

An architectural rendering of a modern, multi-story apartment complex. The building features a mix of light-colored wood paneling and white walls. It has several balconies with glass railings and some with small plants. The building is set in a lush green courtyard with many trees and people walking, sitting on the grass, and riding bicycles. The sky is a soft, hazy blue, suggesting a late afternoon or early morning setting.

Market update Q3 2017

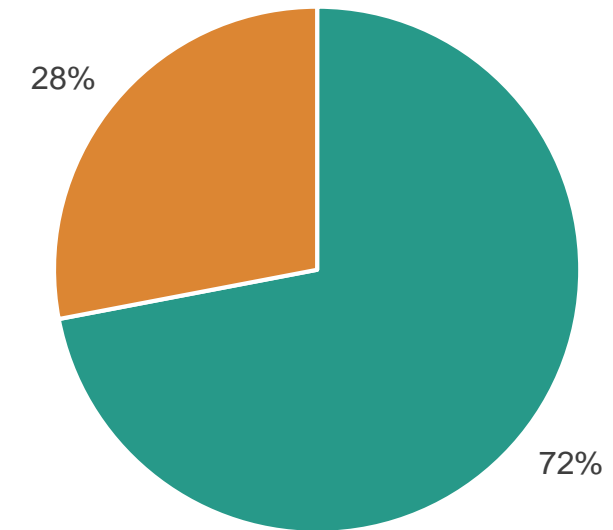
rikshem 

Rikshem in brief

- Total property value SEK 40.3 bn
- Portfolio comprising c. 600 properties with c. 28,000 apartments. Lettable area c. 2.2 million sqm
- Annual rental income 2016 was c. SEK 2.5 bn
- Rikshem has a S&P Global rating of A- since 2013
- **Highly predictable cash flow** – property portfolios' cash flow generation is very stable
- **Financially strong and committed long-term owners**

