

# year-end report

January to December 2017

summary	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Rental income, SEK million	1,071	1,014	4,122	4,109
Growth in rental income comparable properties, percent	5.2	4.4	5.1	4.1
Net operating income, SEK million	621	539	2,413	2,311
Growth in net operating income comparable properties, percent	15.9	13.3	10.7	8.0
EBITDA, SEK million	540	514	2,227	2,208
Profit before tax, SEK million	2,283	5,229	9,480	13,320
Property fair value, SEK million	104,644	87,739	104,644	87,739
Change in property fair value, percent	2.2	6.1	9.7	17.5
Number of apartments	47,177	46,516	47,177	46,516
Real vacancy residential, percent	0.9	1.1	0.9	1.1
Rent level increase comparable properties, percent	0.7	1.2	4.7	4.5
Loan-to-value ratio, percent	44	43	44	43
Interest coverage ratio	1.6	2.5	4.7	4.5
Interest coverage ratio, excluding realized value growth	1.6	2.0	1.9	1.9



12-14 Commonwealth Avenue, Boston

## residential properties in metropolitan cities

We own properties in fifteen metropolitan areas with strong population growth. We 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.

To a greater extent we will benefit from efficient processes and customized decision support.

### intensified work on sustainability

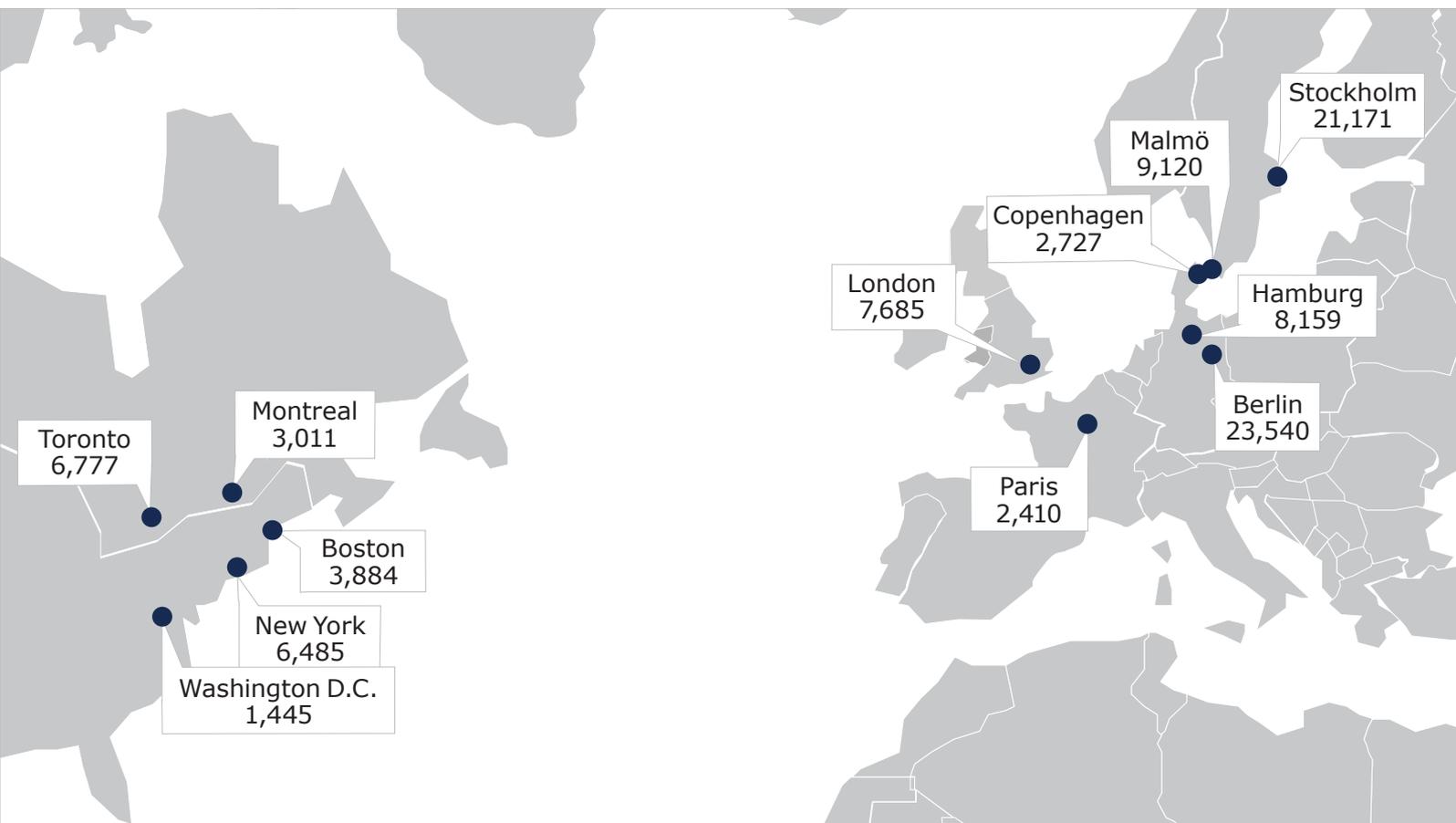
A new goal is to reduce energy and water consumption by 10 percent by 2020.

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

# property portfolio December 31, 2017

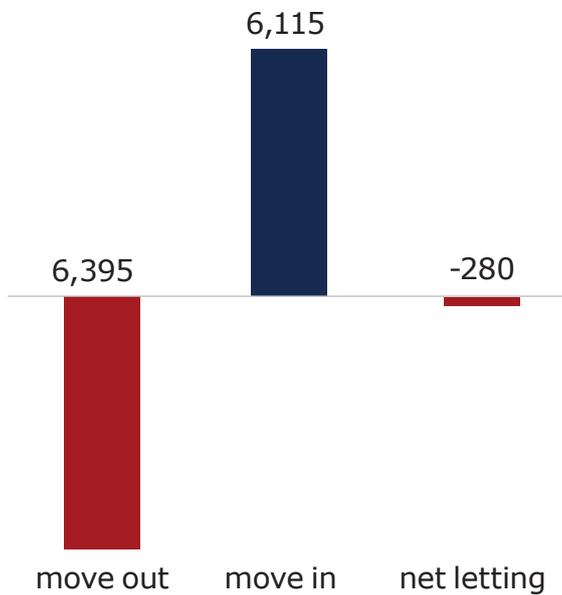
fair value properties, SEK 104,644 million



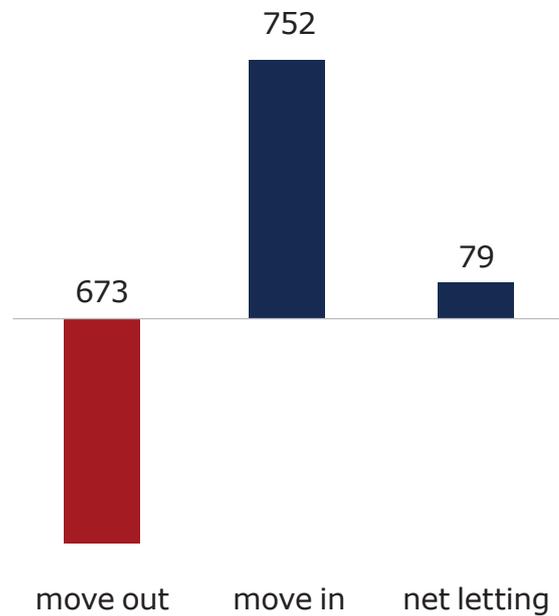
City	Residential units	Lettable space, thousand sqm			Fair value	
		Residential	Commercial	Total	SEK million	SEK/sqm
Berlin	12,781	802	66	868	23,540	27,109
Stockholm	9,245	667	47	714	21,171	29,648
Malmö	4,063	266	83	349	9,120	26,136
Hamburg	4,205	236	11	247	8,159	32,988
London	2,148	84	6	90	7,685	85,580
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
<b>Total</b>	<b>47,177</b>	<b>2,940</b>	<b>288</b>	<b>3,228</b>	<b>104,644</b>	<b>32,421</b>

