Akelius Fastigheter

Annual Report 2012

TRANSLATION

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Administration report

The Board of Directors and the Managing Director of Akelius Fastigheter AB, registered company number 556156-0383, Box 104, 182 12 Danderyd, Sweden, street address Svärdvägen 3A, hereby present the annual report for 2012.

Ownership structure

All shares in Akelius Fastigheter AB are owned by Akelius Apartments Ltd, Cyprus, registered company number 84077.

Operations

Akelius Fastigheter's business concept entails the long-term ownership, development and management of residential properties able to generate constantly growing cash flow. Low financial risk is achieved through low loan-to-value ratios, low fixed interest rates and low levels of capital tied up.

At the end of the year the Group owned properties in Sweden and Germany with an estimated market value of SEK 35,437 million (32,352), of which two thirds are in Sweden and one third is in Germany.

Properties are located primarily in attractive, popular locations in growing big cities. Seventy per cent of the portfolio is located in greater Stockholm, the Öresund region, Berlin and Hamburg. The other properties are located in Swedish regional cities such as Halmstad, Umeå and Östersund and in large German cities such as Cologne, Munich and Frankfurt.

The proportion of housing is high in keeping with company strategy. At the end of the year the proportion of housing amounted to 95 per cent (93) measured by market value. The total rentable area comprised 2,576,378 square metres (2,632,053) and the residential holding amounted to 35,443 apartments (35,151), of which 13,736 (11,797) are in Germany.

Akelius Fastigheter AB is the Group's Parent Company and properties are owned directly by the Parent or through subsidiaries.

Operating surplus SEK 1,408 million

Consolidated rental income for the year increased by SEK 185 million to SEK 2,780 million (2,595). Adjusted for changes in exchange rates, rental income for comparable properties increased by 4.4 per cent compared to 2011.

Average rent for comparable residential properties in Sweden increased by 5.0 per cent during the year. Average rent for new lets during the fourth quarter was SEK 1,256 per sq m/year, which is 22 per cent higher than at the beginning of the year. At the end of the year the average rent was SEK 1,079 per sq m/year.

Average rent exclusive of heating and hot water (cold rent) for comparable residential properties in Germany increased by 5.6 per cent during the year. Average rent for new lets during the fourth quarter was EUR 10.51 per sq m/month, which is 46 per cent higher than at the beginning of the year. At the end of the year the average residential rent exclusive of heating and hot water was EUR 7.60 per sq m/month.

The vacancy rate for housing was two per cent, of which 66 per cent was due to apartment upgrades. The actual vacancy rate was therefore 0.7 per cent, which is unchanged compared to the vacancy rate at the end of 2011.

Property expenses amounted to SEK 1,372 million (1,219), of which SEK 288 million (284) was in respect of maintenance, corresponding to an average annual expense of SEK 110 per square metre (108). The operating surplus for the year increased to SEK 1,408 million (1,376). The operating surplus for comparable properties increased by 4.1 per cent. The operating surplus margin was 50.6 per cent (53.0).

Increase in value of properties 8.3 per cent

The increase in value of the property holding was SEK 2,671 million (1,025) for the year, equivalent to 8.3 per cent (3.6). Properties were sold for a total of SEK 2,383 million, which is 10.3 per cent above the estimated market value at the beginning of the year. The increase in value is partly due to increased rental income and partly to required yields for comparable properties having fallen by an average of 0.28 percentage points.

Net financial items, SEK -1,160 million

Income from financial items for the year was SEK 25 million (67) and financial expenses were SEK 1,185 million (1,118). The interest coverage ratio was 1.18 per cent (1.26).

Change in value of derivative instruments, SEK -184 million

During the year financial derivative instruments fell in value by SEK 184 million (764).

Property purchases, SEK 1,663 million

During the year properties were purchased for a total of SEK 1,663 million (3,792), of which SEK 212 million (1,470) was for properties in Sweden and SEK 1,451 million (2,322) was for properties in Germany. The average initial yield was 4.3 per cent in Sweden and 4.4 per cent in Germany. The average property price per square metre was SEK 9,423 in Sweden and SEK 12,271 in Germany.

Property investments, SEK 1,493 million
Investments in property for the year totalled SEK 1,493 million (1,138), equivalent to SEK 595 per square metre. In conjunction with tenants moving out apartments are upgraded to *Akelius First Class*, and these investments totalled SEK 942 million for the year.

SEK 182 million was invested in total renovation projects. One of the biggest projects concerns 479 apartments in south Stockholm where upgrades provide such things as new, larger balconies, new kitchens and bathrooms, and new roofs, façades and heating systems.

Other investments of SEK 368 million in improved standards concerned the conversion of commercial premises and lofts to housing, densification of existing properties, and water and energy saving projects.

Market valuation of investment property
The market value of all properties was assessed by internal valuations by closing day. 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 normalised future cash flow. In order to guarantee valuations, CB Richard Ellis examines and verifies one third of the internally estimated values every year.

The average required yield for housing was 4.59 per cent in Sweden and 4.56 per cent in Germany. The average required yield for commercial properties was 6.98 per cent in Sweden and 6.52 per cent in Germany. The average required yield for the entire property portfolio was 4.73 per cent, which is 0.34 per cent lower than at the beginning of the year. The lower required yield is due partly to the sale of commercial properties with higher required yields, partly to the acquisition of housing with required yields lower than the opening average and partly to reduced required yields for comparable properties. The adjusted required yield for comparable properties is due to increased demand for housing, which drives the required yield down.

The estimated market value of the Group's property holding at the end of the year was SEK 35,437 million (32,352), which is equivalent to an average of SEK 13,755 (12,292) per square metre. The market value has increased by SEK 2,671 million, or 8.3 per cent, as a result of changes in value, and decreased by SEK 359 million, or 1.1 per cent, owing to fluctuating exchange rates. The value increase of SEK 2,671 million is due to increased rental income and lower required yields. Changes in the property holding have increased its value by SEK 773 million. Purchases and investments for the year amounted to SEK 3,156 million and property sales totalled SEK 2,383 million.

Of the total market value, SEK 23,456 million (22,574) is attributable to properties in Sweden and SEK 11,981 million (9,778) to properties in Germany. Housing constitutes 95 per cent (93) of the market value, which is in line with the company strategy of housing comprising a minimum of 90 per cent.

Financial position

At the end of the year the Group's interest-bearing liabilities totalled SEK 21,978 million (20,364), of which SEK 19,659 (17,046) was attributable to real estate credit and SEK 2,319 million (3,318) to unsecured loans. SEK 115 million (240) of the loans unsecured against property were from the Parent Company Akelius Apartments Ltd. Real estate credit refers to loans raised with properties as security. SEK 2,408 million (3,562) of real estate credit had a fixed-interest term of less than one year and SEK 9,653 million (9,971) had a fixed-interest term of more than five years. Real estate credit had an average interest rate of 4.63 per cent (4.94) with capital tied up for an average of 5.3 years (6.0).

At the end of the year available funds in the form of cash and secured but unutilised credit facilities totalled SEK 180 million (1,964). Unutilised credit facilities totalled SEK 608 million (2,227).

During the year consolidated equity rose by SEK 1,403 million. A dividend of SEK 900 million was provided to the shareholder. Profit for the year increased equity by SEK 2,440 million. At the end of the year consolidated equity was SEK 9,970 million (8,567), equivalent to an equity/assets ratio of 26.9 per cent (25.4).

Risks and opportunities

Rental income

Akelius Fastigheter's business concept entails the long-term ownership, development and management of residential properties able to generate constantly growing cash flow. The operational risk is limited by keeping the focus of the property portfolio on residential properties in locations experiencing population growth. A strong rental market for housing in Sweden and Germany reduces the risk of long-term vacancies. Current rent levels enable future increases in rent and thereby increases in value. A one per cent change in rental income corresponds to a change in income of SEK 28 million.

Market value of properties

Investment property is recognised at fair value with change in value reported in the income statement. The value is affected by the development of the expected operating surplus and required rates of return. A change in expected rental income of +/- one per cent corresponds to a +/- SEK 660 million change in property value. If the required yield changes by an average of +/- 0.1 per cent the market value changes by SEK -690 million or SEK 720 million respectively.

Interest rate risk

In order to further reduce the risk, or fluctuations in cash flow, interest rates are fixed for long durations. At the end of the financial year 49 per cent (58) of real estate credit had a fixed-interest term of more than five years and 12 per cent (21) had a fixed-interest term of less than one year. With consideration for the small proportion of loans with variable interest rates a change in market interest rates has limited impact on profit. A one per cent change in market interest rates corresponds to a change of SEK 24 million in interest expenses.

Market value of derivative instruments
Interest derivatives are used to achieve the desired fixed interest rates. Developments in the value of the interest derivatives depend on how market interest rates develop in relation to the agreed interest rate and the remaining duration. At the end of the year the undervalue of the derivative portfolio was SEK 2,287 million (2,103). A parallel shift in the discount rate used to value the interest derivatives of one per cent would affect the value in the amount of SEK 857 million. If the remaining duration is reduced by one year the value increases by SEK 221 million. Upon maturity the market value of a derivative agreement is completely dissolved and consequently the change in value over time has not affected equity.

Refinancing risk
The refinancing risk is reduced by real estate credit being raised from nineteen different lenders and by mortgaging the property portfolio to only 55 per cent (53) of its market value. Liquidity is secured by entering long-term credit facility agreements with several banks.

Currency exposure
Overseas investments financed in the local currency up to a maximum loan-to-value ratio of 60 per cent mean that consolidated equity is affected by exchange rate fluctuations. A change in the exchange rate for SEK/EUR of +/- 10 per cent corresponds to a change in equity of SEK +/- 450 million.

The environment
Akelius Fastigheter does not pursue any operations that require permits or registration in accordance with Chapter 9, Section 6 of the Swedish Environmental Code.

