Akelius Fastigheter

Annual report and Statement of Accounts 2011

(Translation)

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Administration report

The board and managing director of Akelius Fastigheter AB, organisation number 556156-0383, Box 104, SE-182 12 Danderyd, street address Svärdvägen 3A, hereby submits the annual report and statement of accounts for 2011.

Ownership

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

Operations

Akelius Fastigheter's business concept entails the long-term ownership and management of residential properties that generates a steadily growing cash flow. Low financial risk is achieved through long-term fixed interest rates and capital tied-up for long term periods.

At the end of 2011, the Group owned properties in Sweden and Germany with an assessed market value of SEK 32,352 m (28,269).

The properties are concentrated in locations that exhibit growth in rents and in population. 51 percent of the portfolio is situated in regions with more than 1 million inhabitants – Greater Stockholm Area, Berlin, Hamburg, Munich, Cologne – and 68 percent of the portfolio in regions with more than 0.2 million inhabitants. In compliance with the company's strategy, the share of residential properties was high. At the end of the year, residential properties accounted for 93 percent (88) of the market value. The lettable area of the properties totalled 2,632,053 square metres (2,424,114). The property portfolio comprised 35,151 apartments (31,502), with 11,797 (8,576) of these apartments in Germany.

Akelius Fastigheter AB is the parent company of the Group, with the properties owned directly by the parent company or through subsidiaries.

Operating surplus SEK 1 376 m

The Group's rental income for the financial period increased by SEK 156 m to SEK 2,595 m (2,439). For comparable properties and adjusted for changes in exchange rates the rental income increased with 3.8 percent.

The rental market remains strong. The average residential rent for comparable properties in Sweden rose by 5.1 percent during the period, of which 2.75 percent is due to annual rent negotiations while the remainder is a result of upgrading of apartments. The average rent for new leases during the fourth quarter was SEK 1,124 per square metre and year, which is 16 percent higher than the average residential rent at the beginning of the year. At the end of the year, the average residential rent was SEK 1,014 per square metre and year. The average residential cold rent for comparable properties in Germany rose by 7.0 percent during the period. The main part of the increase is due to new leases of upgraded apartments. The average cold rent for new leases for the year was EUR 9.74 per square metre and month, which is 42 percent higher than the average residential cold rent at the beginning of the year. The average rent at year end for residential properties was EUR 7.33 per square metre and month.

The vacancy rate for apartments was 1.9 percent, 64 percent of these apartments were vacant due to upgrading. The real vacancy rate was thus 0.7 percent, an increase with 0.1 percentage compared to the vacancy rate 2010.

Property costs were SEK 1,219 m (1,221), corresponding to a reduction of SEK 2 m. Of property costs, SEK 284 m (266) comprised maintenance, corresponding to an average annual cost of SEK 108 (110) per square metre. The operating surplus for the period increased by SEK 158 m to SEK 1,376 m (1,218), and for comparable properties the operating surplus increased with 8.3 percent. The operating surplus margin was 53.0 percent (49.9).

Depreciation and writing-down, SEK -33 m

The property, which is employed in the Cape East Family Resort business, has been depreciated by SEK 7 m and written-down by SEK 7 m, according to schedule. Goodwill in respect of Cape East Family Resort has been written-down by SEK 15 m. Office fixtures & fittings have been depreciated by SEK 5 m.

Central administration and other costs, SEK -94 m

Costs relating to the sale of properties were SEK 46 m (11) and costs relating to central administration were SEK 46 m (66).

Financial income and costs, SEK -1 052 m

Interest income for the year, including interest subsidies, was SEK 67 m (87) and financial expenses for the year were SEK 1,119 m (1,052). This gives an interest coverage ratio of 1.26 (1.18).

Increase in value of properties of 3.6 percent

Revaluation of properties was SEK 1,025 m (357). This represents an increase in value during the year of 3.62 percent (1.26). Of the revaluation of properties SEK 135 m was realised through sales of properties. The total sales price of SEK 1,828 m was 8 percent above the market valuation of 31, December 2010. Aside from the value growth due to sales, the remaining growth is due to increased rental income, since the required yield for the assessed market values has remained unchanged.

Revaluation of derivative instrument, SEK -764 m
Revaluation of financial derivatives totalled SEK -764 m (76), which was due to decreased market interest rates.

Year's profit/loss, SEK 388 m
Profit for the year decreased by SEK 284 m to SEK 388 m (672).

Purchase of properties for SEK 3 792 m
During the year, properties were acquired at a value of SEK 3,792 m (972), of which SEK 1,470 m was attributable to properties in Sweden and SEK 2,322 m to properties in Germany. The average initial yield was 4.9 percent in Sweden and 4.8 percent in Germany. The average acquisition price per square metre was SEK 14,576 in Sweden and SEK 11,870 in Germany.

Property investments, SEK 1 138 m
Investments in the properties totalled SEK 1,138 m (924), which corresponds to SEK 440 per square metre.

During the year approximately 2,500 apartments were upgraded during tenant fluctuation to the standard of *Akelius Living*, which was 45 percent of all vacated apartments. The upgrade cost was SEK 604 m, or SEK 0.2 m per apartment.

Another SEK 304 m was invested during the period in the complete upgrade of properties. One of the larger projects is in southern Stockholm, where a property with 479 apartments is being upgraded. The complete upgrade entails measurements such as new balconies, new bathrooms and kitchens, new roofs and façades, and a new heating system.

Other major upgrades, totalling SEK 230 m, included converting commercial units to residential, attic extensions, densification projects, and water and energy saving projects.

Market valuation of Investment properties
At year end the market value of all properties was assessed by internal valuation. The valuations are based on a cash flow model for each individual property, with individual assessments of future earning ability and required yield. The cash flow model is based on actual income and expenses adjusted for a normalised future cash flow. Over the space of a year, CB Richard Ellis examines and verifies one third of the internally estimated values.

The average required yield in the assessment of residential properties was 4.9 percent in Sweden and 4.8 percent in Germany. For commercial properties, the average required yield was 6.9 percent in Sweden and 6.5 percent in Germany. The average required yield for the total portfolio was 5.1 percent, which is slightly lower than at the beginning of the year. This is due to more rapid growth of the market values in Germany, which has a lower required yield, and due to sales of commercial properties in Sweden. The required yield for each property remained unchanged during the year.

The assessed market value of the Group's property holdings as per year end was SEK 32,352 m (28,269), which corresponds to SEK 12,292 per square metre. The market value has increased by SEK 1.025 m due to revaluation, corresponding to 3.6 percent, and by SEK -44 m due to exchange rate fluctuations, corresponding to 0.2 percent. Aside from SEK 135 m earned through the sale of properties above market value, the revaluation of SEK 890 m is otherwise completely down to increases in rental income.

Changes in property holdings have increased the market value by SEK 1,964 m. Investments and purchases amounted to SEK 4,930 m and properties were sold for a total of SEK 1,828 m.

Of the total market value, SEK 22,574 m (21,502) comprises properties in Sweden and SEK 9,778 m (6,892) properties in Germany. Residential properties represent 93 percent (88) of the market value, which is in line with the Group's goal of residential properties comprising at least 90 percent.

Financial position
At the end of the year, the Group's interest-bearing liabilities totalled SEK 20,364 m (17,721), of which SEK 17,046 m (13,883) was attributable to interest-bearing liabilities with security and SEK 3,318 m (3,838) to interest-bearing liabilities without security. Of the interest-bearing liabilities without security, SEK 240 m comprised loans from the parent company Akelius Apartment Ltd. Interest-bearing liabilities with security refer to loans raised with properties as security. Of interest-bearing liabilities with security, SEK 3,562 m (683) had an interest rate fixed for less than one year and SEK 9,971 m (10,274) had an interest rate fixed for more than five years. Interest-bearing liabilities with security had an average interest rate of 4.94 percent (5.11) and capital was tied-up for an average of 6.0 years (5.5).

At the end of the financial year, available funds in the form of cash and granted but unutilised credit facilities totalled SEK 1,964 m (2,004). Unutilised credit facilities totalled SEK 2,227 m (1,990).

During the year, the Group's equity increased by SEK 357 m and, at the end of the financial period, totalled SEK 8,561 m (8,210), corresponding to an equity/assets ratio of 25.9 percent (28,2).

Risks and possibilities
Rental income
Akelius Fastigheter’s business concept is for the long-term ownership and administration of residential properties with the ability of generating a constantly growing cash flow. The operational risks are limited through the

property portfolio being concentrated in residential properties in locations with population growth. A strong housing market for residences in Sweden and in Germany reduces the risk of long-term vacancies. The current rent levels afford the possibility for future rent increases and, thereby, increased value. A one percent change to residential incomes corresponds to change of rental income of SEK 21 m.

Market value properties
The Investment properties are accounted at actual value with a revaluation in the profit & loss accounts. The value is influenced by the development of anticipated operating surplus and yield requirements. A change to anticipated rent income of +/- a percentage point corresponds to +/- SEK 490 m in altered property value. If the direct yield requirement is altered by an average of +/- 0.1 percentage point, the market value changes by SEK -600 m or SEK +625 m.

Interest risk
In order to reduce the risk, or variations in the cash flow, further, interest is tied long-term. At the end of the accounting year 50 percent (74) of the property credits had a fixed interest rate for longer than five years and 21 percent (5) had a fixed interest rate shorter than one year. With regard to the low proportion of loans with variable interest, a change to the market interest rates will have a limited effect on the result. A percentage point change to the market interest rates corresponds to SEK 35 m in altered interest costs.

Market value derivatives
In order to achieve a desired fixed interest rate, an interest derivative is employed. The interest derivative's value development depends on how the market interest rate develops in relation to the agreed interest rate and the remaining term to maturity. At the end of the year, the underestimate in the derivative portfolio was SEK 2 103 m (1 339). A parallel shift in the discount rate used upon assessment of the interest derivative of one percentage point would affect the value by SEK 890 m. If the remaining term to maturity is decreased by one year, the value increases by SEK 270 m. Upon maturing, a derivative contract's market value is dissolved in its entirety and the revaluation has thus not affected the equity capital over time.

Refinancing risk
The refinancing risk is reduced through property credits being taken up by nineteen different credit providers and through the property portfolio only being borrowed against to 53 percent (49) of the market value. The liquidity is secured through long credit agreements being concluded with a large number of banks.

Currency exposure
Investments abroad financed in local currency up to a maximum borrowing degree of 60 percent, involves the group's equity capital being affected by

changed currency exchange rates. A change in the currency exchange rate for SEK/EUR of +/- 10 percent corresponds to SEK +/- 380 m change of equity.

Environment
Akelius Fastigheter did not conduct any own licence or notifiable activity in accordance with chapter 9 §6 of the Environmental Code.

Parent company
Rent income in the parent company was SEK 48 m (46) and the pre-tax profit was SEK 467 m (1 374). Included in the profit is dividends from subsidiaries at SEK 529 m (1 232) and group contributions received at SEK 299 m (316).

Incidents after the end of the accounting year
After the end of the accounting year, properties have been bought for SEK 553 m, of which SEK 525 m was in Germany. In Sweden, properties were sold for SEK 745 m.

Proposed allocation of profits
The parent company places at the disposal of the annual general meeting:

Balanced profit	SEK	3,666,376,797
Year's profit	SEK	480,203,761
	SEK	**4,146,580,558**

The board and managing director propose that SEK 900,000,000 be distributed to shareholders and that SEK 3,246,580,558 be carried forward to new accounts.

The board's statement regarding the proposed dividend
The group and parent company enjoy good liquidity and, following the proposed dividend, the group's solvency amounts to 22.7 percent and the parent company's solvency to 34.1 percent.

In the opinion of the board, with consideration given to the liquidity requirements, the submitted business plan and announcement, investment plans and ability to obtain long-term credits, there is nothing to indicate that the group and parent company's equity capital would not be adequate following the proposed dividend. The board therefore finds that the proposed dividend is defensible in accordance with chapter 17 § 3 the Swedish Companies Act.

