



# Interim report

January–September 2018



# Interim report

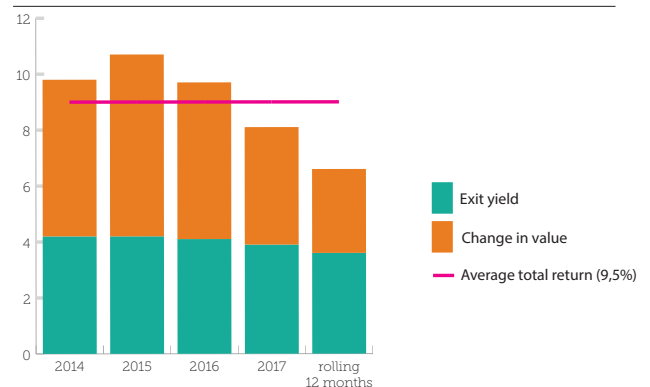
## Events during the period (Jan–Sep)

- Rental income increased MSEK 75 or 3.8 percent to MSEK 2,071 (1,996).
- Net operating income declined to MSEK 1,183 (1,210), mainly as a result of increased maintenance expenses and costs for heating and snow removal caused by the harsh winter weather.
- Income from management operations declined MSEK 194 to MSEK 787 (981). This decline was due to the decrease in net operating income and an increase in interest expenses of MSEK 37 as a result of longer debt duration and interest-rate duration. Income from management operations also includes earnings from joint ventures that declined MSEK 118 mainly due to a lower change in value.
- The change in value of investment properties was MSEK 1,126 (1,523), corresponding to a percentage increase in fair value of 2.7 percent (4.0).

## Events during the third quarter

- The company took possession of a residential property in Kalmar, two in Sigtuna/Märsta and a property for public use in Ale.
- Rental income for the quarter of MSEK 697 entailed an increase of MSEK 36 or 5.4 percent compared with the year-earlier quarter.
- Net operating income amounted to MSEK 435 in the quarter, down MSEK 17 or 3.8 percent year-on-year. In the third quarter, maintenance expenses represented the largest cost increase and amounted to MSEK 71 (39).

Total return (%)



## Rikshem in summary

	2018 Jan–Sep	2017 Jan–Sep	Oct 2017– Sep 2018	2017 Jan–Dec
Rental income, MSEK	2,071	1,996	2,740	2,665
Net operating income, MSEK	1,183	1,210	1,528	1,555
Income from management operations, MSEK	787	981	956	1,150
Profit after tax, MSEK	1,650	2,244	1,836	2,430
Fair value of properties, MSEK	44,282	40,340	44,282	41,039
Number of apartments	28,764	27,902	28,764	27,924
Lettable area, 1,000 sqm	2,275	2,222	2,275	2,219
Vacancy rate, residential properties, %*	0.3	0.3	0.3	0.3
Average lease length, years**	10	10	10	10
Loan-to-value ratio, %	58	62	58	59
Interest-coverage ratio, multiple***	3.1	3.8	3.1	3.5
Equity, MSEK	17,360	15,525	17,360	15,710
Total return, %***	6.6	9.9	6.6	8.1
Return on equity, %***	11.2	23.6	11.2	16.8

\* Pertains to market vacancy rate. \*\* Pertains to properties for public use. \*\*\*Pertains to rolling 12 months.

Cover image: Sjömarken 1, Västerås

# Statement by the CEO

Quick leasing of newly produced residential properties is a sign of continued strong demand for rental apartments. Efforts to achieve more active property management are continuing and over the next few years we will take the next step as we intensify our focus on neighborhood development. Maintenance expenses are increasing due to the deliberate focus on property management, but also as a result of consequential damage caused by the heavy snows this past winter and more fires than normal. At the same time, rental income is continuing to rise.

In the summer, Rikshem acquired two newly produced, unrented residential properties with 135 apartments in Sigtuna Municipality. The properties situated in Märsta Port and Steningehöjden in Märsta are now fully leased and tenants have started to move in. The quick leasing process shows that high demand for rental apartments is continuing. We also benefited from the fact that it is currently more difficult to find buyers for newly produced ownership apartments and we are in contact with residential property developers regarding potential acquisitions of both ongoing projects and development rights.

Maintenance expenses for the period were higher than previously due to the effects of the winter described in past reports as well as consequential damage caused by the snow, such as water damage. Rental income is continuing to perform positively, partly through rent increases but also through additions to the property portfolio. Financial expenses are rising due to increased debt duration and interest-rate duration. We are continuing our long-term focus on more active property management. Although we can already see improvements in the level of management, 2019 will be charged with higher costs. In the future, however, we expect this initiative to generate both customer value and higher property values.

There was a fire in one of our new builds constructed of timber in Uppsala in May 2018. Flaws that were regarded as serious were discovered in the property as part of the extended investigation that we initiated, and the building was evacuated. As the responsible property owner, it is important for us to ensure that the flaws in the evacuated property are corrected and also to ensure that our other newly produced properties in timber meet the requirements stipulated in the final clearance. Extensive activities have been carried out, but I am proud of how the organization has managed this situation. The evacuation of the tenants was exemplary and customers received continuous information throughout the evacuation process.

Spot checks were performed only a few days later, together with an external party, in all of our newly produced timber properties. The minor flaws identified in these inspections are now being corrected and the process is scheduled to be completed at the start of 2019. We are working closely with the construction company that designed and built the property and can state that our faith in timber construction remains firm but the demands we set for suppliers that we engage will be even higher. Our core values – Drive, Nearness and Accountability (DNA) – provide an excellent description of how this challenging situation was handled by Rikshem.

In the summer and the autumn, we held several neighborhood days together with the local tenant associations. This is an important feature of our collaborative efforts and provides an opportunity to meet our tenants in our residential properties and properties for public use in a social setting.

The next step for us is to enhance our focus on value-creating neighborhood development. For this reason, we have already recruited new employees to add new skills, develop models and initiate pilot projects in several areas. These include assessing outdoor environments, working on security issues and developing the range of residential properties. It is positive for both the company and our customers that the attractiveness of neighborhoods increases and that customers want to continue living there.



**Sophia Mattsson-Linnala, Chief Executive Officer**

# Rikshem in brief

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

By investing wisely in growth areas and new production of residential properties and properties for public use, the company will continue to grow. Rikshem's vision is to make a difference in the development of the good community. By combining professionalism with community involvement, Rikshem aims to promote long-term, sustainable community development from a social, environmental and financial perspective.

## One of Sweden's largest private property companies



### 28,764

Rikshem provides Sweden with 28,764 apartments across the country.



### SEK 44 billion

The fair value of the properties totaled MSEK 44,282.



### Long-term owners

Rikshem AB (publ) is 100 percent owned by Rikshem Intressenter AB, in which AMF Pensionsförsäkring AB (pension company) and Fjärde AP-fonden (The Fourth Swedish National Pension Fund, AP4) own 50 percent each.



### Rikshem's credit rating

from S&P Global is A- with a stable outlook.



# Comments on Group earnings

## Net operating income

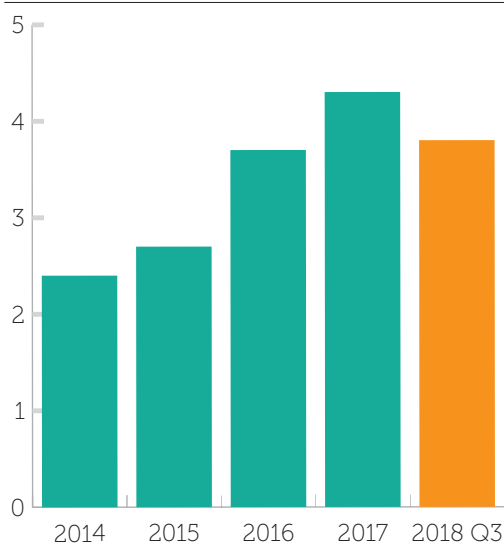
The Group's rental income for the period increased MSEK 75 to MSEK 2,071 (1,996). Rental income for existing properties rose MSEK 74 or 3.8 percent (4.7). The increase for existing properties mainly derived from annual rent increases and the effects of investments that enable rents to be raised in the properties.