Business model

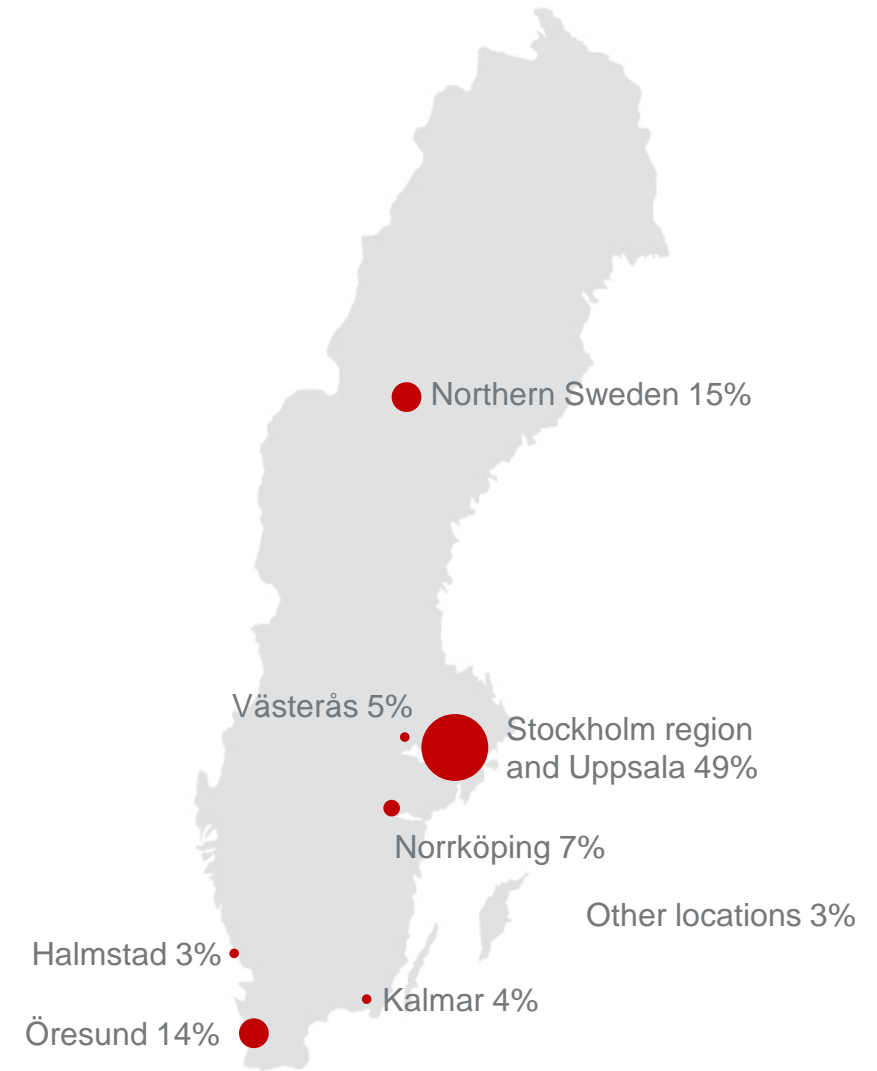
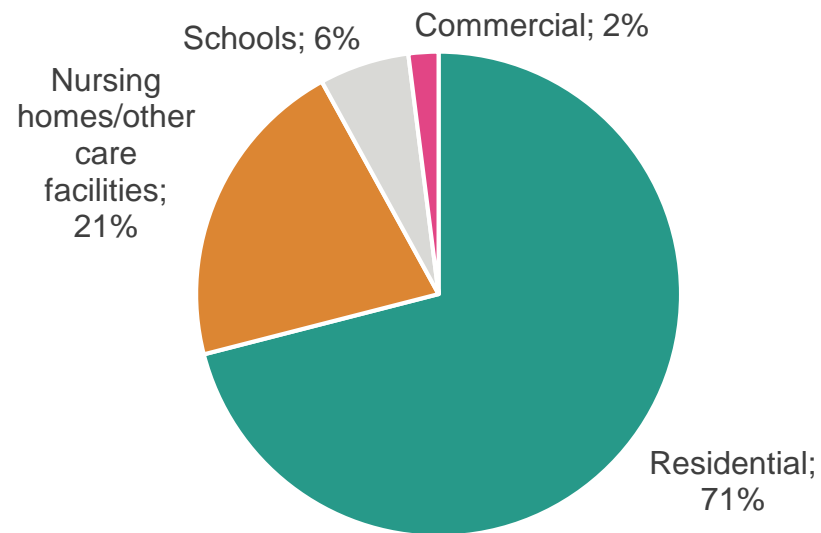
- Rikshem has two business segments (i) residential properties and (ii) properties for public use
- Rikshem's strategy is to long term and sustainably own, develop and manage its properties