## SEK 79 million in net letting Jan–Dec 2017

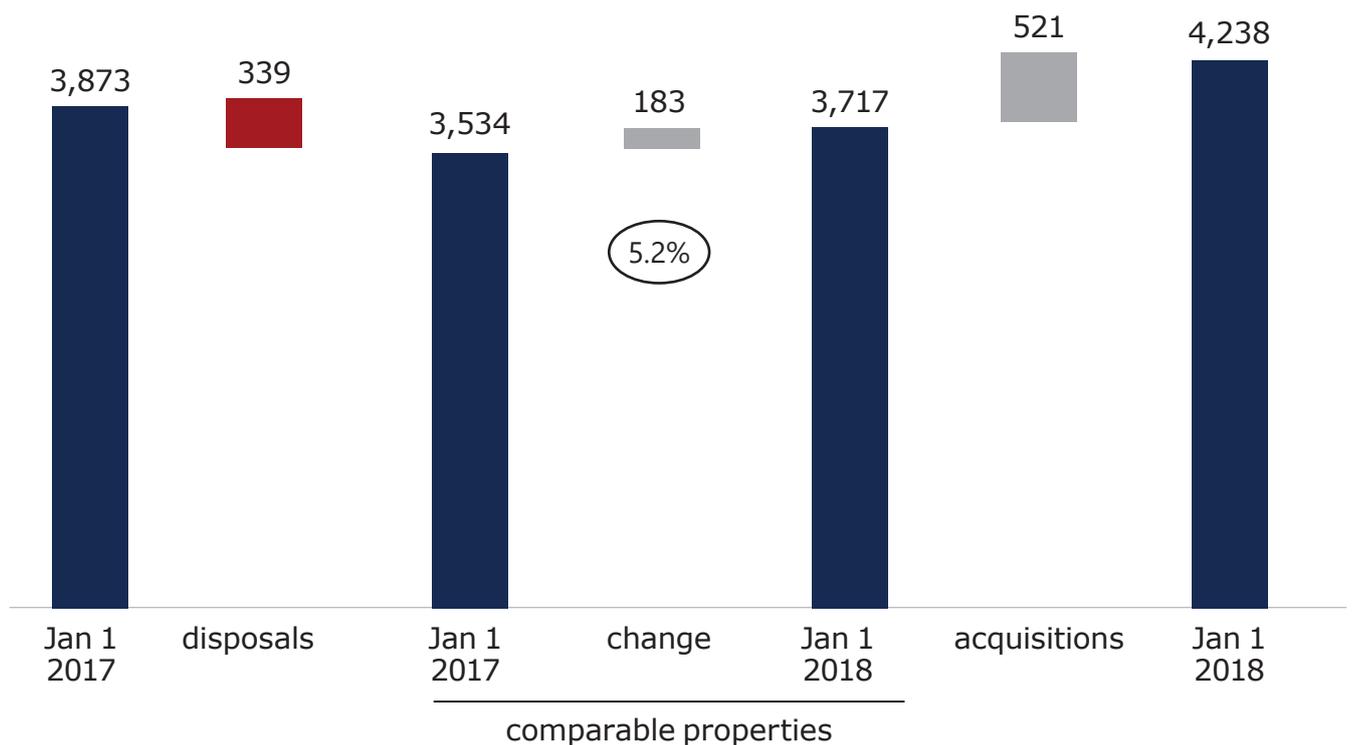
net letting -280 residential units



yearly in-place residential rent  
SEK million



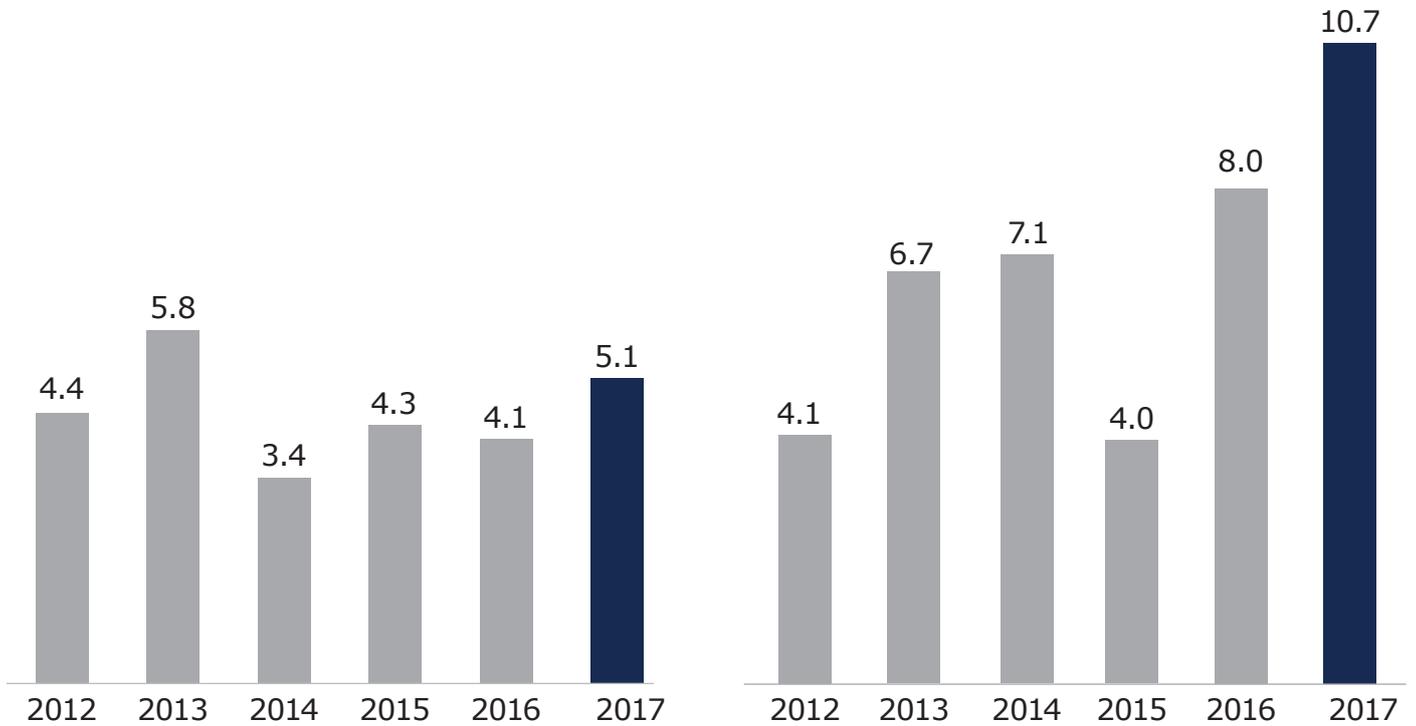
## 5.2 percent increase in yearly in-place residential rent



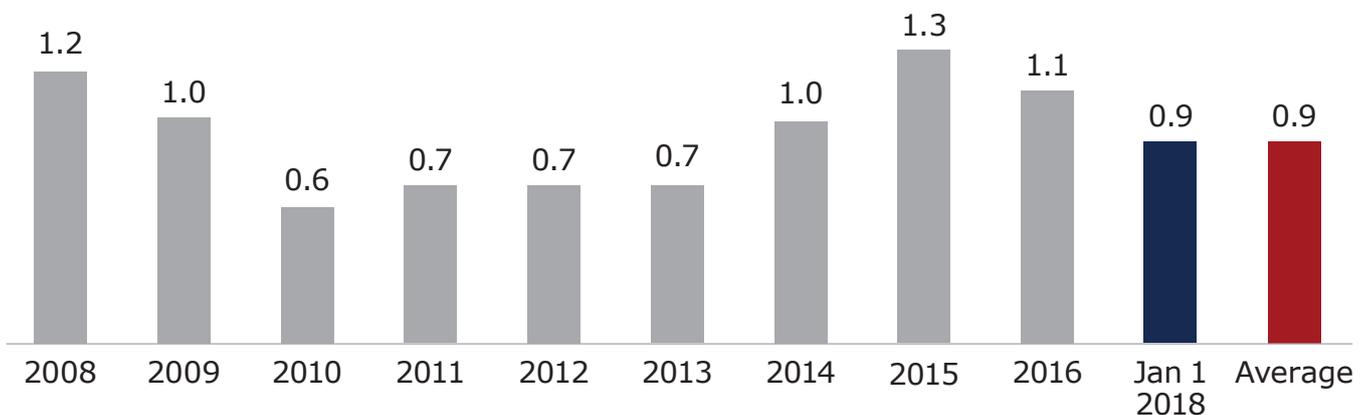
## growth for comparable properties

rental income 5.1 percent

net operating income 10.7 percent

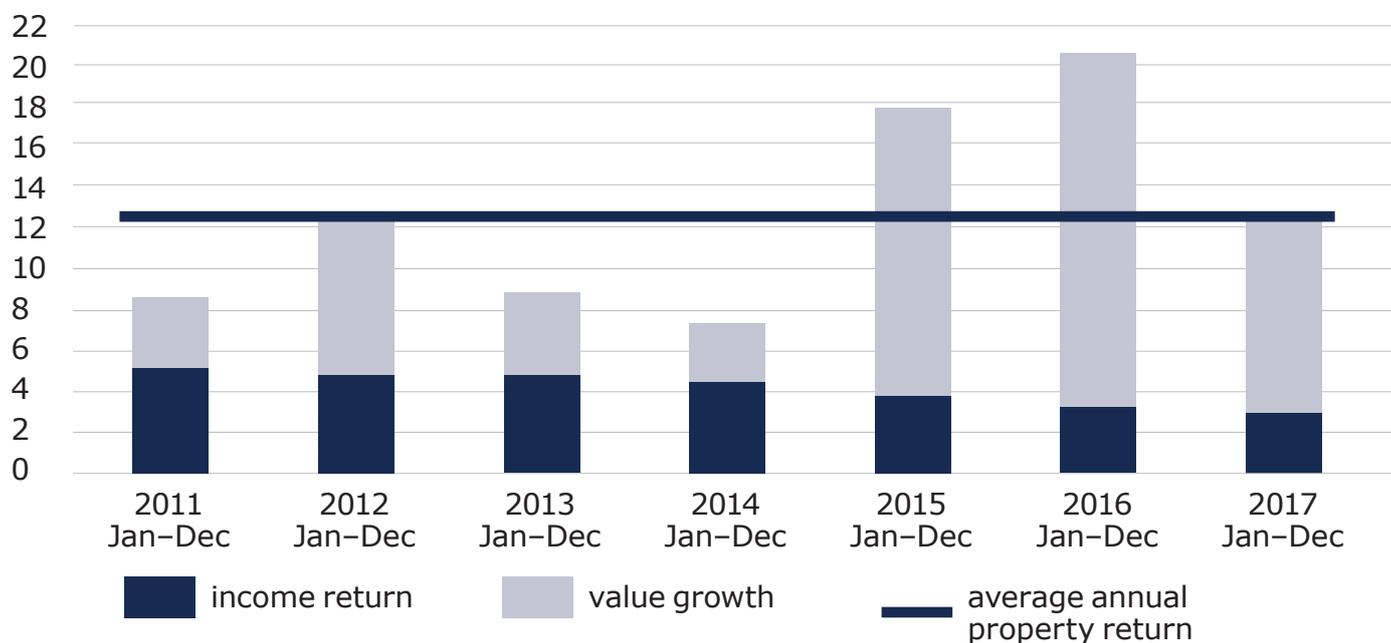


## 0.9 percent real vacancy



## 12.5 percent property return

annual property return  
percent



	SEK million	Growth Jan-Dec percent
<b>Fair value, Jan 1, 2017</b>	<b>87,739</b>	
Revaluations	8,554	9.7
Investments	2,777	3.2
Purchases	12,490	14.2
Sales	-7,096	-8.1
Translation differences	180	0.2
<b>Fair value, Dec 31, 2017</b>	<b>104,644</b>	<b>19.3</b>
<b>Net operating income</b>	<b>2,413</b>	<b>2.8</b>
<b>Total property return</b>	<b>10,967</b>	<b>Per annum: 12.5</b>

capitalization rate 3.60 percent

percent	Capitalization rate	Discount rate
Jan 1, 2017	3.82	5.81
Purchases	0.02	0.01
Sales	0.00	0.00
Comparable	-0.22	-0.23
Translation differences	-0.02	0.00
<b>Dec 31, 2017</b>	<b>3.60</b>	<b>5.59</b>

