The Board of Directors and the Chief Executive Officer of

Rikshem AB (publ)

Co. reg. no. 556709-9667

herewith present

the Annual Report

for the financial year 1 January – 31 December 2016

Arsbyte

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Rikshem AB (publ)
Org nr 556709-9667

Report of the Board of Directors

The Board of Directors and the Chief Executive Officer of Rikshem AB (publ) hereby submit the annual report for the financial year 2016. The company's registration number is 556709-9667 and the Board of Directors has its registered office in Stockholm.

The Company
Rikshem AB (publ) is the parent company in the Rikshem Group, hereinafter called Rikshem. The Company manages all of the companies in the Group. The shares of Rikshem AB (publ) are held by Rikshem Intressenter AB, registration number 556806-2466, which is jointly owned by the Fourth Swedish National Pension Fund (AP4) and pension company AMF Pensionsförsäkring AB (AMF), each of whom owns 50 per cent.

Rikshem
Rikshem is one of Sweden's largest private property companies. The company's business concept is to be a long-term partner that owns and develops residential properties and properties for public use in selected municipalities. The company will develop sustainable residential environments by combining its business ability with commitment to the community. Rikshem seeks to be the best long-term owner of residential properties and properties for public use. Rikshem will participate in, and contribute to, the development of society in the places where it operates. Because sustainability is an essential requirement for long-term profitability, the company works to keep the environmental impact of its operations as low as possible. The combination of rental appartments in growth areas with nursing homes leased to municipalities on long leases, minimises the risk in the property holding. Rikshem is a long-term operator which prioritises collaboration with the municipalities.

Operations
Rikshem owns properties in the Stockholm region, Gothenburg, Malmö, Linköping, Västerås, Norrköping, Helsingborg, Jönköping, Halmstad, Södertälje, Luleå, Umeå, Östersund, Haparanda, Kalmar, Nyköping, Sigtuna, Ale and Knivsta. At year-end, the property holding comprised 574 properties (533) with 27,200 apartments (24,200) and with a total lettable area of 2,182,000 square metres (1,975,000). At year-end, the value of Rikshem's property holding was SEK 37,878 million (32,009). Residential properties accounted for 71 per cent and properties for public use for 29 per cent of the fair value.

Our properties
Rikshem's business idea is the long-term ownership and development of residential properties and properties for public use in selected municipalities in Sweden. Properties for public use refers to properties for nursing homes and schools where the operation is financed through the public sector. Property development includes new construction, renovations and upgrades of existing properties. The creation of development rights by drawing up detailed development plans are essential factors for future new production. In addition to housing, sustainable living environments also need a selection of purpose-built premises from which to provide local services. Rikshem's property portfolio will continue to include commercial premises to ensure a supply of efficient premises for local services in Rikshem's property areas.

At year-end, Rikshem's property portfolio comprised 574 properties with a total value of SEK 37,878 million. The property value breaks down as follows: residential properties SEK 26,358 million, properties for public use SEK 10,679 million and commercial properties SEK 841 million. Commercial properties with a potential future use as residential properties or local services in residential areas account for SEK 549 million, or 65 per cent of the commercial holding. To improve reporting and monitoring, the residential propterties segment now also covers senior and assisted living which in previous years were reported as properties for public use, which is why the proportion of residential properties has increased to 71 per cent.

The property portfolio also includes granted building permissions of SEK 1,076 million, equivalent to 429,000 square metres gross floor area. Properties with a total value of SEK 17,537 million or 46.3 per cent are located along the Stockholm-Uppsala corridor.

Rikshem works for sustainable communities
Rikshem's operations seek to be sustainable from environmental, social and financial perspectives. We combine business ability with social responsibility because for us, sustainability is an essential requirement for long-term profitability. As our mission is to create sustainable living environments, it is important for us to participate in, and contribute to, the development of the society in the places where we operate to make sure our impact on the environment is as small as possible.

Sustainability from the word go
Our sustainability efforts form part of everything we do throughout our operation and begin right from the building stage. We mainly use wood for our new builds, and today we are the Swedish residential real estate company that builds most apartments in wood. Wood is a renewable resource that emits significantly less carbon dioxide during the construction phase than other common building materials and which also sequesters carbon dioxide throughout its working life. Energy use for Rikshem's new constructions is 25 per cent lower than the National Board of Housing, Building and Planning regulations requirement and all materials used in our new constructions, as well as renovations, are checked to make sure that we create non-toxic environments for our residents. As members of the Sweden Green Building Council, we have now begun the work to gain environmental certification for our properties.

Because our new constructions in wood are prefabricated in places other than where the demand for housing exists, we create jobs in more locations away from the metropolitan regions. This is another important aspect of a sustainable society. We also endeavour to create various forms of tenures among new builds in our areas as we see that this plays an important part in creating the good living environments that we strive for. Environments where people not only live, but also live life.

Support for the young
Rikshem seeks to contribute to positive community development in the places where we operate and work in various ways to minimise alienation and break down the alienation that already exists to create safe neighbourhoods. As property owners, we take responsibility for our area and the people who live there and by extension for the community as a whole, by supporting charitable organisations and associations and through partnering with municipalities. Through our commitment, we aim to help create employment and provide opportunities for development. While we focus on young people living in our properties, we also support them throughout Sweden in e.g. the Mentor Sweden organisation, which helps youths between the age of 13 and 17 to develop through mentoring. For example, we participate in Job Mentor where our employees meet high school students and describe working life in the property sector. By funding homework groups in Läxhjälpen (Homework Help), we help young people make headway with their schooling, and reduce the risk of them becoming alienated. Today we participate in Helsingborg, Västerås and Södertälje and have contributed with 100 homework help places in schools where the need is great. In addition to

homework help, we also like to provide youths who live in our areas with the opportunity to take their first steps out into the labour market.

Accordingly, we offer work to youths who live in our housing areas every summer. During 2016, around 160 youths had summer jobs taking care of our properties by e.g. painting and cutting the grass. We feel that not only do the youths gain work experience, but also their commitment to their own residential area increases as they get to take part in caring for it. Our goal is to expand the number of homework places in schools where the need is great and to grow the number of youths with summer jobs with us as we grow.

Important local initiatives

Some of our most important sustainability initiatives are those we take locally where we support e.g. non-profit organisations and local residents' associations. We are proud of our partnership with TRIS in Uppsala, an organisation that promotes girls' rights in society, and which among other things run the Ronjabollen girls' football club. Ronja FK is a non-profit organisation actively engaged in integration and equal opportunities issues for children and young people through football. The purpose of Ronjabollen is to increase participation and freedom of action for girls who live far away from sports activities.

Another example is the annual trip we organise together with the Swedish Union of Tenants to the Kolmården wildlife park for families with children who live in our properties. For many, it's the only trip they will make during the summer and we are happy to be able to help the children and their loved ones enjoy an exciting, fun day.

Through our social housing initiatives with the municipalities, we work to prevent evictions and also contribute apartments for social housing.

Responsibility for our properties and their residents

When our properties begin to show their age and need renovation to go on being safe and sound for our tenants to live in, we take proper responsibility. Among other things, we work to allow different levels of renovation to give tenants the opportunity to have a say in the renovations and thus influence the level of rent. Dialogues with the residents are important here too, and talks about carrying out sustainable renovations are being held in several places. Everywhere we have carried out renovation we have reached agreement with the Swedish Union of Tenants about the work and new rents.

Renovations with the environment in focus

Many of the properties we renovate today or those in line for renovation were built during Sweden's mass apartment building programme of the 1960s and the 70s and have great potential for improvement in terms of energy and the environment. Accordingly, when we renovate we do so with our eye on the environment.

During our repair, maintenance and upgrade work we reduce energy consumption for heating by more than half. The table below shows how various measures are expected to contribute to energy efficiency.

Energy measures	*Energy savings in per cent*
New ventilation (HRV)	19
New, energy-efficient windows	14
Outer wall insulation	13
Individual water metering	5
Water-saving fixtures	4
Roofs	1

We take a lifecycle approach to waste management, waste sorting and reuse of materials in an efficient manner in renovations, property management and new builds alike.

Reduced energy consumption and climate-neutral electricity consumption

We work constantly throughout our holding to minimise environmental impact in every part of our operation. For example, we choose environmentally friendly energy sources to minimise carbon dioxide emissions. Above all, we focus on reducing energy consumption in our buildings. We started a focused effort during 2013 and, compared with 2012, lowered energy consumption, normal-year corrected, by 5 per cent. In 2014 and 2015 the energy savings were 3 and 4 per cent respectively. In 2016, the normal-year corrected energy consumption for comparable properties fell in relation to 2015 by 4 per cent. The reduced energy consumption also reduced annual carbon dioxide emissions by 18,500 tonnes. Rikshem purchases green electricity and was one of the first property companies to buy emission allowances to render its electricity consumption neutral in all of its properties.

Rikshem was also the first company in the world to issue green bonds for sustainable renovations of residential properties. Thus far, Rikshem has issued green bonds in the amount of SEK 1,750 million.

What we require of ourselves and our suppliers

As a major, long-term property company it is important that we take responsibility. Accordingly, we set high standards for ourselves and our suppliers. For example, we and our partners must, on a commercial basis, participate in and contribute to the development of the society and ensure that all of our operations are conducted with respect for sustainable development. We must all pull our weight if we are to build a sustainable society. We work every day to do our part and are always looking for ways to become even better.

Comments on the Group's economic performance

Net operating income

Consolidated rental income rose during the year by SEK 444 million to SEK 2,484 million (2,040). SEK 376 million of the increase was due to an increased property holding. For comparable properties, rental income increased by SEK 68 million or 3.7 per cent (2.7). In residential proptерty, the vacancy rates at year end was 3.6 per cent. Adjusted for apartments vacated for renovation, the vacancy rate was 0.5 per cent (0.4) The average remaining lease for properties for public use was 10.3 years (10.5).

Property expenses amounted to SEK 1,063 million (848). For comparable properties, normal-year corrected energy consumption for heating and electricity compared to the previous year fell by 4 per cent (4), corresponding to 4.9 kWh per square metre per year. Out of the property expenses, SEK 213 million (147) were related to maintenance expenses, equivalent to SEK 98 per square metre and year (80).

Total net operating income rose by 19 per cent compared to the previous year and amounted to SEK 1,420 million (1,192). For comparable properties, net operating income increased by 3.4 per cent (6.8). The surplus ratio for the total property portfolio was 57 per cent (58).

Central administration
Central administration expenses for the year amounted to SEK 76 million (90).

Net financial items
Net financial items for the year amounted to SEK -341 million (-527). Net financial items improved mainly as a result of the repayment of shareholder loans during the second quarter of 2015. This reduced interest expenses by SEK 104 million compared to the previous year. In conjunction with the repayment of the shareholder loans, Rikshem also paid a prepayment penalty of SEK 126 million. Interest expenses for external financing have increased by SEK 45 million due to increased borrowing.

Earnings from shares in joint ventures
Earnings from participations in joint ventures have increased by SEK 201 million to SEK 205 million compared to the previous year, of which income from management operations was SEK 117 million (30) and changes in the value of investment properties was SEK 158 million (-34). Earnings were charged with deferred tax of SEK -70 million (8).

Income from management operations
Compared to the previous year, income from management operations rose by SEK 628 million to SEK 1,208 million. The improvement in earnings is due to an increase in net operating income, lower net financial items and improved earnings from participations in joint ventures.

Change in fair value of investment properties
In all, changes in the fair value of properties amounted to SEK 1,962 million (1,856), equivalent to a growth of 6.1 per cent (7.4).

Change in fair value of financial derivative instruments
The change in the fair value of financial derivative instruments amounted to SEK -76 million (75). The decrease in value is due mainly to falling market interest rates. Derivative instruments refer mainly to interest rate swaps as well as a combined foreign currency and interest rate swap which was raised to eliminate exchange rate effects as a result of a loan raised in NOK. The combined foreign currency and interest rate swap had a positive value of SEK 39 million. Exchange rate changes for the loan raised in NOK amounted to SEK -39 million, with the net effect of these changes in value amounting to SEK 0.

Profit for the year
The consolidated statement of comprehensive income shows a total tax expense of SEK -622 million (-546), which is essentially deferred tax. Profit for the year rose by SEK 468 million to SEK 2,432 million (1,964). The increase in earnings is primarily due to an improvement in income from management operations.

Comments on the financial position
Investment properties
The fair value of the property portfolio increased to SEK 37,878 million (32,009), which corresponds to SEK 17,362 per square metre (16,207). The higher value is partly due to investments in existing properties, partly to the purchase of properties and an increase in the value of properties. In all, the increase in value amounted to SEK 1,962 million (1,856), equivalent to a growth of 6.1 per cent (7.4). The increase in value reflects the change that has taken place in the properties' cash flows and capitalization rate.

The residential property portfolio accounts for 71 per cent of the market value, or SEK 26,907 million and properties for public use account for 29 per cent of fair value, or SEK 10,971 million.

During the year, properties were purchased in Haparanda, Kalmar, Malmö, Sigtuna, Solna, Umeå, Uppsala and Östersund for a total of SEK 3,550 million (3,907). The acquisitions have added a total of 3,497 apartments and a lettable area of 265,000 square metres to the property holding.

During the year, properties totalling SEK 1,491 million (594) were sold, which exceeds the value at the beginning of the year and investments for the year by 4 per cent.

Investments for the year in existing properties amounted to SEK 1,849 million (1,680) of which SEK 1,045 million refers to reconstructions and renovations and SEK 659 million relates to new construction of apartments. Other investments amounted to SEK 145 million of which SEK 68 million was related to energy investments and SEK 62 million to progress new detailed development plans and development rights.

Participations in joint ventures
Rikshem reports participations in associated companies to a total value of SEK 1,292 million (1,076). The largest holding, SEK 812 million, is in respect of 49 per cent of VärmdöBostäder. The remaining part of VärmdöBostäder is owned by Värmdö municipality. The second largest holding, SEK 427 million, relates to Farsta Stadsutveckling which is owned jointly by Rikshem and Ikano Bostad AB with 50 per cent each. Farsta Stadsutveckling owns the property Burmanstorp 1 in Farsta. The new Telestaden neighbourhood is under development here with 3,000 homes, offices and local services. The remaining participations in associated companies of SEK 53 million relate to development projects owned and run together with Veidekke or P&E Fastighetspartner.

Interest bearing liabilities
At year-end, interest-bearing liabilities totalling SEK 23,422 million (21,074) of which SEK 5,582 million (6,813) was related to liabilities to credit institutions, SEK 6,090 million (6,045) referred to commercial papers, SEK 11,708 million (8,174) referred to bonds while SEK 42 million were related to convertible debenture loans. At year-end, average interest rate was 1.5 per cent (1.6).

All liabilities to credit institutions are raised against security in properties. In total, secured financing amounted to 15 per cent (21) of the property value.

Rikshem has a commercial paper programme that allows it to issue commercial papers with maturities up to 12 months within the programme limit of SEK 10,000 million. Rikshem also has an MTN programme for the issuance of bonds within the programme limit of SEK 20,000 million.

The commercial papers and the bonds are not secured. In June 2016, Rikshem issued a bond denominated in NOK. The bond volume totalled NOK 700 million. All other bonds are denominated in SEK.

The refinancing and liquidity risks the maturity profile gives rise to is managed mainly through back-up facilities the company has with various banks and unutilised overdraft facilities of SEK 3,900 million and a back-up facility and subscription commitment for commercial papers from the owners totalling SEK 10,000 million. Liquid assets amounted to SEK 320 million (94).

