

# year-end report

January to December 2018

summary	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Rental income, EUR million	129	124	482	469
Like-for-like growth in rental income, percent	2.3	5.2	3.2	5.1
Net operating income, EUR million	66	64	259	251
Like-for-like growth in net operating income, percent	-2.1	15.9	5.1	10.7
Net operating income margin, percent	50.8	51.6	53.6	53.4
Adjusted net operating income margin, percent	71.3	67.6	69.3	68.0
EBITDA, EUR million	58	55	236	231
Profit before tax, EUR million	32	233	634	984
Property fair value, EUR million	12,379	10,624	12,379	10,624
Change in property fair value, percent	0.2	2.2	5.2	9.7
Number of apartments	50,407	47,177	50,407	47,177
Real vacancy residential, percent	1.4	0.9	1.4	0.9
Like-for-like rent level increase, percent	0.9	0.7	3.6	4.7
Loan-to-value ratio, percent	44	44	44	44
Interest coverage ratio, excluding realized value growth	1.6	1.6	1.8	1.9

See definitions on page 37-39.



Alte Jakobstraße 75, Berlin

## change is the price of progress

For the past five years we have sold properties for EUR 3 billion in smaller and mid-size cities, "clean the map".

We have reinvested these funds in metropolitan cities that are new to us - Paris, Copenhagen, Montreal, Boston, Washington D.C. and New York.

Today, more than ninety percent of our portfolio is located in cities with more than one million inhabitants.

The walk score of the portfolio is ninety, the maximum score is one hundred.

We believe that the best insurance against vacancy and falling income is to operate in walkable locations in growing metropolitan cities.

During this period of significant changes to the portfolio, we have cherry picked staff, built offices, transferred procedures and knowledge to our new cities.

This investment in increased safety comes at a price; higher expenses.

We are now in an excellent position to capitalize on these investments.

### digitalization of operations

During the past five years, we have also invested significant amounts in the digitalization of our operations.

We have developed twenty applications.

We have another twenty applications in the pipeline.

In a few years' time, we will be in a position to decommission external applications and run our operations almost solely on our own customized applications.

This will make our operations considerably more efficient.

### strive for BBB+

Loan-to-value is 44 percent.

To reach BBB+, we will reduce the loan-to-value to below 40 percent.

In April, we will sell properties in Greater Stockholm with a value of EUR 460 million. The proceeds from this sales and any additional sales during 2019 will be used for debt reduction.

We expect very few acquisitions in 2019. The reduced acquisition activity will allow more concentrated efforts in removing certain bottlenecks we have experienced, such as internal and external construction capacity.

### change is in the DNA of Akelius

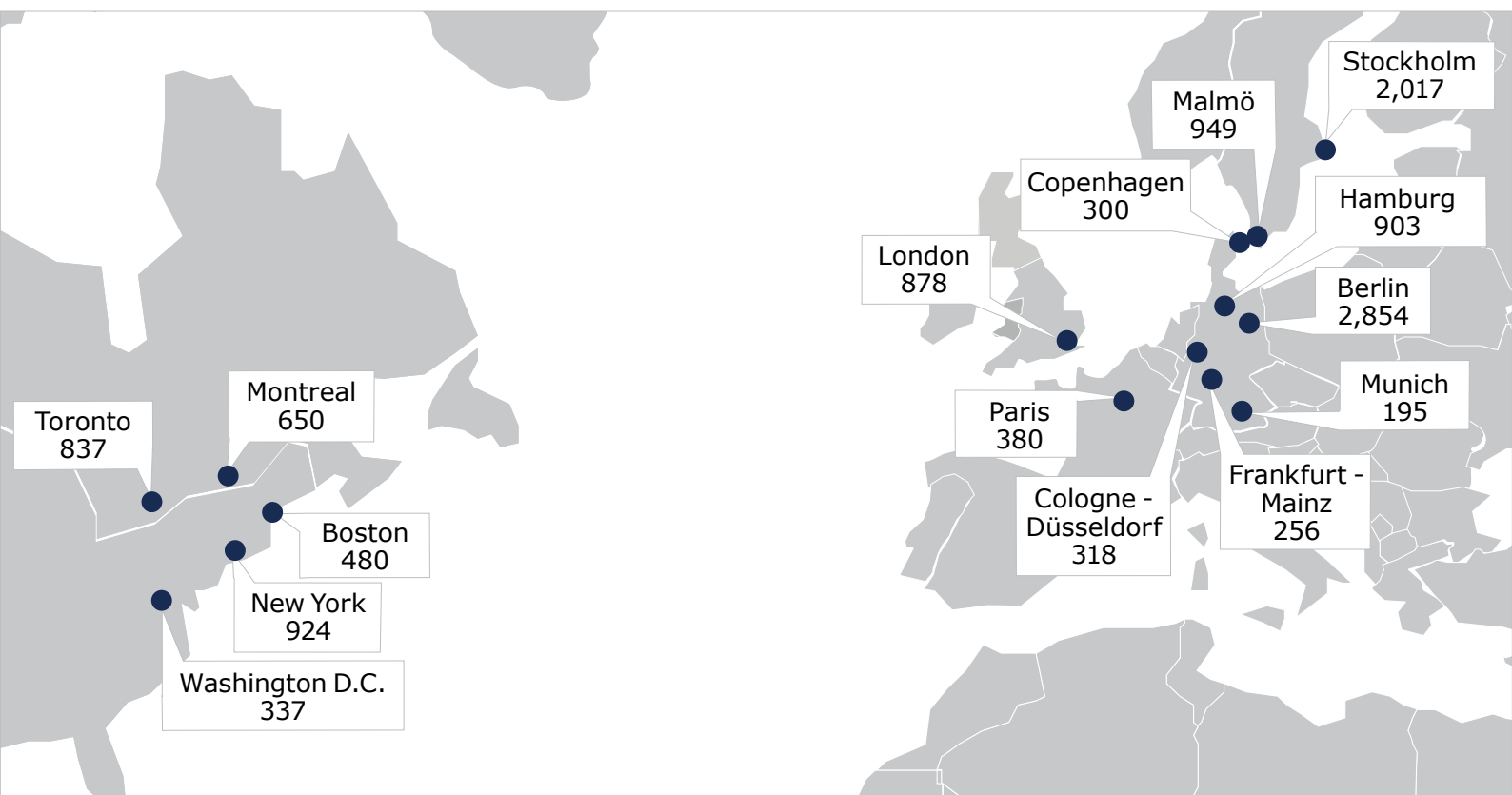
Consequently, we will keep changing continuously to make Akelius a better and safer company.

In the short term, change comes with higher costs. But in the long run there is no better way.

Pål Ahlsén,  
CEO and Managing director

# property portfolio December 31, 2018

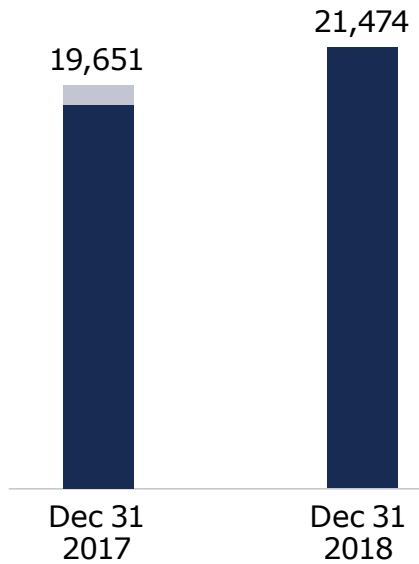
fair value properties EUR 12,379 million



City	Residential units	Lettable space, thousand sqm			Fair value	
		Residential	Commercial	Total	EUR million	EUR/sqm
Berlin	13,817	867	70	937	2,854	3,045
Stockholm	8,030	587	40	627	2,017	3,215
Malmö	4,067	266	83	349	949	2,717
New York	1,726	117	1	118	924	7,810
Hamburg	4,330	241	12	253	903	3,573
London	2,244	88	12	100	878	8,772
Toronto	4,105	222	4	226	837	3,699
Montreal	3,674	245	1	246	650	2,640
Boston	974	63	-	63	480	7,652
Paris	1,546	48	5	53	380	7,143
Washington D.C.	1,082	81	1	82	337	4,118
Cologne-Düsseldorf	1,746	101	8	109	318	2,923
Copenhagen	1,031	83	6	89	300	3,385
Frankfurt-Mainz	1,086	66	6	72	256	3,538
Munich	748	41	2	43	195	4,540
Other	201	14	41	55	101	1,878
<b>Total</b>	<b>50,407</b>	<b>3,130</b>	<b>292</b>	<b>3,422</b>	<b>12,379</b>	<b>3,617</b>

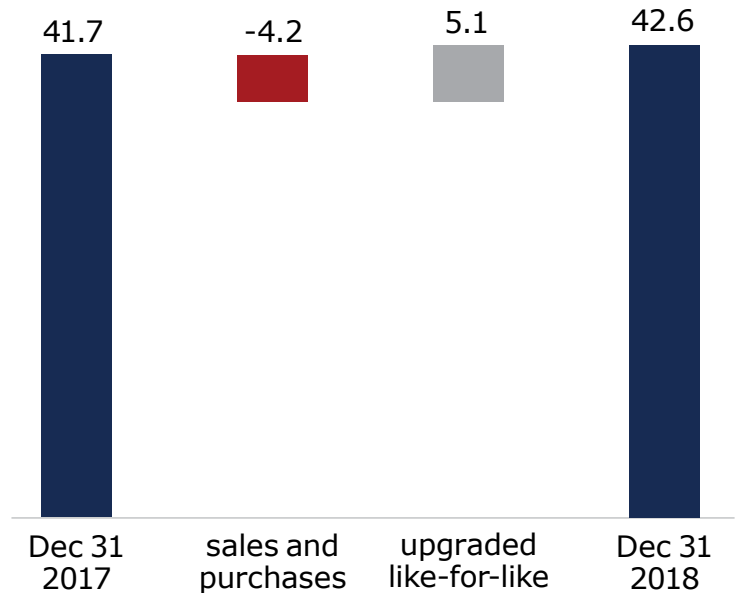
## changes in the property portfolio

upgraded apartments 21,474

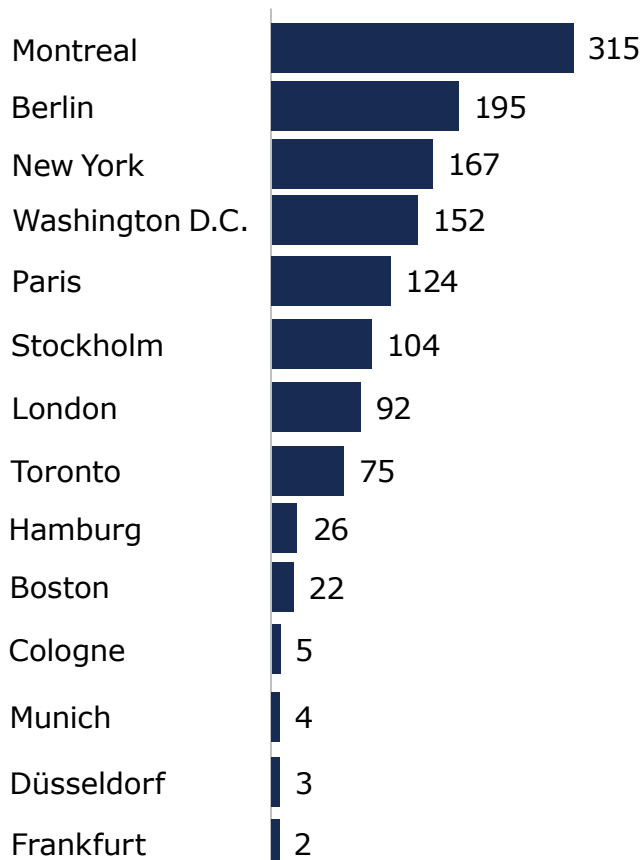


■ sold during 2018

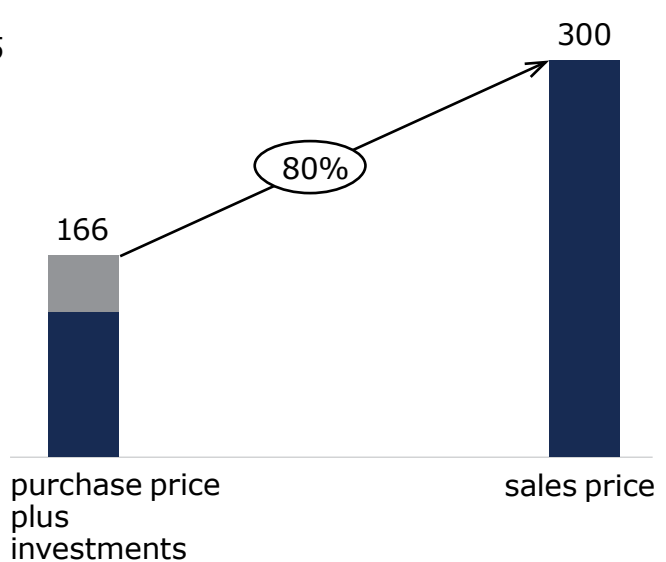
upgraded apartments 42.6 percent



property purchases  
EUR 1,286 million



property sales  
EUR 300 million

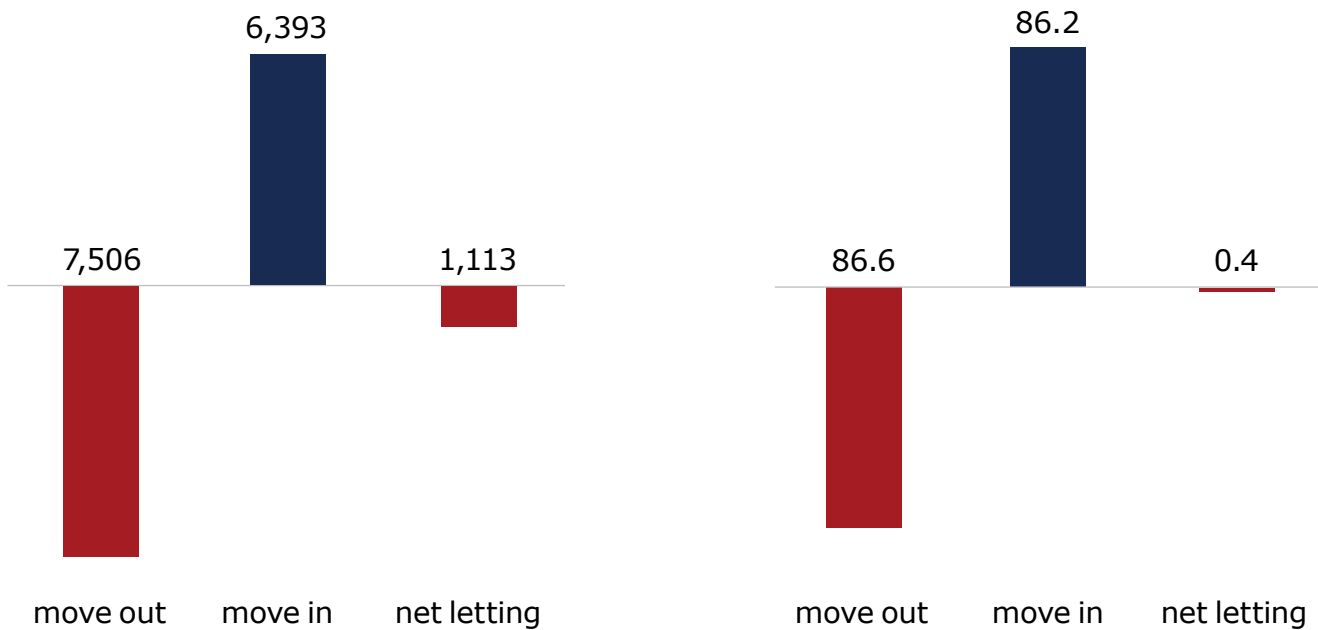


Akelius sold properties in Stockholm for EUR 241 million, in Malmö for EUR 44 million, in Hamburg for EUR 15 million.

