



Market update Q2 2017

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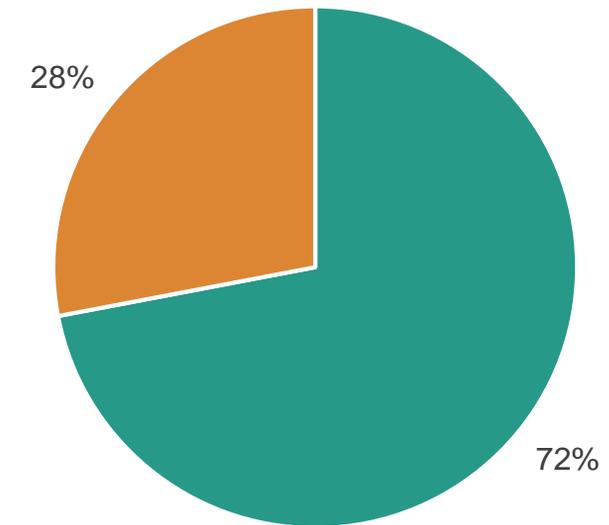
**rikshem** 

# Rikshem in brief

- Total property value c. SEK 40 bn
- Portfolio comprising c. 600 properties with c. 28,000 apartments. Lettable area is >2.2 million sqm
- Annual rental income 2016 was c. SEK 2.5 bn
- Rikshem has a S&P Global rating of A-, with stable outlook since 2013
- **Highly predictable cash flow** – property portfolios' cash flow generation is very stable
- **Financially strong and committed long-term owners**

# Business model

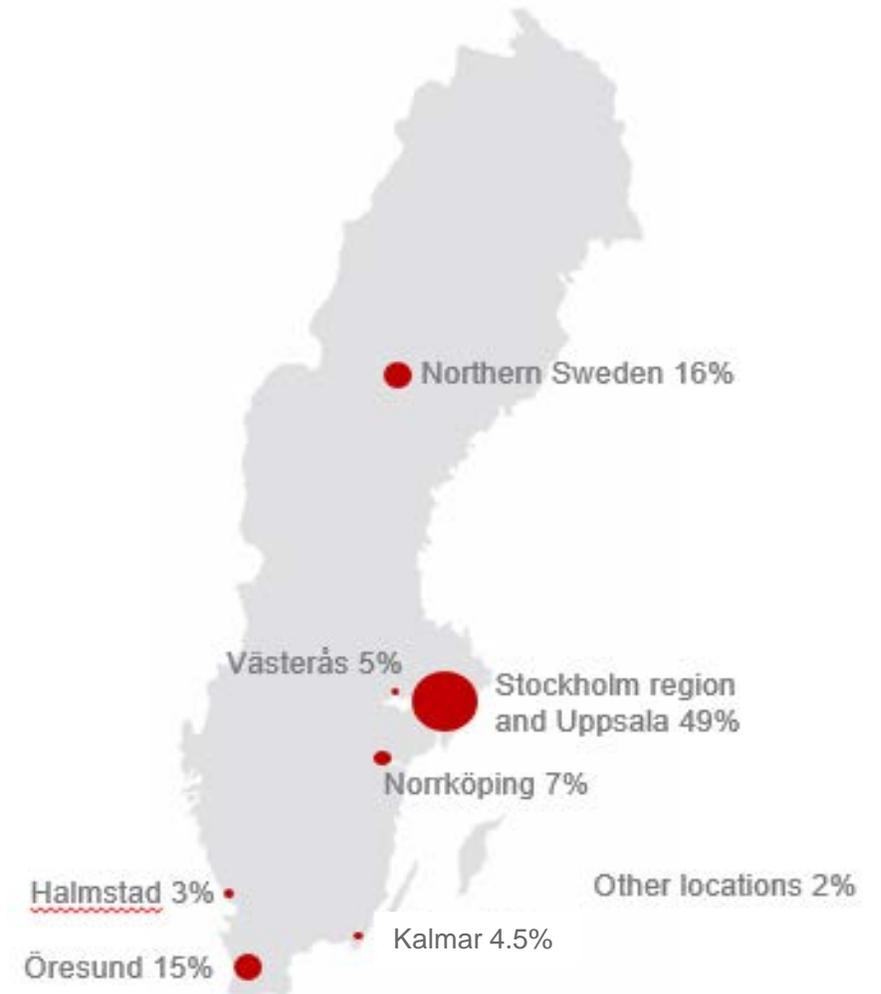
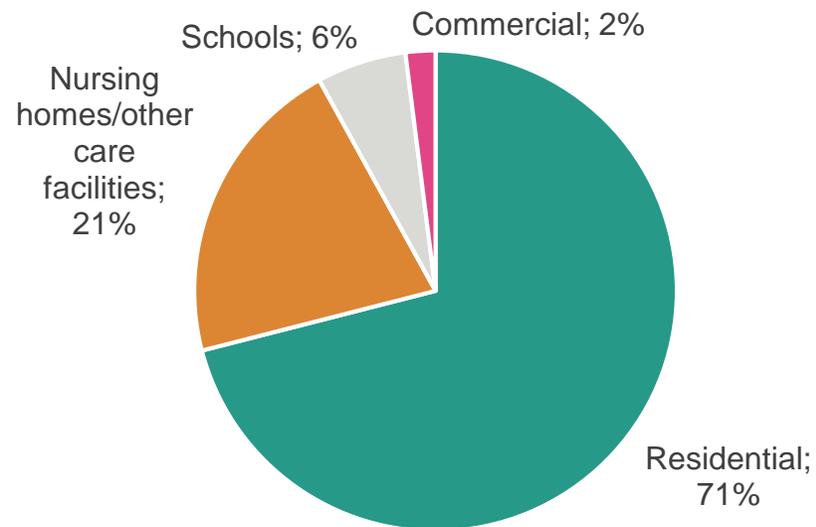
- Rikshem has two business segments (i) residential properties and (ii) properties for public use
- Rikshem's strategy is to long term and sustainably own, develop and manage its properties



