issuances during the third quarter raised a total of SEK 500 million with maturities of 20 and 25 years, respectively.

Financial key figures

JANUARY–SEPTEMBER

- Rental revenue was SEK 4,448 million (4,190).
- Net operating income totalled SEK 3,119 million (2,993), an increase of SEK 126 million attributable to completion of new buildings.
- Changes in property values with an impact on profit totalled SEK 799 million (3,584), corresponding with 1.0 per cent (4.6) of the value of the properties.
- The total financing cost was SEK –564 million (–303), including a total of SEK –175 million (–159) in net interest income.
- Profit before tax for the period amounted to SEK 3,300 million (6,228) and profit for the period was SEK 3,297 million (4,783). The decrease mainly relates to a lower increase in the value of the properties.
- Investment in redevelopment and new construction during the period totalled SEK 2,080 million (2,154).
- The yield (excluding properties under construction) was 5.3 per cent (5.4) on a rolling 12-month basis.

THIRD QUARTER

- Rental revenue was SEK 1,462 million (1,408).
- Net operating income was SEK 1,012 million (1,031), a reduction of SEK 19 million.
- Changes in property values had an impact on profit of SEK 252 million (1,667).
- Net interest income dropped by SEK 7 million to SEK –63 million.
- Profit before tax was SEK 1,224 million (2,681).



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 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 10.4 years (10). The average remaining lease term is 6.5 years (6). The financial vacancy

rate accounts for 1.4 per cent (0.9) of our total rental revenue. The vacancy rate regarding rentable space is 5.2 per cent (3.9). One reason for the relatively low rate is that 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 public financing programmes 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.

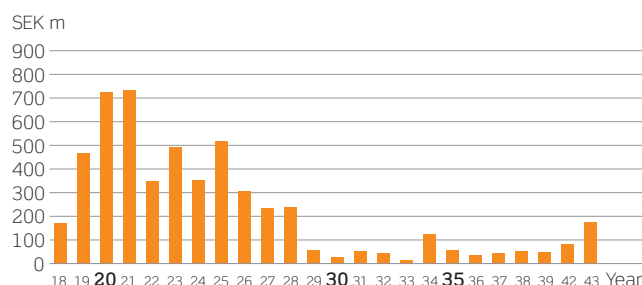
P-1

Moody's short-term rating,
January 2018

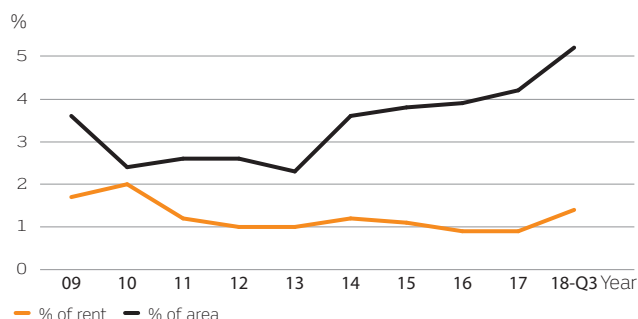
AA

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

MATURITY STRUCTURE ON LEASES



SOMEWHAT INCREASING VACANCY RATE



AKADEMISKA HUS IN BRIEF

	2018 July- Sept.	2017 July- Sept.	2018 Jan.- Sept.	2017 Jan.- Sept.	Rolling 12 mon. Oct. 17- Sept. 18	2017 full-year	2016 full-year
Income from property management, SEK m	1,508	1,461	4,589	4,357	6,038	5,806	5,666
Net operating income, SEK m	1,012	1,031	3,119	2,993	3,954	3,829	3,667
Profit before tax, SEK m	1,224	2,681	3,300	6,228	5,382	8,311	6,715
Values as at 30 Sept. 2018							
Equity ratio	45.3	42.3	45.3	42.3	45.3	43.3	41.4
Return on operating capital, %	*	*	*	*	5.7	5.9	6.2
Return on equity, %	*	*	*	*	10.7	17.6	16.3
Interest coverage ratio, %	*	*	824	767	808	871	694
Loan-to-value ratio, %	35.9	36.5	35.9	36.5	35.9	34.3	37
Yield, properties, % ¹	*	*	*	*	5.3	5.5	5.7
Yield, properties, % ²	*	*	*	*	4.9	5.0	5.3
Assessed fair value, properties, SEK m	83,317	78,611	83,317	78,611	83,317	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).
- 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.

Collaboration produces attractive campuses

PRESIDENT KERSTIN LINDBERG GÖRANSSON COMMENTS:

We continue to enhance collaboration with our customers to strengthen the development of our business and our deliverables. In September we signed an agreement with the Royal Institute of Technology (KTH) to further strengthen our collaboration in education, research and innovation, as well as to work together to equip ourselves for future challenges. For example, we will address property and sustainability issues, and explore the potential for using buildings and campus environments as test beds to an even greater degree. The work is based on our joint campus plan and will help both KTH and Akademiska Hus to achieve their sustainability goals, as well as the UN's global sustainable development goals.

INTERDISCIPLINARY MEETING PLACES

One important element to make campuses more attractive is for more participants and businesses to become established and for more people to be active there during more hours of the day. Meeting places are becoming increasingly important. An exciting example is what is happening right now at Frescati. At a central location on the Stockholm University campus we have broken ground, together with the university, for Accelerator. A former lab environment in underground premises will be transformed into an arena for art, science and social issues where students, researchers and other interested parties will be able to meet. We are investing a total of SEK 91 million in the 2,500 square-metre renovation and expansion project. Accelerator is expected to open in the fall of 2019.

MORE CAMPUS-BASED STUDENT HOUSING

Akademiska Hus is working to promote construction of more student housing all over Sweden and we are now investing SEK 193 million to build housing for 132 undergraduate and graduate students on the Ultuna Campus. The initiative strengthens the efforts of the Swedish University of Agricultural Sciences (SLU) to achieve its goal of sharply expanding the number of students enrolled – and access to student housing plays a major role in this effort. On-campus student housing also helps to make the area more safe and more vibrant during all hours of the day.



