



# Year-end report

January – December 2017

“The healthy profit after tax resulted from a favorable market, effective management, successful new builds and dedicated employees.”

Sophia Mattsson-Linnala, CEO

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# Year-end report

- Profit after tax for the year amounted to MSEK 2,430, which was in line with 2016 (2,433) despite a lower increase in the value of investment properties. The increase in value was MSEK 1,647 (1,962).
- Net operating income rose to MSEK 1,555 (1,420).
- Net operating income for existing properties rose by 6.7% (3.4).
- Rikshem acquired a large housing portfolio in Umeå during the year, but the acquisition rate declined year-on-year because of higher prices in the property market. In total, transaction operations resulted in net sales of MSEK 72.
- Profit after tax for the year combined with the lower acquisition rate led to a decrease in the loan-to-value ratio to 59% (62) while the equity/assets ratio increased to 36% (33).
- During the year, Rikshem extended its average loan maturity to 3.0 years (1.9) and its average fixed-interest term to 5.3 years (2.6).

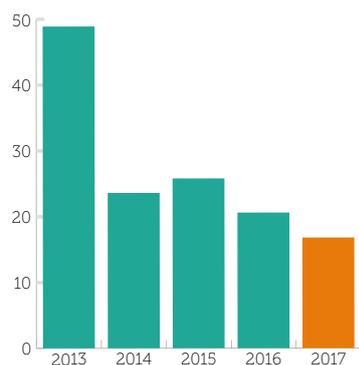
## Rikshem in summary

	2017 Full year	2016 Full year	2015 Full year	2014 Full year
Rental income, MSEK	2,665	2,484	2,040	1,691
Net operating income, MSEK	1,555	1,420	1,192	953
Income from management operations, MSEK	1,150	1,208	579	380
Profit after tax, MSEK	2,430	2,433	1,964	1,010
Fair value of properties, MSEK	41,039	37,878	32,009	25,160
Number of apartments	27,924	27,224	24,203	20,844
Lettable area, sqm 000s	2,219	2,182	1,975	1,708
Vacant residential properties, %	0.3	0.5	0.4	1.8
Remaining average lease length**	10	10	10	11
Loan-to-value ratio, %	59	62	66	64
Interest-coverage ratio	3.5	3.8	3.6	2.8
Equity	15,710	13,281	10,360	4,850
Total return, %	8.1	9.7	10.7	9.8
Return on equity, %	16.8	20.6	25.8	23.6

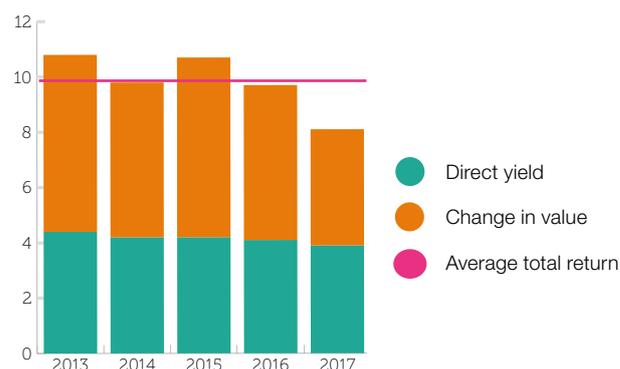
\* Pertains to market vacancy for residential properties from 2015 to 2017 but total vacancy for full-year 2014.

\*\* Pertains to properties for public use.

## Return on equity, %



## Total return, %



# Message from the CEO

In 2007, Rikshem was characterized by the change process under way and by an increased focus on efficiency through quality-assured property management. Meanwhile, we continued to deliver excellent earnings. The healthy profit after tax resulted from a favorable market, effective management, successful new builds and dedicated employees.

## Market in flux

From transaction-intensive and a high rate of new builds to a slowdown in the pace of construction, ownership apartments that were converted into rental apartments and uncertainty concerning possible legislative changes relating to tax on gains from properties sold in legal entities and about limitations on deductions for interest expenses.

That is how I can summarize the year in the property market. With a core business in rental apartments, Rikshem hopes that the slowdown will lead to an increased focus among politicians on the role of rental apartments in society. It is important to act to create better prerequisites for building rental apartments. The municipalities' focus on production of ownership apartments has made it more difficult to build rental apartments, in part because of the prices they demand for land. If prices decline in the market for ownership apartments, our potential to contribute with the production of rental apartments will increase. At the same time, there is a risk that coming limitations on interest expense deductions could have a negative impact on new production.

## Healthy total return

Rikshem reported highly favorable profit after tax for the period of MSEK 2,430. For existing properties, net operating income increased significantly more than revenues, which is an indication of efficient cost control in the organization. Our financial position is strong and we significantly lengthened loan maturities and fixed-interest terms in 2017. Vacancies are at a very low level and we noted a healthy total return of 8.1% for the year. It is gratifying to deliver profit after tax that gives us good opportunities to continue to develop residential properties that contribute to Sweden's growth and create attractive homes where people want to reside and live.