Total profit/loss for the group

Amounts in SEK 000s	Note	**2011** 12 months	**2010** 12 months
Rental income	7	2,594,977	2,439,151
Property costs	8,12	-1,218,579	-1,221,098
Operating surplus		**1,376,398**	**1,218,053**
Depreciation and writing-down tangible fixed assets	9	-33,736	-3,326
Gross profit		**1,342,662**	**1,214,727**
Central administration	11,12	-46,428	-65,974
Other income and costs	10	-47,269	-13,364
Revaluation of Investment properties	13	1,025,114	357,273
Operating profit		**2,274,079**	**1,492,662**
Financial income	15	67,110	87,213
Financial expenses	16	-1,118,726	-1,052,477
Revaluation of derivative instrument	17	-764,037	77,414
Profit before tax		**458,426**	**604,812**
Tax	18	-70,110	66,772
Year’s profit		**388,316**	**671,584**
Conversion differences		-32,320	26,176
Total profit		**355,996**	**697,760**
Year´s profit attributable to:			
holding without dominant influence		752	204
parent company’s shareholders		387,564	671,380
Total profit attributable to:			
holding without dominant influence		746	253
parent company’s shareholders		355,250	697,507

Balance sheet for the group

Amounts in SEK 000s	Note	**2011-12-31**	**2010-12-31**	**2009-12-31**
Assets				
Fixed assets				
Goodwill	19	-	14,935	14,935
Intangible fixed assets		**-**	**14,935**	**14,935**
Investment properties	20	31,797,388	27,651,549	28,640,206
Business properties	21	120,318	125,008	31,000
Ongoing construction work	22	554,943	617,462	632,921
Machinery and fixtures & fittings	23	17,064	17,202	11,157
Tangible fixed assets		**32,489,713**	**28,411,221**	**29,315,284**
Long-term receivables	25	194,528	524,483	491,870
Derivative instrument	34	190,429	24,401	28,218
Deferred tax receivables	26	569,047	354,314	415,959
Financial fixed assets	**41**	**954,004**	**903,198**	**936,047**
Total fixed assets		**33,443,717**	**29,329,354**	**30,266,266**
Current assets				
Customer receivables	27	46,378	19,792	18,221
Receivables from group companies	28	27,917	-	-
Other short-term receivables	29	222,048	123,168	1,274,099
Derivative instrument	34	1,121	-	-
Pre-paid costs and accumulated income	30	12,982	13,527	25,047
Cash-in-hand and on deposit	31	30,417	19,910	24,326
Total current assets	**41**	**340,863**	**176,397**	**1,341,693**
Total assets		**33,784,580**	**29,505,751**	**31,607,959**

Balance sheet for the group

Amounts in SEK 000s	Note	**2011-12-31**	**2010-12-31**	**2009-12-31**
Equity and liabilities				
Equity				
Share capital		400,000	400,000	400,000
Other reserves		-6,144	26,177	-9,806
Balanced profit including year’s profit/lo		8,167,426	7,778,585	7,117,062
Total equity capital attributable to parent company’s owners		**8,561,282**	**8,204,762**	**7,507,256**
Holding without dominant influence		6,212	5,044	4,791
Total equity capital		**8,567,494**	**8,209,806**	**7,512,047**
Long-term liabilities				
Long-term borrowing	32	12,065,027	13,294,599	12,795,734
Liabilities to group companies	33	2,556,500	3,152,139	2,361,159
Derivative instrument	34	2,294,173	1,363,201	1,444,431
Deferred tax liabilities	35	1,850,711	1,571,398	1,700,322
Other long-term liabilities	36	76,237	3,067	4,247
Total long-term liabilities	**41**	**18,482,648**	**19,384,404**	**18,305,893**
Short-term liabilities				
Short-term borrowing	32	5,409,517	964,392	4,289,714
Liabilities to group companies	33	332,948	309,603	790,058
Derivative instrument	34	214	-	-
Accounts outstanding	37	172,814	134,323	126,479
Current tax liabilities	38	10,002	3,528	111,847
Other short-term liabilities	39	78,400	86,480	54,124
Accrued costs and pre-paid income	40	370,543	413,215	417,797
Total short-term liabilities	**41**	**6,374,438**	**1,911,541**	**5,790,019**
Total equity and liabilities		**33,784,580**	**29,505,751**	**31,607,959**
Securities pledged	**42**	**20,956,962**	**18,130,792**	**20,436,494**
Contingent liabilities	**43**	**1,403,314**	**1,794,154**	**973,428**

Change to equity group

Amounts in SEK m	Share capital	Other reserves	Balanced profit including year's profit/loss	Total parent company's shareholders	Holdings without dominant influence	Total Equity capital
Equity capital 01-01-2010	400	639	3,179	4,218		**4,218**
Change of accounting principles to IFRS		-639	3,928	3,289	5	**3,294**
Equity capital 01-01-2010 IFRS	**400**	**0**	**7,107**	**7,507**	**5**	**7,512**
Year's profit/loss			672	672		**672**
Other total profit/loss		26		26		**26**
Equity capital 31-12-2010	**400**	**26**	**7,779**	**8,205**	**5**	**8,210**
Acquired minority				0	0	**0**
Year's profit/loss			388	388	1	**389**
Other total profit/loss		-32		-32		**-32**
Equity capital 31-12-2011	**400**	**-6**	**8,167**	**8,561**	**6**	**8,567**

Group's cash flow analysis

Amounts in SEK 000s	**2011** 12 months	**2010** 12 months
Operating surplus	1,376,398	1,218,053
Other income	-2,846	-7,109
Central administration costs	-46,428	-65,974
Interest contributions	2,467	2,661
Interest income and similar profit & loss items	28,783	84,552
Interest costs and similar profit & loss items	-1,118,726	-1,052,477
Tax paid	-11,794	-5,291
Cash flow from ongoing administration activity	**227,854**	**174,415**
Difference between paid and cost-entered operating and interest costs	-38,938	101,978
Cash flow before change of operating capital	**188,916**	**276,393**
Increase in goods stocks	-1,083	-780
Reduction (+) / increase (-) in receivables	-92,670	1,224,359
Reduction (-) / increase (+) in liabilities	110,055	-69,299
Cash flow from continuing operations	**205,218**	**1,430,673**
Investment in intangible fixed assets	-1	-
Investment in investment properties	-4,929,720	-1,888,668
Investment in tangible fixed assets	-103,608	-79,808
Sale of tangible fixed assets	1,781,095	2,381,469
Increase in financial fixed assets	367,646	-102,999
Cash flow from investing activities	**-2,884,588**	**309,994**
Interest-incurring liabilities taken up	102,228,912	49,385,544
Amortising of interest-incurring liabilities	-99,540,305	-51,130,627
Capital injection	1,270	-
Cash flow from financing activities	**2,689,877**	**-1,745,083**
Change in cash-in-hand and on deposit	**10,507**	**-4,416**
Cash-in-hand and bank funds at year start	**19,910**	**24,326**
Cash-in-hand and on deposit at year end	**30,417**	**19,910**

Profit & loss accounts for parent company

Amounts in SEK 000s	Note	**2011** 12 months	**2010** 12 months
Rental income	7	47,631	45,939
Property costs	8,12	-22,430	-22,214
Operating surplus		**25,201**	**23,725**
Depreciation, writing-down and reversals of tangible fixed assets	9	-1,697	8,294
Gross profit		**23,504**	**32,019**
Central administration cost	11,12	-74,116	-96,649
Other income and costs	10	36,248	36,610
Operating profit		**-14,364**	**-28,020**
Result from holdings in group companies	14	812,471	1,534,421
Financial income	15	577,822	831,324
Financial expenses	16	-908,436	-963,712
Profit before tax		**467,493**	**1,374,013**
Tax on year's profit/loss	18	12,711	-45,631
Year's profit		**480,204**	**1,328,382**
Total profit		**480,204**	**1,328,382**

Balance sheet for parent company

Amounts in SEK 000s	Note	2011-12-31	2010-12-31
Assets			
Fixed assets			
Properties	20	249,549	244,200
Ongoing construction work	22	1,875	116
Machinery and fixtures & fittings	23	241	188
Total tangible fixed assets		**251,665**	**244,504**
Holdings in group companies	24	9,554,984	8,643,812
Long-term receivables	25	127	148,781
Deferred tax receivable	26	13,511	-
Total financial fixed assets	**41**	**9,568,622**	**8,792,593**
Total fixed assets		**9,820,287**	**9,037,097**
Current assets			
Customer receivables	27	1,164	490
Receivables from group companies	28	1,159,285	1,865,262
Other short-term receivables	29	1,260	2,796
Pre-paid costs in accumulated income	30	1,689	1,407
Cash-in-hand and on deposit	31	3,448	95
Total current assets	**41**	**1,166,846**	**1,870,050**
Total assets		**10,987,133**	**10,907,147**

Balance sheet for parent company

Amounts in SEK 000s	Note	2011-12-31	2010-12-31
Equity and liabilities			
Equity			
Share capital (400 000 shares)		400,000	400,000
Reserve fund		28,500	28,500
Writing-up fund		70,000	70,000
Total tied equity capital		**498,500**	**498,500**
Profit brought forward		3,666,377	2,337,995
Year's profit		480,204	1,328,382
Total free equity capital		**4,146,581**	**3,666,377**
Total equity		**4,645,081**	**4,164,877**
Allocations			
Deferred tax	35	6,160	5,455
Total allocations		**6,160**	**5,455**
Long-term liabilities			
Long-term interest-incurring liabilities	32	44,388	2,385,908
Interest-incurring liabilities to group companies	33	5,454,420	4,035,277
Other long-term liabilities	36	189	107
Total long-term liabilities		**5,498,997**	**6,421,242**
Short-term liabilities			
Short-term interest-incurring liabilities	32	457,669	223,608
Interest-incurring liabilities to group companies	33	314,542	-
Accounts outstanding	37	5,238	5,226
Tax liabilities	38	1,996	3,341
Other short-term liabilities	39	13,722	3,950
Accumulated costs and pre-paid income	40	43,728	79,448
Total short-term liabilities	**41**	**836,895**	**315,573**
Total equity capital and liabilities		**10,987,133**	**10,907,147**
Securities pledged	**42**	**331,370**	**270,671**
Contingent liabilities	**43**	**17,266,711**	**12,404,223**

Change to equity capital – parent company

Amounts in SEK 000s	**Share-capital**	**Reserve fund**	**Writing-up fund**	**Balanced profit**	**Total equity capital**
Equity capital 01-01-2010	400,000	28,500	70,000	2,337,995	**2,836,495**
Year’s profit/loss				1,328,382	**1,328,382**
Equity capital 31-12-2010	**400,000**	**28,500**	**70,000**	**3,666,377**	**4,164,877**
Year’s profit/loss				480,204	**480,204**
Equity capital 31-12-2011	**400,000**	**28,500**	**70,000**	**4,146,581**	**4,645,081**

Parent company's cash flow analysis

Amounts in SEK 000s	**2011** 12 months	**2010** 12 months
Operating surplus	25,201	23,725
Other income	36,248	36,545
Central administration costs	-74,116	-96,649
Interest contributions	6	42
Result from holdings in group companies	833,471	1,548,321
Interest income and similar profit & loss items	600,146	607,016
Interest costs and similar profit & loss items	-908,436	-963,712
Tax paid	-1,440	733
Cash flow from ongoing administration activity	**511,080**	**1,156,021**
Difference between paid and cost-entered operating and interest costs	-36,002	49,361
Cash flow before change of operating capital	**475,078**	**1,205,382**
Decrease in receivables	706,839	1,880,569
Increase in liabilities	9,866	1,889
Cash flow from continuing operations	**1,191,783**	**3,087,840**
Investment in tangible fixed assets	-8,858	-3,031
Investment in group companies	-932,900	-509,759
Sale of tangible fixed assets	-	65
Sales of group companies	-	200
Increase in financial fixed assets	148,654	21,640
Cash flow from investing activities	**-793,104**	**-490,885**
Interest-incurring liabilities taken up	32,786,166	16,621,190
Amortising of interest-incurring liabilities	-33,182,220	-19,257,452
Shareholder injection	728	38,956
Cash flow from financing activities	**-395,326**	**-2,597,306**
Change in cash-in-hand and on deposit	**3,353**	**-351**
Cash-in-hand and bank funds at year start	95	446
Cash-in-hand and on deposit at year end	**3,448**	**95**

Accounting principles and notes

Note 1 General information

Akelius Fastigheter own and administer residential properties. The group owns properties in Sweden and Germany. The parent company in the group is Akelius Fastigheter AB and the properties are owned directly by the parent company or through subsidiaries. All the shares in Akelius Fastigheter AB are owned by Akelius Apartments Ltd with a head office in Cyprus.

Note 2 Summary of important accounting principles

The most important accounting principles applied when this group report was drawn up, are stated below. These principles have been employed consistently for all presented years, unless otherwise stated.

