

# interim report

January to June 2018

summary	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun	2017 Jan-Dec
Rental income, EUR million	115	113	233	229	469
Like-for-like growth in rental income, percent	2.9	5.1	3.4	5.3	5.1
Net operating income, EUR million	62	62	124	122	251
Like-for-like growth in net operating income, percent	6.2	8.5	6.2	9.9	10.7
EBITDA, EUR million	59	57	115	115	231
Net operating income margin, percent	54.4	54.9	53.2	53.2	53.5
Adjusted net operating income margin, percent	67.5	67.7	67.5	67.7	68.0
Profit before tax, EUR million	203	270	423	583	984
Property fair value, EUR million	11,225	9,735	11,225	9,735	10,624
Change in property fair value, percent	1.7	2.6	3.6	5.8	9.7
Number of apartments	47,733	46,159	47,733	46,159	47,177
Real vacancy residential, percent	1.1	0.9	1.1	0.9	0.9
Like-for-like rent level increase, percent	1.0	1.2	1.7	2.5	4.7
Loan-to-value ratio, percent	40	42	40	42	44
Interest coverage ratio	5.6	1.6	4.1	3.8	4.7
Interest coverage ratio, excluding realized value growth	1.7	2.0	1.8	2.1	1.9



Rheinallee 30, Frankfurt am Main

## delayed upgrades cause higher vacancy

The first reason is capacity. Construction is booming in our cities, meaning that it has become tougher to find contractors.

The second reason is delayed deliveries of upgrade components, such as kitchens. The third reason is tougher work permit requirements in some cities, for example in New York.

Delay in upgrades has caused net letting to become negative and vacancy to increase. In the like-for-like portfolio the vacancy has increased with one percentage point. Despite increasing vacancy, like-for-like rental income and net operating income grow rapidly, three and six percent respectively.

The remaining increase in vacancy are due to the acquisition of properties, two percentage points in the past eighteen months.

Sellers know that vacant apartments give the buyer more options; either upgrade or lease as is.

Real vacancy however, where vacant apartments due to upgrades or sales are excluded, remains stable at one percent. Demand for high quality rental apartments in metropolitan cities is as strong as ever.

### purchases EUR 543 million

We continued to cherry pick properties. In the first six months of 2018 we made 47 transactions, EUR 543 million or EUR 3,800 per sqm. The largest volume was in Montreal, Stockholm, Paris, London, New York, Berlin.

### change in value properties 3.6 percent

Capitalization rates have remained flat. Values are now only driven by increasing income.

### loan-to-value ratio 40 percent

Loan-to-value decreased from 44 to 40 percent.

Explanation is the issue of a EUR 500 million hybrid in April.

Both debt and interest rate maturities exceed five years.

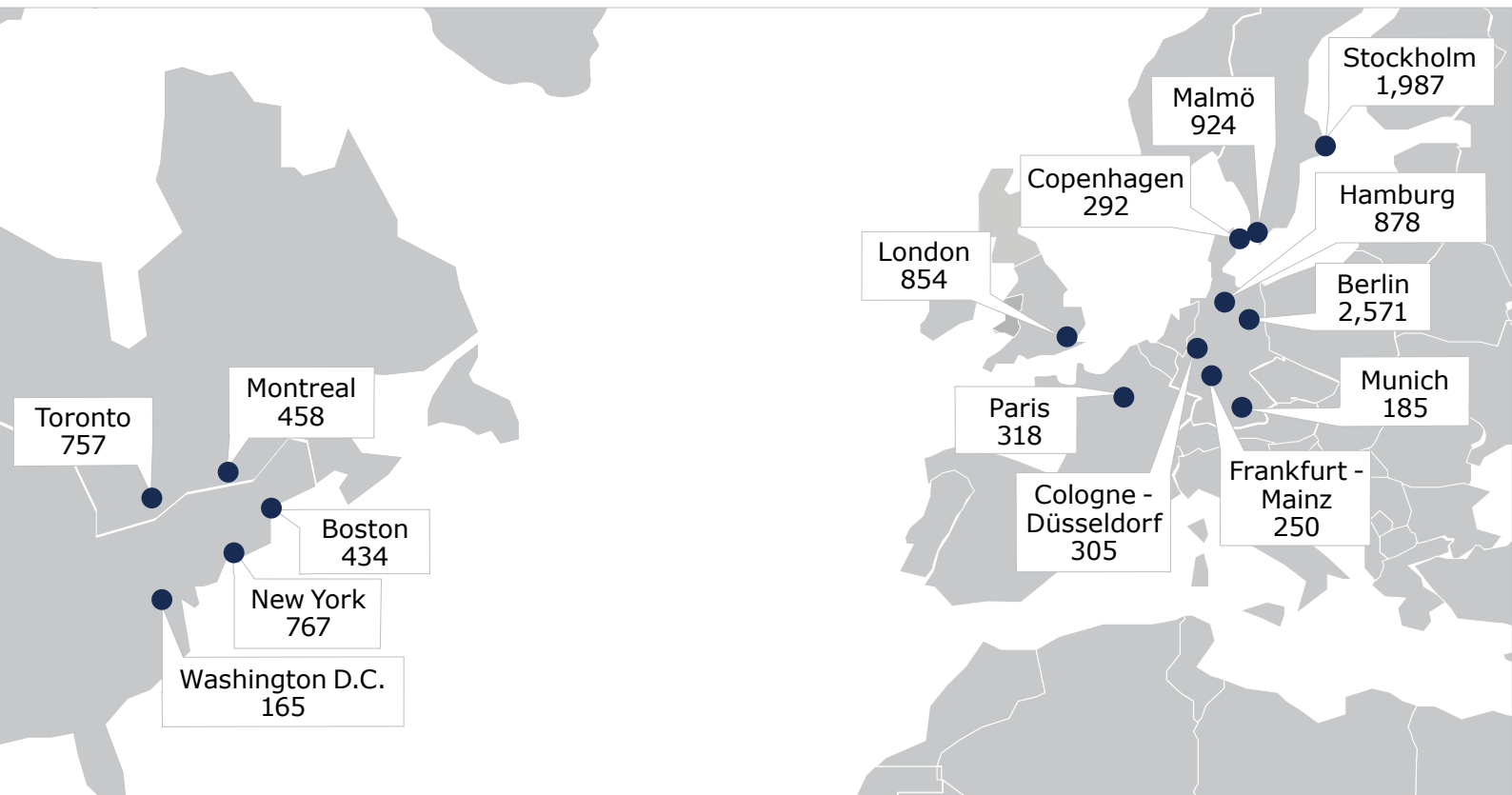
### liquidity EUR 650 million

Liquidity covers the next two years debt maturities.

Pål Ahlsén,  
CEO and Managing director

# property portfolio June 30, 2018

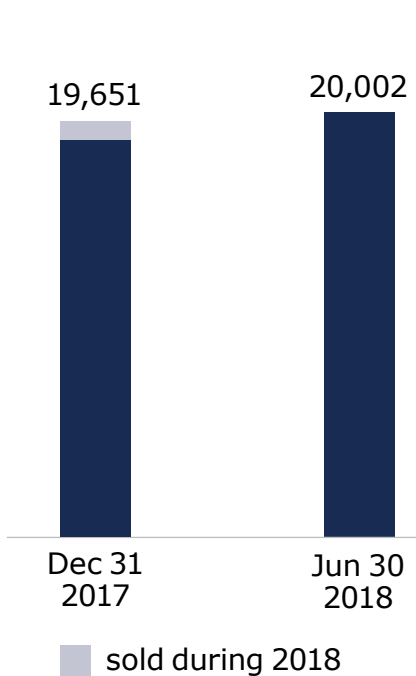
fair value properties EUR 11,225 million



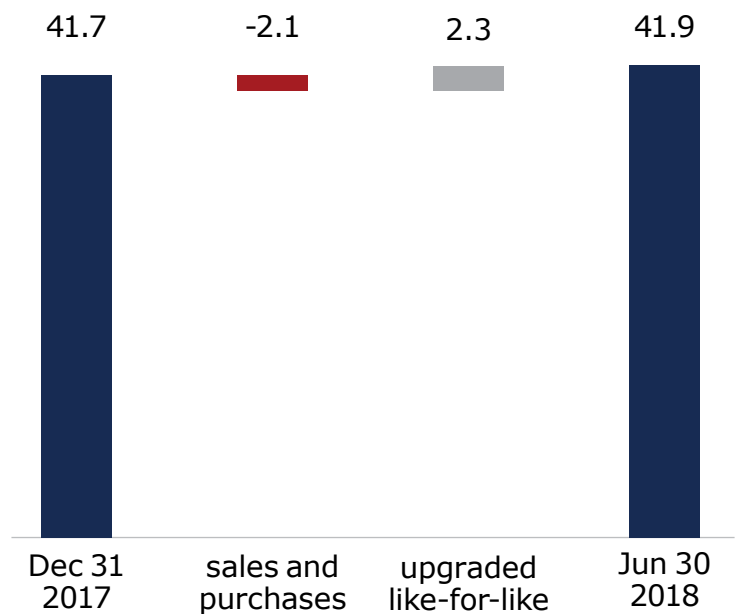
City	Residential units	Lettable space, thousand sqm			Fair value	
		Residential	Commercial	Total	EUR million	EUR/sqm
Berlin	13,148	825	67	892	2,571	2,882
Stockholm	8,011	585	39	624	1,987	3,183
Malmö	4,063	266	83	349	924	2,647
Hamburg	4,296	240	11	251	878	3,503
London	2,225	87	9	96	854	8,899
New York	1,631	106	1	107	767	7,136
Toronto	3,906	214	4	218	757	3,476
Montreal	2,743	182	-	182	458	2,512
Boston	921	60	-	60	434	7,235
Paris	1,346	41	5	46	318	7,038
Cologne-Düsseldorf	1,706	100	7	107	305	2,843
Copenhagen	1,031	83	6	89	292	3,296
Frankfurt-Mainz	1,086	66	6	72	250	3,459
Munich	735	40	2	42	185	4,385
Washington D.C.	673	48	-	48	165	3,409
Other	212	14	45	59	80	1,381
<b>Total</b>	<b>47,733</b>	<b>2,957</b>	<b>285</b>	<b>3,242</b>	<b>11,225</b>	<b>3,463</b>

