

Akelius Residential Property AB (publ)

Annual Report 2015



5 Place Félix Eboué, Paris, France

Akelius

Akelius at a glance

- Apartments in the metropolitan areas of Stockholm, Malmö, Berlin, Hamburg, London, Toronto, Montreal, Paris, New York, Boston, Washington D.C.
- Better living, a mission to continuously upgrade properties and services
- 51,000 apartments in six countries in A and B locations
- SEK 73 billion in fair value of properties, SEK 20,000 per square meters
- 41 percent equity to assets ratio, 48 percent loan-to-value
- 588 employees

Summary

	2015 Jan-Dec	2014 Jan-Dec	2013 Jan-Dec
Rental growth for comparable portfolio, percent	4.3	3.4	5.8
Real vacancy, percent	1.3	1.0	0.7
Operating profit, SEK million	9,977	3,226	3,008
Return on properties, percent	17.7	7.5	8.9
Profit for the year, SEK million	7,171	503	2,220
Return on equity, percent	29	9	24
Property fair value, SEK million	72,764	57,736	44,104
Equity to assets ratio, percent	41	38	33
Loan-to-value, percent	48	52	56
Interest coverage ratio including realized value growth	3.0	1.7	1.5
Average interest rate, percent	3.44	3.94	4.75

Property portfolio

Fair value, SEK million



80 percent in metropolises

Fair value, SEK billion

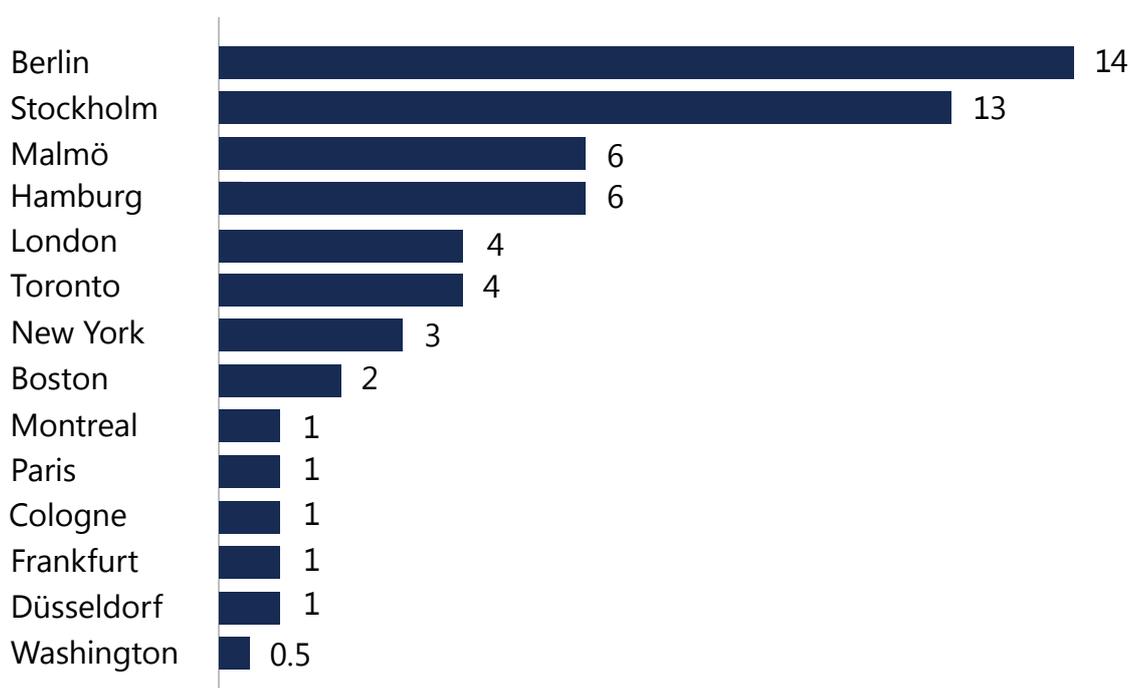


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The audited statutory annual report, which consists of the directors' report and the financial statements, includes the pages 6 to 103. Tables and graphs are based on internal data if no source is provided. In the event of conflict in interpretation or differences between this report and the Swedish version, the Swedish version shall have priority.

Currency war boosts real estate prices

The current currency war, with new printed money and interest rates used as weapons, has given a boost to real estate prices. We report a change in property value of SEK 8 billion, of which SEK 5 billion is attributable to the current currency war, SEK 1 billion to property sales and SEK 2 billion to an increased operating surplus. Some markets are hot today, maybe even overheated. We will likely buy fewer properties in 2016 than we did in 2015.

Our concentration in metropolitan areas has increased. At the end of the year, 72 percent of our properties were in cities with a population of more than one million. This is an increase of 9 percentage points since the end of 2014. Apartments for metropolitans is our thing.

During the year, we entered the United States with the purchase of properties in New York, Washington D.C. and Boston. We grew even further with additional purchases in London, Berlin, Hamburg, Toronto, Stockholm, Paris and Montreal. Property purchases totaled SEK twelve billion, of which SEK 5.5 billion was in the United States.

Sales were carried out in Sweden, Germany, England and Canada. Our sales volumes reached nearly SEK 6 billion, 23 percent above fair value at the beginning of the year.

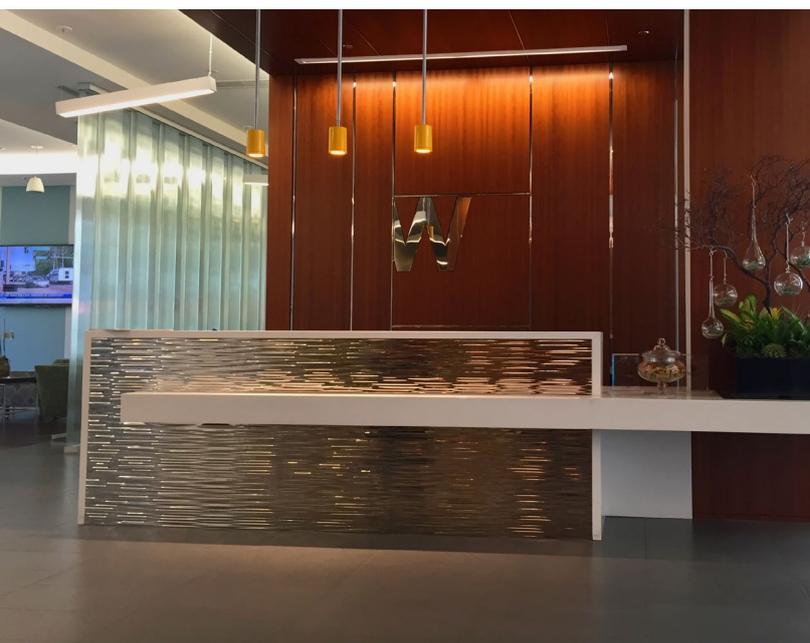
Among the sales, we sold a portfolio of 900 apartments in Germany - 43 percent above fair value - and Hamlet Gardens in London with 121 apartments - 18 percent above fair value.

In the capital market, we issued both preferred shares for SEK 2 billion and bonds for SEK 5 billion. We started to issue commercial papers, for which the outstanding volume is SEK 2 billion. Standard & Poor's gave us a credit rating of BBB-.

Loan-to-value has fallen from 52 to 48 percent. For secured loans, loan-to-value declined from 47 to 36 percent. The equity to assets ratio has risen by three percentage points to 41 percent. Liquidity is SEK 8 billion, exceeding short-term loans by 4 billion.

Investments in properties amounted to SEK 2.2 billion, 18 percent more than in 2014. Almost half of the investments were related to up-grading of vacant apartments. We are working tirelessly to provide both current and future tenants with better living in the megacities of the Western world.

Pål Ahlsén
CEO, Managing Director



Reception at West Square, Boston



Lobby at West Square, Boston

The Board of Directors and Chief Executive Officer of Akelius Residential Property AB (publ), company registration number 556156-0383, hereby present their 2015 report for the Group and parent company.

Residential property in metropolises

80 percent in metropolises

Akelius buys, develops, upgrades and manages residential properties in metropolises with strong growth.

Today 80 percent of our properties are located in the metropolitan areas of Berlin, Hamburg, Cologne, Düsseldorf, Frankfurt, Stockholm, Malmö, London, Toronto, Montreal, Paris, New York, Boston and Washington D.C.

Criteria to reduce risk:

- Residential properties
- Stable countries
- Growing metropolises
- Good locations

Residential properties

Akelius invests in residential properties with a secure and growing rental income, since we put safety first.

Vacancies and rent levels fluctuate less for multifamily dwellings than for other types of properties. We all need somewhere to live, regardless of the economic cycle. Income from residential properties is secure and predictable.

Residential properties in metropolises are more liquid assets than commercial properties. Residential properties have many different types of buyers, from the tenants themselves and small private investors to large international funds that are interested in acquiring a property.

Stable countries

We invest only in stable countries with low geopolitical risk. Economic growth and political stability are deeply interconnected.

The countries must have safe legal and economic environment.

Investments in different countries and in different metropolises mean lower risk. Changes in one country or one metropolis will not have a large impact on the Group.

Changes in supply and demand are local. The same applies to changes in rent laws or taxation of properties. A financial crisis can be local and global crises will hit countries differently.

Growing metropolises with soul

We believe that metropolises have lower risk than small to mid-sized cities. The economy is diversified and is not dependent on a few individual businesses. The major contributor to low risk is population growth.

Metropolises with soul are a combination of cultural, intellectual, political and economic centers of a country. They are social melting pots and hubs for trade and innovations. Because they offer so many possibilities, no matter the cycle of the economy, people will always be attracted to live in these metropolises.

The focus on metropolises allows us to have more apartments per city, which increases operational efficiency. At the end of 2015, we hold an average of 1,653 apartments by cities compared to 1,409 in 2014.

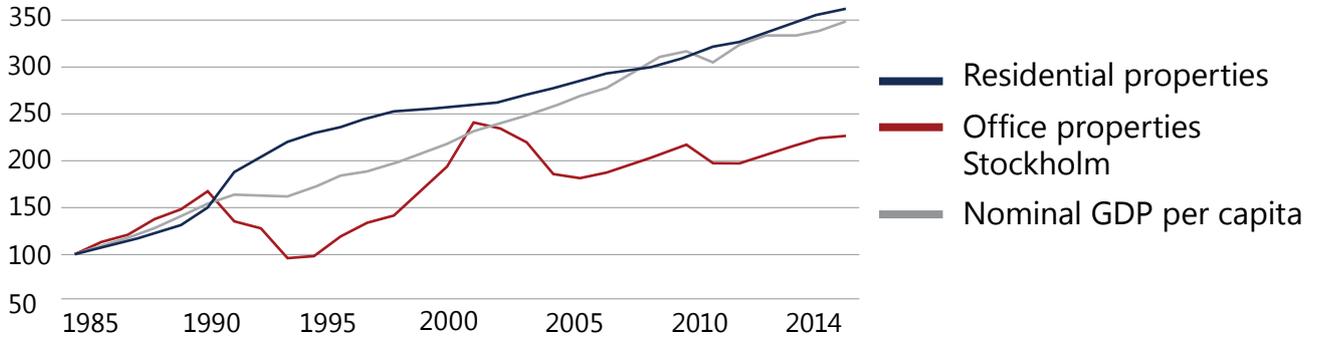
Location, location, location

We focus on properties in A and B locations, the most popular areas in a city. We refrain from investing in C locations, areas where the apartments first become vacant.

Beside lower risk for vacancies, good locations also provide better liquidity, since the properties are disposable even in weak economy.

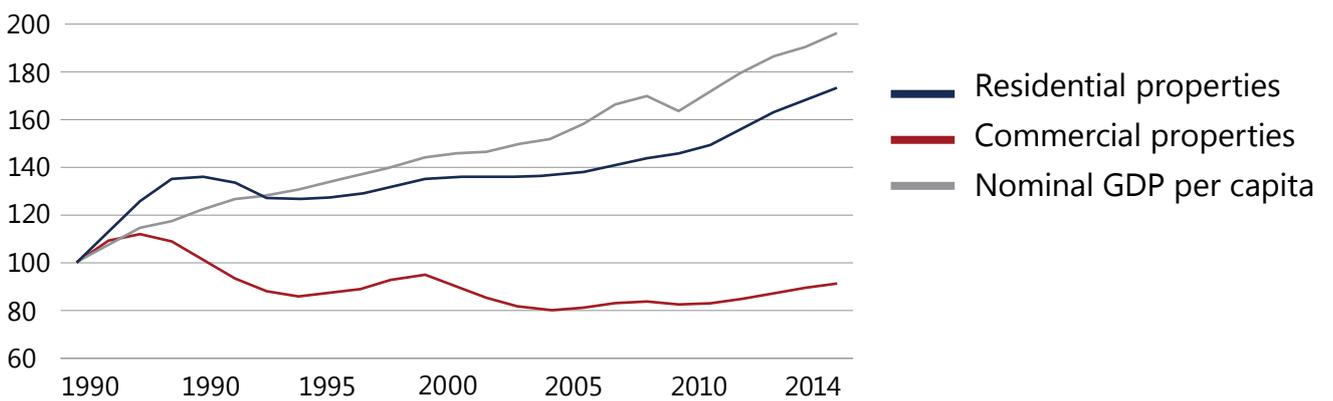
Residential versus commercial

Rental level development in Sweden



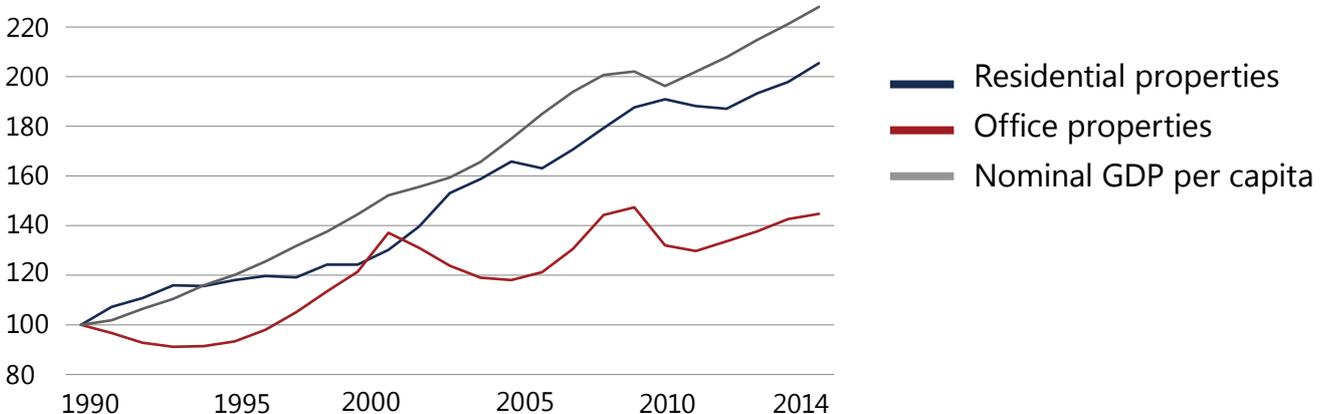
Source: SCB, The World Bank

Development of new lease level in Germany



Source: Bullwiengesa AG, the World Bank

Development of new lease level in United States



Source: US Census Bureau, JLL, The World Bank

Demographics and urbanization – a key to success

Urbanization still ongoing

We believe that demographics are the hidden champion in real estate. Companies with assets in places where the population is growing will benefit. The rising demand will reduce vacancy risk and the risk for lower rent levels. Instead, the opposite scenario is more likely – an increase in rent levels.

Metropolises have higher population growth than countries as a whole. They also show higher growth in salaries and GDP per capita. We believe that metropolitan areas will continue to grow quickly, at the cost of smaller cities and communities.

As cities grow, residential areas and districts become more attractive, not only for tenants but also for investors. This reduces the risk for lower property values.

Ten percent growth for metropolises

Akelius' metropolitan areas are recognized as the most attractive cities to live in the world. Furthermore, the population is expected to grow by an average rate of ten percent over the next fifteen years.

Berlin, Europe's hipster capital, has always been of great importance for world history. The city offers a high standard of living and a range of opportunities in both technology and culture. Berlin is continuing to grow, twice as fast as urban planners previously predicted. The city's earlier forecast that the population would increase by 250 000 will be achieved already by 2019, rather than 2030 previously expected.

Stockholm is growing rapidly. Relaxed, creative and trendy describes best Stockholm, the capital of Scandinavia. A quarter of Sweden's population is expected to live in the capital within about twenty years. Between 2015 and the 2045 the population of the Stockholm region is expected to increase by 32 percent, 700,000 people.

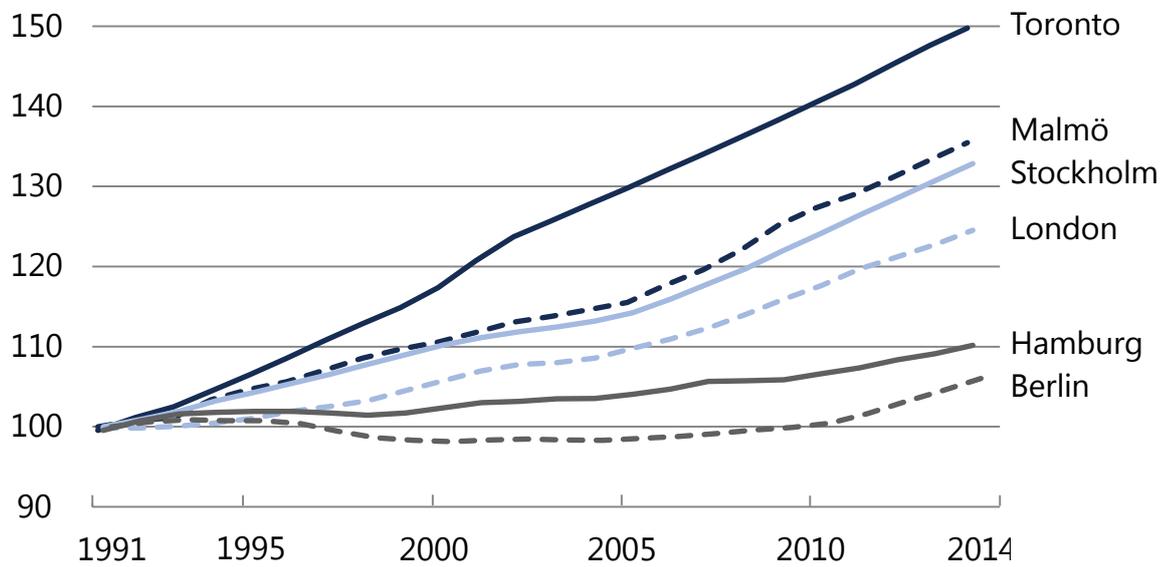
Toronto was named the most youthful city in the world. The city is multicultural, economically strong and offers plenty of job opportunities for young people. Toronto is now a favorite destination for individuals, families and businesses moving to Canada, which is driving population growth. In 2030, Toronto is expected to have seven million residents, sixteen percent growth.

London is often referred to as the financial capital of Europe. The population of Greater London exceeds ten million inhabitants and is expected to grow by eleven percent by 2030. London is Europe's largest city and the sixth richest place on earth. London is a center for art, education, trade and innovation, and is the city that has the most universities in the world. People come here across the globe to begin a career.

New York is known as the "city that never sleeps". New York, the largest city in the United States, is an architectural marvel with many historical monuments and skyscrapers. New census estimates that population has already reached at its 2020 forecast, swelling to almost twenty million people in 2015.

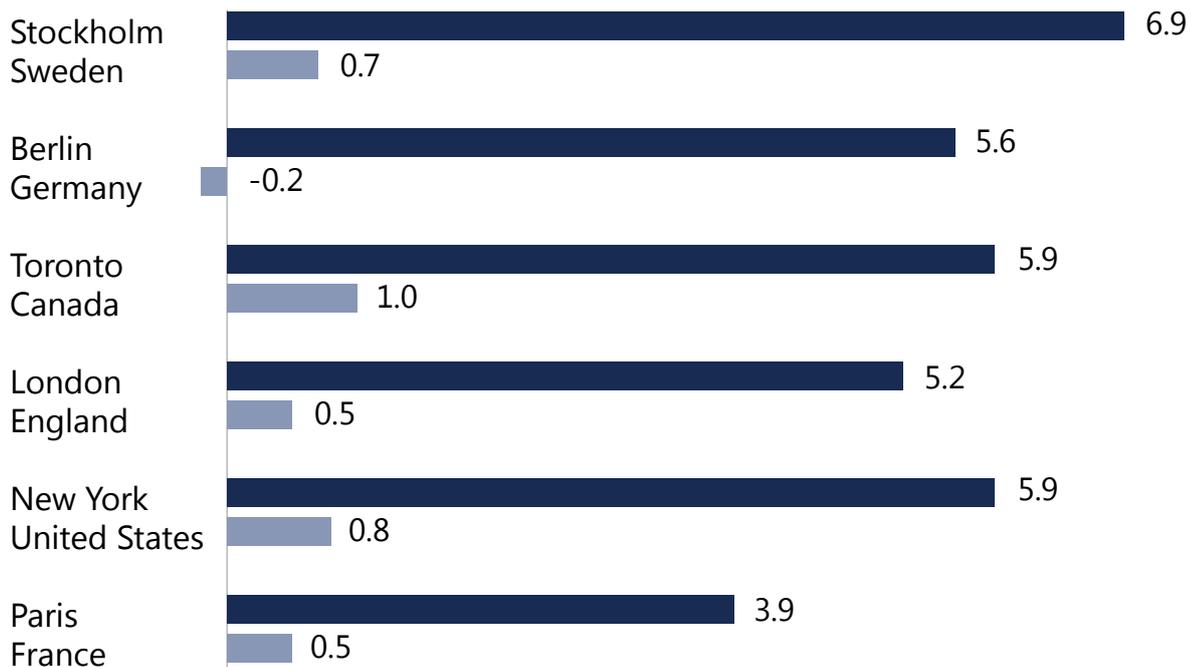
Paris is known to be the most elegant and sophisticated of all cities. Paris is the most densely populated city in the Western world, with 20 to 39 year olds accounting for 34 percent of the Parisian population. The Greater Paris Region is home to almost twelve million people.

Population growth - top six metropolises, 67 percent of fair value
Percent



Source: Statistics Canada, SCB, Office for National Statistics, Statistisches Bundesamt

Population growth in metropolises compared to countries 2015-2020
Percent



Source: United Nations

Better living

We continually strive to provide our tenants with Better Living. Better Living means continuously improving the quality of our properties and enhancing the level of service we offer our tenants.

We believe that our offer will be better if we use our own personnel.

In each country in which we operate we build an efficient structure that is staffed by local employees. This ensures that our tenants can enjoy the best service in top quality properties, as well as guaranteeing strong long-term profitability.

We have also created departments to support our operations in the various countries. This will enable us to achieve the same high levels of quality worldwide.

First-class service

Our tenants are our customers and their homes are our assets. As a long-term owner of residential properties, it is crucial that we build good relationships with our tenants.

We employ 38 customer service representatives who are able to respond to tenants' calls within minutes. We prioritize quick response and resolution of our tenants' needs.

Our first-class service includes efficient handling of reported defects, immediate booking of repair times and 24 hour on-call service as well as professional and correct communication.

In addition, our ambition is to ensure that all apartments have a fast internet connection and access to a large number of TV channels.

Our property managers focus on day-to-day security, cleaning and maintenance. Our properties must be neat and tidy at all times.

We measure and evaluate a variety of criteria, including cleanliness of common areas, stairways, and refuse collection areas as well as graffiti removal. Our property managers are provided with advanced inspection tools in order to ensure effective and uniform inspection and monitoring of maintenance and quality issues.

3,000 apartments upgraded

An increasing number of metropolitans are seeking rental accommodation that meets the same standards as newly-built condominiums. We continuously upgrade our apartments to meet this growing demand.

During 2015 we renovated 3,000 apartments at a total cost of SEK 1 billion, an average of SEK 310 per square meter. One third of our apartments have been renovated so far.

In principle, we only upgrade vacant apartments. We believe that no tenant should be forced to accept a higher standard, and thereby increased rent, against their will. However, existing tenants can of course have their apartments upgraded if so desired.

As well as renovating apartments, we also carry out improvements in common areas such as staircases, elevators, gardens, facades and roofs. The renovation of apartments and buildings is a time-consuming process. Planning and implementation must have a long-term perspective.

Our building department employs 95 people worldwide to oversee all construction work on our properties. Aside from renovations they also invest in energy efficiency, attic conversions and converting commercial premises into apartments.

Attractive design that lasts

In order to ensure exactly the right quality and standard for long-term sustainability and appeal, we employ in-house architects.

These architects support the building department in areas such as recommending optimal floor plans, designing lighting installations and facade renovation. Their responsibilities also include creating design guidelines for kitchens and common areas. Our ambition is to create rental apartments that will be as attractive in years to come as they are today.

To ensure durability, our apartments are built using only quality products. We install German kitchens and home appliances, Swedish parquet flooring and rectified tiles and clinkers from Italy. To a large extent, we use the same products globally.

Digitalized system supports our entire operation

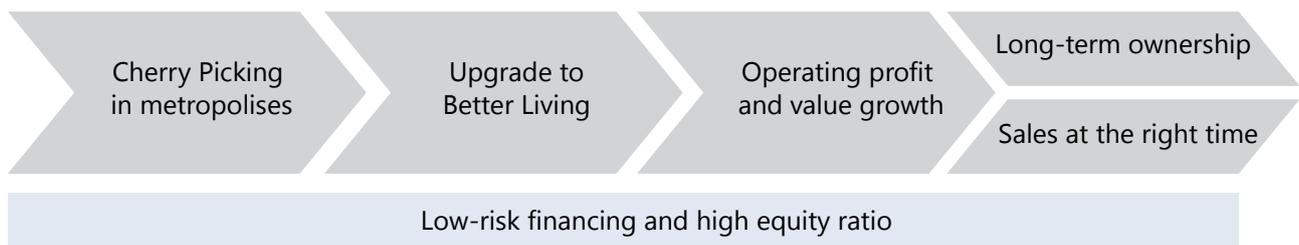
To support the many contacts between ourselves and our customers, we are focusing on developing and implementing advanced IT tools.

