



# Six-month report

January–June 2018



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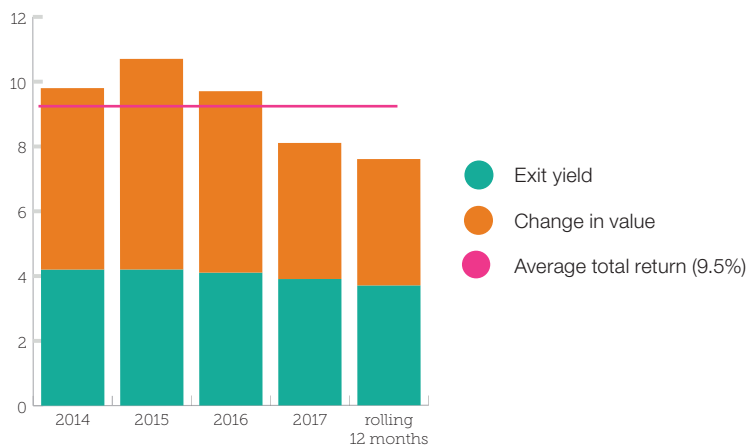
- Rental income increased 3 percent to MSEK 1,374 (1,335).
- Net operating income declined to MSEK 748 (758), mainly as a result of the harsh winter weather, which gave rise to increased costs for heating and snow removal.
- Income from management operations declined MSEK 166 to MSEK 480 (646). This decline was mainly due to the decrease in net operating income, an increase in interest expenses of MSEK 47 as a result of longer debt duration and interest-rate duration as well as a decline in earnings from joint ventures of MSEK 109 due to a lower change in value.
- The change in value of investment properties was MSEK 933 (977), corresponding to a percentage increase in fair value of 2.3 percent (2.6). The change in value was mainly due to higher assessed net operating income.
- Debt duration increased to 3.5 years (3.0).
- The equity/assets ratio was unchanged at 36 percent.

## Rikshem in summary

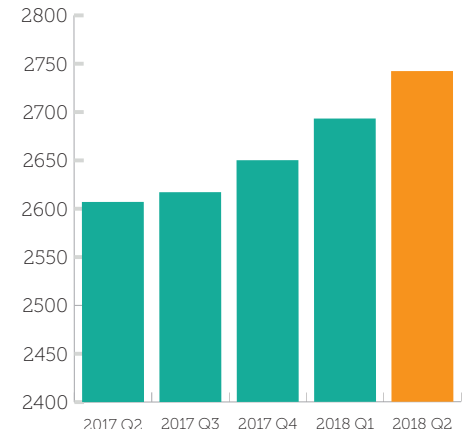
	2018 Jan-Jun	2017 Jan-Jun	Jul 2017– Jun 2018	Jan–Dec 2017
Rental income, MSEK	1,374	1,335	2,704	2,665
Net operating income, MSEK	748	758	1,545	1,555
Income from management operations, MSEK	480	646	984	1,150
Profit after tax, MSEK	1,144	1,464	2,110	2,430
Fair value of properties, MSEK	43,239	39,556	43,239	41,039
Number of apartments	28,417	27,902	28,417	27,924
Lettable area, 1,000 sqm	2,254	2,221	2,254	2,219
Vacancy rate, residential properties, %	0.6	0.5	0.6	0.3
Average lease length, years**	10	10	10	10
Loan-to-value ratio, %	60	68	60	59
Interest-coverage ratio***	3.2	3.9	3.2	3.5
Equity, MSEK	16,854	14,745	16,854	15,710
Return on total capital, %***	7.6	9.5	7.6	8.1
Return on equity, %***	13.4	22.3	13.4	16.8

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

Total return (%)



Annual rent as of the closing date (MSEK)



Cover image: Property at Mjölkuddsvägen in Luleå

# Message from the CEO

Acquisition agreements were signed for several properties for public use during the spring, our rent increases for the year are beginning to take effect and the value of the properties continued to improve. At the same time, earnings were impacted by the harsh winter weather and our increased debt duration and interest-rate duration. In Helsingborg and Malmö, we have taken an important step – for both us and our customers – in our efforts to digitize our properties. And 150 young people in our areas were given summer jobs working with property upkeep.

During the spring, Rikshem signed acquisition agreements for several properties for public use, including a newly produced nursing home and senior residence, which the company will take possession of in the third quarter, and two project properties for nursing homes in Staffanstorps and Upplands-Bro, which the company will take possession of upon their completion in 2019. Rental agreements extending for between 15 and 20 years have been signed for the properties. When it comes to project properties, we have several comprehensive refurbishment and succession renovation projects under way, including projects in Norrköping and Helsingborg, as well as a number of acquired projects under completion. Several zoning plans – for example, in Uppsala, Umeå, Östersund and Norrköping – have been approved and we expect to receive additional approvals toward the end of the year since several projects are in the later stages of the zoning plan process.

Profit for the period continued to be impacted by the cold and snowy winter and spring, particularly in the northern areas of the portfolio, and was also charged with increased financial expenses as a result of our increased debt duration and interest-rate duration. However, I am pleased to report that the value of our properties continued to increase in line with earlier periods.

Although the rent increases for 2018 have started to take effect, rent negotiations have been slow. This is something we are experiencing to an increasing degree. In addition to protracted negotiations, the increases over the past few years have not followed the general price trend, despite the economic boom. Several years of significant rent reductions are not only impacting long-term property owners but also risk turning rental apartments into second-class housing as the low increases create less scope for investments. With more than 28,000 rental apartments across Sweden, we are protecting a form of housing that is crucial to the development of society and must remain attractive.

In Helsingborg and Malmö, we have begun installing open networks in all our properties. This is a long-term project we are undertaking to build better-connected properties and future-proof networks and to offer our customers a broader range of digital services.

One of Rikshem's first sustainability initiatives was our summer job program, a successful endeavor that we continue to offer each year. In 2018, more than 150 young people were given summer jobs in Rikshem's areas. Since the program began, over 800 young people have had an opportunity to get a foot into the labor market and, in many cases, they have shown a greater interest in the areas where they live – something that benefits us all. They have also had a chance to learn more about the job opportunities available in the property sector. It is good to see that many other property owners are also offering summer jobs for young people in their areas.