## changes in the property portfolio

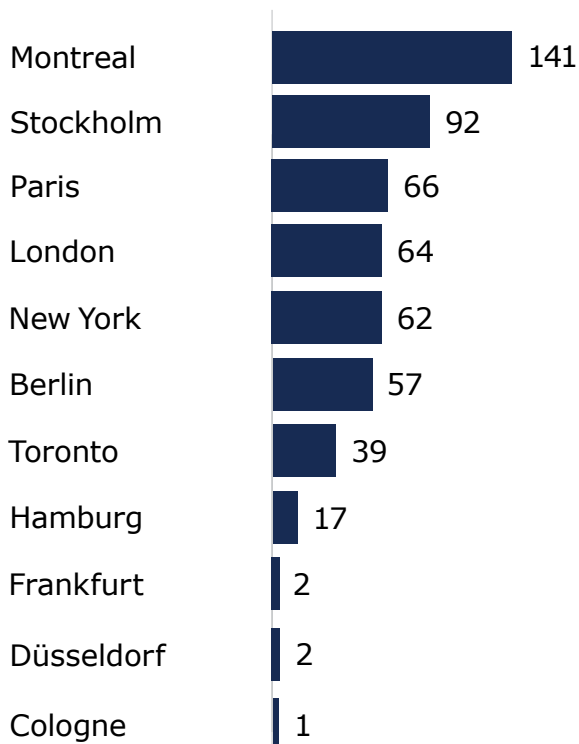
### upgraded apartments 20,002



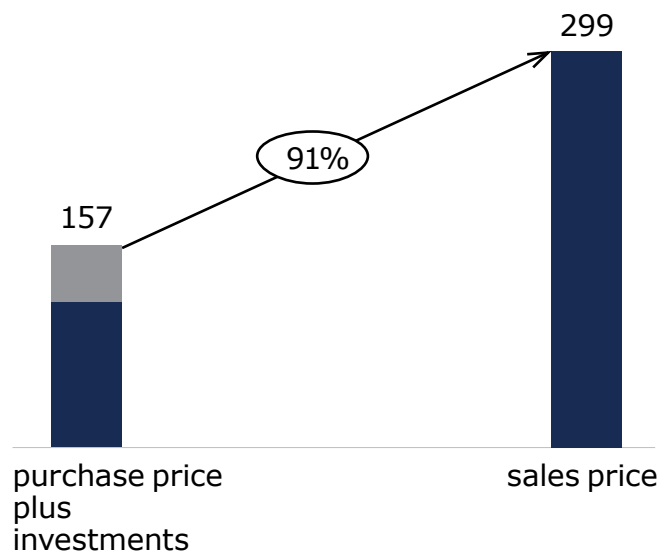
### upgraded apartments 41.9 percent



### property purchases EUR 543 million



### property sales EUR 299 million

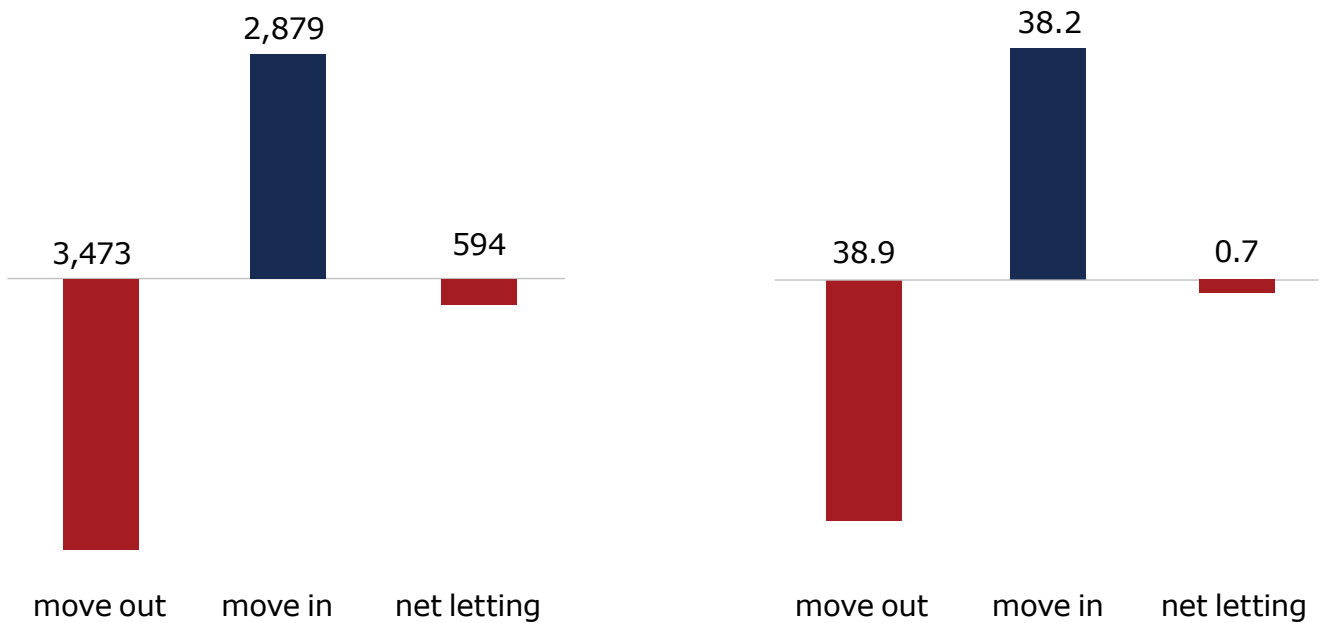




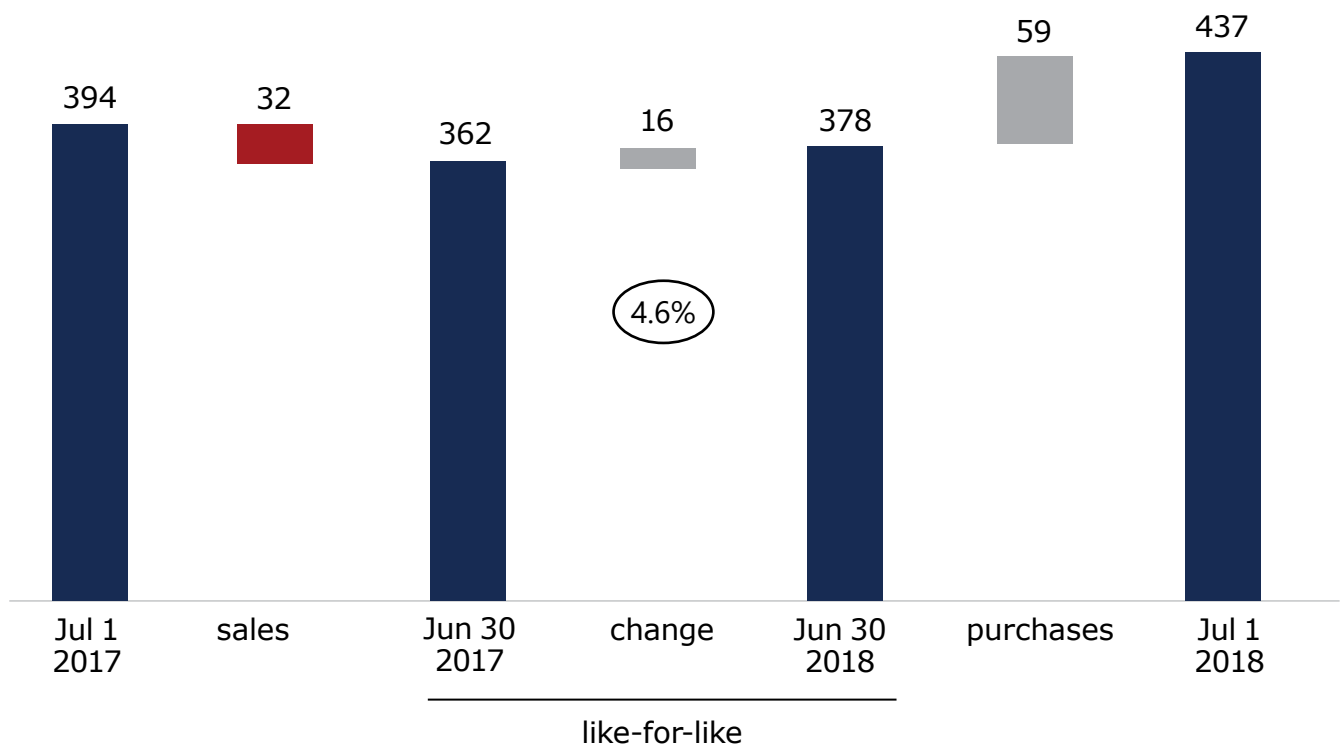
## net letting Jan-Jun 2018

residential units -594

rental value EUR -0.7 million



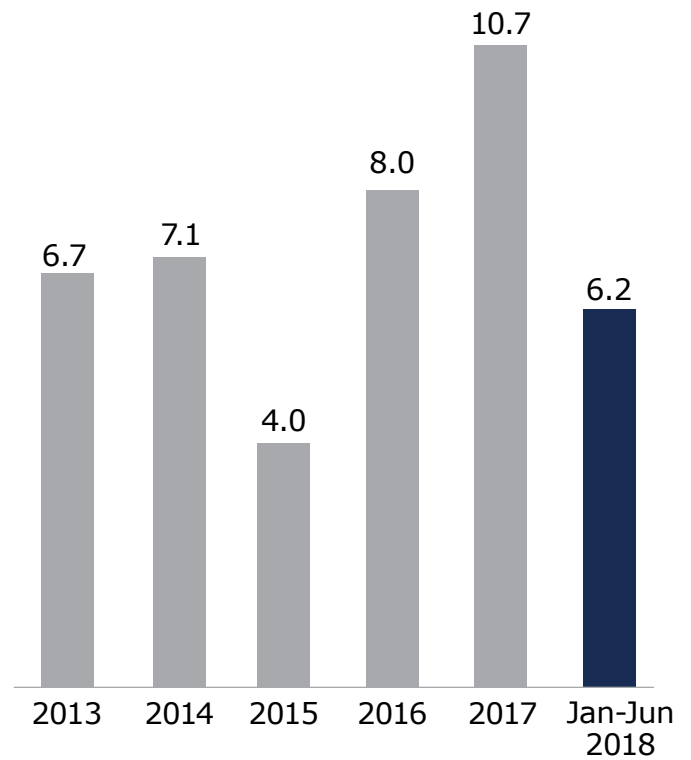
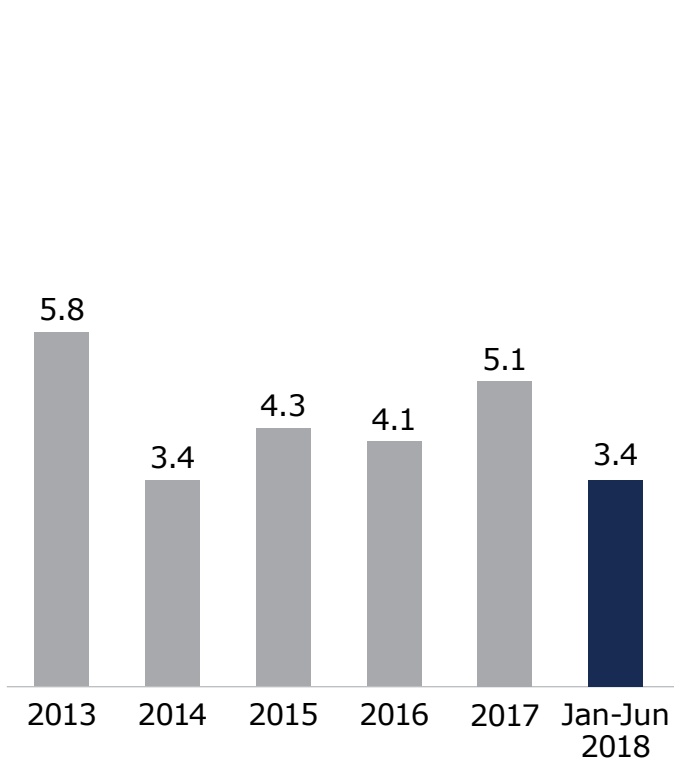
## increase in residential rental value 4.6 percent



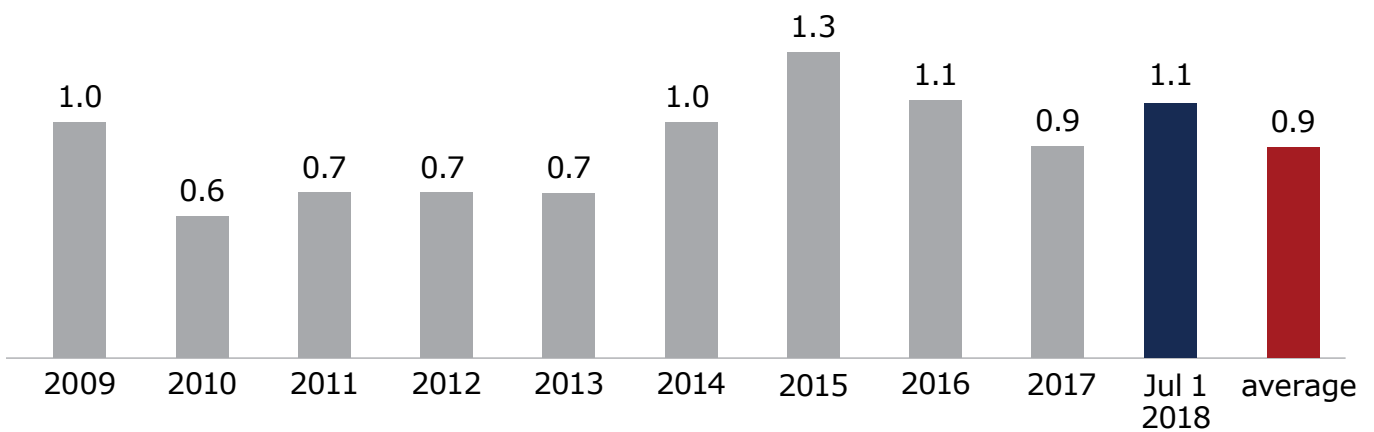
## like-for-like growth

rental income 3.4 percent

net operating income 6.2 percent



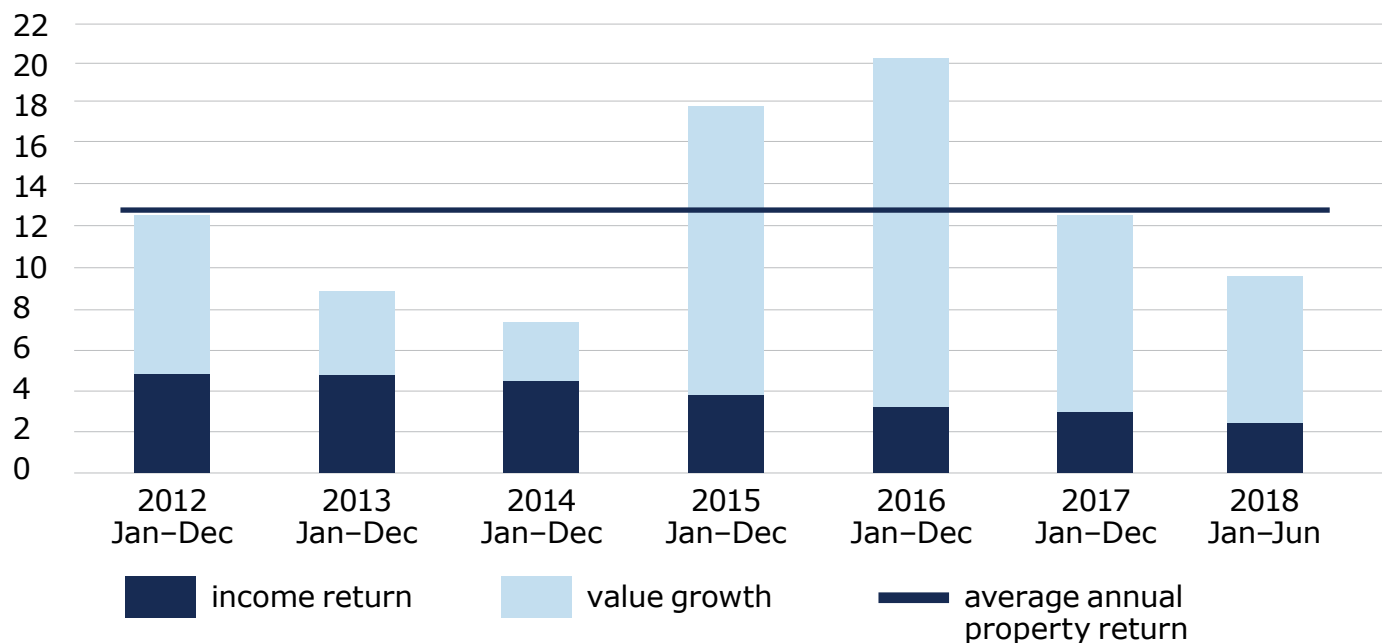
real vacancy 1.1 percent



## property return 9.7 percent

### annual property return

percent



### fair value EUR 11,225 million

	EUR million	Growth Jan-Jun percent
<b>Fair value, Jan 1, 2018</b>	<b>10,624</b>	
Revaluations	379	3.6
Investments	138	1.3
Purchases	543	5.1
Sales	-299	-2.8
Exchange difference	-160	-1.5
<b>Fair value, Jun 30, 2018</b>	<b>11,225</b>	<b>5.7</b>
<b>Net operating income</b>	<b>124</b>	<b>1.2</b>
<b>Total property return</b>	<b>503</b>	<b>Per annum: 9.7</b>

### capitalization rate 3.61 percent

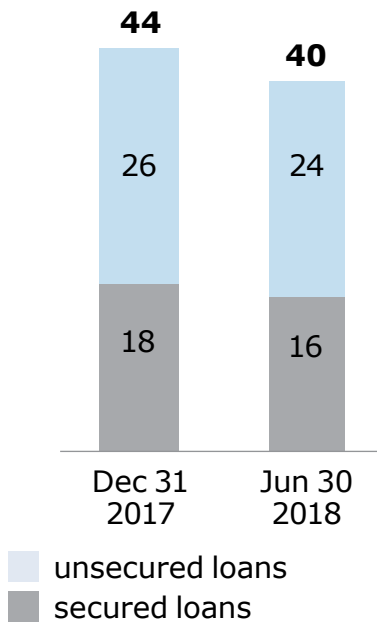
percent	Capitalization rate	Discount rate
Jan 1, 2018	3.60	5.59
Purchases	0.01	0.01
Sales	0.00	0.00
Like-for-like	-0.01	-0.01
Exchange difference	0.01	0.01
<b>June 30, 2018</b>	<b>3.61</b>	<b>5.60</b>

