

# Interim report

January to June 2010



# Akelius Fastigheter AB (publ)

Registered company number: 556156-0383

Interim Report January to June 2010

- Rental income amounted to SEK 1,239 m (1,474)
- Proceeds from the sale of properties totalled SEK 540 m (55)
- Profit for the period was SEK 555 m (162)

## 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 six months, namely the financial period 1 January to 30 June 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 27,783 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 2,420,912 square metres

(2,527,326), with a book value of SEK 23,049 m (24,463). The rentable properties comprised 31,564 apartments (32,988), with 8,177 (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 235 m to SEK 1,239 m (1,474), 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 June. 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 612 m (728), corresponding to a reduction of SEK 116 m. Of property costs, SEK 112 m (132) comprised maintenance, corresponding to an average annual cost of SEK 93 per square metre. The operating surplus for the period fell by SEK 119 m to SEK 627 m (746). The operating surplus margin was 50.6 percent (50.6).

Planned write-offs, write-downs and reversals of intangible and tangible fixed assets totalled SEK 87 m (132). 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 1,419 m (198), generating proceeds of SEK 540 m (54). The total selling price was greater than the assessed market value as per 31 December 2009. The proceeds include SEK 3 m (1) attributable to other non-current assets.

### **Financial items**

Interest income for the period, including interest subsidies, was SEK 61 m (49) and financial expenses for the year were SEK 541 m (582).

### **Profit for the period**

After-tax profit for the period increased by SEK 393 m to SEK 555 m (162). Pre-tax profit – excluding proceeds from the sale of properties, write-downs and reversals – decreased by SEK 41 m to SEK 34 m (75).

### **Property portfolio**

During the period, properties were acquired at a cost of SEK 82 m (441). All the properties are located in Germany.

Investments in existing properties totalled SEK 369 m (267), of which SEK 48 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 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 27,783 m (29,286), which entails a decrease of SEK 1,503 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 1,419 m (21) and acquired for SEK 82 m (268). Adjusted for investments, sales and altered foreign exchange rates, the assessed market value entails an increase in value of SEK 10 m (254). The market value is SEK 4,359 m (5,927) higher than the book value. Of the total market value, SEK 21,424 m (22,664) comprises properties in Sweden and SEK 6,359 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 17,762 m (20,236), of which

SEK 14,013 m (16,831) was attributable to credit on landed property and SEK 3,749 m (3,405) to unsecured loans. Credit on landed property refers to loans raised with properties as security. Of credit on landed property, SEK 457 m (2,579) had an interest rate fixed for less than one year and SEK 10,383 m (11,187) had an interest rate fixed for more than five years. Credit on landed property had an average interest rate of 5.41 percent (4.84) and capital tied-up for an average of 5.7 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 2,290 m (1,450). Unutilised credit facilities totalled SEK 2,667 m (2,485).

During the period, the Group's equity increased by SEK 559 m and, at the end of the financial period, totalled SEK 4,778 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 8,186 m (7,692). The adjusted equity/assets ratio was 27.6 percent (24.7).

### **Events after the end of the financial period**

After the end of the financial period, one property in Germany has been acquired for SEK 10 m. No properties have been sold after the end of the financial period.

Stockholm, Sweden, 31 August 2010

Pål Ahlsén  
Managing Director

## Income Statements

Group, amounts in SEK m	2010 Jan-Jun 6 months	2009 Jan-Jun 6 months	2008/09 July-Dec 18 months
<b>Rental income</b>	<b>1,239</b>	<b>1,474</b>	<b>4,182</b>
Operating expenses	-474	-560	-1 523
Maintenance	-112	-132	-529
Property tax and site leasehold fees	-26	-36	-103
<b>Property costs</b>	<b>-612</b>	<b>-728</b>	<b>-2,155</b>
<b>Operating surplus</b>	<b>627</b>	<b>746</b>	<b>2,027</b>
Write-off/down, reversals	-87	-132	-341
<b>Gross profit</b>	<b>540</b>	<b>614</b>	<b>1,686</b>
Other expenses/income	-4	1	2
Central administration expenses	-22	-23	-58
Profit from sales	543	55	857
<b>Operating profit</b>	<b>1,057</b>	<b>647</b>	<b>2,487</b>
Financial income	61	49	144
Financial expenses	-541	-582	-1,723
<b>Pre-tax profit</b>	<b>577</b>	<b>114</b>	<b>908</b>
Income tax	-22	48	176
<b>Profit for the period</b>	<b>555</b>	<b>162</b>	<b>1,084</b>

