



Year-end report

January–December 2018



Year-end report 2018

Events during the year

- Profit for the year rose to MSEK 2,489 (2,430).
- Rental income increased MSEK 127 or 4.8 percent during the year to MSEK 2,792 (2,665).
- Net operating income declined to MSEK 1,524 (1,555), mainly as a result of increased operating and maintenance expenses.
- Income from management operations declined MSEK 142 to MSEK 1,008 (1,150). Net financial items rose MSEK 25 as a result of longer debt duration and higher gross debt. Income from management operations also includes earnings from joint ventures of MSEK 7 (90). In the preceding year, the Group reported a large positive change in value for its participations in joint ventures, MSEK 107, compared with a change in value of MSEK 2 for the current year.
- During the year, 12 properties were acquired for MSEK 1,786 (1,603) and 16 properties were sold for MSEK 328 (1,675). In terms of value, the largest acquisitions were carried out in Västerås, Ale and Kalmar.
- The change in value of investment properties was MSEK 2,107 (1,647), corresponding to a percentage increase in average fair value of 4.9 percent (4.3).
- Costs for property administration and central administration increased during the year due to investments in skills development, sustainability and a greater focus on property management.

Events during the fourth quarter

- During the quarter, the company took possession of a residential property in Kalmar and a project property in Malmö. In addition, agreements were signed regarding acquisitions of development projects in Norrköping, Västerås and Upplands-Bro. The company has not yet taken possession of these properties. Estimated total investment up to completion is approximately MSEK 700.
- Rental income for the quarter of MSEK 721 entailed an increase of MSEK 52 or 7.8 percent compared with the year-earlier quarter.
- Net operating income amounted to MSEK 341 in the quarter, down MSEK 4 or 1.2 percent year-on-year. In the fourth quarter, maintenance expenses represented the largest cost increase and amounted to MSEK 115 (72).
- Prior to the end of the year, the company took over the property management operations in Kalmar from an external manager.

Rikshem in summary

	2018 Jan–Dec	2017 Jan–Dec	2018 Oct–Dec	2017 Oct–Dec
Rental income, MSEK	2,792	2,665	721	669
Net operating income, MSEK	1,524	1,555	341	345
Income from management operations, MSEK	1,008	1,150	221	169
Profit after tax, MSEK	2,489	2,430	839	186
Fair value of properties, MSEK	45,687	41,039	45,687	41,039
Number of apartments	28,840	27,924	28,840	27,924
Lettable area, 1,000 sqm	2,274	2,219	2,274	2,219
Vacancy rate, residential properties, %*	0.5	0.3	0.5	0.3
Average lease length, years**	10	10	10	10
Loan-to-value ratio, %	58	59	58	59
Interest-coverage ratio, multiple***	3.2	3.5	3.2	3.5
Equity, MSEK	18,199	15,710	18,199	15,710
Total return, %***	8.4	8.1	8.4	8.1
Return on equity, %***	14.7	16.8	14.7	16.8

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

Cover image: Rapsen, Kalmar and Eriksberg, Uppsala

Statement by the CEO

Earnings in line with previous year and a stronger change in value linked to improved cash flows and declined yield requirement. Following numerous transactions, expeditious rent agreements in several locations and an improved rating from our customers and employees, Rikshem is entering 2019 with a sense of optimism.

Earnings for 2018 were in line with previous year, despite the fact that our net operating income is not at the level we would ultimately like to see. As previously announced, Rikshem carried out a long-term investment in more active property management during the year. This investment resulted in increased costs, but will also eventually generate higher property values. The total return for the year surpassed that of the preceding year. A stronger change in value, due to improved cash flows and declined yield requirements, had a positive impact on earnings.

We carried out several transactions during the autumn. Agreements were signed regarding the acquisition of a project property comprising a residential property and property for public use in Norrköping, a residential project property in Västerås and a project property in Upplands-Bro. The latter includes a newly constructed preschool and is located directly adjacent to the nursing home we acquired during the summer. These acquisitions are well aligned with our strategy to grow by adding residential properties and properties for public use in selected municipalities.

Rent negotiations in our areas are ongoing and, in many cases, have proceeded unusually quickly. For example, we agreed on a rent increase of 1.8 percent in Norrköping and 1.5 percent in Kalmar, both of which are effective as of January 1, 2019. We do our utmost to build positive relationships with our tenant associations and, in most cases, our partnerships work well. However, reaching rent agreements can still be challenging in certain parts of the country.

Rikshem carefully monitors trends in society and works to create safe and attractive areas. As part of our focus on neighborhood development, we have selected eight areas where we will be conducting security analyses together with the organization Tryggare Sverige. The aim of these security analyses is to map out obstacles and opportunities in the physical environment in order to reduce crime and provide greater security. In addition to

analyzing the physical location, the security analyses also involve interviews with the residents, the police and local stakeholders. As a property owner, we try to act where we can, but we also need to work closely with the police, social services, the municipality and other property owners to create safe areas. This is important, but also necessary to secure our property values and have a positive influence on local communities.

Since the end of 2017, we have intensified our focus on customer relations. We have made targeted investments in our management operations, partly to achieve a higher level of customer satisfaction. These investments will continue in 2019. I am pleased to report that our 2018 customer survey indicated that our efforts have already helped to increase customer satisfaction. Major improvements in customer satisfaction were reported in areas where large, targeted investments have been made, but customer satisfaction is also on the rise in the company as a whole. This year's employee survey, which was presented during the fourth quarter, was also satisfying to read. Our employee satisfaction index has increased to 72. The figures for loyalty and job satisfaction were 82 and 75, respectively—figures in the same class as the top rankings in comparable surveys. The fact that our employee turnover rate has declined and we have successfully recruited several experienced employees is also a sign that we have become more attractive as an employer.

