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CREDIT OPINION
27 November 2024

Update

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RATINGS

Rikshem AB

Domicile	STOCKHOLM, Sweden
Long Term Rating	A3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Rikshem AB

Update to credit analysis

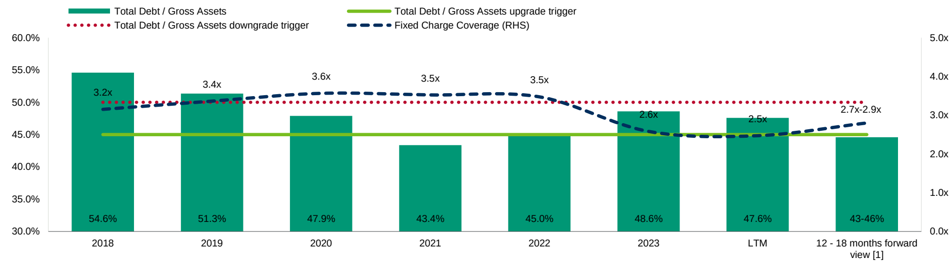
Summary

Rikshem AB's (Rikshem, A3 stable) A3 issuer rating continues to reflect a Baseline Credit Assessment (BCA) of baa1 and a one-notch uplift derived from its government-related issuer (GRI) status. Rikshem is 50% indirectly owned by the Government of Sweden (Aaa stable) through the Fourth Swedish National Pension Fund (AP4).

The rating also reflects Rikshem's medium-sized, SEK 56 billion property portfolio, primarily in stable Swedish regulated rental housing (71% of fair value) and social infrastructure like nursing homes and schools (29% of fair value), contributing 27% to rental income. The portfolio features a long average lease tenure of 6.8 years for public use properties, a low residential vacancy rate of 2.1%, adequate leverage of 48%, excellent short-term liquidity, a high unencumbered asset ratio, and the supportive ownership of AP4 and AMF Tjänstepension (AMF).

Rikshem's rating is weakly positioned due to decreasing interest coverage of 2.5x LTM September. Other risks include potential regulatory changes although unlikely in the near future, which could limit national pension system's real estate exposure coverage and a short average debt maturity of 4.2 years with 31% of debt due in the next 18 months. These risks are mitigated by supportive owners, demonstrated by a SEK 10 billion cash facility with a 2-year evergreen maturity from the owners to address liquidity shortfalls and strong liquidity management.

Exhibit 1
Moody's-adjusted leverage and coverage metrics for Rikshem



[1] This represents Moody's forward view, not the view of the issuer.
Source: Moody's Financial Metrics™ and Moody's Ratings estimates

Credit strengths

» A medium-sized, low-risk portfolio located in large and growing urban areas of Sweden

» A focus on regulated rental housing in a supply-constrained market, providing stable cash flow

» A significant share of social infrastructure tenants being close to 100% tax-financed

» Our expectation of stable low leverage, given Rikshem's stated commitment of keeping the leverage ratio below 16x in the future

» Excellent liquidity and a high share of unencumbered assets

» The support from strong owners

Credit challenges

» Further risks at the macro level driven by inflation and difficult capital market conditions, potentially leading to lower market values and higher cost of funding

» Residential rents are not CPI-linked and dependent on renegotiations, which means it is more difficult to immediately push inflation on tenants. However, in the long term, the rent increases correlate with inflation

» Moody's-adjusted net debt/EBITDA remains high, estimated at around 14.6x as of September 2024

» Short-dated debt maturity; around 31% of its debt is coming due over the next 18 months (as of September 2024)

» Weakened EBITDA interest coverage, but we positively factor in the GRI status with the potential of getting ownership support

Rating outlook

The stable rating outlook reflects our assumption that AP4 and AMF are long-term, committed owners, as well as our expectation that Rikshem will maintain its clearly defined strategy of focusing on residential and public-service properties in growing urban locations. The outlook also incorporates our expectation that, over the next 12-18 months, the company's debt/assets will be at 43-46%, net debt/EBITDA will improve towards 13x and EBITDA interest coverage will be close to 2.7-2.9x, supported by asset disposals and continued rental growth, while funding costs are likely to rise compared to historical levels.

Factors that could lead to an upgrade

» an explicit guarantee from the company's owners

» the expansion and enhancement of the real estate portfolio, while sustaining leverage well below 45%, as measured by Moody's-adjusted gross debt/assets, and following financial policies that support the lower leverage

» a fixed-charge coverage ratio above 3.5x on a sustained basis

» maintenance of excellent liquidity, including a high unencumbered asset pool and a longer-dated debt maturity profile

Factors that could lead to a downgrade

» Any weakening in our expectation of financial support from AP4 and AMF, including a change of ownership or changes in regulations that would make Rikshem a less strategic investment for the owners

» Effective leverage, measured by total debt/total assets, above 50% and an EBITDA fixed-charge coverage ratio materially below 3.0x on a sustained basis. This is being viewed in connection with its GRI status

» Net debt/EBITDA sustained well above 16x

» A significant deterioration in operating performance or in the quality of the property portfolio

