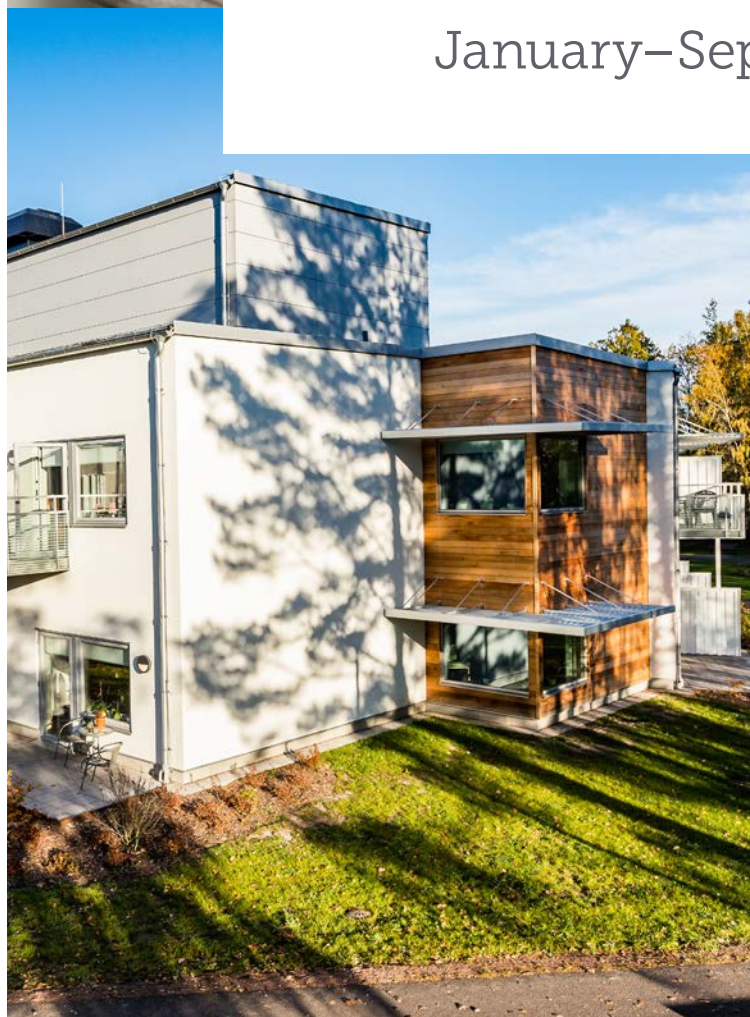




# Interim report

January–September 2019





# Interim report

## January–September 2019

### Events during the period

- Rental income increased MSEK 116 or 5.6 percent to MSEK 2,187 (2,071).
- Net operating income increased MSEK 38 or 3.2 percent to MSEK 1,221 (1,183).
- Income from property management increased MSEK 128 or 16.3 percent to MSEK 915 (787). The increase in the value of the property holdings of the joint ventures VärmdöBostäder and Farsta Stadsutveckling (Telestaden) accounted for the largest share of the increase, while net financial items improved MSEK 10 due to the lower average interest rate in the loan portfolio.
- During the period, properties were acquired for MSEK 611 (1,556). The largest acquisitions in terms of value were two newly built properties for public use in Staffanstorps and Upplands-Bro.

- The change in value of investment properties was MSEK 1,312 (1,126), corresponding to a percentage increase in average fair value of 2.8 percent (2.7).
- Profit before tax for the period increased MSEK 64 to MSEK 1,937 (1,873).

### Events during the third quarter

- In the third quarter, rental income increased MSEK 48 or 6.9 percent to MSEK 745, compared with MSEK 697 in the corresponding quarter in the prior year.
- Net operating income rose MSEK 46 or 15.6 percent to MSEK 481 (435) and income from property management increased MSEK 47 or 15.4 percent to MSEK 353 (306).
- An agreement was signed concerning the sale of development rights in Orminge Shopping Center in Nacka Municipality.

### Events after the end of the period

- Per Uhlén took over as acting CEO on November 1, 2019. Former CEO Sophia Mattsson-Linnala stepped down from the position on October 31, 2019.
- A property in development in central Halmstad was acquired. The property will be completed in 2021 and will house 189 apartments.
- A school and preschool on a leasehold in Västerås were acquired.

### Rikshem in summary

	Jan–Sep 2019	Jan–Sep 2018	Oct 2018– Sep 2019	Jan–Dec 2018
Rental income, MSEK	2,187	2,071	2,908	2,792
Net operating income, MSEK	1,221	1,183	1,562	1,524
Income from property management, MSEK	915	787	1,136	1,008
Profit after tax, MSEK	1,564	1,650	2,403	2,489
Fair value of properties, MSEK	48,198	44,282	48,198	45,687
Number of apartments	28,973	28,764	28,973	28,840
Lettable area, 1,000 sqm	2,273	2,275	2,273	2,274
Vacancy rate, residential properties, %*	0.6	0.3	0.6	0.5
Average lease length, years**	9.0	9.5	9.0	9.4
Loan-to-value ratio, %	54	58	54	58
Interest-coverage ratio, multiple***	3.5	3.1	3.5	3.2
Equity, MSEK	19,763	17,360	19,763	18,199
Total return, %***	8.3	6.6	8.3	8.4
Return on equity, %***	12.9	11.2	12.9	14.7

\* Pertains to market vacancy rate. \*\* Pertains to properties for public use. \*\*\* Pertains to rolling 12 months. Definitions of key figures are presented on page 27

Cover image: Kalkstenen 1, Kalmar and Rönne 2, Malmö

# Statement from the acting CEO

During the period, net operating income posted a positive trend and our property portfolio grew to a value of more than SEK 50 billion. Our neighborhood development efforts continued, including initiatives in the Gränby area of Uppsala as well as our "Trygghetskollen" safety survey, where our tenants help us to identify unsafe locations.

I look forward to leading Rikshem with a focus on continuity and continued strong performance for the immediate future. We will maintain the tempo of our daily operations and work collectively to improve and develop all parts of the company. For a longer period, the company has focused on property management, customers and neighborhood development. This work will continue at the same level of intensity, but needs to be balanced by larger initiatives related to business development and investments.

Rikshem's former CEO, Sophia Mattsson-Linnala, has left the company and the process of recruiting a permanent CEO is under way.

Net operating income for the period increased 3.2 percent compared with the year-earlier period. We were able to generate favorable earnings thanks to the full-year effects of new construction, investments enabling rents to be raised in our properties, and the effects of acquisitions in the preceding year. Although a good deal of progress has been achieved with respect to a more proactive property management, we still have considerable work to do in order to reduce acute damage and achieve more long-term, sustainable property management.

We also introduced "Trygghetskollen," a safety survey that allows our tenants and other interested parties in seven of our areas to provide us with important feedback our safety efforts. With 1,200 participants, we hope to be able to make some interesting observations that can be used to create a greater sense of safety in our residential areas, which is an important part of our neighborhood development. In Gränby, Uppsala, we have carried out an initiative where all employees – property technicians as well as administrative personnel – had a day of communal work such as checking and repairing locks, removing graffiti and putting up signs. The aim of the initiative was to increase the feeling of safety in the area.

We regularly meet with the municipalities in which we operate, many of whom are facing major challenges when it comes to meeting their obligations within their key areas, namely preschools, schools and care of the elderly. Over the next ten years, the number of children and the elderly population – and thus the municipalities' expenses – will increase sharply. The lack of properties for public use will create opportunities for Rikshem to develop our offering within social infrastructure.

Rikshem is continuing to grow and, for the first time, the company's combined property value, including our joint ventures, is now over SEK 50 billion. We are a long-term company with an important role to play in the market and in society. We will do so by combining our professionalism with community involvement.



**Per Uhlén**  
Acting CEO

# Rikshem in brief

Rikshem is one of Sweden's largest private property companies. The company owns, develops and manages residential properties and properties for public use – sustainably and for the long term.

Rikshem's vision is to make a difference in the development of the good community. By combining professionalism with community involvement, Rikshem aims to promote long-term, sustainable community development from a social, environmental and financial perspective.



One of Sweden's largest  
private property companies



30,000

Rikshem provides Sweden with 30,016 residential properties across the country (including Rikshem's share of properties in joint ventures).



SEK 51 billion

The fair value of the properties totaled MSEK 50,507 (including Rikshem's share of the property value in joint ventures).