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 construction 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



28,840

Rikshem provides Sweden with 28,840 apartments across the country.



SEK 46 billion

The fair value of the properties totaled MSEK 45,687.



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 year increased MSEK 127 to MSEK 2,792 (2,665). Rental income for existing properties rose MSEK 101 or 3.9 percent (4.3). 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 year increased MSEK 158 to MSEK 1,268 (1,110). Expenses for existing properties rose MSEK 161 or 14.8 percent and primarily comprised operating and maintenance expenses. The increase in operating and maintenance expenses was partly attributable to the focus on more active property management, but was also due to expenses such as higher municipal tariffs, snow removal and water damage arising in connection with the harsh winter weather. Extraordinary winter costs and costs for extraordinary maintenance amounted to approximately MSEK 40. The administration organization was strengthened according to plan during the year, which meant that costs for administration increased to MSEK 182 (156).

Changes in the property portfolio increased rental income by MSEK 26 net and reduced property expenses by MSEK 3 compared with the preceding year.

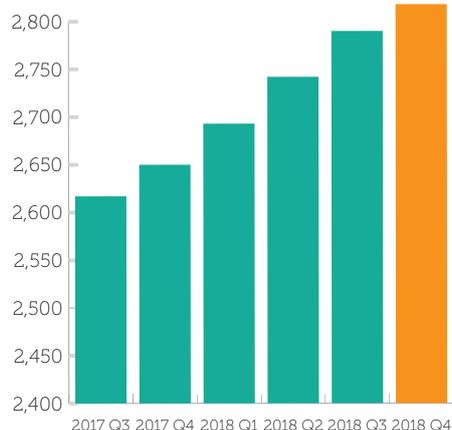
Altogether, total net operating income declined slightly year-on-year and amounted to MSEK 1,524 (1,555). Net

Statement of income MSEK	2018	2017
Rental income	2,792	2,665
Property expenses	-1,268	-1,110
Net operating income	1,524	1,555
Central administration	-65	-62
Net financial items	-458	-433
Earnings from joint ventures	7	90
Income from management operations	1,008	1,150
Change in value of properties	2,107	1,647
Change in value of financial derivative instruments and foreign exchange effects on financial liabilities	-193	151
Profit before tax	2,922	2,948
Tax	-433	-518
Profit for the year	2,489	2,430

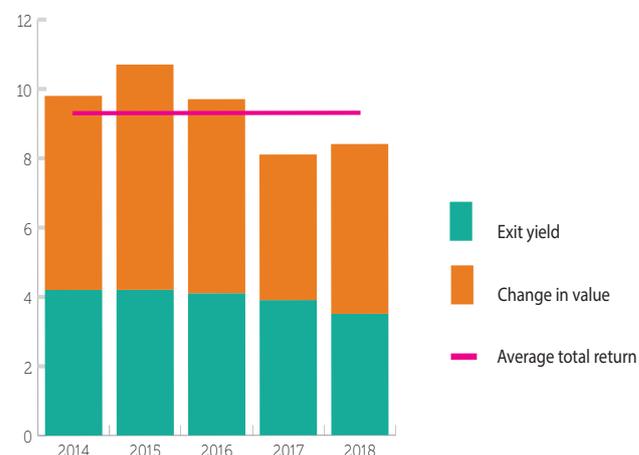
operating income for existing properties declined 3.9 percent compared with the preceding year. The surplus ratio for the total property holding was 55 percent (58).

At year-end, the market vacancy rate for residential properties was 0.5 percent (0.3). The average remaining lease term for properties for public use was 10.1 years (9.8). The economic occupancy rate for properties for public use was 98.0 percent. The economic occupancy rate for the total portfolio was 98.3 percent.

Annual rent as of the closing date (MSEK)



Total return (%)



Central administration

Costs for the period for central administration amounted to MSEK 65 (62). The cost increase was mainly due to strengthening of the organization.

Net financial items

Net financial items totaled MSEK -458 (-433). Net financial items mainly comprise the company's external interest expenses, which rose MSEK 25 compared with 2017. The increase in external interest expenses was due to an increase in interest-bearing liabilities during the period and an extension of the debt duration. At year-end, the average interest rate was 1.7 percent (2.0).

Earnings from joint ventures

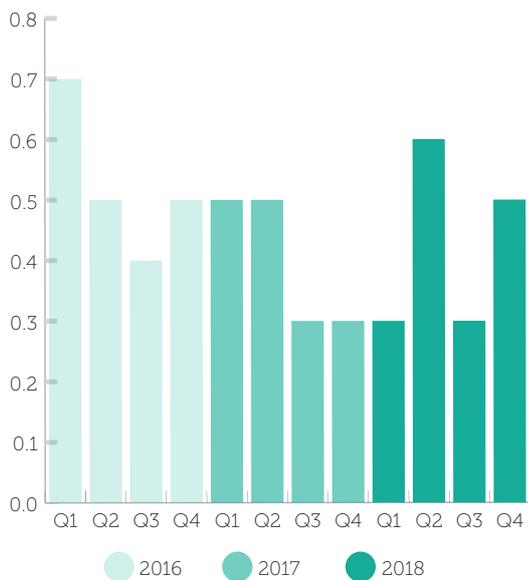
Earnings from joint ventures amounted to MSEK 7 (90) for the year. In 2017, a change in value of MSEK 107 was

reported, compared with a change in value of MSEK 2 for the current year.