» A deterioration in the company's liquidity, including changes to the terms of the subscription agreement with its shareholders

Key indicators

Exhibit 2
Rikshem AB

	2018	2019	2020	2021	2022	2023	LTM Q3 2024	12-18 months forward view
Real Estate Gross Assets (SEK Billion)	48.8	52.6	55.3	62.4	64.9	60.9	60.8	59-60
Amount of Unencumbered Assets	72.2%	73.6%	71.2%	81.4%	74.9%	71.8%	73.5%	73.0%
Debt / Real Estate Gross Assets	54.6%	51.3%	47.9%	43.4%	45.0%	48.6%	47.6%	43-46%
Net Debt / EBITDA	17.4x	17.8x	15.2x	16.0x	17.7x	15.9x	14.6x	13-15x
Secured Debt / Real Estate Gross Assets	9.3%	8.2%	8.7%	5.3%	7.0%	9.2%	9.2%	8.0%
EBITDA / Fixed Charges	3.2x	3.4x	3.6x	3.5x	3.5x	2.6x	2.5x	2.7-2.9x

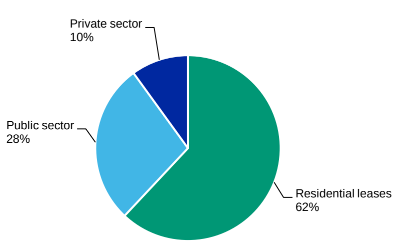
[1] All figures and ratios are calculated using Moody's estimates and standard adjustments.
[2] Periods are Financial Year-End unless indicated. LTM = Last 12 Months.
[3] Moody's Forecasts (f) or Projections (proj.) are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Ratings

Profile

Rikshem AB is one of Sweden's largest private residential property owners and one of the country's three largest providers of property for public use by market value. The company owns and manages a multifamily residential rental portfolio of roughly 30,000 units, with an estimated fair value of about SEK 39.7 billion as of September 2024; 87 nursing and assisted-living properties, comprising around 4,100 beds, with an estimated fair value of around SEK 14.0 billion; and 39 schools with an estimated fair value of SEK 3.1 billion.The portfolio's total market value is SEK 56.1 billion, including development projects and other real estate properties for public use.

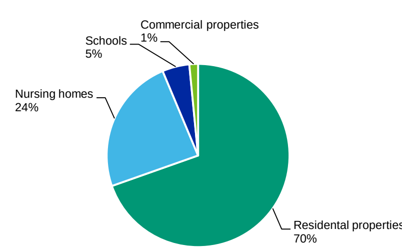
The quality of Rikshem's property portfolio is good based on the attractiveness, demographic trends and solid macroeconomic characteristics of its locations. The portfolio is situated in Swedish cities with historically good macroeconomic features, with an average annual GDP growth rate of 2% over 2013-21; growing populations; and unemployment rates that are mostly in line with or below the national average. Around 40% of the residential portfolio by fair value is located in Greater Stockholm, including Uppsala, with the remainder spread across other cities, including Helsingborg (13%), Norrköping (12%) and Östersund (6%). In the public-service portfolio, Greater Stockholm (including Knivsta and Södertälje) and Uppsala have around 63% of the company's public properties by fair value.

Exhibit 3
Portfolio split by rental income
As of Q3 2024



Source: Company report

Exhibit 4
Portfolio split by properties' fair value
As of Q3 2024



Source: Company report

The company's ownership is split equally between the AP4 and AMF. AP4 is one of five buffer funds in the Swedish pension system. The AP funds, which are deemed government agencies under Swedish law, manage assets within the national income pension system. Their purpose is to contribute to the pension system and cover deficits in years when pension disbursements exceed contributions from the working population. AMF is one of Sweden's leading pension companies. Its ownership is split equally between the Swedish Trade Union Confederation and the Confederation of Swedish Enterprise.

Detailed credit considerations

Focus on Sweden's regulated rental housing market provides a stable cash flow

The Swedish residential sector is one of the most stable asset classes in the European real estate industry. It is highly regulated and in high demand, with undersupply for many years supporting stable rents and values that make new construction unappealing. There is currently no risk of regulations being tightened or a shift to market-based rents. Rikshem's portfolio of 30,000 residential units and total lettable area of 1.6 million square metres (sqm) provides the company with a highly granular and stable income stream. The risk of vacancies in the portfolio is low in view of the tight supply.

In Sweden, an apartment's rent is determined by its utility value — which reflects its size, location, modernity and quality — as decided by the local rent board part of the Swedish courts. Rents are renegotiated every year between landlords and tenant associations. The average rent increase published by Statistics Sweden in 2024 was 5.0%. Rents have generally increased in line with inflation, but with a time lag. If an apartment is refurbished, then a new utility value is required, which is not included in the annual rent negotiation. Rikshem pre-negotiates rents for new developments with the tenant association to avoid the risk of building too expensively and not being able to achieve an appropriate level of rent.

Rikshem has managed rent renegotiations with tenant associations well, agreeing to annual rent increases that are higher than the national average, as well as rent increases resulting from renovations and increased rents for parking lots and premises, reflecting its properties' attractive city locations and the quality of its portfolio.