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

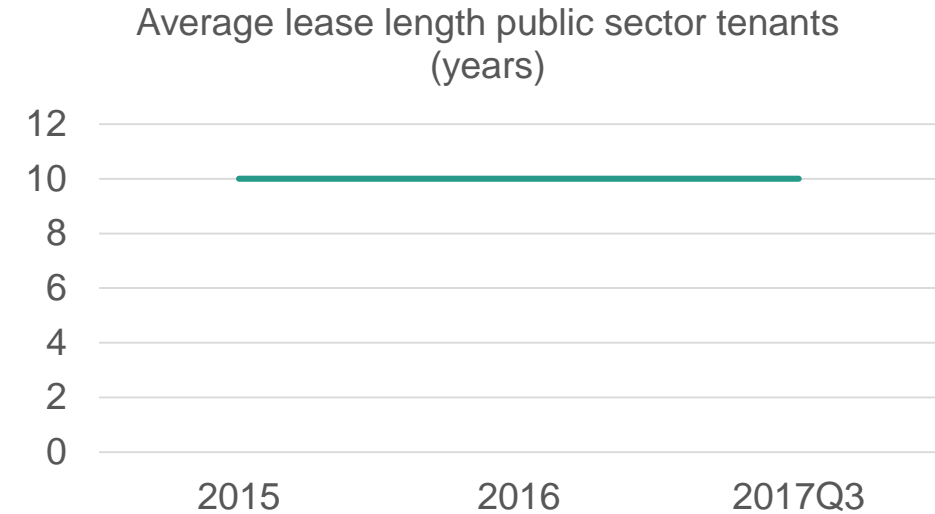
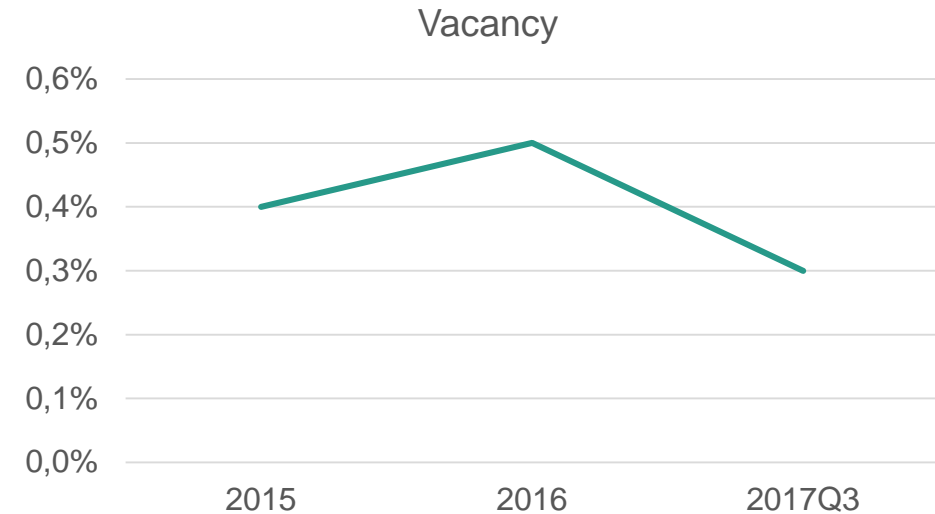
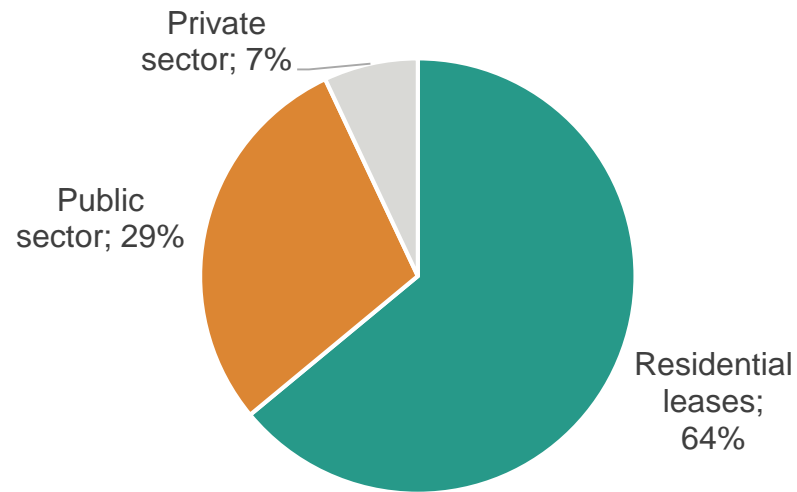
The Property portfolio

The portfolio's total value was SEK 40.3 bn as of 30 September 2017, of which 71% is residential and half is located in the Stockholm and Uppsala region.