The majority of Rikshem's liabilities have a variable interest rate based on STIBOR 3 months. Interest rate derivatives are used to reduce interest rate risk the short fixed-interest term leads to. At year-end, interest rate derivatives amounted nominally to SEK 14,800 million (12,800) and the fair value amounted to SEK -594 million (-492). In addition to interest rate derivatives, part of a convertible debenture loan raised by the company is reported as a derivative instrument. At year-end, the value of this derivative instrument amounted to SEK -26 million (-14). Finally, the company has a combined interest and currency swap which had a positive value of SEK 39 million. In total, the fair value of derivative instruments amounted to SEK -581 million (-506). In addition to interest rate derivatives, Rikshem has a combined interest and currency swap which eliminates the currency risk the company is exposed to through bond issues in NOK.

The interest coverage ratio for external financing increased during the year by 0.2 to 3.8 (3.6). Under the company's financial policy, the interest coverage ratio for external financing must amount to at least 1.75.

Equity

Group equity amounted to SEK 13,281 million (10,360), equivalent to an equity/assets ratio of 33 per cent (30). During the year, the company received a shareholders' contribution of SEK 600 million (3,433). Furthermore, a group contribution of SEK 111 million (181) net was made to Rikshem Intressenter AB. Finally, equity was increased by the total comprehensive income for the year by SEK 2,432 million.

Parent company

The parent company Rikshem AB (publ) manages the subsidiaries and their properties. In 2016, the company had 178 employees (134). Revenues for the year amounted to SEK 160 million (123) and income after financial items amounted to SEK 283 million (7). The parent company's equity amounted to SEK 7,026 million (6,135) at year-end.

Environment

The Rikshem Group does not operate any business subject to a permit or notification requirement under Chapter 9, Section 6, of the Environmental Code.

Other significant events during the financial year

The composition of the board changed twice during the year. Three new board members were elected at the annual general meeting (AGM) on 11 March 2016. Svante Johansson was elected Chairman of the Board and Tomas Flodén and Mats Efraimssom were elected as board members. Also, Ulrika Malmberg Livijn, Olof Nyström and Ebba Hammarström were re-elected as board members. Mats Mared, Peder Hasslev and Magnus Eriksson left the board.

At an extraordinary general meeting on 1 September 2016, Bo Magnusson was elected as the new Chairman of the Board and Lena Boberg, Liselotte Hjorth and Per-Gunnar Persson were elected as new board members. Also, Ulrika Malmberg Livijn and Ebba Hammarström were re-elected as board members. In conjunction with the meeting, Svante Johansson, Tomas Flodén, Mats Efraimsson and Olof Nyström stepped down from the board.

In March 2016, Jan-Erik Höjvall was dismissed from his position as CEO and was replaced by Sven-Göran Svensson as acting CEO. Sophia Mattsson-Linnala was appointed CEO of the company in August and took up her position on 1 November 2016.

Proposed allocation of profits

The following earnings in the parent company are at the disposal of the Annual General Meeting:

Share premium reserve, SEK	840,772,100
Retained earnings, SEK	5,729,130,585
Profit for the year, SEK	213,317,468
Total, SEK	**6,783,220,153**

The Board proposes that SEK 6,783,220,153 be retained in the company.

With regard to the company's financial performance and position in general, we refer to the following financial statements and their associated notes.

Consolidated statement of comprehensive income

Amounts in SEK thousands	Note	*01/01/2016 -31/12/2016*	*01/01/2015 -31/12/2015*
Rental income	5	**2,483,565**	**2,039,495**
Property expenses			
Operating expenses		-678,663	-567,030
Maintenance		-213,005	-147,063
Administration		-136,774	-106,591
Property tax		-34,680	-26,969
Total property expenses		**-1,063,122**	**-847,653**
Net operating income	6	**1,420,443**	**1,191,842**
Central administration	7, 8, 9, 10	-76,139	-89,952
Interest income and similar income statement items	13	12,435	7,223
Interest expenses and similar income statement items	14	-353,363	-533,465
Earnings from shares in joint ventures	12	204,879	4,269
Income from management operations		**1,208,255**	**579,917**
Change in fair value of investment properties	15	1,961,804	1,855,632
Change in fair value of financial derivative instruments	16	-75,622	74,609
Foreign exchange effects on financial liabilities		-39,200	–
Profit before income tax		**3,055,237**	**2,510,158**
Tax	17	-622,753	-546,150
Profit for the year		**2,432,484**	**1,964,008**
Other comprehensive income not for reclassification			
Revaluation of pensions	28	-525	3,151
Tax, pensions		115	-693
Other comprehensive income for the year net after tax		**-410**	**2,458**
Total comprehensive income for the year		**2,432,074**	**1,966,466**

Comprehensive income is attributable to the parent company's shareholders

Consolidated statement of financial position

Amounts in SEK thousands	*Note*	*31/12/2016*	*31/12/2015*
ASSETS			
Non-current assets			
Investment properties	15	37,877,709	32,008,743
Participations in joint ventures	20	1,291,819	1,075,566
Equipment	18	7,891	6,433
Derivative instruments	21	39,210	7,702
Non-current receivables	22	230,808	123,864
Total non-current assets		**39,447,437**	**33,222,308**
Current assets			
Current receivables			
Accounts receivable	23	16,966	7,906
Receivables from the parent company	24	–	547,629
Other receivables		269,904	124,846
Prepaid expenses and accrued income	25	59,677	56,117
Total current receivables		**346,547**	**736,498**
Cash and bank balances		**320,073**	**94,336**
Total current assets		**666,620**	**830,834**
TOTAL ASSETS		**40,114,057**	**34,053,142**

Amounts in SEK thousands	*Note*	*31/12/2016*	*31/12/2015*
EQUITY AND LIABILITIES			
Equity			
Share capital		99,728	99,728
Other contributed capital		4,873,626	4,273,626
Retained earnings		8,307,536	5,986,809
Total equity		**13,280,890**	**10,360,163**
Liabilities			
Non-current liabilities			
Deferred tax liability	26	1,892,377	1,309,776
Convertible debenture loan	27	42,460	41,780
Interest bearing liabilities	27	12,426,559	8,851,641
Derivative instruments	21	620,911	513,781
Provision for pensions	28	1,476	907
Total non-current liabilities		**14,983,783**	**10,717,885**
Current liabilities			
Interest bearing liabilities	27, 29	10,953,298	12,180,375
Trade accounts payable		68,827	77,029
Liabilities to parent company	24	140,006	–
Tax liabilities		11,710	9,775
Other current liabilities		248,048	219,006
Accrued expenses and deferred income	30	427,495	488,909
Total current liabilities		**11,849,384**	**12,975,094**
Total liabilities		**26,833,167**	**23,692,979**
TOTAL EQUITY AND LIABILITIES		**40,114,057**	**34,053,142**

Consolidated statement of changes in equity

Amounts in SEK thousands	*Share capital*	*Other contributed capital*	*Retained earnings including profit for the year*	*Total equity*
Opening balance 01/01/2015	**99,728**	**843,845**	**3,905,951**	**4,849,524**
Profit for the year			1,964,008	1,964,008
Other comprehensive income			2,458	2,458
Total comprehensive income			*1,966,466*	*1,966,466*
Repurchase of convertible debenture loans		-3,073	-66,336	-69,409
Shareholder contributions		3,432,854		3,432,854
Group contributions, net			180,728	180,728
Opening balance 31/12/2015	**99,728**	**4,273,626**	**5,986,809**	**10,360,163**
Opening balance 2016-01-01	**99,728**	**4,273,626**	**5,986,809**	**10,360,163**
Profit for the year			2,432,484	2,432,484
Other comprehensive income			-410	-410
Total comprehensive income			*2,432,074*	*2,432,074*
Shareholder contributions		600,000		600,000
Group contributions, net			-111,347	-111,347
Closing balance 31/12/2016	**99,728**	**4,873,626**	**8,307,536**	**13,280,890**

Classifications of shareholders' equity

Share capital

The item share capital includes the registered share capital for the parent company. As of 31/12/2016, the number of shares amounted to 997,279 (997,279). The quota value is SEK 100 per share.

Other contributed capital

Other contributed capital relates to equity contributed by the owners as shareholder contributions and new share issues at a premium.

Retained earnings

Retained earnings correspond to the cumulative gains and losses generated in the Group in total.

Consolidated statement of cash flows

Amounts in SEK thousands	*Note*	*01/01/2016 -31/12/2016*	*01/01/2015 -31/12/2015*
Operating activities			
Income from management operations		1,208,255	579,917
Profit sharing, joint ventures		-204,879	-4,269
Adjustment for items not included in cash flow	32	5,627	-65,753
Interest income		-12,435	-7,223
Interest expenses		353,363	533,465
Interest paid		-347,079	-524,232
Interest received		14,595	4,568
Tax paid		-6,670	-4,001
Cash flow from operating activities before changes in working capital		**1,010,777**	**512,472**
Cash flow from changes in working capital			
Decrease(+)/increase(-) in operating receivables		387,791	-567,614
Increase(+)/decrease(-) in operating liabilities		93,827	370,110
Cash flow from operating activities		**1,492,395**	**314,968**
Investing activities			
Investment in investment property		-5,398,625	-5,586,762
Investment in other tangible non-current assets		-4,418	-3,117
Divestment of investment properties		1,491,462	593,771
Investments in financial assets		-144,276	-1,149,850
Amortisation of financial assets		25,957	55,600
Cash flow from investing activities		**-4,029,900**	**-6,090,358**
Financing activities			
Loans raised		16,310,803	16,184,871
Amortisation of loans		-14,004,809	-11,288,658
Convertible debenture loans raised		–	49,500
Repurchase of convertible debenture loans		–	-118,050
Repaid shareholder loan		–	-3,007,120
Shareholders' contributions received		600,000	3,432,854
Group contributions received		–	231,702
Group contributions rendered		-142,752	–
Cash flow from financing activities		**2,763,242**	**5,485,099**
Cash flow for the year		**225,737**	**-290,291**
Cash and cash equivalents at the beginning of the year		94,336	384,627
Cash and cash equivalents at end of year		**320,073**	**94,336**

Income statement - parent company

Amounts in SEK thousands	Note	*01/01/2016 -31/12/2016*	*01/01/2015 -31/12/2015*
Operating income	4	**159,909**	**123,010**
Operating expenses			
Other operating expenses	7, 9	-88,942	-86,105
Personnel expenses	8	-139,658	-123,158
Depreciation	10	-2,827	-2,858
Operating profit		**-71,518**	**-89,111**
Profit from financial items			
Earnings from participations in Group companies	11	347,901	119,031
Interest income and similar income statement items	13	442,716	554,422
Interest expenses and similar income statement items	14	-384,495	-570,232
Change in value of financial derivative instruments	16	-12,205	-7,530
Foreign exchange effects on financial liabilities		-39,200	–
Profit after financial items		**283,199**	**6,580**
Tax on profit for the year	17	-69,882	-4,041
Profit for the year*		**213,317**	**2,539**

* In the parent company, there are no items under other comprehensive income

Balance sheet - parent company

Amounts in SEK thousands	*Note*	*31/12/2016*	*31/12/2015*
ASSETS	20		
Non-current assets			
Equipment	18	7,530	6,139
		7,530	**6,139**
Financial fixed assets			
Participations in Group companies	19	1,890,101	1,889,805
Receivables from Group companies	24	24,729,146	22,533,940
Other non-current receivables	22	169,875	38,000
		26,789,122	**24,461,745**
Total assets		**26,796,652**	**24,467,884**
Current assets			
Current receivables			
Accounts receivable	23	90	128
Other receivables		77,696	80,876
Prepaid expenses and accrued income	25	42,820	41,708
Total current receivables		**120,606**	**122,712**
Cash and bank balances		**319,934**	**91,033**
Total current assets		**440,540**	**213,745**
TOTAL ASSETS		**27,237,192**	**24,681,629**

Amounts in SEK thousands		*31/12/2016*	*31/12/2015*
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		99,728	99,728
Revaluation reserve		142,986	142,986
		242,714	**242,714**
Non-restricted equity			
Retained earnings		5,729,130	5,048,892
Share premium reserve		840,772	840,772
Profit for the year		213,317	2,539
		6,783,219	**5,892,203**
Total equity		**7,025,933**	**6,134,917**
Provisions			
Provisions for deferred tax	26	217,815	126,018
		217,815	**126,018**
Non-current liabilities			
Interest bearing liabilities	27	11,294,502	6,597,918
Convertible debenture loans	27	42,460	41,780
Derivative instruments	21	26,125	13,920
Total non-current liabilities		**11,363,087**	**6,653,618**
Current liabilities			
Interest bearing liabilities	27, 29	8,303,964	11,373,375
Trade accounts payable		1,793	6,658
Other liabilities		221,649	293,423
Accrued expenses and deferred income	30	102,951	93,620
Total current liabilities		**8,630,357**	**11,767,076**
Total liabilities		**20,211,259**	**18,546,712**
TOTAL EQUITY AND LIABILITIES		**27,237,192**	**24,681,629**

Statement of changes in equity, parent company

Amounts in SEK thousands	*Share capital*	*Revaluation reserve*	*Share premium reserve*	*Retained earnings including profit for the year*	*Total equity*
Opening balance 01/01/2015	**99,728**	**142,986**	**840,772**	**1,578,756**	**2,662,242**
Profit for the year				2,539	2,539
Shareholder contributions				*3,432,854*	3,432,854
Repurchase of convertible debenture loans				-69,409	-69,409
Group contributions, net				106,691	106,691
Closing balance 31/12/2015	**99,728**	**142,986**	**840,772**	**5,051,431**	**6,134,917**
Opening balance 01/01/2016	**99,728**	**142,986**	**840,772**	**5,051,431**	**6,134,917**
Profit for the year				213,317	213,317
Shareholder contributions				600,000	600,000
Group contributions, net				77,699	77,699
Closing balance 31/12/2016	**99,728**	**142,986**	**840,772**	**5,942,447**	**7,025,933**

The parent company has provided Group contributions amounting to SEK 10,000,000 (reg. no. 556806-2466) and received Group contribution totalling SEK 109,613,751 from around 20 companies within the Group. Deferred tax of 22 per cent has been taken into account.

Cash flow analysis - parent company

Amounts in SEK thousands	*Note*	*01/01/2016 -31/12/2016*	*01/01/2015 -31/12/2015*
Operating activities			
Operating profit		-71,518	-89,111
Adjustment for items not included in cash flow	32	2,555	5,151
Interest paid		-378,170	-566,500
Interest received		441,961	558,673
Cash flow from operating activities before changes in working capital		**-5,172**	**-91,787**
Cash flow from changes in working capital			
Increase (-) / decrease (+) in operating receivables		2,861	-9,228
Increase (+) / decrease (-) in operating liabilities		-72,955	325,464
Cash flow from operating activities		**-75,266**	**224,449**
Investing activities			
Shareholders' contribution paid		-409	-285,021
Acquisition of subsidiaries		–	-50
Disposal of subsidiaries		–	-15
Investments in other tangible non-current assets		-4,216	-3,029
Investment in receivables from Group companies		-2,195,206	-4,590,238
Investment in receivables from joint ventures		-131,875	-36,000
Cash flow from investing activities		**-2,331,706**	**-4,914,353**
Financing activities			
Loans raised		13,416,563	13,598,205
Amortisation of loans		-11,828,206	-9,809,335
Convertible debenture loans raised		–	49,500
Repurchase of convertible debenture loans		–	-118,050
Dissolved shareholder loan		–	-3,007,120
Earnings from participations in partnerships and limited partnerships		347,901	119,046
Shareholders' contributions received		600,000	3,432,854
Group contributions received		109,615	136,785
Group contributions rendered		-10,000	–
Cash flow from financing activities		**2,635,873**	**4,401,885**
Cash flow for the year		**228,901**	**-288,019**
Cash and cash equivalents at the beginning of the year		91,033	379,052
Cash and cash equivalents at end of year		**319,934**	**91,033**

Notes with accounting policies and notes to the financial statements

Note 1 Company information

The Rikshem Group comprises the parent company Rikshem AB (publ) company registration number 556709-9667 and its subsidiaries and associated companies. The parent company is a public limited company with its head office in Stockholm, Sweden. The head office is located on Vasagatan 52 in Stockholm. The shares of Rikshem AB (publ) are held by Rikshem Intressenter AB, which is jointly owned by the Fourth Swedish National Pension Fund (AP4) and pension company AMF Pensionsförsäkring AB (AMF), each of whom owns 50 per cent. The Group's principal activity is to acquire, manage and develop residential properties and properties for public use in selected growth markets in Sweden.

