

2020
Heimstaden AB
Interim report
JANUARY – MARCH



Key data

January – March 2020

OPERATIONAL

Rental income

SEK **1,566** million

2019, SEK 1,023 million (up 53%)

Cash flow from operating activities

SEK **313** million

2019 – 239 SEK million

Net operating income

SEK **857** million

2019, SEK 521 million (up 64%)

Value change in properties

SEK **1,914** million

up 1.5% in 2020

Surplus ratio

54.7 %

2019, 50.9%

Real letting ratio for housing

97.2 %

2019, 98.9%

FINANCIAL

Equity

SEK **65.6** billion

2019, SEK 59.9 billion (up 9%)

Cash and cash equivalents

SEK **7.5** billion

2019, SEK 10.7 billion

Loan-to-value ratio

44 %

2019, 40%

Loan-to-value ratio, secured loans

29 %

2019, 32%

Interest coverage ratio

2.5 multiple

2019, multiple of 2.4

Unutilised lines of credit

SEK **11.5** billion

2019, SEK 10.3 billion

PROPERTIES

Investment properties

SEK **132** billion

2019, SEK 114 billion (up 16%)

Market value of Heimstaden's property portfolio.

Proportion living area

93 %

2019, 91%

Heimstaden's property portfolio consists mainly of housing.

Area

6,692 thousand m²2019, 4,031 thousand m² (up 66%)

Living area

6,202 thousand m²2019, 3,661 thousand m² (up 69%)

Number of apartments

97,792

2019, 54,863 (up 78%)

Number of premises

4,434

2019, 2,749 (up 61%)

Property pictured on front cover: Bagsværd Have, Copenhagen

The period in brief

January – March 2020

- Rental income for the period increased to SEK 1,566 million (1,023)
- The real letting ratio for housing was 97.2 percent (98.9)
- Net operating income for the period increased to SEK 857 million (521)
- Cleared of unrealised currency effects, profit from property management amounted to SEK 467 million (236)
- Changes in values of properties amounted to SEK 1,914 million (1,761)
- Profit for the period increased to SEK 1,665 million (1,202)
- Property acquisitions during the period amounted to SEK 14,376 million (3,711)
- Profit per ordinary share amounted to SEK 19 (101)

Comparison amounts in parentheses refer to the corresponding period in the preceding year unless otherwise stated.

Our core values absolutely crucial during Coronavirus crisis

Europe and the world have largely shut down to impede the virus, which is currently having a radical impact on our lives. For us at Heimstaden, which owns and manages people's homes, we must continue providing good customer service in a safe and thoughtful manner during a time in which people's homes also serve as their workplace, preschool and school. The ongoing pandemic is forcing us all to keep our distance, to work and study from home and to hold meetings digitally.

This poses substantial difficulties for those businesses that are otherwise there so that we can meet, socialise and enjoy ourselves. Businesses have, over just a few days, lost their customers, been forced to serve notice to employees, or to dismiss employees or make them redundant. Many entrepreneurs and small business owners are fighting to save their lives' work from bankruptcy.

Heimstaden is more fortunate than many others, as our business meets a basic and long-term human need – people's homes. Alongside the efforts of our governments and public authorities, we are now doing everything we can to help support our tenants and their businesses.

- To increase their chances of survival, we are discussing and adjusting the lease terms for the commercial tenants who have been affected.
- We order work lunches and takeaway food from our restaurant tenants for all Heimstaden employees.
- We are making life easier for our senior tenants over the age of 70 by paying for their home deliveries of groceries.

I am proud that, during these trying times, we at Heimstaden are living as closely in accordance with its values as it did during the strong economic situation prevailing just a few months ago. It is during difficult and challenging times that our organisation is tested and I have been able to see how our employees are dealing with the new situation in a highly constructive and professional manner.

We are now demonstrating, through tangible actions, that our core values, CARE – DARE – SHARE, are more than just words. Heimstaden's



lifelong perspective on ownership and our concern for our customers are cornerstones of our operations. Our corporate culture and our values are what set us apart from many other private housing companies and are absolutely central aspects of our capacity to maintain or increase the value of our company. We are there for those who need help. That makes me both happy and hopeful.

The financial impact on Heimstaden of the Corona pandemic

Of our total annual rental income of SEK 6.8 billion (based on the earning capacity as of 31 March), slightly more than 6 percent derives from our commercial tenants, a significant proportion of whom are public sector tenants, as well as grocers, pharmacies and banks. These are operations that have been affected by the crisis only to a limited extent to date. In our "rescue efforts" for those commercial tenants who, on the other hand, are impacted by the crisis, we anticipate a decline of about SEK 15–17 million in the Group as a whole for the second quarter. This corresponds to about 1 percent of the total rental income for the quarter.

We do not see any increase in unpaid rent among our residential tenants, nor do we anticipate this in the future. It is possible, however, that vacancies will increase to some extent in the short term as viewings of apartments due to be vacated must be managed with social distancing or completely digitally. This takes more time, causing some brief vacancies in connection with changes of tenant.

Rental income and operating expenses in the first quarter

Heimstaden's rental income is in line with the set budget. Operating

expenses in the first quarter were lower than budgeted, which was due to lower heating and electricity costs. This was attributable to the much warmer than normal winter season in the Nordic countries, but also to our attaching considerable focus to the energy optimisation of our properties.

We welcomed our Czech colleagues

On 20 February, on completion of the review by the competition authority and receiving its approval, Heimstaden Bostad took possession of the acquired Residomo. In connection with that, we welcomed 500 new colleagues in the Czech Republic into our operations, with their full-scale operating platform, including property management operations and asset management. With slightly fewer than 43,000 apartments in the Czech Republic, we are now the largest property owner in the country by far. We had planned to conduct a major launch of Heimstaden and our Friendly Homes concept at the end of March, but have postponed this due to the closed borders and other current restrictions. However, our personnel in the Czech Republic are managing the operations excellently during this challenging time.

Growth and organisational development continue

During the quarter, we completed the acquisition of 142 apartments and 9 premises in the Netherlands and work is in full swing to build up our in-house property management organisation and to open our regional offices in the country.

In Sweden, in accordance with our framework agreement with Magnolia, we have now signed an agreement to commence production of 780 apartments in Lund and 225 apartments in Ystad. They will be excellent complements to our current properties and property management organisations in these locations.

During the quarter, we recruited two new country managers. Eddo Rats (Netherlands) and Michael Byrgesen Hansen (Denmark) will be excellent ambassadors in our efforts to brighten and simplify life with friendly homes.

Outlook for 2020

The corona pandemic and its continued development will affect the future economy and unemployment. Today, it is difficult to gain an overview of how serious and deep the crisis will be. One thing we do know, however, is that

Heimstaden provides homes, which are something that everybody needs regardless of the economic situation. Housing shortages also prevail in the markets in which we operate. Providing housing in attractive locations, at rent levels that most residents can demand, means we have a fantastic and flexible product. Rental apartments offer a straightforward housing solution in difficult times, requiring neither cash down-payments or mortgages. That being said, we feel confident in our efforts to continue providing an ever-better customer experience and to be available to our residents.

Heimstaden also has the economic opportunities and strength to continue our journey of growth in challenging times and, through continued new production, to alleviate the increasing shortage of specifically capital-free housing, namely rental apartments.

Patrik Hall
CEO, Heimstaden AB



Significant transactions and events

Heimstaden's property stocks are managed in six geographical segments – Sweden, Denmark, Norway, Germany, the Netherlands and the Czech Republic. On the balance sheet date, the total value of Heimstaden Bostad's property portfolio amounted to SEK 132 billion, excluding agreed acquisitions. Listed below are the significant transactions and events agreed by the Group in the first quarter, as well as the significant transactions agreed in earlier periods but where the Group has gained control of the assets in the quarter at hand.

5 February

Heimstaden has successfully issued additional hybrid bonds for SEK 1,000 million within the Company's hybrid bond loan (ISIN SE0012455111), meaning that the total outstanding volume is SEK 4,000,000,000, within a framework amount of SEK 5,000,000,000. The new hybrid bonds were issued at a price equivalent to 103 percent of the nominal amount, corresponding to a variable interest rate of STIBOR 3m +518 basis points until the first redemption date. The hybrid bond has a perpetual maturity, with the Company's first opportunity for refinancing occurring in about 4.7 years' time.

20 February

Heimstaden's subsidiary, Heimstaden Bostad AB takes possession of a Czech housing portfolio acquired through the acquisition of the RESIDOMO Group, comprising 4,515 properties with 42,584 apartments and 1,675 commercial premises. The portfolio properties are located mainly in the Moravia-Silesia region, which is the most densely populated region in the Czech Republic after Prague, the capital city, and encompass a total 2.6 million square metres of lettable space.

The purchase consideration agreed amounts to approximately EUR 1.3 billion. The loan-to-value ratio will be maintained at a level supporting the current credit rating as well as efforts to achieve a higher rating.

Major renovation and upgrade programmes have been carried out over the past ten years and Heimstaden Bostad will continue to develop and upgrade the portfolio and the management of its properties in accordance with its Friendly Homes concept.

15 January

Heimstaden's subsidiary Hemistaden Bostad has issued a debenture loan under the existing EMTN programme. The nominal amount was EUR 500 million with a maturity of six years and an interest rate of 1.125 percent. The additional liquidity will be used for general corporate purposes.

4 March

Heimstaden's subsidiary, Heimstaden Bostad AB acquired the Magnolia Bostad's Slipsen project in Södra Råbylund, in the Municipality of Lund. The project entered production in December 2019 and includes the development of approximately 780 apartments with a total 45,000 square metres GLA. The estimated property value on completion is approximately SEK 1.4 billion.

24 March

Heimstaden's subsidiary Heimstaden Bostad AB acquired Magnolia Bostad's Vrakbåten project in Västra Sjöstad, Municipality of Ystad. The project entered production in December 2019 and includes the development of approximately 225 apartments. The estimated property value on completion will amount to approximately SEK 400 million.