We have also developed our own support system for all renovation work, allowing us to streamline areas such as logistics and cost accounting. This system was implemented in early 2014.

The IT and Business Development departments are responsible for providing the company with efficient tools. In total, 30 people work in these departments.



Falkenried 84, Hamburg



Business model

Cherry-picked properties

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

Properties which today have below market rent level and benefit from demographic changes have low downside risk, and instead offer potential.

We prefer to make many smaller purchases of exactly the right properties – to cherry pick – rather than a smaller number of larger purchases of not quite the right properties.

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

Twenty years of experience

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

We carry out purchases on the same proven manner in all countries. Purchases are made locally using realistic assumptions. The regional office is responsible for fulfilling the assumptions. Follow-up of purchased property is ongoing.

Upgrading and value increase

We plan to hold our properties for at least ten years, a period during which we are working to improve the property and service to tenants.

Some of the potential can be achieved without investment. This applies to all countries except Sweden, where we do not rent out to market rent levels, but instead at the regulated levels.

By investing in our properties and improving the quality of the common areas and apartments, demand for our apartments is increased and the rents can be raised.

We focus on upgrading only available apartments with the idea that no tenant should be forced to accept a higher quality and rent. Because of that, it usually takes a long time to upgrade all the apartments. On average, we estimate that it will take ten years for a property to reach its potential level of rent.

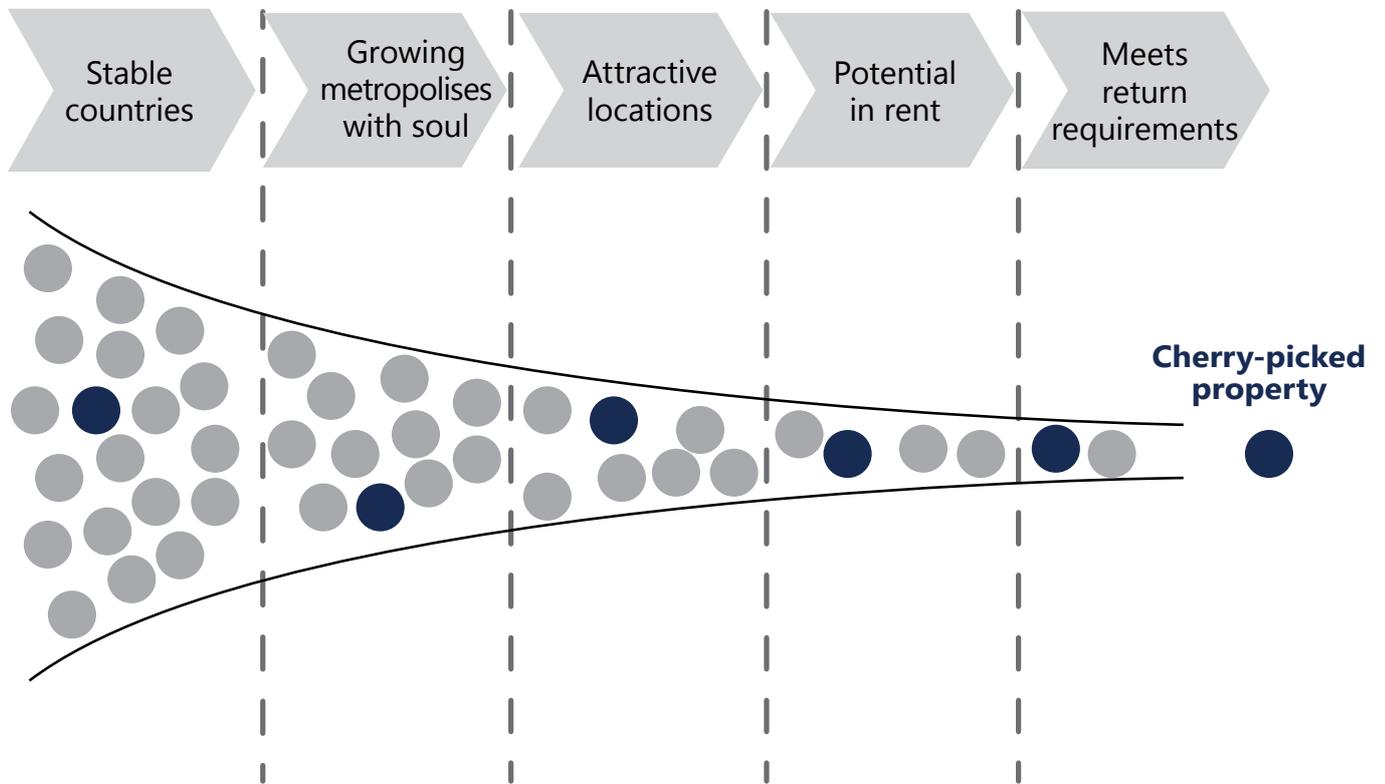
Market rents increase over time because of inflation, economic development and population growth. The growth of our rents depends on tenant turnover, market development and the quality of our upgrades.

Sales at the right time

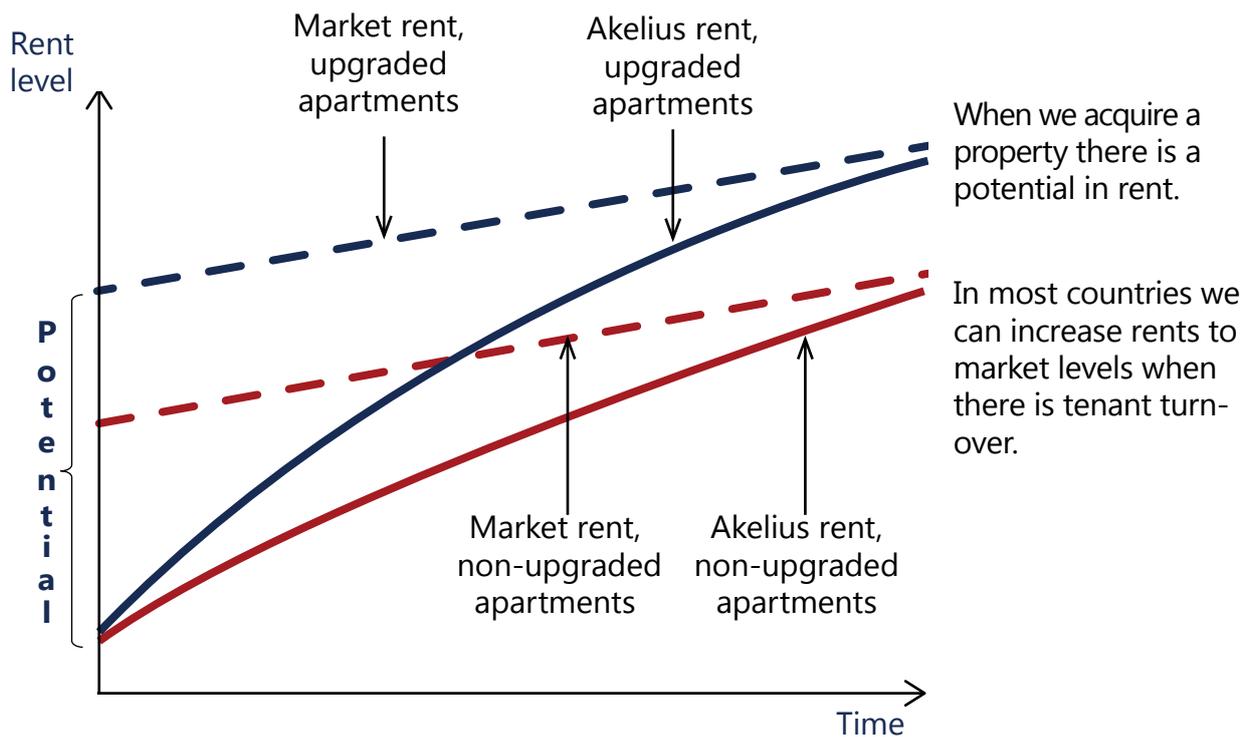
Upgraded properties are an attractive investment opportunity. Part of the business model is to accept good offers for fully developed properties and reinvest the proceeds in new properties with limited downside risk.

We also sell to tenants when the difference in price between condominiums and residential apartments is large.

Cherry-picked purchases



Rent growth over time



Better Living in Toronto

The property on 5 Stag Hill Drive is situated in an attractive location in Toronto and was acquired in 2013. To improve the living conditions we have enhanced the outdoor facilities.

28 of 67 apartments have been upgraded so far.



Kitchen after upgrading



Upgraded bathroom



5 Stag Hill Drive, Toronto

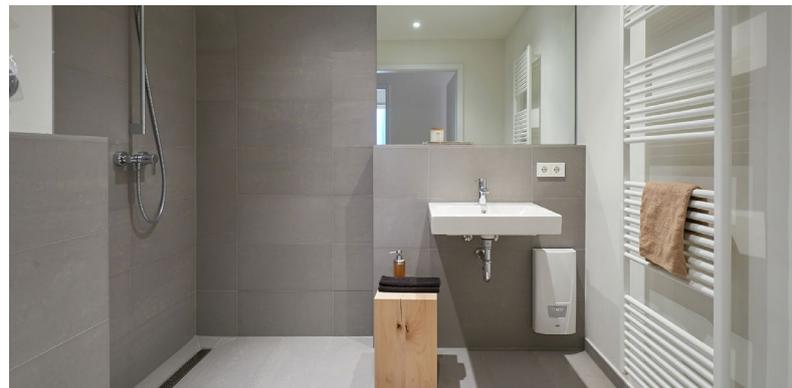
Privatization in Hamburg

Hamburg, with 1.7 million inhabitants, is the second largest city in Germany. It is a prosperous city that for centuries has been an important center of trade.

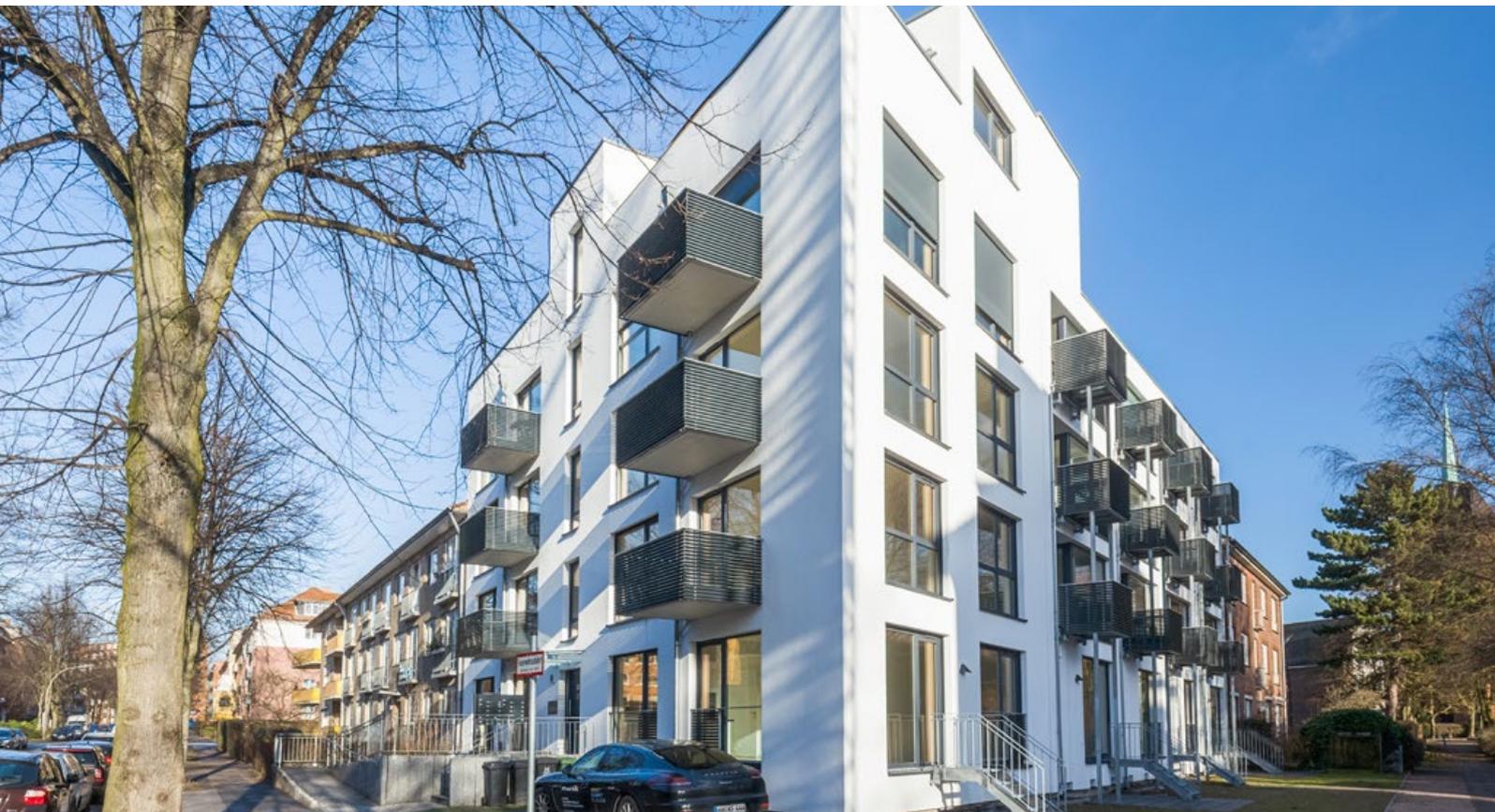
The idea of privatization came from the tenants, who showed strong interests in buying our upgraded apartments.

In 2015, we sold 42 vacant and upgraded apartments for EUR 11.8 million. The average sales price was EUR 4,866 per sqm. The net sale prices was on average 67 percent higher than the fair value at the beginning of the year. The difference is mainly due to the change in value during the year and the premium received for selling individual apartments instead of the entire property.

The privatization project contains 615 apartments in a central and popular district of Hamburg. In 2016 we plan to sell 100 apartments.



Upgraded living room and bathroom



Hirschgraben 23, Hamburg

Conversion to condominiums

We carried out conversions in Halmstad, Huddinge, Täby and Umeå during 2015.

A total of seven conversions containing 800 apartments. Total sales amounted to SEK 1,280 million, which is 90 percent higher than the acquisition price and 18 percent higher than fair value at the beginning of 2015.

The property Bonden 8 in Umeå was acquired 2008. We upgraded apartments and public areas. In 2015 the property was sold to the tenants. The sales price was 76 percent higher than the total investment. Tenants were given a discount of 25 percent compared to estimated property prices in the area. The conversion was a good deal for both us and our tenants.



Bonden 8, Umeå



Upgraded living room

Upgrading increases value

Hamlet Gardens Ravenscourt Park contains 122 apartments. The property has an excellent location in central London.

We acquired the property in 2012 for GBP 40 million and upgraded the apartments and common areas for GBP 23 million. We sold Hamlet Gardens in September 2015 for GBP 93 million. The selling price was 48 percent higher than the investments made. During the period we owned the property, the rent was raised by 40 percent.

Metropolises like London attract investors from around the world. This makes real estate market highly liquid. The most liquid assets are well-kept residential properties in central locations.



Upgraded living room and kitchen



Hamlet Gardens, London

First-class personnel

We are reinvesting our profits and growing organically, which means that we need to recruit and develop more people. Attractive training, delegation of responsibility and opportunities for internal recruitment contribute to our ability to employ talented people.

Delegation to increase efficiency and attractiveness

Excellence in modern residential management leads to better decisions. By investing on education on a wide scale, we gain more expertise and can delegate further. Delegation makes the employees more efficient. Employees with relevant knowledge and experience makes us more self-sufficient in recruiting new managers. A high degree of delegation makes us a more interesting and stimulating employer.

We encourage internal recruitment

Internal recruitment is a major source of motivation for our employees. Good performance provides the chance to make a career within Akelius.

We can retain and develop high-performing individuals. It is faster to recruit internally, and the internally recruited employees will be effective faster in their new roles. They are already well acquainted with of our values and way of working.

When investing in new metropolises we can export qualified employees, which eliminates risk and facilitates growth and integration.

All country managers have been recruited internally and have participated in Akelius' internal training program.

Job rotation drives innovation

We give our employees the opportunity to change jobs within or between countries. This motivates them and helps us to spread knowledge and culture.

Akelius University

Our goal is to offer our staff the most relevant education among the world's leading residential property companies. Training is available to all employees. New employees start with the course "Welcome to Akelius", to learn our business, our policies and our culture.

Master of Business Administration

So far, sixty percent of the employees have earned an MBA in Residential Real Estate from Akelius University. In 2015, 36 students received the training.

Each class studies for one year, including several weeks abroad. The training provides skills in calculation, asset management, upgrades and projects, letting, property acquisitions and sales, property valuation and verbal and written presentations.

Post graduate

Employees with an MBA degree are offered advanced training in negotiation, media training and in-depth calculation.

Brainee program

To increase the supply of future leaders and specialists, we hire promising young people who receive education and hands-on training for a period of two years. We call them brainees.

The participants rotate between jobs and countries to learn property management from scratch. The final six months are spent on specializing in a specific area.



Akelius University, Florida 2016



Akelius Service Center in Germany opened in 2014

Financing, safety first

All business activity is associated with risks and these may affect the company negatively. Geographical distribution is one of Akelius' strengths when it comes to diversification of risks.

Akelius' financial policy is aimed to minimize the impact of a financial crisis. The company shall be able to withstand;

- a 25 percent drop in property values
- an interest rate increase of five percent
- fluctuations in foreign exchange rates

Risk from change in property values

The value of a property is the sum of all future cash flows discounted to present value. The value of a property is therefore sensitive to changes related to;

- long-term rent levels
- long-term vacancies
- long-term cost level
- discount rates

Low risk on rental income, vacancies and long-term expense

The demographic changes that influence demand change slowly. A rapid shift from population growth to population decline is very rare.

Akelius is mainly active in regulated markets where variation in rents is limited. Akelius' current rents are lower than the market rents. In 2015 we increased the rent levels by 40 percent on average, between previous and new tenants.

Apartments in growing metropolises have no structural vacancy. Instead, over time there is a growing demand that pushes rents upwards. A diversified geographical portfolio further limits the risk. Rental income from the properties has limited downside risk.

Risks related to the cost level is minimized through a large and diversified property portfolio since this reduces the risk that the value of the entire portfolio is affected by rising costs.

Discount rates

An increase in long-term discount rates is the factor that can cause a rapid and substantial decrease the value of our property portfolio. Discount rates are determined by adding the interest rate to risk premiums. However, decrease in property value due to higher long-term interest rate will be mitigated by growth rent level.

The risk premium covers inter alia the property related risks such as variances in rental income and property costs, the property's location and vacancies and the market risk.

The low fluctuation in rental income in Akelius properties reduce changes in risk premiums which reduce price volatility.

Market risk is reduced through geographical diversification. All financial crisis affect countries differently. Our portfolio is spread between six different countries, four in Europe and two in North America.

Sensitivity analysis of changes in the fair value of properties

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

	Sweden	Germany	Canada	England	France	United States	Total
Required yield							
+0.1 percentage point	-783	-611	-127	-117	-19	-138	-1,795
- 0.1 percentage point	821	640	133	123	20	145	1,882
Rental income							
+1 percentage	548	330	92	71	10	92	1,143
- 1 percentage	-548	-330	-92	-71	-10	-92	-1,143
Operating expenses							
+1 percentage	201	44	33	14	1	28	322
- 1 percentage	-201	-44	-33	-14	-1	-28	-322

Sensitivity analysis of the balance sheet

After a 25 percent fall in property values and an increase in market interest rates by five percentage points, Akelius will still have a solid financial situation. A drop in property

values will eliminate the current deferred tax liability. Rising market interest rates will affect the value of interest rate derivatives positively.

	2015		Pro forma 25 percent drop in property value	
	SEK million	percent	SEK million	percent
Investment properties	72,764	98	54,573	96
Derivatives	36	-	953	2
Other assets	1,224	2	1,224	2
Total assets	74,024	100	56,750	100
Total equity	30,667	41	19,425	34
Interest-bearing liabilities	35,955	49	35,955	63
Deferred tax	4,175	6	128	-
Derivatives	1,985	3	-	-
Other liabilities	1,241	2	1,242	2
Total liabilities	43,347	59	37,325	66
Total equity and liabilities	74,024	100	56,750	100

Interest rate risk

Interest rate risk is the risk that we will be negatively affected by changes in the interest rate level. We monitor and take action to limit interest rate risk.

Long-term loans mitigate risk

Our ambition is to minimize the cash flow effects of a rapid increase in interest rates.

The cost of loans are based on the underlying interest rate and the lenders' credit margins. A low variance in credit margins is ensured through diversified assets and long-term credit agreements. The level of the underlying interest rate is guaranteed in the long-term fixed interest on loans or derivatives.

On average, the underlying interest rate is secured for 4.3 years, an increase from 4.2 years in 2014, capital is tied up 5.7 years compared to 4.5 years in 2014. For more information, see note 3.

Sensitivity analysis of debts and interest rates

A percent change in interest rates corresponds to a change of SEK 62 million in interest expense for 2016 based on the liabilities at year-end 2015.

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

At the end of the year, the negative value derivatives amounted to SEK 1,949 million compared to SEK 2,519 million prior year. A parallel shift of one percent in the yield curve used to value interest rate derivatives would affect the value by SEK 648 million. If the remaining duration is reduced by one year, the value would increase by SEK 418 million. The value change in the derivative instrument over time has no effect on equity.

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

SEK million	Interest expenses
+1 percentage point market rate	62
+ 1 percentage point margin	47

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

SEK million	Interest rate derivatives value
+1 percentage point market rate	648
one year shorter maturity	418

Stress test of interest coverage ratio

The interest coverage ratio based on current earnings and current liabilities is 3.0. Excluding realized value growth in the property portfolio, the interest coverage ratio was 1.6. Residential properties are liquid assets. We can increase our cash flow by selling properties.

An interest rate increase of five percentage points on loans with a floating interest rate will increase interest expenses for 2016 by SEK 309 million based on the liabilities at year-end 2015. Ceteris paribus it will only reduce the interest coverage ratio to 1.5. The interest rate must increase by 12 percent before interest expenses are greater than net profit.

A negative cash flow effect from short-term loans can be eliminated by closing long-term derivatives in advance.

Sensitivity analysis of the interest coverage ratio

Realized value growth

Akelius manages and develops residential properties with the ability to generate a stable and growing operating surplus. A higher operating surplus leads to positive value development for our properties.

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

Pro forma

Operating surplus and value growth are reinvested in current and new properties. This leads to a growing operating surplus. It is therefore more appropriate to analyze

the business based on the situation on the balance sheet date. The pro forma is based on the property portfolio's gross rent, real vacancy, estimated operating expenses and maintenance costs during a normal year, as well as central administration expenses. The interest expenses are based on net debt on the balance sheet date calculated according to the average rate. No tax has been calculated as it relates mainly to deferred tax, which does not affect cash flow.

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

SEK million	2015	Pro forma, 12 months revenue and cost at balance sheet date	Pro forma, after increase in interest rate by 5 percentage points
Rental income	4,339	4,635	4,635
Operating expenses	-1,739	-1,784	-1,784
Maintenance	-408	-346	-346
Operating surplus	2,175	2,505	2,505
Central administration excluding depreciation	-102	-102	-102
EBITDA	2,073	2,402	2,402
Net interest expense	-1,273	-1,255	-1,564
Other financial income and expenses	-30	-30	-30
Profit before tax and revaluation	770	1,117	808
Realized value growth	1,812	-	-
Interest coverage ratio	3.0	1.9	1.5
Interest coverage ratio excluding realized value growth	1.6	1.9	1.5
Net debt as per 2015-12-31	35,356	35,360	35,360
Net debt/EBITDA	17.1	14.7	14.7
Net debt/ EBITDA including realized value growth	9.1	14.7	14.7

Low refinancing and liquidity risks

The refinancing risk is mitigated by highly diversified funding, a low loan-to-value and assets that both generate a stable cash flow and have a stable value.

To secure financing on favorable terms, we strive to have a high credit ratings. Standard and Poor's gives Akelius the investment grade rating of BBB- with a stable outlook.

In 2015 we raised SEK 2,000 million in equity from the capital market and issued bonds on four occasions for SEK 5,201 million. We also began issuing commercial paper under a program for SEK 4 billion.

The refinancing process for larger loans will begin no later than 18 months prior to maturity, with the ambition to prolong them at least one year in advance. For smaller loans, the refinancing process usually starts nine months before maturity.

Equity to assets ratio 41 percent

Equity is the sum of ordinary equity, preferred equity and hybrid loan. Ordinary equity shall amount to at least 2/3 of the total equity.

Preference shares

Akelius has issued preference shares for a net amount of SEK 6 billion during 2014 and 2015. The preference shares are listed on Nasdaq First North.

Secure and growing income from a diversified portfolio of prime residential properties makes Akelius suitable as an issuer of preference shares with a fixed dividend. The preference shares are a permanent part of the capital structure. There is no refinancing risk and dividends can be deferred for an unlimited time.

Hybrid loan

Akelius has issued a perpetual hybrid loan in the amount of EUR 150 million. The dividend can be postponed. The hybrid loan is subordinated to all other creditors.

Dividend policy

The up-most part of the profits are reinvested in the company, which leads to a growing amount of equity. Payments on preference shares and the hybrid loan will be postponed during financial crisis. A high level of equity enables us to combine financial prudence with the ability to grow.

Loan-to-value 48 percent

By the end of 2016 the loan-to-value ratio shall be 50 percent. In 2015 the loan-to-value ratio decreased from 52 to 48 percent.

