



ANNUAL REPORT

# Akademiska Hus

- TOMORROW'S KNOWLEDGE ENVIRONMENTS



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● Revised Annual Report

## ABOUT THE ANNUAL REPORT 2018

The audited Annual Report comprises pages 37-95. Our sustainability initiatives are incorporated in the Annual Report and presented in line with GRI Standards. The Sustainability Report comprises the pages listed on page 102 and has undergone a cursory audit. The Sustainability Report also includes Akademiska Hus' Statutory Sustainability Report in accordance with chapter 6 of the Swedish Annual Accounts Act.

The photo on the cover shows the ceiling in Biomedicum, Solna.

# This is Akademiska Hus

Akademiska Hus owns, develops and manages sustainable and modern knowledge environments for colleges and universities. With long leases and high leasing levels, we are a stable participant on the property market. In this way we strengthen Sweden as a nation of knowledge and create value for both our owner and our customers.

Akademiska Hus is wholly owned by the Swedish state. The operation is run on commercial terms and we are the leading property owner for universities and colleges. Our market share varies across the country, and in the university and college property segment we have a 60 per cent stake in terms of area. The property portfolio amounts to SEK 86 billion and turnover is SEK 6.1 billion. To meet the large demand for knowledge environments, we have a project portfolio of SEK 14 billion. Our mission from the Parliament also includes contributing to construction of more student housing.

Akademiska Hus essentially has the same principal as our tenants, since higher education in Sweden is almost exclusively conducted by colleges and universities that are government entities. Thus our tenants have the highest credit rating, which creates stable conditions for a long-term relationship regarding both project development and customer relationships. Our operations are characterised by stable cash flows, long leases, low vacancy levels and primarily pre-signed contracts (signed before construction begins). This creates good opportunities for long-term relationships with our lenders.

The majority of cash flow is reinvested in our projects and our robust financial position creates advantages for our customers.

KERSTIN LINDBERG GÖRANSSON  
President

86

BILLION TOTAL PROPERTY PORTFOLIO

3.3

MILLION SQUARE METRES RENTABLE SPACE

P-1

MOODY'S SHORT-TERM RATING, JANUARY 2019

AA

STANDARD & POOR'S LONG-TERM RATING, STABLE OUTLOOK, SEPTEMBER 2018



60%

MARKET SHARE WITHIN COLLEGE AND UNIVERSITY PROPERTY SECTOR



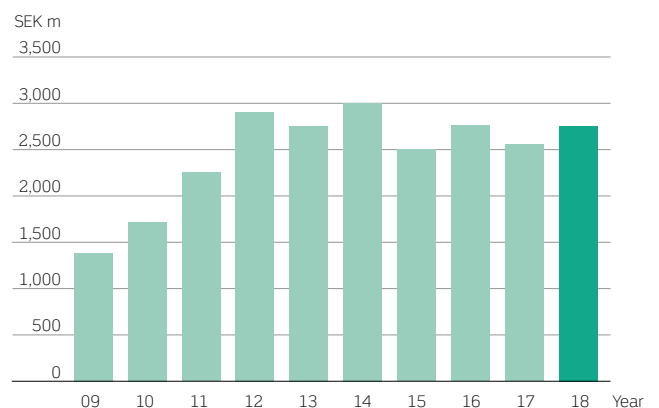
14

SEK BILLION IN PROJECT PORTFOLIO

## A STABLE PARTICIPANT

Akademiska Hus has a strong financial position and is one of the largest property companies in Sweden. With our size, unique skills and local presence we can be a proactive, long-term partner to our customers in the development of their operations. Stable finances make it possible for investments in our own building projects to be carried out with continuity. The fact is that the majority of cash flow in the business is reinvested in our projects. This is a source of security for our customers, an important contribution to the development of Sweden as a nation of knowledge and one of our principal strengths.

## INVESTMENTS OVER THE PAST TEN YEARS



Since the inception of Akademiska Hus 25 years ago, we have invested almost SEK 50 billion in building projects with the purpose of strengthening Sweden as a nation of knowledge.

# Year in brief

During the year we have continued to work strategically with a long-term approach, together with our customers. With a focus on sustainability and innovation we will continue to create attractive knowledge environments.



# 50%

INCREASED SOLAR PANEL CAPACITY

#### IN THE LEAD FOR INCREASED SOLAR CAPACITY

Akademiska Hus engaged in a record-breaking renewable energy initiative to boost solar panel capacity by 50 per cent. Rooftop solar panels were installed on the majority of buildings at the Ultuna Campus in Uppsala. As a result, total capacity of solar energy production for our entire holdings around the country rose to 2.5 million kWh/year.

#### OLYMPIC-CLASS CLIMBING FACILITY

The new climbing facility at the IKSU sport athletic centre on the Umeå Campus held its grand opening during the year. The 1,800 square-metre climbing facility is an important addition for Umeå University's profile as a university with a focus on sports. The facility is expected to receive approximately 3,500 visitors per week and includes free climbing to a staggering height of 17 metres.

# 17

STAGGERING METRES FREE  
CLIMBING HEIGHT

# 30,000

SQUARE METRES SPACE

#### OUR LARGEST INITIATIVE IN UPPSALA

In October there was a breakthrough for the expansion of the Ångström Laboratory at Uppsala University. The goal is to create an innovative interdisciplinary research and education environment through two additional units in order to meet the demands of the future for a leading international university. The building will be 30,000 square metres and we are investing SEK 1.2 billion in the project, which is the largest initiative that Uppsala University and Akademiska Hus have ever undertaken together.

# Digital

#### ÖREBRO CAMPUS LAB

Örebro University and Akademiska Hus have signed a memorandum of intent with the goal of making the university the most digitalised centre of education in Sweden.

# Biomedicum

#### - A SUCCESSFUL PROJECT

In the autumn of 2013, construction began on Karolinska Institutet's new research lab Biomedicum in Solna, one of the largest laboratories in Europe, and was completed ahead of schedule and under budget. Akademiska Hus has invested about SEK two billion in the project, which spans over eleven floors with room for 1,600 researchers and other staff. By gathering several scientific disciplines under a single roof, Biomedicum will promote interaction, increased new collaborations and the exchange of experiences, ideas and techniques across borders.

#### CLIMATE CHANGE: A SERIOUS CONCERN

The climate is changing around the world. At Akademiska Hus we are working proactively with sustainability and have now set new high goals. Through research and innovative development, we have set an ambitious vision for climate neutrality throughout our operations. We are working towards being completely climate neutral in both our property operations and internally by 2025. Our projects will be climate neutral by 2045.

# Climate neutrality



### 25 YEARS OF DEVELOPMENT

Akademiska Hus was founded 25 years ago. Our mission has essentially stayed the same – to provide Swedish higher education institutions with appropriate facilities. But today's premises include so much more. Developments in digitalisation is changing everything, from how we manage and operate our properties, to how education and research are conducted. The role of campuses has also gained greater importance, therefore we work increasingly towards integrating campuses with the city and the surrounding community. The past 25 years have provided us with an established platform to stand on and we are now taking the next step together towards our vision "To strengthen Sweden as a nation of knowledge".



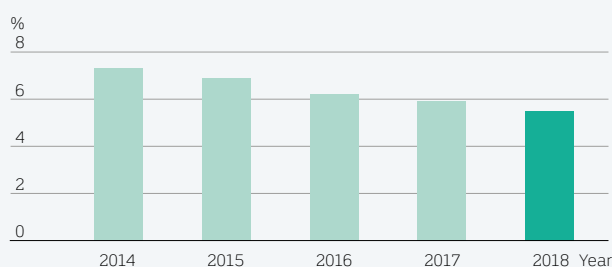
### STUDENT HOUSING BUILT UNDER OUR OWN MANAGEMENT

The first undergraduate and graduate student housing project that Akademiska Hus built on its own is now ready on the Royal Institute of Technology (KTH) Campus in Stockholm. The three buildings house 138 units, including studio, one- and two-bedroom flats, with capacity for a total of 227 students. The flats are fully equipped and furnished. The apartments are being rented as a block by KTH, which will primarily offer this on-campus housing option to international students. Two more buildings are under construction with occupancy planned for 2019.

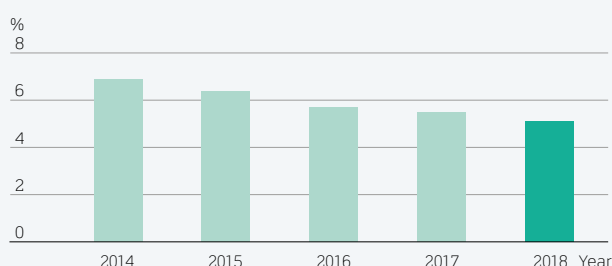
### FIVE-YEAR SUMMARY

	2018	2017	2016	2015	2014
<b>INCOME STATEMENT, SEK M</b>					
Property management income	6,117	5,806	5,666	5,646	5,681
Net operating income	3,938	3,829	3,667	3,740	3,717
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	5,314	8,311	6,714	6,141	6,261

### RETURN ON OPERATING CAPITAL

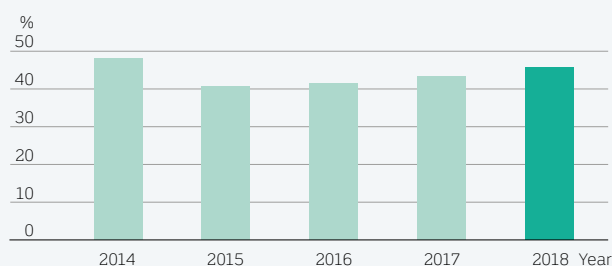


### YIELD\*

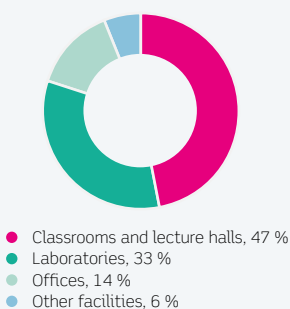


\* Excluding properties under construction and expansion reserves.

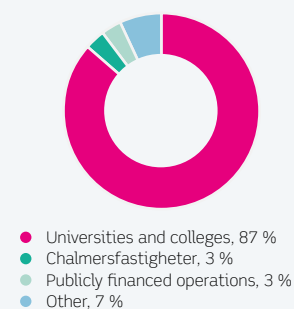
### EQUITY RATIO



### BREAKDOWN BY PREMISE CATEGORY



### TENANT CATEGORIES



# Together we enhance Sweden as a nation of knowledge

The world around us is changing at an ever-increasing pace. The challenges are many and technological developments are advancing rapidly. This means new opportunities for progress and cooperation for sustainable community development and exciting future-focused knowledge environments.

It is not just Akademiska Hus; the entire property industry faces greater challenges than ever. Climate change is one of the most important issues of our time, where the built environment industry accounts for a large share of emissions. As one of the largest property companies in Sweden, we have great opportunities to make a true difference by being part of the transition and helping Sweden achieve the UN's climate targets.

We continue to support the UN Global Compact and its principles on human rights, labour rights, the environment and anti-corruption.

## OUR VISION FOR ZERO CARBON FOOTPRINT

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 complex construction project operation follows the Fossil Fuel-Free Sweden roadmap and the goal is to reach a climate-neutral value chain by 2045. Of course we are still working towards our previous energy target of cutting the quantity of purchased energy in half by 2025.

Our new climate targets are on the leading edge of development and will put great pressure on our operations to break new ground in several areas. At the same time, we want

to emphasise that we cannot succeed in our efforts on our own. The transition is based on many parties cooperating and accepting common responsibility. We are all part of the complex transition that is now taking place towards a climate-neutral society.

Investments in solar panels contribute to the target. We have carried out major initiatives all around our campuses during the year and in 2019 we will take further measures to install more solar power facilities. When they are ready they will help to double our total solar energy production to over 5 million kWh per year.

## THE CLIMATE ISSUE

The potential of digitalisation can also drive parts of the necessary transition to address climate change. We are participating in and running an array of research and innovation projects. One example is the EU-financed FED project (Fossil-free Energy District), which will develop a digital marketplace for energy with the Chalmers Johanneberg Campus serving as a test arena. The buildings in the FED system will be able to buy and sell surplus energy among themselves, at the same time that the system is connected to the public grid in the city.

## NEW SERVICES AND BUSINESS MODELS

We also see how new participants offer alternative business models, such as “Space as a Service” or co-working, at the same time that current participants are also developing new solutions and services to broaden their offering. In 2019, we are increasing our capacity within concept and service development and introducing our first offerings in “Space as a Service” under our new brand “A Working Lab” at the Solna Campus and Johanneberg Science Park (Chalmers).

## STRATEGIC PLAN – GOAL 2021

To deal with this rapidly changing reality 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 innovative knowledge environments.

## CAMPUS AS LABORATORY

One of many examples of collaboration is the expanded initiative between Akademiska Hus and the Royal Institute of Technology (KTH), where a memorandum of intent has been signed to strengthen our long-term strategic collaboration in education, research and innovation.

Another exciting example is the cooperative agreement with Örebro University where the goal is to work together to make the university the most successful digitalised centre of education in Sweden. The initiative, which is called Örebro Campus Lab, will help to develop an education and research environment at the digital and sustainable forefront.

## GEARING UP SKILLS INTERNALLY

Successful implementation of our strategy requires a development-oriented organisa-

Our focus is on leveraging the opportunities that digitalisation offers regarding both addressing the climate issue and creating a broader value offering to our customers.

tion with a more agile approach to work. We therefore focus on our employees and we have a strong ambition to serve as a role model in the industry regarding skills development. During the year we launched our own internal education platform that contains comprehensive development programmes for both managers and employees. Through assignment appraisals between manager and employee we will increase the commitment to our mission and our strategic vision.

### STRONG DEMAND FOR KNOWLEDGE ENVIRONMENTS

A number of projects were completed during the year. For example, the police training programme's new facilities at Södertörn University opened during the autumn at the dynamic and rapidly growing Flemingsberg Campus. New tenants moved in to Biomedicum, one of the largest research labs in Europe with room for up to 1,600 researchers and coworkers at the Karolinska Institute. This construction project was not only the largest ever undertaken by Akademiska Hus – it was also completed ahead of schedule and under budget.

We also began construction on the expansion of the Ångström Laboratory at Uppsala University, an initiative that is expected to cost around SEK 1 billion.

### MORE STUDENT HOUSING

During the year 227 students moved in to our newly built student housing at KTH in Stockholm as a result of our efforts to create 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 currently underway. The target is to help create 11,000 undergraduate and graduate student housing units by 2021. Currently we manage about 500 residences on our own ground and we have transferred land to participants who are contributing more than 4,000 housing units.

### PROPERTY VALUES AND OWNER OBJECTIVES

The positive changes in value for the year, along with investments during the year, resulted in a property value of SEK 86 billion. The changes in fair value in the property holdings impacted profit for the year, by SEK 2,585 million (4,979), profit totalled to SEK 5,314 million (6,453).

The large changes in the fair value of the property holdings in recent years, which are reported in compliance with IFRS regula-

tions, had a negative impact on the financial performance measures, which meant that we did not achieve two of the owner's three financial objectives. However, it is important to emphasise that the underlying net operating income and cash flows for the operation are stable in 2018, as in previous years.

### IMPROVING TOGETHER

We have a solid platform to stand on for the coming years. Our focus is on leveraging the opportunities that digitalisation offers regarding addressing the climate issue and

creating broader value to our customers. It is challenging, exciting and at the same time, a growth opportunity since we do this together with other participants who also have a strong drive to get involved and strengthen Sweden as a nation of knowledge.

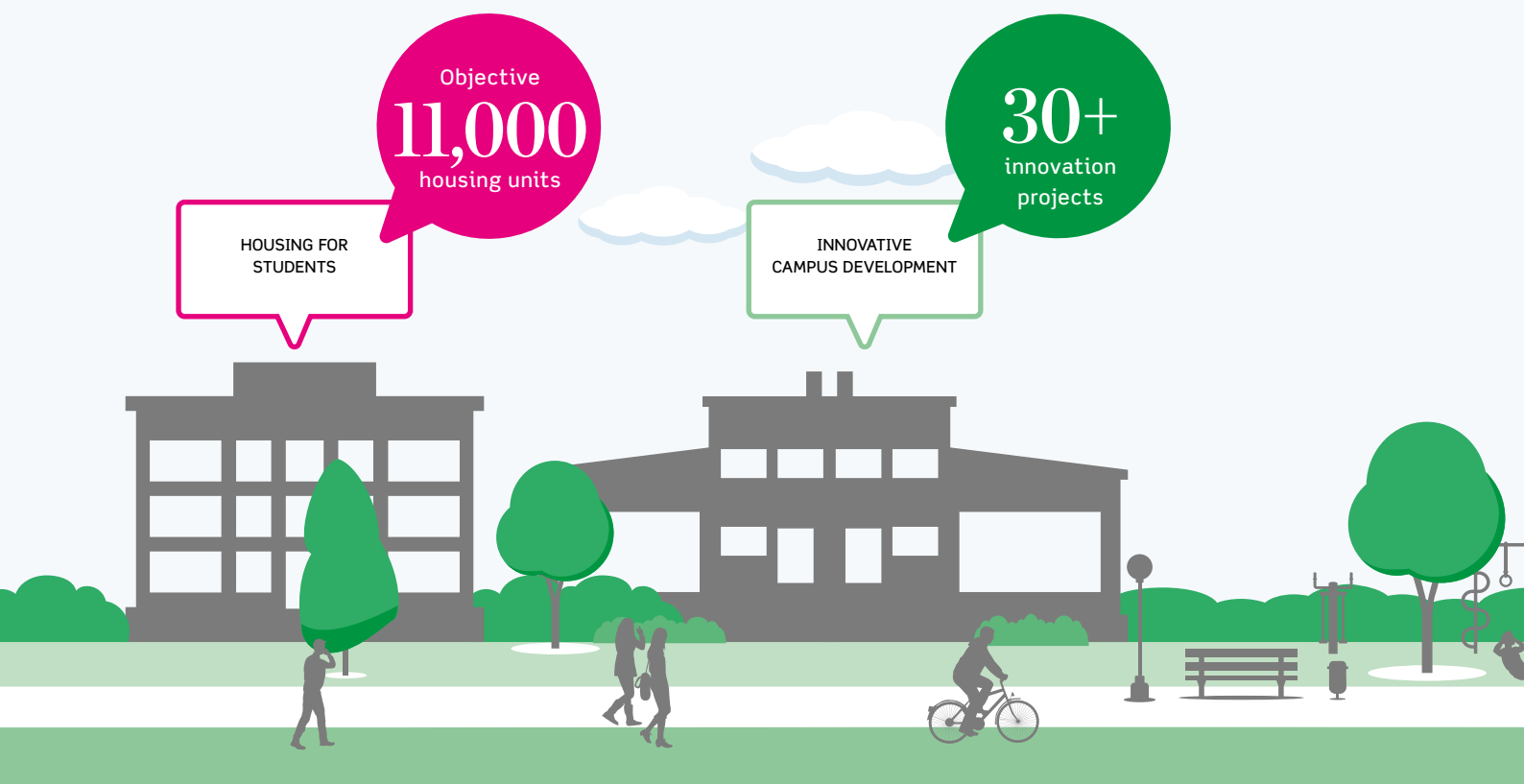
### Kerstin Lindberg Göransson

*President*



# The road to tomorrow's knowledge environments

Our university and college sites are more than places to work and study. Our expertise and extensive experience serve as the foundation when we create sustainable environments and vibrant campuses for everyone on campus.



## The world around us

How we plan, set goals and develop our business are affected by global trends.

- **Global trends**  
Read more on pages 8-9
- **Market summary**  
Read more on pages 10-11
- **Materiality analysis and stakeholders**  
Read more on pages 12-13

## Our focus

Our strategy sets the course for how we run our business to fulfil our mission and achieve our goals in a sustainable and value-creating manner.

- **Strategy**  
Read more on pages 14-15
- **Sustainable operator**  
Read more on pages 16-17
- **Goals and governance**  
Read more on pages 18-19



Competitive  
campuses with  
attractive knowledge  
environments

36  
campuses

VIBRANT AND  
STIMULATING  
MEETING PLACES

HIGH-TECH  
AND MULTIFUNCTIONAL  
ENVIRONMENTS

SUSTAINABLE  
PREMISES

3.3  
million square  
metres

## Our operations and conditions

In order to achieve our goals, we must manage and build properties in a sustainable manner and create long-term relationships with our customers and suppliers. We also need employees who are healthy and who have the right skills.

- **Our operations** Read more on pages 20-29
- **Our climate change initiatives** Read more on page 30
- **Employees** Read more on pages 31-32

## Value-adding community participant

Through innovation and development we create modern and competitive knowledge environments in cooperation with our customers.

- **Tomorrow's knowledge environment**  
Read more on pages 33-35

# Rapidly changing world

Global trends – such as globalisation and digitalisation – create new challenges and opportunities for Akademiska Hus. Through awareness and analysis of current trends and changes in initiatives, we gain relevant insights so that we can meet challenges and take advantage of the opportunities in a sustainable way.

We need to understand the global trends that could affect our ability to make a long-term contribution to the competitiveness of Swedish centres of education. The past year we have conducted a broad external analysis using a number of megatrends and social movements for change in society as our starting point. These trends include globalisation, demographic and social changes, changes in values, sustainability and the climate, and most importantly, the rapidly accelerating digital developments in society.

Below we highlight a few areas and a number of insights that we believe will be of great significance for our operations and for our customers moving forward. We have formulated our strategy for the next three years based on these areas and insights, as well as an assessment of the impact they will have on us in terms of both challenges and opportunities. This strategy will ensure that we use the potential of digitalisation to streamline our operations, while also preparing to take on new projects on the leading edge of innovation – always with a focus on the customer.

## Knowledge environments with endless possibilities

All over the world, universities are focusing on development of platforms to streamline and improve digital learning and research environments, partly to be able to offer new cross-discipline education programmes and research opportunities to more people, without geographic limitations. In Sweden, however, digitalisation in higher education is a relatively slow process and demand for digital programmes and distance learning is not yet particularly strong.

### FLEXIBLE KNOWLEDGE ENVIRONMENTS

New technology creates new opportunities for learning environments, which may be about to change forever. Learning environments need to be flexible and equipped with the latest in digital technology. New research areas that focus on, for example, meeting future societal challenges create the need for learning environments where education and technology interact in new ways.

New pedagogical models place new demands on adapting learning environments to pave the way for increased dialogue and flexibility. Lecture halls become less important, while there is a growing need for project-based workplaces for collaboration, as well as realistic environments for working hands-on with, for example, practical exercises. Places for meetings across disciplinary boundaries and for collaboration with the business community are becoming increasingly important.

## Globalisation and the campus as ecosystem

An increased degree of internationalisation in higher education and research increases the competition for top talent. The proportion of international students is expected to increase, in part because of increased global mobility and migration, but also through new target groups from strongly growing economies. We also see the importance of lifelong learning as people continue to work until they are considerably older, resulting in a growing need for further education. In total, these trends result in new student groups moving forward.

### INCREASED SERVICE – ROUND THE CLOCK

As national and international competition for education intensifies, the need for complete support systems, an ecosystem on campus that makes life work well, also increases. Availability of undergraduate and graduate student housing and an increased and expanded level of service around the clock are also increasingly in demand.

Social sustainability is an important social issue where Sweden faces a general challenge associated with integration. Several centres of education currently express a desire to broaden their recruitment efforts beyond the current recruitment base. Accessible and welcoming campuses that are designed to appeal to a broader group of students can contribute to increased diversity and create added value for all stakeholders.

## Increased focus on climate change

The climate is changing all over the world and the message from the UN Intergovernmental Panel on Climate Change (IPCC) is clear. In order to secure good living conditions within the limits of the natural world and eco-systems, the amount of carbon dioxide emissions to the atmosphere must be cut in half by 2030 in order to approach zero by 2050. The IPCC report has given increased weight to the climate issue throughout society.

### POTENTIAL TO MAKE A POSITIVE CONTRIBUTION

In the property industry, the issue is important since the urbanisation trend in society drives the resource-intensive construction and property industry towards an increased production rate. The industry currently accounts for a significant share of society's climate impact, but there is great potential to contribute in

a positive direction. In addition to climate gains linked to raw materials selection, system selection and general efficiency improvements, the introduction of circular business models and the potential of increased digitalisation can also drive rapid development in the area.

## Comeback of the physical meeting

Although the future of education and research will be more digital, the physical site and the encounter between people remains important. Aspects such as the need to meet, create community and trade ideas are fundamental and are becoming increasingly important in a digitalised environment where the boundaries of social relations are moved from the physical world into the digital. New ideas and innovations often arise through physical encounters. The physical encounter also plays an important role for creating understanding of differences and bridging differences of opinion.

### ENVIRONMENTS THAT PROMOTE ENCOUNTERS

A growing number of companies and organisations are highlighting meeting places and co-workspaces as a success. At universities all over the world, places are currently being created with inclusive environments that promote the encounter between people. Offering all students, regardless of base, the opportunity to use the areas and support structures of the centres of education is a way to create added value for a new target group.

## Student housing – crucial for recruitment

One clear trend that results in high pressure on urban housing markets is the increased mobility of the global population, along with increased urbanisation. The shortage of housing for young people is a major problem. Increasing the supply of student housing has an impact on the entire housing market, but is also important for the centres of education to be able to recruit students from within Sweden and abroad. The Swedish universities and Akademiska Hus have a shared vision: no one should have to turn down the opportunity to study at a university because they don't have any accommodation.

### SUSTAINABLE HOUSING IN DEMAND

One trend that needs to be taken into consideration in general, including in this area, is the increased awareness that is emerging among young consumers. There is a desire today to make conscious and sustainable choices and a willingness to pay extra for more sustainable products and services. We need to consider this trend when planning and building for future undergraduate and graduate students.

## Digitalisation changes the industry at the foundation

We see a rapid digital development in society and industries are being challenged to find benefit in the opportunities that are provided. In the property industry, digitalisation leads to the opportunity to streamline operations, but also to develop new services and business models to meet new needs that arise. For example, by collecting large amounts of data and making them

available through various services, we can increase the potential for streamlining and optimising property management based on user patterns and behaviours.

### FROM PRODUCT TO SERVICE

We also see examples of how the industry is shifting to a "service-oriented" approach, transitioning from selling products to selling

services. Co-working is a growing concept, where several companies share office space and companies gain access to a workplace through membership (read more on page 35). We now see several market participants who have grown very large in just a few years through a market idea and a business concept based on a clear service offering.



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# Swedish higher education model provides stability

In Sweden, higher education is largely financed by the state, this model promotes lifelong learning and ensures generation after generation of students. The individual colleges and universities are personally responsible for supplying premises, this is where Akademiska Hus is the market leader.

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In most cases, Swedish colleges and universities are public authorities and have the same principal as Akademiska Hus. Funding is provided through government grants and external finance. The level of the grant is based on the number of students and their accomplishments. Funding for postgraduate research and education is awarded separately through grants. The colleges and universities are personally responsible, within the framework of their budgets, for facilities planning. In addition, according to the government mandate they are also tasked with planning for the future supply of facilities. Here Akademiska Hus can contribute with experience and expertise.

The Government places demands on the supply of education. There must be a relevant link to working life and a good balance between longer programmes and courses aimed more at continuing education. The same applies to the distribution between full-time and part-time studies, as well as distance studies. All of these trends combined promote lifelong learning and broaden the target group that wishes to study.

## HIGHER GRANT FOR EXPANSION

It is in the interest of the Swedish state to create good conditions for high-quality higher education and research. It strengthens Sweden as a nation of knowledge and guarantees a well-educated workforce. While several years of increases in research grants have levelled off somewhat, Swedish universities are research-heavy from an international perspective. Compared with other OECD countries research is funded to a greater extent by government funding. Allocations that finance the expansion of programmes at the centres of education aimed at occupations currently experiencing a shortage of workforce have been raised during the year.

## STRONGER MAJOR CITIES AND REGIONAL CENTRES

With its market share of 60 per cent, Akademiska Hus is the leader in the segment of premises for higher education and research. The property holdings are concentrated in Sweden's major cities and regional centres, which are markets that have generally strengthened during the year. A campus is an attractive micro location not only for education and research, but also for related activities and business. Demand for on-campus premises also depends on how well the campus is integrated with the city in general. An improved infrastructure, an expanded service offering and strong housing development strengthens the appeal of both the centres of education and the business community.

## CONTINUED STRONG MARKET FOR LOCAL AUTHORITY PROPERTIES

The transaction market for community properties was somewhat weak during the year, at the same time that it increased for new construction. Current owners are often restrictive about selling. 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. Fewer transactions are carried out during election years since sellers and buyers both prefer to wait in case changes in policy are imposed.

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 property and volumes are about the same level as in 2017. On 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 consecutive years.

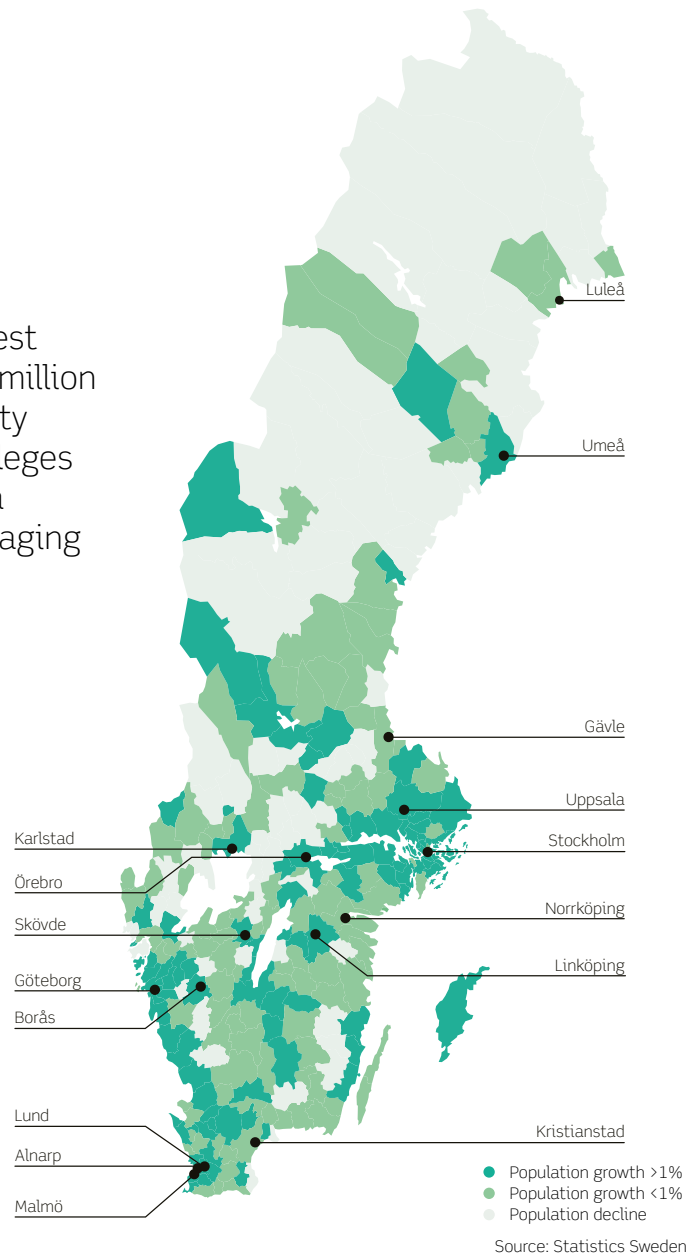
## MORE FOREIGN INVESTORS

Domestic participants accounted for 73 per cent (77) of the transaction volume, which means that foreign investors assumed a more significant position than in prior years. The weakening of the SEK exchange rate 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 proportion of transactions are being carried out in major cities and regional centres, 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.

- 
- The number of applicants to colleges and universities is on a historically high level, despite a positive trend in the labour market.
  - The average age of a first year student in Sweden is 24 years, which can be compared with 22 in the other OECD countries.
  - The number of foreign students is on the rise again, after a decline in conjunction with the implementation of tuition fees.
-

# Our college and university cities

Akademiska Hus is one of the country's largest property companies with approximately 3.3 million square metres of rentable area and a property portfolio of SEK 86 billion. Together with colleges and universities, we strengthen Sweden as a nation of knowledge by developing and managing environments for education and research.



AKADEMISKA HUS CAN BE FOUND AT

# 16

COLLEGE AND UNIVERSITY CITIES

## Our six largest cities

Market share, per city/town	Market value and area	Largest centres of education	Market share, per city/town	Market value and area	Largest centres of education
<b>Stockholm</b> 	<b>39</b> SEK billion <b>957,000</b> m <sup>2</sup>	Stockholm University Karolinska Institutet Royal Institute of Technology	<b>Lund</b> 	<b>7</b> SEK billion <b>358,000</b> m <sup>2</sup>	Lund University
<b>Uppsala</b> 	<b>15</b> SEK billion <b>604,000</b> m <sup>2</sup>	Uppsala University SLU Ultuna	<b>Umeå</b> 	<b>4</b> SEK billion <b>236,000</b> m <sup>2</sup>	Umeå University Swedish University of Agricultural Sciences, Umeå
<b>Gothenburg</b> 	<b>8</b> SEK billion <b>348,000</b> m <sup>2</sup>	University of Gothenburg Chalmers University of Technology	<b>Linköping</b> 	<b>3</b> SEK billion <b>221,000</b> m <sup>2</sup>	Linköping University

● Akademiska Hus ● Other

Source: Andel 2018, Swedish National Financial Management Authority

# Focus on substance in the field of sustainability

In our role as one of Sweden's largest property developers and managers, we have major opportunities to contribute to a more sustainable society. We engage in dialogue with our stakeholders to create a good basis to identify the issues that should be prioritised if we are to succeed with our sustainability efforts.

## OUR ESSENTIAL AREAS

To identify the sustainability issues that are most important both for Akademiska Hus and for the prioritised stakeholders, a comprehensive materiality analysis was conducted in 2014. The analysis has been updated annually with a special focus on a few selected stakeholder groups. In 2018 a comprehensive external analysis was also conducted in conjunction with the formulation of the company's new strategy. The analysis provided important insights into changes in society that

clearly impact our industry and operations, which also affected the selection of our most essential sustainability aspects. In 2018 we conducted an overview of our essential areas, with broad internal representation. The six areas that were presented in the 2017 Annual Report became four this year, but they include the same issues as previous years. Detailed information about sustainability governance regarding these issues can be found on page 102.

# 1

**Value-adding knowledge environments** entail leveraging climate-smart and innovative investments, high-quality efficient processes and a viable commercial approach to create long-term benefit for both stakeholders and the environment. We focus heavily on the social perspectives of well-being, gender equality and accessibility. **Read more on pages 20-21.**

# 2

**Resource efficiency for reduced climate impact** means that we use the assets at our disposal more efficiently to reduce the burden on the environment. We focus on the entire operation, from planning and implementation of construction projects to the day-to-day property management. Collaboration on innovations is crucial and builds a high development capacity. **Read more on pages 22-30.**

# 3

**Caring for people** is based on the role of people in our operations. By working proactively for a healthy and safe work environment for both employees and customers, as well as those who work on our behalf, we improve the industry and strengthen our relationship with our stakeholders. We take advantage of and strengthen the skills of our employees and encourage responsible employees who live by our values: Responsive, Committed and Value-adding. **Read more on pages 31-32.**

# 4

**Responsible relationships** refers to building relationships, in our capacity as a major client and participant in the industry, based on a high standard of ethics with a clear moral compass. We strive to achieve high transparency in our customer relationships to create understanding of our role and our mission, and we set clear requirements for our suppliers. Our ambition is to always contribute, and demand, knowledge that develops the sustainable society. **Read more on page 23.**



**STAKEHOLDER INFLUENCE**

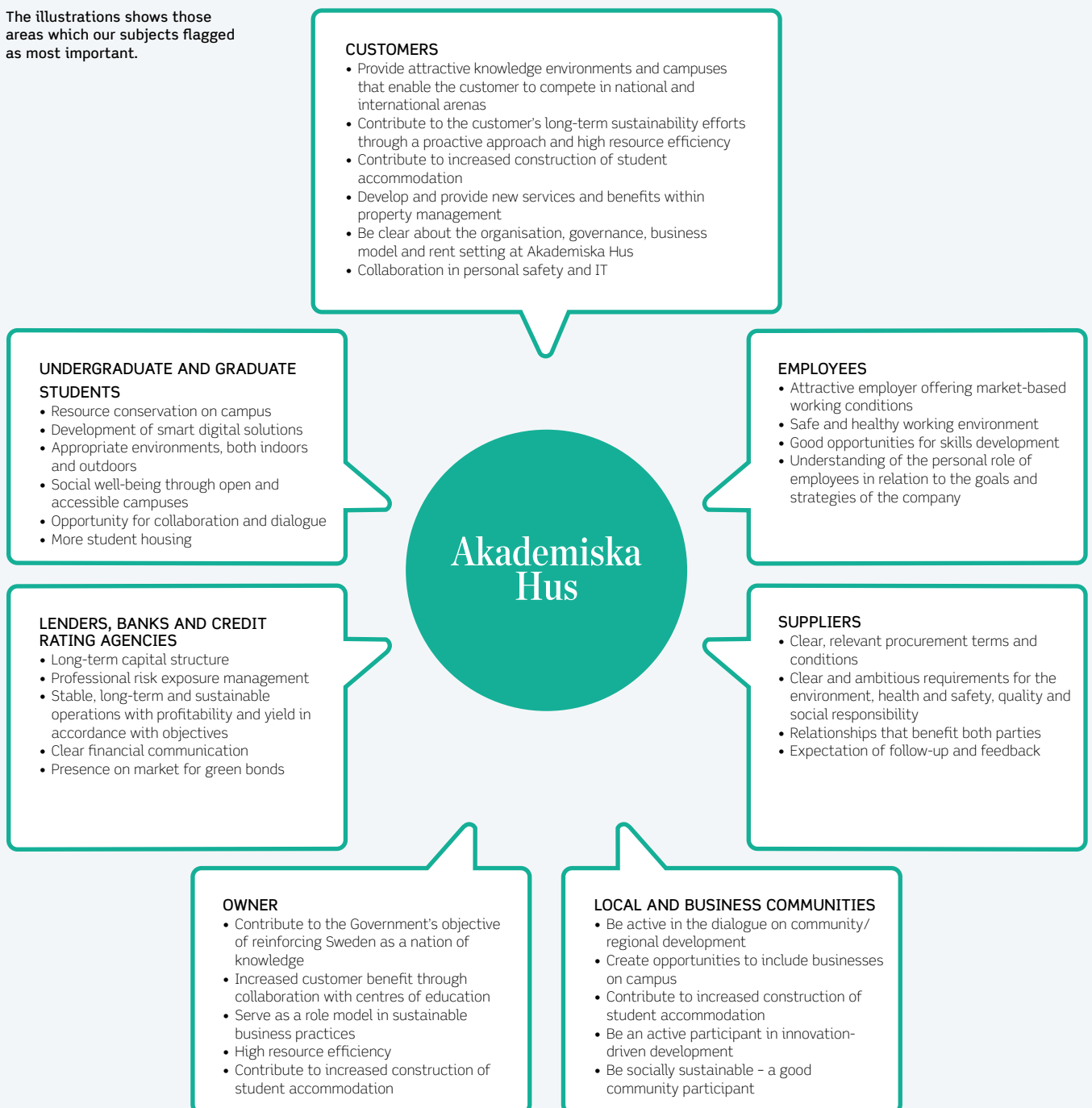
Sustainability initiatives at Akademiska Hus are based on sustainability issues that are crucial for the company to achieve its strategy. Consideration is taken of both the expectations of stakeholders and the ability of the company to contribute to a sustainable community development.

Our stakeholders are participants who are influenced by, or who influence, our operations. We have defined the most important as custom-

ers, employees, suppliers, local and business communities, our owner, lenders, banks and credit rating agencies, as well as undergraduate and graduate students. The illustration below describes the various groups with which we regularly engage in dialogue and the areas within which they expect us to focus.

Read more about our dialogue with stakeholders on page 102.

The illustrations shows those areas which our subjects flagged as most important.



# Strategy – collaboration for future knowledge environments

In a changing world and in a time with a high pace of change, Akademiska Hus faces brand new demands. To meet these demands we have developed our long-term strategy further. With a focus on our three most important stakeholder perspectives – owner, customer and society – we create opportunities for collaboration.

Akademiska Hus' long-term strategy extends to 2025 and has guided us in our business for the past five years. As a result of the rapid changes in the world around us and the increased pressure for change in the property industry and our business, we have now updated and clarified our strategy. This ensures long-term sustainable management and development of our properties and campuses.

## DIGITALISATION CHANGES THE GAME PLAN

Digitalisation changes society at its foundation and alters the basic conditions for our entire operation. Meeting these challenges requires a profound digital transformation of our operations, as well as readiness to embrace the potential opportunities on the leading edge of the development. We are here for our customers and with our products and services we serve as a support for their activities. Our working methods will therefore become even more customer-focused.

Our strategy over the next three years, "Collaboration in the development of future knowledge environments", is based on our most important stakeholder perspectives and consists of three points: upgraded base delivery, enhanced customer relationships and innovative business development. Focusing our development on these areas equips us to meet the challenges and ensures our long-term relevance as a property company aimed at premises and campuses for Swedish centres of education.

The goal is for our customers to view us as a good strategic partner in terms of both day-to-day management and the development of knowledge environments. The collaborative projects create clear added value for the customers, as well as for our owner and the surrounding community.



Collaboration is essential to our strategic work with attractive knowledge environments.



## Upgraded base delivery

We will upgrade and add new value to our base delivery:

- Undertake an extensive digital transformation
- Accept long-term responsibility for sustainable operations
- Benefit from unique insight and expertise
- Achieve high operational excellence



## Enhanced customer relationships

We will develop our relationship with the customers to create a dialogue based on good business practices and acceptance of our various roles:

- Be sensitive to the needs and wishes of each customer regarding collaboration, always in balance with a viable commercial approach
- Expand our professional approach to customers, both in the physical encounter and through other channels
- Clarify the role of Akademiska Hus and its mission to build acceptance and understanding among customers



## Innovative business development

We will engage in focused processes for innovative business development in order to embrace opportunities on the leading edge of developments:

- Continually monitor and address rapid changes in our industry
- Expand our offering to create added value for the customer
- Develop new business models and innovation environments
- Work agilely and run test operations where successful pilots are geared up

### Four factors for success

Akademiska Hus faces a significant journey of development in which our employees have a key role. Committed employeeship and responsible leadership are crucial to our success.

1

Involvement of employees regarding the mission and vision to create strong commitment.

2

Strengthen a development-oriented culture and view digitalisation as an enabler in the development of our deliverables to the customer.

3

Gearing up digital skills is viewed as a natural part of the job.

4

Dynamic working methods based on a learning organisation that works efficiently towards common challenges.



# Sustainability – our responsibility for future generations

Our sustainability work is based in part on the ten principles of the UN Global Compact and in part on the UN global sustainable development goals. Akademiska Hus plays an active role in the transition to a sustainable society and through our work we increase the value of our business, at the same time that we contribute to several of the global goals.



## AKADEMISKA HUS FOLLOWS THE GLOBAL COMPACT

In 2015, Akademiska Hus joined the UN Global Compact and the ten principles of the initiative, which are based on internationally recognised regulations such as the ILO conventions and human rights conventions.

By doing so, we ensure comprehensive accountability. Akademiska Hus reports on our work with the ten principles through an annual Communication on Progress (CoP). Below is a description of how we work with and contribute to the global goals.



### GOAL 4 - QUALITY EDUCATION

**Our contribution:** To build and develop knowledge environments of the future.

Our work has strong focus on creating safe and inclusive environments that contribute to social wellbeing and lifelong learning. We create hubs to promote value creating meetings on campus and knowledge environments ready for pedagogical solutions in the very front end. Our campuses are developed to function as ecosystems to complement and contribute to the surrounding community.



### GOAL 5 - GENDER EQUALITY

**Our contribution:** Equal participation and equal opportunities in our procedures.

Akademiska Hus actively promote a more equal property industry aiming to reach equal rights and opportunities for all employees. Our diversity and gender equality initiative "Equally-Unique" is fundamental and encompasses the entire organisation. Akademiska Hus Executive Management has an equal gender balance.



### GOAL 7 - AFFORDABLE AND CLEAN ENERGY

**Our contribution:** Achieve change through our energy strategy.

The strategy entails that we primarily need to reduce energy needs in the properties. In addition, we have purchase strategies aimed at influencing our suppliers to offer fossil free and renewable products. We also aim to create new renewable energy solutions to cover our electricity demand.





**GOAL 8 - DECENT WORK AND ECONOMIC GROWTH**

**Our contribution:** Proactively improve resource efficiency in our operations and promote a safe and secure working environment.

Technical upgrades and innovative solutions contribute to resource efficiency and quality improvement in our delivery. Through the initiative Keep Zero, which was initiated by Akademiska Hus, we collaborate with the industry to promote common, high set standards for safer construction sites.



**GOAL 11 - SUSTAINABLE CITIES AND COMMUNITIES**

**Our contribution:** Promote inclusive and sustainable urbanisation.

Akademiska Hus shall contribute to the creation of more student accommodation by building sustainable and affordable housing. Planning of our campuses includes creating public spaces, meeting places and green areas that are experienced as accessible and attractive. Through research projects we gradually develop our knowledge, for example related to the significance of green areas for learning, performance and wellbeing.



**GOAL 12 - RESPONSIBLE CONSUMPTION AND PRODUCTION**

**Our contribution:** Sustainable procurement and resource efficient learning environments.

Akademiska Hus complies with the Public Procurement Act for a fair and transparent procurement process. We certify all of our new construction projects and larger renovation projects according to the Miljöbyggnad certification system to, at a minimum, meet the Silver standard. We also focus on innovative solutions in order to use the spaces on campus more efficiently.



**GOAL 17 - PARTNERSHIPS FOR THE GOALS**

**Our contribution:** Create partnerships that contribute to sustainable development.

Akademiska Hus drives development in the industry by initiating and participating in multilateral collaborations. Moreover, we take an active part in referral processes relating to new legislation and regulations. Our customers are often at the front of development, which creates good opportunities to exchange knowledge and promote innovations.

**SUSTAINABILITY GOVERNANCE**

The Board of Directors of Akademiska Hus decides on the overarching objectives of the company, which are also based on high demands from our owner. The CEO has overarching responsibility for sustainability efforts at the company and Executive Management sets strategic goals and plans in close collaboration with the company's sustainability officer. The operational work is run and coordinated by a development group focusing on sustainability. Operational responsibility is allocated to different parts of the organisation, where all employees have a responsibility and are encouraged to actively contribute through their daily work.



