

2020  
Heimstaden AB  
Interim report  
JANUARY – JUNE



**Heimstaden**

# Key data

January – June 2020

OPERATIONAL		FINANCIAL	
Rental income  <b>SEK 3,327</b> million  2019, SEK 2,181 million (up 53%)	Cash flow from operating activities  <b>SEK 399</b> million  2019, SEK 300 million	Equity  <b>SEK 68.9</b> billion  2019, SEK 59.9 billion (up 15%)	Cash and cash equivalents  <b>SEK 8.9</b> billion  2019, SEK 10.7 billion
Net operating income  <b>SEK 1,952</b> million  2019, SEK 1,194 million (up 64%)	Value change in properties  <b>SEK 3,509</b> million  up 2.7% in 2020	Loan-to-value ratio  <b>43</b> %  2019, 40%	Loan-to-value ratio, secured loans  <b>29</b> %  2019, 32%
Surplus ratio  <b>58.7</b> %  2019, 54.8%	Real letting ratio for housing  <b>96.9</b> %  2019, 98.4%	Interest coverage ratio  <b>2.7</b> multiple  2019, multiple of 2.3	Unutilised lines of credit  <b>SEK 11.7</b> billion  2019, SEK 10.3 billion

## PROPERTIES

Investment properties  <b>SEK 135</b> billion  2019, SEK 114 billion (up 19%)	Market value of Heimstaden's property portfolio.	Proportion living area  <b>93</b> %  2019, 91%	Heimstaden's property portfolio consists mainly of housing.
Area  <b>6,854</b> thousand m <sup>2</sup>  2019, 4,031 thousand m <sup>2</sup> (up 70%)	Living area  <b>6,358</b> thousand m <sup>2</sup>  2019, 3,661 thousand m <sup>2</sup> (up 74%)	Commercial space  <b>496</b> thousand m <sup>2</sup>  2019, 370 thousand m <sup>2</sup> (up 74%)	Number of apartments  <b>100,123</b>  2019, 54,863 (up 82%)

Property pictured on front cover: Duincarre, Netherlands

# The period in brief

January – June 2020

- Limited operational and financial impact from Covid-19. Negative impact on rental income of approximately SEK 8 million.
- More than 99 percent of invoiced rent collected in the period.
- The real letting ratio was 97 percent (98). Excluding the Czech portfolio, the real letting ratio was 98 percent.
- Like-for-like rental income growth was 4 percent.
- The surplus ratio increased to 59 percent (55), mainly as a consequence of higher margins in the Dutch and Czech residential portfolios, as well as lower costs in the existing portfolio.
- Unrealised changes in value of properties amounted to SEK 3,509 million (3,216).
- Profit for the period amounted to SEK 3,412 million (2,423).
- Acquisitions during the period amounted to SEK 18,805 million, of which 69 percent pertained to the acquisition of RESIDOMO in the Czech Republic.
- Strong financial position with a loan-to-value ratio of 43 percent (40) and an equity ratio of 46 percent (47).

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



# Improving customer satisfaction, strong profitability and value growth bring increased security, stability and new opportunities in extraordinary times



Over the past six months, we have faced and had to adapt to a new everyday life. Our former habits have been radically changed and we have learned to live with working and studying from home, online meetings, hand sanitiser and a lack of concerts, sporting events and travel. Social distancing has become a generally accepted concept.

This has accentuated the significance of a well-functioning home. In such times, it is even more important that we, as property owners, safely and securely deliver a service and a product that brightens and simplifies our tenants' everyday lives. For this reason, I am proud that the customer survey (CSI: customer satisfaction index) conducted in Sweden, Denmark and Norway this spring, shows that we have made additional progress in all three countries from an already high level. This is the result of determined efforts in which we read all comments, views and suggestions from our tenants, prepare action plans and implement measures. We are now continuing our efforts to further improve at brightening and simplifying our tenants' lives by providing "Friendly Homes". I am already looking forward to next year's survey, which will also encompass the Netherlands, the Czech Republic and Germany.

## **Impact of the pandemic on Heimstaden's Q2 figures**

Since March, in the wake of the pandemic, we have seen various restrictions imposed by the authorities in the countries in which we operate, as well as various direct or indirect support packages to aid affected businesses. As we now summarise the first half of the year and revisit the forecasts we presented in the preceding quarterly report, we can make the following positive summary:

### *Residential tenants*

- Rental income is developing favourably and is in line with expectations in all countries.
- Short-term student apartment vacancies increased in the second quarter as university and college programmes closed due to the corona pandemic and senior year students and exchange students terminated their leases early in connection with the pandemic. As the autumn approaches, our assessment is that demand for student apartments will normalise.

- There has been no increase in unpaid rent due to the corona pandemic.

