



Interim report Q1

January–March 2020



Interim report Q1 2020

Events during the first quarter

- Rental income for the period increased by MSEK 43 or 6.0 percent on the same period last year to MSEK 761 (718).
- Net operating income rose MSEK 74 or 21.8 percent to MSEK 413 (339), mainly as a result of higher income and a reduction in both operating expenses and repair and maintenance costs.
- Income from property management increased by MSEK 70 or 33.0 percent to MSEK 282 (212).
- Divestments of properties in the period totaled MSEK 18 (0). During the period, properties were acquired for MSEK 0 (361).
- The change in value of investment properties was MSEK 129 (173).
- Profit before tax for the period increased by MSEK 3 or 1.0 percent to MSEK 388 (385). Profit after tax rose MSEK 24 or 8.2 percent to MSEK 316 (292).
- In February, Rikshem's owners updated their ownership directive with tighter

financial targets and introduced a dividend policy; see page 22.

- At the start of March, the credit rating agency S&P Global announced that they were placing Rikshem on Credit Watch Negative due to the company's updated ownership directive.
- To date, Rikshem has been relatively unaffected by the ongoing coronavirus pandemic. Since Rikshem's primary focus is residential properties and properties for public use, it has little exposure to sectors initially affected by the crisis. Access to capital in the capital market has decreased at the same time as credit margins have increased. For Rikshem, this will mean a gradual increase in interest expenses, while the company's unutilized credit facilities covers refinancing in just over two years. The long-term effects of the coronavirus pandemic are currently difficult to foresee.



Rikshem in summary

	Jan-Mar 2020	Jan-Mar 2019	Apr 2019- Mar 2020	Jan-Dec 2019
Rental income, MSEK	761	718	2,959	2,916
Net operating income, MSEK	413	339	1,660	1,586
Income from property management, MSEK	282	212	1,356	1,286
Profit, MSEK	316	292	2,268	2,244
Fair value of properties, MSEK	49,718	46,461	49,718	49,307
Number of apartments	29,401	28,943	29,401	29,214
Lettable area, 1,000 sqm	2,301	2,280	2,301	2,292
Economic occupancy rate, %	96.4	97.0	96.4	96.4
Average lease term, years*	9.0	9.3	9.0	9.0
Loan-to-value ratio, %	54	57	54	54
Interest-coverage ratio, multiple**	3.7	3.2	3.7	3.5
Equity, MSEK	20,757	18,491	20,757	20,441
Total return excl. joint ventures, %**	6.7	8.1	6.7	6.7
Total return incl. joint ventures, %**	7.0	7.3	7.0	7.2
Return on equity, %**	11.6	14.2	11.6	11.6

* Pertains to properties for public use. ** Pertains to rolling 12 months
See page 27 for definitions of key figures

Cover photo: Bakelsen 1/Lussekattn 1 in Östersund

Statement from the CEO



Per Uhlén
acting CEO

“ Things have moved ahead at great speed during this time. Going forward, I'm very pleased that Anette Frumerie will soon be taking up her position as CEO.

It goes without saying that we all had plans for 2020. For Rikshem, this was to continue our strategy of focusing on property management and developing our existing properties and land holdings rather than making major property acquisitions. But in just a few weeks, the whole world has changed. The coronavirus has created massive uncertainty in all areas of life, and all of us – individuals and businesses alike – are affected in different ways.

However, Rikshem has so far fared relatively well in these uncertain times, thanks to the fact that we operate in industry segments involving residential properties and properties for public use, have little exposure to other types of premises and are backed by stable, long-term owners. Above all, it is in our property development operations that we are currently seeing a risk of impact, as renovation and new construction projects may be delayed as a result of the coronavirus pandemic. With society coming to a standstill, we are unable to maintain the pace we had expected. Our key task now is ensuring that our residential properties and properties for public use continue to function. Some of our tenants are, of course, concerned about how coronavirus will affect their personal finances or the business they run, and we are in dialogue with tenants who are affected in various ways. We have implemented a number of measures and, in the present situation, are managing to uphold our property operations and provide good service. The special situation facing society

is also forcing businesses to adopt new ways of working more quickly; for example, we have increased the number of digital signings for new leases.

Net operating income up

Net operating income increased strongly during the first quarter, up 22 percent to MSEK 413 (339). Revenues have increased thanks to targeted work on unrented properties and vacancies, converting non-residential floor area into living area, and pricing reviews. Projects in development and acquisitions in 2019 that have now been rented have also contributed to higher revenues. At the same time, net operating income has been affected by lower tax-related costs and lower operating expenses, partly due to the mild winter across large parts of Sweden.

Uncertainty in the financial and credit markets

When it comes to financing, the impact of the coronavirus is clear. Liquidity in the market is falling, and uncertainty in the financial and credit markets makes it more expensive to obtain financing. However, our stable business model, income streams and strong ownership structure mean we remain attractive and have still been able to secure financing on favorable terms.

New financial targets

In February, Rikshem's owners decided to tighten the company's financial targets. The targets for the equity/assets and interest-coverage ratios have been increased and the target for the loan-to-value ratio lowered. A new target for net debt/EBITDA has been introduced in order to limit debt

relative to the company's earnings. At the same time, the owners established a dividend policy such that, if the tightened financial targets are achieved, the owners can draw an annual dividend from the company, capped in percentage terms. In light of Rikshem's development and the consistent improvements in the financial key figures in recent years, this feels like an affirmation of our positive development. However, S&P Global announced that it had placed Rikshem on Credit Watch Negative, and we await notification of any change to the A- rating, which we have had continuously since 2013. During this period, the company has become ever stronger financially, and its internal processes and regulations have been improved on an ongoing basis.

Rikshem continues to develop

In these unsettled times, my six months as Acting CEO of Rikshem are now coming to an end. The arrangement has worked well, primarily thanks to the company's skilled and committed employees, to whom I would like to extend my warm thanks and praise for how they have handled the transitional period. Things have moved ahead at great speed during this time. Going forward, I'm very pleased that Anette Frumerie will soon be taking up her position as CEO and I'm sure that, together with Rikshem's employees, she'll do a great job of continuing to develop the company.

Per Uhlén, acting CEO

One of Sweden's largest private property companies

Rikshem owns, develops and manages residential properties and properties for public use, sustainably and for the long term. The properties are located in selected growth areas across Sweden. Rikshem's vision is to make a difference in developing the good community.



**Fair value
SEK 52 billion**

The fair value of the properties totaled MSEK 52,317 (including Rikshem's share of the property value in joint ventures).



**30,000
apartments**

70 percent of the portfolio is made up of residential properties: student accommodation, youth apartments, rental apartments and senior accommodation.



**30% properties
for public use**

30 percent of Rikshem's portfolio comprises properties for public use, for example nursing homes, care facilities, pre-schools and schools.

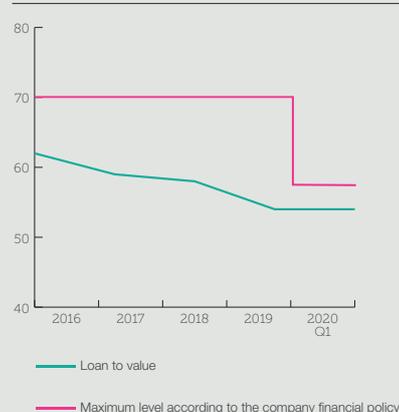
The owners' targets for Rikshem's overall financial key figures (updated in February; read more on page 22).