Property expenses for the period increased MSEK 102 to MSEK 888 (786). The higher expenses were attributable to existing properties, whose expenses increased MSEK 111 or 14.6 percent, and primarily comprise higher maintenance expenses and higher municipal tariffs. The increase in maintenance expenses was partly attributable to the focus on more active property management, but was also due to the effects of the winter, such as snow removal and water damaged caused by the snow. Costs for administration rose to MSEK 126 (106) due to the strengthening of the organization.

Changes in the property portfolio increased rental income by net MSEK 1 and reduced property expenses by MSEK 9 compared with the year-earlier period.

Altogether, total net operating income declined slightly year-on-year and amounted to MSEK 1,183 (1,210). Net operating income for existing properties declined 3.2 percent compared with the year-earlier period.

Change in rental income in existing properties (%)

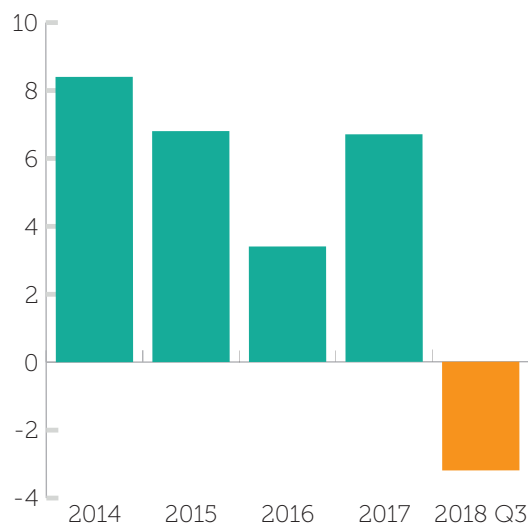


Statement of income MSEK	2018 Jan-Sep	2017 Jan-Sep
Rental income	2,071	1,996
Property expenses	-888	-786
<b>Net operating income</b>	<b>1,183</b>	<b>1,210</b>
Central administration	-44	-34
Net financial items	-347	-308
Earnings from joint ventures	-5	113
<b>Income from management operations</b>	<b>787</b>	<b>981</b>
Change in value of properties	1,126	1,523
Change in value of financial derivative instruments and foreign exchange effects on financial liabilities	-40	163
<b>Profit before tax</b>	<b>1,873</b>	<b>2,667</b>
Tax	-223	-423
<b>Profit for the period</b>	<b>1,650</b>	<b>2,244</b>

The surplus ratio for the total property holding was 57 percent (61).

At the end of the period, the vacancy rate for residential properties was 2.7 percent. Adjusted for apartments that have been vacated in preparation for renovation, the market vacancy rate was 0.3 percent (0.3). The average

Change net operating income in existing properties (%)



remaining lease term for properties for public use was 10.0 years (9.8).

### Central administration

Costs for the period for central administration amounted to MSEK 44 (34). The cost increase was mainly due to strengthening of the organization.

### Net financial items

Net financial items totaled MSEK 347 (308). Net financial items mainly comprise the company's external interest expenses, which rose MSEK 37 year-on-year. The increase in external interest expenses was largely due to the company having increased its interest-rate duration and debt duration, which resulted in a higher average interest rate. At the end of the period, the average interest rate was 1.8 percent.

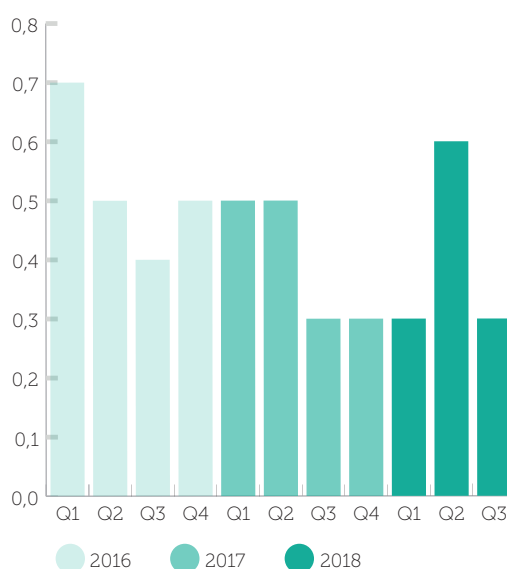
### Earnings from joint ventures

Earnings from joint ventures amounted to MSEK -5 (113) for the period. The decline was mainly attributable to a negative change in value of MSEK -11, compared with a positive change in value of MSEK 146 in the year-earlier period.

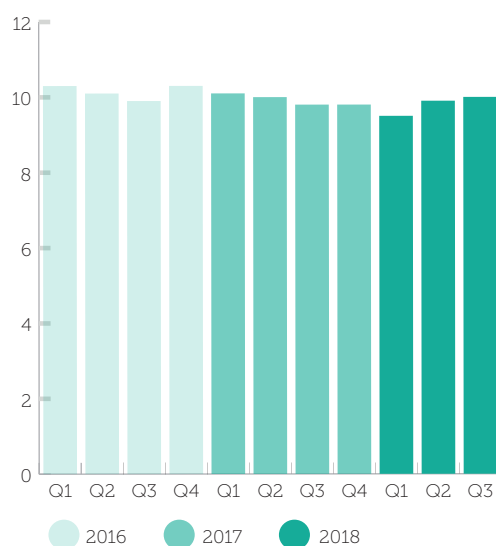
### Change in value of financial derivative instruments

Market interest rates rose during the period, which increased the value of most of the company's financial derivative instruments. The financial derivative instruments are interest-rate swaps that extend interest-rate duration and combined currency and interest-rate swaps, which were entered into to eliminate all foreign-exchange risk for interest payments and repayments of loans raised in EUR and NOK. The change in value of interest-rate derivatives

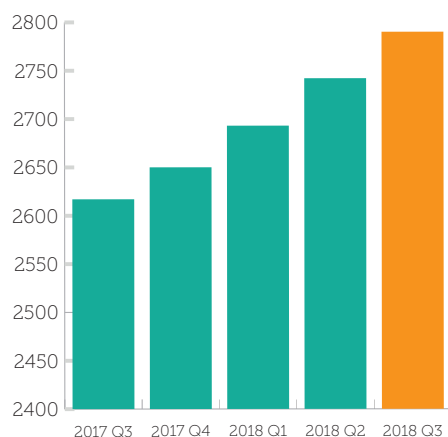
Market vacancy rate, residential properties (%)



Average lease length, properties for public use (years)



Annual rent as of the closing date (MSEK)



amounted to MSEK 41 (153). The change in value of foreign exchange derivatives amounted to MSEK 317 (-128). The foreign exchange effects on financial liabilities in EUR and NOK amounted to MSEK -398 (138) and were attributable to the weakening of the SEK against these currencies during the period, but strengthened in the third quarter.

### Change in value of properties

The change in value of investment properties for the for the period was MSEK 1,126 (1,523), equal to growth of 2.7 percent (4.0). Residential properties increased in value by MSEK 783 or 2.7 percent and properties for public use by MSEK 343 or 2.8 percent. The change in value is mainly attributable to the increase in assessed net operating income during the period. The average yield requirement declined to 4.27 percent (4.31).