## Clear focus on growth districts

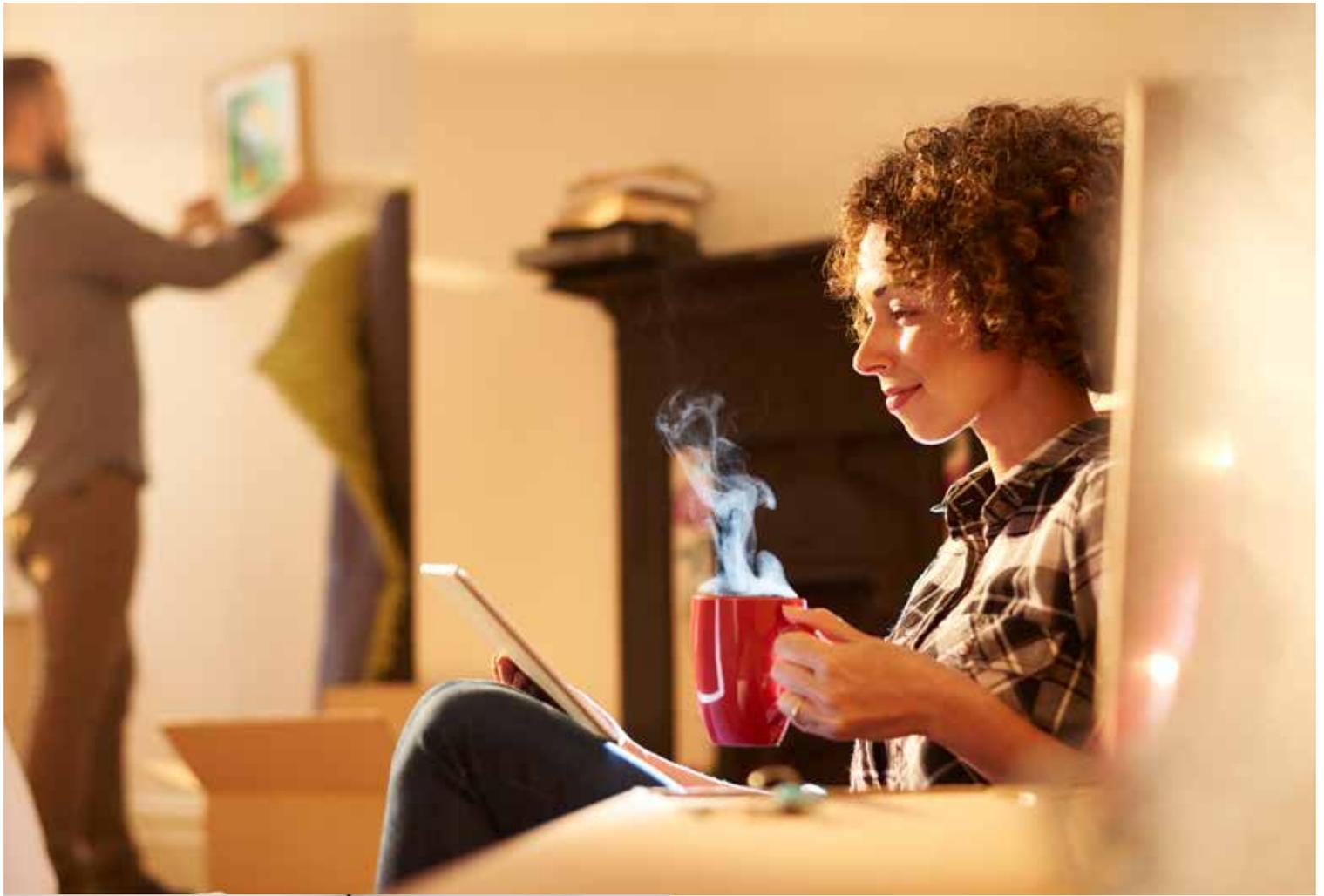
The year was transaction-intensive with many small deals. Because we believe that market prices were high, we reduced the acquisition rate compared with 2016. At the same time, the price level in the market meant that Rikshem was paid handsomely for the properties we divested. The divestments consisted of properties that we should not retain long term when we streamline the portfolio and clarify our focus on owning, managing and developing residential properties and large properties for public use in selected growth districts. In October, for example, we divested the portfolio in Haparanda, which was part of the 2016 acquisition of a larger property portfolio. After having taken possession of 800 apartments in Umeå in January 2017, we completed a number of acquisitions during the year, primarily involving project properties. In Uppsala, for example, we acquired what will be the largest nursing home in the Nordic region. The year ended with the signing of purchase agreements for 257 apartments in Västerås, with possession to be taken in 2018.

## Expanded sustainability initiative

To remain a strong company in the long term too, we continuously focus on sustainability work. In line with our efforts to develop safe and sustainable homes for those who live and work in our areas, we intensified cooperation with Låxhjälpfen in the final quarter of the year. Pupils at three upper secondary schools in Norrköping will now be offered help with their homework so that they can improve their grades and create better potential for the future. We also continue to work with the Welcome Café in Fredriksdal, Helsingborg, which conducts integration work to break isolation and social exclusion, primarily for women who are at home during the day.



**Sophia Mattsson-Linnala**  
Chief Executive Officer



8.1

Total annualized return, %



# Our properties

Rikshem owns, develops and manages residential properties and properties for public use in selected municipalities in Sweden. Properties for public use are defined as properties for primarily nursing homes and schools, where the operations are funded by the public sector.

An important prerequisite for future new production by Rikshem is to create development rights through the development of zoning plans. In addition to new production, property development includes extensions and upgrades of existing properties. The property-management organization identifies development opportunities for Rikshem to improve living environments. This could be a opportunity to build something new or to complement an existing building with appropriate premises for good neighborhood services.

At year-end, Rikshem's property portfolio consisted of 586 properties (574) with a fair value of MSEK 41,039 (37,878). The property value is broken down into MSEK 28,942 of residential properties, MSEK 8,854 of nursing homes, MSEK 2,518 of schools and MSEK 725 of commercial premises.

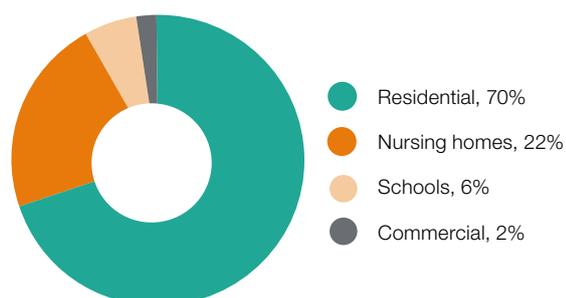
The property portfolio includes development rights of MSEK 738. Properties corresponding to MSEK 20,201, or 49%, are located in the Greater Stockholm-Uppsala axis. The property portfolio comprises 27,924 apartments (27,224) and 2,219,000 square meters (2,182,000) of lettable area.

Rikshem's property portfolio, Dec 31, 2017

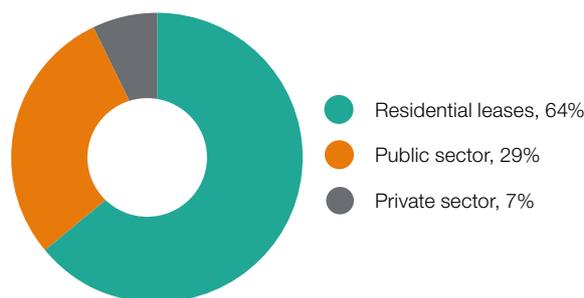
Type	Value MSEK	Proportion, %	Area, 000 sqm	Value SEK/sqm	Annual rent MSEK	Annual rent broken down by type of tenant			
						Residential leases, %	Public sector, %	Private sector, %	Total, %
<b>Residential</b>									
Residential	28,942	70	1,631	17,744					
Commercial*	385	1	15	25,916					
<b>Residential</b>	<b>29,327</b>	<b>71</b>	<b>1,646</b>	<b>17,818</b>	<b>1,891</b>	88	5	7	100
<b>Properties for public use</b>									
Nursing homes	8,854	22	407	21,729					
Schools	2,518	6	127	19,857					
Commercial*	340	1	39	8,760					
<b>Properties for public use</b>	<b>11,712</b>	<b>29</b>	<b>573</b>	<b>20,436</b>	<b>759</b>	5	87	8	100
<b>Total</b>	<b>41,039</b>	<b>100</b>	<b>2,219</b>	<b>18,494</b>	<b>2,650</b>	<b>64</b>	<b>29</b>	<b>7</b>	<b>100</b>

\*Commercial premises for neighborhood services or areas of use for future residential properties or properties for public use.