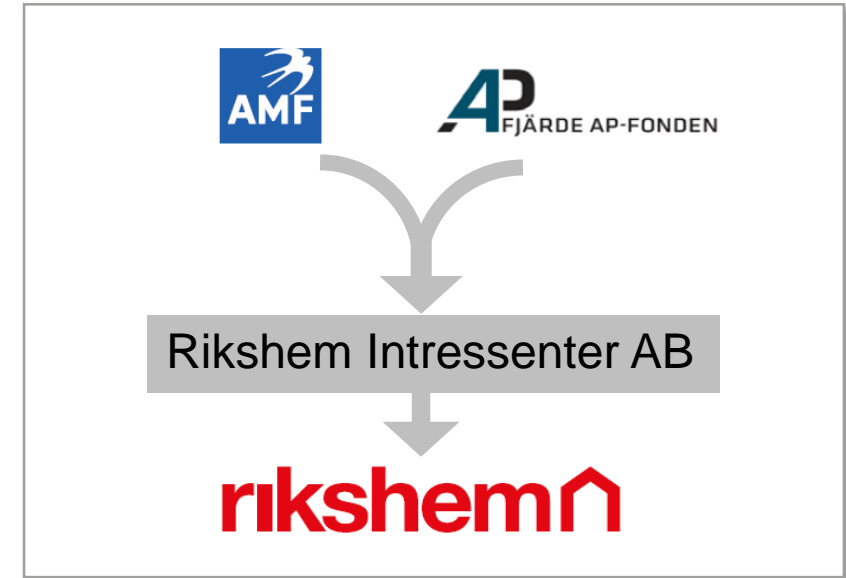
Tenants and rental income

- 64% of rental income comes from residential leases, where the vacancy rate is 0.3%
- 29% of rental income comes from strong public sector tenants and has a weighted average remaining lease length of 10 years