#### *Commercial tenants*

Of Heimstaden's total annual rental income of SEK 7.1 billion (based on earning capacity as of 30 June), 6 percent comes from commercial tenants. Operations, primarily within the service sector, have been affected by a change in customer behaviour in the wake of the pandemic and we will likely see continued limitations and effects from this into next year.

- Affected commercial tenants have received rent support in the amount of approximately SEK 8 million. Our commercial tenants have generally been good at adapting their operations and deliveries of services to the new situation and have coped better than expected. Our enterprising small business owners certainly deserve much praise.
- There has been no increase in the number of bankruptcies or lease terminations among our commercial tenants due to the corona pandemic.

#### *Operating costs*

Operating costs continue to develop favourably through investments in energy optimisation, alternative energy sources and other value and quality-enhancing investments in existing properties and apartments.

#### *Property value*

We live in times of uncertainty and changing patterns of behaviour in terms of trade, production and services, as well as regarding how the workplaces of the future will be designed and where they will be located. Under such circumstances, being able to provide housing for our fellow human beings feels both secure and stable. While many things can be digitalised, our homes will continue to be physical places, providing the platforms on which we build our lives.

With the markets being aware of this, values for residential properties are stable and even increasing, as an increasing share of institutional capital seeks assets that are secure in the long-term.

During the first half of 2020, Heimstaden's property value increased by 2.7 percent, which can be explained both by increased net operating income and slightly declining yield requirements. As of the balance sheet date, the market value totals slightly more than SEK 135 billion.

#### **Growth through acquisitions and new production continues**

Stable net operating income, good earning capacity, strong customer focus and social responsibility create the stability and security we strive for on our continued journey of growth.

#### *Acquisitions to which Heimstaden has gained access*

During the second quarter, we had the privilege of acquiring and taking possession of two residential portfolios with a total of 2,165 apartments in the Netherlands and of making minor supplementary acquisitions in both Berlin (Germany) and Norrköping (Sweden). In accordance with the framework agreement into which we have entered with Magnolia, we have also reached an agreement regarding new production of 360 apartments in a lakeside location in Sundsvall (Sweden).

#### *Agreed acquisitions*

Besides gaining access to the aforementioned properties in the second quarter and in July, we also entered into agreements to acquire a total of 1,470 existing apartments in Sweden. We are establishing a presence in Eskilstuna by acquiring properties from Eskilstuna Kommunfastigheter and by making supplementary acquisitions in Malmö, Linköping, Karlskrona and Värnamo. We will gain access to these properties during the third and fourth quarters of 2020.

In Berlin, acquisition agreements have been entered into regarding three housing portfolios with a total of 763 apartments. The City of Berlin has the right of first refusal on certain properties in these housing portfolios and we are therefore awaiting a decision on possible pre-emption. We expect to gain access to the properties over the upcoming quarters.

#### *New construction*

Proprietary new production projects on our own land are progressing according to plan. Construction is in progress in Växjö, Umeå, Luleå, Linköping and will commence in Skellefteå (Sweden) during the autumn.

Agreements to acquire new production projects have been signed in Skellefteå, Sundbyberg and Partille (Sweden) and in Århus (Denmark).

All of the acquisitions and ongoing and agreed new production projects generate favourable synergy effects with our existing local property management organisations, bringing a favourable and varied range of affordable apartments to each location.

#### **Our employees make a difference**

In conclusion, I would like to express my sincere gratitude to all of our employees, who, through their consideration and commitment make a real difference for our tenants and for one another in uncertain times that challenge us all. You are Heimstaden!

Patrik Hall  
CEO Heimstaden

# Significant events during the quarter

Heimstaden Bostad's property portfolios 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's property portfolio amounted to SEK 135 billion, excluding agreed acquisitions. Listed below are the significant transactions and events agreed by the Group in the second 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.

## Covid-19

In the markets where Heimstaden operates, Covid-19 has resulted in lower economic activity and caused uncertainty surrounding 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 six months of 2020, the operational and economic effect of the pandemic on Heimstaden was limited. The company is well positioned to deal with any adverse effects that may arise in the short to medium term and its long-term strategy and prospects remain unchanged.

For many of Heimstaden's commercial tenants, strict social distancing rules and closures have resulted in reduced activity. This caused a negative impact of approximately SEK 8 million on rental income in the second quarter, below the original forecast of SEK 15–17 million communicated in the report for the first quarter of 2020. This impact corresponded to approximately 0.5 percent of total rental income for the quarter.

Globally, the degree of recovery 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. During the latter part of the second quarter, many European countries experienced improvements in the coronavirus situation and began to return to a more normalised status. In August, however, many of the same countries are seeing an increase in the number of cases and the authorities are again introducing measures to limit contagion.