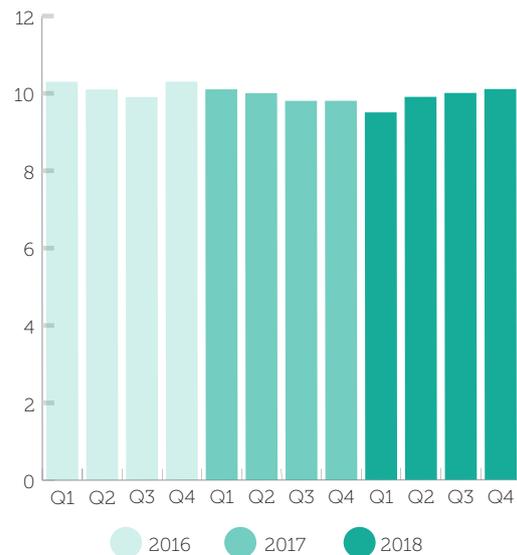
Change in value of financial derivative instruments

The company's financial derivative instruments are interest-rate swaps that extend interest-rate duration and combined currency and interest-rate swaps, which were entered into to eliminate all foreign-exchange risk for interest payments and repayments of loans raised in EUR and NOK. A restructuring of the interest-rate swap portfolio was carried out during the fourth quarter in order to extend the interest-rate duration, which resulted in a change in value of the company's interest-rate derivatives. The change in value of the interest-rate derivatives was impacted by falling interest rates, particularly during the fourth quarter, and amounted to MSEK -145 (160) for the

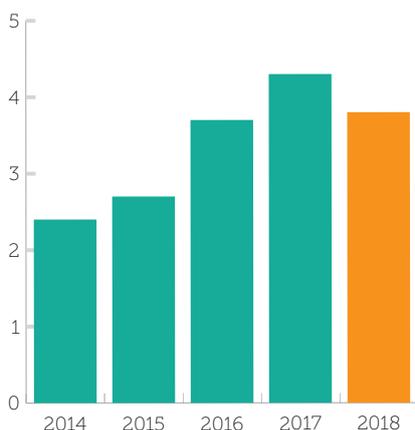
Market vacancy rate, residential properties (%)



Average lease length, properties for public use (years)



Change in rental income in existing properties (%)



Change in net operating income in existing properties (%)



year. The change in value of foreign exchange derivatives amounted to MSEK 43 (-124). The foreign exchange effects on financial liabilities in EUR and NOK amounted to MSEK -91 (115) and were attributable to the weakening of the SEK against these currencies during the year.

Change in value of properties

The change in value of investment properties for the period was MSEK 2,107 (1,647), corresponding to a yield of 4.9 percent (4.3). The yield for residential properties was MSEK 1,462 or 4.8 percent, and the yield for properties for public use was MSEK 645 or 5.1 percent. The average yield requirement declined to 4.20 percent (4.31). Of the change in value, almost half is attributable to this change in the yield requirement. The remainder is attributable to increases in assessed net operating income.

The increase in value for the fourth quarter was MSEK 981, compared with MSEK 124 in the corresponding quarter in the preceding year.

Tax

Profit for the period was charged with tax costs of MSEK 433 (518), 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. 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 year

Profit for the year rose MSEK 59 to MSEK 2,489 (2,430).

Yield requirement and rent/sqm per property type

Property type	Rent/sqm			Yield requirement		
	min	average	max	min	average	max
Residential properties	699	1,205	2,737	2.45%	3.89%	5.65%
Properties for public use:					4.91%	
Nursing homes	550	1,415	2,608	3.65%	4.78%	7.50%
Schools	769	1,462	2,103	5.00%	5.42%	6.75%
Commercial properties	654	1,167	4,179	3.85%	5.19%	7.50%
Average		1,261			4.20%	

Change in yield requirement per property type

Property type	Value in MSEK	Dec 31, 2017	Dec 31, 2018	Change
Residential properties	31,990	3.98%	3.89%	-0.09%
Properties for public use:				
Nursing homes	10,279	4.97%	4.78%	-0.19%
Schools	2,652	5.49%	5.42%	-0.07%
Commercial properties	766	5.38%	5.19%	-0.19%
Total	45,687	4.31%	4.20%	-0.11%

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.

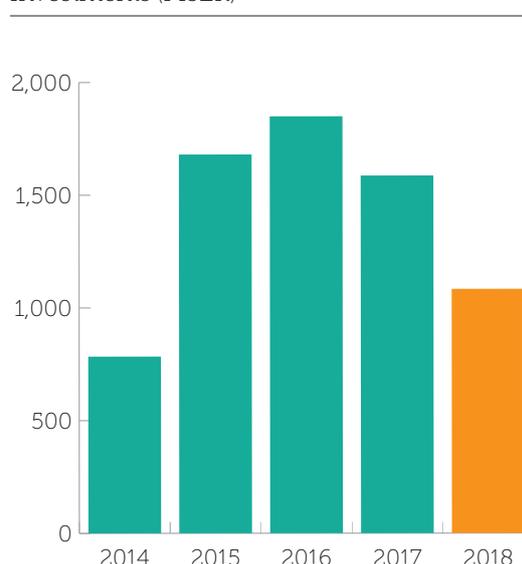
During the year, properties were acquired in Ale, Helsingborg, Kalmar, Sigtuna, Västerås and Malmö for a total of MSEK 1,786 (1,603). The acquisitions added ten residential properties and one property for public use with a total of 741 apartments and 48,431 square meters of lettable area and an undeveloped project property to the property portfolio.