### change in value EUR 379 million

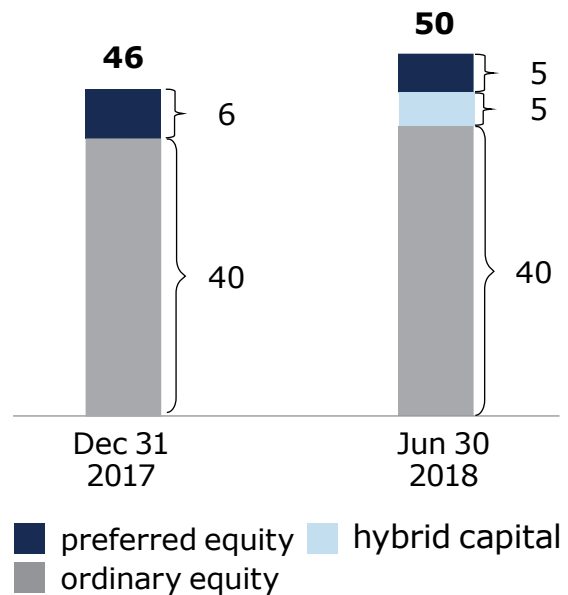
	EUR million	Return, percent
Cash flow	339	3.19
Required rate of return	31	0.29
Sales	3	0.04
Purchases	6	0.05
<b>Total change in value</b>	<b>379</b>	<b>3.57</b>

## financing

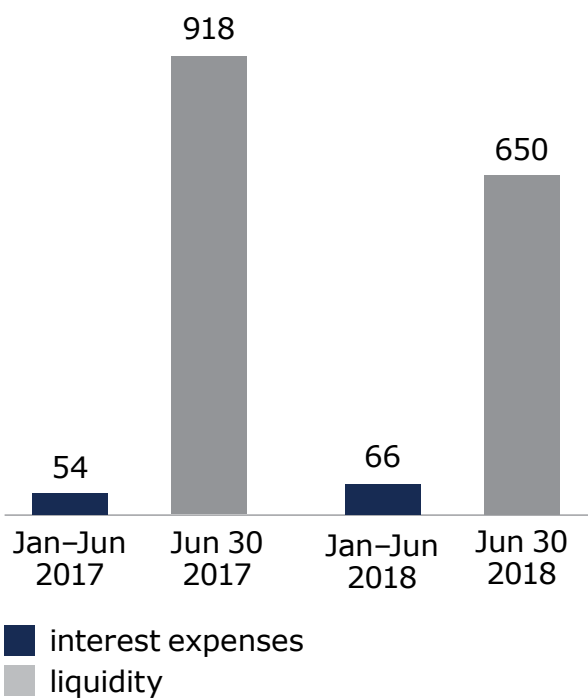
### loan-to-value ratio 40 percent



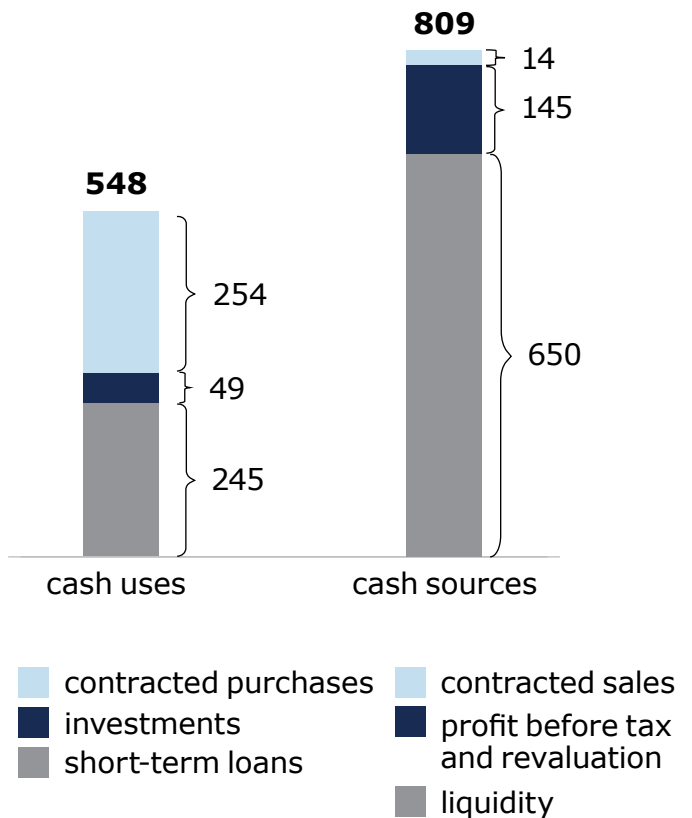
### equity and hybrid capital ratio 50 percent



### interest expenses and liquidity EUR million



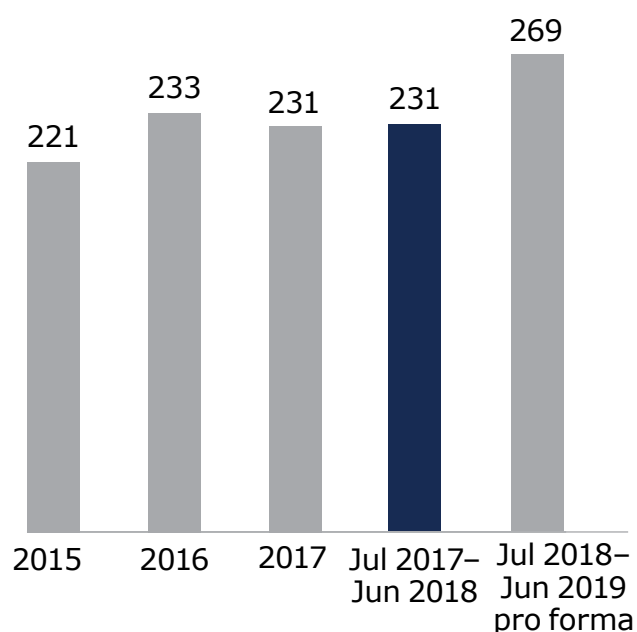
### cash uses and sources 12 months, EUR million



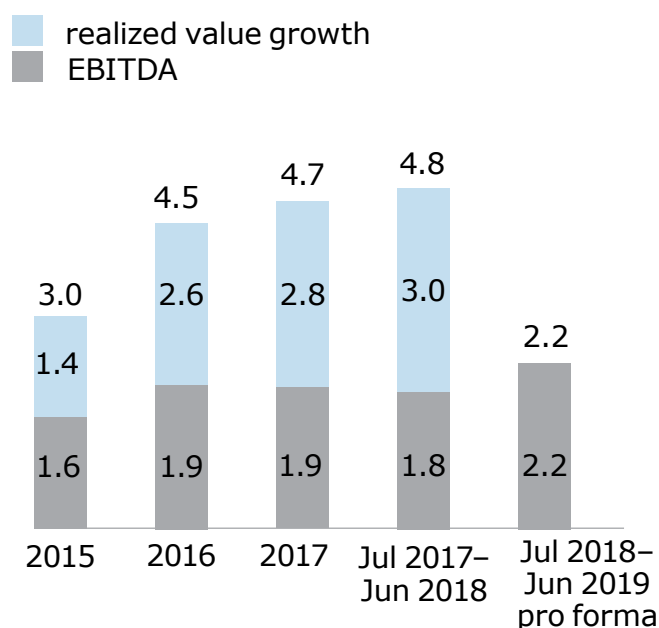


## financing

EBITDA EUR 231 million



interest coverage ratio 4.8



### current interest and debt coverage capacity

EUR million	Jul 2017–Jun 2018	Pro forma, 12 months
Rental income	473	513 <sup>1</sup>
Operating expenses	-190	-190
Maintenance	-31	-36
<b>Net operating income</b>	<b>252</b>	<b>287</b>
Central administrative and other items	-21	-18 <sup>2</sup>
<b>EBITDA</b>	<b>231</b>	<b>269</b>
Other financial income and expenses	-4	-3
<b>Adjusted profit before tax and net interest</b>	<b>227</b>	<b>266</b>
Net interest expenses	-124	-121
<b>Interest coverage ratio excluding realized value growth</b>	<b>1.8</b>	<b>2.2</b>
Realized value growth	367	-
<b>Interest coverage ratio</b>	<b>4.8</b>	<b>-</b>
Net debt as per June 30, 2018	4,582	4,582
Net debt/EBITDA	19.8	17.0
Net debt/EBITDA including realized value growth	7.2	-

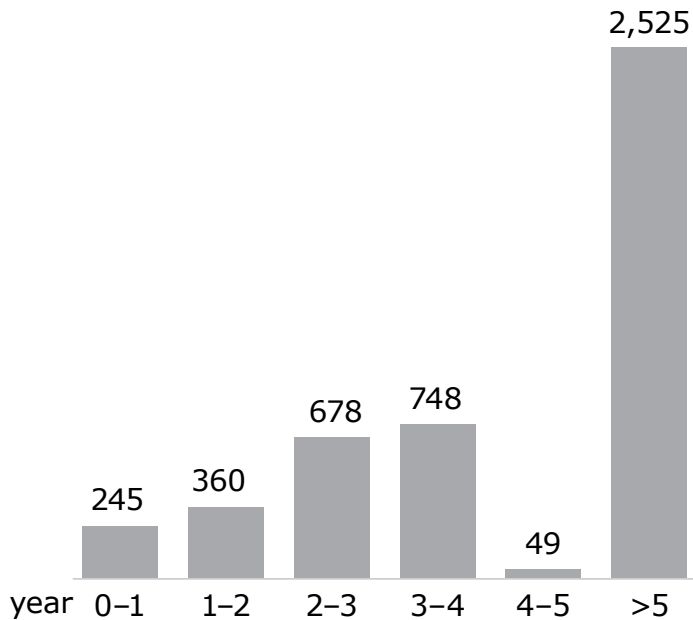
1) Includes EUR 437 million in yearly in-place residential rent as of Jul 1, 2018, EUR 39 million in rental income for commercial properties and parking, EUR -6 million in real vacancy for apartments and EUR 43 million for other income.

2) Excludes EUR 1 million in operational exchange differences and depreciation.