- Residential properties business segment (market value)
- Properties for public use business segment (market value)

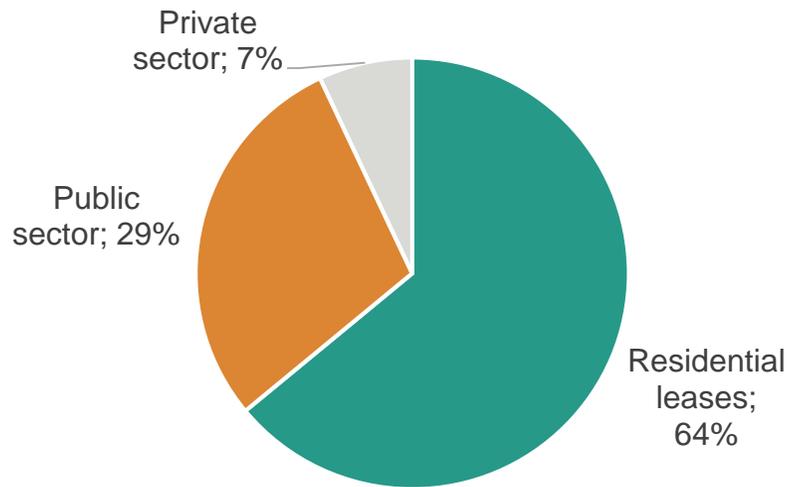
# The Property portfolio

The portfolio's total value was SEK 39.5 bn as of 30 June 2017, of which 71% is residential and half is located in the Stockholm and Uppsala region.