# Goals and governance

We use a balanced scorecard to guide our operation and to confirm that our work leads us forward. The goals of our focus areas permeate everything we do and guide us towards the overarching goals of our operations.

Over the course of the year the scorecard was updated and adapted to the strategy formulated in 2018. The goal for each one of our focus areas – customer, employee, finance and development – is supplemented by a number of principles that describe how we need to act and be perceived to achieve the goals on the way towards our vision. We strengthen

Sweden as a nation of knowledge. Goals and objectives for 2021 are presented since the business plan period runs from 2019 to 2021. The sustainability perspective is fully integrated into our overarching goals and linked to the UN's global sustainable development goals, which Akademiska Hus considers to be a top priority.

## Customer

### GOALS AND OBJECTIVES FOR 2021

We provide better deliverables than others and we are our customers' first choice.

Our goal for 2021 is for the Customer Satisfaction Index (CSI) to reach 70%.

### PRINCIPLES FOR SUCCESS

We are professional and are our customers' first choice.

We are sensitive to the needs and wishes of each customer regarding collaboration, but in balance with a viable commercial approach.

We build acceptance and understanding in our customers for our role and our mission.

### FULFILMENT OF OBJECTIVES 2018

- CSI should be 63 or more and was 62 in the 2018 survey.

Our CSI has improved by two points since the last survey, which is a step in the right direction. Over the course of the year we initiated several strategic collaborations with various centres of education with a focus on innovation and sustainability, while strengthening relationships and collaboration associated with our everyday deliverables.

## Employees

### GOALS AND OBJECTIVES FOR 2021

We have dedicated employees who achieve high standards.

Our goals for 2021 are for the performance index to reach 77 and the index for an accident-free workplace should not exceed 2.

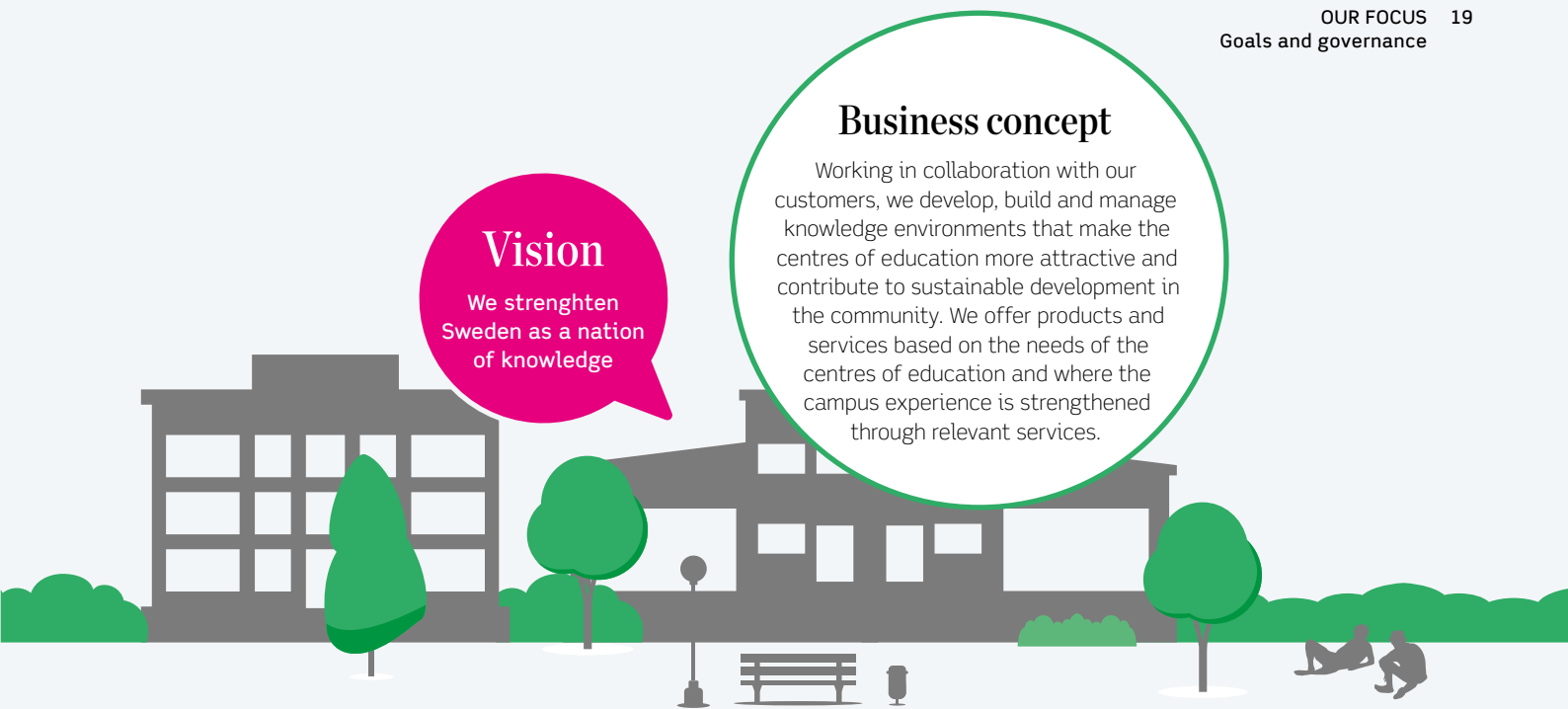
### PRINCIPLES FOR SUCCESS

We have a development-oriented culture and our leaders create conditions that promote performance. Our working methods and processes are efficient and our skills enable us to deliver the right quality at every level. We have an inclusive and safe workplace with healthy employees.

### FULFILMENT OF OBJECTIVES 2018

- Performance index (API): Benchmarks will be set in 2019 in connection with assignment appraisals, see page 31.
- Accident-free workplace (ELTAR) was 2.4.

API is a key figure that indicates how good conditions are for our employees to be able to perform their jobs. An API of 75 indicates that conditions are present for good performance. The accident rate for our contractors (ELTAR) was measured for the first time in 2018. To see how ELTAR is calculated, see page 107.



**Vision**  
We strengthen Sweden as a nation of knowledge

**Business concept**  
Working in collaboration with our customers, we develop, build and manage knowledge environments that make the centres of education more attractive and contribute to sustainable development in the community. We offer products and services based on the needs of the centres of education and where the campus experience is strengthened through relevant services.

## Finances

### GOALS AND OBJECTIVES FOR 2021

We deliver the owner's financial targets over a business cycle. By 2025 we will reduce the quantity of energy purchased by 50% compared with the level in 2000. Project expenses should not deviate more than  $\pm 2\%$  from the project limits.

A review of the owner's financial objectives is currently underway; decisions will be made at the Annual General Meeting in April.

### PRINCIPLES FOR SUCCESS

We are responsible and cost-conscious when we work with our contractual partners.

Our investments in campuses and properties are sustainable and future-hedged.

We add value through efficient, functional and attractive campuses.

### FULFILMENT OF OBJECTIVES 2018

- Return on operating capital should be at least 6.5% and the outcome for 2018 was 5.5%. The equity ratio should be 30%–40% and was 45.8%. A dividend of 40%–60% of profit for the year is to be paid to the owner and it was 60%.
- Energy reduction (kWh/sq m) should be at least 3.4% but increased during the year by 0.3%.
- Project expenses\* should not deviate more than  $\pm 2\%$  from the project framework. They deviated by 2.4% over the course of the year.

The energy reduction did not meet the target for the year, this is because of a combination of the extremely hot summer, and fewer energy-saving measures carried out than planned. The deviation in project expenses is largely related to delays in the construction permit process for the Albano project.

## Development

### GOALS AND OBJECTIVES FOR 2021

We are increasing the share of collaborative innovation projects with our customers, which will contribute to increased construction of student housing.

Our goals for 2021 are to have 70% of our innovation projects run collaboratively and we will have 2,130 student housing units.

### PRINCIPLES FOR SUCCESS

We create knowledge environments on the leading edge and contribute to sustainable development in the community through innovative initiatives.

We leverage the potential of digitalisation to add value and to address a rapidly changing society.

We develop cutting edge offerings in collaboration with our customers to enhance attractiveness.

### FULFILMENT OF OBJECTIVES 2018

- Innovation in collaboration was 47%.
- The number of student housing units should be 510 and at year-end the outcome was 510.

Our ability to carry out innovation projects in collaboration with others is measured by the proportion of our innovation projects that we run in collaboration with our customers; this was measured for the first time in 2018.

\*Relates to projects over SEK 50 million



# Campus and business development

Campuses are learning environments undergoing constant development. Needs, wishes and visions for creating conditions for future research, education and collaboration are discussed at all centres of education. Factors such as digitalisation and the increased pace of innovation open new opportunities, while placing new demands on both current and future campus environments.

Campus development is a key issue for us at Akademiska Hus. How do we develop campuses that are still attractive and functional in 50, 75 or 100 years? In collaboration with Sweden's centres of education we take full responsibility and contribute with our expertise and know-how in the development of long-term sustainable knowledge environments. Meeting the need for student housing on campus is also included. The campus as part of urban development has also had a major impact on how Sweden's higher education institutions want to develop their physical environments moving forward.

## CAMPUS WITH MANY FUNCTIONS

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. Creating places for this, building student housing and ensuring an attractive selection of services in collaboration with other stakeholders is becoming increasingly important for the centres of education. 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 are increasingly integrated into and around the campus.

## STRONGER TOGETHER

Working with a centre of education to interpret and convert these visions so that the physical environment can best support the strategies is at the heart of campus development. Together with the administration, employees and students of the centre of education, we explore how the physical environ-

ment can be developed to create buildings and outdoor environments that are attractive and flexible in the long term, and translate these ideas into development projects. We follow a structured approach with a focus on the long-term and sustainability. Leveraging the joint knowledge we share with our customers and converting it into clearly defined development plans and campus plans is the key to success.

## INNOVATIVE LEARNING ENVIRONMENTS

As a community builder, we must be innovative with a focus on the future to ensure that our deliverables provide customers with added value. We will develop products, services and practices through structured innovation partnerships, thereby contributing to sustainable development in the community. Learning environments of the future, along with campus and urban development, are two areas in which we have prioritised innovation. In particular, the development of digital technology and new teaching methods open up for opportunities for completely new forms of learning environments.

A gradual, increasing integration is underway at Swedish centres of education between physical study and work environments and virtual classrooms and social platforms. Along with our customers, we develop and test both digital technology and physical environment, which together can help to increase attrac-

tiveness, while improving study outcomes and degree of utilisation. In 2018 we began construction of a learning lab at Chalmers' Johanneberg Campus. In this environment we will together with our customers be able to learn more about how digital tools, furnishings, lighting, sound and other environmental factors can influence learning, creativity and outcomes.

## STUDENT HOUSING UNITS DEVELOP CAMPUSES

In many cities there is an urgent shortage of student accommodation and more undergraduate and graduate student housing ranks high on the priority list for many students and centres of education. Campus-based student housing is also 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. We actively work to make housing construction on or adjacent to campus possible. Our campus plans always include undergraduate and graduate student housing, whether the proposal entails building housing on our land, or on land belonging to some other property owner. Since the end of 2014, construction of student accommodation has been incorporated into our mission and in 2018 students moved into the first student housing built under our own management on the KTH Campus in Stockholm.

## Strategic focus

We will work closely with our customers so that together we can understand our challenges and opportunities. Through campus plans we achieve even better conditions to help to develop activities on campus.





Balconies that resemble outdoor spaces help to blur the boundaries between indoors and outdoors at the Bilberg House at Örebro University.



Örebro University

## CASE

# Örebro Campus Lab

Örebro University and Akademiska Hus have signed an extensive cooperation agreement with the goal of working together to make the university the most digitalised centre of education in Sweden. The initiative, which is called Örebro Campus Lab, will help to develop an education and research environment at the digital and sustainable forefront.

Örebro University already has extremely high expertise in artificial intelligence (AI) and robotics. We are building on this expertise in an in-depth cooperative agreement. Under the agreement, an array of specific measures will be carried out over a three-year period, including dialogue and research projects, as well as test beds, in order to create an innovative education and research environment for the future - Örebro Campus Lab, an environment that will be highly

attractive to students, graduate students and teachers at Örebro University, as well as for external partners.

“Örebro University’s vision clearly states that we will contribute to knowledge-based social development. This project is completely in line with that point. The collaboration entails unique opportunities to find smart, innovative and sustainable solutions for the future,” says Johan Schnürer, Vice-Chancellor at Örebro University.



# Projects that meet the need for premises

Akademiska Hus has a large project portfolio that is developed in close cooperation with our customers and other players. One of our strengths is the ability to coordinate and run the extensive and complex collaborative processes that are the key to achieving a successful result.



Construction projects account for a large part of Akademiska Hus' operations and given our extensive experience of building for education and research, we are a proactive and long-term partner for our customers. The construction projects vary substantially, ranging from minor renovations to student accommodation and advanced new research facilities.

Akademiska Hus is both builder and manager. Developing projects for long-term management provides us with excellent opportunities to invest in sustainable and innovative solutions. Investing activities are pursued from project concept to approved investment in a systematic process. Our financial capacity

also means that we can invest and contribute to our customer's expansion even during a recession.

## PROJECT REVIEWS

In 2018 project reviews were carried out in twelve ongoing projects. The purpose of the reviews was to identify and manage risks associated with the projects, contribute to constant improvement in Akademiska Hus' project and management systems and to help the individual employees to do their jobs.

The reviews showed that our project management teams are ambitious, knowledgeable and professional. We also received suggestions for areas for development that will help to further develop the construction process.

## WE BUILD SUSTAINABLY

Both Akademiska Hus and many of our customers have high aspirations in sustainability. Our role as a long-term property owner provides an excellent opportunity for building wisely and sustainably. Our goal is always to deliver the highest possible customer value through resource efficiency and good cost management. At the same time, Akademiska Hus constantly strives to minimise environmental impact through sustainable construction processes and

MILJÖBYGGNAD

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CERTIFIED BUILDINGS

carefully considered material choices.

All new construction and major renovation projects must qualify, at a minimum, for a silver rating in the Miljöbyggnad environmental certification system. Building to Miljöbyggnad standards provides confirmation of important qualities in a building in terms of energy, indoor environment and material choices. In order to succeed in this endeavour, we stay up to date on the latest methods and technologies. We currently have 42 certified buildings, including seven at the gold level and 35 at the silver level.

The certified new construction and renovation projects must subsequently undergo a validation process, and to date 17 buildings have been verified with retained certificates. During the year, four of our buildings were already certified during the construction phase. The new Humanisten in Gothenburg and the Valla

## Strategic focus

We create buildings for teachers, undergraduate and graduate students. We must constantly cooperate to better understand what our customers need. By having clear requirements throughout the construction process, from early phases to transfer phases, we can deliver a product of the right quality according to a common vision.



Biomedicum, Solna Campus

CASE

## Biomedicum – One of the largest research laboratories in Europe

With its 65,000 square metres, Karolinska Institutet's new research lab is one of the largest laboratories in Europe. The highly specialised lab environment spans over eleven floors with room for 1,600 researchers and other staff. The building is equipped with cutting-edge technology for world-leading experimental research aimed at improving human health. Akademiska Hus has invested about SEK 2 billion in the project, for which construction began in 2013 and which is now completed – both ahead of schedule and under budget.

Student Building in Linköping achieved the highest environmental certification level. An array of measures and solutions serve as the foundation for the gold standard certification, including controlled lighting and ventilation based on needs, low-energy windows and environmentally friendly district heating and cooling.

### SUSTAINABLE SUPPLIER CHAINS

Akademiska Hus is a large purchasing organisation and buys products and services for about SEK 4.5 billion per year. Our 2,300 active suppliers are largely Swedish companies. In 2016 it was ruled that Akademiska Hus is subject to the Public Procurement Act (LoU), for which reason a thorough restructuring was carried out in 2017 and 2018. LoU increases the opportunity for more and smaller suppliers to compete on equal terms.

We place demands on our suppliers regarding the environment, occupational health and safety, labour conditions and human rights, as well as business ethics and anti-corruption. The requirements are specified in our Code of Conduct for suppliers, which is based on the ten principles of the UN Global Compact.

Already in the procurement phase, interested suppliers must meet eligibility requirements

and if they fail to do so, they are eliminated from consideration. When new framework agreements and project agreements are signed, the Code of Conduct is attached as an appendix. In all procurements, suppliers must also certify that they have both environmental management and work environment management systems. If a supplier violates the Code of Conduct or the environmental and occupational health and safety requirements, the agreement can be terminated.

About 600 new framework and project agreements were signed in 2018, which represents the great majority of all signed agreements, and all of them were also assessed based on social and environment-related criteria. Direct procurement is not covered by this process.

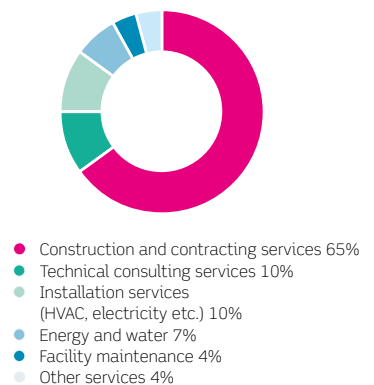
At the end of 2018 Akademiska Hus deployed a follow-up system with random reviews of suppliers, carried out on-site by an external party. Three reviews were carried out in 2018, and a total of 15 will be completed in a 12-month period from the first review. A whistleblower function has been in place for the past few years that can also be used to report deviations. No cases of violation of our Code of Conduct for suppliers were revealed in 2018.

Akademiska Hus operates in an industry that has historically seen corruption. It is

therefore important that our employees always behave professionally and practice good business ethics in all contacts with supplier. To reduce the risk of corruption, Akademiska Hus informed all suppliers in 2018 about our internal Code of Conduct and gift policy, and also declined all gifts.

Read more about the risk associated with suppliers on pages 44–46, as well as about our internal efforts to achieve good business ethics in the Corporate Governance Report on pages 51–52.

**SUPPLIERS**  
Share of total purchasing volume





## Our largest projects

### COMMISSIONED PROJECTS, 31 DEC. 2018 > SEK 100 MILLION

Project name	Location	Type of premises	Investment limits, SEK m	Miljöbyggnad certification	Additional floor space, m <sup>2</sup>	Completion	Customer
Biomedicum	Stockholm	Laboratory	2,822	Silver	48,000	2018-Q2	Karolinska Institutet
Lab of the Future	Stockholm	Laboratory	322	-	-	2018-Q4	Karolinska Institutet
Police programme, Södertörn	Stockholm	Education	260	-	5,400	2018-Q1	Södertörn University
Police training programme, Umeå University	Umeå	Education	165	Silver	5,000	2018-Q1	Umeå University
<b>TOTAL</b>			<b>3,569</b>				

### APPROVED PROJECTS, 31 DEC. 2018 > SEK 100 MILLION

Project name	Location	Type of premises	Investment limits, SEK m	Percentage accrued, %	Miljöbyggnad certification	Additional floor space, m <sup>2</sup>	Expected completion	Customer
Albano	Stockholm	Education	3,302	30	Silver	100,000	2021-Q4	Stockholm University
Ångström Phase 4	Uppsala	Laboratory	1,185	13	Silver	30,000	2022-Q4	Uppsala University
Humanisten	Gothenburg	Offices	668	71	Gold (new construction)/ Silver (renovation)	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	Gold	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	Gold	9,600	2019-Q3	Akademiska Hus
A house	Stockholm	Other	317	39	Silver	3,500	2020-Q3	Akademiska Hus
Medical Biology Centre	Umeå	Laboratory	306	100	Silver	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	Silver	-	2019-Q2	Stockholm University
Projects under SEK 100 million			1,432					
<b>TOTAL</b>			<b>9,900</b>					

### PLANNED PROJECTS, 31 DEC. 2018 > SEK 100 MILLION

Project name	Location	Type of premises	Investment limits, SEK m	Additional floor space, m <sup>2</sup>	Expected completion	Customer
Naturvetenskap Life	Gothenburg	Laboratory	1,624	26,500	2023-Q2	University of Gothenburg
Forum Medicum	Lund	Offices	702	11,600	2023-Q2	Lund University
Handels Hörne	Gothenburg	Education	500	6,200	2023-Q1	University of Gothenburg
Tomtebodan	Stockholm	Education	348	4,100	2021-Q2	Akademiska Hus
IKSU Campus Hotel	Umeå	Other	170	6,700	2021-Q4	Akademiska Hus
IT upper secondary school	Uppsala	Education	113	5,500	2020-Q3	IT Gymnasiet Sverige AB
Botanicum	Stockholm	Laboratory	108	5,200	2021-Q3	Akademiska Hus
Projects under SEK 100 million			535			
<b>TOTAL</b>			<b>4,100</b>			

All new construction, as well as major renovation projects, will meet the requirements and be certified at least to the level of Silver in the Miljöbyggnad environmental classification system. Student housing is not yet covered by this strategic decision. This ambition is not applicable in certain cases because of the nature of the operations, for which reason departure from this objective can be approved.

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

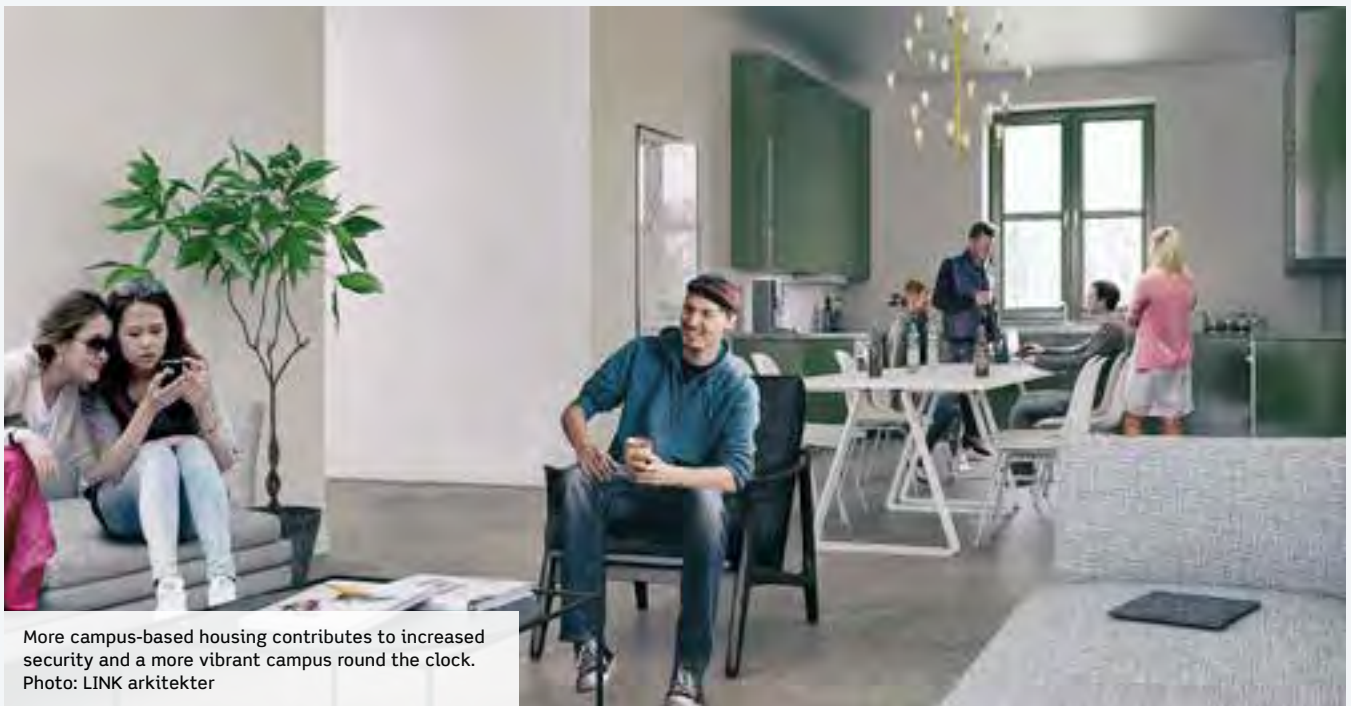
THE DIFFERENT INVESTMENTS ARE CATEGORISED AS:

- 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.

OUR PROJECT PORTFOLIO

Akademiska Hus' project portfolio is divided into three categories – decided, planned and concept projects – and totals SEK 25,700 million, of which SEK 4,400 million is already invested. The two predominant approved projects in the portfolio are Albano, where the first phase will be commissioned in 2021, and Ångström 4, with commissioning planned for 2022. Both projects have long lease terms of 10 and 20 years, respectively. New construction projects with long lease terms, usually between 10 and 25 years, account for the majority of our project portfolio. The investment portfolio contains new construction, extension, redevelopment and renovation of existing properties. The emphasis in the project portfolio can be found in Stockholm and Gothenburg, but projects can be found among all of our larger towns and cities.

Akademiska Hus has had an expanded mission since 2014 that includes building student housing. Student housing projects in the categories decided, planned and concept projects for a total of SEK 4,500 million.



More campus-based housing contributes to increased security and a more vibrant campus round the clock. Photo: LINK arkitekter

CASE

## Customer value with more student housing

Akademiska Hus is building student housing that will link the Ultuna Campus with the central portions of Ultuna and Fyrisån in Uppsala. They are both integral to the urban development and also a way to make more students choose the Swedish University of Agricultural Sciences (SLU).

Akademiska Hus is investing approximately 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 student housing needs at Ultuna for the coming years.

“Good, easily accessible housing for students and guest researchers is an important competitive factor for attracting the very best. On-campus housing close to the workplace also allows residents to

avoid the negative environmental impact of long commutes and prolonged travel times,” says Birgitta Wikmark Carlsson, acting university director at the Swedish University of Agricultural Sciences.

# Leading edge property management

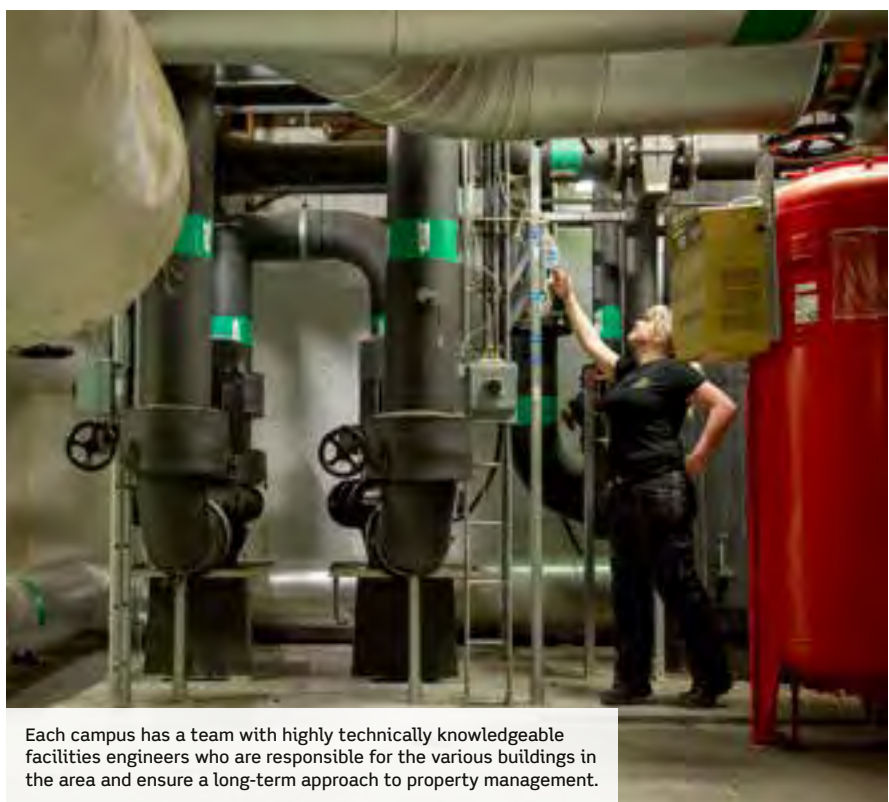
Akademiska Hus works with a strategic and long-term approach to property management with a focus on sustainability and customer value. Our objective is to be our customers' first choice. We currently manage about 3.3 million square metres with the ambition that our properties must maintain a high standard for a long time, and at the same time be able to be customized to meet the changing needs of our customers.

For Akademiska Hus, 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 and tenants. We consider property management to be an umbrella term used to cover all the technical and financial measures carried out during the life of a building.

Our holdings primarily consist of high-tech research facilities, and various types of classrooms and office space. These facilities must maintain a high standard for a long time. In order to work effectively with our strategic property management our approach must be both versatile and adaptable. Akademiska Hus' management organisation takes care of our buildings and the installations and equipment inside them, with a focus on service and professionalism. By maintaining a close and continual dialogue with our tenants and other parties who influence the use of the premises we can provide long-term property management while adapting our work to meet the changing needs of our customers. Along with our many years of experience and extensive expertise in property management and maintenance, this provides excellent opportunities for creating sustainable property management. In this way we also increase long-term customer value, which is a priority.

## CUSTOMER IN FOCUS

Collaboration with our customers is crucial if we are to succeed with our sustainability efforts. By focusing on sustainability issues together, we not only reduce the amount of energy used, but also promote commitment and visibility for these issues, while broadening our knowledge on the subject. To further raise our level of ambition and show that we truly take energy issues seriously, we have for the past few years, launched a variety of initiatives focused on sustainability in collaboration with our customers. The initiatives are based on a shared desire to act and invest in sustainable choices. They may range from installations of



Each campus has a team with highly technically knowledgeable facilities engineers who are responsible for the various buildings in the area and ensure a long-term approach to property management.

charging stations for electric cars on campus and joint campus walks with our customers and tenants to find energy thieves, to large-scale solar parks and green leases.

## ENERGY EFFICIENT SOLUTIONS

Akademiska Hus constantly works to find energy-efficient solutions for properties we own and manage. The energy initiative involve both using less energy and using it appropriately. Our properties shall have well-designed, energy-efficient systems and maintenance solutions. By focusing on operations optimisation in our current property holdings, we are steadily reducing energy consumption, but we also emphasise incorporating energy-efficient buildings in our new developments. For example, we explore the possibility of using excess

## Strategic focus

In 2019 we will continue our work strengthening our base delivery and customer value. Through stronger internal collaboration and a close relationship with our customers, we strive to be their first choice. In addition to the customer experience, we continue to pursue our ambitious initiative to lower energy consumption in our buildings. With an aggressive energy process, operating optimisation and smart digital solutions, the ambition is to come one step closer to the savings target.

energy from nearby buildings during the early stages of development of new buildings. This strategy enables us to reduce the need for energy delivered.

Renewable energy is another major focus and in 2018 we continued to install solar panels. On the Ultuna Campus in Uppsala eight facilities with a total of 6,700 square metres have been installed. Along with existing facilities, we will then reach solar power production with an annual capacity of 2.5 million kWh. As a result, a substantial portion of the energy needs of more university buildings will be able to be met by the solar panels. In Umeå we commissioned a new building for the police training programme during the year, which met the Miljöbyggnad Gold standard for energy with a generous margin. We also strive to achieve delivery of completely fossil-fuel free energy.

### AGGRESSIVE ENERGY PROCESS

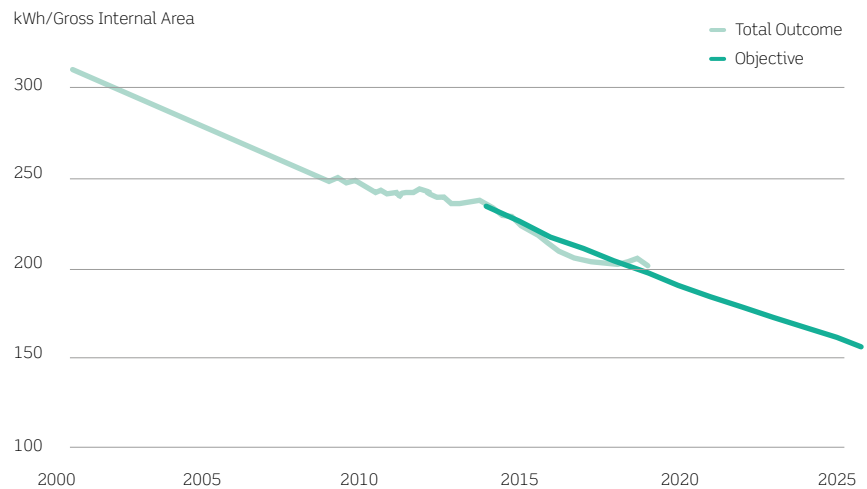
Ambitious energy savings goals, along with management responsibility for a variety of complex buildings, place high demands on facilities engineers as well as on effective tools and processes. To ensure fulfilment of objectives, in 2018 we developed our energy strategy and deployed an aggressive energy process to streamline work with energy through increased collaboration and more procedures that simplify prioritisation and implementation. We also strengthened our organisation

with a unit for Energy and Technology, which drives the work forward both generally and locally. Our Energy Portal was developed to enable our facilities engineers to actively map out energy consumption and monitor energy savings for the entire property portfolio. The Energy Portal is based on a measurement database that is updated regularly with consumption and energy values from an array of

measuring systems. By analysing a building's energy performance, our facilities engineers can calculate and implement measures that provide benefit, both financially and environmentally.

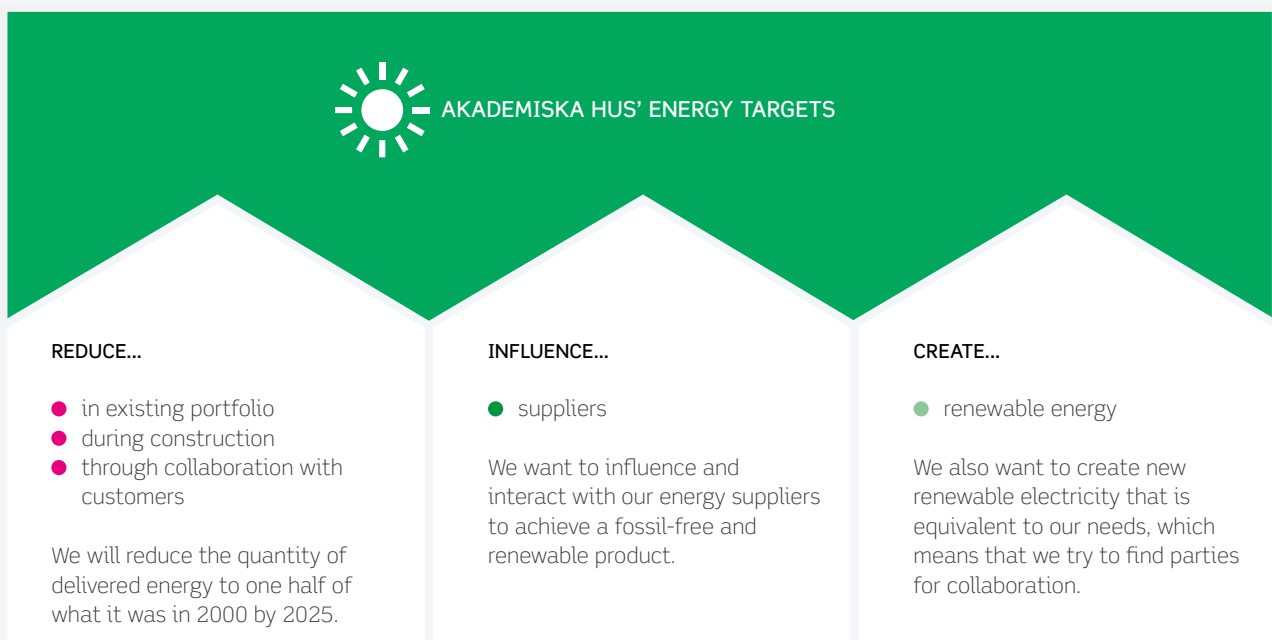
### ENERGY CONSUMPTION

Energy intensity increased by 0.3 per cent during the year, which can be explained in part by the increased demand for cooling during the heat wave. With the plans for energy efficiency improvements, however, we believe that our long-term objectives will be achieved.



## Akademiska Hus' energy strategy

Our energy strategy is based on three components:







Diversified art places high demands on property management.

CASE

## Art on campus, part of management

Akademiska Hus has one of the largest collections of public art in Sweden. An extensive inventory was carried out during the year and over 700 works of art were mapped in our buildings and on campus.

Art on campus is largely site-specific and linked to the building. Ownership and management are handled by Akademiska Hus as part of its usual management duties. The collection ranges from bronze statues to video installations and wall murals – all with completely different maintenance requirements.

The inventory resulted in a clear maintenance plan for

management – a job that has continued over the course of the year. Art on campus enriches the environment and with a new job description for an art coordinator appointed as part of the property management services on each campus, art will now be able to contribute to creative and attractive environments at our centres of education.

CASE

## Smart buildings that speak with one another

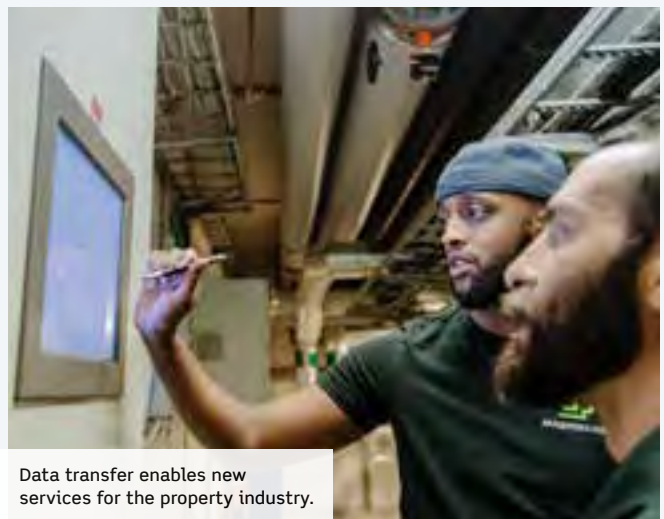
Today's modern buildings generate huge quantities of various types of data. To maximise the benefit of the information obtained from this data, the language needs to be uniform. This in turn creates opportunities for buildings to speak and understand each other.

With RealEstateCore, such a language was created and Akademiska Hus is one of the project founders and partners. This language for buildings, which was specially formulated by property owners, will make it possible to gain control over the data that buildings generate in order to develop new services that will benefit tenants and property industry suppliers.

RealEstateCore is published as open source, which means that the language is free and open to everyone to use and

contribute to. It was formulated completely from the perspective of the property owners and links the domains of Building Information Model (BIM), automation and control engineering, and the Internet of Things (IoT).

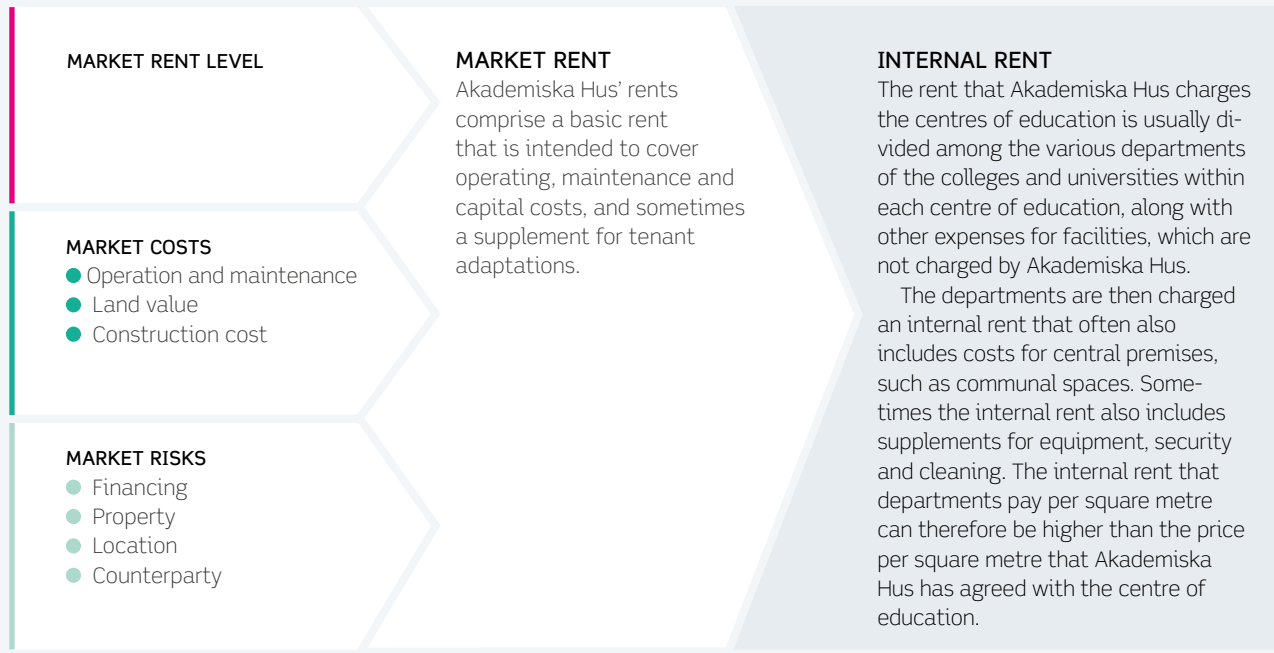
Many puzzle pieces must fall into place to be able to take advantage of all the new technology and developments that are underway. RealEstateCore is an important component that allows us to move from tests and pilot projects to real benefit for the entire holdings and the surrounding city.



Data transfer enables new services for the property industry.

# Transparent rental model and rent-setting policy at market-based rates

Akademiska Hus has a leading position on the property market. This entails a large responsibility, both for deliverables to customers and for development of the local rental market. Our rents are therefore always set at market-based rates, and we always strive for transparency and open negotiations with our tenants.



Akademiska Hus operates in an open market and our rents are competitive. We set our rents the same way that other property companies do, which means that our calculations reflect the risk and costs associated with, for example, construction and management. Other factors include the general market rent level of the local community, along with the location, type of building and lease term of the property.

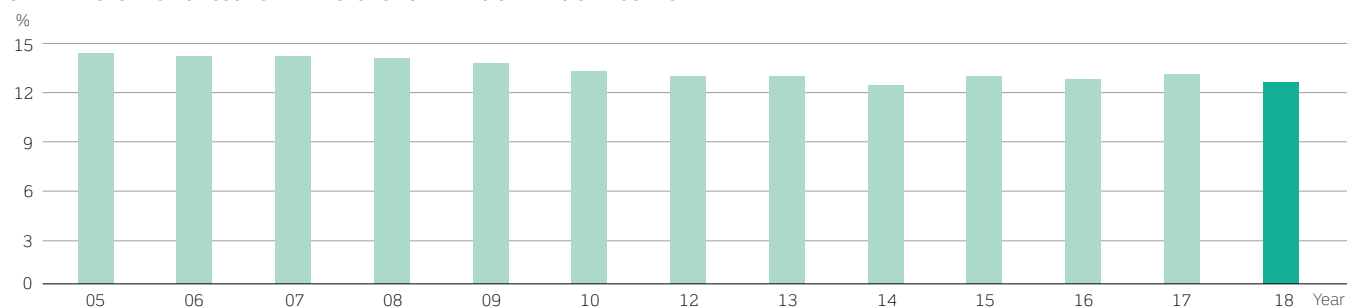
To compare rental prices charged by Akademiska Hus in relation to those charged by other

property owners in a comparable portfolio, analyses are carried out regularly with assistance from an external valuation company. Transparency in how we set rents is important in our dialogues with the customers. Following a review of the rental model, the standard costs for administration and operation, the standard risk assessment for vacancy at the end of the rental period and the cost of capital during construction have fallen in recent years.

We strive for openness in negotiations with customers, and through our experience and long-term relationships we can often find solutions to use premises wisely and efficiently.

Detailed information about rent levels per building can be found in our property specification at [akademiskahus.se/en](http://akademiskahus.se/en).

STABLE PROPORTION OF COST OF PREMISES FOR SWEDEN'S CENTRES OF EDUCATION



By working strategically we help centres of education to achieve stable costs for premises. Despite extensive investments, costs for premises as a percentage of total costs have declined somewhat over time. The chart above shows the proportion of cost of premises for Sweden's centres of education over time.

Source: Swedish Higher Education Authority statistics database

# New climate-neutral targets – an issue for the future

The climate is changing around the world and global warming is now a fact. Akademiska Hus' operations contribute to climate change, at the same time that we are also impacted by the new consequences resulting from a changed climate.

Building and managing properties and developing campuses affect the climate and the environment. We use large quantities of resources such as materials and energy during construction and building operations, and we also generate waste. Climate change affects our operations and may have consequences for both our properties and our tenants.

## THE PATH TOWARDS CLIMATE NEUTRALITY

To reduce the impact of our operations we work with plans to improve energy efficiency, energy supply strategies, environmental certification of buildings and neighbourhoods, campus plans designed with a focus on sustainability and much more. Our daily operations are based on an array of decisions and working methods that, taken together, reduce the risk of a negative impact.

In 2018 Akademiska Hus formulated specific ambitious targets for how we can contribute to a climate-neutral society. Our new climate targets are on the leading edge of development and will put great pressure on our operations to break new ground in several areas. At the same time, we cannot achieve success on our own. Many parties must cooperate and

accept common responsibility in the complex transition that must now take place toward a climate-neutral society.

## RAISE THE BAR FOR CLIMATE CHANGE

Climate change affects us as property owners. For example, we see a growing risk of mould and moisture in a warmer and more humid climate, heating and cooling needs change with changing temperature conditions over the seasons, and our building designs have to be adapted for new wind, snow and climate impacts.

We also see more direct and immediate effects, such as in the summer of 2018 when we experienced an abnormal and unusually long heat wave. In some locations our energy suppliers were unable to deliver adequate cooling to all customers during this period. Process cooling was prioritised over comfort cooling, which resulted in an uncomfortable climate indoors for brief periods in some of our facilities.

To minimise the consequences, Akademiska Hus has therefore mapped its assets based on the perspective of climate adaptation. We have included this perspective in the annual

risk analyses carried out regularly for each property area, as well as in the long-term development plans that are formulated for campuses. In addition, we continually update the Technology Platform, our internal specifications, to create reasonable redundancy for the changes in the climate that are predicted. We have initiated discussions with our energy suppliers to ensure robust delivery of cooling.

## 2025

**Climate neutral property operations**, through dedicated initiatives focused on proactive energy measures in existing and new buildings, investments in energy-saving technology, purchasing strategies for energy and through innovative solutions and projects for renewable energy, supported by digitalisation.

## 2025

**Climate neutrality in internal operations**, where the major challenge is to change current travel patterns. This can be achieved through new digital alternatives to physical meetings and by reviewing choice of meeting format. We also aim to reduce our impact from other sources such as consumables.