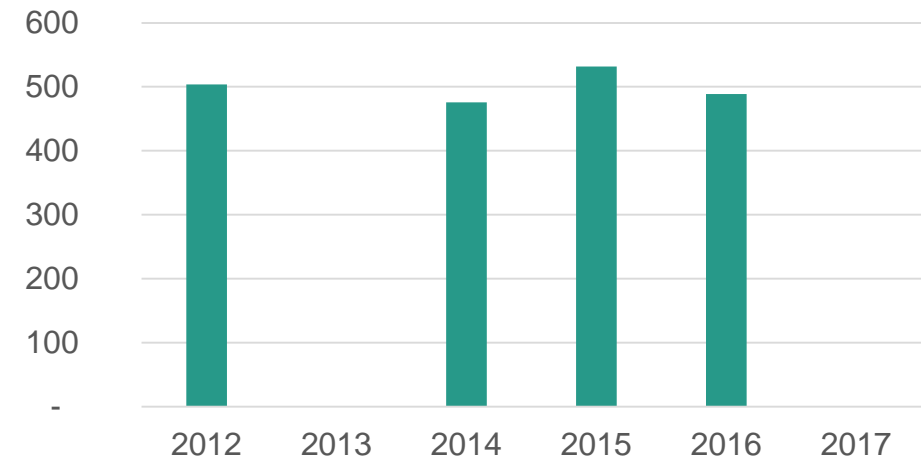


Ownership

- 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

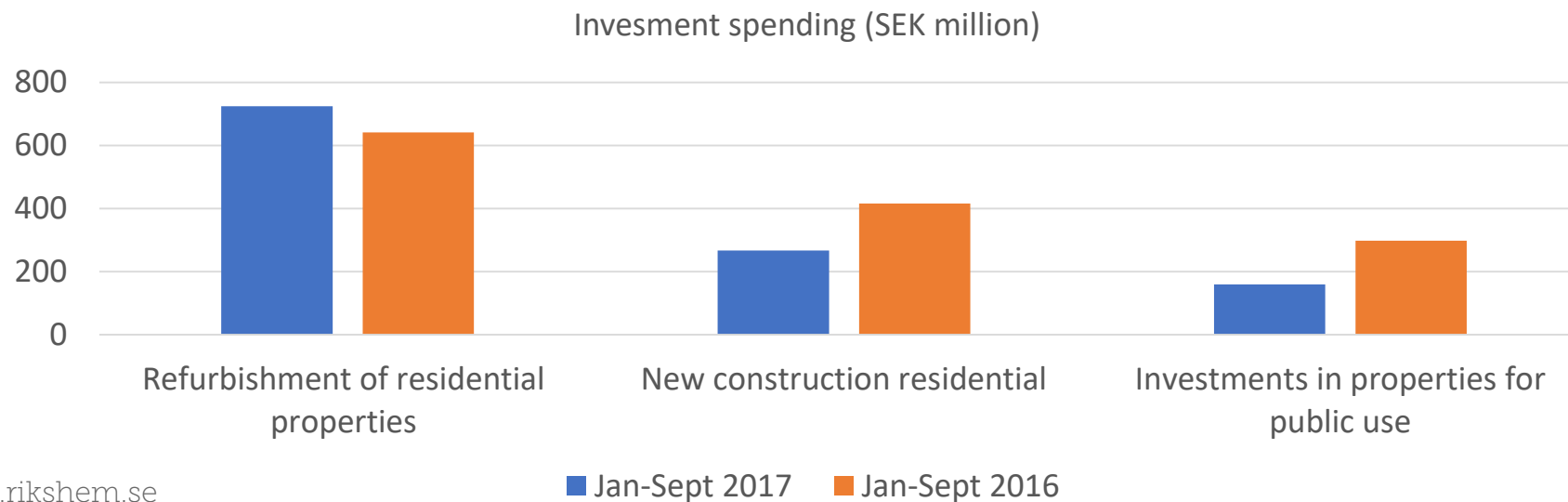
	jan – sept 2017	jan – sept 2016	change %
Value at start of period	37 878	32 009	18%
Investments	1 151	1 355	-15%
Change in value	1 523	1 078	41%
Acquisitions	1 334	3 315	-60%
Divestments	-1 546	-811	91%
Value at the end of period	40 340	36 946	9%
<u>Valuation yields</u>	<u>sept-17</u>	<u>dec-16</u>	<u>change</u>
Residential	4,04%	4,20%	-0,16%
Care home/other care facilities	5,04%	5,13%	-0,09%
Schools	5,62%	5,73%	-0,11%
Commercial	5,52%	5,65%	-0,13%
Total	4,37%	4,53%	-0,16%

- Portfolio value has grown 9% since September 2016
- Investments decreased with 15%, mostly due to lower new construction of residential.
- Change in value is 41% higher due to a larger yield shift.
- Due to a strong investment market with fierce competition for desired assets acquisitions is down 60% while divestments is up 91%.
- Valuation yield down 0.16% in line with the general market.

Property development

Investments in new construction of residential properties has decreased with 36% in Jan-Sept 2017 compared to the same period in 2016. Rikshem has 56 (112) ownership apartments under construction, of which 6 are unsold.

Investment in refurbishment of residential properties has increased with 13%, while investment in properties for public use decreased with 46%.



Three largest ongoing projects



Repet 4: Refurbishment of residential properties, total amount SEK 300 million and invested so far SEK 107 million. Planned completion in Q4 2018.