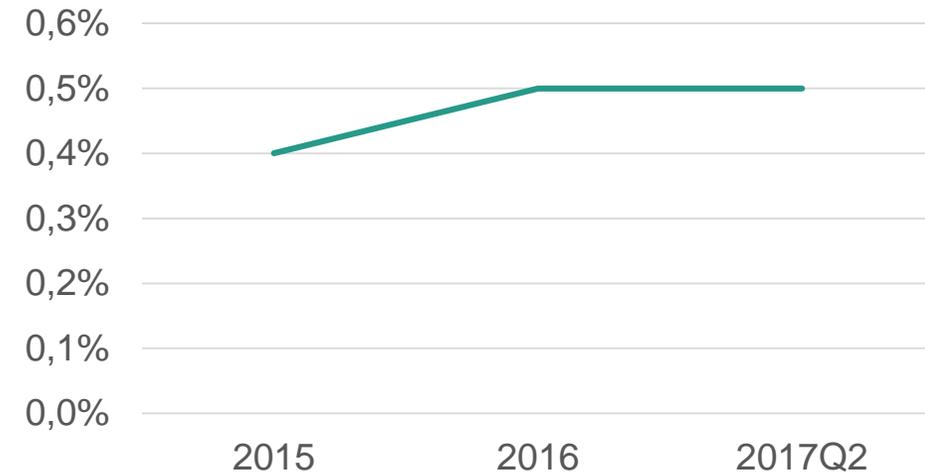


# Tenants and rental income

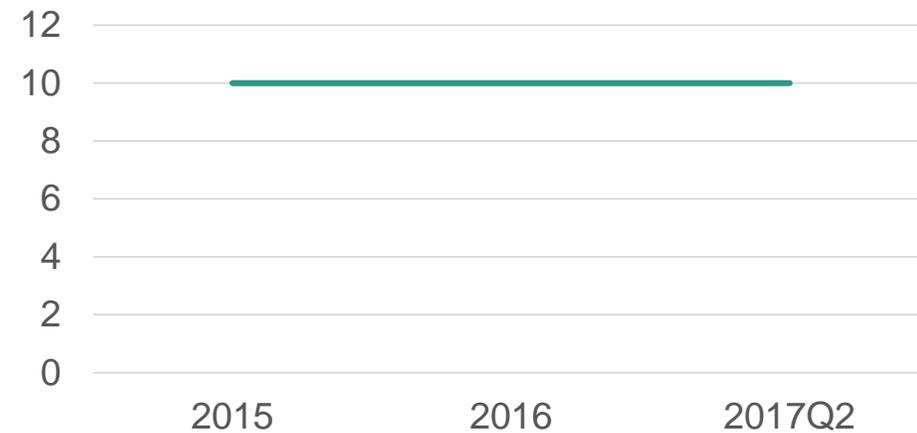
- 64% of rental income comes from residential leases, where the vacancy rate is 0.5%
- 29% of rental income comes from strong public sector tenants and have a weighted average lease length of 10 years



Vacancy residential leases

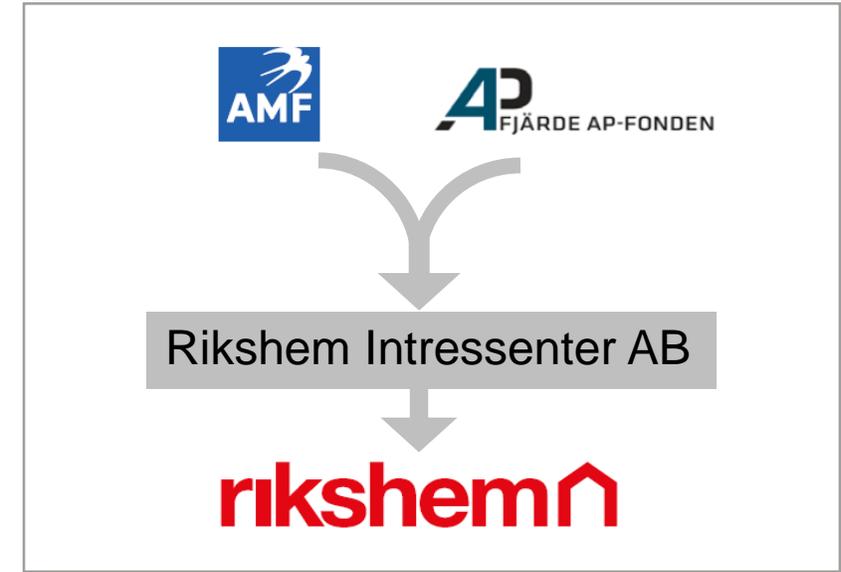


Average lease length public sector tenants (years)