## 2045

**Climate-neutral project operations**, by following the Fossil Fuel-Free Sweden roadmap towards a fossil fuel-free competitiveness in the construction and contracting industry by 2045. Great emphasis will be placed on clear follow-up and control of the impact of the projects, active decisions regarding design solutions, systems and material choices and a clarification of the company's requirements for contractors regarding execution. The carbon footprint from our construction projects accounts for an extensive portion of Akademiska Hus' total environmental impact and we will need to work longer to achieve our target. With joint efforts in the industry and future technological advances, we believe it is possible. A crucial issue involves increasing the efficiency and appeal of existing buildings so that new construction is not always viewed as the preferable option.

# Focus on employee health and their mission

During the year Akademiska Hus introduced a new working method to clarify the mission of our employees and to link it to the strategy and operational plans. We also launched “Akademin”, an internal training platform for active skills enhancement.

To fully understand their mission, employees must understand the overall mission – how colleagues together can fulfil the objectives within their own unit as well as in the entire organisation.

## ASSIGNMENT APPRAISAL

A job mission is a description of the performance expected of the employee, what is to be achieved and when it should be ready. The job mission also clarifies what the employee needs to be able to complete the mission. The assignment appraisal now replaces the previous performance reviews. The missions must be continually updated, which requires

feedback and dialogue about both the mission and what is needed to achieve it.

In the spring of 2018, all managers completed an obligatory training programme with a focus on communication as a first preparation prior to implementation of the assignment appraisal. Afterwards, the employees at each unit completed preparatory training. By 2019, all employees will have a clear mission with supportive activities so that together we will achieve Akademiska Hus’ goals.

## “AKADEMIN”

A critical factor for success at Akademiska Hus is an active supply of skills. Consequently,

“Akademin” was established during the financial year to meet current skills enhancement needs.

“Akademin” is our own training platform, and contains both teacher-led and eLearning-based training programmes. The programmes are offered to all employees based on the needs that emerge, including from the assignment appraisal. The portal contains training programs for our working methods, leadership, employeeship and personal development. During the year we also established an Education Grant, where all employees are offered the opportunity to apply for funds for education that is outside what is an obvious requirement for the specific mission.



The assignment appraisal clarifies what goals the employees should achieve.



### ACTIVE HEALTH INITIATIVE

During the year we continued to focus on initiatives that will enable employees to have a sustainable working life. A number of activities have helped Akademiska Hus to further reduce absenteeism due to illness. Eight different contracts for occupational health have become one, which makes it easier to monitor and develop the health initiative. We implemented an improved service for calling in sick, a new incident and accident management system and access to eHealth. Prevention is important, for which reason major initiatives have been implemented related to health-promoting measures. Active wellness coaches contributed to the increase in measures based on "Mental Strength", the theme of the year.

Lectures, opportunities to try new activities, group activities and access to more health activities via a health portal have contributed to an increase in the number of employees who want to take responsibility for their health. All employees have been offered a health screen based on a blood sample and questionnaire.

### EQUALLY UNIQUE

The financial year began with an analysis of equal treatment in the company. A range of measures have been carried out to actively curb bullying and harassment. In 2018 a work group developed an equal treatment plan and carried out a variety of activities. The focus has been on how we behave towards one another. For example, all employees participated

in a discussion on what to do if they feel they are being harassed and how we all can contribute to a better work environment.

For more facts about Akademiska Hus' employees, see page 107.

### CASE

## High ambitions and major focus on energy

John Johnsson is the team leader at Energy and Technology. He coordinates and plans energy work together with the energy engineers. His role includes working together with the property management organisation to plan energy initiatives and to create long-term profitable and sustainable technical solutions that reduce energy consumption.



"I am surrounded by an incredible number of dedicated and talented colleagues who make it fun to go to work every day."

John Johnsson, team leader at Energy and Technology at Akademiska Hus.

#### BEST PART OF THE JOB:

"The best part of my job is that we have Sweden's best tenants and I have the best colleagues in the country. I am surrounded by an incredible number of dedicated and talented colleagues who make it fun to go to work every day. And of course it is extremely positive to have such a strong focus on energy with high ambitions and goals, which I think permeate the entire organisation."

#### AN ORDINARY WORKDAY:

"The variation from day to day is rather large and we are extremely team-oriented in our work together with the property management organisation. We primarily work on improving our properties through better and more energy-efficient systems, as well as working with the people at operations to run our existing installation systems as efficiently as possible, based on the needs of our tenants. But we also look at how our energy is produced,

such as where we can install solar panels. We also try to engage in expanded collaborations with our tenants, since we can only fully achieve our 2025 energy target by working together with them. But the absolutely most important job is to make it fun to work with the energy issue by applying each other's ideas and knowledge and supporting one another in our daily work."

#### WHY I WORK AT AKADEMISKA HUS:

"I saw the ad and though it sounded like an interesting position. But the biggest reason was actually an old colleague who had previously been engaged as a consultant at Akademiska Hus here in Uppsala. He said that Akademiska Hus was the best client he had ever worked for and that he would have loved to have continued working here, which made the decision relatively simple. Since I started working here, I couldn't agree more."

# Tomorrow's knowledge environment

We live in a knowledge-intensive, complex and global world in which higher education and high-quality research are increasing in importance. We work together with our customers, the centres of education, to develop knowledge environments that meet future challenges and opportunities.

We continually work with digitalisation and innovation, and with our new strategy to support us we can create even greater opportunities for collaboration with both customers and other players in the world around us. We do this to be able to strengthen Sweden as a nation of knowledge, as well as to drive developments and to create a long-term approach to our properties, based on good business practices.

## DIGITAL SCENOGRAPHY FOR NEW IDEAS

On the Chalmers campus in Gothenburg we are currently building A Working Lab, part office building and part innovation arena. A variety of innovation projects are integrated into both the construction project and the building, with the aim of contributing new knowledge to our customers, as well as society at large. The building will house a Learning Lab, a physical space designed for research on learning for the future. The project is based on the learning situation seen from a broad perspective, which means that the lab is aimed at both academia and the business community. Directly adjacent to the Learning Lab is a co-working area, makerspace, café and restaurant – environments which together with the outdoor environment can enrich one another.

The goal of the Learning Lab is an environment that can be adapted or staged in various ways to create the right conditions for each situation. With the assistance of a digital scenographer, furnishing, audio, lighting and technology will be able to meet a variety of needs. The lab will be able to accommodate both lectures and active learning such as workshops or board meetings – a test arena for learning with many possibilities. The idea is to create attractive premises, with high occupancy ranging from active learning for students to creative meetings for external stakeholders.

## THE DIGITAL TWIN

The property industry is sometimes criticised for being slow to adopt digitalisation. Akademiska Hus is doing well, but the challenge is to increase the pace. The dialogue on digitisation



An adaptable environment staged by a digital scenographer creates new opportunities in the Learning Lab.

with our customers has been underway for a long time and along with the education sector, we are involved in a shift where we see the changing needs in everything from the digital structure of the buildings to how education can be provided. Building 'A Working Lab' will make it possible to test ambitious ideas and solutions on a small scale, after which we can scale up the results to apply to our property holdings at large. We also create the opportunity to be more digital in our management by scanning the building during the construction phase and creating a digital twin. Aided by technical solutions, this approach may create many more innovative projects in the long term. By combining the scanned digital

twin with "augmented reality" (AR), in the future the managers will bring up information about the building by phone or special glasses directly on site. The ability to "see through the walls" and immediately know where pipes and cables are located will make operations more efficient and reliable in the future. Visitors would also be able to obtain useful information directly on their phones, such as what conference room is available, or where the toilets are located. Measuring and monitoring can streamline use of the premises and in the long term also reduce costs both for us as managers and for tenants.





By organising regular events and seminars, we create opportunities for new dialogue about campus development and learning environments.



Jesper Engbo Larnæs from the Technical University of Denmark (DTU) was one of the many speakers this year on the theme of learning environments.

## CASE

# Aha – relationship builder and source of inspiration

Aha is a platform for dialogue and knowledge dissemination about campus trends and knowledge environments, available online and accesible around the clock. To increase knowledge about knowledge environments and to collaborate, we organise a number of Aha seminars in different places and on a variety of themes.

Aha is a source of inspiration for everyone who works with knowledge environments in various ways, as well as a meeting place for increased dialogue. During the year several successful seminars were arranged around the country, closely affiliated or in direct collaboration with our centres of education. With speakers from several parts of the world, we have provided in-

spiration and shared knowledge about everything from how to build student housing for Generation Z to how we link the latest brain research to the design of the rooms. Room for learning has been a recurring theme, where we invited experts on active knowledge environments and created space for dialogue with those who work in and develop these environments.



Common workspaces for several different companies and organisations create new encounters and interesting opportunities.

## CASE

# We develop services in co-working and flexible meeting places

The property industry is rapidly changing. New participants become established on the market and create offerings in the space between property owner and customer. In order to remain relevant it is important to broaden the offering of services. Our campus environments are exciting and accessible meeting places for business, academia, the community and the individual.

**W**e are organising a national project to identify efficient systems and processes to be able to offer flexible and attractive workspaces that can be rented for short periods. Co-working is one example that challenges how we think about leases and requires new and more flexible rental models. We view this not only as a gathering point for young startup companies, but also as an opportunity for large established companies that can make contacts, for example, with other types of industries and companies that they might not otherwise meet.

### OUR CURRENT INITIATIVES

About ten initiatives are currently underway throughout the company, at different stages and under development in various ways. A building, previously the School of Architecture in Stockholm, and Green Innovation Park in Uppsala are already completed. In 2019 the doors will open for our first "A Working Lab" at Chalmers. The pilot projects in Umeå and KI Solna will teach us more and help us to develop our expertise in the spring of 2019. There are also several initiatives in the planning stage.

**A Working Lab** is Akademiska Hus' national concept for co-working, makerspace, learning lab and other flexible meeting places. It is our tool for developing campus-based environments that makes it easy for students, researchers, the business community and other members of the community to meet under new flexible conditions. Here companies, businesses and people can rent space for the time they need and gain access to services and physical environments based on their specific needs. The concept is now being developed together with our customers around the country.



# Stable and long-term participant

Since the inception of Akademiska Hus 25 years ago, we have invested almost SEK 50 billion in projects with the purpose of strengthening growth at higher education institutions, and we want to continue to do so.

A large portion of the investments we make are in new construction projects for the learning environments of tomorrow, ranging from sport facilities to high-tech research facilities. To ensure that we run our operations cost effectively, each year we formulate a budget for the following year, as well as a forecast for the next two years after that. The budget for the coming year has a strong focus on development with initiatives such as innovative pilot projects in an array of key areas for us.

## OUR FUTURE INVESTMENTS

The majority of our cash flow is reinvested in our project portfolio and for the next few years we see a continued need for investments. New premises are in high demand, especially in the major centres of education that focus on research. These investments entail a major addition to Akademiska Hus' property holdings. As the investments are gradually completed, it is expected that the average remaining lease term will increase, since the properties that are being added to our property holdings have long leases. The high pace of investment that we have maintained in recent years will level off somewhat during the latter part of the budget period as the large Albano project is gradually completed.

## PERFORMANCE FOR THE FORECAST PERIOD

The financial performance for the budget and forecast period will continue to be stable despite higher than normal costs for vacancies. Net operating income will increase as our investment projects are commissioned. Our equity ratio is strong and return on operating capital is expected to gradually increase as new investments begin to produce returns. Changes in property values, acquisition and sales are not included in the budget or forecast.

	Outcome 2018	Budget 2019	Forecast 2020	Forecast 2021
<b>PROPERTY HOLDINGS</b>				
Average rentable area, 1,000 m <sup>2</sup>	3,311	3,322	3,334	3,371
Property values, SEK m	85,865	87,000	89,000	90,500
Net investment in properties, SEK m	2,842	3,000	2,000	1,500
<b>KEY FIGURES</b>				
Net operating income, SEK/m <sup>2</sup>	1,190	1,223	1,307	1,391
Yield, properties, % (excluding properties under construction)	5.1	5.1	5.3	5.6
Yield, properties, % (including properties under construction)	4.7	4.8	5.0	5.2
<b>FINANCIAL KEY FIGURES</b>				
Rental revenue, SEK m	5,928	6,100	6,350	6,600
Net operating income, SEK m	3,938	4,050	4,400	4,700
Profit before tax, SEK m <sup>1</sup>	5,818	3,600	3,900	4,200
Equity ratio, %	45.8	45.2	46.0	47.0
Return on operating capital, %	5.5	5.5	5.7	6.0
Return on equity, % <sup>1</sup>	11.2	6.8	7.0	7.3

1) 2018 includes changes in value of properties. Budget and forecasts for 2019-2021 do not include changes in value of properties.

The majority of cash flow is reinvested in our projects and our robust financial position creates advantages for our customers.

KERSTIN LINDBERG GÖRANSSON  
President

**P-1**

MOODY'S SHORT-TERM RATING,  
JANUARY 2019

**AA**

STANDARD & POOR'S LONG-TERM RATING,  
STABLE OUTLOOK. SEPTEMBER 2018



# Administration Report

The Board of Directors and the President of Akademiska Hus AB (publ), company registration number 556459-9156, hereby submit the 2018 Annual Report for the Group and the Parent Company.

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# Financing

Uncertainty regarding the global economy has increased during the year. Interest rates remain at low levels. The interest in Akademiska Hus' long-term bonds has been strong and 14 bonds were issued for a total of SEK 4,700 million.

## FINANCIAL MARKETS IN 2018

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 (Fed) resulted in increased inflation expectations and caused interest rates to rise. However, sentiment in the global economy dampened during the year. Economic indicators have generally pointed to a slowdown, albeit from high levels. Questions have arisen regarding China's economy, where credit growth gradually dropped during the year. Trade negotiations between the US and the rest of the world, including China, have 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 Swedish government and budget negotiations with Italy, as well as Brexit negotiations, have resulted in additional tensions in the eurozone. Regarding Sweden, sentiment has dampened among both households and industrial companies. With a slowdown in the rest of the world, activity in the Swedish economy can be expected to enter a calmer phase.

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, for which reason the yield curve continues to be extremely flat. The European Central Bank (ECB) and the Swedish Central Bank have 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 2020 at the earliest, which means a continued negative policy rate in Europe. In Sweden, inflation expectations relating to the target of two per cent and signs of somewhat increased pressure on costs in the economy caused the Swedish Central Bank to raise the policy rate by 0.25 percentage points in December. Bond yields in Europe and Sweden have fallen during the year, largely driven by the increased uncertainty regarding growth prospects.

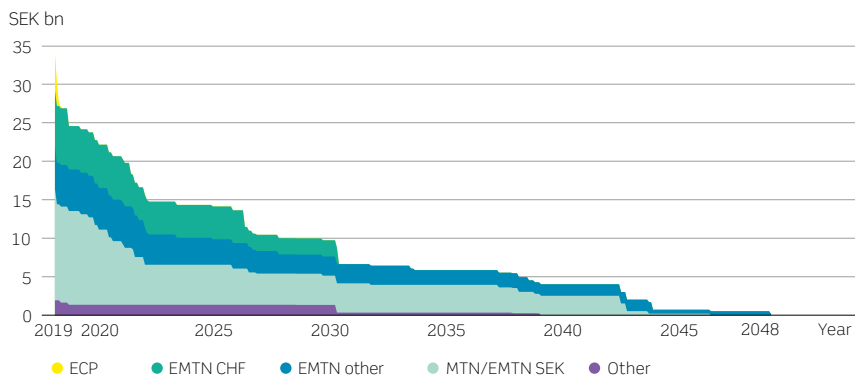
## LONG-TERM FINANCING

The lengthy period with a loose monetary policy and the ECB's bond purchase program, which also includes corporate bonds, have driven the declining credit spreads of recent years. In pace with the phase-out of

the ECB bond-buying programme during the year and expectations that it would end by year-end, as well as question marks about the economic trend during the autumn, credit spreads have risen slightly. However, access to corporate bonds continues to be limited, for which reason even in 2018 there is demand among investors for corporate bonds with long maturities and extremely high credit-worthiness. The interest in Akademiska Hus' long-term bonds has been strong. The long-term perspective in property management justifies long maturities in the debt portfolio. Akademiska Hus' long-term foreign issues are swapped for a floating rate denominated in SEK with a fixed cost for the credit risk premium for the entire term. As in 2017, market conditions have allowed extremely long-term funding at a limited additional cost, for which reason such maturities have been prioritised. During the year, bond issues took place totalling SEK 4,700 million. All issues involved foreign investors resident in Central Europe, Switzerland or Asia.

The ECP programme continues to be Akademiska Hus' primary source of short-term funding. Conditions for short-term funding, a highly cost-effective source of funding, have been good during the year. As a result of the high activity in the bond market in recent years, however, use of the ECP programme has been slightly reduced. The Swedish commercial paper programme has not been used since 2017. Committed credit facilities have been expanded in volume and maturity to harmonise with growth in the debt portfolio in recent years. Committed credit facilities in banks at year-end totalled SEK 5,500 million, including SEK 3,500 million with a two-year term and the option for an extension one year at a time on two occasions. The remaining credit facilities of SEK 2,000 million have a term of 12 months. Combined with the extensive bond issuances, as well as the quarterly rental income, access to liquidity has been very good.

## LONG DEBT MATURITY STRUCTURE



## OUTLOOK FOR FINANCING ACTIVITIES IN 2019

Unlike last year, 2019 is beginning in an environment where the strength of the global economy is increasingly being questioned. The Fed is ahead of the Swedish Central Bank and the ECB in monetary tightening and in the US the key rate has reached the 2.25–2.50 per cent interval. At the beginning of the year expectations of further interest rate hikes from the Fed were adjusted downwards. The ECB and the Swedish Central Bank continue to have negative key rates, though the rate in Sweden is less negative after the interest rate hike in December. As a result of the somewhat weaker economic outlook in Europe, the ECB is taking a cautious approach to interest rate hikes in 2019 and is currently communicating that an increase will not come until 2020 at the earliest. This position will likely entail some caution regarding monetary tightening from the Swedish Central Bank, which has been clear that it does not want to jeopardise the recovery in inflation that has occurred. According to the Swedish Central Bank's current interest rate path, a rate hike is indicated in 2019.

Akademiska Hus' investment rate in its own project portfolio remains high. Investments of about SEK 3,000 million are

expected during the year, which are funded by cash flow from operations. The extensive bond issuances over the past two years means that the debt maturing in 2019 of SEK 2,400 million is largely already re-financed. The long-term bond issuances have contributed to a desirable diversification of both the investor base and the maturity profile of the debt portfolio, see the charts below and on previous page. Further diversification in the debt portfolio could justify additional issuances during the year.

Even with some monetary policy tightening in Sweden, there is reason to believe that interest rates could remain at relatively low levels. The risk scenario in the fixed income market is considered to be asymmetric for Akademiska Hus in its role as a borrower. The potential for continued low or lower interest rates, given the low interest rates that still prevail, is considered to be limited, while market movements in response to a rise in interest rates are likely to be both rapid and extensive. Interest rate risk is largely being managed through interest rate derivatives, mainly in order to lengthen duration. Debt management will continue to focus on allocating interest rate duration to the periods of the yield curve deemed to be effective.

## FINANCIAL STRATEGIES AND OBJECTIVES

Akademiska Hus pursues active debt management, where the strategy is to weigh up the financial risks, given the existing mandate, against the desired low and stable financing cost over time. The stability and continuity typical of the property business are also reflected in debt management. Akademiska Hus has had a long-term rating of AA with stable outlook from Standard & Poor's since 1996, which was complemented in January 2017 by the highest short-term rating of P-1 from Moody's. Financing takes place mainly through well-established public financing programmes, primarily through the EMTN and ECP programmes. Building on a strong financial position, creditworthy tenants and extremely good ratings, the debt management objective is to continuously achieve well-diversified access to cost-effective financing in relevant markets.

Debt management is supported by two key policy documents, both of which are adopted annually by the Board of Directors:

- Finance Policy: Describes the long-term strategic orientation, the Group's approach to financial risks and the mandate to handle these risks, as well as the allocation of debt.
- Plan for handling financial risks (Risk Plan): Justifies and quantifies annual mandates for financial risk management in light of the risk scenario and opportunities in financial markets.

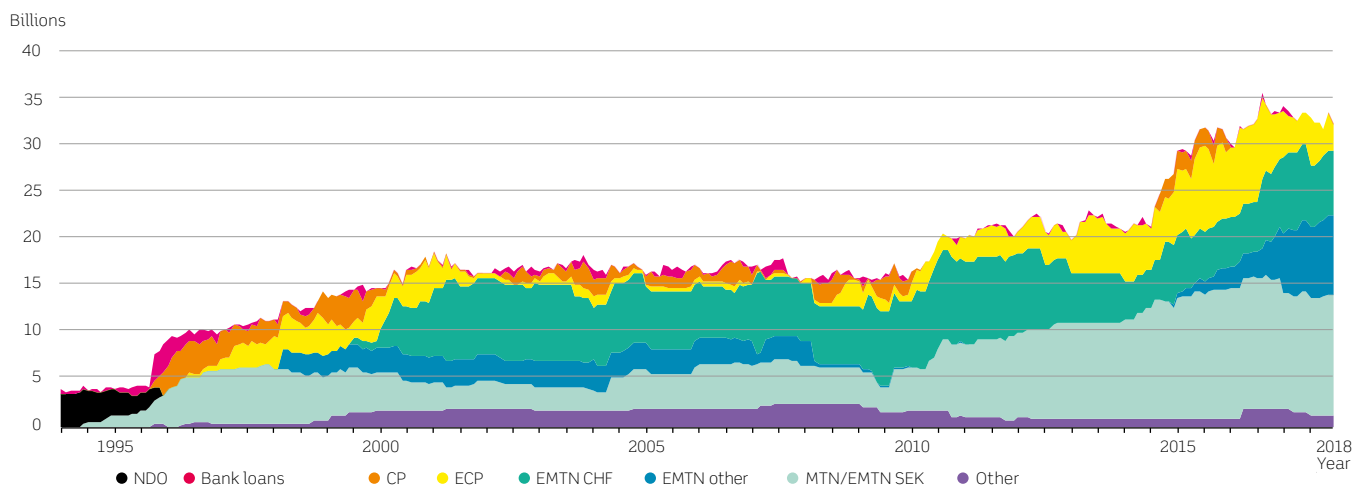
The mandate is reviewed annually or as needed. External changes may cause the mandate to be adjusted to reflect the assessment of risks and opportunities in the financial markets. The approach ensures that the mandate is always relevant and carefully considered.

## FINANCING PROGRAMMES AND RATING

	Rating Standard & Poor's	Rating Moody's	Framework 31 Dec. 2018	Utilised nom. 31 Dec. 2018
Committed credit facilities in bank			SEK 5,500 m	
Commercial paper	A1+/K1		SEK 4,000 m	
ECP (Euro Commercial Paper)	A1+	P-1	EUR 1,200 m	EUR 277 m
MTN (Medium Term Note) <sup>1</sup>	AA		SEK 8,000 m	SEK 770 m
EMTN (Euro Medium Term Note)	AA/A1+		EUR 4,000 m	EUR 2,901 m

1) Not updated since 2009.

## DIFFERENT FINANCING SOURCES





## FINANCIAL RISK MANAGEMENT

The exposure to financial risks derives from the capital structure with the distribution between loans and equity in that higher debt means greater exposure to financial risks. One of the owner objectives for Akademiska Hus reflects this by requiring the equity ratio to fall within a range of 30 to 40 per cent.

The main financial risks that the debt management policy addresses involve exposure to interest rate and refinancing risk. 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, over the long-term, the additional costs of long-term fixed interest periods and maturities, and thus limit uncertainty, against savings of more short-term fixed interest periods and maturities, where greater uncertainty is accepted.

The liability portfolio is allocated as follows:

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

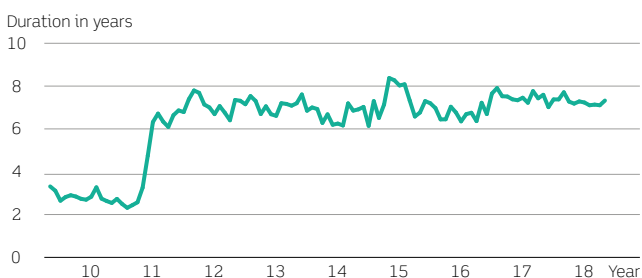
The bonds in the long-term portfolio contribute to an extremely long fixed interest period and account for a significant portion of the interest rate risk exposure in the total portfolio. One of the mandates for interest rate risk therefore relates to the proportion of the total portfolio that the long-term portfolio may constitute. The index-linked bond portfolio entails diversification of the debt portfolio and is justified because rental income from property operations is largely tied to inflation. For this reason, the index-linked bond portfolio's proportion of the total portfolio relates to a separate mandate. For 2019 this mandate has been adjusted downwards from 10 per cent to 5 per cent of the total portfolio

Interest rate risk is primarily managed in the basic portfolio, where the mandate is defined as a range for average duration; this range is currently between 3 and 6 years. The choice of fixed interest period in the basic portfolio and the size of the long-term portfolio are of great importance for interest rate risk exposure in the liability portfolio. In recent years the average fixed interest period in the total portfolio has been relatively long, see graph below on the left. This helps to preserve the stability of overall financing costs over time.

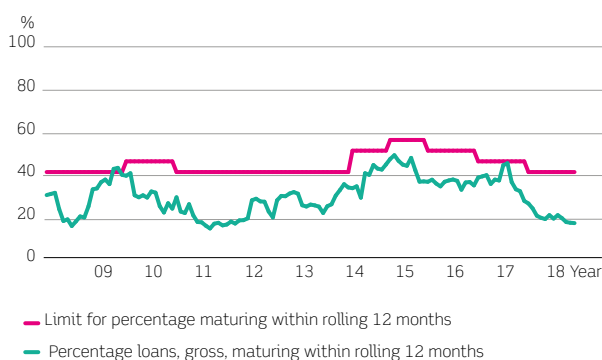
The mandate for refinancing risk is defined as the share of loans maturing within 12 months and should amount to a maximum of 40 per cent of the total portfolio. To manage refinancing risk, the aim is to establish a well-diversified debt portfolio to ensure that it is possible at any time to finance through various creditor categories, geographic markets, currencies and maturities. The extensive bond issuances with long maturities have contributed to a considerable reduction of refinancing risk in the near future and as of year-end, 16 per cent will mature within 12 months; please see trend over time in the graph below on the right.

For more information about the mandate for the total portfolio and the three sub-portfolios, please see the Risk section on page 47.

### FIXED INTEREST PERIOD IN TOTAL PORTFOLIO



### PERCENTAGE MATURING



# Property valuation

Akademiska Hus has a well-designed internal process for property valuation that is quality assured and follows good market practices in the property industry. External valuations and assessments of valuation parameters enhance the reliability of the process.

## VALUATION METHODS

The fair value of Akademiska Hus' property portfolio is assessed quarterly using the cash flow method and/or the sales comparison approach. Under the cash flow method, a property is valued based on the sum of forecasted net operating income during a set period, as well as the residual value of the property after the end of the calculation period. Forecasted net operating income and residual value are restated to reflect the value at the beginning of the calculation period, that is, the present point in time. The factor used to restate cash flows is called the cost of capital and is determined based on estimated yield requirement and expected inflation. The yield requirement is a key measure of risk in the property industry and reflects the return an investor could demand for a property on an open and transparent transaction market at a specific point in time. Valuation with the sales comparison approach uses key figures from known transactions where comparable properties have been sold.

Akademiska Hus' valuation process complies with good market practice in the property industry and the cash flows and yield targets that are used are justified based on both property-specific and industry-specific conditions. Rental revenue is calculated based on current leases and an assessment of market rent level is made after the term of the lease has expired. Operating costs are estimated based on the normalised historical outcome of each property, while maintenance costs and property administration costs are assessed based on actual costs and key figures for the industry. Akademiska Hus allows the yield requirement, cost of capital and other valuation conditions to be verified by external independent valuation agencies on a quarterly basis.

At the end of the year the fair value of Akademiska Hus' property portfolio was SEK 86 billion. About SEK 73 billion or 85 per cent of the value was assessed through a ten-year cash flow model where yield requirements and cost of capital are determined based on 156 different risk classes based on location, remaining lease term and type of premises. For approximately SEK 12 billion or 14 per cent of the property holdings, primarily new construction and properties under construc-

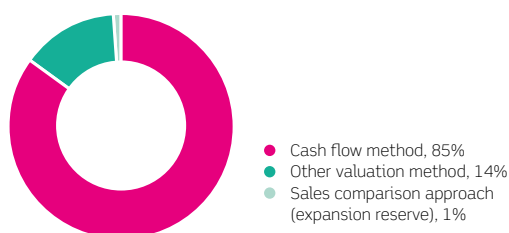
tion, the calculation period and yield requirement have been permitted to vary on an individual basis to reflect specific conditions. Expansion reserves (building rights and undeveloped land) comprise about SEK 1 billion or 1 per cent of the portfolio and are valued according to the sales comparison approach based on external valuations from qualified valuation professionals.

To verify the internal valuation, about 25–30 per cent of the property holdings are also valued each year by external valuation professionals. During the year, properties with a combined value of about SEK 23 billion, corresponding to about 27 per cent of Akademiska Hus' total fair value as at 31 Dec. 2018, were valued by external professionals. The valuations were carried out by Svefa AB, which is authorised by the Swedish Society of Real Estate Economics. The external valuations confirm the reliability of our internal valuation model. All property valuation includes elements of assessment that have a certain degree of uncertainty. A normal uncertainty range in property valuation is +/- 5 to 10 per cent, which for Akademiska Hus would be equivalent to approximately +/- SEK 4,300 million to SEK 8,600 million. Read Note 12 on page 80 for a more detailed description of Akademiska Hus' valuation process.

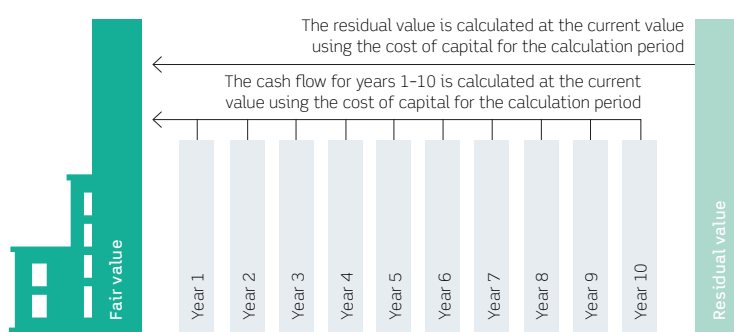
## RESIDUAL VALUE RISK

Akademiska Hus is active in the market for premises for higher education and research. The majority of our premises consist of offices and classrooms, which have a low degree of customisation. However, certain premises require a higher degree of customisation, such as laboratories and other technologically advanced premises. These spaces are often designed for a specific tenant, and may require significant investments to modernise or possibly to redesign the premises in case a tenant chooses to leave after the end of the contract period. The residual value risk for customised properties is quantified through charges in estimated cash flow and direct yield requirements.

## DISTRIBUTION VALUATION METHODS



## CASH FLOW METHOD



# Long-term contracts with creditworthy tenants

The majority of Akademiska Hus' revenue, approximately 90 per cent, comes from colleges and universities. Since colleges and universities are essentially government agencies, this customer group has the highest credit rating. Substantial investments are required to meet customer needs for facilities.

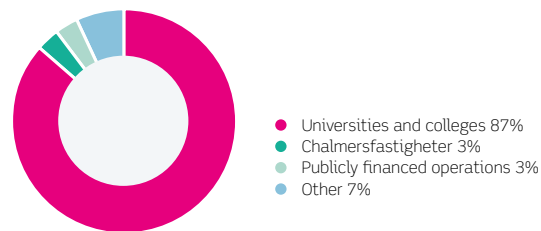
Long leases ensure that investments are repaid during the term of the lease. During the year the average lease term for new leases was 10.5 years (10). At year-end, the average remaining lease term for all properties was 6.5 years (6). Currently, government approval is required for a public university or college to sign a lease of ten years or longer.

## HIGH LEASING LEVEL

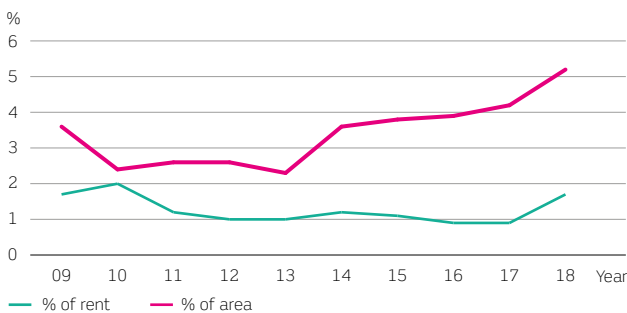
The rentable area of the property portfolio at year-end was 3.3 million square metres with a vacancy rate of 5.2 per cent (4.2), which corresponds with 173,000 square metres (127,000). The financial vacancy rate accounted for 1.7 per cent (0.9) of our total rental revenue. Our vacancy rate increased during the year, attributable to occupancy changes at Karolinska Institutet in conjunction with the completion of Biomedicum. This vacant space corresponds to approximately 40,000 square metres. The occupancy rate is high compared with the sector

at large, since leases are usually signed before new projects can begin. We work proactively to facilitate new rentals and thereby minimise the financial vacancy rate, which may entail adaptations and investments in existing premises.

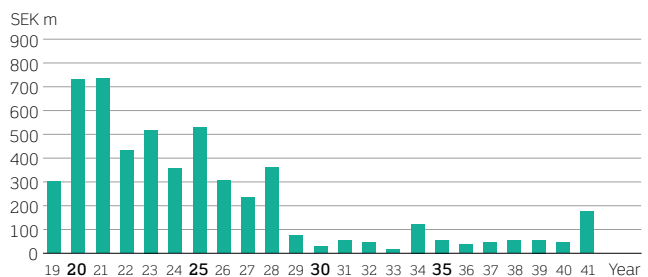
## TENANT CATEGORIES



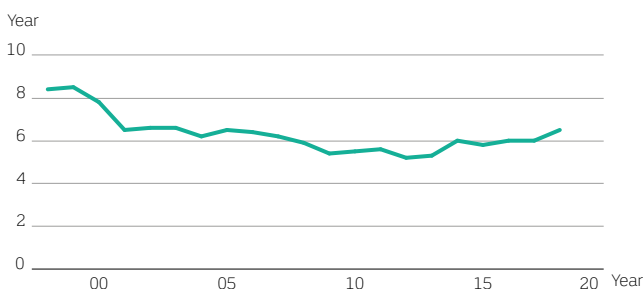
## SLIGHTLY HIGHER VACANCY RATE, UP FROM LOW LEVEL



## MATURITY STRUCTURE ON LEASES



## AVERAGE REMAINING LEASE TERM



## 10 LARGEST CUSTOMERS, ANNUAL RENT, 2018

Customer	SEK m	%
Karolinska Institutet	719	11.7
Lund University	586	9.6
Uppsala University	551	9.0
Royal Institute of Technology	541	8.8
Stockholm University	525	8.6
Swedish University of Agricultural Sciences	365	6.0
University of Gothenburg	356	5.8
Linköping University	354	5.8
Umeå University	276	4.5
Chalmersfastigheter AB	202	3.3
<b>Total</b>	<b>4,476</b>	<b>73</b>

# Risks and risk management

We take a structured approach to identifying risks that can affect our ability to achieve our goals. By being aware of our risks, we can prevent and manage them, while actively working to take advantage of the business opportunities that may be associated with the area of risk.

## RISK MANAGEMENT ON MULTIPLE LEVELS

Risk management occurs on several levels in the Company and involves employees from all units. Through continual monitoring, we follow international practice, especially current developments in both the property industry and the university and college sector in order to identify influencing factors and risks. Read more about our risk management procedures on pages 8–9.

Using the Company's goals and strategy as a starting point, Executive Management identifies the most material risks on a company-wide level as part of the annual strategic planning process. These risks are taken into account in the annual business plan that culminates from this process. The business plan is adopted by the Board of Directors. Executive Management is responsible for management of the company-wide risks.

Risk assessments are conducted within the operation on a continual basis and documented as part of the annual formulation of operational plans. The risk assessments include identifying and analysing risks that would prevent the objectives of the operation from being achieved. The head of each unit is responsible for ensuring that there is adequate management of the risks identified as potentially having a material impact on fulfilment of operational objectives.

Risk management at Akademiska Hus is coordinated and monitored by a risk management group that includes employees from several staff functions who report to the Vice President.

## RISKS AND OPPORTUNITIES

With a well-balanced approach to risk management, we manage risks that can have a negative impact on the ability to reach our goals and increase the prospects for taking advantage of available business opportunities. Examples of areas that present opportunities, but are also associated with risks, are the rapid digitalisation and technological developments currently underway in society. These trends present great opportunities to streamline our property management and develop new services based on new digital technology, but they also entail risks for us. The biggest risk is that we do not succeed in adopting the new technology and adapting our operations quickly enough, but other risks arise such as inadequate IT security and the consequences of downtime in critical IT systems in an environment that is increasingly dependent on functioning IT.

The overarching risks identified by Executive Management as the most material risks, as well as a number of industry-specific risks and financial risks that we as property owners and borrowers in the financial market relate to, are described in the following sections.



House Vänern, Karlstads University



## Strategic risks

Strategic risks stem from factors in our environment that are wholly or partly outside our direct control and influence.

DESCRIPTION	ANALYSIS	MANAGEMENT
<b>Material Company-wide risks</b>		
<p><b>POLITICAL DECISIONS</b> Risk that the conditions for our operations change as a result of political decisions</p>	<p>Operations at Akademiska Hus are affected by Government policies in general and education policy in particular.</p> <p>A change in the education policy or in the mandate from our owner could affect the conditions for and focus of the operation.</p>	<ul style="list-style-type: none"> <li>• Constant business intelligence and trend monitoring</li> <li>• Continuous dialogue with owner and stakeholders</li> <li>• Relationship building with relevant target groups through participation in various forums and collaboration groups</li> </ul>
<p><b>CLIMATE CHANGE</b> Risk of negative impact on our properties and campuses due to changes in the climate</p>	<p>Climate change could have negative consequences for our properties in both the short and long term, which could require adaptation of both existing properties and new construction.</p>	<ul style="list-style-type: none"> <li>• Continual updating of our internal specifications for construction to create reasonable redundancy for expected changes caused by the climate</li> <li>• Annual risk analysis from an environmental perspective by property area</li> </ul>
<p><b>PACE OF DEVELOPMENT</b> Risk that we are unable to meet customer expectations because we fail to adapt to new digital conditions quickly enough</p>	<p>Rapid technological developments and the digital transformation in society offer opportunities to streamline our operations, as well as to develop new services.</p> <p>If we fail to take advantage of the potential of digitalisation, there is a risk that we will not meet customer needs and thus become less attractive.</p>	<ul style="list-style-type: none"> <li>• Updated short-term strategy (2019-2021)</li> <li>• Transition to a more flexible organisation for increased preparedness</li> <li>• Accelerated digital transformation of our existing operations</li> <li>• Development of new services</li> </ul>
<b>Industry-specific risks</b>		
<p><b>FAIR VALUE OF THE PROPERTIES</b> Risk that our financial position is affected as a result of change in the fair value of the properties</p>	<p>The fair value of properties is based on both external and internal factors such as market trends, yield targets, cost of capital, vacant space and rent trends.</p> <p>For Akademiska Hus, changes in the fair value of the properties are rarely realised, for which reason the Company's liquidity usually is not affected. However, this can have an impact on reported profit, which can therefore show large variations between the years and also affect our financial position.</p>	<ul style="list-style-type: none"> <li>• Business intelligence</li> <li>• Regular analysis of the risk profile of the property portfolio</li> <li>• Concentration of the property holdings to strategic cities provides good development potential</li> <li>• A large share of the property portfolio is located in cohesive campuses</li> <li>• Long-term contracts</li> </ul>
<p><b>VACANT SPACE AND LOSS OF REVENUE</b> Risk of negative impact on financial performance due to vacant space and/or reduced rental revenue</p>	<p>Akademiska Hus' main customers are colleges and universities, a customer group with high creditworthiness.</p> <p>The long-term development needs of the centres of education and access to research grants, which can be affected by factors such as political decisions and economic cycles, can have an impact on both rental revenue and vacancy rate.</p>	<ul style="list-style-type: none"> <li>• Design flexible premises that can be adapted based on changing needs</li> <li>• Specially adapted buildings generally have long-term leases</li> <li>• Leases are usually signed before new construction begins</li> <li>• Regular dialogue with customers</li> </ul>

## Operating risks

Operating risks are risks that arise in our day-to-day operations and that we can largely influence through our internal processes, working methods and corporate culture.

DESCRIPTION	ANALYSIS	MANAGEMENT
<b>Material Company-wide risks</b>		
<p><b>PROJECT MANAGEMENT</b> Risk of negative economic, temporal and technical consequences as a result of challenging and complex project operations</p>	<p>Our investment projects are often complex, take a long time and involve many parties. A shared vision along with clarity of agreements and structured processes are crucial for successful implementation.</p> <p>The complexity of project operations places high demands on ongoing development and adaptation of our project management to ensure that we deliver in line with expectations.</p>	<ul style="list-style-type: none"> <li>• A uniform and common building process for all major investment projects</li> <li>• Project management training</li> <li>• Business advisory committee to follow development of the project</li> <li>• Mapping and development of customer dialog</li> <li>• "Standard building" as vision for construction costs</li> <li>• Use lessons from reference projects and project revisions</li> <li>• Risks linked to the physical design and implementation are limited through structured project briefings</li> </ul>
<p><b>SKILLS SUPPLY</b> Risk of not having the right skills to conduct our business as a result of difficulty in identifying needs, as well as attracting and retaining staff</p>	<p>We work in a highly competitive labour market, where it is also difficult to recruit students to relevant education programmes. This limits the selection of qualified candidates.</p> <p>The ever-increasing pace of development in society places great demands on new skills. We consider successfully retaining, recruiting and developing employees to be a crucial success factor.</p>	<ul style="list-style-type: none"> <li>• Skills supply strategy</li> <li>• Strategy for "Employer branding"</li> <li>• Collaboration with vocational schools, colleges and universities</li> <li>• Identify the skills development needs of the individual via assignment appraisal</li> <li>• Develop the internal training platform to match current and future skills needs</li> <li>• Certification of facilities engineers</li> </ul>
<p><b>DELIVERABLES TO CUSTOMER</b> Risk that our delivery to the customer is not, or is perceived not to be, good enough due to lack of responsiveness to the customer's needs</p>	<p>In order to improve deliverables to the customer, we need to increase our responsiveness and strengthen our collaboration and dialogue with customers. We also need to develop our deliverables, for example by using the potential of new technology and digitalisation.</p> <p>One success factor entails spreading good examples internally and learning from one another. We will therefore continue to implement uniform and common working methods with a strong focus on the customer experience.</p>	<ul style="list-style-type: none"> <li>• A common and customer-focused management organisation</li> <li>• Continued focus on information and customer dialogue in base delivery</li> <li>• Improved process for reporting problems</li> <li>• Internal coordination of our collective deliverables to customer</li> <li>• Process and development groups for packaging and spreading good working methods in daily operations</li> <li>• Digital transformation</li> </ul>
<p><b>IT SECURITY</b> Risk of negative consequences for the business if we do not have adequate protection against hacking</p>	<p>The importance of IT security is increasing as a consequence of increased digitalisation and mobile solutions. Hacking could occur to commit crimes, damage the business or gain access to critical data. Critical information that is lost or ends up in the wrong hands can have serious consequences and damage trust in the company.</p>	<ul style="list-style-type: none"> <li>• We are working on adapting our operations to information security management systems (ISO 27002)</li> <li>• Strategic alliances in the industry</li> <li>• Business intelligence</li> <li>• Training for employees</li> <li>• Continuous review and upgrade of security systems</li> <li>• Development common system management process/organisation</li> </ul>
<p><b>ACCESS TO DIGITAL SERVICES</b> Risk of serious consequences in our own and the customer's operations as a result of downtime in critical IT systems</p>	<p>As our operation becomes increasingly dependent on digital services, we see an increased risk of serious consequences of downtime in a critical IT system.</p> <p>In some cases our customers have facilities with highly advanced and sensitive activities, for which reason disruptions in operations, both temporary and long-term, can have serious consequences.</p>	<ul style="list-style-type: none"> <li>• Mapping and classification of critical systems</li> <li>• We are working on adapting our operations to information security management systems (ISO 27002)</li> <li>• Strategic alliances in the industry</li> <li>• Business intelligence</li> <li>• Training for employees</li> <li>• Development common system management process/organisation</li> </ul>

DESCRIPTION	ANALYSIS	MANAGEMENT
<p><b>UNETHICAL BEHAVIOUR – EXTERNAL PARTY</b> Risk of financial consequences and damaged trust as a result of unethical behaviour among external parties with a link to Akademiska Hus</p>	<p>Improper or unethical behaviour such as substandard working conditions, corruption or negative environmental impact involving a supplier, subcontractor or other external party linked to Akademiska Hus could have a negative impact on us.</p> <p>This risk also includes the possibility that an external party could commit a crime against Akademiska Hus.</p>	<ul style="list-style-type: none"> <li>• Systematic supplier reviews</li> <li>• Ongoing work to strengthen control and transparency in the ordering process</li> <li>• Coordination of purchases</li> <li>• Follow-up of contractual compliance</li> <li>• Code of Conduct for suppliers</li> </ul>
<b>Industry-specific risks</b>		
<p><b>ENVIRONMENTAL IMPACT</b> Risk of a negative impact on the environment as a result of our business of building and managing properties and developing campuses</p>	<p>Our operations affect the environment both locally and globally. Both construction and property management are associated with heavy consumption of resources such as materials and energy. In addition, new construction usually occupies land and sometimes also affects green areas.</p>	<ul style="list-style-type: none"> <li>• Identified how we as a company can contribute to the global sustainability goals in Agenda 2030</li> <li>• The sustainability perspective is fully integrated into our overarching goals</li> <li>• We are environmentally certified to ISO 14001:15</li> <li>• Strong focus on sustainability when developing campuses</li> <li>• All new construction and major renovation projects meet environmental certification standards under the Miljöbyggnad certification system at a minimum level of Silver</li> <li>• Materials used in our projects are assessed with regard to their impact on the environment through the Byggarubedömningen (BVB) scheme</li> </ul>

## Compliance risks

Compliance risks address how we, as a company and as individual employees, comply with laws as well as external and internal regulations.