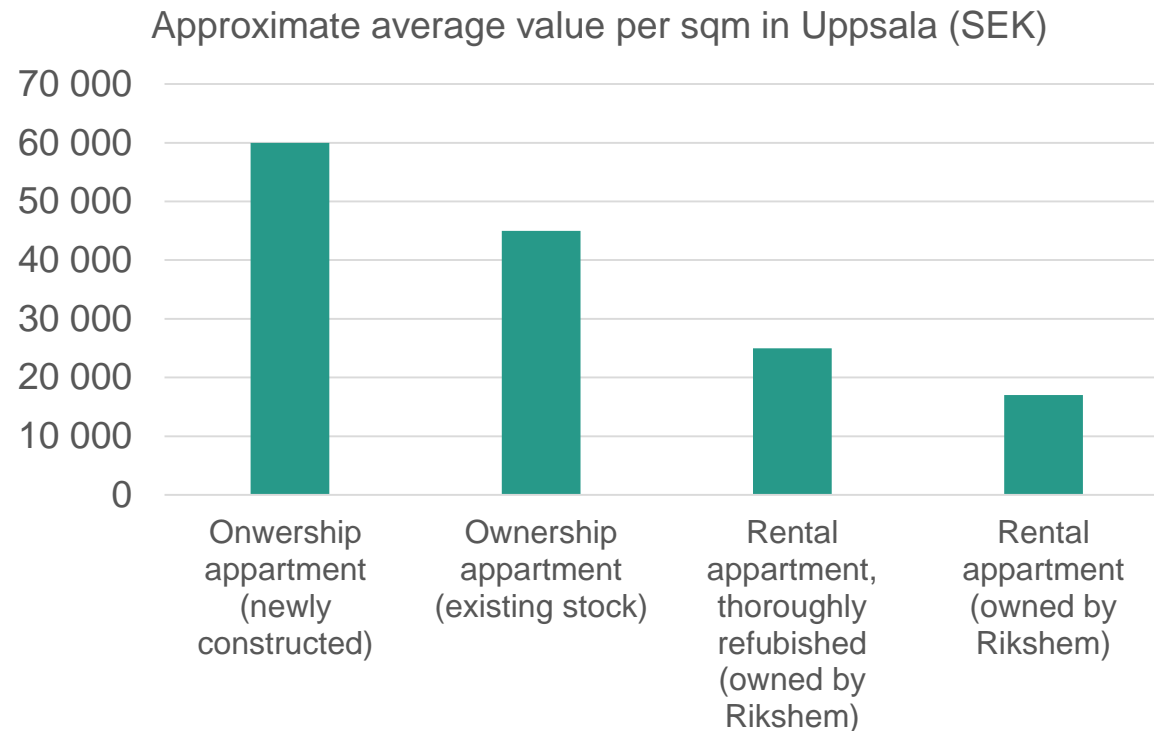


Norrliden 1: Investment in properties for public use, total amount SEK 225 million and invested so far SEK 119 million. Planned completion in Q1 2018.



Eriksberg 17:1: Refurbishment of properties for public use, total amount SEK 186 million and invested so far SEK 128 million. Planned completion Q2 2018.

Conservative values compared to ownership markets



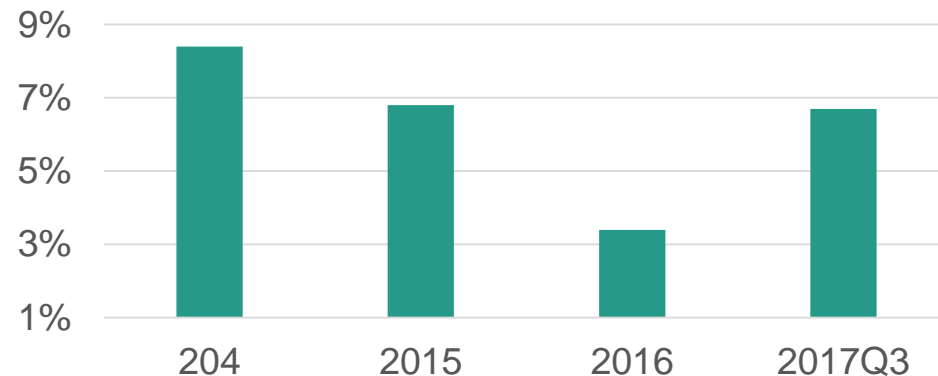
Ownership apartments are valued at a substantial premium compared to the rental apartments in the Swedish property market.