Breakdown of fair value of investment properties, %



Breakdown of rental income, %



# Our largest cities



Uppsala 25%  
Greater Stockholm 24%  
Helsingborg 11%  
Norrköping 7%  
Östersund 6%

## We are also active in:

Umeå	5%	Malmö	3%
Västerås	5%	Jönköping	<1%
Kalmar	5%	Linköping	<1%
Luleå	5%	Nyköping	<1%
Halmstad	3%	Ale	<1%

# Our properties in figures



**27,924**  
number of apartments (27,224)



**MSEK 41,039**  
in fair value of investment properties (37,878)



**2,219,000 sqm of**  
lettable area (2,182,000)



**8.1**  
total annualized return, % (9.7)

# Rikshem works for a sustainable society

Rikshem wants its operations to be long-term sustainable from an environmental, social and financial perspective. We combine entrepreneurship with social involvement since we regard sustainability as a prerequisite for long-term profitability. We contribute to social development in the locations we serve, while working to ensure a minimal impact on the environment.

Sustainability work is a feature throughout our operations. This continuously ongoing work includes:

## New builds

- Rikshem is the housing company in Sweden that builds most timber apartments. Timber is better for the environment compared with other common building materials.
- Energy consumption in Rikshem's new builds is 25% lower than what is stipulated in the Swedish Board of Housing Building and Planning's building regulations.
- We work for mixed forms of tenure in our areas as part of efforts to create sustainable living environments.

## Renovation

- Our repair, maintenance and upgrade work results in a more than 50% reduction in the property's energy use.
- We give tenants the option to choose the level of renovation to be able to influence their rent.

## Socially

- We give job experience to young people in our areas through our summer jobs program.
- Through the Låxhjälpen Foundation, we help young people in our areas to achieve better results at school.
- In cooperation with the municipalities we serve, we offer social-housing leases to people who find it difficult to get a normal housing contract.

## Energy and environment

- The energy consumption of Rikshem's properties declined by 1.6% in 2017.
- Annual emissions were reduced by 18,500 tons of carbon through reductions in energy consumption and eco-friendly energy sources.

## In addition

- Environmental certification of two housing projects by the Sweden Green Building Council is under way.
- Green bonds are issued to finance energy efficiency measures in repair, maintenance and upgrade projects and timber new builds.

## Sustainability efforts are under way on a daily basis

During the period, for example, the following activities were implemented:

- We joined BoTryggt2030 which, on the basis of current research and tried-and-tested experiences, intends to disseminate knowledge about how to prevent crimes and increase safety/security through the design of physical space.
- 158 young people were hired during the summer to work with property upkeep.
- Increased support to the Låxhjälpen Foundation to make possible 20 new homework assistance places.
- Building start for 99 timber apartments in Luleå.
- Start up of the Business Improvement District collaboration in Valsta, Sigtuna, between public and private sector operators to develop and strengthen the area.
- Extension of the Welcome Café integration project in Fredriksdal, Helsingborg.





## Our owners

Rikshem AB (publ) is owned 100% by Rikshem Intressenter AB, in which AMF Pensionsförsäkring AB and the Fourth AP Fund own 50% each.

## Our business concept

We aim to be a long-term and sustainable owner, and develop and manage our residential properties and properties for public use.

## Our vision

We make the difference in the development of the good society.

## Our mission

We develop safe, secure and sustainable homes for those who live and work in our areas. We do this by combining entrepreneurship with social commitment.

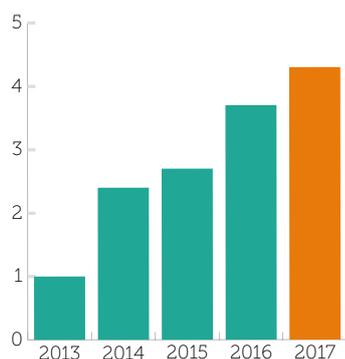


# Comments on Group earnings

## Net operating income

The Group's rental income for the year increased by MSEK 181 to MSEK 2,665 (2,484), of which MSEK 87 derived from increased property holdings. Rental income for existing properties rose by MSEK 94 or 4.3% (3.7). The rent increase for existing properties mainly derived from investments that enable rents to be raised in the properties. At year-end, the vacancy rate for residential properties was 2.7%. Adjusted for apartments that have been vacated prior to renovation, the market vacancy rate was 0.3% (0.5). The average remaining lease term for properties for public use was 9.8 years (10.3).

Increase in rental income for existing properties, %



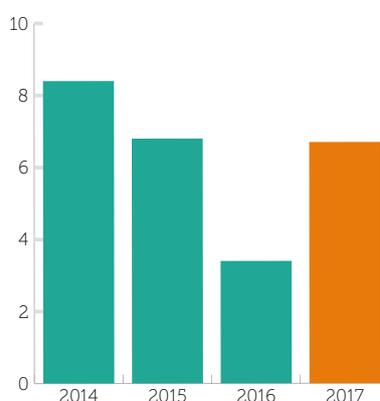
Leases on properties for public use

Remaining lease term, years	Proportion, %
0 – 5	31
6 – 10	22
11 – 15	25
16 – 20	18
20 –	4

Property expenses increased by MSEK 46 to MSEK 1,110 (1,064), of which MSEK 35 derived from increased property holdings. Costs for existing properties rose by MSEK 11 or 1.2%. MSEK 216 of the property expense pertained to maintenance costs, corresponding to SEK 97 per square meter per year.

Total net operating income increased by 10% in relation to 2016 and amounted to MSEK 1,555 (1,420). Net operating income for existing properties rose by 6.7% (3.4). The increase in net operating income is a consequence of rental income increasing more than costs – 4.3% compared with 1.2%. The surplus ratio for the total property holding was 58% (57).

Increase in net operating income for existing properties, %



## Central administration

The year's costs for central administration amounted to MSEK 62 (76).

## Net financial items

Net financial items amounted to MSEK -433 (-341). Interest expenses increased by MSEK 81 year-on-year. The increase was due in part to higher interest-bearing liabilities due to the expanded property holding and in part to the company having increased its fixed-rate and loan maturity period, which resulted in a higher average interest rate.

## Change in value, properties

The change in value for investment properties was MSEK 1,647 (1,962), equal to growth of 4.3% (6.1). The change in value primarily derived from a decrease in the average capitalization rate during the year by 0.22 percentage points to 4.31%.

Residential properties increased in value by MSEK 1,475, or 5.5%, and properties for public use by MSEK 172, or 1.6%

Geographically, most of the total change in value occurred in Uppsala, where value rose by close to 10%. One of the reasons for the increase in value in Uppsala was that Uppsala accounts for one fourth of the company's value-enhancing investments.