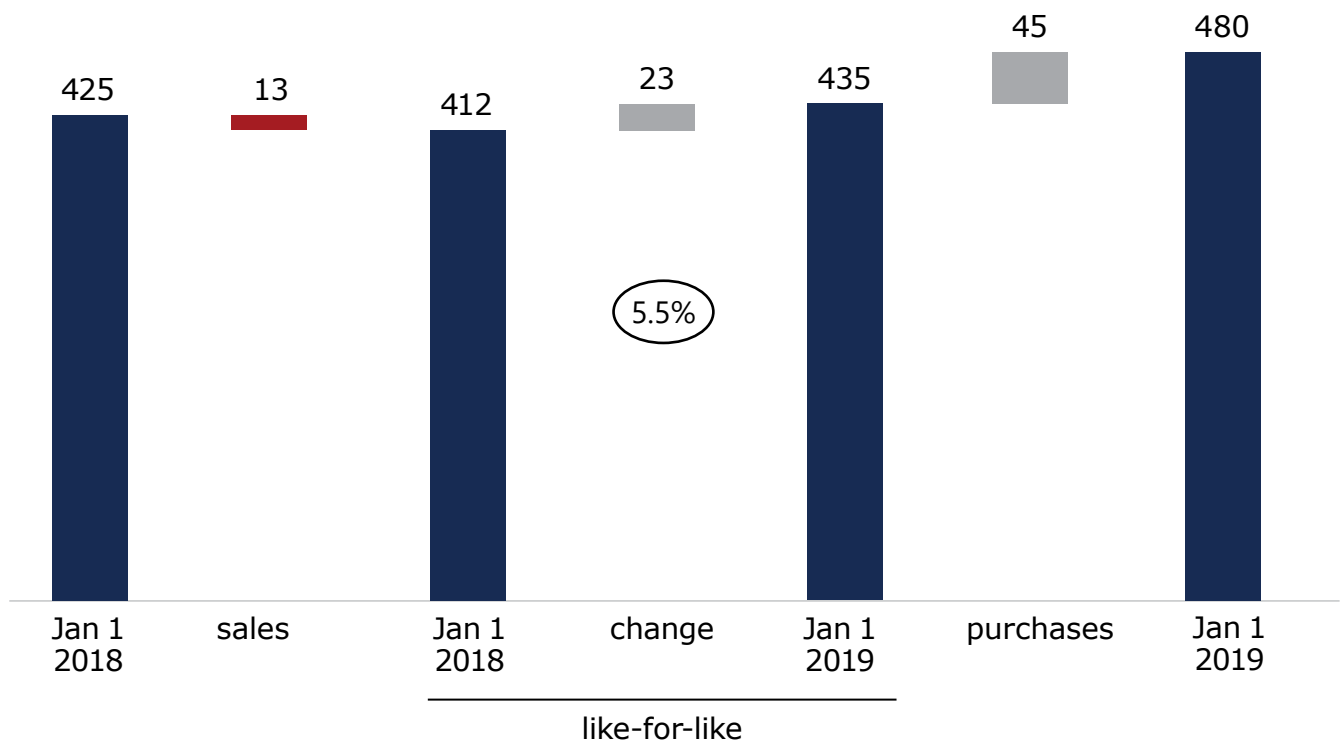
## net letting January–December 2018

number of apartments -1,113

rental income EUR -0.4 million



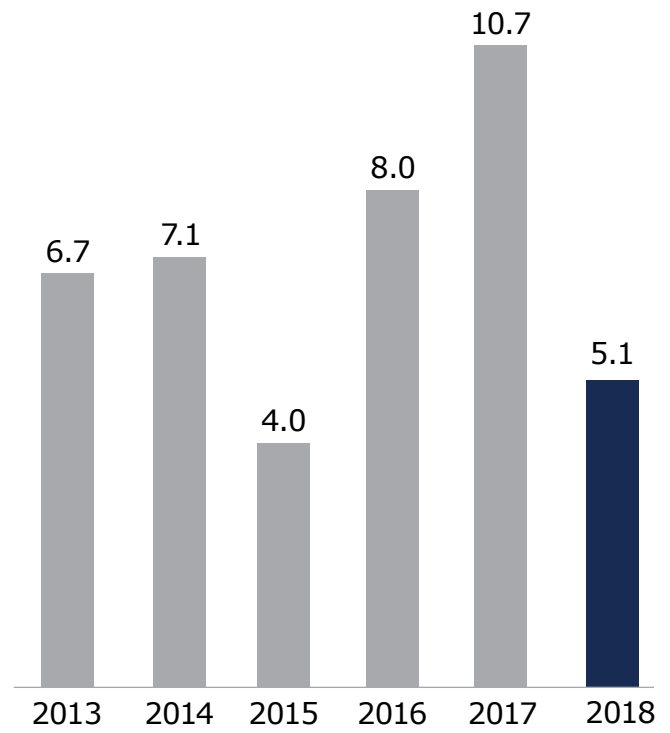
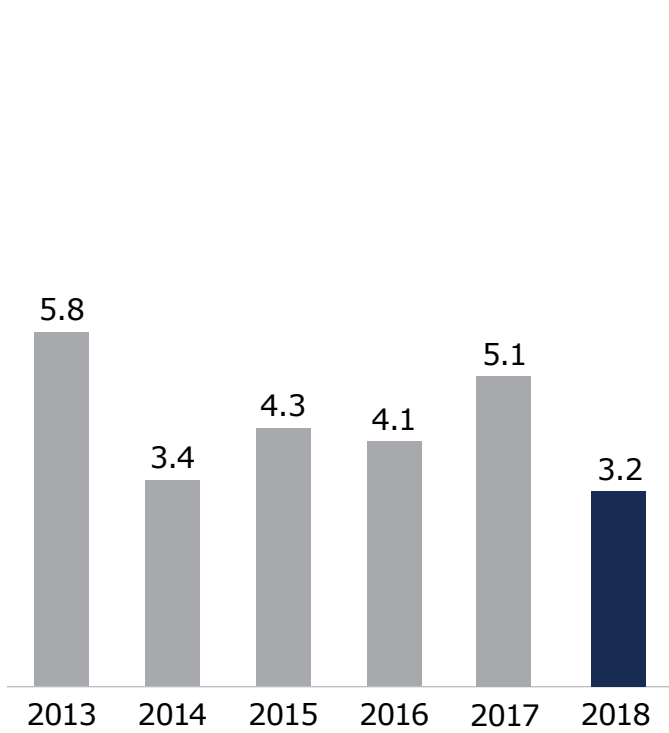
## increase like-for-like in residential rental value 5.5 percent



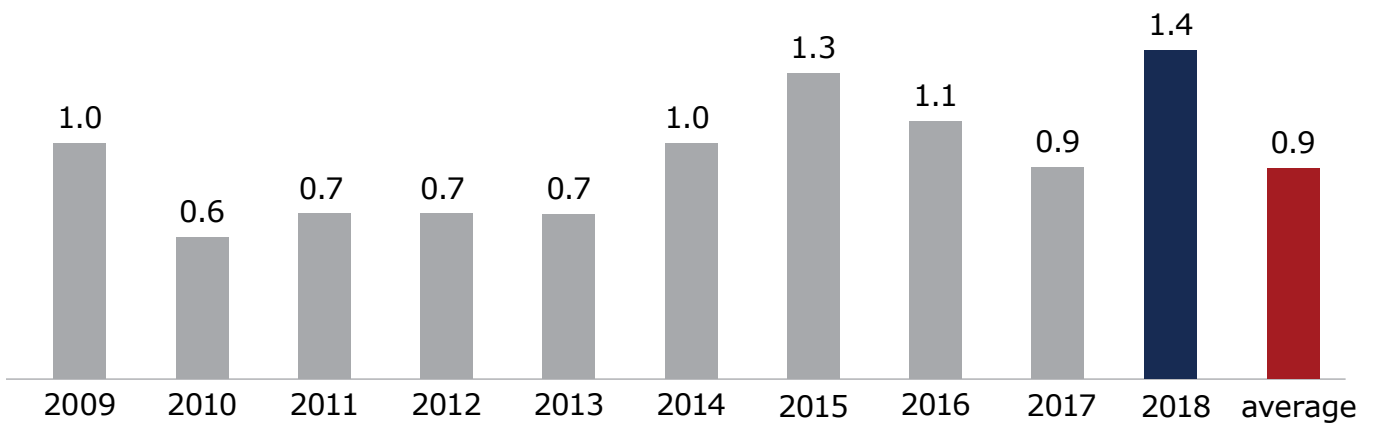
## like-for-like growth

rental income 3.2 percent

net operating income 5.1 percent



## real vacancy 1.4 percent

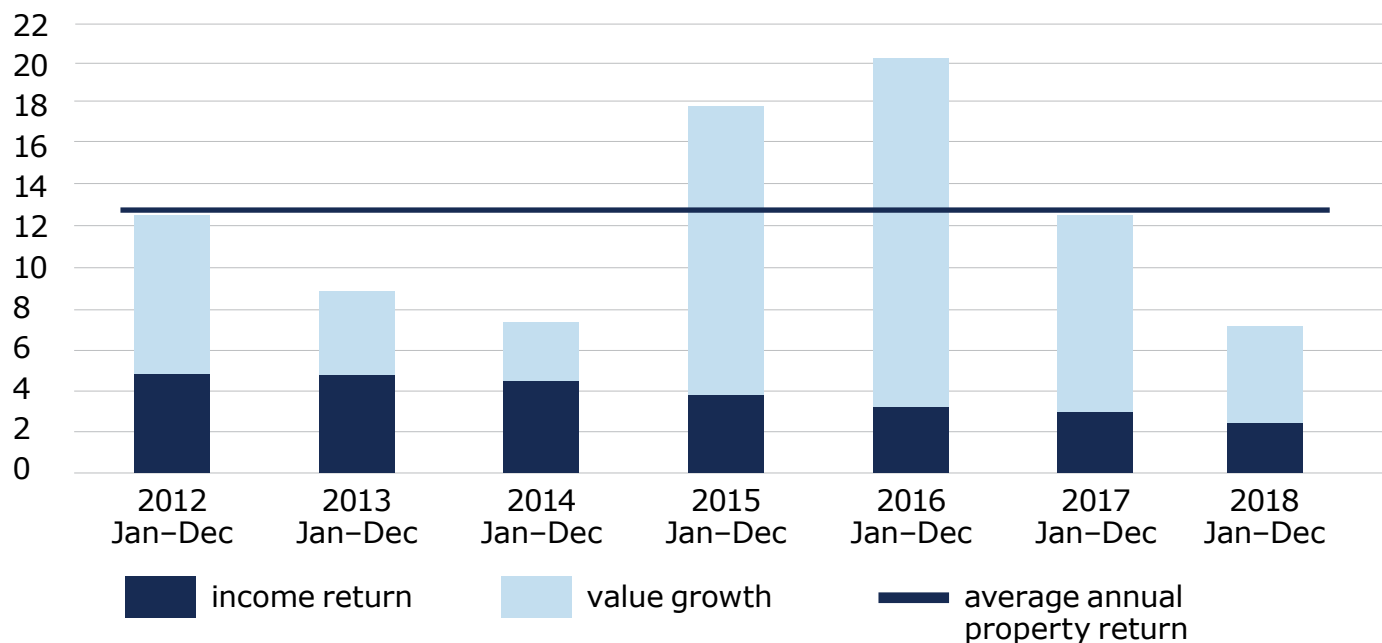




## property return 7.6 percent

### annual property return

percent



### fair value EUR 12,379 million

	EUR million	Growth Jan-Dec percent
<b>Fair value, Jan 1, 2018</b>	<b>10,624</b>	
Revaluations	553	5.2
Investments	349	3.3
Purchases	1,286	12.1
Sales	-300	-2.8
Exchange difference	-133	-1.2
<b>Fair value, Dec 31, 2018</b>	<b>12,379</b>	<b>16.5</b>
<b>Net operating income</b>	<b>259</b>	<b>2.4</b>
<b>Total property return</b>	<b>812</b>	<b>Per annum: 7.6</b>