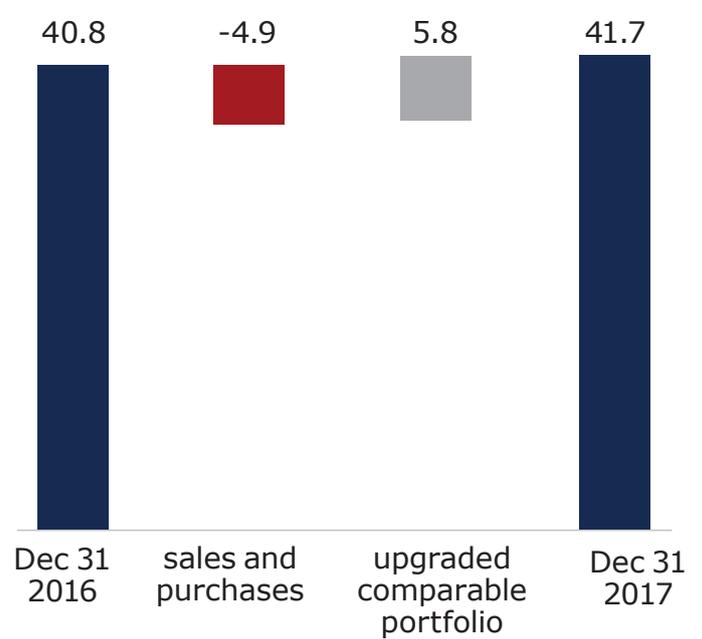
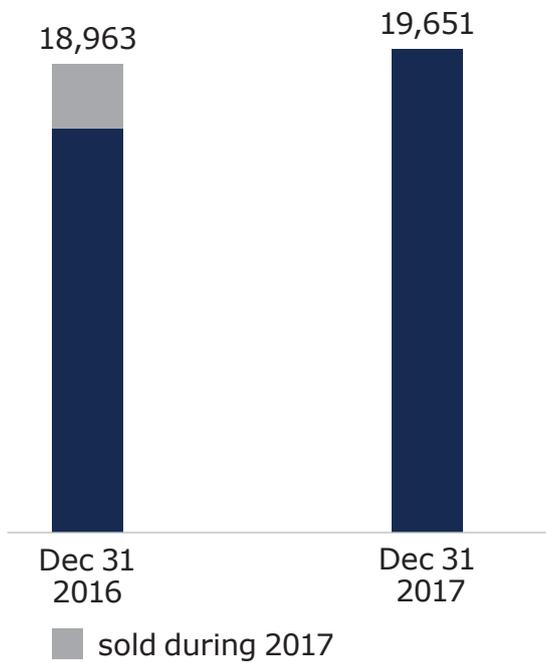
change in value SEK 8,554 million

	SEK million	Return, percent
Cash flow	2,023	2.31
Required rate of return	5,669	6.46
Sales	436	0.50
Purchases	426	0.48
<b>Total change in value</b>	<b>8,554</b>	<b>9.75</b>

## changes in property portfolio

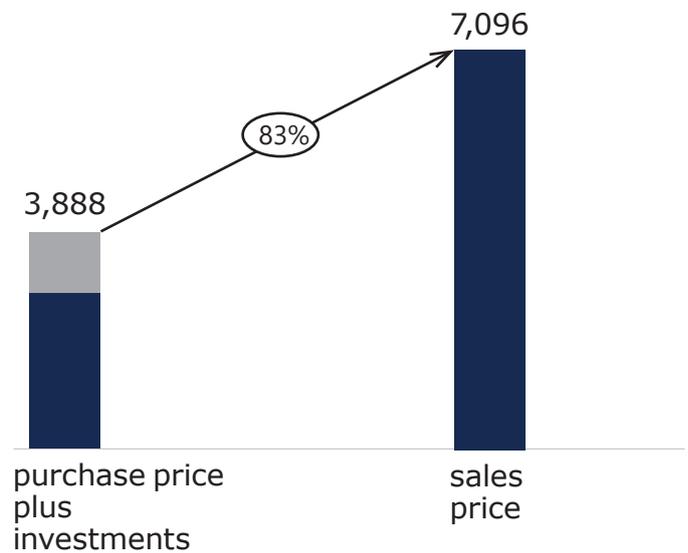
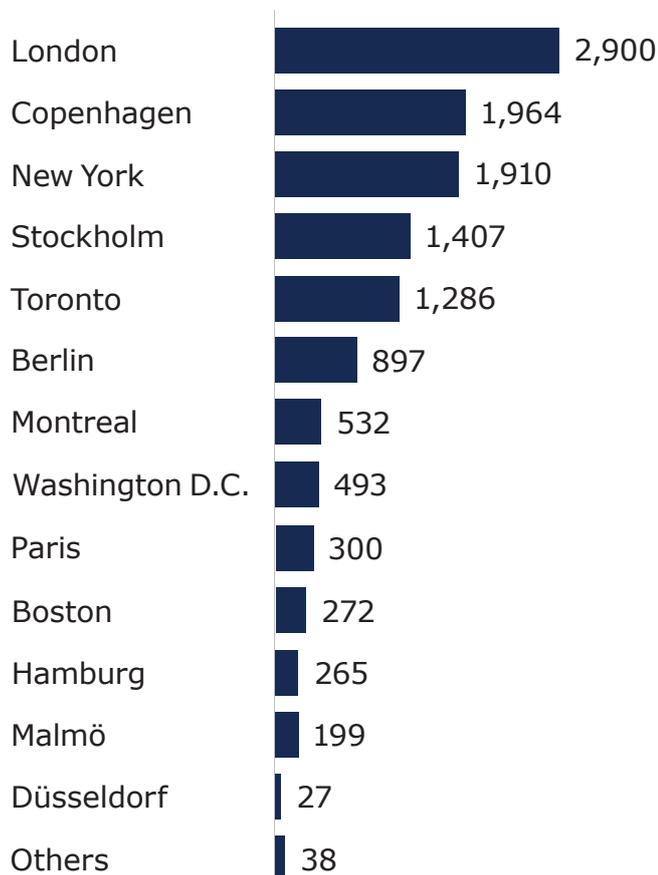
19,651 upgraded apartments

41.7 percent upgraded apartments



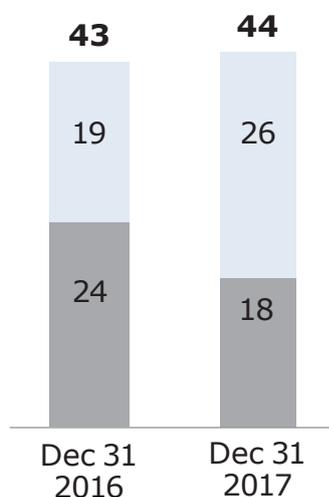
property purchases  
SEK 12,490 million

property sales SEK 7,096 million



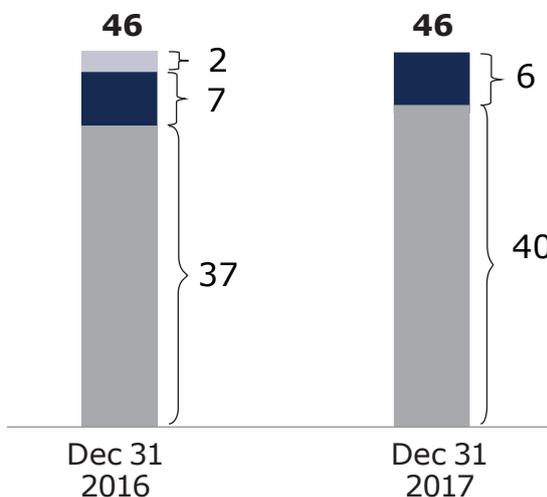
# financing

loan-to-value ratio  
44 percent



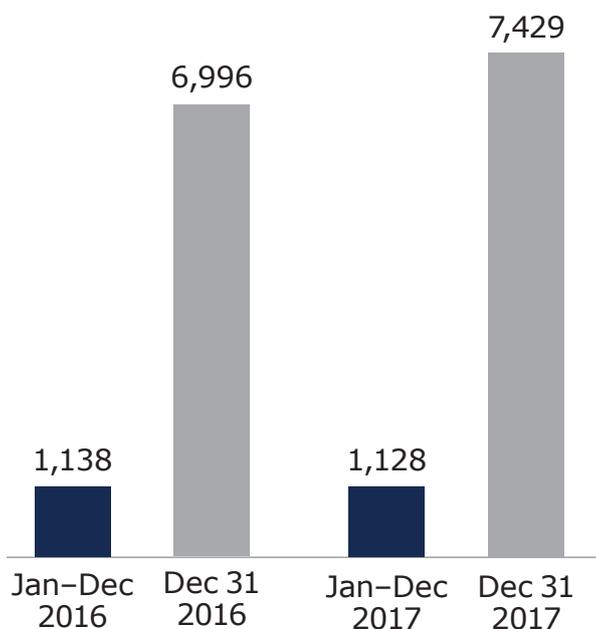
unsecured loans  
secured loans

equity-to-assets ratio  
46 percent



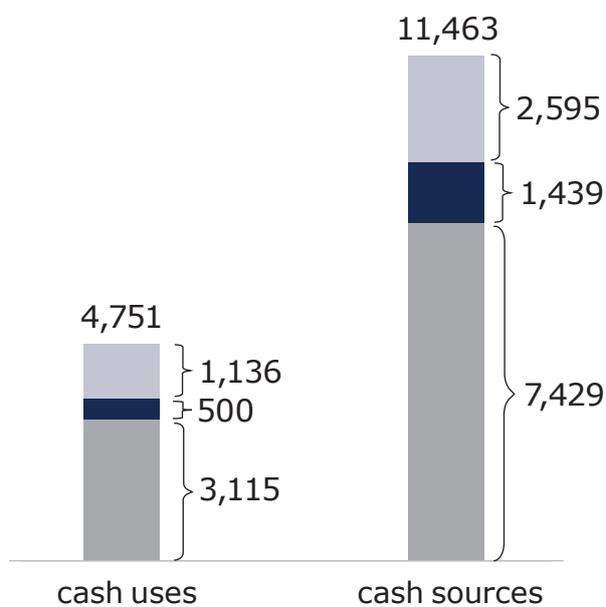
hybrid loan  
preferred equity  
ordinary equity