Heimstaden's markets are financially strong, facilitating expansive fiscal policies and financial incentives that largely mitigate the short-term operational risks. As a result, Heimstaden foresees no significant operational or financial impact in the short term but acknowledges the prevailing uncertainty regarding the duration and ramifications of the ongoing pandemic.

Heimstaden has considerable financial flexibility with a strong balance sheet and liquidity position. As of 30 June 2020, the Company had an equity ratio of 48 percent and a loan-to-value ratio of 43 percent. The company also held SEK 6,494 million in cash and cash equivalents, as well as SEK 11,727 million in unutilised credits and had a quick ratio of 193 percent.

It is Heimstaden's assessment 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.

## Acquisition of a real estate portfolio in the Netherlands

In April, Heimstaden acquired 2,023 apartments and 60 commercial spaces in the Netherlands, with associated parking. The portfolio has a total of 138,900 square metres of lettable space. The agreed property value is EUR 375 million, with the transaction being conducted as a share deal.

## Implementation of a directed new share issue for SEK 5.6 billion

On 13 May, Heimstaden's subsidiary, Heimstaden Bostad AB completed a directed new share issue for SEK 5,645 million, in which Heimstaden AB has subscribed for shares for SEK 2,035 million, Alecta for SEK 3,582 million, Ericsson for SEK 21 million and Sandvik for SEK 7 million.

The new share issue includes ordinary and preference shares and will be paid for by offsetting unsettled dividends and additional cash contributions. The total cash contribution amounts to SEK 3,887 million, of which SEK 2,785 million is to be paid in by external shareholders and SEK 1,102 million by Heimstaden Bostad's majority owner, Heimstaden AB.

## Annual General Meeting approves dividend

In accordance with the proposal by the Board of Directors, the Annual General Meeting resolved that SEK 20 per preference share be paid to the holders of preference shares in Heimstaden AB (Publ), totalling SEK 46,875,000. Dividends are to be paid to holders of preference shares



on a quarterly basis in the amount of SEK 5 per disbursement date, with the record dates being determined, in accordance with the Articles of Association, as 5 July 2020, 5 October 2020, 5 January 2021 and 5 April 2021.

#### **Acquires project property in Sundsvall**

In June, Heimstaden's subsidiary, Heimstaden Bostad acquired a project property in Sundsvall from Magnolia Bostad. The acquired property comprises the first stage in the Norra Kajen project in the Municipality of Sundsvall and includes the development of approximately 360 apartments. The project initiates a new waterfront district in Sundsvall, with the city centre just a few minutes' walk away. A turnkey contract has already been signed with Serneke and construction is scheduled to commence in the autumn of 2020, with the first stage ready for tenants to move in during the spring of 2023. Upon completion, the estimated property value will amount to approximately SEK 670 million.

#### **Acquisition of property in Eskilstuna**

In June, Heimstaden's subsidiary, Heimstaden Bostad agreed to acquire a school property and 559 homes from municipal property

company Kommunfastigheter in Eskilstuna. Heimstaden considers the city of Eskilstuna and the Mälardalen valley as an attractive region for continued expansion. Tenants are scheduled to move in during November 2020.

#### **Implementation of targeted bond issues**

In the second quarter, Heimstaden's subsidiary, Heimstaden Bostad issued two senior unsecured SEK bonds through private placements for a total value of SEK 1,700 million. The funds were used to refinance outstanding bonds maturing in December 2020. The first bond was issued on May 26, had a nominal amount of SEK 1,200 million, maturity of two years and a spread of Stibor 3m + 175bps. The second bond was issued on June 29, had a nominal amount of SEK 500 million, maturity of two years and a spread of Stibor 3m + 130bps. Heimstaden Bostad also issued two senior unsecured EUR bonds through private placements for a total value of EUR 80 million. The funds were used for general corporate purposes. The bonds were issued on May 4, had a maturity of 15 years, fixed interest rate of 2.8 procent and nominal amounts of EUR 30 million and EUR 50 million, respectively. All four bonds were listed on Euronext Dublin.

# Current earning capacity

In the adjacent table, Heimstaden presents its earning capacity on a 12-month basis as per 30 June 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.

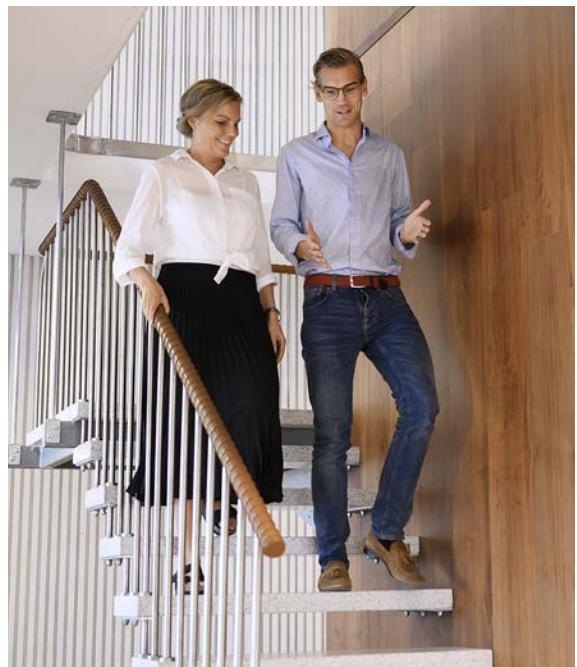
Current earning capacity is based on the properties held as per 30 June 2020 and their financing. Accordingly, the current earning capacity illustrates Heimstaden's annual earnings on that basis. Consequently, transactions where Heimstaden gains access after 30 June are not included in the calculation.