31 March

Heimstaden's subsidiary Heimstaden Bostad AB is expanding its portfolio in the Netherlands with the acquisition of 142 homes from Dam-Borg. The property value amounts to approximately EUR 44 million.

The portfolio comprises 62 apartments in the regulated sector and 80 residential units in the liberal sector. The buildings are spread between 21 wholly-owned complexes, 15 located in Rotterdam and 6 in Amsterdam.

Covid-19

The coronavirus outbreak was officially recognised as a pandemic by the World Health Organisation (WHO) on 11 March 2020. In the markets where Heimstaden operates, Covid-19 has resulted in lower economic activity and caused higher uncertainty regarding anticipated economic development. In all of Heimstaden's markets, governments have implemented financial and social measures to support companies and individuals who are particularly affected by the crisis. During the first quarter of 2020, the operational and financial consequences for Heimstaden were limited and the Company is well positioned to deal with any adverse effects that may arise in the short to medium term.



On 31 March 2020, the rent from commercial properties accounted for approximately 6 percent of Heimstaden's annual rental income. For many of Heimstaden's commercial tenants, strict rules regarding social distancing and closures have led to lower activity, which is expected to result in reduced rental income for Heimstaden in the short to medium term. For the second quarter of 2020, the impact is estimated to be in the range of SEK 15-17 million, which corresponds to approximately 1 percent of the total expected rental income for the quarter.

Reduced economic activity and rising unemployment are leading to an increased risk of delayed payments and increasing vacancies in the short term. These risks are, however, mitigated largely by regulatory measures including lower interest rates, temporarily increased unemployment benefits and economic stimulus packages. Heimstaden does not foresee any significant financial impact in the short term, but sees uncertainty associated with the duration and ramifications of the ongoing pandemic and its impact on Heimstaden's customers and markets.

Globally, the recovery rate is expected to vary between regions and countries and is dependent on the effectiveness of government measures aimed at protecting the health of the population and stimulating

the economy. All of Heimstaden's residential markets are fundamentally financially strong, facilitating expansionary fiscal policy and significant financial incentives.

Heimstaden has considerable financial flexibility with its strong balance sheet and liquidity position. As of 31 March 2020, the Company had an equity/assets ratio of 45 percent and a loan-to-value ratio of 44 percent. The Company also held cash and cash equivalents SEK 7,527 million, as well as SEK 11,453 million in unutilised lines of credit.

The Board of Directors and management of Heimstaden continue to monitor the situation carefully and are prepared to implement measures to secure the Company's financial position depending on how the situation develops. Despite the recent financial turmoil, Heimstaden's long-term strategy and prospects remain unchanged, and there are indicators of positive long-term development in all countries where the Company operates.

Heimstaden's assessment is that there have been no major changes in its financial risks as a result of the Covid-19 pandemic. See the 2019 Annual Report for a review of risk factors.

Current earning capacity

In the adjacent table, Heimstaden presents its earning capacity on a twelve-month basis as per 31 March 2020. Earning capacity is not a forecast for the current year or for the next 12-month period and should only be regarded as a theoretical snapshot and is presented for illustrative purposes only. Current earning capacity does not include an assessment of future trends in rent levels, vacancy rates, property costs, interest rates, changes in value, acquisitions or sales of properties or other factors.

Current earning capacity is based on the properties held as per 31 March 2020 and their financing. Accordingly, the current earning capacity illustrates Heimstaden's annual earnings on that basis. Consequently, transactions where Heimstaden gains access after 31 March are not included in the calculation.

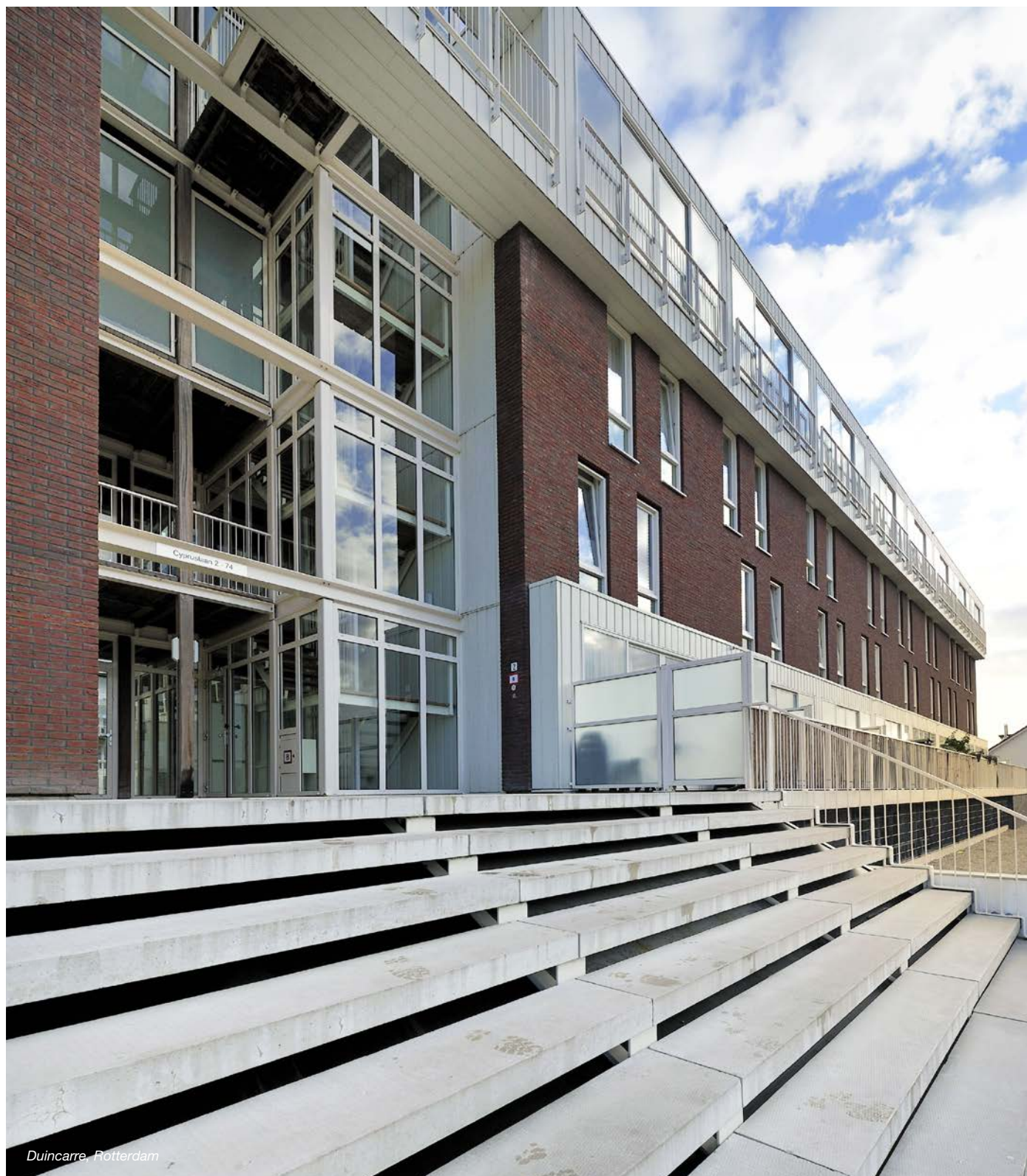
Heimstaden's Income Statement is also affected by the development in the value of the property portfolio and future property acquisitions and/or property sales. Changes in values of derivatives is another item affecting profit. None of the above has been taken into account in the current earning capacity, nor in the item Profit from participations in associated companies.

Earning capacity is based on the contracted rental income, current property costs and administrative costs of the property portfolio. Costs for interest-bearing liabilities have been based on the Group's average interest rate on the balance sheet date, including the effects of derivative instruments.

Current earning capacity as per 31 March 2020

Amounts in SEK million	
Rental income	6,812
Property costs	-2,807
Net operating income	4,006
Central administration costs	-260
Other operating income	–
Other operating costs	–
Profit from participations in associated companies	–
Profit before financial items	3,746
Financial income	–
Financial costs	-1,250
Profit from property management	2,496
Profit from property management attributable to:	
The Parent Company's shareholders	679
Non-controlling interests	1,818
Key data	
Surplus ratio, %	58.8
Interest coverage ratio (ICR), multiple	3.0