### Change in value, derivative instruments

The change in value of financial derivatives amounted to MSEK 36 (-76). The derivative instruments were interest-rate swaps and combined currency and interest-rate

swaps, which were entered into to eliminate the exchange rate impact of loans raised in EUR and NOK. The change in exchange rates for EUR and NOK loans amounted to MSEK 115 (-39).

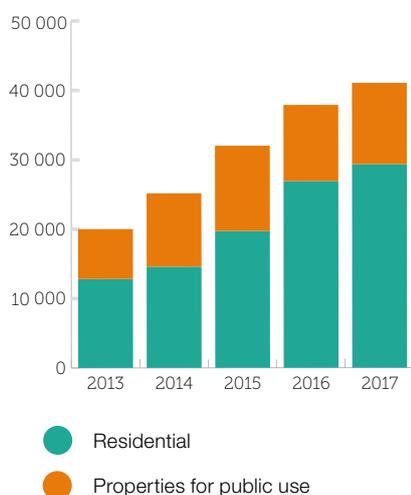
### Profit after tax for the year

Profit after tax for the year has been charged with tax costs of MSEK 518 (622), primarily pertaining to deferred tax. Profit after tax for the year was MSEK 2,430 (2,433).

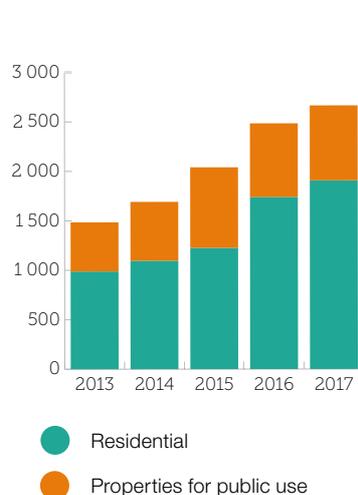
### Segment reporting

Amounts in MSEK	Residential		Properties for public use		Total	
	2017 Jan-Dec	2016 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec	2017 Jan-Dec	2016 Jan-Dec
Rental income	1,907	1,740	758	744	2,665	2,484
Property expenses	-867	-815	-243	-249	-1,110	-1,064
<b>Net operating income</b>	<b>1,040</b>	<b>925</b>	<b>515</b>	<b>495</b>	<b>1,555</b>	<b>1,420</b>
Change in value, properties	1,475	1,558	172	404	1,647	1,962
<b>Total return</b>	<b>2,515</b>	<b>2,483</b>	<b>687</b>	<b>899</b>	<b>3,202</b>	<b>3,382</b>
Fair value of properties	29,327	26,907	11,712	10,971	41,039	37,878
Proportion, %	71	71	29	29	100	100
Area, 000 sqm	1,646	1,624	573	558	2,219	2,182
Fair value, SEK per sqm	17,818	16,570	20,436	19,669	18,494	17,362
Investments	1,369	1,431	217	418	1,586	1,849

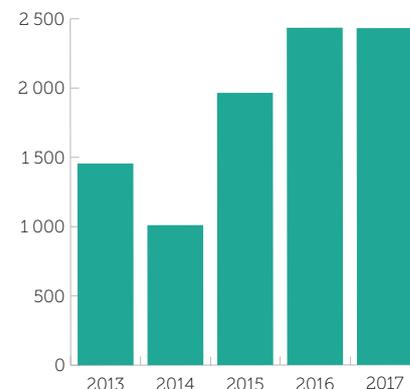
Fair value, amounts in MSEK



Rental income, amounts in MSEK



Profit after tax for the period/year, amounts in MSEK



# Comments on financial position

## Investment properties

The fair value of investment properties increased during the year to MSEK 41,039 (37,878), which corresponds to SEK 18,494 per square meter (17,362). The increased value resulted from investments in existing properties and value increases. The change in value was MSEK 1,647 (1,962), corresponding to growth of 4.3% (6.1). The change in value reflects the change in the properties' cash flows and in the capitalization rate.

During the year, properties were acquired for MSEK 1,603 (3,549). The acquisition rate declined year-on-year because of increasingly higher prices in the property market. The acquisitions mainly occurred in Umeå and added 880 apartments and 75,000 square meters of lettable area to the property portfolio.

In total, properties were sold for MSEK 1,675 (1,491), which exceeded their fair value at the start of the year, and investments during the year, by 3.0%. All of the sales were of the type of properties that Rikshem should not retain in the long term, when the company streamlines the holding and clarifies the focus on owning, managing and developing housing and large properties for public use in selected growth districts.

Investments in existing properties during the year amounted to MSEK 1,586 (1,849), of which MSEK 943 (985) pertained to redevelopment and renovation of residential properties, MSEK 426 (528) to new builds of residential properties and MSEK 217 (336) to investments in properties for public use.

On the balance sheet date, Rikshem had 56 (112) ownership apartments in proprietary production, of which five were unsold.

## Fair value of investment properties

Amounts in MSEK	2017 Jan-Dec	2016 Jan-Dec
<b>Fair value at the beginning of the period</b>	<b>37,878</b>	<b>32,009</b>
Change in value	1,647	1,962
Investment	1,586	1,849
Acquisitions	1,603	3,549
Sales	-1,675	-1,491
<b>Fair value at the end of the period</b>	<b>41,039</b>	<b>37,878</b>



The Oskarström retirement home for the elderly is located in beautiful rural surroundings outside Halmstad. This is where Rikshem has redeveloped existing and built new properties to create a well-functioning retirement home that blends in with the environment. The retirement home was awarded the Architecture Prize of 2016 by the Halmstad Building Committee.



In Umeå, Rikshem is developing 110 rental apartments and 32 ownership apartments in three buildings. The residential buildings are being constructed with timber frames in cooperation with Lindbäck's Bygg on the basis of Rikshem's designer house concept. One of the units will be eight stories high and will thus be the tallest timber building in northern Sweden.

## Participations in associated companies

Rikshem owns shares in associated companies with a total value of MSEK 1,356 (1,292). The largest holding of MSEK 880 pertains to 49% of VärmdöBostäder AB. The remaining part of VärmdöBostäder AB is owned by the Municipality of Värmdö. The second largest holding of MSEK 393 pertains to Farsta Stadsutveckling AB, where Rikshem and Ikano Bostad each hold 50%. Farsta Stadsutveckling AB owns the Burmanstorp 1 property in Farsta. This is where the development of the new city district Telestaden is under way, which will comprise 3,000 residential properties and premises for offices and neighborhood services. Other participations in associated companies totaling MSEK 83 pertain to development projects owned and operated together with Veidekke Bostad, P&E Fastighetspartner and Glommen & Lindberg. These associated companies had 80 ownership apartments in production on the balance sheet date (190), of which 44 were unsold. Rikshem's interests in these holdings amounted to 50%.