Equity/assets ratio (%)



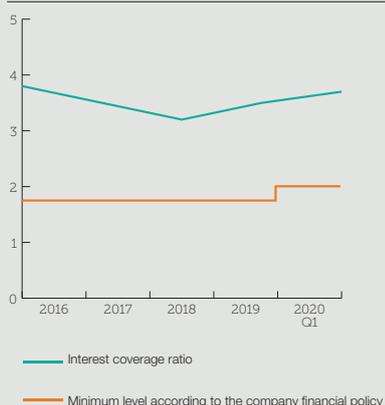
39%

Loan-to-value ratio (%)



54%

Interest-coverage ratio (multiple)



3.7

Net debt/EBITDA (multiple)



17.1

Income, costs and profit

Net operating income

The Group's rental income for the period increased MSEK 43 or 6.0 percent on the same period last year to MSEK 761 (718). Besides annual rent increases and investments in the properties that enable higher rents, the full-year effects of new construction and acquisitions in 2019 also contributed to the higher rental income. Rental income for the like-for-like portfolio rose MSEK 32 or 4.5 percent (2.8).

MSEK 761
(718)

Property expenses for the period fell MSEK 31 or 8.2 percent to MSEK 348 (379). Expenses for the like-for-like portfolio fell MSEK 30 or 8.1 percent. One of the reasons for the lower operating costs was the mild winter. Costs for repairs and maintenance have been lower during the first quarter compared with the corresponding period of 2019.

Altogether, total net operating income increased MSEK 74 year-on-year and amounted to MSEK 413 (339). Net operating income for the like-for-like portfolio increased 18.4 percent compared with the same period of 2019.

The surplus ratio for the total property portfolio for the quarter was 54 percent (47).

At the end of the period, the vacancy rate for residential properties was 3.5 percent. Adjusted for apartments that have been vacated in preparation for renovation, the market vacancy rate was 1.0 percent (0.6). The increase can be attributed to new-build and newly renovated apartments in the process of being rented. The average remaining lease term for properties for public use was 9.0 years (9.3). The economic occupancy rate for properties for public use was 97.2 percent. The economic occupancy rate for the total portfolio was 96.4 percent.

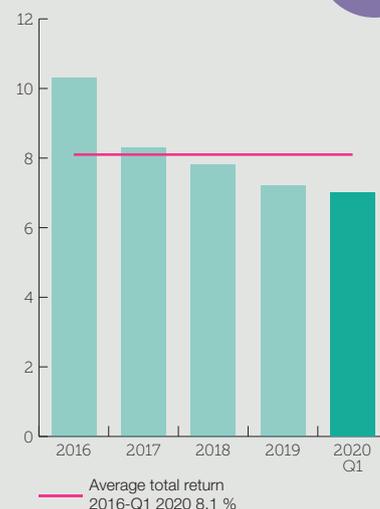
Income statement MSEK	Jan–Mar 2020	Jan–Mar 2019
Rental income	761	718
Property expenses	-348	-379
Net operating income	413	339
Central administration	-22	-21
Net financial items	-112	-114
Earnings from joint ventures	3	8
Income from property management	282	212
Change in value of properties	129	173
Change in value of financial derivative instruments and foreign exchange effects on financial liabilities	-23	0
Profit before tax	388	385
Tax	-72	-93
Profit for the period	316	292



For income statement items, amounts in parentheses show figures for the corresponding period of the prior year. For balance sheet items, amounts in parentheses show figures at the most recent year-end.

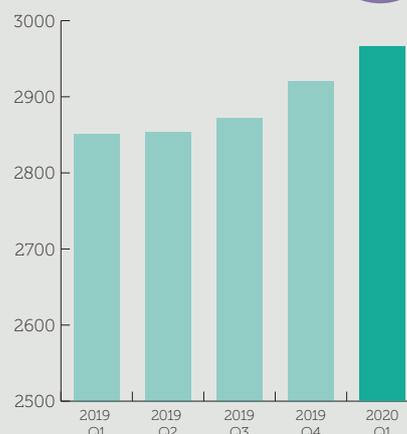
Total return incl. joint ventures (%)

7.0%



Annual rent as at the closing date (MSEK)

MSEK 2,966



Central administration

Costs for central administration amounted to MSEK -22 (-21). Central administration includes group-wide costs.

MSEK -22
(-21)

Net financial items

Net financial items totaled MSEK -112 (-114). Net financial items mainly comprise the company's external interest expenses. The average interest rate on interest-bearing liabilities was 1.6 percent (1.6).

MSEK -112
(-114)

Earnings from joint ventures

Earnings from joint ventures amounted to MSEK 3 (8).

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 have been entered into to eliminate currency risk on interest payments and repayments of loans raised in EUR, NOK and AUD. Sweden's long-term interest rates were lower on the closing date than at year-end, which has negatively affected the change in value of the interest-rate derivative instruments. The change in value during the period was MSEK -214 (-225). The change in value of foreign exchange derivatives amounted to MSEK -29 (517). The foreign exchange effects on financial liabilities in EUR, NOK and AUD amounted to MSEK 220 (-292) and were attributable to the strengthening of the Swedish krona during the period, against the NOK in particular but also against the AUD, at the same time as it weakened against the EUR.

MSEK -23
(0)

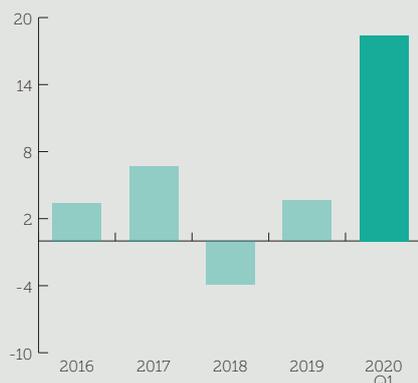
Change in value of properties

The change in value for investment properties in the period was MSEK 129 (173), equivalent to an increase in value of 0.3 percent (0.4). The unrealized change in value is mainly attributable to the change in net operating income and the higher project completion rate. No change in the yield requirements has been implemented in the valuation as at the closing date.

MSEK 129
(173)

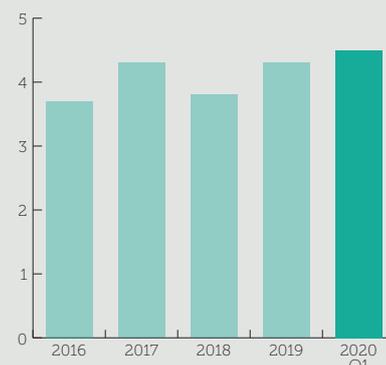
Rikshem reports investment properties at fair value in accordance with IAS 40. To verify the internal valuation, an annual external valuation is conducted of the majority of the property portfolio every year. Deviations between the internal and external assessed values are well within the uncertainty range of +/- 5 percent.

Change in net operating income in the like-for-like portfolio (%)



18.4%

Change in rental income in the like-for-like portfolio (%)



4.5%

Tax

Tax reported for the period amounted to MSEK -72 (-93), MSEK -65 (0) of which was current tax and MSEK -7 (-93) deferred tax.