DESCRIPTION	ANALYSIS	MANAGEMENT
<b>Material Company-wide risks</b>		
<p><b>UNETHICAL BEHAVIOUR – INTERNAL PARTY</b> Risk of financial consequences and damaged trust as a result of employees who do not comply with applicable laws, as well as internal and external regulations</p>	<p>Unethical behaviour can have major negative consequences for Akademiska Hus, both financially and in the form of damaged trust in relation to our owner, customers and other stakeholders.</p> <p>Theft, accepting bribes, or using a supplier's dependence on Akademiska Hus for private advantage are examples of unethical behaviours that are not permitted.</p>	<ul style="list-style-type: none"> <li>• Ethics Council</li> <li>• Code of Conduct</li> <li>• Guidelines for business ethics</li> <li>• Online training linked to the internal training platform</li> <li>• Clear information on current regulations as part of the new employee introduction process</li> <li>• Continual work on values and corporate culture</li> <li>• Whistle-blower system</li> </ul>

## Financial risks

Financial risks are primarily the specific risks that can be derived from our financing activities.

The Board of Directors determines our approach to financial risks and mandate for their management through the financing policy and the financial risk management plan.

DESCRIPTION	ANALYSIS	MANAGEMENT
<p><b>INTEREST RISK</b> Risk that profit will vary because of changes in market rates</p>	<p>In our capacity as a borrower, fluctuations in market interest rates can have a substantial impact on financial performance.</p> <p>The additional cost associated with long-term fixed interest period needs to be balanced against the increased uncertainty associated with a short-term fixed interest period.</p>	<ul style="list-style-type: none"> <li>Interest risk is managed through the mandate for the fixed interest period and comprises three parts: <ul style="list-style-type: none"> <li>The long-term portfolio may not exceed 20 per cent of the total portfolio</li> <li>The index-linked bond portfolio may not exceed 10 per cent of the total portfolio</li> <li>The average fixed interest period of the basic portfolio shall be in the range of 3-6 years</li> </ul> </li> </ul>
<p><b>REFINANCING RISK</b> Risk that it will be more difficult or more expensive to obtain financing, for example as a result of changed conditions in the financial market</p>	<p>In our capacity as a borrower, it is crucial to ensure access to the financing market. In a situation where financial markets are not in balance and functionality is inadequate, financing can be more difficult and considerably more costly.</p> <p>When deciding on financing, the additional cost of long-term maturity needs to be balanced against the increased uncertainty associated with short-term fixed maturity.</p>	<ul style="list-style-type: none"> <li>Refinancing risk is managed through a mandate for maturity, expressed as the proportion of loans maturing within each twelve-month period may not exceed 40 per cent of the total portfolio</li> <li>Aim for cost-effective and well-balanced diversification of the debt portfolio</li> </ul>
<p><b>COUNTERPARTY RISK</b> The risk of financial consequences associated with failure of a counterparty to meet its undertakings</p>	<p>Akademiska Hus' exposure to counterparty risk arises from investment of excess liquidity and from derivative transactions when surplus/deficit values arise.</p>	<ul style="list-style-type: none"> <li>Exposure to counterparty risk is managed by imposing a limit based on ownership circumstances, ratings and the term of the commitment</li> <li>In derivative transactions, supplementary agreements to ISDA (International Swaps and Derivatives Association) agreements, known as CSA (Credit Support Annex) agreements, are required, thereby substantially reducing exposure</li> </ul>
<p><b>FOREIGN CURRENCY RISK</b> Risk that financial performance will vary as a result of exchange rate changes</p>	<p>Akademiska Hus' financing is denominated in part in foreign currency, for which reason exposure to foreign currency risk arises.</p>	<ul style="list-style-type: none"> <li>When financing in a foreign currency, foreign currency risk must be eliminated. Exchange rate hedging is carried out using forward rate or currency interest rate swap agreements</li> </ul>

Sensitivity analysis, see page 64, Note 3 on page 76 and Note 12 on page 81.



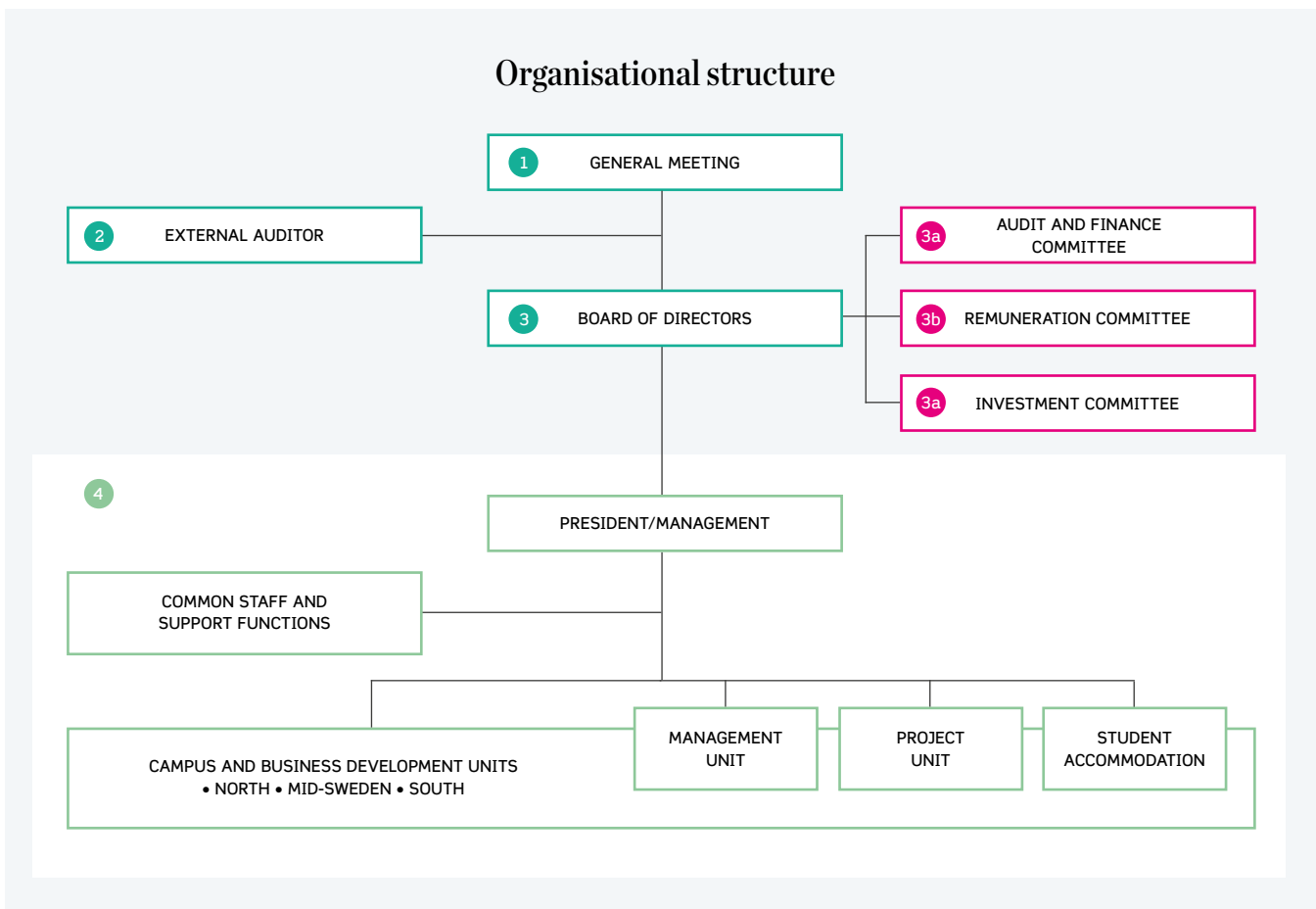
# Corporate Governance Report

This corporate governance report describes the structure and principles for governance of operations at Akademiska Hus to achieve the vision of strengthening Sweden as a nation of knowledge. With a clear allocation of responsibility between different Company bodies and processes that ensure transparency, the operation is efficiently governed to guide us towards our goals.

## FOUNDATIONS OF CORPORATE GOVERNANCE AT AKADEMISKA HUS

Akademiska Hus AB (publ) is a property company that is wholly owned by the Swedish state. Its administration is handled by the Ministry of Enterprise and Innovation on behalf of the Ministry of Education and Research, which is the principal. The Company bases its corporate governance on the application of Swedish law, the State's ownership policy

and guidelines for companies with state ownership 2017, the Swedish Code of Corporate Governance (the Code) and the Articles of Association. Because the Company is wholly owned by the Swedish state, certain provisions of the Code do not apply, as it is primarily written for businesses with diversified ownership. Deviations from the Code are described on page 53.



## Akademiska Hus' mission according to the Articles of Association

The object of the Company's operations is to own, develop and manage properties for colleges and universities, where the primary focus is on education and research, as well as activities compatible therewith. Operations will be run on a commercial basis and generate a yield that is in line with the market

by setting rents that take into account the operating risk. Akademiska Hus Aktiebolag will work to bring about long-term sustainable development of university and college campuses.

## 1 GENERAL MEETING

The General Meeting is the highest decision-making body at Akademiska Hus. The shareholder formally exercises influence at the General Meeting. In addition, the General Meeting appoints the Board of Directors and auditor. According to the State's ownership policy, the Annual General Meeting (AGM) must be held before 30 April each year. Notice of General Meetings shall be published no earlier than six weeks and no later than four weeks prior to the Meeting in Post- och Inrikes Tidningar, as well as on the Company's website. Members of the Riksdag and the public have the right to participate and must register their participation as described in the notice.

### Annual General Meeting 2018

The Annual General Meeting was held on 27 April 2018. The meeting was opened by Chairperson of the Board Anitra Steen, who was also appointed to chair the proceedings. The owner was represented by Ulrika Löfqvist, Ministry of Enterprise and Innovation.

### Decisions at the 2018 Annual General Meeting

The Annual General Meeting adopted the income statement and balance sheet for the 2017 financial year and discharged the Board of Directors and the President from liability for the year. The AGM approved the Board's proposal for profit distribution, which entails a dividend of SEK 1,630 million to the owner. Other matters addressed included adoption of the principles for remuneration and other terms of employment for senior executives, resolutions on fees to the Board of Directors and committees, as well as election of Board members and auditor. The minutes and other documents related to the AGM are posted on the Akademiska Hus website [akademiskahus.se](http://akademiskahus.se).

### Annual General Meeting 2019

The next Annual General Meeting will be held on 29 April 2019 in Stockholm.

## 2 AUDITORS

The 2018 AGM resolved to elect Öhrlings Pricewaterhouse Coopers AB (PwC) to serve as auditors for a one-year period until the 2019 AGM. PwC appointed Helena Ehrenborg, authorised public accountant, to serve as lead auditor. The auditors perform a limited review of the interim report as at 30 September and audit the annual and consolidated accounts. They also conduct a management audit, as well as a limited review of the sustainability report. In addition, the auditors

express their opinions of this corporate governance report and whether Akademiska Hus complies with the Government Guidelines for terms of employment for senior executives, and submit their statements to the meeting. Every year the auditors review their audit plan and risk assessment with the Audit and Finance Committee. The auditors participate in at least two committee meetings per year. Each year the auditors attend at least one meeting with the Board of Directors that is not attended by the President.

Akademiska Hus' internal audit function ended at year-end 2017/2018. In 2018 the management allocated dedicated resources tasked with developing and strengthening the area of internal management and control within Akademiska Hus. The Board of Directors believes that the best way to improve internal management and control is a long-term focused initiative in this area. Separate assessments are conducted based on a risk analysis; for example, in 2018 such an analysis addressed selected processes associated with financial reporting. Consequently, the Board's continued assessment is that no internal audit function is needed.

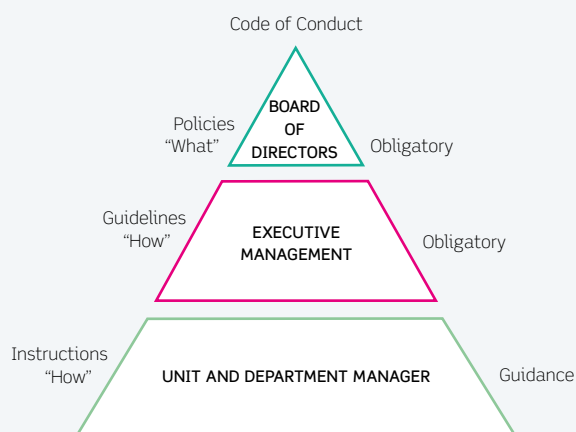
## 3 BOARD OF DIRECTORS

The Board of Directors is responsible for the organisation and for management of the affairs of the company. The Board of Directors convenes the Annual General Meeting. The work is based on the Rules of Procedure adopted annually by the Board of Directors, which determines the allocation of work among the directors, the number of regular Board meetings, matters to be addressed at regular Board meetings and the responsibilities of the Chairman of the Board. The division of responsibilities between the Board and the CEO is regulated by special instructions to the President. In addition, the Rules of Procedure are adopted annually for each of the Board's committees. The Board has also adopted the "Instructions for financial reporting" to regulate financial reporting procedures to the Board.

### Nomination process

Directors of state-owned enterprises are appointed through a structured nomination process with common uniform principles as outlined in the State ownership policy and guidelines for companies with state ownership 2017. These principles replace the rules in the Code for preparation of decisions for nomination of Directors and auditors. The Board nomination process is co-ordinated by the state ownership unit at the Ministry of Enterprise and Innovation. A consistent and structured approach ensures a high standard of quality throughout

## Governance structure



### EXAMPLES OF EXTERNAL GOVERNING REGULATIONS:

- Companies Act
- Accounting Act
- Annual Accounts Act
- The State's ownership policy and guidelines for companies with state ownership 2017
- Swedish Code of Corporate Governance
- IFRS
- Code about gifts, rewards and other benefits in business
- UN Global Compact principles
- Global Reporting Initiatives (GRI) guidelines Standards
- Stock market rules

### EXAMPLES OF INTERNAL GOVERNING REGULATIONS:

- Articles of Association
- Rules of Procedure for the Board of Directors and committees
- Instructions to the President
- Code of Conduct
- Allocation of responsibility and authority
- Strategy documents
- Financing Policy
- Sustainability policy
- Procurement policy
- Investment policy
- Policy for personal data processing
- Business ethics guidelines
- Equality and Diversity Plan

the nomination process. The need for skills is analysed based on the company's operations, situation and future challenges, the composition of the Board and assessments of the Board. The owner's expectation for diversity on the Boards of Directors under the ownership policy is also observed. Upon completion of the process nominations are announced in accordance with the Code.

### Composition of the Board of Directors

According to the Articles of Association, the Board of Directors for Akademiska Hus shall consist of a minimum of three and a maximum of ten Directors elected by the Annual General Meeting, with no deputies. The Board consisted of nine Directors elected by the AGM until the 2018 AGM. The Annual General Meeting on 27 April 2018 resolved that the Board should have eight members elected by the AGM. In addition, the Board includes two employee representatives designated by their respective trade unions. Six members were re-elected and one new member was elected to the Board at the Annual General Meeting, after which a vacancy remained. The AGM concluded that the Board has the relevant skills to manage the Company and that the Board as a whole has experience of areas that are important for the Company such as corporate governance, management, the real estate industry, universities and higher education, change and development initiatives, as well as financial expertise.

### Work of the Board of Directors in 2018

In its Rules of Procedure the Board set a schedule for information and decisions during its work year that essentially follows the Board's annual cycle (see below). At all Board meetings during the year the President presents a report on significant events involving the Company and the respective committee chairs present reports from the committee meetings that were held between Board meetings. During the year the Board of Directors adopted an updated strategic focus. Other important issues that the Board addressed included innovation, digitisation from a customer perspective, student housing on campus and development of the investment and construction process. In addition, a number of investment matters were addressed. In 2018, ten regular Board meetings were held, including the statutory meeting. To inform and update members about its activities, some Board meetings are held at the centres of education that are Akademiska Hus customers and combined wherever possible with meetings with the leadership of these institutions. The attendance at the meetings by the members of the Board of Directors is presented in the table on the right.

Board of Directors	Presence/Total number of meetings
Anitra Steen, chairperson	9/10
Anders Larsson	10/10
Anna Magnusson*	7/7
Britta Burreau	6/10
Caroline Arehult**	2/3
Christer Nerlich	10/10
Gunnar Svedberg**	3/3
Ingemar Ziegler	10/10
Kristina Ekengren**	3/3
Peter Gudmundson	10/10
Thomas Jennlinger	10/10
Örjan Wikforss	10/10

\* Elected 27 April at the Annual General Meeting.

\*\* Left the Board of Directors at the Annual General Meeting 27 April.

### Board committees

The Board has established three committees to specifically monitor and prepare Board issues within their respective focus areas. Committee members are elected at the statutory Board meeting held immediately after the AGM. Representatives of the business such as the President, CFO, Human Resources Director, Market Area Director and Project Manager may participate at committee meetings in the capacity of presenters.

**3a** *The Audit and Finance Committee* has the following primary duties:

- Support and follow up financing activities.
- Prepare matters to be decided by the Board, including Financing Policy and a risk plan.
- Monitor the Company's financial reporting and ensure that it maintains a high standard of quality.
- Regarding the financial statements, monitor the efficiency of the Company's internal control systems and risk management.
- Meet regularly with the Company's auditors to learn about the scope, focus and results of the audit.
- Remain informed about the audit of the annual accounts and the consolidated accounts.
- Establish guidelines for non-audit services that may be procured from the Company's auditors.
- Prepare proposals for the election of auditors at the Annual General Meeting.

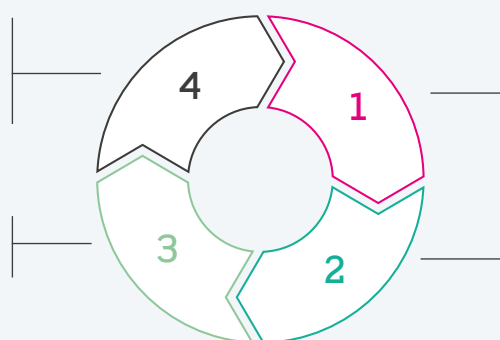
## Board of Directors' annual cycle

### QUARTER 4

- Interim report Q3
- Investment matters
- Business concept
- Risk plan

### QUARTER 3

- Interim report Q2
- Investment matters



### 1ST QUARTER

- Year-end report
- Investment matters
- Annual Report and Sustainability Report
- Principles for remuneration and other terms of employment for senior executives
- Notice of Annual General Meeting

### QUARTER 2

- Interim report Q1
- Investment matters
- Statutory meeting
- Board of Directors' Rules of Procedure, instructions to the President and other policy documents
- EMTN prospectus
- External analysis and strategy meeting

In 2018 the focus continued to be on internal control. Moreover, the committee prepared the Board of Directors prior to the AGM decision regarding choice of auditor, and discussed relevant accounting regulations. The attendance at the meetings by the members of the Board of Directors is presented in the table below.

<b>Audit and Finance Committee</b>	<b>Presence/Total number of meetings</b>
Christer Nerlich, chairperson	7/7
Britta Burreau	6/7
Kristina Ekengren*	3/3
Peter Gudmundson	6/7

\* Left the Board of Directors at the Annual General Meeting 27 April.

**3b** *The Remuneration Committee* has the following primary duties:

- Prepare decisions regarding terms and conditions for salaries and employment for the President and senior executives.
- Formulate proposals for guidelines for remuneration and other terms of employment for the President and other senior executives.
- Monitor and evaluate the application of the guidelines for remuneration to senior executives prior to adoption by the AGM.
- Serve as advisory body to the President regarding succession planning and appointment of senior executives.
- Propose appropriate employment contract templates for senior executives to the Board of Directors.

In 2018, the Remuneration Committee also discussed the health insurance benefit in relation to new tax rules. Furthermore, a review of succession planning and follow-up of HR activities were also carried out. The attendance at the meetings by the members of the Board of Directors is presented in the table below.

<b>Remuneration Committee</b>	<b>Presence/Total number of meetings</b>
Anitra Steen, chairperson	3/3
Kristina Ekengren*	1/1
Gunnar Svedberg*	1/1
Anna Magnusson**	2/2
Ingemar Ziegler**	2/2

\* Left the Board of Directors at the Annual General Meeting 27 April.

\*\* Elected to the Remuneration Committee 27 April at the Annual General Meeting.

**3a** *The Investment Committee* has the following primary duties:

- Prepare and analyse proposals for major investments.
- Monitor and analyse the Company's reporting of major projects in progress.
- Assist Executive Management with formulation of an investment strategy.

In 2018, the Committee also reviewed the investment process as a whole with the aim of developing and improving procedures. The attendance at the meetings by the members of the Board of Directors is presented below.

<b>Investment Committee</b>	<b>Presence/Total number of meetings</b>
Anitra Steen, chairperson	7/7
Ingemar Ziegler	7/7
Caroline Arehult*	3/3
Örjan Wikforss	7/7

\* Left the Board of Directors at the Annual General Meeting 27 April.

## Evaluation of the work of the Board and the President

The Board of Directors uses a systematic and structured process to conduct an annual evaluation of the work of the Board and the President. The evaluation takes place either internally or externally with the aim of developing the working forms and efficiency of the Board of Directors. In 2018, the evaluation was carried out with the assistance of an external consultant, where all Board members had to respond to a questionnaire. The results of the evaluation are presented to both the Chairperson and the Board of Directors as a whole. The owner, through the Government Offices, is also informed about the results of the evaluation. The work of the Government Offices related to the Board nomination process also includes an ongoing evaluation of the boards of all state-owned companies, which includes their work, the composition of the Board and their skills.

## 4 THE COMPANY'S ORGANISATION

### President and Executive Management

The President, or the Vice President acting on behalf of the President, is responsible for ongoing management in compliance with applicable laws and regulations and in accordance with the instructions for the President approved by the Board. Executive Management consists of ten members including the President. Executive Management is a forum for information and decisions regarding joint strategic Company matters and often serves as the steering committee for strategically important projects. In addition to the President, the Executive Management team comprises the Chief Financial Officer, Project Manager, three Market Area Directors, Administrative Manager, Corporate Communications Officer, Head of Innovation and Sustainable Development and the Human Resources Director, all of whom report directly to the President. The Company's General Counsel serves as secretary for the Executive Management team. Currently, half of the members of Executive Management are men and half are women.

### Operational units

The Company's main processes are conducted within four operational units. The Management unit is responsible for management deliverables with a focus on customer benefit, ensures sustainable and efficient operation, energy efficiency improvements and digitisation of the property management organisation. The Project unit is responsible for project deliverables, ensuring high standards for sourcing and project leadership skills, while creating conditions for efficient and sustainable management. Student housing, which in 2018 was spun off from the management unit to become an independent unit, is responsible for developing campus-based undergraduate and graduate student housing. The Campus and Business Development unit is divided into three geographic areas: North, Mid-Sweden and South. The unit's primary areas of responsibility include strategic customer relationships, development of knowledge and learning environments, strategic campus and property development, and overarching responsibility for investments. The organisation focuses on the management business and enables the Company to adapt faster and more efficiently to external changes.

### Common staff and support functions

A number of staff and support functions with a variety of areas of expertise provide support to management and the business in its day-to-day work. Organisationally, HR are subordinate to the President, including common service, innovation and sustainable development, legal affairs and communication. Business, finance, purchasing, IT, valuation and analysis, risk control, controlling and risk management are subordinate to the Chief Financial Officer.

## SUSTAINABLE GOVERNANCE OF AKADEMISKA HUS

The Board of Directors is responsible, based on instructions provided by the owner, for adopting a strategy and objectives for the company.



A detailed structure provides support for how Akademiska Hus should be managed, with sustainability as a key component. Akademiska Hus' values are the point of departure for this work: Responsive, Engaged and Value-adding (REV) which provide support for both work and decision-making.

The strategy and operational planning process is carried out annually, beginning with strategy days held for the Board and management before the summer. During the year, a major revision was carried out regarding strategy, in which the sustainability perspective was fully integrated into a sustainable objective. In conjunction with the revised management by objective process, the global objectives for sustainable development were integrated, which is in line with owner expectations.

The business plan and associated scorecard are formulated based on the adopted strategy. The Company-wide business plan is based on operational plans and budgets for operational units, as well as common staff and support functions. The plan and scorecard specify activities to be implemented to achieve the strategic goals and key figures for measurement and follow-up purposes.

The adopted business plan is followed up on a regular basis through the President's quarterly reporting to the Board of Directors. In addition, quarterly feedback sessions are held between management representatives and the coordinators of the respective operational units and common staff and support functions. The potential of each employee to both contribute and influence the work of achieving the common goals is clarified through the assignment appraisal, which is an expanded form of the performance review that was introduced during the year.

The Board of Directors is also ultimately responsible for ensuring that the Company is run in compliance with laws and regulations, as well as the guidelines provided by the owner. As part of this work, the Board adopts relevant policies and governing documents annually. The strategy and operational planning process, along with the adopted governing documents, serve as the foundation for the overarching governance of the Company.

#### CODE OF CONDUCT, ETHICS COUNCIL AND WHISTLE-BLOWER SYSTEM

Akademiska Hus has a Code of Conduct that outlines the ethical business behaviour expected of its employees. A basic requirement is to act in compliance with the principles of the UN Global Compact, Agenda 2030, the UN Guiding Principles on Business and Human Rights, the ILO Core Conventions and the OECD Guidelines for Multinational Enterprises. For the Company's employees there are also business ethics guidelines based on the rules in the Code regarding gifts, rewards and other benefits in business. This provides guidance on how

employees should behave and provides guidance in potentially difficult situations. An Ethics Council provides support to employees to which suspected deviations from ethical guidelines or other irregularities can be reported. Akademiska Hus has also set up an independent system for whistle-blowing, to which both Akademiska Hus employees and external parties can anonymously report suspected irregularities. In 2018 the Company received no reports about corruption that led to a police complaint through the Ethics Council, whistle-blower system or directly to employees.

#### REMUNERATION

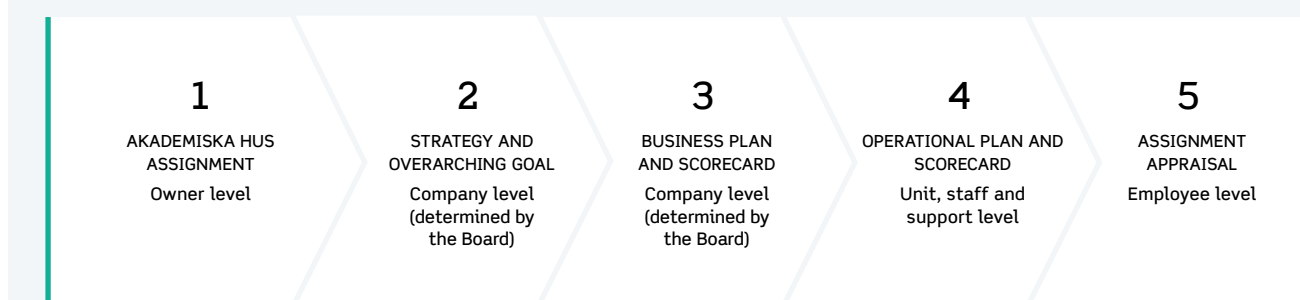
- The AGM resolved on principles for remuneration and other terms and conditions of employment for executives. The principles are in line with the State's "Guidelines for terms and conditions of employment for senior executives in state-owned companies".
- A fee is paid to the members of the Board of Directors according to a decision reached at the Annual General Meeting. The members of the Board of Directors who are employed within Akademiska Hus and the Government Offices do not receive any fee for this work. See the table on page 79 for information about remuneration.
- Payment to the President and other senior executives comprises a basic salary and a pension. Payment to the President is decided by the Board of Directors following a recommendation from the Remuneration Committee. Remuneration to other senior executives is decided by the President following consultation with the Remuneration Committee. Remuneration comprises a basic salary and a defined contribution pension based on the ITP premiums according to a collective agreement. No variable or bonus-based remuneration is paid. Salary surveys are conducted to make a comparison with other property companies. No changes will be made regarding the principles for remuneration to the Board of Directors and senior executives for 2019.

For a detailed description of remuneration, pensions, periods of notice, severance pay and fees to auditors, see the administration report on page 56 and Notes 10 and 11.

#### INTERNAL CONTROL OF FINANCIAL REPORTING

The Board of Directors has overall responsibility for internal control of financial reporting, as regulated by the Swedish Companies Act and the Code. The following section has been prepared in accordance with the Annual Accounts Act and the Code and is thus limited to internal control of financial reporting. The purpose of internal control of financial reporting is to provide reasonable assurance regarding the reliability of

## Strategy and operational planning



external financial reporting in the form of interim reports and annual reports, and that they are prepared in compliance with relevant laws, regulations, accounting standards and the specific guidelines for external reporting that apply to state-owned companies. The presentation below is based on the five components that the Committee of Sponsoring Organisations of the Treadway Commission (COSO) defined in its framework for internal management and control.

### Control environment

The basis for internal control comprises the control environment with the organisation, decision procedures and responsibility. Each year the Board of Directors adopts a number of policy documents such as the Rules of Procedure for the Board of Directors and its committees, instructions to the President, allocation of responsibility and authority, instructions for financial reporting, plan for handling financial risks and policies. The control environment also encompasses the culture and the values based on which the Board of Directors and corporate management communicate and act, which is communicated in part via the Code of Conduct that is adopted annually by the Board of Directors.

The responsibility of the Board of Directors and the internal allocation of work within its committees are clarified in the Rules of Procedure. The Board of Directors has established an Audit and Finance Committee which has tasks that include preparing the Board's work with quality assurance of the Company's financial reporting. In addition, Akademiska Hus' accounting and financial reporting is handled by a central unit. The Chief Financial Officer is responsible for ensuring that internal accounting policies and guidelines for financial reporting are in place and formulated in compliance with current legal requirements, listing requirements and accounting standards.

### Risk assessments

Akademiska Hus has an established process for all parts of the operation to identify, assess and manage risks where each risk has a defined owner. For a more extensive description, see the risk section in the annual report on pages 43–47. Risk assessments regarding financial reporting, which aim to identify and evaluate the business areas and processes where the greatest risk of errors that could have a material impact on financial reporting can be found, are carried out on several levels in the Company. Risk analysis and risks relating to financial reporting are regularly discussed with the external auditors, who also present their annual risk assessment to the Audit and Finance Committee, as well as the Board of Directors in the audit plan.

### Control activities

The Company's internal processes and procedures provide support for ongoing risk management. Control activities that are designed to prevent, detect and correct errors and deviations are incorporated in the financial reporting process used by Akademiska Hus. These controls have been designed to deal with the risk of significant errors that may arise in financial reporting, and comprise both general and detailed checks. Control activities take place at several different levels in the Company and include approval of transactions, authorisation of supplier invoices and payments, account reconciliations and analytical follow-up. In addition, Akademiska Hus works continually to improve processes linked to financial reporting. For example, in 2018 an assessment was carried out of the purchasing and project reporting process with a focus on risks and associated control activities.

IT systems that are used for financial reporting include built-in automatic controls to ensure reliable financial reporting. There are also processes and control measures in the general IT environment regarding matters such as system permissions, system updates and backup procedures. As the digital transformation is implemented, the issue of information security becomes increasingly important.

### Information and communication

Governing documents such as policies and guidelines are available for all employees on the Company's intranet. Internal information channels in general include information from regular meetings of Executive Management, leadership forums held four times a year, local information meetings for all staff and meetings in various forums for concerned specialist functions.

The Audit and Finance Committee and the Board receive financial information from Executive Management at each balance sheet date. In addition, the Audit and Finance Committee receives regular feedback from the external auditors and is thereby kept up to date on current observations related to internal management and control.

External reporting complies with the State's ownership policy guidelines. Financial information in the form of the annual report and year-end report is available on the Akademiska Hus website [www.akademiskahus.se/en](http://www.akademiskahus.se/en).

### Follow-up and evaluation

Internal management and control of financial reporting are monitored and evaluated continuously by the Board of Directors, President, Executive Management and the accounting and finance department to ensure that procedures are appropriate and efficient. Opportunities for improvement are identified through controls and analyses. Any shortcomings are reported to the relevant person to ensure that improvements can be made. On each balance sheet date, the President and Chief Financial Officer review the financials with the individual responsible for each operational unit to monitor and discuss the financial performance and important business-related matters. The overall financial results of the staff and support functions are also monitored.

Each quarter the Board receives financial information and an analysis, as well as a report from the most recent meetings of the different committees. The Audit and Finance Committee has a specific responsibility to follow up audit matters and more extensive matters of principle with regard to financial reporting where issues concerning property valuation and the liability portfolio are particularly important.

The Company's external auditors assess the internal controls as part of the annual audit. For example, in 2018 the auditors reviewed the rental notification, purchasing and payroll processes. Akademiska Hus continuously reviews and updates internal management and control procedures within the Company, for example, to take into account and implement measures regarding recommendations from the company's external auditors. In addition, separate assessments of the special focus areas described above are carried out as needed.

#### DEVIATIONS FROM THE CODE NOMINATION COMMITTEE (CODE RULES 1.3–1.4, 2.1–2.7, 4.6, 8.1 AND 10.2)

The Code has mainly been prepared for companies with a spread of ownership. At such companies, the election committee is in the first instance a body for shareholders to prepare decisions regarding appointments. For state-owned companies, the rules regarding an election committee are replaced by principles governing a structured nomination process according to the Government's ownership policy.

#### REPORTING OF THE INDEPENDENCE OF BOARD MEMBERS (CODE RULE 4.5)

The purpose of this code rule is to protect minority shareholders in limited liability companies, which is not applicable to wholly state-owned enterprises.

## Board of Directors



**ANITRA STEEN**

Chairperson since 2016. Chair of the Remuneration Committee and Investment Committee.

**Year of birth:** 1949

**Other positions:** Chairperson of the Board for AFA Försäkring, Attendo AB and Oral Care AB.

**Previous positions:** Under-secretary at the Ministry of Finance, State Secretary at the Ministry of Education and Ministry of Finance, Director General of the National Agency for Higher Education Services and the National Tax Board, as well as CEO of Systembolaget AB. Chairperson of Stockholm University and Board member of SAS, Södersjukhuset hospital, Lantmännen, PostNord and others.

**Education:** BA.



**BRITTA BUREAU**

Member since 2014.

**Year of birth:** 1964

**Position:** CEO of KPA AB and KPA Pensionsförsäkring AB.

**Other positions:** Chairperson for the Scouts. Director, Group management at Folksam. Chairman of the Board for KPA Pensionservice AB.

**Previous positions:** CEO and Board member Nordea Liv & Pension AB, Board member in the Nordea Liv Group, Board member Svensk Försäkring and Accenture Financial Services.

**Education:** M.Sc. Eng and Executive MBA in Finance.



**PETER GUDMUNDSON**

Board member elected in 2017.

**Year of birth:** 1955

**Position:** Professor, Royal Institute of Technology. **Other positions:** Member of the board of Royal Swedish Academy of Engineering Sciences.

**Previous positions:** Vice-Chancellor KTH, Vice Dean KTH, Head of Department KTH, CEO SICOMP, consultant Tre Konsulter AB, researcher Brown Boveri Research Centre in Switzerland.

**Education:** PhD. and M.Sc. Eng.



**THOMAS JENNINGER**

Employee representative (Ledarna union) since 2008.

**Year of birth:** 1956

**Position:** Operating manager at Akademiska Hus.

**Education:** Operating manager.



**ANDERS LARSSON**

Employee representative (SEKO union) since 2009.

**Year of birth:** 1963

**Position:** Operating engineer at Akademiska Hus.

**Education:** Production engineering studies.



**ANNA MAGNUSSON**

Board member elected in 2018.

**Year of birth:** 1977

**Position:** Assistant undersecretary Ministry of Enterprise and Innovation, Head of the unit for state-owned enterprises.

**Previous positions:** Assistant undersecretary Ministry of Finance, Expert Ministry of Finance, Legal Counsel Sveaskog Förvaltnings AB.

**Education:** LL.M. BA.



**CHRISTER NERLICH**

Board member elected in 2017.

Chairperson of the Audit and Finance Committee

**Year of birth:** 1961

**Position:** Chief Financial Officer of Vasakronan.

**Previous positions:** Chief Financial Officer of AP Fastigheter and Corporate finance NewSec.

**Education:** MBA.



**ÖRJAN WIKFORSS**

Board member elected in 2017.

**Year of birth:** 1950

**Position:** CEO of Arkitekturanalys AB.

**Other positions:** Vice Chairman of the Board of Directors of the Royal Swedish Opera, Board member of Tengbomgruppen AB and member of the Royal Swedish Academy of Engineering Sciences.

**Previous positions:** Professor in project communication, KTH. CEO of FFNS Arkitekter and Wikforss Arkitektkontor.

**Education:** Architect, PhD. and professor.



**INGEMAR ZIEGLER**

Member since 2007.

**Year of birth:** 1947

**Position:** CEO IZAB.

**Other positions:** Board member of Stockholm Concert Hall.

**Previous positions:** CEO of AB Storstockholms Lokaltrafik, Locum AB, Diösförvaltning, Stockholms Mark- och Lokaliseringsbolag, Finance Secretary of the City of Stockholm.

**Education:** BA.

### AUDITORS

Helena Ehrenborg, Öhrlings Pricewaterhouse Coopers AB (PwC) Lead auditor since 2018. Authorised public accountant. **Year of birth:** 1965 **Education:** MBA. **Other audit assignments, selection:** Vasakronan AB, Jernhusen AB, HSB Riksförbund, Pandex AB.

## Executive Management



**KERSTIN LINDBERG GÖRANSSON**  
President. Employed 2011.  
**Year of birth:** 1956  
**Other positions:** Board member AP3, Hemmet Group AB.  
**Previous positions:** Airport Director of Stockholm-Arlanda Airport, Accounting and Finance Director and Vice President of the Scandic Group.  
**Education:** MBA.



**CATARINA FRITZ**  
CFO and Vice President.  
Employed 2016.  
**Year of birth:** 1963  
**Previous positions:** CFO at Keolis Sverige, Frösunda LSS, Addici, Aditro Group and the Stockholm Stock Exchange. CFO Investor.  
**Education:** MBA.



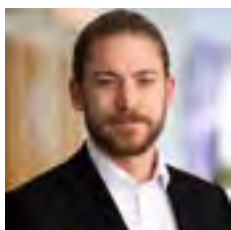
**JONAS BJUGGREN**  
Administrative Manager.  
Employed 2017.  
**Year of birth:** 1974  
**Other positions:** Board member of Kungsleden AB.  
**Previous positions:** Regional Manager Vasakronan, market area manager and business unit manager at AP Fastigheter and project manager at Skanska and Sweco.  
**Education:** M.Sc. Eng.



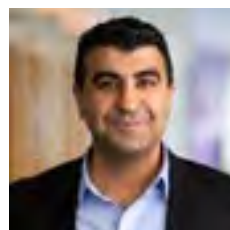
**PETER BOHMAN**  
Market Area Director.  
Employed 2013.  
**Year of birth:** 1972  
**Other positions:** Board member Luleå Science Park AB.  
**Previous positions:** Terminal Manager and on-call Airport Director at Stockholm-Arlanda Airport. Various management positions at Swedavia.  
**Education:** B.Sc. in Business Administration with focus on real estate.



**BIRIGTTA VAN DALEN**  
Market Area Director. Employed 2005.  
**Year of birth:** 1958  
**Previous positions:** Regional Director for Akademiska Hus, Planning adviser for Akademiska Hus, Head of property supply and operating manager at Karlstad University, Planning Manager at the Property Department, Karlstad Municipal Authority.  
**Education:** B.A. Soc. Admin.



**ULF DÄVERSJÖ**  
Head of Innovation and Sustainable Development. Employed 2014.  
**Year of birth:** 1,979  
**Previous positions:** Purchasing Director Akademiska Hus, Management Consultant Caggemini Consulting, and Global Purchaser Arla Foods.  
**Education:** MBA.



**HAYAR GOHARY**  
Project Manager. Employed 2007.  
**Year of birth:** 1975  
**Other positions:** Chairperson Håll nollan.  
**Previous positions:** Project manager for Vallentuna Municipality. Project manager for Akademiska Hus.  
**Education:** M.Sc. Eng.



**MAGNUS HUSS**  
Market Area Director.  
Employed 1993.  
**Year of birth:** 1967  
**Previous positions:** Project Manager, Head of Property Management, and Property Manager Akademiska Hus Stockholm. Engineer and facilities technician at the National Board of Public Buildings.  
**Education:** Engineering degree, technical college.



**CECILIA WIDE**  
Corporate Communications Officer.  
Employed 2012.  
**Year of birth:** 1969  
**Previous positions:** Head of Corporate Communications at SP Sveriges Tekniska Forskningsinstitut AB.  
**Education:** BA.



**MARIE HALLANDER LARSSON**  
Human Resources Director.  
Employed 2017.  
**Year of birth:** 1961  
**Other positions:** Brunmåla Hästklinik AB.  
**Previous positions:** Human Resources Director for Försäkringskassan, Swedbank AB, Posten AB, Scandic Hotels AB and Wedins AB.  
**Education:** BA.

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# 50/50

EQUAL NUMBER OF MEN AND WOMEN IN  
EXECUTIVE MANAGEMENT AT AKADEMISKA HUS

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# Other information

## REMUNERATION TO SENIOR EXECUTIVES

### Principles for remuneration to the Board of Directors and senior executives

Akademiska Hus follows the owner's guidelines governing terms and conditions of employment for senior executives. Payment to the President and other senior executives comprises a basic salary and a pension. Pension expenses refer to the cost charged to the profit for the year. Payment to the President is decided by the Board of Directors following a recommendation from the Remuneration Committee. Remuneration to other senior executives is decided by the President of the Parent Company following consultation with the Remuneration Committee. Remuneration comprises a basic salary and a defined contribution pension based on the ITP premiums according to a collective agreement. No changes are proposed regarding the principles for remuneration to the Board of Directors and senior executives for 2019.

A fee is paid to the members of the Board of Directors according to a decision reached at the Annual General Meeting. Board members who are employed in the Akademiska Hus Group, or who work at the Government Offices, do not receive any fee for this work.

Remuneration for committee work was set at the 2018 Annual General Meeting.

## PENSIONS

Akademiska Hus has taken out an individual occupational pension solution for the President, Kerstin Lindberg Göransson, where the agreed retirement age is 65 years. Akademiska Hus allocates 30 per cent of Kerstin Lindberg Göransson's fixed monthly salary, which is paid into an occupational pension insurance plan according to a special agreement drawn up with a pension company. The pension package includes a sickness and early retirement pension, a retirement pension and optional survivor's pension and/or repayment cover. Other senior executives have similar defined contribution agreements with a maximum allocation of 30 per cent of their salary, or what is termed a high-income earner solution with an opt-out premium that is cost-neutral compared with traditional, collectively agreed ITP.

### Periods of notice and severance pay

An agreement has been reached with the President, Kerstin Lindberg Göransson, regarding a mutual period of notice of six months. In the event of notice being given by the Company, severance pay is payable for a further 18 months. The severance pay shall be considered to include payment for holidays and pension benefits. The severance pay is reduced by any amount Kerstin Lindberg Göransson may receive from other employment or through other activities.

Other senior executives within the Group have an agreed mutual period of notice of six months. In the event of notice being given by the Company, severance pay is payable for a further 12 months. Salary payable or remuneration for work performed during the time severance pay is received shall be set off on a krona-by-krona basis. Other information about salaries and remuneration can be seen in Note 10 on pages 78–79.

## PERMITS AND REPORTING REQUIREMENTS

A number of facilities within the Group require a permit or need to be reported to a supervisory authority in order to be used. These facilities have been reported and applications for permits (as required) were submitted to the supervisory authorities concerned and have been granted. The facilities in question are: one facility for combustion technology research that requires a permit, and a number of facilities classified as subject to declaration with respect to energy production and sewer system.

## SUSTAINABILITY REPORT

In accordance with Chapter 6, section 11 of the Swedish Annual Accounts Act, Akademiska Hus has chosen to prepare the statutory Sustainability Report as a separate report. The scope of the Sustainability Report, which also includes Akademiska Hus' sustainability report figures, is stated on page 102.

## EVENTS AFTER THE YEAR-END

A sales agreement was signed with the Swedish University of Agricultural Sciences (SLU) for part of the property Ultuna 2:23. The buyer will take possession on 1 March 2019. The purchase price is SEK 355 million.

## FUTURE DEVELOPMENTS

Akademiska Hus has a project portfolio with approved and planned investments of SEK 14.0 billion. The property portfolio is expected to increase in value by approximately SEK 6.5 billion over the next three years. Net operating income is expected to increase as new properties are completed, our streamlining initiatives make progress and economies of scale are leveraged. The good cash flow limits the need for new financing to approximately SEK 2.5 billion for the upcoming three-year period. Given the low interest rates, the interest coverage ratio is expected to remain strong.

# Proposed allocation of unappropriated earnings

According to the owner's financial targets for Akademiska Hus, which were adopted at the Annual General Meeting on 28 April 2014, the dividend should amount to between 40 and 60 per cent of the net profit after tax, reversal of changes in value and related deferred tax. When deciding on a dividend, consideration should be given to the Group's capital structure. The equity ratio should be between 30 and 40 per cent and return on operating capital should be at least 6.5 per cent. The average yield on operating capital over five years was 6.4 per cent. Return on operating capital for 2018 was 5.5 per cent. At the end of 2018, the equity ratio was 45.8 per cent for the Group and 19.4 per cent for the Parent Company. After the proposed dividend, the equity ratio will be 44.8 per cent for the Group and 16.7 per cent for the Parent Company.

#### Available for allocation at the Annual General Meeting:

Retained earnings	SEK 912,820,348
Profit for the year	SEK 1,494,292,155
Total	SEK 2,407,112,503

The Board of Directors and the President propose that the profit be allocated in such a way that SEK 1,663,000,000 is paid to the shareholder and SEK 744,112,503 is carried forward. For details of the financial results and the financial position in general, reference can be made to the following financial statements.

The Annual General Meeting will be held on 29 April 2019 in Stockholm.

#### STATEMENT BY THE BOARD OF DIRECTORS PURSUANT TO SECTION 18, SUB-SECTION 4 OF THE COMPANIES ACT

The Board of Directors is of the opinion that the Company's liquidity can be maintained securely. On observance of the relationship between the Company's assets, liabilities and equity, and with due consideration given to profit forecasts and investment requirements as of this date, we believe that the proposed dividend is justifiable in the light of the demands that the nature, extent and risk of operations make on the level of equity. The proposed dividend is thus acceptable in the light of the Company's consolidation requirements, liquidity and position in general.

The dividend does not affect the Company's capacity to discharge its short-term and long-term obligations or to implement necessary investments. It is also the opinion of the Board of Directors that the Company's financial position, in the light of the proposed dividend, is secure for the creditors. Nor can the Board of Directors identify any other circumstances that indicate that the dividend ought not to be paid in accordance with the proposal presented by the Board of Directors. The proposed value transfer can thus be justified in the light of what is stated in Section 17, sub-section 3, paragraphs 2–3 of the Companies Act.