Less share of secured debt

By the end of 2018 the secured debt loan-to-value shall be less than 25 percent. A low share of secured debt increases financial flexibility. Unpledged assets can to a higher degree create liquidity when needed. At the end of 2015, the secured loan-to-value ratio decreased from 47 to 38 percent.

Several senior unsecured loans

Akelius has three unsecured bonds outstanding for a value of SEK 5,387 million, SEK 1,802 million in commercial papers outstanding and SEK 1,668 million borrowed from related parties.

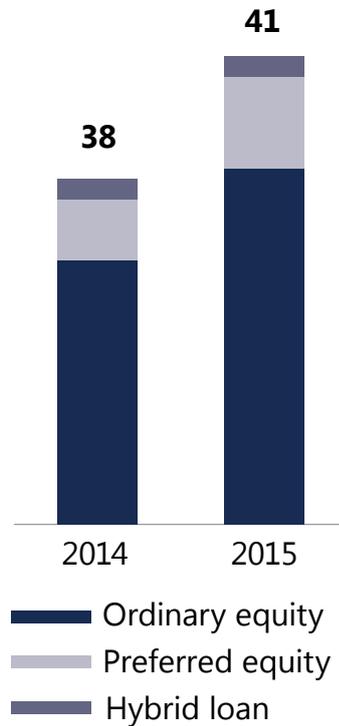
35 banks give low risk

Local bilateral agreements with 35 banks in six countries with a solid financial structure provides low risk. The loans are concentrated among strong mortgage banks that have excellent funding tools and residential lending as their core business.

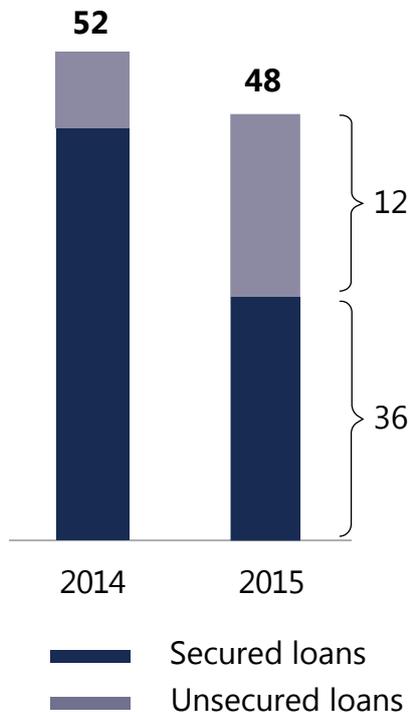
Activities on the capital market

- 2015-11-20**
Expansion of commercial paper program to SEK 4 billion
- 2015-09-16**
Issue EUR bonds for EUR 300 million
- 2015-08-24**
Issue commercial paper program for SEK 2 billion
- 2015-06-17**
Issue SEK bonds for SEK 500 million
- 2015-06-01**
Standard & Poor's gives Akelius rating of BBB-
- 2015-04-24**
Issue preference shares for SEK 2 billion
- 2015-03-19**
Issue SEK bonds for SEK 1,400 million
- 2015-01-15**
Issue SEK bonds for SEK 500 million
- 2014-09-16**
Issue preference shares for SEK 3 billion
- 2014-06-18**
Issue SEK bonds for SEK 350 million
- 2014-05-26**
Issue preference shares for SEK 1,020 million

Equity to assets ratio 41 percent



Loan-to-value 48 percent



High access to liquidity

At the end of 2016 the minimum liquidity according to the financial policy will be raised from SEK 2 billion to SEK 3 billion.

A strong liquidity, reduces the financial risk. Liquidity is the sum of liquid assets and available credit facilities. At the end of 2015, available funds in the form of cash and secured but unutilized credit facilities amounted to SEK 7,704 million compared to SEK 1,795 million in 2014 which is six times higher than the year's interest expenses.

The goal is that the sum of operating cash flow from actual earnings and liquidity shall be greater than the sum of mandatory investments and short-term loans.

All upgrading of apartments can be stopped with a lead time of up to three months. We estimate the investments at a maximum of SEK 500 million. At the end of 2015, the cash sources were two times greater than cash uses.

Liquidity risk for short-term loans is low, since funding is divided between many counterparties. This is a consequence of having diversified funding and extending loans maturities at least one year before the expiration date.

	SEK million
Cash	238
Unutilized credit facilities	7,466
Total liquidity	7,704
Operating cash flow based on pro forma	1,117
Cash sources	8,821
Mandatory investments	500
Short-term loans	3,847
Cash uses	4,347
Liquidity, percent	203

Liquid transaction market

Well-kept apartments in the growing metropolitan areas are a liquid asset class. This makes our residential properties a hidden liquidity reserve. Within three to six months, everything from small to large properties can be sold.

The unencumbered share of the properties' fair value is equivalent to SEK 45,637 million.

Minimized currency risk

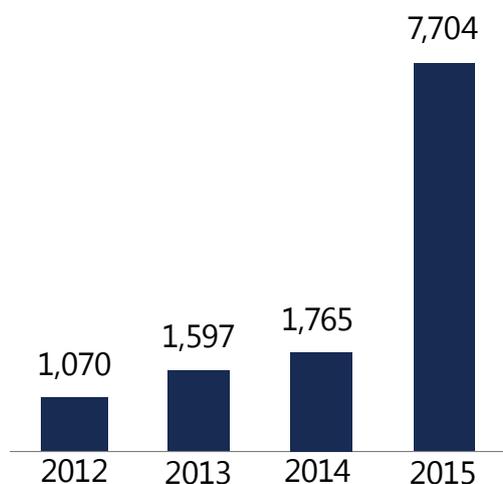
The goal is to minimize the effects of exchange rate fluctuations on the equity to assets ratio. A constant high equity to assets ratio reduces risk for the company's shareholders, creditors and other stakeholders.

This is achieved by ensuring that the currency position in each currency corresponds to the Group's equity ratio multiplied by assets in each currency. Today, variations in exchange rates have very little effect on the equity to assets ratio. The hedge at year end was not completely effective.

Net assets	Local currency	SEK million	Equity to assets ratio, percent
SEK*	18,328	18,328	
EUR	921	8,415	
CAD	237	1,431	
GBP	93	1,153	
USD	160	1,340	
Total		30,667	41
+10 percent variation of currency rate		31,896	41
- 10 percent variation of currency rate		29,428	42

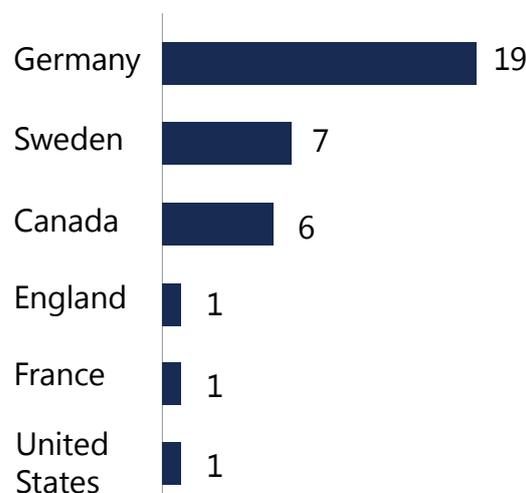
* including SEK 12 billion related to ordinary equity

Liquidity SEK 8 billion



Security first, through large access to liquidity.

35 banks



Thirty-five counterparts in six countries decrease financial risk.

Interest-bearing liabilities, maturing in 2016

Capital sources	SEK million	Loan-to-value, percent
Handelsbanken	550	56
DG Hyp	467	62
Helaba	338	42
TD bank	180	30
Deutsche Pfandbriefbank	169	35
Swedbank	53	49
CMLS	43	26
AAREAL	13	25
Short-term part of long-term interest bearing liabilities	200	
Secured interest-bearing liabilities	2,013	
Commercial paper	1,802	
Other	32	
Unsecured interest-bearing liabilities	1,834	
Total	3,847	

Property portfolio

Fair value SEK 73 billion

The fair value was SEK 72,764 million, which is equivalent to an average of SEK 20,284 per square meter. The average required yield for the entire portfolio was 4.33 percent, which is 0.39 percentage points lower than at the beginning of the year. Property valuation is described from page 42 and Sensitivity analysis on pages 20-21.

Property purchases SEK 12 billion

During 2015, property purchases amounted to SEK 12,093 million, compared to SEK 9,678 million in 2014. During 2015 we entered the metropolises New York, Boston and Washington D.C. The average required yield was 4.38 percent for the properties we purchased during the year.

Property sales SEK 6 billion

We have sold properties in Sweden for SEK 2,718 million, in Germany for SEK 1,559 million, in England for SEK 1,367 million and in Canada for SEK 111 million. In total property sales in 2015 amounted to SEK 5,755 million, compared to SEK 1,084 million in 2014. Sales prices were 23 percent higher than the fair value at the beginning of the year. We have sold 2,752 apartments for a net income of SEK 800 million, including SEK 121 million in transaction cost.

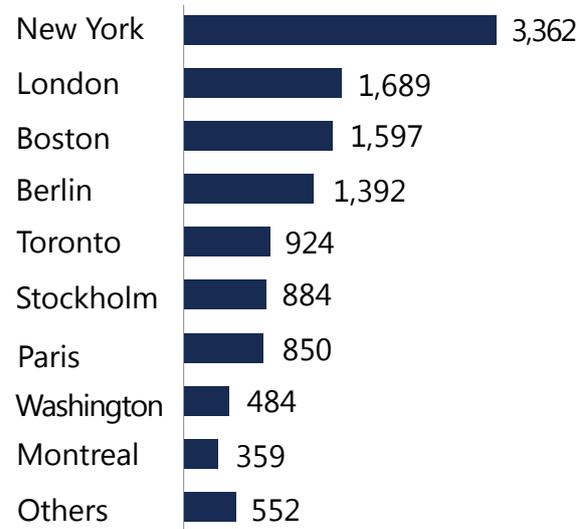
100 percent in A- and B- locations

28 percent of the properties are in A location, inner city location, with very low vacancy risk. The remaining 72 percent are located in B location with low risk for vacancy. We avoid C location which has the highest vacancy risk.

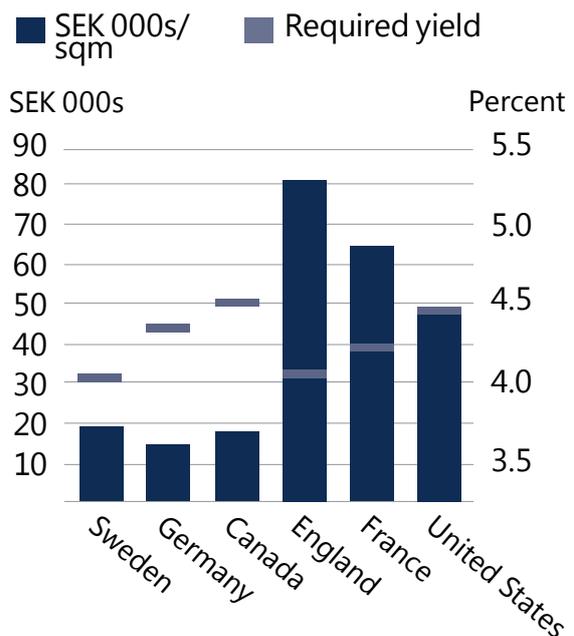
Potential in the portfolio

The difference between the current and future rent levels after upgrading is called rent potential. Potential defines the development stage of the property. High potential means strong growth in rental income. Property with low potential are fully upgraded. In 77 percent of our properties the rent increases by more than ten percent when the current tenant moves out.

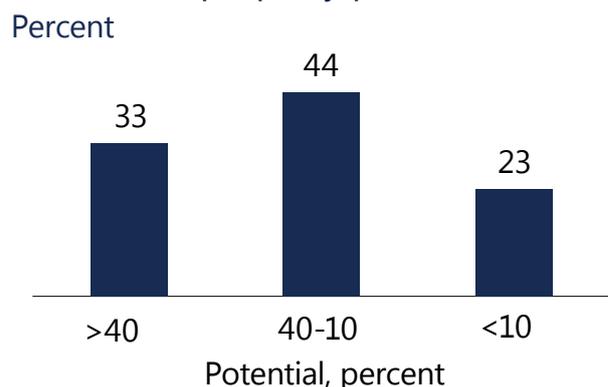
Purchases, SEK million



Purchases per sqm



Potential in property portfolio



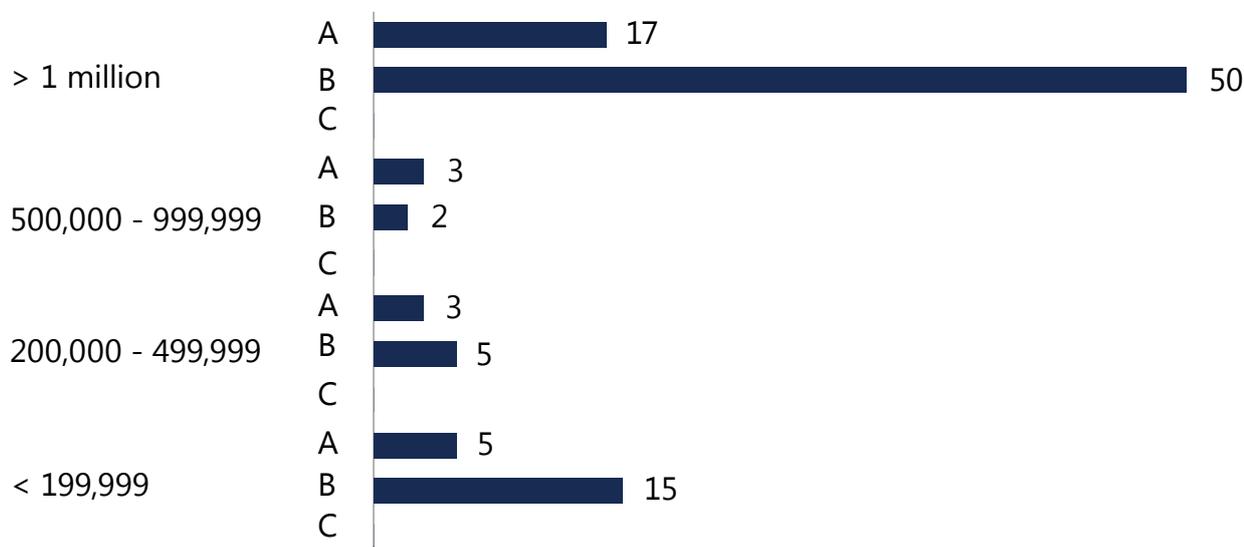
Property portfolio

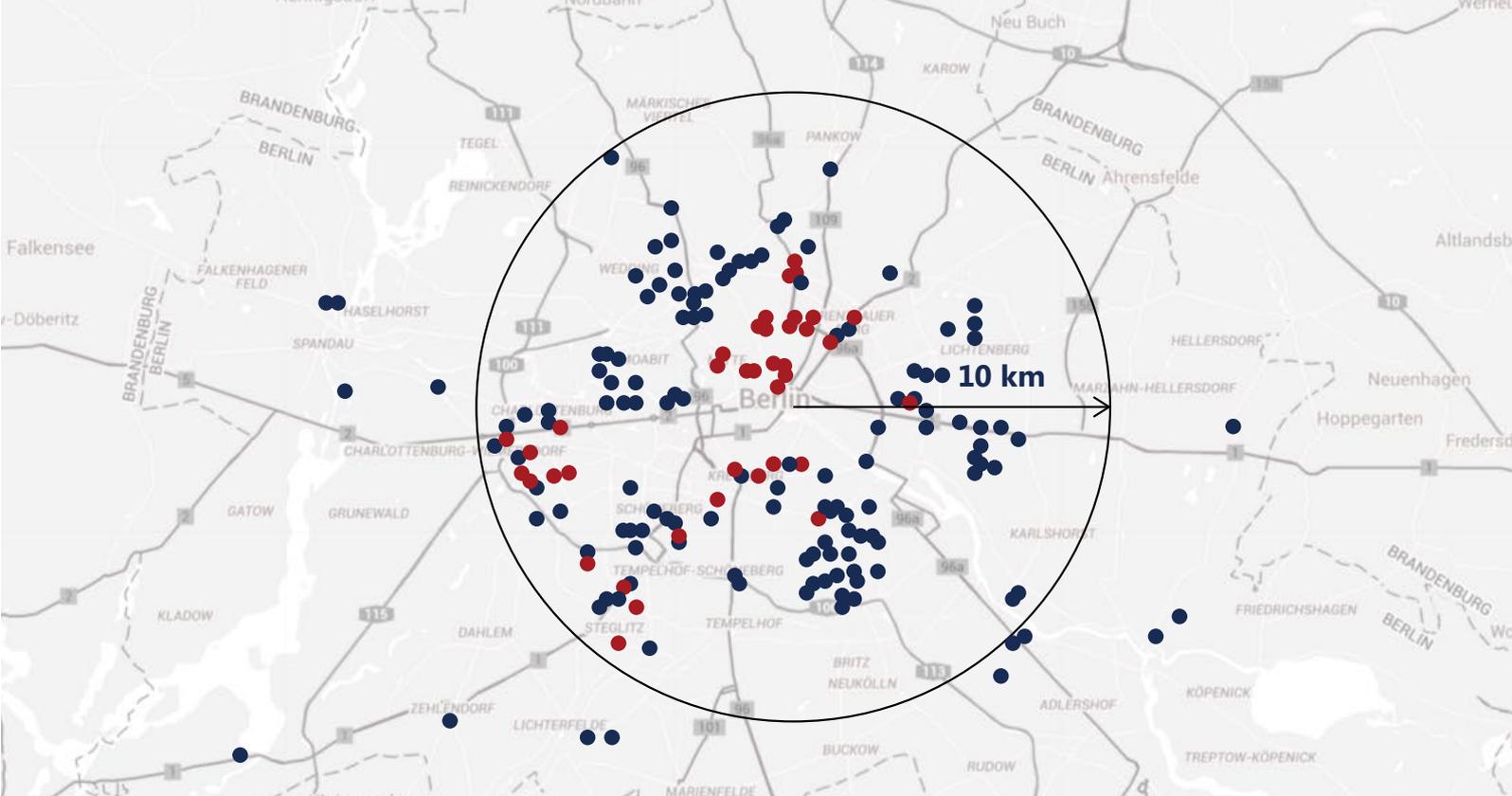
Country	Residential units	Lettable space, thousand sqm			Fair value	
		Residential	Commercial	Total	SEK million	SEK/sqm
Sweden	23,520	1,617	233	1,850	31,727	17,148
Germany	20,307	1,232	79	1,311	24,892	18,986
Canada	3,999	226	1	227	4,859	21,424
United States	1,534	111	1	112	5,451	48,769
England	1,404	67	5	72	4,840	67,660
France	467	14	2	16	995	62,640
Total	51,231	3,267	320	3,587	72,764	20,284

Property fair value

SEK million	Sweden	Germany	Canada	France	England	United States	Total
Opening value	29,571	21,172	3,432	166	3,395	-	57,736
Change in value	2,947	3,733	605	-13	730	24	8,026
Investments	857	751	195	20	372	21	2,216
Purchases	1,071	1,757	1,283	850	1,689	5,443	12,093
Sales	-2,719	-1,558	-111	-	-1,367	-	-5,755
Translation differences	-	-963	-545	-28	21	-37	-1,552
Closing value	37,727	24,892	4,859	995	4,840	5,451	72,764

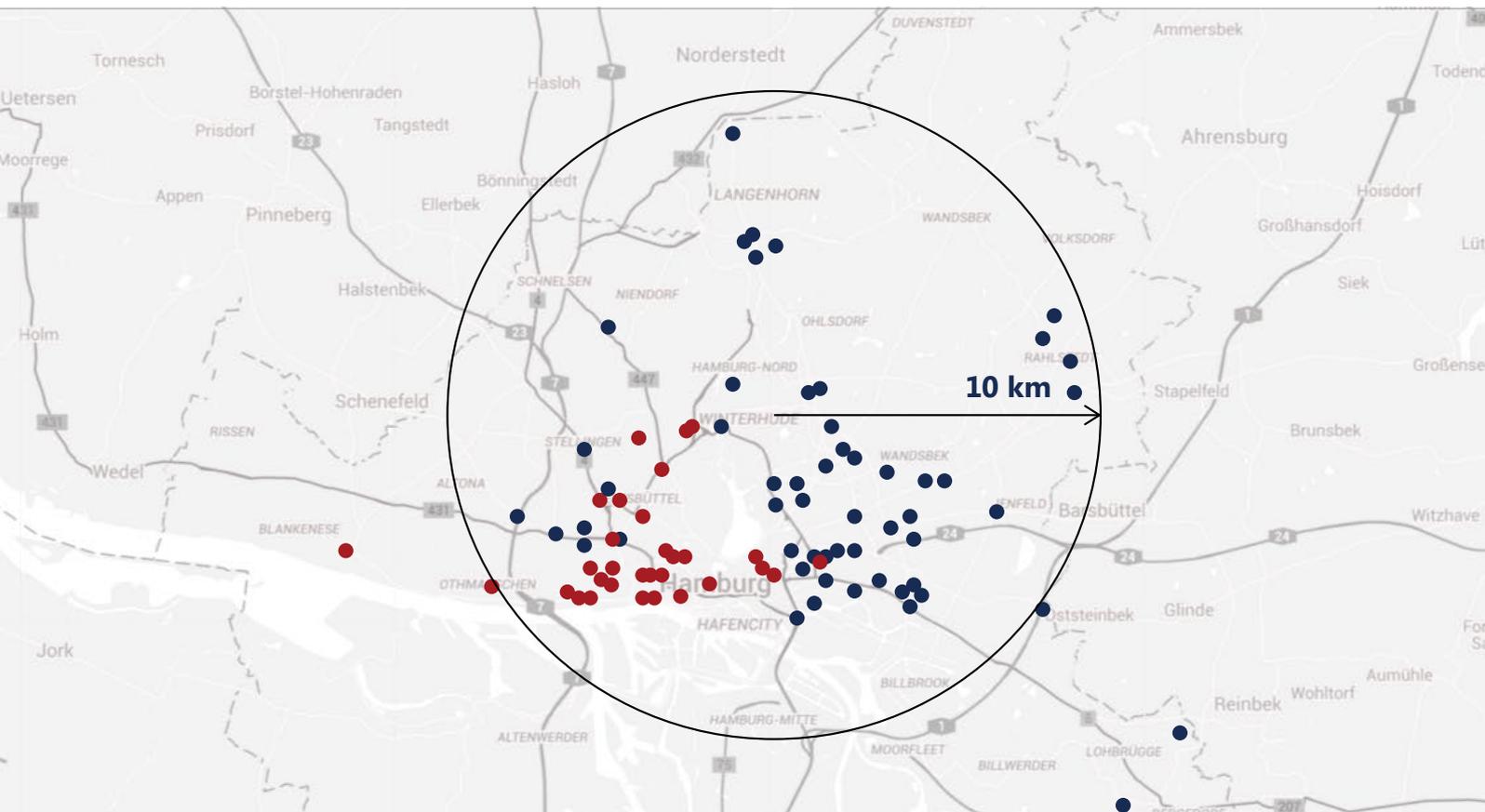
Percent of fair value of properties per location and size of cities