Despite the high demand for employees in the property sector, we receive applications from many qualified candidates and have recently completed several important recruitments. Our new employees will add new perspectives and extensive expertise to our operations, which will help us to develop. Together, we will help each other succeed.

**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



### 28,417

Rikshem provides Sweden with 28,417 apartments across the country.



### SEK 43 billion

The market value of the properties totaled MSEK 43,239.



### Long-term owner

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

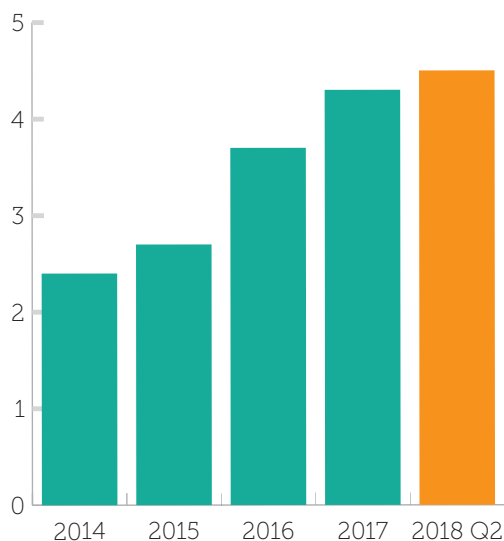
The Group's rental income for the period increased MSEK 39 to MSEK 1,374 (1,335). Rental income for existing properties rose MSEK 58 or 4.5% (4.1). The increase for existing properties mainly derived from annual rent increases and investments that enable rents to be raised in the properties.

Property expenses for the period increased MSEK 49 to MSEK 626 (577). The higher expenses were primarily attributable to higher costs related to municipal tariffs and increased costs for snow removal as a result of the harsh winter weather. Another contributing factor was that maintenance expenses during the period rose to MSEK 120 (105) as a result of increased extra maintenance. Costs for administration rose to MSEK 86 (74) due to strengthening of the organization. Costs for existing properties increased MSEK 61 or 11.1 percent.

Changes in the property portfolio reduced rental income by MSEK 19 and property expenses by MSEK 12 compared with the year-earlier period.

Altogether, total net operating income declined slightly year-on-year and amounted to MSEK 748 (758). Net operating income for existing properties declined 0.4 percent compared with the year-earlier period.

Change in rental income in existing properties (%)



Statement of income  
MSEK

2018  
Jan-Jun

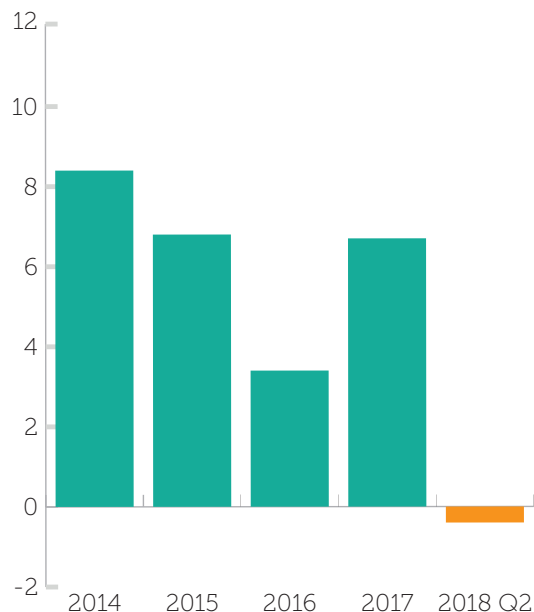
2017  
Jan-Jun

Rental income	1,374	1,335
Property expenses	-626	-577
<b>Net operating income</b>	<b>748</b>	<b>758</b>
Central administration	-27	-27
Net financial items	-235	-188
Earnings from joint ventures	-6	103
<b>Income from management operations</b>	<b>480</b>	<b>646</b>
Change in value of properties	933	977
Change in value of financial derivative instruments and foreign exchange effects on financial liabilities	-176	105
<b>Profit before income tax</b>	<b>1,237</b>	<b>1,728</b>
Tax	-93	-264
<b>Profit for the period</b>	<b>1,144</b>	<b>1,464</b>

The surplus ratio for the total property holding was 54 percent (57).

At the end of the period, the vacancy rate for residential properties was 3.2 percent. Adjusted for apartments that have been vacated in preparation for renovation, the

Change net operating income in existing properties (%)



market vacancy rate was 0.6 percent (0.5). The average remaining lease term for properties for public use was 9.9 years (10.0).

### Central administration

Costs for the period for central administration amounted to MSEK 27 (27).

### Net financial items

Net financial items totaled MSEK 235 (188). Net financial items mainly comprise the company's external interest expenses, which rose MSEK 47 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

1.9 percent, compared with an average interest rate of 1.7 percent on June 30, 2017.

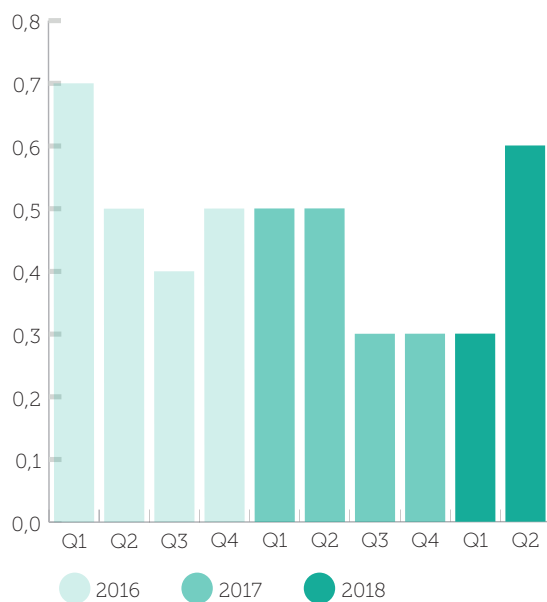
### Earnings from joint ventures

Earnings from joint ventures amounted to MSEK -6 (103) for the period. The decline was mainly attributable to a negative change in value of MSEK -8, compared with a positive change in value of MSEK 129 in the year-earlier period.