Parent Company
The Parent Company's operations include group-wide functions and the management of properties owned directly or through subsidiaries. Rental income for

the year was SEK 49 million (48) and profit after tax was SEK 0 million (480). A dividend of SEK 900 million was provided to the shareholder. Equity at the end of the year was SEK 3,745 million (4,645).

Events after the end of the financial year
After the end of the financial year an agreement was entered to purchase Apartment Bostad Väst AB. This acquisition provides the Akelius Fastigheter Group with 3,600 apartments in western Sweden.

Recent developments in Cyprus are judged to have no impact on the financial position of the Parent Company Akelius Apartments Ltd or the Group.

Proposed appropriation of profits
The Annual General Meeting has at its disposal in the Parent Company:

Profit brought forward	SEK	3,246,580,558
Profit for the year	SEK	239,841
	SEK	**3,246,820,399**

The Board of Directors and the Managing Director propose that SEK 3,246,820,399 be carried forward.

Consolidated comprehensive income

Amounts in SEK thousands	Note	**2012** 12 months	**2011** 12 months
Rental income	5	2,780,477	2,594,977
Property expenses	6.10	-1,371,554	-1,218,579
Operating surplus		**1,408,923**	**1,376,398**
Depreciation and impairment, intangible fixed assets and property, plant and equipment	7.17	-108,325	-33,736
Gross profit		**1,300,598**	**1,342,662**
Central administration	9.10	-47,322	-46,428
Other income and expenses	8	-51,796	-47,269
Change in value, investment property	11	2,670,610	1,025,114
Operating profit		**3,872,090**	**2,274,079**
Financial income	13	26,503	67,110
Financial expenses	14	-1,186,600	-1,118,726
Change in value, derivative instruments	15	-184,000	-764,037
Profit before tax		**2,527,993**	**458,426**
Tax	16	-87,942	-70,110
Profit for the year		**2,440,051**	**388,316**
Translation differences		-158,483	-32,320
Comprehensive income		**2,281,568**	**355,996**
Profit for the year attributable to:			
Holdings with no controlling influence		5,386	752
Parent Company shareholders		2,434,665	387,564
Comprehensive income attributable to:			
Holdings with no controlling influence		5,386	746
Parent Company shareholders		2,276,182	355,250

Consolidated balance sheet

Amounts in SEK thousands	Note	**2012-12-31**	**2011-12-31**
Assets			
Fixed assets			
Investment property	18	34,667,548	31,797,388
Corporate real estate	19	18,973	120,318
Construction in progress	20	769,885	554,943
Machinery and equipment	21	13,793	17,064
Property, plant and equipment		**35,470,199**	**32,489,713**
Non-current receivables	23	207,027	194,528
Derivative instruments	32	205,703	190,429
Deferred tax claims	24	720,708	569,047
Financial fixed assets		**1,133,438**	**954,004**
Total fixed assets		**36,603,637**	**33,443,717**
Current assets			
Accounts receivable	25	33,711	46,378
Receivables from group companies	26	4,103	27,917
Other current receivables	27	331,164	222,048
Derivative instruments	32	19,856	1,121
Prepaid expenses and accrued income	28	46,553	12,982
Cash and cash equivalents	29	28,484	30,417
Total current assets		**463,871**	**340,863**
Total assets		**37,067,508**	**33,784,580**

Consolidated balance sheet

Amounts in SEK thousands	Note	**2012-12-31**	**2011-12-31**
Equity and liabilities			
Equity			
Share capital		400,000	400,000
Other reserves		-164,627	-6,144
Profit brought forward including profit for the year		9,707,494	8,167,426
Total equity attributable to Parent Company owner		**9,942,867**	**8,561,282**
Holdings with no controlling influence		27,569	6,212
Total equity		**9,970,436**	**8,567,494**
Non-current liabilities			
Non-current interest-bearing liabilities	30	15,750,795	12,065,027
Non-current interest-bearing liabilities, group companies	31	2,847,321	2,556,500
Derivative instruments	32	2,504,748	2,294,173
Deferred tax liabilities	33	2,028,358	1,850,711
Other non-current liabilities	34	100,691	76,237
Total non-current liabilities		**23,231,913**	**18,842,648**
Current liabilities			
Current interest-bearing liabilities	30	3,081,159	5,409,517
Current interest-bearing liabilities, group companies	31	299,658	332,948
Derivative instruments	32	7,648	214
Accounts payable	35	171,856	172,814
Current tax liabilities	36	48	10,002
Other current liabilities	37	67,788	78,400
Accrued expenses and deferred income	38	237,002	370,543
Total current liabilities		**3,865,159**	**6,374,438**
Total equity and liabilities		**3,7067,508**	**33,784,580**
Pledged assets	**39**	**21,114,209**	**20,956,962**
Contingent liabilities	**40**	**1,093,168**	**1,403,314**

Consolidated change in equity

Amounts in SEK millions	Share capital	Other reserves	Profit brought forward	Total Parent Company's shareholder	Holdings without controlling influence	Total equity
Equity 2010-12-31	**400**	**26**	**7,779**	**8,205**	**5**	**8,210**
Acquired minority				0	0	**0**
Profit for the year			388	388	1	**389**
Other comprehensive in-come		-32		-32		**-32**
Equity 2011-12-31	**400**	**-6**	**8,167**	**8,561**	**6**	**8,567**
Dividends			-900	-900		-900
Capital contributions					21	21
Buyout of minority			5	5	-5	0
Profit for the year			2,435	2,435	5	2,440
Other comprehensive in-come		-158		-158		-158
Equity 2012-12-31	**400**	**-164**	**9,707**	**9,943**	**27**	**9,970**

Consolidated cash flow statement

Amounts in SEK thousands	**2012** 12 months	**2011** 12 months
Operating surplus	1,408,923	1,376,398
Other income and expenses	5,708	-2,846
Central administration expenses	-47,322	-46,428
Interest subsidies	162	2,467
Interest income and similar profit/loss items	26,340	28,783
Interest expenses and similar profit/loss items	-1,174,432	-1,118,726
Tax paid	-6,492	-11,794
Cash flow from continuing property management	**212,887**	**227,854**
Difference between paid and expensed operating costs and interest expenses	-261,533	-38,938
Cash flow before change in working capital	**-48,646**	**188,916**
Decrease (+) / increase (-) in stock	2,271	-1,083
Decrease (+) / increase (-) in receivables	41,177	-92,670
Decrease (-) / increase (+) in liabilities	2,926	110,055
Cash flow from continuing operations	**-2,272**	**205,218**
Investments in intangible fixed assets	-	-1
Investments in investment property	-3,156,460	-4,929,720
Investments in property, plant and equipment	-62,466	-103,608
Sales of property, plant and equipment	2,327,668	1,781,095
Decrease/increase in financial fixed assets	-41,414	367,646
Cash flow from investing activities	**-932,672**	**-2,884,588**
Raised interest-bearing liabilities	9,584,701	102,228,912
Amortisation of interest-bearing liabilities	-7,751,690	-99,540,305
Capital contributions	-	1,270
Dividends	-900,000	-
Cash flow from financing activities	**933,011**	**2,689,877**
Change in cash and cash equivalents	**1,933**	**10,507**
Cash and cash equivalents at beginning of year	**30,417**	**19,910**
Cash and cash equivalents at year-end	**28,484**	**30,417**

Parent company income statement

Amounts in SEK thousands	Note	**2012** 12 months	**2011** 12 months
Rental income	5	49,214	47,631
Property expenses	6	-21,364	-22,430
Operating surplus		**27,850**	**25,201**
Depreciation, impairment and reversals of property, plant and equipment	7	-1,757	-1,697
Gross profit		**26,093**	**23,504**
Central administration	9.10	-88,637	-74,116
Other income	8	39,995	36,248
Operating profit		**-22,549**	**-14,364**
Profit from participations in group companies	12	493,301	812,471
Financial income	13	504,739	577,822
Financial expenses	14	-876,881	-908,436
Change in value, derivative instruments	15	-235,846	-
Profit before tax		**-137,236**	**467,493**
Tax	16	137,476	12,711
Profit for the year		**240**	**480,204**
Comprehensive income		**240**	**480,204**

Parent company balance sheet

Amounts in SEK thousands	Note	2012-12-31	2011-12-31
Assets			
Fixed assets			
Investment property	18	268,052	249,549
Construction in progress	20	2,171	1,875
Machinery and equipment	21	180	241
Total property, plant and equipment		**270,403**	**251,665**
Participations in group companies	22	9,566,671	9,554,984
Non-current receivables	23	127	127
Deferred tax claims	24	152,608	13,511
Total financial fixed assets		**9,719,406**	**9,568,622**
Total fixed assets		**9,989,809**	**9,820,287**
Current assets			
Accounts receivable	25	1,562	1,164
Receivables from group companies	26	1,222,988	1,159,285
Other current receivables	27	4,665	1,260
Prepaid expenses and accrued income	28	10,110	1,689
Cash and cash equivalents	30	529	3,448
Total current assets		**1,239,854**	**1,166,846**
Total assets		**11,229,663**	**10,987,133**

Parent company balance sheet

Amounts in SEK thousands	Note	2012-12-31	2011-12-31
Equity and liabilities			
Equity			
Share capital (400,000 shares)		400,000	400,000
Statutory reserve		28,500	28,500
Revaluation reserve		70,000	70,000
Total restricted equity		**498,500**	**498,500**
Profit brought forward		3,246,581	3,666,377
Profit for the year		240	480,204
Total non-restricted equity		**3,246,821**	**4,146,581**
Total equity		**3,745,321**	**4,645,081**
Provisions			
Deferred tax	33	7,782	6,160
Total provisions		**7,782**	**6,160**
Non-current liabilities			
Non-current interest-bearing liabilities	30	440,842	457,669
Non-current interest-bearing liabilities, group companies	31	2,637,321	5,454,420
Derivative instruments	32	328,035	-
Other non-current liabilities	34	199	189
Total non-current liabilities		**3,406,397**	**5,912,278**
Current liabilities			
Current interest-bearing liabilities	30	527,506	44,388
Current interest-bearing liabilities, group companies	31	3,487,004	314,542
Accounts payable	35	5,859	5,238
Current tax liabilities	36	-	1,996
Other current liabilities	37	2,279	13,722
Accrued expenses and deferred income	38	47,515	43,728
Total current liabilities		**4,070,163**	**423,614**
Total equity and liabilities		**11,229,663**	**10,987,133**
Pledged assets	**39**	**348,370**	**331,370**
Contingent liabilities	**40**	**18,538,604**	**17,266,711**