The most significant increases in value occurred in Luleå (5.4 percent) and Västerås (5.4 percent). These changes in value were largely attributable to newly signed rental agreements with the City of Västerås and lower yields in Luleå.

The increase in value for the third quarter was MSEK 193 compared with MSEK 546 in the year-earlier period. The increase in value in 2017 was impacted by non-recurring items in the project portfolio.

### Tax

Profit for the period was charged with tax costs of MSEK 223 (423), primarily pertaining to the company's deferred tax liability. The deferred tax in the balance sheet was impacted by the Swedish Parliament's (Riksdag) decision to change tax rules in June, entailing a reduced tax rate. According to Rikshem's assessment, the company's deferred tax liability will, in all material respects, be realized after 2020 and deferred tax has thus been restated based on the tax rate that will apply as of 2021. In the second quarter, the change in tax rate from 22 percent to 20.6 percent had a positive earnings effect of MSEK 149 with respect to the deferred tax liability, which explains the decrease in tax costs.

### Profit for the period

Profit for the period declined MSEK 594 to MSEK 1,650 (2,244).

Yield requirement and rent/sqm per property type

Property type	Rent/sqm			Yield requirement		
	min	average	max	min	average	max
Residential properties	699	1,119	2,739	2.40%	3.96%	5.65%
Properties for public use:					4.99%	
Nursing homes	550	1,421	2,608	4.10%	4.86%	7.50%
Schools	769	1,460	2,103	5.05%	5.45%	6.75%
Commercial properties	654	1,156	4,144	3.97%	5.34%	7.50%
<b>Average</b>		<b>1,257</b>			<b>4.27%</b>	

Change in yield requirement per property type

Property type	Value in MSEK	Dec 31, 2017	Sep 30, 2018	Change
Residential properties	30,992	3.98%	3.96%	-0.02%
Properties for public use:				
Nursing homes	9,986	4.97%	4.86%	-0.11%
Schools	2,571	5.49%	5.45%	-0.04%
Commercial properties	733	5.38%	5.34%	-0.04%
<b>Total</b>	<b>44,282</b>	<b>4.31%</b>	<b>4.27%</b>	<b>-0.04%</b>

# Transactions and investments

Rikshem continues to grow through acquisitions and through investments in existing properties and new construction. The company takes an active approach to managing its property portfolio and divests properties that are deemed to be unsuitable for the target portfolio in the long term.

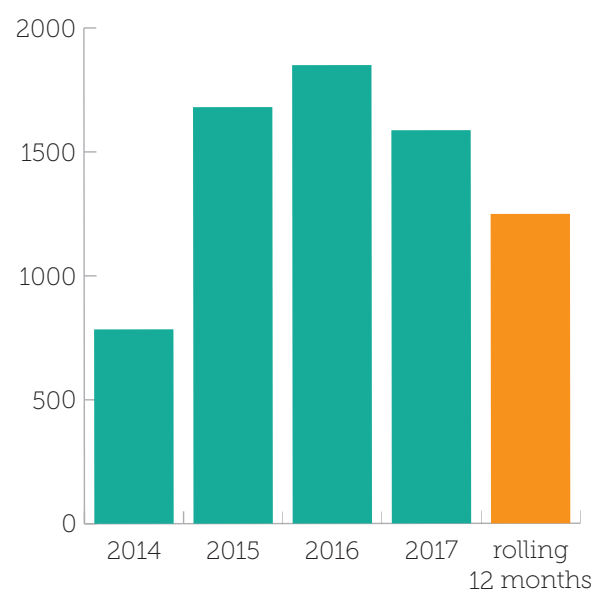
During the period, properties were acquired in Ale, Helsingborg, Kalmar, Sigtuna and Västerås for a total of MSEK 1,556 (1,334). The acquisitions added nine residential properties and one property for public use with a total of 654 apartments and 36,965 square meters of lettable area to the property portfolio.

Properties were sold for a total of MSEK 253 (1,546) during the period. Most of these sales pertained to 13 minor properties for public use in Greater Stockholm. The selling price for the properties exceeded their fair value at the beginning of the period, plus investments during the period, by 1.7 percent.

Investments in existing properties during the period amounted to MSEK 814 (1,151), of which MSEK 488 (724) pertained to redevelopment and renovation of residential properties, MSEK 142 (267) to new construction of residential properties and MSEK 184 (160) to investments in properties for public use.

As of the closing date, Rikshem had 32 (56) ownership apartments in production, all of which were sold. Rikshem's joint ventures had 80 (80) ownership apartments in production, of which 37 were sold.

Investments (MSEK)



## Fair value of investment properties

Amounts in MSEK	2018 Jan-Sep	2017 Jan-Sep	2017 Jan-Dec
<b>Fair value at the beginning of the period</b>	<b>41,039</b>	<b>37,878</b>	<b>37,878</b>
Change in value	1,126	1,523	1,647
Investment	814	1,151	1,586
Acquisitions	1,556	1,334	1,603
Sales	-253	-1,546	-1,675
<b>Fair value at the end of the period</b>	<b>44,282</b>	<b>40,340</b>	<b>41,039</b>





At Kvarngärdet in Uppsala, Rikshem is redeveloping two buildings of student housing constructed in the 1960s. This redevelopment project involves turning 269 student rooms into 316 apartments. Tenants have already moved into the first building and the second will be completed in spring/summer 2019. Rikshem owns a total of almost 1,400 apartments in the Kantors area, comprising ordinary rental apartments, student housing and apartments for young people.



Rikshem is building new residential properties and further developing the city district of Hageby in Norrköping. This is the first time that new residential properties are being built in this district since the 1960s. The four new residential buildings, with a total of 132 modern and space-efficient apartments of one to three rooms and a kitchen, are now under construction.



At Grundläggargränd in the Hyacinten neighborhood in Östersund, Rikshem today has about 300 apartments. The company is now developing the area by building 72 new apartments distributed between two five-story residential buildings. Plans are being made for both charging stations and car pools as part of Rikshem's sustainability efforts. Solar panels to supplement energy use in the building are planned to be installed on the roof.

# Comments on the balance sheet

At the end of the period, Rikshem's property portfolio consisted of 554 properties (586) with a fair value of MSEK 44,282 (41,039). Of the properties' fair value, MSEK 30,992 pertained to residential properties, MSEK 9,986 to nursing homes, MSEK 2,571 to schools and MSEK 733 to commercial properties. The property portfolio includes development rights of MSEK 681 (738).

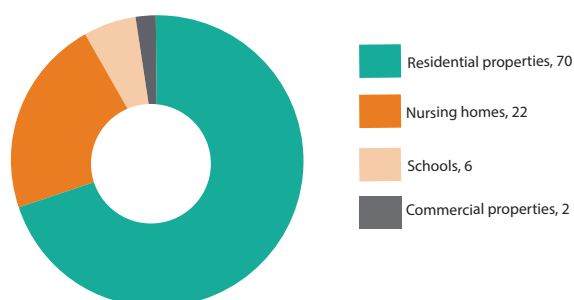
Properties corresponding to 48 percent of the fair value are located along the Stockholm–Uppsala axis. The property portfolio comprises a total of 28,764 apartments (27,924) and 2,275,000 square meters (2,219,000) of lettable area.