MSEK -72
(-93)

The year-on-year change in current tax is explained by new tax rules concerning interest deduction limitations as well as previous loss carryforwards that were utilized during 2019. The deferred tax mainly comprises tax on unrealized changes in the value of properties and financial derivative instruments.

The corporate tax rate was lowered to 21.4 percent during 2019 and will be lowered further in 2021, to 20.6 percent. Deferred tax was restated to reflect the 20.6 percent tax rate in 2018, resulting in a positive earnings effect of MSEK 149. The company's deferred tax asset amounted to MSEK 177 (91) at the end of the period. The deferred tax liability totaled MSEK 3,576 (3,483). The deferred tax asset has been offset against the deferred tax liability in the balance sheet.

Profit for the period

Profit for the period totaled MSEK 316 (292).

MSEK 316
(292)

Yield requirement and rent/sqm per property type

Property type	Rent/sqm			Yield requirement		
	min.	average	max.	min.	average	max.
Residential properties	728	1,239	2,831	2.44%	3.86%	5.63%
Properties for public use:					4.71%	
Nursing homes	550	1,468	2,818	3.65%	4.62%	7.50%
Schools	637	1,517	2,351	4.70%	5.06%	6.65%
Commercial properties	754	1,283	5,302	3.80%	5.09%	7.45%
Average		1,302			4.13%	

Change in yield requirement per property type

Property type	Value in MSEK	Dec. 31, 2019	Mar. 31, 2020	Change
Residential properties	34,098	3.85%	3.86%	0.01%
Properties for public use:				
Nursing homes	11,704	4.61%	4.62%	0.01%
Schools	3,045	5.07%	5.06%	-0.01%
Commercial properties	871	5.05%	5.09%	0.04%
Total	49,718	4.12%	4.13%	0.01%

Property portfolio

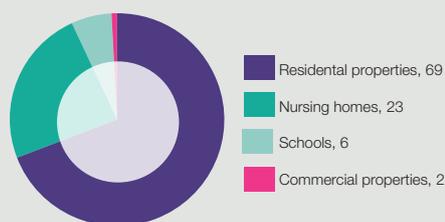
At the end of the period, Rikshem's property portfolio comprised 555 properties (560) with a fair value of MSEK 49,718 (49,307). MSEK 34,098 of this pertained to residential properties, MSEK 11,704 to nursing homes, MSEK 3,045 to schools and MSEK 871 to commercial properties.

The property portfolio includes development rights valued at MSEK 836. Properties corresponding to 47 percent of the fair value are located along the Greater Stockholm–Uppsala axis. Altogether, the property portfolio comprises 29,401

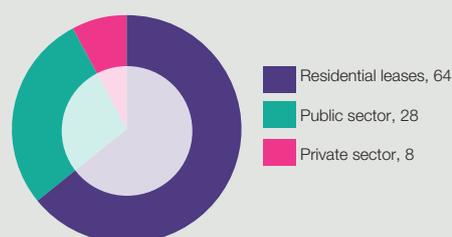
apartments (29,214) and approximately 2,301,000 sqm (2,292,000) of lettable area.



Breakdown of fair value of investment properties (%)



Breakdown of rental income (%)



Rikshem's property portfolio, March 31, 2020

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	34,098	69	1,655	20,604						
- Commercial*	514	1	12	30,678						
Residential properties	34,612	70	1,667	20,756	2,075	89	4	7	100	
Properties for public use segment										
- Nursing homes	11,704	23	464	25,222						
- Schools	3,045	6	133	22,949						
- Commercial*	357	1	37	9,670						
Properties for public use	15,106	30	634	23,840	891	5	83	12	100	
Total	49,718	100	2,301	21,605	2,966	64	28	8	100	

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



Rikshem continues to refine its property portfolio through selective acquisitions as well as divestments of properties that will not be suitable for the target portfolio in the long term. Since 2019, the company's focus on project development in existing properties has also intensified.

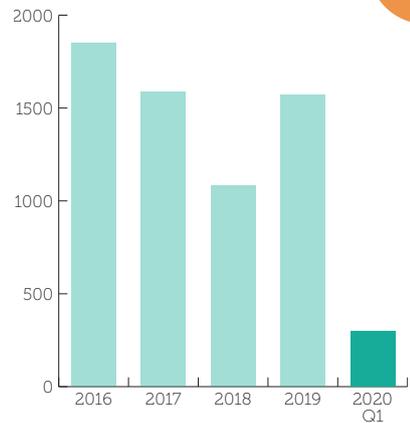
Transactions and investments

No property acquisitions were carried out during the period, while two smaller properties in Nacka were divested.

Investments in existing properties during the period amounted to MSEK 300 (240), MSEK 168 (75) of which pertained to redevelopment and renovation of residential properties, MSEK 66 (113) to new construction of residential properties and MSEK 66 (52) to investments in properties for public use.

During the period, construction started on 92 apartments in Halmstad. Renovation projects covering 188 apartments have commenced in Umeå, and renovation of 46 apartments is under way in Helsingborg.

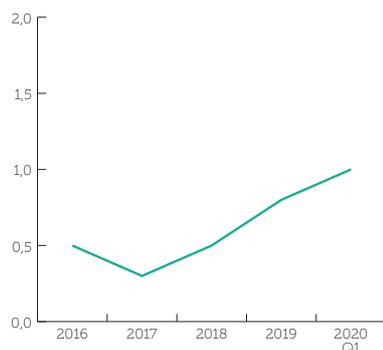
Investments (MSEK)



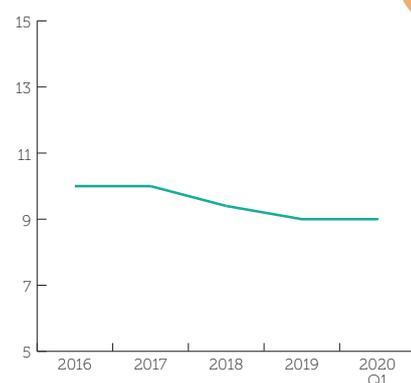
Fair value of investment properties

Amounts in MSEK	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Fair value at the beginning of the period	49,307	45,687	45,687
Change in value	129	173	1,538
Investment	300	240	1,568
Acquisitions	-	361	879
Divestments	-18	-	-365
Fair value at the end of the period	49,718	46,461	49,307
Fair value incl. Rikshem's share of properties in joint ventures	52,317	48,608	51,871

Market vacancy rate, residential properties (%)



Average lease term, properties for public use (years)



Projects in development

Larger projects in progress

Property/project	Location	Project category	Number of apartments	Estimated completion
Repet	Södertälje	RM&U renovation	397	Q4 2020
Planen	Norrköping	RM&U renovation	200	Q1 2022
Bonden	Halmstad	New construction (residential)	189	Q4 2022
Niten	Norrköping	RM&U renovation	160	Q2 2020
Flyttfågeln	Umeå	RM&U renovation	188	Q4 2024
Kvarngärdet 56:14	Uppsala	New construction (public use)	105	Q3 2020

Examples of projects



Planen (Norrköping)

Rikshem is taking a holistic approach to the property Planen 4 by renovating and creating new apartments in the existing portfolio as well as densifying by means of new construction. The renovation will transform the current 167 apartments into 200 by changing the layout and add a further 27 apartments by extending on top of existing buildings. The new construction will add a further 99 apartments and a retail unit to the portfolio. The work will be finished in the first half of 2021.

