

Year-end report

6, 2006/07



Akelius Fastigheter AB

Corporate Identity Number 556156-0383

Year-end report January 2006 to June 2007

- Rental income increased to SEK 3,166 million (1,944)
- Profits from the sale of properties increased to SEK 1,345 million (336)
- Profits after-tax increase to SEK 1,453 (493)
- The market value of the properties increased to SEK 23.5 billion (18.9)
- Adjusted equity/assets ratio increased to 27.5 percent (22.7)

THE GROUP

Business

- Akelius Fastigheter shall, during this century, own and administer a diversified property portfolio, with the ability to generate a stable cash flow.
- Residential properties shall account for a minimum of 75 percent of the total market value of all properties held.
- In the holdings of properties for community and commercial operations, the goal will be to achieve long-term and secure lease contracts.
- A low-level of financial risk will be achieved by borrowings with long-term fixed interest rates and ensuring that there is a long-term capital structure.

At an extra ordinary general meeting on 13 November 2006, the company decided to extend the financial year up to and including 30 June 2007. This annual report covers the financial year 1 January 2006 up to and including 30 June 2007. Comparisons specified within parentheses relate to income statement items for the period January to December 2005.

At the end of the year, the group owned diversified property holdings in Sweden and in Germany, concentrated in growth areas. In accordance with the company's strategy the share of housing was high and was in excess of 81 percent at the end of the year, measured as a share of the properties' market value. The property holdings' rentable area was 2,445,000 m² (2,370,000) with a book value of SEK 18,855 million (15,619). The housing stock consists of 29,100 apartments (25,500), of which 3,000 apartments in Germany.

Akelius Fastigheter AB is the parent company in the group and the group's real estate holdings are owned directly by the parent company or by subsidiaries.

Turnover and earnings

The group's rental income throughout the year increased by SEK 1,173 million and was SEK 3,116 million (1,943). Adjusted for the extended financial year, revenues increased by SEK 85 million or 4.4 percent. The revenue increase is primarily an effect of increased rental charges and a reduction of vacancies.

The occupancy rate continues to be high and vacancies are primarily attributable to commercial premises. At the end of the year, the total amount of vacancies was 1.6 percent (2.9). Housing vacancies were 0.9 percent (1.5) and are made up primarily of relocation vacancies.

Property costs were SEK 1,638 million (974), which is the equivalent of an increase of SEK 664 million. Adjusted for the effect of the extended financial year, property costs have increased by SEK 94 million or 9.7 percent compared to the previous year. The increasing costs can be explained by an increase in the cost of property maintenance (SEK 27 million).

The operating surplus for the year increased by SEK 510 million to SEK 1,479 million (969). For comparable 12 month period, the operating surplus for the year decreased by SEK 9 million to SEK 1,479 million (969). The surplus degree was 47.4 percent (49.8).

Depreciation according to plan on tangible fixed assets was SEK 194 million (119). Depreciations for the year were SEK 19 million (0) and the year's reversals for previous years' depreciations were SEK 62 million (30). The cost of central administration was SEK 28 million (16). The increase in the cost of depreciations in accordance to plan and the costs for administration are mainly due to the extension (18 months) to the financial year.

Property sales

Throughout the year, properties were sold for a total of SEK 4,381 million (1,981). The total profit from property sales was SEK 1,349 million (336). Property sales have taken place within the guidelines of the company's strategy which in principle is to own residential property in growth areas. Sales were also carried out in order to take advantage of the strong market for the sale of residential properties via tenant-owners' associations.

Other material assets have been sold for a total of SEK 19 million with a profit of SEK 5 million.

Net financial income

Interest income for the year, including received interest subsidies, was SEK 21 million (9). The group's financial costs were SEK 1,300 million (717). The cost increase is partly due to the extended financial year, partly due to a one-off cost for the early repayment of tied-up loans which to the same degree reduces future interest costs.

Profit for the year

Profit for the year after taxes has increased by SEK 960 million to SEK 1,453 million (493). This improvement in results is due to increased profits from property sales.

Orientation towards growth areas with a focus on residential properties

During the year, property has been purchased for a total of SEK 5,262 million (2,757), of which SEK 3,393 million related to purchases in Sweden and SEK 1,869 to purchases in Germany. A total of 6,564 apartments were added to the property portfolio as a result of these purchases, with a rentable area of 516,000 m². Of the purchases in Sweden of 3,590 apartments, 828 apartments are in Linköping, 482 in Luleå, 467 in Södertälje and 418 in Umeå. Of the purchases in Germany of approx. 3,000 apartments, 1,553 apartments are in Berlin and 359 apartments in Hamburg. The year's investment in existing properties was SEK 792 million (268), of which SEK 529 million was for the production of new residential properties.

Market valuation of the property portfolio

The estimated market value of the group's total real estate holdings was, as per 30 June 2007, SEK 23.5 billion, which means an increase of SEK 4.7 billion compared to the value on 31 December 2005. Adjusted for purchases, investments and sales, this means that the estimated market value has increased by 15.4 percent since the turn of the year 2005/2006. The market value indicates a surplus value, excluding taxes, in the property portfolio to the amount of SEK 3,375 million (2,949) or 17.9 percent (18.5). Of the total market value, SEK 21.6 billion relates to the Swedish property holdings and SEK 1.9 billion, the German property holdings. In total, residential property amounts to 81.1 percent of the market value which exceeds the group's objective, that the housing share should be a minimum of 75 percent.

Svefa AB, as of 30 June 2007, has valued all properties which the group owned during the financial year. Properties which were purchased during the financial year were valued at the same amount as they were purchased for. For new production in progress, the market value is estimated at the equivalent of accrued expenses.