Properties were sold for a total of MSEK 328 (1,675) during the period. Most of these sales pertained to 13 minor properties for public use in Greater Stockholm. The selling price for the properties sold was in line with the valuations carried out.

Investments in existing properties during the year amounted to MSEK 1,083 (1,586), of which MSEK 660 (943) pertained to redevelopment and renovation of residential properties, MSEK 179 (426) to new construction of residential properties and MSEK 244 (217) to investments in properties for public use.

Rikshem had no (56) ownership apartments under construction as of the closing date. Rikshem's joint ventures had 80 (80) ownership apartments under construction, of which 41 were sold.

Investments (MSEK)



Fair value of investment properties

Amounts in MSEK	2018	2017
Fair value at the beginning of the period	41,039	37,878
Change in value	2,107	1,647
Investment	1,083	1,586
Acquisitions	1,786	1,603
Sales	-328	-1,675
Fair value at the end of the period	45,687	41,039



Rikshem has signed an agreement regarding the future acquisition of the Smugglaren 1 project property in Västerås. The project property comprises two residential buildings with a total of 74 apartments containing one to three rooms and a kitchen. The apartments are being built in Kajstaden, which is part of the final stage in the development of Öster Mälarstrand, and are scheduled for completion in 2020. The buildings will be environmentally certified through the Nordic Swan Ecolabel. Rikshem owns properties for public use and more than 1,200 rental apartments in Västerås. Image: Lindberg Stenberg Arkitekter.



Rikshem has signed an agreement regarding the future acquisition of a project property in Norrköping. A total of 101 rental apartments and a nursing home with 72 apartments will be constructed in the two buildings. A garage will also be built under the buildings. The rental apartments will be distributed between the two buildings and, in one of the buildings, be interspersed with the nursing home apartments. A mix of housing forms and operations contributes positively to sustainable urban development. The aim is for the properties to achieve Sweden Green Building Council Silver environmental certification and be completed in 2021.

Comments on the balance sheet

At the end of the year, Rikshem's property portfolio consisted of 555 properties (586) with a fair value of MSEK 45,687 (41,039). Of the properties' fair value, MSEK 31,990 pertained to residential properties, MSEK 10,279 to nursing homes, MSEK 2,652 to schools and MSEK 766 to commercial properties. The property portfolio includes development rights of MSEK 795.

Properties corresponding to 47 percent of the fair value are located along the Stockholm–Uppsala axis. The property portfolio comprises a total of 28,840 apartments (27,924) and 2,274,000 square meters (2,219,000) of lettable area.

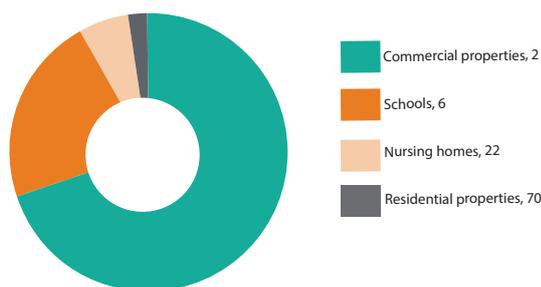
Rikshem's property portfolio, December 31, 2018

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	31,990	70	1,649	19,405						
- Commercial*	421	1	12	33,329						
Residential properties	32,411	71	1,661	19,511	1,986	89	3	8**	100	
Properties for public use segment										
- Nursing homes	10,279	22	446	23,059						
- Schools	2,652	6	127	20,823						
- Commercial*	345	1	40	8,675						
Properties for public use	13,276	29	613	21,661	832	6	87	7**	100	
Total	45,687	100	2,274	20,090	2,818	64	28	8**	100	

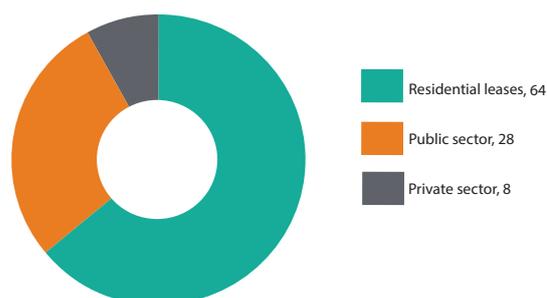
*Commercial premises for neighborhood services or areas of use for future residential properties or properties for public use.