## financing

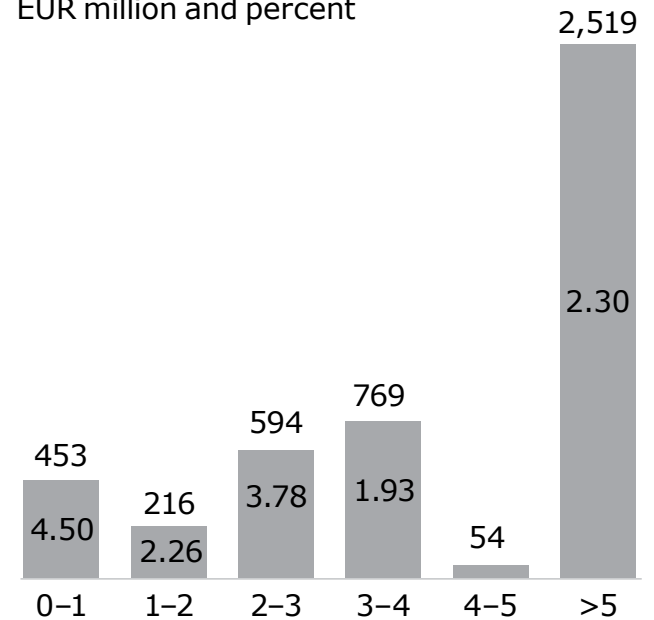
### debt maturities

EUR million

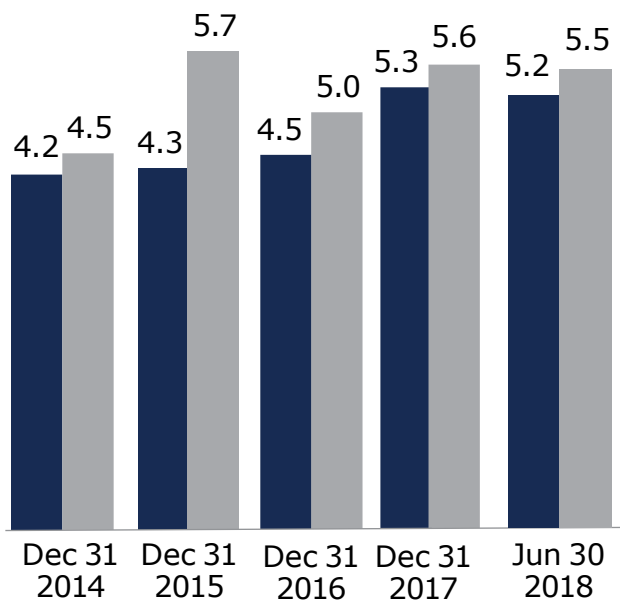


### interest rate hedges, average interest rate

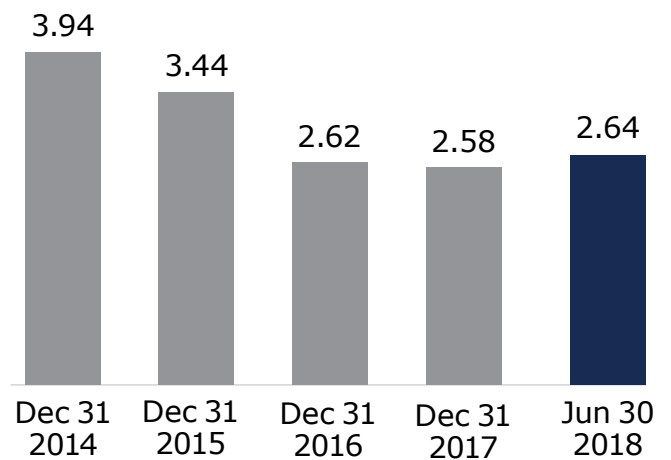
EUR million and percent



### fixed interest term 5.2 years debt maturities 5.5 years

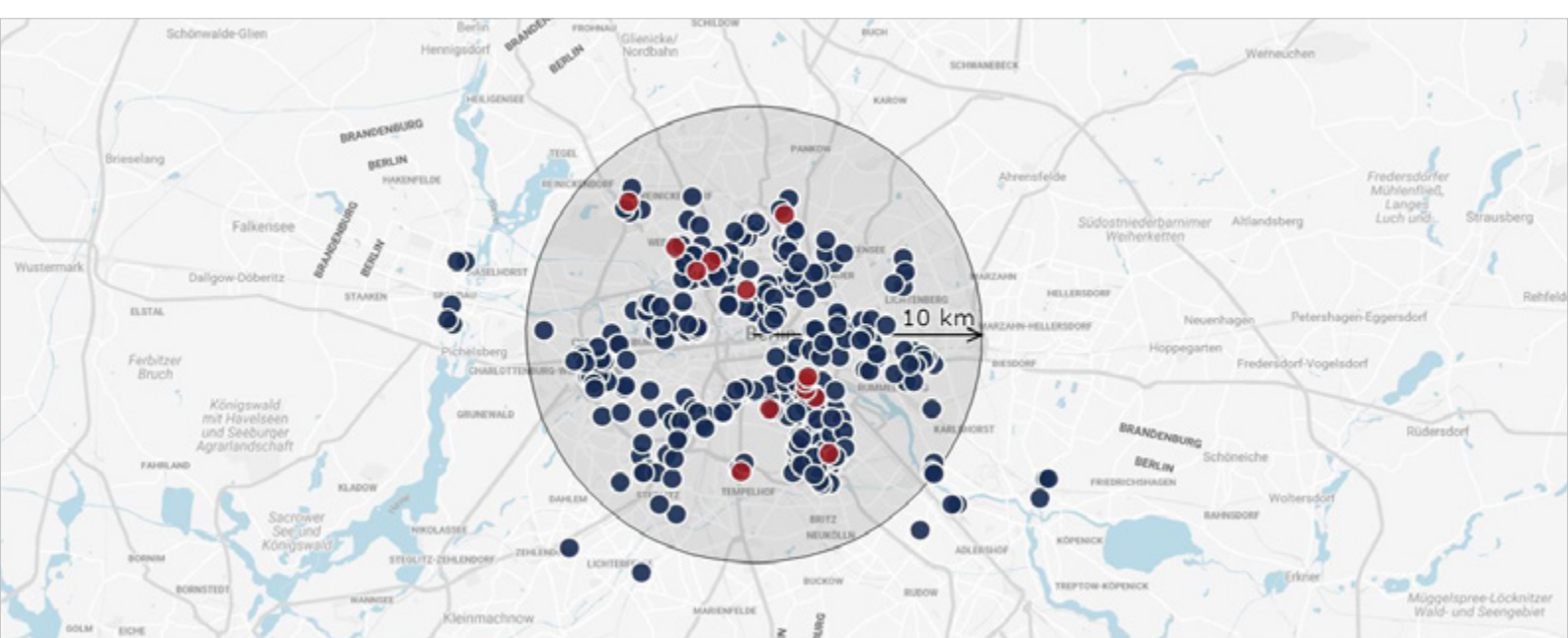


### average interest rate 2.64 percent



■ fixed interest term  
■ debt maturities

# Berlin



- acquired properties 2018      ● like-for-like properties

## Berlin

### Property portfolio

Fair value, EUR million	2,571
Proportion of property fair value, percent	23
Capitalization rate, percent	3.40
Proportion upgraded apartments, percent	36
Average apartment size, sqm	63
Walk score	91

### Average rent

EUR/sqm/month

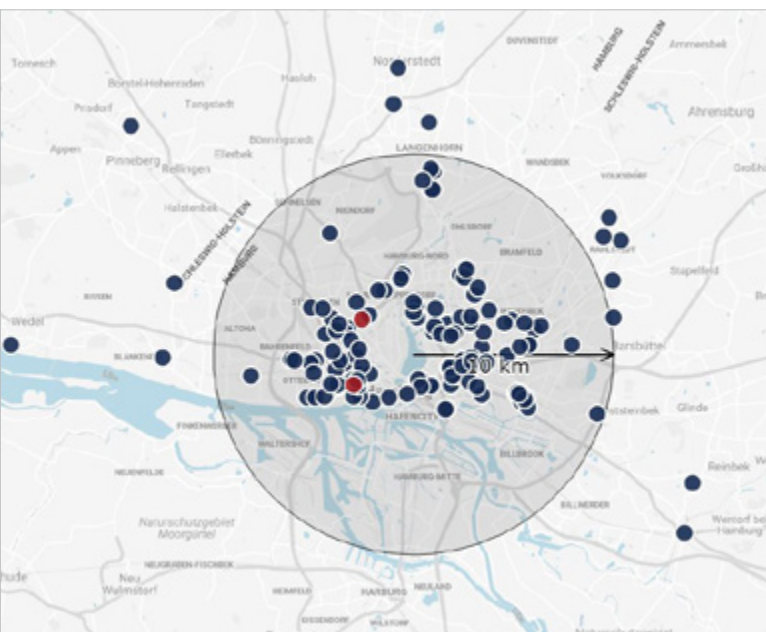
Total portfolio Jul 1, 2017	7.83
Sales	0.00
Like-for-like Jul 1, 2017	7.83
Like-for-like increase	0.56
– Increase in percent	7.1
Like-for-like Jul 1, 2018	8.39
Purchases	-0.10
Total portfolio Jul 1, 2018	8.29
New lease level	15.86

### Vacancy rate residential

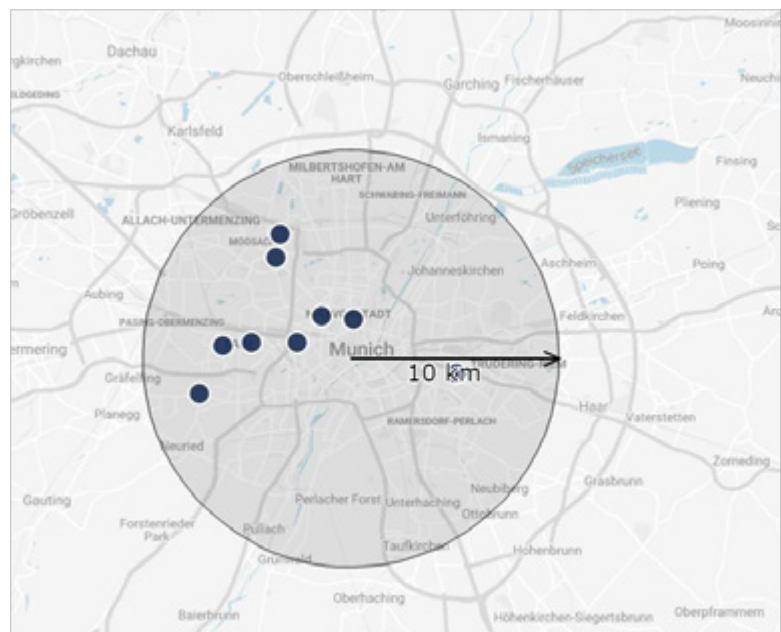
percent

Real vacancy rate	1.2
Apartments being upgraded	6.5
Vacancy rate	7.7

## Hamburg



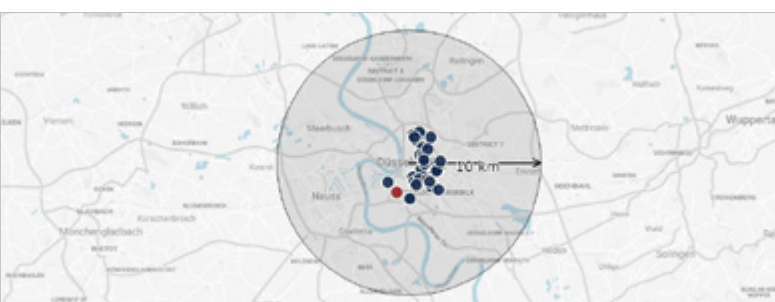
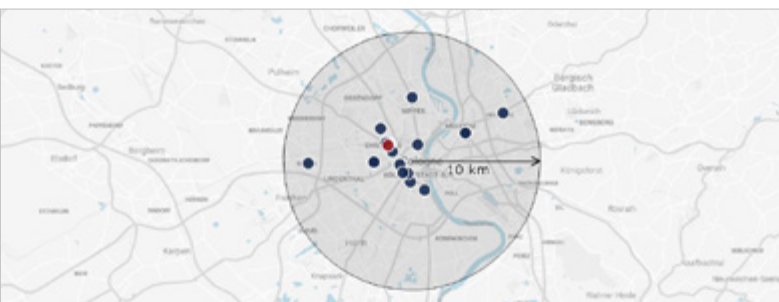
## Munich



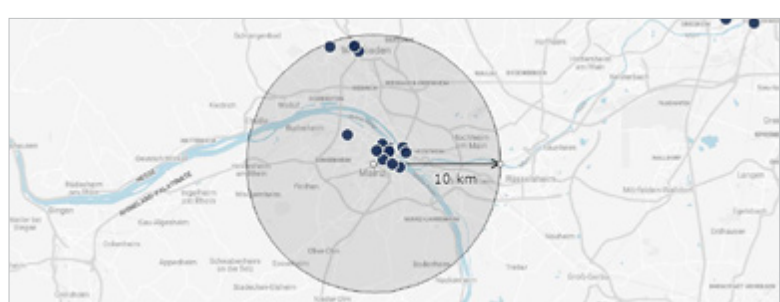
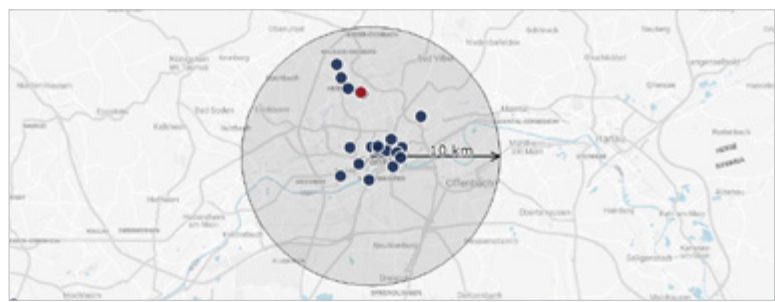
● acquired properties 2018      ● like-for-like properties

	Hamburg	Munich
<b>Property portfolio</b>		
Fair value, EUR million	878	185
Proportion of property fair value, percent	8	2
Capitalization rate, percent	3.77	3.62
Proportion upgraded apartments, percent	52	44
Average apartment size, sqm	56	55
Walk score	87	86
<b>Average rent</b>		
	EUR/sqm/month	EUR/sqm/month
Total portfolio Jul 1, 2017	10.46	12.43
Sales	0.00	-
Like-for-like Jul 1, 2017	10.46	12.43
Like-for-like increase	0.48	0.45
– Increase in percent	4.6	3.7
Like-for-like Jul 1, 2018	10.94	12.88
Purchases	-0.03	0.00
Total portfolio Jul 1, 2018	10.91	12.88
New lease level	15.09	17.94
<b>Vacancy rate residential</b>		
	percent	percent
Real vacancy rate	1.7	0.4
Apartments being upgraded	3.5	3.8
Vacancy rate	5.2	4.2

## Cologne - Düsseldorf



## Frankfurt - Mainz



● acquired properties 2018      ● like-for-like properties

Cologne  
DüsseldorfFrankfurt  
Mainz**Property portfolio**

Fair value, EUR million	305	250
Proportion of property fair value, percent	3	2
Capitalization rate, percent	3.78	3.84
Proportion upgraded apartments, percent	44	67
Average apartment size, sqm	58	61
Walk score	95	89

**Average rent**

EUR/sqm/month

EUR/sqm/month

Total portfolio Jul 1, 2017	9.19	10.97
Sales	-	-
Like-for-like Jul 1, 2017	9.19	10.97
Like-for-like increase	0.30	0.27
– Increase in percent	3.2	2.5
Like-for-like Jul 1, 2018	9.49	11.24
Purchases	0.02	0.02
Total portfolio Jul 1, 2018	9.51	11.26
New lease level	12.98	14.08

**Vacancy rate residential**

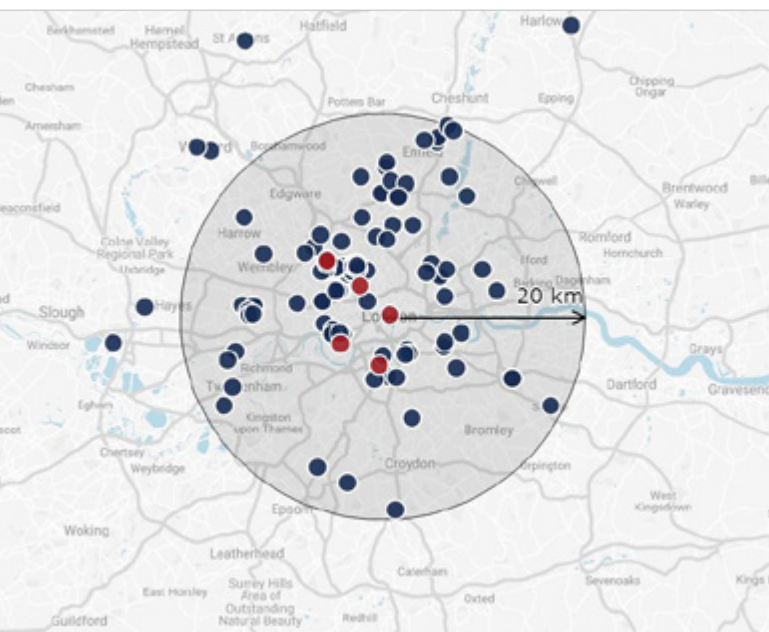
percent

percent

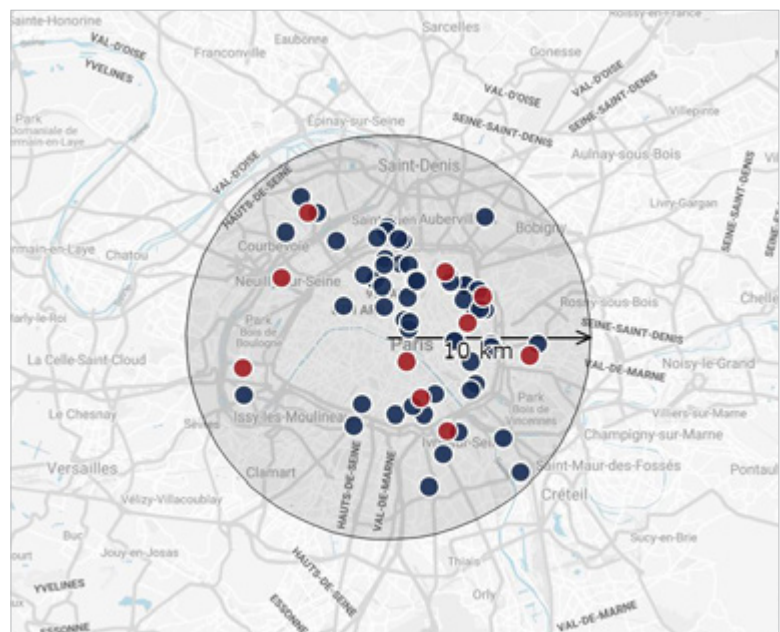
Real vacancy rate	0.6	1.9
Apartments being upgraded	6.0	5.2
Vacancy rate	6.6	7.1