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 30 June 2020

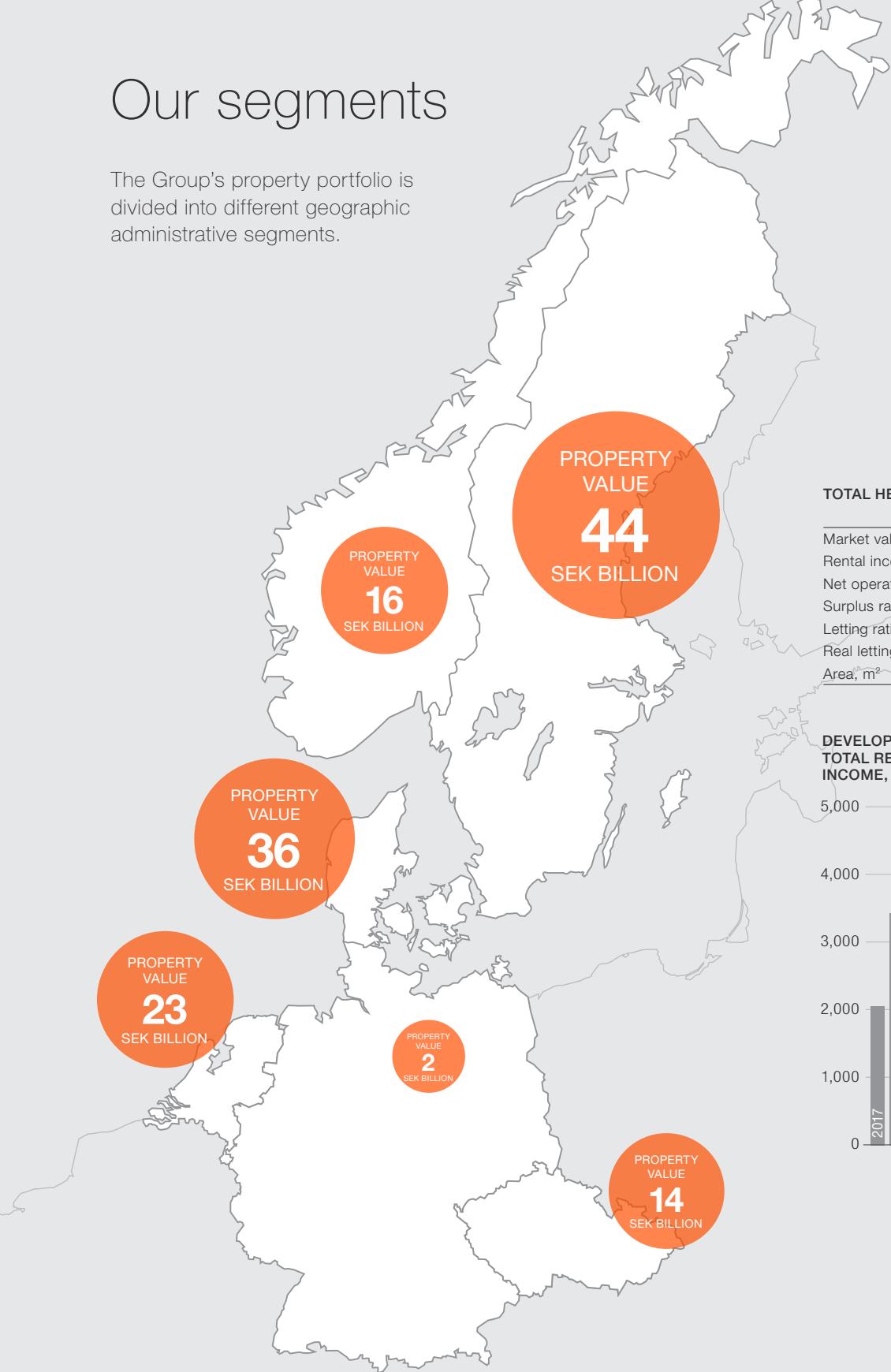
Amounts in SEK million	
Rental income	7,164
Property costs	-3,215
<b>Net operating income</b>	<b>3,950</b>
Central administration costs	-280
Other operating income	-
Other operating costs	-
Profit from participations in associated companies	-
<b>Profit before financial items</b>	<b>3,670</b>
Financial income	-
Financial costs	-1,312
<b>Profit from property management</b>	<b>2,358</b>
<b>Profit from property management attributable to:</b>	
The Parent Company's shareholders	594
Non-controlling interests	1,764
<b>Key data</b>	
<b>Surplus ratio, %</b>	<b>55.1</b>
<b>Interest coverage ratio (ICR), multiple</b>	<b>2.8</b>