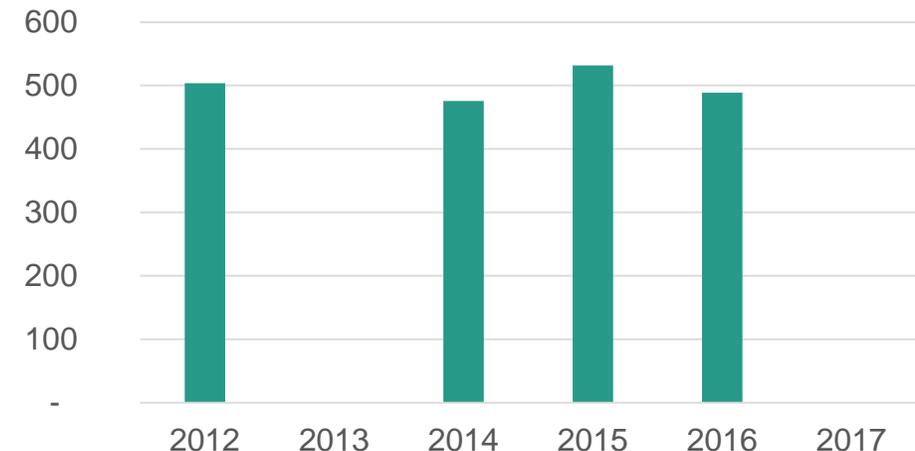


# Ownership

- AP4 is a government authority within the Swedish state and one of five buffer funds in the Swedish pension system. As of 31 December 2016, AP4's total assets amounted to SEK 334 bn
- AMF is one of Sweden's leading pension companies and the fifth largest shareholder on the Nasdaq Stockholm. Assets under management as of 31 December 2016 amounted to SEK 563 bn
- Rikshem constitutes the owners' long term ownership of residential properties and properties for public use in Sweden
- The owners' intention is to inject new equity whenever the equity ratio drops below 30%



Capital injected by the owners (SEK million)



# Property valuation

	<u>Jan- Jun</u> <u>2017</u>	<u>Jan-Jun</u> <u>2016</u>	<u>change</u>
<b>Value at the start of period</b>	<b>37,878</b>	<b>32,009</b>	18%
Investments	912	866	5%
Change in value	977	920	6%
Acquisitions	1,282	1,943	-34%
Divestments	-1,493	-365	309%
<b>Value at the end of period</b>	<b>39,556</b>	<b>35,373</b>	12%
<u>Valuation yields</u>	<u>Jun 2017</u>	<u>Dec 2016</u>	<u>change</u>
Residential	4,03%	4,20%	-0,17%
Care home/other care facilities	5,02%	5,13%	-0,11%
Schools	5,62%	5,73%	-0,11%
Commercial	5,41%	5,65%	-0,24%
<b>Total</b>	<b>4,37%</b>	<b>4,53%</b>	<b>-0,16%</b>

- Portfolio value has grown 12% since June 2016
- Acquisitions down 34% due to fierce competition for desired assets
- Divestments up 309% due to strong investor demand which have made the timing right to sell non-core assets
- Valuation yield down 0.16% in line with the general market
- Investment in existing portfolio and value appreciation in line with 2016

# Property development

Investments in new construction of residential properties makes up less of the total investment in Jan-Jun 2017 compared to full year 2016.

Spending on refurbishment of residential properties has increased compared to 2016.



# Three largest ongoing projects



Repet 4: Refurbishment of residential properties, total amount SEK 300 million and invested so far SEK 91 million. Completed in Q4 2018.