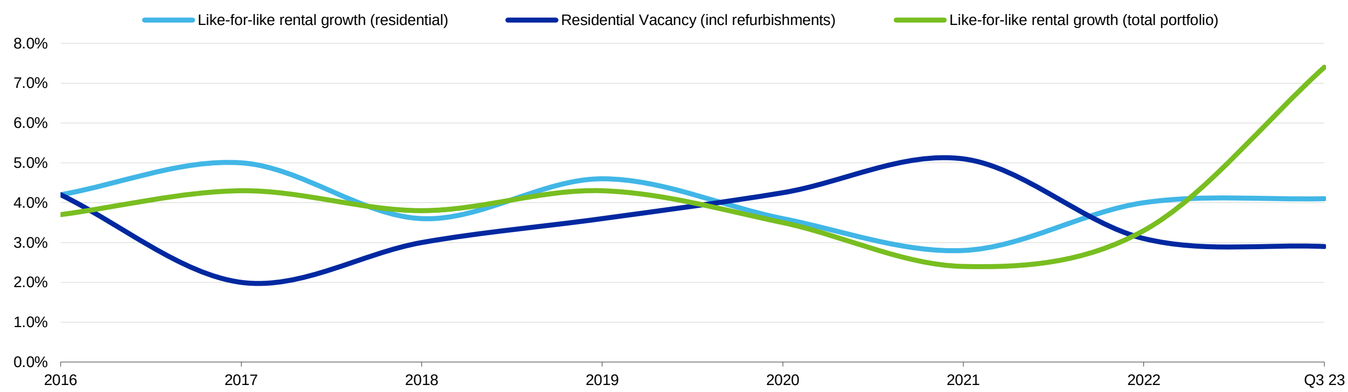
The residential contracts are not linked to CPI which is a challenge in the current situation with high inflation but it has in the past correlated with CPI over time as the yearly negotiations with the tenant associations takes place, evidently from rental increases of around 1-2% during the previous years in tandem with the CPI development. During the high inflationary environment in 2023, the company has been able to increase rent of around 4% in the residential portfolio. Moody's expect that negotiations with the tenant association will render rental increases above historical levels in the next 12-18 months and subsequently converge with the inflation from 2025 and onwards. Additionally, in apartments that are being refurbished the rent increases are higher and compensates to some extent. The remaining 30% of Rikshem's portfolio is CPI linked. When leases are renewed or canceled there is an opportunity to negotiate rent increases for the social infrastructure properties.

Good asset quality, reflected in a consistently low vacancy rate and a higher-than-annual average rent

The company's residential properties are generally located within 10-15 minutes' walk of city centres. The attractive locations of the properties and sustained investment in Rikshem's portfolio have resulted in consistent rental growth and low vacancy rates. The vacancy rate excluding refurbishments but including new builds is 4.3%. New properties take about three months to be let. The residential portfolio's like-for-like (LFL) rental growth has outperformed that of both regulated and unregulated peers, supported by significant refurbishments and development projects coming on stream, which are essentially the only way to increase rents above the annually renegotiated levels. Consequently, properties in need of refurbishment have been attractive acquisition targets from an investor's perspective in Sweden, reflected in their low yield of 4.5% as they are low-risk assets. Rikshem's capital spending has been consistently high over the years, and the portfolio is therefore reasonably well maintained.

The market vacancy rate for residential properties increased over 2019-20, and has since remained relatively constant at 1.4%-1.5%. It increased because of Rikshem's new production for which it takes some time to get new apartments rented out. Total housing vacancy stands at 2.1% in end Q3 2024. The company is over time changing the renovation method and will not vacate properties to the same extent, which should result in a more sticky vacancy rate at structurally lower levels.

Exhibit 5
LFL rental growth has increased in 2023 following the inflationary environment, but lowe than for commercial real estate



Sources: Company and annual reports

Stable and predictable tax-financed income stream from public-service properties, while the welfare system limits the risks associated with the small share of private tenants

Rikshem is Sweden's third-largest private owner of social infrastructure assets — properties that primarily host tax-financed operators and that are customised for public-service use. Such properties account for 30% of Rikshem's property portfolio's market value. The rental market for public-use properties is stable in terms of both rents and vacancies. Rents vary depending on the age of the property, the investments made and tenant modifications. The company's focus on public properties dovetails with the future demand for nursing homes and care facilities, preschools and schools.

The social infrastructure portfolio had a value of SEK 16.3 billion as of September 2023, with around 63% located in Greater Stockholm (including Uppsala). The company's strategy of focusing on properties in large urban areas close to city centres (within a 20-minute walk) and near public amenities gives it the opportunity to convert some of its nursing homes to attractively located residential properties should demand weaken. In addition, the contracts are long term, lowering the risk of limited secondary use of the assets.