In Uppsala, rental apartments owned by Rikshem are valued to 15,000-25,000 SEK/sqm while ownership apartments are valued at 45,000-60,000 SEK/sqm.

Financials Jan-Sept 2017

- Income increased with 6%
- Profit before tax increased 55%
- Percentage increase in net operating income from existing properties was 6.7%

Increase in net operating income from existing properties

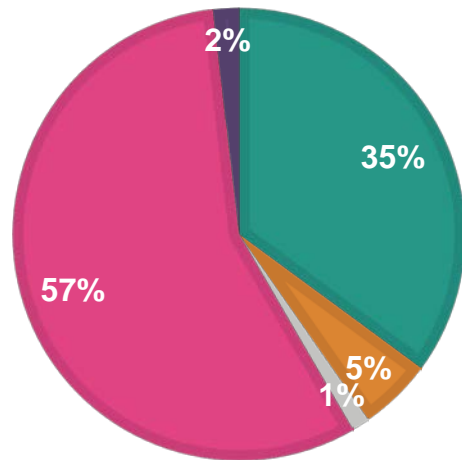


	sep-17	sep-16	change %
Rental income	1 996	1 838	
Property expenses	-786	-735	
Net operating income	1 210	1 103	10%
Central admin	-34	-48	
Financial items	-308	-259	
JV	113	127	
Income from management operations	981	923	6%
Change in property value	1 523	1 078	
Change in value of derivatives and debt i other currencies	163	-284	
Profit before income tax	2 667	1 717	55%
Tax	-423	-324	
Profit for the period	2 244	1 393	61%

Financials Jan-Sept 2017

High cash balance due to our inaugural Eurobond issue in June. Remaining excess cash will be applied to reduce debt during Q4.