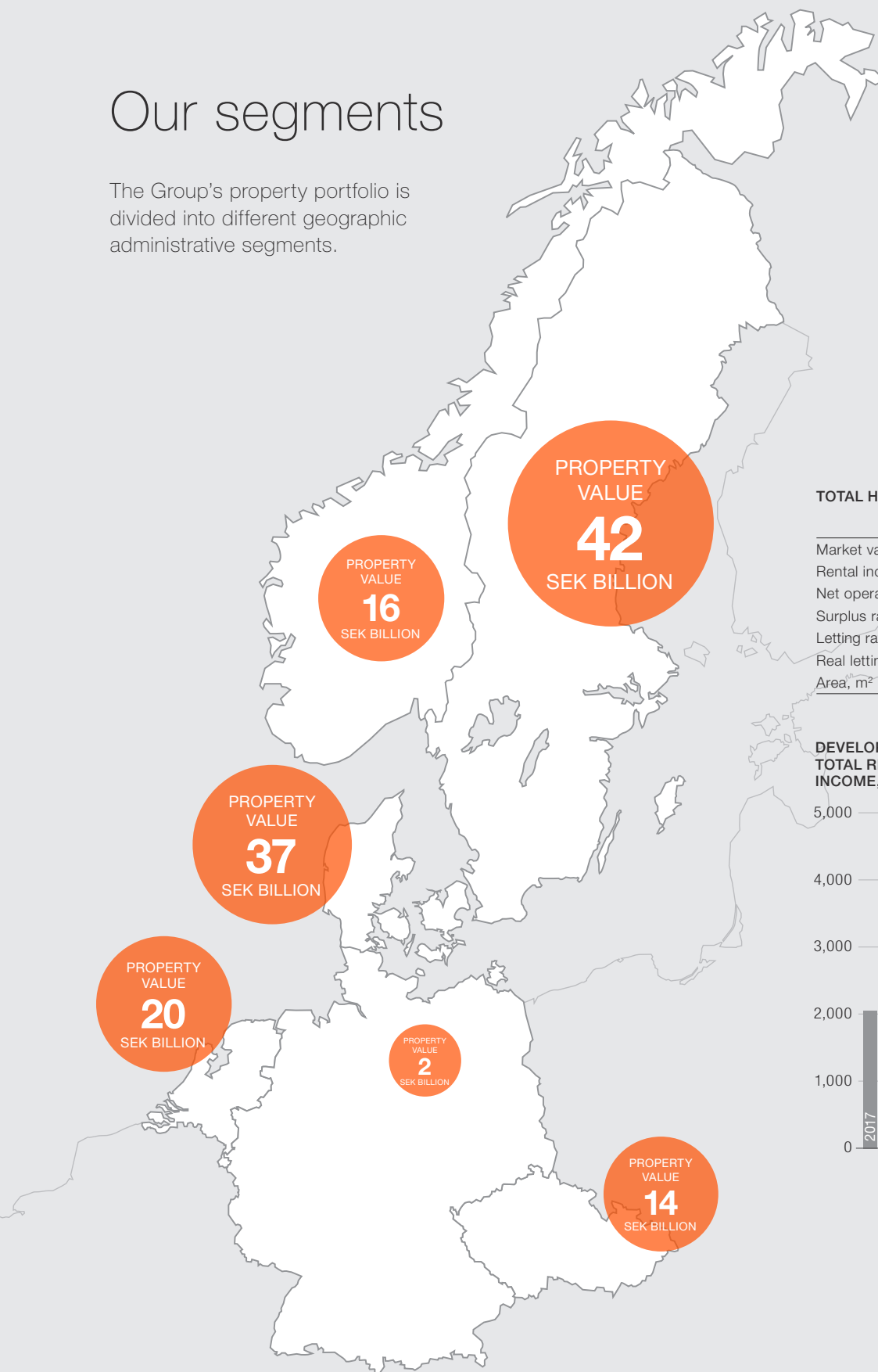




Duincarre, Rotterdam

Our segments

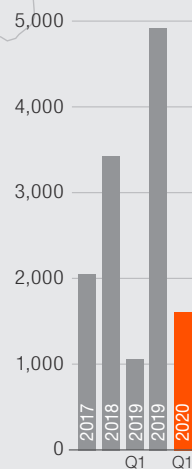
The Group's property portfolio is divided into different geographic administrative segments.



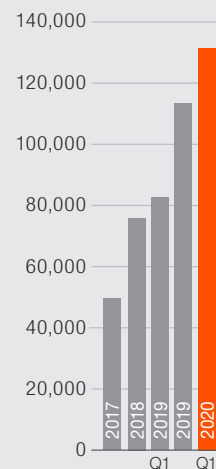
TOTAL HEIMSTADEN (JANUARY-MARCH)

	Q1 2020	Q1 2019
Market value, SEK m	131,745	83,293
Rental income, SEK m	1,566	1,023
Net operating income, SEK m	857	521
Surplus ratio, %	54.7	50.9
Letting ratio, housing (number), %	94.8	96.7
Real letting ratio, %	97.2	98.9
Area, m ²	6,692,369	2,879,125

DEVELOPMENT IN TOTAL RENTAL INCOME, Q1 (SEK M)



DEVELOPMENT OF TOTAL MARKET VALUE, Q1 (SEK M)



Sweden



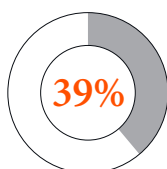
THE SEGMENT IN BRIEF

- Rental income for comparable property holdings has increased by about 5 percent compared with the previous year.
- During the period, properties were acquired for a value of SEK 405 million.
- The unrealised value development in the property portfolio for the period was 0.9 percent.
- The yield requirement in the valuation was 3.7 percent.

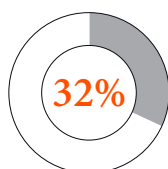
SWEDEN (JANUARY-MARCH)

	Q1 2020	Q1 2019
Market value, SEK m	42,657	37,279
Rental income, SEK m	616	554
Net operating income, SEK m	283	221
Surplus ratio, %	45.9	39.9
Letting ratio, housing (number), %	98.2	97.6
Real letting ratio, %	99.3	99.3
Area, m ²	2,038,064	1,921,044

RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



MARKET DATA – SWEDEN

Sweden showed population growth of about 1 percent over the past twelve months. The degree of urbanisation also increased over the same period.

Growth in the Stockholm region was about 1.6 percent. The number of households grew in 2019, indicating increased demand for housing.

GDP growth for the year was about 1.3 percent.

Property prices in Sweden rose over the past 12 months, with growth of 2.4 percent in Stockholm and of 6.6 percent in the Malmö region.

	2019	2018
Number of residents, thousands	10,293	10,189
GDP growth, %	1.3	2.3
Inflation, %	1.8	2.0
Degree of urbanisation, %	87.1	87.0
Unemployment, %	6.8	6.3
<i>Stockholm (Municipality)</i>		
Number of households, thousands	1,029	1,013
average household size	2.3	2.3

Source: Oxford Economics



Denmark



Øresundsteraserne, Copenhagen

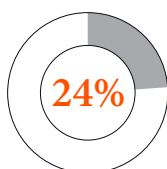
THE SEGMENT IN BRIEF

- Rental income for comparable property holdings has increased by about 8 percent compared with the previous year.
- During the period, properties were acquired for a value of SEK 693 million.
- The unrealised value development in the property portfolio for the period was a negative 0.6 percent, driven by a legislative proposal related to renovations and rent levels for older housing.
- The yield requirement in the valuation was 3.6 percent.

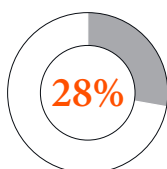
DENMARK (JANUARY-MARCH)

	Q1 2020	Q1 2019
Market value, SEK m	37,377	28,280
Rental income, SEK m	371	287
Net operating income, SEK m	226	189
Surplus ratio, %	60.9	65.8
Letting ratio, housing (number), %	95.4	94.4
Real letting ratio, %	97.6	98.3
Area, m ²	851,395	706,297

RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



MARKET DATA – DENMARK

Over the past 12 months, the population of Denmark grew by 0.4 percent.

Copenhagen was the growth engine, showing a population increase of 1.3 percent.

The high degree of urbanisation and the positive population growth in Copenhagen ensured a significant demand for housing and supported rental levels over the year.

GDP growth in 2019 was about 2.3 percent. Unemployment was measured at 3.7 percent, still a low level compared with other European countries.

	2019	2018
Number of residents, thousands	5,818	5,797
GDP growth, %	2.3	2.4
Inflation, %	0.8	0.8
Degree of urbanisation, %	88.3	88.1
Unemployment, %	3.7	3.8
<i>Copenhagen</i>		
Number of households, thousands	386	381
average household size	2.1	2.1

Source: Oxford Economics



Norway



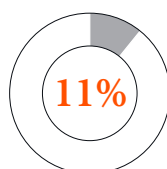
THE SEGMENT IN BRIEF

- Rental income for comparable property holdings has increased by about 3 percent compared with the previous year.
- No properties were acquired during the period.
- The unrealised value development in the property portfolio for the period was 1.0 percent.
- The yield requirement in the valuation was 2.9 percent.

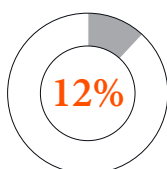
NORWAY (JANUARY-MARCH)

	Q1 2020	Q1 2019
Market value, SEK m	15,924	16,772
Rental income, SEK m	179	174
Net operating income, SEK m	120	106
Surplus ratio, %	67.2	61.0
Letting ratio, housing (number), %	95.8	95.1
Real letting ratio, %	96.7	97.4
Area, m ²	220,746	219,475

RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



MARKET DATA – NORWAY

Norway's population has grown over the past 12 months with a growth rate of approximately 0.6 percent. Oslo was the most important engine with growth of about 1.5 percent.

The degree of urbanisation increased significantly by 0.3 percentage points.

Norway has experienced low inflation combined with a strong labour market and stable wage growth. However, the development in oil prices is causing uncertainty going forward.

	2019	2018
Number of residents, thousands	5,350	5,316
GDP growth, %	1.2	1.6
Inflation, %	2.2	2.8
Degree of urbanisation, %	82.3	82.1
Unemployment, %	3.7	3.8
<i>Oslo</i>		
Number of households, thousands	348	342
average household size	2.0	2.0

Source: Oxford Economics



Germany



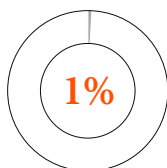
THE SEGMENT IN BRIEF

- Rental income for comparable property holdings has increased by about 8 percent compared with the previous year.
- No properties were acquired during the period.
- The unrealised value development in the property portfolio for the period was a negative 0.3 percent, driven by a five-year rent limitation in Berlin.
- The yield requirement in the valuation was 2.2 percent.