## Interest-bearing liabilities

At year-end, interest-bearing liabilities amounted to MSEK 24,290 (23,422). Of these interest-bearing liabilities, MSEK 4,944 (5,582) pertained to liabilities to credit institutions, MSEK 3,715 (6,090) to borrowings through commercial papers and MSEK 15,363 (11,708) to bonds. In addition, the company had MSEK 268 (0) in current interest-bearing liabilities to related parties. The fair value of the interest-bearing liabilities essentially matches the carrying amount. At year-end, the average interest rate was 2.0% (1.5). The average fixed-interest term increased from 2.6 years at the beginning of the year to 5.3 years at year-end. The average loan maturity period increased from 1.9 years to 3.0 years.

All liabilities to credit institutions are secured by collateral in properties. In total, secured financing accounted for 12% (15) of the fair value of investment properties.

Rikshem has a commercial paper program that represents an opportunity to issue commercial papers with maturities of up to 12 months subject to a limit of SEK 10 billion. Rikshem also has an MTN program listed on Nasdaq Stockholm and an EMTN program listed on the Irish Stock Exchange for the issuance of bonds. The MTN program has a limit of SEK 20 billion and the EMTN program a limit of EUR 2 billion. Neither the commercial papers nor the bonds are secured. Rikshem has issued four bonds in NOK and two bonds in EUR with a combined volume of SEK 5.4 billion. All other bonds are denominated in SEK.

The refinancing and liquidity risks resulting from the maturity structure are managed by means of a backup facility and a subscription undertaking for commercial papers from the owners a combined amount of SEK 10 billion and through backup facilities and unutilized overdraft facilities with various banks in a combined amount of SEK 3.2 billion (3.9). Cash and cash equivalents totaled MSEK 386 (320) at the end of the year. The loan-to-value ratio declined to 59% (62).

Most of the financing carries variable interest based on 3 months STIBOR. Interest-rate derivatives are used to reduce the interest-rate risk resulting from the short fixed-interest term. At year-end, the interest-rate derivatives had a nominal value of MSEK 17,800 (14,800) and a fair value of MSEK -425 (-594). The company also has combined interest-rate and currency swaps with a fair value MSEK -85 (39). At year-end, the total fair value of derivative instruments was MSEK -510 (-581).

### Interest-rate derivatives, December 31, 2017

	<b>Nominal amount, SEK billion (end of the year)</b>	<b>Average interest rate, % (end of the year)</b>
2017	17.8	1.2
2018	17.8	1.0
2019	17.8	1.0
2020	16.3	1.1
2021	14.0	1.0
2022	10.0	0.9
2023	5.0	1.0
2024	2.0	1.1
2025	0	n/a

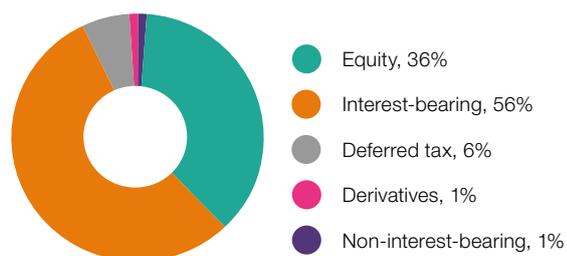
The interest coverage ratio for external funding during the year was 3.5 (3.8).

Rikshem has a credit rating of A- with a stable outlook from S&P Global.

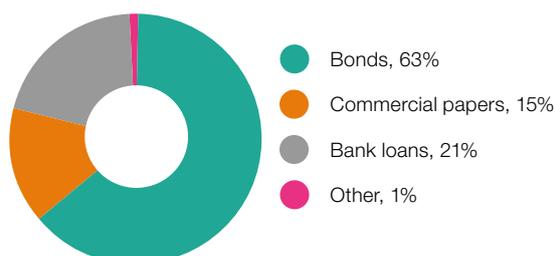
## Equity

Comprehensive income totaling MSEK 2,429 increased the Group's equity to MSEK 15,710 (13,281). Profit after tax for the year in combination with the lower acquisition rate led to an increase in the equity/assets ratio to 36% (33).

### Capital structure, December 31, 2017



### Interest-bearing liabilities, December 31, 2017



### Financial key figures

	2017 Dec 31,	2016 Dec 31,
Equity/assets ratio, %	36	33
Loan-to-value ratio, %	59	62
Loan-to-value ratio, secured loans, %	12	15
Short term share of debt, %	32	47
Interest-coverage ratio	3.5	3.8
Fixed-interest term, years	5.3	2.6
Loan maturity, years	3.0	1.9

### Interest-bearing liabilities, December 31, 2017

Amounts in MSEK term, years	Fixed-interest term		Loan maturity	
	amount	proportion, %	amount	proportion, %
0-1	0	0.0	7,765	32.0
1-2	318	1.3	2,749	11.3
2-3	1,880	7.7	4,665	19.2
3-4	3,156	13.0	2,579	10.6
4-5	5,599	23.1	1,699	7.0
5-6	5,000	20.6	0	0.0
6-7	5,837	24.0	4,060	16.7
7-8	2,500	10.3	499	2.1
8-9	0	0.0	0	0.0
9-	0	0.0	274	1.1
<b>Total</b>	<b>24,290</b>	<b>100.0</b>	<b>24,290</b>	<b>100.0</b>



# MSEK 1,586

Year's investments in existing properties

Of the total, redevelopment and renovation accounted for MSEK 943, new production for MSEK 426 and investments in properties for public use for MSEK 217.



# Group – Condensed statement of comprehensive income

Amounts in MSEK	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
<b>Rental income</b>	<b>669</b>	<b>646</b>	<b>2,665</b>	<b>2,484</b>
Operating expenses	-194	-201	-702	-679
Repairs and maintenance	-72	-79	-216	-213
Property administration	-50	-40	-156	-137
Property tax	-8	-9	-36	-35
<b>Total property expenses</b>	<b>-324</b>	<b>-329</b>	<b>-1,110</b>	<b>-1,064</b>
<b>Net operating income</b>	<b>345</b>	<b>317</b>	<b>1,555</b>	<b>1,420</b>
Central administration	-28	-28	-62	-76
Net financial items	-125	-82	-433	-341
Earnings from shares in joint ventures	-23	78	90	205
of which, income from management operations	8	45	9	117
of which change in value of properties	-39	86	107	158
of which change in value of derivative instruments	2	0	-3	0
of which, tax	6	-53	-23	-70
<b>Income from management operations</b>	<b>169</b>	<b>285</b>	<b>1,150</b>	<b>1,208</b>
Change in fair value of investment properties	124	884	1,647	1,962
Change in fair value of financial instruments	11	156	36	-76
Exchange rate fluctuation, loans in other currencies	-23	13	115	-39
<b>Profit before income tax</b>	<b>281</b>	<b>1,338</b>	<b>2,948</b>	<b>3,055</b>
Tax	-95	-298	-518	-622
<b>Profit after tax for the period/year</b>	<b>186</b>	<b>1,040</b>	<b>2,430</b>	<b>2,433</b>
<b>Other comprehensive income</b>				
Revaluation of pensions	-1	-1	-1	-1
Income tax, pensions	-	-	-	-
<b>Other comprehensive income for the period/year, net after tax</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>Total comprehensive income for the period/year</b>	<b>185</b>	<b>1,039</b>	<b>2,429</b>	<b>2,432</b>