PHOTO RIGHTS: 28K ARKTEKTER

A former lab environment in underground premises at Stockholm University will be transformed into an arena for art, science and social issues where students, researchers and other interested parties will be able to meet.

A GROWING CAMPUS WITH MANY STAKEHOLDERS

In September the National Police Academy celebrated the grand opening of its new facilities on the Flemingsberg Campus outside Stockholm, where the Vice-Chancellor of Södertörn University noted that this is an important addition to the growing campus. The Flemingsberg Campus is interesting from many aspects. In addition to Södertörn University, many other centres of education are active here, including Karolinska Institutet, KTH and the Red Cross University College of Nursing. In addition, the strong life science research environments NEO and Technology and Health are also developing on the campus. Student housing and exciting meeting places such as innovation cafés are also being built here. The Flemingsberg Campus is now Sweden's eighth largest campus, with a clear vision that it is being built specifically for collaboration, sustainable behaviour and an environment that will stimulate the exchange of knowledge between various

branches of academia, the business community and society. The area has been able to develop in this positive direction thanks to close collaboration involving the municipality, the business community, the centres of education and several different property owners. Akademiska Hus has a total of about 70,000 square metres on the Flemingsberg Campus.

IMPROVED NET OPERATING INCOME

Several buildings have been completed during the year, which has contributed to an improved net operating income, SEK 3,119 million compared with the same period the previous year. Earnings declined mainly because of lower changes in the value of the property holdings.



**Kerstin
Lindberg Göransson**
President

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 prolonged upturn in the global economy continues, at the same time that geopolitical events contribute to increased uncertainty. High demand and restrictions on supply have contributed to rising oil prices, thereby accelerating inflation. The US economy continues to be strong, supported by fiscal stimuli. At the same time, emerging markets, where a large share of debt is denominated in dollars, are facing challenges with rising US interest rates and a stronger USD, as was seen in Turkey during the summer. In China, economic indicators have slowed somewhat, and at the same time that it is difficult to see any improvement in the trade dispute with the US. The final outcome of ongoing negotiations is unclear, as is the impact of protectionist currents on world trade as a whole.

Economic growth in Europe has been somewhat weaker than expected, but the labour market is improving and the good economy continues. Since the summer, the focus has been on Italy once again, where the government has presented an overly expansive budget for the next three years and therefore did not meet EU expectations. In Sweden, the strong economy appears to be continuing, driven by high international demand and the persistently weak SEK.

FINANCIAL MARKETS

The US Federal Reserve (the Fed) has implemented interest rate hikes in line with expectations; the most recent increase in September was 0.25 percentage points, with another increase expected before year-end. At the same time, the Fed is reducing its balance sheet, which had grown as a result of previous bond purchase programmes. The European Central Bank (ECB) still plans to end the bond purchasing programme at year-end and is signalling its first interest rate hike after the summer of 2019 at the earliest.

Since the September meeting of the Riksbank's Executive Board, an interest rate hike in December or February appears to be increasingly likely, while the temporary driving forces underlying rising inflation are weakening. The inflation rate is now expected to rise moving forward, including with respect to core inflation which excludes higher energy prices. Even if interest rates were increased, monetary policy will probably be normalised with great caution.

Good economic growth combined with expectations of continued interest rate hikes in the US have resulted in rising US bond yields. Europe and Sweden have also seen rising bond yields during the period, though to a lesser extent. Increased volatility in financial markets can likely be expected as a result of the political uncertainty.

PROPERTY MARKET

The property market is developing well, driven by the strong economy, low interest rates and a liquid financing market. The transaction volume as of 30 September was SEK 103 billion, which is about four per cent higher than the same period in 2017. Completed transactions generally show unchanged yield targets during the quarter. Foreign investors continue to be extremely active and account for one third of the total volume.

The commercial office segment continues to be attractive and the vacancy rate is still low in the major metropolitan areas. Rental developments are primarily driven by new production and modernisation as tenants demand modern, space-efficient premises in locations with good communications. There is also increased interest in buildings that are eligible for environmental certification, which is considered to be standard in new construction. In the metropolitan areas, and in Stockholm in particular, rental developments have been robust, while the trend has been neutral in the regional cities, where the rate of new construction is lower.

COMMUNITY PROPERTIES

Investor interest in community properties is strong since the segment typically has long leases, stable tenants and relatively low dependence on the economy, especially in the metropolitan areas and regional cities with strong population growth. The transaction market for community properties continues to be somewhat cautious, while it is increasing for new construction. Current owners are restrictive with respect to sales and in those cases where sales do occur, they are often motivated by a strategy to streamline holdings and free up capital that can be reinvested.

The sub-segment premises for higher education and research has not demonstrated any significant changes regarding rent levels or vacant space during the quarter. 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

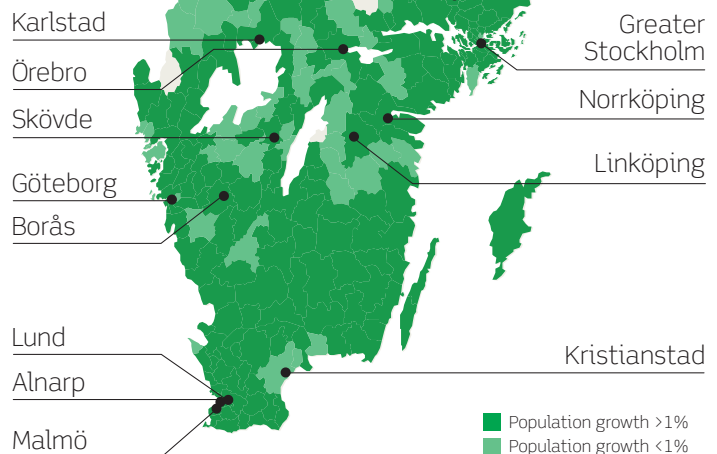
AKADEMISKA HUS CAN BE FOUND IN

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COLLEGE AND UNIVERSITY CITIES

Presence in cities with good growth

Akademiska Hus has a 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 83 billion, with 95 per cent located in university cities and 5 per cent in college towns.