## London



## Paris



● acquired properties 2018      ● like-for-like properties

### London

### Paris

#### Property portfolio

Fair value, EUR million	854	318
Proportion of property fair value, percent	8	3
Capitalization rate, percent	4.14	4.08
Proportion upgraded apartments, percent	49	18
Average apartment size	422 sqft	30 sqm
Walk score	86	97

#### Average rent

GBP/sqft/month

EUR/sqm/month

Total portfolio Jul 1, 2017	2.60	21.89
Sales	-	-
Like-for-like Jul 1, 2017	2.60	21.89
Like-for-like increase	0.06	2.72
– Increase in percent	2.3	12.4
Like-for-like Jul 1, 2018	2.66	24.61
Purchases	0.10	-1.12
Total portfolio Jul 1, 2018	2.76	23.49
New lease level	2.74	43.61

#### Vacancy rate residential

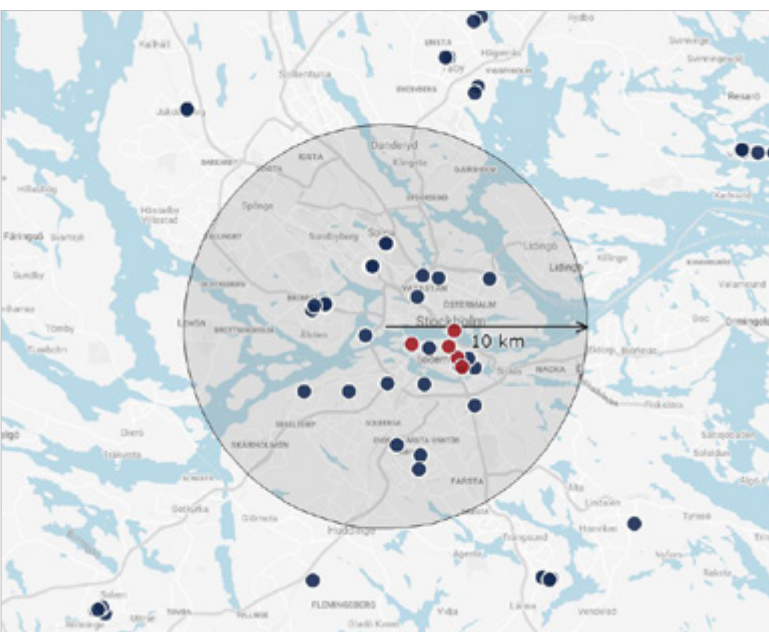
percent

percent

Real vacancy rate	4.1	2.3
Apartments being upgraded	17.2	43.5
Vacancy rate	21.3	45.8



## Stockholm



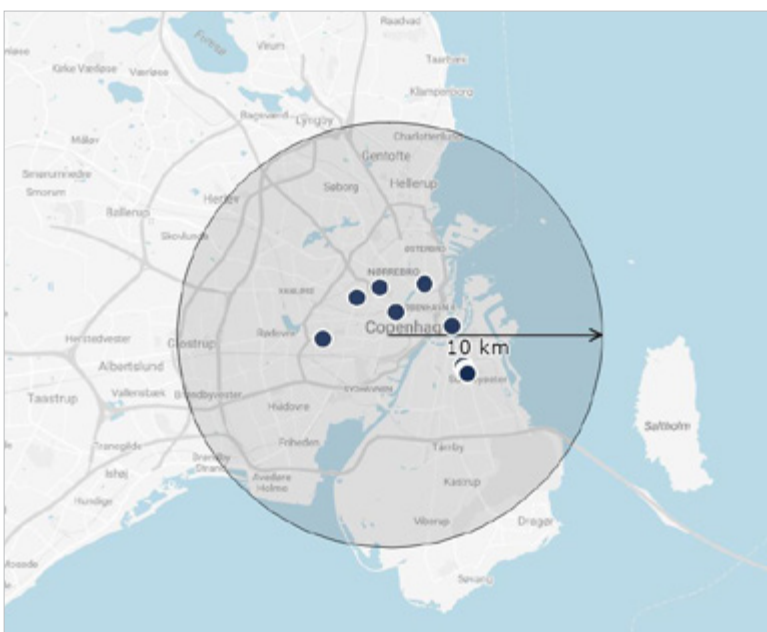
## Malmö



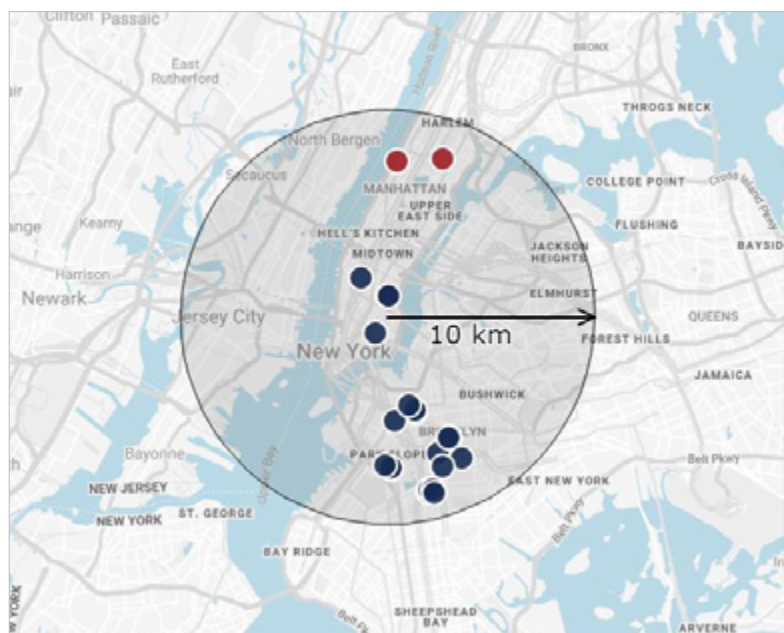
● acquired properties 2018      ● like-for-like properties

	Stockholm	Malmö
<b>Property portfolio</b>		
Fair value, EUR million	1,987	924
Proportion of property fair value, percent	18	8
Capitalization rate, percent	2.72	3.18
Proportion upgraded apartments, percent	46	51
Average apartment size, sqm	73	65
Walk score	66	91
<b>Average rent</b>		
	SEK/sqm/year	SEK/sqm/year
Total portfolio Jul 1, 2017	1,256	1,303
Sales	1	0
Like-for-like Jul 1, 2017	1,257	1,303
Like-for-like increase	29	36
– Increase in percent	2.3	2.7
Like-for-like Jul 1, 2018	1,286	1,339
Purchases	3	0
Total portfolio Jul 1, 2018	1,289	1,339
New lease level	1,506	1,575
<b>Vacancy rate residential</b>		
	percent	percent
Real vacancy rate	0.0	0.0
Apartments being upgraded	1.7	0.9
Vacancy rate	1.7	0.9

## Copenhagen



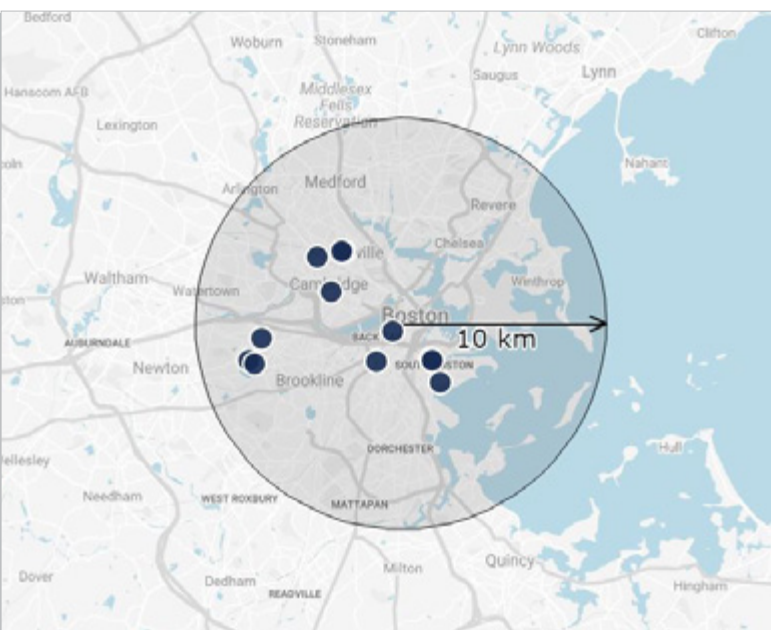
## New York



● acquired properties 2018      ● like-for-like properties

	Copenhagen	New York
<b>Property portfolio</b>		
Fair value, EUR million	292	767
Proportion of property fair value, percent	3	7
Capitalization rate, percent	3.01	4.24
Proportion upgraded apartments, percent	31	24
Average apartment size	80 sqm	702 sqft
Walk score	95	96
<b>Average rent</b>		
	DKK/sqm/year	USD/sqft/month
Total portfolio Jul 1, 2017	911	2.33
Sales	-	-
Like-for-like Jul 1, 2017	911	2.33
Like-for-like increase	42	0.15
– Increase in percent	4.6	6.6
Like-for-like Jul 1, 2018	953	2.48
Purchases	7	0.38
Total portfolio Jul 1, 2018	960	2.86
New lease level	1,605	5.11
<b>Vacancy rate residential</b>		
	percent	percent
Real vacancy rate	0.2	0.6
Apartments being upgraded	5.4	12.0
Vacancy rate	5.6	12.6

## Boston



## Washington D.C.



● acquired properties 2018      ● like-for-like properties

### Boston      Washington D.C.

#### Property portfolio

Fair value, EUR million	434	165
Proportion of property fair value, percent	4	1
Capitalization rate, percent	4.33	4.83
Proportion upgraded apartments, percent	58	30
Average apartment size, sqft	701	775
Walk score	86	80

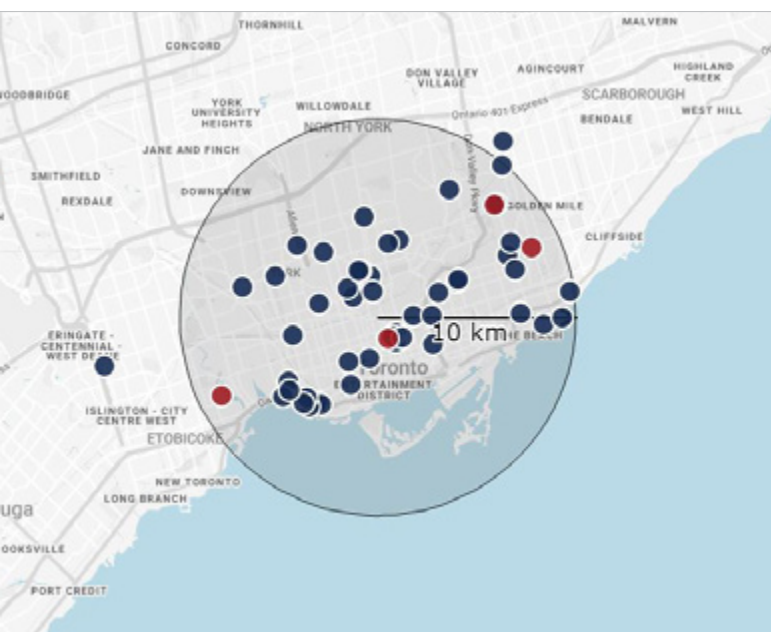
#### Average rent

	USD/sqft/month	USD/sqft/month
Total portfolio Jul 1, 2017	3.34	1.81
Sales	-	-
Like-for-like Jul 1, 2017	3.34	1.81
Like-for-like increase	0.18	0.07
– Increase in percent	5.3	3.8
Like-for-like Jul 1, 2018	3.52	1.88
Purchases	0.00	0.04
Total portfolio Jul 1, 2018	3.52	1.92
New lease level	3.79	2.00

#### Vacancy rate residential

	percent	percent
Real vacancy rate	2.3	0.2
Apartments being upgraded	14.8	39.2
Vacancy rate	17.1	39.4

## Toronto



## Montreal



● acquired properties 2018      ● like-for-like properties

### Toronto

### Montreal

#### Property portfolio

Fair value, EUR million	757	458
Proportion of property fair value, percent	7	4
Capitalization rate, percent	4.21	4.39
Proportion upgraded apartments, percent	44	35
Average apartment size, sqft	591	713
Walk score	82	90

#### Average rent

CAD/sqft/month

CAD/sqft/month

Total portfolio Jul 1, 2017	2.11	1.65
Sales	-	-
Like-for-like Jul 1, 2017	2.11	1.65
Like-for-like increase	0.07	0.05
– Increase in percent	3.1	3.0
Like-for-like Jul 1, 2018	2.18	1.70
Purchases	-0.10	-0.01
Total portfolio Jul 1, 2018	2.08	1.69
New lease level	2.88	1.87

#### Vacancy rate residential

percent

percent

Real vacancy rate	1.3	1.9
Apartments being upgraded	6.3	10.7
Vacancy rate	7.6	12.6



## result

### rental income EUR 233 million

Rental income was EUR 233 million, an increase of 1.7 percent compared to the same period of 2017.

Like-for-like growth in rental income was EUR 6 million (9), or 3.4 percent (5.3).

During the period, 13,030 rental contracts with an annual rent of EUR 122 million were renewed or renegotiated.

The new yearly rent is EUR 125 million, an increase of 1.9 percent.

The real vacancy rate increased by 0.2 percentage points to 1.1 percent.

The vacancy rate for residential units was 8.5 percent (5.1).

87 percent (83) was due to upgrades or planned sales of apartments.

### net operating income EUR 124 million

Property expenses totaled EUR 109 million (107).

EUR 14 million was attributable to maintenance, corresponding to EUR 8 per square meter and year.

Like-for-like growth in net operating income was 6.2 percent (9.9).

Net operating income margin was 53.2 percent (53.2).

Adjusted net operating income margin was 67.5 percent (67.7).

Adjusted net operating income excludes income from operating expenses included in the rent invoiced to the tenants, such as utility expenses and property taxes. It highlights the ongoing earning capacity from property management related to rental services only.

### increase in property value 3.6 percent

The increase in property value was EUR 379 million (527), 3.6 percent (5.8).

The growth in value was mainly due to increasing cash flow.

See table on page 7.

### net financial items EUR -65 million

Interest expenses were EUR 66 million (54).

Financial derivatives affected earnings by EUR 3 million (1).

Other financial items amounted to EUR -2 million (-2).

