

Interim report

January to September 2010



Akelius Fastigheter AB

Registered company number: 556156-0383

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- **Rental income amounted to SEK 1,832 m (2,170)**
- **Proceeds from the sale of properties totalled SEK 550 m (541)**
- **Profit for the period was SEK 568 m (754)**

The group

Operations

Akelius Fastigheters' business concept entails the long-term ownership and management of properties that can generate a reliable cash flow. The share of residential properties ought to be 90 percent measured as a percentage of the market value of the properties. Properties for commercial and public operations shall be let under long and stable rental agreements. Low financial risk is achieved through long-term fixed interest rates and capital tied-up for long-term.

This interim report covers nine months, namely the financial period 1 January to 30 September 2010. The comparative periods refer to the corresponding period in 2009 and to the previous financial year (1 July 2008 to 31 December 2009). Comparisons with regard to assets and liabilities refer to the most recent end of the financial year, 31 December 2009.

At the end of the financial period, the Group owned properties in Sweden and Germany with an assessed market value of SEK 28,279 m. The properties are concentrated in locations that exhibit high growth rates. In compliance with the Company's strategy, the share of residential properties was high. At the end of the period, residential properties accounted for 88 percent in terms of market value. The rentable area of the properties totalled 2,436,316 square metres

(2,527,326), with a book value of SEK 23,609 m (24,463). The rentable properties comprised 31,693 apartments (32,988), with 8,365 (7,907) of these apartments in Germany.

Akelius Fastigheter AB is the Parent Company of the Group, with the properties owned directly by the Parent or else through subsidiaries.

Turnover and profits

The Group's rental income for the financial period decreased by SEK 338 m to SEK 1,832 m (2,170), the result of reduced property holdings. The rental market remains strong and the occupancy rate was 97.8 percent (98.5) at the end of September. Vacancies are mostly attributable to commercial properties. The vacancy rate for residential properties was 1.8 percent (0.9), mostly comprising vacancies due to tenants moving and a recently built property in Germany.

Property costs were SEK 877 m (1,012), corresponding to a reduction of SEK 135 m. Of property costs, SEK 176 m (200) comprised maintenance, corresponding to an average annual cost of SEK 96 per square metre. The operating surplus for the period fell by SEK 203 m to SEK 955 m (1,158). The operating surplus margin was 52.1 percent (53.4).

Planned write-offs, write-downs and reversals of intangible and tangible fixed assets totalled SEK 130 m (175). Write-downs and reversals comprised a total of SEK 0 m (16).

Property sales

During the period, properties were sold for a total of SEK 1,430 m (3,943), generating proceeds of SEK 548 m (540). The total selling price was greater than the assessed market value as per 31 December 2009. The proceeds include SEK 2 m (1) attributable to other non-current assets.

Financial items

Interest income for the period, including interest subsidies, was SEK 69 m (54) and financial expenses for the year were SEK 794 m (874).

Profit for the period

After-tax profit for the period increased by SEK 186 m to SEK 568 m (754). Pre-tax profit – excluding proceeds from the sale of properties, write-downs and reversals – decreased by SEK 81 m to SEK 64 m (145).

Property portfolio

During the period, properties were acquired at a cost of SEK 260 m (420). All the properties are located in Germany.

Investments in existing properties totalled SEK 632 m (312), of which SEK 47 m (182) was attributable to the construction of new housing.

Market valuation of property holdings

As of closing day, the market value of all properties was assessed by internal valuation. The valuations are based on a cash flow model for each individual property, with individual assessments of future earning ability and required returns. The cash flow model is based on actual income and expenses adjusted for a normalised future cash flow. Properties acquired during the year have been valued at acquisition value. In order to guarantee the valuations, CB Richard Ellis examines and verifies the internally estimated values. A selection has been made in order to reflect the composition of the property holdings in terms of geographic locations and property categories.

The assessed market value of the Group's entire property holdings as per closing day was SEK 28,279 m (29,286), which entails a decrease of SEK 1,007 m compared to the value as per 31 December 2009. The drop in market value is a consequence of net sales during the year. In total, properties were sold for SEK 1,430 m (3,943) and acquired for SEK 260 m (420). Adjusted for investments, sales and altered foreign exchange rates, the assessed market value entails an increase in value of SEK 266 m (-410). The market value is SEK 4,670 m (4,823) higher than the book value. Of the total market value, SEK 21,716 m (22,664) comprises properties in Sweden and SEK 6,563 m (6,622) properties in Germany. All in all, residential properties represent 88 percent of the market value, which is in line with the Group's goal of residential properties comprising at least 90 percent.

Financial position

At the end of the period, the Group's interest-bearing liabilities totalled SEK 17,842 m (20,236), of which

SEK 14,034 m (16,831) was attributable to credit on mortgage property and SEK 3,808 m (3,405) to unsecured loans. Credit on mortgage property refers to loans raised with properties as security. Of credit on mortgage property, SEK 683 m (2,579) had an interest rate fixed for less than one year and SEK 10,274 m (11,187) had an interest rate fixed for more than five years. Credit on mortgage property had an average interest rate of 5.11 percent (4.84) and capital tied-up for an average of 5.5 years (5.7).

At the end of the financial year, available funds in the form of cash and granted but unutilised credit facilities totalled SEK 2,004 m (1,450). Unutilised credit facilities totalled SEK 1,990 m (2,485).