Berlin

12,274 apartments
 19 percent of portfolio
 SEK 18,254 per sqm

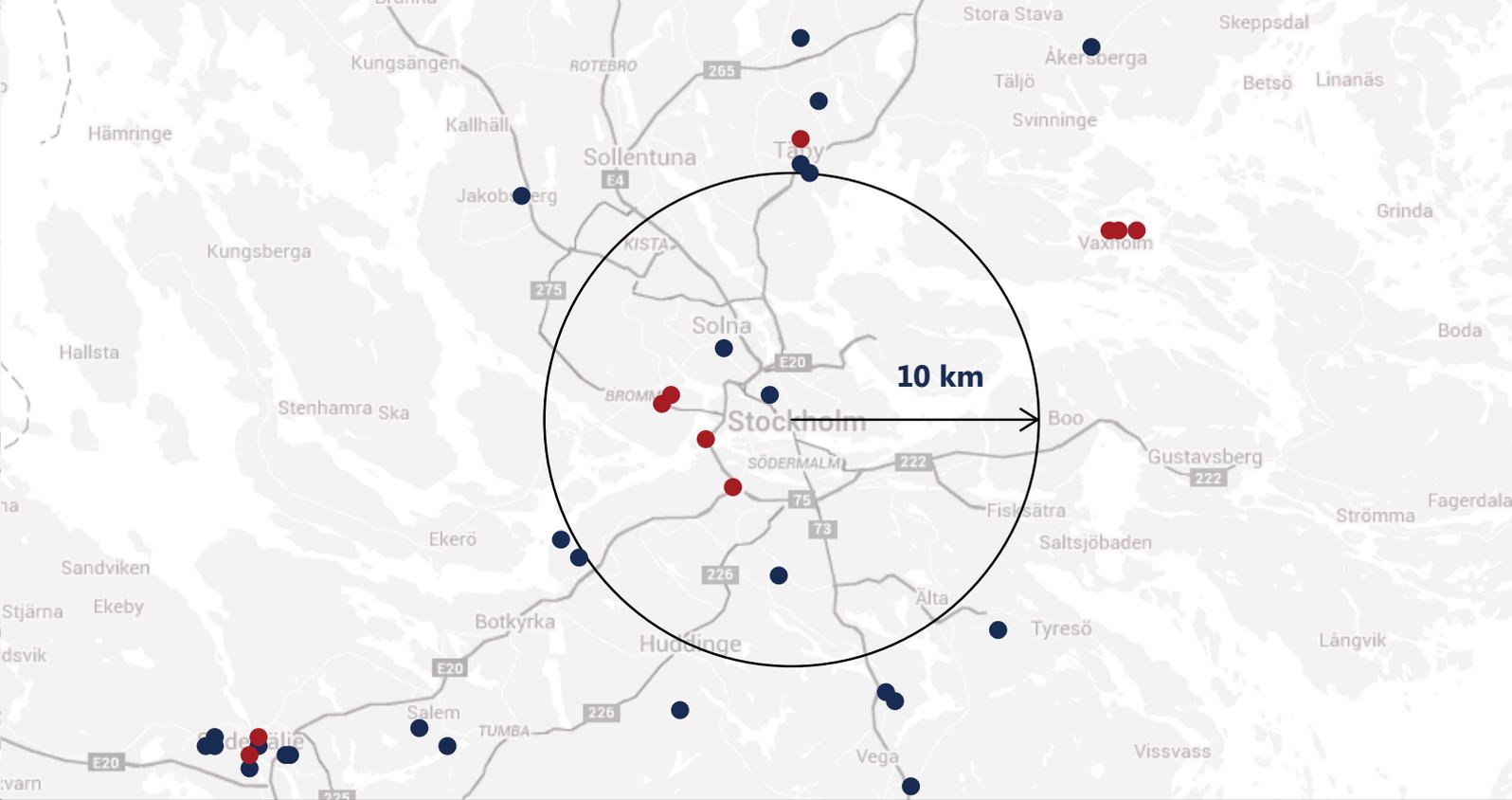


Hamburg

4,143 apartments
 8 percent of portfolio
 SEK 24,668 per sqm

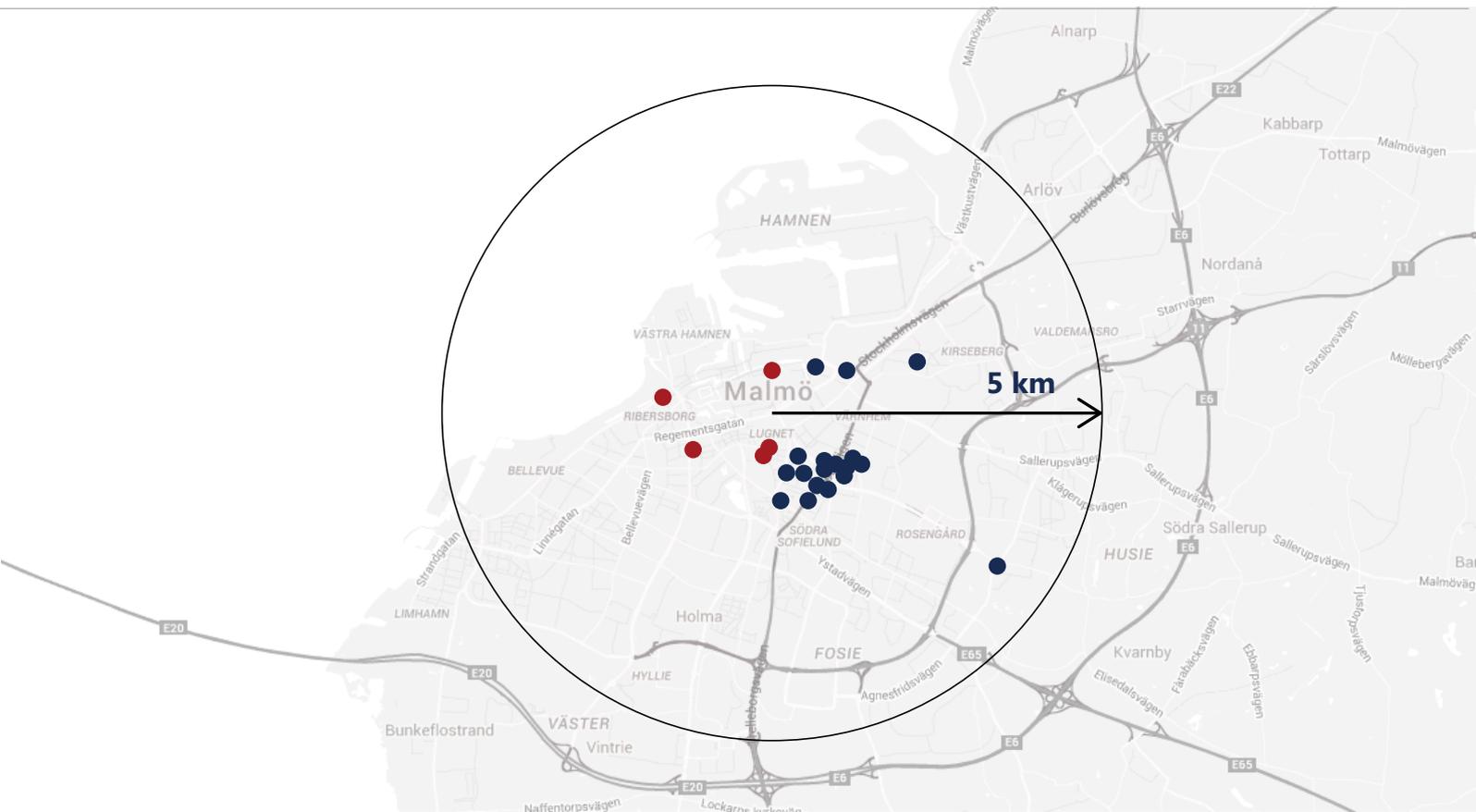
● A-location

● B-location



Stockholm

8,957 apartments
 18 percent of portfolio
 SEK 19,840 per sqm

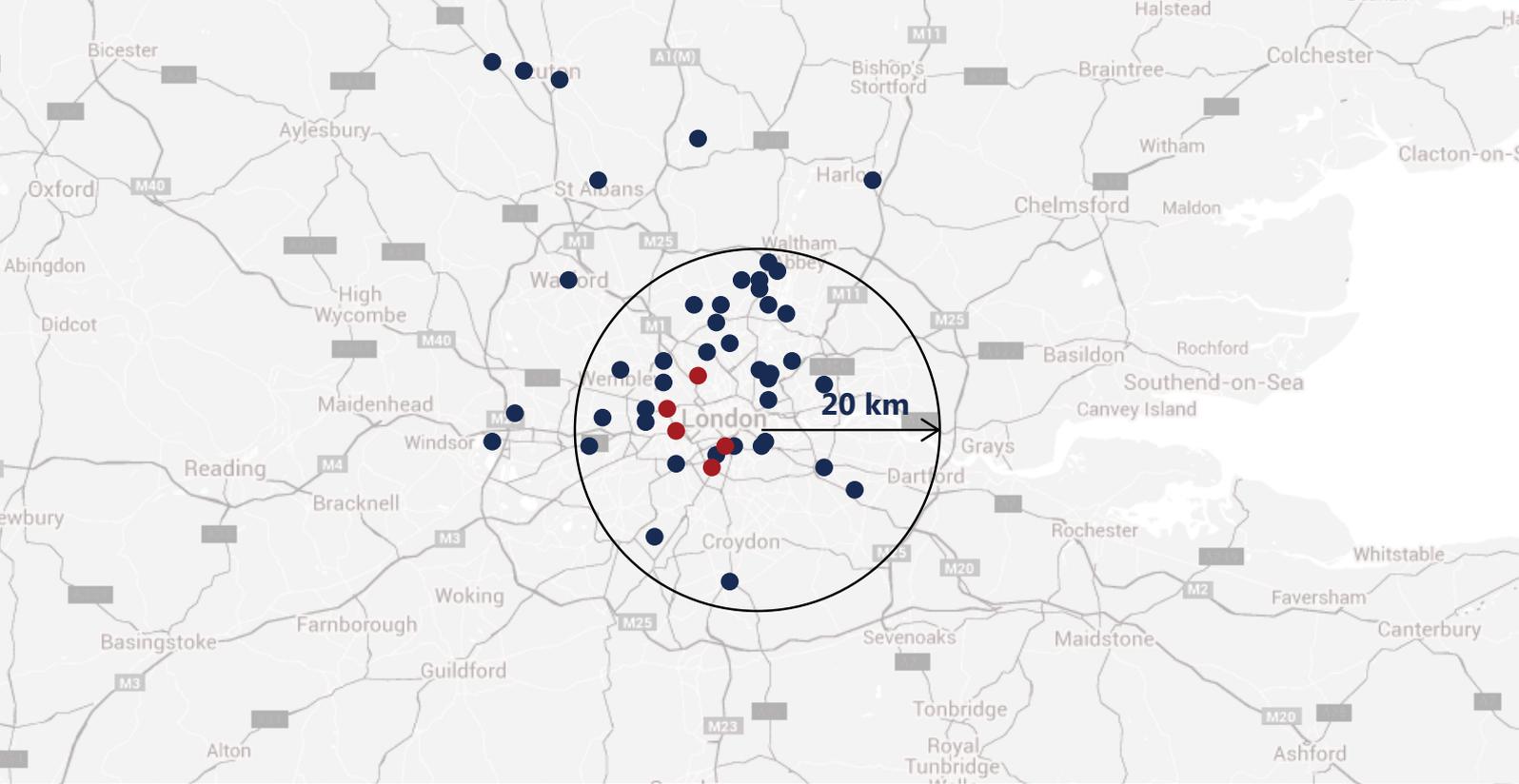


Malmö

3,975 apartments
 8 percent of portfolio
 SEK 16,780 per sqm

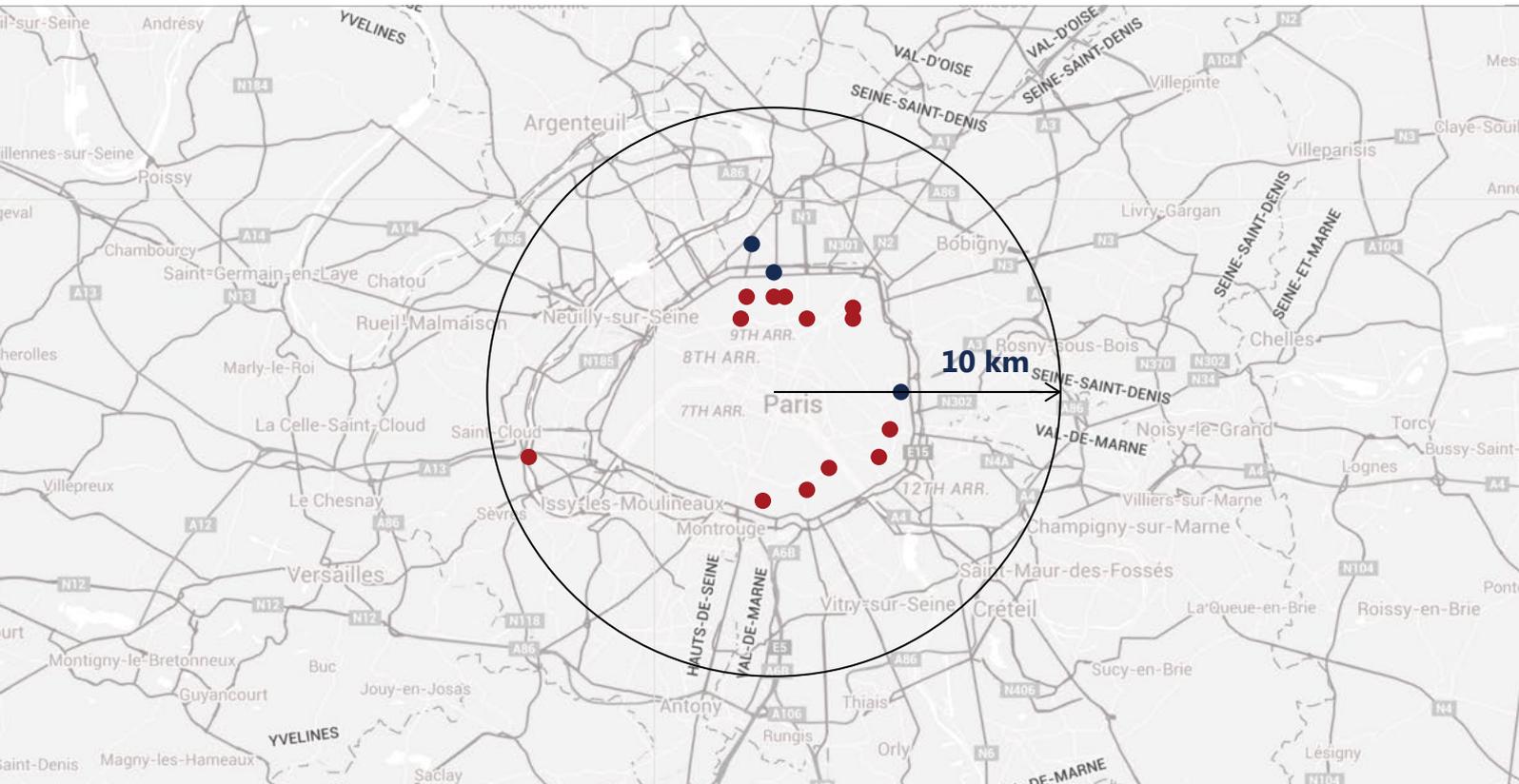
● A-location

● B-location



London

1,404 apartments
 6 percent of portfolio
 SEK 67,660 per sqm

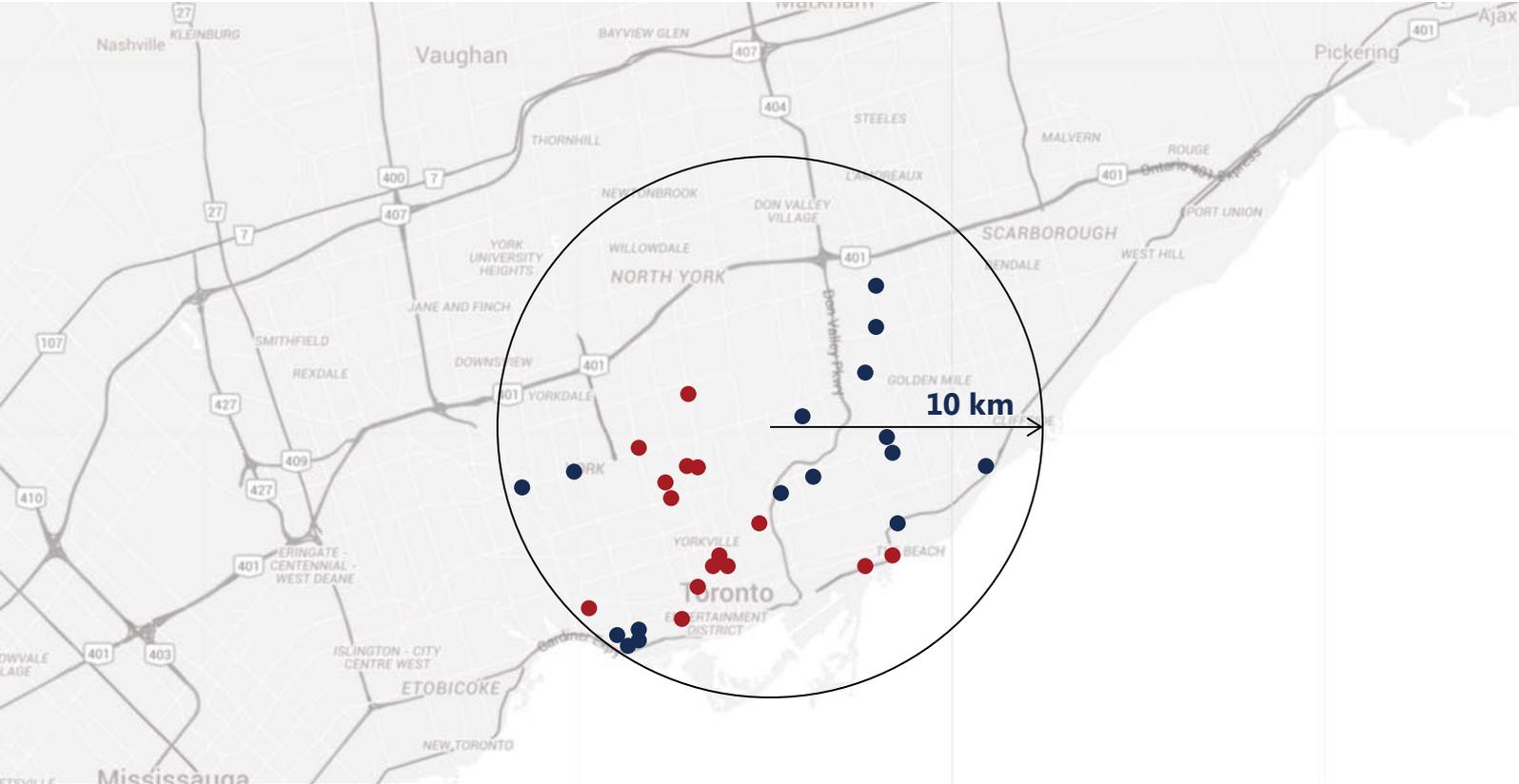


Paris

467 apartments
 1 percent of total portfolio
 SEK 62,640 per sqm

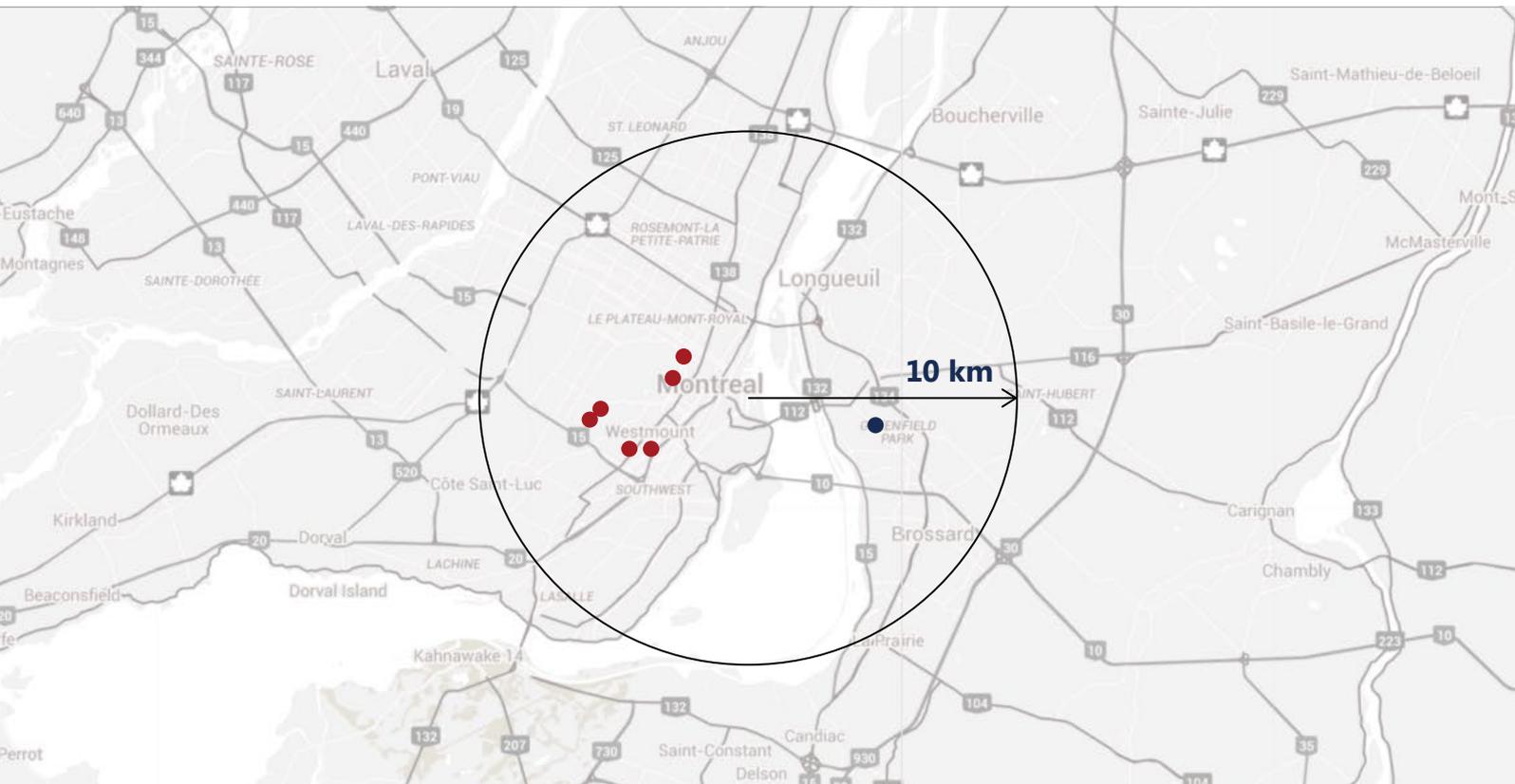
● A-location

● B-location



Toronto

3,114 apartments
 6 percent of portfolio
 SEK 24,300 per sqm

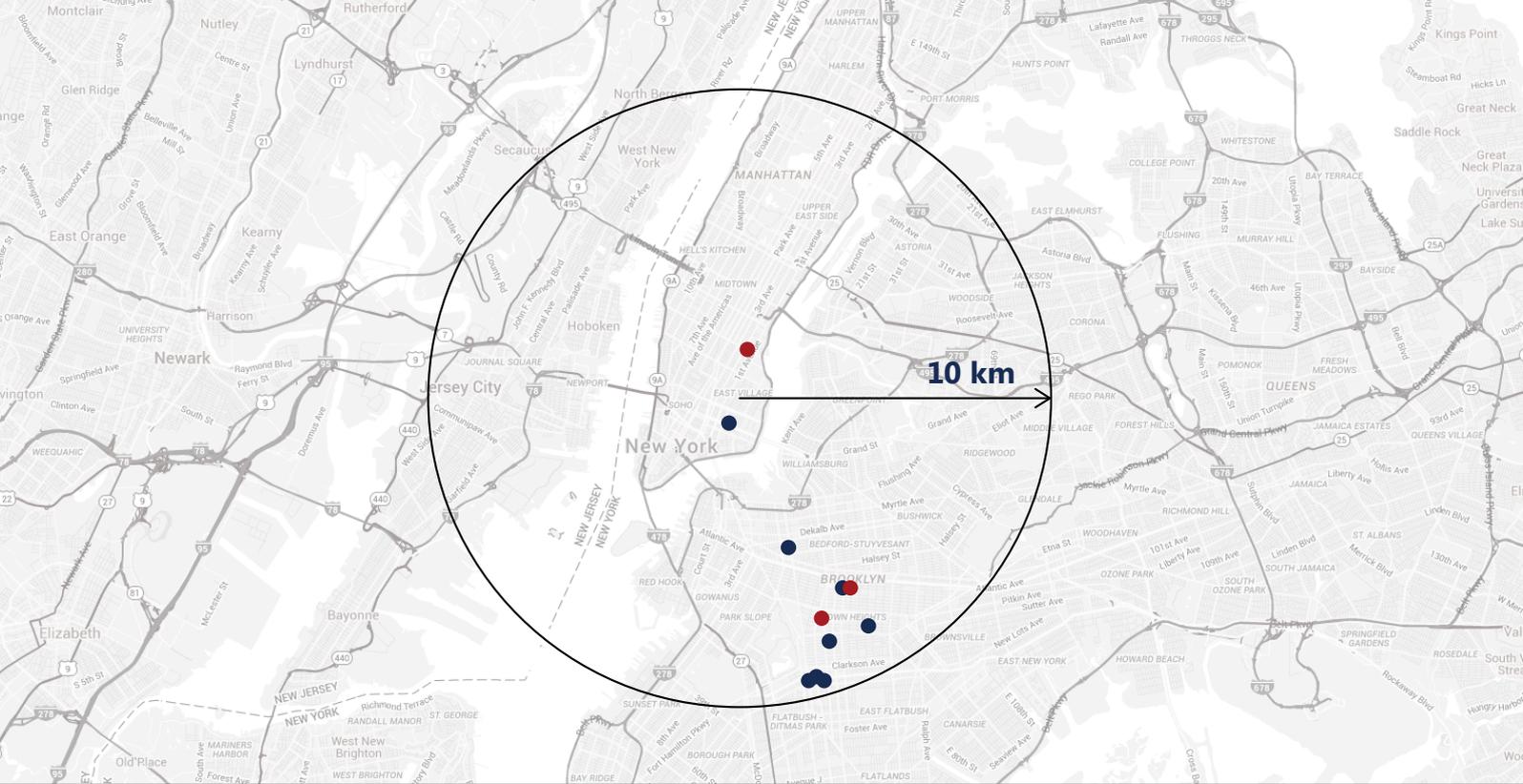


Montreal

885 apartments
 1 percent of total portfolio
 SEK 13,762 per sqm

● A-location

● B-location

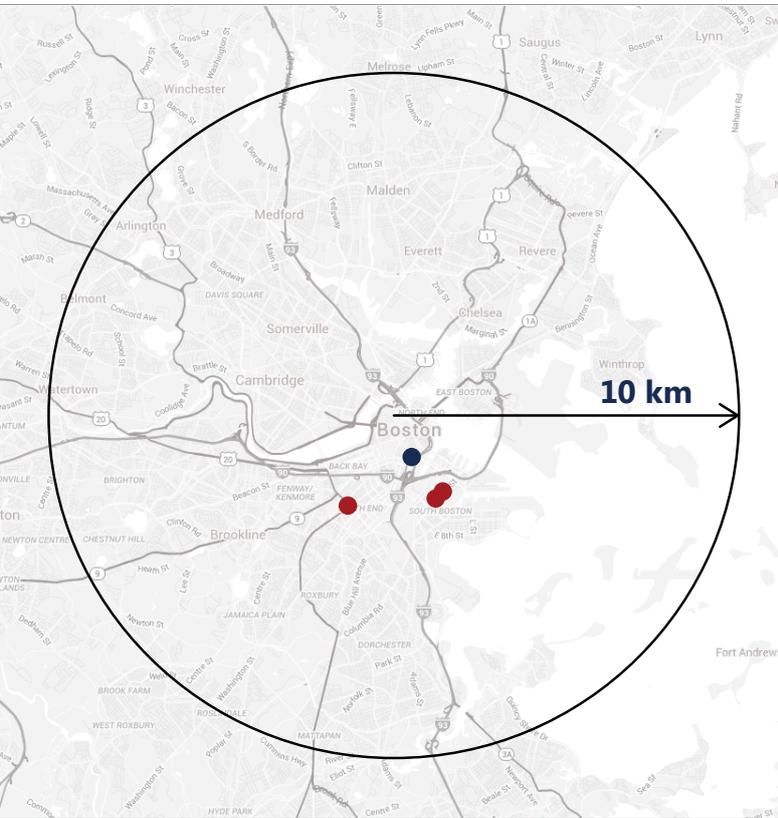


New York

● A-location

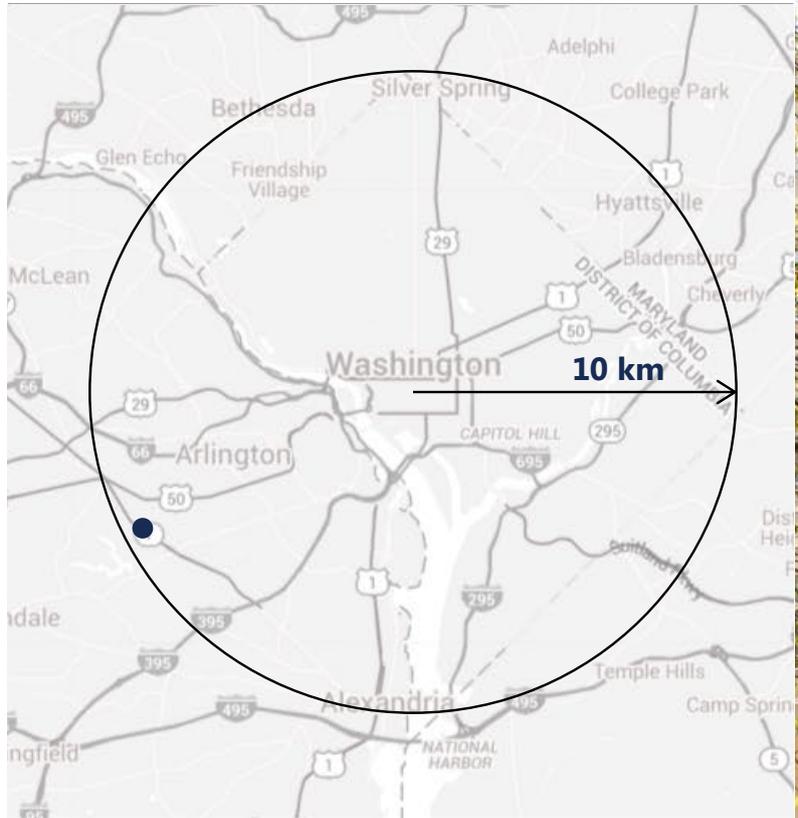
● B-location

927 apartments
 5 percent of portfolio
 SEK 54,322 per sqm



Boston

328 apartments
 2 percent of portfolio
 SEK 63,832 per sqm



Washington D.C.