### capitalization rate 3.67 percent

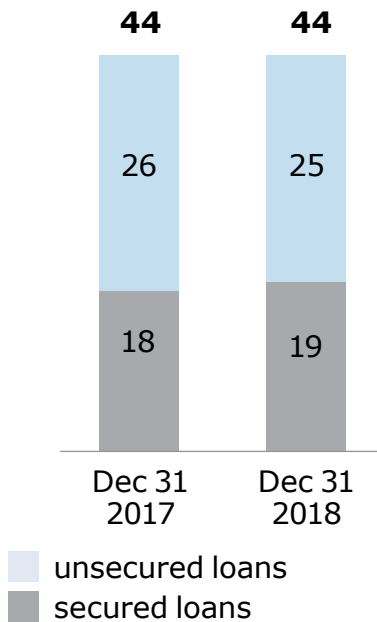
percent	Capitalization rate	Discount rate
Jan 1, 2018	3.60	5.59
Purchases	0.04	0.04
Sales	0.00	0.00
Like-for-like	0.02	0.02
Exchange difference	0.01	0.01
<b>Dec 31, 2018</b>	<b>3.67</b>	<b>5.66</b>

### change in value EUR 553 million

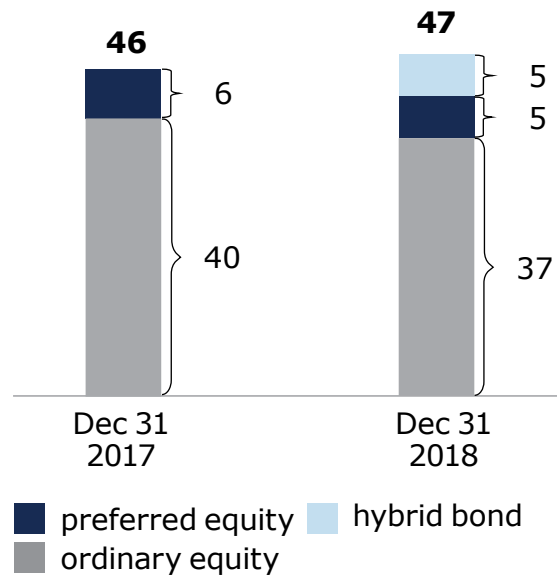
	EUR million	Return, percent
Cash flow	595	5.60
Required rate of return	-56	-0.53
Sales	4	0.04
Purchases	10	0.10
<b>Total change in value</b>	<b>553</b>	<b>5.21</b>

## financing

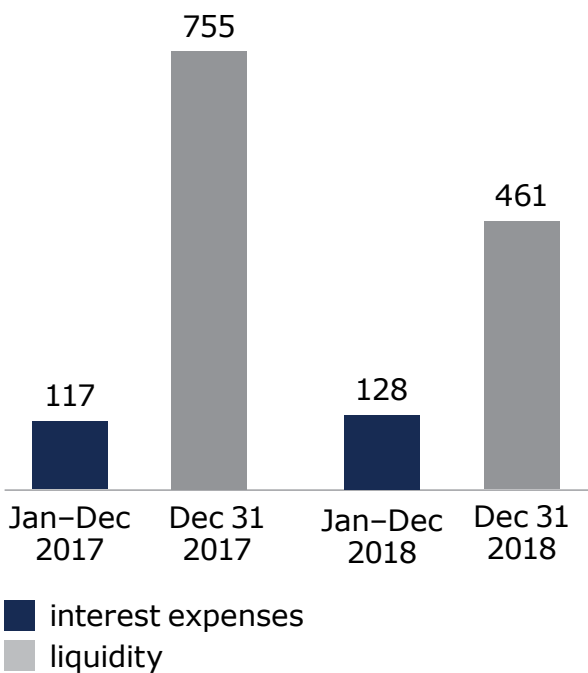
loan-to-value ratio 44 percent



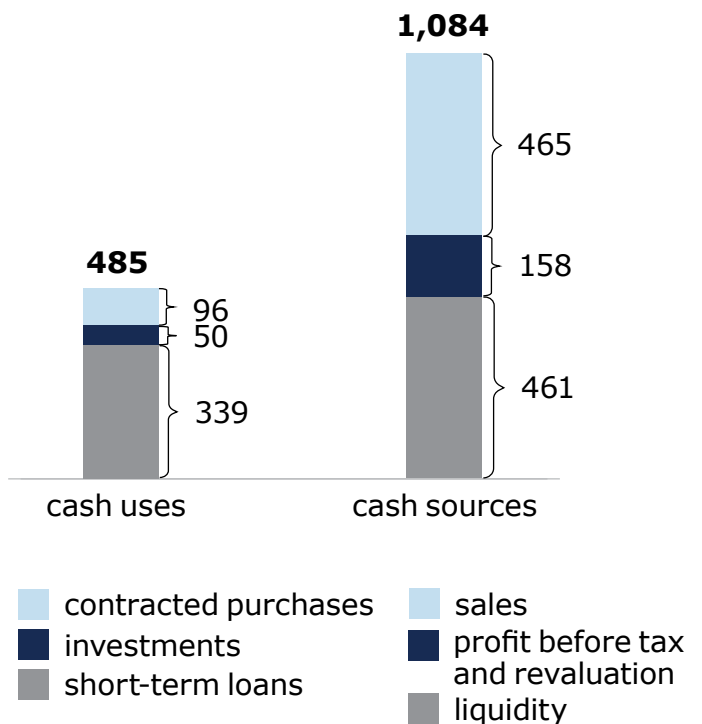
equity and hybrid capital ratio 47 percent



interest expenses and liquidity  
EUR million



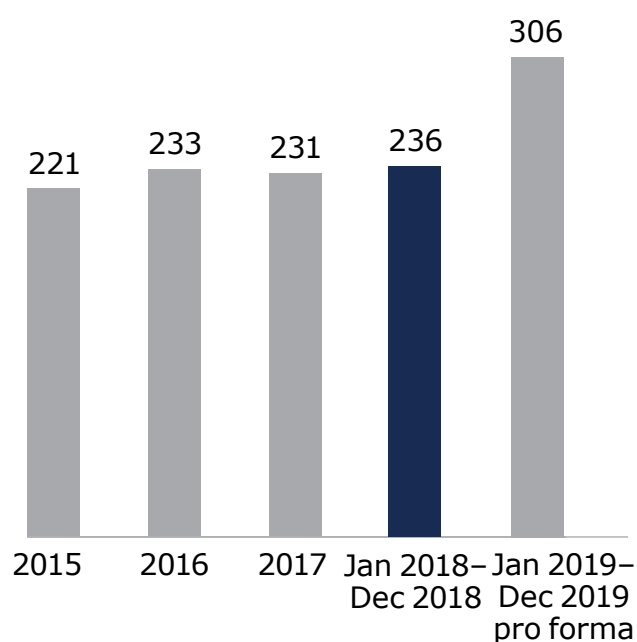
cash uses and sources  
12 months forward, EUR million



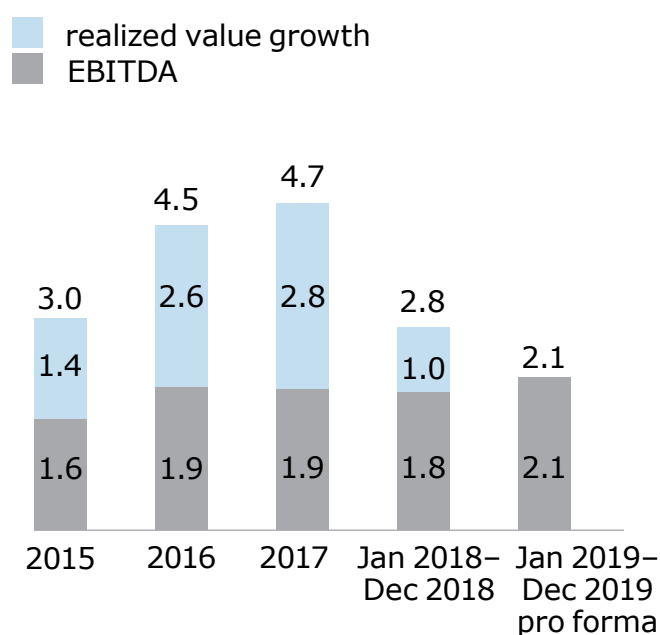


## financing

EBITDA EUR 236 million



interest coverage ratio 2.8



### current interest and debt coverage capacity

EUR million	Jan 2018–Dec 2018	Jan 2019–Dec 2019 pro forma <sup>3</sup>
Rental income	482 <sup>1</sup>	561
Operating expenses	-195	-201
Maintenance	-28	-30
<b>Net operating income</b>	<b>259</b>	<b>330</b>
Central administrative and other items	-23 <sup>2</sup>	-24
<b>EBITDA</b>	<b>236</b>	<b>306</b>
Other financial income and expenses	-3	-3
<b>Adjusted profit before tax and net interest</b>	<b>233</b>	<b>303</b>
Net interest expenses	-128	-145
<b>Interest coverage ratio excluding realized value growth</b>	<b>1.8</b>	<b>2.1</b>
Realized value growth	129	-
<b>Interest coverage ratio</b>	<b>2.8</b>	<b>2.1</b>
Net debt as per December 31, 2018	5,505	5,505
Net debt/EBITDA	23.4	18.0
Net debt/EBITDA including realized value growth	15.1	18.0

1) Includes EUR 480 million in like-for-like residential rental value as of Jan 1, 2019, EUR 44 million in rental income for commercial properties and parking, EUR -9 million in real vacancy for apartments and EUR 46 million in other income.

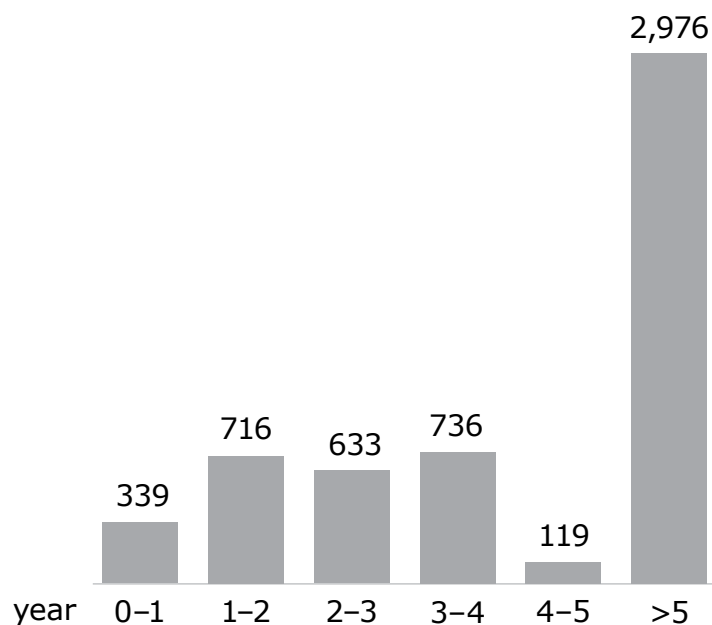
2) Excludes EUR 2 million in operational exchange differences and depreciation.

3) The Pro forma is based on the property portfolio's gross rent, real vacancy, estimated operating expenses and maintenance costs and central administration, during a normal year.

