

Akelius Residential Property AB (publ) annual report 2017



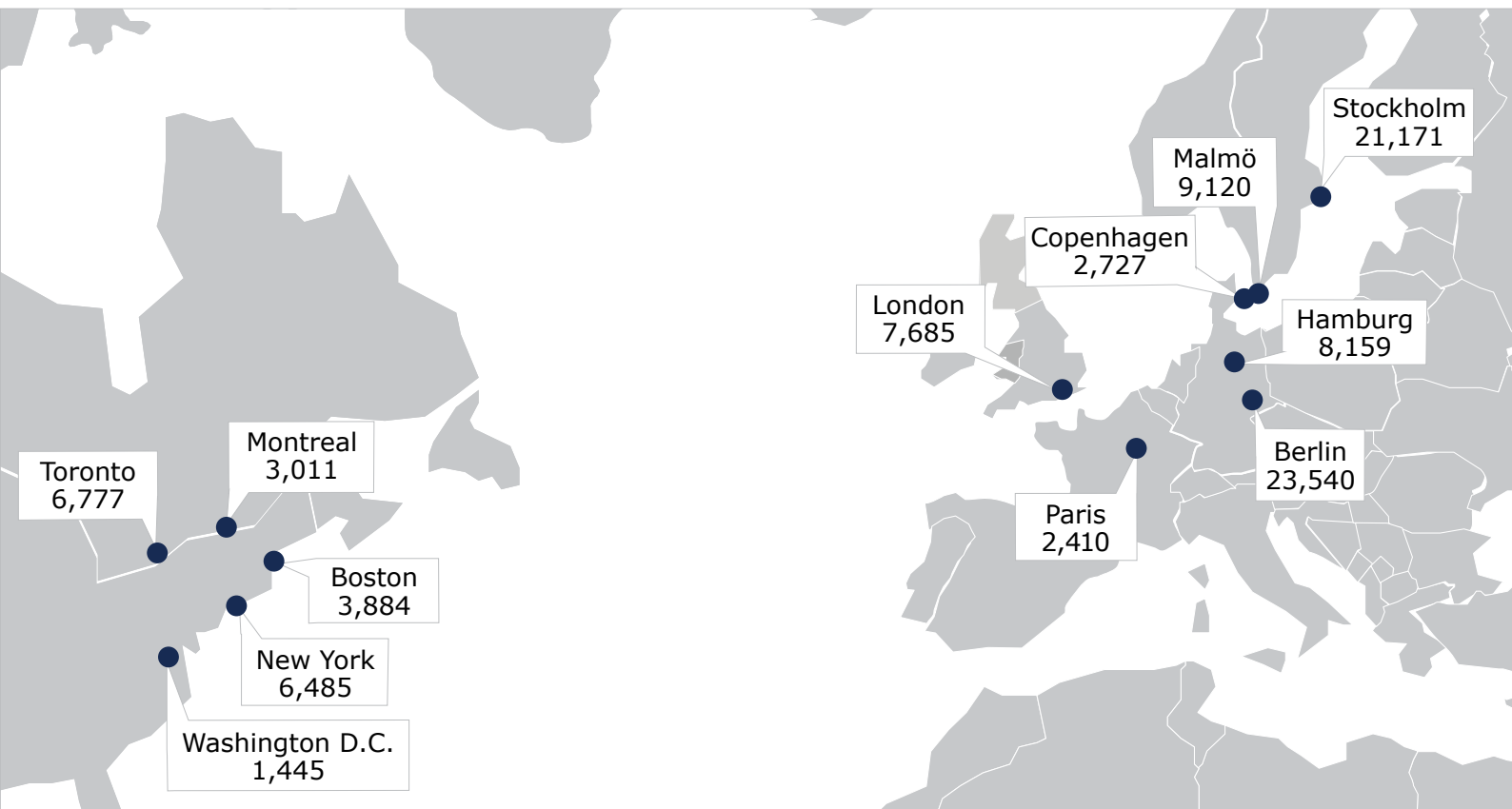
Hausburgstraße 29, Berlin

Akelius at a glance

- residential properties in metropolitan cities
- SEK 105 billion in fair value properties
- 47,177 residential units in A and B locations
- 44 percent loan-to-value ratio
- 46 percent equity-to-assets ratio
- 876 employees

	2017 Jan-Dec	2016 Jan-Dec	2015 Jan-Dec
Rental income, SEK million	4,122	4,109	3,988
Growth in rental income for comparable properties, percent	5.1	4.1	4.3
Net operating income, SEK million	2,413	2,311	2,175
Growth in net operating income for comparable properties, percent	10.7	8.0	4.0
EBITDA, SEK million	2,227	2,208	2,072
Profit before tax, SEK million	9,480	13,320	9,206
Property fair value, SEK million	104,644	87,739	72,764
Number of apartments	47,177	46,516	51,231
Real vacancy residential, percent	0.9	1.1	1.3
Rent level increase for comparable properties, percent	4.7	4.5	3.8
Loan-to-value ratio, percent	44	43	48
Interest coverage ratio	4.7	4.5	3.0
Interest coverage ratio, excluding realized value growth	1.9	1.9	1.6

SEK 104,644 million in fair value properties



City	Residential units	Lettable space, thousand sqm			Fair value	
		Residential	Commercial	Total	SEK million	SEK/sqm
Berlin	12,781	802	66	868	23,540	27,109
Stockholm	9,245	667	47	714	21,171	29,648
Malmö	4,063	266	83	349	9,120	26,136
Hamburg	4,205	236	11	247	8,159	32,988
London	2,148	84	6	90	7,685	85,580
Toronto	3,645	201	4	205	6,777	33,173
New York	1,534	99	1	100	6,485	64,672
Boston	920	60	-	60	3,884	65,189
Montreal	1,855	130	-	130	3,011	23,060
Copenhagen	1,031	83	6	89	2,727	30,815
Paris	1,100	32	4	36	2,410	67,792
Washington D.C.	673	48	-	48	1,445	29,818
Other	3,977	232	60	292	8,230	28,195
Total	47,177	2,940	288	3,228	104,644	32,421

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The audited statutory annual report, which consists of the directors' report and the financial statements, include pages 8 to 140. Tables and graphs are based on internal data if no source is provided. In event of conflict in interpretation or differences between this report and the Swedish, the Swedish version shall have priority.



310-312 Lonsdale Road, Toronto

residential properties in metropolitan cities

We own properties in fifteen metropolitan areas with strong population growth. We have sold our properties in three smaller cities.

The sales price was fifteen percent above fair value.

Operation "clean the map" is completed. Capital has been reinvested in cities such as New York, London, Toronto, Berlin, Stockholm and Copenhagen.

net operating income rose by eleven percent in the comparable portfolio

Rental income rose by five percent in the comparable portfolio and net operating profit by eleven percent.

We benefit from owning properties in strong markets and we see that tenants are looking for modern apartments.

loan-to-value ratio 44 percent

The loan-to-value ratio for secured loans has dropped from 24 to 18 percent. Liquidity rose to seven billion and the loan maturity increased to 5.6 years. Standard & Poor's raised our investment grade rating to BBB.

software development

We increased the development of our own applications for multinational residential property management.

We will benefit to a greater extent from efficient processes and customized decision support.

intensified work on sustainability

A new goal is to reduce energy and water consumption by 10 percent by 2020.

During the year, we hired a sustainability manager, adopted a new code of conduct and decided to publish a sustainability report annually.

Pål Ahlsén,
CEO and Managing director

Akelius 23 years

fair value
properties,
SEK billion

104.6

2017
Grows in existing metropolitan areas.
Digitalizes to increase efficiency.
"Clean the map" concluded.

87.7

2016
Launches "Clean the map" to focus
on metropolitan areas.
Sells property portfolio in the western and northern
Sweden and Rostock in Germany.
Buys residential properties in Copenhagen.

72.8

2015
Buys new residential properties in New York,
Washington D.C., Boston.

57.7

2014
Buys residential properties in Paris and Montreal.
Buys Hugo Åberg-portfolio in Malmö, Sweden.
Issues preference shares.

32.4

2011
Buys residential properties in Toronto and London.

26.0

2007
Roger Akelius donates shares in
Akelius Apartments Ltd to Akelius Foundation.

22.1

2006
Enters the German residential property market,
with acquisitions in Berlin and Hamburg.

18.9

2005
Issues secured bonds
for the first time,
EUR 257 million.

12.6

2003
Buys the listed real estate company Mandamus,
property value SEK 6 billion.

1994
Buys the first residential properties in the Swedish
cities Helsingborg, Gothenburg and Trollhättan.



301 East 21th Street, Manhattan, New York

The Board of Directors and Chief Executive Officer of Akelius Residential Property AB (publ), company registration number 556156-0383, based in Stockholm, Sweden, hereby present their 2017 report for the Group and Parent Company.



Hans-Albers-Platz 3, Hamburg

86 percent apartments in metropolitan cities

Akelius buys, develops, upgrades and manages residential properties in metropolitan cities with strong growth. We believe that metropolitan cities have lower risk than small and mid-sized cities. The economy is diversified and less dependent on a few individual businesses. The biggest contributing factor to low risk is population growth, which is higher in metropolitan cities.

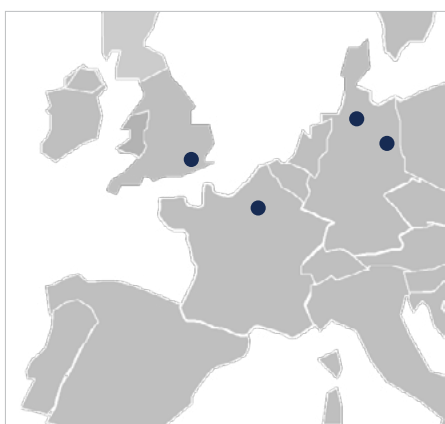
Akelius' criterias for decreased risk are:

- residential properties,
- a diversified portfolio in stable countries,
- growing and attractive metropolitan cities,
- safe locations.

diversified portfolio in three major regions

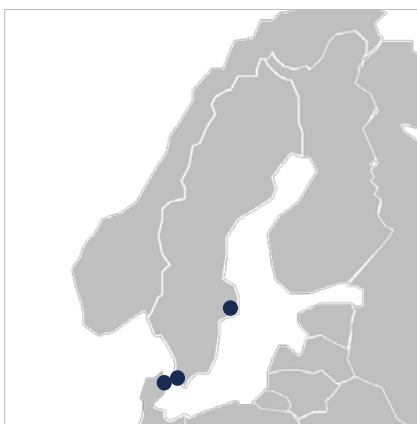
Europe

Berlin, Hamburg,
London, Paris
SEK 48,748 million
46 percent



Scandinavia

Stockholm, Malmö,
Copenhagen
SEK 34,295 million
33 percent



North America

Toronto, Montreal, New York,
Boston, Washington D.C.
SEK 21,601 million
21 percent



diversification reduces risk

Political and economic uncertainty in the world remains, but real estate continues to attract capital. Residential properties shows its resilience as an investment asset class. Diversification is the key.

To avoid risk, Akelius only invests in stable countries with low geopolitical risk. Economic growth and political stability are deeply interconnected. Countries must have a safe legal and economic environment. By investing in different countries, Akelius reduces the risk even further as events in a specific country has no major impact on the company.

Fluctuations in supply and demand are local.

The same applies to changes in rental and tax laws.

Brexit, new tax rules in Sweden and the United States and the government debt crisis are challenges.

Crises can be local or worldwide and will affect different countries in different ways.

diversification opens for new opportunities

Access to large amounts of capital as globalization of capital remains strong. Akelius raised a total of EUR 2 billion and GBP 300 million in recent years.

many offers to buy residential properties Finding the right property is easier in a larger market. Akelius benefits from market opportunities. In the absence of good properties in Europe and Scandinavia, Akelius can choose to invest in North America, and vice versa.

open to best practice

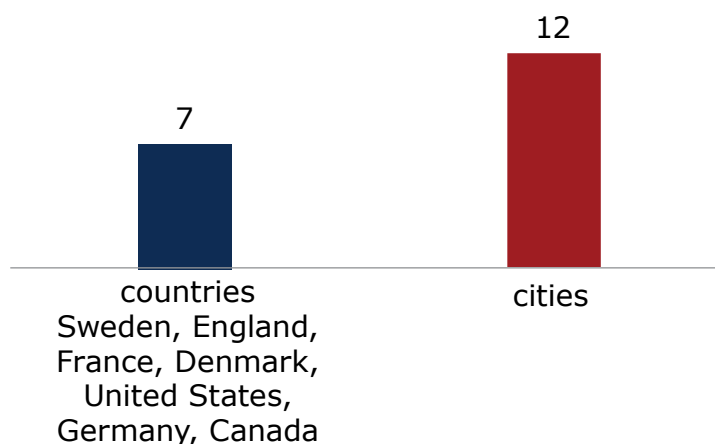
Our key to better quality and more efficient property management is to work systematically, based on best practices in the various markets.

strong demographics in growing metropolitan cities

Demographics are the hidden champion in real estate. Metropolitan cities have higher population growth and younger population than a country as a whole.

Focusing on metropolitan cities makes it possible to own more apartments per city, increasing operational efficiency.

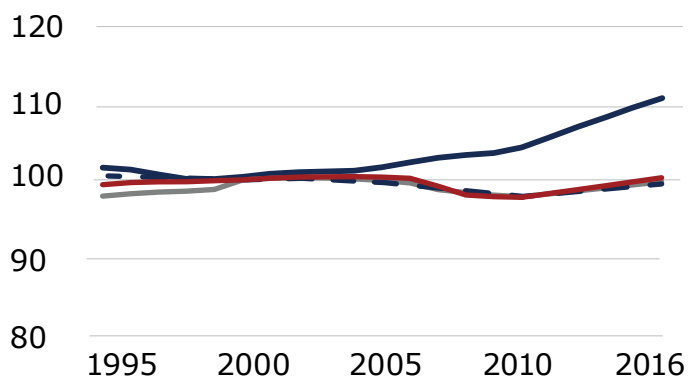
population growth - ten years growth pace percent



population growth depending on city size

Germany

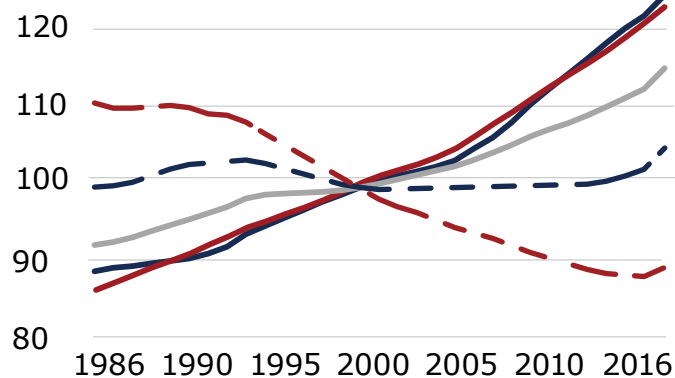
index



- metropolitan cities
- large cities
- mid-sized cities
- - small cities

Sweden

index



- metropolitan cities
- suburbs to metropolitan cities
- large cities
- - small cities
- - countryside

attractive locations in metropolitan cities

A metropolitan city with a soul is the combination of the cultural, intellectual, political and economic centers in a country. Factors that add to a better quality of life combined with a strong business climate and good infrastructure, create and maintain robust cities. These cities have a living standard that attracts an increasing number of people. Since such cities offer a wide range of possibilities, regardless of the economic cycle, people will always want to live in

metropolitan cities.

Akelius owns properties in cities with strong attributes in all regions.

A high walkscore is one of these.

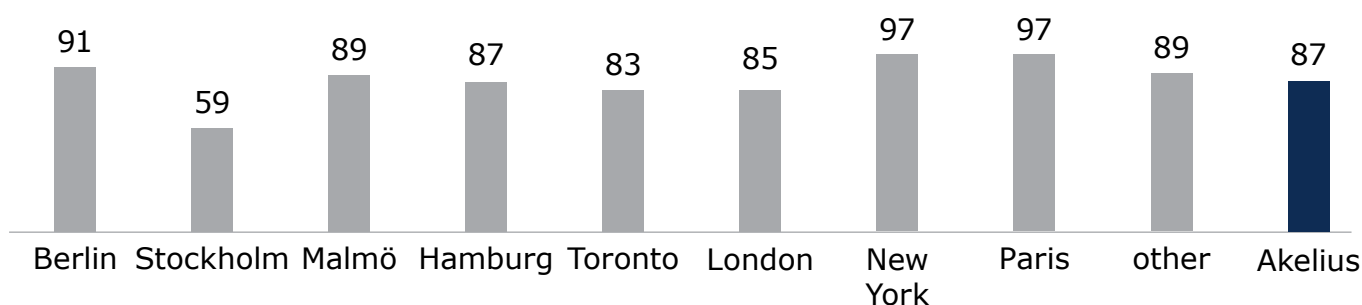
More than ever "walkability" is a key factor in the process of selecting a home.

People value neighborhoods that offer the opportunity to walk to stores, schools, work and public transportation.

In coming decades we will move away from cars and invest in public transportation and bike lanes.

Walkability is the key.

87 walk score
walkscore.com



0-24 car-dependent,
almost all errands require a car
25-49 car-dependent,
most errands require a car
50-69 somewhat walkable,
some errands can be accomplished
on foot

70-89 very walkable,
most errands can be accomplished
on foot
90-100 walker's paradise,
daily errands do not require a car

6 place Félix Eboué, Paris



100 percent properties in attractive locations

Akelius selects the locations that give the lowest risk.

These locations usually also have good rental potential.

Beside the lower risk of vacancies, good locations also provide better liquidity. These properties attract buyers and investors even when the economy is weak.

Akelius only owns properties in popular A and B locations.

These properties are located in what we refer to as prime, mid or entry segments.

43 percent of the properties are in the prime segment,

36 percent are in the mid segment with a low risk of vacancy and

21 percent are in the entry segment.

In growing metropolitan areas, tenants are looking for those locations.

We refrain from investing in C locations, areas where apartments become vacant first.

Akelius also avoids the luxury segment with lower rental potential and a lower demand.

Neighborhoods such as Brooklyn in New York, Parkdale in Toronto and Kreuzberg in Berlin are undergoing strong improvements.

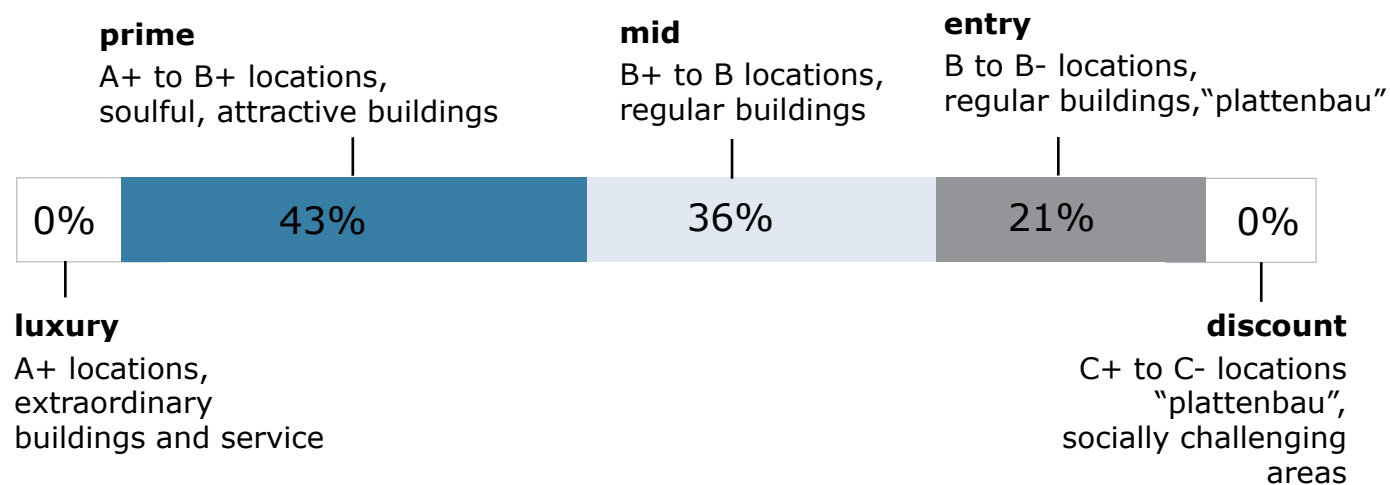
Young people move in and lift the area. This trend has a positive effect on the rent level.

prime segment

Neuer Pferdmarkt 17, Hamburg



share of property fair value in different segments



mid segment
Rennbahnstraße, Cologne

entry segment
Leesburg Pike, Washington D.C.



99 percent residential properties

Since Akelius puts safety first, we invest in residential property with secure and growing rental income.

lower vacancy

Vacancies and rent levels fluctuate less for multifamily dwellings than for other types of properties.

We all need somewhere to live, regardless of the economic cycle.

The population structure changes slowly, which decreases vacancy risk even in a time of weak economic growth.

secure income

Income from residential property is safe and predictable.

The high demand for our apartments allows us to be consistent with our rental policy.

A large volume of rental agreements combined with stable tenants decrease the risk for bad debts.

lower costs

Residential properties only need small upgrades when a tenant moves out.

Commercial properties, on the other hand, require larger investments, especially during a recession.

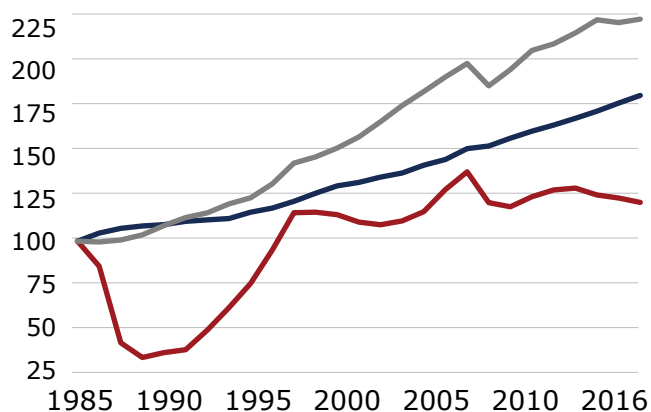
liquid assets

Residential properties in metropolitan cities are more liquid assets than commercial properties.

There are many different buyers, from the tenants themselves and small private investors to large international funds.

rental level development in Canada

index

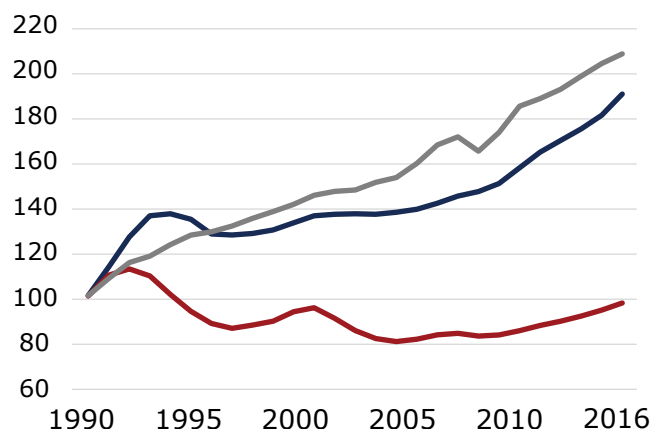


— nominal GDP per capita
— residential properties
— office properties

source: Canada Mortgage and Housing Corporation, World Bank, CBRE

development of new lease level in Germany

index



— nominal GDP per capita
— residential properties
— commercial properties

source: Bullwiengesa AG, The World Bank



rue Hermel, Paris

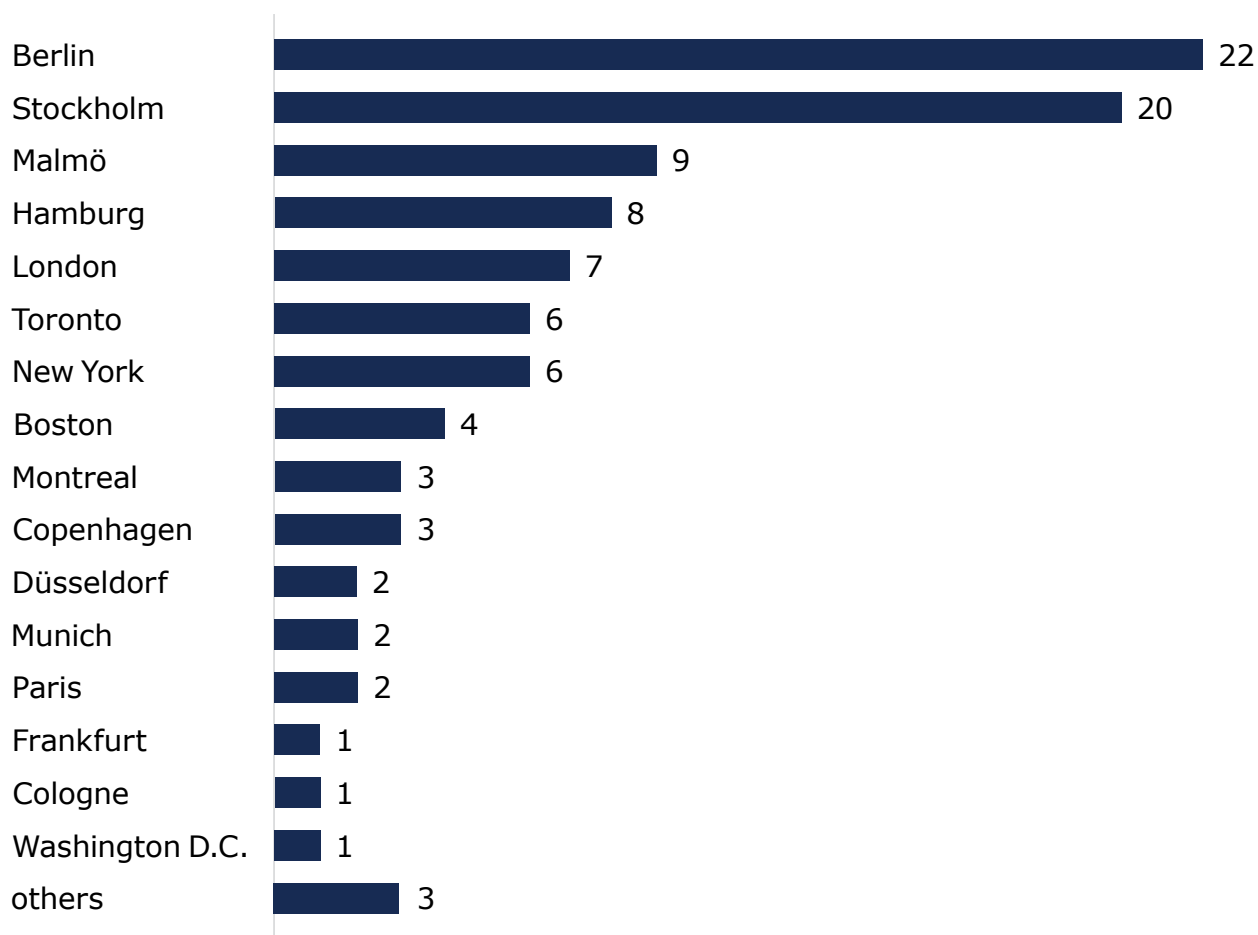


property portfolio

86 percent of our portfolio is located in metropolitan cities such as Berlin, Hamburg, Munich, Cologne, Paris, London, Toronto, Montreal, New York, Boston, Washington D.C., Stockholm and Copenhagen.

The remaining 14 percent is in Frankfurt, Mainz, Wiesbaden, Düsseldorf, Malmö, Lund, Eskilstuna.

fair value property SEK 104,644 million
share in percent



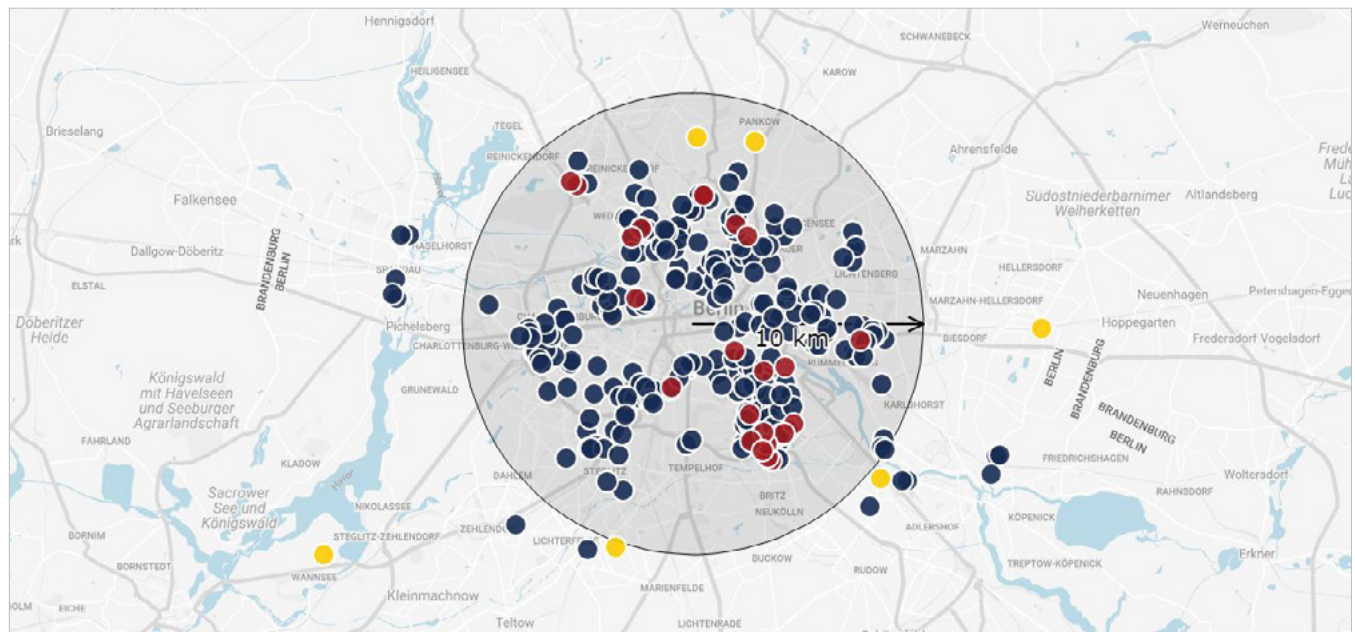


Kremmener Straße, Berlin

	2017	2016	2015
Property portfolio			
Number of apartments	47,177	46,516	51,231
Rentable area, thousand sqm	3,228	3,236	3,587
Fair value, SEK million	104,644	87,739	72,764
Capitalization rate, percent	3.60	3.82	4.33
Proportion upgraded apartments, percent	41.7	40.8	36.0
Average apartment size, sqm	62	63	64
Average rent, SEK/sqm/year			
Total portfolio, Jan 1	1,303	1,200	1,081
Sales	10	18	-6
Comparable portfolio, Jan 1	1,313	1,218	1,075
Increase in comparable portfolio	61	54	41
- Increase in percent	4.7	4.5	3.8
Comparable portfolio, Dec 31	1,374	1,272	1,116
Purchases	39	37	57
Total portfolio, Dec 31	1,413	1,309	1,173
New lease level	2,085	1,834	1,511
Vacancy rate residential, percent			
Real vacancy rate	0.9	1.1	1.3
Apartments being upgraded	5.7	3.9	3.0
Vacancy rate	6.6	5.0	4.3
Portion of fair value, percent			
Europe	46	44	42
Scandinavia	33	37	44
North America	21	19	14

Berlin

walkscore: 91/100



● purchases ● comparable properties ● sales

Berlin is the world's hippest city, with many opportunities for young people and highly educated professionals.

Berlin is also one of the fastest growing cities in Europe.

The population is expected to grow with 7.5 percent in the next twelve years.

This means a strong increase in market rent due to increasing demand.

The residential property market

is liquid in Berlin.

Both international and local private individuals are active in the market.

Many areas in Berlin are undergoing a social transformation due to high occupancy and improvement in property quality.

Rents in Berlin are developing fast, but rental levels are still lower than other metropolitan areas in the world.

	2017	2016
Property portfolio		
Fair value, SEK million	23,540	19,295
Number of apartments	12,781	12,313
Capitalization rate, percent	3.41	3.66
Proportion upgraded apartments, percent	35	33
Real vacancy rate, percent	1.5	1.0
Average rent, EUR/sqm/month		
Total portfolio, Jan 1	7.63	7.22
Sales	-	-
Increase in comparable portfolio	0.51	0.41
Purchases	-0.08	0,00
Total portfolio, Dec 31	8.06	7.63
New lease level	14.83	12.58



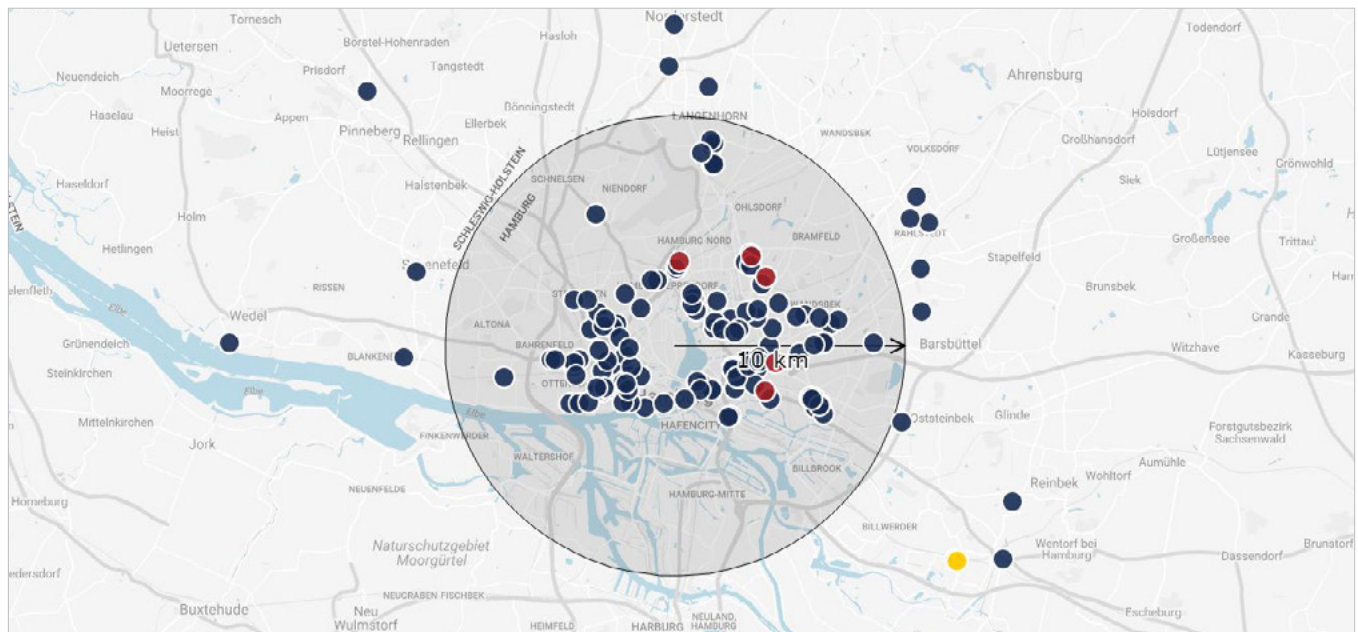
Samariterstraße 17, Friedrichshain, Berlin. One of our properties in the prime segment.