# Our segments

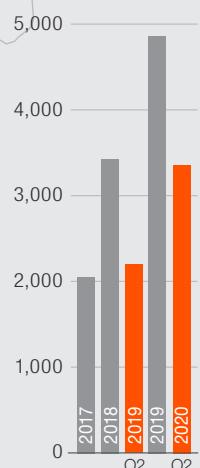
The Group's property portfolio is divided into different geographic administrative segments.



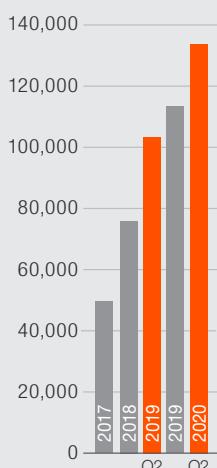
## TOTAL HEIMSTADEN

	Jan–Jun 2020	Jan–Jun 2019
Market value, SEK m	135,462	103,447
Rental income, SEK m	3,327	2 181
Net operating income, SEK m	1,952	1 194
Surplus ratio, %	58.7	54.8
Letting ratio, housing (number), %	94.6	96.6
Real letting ratio, %	96.9	98.4
Area, m <sup>2</sup>	6,854,455	3,754,735

## DEVELOPMENT IN TOTAL RENTAL INCOME, Q2 (SEK M)



## DEVELOPMENT OF TOTAL MARKET VALUE, Q2 (SEK M)



# Sweden



## THE SEGMENT IN BRIEF

- Rental income for a comparable property portfolio increased by approximately 4 percent compared with the preceding year.
- Improved surplus ratio, driven partly by lower heating costs.
- During the period, properties were acquired for a value of SEK 392 million.
- The unrealised value development in the property portfolio for the period was 2.5 percent.
- The yield requirement in the valuation was 3.8 percent.

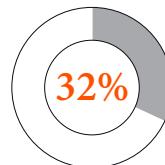
## SWEDEN

	Jan-Jun 2020	2019 Jan-Jun
Market value, SEK m	43,834	38,190
Rental income, SEK m	1,224	1 107
Net operating income, SEK m	645	503
Surplus ratio, %	52.7	45.4
Letting ratio, housing (number), %	97.4	97.3
Real letting ratio, %	98.3	98.6
Area, m <sup>2</sup>	2,042,392	1,937,913

### RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



### MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



## MARKET DATA – SWEDEN

The Swedish population grew by approximately 1 percent during the first two quarters of the year, compared with 2019. The degree of urbanisation remained at about the same level.

The Stockholm region grew by approximately 1.7 percent, while growth in Sweden's southernmost region, Skåne, (with Malmö as its growth engine) was 1.1 percent. The number of households grew, indicating increased demand for housing.

GDP is expected to diminish by 8 percent in 2020, affected by the global Covid-19 pandemic.

	Q2 2020	2019
Number of residents, thousands	10,382	10,293
GDP growth, %	-7.7	1.2
Inflation, %	0.4	1.8
Degree of urbanisation, %	87.2	87.2
Unemployment, %	8.6	6.8
<i>Stockholm (Municipality)</i>		
Number of households, thousands	1,046	1,029
Average household size	2.3	2.3
<i>Skåne (Region)</i>		
Number of households, thousands	622	615
Average household size	2.2	2.2

*Source: Oxford Economics*

*Figures for the second quarter of 2020 are estimated for the end of the second quarter, except for GDP growth and inflation, which are estimates for full-year 2020.*



# Denmark



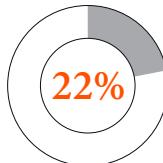
## THE SEGMENT IN BRIEF

- Rental income for a comparable property portfolio increased by approximately 4 percent compared with the preceding year.
- Lower surplus ratio, driven partly by higher repair and maintenance costs.
- During the period, properties were acquired for a value of SEK 693 million.
- Adjusted for currency effects, the unrealised value development in the property portfolio for the period was 0 percent. Negative impact from a legislative proposal related to renovations and rent levels for older housing.
- The yield requirement in the valuation was 3.5 percent.