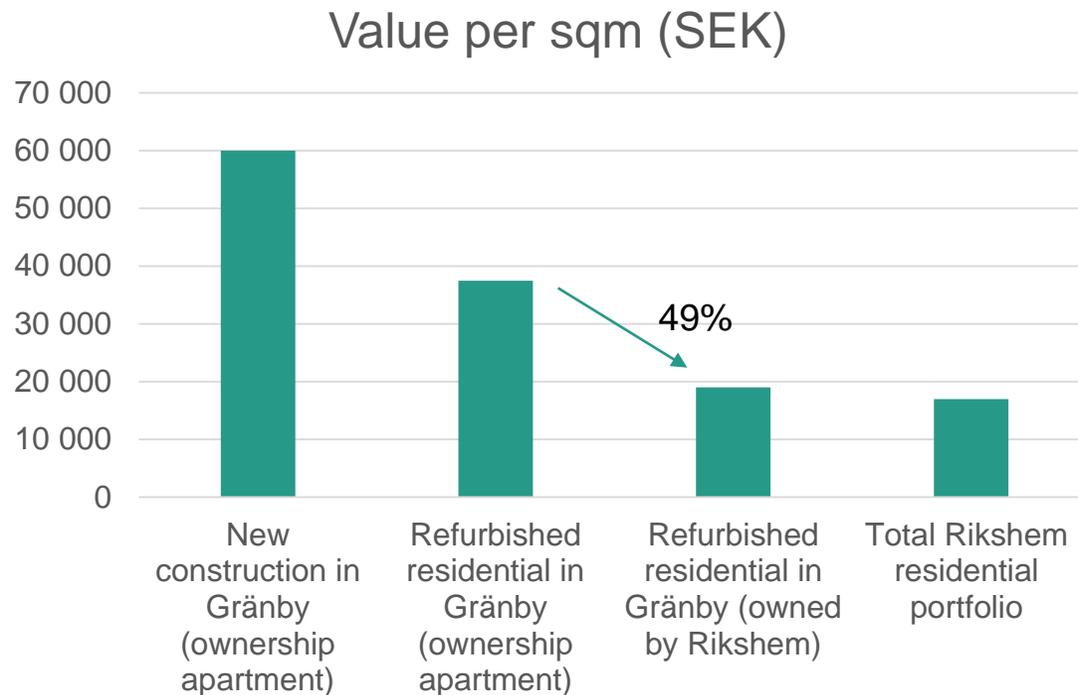


Norrliden 1: Investment in properties for public use, total amount SEK 225 million and invested so far SEK 90 million. Completed in Q1 2018.



Eriksberg 17:1: Refurbishment of properties for public use, total amount SEK 186 million and invested so far SEK 85 million. Completed in Q2 2018.

# Conservative values compared to ownership markets



Ownership apartments are valued at a substantial premium compared to the rental apartments owned by Rikshem as illustrated in the adjacent graph.

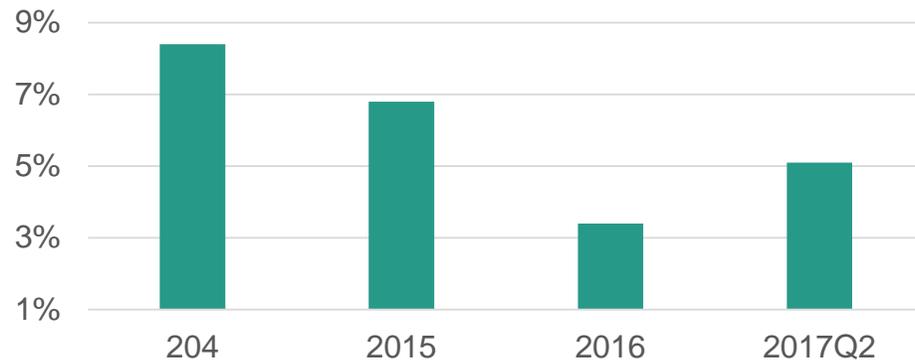
In Gränby, Uppsala, rental apartments owned by Rikshem are valued to a 49% discount compared to identical ownership apartments.

Furthermore, the price of newly constructed residential properties in Gränby is three times the price of the Rikshem's properties in terms of value per sqm.