Financial position

The group's interest-bearing liabilities were, at the end of the year, SEK 14,525 million (12,211), of which SEK 11,745 million related to real estate credits, i.e. bank loans with collateral in properties, and SEK 2,780 million (2,512) related to loans without collateral. Real estate credits had an average fixed interest rate period of 3.6 years (4.6) and the average interest rate was 4.5 percent (4.9). The amount of capital tied up in real estate credits averaged 5.9 years (5.7). Available funds in the form of cash and secured but unused credit agreements was SEK 1,584 million (965) at the end of the year. The total unused credit agreements amounted to SEK 2,032 million.

Throughout the year, equity increased by SEK 1,061 million and at the end of the financial year amounted to SEK 3,278 million (2,217) which is the equivalent of a visible equity/assets ratio of 16.8 percent (13.7). The adjusted equity/assets ratio, which includes the surplus value of the property holdings after deductions of 28 percent for deferred taxes, was 27.5 percent (22.7).

Environment

Akelius Fastigheter does not carry out any operations which require permits or compulsory registration in accordance with chapter 6 § of the Environmental Code.

Dividends

The board suggests a dividend of SEK 3,000 per share. The suggested dividend will reduce the group's equity/assets ratio to 10.7 percent and the company's equity/assets ratio to 22.6 percent. The suggested dividend in accordance with the board's evaluation is defensible taking into consideration the requirements made on the group's and the company's equity requirements and is judged to satisfy the company's future capital requirements for continued development of business operations. The suggested dividend may therefore be defended taking into consideration what is stated in ABL 17 chapter 3 § subsection 2-3.

Important events after the end of the financial year

After the end of the financial year, properties in Malmö, Karlskrona, Trollhättan, Berlin, Hamburg and in Munich have been purchased for a total of SEK 1,164 million. Agreements has been concluded for further purchases in Germany amounting to SEK 934 million. In Sweden, 12 properties have been sold for a total of SEK 551 million.

Gothenburg 9 October 2007



Jan-Erik Höjvall
Chief Executive Officer

OPERATING STATEMENTS

Group, amounts in MSEK	3 mths Apr-Jun 2007	3 mths Apr-Jun 2006	18 mths Jan-Jun 2006/07	12 mths Jan-Dec 2005
Rental income	551	484	3,116	1,944
Operating costs	- 195	- 175	- 1,157	- 678
Maintenance	- 65	- 50	- 382	- 233
Property tax and site leasehold fees	- 15	- 17	- 99	- 64
Total property costs	- 275	- 242	- 1,638	- 975
Operating surplus	276	242	1,478	969
Depreciation and reversals	- 33	- 36	- 151	- 89
Gross profit	243	206	1,327	880
Central administration expenses	- 5	- 4	- 28	- 16
Income from sales	771	328	1,354	336
Operating profit	1,009	530	2,653	1,200
Financial income	7	14	21	9
Financial costs	- 331	- 206	- 1,299	- 717
Earnings before tax	685	338	1,375	492
Tax	104	18	78	1
Profit for the period/year	789	356	1,453	493

FINANCIAL STATEMENTS

Group, amounts in MSEK	30.06.2007	31.12.2006	31.12.2005
Properties	18,855	17,823	15,903
Other assets	600	334	166
Liquid funds	29	6	132
Total assets	19,484	18,163	16,201
Equity	1,825	1,820	1,724
Profit for the year	1,453	644	493
Total equity	3,278	2,464	2,217
Allocations	1,265	1,305	1,288
Interest bearing liabilities without collateral	2,780	2,345	2,512
Interest-bearing liabilities with collateral in properties	11,745	11,408	9,699
Other liabilities	416	651	485
Total equity and liabilities	19,484	18,163	16,201

Batteriet 13, Halmstad

Cash Flow analyses, amounts in MSEK	18 mths	12 mths
	2006/07	2005
	Jan-Jun	Jan-Dec
Cash flow from operating activities	-178	217
Cash flow from investment activities	-1,840	- 958
Cash flow from financing activities	1,915	776
Cash flow for the year	-103	35
Liquid assets at the end of the year	29	132

Fixed-interest term real estate credits

Tenure	Loans MSEK	Average interest %	Percentage %
0 – 1 years	6,129	4.13	52
1 – 2	363	4.67	3
2 – 3	784	4.62	7
3 – 4	-	-	-
4 – 5	8	5.85	0
5 – 6	200	5.46	2
6 – 7	-	-	-
7 – 8	1,045	5.12	9
8 – 9	1,800	4.91	15
9 –	1,416	4.81	12
Total	11,745	4.49	100



Change of market value, amounts in MSEK

	2006/07	2005
Market value at the beginning of the year	18,851	16,096
This year's investments and acquisitions	6,061	3,212
Change in value	3,012	1,463
Less sales	-4,381	-1,920
Market value at the end of the year	23,543	18,851

Key ratios

	2006/07	2005
Adjusted equity/assets ratio, %	27,5	22,7
Loan ratio %	62,0	65,0
Interest coverage ratio,	2,1	1,7
Vacancies total, %	1,6	2,9
Vacancies housing, %	0,9	1,5

Property portfolio, 30.06.07

Region	Number of apartments	Lettable area, square meters			Percentage
		Residential properties	Commercial	Total	
Southern Sweden	7,492	510,485	166,311	676,796	28
Western Sweden	5,832	382,701	100,065	482,766	20
Eastern Sweden	10,363	775,016	147,588	922,604	38
Northern Sweden	2,392	149,606	28,769	178,375	7
Germany	2,977	180,787	3,515	184,302	7
Total	29,056	1,998,595	446,248	2,444,843	100

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