Pannierstraße 17, Neukölln, Berlin. One of our properties in the mid segment.

Hamburg

walkscore: 87/100



● purchases

● comparable properties

● sales

Hamburg is Germany's second largest city with 1.8 million inhabitants. Hamburg has Europe's second largest port and years of international trade has made it the richest region in Europe. Hamburg is ranked as one of the most livable cities in the world. Large parks are scattered throughout the city. Lake Alster, the Elbe river and the Baltic Sea provide proximity to water right in the middle of the city.

Hamburg is growing. An example is Hafen City, where areas close to the harbor were converted to create an urban area with accommodation, work, culture and leisure. Modernization of apartments, floor-planning and conversion into condominiums are profitable. Akelius converted 72 apartments into condominiums in 2017, for EUR 5,600 per square meter, which is 30 percent above fair value.

	2017	2016
Property portfolio		
Fair value, SEK million	8,159	6,926
Number of apartments	4,205	4,192
Capitalization rate, percent	3.78	4.17
Proportion upgraded apartments, percent	51	48
Real vacancy rate, percent	1.2	1.2
Average rent, EUR/sqm/month		
Total portfolio, Jan 1	10.23	9.89
Sales	0.01	0.04
Increase in comparable portfolio	0.45	0.41
Purchases	0.01	-0.11
Total portfolio, Dec 31	10.70	10.23
New lease level	14.51	13.29



Eichenstraße 92 **prime segment**

Eicherstraße 92 was built in 1905 and is located in the Eimsbüttel district, known for its beautiful buildings from the turn of the century.

Akelius acquired the property in 2008 and have planned to invest EUR 573,000 until 2021.

The property consists of seven four-room and one three-room apartments, 105 square meters on average.

Horner Rampe 9–11 **mid segment**

Horner Rampe 9–11 was built in the 1950 and is located in the Mitte district near the old city center of Hamburg.

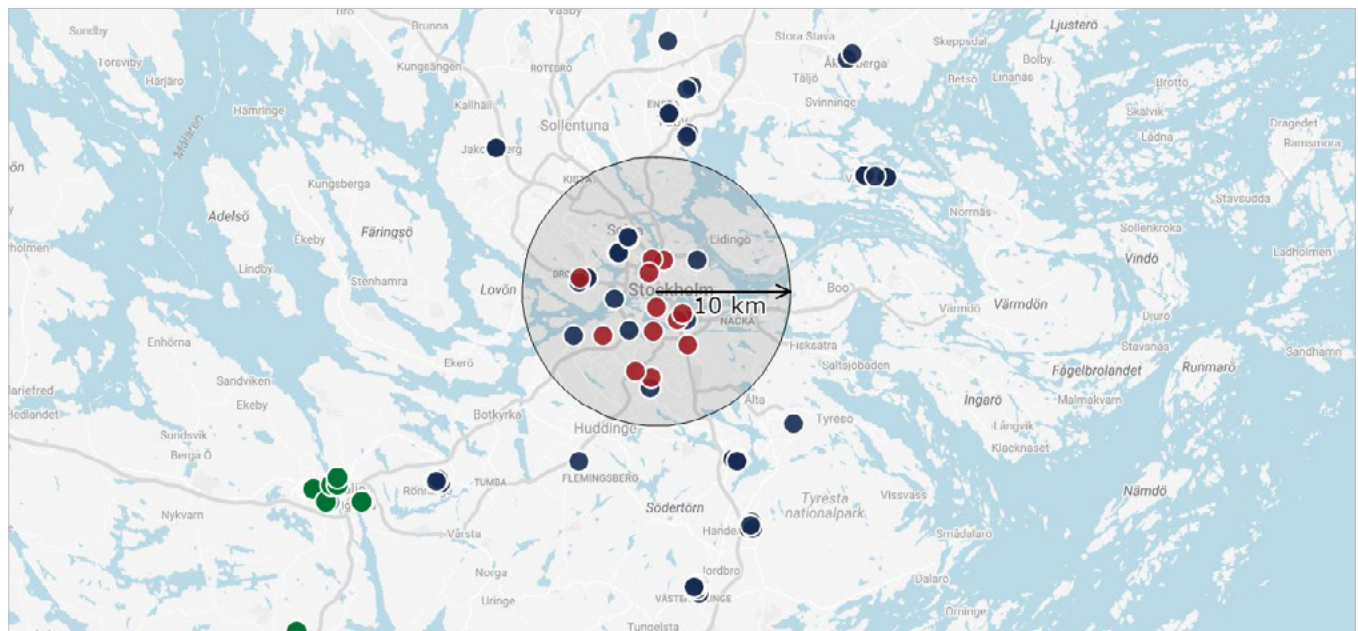
Akelius acquired the property in 2011 and since then we have upgraded apartments for EUR 154,000.

The property includes five 1.5-room, five 2-room and fourteen 2.5-room apartments, 46 square meters on average.



Stockholm

walkscore: 59/100



● purchases

● comparable properties

● contracted sales

Stockholm is the city that is expected to grow the fastest in Europe over the next five years.

Stockholm has a diversified economy with fast-growing technology companies. Many international headquarters attract talent from all over the world.

The rent for residential properties in Sweden is regulated.

The difference between the rent level and the market rent is largest in Stockholm.

The strong population growth has caused housing shortage.

There is usually a waiting period of many years for an attractive rental apartment. The risk associated with rental apartments is therefore considerably lower than for condominiums.

	2017	2016
Property portfolio		
Fair value, SEK million	21,171	17,059
Number of apartments	9,245	8,840
Capitalization rate, percent	2.85	3.23
Proportion upgraded apartments, percent	45	43
Real vacancy rate, percent	0.0	0.0
Average rent, SEK/sqm/year		
Total portfolio, Jan 1	1,241	1,195
Sales	-	8
Increase in comparable portfolio	25	30
Purchases	2	8
Total portfolio, Dec 31	1,268	1,241
New lease level	1,489	1,430



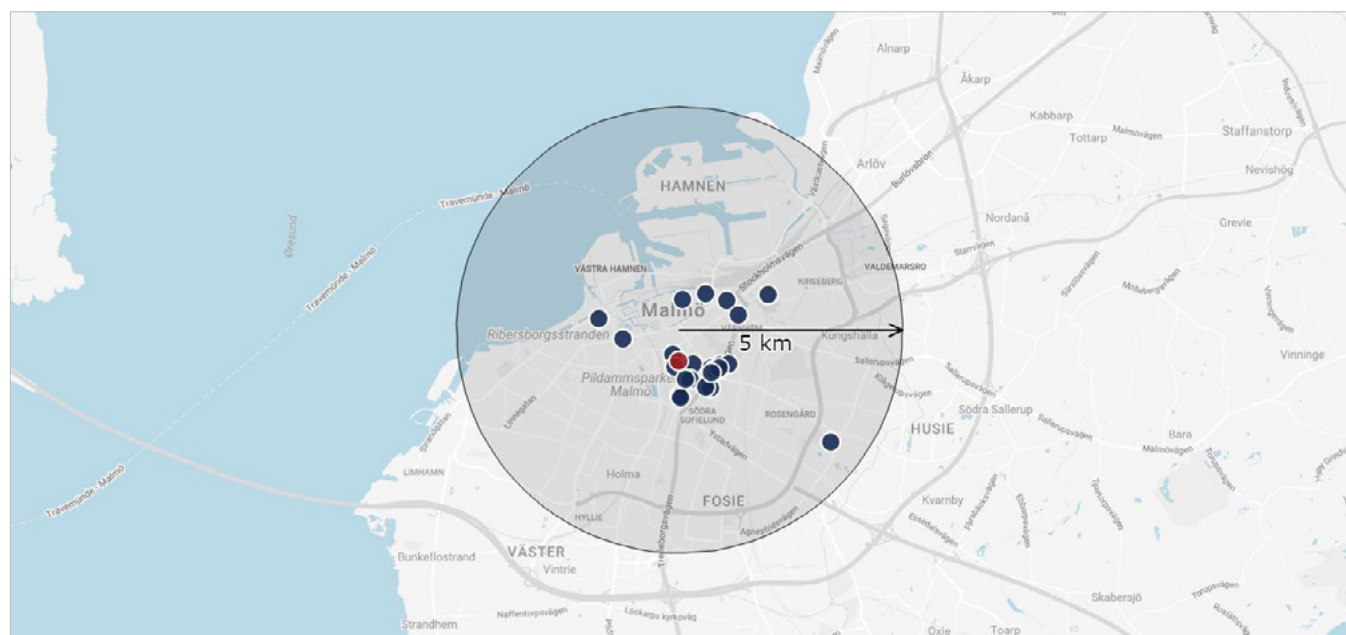
Katarina Bangata 75, Stockholm. One of our properties in the prime segment.



Fyrgränd 3, Stockholm. One of our properties in the mid segment.

Malmö

walkscore: 89/100



● purchases ● comparable properties

The Öresund bridge opened in 2000 and the University of Malmö founded in 1998, are examples of investments that have resulted in economic growth in the Öresund region.

The bridge has connected Malmö, Sweden's third largest city, with Copenhagen, Denmark's largest city,

and created a region of four million inhabitants.

With its birth rate, immigration from other parts of Sweden and a welcoming attitude to refugees, Malmö's population growth is high.

This has a positive effect on the demand in the residential property market.

	2017	2016
Property portfolio		
Fair value, SEK million	9,120	7,844
Number of apartments	4,063	3,975
Capitalization rate, percent	3.16	3.45
Proportion upgraded apartments, percent	48	44
Real vacancy rate, percent	0.0	0.1
Average rent, SEK/sqm/year		
Total portfolio, Jan 1	1,286	1,244
Sales	-	-
Increase in comparable portfolio	45	42
Purchases	-2	-
Total portfolio, Dec 31	1,329	1,286
New lease level	1,555	1,504



Roslins väg 20 **prime segment**

A+location,
35 two-room, 19 four-room and
33 five-room apartments,
85 square meters on average,
52 percent upgraded.

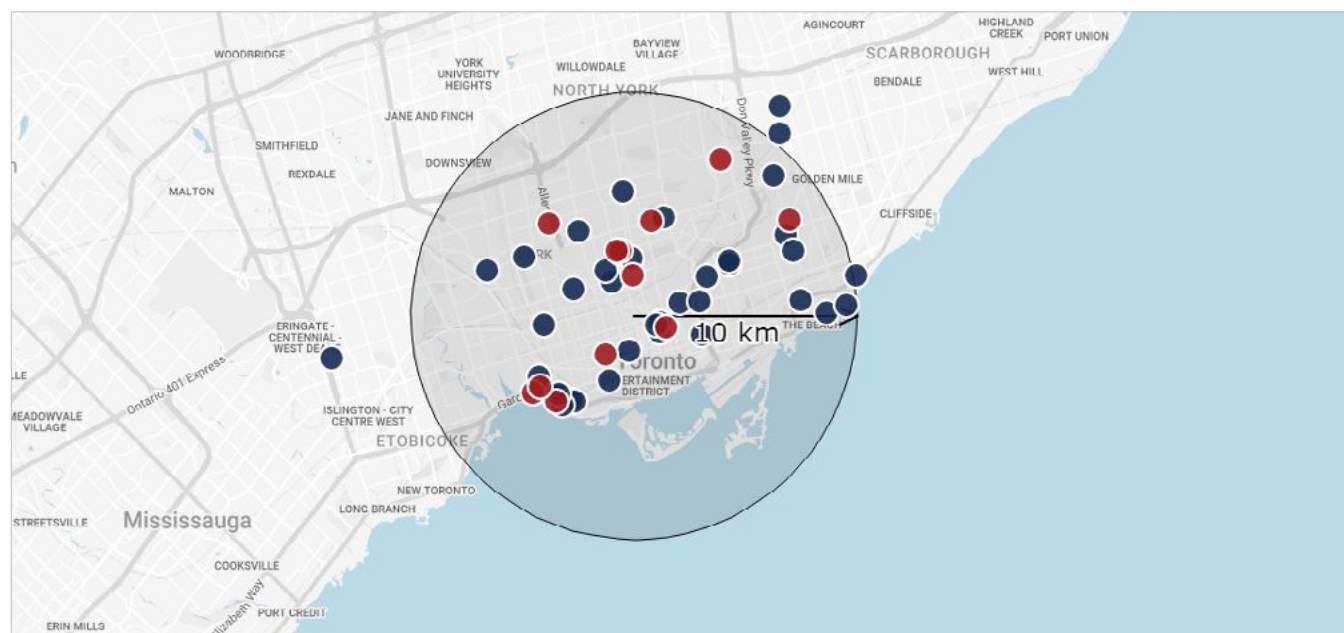
Nobelvägen 48 **mid segment**

B-location
purchased in October 2010,
fourteen one-room and
eight two-room apartments,
52 square meters on average,
86 percent upgraded.



Toronto

walkscore: 83/100



● purchases ● comparable properties

Toronto is one of the ten most financially powerful cities in the world. The city is a fast, multicultural, English-speaking business hub. Toronto's rental market caters to professionals and students. The market is currently experiencing a boom.

Regent Park was originally built as a "transitional" neighborhood, aimed at housing those in financial need.

In 2005 the city of Toronto began implementing a plan to revitalize the community.

The city improved roads, public transport and community facilities. Condominiums and other residential properties blended with commercial building created a new urban area.

These ongoing changes allow the neighborhood's geographic potential to be realized.

	2017	2016
Property portfolio		
Fair value, SEK million	6,777	4,936
Number of apartments	3,645	3,116
Capitalization rate, percent	4.22	4.27
Proportion upgraded apartments, percent	45	45
Real vacancy rate, percent	0.5	2.3
Average rent, CAD/sqft/month		
Total portfolio, Jan 1	2.07	1.93
Sales	-	-
Increase in comparable portfolio	0.10	0.14
Purchases	-0.10	-
Total portfolio, Dec 31,	2.07	2.07
New lease level	2.76	2.70



Castle Frank **prime segment**

A+location,
31 two-room and 16 three-room
apartments,
32 percent upgraded,
CAD 450,000 in planned
investments 2017-2020.

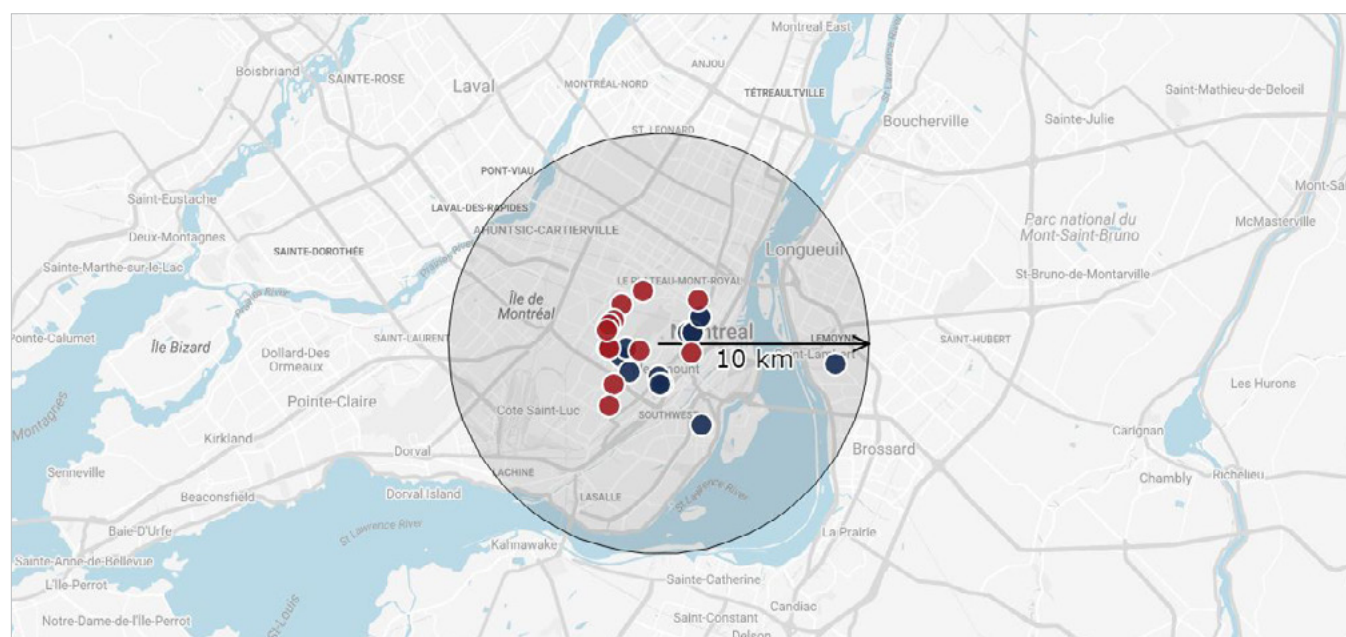
230 Oak Street Regent Park **mid segment**

B-location,
194 one-room and
133 two-room apartments,
45 percent have been upgraded,
CAD 3.5 million in planned
investments 2017-2021.



Montreal

walkscore: 89/100



● purchases ● comparable properties

Montreal is a relaxed, multicultural, French-speaking metropolis with a picturesque European charm. The residential property market is relatively stable due to rent protection. Rents continue to rise, driven by underlying economic growth, rather than speculation.

In 2017, the vacancy rate decreased by 86 percent. This was possible thanks to a dedicated leasing team and an effective marketing campaign.

	2017	2016
Property portfolio		
Fair value, SEK million	3,011	2,119
Number of apartments	1,855	1,397
Capitalization rate, percent	4.46	4.57
Proportion upgraded apartments, percent	44	37
Real vacancy rate, percent	0.8	5.7
Average rent, CAD/sqft/month		
Total portfolio, Jan 1	1.57	1.33
Sales	-	-
Increase in comparable portfolio	0.10	0.12
Purchases	0.01	0.12
Total portfolio, Dec 31	1.68	1.57
New lease level	1.88	1.81



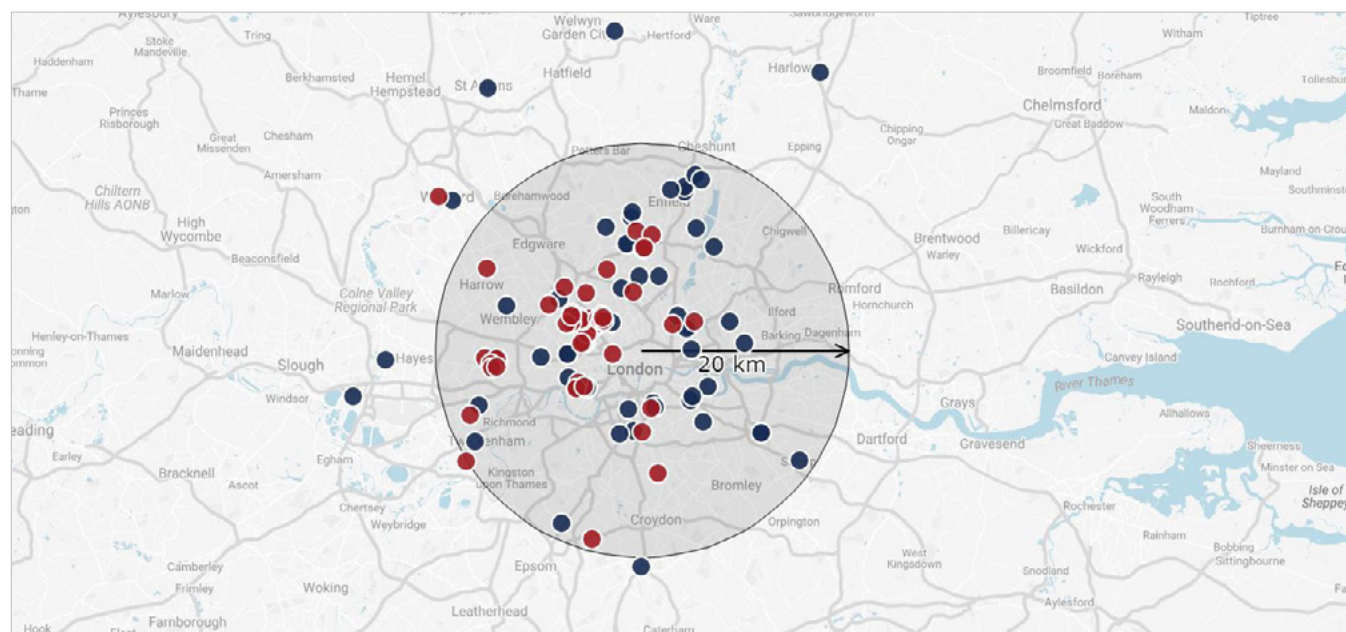
3730 Chemin Queen Mary, prime segment.



4557 Sherbrooke Street West. One of our properties in prime segment.

London

walkscore: 85/100



● purchases ● comparable properties

Akelius has almost doubled in size in just twelve months.

The London team has grown from 30 to 40 persons in 2017.

Despite Brexit, the average rent for comparable properties has increased by 16 percent and the average real vacancy rate is lower than last year.

During the year Akelius has worked with various exciting projects.

One such example is McMillan House, a commercial building from 1950 converted into 48 apartments.

Akelius managed to let the building fully within three months after the conversion at a lease level of GBP 2.30 per square feet per month.

	2017	2016
Property portfolio		
Fair value, SEK million	7,685	4,524
Number of apartments	2,148	1,224
Capitalization rate, percent	4.16	4.11
Proportion upgraded apartments, percent	45	55
Real vacancy rate, percent	2.0	3.7
Average rent, GBP/sqft/month		
Total portfolio, Jan 1	2.55	2.07
Sales	-	0.30
Increase in comparable portfolio	0.08	0.14
Purchases	0.12	0.04
Total portfolio, Dec 31	2.75	2.55
New lease level	2.61	2.63



McMillan House **prime segment**

B location
31 one-room and 12 two-room
apartments,
100 percent upgraded.

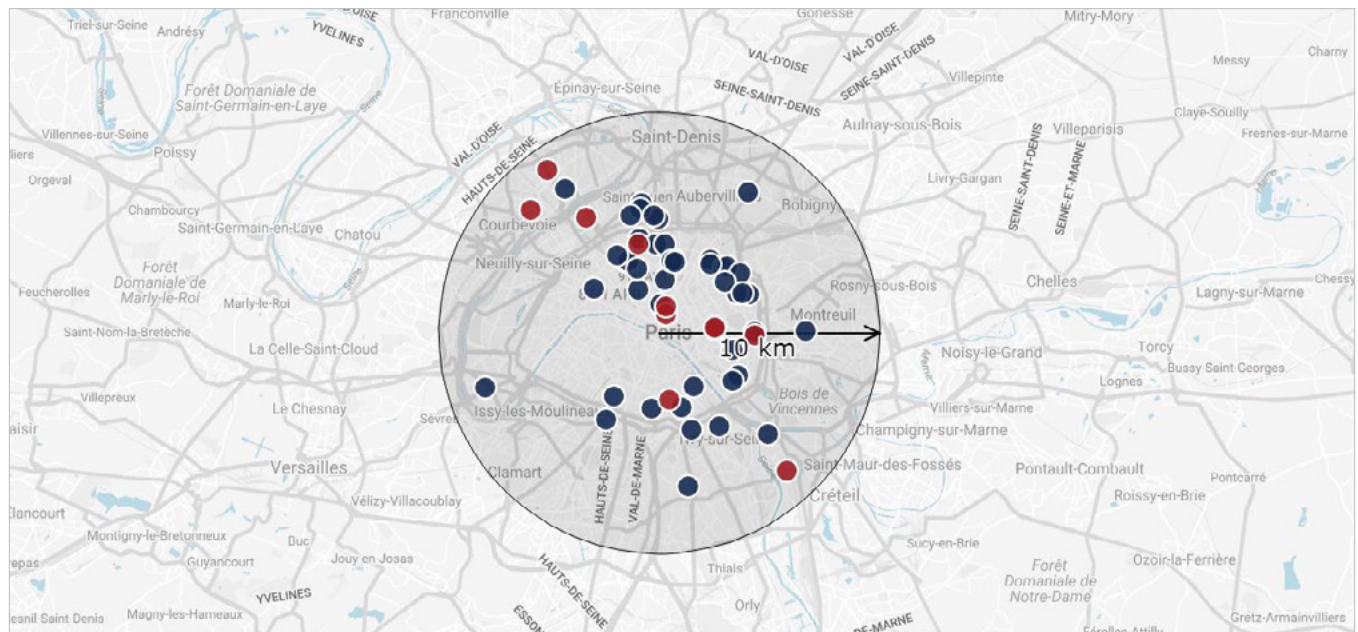
Hillgate Place **mid segment**

Purchased in March 2012
A+location
8 one-room and 9 two-room
apartments
82 percent upgraded.



Paris

walkscore: 97/100



● purchases ● comparable properties

Paris has a high concentration of young professionals living in the lively districts. Paris is also the most densely populated city in Europe.

Residential property prices increased by 6 percent in 2017.

A new business climate benefits us.

Akelius acquired eleven properties, 128 apartments in 2017.

The average new lease level was EUR 44 per square meter while the average rent was EUR 23 per square meter.

The key to success is the number of apartment upgrades.

The complexity of upgrading old properties in Paris has been a challenge but Akelius has made great progress.

The number of upgrades has increased and the vacancy has decreased.

	2017	2016
Property portfolio		
Fair value, SEK million	2,410	1,848
Number of apartments	1,100	941
Capitalization rate, percent	4.16	4.20
Proportion upgraded apartments, percent	17	9
Real vacancy rate, percent	1.3	3.7
Average rent, EUR/sqm/month		
Total portfolio, Jan 1	20.99	22.52
Sales	-	-0.02
Increase in comparable portfolio	3.08	0.38
Purchases	-0.67	-1.89
Total portfolio, Dec 31	23.40	20.99
New lease level	43.85	44.12



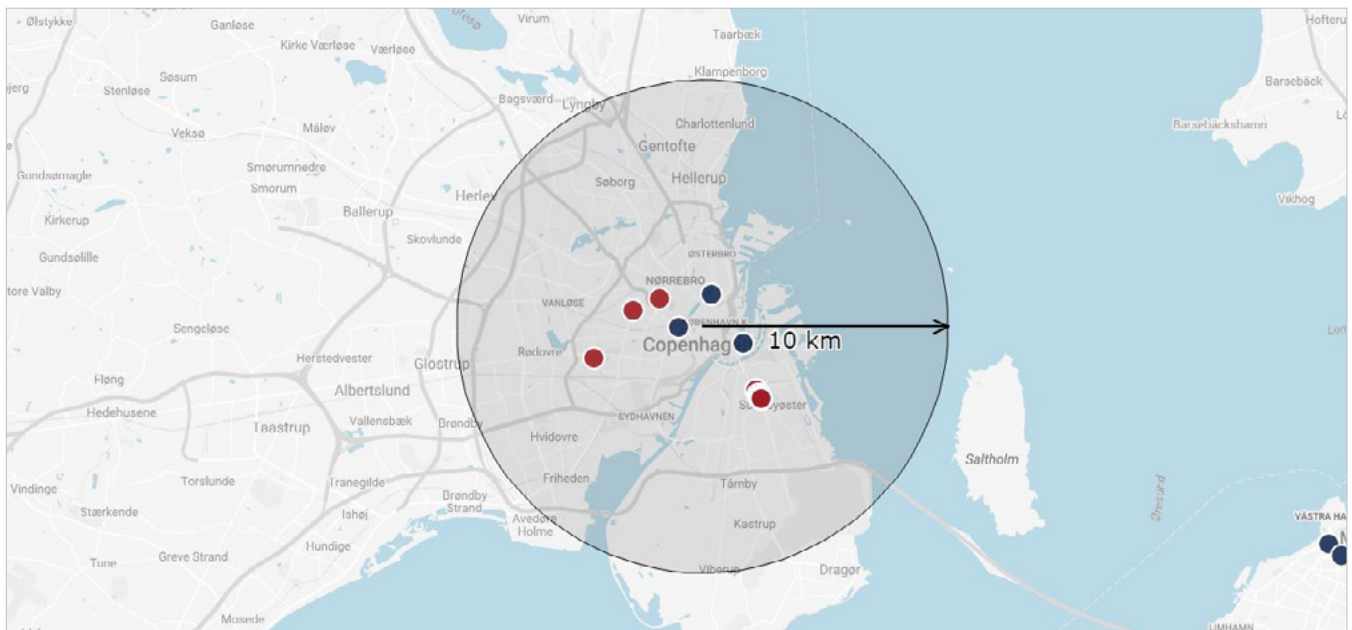
28 rue Hermel, prime segment



11b rue de l'Amiral Mouchez. One of our properties in prime segment

Copenhagen

walkscore: 95/100



● purchases ● comparable properties

Copenhagen is one of the top fastest growing cities in Europe.
The population is expected to increase by fifteen percent in the next ten years.

Due to the strong labor market, the residential property market is also very strong.

Demand is high for all types of properties, from housing for the elderly and the students and everything in between.

After its establishment in 2016, Akelius has doubled its portfolio in 2017 and now has a complete local team taking care of the properties.

	2017	2016
Property portfolio		
Fair value, SEK million	2,727	417
Number of apartments	1,031	216
Capitalization rate, percent	3.09	3.42
Proportion upgraded apartments, percent	24	-
Real vacancy rate, percent	0.6	-
Average rent, DKK/sqm/year		
Total portfolio, Jan 1	916	-
Sales	-	-
Increase in comparable portfolio	48	-
Purchases	-28	916
Total portfolio, Dec 31	936	916
New lease level	1,664	1,617

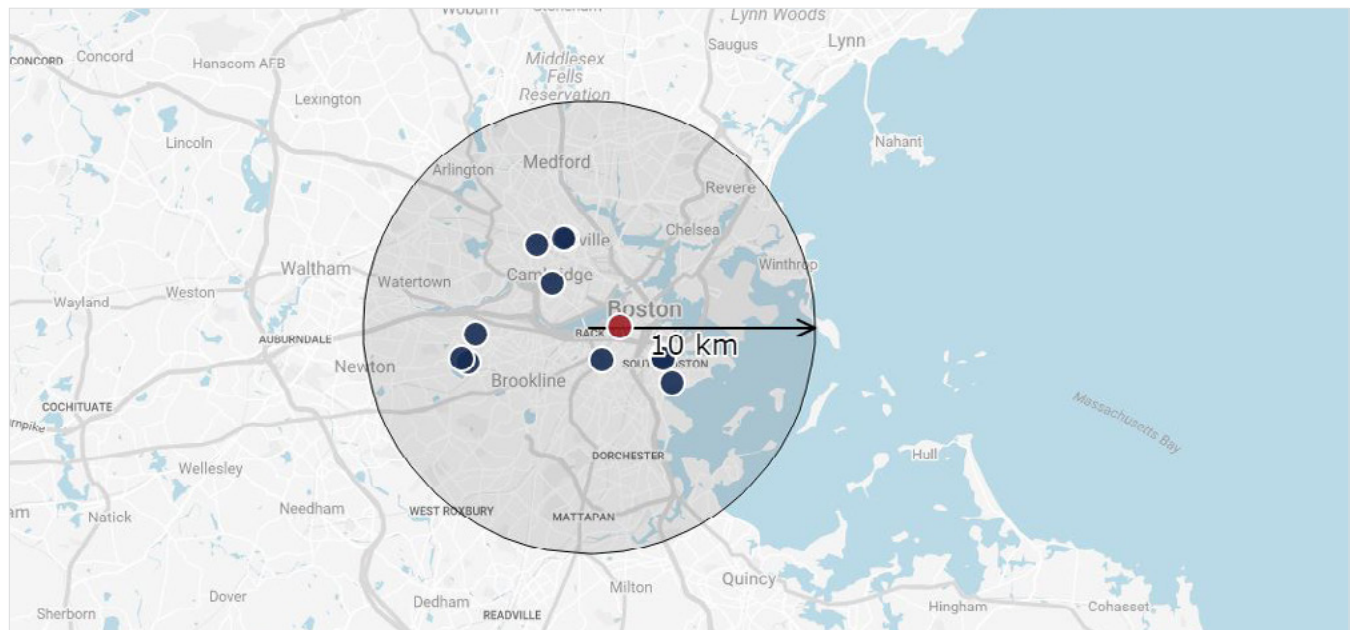
Amagerbrogade 102
prime segment



Bodenhoffs Plads 2 in Copenhagen. One of our properties in the prime segment.

Boston

walkscore: 87/100



● purchases ● comparable properties

With its rich history, Boston is one of the oldest cities in the United States. Stor Boston has five million inhabitants and houses some of the world's top-ranked universities, such as MIT and Harvard.

The South Boston neighborhood is going through a major transformation. The recent relocation of the global

headquarters of companies such as General Electric and Reebok to the neighborhood are just two examples of the large increase in high-paying employers.

Along with new jobs, the area is seeing a large boost in young professional residents. The trend is still in its early stages.

	2017	2016
Property portfolio		
Fair value, SEK million	3,884	3,736
Number of apartments	920	862
Capitalization rate, percent	4.34	4.37
Proportion upgraded apartments, percent	50	42
Real vacancy rate, percent	2.7	2.8
Average rent, USD/sqft/month		
Total portfolio, Jan 1	3.26	3.29
Sales	-	-
Increase in comparable portfolio	0.14	0.03
Purchases	0.02	-0.06
Total portfolio, Dec 31	3.42	3.26
New lease level	3.67	3.41



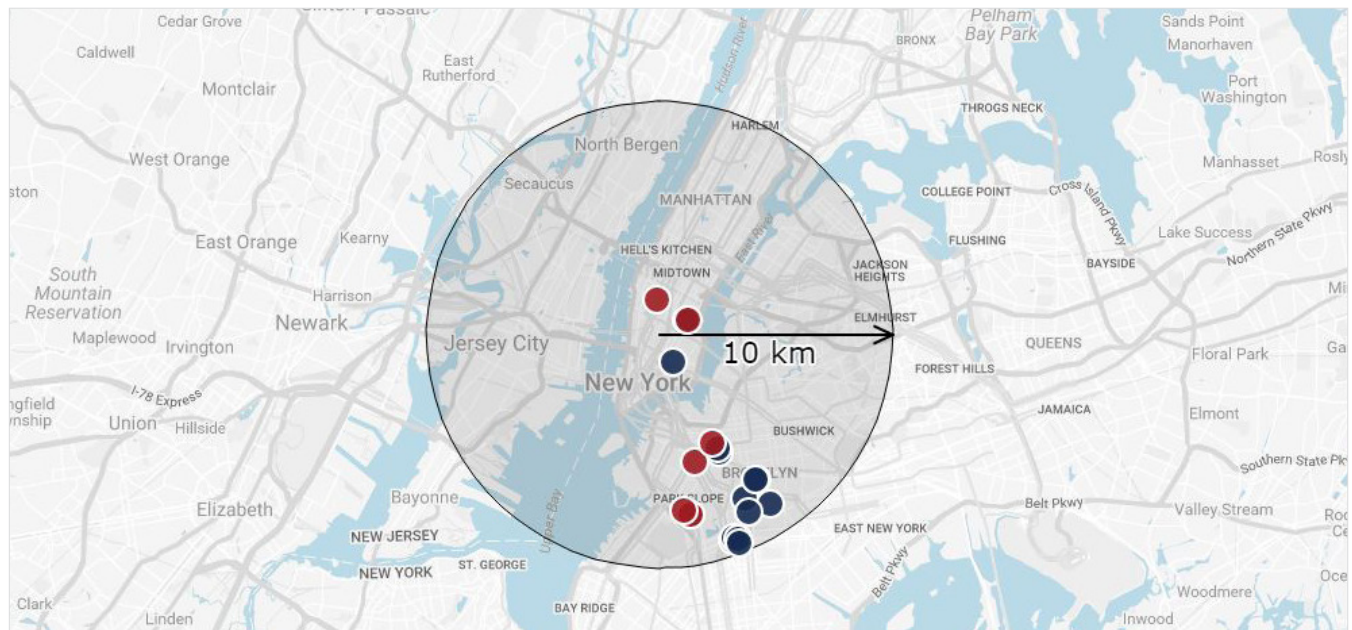
320 D Street in Boston. One of our properties in the prime segment.