Because public-sector tenants in this segment account for 28% of the company's contracted rent (compared with 10% for private operators), credit risk in the nursing home portfolio is very low. Even if a tenant is private and no longer able to operate the facility or goes bankrupt, the municipality is highly likely to step in, either operating the facility itself or handing it over to another company (see below). This is because the municipality has an obligation to provide elderly people in need of support with specially adapted accommodations. Also, Rikshem's exposure to private nursing home operators is low, amounting to around 21% of revenue generated by the elderly care segment. Thus, the revenue stream in this segment is ultimately indirectly financed by municipalities. With a remaining average lease length of 6.8 years and an economic vacancy rate of 2.9% as of Q3 2024, this segment provides Rikshem a steady and predictable cash flow.

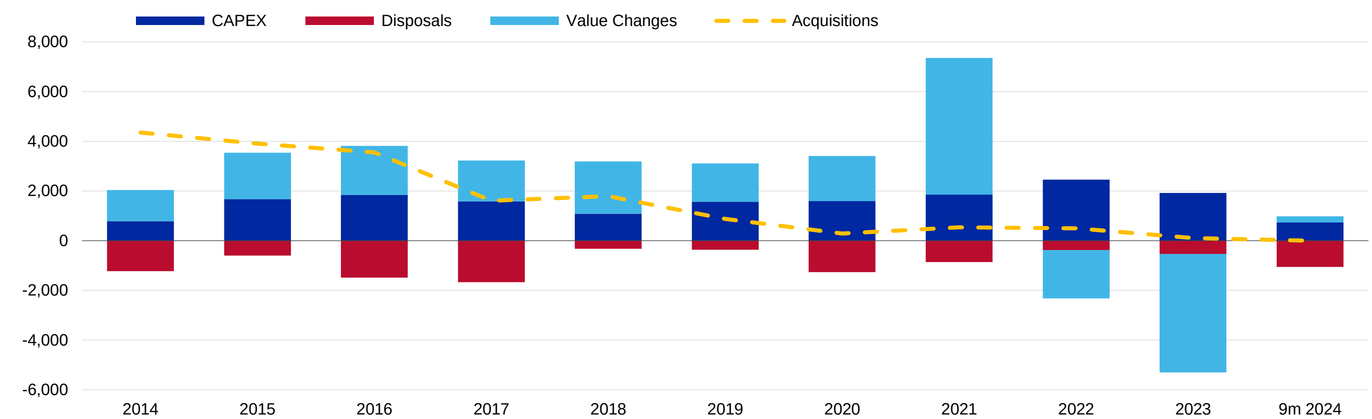
Sweden's demographic outlook underpins stable demand for elderly care and education, also supporting the segment's fundamentals. Tenant concentration is limited, with the top 10 tenants making up 22% of public-service rental income. The single largest public-sector tenant is the Uppsala municipality, which accounts for around 17% of Rikshem's total public-sector rental income. The six largest privately operated tenants contribute 8.9% of rental income for the total public-service portfolio.

Rikshem's educational segment also poses low risk. There are few pupil vacancies in Swedish schools, and public-sector education is 100% tax-financed. Public-sector schools receive a voucher per student, with the reimbursement for each voucher roughly the same across the country irrespective of the form of association (public versus private). Private schools, where the pupil pays, accounted for 14% of Rikshem's overall school rental income as of Q3 2024.

Low-risk development activities

Having previously focused on expansion through investments and acquisitions, Rikshem entered a consolidation and portfolio enhancement phase in 2020. Over 2013-19, it repositioned its property portfolio, investing around SEK 9 billion in acquisitions and development projects, and divesting properties that it deemed unattractive in terms of quality and location. Notwithstanding previous expansion through investments, in order to pay down debt we expect the company now will reduce capital spend towards around SEK 1-1.5 billion per year over the coming two years.

Exhibit 6
Portfolio evolution of investment properties, in SEK millions



Sources: Company and annual reports

Vacancy risk is significantly mitigated by historical data, which shows close to zero vacancy rates for Rikshem's past residential developments in the one to three months after their completion, reflecting their attractive location and strong demand. When Rikshem builds properties for public use, it already signs a contract with a municipality or private operator for the assets, which are tailor made. Construction usually takes the form of a turnkey project at a fixed price. Rikshem also on occasion acquires a property from a municipality to upgrade and rent back, with the potential capital spending and rent included in the agreement. Public-service contracts are typically 10-15 years long. Ultimately, Rikshem's development activities will improve the quality of its assets. However, continuous high investments will keep leverage elevated, giving the company's limited room to maneuver both financially and within the assigned rating category, in the event of adverse economic conditions.

High net debt/EBITDA and leverage because of investment in lower-yielding assets and significant project development

Rikshem has a financial policy of maintaining a loan-to-value ratio of a maximum 55%. Moody's-adjusted gross debt/total assets stood at 47.6% as of September 2024, which is adequate for the rating category. We expect this ratio to decline over the next 12-18 months, driven by disposals.

As of 31 September 2024, the company's Moody's-adjusted net debt/EBITDA stood at 14.6x, reflecting the high quality of Rikshem's assets, and thus lower property yields, as well as significant project developments historically. We expect the ratio to remain within 13x-15x over the 12-18 months driven by curbed investments and debt reduction. Another contributor is that we expect EBITDA to increase as a result of higher rents from refurbished apartments and new builds, but also moderate impact from weighted indexation where we expect the residential portfolio will contribute the lion share of rental increases next year. The company has also committed to keep the net debt/EBITDA below 16x.