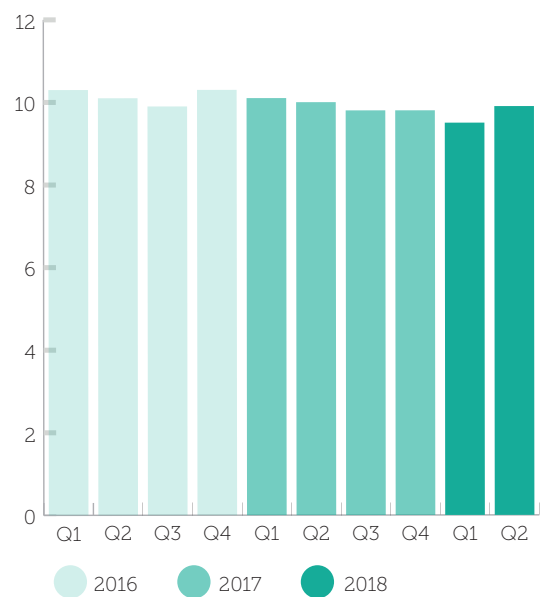
### Change in value of financial derivative instruments

The change in value of financial derivative instruments amounted to MSEK 300 (-39). Market interest rates rose during the period, which increased the value of most

Market vacancy rate, residential properties, %



Average lease length, properties for public use (years)



of the company's financial derivative instruments. The financial derivative instruments are interest-rate swaps 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 foreign exchange effects on financial liabilities in EUR and NOK amounted to MSEK -476 (144) and were attributable to the weakening of the SEK against these currencies during the period.

### Change in value of properties

The change in value of investment properties for the for the period was MSEK 933 (977), equal to growth of 2.3 percent (2.6). Residential properties increased in value by MSEK 612 or 2.1 percent and properties for public use by MSEK 321 or 2.6 percent. The change in value is mainly attributable to the increase in assessed net operating income during the period. The average exit yield declined to 4.27 percent (4.31).

The most significant increases in value occurred in Luleå (5.5 percent) and Västerås (4.7 percent). These changes

in value were largely attributable to newly signed rental agreements with the City of Västerås and lower exit yields in Luleå.

### Tax

Profit for the period was charged with tax costs of MSEK 93 (264), primarily pertaining to the company's deferred tax liability. In June, the Swedish Parliament (Riksdag) endorsed a proposal including new tax rules 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. The change in tax rate from 22 percent to 20.6 percent has 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 320 to MSEK 1,144 (1,464).

Exit yield and rent/sqm per property type

Property type	Rent/sqm			Exit yield		
	min	average	max	min	average	max
Residential properties	699	1,187	2,739	2.40%	3.96%	5.65%
Properties for public use:						
Nursing homes	550	1,409	2,608	4.05%	4.90%	7.50%
Schools	769	1,456	2,103	5.05%	5.38%	6.75%
Commercial properties	654	1,147	4,110	3.97%	5.34%	7.50%
<b>Average</b>		<b>1,245</b>			<b>4.27%</b>	

Change in exit yield per property type

Property type	Value in MSEK	Dec 31, 2017	Jun 30, 2018	Change
Residential properties	30,346	3.98%	3.96%	-0.02%
Properties for public use:				
Nursing homes	9,599	4.97%	4.90%	-0.07%
Schools	2,567	5.49%	5.38%	-0.11%
Commercial properties	727	5.38%	5.34%	-0.04%
<b>Total</b>	<b>43,239</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 production. The company takes an active approach to managing its property portfolio and divests properties that are deemed to be unsuitable for the target portfolio.

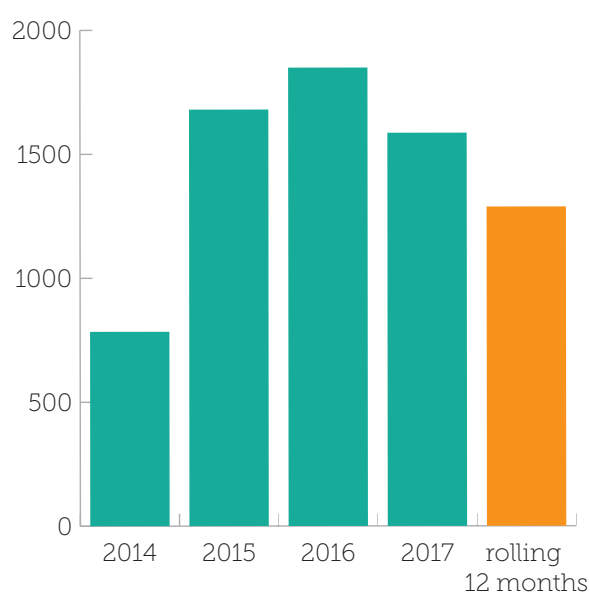
During the period, properties were acquired in Helsingborg, Kalmar and Västerås for a total of MSEK 906 (1,282). The acquisitions added six residential properties with a total of 401 apartments and 27,323 square meters of lettable area to the property portfolio.

Properties were sold for a total of MSEK 253 (1,493). 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 1.8 percent.

Investments in existing properties during the period amounted to MSEK 614 (912), of which MSEK 394 (557) pertained to redevelopment and renovation of residential properties, MSEK 99 (244) to new production of residential properties and MSEK 121 (111) to investments in properties for public use.

As of the closing date, Rikshem had 32 (56) ownership apartments in production, of which two were unsold. Rikshem's joint ventures had 80 (80) ownership apartments in production, of which 43 were unsold.

Investments (MSEK)



Fair value of investment properties

Amounts in MSEK	2018	2017	2017
	Jan–Jun	Jan–Jun	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	933	977	1,647
Investment	614	912	1,586
Acquisitions	906	1,282	1,603
Sales	-253	-1,493	-1,675
<b>Fair value at the end of the period</b>	<b>43,239</b>	<b>39,556</b>	<b>41,039</b>



In the Snurrom area of Kalmar, Rikshem has signed agreements to acquire two project properties including the construction of five new residential buildings. 87 apartments are being built during the first stage of the project, with move-in scheduled for October 2018.