Parent company change in equity

Amounts in SEK thousands	Share capital	Statutory reserve	Revaluation reserve	Profit brought forward	Total equity
Equity 2011-01-01	400,000	28,500	70,000	3,666,377	**4,164,877**
Profit for the year				480,204	**480,204**
Equity 2011-12-31	**400,000**	**28,500**	**70,000**	**4,146,581**	**4,645,081**
Dividends				-900,000	**-900,000**
Profit for the year				240	**240**
Equity 2012-12-31	**400,000**	**28,500**	**70,000**	**3,246,821**	**3,745,321**

Parent company cash flow statem

Amounts in SEK thousands	**2012** 12 months	**2011** 12 months
Operating surplus	27,849	25,201
Other income	39,995	36,248
Central administration expenses	-88,637	-74,116
Interest subsidies	-	6
Profit from participations in group companies	605,902	833,471
Interest income and similar profit/loss items	443,266	600,146
Interest expenses and similar profit/loss items	-814,712	-908,436
Tax paid		-1,440
Cash flow from continuing property management	**213,664**	**511,080**
Difference between paid and expensed operating costs and interest expenses	-4,634	-36,002
Cash flow before change in working capital	**209,030**	**475,078**
Decrease in receivables	1,155,765	706,839
Decrease/increase in liabilities	-13,091	9,866
Cash flow from continuing operations	**1,351,704**	**1,191,783**
Investments in property, plant and equip-ment	-20,495	-8,858
Investments in group companies	-1,376,197	-932,900
Sales of group companies	1,251,910	-
Increase in financial fixed assets	-	148,654
Cash flow from investing activities	**-144,782**	**-793,104**
Raised interest-bearing liabilities	3,053,277	32,786,166
Amortisation of interest-bearing liabilities	-3,363,118	-33,182,220
Shareholder's contribution	-	728
Dividends	-900,000	-
Cash flow from financing activities	**-1,209,841**	**-395,326**
Change in cash and cash equivalents	**-2,920**	**3,353**
Cash and cash equivalents at beginning of year	3,448	95
Cash and cash equivalents at year-end	**529**	**3,448**

Accounting policies and notes to the accounts

Note 1 General information

Akelius Fastigheter owns and manages residential properties. The Group owns properties in Sweden and Germany. The Parent Company of the Group is Akelius Fastigheter AB and the properties are owned directly by the Parent Company or through subsidiaries. All shares in Akelius Fastigheter AB are owned by Akelius Apartments Ltd, based in Cyprus.

Note 2 Summary of important accounting policies

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

2.1 Basis for preparing the accounts

The consolidated accounts of the Akelius Fastigheter AB Group have been prepared in accordance with the International Financial Reporting Standards, IFRS, and IFRS IC interpretations as adopted by the EU, as well as the Swedish Financial Reporting Board's recommendation RFR 1: Supplementary Accounting Rules for Groups. The accounts have been prepared using the acquisition value method, with the exception of the valuation of investment property, financial assets and liabilities, and derivative instruments, which are recognised at fair value through the income statement.

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 to the Group are presented separately in section 2.21.

Preparing reports in compliance with IFRS requires the use of significant accounting estimates. Furthermore, management must make judgements in the application of the Group's accounting policies. The areas that involve a high degree of judgement, that are complex or that are areas where assumptions and estimates are of considerable significance to the consolidated accounts are presented in Note 4.

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

New and amended standards applied to the Group
None of the IFRS or IFRIC interpretations that became mandatory for the first time for the financial year that began on 1 January 2012 have had any significant impact on the Group.

New standards, amendments and interpretations of existing standards that have not been applied to the Group in advance
A number of new standards and amendments to interpretations and existing standards came into effect for financial years beginning after 1 January 2012 and have not been applied in the preparation of the Group's financial statements. None of these are expected to have any significant impact on the Group's financial statements with the exception of the following:

- IAS 1 Presentation of Financial Statements includes amendments concerning "Other comprehensive income". The most important change in the amended IAS 1 is the requirement for items reported under "Other comprehensive income" to be presented in two categories. The categories are based on whether the items may be reclassified to the income statement (reclassification adjustments). The amendment does not specify which items are to be included in "Other comprehensive income".

- At present IAS 12 requires that deferred tax attributable to an asset is valued differently depending on whether the reported value of the asset will be recovered through its use in operations or its sale. This entails considerable difficulties when the asset is recognised at fair value in accordance with IAS 40 Investment Property. Consequently, an exception has been introduced to the current policy for the valuation of deferred tax claims or liabilities arising in the accounting of investment property at fair value. It is now presumed that the tax rate that applies in the event of a sale shall be used. The Group intends to apply the standard to the financial year beginning 1 January 2013 and has not yet evaluated the effects.

- IFRS 13 Fair Value Measurement aims to ensure that measurements of fair value are more consistent and less complex by the standard providing an exact definition and a common source in IFRS for fair value measurements and associated disclosures. The standard provides guidance for fair value measurements for all types of assets and liabilities, both financial and non-financial. The requirements do not extend the application areas for when fair value shall be applied but provide guidance on how it shall be applied in cases where other IFRSs already require or permit valuation at fair value. The Group intends to apply IFRS 13 as of 1 January 2013.

- IFRS 9 Financial Instruments manages the classification, valuation and accounting of financial liabilities and assets. IFRS 9 was issued in November 2009 for financial assets and in October 2010 for financial liabilities and replaces the sections of IAS 39 related to the classification and valuation of financial instruments. IFRS 9 states that financial assets shall be classified in two different categories: valuation at fair value and valuation at accrued acquisition value. Classification is established in the initial recognition based on the company's business model and characteristic properties of the contractual cash flows. For financial liabilities this entails no major changes compared to IAS 39. The largest change concerns liabilities that are identified at fair value. For these the share of the actual change in value attributable to its inherent credit risk is to be reported under "Other comprehensive income" rather than profit unless this causes inconsistency in the accounts (accounting mismatch). The Group intends to apply the new standard no later than the financial year beginning 1 January 2015 and has not yet evaluated its effects. The Group will evaluate the effects of the remaining phases as regards IFRS 9 once they are completed by the IASB.

- IFRS 10 Consolidated Financial Statements is based on the existing policies and identifies control as the determining factor in establishing whether a company shall be included in the consolidated accounts. The standard provides further guidance to help establish control when judgement is difficult to make. The Group intends to apply IFRS 10 as of the financial year beginning 1 January 2014 and has not yet evaluated its full effect on the Group's financial statements.

- None of the other IFRS or IFRIC interpretations that are yet to come into force are expected to have any significant impact on the Group.

2.2 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 of the balance sheet date.

2.3 Consolidated financial statements

Subsidiaries

Subsidiaries are all companies where the Group has the right to establish the financial and operational strategies in a manner that is usually associated with a shareholding amounting to at least half of the voting rights. Subsidiaries are included in the consolidated financial statements as of the day the controlling influence is transferred to the Group. Subsidiaries are excluded from the consolidated financial statements as of the day the controlling influence ceases.

The acquisition method is used to report the Group's business combinations. The purchase price for the acquisition of a subsidiary comprises the fair value of the transferred assets and liabilities and the shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities arising from an agreement on a conditional purchase price. Acquisition-related costs are expensed as they arise. Identifiable acquired assets and liabilities in a business combination are initially recognised at fair value on the acquisition day.

The amount by which the purchase price, any shareholdings with no controlling influence and fair value on the acquisition day of previous shareholdings exceed the fair value of the Group's share of identifiable acquired net assets is reported as goodwill. If this amount is less than the fair value of the acquired subsidiary's assets, in the event of a so-called bargain purchase, the difference is reported directly under comprehensive income.

Since the acquisition of subsidiaries does not concern the acquisition of operations but rather the acquisition of net assets in the shape of investment property, the acquisition cost is distributed between the acquired net assets in the acquisition analysis. The acquisition of investment property is classified as the acquisition of net assets if the acquisition concerns property, with or without rental agreements, and does not otherwise provide the Group with unique expertise. The Group's annual accounts are prepared using the acquisition method, which means that the subsidiaries' equity at the time of acquisition, established as the difference between the fair values of the assets and liabilities, is completely eliminated. As such the Group's equity only includes the share of the subsidiaries' equity that has arisen after acquisition. Intragroup transactions and balance sheet items, as well as unrealised gains and losses from transactions between group companies, are eliminated. The accounting policies for subsidiaries have, in appropriate cases, been amended to guarantee consistent application of the Group's policies.

2.4 Segment reporting

According to IFRS 8 Operating Segments operating segments shall be reported in a manner that reflects how they are reported internally to the most senior managing director. Since this accounting policy is optional for companies without listed securities the Akelius Group has chosen not to apply IFRS 8.

2.5 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 consolidated accounts are reported in Swedish kronor, SEK, which is the Group's reporting currency.

Transactions and balance sheet items

Transactions in foreign currencies are translated into the functional currency at the exchange rates that apply on the transaction day or the day on which the items are revalued. Exchange gains and losses that arise in the payment of such transactions and in the translation of monetary assets and liabilities held in foreign currencies at the balance sheet date exchange rate are reported under operating profit in the income statement. Exchange gains and losses attributable to loans and liquid assets are reported in the income statement as financial income or expenses.