Rikshem's property portfolio, September 30, 2018

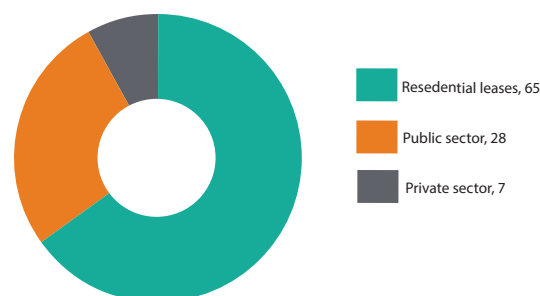
Type	Value, MSEK	Proportion %	Area, 1,000 sqm	Value, SEK/sqm	Annual rent, MSEK	Annual rent broken down by type of tenant			
						Residential leases, %	Public sector, %	Private sector, %	Total, %
<b>Residential properties segment</b>									
- Residential	30,992	70	1,646	18,827					
- Commercial*	373	1	13	29,492					
<b>Residential properties</b>	<b>31,365</b>	<b>71</b>	<b>1,659</b>	<b>18,909</b>	<b>1,974</b>	89	3	8	100
<b>Properties for public use segment</b>									
- Nursing homes	9,986	22	449	22,237					
- Schools	2,571	6	127	20,184					
- Commercial*	360	1	40	9,063					
<b>Properties for public use</b>	<b>12,917</b>	<b>29</b>	<b>616</b>	<b>20,963</b>	<b>816</b>	6	87	7	100
<b>Total</b>	<b>44,282</b>	<b>100</b>	<b>2,275</b>	<b>19,465</b>	<b>2,790</b>	<b>65</b>	<b>28</b>	<b>7</b>	<b>100</b>

\*Commercial premises for neighborhood services or areas of use for future residential properties or properties for public use.

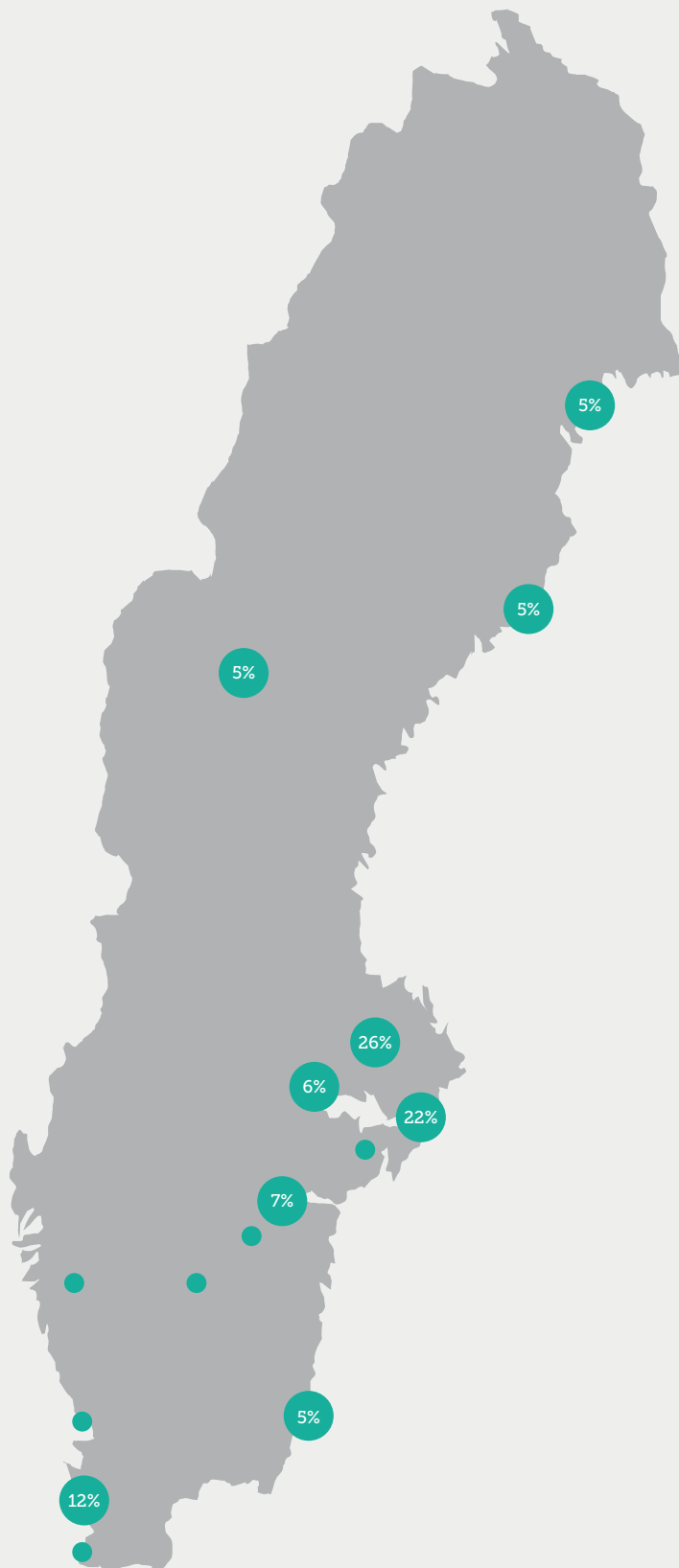
Breakdown of fair value of investment properties, %



Breakdown of rental income, %



# Our largest cities



Uppsala 26%  
Stockholm 22%  
Helsingborg 12%  
Norrköping 7%  
Västerås 6%

## We are also active in:

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

## Participations in joint ventures

Rikshem owns participations in joint ventures with a total value of MSEK 1,341 (1,356). The largest holding of MSEK 889 pertains to 49 percent of VärmdöBostäder. The remaining part of VärmdöBostäder is owned by Värmdö Municipality. The second largest holding of MSEK 377 pertains to Farsta Stadsutveckling, where Rikshem and Ikano Bostad each hold 50 percent. Farsta Stadsutveckling owns the Burmanstorp 1 property in Farsta. This is where the development of the new city area Telestaden is under way, with 3,000 residential properties and premises for offices and neighborhood services. Other participations in associated companies totaling MSEK 75 pertain to development projects owned and operated together with Veidekke Bostad, P&E Fastighetspartner and Glommen & Lindberg.

## Receivables

Non-current receivables amounted to MSEK 256 (227) and mainly comprised loans to joint ventures. Current receivables totaled MSEK 324 (455), of which MSEK 136 (117) pertained to prepaid expenses and accrued income and MSEK 42 (200) pertained to loans to joint ventures. Accounts receivable amounted to MSEK 18 (16).

## Cash and bank balances

Cash and cash equivalents totaled MSEK 795 (386).

## Financial derivative instruments

At the end of the period, the company had an interest-rate derivative portfolio that hedged SEK 17.8 billion as of the closing date, in which the company pays a fixed interest rate and receives variable interest. The company also has combined interest-rate and currency swaps to hedge loans raised in other currencies. The total fair value of the company's interest-rate derivatives with a positive fair value amounted to MSEK 266 (32), while the fair value of interest-rate derivatives with a negative fair value amounted to MSEK -418 (-542). The net fair value of the derivative portfolio totaled MSEK -152 (-510).

## Interest-bearing liabilities

At the end of the period, interest-bearing liabilities amounted to MSEK 25,854 (24,290). Of these interest-bearing liabilities, MSEK 4,535 (4,944) pertained to bank loans, MSEK 3,355 (3,715) to borrowings through commercial papers and MSEK 17,904 (15,363) to bonds. In addition, the company had MSEK 60 (268) in interest-bearing liabilities to related parties. The fair value of the interest-bearing liabilities essentially matches the carrying amount.