# Group – Condensed statement of financial position

Amounts in MSEK	2017 Dec 31	2016 Dec 31
<b>ASSETS</b>		
Investment properties	41,039	37,878
Participation in joint ventures	1,356	1,292
Tangible non-current assets	6	8
Derivative instruments	32	39
Financial assets	227	231
<b>Total non-current assets</b>	<b>42,660</b>	<b>39,448</b>
Other current assets	455	346
Cash and cash equivalents	386	320
<b>Total current assets</b>	<b>841</b>	<b>666</b>
<b>TOTAL ASSETS</b>	<b>43,501</b>	<b>40,114</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>15,710</b>	<b>13,281</b>
Deferred tax	2,365	1,892
Derivative instruments	542	621
Interest-bearing liabilities	16,525	12,469
Non-interest-bearing liabilities	3	2
<b>Total non-current liabilities</b>	<b>19,435</b>	<b>14,984</b>
Interest-bearing liabilities	7,765	10,953
Non-interest-bearing liabilities	591	896
<b>Total current liabilities</b>	<b>8,356</b>	<b>11,849</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>43,501</b>	<b>40,114</b>

# Consolidated statement of changes in equity

Amounts in MSEK	Share capital	Other contributed capital	Retained earnings including profit for the year	Total equity
<b>Opening balance, Jan 1, 2016</b>	<b>100</b>	<b>4,274</b>	<b>5,986</b>	<b>10,360</b>
Profit for the year			2,433	2,433
Other comprehensive income			-1	-1
Group contributions, net			-111	-111
Shareholder contributions		600		600
<b>Closing balance, Dec 31, 2016</b>	<b>100</b>	<b>4,874</b>	<b>8,307</b>	<b>13,281</b>
<b>Opening balance, Jan 1, 2017</b>	<b>100</b>	<b>4,874</b>	<b>8,307</b>	<b>13,281</b>
Profit for the year			2,430	2,430
Other comprehensive income			-1	-1
Group contributions, net				
Shareholder contributions				
<b>Closing balance, Dec 31, 2017</b>	<b>100</b>	<b>4,874</b>	<b>10,736</b>	<b>15,710</b>

# Consolidated statement of cash flows

Amounts in MSEK	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
Cash flow from operating activities	317	289	1,496	1,347
Interest paid	-130	-69	-425	-330
Tax paid	0	1	-8	-7
Change in working capital	166	100	-29	482
<b>Cash flow from operating activities</b>	<b>353</b>	<b>321</b>	<b>1,034</b>	<b>1,492</b>
Investment in investment properties	-435	-494	-1,586	-1,849
Acquisition of investment properties	-269	-234	-1,603	-3,549
Divestment of investment properties	129	680	1,675	1,491
Investment in other tangible non-current assets	-1	0	-1	-4
Investment in financial assets	-19	-70	-293	-144
Divestment of financial assets	-1	26	79	26
<b>Cash flow from investing activities</b>	<b>-596</b>	<b>-92</b>	<b>-1,729</b>	<b>-4,029</b>
Loans raised	1,737	4,160	13,142	16,311
Amortization of loans	-2,696	-4,219	-12,381	-14,005
Shareholders' contributions received	-	-	-	600
Group contributions rendered	-	-143	-	-143
<b>Cash flow from financing activities</b>	<b>-959</b>	<b>-202</b>	<b>761</b>	<b>2,763</b>
<b>Cash flow for the period/year</b>	<b>-1,202</b>	<b>27</b>	<b>66</b>	<b>226</b>
Cash and cash equivalents at the beginning of the period/year	1,588	293	320	94
<b>Cash and cash equivalents at the end of the period/year</b>	<b>386</b>	<b>320</b>	<b>386</b>	<b>320</b>

After interest paid but before changes in working capital, full-year cash flow amounted to MSEK 1,063 (1,010).

# Parent Company condensed statement of income

Amounts in MSEK	2017 Oct-Dec	2016 Oct-Dec	2017 Jan-Dec	2016 Jan-Dec
<b>Income</b>	<b>56</b>	<b>46</b>	<b>177</b>	<b>160</b>
Other operating expenses	-28	-38	-96	-89
Personnel expenses	-55	-38	-144	-140
Depreciation	-1	-1	-3	-3
<b>Operating profit</b>	<b>-28</b>	<b>-31</b>	<b>-66</b>	<b>-72</b>
Profit from participations in Group companies	18	141	74	348
Net interest income	3	21	52	58
Change in fair value of financial instruments	0	-6	-10	-12
Foreign exchange effects on financial liabilities	-23	13	115	-39
<b>Profit after financial items</b>	<b>-30</b>	<b>138</b>	<b>165</b>	<b>283</b>
Appropriations	-24	0	-24	0
Tax	12	-35	-34	-70
<b>Profit after tax for the period/year</b>	<b>-42</b>	<b>103</b>	<b>107</b>	<b>213</b>

# Parent Company's condensed balance sheet

Amounts in MSEK	2017 Dec 31,	2016 Dec 31,
<b>ASSETS</b>		
Equipment	6	8
Shares and participations in Group companies	1,967	1,890
Receivables from Group companies	26,201	24,729
Non-current receivables	54	170
<b>Total assets</b>	<b>28,228</b>	<b>26,797</b>
Current assets	275	120
Cash and cash equivalents	386	320
<b>Total current assets</b>	<b>661</b>	<b>440</b>
<b>TOTAL ASSETS</b>	<b>28,889</b>	<b>27,237</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>7,133</b>	<b>7,026</b>
Untaxed reserves	24	0
Deferred tax	236	218
Derivative instruments	0	26
Interest-bearing liabilities	21,353	19,641
Non-interest-bearing liabilities	143	326
<b>Total liabilities</b>	<b>21,756</b>	<b>20,211</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>28,889</b>	<b>27,237</b>

# Parent Company, Board of Directors and organization

## Parent Company

The operations of the Parent Company Rikshem AB (publ) comprise Group-wide functions as well as the organization for managing properties owned by the subsidiaries. No properties are owned directly by the Parent Company.

## Board of Directors and organization

The composition of the Board of Directors of Rikshem AB (publ) was changed at the Annual General Meeting when Per Uhlén was elected Member of the Board, replacing Ulrika Malmberg Livijn.