### profit before tax EUR 423 million

Profit before tax was EUR 423 million (583).

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

### tax expenses EUR 95 million

Tax expenses totaled EUR 95 million (120). EUR 94 million was deferred tax, mainly due to unrealized gains on properties.

In Sweden, a new income tax rate of 20.6 percent will apply from 2019.

Deferred tax in Sweden is reported at the lower tax rate of 20.6 instead of 22 percent. Deferred tax liability therefore decreased by EUR 19 million.

Akelius has no ongoing tax disputes.

## property portfolio

### fair value EUR 11,225 million

The fair value was EUR 11,225 million, which is equivalent to EUR 3,463 per square meter.

The average capitalization rate was 3.61 percent, which is 0.01 percentage points higher than at the beginning of the year.

### property purchases EUR 543 million

Property purchases amounted to EUR 543 million (401) during the period.

The average capitalization rate for purchased properties was 3.76 percent.

### property investments EUR 138 million

Investments in properties totaled EUR 138 million (124),

corresponding to EUR 86 (77) per square meter on an annual basis.

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

### property sales EUR 299 million

In total, Akelius sold properties for EUR 299 million (325).

EUR 288 million were properties located in Sweden and EUR 11 million located in Germany.

Sales prices were the same as the fair value at the beginning of the year.

Income from the sale of properties totaled EUR 4 million and transaction costs amounted EUR 4 million.

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

## financing

### equity and hybrid capital ratio 50 percent

Akelius issued a EUR 499 million hybrid bond on April 5.

The hybrid bond has a maturity of 60 years and is considered risk capital.

Equity increased by EUR 224 million to EUR 5,125 million during the period.

The equity and hybrid capital ratio amounted to 50 percent.

### loan-to-value ratio 40 percent

Loans decreased during the period by EUR 142 million to EUR 4,605 million.

The loan-to-value ratio decreased by 4 percentage points since last year to 40 percent.

The secured loans were EUR 1,890 million, compared to EUR 1,933 million end of 2017.

Secured loan-to-value ratio decreased by 2 percentage points since last year to 16 percent.

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

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

### debt maturities 5.5 years

Loans have an average maturity of 5.5 years, compared to 5.6 years at the end of 2017.

EUR 245 million matures within one year.

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

Short-term loans consist of borrowings from 13 banks and of capital market financing.

### interest rate hedge 5.2 years

EUR 2,519 million had a fixed interest rate term of more than five years and EUR 453 million had a fixed interest rate term of less than one year.

The average interest rate was 2.64 percent.

On average, the underlying interest rate is secured for 5.2 years, compared to 5.3 years at the end of 2017.

### liquidity EUR 650 million

Available funds in the form of liquid assets and credit facilities totaled EUR 650 million.

The fair value of the unencumbered properties was EUR 4,928 million.



## other financial information

### parent company

The Parent Company's profit before tax was SEK 840 million (-174) or EUR 83 million (-18). Financial income includes mainly currency exchange gains on currency derivatives and external and internal loans in foreign currency.

On April 11, 2018, an issue of common shares took place and dividends were paid in accordance with resolutions passed at the Annual General Meeting.

The parent company issued 126,229,740 common shares at a subscription price of SEK 68 per share, totaling SEK 8,584 million, or EUR 809 million. On the same date, dividends of SEK 2.8 per share were paid to the holders of common shares, totaling SEK 8,584 million, or EUR 809 million.

Additionally a dividend of SEK 5 per preference share was or will be paid on the record dates pursuant to the Articles of Association:

May 4, 2018, August 3, 2018,  
November 5, 2018 and February 5, 2019,  
totaling SEK 377 million, EUR 37 million.

### cash flow EUR 6 million

Operating cash flow before the change in working capital was EUR 52 million (67).

Cash flow from investing activities was EUR -378 million (-222).

Cash required for the acquisition of properties is secured before the agreements are signed. Profitable but non-mandatory upgrades can, be stopped within a three-month period.

Cash flow from financing activities was EUR 342 million (172).

New ordinary shares were issued for EUR 809 million.

Dividends were paid to the holders of preference shares for EUR 18 million and the holders of common shares for EUR 809 million.

### preference shares

The total number of preference shares was 18,835,606, equivalent to EUR 578 million reported in equity. Preference shares represent 0.61 percent of the total number of shares in Akelius Residential Property AB.

On June 30, 2018, the price paid per preference share was SEK 341.

### second quarter

Profit before tax for the quarter amounted to EUR 203 million (270).

Change in the fair value of properties impacted the profit with EUR 179 million (244).

Rental income increased to EUR 115 million (113).

Property costs amounted to EUR 53 million (51).

Net operating income remained unchanged at EUR 62 million.

Net financial items totaled EUR -34 million (-31) and included the change in the fair value of derivatives of EUR 2 million (-2).

Cash flow amounted to EUR -1 million (-6).

Cash flow generated from operations was EUR 32 million (24).

Net cash flow from investing activities amounted to EUR -54 million (-164).

Financing activities had a positive effect on cash flow of EUR 21 million (134).

### rating

In 2018, Standard and Poor's confirmed the investment grade rating BBB with a stable outlook for Akelius Residential Property AB and its unsecured debt.

The rating for Akelius Residential Property AB's hybrid bond is BB+.

### staff

1,100 people were employed in the Group as at June 30 compared to 876 at the end of 2017.

### related party transactions

Net debt from related parties decreased by EUR 43 million.

The scope and focus of these operations did not change significantly during the period.

All transactions were on market terms.

### significant events after the end of the reporting period

There are no significant event after the end of the reporting period.

## consolidated statement of comprehensive income

EUR million	2018 Apr-Jun 3 months	2017 Apr-Jun 3 months	2018 Jan-Jun 6 months	2017 Jan-Jun 6 months	2017 Jan-Dec 12 months
Rental income	115	113	233	229	469
Operating expenses	-46	-43	-95	-91	-185
Maintenance	-7	-8	-14	-16	-33
<b>Net operating income</b>	<b>62</b>	<b>62</b>	<b>124</b>	<b>122</b>	<b>251</b>
Central administration	-7	-5	-13	-9	-22
Other income and expenses	3	-	3	-	-
Net income from the revaluation and disposal of investment properties*	179	244	374	525	877
<b>Operating profit</b>	<b>237</b>	<b>301</b>	<b>488</b>	<b>638</b>	<b>1 106</b>
Interest income	-	-	-	-	-
Interest expenses	-35	-28	-66	-54	-117
Other financial income and expenses	-1	-1	-2	-2	-5
Change in fair value of derivative financial instruments	2	-2	3	1	-
<b>Profit before tax</b>	<b>203</b>	<b>270</b>	<b>423</b>	<b>583</b>	<b>984</b>
Tax	-35	-65	-95	-120	-178
<b>Profit for the period/year</b>	<b>168</b>	<b>205</b>	<b>328</b>	<b>463</b>	<b>806</b>
Items that will be reclassified to profit or loss:					
- Translation differences	95	-48	57	-63	-156
- Change in the hedging of currency risk	-79	28	-161	47	38
- Tax attributable to the hedging of currency risk	18	-7	35	-10	-8
- Revaluation reserve	-	-	2	-	1
- Tax attributable to revaluation reserve	-	-	-	-	-
<b>Comprehensive income for the period/year</b>	<b>202</b>	<b>178</b>	<b>261</b>	<b>437</b>	<b>681</b>
Profit attributable to:					
- owners of the Parent Company	167	203	326	457	802
- owner of the hybrid loans	-	-	-	4	3
- non-controlling interests	1	2	2	2	1
Total comprehensive income attributable to:					
- owners of the Parent Company	201	163	259	430	676
- owner of the hybrid loans	-	1	-	5	4
- non-controlling interests	1	14	2	2	1
Earnings per share before and after dilution, EUR	0.05	0.06	0.10	0.15	0.25

\* EUR 0 million is related to the realized gain/loss from the disposal of investment properties in Jan-Jun 2018, EUR 1 million in Jan-Jun 2017 and EUR 36 million in Jan-Dec 2017.

Transaction costs amounted to EUR 4 million in Jan-Jun 2018, EUR 4 million in Jan-Jun 2017 and EUR 9 million in Jan-Dec 2017.

## consolidated statement of financial position

EUR million	2018 Jun 30	2017 Jun 30	2017 Dec 31	2017 Jan 1
<b>Assets</b>				
Intangible assets	7	6	6	5
Investment properties	11,187	9,345	10,345	8,847
Owner-occupied property	38	-	35	-
Tangible fixed assets	4	4	4	4
Derivative financial instruments	-	-	3	-
Deferred tax assets	-	1	1	1
Financial assets	4	-	7	-
<b>Total non-current assets</b>	<b>11,240</b>	<b>9,356</b>	<b>10,401</b>	<b>8,857</b>
Trade and other receivables	83	71	85	47
Derivative financial instruments	-	9	3	1
Cash and cash equivalents	22	8	16	14
Assets held for sale*	-	391	244	325
<b>Total current assets</b>	<b>105</b>	<b>479</b>	<b>348</b>	<b>387</b>
<b>Total assets</b>	<b>11,345</b>	<b>9,835</b>	<b>10,749</b>	<b>9,244</b>
<b>Total equity</b>	<b>5,125</b>	<b>4,607</b>	<b>4,901</b>	<b>4,279</b>
Interest-bearing liabilities	4,859	3,474	4,431	3,129
Derivative financial instruments	69	114	100	141
Deferred tax liabilities	894	782	838	698
Provisions	1	-	-	-
Other liabilities	14	10	15	7
<b>Total non-current liabilities</b>	<b>5,837</b>	<b>4,380</b>	<b>5,384</b>	<b>3,975</b>
Interest-bearing liabilities	245	672	316	853
Derivative financial instruments	13	6	7	10
Provisions	2	-	2	-
Trade and other payables	123	112	110	98
Liabilities held for sale	-	58	29	29
<b>Total current liabilities</b>	<b>383</b>	<b>848</b>	<b>464</b>	<b>990</b>
<b>Total equity and liabilities</b>	<b>11,345</b>	<b>9,835</b>	<b>10,749</b>	<b>9,244</b>
Interest-bearing liabilities				
- unsecured loans	2,715	2,163	2,814	1,737
- secured loans	1,890	1,983	1,933	2,245
<b>Subtotal</b>	<b>4,605</b>	<b>4,146</b>	<b>4,747</b>	<b>3,982</b>
- hybrid capital**	499	-	-	-
<b>Total</b>	<b>5,104</b>	<b>4,146</b>	<b>4,747</b>	<b>3,982</b>

\* attributable to investment properties.

\*\* the hybrid capital is considered by the rating agencies as risk capital.

It reduces interest-bearing liabilities when calculating the loan-to-value ratio.

## consolidated statement of cash flows

EUR million	2018 Apr–Jun 3 months	2017 Apr–Jun 3 months	2018 Jan–Jun 6 months	2017 Jan–Jun 6 months	2017 Jan–Dec 12 months
Net operating income	62	62	124	122	251
Central administration	-7	-5	-13	-9	-22
Other income and expenses	2	1	2	1	1
Reversal of depreciation and impairment losses	-	-	1	1	2
Interest paid	-21	-25	-61	-46	-98
Income tax paid	-1	-1	-1	-2	-3
<b>Cash flow before changes in working capital</b>	<b>35</b>	<b>32</b>	<b>52</b>	<b>67</b>	<b>131</b>
Change in current assets	-3	4	-6	-10	-18
Change in current liabilities	-	-12	-4	-14	-2
<b>Cash flow from operating activities</b>	<b>32</b>	<b>24</b>	<b>42</b>	<b>43</b>	<b>111</b>
Investments in intangible assets	-2	-	-2	-1	-2
Investment in properties	-84	-71	-138	-124	-288
Acquisition of investment properties	-260	-105	-543	-401	-1,297
Acquisition of net assets*	18	9	30	12	19
Proceeds from sale of investment properties	293	11	299	325	737
Proceeds from sale of net assets**	-28	-	-28	-13	-45
Purchase and sale of other assets***	9	-8	4	-20	-33
<b>Cash flow from investing activities</b>	<b>-54</b>	<b>-164</b>	<b>-378</b>	<b>-222</b>	<b>-909</b>
New share issue	809	1,043	809	1,043	1,043
Acquisition of minorities	1	-	1	-	1
Loans raised	790	530	1,327	881	2,192
Repayment of loans	-713	-367	-960	-674	-1,356
Repayment of hybrid loans	-	-227	-	-227	-227
Purchase and sale of derivative instruments	-48	2	-8	6	22
Dividend ordinary shares	-809	-838	-809	-838	-838
Dividend preference shares	-9	-9	-18	-19	-38
<b>Cash flow from financing activities</b>	<b>21</b>	<b>134</b>	<b>342</b>	<b>172</b>	<b>799</b>
<b>Cash flow for the period/year</b>	<b>-1</b>	<b>-6</b>	<b>6</b>	<b>-7</b>	<b>1</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>22</b>	<b>14</b>	<b>16</b>	<b>14</b>	<b>14</b>
Translation differences in cash and cash equivalents	1	-	-	1	1
<b>Cash and cash equivalents at end of period/year</b>	<b>22</b>	<b>8</b>	<b>22</b>	<b>8</b>	<b>16</b>

\* mainly related to a discount received for deferred tax and acquisition of loans

\*\* mainly related to a discount provided for deferred tax

\*\*\* including EUR 8 million in prepayment for the acquisition, EUR -4 million in transaction cost of sold properties.