31-35 South Street in Boston. One of our properties in the mid segment.

New York

walkscore: 97/100



● purchases

● comparable properties

New York is the most populous city in the United States and if it were a country, it would have the 12th highest GDP in the world.

New York is a symbol of freedom and cultural diversity, known for social tolerance.

Akelius has properties in two of New York's five boroughs – Manhattan and Brooklyn.

Manhattan is the very heart of New York, densely populated and with large commercial and cultural districts.

Brooklyn is a destination for hipsters. It faces growing demand for apartments due to the undergoing gentrification. If Brooklyn were an independent city, it would be the third largest city in the United States.

	2017	2016
Property portfolio		
Fair value, SEK million	6,485	4,733
Number of apartments	1,534	1,012
Capitalization rate, percent	4.26	4.32
Proportion upgraded apartments, percent	23	16
Real vacancy rate, percent	2.3	1.0
Average rent, USD/sqft/month		
Total portfolio, Jan 1	2.27	2.16
Sales	-	-
Increase in comparable portfolio	0.10	0.12
Purchases	0.40	-0.01
Total portfolio, Dec 31	2.77	2.27
New lease level	4.50	4.15



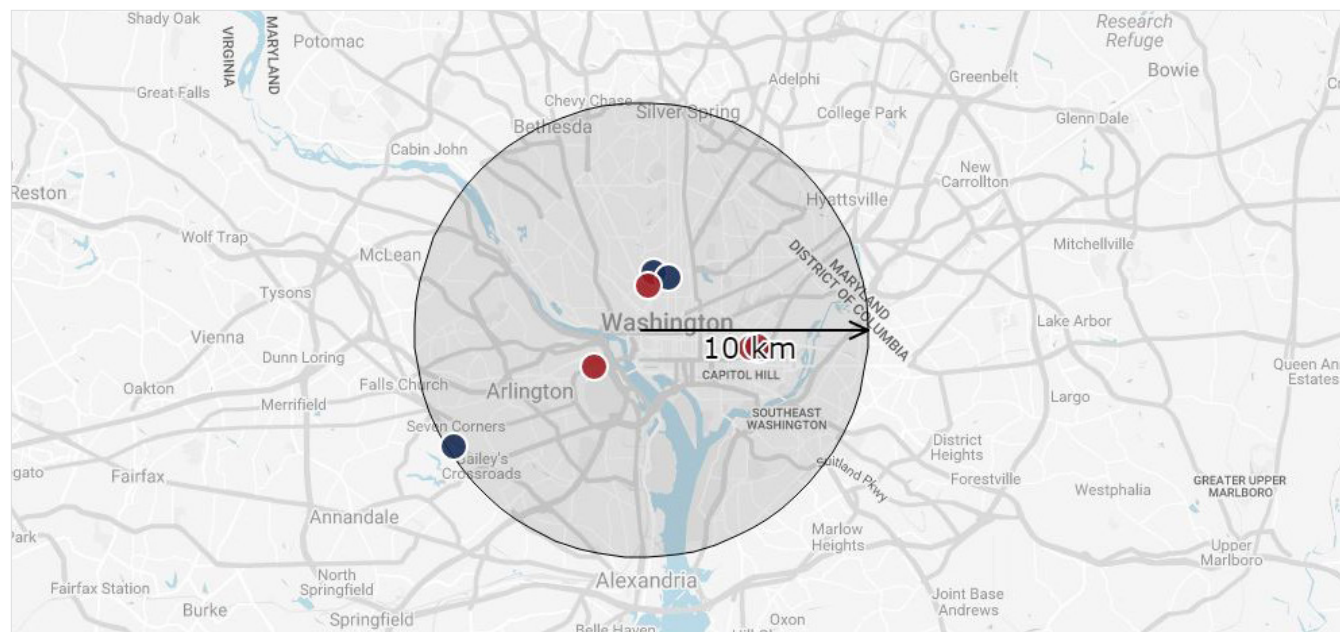
379 Washington Avenue. One of our properties in the prime segment.



805 St Marks Avenue. One of our properties in the mid segment.

Washington D.C.

walkscore: 86/100



● purchases ● comparable properties

The Washington D.C. metropolitan area is home to six million inhabitants and has the second largest high-tech industry in the United states.

Lovely neoclassical buildings, world-class museums, top restaurants,

vibrant neighborhoods and lots of green space characterize the city.

The number of government agencies, lobbyist and wealthy interest groups creates a permanent inflow of people and income.

	2017	2016
Property portfolio		
Fair value, SEK million	1,445	893
Number of apartments	673	435
Capitalization rate, percent	4.83	5.10
Proportion upgraded apartments, percent	26	17
Real vacancy rate, percent	1.3	0.9
Average rent, USD/sqft/month		
Total portfolio, Jan 1	1.71	1.52
Sales	-	-
Increase in comparable portfolio	0.10	0.10
Purchases	0.07	0.09
Total portfolio, Dec 31	1.88	1.71
New lease level	1.98	1.76

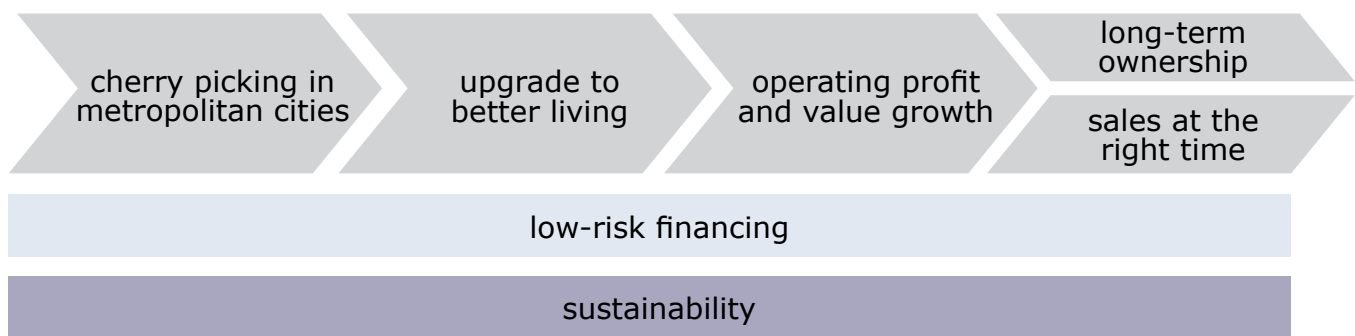


The Wallasey in Washington D.C. One of our properties in the prime segment.



501 12th Street. One of our properties in the mid segment.

Akelius business model



Our focus is on buying and owning prime residential properties with limited downside risk.

The entire chain, from acquisition to upgrade, property management to divestment, is conducted by our own staff. Akelius has a strong decentralized local organization with short decision paths. Property management is performed by our own staff.

Akelius also has central functions to support operations in the different cities. They help us achieve a consistently high quality around the globe.

education

Our goal is to have the best and most relevantly educated staff.

financing

Akelius wants to have low financial risk. Our financing is based on diversification, high liquidity and flexibility.

sustainability

Our sustainability work is integrated throughout our operations and provides concrete results.

Our operations are to be conducted in a responsible manner.

For more information, see our sustainability report on the Akelius website, [Akelius.com](https://akelius.com).

13.5 percent average property return

	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31	2013 Dec 31
Fair value of properties opening balance, SEK million	87,739	72,764	57,736	44,104	35,437
Change in fair value, SEK million	8,554	12,715	8,026	1,412	1,582
Investments, SEK million	2,777	2,989	2,216	1,881	1,531
Purchases, SEK million	12,490	6,094	12,093	9,678	6,901
Sales, SEK million	-7,096	-9,061	-5,755	-1,084	-1,801
Translation difference, SEK million	180	2,238	-1,552	1,745	454
Fair value of properties closing balance, SEK million	104,644	87,739	72,764	57,736	44,104
Net operating income, SEK million	2,413	2,311	2,175	1,882	1,579
Total property return	10,967	15,026	10,201	3,294	3,161
Per annum, percent	12.5	20.7	17.7	7.5	8.9

Hamlet Gardens

Ravenscourt park, London

The sales price was 48 percent higher than the capital invested.
During the holding period, the rent level increased by 40 percent.
The property had 122 apartments in an excellent location in central London.

Akelius acquired Hamlet Gardens in 2012 for GBP 40 million.
Akelius upgraded apartments and common areas for GBP 23 million.
Akelius sold the property in September 2015 for GBP 93 million.



SEK 12,490 million cherry-picked purchases

Akelius prefers to make many smaller purchases of properties that are just right, by cherry picking, rather than to make a smaller number of larger purchases of properties that are not quite right.

Akelius picks properties according to the ten-year rule; a secure and growing return over ten years is more important than short-term profits.

With twenty years of experience of property management, we are accurate in our assumptions.

Akelius carries out purchases on the same proven manner in all countries.

Purchases are made locally using realistic assumptions.

The regional office is responsible for fulfilling the assumptions.

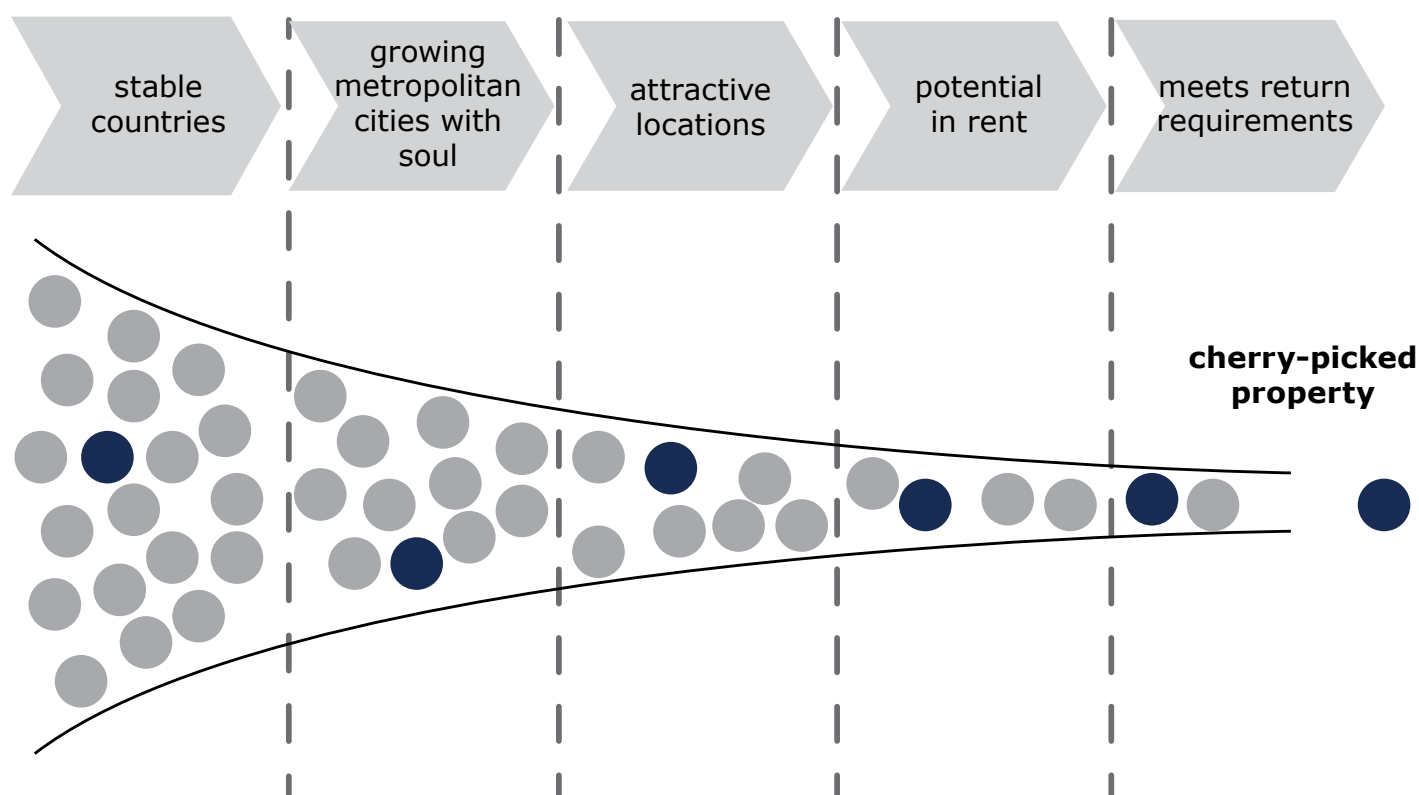
Akelius reviews the development of purchased properties regularly. We are very active in the property market.

In 2017, Akelius received invitations to buy for SEK 192 billion.

Bids were submitted for SEK 31 billion. Akelius purchased 4,850 apartments through 88 transactions, totaling SEK 12 billion.



Creighton House, London, UK. Acquired in August 2017.



invitation to buy
SEK 192 billion



indicative bids
SEK 31 billion



purchases
SEK 12 billion

	Number of apartments	Total area in sqm	Acquisition price, SEK million
2017 purchases			
London	872	32,331	2,900
Copenhagen	809	72,412	1,964
New York	520	24,933	1,910
Stockholm	403	28,819	1,407
Toronto	529	40,522	1,286
Berlin	530	35,328	897
Montreal	458	25,489	532
Washington D.C.	238	15,857	493
Paris	128	5,687	300
Boston	58	2,748	272
Hamburg	168	10,243	265
Malmö	88	6,978	199
Düsseldorf	19	1,545	27
Other	30	1,115	38
Total	4,850	304,007	12,490

a better living

Akelius continually strives to provide our tenants with a better living. Akelius continuously improves the quality of their properties and enhance the level of service we offer our tenants.

Akelius upgrades apartments and common areas, creates attractive design that lasts, raises the service level to our tenants, digitalizes our services and processes, focuses on sustainability.

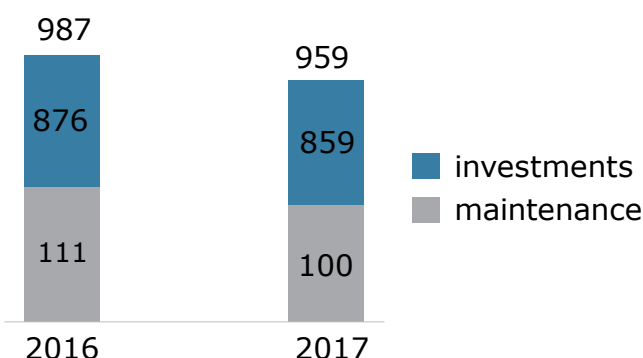
SEK 3,099 million investments and maintenance

SEK 1,158 million on upgrading of apartments

An increasing number of metropolitans look for rental accommodations that meets the same standards as newly-built condominiums.

We therefore upgrade our apartments. We upgraded apartments for an average of SEK 859 per square meter in 2017. A total of 19,651 apartments are now upgraded, which corresponds to 41.7 percent of the total number of apartments.

SEK 959 per sqm investments and maintenance



SEK 809 million in common areas

Aside from the apartments, Akelius upgrades common areas, such as stairs, elevators, entrances, gardens, facades and roofs.

SEK 810 million to improve efficiency

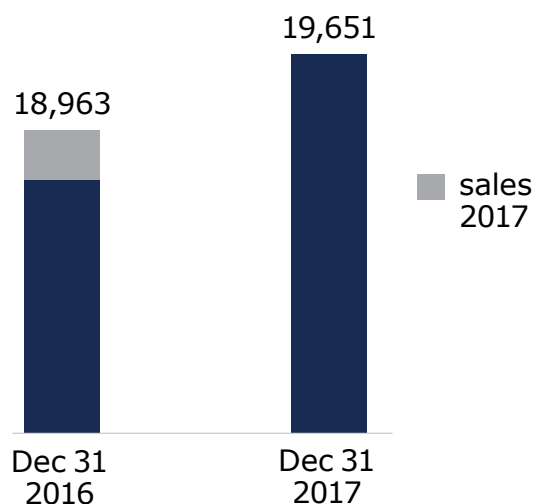
Akelius also invests in energy efficiency and the conversion of attic and commercial spaces into apartments.

SEK 322 million in maintenance

We take care of our properties. Maintenance includes both repairs and preventative work aimed at avoiding malfunctions.

Maintenance costs amounted to SEK 100 per square meter and year.

19,651 upgraded apartments





54 Cheam Common Road, London



124 Shackwell Lane, London



303 rue du Faubourg Saint-Antoine



attic conversion, Sybelstraße 30, Berlin

attractive design that lasts

To ensure exactly the right quality and standard for long-term sustainability, Akelius has employed a team of internal architects.

These architects support the construction department in areas such as recommending optimal floor plans, designing lighting installations and renovating facades.

They create design guidelines for kitchens and common areas.

A well-planned and beautiful outdoor environment not only provides relaxation and enjoyment, but also increases the value of the property.

Our ambition is to have rental apartments that will be as attractive in years to come as they are today.

To ensure sustainability, Akelius uses only quality products.

We also work with a single product price list to streamline the purchase process.

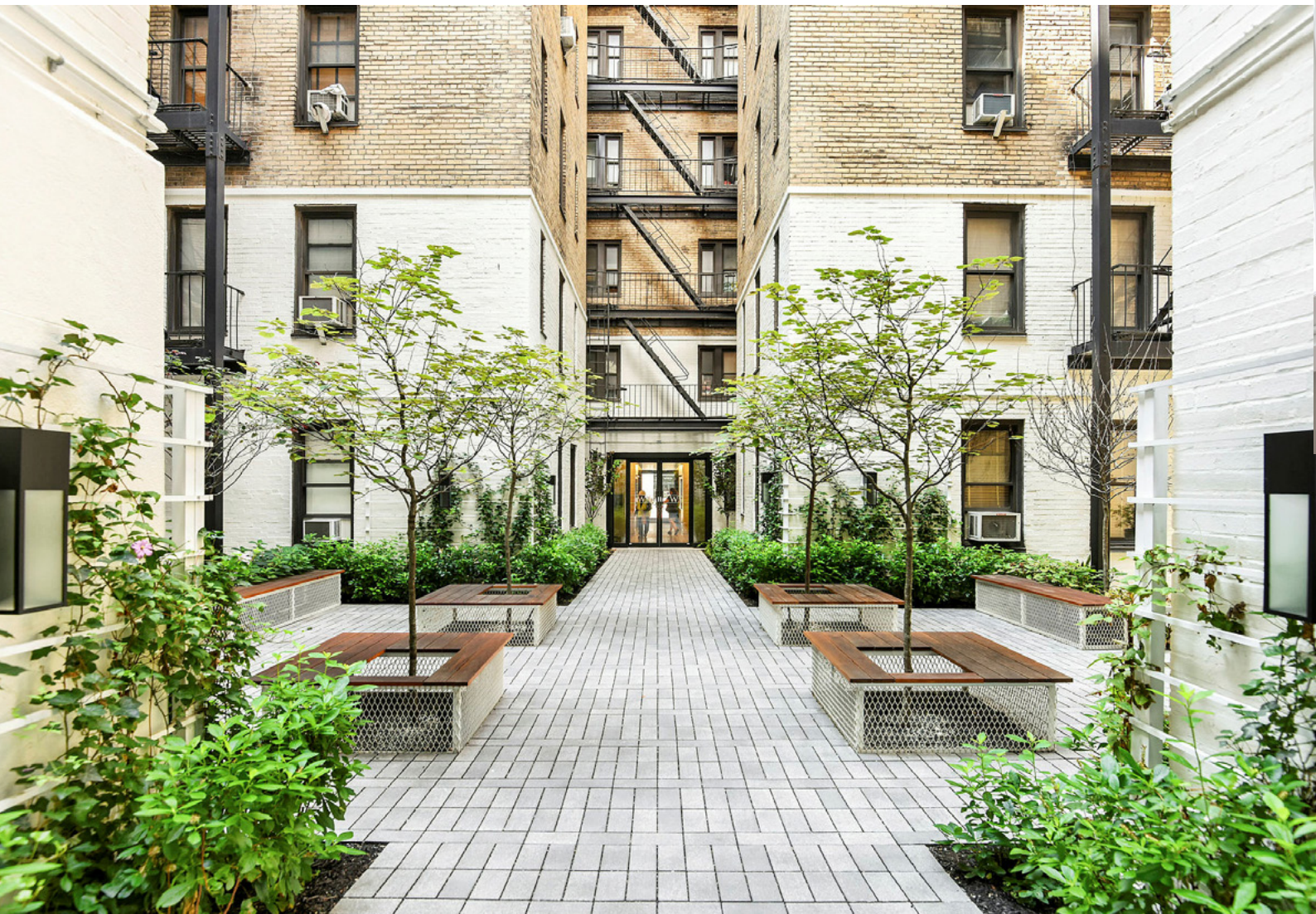
To a large extent, Akelius uses the same products globally, which provides economies of scale.

The product list has been developed in collaboration between architects, buyers and managers.

All products meet Akelius' demands for quality and sustainability.

We have digitalized the purchasing process. Products are ordered by our internal purchasing company and delivered on time. That way, Akelius ensures efficient and cost effective processes to provide a design that lasts.

225 West 23rd street, New York





East 21st Street, New York



55 Croxley Road, London



55 Croxley Road, London

upgraded kitchens

Akelius continues to develop in-house kitchen designs and streamline the design process.

The purpose is to introduce different styles and quality kitchens to meet the various requirements of our growing portfolio.

The idea is to maximize long-term profitability by adapting the design and quality to the architecture and location of the building.

Akelius does everything in order to deliver better apartments to their tenants.



10 Thornbury Road, London



Dachauer Straße 124, Munich



55 Croxley Road, London

our own bathroom design

We want our bathrooms to be functional.
Bathrooms should also be harmonious and
beautiful.

flexible design solutions

Akelius optimizes the living area in all apartments. The average apartment at Värtavägen 72 in Stockholm, is only 23 square meters. To maximize the space, the design team has installed a loft bed. Old churches have been converted into

living spaces in London. These require more flexibility during the upgrading process than the standard apartment. Converting apartments into homes and large apartments into smaller ones increases rental income.



bedroom at Old Church Court, London



loft bed at Värtavägen 72, Stockholm



livingroom at Old Church Court, London



Uferstraße 17, Berlin

facade renovations – our contribution to the cityscape

Facades shape not only the building themselves, but also the face of the city. They also represent Akelius as a property management company.



place Félix Eboué, Paris

Akelius upgrades facades with attention to detail and the soul of the building to make a beautiful first and lasting impression of our properties.

Akelius applies the same design principles to all our projects: attractive design that lasts.

Heußweg 94, Hamburg





Markelstraße 17, Berlin

renovating common areas preserves the soul of the building

Tenants love a beautiful entrance where historical ornaments have been preserved.
Akelius maintains the soul of the property when we renovate.



Obentrautstraße, Berlin

digitalized systems support the entire operation

To support communications between us and our tenants, we use and develop advanced digital tools.

digitalized upgrading process

Akelius has developed a support system for the upgrading process. This system simplifies logistics and cost control significantly.

The purpose is to create a fully automatic digital and user-friendly process for planning and controlling the upgrading process.

The process ensure close collaboration between the construction, architecture and IT departments.

inspection application

This application is a tool used when inspecting properties.

The application can create reports with pictures, process orders and comments, which can then be sent to different parties.

The goal of the inspection application is to increase the efficiency of our inspections and collect data that will form the basis for better decisions in the future.

offer application

We receive ten thousand offers per year. These contain information that may increase our market knowledge.

A better understanding of the market improves our transaction process and gives us an advantage in future negotiations with sellers.

The application is a collaboration between the IT and Business departments.

Home > Applications > Offer Application

+ add Q search

sender	incoming	broker	address	region	status
jroneill@cpexre.com Fwd: Featured Investment Properties for Sale	2018-02-02 15:28:49	CPEX Real Estate James O'Neill	Lexington Avenue 17 11238 New York United States	New York	in progress
jroneill@cpexre.com Fwd: Featured Investment Properties for Sale	2018-02-02 15:28:49	CPEX Real Estate James O'Neill	73rd Street 553 11209 New York United States	New York	in progress
jroneill@cpexre.com Fwd: Featured Investment Properties for Sale	2018-02-02 15:28:49	CPEX Real Estate James O'Neill	Church Avenue 5319 11203 New York United States	New York	in progress
jroneill@cpexre.com	2018-02-02	CPEX Real Estate	Jamaica Avenue 190-02	New York	in

Construction

Help ⓘ | Pål Ahlsén

Apartment Upgrades

- Investments 336
- Service Categories 190
- Documents
- Dates
- Supply Orders
- Capital Projects
- Documentation


Signed in successfully.

1.739 Apartment Upgrades

+ Start Apartment Upgrade Q Search

< Inspection ⚙

... > Properties > Common Area

	Stockholm Vitbetan 29 2419	Katarina Bangata 75 116 42 Stockholm
Outdoor facilities >		
Facade >		
Garbage room >		
Garage and parking >		
Entrance >		
Staircases and hallways >		

first class service

The tenants are our customers and their homes are our assets. As a long-term owner of residential property, it is important to build a good relationship with our customers.

Our service centers answer the tenants within a few minutes. A quick response and solutions for the tenants' needs are our top priorities.

First class service include an efficient handling of reported errors, the immediate booking of service time, twenty-four hour service, efficient and correct communication.

Akelius has one service center in Sweden, one in Germany and three in North America. Paris and London will establish service centers in 2018.

As of 2017, all countries use the same application, Connectel, The application helps us to analyze and track activities in real time and improve first class service.



property return 12.5 percent

long-term ownership creates higher property value

Akelius buys properties with potential. Akelius' rents are usually lower than the market rent for a similar standard. The potential of our properties can often be realized without investments when a new tenant moves in.

By investing in our properties and improving their quality, demand for our apartments grow and Akelius is able to raise the rents.

In Sweden, for example, the rent remains at the regulated level even when there is a change in tenants. The only way to increase the rent is to improve the standard of the apartment.

Akelius focuses on upgrading vacant

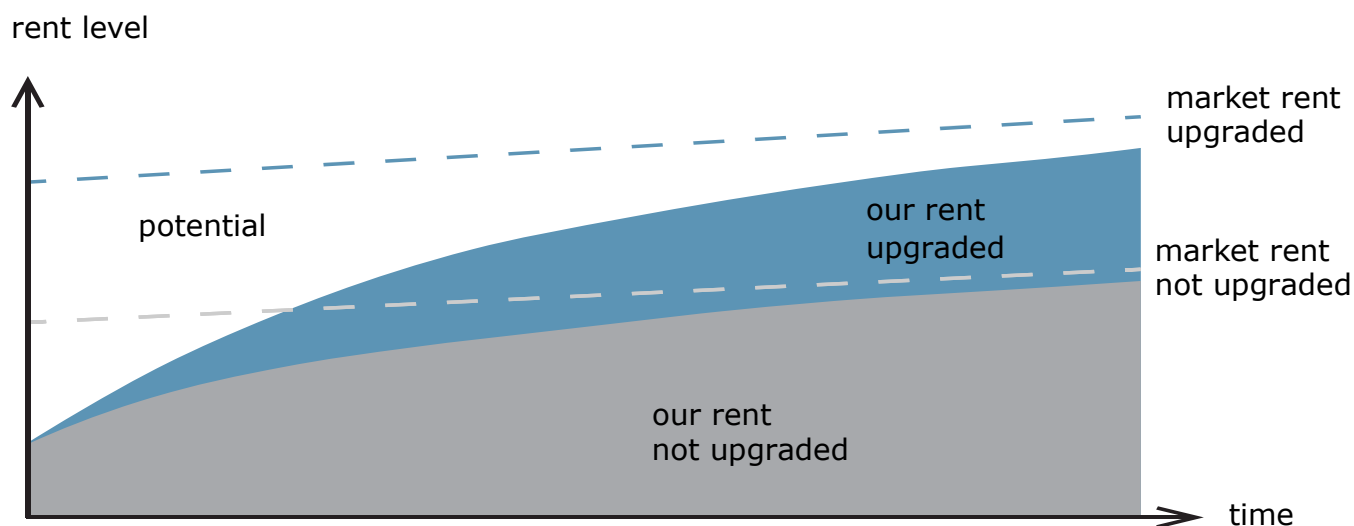
apartments only, with the idea that no tenant should be forced to accept a higher quality and rent.

For this reason, it usually takes a long time to upgrade all apartments in a building. Akelius estimates that it will take on average ten years for a property to reach its potential in terms of rent level.

As a long-term investor, we plan to hold our properties for at least ten years.

Our average rent level is usually below market rent.

Hence, there is low risk for falling rental income.

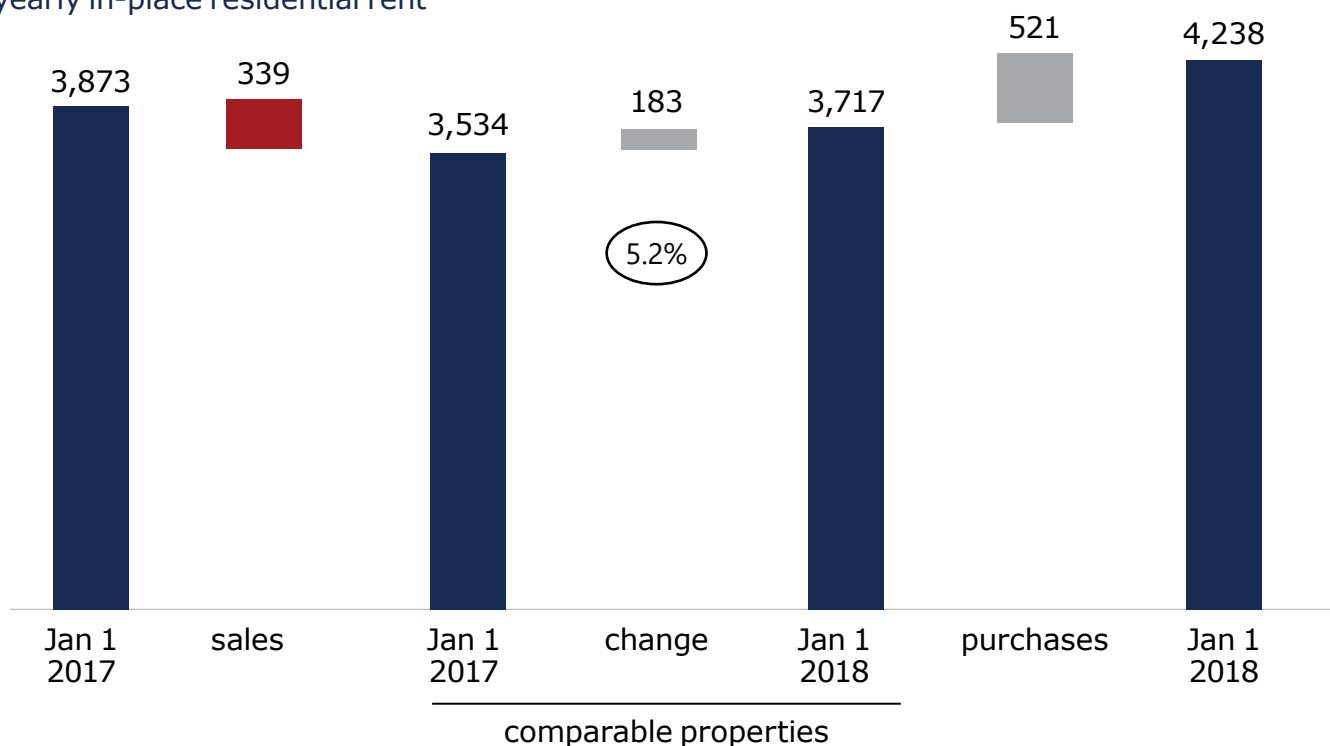


5.2 percent increase in yearly in-place residential rent strengthens cash flow

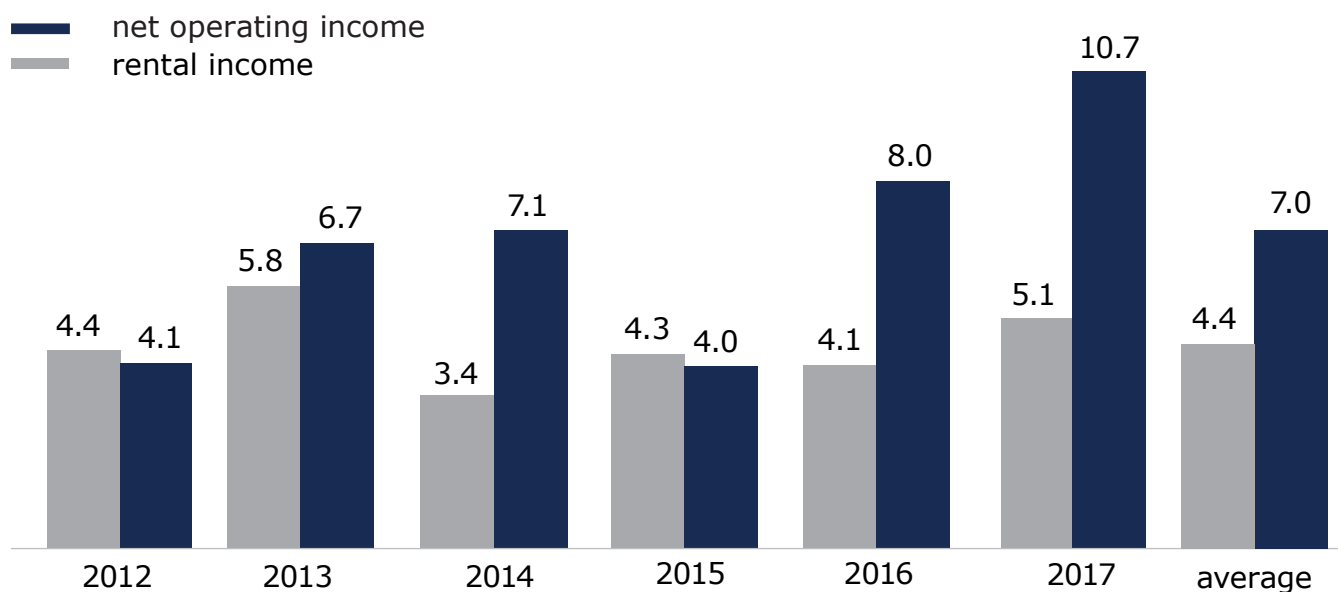
Akelius focuses on increasing the cash flow through increased rental income, reduced vacancies and maintained cost

discipline.
The operational efficiency of the existing portfolio minimizes costs.

yearly in-place residential rent



growth for comparable properties, percent

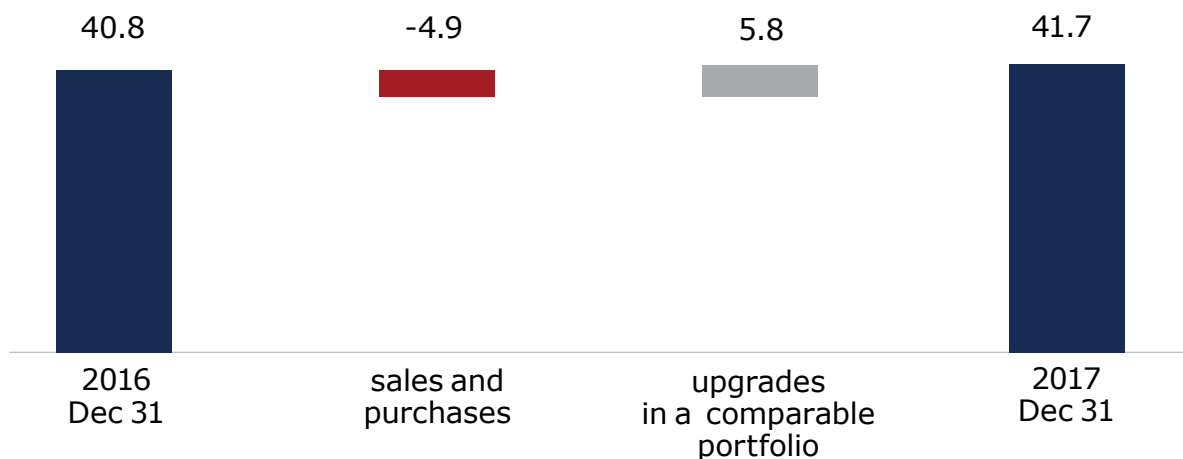


upgrades are profitable and optional

42 percent of our apartments are upgraded.
55 percent can be rented out at a higher
rent level without additional upgrading.
Three percent will require an upgrade

when the current tenants move out.
Upgrades are optional.
Akelius upgrades because it is profitable and
our customers appreciate high quality.