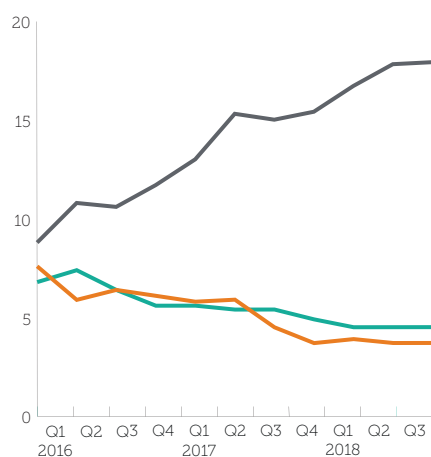
All bank loans are secured by collateral in properties. In total, secured financing accounted for 10 percent (12) of the fair value of investment properties. Of Rikshem's outstanding bonds, bonds corresponding to SEK 3.8 billion are issued in EUR and bonds corresponding to SEK 3.5 billion are issued in NOK. The carrying amount of these bonds on the closing date amounted to SEK 4.0 billion and SEK 3.7 billion, respectively.

The average interest-rate duration decreased from 5.3 years to 4.8 years during the period. However, the interest-rate duration for the period was longer than in the year-earlier period. The average debt duration increased from 3.0 to 3.5 years.

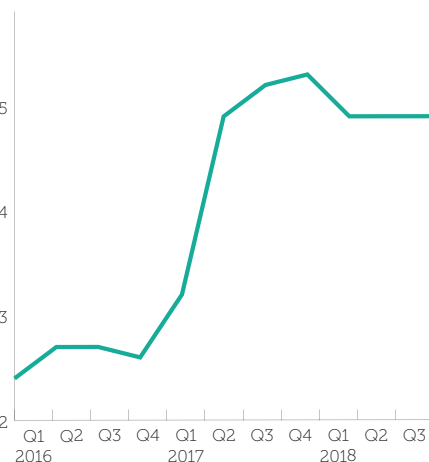
### Interest-rate derivative portfolio

Maturity date	Nominal amount (end of the year), SEK billion	Average interest rate (end of the year)
2018	17.8	1.1%
2019	17.8	1.1%
2020	17.8	1.1%
2021	15.5	1.1%
2022	11.5	1.0%
2023	7.5	1.1%
2024	6.5	1.1%
2025	3.5	0.8%
2026	0.5	1.2%

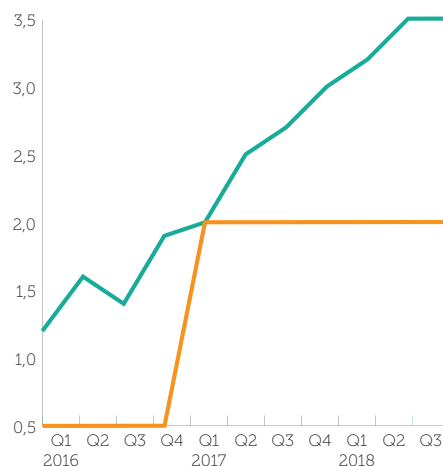
Financing sources (SEK billion)



Average interest-rate duration (years)



Average debt duration (years)



Bankloan  
Commercial papers  
Bonds

Average interest-rate duration

Average debt duration (years)  
Minimum level (years)

## Interest-bearing external liabilities

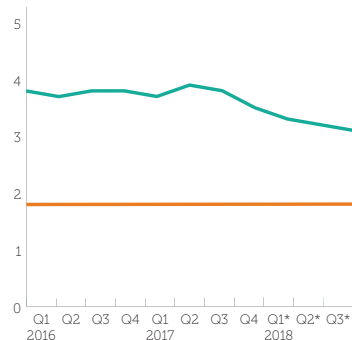
Maturity	Interest-rate duration		Debt duration	
Years	Amount (MSEK)	Proportion	Amount (MSEK)	Proportion
0–1	765	3.0%	6,469	25.1%
1–2	825	3.2%	3,221	12.5%
2–3	2,908	11.2%	5,670	22.0%
3–4	4,325	16.8%	2,020	7.8%
4–5	4,950	19.2%	1,369	5.3%
5–6	5,021	19.5%	3,521	13.6%
6–7	3,500	13.5%		
7–8	2,500	9.7%		
8–9	1,000	3.9%	1,265	4.9%
9–			2,259	8.8%
Total	25,794	100%	25,794	100%



## Financial key figures

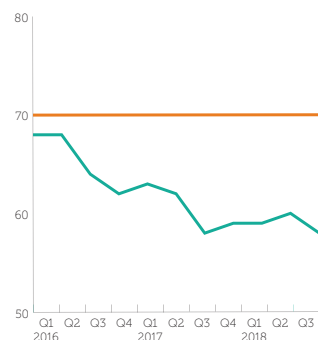
Rikshem's interest-coverage ratio for external financing for the 12-month period ending September 30, 2018 was 3.1. The loan-to-value ratio declined to 58 percent (59) and the equity/assets ratio increased to 37 percent (36).

Interest-coverage ratio



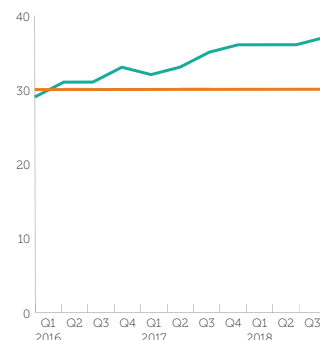
— Interest-coverage-ratio  
— Minimum level according to the company financial policy

Loan-to-value ratio (%)



— Loan-to-value  
— Maximum level according to the company financial policy

Equity/assets ratio (%)



— Equity/assets ratio  
— Minimum level according to the company financial policy

\*Rolling 12 months

## Segment reporting

Amounts in MSEK	Residential properties		Properties for public use		Total	
	2018 Jan-Sep	2017 Jan-Sep	2018 Jan-Sep	2017 Jan-Sep	2018 Jan-Sep	2017 Jan-Sep
Rental income	1,462	1,430	609	566	2,071	1,996
Property expenses	-682	-617	-206	-169	-888	-786
<b>Net operating income</b>	<b>780</b>	<b>813</b>	<b>403</b>	<b>397</b>	<b>1,183</b>	<b>1,210</b>
Change in value of properties	783	1,481	343	42	1,126	1,523
<b>Total return</b>	<b>1,563</b>	<b>2,294</b>	<b>746</b>	<b>439</b>	<b>2,309</b>	<b>2,733</b>
Total return, %, rolling 12 months	6.1	12.7	7.8	5.2	6.6	9.9
Fair value of properties	31,365	29,086	12,917	11,254	44,282	40,340
Proportion, %	71	72	29	28	100	100
Area, 1,000 sqm	1,659	1,658	616	564	2,275	2,222
Fair value, SEK/sqm	18,909	17,539	20,963	19,960	19,465	18,153
Investments	630	991	184	160	814	1,151