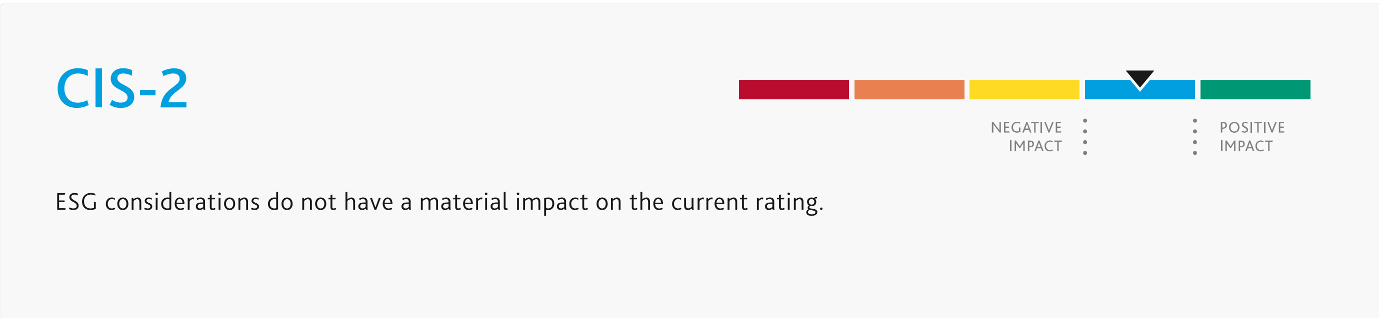
Weakening interest coverage

The company's Moody's-adjusted fixed charge coverage stood at 2.5x in September 2024. The interest coverage has been weakening, considering significant refinancing needs. However, we expect significant debt reduction through asset disposals, supporting a gradual improvement of interest cover closer to 3x over the next two years. The company's policy is to keep its EBITDA/interest coverage ratio above 2.5x. The average cost of borrowing was 2.7% as of September 2024.

ESG considerations

Rikshem AB's ESG credit impact score is CIS-2

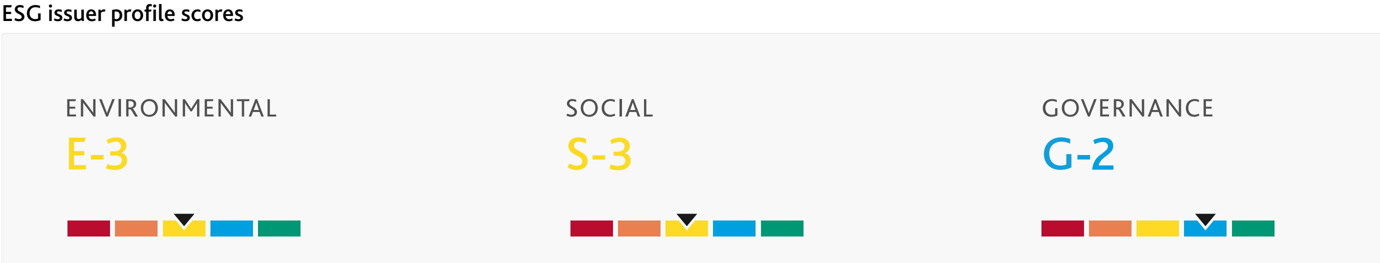
Exhibit 7
ESG credit impact score



Source: Moody's Ratings

ESG considerations have a neutral to low impact on Rikshem's rating (**CIS-2**), with potentially larger impact in the future. This reflects the company's moderate financial policies which enables it to manage exposure towards environmental and social risk. It also reflects the regulated residential market where increasing interest rates and inflation can affect households' affordability and consequently Rikshem's ability to increase rents based on increasing inflation. The G-2 reflects its GRI status and the owner's commitment to support the company outside the GRI model.

Exhibit 8
ESG issuer profile scores



Source: Moody's Ratings

Environmental

E-3: Rikshem's exposure towards carbon transition risk is moderate and in line with most of the peers in the real estate industry in the Nordics. Rikshem faces, as the rest of the Nordic real estate sector, sizeable investment requirements to improve the energy performance of its buildings from a regulatory, investor and tenant perspective. The company has a development pipeline of ongoing projects that is moderate at 3.4% of total assets, which enables the company to gradually improve and upgrade the energy performance. The company targets to achieve climate neutral operations by 2030 for property management and with all of the other operations following suit by 2045.

Social

S-3: Credit exposure to social risks is moderately negative. The score reflects the sectors exposure to social risks arising from affordable living requirements. It affects rental growth potential for companies in the sector and interferes with investment requirements due to environmental regulation. Companies in the sector are also exposed to moderate customer relationship risk through the handling of sensitive private individual data.