Planned comprehensive refurbishment work on two buildings in Fredriksdal, Helsingborg. In conjunction with the refurbishment work, Rikshem will focus on security and safety measures and the company has therefore completed a security analysis of the residential area in accordance with the BoTryggt2030 model. Changes with respect to lighting and how people move throughout the area, for example, can improve safety and security.



Rikshem is expanding its portfolio in Ale Municipality to include a newly produced property for public use comprising a total of 7,300 square meters with a nursing home and senior residences. Possession of the property will be taken in August/September 2018.

# Comments on the balance sheet

At the end of the period, Rikshem's property portfolio consisted of 550 properties (586) with a fair value of MSEK 43,239 (41,039). Of the properties' fair value, MSEK 30,346 pertained to residential properties, MSEK 9,599 to nursing homes, MSEK 2,567 to schools and MSEK 727 to commercial properties. The property portfolio includes development rights of MSEK 682 (738).

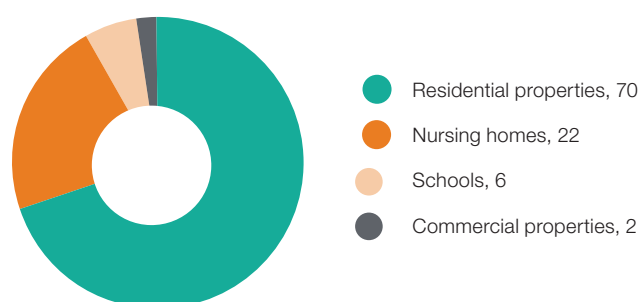
Properties corresponding to 48 percent of the market value are located along the Stockholm–Uppsala axis. The property portfolio comprises a total of 28,417 apartments (27,924) and 2,254,000 square meters (2,219,000) of lettable area.

Rikshem's property portfolio, June 30, 2018

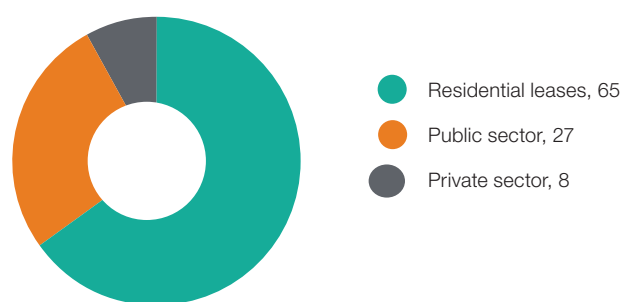
Type	Value, MSEK	Proportion, %	Area, 1,000 sqm	Value, SEK/sqm	Annual rent, MSEK	Annual rent broken down by type of tenant			
						Residential leases, %	Public sector, %	Private sector, %	Total, %
Residential properties segment									
- Residential properties	30,346	70	1,632	18,592					
- Commercial properties*	372	1	13	29,427					
Residential properties	30,718	71	1,645	18,675	1,944	89	3	8	100
Properties for public use segment									
- Nursing homes	9,599	22	442	21,737					
- Schools	2,567	6	127	20,152					
- Commercial properties*	355	1	40	8,937					
Properties for public use	12,521	29	609	20,570	799	5	86	9	100
Total	43,239	100	2,254	19,187	2,742	65	27	8	100

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

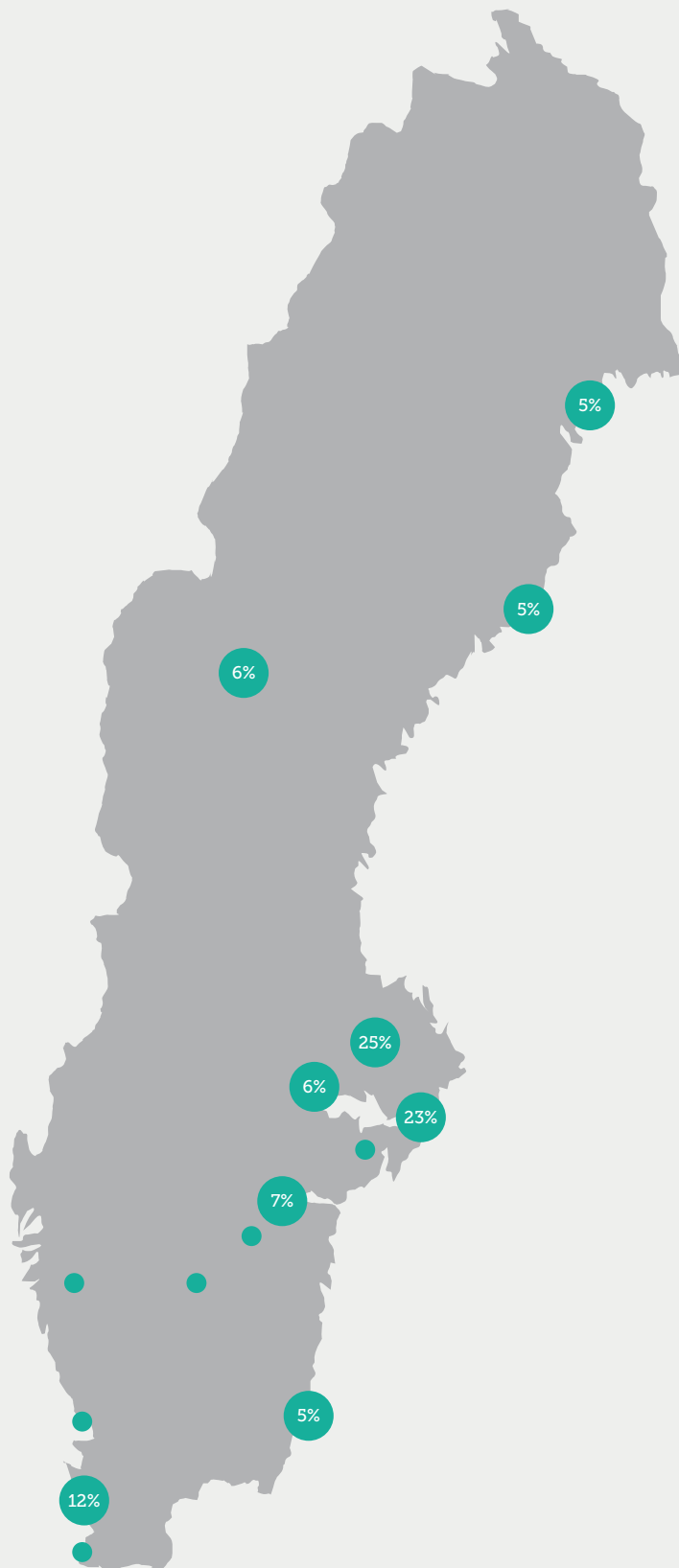
Breakdown of fair value of investment properties, %