2.1 Ground on which the reports are drawn up

The group report for the Akelius Fastigheter AB group has been draw2n up in accordance with International Financial Reporting Standards, IFRS, and IFRS IC interpretations as adopted by EU, RFR 1 ”Supplementary accounting principles for groups”. It has been drawn in accordance with the acquisition value method apart from with regard to the valuations of investment properties as well as financial assets and liabilities, derivative instruments, evaluated at actual value via the profit & loss accounts.

This financial report is Akelius Fastigheter AB’s first financial report drawn up in accordance with IFRS. Historical financial information has been recalculated from 1 January 2010, which is the date of transferring to accounting in line with IFRS. An explanation of how the change from previously employed accounting principles to IFRS has impacted in the group’s result, position and cash flow is given in notes 5, 6 and equity capital account page 10.

The parent company’s accounts are drawn up in conformity with RFR 2, ”Accounting for legal entities”. In the event of the parent company applying accounting principles other than those of the group, this is stated separately, see section 2.21.

Drawing up reports in conformity with IFRS requires the use of a number of important estimates for accounting purposes. It is further required that the management makes various assessments upon the application of the group’s accounting principles. The areas which involve a high degree of assessment, which are complex or such areas where assumptions and estimates are of major importance for the group accounts, are stated in note 4.

Standards, changes and interpretations of existing standards that have come into effect during the year have not had any significant impact on the group.

Standards, changes and interpretations of existing standards that have not come into effect and which have not prematurely been applied by Akelius Fastigheter AB

Upon drawing up the group accounts as at 31 December 2011 several standards and interpretations have been published which have not yet come into effect and which are applicable to Akelius Fastigheter AB. Shown below is a preliminary assessment of the effects of the standards which are considered to be relevant to Akelius Fastigheter:

- IFRS 9, Financial instrument, applies from 1 January 2015 on condition that it is adopted by the EU. IFRS 9 deals with classification, valuation and reporting of financial liabilities and assets and replaces, e.g. those parts of IAS 39 that are related to classification and valuation of financial instruments. When the standard is complete its effect on the group's financial reports will be assessed.

- IFRS 10, Consolidated Financial Statements, which applies from 1 January 2013 on condition that it is adopted by the EU, aims at establishing principles for the drawing up and presentation of group accounts when a company controls one or more other companies. The standard defines the concept of control and determines control as grounds for consolidation. The assessment is that the standard does not involve any significant change to accounting at actual value in the financial reports.

- IFRS 13, Fair Value Measurement, which applies from 1 January 2013 on condition that it is adopted by the EU, aims at valuations at actual value being more consistent and less complex. It contains guidelines regarding how actual value is to be determined and, in these respects, replaces descriptions of valuation technique in other standards, e.g. IAS 40 Investment Properties. The standard may have a certain effect on the information which is provided in the financial reports, which the company has yet to determine.

- IAS 12, Income taxes, applies from 1 January 2012 on condition that it is adopted by the EU. At present IAS 12 requires deferred tax attributable to an asset being assessed differently, depending on whether the asset's accounted value will be recovered through it being utilised in the business or through being sold. In IAS 12 an exception is now introduced in the present principle, in order to facilitate assets being assessed at actual value in accordance with IAS 40, Investment Properties. The assessment is that the standard does not involve any significant change in the accounting at actual value in the financial reports.

- IAS 27, Group accounts and separate financial reports, apply from 1 January 2013 on condition it is adopted by the EU, contains the rules regarding separate financial reports which remain after the rules regarding control have, instead, been included in IFRS 10. The assessment is that the standards do not involve and significant change in the accounting at actual value in the financial reports.

2.2 Classification

Fixed assets and long-term liabilities consist of amounts that are expected to be recovered or paid after more than twelve months from the balance sheet date. Current assets and short-term liabilities consist of amounts that are expected to be recovered or paid within twelve months of the balance sheet date.

2.3 Group accounting

Subsidiaries

Subsidiaries are all the companies where the group possesses the right to draw up financial and operational strategies in a manner which normally follows with a shareholding of more than half the voting rights. Subsidiaries are included in the group accounts from and including the day on which the dominant influence was transferred to the group. They are excluded from the group accounts from and including the day on which the dominant influence ceases.

The acquisition method is employed for the accounting of the group’s business acquisitions. The purchase sum of the acquisition of a subsidiary comprises the actual value of the transferred assets, liabilities and the shares which are issued by the group. Also included in the purchase sum is the actual value of all assets or liabilities which are a consequence of an agreement governing a conditional purchase sum. Acquisition-related costs are entered as costs when they arise. Identifiable acquired assets and liabilities taken over in a business acquisition are initially evaluated at the actual value on the day of acquisition.

The amount by which the purchase sum, any holding without dominant influence as well as actual value on the day of acquisition of previous shareholdings, exceeds the actual value of the group’s share of identifiable acquired net assets, are accounted as goodwill. If the amount is less than the actual value of the acquired subsidiary’s assets, in the event of a so-called “bargain purchase”, the difference is accounted directly in the report over the total outcome.

When acquisition of a subsidiary does not relate to the acquisition of a business, but acquisition of net assets in the form of investment properties, the acquisition costs of the acquired net assets are distributed in the acquisition analysis. An acquisition of investment properties is classified as acquisition of net assets if the acquisition concerns properties with or without leasing contracts, but does not include the personnel and the procedures which are required in order to conduct the administration activity. In note 4 there is a more detailed description of Akelius' delineation between business and assets acquisition.

The group's final accounts are drawn up in accordance with the acquisition method which means that the subsidiary's equity capital, upon being acquired, determined as the difference between the actual value of the assets and liabilities, is eliminated in its entirety. In this way, only that part of the subsidiary's equity capital which was added after the acquisition, is included in the group's equity capital. Group-internal transactions and balance sheet items, as well as unrealised profits and losses on transactions between group businesses, are eliminated. The accounting principles for subsidiaries have been altered where appropriate in order to guarantee a consistent application of the group's principles.

2.4 Segment reporting

According to IFRS 8 Operating Segments, operating segments shall be reported in a manner which conforms to the internal reporting submitted to the highest managing director. Since the accounting principle is voluntary for businesses without quoted securities, the Akelius Group has elected not to apply IFRS 8.

2.5 Conversion of foreign currency

Functional currency and reporting currency

Items included in the financial reports for the various entities in the group are evaluated in the currency employed in the financial environment where the respective businesses are primarily active, functional currency. In the group accounts, Swedish kronor, SEK, which is the group's report currency, are employed.

Transactions and balance sheet items

Transactions in foreign currency are converted to the functional currency according to the currency exchange rates which apply on the day of transaction or the day when the items are re-evaluated. Currency exchange profits and losses which arise upon payment of such transactions and upon conversion of monetary assets and liabilities in foreign currency at the exchange rate of the balance sheet day, are accounted in the operating profit/loss in the profit & loss accounts. Currency exchange rate profits and losses attributable to loans and liquid funds are accounted in the profit & loss accounts as income or costs.

Conversion of foreign group companies
Profit/loss and financial position for all group businesses which have a functional currency other than the reporting currency, are converted to the group's reporting currency in accordance with the following:

- Assets and liabilities for each and every one of the balance sheets are converted at the balance sheet day's exchange rate,
- Income and costs for each and every one of the profit & loss accounts are converted at an average currency exchange rate, and
- All currency exchange rate differences which arise are otherwise accounted in the total profit/loss.

Upon consolidation, the currency exchange rate differences which arise as a consequence of conversion of net investments in foreign businesses and from borrowing and other currency instruments identified as hedges of such investments, are otherwise accounted in the total profit/loss. Upon disposal by sale of a foreign business, wholly or in part, the exchange rate differences accounted in equity capital are entered in the profit & loss accounts and are accounted as part of the sale profit or loss.

Goodwill and adjustments to actual value which arise upon acquisition of a foreign business, are dealt with as assets or liabilities for this business and are converted at the balance sheet day exchange rate.

2.6 Intangible fixed assets

Goodwill
Goodwill comprises the amount by which the acquisition value exceeds the actual value of the group's share of the acquired subsidiary's identifiable net assets at the time of acquisition.

The acquisition method is employed for the accounting of the group's business acquisitions. The purchase sum of the acquisition of a subsidiary comprises the actual value of the transferred assets, liabilities and the shares which are issued by the group. Also included in the purchase sum is the actual value of all assets or liabilities which are a consequence of an agreement governing a conditional purchase sum. Acquisition-related costs are entered as costs when they arise. Identifiable acquired assets and liabilities taken over in a business acquisition are initially evaluated at the actual value on the day of acquisition.

The amount by which the purchase sum, any holding without dominant influence as well as actual value on the day of acquisition of previous shareholdings, exceeds the actual value of the group's share of identifiable acquired net assets, are accounted as goodwill. If the amount is less than the actual value of the acquired subsidiary's assets, in the event of a so-called “bargain purchase”, the difference is accounted directly in the report over the total outcome.

Goodwill upon the acquisition of a subsidiary is accounted as intangible assets. Goodwill is tested annually in order to identify any writing-down requirement and is accounted at the acquisition value reduced by accumulated writing-down. Writing-down of goodwill is not transferred back. Profit or loss upon disposal by sale of an entity includes residual accounted value of the goodwill which relates to the disposed of entity.

Goodwill is distributed among cash-generating entities upon testing of any writing-down requirement. The distribution is made on the cash-generating entities or groups of cash-generating entities, determined in accordance with the group's operating segment, which are expected to benefit from the business acquisition where the goodwill item occurred.

2.7 Tangible fixed assets

Investment properties

Investment properties are held with the aim of generating rent income and increases in value. Investment properties in the group are initially accounted at the acquisition value, including directly attributable transaction costs. After the initial accounting, Investment properties are accounted at the actual value. Actual value is based, in the first instance, on prices on an active market and is the amount at which an asset would be able to be transferred between initiated parties who are independent of each other and who have an interest in the transaction being carried out. In order to determine the properties' actual value at each individual case of final accounts, a market valuation is made of all properties. In note 4 there is a more detailed description of the grounds for Akelius' assessment of the Investment properties.

Changes in actual value of Investment properties are accounted as a revaluation in the profit & loss accounts. Additional expenses are only activated when it is likely that future financial advantages associated with the assets will be obtained by the group and outlay can be determined reliably and also that the measure concerns the replacement of an existing, or the introduction of a new, identified component. Repair and maintenance costs are continuously entered as profit/loss during the period in which they arise.

Operating properties, ongoing construction work on these, as well as machinery and fixtures & fittings

Operating property, ongoing construction work on these as well as machinery and fixtures & fittings are accounted at acquisition value with a deduction for depreciation. Included in the acquisition value are expenses which can be directly attributed to the acquisition of the asset. Operating properties are reported as one component.

Additional expenses are added to the asset's accounted value or accounted as a separate asset, depending on which is the most suitable, only when it is probable that the future financial benefits associated with the asset will be to the benefit of the group and when the asset's acquisition value can be measured in a reliable manner. The accounted value for the replaced part is removed from the balance sheet. All other forms of repair and maintenance are accounted as costs in the profit & loss accounts during the period in which they arise.

Each part of a tangible fixed asset with an acquisition value which is significant in relation to the asset's overall, acquisition value is depreciated separately. Depreciation is undertaken linearly in accordance with the following:

- machinery and fixtures & fittings 20 percent per year
- operating property 3 percent per year

The assets' residual value and periods of use are tested at the end of each reporting period and adjusted as necessary. An asset's accounted value is immediately written down to its recovery value if the asset's accounted value exceeds its assessed recovery value, see section 2.8.

Profits and losses upon disposal by sale are determined through a comparison between sales income and the accounted value and are accounted in Other income and costs in the profit & loss accounts.

2.8 Writing-down of non-financial fixed assets

Assets which have an indeterminable period of use, such as goodwill, or assets which are not yet ready for use, are not depreciated but are tested annually with regard to possible writing-down requirements. Assets which are depreciated are assessed with regard to the decrease in value whenever events or changes in the relationship indicate that the accounted value may not be recoverable. A writing-down is effected by the amount by which the asset's accounted value exceeds its recovery value. The recovery value is the higher of the asset's actual value reduced by sales costs and its usefulness value. Upon assessment of the writing-down requirement, assets are grouped at the lowest levels where separate identifiable cash flows exist, cash-generating entities. For assets other than financial assets and goodwill, which have previously been written-down, a test as to whether transferring back is to be undertaken, shall be done on each balance sheet day.