interest expenses and liquidity  
SEK million



interest expenses  
liquidity

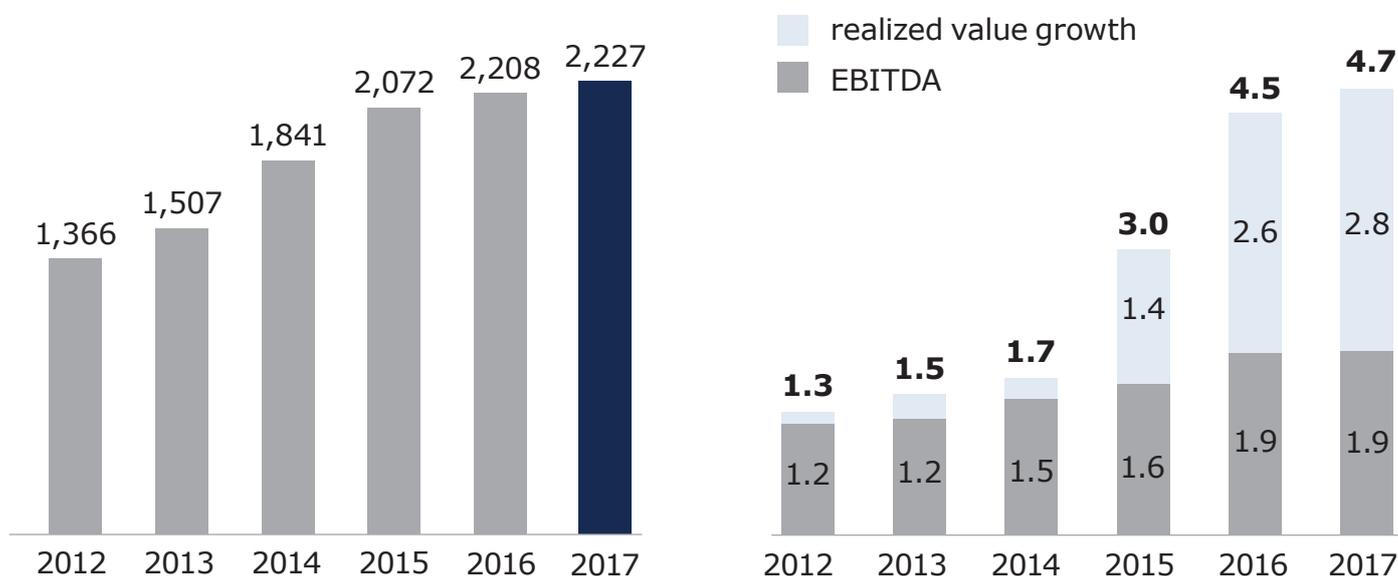
cash uses and sources  
SEK million



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

## EBITDA SEK 2,227 million

## interest coverage ratio 4.7



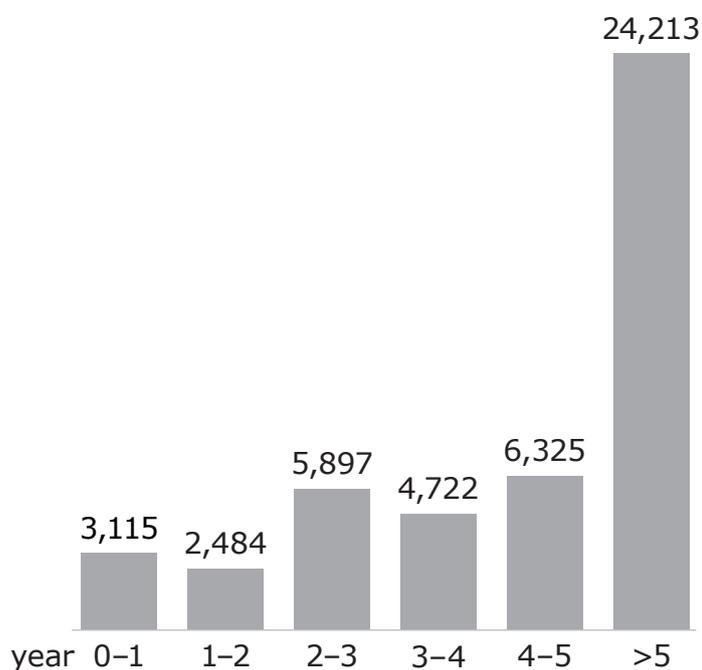
## current interest and debt coverage capacity

SEK million	Jan–Dec 2017	Pro forma, 12 months
Rental income	4,122	4,603*
Operating expenses	-1,387	-1,385
Maintenance	-322	-344
<b>Net operating income</b>	<b>2,413</b>	<b>2,874</b>
Central administrative and other expenses **	-186	-186
<b>EBITDA</b>	<b>2,227</b>	<b>2,688</b>
Net interest expense	-1,126	-1,204
Other financial income and expenses	-45	-45
<b>Profit before tax and revaluation</b>	<b>1,056</b>	<b>1,439</b>
Realized value growth	3,125	-
<b>Interest coverage ratio</b>	<b>4.7</b>	<b>2.2</b>
<b>Interest coverage ratio excluding realized value growth</b>	<b>1.9</b>	<b>2.2</b>
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

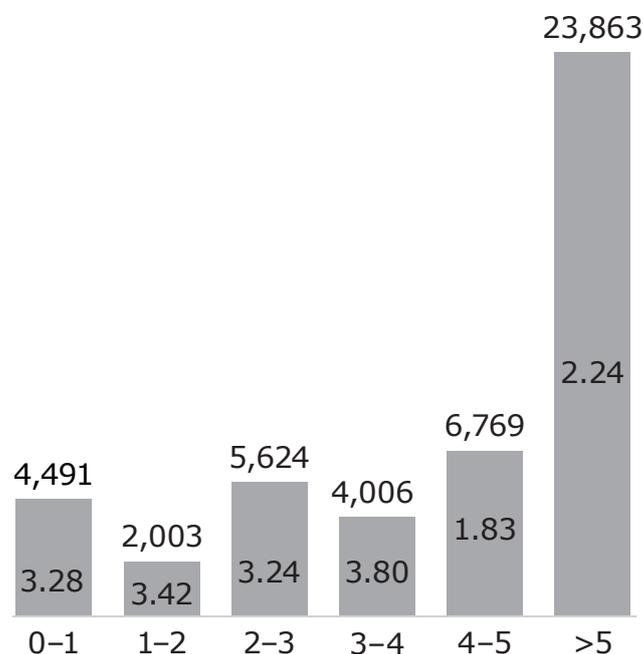
\*Includes SEK 4,238 million in yearly in-place residential rent as of January 1, 2018, SEK 383 million in rental income for commercial properties and parking, SEK -53 million in real vacancy for apartments and SEK 35 million for other income.

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

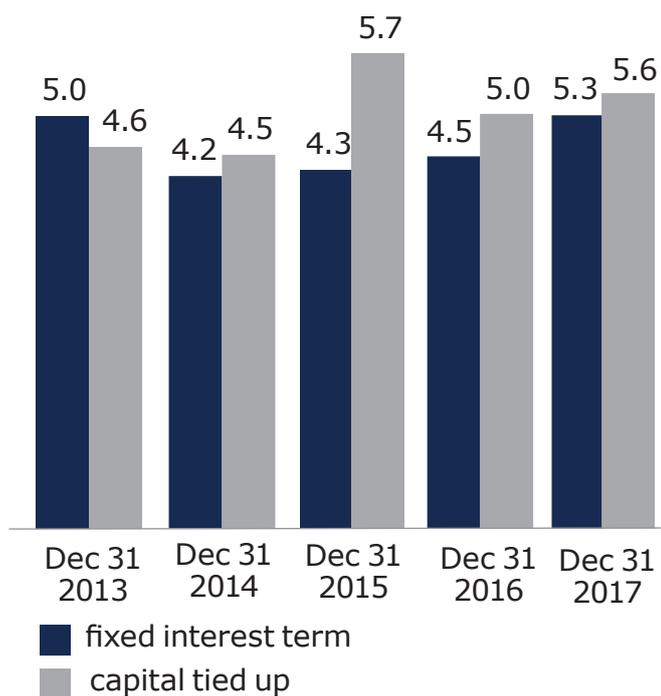
capital tied up  
SEK million



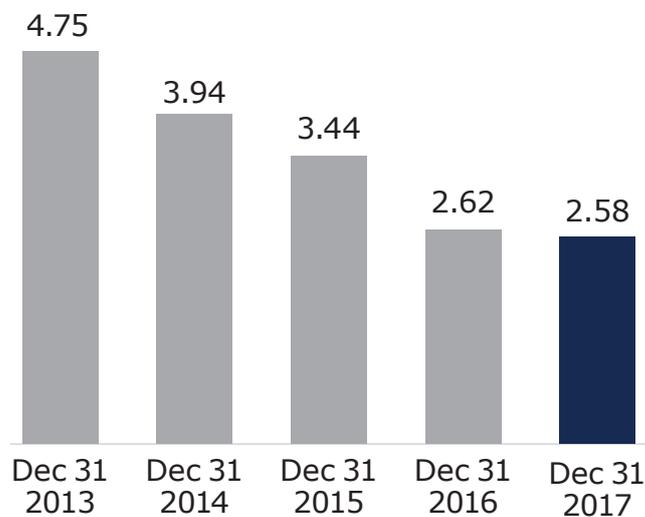
interest rate hedges and  
average interest rate  
SEK million and percent



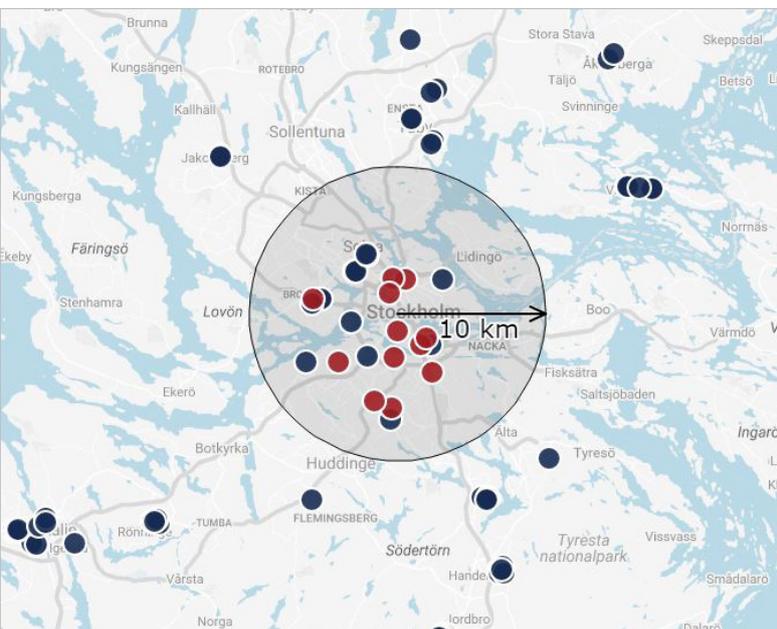
fixed interest term 5.3 years  
capital tied up 5.6 years