The annual report and consolidated financial statements were approved by the Board of Directors on 30 March 2017 and submitted to the Annual General Meeting on the same day for approval.

Note 2.1 Basic accounting policies

Applicable regulations
The consolidated financial statements for the Rikshem Group were prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC), as approved by the European Union (EU). The Swedish Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board’s Recommendation RFR 1 Supplementary Rules for Consolidated Financial Statements were also applied.

Reporting currency
The Group's reporting currency is the Swedish krona (SEK), which is the functional currency of the parent company. Unless otherwise specified, all amounts are reported in SEK thousands.

Bases for preparation of the financial statements
The consolidated financial statements were prepared on the principle of a going concern. Assets and liabilities are valued at historic cost with the exception of derivative instruments and investment properties that are measured at fair value and deferred tax which is measured at nominal value. The consolidated financial statements were prepared in accordance with the acquisition method and all subsidiaries are consolidated as of the date the controlling influence was obtained.

The preparation of financial statements in conformity with IFRS requires the use of several estimates made by management for accounting purposes. Areas involving a high degree of estimation or complexity, or areas where assumptions and estimates are of material significance for the consolidated financial statements are presented in Note 2.4. These estimations and assumptions are based on historical experience and other factors that are considered reasonable in the prevailing circumstances. Actual outcomes may differ from estimations made.

Gross accounting is applied consistently in the reporting of assets and liabilities except where both the receivable and a liability exists with the same counterparty, that they can be offset on legal grounds and the intention is to do this. Gross accounting is also applied in respect of income and expenses unless otherwise indicated.

Classification of assets and liabilities
Non-current assets, non-current liabilities and provisions are anticipated to be recovered or fall due for payment more than twelve months from the closing date. Current assets and current liabilities are anticipated to be recovered or fall due for payment earlier than twelve months from the closing date.

Note 2.2 Changes in accounting policies

Important accounting policies are summarised under item 2.3 below. Accounting policies applied include new and revised standards issued by the IASB and interpretations of existing standards which entered into force and are mandatory for application in the EU as of 1 January 2016.

New standards, amendments and interpretations of existing standards that have been applied for the first time for the year 2016

New standards and interpretations that came into force during 2016 have not had any effect on Rikshem's financial statements.

Future standards, changes and interpretations of existing standards that have not been applied in advance by the Group
A number of new standards, amendments and interpretations are only mandatory for application during the upcoming financial year. They were not applied when preparing the consolidated financial statements. The standards, amendments and interpretations that are anticipated to affect or which may have an impact on the financial statements are described below.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and measurement as of 2018. Rikshem is not planning to apply IFRS 9 early. IFRS 9 entails changes to the way financial assets are classified and measured. The recommendation also means a new model for credit reserving which is based on anticipated credit losses instead of incurred losses and changes in the policies for hedge accounting with the objective inter alia of simplifying and increasing consistency with the company's internal risk management strategies.

An evaluation of the effects upon Rikshem's accounting when application of IFRS 9 begins is underway. It has not yet been possible to estimate financial effects; these will begin to crystallise as the implementation project progresses in 2017. The choice of transition method will be made when the analysis of IFRS 9 has reached a phase that provides more complete information.

The new rules for impairment, based on anticipated credit losses are not expected to increase the provision for losses on accounts receivable. When rent receivables are charged in advance, the item accounts receivable is not significant in relation to income and losses on accounts receivable have historically been low. This means the effect of the recognition of anticipated rather than incurred losses is considered at this point to have only minor effects. Assessments in terms of amounts have not yet been completed.

IFRS 9 has resulted in consequential amendments to the disclosure requirements of IFRS 7 Financial Instruments: Disclosures that will affect the information provided. The extent of the effect of these changes on Rikshem is not yet known or estimated.

IFRS 15 Revenue from contracts with customers will replace as of 2018 the existing IFRSs related to revenue recognition, such as IAS 18 Revenue, IAS 11 Construction Contracts, and IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - barter transactions involving advertising services. IFRS 15 is based on recognizing when control of the good or service is transferred to the customer, which differs from the existing basis of the transfer of risks and rewards. IFRS 15 introduces new ways to determine how and when revenue must be recognised, which means new ways of thinking compared how revenue is recognised today.

Rikshem's income consists of rental income and income from the sale of properties. An evaluation of the impact of Rikshem's rental income accounting which seeks to establish a demarcation between rent and service is in progress and will continue throughout 2017. The part that is considered to constitute service will be reported under IFRS 15 and the part considered to be rent will be reported under IFRS 16 Leases. In respect of the part that is considered to constitute service, Rikshem will further analyse rental agreements to clarify the principal versus agent relationship, as income amounts are influenced by whether Rikshem acts as the principal or agent in the re-invoicing to tenants. In summary, because the majority of the proceeds of the rental income will be recognised under IFRS 16 Leases, the preliminary estimation is currently that the transition to IFRS 15 will have a limited effect on Rikshem's rental income accounting.

Revenues from the sale of property are recognised when the risks and benefits are transferred to the buyer, hitherto considered to coincide with date of surrendering possession. IFRS 15 is based on recognizing revenue when control passed to the buyer. In Rikshem's opinion, the adoption of IFRS 15 will not alter the timing of revenue recognition from property sales.

Finally, it is noted that IFRS 15 includes extended disclosure requirements in respect of income, which will expand the content of the notes.

As of 2019, IFRS 16 Leases will replace existing IFRSs related to the reporting of leasing agreements, such as IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. Rikshem has not yet decided whether IFRS 16 will be applied in advanced as of 2018 or if it will be applied as of 2019.

IFRS 16 mainly affects lessees and the central effect is that all leases currently accounted for as operating leases must be accounted for in a way similar to the accounting method for financial leases current at that time. This means that assets and liabilities must also be reported under operating lease agreements with the associated reporting of expenses for amortisation and interest, in contrast to today where no accounting takes place in respect of the leased asset and related liability and where lease payments are amortised linearly as leasing expenses. Because the leases Rikshem has entered into as lessee are very few, see Note 9, the effects of adopting IFRS 16 is currently anticipated to be limited.

Changes to Swedish regulations
Changes to Swedish regulations in 2016 have primarily resulted in a somewhat increased disclosure requirement for Rikshem.

Note 2.3 Summary of significant accounting policies

Consolidated Accounts
Subsidiaries are all those companies in which the Group is exposed to various kinds of risks, or has rights to variable returns from its participation and is able to affect the performance through its influence over the company. This usually results from a shareholding comprising more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group exercises a controlling influence over another entity. Subsidiaries are consolidated as of the date when a controlling influence is achieved and consolidation ceases as of the date when the controlling influence ceases.

A business combination is reported in accordance with the acquisition method. The purchase sum consists of the fair value of the transferred assets, liabilities and issued shares. The purchase sum also includes the fair value of all assets or liabilities resulting from an agreed contingent consideration. Expenses related to acquisitions are expensed as they arise. Identifiable acquired assets and assumed liabilities are measured initially at fair value on the acquisition date. For each acquisition, the Group decides whether the holding without a controlling influence in the acquired company will be reported at fair value, so-called full goodwill, or as the holding's proportional share of the acquired company's net assets.

The amount by which the purchase sum, any holding without a controlling influence and the fair value of earlier shareholdings, exceeds the fair value of the Group's share of the identifiable acquired net assets, is reported as goodwill. If, in the event of a so-called bargain purchase, the amount is less than the fair value of the acquired subsidiary's assets, the difference is recognised directly in the statement of comprehensive income.

Intra-group transactions, balance sheet items and realised and unrealised gains between Group companies are eliminated. The accounting policies in subsidiaries have been changed where applicable to guarantee consistent application of the Group's policies.

Joint ventures
Joint ventures refers to companies in which Rikshem, through collaboration agreements with one or more partners, has a joint controlling influence over the operation. Holdings in joint ventures are accounted for using the equity method. The equity method means that Rikshem's share of a joint venture's earnings is reported as the item 'Earnings from shares in joint ventures' and the participation of equity in joint ventures as the item 'Participations in joint ventures'.

Investment properties
Investment property is held to earn rentals or for capital appreciation or both. All properties owned by Rikshem constitute investment properties. Investment property is recognised at the time of acquisition at cost including expenses directly attributable to the acquisition. After the acquisition, investment properties are reported at fair value; see Note 15 for a description of the valuation model and assumptions underlying the valuation.

Both realised and unrealised changes in fair value are recognised in the statement of comprehensive income as the item ‘Change in fair value of investment properties’. The unrealised changes in value is calculated on the basis of the year-end valuation compared with the valuation at the beginning of the year, or at cost if the property was acquired during the period with respect to the period's investments.

Rental income and income from property sales are reported in accordance with the policies described in the Income section below. Additional expenditures are added to the carrying amount only if it is probable that future economic benefits associated with the asset will accrue to the company. All other additional expenditures are expensed in the periods in which they arise. Repairs and maintenance actions are carried at the time when the expenditure arises. In major projects, interest expenses are capitalised during production where applicable.

Tangible non-currents assets other than investment property
Tangible non-current assets other than investment property are physical assets used in the Group's operation and which have an expected useful life in excess of one year. Tangible non-current assets are measured at cost less depreciation and any impairment charges.

Depreciation is carried out on a straight-line basis over the estimated useful life and begins when the asset is ready for use in the operation. When determining the depreciable amount for property, plant and equipment, any residual value of the asset will not be taken into account when the asset is anticipated to have a useful life that corresponds to its economic life. Additional expenses are added to the carrying amount only if it is probable that future economic benefits associated with the additional expenses will accrue to the company. All other additional expenditures are expensed in the periods in which they arise.

A tangible non-current asset is removed from the balance sheet when disposed of or if it cannot be expected to bring any economic benefits in the future. Gains and losses are calculated as the difference between the selling price and the carrying amount of the asset. Gains and losses are reported in the Statement of comprehensive income in the reporting period during which the asset was disposed of.

The residual value of assets, their useful lives and depreciation methods are reviewed at the end of each financial year and adjusted prospectively as necessary at the end of every accounting period. The usual expenses for maintenance and repairs are expensed as incurred, but expenditures for significant renewals and improvements are reported in the balance sheet and depreciated over the remaining useful lives of the underlying assets.

Depreciation is calculated as follows:	Number of years
Furnishings and equipment	5

Financial instruments
Financial instruments are every type of agreement that gives rise to a financial asset in a company and a financial liability or equity instrument in another company. Financial assets and liabilities are offset and reported as a net amount in the balance sheet only where there is a legal right to offset the reported amounts and it is intended that the items will be settled by a net amount or that the asset will be realised and the liability settled at the same time.

Financial assets
Purchases and sales of financial assets are reported on the transaction date, i.e. the date when the Group commits to purchase or sell the asset. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or is transferred and the Group has transferred all the risks and benefits associated with the rights of ownership.

The Group classifies financial assets in the following categories: financial assets measured at fair value through the income statement, loan receivables and accounts receivable. Classification depends on the purpose for which the financial asset was acquired. Classification on initial recognition is as a financial asset.

Financial assets measured at fair value through profit or loss
The Rikshem Group uses financial derivatives such as interest rate swaps to minimise financial risks. Interest derivatives are valued at fair value through profit or loss as Rikshem does not apply hedge accounting. Unrealised changes in value are recognised in the Statement of comprehensive income as the item Change in value of financial derivative instruments and are specified in Notes 16. Realised changes in value are reported in net financial items.

Loan receivables and accounts receivable
Loan receivables are initially recognised at fair value with the addition of any transaction expenses and are the subject of regular, systematic analysis in order to determine the amount by which the receivable is anticipated to flow in. Loan receivables and accounts receivable are reported after acquisition date at approved cost through the application of the effective interest method. If the loan receivable is assumed to be doubtful, a provision is made for the difference between the carrying amount and the anticipated cash flow. Interest income in respect of loan receivable is included among income from financial items.

Accounts receivable are determined initially at fair value. A provision for doubtful receivables is made when there is objective evidence that the asset's value will not be received. Refer to Note 23.

Financial liabilities
The Group's financial liabilities are divided into two categories: Financial liabilities measured at fair value through profit and loss and financial liabilities measured at approved cost.

Financial liabilities measured at fair value via profit or loss
Rikshem uses interest rate derivatives to reduce financial risks. Interest rate derivatives have been valued in accordance with level 2 of the IFRS valuation hierarchy. See also the description above.

Financial liabilities measured at accrued cost
Liabilities are initially recognised at fair value less transaction expenses. In subsequent periods, the liabilities are measured at accrued cost in accordance with the effective interest method. Rikshem has issued a bond denominated in NOK. The bond is translated at the closing day rate and the exchange rate difference is reported in the income statement.

Combined financial instruments
Convertible debenture loan
In accordance with IAS 39, the convertible debenture loan was reported partly as derivative debt and partly as an interest-bearing liability based on a number of conditions of which the chief is considered to be the lack of a fixed price to determine the number of shares. The derivative portion of the convertible debenture loan was measured as a call option based on the Black-Scholes option valuation model. The assumptions made in the valuation of risk-free interest rate and volatility are based on the conditions that apply for Rikshem and other comparable companies listed on the stock exchange. The convertible debenture loan derivative portion was valued in accordance with IFRS valuation hierarchy level 3.

Borrowing costs
Borrowing costs are interest and other costs that occur when a company borrows money. Borrowing costs that are attributable to the financing of an asset which takes a significant amount of time to complete for its intended use or sale, are capitalised as part of the asset's cost. Other borrowing costs are expensed in the period during which they arise.

Provisions
Provisions are reported when the Group has a current obligation, legal or informal, as a result of past events and when it is likely that a disbursement will be required to fulfil the obligation and when its value can be reliably measured. In cases where the company expects that the provision made will be replaced by an external party, e.g. as part of an insurance contract, the anticipated reimbursement is reported as a separate asset but only when it is virtually certain that reimbursement will be received. Provisions are reviewed at the end of each reporting period.

If the time value is significant, the future payment is calculated at present value. The calculation is made with the aid of a discount rate that takes into account the special risks associated with the commitment. The increase in the commitment is reported as an interest expense.

Contingent liabilities
A contingent liability is a possible commitment resulting from past events and whose existence will only be confirmed by one or more uncertain future events not wholly within the control of the company occurring or not occurring, or an obligation that stems from past events, but which is not recognised as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation or because the size of the commitment can not be measured with sufficient reliability. No accounting is required when the probability of an outflow of resources is remote.

Remuneration to employees
The Group has both defined benefit pension plans and defined contribution pension plans. A defined contribution pension plan is one where the company pays fixed premiums to a separate juridical entity. The Group has no legal or informal liability to pay further contributions if the juridical entity does not have sufficient assets to pay all employee benefits relating to employee service in the current or earlier periods. The Group's contributions to defined contribution pension plans is charged to earnings for the year to which they relate.

A defined benefit pension plan specifies an amount of pension benefit an employee receives after retirement. The defined benefit plan is calculated using the Projected Unit Credit Method (PUCM) and is reported in the balance sheet. In addition to taking into account the pensions and legal rights that are known on closing date, assumptions are also made concerning anticipated increases of pensions and salaries and other significant factors. The calculation is based on actuarial calculation methods. Expenses regarding employee service in the current year and interest expenses are included under profit from management operations.