2.9 Financial instruments

2.9.1 Classification

The group classifies its financial assets and liabilities in the following categories: "Financial assets and liabilities evaluated at actual value via the profit & loss accounts", "Loan receivables and customer receivables" as well as "Other financial liabilities". The classification depends on for which objective the financial asset or liability has been acquired.

Financial assets and liabilities assessed at actual value via the profit & loss accounts

Financial assets and liabilities assessed at actual value by the profit & loss accounts are financial instruments which are held for trade. Derivative instruments are classified as being held for trade if they are not identified as hedges. The group classifies derivative instruments in this category.

Loan receivables and customer receivables

Loan receivables and customer receivables are financial assets which are not derivatives, which have determined or determinable payments and which are not quoted on an active market. They are included in current assets with the exception of items with a due-by date later than 12 months after the balance sheet day, which are classified as fixed assets. The group's loan receivables and customer receivables comprise customer receivables, see section 2.10, liquid funds, see section 2.11, as well as the financial instruments which are accounted among other receivables.

Other financial liabilities

The group's borrowing, accounts outstanding and that part of other short-term liabilities relating to financial instruments, are classified as other financial liabilities.

2.9.2 Accounting and valuation

Purchase and sales of financial assets are accounted on the transaction day, the day on which the group undertakes to buy or sell the assets. Financial instruments are accounted for the first time at actual value plus transaction costs, which apply to all financial instruments not accounted at actual value by the profit & loss accounts. Financial assets and liabilities assessed at actual value via the profit & loss accounts are accounted for the first time at actual value in the balance sheet, while attributable transaction costs are accounted in the profit & loss accounts. Financial assets are removed from the balance sheet when the right to obtain the cash flow from the instrument has expired or has been transferred and the group has transferred more or less all risks and benefits which are associated with the ownership rights. Financial liabilities are removed from the balance sheet when the obligation in the agreement has been discharged or has, in some other manner, ceased to apply.

Financial assets assessed at actual value via the profit & loss accounts are accounted after the time of acquisition at actual value. Loan receivables and customer receivables as well as other financial liabilities are accounted after the time of acquisition at the accumulated acquisition value with the application of the effective interest method.

Profits and losses as a consequence of changes in actual value regarding the financial assets and liabilities category assessed at actual value via the profit & loss accounts, derivative instruments, are accounted as profit/loss in the period in which they arise and are included in the operating profit/loss after net financial items in the profit & loss accounts, depending on the nature of the item which is secured financially. Financial securing of interest payments is accounted within the net financial items.

2.9.3 Set-off of financial instruments

Financial assets and liabilities are set-off and accounted by a net amount in the balance sheet, only when there is a legal right to set-off the accounted amounts and an intention to adjust them by a net figure or to simultaneously realise the asset and adjust the liability.

2.9.4 Writing-down of financial instruments

The group assesses at the end of each reporting period whether there is objective evidence that a writing-down requirement exists in respect of a financial asset of a group of financial assets. A financial asset or group of financial assets has a writing-down requirement and is written-down only if there is objective evidence of a writing-down requirement as a consequence of one or more events having occurred after the asset was accounted for the first time and that this event has an effect on the estimated future cash flows for the financial asset or group of financial assets which can be estimated in a reliable manner.

The writing down is calculated as the difference between the asset's accounted value and the present value of estimated future cash-flows discounted at the financial asset's original effective interest rate. The asset's accounted value is written down and the writing-down amount is accounted in the group's profit & loss accounts. If the writing-down requirement lessens during a subsequent period and the reduction may be objectively attributed to an event which has occurred after the writing-down was accounted, the transferring back of the previously accounted writing-down is accounted in the group's profit & loss accounts.

2.9.5 Derivative instruments

Derivative instruments are accounted in the balance sheet on the transaction day and assessed at actual value, both initially and upon subsequent re-assessments. The profit or loss which arises upon revaluation is accounted in the profit & loss accounts when hedging accounting is not employed.

The entire actual value of a derivative instrument is classified as a fixed asset or long-term liability when the hedged item's remaining term is longer than 12 months, and as a current asset of short-term liability when the hedged item's remaining term is less than 12 months.

Financial hedging of variable interest payments

The group hedges interest payments through interest swaps where variable interest payments are exchanged for fixed interest payments. The group does not apply hedging accounting which is why the changes in the actual value are accounted in financial net items in the profit & loss accounts.

Electricity derivative

Electricity derivatives are concluded with the objective of reducing profit/loss swings which are due to variations in the electricity price. The Akelius Group makes use of this mechanism but since the electricity derivatives only amount to marginal amounts the accounting of electricity derivatives is not made.

2.10 Customer receivables

Customer receivables are amounts which are to be paid by customers for sold goods or services provided in the ongoing business. If payment is expected within one year, they are classified as current assets. If not, they are included as fixed assets.

Customer receivables are initially accounted at actual value and subsequently at accumulated acquisition value with the application of the effective interest method, reduced by any reservation for decrease in value.

2.11 Liquid funds

Including liquid funds, in the balance sheet and in the report of the cash flow, cash-in-hand, bank balances and other short-term investments with a due-by date within three months from the time of acquisition.

2.12 Accounts outstanding

Accounts outstanding are obligations to pay for goods or services which have been acquired in the ongoing activity from suppliers. Accounts outstanding are classified as sort-term liabilities if they fall due within one year. If not, they are entered as long-term liabilities.

Accounts outstanding are initially accounted at actual value and then at accumulated acquisition value with the application of the effective interest method.

2.13 Current and deferred tax

The period's tax cost includes current and deferred tax. The current tax cost is calculated on the basis of the tax rules which are in force on the balance sheet day or are effectively in force in the countries where the parent company and its subsidiaries are active and generate taxable income.

Deferred tax is accounted, in accordance with the balance sheet method, on all temporary differences which arise between the tax-related value of assets and liabilities and their accounted values in the group accounts. The deferred tax is not, however, accounted if it arises as a consequence of a transaction which constitutes the first accounting of an asset or liability which is not in a business acquisition and which, at the time of the transaction, affects neither the accounted nor tax-related result. Deferred income tax is calculated with the application of tax rates which have been decided upon or notified as per the balance sheet day or which are expected to apply when the deferred tax receivable in question is realised or the deferred tax liability is settled.

Deferred tax receivables are accounted to the extent that it is likely that future tax-related surpluses will be available, against which the temporary differences may be employed.

2.14 Borrowing

Borrowing is initially accounted at the actual value, net after transaction costs. Borrowing is thereafter accounted at the accumulated acquisition value and possible difference between received amount, net after transaction costs, and the repayment amount is accounted in the profit & loss accounts distributed over the loan period, with the application of the effective interest method.

2.15 Payment to employees

The company's obligation regarding old-age pension and family pension for employees in Sweden is secured through insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3, this is a benefit-determined plan which covers several employers. For the accounting years 2010 and 2011, the group has not had access to such information as makes it possible to account this plan as a benefit-determined plan. This pension plan is therefore accounted as a charge-determined plan.

2.16 Allocations

Allocations are accounted when the group has an existing legal or informal obligation as a consequence of earlier events, it is more probable that an outflow of resources is required in order to settle the obligation than this not being required, and the amount has been calculated in a reliable manner.

Allocations are classified as short-term liabilities unless the group has an unconditional right to defer payment of the liability for at least 12 months after the balance sheet day, when it is classified as a long-term liability.

2.17 Income accounting

Rent income

Rent income is entered as profit/loss during the period to which it relates. Upon early redemption of a leasing contract, the payment is allocated throughout the term of the original contract time, unless a new contract is concluded whereupon the redemption amount is entered as profit/loss in its entirety.

Income from property sales

Income from property sales are entered on the take-over day unless this is in breach of specific conditions in the purchase contract. Interest income and interest contributions are entered as profit/loss during the period to which they relate.

2.18 Leasing

Akelius as lessee

Leasing where a significant part of the risks and advantages of ownership are held by the lessor, is classified as operational leasing. Payments which are made during the leasing period are entered as a cost in the profit & loss accounts linearly over the leasing period. In the group there are only leasing agreements which are classified as operational leasing. The group’s leasing consists of cars and photocopying machines.

Akelius as lessor

Leasing agreements where, for the most part, all risks and benefits are associated with ownership, fall to the lessor, are classified as operational leasing agreements. All of the group’s leasing agreements are classified on this basis as operational leasing agreements. Properties which are let out under operational leasing agreements are included in the Investment properties item. The principles governing accounting of rent income are seen in section 2.17.

2.19 Cash flow analysis

Cash flow analyses are drawn up in accordance with the indirect method. This means that the operating profit/loss is adjusted for transactions which did not involve inward or outward payments during the period as well as for any income and costs which are attributable to the investment or financing activity’s cash flow.

2.20 Information regarding closely related instances

With regard to the group’s transactions with closely related instances, reference is made to note 43 concerning payments to holders of leading positions and other closely related instances transactions.

2.21 Parent company's accounting principles

In connection with the change to accounting in accordance with IFRS in the group accounts, the parent company has gone over to employing RFR 2, "Accounting for legal entities". This has not involved any effects for the parent company's balance sheet, profit & loss and equity capital accounts. The parent company applies other accounting principles than the group in the cases stated below.

Forms of presentation

The profit & loss accounts and balance sheet follow the Annual Accounts Act's form of presentation. This involves differences compared with the group accounts, primarily with regard to financial income and costs, report on total profit/loss, allocations and report on changes in equity capital. The presentation of a number of notes also looks different when compared with the group's, e.g. the property notes and notes regarding tangible fixed assets.

Holdings in group companies

Holdings in subsidiaries are accounted at the acquisition value following deduction for any writing-down. Included in the acquisition value are acquisition-related costs and any supplementary purchase sums.

Where there is an indication that holdings in subsidiaries have decreased in value, a calculation is made of the recovery value. If this is lower than the accounted value, a writing-down is undertaken. Writing-down is accounted under the items "Profit/loss from holdings in group companies".

Financial instruments

Financial instruments are not accounted in accordance with IAS 39, Financial instruments: Accounting and valuation, but are accounted in accordance with the acquisition method in accordance with the Annual Accounts Act (AAA). Derivative instruments in the company consist primarily of interest swaps which are used for hedging exposure to interest risks. Interest differences which are to be received or paid as a consequence of interest swaps are accounted under the item financial costs and are accrued over the agreement period.

Group contributions and shareholder injections

The company applies statement RFR 2, Accounting for legal entities, from the Swedish Financial Reporting Board.

Received and provide group contributions are accounted in the profit and loss statement.

Investment properties
Properties in the parent company are accounted at acquisition value with a deduction for depreciation. Depreciation is undertaken linearly in accordance with the following:

- Renting properties, residences 0.75 percent per year
- Renting properties, premises, industrial properties 1.50 percent per year

Note 3 Financial risk management

Rental income
Akelius Fastigheter's business concept is for the long-term ownership and administration of residential properties with the ability of generating a constantly growing cash flow. The operational risks are limited through the property portfolio being concentrated in residential properties in locations with population growth. A strong housing market for residences in Sweden and in Germany reduces the risk of long-term vacancies. The current rent levels afford the possibility for future rent increases and, thereby, increased value. A one percent change to residential incomes corresponds to change of rental income of SEK 21 m.

Market value properties
The Investment properties are accounted at actual value with a revaluation in the profit & loss accounts. The value is influenced by the development of anticipated operating surplus and yield requirements. A change to anticipated rent income of +/- a percentage point corresponds to +/- SEK 490 m in altered property value. If the direct yield requirement is altered by an average of +/- 0.1 percentage point, the market value changes by SEK -600 m or SEK +625 m.

Finance policy
The financial activity in Akelius is centralised and is conducted in accordance with the financial policy adopted by the board. The objective is to secure the group's long-term financing and liquidity requirements and to achieve a stable net interest within the resolved risk mandate. The degree of borrowing for secured credit shall not exceed 60 percent. Long-term credit agreements are secured by security in properties and by specific undertakings in credit agreements regarding the degree of borrowing, the degree of interest cover and solvency.

Interest risk
In order to reduce the risk, or variations in the cash flow, further, interest is tied long-term. At the end of the accounting year 50 percent (74) of the property credits had a fixed interest rate for longer than five years and 21 percent (5) had a fixed interest rate shorter than one year. With regard to the low proportion of loans with variable interest, a change to the market interest rates will have a

limited effect on the result. A percentage point change to the market interest rates corresponds to SEK 35 m in altered interest costs.