Governance

G-2 reflects its GRI status and the owners' commitment to support a conservative financial risk management of Rikshem as well as to provide extraordinary support in case of need via equity injections and subscription commitment. T While concentrated ownership is reflected in a score of 3 for Board Structure and Policies, its GRI status and broader assumption of support influences the rating positively. These positives more than balance the risks from concentrated ownership. The **G-2** also benefits from strong Management Credibility and Track Record of managing one of the largest Swedish residential property portfolios.

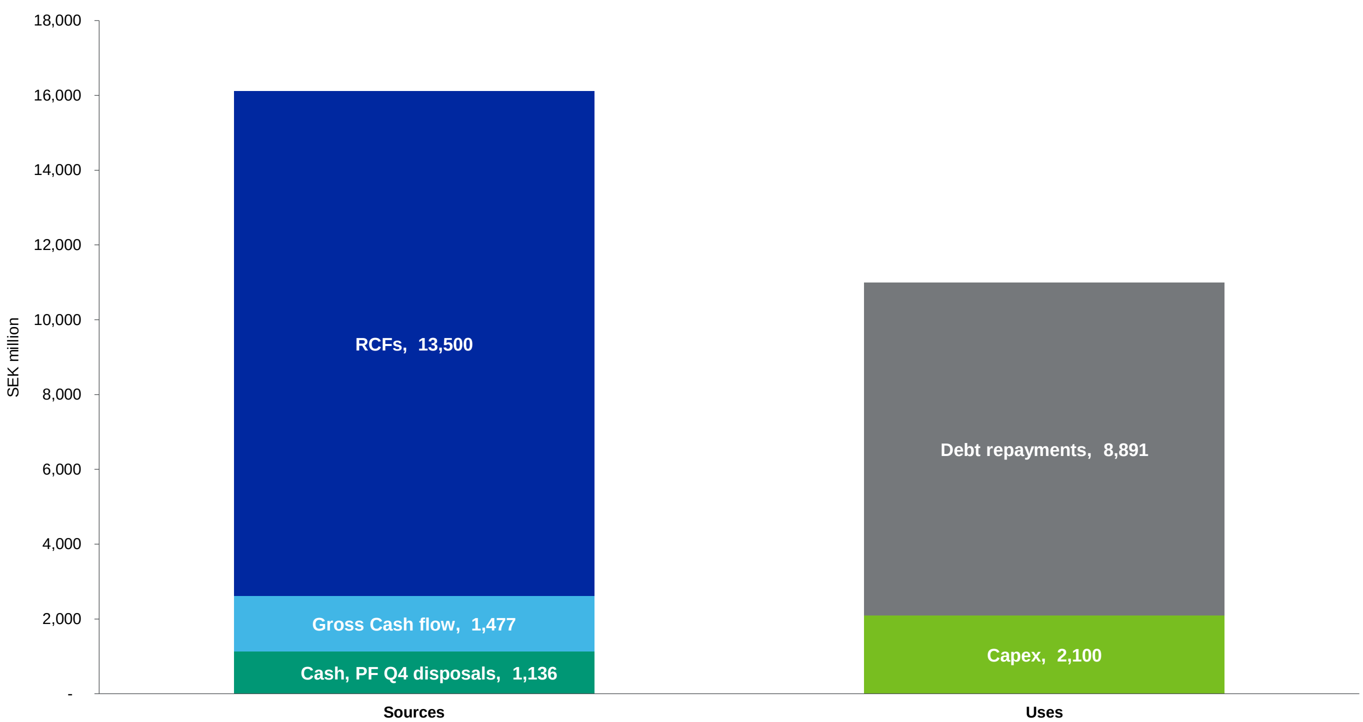
ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

Good liquidity and a high amount of unencumbered assets

Rikshem's liquidity is excellent, reflecting its stable cash flow generation, staggered (although short-dated) debt maturities and significant unused committed credit facilities. The most important factor behind Rikshem's liquidity strength is its owners' commitment to provide a cash facility of SEK 10 billion with a 2 years evergreen maturity at the company's request, which Rikshem can use in the event of a liquidity shortfall and which would cover 35% of total debt. Rikshem's high level of unencumbered assets supports its liquidity because the assets can be divested or pledged for bank financing. The company's unencumbered assets ratio is estimated at 74% as of September 2024.