Long-term owner

Rikshem AB (publ) is 100 percent owned by Rikshem Intressenter AB, in which AMF Pensionsförsäkring AB and the Fourth Swedish National Pension Fund own 50 percent each.



Credit rating

Rikshem's credit rating from S&P Global is A- with a stable outlook.

# Comments on Group earnings

## Net operating income

The Group's rental income for the period increased MSEK 116 or 5.6 percent to MSEK 2,187 (2,071). In addition to the effects of annual rent increases and investments that enable raised rents, the full-year effects of new construction and acquisitions in the prior year contributed to this increase in rental income. Rental income for the like-for-like portfolio rose MSEK 89 or 4.3 percent (3.8).

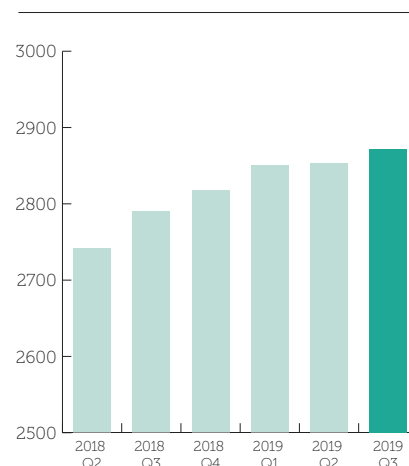
Property expenses for the period increased MSEK 78 or 8.8 percent to MSEK 966 (888). Expenses for the like-for-like portfolio rose MSEK 76 or 8.7 percent. Expenses are increasing due to a more proactive approach to property management in line with the long-term plan. Costs also arose due to the unusually high level of damage during the first half of the year. Since the end of 2018, the property administration organization has been strengthened and costs have therefore increased to MSEK 154 (126).

Altogether, total net operating income increased MSEK 38 compared with prior year and amounted to MSEK 1,221 (1,183). Net operating income for the like-for-like portfolio increased 1.1 percent compared with prior year.

The surplus ratio for the total property portfolio was 56 percent (57).

At the end of the period, the vacancy rate for residential properties was 3.2 percent. Adjusted for apartments that have been vacated in preparation for renovation, the market vacancy rate was 0.6 percent (0.3). The average remaining lease term for properties for public use was 9.0 years (9.5). The economic occupancy rate for properties for public use was 97.5 percent. The economic occupancy rate for the total portfolio was 96.7 percent.

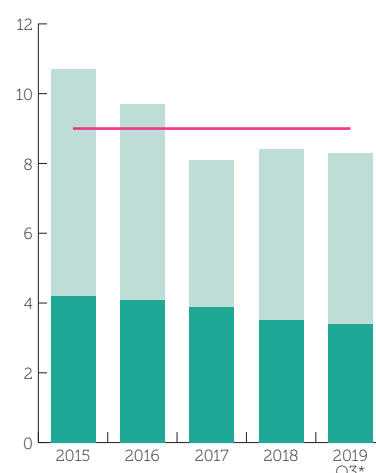
Annual rent as of the closing date (MSEK)



## Statement of income MSEK

	Jan-Sep 2019	Jan-Sep 2018
Rental income	2,187	2,071
Property expenses	-966	-888
<b>Net operating income</b>	<b>1,221</b>	<b>1,183</b>
Central administration	-61	-44
Net financial items	-337	-347
Earnings from joint ventures	92	-5
<b>Income from property management</b>	<b>915</b>	<b>787</b>
Change in value of properties	1,312	1,126
Change in value of financial derivative instruments and foreign exchange effects on financial liabilities	-290	-40
<b>Profit before tax</b>	<b>1,937</b>	<b>1,873</b>
Tax	-373	-223
<b>Profit for the period</b>	<b>1,564</b>	<b>1,650</b>

Total return (%)



Average total return 2015-2019, 9%

Change in value

Property yield

\*Rolling 12 months

## Central administration

Costs for central administration amounted to MSEK -61 (-44). Central administration includes group-wide costs. The cost increase is in line with the long-term plan to increase the company's focus on property management and to invest in digitization and sustainability. Central administration for the period corresponded to 2.8 percent (2.1) of rental income.

## Net financial items

Net financial items totaled MSEK -337 (-347). Net financial items mainly comprise the company's external interest expenses. The decline in interest expenses was mainly attributable to a decrease in the average interest rate on the company's

debts. The average interest rate at the end of the period was 1.6 percent, compared with 1.8 percent on September 30, 2018. The average interest rate includes fees for unutilized back-up facilities.

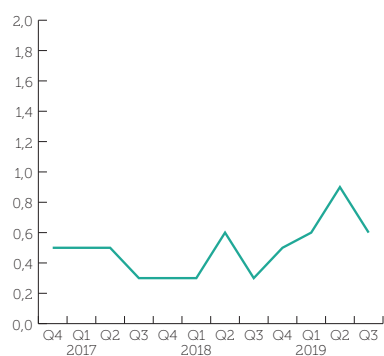
## Earnings from joint ventures

Earnings from joint ventures amounted to MSEK 92 (-5) for the period. The improvement in earnings is primarily a result of an increase in the value of the property portfolios of VärmdöBostäder and Farsta Stadsutveckling (Telestaden). The change in value is primarily related to increase in leasing. During the period, Farsta Stadsutveckling signed a major rental agreement with the Swedish Police Authority.

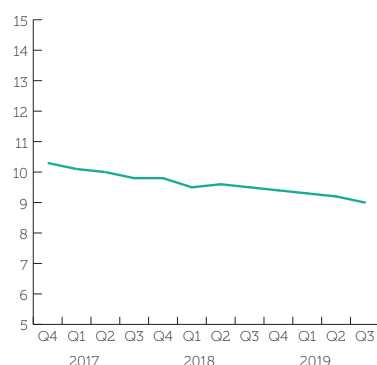
## Change in value of financial derivative instruments

The company's financial derivative instruments are interest-rate swaps that extend interest-rate duration and combined currency and interest-rate swaps, which were entered into to eliminate foreign-exchange risk for interest payments and repayments of loans raised in EUR and NOK. The change in value of interest-rate derivatives was attributable to falling interest rates and amounted to MSEK -710 (41) for the period. The change in value of foreign exchange derivatives amounted to MSEK 863 (317). The foreign exchange effects on financial liabilities in EUR and NOK amounted to MSEK -443 (-398) and were attributable to the weakening of the SEK against these currencies during the period.

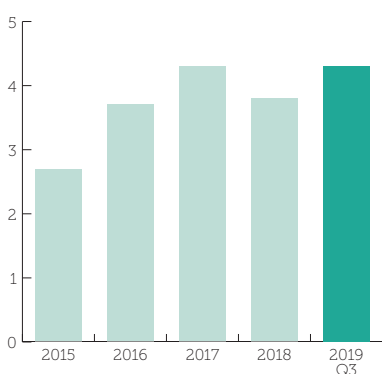
Market vacancy rate, residential properties (%)



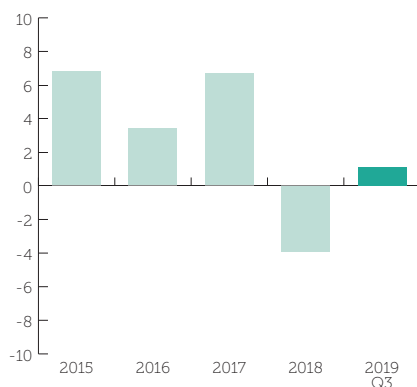
Average lease length, properties for public use (years)



Change in rental income in the like-for-like portfolio (%)



Change in net operating income in the like-for-like portfolio (%)



## Change in value of properties

The change in value for investment properties for the first nine months was MSEK 1,312 (1,126), up 2.9 percent (2.7). The unrealized change in value is attributable to the change in net operating income and the market's lower yield requirement. The average yield requirement declined 0.1 of a percentage point to 4.17 percent compared with the year-earlier period, and decreased 0.03 of a percentage point compared with year-end.

Rikshem recognizes investment properties at fair value in accordance with IAS 40. As of September 30, 2019, all properties have been valued internally. To verify the internal valuation, an annual external valuation is

conducted of most of the property portfolio. Deviations between the internal and external assessed values are well within the uncertainty range of +/- 5 percent.