279 apartments
 0.7 percent of portfolio
 SEK 19,967 per sqm



95 Linden Boulevard, Brooklyn, New York



Türkenstraße 21, Wedding, Berlin

Sweden

Since 1994 we have built up a property portfolio in Sweden consisting of 23,520 apartments. 71 percent is now located in the fast-growing Greater Stockholm, Greater Gothenburg and Öresund regions. The properties are managed by 221 employees at 12 local offices.

2.6 percent growth in average rent

Half of rental growth during the year was a result of new leases and the rest is the result of the year's rent negotiation with the Swedish Union of Tenants.

Concentration for greater profitability

This year we focused on converting properties to condominium where potential was identified, and reconcentrating our portfolio in rapidly growing cities. A concentrated property portfolio leads to more efficient management.

692 apartments were purchased during the year of which 536 in Stockholm, 126 in Helsingborg, and 30 in Malmö. During the year we sold 1,616 apartments, of which 802 to Tenant-owner's associations. We sold all properties in Trelleborg as well as commercial properties with 55,404 square meters of lettable area. On average, the selling prices were eleven percent higher than at beginning of the year.

Rental market with low risk

Rents must be negotiated with the Swedish Tenants Association. In these negotiations the guideline is the so-called utility value. This regulation has resulted in low rent levels, which in turn has led to too few new rental dwellings and consequently a housing shortage in all growing cities. The shortage is especially large in Stockholm, Gothenburg, Malmö and university cities. This also results in low risk for property owners when it comes to vacancy rates and rental income.

Property holdings at 2015-12-31

	Square meters thousands		Total
	Apart-ments	Com-mercial	
Stockholm	666	41	707
Malmö	260	83	343
Helsing-borg	168	10	178
Gothen-burg	73	7	80
Halmstad	70	8	78
Borås	100	5	105
Östersund	61	10	71
Other	219	70	289
Total	1,617	233	1,850

Total return, properties, percent

Operating surplus	3.8
Change in value	9.9
Total	13.7

Fair value of properties, SEK million

Opening	29,571
Change in value	2,947
Investments	857
Purchases	1,071
Sales	-2,719
Closing	31,727



Germany

Since 2006 we have step by step built up a property portfolio of 20,307 apartments in the biggest and for us most attractive German cities. 96 percent of the apartments are in Berlin, Hamburg, Munich, Cologne-Düsseldorf and Frankfurt-Mainz-Wiesbaden.

As in earlier years, we cherry picked properties with potential. During 2015 we acquired 1,772 apartments in 19 transactions, of which 80 percent in Berlin.

We have started to sell properties outside the prime areas of the major cities. We sold a package of 905 apartments, mainly in Bavaria. In addition, we sold 42 apartments as condominiums in Hamburg. In total we divested for EUR 167 million, which was 43 percent above the fair value of the beginning of the year.

Demand for low risk residential assets increased significantly in Germany which has resulted in higher property values.

5.1 percent growth in average rent

New leases accounted for 75 percent of growth. The new rent level on new leases was 52 percent higher than the average rent at the beginning of the year.

Semi-regulated rental market

In Germany, setting of the new lease level is free if the apartment is significantly modernized. If not modernized the rent is restricted to the higher of move-out rent and ten percent above comparable rents in the district. Increases for current tenants can be made via a comparison with the so-called rent mirror – Mietspiegel. The rent mirror is calculated by the authorities. When upgrading the building it is allowed to increase the rent for an existing rent contract by eleven percent of the modernization costs.

Property holdings at 2015-12-31

	Square meters thousands		Total
	Apart- ments	Com- mercial	
Berlin	773	50	823
Hamburg	232	12	244
Munich	40	2	42
Cologne	37	2	39
Frankfurt	39	4	43
Düsseldorf	43	5	48
Other	68	4	72
Total	1,232	79	1,311

Total return, properties, percent

Operating surplus	4.1
Change in value	17.9
Total	22.0

Fair value of properties, SEK million

Opening	21,172
Change in value	3,733
Investments	751
Purchases	1,757
Sales	-1,558
Exchange differences	-963
Closing	24,892

England

During the year we further reduced our reliance on external partners by continuing to bring key processes in-house, such as accounting and lettings. This has resulted in greater control, improved quality of works and increased service levels across all departments. The team now consists of 30 employees.

Strong demand

Demand for our upgraded apartments is very strong, which is one factor behind the fifteen percent growth in rental income for comparable properties. The new lease level was on average fourteen percent higher than the average rent. The operating surplus for comparable properties increased by 23 percent. The income increases faster than the expenses.

During the year we sold 129 apartments for SEK 1,367 million. The selling price was on average 22 percent above the fair value in the beginning of the year. We have been successful in upgrading the properties to a standard that both tenants and long-term investors appreciate. We will continue to upgrade and sell fully upgraded properties. In 2015 we acquired 374 apartments in London, increasing the total portfolio to 1,404 apartments. We have also acquired two permitted development schemes, which will deliver an additional 99 apartments in 2016.

Free market

England has a free market when it comes to residential lease contracts. An assured shorthold tenancy with a twelve-month term is the most common contract. Rents are set at market levels and are regularly reviewed due to high fluctuation. Renewals at the end of the initial term are encouraged and are again set at the market level. An increase of the market level can be achieved through high quality refurbishments that provide a superior standard of apartment than other properties offered in the market.

Property holdings at 2015-12-31

	Square meters thousands		
	Apartments	Commercial	Total
Greater London	45	5	50
Other	22	-	22
Total	67	5	72

Total return, properties, percent

Operating surplus	3.2
Change in value	21.5
Total	24.7

Fair value of properties, SEK million

Opening	3,395
Change in value	730
Investments	372
Purchases	1,689
Sales	-1,367
Exchange differences	21
Closing	4,840



In 2015, we increased our portfolio by 42 percent and we now own 3,999 apartments in Canada.

We bought 811 apartments in Toronto and 425 apartments in Montreal. During the year we made the first sale, a building with 60 apartments in Toronto. The price was 53 percent above the value at the beginning of the year.

The properties are managed by 117 employees at three offices, two in Toronto and one in Montreal. All essential functions are now in-house similar to our more mature organizations in Sweden and Germany. We are prepared to grow.

3.6 percent growth in average rent

During 2015, the average residential rent increased by 3.6 percent. The strong growth is explained by increasing demand in our cherry-picked locations and popular upgrades to First Class. This allows us to increase rent levels on new contracts.

Semi-regulated market

In Toronto, new leases are set freely. Increases for current tenants are controlled by the local authorities and rent increases normally follow inflation. When modernizing the properties, the rent for current tenants can be increased by up to nine percent above the regulated rent over a period of three years.

In Montreal, new leases are also set freely. However, new tenants are able to question the rent level in court. Leases to current tenants can be increased when the landlord's costs increase. Modernization costs can to some extent be passed on to the tenants.

The tenant may terminate their rental contract with two months' notice. Usually, the tenant's deposit is equivalent to two months' rent.

Property holdings at of 2015-12-31

	Square meters thousands		
	Apartments	Commercial	Total
Toronto	165	-	165
Montreal	61	1	62
Total	226	1	227

Total return, properties, percent

Operating surplus	2.8
Change in value	17.9
Total	20.7

Fair value of properties, SEK million

Opening	3,432
Change in value	605
Investments	195
Purchases	1,283
Sales	-111
Exchange differences	-545
Closing	4,859

France

Our focus is residential properties in the heart of Paris. The city has many beautiful properties in need of maintenance that we can buy and upgrade. There is a shortage of premium apartments in Paris.

We started in 2014 with the acquisition of two properties and during 2015 we cherry picked sixteen additional properties. Our property portfolio contains 467 apartments.

The development of the local organization is proceeding according to plan. We have recruited employees in asset management, property management, letting, construction and accounting.

16 percent growth average rents

We have exceeded our estimates for the new leases level. The new lease level was on average 87 percent higher than the average rent. Higher new leases in combination with falling vacancies due to upgrades, has enhanced the rental income.

26 upgraded apartments

In addition to the upgrade of the apartments we have started major works in the common areas of our properties. The highest new lease levels will be achieved when the entire property is in First Class.

Semi-regulated rents

In France, a landlord can freely set a new level of rent if the amount of renovation-works realized within the last six months in the apartment and/or common area is above the last annual rent invoiced or if the apartment has been vacant for a minimum of 18 months. After entering a lease contract the annual rent increase may not exceed the development of the IRL index. After six years, leases can be renegotiated to market rent levels. A new regulation for rent control was enforced in Paris first of August. Nevertheless, this rule does not apply when upgrades are made and a high level of quality is offered to the tenants.

Property holdings at 2015-12-31

	Square meters, thousands		
	Apartments	Commercial	Total
Paris	14	2	16
Total	14	2	16

Fair value of properties, SEK million

Opening	166
Change in value	-13
Investments	20
Purchases	850
Sales	-
Exchange differences	-28
Closing	995

United States

In April 2015 we entered the residential property market in the United States with our first purchase in New York. Later we also invested in Boston and Washington D.C. At year end we owned 1,534 apartments.

We have chosen some of the most successful cities with strong population growth and focus on areas and properties with rent potential and low downside risks.

We are actively building a local organization that will take care of the properties including in-house asset, leasing and construction management, similar to the way we are organized in Sweden and Germany. We believe that this system insured higher quality and long-term profitability.

We employ both local staff and internally recruited personnel from other Akelius' organizations to combine Akelius know-how with local knowledge.

Upgrading of apartments

We are currently upgrading our first apartments in all three cities. We are also investing in support systems to enable a smooth and successful upgrading of apartments and common areas.

Demand for premium apartments is high in all cities, which will enable us to reach the targeted rent levels - 40 percent higher than the current rent level.

Rent regulations

The rent regulations vary from city to city. Boston has the loosest rent regulations, allowing adjustment of the rent to market level at each renewal date. New York has a mix of free market and rent regulated apartments and in Washington D.C. there is a strict rent regulation in place that allows only a limited rent increase at each turn-over. We find that the rent regulations in each city work well with our business model.

Property holdings at 2015-12-31

	Square meters, thousands		
	Apart- ments	Com- mercial	Total
New York	62	1	63
Washington D.C.	24	-	24
Boston	25	-	25
Total	111	1	112

Fair value of properties, SEK million

Opening	-
Change in value	24
Investments	21
Purchases	5,443
Sales	-
Exchange differences	-37
Closing	5,451

Property valuation

Our property portfolio consists of 990 properties in six countries with a total value of SEK 72,764 million compared to SEK 57,736 million prior year. Each region is unique, requiring specific considerations. The value of the properties is based on internal valuations. The estimated future cash flows are based on existing rental income and operating and maintenance costs adjusted for expected changes in rental and vacancy levels. The property's fair value comprises the sum of the discounted cash flows during the calculation period and the residual value. The valuation is made according to IFRS 13, level 3. See page 93.

Rental income

Future rental levels for residential properties are based on actual rent, adjusted for potential rental growth calculated from First Class investments and inflation. Rent levels for commercial properties are estimated based on the indexed rent levels, meaning that the rent develops at the same rate as the consumer price index during the leasing period. Vacancies are considered on the basis of the current vacancy situation for each individual property, adjusted to a market vacancy level taking into account the property's individual characteristics.

Operating and maintenance expenses

Operating and maintenance expenses are calculated based on actual costs adjusted for inflation. Specific planned future maintenance expenses are included in the projections for each individual property. Property administration costs are assessed based on the average cost level.

Required yield

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

The required yield is assessed, as far as possible, using the property transactions completed in the market, invitations to buy/sell and by looking at comparable properties. During the year, the required yield for comparable properties declined by 0.36 percentage points due to lower market interest rates and high demand for real estate. At year end the average yield was 4.33.

Market knowledge

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

In 2015, we received invitations to buy for SEK 128 billion. Following evaluations, we submitted bids on 22,931 apartments for SEK 37 billion, purchasing 6,129 apartments in 72 transactions. The key ratios of price per square meter, gross rent multiplier and required yield from the evaluations of all those apartments, in particular those for which we submitted indicative bids, constitute the basis for the fair value estimation. In addition to the invitations to buy, we sold 2,752 apartments in 68 transactions during the year. The realized prices in these sales provided valuable information about required yields and prices per square meter. The properties were sold at prices that exceeded fair value at the beginning of the year by 23 percent.

External valuation

In order to verify the internal valuation, we engage external partners to review at least one third of the portfolio each year. During 2015, primarily CBRE reviewed 426 properties out of 990 properties owned, which corresponds to 43 percent of the number of properties and 48 percent of the fair value. Their estimate was SEK 34,160 million, SEK -632 million or -1.8 percent, less than our internal valuation.

Required yield, percent

	Sweden	Germany	Canada	England	United States	France	Total
Opening	4.78	4.72	4.55	4.36	-	4.11	4.72
Purchases	-0.05	-0.01	0.03	-0.05	4.47	0.08	-0.02
Sales	-0.03	-0.01	-	0.11	-	-	-0.01
Comparable	-0.40	-0.35	-0.21	-0.20	-	0.02	-0.36
Exchange rate	-	-	-	-	-	-	-
Closing	4.30	4.35	4.37	4.22	4.47	4.21	4.33

Transactions in 2015

	Sweden	Germany	Canada	England	United States	France	Total
Invitations to buy, SEK million	5,169	51,169	13,273	17,635	21,889	18,907	128,042
Indicative bids, SEK million	2,254	7,906	9,653	3,793	8,620	4,850	37,076
-Number of apartments	1,366	7,530	7,199	1,271	3,062	2,503	22,931
-Number of indicative bids	14	162	46	40	22	101	385
Completed acquisitions, SEK million*)	1,071	1,757	1,283	1,689	5,443	850	12,093
-Number of apartments	692	1,772	1,236	473	1,534	422	6,129
-Number of transactions	4	19	13	17	11	8	72

*) includes sale price and transaction costs.

External valuation

	Number of properties	Fair value, SEK million, external	Fair value, SEK million, Akelius	Deviation, SEK million	Deviation percent
Sweden	117	17,187	17,526	-339	-2.0
Germany	223	8,750	8,832	-82	-0.9
Canada	23	2,080	2,130	-51	-2.4
England	49	3,343	3,496	-153	-4.6
France	10	687	689	-2	-0.3
United States	4	2,113	2,118	-5	-0.2
Total	426	34,160	34,791	-632	-1.8

Profit for the year 2015

Operating surplus SEK 2,175 million

Consolidated rental income for the year increased by SEK 737 million to SEK 4,339 million from SEK 3,602 million. Of the total increase in revenue, SEK 612 million is attributable to the purchase of new properties and SEK 125 million to increased rents on comparable properties. Adjusted for changes in exchange rates, rental income for comparable properties increased by 4.3 percent compared to the same period of 2014.

The real vacancy rate was 1.3 percent, which is 0.3 percentage points higher than at the end of 2014. The vacancy rate was 4.3 percent, including 70 percent due to upgrades or planned sales of apartments.

Property expenses amounted to SEK 2,164 million compared with SEK 1,720 million in 2014, of which SEK 408 million compared with SEK 314 million in prior year, was attributable to maintenance. Maintenance expenses for 2015 corresponding to an average annual expense of SEK 116 per square meters.

The operating surplus for comparable properties, adjusted for changes in exchange rates, increased by 4.0 percent. For the total portfolio, the operating surplus margin was 50.1 percent, compared to 52.2 percent prior year.

Operating surplus in SEK/sqm

SEK/ sqm	2015	2014
Rental income	1,229	1,114
Maintenance expenses	-116	-97
Usage bonds expenses	-184	-182
Operating expenses	-122	-112
Property tax	-40	-31
Site leasehold fee	-2	-1
Property administration*	-150	-109
Total operating surplus	615	582

*) includes start-up expenses incurred in new countries

Increase in property value 14 percent

The increase in value of the property holdings was SEK 8,026 million for the year equivalent to 13.9 percent. The value increase in 2014 was SEK 1 412 million. The change in value is primarily due to a lower required yield. For comparable properties, direct yield dropped by 0.36 percentage points.

Net financial items SEK -771 million

Interest expenses for the year were SEK 1,277 million compared to SEK 1,191 million prior year. The average interest rate decreased in 2015 by 0.50 percentage points to 3.44 percent. Financial derivatives affected earnings by SEK 533 million compared to SEK -1,149 million in 2014, mainly due to a shorter remaining term. Other financial items amounted to SEK -26 million, compared to SEK -32 million in 2014.

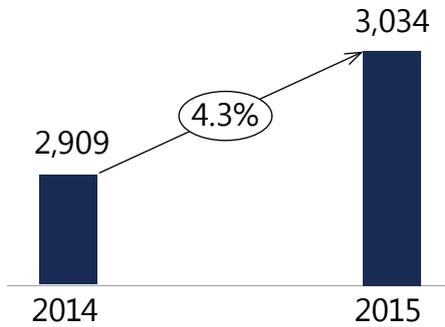
Net profit before tax SEK 9,206 million

Net profit before tax was SEK 9,206 million, compared to SEK 852 million prior year, positively impacted by a increase in the fair value of properties.

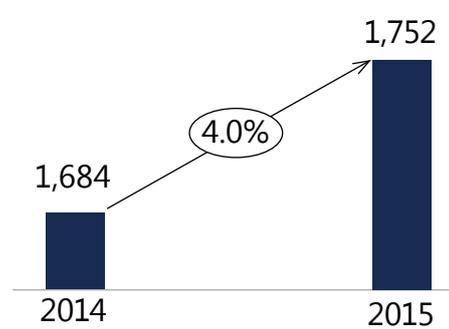
Tax expenses SEK -2,035 million

Total tax expense amounted to SEK 2,035 million compared to SEK 350 million in 2014, of which SEK 2,001 million refers mainly to deferred tax due to unrealized gains on properties. SEK 34 million current taxes relates to property sales. The Group has no ongoing tax disputes.

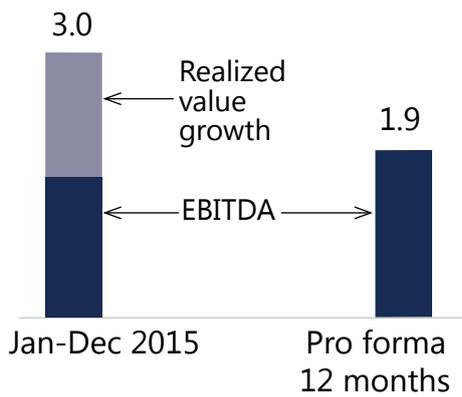
Rental income, comparable properties
SEK million



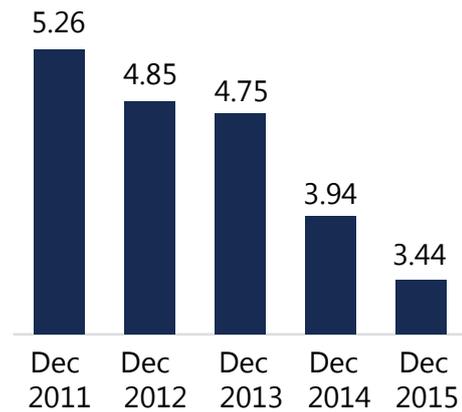
Operating surplus, comparable properties
SEK million



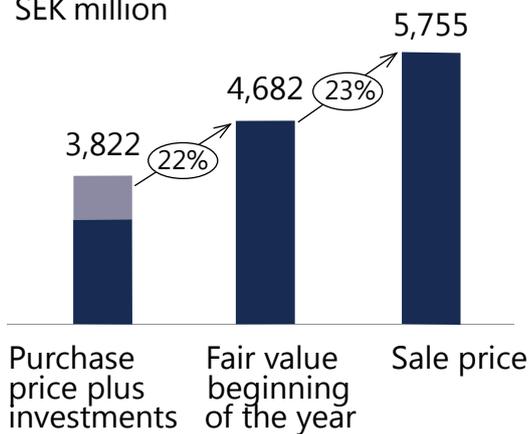
Interest coverage ratio
times



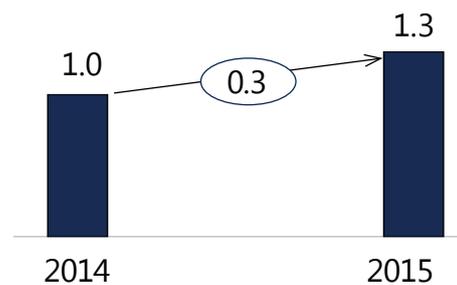
Average interest rate
percent



Sales
SEK million



Real vacancy rate
percentage



Other financial information

Cash flow

Operating cash flow increased by SEK 272 million to SEK 974 million. Net cash from investing activities was SEK -8,182 million compared to SEK -10,657 million in prior year. Cash flow from purchases of properties is secured before signing purchase agreements. Profitable and non-mandatory upgrades to First Class can, if needed, be stopped within a three-month period. Cash flow from financing activities was SEK 7,166 million, a decrease from SEK 10,174 million in 2014.

Parent company

The Parent company's profit before tax totalled SEK 1,127 million compared to SEK -624 million in 2014, which is attributable to positive changes in the fair value of derivative financial instruments of SEK 291 million and dividends received for SEK 933 million. The subsidiary Akelius Spar AB was sold for SEK 116 million to Akelius Apartments Ltd. with a profit of SEK 11 million. The company issued preference shares for SEK 2,000 million and bonds for a total of SEK 5,201 million and started a program for commercial paper for SEK 4 billion.

Proposed appropriation of profits

The Annual General Meeting has at its disposal in the Parent Company:

Retained earnings	11,192,670,028
Profit for the year	1,081,706,675
Total	12,274,376,703

The Board proposes that the amount be allocated as follows:

SEK 1,75 per ordinary shares	5,044,767,000
SEK 20 per preference share	376,712,120
Carried forward	6,852,897,583
Total	12,274,376,703

The dividend on ordinary shares will amount to SEK 1.75 per share, totaling SEK 5,045 million. The Board proposes that the general meeting authorizes the Board to set the record date and payment date for the dividend on ordinary shares. A dividend of SEK 5 per share will be paid on the following dates; 2016-05-04, 2016-08-05, 2016-11-04 and 2017-02-03. The proposal is based on all ordinary and preference shares outstanding as of 2015-12-31. The proposal could be changed in the event of additional issuance of preference shares.

Board statement on the proposed dividend

The Group and the Parent Company have good liquidity, and following the proposed dividend the equity to assets ratios of the Group and the Parent Company will be 34 percent and 20 percent respectively. In the Board's assessment, which takes into account liquidity needs, the proposed business plan, investment plans and the ability to raise long-term credit, there are no indications that the Group or the Parent Company will have insufficient equity following the proposed dividend. The Board hereby finds the proposed dividend justifiable with regard to Chapter 17, Article 3 of the Swedish Companies Act.

Important events after balance sheet date.

We have acquired properties for a total of SEK 2,034 million mainly in Boston, Düsseldorf, Hamburg and Montreal. We have sold properties for SEK 2,713 million including in northern Sweden for SEK 1,878 million.

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

- to issue 48,045,400 ordinary shares to a amount of SEK 84 per share, totaling SEK 4,036 million,
- to authorize the Board to issue a maximum of 6,000,000 preference shares.