Exhibit 9
Sources and uses of liquidity over the next 18 months
As of Q3 2024



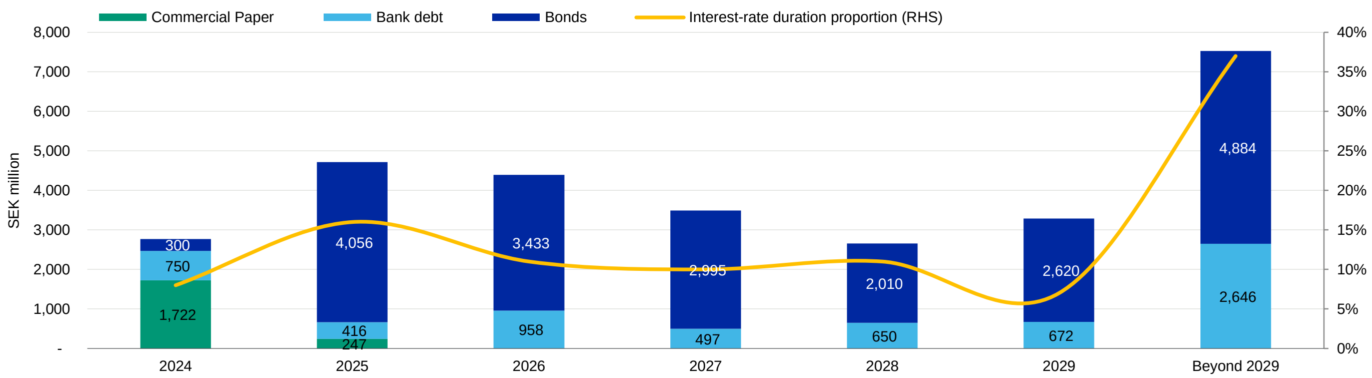
Source: Company

Access to capital

The company will largely rely on external funding over the next three years because its investment plans will exceed internal cash flow and proceeds from potential divestments. We believe the company has good access to several bond markets (including Swedish krona, Norwegian krone, euro and Australian dollar) and bank debt, and has diversified banking relationships and a highly liquid housing portfolio. Additionally, AP4 and AMF are committed to supporting Rikshem by injecting capital or not taking a dividend to ensure the company adheres to the newly established credit metrics. The owners have supported Rikshem on four occasions in the past with cash injections to boost the company's growth strategy. Because the turnover is generated exclusively in the Swedish currency, the company generally hedges all its foreign-currency bonds in the local currency.

Rikshem has various financial policies in place to contain financial risks, including an average debt duration of at least 3.5 years and average interest-rate duration of between a minimum of three years and maximum of six years. As of September 2024, its average debt duration was 4.2 years and its average interest-rate duration was 4.1 years.

Exhibit 10
Debt maturities by debt type and interest rate duration
As of Q3 2024



Sources: Company and annual reports

Structural considerations

Rikshem's borrowing is partially secured by property mortgage deeds. Shares in property-owning subsidiaries are also deployed as collateral to some extent. The company also undertakes a high share of unsecured borrowing, creating a buffer for holders of unsecured bonds. As of September 2023, Rikshem had a high estimated coverage of unsecured debt by unencumbered assets of around 2.0x.

GRI status because of AP4's 50% ownership results in a one-notch uplift

Rikshem is 50% owned by AP4, whose primary task is to manage capital in Sweden's national income pension system. It is supervised by the Ministry of Finance as a government agency under the Swedish National Pension Funds Act (2000:192) but is not consolidated into the accounts of the Swedish government per public accounting guidance. Though it is a government agency, AP4 is more independent than most government entities because its operations are regulated by law and not by directive. AP Funds 1-4 are mandated to manage their funds in such a way as to be of maximum benefit for the insurance of income-based old-age pensions. Contracts and other legal acts entered into an AP Fund are binding on the Swedish government. The funds can borrow money from the Riksgäldskontoret (the Swedish national debt office) if their investments cannot cover their commitments.

We apply the Joint Default Analysis (JDA) under our Government-Related Issuers Methodology to explain our views on the credit links between Rikshem and its supporting owner, AP4, which is deemed to be a government agency under the Swedish National Pension Funds Act (2000:192) but is not consolidated into the accounts of the Swedish government. Our approach explicitly accounts for Rikshem's standalone risk or BCA under our REITs and OtherCommercial Real Estate Firms Methodology; the Swedish government's Aaa rating as the supporting government; an estimate of the default correlation between the two entities; and an estimate of the likelihood of extraordinary government support.

Based on our assessment of the very high level of default dependence, coupled with our expectation of the strong likelihood of Rikshem's owners providing extraordinary support, the company benefits from an uplift from its adjusted BCA of baa1.

Exhibit 11
A very high level of overall default dependence

Dependence	Low	Moderate	High	Very High
(1) Operational and Financial Linkages				
» Direct and Indirect Government Transfers as a % of GRI Revenue	✓			
» Government Purchases as a % of GRI Revenue				✓
» GRI Payments (Dividends) as a % of Government Revenue	✓			
(2) Reliance on Overlapping Revenue Base				
» Percentage of income derived from within the government's territory				✓
(3) Exposure to Common Credit Risks				
» Foreign Exchange Risk in Debt Structure	✓			
» Shared Industry Exposure	✓			
» Political Event Risks	✓			
Overall Guidance Dependence Level				✓

Source: Moody's Ratings

As outlined in Exhibit 11, our view on the very high level of default dependence is driven by our assessment of the following factors:

1. Operational and financial links between the company and the national government are very high, primarily because rent payments from the Swedish public-sector entities represent roughly 27% of Rikshem's revenue. Direct and indirect government transfers are less of a link, as are planned dividend payments from Rikshem.

2. With Rikshem generating 100% of its revenue within Sweden, the links from overlapping revenue bases with the government are deemed to be very high.