## Tax

Tax reported for the period amounted to MSEK -373 (-223), of which current tax was MSEK 0 (0) and deferred tax MSEK -373 (-223), and was largely impacted by unrealized changes in the value of properties and financial derivative instruments. The corporate tax rate for 2019 has been lowered to 21.4 percent. The reduction will take place in two stages: the next reduction will take place in 2021, at which point it will be lowered to 20.6 percent. According to Rikshem's

assessment, the company's deferred tax liability will, in all material respects, be realized after 2021. The restatement, which took place in the second quarter of 2018, resulted in a positive earnings effect of MSEK 149.

The company's deferred tax asset totaled MSEK 179 (111) at the end of the period. The deferred tax liability totaled MSEK 3,350 (2,699). The deferred tax asset was offset against the deferred tax liability in the balance sheet.

## Profit for the period

Profit for the period totaled MSEK 1,564 (1,650).

## Yield requirement and rent/sqm per property type

Property type	Rent/sqm			Yield requirement		
	min	average	max	min	average	max
Residential properties	709	1,220	2,766	2.40%	3.87%	5.65%
Properties for public use:					4.83%	
Nursing homes	550	1,456	2,699	3.65%	4.71%	7.40%
Schools	781	1,500	2,324	4.90%	5.36%	6.65%
Commercial properties	738	1,191	4,233	3.85%	5.15%	7.45%
<b>Average</b>		<b>1,283</b>			<b>4.17%</b>	

## Change in yield requirement per property type

Property type	Value in MSEK	Dec 31, 2018	Sep 30, 2019	Change
Residential properties	33,338	3.89%	3.87%	-0.02%
Properties for public use:				
Nursing homes	11,380	4.78%	4.71%	-0.07%
Schools	2,698	5.42%	5.36%	-0.06%
Commercial properties	782	5.19%	5.15%	-0.04%
<b>Total</b>	<b>48,198</b>	<b>4.20%</b>	<b>4.17%</b>	<b>-0.03%</b>

# Transactions and investments

Rikshem continues to improve its property portfolio through selective acquisitions and divestments of properties that will not be suitable for the target portfolio in the long term. Over the year, the company's focus on project development in existing properties has also intensified.

During the period, properties were acquired in Staffanstorps, Kalmar, Upplands-Bro, Uppsala and Västerås for a total of MSEK 611 (1,556). The acquisitions added three residential properties in development and two newly built properties for public use with a total of 152 apartments and approximately 10,250 square meters of lettable area to the property portfolio. In addition, agreements were signed concerning the acquisition of a property in development in Upplands Väsby, where some 70 rental apartments and approximately 350 square meters of offices will be built.

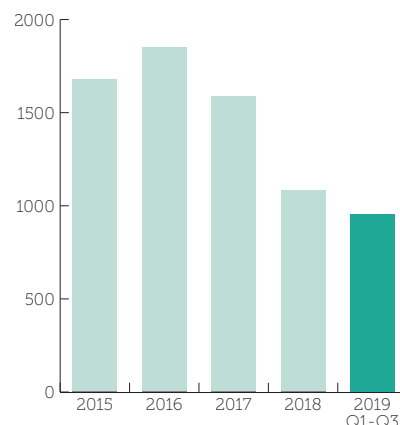
A development property in Uppsala, Sivia Torg, with approximately 13,000 square

meters, was divested in the second quarter.

Investments in existing properties during the period amounted to MSEK 953 (814), of which MSEK 355 (488) pertained to redevelopment and renovation of residential properties, MSEK 369 (142) to new construction of residential properties and MSEK 229 (184) to investments in properties for public use.

During the year, new construction of properties commenced in Norrköping, Östersund and Umeå. Construction started on about 300 apartments during the period. A major renovation has also started in Norrköping.

Investments (MSEK)



## Fair value of investment properties

Amounts in MSEK	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
<b>Fair value at the beginning of the period</b>	<b>45,687</b>	<b>41,039</b>	<b>41,039</b>
Change in value	1,312	1,126	2,107
Investment	953	814	1,083
Acquisitions	611	1,556	1,786
Divestments	-365	-253	-328
<b>Fair value at the end of the period</b>	<b>48,198</b>	<b>44,282</b>	<b>45,687</b>
Fair value incl. Rikshem's share of properties in joint ventures	50,507	46,390	47,848

## Larger projects in progress during 2019

Property/project	Location	Project category	No. of residences	Estimated completion
Repet	Södertälje	RM&U renovation	397	Q4 2020
Niten, stage 3	Norrköping	RM&U renovation	160	Q2 2020
Måbäret	Kalmar	New construction (residential)	134	Q4 2019
Dörren 16	Norrköping	New construction (residential)	132	Q4 2019
Kvarngårdet 56:14	Uppsala	New construction (public use)	105	Q3 2020





On July 22, a new zoning plan for the Orrspelet block in Umeå became legally binding. Rikshem plans to build approximately 100 new one to four-room apartments along Morkullevägen. Project planning for the new construction project began in the autumn. Move-in is expected to take place in 2021.



Rikshem plans to build 150 additional apartments in Mjölkudden in Luleå, distributed across four and five-story buildings. The final design will be determined during the zoning plan process.

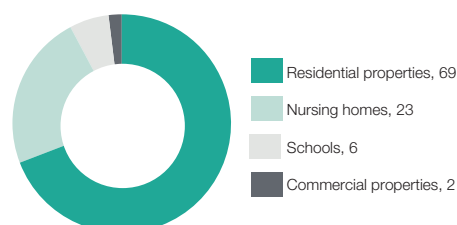


# Comments on the balance sheet

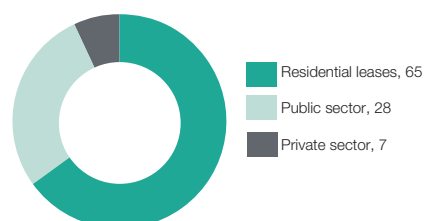
At the end of the period, Rikshem's property portfolio consisted of 557 properties (555) with a fair value of MSEK 48,198 (45,687). Of the properties' fair value, MSEK 33,338 pertained to residential properties, MSEK 11,380 to nursing homes, MSEK 2,698 to schools and MSEK 782 to commercial properties.

The property portfolio includes development rights of MSEK 675. Properties corresponding to 47 percent of the fair value are located along the Stockholm-Uppsala axis. The property portfolio comprises a total of 28,973 apartments (28,764) and 2,273,000 square meters (2,275,000) of lettable area.