Share, per city/town	Market value and area	Largest centres of education
Greater Stockholm	SEK 38 billion 963,000 m²	Stockholm University Karolinska Institutet Royal Institute of Technology
Uppsala	SEK 15 billion 604,000 m²	Uppsala University Swedish University of Agricultural Sciences, Ultuna
Gothenburg	SEK 8 billion 348,000 m²	University of Gothenburg Chalmers University of Technology

Share, per city/town	Market value and area	Largest centres of education
Lund	SEK 7 billion 359,000 m²	Lund University
Umeå	SEK 4 billion 235,000 m²	Umeå University Swedish University of Agricultural Sciences, Umeå
Linköping	SEK 3 billion 221,000 m²	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 CO₂ 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, by for example 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/m², will decrease at such a rate that there will be a 50 per cent reduction by 2025 compared with 2000.
- Eliminate CO₂ footprint from operations.
- Initiate sustainability initiatives with customers.
- Accident-free workplaces.



case

Grand opening of Green Innovation Park

At Green Innovation Park on the Ultuna Campus in Uppsala, people, academia and businesses meet to create innovations for a sustainable future. With one foot in academia and the other in the business world, the best prospects can be created to enable a variety of skills and specialties to meet and stimulate one another to new discoveries and collaborations. In September, two years after the facilities first opened, a new grand opening of the premises was held. For almost a year, the interior of the building has been renovated to create Uppsala's most innovative environment, ranging from activity-based themed offices and creative spaces to cafés and makerspaces, where people can build prototypes, test simple designs and products, and make 3D prints. The Green Innovation Park is the result of collaboration between the Swedish University of Agricultural Sciences (SLU) and Akademiska Hus.

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 deliverables and to create 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.

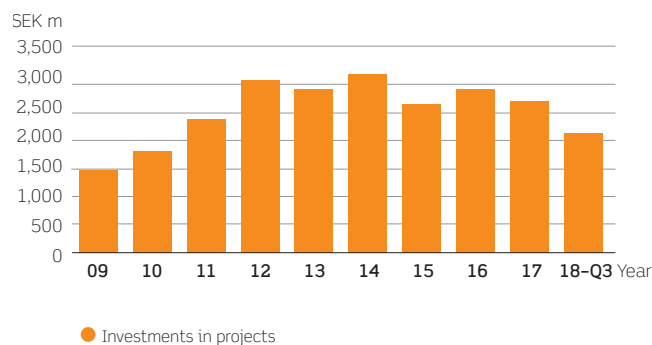
PROJECTS

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, SEK M



The diagram shows annual investments in projects from 2009 through the third quarter of 2018 and on average, Akademiska Hus has had an investment rate of about SEK 2.5 billion per year. We have invested approximately SEK 49 billion in new construction as well as in redevelopment and extensions since 1993.

Consolidated income statement

CONSOLIDATED INCOME STATEMENT, SUMMARY, SEK M

	2018 July–Sept.	2017 July–Sept.	2018 Jan.–Sept.	2017 Jan.–Sept.	Rolling 12 months Oct. 2017– Sept. 2018	2017 Full-year
Rental revenue	1,462	1,408	4,448	4,190	5,839	5,582
Other property management income	46	53	141	167	198	224
Total property management income	1,508	1,461	4,589	4,357	6,038	5,806
Operating costs	-179	-167	-643	-581	-847	-785
Maintenance costs	-165	-134	-387	-382	-621	-615
Property administration	-79	-67	-267	-216	-360	-309
Other property management expenses	-73	-62	-173	-185	-256	-268
Total costs from property management	-496	-430	-1,470	-1,364	-2,083	-1,977
NET OPERATING INCOME	1,012	1,031	3,119	2,993	3,954	3,829
Central administration costs	-19	-16	-54	-46	-75	-67
Net interest income/expense	-63	-56	-175	-159	-204	-188
PROFIT BEFORE CHANGES IN VALUE AND TAXES	930	959	2,890	2,788	3,675	3,574
Change in value, properties	252	1,667	799	3,584	2,195	4,979
Change in value, financial instruments	43	55	-389	-144	-487	-242
PROFIT BEFORE TAX	1,224	2,681	3,300	6,228	5,382	8,311
Tax	-250	-642	-3	-1,445	-416	-1,858
PROFIT FOR THE PERIOD	974	2,039	3,297	4,783	4,967	6,453
Of which attributable to the shareholder in the Parent Company	974	2,039	3,297	4,783	4,967	6,453

Consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, SUMMARY, SEK M

	2018 July–Sept.	2017 July–Sept.	2018 Jan.–Sept.	2017 Jan.–Sept.	Rolling 12 months Oct. 2017– Sept. 2018	2017 Full-year
Profit for the period	974	2,039	3,297	4,783	4,967	6,453
Reclassifiable items						
Profit/loss from cash flow hedges	—	—	—	-7	3	-4
Tax attributable to cash flow hedges	—	5	—	6	-5	1
Cash flow hedges, dissolved against profit and loss	—	-1	-7	—	-5	1
Non-reclassifiable items						
Revaluation of defined benefit pensions	—	—	—	—	-29	-29
Tax attributable to pensions	—	—	—	—	6	6
TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD	0	4	-7	-1	-30	-25
COMPREHENSIVE INCOME FOR THE PERIOD	974	2,043	3,290	4,782	4,937	6,428
Of which attributable to the shareholder in the Parent Company	974	2,043	3,290	4,782	4,937	6,428

Comment: Operating profit

THIRD QUARTER

Profit for the third quarter was SEK 974 million, which is SEK 1,065 million lower than the same period last year (2,039.) The decline is mainly the result of lower positive changes in the value of property holdings, which totalled SEK 252 million (1,667).