Eggerstedtstraße 78-86, Hamburg

Corporate governance report

Corporate governance in Akelius Residential Property AB (publ)

Akelius Residential Property AB (publ) is a Swedish public limited company with its registered office in Stockholm, Stockholm County. The Company shall own and manage properties and pursue other closely related activities. In 2014 the company's preference shares started trading on First North. Corporate governance is primarily regulated by the Swedish Companies Act and Nasdaq's regulations for issuers on First North, found on the exchange's website www.nasdaqomx.com, and in accordance with other applicable laws and regulations.

The general mandate from the shareholders is to provide a high and stable long-term return. Ensuring this requires good corporate governance with a clear divisions of responsibility between the owner, the Board and management.

Ownership structure

Akelius Apartments Ltd, Cyprus, holds 89.3 percent of the shares. Xange Holding Ltd, Cyprus, holds 10 percent of the shares and 0.6 percent belong to the preference shareholders. Each preference shareholder is entitled to one tenth of a vote.

	Number of shares	Shares, percent	Voting rights	Total votes	Votes, percent
Akelius Apartments Ltd	2,592,324,000	89.34	1 vote	2,592,324,000	89.87
Xange Holding Ltd	290,400,000	10.01	1 vote	290,400,000	10.07
Preference share owners	18,835,606	0.65	1/10 vote	1,883,561	0.07
Total	2,901,559,606	100		2,884,607,561	100

Articles of Association

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

The General meeting also decides on any new share issues. Extra Meetings are hold when requested by the owners or the Board.

General Meeting

The General Meeting is the company's highest decision-making body through which the shareholders decide on the company's affairs. The Board and auditors are appointed, income statement and balance sheet are adopted, resolutions are passed regarding allocation of the company's earnings, discharge of liability for the Board and the Chief Executive Officer and changes in the Articles of Association.

Annual General Meeting 2015

The Annual General Meeting of the Company was held on April 14, 2015. At the Annual General Meeting, 83 percent of the votes were represented. The meeting passed resolutions on the matters to be addressed by the Meetings as specified in the Articles of Association, including the decision to re-elect the Board in its current composition with a fee of SEK 250,000 to each Board member not employed by the company and SEK 400,000 to the Chairman and in accordance with Board's proposal to pay dividend of SEK 20 per preference share.

The Board was authorized to issue a maximum of 12,225,000 preference shares before the 2016 Annual General Meeting. Furthermore, a decision was made to transfer the subsidiary Akelius Spar AB (publ) to the parent company Akelius Apartments Ltd. on market conditions terms and to adopt new Articles of Association.

Environment

Akelius Residential Property does not conduct any operations that require permits or registration in accordance with Chapter 9 Article 6 of the Swedish Environmental Code.

External auditing

According to the Articles of Association, the Annual General Meeting shall appoint at least one but not more than two auditors. The appointed auditors audit the annual accounts, the consolidated accounts, the subsidiaries' annual accounts and the administration by the Board of Directors and the Chief Executive Officer. The Annual General Meeting held on April 14, 2015 decided to re-elect PricewaterhouseCoopers AB as the company's auditor. Fees are paid according to approved account.

Internal control and risk management regarding financial reporting

The Board has overall responsibility for internal control over corporate financial reporting. The purpose of internal control over financial reporting is to ensure that it is reliable and that financial statements are prepared in accordance with GAAP and otherwise comply with applicable laws and regulations.

To ensure internal control, the Board has established a number of policies on the basis of an overall governance structure. Based on those policies, the Chief Executive Officer is responsible for designing internal processes and establishing internal policies and instructions.

The company's largest business risks are fluctuations in the credit and financial markets and risks associated with the real estate market. Some examples of the internal controls in place are:

- The planning, governance and control of operations follows the organizational structure with clear delegations of responsibility and authority. Business plans are prepared for the Group as a whole and for each operational department that reports directly to the Chief Executive Officer.
- Key operative indicators are reported every month and provide important information about the business.
- Approval from the Board is required for important decisions including the purchases and sales of new major properties.
- Clear delegation of authority are required in all subsidiaries
- The "open door policy" is a process whereby employees can report on behavior or actions that are possible violations of group policies.

Akelius has information and communication channels designed to ensure that information easily reaches all employees and managers. Regular internal control reviews are performed internally as well as externally for the major subsidiaries. Additionally, the annual audits are prepared and conducted in close collaboration with the external auditors. The Board has assessed that the control activities are sufficient.

During the year the Board has also established an internal audit function that reports to the Board. Internal Audit examines corporate governance, risk management and controls in the company's internal processes. The Board annually establishes a risk-based internal audit plan to ensure that the focus is placed in the right areas.

Board of Directors

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

The Board's general mandate is responsibility for the organization and administration of operations and for financial reporting. The Board is also responsible for establishing systems for governance, internal control and risk management.

The Board's work and responsibilities, and its division from the work and responsibilities of the Chief Executive Officer, are regulated by the Rules of Procedure and the instructions for the Chief Executive Officer that are established at the statutory meeting held directly after the Annual General Meeting.

Work of the Board of Directors in 2015

The Board has in 2015 consisted of six members and one deputy.

The Board held 48 meetings. The board meetings dealt with matters of considerable importance to the company, such as the establishment of policy documents, strategic decisions, purchases and sales of properties and financing.

Further, the Board was informed about the prevailing business climate in the property and credit markets. A Board meeting was held after the Annual General Meeting, at which decisions was made regarding signatories, the Board's rules of procedure, the CEO's instructions and a plan for scheduled Board meetings during the year. The issuance in 2015 of 6,060,606 new preference shares were authorized.

Committees

Investment Committee

The Investment Committee consists of the CEO Pål Ahlsén, Board deputy Roger Akelius and Board member Igor Rogulj. The Committee holds regular meetings and is authorized to decide on investments up to SEK 200 million.

Finance Committee

The finance Committee consists of the CEO Pål Ahlsén, Chairman Leif Norburg and CFO Leiv Synnes. The Finance Committee is authorized to enter into loans and other financial commitments up to the equivalent of SEK 1 billion.

Other Committees

The company has chosen to establish neither an audit or remuneration committee. Instead, the Board handles those matters, with the exception made for the remuneration of the CEO.

Compensation for Board members

The Annual General Meeting decides on compensation for Board members. In 2015, it was decided that an annual fee of SEK 250,000 should be paid to Board members who are not employed by the company and SEK 400,000 to Chairman of the Board. The Chairman of the Board and other board members have no pension or severance agreements.



Leif Norburg

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



Igor Rogulj

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



Anders Janson

Board member since 2005
Solicitor and former CEO of
Foyen AB. Specializes in
property.
Born 1954



Staffan Jufors

Board member since 2014
Master of Science in Busi-
ness and Economics. Former
CEO of Volvo Lastvagnar AB.
Born 1951



Pål Ahlsén

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



Michael Brusberg

Board member since 2014
Master of Science in Business
and Economics. Former CEO
of Jeppesen Systems AB.
Born 1964



Roger Akelius

Board deputy member since
2014 and founder in 1994
Experience from IBM, lecturer
at Chalmers. Started Akelius
Skatt and Akelius Insurance in
the 1980s.
Born 1945

Chief Executive Officer and Group Management

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

Group Management

Operations are organized into six units, one for each country where the company is active. To support the organization, there are also a central organization. The Group Management including the CEO consisted of eleven people at year end. In 2016, the organization has been changed so that the Construction, Property Management, IT and Administration and Customer Service departments now report directly to the Chief Executive Officer, see below.

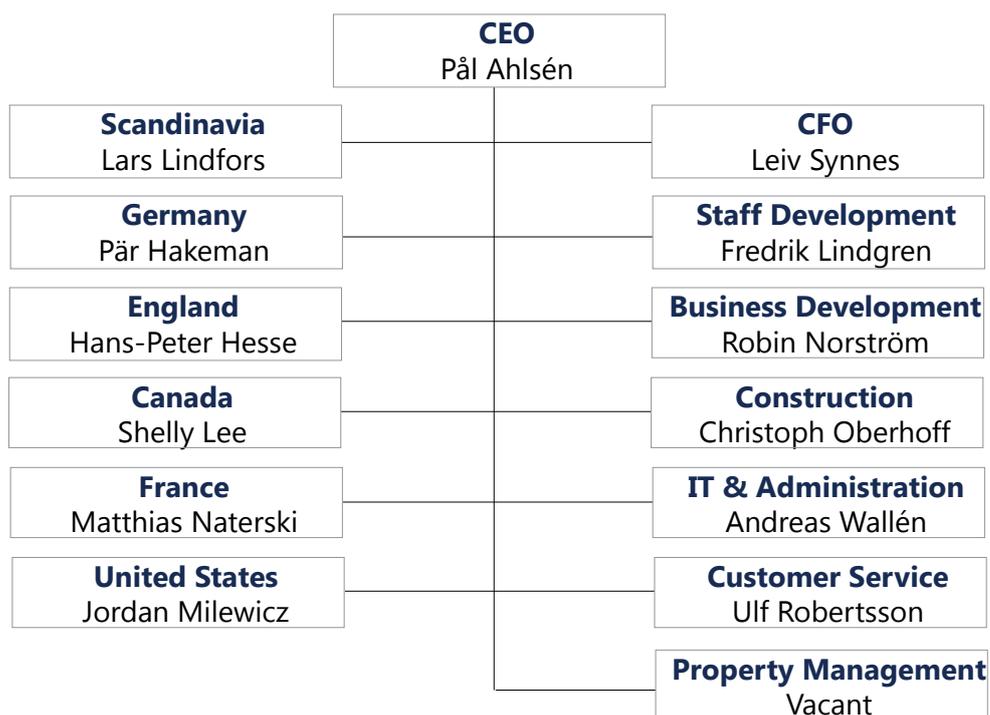
As a consequence, the Group Management has been expanded from 11 to 14 people, including one vacant position. In 2016, Michael Brusberg left the management team.

Country managers

The country managers are responsible for profitability in their respective countries. This means responsibility for property management, letting, service, upgrades, projects, purchases and sales, property valuations, accounting in subsidiaries and tax and VAT returns. The country organizations were staffed by 522 employees at year-end.

Group Administration

The organization is supported by central staff functions for economy and finance, accounting, IT, business development and training. In addition, group functions have been created in the key areas of construction, property management and customer service. In total, group functions employ 25 people.



Key figures

	2015 Dec 31	2014 Dec 31	2013 Dec 31	2012 Dec 31	2011 Dec 31
Equity					
Equity, SEK million	30,667	22,583	15,169	9,970	8,567
Equity to assets ratio, percent	41	38	33	27	25
Net asset value to assets ratio, percent	50	47	41	37	36
Return on equity, percent	29	9	24	27	4
Interest-bearing liabilities					
Loan-to-value, secured loans, percent	36	47	49	53	50
Loan-to-value, total loans, percent	48	52	56	59	60
Interest coverage ratio including realized value growth	3.0	1.7	1.5	1.3	1.5
Interest coverage ratio excluding realized value growth	1.6	1.5	1.2	1.2	1.3
Capital tied up total loans, year	5.7	4.5	4.6	5.0	5.7
Fixed interest rates					
Average interest rate, total loans, percent	3.44	3.94	4.75	4.85	5.26
Fixed interest term total loans, year	4.3	4.2	5.0	5.4	5.6
Properties					
Number of apartments	51,231	47,896	41,319	35,443	35,151
Rentable area, thousand sqm	3,587	3,472	2,992	2,576	2,632
Growth in rental income ¹ , percent	4.3	3.4	5.8	4.4	3.8
Growth in operating surplus ¹ , percent	4.0	7.1	6.7	4.1	8.3
Real vacancy rate residential, percent	1.3	1.0	0.7	0.7	0.7
Vacancy rate residential, percent	4.3	3.2	2.6	2.0	1.9
Fair value properties, SEK million					
Opening balance	57,736	44,104	35,437	32,352	28,269
Change in fair value	8,026	1,412	1,569	2,671	1,025
Investments	2,216	1,881	1,531	1,493	1,138
Purchases	12,093	9,678	6,901	1,663	3,792
Sales	-5,755	-1,084	-1,801	-2,383	-1,828
Reclassification	-	-	13	-	-
Exchange difference	-1,552	1,745	454	-359	-44
Closing balance	72,764	57,736	44,104	35,437	32,352
Fair value, per sqm	20,284	16,629	14,736	13,755	12,292
Required yield, percent	4.33	4.72	4.75	4.73	5.07
Change in required yield ¹ , percent	-0.36	0.01	-0.01	-0.28	0.01

Key figures

	2015 Dec 31	2014 Dec 31	2013 Dec 31	2012 Dec 31	2011 Dec 31
Properties Sweden					
Average residential rent, SEK /sqm/year	1,184	1,156	1,114	1,074	1,026
Growth in average residential rent ² , percent	2.6	3.7	5.8	5.0	5.1
Growth in rental income ³ , percent	3.0	3.5	5.5	3.8	-
Growth in operating surplus ³ , percent	1.8	8.0	3.3	5.2	-
Fair value, SEK million	31,727	29,571	26,797	23,456	22,574
Fair value, SEK per sqm	17,148	14,899	14,115	13,809	12,055
Required yield, percent	4.30	4.78	4.84	4.79	5.15
Number of apartments	23,520	24,407	23,867	21,707	23,354
Properties Germany					
Average residential rent, EUR /sqm/month	8.13	7.77	7.71	7.52	7.19
Growth in average residential rent ² , percent	5.1	5.4	5.6	5.6	7.0
Growth in rental income ³ , percent	6.0	3.1	6.8	6.8	-
Growth in operating surplus ³ , percent	3.9	5.8	13.7	1.0	-
Fair value, SEK million	24,892	21,171	15,549	11,981	9,778
Fair value, SEK per sqm	18,986	16,752	15,398	13,649	12,903
Required yield, percent	4.35	4.72	4.64	4.64	4.87
Number of apartments	20,307	19,423	15,769	13,736	11,797
Properties Canada⁴					
Average residential rent, CAD /sqft/month	1.79	1.83	1.94	2.01	1.34
Growth in average residential rent ² , percent	3.6	6.6	7.7	11.2	-
Growth in rental income ³ , percent	4.1	7.0	20.6	-	-
Growth in operating surplus ³ , percent	25.1	-17.8	56.4	-	-
Fair value, SEK million	4,859	3,432	1,758	1,074	26
Fair value, SEK per sqm	21,424	21,808	20,710	22,026	19,833
Required yield, percent	4.37	4.55	4.47	4.52	4.25
Number of apartments	3,999	2,823	1,683	1,046	17
Properties England⁵					
Average residential rent, GBP /sqft/month	2.07	1.74	1.55	1.54	1.04
Growth in average residential rent ² , percent	11.5	11.3	0.1	13.7	-
Growth in rental income ³ , percent	15.1	5.9	29.0	-	-
Growth in operating surplus ³ , percent	23.0	9.3	31.7	-	-
Fair value, SEK million	4,840	3,395	1,792	1,580	145
Fair value, SEK per sqm	67,660	53,606	36,430	32,730	22,872
Required yield, percent	4.22	4.36	4.64	4.53	4.77
Number of apartments	1,404	1,153	870	870	97

Key figures

	2015 Dec 31	2014 Dec 31	2013 Dec 31	2012 Dec 31	2011 Dec 31
Properties France					
Average residential rent, EUR /sqm/month	22.50	21.31	-	-	-
Growth in average residential rent ² , percent	15.7	-	-	-	-
Growth in rental income ³ , percent	-	-	-	-	-
Growth in operating surplus ³ , percent	-	-	-	-	-
Fair value, SEK million	995	166	-	-	-
Fair value, SEK per sqm	62,640	60,732	-	-	-
Required yield, percent	4.21	4.11	-	-	-
Number of apartments	467	90	-	-	-
Properties United States					
Average residential rent, USD /sqft/month	2.26	-	-	-	-
Growth in average residential rent ² , percent	-	-	-	-	-
Growth in rental income ³ , percent	-	-	-	-	-
Growth in operating surplus ³ , percent	-	-	-	-	-
Fair value, SEK million	5,451	-	-	-	-
Fair value, SEK per sqm	48,769	-	-	-	-
Required yield, percent	4.47	-	-	-	-
Number of apartments	1,534	-	-	-	-

1) For comparable properties. The property portfolio in England was bought from fellow subsidiaries in March 2014. The tables shows the development as if the properties had been owned since 2014-01-01.

2) Growth from period start to period end for comparable portfolio.

3) Growth for the period compared to the previous year's period for comparable portfolio.

4) The property portfolio in Toronto, Canada, was bought from a fellow subsidiary at the end of 2013. The tables above show the development as if the properties had been owned since 2011.

5) The property portfolio in England was bought from fellow subsidiaries in March 2014. The tables above show the development as if the properties had been owned since 2011.

Consolidated income statement

SEK million	Note	2015	2014
Rental income	6	4,339	3,602
Operating expenses	8	-1,756	-1,406
Maintenance		-408	-314
Operating surplus		2,175	1,882
Central administration	10, 11	-112	-54
Other income and expenses	9	9	5
Net income from the disposal of investment properties*	12	800	100
Net income from the revaluation of investment properties	12	7,105	1,293
Operating profit	7	9,977	3,226
Interest income	14	4	7
Interest expenses	14	-1,277	-1,191
Other financial income and expenses	14	-31	-39
Change in fair value of derivative financial instruments	23	533	-1,149
Profit before tax		9,206	852
Tax	16	-2,035	-350
Profit for the year		7,171	503
Items that will be reclassified to profit or loss:			
Translation difference		-610	745
Comprehensive income for the period / year		6,561	1,248
Profit attributable to:			
- owners of the Parent Company		7,055	503
- non-controlling interests		116	-
Total comprehensive income attributable to:			
- owners of the Parent Company		6,443	1,245
- non-controlling interests		118	3
Earnings per share before and after dilution, SEK		2.33	0.15

*) SEK 121 million refers to transaction costs for 2015 and SEK 21 million for 2014.

Consolidated statement of financial position

SEK million	Note	Dec 31 2015	Dec 31 2014
Assets			
Intangible assets	17	27	14
Investment property	5	69,963	57,736
Tangible fixed assets	17	32	21
Derivative financial instruments	19, 23	25	-
Deferred tax	16	8	9
Financial assets	19, 20	109	119
Total non-current assets		70,164	57,899
Trade and other receivables	19, 20	808	612
Derivative financial instruments	19, 23	12	-
Cash and cash equivalents	19, 21	238	278
Assets held for sale	28	2,802	-
Total current assets		3,860	890
Total assets		74,024	58,789

Consolidated statement of financial position

SEK million	Note	Dec 31 2015	Dec 31 2014
Equity and liabilities			
Ordinary shares		1,741	1,737
Share premium		10,456	8,485
Currency translation reserve		170	782
Retained earnings		16,811	10,183
Total equity attributable to owners of the parent company		29,178	21,187
Non-controlling interests		1,489	1,396
Total equity	26	30,667	22,583
Interest-bearing liabilities	19, 22	32,108	26,519
Derivative financial instruments	19, 23	1,983	2,466
Deferred tax	16	4,175	2,384
Other liabilities	19, 24	49	33
Total non-current liabilities		38,315	31,402
Interest-bearing liabilities	19, 22	3,847	3,816
Derivative financial instruments	19, 23	2	53
Trade and other payables	19, 24	1,035	935
Liabilities held for sale	28	158	-
Total current liabilities		5,042	4,804
Total equity and liabilities		74,024	58,789
Borrowings			
-unsecured		8,829	2,670
-secured		27,126	27,666
Total		35,955	30,336

Consolidated statement of changes in equity

SEK million	Attributable to owners of the Parent Company				Total	Non-controlling interests	Total equity
	Share capital	Share premium	Currency translation reserve	Retained earnings			
Balance at 2013-12-31	1,263	1,937	42	11,896	15,138	31	15,169
Acquired minority	-	-	-	-	-	41	41
Redistribution	-	-	-	-7	-7	7	-
Hybrid loan	-	-	-	-	-	1,365	1,365
Dividend	-	-1,937	-	-2,211	-4,148	-52	-4,200
Share issue	475	8,485	-	-	8,960	-	8,960
Profit for the year	-	-	-	503	503	-	503
Other comprehensive income	-	-	741	-	741	4	745
Balance at 2014-12-31	1,737	8,485	782	10,183	21,187	1,396	22,583
Acquired minority	-	-	-	-	-	22	22
Redistribution	-	-	-	-52	-52	52	-
Dividend	-	-	-	-377	-377	-98	-475
Share issue	4	1,971	-	-	1,975	-1	1,974
Group contribution	-	-	-	3	3	-	3
Tax on group contribution	-	-	-	-1	-1	-	-1
Profit for the year	-	-	-	7,055	7,055	116	7,171
Other comprehensive income	-	-	-612	-	-612	2	-610
Balance at 2015-12-31	1,741	10,456	170	16,811	29,178	1,489	30,667

Consolidated statement of cash flows

SEK million	Note	2015	2014
Operating surplus		2,175	1,882
Central administration		-112	-54
Other income and expenses		-	-14
Reversal of depreciation and impairment losses		10	24
Interest paid		-1,213	-1 173
Income tax paid		-5	-4
Cash flow before changes in working capital		855	661
Change in current assets		76	-143
Change in current liabilities		43	184
Cash flow from operating activities		974	702
Investments in intangible assets	17	-17	-14
Investment in properties	5	-2,216	-1,881
Acquisition of investment properties	5	-12,093	-9,678
Acquisition of net assets		792	-
Proceeds from sales of investment properties	5	5,755	1,064
Proceeds from sale of net assets		-10	-
Purchase and sale of other fixed assets	17	-393	-148
Cash flow from investing activities		-8,182	-10,657
New share issue		1,974	8,960
Shareholder contribution		22	1,377
Borrowings raised	22	19,026	10,087
Repayment of loans	22	-13,385	-6,043
Purchase and sale of derivative instruments	23	-26	-71
Dividend		-445	-4,136
Cash flow from investing activities		7,166	10,174
Cash flow for the year		-42	219
Cash and cash equivalents at beginning of year		278	59
Translation difference in cash and cash equivalents		2	-
Cash and cash equivalents at end of year		238	278

Statement of comprehensive income for the Parent company

SEK million	Note	2015	2014
Rental income	6	-	-
Operating expenses	8	-	-
Maintenance		-	-
Operating surplus		-	-
Depreciation, impairment losses and reversals of fixed assets		-	-
Gross profit		-	-
Administration expenses	10, 11	-38	-55
Other income		-	16
Profits from the sale of properties		-	-
Operating profit	7	-38	-38
Profit from shares in subsidiaries	13	943	-
Financial income	14	868	1,093
Financial expenses	14	-1,032	-1,101
Change in fair value of derivatives		291	-440
Profit before appropriations		1,032	-486
Appropriations	15	95	-138
Profit before tax		1,127	-624
Tax	16	-45	137
Profit for the year		1,082	-487
Comprehensive income		1,082	-487

Statement of financial position for the Parent Company

SEK million	Note	Dec 31 2015	Dec 31 2014
Assets			
Intangible assets	17	1	5
Total intangible assets		1	5
Shares in subsidiaries	18	13,164	13,270
Receivables from group companies	20	9,231	1,055
Deferred income tax assets	16	331	377
Total financial assets		22,726	14,702
Total non-current assets		22,727	14,707
Receivables from group companies	20	20,182	7,911
Derivative financial instruments	23	12	-
Other current receivables	20	1	7
Prepaid expenses and accrued income	20	192	58
Cash and cash equivalents	21	74	155
Total current assets		20,461	8,131
Total assets		43,188	22,838

Statement of financial position for the Parent Company

SEK million	Note	Dec 31 2015	Dec 31 2014
Equity and liabilities			
Share capital (2,901,559,606 shares)		1,741	1,737
Statutory reserve		29	29
Revaluation reserve		70	70
Total restricted equity		1,840	1,836
Retained earnings		736	1,576
Share premium reserve		10,456	8,485
Profit for the year		1,082	-487
Total non-restricted equity		12,274	9,574
Total equity	26	14,114	11,410
Non-current liabilities			
Interest-bearing liabilities	22	9,112	3,108
Interest-bearing liabilities, group companies	22	17,379	2,510
Derivative financial instruments	23	474	671
Total non-current liabilities		26,965	6,289
Current liabilities			
Interest-bearing liabilities	22	1,855	918
Interest-bearing liabilities, group companies	22	74	3,984
Accounts payable	24	2	2
Other current liabilities	24	105	139
Accrued expenses and prepaid income	24	73	96
Total current liabilities		2,109	5,139
Total equity and liabilities		43,188	22,838
Other			
Securities pledged	25	-	380
Contingent obligations	25	23,352	22,845

Statement of changes in equity for the Parent Company

SEK million	Share capital	Statutory reserve	Re-valuation reserve	Retained earnings	Total	Share premium reserve	Total Equity
Balance at 2014-01-01	1,263	29	70	3,724	5,085	1,937	7,022
Issue of ordinary and preference shares	475	-	-	-	475	8,548	9,023
Dividend	-	-	-	-2,211	-2,211	-1,937	-4,148
Redistribution*	-	-	-	63	63	-63	-
Profit for the year/ comprehensive income	-	-	-	-487	-487	-	-487
Balance at 2014-12-31	1,737	29	70	1,089	2,925	8,485	11,410
Issue of ordinary and preference shares	4	-	-	-	4	1,996	2,000
Dividend	-	-	-	-377	-377	-	-377
Redistribution*	-	-	-	25	25	-25	-
Profit for the year/ comprehensive income	-	-	-	1,082	1,082	-	1,082
Other	-	-	-	-1	-1	-	-1
Balance at 2015-12-31	1,741	29	70	1,818	3,658	10,456	14,114

*) Share issue cost in 2015 and 2014 are reported in the income statement

Statement of cash flows for the Parent Company

SEK million	Note	2015	2014
Gross profit			-
Administration expenses		-38	-55
Other income		-	16
Reversal of depreciation and impairment losses		0	0
Interest received		867	1,096
Interest paid		- 1,029	-1,114
Income taxes paid		-1	-
Cash flow before changes in working capital		-200	-57
Change in current assets		108	-24
Change in current liabilities		-332	153
Cash flow from operating activities		-424	72
Investments in tangible and intangible assets	17	-5	-5
Proceeds from the sale of tangible assets		-	-
Proceeds from investments in subsidiaries	18	-	-138
Acquisition of subsidiaries		-	-2,464
Proceeds from the sale of subsidiary		-	-
Investments in financial assets		-6,902	-5,674
Cash flow from investing activities		-6,907	-8,281
Proceeds from borrowings	22	11,970	13,219
Repayment of borrowings	22	-6,432	-9,730
Sale of derivative financial instruments	23	-	-
Proceeds from issuance of ordinary shares		1,975	9,023
Shareholder contribution		83	-
Dividend paid		-346	-4,148
Cash flow from financing activities		7,250	8,364
Cash flow for the year		-81	154
Cash and cash equivalents at beginning of year		155	1
Cash and cash equivalents at the end of the year		74	155

Accounting principles and notes

Note 1 General information

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

The annual accounts were approved by the Board and CEO on 2016-03-17 and submitted to the annual general meeting for adoption on 2016-04-15.

