

# Interim Report

January to June 2011



Berlin, Kollwitzer

# Akelius Fastigheter AB

Registered company number: 556156-0383

Interim report January to June 2011

- **Rental income amounted to SEK 1,246 m (1,239)**
- **Proceeds from the sale of properties totalled SEK 90 m (124)**
- **Profit/loss for the period was SEK 777 m (-126)**

## The Group

### Operations

Akelius Fastigheters' business concept entails the long-term ownership and management of properties that can generate a stable 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 periods.

This interim report covers six months, namely the financial period 1 January to 30 June 2011. The comparative periods refer to the corresponding period in 2010 and the previous financial year (1 January to 31 December 2010). Comparisons with regard to assets and liabilities refer to the most recent end of the financial year, 31 December 2010. This report has been prepared in compliance with the International Financial Reporting Standards, although the report is not strictly complete according to IFRS 1 as regards information that should be presented in the first IFRS-compliant financial report. This is due primarily to the exclusion of information regarding the applied accounting standards.

At the end of the financial period, the Group owned properties in Sweden and Germany with an assessed

market value of SEK 30,211 m (28,394). The properties are concentrated in locations that exhibit growth in rents. In compliance with the company's strategy, the share of residential properties was high. At the end of the period, residential properties accounted for 89 percent (88) in terms of market value. The rentable area of the properties totalled 2,488,028 square metres (2,424,114). The rentable properties comprised 32,735 apartments (31,502), with 9,636 (8,576) of these apartments in Germany.

Akelius Fastigheter AB is the parent company of the Group, with the properties owned directly by the parent company or through subsidiaries.

### Turnover and costs

The Group's rental income for the financial period increased by SEK 7m to SEK 1,246 m (1,239).

The rental market remains strong. The average rent in Sweden for residential properties rose by 3.6 percent during the period, of which 2.75 percent is due to annual rent negotiations while the remainder is a result of upgrading the apartments. At the end of the period the average rent for residential properties was SEK 1,005 per square metre and year. In Germany the average rent for apartments in comparable properties rose by 3.7 percent. The main part of the increase is due to new leases of upgraded apartments. The

average rent for new leases was EUR 9.66 per square metre and month. At the end of the period the average rent for residential properties was EUR 7.11 per square metre and month.

By the end of June the vacancy rate for apartments was 1.8 percent, although 69 percent of these apartments were vacant due to upgrading. The real vacancy rate was thus 0.6 percent, which is unchanged compared to the vacancy rate at the end of December 2010.

Property costs were SEK 597 m (612), corresponding to a reduction of SEK 16 m. Of property costs, SEK 117 m (112) comprised maintenance, corresponding to an average annual cost of SEK 94 (92) per square metre. The operating surplus for the period increased by SEK 22 m to SEK 649 m (627). The operating surplus margin was 52.1 percent (50.6).

### **Financial items**

Interest income for the period, including interest subsidies, was SEK 58 m (61) and financial expenses for the year were SEK -526 m (-541).

### **Revaluations**

Revaluation of intangible and tangible fixed assets totalled SEK 621 m (-148). This represents an increase in value during the period of 2.19 percent. The growth in value is entirely due to increased rental income, since the required yield remains unchanged.

During the period, properties were sold for a total of SEK 657 m (1,419), generating proceeds of SEK 90 m (124). The sale price was 18 percent

above the valuations of 31 December 2010. The proceeds include SEK 1 m (3) attributable to other non-current assets. Revaluation of off-balance instruments (interest rate derivatives) totalled SEK 124 m (-436).

### **Profit for the period**

After-tax profit for the period increased by SEK 903 m to SEK 777 m (-126).

### **Property portfolio**

During the period, properties were acquired at a value of SEK 1,196 m (82), of which SEK 604 m was attributable to properties in Sweden and SEK 592 m to properties in Germany. The average initial yield was 4.2 percent in Sweden and 4.5 percent in Germany. The average acquisition price per square metre was SEK 18,316 in Sweden and EUR 1,277 in Germany.

Investments in existing properties totalled SEK 464 m (367), of which SEK 26 m (49) 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 yield. The cash flow model is based on actual income and expenses adjusted for a normalised future cash flow. 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 average required yield in the assessment of residential properties was 4.7 percent in Sweden and 4.8 percent in Germany. In the assessment of commercial properties the average yield was 6.5 percent in Sweden and 6.2 percent in Germany. The average required yield for the total portfolio was 5.1 percent, which is unchanged for the period.