Revaluation of defined benefits pension plans comprise actuarial gains and losses and actual returns on plan assets and are reported under other comprehensive income in the period during which they arise. Estimated pension costs for previous periods of employee service are determined when a defined-benefit pension plan is adjusted. These adjustments are reported in income from management operations. The total net commitment, viz. the current value of the defined-benefit liability less the fair value of the plan assets in respect of all plans is reported in the consolidated balance sheet after adjustment for any previous expenses not yet periodised.

Termination benefits
Termination benefits are paid when an employee is terminated on the part of the employer or when an employee accepts voluntary retirement in exchange for such benefits. The Group reports severance pay when a commitment occurs.

Leases – Rikshem as the lessee
Financial leases, in which the Group assumes in all material respects all the risks and rewards associated with ownership of the leased item are recognised in the balance sheet at the fair value of the leased property or, if the value is lower, at the present value of future minimum lease payments. Lease payments are reported as financing expenses and amortisation of the liability. Financial lease assets are depreciated over their expected useful life.

Leases where the lessor in principle retains all the risks and rewards of ownership are classified as operating leases. Lease payments are expensed on a straight-line in the Statement of comprehensive income over the lease period. Consideration is given initially to any incentives that were received when signing the lease contract.

Income
Revenue is recognised when it is probable that the economic benefits will accrue to the Group and when revenue can be determined in a reliable manner. The income is reported net of VAT and with deductions for any rebates. The Group's income comprises in all material respects rental income.

Rental income
Rental agreements are classified in their entirety as operating leases. Rental income including surcharges is announced in advance. Rental income from investment property is recognised in the income statement on a straight-line basis over the rental period. Only that part of the rent accruing to the period is recognised as revenue. Rent paid in advance is reported as deferred income.

Income from property sales
Income from property sales is recognised when the risks and benefits are transferred from the seller to the buyer, which coincides with date of surrendering possession. Earnings from the sale of properties are reported as a realised change in value.

Income from financial items
Income from financial items is taken up as income in the period it concerns by applying the effective interest method.

Tax
Tax expense for the year comprises income tax and deferred tax. Tax is reported in the profit for the year except where it refers to items that are reported in other comprehensive income or directly in equity. In such cases the tax is also reported in other comprehensive income and equity.

Current income tax
Current tax assets and liabilities for the current and previous years is set at the amount that is anticipated to be recovered or paid to the National Tax Board. The tax rates and tax laws used to calculate the amount are those in force or announced as of closing date. For 2016 and 2015, the tax rate was 22 per cent. Furthermore, management regularly evaluates the claims made in declarations relating to situations where applicable tax rules are subject to interpretation. When deemed appropriate, provisions are made for the amount that must likely be paid to the National Tax Board.

Deferred tax
Deferred tax is recognised on the closing date in accordance with the balance sheet method for temporary differences between assets and liabilities for tax and accounting purposes. The tax rates and tax laws used to calculate the amount are those in force or announced as of closing date. Deferred tax liabilities in the Rikshem Group refer mainly to differences between estimated fair value and tax -related value of current properties and financial instruments.

Deferred tax assets are recognised for all deductible temporary differences, including tax loss carry forwards, insofar as it is probable that a taxable gain will be available against which the deductible temporary differences can be used. The valuation of deferred tax assets is assessed at each closing date and adjusted to the extent that it is no longer probable that sufficient profits will be generated, so that all or part of the deferred tax asset can be used.

When acquiring a company, an assessment is made as to whether the acquisition refers to the acquisition of a business or an asset (a property). The acquisition of a company means that it concerns the purchase of a company with properties and including the takeover of staff and processes. When acquiring a company, deferred tax is reported at a nominal amount on temporary differences. In cases where the acquisition of an asset takes place, no deferred tax is reported on the acquisition.

Deferred tax assets and deferred tax liabilities are offset.

Share capital
Transaction costs directly attributable to the issue of new common shares are reported, net of tax, in equity as a deduction from the proceeds.

Reporting cash flow
Liquid assets consist of cash and cash equivalents, balances available with banks and other liquid investments with a maturity of less than three months that are exposed to insignificant value fluctuations. Cash flow from operating activities is reported in accordance with the indirect method.

Events after the closing date
Events after the closing date, and which confirm the terms and conditions in force at closing date are taken into account in the valuation of assets and liabilities.

Parent company accounting policies

Applied rules and regulations
The parent company applies the Swedish Annual Accounts Act (ÅRL) and RFR 2, published by the Swedish Financial Reporting Board.

Deviations from the policies between the parent company and the Group depend on restrictions to fully applying IFRS in the parent company due to the Annual Accounts Act and the connection between accounting and taxation. The deviations are presented below

Financial instruments
Due to the connection between accounting and taxation, the rules on financial instruments are not applied according to IAS 39 in the parent company as a legal entity; instead the parent company applies the cost method in compliance with the Annual Accounts Act. In the parent company, financial assets are thus measured at cost less any impairment and financial current assets are measured at the lower of cost or market.

Financial instruments are measured in the parent company in accordance with the Swedish Annual Accounts Act on a cost basis. However, the convertible debenture loan and its associated derivative portion are handled in the same manner in the parent company and consolidated accounts.

Participations in Group companies
Shares in subsidiaries are reported using the cost method. This means that transaction costs are included in the carrying amount of holdings in subsidiaries.

Group contributions and shareholders' contributions
The parent company reports group contributions received and paid, against equity.

Shareholders' contributions paid by the parent company are transferred directly to the recipient's equity and reported as shares and participations with the parent company, to the extent that amortisations are not required. Shareholders' contributions received are reported as an increase in non-restricted equity.

Pensions
The parent company reports pensions under Swedish Pension Obligations Vesting Act rules since this is a condition of tax deductibility.

Note 2.4 Significant accounting judgements, estimations and assumptions

When the Board of Directors and CEO prepare financial statements in accordance with applicable accounting policies, certain assumptions must be made that affect the carrying amounts of assets, liabilities, income and expenses. The areas where such estimations and assumptions are of greatest importance for the group and which could impact comprehensive income and the financial position were they to change are described below:

Valuation of investment properties
In the valuation of investment properties, estimations and assumptions may affect the Group's economic performance and financial position. The evaluation requires assessments and assumptions about the future cash flow and determination of the capitalization rate (required rates of return and cost of capital). In order to reflect the uncertainty inherent in assumptions and estimations made in a property valuation, a so-called valuation range of +/- 5 to 10 per cent is usually specified. Information about this and the assumptions and estimations made is presented in Note 15.

Judgements when applying accounting policies
In the process of applying the Group's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it reports in the financial statements.

Classification of acquisitions
A judgement must be made as to whether an acquisition is a business combination or an asset acquisition. A business comprises resources and processes that can result in production. A judgement is made in the acquisition of companies as to what the acquisition is based on including inter alia, the following criteria: the presence of employees, the company's assets and the complexity of internal processes. Furthermore, the number of operations and the existence of agreements are various degrees of complexity are also considered. A high incidence of these criterion means that the acquisition is classified as a business combination and low incidence as an asset acquisition. Rikshem's assessment of all acquisitions made during the year mean that the transactions have been classified as asset acquisitions.

When the acquisition of subsidiaries entails the acquisition of assets that do not constitute a business, the cost of the individual assets and liabilities are allocated based on their fair value at the time of acquisition. Had the assessment instead resulted in the classification as a business combination, it will have meant that the initial reported property value would have been higher as would deferred tax liabilities and probably also goodwill.

Note 3 Financial instruments and risk management

The Group's financial liabilities are convertible bank and capital market loans and interest derivatives and certain operating liabilities such as trade accounts payable. The Group's financial assets are cash and cash equivalents, accounts receivable, accrued rental income and current and non-current receivables.

The financial risks that the financial liabilities give rise to can be broken down into liquidity and refinancing risks, credit risks and interest rate risks. Liquidity and refinancing risk refers to the risk that financing is not available when required or only available at significantly higher expense than before and that payment commitments cannot be met as a result of insufficient liquidity. Credit risk refers to the risk that the counterparty may not be able to fulfil its obligation and thus cause Rikshem a financial loss. Interest rate risk refers to the risk that the future cash flows from a financial instrument fluctuate due to changes in market interest rates, in Rikshem's case that interest expenses increase substantially.

The company constantly seeks to have numerous financial sources available in order to manage liquidity and refinancing risk. In order to ensure access to finance, the company mortgages property assets to a maximum of 70 per cent of fair value. Moreover, the company manages liquidity and refinancing risk by only investing in low risk properties such as residential properties and properties for public use. To manage interest rate risk, the company seeks to ensure interest coverage ratio always exceeds 1.75.

Financial key ratios	*31/12/2016*	*31/12/2015*
Loan-to-value ratio, per cent	62	66
Average interest rate, per cent	1.5	1.6
Fixed-interest terms, years	2.6	2.4
Interest coverage ratio, times	3.8	3.6
Equity/assets ratio	33	30

The financial risk that the financial assets give rise to is credit risk where the counterparty may not be able to fulfil its obligation and thus cause Rikshem a financial loss. As of closing date, Rikshem had non-current receivables with a total net carrying amount of SEK 230 808, of which 91 percent is secured against pledged shares, which limits the credit risk. The credit risk on rent receivables is managed by conducting credit reports on new tenants. On closing date, Rikshem had Accounts Receivable amounting to SEK 16,966 thousand. For further information about accounts receivables, see Note 23. The credit quality of accounts receivable that are not past due or impaired is considered to be good.

Rikshem is not exposed to any currency risk.

Liquidity and refinancing risk

The company has raised secured bank loans with four Nordic banks. The bank loans have 3 month STIBOR as the interest rate base. In addition, the company has raised capital market loans by issuing commercial papers and bonds. The commercial papers have a maturity of less than one year and the bonds have a maturity of more than one year. The interest rates for commercial papers is determined on the issue date. The interest rate of the bonds is based on 3-month STIBOR.

The company has a liquidity and refinancing risk when each loan falls due. The majority of the company's loans are due within 12 months; see table below. The liquidity and refinancing risks the maturity profile gives rise to is managed primarily through the backup facilities and unutilised portions of overdraft facilities totalling SEK 3.9 billion that the company has with two banks and the backup facility and subscription commitment for commercial papers from the owners of AMF Pensionsförsäkring AB and the Fourth Swedish National Pension Fund (AP4) totalling SEK 10

Maturity analysis, interest bearing liabilities

Year	Accrued cost	Nominal amount	Future interest payments under current contracts at closing date	Of which payments, interest derivatives
2017	10,953,298,357	10,954,353,089	332,041,354	265,035,579
2018	4,941,262,809	4,941,300,000	312,633,321	208,491,088
2019	2,398,749,176	2,400,000,000	205,736,402	100,901,577
2020	1,494,508,788	1,492,460,000	109,026,502	23,230,777
2021	2,410,476,110	2,412,800,000	72,872,638	5,549,251
2022	499,265,250	500,000,000	-8,440,526	-16,162,897
2023			-5,511,953	-9,537,871
2024			4,025,918	
2025			4,025,918	
2026	724,757,303	720,200,000	4,025,918	
	23,422,317,793	**23,421,113,089**	**1,030,435,492**	**577,507,504**

Maturity analysis, interest derivatives

Year	Interest, payable	Interest, receivable
2017	265,035,579	–
2018	208,694,478	203.389
2019	131,721,299	30,819,721
2020	84,466,549	61,235,772
2021	70,039,771	64,490,520
2022	33,197,764	49,360,661
2023	7,128,819	16,666,690
	800,284,259	**222,776,753**

Interest rate risk

Most of the company's fixed interest group loans in respect of external financing fall due within six months.

Remaining fixed interest terms	Accrued cost	Nominal amount
0-6 months	21,478,841,004	21,478,653,089
6-12 months	342,404,982	342,460,000
More than 12 months	1,601,071,807	1,600,000,000
Total	**23,422,317,793**	**23,421,113,089**

The interest rate risk that the company's fixed interest term profile gives rise to is managed primarily through a number of interest rate swaps the company has signed with three Nordic banks with A+ credit ratings. Interest rate swaps are signed with ISDA documentation and in all interest rate swaps the company obtains 3 months STIBOR and pays a fixed interest rate to the counterparties

Due date	**Nominal amount, SEK billion**	**Average interest, per cent**	**Market value, SEK million**
2018	1.5	3.2	-84
2019	6.0	1.0	-203
2020	2.0	0.5	-40
2021	2.3	1.6	-175
2022	2.0	1.2	-93
2023	1.0	0.5	1
Total	**14.8**	**1.3**	**-594**

Interest bearing liabilities

	Fixed-interest term			**Capital tied up**	
Year	**SEK million**	**interest, %**	**share, %**	**SEK million**	**share, %**
0-1	7,021	2.2	30	10,953	47
1-2	1,850	2.6	8	4,941	21
2-3	6,000	1.0	26	2,399	10
3-4	2,453	0.7	10	1,495	7
4-5	2,949	1.7	13	2,410	10
5-	3,149	0.8	13	1,224	5
Total	**23,422**	**1.5**	**100**	**23,422**	**100**

Sensitivity analysis

If the average interest rate changes by +/- 1 per cent, interest expense changes by +/- SEK 234 million.
OM STIBOR 3M changes by +1 per cent, interest expense falls by SEK 15 million.

Classification of financial instruments

Group	Loan receivables and account receivables	Financial assets/liabilities reported at fair value	Financial liabilities valued at accrued cost	Total reported value	Fair value
31/12/2016					
Assets					
Accounts receivable	16,966			16,966	16,966
Other receivables	261,146			261,146	261,146
Derivative instruments		39,210		39,210	39,210
Other non-current receivables	230,808			230,808	230,808
Prepaid expenses and accrued income	49,073			49,073	49,073
Cash and cash equivalents	320,073			320,073	320,073
Total assets	**878,066**	**39,210**		**917,276**	**917,276**
Liabilities					
Liabilities to credit institutions			5,582,292	5,582,292	5,595,944
Bond loan			11,707,782	11,707,782	11,777,372
Commercial papers			6,089,784	6,089,784	6,090,897
Liabilities to parent company			140,006	140,006	140,006
Derivative instruments		620,911		620,911	620,911
Convertible debenture loans			42,460	42,460	42,460
Trade accounts payable			68,827	68,827	68,827
Other current liabilities			240,461	240,461	240,461
Accrued expenses and deferred income			173,185	173,185	173,185
Total liabilities		**620,911**	**24,044,797**	**24,665,708**	**24,750,063**
31/12/2015					
Assets					
Accounts receivable	7,906			7,906	7,906
Receivables from Group companies	547,629			547,629	547,629
Other receivables	71,983			71,983	71,983
Derivative instruments		7,702		7,702	7,702
Other non-current receivables	123,864			123,864	120,525
Prepaid expenses and accrued income	48,548			48,548	48,548
Cash and cash equivalents	94,336			94,336	94,336
Total assets	**894,266**	**7,702**		**901,968**	**898,629**
Liabilities					
Liabilities to credit institutions			6,812,753	6,812,753	6,814,586
Bond loan			8,174,676	8,174,676	8,122,598
Commercial papers			6,044,588	6,044,588	6,044,692
Derivative instruments		513,781		513,781	513,781
Convertible debenture loans			41,780	41,780	41,780
Trade accounts payable			77,029	77,029	77,029
Other current liabilities			196,564	196,564	196,564
Accrued expenses and deferred income			244,014	244,014	244,014
Total liabilities		**513,781**	**21,591,404**	**22,105,185**	**22,055,044**

Non-current receivables

The fair value calculation of non-current receivables is performed in compliance with level 3 in the valuation hierarchy.

Interest derivatives

Interest rate derivatives are measured at fair value by discounting expected future cash flows under a contract's terms and due dates on the basis of market interest rate/observable yield curve. Interest rate derivatives are found in level 2 in the valuation hierarchy. For further information about derivatives linked to the convertible debenture loan, see Note 27.

Interest bearing liabilities

For information, the fair value of interest-bearing liabilities is calculated by discounting future cash flows of the principal and interest rate discounted to the current market rate. This has been done in accordance with level 3 in the valuation hierarchy. For further information about the convertible debenture loan, see Note 27.