Note 2 Summary of significant accounting policies

The most important accounting policies applied in the preparation of these consolidated financial statements are presented below. These policies have been applied consistently for all years presented here, unless otherwise stated. The figures in this annual report have been rounded up or down, while the calculations have been made without rounding up or down. As a result, the figures in certain tables and key figures may appear not to add up correctly.

Basis for preparing the accounts

The consolidated financial statements of Akelius Residential Property have been prepared in accordance with the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS) and interpretations by International Financial Reporting Interpretation Committee (IFRIC) as adopted by the EU, as well as the Swedish Financial Reporting Board's recommendation RFR 1: "Supplementary Accounting Rules for Groups". The financial statements are prepared using the historical cost convention as modified by revaluation of investment property and financial assets and liabilities, including derivative financial instruments, at fair value through profit or loss and deferred tax, which is valued at nominal value.

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

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

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

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

Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period when the change is made if the change affects only that period or in the period, of the revision and future periods if the change affects both current and future periods.

Note 2 Summary of significant accounting policies, continued

The areas that involve a high degree of judgment, 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.

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.

Basis of consolidation

Subsidiaries are companies in which the Parent Company, either directly or indirectly, has a controlling influence and the right to determine financial and operational strategies. Subsidiaries are included in the consolidated financial statements as of the day the controlling influence is transferred to the Group and are excluded from the consolidated financial statements as of the day the controlling influence ceases. Intercompany receivables and liabilities, revenues and expenses and unrealized gains or losses arising on transactions between Group companies are eliminated in their entirety when preparing the consolidated financial statements.

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

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

Business combinations are accounted for using the purchase method, whereby subsidiaries' equity, defined as the difference between fair values of assets and liabilities, are eliminated in full.

Acquisition-related costs are expensed as incurred.

For asset acquisitions, the acquisition cost is distributed between the acquired net assets in the purchase price allocation.

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

Segment reporting

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

Operations have been organized based on the geographic divisions between Sweden, Germany, England, Canada, United States and France. Sweden and Germany are material to the Group and are therefore reported separately. England, Canada, United States and France are reported together as a separate operating segment.

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

Note 2 Summary of significant accounting policies, continued

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 financial statements are reported in Swedish kronor, SEK, which is the Group's reporting currency.

Transactions and balance sheet items

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

Exchange rate differences are recognized in the income statement, except for when the loans are hedges that qualify for hedge accounting of net investments in foreign operations or certain receivables or liabilities to foreign operations where gains and losses are recognized in other comprehensive income. In order for receivables from or liabilities to a foreign operation to be revalued in other comprehensive income, it is required that the settlement is neither planned nor likely in the foreseeable future and therefore actually forms part of the net investment in the foreign operation. Non-monetary assets and liabilities carried at historical cost are translated at the exchange rate at the transaction date. Non-monetary assets and liabilities carried at fair value are translated to the functional currency at the exchange rate prevailing at the date of valuation at fair value.

Translation of foreign group companies

Assets and liabilities of foreign operations are translated to Swedish kronor at the exchange rate prevailing at the balance

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

Income and expenses

Rental income

Revenue is recognized in the income statement when the significant risks and rewards have been transferred to the counterparty. Revenue is recognized at the fair value of the consideration received or expected to be received. Where applicable, services provided such as electricity and heat are included. The Group's rental income is classified as operating leases under IAS 17. Rental income is recognized in the period to which it relates. Any discounts given due to limitations in the right of use, for example discounts given during redevelopment, is recognized in the period to which they relate. Upon early termination of leases, revenues are accrued over the original term of the contract, unless a new contract is signed, in which case the redemption amount is recognized as income in its entirety.

Other revenue

Other income is recognized in the consolidated statement of comprehensive income on a linear basis.

Expenses

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

Administrative expenses

The Group's expenses for administration are divided into property administration, which is included in the operating surplus, and central administration, which encompasses expenses for Group Management and Group functions.

Note 2 Summary of significant accounting policies, continued

Financial income and expenses

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

Leases

Akelius as the lessee

Leases where a considerable share of the risks and benefits 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 on a straight-line basis over the lease period. The Group only holds leases classified as operating leases. The Group's leases refer to offices, cars and office equipment. See note 7.

Akelius as the lessor

Leases where essentially all 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 on rental income above.

Investment property

Investment property is held in order to generate rental income and increases in value. Investment properties comprises freehold land and freehold buildings. Investment property is initially recognized at acquisition value, including directly attributable transaction costs. After initial recognition, investment property is recognized at fair value. Fair value is based in the first instance on prices on an active market and is the amount for which an asset could be transferred between initiated parties that are independent of one another and that have an interest in conducting the transaction. In order to establish the fair value of investment property for the annual accounts, all properties are valued. See the section "Valuation of properties" on page 42.

Changes in the fair value of investment property are reported as changes in value in the income statement. Additional expenses are capitalized only when it is probable that future economic benefits associated with the asset will fall to the Group 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. Investment properties are valued according to Level 3 in the fair value hierarchy according to IFRS 13.

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

Note 2 Summary of significant accounting policies, continued

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

Intangible assets, property, plant and equipment

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

Impairment

An impairment loss on an intangible asset or item of property, plant and equipment is recognized when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the greater of the assets' fair value less selling expenses and its value in use. Value in use is defined as the present value of the estimated future cash flows generated by the asset.

Investment properties is recognized in the consolidated financial statements at fair value through profit or loss, and, as such is not covered by the above principle on impairment.

Financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset in one company and a financial liability or equity instrument in the counterparty. Financial instruments recognized among assets in the balance sheet include cash and cash equivalents, accounts receivable and other receivables, derivatives and among the liabilities, trade payables and other payables, loans and derivatives. Financial instruments are initially recognized at fair value plus transaction costs, except for financial assets or liabilities at fair value through profit or loss. Financial assets or liabilities at fair value through profit or loss are initially recognized excluding transaction costs.

A financial asset or financial liability is recognized in the consolidated statement of financial position when the company becomes party to the instrument's contractual terms. Accounts receivable are recognized when invoiced. Rent receivables are recognized as receivables in the period when performance have been delivered and payments corresponding to the value of the receivable have not yet been received. Liabilities are recognized when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not been received. Accounts payable are recognized when received. A financial asset is derecognized from the consolidated statement of financial position when the contractual rights are realized, expire or the company loses control of them. The same applies to part of a financial asset. A financial liability is derecognized when the contractual obligation is fulfilled or otherwise extinguished. The same applies to part of a financial liability. Financial instruments are recognized at amortized cost or fair value depending on the initial categorization under IAS 39.

Note 2 Summary of significant accounting policies, continued

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

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

Cash and cash equivalents

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

Loans and receivables

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

Other liabilities

Trade payables are obligations to pay for goods or services acquired from the suppliers in the ordinary course of business. Trade and other payables with short maturities are reported at nominal value without discounting.

Interest-bearing liabilities are initially recognized at fair value, net of transaction costs. Interest-bearing liabilities are subsequently stated at amortized cost and any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method. Long-term liabilities have an expected maturity of longer than one year, while current liabilities have a maturity of less than one year.

Derivative instruments

Interest rate derivatives

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

The Group does not apply hedge accounting for interest rate derivatives.

Currency derivatives

The Group uses currency derivatives to achieve the desired currency exposure. Currency derivative instruments are reported in the balance sheet as of the contract date and are valued continuously at fair value through profit or loss. The fair value of derivatives not listed on an active market is determined according to valuation techniques, based on a series of methods and assumptions relating to market conditions as of the reporting date.

The Group does not apply hedge accounting for currency derivatives.

Note 2 Summary of significant accounting policies, continued

Employee benefits

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

Pension

Pensions and other post-employment benefits are classified as defined contribution plans or defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to an insurance company. A defined benefit plan is a pension plan that is not a defined contribution plan, but instead based on the size of the pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. Defined contribution plans are plans where the company's obligation is limited to the contributions the company has undertaken to pay. In such cases the size of the employee's pension depends on the fees the company pays to an insurance company and the capital return on those fees. Consequently, it is the employee who bears the actuarial risk (that benefits will be less than expected) and investment risk (that the invested assets will be insufficient to meet expected benefits). The company's obligations for contributions to defined contribution plans are recognized as an expense for the Group as they are earned.

The Group's pension commitments consist of defined contribution pension with no obligations from the company other than the payment of annual premiums during the period of employment. This means that after termination of employment, the employees are entitled to decide during which time the previously defined contributions and returns thereon are taken out as a pension. There are exceptions for those persons covered by defined benefit ITP plans with continuous payments to Alecta in ITP 2.

For white-collar workers in Sweden the ITP 2 plan's defined benefit pension commitments for retirement and family pensions are secured through insurance in Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3 Classification of ITP plans financed through insurance with Alecta, this is a defined benefit plan that covers several employers. For the fiscal year, the company has not had access to the information required to account for its proportionate share of the plan obligation, plan assets and costs which means that it has not been possible to account for the plan as a defined benefit plan.

The pension plan ITP 2, which is secured through insurance in Alecta, is therefore reported as a defined contribution plan.

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

Termination benefits

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

Assets and liabilities held for sale

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

Note 2 Summary of significant accounting policies, continued

Current and deferred tax

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

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

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

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

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

Provisions and contingent liabilities

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

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

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

Cash flow 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 year and for any income and expenses attributable to cash flow from investing or financing activities.

New and amended standards

No new standards have been applied by the Group during the year.

New standards, amendments and interpretations not yet adopted

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities.

Note 2 Summary of significant accounting policies, continued

The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 15 "Revenue from contracts with customers" describes a comprehensive framework to determine whether, how much and when revenue is recognized. IFRS 15 replaces the existing guidance for revenue recognition, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". IFRS 15 is effective for accounting periods beginning 2018-01-01 or later with early adoption is permitted.

Evaluating of the above standards is ongoing and the Group will continue to evaluate the impact on the financial statements. At present, the effects of the above standards are not expected to have any material impact on the consolidated financial statements.

Parent company accounting policies

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

Forms of presentation

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

Participations in group companies

Participations in group companies are recognized at acquisition value less deductions for any impairment.

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

Financial instruments

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

Group contributions

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

Note 3 Financing and financial risk management

Refinancing and liquidity risks

Akelius is exposed to various financial risks, such as funding and liquidity risks, interest rate risk, currency risk and credit risk.

Refinancing risk is the risk to not have access to adequate financing on acceptable terms at any point in time. Liquidity risk is the risk of not having access to funds due to poor market liquidity. Refinancing risk is reduced by raising funds from 35 (28) different

lenders and by mortgaging the property portfolio to only 48 percent (52) of its fair value. Liquidity is secured by entering into long-term credit facility agreements with several banks. See additional information page 24.

The following table shows the maturity structure of Akelius' financial assets and liabilities. The figures are undiscounted cash flows based on contract dates and include both interest and nominal amounts:

Maturity, 2015-12-31	0-1 year	1-5 years	over 5 years
Interest-bearing liabilities	4,500	22,442	9,374
Derivative instruments	534	1,636	793
Trade payables	233	-	-
Other payables	575	-	-
Total	5,842	24,078	10,167

Maturity, 2014-12-31	0-1 year	1-5 years	over 5 years
Interest-bearing liabilities	3,816	20,044	6,475
Derivative instruments	53	987	1,479
Trade payables	280	-	-
Other payables	655	-	-
Total	4,804	21,032	7,954

For additional information on financing and liquidity risk, see page 24.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will negatively affect Akelius' borrowing costs. To reduce this risk, or fluctuations in cash flow, rates are bound in the long term. At the end of the year 33 percent (30) of property loans had a fixed interest period of longer than five years and 26 percent (28) had a fixed interest period of less than one year.

Given the low share of loans with variable interest rates, a change in market interest rates would have a limited impact on earnings.

In order to obtain desired fixed interest rate, derivatives are used. The interest rate derivatives value development depends on how the market develops in relation to

the contractual interest rate, currency and remaining maturity. At the end of the year, the net value of the derivative portfolio was SEK 1,961 million (2,519). A one percentage point change in market rates would impact the valuation of the derivatives portfolio by SEK 648 million.

The average interest rate, which takes into account the effects of swap agreements, amounted to 3.4 percent (3.9). The average interest hedge was 4.3 years (4.2). With the breakdown of fixed rate terms applicable at the beginning of 2016, a change in market interest rate by one percentage point at the beginning of the year corresponds to SEK 62 million (59) in changed interest expenses. For more information about interest rate risk, see on page 22.

Interest rate maturity on borrowings

	2015-12-31		2014-12-31	
	Loans, SEK million	Average interest rate percent	Loans, SEK million	Average interest rate percent
0 - 1 years	9,257	1.64	8,581	2.60
1 - 2 years	2,559	3.58	2,138	3.99
2 - 3 years	2,631	3.77	3,881	3.95
3 - 4 years	3,388	5.00	3,221	3.80
4 - 5 years	6,237	3.72	3,534	4.77
5 - 6 years	3,790	5.19	1,170	5.39
6 - 7 years	2,549	3.81	3,308	5.32
7 - 8 years	145	3.08	1,343	4.78
8 - 9 years	1,183	4.11	78	3.34
9 - 10 years	2,257	2.56	664	4.77
10 years <	1,960	4.46	2,418	4.30
Total	35,955	3.44	30,336	3.94

Currency risk

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

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

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

Foreign investments shall be financed in the local currency so that the relation between net assets in the local currency and gross assets is on a level with the Group's equity to assets ratio. This means that currency fluctuations do not affect the Group's equity to assets ratio. Akelius has limited currency exposure in operating income and expenses, since those are largely in local currency. For more information see page 26.

Net assets in foreign currencies, SEK million	2015-12-31	2014-12-31
GBP	1,153	1,776
EUR	8,415	6,925
CAD	1,431	960
USD	1,340	-

Note 3 Risk management, continued

Exchange rate used	Year-end rate		Average rate	
	2015	2014	2015	2014
GBP- England	12,3785	12,1388	12,8962	11,2917
EUR - Germany, France	9,1350	9,5155	9,3562	9,0968
CAD - Canada	6,0258	6,7196	6,6027	6,2089
USD - United States	8,3524	-	8,4350	-
100 DKK - Denmark	122,4168	-	125,4419	-

Credit risk

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

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

Trade receivables	2015		2014	
	Gross	Impairment	Gross	Impairment
SEK million				
0-30 days	29	-1	36	-
31-60 days	12	-2	6	-
61-90 days	6	-1	4	-
later than 90 days	49	-23	42	-25
Total	96	-27	88	-25

Provision for bad debts

SEK million	2015	2014
Opening balance	25	-
Acquisition	1	-
Provisions recognized for potential losses	7	24
Confirmed losses	-4	-
Translation differences	-2	1
Closing balance	27	25

Trade receivables of SEK 69 million (63) are reported net of provisions for doubtful accounts and other impairments amounting to SEK 27 million (25). Provisions for doubtful accounts and impairments losses recognized in the income statement totaled SEK 7 million (24).

Capital risk

The Group's objectives for capital management are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the

amount of dividends paid to shareholders, issue new shares, convert debt into equity or sell assets to reduce debt. The Group evaluate capital based on loan-to-value. Loan-to-value is defined as net debt divided by net assets. At the end of the year loan-to-value was 48 percent (52). According to the finance policy loan-to-value should be limited to 50 percent by the end of 2016.

Note 4 Estimates and judgments

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

Property valuation

Property valuation is described on page 42.

Deferred tax

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

Preference share issue

Akelius issued preference shares for SEK 4,020 million during 2014 and for SEK 2,000 million during 2015. Preference shares that do not have a fixed maturity, and where the issuer does not have a contractual obligation to make any payment, are equity.

Hybrid loan

In 2014 Akelius Residential Property's German subsidiary, Akelius GmbH, raised a hybrid loan of EUR 150 million. A perpetual, subordinated loan that is unlikely to be redeemed before expiration can be classified in equity, as opposed to liabilities, in the balance sheets.

Management estimates that it is very unlikely that the hybrid loan will be redeemed. Consequently the hybrid loan is classified as equity.

Classification of acquisitions

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

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

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

Note 5 Segment reporting

The division into segments comprises the geographic areas Sweden, Germany, Canada, England, United States and France. Sweden and Germany are material to the Group and are therefore reported separately. Canada, England, United States and France are reported together in the segment "Other". The geographic areas correspond to the internal reporting structure. The division of responsibility for financial performance between segments also includes operating surplus and change in fair value for investment property. Investment properties are divided by segment in balance sheet items.

Note 5 Segment reporting, continued

Jan-Dec 2015

SEK million	Sweden	Germany	Others	Total
Rental income	2,216	1,531	591	4,339
Operating expenses	-843	-600	-312	-1,756
Maintenance	-262	-84	-62	-408
Operating surplus*	1,111	847	217	2,175
Central administration	-	-	-	-112
Other income and expenses	-	-	-	9
Net income from the disposal of investment properties	162	409	229	800
Net income from the revaluation of investment properties	2,709	3,289	1,107	7,105
Operating profit	-	-	-	9,977
Net interest income/expense	-	-	-	-1,273
Other financial income and expenses	-	-	-	-31
Change in fair value of derivative financial instruments	-	-	-	533
Profit before tax	-	-	-	9,206
Operating surplus	1,111	847	217	2,175
Change in fair value	2,947	3,732	1,346	8,026
Total property return	4,058	4,579	1,563	10,201
Total property return, percent	13.7	21.6	22.4	17.7
Property fair value	31,727	24,892	16,145	72,764

* There are no unallocated items in operating surplus

Property value 2015

SEK million	Sweden	Germany	Others	Total
Opening balance	29,571	21,172	6,993	57,736
Investments	857	751	608	2,216
Change in fair value	2,947	3,733	1,346	8,026
Purchases	1,071	1,757	9,265	12,093
Sales	-2,719	-1,558	-1,478	-5,755
Transferred to assets held for sale	-1,878	-716	-207	-2,801
Translation differences	-	-963	-589	-1,552
Closing balance	29,849	24,176	15,938	69,963
Assets held for sale	1,878	716	207	2,801
Total	31,727	24,892	16,145	72,764

Note 5 Segment reporting, continued

Jan-Dec 2014				
SEK million	Sweden	Germany	Others	Total
Rental income	2,101	1,249	251	3,602
Operating expenses	-842	-438	-126	-1,406
Maintenance	-196	-101	-16	-314
Operating surplus*	1,063	710	109	1,882
Central administration	-	-	-	-54
Other income and expenses	-	-	-	5
Net income from the disposal of investment properties	97	-	3	100
Net income from the revaluation of investment properties	722	391	180	1,293
Operating profit	-	-	-	3,226
Net interest income/expense				-1,184
Other financial income and expenses				-39
Change in fair value of derivative financial instruments				-1,149
Profit before tax				852
Operating surplus	1,063	710	109	1,882
Change in fair value	838	391	183	1,412
Total property return	1,880	1,101	292	3,294
Total property return, percent	7.1	7.1	16.6	7.5
Property fair value	29,571	21,171	6,994	57,736
Investment property 2014				
SEK million	Sweden	Germany	Others	Total
Opening balance	26,797	15,549	1,758	44,104
Investments	932	647	302	1,881
Change in fair value	837	393	183	1,412
Purchases	2,078	3,383	4,217	9,678
Sales	-1,072	-	-12	-1,084
Translation differences	-	1,199	546	1,745
Closing balance	29,571	21,171	6,994	57,736

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

When an investment property is sold, the realized gain or loss is based on the selling price in relation to the fair value at the previous closing date. See page 42, Property valuation, for additional information.

Note 6 Rental income

SEK million	Group	
	2015	2014
Residential income	3,910	3,207
Commercial income	317	308
Other rental income	68	58
Other income	44	29
Total	4,339	3,602

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

SEK million	2015	2014
within 1 year	1,232	877
between 1 and 5 years	392	227
later than 5 years	104	105
Total	1,728	1,209

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

Note 7 Operational leasing

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

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Premises	26	20	3	2
Cars	3	3	-	-
Office equipment	1	1	1	-
Total	30	24	4	2

Note 7 Operational leasing - continued

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

SEK million	Group			Parent Company		
	< 1 year	1-5 years	>5 years	< 1 year	1-5 years	>5 years
Premises	21	39	11	2	-	-
Cars	4	6	2	-	-	-
Office equipment	2	2	-	1	1	-
Total	27	47	13	3	1	-

Note 8 Operating expenses

SEK million	Group	
	2015	2014
Utility expenses	-648	-587
Operating expenses	-429	-362
Property tax	-142	-99
Site leasehold fees	-6	-4
Property administration	-531	-356
Total	-1,756	-1,406

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

Note 9 Other income and expenses

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Income from group companies	-	11	-	17
Profit on the sale of subsidiaries	10	-	-	-
Other income	-	3	-	-
Other expenses	-1	-9	-	-1
Total	9	5	-	16

Note 10 Audit costs

PWC, SEK million	Group		Parent Company	
	2015	2014	2015	2014
Audit	13	8	2	-
Audit in addition to ordinary assignment	-	1	-	-
Tax advice	2	6	-	2
Other assignments	2	2	1	1
Total	17	17	3	3

The audit assignment refers to the review of the financial statements and accounting records and the administration of the Board of Directors and CEO. This item also includes other duties that the company's auditors are obliged to perform as well as advice or other assistance that is occasioned by observations during the review or implementation of such other duties.

Note 11 Employees – costs and benefits

Average number of employees

	2015			2014		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	10	18	28	7	12	19
Group						
Sweden	79	103	182	79	90	169
Germany	73	86	159	46	53	99
Canada	42	67	109	24	27	51
England	11	14	25	4	7	11
Unites States	7	7	14	-	-	-
France	2	5	7	-	1	1
Total	224	300	524	160	190	350

Note 11 Employees – costs and benefits, continuation

Salaries, other remuneration and social security expenses

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Senior executives	22	18	9	6
Other employees	259	138	18	11
Total salaries and other remuneration	281	157	27	18
Pension costs				
-Senior executives	2	2	2	1
-Other employees	18	9	4	3
Social security expenses				
-Senior executives	5	4	3	2
-Other employees	55	34	7	4
Total	361	206	43	27

Senior executives

Other senior management comprises 11 employees (10) of which 1 woman (1).

Between the company and the CEO there is a loyalty bonus agreement that expires in 2018. The Group has made total provisions of SEK 9 million to date.

Salaries and other remuneration to senior executives consist only of fixed salaries paid during 2015.

Board of Directors

Board fees to the chairman and other members are paid in accordance with the decision of the Annual General Meeting, which among other things means that a member who is employed by the Akelius Group receives no board fees. Board members are able to invoice their fees via an external legal entity.

Remuneration to the Board refers to the annual fees decided by the Annual General Meeting. No variable remuneration or bonuses have been paid.

Termination of employment

The CEO and five other members of Group Management are entitled to six to twelve months' salary if the company terminates their employment. Group Management members have a notice period of three to six months in the event of termination of their employment.

Note 11 Employees – costs and benefits, continuation

Salaries, other remuneration and social security expenses of Board members and Management

2015	Salary and other remuneration	Pension costs	Social security expenses	Total	Holding of preference shares per 2015-12-31
SEK million					
Board members					
Chairman of the Board: Leif Norburg	0.5	-	-	0.5	2,330
Anders Janson	0.3	-	-	0.3	1,200
Igor Rogulj	0.2	-	0.1	0.3	-
Staffan Jufors	0.2	-	0.1	0.3	279
Michael Brusberg	-	-	-	-	2,000
Management					
CEO; Pål Ahlsén	2.4	0.3	1.0	3.7	450
Other senior management	20.0	2.0	3.7	25.7	4,480
Total	23.6	2.3	4.9	30.8	10,739

2014	Salary and other remuneration	Pension costs	Social security expenses	Total	Holding of preference shares per 2014-12-31
SEK million					
Board members					
Chairman of the Board: Leif Norburg	0.3	-	-	0.3	2,730
Anders Janson	0.1	-	-	0.1	800
Igor Rogulj	0.1	-	-	0.1	-
Staffan Jufors *)	0.1	-	0.1	0.2	279
Michael Brusberg *)	-	-	-	-	1,000
Management					
CEO; Pål Ahlsén	2.1	0.3	0.7	3.1	450
Other senior management	15.6	2.0	3.3	20.9	5,260
Total	18.3	2.3	4.1	24.7	10,519

*) Staffan Jufors and Michael Brusberg have been Board members since August 2014.