# Group – Condensed statement of comprehensive income

Amounts in MSEK	2018 Jul–Sep	2017 Jul–Sep	2018 Jan–Sep	2017 Jan–Sep	Oct 2017– Sep 2018	2017 Jan–Dec
<b>Rental income</b>	<b>697</b>	<b>661</b>	<b>2,071</b>	<b>1,996</b>	<b>2,740</b>	<b>2,665</b>
Operating expenses	-141	-129	-541	-508	-736	-702
Maintenance	-71	-39	-191	-144	-263	-216
Administration	-40	-32	-126	-106	-176	-156
Property tax	-10	-9	-30	-28	-37	-36
<b>Total property expenses</b>	<b>-262</b>	<b>-209</b>	<b>-888</b>	<b>-786</b>	<b>-1,212</b>	<b>-1,110</b>
<b>Net operating income</b>	<b>435</b>	<b>452</b>	<b>1,183</b>	<b>1,210</b>	<b>1,528</b>	<b>1,555</b>
Central administration	-18	-7	-44	-34	-72	-62
Net financial items	-112	-120	-347	-308	-472	-433
Earnings from joint ventures	1	10	-5	113	-28	90
of which, income from management operations	6	-5	5	1	13	9
of which, change in value of properties	-3	17	-11	146	-50	107
of which, change in value of financial derivative instruments	-1	0	-1	-5	1	-3
of which, tax	-1	-2	2	-29	8	-23
<b>Income from management operations</b>	<b>306</b>	<b>335</b>	<b>787</b>	<b>981</b>	<b>956</b>	<b>1,150</b>
Change in value of investment properties	193	546	1,126	1,523	1,250	1,647
Change in value of interest-rate derivatives	166	17	41	153	48	160
Change in value of foreign exchange derivatives	-107	47	317	-128	321	-124
Foreign exchange effects on financial liabilities	78	-6	-398	138	-421	115
<b>Profit before tax</b>	<b>636</b>	<b>939</b>	<b>1,873</b>	<b>2,667</b>	<b>2,154</b>	<b>2,948</b>
Tax	-130	-159	-223	-423	-318	-518
<b>Profit for the period/year</b>	<b>506</b>	<b>780</b>	<b>1,650</b>	<b>2,244</b>	<b>1,836</b>	<b>2,430</b>
<b>Other comprehensive income</b>						
Revaluation of pensions	-	-	-	-	-1	-1
Tax, pensions	-	-	0	-	0	0
<b>Other comprehensive income for the period/year, net after tax</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-1</b>	<b>-1</b>
<b>Total comprehensive income for the period/year</b>	<b>506</b>	<b>780</b>	<b>1,650</b>	<b>2,244</b>	<b>1,835</b>	<b>2,429</b>

# Group – Condensed statement of financial position

Amounts in MSEK	2018 Sep 30	2017 Sep 30	2017 Dec 31
<b>ASSETS</b>			
Investment properties	44,282	40,340	41,039
Participations in joint ventures	1,341	1,376	1,356
Equipment	5	6	6
Financial derivative instruments	266	-	32
Non-current receivables	256	415	227
<b>Total non-current assets</b>	<b>46,150</b>	<b>42,137</b>	<b>42,660</b>
Current receivables	324	477	455
Cash and cash equivalents	795	1,588	386
<b>Total current assets</b>	<b>1,119</b>	<b>2,065</b>	<b>841</b>
<b>TOTAL ASSETS</b>	<b>47,269</b>	<b>44,202</b>	<b>43,501</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>17,360</b>	<b>15,525</b>	<b>15,710</b>
Deferred tax liability	2,588	2,302	2,365
Interest-bearing liabilities	19,325	14,937	16,525
Financial derivative instruments	418	557	542
Non-interest-bearing liabilities	3	1	3
<b>Total non-current liabilities</b>	<b>22,334</b>	<b>17,797</b>	<b>19,435</b>
Interest-bearing liabilities	6,529	10,069	7,765
Non-interest-bearing liabilities	1,046	811	591
<b>Total current liabilities</b>	<b>7,575</b>	<b>10,880</b>	<b>8,356</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>47,269</b>	<b>44,202</b>	<b>43,501</b>

# Consolidated statement of changes in equity

Amounts in MSEK	Share capital	Other contrib- uted capital	Retained earnings including profit for the year	Total equity
<b>Opening balance, Jan 1, 2017</b>	<b>100</b>	<b>4,874</b>	<b>8,307</b>	<b>13,281</b>
Profit for the period, Jan–Sep			2,244	2,244
<b>Closing balance, Sep 30, 2017</b>	<b>100</b>	<b>4,874</b>	<b>10,551</b>	<b>15,525</b>
Profit for the period, Oct–Dec			186	186
Other comprehensive income, Oct–Dec			-1	-1
<b>Closing balance, Dec 31, 2017</b>	<b>100</b>	<b>4,874</b>	<b>10,736</b>	<b>15,710</b>
<b>Opening balance, Jan 1, 2018</b>	<b>100</b>	<b>4,874</b>	<b>10,736</b>	<b>15,710</b>
Profit for the period, Jan–Sep			1,650	1,650
Other comprehensive income, Jan–Sep			0	0
<b>Closing balance, Sep 30, 2018</b>	<b>100</b>	<b>4,874</b>	<b>12,386</b>	<b>17,360</b>

# Consolidated statement of cash flows

Amounts in MSEK	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	Oct 2017- Sep 2018	2017 Jan-Dec
Cash flow from operating activities	419	459	1,141	1,179	1,458	1,496
Interest paid	-117	-111	-359	-295	-489	-425
Tax paid	1	-1	-13	-8	-13	-8
Change in working capital*	-9	147	-28	11	31	70
<b>Cash flow from operating activities</b>	<b>294</b>	<b>494</b>	<b>741</b>	<b>887</b>	<b>987</b>	<b>1,133</b>
Investment in investment properties	-199	-238	-814	-1,151	-1,248	-1,586
Acquisition of investment properties	-650	-52	-1,556	-1,334	-1,825	-1,603
Divestment of investment properties	-	53	253	1,546	382	1,675
Investment in equipment	-	-	0	0	-2	-1
Investment in financial assets	-51	-39	-91	-274	-110	-293
Divestment of financial assets	121	63	206	79	206	79
Dividend from financial assets	-	-	10	-	10	-
<b>Cash flow from investing activities</b>	<b>-779</b>	<b>-213</b>	<b>-1,992</b>	<b>-1,134</b>	<b>-2,587</b>	<b>-1,729</b>
Loans raised	430	345	6,833	11,405	8,570	13,142
Repayment of loans	-590	-2,100	-5,654	-9,685	-8,350	-12,381
Change in collateral*	211	-110	481	-205	587	-99
<b>Cash flow from financing activities</b>	<b>51</b>	<b>-1,865</b>	<b>1,660</b>	<b>1,515</b>	<b>807</b>	<b>662</b>
<b>Cash flow for the period/year</b>	<b>-434</b>	<b>-1,584</b>	<b>409</b>	<b>1,268</b>	<b>-793</b>	<b>66</b>
Cash and cash equivalents at the beginning of the period/year	1,229	3,172	386	320	1,588	320
<b>Cash and cash equivalents at the end of the period/year</b>	<b>795</b>	<b>1,588</b>	<b>795</b>	<b>1,588</b>	<b>795</b>	<b>386</b>

\* From Q3 2018, cash and cash equivalents pledged as collateral for foreign exchange derivatives are reclassified according to the Credit Support Annex (CSA) from "Change in working capital" to "financing activities." Comparative figures have been restated.





# MSEK 814

Investments in existing properties during the period. Of this amount, redevelopment and renovation of residential properties accounted for MSEK 488, new production for MSEK 142 and investments in properties for public use for MSEK 184.