# Financials Jan-Jun 2017

- Income increased c. 10%
- Profit before tax increased c. 50%
- Percentage increase in net operating income from existing properties was 5.1%

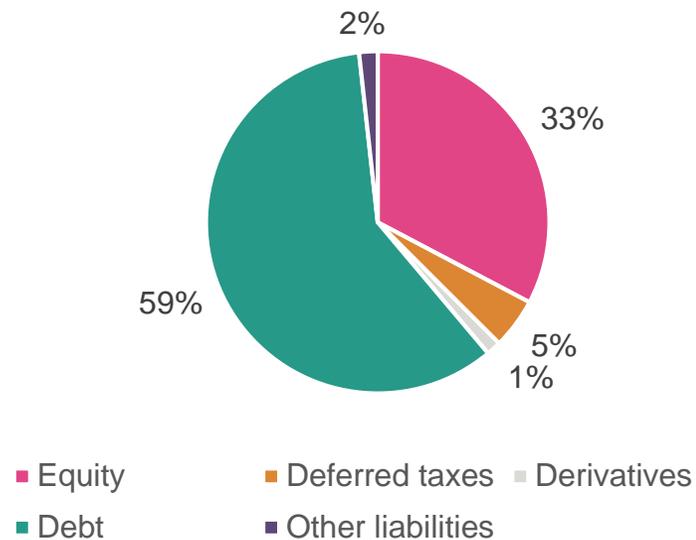
Increase in net operating income from existing properties



	<u>Jan-Jun</u> 2017	<u>Jan-Jun</u> 2016	<u>change</u>
Rental income	1,335	1,205	
Property expenses	-577	-518	
<b>Net operating income</b>	<b>758</b>	<b>687</b>	<b>10%</b>
Central admin	-27	-38	
Financial items	-188	-166	
JV	103	104	
<b>Income from management operations</b>	<b>646</b>	<b>587</b>	<b>10%</b>
Change in property value	977	866	
Change in value of derivatives and debt i other currencies	105	-289	
<b>Profit before income tax</b>	<b>1,728</b>	<b>1,164</b>	<b>48%</b>
Tax	-264	-235	
<b>Profit for the period</b>	<b>1,464</b>	<b>929</b>	<b>58%</b>