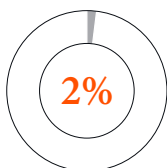
GERMANY (JANUARY-MARCH)

	Q1 2020	Q1 2019
Market value, SEK m	2,413	723
Rental income, SEK m	17	5
Net operating income, SEK m	13	3
Surplus ratio, %	75.9	57.5
Letting ratio, housing (number), %	97.7	95.2
Real letting ratio, %	99.3	98.8
Area, m ²	72,460	27,831

RENTAL INCOME, SHARE OF
HEIMSTADEN TOTAL



MARKET VALUE, SHARE OF
HEIMSTADEN TOTAL



MARKET DATA – GERMANY

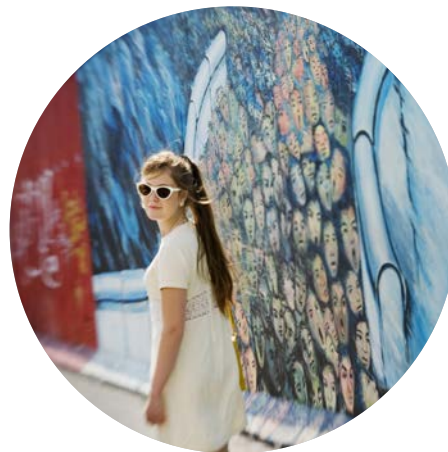
Population growth in Germany is positive, with Berlin experiencing a growth rate of 0.7 percent over the past 12 months.

A solid influx of new residents has increased demand for housing in Berlin.

Unemployment was about 5.0 percent during the period.

	2019	2018
Number of residents, thousands	83,104	82,934
GDP growth, %	0.6	1.6
Inflation, %	1.4	1.8
Degree of urbanisation, %	77.4	77.3
Unemployment, %	5.0	5.2
<i>Berlin</i>		
Number of households, thousands	2,021	2,021
average household size	1.8	1.8

Source: Oxford Economics



Netherlands



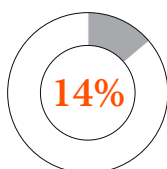
THE SEGMENT IN BRIEF

- Rental income for comparable property holdings has increased by about 5 percent compared with the previous year.
- During the period, properties were acquired for a value of SEK 501 million.
- The unrealised value development in the property portfolio for the period was 1.1 percent.
- The yield requirement in the valuation was 3.8 percent.

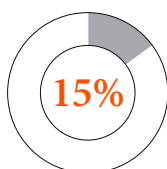
NETHERLANDS (JANUARY-MARCH)

	Q1 2020	Q1 2019
Market value, SEK m	19,582	240
Rental income, SEK m	224	3
Net operating income, SEK m	133	2
Surplus ratio, %	59.3	65.2
Letting ratio, housing (number), %	97.2	100.0
Real letting ratio, %	99.1	100.0
Area, m ²	878,242	4,478

RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



MARKET DATA – NETHERLANDS

The population grew by 0.6 percent below over the past year and growth is expected to stabilise at about 0.4 percent per year over the next decade.

In the Amsterdam metropolitan region, the number of households continued to grow, supporting demand for housing.

At the beginning of 2019, unemployment was at a record low 4.3 percent.

The Netherlands is one of Europe's most urbanised countries. The degree of urbanisation increased by approx 0.2 percentage points during 2019.

	2019	2018
Number of residents, thousands	17,349	17,244
GDP growth, %	1.7	2.6
Inflation, %	2.6	1.7
Degree of urbanisation, %	91.7	91.5
Unemployment, %	4.3	4.8
<i>Amsterdam metropolitan area</i>		
Number of households, thousands	716	699
average household size	1.9	2.0

Source: Oxford Economics



Czech Republic



Privozska str, Ostrava

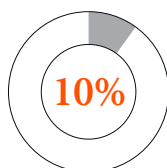
THE SEGMENT IN BRIEF

- Heimstaden completed its first acquisition in the Czech market on 20 February 2020.
- During the period, properties were acquired for a value of SEK 12,925 million.
- The unrealised value development in the property portfolio for the period was 11.4 percent.
- The yield requirement in the valuation was 5.3 percent during the period.

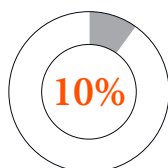
CZECH REPUBLIC (JANUARY-MARCH)

	Q1 2020	Q1 2019
Market value, SEK m	13,794	–
Rental income, SEK m	159	–
Net operating income, SEK m	82	–
Surplus ratio, %	52.0	–
Letting ratio, housing (number), %	91.6	–
Real letting ratio, %	95.2	–
Area, m ²	2,631,462	–

RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



MARKET DATA – CZECH REPUBLIC

The population grew by 0.3 percent over the past 12 months.

In the Ostrava region, the corresponding figure was measured at 0.2 percent, which, combined with declining average household size, indicates continued strong demand in the housing market.

Unemployment in the Czech Republic was low in relation to comparable countries.

	2019	2018
Number of residents, thousands	10,662	10,635
GDP growth, %	2.4	2.3
Inflation, %	2.9	2.2
Degree of urbanisation, %	73.7	73.8
Unemployment, %	2.8	3.2
<i>Moravskoslezsky kraj (incl. Ostrava)</i>		
Number of households, thousands	495	494
average household size	2.4	2.4

Source: Oxford Economics





Oscarstorp 5, Malmö

Consolidated Statement of Comprehensive Income

Amounts in SEK million	Note	2020 3 months Jan – Mar	2019 3 months Jan – Mar	2019 12 months Jan-Dec	Rolling 12 months Apr–Mar
Rental income	4	1,566	1,023	4,863	5,406
Property costs	5	-709	-502	-2,138	-2,346
Net operating income		857	521	2,725	3,060
Central administration costs		-65	-29	-172	-207
Other operating income		17	–	27	43
Other operating costs		9	–	-46	-37
Profit from participations in associated companies		-3	1	196	191
Profit before financial items		814	493	2,729	3,050
Financial income	6	23	5	57	75
Financial costs – interest-bearing liabilities	6	-325	-242	-1,152	-1 235
Other financial income	6	–	–	6	6
Other financial costs	6	-38	-20	-186	-203
Financial costs, right-of-use assets		-8	-1	-29	-36
Currency gains and losses		118	-63	-133	48
Profit from property management		584	172	1,293	1 705
<i>Profit from property management attributable to:</i>					
The Parent Company's shareholders		190	74	709	826
Non-controlling interests		394	98	583	879
Change in value of investment properties	7	1,914	1,761	6,517	6 670
Changes in the value of financial instruments	8	-129	-313	-107	77
Profit before tax		2,370	1,620	7,703	8 452
Current tax		-146	-94	-259	-312
Deferred tax		-559	-324	-1,443	-1 677
Profit for the period		1,665	1,202	6,001	6 463
<i>Profit for the period attributable to:</i>					
The Parent Company's shareholders		857	740	4,099	4 216
Non-controlling interests		808	463	1,902	2 247
Other comprehensive income		-768	904	432	-1 239
Comprehensive income		897	2,106	6,433	5 224

Rental income

Rental income for the period amounted to SEK 1,566 million (1,023), corresponding to an increase of 53 percent. This growth is primarily attributable to property transactions that have been implemented in the Netherlands and the Czech Republic. Rental income averaged SEK 1,206 per square metre of time-weighted area (1,434). The lower average rent is primarily explained by the acquisitions in the Czech Republic and the Netherlands where the rent level is lower than in the rest of Heimstaden portfolio. Comparable portfolios show an increase of about 5 percent.

The letting ratio for housing was 94.8 percent (96.7) for the period. Adjusted for the acquisition in the Czech Republic, the letting ratio was 97.3 percent. Adjusted for the intentionally vacated apartments, the Group's real letting ratio was 97.2 percent (98.9).

Property costs

Total property costs amounted to SEK 709 million (502). The change is mainly attributable to an increased volume of properties. Property costs averaged SEK 542 per square metre of time-weighted area (705). The lower average is primarily explained by the acquisitions in the Netherlands and the Czech Republic. Comparable portfolios show largely unchanged costs per square metre.

Net operating income

Net operating income amounted to SEK 857 million (521) for the period, corresponding to a surplus ratio of 54.7 percent (50.9). The higher surplus ratio is attributable primarily to the acquisition made in the Netherlands in the second quarter of 2019.

Central administration costs

Costs for central administration amounted to SEK 65 million (29), with the increase mainly being attributable to the growth of the organisation as a consequence of a larger property portfolio.

Financial costs – interest-bearing liabilities

Financial costs for the period were SEK 325 million (242). The increased financial costs are mainly attributable to a larger loan portfolio as a consequence of a larger property portfolio. On the balance sheet date, the average interest rate on the total borrowings, derivatives and fees for unutilised credit amounted to 1.8 percent (2.0). Despite a higher interest hedging ratio, the lower average interest rate is a result of lower credit margins on bank loans and debenture loans, as well as changed base rates. At the end of the period, Heimstaden's interest rate hedging ratio was 72 percent (50).

On a rolling 12-month basis, the interest coverage ratio was 2.5 (2.6). The acquisition in the Czech Republic is contributing positively, but has not had a full impact 12 months back in time.

About 40 percent (60) of the portfolio will switch interest rates within a year and a change in the base rate (Euribor, Stibor, Cibor, Nibor) of 1 percent at any given time would, all else being equal, increase Heimstaden's interest costs (adjusted for the interest rate hedging secured) on an annual basis by approximately SEK 166 million (270) were rates to

rise, and decrease them by approximately SEK 62 million (116) in the event that interest rates were to fall.

The difference in sensitivity is explained by several credit agreements containing interest rate floor clauses restricting interest rate changes on the downside, such that the base rate cannot, for example, be negative while costs regarding outstanding and purchased interest rate derivatives can increase when market interest rates are negative.

Other financial costs

Other financial costs pertain primarily to costs of a non-recurring nature related to new borrowings and redemption of loans.

Currency gains and losses

Currency gains and losses amounted to a net gain of SEK 118 million (loss 63) and relate primarily to unrealised exchange rate differences on cash and cash equivalents, and to receivables, liabilities and associated currency hedges in the Parent Company.

Profit from property management

Profit from property management increased to SEK 584 million (172). The higher profit from property management is mainly explained by acquisitions, as well as improved net operating income in existing holdings. Cleared of currency gains and losses, profit from property management increased by 98 percent compared with the preceding year.