Net operating income for the quarter dropped by SEK 19 million to SEK 1,012 million (1,031), which can mainly be explained by somewhat higher maintenance costs compared with the corresponding period last year.

PROFIT FOR THE PERIOD

Profit for the period was SEK 3,297 million, which is SEK 1,486 million lower than the same period last year. This drop can be explained by lower positive changes in the value of property holdings, which totalled SEK 799 million (3,584). The change in the corporate tax rate earlier this year has had a positive effect on profit for the period.

The net operating income of the property business improved by SEK 126 million compared with the same period the previous year, to SEK 3,119 million (2,993), which can mainly be explained by the completion of new buildings during the year.

RENTAL REVENUE

During the period rental revenue from property management was SEK 4,448 million (4,190), an increase of SEK 258 million compared with the same period in 2017. The majority relates to the completion of new buildings, including Biomedicum, Biomedicum Comparative Medicine (KM-B) in Stockholm, the National Police Academy in Huddinge and the Segerstedt Building in Uppsala.

Other property management income amounted to SEK 141 million (167). The decrease is attributable to an additional consideration of SEK 25 million that was included in the previous year's profit.

LEASING LEVEL

Occupancy changes at Karolinska Institutet in conjunction with the completion of Biomedicum resulted in an increased financial vacancy rate, which was 1.4 per cent (0.9) of our total rental revenue for the period. The estimated full-year effect of the financial vacancy rate is 1.8 per cent.

In terms of area, vacancies totalled 170,000 m² (127,000), which is 5.2 per cent (3.9) of our total rentable area of 3.3 million m² (3.3 million). We are actively working with additional adaptations of the premises to enable future rentals.

OPERATING AND MAINTENANCE COSTS

Expenses for operation and maintenance amounted to SEK 1,030 million (963). Operating costs increased by SEK 62 million to SEK 643 million (581), primarily because the cold weather at the beginning of the year resulted in increased costs for both heating and snow removal.

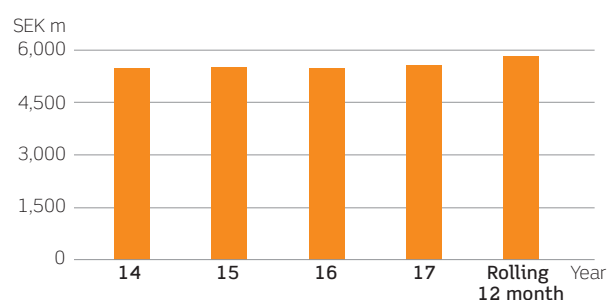
Operating costs include media provision of SEK 426 million (385), equivalent to SEK 171/m² (157) for the past 12 months. Total maintenance costs are essentially unchanged and amounted to SEK 387 million (382).

ADMINISTRATION AND PROPERTY MANAGEMENT EXPENSES

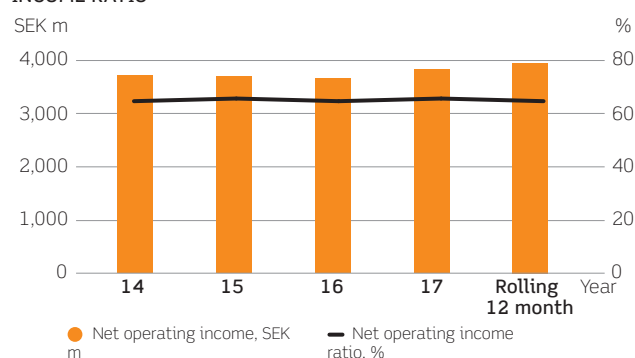
Property administration increased by SEK 51 million to SEK 267 million (216). Expenses increased according to plan and are due in part to the full-year effects of recruitments in 2017, the decision requiring the Company to comply with the Public Procurement Act (LOU) and the development work currently underway in digitisation and innovation.

Central administration totalled SEK 54 million, which is somewhat higher than the previous year and in line with the plan.

STABLE RENTAL REVENUE



RIISING NET OPERATING INCOME AND STABLE NET OPERATING INCOME RATIO



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 175 million (159) for the period, corresponding to an interest rate of 0.82 per cent (0.98). 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 and income expense, totalled SEK 70 million (70) during the period.

TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

	1 Jan. 2018– 30 Sept. 2018	1 Jan. 2017– 30 Sept. 2017	1 Jan. 2017– 31 Dec. 2017
Interest cost for loans, net, %	0.74	0.75	0.74
Interest swaps, net interest, %	0.08	0.23	0.20
Net interest income and expense, %	0.82	0.98	0.94
Changes in value, financial derivatives, %	1.86	1.34	0.85
Total financing cost, %	2.68	2.32	1.79

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 September 2018 the change in value of properties with an impact on profit was SEK 799 million, a decrease of SEK 2,785 million compared with the same period in 2017.

The decline can primarily be attributed to the essentially unchanged 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 resulted in a negative impact on all sub-markets of SEK 230 million. The remaining change in value is attributable to investments in projects in progress, renegotiated leases and other factors affecting value. The average yield requirement was 5.5 per cent (5.5).

The largest changes in value can be seen in the greater Stockholm region and in Uppsala. These changes are generally due to 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 –389 million (–144). The derivative portfolio primarily consists of inter-

est 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 variable 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 (current 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.