# Parent Company – Condensed statement of income

Amounts in MSEK	2018 Jul–Sep	2017 Jul–Sep	2018 Jan–Sep	2017 Jan–Sep	Oct 2017– Sep 2018	2017 Jan–Dec
<b>Revenue</b>	<b>47</b>	<b>39</b>	<b>144</b>	<b>121</b>	<b>200</b>	<b>177</b>
Other operating expenses	-25	-22	-72	-68	-100	-96
Personnel expenses	-41	-24	-121	-89	-176	-144
Depreciation	-1	-1	-2	-2	-3	-3
<b>Operating loss</b>	<b>-20</b>	<b>-8</b>	<b>-51</b>	<b>-38</b>	<b>-79</b>	<b>-66</b>
Earnings from Group companies	21	23	47	56	65	74
Net interest income	17	-7	34	49	37	52
Change in value of interest-rate derivatives	166	17	41	153	47	159
Change in value of foreign exchange derivatives	-107	47	317	-128	321	-124
Foreign exchange effects on financial liabilities	78	-6	-398	138	-421	115
<b>Profit/loss after financial items</b>	<b>155</b>	<b>66</b>	<b>-10</b>	<b>230</b>	<b>-30</b>	<b>210</b>
Appropriations	-	-	-	-	-24	-24
Tax	-32	-16	10	-54	20	-44
<b>Profit/loss for the period/year</b>	<b>123</b>	<b>50</b>	<b>0</b>	<b>176</b>	<b>-34</b>	<b>142</b>

# Parent Company – Condensed balance sheet

Amounts in MSEK	2018 Sep 30	2017 Sep 30	2017 Dec 31
<b>ASSETS</b>			
Equipment	5	6	6
Shares and participations in Group companies	1,967	1,900	1,967
Receivables from Group companies	28,917	27,168	27,964
Financial derivative instruments	266	-	32
Non-current receivables	37	214	54
<b>Total non-current assets</b>	<b>31,192</b>	<b>29,288</b>	<b>30,023</b>
Current assets	89	288	275
Cash and cash equivalents	795	1,588	386
<b>Total current assets</b>	<b>884</b>	<b>1,876</b>	<b>661</b>
<b>TOTAL ASSETS</b>	<b>32,076</b>	<b>31,164</b>	<b>30,684</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>6,735</b>	<b>6,769</b>	<b>6,735</b>
Untaxed reserves	24	-	24
Deferred tax liability	113	149	124
Financial derivative instruments	418	557	542
Interest-bearing liabilities	23,534	21,832	21,353
Liabilities to Group companies	672	1,749	1,763
Non-interest-bearing liabilities	580	108	143
<b>Total liabilities</b>	<b>25,341</b>	<b>24,395</b>	<b>23,949</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>32,076</b>	<b>31,164</b>	<b>30,684</b>

# Parent Company, Board of Directors and organization

## Parent Company

The operations of the Parent Company Rikshem AB (publ) comprise Group-wide functions as well as the organization for managing properties owned by the subsidiaries. No properties are owned directly by the Parent Company.

## Board of Directors and organization

## Risks

### Risks associated with income and assets

The property sector is impacted by macroeconomic factors such as general economic development, the growth rate, employment, the level of production of new properties, infrastructure changes, population growth, inflation and interest rates. In a weaker macroeconomic situation, the value of properties could decline. The value of properties could also decline if access to funds and/or to equity declines in the property sector.

The company's revenue consists of rent for leased residential properties and premises. Should the number of rented residential properties and leased premises decline, the company's revenue will decrease. Revenue could also decline if the payment capacity of the company's tenants is reduced and they therefore fail to pay their rent. The company's costs for managing the property portfolio, and for operation and maintenance, are dependent on the general cost trend in Sweden. This applies particularly to electricity and heating costs.

## Accounting policies

The consolidated financial statements for the Rikshem Group have been prepared in compliance with International Financial Reporting Standards (IFRS) and with the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union (EU). The Annual Accounts Act and RFR 1 Supplementary Accounting Rules for Groups have also been applied. This interim report has been prepared according to IAS 34 Interim Financial Reports.

The Parent Company's accounting policies comply with the Annual Accounts Act and RFR 2.

### New standards and interpretations

IFRS 15 Revenue from Contracts with Customers took

The composition of the Board of Directors of Rikshem AB (publ) changed during the period, with Pernilla Annrud Melin elected as a Board member at the annual general meeting and Ebba Hammarström stepping down from the Board.

The number of employees in the Rikshem Group at the end of the period was 228 (206), of whom 102 were women.

### Financial risks

Rikshem's interest-bearing liabilities result in liquidity, refinancing, currency and interest-rate risk. Liquidity and refinancing risk is defined as the risk that when loans mature funding cannot be raised or can only be raised at significantly higher costs, and that payment obligations cannot be met due to insufficient liquidity. Currency risk refers to the risk that changes in exchange rates may have a negative impact on financial liabilities. Interest-rate risk is the risk that increased market interest rates could lead to higher interest expenses. This could have adverse consequences on the company's operations, financial position and earnings.

Rikshem's tax charges could change due to amended tax legislation.

For additional information regarding risks, refer to Rikshem's 2017 Annual Report.

effect on January 1, 2018. According to Rikshem's assessment, the company's revenue comprises rental income and is encompassed by IAS 17 Leasing, which means that IFRS 15 has not had any impact on Rikshem's income statement and balance sheet.

IFRS 9 Financial Instruments also took effect on January 1, 2018. This standard entails changes to the way financial assets are classified and measured, a new model for credit reserves and changes to the principles for hedge accounting. As of the closing date, the new standard had not had any material impact on Rikshem's income statement and balance sheet. In all other respects, the accounting policies and measurement methods for the Group are the same as those applied in the 2017 Annual Report.

From January 1, 2018, the Parent Company will also apply IFRS 9 without exception, which means that all financial derivative instruments will be recognized at fair value. The Parent Company previously applied the cost method in accordance with the Swedish Annual Accounts Act for the recognition of interest-rate derivatives and combined interest-rate and foreign exchange derivatives, pursuant to the exemption rule in the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities. The change in the accounting policies applied means that the comparative periods for the Parent Company have been restated.

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

From January 1, 2019, IFRS 16 Leases will replace IAS 17 Leases and related interpretations. Under the new standard, a lessee is to recognize assets and liabilities

attributable to all leases in the balance sheet, with the exception of leases with a term of less than 12 months and/or leases that pertain to a low value. Depreciation and interest expenses are recognized in profit or loss.

In 2018, Rikshem initiated an analysis to determine the expected impact of the new standard on the reporting, and part of the analysis concentrated on identifying all of the Group's leases. Rikshem is the lessee for site leaseholds, premises, vehicles and equipment. The largest effect on Rikshem's balance sheet is expected to pertain to site leaseholds. Leasehold fees will not longer be recognized as operating expenses in profit or loss, but instead as interest expenses. This will result in higher net operating income and lower net financial items. At the end of the period, the annual expense for leased assets amounted to approximately MSEK 10 (of which leasehold fees approximately MSEK 3). The work on quantifying the expected effects of IFRS 16 is ongoing.

## Related-party transactions

During the period, fees were paid to the Fourth Swedish National Pension Fund (AP4) for a subscription undertaking and to AMF Pensionsförsäkring AB for a loan commitment.

Interest was charged on receivables and liabilities between Group companies and on receivables and loans to joint

ventures. The Parent Company leased a number of premises from subsidiaries and paid market rent for these premises. The Parent Company and a subsidiary invoiced the subsidiaries for administrative and property-related services.

## Significant events after the end of the period

No significant events occurred after the end of the period.