Breakdown of rental income, %



# Our largest cities



Uppsala 25%  
Stockholm 23%  
Helsingborg 12%  
Norrköping 7%  
Östersund 6%  
Västerås 6%

## We are also active in:

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

## Participations in joint ventures

Rikshem owns shares in joint ventures with a total value of MSEK 1,339 MSEK (1,356). The largest holding of MSEK 883 pertains to 49 percent of VärmdöBostäder. The remaining part of VärmdöBostäder is owned by Värmdö Municipality. The second largest holding of MSEK 378 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 78 pertain to development projects owned and operated together with Veidekke Bostad, P&E Fastighetspartner and Glommen & Lindberg.

## Receivables

Non-current receivables amounted to MSEK 268 (227) and mainly comprised loans to joint ventures. Current receivables totaled MSEK 409 (455), of which MSEK 133 (117) pertained to prepaid expenses and accrued income and MSEK 131 (200) pertained to loans to joint ventures. Accounts receivable amounted to MSEK 19 (16).

## Cash and bank balances

Cash and cash equivalents totaled MSEK 1,228 million (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 market value of the company's interest-rate derivatives with a positive market value amounted to MSEK 343 (32), while the market value of interest-rate derivatives with a negative market value amounted to MSEK -554 (-542). The net market value of the derivative portfolio totaled MSEK -211 (-510).

## Interest-bearing liabilities

At the end of the period, interest-bearing liabilities amounted to MSEK 26,098 (24,290). Of these interest-bearing liabilities, MSEK 4,536 (4,944) pertained to bank loans, MSEK 3,720 (3,715) to borrowings through commercial papers and MSEK 17,772 (15,363) to bonds. In addition, the company had MSEK 70 (268) in interest-bearing liabilities to related parties. The fair value of the interest-bearing liabilities essentially matches the carrying amount.

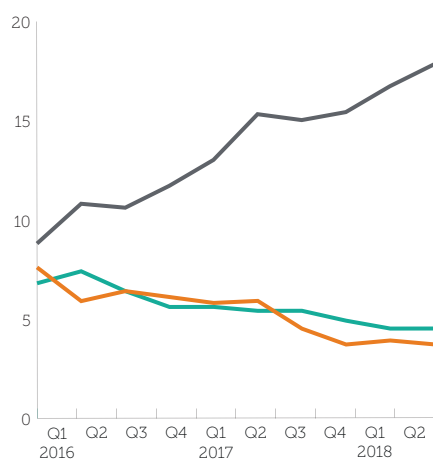
All bank loans are secured by collateral in properties. In total, secured financing accounted for 10 percent (12) of the fair value of investment properties. Of Rikshem's outstanding bonds, bonds corresponding to SEK 3.8 billion are issued in EUR and bonds corresponding to 3.5 billion are issued in NOK. 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 4.9 years during the period, but was significantly higher compared with the first six months of 2017. The average debt duration increased from 3.0 to 3.5 years.

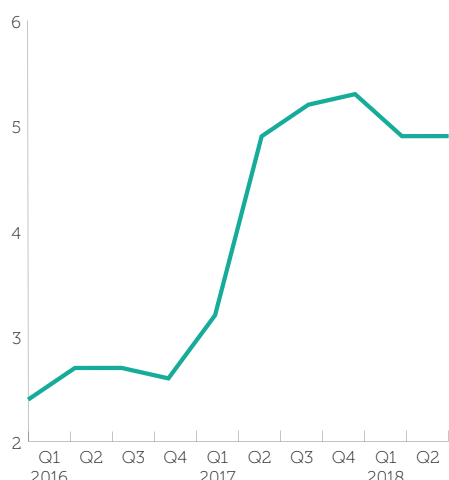
### Interest-rate derivative portfolio

Maturity date	Nominal amount (end of the year), SEK billion	Average interest rate (end of the year)
2018	17.8	1.0%
2019	17.8	1.1%
2020	17.8	1.1%
2021	15.5	1.0%
2022	10.5	1.0%
2023	6.5	1.1%
2024	5.5	1.1%
2025	2.5	1.1%
2026	0.5	1.2%

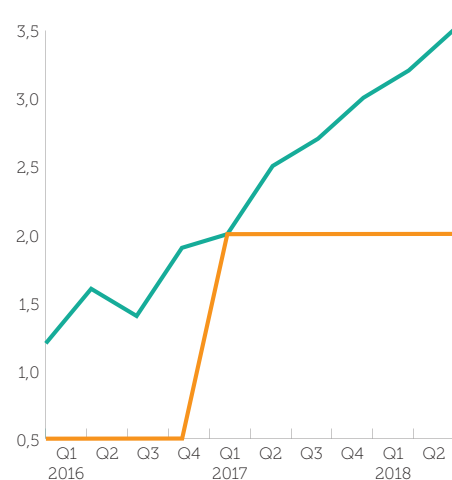
Financing sources (SEK billion)



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 Years	Interest-rate duration		Debt duration	
	Amount (MSEK)	Proportion	Amount (MSEK)	Proportion
0-1	980	3.8%	7,400	28.4%
1-2	350	1.3%	3,124	12.0%
2-3	3,733	14.3%	5,787	22.2%
3-4	3,450	13.3%	1,648	6.4%
4-5	5,449	20.9%	949	3.6%
5-6	5,566	21.4%	3,566	13.7%
6-7	3,000	11.5%		
7-8	2,000	7.7%		
8-9	1,500	5.8%	1,269	4.9%
9-			2,285	8.8%
<b>Total</b>	<b>26,028</b>	<b>100%</b>	<b>26,028</b>	<b>100%</b>