Translation of foreign group companies

The profit and financial position of all group companies with a functional currency other than the reporting currency are translated into the Group's reporting currency as follows:

- The assets and liabilities in each balance sheet are translated at the balance sheet date exchange rate.
- The income and expenses in each income statement are translated at the average exchange rate.
- All translation differences that arise are recorded under "Other comprehensive income".

During consolidation the translation differences, which arise in the translation of net investments in foreign business operations and of borrowing and other currency instruments identified as hedges for such investments, are reported under "Other comprehensive income". In the event of the disposal of foreign business operations, in full or part thereof, the exchange rate differences reported under equity are entered in the income statement and recorded as part of the capital gain or loss.

Goodwill and adjustments of fair value that arise in the acquisition of foreign business operations are treated as assets or liabilities in such operations and are translated at the balance sheet date exchange rate.

2.6 Property, plant and equipment

Investment property

Investment property is held in order to generate rental income and increases in value. Investment property in the Group is initially recognised at acquisition value, including directly attributable transaction costs. After initial recognition investment property is recognised at fair value. Fair value is based in the first instance on prices in an active market and is the amount for which an asset could be transferred between initiated parties that are independent of one another and that have an interest in conducting the transaction. In order to establish the fair value of investment property for the annual accounts market valuations of all properties are conducted. Note 4 includes a more detailed description of the basis of Akelius' valuation of investment property.

Changes in the fair value of investment property are reported as changes in value in the income statement. Additional expenses are capitalised only when it is probable that future economic benefits associated with the asset will fall to the Group and 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.

Corporate real estate, construction in progress and machinery and equipment

Corporate real estate, construction in progress and machinery and equipment are recognised at acquisition value with deductions for depreciation. The acquisition value includes expenses that are directly attributable to the acquisition of the asset. Corporate real estate is reported as a component.

Additional expenses are added to the reported value of the asset or reported as a separate asset, depending on which is most suitable, only when it is probable that future economic benefits associated with the asset will fall to the Group and the acquisition value of the asset can be measured in a reliable manner. The book value of the replaced component is removed from the balance sheet. All other forms of repairs and maintenance are reported as expenses in the income statement for the period in which they arise.

Each part of property, plant and equipment with an acquisition value that is significant in relation to the asset's total acquisition value is depreciated separately. Depreciation is linear as follows:

- Machinery and equipment 20 per cent each year
- Corporate real estate 3 per cent each year

The residual values and useful lives of the assets are examined at the end of each report period and adjusted as necessary. An asset's book value is immediately written down to its recoverable amount if the asset's book value exceeds its assessed recoverable amount, see section 2.8.

Gains and losses in conjunction with disposal are established in a comparison between the sales income and the book value and are reported under "Other income and expenses" in the income statement.

2.7 Impairment of non-financial non-current assets

Assets with an indeterminable useful life, such as goodwill, or assets that are not yet ready for use are not depreciated but are examined for impairment annually. Assets that are depreciated are assessed with regard to a decline in value whenever events or changes in circumstances indicate that the book value may not be recoverable. The asset is written down by the amount by which its book value exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value reduced by sales expenses and its value in use. When assessing indications of impairment assets are grouped by the lowest level at which separate identifiable cash flows exist (cash-generating units). For assets other than financial assets and goodwill that have previously been written down, each balance sheet date the need for a write-back shall be assessed.

2.8 Financial instruments

2.8.1 Classification

The Group classifies its financial assets and liabilities in the following categories: "Financial assets and liabilities recognised at fair value through the income statement", "Loans receivable and accounts receivable" and "Other financial liabilities". The classification depends on the purpose for which the financial asset or liability was acquired.

Financial assets and liabilities recognised at fair value through the income statement

Financial assets and liabilities recognised at fair value through the income statement are financial instruments held for trading. Derivative instruments are classified as being held for trading unless they are identified as hedges. The Group classifies derivative instruments in this category.

Loans receivable and accounts receivable

Loans receivable and accounts receivable are financial assets that are not derivatives, have determined or determinable payments and are not listed on an active market. They are included in current assets with the exception of items that mature more than twelve months after the balance sheet date, which are classified as non-current assets. The Group's loans receivable and accounts receivable comprise
accounts receivable (see section 2.10), liquid assets (see section 2.11) and the financial instruments reported under "Other receivables".

Other financial liabilities
The Group's borrowing, accounts payable and other liabilities attributable to financial instruments are classified as "Other financial liabilities".

2.8.2 Recognition and measurement

The purchase or sale of a financial asset is recognised on the transaction date, the date when the Group obligates itself to buy or sell the asset. Financial instruments are initially recognised at fair value plus transaction costs, which applies to all financial instruments that are not recognised at fair value through the income statement. Financial assets and liabilities recognised at fair value through the income statement are initially recognised at fair value in the balance sheet, while associated transaction costs are reported in the income statement. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has essentially transferred all risks and benefits associated with the right of ownership. Financial liabilities are removed from the balance sheet when the obligation specified in the agreement has been fulfilled or otherwise expired.

Financial assets recognised at fair value through the income statement are reported after the acquisition date at fair value. Loans receivable and accounts receivable, as well as other financial liabilities, are reported after the acquisition date at the accrued acquisition value using the effective interest rate method.

Gains and losses resulting from changes in fair value as regards the category financial assets and liabilities recognised at fair value through the income statement, derivative instruments, are charged to the income statement in the period in which they arise and are included under operating profit or net financial items depending on the nature of the item that has been hedged economically. Economic hedging of interest payments is reported under net financial items.

2.8.3 Offsetting financial instruments

Financial assets and liabilities are offset and reported as a net amount in the balance sheet only when there is a legal right to offset the reported amounts and the intention is to settle them with a net amount or simultaneously realise the asset and settle the liability.

2.8.4 Impairment of financial instruments

The Group assesses at the end of each reporting period whether there is objective evidence for the need to write down a financial asset or a group of financial assets. A financial asset or a group of financial assets needs to be written down and is written down only if there is objective evidence of impairment resulting from one or more events occurring after the asset was first recognised and this event has affected the estimated future cash flows of the financial asset or group of financial assets that can be estimated in a reliable manner.

The impairment is calculated as the difference between the asset's book value and the present value of the estimated future cash flows discounted to the financial asset's original effective interest rate. The asset's book value is written down and the impairment is reported in the Group's income statement. If the impairment decreases in a later period and the decrease can be objectively attributed to an event that occurred after the impairment was reported, the write-back of the previously reported impairment is reported in the Group's income statement.

2.8.5 Derivative instruments

Derivative instruments are reported in the balance sheet on the transaction date and recognised at fair value, both initially and at later revaluations. The gain or loss that arises during revaluation is reported in the income statement since hedge accounting is not used.

The entire fair value of a derivative instrument is classified as a non-current asset or a non-current liability when the hedged item's remaining duration is more than twelve months and as a current asset or current liability when the hedged item's remaining duration is less than twelve months.

Economic hedging of variable interest payments

The Group hedges interest payments through interest rate swaps whereby variable interest payments are replaced with fixed interest payments. The Group does not use hedge accounting and as such the changes in fair value are reported under net financial items in the income statement.

Electricity derivatives

Electricity derivatives are used in order to reduce income fluctuations due to variations in electricity prices. The Akelius Group uses this mechanism.

2.9 Accounts receivable

Accounts receivable are amounts to be paid by customers for sold goods or performed services in continuing operations. If payment is expected within one year they are classified as current assets. If not they are recorded as non-current assets.

Accounts receivable are initially recognised at fair value and thereafter at accrued acquisition value using the effective interest rate method, reduced by any reservations for decreased value.

2.10 Liquid assets
Liquid assets include, in both the balance sheet and the cash flow statement, cash, bank balances and other current investments with due dates within three months of the acquisition date.

2.11 Accounts payable
Accounts payable are obligations to pay for goods or services acquired in continuing operations from suppliers. Accounts payable are classified as current liabilities if they fall due within one year. If not they are recorded as non-current liabilities. Accounts payable are initially recognised at fair value and thereafter at accrued acquisition value using the effective interest rate method.

2.12 Current and deferred tax
The tax expense for the period 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 adopted in the countries in which the Parent Company and its subsidiaries operate and generate taxable income.

Deferred tax is reported, using the balance sheet liability method, for all temporary differences that arise between the values for tax purposes of assets and liabilities and their book values in the consolidated accounts. However, the deferred tax is not reported if it arises due to a transaction that comprises the initial recognition of an asset or a liability that is not a business combination and that, at the time of the transaction, affects neither profit nor taxable profit. Deferred income tax is calculated using tax rates that have been decided or announced as per the balance sheet date and that are expected to apply when the concerned deferred tax claim is realised or the deferred tax liability is settled.

Deferred tax claims are reported to the extent it is probable that future taxable surpluses will be available, against which the temporary differences can be offset.

The offsetting of deferred tax claims and deferred tax liabilities takes place when the legal right to implement such offsetting exists.

2.13 Borrowing
Borrowing is initially recognised at fair value, net after transaction costs. Thereafter, borrowing is recognised at accrued acquisition value and any difference between the received amount, net after transaction costs, and the repayment amount reported in the income statement distributed over the term of the loan, using the effective interest rate method.

2.14 Employee benefits

The company's obligations for retirement pensions and family pensions for employees in Sweden are covered by an insurance policy from Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3, this is a defined benefit plan encompassing several employers. The Group has not had access to information for the 2011 and 2012 financial years that would facilitate the reporting of this plan as a defined benefit plan. As such this pension plan is reported as a defined contribution plan. The company's obligations for pensions for employees in Germany are reported as a defined contribution plan.

2.15 Provisions

Provisions are recognised when the Group has an existing legal or informal obligation resulting from previous events, it is more probable that an outflow of resources will be required to settle the obligation than not, and the amount has been calculated in a reliable manner.

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

2.16 Revenue recognition

Rental income

Rental income is recognised in the period to which it relates. In the event a rental agreement is terminated prematurely the income is distributed over the original agreement period, unless a new agreement is signed in which case the amount is recognised in its entirety.