Current receivables and liabilities

The carrying amounts of current receivables and liabilities such as accounts receivable and trade accounts payable are considered to be a reasonable estimate of fair value.

Parent company	Loan receivables and account receivables	Financial assets/liabilities reported at fair value	Financial liabilities valued at accrued cost	Total reported value	Fair value
31/12/2016					
Assets					
Accounts receivable	90			90	90
Receivables from Group companies	24,739,146			24,739,146	24,739,146
Other receivables	69,394			69,394	69,394
Other non-current receivables	169,875			169,875	169,875
Prepaid expenses and accrued income	40,856			40,856	40,856
Cash and cash equivalents	319,934			319,934	319,934
Total assets	**25,339,295**			**25,339,295**	**25,339,295**
Liabilities					
Liabilities to credit institutions			1,800,900	1,800,900	1,800,406
Commercial papers			6,089,784	6,089,784	6,090,897
Bond loan			11,707,782	11,707,782	11,777,372
Convertible debenture loans			42,460	42,460	42,460
Derivative instruments		26,125		26,125	26,125
Liabilities to group companies			–	–	–
Trade accounts payable			1,793	1,793	1,793
Other current liabilities			214,176	214,176	214,176
Accrued expenses and deferred income			93,387	93,387	93,387
Total liabilities		**26,125**	**19,950,282**	**19,976,407**	**20,046,616**
31/12/2015					
Assets					
Accounts receivable	128			128	128
Receivables from Group companies	22,533,940			22,533,940	22,533,940
Other receivables	80,147			80,147	80,147
Other non-current receivables	38,000			38,000	37,640
Prepaid expenses and accrued income	40,341			40,341	40,341
Cash and cash equivalents	91,033			91,033	91,033
Total assets	**22,783,589**			**22,783,589**	**22,783,229**
Liabilities					
Liabilities to credit institutions			3,752,030	3,752,030	3,753,412
Commercial papers			6,044,588	6,044,588	6,044,692
Bond loan			8,174,676	8,174,676	8,122,598
Convertible debenture loans			41,780	41,780	41,780
Derivative instruments		13,920		13,920	13,920
Liabilities to group companies			–	–	–
Trade accounts payable			6,658	6,658	6,658
Other current liabilities			286,854	286,854	286,854
Accrued expenses and deferred income			86,029	86,029	86,029
Total liabilities		**13,920**	**18,392,615**	**18,406,535**	**18,355,943**

Note 4 Operating income and expenses

Parent company

Operating income refers to SEK 158,826 thousand (121,920) in sales of administrative services to subsidiaries, which corresponds to 99 per cent (99) of sales. Operating expenses refers to SEK 8,356 thousand (5,789) in purchases from subsidiaries, which corresponds to 9 per cent of total purchases (6).

Note 5 Rental income

Group

All rental agreements are classified as operating leases. The rental agreement maturity structure is presented in the table below. Housing and parking space agreements, which usually run with a three-month period of notice, are not included in the table.

Annual rent, SEK thousands	*2016*	*2015*
Maturing within 1-5 years	327,887	294,512
Maturing within 6-10 years	128,205	112,980
Maturing within 11-15 years	216,024	191,891
Maturing within 16-20 years	151,567	195,910
Maturing within 21-25 years	32,743	8,904
Maturing later than 26 years	9,959	6,110
	866,385	**810,307**

The average term of the rental agreements in the table above was 9.3 years for 2016 and 9.4 years for 2015. The average term of equivalent rental agreements in solely community buildings was 10.3 years for 2016 and 10.5 years for 2015.

Note 6 Segment reporting, consolidated

Group

Rikshem's breakdown into segments consists of assets of the types resiidential properties and properties for public use. This breakdown corresponds to the internal reporting structure. The distribution of earnings is made in respect of income statement items included in net operating income and changes in value. No division is made in respect of the remaining income statement items as these are consolidated. Investment properties are split between their respective segments in the balance sheet items. Other assets, liabilities and equity are considered to be consolidated and are thus not distributed.

	Residential properties		*Community buildings*		*Total*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*
Rental income	**1,739,977**	**1,366,043**	**743,588**	**673,452**	**2,483,565**	**2,039,495**
Operating expenses	-517,434	-419,533	-161,229	-147,497	-678,663	-567,030
Maintenance	-160,050	-108,151	-52,955	-38,912	-213,005	-147,063
Administration	-104,648	-77,977	-32,126	-28,614	-136,774	-106,591
Property tax	-32,630	-25,124	-2,050	-1,845	-34,680	-26,969
Total property expenses	**-814,762**	**-630,785**	**-248,360**	**-216,868**	**-1,063,122**	**-847,653**
Net operating income	**925,215**	**735,258**	**495,228**	**456,584**	**1,420,443**	**1,191,842**
Change in value of investment properties	1,557,853	1,277,618	403,951	578,014	1,961,804	1,855,632
Total return	**2,483,068**	**2,012,876**	**899,179**	**1,034,598**	**3,382,247**	**3,047,474**

All income relates to Sweden. No single tenant accounted for 10 per cent or more of income during 2015 and 2016.

	By segment		*Unallocated items*		*Total*	
Income statement	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*
Net operating income	1,420,443	1,191,842	-	-	1,420,443	1,191,842
Central administration	-	-	-76,139	-89,952	-76,139	-89,952
Interest income and similar items	-	-	12,435	7,223	12,435	7,223
Interest expenses and similar items	-	-	-353,363	-533,465	-353,363	-533,465
Earnings from joint ventures	-	-	204,879	4,269	204,879	4,269
Change in value of properties	1,961,804	1,855,632	-	-	1,961,804	1,855,632
Change in value of derivatives	-	-	-75,622	74,609	-75,622	74,609
Foreign exchange effects on financial liabilities	-		-39,200	-	-39,200	-
Profit before income tax	**3,382,247**	**3,047,474**	**-327,010**	**-537,316**	**3,055,237**	**2,510,158**

	Residential properties		*Community buildings*		*Total*	
Balance sheet	*2016*	*2015*	*2016*	*2015*	*2016*	*2015*
Investment properties*	26,906,309	21,619,233	10,971,400	10,389,510	37,877,709	32,008,743
** of which investments for the year*	*1,430,710*	*1,277,618*	*418,231*	*578,014*	*1,848,941*	*1,855,632*

All assets are located in Sweden. For further information about investments, acquisitions and sales, see Note 15.

Note 7 Auditors' fees and reimbursements

	01/01/2016 -31/12/2016	*01/01/2015 -31/12/2015*
Group/Parent Company		
Ernst & Young AB		
Audit assignment	2,879	2,728
Other auditing activities	287	342
Tax advice	–	51
Other services	–	18
Total	**3,166**	**3,139**

Auditing assignments are defined as the examination of the annual accounts and accounting records, as well as of the administration of the Board of Directors and the Chief Executive Officer, other duties that the company's auditors are obliged to conduct, and counselling and other assistance required by observations made during such examinations or during the performance of such other duties. As appropriate, and in addition to the audit assignment, fees are split among the items auditing activities other than the audit assignment, tax advice and other services.

Note 8 Number of employees, salaries, fees and benefits to the Board of Directors and other senior executives

			01/01/2016 -31/12/2016			01/01/2015 -31/12/2015
Average number of employees						
Group	*Women*	*Men*	*Total*	*Women*	*Men*	*Total*
Sweden	76	104	180	56	91	147
Parent company	*Women*	*Men*	*Total*	*Women*	*Men*	*Total*
Sweden	74	92	166	54	80	134

Gender allocation in company management			*31/12/2016*			*31/12/2015*
	Women	*Men*	*Total*	*Women*	*Men*	*Total*
Parent company						
Board of Directors	4	2	6	2	4	6
Other senior executives	3	5	8	2	4	6
Group						
	Women	*Men*	*Total*	*Women*	*Men*	*Total*
Board of Directors	4	7	11	2	7	9
Other senior executives	3	5	8	2	4	6

Wages and salaries, other remuneration and social security costs	*01/01/2016 -31/12/2016*		*01/01/2015 -31/12/2015*	
	Salaries, fees and benefits	*Pensions*	*Salaries, fees and benefits*	*Pensions*
Group				
Chairman of the Board, Mats Mared (1 Jan - 11 Mar 2016)	97	–	500	–
Chairman of the Board, Svante Johansson (12 Mar - 31 Aug 2016)	238	–	–	–
Chairman of the Board, Bo Magnusson (1 Sep - 31 Dec 2016)	179	–	–	–
Total, Chairman of the Board	**514**	**–**	**500**	**–**
Board member, Lena Boberg (1 Sep - 31 Dec 2016)	67	–	–	–
Board member, Liselotte Hjorth (1 Sep - 31 Dec 2016)	82	–	–	–
Board member, Per-Gunnar Persson (1 Sep - 31 Dec 2016)	77	–	–	–
Total, other board members	**226**	**–**	**–**	**–**
Former Managing Director, 1 Jan - 11 Mar 2016		662		714
Basic salary and severance pay	5,901		3,347	
Benefits	29		55	
Pro tem Managing Director, 12 Mar - 31 Oct 2016		877		–
Basic salary	2,125		–	
Benefits	39		–	
Managing Director, 1 Nov - 31 Dec 2016		182		–
Basic salary	605		–	
Benefits	5		–	
Former Deputy managing director		327		600
Basic salary	1,001		1,985	
Benefits	13		23	
Others senior executives, 7 (4)		1,340		1,981
Basic salary	6,080		5,718	
Benefits	63		79	
Performance pay	1,533		1,838	
Other employees		13,449		9,041
Basic salary	72,016		62,461	
Benefits	1,121		788	
Performance pay	9,162		9,912	
Total	100,433	16,837	87,206	12,336
Social Security charges, including pension costs	48,342		42,757	
Total salaries, other compensation and social security charges	**148,775**		**129,963**	

	01/01/2016 -31/12/2016 Salaries, fees and benefits	Pensions	01/01/2015 -31/12/2015 Salaries, fees and benefits	Pensions
Parent company				
Chairman of the Board, Mats Mared (1 Jan - 11 Mar 2016)	97	–	500	–
Chairman of the Board, Svante Johansson (12 Mar - 31 Aug 2016)	238	–	–	–
Chairman of the Board, Bo Magnusson (1 Sep - 31 Dec 2016)	179	–	–	–
Total, Chairman of the Board	**514**	**–**	**500**	**–**
Board member, Lena Boberg (1 Sep - 31 Dec 2016)	67	–	–	–
Board member, Liselotte Hjorth (1 Sep - 31 Dec 2016)	82	–	–	–
Board member, Per-Gunnar Persson (1 Sep - 31 Dec 2016)	77	–	–	–
Total, other board members	**226**	**–**	**–**	**–**
Former Managing Director, 1 Jan - 11 Mar 2016		662		714
Basic salary and severance pay	5,901		3,347	
Benefits	29		55	
Pro tem Managing Director, 12 Mar - 31 Oct 2016		877		–
Basic salary	2,125		–	
Benefits	39		–	
Managing Director, 1 Nov - 31 Dec 2016		182		–
Basic salary	605		–	
Benefits	5		–	
Former Deputy managing director		327		600
Basic salary	1,001		1,985	
Benefits	13		23	
Others senior executives, 6 (4)		1,154		1,784
Basic salary	5,381		5,718	
Benefits	47		79	
Performance pay	1,033		1,838	
Other employees		11,886		8,400
Basic salary	64,971		56,646	
Benefits	846		507	
Performance pay	8,591		8,926	
Total	91,327	15,088	80,124	11,498
Social Security charges, including pension costs	43,777		38,832	
Total salaries, other compensation and social security charges	**135,104**		**118,956**	

Board of Directors

According to a resolution by the Annual General Meeting (AGM), annual compensation in the amount of SEK 500 thousand will be paid to the Chairman of the Board. At an extraordinary shareholders' meeting on 1 September 2016, it was resolved that fees would be paid to board members who are not employees of AP4 or AMF in the amount of SEK 175 thousand. At a board meeting in conjunction with the extraordinary general meeting, the board resolved that an annual fee for service in the investment committee established 11 March 2016 will be paid in the amount of SEK 50 thousand to the chairman and SEK 25 thousand to the members. At the board meeting of 26 September 2016, the board resolved to establish an audit committee and a remunerations committee and that fees be paid for the work within these two committees. A fee of SEK 50 thousand and SEK 25 thousand will be paid to the chairman and members respectively for work in the audit committee, and fees of SEK 20 thousand and SEK 10 thousand will be paid to the chairman and members respectively for work in the remunerations committee. No fees are payable for committee work for members employed by AP4 or AMF. In 2016, fees totalling SEK 514 thousand were paid to the Chairman of the Board and a total of SEK 226 thousand to the other members. In the course of the year, the position of Chairman of the Board was held by three people.

CEO and Deputy CEO

Remuneration and benefits

Remuneration and benefits for the CEO are determined by the board. The remuneration comprises a basic salary, and no variable remuneration was paid in 2016. Benefits refers chiefly to company vehicles. In the course of the year, the position of CEO was held by three people.

Agreement on severance pay

The company and the CEO are subject to a mutual 12-month period of notice. In accordance with the employment contract, severance pay amounting to 12 months' salary will be paid to the CEO in the case of termination by the company. Deductions to severance pay and salary in lieu of notice will be made in respect of other incomes. No severance pay will be paid in the case of termination by the employee.

Pensions

The pensionable age for the CEO is 65 years. Pension benefits for the CEO amount to 30 per cent of fixed gross salary.

Cessation of the Deputy CEO's employment

The Deputy CEO's employment was terminated during the year. Salary and benefits were paid during a period of notice of six months in the amount of SEK 1 million.

Cessation of the CEO's employment

Jan-Erik Höjvall was dismissed in March 2016. Salary in lieu of notice was paid for six months after which severance pay is paid for 12 months with any deductions made under the employment contract. In all, the compensation amounts to SEK 5.1 million. Earnings for the year have been charged in full with these expenses.

Other senior executives
Other senior executives include the seven officials (four), Head of Administration, CFO, Senior Legal Advisor, Head of Transactions, Head of Projects and Property Development, Head of HR and Head of PR. Remuneration to other senior executives consists of a basic salary and a variable performance-related component based on the Group's return on equity. The requirement for full pay-out is for the Group's return on equity to exceed 20 per cent. Performance-related remuneration may not exceed four or six months' salary. Payment is spread across the following three years on the condition that employment continue. There is one senior executive who is exempt from this variable remuneration. The variable compensation is pensionable. Benefits refers chiefly to company vehicles. Salaries for other senior executives are not fully comparable between the years as the number of senior executives was gradually changed in 2016 and the Head of Administration also served for a while as pro tem CEO during 2016.

Pensions
Retirement age is 65 years for all except one, who has the right to retire from the age of 61. Pension benefits for other senior executives follow the collectively agreed defined contribution plans; some have supplementary premiums up to a maximum of 30 per cent of gross salary.

Agreement on severance pay
The period of notice on the part of the company varies between three to six months. Upon termination by the company, severance pay may according to individual agreement be paid for up to twelve months with deductions made for other incomes.

Other employees
Remuneration for other employees consists of a basic salary and a variable performance-related component. The performance-related remuneration for seven (ten) key personnel is based on the Group's return on equity. The requirement for full pay-out is for the Group's return on equity to exceed 20 per cent. Performance-related remuneration may not exceed four to six months' salary. Payment is spread across the following three years on the condition that employment continue. The variable compensation is pensionable. Benefits refers to company vehicle benefits.

Performance-related remuneration for other employees is based on the total return of properties and on certain individual factors. The requirement for full pay-out is for the average real total return for 2015 and 2016 to exceed 7 per cent. Performance-related remuneration may not exceed two months' salary, however not more than SEK 70,000. The performance-related compensation is pensionable. Benefits refers to company vehicle benefits.