** Almost half of the rental income origins from business financed by public administration.

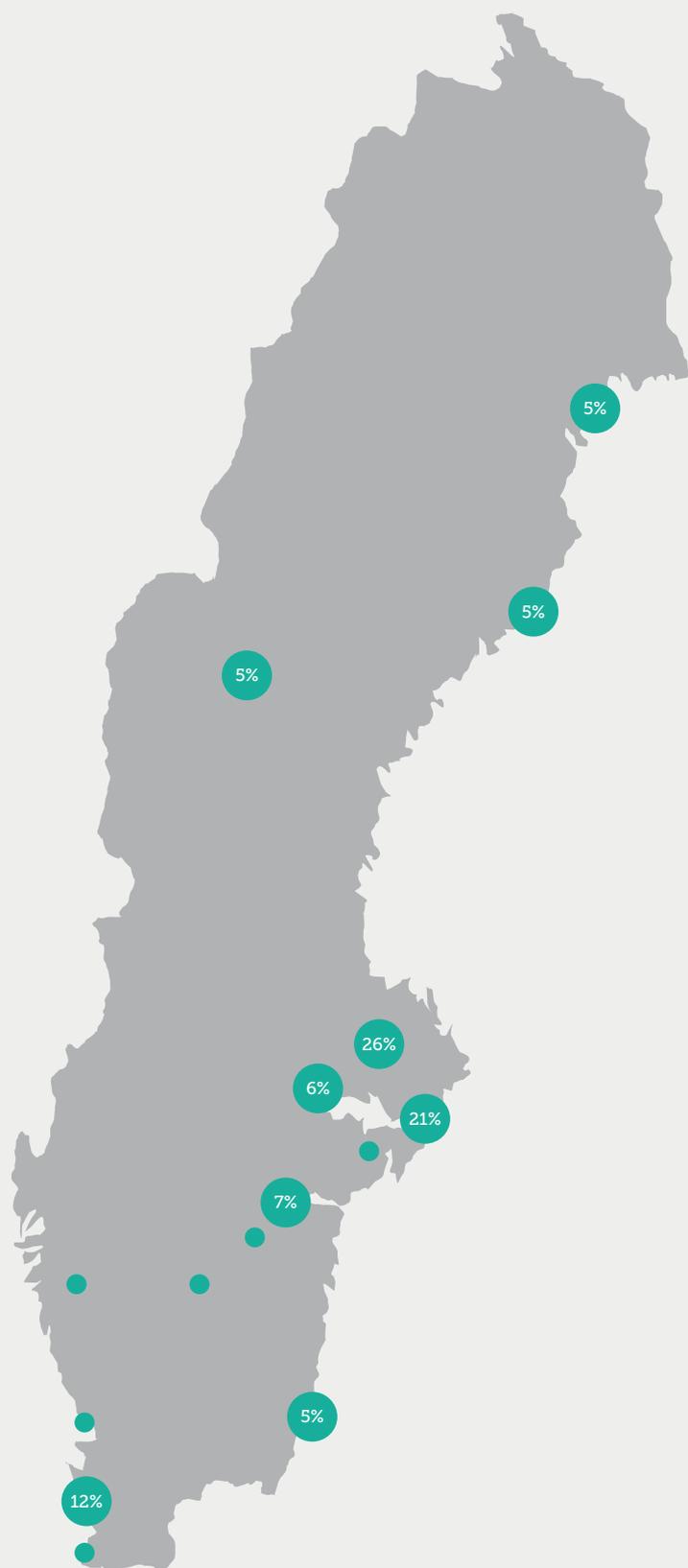
Breakdown of fair value of investment properties, %



Breakdown of rental income, %



Our largest cities



Uppsala 26%
Stockholm 21%
Helsingborg 12%
Norrköping 7%
Västerås 6%

We are also active in:

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

Share of fair value

Participations in joint ventures

Rikshem owns participations in joint ventures with a total value of MSEK 1,353 (1,356). The largest holding of MSEK 915 pertains to 49 percent of VärmdöBostäder. The remaining part of VärmdöBostäder is owned by Värmdö Municipality. The second largest holding of MSEK 368 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 70 pertain to development projects owned and operated together with Veidekke Bostad, P&E Fastighetspartner and Glommen & Lindberg.

Receivables

Non-current receivables amounted to MSEK 276 (227) and mainly comprised loans to joint ventures. Current receivables totaled MSEK 245 (455), of which MSEK 97 (117) pertained to prepaid expenses and accrued income and MSEK 17 (200) pertained to loans to joint ventures. Accounts receivable amounted to MSEK 18 (16).

Cash and bank balances

Cash and cash equivalents totaled MSEK 1,015 (386).

Financial derivative instruments

At the end of the year, 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 financial derivative instruments with a positive fair value amounted to MSEK 153 (32), while the fair value of financial derivative instruments with a negative fair value amounted to MSEK -311 (-542). The net fair value of the derivative portfolio totaled MSEK -158 (-510).

Interest-bearing liabilities

At the end of the period, interest-bearing liabilities amounted to MSEK 26,550 (24,290). Of these interest-bearing liabilities, MSEK 4,535 (4,944) pertained to bank loans, MSEK 2,060 (3,715) to borrowings through commercial papers and MSEK 19,898 (15,363) to bonds. In addition, the company had MSEK 57 (268) in interest-bearing liabilities to related parties.

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 4.9 billion are issued in NOK. The carrying amount of these bonds on the closing date amounted to SEK 4.0 billion and SEK 4.7 billion, respectively.

The average interest-rate duration decreased from 5.3 years to 5.1 years during the period. On average, however, the interest-rate duration for 2018 was longer than in 2017. The average debt duration increased from 3.0 to 4.1 years.

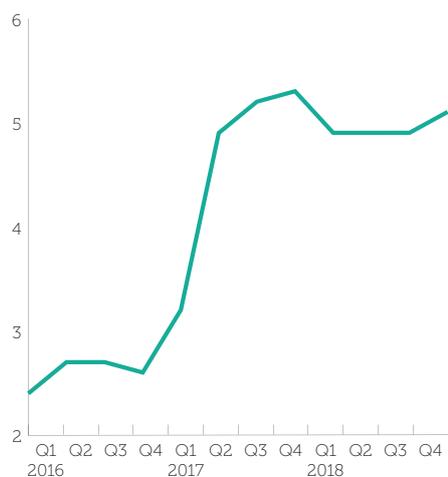
Interest-rate derivative portfolio

Maturity date	Nominal amount (end of the year), SEK billion	Average interest rate (end of the year)
2019	17.8	0.7%
2020	17.8	0.8%
2021	16.5	0.8%
2022	14.0	0.8%
2023	10.0	1.0%
2024	9.5	1.0%
2025	6.5	1.0%
2026	3.5	1.1%
2027	1.0	1.1%