#### PROFIT USED AS A BASIS FOR CALCULATION OF DIVIDEND, SEK M

	Outcome consolidated results	Changes in value in the Group	Profit used for calculation of dividend
Income from property management	6,117		6,117
Property management expenses	-2,179		-2,179
<b>NET OPERATING INCOME</b>	<b>3,938</b>		<b>3,938</b>
Central administration costs	-78		-78
Net interest income/expense	-268		-268
<b>PROFIT BEFORE CHANGES IN VALUE AND TAX</b>	<b>3,592</b>		<b>-3,592</b>
Changes in value, properties	2,585	-2,585	-
Changes in value, financial instruments	-360	320	-40
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAX</b>	<b>5,818</b>	<b>-2,265</b>	<b>3,552</b>
Tax/current tax	-1,247	467	-780
Effect of changed tax rate	743	-743	-
<b>PROFIT AFTER TAX</b>	<b>5,314</b>	<b>-2,541</b>	<b>2,772</b>
Dividend, 60% of the profit available for the payment of a dividend			1,663

The dividend as decided at the Annual General Meeting held on 27 April 2018 was SEK 1,630 million.

# Income Statements

Amounts in KSEK 1,000	Note	Group		Parent Company	
		2018	2017	2018	2017
<b>INCOME FROM PROPERTY MANAGEMENT</b>					
Rental revenue	4	5,927,669	5,581,924	5,927,669	5,581,924
Other property management income	5	189,034	224,216	190,458	392,843
<b>Total property management income</b>		<b>6,116,703</b>	<b>5,806,140</b>	<b>6,118,127</b>	<b>5,974,767</b>
<b>PROPERTY MANAGEMENT EXPENSES</b>					
Operating costs		-893,634	-784,660	-890,451	-782,694
Maintenance costs		-676,387	-615,476	-676,387	-615,476
Property administration		-372,395	-308,900	-364,869	-289,456
Other property management expenses	6	-236,136	-268,073	-249,957	-271,077
<b>Total property management expenses</b>	<b>7, 8</b>	<b>-2,178,553</b>	<b>-1,977,109</b>	<b>-2,181,664</b>	<b>-1,958,703</b>
<b>NET OPERATING INCOME</b>		<b>3,938,151</b>	<b>3,829,031</b>	<b>3,936,464</b>	<b>4,016,064</b>
Central administration costs	7	-78,069	-66,809	-78,069	-66,809
Interest income	9	32,057	9,707	32,057	9,707
Interest expense	9	-299,929	-198,171	-391,861	-299,340
Depreciation and impairment as well as reversed impairment in property management	8	—	—	-1,315,493	-1,159,924
<b>EARNINGS BEFORE CHANGES IN VALUE AND TAX</b>	<b>10, 11, 30</b>	<b>3,592,206</b>	<b>3,573,758</b>	<b>2,183,097</b>	<b>2,499,699</b>
Changes in value, properties	12	2,585,030	4,979,366	—	—
Changes in value, financial instruments	9	-359,632	-242,268	-359,632	-242,268
<b>PROFIT BEFORE APPROPRIATIONS AND TAX</b>		<b>5,817,604</b>	<b>8,310,856</b>	<b>1,823,465</b>	<b>2,257,431</b>
Appropriations	14	—	—	-137,557	-181,083
<b>PROFIT BEFORE TAX</b>	<b>15</b>	<b>5,817,604</b>	<b>8,310,856</b>	<b>1,685,908</b>	<b>2,076,348</b>
Tax	16	-503,659	-1,858,186	-191,615	-486,594
<b>PROFIT FOR THE YEAR</b>	<b>17</b>	<b>5,313,945</b>	<b>6,452,670</b>	<b>1,494,292</b>	<b>1,589,754</b>
Of which attributable to the shareholder in the Parent Company		5,313,945	6,452,670	—	—

# Statement of profit and loss and other comprehensive income

Amounts in KSEK 1,000	Note	Group		Parent Company	
		2018	2017	2018	2017
<b>PROFIT FOR THE YEAR</b>		5,313,945	6,452,670	1,494,292	1,589,754
ITEMS THAT HAVE BEEN RECLASSIFIED OR CAN BE RECLASSIFIED TO PROFIT FOR THE YEAR					
Profit/loss from cash flow hedges	28	—	-4,332	—	-4,332
Tax attributable to cash flow hedges	16, 28	—	828	—	828
Cash flow hedges, net after tax, dissolved against profit and loss	28	-6,814	726	-6,814	726
ITEMS THAT CANNOT BE RECLASSIFIED TO PROFIT FOR THE YEAR					
Revaluation of defined benefit pensions	30	-39,772	-28,665	—	—
Tax attributable to defined benefit pensions	16	8,193	6,306	—	—
Total, other comprehensive income		-38,393	-25,137	-6,814	-2,778
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>5,275,552</b>	<b>6,427,533</b>	<b>1,487,478</b>	<b>1,586,976</b>
Of which attributable to the shareholder in the Parent Company		5,275,552	6,427,533	—	—



## Comments on the Group's performance

### FULL-YEAR 2018

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

The net operating income for the period improved by SEK 109 million compared to 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 profit for the previous year.

### 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 to SEK 109 million (54).

In terms of area, vacancies totalled 173,000 square meters (127,000), which is 5.2 per cent (3.9) of our total rentable area of 3.3 million square meters (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/square meters (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.

### ADMINISTRATION AND PROPERTY MANAGEMENT EXPENSES

Property administration costs 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, mainly related to the new management organisation, expansion of the Campus and Business Development organisation 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

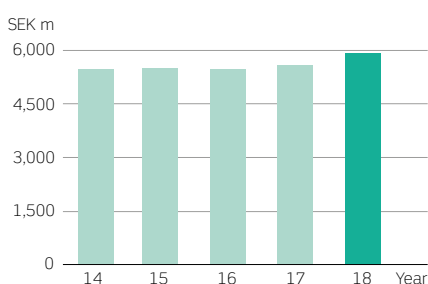
Net interest income and expense consists of interest on loans and net interest income related to the interest rate swap portfolio. The cost of these items amounted to SEK 268 million (188) for the year, corresponding to an interest rate of 0.97 per cent (0.94). The extensive bond issuances during the year have enabled a decrease of short-term funding through the ECP program. As a result, interest expense on loans increased to some extent. Capitalised interest expense for projects in progress, which is not included in net interest income and expense, totalled SEK 92 million (101) during the period. See table of net interest income and expense on page 61.

### CHANGES IN VALUE, PROPERTIES

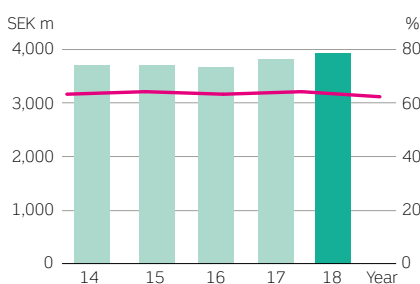
The fair value of the Group's property holdings was determined by an internal property valuation method that is compared annually against externally valued statements where a selection of the holdings were externally valued. As of 31 December 2018 the change in value of properties that impacted profit was SEK 2,585 million, a decrease of SEK 2,394 million compared with 2017.

The decline can largely be explained by a more moderate development of the cost of capital and yield targets. The decline can also be attributed to changes made in the valuation model during 2018, such as the change in treatment of the standard vacancy rate and the deduction

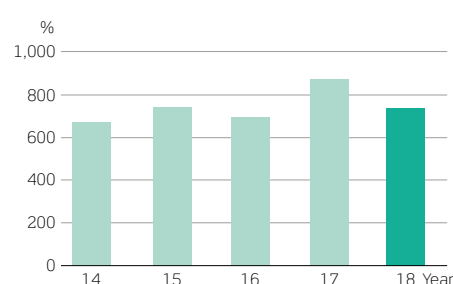
#### STABLE RENTAL REVENUE



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



#### INTEREST COVERAGE RATIO CONTINUES AT HIGH LEVEL



for a stamp duty, which resulted in a negative impact of SEK 230 million on all sub-markets. Other value changes 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 fair value can be seen in the 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.

## CHANGES IN VALUE, FINANCIAL INSTRUMENTS

Changes in value in the derivative portfolio amounted to SEK -360 million (-242), mainly as a result of falling market interest rates during the last quarter of the year. The derivative portfolio mainly consists of interest rate swaps with future start dates that are mainly entered to extend 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

In recent years the average fixed interest period in the entire 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 un-

realised. A portion 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 allocated to the underlying maturity of each instrument. This allocation corresponds with an interest expense of 0.52 per cent for the past twelve-month period. The charts below shows this comparative calculation of the underlying financing cost, in which interest rates are expressed as rolling 12-month interest rate (annualised). The accrued finance charge amounted to 1.52 per cent as of 31 December. The comparative calculation confirms that the long fixed interest period has resulted in relatively stable financing costs.

When calculating the interest coverage ratio, the capitalised interest expense and accrued earnings from closed interest rate derivatives are included. 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 on page 60.

## TAX

The Swedish parliament 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.

## COMMENTS ON THE PARENT COMPANY'S PERFORMANCE

The Company's revenue for the year totalled SEK 6,118 million (5,975). Of this amount, revenue from subsidiaries accounted for SEK 0 million (0). Profit before change in value and tax was SEK 2,183 million (2,500) and net financial income/expense was SEK -719 million (-532). Profit after tax was SEK 1,494 million (1,590).

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.

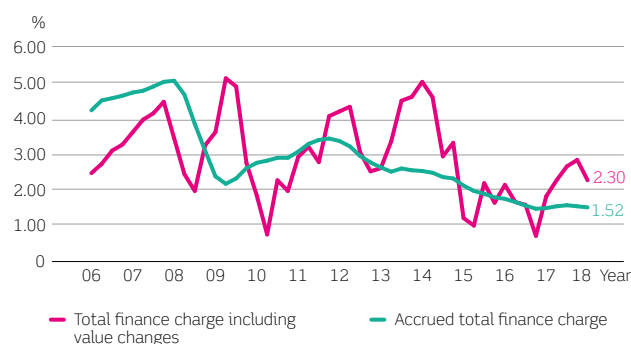
### TOTAL FINANCING COST INCLUDING CHANGES IN VALUE

	1 Jan. 2018- 31 Dec. 2018	1 Jan. 2017- 31 Dec. 2017
Interest cost for loans, including charges, %	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>

### TOTAL FINANCING COST BROKEN DOWN IN SEK MILLION

	1 Jan. 2018- 31 Dec. 2018	1 Jan. 2017- 31 Dec. 2017
Net interest income/expense, net loans and financial assets	-278	-221
Net interest derivatives	-27	-60
Other interest costs	-55	-8
Capitalised interest expense, projects	92	101
<b>Total net interest income/expense</b>	<b>-268</b>	<b>-188</b>
Change in value, independent financial derivatives		
- unrealised	-160	-8
- realised	-39	-54
Changes in value, fair value hedges	-160	-181
<b>Total changes in value</b>	<b>-360</b>	<b>-243</b>
<b>Reported net interest income and expense</b>	<b>-628</b>	<b>-431</b>

## COMPARISONS, DIFFERENT CALCULATIONS OF FINANCING COST



# Statement of financial position

Amounts in KSEK 1,000	Note	Group		Parent Company	
		31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
<b>ASSETS</b>					
NON-CURRENT ASSETS					
Properties	12, 13	85,865,127	80,444,370	44,373,630	42,951,358
Equipment, fixtures and fittings	18	23,219	8,117	23,219	8,117
Shares in Group companies	19	—	—	650	650
Derivatives	20, 21	1,614,260	1,053,358	1,614,260	1,053,358
Other non-current receivables	23	430,333	208,931	430,333	208,931
<b>TOTAL NON-CURRENT ASSETS</b>	<b>22</b>	<b>87,932,939</b>	<b>81,714,777</b>	<b>46,442,092</b>	<b>44,222,415</b>
CURRENT ASSETS					
Current receivables					
Rent receivables and accounts receivable	24	651,707	316,423	651,707	316,423
Current prepaid tax	16	35,340	—	35,340	—
Other current receivables	25	1,391,436	1,320,431	1,391,436	1,320,430
Prepaid expenses and accrued income	26	94,499	128,373	94,499	128,373
Derivatives	21	66,847	597,755	66,847	597,755
<b>Total current receivables</b>	<b>22</b>	<b>2,239,830</b>	<b>2,362,982</b>	<b>2,239,829</b>	<b>2,362,981</b>
CASH AND CASH EQUIVALENTS					
Current investments		1,841,605	5,480,660	1,841,605	5,480,660
Cash and cash equivalents		1,462,187	998,824	1,462,043	998,678
<b>Total cash and cash equivalents</b>	<b>27</b>	<b>3,303,792</b>	<b>6,479,484</b>	<b>3,303,648</b>	<b>6,479,338</b>
<b>TOTAL CURRENT ASSETS</b>		<b>5,543,623</b>	<b>8,842,466</b>	<b>5,543,477</b>	<b>8,842,319</b>
<b>TOTAL ASSETS</b>		<b>93,476,561</b>	<b>90,557,243</b>	<b>51,985,569</b>	<b>53,064,734</b>

Amounts in KSEK 1,000	Note	Group		Parent Company	
		31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
<b>EQUITY AND LIABILITIES</b>					
EQUITY (attributable to the Parent Company's shareholder)					
Share capital		2,135,000	2,135,000	2,135,000	2,135,000
Other contributed equity		2,134,950	2,134,950	—	—
Statutory reserve		—	—	2,134,950	2,134,950
Hedge reserve	28	—	6,814	—	—
Actuarial profit and loss		-32,525	-946	—	—
Fair value reserve	28	—	—	—	6,814
Retained earnings, including profit for the year		38,594,339	34,910,394	—	—
Retained earnings (in the Parent Company)		—	—	912,820	953,067
Profit for the year (in the Parent Company)		—	—	1,494,292	1,589,754
<b>TOTAL EQUITY</b>		<b>42,831,764</b>	<b>39,186,212</b>	<b>6,677,063</b>	<b>6,819,585</b>
Untaxed reserves	14	—	—	4,343,763	4,206,207
<b>LIABILITIES</b>					
Non-current liabilities					
Loans	20, 21	28,261,967	25,198,340	28,261,967	25,198,340
Derivatives	20, 21	941,330	935,468	941,330	935,468
Deferred tax liability	16	11,629,682	11,443,540	2,197,442	2,315,151
Other non-current liabilities	29	46,328	74,555	46,328	74,555
Provisions for pensions and similar obligations	30	555,339	496,522	304,772	290,069
<b>Total non-current liabilities</b>		<b>41,434,646</b>	<b>38,148,425</b>	<b>31,751,839</b>	<b>28,813,583</b>
Current liabilities					
Accounts payable		415,958	492,159	415,958	492,159
Liabilities to Group companies		—	—	2,153	2,153
Income tax liabilities	16	—	27,649	—	27,649
Other current liabilities	29	1,245,069	1,142,818	1,245,669	1,143,418
Accrued expenses and prepaid income	31	2,154,309	1,950,146	2,154,309	1,950,146
Loans	20, 21	5,258,691	9,541,313	5,258,691	9,541,313
Derivatives	20, 21	136,124	68,521	136,124	68,521
<b>Total current liabilities</b>		<b>9,210,151</b>	<b>13,222,607</b>	<b>9,212,904</b>	<b>13,225,360</b>
<b>TOTAL LIABILITIES</b>	32	<b>50,644,798</b>	<b>51,371,031</b>	<b>40,964,743</b>	<b>42,038,943</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>93,476,561</b>	<b>90,557,243</b>	<b>51,985,569</b>	<b>53,064,734</b>



## Comments on the Group's statement of financial position

### PROPERTIES

As of 31 December 2018 the fair value of Akademiska Hus' property holdings totalled to SEK 85,865 million, which is an increase of SEK 5,421 million and 6.7 per cent compared with 31 December 2017. Fair value includes completed portions of projects in progress. At the end of the year, projects in progress totalled to 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 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

that was implemented in 2018 reduced the impact on profit compared to the previous year. The average yield requirement was 5.38%, 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 are 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 +/- 5% to 10%, which would be equivalent to approximately SEK +/- 4,290–8,580 million in the Akademiska Hus portfolio.

### PROPERTIES

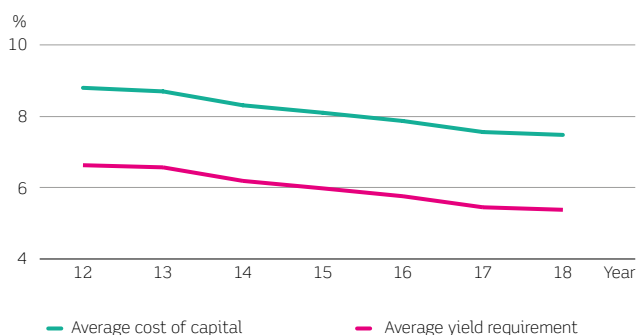
(incl. new construction in progress and capitalised interest expense)

Change in property holdings, SEK m	31 Dec. 2018	31 Dec. 2017
Opening fair value	80,444	73,013
+ Investment in new construction, extensions 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 adjusted value index	-230	—
Of which change in value due to a change in the cost of capital and yield requirement	1,385	3,395
Of which other change in value	1,430	1,585
<b>Closing fair value</b>	<b>85,865</b>	<b>80,444</b>

### SENSITIVITY ANALYSIS

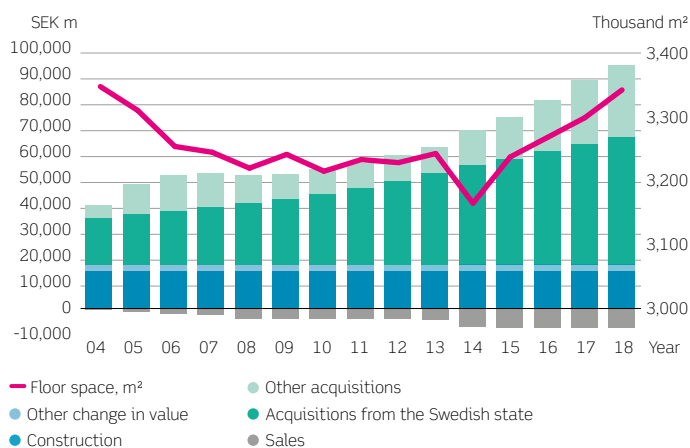
	Outcome 2018	Change in cost of capital and yield targets in 2019	
		Increase by one percentage point	Decrease by one percentage point
Fair value, SEK m	2,585	-11,725	15,547
Return on equity, per cent	11.2	-12.6	35.4
Return on operating capital, per cent	5.5	5.9	5.1
Equity ratio, per cent	45.8	41.2	50.4
Loan-to-value ratio, per cent	34.7	40.2	29.4

### DEVELOPMENT OF YIELD REQUIREMENT AND COST OF CAPITAL



The yield requirement and cost of capital for 2012 to 2018 have been adjusted by 0.2 percentage points for the stamp duty, which is attributable to the change in the model implemented in 2018.

### PROPERTY PORTFOLIO'S ACCUMULATED VALUE GROWTH AND NUMBER OF SQUARE METRES FLOOR SPACE, M<sup>2</sup>



## FINANCING

The net debt portfolio increased by SEK 2,155 million during the year and totalled to SEK 30,416 million at year-end. The equity ratio was 45.8 per cent (43.3). Credit spreads widened slightly as the economic outlook became more subdued during the latter part of the year. Investor interest in Akademiska Hus' bonds with extremely long maturities has allowed continued diversification of the debt portfolio. During the year 14 issuances were carried out of a total of SEK 4,700 million distributed over maturities between 20 and 30 years. All issuances have occurred with foreign investors and the majority, SEK 3,900 million, are denominated in foreign currency, mainly in EUR and CHF. See the tables below for issue volume broken down by maturity and geographic market based on investor domicile.

### FIXED INTEREST PERIOD AND MATURITY

With this year's bond issues and some downward adjustment of short-term funding, capital tied up in the portfolio has been extended by

about three years. Capital was tied up an average of almost 11 years as of 31 December. During the year Akademiska Hus maintained good surplus liquidity and at year-end it was SEK 3,304 million.

Long-term bonds denominated in SEK at fixed interest, which comprise the long-term portfolio, amounted to about SEK 5,600 million at year-end. The long-term portfolio contributes to retaining a relatively long-term fixed interest period in the total portfolio of 7.3 years. 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.

### 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.

### NET LOAN LIABILITY

SEK m	1 Jan. 2018– 31 Dec. 2018	1 Jan. 2017– 31 Dec. 2017
Gross debt	-33,521	-34,740
Assets		
Collateral for derivatives, net	-891	-573
Cash and cash equivalents	3,304	6,479
Current receivables	692	857
<b>Total net debt</b>	<b>-30,416</b>	<b>-27,976</b>

### BOND ISSUES IN 2018

Volume, broken down by maturity interval

Maturity, year	Volume, SEK million
20-25	1,900
26-30	2,800
<b>Total</b>	<b>4,700</b>

### FIXED INTEREST PERIOD AND MATURITY

	Fixed interest, years, 31 Dec. 2018	Fixed interest, years, 31 Dec. 2017	Maturity, years, 31 Dec. 2018	Maturity, years 31 Dec. 2017
Basic portfolio	4.1	4.5	8.5	4.5
Long-term 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>

### BOND ISSUES IN 2018

Volume, broken down by geographic market

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>

# Changes in equity, Group

Amounts in KSEK 1,000	Note	Attributable to the Parent Company's shareholder					Total equity
		Share capital	Other contributed capital	Hedge reserve	Actuarial profit and loss	Profit for the year brought forward	
<b>OPENING BALANCE AS AT 1 JANUARY 2017</b>		<b>2,135,000</b>	<b>2,134,950</b>	<b>9,592</b>	<b>21,413</b>	<b>29,850,722</b>	<b>34,151,677</b>
<b>COMPREHENSIVE INCOME</b>							
Profit for the year		—	—	—	—	6,452,671	6,452,671
<b>OTHER COMPREHENSIVE INCOME</b>							
Profit/loss from cash flow hedges	28	—	—	-2,778	—	—	-2,778
Revaluation of defined benefit pensions		—	—	—	-22,359	—	-22,359
Total, other comprehensive income		0	0	-2,778	-22,359	6,452,671	6,427,534
<b>TRANSACTIONS WITH SHAREHOLDER</b>							
Dividend <sup>1</sup>		—	—	—	—	-1,393,000	-1,393,000
Total transactions with shareholder		0	0	0	0	-1,393,000	-1,393,000
<b>CLOSING BALANCE AS AT 31 DECEMBER 2017</b>		<b>2,135,000</b>	<b>2,134,950</b>	<b>6,814</b>	<b>-946</b>	<b>34,910,394</b>	<b>39,186,212</b>
<b>COMPREHENSIVE INCOME</b>							
Profit for the year		—	—	—	—	5,313,945	5,313,945
<b>OTHER COMPREHENSIVE INCOME</b>							
Profit/loss from cash flow hedges	28	—	—	-6,814	—	—	-6,814
Revaluation of defined benefit pensions		—	—	—	-31,579	—	-31,579
Total, other comprehensive income		0	0	-6,814	-31,579	5,313,945	5,275,552
<b>TRANSACTIONS WITH SHAREHOLDER</b>							
Dividend <sup>2</sup>		—	—	—	—	-1,630,000	-1,630,000
Total transactions with shareholder		0	0	0	0	-1,630,000	-1,630,000
<b>CLOSING BALANCE AS AT 31 DECEMBER 2018</b>		<b>2,135,000</b>	<b>2,134,950</b>	<b>0</b>	<b>-32,525</b>	<b>38,594,339</b>	<b>42,831,764</b>

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

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

# Changes in equity, Parent Company

Amounts in KSEK 1,000	Note	Restricted equity		Non-restricted equity		Total equity
		Share capital	Statutory reserve	Fair value reserve	Profit for the year brought forward	
<b>OPENING BALANCE AS AT 1 JANUARY 2017</b>		<b>2,135,000</b>	<b>2,134,950</b>	<b>9,592</b>	<b>2,346 067</b>	<b>6,625,609</b>
<b>COMPREHENSIVE INCOME</b>						
Profit for the year		—	—	—	1,589 754	1,589,754
<b>OTHER COMPREHENSIVE INCOME</b>						
Profit/loss from cash flow hedges	28	—	—	-2,778	—	-2,778
Total, other comprehensive income		0	0	-2,778	1,589,754	1,586,976
<b>TRANSACTIONS WITH SHAREHOLDER</b>						
Dividend <sup>1</sup>		—	—	—	-1,393,000	-1,393,000
Total transactions with shareholder		0	0	0	-1,393,000	-1,393,000
<b>CLOSING BALANCE AS AT 31 DECEMBER 2017</b>		<b>2,135,000</b>	<b>2,134,950</b>	<b>6,814</b>	<b>2,542,821</b>	<b>6,819,585</b>
<b>COMPREHENSIVE INCOME</b>						
Profit for the year		—	—	—	1,494 292	1,494,292
<b>OTHER COMPREHENSIVE INCOME</b>						
Profit/loss from cash flow hedges	28	—	—	-6,814	—	-6,814
Total, other comprehensive income		0	0	-6,814	1,494,292	1,487,478
<b>TRANSACTIONS WITH SHAREHOLDER</b>						
Dividend <sup>2</sup>		—	—	—	-1,630,000	-1,630,000
Total transactions with shareholder		0	0	0	-1,630,000	-1,630,000
<b>CLOSING BALANCE AS AT 31 DECEMBER 2018</b>		<b>2,135,000</b>	<b>2,134,950</b>	<b>0</b>	<b>2,407 113</b>	<b>6,677,063</b>

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

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



# Statements of Cash Flows

Amounts in KSEK 1,000	Note	Group		Parent Company	
		2018	2017	2018	2017
<b>CURRENT OPERATIONS</b>					
Profit after financial items		5,817,604	8,310,856	1,823,464	2,257,431
Adjustment for items not included in the cash flow	33	-2,312,605	-4,742,203	1,675,219	1,308,219
Tax paid		-377,666	-346,456	-377,666	-346,456
<b>CASH FLOW FROM CURRENT OPERATIONS BEFORE CHANGES IN WORKING CAPITAL</b>		<b>3,127,333</b>	<b>3,222,197</b>	<b>3,121,017</b>	<b>3,219,194</b>
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL</b>					
Increase (-)/Decrease (+) in current receivables		-543,075	-354,389	-543,076	-354,641
Increase (+)/Decrease (-) in current liabilities		414,155	-747,136	420,474	-743,879
<b>CASH FLOW FROM CURRENT OPERATIONS</b>		<b>2,998,413</b>	<b>2,120,672</b>	<b>2,998,415</b>	<b>2,120,674</b>
<b>INVESTING ACTIVITIES</b>					
Investment in properties		-2,752,773	-2,554,723	-2,752,773	-2,554,723
Sale of properties		6,000	203,750	6,000	203,750
Investment in other non-current assets		-23,316	-944	-23,316	-944
Decrease in non-current receivables		-221,402	11,221	-221,402	11,221
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-2,991,491</b>	<b>-2,340,696</b>	<b>-2,991,491</b>	<b>-2,340,696</b>
<b>FINANCING ACTIVITIES</b>					
Raising of interest-bearing loans, excluding refinancing		17,863,274	14,837,863	17,801,644	14,837,863
Repayment of loan		-19,875,925	-12,451,021	-19,814,295	-12,451,021
Interest paid		-335,327	336,049	-335,327	336,049
Realised derivatives and CSA		795,364	—	795,364	—
Dividend paid		-1,630,000	-1,393,000	-1,630,000	-1,393,000
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-3,182,614</b>	<b>1,329,891</b>	<b>-3,182,614</b>	<b>1,329,891</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>-3,175,692</b>	<b>1,109,867</b>	<b>-3,175,690</b>	<b>1,109,869</b>
Cash and cash equivalents at the beginning of the year		6,479,484	5,369,617	6,479,338	5,369,468
Closing cash and cash equivalents	27	3,303,792	6,479,484	3,303,648	6,479,338

## Comments on the consolidated statement of cash flows

Cash flow from current operations before changes in working capital totalled to SEK 3,127 million (3,222). The impact of investment in properties on cash flow was SEK 2,753 million (2,555).

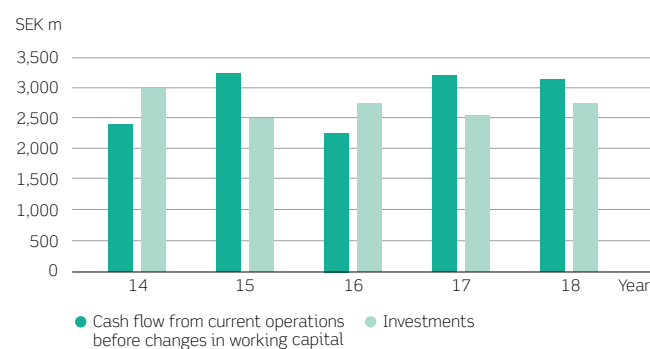
Cash flow relating to financing activities amounted to SEK -3,183 million (1,330). The lower cash flow is mainly due to loan repayments and a dividend of SEK 1,630 million (1,393) that was financed in advance through higher borrowing in 2017.

Total cash flow for the year was SEK -3,176 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 chart shows that cash flow from current operations is reinvested in new construction as well as in redevelopment and extensions of existing holdings.

STABLE CASH FLOW FROM CURRENT OPERATIONS



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# Notes

## 1 General information

Akademiska Hus AB (publ), registration number 556459-9156, is a limited liability company registered in Sweden. The Company's registered office is in Gothenburg. Akademiska Hus is wholly owned by the Swedish state.

The Company is the Parent Company in the Akademiska Hus Group, the principal task of which is to own and manage university and college properties.

The Parent Company's functional currency is SEK. All amounts are in SEK 1,000 unless otherwise stated.

## 2 General accounting policies

The consolidated accounts have been prepared in accordance with the EU-endorsed International Financial Reporting Standards (IFRS) as at 31 December 2018. The Group also applies Swedish Financial Reporting Board recommendation RFR 1, Supplementary Rules for Consolidated Financial Statements, which specifies the supplements to IFRS disclosures required pursuant to the rules in the Annual Accounts Act.

In the Annual Report, items have been valued at cost except with regard to revaluation of properties, financial assets that can be sold and financial assets and liabilities (including derivatives) valued at fair value in the Statement of Financial Position. The following sections are a description of the more material accounting policies that have been applied.

### NEW AND AMENDED IFRS STANDARDS AND INTERPRETATIONS 2018

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

#### IFRS 9

IFRS 9 replaces IAS 39 and covers classification and measurement, impairment and hedge accounting.

#### Classification and measurement

The Classification of financial assets changes as a result of the implementation of IFRS 9. The new categories are Measured at amortised cost, Measured at fair value through profit and loss, and Measured at fair value through other comprehensive income. A financial instrument is classified based on the business model in which it is held, as well as whether its cash flows are solely payments of principal and interest (SPPI test). Akademiska Hus has analysed its financial assets and where applicable, tested that cash flows are solely principal and interest. This analysis has not entailed any significant changes compared with how the instruments were previously recognised.

#### Impairment

With the implementation of IFRS 9, entities must consider expected credit losses instead of incurred credit losses (IAS 39). IFRS 9 states that all assets measured at amortised cost or at fair value through comprehensive income must be subject for impairment testing. Most of Akademiska Hus' assets are not subject to this requirement since they are recognised at fair value through profit or loss. Accounts receivables are recognised at amortised cost, but since Akademiska Hus' customers are mainly government entities, these receivables are not tested for impairment, since the amount is not considered to have a material impact on profit and loss.

#### Hedge accounting

IFRS 9 simplifies certain aspects of hedge accounting. One simplification is that the 80 % – 125 % effectiveness test is replaced by a general assessment of whether or not the hedge relationship is effective. The requirements that must be met to qualify for hedge accounting under IFRS 9 are economic relationship, credit risk and hedge ratio. "Economic relationship" means that an economic relationship between the hedged item and the hedging instrument must exist. The company can achieve this, for example, by ensuring that the critical terms match for the hedged item and the hedging instrument. The second requirement is that the effect of credit risk must not dominate the change in market value. The company must ensure that changes in market value are driven by other components, such as interest risk. To meet the third criterion, the company must determine the hedge ratio of its hedging relationship (ratio between the hedged item and the hedging instrument). This means that the company must determine whether it hedges all of its risk or only parts of it. It also means that companies can apply hedge accounting by allocating several derivatives to the same hedged item. Application of hedge accounting is still voluntary, and the hedge accounting methods have not changed. Ineffectiveness is recognised directly in profit and loss. Akademiska Hus ensures that the critical terms between the hedged item and hedging instrument are identical. Consequently, the hedge is considered to be effective.

#### IFRS 15

IFRS 15 addresses recognition of revenue from contracts with customers. The standard requires a division between lease income and service income. Akademiska Hus has conducted a detailed review of the Group's revenue and its leases to map the effects of IFRS 15. Based on this review, it was concluded that only a small portion of the Group's revenues are subject to the standard. Remuneration for the obligations that the Group undertakes in the leases, such as providing the premises with, for example, heating, cooling, snow-clearing and refuse collection, is an integral part of the rent. 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 are recognised in the income statement as rental revenue.

### NEW AND AMENDED IFRS STANDARDS AND INTERPRETATIONS THAT COME INTO EFFECT 2019 AND LATER

#### IFRS 16 Leasing – Effect of the introduction of the standard

Akademiska Hus applies IFRS 16 Leases 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.

The review identified site leasehold agreements as the most important lease agreements, which means that the implementation of the relevant standard essentially leads to that leases relating to site leasehold rights will be recognised in the consolidated balance sheet. However, the introduction of the standard will have a limited impact on the financial statements, since the Group essentially operates as a lessor and leases where the Group is a lessee only arise to a limited extent in relation to the rest of the Group's operations. The transition to IFRS 16 will thus not have any impact on the Group's equity. Since the simplified transition approach will be applied, comparative figures for 2018 will not be restated. The Group has chosen to apply the exemption not to recognise short-term leases and leases of low value assets as right-of-use assets and lease liabilities in the balance sheet. Payments related to these leases will instead be recognised as an expense on



a straight line basis over the lease term. For lease obligations relating to site leasehold rights, the Group expects to recognise right-of-use assets amounting to about SEK 2,736 million and lease liabilities of about SEK 2,736 million on 1 January 2019. There will be no net effect from deferred tax as the asset and liability are of equal value at the time of transition to IFRS 16. The right-of-use asset will be recognised at fair value as these represent part of the Group's investment properties.

### CONSOLIDATED ACCOUNTS

The consolidated accounts cover the Parent Company and companies over which the Parent Company has a controlling influence. A controlling influence means a right to formulate strategies for financial activities with the aim of securing financial advantages. The existence and effect of potential voting rights that can currently be exercised or converted are taken into account when assessing whether the Group can exercise a controlling influence over another company. All subsidiaries are wholly owned. The subsidiaries are included in the consolidated accounts with effect from the point at which the controlling influence is achieved and they are not included at the point at which the controlling influence ceases.

The consolidated year-end accounts have been prepared according to the acquisition method, which means that the Parent Company's carrying amount of shares in subsidiaries is eliminated against equity, including the capital share of untaxed reserves in the subsidiaries.

### SEGMENT REPORTING

Operating segments are reported in a way that concurs with the internal report presented to the highest-ranking executive decision-maker. The highest-ranking executive decision-maker is the function that is responsible for allocating resources and assessing the results of operating segments. At Akademiska Hus, this function has been identified as the President of the Parent Company.

The Group is organised and controlled based on a geographical division into markets/administration areas. The geographical areas (segments) are exposed to similar risks and opportunities.

Segments are consolidated according to the same accounting policies as for the Group as a whole.

### REVENUE RECOGNITION

In its capacity as property owner, the Group has signed operational lease agreements with customers and consequently the Group's reported income mainly comprises rental revenue. Where applicable, reported rental revenue has been reduced by the sum of the discounts granted to tenants. In those cases where lease agreements result in reduced rent during a certain period, which is equivalent to a higher rent during another (later) period, this higher or lower rent is allocated to a specific period over the term of the lease. Rental revenue, lease revenue and parking revenue are reported in advance and the allocation of rents to specific periods therefore takes place so that only part of the rents that accrue to the period are reported as revenue. Revenue recognition normally takes place linearly over the term of the lease agreement apart from exceptional cases when another method better reflects how financial advantages accrue to the Group.

Other property management income is reported, where applicable, in the same way as rental revenue. This post largely comprises revenues as a direct result of the leases and mainly consists of revenues from parking, services for tenants and other management tasks.

Interest income is reported as income divided across the term on application of the annual equivalent rate method.

Dividend income is reported when the right to receive payment has been confirmed.

### REMUNERATION TO EMPLOYEES

Remuneration to employees in the form of salary, paid holiday, payment while off sick etc., as well as pensions, are reported as they are earned. Pensions and other remuneration following termination of employment, are classified as defined contribution pension plans or defined benefit pension plans.

### Defined contribution plans

In the case of defined contribution plans, the Company pays fixed contributions to a separate, independent legal entity and has no obligation to make further contributions. The Group's profit is charged with costs as the benefits are earned, which normally concurs with the point at which premiums are paid.

### Defined benefit plans

For defined benefit pension plans, the cost of the pension plan is based on actuarial calculations according to what is termed the Projected Unit Credit Method. A calculation is made each year by an independent actuary. Revaluations, including actuarial gains and losses, effects of changes in the asset ceiling and the yield on plan assets (excluding the interest component, which is reported in the Statement of Comprehensive Income) are reported directly in the Statement of Financial Position as income or a cost equivalent to the change in the Statement of Total Comprehensive Income during the period in which they arise. Revaluations, which are reported under Other comprehensive income, affect the retained earnings and will not be reversed to profit or loss. Service costs from previous periods are reported in the Statement of Comprehensive Income for the period in which the plan was changed. Net interest is calculated on application of the discount rate at the beginning of the period on the net defined benefit liability or asset.

The discount rate is the interest rate at the year-end on high-quality mortgage bonds with a maturity corresponding to the Group's pension obligations. When there is not a functioning market for such mortgage bonds, the market for government bonds with similar maturity is used instead.

The defined benefit costs are divided into the following categories:

- service costs (including service costs for the current period, service costs for previous periods and profits and losses in respect of reductions and/or adjustments)
- net interest cost or net interest expense
- actuarial profit and loss

The first two categories are reported in the Statement of Comprehensive Income as a personnel cost (service cost) or net interest income and expense (net interest expense). Profits and losses in respect of reductions and adjustments are reported as service costs from previous periods. Revaluations are reported under Other comprehensive income.

The defined benefit pension obligations reported in the Statement of Financial Position are equivalent to the current surplus or deficit related to the Group's defined benefit obligations. A surplus is only reported to the extent that it is equivalent to the present value of future repayments from each pension plan or future reductions in premium payments into the plan.

### TAX

The tax expense (- income) for the period comprises current and deferred tax. Taxes are reported in the Statement of Comprehensive Income with the exception of the underlying transaction, which is reported under Other comprehensive income or directly against equity, whereupon the associated tax effect is reported under Other comprehensive income or against equity.

Current tax is the tax computed on the taxable profit for a period. The taxable profit for the year differs from the reported profit for the year in the fact that an adjustment has been made for non-taxable and non-deductible items. The Group's current tax liability is computed according to the tax rates stipulated or notified as of the year-end.

Deferred tax is reported in accordance with the Statement of Financial Position method. According to this method, deferred tax liabilities are reported in the Statement of Financial Position for all taxable temporary differences between the carrying amounts and taxable values of assets and liabilities. Deferred tax assets are reported in the Statement of Financial Position with regard to deficit deductions and all deductible temporary differences to the extent it is likely that the amounts can be offset against future taxable surpluses. The reported value of deferred tax assets is examined at each year-end and reduced to the extent it is no longer probable that a sufficient taxable surplus will be available for utilisation.

The parliament 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 are revalued using the tax rate that is expected to apply for the period in which the asset is recovered or the liability settled.

Tax receivables and tax liabilities are offset and reported at a net amount in the Statement of Financial Position when there is a legal right to offset and when there is an intention to either receive or pay a net amount or receive payment of a receivable and pay the liability at the same time.

### TRANSLATION OF ITEMS IN FOREIGN CURRENCY

Financial assets and liabilities in foreign currency are translated using year-end closing rate, whereupon realised and unrealised translation differences are expended. Translation differences in operating receivables and liabilities are reported under Other property management income or Other property management expense whilst translation differences attributable to financial assets and liabilities are reported under Net interest income.

## PROPERTIES

Properties, i.e. properties that are held to generate rental revenue or gains from an increase in value, are measured continuously at fair value (assessed market value). The fair value is based on the assessed market value at the year-end, which means the value at which a property could be transferred between knowledgeable parties who are independent of each other and who have an interest in the transaction being completed. Changes in fair value are reported in the Statement of Comprehensive Income under the heading Changes in value of the properties.

The term “properties” includes buildings and land, land systems, building and land equipment as well as properties under construction (new construction in progress).

Property sales and property purchases are reported in conjunction with the risks and benefits linked to title being transferred to the purchaser or seller, which normally takes place on the completion date, as long as this does not conflict with the terms and conditions in the contract of sale. For property sales through companies, the sale is reported at the date of taking possession.

A profit or loss that arises on the sale or disposal of properties comprises the difference between the sales price and the most recent valuation (reported value based on the most recent revaluation at fair value). The result in conjunction with sale or disposal is reported in the Consolidated Statement of Comprehensive Income under the heading Changes in the value of properties. In the Parent Company the result is reported as other property management income/expense.

In those cases where Akademiska Hus uses part of a building for its own administration, the property is only classified as a property for investment if an insignificant part is used for administrative purposes.

If a property is reclassified as a property held for resale or an inventory item, the property is reported at the assumed acquisition value, equivalent to the fair value of the property at the time of reclassification.

## FAIR VALUE, PROPERTIES

Akademiska Hus has an internal property valuation process that is highly developed and has been quality assured. Information regarding valuation principles as well as levels of input data, assumptions and prerequisites are produced by the Company's valuation specialists and ultimately adopted by the President.

Akademiska Hus valuation models comply with good market practice in the property industry and the cash flows and yield targets that are used are justified based on both property-specific conditions and industry-specific conditions. The properties have been valued individually without any account being taken of portfolio effects. For a more detailed description of Akademiska Hus' valuation methods, see Note 12.

## CARRYING AMOUNT INVESTMENT PROPERTIES

Depreciation according to plan is based on the original acquisition value reduced by the estimated residual value and takes place on a linear basis over the estimated useful life of the asset.

Depreciation according to plan is normally carried out using the following percentages of the acquisition value:

Land systems	5%
Buildings	1.7%
Building equipment	10%
Land equipment	20%

## EQUIPMENT, FIXTURES AND FITTINGS

Equipment, fixtures and fittings mainly comprise IT equipment and office equipment. These are reported at the acquisition value reduced by depreciation according to plan and possible impairment

Depreciation according to plan is based on the original acquisition value reduced by the estimated residual value and takes place on a linear basis over the estimated useful life of the asset.

Depreciation according to plan is normally carried out using the following percentages of the acquisition value:

Computer equipment	33%
Equipment, fixtures and fittings	20%

Depreciation according to plan of equipment, fixtures and fittings is reported as an operating cost or under property administration.

The profit or loss that arises on scrapping or disposal of equipment, fixtures and fittings is reported as Other property management income or Other property management expense.

## IMPAIRMENT

Impairment takes place in those cases where the reported value of the asset exceeds the recovery value. Reported values for the Company's assets are checked at each period-end to determine if there is any indication of an impairment requirement. If there is such an indication, the recoverable value of the asset is calculated. The recoverable value is the higher of the value in use and the net realisable value.

When computing the value in use, future cash flows are discounted at a rate of interest before tax that will take into account the market's assessment of risk-free interest and risk linked to the specific asset. For an asset which does not, independent of other assets, generate any cash flow, the recoverable value of the cash-generating unit to which the asset belongs is calculated.

Reversal of previous impairments takes place when the recoverable value for a previously impaired asset exceeds the carrying amount and the need for impairment made previously is no longer considered necessary. The reversal is reported in the Statement of Comprehensive Income. An examination of past impairments takes place on an individual basis.

## FINANCIAL INSTRUMENTS

The general principles for the valuation of financial instruments are that financial investment assets and all derivatives should be valued at fair value whilst other financial assets and financial liabilities are valued at amortised cost. Financial instruments are initially reported at the acquisition value, corresponding to the fair value of the instrument with an addition for transaction costs for all financial instruments apart from those that belong to the category Financial Assets, which are valued at fair value through profit or loss. Reporting subsequently takes place depending on how they are classified, as stated below.

A financial asset or financial liability is recorded in the Statement of Financial Position when the Company becomes a party to the contractual terms and conditions of the instrument or when applicable according to “regular way purchase” principles. Accounts receivable are recorded in the Statement of Financial Position when an invoice has been sent. A liability is recorded when the counter-party has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recorded when an invoice has been received. A financial asset is removed from the Statement of Financial Position when the rights in the agreement are realised, mature or the Company loses control over them. The same applies to part of the financial asset. A financial liability is removed from the Statement of Financial Position when the obligation in the agreement is discharged or is extinguished in some other way. The same applies to a portion of a financial liability.

The Group categorises its financial instruments as:

### Assets:

#### *Derivatives for hedging – Measured at fair value through profit and loss*

All derivatives are held for hedging purposes. All derivatives are recognised at fair value through profit or loss. Some of these derivatives are included in the hedging package, while others are “stand alone derivatives”.

#### *Measured at fair value through profit and loss*

Assets in this category are initially recognised at cost, i.e. fair value at the time of acquisition, and are subsequently measured continuously at fair value. The change in value is reported continuously through profit or loss. All Akademiska Hus investment assets fall into this category. The assets are classified as “hold to collect” and Akademiska Hus uses the fair value option for these investments. All change in value in these items are recognised through profit and loss under changes in value.

#### *Measured at amortised cost*

Assets in this category are non-derivative financial assets with established or establishable cashflows that are not listed on an active market. These assets are recognised and measured on a continuous basis at the accrued acquisition value. Akademiska Hus's accounts receivable also fall into this category and are reported and valued continuously at the acquisition value.

#### *Fair value through other comprehensive income*

In 2017 Akademiska Hus' electricity derivatives were measured at Fair value through other comprehensive income. In 2018 these hedges were terminated. New electricity hedges are now recognised at Fair value through profit and loss.