Note 9 Operational leases – Rikshem as the lessee

	01/01/2016 -31/12/2016	*01/01/2015 -31/12/2015*
Group		
Maturing within 1 year	-7,245	-3,148
Maturing within 2-5 years	-21,081	-10,697
Maturing later than 5 years	-36,619	-29,162
	-64,945	**-43,007**
Parent company		
Maturing within 1 year	-4,811	-2,533
Maturing within 2-5 years	-11,764	-7,893
Maturing later than 5 years	-1,527	-1,335
	-18,102	**-11,761**

Future lease payments refer to agreements concerning leasehold fees, cars and rental agreements with an external landlord.

Note 10 Amortisation of property, plant and equipment

	01/01/2016 -31/12/2016	*01/01/2015 -31/12/2015*
Group		
Inventories, tools and installations	-2,960	-3,012
	-2,960	**-3,012**
Parent company		
Inventories, tools and installations	-2,827	-2,858
	-2,827	**-2,858**

Note 11 Earnings from participations in Group companies

	01/01/2016 -31/12/2016	*01/01/2015 -31/12/2015*
Parent company		
Earnings from participations in limited partnerships	348,015	119,046
Impairment of shares in subsidiaries	-114	–
Loss on sales of participations in subsidiaries	–	-15
	347,901	**119,031**

Note 12 Earnings from shares in joint ventures

	01/01/2016 -31/12/2016	*01/01/2015 -31/12/2015*
Group		
Loss on sales of participations in joint ventures	-9,402	–
Participation in associated company's earnings	214,281	4,269
	204,879	**4,269**

For further information about each of the participations in joint ventures, see Note 20.

Note 13 Interest income and similar income statement items

	01/01/2016 -31/12/2016	*01/01/2015 -31/12/2015*
Group		
Interest income, Group companies	5,160	–
Interest income, associated companies	3,360	–
Interest income, external	3,701	6,314
Other income from financial items	214	909
	12,435	**7,223**
Parent company		
Interest income, Group companies	438,141	553,077
Interest income, external	4,575	452
Other income from financial items	–	893
	442,716	**554,422**

Note 14 Interest expenses and similar income statement items

	01/01/2016 -31/12/2016	*01/01/2015 -31/12/2015*
Group		
Interest expenses, shareholder loan	–	-230,344
Interest expenses, external	-332,591	-297,563
Interest expenses, associated companies	-2,284	–
Other financial expenses	-18,488	-5,558
	-353,363	**-533,465**
Parent company		
Interest expenses, Group companies	-23,651	-274,079
Interest expenses, external	-343,317	-290,789
Other financial expenses	-17,527	-5,364
	-384,495	**-570,232**

Note 15 Fair value, investment properties

Group

Changes in the property holding for the year

The fair value of investment properties increased to SEK 37,878 million (32,009), which corresponds to SEK 17,362 per square metre (16,207). The higher value is partly due to Investments in existing properties and the purchase of properties and an increase in the value of properties. In all, the increase in value amounted to SEK 1,962 million (1,856), equivalent to a growth of 6.1 per cent (7.4). The increase in value reflects the change that has taken place in the properties' cash flows and capitalization rate.

Investments for the year in existing properties amounted to SEK 1,848 million (1,680) of which SEK 1,044 million refers to conversions and renovations and SEK 659 million relates to rental apartment and housing cooperative new builds. Other investments amounted to SEK 145 million of which SEK 68 million was related to energy investments and SEK 62 million to progress new detailed development plans and development rights. During the year, properties were purchased in Haparanda, Kalmar, Malmö, Sigtuna, Solna, Umeå, Uppsala and Östersund for a total of SEK 3,550 million (3,907). The purchases added a total of 3,497 apartments and a lettable area of 265,000 square metres to the property holding. Properties totalling SEK 1,492 million (594) were sold, which exceeds the fair value at the beginning of the year and investments for the year by 4.0 per cent.

Group	*31/12/2016*	*31/12/2015*
Carrying amount at beginning of year	32,008,742	25,160,119
Investments	1,848,941	1,680,273
Purchase	3,549,684	3,906,489
Change in value	1,961,804	1,855,632
Sales	-1,491,462	-593,770
	37,877,709	**32,008,743**

Contractual liabilities

The Group has contractual liabilities as yet not reported in the balance sheet. These liabilities refer to the purchase of properties and investments in existing properties to complete initiated new builds and renovations.

	31/12/2016	*31/12/2015*
Purchase	1,305,105	2,091,700
New production	513,260	488,016
Conversions	631,910	430,393
	2,450,275	**3,010,109**

Property valuations

In accordance with the company's valuation policy, the fair value of investment properties is determined through internal valuations. In the evaluation model, fair value is calculated based on generally accepted valuation principles and the analysis of each property's earning capacity and the market's capitalization rate. As a general rule, the analysis period covers 10 years. In the case of community buildings rented to municipalities on long rental agreements, the analysis period corresponds to the remaining contract term. Rental income is based on the existing rental agreement and existing rent levels. Agreed future changes to the rental agreement term, rent levels etc. are taken into account. Property expenses are based on estimated expenses for each individual property. Assumptions regarding cost of capital and required yield are checked at yearly and half-yearly valuations by external assessors. Fair value has thus been assessed according to IFRS 13 nivå 3.

Renovation projects and new builds, extensions and alterations were valued similarly, less the remaining investment cost. The value of development rights is based on the future field of application and local price analyses.

Fair value is based on the following assumptions in respect of rent levels and capitalization rates.

Rent in SEK/sq m	**Property type**	**min**	**funds**	**max**
	Residential properties	618	1,104	2,678
	Community properties - residential	550	1,256	2,538
	Community properties - schools	729	1,392	2,071
	Premises	452	1,052	3,965
	Mean		**1,147**	

Capitalization rate	**Property type**	**min**	**funds**	**max**
	Residential properties	2.70%	4.20%	7.00%
	Community properties - residential	4.25%	5.13%	7.50%
	Community properties - schools	5.25%	5.73%	7.00%
	Premises	4.25%	5.65%	7.50%
	Mean		**4.53%**	

Overall fair value has been estimated to SEK 37,878 million (32,009), equivalent to SEK 17,362 per square metre. Of the total value, SEK 1,076 million refers to development rights which on average have been valued to SEK 2,506 per square metre. The average capitalization rate is 4.53 per cent, which is a reduction of 0.21 percentage points in comparison with the average capitalization rate at the beginning of the year.

Fair value per property type	**2016-12-31**	**2015-12-31**
Residential properties	26,357,509	21,173,393
Community properties - residential	8,148,000	7,672,820
Community properties - schools	2,530,900	2,478,070
Premises	841,300	684,460
Total	**37,877,709**	**32,008,743**

Sensitivity analysis

Property values are based on, inter alia, assumptions about future use, earning capacity and the market's capitalization rate. The valuation range of +/- 5 per cent specified for property valuation reflects the uncertainty inherent in assumptions and estimations made. In the case of Rikshem, this uncertainty range of +/-5 per cent is equivalent to +/- SEK 1,894 million.

A change of +/-0.25 percentage points in the average capitalization rate of 4.53 per cent will entail a value change of SEK -1,935 million or SEK +2,177 million respectively. If the average net operating income of SEK 805 per square metre changes by +/-1 per cent, fair value will change by +/- SEK 369 million.

The table below shows how value is affected by a change in certain key valuation parameters. The table provides a simplified picture as a single parameter will probably not change in isolation.

Change in capitalization rate	**+0.25**	**-0.25**
Residential properties	-1,483	1,679
Community properties - residential	-338	373
Community properties - schools	-88	96
Premises	-26	29
Total	**-1,935**	**2,177**

Change in average net operating surplus	**+1.0%**	**-1.0%**
Residential properties	264	-264
Community properties - residential	76	-76
Community properties - schools	23	-23
Premises	6	-6
Total	**369**	**-369**

External valuation

To ensure accurate valuations, Newsec and Cushman & Wakefield have together valued 561 properties, equivalent to 99.5 per cent of the property holding in terms of value. Rikshem's valuation of these properties amounted to SEK 37,687 million, while the external valuation together totaled SEK 37,809 million, which corresponds to a deviation of SEK 122 million or 0.3 per cent. The deviation between the internal and the external assessed values fit well within the uncertainty range of +/-5%.

Note 16 Change in value of financial derivative instruments

	01/01/2016 -31/12/2016	*01/01/2015 -31/12/2015*
Group		
Unrealised changes in value, derivatives	-63,417	82,139
Unrealised change in value, derivatives linked to convertible	-12,205	-7,530
	-75,622	**74,609**

	01/01/2016 -31/12/2016	*01/01/2015 -31/12/2015*
Parent company		
Unrealised change in value, derivatives linked to convertible	-12,205	-7,530
	-12,205	**-7,530**

Note 17 Tax

	01/01/2016 -31/12/2016	*01/01/2015 -31/12/2015*
Group		
Current tax	-8,721	-3,308
Current tax attributable to Group contribution received	-31,405	50,975
Deferred tax	-582,627	-593,816
	-622,753	**-546,149**
Difference between the reported tax expense and the tax expense based on the applicable tax rate		
Reported pre-tax profit	3,055,237	2,510,158
Tax according to current tax rate	-672,152	-552,235
Tax effect of non-taxable income and net non-deductible expenses	649,115	504,452
Tax effect of income tax loss carry forward	14,316	44,475
Current tax on net profit for the year	**-8,721**	**-3,308**
Change in deferred tax In respect of properties	-580,385	-530,850
Change in deferred tax in respect of financial instruments	14,077	-16,725
Change in deferred tax in respect of untaxed reserves	-2,003	-2,067
Change in deferred tax In respect of loss carry forward	-14,316	-44,475
Change in deferred tax in respect of other items	–	301
Change in deferred tax in the income statement	**-582,627**	**-593,816**
Effective tax rate	20.4%	21.8%
Parent company		
Current tax	21,915	30,093
Deferred tax	-91,797	-34,134
	-69,882	**-4,041**
Difference between the reported tax expense and the tax expense based on the applicable tax rate		
Reported pre-tax profit	283,199	6,580
Tax according to current tax rate	-62,304	-1,448
Tax effect of non-taxable income and net non-deductible expenses	66,192	51,691
Tax effect of income tax loss carry forward	18,027	-20,150
Current tax on net profit for the year	**21,915**	**30,093**
Change in deferred tax In respect of properties in limited partnerships	-72,843	-55,646
Change in deferred tax in respect of financial instruments	–	299
Change in deferred tax In respect of loss carry forward	-18,954	21,213
Change in deferred tax in the income statement	**-91,797**	**-34,134**
Effective tax rate	24.7%	61.4%

Note 18 Furnishings and equipment

	31/12/2016	31/12/2015
Group		
Accumulated acquisition costs		
At the start of the year	16,401	14,394
Acquisition	200	–
New purchases	4,666	3,577
Disposals and retirements	-1,879	-1,570
	19,388	16,401
Depreciation		
At the start of the year	-9,968	-8,066
Disposals and retirements	1,431	1,085
Amortisation/depreciation for the year according to plan	-2,960	-2,987
	-11,497	-9,968
Reported value at the end of the year	**7,891**	**6,433**
Parent company		
Accumulated acquisition costs		
At the start of the year	14,536	12,572
New purchases	4,666	3,488
Disposals and retirements	-1,879	-1,524
	17,323	14,536
Depreciation		
At the start of the year	-8,397	-6,604
Acquired depreciations	1,431	1,060
Amortisation/depreciation for the year according to plan	-2,827	-2,853
	-9,793	-8,397
Reported value at the end of the year	**7,530**	**6,139**

Note 19 Participations in Group companies

	31/12/2016	31/12/2015
Parent company		
Accumulated acquisition costs		
At the start of the year	1,889,805	1,604,734
Acquisition	-	50
Shareholder contributions	409	285,021
Impairment of shares in subsidiaries	-113	-
Profit sharing in KB	348,015	119,046
Withdrawal, profit share in KB	-348,015	-119,046
Reported value at the end of the year	**1,890,101**	**1,889,805**

Specification of the company's holding of shares and participations in Group companies

Subsidiaries	*Company number*	*Domicile*	*Number shares*	*Participation in % 1)*	*Reported value*
Rikshem Cityfastigheter AB	556761-8029	Stockholm	1,000	100	35,180
Rikshem Fastigheter AB	556793-1281	Stockholm	1,000	100	1,120
Rikshem Fålhagen AB	556713-4100	Stockholm	1,000	100	22,049
Rikshem Enheten AB	556299-6388	Stockholm	5,000	100	104,930
Rikshem Nordan AB	556312-4642	Solna	265,000	100	361,952
Rikshem Bostäder Holding AB	556856-2911	Stockholm	50,000	100	58,557
Rikshem Samhold AB	556856-2929	Stockholm	50,000	100	76,920
Rikshem Uppsala KB	969646-7290	Stockholm		99	943,843
Rikshem Fastighetsutveckling AB	556912-1493	Stockholm	500	100	50
Rikshem BRF-utveckling AB	556971-2846	Stockholm	500	100	450
Rikshem JV Holding AB	559015-8928	Stockholm	50,000	100	285,050
					1,890,101

1) Refers to equity interest, which also corresponds to the percentage of votes of the total number of shares.

Note 20 Participations in joint ventures

	31/12/2016	31/12/2015
Group		
At the start of the year	1,075,566	27,211
Acquisition	2,348	734,361
Contribution	9,704	325,337
Profit-sharing	214,281	4,269
Other	–	-15,612
Sale	-10,080	–
Reported value at the end of the year	**1,291,819**	**1,075,566**

	2016		2015	
Company	Profit for the year	*our share*	Profit for the yea	*our share*
Nya Valsta Centrum AB	-53,723	-36,332	10,017	5,459
Farsta Stadsutveckling	220,055	110,291	18,508	-997
Boostad Bostad AB	45,786	23,043	-386	-193
VärmdöBostäder AB	122,658	107,877	88,641	-
Profit for the year	**334,776**	**204,879**	**116,780**	**4,269**
Total comprehensive income for the year	**334,776**	**204,879**	**116,780**	**4,269**

Specification of the company's holding of shares and participations in joint ventures

Joint Ventures	*Company number*	*Domicile*	*Share of equity*	*Number of shares*	*Reported value*
Farsta Stadsutveckling KB	969622-6399	Stockholm	50%	500	51,393
Farsta Stadsutveckling AB JV	559039-2303	Stockholm	50%	25,000	375,192
Boostad Bostad AB	559021-1313	Stockholm	50%	25,000	43,213
VärmdöBostäder AB	556476-2176	Stockholm	49%	12,250	811,963
Bergagårdshöjden JV AB	559025-7571	Kalmar	50%	500	10,057
					1,291,819

Financial information in summary, significant holdings

	Farsta Stadsutveckling		**Boostad Bostad AB**		**VärmdöBostäder AB**	
	2016	*2015*	*2016*	2015	*2016*	*2015*
Income	158,661	156,556	308,470	–	155,566	167,780
Income from management operations	154,037	151,363	45,549	-74	45,617	47,869
Depreciation	–	-9,198	–	–	–	–
Changes in value of properties	129,776	-77,580	–	–	166,348	73,872
Profit-sharing	–	-44,130	–	–	–	–
Interest income	14,064	4	475	–	17	73
Interest expenses	-16,155	-18,404	0	–	-10,431	-15,341
Tax expenses	-61,667	16,453	-238	–	-78,893	-17,832
Profit for the year	**220,055**	**18,508**	**45,786**	**-74**	**122,658**	**88,641**
Comprehensive income for the year	**220,055**	**18,508**	**45,786**	**-74**	**122,658**	**88,641**
	2016-12-31	*2015-12-31*	*2016-12-31*	*2015-12-31*	*2016-12-31*	*2015-12-31*
Non-current assets	1,625,050	976,453	28,012	112,132	2,313,385	2,158,460
Current assets	275,079	570,416	73,671	–	5,045	15,296
Cash and cash equivalents	33,002	1,572	40,513	5,731	60,331	60,404
Assets	**1,933,131**	**1,548,441**	**142,196**	**117,863**	**2,378,761**	**2,234,160**
Equity	773,606	630,295	86,315	39,540	1,693,083	1,555,314
Non-current financial liabilities	1,104,500	909,889	16,360	–	556,590	587,510
Other non-current liabilities	21,956	–	–	16,360	72,347	33,058
Current financial liabilities	–	–	–	–	8,900	9,580
Other current liabilities	33,069	8,257	39,521	61,963	47,841	48,698
Equity and liabilities	**1,933,131**	**1,548,441**	**142,196**	**117,863**	**2,378,761**	**2,234,160**

Note 21 Derivatives

	31/12/2016	31/12/2015
Group		
Currency derivatives, surplus value	39,210	–
Interest derivatives, surplus value	–	7,702
	39,210	**7,702**
Interest derivatives, deficit value	-594,786	-499,861
Derivative linked to convertible, deficit value	-26,125	-13,920
	-620,911	**-513,781**

	31/12/2016	31/12/2015
Parent company		
Derivative linked to convertible	-26,125	-13,920
	-26,125	**-13,920**

Note 22 Non-current receivables

	31/12/2016	31/12/2015
Group		
Opening book value	123,864	148,700
Future receivables	132,224	105,764
Deductible receivables	-25,280	-130,600
	230,808	**123,864**

Non-current receivables refers to promissory notes No requirement to impair non-current receivables is considered necessary. Average maturity is 2.3 years.