3. Exposure to common credit risks is low for both the company and the government.

Exhibit 12
A low overall likelihood of extraordinary support

Support	Low	Moderate	Strong	High	Very High
(1) Guarantees					
» Explicit Guarantees	✓				
» Verbal Guarantees and/or Comfort Letters			✓		
» Special Legal Status	✓				
(2) Ownership					
» Ownership Level		✓			
» Privatization Plans	✓				
(3) Barriers to Support	✓				
(4) Level of Government Intervention					
» History of State Bailouts	✓				
» Ideological and Political Inclinations	✓				
» Government Direction of GRI	✓				
» Business Planning	✓				
(5) Political Linkages					
» Increased borrowing costs	✓				
» Political Embarrassment		✓			
(6) Economic Importance	✓				
Overall Guidance Support Range		✓			

Source: Moody's Ratings

As outlined in Exhibit 12, our overall view on the low level of government support is driven by our assessment of the following six factors:

1. While Rikshem does not have a special legal status nor enjoy any form of explicit guarantee or comfort letter provided directly by the Swedish government, the company does benefit from contractual agreements entered into between itself and its owner, AP4, as well as between the owners themselves.
    a. Rikshem's owners' commitment to provide a cash facility of SEK 10 billion with a 2 years evergreen maturity at the company's request, which Rikshem can use in the event of a liquidity shortfall.
    b. Dividend policy and stricter financial targets. Provided the financial targets are met, the owners may choose to call for an annual dividend from the company amounting to a maximum of 50% of the prior financial year's cash flow from operating activities from the company. The dividend policy was implemented at the same time under stricter financial targets. The policy stipulates that the equity ratio should be a minimum of 35%, loan-to-value 58%, EBITDA interest coverage 2.5x and net debt/EBITDA 16x. The stricter targets are because of Rikshem entering a phase of business consolidation and operating under less aggressive acquisition plans.
2. Rikshem is 50% owned by AP4. We understand that AP4 has no plans to reduce its interest in Rikshem, which it effectively considers strategic given the size of Rikshem's property portfolio, the effort Rikshem has made to create the scale in its operations, as well as the consequent difficulty of replicating the type of asset class exposure that the fund has via Rikshem.
3. There are legal and policy barriers to government aid in the form of European Union (EU) rules prohibiting preferential support to commercial entities, which the Swedish government is likely to obey.

4. The level of government intervention in Rikshem's operations is low. The Swedish government can mainly influence the company's strategy by appointing board members and auditors at its owner, AP4, or by changing the law governing the operation of the AP Funds. The board of directors at AP4 (similar to AMF) consequently appoints a representative who sits on Rikshem's board of directors.
5. We deem the reputational risk and political embarrassment for the Swedish government of allowing Rikshem to fail and thus not honouring its obligations to creditors as moderate.
6. The company's relatively small size compared with the overall Swedish economy, the presence of viable competitors, as well as the non-essential nature of its services and non-existent ties to national security, suggest an overall low probability of support based solely on its economic importance.

Methodology and scorecard

The principal methodology used in these ratings was the REITs and Other Commercial Real Estate Firms Methodology published in February 2024.

The adjusted BCA of "baa1" is in line with the scorecard-indicated outcome under our forward view. The final rating outcome of A3 reflects the one-notch uplift under the Government-Related Issuers Methodology.

Exhibit 13

Rating factors

Rikshem AB

REITs and Other Commercial Real Estate Firms Industry Scorecard [1][2]	Current LTM 9/30/2024		Moody's 12-18 Month Forward View As of Nov 2024 [3]	
Factor 1 : Scale (5%)	**Measure**	**Score**	**Measure**	**Score**
a) Gross Assets (USD Billion)	$6.0	Baa	5.3-5.5	Baa
Factor 2 : Business Profile (25%)				
a) Market Positioning and Asset Quality	Aa	Aa	Aa	Aa
b) Operating Environment	A	A	A	A
Factor 3 : Liquidity and Access To Capital (25%)				
a) Liquidity and Access to Capital	A	A	A	A
b) Unencumbered Assets / Gross Assets	73.5%	Baa	75%	Baa
Factor 4 : Leverage and Coverage (45%)				
a) Total Debt + Preferred Stock / Gross Assets	47.6%	Baa	43-46%	Baa
b) Net Debt / EBITDA	14.6x	Ca	13-15x	Ca
c) Secured Debt / Gross Assets	9.2%	A	8%	A
d) Fixed Charge Coverage	2.5x	Ba	2.7-2.9x	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa2		Baa1
b) Actual Rating Assigned				A3
Government-Related Issuer	**Factor**			
a) Baseline Credit Assessment	baa1			
b) Government Local Currency Rating	Aaa			
c) Default Dependence	Very High			
d) Support	Moderate			
e) Actual Rating Assigned	A3			

[1] All figures and ratios are calculated using Moody's estimates and standard adjustments.
[2] As of 9/30/2024; Source: Moody's Financial Metrics.
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Financial Metrics™

Ratings

Exhibit 14

Category	Moody's Rating
RIKSHEM AB	
Outlook	Stable
Issuer Rating -Dom Curr	A3
Senior Unsecured	A3

Source: Moody's Ratings

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454