CLASSIFICATION CHANGES BETWEEN IAS39 AND IFRS 9

			2017 (SEK thousand)	
Financial assets	Classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9
Current investments	Other receivables - fair value through profit and loss	Measured at fair value through profit and loss	5,480,660	5,480,660
Stand alone interest rate derivatives	Hedging instrument - fair value through profit and loss	Measured at fair value through profit and loss	607,832	607,832
Stand alone currency derivatives	Hedging instrument - fair value through profit and loss	Measured at fair value through profit and loss	16,856	16,856
Cross currency interest rate swaps for fair value hedging	Fair value hedging - fair value through profit and loss	Derivatives for hedging measured at fair value through profit or loss	1,026,425	1,026,425
Electricity derivatives	Fair value through other comprehensive income	Measured at fair value through profit and loss	5,014	5,014
<b>TOTAL FINANCIAL ASSETS</b>			<b>7,136,787</b>	<b>7,136,787</b>
<b>Financial liabilities</b>				
ECP	Other financial liability - amortised cost	Measured at amortised cost	-4,768,714	-4,768,714
Stand alone interest rate derivatives	Hedging instrument - fair value through profit and loss	Measured at fair value through profit and loss	-543,155	-543,155
Stand alone currency derivatives	Hedging instrument - fair value through profit and loss	Measured at fair value through profit and loss	-52,506	-52,506
Cross currency interest rate swaps for fair value hedging	Fair value hedging - fair value through profit and loss	Derivatives for hedging measured at fair value through profit and loss	-413,342	-413,342
Swedish bonds	Other financial liability - amortised cost	Measured at amortised cost	-16,669,891	-16,669,891
Foreign bonds	Fair value hedging - fair value through profit and loss	Measured at fair value through profit and loss	-12,708,729	-12,708,729
Other loans	Other financial liability - amortised cost	Measured at amortised cost	-592,319	-592,319
<b>TOTAL FINANCIAL LIABILITIES</b>			<b>-35,748,656</b>	<b>-35,748,656</b>

The transition to IFRS 9 has not had any impact on equity or earnings.

**Liabilities:**

*Derivatives for hedging – Measured at fair value through profit and loss*

All derivatives are held for hedging purposes. All derivatives are recognised at fair value through profit or loss. Some of these derivatives are included in the hedging package, while others are “stand alone derivatives”.

*Measured at fair value through profit and loss*

These liabilities are initially recognised at cost and thereafter continuously valued at fair value. The change in value is reported on a continuous basis through profit or loss. Bonds that are included in the hedging package belong to this category.

*Measured at amortised cost*

Financial liabilities measured at amortised cost are initially recognised in the balance sheet at fair value, including the transaction cost. After initial recognition instruments in this category are measured at amortised cost. Bonds that are not included in the hedging package and current liabilities belong to this category.

*Fair value through other comprehensive income*

In 2017 Akademiska Hus’ electricity derivatives were measured at fair value through other comprehensive income. In 2018 these hedges were terminated. New electricity hedges are now recognised at fair value through profit and loss.

**Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and reported at a net amount in the Statement of Financial Position when there is a legal right to offset and when there is an intention to settle the items at a net amount or at the same time realise the asset and settle the debt. Information relating to offset financial assets and liabilities under IFRS 7 can be seen in note 21.

**Calculation of fair value, financial instruments**

When establishing the fair value of current investments, derivatives and loan liabilities, the official market listing at the period-end is used and calcu-

lation takes place according to generally accepted methods. In those cases where such listings are not available, a valuation is made through discounting of future cash flows at the listed market interest rate for each term. Translation into SEK takes place at the listed rate at the period-end. Calculated and estimated fair values are indicative and will not necessarily be realised. The nominal value of accounts receivable and accounts payable, reduced by possible estimated credits, is assumed to be equivalent to their fair value. Information according to IFRS 13 about the level in the fair value hierarchy for different items can be found in Note 20.

**Rent receivables, accounts receivable and other receivables**

Rent receivables and accounts receivable are reported initially at the fair value and are then reported at the invoiced amount following a deduction for any impairment (bad debts), which is equivalent to the accrued acquisition value. The estimated term of rent receivables and accounts receivable is short and consequently the value is reported at the nominal amount without discounting. Doubtful receivables are assessed individually and any impairment is reported within operating costs.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances and current investments with maturity in less than three months. These are classified as cash and cash equivalents because they consist of extremely liquid commercial paper that can be immediately traded at a value equal to the carrying amount. The current investments are measured at fair value through profit or loss. Cash and cash equivalents are held at amortised cost.

**Current investments**

Current investments with a term in excess of three months comprise interest-bearing securities and are reported and valued at fair value. Changes in value (unrealised profits and losses) are reported on a continuous basis through net interest income and expense. In the Statement of Cash Flows, current investments with a term in excess of three months are not classified as cash and cash equivalents.

**Loan financing**

All loan financing is reported initially at fair value, net after transaction costs. Borrowing is subsequently reported at amortised cost and any difference between the amount received and the repayment amount is reported in net interest income and expense divided over the loan period on application of the annual equivalent rate method. Borrowing that constitutes a hedged item in conjunction with fair value hedging is recognised and measured after the acquisition point continuously at fair value with account taken of the hedged risk. Changes in value are reported in net interest income and expense. Loan financing in foreign currency is translated and the effects are reported through profit or loss.

The Group applies IAS 23 Borrowing Costs. IAS 23 means that the Group capitalises interest expense attributable to properties under construction that take a significant period of time to complete. Capitalised interest expense has a positive effect on net interest income and expense and a negative effect on the change in fair value of properties to the equivalent amount. Financing costs for properties under construction that do not take a significant period of time to complete are charged in full to the financial result for each year.

**Accounts payable and other liabilities**

Accounts payable and other liabilities have a short expected term and are valued at the nominal value without discounting.

**Financial derivatives**

Derivatives are held primarily with the aim of securing long-term, cost-effective debt financing and handling the Group's financial risk exposure by hedging interest and currency exposure against fluctuations in interest rates and exchange rates. Derivatives are valued at fair value and changes in value are reported on an ongoing basis against net financial income and expense with the exception of the outstanding derivatives, which comprise hedging instruments. In a hedging situation where the underlying Statement of Financial Position item is business-related, the changes in value of the derivative are reported against operating profit.

Interest derivatives (interest future contracts, interest swap agreements, FRA contracts and interest options) are held mainly to secure the desired fixed interest period in existing debt financing. Interest derivatives are measured continuously at fair value and the effects attributable to the changes in value are recognised in net interest income and expense in conjunction with hedging of fair value and on other comprehensive income in conjunction with cash flow hedging. The net of the accrued interest income and interest expense is allocated to specific periods and expensed over the term of the derivative. In conjunction with financing in a foreign currency, all future payment flows are hedged so that no currency risk remains. Currency risk hedging takes place with the aid of currency derivatives (currency future contracts, currency swap agreements or combined with an interest swap agreement). Currency derivatives are translated at the period-end exchange rate and when hedge reporting is applied, the effects of the currency translation of the derivative naturally meet the effects of the currency translation of the debt in the financial result. Independent derivatives, i.e. derivatives that are not included in any hedge relationship, are valued at fair value and the change in value is recorded directly against the net interest income and expense.

With the aim of evening out price variations on the electricity market, and in doing so achieve an even trend for the Group's electricity costs, future electricity use is hedged with the aid of electricity derivatives. Electricity derivatives are measured continuously at fair value and the changes in value are recognised continuously in profit and loss. The effects of price hedging, the difference between the electricity future's hedged price and the average spot price during the term of the electricity future, are offset against profit and are transferred on maturity from net interest income and expense and reported as an operating cost. Consequently, the result of the electricity future and the Group's physical electricity purchases constitute the actual electricity cost.

**Hedge accounting**

Akademiska Hus' applies fair value hedge accounting. This means that both the hedged item/exposure and the hedging instrument are measured at fair value. Akademiska Hus uses cross currency interest rate swaps to hedge bonds issued in foreign currencies. This is done in accordance with the finance policy and plan for handling financial risks. Changes in value are continuously recognised through profit and loss, which also means that accounting ineffectiveness is also recorded in profit and loss.

The requirements that must be met to qualify for hedge accounting under IFRS 9 are economic relationship, credit risk and hedge ratio. "Economic relationship" means that there must be an economic relationship between

the hedged item and the hedging instrument. Akademiska Hus ensures that there is an economic relationship by matching the critical terms for the hedged item and the hedging instrument. This is done in connection with debt issuance. The second requirement is that the effect of credit risk must not dominate the change in market value. Regarding credit risk, Akademiska Hus can conclude that change in credit risk does not have any significant effect on the market value of the hedging package. Akademiska Hus has an extremely stable rating and any credit risk is managed through CSA agreements. According to the third criterion, the company must determine the hedge ratio of its hedging relationships. Akademiska Hus' hedge ratio is 1:1 since the hedging instruments are a direct reflection of the underlying hedge item.

**PROVISIONS**

Provisions are reported in the Statement of Financial Position when the Company has a formal or informal undertaking because of an event that has occurred and where it is probable that an outflow of resources is required to settle the undertaking and a reliable estimate of the amount can be made.

**PARENT COMPANY, ACCOUNTING POLICIES**

The Parent Company has prepared its annual accounts according to the Annual Accounts Act and the Swedish Accounting Standards Board recommendation RFR 2 Reporting for Legal Entities and applicable statements from the Swedish Financial Reporting Board.

RFR 2 means that in the annual accounts for the legal entity, the Parent Company shall apply all EU-endorsed IFRSs and statements as far as this is possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act and with consideration given to the link between accounting and taxation. The recommendation states the exceptions and addenda that are to be made to IFRS. The differences between the Group's and the Parent Company's accounting policies are stated below.

**Amended accounting policies**

No amendments to RFR 2 with a material impact on the Parent Company's financial statements were made during 2018.

**Properties**

Properties are reported in a legal entity at the acquisition value with a deduction for accumulated depreciation, impairments and reversed impairments. The depreciation period is based on each property's useful life.

During the year 0 (0) properties were revised upwards. Depreciation on the upwards revaluation occurs linearly with such an amount that the revaluation is completely written off when the properties are otherwise fully depreciated.

**Shares in subsidiaries**

Shares in subsidiaries are reported at the acquisition value.

**Remuneration to employees**

The Parent Company's pension undertakings have been calculated and reported based on the Safeguarding of Pension Commitments Act. Application of the Safeguarding of Pension Commitments Act is a prerequisite for the right to make a tax deduction.

**Deferred tax**

The amounts that are allocated to untaxed reserves comprise taxable temporary differences. Because of the link between accounting and taxation, the deferred tax liability that is attributable to the untaxed reserves is not reported separately in a legal entity. These are thus reported at the gross amount in the Statement of Financial Position. The appropriations are reported at the gross amount in the Statement of Comprehensive Income.



### 3 Estimates and judgments

When preparing reports in compliance with IFRS, the Executive Management and the Board of Directors must make assessments and assumptions that affect the reported assets and liabilities items and income and cost items in the final accounts as well as information provided generally, including contingent liabilities. These assessments are based on historical experience and different assumptions the Executive Management and the Board of Directors have considered reasonable under the prevailing circumstances. The conclusions drawn form the basis for decisions regarding reported values of assets and liabilities in those cases where these cannot be established easily through information from other sources. The actual outcome could differ from these assessments if other assumptions are made or if other conditions emerge. Assessments could have a material impact on the Akademiska Hus profit and financial position, particularly with regard to valuation of properties (see also Note 12).

When calculating the Group's pension liability in accordance with IAS 19, a number of assumptions are made, including the discount rate in current value assessment, expected salary increases, inflation, staff turnover,

remaining period of service for those covered by the pension plan as well as expected mortality assumptions. The levels of these parameters are adapted to company-specific conditions and partly to normal external conditions (see also Note 30).

#### SENSITIVITY ANALYSIS, IMPACT ON PROFIT

The sensitivity analysis shows how the pre-tax profit, return on operating capital and fair value of the properties would be affected in the event of changes in different variables. The analysis shows the impact on an annual basis at full effect.

Changes in the cost of capital or yield target are factors that highly affect the fair value. The impact on profit of a change in value, however, would not affect the cash flow as it is unrealised. In the sensitivity analysis, the current lease portfolio has been taken into account with regard to rental revenue and vacant space.

#### SENSITIVITY ANALYSIS, IMPACT ON PROFIT

Change	Impact on pre-tax profit, SEK m	Impact on return on operating capital, percentage points	Impact on fair value, SEK m <sup>1</sup>	Impact on fair value, percentage points
Rental revenue, +/- one percentage point	59	0.1	418	0.5
Vacant space, +/- one percentage point	57	0.1	-693	-0.8
Operating costs, +/- one percentage point	9	0.0	-86	-0.1
of which media provision	6	0.0	-43	-0.1
Cost of capital, + one percentage point	-5,033	0.2	-5,033	-5.9
Cost of capital, - one percentage point	5,550	-0.2	5,550	6.5
Yield target, + one percentage point	-6,692	0.2	-6,692	-7.8
Yield target, - one percentage point	9,997	-0.3	9,997	11.6

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

The amounts for change in the cost of capital and yield only relate to properties that were measured through cash flow, which is SEK 73,082 million (85%)

### 4 Rental revenue

All properties are leased under operational lease agreements and generate rental revenue. The rental revenue during the period amounted to KSEK 5,927,669 (5,581,924) and the direct costs for the properties during the

period totalled KSEK 2,178,553 (1,977,109). The two largest tenants are Karolinska Institutet and Lund University, which account for 11.7 per cent and 9.6 per cent of rental revenue, respectively.

#### LEASE TERMS AS AT 31 DEC. 2018

Due date	Number of leases	Contracted annual rent	Proportion, %
Non-residential premises			
2019	281	326,120	6
2020	363	781,579	14
2021	295	782,635	14
2022	139	454,359	8
2023	78	547,883	10
2024	62	374,609	7
2025 and later	201	2,307,260	40
Other	311	54,573	1
<b>TOTAL</b>	<b>1,730</b>	<b>5,629,018</b>	<b>100</b>

#### CONTRACTED RENTAL REVENUE AS AT 31 DEC. 2018 ACCORDING TO THE SIZE OF THE LEASE

Annual rent	Number of leases	Contracted annual rent	Proportion, %
Non-residential premises			
> 70,000	4	524,852	9
30,000-70,000	29	1,199,417	21
10,000-30,000	129	2,189,976	38
7,500-10,000	42	373,303	7
5,000-7,500	61	379,852	7
2,500-5,000	113	426,093	8
< 2,500	1,041	480,953	9
Other	311	54,572	1
<b>TOTAL</b>	<b>1,730</b>	<b>5,629,018</b>	<b>100</b>

## 5 Other property management income

	Group		Parent Company	
	2018	2017	2018	2017
Parking revenue	68,407	66,275	68,408	66,275
Profit on the sale of other non-current assets	—	—	1,424	168,628
Income from external property management assignments and similar assignments	31,843	49,286	31,843	49,286
Income from services performed on behalf of tenants	83,371	78,217	83,370	78,217
Other	5,413	30,438	5,413	30,437
<b>TOTAL</b>	<b>189,034</b>	<b>224,216</b>	<b>190,458</b>	<b>392,843</b>

## 6 Other property management expenses

	Group		Parent Company	
	2018	2017	2018	2017
Site leasehold charges, property tax and other risk costs	-93,419	-92,144	-93,419	-92,144
Studies	-21,153	-25,072	-21,153	-25,072
Loss on the sale and disposal of other noncurrent assets	—	—	-13,821	-3,004
Costs for external property management assignments and similar assignments	-16,122	-44,188	-16,122	-44,188
Costs for services performed on behalf of tenants	-77,534	-71,247	-77,534	-71,247
Other	-27,908	-35,422	-27,908	-35,422
<b>TOTAL</b>	<b>-236,136</b>	<b>-268,073</b>	<b>-249,957</b>	<b>-271,077</b>

## 7 Categorised operating costs

	Group		Parent Company	
	2018	2017	2018	2017
Functions reported in the Income Statements				
Property management	-2,178,553	-1,977,109	-2,181,664	-1,958,703
Central administration costs	-78,069	-66,809	-78,069	-66,809
<b>TOTAL OPERATING COSTS ACCORDING TO FUNCTION</b>	<b>-2,256,622</b>	<b>-2,043,918</b>	<b>-2,259,733</b>	<b>-2,025,512</b>
<b>CATEGORISED FUNCTION COSTS</b>				
Energy, fuel and water	-599,776	-539,896	-599,776	-539,895
Property administration	-76,668	-66,429	-72,325	-66,429
Maintenance costs, material and services purchased	-776,509	-715,656	-790,330	-718,659
Site leasehold charges	-84,382	-82,717	-84,382	-82,717
Property tax	-3,775	-3,725	-3,775	-3,725
Personnel costs	-453,886	-402,046	-453,886	-384,568
Depreciation	-6,368	-3,932	-	-3,932
Other costs	-255,258	-229,517	-255,259	-229,519
<b>TOTAL CATEGORISED OPERATING COSTS</b>	<b>-2,256,622</b>	<b>-2,043,918</b>	<b>-2,259,733</b>	<b>-2,025,512</b>

## 8 Depreciation, impairments and reversed impairments in property management

	Group		Parent Company	
	2018	2017	2018	2017
Properties	—	—	-1,309,125	-1,155,992
Equipment, fixtures and fittings	-6,368	-3,932	-6,368	-3,932
<b>TOTAL</b>	<b>-6,368</b>	<b>-3,932</b>	<b>-1,315,493</b>	<b>-1,159,924</b>

Depreciation for the Group is recognised under property administration and operating costs.

## 9 Financial income and expense

	Group		Parent Company	
	2018	2017	2018	2017
<b>INTEREST INCOME</b>				
Total interest income	32,057	9,707	32,057	9,707
<b>INTEREST EXPENSE</b>				
Total interest expense	-299,929	-198,171	-391,861	-299,340
<b>TOTAL NET INTEREST INCOME/EXPENSE</b>	<b>-267,872</b>	<b>-188,464</b>	<b>-359,804</b>	<b>-289,633</b>
<b>UNREALISED CHANGES IN VALUE</b>				
Independent derivatives	-159,991	10,478	-159,991	10,478
Fair value hedges	-160,492	-181,219	-160,492	-181,219
<b>TOTAL UNREALISED CHANGES IN VALUE</b>	<b>-320,483</b>	<b>-170,741</b>	<b>-320,483</b>	<b>-170,741</b>
<b>REALISED CHANGES IN VALUE</b>				
Independent derivatives	-39,149	-71,527	-39,149	-71,527
<b>TOTAL REALISED CHANGES IN VALUE</b>	<b>-39,149</b>	<b>-71,527</b>	<b>-39,149</b>	<b>-71,527</b>
<b>NET INTEREST INCOME AND EXPENSE</b>	<b>-627,504</b>	<b>-430,732</b>	<b>-719,436</b>	<b>-531,901</b>

## 10 Employees and personnel costs

The average number of employees was as follows:

	2018	2017
<b>AKADEMISKA HUS AB</b>		
Head Office, Gothenburg	98	93
South	103	118
Mid-Sweden	172	139
North	107	99
Subsidiaries	—	—
<b>GROUP, TOTAL</b>	<b>480</b>	<b>449</b>

The proportion of women (based on the average number of employees) in the Parent Company and the Group is 31 per cent (29).

## GENDER DIVISION, BOARD, GROUP MANAGEMENT AND OTHER PERSONS IN EXECUTIVE POSITIONS

The Board comprises 7 (9) members elected at the Annual General Meeting and 2 (2) members appointed by the employees. 3 (4) of the members are women, i.e. 33 per cent (36). Overall management of the Group rests with the Executive Management, which comprises 5 (5) men and 5 (5) women. The Executive Management team comprises the President, Chief Financial Officer and Vice President, Project Manager, three Market Area Directors, Administrative Manager, Corporate Communications Officer, Head of Innovation and Sustainable Development and the Human Resources Director.

The Group's and Parent Company's outstanding pension obligations to the President, Regional Directors and other members of Executive Management total KSEK 7,239 (5,483). The subsidiaries do not have any employees and no salaries have been paid.

## SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

	Group		Parent Company	
	2018	2017	2018	2017
<b>SALARIES AND REMUNERATION</b>				
Board members, President and Vice President	7,904	7,578	7,904	7,578
Other employees	278,990	249,403	278,990	249,403
<b>TOTAL</b>	<b>286,894</b>	<b>256,981</b>	<b>286,894</b>	<b>256,981</b>
<b>SOCIAL SECURITY COSTS</b>				
Board members, President and Vice President	3,528	3,942	3,528	3,942
(of which pension costs)	(2,179)	(2,629)	(2,179)	(2,629)
Other employees	149,020	125,139	149,020	125,139
(of which pension costs)	(88,682)	(70,979)	(88,682)	(70,979)
<b>TOTAL</b>	<b>152,548</b>	<b>129,081</b>	<b>152,548</b>	<b>129,081</b>
(of which pension costs)	(90,861)	(73,608)	(90,861)	(73,608)

## REMUNERATION TO THE BOARD

		2018				2017				
		Director's fees	Investment Committee	Remuneration Committee	Audit and Finance Committee	Director's fees	Investment Committee	Remuneration Committee	Finance Committee	Audit Committee
Chairperson	Anitra Steen	313	30	10	—	298	30	20	—	—
Member	Britta Burreau	153	—	—	30	145	—	—	10	15
Member	Peter Gudmundson	153	—	—	30	75	—	—	—	15
Employee representative	Thomas Jennlinger	—	—	—	—	—	—	—	—	—
Employee representative	Anders Larsson	—	—	—	—	—	—	—	—	—
Member	Anna Magnusson <sup>1</sup>	—	—	—	—	—	—	—	—	—
Member	Christer Nerlich	153	—	—	40	105	—	—	—	20
Member	Örjan Wikforss	153	20	—	—	75	10	—	—	—
Member	Ingemar Ziegler	153	20	5	—	145	40	—	10	—
Member	Caroline Arehult <sup>2</sup>	75	10	—	—	75	—	—	10	—
Member	Kristina Ekengren <sup>2</sup>	—	—	—	—	—	—	—	—	—
Member	Gunnar Svedberg <sup>2</sup>	75	5	—	—	145	—	20	—	—
Member	Olof Ehrlén <sup>3</sup>	—	—	—	—	70	—	—	—	—
Member	Ingela Lindh	—	—	—	—	35	—	—	—	—
<b>TOTAL</b>		<b>1,225</b>	<b>85</b>	<b>15</b>	<b>100</b>	<b>1,168</b>	<b>80</b>	<b>40</b>	<b>30</b>	<b>50</b>

1) Elected as board member 27 April at the 2018 Annual General Meeting

2) Left the Board of Directors as a board member at the Annual General Meeting 27 April 2018

3) Left the Board of Directors as a board member at the Annual General Meeting 28 April 2017

## REMUNERATION TO SENIOR EXECUTIVES

		2018		2017	
		Basic salary <sup>1</sup>	Pension cost	Basic salary <sup>1</sup>	Pension cost
CEO/President	Kerstin Lindberg Göransson	4,082	692	4,028	1,064
CFO/Vice President	Catarina Fritz	2,252	541	2,235	537
Administrative Manager	Jonas Bjuggren	1,979	464	1,577	357
Market Area Director	Peter Bohman	1,591	349	1,616	359
Market Area Director	Birgitta van Dalen	1,574	747	1,554	729
Head of Innovation and sustainable development	Ulf Däversjö	1,592	301	1,302	284
Project Manager	Hayar Gohary	1,573	345	1,467	327
Market Area Director	Magnus Huss	1,504	325	1,459	311
CIO	Cecilia Wide	1,215	153	1,226	254
Human Resources Director	Marie Hallander Larsson	1,491	321	1,222	256
<b>TOTAL</b>		<b>18,853</b>	<b>4,238</b>	<b>17,686</b>	<b>4,478</b>

1) No payments were made in addition to the above reported basic salary.



## 11 Fees and disbursements to auditors

	Group		Parent Company	
	2018	2017	2018	2017
<b>KPMG AB</b>				
Audit assignment	—	1,038	—	1,038
Audit work in addition to the audit assignment	90	—	90	—
Tax consulting	145	2	145	2
Other services	—	87	—	87
<b>TOTAL</b>	<b>235</b>	<b>1,127</b>	<b>235</b>	<b>1,127</b>
<b>ÖHRLINGS PRICEWATERHOUSECOOPERS AB</b>				
Audit assignment	984	—	984	—
Audit work in addition to the audit assignment	150	—	150	—
Tax consulting	184	—	184	—
Other services	1,082	—	1,082	—
<b>TOTAL</b>	<b>2,400</b>	<b>0</b>	<b>2,400</b>	<b>0</b>
<b>TOTAL</b>	<b>2,635</b>	<b>1,127</b>	<b>2,635</b>	<b>1,127</b>

'Audit assignment' refers to payment to the auditor for the statutory audit, such as work necessary to submit the audit report. "Audit work in addition to the audit assignment" in effect refers to what can be designated quality assurance services (for example, examination of a prospectus for an EMTN programme) as well as the provision of advice or other assistance as a result of observations made in conjunction with such an examination or the per-

formance of other such duties. "Other services" refers mainly to fees for consultation in conjunction with mapping of internal procedures. These services were primarily carried out in 2017 and before PwC took over as auditors.

## 12 Properties (Group)

The fair value of properties has changed during the year as follows:

	Group	
	31 Dec. 2018	31 Dec. 2017
Change in property holdings, in SEK 1,000		
Opening fair value	80,444,369	73,012,860
+ Investment in new construction, extensions and redevelopment	2,749,796	2,554,724
+ Acquisitions	—	—
+ Capitalised interest expense	91,932	101,170
- Sales	-6,000	-203,750
+/- Change in value, unrealised	2,585,030	4,979,366
Of which change in value due to adjusted value index	-230,289	—
Of which change in value due to a change in the cost of capital and yield requirement	1,384,985	3,394,625
Of which change in value due to the changed value index (valuation status, average remaining term, property type)	-237,197	18,318
Of which capitalised interest expense	-91,932	-101,170
Of which other change in value	1,759,463	1,667,590
<b>CLOSING FAIR VALUE</b>	<b>85,865,127</b>	<b>80,444,370</b>
	<b>2018</b>	<b>2017</b>
Changes in value, property holdings		
Positive	3,945,051	6,116,866
Negative	-1,360,021	-1,137,500
<b>TOTAL CHANGES IN VALUE, PROPERTIES</b>	<b>2,585,030</b>	<b>4,979,366</b>

### VALUATION MODELS/METHODS

The fair value of the Group's properties as at 31 December 2018 has been set using an internal property valuation. The valuation has been conducted using different valuation methods as follows:

SEK 73,082 million (85 per cent) of the fair value has been set through an internal cash flow valuation, where the cash flow figures used comprise the net operating income for each property. Rental revenue was calculated based on current leases and an assessment of market rent level is made after the term of the lease has expired. Operating costs are estimated based on the normalised historical outcome of each property, while maintenance costs and property administrative costs are assessed based on actual costs and key indicators for the industry.

For an initial calculation period of ten years, a current value is computed for the cash flow generated each year using a nominal cost of capital. The residual value from year 11 is calculated based on the market's actual yield targets. Residual value is in turn calculated at the current value using nominal cost of capital. The property's fair value comprises the sum of the current cash flows during the calculation period and the current residual value.

The starting point when choosing the cost of capital is the nominal interest rate on the secondary market for government bonds with a term equivalent to the length of the calculation period. A risk premium is added to cover the market risk and the property-related risk. The yield targets are assessed, as far as possible, using the property transactions that have been completed on the market and, as far as possible, using comparable properties. Each year, Akademiska Hus has the yield target, cost of capital and other valuation prerequisites verified by two external valuation institutes.

Both the cost of capital for discounting the cash flow as well as the yield target have been differentiated for each property depending on the town, location, lease term and type of premises. The risks are thus analysed in several dimensions and are generally assessed to be higher for properties with shorter leases, installation-intensive premises and properties in less attractive locations.

Expansion reserves, SEK 1,142 million (1 per cent), were measured according to the sales comparison approach based on external valuations. In some cases, the planning conditions for new construction are unclear and consequently the pure land values have been used to establish the fair value. The expansion reserves include construction rights covering a gross area of approximately 1.61 million square metres.

SEK 11,641 million (14 per cent) of the assessed market value was set based on other valuation methods. This primarily relates to properties with a special risk assessment where a more individually adapted cash flow

method has been used to be able to adapt the length of the estimate and yield requirement based on needs. This group also includes objects valued by external valuers or at indicative selling price.

The total fair value of properties includes new construction in progress amounting to SEK 4,404 million (5,717), which has also been valued using the internal cash flow valuation with a deduction for remaining investment.

#### Valuation conditions 2018

Yield requirements and cost of capital declined by between 0.05 and 0.40 percentage points during the year, due to general price-driving factors in the property market for local authority housing. Overall, the positive change in value attributable to changes in yield requirements and cost of capital in 2018 amounted to SEK 1,385 million (3,395). Well-located, efficient properties with a strong customer base and good rental potential are in greatest demand and are naturally less sensitive to external changes and are therefore assigned a lower yield requirement.

Characteristic of Akademiska Hus are long leases with stable, credit-worthy customers. The majority of tenants have a public principal and thus a very good credit rating, which means a low rent risk during the term of the lease. Around 87 per cent of income derives from the dominant customer group, universities and colleges. All centres of education, apart from Chalmers University of Technology, have the Swedish state as principal and thus have a high credit rating. The average remaining lease term is 6.5 years (6.0). The valuation divided the leases into three categories based on average remaining lease term. For valuation properties with a longer remaining lease term, the relative risk is lower as the cash flow valuation is based predominantly on hedged revenue flows.

The city, town and location classifications have been based in part on the general division of the property market. Larger and important cities and towns have been assigned a higher degree of attractiveness from, for example, a demographic, employment and economic point of view. From the point of view of higher education and research, in addition to Sweden's three largest cities – Stockholm, Gothenburg and Malmö – the classic university towns of Lund and Uppsala, and to a certain extent Linköping and Umeå, are considered to be more attractive and more stable in the long term. The division into different cities, towns and locations reflects the demand on the market and the attractiveness of the properties. Inner-city locations in Stockholm and Gothenburg are in greatest demand and most attractive while smaller, rural locations are less in demand.

Akademiska Hus operates in a specific segment of the property market, which means that our properties are more adapted to specialist uses and consequently they have a slightly more uncertain residual value than for more general properties, such as office buildings and residential buildings. This means that many of our properties are not available for new tenants or other purposes without substantial redevelopment. After an initial calculation period, assessment of the residual value needs to reflect the more property specific risks in more concrete terms. An assessment of the uncertainty regarding modernity, standard/condition, technical risk and redevelopment/adaptation requirements is made at the point at which residual value is calculated. These risks are quantified mainly in the form of charges to cash flow and in the direct yield target.

The cost of capital for the cash flow varies for different properties within the range 6.03–11.18 per cent depending on the lease term, town/city, location, and type of premises. The long-term yield target varies between 3.95 per cent and 9.80 per cent depending on the town/city, location and type of premises.

The average yield target and cost of capital for each segment are shown in the table below.

	31 Dec. 2018		31 Dec. 2017	
	Yield target, %	Cost of capital, %	Yield target, %	Cost of capital, %
South	5.7	7.8	5.8	7.9
Mid-Sweden	5.0	7.1	5.1	7.2
North	5.8	8.0	5.9	8.1
Group	5.4	7.5	5.5	7.6

The yield requirement and cost of capital for 2012 to 2018 have been adjusted by 0.2 percentage points for the stamp duty, which is attributable to the change in the model implemented in 2018.

#### Other assumptions

The following assumptions form the basis for the internal market valuation:

Valuation assumptions	
Lease term	> 10 years, > 6 years < = 10 years, < = 6 years
Division into town, city, location	26 towns, cities, locations
Special adaptation/type of premises	Installation-intensive premises/non-installation-intensive premises
Calculation period	10 years
Inflation assumption, year 1	2.0%
Inflation assumption, years 2-10	2.0%
Vacant space	Actual and/or 3%
Property administration	SEK 45/m <sup>2</sup>
Maintenance costs, non-installation-intensive premises	SEK 100/m <sup>2</sup>
Maintenance costs, installation-intensive premises	SEK 140/m <sup>2</sup>

Assumptions about inflation have been made based on the views of different forecasters, such as the National Institute of Economic Research, the Swedish Central Bank and other banks. The long-term inflation assumption of 2 per cent corresponds with the Swedish Central Bank's long-term inflation target. The rent trend during the term of the lease is estimated at maximum of inflation (CPI), with consideration taken to the index share of the lease. Actual vacancy is applied as it occurs and after the contract period a standard vacancy rate of 3 per cent is applied. Standard formulas are applied for property administration costs and maintenance costs.

#### Sensitivity analysis

The sensitivity analysis shows how the fair value is affected in conjunction with changes in different variables. The impact on profit of a change in value, however, would not affect the cash flow as it is unrealised.

Change	Impact on fair value, SEK m	Impact on fair value, percentage points
Rental revenue, +/- one per cent	+/- 418	0.5
Vacant space, +/- one percentage point	+/- 693	0.8
Operating costs, +/- one per cent	+/- 86	0.1
of which media provision	+/- 43	0.1
Maintenance costs, +/- SEK 10/m <sup>2</sup>	537	0.8
Property administration, +/- SEK 10/m <sup>2</sup>	537	0.8
Cost of capital, + one percentage point	-5,033	-5.9
Cost of capital, - one percentage point	5,550	6.5
Yield target, + one percentage point	-6,692	-7.8
Yield target, - one percentage point	9,997	11.6

A change in the maintenance costs that affects the profit and return on equity has been calculated based on actual maintenance costs. The impact on fair value has been calculated based on a standard maintenance cost and standard property administration cost in the valuation model.

#### Other

There are no limits with regard to the right to sell the properties or use the rental revenue.

All properties are leased under operational lease agreements and generate rental revenue. The rental revenue during the period amounted to KSEK 5,927,669 (5,581,924) and the direct costs for the properties during the period totalled KSEK 2,178,553 (1,977,109).

#### External valuation

To assure the internal valuation, selected properties are valued each year by external valuation companies. During the year, valuation buildings at a fair value of SEK 22,955 million were valued externally, corresponding to approximately 27 per cent of the Akademiska Hus total fair value. The 2018 valuations were carried out by Svefa AB, an appraisal firm that is authorised by the Swedish Professionals for the Built Environment. The external valuations confirm the reliability of the internal valuation model.

### 13 Properties (Parent Company)

Carrying amount for properties amounts to KSEK 44,373,630 (42,951,358). The amount includes land, land systems, buildings, building equipment and land equipment. Fiscal residual value amounts to KSEK 27,288,820 (25,093,306).

The carrying amount of properties changed as follows during the year:

	Parent Company	
	31 Dec. 2018	31 Dec. 2017
Opening acquisition value	55,639,687	53,186,067
Investment in new construction and redevelopment	2,749,796	2,554,724
Sales and disposals	-41,384	-101,104
<b>CLOSING ACCUMULATED ACQUISITION VALUE</b>	<b>58,348,099</b>	<b>55,639,687</b>
Opening impairments	7,082,756	7,253,723
Depreciation for the year on revaluations	-170,967	-170,967
<b>CLOSING ACCUMULATED REVALUATIONS</b>	<b>6,911,789</b>	<b>7,082,756</b>
Opening depreciation	-19,632,018	-18,670,770
Reclassifications	-1,218	-6,002
Sales and disposals	18,737	47,013
Depreciation for the year	-1,124,239	-1,002,259
<b>CLOSING ACCUMULATED DEPRECIATION ACCORDING TO PLAN</b>	<b>-20,738,738</b>	<b>-19,632,018</b>
Opening impairments	-139,067	-178,267
Reclassifications	1,218	6,002
Sales and disposals	5,068	15,966
Reversed impairments	9,967	26,224
Impairments for the year	-24,706	-8,992
<b>CLOSING ACCUMULATED IMPAIRMENTS</b>	<b>-147,520</b>	<b>-139,067</b>
<b>CARRYING AMOUNT</b>	<b>44,373,630</b>	<b>42,951,358</b>

### 14 Appropriations and untaxed reserves

	Parent Company	
	31 Dec. 2018	31 Dec. 2017
<b>APPROPRIATIONS</b>		
Change in tax allocation reserve	543	-164,683
Difference between recorded depreciation and depreciation according to plan	-138,100	-16,400
<b>TOTAL</b>	<b>-137,557</b>	<b>-181,083</b>
<b>UNTAXED RESERVES</b>		
Tax allocation reserve, provision made 2012	—	449,374
Tax allocation reserve, provision made 2013	441,894	441,894
Tax allocation reserve, provision made 2014	447,887	447,887
Tax allocation reserve, provision made 2015	507,298	507,298
Tax allocation reserve, provision made 2016	537,145	537,145
Tax allocation reserve, provision made 2017	571,000	602,169
Tax allocation reserve, provision made 2018	480,000	—
Additional depreciation	1,358,539	1,220,440
<b>TOTAL</b>	<b>4,343,763</b>	<b>4,206,207</b>

## 15 Segment reporting

The Group's operations are controlled and reported by unit Segment reporting has been prepared using the same accounting policies applied to the Group as a whole. Revenue and assets per segment are based on the tenant's geographical location whilst assets and liabilities are based on the tenant's physical location.

All revenue is generated in Sweden and all units engage in property management.

For details of larger customers, see Note 4.

No sales between the segments have taken place

'Investments' refer to gross investments in properties, construction of properties in progress and equipment, fixtures and fittings. 'Other operations' refer to operations that are not attributable to the segments.

Net operating income is the most important measure of performance and is reported and followed up on a regular basis by the Group's chief decision-maker. The profit after net operating income is not reported and is not followed up for each segment. Properties are the asset measurement that is reported internally and is followed up for each segment. Internal follow-up of other assets and liabilities only takes place on the overall level for the Group.

Segment information 1 Jan. 2018 - 31 Dec. 2018	South	Mid-Sweden	North	Total, operating segments	Other operations <sup>1</sup>	Group
Rental revenue	1,567,910	2,785,017	1,574,786	5,927,713	-44	5,927,669
Other property management income	48,997	76,280	63,757	189,034	—	189,034
Total income	1,616,907	2,861,297	1,638,543	6,116,747	-44	6,116,703
Operating costs	-279,181	-352,454	-248,447	-880,082	-13,552	-893,634
Maintenance costs	-182,537	-335,549	-157,811	-675,897	-490	-676,387
Property administration	-72,416	-72,400	-58,672	-203,488	-168,907	-372,395
Other property management expenses	-41,204	-125,210	-52,991	-219,405	-16,731	-236,136
Total costs, property management	-575,338	-885,613	-517,921	-1,978,872	-199,680	-2,178,553
<b>NET OPERATING INCOME</b>	<b>1,041,569</b>	<b>1,975,684</b>	<b>1,120,622</b>	<b>4,137,875</b>	<b>-199,724</b>	<b>3,938,151</b>
Central administration costs						-78,069
Net interest income/expense						-267,872
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>						<b>3,592,206</b>
Change in value, properties	322,278	1,531,519	731,233	2,585,030	—	2,585,030
Change in value, financial instruments						-359,632
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>5,817,604</b>
Total assets include:						
Properties	19,570,659	44,927,148	21,367,320	85,865,127	—	85,865,127
of which invested during the year	535,803	1,886,569	419,356	2,841,728	—	2,841,728
<b>Segment information 1 Jan. 2017 - 31 Dec. 2017</b>	<b>South</b>	<b>Mid-Sweden</b>	<b>North</b>	<b>Total, operating segments</b>	<b>Other operations<sup>1</sup></b>	<b>Group</b>
Rental revenue	1,504,067	2,553,792	1,523,781	5,581,640	284	5,581,924
Other property management income	68,307	63,788	92,121	224,216	—	224,216
Total income	1,572,374	2,617,580	1,615,902	5,805,856	284	5,806,140
Operating costs	-233,176	-322,762	-227,765	-783,703	-957	-784,660
Maintenance costs	-157,710	-341,381	-116,353	-615,444	-32	-615,476
Property administration	-50,559	-60,749	-39,004	-150,312	-158,588	-308,900
Other property management expenses	-77,100	-138,536	-53,608	-269,244	1,171	-268,073
Total costs, property management	-518,545	-863,428	-436,730	-1,818,703	-158,406	-1,977,109
<b>NET OPERATING INCOME</b>	<b>1,053,829</b>	<b>1,754,152</b>	<b>1,179,172</b>	<b>3,987,153</b>	<b>-158,122</b>	<b>3,829,031</b>
Central administration costs						-66,809
Net interest income/expense						-188,464
<b>PROFIT BEFORE CHANGES IN VALUE AND TAXES</b>						<b>3,573,758</b>
Change in value, properties	940,159	2,780,678	1,258,529	4,979,366	—	4,979,366
Change in value, financial instruments						-242,268
<b>PROFIT BEFORE TAX ACCORDING TO THE STATEMENT OF COMPREHENSIVE INCOME</b>						<b>8,310,856</b>
Total assets include:						
Properties	18,712,579	41,509,060	20,222,731	80,444,370	—	80,444,370
of which invested during the year	458,353	1,740,123	457,418	2,655,894	—	2,655,894

1) "Other operations" refer to operations that are not attributable to the respective segment.

## 16 Tax

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
<b>TAX ON PROFIT FOR THE YEAR</b>				
<i>Current tax</i>				
Current tax on profit for the year	-314,677	-389,372	-314,677	-389,372
Total current tax	-314,677	-389,372	-314,677	-389,372
<b>DEFERRED TAX ATTRIBUTABLE TO TEMPORARY DIFFERENCES</b>				
Financial instruments	64,851	18,173	64,851	18,173
Properties	-1,006,805	-1,454,600	-96,728	-115,395
Tax allocation reserve	119	-36,230	—	—
Pension provisions	9,705	3,843	—	—
Effect of change in tax rate	743,148	—	154,939	—
Total deferred tax	-188,982	-1,468,814	123,063	-97,222
<b>TOTAL TAX ON PROFIT FOR THE YEAR</b>	<b>-503,659</b>	<b>-1,858,186</b>	<b>-191,615</b>	<b>-486,594</b>

The difference between the reported tax expense and tax expense based on the current tax rate comprises the following components:

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Reported profit before tax	5,817,604	8,310,856	1,685,908	2,076,348
Tax at the current tax rate	-1,279,873	-1,828,388	-370,900	-456,796
<i>Tax effect of expenses that are not tax deductible/taxable (permanent differences):</i>				
Non-deductible expenses	-1,738	-39,151	-1,738	-39,151
Non-taxable revenues	8,658	2,500	8,658	2,500
Taxable standard interest calculated on the tax allocation reserve	-2,340	-1,207	-2,340	-1,207
Effect of change in tax rate	743,148	—	154,939	—
Adjustment of tax expense for previous years	28,486	8,060	19,766	8,060
<b>TOTAL REPORTED TAX EXPENSE</b>	<b>-503,659</b>	<b>-1,858,186</b>	<b>-191,615</b>	<b>-486,594</b>

### REPORTED DEFERRED TAX RECEIVABLES/LIABILITY

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
<i>Deferred tax assets attributable to temporary differences</i>				
Financial instruments	86,325	28,387	86,325	28,387
Pension provisions	51,617	45,420	—	—
Total, reported deferred tax receivables	137,942	73,807	86,325	28,387
<i>Deferred tax liabilities attributable to temporary differences</i>				
Tax allocation reserve	-656,749	-656,869	—	—
Properties	-11,110,875	-10,859,206	-2,283,767	-2,342,247
Cash flow hedges	—	-1,248	—	-1,248
Other	—	-24	—	-43
Total, reported deferred tax liability	-11,767,624	-11,517,347	-2,283,767	-2,343,538
<b>TOTAL, REPORTED DEFERRED TAX LIABILITY</b>	<b>-11,629,682</b>	<b>-11,443,540</b>	<b>-2,197,442</b>	<b>-2,315,151</b>

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Cash flow hedge				
- currency derivatives	—	320	—	320
- electricity derivatives	—	508	—	508
- actuarial gains and losses	8,193	6,306	—	—
<b>TOTAL DEFERRED TAX REPORTED IN OTHER COMPREHENSIVE INCOME</b>	<b>8,193</b>	<b>7,134</b>	<b>0</b>	<b>828</b>



## 17 Dividend

The dividend paid to the shareholder on 02 May 2018 totalled SEK 1,630,000,000 (1,393,000,000). The dividend per share was SEK 763.47 (652.46).

As regards the dividend for the year, the Board proposes a dividend of SEK 778.92 per share, for a total of SEK 1,663,000,000, to be paid to the shareholder as instructed by the owner. A decision regarding a dividend will be reached by the shareholder at the Annual General Meeting. The dividend has not been recorded as a liability in the Annual Report.

Available for allocation at the Annual General Meeting:

Profit brought forward	SEK 912,820,348
Profit for the year	SEK 1,494,292,155
<b>Total</b>	<b>SEK 2,407,112,503</b>

The Board of Directors and the President propose that the profit be allocated in such a way that SEK 1,663,000,000 is paid to the shareholder and SEK 744,112,503 is carried forward.

### PROFIT USED AS A BASIS FOR CALCULATION OF DIVIDEND, SEK M

	Outcome consolidated results	Changes in value in the Group	Profit used for calculation of dividend
Income from property management	6,117		6,117
Property management expenses	-2,179		-2,179
<b>NET OPERATING INCOME</b>	<b>3,938</b>		<b>3,938</b>
Central administration costs	-78		-78
Net interest income/expense	-268		-268
<b>PROFIT BEFORE CHANGES IN VALUE AND TAX</b>	<b>3,592</b>		<b>3,592</b>
Changes in value, properties	2,585	-2,585	—
Changes in value, financial instruments	-360	320	-40
<b>PROFIT/LOSS BEFORE APPROPRIATIONS AND TAX</b>	<b>5,818</b>	<b>-2,265</b>	<b>3,552</b>
Tax/current tax	-1,247	467	-780
Effect of changed tax rate	743	-743	—
<b>PROFIT AFTER TAX</b>	<b>5,314</b>	<b>-2,541</b>	<b>2,772</b>

Dividend, 60% of the profit available for the payment of a dividend 1,663

The dividend as decided at the Annual General Meeting held on 27 April 2018 was SEK 1,630 million.