average interest rate 2.58 percent

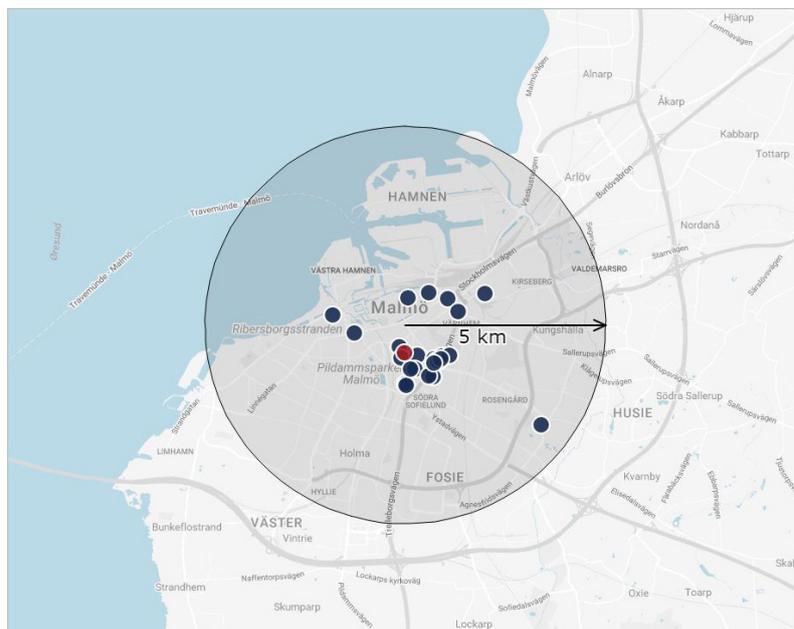


## Stockholm



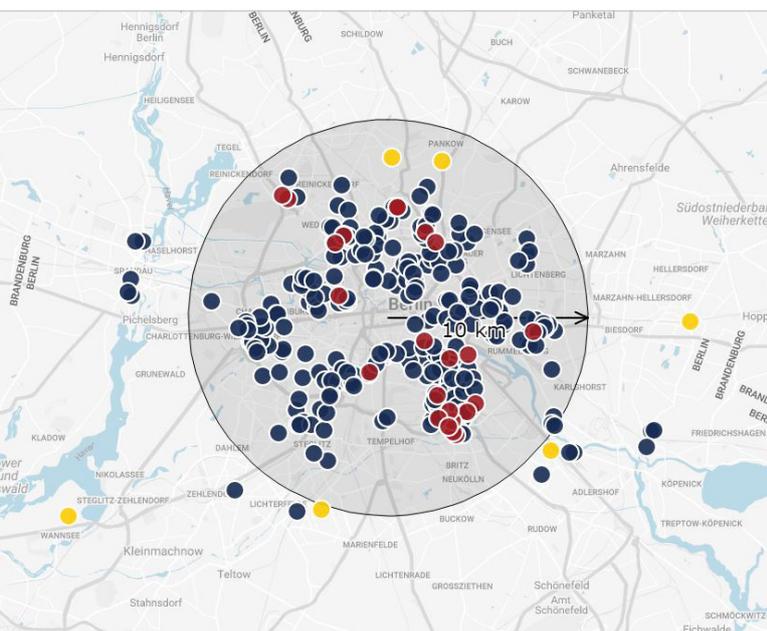
● acquired properties      ● comparable properties

## Malmö

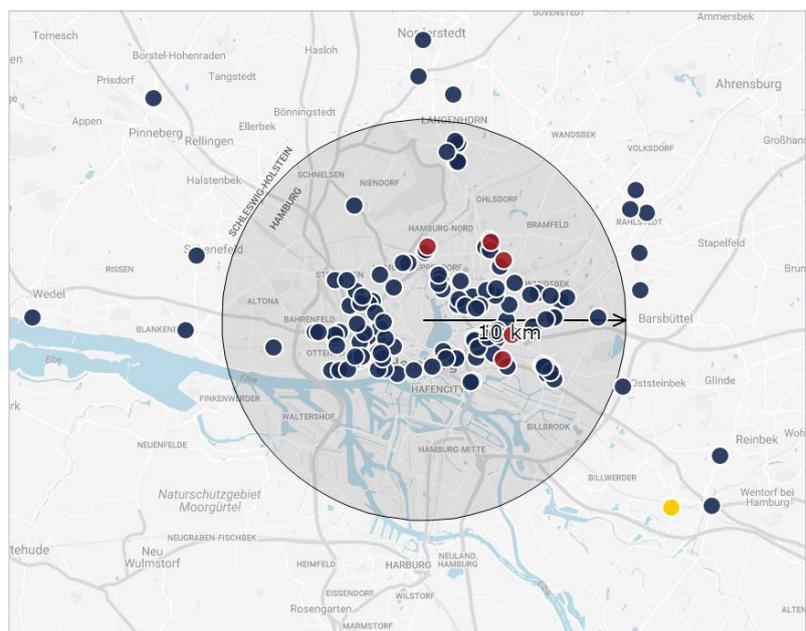


	Stockholm	Malmö
<b>Property portfolio</b>		
Capitalization rate, percent	2.85	3.16
Proportion of property fair value, percent	20	9
Proportion upgraded apartments, percent	45	48
Walk score	59	89
Average apartment size, sqm	72	65
<b>Average rent</b>		
	SEK/sqm/year	SEK/sqm/year
Total portfolio Jan 1, 2017	1,241	1,286
Sales	-	-
Comparable portfolio Jan 1, 2017	1,241	1,286
Increase in comparable portfolio	25	45
– Increase in percent	2.1	3.5
Comparable portfolio Jan 1, 2018	1,266	1,331
Purchases	2	-2
Total portfolio Jan 1, 2018	1,268	1,329
New lease level	1,489	1,555
<b>Vacancy rate residential</b>		
	Percent	Percent
Real vacancy rate	0.0	0.0
Apartments being upgraded	1.2	0.9
Vacancy rate	1.2	0.9

## Berlin



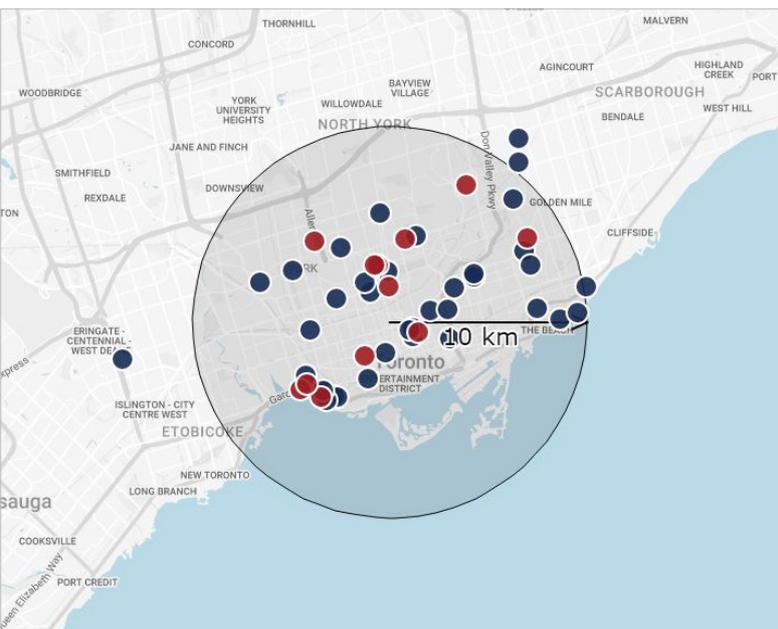
## Hamburg



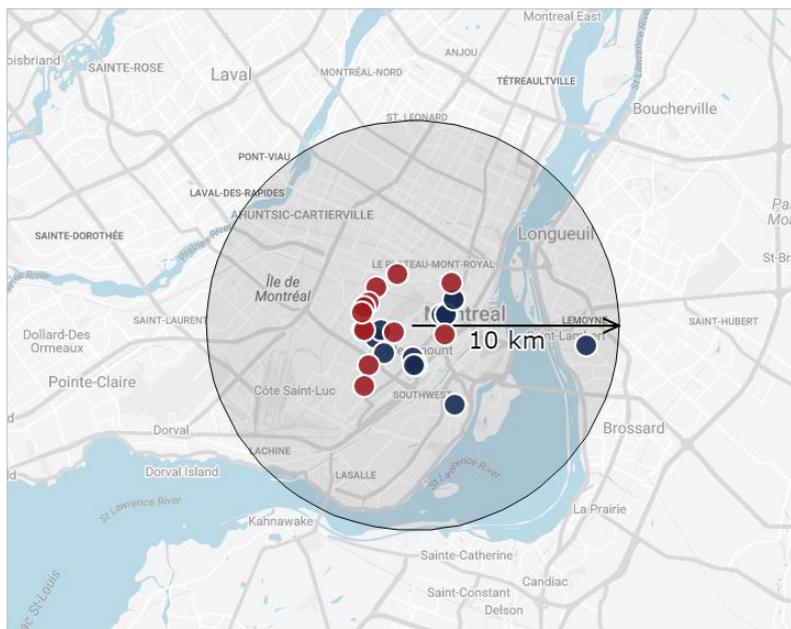
● acquired properties    ● comparable properties    ● sold properties

	Berlin	Hamburg
<b>Property portfolio</b>		
Capitalization rate, percent	3.41	3.78
Proportion of property fair value, percent	22	8
Proportion upgraded apartments, percent	35	51
Walk score	91	87
Average apartment size, sqm	63	56
<b>Average rent</b>	EUR/sqm/month	EUR/sqm/month
Total portfolio Jan 1, 2017	7.63	10.23
Sales	-	0.01
Comparable portfolio Jan 1, 2017	7.63	10.24
Increase in comparable portfolio	0.51	0.45
– Increase in percent	6.7	4.4
Comparable portfolio Jan 1, 2018	8.14	10.69
Purchases	-0.08	0.01
Total portfolio Jan 1, 2018	8.06	10.70
New lease level	14.83	14.51
<b>Vacancy rate residential</b>	Percent	Percent
Real vacancy rate	1.5	1.2
Apartments being upgraded	5.5	5.0
Vacancy rate	7.0	6.2