Change in value of investment properties

After currency adjustment, the total change in value regarding properties amounted to SEK 1,914 (1,761). This corresponds to a 1.5 percent increase in value over the year. The yield in valuation averaged 3.73 percent, compared with 3.63 percent at the end of 2019. Cleared of the effect associated with the acquisition of the Czech portfolio, the yield requirement was 3.55 percent in the rest of the holdings.

Changes in the value of financial instruments

In accordance with the established financial policy and interest rate hedging strategy, Heimstaden uses interest rate derivatives and basis swaps to manage the Group's interest rate and currency risks. The change in value related to interest-rate derivatives during the period amounted to a negative SEK 129 million (313). Currency effects related to currency hedging of debenture loans are reported on the line Currency gains and losses.

Tax

The positive value trend in Heimstaden's property portfolio and a positive unrealised currency effect on derivatives brought an increased deferred tax liability, impacting earnings negatively by SEK 524 million (324). Current tax amounted to SEK 146 million (94).

Other comprehensive income

Other comprehensive income consists of currency translation differences arising from the consolidation of the Group's foreign subsidiaries and amounted to a negative SEK 768 million (positive 904).

Consolidated Statement of Financial Position

Amounts in SEK million	Note	31 Mar 2020	31 Mar 2019	31 Dec 2019
Assets				
Non-current assets				
Goodwill		73	–	72
Investment properties	9	131,745	83,293	113,719
Leases, right-of-use		1,152	170	895
Tangible fixed assets		55	25	30
Financial instruments		942	–	–
Participations in associated companies	10	337	125	337
Other financial non-current assets		667	255	580
Total non-current assets		134,971	83,869	115,633
Current assets				
Development properties and tenant-owned apartments in progress		767	689	865
Accounts receivable		136	29	23
Other current receivables		524	697	1,062
Prepaid costs and accrued income		532	344	337
Cash and cash equivalents		7,527	6,265	10,687
Total current assets		9,484	8,023	12,974
TOTAL ASSETS		144,456	91,892	128,606



Investment properties

On the balance sheet date, the market value of Heimstaden's property portfolio amounted to SEK 131,745 million, compared with SEK 113,719 million at the end of 2019. During the period, properties were acquired for a value of SEK 14,376 million, most of which concerns the acquisition in the Czech Republic. Total unrealised changes in value for the period amounted to SEK 1,933 million, corresponding to a change of 1.5 per cent. The remaining change in the carrying amount of the property portfolio comprised investments in existing stocks and exchange rate effects.

For a more detailed description of Heimstaden's methodology for valuing properties, see pages 116-117 of Heimstaden's 2019 Annual Report.

Leases, right-of-use

Leases primarily concern site leaseholds that, as of 2019, are reported as assets in accordance with IFRS16.

Financial instruments

Financial instruments consist of derivative instruments for interest rate and currency hedging and are primarily attributable to the currency hedging of Heimstaden's debenture loans.

Participations in associated companies

Heimstaden holds shares in Rosengård Fastigheter and a number of minor development projects.

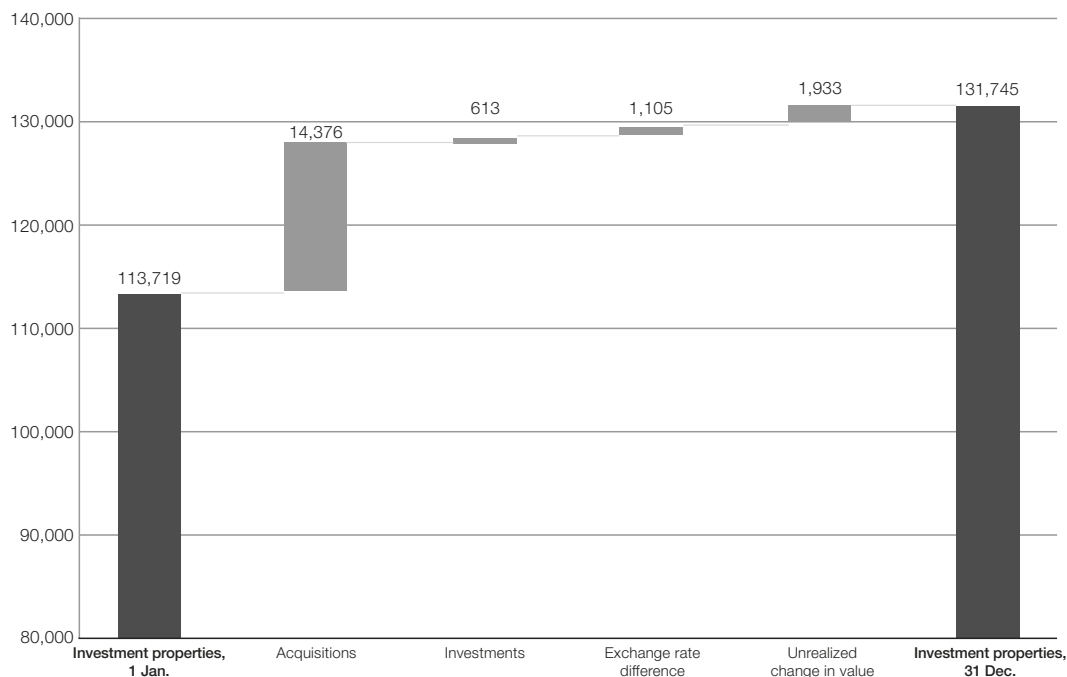
Other financial non-current assets

Other financial assets refer to loans provided to associated companies, as well as acquired, construction projects in progress to which Heimstaden has not yet gained access. These amounted to SEK 667 million (580) at the end of the period.

Development properties and tenant-owned apartments in progress

In connection with the acquisition of Norwegian investment properties, building rights and ongoing construction projects were also acquired. The item concerns the development and construction of condominium apartments in Oslo that are to be divested upon completion.

DEVELOPMENT OF INVESTMENT PROPERTIES FOR THE YEAR, SEK MILLION



Consolidated Statement of Financial Position

Amounts in SEK million	Note	31 Mar 2020	31 Mar 2019	31 Dec 2019
EQUITY AND LIABILITIES				
Equity ¹⁾		65,595	36,030	59,942
Non-current liabilities				
Interest-bearing liabilities		41,054	28,611	39,743
Interest-bearing unsecured liabilities		24,484	20,510	17,066
Financial leasing		1,154	170	896
Financial instruments	10	0	295	65
Deferred tax liability		4,209	2,516	3,640
Total non-current liabilities		70,901	52,102	61,411
Current liabilities				
Interest-bearing liabilities		266	2,186	1,137
Interest-bearing unsecured liabilities		5,200	–	4,000
Accounts payable		603	308	332
Current tax liabilities		172	126	202
Other current liabilities		933	628	994
Accrued costs and prepaid income		785	512	589
Total current liabilities		7,960	3,760	7,254
TOTAL EQUITY AND LIABILITIES		144,456	91,892	128,606
¹⁾ Of which non-controlling interests		40,519	18,194	36,134

Consolidated Statement of Changes in Equity

Amounts in SEK million	Share capital	Other capital contributions	Hybrid bond ¹⁾	Retained profit	Attributable to Parent Company shareholders	Non-controlling interests	Total equity
Equity, 31 Dec 2018	78	6,466	–	9,956	16,500	17,436	33,936
Dividend				-12	-12		-12
Other comprehensive income				609	609	295	904
Profit for the period				740	740	463	1,202
Equity, 31 Dec 2019	78	6,466	–	11,293	17,837	18,193	36,030
Dividend			-45	-35	-80	-56	-136
Contributions from non-controlling interests						8,644	8,644
Dividend to non-controlling interest						-465	-465
Non-controlling interests						52	52
Issue of hybrid bond			3,000		3,000	8,523	11,523
Issue costs			-25		-25	-9	-34
Other comprehensive income				-282	-282	-189	-471
Profit for the period			45	3,314	3,359	1,439	4,798
Equity, 31 Dec 2019	78	6,466	2,975	14,289	23,808	36,133	59,941
Dividend			-42	-12	-53	-69	-122
Contributions from non-controlling interests					0	4,000	4,000
Issue of hybrid bond			1,030		1,030		1,030
Premium, hybrid bond			-30	30	–		–
Repurchase, hybrid bond			-100	20	-80		-80
Issue costs			-8		-8	-63	-71
Other comprehensive income				-478	-478	-290	-768
Profit for the period			42	816	857	808	1 665
Equity, 31 Mar 2020	78	6,466	3,867	14 665	25 076	40 519	65 595

¹⁾ Heimstaden presents the nominal value of hybrid bonds with issue costs deducted.

Interest-bearing liabilities

At the end of the period, Heimstaden's loan-to-value ratio was 44 percent (40). Of the total interest-bearing liabilities, 60 percent (66) were loans secured by property mortgages, giving a loan-to-value ratio for secured loans of 29 percent (32).

The total loan portfolio amounted to SEK 71,006 million (61,946) on the balance sheet date. Of this amount, 40 percent (34) pertains to debenture loans, 32 percent (32) to mortgages and 28 percent (34) to traditional bank loans. There are also unutilised lines of credit of SEK 11,453 million (10,269).

The average period for which capital is tied up regarding Heimstaden's interest-bearing liabilities amounted to 10.3 years (10.1). The largest proportion of loan maturities within an individual year will occur in 2021 (2021) and accounts for 14 percent (17) of the total portfolio. At the same time, the average period of fixed interest, including the effect of derivatives, amounts to 2.5 years (2.6).