## 18 Equipment, fixtures and fittings

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Opening acquisition value	77,199	76,255	77,199	76,255
Purchases	21,470	945	21,470	945
<b>CLOSING ACCUMULATED ACQUISITION VALUE</b>	<b>98,669</b>	<b>77,200</b>	<b>98,669</b>	<b>77,200</b>
Opening depreciation	-69,082	-65,151	-69,082	-65,151
Depreciation for the year	-6,368	-3,932	-6,368	-3,932
<b>CLOSING ACCUMULATED DEPRECIATION</b>	<b>-75,450</b>	<b>-69,083</b>	<b>-75,450</b>	<b>-69,083</b>
<b>CARRYING AMOUNT</b>	<b>23,219</b>	<b>8,117</b>	<b>23,219</b>	<b>8,117</b>

## 19 Shares in Group companies

	Parent Company	
	31 Dec. 2018	31 Dec. 2017
Opening acquisition value	650	650
Acquisition of subsidiaries	—	—
Sale of subsidiaries	—	—
<b>CARRYING AMOUNT</b>	<b>650</b>	<b>650</b>

Specification of the Parent Company's shareholdings in Group companies:

Subsidiaries	Company reg. no.	Registered office	Total number of shares	Share of equity in % <sup>1)</sup>	Parent Company	
					31 Dec. 2018 Carrying amount	31 Dec. 2017 Carrying amount
Akademiska Hus Utveckling och Support AB	556610-2975	Gothenburg	500 (500)	100 (100)	500	500
Kunskapsmiljön 7 AB	556966-0037	Gothenburg	500 (500)	100 (100)	50	50
Akademiska Hus Holding AB	556981-6803	Gothenburg	100 (100)	100 (100)	100	100
<b>TOTAL</b>					<b>650</b>	<b>650</b>

1) Corresponds to the number of votes.

## 20 Loans and financial instruments

All amounts apply to both the Group and the Parent Company unless otherwise indicated.

### FINANCIAL INSTRUMENTS BY CATEGORY, SEK 1,000

	2018					Total carrying amount	Total fair value
	Derivatives for hedging. Measured at fair value through profit and loss	Measured at fair value through profit and loss	Measured at amortised cost	Fair value through other comprehensive income			
<b>Non-current assets</b>							
Currency derivatives							
Interest rate derivatives		805,937			805,937	805,937	
Cross currency interest rate swaps	791,999				791,999	791,999	
Electricity derivatives		16,324			16,324	16,324	
<b>TOTAL NON-CURRENT ASSETS</b>	<b>791,999</b>	<b>822,261</b>	<b>—</b>	<b>—</b>	<b>1,614,260</b>	<b>1,614,260</b>	
<b>Current assets</b>							
Currency derivatives							
Interest rate derivatives		25,439			25,439	25,439	
Cross currency interest rate swaps							
Electricity derivatives		41,408			41,408	41,408	
Current investments		1,841,605			1,841,605	1,841,605	
Accounts receivable			651,707		651,707	651,707	
Cash and cash equivalents			1,462,187		1,462,187	1,462,187	
<b>TOTAL CURRENT ASSETS</b>	<b>—</b>	<b>1,908,452</b>	<b>2,113,894</b>	<b>—</b>	<b>4,022,346</b>	<b>4,022,346</b>	
<b>Non-current liabilities</b>							
Currency derivatives							
Interest rate derivatives		829,817			829,817	829,817	
Cross currency interest rate swaps	111,513				111,513	111,513	
Electricity derivatives							
Foreign bonds		15,220,104			15,220,104	15,220,104	
Swedish bonds			11,719,726		11,719,726	13,727,590	
Other loans			1,322,137		1,322,137	1,033,211	
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>111,513</b>	<b>16,049,92</b>	<b>13,041,863</b>	<b>—</b>	<b>29,203,297</b>	<b>30,922,235</b>	
<b>Current liabilities</b>							
Currency derivatives							
Interest rate derivatives		28,267			28,267	28,267	
Cross currency interest rate swaps		107,857			107,857	107,857	
Electricity derivatives							
ECP			2,800,067		2,800,067	2,854,672	
Foreign bonds							
Swedish bonds			2,443,110		2,443,110	2,455,813	
Other loans			15,514		15,514	15,514	
Accounts payable			415,958		415,958	415,958	
<b>TOTAL CURRENT LIABILITIES</b>	<b>—</b>	<b>136,124</b>	<b>5,674,649</b>	<b>—</b>	<b>5,810,773</b>	<b>5,878,081</b>	

1) The amount shown in the table is the Group's cash and cash equivalents. The Parent Company has KSEK 1,462,043 in cash and cash equivalents. All derivatives are held for hedging purposes. The fair value of accounts receivable, cash and cash equivalents and accounts payable corresponds to the carrying amount.

### Loans

The Group's financing takes place mainly through the public financing programmes. Through their standardised terms and conditions, these permit rational, cost-effective financing. The Group has international ECP and EMTN programmes, as well as a domestic commercial paper programme. The MTN programme has not been updated since 2009. Bank financing is used to a limited extent. The average capital for bank financing during 2018 was SEK 103 million (258).

Loans in the Group are reported at amortised cost. The Group's risk management is presented in Note 21 Financial risk management.

### FINANCING COST

Net interest income and expense amounted to SEK -628 million (-430) and the average net liability portfolio was SEK 29,941 million (27,265). The financing cost amounted to 2.30 per cent (1.79), calculated as interest expense in relation to average interest-bearing net loan liability, excluding cash and bank holdings. The changes in value in the financial derivative instruments correspond to an increase in interest expense of 1.33 per cent (0.85).

## FINANCIAL INSTRUMENTS BY CATEGORY, SEK 1,000

	2017					
	Derivatives for hedging. Measured at fair value through profit and loss	Measured at fair value through profit and loss	Measured at amortised cost	Fair value through other compre- hensive income	Total carrying amount	Total fair value
Non-current assets						
Currency derivatives						
Interest rate derivatives		605,161			605,161	605,161
Cross currency interest rate swaps	448,197				448,197	448,197
Electricity derivatives						
<b>TOTAL NON-CURRENT ASSETS</b>	<b>448,197</b>	<b>605,161</b>	<b>—</b>	<b>—</b>	<b>1,053,358</b>	<b>1,053,358</b>
Current assets						
Currency derivatives						
Interest rate derivatives		16,856			16,856	16,856
Cross currency interest rate swaps	578,228				578,228	578,228
Electricity derivatives						
Current investments		5,480,660			5,480,660	5,480,660
Accounts receivable			316,423		316,423	316,423
Cash and cash equivalents			998,824		998,824	998,824
<b>TOTAL CURRENT ASSETS</b>	<b>578,228</b>	<b>5,500,187</b>	<b>1,315,247</b>	<b>—</b>	<b>7,393,662</b>	<b>7,393,662</b>
Non-current liabilities						
Currency derivatives						
Interest rate derivatives		528,433			528,433	528,433
Cross currency interest rate swaps	413,342				413,342	413,342
Electricity derivatives						
Foreign bonds		10,581,000		6,307	10,581,000	10,581,000
Swedish bonds			13,278,651		13,278,651	14,943,246
Other loans			1,338,689		1,338,689	1,428,358
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>413,342</b>	<b>11,109,433</b>	<b>14,617,340</b>	<b>6,307</b>	<b>26,133,808</b>	<b>27,888,072</b>
Current liabilities						
Currency derivatives						
Interest rate derivatives		52,506			52,506	52,506
Cross currency interest rate swaps		14,722			14,722	14,722
Electricity derivatives						
ECP			4,768,714	1,293	4,768,714	4,774,000
Foreign bonds		2,127,729			2,127,729	2,127,729
Swedish bonds			3,391,240		3,391,240	1,902,000
Other loans			-746,370		-746,370	-746,370
Accounts payable			492,159		492,159	492,159
<b>TOTAL CURRENT LIABILITIES</b>	<b>—</b>	<b>2,194,957</b>	<b>7,905,743</b>	<b>1,293</b>	<b>10,101,993</b>	<b>8,618,039</b>

2) The amount shown in the table is the Group's cash and cash equivalents. The Parent Company has TSEK 998,678 in cash and cash equivalents. All derivatives are held for hedging purposes. The fair value of accounts receivable, cash and cash equivalents and accounts payable corresponds to the carrying amount.

FINANCING COST, BREAKDOWN, %

	2018	2017	2016	2015	2014
Loan financing cost, including charges, %	0.88	0.74	0.83	1.38	2.01
Interest swaps, net interest, %	0.09	0.20	0.47	0.58	0.42
<b>Financing cost, %</b>	<b>0.97</b>	<b>0.94</b>	<b>1.30</b>	<b>1.96</b>	<b>2.43</b>
Changes in value, financial derivatives, %	1.33	0.85	0.85	-0.74	2.61
<b>TOTAL FINANCING COST</b>	<b>2.30</b>	<b>1.79</b>	<b>2.15</b>	<b>1.22</b>	<b>5.04</b>

EFFECT OF FINANCIAL DERIVATIVES ON PROFIT

Independent interest rate derivatives are reported at market value (fair value) and variations in market value are recognised in net interest income and expense. Interest derivatives are mainly entered into to extend the fixed interest period in the liability portfolio, which largely consists of financing at variable interest rates. Falling interest rates entail a negative impact on profit from these interest rate derivatives; the opposite is true when interest rates rise. The changes in value relate to the changed present value of future cash flows from interest rate derivatives, at prevailing interest rates. Consequently these do not have any immediate effect on cash flow, as long as they remain unrealised. Certain interest rate derivatives are closed and settled on an ongoing basis (monthly or quarterly) and replaced with new ones, which means that profits are continuously realised. Falling interest rates, combined with interest rate derivatives for purposes of extension, mean that interest expense will be higher than if the extension had not been implemented. However, the lower interest rate can be used when refinanc-

ing and with sales of fixed interest at a later date. As time passes, no surplus or deficit values of interest rate derivatives will remain at maturity.

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

Financial instruments valued at fair value

The following table shows the financial assets and liabilities that are valued at fair value. They are classified in a hierarchy, comprising three levels and based on the information used to set their fair value.

Level 1 refers to when fair value is set based on listed prices on active markets for identical assets and liabilities.

Level 2 refers to when fair value is set based on observable data other than listed prices on active markets. Level 3 refers to when the set fair value is essentially based on data that is not observable, i.e. the Company's own assumptions. The fair value of financial assets and liabilities is set by using information that is attributable to one or more of the above-mentioned levels.

The classification is determined by the lowest level in the hierarchy for the information that has a material impact on the value. The Group mainly holds derivatives that are on level 2. The valuation of the instruments is done according to the zero coupon method, which means that all the future cash flows of the instrument are set at the current value. The zero coupon interest rates used to discount the cash flows are calculated with the aid of STIBOR/LIBOR for short-term interest rates and swap notations for longer terms. The source of this information is real-time data from Thomson/Reuters.

2018	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Financial assets measured at fair value through profit and loss				
Current investments		1,841,605		1,841,605
Stand alone derivatives		889,108		889,108
Fair value hedges		791,999		791,999
Other investments				—
<b>TOTAL ASSETS</b>	—	<b>3,522,712</b>	—	<b>3,522,712</b>
Liabilities measured at fair value through profit and loss				
Stand alone derivatives		-965,941		-965,941
Fair value hedges		-111,513		-111,513
Bonds (fair value)		-15,220,104		-15,220,104
<b>TOTAL LIABILITIES</b>	—	<b>-16,297,558</b>	—	<b>-16,297,558</b>

2017	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Financial assets measured at fair value through profit and loss				
Current investments		5,480,660		5,480,660
Stand alone derivatives		624,688		624,688
Fair value hedges		1,026,425		1,026,425
Other investments				—
<b>TOTAL ASSETS</b>	—	<b>7,131,773</b>	—	<b>7,131,773</b>
Liabilities measured at fair value through profit and loss				
Stand alone derivatives		-595,661		-595,661
Fair value hedges		-413,342		-413,342
Bonds (fair value)		-12,708,729		-12,708,729
<b>TOTAL LIABILITIES</b>	—	<b>-13,717,732</b>	—	<b>-13,717,732</b>

No moves between levels were made during the year.

Fair value measurement	Measurement method	31 Dec. 2018		31 Dec. 2017	
		Fair value	Impact on profit	Fair value	Impact on profit
Derivatives — stand alone and in hedge relationship	Discounted cash flows: The valuation model uses the present value of future cash flows	603,653	-235,113	642,110	-128,735
Current investments: Commercial paper	Discounted cash flows: The valuation model uses the present value of future cash flows	1,841,605	-1,649	5,480,660	-442
Bond	Discounted cash flows: The valuation model uses the present value of future cash flows	-15,220,104	-124,519	-12,708,729	-113,533

## MATERIAL CONTRACTUAL TERMS AND CONDITIONS

The general terms and conditions for the EMTN and MTN programmes include a clause which specifies that if the Swedish state ceases, directly or indirectly, to hold more than 50 per cent of the shares, equivalent to more than 50 per cent of the shareholding and more than 50 per cent of the votes, the loans and any interest shall fall due for repayment immediately. The contractual terms and conditions for the short-term financing programmes do not include any equivalent undertaking. Ever since the programmes were established, the Group's policy has been not to accept any terms and conditions that require, for example, that a certain rating, equity ratio or interest coverage ratio be maintained.

## HEDGE ACCOUNTING

When financing in a foreign currency, all future cash flows are hedged so that the exchange risk is eliminated. Through cross currency interest rate swaps, all interest payments, both fixed and variable, are hedged as well as future repayments. All the measures taken have the express purpose of hedging and eliminating exchange rate risk so that all financing is denominated in SEK. Effective hedging means that changes in the value of the hedged position and the hedging transaction counteract each other.

Capital management, SEK 1,000	Group		Parent Company	
	2018	2017	2018	2017
<b>Gross debt</b>	<b>-33,520,658</b>	<b>-34,739,653</b>	<b>-33,520,658</b>	<b>-34,739,653</b>
Assets				
Collateral for derivatives, net	-890,663	-572,629	-890,663	-572,629
Cash and cash equivalents	3,303,792	6,479,484	3,303,792	6,479,484
Current receivables	691,869	856,982	691,869	856,982
<b>Net debt</b>	<b>-30,415,660</b>	<b>-28,975,816</b>	<b>-30,415,660</b>	<b>-27,975,816</b>
Interest-bearing portion of pension liability	-555,339	-496,522	-304,772	-290,069
<b>TOTAL INTERESTBEARING DEBT</b>	<b>-30,970,999</b>	<b>-28,472,338</b>	<b>-30,720,432</b>	<b>-28,265,885</b>

The net debt portfolio has been redefined for the 2018 annual report. Derivatives are now excluded from the concept. All loans are included in gross debt. The net debt portfolio includes some current receivables, cash and cash equivalents and security transfers for derivatives.

## 21 Financial risk management (Group)

Akademiska Hus carries out active debt management where the strategy is to weigh up the financial risks, given the existing mandate, against the desired low and stable financing cost over time. The two key policy documents adopted by the Board are:

- Finance Policy: Describes the long-term strategic orientation, the Group's approach to financial risks and the mandate to handle these risks, as well as the allocation of liability.
- Plan for handling financial risks (Risk Plan): Justifies annual mandates for financial risk management in the light of the risk scenario and existing exposure. Also includes analysis of developments in financial markets, including both opportunities and challenges from the point of view of debt management.

## INTEREST RATE RISK

The term 'interest rate risk' refers to the risk that the Group's net interest income and expense may vary due to a change in market interest rates. A balance must be reached between saving and uncertainty on the one hand and higher costs (risk premium) and predictability on the other. The average fixed interest period is a measure of the sensitivity in net interest income and expense in conjunction with a change in market interest rates; the longer the fixed interest period, the longer it takes for an interest rate change to be reflected in current cash flow. Since it is not possible to achieve a desired fixed interest on individual financing occasions, interest derivatives are used to adjust the fixed interest period.

According to the Finance Policy, there should be a mandate to manage interest rate risk in the three main sub-portfolios as follows:

Long-term bond portfolio – bonds denominated in SEK with fixed interest and maturity terms in excess of 15 years. These bonds represent a significant interest risk exposure, which justifies a separate mandate. The portfolio is therefore permitted to amount to a maximum of 20 per cent (20) of the total

## CAPITAL MANAGEMENT

The Group strives to achieve good growth in profit, financial sustainability and financial capacity. The financial objectives are set to provide a combination of a high return on equity, high growth capacity and financial stability.

According to the owner's financial targets for Akademiska Hus, the dividend should amount to between 40 and 60 per cent of the net profit after tax after reversal of changes in fair value and related deferred tax. When deciding on a dividend, consideration should be given to the Group's capital structure and capital requirements. The equity ratio should be between 30 and 40 per cent and return on operating capital should be at least 6.5 per cent.

At the end of 2018, the equity ratio was 45.8 per cent (43.3) for the Group and 19.4 per cent (19.0) for the Parent Company. After the dividend of SEK 1,663 million proposed by the Board of Directors, the equity ratio will be 44.8 per cent for the Group and 16.7 per cent for the Parent Company.

The Group's capital structure comprises an interest-bearing net debt and equity attributable to the Parent Company's shareholder (share capital, other contributed capital, retained earnings, including profit for the year).

portfolio. At the turn of the year, long-term bonds totalling SEK 5,576 million (4,778) were issued, equivalent to 16.99 per cent (14.07) of the total portfolio.

Index-linked bond portfolio – bonds linked to the real interest rate, must not exceed 10 per cent (10) of the total portfolio. At the turn of the year, index-linked bonds totalling SEK 900 million (900) were issued, equivalent to 2.74 per cent (2.65) of the total portfolio.

Basic portfolio – consists of the remaining portion of commercial paper, ECPs, bonds, loans and interest rate derivatives. The portfolio is managed within an average fixed interest period mandate. The current mandate is a fixed interest period of 3 to 6 years (3 to 6 years). The fixed interest period at the year-end was 4.1 years (4.5), including interest derivatives.

## MATURITY STRUCTURE FOR FIXED INTEREST PERIODS AND LIABILITY MATURITY, SEK M

	Fixed interest, SEK m	Maturity, SEK m
2019	16,829	5,246
2020-2024	8,914	9,040
2025-2029	1,400	6,546
2030-2034	200	776
2035-2039	1,895	2,626
2040-2044	2,736	5,812
2045-2049	705	2,633
<b>TOTAL</b>	<b>32,679</b>	<b>32,679</b>

The table above shows the nominal amounts. The nominal amounts have been recalculated at the year-end rate. A positive figure means that the Group pays interest and a negative figure means that the Group receives interest.



Cross currency interest rate swaps affect the financial position and earnings of the Group as shown in the tables below. Hedge accounting is applied for cross currency interest rate swaps.

SEK 1,000	2018				
CROSS CURRENCY INTEREST RATE DERIVATIVES WHERE HEDGE ACCOUNTING IS APPLIED	AUD	CHF	EUR	HKD	USD
Carrying amount (SEK 1,000)	-1,284	581,954	96,537	1,625	1,653
Nominal amount in each currency	91,000	850,000	440,000	1,314,000	100,000
Maturity	2026-2032	2021-2044	2032-2048	2021	2023-2027
Hedge ratio	1:1	1:1	1:1	1:1	1:1
Change in value for outstanding derivatives since 1 January SEK 1,000	1,656	348,083	103,566	120,038	62,399
Change in value of the hedged item to determine effectiveness SEK 1,000	1,294	-448,824	-197,615	-105,427	-52,930
Weighted average for forward rate during the year	3.52	0.82	1.74	1.86	2.78

SEK 1,000	2017					
CROSS CURRENCY INTEREST RATE DERIVATIVES WHERE HEDGE ACCOUNTING IS APPLIED	JPY	AUD	CHF	EUR	HKD	USD
Carrying amount (SEK 1,000)	160,888	-2,763	669,006	-34,120	-118,913	-61,015
Nominal amount in each currency	10,000,000	91,000	950,000	180,000	1,314,000	100,000
Maturity	2018	2026-2032	2018-2029	2032-2045	2021	2023-2027
Hedge ratio	1:1	1:1	1:1	1:1	1:1	1:1
Change in value for outstanding derivatives since 1 January SEK 1,000	-68,044	-2,110	-606,778	-58,488	-145,125	-89,033
Change in value of the hedged item to determine effectiveness SEK 1,000	86,051	-2,039	504,866	14,468	120,829	64,184
Weighted average for forward rate during the year	1.84	3.52	1.19	1.63	1.86	2.78

In conjunction with debt issuance denominated in foreign currency, Akademiska Hus enters into cross currency interest rate swaps where the critical terms are identical for the hedged item and the hedging instrument. Accounting ineffectiveness arise since the basis spreads only affect the market valuation of derivatives and not the valuation of the issued bonds.

Interest rate swaps affect the financial position and earnings of the Group as shown in the table below:

	2018	2017
Interest rate derivatives where hedge accounting is not applied, SEK 1,000	Fair value	Fair value
Carrying amount	-106,298	64,676
Nominal amount	3,600,000	2,600,000
Maturity	2019-2028	2018-2023

The table above shows the nominal amount and maturity for the swaps that are current as at the closing day. Nominal amount for forward starting swaps is SEK 9,600,000 thousand (8,900,000).

#### Interest sensitivity

Akademiska Hus is sensitive to higher/lower interest expense due to changes in interest rates. Interest risk shows a change in value in SEK 1,000 at an interest rate movement of one basis point. This interest sensitivity amounts to SEK 22,160 thousand (20,655) at year-end.

#### FOREIGN CURRENCY RISK

A foreign currency risk is the risk that exchange rate changes will have an impact on the Income Statements and Consolidated Statement of financial positions. According to the Finance Policy, all foreign currency risk in conjunction with financing in foreign currency should be eliminated since the operation is denominated exclusively in SEK. All cash flows in foreign currency attributable to financing are therefore hedged with forward rate agreements and cross currency swaps.

#### CURRENCY BREAKDOWN, LOANS AND DERIVATIVES, SEK M

Original currency	Loans	Derivatives	Total
AUD	568	-568	0
CHF	7,648	-7,648	0
EUR	4,460	-4,460	0
HKD	1,488	-1,488	0
SEK	15,469	17,089	32,558
USD	3,697	-3,697	0
<b>TOTAL</b>	<b>33,330</b>	<b>-772</b>	<b>32,558</b>

The table above shows the nominal amounts. The nominal amounts have been recalculated at the year-end rate.

Currency derivatives affect the financial position and earnings of the Group as follows:

Currency derivatives where hedge accounting is not applied, SEK 1,000	2018	2017
Carrying amount	-28,267	-36,650
Nominal amount	2,858,118	4,559,850
Maturity	2019	2018

#### LIQUIDITY AND REFINANCING RISK

Refers to the risk that the Group will be exposed to higher expenses than expected or that financing potential is limited when loans are due to be refinanced. The aim is to limit the costs by seeking to strike a balance between short-term, medium-term and long-term financing, and endeavouring to achieve diversification between different financing arrangements and markets. The Group's extremely high creditworthiness allows a diversified supply of credit through the public financing programmes.

According to the maturity mandate, a maximum of 40 per cent (45) may fall due for refinancing within a 12-month period. At the year-end the percentage maturing within 12 months was 16.1% (26.5%). Unutilised credit facilities should be in place to guarantee good payment capacity.

The Group's cash and bank balances at the end of 2018 totalled SEK 3,304 million (6,479). At year-end, there were also committed credit facilities in banks for a total of SEK 5,500 million (3,000).

**FINANCE PROGRAMMES AND RATING**

	Rating Standard & Poor's	Rating Moody's	Framework 31 Dec. 2018	Utilised, nominal 31 Dec. 2018
Committed credit facilities in bank			SEK 5,500 m	0
Commercial paper	A1+/K1		SEK 4,000 m	0
ECP (Euro Commercial Paper)	A1+	P-1	EUR 1,200 m	EUR 277 m
MTN (Medium Term Note) <sup>1)</sup>	AA		SEK 8,000 m	SEK 770 m
EMTN (Euro Medium Term Note)	AA/A1+		EUR 4,000 m	EUR 2,901 m

1) Not updated since 2009.

The following table shows the remaining contractual term for the Group's financial liabilities. The liquidity flows are not discounted and foreign flows have been translated at the rate on the closing date. For those instruments where the future variable rate of interest is unknown, the rate of interest has been calculated with the aid of the implicit forward interest rates for the yield curve on the closing date.

Use is made primarily of rental revenue to meet the obligations linked to the Group's financial liabilities presented in the table below. The rental revenue falls due for payment quarterly and is subject to long agreement terms. The credit risk associated with rental revenue is considered low.

Liquidity risk, SEK m	Loans	Derivatives	Current investments	Accounts payable	Total
2019	-5,520	-33	1,840	-416	-4,129
2020	-2,658	13			-2,645
2021	-5,328	29			-5,299
2022	-1,293	32			-1,261
2023	-733	119			-614
2024-2028	-6,002	-166			-6,168
2029-2033	-4,444	54			-4,390
2034-2038	-2,782	-181			-2,963
2039-2043	-2,836	-9			-2,845
2044-2048	-3,951				-3,951
<b>TOTAL</b>	<b>-35,547</b>	<b>-142</b>	<b>1,840</b>	<b>-416</b>	<b>-34,265</b>

**CREDIT RISK AND COUNTER-PARTY RISK**

The risk of a loss if a counterparty does not meet its undertakings. The Group is exposed when surplus liquidity is placed in financial assets and in conjunction with claims for change in value of derivatives. The Risk Plan includes a limit system where permitted exposure depends on the credit rating of the counter party, ownership and the term of the commitment. The limits are related to the Group's risk capacity in the form of equity. In addition, investments should be characterised by good liquidity in the secondary market.

The Group's policy is that internationally standardised netting agreements, ISDA agreements, should always be signed with a counterparty before uncleared derivative transactions take place. As at 31 December 2018, the total counterparty exposure in derivatives (calculated as the net claim per counterparty) stood at SEK 683 million (815). With the aim of reducing exposure to a counterparty risk, the Group has entered into a number of supplementary agreements, Credit Support Annexes (CSA), to the ISDA agreements. The agreements mean that the parties mutually undertake to make collateral available in the form of cash and cash equivalents or bonds for the undervalues in outstanding derivative contracts. At the year-end, the Group had received SEK 902 million (627) net.

The table below shows financial assets and liabilities (derivatives) that are not offset in the balance sheet, but are covered by framework agreements for netting or similar agreements:

SEK 1,000	Amounts that are not offset, but are covered by framework agreements for netting or similar agreements		
	2018		
	Carrying amount	Collateral	Net
Derivatives financial assets	1,681,107	-1,005,356	675,751
Derivatives financial liabilities	-1,077,454	103,710	-973,744
<b>TOTAL</b>	<b>603,653</b>	<b>-901,646</b>	<b>-297,993</b>

The net amount for 2018 is relatively high because of a difference between the day of valuation and day of transaction for transfer of collateral (GAP risk). During these days certain prices were volatile.

SEK 1,000	Amounts that are not offset, but are covered by framework agreements for netting or similar agreements		
	2017		
	Carrying amount	Collateral	Net
Derivatives financial assets	1,651,114	-857,982	793,132
Derivatives financial liabilities	-1,003,989	231,144	-772,845
<b>TOTAL</b>	<b>647,125</b>	<b>-626,838</b>	<b>20,287</b>

The table below shows the Group's exposure to counterparty risks divided according to different rating categories:

Counter-party risks, excluding rent receivables, SEK m	Receivable	Liability	Collateral received/granted	Net exposure
<b>INSTITUTIONS WITH A LONG RATING</b>				
AA-/Aa3	66	-65	13	-12
A+/A1	-57		-42	-14
A/A2	313		576	-261
A-/A3	53		70	-17
BBB+/Baa1	251	-16	285	-50
<b>INSTITUTIONS WITH ONLY A SHORT RATING</b>				
K-1	400			400
Companies wholly owned by the Swedish state	1,240			1,240
Companies wholly owned by the Swedish state	200			200
<b>TOTAL</b>	<b>2,466</b>	<b>-81</b>	<b>902</b>	<b>1,486</b>

**CREDIT RISK ATTRIBUTABLE TO RENT RECEIVABLES**

A large proportion of the Group's receivables are rent receivables. The maximum credit risk exposure for rent receivables and accounts receivable is equal to their carrying amounts. However, the assessed credit risk in rent receivables is low in the light of the high credit rating of the tenants.

**ELECTRICITY PRICE RISK**

The risk approach and mandate for handling the electricity price risk is governed by the guidelines for purchasing electricity. The term 'electricity price risk' refers to the risk that the future price of electricity will affect the Group's operating costs negatively and with low predictability. With the aim of reducing exposure to changes in the electricity price, different financial commodity hedging instruments are used (electricity derivatives). The Group stipulates a long-term price hedging strategy. Trade in physical electric power (spot) and financial commodity hedging instruments takes place through Nord Pool. To limit the counter-party risk, all financial trading is cleared through third party against which Akademiska Hus pledges and receives security, depending on whether the derivative position has a positive or negative value.

Electricity derivatives affect the financial position and earnings of the Group as follows:

Electricity derivatives where hedge accounting is not applied, SEK 1,000	2018	2017
<b>ELECTRICITY DERIVATIVES</b>		
Carrying amount	57,732	5,014
Nominal amount (MWh)	1,329,785	1,697,832
Maturity	2019-2021	2018-2020

## RISK CONTROL

Ongoing work is being done to improve the level of expertise, routines and internal control. There is strict allocation of responsibility between the Treasury and Risk Control. The unit handles accounting and administration as well as compliance with the mandates. The task of developing and refining analytical support and risk control is ongoing.

## 22 Maturity structure, receivables

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Receivables expected to be cleared within one year of the year-end	2,239,827	1,784,754	2,239,827	1,784,753
Receivables expected to be cleared within 1-5 years of the year-end	1,277,577	838,969	1,277,577	838,969
Receivables expected to be cleared later than five years after the year-end	767,018	1,001,549	767,018	1,001,549
<b>TOTAL</b>	<b>4,284,422</b>	<b>3,625,272</b>	<b>4,284,422</b>	<b>3,625,271</b>

## 23 Other non-current receivables

Other non-interest-bearing receivables will be cleared as follows:

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Cleared within 5 years	199,361	120,851	199,361	120,851
Cleared after 5 years	230,972	88,080	230,972	88,080
<b>TOTAL NON-INTEREST-BEARING RECEIVABLES</b>	<b>430,333</b>	<b>208,931</b>	<b>430,333</b>	<b>208,931</b>

## 24 Rent receivables and accounts receivable

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Rent receivables and accounts receivable	658,138	317,251	658,138	317,251
Provision, doubtful rent receivables and accounts receivable	-6,431	-828	-6,431	-828
<b>TOTAL</b>	<b>651,707</b>	<b>316,423</b>	<b>651,707</b>	<b>316,423</b>

Rent receivables and accounts receivable are reported at amortised cost. The fair value of rent receivables and accounts receivable concurs with the carrying amount as of the year-end and no impairment requirement has been identified.

Of the overdue rent receivables and accounts receivable as at 31 December 2018, KSEK 352,804 were 1-5 days overdue, KSEK 3,488 were 5-30 days over-

due, KSEK 4,815 were 30-60 days overdue and KSEK 22,728 were more than 60 days overdue. Overdue receivables do not include impaired receivables.

The provision for doubtful rent receivables and accounts receivable changed as follows:

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Opening balance	-828	-1,053	-828	-1,053
Provisions for the year	-5,822	-472	-5,822	-472
Established credit losses	219	697	219	697
<b>CLOSING BALANCE</b>	<b>-6,431</b>	<b>-828</b>	<b>-6,431</b>	<b>-828</b>

## 25 Other current receivables

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
VAT receivable	447,148	340,442	447,148	340,442
Settlement, taxes and charges	691,870	856,982	691,870	856,982
Other current receivables	252,418	123,007	252,418	123,006
<b>TOTAL</b>	<b>1,391,436</b>	<b>1,320,431</b>	<b>1,391,436</b>	<b>1,320,430</b>

Other current receivables are reported at amortised cost.

## 26 Prepaid expenses and accrued income

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Accrued rent	45,148	35,539	45,148	35,539
Prepaid operating costs	31,638	30,655	31,638	30,655
Other	17,713	62,179	17,713	62,179
<b>TOTAL</b>	<b>94,499</b>	<b>128,373</b>	<b>94,499</b>	<b>128,373</b>

## 27 Cash and cash equivalents

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Current investments	1,841,605	5,480,660	1,841,605	5,480,660
Cash and bank balances	1,462,187	998,824	1,462,043	998,678
<b>TOTAL</b>	<b>3,303,792</b>	<b>6,479,484</b>	<b>3,303,648</b>	<b>6,479,338</b>

Cash and cash equivalents are recognised and measured at cost. Fair value is equivalent to the carrying amount. Current investments comprise temporary surplus liquidity that is invested in the short term. These investments are measured at fair value. Current investments can be found on level 2 in the fair value hierarchy. Blocked bank funds in respect of pledged assets for exchange-cleared derivatives are included to the amount of KSEK 4,967 (64,148) in the reported amount for cash and bank balances for the Group and the Parent Company. This is a buffer to cover expected daily collateral requirements.

**28** Hedge reserve/Fair value reserve

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Opening balance	6,814	9,592	6,814	9,592
Change in value, derivatives (cash flow hedging)				
- currency derivatives	—	-2,178	—	-2,178
- electricity derivatives	—	-2,154	—	-2,154
Transferred to operating profit	-6,814	726	6,814	726
Tax effect	—	828	—	828
<b>CLOSING BALANCE</b>	<b>0</b>	<b>6,814</b>	<b>0</b>	<b>6,814</b>

In 2018 Akademiska Hus decided to longer apply hedge accounting for cash flow hedges. New hedges are recognised instead at fair value through profit or loss. The tax effect, KSEK 0 (-828), refers to the change for the year. The closing deferred tax receivable/payable is reported in Note 16 Taxes.

**29** Other liabilities

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Other interestbearing liabilities	1,005,356	857,982	1,005,356	857,982
Other non-interestbearing liabilities	286,041	359,391	286,641	359,991
<b>TOTAL</b>	<b>1,291,397</b>	<b>1,217,373</b>	<b>1,291,997</b>	<b>1,217,973</b>

The fair value is equivalent to the carrying amount of other liabilities. The Parent Company has entered into a supplementary agreement, a Credit Support Annex (CSA) to the ISDA agreement, with the aim of handling exposure to counterparty risks in derivatives. The agreement means that the parties mutually undertake to furnish collateral in the form of cash and cash equivalents or securities with a good rating for undervalues in outstanding derivatives. The agreement in turn gives the secured party right of disposal of collateral received. As of the year-end, the Group received collateral through the CSA agreements totalling KSEK 1,005,356 (857,982).

Of the Group's other liabilities, KSEK 1,245,069 falls due for payment within one year of the year-end, KSEK 0 within one to five years of the year-end, and KSEK 46,328 later than five years after the year-end.

**30** Provisions for pensions

The Group's pension commitments include both defined contribution and defined benefit pension plans according to collective bargaining agreements.

**DEFINED CONTRIBUTION PENSION PLANS**

The Group's defined contribution pension plans, ITP1 and Alternative ITP (a pension for high-income earners) and flex pension cover all Group employees. The defined contribution pension plans mainly comprise a retirement pension, sickness pension and family pension. The premiums are paid continuously throughout the year to different insurance companies. The premiums are based on salary.

The total cost for the financial year for defined contribution pension plans excluding payroll tax (Group and Parent Company) amounted to KSEK 27,355 (24,722).

**DEFINED BENEFIT PENSION PLANS**

All Group employees are covered by the Group's defined benefit pension plan, ITP 2. According to this plan, the employees are entitled to pension benefits based on their pensionable income as well as the number of years of service. The pension plan mainly comprises a retirement pension, sickness pension and family pension. The pension commitments are secured through

provisions in the PRI system as well as the ITP plan family pension, sickness pension and occupational group life through insurance premiums. All pension commitments which the Akademiska Hus Group took over from the National Board of Public Building when the Company was formed on 1 October 1993 are defined benefit plans, secured through provisions in the Statement of Financial Position, guaranteed by the National Debt Office and administered by the National Government Employees' Pension Board (SPV). All defined benefit pension commitments are credit-insured by PRI Pensionsgaranti.

The most recent actuarial calculation of the present value of the defined benefit commitment was carried out by an authorised actuary on 31 December 2018. When calculating the present value of the defined benefit commitment and associated costs for employment during the current and previous periods, the Projected Unit Credit Method was used.

The ITP 2 plan exposes the Group to a number of actuarial risks, such as an interest risk, risk regarding life expectancy and the increase in the income base amount.

**Interest risk** – A reduction in the bond rate of interest will increase the pension liability. Possible future falls in the interest rate on first-class mortgage bonds in SEK could thus entail a risk that the Group's pension expense and undertakings could increase.

**Life expectancy risk** – The present value of the defined benefit obligation is calculated with consideration given to the Group's best assessment regarding mortality for members of the plan, both during and after employment. There is a risk that life expectancy will increase for the members of the plan, which would in that case increase both the pension costs and the Group's commitment.

**Salary risk** – The present value of the defined benefit commitment is calculated in the light of future salaries for members of the plan. Major salary increases compared with what was included in the actuarial calculations entail a risk that the Group's liability could increase, as could the Group's pension expense.

**Income base amount** – The present value of the defined benefit obligations is calculated in the light of future increases in the income base amount. A larger increase than assumed in the actuarial calculations means a risk that the Group's liability could increase, as could the Group's pension expense.

The actuarial computation of the pension commitments and pension costs is based on the following assumptions:

Assumptions	2018	2017
Discount rate, %	2.35	2.50
Salary increase, %	3.00	3.00
Inflation, %	2.00	1.90
Income base amount, %	2.50	2.50
Personnel turnover, %	2.00	2.00
Remaining period of service, years	10.70	12.10
Mortality	DUS14	DUS14

Assumptions regarding life expectancy are based on public statistics and experience of mortality calculations in Sweden and have been adopted in consultation with actuarial experts. These assumptions result in the following average remaining life expectancy for a person who retires at the age of 65:

Estimated average remaining life expectancy, years	31 Dec. 2018	31 Dec. 2017
Retirement at the year-end		
Men	21.8	21.8
Women	24.4	24.4
Retirement 20 years after the year-end		
Men	23.6	23.6
Women	25.5	25.5

The following amounts regarding the defined benefit pension cost are reported in the Income Statement:

Amount reported in the Income Statement	2018	2017
Benefits earned during the year	21,011	27,564
Interest on pension provision	12,767	11,547
<b>PARTS OF THE DEFINED BENEFIT PENSION COST REPORTED IN THE PROFIT FOR THE YEAR</b>	<b>33,778</b>	<b>39,111</b>

The defined benefit costs have been reported as a personnel cost and interest cost respectively. The following actuarial gains and losses have been reported under Total comprehensive income:

Total amount reported under Other comprehensive income	31 Dec. 2018	31 Dec. 2017
Actuarial gains and losses that arise as a result of changes in financial assumptions	24,574	41,807
Actuarial gains and losses that arise as a result of changes in experience	15,198	-13,142
<b>TOTAL AMOUNT REPORTED UNDER OTHER COMPREHENSIVE INCOME</b>	<b>39,772</b>	<b>28,665</b>

The change for the period in the defined benefit obligation can be seen in the following table:

Change in the defined benefit obligation for the period	31 Dec. 2018	31 Dec. 2017
Opening balance	496,522	442,794
Service costs during the period	21,011	27,564
Net interest cost	12,767	11,547
Actuarial gains (-)/losses (+)		
Changes in financial assumptions	24,574	41,807
Experience-based adjustments	15,198	-13,142
Pension payments	-14,733	-14,048
<b>CLOSING BALANCE</b>	<b>555,339</b>	<b>496,522</b>

The estimated term of the Group's defined benefit pension commitment can be seen in the following table:

Estimated term for the pension commitment	31 Dec. 2018	31 Dec. 2017
Fall due for payment within one year of the year-end	14,863	14,530
Fall due for payment 1-5 years after the year-end	57,793	55,143
Fall due for payment later than five years after the year-end	482,683	426,849
<b>TOTAL</b>	<b>555,339</b>	<b>496,522</b>

Below is a sensitivity analysis of the defined benefit obligations reflecting changes in the applied assumptions for the discount rate, inflation and wage growth. The sensitivity analysis is based on the change in one assumption while all other assumptions are held constant. Such a scenario is unlikely in practice, and changes in certain assumptions can be correlated.

Sensitivity analysis, pension obligations	31 Dec. 2018	31 Dec. 2017
Recorded pension obligation under the reported assumptions	555,339	496,522
Discount rate increases by 0.5 percentage points	502,101	449,377
Discount rate decreases by 0.5 percentage points	616,162	550,356
Inflation increases by 0.5 percentage points	598,672	534,786
Wage growth increases by 0.5 percentage points	590,405	527,007

### FUTURE PAYMENTS

The Group is expected to pay KSEK 37,584 (33,778) in charges for the defined benefit plan during the forthcoming financial year.

### PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS IN THE PARENT COMPANY

The reported pension liability in the Parent Company comprises:

	31 Dec. 2018	31 Dec. 2017
FPG/PRI pensions	244,951	228,182
Other pensions	59,821	61,887
<b>TOTAL</b>	<b>304,772</b>	<b>290,069</b>

Other pensions in the Parent Company mainly refer to the historical pension liability that was taken over from the National Board of Public Building when the Akademiska Hus Group was founded in 1993.

Pension commitments and provisions for pension commitments for the defined benefit plans in the Parent Company have changed as follows:

	31 Dec. 2018	31 Dec. 2017
Pension commitments		
Opening balance	290,069	282,484
Pension costs, defined benefit plans	18,058	10,265
Interest expense	11,897	11,451
Payments	-15,252	-14,131
<b>CLOSING BALANCE</b>	<b>304,772</b>	<b>290,069</b>

The total pension cost in the Parent Company is broken down as follows:

	2018	2017
Pension costs, defined benefit plans	18,058	10,265
Interest part of the pension cost	11,897	11,451
<b>PENSION COSTS, DEFINED BENEFIT PLANS</b>	<b>29,955</b>	<b>21,716</b>
Pension costs, defined contribution plans	27,355	24,722
Employer's contribution and tax on the yield, other pension costs	13,593	10,942
<b>TOTAL PENSION COSTS</b>	<b>70,903</b>	<b>57,380</b>

### ACTUARIAL ASSUMPTIONS

The actuarial calculation of pension commitments and pension costs in the Parent Company is based on the actuarial assumptions laid down in the PRI system and by the Swedish Financial Supervisory Authority.



**31** Accrued expenses and prepaid income

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Prepaid rental revenue	1,700,135	1,553,637	1,700,135	1,553,637
Accrued salary and personnel costs	43,184	37,730	43,184	37,730
Accrued operating and maintenance costs	106,359	81,371	106,359	81,371
Accrued investments	33,160	1,021	33,160	1,021
Accrued interest	213,665	208,566	213,665	208,566
Other interim liabilities	57,806	67,821	57,806	67,821
<b>TOTAL</b>	<b>2,154,309</b>	<b>1,950,146</b>	<b>2,154,309</b>	<b>1,950,146</b>

**32** Maturity structure, liabilities

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Liabilities due for payment within one year of the year-end	9,210,151	13,222,607	9,212,904	13,225,360
Liabilities due for payment within 1-5 years of the year-end	9,711,837	9,708,292	9,711,837	9,708,291
Liabilities due for payment later than five years after the year-end	31,722,810	28,440,132	22,040,002	19,105,292
<b>TOTAL</b>	<b>50,644,798</b>	<b>51,371,031</b>	<b>40,964,743</b>	<b>42,038,943</b>

**33** Adjustments for items not included in cash flow

	Group		Parent Company	
	2018	2017	2018	2017
Depreciation, etc	6,368	3,932	1,315,493	1,159,923
Change in value, properties	-2,676,962	-5,080,536	—	—
Capital gain (-)/loss (+) on sale of tangible, non-current assets	—	—	-1,423	-168,627
Changes in value, financial instruments	359,797	312,945	359,797	312,945
Cash flow hedge	—	-3,607	—	-3,607
Change in pension provisions and similar commitments	31,581	25,063	29,579	7,585
Other	-33,389	—	-28,227	—
<b>TOTAL</b>	<b>-2,312,605</b>	<b>-4,742,203</b>	<b>1,675,219</b>	<b>1,308,219</b>

**PURCHASE SUM IN CONJUNCTION WITH INVESTMENTS, ACQUISITIONS AND DISPOSALS**

For investments and acquisitions for the period, a total of KSEK 2,776,089 (2,555,667) has been paid, of which KSEK 2,776,089 was paid in cash and cash equivalents. The Parent Company also invested KSEK 0 (0) in shares in subsidiaries. For disposals for the period, a total of KSEK 6,000 (203,750) has been received, of which KSEK 6,000 was received in cash and cash equivalents.

**COMMENTS FINANCING ACTIVITIES**

Opening liabilities for interest-bearing liabilities including derivatives in the Group total KSEK 35,743,642. The closing balance is KSEK 34,598,112. This decrease consists of a negative cash flow of KSEK 1,552,614 from financing activities and changes that do not affect cash flow of KSEK 407,084 relating to amortisation of premiums/discounts, exchange rates and fair value. The equivalent also applies for the Parent Company.

**34** Pledged assets

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Blocked bank funds	4,967	64,148	4,967	64,148
Current investments	114,692	231,144	114,692	231,144
<b>TOTAL</b>	<b>119,659</b>	<b>295,292</b>	<b>119,659</b>	<b>295,292</b>

Unsettled results from transactions as well as standardised computed safety margins using exchange-cleared derivatives have been secured through blocked bank funds.

**35** Contingent liabilities

	Group		Parent Company	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018	31 Dec. 2017
Contingent liability, FPG/PR	4,899	4,564	4,899	4,564
<b>TOTAL</b>	<b>4,899</b>	<b>4,564</b>	<b>4,899</b>	<b>4,564</b>

**36** Transactions with related parties

In conjunction with intra-Group purchases and sales, the same pricing principles are applied as would have been the case in transactions with an external party. Intra-Group property purchases and sales take place subject to a fiscal residual value. Purchases and sales of other current assets take place at the carrying amount. There were no transactions with the President, Board of Directors or senior executives, apart from salary and other remuneration, see Note 10. Transactions with Group companies are shown in the table below.

	Group		Parent Company	
	2018	2017	2018	2017
<b>Income</b>				
Companies within the Akademiska Hus Group	—	—	—	—
<b>TOTAL</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Liabilities</b>				
Companies within the Akademiska Hus Group	—	—	2,153	2,153
<b>TOTAL</b>	<b>—</b>	<b>—</b>	<b>2,153</b>	<b>2,153</b>

**37** Events after the year-end

A sales agreement was signed with the Swedish University of Agricultural Sciences (SLU) for part of the property Ultuna 2:23. The buyer will take possession on 1 March 2019. The purchase price is SEK 355 million.

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# Certification

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The Board of Directors and the President hereby certify that the Annual Report has been prepared in accordance with the Annual Accounts Act and RFR 2 and provides a fair picture of the Company's position and results and that the Administration Report provides a fair overview of the development of the Group's operations, position and results and describes material risks and uncertainties facing the Company.