Market value derivatives
In order to achieve a desired fixed interest rate, an interest derivative is employed. The interest derivative's value development depends on how the market interest rate develops in relation to the agreed interest rate and the remaining term to maturity. At the end of the year, the underestimate in the derivative portfolio was SEK 2 103 m (1 339). A parallel shift in the discount rate used upon assessment of the interest derivative of one percentage point would affect the value by SEK 890 m. If the remaining term to maturity is decreased by one year, the value increases by SEK 270 m. Upon maturing, a derivative contract's market value is dissolved in its entirety and the revaluation has thus not affected the equity capital over time.

Classification of financial instruments
No financial assets or liabilities are evaluated at market value. Financial instruments such as interest derivatives and reverse claims are evaluated at actual value with indirect and direct derivations from market data. Financial instruments such as rent claims, accounts outstanding etc. are accounted at accumulated acquisition value with a deduction for any writing-down, whereby the actual value is deemed to correspond to the accounted value.

Group 31-12-2011	**Market valuation**	**Derived valuation**	**Acquisition valuation**	**Total**
Derivatives		191,550		191,550
Long-term receivables			194,528	194,528
Customer receivables			46,378	46,378
Other receivables			249,965	249,965
Prepaid cost and accrued income			12,982	12,982
Cash in hand and on deposits			30,417	30,417
Borrowings			-20,363,992	-20,363,992
Derivatives		-2,294,387		-2,294,387
Accounts outstanding			-172,814	-172,814
Other liabilities			-164,639	-164,639
Accrued costs and pre-paid income			-370,543	-370543
Total	**-**	**-2,102,837**	**-20,537,718**	**-22,640,555**

Group 31-12-2010	Market valuation	Derived valuation	Acquisition valuation	Total
Derivatives		24,401		24,401
Long-term receivables		352,146	172,337	524,483
Customer receivables			19,792	19,792
Other receivables			123,168	123,168
Pre-paid costs and accrued income			13,527	13,527
Cash in hand and on deposits			19,910	19,910
Borrowings			-17,720,733	-17,720,733
Derivatives			-1,363,201	-1,363,201
Accounts outstanding			-134,323	-134,323
Other liabilities			-93,075	-93,075
Accrued costs and pre-paid income			-413,215	-413,215
Total	**-**	**376,547**	**-19,375,813**	**-18,999,266**

Refinancing risk
The refinancing risk is reduced through property credits being taken up by nineteen different credit providers and through the property portfolio only being borrowed against to 53 percent (49) of the market value. The liquidity is secured through long credit agreements being concluded with a large number of banks.

Duration financial instruments

Amounts in SEK 000s	Durations < 3 month	3 - 12 m	1 - 2 year	2 - 5 year	> 5 year	**Total**
Group 31-12-2011						
Borrowings, external	3,672,170	1,737,347	2,179,331	5,539,098	4,346,598	**17,474,544**
Borrowings, internal	79,504	253,444	280,000	508,953	1,767,547	**2,889,448**
Derivatives	-	214	21,442	464,051	1,808,680	**2,294,387**
Accounts outstanding	172,814					**172,814**
Other liabilities	78,400		76,237			**154,637**
Total	**4,002,888**	**1,991,005**	**2,557,010**	**6,512,102**	**7,922,825**	**22,985,830**
Group 31-12-2010						
Borrowings, external	732,299	232,093	6,359,191	3,937,397	2,998,011	**14,258,991**
Borrowings, internal	74,503	235,100	256,952	641 588	2,253,599	**3,461,742**
Derivatives	-	247,980	7,509	382,086	725,626	**1,363,201**
Accounts outstanding	134,323					**134,323**
Other liabilities	86,480	3,067				**89,547**
Total	**1,027,605**	**718,240**	**6,623,652**	**4,961,071**	**5,977,236**	**19,307,804**

Currency exposure
Investments abroad financed in local currency up to a maximum borrowing degree of 60 percent, involves the group's equity capital being affected by changed currency exchange rates. A change in the currency exchange rate for SEK/EUR of +/- 10 percent corresponds to SEK +/- 380 m change of equity.

Note 4 Estimates and assessments

Estimates and assessments are evaluated continuously and are based on historical experience and other factors including expectations of future events regarded as reasonable under prevailing circumstances.

Important estimates and assessments for accounting purposes
The drawing up of financial reports requires the board and group management to make estimates and to employ certain assumptions. Estimates and assumptions affect both the profit & loss accounts and the balance sheet as well as information provided, such as contingent liabilities. Areas which cover a significant element of estimates and assumptions, are:

- ***Valuation of properties***
  As per the closing of accounts the market value of all properties has been assessed. The market value assessment is made in three stages: 1) assessment with the help of a cash-flow model for each single property with an individual assessment of the yield requirements and future cash-flow, 2) a reasonableness check of the cash-flow model's value against comparable transactions at respective locations, and 3) second opinion and verification of a third of the market value assessments by CB Richard Ellis.

  The reasonableness check of the cash-flow model's market value assessment is made against equivalent value transactions at the respective locations. More specifically this reasonableness assessment is made:

  1. in comparison with the acquisitions and sales carried out during the year. During the year 58 acquisitions were made in competition with other players, and ten sales.
  2. in comparison with the transactions where we were not successful. In Sweden we have taken a closer look at 36 transactions. In Germany we lack the same statistics but there, during the year, we had 3 728 sales prospects regarding housing properties.

  The result of the cash-flow model's value, adjusted for reasonableness, was then examined and verified by CB Richard Ellis. During the year CB Richard Ellis has examined a third of the market value assessments.

The average direct yield requirement in the market value assessment for housing in Sweden was 4.9 percent and 4.8 percent for housing in Germany. For commercial properties the average direct yield requirement was 6.9 percent in Sweden and 6.5 percent in Germany. The average direct yield requirement for the entire property portfolio was 5.1 percent, which is marginally lower than the level at the start of the year. The lower direct yield requirement depends, on the one hand, on a higher proportion of German properties at the end of the year which, on the average, have a lower direct yield requirement and, on the other hand, on the sale of commercial properties with, on the average, a higher direct yield requirement. The direct yield requirement for the respective properties remains unaltered compared with the preceding year.

The assessed market value of the group's property stock was, at the end of the year, SEK 32 352 million (28 269) which, on the average, corresponds to SEK 12 292 per square metre. The market value has grown by SEK 1 025 million, or 3.6 percent, as a consequence of a change in value, and has been reduced by SEK 44 million, or SEK -0.2 million, due to changed currency exchange rates. Notwithstanding the increase in value of SEK 135 million realised through sales, the remaining increase in value of SEK 890 million is due, in its entirety, to increased rent income.

The change to the property stock has increased the value by SEK 1 964 million. The year's purchases and investments totalled SEK 4 930 million and the year's sales of properties amounted to SEK 1 828 million.

Of the total market value, SEK 22 574 million (21 502) related to properties in Sweden and SEK 9 778 million (6 892) to properties in Germany. Housing accounts for 93 percent of the market value, which is in line with the company's strategy whereby the housing proportion shall be no lower than 90 percent.

- ***Business acquisitions versus asset acquisitions***
  When an acquisition is made of a company, the acquisition comprises either an acquisition of business or an acquisition of assets. An acquisition of assets exists if the acquisition relates to properties, with or without a leasing contract, and does not otherwise provide the group with unique expertise. Other acquisitions are business acquisitions.

- ***Testing of writing-down requirement for goodwill***
  Each year, the group examines whether any writing-down requirement exists for goodwill in accordance with the accounting principle described in note 2. Accounting in accordance with IFRS means that no ongoing depreciation is effected. The recovery value for cash-generating entities has been determined through the calculation of the use value. Certain

estimates have to be made for these calculations as also seen from note 2.8. The testing of goodwill carried out during 2011 showed that the value of goodwill needed to be written-down entirely.

Note 5 Effects upon change to International Financial Reporting Standards (IFRS) – the group

This present financial report is the first to be drawn up by the group in accordance with IFRS.

The accounting principles to be found in note 2 have been applied when the group accounts were drawn up as per 31 December 2011 and for the comparable information which was presented as at 31 December 2010 as well as upon the drawing up of the report on the period's opening financial position, opening balance sheet, as at 1 January 2010, which is the time of the group's change to IFRS.

When the report on the period's opening financial position, opening balance sheet, was drawn up in accordance with IFRS, amounts were adjusted which, in earlier annual accounts, were reported in accordance with the Swedish Accounting Standards Board's general advice. The estimates made in accordance with IRS as at 1 January 2010 agree with the estimates made in accordance with previous accounting principles at this point in time.

What was done upon the changeover to accounting in accordance with IFRS
Stated below are the exceptions permitted by IFRS 1 which the group applied upon the changeover from previous accounting principles to IFRS.

Reconciliation between previously applied accounting principles and IFRS
According to IFRS 1, the group shall display a reconciliation of equity capital and sum of the total profit loss as accounted in accordance with previous accounting principles for earlier periods against corresponding items in accordance with IFRS. The group's changeover had no effect on the total cash flows from the ongoing activity, the investment activity or the financing activity. The table below shows the reconciliation between earlier accounting principles and IFRS for 2010 for the group's report of the total profit/loss. For a corresponding reconciliation for the group's equity capital, reference is made to the group's report on the change in equity capital.

Note 6 Changeover accounting profit/loss accounts 2010

Amounts in SEK m	Gain/loss GAAP	Goodwill	Properties	Project	Derivative	Tax	Conversion	Gain/loss IFRS
Rental income	2,439							2,439
Property costs	-1,221							-1,221
Operating surplus	**1,218**	**-**	**-**	**-**	**-**	**-**	**-**	**1,218**
Depreciation and writing-down of tangible fixed assets	-176	3	170					-3
Gross profit	**1,042**	**3**	**170**	**-**	**-**	**-**	**-**	**1,215**
Other income/costs	-68		-11					-79
Change in value								
Investment properties	780		-359	-64				357
Operating profit	**1,754**	**3**	**-200**	**-64**	**-**	**-**	**-**	**1,493**
Financial income	87							87
Financial expenses	-1,052							-1,052
Change in value								
derivative instrument	0				77			77
Profit before tax	**789**	**3**	**-200**	**-64**	**77**	**-**	**-**	**605**
Tax	-24		38	17	-20	56		67
Minority interest	-1		1					0
Year's profit/loss	**764**	**3**	**-161**	**-47**	**57**	**56**	**-**	**672**
Conversion difference							26	26
Total profit/loss	**764**	**3**	**-161**	**-47**	**57**	**56**	**26**	**698**
Holding without dominant influence	1		-1					0
Parent company shareholders	765	3	-162	-47	57	56	26	698

Changeover accounting balance sheet 01-01-2010

Amounts in SEK m	GAAP	Goodwill	Properties	Project	Derivative	Tax	Conversion	IFRS
Goodwill	13	2						15
Intangible fixed assets	**13**	**2**	**-**	**-**	**-**	**-**	**-**	**15**
Investment properties	23,848		4,823				-31	28,640
Business properties	-						31	31
Ongoing construction works	615			18				633
Fixture and fittings	11							11
Tangible fixed assets	**24,474**	**-**	**4,823**	**18**	**-**	**-**	**0**	**29,318**
Long-term receivables	492							492
Derivative instrument					28			28
Financial fixed assets	**492**	**-**	**-**	**-**	**28**	**-**	**-**	**520**
Deferred tax receivables					372		44	416
Other fixed assets	**-**	**-**	**-**	**-**	**372**	**-**	**44**	**416**
Fixed assets	**24,979**	**2**	**4,823**	**18**	**400**	**-**	**44**	**30,266**
Customer receivables	18							18
Other receivables	1,274						1	1,275
Pre-paid costs and accrued income	25							25
Cash-in-hand and deposits	24							24
Current assets	**1,341**	**-**	**-**	**-**	**-**	**-**	**1**	**1,342**
Total assets	**26,320**	**2**	**4,823**	**18**	**400**	**-**	**45**	**31,608**