The assessed market value of the Group's entire property holdings as per closing day was SEK 30,211 m (28,394), which entails an increase of SEK 1,817 m compared to the value as per 31 December the previous year. Details of the change in market value are presented in the notes to this report.

The market value has increased by SEK 711 m due to revaluation and by SEK 104 m due to exchange rate fluctuations. Changes in property holdings have increased the market value by SEK 1,002 m. Investments and purchases amount to SEK 1,660 m and properties were sold for a total of SEK 658 m.

Of the total market value, SEK 22,285 m (21,502) comprises properties in Sweden and SEK 7,926 m (6,892) properties in Germany. Residential properties represent 89 percent (88) 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 19,171 m (17,721), of which SEK 15,431 m (14,259) was attributable to credit on secured loans and SEK 3,740 m (3,462) to unsecured loans. Credit on real estate refers to loans raised with properties as security. Of credit on real estate, SEK 2,296 m (683) had an interest rate fixed for less than one year and SEK 9,358 m (10,274) had an interest rate fixed for more than five years. Credit on real estate had an average interest rate of 5.13 percent (5.11) and capital was tied-up for an average of 4.8 years (5.5).

At the end of the financial period, available funds in the form of cash and granted but unutilised credit facilities totalled SEK 1,066 m (2,004). Unutilised credit facilities totalled SEK 1,819 m (1,990).

During the period, the Group's equity increased by SEK 829 m and, at the end of the financial period, totalled SEK 8,398 m (7,570), corresponding to an equity/assets ratio of 26.5 percent (26.0).

## Effects on equity due to transition from Swedish GAAP to IFRS

This financial report is the first that the Akelius Fastigheter Group has prepared in accordance with the International Financial Reporting Standards.

The transition from Swedish GAAP to IFRS has affected the valuation of intangible assets, properties, work in progress and off-balance instruments (interest swaps). Deferred tax is calculated as 26.3 or 34 percent of the differences resulting from the revaluations.

The income statement of the group has been affected as follows due to the transition from Swedish GAAP to IFRS. All amounts in SEK m.

	31 Dec 2010	30 June 2010
Result according to Swedish GAAP	764	554
Revaluation of intangible assets	3	2
Revaluation of tangible assets	-264	-482
Revaluation of off-balance instruments	77	-436
Effect on deferred tax revaluations	35	236
Result according to IFRS	615	-127

The equity of the group has been affected as follows due to the transition from Swedish GAAP to IFRS. All amounts in SEK m.

	31 Dec 2010	30 June 2010	31 Dec 2009
Closing balance, Swedish GAAP	5,009	4,777	4,218
Revaluation of intangible assets	5	4	2
Revaluation of tangible assets	4,577	4,358	4,841
Revaluation of off-balance instruments	-1,339	-1,852	-1,416
Effect on provisions by revaluations	-682	-481	-717
Closing balance, IFRS	7,570	6,806	6,928

The cash flow analysis is not affected by the transition from Swedish GAAP to IFRS.

### Events after the end of the financial period

Since the end of the financial period, nineteen properties have been acquired in Germany for SEK 589 m and two properties in Sweden for SEK 678 m. No properties have been sold after the end of the financial period.

Stockholm, 1 September 2011

Pål Ahlsén  
Managing Director

## Income Statement

Amounts in SEK m	2011-06-30 6 months	2010-06-30 6 months	2010-12-31 12 months
<b>Rental income</b>	<b>1,246</b>	<b>1,239</b>	<b>2,439</b>
Operating expenses	-449	-474	-895
Maintenance	-117	-112	-266
Property tax and site leasehold fees	-30	-26	-60
<b>Property costs</b>	<b>-596</b>	<b>-612</b>	<b>-1,221</b>
<b>Operating surplus</b>	<b>649</b>	<b>627</b>	<b>1,218</b>
Other expenses/income	-1	3	-7
Central administration expenses	-25	-30	-69
<b>Operating profit</b>	<b>624</b>	<b>599</b>	<b>1 142</b>
Financial income	58	61	87
Financial expenses	-526	-541	-1 052
<b>Operating profit after financial items</b>	<b>156</b>	<b>119</b>	<b>176</b>
Income attributable to property sales	90	124	239
Change in value of investment properties	621	-148	112
Change in value of derivative instruments	124	-436	77
<b>Profit before taxes</b>	<b>990</b>	<b>-341</b>	<b>605</b>
Taxes	-213	215	11
<b>Total profit</b>	<b>777</b>	<b>-126</b>	<b>615</b>
Attributable to minority interest	1	0	0