Income from property sales

Income from property sales is recorded on the date of possession, unless this conflicts with any special terms of the purchase agreement. Interest income and interest subsidies are recognised in the period to which they relate.

2.17 Leases

Akelius as the lessee

Leases where a considerable share of the risks and benefits associated with 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 linearly throughout this period. The Group only holds leases classified as operating leases. The Group's leases encompass cars and photocopiers.

Akelius as the lessor
Leases where essentially all 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 section 2.16.

2.18 Cash flow statement
The cash flow statement is prepared using the indirect method. This means that operating profit is adjusted for transactions that do not entail incoming or outgoing payments during the period and for any income and expenses attributable to cash flow from investing or financing activities.

2.19 Related party disclosures
Regarding the Group's related party transactions please refer to Note 12 regarding remuneration to senior executives and Note 44 regarding other related party transactions.

2.20 The Parent Company's accounting policies
The Parent Company complies with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2: Accounting for Legal Entities. The Parent Company applies different accounting policies to 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, such as the note concerning investment property and the note concerning machinery and equipment.

Participations in group companies
Participations in group companies are recognised at acquisition value with deductions for any impairment. The acquisition value includes acquisition-related costs and any additional purchase price. When there are indications that participations in group companies have decreased in value the recoverable amount is calculated. If this is lower than the book value the participation is impaired. Impairment is reported under the item "Profit from participations in group companies".

Financial instruments
Financial instruments are not recognised in accordance with IAS 39, Financial Instruments: Recognition and Measurement. Instead, they are recognised using the acquisition method in accordance with the Swedish Annual Accounts Act. Derivative instruments held by the company primarily comprise interest rate swaps, which are used to hedge interest rate risk 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 agreement period.

Group contributions
The company applies the Swedish Financial Reporting Board's recommendation RFR 2: Accounting for Legal Entities. Provided and received group contributions are reported in the income statement.

Investment property
Properties in the Parent Company are recognised at acquisition value with deductions for depreciation. Depreciation is linear as follows:

- Rental properties, residential 0.75 per cent each year
- Rental properties, commercial and industrial 1.50 per cent each year

Note 3 Financial risk management

Rental income
Akelius Fastigheter's business concept entails the long-term ownership and management of residential properties able to generate constantly growing cash flow. The operational risk is limited by keeping the focus of the property portfolio on residential properties in locations experiencing population growth. A strong rental market for housing in Sweden and Germany reduces the risk of long-term vacancies. Current rent levels enable future increases in rent and thereby increases in value. A one per cent change in rental income corresponds to a change in income of SEK 28 million.

Market value of properties
Investment property is recognised at fair value with change in value reported in the income statement. The value is affected by the development of the expected operating surplus and required rates of return. A change in expected rental income of +/- one per cent corresponds to a +/- SEK 660 million change in property value. If the required yield changes by an average of +/- 0.1 per cent the market value changes by SEK -690 million or SEK 720 million respectively.

Finance policy
Financial operations at Akelius are centralised and conducted in accordance with the finance policy established by the board. The aim is to secure the Group's long-term financing and liquidity needs and to achieve a stable net interest flow

within the adopted risk mandate. The loan-to-value ratio for secured credit facilities shall not exceed 60 per cent. Long-term credit agreements are secured with properties and with specific obligations in the credit agreements concerning the loan-to-value ratio, the interest coverage ratio and the equity/assets ratio.

Fixed interest rates
In order to further reduce the risk, or fluctuations in cash flow, interest rates are fixed for long durations. At the end of the financial year 49 per cent (58) of real estate credit had a fixed-interest term of more than five years and 12 per cent (21) had a fixed-interest term of less than one year. With consideration for the small proportion of loans with variable interest rates a change in market interest rates has limited impact on profit. A one per cent change in market interest rates corresponds to a change of SEK 24 million in interest expenses.

Market value of derivative instruments
Interest derivatives are used to achieve the desired fixed interest rates. Developments in the value of the interest derivatives depend on how market interest rates develop in relation to the agreed interest rate and the remaining duration. At the end of the year the undervalue of the derivative portfolio was SEK 2,287 million (2,103). A parallel shift in the discount rate used to value the interest derivatives of one per cent would affect the value in the amount of SEK 857 million. If the remaining duration is reduced by one year the value increases by SEK 221 million. Upon maturity the market value of a derivative agreement is completely dissolved and consequently the change in value over time has not affected equity.

Calculating fair value
The valuation of financial instruments can be classified in different value levels depending on how the underlying data for judging fair value can be obtained.

Value levels

Level 1	Listed prices on active markets for identical assets and liabilities.
Level 2	Observable data for the asset or liability other than listed prices included in level 1.
Level 3	Data for the asset or liability that is not based on observable market data.

The fair value of a financial instrument traded on an active market is based on listed market prices as per the balance sheet date. The listed market price used for the Group's financial assets is the appropriate bid price.

The fair value of a financial instrument that is not traded on an active market is established using valuation methods. In such cases the fair value is established by discounting the future cash flows to the current market interest rate for equivalent instruments.

In the case of financial instruments such as accounts receivable, accounts payable and other financial instruments for which observable market information is not available the fair value is judged to agree with the book value since these instruments have short durations. The instruments are recognised at accrued acquisition value with deductions for any impairment.

Refinancing risk
The refinancing risk is reduced by real estate credit being raised from nineteen different lenders and by mortgaging the property portfolio to only 55 per cent (53) of its market value. Liquidity is secured by entering long-term credit facility agreements with several banks.

Financial instrument durations

Amounts in SEK thousands	Duration - < 1 year	1 - 2 years	2 - 5 years	> 5 years	**Total**
Group 2012-12-31					
Assets					
Derivatives	19,856	10,174	90,588	104,941	**225,559**
Liabilities					
Borrowing	4,387,918	4,461,086	12,261,917	6,324,482	**27,435,403**
Derivatives	7,648	67,628	605,070	1,832,050	**2,512,396**
Accounts payable	171,856				**171,856**
Other liabilities	67,788	100,691	-	-	**168,479**
Total	**4,635,210**	**4,629,405**	**12,866,987**	**8,156,532**	**30,288,134**
Group 2011-12-31					
Assets					
Derivatives	1,121	6,541	64,227	119,661	**191,550**
Liabilities					
Borrowing	6,733,127	3,339,614	8,373,769	7,697,415	**26,143,925**
Derivatives	214	21,442	464,051	1,808,680	**2,294,387**
Accounts payable	172,814				**172,814**
Other liabilities	78,400	76,237	-	-	**154,637**
Total	**6,984,555**	**3,437,293**	**8,837,820**	**9,506,095**	**28,765,763**

Currency exposure
Overseas investments financed in the local currency up to a maximum loan-to-value ratio of 60 per cent mean that consolidated equity is affected by exchange rate fluctuations. A change in the exchange rate for SEK/EUR of +/- 10 per cent corresponds to a change in equity of SEK +/- 450 million.

Note 4 Estimates and judgements

Estimates and judgements are evaluated on a continuous basis from empirical factors and other aspects including anticipation of future events deemed reasonable under the prevailing circumstances.

Significant accounting estimates and judgements

The preparation of the financial statements requires that the board and group management make estimates and certain assumptions. Estimates and assumptions affect the income statement, the balance sheet and disclosures such as those concerning contingent liabilities. Areas that require significant use of estimates and assumptions are:

- ***Property valuations***

  The market values of all properties are assessed by closing day. The assessment of market value takes place in three stages: 1) assessment with the aid of cash flow models for each individual property with separate assessments of required rates of return and future cash flows; 2) reasonability checks on the cash flow model's values against comparable transactions in each location; and 3) second opinions on and verifications of one third of the market assessments by CB Richard Ellis.

  The reasonability checks on the cash flow model's market value assessments entail comparisons with equivalent transactions in each location. This is achieved in part through comparisons with conducted acquisitions and sales and in part through a large number of received prospectuses that did not result in acquisitions.

  The result of the cash flow model's values adjusted for reasonability are then reviewed and verified by CB Richard Ellis. Throughout the year CB Richard Ellis reviewed one third of the market value assessments.

  The average required yield for residential properties was 4.59 per cent in Sweden
  and 4.56 per cent in Germany. The average required yield for commercial properties was 6.98 per cent in Sweden and 6.52 per cent in Germany. The average required yield for the entire property portfolio was 4.73 per cent, which is 0.34 per cent lower than at the beginning of the year. The lower required yield is due partly to the sale of commercial properties with higher required yields, partly to the acquisition of housing with required yields lower than the opening average and partly to reduced required yields for comparable properties. The adjusted required yield for comparable properties is due to increased demand for housing, which drives the required yield down.

The estimated market value of the Group's property holding at the end of the year was SEK 35,437 million (32,352), which is equivalent to an average of SEK 13,755 (12,292) per square metre. The market value has increased by SEK 2,671 million, or 8.3 per cent, as a result of changes in value and decreased by SEK 359 million, or 1.1 per cent, owing to fluctuating exchange rates. The value increase of SEK 2,671 million is due to increased rental income and lower required yields. Changes in the property holding have increased its value by SEK 773 million. Purchases and investments for the year amounted to SEK 3,156 million and property sales totalled SEK 2,383 million.

Of the total market value, SEK 23,456 million (22,574) is attributable to properties in Sweden and SEK 11,981 million (9,778) to properties in Germany. Housing constitutes 95 per cent of the market value, which is in line with the company strategy of housing comprising a minimum of 90 per cent.

- ***Business combinations contra asset acquisitions***
  When a company is acquired the acquisition comprises either the acquisition of a business or the acquisition of assets. The acquisition is classed as the acquisition of assets if the acquisition concerns property, with or without rental agreements, and does not otherwise provide the Group with unique expertise. Other acquisitions are business combinations.