Changeover accounting balance sheet 01-01-2010

Amounts in SEK m	GAAP	Goodwill	Properties	Project	Derivative	Tax	Conversion	IFRS
Share capital	400							400
Other reserves	639						-639	
Balanced profit including year´s profit	3,179	2	4,321	13	-1,043	-4	639	7,107
Total equity capital attributable to parent company´s owners	**4,218**	**2**	**4,321**	**13**	**-1,043**	**-4**	**-**	**7,507**
Holding without dominant influence	-		1			4	0	5
Total equity capital	**4,218**	**2**	**4,322**	**13**	**-1,043**	**0**	**0**	**7,512**
Long-term borrowing	12,796							12,796
Liabilities to group companies	2,361							2,361
Derivative instruments	-				1,444			1,444
Deferred tax liabilities	1,151		501	5			43	1,700
Other long-term liabilities	4				-1		2	5
Long-term liabilities	**16,312**	**-**	**501**	**5**	**1,443**	**-**	**45**	**18,306**
Short-term borrowing	4,290							4,290
Liabilities to group companies	790							790
Accounts outstanding	126							126
Current tax liabilities	112							112
Other short-term liabilities	54							54
Accrued costs and pre-paid income	418							418
Current assets	**5,790**	**-**	**-**	**-**	**-**	**-**	**-**	**5,790**
Total assets	**26,320**	**2**	**4,823**	**18**	**400**	**-**	**45**	**31,608**

Akelius Fastigheter AB
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Changeover accounting balance sheet 31-12-2010

Amounts in SEK m	GAAP	Goodwill	Properties	Project	Derivative	Tax	Conversion	IFRS
Goodwill	10	5						15
Intangible fixed assets	**13**	**2**	**-**	**-**	**-**	**-**	**-**	**15**
Investment properties	23,153		4,623				-124	27,652
Business properties	-						125	125
Ongoing construction works	664			-46			-1	617
Fixture and fittings	17							17
Tangible fixed assets	**23,834**	**-**	**4,623**	**-46**	**-**	**-**	**0**	**28,411**
Long-term receivables	524							524
Derivative instrument	-				25			25
Financial fixed assets	**524**	**-**	**-**	**-**	**25**	**-**	**-**	**549**
Deferred tax receivables					352		2	354
Other fixed assets	**-**	**-**	**-**	**-**	**352**	**-**	**2**	**354**
Fixed assets	**24,368**	**5**	**4,623**	**-46**	**377**	**-**	**2**	**29,329**
Customer receivables	20							20
Other receivables	123							123
Pre-paid costs and accrued income	14							14
Cash-in-hand and deposits	20							20
Current assets	**177**	**-**	**-**	**-**	**-**	**-**	**-**	**177**
Total assets	**24,545**	**5**	**4,623**	**-46**	**377**	**-**	**2**	**29,506**

Changeover accounting balance sheet 31-12-2010

Amounts in SEK m	**GAAP**	**Goodwill**	**Properties**	**Project**	**Derivative**	**Tax**	**Conversion**	**IFRS**
Share capital	400							400
Other reserves	918						-892	26
Balanced profit including year´s profit	3,691	5	4,215	-34	-986	-4	892	7,779
Total equity capital attributable to parent company´s owners	**5,009**	**5**	**4,215**	**-34**	**-986**	**-4**	**0**	**8,205**
Holding without dominant influence	0		1			4	0	5
Total equity capital	**5,009**	**5**	**4,216**	**-34**	**-986**	**0**	**0**	**8,210**
Long-term borrowing	13,699						-404	13,295
Liabilities to group companies	3,152							3,152
Derivative instruments	-				1,363			1,363
Deferred tax liabilities	1,174		407	-12			2	1,571
Other long-term liabilities	3							3
Long-term liabilities	**18,028**	**-**	**407**	**-12**	**1,363**	**-**	**-402**	**19,384**
Short-term borrowing	560						404	964
Liabilities to group companies	310							310
Accounts outstanding	134							134
Current tax liabilities	4							4
Other short-term liabilities	86							86
Accrued costs and pre-paid income	414							414
Current assets	**1,508**	**-**	**-**	**-**	**-**	**-**	**404**	**1,912**
Total assets	**24,545**	**5**	**4,623**	**-46**	**377**	**-**	**2**	**29,506**

Elements which have had impact on the balance sheet due to changeover from Swedish GAAP to IFRS

According to GAAP goodwill are accounted at acquisition value with a deduction for depreciation. Accounting in accordance with IFRS means that no ongoing depreciation is effected, and that the goodwill is tested annually in order to identify any writing-down requirement. Write-downs are reported in the profit and loss statement. Writing-down of goodwill is not transferred back.

According to GAAP all properties accounted at acquisition value with a deduction for depreciation. Write-ups increase to property value and write-downs decrease the property value. Accounting in accordance with IFRS means that all properties are recorded at fair-values according to the principles displayed in the Management report and in Accounting principles. Business properties are disclosed separately in the balance sheet. Deferred tax has been calculated on the total temporarily difference between actual fair value and the tax base value. When calculating the deferred tax the tax rate of 26.3 percent has been used for properties in Sweden and 34.0 percent for properties in Germany. Deferred tax on the temporarily difference between fair value and tax base value that existed at the time for the acquisition are not included in the calculated deferred tax for the group.

According the GAAP investment properties and business properties are recorded in the balance sheet jointly as “Properties” according to the principles stated above. According to IFRS should business properties be recorded separately from investment properties. Business properties are accounted at acquisition values with deduction for depreciation according to plan and for write-downs.

According to GAAP have minority been recorded based on the minority according to the prepared acquisition analysis. The minority is thereafter adjusted for each minority´s actual proportion of the year´s profit. The minority are disclosed separately in the balance sheet according to GAAP. According to IFRS the minority are included in the group equity and are recorded as “Holdings without dominant influence”. When identifying the equity classified as holdings without dominant influence are the minority based on the total equity for the company where the minority are shareholders adjusted for the minority´s proportion of any other adjustments that are carried out for the actual company according to IFRS.

The calculation of deferred tax according to GAAP is based on different tax rates for different types of assets and liabilities. Deferred tax according to IFRS is calculated on all temporarily differences between fair value and tax base value, arising after the acquisition. For the calculation of deferred the tax rate of 26.3 percent is used for differences in Sweden and 34.0 percent for differences in Germany.

Derivative instruments are not accounted for according to GAAP. According to IFRS derivative instruments are accounted at fair value. Deferred tax receivable or liability is calculated on the difference between the derivative instruments book-value and tax base value.

Note 7 Rental income

Group	**2011**	**2010**
Residential income	2,186,499	2,020,945
Premises income	343,122	349,123
Other renting income	47,457	48,259
Other income	17,899	20,824
Total	**2,594,977**	**2,439,151**

Parent company	**2011**	**2010**
Residential income	44,933	43,372
Premises income	1,666	1,599
Other renting income	964	943
Other income	68	25
Total	**47,631**	**45,939**

Operational leasing, the group as lessor

All of Akelius' leasing contracts are classified as operational leasing contracts. Future rent income attributable to irrevocable operational leasing agreements, break down as follows:

	rent flow, SEK m
Due-by within 1 year	41.1
Later than 1 year but within 5 years	148.8
Later than 5 years	82.6
Total	**272.5**

Note 8 Property costs

Group	**2011**	**2010**
Usage bonds costs	-479,485	-483,104
Operating expenses	-254,283	-273,853
Maintenance costs	-283,865	-266,134
Property tax	-60,108	-57,166
Site leasehold fee	-2,587	-2,344
Property administration	-138,251	-138,497
Total	**-1,218,579**	**-1,221,098**

Parent company	2011	2010
Usage bonds costs	-9,294	-9,553
Operating expenses	-4,294	-4,602
Maintenance costs	-6,039	-5,279
Property tax	-1,068	-1,049
Property administration	-1,735	-1,731
Total	**-22,430**	**-22,214**

Regarding personnel costs included in administration costs referred to note 12 regarding personnel

Note 9 Depreciation, writing-down and reversals on tangible fixed assets

Group	2011	2010
Writing-down goodwill	-14,936	-
Writing-down business property	-7,388	-
Depreciation business properties	-6,870	-
Depreciation office fixtures & fittings	-4,542	-3,326
Total	**-33,736**	**-3,326**

Buildings depreciated 3.0 percent of the buildings' acquisition value. Ground installations depreciated by 5 percent of the acquisition value. Property fixtures & fitting and office fixtures & fittings depreciated by 20 percent of the acquisition value.

Parent company	2011	2010
Depreciation properties	-1,618	-1,588
Reversed writing-down	-	10,171
Total	**-1,618**	**8,583**
Depreciation office fixtures & fittings	-79	-289
Total	**-1,697**	**8,294**

Buildings depreciated 0.75 percent of the buildings' acquisition value. Ground installations depreciated by 5 percent of the acquisition value. Property fixtures & fitting and office fixtures & fittings depreciated by 20 percent of the acquisition value.

Note 10 Other income and costs

Group	2011	2010
Other income	1,767	4,245
Operating profit/loss hotel business	-4,613	-11,354
Profit/loss sales fixed assets	2,215	4,613
Costs sale of properties	-46,548	-10,868
Total	**-47,269**	**-13,364**

Parent company	2011	2010
Income sold fixed assets	-	65
Internal invoicing group	31,324	32,950
Other income	4,924	3,595
Total	**36,248**	**36,610**

In the parent company there are no purchases from group companies.

Note 11 Revision

Group	2011	2010
PwC		
- audit	4,562	4,048
- audit in addition to ordinary assignment	135	186
- tax advice	1,182	796
- other assignments	936	1,099
Total	**6,680**	**5,943**

Parent company		
PwC		
- audit	75	75
- audit in addition to ordinary assignment	135	186
- tax advice	740	727
- other assignments	764	796
Total	**1,579**	**1,598**

Note 12 Personal

Average number of employees during the accounting year

Group	**2011**	**2010**
Women	112	90
Men	98	85
Total	**210**	**175**
of which Sweden:		
Women	69	79
Men	91	61
Total	**160**	**140**
of which senior management:		
Women	-	-
Men	7	7
Total	**7**	**7**

The Board consist if five members, all men.

Wages, other payments and social costs

Group	**2011**	**2010**
Board and senior management	12,221	11,166
Other employees	78,173	62,081
Total wages and other payments	**90,394**	**73,247**
Board and senior management	2,172	19,002
Other employees	4,228	4,162
Total pension costs	**6,400**	**23,164**
Social costs	24,138	21,250
Total	**120,932**	**117,661**

Parent company	**2011**	**2010**
Board and senior management	8,983	9,198
Other employees	17,822	17,232
Total wages and other payments	**26,805**	**26,430**
Board and senior management	1,880	17,842
Other employees	1,490	2,013
Total pension costs	**3,370**	**19,855**
Social costs	7,623	9,179
Total	**37,798**	**55,464**

No variable remunerations or commission on profit has been paid.

Agreement regarding severance pay with senior management
With the managing director and six other senior management an agreement has been concluded regarding severance pay amounting to six to twelve months salary upon termination on the part of the company. Termination on the part of the senior management member is subject to three to six months notice.

Note 13 Revaluation of Investment properties

Group	**2011**	**2010**
Realised revaluation	135,622	244,824
Unrealised revaluation	889,492	112,449
Total	**1,025,114**	**357,273**

Regarding unrealised changes in value, reference is made to note 4 Estimates and assessments.

Note 14 Result from holdings in group companies

Parent company	**2011**	**2010**
Sales income from sold subsidiary	6,447	39,722
Entered value of sold subsidiary	-728	-39,156
Sales costs	-	-125
Writing down of shares and holdings	-21,000	-13,900
Dividend from shares and holdings	529,000	1,232,000
Group contribution received	298,752	315,880
Total	**812,471**	**1,534,421**

Note 15 Financial income

Group	**2011**	**2010**
Interest income	27,392	84,192
Currency exchange rate difference	35,860	-
Interest contributions	2,467	2,661
Other financial income	1,391	360
Total	**67,110**	**87,213**

Parent company	**2011**	**2010**
Interest income group	554,983	522,850
Other interest income	8,400	36,314
Interest contributions	6	42
Currency exchange rate differences	14,432	272,111
Other financial income	1	7
Total	**577,822**	**831,324**

Note 16 Financial expenses

Group	2011	2010
Interest expenses	-824,988	-800,914
Interest expenses, group	-231,203	-235,953
Costs of borrowing activity	-5,966	-5,748
Other financial costs	-56,569	-9,862
Total	**-1,118,726**	**-1,052,477**

Parent company	2011	2010
Interest expenses, group	-606,456	-679,829
Other interest costs	-299,554	-281,326
Other financial costs	-2,426	-2,557
Total	**-908,436**	**-963,712**

Note 17 Revaluation of derivative instrument

Group	2011	2010
Revaluation of interest derivative	-764,037	77,414
Total	**-764,037**	**77,414**

Note 18 Tax

Group	2011	2010
Current tax	-11,448	-4,970
Current tax attributable to previous years	-346	-321
Deferred tax	-58,316	72,063
Total	**-70,110**	**66,772**

Difference between accounted tax cost and tax cost based on current tax rates		
Accounted profit/loss before tax	458,426	604,812
Tax according to current tax rates	-120,566	-159,066
Tax effect on non-taxable income and non-deductible costs net	109,118	112,810
Tax effect of changed deficit Deduction		41,286
Current tax on year's profit/loss	**-11,448**	**-4,970**
Current tax attributable to previous years	-346	-321
Deferred tax	-58,316	72,063
Accounted tax in the profit & loss accounts	**-70,110**	**66,772**

Parent company	**2011**	**2010**
Current tax	-	-2,953
Current tax attributable to previous years	-95	-16
Deferred tax	12,806	-42,662
Total	**12,711**	**-45,631**

Difference between accounted tax cost and tax cost based on current tax rates		
Accounted profit/loss before tax	467,493	1,374,013
Tax according to current tax rates	-122,951	-361,365
Tax effect on non-taxable income and non-deductible costs net	122,951	319,117
Tax effect of changed deficit Deduction		39,295
Current tax on year's profit/loss	**-**	**-2,953**
Current tax attributable to previous years	-95	-16
Deferred tax	12,806	-42,662
Accounted tax in the profit & loss accounts	**12,711**	**-45,631**

Tax rates

The applicable tax rate is the tax rate for income tax in the group. The tax rate is 26.3 per cent in Swedish companies and 34 percent in German companies.