Oxhagshemmet (Kalmar)

Rikshem is refurbishing and modernizing the Oxhagshemmet nursing home. This will create modern accommodation that meets current requirements and provides a more pleasant environment for residents and employees. The renovation, which is being carried out in consultation with the municipality and care services, covers 78 apartments, common areas and staff rooms, and is expected to be completed during 2020.



Kronan (Luleå)

In the city's Kronan district, Luleå Municipality is developing a new, modern area of mixed housing close to the center. The local plan gained legal force in 2019. Rikshem plans to build approximately 350 apartments in the area known as Kulturbyn. Construction is expected to start in Q4 2020.

Joint ventures

Participations in joint ventures

Rikshem holds participations in joint ventures with a total value of MSEK 1,662 (1,391).

The value of Rikshem's share of the property holdings in these joint ventures, which are consolidated according to the equity method, amounts to approximately SEK 2.6 billion. The largest joint venture holding of MSEK 984 pertains to 49 percent of VärmdöBostäder; the remaining part is owned by Värmdö Municipality. The second-largest holding of MSEK 571 pertains to Farsta Stadsutveckling, in which

MSEK
1,662
(1,391)

Rikshem and Ikano Bostad each hold 50 percent. Farsta Stadsutveckling owns the property Burmanstorp 1 in Farsta. This is where the new city area Telestaden is under development, with residential apartments and premises for offices and neighborhood services.

Other participations in associated companies totaling MSEK 107 pertain to development projects owned and operated together with Veidekke Bostad, P&E Fastighetspartner and Glommen & Lindberg. At the end of the period, the joint ventures held three completed, unsold condominiums.

Earnings from joint ventures

Earnings from joint ventures amounted to MSEK 3 (8) for the period and mainly comprise income from property management from Värmdö-Bostäder.

MSEK 3
(8)



Rikshem's joint ventures

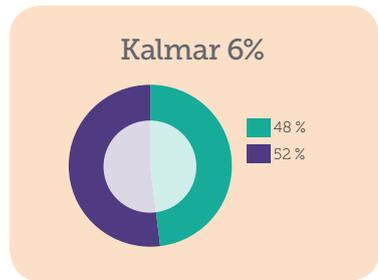
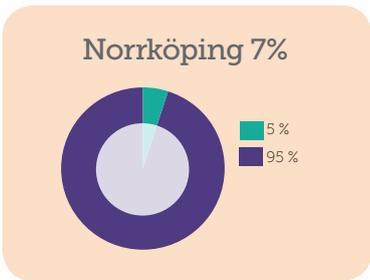
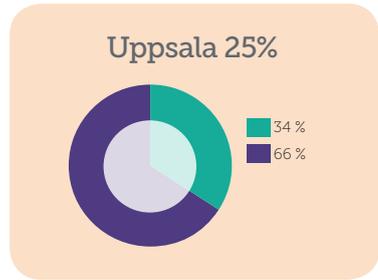
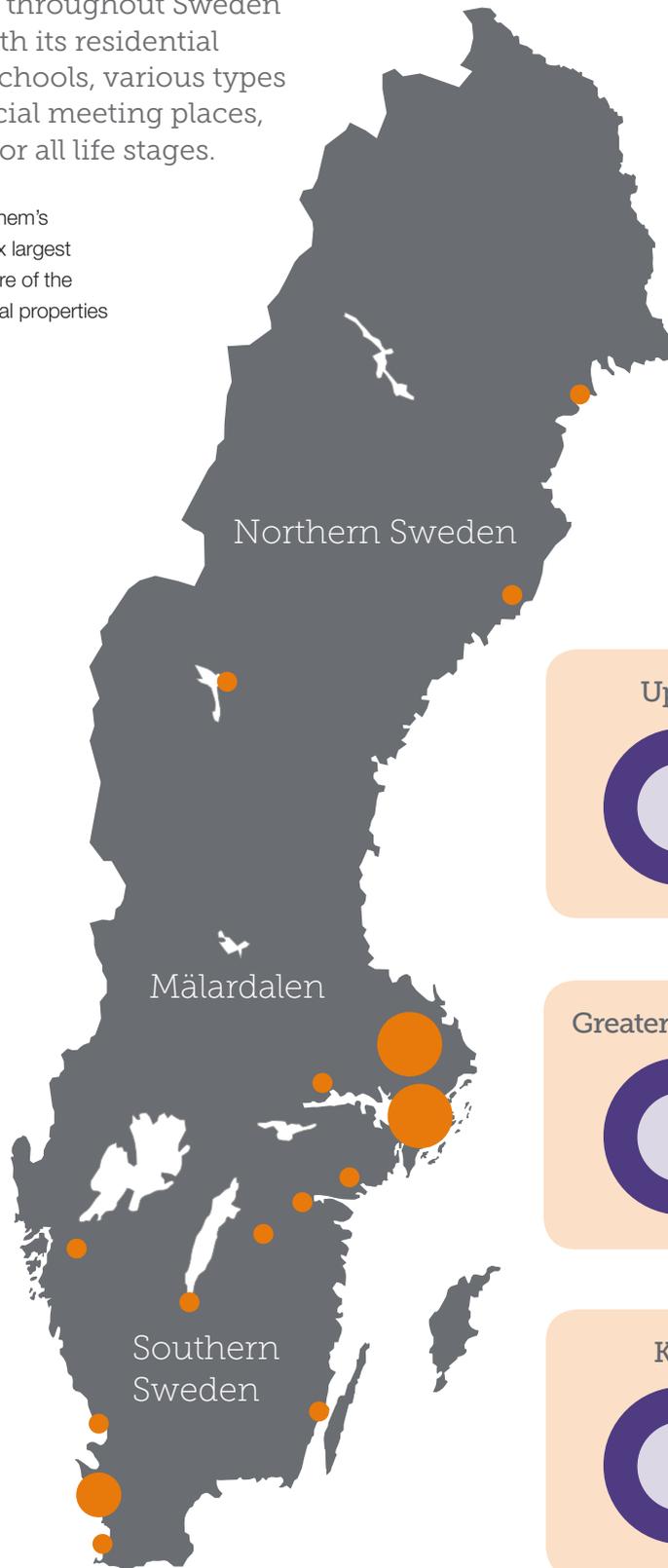
- Farsta Stadsutveckling AB
- Boostad Bostad AB
- VärmdöBostäder AB
- Tidmätaren Fastighets AB
- Bergagårdshöjdens JV AB

Our largest cities

Rikshem owns properties throughout Sweden – from north to south. With its residential apartments, schools, preschools, various types of nursing homes and social meeting places, Rikshem provides space for all life stages.

The map shows the distribution of Rikshem's property portfolio in Sweden. For our six largest cities, it also shows the percentage share of the portfolio and the split between residential properties and properties for public use.