## Balance Sheets

Group, amounts in SEK m	2010-06-30	2009-06-30	2009-12-31
Properties	23,424	27,737	24,463
Other assets	842	1,402	1,833
Liquid assets	22	9	24
<b>Total assets</b>	<b>24,288</b>	<b>29,148</b>	<b>26,320</b>
Restricted equity	1,203	935	1,039
Profit brought forward	3,019	2,180	2,096
Profit for the period	555	330	1,084
<b>Total equity</b>	<b>4,777</b>	<b>3,445</b>	<b>4,219</b>
Provisions	1,148	1,305	1,152
Interest-bearing liabilities without security	3,750	3,439	3,405
Interest-bearing liabilities secured against properties	14,013	19,283	16,831
Other liabilities	600	1,676	713
<b>Total equity and liabilities</b>	<b>24,288</b>	<b>29,148</b>	<b>26,320</b>

**Cash Flow Statements  
amounts in SEK m**

	<b>2010 Jan-Jun 6 months</b>	<b>2009 Jan-Jun 6 months</b>	<b>2008/09 July-Dec 18 months</b>
Cash flow from continuing operations	1,180	1,104	793
Cash flow from investing activities	799	-585	1,061
Cash flow from financing activities	-1,981	-533	-1,885
<b>Cash flow for the period</b>	<b>-2</b>	<b>-14</b>	<b>-31</b>
<b>Liquid assets, close of period</b>	<b>22</b>	<b>9</b>	<b>24</b>

**Interest-bearing credit on landed property, 2010-06-30**

<b>Duration Years</b>	<b>Amount loaned SEK m</b>	<b>Share %</b>	<b>Average interest %</b>
0-1	457	3	2.78
1-2	291	2	4.45
2-3	597	4	6.56
3-4	357	3	5.96
4-5	1,928	14	5.58
5-6	1,512	11	5.58
6-7	3,108	23	5.02
7-8	1,424	10	5.35
8-9	3,525	25	5.71
9-10	750	5	6.00
10-	65	0	2.80
<b>Total</b>	<b>14,013</b>	<b>100</b>	<b>5.41</b>



*Tegner 4, Västerås*

<b>Change i market value amounts in SEK m</b>	<b>2010 30 Jun 6 months</b>	<b>2009 30 Jun 6 months</b>	<b>2008/09 31 Dec 18 months</b>
Market value, start of period	29,286	33,053	31,095
Acquisitions and investments for the year	449	627	2.851
Change in value (incl. translation difference)	-528	-18	372
Divestments for the year	-1,424	-194	-5,032
<b>Market value, close of period</b>	<b>27,783</b>	<b>33,468</b>	<b>29,286</b>

<b>Key ratios</b>	<b>2010 30 Jun 6 months</b>	<b>2009 30 Jun 6 months</b>	<b>2008/09 31 Dec 18 months</b>
Reported equity/assets ratio, %	19.70	11.82	16.03
Adjusted equity/assets ratio, %	27.66	21.71	24.70
Adjusted loan to value ratio, %	63.93	67.89	69.10
Interest coverage ratio	1.22	1.33	1.23
Vacancy rate, total, %	2.20	1.52	1.41
Vacancy rate, residential, %	1.84	1.00	0.88

### Property holdings as per 2010-06-30

Region	Number of apartments	Residential properties	Rentable area, square meters			Share
			Public	Commercial	Total	
Southern Sweden	10,503	654,517	80,563	147,546	882,626	37
Northern Sweden	12,884	880,302	69,351	72,043	1,021,696	42
<b>Sweden</b>	<b>23,387</b>	<b>1,534,819</b>	<b>149,914</b>	<b>219,589</b>	<b>1,904,322</b>	<b>79</b>
Germany	8,117	479,473	0	19,117	516,590	21
<b>Total</b>	<b>31,564</b>	<b>2,032,292</b>	<b>149,914</b>	<b>238,706</b>	<b>2,420,912</b>	<b>100</b>

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