41.7 percent upgraded apartments



Berlin, Neukölln, Isarstraße 8, B+ location, 52 sqm
bathroom before and after upgrading



rent EUR 364/month
rent EUR 7.00/sqm



rent EUR 858/month, EUR 16.50/sqm
+136 percent increase
upgrade EUR 31,795
required yield +19 percent

robust properties

When existing rents are significantly below market level, the risk of lower rental income is small.

This is especially true in a diversified portfolio that includes properties in many growing metropolitan areas.

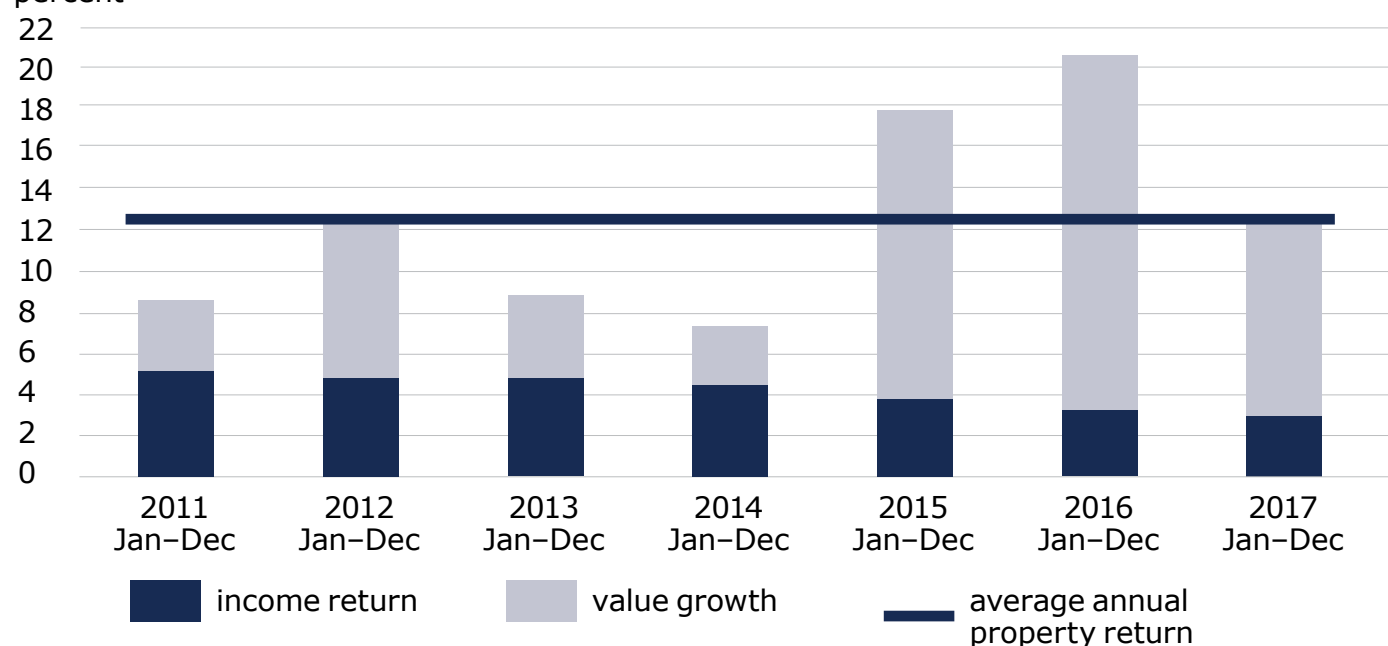
	SEK/sqm/year		percent	
	In-place	New lettings	Rent potential	Market rent versus in-place
Berlin	952	1,752	84	84
Stockholm	1,268	1,489	17	81
Malmö	1,329	1,555	17	50
Hamburg	1,265	1,716	36	36
London	3,949	3,750	-5	-5
Toronto	1,754	2,340	33	33
New York	2,945	4,785	63	63
Paris	2,766	5,183	87	87
Others	1,577	2,144	36	36
All cities	1,413	2,121	50	54

value growth + income return = 12.5 percent property return

Population growth and economic development have a positive impact on rents. Higher rents are the main long-term driving force for higher property values. Akelius gets a higher value increase than the market as we are able to realize the existing potential in our portfolio.

As cities grow, many neighborhoods and residential properties in these areas get a lower rate of return. Lower required yields affect the value of our properties positively. In recent years, interest rates dropped, which contributed to lower required yields.

annual property return percent



SEK 7,096 million sales at the right time

Operation "clean the map" is concluded.

Sales prices for contracted sales in 2017 were 15 percent above fair value at the beginning of the year.

Properties were sold in Sweden for SEK 6,661 million and in Germany for SEK 435 million, a total of SEK 7,096 million.

Net sales of properties amounted to SEK 353 million including SEK 83 million in sales costs.

Sales are focused on:

- medium-sized cities or the outskirts of big cities.

Akelius wants to focus on metropolitan areas, which have lower vacancies and higher growth in rent.

- fully developed properties

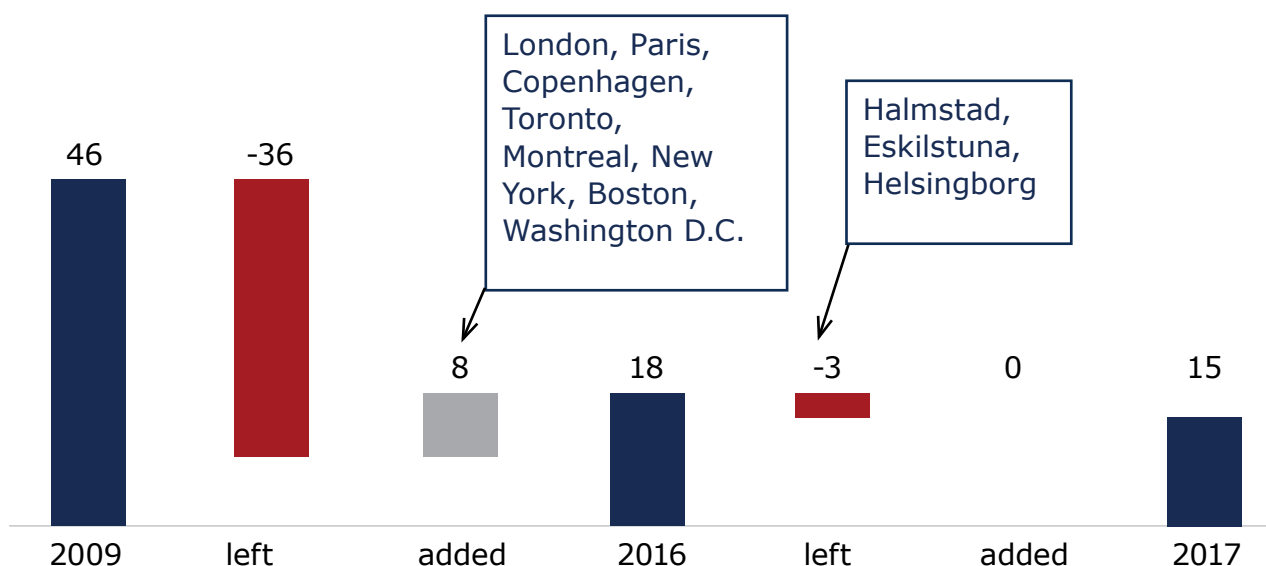
Akelius accepts good offers and reinvest in new properties with limited downside risk. Well-managed residential properties are attractive investments for many types of investors, which means that residential properties provide good liquidity.

- condominiums

Akelius also sells to tenants when the price difference between condominiums and rental apartments is large.

portfolio in fifteen growing metropolitan cities

change in number of metropolitan cities



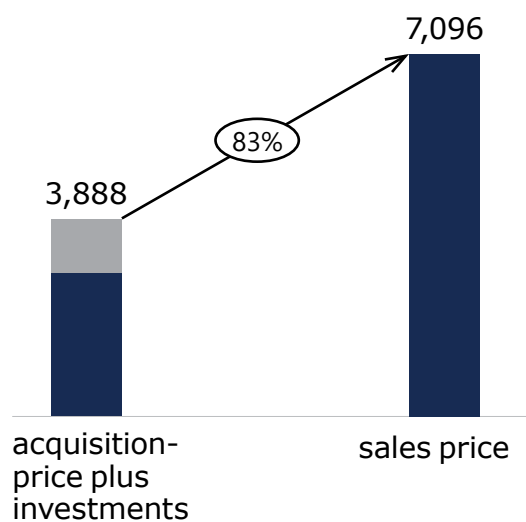


Jubilaren 2, Halmstad, Sweden, part of the Oppidium portfolio sold in March 2017.
Realized value growth since the acquisition was 55 percent.

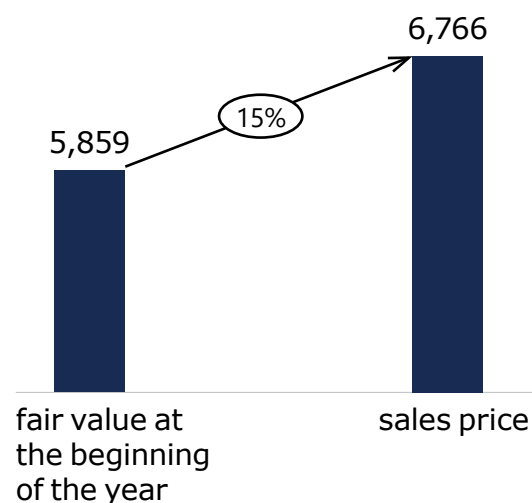
sold properties SEK 7,096 million

City	Number of apartments	Total area, square meters	Purchase price + investments, SEK million	Sales price, SEK million	Fair value beginning of the year, SEK million
Helsingborg	2,300	175,140	1,627	3,835	3,412
Halmstad	1,162	76,349	1,280	1,888	1,887
Eskilstuna	603	42,492	514	913	867
Hamburg	176	9,491	250	341	291
Berlin	46	4,780	59	94	89
Other	-	2,639	158	25	21
Total sales	4,287	310,891	3,888	7,096	6,567
Eskilstuna, Halmstad closed in 2016	-1,765	-118,841	-1,794	-2,801	-2,754
Greater Stockholm area, closed in 2017	1,420	105,881	1,290	2,471	2,046
Contracted sales	3,942	297,931	3,384	6,766	5,859

83 percent higher sales prices versus acquisition price plus investments



contracted property sales 15 percent above fair value





Augustenberger Ufer 18, Hamburg

financing - safety first

Akelius puts safety first when selecting our assets and liabilities.

Attractive residential properties in steadily growing metropolitan cities have good liquidity and good access to funding.

Akelius invests in housing with the ability to generate a steadily growing cash flow.

In combination with long-term financing, Akelius minimizes variance in the cash flow and equity-to-asset ratio.

financial policy

The financial policy aims to ensure capital supply, decrease financial risks and minimize the impact of financial crises.

The Group shall be able to withstand

- a 25 percent drop in property values,
- an interest rate increase of five percent,
- the effects of exchange rate fluctuations.

distribution policy

Profits will be kept in the company, increasing equity.

No net dividends will be paid on ordinary shares if the loan-to-value ratio exceeds 50 percent.

The payments on preference shares will be postponed if necessary.

	goal	2017
loan-to-value ratio, percent	below 50	44
secured loan-to-value ratio, percent	below 25	18
interest rate hedge, years	long	5.3
capital tied up, years	long	5.6
liquidity SEK million	3,000	7,434
credit rating	investment grade	BBB

equity-to-assets ratio 46 percent

Equity attributable to ordinary shareholders shall amount to at least two thirds of the total equity plus hybrid loans reported as debt.

Shareholders' equity also includes preference shares.

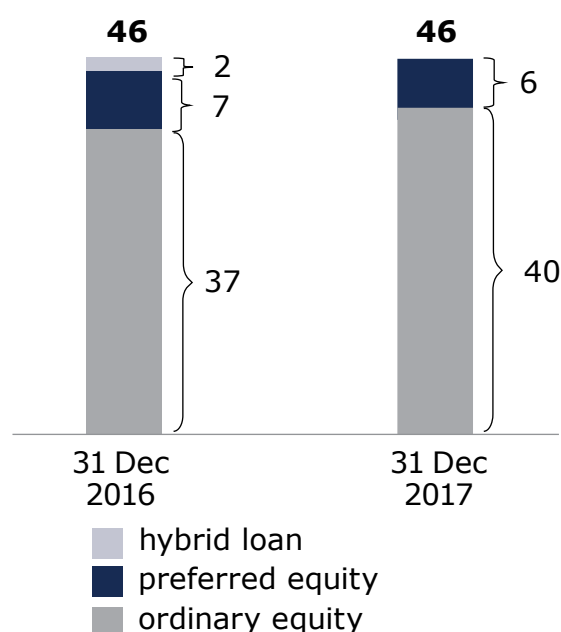
Akelius has issued preference shares to a net amount of SEK 6 billion.

The preference shares are divided between 17,000 shareholders and are listed on Nasdaq First North.

Stable income from our residential properties make us a suitable issuer of preference shares with a fixed dividend. Preference shares are a permanent part of the capital structure.

There is no refinancing risk and dividends can be deferred for an unlimited time period.

46 percent equity-to-assets ratio percent



low refinancing risk

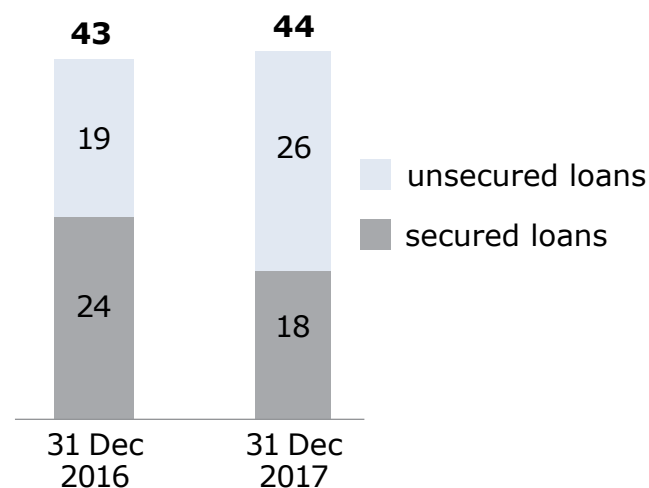
Akelius' refinancing risk is mitigated by:

- diversified borrowing through 36 banks and several capital markets;
- capital tied up for five years;
- 44 percent loan-to-value ratio;
- liquidity SEK 7,434 million;
- unencumbered properties SEK 42,394 million;
- residential properties;
- investment grade rating BBB

loan-to-value ratio 44 percent

The loan-to-value ratio has increased from 43 to 44 percent in 2017. The secured loan-to-value ratio was 18 percent. The proportion of unsecured loans increased from 44 to 59 percent.

44 percent loan-to-value ratio percent



Loans maturing in 2018 have an average loan-to-value ratio of 37 percent and are spread across 19 banks and one bond.

unencumbered property SEK 42,394 million

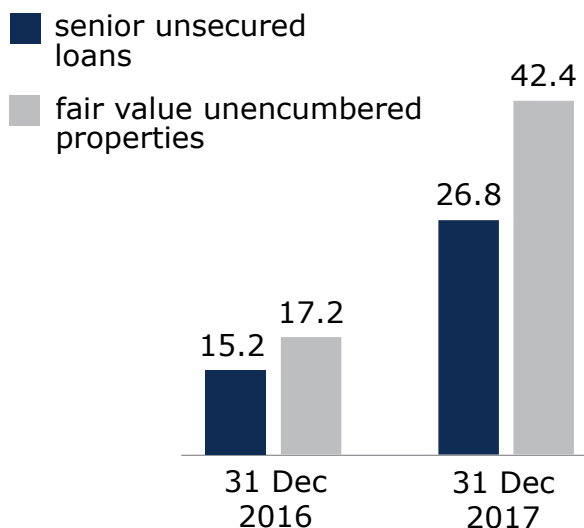
Unencumbrance ratio is 1.63 of senior unsecured loans.

The difference between the fair value of the properties and loans amounts to SEK 57,888 million.

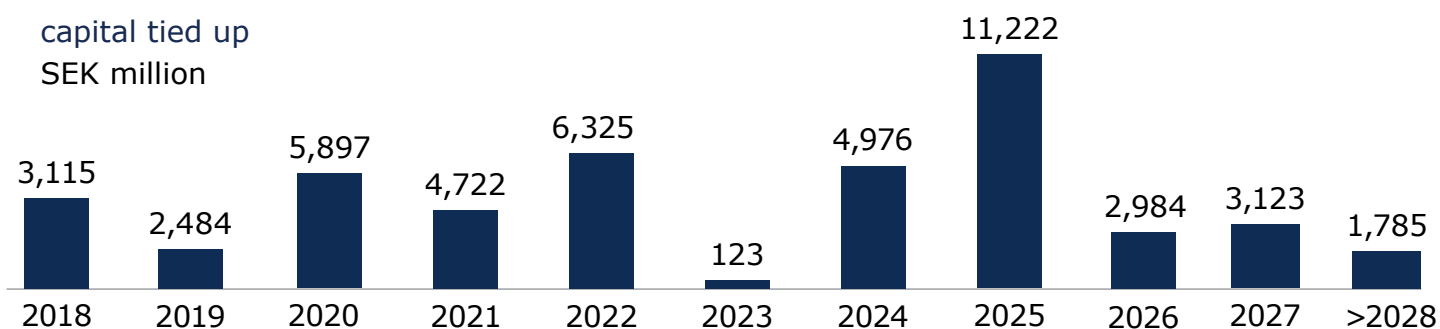
A lower proportion of mortgaged properties reduces risk and increases financial flexibility through:

- better availability of funding;
- unencumbered properties that can, to a greater extent, create liquidity when needed.

1.63 unencumbrance ratio SEK billion



capital tied up SEK million



access to the capital market

With residential properties in both Europe and in North America, Akelius has access to several local capital markets.

In 2017 Akelius raised SEK 15.5 billion in the European, British and Swedish capital markets.

In the last four years, Akelius has raised SEK 36.5 billion in the capital markets. Akelius has issued bonds and commercial papers for SEK 30.5 billion and preference shares for SEK 6 billion.

Akelius had nine listed bonds at the end of the year: four in SEK, four in EUR and one in GBP.

BBB rating from Standard and Poor's

In order to ensure funding on favorable terms, the goal is to maintain a so-called investment grade rating, which is a measure of high credit worthiness.

The credit rating agency Standard & Poor's raised Akelius' credit rating to BBB.

The business risk profile is considered to be in the upper of "strong", based on very low country risk, low industry risk and a strong competitive position. The financial risk is considered to be significant.


counterparties in seven countries provide low risk

With access to seven local banking markets, we can create a resilient funding structure. Akelius has bilateral loan agreements with 36 counterparties.

The loans are concentrated to strong mortgage banks with excellent financing instruments for the residential property market.

Further information about activities on the capital market under note 3 on page 110.

activities on the capital market



2017-11-07
issue bonds for EUR 500 million

2017-11-03
Standard & Poor's raises Akelius rating to BBB

2017-09-26
issue bonds for SEK 1 500 million

2017-09-08
issue bonds for GBP 300 million

2017-05-23
issue bonds for EUR 600 million

2017-03-03
Standard & Poor's gives Akelius "positive outlook"

2016-11-17
issue bonds for EUR 600 million

2016-01-11
new commercial paper program for EUR 200 million

2015-11-20
expansion of commercial paper program to SEK 4,000 million

2015-09-16
issue bonds for EUR 300 million

2015-08-24
issue commercial paper program for SEK 2,000 million

2015-06-17
issue bonds for SEK 500 million

2015-06-01
Standard & Poor's gives Akelius a rating of BBB-

2015-04-24
issue preference shares for SEK 2,000 million

2015-03-19
issue bonds for SEK 1,400 million

2015-01-15
issue bonds for SEK 500 million

2014-09-16
issue preference shares for SEK 3,000 million

2014-06-18
issue bonds for SEK 350 million

2014-05-26
issue preference shares for SEK 1,020 million

low liquidity risk

liquidity SEK 7,434 million

Liquidity should be at least SEK 3,000 million.

At the end of 2017, liquidity amounted to SEK 7,434 million, including SEK 155 million in liquid assets and SEK 7,279 million in unutilized credit facilities.

Credit agreements are entered into with 36 banks with the capital tied up for 5.6 years on average.

liquid assets

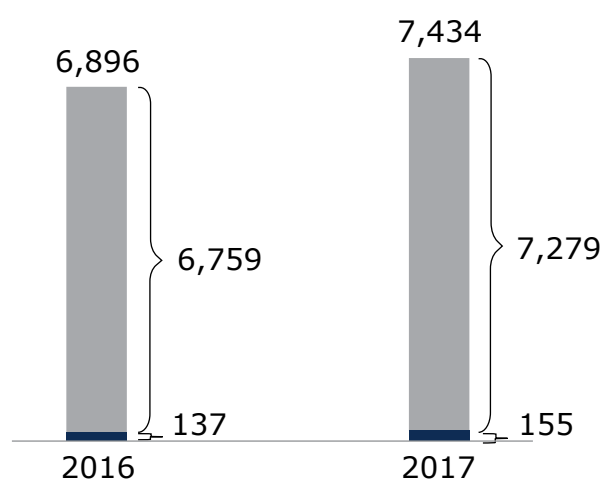
Within three to six months, anything from small to large properties can be sold.

Overall, Akelius has sold for SEK 27 billion since 2012, on average 14 percent higher than the fair value at the beginning of each respective year.

A diversified portfolio of attractive properties in metropolitan areas is a hidden liquid reserve during a business cycle.

The unencumbered share of the properties' fair value is SEK 85,606 million.

liquidity
SEK million



■ unutilized credit facilities
■ liquid assets

cash uses and sources

The objective is that cash sources, including liquidity, cashflow from operating activities and contracted sales, should be greater than cash uses including investments, contracted purchases and short-term loans.

By the end of 2017, the cash sources were 241 percent of the cash uses.

Liquidity amounted to SEK 7,434 million (6,896).

All upgrading of apartments can be stopped with a lead time of up to three months.

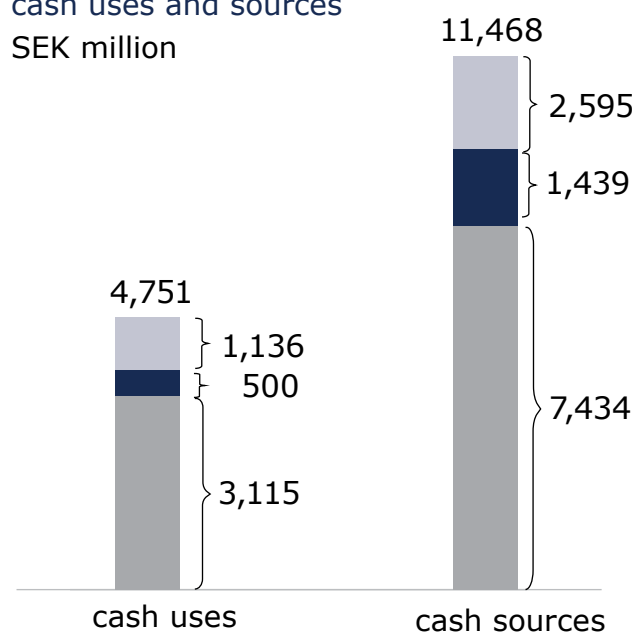
Akelius estimates the investments to a maximum of SEK 500 million during that period, and SEK 150 million per year thereafter.

Contracted property sales amounted to SEK 2,595 million.

Contracted property purchases amounted to SEK 1,136 million.

Cash flow from operating activities based on pro forma included in cash sources amounted to SEK 1,439 million.

cash uses and sources
SEK million



■ contracted purchases
■ investments
■ short-term loans
■ contracted sales
■ profit before tax and revaluation
■ liquidity

limited interest rate risk

Interest rate risk is the risk of being negatively affected by changes in interest rates.

Akelius monitors and take action to limit interest rate risk.

long-term loans reduce risk

Our ambition is to minimize the cash flow effects of rapid increases in interest rates. The cost of loans is based on the underlying interest rate and the lenders' credit margins.

A low variance in credit margin is ensured through diversified funding and long-term credit agreements.

The underlying interest rate level is guaranteed by long-term fixed interest rate loans and derivatives.

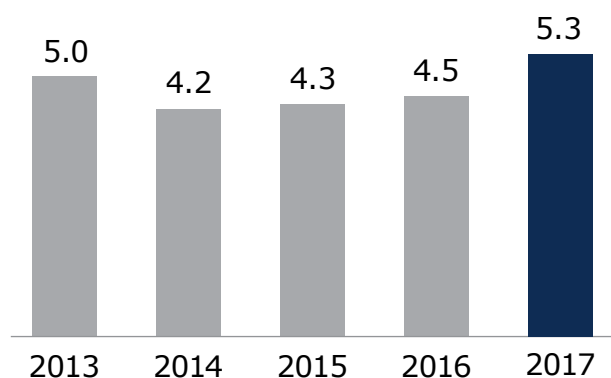
On average, the underlying interest rate is secured for 5.3 years (4.5), while the average capital is tied up for 5.6 years (5.0).
See note 3.

strong liquidity and a low loan-to-value ratio reduce risk

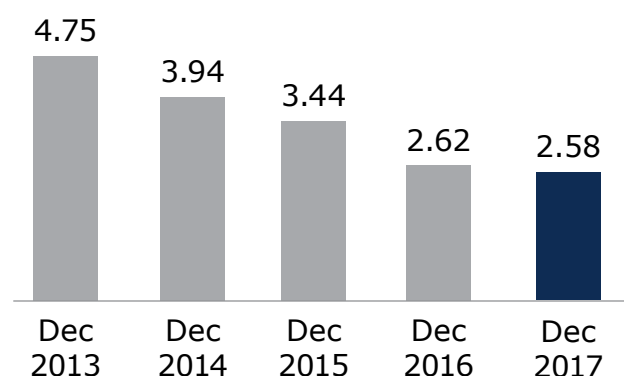
Interest rate risk is limited by strong financial resilience. Liquidity amounts to 6.6 times the interest expenses for 2017.

A loan-to-value ratio of 44 percent for residential properties means a good financial position.

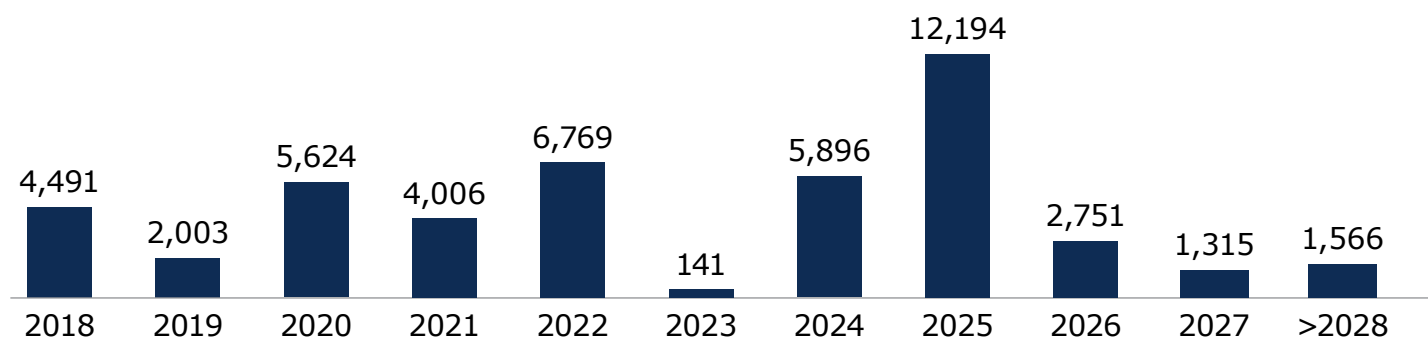
fixed interest term
years



average interest rate
percent



interest rate hedge
SEK million



interest derivatives are used to hedge loans

Changes in the value of interest rate derivatives depend on how the market develops in relation to the agreed interest rate and the remaining maturity.

At the end of the year, the negative value of the derivative portfolio amounted to SEK 1,028 million (1,350).

The fair value of a derivative agreement at maturity is zero, consequently the change in value over time has no effect on equity.

Should the market interest rate or margin change, interest expenses would be affected as shown in the table below:

SEK million	interest expenses
+1 percentage point market rent	43
+1 percentage point credit margin	58

Should the market interest rate or duration change, the interest rate derivative value would be affected as shown in the table below:

SEK million	interest rate derivatives value
+1 percentage point market rent	439
one year shorter maturity	237

stable and increasing revenues reinforce interest coverage

The ability to meet the interest expenses increases over time as our properties generate steadily increasing net operating income.

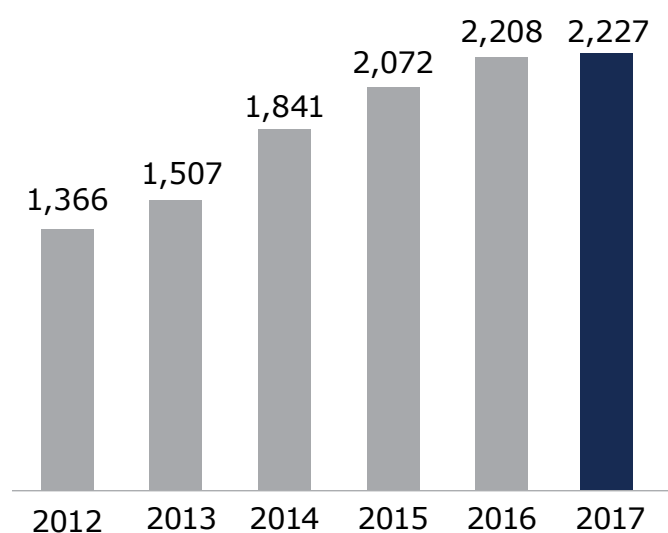
The interest coverage ratio for 2017 was 4.7 (4.5).

Excluding realized value growth on the property portfolio, the interest coverage ratio was 1.9 (1.9).

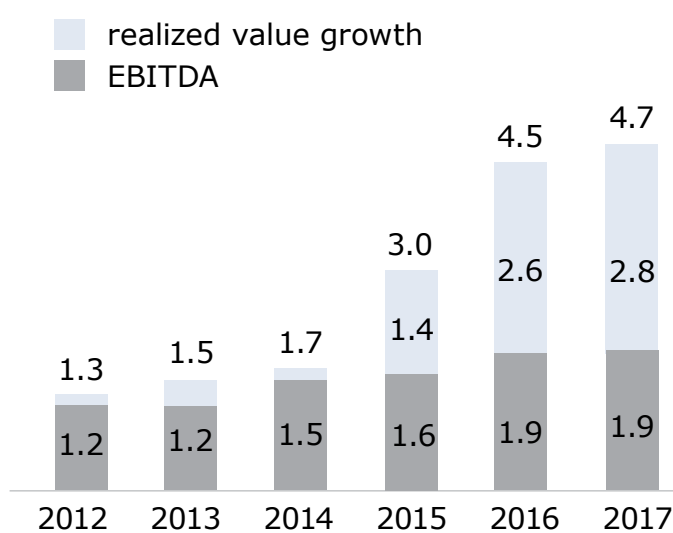
If the interest rates momentarily increase on all short-term loans with floating interest rates, the interest coverage ratio would be affected in the following way:

change in market interest rate, percentage point	interest coverage ratio, excluding realized value growth, times
0 (pro forma)	2.2
2	2.0
4	1.9
8	1.7

EBITDA SEK 2,227 million



interest coverage ratio 4.7



current interest and debt coverage capacity

SEK million	Jan-Dec 2017	Pro forma 12 months
Rental income	4,122	4,603*
Operating expenses	-1,387	-1,385
Maintenance	-322	-344
Net operating income	2,413	2,874
Central administration and other**	-186	-186
EBITDA	2,227	2,688
Net interest expense	-1,126	-1,204
Other financial income and expenses	-45	-45
Profit before tax and revaluation	1,056	1,439
Realized value growth	3,125	-
Interest coverage ratio	4.7	2.2
Interest coverage ratio excluding realized value growth	1.9	2.2
Net debt as per December 31, 2017	46,589	46,589
Net debt / EBITDA	20.9	17.3
Net debt / EBITDA including realized value growth	8.7	17.3

*Includes SEK 4,238 million in yearly in-place residential rent as of January 1, 2018, SEK 383 million in rental income for commercial properties and parking, SEK -53 million in real vacancy for apartments and SEK 35 million for other income.

**Includes SEK 1 million in other income and expenses and excludes SEK 7 million in operational exchange differences and SEK 21 million in depreciation.

realized value growth

Akelius manages and develops residential properties with the ability to generate a stable and growing net operating income. Higher net operating income leads to a positive value development for our properties.

A part of the business model is to realize value growth, defined as sales revenue less acquisition value and investments. Profit before tax and revaluation, including realized value growth is a good indicator of the ability to generate cash flow.

pro forma

Net operating income and realized value growth are reinvested to existing and new properties. This leads to a growing net operating income.

It is therefore more appropriate to analyze the business based on the situation on the balance sheet date.

The pro forma is based on the property portfolio's gross rent, real vacancy, estimated operating expenses and maintenance costs during a normal year, as well as central administrative expenses. The interest expenses are based on the loans' interest rate level on the balance sheet date.

Average exchange rates for the last year has been used.

No tax has been calculated as it relates mainly to deferred tax, which does not affect cash flow.

The pro forma is not a forecast for the coming twelve months, as it contains no estimate of rental, vacancy, currency exchange, future property purchases and sales or interest rate changes.

minimized currency risk

The goal is to minimize the effects of exchange rate fluctuations on the equity-to-assets ratio.