Note 19 Goodwill

Group	**2011-12-31**	**2010-12-31**
Opening balance	14,935	14,935
Year's acquisitions	1	-
Year's revaluation	-14,936	-
Total	**-**	**14,935**

Regarding the valuation of goodwill, reference is made to the accounting principles. Goodwill in business acquisition has been tested for writing down together with the business properties in the company to which the assets relate. The writing down check has the same cash flow-directed structure as the valuation of commercial properties. See also note 2.6.

Note 20 Investment properties

Group	**2011-12-31**	**2010-12-31**
Opening balance	27,651,549	28,640,206
Currency exchange rate difference	-41,574	-794,263
Acquisitions	3,791,459	987,658
Disposal by sale	-1,827,642	-2,147,513
Change in value	1,150,354	174,949
Re-posting from ongoing work	1,073,242	790,512
Total	**31,797,388**	**27,651,549**
Number of apartments	35,151	31,502
Accommodation area, m^2	2,312,635	2,031,219
Premises area, m^2	319,418	385,912
Total area	**2,632,053**	**2,417,131**

A complete listing of the group's property holding can be obtained on request.

Parent company	**2011-12-31**	**2010-12-31**
Opening acquisition value	264,930	262,170
Re-posting from ongoing work	6,967	2,760
Closing acquisition value	**271,897**	**264,930**
Opening depreciation	-15,082	-13,494
Year's depreciation	-1,618	-1,588
Closing depreciation	**-16,700**	**-15,082**
Opening writing-down	-5,648	-15,819
Reversals	-	10,171
Closing writing-down	**-5,648**	**-5,648**
Closing scheduled residual value	**249,549**	**244,200**
Number of apartments	698	698
Accommodation area, m^2	47,463	47,463
Premises area, m^2	1,666	1,666
Total area	**49,129**	**49,129**

A complete listing of the parent company's property holding can be obtained on request.

Note 21 Business properties

Group	2011-12-31	2010-12-31
Opening balance	125,008	31,000
Depreciation	-6,870	-
Write-up	-	1,549
Write-down	-7,388	-
Re-posting from ongoing work	9,568	92,459
Total	**120,318**	**125,008**

Note 22 Ongoing construction work

Group	2011-12-31	2010-12-31
Opening balance	617,462	632,921
Currency exchange rate difference	-2,300	-43,468
Investments	1,147,831	1,007,080
Disposal by sale	-	-15,946
Change in value	-125,240	-64,049
Reclassification	-	-16,105
Re-posting to buildings	-1,082,810	-882,971
Total	**554,943**	**617,462**

Parent company	2011-12-31	2010-12-31
Opening balance	116	-
Investments	8,726	2,876
Re-posting to buildings	-6,967	-2,760
Total	**1,875**	**116**

Note 23 Machinery and fixtures & fittings

Group	2011-12-31	2010-12-31
Opening balance	17,202	11,157
Currency exchange rate difference	-42	-1,202
Investments	4,475	1,453
Acquisitions	-28	9,120
Depreciation	-4,542	-3,326,
Reclassification	-1	-
Total	**17,064**	**17,202**

Parent company	2011-12-31	2010-12-31
Opening acquisition value	2,244	2,089
Investments	132	155
Closing acquisition value	**2,376**	**2,244**
Opening depreciation	-2,056	-1,767
Year’s depreciation	-79	-289
Closing depreciation	**-2,135**	**-2,056**
Closing scheduled residual value	**241**	**188**

Machinery and fixtures & fittings depreciated by 20 percent of acquisition value per year.

Note 24 Holdings in group companies

Parent company	**2011-12-31**	**2010-12-31**
Book value, opening	8,643,812	8,187,109
Capital injection	932,900	509,759
Disposal by sale	-	-200
Liquidation	-728	-38,956
Writing-down	-21,000	-13,900
Total	**9,554,984**	**8,643,812**

Holdings in group companies

Parent company				*Shares/*	*Entered*
Company	*Org. no.*	*Head office*	*Share*	*Holdings*	*value*
Akelius Berlin GmbH	-	Berlin	100%	-	1,131,090
Akelius Fastigheter Amerika Norra 29 AB	556708-5831	Danderyd	100%	1,000	100
Akelius Fastigheter Amerika Norra 41 AB	556708-5898	Danderyd	100%	1,000	100
Akelius Fastigheter i Göteborg AB	556647-1792	Danderyd	100%	1,000	131,328
Akelius Fastigheter Rydebäck AB	556621-4390	Danderyd	100%	1,000	2,089
Akelius Fastigheter Sydväst AB	556610-3080	Stockholm	100%	1,000	115,050
Akelius Fastigheter Ödlan i Helsingborg AB	556644-7727	Danderyd	100%	100	8,593
Akelius Fastighetsrenting AB	556673-2417	Danderyd	100%	1,000	100
Akelius GmbH	-	Berlin	100%	-	2,357,253
Akelius Holding AB	556705-7673	Danderyd	100%	1,000	200
Akelius Hotell och Fastigheter AB	556650-2414	Danderyd	100%	5,000	100
Akelius Invest AB	556705-7699	Danderyd	100%	1,000	100
Akelius Lgh Amerika Norra 52 AB	556708-5955	Danderyd	100%	1,000	100
Akelius Lgh Kullen Västra 58 AB	556661-3823	Danderyd	100%	1,000	100
Akelius Lgh Prins Fredrik 18 AB	556661-3898	Danderyd	100%	1,000	100
Akelius Lägenheter AB	556549-6360	Stockholm	100%	20,541,962	5,691,736
Akelius Lägenheter Filen 9 AB	556661-3781	Danderyd	100%	1,000	100
Akelius Lägenheter Krokodilen 11 AB	556709-3363	Danderyd	100%	1,000	100
Akelius Spar AB (publ)	556618-8123	Gothenburg	100%	10,000	114,961
Grundborgen BGJWSX AB	556705-7640	Danderyd	100%	1,000	100
Grundborgen CAHWSX AB	556708-5971	Danderyd	100%	1,000	100
Grundborgen CBJWSX AB	556708-5922	Danderyd	100%	1,000	100
Grundborgen CIHWSX AB	556709-6754	Danderyd	100%	1,000	100
Grundborgen DCFWSX AB	556711-5661	Danderyd	100%	1,000	100
Åre Hyreslägenheter AB	556695-4862	Danderyd	100%	1,000	1,184
					9,554,984

Note 25 Long-term receivables

Group	2011-12-31	2010-12-31
Opening receivables	524,483	491,870
Added receivables	112,143	414,401
Closing receivables	-442,098	-306,789
Reclassification	-	-74,999
Total	**194,528**	**524,483**

Of long-term receivables in the group SEK 173 933 000 (150 692 000) relates to blocked bank funds. Previous year SEK 352 146 000 related to interest-bearing receivables with a term exceeding one year.

Parent company	2011-12-31	2010-12-31
Book value, opening	148,781	172,728
Added receivables	4,007	105,777
Closing receivables	-152,661	-127,417
Reclassification	-	-2,307
Total	**127**	**148,781**

Note 26 Deferred tax receivables

Group	2011-12-31	2010-12-31
Opening receivables	354,314	415,959
Profit/loss affecting items	214,422	-61,645
Added receivables	311	-
Total	**569,047**	**354,314**
Deficit deductions	16,001	2,210
Derivative	553,046	352,104
Total	**569,047**	**354,314**

Deferred tax receivables are calculated at 26.3 percent on temporary differences between actual value and tax-related value.

Deferred tax receivables regarding deficit deduction corresponds to SEK 60,840,000 (8,401,000) in deficit deduction. Most of the deficit deduction is expected to be exploited in future years. SEK 8,369,000 of the deficit deduction may not be utilised until 2013. The remaining SEK 32,000 may not be utilised until 2015.

Parent company	**2011-12-31**	**2010-12-31**
Opening receivables	-	39,295
Profit/loss affecting items	13,511	-39,295
Total	**13,511**	**-**
Deficit deductions	13,511	-
Total	**13,511**	**-**

Deferred tax receivables are calculated at 26.3 percent on temporary differences between actual value and tax-related value.

Deferred tax receivables regarding deficit deduction corresponds to SEK 51,373,000 (-) in deficit deduction. Most of the deficit deduction is expected to be exploited in future years.

Note 27 Customer receivables

Group-external customer receivables primarily relate to receivables from non-credit-classified housing tenants. The risk of customer losses is deemed to be small whereby no allocation has been made for uncertain claims. Writing down of customer claims is undertaken when the loss is ascertained.

Note 28 Receivables from group companies

Group	**2011-12-31**	**2010-12-31**
Opening receivables	-	-
Added receivables	28,117	-
Closing receivables	-200	-
Total	**27,917**	**-**

Receivables from group companies relate to ongoing settlement with parent and subsidiary companies. Group-internal loans runs subject to market-related conditions. No security has been provided for the completion of the loan.

Parent company	**2011-12-31**	**2010-12-31**
Opening receivables	1,865,262	2,754,132
Closing receivables	-705,977	-888,870
Total	**1,159,285**	**1,865,262**

Receivables from group companies relate to ongoing settlement with parent, sister and subsidiary companies. Group-internal loans runs subject to market-related conditions. No security has been provided for the completion of the loan.

Note 29 Other short-term receivables

Group	2011-12-31	2010-12-31
Opening receivables	123,168	1,274,099
Added receivables	195,247	-
Closing receivables	-96,367	-1,225,930
Reclassification	-	74,999
Total	**222,048**	**123,168**

Other short-term receivables relate, for the most part, to advances on acquisitions of property companies in Germany. In the preceding year the short-term part of reverse receivables, which were settled during the year, were also included.

Parent company	2011-12-31	2010-12-31
Opening receivables	2,796	992,678
Added receivables	805	-
Closing receivables	-2,341	-992,189
Reclassification	-	2,307
Total	**1,260**	**2,796**

Note 30 Pre-paid costs in accumulated income

Group	2011-12-31	2010-12-31
Opening receivables	13,527	25,047
Closing receivables	-545	-11,520
Total	**12,982**	**13,527**
Prepaid operating costs	8,342	11,435
Other prepaid costs	2,271	1,188
Accumulated interest income	2,369	904
Total	**12,982**	**13,527**

Parent company	2011-12-31	2010-12-31
Opening receivables	1,407	13,491
Added receivables	282	-
Closing receivables	-	-3,441
Reclassification	-	-8,643
Total	**1,689**	**1,407**
Prepaid operating costs	1,682	1,131
Accumulated interest income	7	276
Total	**1,689**	**1,407**

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Note 31 Cash-in-hand and on deposit

Group	**2011-12-31**	**2010-12-31**
Cash funds	409	106
Funds on deposit	30,008	19,804
Total	**30,417**	**19,910**

Parent company	**2011-12-31**	**2010-12-31**
Cash funds	1	1
Funds on deposit	3,447	94
Total	**3,448**	**95**

Change to cash-in-hand and on deposit shown by the cash flow analyses.