During the period, the Group's equity increased by SEK 595 m and, at the end of the financial period, totalled SEK 4,814 m (4,219), corresponding to an equity/assets ratio of 19.7 percent (16.0). Adjusted equity, which includes the excess value of the property holdings, less deductions of 26.3 percent for deferred tax, totalled SEK 8,256 m (7,774). The adjusted equity/assets ratio was 28.4 percent (25.0).

Events after the end of the financial period

After the end of the financial period, four properties were acquired in Germany for SEK 100 m. In Sweden, three properties were sold for SEK 452 m, generating estimated proceeds of SEK 90 m. The total selling price was greater than the assessed market value as per 30 September.

Stockholm, Sweden, 30 November 2010

Pål Ahlsén
Managing Director

Income Statements

Group, amounts in SEK m	2010 Jan-Sep 9 months	2009 Jan-Sep 9 months	2008/09 Jul-Dec 18 months
Rental income	1,832	2,170	4,182
Operating expenses	-657	-759	-1 523
Maintenance	-176	-200	-529
Property tax and site leasehold fees	-44	-53	-103
Property costs	-877	-1,012	-2,155
Operating surplus	955	1,158	2,027
Write-off/down, reversals	-130	-175	-341
Gross profit	825	983	1,686
Other expenses/income	-3	3	2
Central administration expenses	-33	-37	-58
Profit from sales	550	541	857
Operating profit	1,339	1,490	2,487
Financial income	69	54	144
Financial expenses	-794	-874	-1,723
Pre-tax profit	614	670	908
Income tax	-46	84	176
Profit for the period	568	754	1,084

Balance sheets

Group, amounts in SEK m	2010-09-30	2009-09-30	2009-12-31
Properties	23,609	24,260	24,463
Other assets	742	1,878	1,833
Liquid assets	33	189	24
Total assets	24,384	26,327	26,320
Restricted equity	1,290	1,077	1,039
Profit brought forward	2,956	2,058	2,096
Profit for the period	568	922	1,084
Total equity	4,814	4,057	4,219
Provisions	1,159	1,197	1,152
Interest-bearing liabilities without security	3,808	3,548	3,405
Interest-bearing liabilities secured against properties	14,034	16,834	16,831
Other liabilities	569	691	713
Total equity and liabilities	24,384	26,327	26,320

Interest-bearing credit on mortgage property, 2010-09-30.

Duration	Amount loaned SEK m	Share %	Average interest, %
0-1 years	683	5	2.31
1-2 years	96	1	6.56
2-3 years	761	5	5.75
3-4 years	588	4	6.45
4-5 years	1,632	12	5.28
5-6 years	2,558	18	5.05
6-7 years	2,977	21	4.79
7-8 years	1,952	14	5.63
8-9 years	2,325	17	5.26
9-10 years	400	3	5.37
10+ years	62	0	2.81
Total	14,034	100	5.11

Cash Flow Statements, amounts in SEK m

	2010 Jan-Sep 9 months	2009 Jan-Sep 9 months	2008/09 Jul-Dec 18 months
Cash flow from continuing operations	1,344	1,018	793
Cash flow from investing activities	380	3,322	1,061
Cash flow from financing activities	-1,715	-4,174	-1,885
Cash flow for the period	9	166	-31
Liquid assets, close of period	33	189	24



Västerås

Property holdings, 2010 -09-30

	No. of apartments	Rentable area, square metres			Total	Share %
		Residential	Public	Commercial		
S. Sweden	10,502	654,330	80,563	148,488	883,381	36
N. Sweden	12,826	880,302	69,351	72,043	1,021,696	42
Sweden	23,328	1,534,632	149,914	220,530	1,905,076	78
Germany	8,365	510,460	0	20,779	531,239	22
Total	31,693	2,045,092	149,914	241,310	2,436,316	100

Change in market value SEK m

	2010 Jan-Sep 9 months	2009 Jan-Sep 9 months	2008/09 Jul-Dec 18 months
Market value, start of period	29,286	33,053	31,095
Acquisitions and investments for the year	892	733	2,851
Change in value (incl. translation difference)	-474	-707	372
Divestments for the year	-1,425	-3,936	-5,032
Market value, close of period	28,279	29,143	29,286

Key ratios

	2010 Jan-Sep 9 months	2009 Jan-Sep 9 months	2008/09 Jul-Dec 18 months
Reported equity/assets ratio, %	19.74	15.41	16.03
Adjusted equity/assets ratio, %	28.42	24.26	24.96
Adjusted loan to value ratio, %	63.11	69.94	69.10
Interest coverage ratio	1.24	1.35	1.23
Vacancy rate, total, %	2.20	1.52	1.41
Vacancy rate, residential, %	1.84	0.90	0.88

HEADQUARTER

Svärdvägen 3A
Box 104
182 12 Danderyd
tel 08-566 13000

NORTHERN SWEDEN

Svärdvägen 3A
Box 104
182 12 Danderyd
tel 08-566 13000

SOUTHERN SWEDEN

Föreningsgatan 15
Box 17199
200 10 MALMÖ
tel +46 (0) 40 330 400

GERMANY

Akelius GmbH
Leipziger Platz 14
D-10117 BERLIN
tel +49 (0) 30 7554 110

info@akelius.se
www.akelius.se