## financing

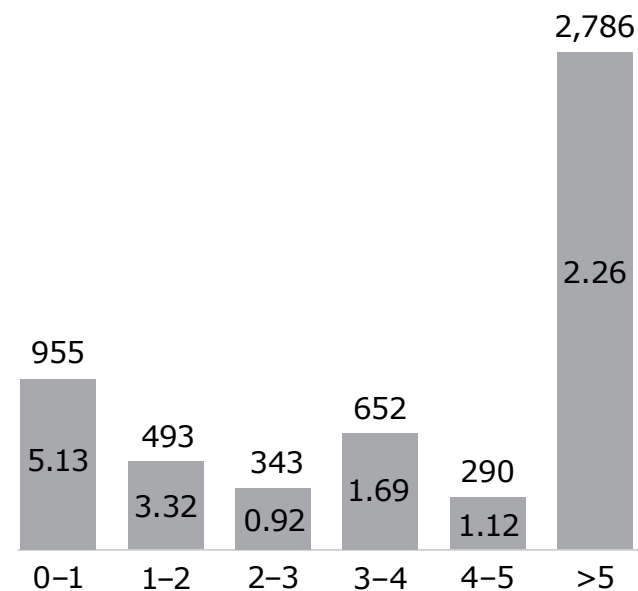
### debt maturities

EUR million

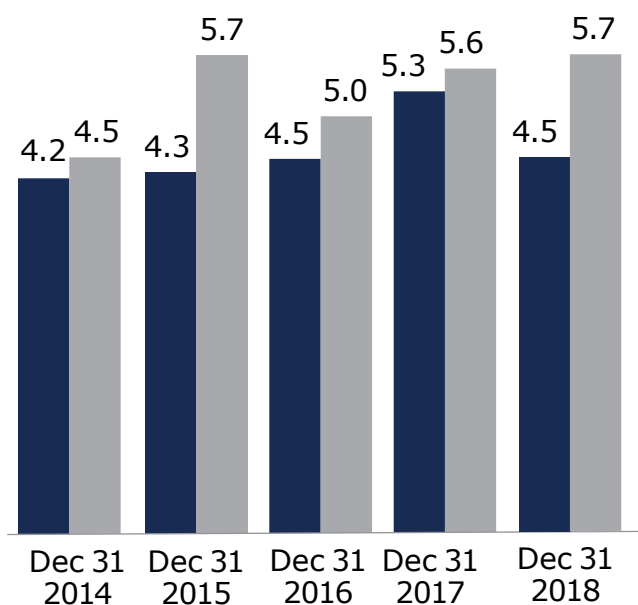


### interest rate hedges, average interest rate

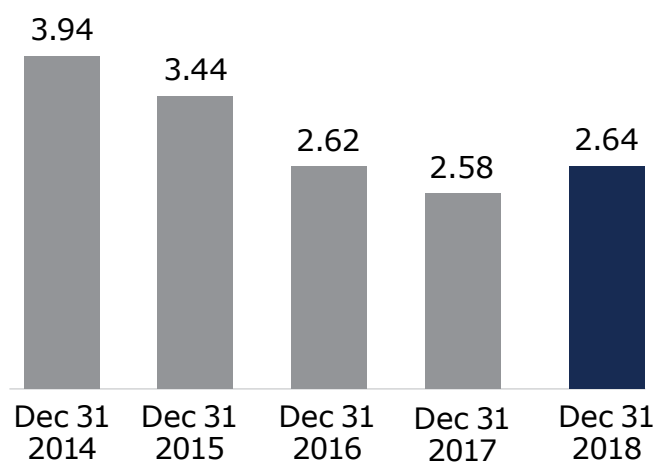
EUR million and percent



### fixed interest term 4.5 years debt maturities 5.7 years

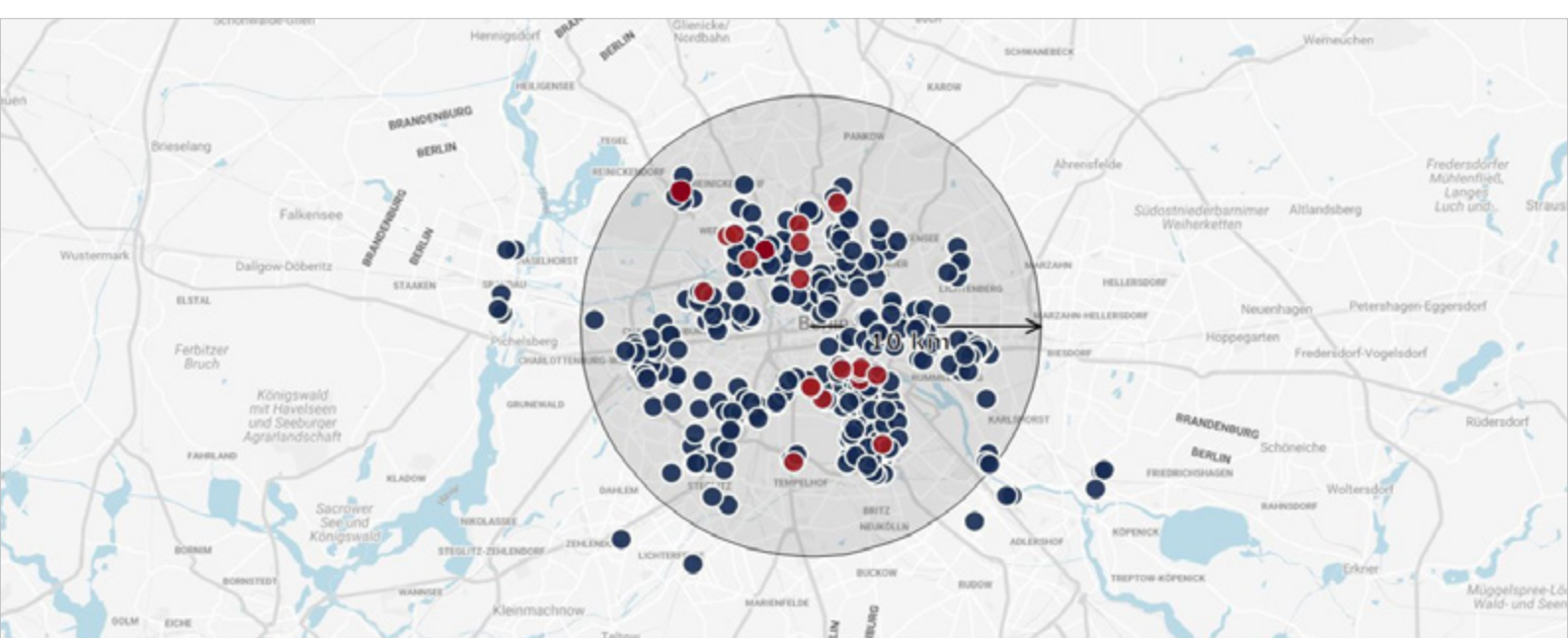


### average interest rate 2.64 percent



■ fixed interest term  
■ debt maturities

# Berlin



● acquired properties 2018

● like-for-like properties

## Berlin

### Property portfolio

Fair value, EUR million	2,854
Proportion of property fair value, percent	23
Capitalization rate, percent	3.39
Proportion upgraded apartments, percent	37
Average apartment size, sqm	63
Walk score	91

### Average rent

EUR/sqm/month

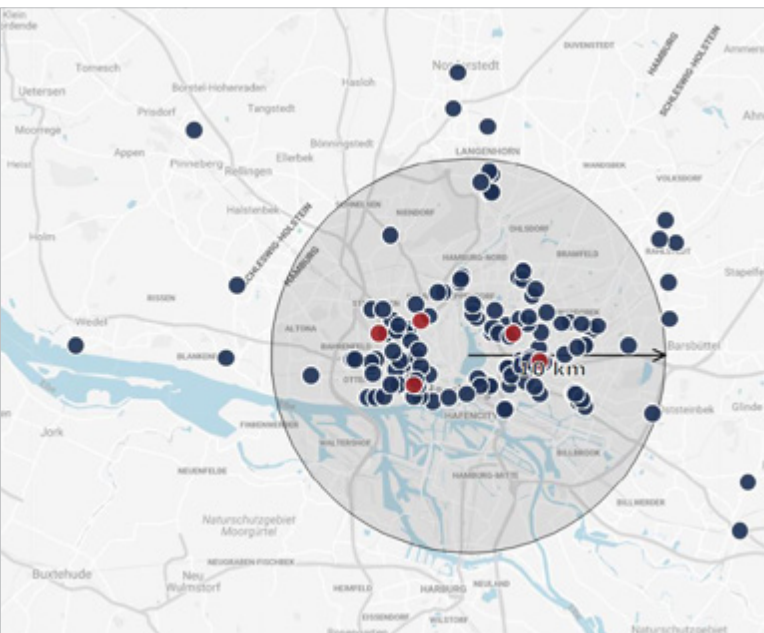
Total portfolio Jan 1, 2018	8.06
Sales	-
Like-for-like Jan 1, 2018	8.06
Like-for-like increase	0.63
– Increase in percent	7.9
Like-for-like Jan 1, 2019	8.69
Purchases	-0.05
Total portfolio Jan 1, 2019	8.64
New lease level	16.42

### Vacancy rate residential

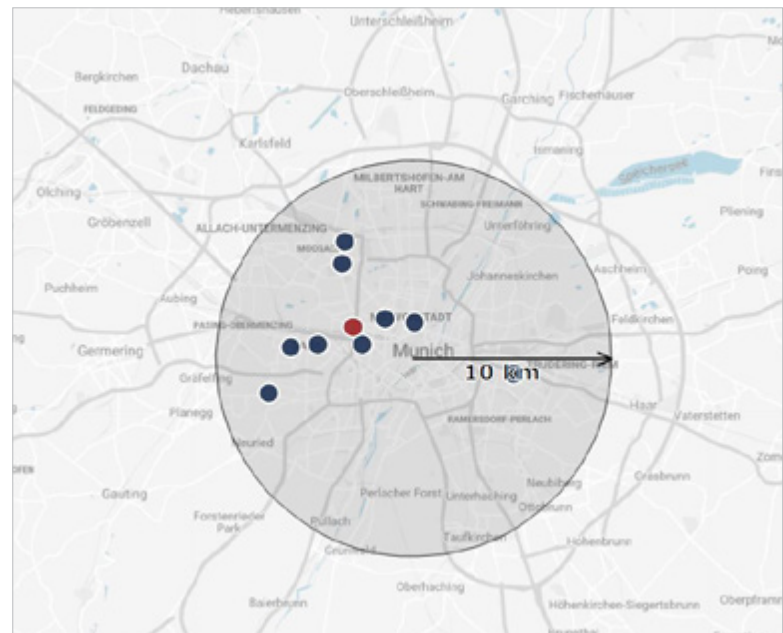
percent

Real vacancy rate	1.5
Apartments being upgraded	6.3
Vacancy rate	7.8

## Hamburg



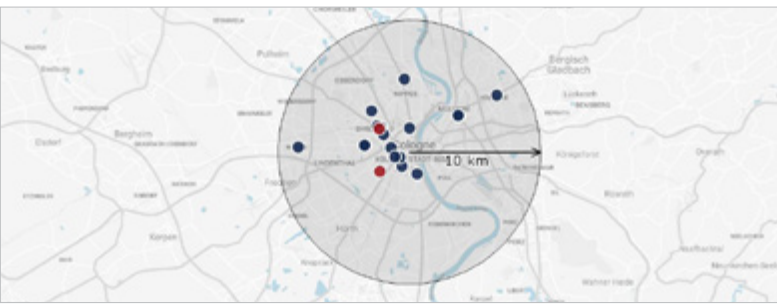
## Munich



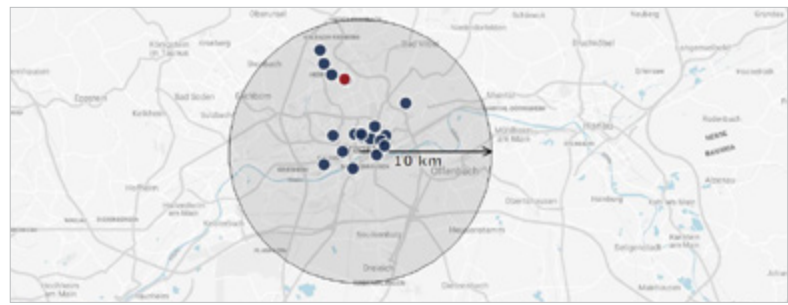
● acquired properties 2018      ● like-for-like properties

	Hamburg	Munich
<b>Property portfolio</b>		
Fair value, EUR million	903	195
Proportion of property fair value, percent	7	2
Capitalization rate, percent	3.77	3.61
Proportion upgraded apartments, percent	52	44
Average apartment size, sqm	56	55
Walk score	87	87
<b>Average rent</b>		
	EUR/sqm/month	EUR/sqm/month
Total portfolio Jan 1, 2018	10.70	12.70
Sales	0.00	-
Like-for-like Jan 1, 2018	10.70	12.70
Like-for-like increase	0.55	0.55
– Increase in percent	5.2	4.3
Like-for-like Jan 1, 2019	11.25	13.25
Purchases	-0.07	-0.02
Total portfolio Jan 1, 2019	11.18	13.23
New lease level	15.77	18.88
<b>Vacancy rate residential</b>		
	percent	percent
Real vacancy rate	0.8	1.6
Apartments being upgraded	4.9	5.1
Vacancy rate	5.7	6.7

## Cologne - Düsseldorf



## Frankfurt - Mainz



● acquired properties 2018      ● like-for-like properties

Cologne  
Düsseldorf

Frankfurt  
Mainz

### Property portfolio

Fair value, EUR million	318	256
Proportion of property fair value, percent	3	2
Capitalization rate, percent	3.77	3.84
Proportion upgraded apartments, percent	44	68
Average apartment size, sqm	58	61
Walk score	95	89

### Average rent

EUR/sqm/month      EUR/sqm/month

Total portfolio Jan 1, 2018	9.35	11.11
Sales	-	-
Like-for-like Jan 1, 2018	9.35	11.11
Like-for-like increase	0.40	0.36
– Increase in percent	4.2	3.2
Like-for-like Jan 1, 2019	9.75	11.47
Purchases	0.01	-0.02
Total portfolio Jan 1, 2019	9.76	11.45
New lease level	13.36	14.44

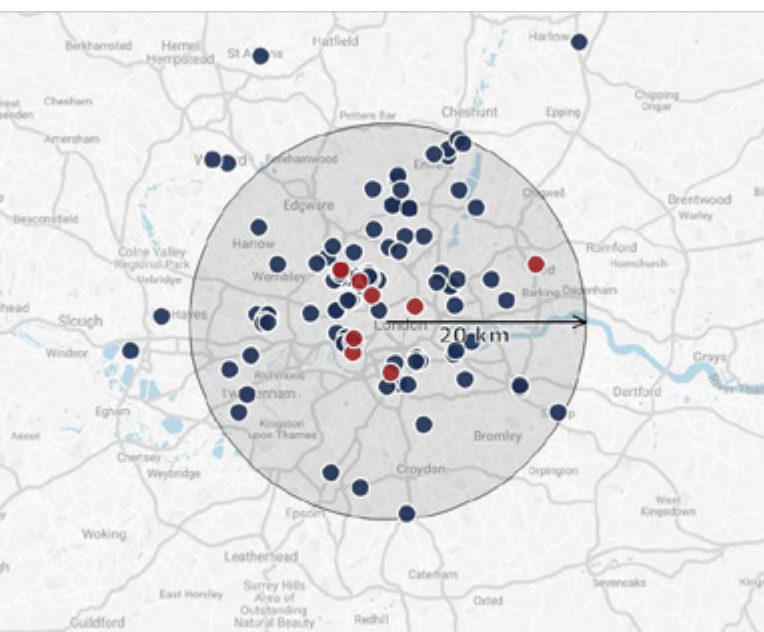
### Vacancy rate residential

percent      percent

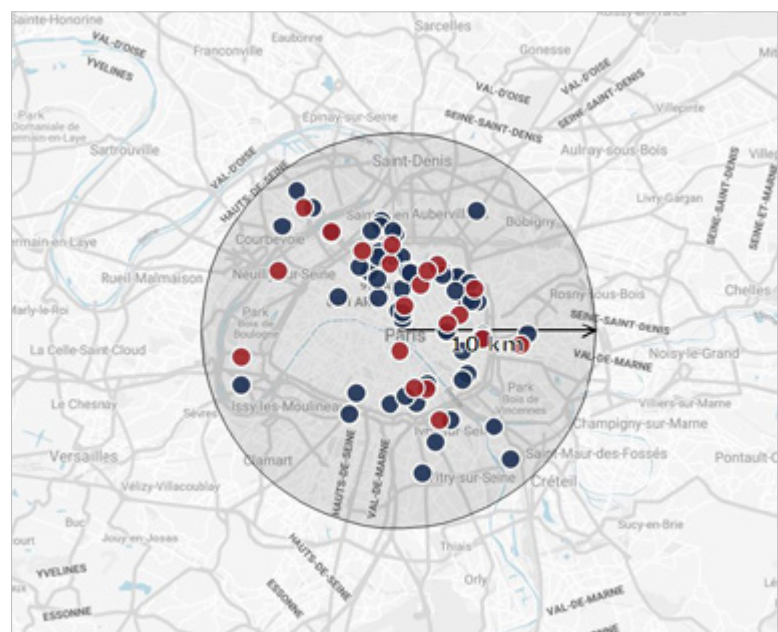
Real vacancy rate	1.0	2.9
Apartments being upgraded	7.5	5.6
Vacancy rate	8.5	8.5