## DENMARK

	Jan–Jun 2020	Jan–Jun 2019
Market value, SEK m	35,785	30,977
Rental income, SEK m	746	589
Net operating income, SEK m	473	399
Surplus ratio, %	63.4	67.7
Letting ratio, housing (number), %	95.6	95.6
Real letting ratio, %	97.7	97.8
Area, m <sup>2</sup>	866,476	760,338

RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



## MARKET DATA – DENMARK

The Danish population grew by 0.3 percent during the first two quarters of the year, compared with 2019.

Copenhagen was the growth engine with a population increase of 1.0 percent.

GDP is expected to decline by 8.3 percent in 2020, and unemployment to increase to 5.6 percent.

	Q2 2020	2019
Number of residents, thousands	5,836	5,818
GDP growth, %	-8.3	2.4
Inflation, %	0.1	0.8
Degree of urbanisation, %	88.4	88.3
Unemployment, %	5.6	3.7
<i>Copenhagen</i>		
Number of households, thousands	390	386
Average household size	2.1	2.1

Source: Oxford Economics

Figures for the second quarter of 2020 are estimated for the end of the second quarter, except for GDP growth and inflation, which are estimates for full-year 2020.



# Norway



## THE SEGMENT IN BRIEF

- Rental income for a comparable property portfolio was in line with the preceding year.
- Improved surplus ratio, driven partly by lower repair and maintenance costs.
- No properties were acquired during the period.
- Adjusted for currency effects, the unrealised value development in the property portfolio for the period was 3.3 percent.
- The yield requirement in the valuation was 2.9 percent.

## NORWAY

	Jan–Jun 2020	Jan–Jun 2019
Market value, SEK m	16,352	17,386
Rental income, SEK m	341	337
Net operating income, SEK m	240	205
Surplus ratio, %	70.5	60.9
Letting ratio, housing (number), %	94.1	96.1
Real letting ratio, %	95.1	97.5
Area, m <sup>2</sup>	222,069	217,672

## RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



## MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



## MARKET DATA – NORWAY

The Norwegian population grew by 0.6 percent during the first two quarters of the year, compared with 2019. The population of Oslo remained at about the same level.

The degree of urbanisation increased significantly by 0.3 percentage points.

GDP is expected to decline by 6 percent in 2020.

	Q2 2020	2019
Number of residents, thousands	5,381	5,350
GDP growth, %	-6.3	1.2
Inflation, %	0.8	2.2
Degree of urbanisation, %	82.6	82.3
Unemployment, %	6.1	3.7
<i>Oslo</i>		
Number of households, thousands	352	348
Average household size	2.0	2.0

Source: Oxford Economics

Figures for the second quarter of 2020 are estimated for the end of the second quarter, except for GDP growth and inflation, which are estimates for full-year 2020.



# Germany



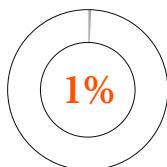
## THE SEGMENT IN BRIEF

- Rental income for a comparable property portfolio increased by approximately 8 percent compared with the preceding year.
- During the period, properties were acquired for a value of SEK 105 million.
- Adjusted for currency effects, the unrealised value development in the property portfolio for the period was 1.6 percent.
- The yield requirement in the valuation was 2.1 percent.

## GERMANY

	Jan–Jun 2020	Jan–Jun 2019
Market value, SEK m	2,472	755
Rental income, SEK m	33	6
Net operating income, SEK m	29	5
Surplus ratio, %	88.1	76,0
Letting ratio, housing (number), %	93.7	97.9
Real letting ratio, %	97.0	99.4
Area, m <sup>2</sup>	74,560	27,831

## RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



## MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



## MARKET DATA – GERMANY

Germany showed positive population growth over the first two quarters of the year, with growth in Berlin at 0.7 percent.

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

GDP is expected to decline by 10.9 percent and unemployment to increase to 6.2 percent.

	Q2 2020	2019
Number of residents, thousands	83,211	83,104
GDP growth, %	-10.9	0.6
Inflation, %	0.8	1.5
Degree of urbanisation, %	77.4	77.4
Unemployment, %	6.2	5.0
<i>Berlin</i>		
Number of households, thousands	2,050	2,036
Average household size	1.8	1.8

Source: Oxford Economics

Figures for the second quarter of 2020 are estimated for the end of the second quarter, except for GDP growth and inflation, which are estimates for full-year 2020.



# Netherlands



## THE SEGMENT IN BRIEF

- Rental income for a comparable property portfolio increased by approximately 7 percent compared with the preceding year.
- During the period, properties were acquired for a value of SEK 4,631 million.
- Adjusted for currency effects, the unrealised value development in the property portfolio for the period was 1.6 percent.
- The yield requirement in the valuation was 3.5 percent.