A constantly high equity-to-assets ratio reduces risk for the company's shareholders, creditors and other stakeholders.

This is achieved by ensuring that the currency position in each currency corresponds to the Group's equity ratio multiplied by assets in each currency. Today, variations in exchange rates have very little effect on the equity-to-assets ratio.

sensitivity analysis for exchange rate fluctuation

Currency	Net assets in SEK million	Effect on net assets to 10 percent change against SEK	Equity-to-assets, percent
SEK	17,700		
GBP	3,095	309	
EUR	16,561	1,656	
CAD	4,246	425	
USD	5,471	547	
DKK	1,197	120	
Total	48,270	3,057	45.6
+10 percent change	51,327		45.3
- 10 percent change	45,213		45.9

sensitivity analysis on the balance sheet

After a 25 percent fall in property values and an increase in market interest rates by five percentage points, Akelius would still have a solid financial situation with a 57 percent loan-to-value ratio.

A drop in property values would eliminate the current deferred tax liability. Increasing market interest rates would affect the value of interest rate derivatives positively.

SEK million	2017-12-31	Pro forma
Investment property	104,644	78,483
Other assets	1,227	2,640
Total assets	105,871	81,123
Total equity	48,270	30,765
Interest-bearing liabilities	46,756	46,601
Derivatives	1,054	-
Deferred tax	8,259	2,225
Other liabilities	1,532	1,532
Total liabilities	57,601	50,358
Total liability and equity	105,871	81,123
Loan-to-value ratio, percent	44	57

sensitivity analysis of changes in the fair value of properties

Should the market's required yield, rental income, vacancy level and cost level change, the fair value in SEK million would be affected as shown in the table below.

SEK million	Sweden	Germany	Canada	England	France	United States	Denmark	Total
Required yield								
+0.1 percentage point	-1,099	-1,147	-246	-182	-72	-306	-102	-3,154
-0.1 percentage point	1,180	1,214	258	191	75	321	109	3,348
Rental income								
+1 percent	302	228	40	16	9	41	22	658
-1 percent	-302	-228	-40	-16	-9	-41	-22	-658
Operating expenses								
+1 percent	-188	-71	-55	-25	-7	-67	-17	-430
-1 percent	188	71	55	25	7	67	17	430



Eosanderstraße 25, Berlin

staff

healthy and creative working environment

A working environment that is poor from a physical or mental standpoint jeopardizes the well-being of our employees.

This in turn can lead to a high employee turnover that puts further stress on the workforce and limits efficiency.

To limit these risks, we take care of our personnel through a quick integration in company culture, ample opportunities for job rotations, education and other benefits such as health insurance.

motivation through internal recruitment

Akelius wants to maximize the expertise available within the group by offering ample opportunities for advancement to new positions, regardless of the employee's starting position.

All vacant positions are first announced internally.

6.5 percent of the workforce proceeded to new positions within Akelius in 2017.

Internal recruitment is faster and more effective compared to external recruitment thanks to previous knowledge of our way of working.

This also applies to management positions. 100 percent of our department and regional managers have been recruited from previous positions within Akelius.

All our department and regional managers have undergone internal education.

When establishing operations in new cities, we are able to export high-quality personnel, which ensures growth and integration.

From 2018, all managers are given the opportunity to rotate to other parts of the organization for a limited time.

quick integration

All new employees take the "Welcome to Akelius" course within six months of joining us.

Focus is on company culture, business strategy and basic real estate economics. A broad understanding of the company and real estate business leads to better decisions, higher efficiency and higher quality in their work.

specialist training and MBA

To maximize the potential of internal recruitment,

Akelius also offers internal education within areas relevant to our operations through Akelius Business School, previously called Akelius University.

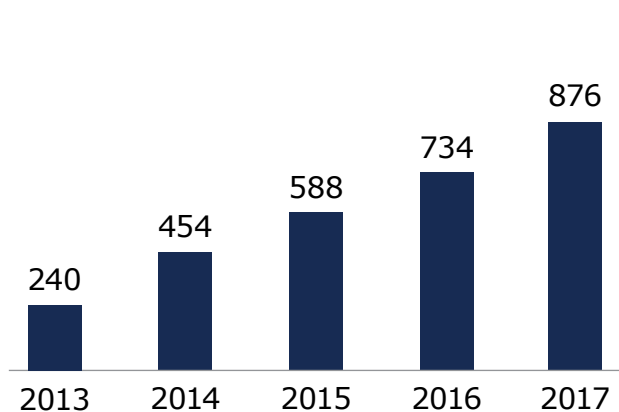
This comprises a specialist training course with the option to follow up with an MBA course.

In 2018, Akelius Business School will receive a budget of EUR 4 million.

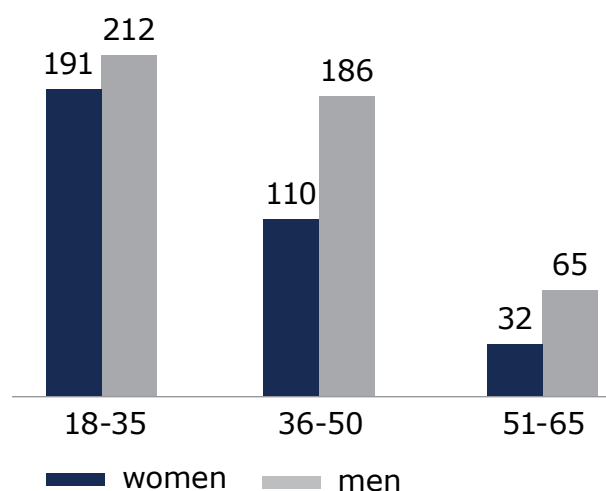
Internal education does not only help us retain talent.

It also helps us manage risks associated with safety and security issues, sustainability issues, corruption and whistle blowing.

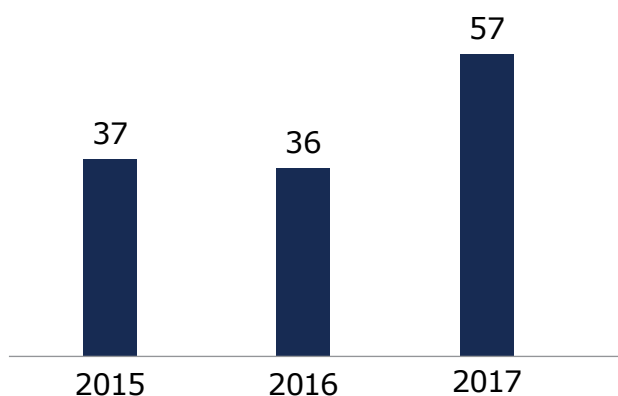
number of employees



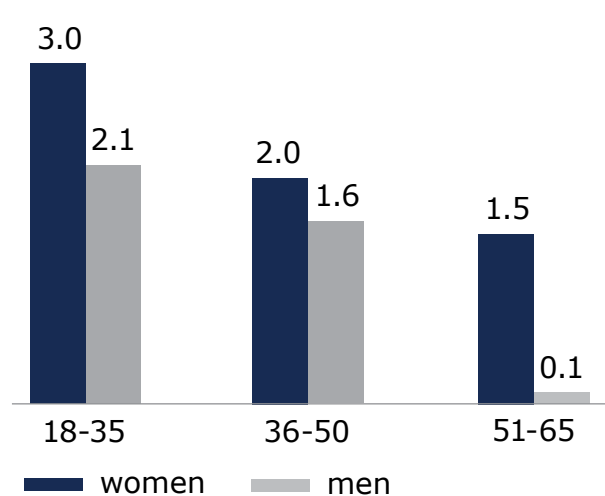
age distribution
average number of employees



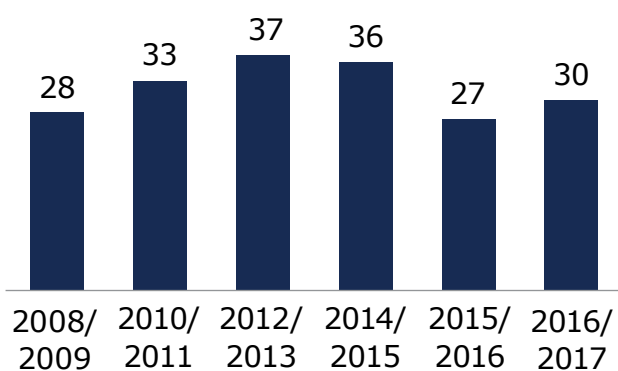
employees with new positions within Akelius
number of employees



sick leave per age group
percent



students at Akelius Business School
number of students



property valuation

Our property portfolio consists of 981 properties in seven countries with a total value of SEK 104,644 million (87,739). Each region is unique, requiring individual considerations.

The value of the properties is based on internal valuations.

The estimated future cash flows are based on existing rental income and operating and maintenance costs adjusted for expected changes in rental and vacancy levels.

The fair value of the properties comprises the sum of the discounted cash flows during the calculation period and the residual value.

The valuation is made according to IFRS 13, level 3. See page 104.

rental income

Future rental levels for residential properties are based on actual rents, adjusted for potential rental growth calculated from First Class investments and inflation.

Rent levels for commercial properties are estimated based on the indexed rent levels, meaning that the rent develops at the same rate as the consumer price index during the leasing period. Vacancies are reassessed on the basis of the current vacancy situation for each individual property, adjusted to the market vacancy level, taking into account the property's individual characteristics.

operating and maintenance expenses

Operating and maintenance expenses are calculated based on actual costs adjusted for inflation.

Specific planned future maintenance expenses are included in the projections for each individual property.

Property administration costs are estimated at a flat-rate cost based on the historical average cost level.

required yield and discount rate

The capitalization rate is determined by adding interest rates and risk premiums. The risk premium covers the market risk and the property-related risk based on the building's location and the prevailing housing supply and demand.

The capitalization rate is assessed, as far as possible, using the property transactions completed in the market, invitations to buy and sell and by looking at comparable properties. During the year, the capitalization rate and discount rate for comparable properties declined by 0.22 and 0.23 percentage points respectively due to lower market interest rates and high demand for real estate.

At December 31, 2017 the average required yield was 3.60 percent and the discount rate was 5.59 percent.

See sensitivity analysis on page 71.

market knowledge

Akelius is very active in the property market, accumulating a lot of knowledge from the large number of transactions in which we are involved.

In 2017, Akelius received invitations to buy for SEK 192 billion.

Following evaluations, we submitted bids on 19,643 apartments for SEK 31 billion, purchasing 4,850 apartments in 88 transactions.

The key ratios of price per square meter, gross rent multiplier and capitalization rate from the evaluations of all those apartments,

in particular those for which Akelius submitted indicative bids, constitute the basis for the fair value estimation.

Akelius sold 4,287 apartments in 10 transactions during the year.

The realized prices in these sales provided valuable information about capitalization rates and prices per square meter.

The properties were sold at prices that exceeded fair value at the beginning of the year by 15 percent.

external valuation

In order to verify the internal valuation, we engage external partners to review at least one third of the portfolio each year. In 2017, primarily CBRE reviewed 333 properties out of 981 properties owned, corresponding to 34 percent of the number of properties and 35 percent of the fair value.

The external valuation was SEK 33 million or 0.1 percent higher than our internal valuation.

	Sweden	Germany	Canada	England	United States	France	Denmark	Total
Capitalization rate, percent								
Opening	3.43	3.84	4.36	4.11	4.42	4.20	3.42	3.82
Purchases	-0.05	0.00	-0.01	0.05	-0.05	0.02	0.06	0.02
Sales	-0.09	-0.01	0.00	0.00	0.00	0.00	0.00	0.00
Comparable	-0.29	-0.29	-0.06	0.00	0.00	-0.07	-0.39	-0.22
Translation difference	-	0.00	0.00	0.00	-0.01	0.00	0.00	-0.02
Closing	3.00	3.54	4.29	4.16	4.36	4.16	3.09	3.60
Discount rate, percent								
Opening	5.42	5.84	6.36	6.11	6.42	6.20	5.42	5.81
Purchases	-0.05	0.00	-0.01	0.03	-0.06	0.02	0.06	0.01
Sales	-0.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Comparable	-0.29	-0.30	-0.06	0.00	0.00	-0.06	-0.40	-0.23
Translation difference	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Closing	4.99	5.54	6.29	6.14	6.36	6.16	5.08	5.59
Transactions, SEK million								
Invitation to buy	16,244	47,279	5,251	7,207	60,836	49,249	5,532	191,598
Indicative bids	3,999	8,924	4,103	355	6,429	2,643	4,263	30,716
-number of apartments	1,019	5,261	2,817	5,841	2,231	895	1,579	19,643
-number of indicative bids	21	207	33	32	30	49	7	379
Completed acquisitions*	1,606	1,227	1,818	2,900	2,675	300	1,964	12,490
-number of apartments	491	747	987	872	816	128	809	4,850
-number of transactions	6	29	14	23	1	11	4	88
External valuation, SEK million								
Number of properties	42	203	29	28	7	19	5	333
Fair value external	13,369	13,698	3,266	2,117	1,777	852	1,555	36,634
Fair value Akelius	13,399	13,694	3,166	2,123	1,818	846	1,555	36,601
Deviation	-30	4	100	-6	-41	6	-	33
Deviation, percent	-0.2	0.0	3.1	-0.3	-2.3	0.7	0.0	0.1

*) includes sales price and transaction costs

rent regulations

Stockholm, Malmö

Rents in Sweden are negotiated between the landlord and the Swedish Tenants Association.

The rent level is regulated in accordance with the so-called "utility value" system.

If an agreement cannot be reached between the landlord and the Swedish Tenants Association, the landlord can enter into an agreement directly with the tenant.

This system means that rent levels should be proportional to the standard and location of the property.

The rent can be increased if the standard is raised.

This rental regulation has resulted in rent levels below market rent,

which in turn leads to fewer new rental residential units and an increased housing shortage in growing cities.

Housing shortage is greater in major cities.

As property owners, this results in a low risk of vacancy and lower rental rates.

Berlin, Hamburg

In Germany, the parties to a new rental agreement can in general agree on the rent freely.

In cities with a strained housing market, the rent may be restricted to the locally prevailing comparable market rents plus ten percent.

This restriction does not apply to extensively upgraded residential units.

Since 2012, Akelius has used indexation according to the consumer price index as the method for setting rent levels in new lease contracts.

If the lease contract does not include such indexation, the rent is set by a comparison to the locally prevailing rents set forth in the so-called Rent Mirror - Mietspiegel.

Increases in rent in comparison to the "Rent Mirror" are then capped at 15 percent over a three-year period.

When residential units are upgraded, landlords are allowed to increase the rent for an existing tenant by a total of eleven percent of the modernization cost.

Toronto

New rents are set freely.

Increases for current tenants are controlled by the local authorities and rent increases normally follow inflation.

When modernizing properties, the rent for existing tenants can be increased by up to nine percent above the regulated rent over a period of three years.

Montreal

New rents are set freely.

However, new tenants are able to challenge the rent level in court.

Rents for existing tenants can be increased when the landlord's costs increase.

Modernization costs can, to some extent, be passed on to the tenants.

London

New rents for residential units are generally set freely.

The most frequent type of lease has a maturity term of twelve months, after which the lease is renewed to the new market level.

An increase in market rents can be achieved due to high quality renovations that provide a better apartment standard compared with the market level.

Rental regulations apply to lease contracts signed before 1988.

Such contracts comprise three percent of our portfolio.

Paris

New rents are set freely if the residential unit has been renovated within the last six months with a total cost of works that exceeds the previous annual rent, or if the residential unit has been vacant for at least 18 months.

During the first six years of a rental contract, the annual rent increase may not exceed the variation of the reference rent index.

After that leases can be renegotiated only if the rent level is significantly below the market rent level.

New York

In New York there are three rental systems.

Controlled rent system exists to limit rent increases for existing tenants.

The landlord can increase the rent for an existing tenant, but the tenant can challenge this request.

Rents can be increased to the market level if there is a change of tenants and the new tenant is not a legal successor.

Stabilized rent means that the landlord can increase the rent each year, approximately in line with the consumer price index.

When there is a change of tenant, the rent can be increased by at least 18.25 percent plus an additional 20 percent of any upgrade costs incurred.

Free market rent exists when the rent is fixed according to the contract and can be set freely upon renewal.

Washington D.C.

In Washington, rent control does not apply for buildings constructed after 1975.

For buildings constructed before 1975, the maximum rent increase is 2 percent, in addition to the change in consumer price index.

New rents can always be increased by at least 10 percent.

Rents can be increased by up to 30 percent if a similar apartment in the building exits with the same rent level. Upon acceptance by at least 70 percent of the tenants, rents can be raised in exchange for upgrades, services, repairs and maintenance.

Boston

In Boston, the tenant and landlord can usually agree on the rent freely.

In apartments intended for low income households, the rental level follows a local consumer price index.

The index is determined by the local housing authority and is adjusted once a year.

Copenhagen

The rental system in Denmark can be divided into three main parts.

In the cost-based rent system, the rent is calculated as the sum of the operating costs plus an owner's yield in the range of 7 to 14 percent of either the real estate value on April 1, 1973 or any subsequent construction costs. On an annual basis, the rent will fluctuate with the operating costs.

If an apartment is significantly improved, the landlord is allowed to change to the utility value rent system, where the rent levels reflect the utility value of the apartment.

The rent can be adjusted yearly by indexing the rent to the consumer price index.

For buildings constructed after 1991, the new lease level is set freely.

This includes conversion of commercial buildings as well as attic conversions. The annual rent is then indexed to a consumer price index.

result for the year and cash flows

rental income SEK 4,122 million

Rental income growth for comparable properties increased by SEK 166 million (122), or 5.1 percent (4.1).

Rental income totaled SEK 4,122 million, an increase of 0.3 percent compared to the same period of 2016.

The low increase in rental income is due to increased vacancy in the comparable portfolio and the sale of properties that took place early in the year compared to the purchases.

The real vacancy rate decreased by 0.2 percentage points to 0.9 percent.

The vacancy rate for residential units was 6.6 percent, of which 86 percent was due to upgrades or planned sales of apartments.

Out of the 47,177 apartments owned as at December 31, 25,307 rental contracts with a yearly rent of SEK 2,199 million were renewed or renegotiated during the period.

The new yearly rent is SEK 2,243 million, an increase of 2.0 percent.

net operating income SEK 2,413 million

Property expenses totaled SEK 1,709 million (1,798).

SEK 322 million was attributable to maintenance, corresponding to SEK 100 per square meter and year.

The net operating income for comparable properties increased by 10.7 percent (8.0).

The net operating income margin was 58.5 percent (56.2).

Adjusted net operating income margin was 68.0 percent (66.2).

increase in property value 9.7 percent

The increase in property value was SEK 8,554 million (12,715), or 9.7 percent (17.5).

The growth in value is mainly due to lower required rates of return.

Higher net operating income and profitable acquisitions and sales contributed as well.

net financial items SEK -1,175 million

Interest expenses were SEK 1,128 million (1,138).

The decrease is mainly due to the lower cost of borrowings.

Financial derivatives affected earnings by SEK -4 million (-322).

Other financial items amounted to SEK -43 million (-29).

profit before tax SEK 9,480 million

Profit before tax was SEK 9,480 million (13,320).

The increase in fair value on properties had a positive impact on the profit.

tax expenses SEK 1,712 million

Tax expenses totaled SEK 1,712 million (2,958).

SEK 1,686 million relates to deferred tax, mainly due to unrealized gains on properties. Akelius has no ongoing tax disputes.

cash flow

Operating cash flow before the change in working capital increased by SEK 337 million to SEK 1,258 million compared to the same period of 2016.

Cash flow from investments were SEK -8,753 million (695).

Cash required for the acquisition of properties is secured before the acquisition agreements are signed.

Profitable but non-mandatory upgrades can, if needed, be stopped within a three-month period.

Cash flow from financing activities was SEK 7,700 million (-1,658).

During the period, new ordinary shares were issued for SEK 10,057 million.

Hybrid loans were repurchased for SEK 2,188 million including a premium of SEK 128 million.

SEK 376 million were paid in dividends to the holders of preference shares and SEK 8,060 million were paid to the holders of common shares.

other financial information

Parent company

The Parent Company's profit before tax was SEK 251 million (1,116).

SEK 2,000 million in profit from shares in subsidiaries was included in the profit before tax for 2016.

On April 21, 2017, an issue of common shares took place and dividends were paid in accordance with the resolutions passed at the Annual General Meeting.

The parent company issued 134,810,000 common shares at a subscription price of SEK 74.60 per share, totaling SEK 10,057 million.

On the same date, dividends of SEK 2.75 per share were paid to the holders of common shares, totaling SEK 8,060 million.

Hybrid loans were repurchased for SEK 2,188 million at the same date.

proposed appropriation of profits

The Annual General Meeting has at its disposal:

Retained earnings	13,707,261,564
Profit for the year	183,397,466
Total	13,890,659,030

The Board proposes the amount to be allocated as follows:

SEK 2.80 per ordinary share	8,583,622,320
SEK 20 per preference share	376,712,120
Carried forward	4,930,324,590
Total	13,890,659,030

The Board has decided to propose to the Annual General Meeting:

- to issue 126,229,740 ordinary shares to an amount of SEK 68.0 per share totaling, SEK 8,584 million
- to authorize the Board to issue a maximum of 500,000,000 ordinary shares-
- to change the Parent Company's reporting currency to euro.

The dividend on ordinary shares will amount to SEK 2.80 per share, totaling SEK 8,584 million.

The Board proposes that the general meeting authorize the Board to set the record date and the payment date for the dividend on ordinary shares.

A dividend of SEK 5 per preference share will be recorded on the following dates; May 4, 2018, August 3, 2018, November 5, 2018, and February 5, 2019.

The proposal is based on all ordinary and preference shares outstanding as of December 31, 2017.

The proposal could be changed in the event of an additional issue of preference shares.

Board statement on the proposed dividend

The Group and the Parent Company have good liquidity, and following the proposed dividend the equity-to-assets ratios of the Group and the Parent Company will be 37 percent and 11 percent respectively.

The dividend is subject to approval of the above mentioned issue of shares proposed to the Annual General Meeting.

In the Board's assessment, which takes into account liquidity needs, the proposed business plan, investment plans and the ability to raise long-term credit, there are no indications that the Group or the Parent Company will have insufficient equity following the proposed dividend.

The Board hereby finds the proposed dividend justifiable with regard to Chapter 17, Article 3 of the Swedish Companies Act.

corporate governance report

Akelius Residential Property AB (publ)

Akelius Residential Property AB (publ) is a Swedish public limited company with its registered office in Stockholm. The Company's object is to own and manage properties and pursue other closely related activities.

In 2014 the company's preference shares were listed for trading on First North. Corporate governance is primarily regulated by the Swedish Companies Act, the Swedish Annual Account Act and Nasdaq's regulations for issuers on First North found on the exchange's website www.nasdaqomxnordic.com, and in accordance with other applicable laws and regulations.

The general mandate from the shareholders is to provide a high and stable long-term return.

Ensuring this requires good corporate governance with a clear separation of responsibilities between the shareholders, the Board and Management.

articles of association

The Articles of Association contain no specific provisions regarding the appointment and dismissal of board members or amendments of the Articles of Association.

the General Meeting

The General Meeting is the company's highest decision-making body through which the shareholders influence the company's affairs.

The Board and auditors are appointed, the income statement and balance sheet are adopted and resolutions are passed regarding the allocation of the company's earnings, the discharge of liability for the Board and the Chief Executive Officer and changes in the Articles of Association.

The General Meeting also decides on any new share issues. Extraordinary Meetings are held when requested by the shareholders or the Board.

ownership structure

	Number of common shares	Number of preference shares*	Total number of shares	Share, percent	Votes, percent
Akelius Apartments Ltd	2,605,742,490	631,837	2,606,374,327	84.50	84.95
Xange Holding Ltd	306,557,940	-	306,557,940	9.94	9.99
Giannis Beta Ltd	153,278,970	-	153,278,970	4.97	5.00
Other owners		18,203,769	18,203,769	0.59	0.06
Total	3,065,579,400	18,835,606	3,084,415,006	100	100
Share, percent	99.39	0.61			

* Each preference share confers the right to one-tenth of a vote.

2017 Annual General Meeting

The Annual General Meeting of the company was held on April 11, 2017.

At the Annual General Meeting, 95 (99.9) percent of the votes were represented.

The meeting passed resolutions on the matters to be addressed by the Meeting.

It was hence decided:

- to adopt the profit and loss statement and the balance sheet as well as the consolidated profit and loss statement and the consolidated balance sheet
- in accordance with the suggestion by the Board to pay dividend in an amount of SEK 2.75 per common share or a total amount of SEK 8,059,615,850;
- in accordance with the suggestion by the board to pay dividend in an amount of SEK 20 per preference share;
- that the board of directors shall consist of five regular members and no deputy board members;
- to re-elect Leif Norburg as chairman of the board, Pål Ahlsén and Igor Rogulj as regular board members and to elect Anders Lindskog and Lars Åhrman as a regular board members. This means that Roger Akelius and Staffan Jufors left the Board;
- to pay fees in the amount of SEK 500,000 to the chairman of the Board and of SEK 300,000 to each regular Board members.

No fees will be paid to board members employed in the Group;

- in accordance with the suggestion by the board to increase the company's share capital by SEK 80,886,000 through an issue of 134,810,000 common shares to a subscription price of SEK 74.60 per share. The share premium of SEK 9,975,940,000 will be transferred to the company's share premium reserve.

Minutes of the Annual General Meeting are available on Akelius' website.

external audit

According to the Articles of Association, the Annual General Meeting shall appoint at least one but not more than two auditors.

The appointed auditors shall audit the annual accounts, the consolidated accounts, the subsidiaries' annual accounts and the administration by the Board of Directors and the Chief Executive Officer.

The Annual General Meeting held on April 11, 2017 decided to re-elect

Öhrlings PricewaterhouseCoopers AB as the company's auditor.

Fees are paid according to the approved account.

risk management regarding financial reporting

The risk assessment is continuously updated to include changes that significantly affect the internal control of financial reporting.

The most significant risks identified are inaccuracies in the accounting and valuation of the property portfolio, deferred tax, interest-bearing liabilities, taxes and risk of fraud of assets.

internal control

The Board has overall responsibility for the internal control of the corporate financial reporting.

The purpose of internal control of financial reporting is to ensure that the reporting is reliable and that the financial statements are prepared in accordance with GAAP and otherwise comply with applicable laws and regulations.

To ensure internal control, the Board has established a number of policies on the basis of an overall governance structure.

Based on those policies, the Chief Executive Officer is responsible for designing internal processes and establishing internal policies and instructions.

internal control (continuation)

Example of existing internal controls are:

- the planning, governance and control of operations follow the organizational structure;
- business plans are prepared for the Group as a whole and for each operational department reporting directly to the Chief Executive Officer;
- key operative indicators are reported every month and provide important information about the business;
- follow-up of the accounting process, including financial statements and consolidated accounts and its compliance with applicable regulations, accounting and valuation principles;
- approval from the Board is required for important decisions including the purchase and sale of new major properties;
- clear delegation of authority is required in all subsidiaries;
- the "open door policy" is a process whereby employees can report on behavior or actions that are possible violations of group policies.

Akelius has information and communication channels designed to ensure that information easily reaches all employees and managers.

Regular internal control reviews are performed internally as well as externally for the major subsidiaries. Additionally, the annual audits are prepared and conducted in close collaboration with the external auditors.

The Board has assessed that the control activities are sufficient.

internal audit

In 2015, an internal audit function that reports to the Board was established.

The Board annually establishes a risk-based plan that the internal audit team has to implement to ensure that they focus on the right areas.

audit committee

The Board has appointed an Audit Committee consisting of two members of the Board.

The Audit Committee's areas of responsibility are established by the Board.

The Audit Committee shall prepare the Boards' work on quality assurance of the financial reporting process including significant accounting issues.

The committee oversees the internal control process, property valuations, tax management, risk and corporate governance issues.

The Audit Committee meets the current auditor to obtain information about the audit's focus, scope and results. This is done by the committee taking part of the auditor's written report and the auditor attending some of the committee meetings. The committee reviews the result of the audit work and prepares for the appointment of the auditor.

In 2017, the audit committee consisted of Lars Åhrman and Leif Norburg.

During the year, the committee held three meetings.

The company's auditor participated in one of the meetings. CEO and CFO, who is the secretary of the committee, participated in all meetings.

At least once a year, the committee meets the auditor without any involvement from the company management.

CEO and Group management

The Board has delegated the day-to-day responsibilities for the company's management to the Chief Executive Officer and Management. The Board appoints the Chief Executive Officer and adopts instructions that regulate the division of work and responsibilities between the Board and the Chief Executive Officer. The Chief Executive Officer is responsible for operating activities and financial reporting. The Chief Executive Officer shall regularly report to the Board on the company's development in relation to the established policies.

group management

Operations were organized into seven units in 2017, one for each country. The organization is supported by Group central functions. The Group Management including the CEO consisted of seventeen people at year-end. From the beginning of 2018, the organization has changed. The new organization comprises three regions. Stockholm, Malmö, Copenhagen and other cities in Sweden are included in the region Scandinavia.

Berlin, Hamburg, London, Paris and other cities in Germany are part of the region Europe.

New York, Washington D.C., Boston, Montreal and Toronto are included in the region North America.

regional managers

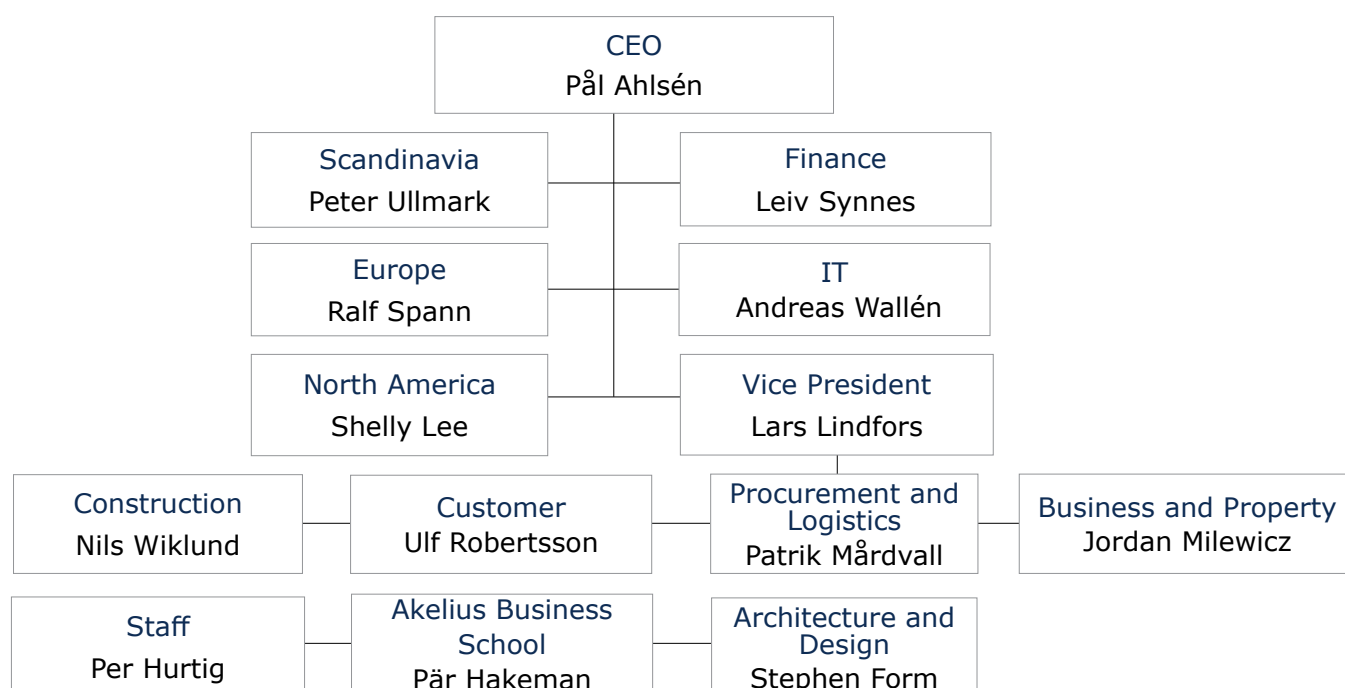
The regional managers are responsible for the profitability in their respective region. This means responsibility for property management, lettings, service, upgrades, projects, purchases and sales, property valuations, accounting in subsidiaries and tax and VAT compliance. The regions had 691 (635) employees at year-end.

Group central administration

Central administration functions include finance, IT, business development and education.

In addition, group functions have been created in the key areas of construction, architecture, procurement, logistics, property management and customer services.

In total, group central functions employed 185 (83) people at year-end.



the Board

The Board is appointed by the Annual General Meeting for the period up to the end of the next Annual General Meeting and, according to the Articles of Association, consists of a minimum of three and a maximum of seven members, with a maximum of two deputies.

The Board's general mandate includes responsibility for the organization and administration of operations and for financial reporting.

The Board is also responsible for establishing systems for governance, internal control and risk management.

The Board's work and responsibilities, and its separation from the work and responsibilities of the Chief Executive Officer,

are regulated by the Rules of Procedure and the instructions for the Chief Executive Officer that are established at the statutory meeting held directly after the Annual General Meeting.

work of the Board 2017

The Board has since the 2017 Annual General Meeting consisted of five members.

The Board has held 27 meetings.

The board meetings dealt with matters of considerable importance to the company, such as the establishment of policy documents,

strategic decisions, purchases and sales of properties and financing.

Furthermore, the Board was informed about the prevailing business climate in the property and credit markets.

A board meeting was held after the Annual General Meeting, at which decisions were made regarding signatories, the Board's rules of procedure, the CEO's instructions and a plan for scheduled Board meetings during the year.

remuneration to Board members

The Annual General Meeting decides on the remuneration to Board members.

In 2017, it was decided that an annual fee of SEK 300,000 would be paid to Board members who are not employed by the

company and SEK 500,000 to the Chairman of the Board.

The Chairman of the Board and other Board members have no pension or severance agreements.

committees

Committees make decisions on the development of the company including:

- defining and applying Akelius concepts within each area;
- finding concrete solutions;
- measuring the quality of the activities performed;
- following-up of previous decisions, especially time frames.

The committees usually meet once a month.

business committee

The committee consists of CEO Pål Ahlsén, Leif Norburg and Igor Rogulj.

The committee has the mandate to decide on investments of up to SEK 1 billion

finance committee

The Finance Committee consists of the CEO Pål Ahlsén, Chairman Leif Norburg and the Board member Lars Åhrman.

The Finance Committee is authorized to enter into loans and other financial commitments up to the equivalent of SEK 1 billion.

audit committee

see page 82

other committees include:

- construction, procurement, logistics
- customer
- IT
- property
- staff
- education

other

The company has chosen not to establish a remuneration committee.

Instead, the Board handles these matters, with the exception of the remuneration to the CEO.