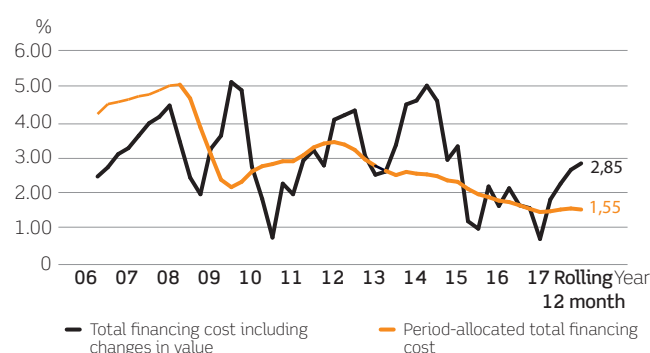
To clarify the underlying financing cost, a comparative calculation is carried out in which the cash flows of realised interest rate derivatives are also attributed (allocated) to the underlying maturity of each instrument. This allocation for the past twelve-month period corresponds with an interest expense of 0.56 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 1.55 per cent as of 30 September. The calculation confirms that the long fixed interest period has resulted in relatively stable financing costs.

The interest coverage ratio continues to be high at 808 per cent (730), see diagram below. When calculating the interest coverage ratio, the capitalised interest expense and accrued earnings from the closed interest rate derivatives are reversed.

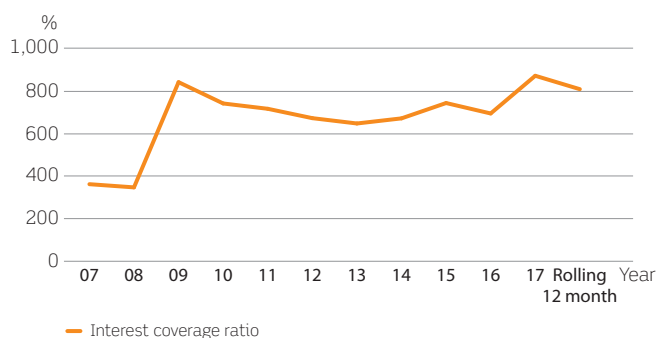
TAX

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 11,120 million and a deferred tax income of SEK 711 million is reported in 2018.

COMPARATIVE CALCULATION TOTAL FINANCING COST, ROLLING 12-MONTH BASIS



INTEREST COVERAGE RATIO



Consolidated balance sheet

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, SUMMARY, SEK M	30 Sept. 2018	30 Sept. 2017	31 Dec. 2017
ASSETS			
Non-current assets			
Properties	83,317	78,611	80,444
Equipment, fixtures and fittings	25	9	8
Derivatives	1,286	1,019	1,053
Other non-current receivables	312	151	209
Total non-current assets	84,941	79,790	81,715
Current assets			
Current receivables			
Derivatives	256	618	598
Other current receivables	2,075	2,481	1,765
Total current receivables	2,330	3,099	2,363
Cash and cash equivalents			
Cash and cash equivalents	2,901	5,895	6,479
Total cash and cash equivalents	2,901	5,895	6,479
Total current assets	5,231	8,994	8,842
TOTAL ASSETS	90,172	88,784	90,557
EQUITY AND LIABILITIES			
Equity	40,847	37,541	39,186
LIABILITIES			
Non-current liabilities			
Loans	27,120	22,519	25,198
Derivatives	750	902	935
Deferred tax	11,120	11,051	11,444
Other non-current liabilities	565	553	571
Total non-current liabilities	39,554	35,025	38,148
Current liabilities			
Loans	6,047	12,540	9,541
Derivatives	160	250	69
Other current liabilities	3,564	3,427	3,613
Total current liabilities	9,771	16,217	13,223
Total liabilities	49,325	51,242	51,371
TOTAL EQUITY AND LIABILITIES	90,172	88,784	90,557

Comment: Balance sheet

PROPERTIES

As of 30 September 2018 the fair value of Akademiska Hus' property holdings totalled SEK 83,317 million, an increase of SEK 2,873 million, which is 3.6 per cent higher than it was at the beginning of the year. Fair value includes the completed portions of projects in progress. At the end of the year, projects in progress totalled SEK 4,513 million. The change in value with an impact on profit and capitalised interest expense was SEK 799 million (3,584), including changes in value realised for properties sold during the period of SEK 0 million (0). 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 valuation model was changed in 2018, which is reflected in the lower outcome for the period compared with the previous year. The average yield requirement was 5.5 per cent and is unchanged since 1 January.

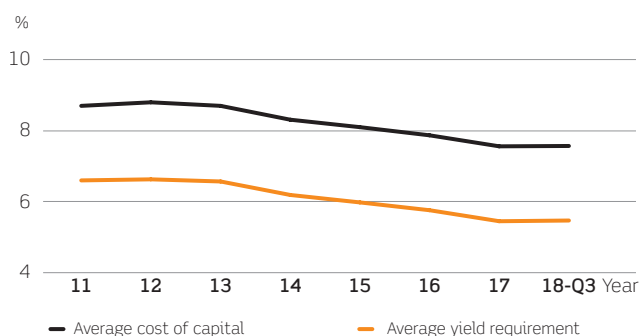
Akademiska Hus engages an external rating agency to verify the yield requirement and fixed costs on a quarterly basis to ensure that market rates are applied in the internal valuation. A selection of property portfolio is also valued externally each year. External valuations are used as a benchmark for 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 +/- 4,150–8,300 million in the Akademiska Hus portfolio.

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

CHANGE IN PROPERTY HOLDINGS, SEK M	30 Sept. 2018	30 Sept. 2017	31 Dec. 2017
Opening fair value	80,444	73,013	73,013
+ Investment in new construction and redevelopment	2,080	2,154	2,656
+ Acquisitions	—	—	—
- Sales	-6	-139	-204
+/- Change in fair value	799	3,584	4,979
Of which change in value due to a change in the cost of capital and yield requirement	310	2,755	3,395
Of which change in value due to changed parameters in the valuation model	-230	—	—
Of which other change in value	719	829	1,584
CLOSING FAIR VALUE	83,317	78,611	80,444

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 investments in new construction and redevelopment, as well as sales

Segment	Change in value, %	Contribution to change in value, percentage points
South	2.0	0.5
Mid-Sweden	4.4	2.3
North	3.3	0.8
Total		3.6

FINANCING

The net liability portfolio increased by SEK 2,274 million since the beginning of the year and totalled SEK 29,843 million as at 30 September. Credit spreads continued to narrow somewhat during the quarter and demand for Akademiska Hus' long-term bonds has allowed for two issuances of a total of about SEK 500 million. The issuances occurred with European and Asian investors and related to maturities of 20 and 25 years, respectively.