- Properties for public use
- Residential properties



Segment reporting

Amounts in MSEK	Residential properties		Properties for public use		Total	
	Jan-Mar 2020	Jan-Mar 2019	Jan-Mar 2020	Jan-Mar 2019	Jan-Mar 2020	Jan-Mar 2019
Rental income	527	507	234	211	761	718
Property expenses	-265	-290	-83	-89	-348	-379
Net operating income	262	217	151	122	413	339
Change in value of properties	24	-13	105	186	129	173
Total return	286	204	256	308	542	512
Total return excl. joint ventures, % (R12)	5.7	7.6	8.8	9.6	6.7	8.1
Fair value of properties	34,612	32,771	15,106	13,690	49,718	46,461
Proportion, %	70	71	30	29	100	100
Area, 1,000 sqm	1,667	1,664	634	616	2,301	2,280
Fair value, SEK/sqm	20,756	19,694	23,840	22,224	21,605	20,375
Investments	234	188	66	52	300	240



Financing

In January, Rikshem updated its framework for green bonds. The updated framework has a broader scope than previously and has been adapted to prevailing market standards. Among other things, the green bonds may be used to finance new construction of energy-efficient residential properties, eco-certified buildings and energy efficiency initiatives.

The framework is based on the ICMA Green Bond Principles (2018). Cicero, the Center for International Climate Research, has provided a “Second Opinion” of the framework, awarding it the classification “Medium Green”. Further to the framework update, Rikshem issued MSEK 800 in green bonds with a maturity of 5 years.

In January, Rikshem issued its first bond in Australian dollars (AUD). Foreign-currency bonds are always combined with an interest-rate and currency swap that eliminates the currency risk over the bond term. By issuing bonds in foreign

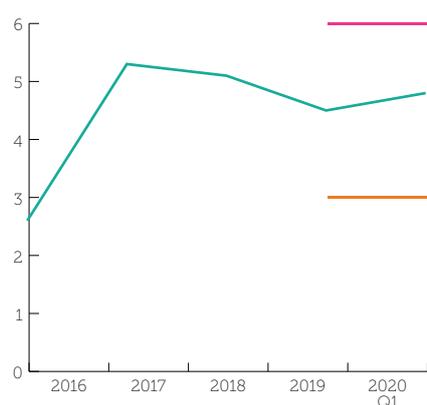
currencies, Rikshem can access investors seeking longer maturities than are normal in the Swedish market. The AUD bond has a maturity of 15 years.

There has been considerable unease in the capital market during March as a result of the coronavirus pandemic. The capital market has been closed at times to new financing, and the margins on bonds and commercial paper have risen significantly. Against this background, Rikshem has secured additional financing in the form of a new SEK 1 billion bank loan with a 12-month term. This loan was paid out at the start of April.

Cash and bank balances

Cash and cash equivalents amounted to MSEK 858 (568). On the closing date, pledged assets received under Credit Support Annexes (CSAs) for combined interest-rate and currency swaps amounted to MSEK 647. These pledged assets are settled on a monthly basis.

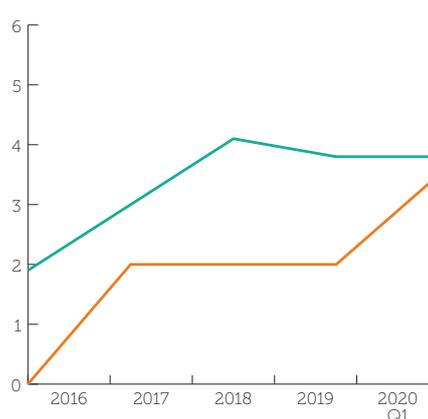
Average interest-rate duration (years)



4.8 years

- Average interest-rate duration (year)
- Minimum level according to the company financial policy
- Maximum level according to the company financial policy

Average debt duration (years)



3.8 years

- Average debt duration
- Minimum level average debt duration, according to the company financial policy

Financial derivative instruments

At the end of the period, the company had an interest-rate derivative portfolio that hedged SEK 17.8 billion, with the company paying a fixed rate and receiving floating 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 689 (509), while the fair value of financial derivative instruments with a negative fair value amounted to MSEK -851 (-432). The net fair value of the derivative portfolio was MSEK -162 (77).

Interest-bearing liabilities

At the end of the period, interest-bearing liabilities amounted to MSEK 26,963 (26,868). Of these interest-bearing liabilities,

MSEK
26,963
(26,868)

MSEK 4,316 (4,317) pertained to secured bank loans, MSEK 199 (199) to liabilities to the European Investment Bank, MSEK 2,474 (2,740) to funding through commercial paper and MSEK 19,974 (19,582) to bond loans. In addition, the company had MSEK 0 (30) in interest-bearing liabilities to related parties. The fair value of financial assets and liabilities is not considered to deviate materially from the carrying amount. All bank loans are secured by collateral in properties. In total, secured financing accounted for 9 percent (9) of the fair value of the investment properties.

Of Rikshem's outstanding bonds, bonds corresponding to SEK 4.1 billion have been issued in EUR, SEK 5.1 billion in NOK and SEK 0.3 billion in AUD. The carrying amount of these bonds on the closing date was SEK 4.6 billion (EUR), SEK 4.6 billion (NOK) and SEK 0.3 billion (AUD).

At the end of the period, the average interest rate was 1.6 percent, which is the same as for the corresponding period of 2019 and at year-end. Fees for unused backup facilities are included in the average interest rate.

The average debt duration is 3.8 years (3.8) and the average interest-rate duration is 4.8 years (4.5).

Rating

Rikshem has had an A- rating from S&P Global since 2013. At the start of March, S&P Global notified that they were placing Rikshem on Credit Watch Negative further to the company's updated ownership directive, which strengthened the financial targets and established a dividend policy. S&P's rules state that they must publish their decision on the rating issue within 90 days of a Credit Watch notification.

Interest-bearing external liabilities

Maturity Years	Interest-rate duration		Debt duration	
	Amount (MSEK)	Proportion	Amount (MSEK)	Proportion
<1 year	3,383	12.5%	6,360	23.6%
1-2 years	2,378	8.8%	5,737	21.3%
2-3 years	1,200	4.5%	2,850	10.6%
3-4 years	2,000	7.4%	2,353	8.7%
4-5 years	5,202	19.3%	4,119	15.3%
5-6 years	3,500	13.0%	-	-
6-7 years	3,000	11.1%	1,197	4.4%
7-8 years	2,000	7.4%	475	1.8%
8-9 years	2,400	8.9%	847	3.1%
>9 years	1,900	7.1%	3,025	11.2%
Total	26,963	100%	26,963	100%

Interest-rate derivative portfolio

Maturity date	Nominal amount (year-end), SEK billion	Average interest rate (year-end)
2020	17.8	0.8%
2021	17.3	0.8%
2022	15.8	0.8%
2023	13.8	0.8%
2024	13.3	0.8%
2025	9.8	0.9%
2026	6.3	0.9%
2027	4.3	0.8%
2028	2.8	0.7%
2029	1.4	0.9%
2030	0	