Leif Norburg

Chairman since 2010
Master of Science in Business and Economics.
Former CEO of Danske Bank in Sweden.
Born 1947



Igor Rogulj

Board member since 2010.
Architect. Has worked in Berlin for the past twenty years.
Born 1965



Anders Lindskog

Board member since 2017.
Project manager at Frank Projektpartner AB.
Production and project management at Skanska and Ebab 1987-2017.
Civil engineering, KTH.
Born 1961



Lars Åhrman

Board member since 2017.
Owner and CEO of Åhrman Consulting AB.
Former Vice President of SEB Region West and Vice President Göteborg & Co.
Born 1951



Pål Ahlsén

Board member and CEO since 2010.
Economist. Employed since 2004.
Previously Country Manager Germany.
Born 1972



Palm Court, London

key figures

	Dec 31 2017	Dec 31 2016	Dec 31 2015	Dec 31 2014	Dec 31 2013
Equity					
Equity, SEK million	48,270	40,937	30,667	22,583	15,169
Equity to assets ratio, percent	46	46	41	38	33
Return on equity, percent	19	37	29	9	24
Net asset value to assets ratio, percent	54	56	50	47	41
Net operating income					
Rental income, SEK million ¹	4,122	4,109	3,988	3,323	2,787
Growth in rental income, percent	0.3	3.0	20.0	19.2	9.9
Growth in rental income for comparable properties, percent	5.1	4.1	4.3	3.4	5.8
Net operating income, SEK million	2,413	2,311	2,175	1,882	1,579
Growth in net operating income, percent	4.4	6.3	15.6	19.2	12.1
Growth in net operating income for comparable properties, percent	10.7	8.0	4.0	7.1	6.7
Net operating income margin, percent	58.5	56.2	54.5	56.6	56.7
Adjusted net operating income margin, percent ²	68.0	66.2	-	-	-
Interest-bearing liabilities					
Loan-to-value, secured loans, percent	18	24	36	47	49
Loan-to-value, percent	44	43	48	51	56
Unencumbrance ratio	1.63	1.18	1.00	9.24	2.44
Interest coverage ratio	4.7	4.5	3.0	1.7	1.5
Interest coverage ratio excluding realized value growth	1.9	1.9	1.6	1.5	1.2
Average interest rate, percent	2.58	2.62	3.44	3.94	4.75
Fixed interest term, year	5.3	4.5	4.3	4.2	5.0
Capital tied up, year	5.6	5.0	5.7	4.5	4.6
Properties					
Number of apartments	47,177	46,516	51,231	47,896	41,319
Rentable area, thousand sqm	3,228	3,236	3,587	3,472	2,992
Real vacancy rate residential, percent	0.9	1.1	1.3	1.0	0.7
Vacancy rate residential, percent	6.6	5.0	4.3	3.2	2.6
Opening balance fair value, SEK million	87,739	72,764	57,736	44,104	35,437
Change in fair value, SEK million	8,554	12,715	8,026	1,412	1,582
Investments, SEK million	2,777	2,989	2,216	1,881	1,531
Purchases, SEK million	12,490	6,094	12,093	9,678	6,901
Sales, SEK million	-7,096	-9,061	-5,755	-1,084	-1,801
Exchange difference, SEK million	180	2,238	-1,552	1,745	454
Closing balance fair value properties	104,644	87,739	72,764	57,736	44,104
Fair value, SEK per sqm	32,421	27,116	20,284	16,629	14,736
Capitalization rate, percent	3.60	3.82	4.33	4.72	4.75
Change in capitalization rate ³ , percentage	-0.22	-0.49	-0.36	0.01	-0.01

key figures

	Dec 31 2017	Dec 31 2016	Dec 31 2015	Dec 31 2014	Dec 31 2013
Properties Sweden					
Average residential rent, SEK/sqm/year	1,287	1,246	1,184	1,156	1,114
Growth in average residential rent ⁴ , percent	2.4	2.6	2.6	3.7	5.8
Growth in rental income ⁵ , percent	3.8	1.9	3.0	3.5	5.5
Growth in net operating income ⁵ , percent	10.8	2.4	1.8	8.0	3.3
Fair value, SEK per sqm	27,784	23,163	17,148	14,899	14,115
Capitalization rate, percent	3.00	3.43	4.30	4.78	4.84
Number of apartments	13,808	17,381	23,520	24,407	23,867
Vacancy, percent	1.1	1.2	1.5	1.5	2.2
Real vacancy, percent	0.0	0.1	0.1	0.4	0.6
Opening balance fair value, SEK million	32,357	31,727	29,571	26,797	23,457
Change in fair value, SEK million	3,641	6,744	2,948	836	828
Investments, SEK million	625	975	856	932	964
Purchases, SEK million	1,606	535	1,071	2,078	3,349
Sales, SEK million	-6,661	-7,624	-2,719	-1,072	-1,801
Closing balance fair value, SEK million	31,568	32,357	31,727	29,571	26,797
Properties Germany					
Average residential rent, EUR/sqm/month	8.98	8.56	8.13	7.77	7.71
Growth in average residential rent ⁴ , percent	5.7	5.0	5.1	5.4	5.6
Growth in rental income ⁵ , percent	2.6	6.3	6.0	3.1	6.8
Growth in net operating income ⁵ , percent	2.8	10.3	3.9	5.8	13.7
Fair value, SEK per sqm	28,966	24,708	18,986	16,752	15,398
Capitalization rate, percent	3.54	3.84	4.35	4.72	4.64
Number of apartments	20,463	19,932	20,307	19,423	15,769
Vacancy, percent	6.5	4.8	4.9	4.5	2.4
Real vacancy, percent	1.3	1.1	2.0	1.6	0.9
Opening balance fair value, SEK million	32,176	24,892	21,172	15,549	11,980
Change in fair value, SEK million	3,464	5,120	3,732	393	729
Investments, SEK million	1,145	976	752	647	568
Purchases, SEK million	1,227	851	1,757	3,384	1,818
Sales, SEK million	-435	-914	-1,558	-	-
Exchange difference, SEK million	1,076	1,251	-963	1,199	454
Closing balance fair value, SEK million	38,653	32,176	24,892	21,172	15,549

key figures

	Dec 31 2017	Dec 31 2016	Dec 31 2015	Dec 31 2014	Dec 31 2013
Properties Canada⁶					
Average residential rent, CAD/sqft/month	1.92	1.89	1.79	1.83	1.94
Growth in average residential rent ⁴ , percent	4.4	6.7	3.6	6.6	7.7
Growth in rental income ⁵ , percent	9.5	7.0	4.1	7.0	20.6
Growth in net operating income ⁵ , percent	28.2	29.0	25.1	-17.8	56.4
Fair value, SEK per sqm	29,229	26,242	21,424	21,808	20,710
Capitalization rate, percent	4.29	4.36	4.37	4.55	4.47
Number of apartments	5,500	4,513	3,999	2,823	1,683
Vacancy, percent	3.9	7.1	11.1	6.7	4.0
Real vacancy, percent	0.6	3.4	3.6	2.7	1.7
Opening balance fair value, SEK million	7,055	4,859	3,432	1,758	1,074
Change in fair value, SEK million	803	310	606	145	53
Investments, SEK million	288	351	195	139	83
Purchases, SEK million	1,818	850	1,283	1,092	626
Sales, SEK million	-	-	-111	-4	-
Exchange difference, SEK million	-177	685	-546	302	-78
Closing balance fair value, SEK million	9,787	7,055	4,859	3,432	1,758
Properties United States					
Average residential rent, USD/sqft/month	2.77	2.51	2.26	-	-
Growth in average residential rent ⁴ , percent	4.1	4.2	-	-	-
Growth in rental income ⁵ , percent	10.7	-	-	-	-
Growth in net operating income ⁵ , percent	63.6	-	-	-	-
Fair value, SEK per sqm	56,713	56,725	48,769	-	-
Capitalization rate, percent	4.36	4.42	4.47	-	-
Number of apartments	3,127	2,309	1,534	-	-
Vacancy, percent	17.3	10.6	9.8	-	-
Real vacancy, percent	2.2	1.7	2.8	-	-
Opening balance fair value, SEK million	9,362	5,451	-	-	-
Change in fair value, SEK million	262	390	24	-	-
Investments, SEK million	420	283	21	-	-
Purchases, SEK million	2,675	2,530	5,443	-	-
Sales, SEK million	-	-	-	-	-
Exchange difference, SEK million	-905	708	-37	-	-
Closing balance fair value, SEK million	11,814	9,362	5,451	-	-

key figures

	Dec 31 2017	Dec 31 2016	Dec 31 2015	Dec 31 2014	Dec 31 2013
Properties England⁷					
Average residential rent, GBP/sqft/month	2.75	2.55	2.07	1.74	1.55
Growth in average residential rent ⁴ , percent	3.3	5.9	11.5	11.3	0.1
Growth in rental income ⁵ , percent	16.2	7.5	15.1	5.9	29.0
Growth in net operating income ⁵ , percent	15.4	15.4	23.0	9.3	31.7
Fair value, SEK per sqm	85,580	79,157	67,660	53,606	36,430
Capitalization rate, percent	4.16	4.11	4.22	4.36	4.64
Number of apartments	2,148	1,224	1,404	1,153	870
Vacancy, percent	14.7	12.4	8.0	7.8	6.0
Real vacancy, percent	2.0	3.7	2.8	2.1	4.1
Opening balance fair value, SEK million	4,524	4,840	3,395	1,791	1,580
Change in fair value, SEK million	104	141	730	233	86
Investments, SEK million	127	345	372	218	89
Purchases, SEK million	2,900	195	1,689	834	-
Sales, SEK million	-	-523	-1,367	-11	-
Exchange difference, SEK million	30	-474	21	330	36
Closing balance fair value, SEK million	7,685	4,524	4,840	3,395	1,791
Properties France					
Average residential rent, EUR/sqm/month	23.40	20.99	22.50	21.31	-
Growth in average residential rent ⁴ , percent	14.9	1.7	15.7	-	-
Growth in rental income ⁵ , percent	-1.4	11.9	-	-	-
Growth in net operating income ⁵ , percent	-7.1	241.1	-	-	-
Fair value, SEK per sqm	67,792	61,332	62,640	60,732	-
Capitalization rate, percent	4.16	4.20	4.21	4.11	-
Number of apartments	1,100	941	467	90	-
Vacancy, percent	46.4	46.2	35.3	34.4	-
Real vacancy, percent	1.3	3.7	1.3	-	-
Opening balance fair value, SEK million	1,848	995	166	-	-
Change in fair value, SEK million	68	10	-13	-14	-
Investments, SEK million	129	59	20	1	-
Purchases, SEK million	300	721	850	172	-
Sales, SEK million	-	-	-	-	-
Exchange difference, SEK million	65	63	-28	7	-
Closing balance fair value, SEK million	2,410	1,848	995	166	-

key figures

	Dec 31 2017	Dec 31 2016	Dec 31 2015	Dec 31 2014	Dec 31 2013
Properties Denmark					
Average residential rent, DKK /sqm/year	936	916	-	-	-
Growth in average residential rent ⁴ , percent	5.3	-	-	-	-
Growth in rental income ⁵ , percent	-	-	-	-	-
Growth in net operating income ⁵ , percent	-	-	-	-	-
Fair value, SEK per sqm	30,815	27,135	-	-	-
Capitalization rate, percent	3.09	3.42	-	-	-
Number of apartments	1,031	216	-	-	-
Vacancy, percent	6.1	1.9	-	-	-
Real vacancy, percent	0.6	-	-	-	-
Opening balance fair value, SEK million	417	-	-	-	-
Change in fair value, SEK million	212	-	-	-	-
Investments, SEK million	43	-	-	-	-
Purchases, SEK million	1,964	412	-	-	-
Sales, SEK million	-	-	-	-	-
Exchange difference, SEK million	91	5	-	-	-
Closing balance fair value, SEK million	2,727	417	-	-	-

1) As of 2017, revenue from operating expenses and other property taxes invoiced to the tenants are netted with expenses reported as operating expenses. Rental income and operating expenses for prior years have been restated accordingly as showed in the table below:

SEK million	2016	2015	2014	2013
Germany	361	350	279	238
France	3	1	-	-
Total	364	351	279	238

2) Adjustment for revenue from operating expenses invoiced to the tenants in Canada, United States and Sweden amounted to SEK 574 million for 2017 and SEK 619 million for 2016.

3) For comparable properties. The property portfolio in England was acquired from fellow subsidiaries in March 2014. The tables show the development as if the properties had been owned since January 1, 2014.

4) Growth from period start to period end for a comparable portfolio.

5) Growth for the period compared to the same period last year for a comparable portfolio.

6) The property portfolio in Toronto, Canada, was acquired from a fellow subsidiary at the end of 2013. The tables above show the development as if the properties had been owned since 2013.

7) The property portfolio in England was bought from fellow subsidiaries in March 2014. The tables above show the development as if the properties had been owned since 2013.

consolidated statement of comprehensive income

SEK million	note	2017	2016
Rental income	6	4,122	4,109
Operating expenses	8	-1,387	-1,418
Maintenance		-322	-380
Net operating income		2,413	2,311
Central administrative expenses	10, 11	-215	-134
Other income and expenses	9	1	26
Realized revaluation of investment properties*	12	353	827
Unrealized revaluation of investment properties	12	8,103	11,779
Operating profit	7	10,655	14,809
Interest income	14	2	4
Interest expenses	14	-1,128	-1,138
Other financial income and expenses	14	-45	-33
Change in fair value of derivative financial instruments	23	-4	-322
Profit before tax		9,480	13,320
Tax	16	-1,712	-2,958
Profit for the year		7,768	10,362
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Currency translation difference		-173	1,366
Change in hedging of currency risk		370	-659
Tax attributable to the hedging of currency risk		-81	145
Revaluation reserve**		14	-
Tax attributable to the revaluation reserve		-2	-
Comprehensive income for the year		7,896	11,214
Profit attributable to:			
- owners of the Parent Company		7,721	10,187
- owner of the hybrid loans		42	125
- non-controlling interests		5	50
Total comprehensive income attributable to:			
- owners of the Parent Company		7,834	10,952
- owner of the hybrid loans		51	206
- non-controlling interests		11	56
Earnings per share before and after dilution, SEK**	28	2.43	3.37

*) SEK 83 million (109) refers to transaction costs.

**) The revaluation reserve consists of owner-occupied properties.

consolidated statement of financial position

SEK million	note	Dec 31 2017	Dec 31 2016
Assets			
Intangible assets	17	59	49
Investment property	5, 12	101,898	84,634
Owner-occupied property*	12	344	-
Tangible fixed assets	17	42	39
Derivative financial instruments	19, 23	31	-
Deferred tax assets	16	4	6
Financial assets	19, 20	70	9
Total non-current assets		102,448	84,737
Trade and other receivables	19, 20	838	447
Derivative financial instruments	19, 23	28	9
Cash and cash equivalents	19, 21, 24	155	137
Assets held for sale**	30	2,402	3,108
Total current assets		3,423	3,701
Total assets		105,871	88,438
Equity and liabilities			
Share capital		1,851	1,770
Share premium		13,891	12,168
Currency translation reserve		1,036	935
Retained earnings		31,293	23,872
Total equity attributable to the Parent Company's shareholders		48,071	38,745
Hybrid loan		-	2,009
Non-controlling interests		199	183
Total equity	28	48,270	40,937
Interest-bearing liabilities	19, 22, 24	43,641	29,932
Derivative financial instruments	19, 23	985	1,350
Deferred tax	16	8,259	6,676
Provisions	26	1	-
Other liabilities	19, 25	145	72
Total non-current liabilities		53,031	38,030
Interest-bearing liabilities	19, 22, 24	3,115	8,163
Derivative financial instruments	19, 23	69	98
Provisions	26	19	-
Trade and other payables	19, 25	1,084	932
Liabilities held for sale	30	283	278
Total current liabilities		4,570	9,471
Total equity and liabilities		105,871	88,438
Borrowings			
-unsecured		27,718	16,613
-secured		19,038	21,482
Total		46,756	38,095

*In September 2017, one property was reclassified to owner-occupied property.

** SEK 2,402 million (3,105) is attributable to investment properties.

consolidated statement of changes in equity

SEK million	Attributable to the Parent Company's shareholders				Total	Hybrid loans	Non-controlling interests	Total equity
	Share capital	Share premium	Currency translation reserve	Retained earnings				
Balance at January 1, 2016	1,741	10,456	170	16,811	29,178	1,370	119	30,667
Profit for the year	-	-	-	10,187	10,187	125	50	10,362
Other comprehensive income	-	-	765	-	765	81	6	852
Total other comprehensive income	-	-	765	10,187	10,952	206	56	11,214
Acquired minority	-	-	-	-	-	-	8	8
Hybrid loan	-	-	-	-	-	558	-	558
Dividends	-	-2,295	-	-3,126	-5,421	-125	-	-5,546
Share issue	29	4,007	-	-	4,036	-	-	4,036
Balance at December 31, 2016	1,770	12,168	935	23,872	38,745	2,009	183	40,937
Profit for the year	-	-	-	7,721	7,721	42	5	7,768
Other comprehensive income	-	-	101	12	113	9	6	128
Total other comprehensive income	-	-	101	7,733	7,834	51	11	7,896
Acquired minority and shareholders' contribution	-	-	-	-	-	-	5	5
Repurchase of hybrid loans	-	-	-	-	-	-2,188	-	-2,188
Premium hybrid loans	-	-	-	-128	-128	128	-	-
Dividends	-	-8,253	-	-183	-8,436	-	-	-8,436
Share issue	81	9,976	-	-	10,057	-	-	10,057
Other	-	-	-	-1	-1	-	-	-1
Balance at December 31, 2017	1,851	13,891	1,036	31,293	48,071	-	199	48,270

consolidated statement of cash flows

SEK million	note	2017	2016
Net operating income		2,413	2,311
Central administrative expenses		-215	-134
Other income and expenses		7	23
Reversal of depreciation and impairment losses	17	21	14
Interest paid		-940	-1,226
Income tax paid		-28	-67
Cash flows before changes in working capital		1,258	921
Change in current assets		-166	-27
Change in current liabilities		-20	-30
Cash flows from operating activities		1,072	864
Investments in intangible assets	17	-20	-28
Investments in investment properties	5, 12	-2,777	-2,989
Acquisition of investment properties	5, 12	-12,490	-6,094
Acquisition of net assets		186	650
Proceeds from sale of investment properties	5, 12	7,096	9,061
Proceeds from sale of net assets		-431	-310
Purchase and sale of other fixed assets	17	-317	405
Cash flows from investing activities		-8,753	695
Share issue		10,057	4,036
Shareholder's contribution		5	8
Borrowings raised	22, 24	21,112	19,862
Repayment of loans	22, 24	-13,066	-18,641
Repayment of hybrid loans		-2,188	-
Purchase and sale of derivative instruments	23	216	-1,377
Dividend		-8,436	-5,546
Cash flows from investing activities		7,700	-1,658
Cash flows for the year		19	-99
Cash and cash equivalents at the beginning of year		137	238
Translation differences in cash and cash equivalents		-1	-2
Cash and cash equivalents at end of year		155	137

statement of comprehensive income for the Parent Company

SEK million	note	2017	2016
Rental income		-	-
Operating expenses		-	-
Maintenance		-	-
Net operating income		-	-
Depreciation, impairment losses and reversals of fixed assets		-1	-
Gross profit		-1	-
Administration expenses	10, 11	-33	-35
Other income		-	-
Profit from the sale of properties		-	-
Operating profit	7	-34	-35
Profit from shares in subsidiaries	13	-	2,000
Financial income	14	1,383	1,312
Financial expenses	14	-1,426	-878
Change in fair value of derivatives		130	-218
Profit before appropriations		53	2,181
Appropriations	15	198	-1,065
Profit before tax		251	1,116
Tax	16	-68	192
Profit for the year		183	1,308
Comprehensive income for the year		183	1,308

statement of financial position for the Parent Company

SEK million	note	Dec 31 2017	Dec 31 2016
Assets			
Intangible assets	17	2	3
Total intangible assets		2	3
Shares in subsidiaries	18	13,372	13,183
Receivables from Group companies	19,20	40,388	27,180
Other receivables		108	-
Deferred income tax assets	16	454	522
Total financial assets		54,322	40,885
Total non-current assets		54,324	40,888
Receivables from Group companies	19,20	9,445	8,872
Derivative financial instruments	19,23	-	-
Other current receivables	19,20	73	32
Prepaid expenses and accrued income	20	21	9
Prepaid expenses Group companies	20	163	164
Cash and cash equivalents	19,21	5	-
Total current assets		9,707	9,077
Total assets		64,031	49,965
Equity and liabilities			
Share capital		1,851	1,770
Statutory reserve		29	29
Revaluation reserve		70	70
Total restricted equity		1,950	1,869
Retained earnings		-	-1,308
Share premium reserve		13,707	12,168
Profit for the year		183	1,308
Total non-restricted equity		13,890	12,168
Total equity	28	15,840	14,036
Interest-bearing liabilities	19,22	28,810	12,481
Interest-bearing liabilities, Group companies	19,22	17,100	16,277
Derivative financial instruments	19,23	335	478
Total non-current liabilities		46,245	29,236
Interest-bearing liabilities	19,22	1,127	5,820
Interest-bearing liabilities, Group companies	19,22	370	606
Derivatives	19,23	71	98
Accounts payable	19,25	3	3
Other current liabilities	19,25	104	98
Accrued expenses and prepaid income	19,25	262	68
Accrued expenses and prepaid income, Group companies	19,25	9	-
Total current liabilities		1,946	6,693
Total equity and liabilities		64,031	49,965

statement of changes in equity for the Parent Company

SEK million	Restricted equity			Non-restricted equity		Total Equity
	Share capital	Statutory reserve	Re- valuation reserve	Retained earnings	Share premium reserve	
Balance at January 1, 2016	1,741	29	70	1,818	10,456	14,114
Profit for the year	-	-	-	1,308	-	1,308
Issue of ordinary shares	29	-	-	-	4,007	4,036
Dividend	-	-	-	-3,126	-2,295	-5,421
Balance at December 31, 2016	1,770	29	70	-	12,168	14,036
Profit for the year	-	-	-	183	-	183
Issue of ordinary shares	81	-	-	-	9,976	10,057
Dividend	-	-	-	-183	-8,253	-8,436
Balance at December 31, 2017	1,851	29	70	-	13,890	15,840

statement of cash flows for the Parent Company

SEK million	note	2017	2016
Gross profit		-	-
Administrative expenses		-34	-36
Other income and expenses		-	-
Reversal of depreciation and impairment losses		1	-
Interest received		1,390	1,042
Interest paid		-706	-836
Income taxes paid		-	1
Cash flows before changes in working capital		651	171
Change in current assets		-37	-38
Change in current liabilities		-50	-22
Cash flows from operating activities		564	111
Investments in tangible and intangible assets	17	-	-2
Proceeds from the sale of tangible assets		-	-
Proceeds from investments in subsidiaries	18	-	-
Acquisition of subsidiaries		-	-
Proceeds from the sale of subsidiary		-	-
Investments in financial assets*		-	-
Cash flows from investing activities		-	-2
Proceeds from borrowings	22	10,057	15,262
Net from Group borrowing	22	-11,522	-7,575
Repayment of borrowings	22	19,695	-6,380
Proceeds from issuance of ordinary shares		-7,926	4,036
Purchase hybrid loan		-2,188	-
Purchase and sale of derivative instruments	23	-41	-105
Dividends paid		-8,436	-5,421
Group contribution		-198	-
Cash flows from financing activities		-558	-183
Cash flows for the year		5	-74
Cash and cash equivalents at the beginning of year		-	74
Cash and cash equivalents at the end of the year		5	-

accounting principles and notes

note 1 general information

The consolidated financial statements include the Parent Company, Akelius Residential Property AB, corporate identity number 556156-0383, and its subsidiaries (together the "Group" or "Akelius"). Akelius Residential Property AB is based in Stockholm, Sweden.

The annual accounts were approved by the Board and CEO on March 16, 2018 and submitted to the annual general meeting for adoption on April 10, 2018.

From the third quarter 2016, Akelius applied the new ESMA ** guidelines for Alternative Performance Measures (APM). In short, APM is a financial measure of historical or future financial performance, financial position or cash flow that is not defined or specified in IFRS. The APM presented in the report are reconciled to the closest possible item in the financial statements and found at the end of the report.

** European Securities and markets Authority - European Securities and markets Authority

note 2 summary of significant accounting policies

The most important accounting policies applied in the preparation of these consolidated financial statements are presented below. These policies have been applied consistently for all years presented here, unless otherwise stated.

The figures in this annual report have been rounded up or down, while the calculations have been made without rounding up or down. As a result, the figures in certain tables and key figures may appear not to add up correctly.

basis for preparing the accounts

The consolidated financial statements of Akelius Residential Property have been prepared in accordance with the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS) and interpretations by International Financial Reporting Interpretation Committee (IFRIC) as adopted by the EU, as well as the Swedish Financial Reporting Board's recommendation RFR 1: "Supplementary Accounting Rules for Groups".

The financial statements are prepared using the historical cost convention except for the revaluation of investment property, operating properties and derivative financial instruments, which are valued at fair value through profit or loss. Deferred tax is valued at nominal value. Assets held for sale are valued at fair value less selling expenses.

The accounts of the Parent Company are prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2: "Accounting for Legal Entities". Cases where the Parent Company applies different accounting policies than the Group are presented separately in the section on the Parent company accounting policies.

The Parent Company's functional currency is Swedish kronor, SEK, which is the reporting currency for both the Parent Company and the Group. Unless otherwise stated, all amounts are reported in SEK million and refer to the period from January 1 to December 31 for income statement items and December 31 for balance sheet items.

The preparation of reports in compliance with IFRS and generally accepted accounting policies requires the use of significant accounting estimates. Furthermore, management must make judgments in the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses.

note 2 Summary of significant accounting policies, continued

Estimates and assumptions are based on historical experience and other factors that under the current circumstances seem reasonable. The results of these estimates and assumptions are then used to assess the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period when the change is made if the change affects only that period or in the period of the revision and future periods if the change affects both current and future periods. Areas that involve a high degree of judgment, are complex or are areas where assumptions and estimates are of considerable significance to the consolidated accounts are presented in note 4.

The standards, amendments and interpretations that came into effect during the year have not had any significant impact on the Group.

classification

Non-current assets and non-current liabilities comprise amounts that are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and current liabilities comprise amounts that are expected to be recovered or paid within twelve months after the balance sheet date.

basis of consolidation

Subsidiaries are companies in which the Parent Company, either directly or indirectly, has a controlling influence and the right to determine financial and operational strategies. Subsidiaries are included in the consolidated financial statements from the day on which the controlling influence is transferred to the Group and are excluded from the consolidated financial statements from the date on which the controlling influence ceases.

Intercompany receivables and liabilities, revenues and expenses and unrealized gains or losses arising on transactions between Group companies are eliminated in their entirety when preparing the consolidated financial statements.

Acquisitions can be classified as either business combinations or asset acquisitions. A case-by-case assessment is made for each individual acquisition. In cases where the primary purpose is the acquisition of a company's property and where the acquired company lacks management organization and administration, or when this is of secondary importance to the acquisition, the acquisition is classified as an asset acquisition. Other corporate acquisitions that typically contain an independent business are classified as business combinations.

Business combinations are accounted for using the purchase method, whereby subsidiaries' equity, defined as the difference in fair values between assets and liabilities, is eliminated in full. Acquisition-related costs are expensed as incurred. When the consideration transferred exceeds the net amount of acquired assets and liabilities, the difference is accounted for as goodwill. For asset acquisitions, the acquisition cost is distributed between the acquired net assets in the purchase price allocation.

The share of equity attributable to owners of non-controlling interests are reported as a specific item in equity separate from the share of equity attributable to the owners of the Parent Company. In addition, separate information is provided about the non-controlling interests' share of the profit for the period.

note 2 Summary of significant accounting policies, continued

segment reporting

Operating segments are reported in accordance with the internal reporting to the CEO, who is the chief operating decision maker. The chief operating decision maker is the function responsible for allocating resources and assessing the performance of the operating segments.

Operations have been organized based on the geographic divisions between Sweden, Germany, England, Canada, the United States, France and Denmark. Sweden and Germany are material to the Group and are therefore reported separately. England, Canada, the United States, France and Denmark are reported together as a separate operating segment since both revenue and property value fall below the quantitative limit criteria.

The accounting policies used for segment reporting are consistent with those applied by the Group.

translation of foreign currencies

functional currency and reporting currency

Items included in the financial statements for the different units in the Group are valued in the currency used in the economic environment in which each company primarily operates, that is, the functional currency. The functional currency for the Parent Company is Swedish kronor, SEK, which is also the reporting currency for the Parent Company and the Group.

transactions and balance sheet items

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date or the date when the items were revalued. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate prevailing at the balance sheet date.

Exchange rate differences are recognized in the income statement, except for when the loans are hedges that qualify for hedge accounting of net investments in foreign operations or for certain receivables or liabilities of foreign operations where gains and losses are recognized in other comprehensive income. In order for receivables from or liabilities to a foreign operation to be revalued in other comprehensive income, it is required that the settlement is neither planned nor likely in the foreseeable future and therefore actually forms part of the net investment in the foreign operation.

Non-monetary assets and liabilities carried at historical cost are translated at the exchange rate prevailing on the transaction date. Non-monetary assets and liabilities carried at fair value are translated to the functional currency at the exchange rate prevailing at the date of valuation at fair value.

translation of foreign group companies

Assets and liabilities of foreign operations are translated to Swedish kronor at the exchange rate prevailing at the balance sheet date. Revenues and expenses of foreign operations are translated to Swedish kronor at an average rate that approximates the exchange rates at the transaction dates. Translation differences arising on translation of foreign operations are recognized in other comprehensive income as a currency translation reserve.

note 2 summary of significant accounting policies, continued

income and expenses

rental income

Revenue is recognized in the income statement when the significant risks and rewards have been transferred to the counterparty. Revenue is recognized at the fair value of the consideration received or expected to be received.

Where applicable, services provided such as electricity and heat are included. The Group's rental income is classified as operating leases under IAS 17. Rental income is recognized in the period to which it relates. Any discounts given due to limitations in the right of use, for example discounts given during redevelopment, are recognized in the period to which they relate. Upon early termination of leases, revenues are accrued over the original term of the contract, unless a new contract is signed, in which case the redemption amount is recognized as income in its entirety.

service revenues

In some cases, operating costs are not included in the rent. Heating, electricity, water and property tax are invoiced to tenants based on invoices from the suppliers.

From 2017, service revenues are netted against operating expenses. Rental income and operating expenses for previous years have been converted.

revenue from investment property sales

See chapter Investment property

operating expenses

Operating expenses are recognized in profit and loss when the respective service is utilized or the expenses are caused.

central administration expenses

Central administration expenses include expenses for Group Management and Group functions.

financial income and expenses

Financial income comprises interest income on cash and cash equivalents, receivables

and financial investments as well as interest subsidies. Financial expenses comprise interest expenses and other expenses for borrowing. Expenses for the issuing of mortgage deeds are reported when incurred as a financial expense, with the exception of the issuing of mortgage deeds in conjunction with an acquisition, in which case the expense is capitalized as a value-enhancing investment. Interest income and interest expenses are calculated using the effective interest rate method. Financial income and expenses are recorded in the period to which they relate.

leases

akelius as the lessee

Leases where a considerable share of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made throughout the term of the lease are charged to the income statement on a straight-line basis over the lease period. The Group only holds leases classified as operating leases. The Group's leases refer to offices, cars and office equipment. See Note 7.

akelius as the lessor

Leases where essentially all the risks and benefits associated with ownership fall to the lessor are classified as operating leases. As a consequence, all of the Group's rental agreements are classified as operating leases. Properties that are let under operating leases are included in the item investment property. The policy for reporting rental income is presented in the section on rental income above.

investment property

Investment property is held in order to generate rental income and value growth. Investment properties comprise freehold land and freehold buildings. Investment property is initially recognized at acquisition value, including directly attributable transaction costs. After initial recognition, investment property is recognized at fair value.

note 2 summary of significant accounting policies, continued

Fair value is based in the first instance on prices on an active market and is the amount for which an asset could be transferred between initiated parties that are independent of one another and have an interest in conducting the transaction.

In order to establish the fair value of investment property for the annual accounts, all properties are valued. See the section "Valuation of properties" on page 74.

Changes in the fair value of investment property are reported as changes in value in the income statement. Additional expenses are capitalized only when it is probable that future economic benefits associated with the asset will fall to the Group, the expense can be established reliably and the action concerns the replacement of an existing or the introduction of a new identified component. Repair and maintenance expenses are continually expensed in the periods in which they arise. Investment properties are valued according to Level 3 in the fair value hierarchy according to IFRS 13.

Realized and unrealized changes in value are recognized in the income statement. Gains or losses from the sale or disposal of investment properties is the difference between the selling price and the carrying amount based on the fair value in the latest annual financial statements less transaction costs incurred in connection with the sale of investment properties.

Income from property sales is normally reported on the date of access unless the risks and rewards have been transferred to the buyer on an earlier occasion. Control of the asset may have been transferred at an earlier time than the date of access and if this is the case, income from a property sale is recognized on that earlier date. In assessing the timing of income recognition, consideration is given to agreements between the parties regarding the risks and benefits and involvement in the ongoing management.

owner-occupied property

By the end of September 2017, a property was reclassified from investment property to operating property.

The property belongs to its own asset category and is measured at fair value in accordance with the IAS 16 revaluation method.

According to the revaluation model, the asset is recognized at fair value on the reclassification date. Revaluated assets are depreciated over the useful life of the asset, 40 years. If a revaluation gives rise to an increase in value, it shall be credited to other comprehensive income and accrued in equity unless it refers to the reversal of a revaluation loss of the same asset previously reported as an expense, which should then be recognized in the income statement. A decrease in value arising should be recognized as an expense insofar as it exceeds an amount previously credited to the surplus related to the same asset.

tangible and intangible assets

Intangible assets and property, plant and equipment are recognized at acquisition value less amortization/depreciation and impairment. The acquisition value includes expenses that are directly attributable to the acquisition of the asset. Intangible assets and property, plant and equipment are amortized/depreciated on a straight-line basis over the expected useful life of the asset. The estimated useful life is five years.

impairment

Tangible assets and intangible assets are written down to the lower amount of its book value and its recoverable amount. The recoverable amount is the greater of the assets' fair value less selling expenses and its value in use. Value in use is defined as the present value of the estimated future cash flows generated by the asset. Investment properties are recognized in the consolidated financial statements at fair value through profit or loss, and, as such, are not covered by the above principle for impairment.

note 2 summary of significant accounting policies, continued

preference shares

Preference shares that subject to mandatory redemption at a specific date are classified as liabilities. Preference shares that are not subject to a mandatory redemption right are reported as equity. Akelius' preference shares are reported in equity

financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset in one company and a financial liability or equity instrument in the counterparty. Financial instruments recognized as assets in the balance sheet include cash and cash equivalents, accounts receivable and other receivables and derivatives. Financial instruments recognized as liabilities include trade payables and other payables, loans and derivatives.

Financial instruments are initially recognized at fair value plus transaction costs, except for financial assets or liabilities recognized at fair value through profit or loss. Financial assets or liabilities recognized at fair value through profit or loss are initially recognized excluding transaction costs.

A financial asset or financial liability is recognized in the consolidated statement of financial position when the company becomes party to the instrument's contractual terms.

Accounts receivables are recognized when invoiced.

Rent receivables are recognized as receivables in the period when performance has been delivered and payments corresponding to the value of the receivable have not yet been received.

Liabilities are recognized when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not been received.

Accounts payables are recognized when received. A financial asset is derecognized from the consolidated statement of financial position when the contractual rights are realized, expire or the company loses control of them.