Breakdown of fair value of investment properties, %



Breakdown of rental income, %

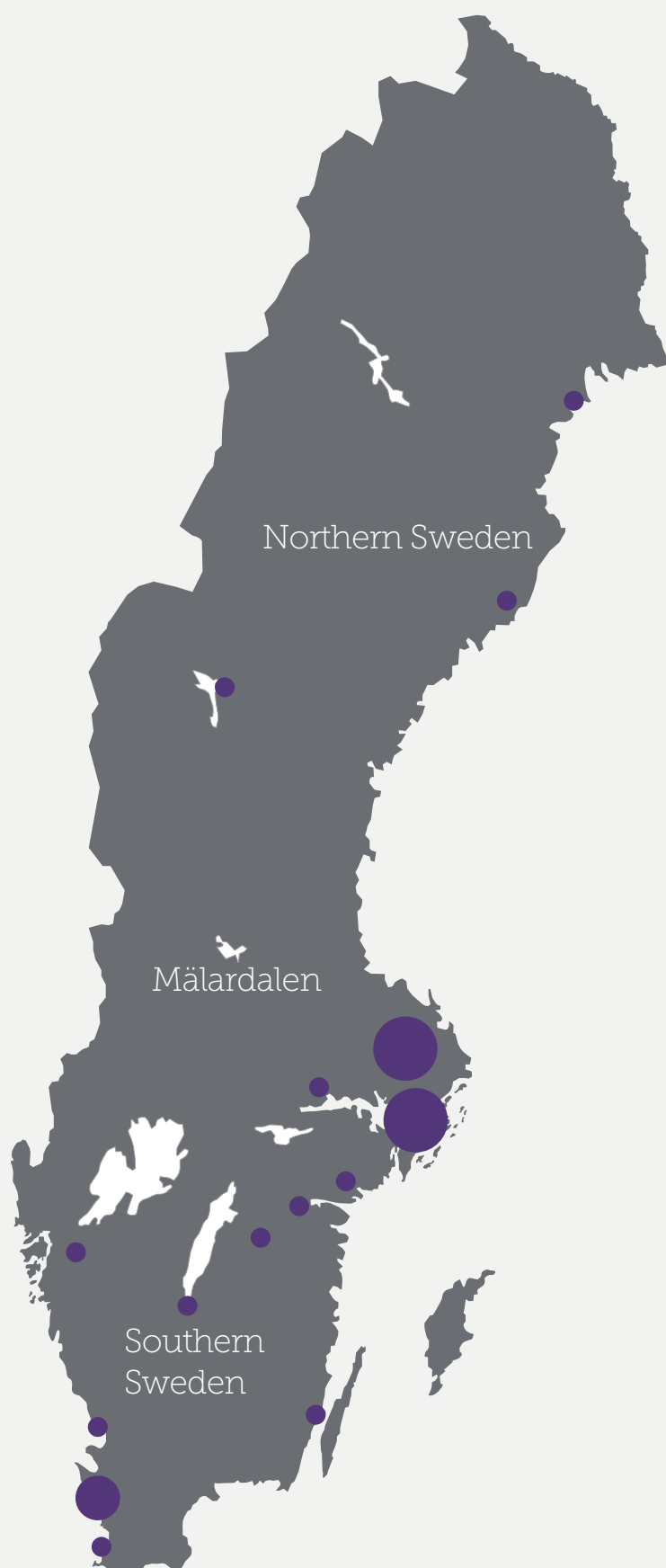


Rikshem's property portfolio, September 30, 2019

Type	Value, MSEK	Proportion, %	Area, 1,000 sqm	Value, SEK/sqm	Annual rent, MSEK	Annual rent broken down by type of tenant, %			
<b>Residential properties segment</b>						Residential leases	Public sector	Private sector	Total
- Residential	33,338	69	1,638	20,353					
- Commercial*	431	1	13	34,096					
<b>Residential properties</b>	<b>33,769</b>	<b>70</b>	<b>1,651</b>	<b>20,459</b>	<b>2,015</b>	90	4	6	100
<b>Properties for public use segment</b>									
- Nursing homes	11,380	23	456	24,935					
- Schools	2,698	6	127	21,266					
- Commercial*	351	1	39	9,005					
<b>Properties for public use</b>	<b>14,429</b>	<b>30</b>	<b>622</b>	<b>23,190</b>	<b>857</b>	6	85	9	100
<b>Total</b>	<b>48,198</b>	<b>100</b>	<b>2,273</b>	<b>21,206</b>	<b>2,872</b>	<b>65</b>	<b>28</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.

# Our largest cities



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Uppsala 25%  
Greater Stockholm 22%  
Helsingborg 11%  
Norrköping 7%  
Västerås 6%  
Kalmar 6%

## We are also active in:

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Östersund 5%  
Umeå 5%  
Luleå 5%  
Halmstad 3%  
Malmö 3%  
Åle 1%  
Nyköping 1%  
Jönköping <1%  
Linköping <1%





## Segment reporting

Amounts in MSEK	Residential properties		Properties for public use		Total	
	Jan-Sep 2019	Jan-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Sep 2019	Jan-Sep 2018
Rental income	1,538	1,462	649	609	2,187	2,071
Property expenses	-742	-682	-224	-206	-966	-888
<b>Net operating income</b>	<b>796</b>	<b>780</b>	<b>425</b>	<b>403</b>	<b>1,221</b>	<b>1,183</b>
Change in value of properties	861	783	451	343	1,312	1,126
<b>Total return</b>	<b>1,657</b>	<b>1,563</b>	<b>876</b>	<b>746</b>	<b>2,533</b>	<b>2,309</b>
Total return, % (R12)	7.8	6.1	9.5	7.8	8.3	6.6
Fair value of properties	33,769	31,365	14,429	12,917	48,198	44,282
Proportion, %	70	71	30	29	100	100
Area, 1,000 sqm	1,651	1,659	622	616	2,273	2,275
Fair value, SEK/sqm	20,459	18,909	23,190	20,963	21,206	19,465
Investments	724	630	229	184	953	814



## Participations in joint ventures

Rikshem holds participations in joint ventures with a total value of MSEK 1,475 (1,353). The value of Rikshem's share of the property holdings in these joint ventures, which is consolidated according to the equity method, amounts to approximately SEK 2.3 billion. The largest joint venture holding of MSEK 963 pertains to 49 percent of VärmdöBostäder (the remaining part is owned by Värmdö Municipality).

The second largest holding of MSEK 427 pertains to Farsta Stadsutveckling, where Rikshem and Ikano Bostad each hold 50 percent. Farsta Stadsutveckling owns the Burmanstorp 1 property in Farsta. This is where the new city area Telestaden is under development, with residential properties and premises for offices and neighborhood services.

Other participations in associated companies totaling MSEK 85 pertain to development projects owned and operated together with Veidekke Eiendom, P&E Fastighetspartner and Glommen & Lindberg. At the end of the period, the joint ventures held 13 completed, unsold condominiums. Rikshem's share totals seven condominiums.

## Interest-rate derivative portfolio

Maturity date	Nominal amount (end of the year), SEK billion	Average interest rate (end of the year)
2019	17.8	0.7%
2020	17.8	0.8%
2021	16.5	0.8%
2022	14.5	0.9%
2023	12.5	0.9%
2024	12.0	0.9%
2025	7.0	1.0%
2026	4.0	1.1%
2027	1.5	1.0%

## Receivables

Non-current receivables amounted to MSEK 192 (276) and mainly comprised loans to joint ventures. Current receivables totaled MSEK 349 (245), of which MSEK 161 (97) pertained to prepaid expenses and accrued income and MSEK 0 (17) pertained to loans to joint ventures. Accounts receivable amounted to MSEK 19 (18).

## Cash and bank balances

Cash and cash equivalents totaled MSEK 607 (1,015). On the closing date, pledged assets received under Credit Support Annexes (CSAs) for combined interest-rate and currency swaps amounted to MSEK 1,034. These pledged assets are settled on a monthly basis.

## Financial derivative instruments

At the end of the period, the company had an interest-rate derivative portfolio that hedged SEK 17.8 billion, with the company paying a fixed interest rate and receiving floating interest. The company also has combined interest-rate and currency swaps to hedge loans raised in other currencies. The total fair value of the company's financial derivative instruments with a positive fair value amounted to MSEK 835 (153), while the fair value of

financial derivative instruments with a negative fair value amounted to MSEK -840 (-311). The net fair value of the derivative portfolio totaled MSEK -5 (-158).

## Interest-bearing liabilities

At the end of the period, interestbearing liabilities amounted to MSEK 26,295 (26,550). Of these interest-bearing liabilities, MSEK 4,318 (4,535) pertained to bank loans, MSEK 2,350 (2,060) to borrowings through commercial papers and MSEK 19,585 (19,898) to bonds. In addition, the company had MSEK 42 (57) in interest-bearing liabilities to related parties. The fair value of the liabilities does not deviate in any material respects from the carrying amount. All bank loans are secured by collateral in properties.

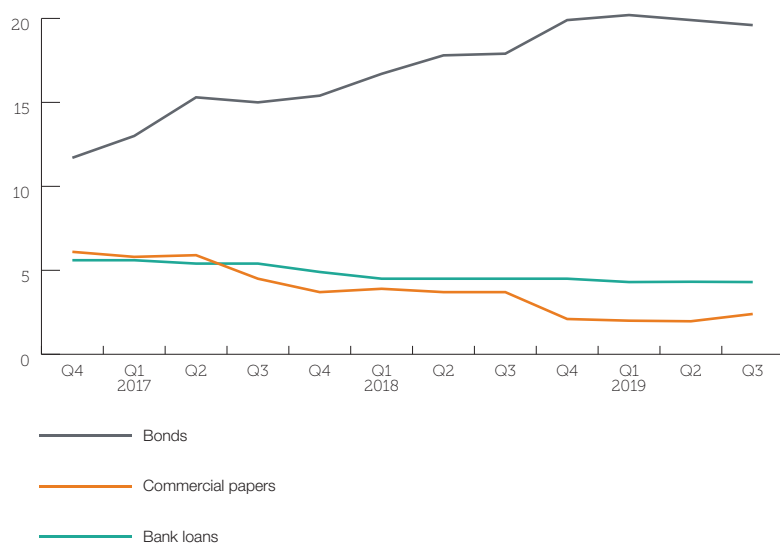
In total, secured financing accounted for 9 percent (10) of the fair value of investment properties. Of Rikshem's outstanding bonds, bonds corresponding to SEK 4.1 billion are issued in EUR and bonds corresponding to SEK 5.1 billion are issued in NOK. The carrying amount of these bonds on the closing date amounted to SEK 4.4 billion and SEK 5.2 billion, respectively.