## Toronto



## Montreal

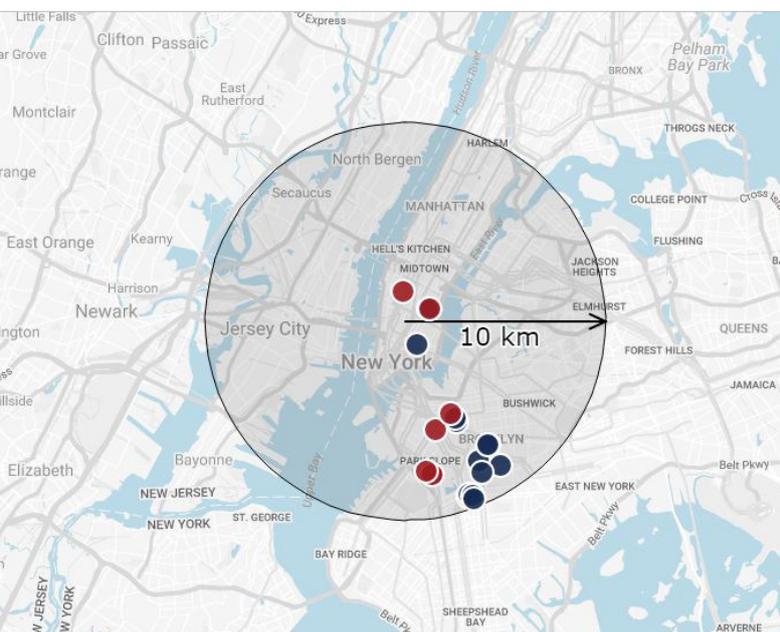


● acquired properties      ● comparable properties

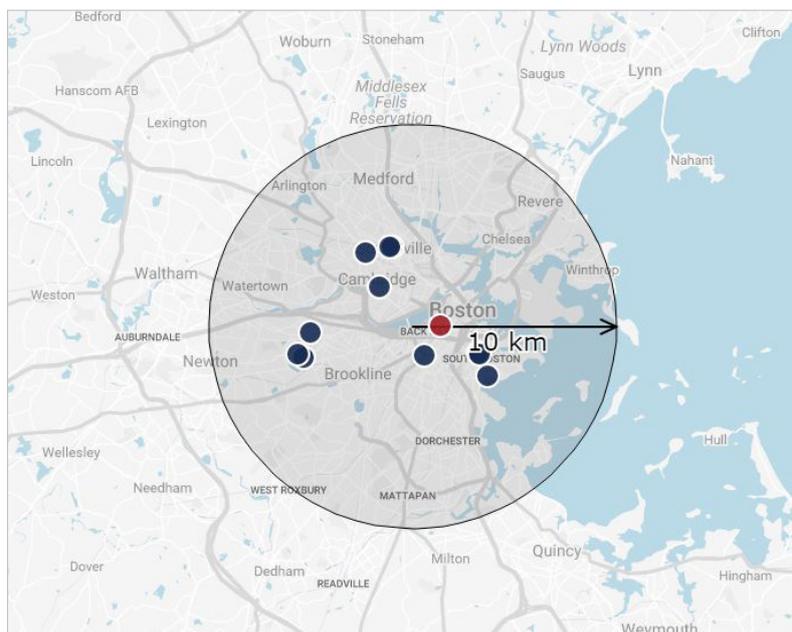
	Toronto	Montreal
<b>Property portfolio</b>		
Capitalization rate, percent	4.22	4.46
Proportion of property fair value, percent	6	3
Proportion upgraded apartments, percent	45	44
Walk score	83	89
Average apartment size, sqft	593	755
<b>Average rent</b>	CAD/sqft/month	CAD/sqft/month
Total portfolio Jan 1, 2017	2.07	1.57
Sales	-	-
Comparable portfolio Jan 1, 2017	2.07	1.57
Increase in comparable portfolio	0.10	0.10
– Increase in percent	4.5	6.1
Comparable portfolio Jan 1, 2018	2.17	1.67
Purchases	-0.10	0.01
Total portfolio Jan 1, 2018	2.07	1.68
New lease level	2.76	1.88
<b>Vacancy rate residential</b>	Percent	Percent
Real vacancy rate	0.5	0.8
Apartments being upgraded	3.8	2.4
Vacancy rate	4.3	3.2



## New York



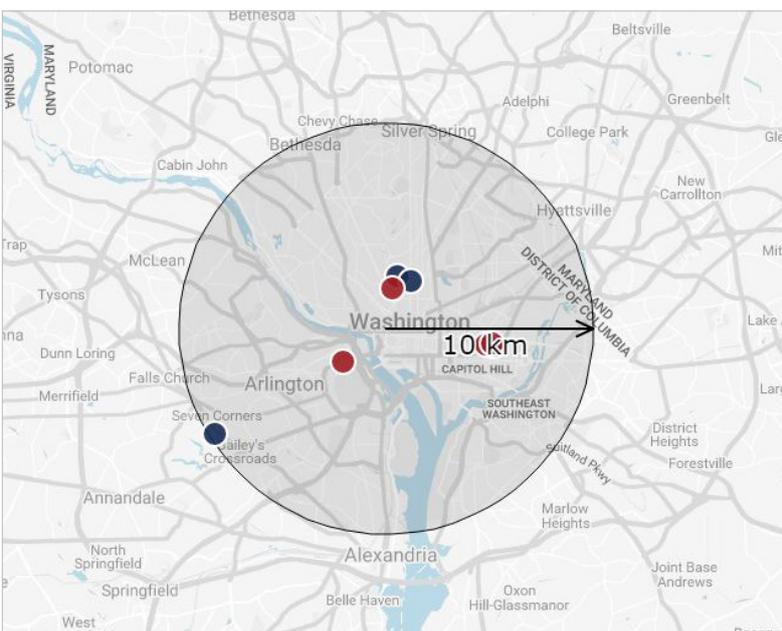
## Boston



● acquired properties      ● comparable properties

	New York	Boston
<b>Property portfolio</b>		
Capitalization rate, percent	4.26	4.34
Proportion of property fair value, percent	6	4
Proportion upgraded apartments, percent	23	50
Walk score	97	87
Average apartment size, sqft	695	697
<b>Average rent</b>	USD/sqft/month	USD/sqft/month
Total portfolio Jan 1, 2017	2.27	3.26
Sales	-	-
Comparable portfolio Jan 1, 2017	2.27	3.26
Increase in comparable portfolio	0.10	0.14
– Increase in percent	5.0	4.4
Comparable portfolio Jan 1, 2018	2.37	3.40
Purchases	0.40	0.02
Total portfolio Jan 1, 2018	2.77	3.42
New lease level	4.50	3.67
<b>Vacancy rate residential</b>	Percent	Percent
Real vacancy rate	2.3	2.7
Apartments being upgraded	6.8	17.4
Vacancy rate	9.1	20.1

## Washington D.C.



● acquired properties      ● comparable properties

## Copenhagen



### Washington D.C.

### Copenhagen

	Washington D.C.	Copenhagen
<b>Property portfolio</b>		
Capitalization rate, percent	4.83	3.09
Proportion of property fair value, percent	1	3
Proportion upgraded apartments, percent	26	24
Walk score	86	95
Average apartment size	775	80
<b>Average rent</b>		
	USD/sqft/month	DKK/sqm/year
Total portfolio Jan 1, 2017	1.71	916
Sales	-	-
Comparable portfolio Jan 1, 2017	1.71	916
Increase in comparable portfolio	0.10	48
– Increase in percent	5.4	5.3
Comparable portfolio Jan 1, 2018	1.81	964
Purchases	0.07	-28
Total portfolio Jan 1, 2018	1.88	936
New lease level	1.98	1,664
<b>Vacancy rate residential</b>		
	Percent	Percent
Real vacancy rate	1.3	0.6
Apartments being upgraded	30.9	5.5
Vacancy rate	32.2	6.1

## result

### 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 comparable portfolio and the sales of properties that were made 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 the fair value of 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 was deferred tax, mainly due to unrealized gains on properties. The Group has no ongoing tax disputes.

## financing

### equity-to-assets ratio 46 percent

Equity increased by SEK 7,333 million to SEK 48,270 million during the period. Equity-to-assets ratio amounted to 46 percent.

### loan-to-value ratio 44 percent

Loans increased during the period by SEK 8,661 million to SEK 46,756 million.

The loan-to-value ratio increased by one percentage point since last year to 44 percent. The secured loans were SEK 19,038 million, compared to SEK 21,482 million at the end of 2016.

Secured loan-to-value ratio was 18 percent, 6 percentage points lower since 2016.

The secured loans were borrowed from 36 banks in seven countries.

Unsecured loans include eight listed bonds and loans from related companies.

### capital tied up 5.6 years

Interest-bearing debt was tied up for an average of 5.6 years, compared to 5.0 years in 2016.

SEK 3,115 million matures within one year.

The average loan-to-value ratio on short-term loans was 37 percent.

Short-term loans consist of borrowings from 19 banks and of capital market financing.

### interest rate hedge 5.3 years

SEK 23,863 million had a fixed interest rate term exceeding five years,

SEK 4,491 million had a fixed interest rate term of less than one year.

The average interest rate was 2.58 percent, compared to 2.62 percent 2016.

On average, the underlying interest rate is secured for 5.3 years, compared to 4.5 years at the end of 2016.

### liquidity SEK 7,429 million

Available funds in the form of liquid assets and credit facilities totaled SEK 7,429 million.

The unencumbered properties' fair value is SEK 42,394 million.

## property portfolio

### fair value SEK 104,644 million

The fair value is SEK 104,644 million, which is equivalent to SEK 32,421 per square meter.

The average capitalization rate was 3.60 percent, which is 0.22 percentage points lower than at the beginning of the year.

### property purchases SEK 12,490 million

Property purchases were SEK 12,490 million (6,094).

The average capitalization rate was 3.88 percent for purchased properties.

### property investments SEK 2,777 million

Investments in properties totaled SEK 2,777 million (2,989).

It corresponded to SEK 859 per square meter on an annual basis.

42 percent of the total investments were due to apartment upgrades.

### property sales SEK 7,096 million

Sales totaled SEK 6,661 million in Sweden and SEK 435 million in Germany.

In total, Akelius sold properties for SEK 7,096 million (9,061).

Net income from the sales of properties totaled SEK 353 million, including SEK 83 million in transaction costs.

Sales prices for contracted sales during 2017 were 15 percent higher than the fair value at the beginning of the year.

Well-kept residential properties are attractive investments for many types of investors and provide a liquidity reserve during the entire business cycle.

## 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.

## 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 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.

## assets and liabilities held for sale

Akelius has signed an agreement for the sale of 1,420 apartments in Greater Stockholm.

The closing date is April 2018.

SEK 2,402 million investment properties and SEK 283 million deferred taxes are reported as held for sale at the end of 2017.

## fourth quarter

Profit for the quarter amounted to SEK 1,694 million (3,786).

Change in the fair value of properties impacted the profit with SEK 2,123 million (4,746).

Tax expenses totaled SEK -589 million (-1,443) mainly related to deferred tax.

During the fourth quarter, rental income amounted to SEK 1,071 million (1,014).

Property costs decreased to SEK 450 million (475).

Net financial items totaled SEK -369 million (-95) and include the change in the fair value of derivatives.

Other comprehensive income included SEK -393 million (-362) corresponding to changes of currency derivatives and exchange rate differences of external loans in foreign currency.

Translation differences of foreign Group companies amounted to SEK 1,090 million (406).

Akelius issued senior unsecured bonds to a nominal amount of SEK 1,500 million and EUR 500 million.

The SEK bonds mature in October 2021.

SEK 1,000 million have an annual coupon of 1.125 percent.

SEK 500 million have a coupon of 3 months Stibor plus 0.90 percent.

The EUR bonds mature in March 2024 and have an annual coupon of 1.125 percent.

Cash flow during the fourth quarter amounted to SEK -950 million (-3).

Cash flow generated from operations was SEK 333 million (134).

Net cash flow from investing activities amounted to SEK -3,566 million (-2,842).

Financing activities had a positive effect on cash flow of SEK 2,283 million (2,705).

Dividends of SEK 94 million (94) were paid to the holders of preference shares.

## other financial information

### preference shares

The total number of preference shares was 18,835,606, equivalent to SEK 6,020 million reported in equity.

Preference shares represent 0.61 percent of the total number of shares in Akelius Residential Property AB.

On December 31, 2017, the price paid per preference share was SEK 331.

A dividend of SEK 5 per preference share will be paid on the record date pursuant to the Articles of Association: February 5, 2018, totaling SEK 94 million.

### rating

In 2017, Standard and Poor's raised the investment grade rating to BBB on Akelius Residential Property AB and its unsecured debt.

### personnel

876 people were employed in the Group at the end of the 2017, compared to 734 at the end of 2016.

### related party transactions

Net debt from related parties decreased by SEK 2,453 million including the repurchase of hybrid loans.

The scope and focus of these operations did not change significantly during the period. All transactions were on market terms.

### other

The Annual Report will be available on Akelius website on 2018-03-16.

The Annual General Meeting will be held on 2018-04-10 in Stockholm.