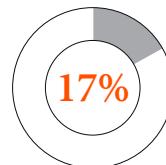
## NETHERLANDS

	Jan-Jun 2020	Jan-Jun 2019
Market value, SEK m	22,758	16,140
Rental income, SEK m	483	141
Net operating income, SEK m	280	82
Surplus ratio, %	58.1	58.1
Letting ratio, housing (number), %	97.3	95.8
Real letting ratio, %	98.8	98.4
Area, m <sup>2</sup>	1,019,384	810,981

## RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



## MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



## MARKET DATA – NETHERLANDS

The population grew by 0.4 percent over the first two quarters of the year.

In the Amsterdam metropolitan region, the number of households grew over the preceding 12 months, supporting demand for housing.

GDP is expected to decline by 9 percent in 2020, and unemployment to increase to 4.9 percent.

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

	Q2 2020	2019
Number of residents, thousands	17,421	17,349
GDP growth, %	-9.0	1.6
Inflation, %	1.3	2.6
Degree of urbanisation, %	91.9	91.7
Unemployment, %	4.9	4.3
<i>Amsterdam metropolitan area</i>		
Number of households, thousands	724	716
Average household size	1.9	1.9

Source: Oxford Economics

Figures for the second quarter of 2020 are estimated for the end of the second quarter, except for GDP growth and inflation, which are estimates for full-year 2020.



# Czech Republic



## 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 12,985 million.
- Adjusted for currency effects, the unrealised value development in the property portfolio for the period was 12.1 percent.
- The yield requirement in the valuation was 5.3 percent during the period.

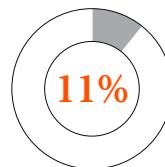
## CZECH REPUBLIC

	Jan–Jun 2020	Jan–Jun 2019
Market value, SEK m	14,260	–
Rental income, SEK m	500	–
Net operating income, SEK m	285	–
Surplus ratio, %	56.9	–
Letting ratio, housing (number), %	91.6	–
Real letting ratio, %	95.3	–
Area, m <sup>2</sup>	2,629,574	–

### RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



### MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



## MARKET DATA – CZECH REPUBLIC

The population grew by 0.2 percent over the first two quarters of the year.

In the Ostrava region, the number of households remained largely unchanged and, combined with expectations of further reductions in average household size, this is expected to support continued strong demand in the housing market.

Although the Czech Republic had low unemployment relative to comparable countries in 2019, this is expected to rise to 5.2 percent in 2020.

	Q2 2020	2019
Number of residents, thousands	10,678	10,662
GDP growth, %	-11.8	2.3
Inflation, %	2.8	2.9
Degree of urbanisation, %	73.7	73.9
Unemployment, %	5.2	2.8
<i>Moravskoslezsky kraj (incl. Ostrava)</i>		
Number of households, thousands	496	495
Average household size	2.4	2.4

Source: Oxford Economics

Figures for the second quarter of 2020 are estimated for the end of the second quarter, except for GDP growth and inflation, which are estimates for full-year 2020.





Hönsfjädern 1, Umeå

# Consolidated Statement of Comprehensive Income

Amounts in SEK million	Note	2020 6 months Jan–Jun	2019 6 months Jan–Jun	2020 3 months Apr–Jun	2019 3 months Apr–Jun	2019 12 months Jan–Dec	Rolling 12 months Jul–Jun
Rental income	4	3,327	2,181	1,761	1,158	4,863	6,009
Property costs	5	-1,375	-987	-666	-485	-2,138	-2,526
<b>Net operating income</b>		<b>1,952</b>	<b>1,194</b>	<b>1,096</b>	<b>673</b>	<b>2,725</b>	<b>3,483</b>
Central administration costs		-135	-62	-70	-33	-172	-244
Other operating income		24	21	7	21	27	30
Other operating costs		-19	–	-28	–	-46	-66
Profit from participations in associated companies		-5	18	-1	17	196	173
<b>Profit before financial items</b>		<b>1,818</b>	<b>1,171</b>	<b>1,003</b>	<b>678</b>	<b>2,729</b>	<b>3,376</b>
Financial income	6	51	12	28	7	57	96
Financial costs – interest-bearing liabilities	6	-685	-562	-359	-320	-1,152	-1,274
Other financial income	6	–	–	–	–	6	6
Other financial costs	6	-91	-52	-53	-32	-186	-225
Financial costs, right-of-use assets		-19	-13	-11	-13	-29	-35
Currency gains and losses		235	-261	117	-198	-133	363
<b>Profit from property management</b>		<b>1,309</b>	<b>294</b>	<b>724</b>	<b>122</b>	<b>1,293</b>	<b>2,307</b>
<i>Profit from property management attributable to:</i>							
The Parent Company's shareholders		543	128	353	54	709	1,124
Non-controlling interests		766	166	372	68	583	1,183
Change in value of investment properties	7	3,509	3,216	1,595	1,455	6,517	6,810
Changes in the value of financial instruments	8	-354	-356	-225	-44	-107	-104
<b>Profit before tax</b>		<b>4,464</b>	<b>3,154</b>	<b>2,095</b>	<b>1,533</b>	<b>7,703</b>	<b>9,013</b>
Current tax		-320	-91	-174	3	-259	-488
Deferred tax		-733	-629	-174	-304	-1,443	-1,547
<b>Profit for the period</b>		<b>3,412</b>	<b>2,434</b>	<b>1,747</b>	<b>1,231</b>	<b>6,001</b>	<b>6,978</b>
<i>Profit for the period attributable to:</i>							
The Parent Company's shareholders		1,803	1,752	946	1,013	4,099	4,150
Non-controlling interests		1,608	682	801	219	1,902	2,829
Other comprehensive income		-1,818	1,336	-1,050	433	432	-2,722
<b>Comprehensive income</b>		<b>1,594</b>	<b>3,770</b>	<b>697</b>	<b>1,664</b>	<b>6,433</b>	<b>4,256</b>