Deferred tax liability

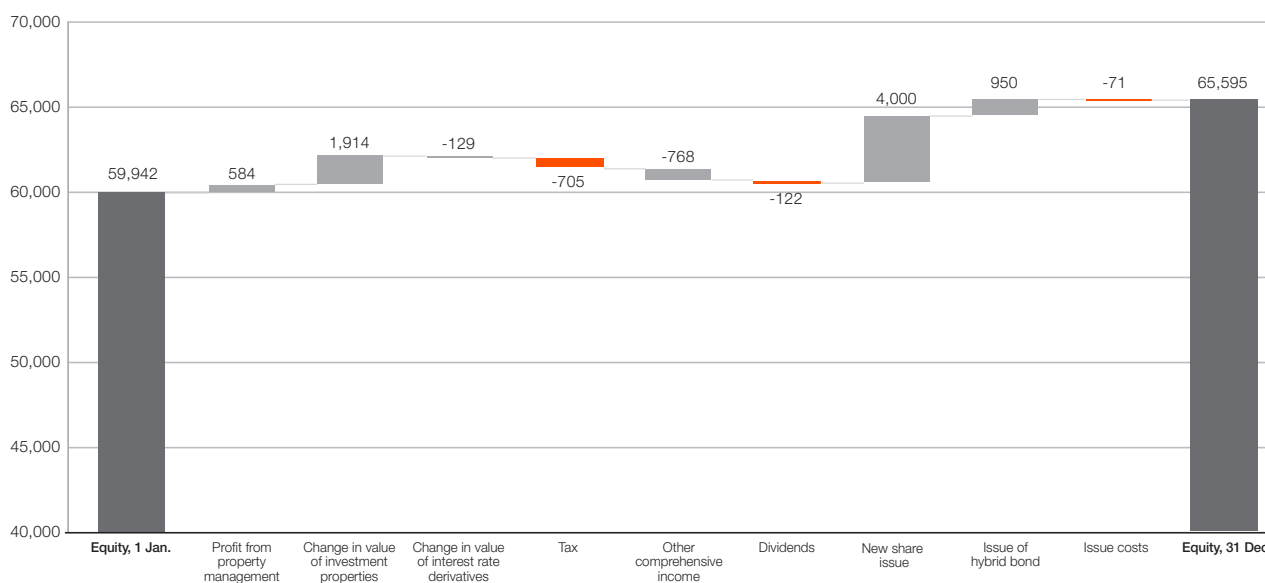
The positive value trend in Heimstaden's property portfolio brought an increased deferred tax liability, amounting on the balance sheet date to SEK 4,215 million (3,640).

Equity

Equity amounted to SEK 65,595 million (59,942), giving an equity/assets ratio of 45 percent (47). The change in equity over the period is primarily attributable to new issues of shares and hybrid bonds.

Heimstaden is exposed to currency risk in EUR, DKK, NOK and CZK. This risk is associated with the foreign operations and to financing denominated in EUR in the Parent Company. The Parent Company's debenture loans in EUR have largely been hedged through swaps to the same currency as the assets that the loans are intended to finance. The currency risk associated with the foreign operations is limited to net capital in each currency.

EQUITY DEVELOPMENT OVER THE YEAR¹⁾, SEK MILLION



¹⁾ Profit from participations in associated companies is allocated to the relevant item.

Consolidated Statement of Comprehensive Income

Amounts in SEK million	2020 3 months Jan – Mar	2019 3 months Jan – Mar	2019 12 months Jan – Dec
Operating activities			
Profit before tax	2,370	1,620	7,703
Adjustments for non-cash items:			
– Change in value of investment properties	-1,914	-1,761	-6,517
– Change in value of derivative instruments	129	313	107
– Other non-cash items	-117	65	-51
Tax paid	-188	-112	-159
Cash flow from operating activities before changes in working capital	279	125	1,082
Change in working capital			
Change in current receivables	-195	-103	-62
Change in development properties and tenant-owned apartments in progress	–	–	-113
Change in current liabilities	229	-260	360
Cash flow from operating activities	313	-239	1,267
Investing activities			
Property acquisitions	-7,023	-1,512	-10,990
Investment, properties	-587	-524	-2,607
Acquisitions of subsidiaries	–	–	-72
Acquisitions of other non-current assets	-10	–	-16
Deposits paid for acquisitions	514	–	-536
Other receivables, future acquisitions	–	–	-231
Other investments	–	-4	-4
Property sales	–	–	14
Acquisitions of participations in associated companies	-2	–	-14
Change in loans to associated companies	-142	-29	-361
Change in financial assets	5	14	-46
Cash flow from investing activities	-7,246	-2,055	-14,864
Financing activities			
Contributions from non-controlling interests	4,000	–	8,644
Dividend to non-controlling interest	–	–	-465
Dividend, preference shares	-12	-12	-47
Dividend on hybrid bond	-111	–	-100
Issue expenses	-71	–	-34
New issue of hybrid bond	950	–	11,523
Change in interest-bearing liabilities	-712	3,757	-59
Cash flow from financing activities	4,045	3,745	19,461
Cash flow for the period	-2,888	1,451	5,863
Opening cash and cash equivalents	10,687	4,775	4,775
Currency effect in cash and cash equivalents	-272	38	48
Closing cash and cash equivalents	7,527	6,265	10,687

Operating activities

Cash flow from operating activities, before changes in working capital, amounted to SEK 279 million (125). The increase is primarily attributable to a larger property portfolio. After a reduction in working capital, cash flow from operating activities amounted to SEK 313 million (negative 239).

Investing activities

Cash flow from investing activities was negative in the amount of SEK 7,246 million (2,055). Most of the flow consists of corporate and property transactions, of which most are attributable to the acquisition in the Czech Republic.

Financing activities

Cash flow from financing activities amounted to SEK 4,045 million (3,745). The amount is attributable primarily to the new issue of a hybrid bond and to capital contributions from non-controlling interests.

Cash flow

Cash flow for the period was negative in the amount of SEK 2,888 million (1,451) and cash and cash equivalents amounted to SEK 7,527 million (6,265) at the end of the period.



PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK million	2020 3 months Jan-Mar	2019 3 months Jan-Mar
Other operating income	61	27
Other operating costs	-43	-21
Operating profit/loss	18	6
Profit from participations in Group companies	-2	–
Profit before financial items	16	6
Interest income	12	27
Interest costs	-26	-21
Other financial costs	-242	
Profit from property management	-241	11
Profit before tax	-241	11
Profit after financial items	-241	11

Other operating income

Other operating income for the period amounted to SEK 61 million (27) and pertains to management fees invoiced to Heimstaden Bostad. The increase is explained by the increased size of the property portfolio.

Other operating costs

Other operating costs for the period amounted to SEK 43 million (21) and pertain to the organisation of the Parent Company. The increase was mainly attributable to the growth of the organisation as a consequence of a larger property portfolio.

Other financial costs

Other financial costs refer to unrealised currency effects on debenture loans where currency hedging is arranged partly in the subsidiaries.

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK million	2020 3 months Jan – Mar	2019 3 months Jan – Mar
Operating activities		
Profit before tax	-241	11
Adjustments for non-cash items:		
– Other non-cash items	240	-22
Cash flow from operating activities before changes in working capital	-1	-11
Change in working capital		
Change in current receivables	-12	145
Change in development properties and tenant-owned apartments in progress	-8	7
Cash flow from operating activities	-21	141
Financing activities		
Dividend, preference shares	-12	-12
Dividend on hybrid bond and issue costs	-19	–
New issue of hybrid bond	1,000	–
Change in shareholder loans	-3,367	929
Cash flow from financing activities	-2,398	917
Cash flow for the period	-2,419	1,058
Opening cash and cash equivalents	6,124	706
Currency effect in cash and cash equivalents	-241	22
Closing cash and cash equivalents	3,464	1,786

Cash flow for the period

Cash flow for the period was negative in the amount of SEK 2,419 million (1,058). During the period, a new issue of hybrid bonds was implemented and loans were provided to subsidiaries.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

Amounts in SEK million	31 Mar 2020	31 Mar 2019
Assets		
Non-current assets		
Tangible fixed assets	2	3
Shares in subsidiaries	15,297	3,339
Receivables, subsidiaries	200	–
Other financial non-current assets	–	1
Total non-current assets	15,498	3,342
Current assets		
Receivables, subsidiaries	3,629	14,754
Other current receivables	91	42
Cash and cash equivalents	3,464	1,786
Total current assets	7,184	16,582
TOTAL ASSETS	22,682	19,925
EQUITY AND LIABILITIES		
Equity	18,632	13,386
Non-current liabilities		
Interest-bearing liabilities	200	–
Debenture loans	3,000	2,500
Liabilities, subsidiaries	744	872
Total non-current liabilities	3,944	3,372
Current liabilities		
Liabilities, subsidiaries	36	3,140
Other current liabilities	71	27
Total current liabilities	107	3,167
TOTAL EQUITY AND LIABILITIES	22,682	19,925

Shares in subsidiaries

Participations in subsidiaries refer to shares in subsidiaries and the change compared with the previous year is mainly attributable to acquisitions in the Netherlands and the Czech Republic.

Receivables, subsidiaries

Receivables from subsidiaries refer to lending from Heimstaden to the subsidiaries.

Debenture loans

The debenture loan amounted to SEK 3,000 million (2,500) on the balance sheet date. The change pertains to bonds issued in the second quarter of 2019.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK million	Share capital	Share premium reserve	Hybrid bond ¹⁾	Retained profit	Total equity
Equity, 31 Dec 2018	78	729	–	12,579	13,386
Dividend				-12	-12
Comprehensive income for the period				11	11
Equity, 31 Dec 2019	78	729	–	12,578	13,285
Dividend			-45	-35	-80
Issue of hybrid bond			3,000		3,000
Issue costs			-25		-25
Comprehensive income for the period			45	1,659	1,704
Equity, 31 Dec 2019	78	729	2,975	14,202	17,984
Dividend			-42	-12	-53
Issue of hybrid bond			1,030		1,030
Premium, hybrid bond			-30	30	–
Repurchase, hybrid bond			-100	20	-80
Issue costs			-8		-8
Comprehensive income for the period			42	-282	-241
Equity, 31 Mar 2020	78	729	3,867	13,958	18,632

¹⁾ Heimstaden presents the nominal value of hybrid bonds with issue costs deducted.