The number of employees in the Rikshem Group at year-end was 206 (192) of whom, 90 were women.

## Risks

### Risks associated with income and assets

The property sector is impacted by macroeconomic factors such as general economic development, the growth rate, employment, the level of production of new properties, infrastructure changes, population growth, inflation and interest rates. In a weaker macroeconomic situation, the value of properties could decline. The value of properties could also decline if access to funds and/or to equity declines in the property sector.

The company's revenue consists of rent for leased residential properties and premises. Should the number of rented residential properties and leased premises decline, the company's revenue will decrease. Revenue could also decline if the payment capacity of the company's tenants is reduced, whereby they are unable to pay the rent. The company's costs for managing the property portfolio, and for operation and

maintenance, are dependent on the general cost trend in Sweden. This applies particularly to electricity and heating costs.

### Financial risks

Rikshem's interest-bearing liabilities result in liquidity, refinancing and interest-rate risk. Liquidity and refinancing risk is defined as the risk that when loans mature funding cannot be raised or can only be raised at significantly higher costs, and that payment obligations cannot be met due to insufficient liquidity. Interest-rate risk is the risk that increased market interest rates could lead to higher interest expenses. This could have adverse consequences on the company's operations, financial position and earnings.

Rikshem's tax charges could change due to amended tax legislation.

For additional information regarding risks, refer to Rikshem's annual report for 2016.

## Accounting policies

The consolidated financial statements for the Rikshem Group have been prepared in compliance with International Financial Reporting Standards (IFRS) and with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union (EU). The Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups have also been applied. This year-end report has been prepared according to IAS 34 Interim Financial Reports. Accounting policies and measurement methods are

the same as those applied in the 2016 Annual Report. The Parent Company's accounting policies comply with the Annual Accounts Act and RFR 2.

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers will be applied as of January 1, 2018. Rikshem makes the assessment that these standards will not have a material impact on the company's income statement or balance sheet. When it comes to IFRS 15, the assessment is based on the

following. Rikshem provides residential properties and properties for public use primarily through leases under which, in addition to the right to use the leased home/ premises, the agreed rent usually also includes heat, water/sewage and refuse collection. Normally, the individual tenant is not permitted to enter into agreements with a supplier other than the ones

contracted by the landlord. Should, due to climate variations, the consumption of, for example, heat end up higher than what has been calculated, the landlord – Rikshem – normally carries the risk and no additional payment from the tenant is required. In view of this, Rikshem considers that the entire rental payment should be viewed as rent also in accounting terms.

## Related-party transactions

No significant related-party transactions were implemented during the year.

## Significant events after year-end

No significant events occurred after year-end.

The Board of Directors and the CEO affirm that this year-end report provides a true and fair view of the Parent Company's and the Group's operations, position and earnings, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

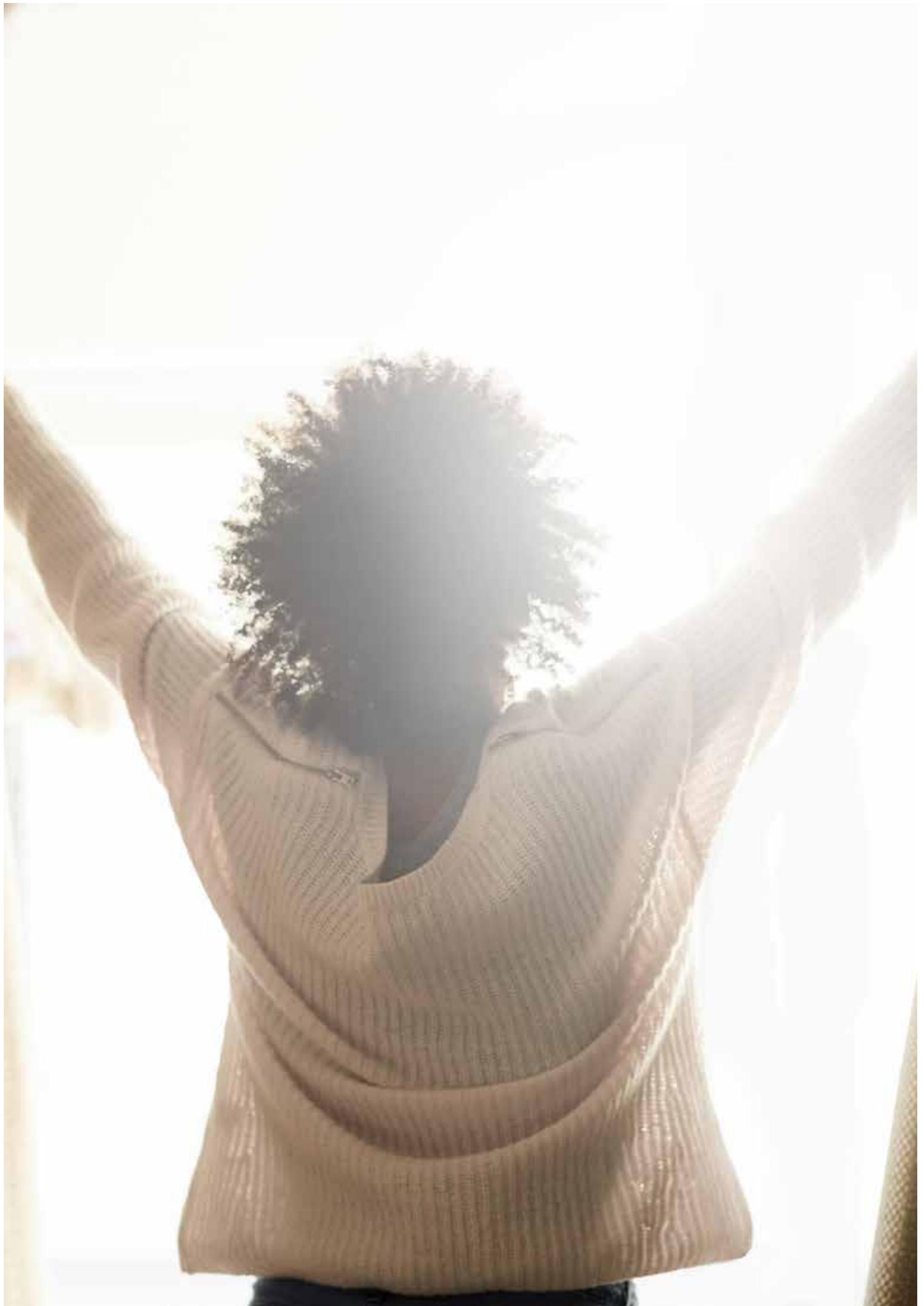
The company's auditors have not examined the year-end report.