Financing sources (SEK billion)



Average interest-rate duration (years)



Average debt duration (years)



— Bank loan
— Commercial papers
— Bonds

— Average interest-rate duration (year)

— Average debt duration (years)
— Minimum level (years)

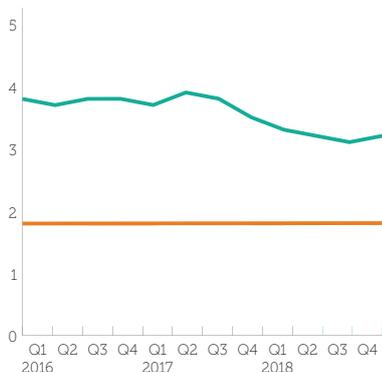
Interest-bearing external liabilities

Maturity Years	Interest-rate duration		Debt duration	
	Amount (MSEK)	Proportion	Amount (MSEK)	Proportion
2019	1,491	5.6%	5,027	19.0%
2020	1,878	7.1%	5,163	19.5%
2021	2,154	8.1%	4,428	16.7%
2022	3,475	13.1%	2,087	7.9%
2023	4,000	15.2%	1,620	6.1%
2024	3,995	15.1%	3,485	13.2%
2025	3,000	11.3%	-	-
2026	3,000	11.3%	721	2.7%
2027	2,500	9.4%	511	1.9%
2028-	1,000	3.8%	3,451	13.0%
Total	26,493	100%	26,493	100%

Financial key figures

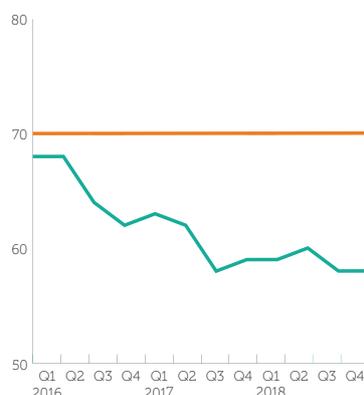
Rikshem's interest-coverage ratio for external financing for 2018 was a multiple of 3.2. The loan-to-value ratio declined to 58 percent (59) and the equity/assets ratio increased to 37 percent (36).

Interest-coverage ratio (multiple)



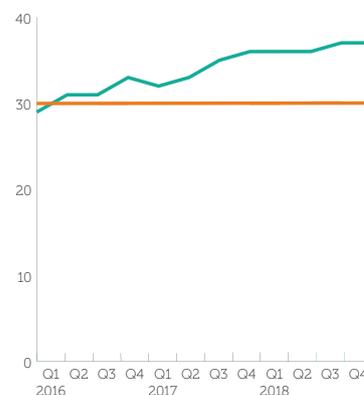
— Interest coverage ratio
— Minimum level according to the company financial policy

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

Segment reporting

Amounts in MSEK	Residential properties		Properties for public use		Total	
	2018	2017	2018	2017	2018	2017
Rental income	1,966	1,871	826	794	2,792	2,665
Property expenses	-969	-852	-299	-258	-1,268	-1,110
Net operating income	997	1,019	527	536	1,524	1,555
Change in value of properties	1,462	1,466	645	181	2,107	1,647
Total return	2,459	2,485	1,172	717	3,631	3,202
Total return, %	8.0	9.0	9.2	6.1	8.4	8.1
Fair value of properties	32,411	28,799	13,276	12,240	45,687	41,039
Proportion, %	71	70	29	30	100	100
Area, 1,000 sqm	1,661	1,618	613	601	2,274	2,219
Fair value, SEK/sqm	19,511	17,796	21,661	20,375	20,090	18,494
Investments	839	1,369	244	217	1,083	1,586

Group – Condensed statement of comprehensive income

Amounts in MSEK	2018 Oct–Dec	2017 Oct–Dec	2018 Jan–Dec	2017 Jan–Dec
Rental income	721	669	2,792	2,665
Operating expenses	-199	-194	-740	-702
Maintenance	-115	-72	-306	-216
Administration	-56	-50	-182	-156
Property tax	-10	-8	-40	-36
Total property expenses	-380	-324	-1,268	-1,110
Net operating income	341	345	1,524	1,555
Central administration	-21	-28	-65	-62
Net financial items	-111	-125	-458	-433
Earnings from joint ventures	12	-23	7	90
of which, income from management operations	2	8	7	9
of which, change in value of properties	13	-39	2	107
of which, change in value of financial derivative instruments	2	2	1	-3
of which, tax	-5	6	-3	-23
Income from management operations	221	169	1,008	1,150
Change in value of investment properties	981	124	2,107	1,647
Change in value of interest-rate derivatives	-186	7	-145	160
Change in value of foreign exchange derivatives	-274	4	43	-124
Foreign exchange effects on financial liabilities	307	-23	-91	115
Profit before tax	1,049	281	2,922	2,948
Tax	-210	-95	-433	-518
Profit for the period/year	839	186	2,489	2,430
Other comprehensive income				
Revaluation of pensions	0	-1	0	-1
Tax, pensions	0	0	0	0
Other comprehensive income for the period/year, net after tax	0	-1	0	-1
Total comprehensive income for the period/year	839	185	2,489	2,429