NET LOAN LIABILITY

SEK M	30 Sept. 2018	30 Sept. 2017	31 Dec. 2017
Loans	-33,166	-35,059	-34,741
Derivatives – liabilities	-910	-919	-956
Collateral for derivatives	-536	-782	-858
Cash and cash equivalents	2,901	5,895	6,478
Other current receivables	326	769	857
Derivatives – receivables	1,542	1,636	1,651
Total net loan liability	-29,843	-28,460	-27,569

Fixed interest period and maturity

Bond issuances during the quarter continued to contribute to an extension of capital tied up in the liability portfolio. Capital was tied up an average of just over 10 years as of 30 September. 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.

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.

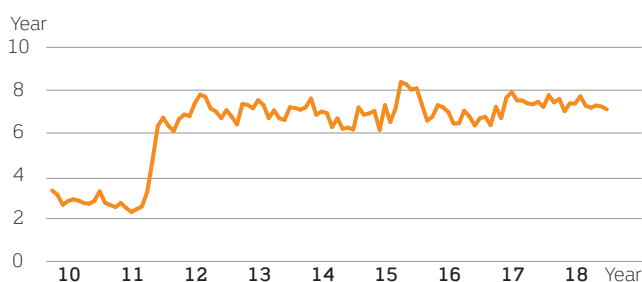
The liability portfolio is allocated as follows:

- 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.

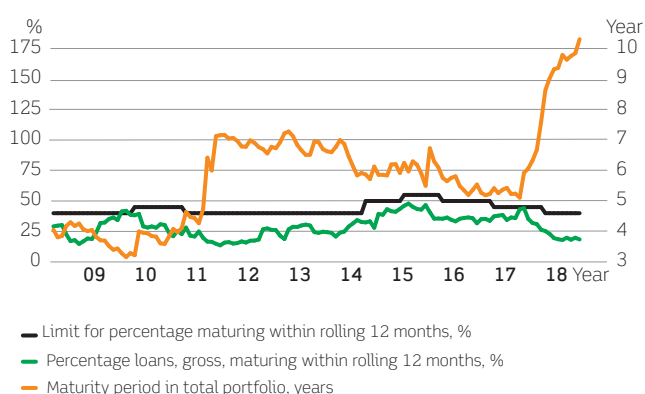
FIXED INTEREST PERIOD AND MATURITY, YEARS

	Fixed interest, years, September 2018	Fixed interest, years, December 2017	Maturity, years, September 2018	Maturity, years, December 2017
Basic portfolio	4.0	4.5	8.0	4.5
Non-current portfolio	22.1	23.0	22.1	23.0
Index-linked bond portfolio	4.0	4.8	4.0	4.8
Total portfolio	7.1	7.6	10.3	7.6

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 14,400 million, of which about SEK 4,500 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). The National Police Academy at Södertörn University (SEK 322 million) was commissioned during the quarter.

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 planned 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	30 Sept. 2018	31 Dec. 2017
Decided projects	9,700	13,000
Planned projects	4,700	3,700
DECIDED AND PLANNED PROJECTS	14,400	16,700
of which already invested in projects in progress	-4,500	-5,700
REMAINDER OF DECIDED AND PLANNED PROJECTS	9,900	11,000
Concept projects	11,700	9,800
TOTAL REMAINING PROJECTS	21,600	20,800
Total project portfolio	26,100	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 ²	Expected completion	Customer
Albano	Stockholm	Education	3,293	22	100,000	2021-Q4	Stockholm University
Ångström Phase 4	Uppsala	Laboratory	1,185	9	30,000	2022-Q4	Uppsala University
Humanisten	Gothenburg	Offices	668	64	12,100	2019-Q4	University of Gothenburg
KI Residence	Stockholm	Residential	434	4	15,500	2020-Q1	Karolinska Institutet
Valla Student Building	Linköping	Education	411	57	13,500	2019-Q3	Linköping University
Student accommodation Teknikringen	Stockholm	Residential	400	78	8,900	2019-Q1	Akademiska Hus
A Working Lab	Gothenburg	Other	381	51	9,600	2019-Q3	Akademiska Hus
Lab of the Future	Stockholm	Laboratory	322	79	-	2018-Q4	Karolinska Institutet
Medical Biology Centre	Umeå	Laboratory	306	61	1,800	2020-Q1	Umeå University
A house	Stockholm	Other	241	100	900	2019-Q4	Akademiska Hus
Polstjärnan student housing	Luleå	Residential	183	30	6,000	2020-Q1	Akademiska Hus
GIH swimming centre	Stockholm	Other	118	24	-	2019-Q3	City of Stockholm
Child and youth studies Frescati Backe	Stockholm	Education	111	32	-	2019-Q2	Stockholm University
Projects under SEK 100 million			1,647				
TOTAL			9,700				

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 ¹	Actuarial profit and loss	Profit for the year brought forward	
EQUITY, 1 Jan. 2017	2,135	2,135	10	21	29,851	34,152
Dividends ²	—	—	—	—	-1,393	-1,393
Total comprehensive income, Jan.-Sept. 2017	—	—	-1	—	4,782	4,782
EQUITY, 30 SEPT. 2017	2,135	2,135	9	21	33,240	37,541
Total comprehensive income, July-Dec. 2017	—	—	3	-22	3,708	3,689
EQUITY, 31 DEC. 2017	2,135	2,135	7	-1	34,910	39,186
Dividends ³	—	—	—	—	-1,630	-1,630
Total comprehensive income, Jan.-Sept. 2018	—	—	-7	—	3,297	3,290
EQUITY, 30 SEPT. 2018	2,135	2,135	0	-1	36,577	40,846