Note 1 Accounting principles

Heimstaden's consolidated accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and its interpretations of these (IFRIC). This interim report has been prepared in accordance with IAS 34 the Annual Accounts Act. The Parent Company applies RFR2 Accounting for Legal Entities and the Swedish Annual Accounts Act.

The same accounting and valuation principles and calculation methods have been applied as in the most recent annual report, with the exception of IFRS 3. Heimstaden's 2019 Annual Report contains a more detailed description of the Group's accounting principles.

IFRS 3 Business combinations

On 21 April 2020, the EU adopted amendments regarding the definition in IFRS 3 of a business combination. The classification of an acquisition as either a business acquisitions or an asset acquisitions causes differences in the accounting. The changes introduced in IFRS 3 are expected to result in more acquisitions being reported as asset acquisitions.

The accounting of business acquisitions differs from the accounting of asset acquisitions, with, for example, goodwill not being recognised

in asset acquisitions. There are also differences in the accounting and valuation of supplementary purchase considerations, acquisition expenses and deferred tax. Accordingly, the classification as either business acquisitions or asset acquisitions is crucial when preparing financial reports in accordance with IFRS.

Companies may choose to perform a "concentration test" and, should this prove that the acquisition is an asset acquisition, no further assessment is required. However, the test does not answer the question of whether an acquisition is a business acquisition but can only show if it is an asset acquisition. If essentially the entire fair value of the gross assets acquired can be attributed to an asset or a group of similar assets, the voluntary test shows the acquisition to constitute an asset acquisition. If the test is performed and it is not possible to prove the acquisition to be an asset acquisition, further assessment must be made to determine whether or not the acquisition is a business acquisition.

The criteria for an acquisition to constitute a business acquisition is that there must be financial resources and a substantial process that, combined, contribute substantially to a capacity to generate returns. The new guidance provides a framework for assessing whether there are financial resources and a substantial process. An acquisition including returns and a labour force trained in managing the process constitutes a business. If the acquisition lacks a labour force, it may nonetheless be the case that the acquired process is sufficiently unique or unusual, or costly to replace to be able to generate returns, that the acquisition nonetheless constitutes a business.

Effects of the change and its entry into force

The amendment shall be applied for financial years commencing on or after 1 January 2020. The changes to IFRS 3 entail Heimstaden's acquisitions in the Czech Republic being reported as asset acquisitions.

New and amended accounting principles yet to come into effect

New and amended IFRS accounting principles yet to come into effect have not been applied prematurely in the preparation of the consolidated and Parent Company financial statements. Described below are the IFRS standards that may affect the consolidated or Parent Company financial statements. Other new or amended standards or interpretations published by IASB are not expected to have an impact on the consolidated or Parent Company financial statements.

IAS 1 Presentation of Financial Statements

IAS 1 requires companies to disclose "significant" accounting principles. The IASB proposes that the requirement of "significance" be replaced by a requirement to disclose "essential" accounting principle to clarify the limit of the disclosures to be submitted. The IASB also proposes that IAS 1 be supplemented with guidance to help companies understand what makes an accounting principle essential. Since Heimstaden Bostad's disclosures are considered essential, the changes will not affect the accounting principles. The amendment shall apply to financial years commencing 1 January 2020.



Note 2 Information about related parties

Heimstaden's transactions with related parties are detailed in Notes G 8 and PC-G 6 in Heimstaden's 2019 Annual Report.

Note 3 Events after the balance sheet date

1 April

Heimstaden's subsidiary Heimstaden Bostad has acquired a housing portfolio in the Netherlands consisting of 41 properties, with 2,023 apartments and 60 commercial premises, as well as adjacent parking facilities. The portfolio comprises a total 138,900 square metres of lettable space.

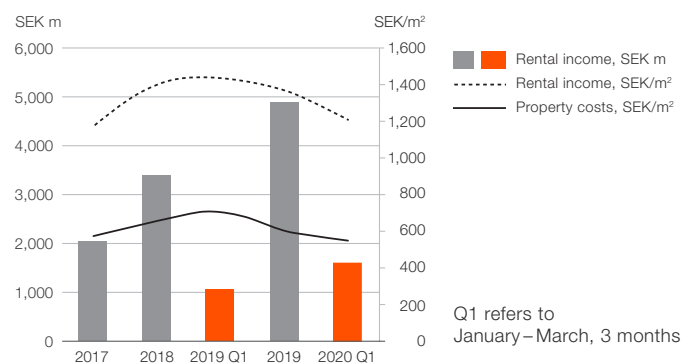
The agreed purchase consideration is EUR 375 million and the transaction is being implemented as a corporate transaction. The transaction will initially be financed through existing cash and capital injections from

existing shareholders. Loan financing will subsequently be secured to cover part of the purchase consideration.

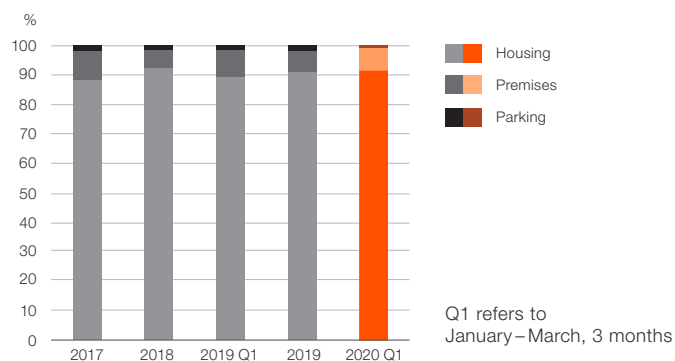
The acquisition fits well with Heimstaden's strategy of providing affordable housing in markets with favourable conditions and will support further operational synergies in the operations in the Netherlands. Following the acquisition, Heimstaden will have a portfolio of approximately 12,600 homes in the Netherlands.

Note 4 Rental income

RENTAL INCOME AND PROPERTY COSTS



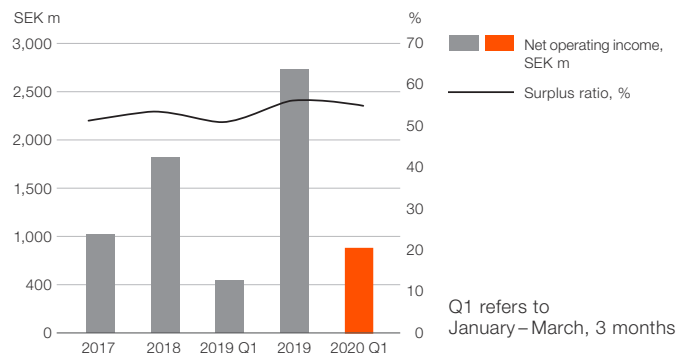
DISTRIBUTION OF RENTAL INCOME



Note 5 Property costs

Amounts in SEK million	2020 3 months Jan-Mar	2019 3 months Jan-Mar	2019 12 months Jan-Dec
Operating costs	-344	-298	-960
Maintenance and repairs	-144	-103	-546
Property administration	-153	-66	-422
Property tax	-64	-34	-202
Ground rent	-	-	-
Amortisation and depreciation	-3	-1	-8
Total property costs	-709	-502	-2,138

NET OPERATING INCOME AND SURPLUS RATIO



Note 6 Financial income and costs

Risk management, estimation and assessments

The Board of Directors and company management work continuously to achieve the desired risk profile, which is governed by the adopted Financial Policy and established operational targets.

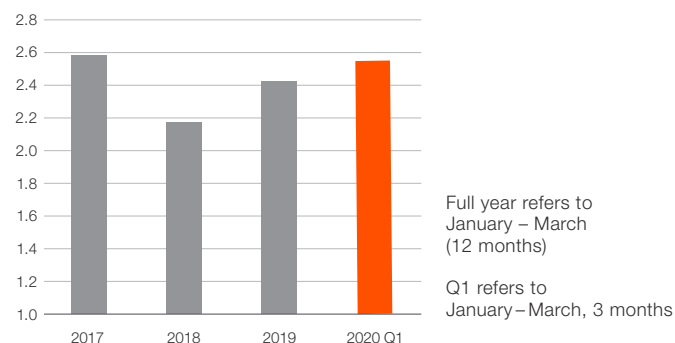
Heimstaden's operations, financial position and profit can be affected by a number of risks and uncertainties. These are described on pages 82–86 of the 2019 Annual Report. No significant changes have subse-

quently occurred affecting the assessment by the Board of Directors and company management.

To prepare the accounts in accordance with generally accepted accounting principles, management must make assessments and assumptions affecting the assets and liabilities reported in the financial statements, as well as income and expense items and other disclosures. Actual outcomes may differ from these assessments.