The same applies to part of a financial asset. A financial liability is derecognized when the contractual obligation is fulfilled or otherwise extinguished. The same applies to part of a financial liability. Financial instruments are recognized at amortized cost or fair value depending on the initial categorization under IAS 39.

Financial assets and liabilities at fair value through profit and loss

This category consists of two sub-categories: financial assets and liabilities held for trading and other financial assets and liabilities that the company initially chose to place in this category, according to the so-called Fair Value Option. Financial instruments in this category are measured at fair value with changes in value recognized in the consolidated income statement. Derivatives are classified as held for trading.

cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other short-term investments with maturities of less than three months from the acquisition date that have only an insignificant risk of changes in value. Cash and cash equivalents are carried at face value.

loans and receivables

Receivables that are not derivatives are recognized at amortized cost using the effective interest rate method. Trade receivables including rent receivables and other current receivables that normally have a maturity of less than twelve months are reported at fair value. Each receivable is considered individually with regard to the anticipated risk of loss and is recorded at the amount in which it is expected to be received. Impairment losses are recognized for doubtful receivables and are recorded in operating expenses.

note 2 summary of significant accounting policies, continued

other liabilities

Trade payables are obligations to pay for goods or services acquired from the suppliers in the ordinary course of business. Trade and other payables with short maturities are reported at nominal value without discounting. Interest-bearing liabilities are initially recognized at fair value, net of transaction costs. Interest-bearing liabilities are subsequently stated at amortized cost and any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method. Long-term liabilities have an expected maturity of longer than one year, while current liabilities have a maturity of less than one year.

derivative instruments

interest rate derivatives

Akelius Residential Property uses derivatives in accordance with the Group's finance policy to achieve the desired average fixed-interest term and interest risks. Interest rate derivative instruments are reported in the balance sheet as of the contract date and are valued continuously at fair value through profit or loss. The fair value of derivatives not listed on an active market is determined according to valuation techniques, based on a series of methods and assumptions relating to market conditions as of the reporting date. The Group does not apply hedge accounting for interest rate derivatives.

currency derivatives

The Group uses currency derivatives to achieve the desired currency exposure. Currency derivative instruments are reported in the balance sheet as of the contract date and are valued continuously at fair value through profit or loss.

The fair value of derivatives not listed on an active market is determined according to valuation techniques, based on a series of methods and assumptions relating to market conditions as of the reporting date.

As of April 1, 2016 the Group defined currency derivatives as hedge instruments for net investments in foreign operations and reports changes in fair value on currency derivatives in other comprehensive income.

employee benefits

Employee benefits in the form of wages, paid holidays, paid sick leave, etc. and pensions are recognized as earned.

pension

Pensions and other post-employment benefits are classified as defined contribution plans or defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to an insurance company.

A defined benefit plan is a pension plan that is not a defined contribution plan, but instead is based on the size of the pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

Defined contribution plans are plans where the company's obligation is limited to the contributions the company has undertaken to pay. In such cases, the size of the employee's pension depends on the fees the company pays to an insurance company and the capital return on those fees. Consequently, it is the employee who bears the actuarial risk (that benefits will be less than expected) and investment risk (that the invested assets will be insufficient to meet expected benefits).

The company's obligations for contributions to defined contribution plans are recognized as an expense for the Group as they are earned.

note 2 summary of significant accounting policies, continued

The Group's pension commitments consist of defined contribution pensions with no obligations from the company other than the payment of annual premiums during the period of employment. This means that after termination of employment, the employees are entitled to decide during which time the previously defined contributions and returns thereon are taken out as a pension.

There are exceptions for those persons covered by defined benefit ITP plans with continuous payments to Alecta in ITP 2. For white-collar workers in Sweden, the ITP 2 plan's defined benefit pension commitments for retirement and family pensions are secured through insurance in Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Classification of ITP plans financed through insurance with Alecta, this is a multi-employer defined benefit plan.

For the fiscal year, the company has not had access to the information required to account for its proportionate share of the plan obligation, plan assets and costs, which means that it has not been possible to account for the plan as a defined benefit plan. The pension plan ITP 2, which is secured through insurance in Alecta, is therefore reported as a defined contribution plan.

The company's pension obligations for white-collar employees in Germany, Canada, England, Denmark, France and the United States are accounted for as a defined contribution plan.

termination benefits

A provision is recognized in connection with termination of employees only if the company is obligated to terminate employment before the normal retirement time or when remuneration is paid as an offer to encourage voluntary redundancy. The provision and expense are recognized for the period over which the company does not receive any return.

assets and liabilities held for sale

Assets are classified as held for sale if their value, within one year, will be recovered through a sale and not through continued use in the operations. On the reclassification date, assets and liabilities are measured at the lower of fair value and carrying amount. Following reclassification, the assets are no longer depreciated/amortized.

current and deferred tax

The tax expense for the year includes current and deferred tax. The current tax expense is calculated based on the tax regulations that as of the balance sheet date are adopted or for all intents and purposes had been enacted or substantively enacted in the countries in which the Parent Company and its subsidiaries operate and generate taxable income. Current tax also includes adjustment of current tax attributable to prior periods.

Deferred tax is recognized according to the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax is not recognized on temporary differences arising as a result of a transaction that constitutes initial recognition of an asset or liability that is not a business combination and that at the time of the transaction affects neither reported profit nor taxable profit. Deferred income tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax is recognized at nominal value.

note 2 summary of significant accounting policies, continued

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Offsetting of deferred tax claims and deferred tax liabilities takes place when there is a legal right to implement such offsetting.

Tax is recognized in the income statement, except when the tax relates to items recognized in other comprehensive income or directly in equity. In such cases, the tax is also recognized in other comprehensive income or equity.

provisions and contingent liabilities

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be estimated reliably. The provision is recognized in the amount expected to be required to settle the obligation.

Provisions are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date, in which case it is classified as a non-current liability.

A contingent liability refers to a possible obligation that arises from past events and whose existence is confirmed only by one or more uncertain future events or when there is a commitment that is not reported as a liability or provision because it is not probable that an outflow of resources will be required.

cash flow analysis

The cash flow statement is prepared according to indirect method. This means that operating profit is adjusted for transactions that did not result in payments or payments during the year and for any income and expenses attributable to the cash flow of investment or financing activities.

new and amended IFRS standards adopted by EU applied as of January 1, 2017

New and amended standards that entered into force as of January 1, 2017 have had no material impact on the Group's 2017 financial statements.

IAS 7 "Statement of Cash Flows"

An amendment has been introduced which means that companies should explain changes related to financing activities. This includes both cash flow and non-cash items.

new standards, amendments and interpretations not yet adopted

- IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 introduces a new model for classification of financial instruments based type of contractual cash flows of the instrument and the business model.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model.

There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition.

In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

The model includes operational simplifications for lease and trade receivables. The Group receives a significant amount of prepayments from the tenants. The Group has analyzed the impact of IFRS 9 and concluded that there are no significant impact on the Group's financial position. The Group will not calculate comparative figures for the 2017 financial year, in accordance with the transitional rules of the standard.

Additionally, hedge accounting requirements were amended to align accounting more closely with risk management.

note 2 summary of significant accounting policies, continued

The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging. The Group will continue to apply to IAS 39 and therefore IFRS 9 is assessed not to have a significant impact on the Group financial performance or position.

-IFRS 15 "Revenue from contracts with customers" describes a comprehensive framework to determine whether, how much and when revenue is recognized. IFRS 15 replaces the existing guidance for revenue recognition, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". IFRS 15 is effective for accounting periods beginning January 1, 2018 or later, with early adoption permitted.

Since the Group's revenues consist essentially of rental income, which fall outside this standard, IFRS 15 is deemed to have no material effect on the Group's financial performance or position. The Group will not calculate comparative figures for the 2017 financial year, in accordance with the transitional rules of the standard.

- IFRS 16 "Leases" is a new leasing standard that was released in January 2016 and will replace IAS 17 "Leases". The standard requires that the lessee recognizes the assets and liabilities relating to all leases, except for contracts of less than 12 months and/or for small amounts. Accounting for lessor will follow IAS 17, operational or financial. The standard is effective for accounting periods beginning January 1, 2019 or later. The Group has no major agreements relating to land lease payments or office lease agreements. Therefore, IFRS 16 is deemed not to have a material impact on the Group's financial performance or position. The effect will be quantified in 2018.

parent company accounting policies

The Parent Company applies the Swedish Annual Accounts Act and RFR 2: Accounting for Legal Entities. The Parent Company applies different accounting policies than the Group in the cases specified below.

forms of presentation

The income statement and the balance sheet are presented in accordance with the Swedish Annual Accounts Act. This entails differences compared to the consolidated accounts, primarily as regards financial income and expenses, comprehensive income, provisions and changes in equity. The presentation of some notes also differs compared to the consolidated accounts.

participations in Group companies

Participations in Group companies are recognized at acquisition value less deductions for any impairments. The acquisition value includes acquisition-related costs and any contingent consideration. When there are indications that participations in Group companies have decreased in value, the recoverable amount is calculated. If this is lower than the carrying amount, the participation is impaired. Impairment is recognized under the item "Income from participations in Group companies".

financial instruments

Financial instruments are not recognized in accordance with IAS 39, Financial Instruments: Recognition and Measurement. Instead, they are recognized using the acquisition method in accordance with the Swedish Annual Accounts Act. Derivative instruments held by the company primarily comprise interest rate swaps and currency swaps, which are used to hedge interest rate risk exposure and currency exposure. Interest rate differences that are to be received or paid as a result of interest rate swaps are reported under the item financial expenses and are distributed over the term of agreement.

group contributions

Group contributions paid and received are reported in the income statement.

note 3 financing and financial risk management

Akelius is exposed to various operational risks including rental income, fair value of properties and financial risks including funding and liquidity risks, interest rate risk, currency risk and credit risk.

refinancing and liquidity risks

Refinancing risk is the risk of not having access to adequate financing on acceptable terms at any point in time. Liquidity risk is the risk of not having access to funds due to poor market liquidity. The refinancing risk is reduced by raising funds from 36 (36) different lenders and by having a low loan-to-value ratio of 44 percent (43).

Liquidity is secured by entering into long-term credit facility agreements with several banks. See additional information on page 64 to 68. The following table shows the maturity structure of Akelius' financial assets and liabilities. The figures are undiscounted cash flows based on contract dates and include both interest and nominal amounts:

Maturity, December 31, 2017	0-1 year	1-5 years	over 5 years
Interest-bearing liabilities	3,830	22,914	24,241
Derivative instruments	223	660	549
Trade payables	211	-	-
Other payables	637	-	-
Total	4,901	23,574	24,790

Maturity, December 31, 2016	0-1 year	1-5 years	over 5 years
Interest-bearing liabilities	8,691	17,434	15,657
Derivative instruments	311	980	629
Trade payables	219	-	-
Other payables	498	-	-
Total	9,719	18,414	16,286

interest rate risk

Interest rate risk is the risk that changes in interest rates will negatively affect Akelius' borrowing costs. To reduce this risk, or fluctuations in cash flow, rates are fixed in the long term. At the end of the year, 51 percent (42) of property loans had a fixed interest period of more than five years and 10 percent (25) had a fixed interest period of less than one year.

Given the low share of loans with variable interest rates, a change in market interest rates would have a limited impact on earnings. In order to obtain the desired fixed interest rate, derivatives are used. The interest rate derivatives' value development depends on how the market develops in relation to the contractual interest rate, currency and remaining maturity.

At the end of the year, the net value of the derivative portfolio was SEK 1,028 million (1,350).

A one percentage point change in market rates would impact the valuation of the derivatives portfolio by SEK 439 million (460).

The average interest rate, which takes into account the effects of swap agreements, amounted to 2.58 percent (2.62). The average interest hedge was 5.3 years (4.5). With the breakdown of fixed rate terms applicable at the beginning of 2017, a change in the market interest rate by one percentage point at the beginning of the year corresponds to SEK 43 million (70) in changed interest expenses.

For more information about interest rate risk, see page 68.

note 3 financing and financial risk management, continued

Maturity, years	December 31, 2017		December 31, 2016	
	Loans, SEK million	Average interest rate, percent	Loans, SEK million	Average interest rate, percent
0 - 1	4,491	3.28	9,621	1.31
1 - 2	2,003	3.42	1,465	1.88
2 - 3	5,624	3.24	2,157	3.83
3 - 4	4,006	3.80	5,751	3.26
4 - 5	6,769	1.83	3,216	5.00
5 - 6	141	3.15	7,222	1.97
6 - 7	5,896	1.56	146	3.15
7 - 8	12,194	2.20	971	3.68
8 - 9	2,751	2.03	2,985	2.57
9 - 10	1,315	2.97	2,381	2.28
10 <	1,566	4.80	2,180	4.62
Total	46,756	2.58	38,095	2.62

currency risk

Akelius operates in various geographic markets and undertakes transactions denominated in foreign currencies and, consequently, is exposed to exchange rate fluctuations. This affects the result and balance sheet as follows:

- A single company may have monetary assets and liabilities denominated in a currency other than its functional currency, which are translated to the functional currency at the closing day rate. Upon settlement of monetary assets and liabilities, a foreign exchange rate difference arises between the transaction day rate and the transaction price. All changes in exchange rates attributable to the translation or settlement of monetary items are recognized in the income statement - transaction effect.
- Revenues, expenses, assets and liabilities in a functional currency other than the

Parent Company's reporting currency (SEK) are translated at the average rate and the closing rate, respectively. The effect arising from the change in the closing exchange rate compared to the exchange rate at the beginning of the year and the average annual rate are recognized in the translation reserve in other comprehensive income - translation effect.

Foreign investments shall be financed in the local currency so that the relation between net assets in the local currency and gross assets is at the same level as the Group's equity to assets ratio after adjustment for preference shares. This means that currency fluctuations do not affect the Group's equity to assets ratio. Akelius has limited currency exposure in operating income and expenses, since those are largely denominated in local currency. For more information, see page 70.

Exchange rate used	Year-end rate		Average rate	
	2017	2016	2017	2016
GBP - England	11.1045	11.1787	10.9896	11.5664
EUR - Germany, France	9.8497	9.5669	9.6326	9.4704
CAD - Canada	6.5642	6.7437	6.5788	6.4643
USD - United States	8.2322	9.0971	8.5380	8.5613
100 DKK - Denmark	132.2800	128.6894	129.4900	127.2013

note 3 financing and financial risk management, continued

credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by not fulfilling its obligations. The Group has no significant concentration of credit risk.

Country managers are responsible for establishing provisions for impairment representing their estimate of bad debt losses. The provisions include individual exposures and a collective loss component based on historical information.

Trade receivables	2017		2016	
	Gross	Impairment	Gross	Impairment
SEK million				
0-30 days	27	-1	32	-1
31-60 days	8	-	7	-5
61-90 days	4	-	4	-1
later than 90 days	51	-31	44	-23
Total	90	-32	87	-30

Provision for bad debt

SEK million	2016	2016
Opening balance	30	27
Acquisition	-	-
Provisions recognized for potential losses	26	35
Confirmed losses	-20	-33
Reversal impairment losses	-3	-3
Translation differences	1	1
Closing balance	32	30

Trade receivables of SEK 58 million (57) are reported net of provisions for doubtful accounts and other impairments amounting to SEK 32 million (30). Provisions for doubtful accounts and impairment losses recognized in the income statement totaled SEK 26 million (35).

capital risk

The Group's objectives for capital management are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, convert debt into equity or sell assets to reduce debt.

The Group evaluates capital based on loan-to-value ratio. The loan-to-value ratio is defined as net debt divided by net assets. At the end of the year, loan-to-value ratio was 44 percent (43). According to the finance policy, the loan-to-value ratio should be limited to 50 percent.

note 4 estimates and judgments

The preparation of financial statements requires the Board and Management to make estimates and use certain assumptions. Estimates and assumptions affect both the income statement and balance sheet as well as disclosures such as contingent liabilities. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events considered reasonable under the circumstances.

property valuation

Property valuation is described on page 74.

deferred tax

Deferred tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Akelius reports deferred tax assets based on management's estimates of future taxable profits affected by the tax laws that apply in the jurisdictions where the company operates. The outcome may be different depending on changes in tax rules and the business climate.

preference share issue

Akelius issued preference shares for SEK 4,020 million during 2014 and for SEK 2,000 million during 2015.

Preference shares that do not have a fixed maturity, and where the issuer does not have a contractual obligation to make any payments, are recognized in equity.

classification of acquisitions

In accordance with IFRS 3, acquisitions may be classified as either business combinations or asset acquisitions. This assessment must be made on a case-by-case basis for each individual acquisition. In cases where the primary purpose is the acquisition of a company's property and where the acquired company lacks management organization and administration, or when this is of secondary importance to the acquisition, the acquisition is classified as an asset acquisition.

Other corporate acquisitions that typically contain an independent business are classified as business combinations.

On asset acquisition, no deferred taxes related to property acquisition are recognized. Business combinations are accounted for using the purchase method and deferred tax is recognized at the nominal current tax rate with no discount.

note 5 segment reporting

The division into segments comprises the geographic areas of Sweden, Germany, Canada, England, the United States, France and Denmark. Sweden and Germany are material to the Group and are therefore reported separately. Canada, England, the United States, France and Denmark are reported together in the segment "Others".

The geographic areas correspond to the internal reporting structure. The division of responsibility for financial performance between segments includes net operating income and change in fair value for investment property. Investment properties are divided by segment in balance sheet items.

Segment reporting Jan-Dec 2017

SEK million	Sweden	Germany	Others	Total
Rental income	1,569	1,275	1,278	4,122
Operating expenses	-568	-232	-587	-1,387
Maintenance	-154	-90	-78	-322
Net operating income	847	953	613	2,413
Central administrative expenses				-215
Other income and expenses				1
Realized revaluation of investment properties				353
Unrealized revaluation of investment properties				8,103
Operating profit				10,655
Net interest income/expense				-1,126
Other financial income and expenses				-45
Change in fair value of derivative financial instruments				-4
Profit before tax				9,480
Net operating income	847	953	613	2,413
Change in fair value	3,641	3,464	1,449	8,554
Total property return	4,488	4,417	2,062	10,967
Total property return, percent	13.9	13.7	8.9	12.5
Property fair value	31,568	38,653	34,423	104,644

Investment properties 2017

SEK million	Sweden	Germany	Others	Total
Opening balance	32,357	32,176	23,206	87,739
Investments	625	1,145	1,007	2,777
Change in fair value	3,641	3,464	1,449	8,554
Purchases	1,606	1,227	9,657	12,490
Sales	-6,661	-435	-	-7,096
Translation differences	-	1,076	-896	180
Total	31,568	38,653	34,423	104,644
Assets held for sale	-2,402	-	-	-2,402
Owned-occupied property	-	-344	-	-344
Closing balance	29,166	38,309	34,423	101,898

note 5 segment reporting

Segment reporting Jan-Dec 2016

SEK million	Sweden	Germany	Others	Total
Rental income*	1,956	1,226	927	4,109
Operating expenses*	-717	-223	-478	-1,418
Maintenance	-223	-91	-66	-380
Net operating income	1,016	912	383	2,311
Central administrative expenses				-134
Other income and expenses				26
Realized revaluation of investment properties				827
Unrealized revaluation of investment properties				11,779
Operating profit				14,809
Net interest income/expense				-1,134
Other financial income and expenses				-33
Change in fair value of derivative financial instruments				-322
Profit before tax				13,320
Net operating income	1,016	912	383	2,311
Change in fair value	6,744	5,120	851	12,715
Total property return	7,760	6,032	1,234	15,026
Total property return, percent	24.5	24.2	7.7	20.7
Property fair value	32,357	32,176	23,206	87,739

*includes an adjustment of SEK 3 million in France and SEK 361 million in Germany for netting of service income revenue and expenses.

Investment properties 2016

SEK million	Sweden	Germany	Others	Total
Opening balance	31,727	24,892	16,145	72,764
Investments	975	976	1,038	2,989
Change in fair value	6,744	5,120	851	12,715
Purchases	535	851	4,708	6,094
Sales	-7,624	-914	-523	-9,061
Translation differences	-	1,251	987	2,238
Total	32,357	32,176	23,206	87,739
Assets held for sale	-2,754	-351	-	-3,105
Owned-occupied property	-	-	-	-
Closing balance	29,603	31,825	23,206	84,634

Investment properties are valued in accordance with level 3, IFRS 13. Fair value and unrealized changes in value are determined quarterly based on valuation.

When an investment property is sold, the realized gain or loss is based on the selling price in relation to the fair value at the previous year-end closing date. See page 74, property valuation, for additional information.

note 6 rental income

	Group	
SEK million	2017	2016
Residential income	3,721	3,687
Commercial income	288	282
Other rental income	78	73
Other income	35	67
Total	4,122	4,109

All investment properties are let to tenants under operating leases and generate rental income. Future rental income attributable to non-cancellable operating leases is distributed as follows:

	Group	
SEK million	2017	2016
within 1 year	1,571	1,460
between 1 and 5 years	553	482
later than 5 years	258	220
Total	2,382	2,162

The contracts usually have a term of between three months and five years and include clauses for periodic adjustment of rent. Residential lease contracts usually run with a notice period of three months.

note 7 operating leases

All lease contracts in the Group are classified as operating leases. The leases refer to premises, cars and office equipment.

	Group		Parent Company	
SEK million	2017	2016	2017	2016
Premises	32	32	2	3
Cars	6	5	-	-
Office equipment	4	3	1	2
Total	42	40	3	5

Future minimum lease payments under non-cancellable operating leases are as follows:

	Group			Parent Company		
SEK million	< 1 year	1-5 years	>5 years	< 1 year	1-5 years	>5 years
Premises	25	67	39	1	3	-
Cars	8	17	-	1	-	-
Office equipment	3	3	-	-	-	-
Total	36	87	39	2	3	-

note 8 operating expenses

	Group	
SEK million	2017	2016
Utility expenses	-580	-625
Operating expenses	-439	-438
Property tax	-211	-179
Site leasehold fees	-4	-4
Property administration	-553	-536
Income related to utility expenses	197	188
Income related to operating expenses	165	138
Income related to property tax	38	38
Total	-1,387	-1,418

Personnel costs are included in property administration costs and are disclosed in note 11.

As of 2017, revenues relating to the re-invoicing to the tenants of utility expenses, operating expenses and property tax are netted with the cost.

note 9 other income and expenses

	Group	
SEK million	2017	2016
Operational foreign exchange differences	-6	10
Other revenues, external services	9	13
Other income	-	3
Other expenses	-2	-
Total	1	26

note 10 audit expenses

	Group		Parent Company	
SEK million	2017	2016	2017	2016
PWC				
Audit	16	15	3	2
Audit in addition to ordinary assignment	1	-	1	-
Tax advice	4	5	-	-
Other assignments	1	4	-	2
Total PWC	22	24	4	4

The audit assignment refers to the review of the financial statements and accounting records and the administration of the Board of Directors and CEO.

This item also includes other duties that the company's auditors are obliged to perform as well as advice or other assistance that

is occasioned by observations during the review or implementation of such other duties.

note 11 employees – costs and benefits

Average number of employees	2017			2016		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	14	24	38	13	22	35
Group						
Sweden	66	66	132	74	80	154
Germany	129	141	270	115	118	233
Canada	54	90	144	45	77	122
England	13	19	32	11	19	30
United States	38	105	143	28	75	103
France	18	13	31	16	9	25
Denmark	1	5	6	1	3	4
Total	333	463	796	303	403	706

At the end of 2017, the number of employees in the Group was 876 (734).

Salaries, other remuneration and social security expenses

	Group		Parent Company	
SEK million	2017	2016	2017	2016
Senior executives	34	29	13	11
Other employees	353	327	21	21
Total salaries and other remuneration	387	356	34	32
Pension costs:				
-Senior executives	4	3	3	2
-Other employees	19	19	4	4
Social security expenses:				
-Senior executives	8	8	5	4
-Other employees	75	65	8	7
Total	493	451	54	49

senior executives

Other senior management comprises 16 employees (13) of which 2 women (2). Salaries and other remuneration to senior executives consist of fixed salaries and loyalty bonus paid during 2017. Akelius signed loyalty bonus agreements with the CEO and 8 (8) other senior executives, agreements expire respectively in 2018 and 2021. In 2017, the total amount accrued was SEK 13.4 (10.3) million. The CEO and five other members of Group Management are entitled to six to twelve months' salary if the company terminates their employment. A mutual notice of termination of employment of three to six months apply. The variable compensation is not included in the basis for pension benefits.

Other benefits consist of company cars and private health care insurance. For expatriates, certain benefits are paid in compliance with Akelius' rules. No stock options program has been offered.

board of directors

Board fees to the chairman and other board members are paid in accordance with the decision of the Annual General Meeting, which means that a member who is employed by the Akelius Group receives no board fees. Board members are allowed to invoice their fees via an external legal entity. Remuneration to the Board refers to the annual fees decided by the Annual General Meeting. No variable remuneration or bonuses have been paid.

note 11 employees – costs and benefits, continued

salaries, other remuneration and social security expenses of Board members and Management**2017**

SEK million	Salary and other remuneration	Pension costs	Social security expenses	Total	Holding of preference shares per December 31, 2017
Board members					
Chairman of the Board:					
Leif Norburg	0.5	-	0.1	0.6	1,880
Igor Rogulj	0.3	-	0.1	0.4	-
Anders Lindskog*	0.2	-	-	0.2	-
Lars Åhrman*	0.3	-	-	0.3	400
Staffan Jufors**	0.1	-	0.1	0.2	-
Roger Akelius**	-	-	-	-	-
Management					
CEO;					
Pål Ahlsén	3.8	0.5	1.4	5.7	450
Other senior management	30.2	3.4	6.2	39.8	5,844
Total	35.4	3.9	7.9	47.2	8,574

*) Elected at the Annual General Meeting April 11, 2017.

**) Resigned at the Annual General Meeting April 11, 2017.

2016

SEK million	Salary and other remuneration	Pension costs	Social security expenses	Total	Holding of preference shares per December 31, 2016
Board members					
Chairman of the Board:					
Leif Norburg	0.6	-	-	0.6	2,330
Roger Akelius*)	-	-	-	-	-
Igor Rogulj	0.3	-	0.1	0.4	-
Staffan Jufors	0.2	-	0.1	0.3	279
Anders Janson**)	-	-	-	-	-
Michael Brusberg**)	-	-	-	-	-
Management					
CEO;					
Pål Ahlsén	3.9	0.4	1.3	5.6	450
Other senior management	25.2	2.4	6.8	34.4	5,960
Total	30.2	2.8	8.3	41.3	9,019

*) Elected at the Annual General Meeting April 15, 2016.

**) Resigned at the Annual General Meeting April 15, 2016.

note 12 realized and unrealized revaluation of investment properties and owner-occupied property

investment properties

SEK million	Sales proceeds	Book value	Transaction costs	Realized revaluation of investment properties	Unrealized revaluation of investment properties	Unrealized revaluation of owner-occupied properties	Total revaluation of properties
2017							
Sweden	6,661	-6,278	-54	329	3,258	-	3,258
Germany	435	-382	-29	24	3,397	14	3,411
Canada	-	-	-	-	802	-	802
England	-	-	-	-	104	-	104
United States	-	-	-	-	262	-	262
France	-	-	-	-	68	-	68
Denmark	-	-	-	-	212	-	212
Total	7,096	-6,660	-83	353	8,103	14	8,117

2016							
Sweden	7,625	-6,786	-69	770	5,905	-	5,905
Germany	914	-855	-27	32	5,060	-	5,060
Canada	-	-	-	-	310	-	310
England	522	-484	-13	25	104	-	104
United States	-	-	-	-	390	-	390
France	-	-	-	-	10	-	10
Denmark	-	-	-	-	-	-	-
Total	9,061	-8,125	-109	827	11,779	-	11,779

owner-occupied properties

SEK million	2017	2016
Opening balance	-	-
Transfer from investment property	293	-
Investment	31	-
Depreciation	-4	-
Change in fair value	14	-
Translation differences	10	-
Closing balance	344	-

One property in Germany belongs to its own occupied asset category and is measured at fair value in accordance with the IAS 16 revaluation method. Accumulated changes in fair value amounted to SEK 14 million.

note 13 profit from shares in subsidiaries

SEK million	2017	2016
Sales revenue from sold subsidiaries*	9	-
Carrying amount of shares in subsidiaries*	-9	-
Impairment losses on shares in subsidiaries	-	-
Dividends	-	2,000
Total	-	2,000

*) refers to the sale of Aplius GmbH to Akelius Procurement AB.

note 14 financial income and expenses

	Group		Parent Company	
SEK million	2017	2016	2017	2016
Interest income	2	4	-	-
Interest income from Group companies	-	-	1,383	1,065
Exchange rate differences	1	1	-	247
Other financial income	-	-	-	-
Financial income	3	5	1,383	1,312
Interest expenses	-932	-682	-599	-360
Interest expenses on derivatives	-160	-288	-123	-128
Interest expenses from Group companies	-36	-168	-198	-372
Exchange rate differences	-	-	-480	-
Other financial expenses	-46	-34	-26	-18
Financial expenses	-1,174	-1,172	-1,426	-878
Net financial items	-1,171	-1,167	-43	434

note 15 appropriations

	Parent Company	
SEK million	2017	2016
Group contribution	198	-1,065
Total	198	-1,065

note 16 taxes

	Group		Parent Company	
SEK million	2017	2016	2017	2016
Current taxes	-26	-64	-	-
Deferred taxes	-1,686	-2,894	-68	192
Total	-1,712	-2,958	-68	192

note 16 taxes, continued

reconciliation of income taxes

	Group		Parent Company	
SEK million	2017	2016	2017	2016
Profit before income taxes	9,480	13,320	251	1,116
Income taxes based on national rates	-2,411	-3,341	-55	-246
- in percent	25.4	25.1	22.0	22.0
Not-taxable income on sold properties	498	358	-	-
Dividends from subsidiaries	-	-	-	440
Other non-taxable income and non-deductible expenses	155	-35	-1	-3
Change in tax rate*	52	-	-	-
Change in capitalization of tax losses carried forward	-10	57	-12	-
Adjustment of tax from prior years	4	3	-	-
Income taxes	-1,712	-2,958	-68	192
Effective tax rate, percent	18.1	22.2	27.1	-17.1

The national tax rates are 22.0 percent (22.0) in Sweden, 30.175 percent (30.175) in Germany, 26.5 percent (26.5) in Canada, 19.0 percent (20.0) in England, 33.3 percent (33.3) in France, 40.0 percent (40.0) in the United States and 22.0 percent (22.0) in Denmark.

*) From 2018, the following countries will change tax rates: France 28.0 percent and United States 26.0 percent.

change in deferred taxes in the balance sheet

	2017			2016		
SEK million	Assets	Liabilities	Net liabilities	Assets	Liabilities	Net liabilities
Group						
Opening balance	6	6,676	6,670	8	4,175	4,167
Acquisitions	3	66	63	3	14	11
Sold properties	-	-338	-338	-28	-279	-251
Changes through profit for the year	-47	1,639	1,686	206	3,100	2,894
Changes through comprehensive income	-81	2	83	145	-	-145
Transferred to liabilities held for sale	-	-34	-34	-	-127	-127
Exchange rate differences	-11	114	125	37	158	121
Redistribution	134	134	-	-365	-365	-
Closing balance	4	8,259	8,255	6	6,676	6,670
Parent Company						
Opening balance	522	-	-522	331	-	-331
Changes through profit for the year	-68	-	68	191	-	-191
Closing balance	454	-	-454	522	-	-522

note 16 taxes, continued

nature of deferred taxes

SEK million	Investment properties	Derivatives	Tax loss carried forward	Other	Total
Group					
Net balance December 31, 2016	7,972	-339	-861	-102	6,670
Change through income statement	1,760	24	-180	82	1,686
Sold assets	-338	-	-	-	-338
Purchased assets	65	-	-2	-	63
Transferred to assets held for sale	-34	-	-	-	-34
Change through comprehensive income	2	81	-	-	83
Translation differences	112	-1	7	7	125
Net balance December 31, 2017	9,539	-235	-1,036	-13	8,255

Parent Company

Net balance December 31, 2016	-	-127	-395	-	-522
Change through income statement	-	38	32	-2	68
Net balance December 31, 2017		-89	-363	-2	-454

For the Group, the gross amount of capitalized tax loss carried forward is SEK 4,145 million (3,410) and has no expiration date.

The gross amount of non-capitalized tax loss carried forward is SEK 1,316 million (673), corresponding to a tax amount of SEK 255 million (146), and has no expiration date.

note 17 intangible and tangible fixed assets

intangible assets

	Group		Parent Company	
SEK million	2017	2016	2017	2016
Acquisition value				
Opening balance	67	39	4	2
Investments	21	28	-	2
Sales	-	-	-	-
Translation differences	-	-	-	-
Closing balance	88	67	4	4
Amortization and impairment losses				
Opening balance	-18	-12	-1	-1
Amortization for the period	-10	-7	-1	-
Translation differences	-1	1	-	-
Closing balance	-29	-18	-2	-1
Carrying amount	59	49	2	3

tangible assets

	Group	
SEK million	2017	2016
Acquisition value		
Opening balance	72	57
Investments	16	13
Sales	-2	-1
Translation differences	-1	3
Closing balance	85	72
Amortization and impairment losses		
Opening balance	-33	-25
Disposal	1	1
Depreciation for the period	-11	-7
Translation differences	-	-2
Closing balance	-43	-33
Carrying amount	42	39

amortization and depreciation

	Group		Parent Company	
SEK million	2017	2016	2017	2016
Operating expenses	-11	7	-	-
Central administrative expenses	-10	7	-1	-
Total	-21	14	-1	-

note 18 shares in subsidiaries

	Parent Company	
SEK million	2017	2016
Opening balance	13,430	13,425
Acquisition	-	1
Capital contribution	198	18
Disposal through liquidation	-	-14
Disposal through sale*	-9	-
Closing balance, acquisitions	13,619	13,430
Opening balance, impairment losses	-247	-261
Additional write-downs	-	-
Disposal through liquidation	-	14
Disposal through sale	-	-
Closing balance, impairment losses	-247	-247
Closing balance	13,372	13,183

*) During the year, the subsidiary Aplius GmbH was sold to Akelius Procurement AB.

