

# Year-end Report

January to December 2010



# Akelius Fastigheter AB

Registered company number: 556156-0383  
Year-end Report January to December 2010

- **Rental income amounted to SEK 2,439 m (2,798)**
- **Proceeds from the sale of properties totalled SEK 823 m (746)**
- **Profit for the year was SEK 764 m (916)**

## We are buying more properties

in the seven largest cities in Germany and in our Swedish cities. We buy residential properties selectively, in A and B locations, which we can upgrade to the *Akelius standard*.

## SEK 200 million to Children's Villages

The Akelius Foundation donated via SOS Children's Villages International SEK 100 million to Haiti and SEK 100 million to a new village in India.

## Owner

All shares in Akelius Fastigheter AB are owned by Akelius Apartments Ltd, Cyprus, corporate identity number 84077, of which the Akelius Foundation is owner of 85 percent.

The current ownership structure stems from the fact that the company's founder and original owner, Roger Akelius, has donated the majority of his fortune to the Akelius Foundation, a non-profit organisation. In 2010, the foundation decided to donate SEK 100 million to SOS Children's Villages International for long-term relief efforts in Haiti and another SEK 100 million to establish a new children's village in Tirupati, India.

In agreement with the owner, the company has decided, as of the 2011 financial year, to establish a dividend policy for the coming years. The business can expand and retain its good financial position while issuing a dividend equal to ten percent of the reported annual profit.

## Operations

Akelius Fastigheter shall, in accordance with the directives its owner, at least during this century own and manage residential properties. The company intends to expand in those locations in which the company currently owns properties and which exhibit population growth.

At the end of the financial year, the Group owned properties in Sweden and Germany with a market value of SEK 28,394 million (29,286). The share of residential properties was 88 percent (88), measured as a percentage of the market value. The rentable area of the properties was 2,424,000 square metres (2,527,000). The rentable properties comprised 31,500 apartments (33,000), with 74.7 percent (76.1) in Sweden and 25.3 percent (23.9) in Germany.

In 2011 we plan to upgrade properties for SEK 1,000 million, to buy residential properties for SEK 5,500 million and to reduce our commercial holdings.

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

The financial statement covers twelve months, namely the financial year 1 January to 31 December 2010. The previous financial year comprised eighteen months. Comparisons of assets and liabilities refer to 31 December 2009.

### **Profit for the year**

Due to net sales of properties, the Group's rental income for the financial year decreased. The rental market remains strong and the occupancy rate was 98.0 percent (98.4) at year-end. The vacancy rate for residential properties was 1.3 percent (1.0), and the vacancy for commercial properties was 5.6 percent (5.1). The costs include maintenance for SEK 266 million, corresponding to an annual cost of SEK 108 per square metre. The operating surplus of SEK 1,218 million means that the operating surplus margin improved, reaching 49.9 percent (48.5).

We sold properties for SEK 2,392 million (5,056), generating proceeds of SEK 823 million (855). Profit for the year after tax was SEK 764 million (1,084).

### **Properties**

We bought properties for SEK 972 million, of which residential properties in Germany accounted for SEK 446 million. In total, we bought 1,011 apartments and a rentable area of 72,200 square metres. We upgraded existing properties at a cost of SEK 827 million (1,129).

Internally, we assess the market value of an individual property with consideration for cash flow, earnings and required returns. The cash flow is based on actual income and expenses adjusted for a normalised future cash flow. We value properties acquired during the year at acquisition cost. We engage CB Richard Ellis for a second opinion on a third of our properties, which selection are representative of our entire holdings.

According to the above, the Group owned properties valued at SEK 28,394 million (29,286), of which 76 percent in Sweden and 24 percent in Germany.

The market value has increased by SEK 378 million after sales, acquisitions, the upgrading of existing holdings and the drop in the value of the euro against the Swedish krona. The market value of the portfolio exceeds the book value by SEK 4,577 million (4,823).

### **Finances**

In accordance with the groups finance policy interest rates are tied in the long term. At the end of the financial period, 69 percent of the real estates credits had a fixed interest rate term greater than five years, and 5 percent a fixing period shorter than one year. The real estates credits were distributed among fifteen different lenders, and amounts to 49 percent of the market value of the property holdings.

As of 31 December 2010,

- Available funds, cash and secured and unutilised credit facilities totalled SEK 1,431 million (1,450).
- Additional unsecured credit facilities totalled SEK 976 million (1,090).
- The fixed term for granted credits is 5.0 years (5.7).
- Interest-bearing liabilities totalled SEK 17,721 million (20,237), of which SEK 360 million (239) in funds deposited by the public. Of these amounts, SEK 315 million (194) stemmed from the subsidiary Akelius Spar AB.

### Financial position

The Group's equity increased by SEK 790 million to SEK 5,009 million (4,219), corresponding to an equity ratio of 20.4 percent (16.0). Adjusted equity, which includes the surplus value of the holdings, less deductions of 26.3 percent for deferred tax, totalled SEK 8,382 million (7,773). The adjusted equity ratio was 28.8 percent (25.0).

### Significant events

Pål Ahlsén took up the position of MD and CEO of Akelius Fastigheter AB on 14 April 2010. At a shareholders' general meeting on 15 April 2010, the Board was augmented by Igor Rogulj and Leif Norburg. Leif Norburg was appointed as Chairman of the Board.

After the end of the financial year we have bought properties in Germany to a value of SEK 518 million and sold properties in Sweden to a value of SEK 71 million. The sales price exceeds the market value as of 31 December 2010 by SEK 17 million or 31 percent.

### Proposal for the allocation of profits

The group's non-restricted equity amounts to SEK 3,691 million according to the group balance sheet. The board proposes no dividend and that the total amount will be carried forward.