Financial risks	Financial policy in summary	Outcome 31 Mar 2020	Listing
Refinancing risk			
Capital tied up (months)	at least 15	124	
Loan maturity (percentage in individual year)	maximum 40	14	
Limitation, individual lenders (percent)	maximum 50	12	
Interest-rate risk			
	In accordance with respective covenants		
	In accordance with separate interest rate hedging strategy	2.5	
Fixed interest (years)			
Interest rate hedge (percent)	at least 25	72	
Credit risk			
Equity/assets ratio (percent)	at least 25	45	
Interest coverage ratio (multiple, rolling 12 months)	at least 1.4	2.5	

INTEREST COVERAGE RATIO Q1 (ICR)



31 Dec 2019

Years	Fixed interest, loans			Fixed interest incl. derivatives ¹⁾		
	SEK m	Share, %	Interest, incl. margin, %	SEK m	Share, %	Interest, incl. margin, %
Within 1 year of the balance sheet date	62,700	88	1.5	28,058	40	2.0
Between 1–5 years of the balance sheet date	8,036	11	3.1	33,287	47	1.8
Later than 5 years from the balance sheet date	270	0	2.2	9,661	14	1.1
Total	71,006	100	1.7	71,006	100	1.8

¹⁾ The credit margin is evenly spread across the maturity structure

The average remaining term of fixed interest in the loan portfolio amounts to:

0.60 years

The average remaining term of fixed interest in the loan portfolio, including derivatives, amounts to:

2.49 years

Note 7 Valuation of investment properties

Yield requirement

Years	Average	Interval
2019	3.63%	0.38%–10%
2020 Q1	3.73%	0.23%–10%

Note 8 Change in value of derivatives**Change in market value of derivatives**

Market value of derivatives, 31 Dec 2019	-65
Acquired derivatives	–
Redeemed derivatives	–
Currency effect on derivatives	1,136
Realised changes in value	–
Unrealised changes in value	-129
Market value of derivatives, 31 Mar 2020	942

Note 9 Investment properties**Change in market value of investment properties**

Amounts in SEK million	Total	Sweden	Denmark	Norway	Germany	Netherlands	Czech Republic
Market value of investment properties, 31 Dec 2019	113,719	41,629	34,645	17,372	2,292	17,781	–
Sales during the period	–	–	–	–	–	–	–
Acquisitions during the period	14,376	257	693	–	–	501	12,925
Investments during the period	613	405	178	13	-6	23	–
Currency change	1,105	–	2,077	-1,619	134	1,054	-541
Market value after transactions	129,813	42,291	37,594	15,765	2,420	19,359	12,384
Unrealised value change	1,933	365	-217	158	-7	223	1,410
Market value of investment properties, 31 Mar 2020	131,745	42,657	37,377	15,924	2,413	19,582	13,794



Note 10 Financial instruments

Change in loan volume

Interest-bearing loans, 31 Dec 2019	61,946
Repayments on loans	-1,246
Currency exchange effect on loans	1,583
New borrowing/loans taken over	8,723
Interest-bearing loans, 31 Mar 2020	71,006

Years	Capital tied up, loans		Lines of credit	
	SEK million	Share, %	million	Share, %
Within 1 year of the balance sheet date	5,466	8	–	–
Between 1-5 years of the balance sheet date	33,981	48	11,453	100
Later than 5 years from the balance sheet date	31,558	44	–	–
Total	71,006	100	11,453	100

The average remaining period for which capital is tied up amounts to: 10.3 years

Funding source, SEK m

	Credit	Secured, %	Share, %	Unutilised credit commitment
Bonds	28,484	–	40	–
Mortgages	22,787	100	32	–
Bank loans	19,735	100	28	11,453
Total	71,006	60	100	11,453

Financial instruments

Maturity, interest rate derivatives				
Years	Type	SEK million	Share, %	Interest, % ¹⁾
Within 1 year of the balance sheet date	Paying fixed	5,472	13	0.04
Between 1-5 years of the balance sheet date	Paying fixed	28,616	67	0.2
Later than 5 years from the balance sheet date	Paying fixed	8,675	20	0.2
Total		42,763	100	0.2

1) The interest rate indicates the agreed average fixed interest in the contracts. A negative interest rate indicates that we receive fixed interest.

Financial instruments

Maturity, basis swaps				
Years	Type	SEK million	Share, %	Interest, % ¹⁾
Within 1 year of the balance sheet date	Paying variable	–	–	–
Between 1-5 years of the balance sheet date	Paying variable	13,273	100	2.8
Later than 5 years from the balance sheet date	Paying variable	–	–	–
Total		13,273	100	2.3

1) The interest rate indicates the variable agreed interest rate on the balance sheet date.

Note 11 Participations in associated companies and joint ventures

	Share, %	Rental income	Net financial items	Change in value	Profit	Assets	Liabilities
Gamlebro	50	4	-2	–	-1	425	34
Fastighets AB Rosengård	25	34	-3	–	5	1,479	636
Byggrätt Norr AB	19	–	–	–	–	0	–
Upplands Bro, Brogårds stage 2	50	–	-5	2	-4	509	197
Magnolia Projekt 5222 AB	–	–	–	–	–	0	–
A place to AS	50	1	–	–	-1	477	476
Total		39	-9	2	-2	2,890	1,343



The Board of Directors and the President provide their assurance that this interim report provides a true and fair view of the operations, position and results of the Parent Company and the Group and describes the significant risks and uncertainties that occur.

Malmö, 30 April 2020

Patrik Hall
CEO

Ivar Tollefsen
Chairman of the Board

Magnus Nordholm
Board Member

John Giverholt
Board Member

This interim report has not been subject to review by the Company's auditors.

KEY DATA

	2020 3 months Jan – Mar	2019 3 months Jan – Mar	2019 12 months Jan – Dec
Property-related data			
Rental income, SEK m	1,566	1,023	4,863
Letting ratio, housing (number), %	94.8	96.7	97.6
Real letting ratio, housing (number), %	97.2	98.9	99.1
Surplus ratio, %	54.7	50.9	56.0
Acquisitions and property investments, SEK m	14,376	3,711	27,859
Property sales, SEK m	–	–	14
Market value of properties on balance sheet date, SEK m	131,745	83,293	113,719
Lettable area on balance sheet date, m ²	6,692,369	2,879,125	4,031,310
Number of apartments on balance sheet date	97,792	40,065	54,863
Proportion living area on balance sheet date, %	93	89	91
Financial data			
Cash flow from operating activities, SEK m	313	-239	1,381
Profit from property management, SEK m	584	172	1,293
Interest coverage ratio (ICR), multiple	2.5	2.4	2.4
Equity/assets ratio, %	45.4	39.2	46.6
Loan-to-value ratio (debenture loan covenant), %	43.9	49.0	39.9
Loan-to-value ratio, secured loans, %	28.6	33.5	31.8
Loan-to-value ratio (financial policy), %	54.4	55.7	51.7
Average interest rate on balance sheet date, %	1.8	2.0	1.9
Average period of fixed-interest on loans, incl. derivatives, years	2.5	1.9	2.6
Average period for which capital is tied up, year	10.3	10.1	10.1
Return on equity, %	12.3	11.0	14.0
Equity on the balance sheet date, SEK m	65,595	36,030	59,942
Net asset value on the balance sheet date, SEK m	69,804	38,546	63,582
Long-term net asset value on the balance sheet date, SEK m	69,804	38,841	63,647
DEBT/EBITDA, multiple	21	22	21
Data per share			
Profit per ordinary share, SEK	23	101	322
Equity per ordinary share, SEK	1,600	1,283	1,508
Equity per preference share, SEK	380	380	380
Number of ordinary shares outstanding at the end of the period	13,204,000	13,204,000	13,204,000
Number of preference shares outstanding at the end of the period	2,343,750	2,343,750	2,343,750
Average number of ordinary shares outstanding	13,204,000	13,204,000	13,204,000
Average number of preference shares outstanding	2,343,750	2,343,750	2,343,750

Definitions and glossary

Letting ratio, housing (number), %

Leased housing divided by total number of homes.

Real letting ratio, housing (number), %

Leased housing adjusted for voluntary vacancies due to standard improvements divided by the total number of homes.

Surplus ratio, %

Net operating surplus as a percentage of rental income

Proportion living area on balance sheet date, %

Living area divided by total property area.

Interest coverage ratio (ICR), multiple

Profit before net financial items plus financial income divided by financial costs attributable to interest-bearing liabilities.
Calculated based on the rolling 12-month outcome.

Equity/assets ratio, %

Equity as a percentage of total assets.

Loan-to-value ratio (debenture loan covenant), %

Net liabilities as a percentage of total assets.

Loan-to-value ratio, secured loans, %

Secured loans as a percentage of total assets.

Loan-to-value ratio (financial policy), %

Net debt, financial leasing and 50 percent of the capital attributable to hybrid bonds as a proportion of net debt, financial leasing and equity.

Net liabilities

Interest-bearing liabilities less financial assets and cash and cash equivalents.

Average interest, %

Average interest on the balance sheet date for interest-bearing liabilities, with interest rate derivatives taken into account.

Return on equity after tax, %

Profit after tax (rolling 12-month outcome) as a percentage of average equity.

Net asset value on the balance sheet date, SEK m

Equity plus deferred tax liability.

Long-term net asset value on the balance sheet date, SEK m

Equity with deferred tax liability and interest rate derivatives reversed.

DEBT/EBITDA, multiple

12-month average interest-bearing liabilities divided by profit before financial items with reversal of depreciation.

Equity per ordinary share, SEK

Equity at the end of the period, in relation to the number of ordinary shares at the end of the period, after preferential and hybrid capital is taken into account.

Equity per preference share, SEK

The preferential rights of holders of preference share on liquidation of the Company and the remaining entitlement to dividends of those shares.

Profit after tax per ordinary share, SEK

Profit after tax in relation to the average number of ordinary shares once the portion of the profit for the period accounted for by preference shares and hybrid capital has been taken into account.

Definitions and derivation of key ratios can be found at www.heimstadenbostad.com

Financial information

Annual General Meeting 2020, 28 May 2020

The interim report for April-June 2020 will be published on 19 August 2020.

This information is such that Heimstaden AB (publ) is obliged to disclose under the EU Market Abuse Regulation.

The information was submitted for publication under the auspices of the contact persons below at 9:00 a.m. CET on 30 April 2020.

Patrik Hall, CEO Heimstaden AB, +46 705 85 99 56
Arve Regland, CFO Heimstaden AB, +47 479 07 700

Heimstaden

Heimstaden AB (publ), Ö Promenaden 7 A, SE-211 28 Malmö, Sweden
Corp. ID No.: 556670-0455. The Company is domiciled in Malmö.
Tel. +46 (0)40 - 660 20 00, Fax +46 (0)40 - 660 20 01
www.heimstaden.com