# consolidated statement of changes in equity

EUR million	Attributable to the owners of the Parent Company				Total	Hybrid loans	Non con- trolling inter- ests	Total equity
	Share capital	Share premium	Currency transla- tion reserve	Retained earnings				
<b>Opening balance Jan 1, 2017</b>	<b>185</b>	<b>1,272</b>	<b>98</b>	<b>2,495</b>	<b>4,050</b>	<b>210</b>	<b>19</b>	<b>4,279</b>
EUR conversion	11	47	-126	69	1	-	-1	-
<b>Adjusted opening balance</b>	<b>196</b>	<b>1,319</b>	<b>-28</b>	<b>2,564</b>	<b>4,051</b>	<b>210</b>	<b>18</b>	<b>4,279</b>
Profit for the period	-	-	-	457	457	4	2	463
Other comprehensive income	-	-	-26	-	-26	1	-	-25
<b>Total comprehensive income</b>	-	-	<b>-26</b>	<b>457</b>	<b>431</b>	<b>5</b>	<b>2</b>	<b>438</b>
Repurchase of hybrid loans	-	-	-	-13	-13	-214	-	-227
Dividend	-	-857	-	-19	-876	-4	-	-880
Share issue	8	1,035	-	-	1,043	-	-	1,043
Acquired minority	-	-	-	-	-	-	1	1
<b>Closing balance Jun 30, 2017</b>	<b>204</b>	<b>1,497</b>	<b>-54</b>	<b>2,989</b>	<b>4,636</b>	<b>-3</b>	<b>21</b>	<b>4,654</b>
Profit for the period	-	-	-	345	345	-	-1	344
Other comprehensive income	-	-	-100	-	-100	-	-	-100
<b>Total comprehensive income</b>	-	-	<b>-100</b>	<b>345</b>	<b>245</b>	-	<b>-1</b>	<b>244</b>
Dividend	-	-	-	-	-	3	-	3
<b>Closing balance Dec 31, 2017</b>	<b>204</b>	<b>1,497</b>	<b>-154</b>	<b>3,334</b>	<b>4,881</b>	-	<b>20</b>	<b>4,901</b>
Profit for the period	-	-	-	326	326	-	2	328
Other comprehensive income	-	-	-68	1	-67	-	-	-67
<b>Total comprehensive income</b>	-	-	<b>-68</b>	<b>327</b>	<b>259</b>	-	<b>2</b>	<b>261</b>
Dividend	-	-768	-	-78	-846	-	-	-846
Share issue	7	802	-	-	809	-	-	809
<b>Closing balance Jun 30, 2018*</b>	<b>211</b>	<b>1,531</b>	<b>-222</b>	<b>3,583</b>	<b>5,103</b>	-	<b>22</b>	<b>5,125</b>
*) attributable to preference share owners	1	652	-75	-	578	-	-	578

## condensed statement of comprehensive income for the Parent Company

SEK million	2018 Apr-Jun 3 months	2017 Apr-Jun 3 months	2018 Jan-Jun 6 months	2017 Jan-Jun 6 months	2017 Jan-Dec 12 months
Central administration	-9	1	-27	-18	-34
Financial income	1,222	350	1,669	625	1,383
Financial expenses	-497	-603	-617	-915	-1,426
Change in the fair value of derivatives	-171	26	-185	134	130
Appropriations	-	-	-	-	198
<b>Profit before tax</b>	<b>545</b>	<b>-226</b>	<b>840</b>	<b>-174</b>	<b>251</b>
Tax	-18	-7	-12	-34	-68
<b>Profit for the period/year</b>	<b>527</b>	<b>-233</b>	<b>828</b>	<b>-208</b>	<b>183</b>
<b>Comprehensive income</b>	<b>527</b>	<b>-233</b>	<b>828</b>	<b>-208</b>	<b>183</b>

## condensed statement of financial position for the Parent Company

SEK million	2018 30 Jun	2017 30 Jun	2017 31 Dec
Intangible assets	2	3	2
Shares in subsidiaries	13,372	13,183	13,372
Receivables from Group companies	58,134	40,878	49,834
Prepaid expenses and accrued income from Group companies	843	428	163
Deferred tax assets	442	488	454
Other assets	149	193	201
Cash and cash equivalents	4	2	5
<b>Total assets</b>	<b>72,946</b>	<b>55,175</b>	<b>64,031</b>
<b>Total equity</b>	<b>16,291</b>	<b>15,449</b>	<b>15,840</b>
Interest-bearing liabilities	36,559	21,616	29,937
Interest-bearing liabilities from Group companies	19,004	17,202	17,471
Derivative financial instruments	438	442	406
Other current liabilities	638	466	368
Other current liabilities from Group companies	16	-	9
<b>Total equity and liabilities</b>	<b>72,946</b>	<b>55,175</b>	<b>64,031</b>



## secured and unsecured loans

Duration, years	Interest rate hedge, EUR million	Interest rate hedge Average interest rate, percent	Share, percent	Debt maturities, EUR million	Share, percent
0-1	453	4.50	10	245	5
1-2	216	2.26	5	360	8
2-3	594	3.78	13	678	15
3-4	769	1.93	17	748	16
4-5	54	2.43	1	49	1
5-6	581	1.45	13	515	11
6-7	695	1.93	14	705	15
7-8	561	2.35	12	580	13
8-9	310	2.89	7	248	6
9-10	220	2.98	5	277	6
> 10	152	4.82	3	200	4
<b>Total</b>	<b>4,605</b>	<b>2.64</b>	<b>100</b>	<b>4,605</b>	<b>100</b>

## segment information

Jan-Jun 2018, EUR million	Europe	Scandinavia	North America	Total
Rental income	104	74	55	<b>233</b>
Operating expenses	-38	-30	-27	<b>-95</b>
Maintenance	-6	-6	-2	<b>-14</b>
<b>Net operating income</b>	<b>60</b>	<b>38</b>	<b>26</b>	<b>124</b>
Revaluation of investment properties	143	140	96	<b>379</b>
<b>Total property return</b>	<b>203</b>	<b>178</b>	<b>122</b>	<b>503</b>
<b>Total property return, percent</b>	<b>8.4</b>	<b>10.5</b>	<b>11.4</b>	<b>9.7</b>
<b>Net operating income margin, percent</b>	<b>57.8</b>	<b>51.5</b>	<b>46.9</b>	<b>53.2</b>
<b>Property fair value</b>	<b>5,360</b>	<b>3,283</b>	<b>2,582</b>	<b>11,225</b>

Jan-Jun 2017, EUR million	Europe	Scandinavia	North America	Total
Rental income	95	89	45	<b>229</b>
Operating expenses	-36	-34	-21	<b>-91</b>
Maintenance	-5	-9	-2	<b>-16</b>
<b>Net operating income</b>	<b>54</b>	<b>46</b>	<b>22</b>	<b>122</b>
Revaluation of investment properties	250	232	47	<b>529</b>
<b>Total property return</b>	<b>304</b>	<b>278</b>	<b>69</b>	<b>651</b>
<b>Total property return, percent</b>	<b>15.7</b>	<b>16.8</b>	<b>8.2</b>	<b>14.7</b>
<b>Net operating income margin, percent</b>	<b>57.2</b>	<b>51.3</b>	<b>48.8</b>	<b>53.2</b>
<b>Property fair value</b>	<b>4,423</b>	<b>3,582</b>	<b>1,730</b>	<b>9,735</b>

## key figures

	2018 Jun 30	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31
<b>Equity</b>					
Equity, EUR million	5,125	4,901	4,279	3,357	2,373
Equity ratio, percent	45	46	46	41	38
Equity and hybrid capital ratio, percent	50	46	46	41	38
Return on equity, percent	5	19	37	29	9
EPRA NAV, EUR million	6,101	5,840	5,127	4,027	2,888
<b>Net operating income</b>					
Rental income, EUR million	233	469	472	464	396
Growth in rental income, percent	1.7	-0.6	1.8	17.1	13.2
Like-for-like growth in rental income, percent	3.4	5.1	4.1	4.3	3.4
Net operating income, EUR million	124	251	244	232	207
Growth in net operating income, percent	1.7	4.4	6.3	15.6	19.2
Like-for-like growth in net operating income, percent	6.2	10.7	8.0	4.0	7.1
Net operating income margin, percent	53.2	53.4	51.7	50.1	52.2
Adjusted net operating income margin, percent <sup>5</sup>	67.5	68.0	66.2	-	-
<b>Interest-bearing liabilities</b>					
Loan-to-value ratio, secured loans, percent	16	18	24	36	47
Loan-to-value ratio, percent	40	44	43	48	51
Unencumbrance ratio	1.89	1.63	1.18	1.00	9.24
Interest coverage ratio	4.1	4.7	4.5	3.0	1.7
Interest coverage ratio excluding realized value growth	1.8	1.9	1.9	1.6	1.5
Average interest rate, percent	2.64	2.58	2.62	3.44	3.94
Fixed interest term, years	5.2	5.3	4.5	4.3	4.2
Debt maturities, years	5.5	5.6	5.0	5.7	4.5
<b>Properties</b>					
Number of apartments	47,733	47,177	46,516	51,231	47,896
Rentable area, thousand sqm	3,242	3,228	3,236	3,587	3,472
Real vacancy rate, residential, percent	1.1	0.9	1.1	1.3	1.0
Vacancy rate, residential, percent	8.5	6.6	5.0	4.3	3.2
Fair value, EUR per sqm	3,463	3,292	2,834	2,220	1,748
Capitalization rate, percent	3.61	3.60	3.82	4.33	4.72
Change in capitalization rate <sup>1</sup> , percent	-0.01	-0.22	-0.49	-0.36	0.01
Fair value of properties opening balance, EUR million	10,624	9,171	7,965	6,068	4,932
Change in fair value, EUR million	379	886	1,343	857	155
Investments, EUR million	138	288	316	237	207
Purchases, EUR million	543	1,297	643	1,293	1,064
Sales, EUR million	-299	-737	-957	-615	-119
Exchange difference, EUR million	-160	-281	-139	125	-171
Fair value of properties closing balance, EUR million	11,225	10,624	9,171	7,965	6,068

## key figures

	2018 Jun 30	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31
<b>Properties, Sweden</b>					
Average residential rent, SEK/sqm/year	1,303	1,287	1,246	1,184	1,156
Growth in average residential rent <sup>2</sup> , percent	2.5	2.4	2.6	2.6	3.7
Growth in rental income <sup>3</sup> , percent	2.4	3.8	1.9	3.0	3.5
Growth in net operating income <sup>3</sup> , percent	8.0	10.8	2.4	1.8	8.0
Fair value, EUR per sqm	2,900	2,821	2,421	1,877	1,566
Capitalization rate, percent	2.91	3.00	3.43	4.30	4.78
Number of apartments	12,286	13,808	17,381	23,520	24,407
Vacancy, percent	1.5	1.1	1.2	1.5	1.5
Real vacancy, percent	0.0	0.0	0.1	0.1	0.4
Fair value of properties opening balance, EUR million	3,205	3,382	3,472	3,108	2,996
Change in fair value, EUR million	127	376	712	313	92
Investments, EUR million	32	65	104	92	102
Purchases, EUR million	91	167	55	114	228
Sales, EUR million	-288	-692	-805	-290	-118
Translation difference, EUR million	-175	-93	-156	135	-192
Fair value of properties closing balance, EUR million	2,992	3,205	3,382	3,472	3,108
<b>Properties, Germany</b>					
Average residential rent, EUR/sqm/month	9.19	8.98	8.56	8.13	7.77
Growth in average residential rent <sup>2</sup> , percent	5.9	5.7	5.0	5.1	5.4
Growth in rental income <sup>3</sup> , percent	3.2	2.6	6.3	6.0	3.1
Growth in net operating income <sup>3</sup> , percent	3.6	2.8	10.3	3.9	5.8
Fair value, EUR per sqm	3,070	2,941	2,583	2,078	1,760
Capitalization rate, percent	3.54	3.54	3.84	4.35	4.72
Number of apartments	20,971	20,463	19,932	20,307	19,423
Vacancy, percent	7.0	6.5	4.8	4.9	4.5
Real vacancy, percent	1.3	1.3	1.1	2.0	1.6
Fair value of properties opening balance, EUR million	3,924	3,363	2,725	2,225	1,739
Change in fair value, EUR million	139	360	542	399	43
Investments, EUR million	56	119	103	80	71
Purchases, EUR million	80	127	90	188	372
Sales, EUR million	-11	-45	-97	-167	-
Exchange difference, EUR million	-	-	-	-	-
Fair value of properties closing balance, EUR million	4,188	3,924	3,363	2,725	2,225

## key figures

	2018 Jun 30	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31
<b>Properties, Canada</b>					
Average residential rent, CAD/sqft/month	1.90	1.92	1.89	1.79	1.83
Growth in average residential rent <sup>2</sup> , percent	2.8	4.4	6.7	3.6	6.6
Growth in rental income <sup>3</sup> , percent	5.9	9.5	7.0	4.1	7.0
Growth in net operating income <sup>3</sup> , percent	10.5	28.2	29.0	25.1	-17.8
Fair value, EUR per sqm	3,037	2,968	2,743	2,345	2,292
Capitalization rate, percent	4.27	4.29	4.36	4.37	4.55
Number of apartments	6,649	5,500	4,513	3,999	2,823
Vacancy, percent	9.7	3.9	7.1	11.1	6.7
Real vacancy, percent	1.5	0.6	3.4	3.6	2.7
Fair value of properties opening balance, EUR million	994	737	532	361	197
Change in fair value, EUR million	59	83	33	65	16
Investments, EUR million	6	30	37	21	15
Purchases, EUR million	180	189	90	137	120
Sales, EUR million	-	-	-	-12	-
Exchange difference, EUR million	-24	-45	45	-40	13
Fair value of properties closing balance, EUR million	1,215	994	737	532	361
<b>Properties, United States</b>					
Average residential rent, USD/sqft/month	2.88	2.77	2.51	2.26	-
Growth in average residential rent <sup>2</sup> , percent	6.2	4.1	4.2	-	-
Growth in rental income <sup>3</sup> , percent	0.6	10.7	-	-	-
Growth in net operating income <sup>3</sup> , percent	-5.1	63.6	-	-	-
Fair value, EUR per sqm	6,327	5,758	5,929	5,339	-
Capitalization rate, percent	4.34	4.36	4.42	4.47	-
Number of apartments	3,225	3,127	2,309	1,534	-
Vacancy, percent	19.5	17.3	10.6	9.8	-
Real vacancy, percent	1.0	2.2	1.7	2.8	-
Fair value of properties opening balance, EUR million	1,199	979	597	-	-
Change in fair value, EUR million	37	27	41	3	-
Investments, EUR million	28	44	30	2	-
Purchases, EUR million	62	278	267	582	-
Sales, EUR million	-	-	-	-	-
Exchange difference, EUR million	40	-129	44	10	-
Fair value of properties closing balance, EUR million	1,366	1,199	979	597	-