Danderyd, 7 April 2011

Pål Ahlsén  
Managing Director

## Income Statements

	2010	2009	2009
	Jan-Dec	Jan-Dec	Jul-Dec
Group, amounts in SEK m	12 months	12 months	18 months
<b>Rental income</b>	<b>2,439</b>	<b>2,798</b>	<b>4,182</b>
Operating expenses	-895	-1,028	-1,523
Maintenance	-266	-293	-529
Property tax and site leasehold fees	-60	-70	-103
<b>Property costs</b>	<b>-1,221</b>	<b>-1,391</b>	<b>-2,155</b>
<b>Operating surplus</b>	<b>1,218</b>	<b>1,407</b>	<b>2,027</b>
Depreciation/write-off	-219	-246	-341
<b>Gross profit</b>	<b>999</b>	<b>1,161</b>	<b>1,686</b>
Other expenses/income	-7	0	2
Central administration expenses	-66	-47	-58
Profit from sales	827	748	857
<b>Operating profit</b>	<b>1,753</b>	<b>1,862</b>	<b>2,487</b>
Financial income	87	87	144
Financial expenses	-1,052	-1,154	-1,723
<b>Pre-tax profit</b>	<b>788</b>	<b>795</b>	<b>908</b>
Income tax	-24	121	176
<b>Profit for the year</b>	<b>764</b>	<b>916</b>	<b>1,084</b>

## Balance sheets

Group, amounts in SEK m	31 Dec 2010	31 Dec 2009
Properties	23,817	24,463
Other assets	708	1,833
Liquid assets	20	24
<b>Total assets</b>	<b>24,545</b>	<b>26,320</b>
Restricted equity	1,318	1,039
Profit brought forward	2,927	2,096
Profit for the year	764	1,084
<b>Total equity</b>	<b>5,009</b>	<b>4,219</b>
Provisions	1,174	1,152
Interest-bearing liabilities without security	3,838	3,406
Interest-bearing liabilities secured against properties	13,883	16,831
Other liabilities	641	712
<b>Total equity and liabilities</b>	<b>24,545</b>	<b>26,320</b>

## Interest-bearing mortgage loans

<b>Duration</b>	<b>Amount loaned SEK m</b>	<b>Share %</b>	<b>Average interest, %</b>
0-1 year	649	5	3.08
1-2 years	416	3	4.18
2-3 years	471	3	7.46
3-4 years	988	7	6.24
4-5 years	1,741	13	5.32
5-6 years	1,958	14	5.02
6-7 years	2,755	20	4.84
7-8 years	2,126	15	5.60
8-9 years	2,517	18	5.55
9-10 years	0	0	0.00
10+ years	262	2	5.05
<b>Total</b>	<b>13,883</b>	<b>100</b>	<b>5.26</b>

## Cash Flow Statements, amounts in SEK m

	<b>2010 Jan–Dec 12 months</b>	<b>2009 Jan–Dec 12 months</b>	<b>2009 Jul–Dec 18 months</b>
Cash flow from continuing operations	1,447	1,685	793
Cash flow from investing activities	293	2,701	1,061
Cash flow from financing activities	-1,746	-4,385	-1,885
<b>Cash flow for the year</b>	<b>-4</b>	<b>1</b>	<b>-31</b>
<b>Liquid assets, end of year</b>	<b>20</b>	<b>24</b>	<b>24</b>



## Property holdings as per 31 December 2010

	No. of apartments	Lettable area, square metres		Total	Share %
		Residential	Commercial		
South Sweden	10,747	670,919	233,161	<b>904,080</b>	37
North Sweden	12,179	836,164	137,847	<b>974,011</b>	40
<b>Sweden</b>	<b>22,926</b>	<b>1,507,083</b>	<b>371,008</b>	<b>1,878,091</b>	<b>77</b>
Germany	8,576	524,136	21,887	<b>546,023</b>	23
<b>Total</b>	<b>31,502</b>	<b>2,031,219</b>	<b>392,895</b>	<b>2,424,114</b>	<b>100</b>

Change in market value Amounts in SEK m	2010	2009	2009
	31 Dec	31 Dec	31 Dec
	12 months	12 months	18 months
Market value, beginning of the year	29,286	33,053	31,095
Acquisitions and investments for the year	1,979	1,313	2,851
Change in value incl. translation difference	-471	-554	372
Divestments	-2,400	-4,526	-5,032
<b>Market value, end of year</b>	<b>28,394</b>	<b>29,286</b>	<b>29,286</b>

Key ratios	2010	2008/09	2007/08	2006/07	2005
	12 months	18 months	12 months	18 months	12 months
Reported equity/assets ratio, %	20.41	16.03	15.51	16.82	13.69
Adjusted equity/assets ratio, %	28.81	25.23	25.99	27.78	21.14
Adjusted loan to value ratio, %	60.84	64.94	63.93	59.74	63.76
Interest coverage ratio	1.17	1.23	1.53	1.36	1.70
Vacancy rate, total, %	2.00	1.61	1.60	1.60	2.90
Vacancy rate, residential, %	1.31	1.00	0.90	0.90	1.50
Number of apartments	31,502	32,988	33,491	31,727	25,515

## Several year comparison

Amounts in SEK m	2010	2008/09	2007/08	2006/07	2005
	12 months	18 months	12 months	18 months	12 months
Net sales	2,439	4,182	2,318	3,116	1,943
Operating surplus	1,218	2,027	1,088	1,479	968
Profit for the year	764	1,084	868	1,453	493
Market value of properties	28,394	29,304	30,846	23,543	18,851
Book value of properties	23,817	24,463	25,656	18,855	15,619
Equity	5,009	4,219	4,139	3,278	2,217
Interest-bearing liabilities	17,721	20,237	20,629	14,526	12,211



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