## London



## Paris



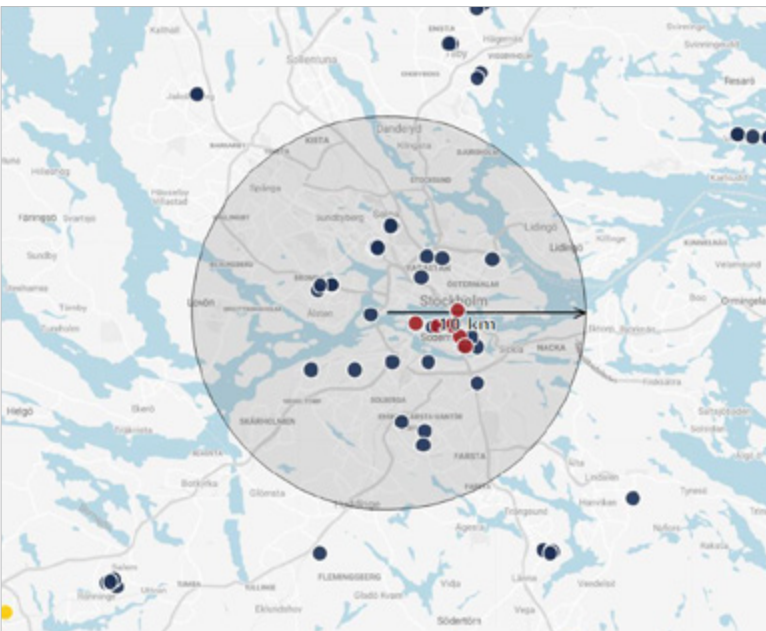
● acquired properties 2018      ● like-for-like properties

### London

### Paris

<b>Property portfolio</b>		
Fair value, EUR million	878	380
Proportion of property fair value, percent	7	3
Capitalization rate, percent	4.14	4.06
Proportion upgraded apartments, percent	54	18
Average apartment size	422 sqft	31 sqm
Walk score	86	97
<b>Average rent</b>		
	GBP/sqft/month	EUR/sqm/month
Total portfolio Jan 1, 2018	2.75	23.40
Sales	-	-
Like-for-like Jan 1, 2018	2.75	23.40
Like-for-like increase	0.01	1.97
– Increase in percent	0.3	8.4
Like-for-like Jan 1, 2019	2.76	25.37
Purchases	0.01	-2.58
Total portfolio Jan 1, 2019	2.77	22.79
New lease level	2.84	42.65
<b>Vacancy rate residential</b>		
	percent	percent
Real vacancy rate	3.0	1.8
Apartments being upgraded	16.1	42.0
Vacancy rate	19.1	43.8

## Stockholm



## Malmö

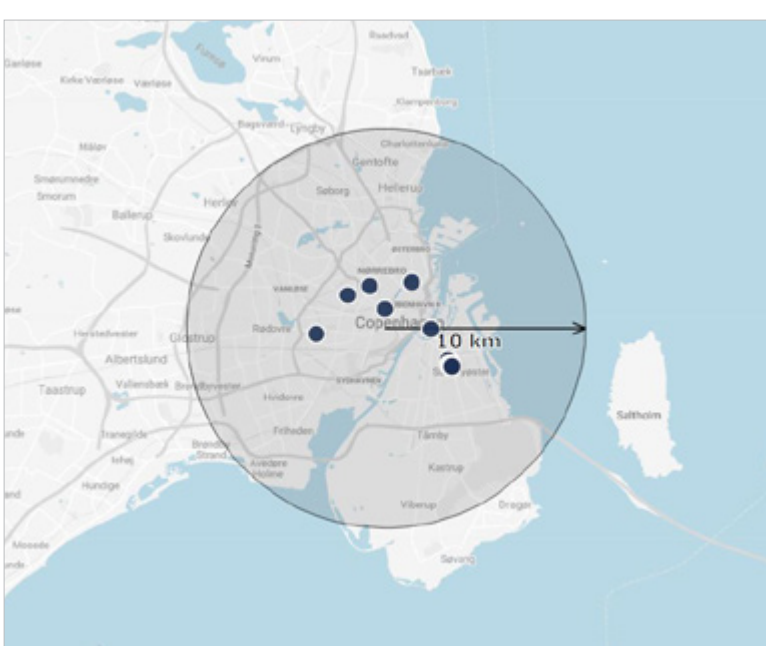


● acquired properties 2018      ● like-for-like properties

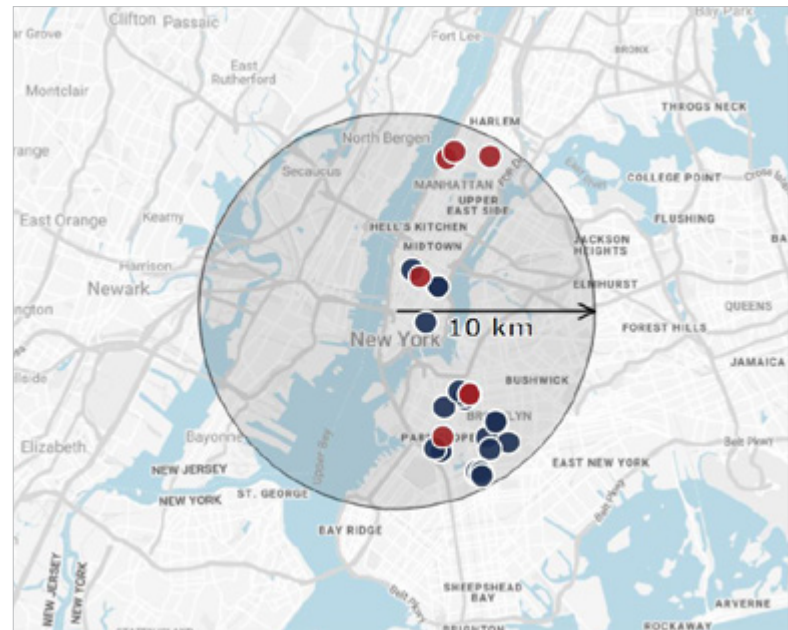
	Stockholm	Malmö
<b>Property portfolio</b>		
Fair value, EUR million	2,017	949
Proportion of property fair value, percent	16	8
Capitalization rate, percent	2.84	3.20
Proportion upgraded apartments, percent	48	52
Average apartment size, sqm	73	65
Walk score	66	91
<b>Average rent</b>		
	SEK/sqm/year	SEK/sqm/year
Total portfolio Jan 1, 2018	1,268	1,329
Sales	1	-
Like-for-like Jan 1, 2018	1,269	1,329
Like-for-like increase	35	21
– Increase in percent	2.7	1.6
Like-for-like Jan 1, 2019	1,304	1,350
Purchases	0	0
Total portfolio Jan 1, 2019	1,304	1,350
New lease level	1,530	1,582
<b>Vacancy rate residential</b>		
	percent	percent
Real vacancy rate	0.0	0.0
Apartments being upgraded	2.4	1.6
Vacancy rate	2.4	1.6



## Copenhagen



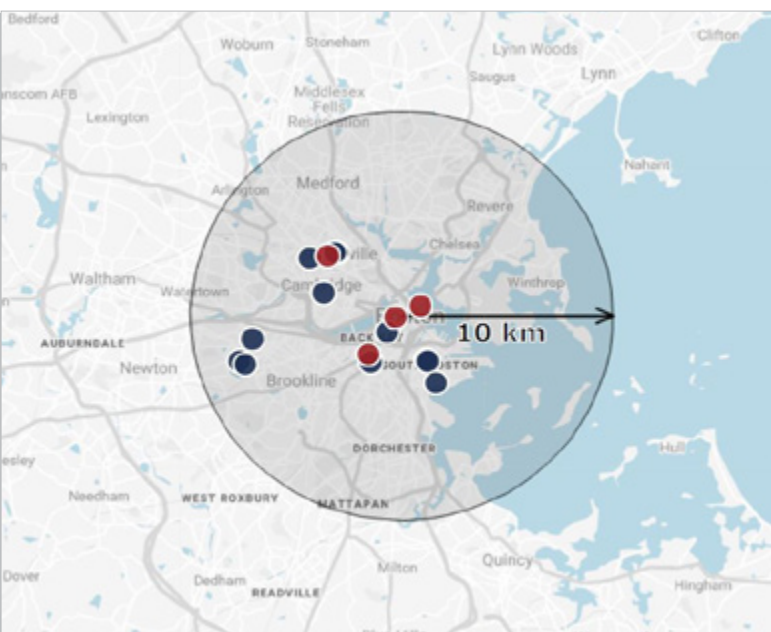
## New York



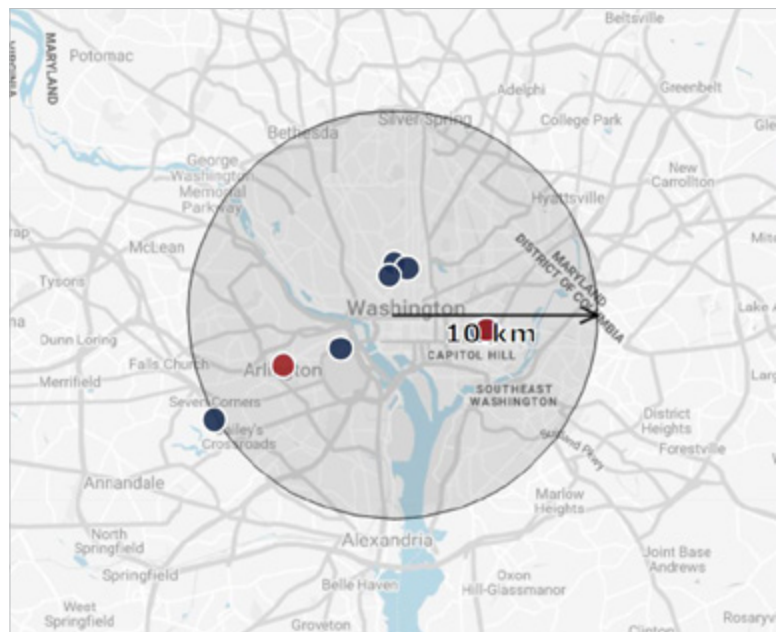
● acquired properties 2018      ● like-for-like properties

	Copenhagen	New York
<b>Property portfolio</b>		
Fair value, EUR million	300	924
Proportion of property fair value, percent	2	7
Capitalization rate, percent	2.99	4.22
Proportion upgraded apartments, percent	32	28
Average apartment size	80 sqm	731 sqft
Walk score	95	97
<b>Average rent</b>		
	DKK/sqm/year	USD/sqft/month
Total portfolio Jan 1, 2018	936	2.77
Sales	-	-
Like-for-like Jan 1, 2018	936	2.77
Like-for-like increase	75	0.15
– Increase in percent	8.0	5.4
Like-for-like Jan 1, 2019	1,011	2.91
Purchases	-	-0.06
Total portfolio Jan 1, 2019	1,011	2.85
New lease level	1,610	5.19
<b>Vacancy rate residential</b>		
	percent	percent
Real vacancy rate	0.1	2.4
Apartments being upgraded	4.1	13.9
Vacancy rate	4.2	16.3

## Boston



## Washington D.C.



● acquired properties 2018      ● like-for-like properties

### Boston      Washington D.C.

#### Property portfolio

Fair value, EUR million	480	337
Proportion of property fair value, percent	4	3
Capitalization rate, percent	4.26	4.73
Proportion upgraded apartments, percent	59	22
Average apartment size, sqft	691	810
Walk score	87	86

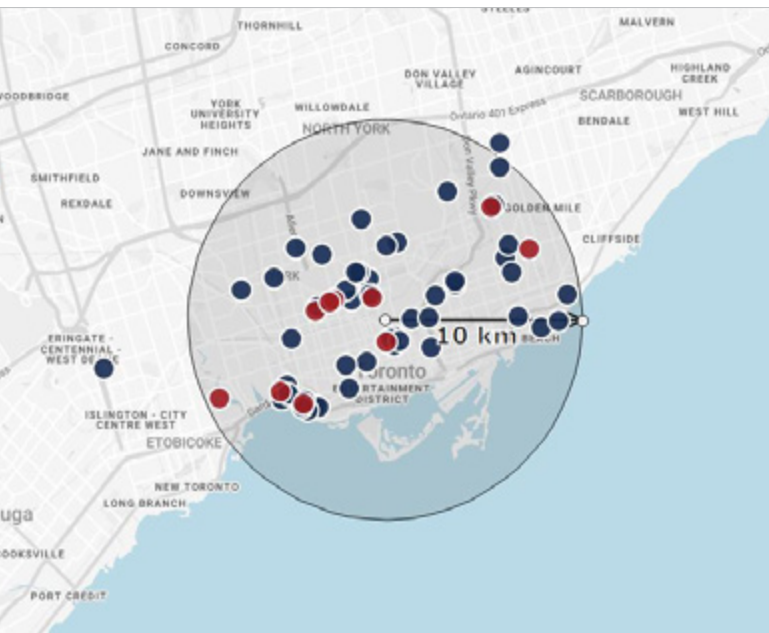
#### Average rent

	USD/sqft/month	USD/sqft/month
Total portfolio Jan 1, 2018	3.42	1.88
Sales	-	-
Like-for-like Jan 1, 2018	3.42	1.88
Like-for-like increase	0.20	0.08
– Increase in percent	5.7	4.1
Like-for-like Jan 1, 2019	3.62	1.96
Purchases	-0.03	0.34
Total portfolio Jan 1, 2019	3.59	2.30
New lease level	3.90	2.25