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.-Sept.	2017 Jan.-Sept.	2017 Full-year
CURRENT OPERATIONS			
Profit before tax	3,300	6,229	8,311
Adjustment for items not included in the cash flow	-962	-3,582	-4,742
Tax paid	-302	-246	-347
CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	2,035	2,401	3,222
CASH FLOW FROM CHANGES IN WORKING CAPITAL¹			
Increase (-)/decrease (+) in current receivables	-439	-1,070	-355
Increase (+)/decrease (-) in current liabilities	19	-995	-747
CASH FLOW FROM CURRENT OPERATIONS	1,615	336	2,120
INVESTMENTS			
Investment in properties	-2,010	-2,085	-2,555
Sale of properties	6	139	204
Investment in other non-current assets	-23	-1	-1
Increase in non-current receivables	—	—	—
Decrease in non-current receivables	-103	895	11
CASH FLOW FROM INVESTMENTS	-2,130	-1,052	-2,341
FINANCING ACTIVITIES			
Change in interest-bearing loans	-1,840	2,634	2,723
Change in collateral ¹	407	—	—
Dividend paid	-1,630	-1,393	-1,393
CASH FLOW FROM FINANCING	-3,063	1,241	1,330
CASH FLOW FOR THE PERIOD	-3,578	525	1,109
Opening cash and cash equivalents	6,479	5,370	5,370
Closing cash and cash equivalents	2,901	5,895	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 2,035 million (2,401). The impact of investment in properties on cash flow was SEK 2,010 million (2,085).

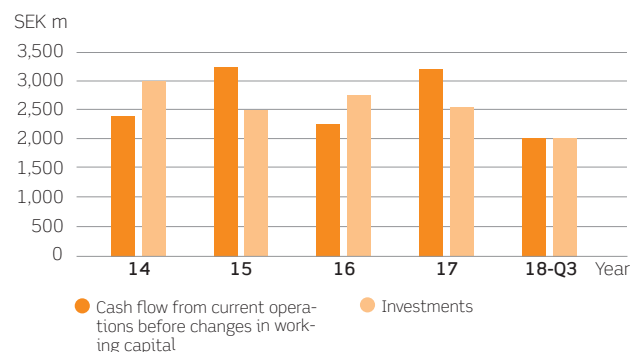
Cash Flow relating to financing activities amounted to SEK –3,063 million (1,241). The lower cash flow is mainly attributable to a lower rate of borrowing than the previous year. In addition, the dividend for the year of SEK 1,630 million (1,393) was financed by reducing current investments (cash and cash equivalents) that gradually matured during the period.

Total cash flow for the year was SEK –3,578 million (525).

CASH FLOW AND INVESTMENTS

Total cash flow from current operations before change in working capital during the period 2014 to September 2018 was SEK 13,189 million. Investments during the same period totalled SEK 12,864 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 SEPT. 2018.

CHANGE	Impact on pre-tax profit, SEK m	Impact on fair value, SEK m ¹⁾	Impact on fair value, percentage points
Rental revenue, +/- one per cent	58	394	0.5
Vacant space, +/- one percentage point	57	-678	-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	-4,944	-4,944	-5.9
Cost of capital, - one percentage point	5,451	5,451	6.5
Yield target, + one percentage point	-6,450	-6,450	-7.7
Yield target, - one percentage point	9,584	9,584	11.5

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

Consolidated segments

THE GROUP'S GEOGRAPHICAL SEGMENTS IN BRIEF

SEGMENT INFORMATION 1 JAN. 2018–30 SEPT. 2018, SEK M	South ¹	Mid-Sweden ²	North ³	Total, operating segments	Other operations ⁴	Group
Revenue, including other operating revenue	1,215	2,148	1,266	4,589	—	4,589
Property management costs, including other operating costs	-384	-589	-358	-1,331	-138	-1,470
NET OPERATING INCOME	830	1,558	869	3,257	-138	3,119
Central administration costs						-54
Net interest income/expense						-175
PROFIT BEFORE CHANGES IN VALUE AND TAXES						2,890
Change in value, properties	24	466	357	799	—	799
Change in value, financial instruments						-389
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME						3,300
Total assets include:						
Properties	19,083	43,349	20,885	83,317	—	83,317
of which invested during the year	394	1,374	312	2,080	—	2,080
SEGMENT INFORMATION ¹ 1 JAN. 2017–30 SEPT. 2017, SEK M	South ²	Mid-Sweden ³	North ⁴	Total, operating segments	Other operations ⁵	Group
Revenue, including other operating revenue	1,182	1,963	1,212	4,357	—	4,357
Property management costs, including other operating costs	-332	-608	-311	-1,252	-112	-1,364
NET OPERATING INCOME	850	1,355	901	3,105	-112	2,993
Central administration costs						-46
Net interest income/expense						-159
PROFIT BEFORE CHANGES IN VALUE AND TAXES⁶						2,788
Change in value, properties	614	2,119	850	3,584	—	3,584
Change in value, financial instruments						-144
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME						6,228
Total assets include:						
Properties	18,359	40,486	19,766	78,611	—	78,611
of which invested during the year	365	1,380	409	2,154	—	2,154
SEGMENT INFORMATION 1 JAN. 2017–31 DEC. 2017, SEK M	South ¹	Mid-Sweden ²	North ³	Total, operating segments	Other operations ⁴	Group
Revenue, including other operating revenue	1,572	2,618	1,616	5,806	—	5,806
Property management costs, including other operating costs	-519	-863	-437	-1,819	-158	-1,977
NET OPERATING INCOME	1,053	1,755	1,179	3,987	-158	3,829
Central administration costs						-67
Net interest income/expense						-188
PROFIT BEFORE CHANGES IN VALUE AND TAXES						3,574
Change in value, properties	940	2,781	1,258	4,979	—	4,979
Change in value, financial instruments						-242
PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME						8,311
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 July–Sept.	2017 July–Sept.	2018 Jan.–Sept.	2017 Jan.–Sept.	2017 Full-year
Income from property management	1,508	1,556	4,590	4,482	5,975
Property management expenses	-492	-422	-1,470	-1,349	-1,959
NET OPERATING INCOME	1,016	1,134	3,120	3,133	4,016
Central administration costs	-19	-16	-54	-46	-67
Depreciation and impairment as well as reversed impairment in property management	-325	-294	-936	-867	-1,160
PROFIT BEFORE FINANCIAL ITEMS	672	824	2,131	2,220	2,789
Net financial income/expense	-44	-27	-635	-373	-532
Appropriations	—	—	—	—	-181
PROFIT BEFORE TAX	629	797	1,496	1,847	2,076
Tax	-128	-206	-177	-453	-487
PROFIT FOR THE PERIOD	501	591	1,319	1,394	1,590