## Balance sheet

Amounts in SEK m	2011-06-30	2010-06-30	2010-12-31	2009-12-31
Goodwill	15	15	15	15
Properties	30,211	27,783	28,394	29,304
Other assets	1,344	831	698	1,820
Cash and bank balances	24	22	20	24
<b>Assets</b>	<b>31,594</b>	<b>28,651</b>	<b>29,127</b>	<b>31,164</b>
Equity	8,383	6,806	7,570	6,928
Deferred tax	2,092	1,629	1,857	1,868
Interest-bearing liabilities without security	3,740	3,750	3,462	3,405
Interest-bearing liabilities with security	15,431	14,013	14,259	16,831
Other liabilities	1,948	2,453	1,979	2,131
<b>Equity &amp; Liabilities</b>	<b>31,594</b>	<b>28,651</b>	<b>29,127</b>	<b>31,164</b>

## Change in Equity

Amounts in SEK m	Share capital	Other reserves	Minorities' share	Retained earnings	Total
Opening balance	400	26	5	7,139	7,570
Translation difference		35			35
Acquired			1		1
Profit for the period			0	777	777
<b>Closing balance</b>	<b>400</b>	<b>61</b>	<b>6</b>	<b>7,916</b>	<b>8,383</b>

## Interest-bearing credit on real estate

Duration , years	Amount SEK m	Share %	Average interest, %
0-1	2,296	15	4.61
1-2	1,507	10	4.33
2-3	253	2	4.80
3-4	984	6	6.57
4-5	1,034	7	5.19
5-6	2,931	19	5.27
6-7	1,117	7	5.59
7-8	3,055	20	5.27
8-9	1,093	7	5.27
9-10	1,100	7	4.80
10 +	62	0	2.82
<b>Total</b>	<b>15,431</b>	<b>100</b>	<b>5.13</b>

## Cash Flow Statement amounts in SEK m

	2011 Jan-Jun 6 months	2010 Jan-Jun 6 months	2010 Jan-Dec 12 months
Cash flow from operating activities	148	1,102	1,447
Cash flow from investing activities	-1,491	876	294
Cash flow from financing activities	1,347	-1,980	-1,745
Cash flow for the period	4	-4	-4
<b>Cash and cash equivalents at the end of the year</b>	<b>24</b>	<b>22</b>	<b>20</b>



Hamburg, Augustenpassage

## Property holdings as per 30 June 2011

	No. of apartments	Lettable area, square metres		Total	Share
		Residential	Commercial		
South Sweden	11,421	727,556	207,213	<b>934,769</b>	37%
North Sweden	11,678	818,398	119,405	<b>937,803</b>	38%
<b>Sweden</b>	<b>23,099</b>	<b>1,545,954</b>	<b>326,618</b>	<b>1,872,572</b>	<b>75%</b>
Germany	9,636	589,763	25,693	<b>615,456</b>	25%
<b>Total</b>	<b>32,735</b>	<b>2,135,717</b>	<b>352,311</b>	<b>2,488,028</b>	<b>100%</b>

Change in market value Amounts in SEK m	2011	2010	2010
	30 June	30 June	31 Dec
	6 months	6 months	12 months
Market value, start of period	28,394	29,286	29,286
Translation difference EUR/SEK	104	-547	-866
Acquisitions and investments for the year	1,660	449	1,979
Change in value (excl. translation difference)	711	95	395
Divestments for the year	-658	-1,424	-2,400
<b>Market value, end of period</b>	<b>30,211</b>	<b>27,859</b>	<b>28,394</b>

Key ratios	2011	2010	2010	2009
	30 June	30 June	31 Dec	31 Dec
Equity/Assets ratio, %	26.53	23.75	25.99	22.23
Loan to value ratio, %	63.46	63.93	62.41	69.06
Interest coverage ratio	1.30	1.22	1.17	1.12
Vacancy rate, residential, %	1.78	1.84	1.31	1.41

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