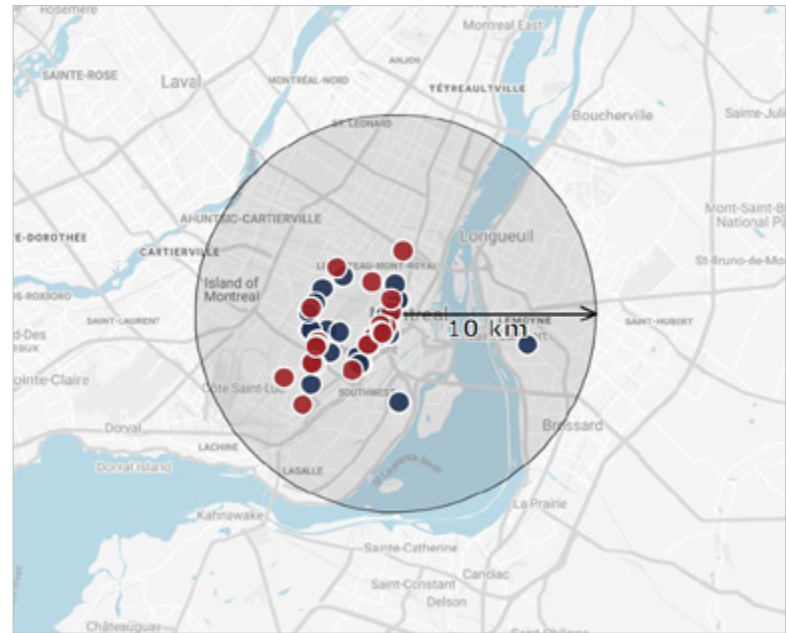
#### Vacancy rate residential

	percent	percent
Real vacancy rate	3.2	3.4
Apartments being upgraded	15.8	28.4
Vacancy rate	19.0	31.8

## Toronto



## Montreal



● acquired properties 2018      ● like-for-like properties

	Toronto	Montreal
<b>Property portfolio</b>		
Fair value, EUR million	837	650
Proportion of property fair value, percent	7	5
Capitalization rate, percent	4.18	4.35
Proportion upgraded apartments, percent	43	35
Average apartment size, sqft	581	718
Walk score	82	91
<b>Average rent</b>		
	CAD/sqft/month	CAD/sqft/month
Total portfolio Jan 1, 2018	2.07	1.68
Sales	-	-
Like-for-like Jan 1, 2018	2.07	1.68
Like-for-like increase	0.09	0.03
– Increase in percent	4.4	1.7
Like-for-like Jan 1, 2019	2.16	1.71
Purchases	-0.03	-0.03
Total portfolio Jan 1, 2019	2.13	1.68
New lease level	3.12	1.90
<b>Vacancy rate residential</b>		
	percent	percent
Real vacancy rate	1.9	2.7
Apartments being upgraded	8.7	12.9
Vacancy rate	10.6	15.6

## result for the year

### rental income EUR 482 million

Rental income was EUR 482 (469) million, an increase of 2.8 percent compared to the same period in 2017.

Like-for-like growth in rental income was EUR 12 million (17), or 3.2 percent (5.1).

During the period, 26,118 rental contracts with an annual rent of EUR 253 million were renewed or renegotiated.

The new yearly rent is EUR 258 million, an increase of 2.3 percent.

The real vacancy rate increased by 0.5 percentage points to 1.4 percent. The vacancy rate for residential units was 9.6 percent (6.6). 86 percent (86) was due to upgrades or planned sales of apartments.

### net operating income EUR 259 million

Net operating income was EUR 259 (251) million.

Property expenses totaled EUR 223 million (218).

EUR 28 million was attributable to maintenance, corresponding to EUR 9 per square meter and year.

Like-for-like growth in net operating income was 5.1 percent (10.7).

Net operating income margin was 53.6 percent (53.4).

Adjusted net operating income margin was 69.3 percent (68.0).

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

### increase in property value 5.2 percent

The increase in property value was EUR 553 million (888), 5.2 percent (9.7).

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

See table on page 7.

### net financial items EUR -145 million

Interest expenses were EUR -128 million (-117).

Interest expenses hybrid bond were EUR -14 million (0).

Financial derivatives affected earnings by EUR 0 million (0).

Other financial items amounted to EUR -3 million (-5).

### profit before tax EUR 634 million

Profit before tax was EUR 634 million (984).

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

### tax expenses EUR 127 million

Tax expenses totaled EUR 127 million (178).

EUR 123 million was deferred tax, mainly due to unrealized gains on properties.

Deferred tax in Sweden is reported at the lower tax rate of 20.6 instead of 22 percent. Deferred tax liability therefore decreased by EUR 16 million.

Akelius has no ongoing tax disputes.



## property portfolio

### fair value EUR 12,379 million

The fair value was EUR 12,379 million, which is equivalent to EUR 3,617 per square meter.

The average capitalization rate was 3.67 percent.

It was 0.07 percentage points higher than at the beginning of the year.

See table on page 7.

### property purchases EUR 1,286 million

Property purchases amounted to EUR 1,286 million (1,268) during the period.

The average capitalization rate for purchased properties was 3.95 percent.

### property investments EUR 349 million

Investments in properties totaled EUR 349 million (282), corresponding to EUR 105 (87) per square meter on an annual basis.

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

### property sales EUR 300 million

In total, Akelius sold properties for EUR 300 million (737).

EUR 285 million were properties located in Sweden and EUR 15 million located in Germany.

Income from the sale of properties totaled EUR 4 million and transaction costs amounted to EUR 5 million.

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

### assets and liabilities held for sale

Akelius has signed an agreement for the sale of 2,340 apartments in Greater Stockholm.

The closing date is April 2019.

EUR 449 million investment properties and EUR 58 million deferred taxes are reported as held for sale at the end of 2018.

## financing

### equity and hybrid capital ratio 47 percent

Akelius issued a hybrid bond with a nominal value of EUR 500 million on April 5.

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

Equity increased by EUR 469 million to EUR 5,370 million during the period.

The equity and hybrid capital ratio amounted to 47 percent.

### loan-to-value ratio 44 percent

Loans excluding hybrid bond increased during the period by EUR 772 million to EUR 5,519 million.

The loan-to-value ratio has been stable at 44 percent since the year end 2017.

The secured loans were EUR 2,346 million, compared to EUR 1,933 million end of 2017.

Secured loan-to-value ratio was 19 percent, 1 percentage point higher than year end 2017.

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

Unsecured loans include 10 listed bonds and loans from large investors and related companies.

### debt maturities 5.7 years

Loans have an average maturity of 5.7 years, compared to 5.6 years at the end of 2017.

EUR 339 million matures within one year.

The average loan-to-value ratio on short-term loans was 38 percent.

Short-term loans consist of borrowings from 11 banks and of capital market financing.

### interest rate hedge 4.5 years

EUR 2,786 million had a fixed interest rate term of more than five years and EUR 955 million had a fixed interest rate term of less than one year.

The average interest rate was 2.64 percent.

On average, the underlying interest rate is secured for 4.5 years, compared to 5.3 years at the end of 2017.

### liquidity EUR 461 million

Available funds in the form of liquid assets and credit facilities totaled EUR 461 million.

The fair value of the unencumbered properties was EUR 5,344 million.

## other financial information

### cash flow EUR -3 million

Operating cash flow before the change in working capital was EUR 97 million (131).

Cash flow from investing activities was EUR -1,241 million (-909).

Cash required for the acquisition of properties is secured before the agreements are signed.

Profitable but non-mandatory upgrades can be stopped within a three-month period.

Cash flow from financing activities was EUR 1,129 million (799).

New ordinary shares were issued for EUR 809 million.

Dividends of EUR 37 million were paid to the holders of preference shares and dividends of EUR 809 were paid to the holders of common shares.

### parent company

The Parent Company's profit before tax was SEK -4 million (251) or EUR -0 million (26).

Financial income includes mainly interest income, currency exchange gains on currency derivatives and external and internal receivables in foreign currency.

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

The parent company issued 126,229,740 common shares at a subscription price of SEK 68 per share, totaling SEK 8,584 million, or EUR 809 million.

On the same date, dividends of SEK 2.8 per share were paid to the holders of common shares, totaling SEK 8,584 million, or EUR 809 million.

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

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

### preference shares

The total number of preference shares was 18,835,606, equivalent to EUR 586 million reported in equity. Preference shares represent 0.61 percent of the total number of shares in Akelius Residential Property AB.

On December 31, 2018, the price paid per preference share was SEK 328.50.

### fourth quarter

Profit before tax for the quarter amounted to EUR 32 million (233).

Net income from the change in fair value of properties impacted the profit with EUR 22 million (216).

Rental income increased to EUR 129 million (124).

Property costs amounted to EUR 63 million (60).

Net operating income was EUR 66 million (64).

Net financial items totaled EUR -47 million (-38).

Cash flow amounted to EUR 0 million (-100).

Cash flow generated from operations was EUR 34 million (34).

Net cash flow from investing activities amounted to EUR -389 million (-368).

Financing activities had a positive effect on cash flow of EUR 356 million (234).

### rating

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

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

### staff

1,326 people were employed as at December 31 compared to 876 at the end of 2017.

### related party transactions

Net debt from related parties decreased by EUR 53 million.

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

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

## consolidated statement of comprehensive income

EUR million	2018 Oct-Dec 3 months	2017 Oct-Dec 3 months	2018 Jan-Dec 12 months	2017 Jan-Dec 12 months
Rental income	129	124	482	469
Operating expenses	-54	-52	-195	-185
Maintenance	-9	-8	-28	-33
<b>Net operating income</b>	<b>66</b>	<b>64</b>	<b>259</b>	<b>251</b>
Central administration	-9	-9	-29	-22
Other income and expenses	-	-	3	-
Net income from the revaluation and disposal of investment properties*	22	216	546	877
<b>Operating profit</b>	<b>79</b>	<b>271</b>	<b>779</b>	<b>1,106</b>
Interest expenses	-35	-33	-128	-117
Interest expenses hybrid bond	-5	-	-14	-
Other financial income and expenses	-	-2	-3	-5
Change in fair value of derivative financial instruments	-7	-3	-	-
<b>Profit before tax</b>	<b>32</b>	<b>233</b>	<b>634</b>	<b>984</b>
Tax	1	-61	-127	-178
<b>Profit for the period/year</b>	<b>33</b>	<b>172</b>	<b>507</b>	<b>806</b>
Items that will be reclassified to profit or loss:				
- Translation differences	-24	-24	35	-156
- Change in the hedging of currency risk	12	-42	-113	38
- Tax attributable to the hedging of currency risk	-5	10	23	-8
- Revaluation reserve	1	1	2	1
<b>Comprehensive income for the period/year</b>	<b>17</b>	<b>117</b>	<b>454</b>	<b>681</b>
Profit attributable to:				
- owners of the Parent Company	32	175	501	802
- owner of the hybrid loans	-	-1	-	3
- non-controlling interests	1	-2	6	1
Total comprehensive income attributable to:				
- owners of the Parent Company	16	119	448	676
- owner of the hybrid loans	-	-1	-	4
- non-controlling interests	1	-1	6	1
Earnings per share before and after dilution, EUR	0.01	0.05	0.15	0.25

\* EUR 4 million is related to the realized gain/loss from the disposal of investment properties in Jan-Dec 2018 and EUR 45 million in Jan-Dec 2017.

Transaction costs amounted to EUR 5 million in Jan-Dec 2018 and EUR 9 million in Jan-Dec 2017.



## consolidated statement of financial position

EUR million	2018 Dec 31	2017 Dec 31
<b>Assets</b>		
Intangible assets	11	6
Investment properties	11,891	10,345
Owner-occupied property	39	35
Tangible fixed assets	6	4
Derivative financial instruments	2	3
Deferred tax assets	1	1
Financial assets	4	7
<b>Total non-current assets</b>	<b>11,954</b>	<b>10,401</b>
Trade and other receivables	86	85
Derivative financial instruments	14	3
Cash and cash equivalents	13	16
Assets held for sale*	449	244
<b>Total current assets</b>	<b>562</b>	<b>348</b>
<b>Total assets</b>	<b>12,516</b>	<b>10,749</b>
<b>Total equity</b>	<b>5,370</b>	<b>4,901</b>
Interest-bearing liabilities	5,180	4,431
Hybrid bond	499	-
Derivative financial instruments	46	100
Deferred tax liabilities	885	838
Provisions	1	-
Other liabilities	16	15
<b>Total non-current liabilities</b>	<b>6,627</b>	<b>5,384</b>
Interest-bearing liabilities	339	316
Derivative financial instruments	-	7
Provisions	1	2
Trade and other payables	121	110
Liabilities held for sale	58	29
<b>Total current liabilities</b>	<b>519</b>	<b>464</b>
<b>Total equity and liabilities</b>	<b>12,516</b>	<b>10,749</b>
Interest-bearing liabilities		
- unsecured loans	3,173	2,814
- secured loans	2,346	1,933
<b>Subtotal</b>	<b>5,519</b>	<b>4,747</b>
- hybrid bond**	499	-
<b>Total</b>	<b>6,018</b>	<b>4,747</b>

\* attributable to investment properties.