Note 5 Rental income

Group	2012	2011
Residential income	2,442,778	2,186,499
Commercial income	268,696	343,122
Other rental income	51,045	47,457
Other income	17,958	17,899
Total	**2,780,477**	**2,594,977**

Parent Company	2012	2011
Residential income	46,546	44,933
Commercial income	1,653	1,666
Other rental income	947	964
Other income	68	68
Total	**49,214**	**47,631**

Operating leases, Group as lessor

All Akelius rental agreements are classified as operating leases. Future rental income attributable to non-terminable operating leases break down as follows:

	Rent flow, SEK m
Mature within 1 year	34
More than 1 year but within 5 years	118
More than 5 years	45
Total	**197**

Note 6 Property expenses

Group	2012	2011
Usage-bound costs	-521,652	-479,485
Operating expenses	-298,842	-254,283
Maintenance costs	-287,796	-283,865
Property tax	-65,532	-60,108
Site leasehold fee	-3,750	-2,587
Property management	-193,982	-138,251
Total	**-1,371,554**	**-1,218,579**

Parent Company	**2012**	**2011**
Usage-bound costs	-8,926	-9,294
Operating expenses	-4,036	-4,294
Maintenance costs	-5,099	-6,039
Property tax	-1,111	-1,068
Property management	-2,192	-1,735
Total	**-21,364**	**-22,430**

Regarding personnel costs included in management costs please refer to Note 12 Personnel.

Note 7 Depreciation, impairment and reversals of property, plant and equipment

Group	**2012**	**2011**
Impairment, goodwill	-	-14,936
Impairment, corporate real estate	-95,031	-7,388
Depreciation, corporate real estate	-7,539	-6,870
Depreciation, office equipment	-5,755	-4,542
Total	**-108,325**	**-33,736**

Corporate real estate is depreciated by 3.0 per cent of the buildings' acquisition value. Land improvements are depreciated by 5 per cent of the acquisition value.
Fixtures and fittings and office equipment are depreciated by 20 per cent of the acquisition value.

Parent Company	**2012**	**2011**
Depreciation, properties	-1,696	-1,618
Total	**-1,696**	**-1,618**
Depreciation, office equipment	-61	-79
Total	**-1,757**	**-1,697**

Investment property is depreciated by 0.75 per cent of the buildings' acquisition value. Land improvements are depreciated by 5 per cent of the acquisition value. Fixtures and fittings and office equipment are depreciated by 20 per cent of the acquisition value.

Note 8 Other income and expenses

Group	**2012**	**2011**
Invoicing, group companies	2,644	-
Other income	14,697	1,767
Operating profit/loss, hotel business	-11,633	-4,613
Profit/loss, sales of non-current assets	-1,659	2,125
Expenses, sales of properties	-55,845	-46,548
Total	**-51,796**	**-47,269**

Parent Company	**2012**	**2011**
Internal invoicing, Group	34,878	31,324
Other income	5,117	4,924
Total	**39,995**	**36,248**

The Parent Company made no purchases from group companies.

Note 9 Auditing

Group	**2012**	**2011**
PwC		
- auditing	5,440	4,562
- additional auditing	177	135
- tax consultation	1,804	1,182
- other assignments	1,778	936
Total	**9,199**	**6,815**

Parent Company	**2012**	**2011**
PwC		
- auditing	75	75
- additional auditing	-	135
- tax consultation	855	740
- other assignments	1,549	764
Total	**2,479**	**1,714**

Note 10 Personnel

Average number of employees during the financial year

Group	**2012**	**2011**
Women	106	112
Men	107	98
Total	**213**	**210**
of which Sweden:		
Women	78	69
Men	74	91
Total	**152**	**160**
of which senior executives:		
Women	-	-
Men	7	7
Total	**7**	**7**

The board is comprised of five members, all men.

Salaries, other benefits and social security contributions

Group	**2012**	**2011**
Board and senior executives	7,125	12,221
Other employees	105,763	78,173
Total salaries and other benefits	**112,888**	**90,394**
Board and senior executives	1,398	2,172
Other employees	7,907	4,228
Total pension costs	**9,305**	**6,400**
Social security contributions	30,873	24,138
Total	**153,066**	**120,932**

Parent Company	**2012**	**2011**
Board and senior executives	3,923	8,983
Other employees	28,420	17,822
Total salaries and other benefits	**32,343**	**26,805**
Board and senior executives	698	1,880
Other employees	4,323	1,490
Total pension costs	**5,021**	**3,370**
Social security contributions	12,836	7,623
Total	**50,200**	**37,798**

No variable remuneration or bonuses have been paid.

Agreements on severance pay with senior executives

Agreements on severance pay have been entered with the managing director and six other senior executives amounting to six to twelve months' salary if notice is served by the company. Notice from the executives is three to six months.

Note 11 Change in value, investment property

Group	**2012**	**2011**
Realised change in value	151,398	135,622
Unrealised change in value	2,519,212	889,492
Total	**2,670,610**	**1,025,114**

Concerning unrealised change in value please refer to Note 4 Estimates and judgements.

Note 12 Profit from participations in group companies

Parent Company	**2012**	**2011**
Sales income, sold subsidiaries	195,808	6,447
Book value, sold subsidiaries	-178,506	-728
Impairment, shares and participations	-112,600	-21,000
Dividends, shares and participations	821,900	529,000
Group contributions received	-	298,752
Group contributions provided	-233,301	-
Total	**493,301**	**812,471**

Note 13 Financial income

Group	**2012**	**2011**
Interest income	24,454	27,392
Exchange rate differences	-	35,860
Interest subsidies	162	2,467
Other financial income	1,887	1,391
Total	**26,503**	**67,110**

Parent Company	**2012**	**2011**
Interest income, Group	504,295	554,983
Other interest income	444	8,400
Interest subsidies	-	6
Exchange rate differences	-	14,432
Other financial income	-	1
Total	**504,739**	**577,822**

Note 14 Financial expenses

Group	2012	2011
Interest expenses	-929,831	-824,988
Interest expenses, Group	-210,618	-231,203
Expenses, deposit-taking activities	-6,558	-5,966
Other financial expenses	-39,593	-56,569
Total	**-1,186,600**	**-1,118,726**

Parent Company	2012	2011
Interest expenses, Group	-752,668	-606,456
Other interest expenses	-59,605	-299,554
Other financial expenses	-64,608	-2,426
Total	**-876,881**	**-908,436**

Note 15 Change in value, derivative instruments

Group	2012	2011
Change in value, interest derivatives	-184,000	-764,037
Total	**-184,000**	**-764,037**

Parent Company	2012	2011
Change in value, interest derivatives	-235,846	-
Total	**-235,846**	**-**

Note 16 Tax

Group	2012	2011
Current tax	-6,472	-11,448
Current tax attributable to prior years	-20	-346
Deferred tax	-81,450	-58,316
Total	**-87,942**	**-70,110**

Income tax on the Group's profit before tax differs from the theoretical amount that would be due if using a weighted average tax rate on the profits of the consolidated companies as presented below.

Difference between reported tax expense and tax expense based on applicable tax rates		
Reported profit before tax	2,527,994	458,426
Tax at applicable tax rate	-695,406	-120,566
Change in value, properties	662,638	255,420
Change in value, derivatives	-48,392	-200,942
Tax effect of non-taxable income and non-deductible expenses, net	74,688	54,640
Current tax attributable to prior years	-20	-346
Altered tax rate, temporary differences	300,228	-
Sold temporary differences	55,521	-6,264
Change in temporary differences	-437,199	-52,052
Reported tax in income statement	**-87,942**	**-70,110**

Tax rates

The applicable tax rate is the tax rate for income tax in the Group.
The tax rate is 26.3 per cent (26.3) for Swedish companies and 15.825 per cent (34.0) for German companies.

Parent Company	**2012**	**2011**
Current tax attributable to prior years	-	-95
Deferred tax	137,476	12,806
Total	**137,476**	**12,711**

Income tax on the company's profit before tax differs from the theoretical amount that would be due if using the current tax rate.

Difference between reported tax expense and tax expense based on applicable tax rates		
Reported profit before tax	-137,236	467,493
Tax at applicable tax rate	36,093	-122,951
Change in value, derivatives	-62,028	-
Depreciation, investment property	735	705
Tax effect of non-taxable income and non-deductible expenses, net	25,200	122,246
Current tax attributable to prior years	-	-95
Altered tax rate, temporary differences	14,151	-
Change in temporary differences	123,325	12,806
Reported tax in income statement	**137,476**	**12,711**

Note 18 Investment property

Group	**2012-12-31**	**2011-12-31**
Opening book value	31,797,388	27,651,549
Exchange rate differences	-355,136	-41,574
Acquisitions	1,663,277	3,791,459
Disposals	-2,383,514	-1,827,642
Change in value	2,680,830	1,150,354
Transfer from work in progress	1,264,703	1,073,242
Closing book value	**34,667,548**	**31,797,388**
Number of apartments	35,443	35,151
Residential area, m^2	2,324,770	2,312,635
Commercial area, m^2	251,608	319,418
Total area	**2,576,378**	**2,632,053**

Parent Company	**2012-12-31**	**2011-12-31**
Opening acquisition value	271,897	264,930
Transfers from work in progress	20,199	6,967
Closing acquisition value	**292,096**	**271,897**
Opening depreciation	-16,700	-15,082
Depreciation for the year	-1,696	-1,618
Closing depreciation	**-18,396**	**-16,700**
Opening impairment	-5,648	-5,648
Closing impairment	**-5,648**	**-5,648**
Closing book value	**268,052**	**249,549**
Number of apartments	698	698
Residential area, m^2	47,463	47,463
Commercial area, m^2	1,666	1,666
Total area	**49,129**	**49,129**

Note 19 Corporate real estate

Group	2012-12-31	2011-12-31
Opening book value	120,318	125,008
Depreciation	-7,539	-6,870
Sales	-399	-638
Impairment	-95,031	-6,750
Transfer from work in progress	1,624	9,568
Closing book value	**18,973**	**120,318**

Note 20 Construction in progress

Group	2012-12-31	2011-12-31
Opening book value	554,943	617,462
Exchange rate differences	-3,546	-2,300
Investments	1,494,631	1,147,831
Acquisitions	203	-
Change in value	-	-125,240
Sales	-10,019	-
Transfer to properties	-1,266,327	-1,082,810
Closing book value	**769,885**	**554,943**

Parent Company	2012-12-31	2011-12-31
Opening book value	1,875	116
Investments	20,495	8,726
Transfer to investment property	-20,199	-6,967
Closing book value	**2,171**	**1,875**

Note 21 Machinery and equipment

Group	2012-12-31	2011-12-31
Opening book value	17,064	17,202
Exchange rate differences	-204	-42
Investments	5,352	4,475
Acquisitions	-	-28
Sales	-2,664	-
Depreciation	-5,755	-4,542
Reclassification	-	-1
Closing book value	**13,793**	**17,064**

Parent Company	**2012-12-31**	**2011-12-31**
Opening acquisition value	2,092	2,244
Investments	-	132
Sales	-	-184
Closing acquisition value	**2,092**	**2,092**
Opening depreciation	-1,851	-2,056
Depreciation for the year	-61	-79
Sales	-	284
Closing depreciation	**-1,912**	**-1,851**
Closing book value	**180**	**241**

Machinery and equipment are depreciated by 20 per cent of the acquisition value each year.