Group – Condensed statement of comprehensive income

Amounts in MSEK	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	Jan–Dec 2019
Rental income	761	718	2,959	2,916
Operating expenses	-221	-239	-753	-771
Repairs and maintenance	-64	-82	-288	-306
Property administration	-52	-48	-215	-211
Property tax	-11	-10	-43	-42
Total property expenses	-348	-379	-1,299	-1,330
Net operating income	413	339	1,660	1,586
Central administration	-22	-21	-101	-100
Net financial items	-112	-114	-442	-444
Earnings from joint ventures	3	8	239	244
<i>of which income from property management</i>	3	5	4	6
<i>of which change in value of properties</i>	0	0	300	300
<i>of which change in value of financial derivative instruments</i>	–	0	1	1
<i>of which tax</i>	0	3	-66	-63
Income from property management	282	212	1,356	1,286
Change in value of investment properties	129	173	1,494	1,538
Change in value of interest-rate derivatives	-214	-225	-259	-270
Change in value of foreign exchange derivatives	-29	517	-41	505
Foreign exchange effects on financial liabilities	220	-292	297	-215
Profit before tax	388	385	2,847	2,844
Tax	-72	-93	-579	-600
Profit for the period/year	316	292	2,268	2,244
Other comprehensive income				
Revaluation of pensions	–	–	-3	-3
Tax, pensions	–	–	1	1
Other comprehensive income for the period/year, net after tax	–	–	-2	-2
Total comprehensive income for the period/year	316	292	2,266	2,242

Group – Condensed statement of financial position

Amounts in MSEK	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
ASSETS			
Investment properties	49,718	46,461	49,307
Participations in joint ventures	1,662	1,391	1,658
Equipment	5	5	5
Leaseholds and other right-of-use assets	135	123	131
Financial derivative instruments	689	486	509
Non-current receivables	179	206	179
Total non-current assets	52,388	48,672	51,789
Current receivables	308	280	255
Cash and cash equivalents	858	680	568
Total current assets	1,166	960	823
TOTAL ASSETS	53,554	49,632	52,612
EQUITY AND LIABILITIES			
Equity	20,757	18,491	20,441
Deferred tax	3,399	2,891	3,392
Interest-bearing liabilities	20,603	22,040	19,699
Financial derivative instruments	851	352	432
Non-current liabilities, finance leases	121	110	117
Non-interest-bearing liabilities	6	3	6
Total non-current liabilities	24,980	25,396	23,646
Interest-bearing liabilities	6,360	4,573	7,169
Current liabilities, finance leases	13	12	14
Non-interest-bearing liabilities	1,444	1,160	1,342
Total current liabilities	7,817	5,745	8,525
TOTAL EQUITY AND LIABILITIES	53,554	49,632	52,612

Consolidated statement of changes in equity

Amounts in MSEK	Share capital	Other contributed capital	Retained earnings including profit for the year	Total equity
Opening balance, Jan 1, 2019	100	4,874	13,225	18,199
Profit for the period, Jan–Mar			292	292
Other comprehensive income, Jan–Mar			-	-
Closing balance, Mar 31, 2019	100	4,874	13,517	18,491
Profit for the period, Apr–Dec			1,952	1,952
Other comprehensive income, Apr–Dec			-2	-2
Closing balance, Dec 31, 2019	100	4,874	15,467	20,441
Opening balance, Jan 1, 2020	100	4,874	15,467	20,441
Profit for the period, Jan–Mar			316	316
Other comprehensive income, Jan–Mar			-	-
Closing balance, Mar 31, 2020	100	4,874	15,783	20,757



Investments in existing properties in the period.

MSEK 300

Of this amount, redevelopment and renovation of residential properties accounted for **MSEK 168**, new construction for **MSEK 66** and investments in properties for public use for **MSEK 66**.

Consolidated statement of cash flows

Amounts in MSEK	Jan–Mar 2020	Jan–Mar 2019	Apr 2019– Mar 2020	Jan–Dec 2019
Cash flow from operating activities	391	318	1,564	1,491
Interest paid	-105	-105	-445	-445
Tax paid	-1	-24	-2	-24
Change in working capital	-165	-42	19	142
Cash flow from operating activities	120	147	1,136	1,164
Investment in investment properties	-300	-240	-1,628	-1,568
Acquisition of investment properties	–	-361	-490	-851
Divestment of investment properties	18	–	383	365
Investment in equipment	-1	-1	-1	-2
Investment in financial assets	–	-31	-45	-76
Divestment of financial assets	–	88	39	127
Dividend from financial assets	–	–	1	1
Cash flow from investing activities	-283	-545	-1,741	-2,004
Loans raised	3,451	3,198	10,951	10,698
Repayment of loans	-3,133	-3,425	-10,300	-10,592
Change in collateral	140	291	136	287
Redemption of financial instruments	-4	–	-4	–
Repayment of finance leases	-1	-1	0	0
Cash flow from financing activities	453	63	783	393
Cash flow for the period/year	290	-335	178	-447
Cash and cash equivalents at the beginning of the period/year	568	1,015	680	1,015
Cash and cash equivalents at the end of the period/year	858	680	858	568

Parent Company – Condensed income statement

Amounts in MSEK	Jan–Mar 2020	Jan–Mar 2019	Apr 2019–Mar 2020	Jan–Dec 2019
Revenue	59	55	239	235
Other operating expenses	-29	-27	-138	-136
Personnel expenses	-51	-49	-208	-207
Depreciation	0	-1	-2	-2
Operating loss	-21	-22	-109	-110
Earnings from Group companies	22	15	591	584
Net interest income	74	4	98	28
Change in value of interest-rate derivatives	-214	-225	-259	-270
Change in value of foreign exchange derivatives	-29	517	-41	505
Foreign exchange effects on financial liabilities	220	-292	297	-215
Profit/loss after financial items	52	-3	577	522
Tax	28	-32	0	-60
Profit/loss for the period/year	80	-35	577	462

Parent Company

The operations of the Parent Company Rikshem AB (publ) primarily comprise managing the Group's properties through the ownership of shares and participations in the property holdings of its subsidiaries. No properties are owned directly by the Parent Company. The Parent Company's revenue for the period amounted to MSEK 59 (55) and mainly comprised fees for services provided to the subsidiaries.

Administrative costs increased to MSEK -80 (-77). Financial items totaled MSEK 73 (19). In addition to net interest income, financial items included earnings from participations in Group companies of MSEK 22 (15) and unrealized changes in value concerning financial instruments corresponding to MSEK -23 (0). Profit for the period increased to MSEK 80 (-35).



The Parent Company's assets at March 31, 2020 amounted to MSEK 34,704 (34,000) and primarily comprised shares and participations in subsidiaries and receivables from Group companies. At the end of the period, cash and cash equivalents amounted to MSEK 855 (561). The Parent Company's liabilities totaled MSEK 27,179 (26,555) and primarily comprised bonds, commercial paper and bank loans. Equity totaled MSEK 7,525 (7,445) on the closing date.

Parent Company – Condensed balance sheet

Amounts in MSEK	Mar 31, 2020	Mar 31, 2019	Dec 31, 2019
ASSETS			
Equipment	4	5	4
Shares and participations in Group companies	1,945	1,967	1,945
Receivables from Group companies	31,115	29,845	30,887
Financial derivative instruments	689	486	509
Non-current receivables	29	32	29
Total non-current assets	33,782	32,335	33,374
Current assets	67	77	65
Cash and cash equivalents	855	677	561
Total current assets	922	754	626
TOTAL ASSETS	34,704	33,089	34,000
EQUITY AND LIABILITIES			
Equity	7,525	6,948	7,445
Deferred tax	189	210	238
Financial derivative instruments	851	352	432
Interest-bearing liabilities	24,705	24,303	24,579
Liabilities to Group companies	658	644	678
Non-interest-bearing liabilities	776	632	628
Total liabilities	27,179	26,141	26,555
TOTAL EQUITY AND LIABILITIES	34,704	33,089	34,000

Other information

Board of Directors

The composition of the Board of Directors of Rikshem AB (publ) has been unchanged during the period.