The average debt duration is 4.0 years (4.1) and the average interest-rate duration is 4.9 years (5.1).

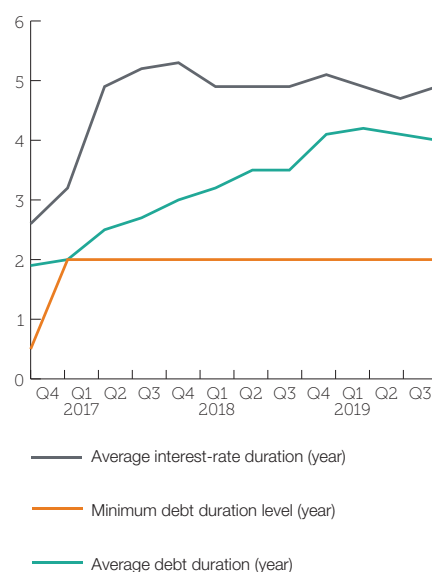
## Interest-bearing external liabilities

Maturity Years	Interest-rate duration		Debt duration	
	Amount (MSEK)	Proportion	Amount (MSEK)	Proportion
<1 year	1,686	6.4%	4,532	17.3%
1-2 years	2,399	9.2%	5,911	22.5%
2-3 years	2,575	9.8%	3,864	14.7%
3-4 years	2,949	11.3%	2,269	8.6%
4-5 years	4,644	17.7%	4,294	16.4%
5-6 years	3,000	11.4%	–	–
6-7 years	3,000	11.4%	–	–
7-8 years	3,000	11.4%	1,259	4.8%
8-9 years	2,000	7.6%	535	2.0%
>9 years	1,000	3.8%	3,589	13.7%
<b>Total</b>	<b>26,253</b>	<b>100%</b>	<b>26,253</b>	<b>100%</b>

Financing sources (SEK billion)



Average interest-rate duration (years)  
Average debt duration (years)



# SEK 26.3 billion

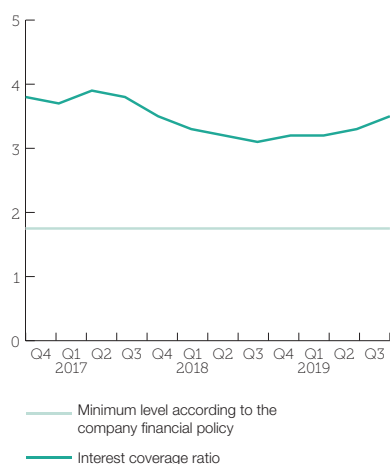
Rikshem's external loans on the closing date amounted to MSEK 26,253 divided between bonds, commercial paper and bank loans.

## Financial key figures

Rikshem's interest-coverage ratio for external financing was a multiple of 3.5 (3.2).

The loan-to-value ratio declined to 54 percent (58) and the equity/assets ratio increased to 38 percent (37).

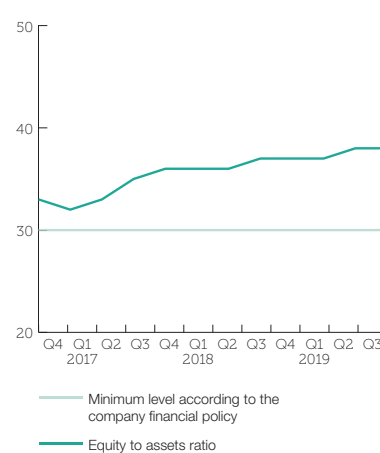
Interest-coverage ratio (multiple)



Loan-to-value ratio (%)



Equity/assets ratio (%)



# Group – Condensed statement of comprehensive income

Amounts in MSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct 2018–Sep 2019	Jan-Dec 2018
<b>Rental income</b>	745	697	2,187	2,071	2,908	2,792
Operating expenses	-147	-141	-559	-541	-758	-740
Maintenance	-62	-71	-223	-191	-338	-306
Administration	-45	-40	-154	-126	-210	-182
Property tax	-10	-10	-30	-30	-40	-40
<b>Total property expenses</b>	<b>-264</b>	<b>-262</b>	<b>-966</b>	<b>-888</b>	<b>-1,346</b>	<b>-1,268</b>
<b>Net operating income</b>	<b>481</b>	<b>435</b>	<b>1,221</b>	<b>1,183</b>	<b>1,562</b>	<b>1,524</b>
Central administration	-20	-18	-61	-44	-82	-65
Net financial items	-109	-112	-337	-347	-448	-458
Earnings from joint ventures	1	1	92	-5	104	7
<i>of which, income from property management</i>	4	6	11	5	13	7
<i>of which, change in value of properties</i>	-2	-3	102	-11	115	2
<i>of which, change in value of financial derivative instruments</i>	–	-1	–	-1	2	1
<i>of which, tax</i>	-1	-1	-21	2	-26	-3
<b>Income from property management</b>	<b>353</b>	<b>306</b>	<b>915</b>	<b>787</b>	<b>1,136</b>	<b>1,008</b>
Change in value of investment properties	282	193	1,312	1,126	2,293	2,107
Change in value of interest-rate derivatives	-191	166	-710	41	-896	-145
Change in value of foreign exchange derivatives	145	-107	863	317	589	43
Foreign exchange effects on financial liabilities	-26	78	-443	-398	-136	-91
<b>Profit before tax</b>	<b>563</b>	<b>636</b>	<b>1,937</b>	<b>1,873</b>	<b>2,986</b>	<b>2,922</b>
Tax	-125	-130	-373	-223	-583	-433
<b>Profit for the period/year</b>	<b>438</b>	<b>506</b>	<b>1,564</b>	<b>1,650</b>	<b>2,403</b>	<b>2,489</b>
<b>Other comprehensive income</b>						
Revaluation of pensions	–	–	–	–	–	0
Tax, pensions	–	–	–	0	0	0
<b>Other comprehensive income for the period/year, net after tax</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total comprehensive income for the period/year</b>	<b>438</b>	<b>506</b>	<b>1,564</b>	<b>1,650</b>	<b>2,403</b>	<b>2,489</b>

# Group – Condensed statement of financial position

Amounts in MSEK	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
<b>ASSETS</b>			
Investment properties	48,198	44,282	45,687
Participations in joint ventures	1,475	1,341	1,353
Equipment	5	5	5
Leaseholds and other right-of-use assets	128	–	–
Financial derivative instruments	835	266	153
Non-current receivables	192	256	276
<b>Total non-current assets</b>	<b>50,833</b>	<b>46,150</b>	<b>47,474</b>
Current receivables	349	324	245
Cash and cash equivalents	607	795	1,015
<b>Total current assets</b>	<b>956</b>	<b>1,119</b>	<b>1,260</b>
<b>TOTAL ASSETS</b>	<b>51,789</b>	<b>47,269</b>	<b>48,734</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>19,763</b>	<b>17,360</b>	<b>18,199</b>
Deferred tax	3,171	2,588	2,797
Interest-bearing liabilities	21,721	19,325	21,467
Financial derivative instruments	840	418	311
Non-current liabilities, finance leases	114	–	–
Non-interest-bearing liabilities	3	3	3
<b>Total non-current liabilities</b>	<b>25,849</b>	<b>22,334</b>	<b>24,578</b>
Interest-bearing liabilities	4,574	6,529	5,083
Current liabilities, finance leases	12	–	–
Non-interest-bearing liabilities	1,591	1,046	874
<b>Total current liabilities</b>	<b>6,177</b>	<b>7,575</b>	<b>5,957</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>51,789</b>	<b>47,269</b>	<b>48,734</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, 2018</b>	<b>100</b>	<b>4,874</b>	<b>10,736</b>	<b>15,710</b>
Profit for the period, Jan–Sep			1,650	1,650
Other comprehensive income, Jan–Sep			0	0
<b>Closing balance, Sep 30, 2018</b>	<b>100</b>	<b>4,874</b>	<b>12,386</b>	<b>17,360</b>
Profit for the period, Oct–Dec			839	839
Other comprehensive income, Oct–Dec			0	0
<b>Closing balance, Dec 31, 2018</b>	<b>100</b>	<b>4,874</b>	<b>13,225</b>	<b>18,199</b>
<b>Opening balance, Jan 1, 2019</b>	<b>100</b>	<b>4,874</b>	<b>13,225</b>	<b>18,199</b>
Profit for the period, Jan–Sep			1,564	1,564
<b>Closing balance, Sep 30, 2019</b>	<b>100</b>	<b>4,874</b>	<b>14,789</b>	<b>19,763</b>