## Financial key figures

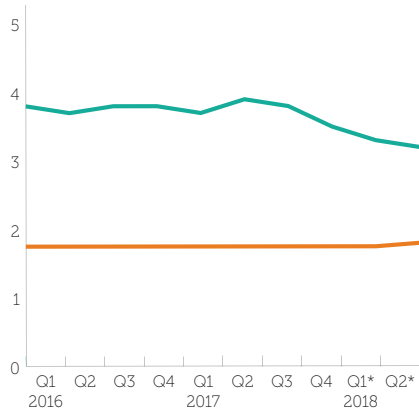
Rikshem's interest-coverage ratio for external financing

for the 12-month period ending June 30, 2018 was 3.2.

The loan-to-value ratio increased to 60 percent (59) and

the equity/assets ratio was unchanged at 36 percent (36).

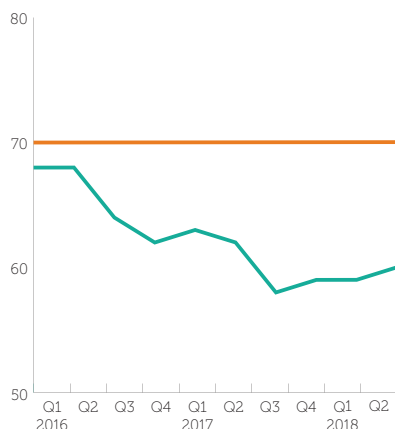
Interest-coverage ratio



Interest-coverage ratio  
Minimum level according to the company finance policy

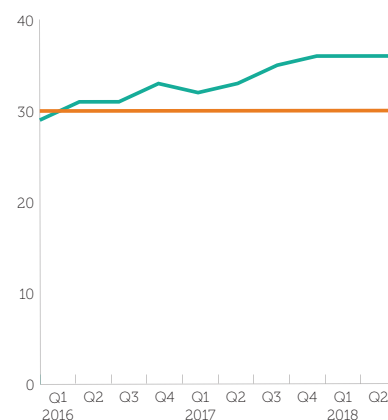
\*rolling 12 months

Loan-to-value ratio (%)



Loan-to-value  
Maximum level according to the company finance policy

Equity/assets ratio (%)



Equity/assets ratio  
Minimum level according to the company finance policy

## Segment reporting

Amounts in MSEK	Residential properties		Properties for public use		Total	
	2018 Jan–Jun	2017 Jan–Jun	2018 Jan–Jun	2017 Jan–Jun	2018 Jan–Jun	2017 Jan–Jun
Rental income	966	958	408	377	1,374	1,335
Property expenses	-481	-452	-145	-125	-626	-577
<b>Net operating income</b>	<b>485</b>	<b>506</b>	<b>263</b>	<b>252</b>	<b>748</b>	<b>758</b>
Change in value of properties	612	930	321	47	933	977
<b>Total return</b>	<b>1,097</b>	<b>1,436</b>	<b>584</b>	<b>299</b>	<b>1,681</b>	<b>1,735</b>
Total return, %, rolling 12 months	7.4	11.6	8.2	5.0	7.6	9.5
Fair value of properties	30,717	28,345	12,522	11,211	43,239	39,556
Proportion, %	71	72	29	28	100	100
Area, 1,000 sqm	1,645	1,658	609	563	2,254	2,221
Fair value, SEK/sqm	18,675	17,092	20,570	19,943	19,187	17,814
Investments	493	801	121	111	614	912

# Group – Condensed statement of comprehensive income

Amounts in MSEK	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun	Jul 2017– Jun 2018	2017 Jan-Dec
<b>Rental income</b>	<b>694</b>	<b>670</b>	<b>1,374</b>	<b>1,335</b>	<b>2,704</b>	<b>2,665</b>
Operating expenses	-170	-162	-401	-379	-724	-702
Maintenance	-69	-54	-120	-105	-231	-216
Administration	-47	-38	-86	-74	-168	-156
Property tax	-10	-10	-19	-19	-36	-36
<b>Total property expenses</b>	<b>-296</b>	<b>-264</b>	<b>-626</b>	<b>-577</b>	<b>-1,159</b>	<b>-1,110</b>
<b>Net operating income</b>	<b>398</b>	<b>406</b>	<b>748</b>	<b>758</b>	<b>1,545</b>	<b>1,555</b>
Central administration	-13	-10	-27	-27	-62	-62
Net financial items	-119	-99	-235	-188	-480	-433
Earnings from joint ventures	-5	92	-6	103	-19	90
of which, income from management operations	2	-3	-1	6	11	9
of which, change in value of properties	-10	129	-8	129	-39	107
of which, change in value of financial derivative instruments	1	1	0	-5	2	-3
of which, tax	2	-35	3	-27	7	-23
<b>Income from management operations</b>	<b>261</b>	<b>389</b>	<b>480</b>	<b>646</b>	<b>984</b>	<b>1,150</b>
Change in value of investment properties	664	759	933	977	1,603	1,647
Change in value of financial instruments	53	-28	300	-39	375	36
Foreign exchange effects on financial liabilities	-167	105	-476	144	-505	115
<b>Profit before tax</b>	<b>811</b>	<b>1,225</b>	<b>1,237</b>	<b>1,728</b>	<b>2,457</b>	<b>2,948</b>
Tax	4	-146	-93	-264	-347	-518
<b>Profit for the period/year</b>	<b>815</b>	<b>1,079</b>	<b>1,144</b>	<b>1,464</b>	<b>2,110</b>	<b>2,430</b>
<b>Other comprehensive income</b>						
Revaluation of pensions	-	-	-	-	-1	-1
Tax, pensions	0	-	0	-	0	0
<b>Other comprehensive income for the period/year, net after tax</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-1</b>	<b>-1</b>
<b>Total comprehensive income for the period/year</b>	<b>815</b>	<b>1,079</b>	<b>1,144</b>	<b>1,464</b>	<b>2,109</b>	<b>2,429</b>