Note 22 Participations in group companies

Parent Company	2012-12-31	2011-12-31
Opening book value	9,554,984	8,643,812
Acquisitions	117,125	-
Sales	-1,358,236	-
Capital contributions	1,359,975	932,900
Liquidation	-	-728
Impairment	-107,177	-21,000
Closing book value	**9,566,671**	**9,554,984**

Participations in group companies

Parent Company

Company	*Reg. comp. no.*	*Head office*	*Share*	*Shares/ participation*	*Book value*
Akelius Bonis AB	556779-4424	Danderyd	100%	1,000	70
Akelius Fastigheter Amerika Norra 29 AB	556708-5831	Danderyd	100%	1,000	100
Akelius Fastigheter Amerika Norra 41 AB	556708-5898	Danderyd	100%	1,000	100
Akelius Fastigheter i Göteborg AB	556647-1792	Danderyd	100%	1,000	136,828
Akelius Fastigheter Rydebäck AB	556621-4390	Danderyd	100%	1,000	2,089
Akelius Fastigheter Sydväst AB	556610-3080	Stockholm	100%	1,000	115,050
Akelius Fastigheter Ödlan i Helsingborg AB	556644-7727	Danderyd	100%	100	8,593
Akelius Fastighetsrenting AB	556673-2417	Danderyd	100%	1,000	100
Akelius GmbH	-	Berlin	94.9%	-	3,378,005
Akelius Holding AB	556705-7673	Danderyd	100%	1,000	200
Akelius Hotell och Fastigheter AB	556650-2414	Danderyd	100%	5,000	100
Akelius Invest AB	556705-7699	Danderyd	100%	1,000	100
Akelius Lgh Amerika Norra 52 AB	556708-5955	Danderyd	100%	1,000	100
Akelius Lgh Kullen Västra 58 AB	556661-3823	Danderyd	100%	1,000	100
Akelius Lgh Prins Fredrik 18 AB	556661-3898	Danderyd	100%	1,000	100
Akelius Lots GmbH & CoKG		Berlin	94.9%	-	117,055
Akelius Lägenheter AB	556549-6360	Stockholm	100%	20,541,962	5,691,736
Akelius Lägenheter Filen 9 AB	556661-3781	Danderyd	100%	1,000	100
Akelius Lägenheter Krokodilen 11 AB	556709-3363	Danderyd	100%	1,000	100
Akelius Spar AB (publ)	556618-8123	Gothenburg	100%	10,000	114,961
Åre Hyreslägenheter AB	556695-4862	Danderyd	100%	1,000	1,184
					9,566,671

Note 23 Non-current receivables

Group	2012-12-31	2011-12-31
Opening receivables	194,528	524,483
Incoming receivables	327,924	112,143
Outgoing receivables	-315,425	-442,098
Total	**207,027**	**194,528**

Of long-term receivables in the Group, SEK 100,782 thousand (173,933) is attributable to frozen bank balances. The previous year SEK 106,747 thousand was attributable to interest-bearing receivables with durations of more than one year.

Parent Company	2012-12-31	2011-12-31
Book value, opening	127	148,781
Incoming receivables	-	4,007
Outgoing receivables	-	-152,661
Total	**127**	**127**

Note 24 Deferred tax claims

Group	2012-12-31	2011-12-31
Opening receivables	569,047	354,314
Items affecting income	151,607	214,422
Incoming receivables	54	311
Total	**720,708**	**569,047**
Loss carry-forward	217,604	16,001
Derivatives	503,104	553,046
Total	**720,708**	**569,047**

Deferred tax claims are calculated as 22 per cent (26.3) of temporary differences between the fair value and the value for tax purposes.

Deferred tax claims for loss carry-forwards are equivalent to SEK 989,108 thousand (60,840) in loss carry-forwards. The larger part of loss carry-forwards is expected to be utilised during the coming years. SEK 32 thousand of loss carry-forwards can first be utilised in 2015 and SEK 23 thousand can first be utilised in 2017.

Parent Company	2012-12-31	2011-12-31
Opening receivables	13,511	-
Items affecting income	139,097	13,511
Total	**152,608**	**13,511**
Loss carry-forward	152,608	13,511
Total	**152,608**	**13,511**

Deferred tax claims are calculated as 22 per cent (26.3) of temporary differences between the fair value and the value for tax purposes.

Deferred tax claims attributable to loss carry-forwards correspond to SEK 693,675 thousand (51,374) in loss carry-forwards. The loss carry-forwards are expected to be utilised during the coming years.

Note 25 Accounts receivable

Accounts receivable are primarily attributable to residential tenants. The risk of bad debt losses is assessed to be small and as such no reservation for bad debts has been made. Accounts receivable are written down once a loss has been confirmed.

Note 26 Receivables from group companies

Group	2012-12-31	2011-12-31
Opening receivables	27,917	-
Incoming receivables	3,283	28,117
Outgoing receivables	-27,097	-200
Total	**4,103**	**27,917**

Receivables from group companies are attributable to current accounts for the Parent Company and sister companies. Intragroup loans are subject to market terms. These loans are provided without collateral.

Parent Company	2012-12-31	2011-12-31
Opening receivables	1,159,285	1,865,262
Incoming receivables	63,703	-
Outgoing receivables	-	-705,977
Total	**1,222,988**	**1,159,285**

Receivables from group companies are attributable to current accounts for the Parent Company, sister companies and subsidiaries. Intragroup loans on market terms. These loans are provided without collateral.

Note 27 Other current receivables

Group	2012-12-31	2011-12-31
Opening receivables	222,048	123,168
Incoming receivables	109,116	195,247
Outgoing receivables	-	-96,367
Total	**331,164**	**222,048**

Other current receivables are mostly attributable to advance payments on acquisitions of property companies in Germany. The previous year they also included the current share of promissory note receivables, which were redeemed during the year.

Parent Company	2012-12-31	2011-12-31
Opening receivables	1,260	2,796
Incoming receivables	3,405	805
Outgoing receivables	-	-2,341
Total	**4,665**	**1,260**

Note 28 Prepaid expenses and accrued income

Group	2012-12-31	2011-12-31
Opening receivables	12,982	13,527
Incoming receivables	33,571	-
Outgoing receivables	-	-545
Total	**46,553**	**12,982**
Prepaid operating expenses	33,953	8,342
Prepaid interest expenses	11,034	-
Other prepaid expenses	-	2,271
Accrued interest income	1,566	2,369
Total	**46,553**	**12,982**

Parent Company	2012-12-31	2011-12-31
Opening receivables	1,689	1,407
Incoming receivables	8,421	282
Total	**10,110**	**1,689**
Prepaid operating expenses	4,853	1,682
Prepaid interest expenses	5,250	-
Accrued interest income	7	7
Total	**10,110**	**1,689**

Note 29 Cash and cash equivalents

Group	2012-12-31	2011-12-31
Cash	127	409
Cash equivalents	28,357	30,008
Total	**28,484**	**30,417**

Parent Company	2012-12-31	2011-12-31
Cash	1	1
Cash equivalents	528	3,447
Total	**529**	**3,448**

Change in cash and cash equivalents is presented in the cash flow statements.

Note 30 External borrowing

Group	2012-12-31	2011-12-31
Non-current borrowing		
Borrowing against collateral	15,330,795	12,020,639
Borrowing without collateral	420,000	44,388
Total	**15,750,795**	**12,065,027**
Current borrowing		
Borrowing against collateral	2,618,602	5,025,321
Borrowing without collateral	462,557	384,196
Total	**3,081,159**	**5,409,517**
Total external borrowing	**18,831,954**	**17,474,544**
Opening borrowing	17,474,544	14,258,991
Exchange rate differences	-217,153	-44,692
New borrowing	7,185,147	101,826,294
Amortisation	-5,610,584	-98,566,049
Total	**18,831,954**	**17,474,544**
Fixed interest rates		
0 – 1 year	2,870,838	3,945,929
1 – 2 years	334,131	642,191
2 – 5 years	5,974,546	2,915,699
5+ years	9,652,439	9,970,725
Total	**18,831,954**	**17,474,544**

Capital tied up		
0 – 1 year	3,081,159	5,409,517
1 – 2 years	1,999,865	2,179,331
2 – 5 years	9,155,060	5,539,098
5+ years	4,595,869	4,346,598
Total	**18,831,954**	**17,474,544**

External borrowing against collateral			
Average term, capital tied up	Years	5.3	6.0
Average fixed-interest term	Years	5.7	5.8
Average interest rate	%	4.13	4.94

Concerning the finance policy and financial operations please refer to Note 3 Financial risk management. Non-current loans generally have interest rates fixed for three months while credit facilities have longer terms. Overvalue attributable to credit facilities is calculated to be SEK 5 million.