# Consolidated statement of cash flows

Amounts in MSEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Oct 2018-Sep 2019	Jan-Dec 2018
Cash flow from operating activities	461	419	1,165	1,141	1,485	1,462
Interest paid	-105	-117	-330	-359	-468	-498
Tax paid	0	1	-24	-13	-34	-23
Change in working capital	-57	-9	-202	-28	-78	96
<b>Cash flow from operating activities</b>	<b>299</b>	<b>294</b>	<b>609</b>	<b>741</b>	<b>905</b>	<b>1,037</b>
Investment in investment properties	-274	-199	-953	-814	-1,222	-1,083
Acquisition of investment properties	-250	-650	-611	-1,556	-814	-1,759
Divestment of investment properties	0	-	365	253	440	328
Investment in equipment	0	-	-2	0	-3	-1
Investment in financial assets	-	-51	-45	-91	-47	-93
Divestment of financial assets	0	121	113	206	111	204
Dividend from financial assets	-	-	1	10	1	10
<b>Cash flow from investing activities</b>	<b>-524</b>	<b>-779</b>	<b>-1,132</b>	<b>-1,992</b>	<b>-1,534</b>	<b>-2,394</b>
Loans raised	1,285	430	4,733	6,833	5,994	8,094
Repayment of loans	-1,250	-590	-5,430	-5,654	-5,684	-5,908
Change in collateral	316	211	814	481	588	255
Redemption of financial instruments	-	-	-	-	-455	-455
Repayment of finance leases	-1	-	-2	-	-2	-
<b>Cash flow from financing activities</b>	<b>350</b>	<b>51</b>	<b>115</b>	<b>1,660</b>	<b>441</b>	<b>1,986</b>
<b>Cash flow for the period/year</b>	<b>125</b>	<b>-434</b>	<b>-408</b>	<b>409</b>	<b>-188</b>	<b>629</b>
Cash and cash equivalents at the beginning of the period/year	482	1,229	1,015	386	795	386
<b>Cash and cash equivalents at the end of the period/year</b>	<b>607</b>	<b>795</b>	<b>607</b>	<b>795</b>	<b>607</b>	<b>1,015</b>



## MSEK 953

Investments in existing properties during the period.

Of this amount, redevelopment and renovation of residential properties accounted for MSEK 355, new construction for MSEK 369 and investments in properties for public use for MSEK 229.

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# Parent Company – Condensed statement of income

Amounts in MSEK	Jul–Sep 2019	Jul–Sep 2018	Jan–Sep 2019	Jan–Sep 2018	Oct 2018– Sep 2019	Jan–Dec 2018
<b>Revenue</b>	<b>50</b>	<b>47</b>	<b>171</b>	<b>144</b>	<b>232</b>	<b>205</b>
Other operating expenses	-27	-25	-86	-72	-120	-106
Personnel expenses	-43	-41	-145	-121	-195	-171
Depreciation	-1	-1	-2	-2	-2	-2
<b>Operating loss</b>	<b>-21</b>	<b>-20</b>	<b>-62</b>	<b>-51</b>	<b>-85</b>	<b>-74</b>
Earnings from Group companies	27	21	257	47	699	489
Net interest income	11	17	14	34	35	55
Change in value of interest-rate derivatives	-191	166	-710	41	-896	-145
Change in value of foreign exchange derivatives	145	-107	863	317	589	43
Foreign exchange effects on financial liabilities	-26	78	-443	-398	-135	-90
<b>Profit/loss after financial items</b>	<b>-55</b>	<b>155</b>	<b>-81</b>	<b>-10</b>	<b>207</b>	<b>278</b>
Appropriations	–	–	–	–	24	24
Tax	-38	-32	-42	10	-106	-54
<b>Profit/loss for the period/year</b>	<b>-93</b>	<b>-123</b>	<b>-123</b>	<b>0</b>	<b>125</b>	<b>248</b>

## Parent Company

The operations of the Parent Company Rikshem AB (publ) primarily comprise managing the Group's properties through the ownership of shares and participations in the property holdings of its subsidiaries. No properties are owned directly by the Parent Company. The Parent Company's revenue for the period amounted to MSEK 171 (144) and mainly comprised fees for services to the subsidiaries.

Administrative costs increased to MSEK -231 (-193). Financial items totaled MSEK -19 (41). In addition to net interest income, financial items included earnings from participations in Group companies of MSEK 257 (47) and unrealized changes in value concerning financial instruments corresponding to MSEK -290 (-40).

Comprehensive income for the period decreased to MSEK -123 (0).

The Parent Company's assets at September 30, 2019 amounted to MSEK 33,722 (32,676) and primarily comprised shares and participations in and receivables from Group companies. At the end of the period, cash and cash equivalents amounted to MSEK 603 (1,015). The Parent Company's liabilities totaled MSEK 26,863 (25,693) and primarily comprised bonds, commercial paper and bank loans. Equity totaled MSEK 6,859 (6,983) on the closing date.



# Parent Company – Condensed balance sheet

Amounts in MSEK	Sep 30, 2019	Sep 30, 2018	Dec 31, 2018
<b>ASSETS</b>			
Equipment	4	5	4
Shares and participations in Group companies	1,945	1,967	1,967
Receivables from Group companies	30,220	28,917	29,418
Financial derivative instruments	835	266	153
Non-current receivables	29	37	58
<b>Total non-current assets</b>	<b>33,033</b>	<b>31,192</b>	<b>31,600</b>
Current assets	86	89	61
Cash and cash equivalents	603	795	1,015
<b>Total current assets</b>	<b>689</b>	<b>884</b>	<b>1,076</b>
<b>TOTAL ASSETS</b>	<b>33,722</b>	<b>32,076</b>	<b>32,676</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>6,859</b>	<b>6,735</b>	<b>6,983</b>
Untaxed reserves	–	24	–
Deferred tax	220	113	178
Financial derivative instruments	840	418	311
Interest-bearing liabilities	23,993	23,534	24,233
Liabilities to Group companies	676	672	623
Non-interest-bearing liabilities	1,134	580	348
<b>Total liabilities</b>	<b>26,863</b>	<b>25,341</b>	<b>25,693</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>33,722</b>	<b>32,076</b>	<b>32,676</b>

# Other information

## Board of Directors

The composition of the Board of Directors of Rikshem AB (publ) changed during the period, with Andreas Jensen elected as a Board member at the annual general meeting (AGM) and the Board was expanded to seven regular Board members.

## Employees

The number of employees in the Rikshem Group at the end of the period was 256 (228), of whom 139 were men and 117 were women.

## Risks

The Board of Directors and management continuously work to manage the risks to which the operations are exposed. No material changes in the risk profile have occurred during the period. Rikshem's risks and uncertainties are described on page 61 of the annual report for 2018.