Employees

The number of employees in the Rikshem Group at the end of the period was 259 (259): 144 men and 115 women.

Risks

The Board of Directors and management work continuously to manage the risks to which the operations are exposed. Rikshem's risks and uncertainties are described on page 52 of the annual report for 2019. Additionally, there will be risks directly related to the coronavirus pandemic. Evaluation of these risks is ongoing, but an initial assessment suggests that the residential properties and properties for public use segments will probably be less affected than other parts of the property market. At the same time, Rikshem sees a certain risk in developments in the capital

market, and a risk that the project side of the business may be subject to delays and the company's customers may be impacted by the effects of the pandemic. Further updates will be provided in future interim reports.

New ownership directive

In February, Rikshem's owners – the Fourth Swedish National Pension Fund and AMF Pensionsförsäkring AB – updated their ownership directive with tighter financial targets and also introduced a dividend policy:

- The equity/assets ratio shall not fall below 35 percent (previously 30 percent)
- The loan-to-value ratio shall not fall exceed 58 percent (previously 70 percent)
- The interest-coverage ratio shall not fall below a multiple of 2.2 (previously 1.75)
- The company's net debt/EBITDA should long term be lower than 16 times (new target)

Provided that the above financial targets are met, the owners may choose to call for an annual dividend amounting to a maximum of 50 percent of the prior financial year's cash flow from operating activities.

Accounting policies

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC), as approved by the European Union (EU). The Swedish Annual Accounts Act 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 and the Annual Account Act. The Parent Company's accounting policies comply with the Annual Account Act and RFR 2. The same accounting policies, valuation principles and calculation methods have been applied as in the annual report for 2019.



New standards and interpretations that come into force from 2020 onwards

Effective 2020, the IASB has implemented a change in IFRS 3 that addresses the boundary between acquiring a business and a group of assets by providing a new definition of a business. The change is in line with Rikshem's current treatment of acquisitions and is not deemed to have any material effects on Rikshem's earnings or financial position. Other new and amended standards and interpretation statements approved by the EU are currently not considered to have a material impact on Rikshem's earnings or financial position.

Related-party transactions

Rikshem's related parties are presented in Note 29 of the annual report for 2019. No material related-party transactions took place during the period.

Significant events after the end of the period

Rikshem is following the development of the coronavirus (Covid-19) outbreak. At present, Rikshem's business operations have been relatively unaffected by the coronavirus pandemic and its impacts.

The Nomination Committee of Rikshem AB (publ) has proposed that the meeting appoints Ulrica Messing and Per Uhlén as new board members. Lena Boberg is not standing for re-election. No other changes have been proposed.

The Board of Directors intends to formally appoint Anette Frumerie as CEO effective May 5, 2020.

Affirmation of the Board of Directors and the CEO

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.



Financial calendar

Six-month report
January–June 2020
28 August 2020

Interim report
January–September 2020
4 November 2020

Stockholm, May 4, 2020

Bo Magnusson
Chairman of the Board

Pernilla Arnrud Melin
Board member

Lena Boberg
Board member

Liselotte Hjorth
Board member

Andreas Jensen
Board member

Per-Gunnar Persson
Board member

Per Uhlén
CEO

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

Quarterly data

Amounts in MSEK	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4
Income statement						
Rental income	761	729	745	724	718	721
Property expenses	-348	-364	-264	-323	-379	-380
Net operating income	413	365	481	401	339	341
Central administration	-22	-39	-20	-20	-21	-21
Net financial items	-112	-107	-109	-114	-114	-111
Earnings from joint ventures	3	152	1	83	8	12
Income from property management	282	371	353	350	212	221
Change in value of investment properties	129	226	282	857	173	981
Change in value and foreign exchange effects of financial instruments	-23	310	-72	-218	0	-153
Profit before tax	388	907	563	989	385	1,049
Tax and other comprehensive income	-72	-229	-125	-155	-93	-210
Comprehensive income for the period	316	678	438	834	292	839
Balance sheet						
Investment properties	49,718	49,307	48,198	47,392	46,461	45,687
Participations in joint ventures	1,662	1,658	1,475	1,474	1,391	1,353
Other assets	1,316	1,079	1,509	1,339	1,100	679
Cash and cash equivalents	858	568	607	482	680	1,015
Total assets	53,554	52,612	51,789	50,687	49,632	48,734
Equity	20,757	20,441	19,763	19,325	18,491	18,199
Deferred tax	3,399	3,392	3,171	3,045	2,891	2,797
Interest-bearing liabilities	26,963	26,868	26,295	26,233	26,613	26,550
Other liabilities	2,435	1,911	2,560	2,084	1,637	1,188
Total equity and liabilities	53,554	52,612	51,789	50,687	49,632	48,734
Key performance indicators						
Loan-to-value ratio, %	54	54	54	55	57	58
Equity/assets ratio, %	39	39	38	38	37	37
Interest-coverage ratio, multiple*	3.7	3.5	3.5	3.3	3.2	3.2
Return on equity, %*	11.6	11.6	12.9	13.7	14.2	14.7
Property yield, %*	3.5	3.3	3.4	3.3	3.4	3.5
Surplus ratio, %	54	54	56	55	47	47

*Rolling 12 months

Key performance indicators

Amounts in MSEK	2020 Q1	2019	2018	2017	2016	2015
Income statement						
Rental income	761	2,916	2,792	2,665	2,484	2,040
Net operating income	413	1,586	1,524	1,555	1,420	1,192
Income from property management	282	1,286	1,008	1,150	1,208	579
Change in value of properties, MSEK	129	1,538	2,107	1,647	1,962	1,856
Profit for the period	316	2,244	2,489	2,430	2,433	1,964
Balance sheet						
Equity	20,757	20,441	18,199	15,710	13,281	10,360
External liabilities	26,963	26,838	26,493	24,022	23,422	21,074
Fair value of properties	49,718	49,307	45,687	41,039	37,878	32,009
Total assets	53,554	52,612	48,734	43,501	40,114	34,053
Financial key figures						
Equity/assets ratio, %	39	39	37	36	33	30
Loan-to-value ratio, %	54	54	58	59	62	66
Interest-coverage ratio*	3.7	3.5	3.2	3.5	3.8	3.6
Net debt/EBITDA, multiple	17.1	18.0	17.6	15.8	17.2	19.0
Loan-to-value ratio, secured loans, %	9	9	10	12	15	21
Average interest rate, %	1.6	1.6	1.7	2.0	1.5	1.6
Interest-rate duration, years	4.8	4.5	5.1	5.3	2.6	2.4
Debt duration, years	3.8	3.8	4.1	3.0	1.9	1.4
Return on equity, %*	11.6	11.6	14.7	16.8	20.6	25.8
Property yield, %*	3.5	3.3	3.5	3.9	4.1	4.2
Total return excl. joint ventures, %*	6.7	6.7	8.6	8.3	10.0	11.0
Total return incl. joint ventures, %*	7.0	7.2	7.8	8.3	10.3	11.3
Property-related key figures						
Number of properties	555	560	555	586	574	533
Lettable area, 1,000 sqm	2,301	2,292	2,274	2,219	2,182	1,975
Number of apartments	29,401	29,214	28,840	27,924	27,224	24,203
Proportion of properties for public use, %	30	30	29	29	29	38
Vacancy rate, residential properties	3.5	3.5	3.2	2.7	3.6	2.6
Market vacancy rate, residential properties, %	1.0	0.8	0.5	0.3	0.5	0.4
Remaining lease term for properties for public use, years	9.0	9.0	9.4	9.8	10.3	10.5
Fair value, SEK/sqm	21,605	21,512	20,090	18,494	17,362	16,205
Growth in revenue for the like-for-like portfolio, %	4.5	4.3	3.8	4.3	3.7	2.7
Growth in net operating income for the like-for-like portfolio, %	18.4	3.6	-3.9	6.7	3.4	6.8
Surplus ratio, %*	56	54	55	58	57	58
*Rolling 12 months						
Employees						
Number of employees	259	259	242	206	192	173