The Board of Directors and the CEO affirm that this interim report provides a true and fair view of the Parent Company's and the Group's operations, position and earnings, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, November 12, 2018

Bo Magnusson  
Chairman of the Board

Pernilla Arrnud Melin  
Board member

Lena Boberg  
Board member

Liselotte Hjorth  
Board member

Per-Gunnar Persson  
Board member

Per Uhlén  
Board member

Sophia Mattsson-Linnala  
Chief Executive Officer

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



Quarterly data

Amounts in MSEK	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2
<b>Statement of income</b>						
Rental income	697	694	680	669	661	670
Property expenses	-262	-296	-330	-324	-209	-264
Net operating income	435	398	350	345	452	406
Central administration	-18	-13	-14	-28	-7	-10
Net financial items	-112	-119	-116	-125	-120	-99
Earnings from joint ventures	1	-5	-1	-23	10	92
Income from management operations	306	261	219	169	335	389
Change in value of investment properties	193	664	269	124	546	759
Change in value and foreign exchange effects of financial instruments	137	-114	-62	-12	58	77
Profit before tax	636	811	426	281	939	1,225
Tax and other comprehensive income	-130	4	-97	-96	-159	-146
Comprehensive income for the period	506	815	329	185	780	1,079
<b>Balance sheet</b>						
Investment properties	44,282	43,239	42,199	41,039	40,340	39,556
Participations in joint ventures	1,341	1,339	1,354	1,356	1,376	1,367
Other assets	851	1,026	958	720	898	947
Cash and cash equivalents	795	1,228	536	386	1,588	3,172
Total assets	47,269	46,832	45,047	43,501	44,202	45,042
Equity	17,360	16,854	16,039	15,710	15,525	14,745
Deferred tax liability	2,588	2,459	2,463	2,365	2,302	2,150
Interest-bearing liabilities	25,854	26,098	25,334	24,290	25,006	26,742
Other liabilities	1,467	1,421	1,211	1,136	1,369	1,405
Total equity and liabilities	47,269	46,832	45,047	43,501	44,202	45,042
<b>Key performance data</b>						
Loan-to-value ratio, %	58	60	59	59	62	68
Equity/assets ratio, %	37	36	36	36	35	33
Interest-coverage ratio, multiple*	3.1	3.2	3.3	3.5	3.8	3.9
Return on equity, %*	11.2	13.4	16.0	16.8	23.6	22.3
Property yield, %*	3.6	3.7	3.8	3.9	3.9	4.0
Total return, %*	6.6	7.6	7.9	8.1	9.9	9.5
Surplus ratio, %	62	57	51	52	68	61

\*Rolling 12 months

## Key performance data

Amounts in MSEK	2018 Sep 30	2017 Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31	2013 Dec 31
<b>Statement of income</b>						
Rental income	2,071	2,665	2,484	2,040	1,691	1,433
Net operating income	1,183	1,555	1,420	1,192	954	770
Income from management operations	787	1,150	1,208	579	380	348
Change in value of properties, MSEK	1,126	1,647	1,962	1,856	1,262	1,165
Profit for the period	1,650	2,430	2,433	1,964	1,010	1,455
<b>Balance sheet</b>						
Equity	17,360	15,710	13,281	10,360	4,850	3,705
External liabilities	25,794	24,022	23,422	21,074	16,248	12,604
Fair value of properties	44,282	41,039	37,878	32,009	25,160	19,982
Total assets	47,269	43,501	40,114	34,053	26,036	20,208
<b>Financial key figures</b>						
Equity/assets ratio, %	37	36	33	30	19	18
Loan-to-value ratio, %	58	59	62	66	65	63
Interest-coverage ratio	3.1	3.5	3.8	3.6	2.9	2.2
Loan-to-value ratio, secured loans, %	10	12	15	21	23	32
Average interest rate, %	1.8	2.0	1.5	1.6	1.8	3.1
Interest-rate duration, years	4.8	5.3	2.6	2.4	3.4	3.2
Debt duration, years	3.5	3.0	1.9	1.4	1.1	-
Return on equity, %*	11.2	16.8	20.6	25.8	23.6	48.9
Property yield, %*	3.6	3.9	4.1	4.2	4.2	4.3
Total return, %*	6.6	8.1	9.7	10.7	9.8	10.7
<b>Property-related key figures</b>						
Number of properties	554	586	574	533	496	366
Lettable area, 1,000 sqm	2,275	2,219	2,182	1,975	1,708	1,506
Number of apartments	28,764	27,924	27,224	24,203	20,844	19,541
Proportion of properties for public use, %	29	29	29	38	42	36
Vacancy rate, residential properties	2.2	2.7	3.6	2.6	1.8	2.0
Market vacancy rate, residential properties, %	0.3	0.3	0.5	0.4	-	-
Remaining lease term for properties for public use, years	10	10	10	10	11	12
Fair value, SEK/sqm	19,465	18,494	17,362	16,205	14,727	13,286
Growth in revenue for existing properties, %	3.8	4.3	3.7	2.7	2.4	1.0
Growth in net operating income for existing properties, %	-3.2	6.7	3.4	6.8	8.4	-
Surplus ratio, %	57	58	57	58	56	54
<b>Employees</b>						
Number of employees	228	206	192	173	134	107

\*Rolling 12 months



Property image above: Kalkstenen and Rönnbäret, Kalmar



## Financial calendar

Year-end report 2018  
Interim report Jan–Mar 2019

February 7, 2019  
May 3, 2019

# Definitions

<b>Amounts within parentheses</b>	For income statement items, amounts within parentheses refer to the outcome for the corresponding year-earlier period and for balance sheet items, amounts within parentheses refer to the outcome at the end of the preceding year.
<b>Average interest rate</b>	Average interest rate for interest-bearing liabilities including expenses for back-up facilities in relation to current loans on the closing date.
<b>Debt duration, years</b>	The weighted remaining maturity of interest-bearing liabilities on the closing date. This is stated to illuminate the company's financial risk.
<b>Equity/assets ratio</b>	Equity in relation to total assets. This is stated to illuminate the company's financial stability.
<b>Income from management operations</b>	Net operating income less administrative costs and net financial items plus profit from earnings from joint ventures. This is stated to illuminate the continuous earnings capacity of the business.
<b>Interest-coverage ratio</b>	Profit before tax following a reversal of earnings from joint ventures, interest expenses, change in value of assets and liabilities and other financial expenses in relation to interest expenses for external borrowings. This is stated to illuminate the company's sensitivity to interest-rate fluctuations.
<b>Interest-rate duration, years</b>	The weighted remaining interest-rate duration for interest-bearing liabilities and financial derivative instruments on the closing date. This is stated to illuminate the company's financial risk.
<b>Loan-to-value ratio</b>	Interest-bearing liabilities in relation to the fair value of properties. This is stated to illuminate the company's financial risk.
<b>Loan-to-value ratio, secured loans</b>	Secured interest-bearing liabilities in relation to the fair value of properties. This is stated to illuminate the company's financial risk.
<b>Market vacancy rate, residential properties</b>	As per the closing date, the number of apartments less apartments unrented due to renovation in relation to the total number of apartments in the residential properties segment.
<b>Net financial items</b>	Net of interest income, interest expenses and similar revenue and costs.
<b>Net operating income</b>	Rental income less property expenses.
<b>Property expenses</b>	Costs for heat, electricity, water, operation, maintenance, property tax, leasehold fees, rent losses and administration.
<b>Property yield</b>	Annualized net operating income in relation to the average fair value of properties. This is stated to illuminate the property investments' ability to generate a return.
<b>Remaining lease term, properties for public use</b>	The weighted remaining lease term in the rental value on the closing date in the properties for public use segment.
<b>Rental income</b>	Rental value less vacancies and rent discounts.
<b>Return on equity</b>	Profit for the year in relation to average equity. This is stated to illuminate the company's ability to generate a return on the capital invested by the shareholders.
<b>Secured loans</b>	Loans raised against liens on properties.
<b>Surplus ratio</b>	Net operating income in relation to rental income. This is stated to illuminate the property investments' continuous earnings capacity.
<b>Total return</b>	Net operating income plus change in value in relation to the average fair value of properties. This is stated to illuminate the property investments' ability to generate a return.
<b>Vacancy rate, residential properties</b>	As per the closing date, the number of unrented apartments in relation to the total number of apartments in the residential properties segment.

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

Rikshem is one of Sweden's largest private property companies. We own, develop and manage residential properties and properties for public use in selected municipalities in Sweden, where we offer safe, pleasant and flexible housing in attractive locations. Rikshem is owned by the Fourth Swedish National Pension Fund (AP4) and AMF. Read more at [rikshem.se](http://rikshem.se)

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