# Group – Condensed statement of financial position

Amounts in MSEK	2018 Jun 30	2017 Jun 30	2017 Dec 31
<b>ASSETS</b>			
Investment properties	43,239	39,556	41,039
Participations in joint ventures	1,339	1,367	1,356
Equipment	6	7	6
Financial derivative instruments	343	-	32
Non-current receivables	268	440	227
<b>Total non-current assets</b>	<b>45,195</b>	<b>41,370</b>	<b>42,660</b>
Current receivables	409	500	455
Cash and cash equivalents	1,228	3,172	386
<b>Total current assets</b>	<b>1,637</b>	<b>3,672</b>	<b>841</b>
<b>TOTAL ASSETS</b>	<b>46,832</b>	<b>45,042</b>	<b>43,501</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>16,854</b>	<b>14,745</b>	<b>15,710</b>
Deferred tax liability	2,459	2,150	2,365
Interest-bearing liabilities	18,628	15,558	16,525
Financial derivative instruments	554	620	542
Non-interest-bearing liabilities	3	1	3
<b>Total non-current liabilities</b>	<b>21,644</b>	<b>18,329</b>	<b>19,435</b>
Interest-bearing liabilities	7,470	11,184	7,765
Non-interest-bearing liabilities	864	784	591
<b>Total current liabilities</b>	<b>8,334</b>	<b>11,968</b>	<b>8,356</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>46,832</b>	<b>45,042</b>	<b>43,501</b>

# Consolidated statement of changes in equity

Amounts in MSEK	Share capital	Other contributed capital	Retained earnings including profit for the year	Total equity
<b>Opening balance, Jan 1, 2017</b>	<b>100</b>	<b>4,874</b>	<b>8,307</b>	<b>13,281</b>
Profit for the period, Jan–Jun			1,464	1,464
<b>Closing balance, Jun 30, 2017</b>	<b>100</b>	<b>4,874</b>	<b>9,771</b>	<b>14,745</b>
Profit for the period, Jul–Dec			966	966
Other comprehensive income, Jul–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–Jun			1,144	1,144
Other comprehensive income, Jan–Jun			0	0
<b>Closing balance, Jun 30, 2018</b>	<b>100</b>	<b>4,874</b>	<b>11,880</b>	<b>16,854</b>

# Consolidated statement of cash flows

Amounts in MSEK	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun	Jul 2017– Jun 2018	2017 Jan-Dec
Cash flow from operating activities	386	385	722	720	1,498	1,496
Interest paid	-127	-101	-242	-184	-483	-425
Tax paid	-1	-2	-13	-7	-14	-8
Change in working capital	215	-361	334	-231	536	-29
<b>Cash flow from operating activities</b>	<b>473</b>	<b>-79</b>	<b>801</b>	<b>298</b>	<b>1,537</b>	<b>1,034</b>
Investment in investment properties	-275	-545	-614	-912	-1,288	-1,586
Acquisition of investment properties	-103	-	-906	-1,282	-1,227	-1,603
Divestment of investment properties	2	1,477	253	1,493	435	1,675
Investment in equipment	-1	-1	-1	-1	-1	-1
Investment in financial assets	-15	-215	-40	-235	-98	-293
Divestment of financial assets	-	16	-	16	63	79
Dividend from financial assets	10	-	10	-	10	-
<b>Cash flow from investing activities</b>	<b>-382</b>	<b>732</b>	<b>-1,298</b>	<b>-921</b>	<b>-2,106</b>	<b>-1,729</b>
Loans raised	1,736	3,257	6,403	11,060	8,485	13,142
Repayment of loans	-1,135	-1,303	-5,064	-7,585	-9,860	-12,381
<b>Cash flow from financing activities</b>	<b>601</b>	<b>1,954</b>	<b>1,339</b>	<b>3,475</b>	<b>-1,375</b>	<b>761</b>
<b>Cash flow for the period/year</b>	<b>692</b>	<b>2,607</b>	<b>842</b>	<b>2,852</b>	<b>-1,944</b>	<b>66</b>
Cash and cash equivalents at the beginning of the period/year	536	565	386	320	3,172	320
<b>Cash and cash equivalents at the end of the period/year</b>	<b>1,228</b>	<b>3,172</b>	<b>1,228</b>	<b>3,172</b>	<b>1,228</b>	<b>386</b>



# MSEK 614

Investments in existing properties during the period.

Of this amount, redevelopment and renovation of residential properties accounted for MSEK 394, new production for MSEK 99 and investments in properties for public use for MSEK 121.



# Parent Company – Condensed statement of income

Amounts in MSEK	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun	Jul 2017– Jun 2018	2017 Jan-Dec
<b>Revenue</b>	<b>53</b>	<b>42</b>	<b>97</b>	<b>82</b>	<b>192</b>	<b>177</b>
Other operating expenses	-27	-22	-47	-46	-97	-96
Personnel expenses	-42	-34	-80	-65	-159	-144
Depreciation	0	0	-1	-1	-3	-3
<b>Operating loss</b>	<b>-16</b>	<b>-14</b>	<b>-31</b>	<b>-30</b>	<b>-67</b>	<b>-66</b>
Earnings from Group companies	4	19	26	33	67	74
Net interest income	10	25	17	56	13	52
Change in value of financial instruments	52	-28	299	-39	373	35
Foreign exchange effects on financial liabilities	-167	105	-476	144	-505	115
<b>Profit/loss after financial items</b>	<b>-117</b>	<b>107</b>	<b>-165</b>	<b>164</b>	<b>-119</b>	<b>210</b>
Provision to tax allocation reserve	-	-	-	-	-24	-24
Tax	31	-24	42	-38	36	-44
<b>Profit/loss for the period/year</b>	<b>-86</b>	<b>83</b>	<b>-123</b>	<b>126</b>	<b>-107</b>	<b>142</b>