Parent Company	**2012-12-31**	**2011-12-31**
Non-current borrowing		
Borrowing against collateral	20,842	440,252
Borrowing without collateral	420,000	17,417
Total	**440,842**	**457,669**
Current borrowing		
Borrowing against collateral	483,118	-
Borrowing without collateral	44,388	44,388
Total	**527,506**	**44,388**
Total external borrowing	**968,348**	**502,057**
Opening borrowing	502,057	2,609,516
Exchange rate differences	45	22,330
New borrowing	541,486	30,078,176
Amortisation	-75,240	-32,207,965
Total	**968,348**	**502,057**
Interest rates and capital tied up, terms		
0 – 1 year	527,506	457,669
1 – 2 years	20,842	44,388
2 – 5 years	420,000	-
Total	**968,348**	**502,057**

Concerning the finance policy and financial operations please refer to Note 3 Financial risk management.

Note 31 Liabilities to group companies

Group	2012-12-31	2011-12-31
Non-current borrowing	2,847,321	2,556,500
Current borrowing	299,658	332,948
Total	**3,146,979**	**2,889,448**
Opening borrowing	2,889,448	3,461,742
Exchange rate differences	-955	-656
New borrowing	2,399,592	402,618
Amortisation	-2,141,106	-974,256
Total	**3,146,978**	**2,889,448**

Intragroup loans are subject to market terms. Collateral has been provided for SEK 1,710,000 thousand (-) of the loans.

Parent Company	2012-12-31	2011-12-31
Non-current borrowing	2,637,321	5,454,420
Current borrowing	3,487,004	314,542
Total	**6,124,325**	**5,768,962**
Opening borrowing	5,768,961	4,035,227
Exchange rate differences	606	-
New borrowing	2,511,791	2,707,990
Amortisation	-2,157,033	-974,255
Total	**6,124,325**	**5,768,962**

Intragroup loans are subject to market terms. Collateral has been provided for SEK 1,500,000 thousand (-) of the loans.

Note 32 Derivative instruments

Group

Overvalue	2012-12-31	2011-12-31
Opening derivatives	191,550	24,401
Incoming derivatives	2,708	7,662
Disposed derivatives	-1,121	-
Change in value, opening derivatives	32,422	159,487
Total	**225,559**	**191,550**
Interest derivatives	225,559	191,550
Total	**225,559**	**191,550**
Non-current share of overvalue	211,500	190,429
Current share of overvalue	14,059	1,121
Total	**225,559**	**191,550**

Undervalue	**2012-12-31**	**2011-12-31**
Opening derivatives	2,294,387	1,363,201
Incoming derivatives	192,225	3,357
Outgoing derivatives	-84,497	-11,319
Change in value, opening derivatives	110,281	939,148
Total	**2,512,396**	**2,294,387**
Interest derivatives	2,512,396	2,294,387
Total	**2,512,396**	**2,294,387**
Non-current share of undervalue	2,504,748	2,294,173
Current share of undervalue	7,648	214
Total	**2,512,396**	**2,294,387**

Net value	**2012-12-31**	**2011-12-31**
Overvalue	225,559	191,550
Undervalue	-2,512,396	-2,294,387
Total	**-2,286,837**	**-2,102,837**

The nominal amount of the derivative instruments was SEK 11,748 million (12,130). The derivative instruments primarily comprise interest derivatives to achieve the desired interest rate risk.

Parent Company

Undervalue	**2012-12-31**	**2011-12-31**
Opening derivatives	-	-
Incoming derivatives	92,189	-
Change in value, opening derivatives	235,846	-
Total	**328,035**	**-**
Interest derivatives	328,035	-
Total	**328,035**	**-**

As of 2012 the Parent Company does not use hedge accounting. The derivatives have been valued using the lowest value principle. The nominal amount of the derivative instruments was SEK 2,775 million (-).

Note 33 Deferred tax liabilities

Acquired temporary differences are not included in the Group's deferred tax liability.

Group	**2012-12-31**	**2011-12-31**
Opening liabilities	1,850,711	1,571,398
Items affecting income	233,164	272,738
Incoming liabilities	-	6,575
Outgoing liabilities	-55,517	-
Total	**2,028,358**	**1,850,711**
Properties	2,027,122	1,849,233
Untaxed reserves	1,236	1,478
Total	**2,028,358**	**1,850,711**

Parent Company	**2012-12-31**	**2011-12-31**
Opening liabilities	6,160	5,455
Items affecting income	1,622	705
Total	**7,782**	**6,160**
Properties	7,782	6,160
Total	**7,782**	**6,160**

Note 34 Other non-current liabilities

Group	**2012-12-31**	**2011-12-31**
Opening liabilities	76,237	3,067
Incoming liabilities	24,977	620,470
Outgoing liabilities	-522	-547,300
Total	**100,691**	**76,237**

Parent Company	**2012-12-31**	**2011-12-31**
Opening liabilities	189	107
Incoming liabilities	10	82
Total	**199**	**189**

Other non-current liabilities concern deposits received from tenants.

Note 35 Accounts payable

Group	**2012-12-31**	**2011-12-31**
Opening liabilities	172,814	134,323
Incoming liabilities	1,932,177	1,757,719
Outgoing liabilities	-1,933,135	-1,719,228
Total	**171,856**	**172,814**

Parent Company	**2012-12-31**	**2011-12-31**
Opening liabilities	5,238	5,226
Incoming liabilities	109,392	95,449
Outgoing liabilities	-108,771	-95,437
Total	**5,859**	**5,238**

Note 36 Current tax liabilities

Group	**2012-12-31**	**2011-12-31**
Opening liabilities	10,002	3,528
Tax expense	77	11,794
Change in tax liability	-10,031	-5,320
Total	**48**	**10,002**

Parent Company	**2012-12-31**	**2011-12-31**
Opening liabilities	1,996	3,341
Tax expense	-	95
Outgoing liabilities	-1,996	-1,440
Total	**0**	**1,996**

Tax liabilities are attributable to income tax liabilities.

Note 37 Other current liabilities

Group	**2012-12-31**	**2011-12-31**
Opening liabilities	78,400	86,480
Incoming liabilities	-	78,400
Outgoing liabilities	-10,612	-86,480
Total	**67,788**	**78,400**
Other taxes	1,340	326
Title deeds	-	13,526
Other	66,448	64,548
Total	**67,788**	**78,400**

Parent Company	**2012-12-31**	**2011-12-31**
Opening liabilities	13,722	3,950
Incoming liabilities	-	13,722
Outgoing liabilities	-11,443	-3,950
Total	**2,279**	**13,722**
Other taxes	-	1,482
Other	2,279	12,240
Total	**2,280**	**13,722**

Note 38 Accrued expenses and deferred income

Group	2012-12-31	2011-12-31
Opening liabilities	370,543	413,215
Incoming liabilities		370,543
Outgoing liabilities	-133,541	-413,215
Total	**237,002**	**370,543**
Prepaid rental income	91,849	138,658
Accrued operating expenses	26,632	125,082
Accrued interest expenses	118,521	106,803
Total	**237,002**	**370,543**

Parent Company	2012-12-31	2011-12-31
Opening liabilities	43,728	79,448
Incoming liabilities	3,787	43,728
Outgoing liabilities	-	-79,448
Total	**47,515**	**43,728**
Prepaid rental income	2,302	2,624
Accrued operating expenses	11,537	17,802
Accrued interest expenses	33,676	23,302
Total	**47,515**	**43,728**

Note 39 Pledged assets

Group	2012-12-31	2011-12-31
Pledged cash equivalents	100,782	101,168
Property mortgages	20,697,769	20,489,916
Shares in subsidiaries	315,658	365,878
Total	**21,114,209**	**20,956,962**

Parent Company	2012-12-31	2011-12-31
Property mortgages	348,370	331,370
Total	**348,370**	**331,370**

Note 40 Contingent liabilities

Group	2012-12-31	2011-12-31
Guarantees provided	1,093,168	1,403,314
Total	**1,093,168**	**1,403,314**

Parent Company	2012-12-31	2011-12-31
Sureties for subsidiaries	17,445,436	15,863,397
Guarantees provided	1,093,168	1,403,314
Total	**18,538,604**	**17,266,711**

Note 41 Related parties

Related party relations

Akelius Apartments Ltd, Cyprus owns all shares in Akelius Fastigheter AB and has a controlling influence over the Group. Akelius Apartments Ltd is a subsidiary to Akelius Foundation, Bahamas. The board and senior executives are also related parties to Akelius Fastigheter AB. In addition to these related party relations the Parent Company has a controlling influence over its subsidiaries as presented in Note 22.

Related party transactions

The following transactions have taken place with companies in the Akelius Foundation Group.

	2012	**2011**
Sales of financial assets:		
Akelius Apartments Ltd	-	99,058
Other companies	-	275,192

The following transactions have taken place with companies controlled by board members or senior executives or related parties to the aforementioned.

	Company controlled by	
	Board member	Other related party
2012		
Purchases of services	1,708	7,623
Sales of financial services	-	53,725
2011		
Purchases of services	2,374	7,379
Sales of non-current assets	-	5,117
Sales of financial services	-	27,918

Related party transactions have taken place on market terms and conditions. For disclosures on remuneration to the board and senior executives please see Note 10. For disclosures on intragroup interest income and interest expenses please see Notes 13 and 14. No board member or senior executive has directly or indirectly participated in any business transaction with Akelius other than those disclosed in this note and Note 10.

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.

London, 12 April 2013

Leif Norburg Chair of the Board	Roger Akelius	Anders Janson
Pål Ahlsén Managing Director	Igor Rogulj	

Our audit report for these annual accounts was issued on 15 April 2013.

Mats Nilsson Chartered Accountant	Helena Ehrenborg Chartered Accountant