Note 32 External borrowing

Group	**2011-12-31**	**2010-12-31**
Long-term borrowing		
Borrowing against security	12,020,639	13,233,779
Borrowing without security	44,388	60,820
Total	**12,065,027**	**1,294,599**
Short-term borrowing		
Borrowing against security	5,025,321	649,234
Borrowing without security	384,196	315,158
Total	**5,409,517**	**964,392**
Total external borrowing	**17,474,544**	**14,258,991**
Opening borrowing	14,258,991	17,085,448
Currency exchange rate difference	-44,692	-770,849
New borrowing	101,826,294	48,219,396
Amortisation	-98,566,049	-50,275,004
Total	**17,474,544**	**14,258,991**
Interest fixing		
0 – 1 years	3,945,929	964,392
1 – 2 years	642,191	432,603
2 – 5 years	2,915,699	3,243,885
5 – years	9,970,728	9,618,111
Total	**17,474,544**	**14,258,991**

Capital tied up		
0 – 1 years	5,409,517	3,512,775
1 – 2 years	2,179,331	3,810,807
2 – 5 years	5,539,098	3,937,398
5 – years	4,346,598	2,998,011
Total	**17,474,544**	**14,258,991**
Average capital tied-up	6.0 years	5.0 years
Average fixed interest	5.8 years	5.8 years
Average interest	4.94%	5.28%

Regarding financial policy and financial risk management, reference is made to note 3 Financial risk management. Long-term borrowings runs primarily with short-term interest fixing, whilst credit margins runs for longer periods. Overvalue related to credit margins is estimated to SEK 80 – 120 m.

Parent company	**2011-12-31**	**2010-12-31**
Long-term borrowing		
Borrowing against security	-	2,325,088
Borrowing without security	44,388	60,820
Total	**44,388**	**2,385,908**
Short-term borrowing		
Borrowing against security	440,252	223,608
Borrowing without security	17,417	-
Total	**457,669**	**223,608**
Total external borrowing	**502,057**	**2,609,516**
Opening borrowing	2,609,516	2,463,797
Currency exchange rate difference	22,330	-224,266
New borrowing	30,078,176	15,184,268
Amortisation	-32,207,965	-14,814,283
Total	**502,057**	**2,609,516**
Capital tied up		
0 – 1 years	457,669	223,608
1 – 2 years	44,388	841,220
2 – 5 years	-	1,544,688
Total	**502,057**	**2,609,516**

Regarding financial policy and financial risk management, reference is made to note 3 Financial risk management.

Note 33 Liabilities to group companies

Group	2011-12-31	2010-12-31
Long-term borrowing	2,556,500	3,152,139
Short-term borrowing	332,948	309,603
Total	**2,889,448**	**3,461,742**
Opening long-term borrowing	3,461,742	3,151,217
Currency exchange rate difference	-656	-
New borrowing	402,618	1,166,148
Amortisation	-974,256	-855,623
Total	**2,889,448**	**3,461,712**

Group-internal loans runs subject to market-related conditions. No security has been provided for the completion of the loan.

Parent company	2011-12-31	2010-12-31
Long-term borrowing	5,454,420	4,035,227
Short-term borrowing	314,542	-
Total	**5,798,962**	**4,035,227**
Opening long-term borrowing	4,035,227	7,041,474
New borrowing	2,707,990	1,436,922
Amortisation	-974,256	-4,443,169
Total	**5,768,961**	**4,035,227**

Group-internal loans runs subject to market-related conditions. No security has been provided for the completion of the loan.

Note 34 Derivative liabilities

Group

Overvalue	2011-12-31	2010-12-31
Opening derivatives	24,401	28,218
Added derivatives	7,662	10,909
Outgoing derivatives	-	-10,466
Revaluation of opening derivatives	159,487	-4,260
Total	**191,550**	**24,401**
Interest derivatives	191,550	24,401
Total	**191,550**	**24,401**
Long-term part of overvalue	190,429	24,401
Short-term part of overvalue	1,121	-
Total	**191,550**	**24,401**

Undervalue	**2011-12-31**	**2010-12-31**
Opening derivatives	1,363,201	1,444,431
Added derivatives	3,357	11,319
Outgoing derivatives	-11,319	-24
Revaluation of opening derivatives	939,148	-92,525
Total	**2,294,387**	**1,363,201**
Interest derivatives	2,294,387	1,363,201
Total	**2,294,387**	**1,363,201**
Long-term part of undervalue	2,294,173	1,363,201
Short-term part of undervalue	1,121	-
Total	**191,550**	**24,401**

Net value	**2011-12-31**	**2010-12-31**
Overvalue	191,550	24,401
Undervalue	-2,294,387	-1,363,201
Total	**-2,102,837**	**-1,338,800**

Nominal value of the derivative instruments amounts to SEK 14,016 m (15,395).

Note 35 Deferred tax liabilities

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

Group	**2011-12-31**	**2010-12-31**
Opening liabilities	1,571,398	1,700,322
Profit/loss affecting items	272,738	-133,708
Added liabilities	6,575	23,903
Closing liabilities	-	-19,119
Total	**1,850,711**	**1,571,398**
Properties	1,849,233	1,569,920
Untaxed reserves	1,478	1,478
Total	**1,850,711**	**1,571,398**

The parent company	**2011-12-31**	**2010-12-31**
Opening liabilities	5,455	2,088
Profit/loss affecting items	705	3,367
Total	**6,160**	**5,455**
Properties	6,160	5,455
Total	**6,160**	**5,455**

Note 36 Other long-term liabilities

Group	2011-12-31	2010-12-31
Opening liabilities	3,067	4,247
Added liabilities	620,470	-
Closing liabilities	-547,300	-1,180
Total	**76,237**	**3,067**

Parent company	2011-12-31	2010-12-31
Opening liabilities	107	50
Added liabilities	82	57
Total	**189**	**107**

Other long-term liabilities relate to deposits from tenants.

Note 37 Accounts outstanding

Group	2011-12-31	2010-12-31
Opening liabilities	134,323	126,479
Added liabilities	1,757,719	134,323
Closing liabilities	-1,719,228	-126,479
Total	**172,814**	**134,323**

Parent company	2011-12-31	2010-12-31
Opening liabilities	5,226	4,330
Added liabilities	95,449	5,226
Closing liabilities	-95,437	-4,330
Total	**5,238**	**5,226**

Note 38 Current tax liabilities

Group	2011-12-31	2010-12-31
Opening liabilities	3,528	111,847
Tax cost	11,794	5,291
Change to tax liability	-5,320	-113,610
Total	**10,002**	**3,528**

Parent company	2011-12-31	2010-12-31
Opening liabilities	3,341	-
Tax cost	95	2,969
Closing liabilities	-1,440	372
Total	**1,996**	**3,341**

Tax liabilities relate to outstanding income tax.

Note 39 Other short-term liabilities

Group	2011-12-31	2010-12-31
Opening liabilities	86,480	54,124
Added liabilities	78,400	86,480
Closing liabilities	-86,480	-54,124
Total	**78,400**	**86,480**
Other taxes	326	9,472
Land register entries	13,526	54,158
Other	64,548	22,850
Total	**78,400**	**86,480**

Parent company	2011-12-31	2010-12-31
Opening liabilities	3,950	3,014
Added liabilities	13,722	3,950
Closing liabilities	-3,950	-3,014
Total	**13,722**	**3,950**
Other taxes	1,482	-
Other	12,240	3,950
Total	**13,722**	**3,950**

Note 40 Accumulated costs and pre-paid income

Group	2011-12-31	2010-12-31
Opening liabilities	413,215	417,797
Added liabilities	370,543	413,215
Closing liabilities	-413,215	-417,797
Total	**370,543**	**413,215**
Prepaid rent income	138,658	138,325
Accumulated operating costs	125,082	145,404
Accumulated interest costs	106,803	129,486
Total	**370,543**	**413,215**

Parent company	2011-12-31	2010-12-31
Opening liabilities	79,448	42,171
Added liabilities	43,728	79,448
Closing liabilities	-79,448	-42,171
Total	**43,728**	**79,448**
Prepaid rent income	2,624	2,611
Accumulated operating costs	17,802	37,428
Accumulated interest costs	23,302	39,409
Total	**43,728**	**79,448**

Note 41 Financial instrument by category

Group

Assets in the balance sheet	Financial assets valued at actual value via profit & loss accounts	Loan and customer receivables	Total
2010-12-31			
Customer receivables		19,792	19,792
Other receivables		524,483	524,483
Derivative instrument	24,401		24,401
Liquid assets		19,910	19,910
Total	**24,401**	**564,185**	**588,586**
2011-12-31			
Customer receivables		46,378	46,378
Other receivables		194,528	194,528
Derivative instrument	191,550		191,550
Liquid assets		30,417	30,417
Total	**191,550**	**271,323**	**462,873**

Liabilities in the balance sheet	Financial liabili-ies valued at actual value via profit & loss accounts	Other financial liabilities	Total
2010-12-31			
Borrowing		14,258,991	14,258,991
Accounts outstanding		134,323	134,323
Liabilities to group companies		3,152,139	3,152,139
Other liabilities		3,067	3,067
Derivative instrument	1,363,201		1,363,201
Total	**1,363,201**	**17,548,520**	**18,911,721**
2011-12-31			
Borrowing		17,474,544	17,474,544
Accounts outstanding		172,814	172,814
Liabilities to group companies		2,556,500	2,556,500
Other liabilities		76,237	76,237
Derivative instrument	2,294,387		2,294,387
Total	**2,294,387**	**20,280,095**	**22,574,482**

Note 42 Securities pledged

Group	**2011-12-31**	**2010-12-31**
Pledged bank assets	101,168	150,832
Property mortgages	20,489,916	17,148,400
Shares in subsidiaries	365,878	831,560
Total	**20,956,962**	**18,130,792**

Parent company	**2011-12-31**	**2010-12-31**
Property mortgages	331,370	270,671
Total	**331,370**	**270,671**

Note 43 Possible obligations, Contingent obligations

Group	**2011-12-31**	**2010-12-31**
Guarantees provided	1,403,314	1,794,154
Total	**1,403,314**	**1,794,154**

Parent company	**2011-12-31**	**2010-12-31**
Collateral subsidiaries	15,863,397	10,903,033
Guarantees provided	1,403,314	1,501,190
Total	**17,266,711**	**12,404,233**

Not 44 Closely related

Close relations

Akelius Apartment Ltd, Cyprus, are the owner of all shares in Akelius Fastigheter AB, and have the dominant influence of the group. Akelius Apartment Ltd are a subsidiary of Akelius Foundation, Bahamas. The board and management group are also closely related to Akelius Fastigheter AB. Over and above these close relations the parent company has a dominant influence over its subsidiaries according to not 24.

Closely related transactions

The following transactions have been made with companies within the Akelius Foundation group.

	2011	**2010**
Sales of financial assets:		
Akelius Apartment Ltd	99,058	-
Other company	275,192	-

The following transactions have been made with companies controlled by the board member or senior manager or to them closely related parties.

	Companies controlled by:	
	Board member	Other related party
2011		
Purchase of services	2,374	7,379
Sales of fixed assets	-	5,117
Sales of financial services	-	27,918
2010		
Purchase of services	3,770	8,648
Sales of fixed assets	-	499,299
Sales of financial services	-	62,018

Transactions with related parties are performed according to market-related conditions. For information regarding payments to the board and senior management, see note 12. For information regarding intra-group interest income and interest expenses, see note 16. No board member or senior management member has been directly or indirectly involved in any business transaction with Akelius over and above what is stated in this present note and note 12.

Note 45 Dividend per share

During the 2011 and 2010 accounting years no dividends were paid. At the annual general meeting in April 2012 a dividend in respect of the 2011 accounting year of SEK 2 250 per share, will be proposed. The proposed dividend has not been accounted as a liability in these present financial reports.

Signing of the annual report and statement of accounts
As far as we are aware the annual report and statement of accounts have been drawn up in accordance with generally accepted accounting principles. The annual report and statement of accounts provide a fair and true picture of the company's position and result and the administration report provide a true and fair overview of the development of the company's activity, position and result as well and also describes significant risks which the company faces.

The group report and statement of accounts has been drawn up in accordance with the international accounting standards as referred to in the European Parliament and Council's ordinance, EC, no. 1606/2002 of 19 July 2002 regarding the application of international accounting standards. The group report and statement of accounts provide a true and fair overview of the development of the group's activity, position and result as well as significant risks which the group, and the companies which are included in the group, face.

Danderyd, 16 April 2012

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

Our audit report in respect of this annual report and statement of accounts was given on 18 April 2012.

Mats Nilsson Chartered accountant	Helena Ehrenborg Chartered accountant