Group – Condensed statement of financial position

Amounts in MSEK	2018 Dec 31	2017 Dec 31
ASSETS		
Investment properties	45,687	41,039
Participations in joint ventures	1,353	1,356
Equipment	5	6
Financial derivative instruments	153	32
Non-current receivables	276	227
Total non-current assets	47,474	42,660
Current receivables	245	455
Cash and cash equivalents	1,015	386
Total current assets	1,260	841
TOTAL ASSETS	48,734	43,501
EQUITY AND LIABILITIES		
Equity	18,199	15,710
Deferred tax liability	2,797	2,365
Interest-bearing liabilities	21,467	16,525
Financial derivative instruments	311	542
Non-interest-bearing liabilities	3	3
Total non-current liabilities	24,578	19,435
Interest-bearing liabilities	5,083	7,765
Non-interest-bearing liabilities	874	591
Total current liabilities	5,957	8,356
TOTAL EQUITY AND LIABILITIES	48,734	43,501

Consolidated statement of changes in equity

Amounts in MSEK	Share capital	Other contrib- uted capital	Retained earn- ings including profit for the year	Total equity
Opening balance, Jan 1, 2017	100	4,874	8,307	13,281
Profit for the year			2,430	2,430
Other comprehensive income			-1	-1
Closing balance, Dec 31, 2017	100	4,874	10,736	15,710
Opening balance, Jan 1, 2018	100	4,874	10,736	15,710
Profit for the year			2,489	2,489
Other comprehensive income			0	0
Comprehensive income for the year			2,489	2,489
Group contributions received			0	0
Closing balance, Dec 31, 2018	100	4,874	13,225	18,199

Consolidated statement of cash flows

Amounts in MSEK	2018 Oct–Dec	2017 Oct–Dec	2018 Jan–Dec	2017 Jan–Dec
Cash flow from operating activities	321	317	1,462	1,496
Interest paid	-139	-130	-498	-425
Tax paid	-10	0	-23	-8
Change in working capital*	124	59	96	70
Cash flow from operating activities	296	246	1,037	1,133
Investment in investment properties	-270	-435	-1,083	-1,586
Acquisition of investment properties	-203	-269	-1,759	-1,603
Divestment of investment properties	75	129	328	1,675
Investment in equipment	0	-1	-1	-1
Investment in financial assets	-2	-19	-93	-293
Divestment of financial assets	-2	0	204	79
Dividend from financial assets	0	0	10	-
Cash flow from investing activities	-402	-595	-2,394	-1,729
Loans raised	1,261	1,737	8,094	13,142
Repayment of loans	-254	-2,696	-5,908	-12,381
Change in collateral*	-226	106	255	-99
Redemption of financial instruments	-455	-	-455	-
Cash flow from financing activities	326	-853	1,986	662
Cash flow for the period/year	220	-1,202	629	66
Cash and cash equivalents at the beginning of the period/year	795	1,588	386	320
Cash and cash equivalents at the end of the period/year	1,015	386	1,015	386

* 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 1,083

Investments in existing properties during the period. Of this amount, redevelopment and renovation of residential properties accounted for MSEK 660, new construction for MSEK 179 and investments in properties for public use for MSEK 244.



Parent Company – Condensed statement of income

Amounts in MSEK	2018 Oct–Dec	2017 Oct–Dec	2018 Jan–Dec	2017 Jan–Dec
Revenue	61	56	205	177
Other operating expenses	-34	-28	-106	-96
Personnel expenses	-50	-55	-171	-144
Depreciation	0	-1	-2	-3
Operating loss	-23	-28	-74	-66
Earnings from Group companies	442	18	489	74
Net interest income	21	3	55	52
Change in value of interest-rate derivatives	-186	6	-145	159
Change in value of foreign exchange derivatives	-274	4	43	-124
Foreign exchange effects on financial liabilities	308	-23	-90	115
Profit/loss after financial items	288	-20	278	210
Appropriations	24	-24	24	-24
Tax	-64	10	-54	-44
Profit/loss for the period/year	248	-34	248	142

Parent Company – Condensed balance sheet

Amounts in MSEK	2018 Dec 31	2017 Dec 31
ASSETS		
Equipment	4	6
Shares and participations in Group companies	1,967	1,967
Receivables from Group companies	29,418	27,964
Financial derivative instruments	153	32
Non-current receivables	58	54
Total non-current assets	31,600	30,023
Current assets	61	275
Cash and cash equivalents	1,015	386
Total current assets	1,076	661
TOTAL ASSETS	32,676	30,684
EQUITY AND LIABILITIES		
Equity	6,983	6,735
Untaxed reserves	-	24
Deferred tax liability	178	124
Financial derivative instruments	311	542
Interest-bearing liabilities	24,233	21,353
Liabilities to Group companies	623	1,763
Non-interest-bearing liabilities	348	143
Total liabilities	25,693	23,949
TOTAL EQUITY AND LIABILITIES	32,676	30,684

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 242 (206), of whom 106 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.

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

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.

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. The standard entails changes to the way financial assets are classified and measured. The standard also introduces a new model for loss allowances based on expected credit losses rather than incurred losses as well as changes in the policies for hedge accounting. The new standard will result in additional provisions for expected credit losses and financial receivables. However, the standard has not had any material impact on Rikshem's income statement and balance sheet since losses on both accounts receivable and financial receivables have been historically low.

From January 1, 2018, the Parent Company will also apply IFRS 9 without exception, which means that all financial derivative instruments will be measured 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.

Rikshem carried out an analysis during the year to determine the expected impact of the new standard on the recognition of the Group's leases. Part of the analysis

concentrated on identifying all of the Group's leases. Rikshem has identified site leaseholds, rent for premises, and company cars and service vehicles as material agreements in which Rikshem is the lessee. The largest effect on Rikshem's balance sheet is deemed to pertain to site leaseholds. Leasehold fees will not longer be recognized as operating expenses in profit or loss, but instead as interest expenses.