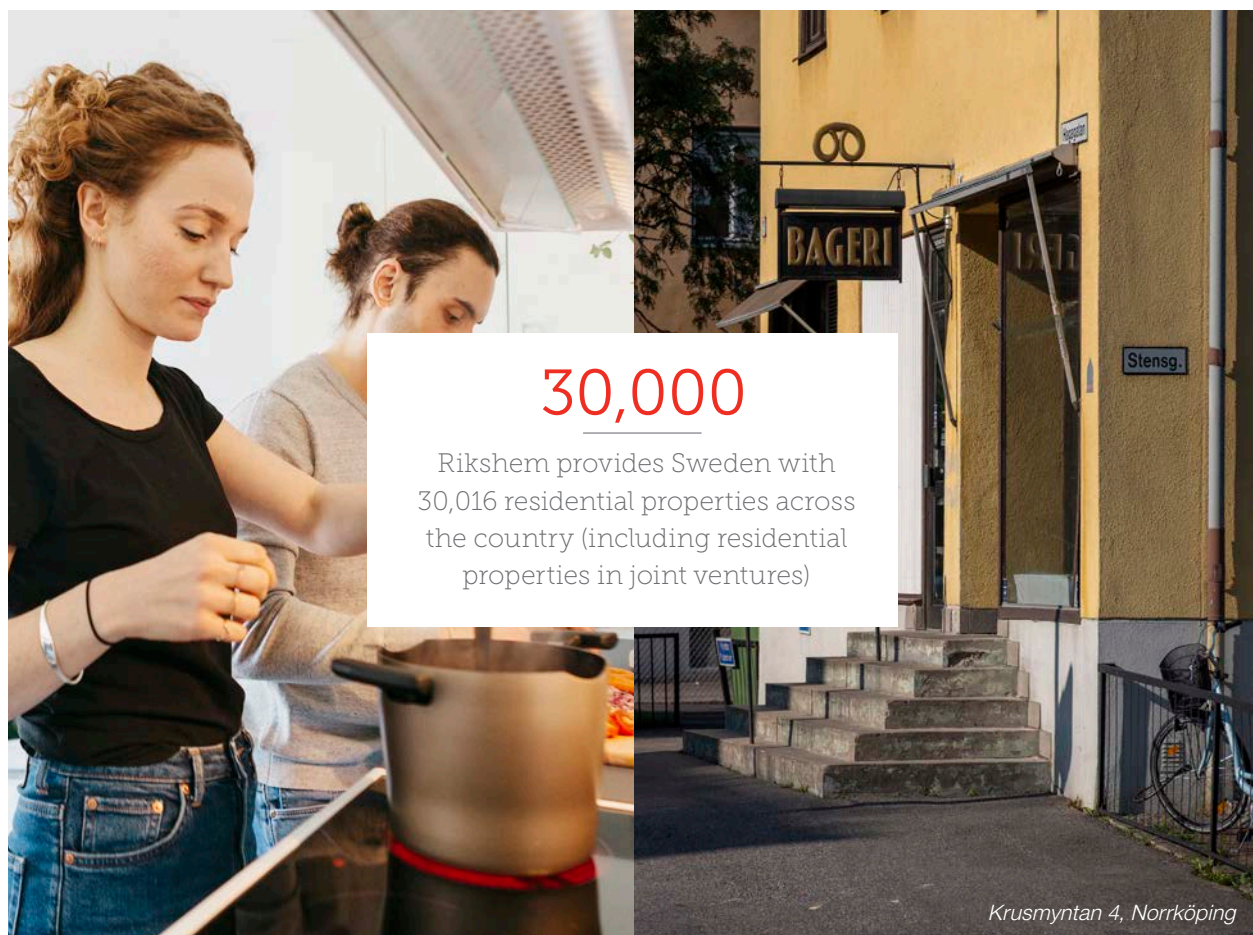
## Accounting policies

The consolidated financial statements 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 interim report has been prepared according to IAS 34 Interim Financial Reports and the Annual Accounts Act. The Parent Company's accounting policies comply with the Annual Accounts Act and RFR 2. No changes in accounting policies, valuation principles and calculation methods have been applied compared to the annual report for 2018, with the exception of the information stated below concerning IFRS 16.

## New standards and policies

IFRS 16 Leases is applied as of January 1, 2019 and replaces IAS 17 Leases. According to this standard, a lessee is to recognize assets and liabilities attributable to all leases in the balance sheet, with the exception of leases with a term of less than 12 months and/or leases that pertain to a low value.

Rikshem has not applied the standard retrospectively, but rather has chosen to apply the exemption rules and recognize the remaining lease payments discounted by the company's incremental borrowing rate as of January 1, 2019 as a leasing liability. Rikshem has chosen to apply the same principle for all right-of-use assets and recognize assets at the value of the liabilities, which is why no deferred tax has arisen and there will be no impact on the Group's equity. As of January 1, the Group's right-of-use assets and lease liabilities amounted to MSEK 109, of which



**30,000**

Rikshem provides Sweden with 30,016 residential properties across the country (including residential properties in joint ventures)

Krusmyntan 4, Norrköping

leaseholds account for MSEK 97. In the balance sheet at September 30, right-of-use assets are recognized as "Leaseholds and other right-of-use assets" and a non-current and a current lease liability are recognized on the liability side. As of September 30, the Group's right-of-use assets amounted to MSEK 128, of which leaseholds accounted for MSEK 101.

In the statement of income, lease payments for other right-of-use assets are recognized as depreciation and an interest expense, while leasehold fees are recognized in their entirety as an interest expense. Interest expenses and leasehold fees have been reclassified from property expenses to net financial items, which had a positive impact of approximately MSEK 2 on net operating income. Income from property management has not been impacted.

#### New and amended standards and interpretations that have not yet come into force

No new or amended standards or

interpretations from IASB that have not yet come into force are expected to impact the interim report or the accounting policies that have been applied and are described in Note 1 of Rikshem's annual report for 2018.

#### Regulatory changes in the field of taxation

A decision by the Swedish Parliament (Riksdag) to introduce changes to the Income Tax Act regarding corporate taxation came into effect on January 1, 2019. The change entails a cap on deductions for negative net interest income at 30 percent of taxable EBITDA. Considering the current economic circumstances, some of Rikshem's interest will not be tax deductible but the impact on current tax will be limited through existing loss carryforwards.

#### Related-party transactions

Rikshem's related parties are presented in Note 28 of Rikshem's annual report for 2018. No material related-party transactions took place during the period.

#### Significant events after the end of the period

On November 1, 2019, Per Uhlén took over as acting CEO until such time as a permanent CEO has been appointed. In conjunction with the above, and at his own request, he has stepped down from his appointment as a Board member for Rikshem. Accordingly, the Board now comprises six regular Board members. Former CEO Sophia Mattsson-Linnala stepped down from the position on October 31, 2019.

A property in development in central Halmstad was acquired. The property will house 189 apartments that are scheduled for completion in 2021. A school and preschool on a leasehold in Västerås was also acquired.

#### Affirmation of the Board of Directors and the CEO

The Board of Directors and the CEO affirm that this interim 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.