Key performance indicators – calculations

Both interim and annual reports refer to a number of financial metrics that are not defined by IFRS. Rikshem believes that these metrics help both investors and the company's management to analyze the Company's results and financial position. Not all companies calculate financial metrics in the same way, so the metrics are not always comparable to those used by other companies. Amounts in MSEK unless stated otherwise.

Amounts in MSEK	Jan–Mar 2020	Jan–Dec 2019	Jan–Mar 2019	Jan–Dec 2018
Return on equity				
Profit for the period/year	2,268	2,244	2,452	2,489
Average equity	19,624	19,320	17,265	16,954
Return on equity	11.6%	11.6%	14.2%	14.7%
Net operating income				
Rental income	2,959	2,916	2,830	2,792
Property expenses	-1,299	-1,330	-1,317	-1,268
Net operating income	1,660	1,586	1,513	1,524
Surplus ratio				
Net operating income	1,660	1,586	1,513	1,524
Rental income	2,959	2,916	2,830	2,792
Surplus ratio	56%	54%	53%	55%
Property yield				
Net operating income	1,660	1,586	1,513	1,524
Opening property value	46,461	45,687	42,199	41,039
Closing property value	49,718	49,307	46,461	45,687
Adjusted average property value	48,090	47,497	44,330	43,363
Property yield	3.5%	3.3%	3.4%	3.5%
Total return				
Net operating income	1,660	1,586	1,513	1,524
Change in value of properties	1,494	1,538	2,011	2,107
Total	3,154	3,124	3,524	3,631
Opening property value	46,461	45,687	42,199	41,039
Closing property value	49,718	49,307	46,461	45,687
Minus unrealized change in value	-1,494	-1,538	-2,011	-2,107
Adjusted average property value	47,342	46,728	43,324	43,310
Total return	6.7%	6.7%	8.1%	8.6%
Interest-coverage ratio				
Profit before tax	2,847	2,844	2,881	2,922
<i>Reversal</i>				
Change in value of properties	-1,494	-1,538	-2,011	-2,107
Change in value of financial derivative instruments and loans	3	-20	131	193
Earnings from joint ventures	-239	-244	-16	-7
Other financial expenses	30	29	17	13
Interest expenses	429	429	451	458
Operating profit	1,576	1,500	1,453	1,472
External interest	-429	-429	-451	-458
Interest-coverage ratio, multiple	3.7	3.5	3.2	3.2

Amounts in MSEK	Mar 31, 2020	Dec 31, 2019	Mar 31, 2019	Dec 31, 2018
Loan-to-value ratio				
External interest-bearing liabilities	26,963	26,838	26,563	26,493
Fair value of investment properties	49,718	49,307	46,461	45,687
Loan-to-value ratio	54%	54%	57%	58%
Loan-to-value ratio, secured loans				
Outstanding secured loans	4,317	4,317	4,318	4,535
Fair value of investment properties	49,718	49,307	46,461	45,687
Loan-to-value ratio, secured loans	9%	9%	9%	10%
Net debt/EBITDA				
External interest-bearing liabilities	26,963	26,838	26,563	26,493
Cash and cash equivalents	-858	-568	-680	-1,015
Collateral relating to CSA agreements	647	507	511	220
Net debt	26,752	26,777	26,394	25,698
Net operating income	1,660	1,586	1,513	1,524
Central administration	-101	-100	-72	-65
Depreciation	2	2	2	3
EBITDA	1,561	1,488	1,443	1,462
Net debt/EBITDA, multiple	17.1	18.0	18.3	17.6

Definitions

Amounts within parentheses	For income statement items, amounts in parentheses show figures for the corresponding period of the prior year. For balance sheet items, amounts in 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 backup facilities in relation to current loans on the closing date.
Debt duration	The weighted remaining maturity of interest-bearing liabilities on the closing date. Stated to illustrate the company's financial risk.
Economic occupancy rate	Contract rent in relation to total rental value on the closing date less rent related to vacancies due to renovation.
Equity/assets ratio	Equity in relation to total assets. Stated to illustrate the company's financial stability.
Income from property management	Net operating income less administrative costs and net financial items plus earnings from joint ventures. Stated to illustrate the continuous earnings capacity of the business.
Interest-coverage ratio	Profit before tax after 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. Stated to illustrate the company's sensitivity to interest-rate changes.
Interest-rate duration	The weighted remaining interest-rate duration for interest-bearing liabilities and financial derivative instruments on the closing date. Stated to illustrate the company's financial risk.
Loan-to-value ratio	External interest-bearing liabilities in relation to the fair value of properties. Stated to illustrate the company's financial risk.
Loan-to-value ratio, secured loans	Secured interest-bearing liabilities in relation to the fair value of properties. Used to illustrate the company's financial risk.
Market vacancy rate, residential properties	The number of unrented apartments less apartments unrented due to renovation in relation to the total number of apartments in the residential properties segment on the closing date.
Net debt/EBITDA	External interest-bearing liabilities minus cash and cash equivalents, adjusted for collateral relating to CSA agreements, in relation to EBIDTA. EBIDTA is calculated as net operating income excluding central administration plus reversal of depreciation included in central administration.
Net financial items	Net of interest income, interest expenses, similar revenue and costs and leasehold fees.
Net operating income	Rental income less property expenses.
Property expenses	Costs for heating, electricity, water, operation, maintenance, property tax, rent losses and administration.
Property yield	Annualized net operating income in relation to the average fair value of properties. Stated to illustrate 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 used to show 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. Stated to illustrate the property investments' continuous earnings capacity.
Total return	Net operating income plus change in value in relation to the average fair value of properties, less unrealized change in value. Stated to illustrate the property investments' ability to generate a return. This definition has been changed since last year, and comparative figures have been restated.
Vacancy rate, residential properties	The number of unrented apartments in relation to the total number of apartments in the residential properties segment on the closing date.

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 and AMF Pensionsförsäkring AB. [Read more at rikshem.se](http://rikshem.se)

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