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

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

## consolidated statement of cash flows

EUR million	2018 Oct-Dec 3 months	2017 Oct-Dec 3 months	2018 Jan-Dec 12 months	2017 Jan-Dec 12 months
Net operating income	66	64	259	251
Central administration	-9	-9	-29	-22
Other income and expenses	1	-	3	1
Reversal of depreciation and impairment losses	1	1	3	2
Interest paid	-37	-22	-136	-98
Income tax paid	-2	-1	-3	-3
<b>Cash flow before changes in working capital</b>	<b>20</b>	<b>33</b>	<b>97</b>	<b>131</b>
Change in current assets	9	-9	1	-18
Change in current liabilities	5	10	11	-2
<b>Cash flow from operating activities</b>	<b>34</b>	<b>34</b>	<b>109</b>	<b>111</b>
Investments in intangible assets	-4	-	-7	-2
Investment in properties	-121	-91	-349	-288
Acquisition of investment properties <sup>1</sup>	-280	-300	-1,186	-1,297
Acquisition of net assets <sup>2</sup>	10	12	40	19
Proceeds from sale of investment properties	1	2	300	737
Proceeds from sale of net assets <sup>3</sup>	-	-	-31	-45
Purchase and sale of other assets <sup>4</sup>	4	9	-8	-33
<b>Cash flow from investing activities</b>	<b>-390</b>	<b>-368</b>	<b>-1,241</b>	<b>-909</b>
New share issue	-	-7	809	1,043
Acquisition of minority shares <sup>1</sup>	4	1	5	1
Loans raised	1,532	430	3,551	2,192
Repayment of loans	-1,152	-217	-2,339	-1,356
Repayment of hybrid loans	-	1	-	-227
Purchase and sale of derivative instruments	-18	31	-51	22
Dividend ordinary shares	-	3	-809	-838
Dividend preference shares	-10	-8	-37	-38
<b>Cash flow from financing activities</b>	<b>356</b>	<b>234</b>	<b>1,129</b>	<b>799</b>
<b>Cash flow for the period/year</b>	<b>0</b>	<b>-100</b>	<b>-3</b>	<b>1</b>
<b>Cash and cash equivalents at beginning of the period/year</b>	<b>13</b>	<b>115</b>	<b>16</b>	<b>14</b>
Translation differences in cash and cash equivalents	0	1	0	1
<b>Cash and cash equivalents at end of period/year</b>	<b>13</b>	<b>16</b>	<b>13</b>	<b>16</b>

For Jan-Dec 2018

1) The acquisition of EUR 100 million in investment properties minus EUR -36 million in net assets was offset with the acquisition of EUR 48 million in minority shares.

The transactions with Giannis Beta, a related party company, were on market terms.

2) mainly related to a discount received for deferred tax and the acquisition of loans.

3) mainly related to a discount provided for deferred tax.

4) including EUR -2 million in prepayment for the acquisition and EUR -5 million in transaction cost for sold properties.

# consolidated statement of changes in equity

EUR million	Attributable to the owners of the Parent Company				Total	Hybrid loans	Non con- trolling inter- ests	Total equity
	Share capital	Share premium	Currency transla- tion reserve	Retained earnings				
<b>Opening balance Jan 1, 2017</b>	<b>185</b>	<b>1,272</b>	<b>98</b>	<b>2,495</b>	<b>4,050</b>	<b>210</b>	<b>19</b>	<b>4,279</b>
EUR conversion	11	47	-126	69	1	-	-1	-
<b>Adjusted opening balance</b>	<b>196</b>	<b>1,319</b>	<b>-28</b>	<b>2,564</b>	<b>4,051</b>	<b>210</b>	<b>18</b>	<b>4,279</b>
Profit for the period	-	-	-	802	802	3	1	806
Other comprehensive income	-	-	-126	-	-126	1	-	-125
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-126</b>	<b>802</b>	<b>676</b>	<b>4</b>	<b>1</b>	<b>681</b>
Repurchase of hybrid loans	-	-	-	-13	-13	-214	-	-227
Dividend	-	-857	-	-19	-876	-	-	-876
Share issue	8	1,035	-	-	1,043	-	-	1,043
Acquired minority	-	-	-	-	-	-	1	1
<b>Closing balance Dec 31, 2017</b>	<b>204</b>	<b>1,497</b>	<b>-154</b>	<b>3,334</b>	<b>4,881</b>	<b>-</b>	<b>20</b>	<b>4,901</b>
Profit for the period	-	-	-	501	501	-	6	507
Other comprehensive income	-	-	-55	2	-53	-	-	-53
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-55</b>	<b>503</b>	<b>448</b>	<b>-</b>	<b>6</b>	<b>454</b>
Acquired minority	-	-	-	-	-	-	52	52
Dividend	-	-846	-	-	-846	-	-	-846
Share issue	7	802	-	-	809	-	-	809
<b>Closing balance Dec 31, 2018*</b>	<b>211</b>	<b>1,453</b>	<b>-209</b>	<b>3,837</b>	<b>5,292</b>	<b>-</b>	<b>78</b>	<b>5,370</b>
*) attributable to preference share holders	1	652	-67	-	586	-	-	586

## condensed statement of comprehensive income for the Parent Company

SEK million	2018 Oct-Dec 3 months	2017 Oct-Dec 3 months	2018 Jan-Dec 12 months	2017 Jan-Dec 12 months
Central administration	17	-1	-29	-34
Financial income	1,084	407	3,196	1,383
Financial expenses	-432	-121	-1,437	-1,426
Change in the fair value of derivatives	-115	-7	-213	130
Appropriations	-1,513	198	-1,513	198
<b>Profit before tax</b>	<b>-959</b>	<b>476</b>	<b>4</b>	<b>251</b>
Tax	24	-25	-10	-68
<b>Profit for the period/year</b>	<b>-935</b>	<b>451</b>	<b>-6</b>	<b>183</b>
<b>Comprehensive income</b>	<b>-935</b>	<b>451</b>	<b>-6</b>	<b>183</b>

## condensed statement of financial position for the Parent Company

SEK million	2018 31 Dec	2017 31 Dec
Intangible assets	2	2
Shares in subsidiaries	27,287	13,372
Receivables from Group companies	41,687	49,834
Prepaid expenses and accrued income from Group companies	23	163
Deferred tax assets	444	454
Other assets	167	201
Cash and cash equivalents	7	5
<b>Total assets</b>	<b>69,617</b>	<b>64,031</b>
<b>Total equity</b>	<b>15,457</b>	<b>15,840</b>
Interest-bearing liabilities	42,734	29,937
Interest-bearing liabilities from Group companies	10,466	17,471
Derivative financial instruments	455	406
Other current liabilities	505	368
Other current liabilities from Group companies	-	9
<b>Total equity and liabilities</b>	<b>69,617</b>	<b>64,031</b>

## secured and unsecured loans

Duration, years	Interest rate hedge, EUR million	Interest rate hedge Average interest rate, percent	Share, percent	Debt maturities, EUR million	Share, percent
0-1	955	5.13	17	339	6
1-2	493	3.32	9	716	13
2-3	343	0.92	6	633	11
3-4	652	1.69	12	736	13
4-5	290	1.12	5	119	2
5-6	608	1.51	11	540	10
6-7	1,267	2.12	24	1,253	23
7-8	358	2.17	6	392	7
8-9	223	2.91	4	284	5
9-10	191	3.47	3	143	3
> 10	139	4.27	3	364	7
<b>Total</b>	<b>5,519</b>	<b>2.64</b>	<b>100</b>	<b>5,519</b>	<b>100</b>

## segment information

Jan-Dec 2018, EUR million	Europe	Scandinavia	North America	Total
Rental income	219	143	120	<b>482</b>
Operating expenses	-84	-54	-57	<b>-195</b>
Maintenance	-11	-11	-6	<b>-28</b>
<b>Net operating income</b>	<b>124</b>	<b>78</b>	<b>57</b>	<b>259</b>
Revaluation of investment properties	234	132	187	<b>553</b>
<b>Total property return</b>	<b>358</b>	<b>210</b>	<b>244</b>	<b>812</b>
<b>Total property return, percent</b>	<b>7.2</b>	<b>6.0</b>	<b>11.1</b>	<b>7.6</b>
<b>Net operating income margin, percent</b>	<b>56.7</b>	<b>54.1</b>	<b>47.4</b>	<b>53.6</b>
<b>Property fair value</b>	<b>5,783</b>	<b>3,368</b>	<b>3,228</b>	<b>12,379</b>

Jan-Dec 2017, EUR million	Europe	Scandinavia	North America	Total
Rental income	202	171	96	<b>469</b>
Operating expenses	-78	-62	-45	<b>-185</b>
Maintenance	-10	-17	-6	<b>-33</b>
<b>Net operating income</b>	<b>114</b>	<b>92</b>	<b>45</b>	<b>251</b>
Revaluation of investment properties	378	398	110	<b>886</b>
<b>Total property return</b>	<b>492</b>	<b>490</b>	<b>155</b>	<b>1,137</b>
<b>Total property return, percent</b>	<b>12.2</b>	<b>14.3</b>	<b>9.0</b>	<b>12.4</b>
<b>Net operating income margin, percent</b>	<b>56.2</b>	<b>53.7</b>	<b>46.8</b>	<b>53.4</b>
<b>Property fair value</b>	<b>4,949</b>	<b>3,482</b>	<b>2,193</b>	<b>10,624</b>

## key figures

	2018 Dec 31	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31
<b>Equity</b>					
Equity, EUR million	5,370	4,901	4,279	3,357	2,373
Equity ratio, percent	43	46	46	41	38
Equity and hybrid capital ratio, percent	47	46	46	41	38
Return on equity, percent	9	19	37	29	9
EPRA NAV, EUR million	6,284	5,840	5,127	4,027	2,888
<b>Net operating income</b>					
Rental income, EUR million	482	469	472	464	396
Growth in rental income, percent	2.8	-0.6	1.8	17.1	13.2
Like-for-like growth in rental income, percent	3.2	5.1	4.1	4.3	3.4
Net operating income, EUR million	259	251	244	232	207
Growth in net operating income, percent	3.3	4.4	6.3	15.6	19.2
Like-for-like growth in net operating income, percent	5.1	10.7	8.0	4.0	7.1
Net operating income margin, percent	53.6	53.4	51.7	50.1	52.2
Adjusted net operating income margin, percent <sup>5</sup>	69.3	68.0	66.2	-	-
<b>Interest-bearing liabilities</b>					
Loan-to-value ratio, secured loans, percent	19	18	24	36	47
Loan-to-value ratio, percent	44	44	43	48	51
Unencumbrance ratio	1.74	1.63	1.18	1.00	9.24
Interest coverage ratio	2.8	4.7	4.5	3.0	1.7
Interest coverage ratio excluding realized value growth	1.8	1.9	1.9	1.6	1.5
Average interest rate, percent	2.64	2.58	2.62	3.44	3.94
Fixed interest term, years	4.5	5.3	4.5	4.3	4.2
Debt maturities, years	5.7	5.6	5.0	5.7	4.5
<b>Properties</b>					
Number of apartments	50,407	47,177	46,516	51,231	47,896
Rentable area, thousand sqm	3,422	3,228	3,236	3,587	3,472
Real vacancy rate, residential, percent	1.4	0.9	1.1	1.3	1.0
Vacancy rate, residential, percent	9.6	6.6	5.0	4.3	3.2
Fair value, EUR per sqm	3,617	3,292	2,834	2,220	1,748
Capitalization rate, percent	3.67	3.60	3.82	4.33	4.72
Change in capitalization rate <sup>1</sup> , percent	0.02	-0.22	-0.49	-0.36	0.01
Fair value of properties opening balance, EUR million	10,624	9,171	7,965	6,068	4,932
Change in fair value, EUR million	553	886	1,343	857	155
Investments, EUR million	349	288	316	237	207
Purchases, EUR million	1,286	1,297	643	1,293	1,064
Sales, EUR million	-300	-737	-957	-615	-119
Exchange difference, EUR million	-133	-281	-139	125	-171
Fair value of properties closing balance, EUR million	12,379	10,624	9,171	7,965	6,068

## key figures

	2018 Dec 31	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31
<b>Properties, Sweden</b>					
Average residential rent, SEK/sqm/year	1,316	1,287	1,246	1,184	1,156
Growth in average residential rent <sup>2</sup> , percent	2.3	2.4	2.6	2.6	3.7
Growth in rental income <sup>3</sup> , percent	2.4	3.8	1.9	3.0	3.5
Growth in net operating income <sup>3</sup> , percent	5.0	10.8	2.4	1.8	8.0
Fair value, EUR per sqm	2,976	2,821	2,421	1,877	1,566
Capitalization rate, percent	3.02	3.00	3.43	4.30	4.78
Number of apartments	12,298	13,808	17,381	23,520	24,407
Vacancy, percent	2.1	1.1	1.2	1.5	1.5
Real vacancy, percent	0.0	0.0	0.1	0.1	0.4
Fair value of properties opening balance, EUR million	3,205	3,382	3,472	3,108	2,996
Change in fair value, EUR million	116	376	712	313	92
Investments, EUR million	65	65	104	92	102
Purchases, EUR million	103	167	55	114	228
Sales, EUR million	-285	-692	-805	-290	-118
Translation difference, EUR million	-136	-93	-156	135	-192
Fair value of properties closing balance, EUR million	3,068	3,205	3,382	3,472	3,108
<b>Properties, Germany</b>					
Average residential rent, EUR/sqm/month	9.48	8.98	8.56	8.13	7.77
Growth in average residential rent <sup>2</sup> , percent	6.3	5.7	5.0	5.1	5.4
Growth in rental income <sup>3</sup> , percent	4.3	2.6	6.3	6.0	3.1
Growth in net operating income <sup>3</sup> , percent	3.3	2.8	10.3	3.9	5.8
Fair value, EUR per sqm	3,201	2,941	2,583	2,078	1,760
Capitalization rate, percent	3.52	3.54	3.84	4.35	4.72
Number of apartments	21,727	20,463	19,932	20,307	19,423
Vacancy, percent	7.4	6.5	4.8	4.9	4.5
Real vacancy, percent	1.4	1.3	1.1	2.0	1.6
Fair value of properties opening balance, EUR million	3,924	3,363	2,725	2,225	1,739
Change in fair value, EUR million	249	360	542	399	43
Investments, EUR million	132	119	103	80	71
Purchases, EUR million	235	127	90	188	372
Sales, EUR million	-15	-45	-97	-167	-
Exchange difference, EUR million	-	-	-	-	-
Fair value of properties closing balance, EUR million	4,525	3,924	3,363	2,725	2,225