Announcement will be posted on the company's website.

As the Board has yet to decide on a proposal for allocation of profit, this information will be presented in the notice convening the Annual General Meeting.

### events after the balance sheet date

No significant events occurred after the balance sheet date.

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Pål Ahlsén,  
CEO, Managing Director

Stockholm, Sweden, February 5, 2018,  
Akelius Residential Property AB (publ)

The interim report has not been reviewed by the company's auditors.

## consolidated statement of comprehensive income

SEK million	2017 Oct–Dec 3 months	2016 Oct–Dec 3 months	2017 Jan–Dec 12 months	2016 Jan–Dec 12 months
Rental income	1,071	1,014	4,122	4,109
Operating expenses	-366	-359	-1,387	-1,418
Maintenance	-84	-116	-322	-380
<b>Net operating income</b>	<b>621</b>	<b>539</b>	<b>2,413</b>	<b>2,311</b>
Central administration	-91	-42	-215	-134
Other income and expenses	4	17	1	26
Realized revaluation of investment properties*	-5	64	353	827
Unrealized revaluation of investment properties	2,123	4,746	8,103	11,779
<b>Operating profit</b>	<b>2,652</b>	<b>5,324</b>	<b>10,655</b>	<b>14,809</b>
Interest income	1	2	2	4
Interest expenses	-323	-254	-1,128	-1,138
Other financial income and expenses	-19	-9	-45	-33
Change in fair value of derivative financial instruments	-28	166	-4	-322
<b>Profit before tax</b>	<b>2,283</b>	<b>5,229</b>	<b>9,480</b>	<b>13,320</b>
Tax	-589	-1,443	-1,712	-2,958
<b>Profit for the period/year</b>	<b>1,694</b>	<b>3,786</b>	<b>7,768</b>	<b>10,362</b>
Items that will be reclassified to profit or loss:				
- Translation differences	1,090	406	-173	1,366
- Change in the hedging of currency risk	-393	-362	370	-659
- Tax attributable to the hedging of currency risk	87	80	-81	145
- Revaluation reserve**	14	-	14	-
- Tax attributable to revaluation reserve	-2	-	-2	-
<b>Comprehensive income for the period/year</b>	<b>2,490</b>	<b>3,910</b>	<b>7,896</b>	<b>11,214</b>
Profit attributable to:				
- owners of the Parent Company	1,712	3,737	7,721	10,187
- owner of the hybrid loans	-	34	42	125
- non-controlling interests	-18	15	5	50
Total comprehensive income attributable to:				
- owners of the Parent Company	2,502	3,876	7,834	10,952
- owner of the hybrid loans	-	20	51	206
- non-controlling interests	-12	14	11	56
Earnings per share before and after dilution, SEK	0.53	1.25	2.43	3.37

\* SEK 83 million (109) refers to transaction costs for Jan–Dec 2017.

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

## consolidated statement of financial position

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

\* At the end of September, one property was reclassified to owner-occupied property.

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

## consolidated statement of cash flows

SEK million	2017 Oct-Dec 3 months	2016 Oct-Dec 3 months	2017 Jan-Dec 12 months	2016 Jan-Dec 12 months
Net operating income	621	539	2,413	2,311
Central administration	-91	-43	-215	-134
Other income and expenses	1	17	7	23
Reversal of depreciation and impairment losses	7	4	21	14
Interest paid	-212	-234	-940	-1,226
Income tax paid	-5	-59	-28	-67
<b>Cash flow before changes in working capital</b>	<b>321</b>	<b>224</b>	<b>1,258</b>	<b>921</b>
Change in current assets	-77	41	-166	-27
Change in current liabilities	89	-131	-20	-30
<b>Cash flow from operating activities</b>	<b>333</b>	<b>134</b>	<b>1,072</b>	<b>864</b>
Investments in intangible assets	-6	-10	-20	-28
Investment in properties	-894	-959	-2,777	-2,989
Acquisition of investment properties	-2,936	-2,245	-12,490	-6,094
Acquisition of net assets	124	13	186	650
Proceeds from sales of investment properties	57	346	7,096	9,061
Proceeds from sale of net assets	-	-1	-431	-310
Purchase and sale of other assets	89	14	-317	405
<b>Cash flow from investing activities</b>	<b>-3,566</b>	<b>-2,842</b>	<b>-8,753</b>	<b>695</b>
New share issue	-	-	10,057	4,036
Shareholder contribution	4	-	5	8
Loans raised	4,235	11,170	21,112	19,862
Repayment of loans	-2,158	-7,438	-13,066	-18,641
Repayment of hybrid loans	-	-	-2,188	-
Purchase and sale of derivative instruments	296	-808	216	-1,377
Dividend	-94	-219	-8,436	-5,546
<b>Cash flow from financing activities</b>	<b>2,283</b>	<b>2,705</b>	<b>7,700</b>	<b>-1,658</b>
<b>Cash flow for the period/year</b>	<b>-950</b>	<b>-3</b>	<b>19</b>	<b>-99</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,100</b>	<b>140</b>	<b>137</b>	<b>238</b>
Translation differences in cash and cash equivalents	5	-	-1	-2
<b>Cash and cash equivalents at end of period/year</b>	<b>155</b>	<b>137</b>	<b>155</b>	<b>137</b>

## consolidated statement of changes in equity

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

## condensed statement of comprehensive income for the Parent Company

SEK million	2017 Oct-Dec 3 months	2016 Oct-Dec 3 months	2017 Jan-Dec 12 months	2016 Jan-Dec 12 months
Central administration	-1	-3	-34	-35
Profit from shares in subsidiaries	-	-	-	2,000
Financial income	407	406	1,383	1,312
Financial expenses	-121	-197	-1,426	-878
Change in fair value of derivatives	-7	117	130	-218
Appropriations	198	-1,065	198	-1,065
<b>Profit before tax</b>	<b>476</b>	<b>-742</b>	<b>251</b>	<b>1,116</b>
Tax	-25	37	-68	192
<b>Profit for the period/year</b>	<b>451</b>	<b>-705</b>	<b>183</b>	<b>1,308</b>
<b>Comprehensive income</b>	<b>451</b>	<b>-705</b>	<b>183</b>	<b>1,308</b>

## condensed statement of financial position for the Parent Company

SEK million	2017 Dec 31	2016 Dec 31
Intangible assets	2	3
Shares in subsidiaries	13,372	13,183
Receivables from Group companies	49,997	36,216
Deferred tax assets	454	522
Other assets	201	41
Cash and cash equivalents	5	-
<b>Total assets</b>	<b>64,031</b>	<b>49,965</b>
Total equity	15,840	14,036
Interest-bearing liabilities	29,937	18,301
Interest-bearing liabilities from Group companies	17,471	16,883
Derivative financial instruments	406	576
Other current liabilities	368	169
Other current liabilities from Group companies	9	-
<b>Total equity and liabilities</b>	<b>64,031</b>	<b>49,965</b>

## interest-bearing liabilities

Duration, years	Interest rate hedge, SEK million	Interest rate hedge Average interest rate, percent	Share, percent	Capital tied up, SEK million	Share, percent
0-1	4,491	3.28	10	3,115	7
1-2	2,003	3.42	4	2,484	5
2-3	5,624	3.24	12	5,897	13
3-4	4,006	3.80	9	4,722	10
4-5	6,769	1.83	14	6,325	13
5-6	141	3.15	-	123	-
6-7	5,896	1.56	13	4,976	11
7-8	12,194	2.20	26	11,222	24
8-9	2,751	2.03	6	2,984	6
9-10	1,315	2.97	3	3,123	7
> 10	1,566	4.80	3	1,785	4
<b>Total</b>	<b>46,756</b>	<b>2.58</b>	<b>100</b>	<b>46,756</b>	<b>100</b>

## segment information

Jan-Dec 2017, SEK million	Sweden	Germany	Other	<b>Total</b>
Rental income	1,569	1,275	1,278	<b>4,122</b>
Operating expenses	-568	-232	-587	<b>-1,387</b>
Maintenance	-154	-90	-78	<b>-322</b>
<b>Net operating income</b>	<b>847</b>	<b>953</b>	<b>613</b>	<b>2,413</b>
Revaluation of investment properties	3,641	3,464	1,449	<b>8,554</b>
<b>Total property return</b>	<b>4,488</b>	<b>4,417</b>	<b>2,062</b>	<b>10,967</b>
<b>Total property return, percent</b>	<b>13.9</b>	<b>13.7</b>	<b>8.9</b>	<b>12.5</b>
<b>Net operating income margin, percent</b>	<b>54.0</b>	<b>74.7</b>	<b>48.1</b>	<b>58.5</b>
Property fair value	31,568	38,653	34,423	<b>104,644</b>

Jan-Dec 2016, SEK million	Sweden	Germany	Other	<b>Total</b>
Rental income	1,956	1,226	927	<b>4,109</b>
Operating expenses	-717	-223	-478	<b>-1,418</b>
Maintenance	-223	-91	-66	<b>-380</b>
<b>Net operating income</b>	<b>1,016</b>	<b>912</b>	<b>383</b>	<b>2,311</b>
Revaluation of investment properties	6,745	5,120	850	<b>12,715</b>
<b>Total property return</b>	<b>7,761</b>	<b>6,032</b>	<b>1,233</b>	<b>15,026</b>
<b>Total property return, percent</b>	<b>24.5</b>	<b>24.2</b>	<b>7.7</b>	<b>20.7</b>
<b>Net operating income margin, percent</b>	<b>51.9</b>	<b>74.4</b>	<b>41.3</b>	<b>56.2</b>
Property fair value	32,357	32,176	23,206	<b>87,739</b>

## alternative performance measures

Reconciliation for the purposes of the Guidelines published by the European Securities and Markets Authority (ESMA) is set out below:

SEK million	2017 Dec 31	2016 Dec 31	
Net asset value to asset ratio and loan-to-value ratio			
Equity	48,270	40,937	
Deferred tax	8,255	6,670	
Derivative financial instruments	995	1,439	
<b>Net asset value</b>	<b>57,520</b>	<b>49,046</b>	
Total assets	105,871	88,438	
Cash and liquid assets	-155	-137	
Pledged cash assets	-12	-16	
<b>Total assets minus cash, pledged cash and liquid assets</b>	<b>105,704</b>	<b>88,285</b>	
<b>Net asset value to assets ratio, percent</b>	<b>54</b>	<b>56</b>	
Total interest-bearing liabilities	46,756	38,095	
Cash and liquid assets	-155	-137	
Pledged cash assets	-12	-16	
<b>Net debt</b>	<b>46,589</b>	<b>37,942</b>	
<b>Total assets minus cash, pledged cash and liquid assets</b>	<b>105,704</b>	<b>88,285</b>	
<b>Loan-to-value ratio, percent</b>	<b>44</b>	<b>43</b>	
Net debt	46,589	37,942	
Less unsecured debt	-27,718	-16,613	
<b>Secured debt minus cash, pledged cash and liquid assets</b>	<b>18,871</b>	<b>21,329</b>	
<b>Total assets minus cash, pledged cash and liquid assets</b>	<b>105,704</b>	<b>88,285</b>	
<b>Loan-to-value ratio, secured loan, percent</b>	<b>18</b>	<b>24</b>	
SEK million	2017 Jan-Dec	2016 Jan-Dec	Percent Growth
Rental income and net operating income for comparable properties			
Rental income	4,122	4,109	0.3
Exchange differences	-	54	-
Purchases and sales	-691	-898	-
<b>Rental income for comparable properties</b>	<b>3,431</b>	<b>3,265</b>	<b>5.1</b>
Net operating income	2,413	2,311	4.4
Exchange differences	-	26	-
Purchases and sales	-338	-462	-
<b>Net operating income for comparable properties</b>	<b>2,075</b>	<b>1,875</b>	<b>10.7</b>
Realized value growth			
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	-
<b>Realized value growth</b>	<b>3,125</b>	<b>2,876</b>	<b>-</b>