## key figures

	2018 Jun 30	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31
<b>Properties, England<sup>4</sup></b>					
Average residential rent, GBP/sqft/month	2.76	2.75	2.55	2.07	1.74
Growth in average residential rent <sup>2</sup> , percent	2.3	3.3	5.9	11.5	11.3
Growth in rental income <sup>3</sup> , percent	8.8	16.2	7.5	15.1	5.9
Growth in net operating income <sup>3</sup> , percent	25.1	15.4	15.4	23.0	9.3
Fair value, EUR per sqm	8,899	8,689	8,274	7,407	5,634
Capitalization rate, percent	4.14	4.16	4.11	4.22	4.36
Number of apartments	2,225	2,148	1,224	1,404	1,153
Vacancy, percent	21.3	14.7	12.4	8.0	7.8
Real vacancy, percent	4.1	2.0	3.7	2.8	2.1
Fair value of properties opening balance, EUR million	780	473	530	357	200
Change in fair value, EUR million	6	11	15	78	26
Investments, EUR million	5	13	36	40	24
Purchases, EUR million	64	301	21	181	92
Sales, EUR million	-	-	-55	-146	-1
Exchange difference, EUR million	-1	-18	-74	20	16
Fair value of properties closing balance, EUR million	854	780	473	530	357
<b>Properties, France</b>					
Average residential rent, EUR/sqm/month	23.49	23.40	20.99	22.50	21.31
Growth in average residential rent <sup>2</sup> , percent	12.4	14.9	1.7	15.7	-
Growth in rental income <sup>3</sup> , percent	11.7	-1.4	11.9	-	-
Growth in net operating income <sup>3</sup> , percent	583.3	-7.1	241.1	-	-
Fair value, EUR per sqm	7,038	6,883	6,411	6,857	6,382
Capitalization rate, percent	4.08	4.16	4.20	4.21	4.11
Number of apartments	1,346	1,100	941	467	90
Vacancy, percent	45.8	46.4	46.2	35.3	34.4
Real vacancy, percent	2.3	1.3	3.7	1.3	-
Fair value of properties opening balance, EUR million	245	193	109	17	-
Change in fair value, EUR million	-2	8	2	-1	-2
Investments, EUR million	9	13	6	2	-
Purchases, EUR million	66	31	76	91	19
Sales, EUR million	-	-	-	-	-
Exchange difference, EUR million	-	-	-	-	-
Fair value of properties closing balance, EUR million	318	245	193	109	17

## key figures

	2018 Jun 30	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31
<b>Properties, Denmark</b>					
Average residential rent, DKK/sqm/year	960	936	916	-	-
Growth in average residential rent <sup>2</sup> , percent	4.6	5.3	-	-	-
Growth in rental income <sup>3</sup> , percent	2.4	-	-	-	-
Growth in net operating income <sup>3</sup> , percent	-7.3	-	-	-	-
Fair value, EUR per sqm	3,296	3,129	2,836	-	-
Capitalization rate, percent	3.01	3.09	3.42	-	-
Number of apartments	1,031	1,031	216	-	-
Vacancy, percent	5.6	6.1	1.9	-	-
Real vacancy, percent	0.2	0.6	-	-	-
Fair value of properties opening balance, EUR million	277	44	-	-	-
Change in fair value, EUR million	13	22	-	-	-
Investments, EUR million	2	4	-	-	-
Purchases, EUR million	-	204	44	-	-
Sales, EUR million	-	-	-	-	-
Exchange difference, EUR million	-	3	-	-	-
Fair value of properties closing balance, EUR million	292	277	44	-	-

1) Like-for-like capitalization rate.

2) Like-for-like growth on a rolling 12-month period.

3) Like-for-like growth for the period compared to the same period in the previous year.

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

5) Adjustment for revenue from operating expenses invoiced to the tenants in Germany, France, Canada, United States and Sweden amounted to EUR 49 million for Jan–Jun 2018 and EUR 49 million for Jan–Jun 2017.



## alternative performance measures

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

EUR million	2018 Jun 30	2017 Jun 30	2017 Dec 31
Equity	5,125	4,607	4,901
Deferred tax	894	781	838
Derivative financial instruments	82	111	101
<b>EPRA NAV</b>	<b>6 101</b>	<b>5,499</b>	<b>5,840</b>
Total interest-bearing liabilities	5,104	4,146	4,747
Hybrid bond	-499	-	-
Cash and liquid assets	-22	-8	-16
Pledged cash assets	-1	-5	-1
<b>Net debt</b>	<b>4,582</b>	<b>4,133</b>	<b>4,730</b>
Total assets	11,345	9,835	10,749
Cash and liquid assets	-22	-8	-16
Pledged cash assets	-1	-5	-1
<b>Total assets minus cash, pledged cash and liquid assets</b>	<b>11,322</b>	<b>9,822</b>	<b>10,732</b>
<b>Loan-to-value ratio, percent</b>	<b>40</b>	<b>42</b>	<b>44</b>
Net debt	4,582	4,133	4,730
Less senior unsecured debt	-2,715	-2,163	-2,814
<b>Secured debt minus cash, pledged cash and liquid assets</b>	<b>1,867</b>	<b>1,970</b>	<b>1,916</b>
<b>Total assets minus cash, pledged cash and liquid assets</b>	<b>11,322</b>	<b>9,822</b>	<b>10,732</b>
<b>Loan-to-value ratio, secured loan, percent</b>	<b>16</b>	<b>20</b>	<b>18</b>

EUR million	2018 Jan–Jun	2017 Jan–Jun	Percent growth
Rental income	233	229	1.7
Exchange differences	-	-9	
Service revenue	-17	-17	
Purchases and sales	-33	-26	
<b>Like-for-like rental income</b>	<b>183</b>	<b>177</b>	<b>3.4</b>
Net operating income	124	122	1.7
Exchange differences	-	-4	
Purchases and sales	-14	-14	
<b>Like-for-like net operating income</b>	<b>110</b>	<b>104</b>	<b>6.2</b>
Proceeds from the sale of properties	299	325	
Costs of sale	-4	-4	
Acquisition costs	-108	-170	
Accumulated investments	-48	-55	
<b>Realized value growth</b>	<b>139</b>	<b>96</b>	

## other information

### basis of presentation

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

The financial statements of the Parent Company, Akelius Residential Property AB, corporate identity number 556156-0383, have been prepared in accordance with the Swedish Annual Accounts Act and the accounting standard RFR 2, Accounting for Legal Entities.

Disclosures in accordance with IAS 34 Interim Financial Reporting are submitted both in the notes and in other sections of the interim report.

The figures in this interim report have been rounded, while the calculations have been made without rounding.

As a result, the figures in certain tables and key figures may appear not to add up correctly.

### accounting principles

#### new Group reporting currency

As of January 1, 2018, the Group's reporting currency is Euro.

The Parent Company's functional currency is Swedish kronor, same as in 2017.

Unless otherwise stated, all amounts are reported in EUR million for the Group and SEK million for the Parent Company.

#### new segment reporting

Operating segments are reported in accordance with the internal reporting submitted to the CEO, who is the highest executive decision maker. The organization has changed and consists of three regions as of 2018:

- The Scandinavian region  
Stockholm, Malmö, Copenhagen and other cities in Sweden.
- The European region  
Berlin, Hamburg, London, Paris and other cities in Germany.
- The North American region  
New York, Washington D.C., Boston, Montreal and Toronto.

Each region is material to the Group and is therefore reported separately.

### IFRS 15 – Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers is applied to the financial year that began on January 1, 2018.

Akelius' income includes three parts.

- Rental income includes the customary rent charged, including indexation, additional charges for investments, and property tax. Rental income is recognized in the period in which the tenant uses the premises, in accordance with IAS 17 – Leases.
- Service income refers to all other additional charges in the form of extra services, such as heating, cooling, waste removal, water, snow removal.
- Other services, such as use of the laundry room and gym, are also recognized when the service is performed.

In Germany and France, Akelius' rental agreements relate to net cold rents and operating costs.

For the vast majority of the operating costs of the tenancy agreement, Akelius acts as the principal on the basis of the provisions in IFRS 15.

Akelius has the power to provide these goods and services and therefore has a performance obligation vis-a-vis the tenant.

Additionally, Akelius retains the risk related to vacancies.

As of 2018, operating expenses will no longer be offset against the corresponding revenues.

The application of IFRS 15 has given rise to an adjustment for 2017 between rental income and operating expenses as stated in the table below, in EUR million:

2017 Jan-Dec	2017 Jan-Sep	2017 Jan-Jun	2017 Jan-Mar
42	26	17	10

Such adjustment has no effect on equity as of the beginning of the comparative year 2017.

Adjustment for prior years in EUR million are the following:

2016	2015	2014
38	38	31

## other information

### IFRS 9 – Financial Instruments

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

IFRS 9 introduces a new model for the classification of financial instruments based on the type of contractual cash flows of the instrument and the business model.

The model includes operational simplifications for lease and trade receivables.

Akelius receives a significant amount of prepayments from tenants.

IFRS 9 therefore has no significant impact on the Group's financial position.

The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges, as the standard currently does not address accounting for macro hedging.

The Group will continue to apply IAS 39, and it is therefore assessed that IFRS will not have a significant impact on the financial performance or position of the Group.

### new accounting principles

#### IFRS 16 – Leasing

IFRS 16 Leases shall apply from January 1, 2019.

The standard has an impact on the lessee as no distinction is made between operational and finance leases.

The lessor's accounts will essentially remain unchanged.

IFRS 16 will affect the Group's accounts of the leases where the company is a lessee.

Among other things, the Group's lease agreement will be reported in the balance sheet,

thereby increasing the balance sheet total.

The income statement will be affected by the Group having increased financial costs and reduced leasing charges in operating profit.

The assessment is that the introduction of the standard will have a limited impact on the financial reports, as the Group is primarily a lessor.

The effects will be quantified in 2018.

### risks and uncertainties

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

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

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

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

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

There have been no material changes in the company's assessment of risks since the publication of the 2017 annual report.

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Pål Ahlsén,  
CEO, Managing Director

Stockholm, Sweden, August 6, 2018,  
Akelius Residential Property AB (publ)

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

## definitions

### adjusted net operating income margin

Net operating income in relation to rental income excluding income from operating expenses included in the rent invoiced to the tenants, such as utility and property taxes. It highlights the ongoing earning capacity from property management related to rental services only.

### adjusted profit before taxes

Profit before taxes adjusted for depreciations, impairments, expenses for property sales, net interest expenses, change in value of properties, exchange rate differences in the profit before taxes, change in value of derivative instruments and change in value of available-for-sale investments and liquid financial assets.

### annual property return

Gain from the revaluation of investment properties and net operating income on an annual basis in relation to the fair value of the properties at the beginning of the year. It illustrates the total return on the property portfolio.

### capitalization rate

Rate of return used in assessing the terminal value of property in the fair value assessment.

Defined as the expected return when net operating income and property prices remains constant.

### debt maturities, years

Volume-weighted remaining term of interest-bearing liabilities and derivatives on the balance sheet date.

It illustrates the company's refinancing risk.

### debt coverage capacity

Profit before tax and revaluation, including realized value growth.

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

This leads to a growing operating surplus.

The pro forma is based on the property portfolio's gross rent, real vacancy, estimated operating expenses and maintenance costs during a normal year, as well as central administrative expenses. Interest expenses are based on net debt on the balance sheet date calculated at the currency rate for the balance sheet day.

No tax has been calculated as it relates mainly to deferred tax.

The pro forma is not a forecast for the coming twelve months.

It contains no estimates of rental, vacancy, currency exchange, future property purchases and sales or interest rate changes.

### discount rate

Rate of return used in assessing the present value of future cash flow and terminal value in the fair value assessment of properties.

Defined as the expected return on the property.

### EBITDA

Net operating income plus central administrative expenses, other income and expenses with add-back of depreciation and impairment charges and operating exchange rate differences.

It highlights current cash flow capacity from property management.

### EPRA NAV

Equity, deferred tax and derivatives.

### equity ratio

Equity in relation to total assets.

It highlights the company's financial stability.

### income return

Net operating income on an annual basis in relation to the fair value of the properties at the beginning of the year.

It measures the yield on the property portfolio.

### interest rate hedge total loans, year

Volume-weighted remaining term of interest rates on interest-bearing liabilities and derivatives on the balance sheet date.

It illustrates the company's financial risk.

### interest coverage ratio

Adjusted profit before taxes in relation to net interest expenses.

It illustrates the company's sensitivity to interest rate changes.

### liquid financial assets

Debt securities and equity securities traded on a regulated market and with an investment grade rating.

## definitions

### like-for-like

Properties owned during the compared periods. This means that properties that were acquired or sold during any of the compared periods are excluded.

### loan-to-value ratio, total loans

Net debt divided by net assets.

### loan-to-value ratio, secured loans

Net debt reduced by unsecured interest-bearing debt divided by net assets.

### net assets

Total assets minus liquid assets.

### net debt

Interest-bearing debts less subordinated debt minus cash and liquid assets.

### net financial items

The net of interest income, interest expenses, other financial income and expenses and changes in the fair value of derivatives. It measures the net of financial operations.

### net letting

The sum of agreed contracted annual rents for new lets for the period less terminated annual rents.

### net interest expenses

Total interest expenses less interest on subordinated debt, one-off financing charges and interest on cash, cash equivalents and liquid financial assets.

### net operating income

Rental income less property costs. It highlights the ongoing earning capacity from property management.

### net operating income margin

Net operating income in relation to rental income. It highlights the ongoing earning capacity from property management.

### other income and expenses

Items from secondary activities such as gains on disposals of fixed assets other than investment properties, income and expenses from temporary services rendered after the sale of properties.

### property costs

This item includes direct property costs such as operating expenses, utility expenses, maintenance costs, leasehold fees and property taxes.

### property portfolio

Investment property and investment property classified as assets held for sale.

### realized value growth

Proceeds from the sale of investment properties minus acquisition costs, accumulated investments and costs of sale. It illustrates realized value growth of properties sold.

### real vacancy rate

The total number of vacant apartments less the number of apartments vacant due to renovation work or planned sales, in relation to the total number of apartments. Real vacancy is measured on the first day after the month-end.

### renewed and renegotiated rental contracts

All changes in rental levels for remaining tenants.

### rental income

Rental value less vacancies, rent discounts.

### rental value residential rent

12 months rent for apartments including a market rent for vacant apartments. Development of the rental value over the last 12 months, broken down into disposals, acquisitions and comparable portfolio.

### return on equity

Comprehensive income divided by opening equity. Shows the return offered on the owners' invested capital.

### unencumbrance ratio

Unencumbered assets less cash equivalents to senior unsecured debt less cash equivalents.

### vacancy rate

The number of vacant apartments in relation to the total number of apartments. Vacancy is measured on the first day after the month-end.

### value growth

Changes in value of investment properties excluding investment and change of currency.

### walk score

Rating of how easy it is to complete daily errands without a car. Locations are rated on a scale from 0 to 100, where 100 is the best. Walk score is provided by Walkscore.com

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# Akelius in brief

## apartments for metropolitans

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

## better living

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

## acquire via cherry-picking

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

## strong capital structure, low refinancing risk

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

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

## first-class personnel

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

## financial calendar

interim report Jan–Sep 2018	Oct 22, 2018
year-end report 2018	Feb 4, 2019
annual report 2018	Mar 15, 2019