The Board of Directors and the President hereby certify that the Consolidated Accounts have been prepared in accordance with Inter-

national Financial Reporting Standards (IFRS), as endorsed by the EU, and provide a fair picture of the Group's position and results and that the Administration Report for the Group provides a fair overview of the development of the Group's operations, position and results and describes material risks and uncertainties facing the companies that form part of the Group.

The Sustainability Report for 2018 has been approved for publication by the Board of Directors and the CEO.

Gothenburg, 14 March 2019

Anitra Steen  
Chairman

Britta Burreau  
Board member

Peter Gudmundson  
Board member

Thomas Jennlinger  
Employee representative

Anders Larsson  
Employee representative

Anna Magnusson  
Board member

Christer Nerlich  
Board member

Örjan Wikforss  
Board member

Ingemar Ziegler  
Board member

Kerstin Lindberg Göransson  
President

Our Audit Report was submitted on 15 March 2019.

Öhrlings PricewaterhouseCoopers AB  
Helena Ehrenborg  
Authorised Public Accountant

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# Audit Report

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To the General Meeting of Shareholders of Akademiska Hus AB, Corp. Id. No. 556459-9156

## REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

### Opinions

We have audited the annual accounts and the consolidated financial statements of Akademiska Hus AB for 2018, with the exception of the Corporate Governance Report on pages 48-55. The annual accounts and consolidated accounts of the company are included on pages 37-95 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not include the Corporate Governance Report found on pages 48-55. The statutory Administration Report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the Group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Parent Company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis of Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. The auditors' responsibility according to these standards is described in detail in the section Auditor's Responsibility. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden, and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other disclosure

The audit of the annual accounts for the financial year 2017 has been performed by another auditor, who submitted an Auditor's Report on the 16 March 2018 with a non-modified opinion in the Report on the annual accounts and the consolidated accounts.

### Our audit approach

#### *Emphasis and scope of the audit*

The Group's operations comprise owning, developing and managing properties for universities and other higher education institutions, with a main focus on education and research. In Akademiska Hus' operations it is, above all, the large impact on the financial statements of the assessments and estimates made by the Board and management that impact our risk assessment. In our opinion, the largest risk of misstatements in the Annual Report stems from the valuation of properties. In addition to this, we have identified a number of other risks and key areas which have impacted the financial statements.

Our audit comprises the review of all significant properties and business processes for the financial reporting, including rent process, purchase process, financing process and valuation process.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

#### *Materiality*

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole (see the table below). These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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#### *Materiality*

- Overall materiality: SEK 930 million, corresponding to 1% of the Group's total assets.
- Special materiality: SEK 190 million, corresponding to 5% the Group's profit before tax, excluding changes in value of investment properties and financial instruments. Used as our starting point in the audit of items in the income statement and balance sheet related to property management.

#### *Audit scope*

Our audit is based a Group audit method. This means that our audit is focused on central business processes and the audit of investment properties from a Group perspective. The overall aim of the audit is to evaluate whether Akademiska Hus' Annual Report has been prepared in accordance with IFRS.

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#### *Key Audit Matters*

- Valuation of Investment Properties
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**Key Audit Matters**

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These

matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

**Key audit matter****How our audit addressed the Key audit matter***Measurement of investment properties*

We refer to the Administration Report and the description of the Akademiska Hus Group's summary of General accounting policies, Note 2, and Changes in the value of investment properties, Note 12.

As of the 31 December 2018, the value of the investment properties was SEK 85.9 billion. The investment properties comprise a significant part of the balance sheet, and the measurement of the investment properties are, by their nature, subjective and subject to management's assessments of, for example, the specific property's location, condition and future rent income.

Fair value of the Group's property portfolio is based on internal calculations, mainly by applying measurement of cash flows. For a minor part of the property portfolio, the location price method is used or, alternatively, measurement at cost. In order to ensure the quality of the internal measurements, external measurements have been collected as well for approximately 27% of the value of the property portfolio.

When determining the fair value of the properties, consideration is taken to current information, such as current rent agreements, assessment of rent levels and operating costs. In order to arrive at the final valuations, the Company uses assessments and make estimates about future returns, net operating costs and assessed market rent, which are impacted by current requirements of direct yield and comparable market transactions.

The significance of the assessment and estimates that are included in the determination of the fair value is significant, together with the fact that the amounts are significant, make the measurement of investment properties to a key audit matter.

Our audit has, among other areas, focused on the Company's internal control and quality control concerning measurements made as of the 31 December 2018. The audit team, including our evaluation specialists, has collected and reviewed a sample of the evaluation reports in order to assess the cash flow evaluation applied by Akademiska Hus, the mathematical correctness and the reasonability of assessment made.

Our audit has, among other task, included the following audit procedures

- Checked that the measurements are in accordance with Akademiska Hus' guidelines and instructions for property valuation.
- Reviewed, by samples, significant controls in the Group's internal valuation process.
- Sampled the mathematical calculations of the model.
- Assessed input through sampled follow-up against historical outcomes and compared with accessible market data.
- We have had meeting with management to discuss significant assessments and evaluations.
- Sampled input in the calculation models against information in relevant systems.
- Taken part of the external valuations and compared these to the internal calculations.

Our work has been focused on the largest investment properties, the most significant assessments and the properties where values have varied most compared to last year. In the cases where assessments of future operating costs net, occupancy grade and requirements of returns have deviated from our initial expectations, these deviations have been discussed with representatives of the Group and, when needed, complementing documentation has been collected.

Finally, we have certified that the models used, that the assessments and sensibility analyses made by Akademiska Hus, are described correctly in Note 12.



#### **Other information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-36 and 102-115. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information, and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and the consolidated financial statements, the Board of Directors and the Managing Director are responsible for the assessment of the Company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and application of the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the Board of Directors intends to liquidate the Company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the Company's financial reporting process.

#### **Auditors' responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated financial statements.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionens's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is a part of the Auditors' Report.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### **Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Akademiska Hus AB for the year 2018 and the proposed appropriations of the Company's profit or loss. We recommend that the meeting of the General Meeting allocate the profit in accordance with the proposal in the Administration Report and grant the members of the Board and the Managing Director discharge from liability for the financial year.

##### **Basis of Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the Company's and the Group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the Company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the Company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

**Auditors' responsibility**

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the Company;
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.
- 

Our goal with the audit of the proposal of allocation of the Company's profit or loss, and therefore our opinion thereof is to, with reasonable assurance assess whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect acts and omissions which can give rise to liability to the Company, or that the proposed allocation of earnings or loss is not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration can be found on the web page of The Swedish Inspectorate of Auditors (Revisorsinspektionen): [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is a part of the Auditors' Report.

**The auditor's examination of the corporate governance report**

The Board of Directors is responsible for that the corporate governance statement on pages 48-55 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of Akademiska Hus AB by the general meeting of the shareholders on the 27 April 2018 and has been the company's auditor since the 27 April 2018.

Stockholm, 15 March 2019  
Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg  
Authorised Public Accountant

# Sustainability notes

## ABOUT AKADEMISKA HUS' SUSTAINABILITY REPORT

The Annual Report is Akademiska Hus' sustainability report and follows the guidelines in the Global Reporting Initiative (GRI) framework. As of 2018, the report has been prepared in accordance with GRI Standards at the Core level. GRI indicators 205-1, 303-5, 305-1, 305-3, CRE-3, 307-1, 403-1 to 403-10 are new for 2018 and are a complement to the reporting to provide increased transparency regarding important areas. Akademiska Hus aims to fully integrate sustainability into its regular operations, for which reason the description for the most part is incorporated into the regular structure of the Annual Report. The Company has transitioned from GRI G4 to GRI Standards with the 2018 financial year. For increased transparency and clarity, information about boundaries, responsibilities, follow up and governance is provided for each sustainability aspect in the sustainability notes on page 103.

Since 2013 Akademiska Hus has supported the UN Global Compact and thus takes a stand and accepts responsibility for the ten principles relating to human rights, labour rights, the environment and anti-corruption issues, which comprise the base of the Global Compact's mission. The report serves as our Communication on Progress and is an account of our support linked to both the ten principles of the Global Compact and the UN's 17 global sustainability goals.

The Sustainability Report of Akademiska Hus follows the financial year, is published annually and covers the entire Group, see Note 1. The Sustainability Report includes pages 4–5, 12–32, 43–47 and 100–110 and also includes Akademiska Hus' statutory sustainability reporting in accordance with chapter 6 of the Annual Accounts Act. Akademiska Hus' external auditors examined the information and the Auditor's Limited Assurance Report on the Sustainability Report and statement regarding the Statutory Sustainability Report are presented on page 111. The previous Annual Report was published on 23 March 2018.

No significant changes occurred in the organisation or in our supply chain in 2018, but Akademiska Hus' property portfolio has changed somewhat due to sales, acquisition and completion of new buildings/projects. The changes do not significantly affect the sustainability report, but need to be considered when comparing energy consumption and other emissions. No significant changes in the scope or boundaries of GRI reporting have been made from previous years and relevant boundaries are described under each sub-area.

## CONTACT

Mia Edofsson *Sustainability Manager*  
mia.edofsson@akademiskahus.se

## DIALOGUE WITH STAKEHOLDERS AND MATERIALITY ANALYSIS

Akademiska Hus' most important stakeholder groups are described on page 13. The dialogue with stakeholders and mapping of their expectations of our operations are fundamental to value creation. We continually engage in dialogue with our stakeholders. For more information about the materiality analysis, see page 12–13.

## FORMATS FOR STAKEHOLDER DIALOGUES

### Customers (and their employees)

- Meetings with various executives
- Development of campus plans
- Customer satisfaction surveys

### Students and researchers

- Interviews and meetings on campus

### Employees

- Performance reviews and goal-setting process

### Suppliers

- Meetings related to procurement of framework contracts and orders, as well as supplier meetings
- Startup meetings
- Audits

### Local and business communities

- Regional and city-wide planning and development meetings
- Meetings to discuss establishment plans
- Meetings with and participation in interest groups and industry organisations

### Owner

- Annual strategy seminar
- Meetings with a focus on corporate governance
- Board meetings

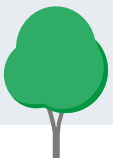
### Lenders, banks and credit rating agencies

- Meetings out in conjunction with financial reports
- Meetings

Based on the materiality analysis, we have identified four topics that we consider to be particularly important for our sustainability efforts. Each of these areas links to the three cornerstones of the sustainability area: finances (F), environment (E) and social (S):

- Value-adding knowledge environments (F + S)
- Resource efficiency for reduced climate impact (F + E)
- Caring for people (S)
- Responsible relationships (F + S)

The matrix on the next page describes the strategic impact and relevance of each area in our operation, as well as sustainability governance for them. For more information on how the four areas are defined, see page 12.



GRI 103-1

GRI 103-2

GRI 103-3

SUSTAINABILITY GOVERNANCE	VALUE-ADDING KNOWLEDGE ENVIRONMENTS	RESOURCE EFFICIENCY FOR REDUCED CLIMATE IMPACT	CARING FOR PEOPLE	RESPONSIBLE RELATIONSHIPS
<b>WHY THE TOPIC IS IMPORTANT TO US</b>	By creating value-adding, sustainable and inclusive knowledge environments, we can contribute positively to the social economy, the environment and the people who live in our environments.	Our operations have an impact on the environment, but by increasing resource efficiency and working according to the precautionary principle, we can reduce our impact. The principle is applied when choosing materials and planning projects to prevent damage to the environment and injuries to people.	The key to success, development and profitability is our employees. It is therefore important that everyone in our premises experiences well-being and job satisfaction. Our operations, with both construction projects and property operations, are at risk of negatively impacting occupational health and safety.	As a major client in an industry known for corruption and human rights violations, we have a responsibility to build responsible relationships with high ethical standards and a strong moral compass.
<b>RESPONSIBILITY AND IMPACT ON THE VALUE CHAIN</b>	Our responsibility is to meet a need for knowledge environments from customers, students and researchers. Impact occurs in conjunction with construction, purchasing, property management and development.	Our responsibility is to be resource efficient in our operations, while making demands on suppliers of energy and materials. Impact occurs in conjunction with construction, purchasing, property management and development.	We are formally responsible for our employees. We are committed to achieving the goal of zero occupational injuries for everyone in our premises or whom we hire. This impact affects the workday of our employees during construction, management, and purchasing.	Our responsibility is to set clear requirements. Suppliers and entrepreneurs have a major responsibility to comply with them. Impact occurs in conjunction with construction, purchasing, property management and development.
<b>BOUNDARIES IN REPORTING</b>	We develop knowledge environments and campuses primarily together with our customers, but other stakeholder groups are also involved in the processes.	We focus on the entire operation, from planning and implementation of construction projects to the ongoing management of properties and campuses.	Reporting mainly occurs regarding our own employees with additional information for suppliers where such information is available. We do not report on customers and users.	The boundary was set to include our employees, as well as first-line contacts regarding our suppliers.
<b>HOW WE WORK</b>	We develop campus plans that are long-term and take into account current and future needs, through dialogue with customers and other stakeholders.	We promote resource-efficient use of materials and energy, but also efficient use of premises.	See specific governance in the Sustainability notes (403-1-7) and information in the employee section on pages 31-32.	Our process includes "shall" criteria for suppliers when signing contracts and randomly following up on them.
<b>WE WANT TO ACHIEVE THE FOLLOWING</b>	The goal is to create value-adding knowledge environments that help to make the centres of education more attractive and strengthen Sweden as a nation of knowledge.	The goal is to reduce the climate impact by reducing resource consumption and through efficient use of those resources.	We want to create a healthy and risk-free workplace that inspires people to grow and contribute.	The goal is to achieve a high standard of ethics in procurement, to monitor compliance with these standards, and to build responsible and accountable relationships.
<b>• POLICIES<sup>1</sup></b>	- Process method for Campus development, with a focus on sustainability	- Sustainability policy - Energy policy - Travel guidelines	- Equality and diversity plan - Sustainability policy - Anti-bullying guidelines	- Code of Conduct, internal and for suppliers - Procurement policy - Purchasing procedures
<b>• COMMITMENTS IN ADDITION TO SWEDISH LAWS AND GUIDELINES</b>	- Campus plans and other planning documents together with customers	- Member of Fossil Fuel-Free Sweden; signed two roadmaps - Certification of new buildings and major renovation projects according to Miljöbyggnad standards	- Work to promote stronger industry requirements through the "Håll Nollan" initiative	- We support the Global Compact in its work with its ten principles and the UN's global sustainability goals
<b>• GOALS<sup>1, 2</sup></b>	- Customer Satisfaction Index - Cooperation index and Reliability index - Number of student residences - Innovation in collaboration	- Energy reduction - Number of environmentally certified buildings - Climate balance sheet	- Accident index - Performance index - Presenteeism/absenteeism due to illness	- Customer Satisfaction Index - Number of cases of corruption - Number/percentage of supplier controls
<b>• SPECIAL PROCESSES, PROJECTS, PROGRAMMES AND INITIATIVES<sup>1</sup></b>	- Process method for Campus development - Citylab action - Environmental and Occupational Safety and Health Management Systems	- System and material selection studies in projects - Environmental building certifications - Environmental and Occupational Safety and Health Management Systems	- Reporting in the IA system for incidents and accidents - Reporting of "Sick and healthy" - Assignment appraisal	- Whistle-blower system, internal and external
<b>EVALUATION OF CONTROL</b>	- Analysis of Customer Satisfaction Index	- Annual carbon footprint - Environmental and Occupational Safety and Health Management Systems followed up through Management review	- Annual audits (internal, external) - Number of completed training initiatives	- Ethics Council - Supplier Assessments
<b>GRI STANDARDS</b>	- Economic Performance - Indirect economic impacts - Diversity and equal opportunity	- Energy - Emissions - Environmental compliance - Product responsibility	- Occupational health and safety - Diversity and equal opportunity	- Anti-corruption - Supplier Environmental Assessment regarding the environment and social criteria

Read more about the division of responsibilities and control mechanisms in the Corporate Governance Report on pages 48-55.

1) All Akademiska Hus' properties and units are included.  
2) Read more about goals and outcomes on pages 18-19.

In this section we describe the methods, assumptions, and conversion factors used to develop Akademiska Hus's GRI indicators. In addition, supplementary tables and information are presented for the annual report, as well as a description of omitted information.

## FINANCIAL RESPONSIBILITY

Financial accountability for our operations along with sound and stable finances are fundamental if we are to succeed with the mandate from our owner. Demonstrating financial accountability is also crucial for a long-term approach and meeting the expectations of our customers and other stakeholders. Financial accountability is important in all four of our areas of focus, but it is absolutely crucial in "Value-adding knowledge environments" and "Responsible relationships".

### GRI 201-1 Direct economic value generated and distributed

SEK 1,000	2018	2017
<b>DIRECT VALUE GENERATED</b>		
Income	6,117	5,806
<b>ECONOMIC VALUE DISTRIBUTED</b>		
Payments to suppliers <sup>1)</sup>	-1,730	-1,571
Employee wages and benefits	-279	-249
Fees and remuneration to the Board and President	-11	-12
Social security costs	-149	-125
Tax <sup>2)</sup>	-403	-476
Interest paid to lenders, net	-719	-532
Dividend to shareholder	-1,630	-1,393
<b>ECONOMIC VALUE RETAINED</b>	<b>1,196</b>	<b>1,448</b>

1) Operating costs, property administration, other property management expenses and central administration

2) Current tax, property tax and site leasehold charges

## ENVIRONMENTAL RESPONSIBILITY

Large quantities of materials are used in new construction, renovations and retrofitting of our properties. The materials impact the environment both when they are produced and when they are transported. It is therefore important to reduce the quantity of material used and to aim to reduce the climate impact of the materials we choose. We also need to ensure that those materials that are used do not contain hazardous substances that are spread indoors or to the ecosystems. The topic of environmental responsibility is primarily reflected in our focus on "Resource efficiency for reduced climate impact".

### Energy consumption

All energy consumption reported below is based on the system limit "purchased energy", for which reason energy from solar panels, geothermal energy, etc., are not included in the Company's combined energy consumption or when assessing climate impact.

Akademiska Hus invests in increased capacity for renewable energy in the form of solar panels, which reduces the need for purchased energy while also helping to reduce the carbon footprint.

MWh	2018	2017
Own electricity generation from renewables		
- Solar power	2,057	1,228

The production capacity of electricity through solar panels has increased by 68 per cent, and now corresponds to about 0.5 per cent of our total electricity consumption.

### GRI 302-1: Energy Consumption within the organisation

All energy is measured and includes energy consumption by tenants. Fuel from personal vehicles is not included since the company only owns a few cars.

MWh	2018	2017
Total energy consumption (non-renewable energy)	38,192	48,773
Total energy consumption (renewable energy)	755,615	730,842
Total electricity	384,370	381,601
- including energy charges passed on to tenant	271,164	270,936
Total heating	307,876	307,389
- including energy charges passed on to tenant	115,924	83,718
Total cooling	86,662	74,103
- including energy charges passed on to tenant	79,483	64,188
Total steam <sup>1)</sup>	14,899	16,523
- including energy charges passed on to tenant	7,570	9,586

1) Fuel types are presented under indicator 305-1.

Energy consumption has risen by 1.8 per cent, which can be attributed to some extent to an increase in building holdings, as well as to an increased need for cooling because of an unusually warm summer. Renewable or recovered energy currently account for 95 per cent of energy consumption. Recovered energy refers to the proportion stated in the district heating suppliers' production mixes; for example, heat from waste incineration and waste heat from industry.

### GRI CRE-1 Energy intensity

kWh/sq m	2018	2017
Energy intensity = Energy consumption per square metre	201.4	200.8

Energy intensity has increased by 0.3 per cent, primarily for the reasons listed under 302-1. Energy consumption also includes energy consumption by tenants. Usable floor area (UFA) is used in the calculation and is a time-weighted value.

### GRI 302-4 Reduction of energy consumption

	2018	2017
Total reduction (MWh)	-14,191	4,383
Invested, SEK	126,996,023	186,360,175

Specific energy investments are estimated to be largely unchanged from 2017, but energy investments have been specifically reported more clearly in our internal systems in 2018, which provides a more accurate description of this volume. Energy investments refer to installation measures, including replacement of heat recovery batteries, fans, pumps, lighting, installation of heat pumps and climate scale measures such as window changes and additional insulation.

## GREENHOUSE GAS EMISSIONS

Akademiska Hus' main greenhouse gas emissions occur through indirect emissions attributable to the purchase of electricity, heating, cooling and steam (scope 2), as well as indirect emissions primarily from construction projects (scope 3). Direct emissions are minimal in our operations but are reported to give the overall picture of our total climate impact for the long term. Read more about our climate-related initiatives on page 30.

### GRI 305-1: Direct greenhouse gas emissions (scope 1)

In 2018 scope 1 emissions amounted to only 1.2 tonnes CO<sub>2</sub>e, attributable to the research and incinerator plant that Akademiska Hus has at Chalmers University of Technology. The boiler has been undergoing a technology change during the year, so operating time has been limited.

Tonnes CO <sub>2</sub> e	2018	2017
Total emissions	1.2	-



Fuel consumption within the organisation amounted to 3,618 MWh in 2018, based on purchased biogas (3,612 MWh) and natural gas (6 MWh). The emission factor for biogas is 0 g CO<sub>2</sub>/kWh and for natural gas 204 g CO<sub>2</sub>/kWh. For heating, cooling and steam, emissions are based on the environmental reporting of each respective supplier. Fuel from personal vehicles is not included since the company only owns a few cars. This is the first year we are calculating direct emissions of greenhouse gases, for which reason we are not reporting values for 2017.

#### GRI 305-2: Indirect greenhouse gas emissions (scope 2)

Emissions consist of CO<sub>2</sub> from purchased electricity, heating, cooling and steam. CO<sub>2</sub> calculations are based on input data provided by suppliers for 2017 (unless stated otherwise) and include CO<sub>2</sub>e – in other words, the entire greenhouse effect.

Tonnes CO <sub>2</sub> e	2018	2017
Purchased electricity, heating, cooling and steam	29,129	28,495

CO<sub>2</sub> emissions have increased somewhat during the year (+2.2 per cent), mainly due to an increase in heat consumption in a couple of our property areas, with relatively high specific CO<sub>2</sub> emissions. For our largest supplier of heating, Stockholm Exergi, key figures for CO<sub>2</sub> emissions for 2018 were used (which are higher than 2017). Under the Akademiska Hus' strategy, in the long term we will purchase more additional products for heating and cooling with lower carbon dioxide load. However, the volume of this practice is currently too low, for which reason CO<sub>2</sub> emissions from heating and cooling can be assumed to be the same for site-based vs market-based values. We report heat consumption adjusted for consumption in a normal year. Cooling data have not been adjusted for usage in a normal year.

CO<sub>2</sub> emissions from purchased electricity during the year have been adjusted from 5 grams to 1 gram CO<sub>2</sub>/kWh as a result of increased precision of data linked to the CO<sub>2</sub> load for the Company's purchased origin-labelled electricity. This means that the CO<sub>2</sub> load for purchased electricity is 384 tonnes of CO<sub>2</sub>. If site-based values (Nordisk Residualmix) are used for purchased electricity the CO<sub>2</sub> load would be 126,458 tonnes CO<sub>2</sub>.

#### GRI 305-3: Indirect greenhouse gas emissions (scope 3)

In 2018 Akademiska Hus began to calculate the climate impact of construction projects, but at the end of the year no projects had been completed with this information available. Scope 3 also includes business trips by air, train, rental car, taxi and car. In 2018 this item was 376 tonnes CO<sub>2</sub>e (275).

#### GRI CRE-3: Greenhouse gas emissions intensity

Greenhouse gas emissions levels from Akademiska Hus properties was 7.0 kg of CO<sub>2</sub> per square metre (7.0 kg CO<sub>2</sub>/m<sup>2</sup>).

Emissions intensity is based on Scope 2 as presented in 305-2 and is unchanged compared with the previous year.

Usable floor area (UFA) is used in the calculation.

## ENVIRONMENTAL COMPLIANCE

### GRI 307-1: Environmental compliance

Akademiska Hus uses an external web-based service where all current laws and regulations are collected regarding the work environment and environment. All employees can access this tool. New or amended laws and regulations are updated twice a year. A compilation of relevant changes is sent to managers and is also addressed in the Health and Safety Committees, both locally and centrally.

Once a year, a statutory compliance is checked within the Management Unit. In the Project unit, environmental and work environment items are entered in the project tool "Aka Projekt", to be followed over the course of the project.

With Akademiska Hus' new approach to promoting employee development – where performance reviews are replaced with assignment appraisals and with implementation of Akademiska Hus Performance index – the organisational and social work environment will be followed up in the same tool. In this way we will ensure good follow-up and systematics in the area.

No fines or sanctions were imposed relating to the work environment or the environment in 2018.

## SOCIAL RESPONSIBILITY

Our operations are based on collaboration, within the organisation, with our customers and with other stakeholders. Strengthening Sweden as a nation of knowledge through value-adding knowledge environments entails placing people at the centre and taking many different needs into consideration. It also means that we work to create a working climate and a culture where equal treatment, equal opportunity, diversity, safety and security are a given, internally as well as externally. Social responsibility is important in all four of our areas of focus, but it is absolutely crucial in "Value-adding knowledge environments" and "Responsible relationships".

All personnel data have been compiled as of 31 December 2018.

### Workforce

#### GRI 102-8: Workforce

As of 31 December 2018 Akademiska Hus had 485 (466) employees, of whom 481 (447) are permanently employed and the remainder are temporary employees. In all, 20 employees within the organisation had part-time contracts, including 11 men and 9 women. Akademiska Hus has no significant variations in the number of employees over the year.

#### Number of employees per unit and gender

Number	Women	Men	Total
Staff	78	46	124
Campus and Business Development	12	11	23
Property Management	47	239	286
Projects	19	33	52
<b>TOTAL</b>	<b>156</b>	<b>329</b>	<b>485</b>
Per cent	32	68	100

In addition to employees, a large number of hired workers are engaged. The majority of them can be contractors, architects and construction engineering consultants. The scope of this group varies over time and it is difficult to find reliable statistics for the number of people in this group, for which reason it is excluded from the report.

#### GRI 102-41: Proportion of the workforce covered by collective bargaining agreements

Collective agreements apply to all employees except those who belong to Executive Management.

### Diversity and equal opportunity

#### GRI 405-1: Diversity in the Board of Directors, management and other employees based on age and gender

Akademiska Hus' management group is completely equal with 5 (5) men and 5 (5) women. The Board of Directors is represented by 6 (7) men and 3 (4) women.

The table below shows the distribution between men and women, broken down by activity and excluding management. In the company as a whole, Akademiska Hus has 32 per cent (30) women. The Management Unit is least equal in the company, with only 16 per cent (19) women. The most even gender distribution can be found in the Campus and Business Development unit.

#### Gender distribution employees, excluding Executive Management

Unit	Gender	Per cent/ unit	Per cent total	Number
Staff	Women	62	16	74
	Men	38	9	45
Campus and Business Development	Women	55	2	11
	Men	45	2	9
Property Management	Women	16	10	47
	Men	84	50	238
Projects	Women	37	4	19
	Men	63	7	32
<b>AKADEMISKA HUS TOTAL</b>	Women		<b>32</b>	<b>151</b>
	Men		<b>68</b>	<b>324</b>

### Diversity within the organisation

The table below shows the age distribution among all employees, management and the Board of Directors:

	2018	2017	2018	2017	2018	2017
Composition of the company	Number of women	Number of women	Number of men	Number of men	Total number	Total number
<b>Board of Directors</b>						
Under 30 years	—	—	—	—	—	—
30-50 years	—	2	—	—	—	2
Over 50 years	2	2	4	7	6	9
<b>Executive Management</b>						
Under 30 years	—	—	—	—	—	—
30-50 years	1	1	4	5	5	6
Over 50 years	4	4	1	—	5	4
<b>Employees in managerial position<sup>1</sup></b>						
Under 30 years	1	1	1	1	2	2
30-50 years	22	17	21	23	43	40
Over 50 years	8	5	14	21	22	26
<b>Other employees</b>						
Under 30 years	7	6	18	19	25	25
30-50 years	73	71	132	126	205	197
Over 50 years	37	35	141	131	178	166

1) Excluding Executive Management

## OCCUPATIONAL HEALTH AND SAFETY

### GRI 403-1-7: Topic-specific management approach for health and safety

Occupational health and safety is a high priority at Akademiska Hus. Our workplace will be risk-free and healthy. By using a structured approach to address the issues we can practice proactive risk prevention regarding job-related injuries and ill health. To ensure that we work systematically, we have chosen to qualify for certification to AFS 2001:1 Systematic Occupational Health and Safety Management, which covers the entire operation. The management system with procedures and guidelines can be accessed on our intranet. The management system requirements apply to all employees and hired workers.

Risk identification and risk elimination are the foundation of our systematic work environment management. Risk assessments are carried out on different levels and for different activities, such as annual risk assessments in all units, or risk assessments prior to call off/orders in conjunction with purchasing of construction related services.

Risk assessments are also part of the management of incidents and accidents. All matters (related to both the environment and the work environment) are reported in the IA system (which is the AFA information system). Using the system for support, the responsible manager, together with employees and possibly a safety representative, takes a structured approach to incidents to assess them for risk, investigate them and implement corrective measures. Through this systematic management approach we can prevent incidents and accidents from happening again. In 2018, measures were implemented to increase the reporting rate, as this is considered to be an important factor in risk prevention. It is also possible to report work environment-related risks through our whistle-blower system, or by speaking with the safety representative, HR staff or occupational health, all of whom are subject to confidentiality. Safety representatives have the right to stop any work that is experienced as dangerous or that could be associated with a risk of injury.

Akademiska Hus has a cohesive contract with occupational healthcare providers. Through dialogue and structured follow-up meetings, we ensure that the organisation's needs for support are met. In 2018 the "Sick and Healthy" service was launched for all employees, providing an improved structure and support for management of reporting absence due to illness and reporting back to work after illness, as well as reporting absence to take care of sick children. The service gives employees access to professional healthcare advice, available 24 hours a day, every day of the year. In order to capture early signs of ill health with the possibility of introducing measures at an early stage, the "Sick and Healthy" service provides an indication of repeated short-term absence. Our Occupational Health Care contract includes a dedicated Rehab Coordinator to provide optimal rehabilitation support. The Occupational Health Care service is primarily intended to support managers with delegated occupational health and safety duties, but each employee also has the right to schedule an appointment with the Occupational Health Care service to receive support and guidance on issues concerning conditions at work.

All employees have health insurance that provides access to several eHealth services as well as counselling, available free of charge and around the clock. In order to enable employees to take good care of their health, all employees are offered a health analysis at a certain interval.

At Akademiska Hus, employees have considerable influence over the Company's occupational health and safety initiatives and the safety representative plays a central role. Influence is exercised through participation in risk assessments, occupational health and safety committees, the wellness group, etc.

Cooperation between employees and employer also takes place within the framework of our health and safety committees. We have six local health and safety committees and one central committee in which both employer and employee representatives participate. Both local and central health and safety committees meet twice a year. The local health and safety committees

mainly address local health and safety issues and the key issues that affect the entire Company. The intranet is the primary method of communication for health and work environment-related issues, but other channels are also used when particularly important information needs to be addressed.

Akademiska Hus offers different types of training programmes to its employees. For example, all new employees are offered a two-day introductory training programme where they can learn about the Company and meet representatives from Executive Management. All employees are required to attend a dedicated occupational health and safety training programme when they first join the company. Employees also have the opportunity to attend dedicated programmes aimed at various roles such as project managers, facilities engineers, etc. In 2018 Akademiska Hus launched an education platform, "Akademin", where all training programmes available to our employees are gathered.

Akademiska Hus wants to inspire and create opportunities for a healthy lifestyle. Each year our wellness coaches promote a wellness theme with various wellness activities that are carried out at all Company locations. In 2018 the wellness theme was Brain Strong. Each employee has access to a wellness grant of SEK 3,000. In 2018 we also initiated our collaboration with ActiWay, which provides simple administration of the wellness grant and makes wellness easily available to employees.

Akademiska Hus operations include many buildings and large land areas all over Sweden. In order to achieve resource-efficient management, operation and construction, we need to cooperate with many different suppliers. Collaboration on business terms is based on clear requirements and expectations, as well as dialogue and follow up. By setting clear requirements for the work environment, we can contribute to and promote sustainable development for the entire construction and property industry. Our Code of Conduct for suppliers, clear specifications in procurement documents and instructions for suppliers are some examples of how we work with these issues. We are also actively involved in the "Håll nollan" initiative, which aims to achieve the goal of zero accidents in the industry.

#### **GRI 403-8: Number of workers covered by an occupational health and safety management system**

All employees at Akademiska Hus are covered by the requirements, guidelines and procedures in our occupational health and safety management system. The system complies with relevant laws and regulations. Our management system is also certified to AFS 2001:1 Systematic work environment management.

Akademiska Hus aims to contribute to good health and safety for suppliers, employees, customers and end users. The management system also contains governing documents that apply to our consultants, suppliers and contractors. At this time we are unable to extract statistics for hired personnel, suppliers and contractors. Consequently, they are not included in the reporting.

#### **GRI 403-9: Work-related injuries**

During the year a total of 18 work-related injuries were reported for Akademiska Hus personnel, including 4 vehicular accidents. The most common type of work-related injury for our own personnel are contact with sharp objects (6), vehicular accidents (4), falls on the same level (3), hit by flying or falling objects (2). No serious accidents or deaths occurred during the year.

	2018	2017
Number of deaths	0	0
Number of work-related injuries (own personnel), with and without absence	18	24
- vehicular accidents	4	7
- accidents with absence	0	*
- serious accidents	0	*
- work-related illness	0	3
Accident Rate (LTAR) <sup>1</sup>	0	*
Accident rate, contractors (ELTAR) <sup>2</sup>	2.4	*

\* Basis not available due to transition to new reporting system (IA).

1) Relates to accidents regarding our own employees with absence, excluding vehicular accidents.

2) The accident rate for our contractors (ELTAR) was measured for the first time in 2018. Reporting regarding accidents involving contractors is not complete since all projects do not yet report contractor accidents in the IA system. The accident rate is defined as the number of workplace accidents that lead to absence on one or more contractual workdays per 1 million hours worked divided by hours worked. The number of hours worked for our own employees in 2018 was 768,600. The number of hours worked for contractors is based on the assumption of an hourly fee of SEK 500 per hour plus 60% of invoiced amount for purchased services.

Our reporting system, IA, does not distinguish between accidents and serious accidents. However, we have a good overview of all accidents and can conclude that we have not had any serious accidents according to the Swedish Work Environment Authority definition in 2018. The statistics include vehicular accidents to and from work.

We primarily report statistics for our own employees, but added the accident rate (ELTAR) for contractors.

All incidents reported in the IA system are managed, rectified and closed. The cause of the incident is also analysed. The analysis includes a risk assessment to determine whether a similar incident could occur again. When necessary, preventive measures are introduced to ensure that such incidents are not repeated. All units also conduct an annual risk assessment with a focus on prevention of incidents/accidents.

#### **GRI 403-10: Work-related ill health**

In 2018 Akademiska Hus had no confirmed cases of work-related ill health or deaths among our employees, compared with three cases of work-related ill health due to stress in 2017. However, two cases of stress-related illness, which has proven to be our greatest risk for work-related illness in recent years, are currently under investigation.

We present statistics for all of our own employees. We do not have access to statistics on hired personnel and contractors who work in our workplaces.

# GRI index

## GENERAL STANDARD DISCLOSURES

GRI Standard	Disclosure	Description	Page or reference	Comment/ Disclosed information	Global Compact principle
<b>ORGANISATION PROFILE</b>					
GRI 102: General standard disclosures, 2016	102-1	Organisation name	Cover, 48		
	102-2	Important brands, products, and services	3, 42, 48		
	102-3	Location of headquarters	114		
	102-4	Location of operations	11		
	102-5	Ownership and legal form	48		
	102-6	Markets served	3, 11		
	102-7	Scale of the organisation	1, 11, 36, 58		
	102-8	Workforce	105		6
	102-9	Supply chain	22-23		
	102-10	Significant changes to the organisation and its supply chain	102		
	102-11	Application of precautionary principle	102		7
	102-12	External initiatives on sustainability that the organisation supports and/or by which it is covered	103		
	102-13	Membership of organisations		Available on our website <a href="http://akademiskahus.se/en/sustainability">akademiskahus.se/en/sustainability</a>	
<b>STRATEGY AND ANALYSIS</b>					
	102-14	Statements from decision-maker	4-5		1
<b>ETHICS AND INTEGRITY</b>					
	102-16	Values, principles and ethical guidelines	12, 23, 51-52, 103		2, 6, 10
<b>GOVERNANCE</b>					
	102-18	Governance structure	48-55		
<b>DIALOGUE WITH STAKEHOLDERS</b>					
	102-40	Stakeholder groups	13		
	102-41	Proportion of the workforce covered by collective bargaining agreements	105		3
	102-42	Identification and selection of stakeholder groups	13		
	102-43	Approach to stakeholder engagement	102		
	102-44	Stakeholder concerns and how they are handled	12-13, 20-36		
<b>REPORTING PROFILE</b>					
	102-45	Entities included in the reporting	85, 102		
	102-46	Process for defining report content and topic boundaries	12-13, 102		
	102-47	Identified material topics	12, 102		
	102-48	Restatements of information	102		
	102-49	Material changes	102		
	102-50	Reporting period	102		
	102-51	Date of most recent report	102		
	102-52	Reporting cycle	102		
	102-53	Contact point for questions regarding the report			
	102-54	Claims of reporting in accordance with the GRI Standards	102		
	102-55	GRI index	108		
	102-56	External assurance	111	The Sustainability Report has been reviewed by auditors on behalf of the Board of Directors and the President of Akademiska Hus.	

**GRI 200: ECONOMIC STANDARDS**

GRI Standard	Disclosure	Description	Page or reference	Comment/ Disclosed information	Global Compact principle
<b>ECONOMIC PERFORMANCE</b>					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	51-53, 103		
GRI 201: Economic performance, 2016	201-1	Direct economic value generated and distributed	104		
<b>INDIRECT ECONOMIC IMPACTS</b>					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	51-53, 103		
GRI 203: Indirect economic impacts, 2016	203-1	Investments in infrastructure and services for public benefit	10, 16-17, 20, 24		
<b>ANTI-CORRUPTION</b>					
10					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	51-53, 103		
GRI 205: Anti-corruption, 2016	205-1	Percentage of operations assessed for risks related to corruption	46, 52-53		
	205-3	Number of cases of corruption	52		

**GRI 300: ENVIRONMENTAL STANDARDS**

<b>ENERGY</b>					
8, 9					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	51-31, 103	Reporting is based on "purchased" energy for all indicators under energy.	
GRI 302: Energy, 2016	302-1	Energy Consumption within the organisation	26-27, 104		
	CRE-1	Energy intensity	104		
	302-4	Reduction of energy consumption	104	The report indicates change in energy consumption on a total level between 2017 and 2018, not by initiative.	
<b>EMISSIONS</b>					
8, 9					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	51-53, 103		
GRI 305: Emissions, 2016	305-1	Direct greenhouse gas emissions	30, 104		
	305-2	Indirect greenhouse gas emissions	30, 105		
	305-3	Indirect greenhouse gas emissions	30, 105	Climate impact from construction projects omitted due to the lack of information.	
	CRE-3	Greenhouse gas emissions intensity	105		
<b>COMPLIANCE</b>					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	51-53, 103		
GRI 307: Environmental compliance, 2016	307-1	Compliance with environmental laws and regulations	105		
<b>SUPPLIER ASSESSMENT</b>					
8					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	51-53, 103		
GRI 308: Screening of new suppliers using environmental criteria, 2016	308-1	Percentage of new suppliers screened using environmental criteria	23		



GRI 400: SOCIAL STANDARDS

GRI Standard	Disclosure	Description	Page reference	Comment/ Disclosed information	Global Compact principle
<b>OCCUPATIONAL HEALTH AND SAFETY</b>					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	51-53, 103		
GRI 401: Health and safety, 2018	<b>Topic-specific management approach for health and safety</b>				
	403-1	Occupational health and safety management system	106		
	403-2	Hazard identification, risk assessment and incident investigation	43, 106		
	403-3	Occupational health services	32, 106		
	403-4	Consultation and communication on occupational health and safety	32, 106		
	403-5	Worker training on occupational health and safety	32, 106		
	403-6	Promotion of worker health	32, 106		
	403-7	Prevention and mitigation of occupational health and safety impacts	32, 106		
<b>Results occupational health and safety</b>					
	403-8	Number of workers covered by an occupational health and safety management system	107		
	403-9	Work-related injuries	107	Reporting concerning contractors is under development and therefore is incomplete.	
	403-10	Work-related ill health	107	Statistics only relate to own employees. We do not have access to statistics on hired personnel and contractors.	
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	51-53, 103		
GRI 405: Diversity and equal opportunity, 2016	405-1	Diversity of governance bodies and employees	105-106		
<b>ASSESSMENT OF SUPPLIERS</b>					
GRI 103: Management approach 2016	103-1, 103-2, 103-3	Description of the material topic, its boundary, management and evaluation	51-53, 103		
GRI 414: Screening new suppliers using social criteria, 2016	414-1	Percentage of new suppliers screened using social criteria	23		
<b>INDUSTRY-SPECIFIC DISCLOSURES</b>					
<b>CRE: PRODUCT RESPONSIBILITY</b>					
	CRE-8	Type and number of sustainability certificates, ratings and scores for new construction	22		
<b>ÖVRIGT</b>					
	Child Labour, Forced Labour			The Code of Conduct includes these principles, but the areas are not identified as main risk areas within our operations.	4, 5

# Assurance Report

## Independent Auditor's Limited Assurance Report on Akademiska Hus AB's (publ.) Sustainability Report and Opinion on the Statutory Sustainability Report

To Akademiska Hus AB (publ.), reg. no. 556459-9156

### Introduction

We have been engaged by the Board of Directors of Akademiska Hus (publ.) to undertake a limited assurance engagement of Akademiska Hus AB's (publ.) Sustainability Report for the year 2018. The company has defined the scope of the Sustainability Report and the Statutory Sustainability Report on page 102 in this report.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report, in accordance with the applicable criteria, and the Annual Accounts Act respectively. The criteria are defined on page 102 in the Sustainability Report, and are parts of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that Akademiska Hus AB (publ.) has developed. This responsibility also includes the internal control, which is deemed necessary to establish a Sustainability Report that does not contain material misstatement, whether due to fraud or error.

### Responsibilities of the Auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and to provide an opinion on the Statutory Sustainability Report.

We conducted our limited assurance engagement in accordance with ISAE3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. We have conducted our review regarding the Statutory Sustainability Report in accordance with FAR's recommendation RevR 12, the Auditor's Opinion on the Statutory Sustainability Report. A limited assurance engagement and a review according to RevR 12 have a different focus and a considerably smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

The audit firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent in relation to Akademiska Hus according to generally accepted auditing standards in Sweden and have fulfilled our professional ethics responsibility according to these requirements.

The procedures performed in a limited assurance engagement and review according to RevR 12 do not allow us to obtain such assurance that we become aware of all significant matters that could have been identified if an audit was performed. The stated conclusion based on a limited assurance and review in accordance with RevR 12, therefore, does not have the security that a stated conclusion based on an audit has.

Our procedures are based on the criteria defined by the Board of Directors and the Managing Director as described above. We consider these criteria as suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

### Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not, in all material respects, prepared in accordance with the criteria defined by the Board of Directors and Managing Director.

A Statutory Sustainability Report has been prepared

Göteborg, 15 March 2019

PricewaterhouseCoopers AB

Helena Ehrenborg  
Authorized Public Accountant

Åsa Ekberg  
Expert Member of FAR

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
<b>Profit for the year</b>	<b>5,314</b>	<b>6,453</b>	<b>5,148</b>	<b>4,780</b>	<b>5,215</b>
<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
<b>Cash flow for the year</b>	<b>-3,176</b>	<b>1,110</b>	<b>1,065</b>	<b>-253</b>	<b>1,869</b>
<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
Net debt, SEK m	30,416	27,976	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, %	35.4	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.



# Key figures

## 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.

### Return on total assets

Earnings before appropriations and taxes excluding financial expenses in relation to average Total equity and liabilities (IB+UB)/2.

### Loan-to-value ratio

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

### Yield

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

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

### Net operating income ratio

Net operating income in relation to property management income.

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

### Total financing cost including changes in value

Net interest excluding capitalised interest expense and the change in value of financial derivatives, in relation to average interest-bearing capital. (Please see the table on the top right.)

### Interest coverage ratio

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

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

### Period-allocated financing cost

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

### Internal financing ratio

Cash flow from current operations before changes in working capital in relation to net investments.

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

SEK m	1 Jan. 2018- 31 Dec. 2018	1 Jan. 2017- 31 Dec. 2017
Interest cost, net loans and financial assets	-278	-221
Net interest derivatives	-27	-60
Other interest costs	-55	-8
Capitalised interest expense, projects	92	101
<b>Total net interest income/expense</b>	<b>-268</b>	<b>-188</b>
Change in value, independent financial derivatives		
- unrealised	-160	-8
- realised	-39	-54
Changes in value, fair value hedges	-160	-181
<b>Total changes in value</b>	<b>-360</b>	<b>-243</b>
<b>Reported net interest income and expense</b>	<b>-628</b>	<b>-431</b>
<b>Average interest-bearing capital (full-year basis)</b>	<b>-31,688</b>	<b>-29,973</b>

### Net investments

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

### Net loan liability

All loans are included in gross loan debt. Net loan liability includes some current receivables, cash and cash equivalents and security transfers for derivatives. Pension provisions and similar items are not included.

SEK m	1 Jan. 2018- 31 Dec. 2018	1 Jan. 2017- 31 Dec. 2017
Gross loan debt	-33,521	-34,740
Assets		
Collateral for derivatives, net	-891	-573
Cash and cash equivalents	3,304	6,479
Current receivables	692	857
<b>Total net debt</b>	<b>-30,416</b>	<b>-27,976</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

### Operating costs

Operating costs are costs incurred to keep a property, installation or similar facility functioning. Operating costs are divided into media provision, supervision 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. Costs for tenant adaptations are also recognised here.

### 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.

## INFORMATION SCHEDULE

29 April 2019	Annual General Meeting
29 April 2019	Interim Report, January–March 2019
12 July 2019	Interim report April–June 2019
23 October 2019	Interim Report, July–September 2019
February 2020	Year-end report 2019
March 2020	Annual Report 2019

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