## key figures

	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31	2013 Dec 31
<b>Equity</b>					
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
<b>Net operating income</b>					
Rental income, SEK million	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 <sup>6</sup>	68.0	66.2	-	-	-
<b>Interest-bearing liabilities</b>					
Loan-to-value ratio, secured loans, percent	18	24	36	47	49
Loan-to-value ratio, 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
<b>Properties</b>					
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
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
Exchange 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
Fair value, 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 <sup>1</sup> , percentage	-0.22	-0.49	-0.36	0.01	-0.01

## key figures

	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31	2013 Dec 31
<b>Properties, Sweden</b>					
Average residential rent, SEK/sqm/year	1,287	1,246	1,184	1,156	1,114
Growth in average residential rent <sup>2</sup> , percent	2.4	2.6	2.6	3.7	5.8
Growth in rental income <sup>3</sup> , percent	3.8	1.9	3.0	3.5	5.5
Growth in net operating income <sup>3</sup> , 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
Fair value of properties opening balance, 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
Fair value of properties closing balance, SEK million	31,568	32,357	31,727	29,571	26,797
<b>Properties, Germany</b>					
Average residential rent, EUR/sqm/month	8.98	8.56	8.13	7.77	7.71
Growth in average residential rent <sup>2</sup> , percent	5.7	5.0	5.1	5.4	5.6
Growth in rental income <sup>3</sup> , percent	2.6	6.3	6.0	3.1	6.8
Growth in net operating income <sup>3</sup> , 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
Fair value of properties opening balance, 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
Fair value of properties closing balance, SEK million	38,653	32,176	24,892	21,172	15,549

## key figures

	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31	2013 Dec 31
<b>Properties, Canada<sup>4</sup></b>					
Average residential rent, CAD/sqft/month	1.92	1.89	1.79	1.83	1.94
Growth in average residential rent <sup>2</sup> , percent	4.4	6.7	3.6	6.6	7.7
Growth in rental income <sup>3</sup> , percent	9.5	7.0	4.1	7.0	20.6
Growth in net operating income <sup>3</sup> , 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
Fair value of properties opening balance, 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
Fair value of properties closing balance, SEK million	9,787	7,055	4,859	3,432	1,758
<b>Properties, United States</b>					
Average residential rent, USD/sqft/month	2.77	2.51	2.26	-	-
Growth in average residential rent <sup>2</sup> , percent	4.1	4.2	-	-	-
Growth in rental income <sup>3</sup> , percent	10.7	-	-	-	-
Growth in net operating income <sup>3</sup> , 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	-	-
Fair value of properties opening balance, 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	-	-
Fair value of properties closing balance, SEK million	11,814	9,362	5,451	-	-

## key figures

	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31	2013 Dec 31
<b>Properties, England<sup>5</sup></b>					
Average residential rent, GBP/sqft/month	2.75	2.55	2.07	1.74	1.55
Growth in average residential rent <sup>2</sup> , percent	3.3	5.9	11.5	11.3	0.1
Growth in rental income <sup>3</sup> , percent	16.2	7.5	15.1	5.9	29.0
Growth in net operating income <sup>3</sup> , 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
Fair value of properties opening balance, 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
Fair value of properties closing balance, SEK million	7,685	4,524	4,840	3,395	1,791
<b>Properties, France</b>					
Average residential rent, EUR/sqm/month	23.40	20.99	22.50	21.31	-
Growth in average residential rent <sup>2</sup> , percent	14.9	1.7	15.7	-	-
Growth in rental income <sup>3</sup> , percent	-1.4	11.9	-	-	-
Growth in net operating income <sup>3</sup> , 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	-	-
Fair value of properties opening balance, 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	-
Fair value of properties closing balance, SEK million	2,410	1,848	995	166	-

## key figures

	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31	2013 Dec 31
<b>Properties, Denmark</b>					
Average residential rent, DKK/sqm/year	936	916	-	-	-
Growth in average residential rent <sup>2</sup> , percent	5.3	-	-	-	-
Growth in rental income <sup>3</sup> , percent	-	-	-	-	-
Growth in net operating income <sup>3</sup> , 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	-	-	-	-
Fair value of properties opening balance, 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	-	-	-
Fair value of properties closing balance, SEK million	2,727	417	-	-	-

1) 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.

2) Growth from the start of the period to the end of the period, for a comparable portfolio.

3) Growth for the period compared to the same period in the previous year, for a comparable portfolio.

4) 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 the beginning of 2013.

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

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

## other information

### basis of presentation

#### statement of compliance

The Akelius Residential Property Group's Interim report has been prepared in accordance with IAS 34, Interim Financial Reporting and the Swedish Annual Accounts Act.

The financial statements of the Parent Company, Akelius Residential Property AB, corporate identity number 556156-0383, have been prepared in accordance with the Swedish Annual Accounts Act and the accounting standard RFR 2, Accounting for Legal Entities. Disclosures in accordance with IAS 34 Interim Financial Reporting are submitted both in the notes and in other sections of the interim report.

The accounting policies applied in the preparation of the interim report are consistent with those used in the preparation of the Group's annual financial statements for the year 2016. The figures in this interim report have been rounded up or down, while the calculations have been made without rounding. As a result, the figures in certain tables and key figures may appear not to add up correctly.

#### estimates and assessments

Estimates and assessments are evaluated continuously based on empirical factors and other aspects, including the anticipation of future events that are reasonable under the prevailing circumstances.

The same principles are followed in the interim reporting as in the previous annual report.

#### valuation of properties

The fair value of all properties is assessed by internal valuations on the closing date. The valuations are based on a cash flow model for each individual property, with separate assessments of future earning ability and required rates of return.

The cash flow model is based on actual income and expenses adjusted for a normalized future cash flow.

#### owner-occupied property

As of end of September, one property has been reclassified from investment property to owner-occupied property. The property belongs to a separate asset class and will be measured at fair value in accordance to the IAS 16 revaluation model.

#### assets held for sale

Fair value measurement is based on the purchase price stated in the signed purchase agreement between buyers and sellers when agreements have been signed, minus the remaining cost to put the properties in the condition agreed. The purchase price is considered to belong to Level 1 of the fair value hierarchy in IFRS 13.

#### revenue

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.

#### debt coverage capacity

Profit before tax and revaluation including realized value growth is a good indicator of the ability to generate cash flow.

Net operating income and realized value growth are reinvested into existing and new properties.

This leads to a growing operating surplus.

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.

Interest expenses are based on net debt on the balance sheet date calculated at the currency rate for the balance sheet day.

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 estimates of rental, vacancy, currency exchange, future property purchases and sales or interest rate changes.

#### currency derivatives

As of April 1, 2016, Akelius has defined currency derivatives as hedging instruments and reported the change in fair value of currency derivatives in other comprehensive income.

## other information

### derivative instruments

Derivative instruments consist mainly of interest rate swaps. Estimates of the fair value of derivatives are based on Level 2 of the fair value hierarchy.

Compared to 2016, no transfers have occurred between the different levels of the hierarchy, and no significant changes have been made regarding the valuation method. Cash flow in the derivative contracts is compared to the cash flow that would have been received if the contracts had been concluded at market prices on the closing date.

The difference in cash flow is discounted using an interest rate that takes into account counterparty's credit risk. The present value obtained is reported in the balance sheet at fair value. Changes in fair value for interest rate swaps are recognized in the income statement without the application of hedge accounting.

### risks and uncertainties

Operational risks are limited by concentrating the property portfolio to residential properties in metropolitan areas.

Strong residential rental markets in Sweden, Germany, Canada, England, France, the United States and Denmark reduce the risk of long-term vacancies.

In order to further reduce the risk or variations in cash flow, interest rates are secured on a long-term basis.

Access to capital from a large number of banks and through the capital market mitigates the refinancing risk.

Overseas investments are hedged to reduce the impact of currency movements related to the Group's equity-to-assets ratio.

No material changes in the company's assessment of risks have occurred since the publication of the 2016 annual report.

### new accounting principles

The following standards, amendments to standards and interpretations have been issued but are not yet effective for annual periods beginning on January 1, 2017. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

### IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The IASB is currently engaged in an active project aimed at making limited amendments to the classification and measurement requirements of IFRS 9 and adding new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 will be effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The group receives a significant amount of prepayment from the tenant. Therefore, IFRS 9 is not expected to have any significant impact on the Group's financial position.

### IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

It will replace the current revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 will be effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

As the Group's revenues consist primarily of rental income.

IFRS 15 is therefore not expected to have any significant impact on the total Group financial performance or position.

### IFRS 16 – Leasing

IFRS 16 establishes a new accounting model based on the right to use an asset.

Subject to EU endorsement, the standard will be effective for reporting periods beginning on or after January 1, 2019.

The Group has no large agreement related to land or office leases.

Therefore, IFRS 16 is not expected to have a significant impact on the Group's financial results or position.

## 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 compared periods. This means that properties that were acquired or sold during any of the compared periods 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 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.

### 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.

## definitions

### 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 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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## Akelius in brief

### apartments for metropolitans

86 percent of the properties are in cities with more than one million inhabitants, such as Berlin, Hamburg, Munich, Cologne, Paris, London, Toronto, Montreal, New York, Boston, Washington D.C., Stockholm and Copenhagen.

### better living

Akelius' mission is to provide current and future tenants with better living by continuously upgrading our buildings and our service.

### acquire via cherry picking

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

### strong capital structure, low refinancing risk

Akelius has agreements with 36 banks, listed preference shares and listed senior unsecured bonds.

Akelius is Sweden's largest listed property company and has seventeen thousand shareholders.

### first-class personnel

More than two hundred employees have graduated from the Residential Real Estate Management program at Akelius University.

### financial calendar

annual report 2017	Mar 16, 2018
interim report Jan-Mar 2018	Apr 27, 2018
interim report Jan-Jun 2018	Aug 6, 2018