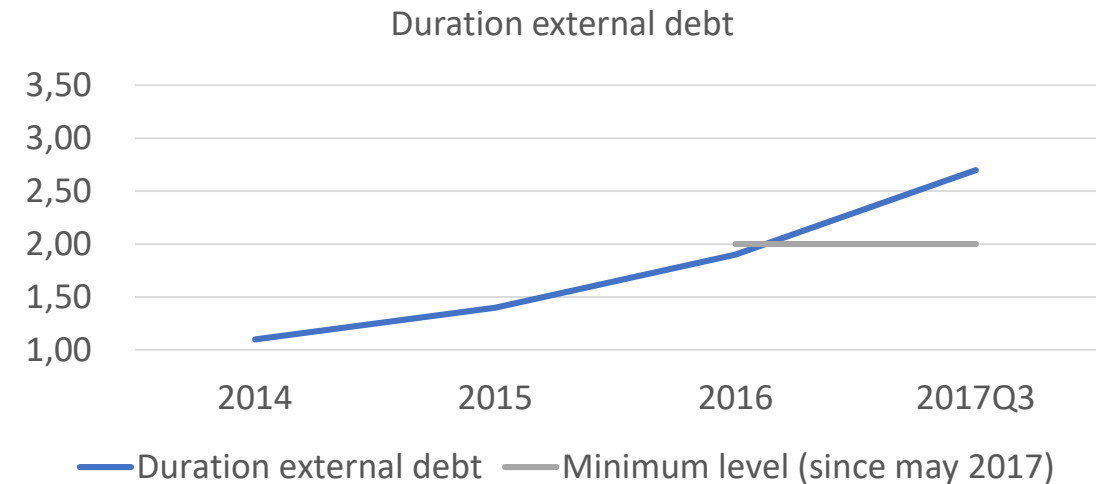
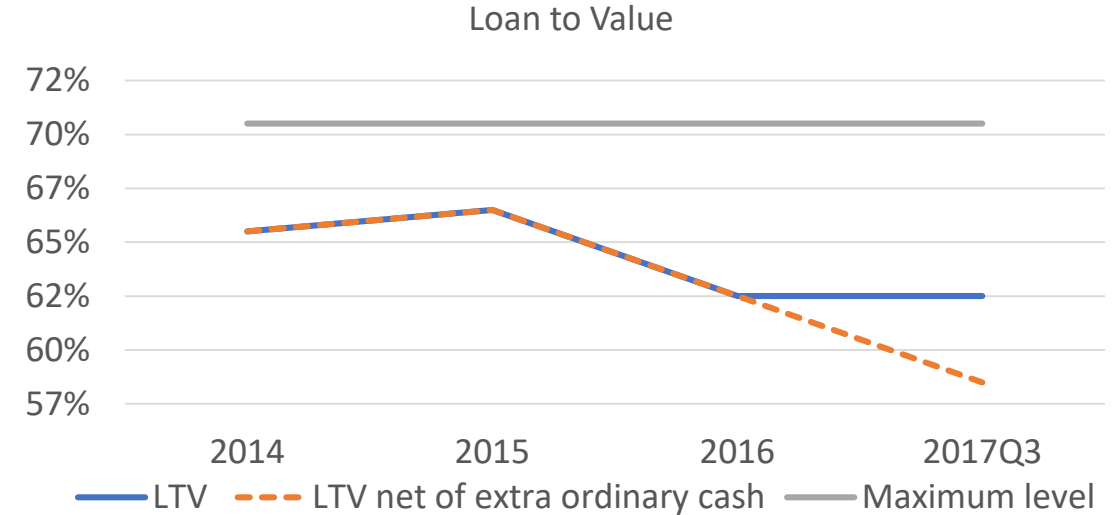
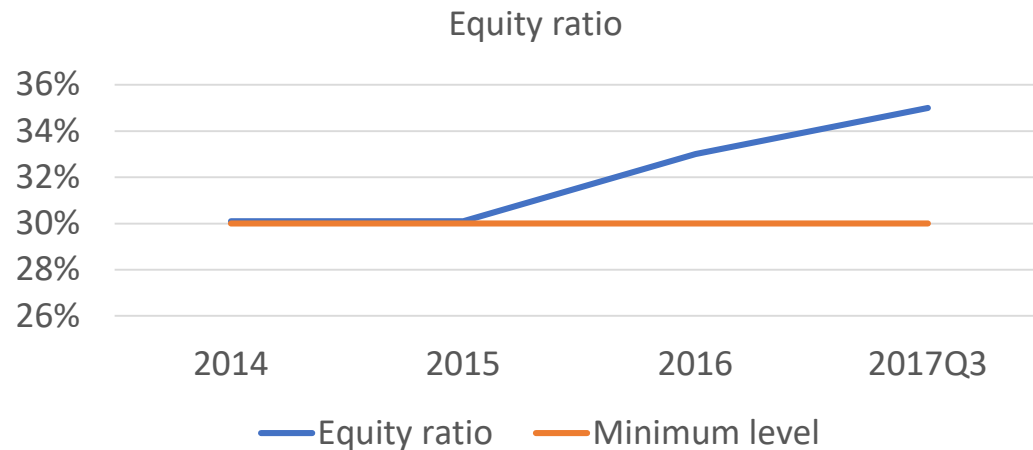
■ Equity ■ Deferred taxes ■ Derivatives ■ Debt ■ Other liabilities



	<u>sep-17</u>	<u>dec-16</u>	<u>change %</u>
Investment properties	40 340	37 878	6%
Participations i joint ventures	1 376	1 292	7%
Other assets	898	624	44%
Cash	1 588	320	396%
Total assets	44 202	40 114	10%
Equity	15 525	13 281	17%
Deferred taxes	2 302	1 892	22%
Derivatives	557	621	-10%
Debt	25 006	23 422	7%
Other liabilities	812	898	-10%
Total equity and debt	44 202	40 114	

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

Contact:

Jacob Bruzelius

Group Treasurer

Direct +46 10 70 99 386

Mobile +46 733 90 09 80

Email: jacob.bruzelius@rikshem.se