	31/12/2016	31/12/2015
Parent company		
Opening book value	38,000	77,000
Future receivables	131,875	36,000
Deductible receivables	–	-75,000
	169,875	**38,000**

Non-current receivables refers to promissory notes No requirement to impair non-current receivables is considered necessary. Average maturity is 1.6 years

Note 23 Accounts receivable

	31/12/2016	31/12/2015
Group		
Tenant receivables	16,966	19,197
Provision for doubtful receivables	–	-11,291
	16,966	**7,906**
Parent company		
Accounts receivable	90	128

The carrying value of receivables corresponds to fair value when payment of accounts receivable is impending. No provision for doubtful accounts receivable was made for 2016 as all receivables are expected to flow in.

Age spread, accounts receivable

	31/12/2016	31/12/2015
Group		
Non-overdue accounts receivable	8,629	5,017
Past due <30 days	1,875	724
Due 31>	6,462	2,165
Total unimpaired accounts receivable	**16,966**	**7,906**

Note 24 Receivables and liabilities with group companies

	31/12/2016	31/12/2015
Group		
Opening book value	547,629	–
Future receivables	–	652,189
Deductible receivables	-547,629	-104,560
Additional liabilities	-140,006	
	-140,006	**547,629**
Parent company		
Opening book value	22,533,940	14,938,589
Future receivables	5,961,275	6,270,927
Deductible receivables	-3,505,676	-1,541,412
Additional liabilities	-426,021	-401,073
Outgoing liabilities	165,628	3,266,909
	24,729,146	**22,533,940**

Note 25 Prepaid expenses and accrued income

	31/12/2016	31/12/2015
Group		
Accrued income	47,470	44,792
Accrued interest income	996	3,156
Accrued insurance indemnity	607	600
Prepaid insurance premiums	5,397	3,835
Prepaid operating expenses	1,807	2,775
Other prepaid expenses	3,400	959
	59,677	**56,117**
Parent company		
Accrued income	40,000	40,240
Accrued interest income	856	101
Prepaid operating expenses	200	–
Prepaid insurance premiums	545	315
Other prepaid expenses	1,219	1,052
	42,820	**41,708**

Note 26 Deferred tax

	31/12/2016	31/12/2015
Group		
Deferred tax relating to tax loss carry forward	-33,473	-47,789
Deferred tax attributable to property	2,041,976	1,461,717
Deferred tax attributable to financial instruments	-123,272	-109,321
Deferred tax attributable to other items	7,146	5,169
	1,892,377	**1,309,776**

Deferred tax on the difference that arises between an asset's or liability's carrying amount and its taxable amount, a so-called temporary difference, is reported according to the balance sheet method. This means that a tax liability or tax asset exists that will be realised on the day the asset or liability is disposed of. In the calculation of the temporary difference of an asset or liability that forms the basis for calculating a deferred tax liability or tax asset, only those temporary differences that arise after the Group acquired the asset or liability are considered. This may mean the difference between an asset or liability's carrying value and the tax value deviates from the temporary difference of an asset or liability that forms the basis for deferred tax liability or asset reported by the Group.

In a direct sale of the Group's properties, the tax-related outcome in the Group is estimated at SEK 20,995 million by setting the carrying amount of SEK 37,878 million for properties reported by the Group against the total taxable residual value in juridical persons of SEK 16,883 million. The taxable net profit calculated in this way exceeds the temporary difference for properties which form the basis for deferred tax liabilities for Group properties in the amount of SEK 12,147 million.

With regard to accounting rules, deferred tax is reported at nominal value without discounting. Both current and deferred tax have been calculated on the basis of a nominal tax rate of 22 per cent. The income tax realised in a property sale is often not only significantly lower because the possibility exists to sell properties in a tax efficient manner, but also because of the time factor.

Included in the basis for deferred tax in respect of loss carry forwards are blocked losses in the amount of SEK 179,564 thousand of which SEK 172,500 thousand are locked until the end of 2019.

	31/12/2016	31/12/2015
Parent company		
Deferred tax relating to tax loss carry forward	-3,161	-22,116
Deferred tax attributable to property	220,976	148,134
	217,815	**126,018**

Note 27 Interest bearing liabilities

	31/12/2016	31/12/2015
Group		
Convertible debenture loans	42,460	41,780
Bond loan	11,707,782	8,174,676
Liabilities to credit institutions	5,582,292	6,812,752
Commercial papers	6,089,783	6,044,588
	23,422,317	**21,073,796**

Liabilities to credit institutions with a maturity of more than 5 years amounted to SEK 1,224,023 thousand. Remaining liabilities fall due within 5 years of closing date. For further information, see Note 3 Financial instruments and risk management.

Convertible debenture loans
In accordance with IAS 39, the convertible debenture loan was reported partly as derivative debt and partly as an interest-bearing liability based on a number of conditions of which the chief is considered to be the lack of a fixed price to determine the number of shares. As of 31/12/2016, the derivative component amounted to a value of SEK 26,125 thousand (13,920).

The derivative portion of the convertible debenture loan was measured as a call option based on the Black-Scholes option valuation model. The assumptions made in the valuation of risk-free interest rate and volatility are based on the conditions that apply for Rikshem and other comparable companies listed on the stock exchange. The convertible debenture loan derivative portion was valued in accordance with IFRS valuation hierarchy level 3.

	31/12/2016	31/12/2015
Parent company		
Convertible debenture loans	42,460	41,780
Bond loan	11,707,782	8,174,676
Liabilities to credit institutions	1,800,900	3,752,029
Commercial papers	6,089,784	6,044,588
	19,640,926	**18,013,073**

Note 28 Provision for pensions

Group
Rikshem applies three different occupational pension agreements within the Group; the ITP and SAF-LO plans and the Bank Service agreement plan (BTP plan). The occupational pension agreements are collectively agreed retirement plans covering sickness and survivor annuities in additions to provisions for retirement pension. The ITP plan, like SAF-LO, applies ITP1, which is a defined contribution plan. The BTP plan applies BTP1, but also BTP2 in some cases. BTP1 is a defined contribution pension plan and BTP2 is reported as a defined premium plan.

In BTP1, employees place most of the premium themselves which is based on pensionable salary. The cost of pension contributions is reported in the period to which it relates, and Rikshem has thus discharged its commitment towards the employee. The BTP2 plan is a defined benefits pension plan with a supplementary defined contribution component of 2 per cent of pay. The BTP2 plan provides a percentage of final salary as a retirement pension. The defined benefit pension obligations are valued according to the Projected Unit Credit Method (PUCM). The defined benefit obligations are placed in a fund through payment of pension premiums to the pension insurance with SPP. According to a statement from the Swedish Financial Reporting Board, UFR 10, this is a defined-benefit pension plan that comprises several employers. Rikshem does not have access to such information, which makes it possible to report this plan as a defined-benefits plan secured with SPP. It is therefore reported as a defined contribution plan.

Pension costs in the income statement	Note	*31/12/2016*	*31/12/2015*
Service costs for the current year		-17	-113
Interest expense, net		-33	-138
Reduction/Settlement § 8	**A**	-	731
Total defined benefit costs		**-50**	**480**
Expense, special payroll paid		-9	-77
Defined contribution costs		-13,601	-12,816
Expense, special payroll paid		-3,300	-3,109
Total pension costs		-13,651	-12,336
Total pension costs including the cost of special payroll tax paid		-16,959	-15,522
Pension costs in other comprehensive income			
Actuarial gain (+) / loss (-) on the commitment's present value, experiential	**B**	467	1,829
Actuarial gain (+) / loss (-) on the commitment's present value, financial assumptions		-1,459	1,614
Actuarial gain (-) / loss (+) on the commitment's present value, demographic assumptions		-	-
Return on plan assets		468	-292
Total pension costs (-) / pension income (+) reported under other comprehensive income		**-524**	**3,151**

A. During 2014 and 2015, employees were offered to leave the defined benefit BTP2 plan in favour of the defined contribution BTP 1 plan. A great many employees accepted the offer. The cost of future earnings has thus fallen and the reduction in 2015 lowered the current value of pension provisions by around SEK 0.7 million. No employees transferred in 2016, hence no reduction.

B. The experiential actuarial gains are due to the fact that paid-up pensions and retirement pensions were barely if at all counted during 2016, which is comparable to the assumption of 2 per cent. Actuarial gain in 2015 is attributable to a number of employees transferring to the defined premium plan BTP1. The transition means that 94 percent of the previously active insurance is paid up.

Net indebtedness, defined benefit plans

Group	NOTE	*31/12/2016*	*31/12/2015*
Changing pension obligations			
Present value of defined-benefits pension obligations, opening balance	C	15,900	19,511
Service costs for the current year		17	113
Interest expenses on pension commitments		532	588
Disbursements of benefits directly from plan assets		-178	-139
Actuarial gains (-) / losses (+) on pension commitments	D	992	-3,443
Reduction/Settlement § 8 gains (-) / losses (+)		-	-731
Pension commitment present value, closing balance	C	**17,263**	**15,899**
Change in plan assets, Fair value			
Fair value of plan assets, opening balance		14,993	14,758
Interest income		499	450
Pension contributions receivable from employer		5	216
Disbursements of benefits		-178	-139
Return on plan assets	E	468	-292
Fair value of plan assets, closing balance		**15,787**	**14,993**
Net obligations in the balance sheet		1,476	906

C. The present value of pension obligations includes special payroll tax, estimated as the present value of the annual special payroll tax calculated on the difference between the pension commitment valued PUCM and the accrued pension commitment with SPP's actuarial assumptions.

D. The actuarial loss in 2016 is due to a lower discount rate resulting in an actuarial financial loss of SEK 1.5 million. Based on an assumption of 2 per cent and an outcome in which paid-up pensions and retirement pensions are barely if at all counted during 2016, there will be an experiential actuarial gain of SEK 0.5 million. The actuarial gain for the year 2015 was due to the high discount rate.

E.

Return on plan assets	*31/12/2016*	*31/12/2015*
Actual yield from plan assets	967	159
Interest income on plan assets	-499	-450
	468	**-291**

Plan assets consists of pension policies in SPP. Plan assets are exposed to market risks.

Plan assets in SPP, break down in per cent	*31/12/2016*	*31/12/2015*
Shares	5	8
Interest-bearing investments	87	86
Alternative investments	8	6
Total plan assets	**100**	**100**

Information about the distribution of planned assets was obtained from SPP. A classification of assets that have a quoted price in an active market and other assets cannot be presented due to the lack of information for such a classification.

Actuarial calculation assumptions

The actuarial valuation of Rikshem's defined benefit pension commitment and pension costs is based on the following assumptions.

Actuarial assumptions	*31/12/2016*	*31/12/2015*	*413032/2015*	*41292/2015*
Discount rate, per cent	2.9	3.4	3.0	4.0
Future annual salary increases, per cent	3.0	3.0	3.0	3.0
Changes in income base amounts, per cent	3.0	3.0	3.0	3.0
Inflation, per cent	2.0	2.0	2.0	2.0
Longevity assumptions	DUS14	DUS14	DUS14	FFFS 2007:31
Employee turnover, per cent	3.0	3.0	3.0	3.0
Average remaining service period, years	2.0	9.1	17.0	19.4
Expected weighted average duration for present value of the obligation, years	19.3	19.2	25.0	19.0

The discount rate is determined in accordance with IAS19 with reference to high quality corporate bonds that are traded on a functioning market by referring to the Swedish housing bond market. Longevity assumptions follow the Swedish Financial Supervisory Authority's (FSA) principles in accordance with FFFS 2007:31.

Up until year-end 2013, longevity assumptions followed the FSA's principles according to FFFS 2007:31. DUS 14 is an update of DUS06, compiled by the Swedish Insurance Federation. DUS 14 is not yet set up in an FFFS.

BTP2 includes an opportunity for premature retirement between the ages of 61 and 65, conditional upon the employee still being in employment at that time. The calculations in respect of this commitment are based on the assumption that 20 per cent will take this opportunity at the age of 61. A major different in outcome compared to the assumptions described above as well as a change in assumptions would entail changes in pension costs, pension commitments as well as cash flow to the extent that premiums change as the defined benefits commitments are secured through occupational pension policies. The forecast for premium payments in 2017 in respect of defined benefit pension commitments amounts to SEK 36 thousand.

The discount rate is the assumption that has reason to change as and when market interest rates change. The average term to maturity (duration) of the defined benefit pension commitments affects how much commitments will change by should interest rates change. The weighted average maturity is 19 years.

In the parent company, pension costs are reported as they arise

Note 29 Overdraft facilities

	31/12/2016	*31/12/2015*
Group		
Credit approved	200,000	200,000
Unutilised amount	-200,000	-200,000
Utilised credit amount	**–**	**–**
Parent company		
Credit approved	200,000	200,000
Unutilised amount	-200,000	-200,000
Utilised credit amount	**–**	**–**

Note 30 Accrued expenses and deferred income

	31/12/2016	*31/12/2015*
Group		
Prepaid rental income	243,702	236,454
Incurred operating costs	67,626	66,428
Accrued personnel expenses	38,795	29,524
Accrued interest expenses	60,040	54,436
Accrued transfer duty	1,276	88,687
Accrued project expenses	6,814	–
Other items	9,242	13,380
	427,495	**488,909**
Parent company		
Accrued interest expenses	59,083	53,437
Accrued personnel expenses	35,036	26,610
Other items	8,832	13,572
	102,951	**93,620**

Not 31 Related party transactions

Related parties	Transactions
The parent company's owners	During the year, a shareholder contribution of SEK 600 million was received. In conjunction with the shareholder contribution, Rikshem Intressenter AB paid off the receivable of SEK 548 million held by Rikshem AB since earlier.
Board of Directors	For information on compensation, see Note 8 No board member has made any additional direct or indirect business transaction with Rikshem.
CEO	For information on compensation, see Note 8 The former CEO and Deputy CEO participated in a convertible bond plan; see Note 27 Interest bearing liabilities. In 2016, Rikshem AB's parent company Rikshem Intressenter AB acquired the former Deputy Executive Director's convertible bond plan at an amount equal to the subscription amount.