# Parent Company – Condensed balance sheet

Amounts in MSEK	2018 Jun 30	2017 Jun 30	2017 Dec 31
<b>ASSETS</b>			
Equipment	5	7	6
Shares and participations Group companies	1,967	1,900	1,967
Receivables from Group companies	28,275	27,388	27,964
Financial derivative instruments	343	-	32
Non-current receivables	54	238	54
<b>Total non-current assets</b>	<b>30,644</b>	<b>29,533</b>	<b>30,023</b>
Current assets	179	184	275
Cash and cash equivalents	1,228	3,172	386
<b>Total current assets</b>	<b>1,407</b>	<b>3,356</b>	<b>661</b>
<b>TOTAL ASSETS</b>	<b>32,051</b>	<b>32,889</b>	<b>30,684</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>6,612</b>	<b>6,718</b>	<b>6,735</b>
Untaxed reserves	24	-	24
Deferred tax liability	81	134	124
Financial derivative instruments	554	621	542
Interest-bearing liabilities	23,767	23,568	21,353
Liabilities to Group companies	645	1,729	1,763
Non-interest-bearing liabilities	368	119	143
<b>Total liabilities</b>	<b>25,439</b>	<b>26,171</b>	<b>23,949</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>32,051</b>	<b>32,889</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

The composition of the Board of Directors of Rikshem AB (publ) changed during the period, with Pernilla Arnrud

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 226 (206), of whom 100 were women.

# 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.

## 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 annual report for 2017.

# 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 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 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 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 currency 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 required to recognize assets and liabilities attributable to all leases, with the exception of leases with a term of less than 12 months and/or leases that pertain to a low value. For the lessor, the standard entails essentially unchanged recognition compared with the current standards. Rikshem has initiated an analysis to determine the expected impact of the new standard on the recognition of the Group's leases.

## 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, August 30, 2018

Bo Magnusson  
Chairman of the Board

Pernilla Arnrud 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

# Review report

## Rikshem AB (publ), corporate identity number 556709-9667

### Introduction

We have reviewed the condensed interim report for Rikshem AB (publ) as at June 30, 2018 and for the six months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion..

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, August 30, 2018  
Ernst & Young AB

Mikael Ikonen  
Authorized Public Accountant

## Key performance data

Amounts in MSEK	2018 Jun 30	2017, Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31	2013 Dec 31	2012, Dec 31
<b>Risk capital</b>							
Equity	16 854	15,710	13,281	10,360	4,850	3,705	2,247
Shareholder loans	-	-	-	-	3,007	2,881	2,881
Risk-bearing capital	16,854	15,710	13,281	10,360	7,857	6,586	5,128
Total assets	46,832	43,501	40,114	34,053	26,036	20,210	16,302
Equity/assets ratio, %	36	36	33	30	19	18	14
Share of risk-bearing capital, %	36	36	33	30	30	33	31
Return on equity, %*	13.4	16.8	20.6	25.8	23.6	48.9	15.8

## Financial key figures

Loan-to-value ratio, secured loans, %	10	12	15	21	23	32	50
Loan-to-value ratio, %	60	59	62	66	65	63	63
Average interest rate, %	1.9	2.0	1.5	1.6	1.8	3.1	3.5
Interest-coverage ratio	3.2	3.5	3.8	3.6	2.9	2.2	2.0
Interest-rate duration, years	4.9	5.3	2.6	2.4	3.4	3.2	3.9
Debt duration, years	3.5	3.0	1.9	1.4	1.1	-	-

## Property-related key figures

Number of properties	550	586	574	533	496	366	304
Lettable area, 1,000 sqm	2,254	2,219	2,182	1,975	1,708	1,506	1,340
Proportion of properties for public use, %	29.0	29.0	29.0	38.0	42.0	36.0	-
Number of apartments	28,417	27,924	27,224	24,203	20,844	19,541	17,617
Vacancy rate, residential properties	3.2	2.7	3.6	2.6	1.8	2.0	1.1
Market vacancy rate, residential properties, %	0.6	0.3	0.5	0.4	-	-	-
Remaining lease term for properties for public use, years	10	10	10	10	11	12	13
Investment in properties	614	1,586	1,849	1,680	784	382	98
Fair value, MSEK	43,239	41,039	37,878	32,009	25,160	20,009	16,153
Fair value, SEK/sqm	19,187	18,494	17,362	16,205	14,727	13,286	12,054
Total return, %*	7.6	8.1	9.7	10.7	9.8	10.8	7.1

\*Rolling 12 months

## Key performance data

Amounts in MSEK	2018 Jun 30	2017, Dec 31	2016 Dec 31	2015 Dec 31	2014 Dec 31	2013 Dec 31	2012 Dec 31
<b>Performance-related key figures</b>							
Rental income	1,374	2,665	2,484	2,040	1,691	1,485	1,277
Growth in revenue for existing properties, %	4.5	4.3	3.7	2.7	2.4	1.0	-
Net operating income	748	1,555	1,420	1,192	954	796	695
Growth in net operating income for existing properties, %	-0.4	6.7	3.4	6.8	8.4	-	-
Surplus ratio, %	54	58	57	58	56	54	54
Income from management operations	480	1,150	1,208	576	380	203	137
Profit for the period	1,144	2,430	2,433	1,964	1,010	1,455	316

## Employees

Number of employees	226	206	192	173	134	107	85
women	100	90	81	70	48	-	-
men	126	116	111	103	86	-	-



## Financial calendar

Interim report Jan-Sep 2018  
November 12, 2018

Year-end report 2018  
February 24, 2019



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# Definitions

<b>Share of risk-bearing capital</b>	Risk-bearing capital in relation to total assets. This is stated to illuminate the company's financial stability.
<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>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>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>Exit 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>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>Net financial items</b>	Net of interest income, interest expenses and similar revenue and costs.
<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>Rental income</b>	Rental value less vacancies and rent discounts.
<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>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>Risk-bearing capital</b>	Equity plus an increment for shareholder loans.
<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>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>Equity/assets ratio</b>	Equity in relation to total assets. This is stated to illuminate the company's financial stability.
<b>Secured loans</b>	Loans raised against liens on properties.
<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.
<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>Surplus ratio</b>	Net operating income in relation to rental income. This is stated to illuminate the property investments' continuous earnings capacity.

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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