Rikshem has chosen to apply the exemption rules and recognize the remaining lease payments discounted by the company's incremental borrowing rate as of January 1, 2019 as a lease liability. Rikshem has chosen to apply the same principle for all lease assets and recognize assets at the value of the liability, which is why no deferred tax has arisen and there will be no impact on the Group's equity. Application of IFRS 16 entails that Rikshem's balance sheet as of January 1, 2019 will be impacted by assets and liabilities amounting to MSEK 109, of which the largest impact for the Group pertains to the present value calculation of site leaseholds. Going forward, lease payments will be recognized in profit or loss under depreciation and interest expenses, which will result in higher net operating income and lower net financial items.

Related-party transactions

During the year, 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 in line with market conditions. 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

In January, Rikshem's owners extended their back-up agreements with the company. AMF Pensionsförsäkring AB and the Fourth Swedish National Pension Fund (AP4) have previously provided the company with back-up facilities in the form of a loan facility and a subscription undertaking for commercial papers, amounting to a combined total of SEK 10 billion. These agreements have been extended until February 2025.

The Board of Directors and the CEO affirm that this Year-end 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, February 7, 2019

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

This year-end report has not been reviewed by the company's auditors.

Quarterly data

Amounts in MSEK	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3
Statement of income						
Rental income	721	697	694	680	669	661
Property expenses	-380	-262	-296	-330	-324	-209
Net operating income	341	435	398	350	345	452
Central administration	-21	-18	-13	-14	-28	-7
Net financial items	-111	-112	-119	-116	-125	-120
Earnings from joint ventures	12	1	-5	-1	-23	10
Income from management operations	221	306	261	219	169	335
Change in value of investment properties	981	193	664	269	124	546
Change in value and foreign exchange effects of financial instruments	-153	137	-114	-62	-12	58
Profit before tax	1,049	636	811	426	281	939
Tax and other comprehensive income	-210	-130	4	-97	-96	-159
Comprehensive income for the period	839	506	815	329	185	780
Balance sheet						
Investment properties	45,687	44,282	43,239	42,199	41,039	40,340
Participations in joint ventures	1,353	1,341	1,339	1,354	1,356	1,376
Other assets	679	851	1,026	958	720	898
Cash and cash equivalents	1,015	795	1,228	536	386	1,588
Total assets	48,734	47,269	46,832	45,047	43,501	44,202
Equity	18,199	17,360	16,854	16,039	15,710	15,525
Deferred tax liability	2,797	2,588	2,459	2,463	2,365	2,302
Interest-bearing liabilities	26,550	25,854	26,098	25,334	24,290	25,006
Other liabilities	1,188	1,467	1,421	1,211	1,136	1,369
Total equity and liabilities	48,734	47,269	46,832	45,047	43,501	44,202
Key performance data						
Loan-to-value ratio, %	58	58	60	59	59	62
Equity/assets ratio, %	37	37	36	36	36	35
Interest-coverage ratio, multiple*	3.2	3.1	3.2	3.3	3.5	3.8
Return on equity, %*	14.7	11.2	13.4	16.0	16.8	23.6
Property yield, %*	3.5	3.6	3.7	3.8	3.9	3.9
Total return, %*	8.4	6.6	7.6	7.9	8.1	9.9
Surplus ratio, %	47	62	57	51	52	68

*Rolling 12 months

Key performance data

Amounts in MSEK	2018	2017	2016	2015	2014	2013
Statement of income						
Rental income	2,792	2,665	2,484	2,040	1,691	1,433
Net operating income	1,524	1,555	1,420	1,192	954	770
Income from management operations	1,008	1,150	1,208	579	380	348
Change in value of properties, MSEK	2,107	1,647	1,962	1,856	1,262	1,165
Profit for the period	2,489	2,430	2,433	1,964	1,010	1,455
Balance sheet						
Equity	18,199	15,710	13,281	10,360	4,850	3,705
External liabilities	26,493	24,022	23,422	21,074	16,248	12,604
Fair value of properties	45,687	41,039	37,878	32,009	25,160	19,982
Total assets	48,734	43,501	40,114	34,053	26,036	20,208
Financial key figures						
Equity/assets ratio, %	37	36	33	30	19	18
Loan-to-value ratio, %	58	59	62	66	65	63
Interest-coverage ratio	3.2	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, %	1.7	2.0	1.5	1.6	1.8	3.1
Interest-rate duration, years	5.1	5.3	2.6	2.4	3.4	3.2
Debt duration, years	4.1	3.0	1.9	1.4	1.1	-
Return on equity, %	14.7	16.8	20.6	25.8	23.6	48.9
Property yield, %	3.5	3.9	4.1	4.2	4.2	4.3
Total return, %	8.4	8.1	9.7	10.7	9.8	10.7
Property-related key figures						
Number of properties	555	586	574	533	496	366
Lettable area, 1,000 sqm	2,274	2,219	2,182	1,975	1,708	1,506
Number of apartments	28,840	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	3.2	2.7	3.6	2.6	1.8	2.0
Market vacancy rate, residential properties, %	0.5	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	20,090	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, %	-3.9	6.7	3.4	6.8	8.4	-
Surplus ratio, %	55	58	57	58	56	54
Employees						
Number of employees	242	206	192	173	134	107



Financial calendar

Annual Report 2018
Interim report Jan–Mar 2019
Interim report Jan–Jun 2019

March 29, 2019
May 3, 2019
August 21, 2019

Definitions

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

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