Parent Company

Company	Corporate ID number	Domicile	Holding* percent	Shares	Net book value, SEK million
Akelius GmbH	HRB101392B	Berlin	94.9**	2	6,166
Akelius Lots GmbH & Co KG	HRA47950B	Berlin	94.9	-	259
Akelius Procurement AB	559051-1845	Danderyd	100	1,000	0
Akelius Holding AB	556705-7673	Danderyd	100	1,000	0
Akelius Hotell och Fastigheter AB	556650-2414	Danderyd	100	5,000	0
Akelius Kanada AB	556709-6564	Danderyd	100	1,000	145
Akelius Lägenheter AB	556549-6360	Stockholm	100	20,541,962	5,692
Akelius Lönnlöven AB	556878-6502	Danderyd	100	1,000	1,100
Akelius UK Holding 1 AB	556709-6028	Danderyd	100	1,000	0
Akelius France 1 AB	556878-6494	Danderyd	100	1,000	0
Akelius Systems AB	556705-7756	Danderyd	100	1,000	10
Akelius US Holding 1 AB	556954-1518	Danderyd	100	1,000	0
Akelius Denmark Holding 1 AB	556954-1393	Danderyd	100	1,000	0
Closing net book value					13,372

** Together with holdings via Group companies, the Group owns 99.7 percent of Akelius GmbH.

note 19 financial instruments

financial instruments by fair value hierarchy

SEK million	Fair value through profit and loss	Loans and receivables	Financial liabilities measured at amortized cost	Total book value	Level 1	Level 2	Total fair value
December 31, 2017							
Assets							
Derivatives	59	-	-	59	-	59	59
Trade and other receivables	-	210	-	210	-	210	210
Cash and cash equivalents	-	155	-	155	-	155	155
Total	59	365	-	424	-	424	424
Liabilities							
Interest-bearing liabilities	-	-	46,756	46,756	27,740	20,038	47,778
Derivatives	1,054	-	-	1,054	-	1,054	1,054
Other financial liabilities	-	848	-	848	-	848	848
Total	1,054	848	46,756	48,658	27,740	21,940	49,680
December 31, 2016							
Assets							
Derivatives	9	-	-	9	-	9	9
Trade and other receivables	-	114	-	114	-	114	114
Cash and cash equivalents	-	137	-	137	-	137	137
Total	9	251	-	260	-	260	260
Liabilities							
Interest-bearing liabilities	-	-	38,095	38,095	11,613	26,991	38,604
Derivatives	1,448	-	-	1,448	-	1,448	1,448
Other financial liabilities	-	717	-	717	-	717	717
Total	1,448	717	38,095	40,260	11,613	29,156	40,769

note 19 financial instruments, continued

Of the Group's total derivative instruments, derivatives with a fair value of SEK 33 (-89) million are hedges of net investments in foreign operations.

The result of all instruments used to hedge net investments in foreign operations are recognized continuously in a separate item of other comprehensive income.

In the event of sale of the hedged business, the cumulative result of the hedge will be recognized in the income statement.

fair value measurement

Measurement of financial instruments can be classified at different value levels depending on how the underlying data for determining fair value is obtained.

fair value hierarchy

level 1

Quoted prices on active markets for identical assets and liabilities.

Level 2

Other observable data for the asset or liability other than quoted prices included in level 1.

Level 3

Data for the asset or liability that is not based on observable market data. At this level, assumptions that market participants would use when pricing the asset or liability, including risk assumptions, should be taken into account.

fair value of financial instruments

The fair value of a financial instrument traded on an active market is based on valuations using current market data. The appropriate bid price is used for financial assets while the appropriate ask price is used for financial liabilities.

The fair value of derivative instruments not traded on an active market is calculated as the current value of future cash flows.

The fair value of borrowings through listed bonds are reported according to level 1 and other interest-bearing liabilities are reported according to level 2. The fair values of interest-bearing liabilities are calculated by discounting the future contracted cash flows to the current market interest rate.

The fair values of derivatives are based on level 2 of the fair value hierarchy.

Compared to 2015, no transfers have taken place between the various hierarchical levels and no significant changes have been made as regards the valuation method.

The cash flow from derivative contracts is compared with the cash flow that would have been obtained if the contracts had been settled at market price on the closing date.

The difference in the cash flow is discounted at a rate that takes into account the counterparties' credit risk.

In the case of financial instruments such as trade receivables and payables for which observable market data is not available, the fair value is judged to correspond to the book value, since these instruments have short maturities.

The instruments are recognized at accrued acquisition value with deductions for any impairment.

These are also based on level 2.

The difference between fair value and carrying amount is due to the fact that some liabilities are recognized at amortized cost.

note 19 financial instruments, continued

Parent Company

SEK million	Loans and receivables	Financial liabilities measured at amortized cost	Total book value	Level 1	Level 2	Total fair value
December 31, 2017						
Assets						
Receivables from Group companies	49,996	-	49,996	-	49,996	49,996
Derivatives	-	-	-	-	-	-
Trade and other receivables	57	-	57	-	57	57
Cash and cash equivalents	5	-	5	-	5	5
Total	50,058	-	50,058	-	50,058	50,058
Liabilities						
Liabilities to group companies	-	17,470	17,470	-	17,470	17,470
Interest-bearing liabilities	-	29,937	29,937	27,740	3,182	30,922
Derivatives	-	406	406	-	369	369
Other financial liabilities	-	357	357	-	357	357
Total	-	48,170	48,170	27,740	21,378	49,118
December 31, 2016						
Assets						
Receivables from Group companies	36,216	-	36,216	-	36,216	36,216
Derivatives	-	-	-	-	-	-
Trade and other receivables	32	-	32	-	32	32
Cash and cash equivalents	-	-	-	-	-	-
Total	36,248	-	36,248	-	36,248	36,248
Liabilities						
Liabilities to Group companies	-	16,883	16,883	-	16,883	16,883
Interest-bearing liabilities	-	18,301	18,301	11,613	7,138	18,751
Derivatives	-	576	576	-	521	521
Other financial liabilities	-	160	160	-	160	160
Total	-	35,920	35,920	11,613	24,702	36,315

note 19 financial instruments, continued

Profit and loss per measurement category are broken down as follows:

SEK million	Interest	Fair value	Impairment/Reversal of impairment
2017			
Loans and receivables	2	-	-26
Financial assets / liabilities at fair value through profit or loss	-213	140	-
Financial liabilities measured at amortized cost	-916	-	-
2016			
Loans and receivables	3	-	-35
Financial assets / liabilities at fair value through profit or loss	-342	-426	-
Financial liabilities measured at amortized cost	-795	-	-

note 20 trade and other receivables

Trade receivables are primarily attributable to residential tenants. See Note 3 for additional information. Receivables from Group companies are attributable to transactions between the Parent Company and the subsidiaries.

Intragroup loans are subject to market terms and are without collateral.

SEK million	Group		Parent Company	
	2017	2016	2017	2016
Receivables from Group companies	-	5	40,388	27,180
Promissory notes	2	2	-	-
Restricted cash*	64	1	-	-
Other non-current receivables	4	1	-	-
Non-current receivables	70	9	40,388	27,180
Trade receivables	56	57	-	-
Receivables from Group companies	-	1	9,608	9,036
Prepayments for properties	278	76	-	-
Restricted cash*	33	15	-	-
Prepaid expenses and accrued income	158	100	21	9
Promissory notes	18	-	-	-
Inventory	59	-	-	-
Other receivables	236	198	73	32
Current receivables	838	447	9,702	9,077
Total trade and other receivables	908	456	50,090	36,257

* Restricted cash relates mainly to guarantees to banks for derivative transactions.

note 21 cash and cash equivalents

	Group		Parent Company	
SEK million	2017	2016	2017	2016
Bank deposits and cash	155	137	5	-
Total	155	137	5	-

The change in cash and cash equivalents is shown in the cash flow statement. Cash and cash equivalents mainly include bank deposits. There are unutilized credit agreements that are not included in cash and cash equivalents of SEK 7,279 million (6,759).

note 22 interest-bearing liabilities

Unsecured loans at year-end refer to nine listed bond loans and loans from related companies.
See note 29 for further information about transactions with related parties.
Assets pledged as collateral for mortgages have decreased from SEK 35,389 million at the end of 2016 to SEK 25,935 million, primarily related to the purchase of properties.

At the end of the period, available funds in the form of cash and secured but unutilized credit facilities totaled SEK 7,434 million, compared to SEK 6,996 million at the end of 2016.
Most borrowings contain financial covenants, specific to each counterpart. Loan-to-value ratio and interest coverage ratio are the most common for Akelius. See note 3 and pages 64 to 68 for additional information.

interest-bearing liabilities per currency, Group

	2017		2016	
	SEK million	Local currencies	SEK million	Local currencies
SEK	8,589	8,589	8,275	8,275
EUR	19,246	1,947	16,046	1,677
CAD	5,506	839	4,515	669
GBP	5,106	460	3,211	287
USD	6,854	833	5,796	644
DKK	1,455	1,100	252	196
Total	46,756		38,095	

listed bonds

Nominal value, million	Market value SEK million	Maturity	Rating	Annual coupon	Identification number*
SEK 1,350	1,355	Mar 2018	BBB	Stibor 3 months + 2.0%	SE0006028338
SEK 1,400	1,439	Mar 2019	BBB	Stibor 3 months + 2.4%	SE0006886974
EUR 300	3,197	Sep 2020	BBB	3.375%	XS1295537077
SEK 1,000	1,002	Oct 2021	BBB	1.125%	XS1692931980
SEK 500	501	Oct 2021	BBB	Stibor 3 months + 0.9%	XS1692931808
EUR 600	6,083	Jan 2022	BBB	1.5%	XS1523975859
EUR 500	4,871	Mar 2024	BBB	1.125%	XS1717433541
EUR 600	6,003	Feb 2025	BBB	1.75%	XS1622421722
GBP 300	3,289	Aug 2025	BBB	2.375%	XS1684269761

*) All SEK bonds are listed on Nasdaq Stockholm except from SEK 1,500 million which together with the EUR and GBP bonds are listed on the Irish Stock Exchange ISE.

note 22 interest-bearing liabilities, continued

maturity structure as of December 31, 2017, Group

SEK million	Fixed interest rates			Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing	
0-1 year	1,032	3,459	4,491	10
1-5 years	8,200	10,202	18,402	39
Later than 5 years	9,806	14,057	23,863	51
Total	19,038	27,718	46,756	100
Average, years	5.9	4.8	5.3	
Average interest rate, percent	3.6	1.9	2.6	

SEK million	Capital tied up			Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing	
0-1 year	1,456	1,659	3,115	7
1-5 years	7,426	12,001	19,427	41
Later than 5 years	10,156	14,058	24,214	52
Total	19,038	27,718	46,756	100

maturity structure as of December 31, 2016, Group

SEK million	Fixed interest rates			Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing	
0-1 year	2,748	6,873	9,621	25
1-5 years	8,534	4,055	12,589	33
Later than 5 years	10,200	5,685	15,885	42
Total	21,482	16,613	38,095	100
Average, years	5.9	2.7	4.5	
Average interest rate, percent	3.3	1.8	2.6	

SEK million	Capital tied up			Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing	
0-1 year	3,933	4,230	8,163	21
1-5 years	8,292	6,698	14,990	39
Later than 5 years	9,257	5,685	14,942	40
Total	21,482	16,613	38,095	100

note 22 interest-bearing liabilities, continued

maturity structure as of December 31, 2017, Parent Company

SEK million	Fixed interest rates			Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing	
0-1 year	-1,063	2,904	1,841	4
1-5 years	2,279	26,941	29,220	62
Later than 5 years	2,289	14,057	16,346	34
Total	3,505	43,902	47,407	100
Average, years	2.7	4.5	4.3	
Average interest rate, percent	9.6	1.6	2.2	

SEK million	Capital tied up			Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing	
0-1 year	393	1,104	1,497	3
1-5 years	3,112	28,741	31,853	67
more than 5 years	-	14,057	14,057	30
Total	3,505	43,902	47,407	100

maturity structure as of December 31, 2016, Parent Company

SEK million	Fixed interest rates			Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing	
0-1 year	-625	6,861	6,236	18
1-5 years	1,804	19,128	20,932	59
Later than 5 years	2,263	5,753	8,016	23
Total	3,442	31,742	35,184	100
Average, years	1.2	3.3	3.1	
Average interest rate, percent	8.7	1.7	2.3	

SEK million	Capital tied up			Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing	
0-1 year	2,140	4,286	6,426	18
1-5 years	1,302	21,703	23,005	65
more than 5 years	-	5,753	5,753	17
Total	3,442	31,742	35,184	100

note 23 derivatives

	Group		Parent Company	
SEK million	2017	2016	2017	2016
Interest rate derivatives				
Assets	-	-	-	-
Liabilities	-1,028	-1,350	-380	-478
Cross currency swaps				
Assets	59	9	-	-
Liabilities	-	-72		-72
Foreign exchange forwards				
Assets	-	-	-	-
Liabilities	-26	-26	-26	-26
Total net fair value	-995	-1,439	-406	-576
Nominal value	21,534	18,434	16,679	11,375

Derivative transactions are undertaken with approved counterparties for which credit limits exist and for which we have International Swaps and Derivatives Association Master Agreements and Credit Support Agreements in force.

changes during the year

	Group		Parent Company	
SEK million	2017	2016	2017	2016
Opening balance	-1,439	-1,949	-576	-462
Outgoing derivatives*	310	1,040	40	104
Revaluation of derivatives reported in the income statement	-4	-322	130	-218
Revaluation of derivatives reported in other comprehensive income	145	-196	-	-
Translation differences	-7	-12	-	-
Closing balance	-995	-1,439	-406	-576
of which, long-term portion	-954	-1,349	-335	-479

maturity structure

	Group		Parent Company	
SEK million	2017	2016	2017	2016
0-1 year	-41	-89	-71	-97
1-5 years	-389	-637	-129	-256
> 5 years	-565	-713	-206	-223
Total	-995	-1,439	-406	-576

*) Realized changes in value of currency derivatives have generated additional cash flow of SEK 216 (-337) million which are recognized in other comprehensive income.

note 24 net debt reconciliation

SEK million	Assets			Liabilities			Total
	Cash and liquid assets	Pledged cash assets*	Derivatives	Short-term loans	Long-term loans	Derivatives	
Balance at January 1, 2017	-137	-16	-9	8,163	29,932	1,448	39,381
Cash flow	2	4	-	-7,403	15,449	216	8,268
Reclassification	-	-	-50	2,281	-2,281	50	-
Acquisitions	-21	-	-	-	90	-	69
Non-cash transactions	-	-	-	-26	17	-666	-676
Translation difference	1	-	-	100	434	6	541
Balance at December 31, 2017	-155	-12	-59	3,115	43,640	1,054	47,583

*) Pledged asset

**) including SEK -526 million realized and SEK -144 million unrealized value change of currency derivatives reported in other comprehensive income.

note 25 trade and other payables

SEK million	Group		Parent Company	
	2017	2016	2017	2016
Rent deposits	145	72	-	-
Total non-current portion	145	72	-	-
Trade payables	211	219	3	3
Prepaid rental income	132	128	-	-
Accrued interest expenses	314	117	251	53
Other accrued expenses	158	195	20	15
Other payables	269	273	104	98
Total current portion	1,084	932	378	169
Total trade and other payables	1,229	1,004	378	169

note 26 provisions

SEK million	Group		Parent Company	
	2017	2016	2017	2016
Balance at January 1, 2017	-	-	-	-
Provisions	20	-	-	-
Balance at December 31, 2017	20	-	-	-
Long-term part of debt	1	-	-	-
Short-term part of debt	19	-	-	-
Total	20	-	-	-
Maturity structure				
0-1 year	19	-	-	-
1-5 year	1	-	-	-
Total	20	-	-	-

Provisions mainly relates to property sales in Sweden.

note 27 pledged assets and contingent liabilities

SEK million	Group		Parent Company	
Pledged assets	2017	2016	2017	2016
Pledged bank assets	12	16	-	-
Property mortgages	25,935	35,389	-	-
Shares in subsidiaries	1,087	1,460	-	-
Total	27,034	36,865	-	-
Contingent liabilities	2017	2016	2017	2016
Guarantees on behalf of subsidiaries	-	-	5,447	7,307
Other guarantees	100	126	-	-
Total	100	126	5,447	7,307

note 28 equity

At the end of the year, equity amounted to SEK 48,270 million (40,937), equivalent to an equity to assets ratio of 46 percent (46). During the year, Akelius Residential Property AB issued ordinary shares for SEK 10,057 million.

Dividends of SEK 8,060 million were paid to the holders of ordinary shares and SEK 376 million to holders of preference shares.

Each preference share provides an annual dividend of SEK 20, with quarterly payments of SEK 5.

A total of SEK 376 million was paid in 2017.

Akelius' Certified Adviser is Avanza Bank.

Akelius' preference shares are listed on Nasdaq First North.

At December 31, 2017, the price paid per preference share was SEK 331.

The hybrid loans owned by Akelius GmbH, a subsidiary of Akelius Residential Property AB, from Akelius Apartments Ltd were repurchased by Akelius Residential Property AB in 2017.

The purchase price was SEK 2,188 million. A premium of SEK 128 million was included in the purchase price.

	December 31, 2016	Issued shares	December 31, 2017
Share capital			
Ordinary shares	2,930,769,400	134,810,000	3,065,579,400
Preference shares	18,835,606	-	18,835,606
Total number of shares	2,949,605,006	134,810,000	3,084,415,006
Par value	0.6	0.6	0.6
Total share capital, SEK	1,769,763,004	80,886,000	1,850,649,004

earnings per share	2017	2016
Profit attributable to owners of the Parent Company, SEK million	7,721	10,187
Earned dividend, preference shares SEK million	377	377
Average number of shares before and after dilution	3,024,840,114	2,912,604,290
Earnings per share before and after dilution, SEK	2.43	3.37

note 28 equity, continued

The statement of changes in equity shows a complete reconciliation of all changes in equity.

The share capital consists of 2,930,769,400 ordinary shares with one vote per share, and 18,835,606 preference shares, each with 1/10 vote per share.

Share premium consists of other capital contributed by the owners.

Currency translation reserves arise in the translation of net assets outside Sweden.

proposed appropriation of profits

The Annual General Meeting has at its disposal in the Parent Company, SEK:

Retained earnings	13,707,261,564
Profit for the year	183,397,466
Total	13,890,659,030

The Board proposes that the amount be allocated as follows:

SEK 2.80 per ordinary share	8,583,622,320
SEK 20 per preference share	376,712,120
Carried forward	4,930,324,590
Total	13,890,659,030

Currency translation reserves also consist of foreign exchange effects on monetary items for operations outside Sweden, which are considered part of the company's net investment in foreign operations. Non-controlling interest refer to the share of equity that belongs to external stakeholders without controlling interests in certain subsidiaries of the Group.

Board statement on the proposed dividend

The Group and the Parent Company have good liquidity, and following the proposed dividend, the equity to assets ratios of the Group and the Parent Company will be 37 percent and 11 percent, respectively.

In the Board's assessment, which takes into account liquidity needs, the proposed business plan, investment plans and the ability to raise long-term credit, there are no indications that the Group or the Parent Company will have insufficient equity following the proposed dividend.

note 29 related parties

Akelius Apartments Ltd, Cyprus, owns 84.5 percent of the shares and exercises control over the Group. Xange Holding Ltd, Cyprus, owns 9.9 percent of the shares and Giannis Beta Holding Ltd, Cyprus, owns 5.0 percent of the shares.

Preference shares correspond to about 0.6 percent of the total share capital of the company.

Akelius Apartments Ltd is subsidiary of Akelius Foundation, Bahamas.

The Board of Directors and senior management are also related to Akelius Residential Property AB.

In addition to these related parties, The Parent Company has a controlling influence over its subsidiaries as described in note 18.

Transactions with related parties are carried out on market terms.

For information on the remuneration of directors and senior executives, see note 11. For details about intercompany interest income and interest expenses, see note 14. No Board member or member of management has directly or indirectly been involved in any business transaction with Akelius beyond what is stated in this note and note 11.

The Parent Company has sales to Group companies amounting to SEK 144 million (82).

The Parent Company purchases from Group companies amounted to SEK 103 million (47).

note 29 related parties, continued

SEK million	2017	2016
Transactions with companies in the Akelius Foundation Group		
Ordinary shares, issue	10,057	4,036
Ordinary shares, dividend	8,436	5,045
Hybrid loan, dividend	42	125
Hybrid loan, premium	128	-
Purchase of financial services	37	42
Borrowings from Group companies	957	1,407
Hybrid loan registered as equity	-	2,009
Receivables from Group companies	-	6
Sales of products and other services	85	28
Transactions with companies controlled by Board members and other senior executives or related to them		
Purchase of services	5	4

note 30 - assets held for sale

Akelius has signed an agreement for the divestment of 1 420 apartments in Södertälje, Järna, Nynäshamn and Ösmo in Sweden, with closing date in April 2018. As of December 31, 2017, investment properties of SEK 2,402 million and deferred taxes of SEK 283 million were reported as assets and liabilities held for sale. The fair value measurement is based on the

purchase price stated in the signed purchase agreement between the buyers and sellers at the time when agreements were signed. The purchase price is considered to belong to Level 1 of the fair value hierarchy in IFRS 13. When no signed agreement exists, the fair value is determined in the same manner as for investment properties.

SEK million	2017	2016
Assets classified as held for sale		
Investment properties	2,402	3,105
Other assets	-	3
Liabilities directly related to assets classified as held for sale:		
Deferred tax liabilities	283	249
Other liabilities	-	29

note 31 - subsequent events

Akelius bought 264 apartments in Montreal at the end of February for CAD 80 million.

The Group has changed reporting currency from swedish kronor to euro as of the first quarter of 2018.

Akelius intends to issue EUR 300 - 500 million hybrid bonds.

alternative performance measures

Reconciliation for the purposes of the Guidelines published by the European Securities and Markets Authority (ESMA) is set out below:

net asset value to asset ratio and loan-to-value ratio

SEK million	2017 Dec 31	2016 Dec 31
Equity	48,270	40,937
Deferred tax	8,255	6,670
Derivative financial instruments	995	1,439
Net asset value	57,520	49,046
Total assets	105,871	88,438
Cash and liquid assets	-155	-137
Pledged cash assets	-12	-16
Total assets minus cash, pledged cash and liquid assets	105,704	88,285
Net asset value to assets ratio, percent	54	56
Total interest-bearing liabilities	46,756	38,095
Cash and liquid assets	-155	-137
Pledged cash assets	-12	-16
Net debt	46,589	37,942
Total assets minus cash, pledged cash and liquid assets	105,704	88,285
Loan to value, percent	44	43
Net Debt	46,589	37,942
Less unsecured debt	-27,718	-16,613
Secured debt	18,871	21,329
Total assets minus cash, pledged cash and liquid assets	105,704	88,285
Loan to value, secured loan, percent	18	24

alternative performance measures, continued

rental income and net operating income growth for comparable properties

SEK million	2017	2016	Growth percent
Rental income	4,122	4,109	0.3
Exchange differences	-	54	
Purchases and sales	-691	-898	
Rental income for comparable properties	3,431	3,265	5.1
Net operating income	2,413	2,311	4.4
Exchange differences	-	26	
Purchases and sales	-338	-462	
Net operating income for comparable properties	2,075	1,875	10.7

*) 2016 rental income for comparable properties.

This means properties acquired or sold in 2016 or 2017, period being compared, are excluded.

realized value growth

SEK million	2017	2016
Proceeds from the sale of properties	7,096	9,061
Costs of sale	-83	-109
Acquisition costs	-2,778	-4,775
Accumulated investments	-1,110	-1,301
Realized value growth	3,125	2,876

adjusted net operating income

SEK million	2017	Adjustment for other services*	Adjusted 2017
Rental income	4,122	-574	3,548
Operating expenses	-1,387	574	-813
Maintenance	-322	-	-322
Net operating income	2,413	-	2,413
Net operating income margin, percent	58.5	-	68.0

*including utility expenses and other property taxes invoiced to the tenants

signatures

To the best of our knowledge, the annual accounts have been prepared using generally accepted accounting policies. The annual accounts give a true and fair view of the company's financial position and performance and the administration report gives a fair review of the development of the company's operations, financial position and performance and describes the principal risks and uncertainties facing the Group.

The consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The consolidated accounts give a true and fair picture of the Group's financial position and performance and the administration report gives a fair review of the development of the Group's operations, financial position and performance and describes the principal risks and uncertainties facing the Group and the companies in the Group.

Stockholm, March 15, 2018

Leif Norburg
Chairman of the Board

Igor Rogulj

Lars Åhrman

Pål Ahlsén
Managing Director

Anders Lindskog

Our audit report for these annual accounts was issued on March 15, 2018.

Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg
Chartered Accountant
Auditor in charge

Thijs Dirkse
Chartered Accountant

independent auditor's report

To the general meeting of shareholders of Akelius Residential Property AB (publ),
corporate identity number 556156-0383

report on the annual accounts and the consolidated accounts

opinions

We have audited the annual accounts and the consolidated accounts of Akelius Residential Property AB (publ) for the year 2017 with exception for the corporate governance report on the pages 80-85. The annual accounts and consolidated accounts of the company are included on pages 8-140 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and the balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and the consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, to the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

our audit approach

audit scope

We designed our audit by determining materiality and assessing the risk of material misstatement in the annual accounts and the consolidated accounts. We tailored our audit in order to perform sufficient work to enable us to provide an opinion on the annual accounts and the consolidated accounts as a whole, taking into account the structure of the Akelius group, the accounting processes and controls, and the industry in which Akelius operates.

In a business such as Akelius' our risk assessment is particularly influenced by the impact of the Board of Directors' and management's estimates and judgements on the annual accounts and the consolidated accounts. We have assessed the highest risk for misstatements in the annual accounts and the consolidated

independent auditor's report

accounts to be the valuation of properties. In addition, we have identified a number of other risks that also reflect components of estimates and judgements. Amongst those are valuation of derivatives and deferred tax. As in all of our audits, we also addressed the risk of the Board of Directors' and management overriding internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

materiality

The scope of our audit is influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the annual accounts and the consolidated accounts are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual accounts and the consolidated accounts.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the annual accounts and consolidated accounts as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the annual accounts and consolidated accounts as a whole.

key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and the consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and the consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

key audit matter

valuation of properties

We refer to page 74 in the Director's Report and the description of the company's summary of significant accounting and valuation principles in Note 2 and the segment reporting in Note 5.

The value of the property of the Akelius group per 31 December 2017 is 104 644 mkr, of which 101 898 mkr is accounted for as investment property, 344 mkr as property for own use and 2 402 mkr as assets held for sale. Akelius group reports an unrealized gain of 8 103 (net) for financial year 2017. Akelius owns primarily residential property in Swedish and international larger cities (see the description in the annual accounts and consolidated accounts on pages 16-40).

Due to the magnitude of the reported value of the property, and (re)valuations, in both the balance sheet and income statement of the Akelius group, as well as due to the inherent subjective nature of the estimates and judgments involved, the valuation of the property is considered to comprise a Key audit matter.

The outcome of a property valuation is highly driven by specific characteristics, such as the location and state of the property, as well as being impacted by the judgements and assumptions applied regarding the yield and future rental income.

independent auditor's report

The fair value of the property for the group is based on the internal calculation model. Akelius carries out an internal valuation of the complete property portfolio on a quarterly basis, based on its internal valuation model.

The valuation model is consistently used in all countries in which Akelius has operations. Each property is subject to individual valuation based on a five year discounted cash flow projection, incorporating specific estimations of the yield and rental income. The valuation model is based on the current and actual rental income- and property cost levels, normalised for future cash flows based on adjustments estimated by Akelius.

In addition, approximately one third of the property portfolio outside Sweden is valued by an external appraiser. For one third of the Swedish property portfolio, the external appraiser reviews, annually, the valuation model and yield levels applied by Akelius.

In case differences arise between the outcome of the internal and external valuations, Akelius carries out an assessment as to whether an adjustment is necessary.

how this key matter is addressed in our audit approach

Our audit procedures include a review of the valuation models the Akelius group applies. We have obtained an understanding and overview of the internal processes and routines applied in Akelius' property valuations.

This review has been carried out together with PwC valuation specialists working as part of our audit team.

We have assessed the general valuation method applied by Akelius. The mathematical accuracy of the valuation model is tested on a sample basis.

Based on samples, we have assessed the reasonability of input data used, such as investments, rental income and operating costs at property level.

For a sample of properties, we have discussed the key assumptions and judgements applied regarding future developments with the key employees responsible for the valuations.

For a sample of properties in all markets in which Akelius owns property, we have compared the applied yield levels with transactions of comparable properties undertaken by Akelius or other actors, as well as with available recent market data.

We have examined the review performed by the external appraiser of the valuation by Akelius on the foreign property. We have also compared the yield levels considered by the external appraiser for the Swedish property and compared these with Akelius' applied yields. Any differences have been discussed with the managers responsible for the valuations.

We have undertaken site visits to a number of Akelius' properties in Germany, USA and Canada.

We conclude that the assumptions applied in the property valuation are within a reasonable range.

As a result of our audit procedures we have no material findings to report to the Audit Committee regarding this key audit matter

independent auditor's report

key audit matter

accounting of property transactions

We refer to pages 60-61 in the Director's Report and to the description of the company's summary of significant accounting and valuation principles in Note 2 and the segment reporting in Note 5.

As presented on page 60 in the annual accounts and the consolidated accounts, Akelius has finalised the so-called "operation clean the map", which implies a strongly increased focus on investment property in big city areas. As a result of this, divestments have taken place at a transaction amount totalling 7 096 mkr, with a realized gain of 353 mkr. The divestments have mainly taken place in the Swedish market at a total sales transaction value of 6 661 mkr.

Akelius has also acquired property at an amount of 12 490 mkr during the year. The acquisition of properties have mainly taken place in big city areas in Sweden, England, USA and Germany.

A general description of Akelius' business model is presented on page 42 in the annual accounts and the consolidated accounts. The process for identifying a property object to be acquired, the actual acquisition process the management and development of the property, as well as the sale of the property and the ability to refine the property portfolio to be owned, are – all, together -critical success factors as regards the group's financial performance. Considering the high number of transactions and strategical focus on establishing a stronger position in major cities during 2017, we consider the property transactions as a Key audit matter.

how this key matter is addressed in our audit approach

We have assessed the principles, processes and internal routines in the property investment and divestment process. For a selection of property transactions, we have undertaken an assessment based on the internal principles, processes and routines and we tested the transactions in detail.

For a number of these property transactions, we tested that the recorded sales transaction prices and the realized gains on valuation to determine that these details were in accordance with the supporting contractual documentation and bank settlements. In total, we have tested 88% of the sales value of the divestment transactions undertaken during 2017.

In addition, for a selection of property acquisitions, we tested to determine if the acquisition values are reported in accordance with the supporting contractual documentation and bank settlements. In total, approximately 87% of the total acquisition value of property acquired in 2017 was tested.

We have made no note of material misstatements in our audit of the reported acquisition and sales transactions.

As a result of our audit procedures we have no material findings to report to the Audit Committee regarding this key audit matter.

independent auditor's report

other information than the annual accounts and the consolidated accounts

This document also contains other information than the annual accounts and the consolidated accounts and is found on pages 2-7 and pages 148-149. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual accounts and the consolidated accounts does not cover this other information and we do not express any form of assurance conclusion on this other information.

In connection with our audit of the annual accounts and the consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and the consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and the consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and the consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The audit committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and the consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

independent auditor's report

report on other legal and regulatory requirements

opinions

In addition to our audit of the annual accounts and the consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of Akelius Residential Property AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the Director's report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibility section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

independent auditor's report

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

auditor's statement on the corporate governance report

It is the board of directors who is responsible for the corporate governance report for the year 2017 on pages 80-85 and for that it has been prepared in accordance with the Annual Accounts Act.

scope of examination

Our examination has been conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance report. This means that our examination of the corporate governance report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

opinions

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB was appointed auditor of Akelius Residential Property AB by the general meeting of shareholders on 11 April 2017 and has been the company's auditor since the general meeting of shareholders in 1994.

Stockholm 15 March 2018
Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg
Authorized Public Accountant
Auditor-in-charge

Thijs Dirkse
Authorised Public Accountant

definitions

adjusted net operating income margin

Net operating income in relation to rental income, excluding income from operating expenses included in the rent invoiced to the tenants, such as utility and property taxes. It highlights the ongoing earning capacity from property management related to rental services only.

annual property return

Gain from the revaluation of investment properties and net operating income on an annual basis in relation to the fair value of the properties at the beginning of the year. It illustrates the total return on the property portfolio.

capitalization rate

Rate of return used in assessing the terminal value of property in the fair value assessment. Defined as the expected return when net operating income and property prices remains constant.

capital tied up, year

Volume-weighted remaining term of interest-bearing liabilities and derivatives on the balance sheet date. It illustrates the company's refinancing risk.

change yearly in-place residential rent

Development of the rental value over the last 12 months, broken down into disposals, acquisitions and comparable portfolio. The rental value contains a market rent for vacant apartments.

comparable properties

Properties owned during the periods being compared. This means that properties acquired or sold during any of the periods being compared are excluded.

discount rate

Rate of return used in assessing the present value of future cash flow and terminal value in the fair value assessment of properties. Defined as the expected return on the property.

EBITDA

Net operating income plus central administrative expenses, other income and expenses with add-back of depreciation and impairment charges and operating exchange rate differences. It highlights current cash flow capacity from property management.

equity to assets ratio

Equity in relation to total assets. It highlights the company's financial stability.

income return

Net operating income on an annual basis in relation to the fair value of the properties at the beginning of the year. It measures the yield on the property portfolio.

interest rate hedge total loans, year

Volume-weighted remaining term of interest rates on interest-bearing liabilities and derivatives on the balance sheet date. It illustrates the company's financial risk.

interest coverage ratio

Net operating income plus central administrative expenses, other income and expenses, other financial income and expenses, realized value growth with add back of depreciation and impairment charges and operating exchange rate differences, in relation to net interest. It illustrates the company's sensitivity to interest rate changes.

interest coverage ratio, excluding realized value growth

Net operating income plus central administrative expenses, other income and expenses, other financial income and expenses with add back of depreciation and impairment charges, in relation to net interest. It illustrates the company's sensitivity to interest rate changes.

loan-to-value ratio, total loans

Net debt divided by total assets minus cash, pledged cash and liquid assets. It illustrates the company's financial risk.

definitions

loan-to-value ratio, secured loans

Net debt reduced by unsecured interest-bearing debt divided by total assets minus cash, pledged cash and liquid assets. It illustrates the company's financial risk.

net asset value to assets ratio

Equity, deferred tax and derivatives in relation to total assets minus cash, pledged cash and liquid assets. It provides an alternative measure of the company's financial stability.

net financial items

The net of interest income, interest expenses, other financial income and expenses and changes in the fair value of derivatives. It measures the net of financial operations.

net letting

The sum of agreed contracted annual rents for new lets for the period less terminated annual rents.

net debt

Interest-bearing debts minus cash, pledged cash and liquid assets. It illustrates the company's financial risk.

Net operating income

Rental income less property costs. It highlights the ongoing earning capacity from property management.

Net operating income margin

Net operating income in relation to rental income. It highlights the ongoing earning capacity from property management.

other income and expenses

Items from secondary activities such as gains on disposals of fixed assets other than investment properties, income and expenses from temporary services rendered after the sale of properties.

property costs

This item includes direct property costs such as operating expenses, utility expenses, maintenance costs, leasehold fees and property taxes.

property portfolio

Investment property and investment property classified as assets held for sale.

realized value growth

Proceeds from the sale of investment properties minus acquisition costs, accumulated investments and costs of sale. It illustrates the realized value growth of properties sold.

real vacancy rate

The total number of vacant apartments less the number of apartments vacant due to renovation work or planned sales, in relation to the total number of apartments. Real vacancy is measured on the first day after the month-end.

renewed and renegotiated rental contracts

All changes in rental levels for remaining tenants.

rental income

Rental value less vacancies, rent discounts.

return on equity

Comprehensive income divided by opening equity. Shows the return offered on the owners' invested capital.

unencumbrance ratio

Unencumbered assets less cash equivalents to senior unsecured debt less cash equivalents.

vacancy rate

The number of vacant apartments in relation to the total number of apartments. Vacancy is measured on the first day after the month-end.

walkscore

Rating of how easy it is to complete daily errands without a car. Locations are rated on a scale from 0 to 100, where 100 is the best. Walkscore is provided by Walkscore.com

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