Note 32 Adjustment for items not included in cash flow

	31/12/2016	31/12/2015
Group		
Depreciation	2,960	3,012
Expenses for raising loans	2,648	-1,842
Revaluation, convertible	–	-66,228
Pension costs	45	-695
Other	-26	–
	5,627	**-65,753**
Parent company		
Depreciation	2,827	2,858
Expenses for raising loans	-385	2,293
Impairment of shares in subsidiaries	113	–
	2,555	**5,151**

Note 33 Pledged assets

	31/12/2016	31/12/2015
Group		
Real property mortgages	6,367,814	7,500,349
Shares/participations in subsidiaries	626,430	690,041
Total	**6,994,244**	**8,190,390**
Parent company		
Shares/participations in subsidiaries	943,844	943,844

Note 34 Contingent liabilities

	31/12/2016	31/12/2015
Parent company		
Guarantees on behalf of Group companies	4,155,525	3,125,174
Responsibility for limited partnership liabilities	376,627	1,089,470
Total	**4,532,152**	**4,214,644**

Note 35 Events after the closing date

On 31 January 2017, Rikshem acquired 23 properties in Umeå with a total of 800 apartments.

On 16 February 2017, the Standard & Poor's credit rating agency published its annual rating for Rikshem. Rikshem continued to enjoy a strong A- credit rating, and its outlook was revised from negative to stable.

Note 36 Proposed allocation of profits

The following earnings in the parent company are at the disposal of the Annual General Meeting:

Share premium reserve, SEK	840,772,100
Retained earnings, SEK	5,729,130,585
Profit for the year, SEK	213,317,468
Total, SEK	**6,783,220,153**

The Board proposes that SEK 6,783,220,153 be retained in the company.

Corporate Governance Report - Rikshem AB (publ)

Rikshem AB (publ) (referred to herein as Rikshem or the company) is a Swedish limited liability company.

Rikshem is not covered by the Swedish corporate governance code, or any other corporate governance code, and thus follows the rules of corporate governance provided by law or other statute. The company's bonds issued under the company's MTN (Medium Term Note) are listed on the Nasdaq OMX Stockholm (Stockholm Stock Exchange) and the company therefore follows its rules for issuers.

Rikshem’s corporate governance report was prepared in accordance with the Annual Accounts Act concerning fiscal year 2016.

Shareholders

As of 31 December 2016, Rikshem's share capital amounted to SEK 99,727,900 spread over 997,279 shares with one vote each.

All of Rikshem's shares are owned by Rikshem Intressenter AB, 556806-2466. Rikshem Intressenter AB is owned by AP4 and AMF, each of whom own 50 per cent.

Articles of Association

In addition to legislation, the Articles of Association also constitute a key document in respect of the governance of the company. Rikshem's Articles of Association show the name of the company to be Rikshem AB (publ) and that the company is publicly traded and has its head office in Stockholm. The aim of the company's business operation is to directly or indirectly, through wholly or partially owned companies or via purchased services, own, develop and manage real estate and pursue related activities including such things as the provision of property-related services. The Board must comprise at least three and no more than ten members with zero to ten alternates.

Annual General Meeting (AGM)

Shareholders have the right to make decisions about Rikshem’s affairs at the AGM. Each person is entitled to vote at the AGM, without restriction, for the full number of shares represented. The AGM must be held in Stockholm no later than 30 June each year.

Rikshem held its AGM in Stockholm on 11 March 2016. All shareholders attended the meeting. Svante Johansson was elected AGM chairman. Among other proceedings, the AGM resolved to appoint Mats Efraimsson, Tomas Flodén and Svante Johansson as new members of the board and to reelect the members Ebba Hammarström, Ulrika Malmberg Livijn and Olof Nyström. Svante Johansson was elected Chairman of the Board. It was also resolved that an annual fee be paid to the Chairman of the Board in the amount of SEK 500,000 and that a fee to the other board members would not be paid. The board members and CEO were discharged from liability. The extraordinary general meeting held on 1 September 2016 resolved to appoint Lena Boberg, Liselotte Hjorth, Bo Magnusson and Per-Gunnar Persson as new board members and to re-elect Ebba hammarström and Ulrika Malmberg Laci. Bo Magnusson was elected Chairman of the Board. The AGM resolved that annual fees will be paid to the Chairman of the Board in the amount of SEK 500,000 and SEK 175,000 to other members, that the annual fee for work in established committees may not exceed SEK 290,000 per year and that the total fee to the board including committee fees may not exceed SEK 1,315,000 per year. The AGM resolved that the fees for board and committee work would not be paid to the members of the board who are employees of AP4 or AMF. The resolution on the appointment of the current board was preceded by work from a representative from AMF and a representative from AP4 who, within the framework of the work, considered the board's long-term composition, diversity and structure.

Board of Directors

Since the 2016 AGM, the Board of Directors of Rikshem has comprised six members elected by the AGM. The board members possess knowledge of properties, as well as financial and legal expertise. The company CEO is not a member of the board.

The work of the Board of Directors is governed by such things as the Swedish Companies Act, the Articles of Association, and the rules of procedure approved annually by the board for their work.

Under the Swedish Companies Act, the Board of Directors is ultimately responsible for Rikshem's organisation and management. The Board of Directors' rules of procedure approved annually at the statutory board meeting describe the forms of the work of the board in respect of the minutes of board meetings, and the chairman's and CEO's assignments in more detail. It also includes regulations regarding how the conditions of employment for people in executive positions must be determined. According to the rules of procedure, the chairman is responsible for ensuring the evaluation of the work of the board. Rikshem's Senior Legal Advisor is board secretary.

The work of the board included the introduction of new board members to the company and the usual processing of proposals for interim reports, the year-end report and annual report and adoption of the budget and business plan. During the year, the board also handled issues concerning the dismissal of the previous CEO and Deputy CEO and conditions pertaining thereto, the appointment of a new CEO etc. The board also took decisions on the purchase and sale of properties and investments in the existing holding and revised and adopted central policy documents.

Board committees

At the board meeting on 26 September 2016, a remuneration committee was established comprising Bo Magnusson, Chairman, Ulrika Malmberg Livijn and Per-Gunnar Persson. The committee did not hold any meetings in 2016.

On 26 September 2016, the board also established an audit committee comprising Liselotte Hjorth, Chairman, Bo Magnusson and Ebba Hammarström. The committee held one meeting in the autumn of 2016.

Since the extraordinary general meeting of 1 September 2016, the investment committee has comprised Per-Gunnar Persson, Chairman, Lena Boberg and Liselotte Hjorth. The committee held two meetings during the autumn of 2016.

The board has adopted rules of procedure for the committees' work. In addition to the fee for the ordinary work of the board, fees are paid for the work of the committees for members who are not employees of AP4 or AMF.

The CEO and the management group

The CEO is responsible for day-to-day management having regard to the directions and instructions laid down by the board described, inter alia, in the CEO's instructions adopted by the board. In conjunction with the AGM, Jan-Erik Höjvall stepped down from his position as CEO and was replaced pro tem by Sven-Göran Svensson. Sophia Mattsson-Linnala was appointed CEO in August 2016. She took up her position on 1 November 2016.

Since 11 March 2016, Rikshem's management group has comprised Sven-Göran Svensson, pro tem CEO and Head of Administration, Hans Ragnarsson, CFO, Jennie Wolmestad, Head of Communication and Rebecca Stålnacke, Head of HR. In May 2016, the management group was expanded by the addition of Karl Vahlund, Head of Transactions, Erik Hävermark, Head of Projects and Property Development, and Carl Conradi, Senior Legal Advisor. In August 2016, Catharina Kandel was appointed as pro tem Head of HR during the regular Head of HR's leave of absence for studies, and she has since become part of the management group. Sophia Mattsson-Linnala became a member of the management group when she took up her position as CEO.

Auditor

At the AGM on 11 March 2016, Ernst & Young AB was elected auditor for the period until the end of the next AGM. The auditor in charge is Magnus Fredmer, Authorised Public Accountant. Magnus Fredmer attended a Board meeting during the year and also attended the first meeting of the audit committee.

Internal control over financial reporting

Under the Swedish Companies Act, the board is responsible for internal control. Internal control is based on documented policies, guidelines, instructions, the allocation of responsibilities and assignments such as the board's rules of procedure, committee rules of procedure, the CEO's instructions, decision-making and authorisation arrangements, finance policy and other documents all of which seek to ensure a clear allocation of responsibilities for the effective management of the operation's risks and good quality financial reporting. Compliance with the company's governing documents is followed up and evaluated continuously and an annual review of the governing documents is carried out. Rikshem has identified essential business processes, inter alia in order to identify and eliminate risks. Risks are also identified and managed in the business planning and budget processes for each department and the company as a whole. Furthermore, an assessment is made of the financial risks on the basis of the income statement and balance sheet, where items are evaluated based on risk and materiality. In financial reporting, control activities are based on risk assessments and are integrated into the company's processes. The processes are continually evaluated. The process in which estimates and assumptions have a major impact on the carrying amounts of assets and liabilities is the valuation process relating to investment properties. Accordingly, special attention is paid to ensuring that financial reporting in this regard does not contain material errors. External authorised property valuers therefore value the property holding in connection with the annual accounts in accordance with the company's policy for the valuation of investment properties. The external valuation is used for quality assurance and comparisons with the Group's internal valuations. The internal valuation forms the basis for the annual report.

The company's auditor reports to the board and the management group every year observations from his review and an assessment of the internal control linked to the Group's financial statements. The interim report for the half year is reviewed briefly by the auditor. The communications policy applies to both the internal and external provision of information and makes sure the company provides correct information to the market. The internal control is considered to be fit for purpose for Rikshem.

Signing the annual report

The Board of Directors and the CEO hereby certify that the annual report was prepared in accordance with generally accepted accounting practices. The annual report provides a true and fair view of the company's financial performance and position and that the Report of the Board of Directors provides a true overview of the activities, results and financial position of the Group and describes the significant risks to which the company is exposed. The consolidated financial statements were prepared in accordance with international accounting standards referred to in regulation, EC No 1606/2002 of 19 July 2002 on the application of international accounting standards. The consolidated financial statements provide a true and fair view of the Group's financial performance and position and that the Report of the Board of Directors provides a true overview of the operations, earnings and financial position of the Group and describes the significant risks to which the Group is exposed.

Stockholm, 30 March 2017

Bo Magnusson
Chairmanship of the Board

Sophia Mattsson-Linnala
Chief Executive Officer

Ulrika Malmberg Livijn

Lena Boberg

Liselotte Hjorth

Per-Gunnar Persson

Ebba Hammarström

Our audit report was submitted on 30 March 2017

Ernst & Young AB

Magnus Fredmer
Authorised Public Accountant

Building a better working world

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Auditor's report

To the general meeting of the shareholders of Rikshem AB (publ), corporate identity number 556709-9667

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Rikshem AB (publ) for the year 2016 except the corporate governance report on pages 39-41.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not cover the corporate governance report on pages 39-41. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and statement of comprehensive income and statement of financial position for the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters are areas of the audit which are, in our professional judgment, the most significant for the audit of the financial statements for the current period. These areas were treated as part of the audit of, and in our stance to the financial statements as a whole, but we do not make separate declarations on these areas.

Valuation of investment properties

The fair value of investment properties in the Group as at 31 December 2016 was 37 878 MSEK. The Group has a policy of valuing the properties internally on a quarterly basis, and then obtaining an external valuation annually at 31 December. The external evaluation has been used as quality control and for comparison purposes. Valuations are prepared based on the discounted cash flow method which relies on a forecast of the future cash flows which are then discounted using the individual properties yield.

The properties' yield requirements are assessed based on each property's unique risk and transactions made on the market for items of a similar nature. Changes in the assumptions and other inputs applied in the valuations are analyzed at each closing of the company against internally available information, completed or planned transactions and information from the external valuers. Because of the many assumptions and assessments in connection with the valuation of investment properties, we believe that this area is a key audit matter. Description of the valuation of the property holding is presented in the Annual Report in section Directors Properties page 16, section Significant accounting assessments and judgments page 19 and note 15 page 28.

In our audit, we evaluated and tested management process for real estate valuation, including by assessing the valuation methods and the inputs to valuations. We have audited the input data and calculations in the internal valuations at the property level for a sample of investment properties. We have evaluated the external valuers competence and objectivity. We have benchmarked the assumptions and inputs against observable market data. We have assessed and evaluated the company's internal valuation in comparison

to the external valuation. Our valuation specialists have reviewed the company's valuation model and assessed the reasonableness of the assumptions in relation to yield, vacancy rates, rental income and operating costs. We have reviewed the information disclosed in the annual report.

Accounting for incomtax

The Group has an income tax expense amounting to 623 MSEK, deferred tax assets amounting to 157 MSEK, and a deferred tax liability amounting to 2 049 MSEK.

The calculation and presentation of current and deferred tax is complex as it contains a high degree of estimates and assumptions. These include the presence of the ability to utilize carried forward tax losses, deductions financial expenses, the basis for tax depreciation, directly deductible renovation costs, deductions from sale of property, individually or as a company, as well as changes in value on properties and derivatives.

Because of the many assumptions and assessments in connection with the calculation of taxes, we believe that this area is regarded as a key audit matter. Description of current and deferred taxes is shown in the financial statements in the Tax policy section on page 18 and Notes 17 and 26 on pages 30 and 34 respectively.

In our audit, we evaluated and audited the company process for calculation of current and deferred taxes. We reviewed the calculations of the tax bases. We engaged our internal tax specialists to review the calculations and assess whether the relevant tax legislation has been appropriately applied. We have reviewed the information disclosed in the annual report.

Acquisitions and disposals of investment properties
During the year ended 31 December 2016, the Group has acquired 3 550 MSEK in real estate and sold 1 491 MSEK.

The property transactions are complex due to the specific conditions of the individual transaction agreements, property pricing and valuation, assessment of whether the acquisition should be classified as assets or operating acquisition and assessment of the timing of recognition of acquisition or disposal. Due to the complexity and the assumptions and estimates that occurs in property transactions, we believe that this is a key audit matter. Description of the acquisitions and disposals of investment properties is presented in the annual report in section revenues page 18, section Significant accounting assessments and judgments page 19 and note 15 page 28.

In our audit, we evaluated and reviewed management's process for assessing the classification of properties acquired and accounting for acquired and sold. We have audited the financial statements of executed transactions to the underlying agreement, the time of reporting, the purchase price and any special conditions. We have reviewed the information disclosed in the annual report.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board's responsibilities and general duties, monitor the company's financial reporting and detection.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors [and the Managing Director].
- Conclude on the appropriateness of the Board of Directors' [and the Managing Director's] use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board with a statement that we have complied with all relevant ethical requirements regarding independence, and disclose all the relationships and circumstances that may reasonably affect our independence, and where applicable, corresponding countermeasures.

Of the areas that are communicated with the Board, we establish which of these areas that have been the most significant for the audit of the annual report and consolidated accounts, including the main assessed risks of material misstatement, and therefore constitute the key audit matters. We describe these fields in the audit report unless the laws and regulations to prevent disclosure of the issue, or when, in extremely rare cases, we consider that a matter is not to be communicated in the audit report as the negative consequences of doing so could reasonably be expected to be greater than the public interest in communicating the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Rikshem AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's review of the corporate governance report

The Board is responsible for the corporate governance report on pages 39-41 and that it has been prepared in accordance with the Annual Accounts Act.

Our review has been conducted in accordance with FAR's statement RevU 16 Auditor's review of the Corporate Governance Report. This means that our review of the corporate governance statement is different and substantially less extensive compared to the direction and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this examination provides sufficient basis for our opinion.

The corporate governance report has been prepared. Information is in accordance with 6. § 6 in Paragraph 2-6 Annual Act and Chapter 7. § 31, second paragraph of the same Act are consistent with the Annual Accounts and consolidated accounts and in accordance with the Annual Accounts Act.

Stockholm 30 March 2017
Ernst & Young AB

Magnus Fredmer
Authorized Public Accountant