Note 12 Revaluation of investment properties

2015	Sweden	Germany	Canada	England	United States	France	Total
Sales proceeds	2,718	1,559	111	1,367	-	-	5,755
Book value	-2,481	-1,116	-74	-1,164	-	-	-4,835
Transaction costs	-75	-34	-3	-8	-	-	-120
Net income from the disposal of investment properties	162	409	34	195	-	-	800
Net income from the revaluation of investment properties	2,709	3,289	569	527	24	-13	7,105

2014	Sweden	Germany	Canada	England	United States	France	Total
Sales proceeds	1,072	-	4	8	-	-	1,087
Book value	-955	-	-3	-5	-	-	-966
Transaction costs	-20	-	-	-1	-	-	-20
Net income from the disposal of investment properties	97	-	1	2	-	-	100
Net income from the revaluation of investment properties	720	393	144	50	-	-14	1,293

Note 13 Profit from shares in subsidiaries

SEK million	2015	2014
Sales revenue from sold subsidiaries*	116	-
Carrying amount of shares in subsidiaries*	-105	-
Impairment losses on shares in subsidiaries	-1	-
Dividend	933	-
Total	943	-

*) Sales revenue from sold subsidiaries in 2015 refers as sale of Akelius Spar AB to Akelius Apartments Ltd.

Note 14 Financial income and expenses

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Interest income	3	6	-	-
Interest income from group companies	1	1	868	833
Foreign exchange differences	-	-	-	259
Other financial income	6	1	-	-
Financial income	10	8	868	1,093
Interest expenses	-602	-530	-203	-218
Interest expenses on derivatives	-505	-495	-153	-
Interest expenses from group companies	-170	-166	-575	-815
Exchange rate differences	-	-	-58	-
Other financial expenses	-37	-40	-43	-68
Financial expenses	-1,314	-1,231	-1,032	-1,101
Net financial items	-1,304	-1,223	-164	-8

Note 15 Appropriations

SEK million	Parent Company	
	2015	2014
Group contribution	95	-138
Total	95	-138

Note 16 Taxes

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Current taxes	-34	-7	1	-
Deferred taxes	-2,001	-343	-46	137
Total	-2,035	-350	-45	137

Note 16 Taxes, continued

Reconciliation of income taxes

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Profit before income taxes	9,206	852	1,127	-624
Income taxes based on national rates	-2,316	-238	-248	137
- in percent	25.2	27.9	22.0	22.0
Not-taxable income on sold properties	229	67	-	-
Dividends from subsidiaries	-	-	205	-
Other non-taxable income and non-deductible expenses	-6	-6	-5	-4
Change in tax rate, deferred tax		-19	-	-
Change in capitalization of tax losses carried forward	53	-154	-	4
Adjustment of tax from prior years	5	-	-	-
Income taxes	-2,035	-350	-48	137
Effective tax rate, percent	22.1	41.0	4.2	22.0

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

Change in deferred taxes in the balance sheet

SEK million	2015			2014		
	Assets	Liabilities	Net liabilities	Assets	Liabilities	Net liabilities
Group						
Opening balance	9	2,384	2,375	663	2,695	2,032
Acquisitions	-	1	1	-	-	-
Sold properties	-	-10	-10	-	-23	-23
Changes through profit for the year	44	2,045	2,001	-642	-299	343
Transferred to liabilities held for sale	-	-122	-122	-	-	-
Translation differences	-	-78	-78	4	27	23
Netting	-45	-45	-	-16	-16	-
Closing balance	8	4,175	4,167	9	2,384	2,375
Parent Company						
Opening balance	377	-	-377	240	-	-240
Changes through profit for the year	-46	-	46	137	-	-137
Closing balance	331	-	-331	377	-	-377

Note 16 Taxes, continued

Nature of deferred taxes

SEK million	Net balance Jan 1	Change in IS	Sold assets	Pur- chased assets	Trans- ferred to assets held for sale	Translation differences	Net balance Dec 31
Group							
Investment properties	3,284	2,054	-10	1	-122	-90	5,117
Derivatives	-579	126	-	-	-	3	-450
Tax loss carried forward	-345	-162	-	-	-	8	-499
Other	15	-17	-	-	-	1	-1
Total	2,375	2,001	-10	1	-122	-78	4,167
Parent Company							
Derivatives	-149	47	-	-	-	-	-102
Tax loss carried forward	-228	-1	-	-	-	-	-229
Total	-377	46	-	-	-	-	-331

The gross amount of capitalized tax loss carried forward is SEK 2,032 million (1,503) for the Group. The gross amount of non-capitalized tax loss carried forward is SEK 699 million (1,035) and has no expiration date.

Note 17 Tangible and intangible fixed assets

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Intangible assets				
Acquisition value				
Opening balance	23	6	5	-
Investments	17	8	5	5
Reallocations	-	9	-	-
Sales	-	-	-8	-
Translation differences	-1	-	-	-
Closing balance	39	23	2	5
Depreciation and impairment losses				
Opening balance	-9	-	-	-
Depreciation for the period	-3	-3	-1	-
Impairment	-	-6	-	-
Translation differences	-	-	-	-
Closing balance	-12	-9	-1	-
Carrying amount	27	14	1	5
Tangible assets				
Acquisition value				
Opening balance	58	55	2	2
Investments	21	6	-	-
Sales	-21	-	-2	-
Purchases	-	4	-	-
Reallocations	-	-9	-	-
Translation differences	-1	2	-	-
Closing balance	57	58	-	2
Amortization and impairment losses				
Opening balance	-37	-37	-2	-2
Disposal	18	-	-2	-
Depreciation for the period	-7	-5	-	-
Reallocation	-	6	-	-
Translation differences	1	-1	-	-
Closing balance	-25	-37	-	-2
Carrying amount	32	21	-	-
Amortization and depreciation				
Operating expenses	9	7	-	-
Central administration	1	1	1	-
Total	10	8	1	-

Note 18 Shares in subsidiaries

SEK million	Parent Company	
	2015	2014
Opening balance	13,541	11,077
Capital contribution	-	2,464
Disposal through sale*	-116	-
Closing balance, acquisitions	13,425	13,541
Opening balance, impairment losses	-271	-271
Additional write-downs	-1	-
Disposal through sale	11	-
Closing balance, impairment losses	-261	-271
Closing balance	13,164	13,270

*) During the year the subsidiary Akelius Spar AB was sold to Akelius Apartments Ltd.

Parent company

Company	Corporation identity	Domicile	Hold- ing*	Shares	Net book value, SEK million
Akelius Fastigheter Ödla i Hbg AB	556644-7727	Danderyd	100%	100	0
Akelius GmbH	HRB101392B	Berlin	94.9%**	-	5,977
Akelius Holding AB	556705-7673	Danderyd	100%	1,000	0
Akelius Hotell och Fastigheter AB	556650-2414	Danderyd	100%	5,000	0
Akelius Kanada AB	556709-6564	Danderyd	100%	1,000	145
Akelius Lgh Kullen Västra 58 AB	556661-3823	Danderyd	100%	1,000	0
Akelius Lots GmbH & Co KG	HRA47950B	Berlin	94.9%	-	250
Akelius Lägenheter AB	556549-6360	Stockholm	100%	20,541,962	5,692
Akelius Lägenheter Krokodilen 11 AB	556709-3363	Danderyd	100%	1,000	0
Akelius Lönnlöven AB	556878-6502	Danderyd	100%	1,000	1,100
Lärjungen Lägenheter 40 AB	556876-5498	Danderyd	100%	1,000	0
Akelius UK Holding 1 AB	556709-6028	Danderyd	100%	1,000	0
Akelius France 1 AB	556878-6494	Danderyd	100%	1,000	0
Akelius System AB	556705-7756	Danderyd	100%	1,000	0
Akelius US Holding 1 AB	556954-1518	Danderyd	100%	1,000	0
Akelius Denmark Holding 1 AB	556954-1393	Danderyd	100%	1,000	0
Closing net book value					13,164

* Holding relates only to holdings of ordinary shares

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

Note 19 Financial instruments

Financial instruments by fair value hierarchy

SEK million	Fair value through profit and loss	Loans and receivables	Financial liabilities measured at amortized cost	Total book value	Level 1	Level 2	Total fair value
2015-12-31							
Assets							
Derivatives	37	-	-	37	-	37	37
Trade and other receivables	-	460	-	460	-	460	460
Cash and cash equivalents	-	238	-	238	-	238	238
Total	37	698	-	735	-	735	735
Liabilities							
Interest-bearing liabilities	-	-	35,955	35,955	5,448	30,655	36,103
Derivatives	1,985	-	-	1,985	-	1,985	1,985
Other financial liabilities	-	808	-	808	-	808	808
Total	1,985	808	35,955	38,749	5,448	33,448	38,896
2014-12-31							
Assets							
Trade and other receivables	-	728	2	730	-	730	730
Cash and cash equivalents	-	278	-	278	-	278	278
Total	-	1,006	2	1,008	-	1,008	1,008
Liabilities							
Interest-bearing liabilities	-	-	30,336	30,336	1,199	29,137	30,336
Derivatives	2,519	-	-	2,519	-	2,519	2,519
Other financial liabilities	-	935	-	935	-	935	935
Total	2,519	935	30,336	33,790	1,199	32,591	33,789

Note 19 Financial instruments, continued

Fair value measurement

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

Fair value hierarchy

Level 1

Listed prices on active markets for identical assets and liabilities.

Level 2

Other 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. At this level assumptions that market participants would use when pricing the asset or liability, including risk assumptions, should be taken into account.

Fair value of financial instruments

The fair value of a financial instrument traded on an active market is based on valuations using current market data. The appropriate bid price is used for financial assets while the appropriate ask price is used for financial liabilities. Fair value of derivative instruments not traded on an active market is calculated as the current value of future cash flows.

Fair value for borrowings through listed bonds are reported according to Level 1 and other interest-bearing liabilities are reported according to Level 2. Fair value for interest-bearing liabilities is calculated by discounting the future contracted cash flows to the current market interest rate.

The fair value of derivatives are based on level 2 of the fair value hierarchy. Compared with 2014 no transfers took place between the various hierarchical levels and no significant changes have been made as regards the valuation method. Cash flow from derivative contracts are compared with the cash flow that would have been obtained if the contracts are concluded at market price on the closing date. The difference in the cash flow is discounted at a rate which takes into account the counterparties' credit risk.

In the case of financial instruments such as accounts receivables and accounts payables for which observable market data is not available, the fair value is judged to correspond to the book value since these instruments have a short maturity. The instruments are recognized at accrued acquisition value with deductions for any impairment. These are also based on level 2.

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

Note 19 Financial instruments, continued

Parent company

Financial instruments at 2015-12-31

SEK million	Loans and receivables	Financial liabilities measured at amortized cost	Total book value	Total fair value
Assets				
Receivables from group companies	37,561	-	37,561	37,561
Derivatives	12	-	12	12
Trade and other receivables	188	-	188	188
Cash and cash equivalents	74	-	74	74
Total	37,835	-	37,835	37,835
Liabilities				
Liabilities to group companies	-	17,453	17,453	17,387
Interest-bearing liabilities	-	10,967	10,967	11,072
Derivatives	-	474	474	403
Other financial liabilities	-	69	69	69
Total	-	28,963	28,963	28,997

Financial instruments at 2014-12-31

Assets				
Receivables from group companies	8,966	-	8,966	8,966
Trade and other receivables	-	-		
Cash and cash equivalents	155	-	155	155
Total	9,121	-	9,121	9,121
Liabilities				
Liabilities to group companies	-	4,026	4,026	4,026
Interest-bearing liabilities	-	6,494	6,494	6,494
Derivatives	-	671	671	589
Other financial liabilities	-	30	30	30
Total	-	11,221	11,221	11,139

Note 19 Financial instruments, continued

Profit and loss per measurement category breakdown as follows:

SEK million	Interest	Fair value	Impairment/ Reversal of impairment
2015			
Loans and receivables	4	-	-7
Financial assets/ liabilities at fair value through profit or loss	-505	533	-
Financial liabilities measured at amortized cost	-772	-	-
2014			
Loans and receivables	7	-	-25
Financial assets/ liabilities at fair value through profit or loss	-495	-1,149	-
Financial liabilities measured at amortized cost	-696	-	-

Note 20 Trade and other receivables

Trade receivables are primarily attributable to residential tenants. See note 3 for additional information. Receivables from group companies are attributable to transactions between the Parent Company and subsidiaries. Intragroup loans are subject to market terms and are without collateral.

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Receivables from group companies	-	5	9,231	1,055
Promissory notes	1	2	-	-
Restricted cash*	102	108	-	-
Other non-current receivables	6	4	-	-
Non-current receivables	109	119	9,231	1,055
Trade receivables	69	63	-	-
Receivables from group companies	31	36	20,182	7,911
Prepayments for properties	253	235	-	-
Restricted cash*	256	-	-	-
Prepaid expenses and accrued income	92	155	191	58
Promissory notes	-	1	-	-
Other receivables	107	122	1	7
Current receivables	808	612	20,374	7,976
Total trade and other receivables	917	730	29,605	9,031

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

Note 21 Cash and cash equivalents

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Bank deposits and cash	238	278	74	155
Total	238	278	74	155

The change in cash and cash equivalents is shown in the cash flow statement. Cash and cash equivalents mainly include of bank deposits. There are unutilized credit agreements that are not included in cash and cash equivalents SEK 7,466 million (1,488).

Note 22 Interest-bearing liabilities

Unsecured loans at year-end refers to three listed bond loans, commercial papers and loans from related companies. See note 27 for further information about transactions with related parties. Two bond loans are listed on Nasdaq Stockholm and one bond loan is listed on the Irish Stock Exchange.

Borrowings were denominated in the following currencies: SEK 9,571 million (17,728), EUR 1,654 million (1,056) million, CAD 563 million (163), GBP 290 million (112) and USD 513 million (-).

Interest-bearing liabilities per currencies

SEK million	Group	
	2015	2014
SEK	9,571	17,728
EUR	15,111	10,088
CAD	3,390	1,127
GBP	3,593	1,393
USD	4,290	-
Total	35,955	30,336

Assets pledged as collateral for mortgages have increased from SEK 28,995 million at the end of 2014 to SEK 33,110 million, primarily related to the purchase of properties. At the end of the period, available funds in the form of cash and secured but unutilized credit facilities totaled SEK 7,704 million, compared to SEK 1,765 million at the end of 2014.

Most borrowings contain financial covenants, specific to each counterpart. Loan-to-value and interest coverage ratio are the most common for Akelius.

See note 3 and pages 20 to 27 for additional information.

Note 22 Interest-bearing liabilities, continued

Maturity structure as of 2015-12-31, Group

SEK million	Fixed interest rates			Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing	
0-1 year	4,853	4,404	9,257	26
1-5 years	10,938	3,877	14,815	41
Later than 5 years	11,335	548	11,883	33
Total	27,127	8,829	35,955	100
Average, years	4.9	2.6	4.3	
Average interest rate, percent	3.6	2.9	3.4	
SEK million	Capital tied up			Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing	
0-1 year	2,013	1,834	3,847	11
1-5 years	14,853	5,803	20,657	57
Later than 5 years	10,260	1,192	11,452	32
Total	27,127	8,829	35,955	100

Maturity structure as of 2014-12-31, Group

SEK million	Fixed interest rates			Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing	
0-1 year	7,243	1,338	8,581	28
1-5 years	11,643	1,131	12,774	42
Later than 5 years	8,780	200	8,980	30
Total	27,666	2,670	30,336	100
Average, years	4.4	1.9	4.2	
Average interest rate, percent	3.8	5.3	3.9	
SEK million	Capital tied up			Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing	
0-1 year	2,408	1,408	3,816	13
1-5 years	18,784	1,261	20,045	66
Later than 5 years	6,475	-	6,475	21
Total	27,666	2,670	30,336	100

Note 22 Interest-bearing liabilities, continued

Maturity structure as of 2015-12-31, Parent Company

Fixed interest rates				
SEK million	Secured borrowing	Unsecured borrowing	Total borrowing	Share, percent
0-1 year	-802	5,047	4,245	15
1-5 years	2,450	19,438	21,888	77
Later than 5 years	2,286	-	2,286	8
Total	3,934	24,486	28,420	100
Average, years	3.5	3.4	3.4	
Average interest rate, percent	6.4	3.0	3.5	

Capital tied up				
SEK million	Secured borrowing	Unsecured borrowing	Total borrowing	Share, percent
0-1 year	178	1,751	1,929	7
1-5 years	2,398	22,090	24,489	86
more than 5 years	1,358	644	2,002	7
Total	3,934	24,486	28,420	100

Maturity structure as of 2014-12-31, Parent Company

Fixed interest rates				
SEK million	Secured borrowing	Unsecured borrowing	Total borrowing	Share, percent
0-1 year	146	5,463	5,609	53
1-5 years	2,242	631	2,873	27
Later than 5 years	2,037	-	2,037	20
Total	4,425	6,094	10,519	100
Average, years	8.0	0.9	4.0	
Average interest rate, percent	5.4	5.0	5.2	

Capital tied up				
SEK million	Secured borrowing	Unsecured borrowing	Total borrowing	Share, percent
0-1 year	68	4,834	4,902	47
1-5 years	4,356	1,261	5,617	53
more than 5 years	-	-	-	-
Total	4,425	6,094	10,519	100

Note 23 Derivatives

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Interest rate swaps				
Assets	24	-	12	-
Liabilities	-1,985	-2,482	-486	-616
Foreign exchange forwards				
Assets	12	-	12	-
Liabilities	-	-37	-	-55
Total net fair value	-1,949	-2,519	-462	-671
Nominal value	21,456	20,402	10,213	7,559

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

Balances changes under 2015

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Opening balance	-2,519	-1,420	-671	-231
Outgoing derivatives	26	-	-83	-
Revaluation of derivatives	544	-1,099	292	-440
Closing balance	-1,949	-2,519	-462	-671
of which, long-term portion	-1,958	-2,466	-474	-671

Maturity structure

SEK million	Group		Parent Company	
	2015	2014	2015	2014
0-1 year	10	-53	12	-37
1-5 years	-829	-987	-284	-334
> 5 years	-1,130	-1,479	-190	-300
Total	-1,949	-2,519	-462	-671

Note 24 Trade and other payables

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Rent deposits	49	33	-	-
Total non-current portion	49	33	-	-
Trade payables	233	280	2	2
Prepaid rental income	130	208	-	-
Accrued interest expenses	166	136	58	-
Other accrued expenses	245	183	15	96
Other payables	261	128	105	139
Total current portion	1,035	935	180	238
Total trade and other payables	1,084	968	180	238

Note 25 Pledged assets and contingent liabilities

SEK million	Group		Parent Company	
	2015	2014	2015	2014
Pledged assets				
Pledged bank assets	358	108	-	-
Property mortgages	33,110	28,995	-	-
Shares in subsidiaries	1,254	814	-	380
Total	34,722	29,918	-	380
Contingent liabilities				
Guarantees on behalf of subsidiaries	-	-	23,352	22,845
Other guarantees	96	29	-	-
Total	96	29	23,352	22,845

Note 26 Equity

At the end of the year, equity amounted SEK 30,667 million (22,583), equivalent to an equity to assets ratio of 41 percent (38).

During the year, Akelius Residential Property AB issued preference shares for SEK 2,000 million less SEK 25 million for issue costs, paid a dividend of SEK 377 million to preference shareholders and paid a dividend of SEK 98 million to holders of the hybrid loan.

In total, 6,060,606 new preference shares were issued at a price of SEK 330 each. Each preference share provides an annual dividend of SEK 20, with quarterly payments of SEK 5. A total of SEK 346 million was paid in 2015.

Akelius' Certified Adviser is Avanza Bank. Akelius' preference shares are listed on Nasdaq First North. On 2015-12-31, the price paid per preference share was SEK 291.5.

Note 25 Equity, continued

Share capital	Ordinary shares	Preference shares	Total number of shares	Par value	Change in share capital	Total share capital, SEK
2015-01-01	2,882,724,000	12,775,000	2,895,499,000	0.60	-	1,737,299,400
Issued shares		6,060,606	6,060,606	0.60	3,636,388	3,636,388
2015-12-31	2,882,724,000	18,835,606	2,901,559,606	0.60	3,636,388	1,740,935,788

Earnings per share, SEK	2015	2014
Profit attributable to owners of the parent	7,055	503
Earned dividend, preference shares	339	145
Average number of shares before and after dilution	2,882,724,000	2,313,892,614
Earnings per share before and after dilution	2.33	0.15

The statement of changes in equity shows a complete reconciliation of all changes in equity.

The share capital consists of 2,882,724,000 ordinary shares with one vote per share, and 18,835,606 preference shares, each with 1/10 vote per share. Share premium consists of other capital contributed by the owners.

Currency translation reserves arise in the translation of net assets outside Sweden.

Currency translation reserves also consist of foreign exchange effects on monetary items for operations outside Sweden, which is considered part of the company's net investment in foreign operations.

Non-controlling interest is the share of equity that belongs to external stakeholders controlling interests in certain subsidiaries of the Group.

Note 27 Related parties

Akelius Apartments Ltd, Cyprus, owns 89.3 percent of the shares and exercises control over the Group. Xange Holding Ltd, Cyprus, owns 10.0 percent of the shares Preference shares corresponds to about 0.6 percent of the total share capital of the company.

Akelius Apartments Ltd is subsidiary of Akelius Foundation, Bahamas. The Board of Directors and senior management are also related to Akelius Residential Property AB. In addition to these related parties, Parent Company has a controlling influence over its subsidiaries as described in note 18.

Transactions with related parties are carried out on market terms. For information on the compensation of directors and senior executives, see note 11. For details about intercompany interest income and interest expenses see note 14. No Board member or Management has directly or indirectly been involved in any business transaction with Akelius beyond what is stated in this note and note 11.

The Parent Company has sales to group companies amounting to SEK 53 million (17). Parent Company purchases from group companies amounted to SEK 7 million (4).

Note 27 Related parties, continued

SEK million	2015	2014
Transactions with companies in the Akelius Foundation Group		
Sales of subsidiaries	115	-
Hybrid loan, dividend*	98	52
Purchase of financial services	68	112
Acquisition of properties	-	2,119
Borrowings	1,668	4,334
Hybrid loan registered as equity*	1,370	1,365

Transactions with companies controlled by Board members and other senior executives or related to them

Purchase of services	2	2
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* Hybrid loan has been carried out with Akelius Apartments Ltd

Note 28 - Assets held for sale

Akelius has signed an agreement for the sale of properties in Östersund, Umeå and Haparanda for SEK 1,878 million, a total of 1,693 apartments and 133 commercial premises. The properties were sold in the first quarter of 2016. An agreement was signed to sell four properties with a total of 121 apartments and a value of SEK 207 million outside London, England.

Agreements have also been signed in Germany for the sale of properties in Kiel with a value of SEK 431 million, in Rostock with a value of SEK 219 million, and apartments in Hamburg with a value of SEK

65 million.

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

When no signed agreement exists, the fair value is determined in the same manner as for investment properties. As of December 31, 2015, the disposal group consisted of assets of SEK 2,802 million minus liabilities of SEK 158 million.

SEK million	2015
Assets classified as held for sale	
Investment property	2,801
Other assets	1
Liabilities directly related to assets classified as held for sale:	
Deferred tax liabilities	122
Other liabilities	36

Signatures

To the best of our knowledge the annual accounts have been prepared using generally accepted accounting policies. The annual accounts give a true and fair view of the company's financial position and performance and the administration report gives a fair review of the development of the company's operations, financial position and performance and describes the principal risks and uncertainties facing the Group.

The consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The consolidated accounts give a true and fair picture of the Group's financial position and performance and the administration report gives a fair review of the development of the Group's operations, financial position and performance and describes the principal risks and uncertainties facing the Group and the companies in the Group.

Stockholm March 17, 2016

Leif Norburg
Chairman of the Board

Anders Janson

Staffan Jufors

Pål Ahlsén
Managing Director

Igor Rogulj

Michael Brusberg

Our audit report for these annual accounts was issued on March 17, 2016.

Öhrlings PricewaterhouseCoopers AB

Stina Carlson
Chartered Accountant
Auditor in charge

Magnus Thorling
Chartered Accountant

Auditor's report

To the annual meeting of the shareholders of Akelius Residential Property AB (publ.), corporate identity number 556156-0383

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Akelius Residential Property AB (Publ.) for the year 2015 with exception of the management report on pages 48-52. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 6-103.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and con-

solidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit and the administration of the Board of Directors and the Managing Director of Akelius Residential Property AB (Publ.) for the year 2015. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on page 48-52 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions. Furthermore, we have read the corporate governance statement and based on that reading and my knowledge of the company and the group we believe that we have a sufficient basis for our opinions.

This means that my statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm 17 March 2016
Öhrlings PricewaterhouseCoopers AB

Stina Carlson
Authorized Public
Auditor

Magnus Thorling
Authorized Public
Auditor

Definitions

Equity to assets ratio	Equity in relation to total assets.
Interest coverage ratio	Operating surplus plus central administration expenses, realized value growth, other financial income and expenses with add back of depreciation and impairment charges in relation to net interest.
Loan-to-value	Net debts divided by net assets.
Net assets	Total assets minus cash, pledged cash and liquid assets.
Net asset value	Equity, deferred tax and derivatives.
Net asset value to assets ratio	Net asset value in relation to net assets.
Net debts	Interest bearing debts minus cash, pledged cash and liquid assets.
Operating surplus margin	Operating surplus in relation to rental income.
Property portfolio	Investment property and investment property classified as assets held for sale.
Realized value growth	Proceeds from the sale of investment properties minus acquisition costs, accumulated investments and cost of sale.
Real vacancy rate	The total number of vacant apartments less the number of apartments vacant due to renovation work or planned sales, in relation to the total number of apartments. Real vacancy is measured on the first day after the month end.
Return on equity	Comprehensive income divided by opening equity.
Vacancy rate	The number of vacant apartments in relation to the total number of apartments. Vacancy is measured on the first day after the month end.

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The Akelius logo features the word "Akelius" in a bold, sans-serif font. The letter "e" is stylized with a red dot above it, and the letter "i" is red. The remaining letters "A", "k", "l", "i", "u", "s" are in a dark blue color.