Parent Company statement of comprehensive income, summary

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME, SUMMARY, SEK M	2018 July–Sept.	2017 July–Sept.	2018 Jan.–Sept.	2017 Jan.–Sept.	2017 Full-year
Profit for the period	501	591	1,319	1,394	1,590
Reclassifiable items					
Profit/loss from cash flow hedges	—	—	—	-7	-4
Tax attributable to cash flow hedges	—	6	—	6	1
Cash flow hedges, reclassified to the income statement	—	—	-7	—	1
TOTAL, OTHER COMPREHENSIVE INCOME FOR THE PERIOD	0	6	-7	-1	-3
COMPREHENSIVE INCOME FOR THE PERIOD	501	597	1,312	1,393	1,587

Parent Company – balance sheet

PARENT COMPANY BALANCE SHEET, SUMMARY, SEK M	30 Sept. 2018	30 Sept. 2017	31 Dec. 2017
ASSETS			
Non-current assets			
Properties	44,018	42,799	42,951
Equipment, fixtures and fittings	25	9	8
Shares in Group companies	1	1	1
Derivatives	1,286	1,019	1,053
Other non-current receivables	312	151	209
Total non-current assets	45,642	43,979	44,222
Current assets			
Derivatives	256	618	598
Other current receivables	2,075	2,481	1,765
Cash and bank balances	2,901	5,895	6,479
Total current assets	5,231	8,993	8,842
TOTAL ASSETS	50,873	52,972	53,065
EQUITY AND LIABILITIES			
Equity	6,501	6,626	6,820
Untaxed reserves	4,206	4,025	4,206
LIABILITIES			
Non-current liabilities			
Loans	27,120	22,519	25,198
Derivatives	750	902	936
Deferred tax	2,165	2,296	2,315
Other non-current liabilities	356	383	365
Total non-current liabilities	30,391	26,100	28,814
Current liabilities			
Loans	6,047	12,540	9,541
Derivatives	160	250	69
Other current liabilities	3,567	3,430	3,616
Total current liabilities	9,774	16,220	13,225
Total liabilities	40,165	42,320	42,039
TOTAL EQUITY AND LIABILITIES	50,873	52,972	53,065

Parent Company

Akademiska Hus AB is the Parent Company in the Akademiska Hus Group, which 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 4,590 million (4,482). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). Profit before financial items was SEK 2,131 million (2,220) and net financial income/expense was SEK –635 million (–373). Profit after tax was SEK 1,319 million (1,394).

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 2,165 million and a deferred tax income of SEK 147 million is reported in 2018.

INVESTMENTS

Investment in machinery and equipment amounted to SEK 21 million (1) and in properties to SEK 2,010 million (2,084).

EQUITY

Equity totalled SEK 6,501 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.

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, 26 October 2018

Kerstin Lindberg Göransson
President

Auditor's report

Akademiska Hus AB (publ), 556459-9156

Introduction

We have reviewed the condensed interim financial information (interim report) of Akademiska Hus AB as of 30 September 2018 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and

other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Gothenburg, 26 October 2018

Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg
Authorised Public Accountant

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.

New accounting policies 2019

IFRS 16 Leasing was adopted by the EU in 2017 and shall apply to financial years starting on or after 1 January 2019. The standard will affect recognition of the Group's operating leases where the Group is the lessee. For this type of lease, the future value is calculated and entered in the balance sheet. The Group has a few such leases, for which reason the assessment is that the standard will not have any significant effect on the Group's financial reporting, other than leasehold agreements that might increase the balance sheet total and net operating income.

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 Sept. 2018	1 Jan. 2017– 30 Sept. 2017	1 Jan. 2017– 31 Dec. 2017
Loans	-33,166	-35,059	-34,741
Derivatives – liabilities	-910	-919	-956
Collateral for derivatives	-536	-782	-858
Cash and cash equivalents	2,901	5,895	6,478
Other current receivables	326	769	857
Derivatives – receivables	1,542	1,636	1,651
Total net loan liability	-29,843	-28,460	-27,569
Average interest-bearing capital (full-year basis)	31,352	29,605	-29,973

Operating capital

Equity plus interest-bearing net loan liability.

Equity ratio

Equity in relation to Total equity and liabilities.

Total yield

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

Definitions/Glossary

Operating costs

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

Property administration

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

Rental revenue

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

FLOOR SPACE, M², GFS

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

FLOOR SPACE, M²

Rentable floor space in square metres.

Maintenance costs

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

Rental and vacancy levels

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

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

REPORT CALENDAR

Year-end report	February 2019
Annual Report 2018	March 2019

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