# Financials Jan-Jun 2017

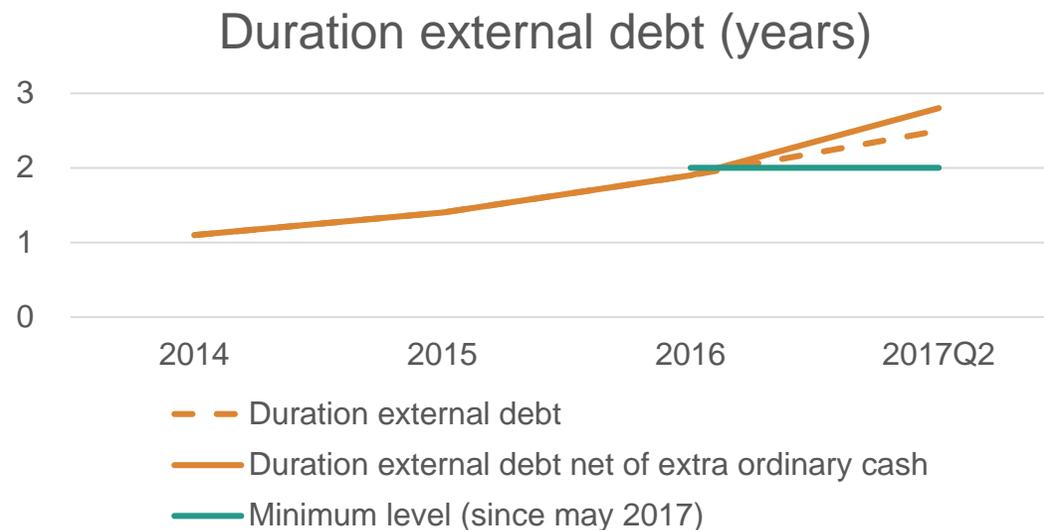
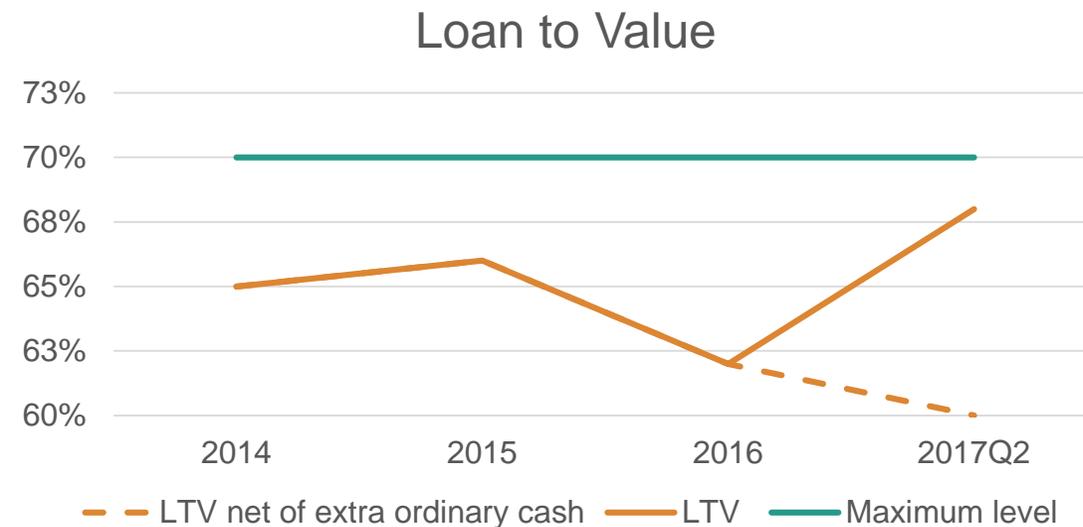
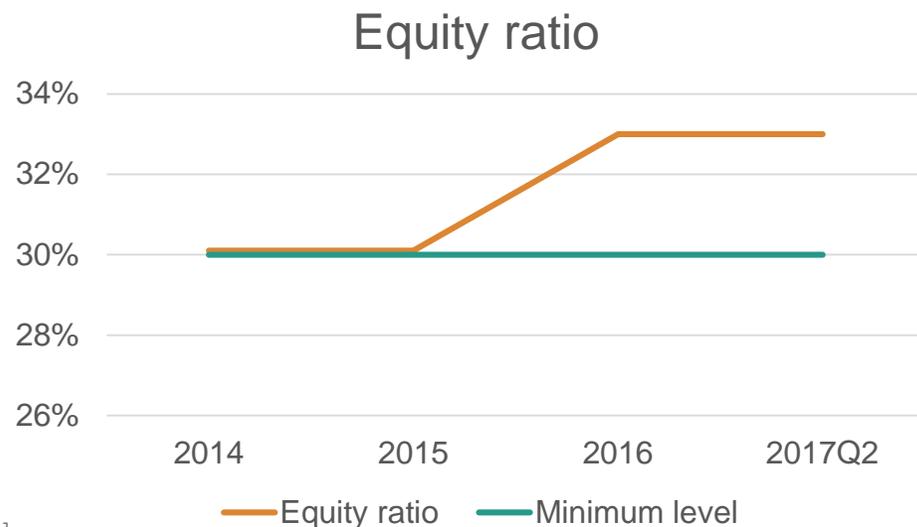
High cash balance due to our inaugural Eurobond issue in June.



	<u>Jun 2017</u>	<u>Jun 2016</u>	<u>change</u>
Investment properties	39,556	37,878	4%
Participations i joint ventures	1,367	1,292	6%
Other assets	947	624	52%
Cash	3,172	320	891%
<b>Total assets</b>	<b>45,042</b>	<b>40,114</b>	<b>12%</b>
Equity	14,745	13,281	11%
Deferred taxes	2,150	1,892	14%
Derivatives	620	620	0%
Debt	26,742	23,422	14%
Other liabilities	785	899	-13%
<b>Total equity and debt</b>	<b>45,042</b>	<b>40,114</b>	

# Financial key ratios

- LTV continues to decrease, when extra ordinary cash position is taken into account
- Duration of external debt has increased due to less short term debt and more long term bond financing



Thank you

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