## Financial calendar

Annual Report 2017	March 29, 2018
Interim report Jan-Mar 2018	May 21, 2018
Half-year report Jan-Jun 2018	August 30, 2018
Interim report Jan-Sep 2018	November 12, 2018

## rikshem.se

On Rikshem's website, you will be able to download and subscribe to press releases and reports.



## Key performance data

Amounts in MSEK	2017 Dec 31,	2016 Dec 31,	2015 Dec 31,	2014 Dec 31,	2013 Dec 31,	2012 Dec 31,
<b>Risk capital</b>						
Equity	15,710	13,281	10,360	4,850	3,705	2,247
Shareholder loans	-	-	-	3,007	2,881	2,881
Risk-bearing capital	15,710	13,281	10,360	7,857	6,586	5,128
Total assets	43,501	40,114	34,053	26,036	20,210	16,302
Equity/assets ratio, %	36	33	30	19	18	14
Share of risk-bearing capital, %	36	33	30	30	33	31
Return on equity, %	16.8	20.6	25.8	23.6	48.9	15.8
<b>Financial key figures</b>						
Loan-to-value ratio, secured loans, %	12	15	21	23	32	50
Loan-to-value ratio, %	59	62	66	65	63	63
Average interest rate, %	2.0	1.5	1.6	1.8	3.1	3.5
Interest-coverage ratio, multiple	3.5	3.8	3.6	2.9	2.2	2.0
Fixed-interest term, years	5.3	2.6	2.4	3.4	3.2	3.9
Loan maturity, years	3.0	1.9	1.4	1.1	-	-
<b>Property-related key figures</b>						
No. of properties	586	574	533	496	366	304
Lettable area, 000 sqm	2,219	2,182	1,975	1,708	1,506	1,340
Proportion of properties for public use, %	29.0	29.0	38.0	42.0	36.0	-
Number of apartments	27,924	27,224	24,203	20,844	19,541	17,617
Vacant residential properties, %	2.7	2.1	2.6	1.8	2.0	1.1
Market vacancy rate, residential properties, %	0.3	0.5	0.4	-	-	-
Remaining lease term for properties for public use, years	10	10	10	11	12	13
Investment in properties	1,586	1,849	1,680	784	382	98
Fair value	41,039	37,878	32,009	25,160	20,009	16,153
Fair value, SEK/sqm	18,494	17,362	16,205	14,727	13,286	12,054
Total return, %	8.1	9.7	10.7	9.8	10.8	7.1

## Key performance data

Amounts in MSEK	2017 Dec 31,	2016 Dec 31,	2015 Dec 31,	2014 Dec 31,	2013 Dec 31,	2012 Dec 31,
<b>Performance-related key figures</b>						
Rental income	2,665	2,484	2,040	1,691	1,485	1,277
Growth in revenue for existing properties, %	4.3	3.7	2.7	2.4	1.0	-
Net operating income	1,555	1,420	1,192	954	796	695
Growth in net operating income for existing properties, %	6.7	3.4	6.8	8.4	-	-
Surplus ratio, %	58	57	58	56	54	54
Income from management operations	1,150	1,208	576	380	203	137
Profit for the period	2,430	2,433	1,964	1,010	1,455	316

### Employees

Number of employees	206	192	173	134	107	85
of whom, women	90	81	70	48	-	-

# Definitions

<b>Share of risk-bearing capital</b>	Risk-bearing capital in relation to total assets. This is stated to illuminate the company's financial stability.
<b>Return on equity</b>	Profit after tax for the year in relation to average equity. This is stated to illuminate the company's ability to generate a return on the capital invested by the shareholders.
<b>Amount within parentheses</b>	For income statement items, amounts within parentheses refer to the outcome for the corresponding year-earlier period and for balance sheet items, amounts within parentheses refer to the outcome at the end of the preceding year.
<b>Loan-to-value ratio</b>	Interest-bearing liabilities in relation to the fair value of properties. This is stated to illuminate the company's financial risk.
<b>Loan-to-value ratio, secured loans</b>	Secured interest-bearing liabilities in relation to the fair value of properties. This is stated to illuminate the company's financial risk.
<b>Direct yield</b>	Annualized net operating income in relation to the average fair value of properties. This is stated to illuminate the property investments' ability to generate a return.
<b>Net operating income</b>	Rental income less property expenses.
<b>Property expenses</b>	Costs for heat, electricity, water, operation, maintenance, property tax, ground rent and property administration.
<b>Net financial items</b>	Net of interest income, interest expenses and similar revenue and costs.
<b>Income from management operations</b>	Net operating income less administrative costs and net financial items plus profit/loss from shares in joint ventures. This is stated to illuminate the continuous earnings capacity of the business.
<b>Rental income</b>	Rental value less vacancies, rent discounts and rent losses.
<b>Loan maturity, years</b>	The weighted remaining maturity of interest-bearing liabilities on the balance sheet date. This is stated to illuminate the company's financial risk.
<b>Market vacancy rate, residential properties</b>	As per the balance sheet date, the number of apartments less apartments unrented due to renovation in relation to the total number of apartments in the residential properties segment.
<b>Risk-bearing capital</b>	Equity plus an increment for shareholder loans.
<b>Fixed-interest term, years</b>	The weighted remaining fixed-interest term for interest-bearing liabilities and derivative instruments on the balance sheet date. This is stated to illuminate the company's financial risk.
<b>Interest-coverage ratio</b>	Profit before tax following a reversal of profit/loss from shares in joint ventures, interest expense, change in the value of assets and liabilities and other financial expenses in relation to interest expenses for external borrowings. This is stated to illuminate the company's sensitivity to interest rate fluctuations.
<b>Equity/assets ratio</b>	Equity in relation to total assets. This is stated to illuminate the company's financial stability.
<b>Secured loans</b>	Loans raised against liens on properties.
<b>Total return</b>	Net operating income plus change in value in relation to the average fair value of properties. This is stated to illuminate the property investments' ability to generate a return.
<b>Vacancy rate, residential properties</b>	As per the balance sheet date, the number of unrented apartments in relation to the total number of apartments in the residential properties segment.
<b>Remaining lease term, properties for public use</b>	The weighted remaining lease term on the balance sheet date in the properties for public use segment.
<b>Surplus ratio</b>	Net operating income in relation to rental income. This is stated to illuminate the property investments' continuous earnings capacity.

The calculation of alternative performance measures is available on Rikshem's [www.rikshem.se](http://www.rikshem.se) website.

Rikshem is one of Sweden's largest private property companies. We own, develop and manage residential properties and properties for public use in selected municipalities in Sweden, where we offer safe, pleasant and flexible housing in attractive locations. Rikshem is owned by the Fourth Swedish National Pension Fund (AP4) and AMF. Read more at [rikshem.se](http://rikshem.se)

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