## key figures

	2018 Dec 31	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31
<b>Properties, Canada</b>					
Average residential rent, CAD/sqft/month	1.90	1.92	1.89	1.79	1.83
Growth in average residential rent <sup>2</sup> , percent	3.5	4.4	6.7	3.6	6.6
Growth in rental income <sup>3</sup> , percent	3.1	9.5	7.0	4.1	7.0
Growth in net operating income <sup>3</sup> , percent	0.7	28.2	29.0	25.1	-17.8
Fair value, EUR per sqm	3,147	2,968	2,743	2,345	2,292
Capitalization rate, percent	4.26	4.29	4.36	4.37	4.55
Number of apartments	7,779	5,500	4,513	3,999	2,823
Vacancy, percent	13.0	3.9	7.1	11.1	6.7
Real vacancy, percent	2.3	0.6	3.4	3.6	2.7
Fair value of properties opening balance, EUR million	994	737	532	361	197
Change in fair value, EUR million	119	83	33	65	16
Investments, EUR million	36	30	37	21	15
Purchases, EUR million	390	189	90	137	120
Sales, EUR million	-	-	-	-12	-
Exchange difference, EUR million	-52	-45	45	-40	13
Fair value of properties closing balance, EUR million	1,487	994	737	532	361
<b>Properties, United States</b>					
Average residential rent, USD/sqft/month	2.88	2.77	2.51	2.26	-
Growth in average residential rent <sup>2</sup> , percent	6.5	4.1	4.2	-	-
Growth in rental income <sup>3</sup> , percent	1.4	10.7	-	-	-
Growth in net operating income <sup>3</sup> , percent	11.3	63.6	-	-	-
Fair value, EUR per sqm	6,623	5,758	5,929	5,339	-
Capitalization rate, percent	4.33	4.36	4.42	4.47	-
Number of apartments	3,782	3,127	2,309	1,534	-
Vacancy, percent	21.4	17.3	10.6	9.8	-
Real vacancy, percent	2.9	2.2	1.7	2.8	-
Fair value of properties opening balance, EUR million	1,199	979	597	-	-
Change in fair value, EUR million	68	27	41	3	-
Investments, EUR million	70	44	30	2	-
Purchases, EUR million	341	278	267	582	-
Sales, EUR million	-	-	-	-	-
Exchange difference, EUR million	63	-129	44	10	-
Fair value of properties closing balance, EUR million	1,741	1,199	979	597	-

## key figures

	2018 Dec 31	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31
<b>Properties, England<sup>4</sup></b>					
Average residential rent, GBP/sqft/month	2.77	2.75	2.55	2.07	1.74
Growth in average residential rent <sup>2</sup> , percent	0.3	3.3	5.9	11.5	11.3
Growth in rental income <sup>3</sup> , percent	4.2	16.2	7.5	15.1	5.9
Growth in net operating income <sup>3</sup> , percent	5.1	15.4	15.4	23.0	9.3
Fair value, EUR per sqm	8,772	8,689	8,274	7,407	5,634
Capitalization rate, percent	4.14	4.16	4.11	4.22	4.36
Number of apartments	2,244	2,148	1,224	1,404	1,153
Vacancy, percent	19.1	14.7	12.4	8.0	7.8
Real vacancy, percent	3.0	2.0	3.7	2.8	2.1
Fair value of properties opening balance, EUR million	780	473	530	357	200
Change in fair value, EUR million	-7	11	15	78	26
Investments, EUR million	20	13	36	40	24
Purchases, EUR million	93	301	21	181	92
Sales, EUR million	-	-	-55	-146	-1
Exchange difference, EUR million	-8	-18	-74	20	16
Fair value of properties closing balance, EUR million	878	780	473	530	357
<b>Properties, France</b>					
Average residential rent, EUR/sqm/month	22.79	23.40	20.99	22.50	21.31
Growth in average residential rent <sup>2</sup> , percent	8.4	14.9	1.7	15.7	-
Growth in rental income <sup>3</sup> , percent	6.3	-1.4	11.9	-	-
Growth in net operating income <sup>3</sup> , percent	254.1	-7.1	241.1	-	-
Fair value, EUR per sqm	7,143	6,883	6,411	6,857	6,382
Capitalization rate, percent	4.06	4.16	4.20	4.21	4.11
Number of apartments	1,546	1,100	941	467	90
Vacancy, percent	43.8	46.4	46.2	35.3	34.4
Real vacancy, percent	1.8	1.3	3.7	1.3	-
Fair value of properties opening balance, EUR million	245	193	109	17	-
Change in fair value, EUR million	-8	8	2	-1	-2
Investments, EUR million	19	13	6	2	-
Purchases, EUR million	124	31	76	91	19
Sales, EUR million	-	-	-	-	-
Exchange difference, EUR million	-	-	-	-	-
Fair value of properties closing balance, EUR million	380	245	193	109	17

## key figures

	2018 Dec 31	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31
<b>Properties, Denmark</b>					
Average residential rent, DKK/sqm/year	1,011	936	916	-	-
Growth in average residential rent <sup>2</sup> , percent	8.0	5.3	-	-	-
Growth in rental income <sup>3</sup> , percent	0.9	-	-	-	-
Growth in net operating income <sup>3</sup> , percent	12.1	-	-	-	-
Fair value, EUR per sqm	3,385	3,129	2,836	-	-
Capitalization rate, percent	2.99	3.09	3.42	-	-
Number of apartments	1,031	1,031	216	-	-
Vacancy, percent	4.2	6.1	1.9	-	-
Real vacancy, percent	0.1	0.6	-	-	-
Fair value of properties opening balance, EUR million	277	44	-	-	-
Change in fair value, EUR million	16	22	-	-	-
Investments, EUR million	7	4	-	-	-
Purchases, EUR million	-	204	44	-	-
Sales, EUR million	-	-	-	-	-
Exchange difference, EUR million	-	3	-	-	-
Fair value of properties closing balance, EUR million	300	277	44	-	-

1) Like-for-like capitalization rate.

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

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

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

5) Adjustment for revenue from operating expenses invoiced to the tenants in Germany, France, Canada, United States and Sweden amounted to EUR 109 million for Jan–Dec 2018 and EUR 60 million for Jan–Dec 2017.

## alternative performance measures

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

EUR million	2018 Dec 31	2017 Dec 31
Equity	5,370	4,901
Deferred tax	884	838
Derivative financial instruments	30	101
<b>NAV</b>	<b>6,284</b>	<b>5,840</b>
Total interest-bearing liabilities	6,018	4,747
Hybrid bond	-499	-
Cash and liquid assets	-13	-16
Pledged cash assets	-1	-1
<b>Net debt</b>	<b>5,505</b>	<b>4,730</b>
Total assets	12,516	10,749
Cash and liquid assets	-13	-16
Pledged cash assets	-1	-1
<b>Total assets minus cash, pledged cash and liquid assets</b>	<b>12,502</b>	<b>10,732</b>
<b>Loan-to-value ratio, percent</b>	<b>44</b>	<b>44</b>
Net debt	5,505	4,730
Less senior unsecured debt	-3,173	-2,814
<b>Secured debt minus cash, pledged cash and liquid assets</b>	<b>2,332</b>	<b>1,916</b>
<b>Total assets minus cash, pledged cash and liquid assets</b>	<b>12,502</b>	<b>10,732</b>
<b>Loan-to-value ratio, secured loan, percent</b>	<b>19</b>	<b>18</b>
Equity	5,370	4,901
hybrid bond	499	-
<b>Equity and hybrid bond</b>	<b>5,869</b>	<b>4,901</b>
<b>Total asset</b>	<b>12,516</b>	<b>10,749</b>
<b>Equity ratio, percent</b>	<b>43</b>	<b>46</b>
<b>Equity and hybrid capital ratio, percent</b>	<b>47</b>	<b>-</b>

## alternative performance measures

EUR million	2018 Dec 31
<b>Unencumbered assets</b>	
Intangible assets	11
Unencumbered properties	5,344
Tangible fixed assets	6
Deferred tax	1
Financial assets	4
Trade and other receivables	86
Derivative financial instruments	16
<b>Unencumbered assets</b>	<b>5,468</b>
Unsecured debt	3,173
less debt from Akelius Apartment and Akelius Spar, up-front fees and repurchased SEK bond	-25
less cash and cash equivalents	-13
<b>Net unsecured senior debt</b>	<b>3,135</b>
<b>Unencumbered asset ratio</b>	<b>1.74</b>

EUR million	2018 Jan–Dec	2017 Jan–Dec	Percent growth
Rental income	482	469	2.8
Exchange differences	-	-15	
Service revenue	-40	-41	
Purchases and sales	-71	-53	
<b>Like-for-like rental income</b>	<b>371</b>	<b>360</b>	<b>3.2</b>
Net operating income	259	251	3.3
Exchange differences	-	-7	
Purchases and sales	-31	-27	
<b>Like-for-like net operating income</b>	<b>228</b>	<b>217</b>	<b>5.1</b>
Proceeds from the sale of properties	300	737	
Costs of sale	-5	-9	
Acquisition costs	-112	-289	
Accumulated investments	-54	-115	
<b>Realized value growth</b>	<b>129</b>	<b>324</b>	

## other information

### basis of presentation

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

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

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

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

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

### accounting principles

#### new Group reporting currency

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

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

The Annual General Meeting in 2018 decided to amend the Articles of Association regarding the accounting currency from Swedish kronor to Euro as of 2019.

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

#### new segment reporting

Operating segments are reported in accordance with the internal reporting submitted to the CEO,

who is the highest executive decision maker.

The organization consists of three regions:

- The Scandinavian region

Stockholm, Malmö, Copenhagen and other cities in Sweden.

- The European region

Berlin, Hamburg, London, Paris and other cities in Germany.

- The North American region

New York, Washington D.C., Boston, Montreal and Toronto.

### IFRS 15 – Revenue from Contracts with Customers

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

Akelius' income includes three parts

- Rental income includes the customary rent charged, including indexation, additional charges for investments and property tax.

Rental income is recognized in the period in which the tenant uses the premises, in accordance with IAS 17 – Leases.

- Service income refers to all other additional charges in the form of extra services, such as heating, cooling, waste removal, water, snow removal.

- Other services, such as use of the laundry room and gym, are also recognized when the service is performed.

Revenue income related to IFRS 15 included EUR 109 million in service income and EUR 4 million in other income.

In Germany and France,

Akelius' rental agreements relate to net cold rents and operating costs.

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

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

Additionally, Akelius retains the risk related to vacancies.

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

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

2017 Jan-Dec	2017 Jan-Sep	2017 Jan-Jun	2017 Jan-Mar
41	26	17	10

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

Adjustment for prior years in EUR million are the following:

2016	2015	2014
38	38	31

## other information

### IFRS 9 – Financial Instruments

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

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

The model includes operational simplifications for lease and trade receivables.

Akelius receives a significant amount of prepayments from tenants.

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

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

The Group will continue to apply IAS 39, and it is therefore assessed that IFRS 9 will not have a significant impact on the financial performance or position of the Group.

### new accounting principles

#### IFRS 16 – Leasing

IFRS 16 Leases is implemented from January 1, 2019.

The Group applied the cumulative catch-up approach in the transition.

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

The lessor's accounts will essentially remain unchanged.

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

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

thereby increasing the balance sheet total.

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

The effect for the Group's opening balance sheet is EUR 6 million.

### risks and uncertainties

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

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

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

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

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

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

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Pål Ahlsén,  
CEO, Managing Director

Stockholm, Sweden, February 4, 2019,  
Akelius Residential Property AB (publ)

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



## definitions

### adjusted net operating income margin

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

### adjusted profit before taxes

Profit before taxes adjusted for depreciations, impairments, expenses for property sales, net interest expenses, change in value of properties, exchange rate differences in the profit before taxes, change in value of derivative instruments and change in value of available-for-sale investments and liquid financial assets. It highlights current cash flow capacity from property management excluding financial income and expenses.

### annual property return

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

### capitalization rate

Rate of return used in assessing the terminal value of property in the fair value assessment. Defined as the expected return when net operating income and property prices remain constant.

### debt maturities, years

Volume-weighted remaining term of interest-bearing liabilities and derivatives on the balance sheet date. It illustrates the company's refinancing risk.

### debt coverage capacity

Profit before tax and revaluation, including realized value growth. Net operating income and realized value growth are reinvested into existing and new properties. This leads to a growing operating surplus. The pro forma is based on the property portfolio's gross rent, real vacancy, estimated operating expenses and

maintenance costs during a normal year, as well as central administrative expenses. Interest expenses are based on net debt on the balance sheet date calculated at the currency rate on the balance sheet date. No tax has been calculated as it relates mainly to deferred tax.

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

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

### discount rate

Rate of return used in assessing the present value of future cash flow and terminal value in the fair value assessment of properties. Defined as the expected return on the property.

### EBITDA

Net operating income plus central administrative expenses, other income and expenses with add-back of depreciation and impairment charges and operating exchange rate differences. It highlights current cash flow capacity from property management.

### EPRA NAV

Equity, deferred tax and derivatives.

### equity ratio

Equity in relation to total assets. It highlights the company's financial stability.

### income return

Net operating income on an annual basis in relation to the fair value of the properties at the beginning of the year. It measures the yield on the property portfolio.

### interest rate hedge total loans, year

Volume-weighted remaining term of interest rates on interest-bearing liabilities and derivatives on the balance sheet date. It illustrates the company's financial risk.

### interest coverage ratio

Adjusted profit before taxes in relation to net interest expenses. It illustrates the company's sensitivity to interest rate changes.

## definitions

### liquid financial assets

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

### liquidity

The liquidity reserve consists of free cash, unused credit lines and assets that can be liquidized within three working days.

### like-for-like

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

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

Net debt divided by net assets.

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

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

### net assets

Total assets minus liquid assets.

### net debt

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

### net financial items

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

### net letting

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

### net interest expenses

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

### net operating income

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

### net operating income margin

Net operating income in relation to rental income.

It highlights the ongoing earning capacity from property management.

### other income and expenses

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

### property costs

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

### property portfolio

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

### realized value growth

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

### real vacancy rate

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

### renewed and renegotiated rental contracts

All changes in rental levels for remaining tenants.

### rental income

Rental value less vacancies and rent discounts.

## definitions

### rental value residential rent

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

### return on equity

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

### unencumbrance ratio

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

### vacancy rate

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

### value growth

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

### walk score

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

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# Akelius in brief

## apartments for metropolitans

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

## better living

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

## acquire via cherry-picking

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

## strong capital structure, low refinancing risk

Akelius has agreements with 36 banks, listed preference shares and listed senior unsecured bonds.  
Akelius is Sweden's largest listed property company and has eighteen thousand shareholders.

## first-class personnel

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

## financial calendar

annual report 2018	Mar 15, 2019
interim report Jan-Mar 2019	Apr 26, 2019