#### Stockholm, November 6, 2019

Bo Magnusson  
Chairman of the Board

Pernilla Arnrud Melin  
Board member

Lena Boberg  
Board member

Liselotte Hjorth  
Board member

Andreas Jensen  
Board member

Per-Gunnar Persson  
Board member

Per Uhlén  
Acting CEO

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

## Quarterly data

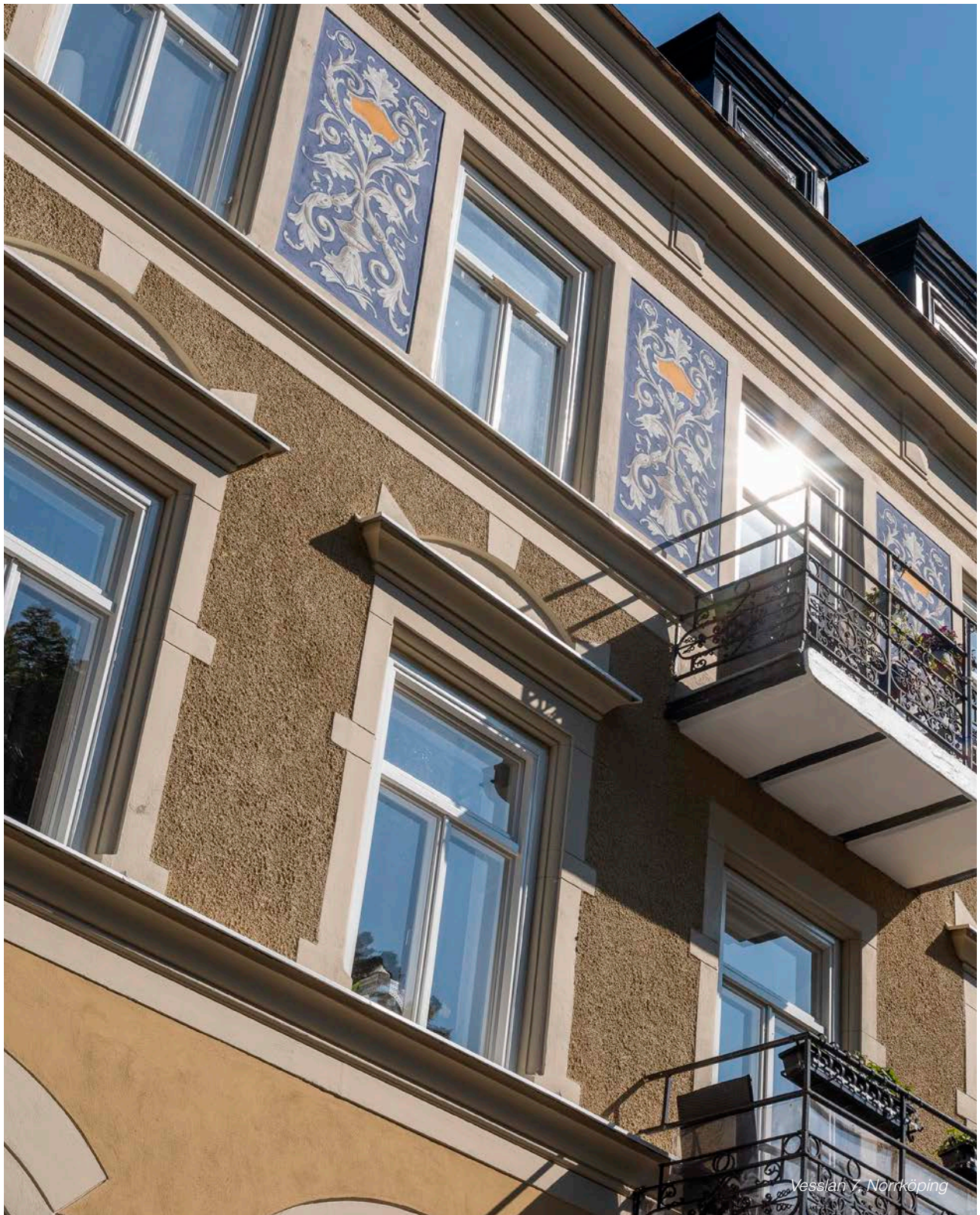
Amounts in MSEK	2019 Q3	2019 Q2	2019 Q1	2018 Q4	2018 Q3	2018 Q2
<b>Statement of income</b>						
Rental income	745	724	718	721	697	694
Property expenses	-264	-323	-379	-380	-262	-296
Net operating income	481	401	339	341	435	398
Central administration	-20	-20	-21	-21	-18	-13
Net financial items	-109	-114	-114	-111	-112	-119
Earnings from joint ventures	1	83	8	12	1	-5
Income from property management	353	350	212	221	306	261
Change in value of investment properties	282	857	173	981	193	664
Change in value and foreign exchange effects of financial instruments	-72	-218	0	-153	137	-114
Profit before tax	563	989	385	1,049	636	811
Tax and other comprehensive income	-125	-155	-93	-210	-130	4
Comprehensive income for the period	438	834	292	839	506	815
<b>Balance sheet</b>						
Investment properties	48,198	47,392	46,461	45,687	44,282	43,239
Participations in joint ventures	1,475	1,474	1,391	1,353	1,341	1,339
Other assets	1,509	1,339	1,100	679	851	1,026
Cash and cash equivalents	607	482	680	1,015	795	1,228
Total assets	51,789	50,687	49,632	48,734	47,269	46,832
Equity	19,763	19,325	18,491	18,199	17,360	16,854
Deferred tax	3,171	3,045	2,891	2,797	2,588	2,459
Interest-bearing liabilities	26,295	26,233	26,613	26,550	25,854	26,098
Other liabilities	2,560	2,084	1,637	1,188	1,467	1,421
Total equity and liabilities	51,789	50,687	49,632	48,734	47,269	46,832
<b>Key performance data</b>						
Loan-to-value ratio, %	54	55	57	58	58	60
Equity/assets ratio, %	38	38	37	37	37	36
Interest-coverage ratio, multiple*	3.5	3.3	3.2	3.2	3.1	3.2
Return on equity, %*	12.9	13.7	14.2	14.7	11.2	13.4
Property yield, %*	3.4	3.3	3.4	3.5	3.6	3.7
Total return, %*	8.3	8.2	8.0	8.4	6.6	7.6
Surplus ratio, %	56	55	47	47	62	57

\*Rolling 12 months



## Key performance data

Amounts in MSEK	Jan–Sep 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
<b>Statement of income</b>						
Rental income	2,187	2,792	2,665	2,484	2,040	1,691
Net operating income	1,221	1,524	1,555	1,420	1,192	954
Income from property management	915	1,008	1,150	1,208	579	380
Change in value of properties, MSEK	1,312	2,107	1,647	1,962	1,856	1,262
Profit for the period	1,564	2,489	2,430	2,433	1,964	1,010
<b>Balance sheet</b>						
Equity	19,763	18,199	15,710	13,281	10,360	4,850
External interest-bearing liabilities	26,253	26,493	24,022	23,422	21,074	16,248
Fair value of properties	48,198	45,687	41,039	37,878	32,009	25,160
Total assets	51,789	48,734	43,501	40,114	34,053	26,036
<b>Financial key figures</b>						
Equity/assets ratio, %	38	37	36	33	30	19
Loan-to-value ratio, %	54	58	59	62	66	65
Interest-coverage ratio	3.5	3.2	3.5	3.8	3.6	2.9
Loan-to-value ratio, secured loans, %	9	10	12	15	21	23
Average interest rate, %	1.6	1.7	2.0	1.5	1.6	1.8
Interest-rate duration, years	4.9	5.1	5.3	2.6	2.4	3.4
Debt duration, years	4.0	4.1	3.0	1.9	1.4	1.1
Return on equity, %*	12.9	14.7	16.8	20.6	25.8	23.6
Property yield, %*	3.4	3.5	3.9	4.1	4.2	4.2
Total return, %*	8.3	8.4	8.1	9.7	10.7	9.8
<b>Property-related key figures</b>						
Number of properties	557	555	586	574	533	496
Lettable area, 1,000 sqm	2,273	2,274	2,219	2,182	1,975	1,708
Number of apartments	28,973	28,840	27,924	27,224	24,203	20,844
Proportion of properties for public use, %	30	29	29	29	38	42
Vacancy rate, residential properties	3.2	3.2	2.7	3.6	2.6	1.8
Market vacancy rate, residential properties, %	0.6	0.5	0.3	0.5	0.4	–
Remaining lease term for properties for public use, years	9.0	9.4	9.8	10.3	10.5	11.4
Fair value, SEK/sqm	21,206	20,090	18,494	17,362	16,205	14,727
Growth in revenue for the like-for-like portfolio, %	4.3	3.8	4.3	3.7	2.7	2.4
Growth in net operating income for the like-for-like portfolio, %	1.1	-3.9	6.7	3.4	6.8	8.4
Surplus ratio, %	56	55	58	57	58	56
*Rolling 12 months						
<b>Employees</b>						
Number of employees	256	241	206	192	173	134



## Financial calendar

Year-end report 2019  
Annual Report 2019  
Interim report Jan–Mar 2020

February 7, 2020  
March 25, 2020  
May 5, 2020

# Definitions

<b>Amounts 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>Average interest rate</b>	Average interest rate for interest-bearing liabilities including expenses for back-up facilities in relation to current loans on the closing date.
<b>Debt duration, years</b>	The weighted remaining maturity of interest-bearing liabilities on the closing date. This is stated to illuminate the company's financial risk.
<b>Economic occupancy rate</b>	Contract rent in relation to total rental value less rent related to vacancies due to renovation.
<b>Equity/assets ratio</b>	Equity in relation to total assets. This is stated to illuminate the company's financial stability.
<b>Income from property management</b>	Net operating income less administrative costs and net financial items plus earnings from joint ventures. This is stated to illuminate the continuous earnings capacity of the business.
<b>Interest-coverage ratio</b>	Profit before tax following a reversal of earnings from joint ventures, interest expenses, change in 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>Interest-rate duration, years</b>	The weighted remaining interest-rate duration for interest-bearing liabilities and financial derivative instruments on the closing date. This is stated to illuminate the company's financial risk.
<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>Market vacancy rate, residential properties</b>	As per the closing 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>Net financial items</b>	Net of interest income, interest expenses and similar revenue and costs.
<b>Net operating income</b>	Rental income less property expenses.
<b>Property expenses</b>	Costs for heat, electricity, water, operation, maintenance, property tax, leasehold fees, rent losses and administration.
<b>Property 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>Remaining lease term, properties for public use</b>	The weighted remaining lease term in the rental value on the closing date in the properties for public use segment.
<b>Rental income</b>	Rental value less vacancies and rent discounts.
<b>Return on equity</b>	Profit 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>Secured loans</b>	Loans raised against liens on properties.
<b>Surplus ratio</b>	Net operating income in relation to rental income. This is stated to illuminate the property investments' continuous earnings capacity.
<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 closing date, the number of unrented apartments in relation to the total number of apartments in the residential properties segment.

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



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 and AMF Pensionsförsäkring AB. [Read more at rikshem.se](https://rikshem.se)

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