### Rental income

Rental income for the period amounted to SEK 3,327 million (2,181), which corresponds 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 1,110 per square metre of time-weighted area (1,361). 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. A comparable property portfolio showed a 4 percent like-for-like growth.

The letting ratio for housing was 94.6 percent (96.6) for the period. Adjusted for the acquisition in the Czech Republic, the letting ratio was 96.7 percent. Adjusted for the intentionally vacated apartments, the Group's real letting ratio was 96.9 percent (98.4).

### Property costs

Total property costs amounted to SEK 1,375 million (987). The change is mainly attributable to an increased number of properties. Property costs averaged SEK 459 per square metre of time-weighted area (616). The lower average is mainly explained by the acquisitions in the Netherlands and the Czech Republic, as well as by lower repair and maintenance costs in the existing portfolio.

### Net operating income

Net operating income amounted to SEK 1,952 million (1,194) for the period, corresponding to a surplus ratio of 58.7 percent (54.8). The higher surplus ratio is explained by lower property costs in the period.

### Central administration costs

Costs for central administration amounted to SEK 135 million (62), 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 685 million (562). 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 was 1.8 percent (2.1). 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 (56). The increase is due to a stricter financial policy.

On a rolling 12-month basis, the interest coverage ratio was 2.7 (2.3). The acquisitions in the Czech Republic and the Netherlands contributed positively, but have not had a full impact 12 months back in time.

About 36 percent (48) 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 recognised interest rate cut) on an annual basis by approximately SEK 200 million (308) were rates to rise, and decrease them by approximately SEK 64 million (123) 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 235 million (loss 261) 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 1,309 million (294). 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 93 percent compared with the preceding year. The positive increase is primarily attributable to acquisitions, as well as improved net operating income in the existing portfolio.

### Change in value of investment properties

After currency adjustment, the total change in value regarding properties amounted to SEK 3,509 million (3,216) in the Income Statement). This corresponds to a 2.7 percent increase in value over the year. The yield in valuation averaged 3.67 percent, compared with 3.63 percent at the end of 2019. Cleared of the effects of the acquisition of the Czech portfolio, the yield requirement was 3.48 percent in the rest of the portfolio.

### 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 354 million (356). 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 brought an increased deferred tax liability, impacting earnings negatively by SEK 733 million (629). Current tax amounted to SEK 320 million (91).

### 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 1,818 million (positive 1,336).

# Consolidated Statement of Financial Position

Amounts in SEK million	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		69	72	72
Investment properties	9	135,462	103,447	113,719
Leases, right-of-use		733	568	895
Tangible fixed assets		62	28	30
Financial instruments		38	–	–
Participations in associated companies	10	336	145	337
Other financial non-current assets		846	219	580
<b>Total non-current assets</b>		<b>137,546</b>	<b>104,479</b>	<b>115,633</b>
<b>Current assets</b>				
Development properties and tenant-owned apartments in progress		767	716	865
Accounts receivable		53	20	23
Other current receivables		1,006	842	1,062
Prepaid costs and accrued income		548	328	337
Cash and cash equivalents		8,877	3,295	10,687
<b>Total current assets</b>		<b>11,251</b>	<b>5,202</b>	<b>12,974</b>
<b>TOTAL ASSETS</b>		<b>148,797</b>	<b>109,680</b>	<b>128,606</b>



### Investment properties

On the balance sheet date, the market value of Heimstaden's property portfolio amounted to SEK 135,462 million, compared with SEK 113,719 million at the end of 2019. During the period, properties were acquired for a value of SEK 18,805 million, most of which concerns the acquisition in the Czech Republic. Total unrealised changes in value for the period amounted to SEK 3,528 million, corresponding to a change of 2.7 percent. The remaining change in the carrying amount of the property portfolio comprised investments in the existing portfolio 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

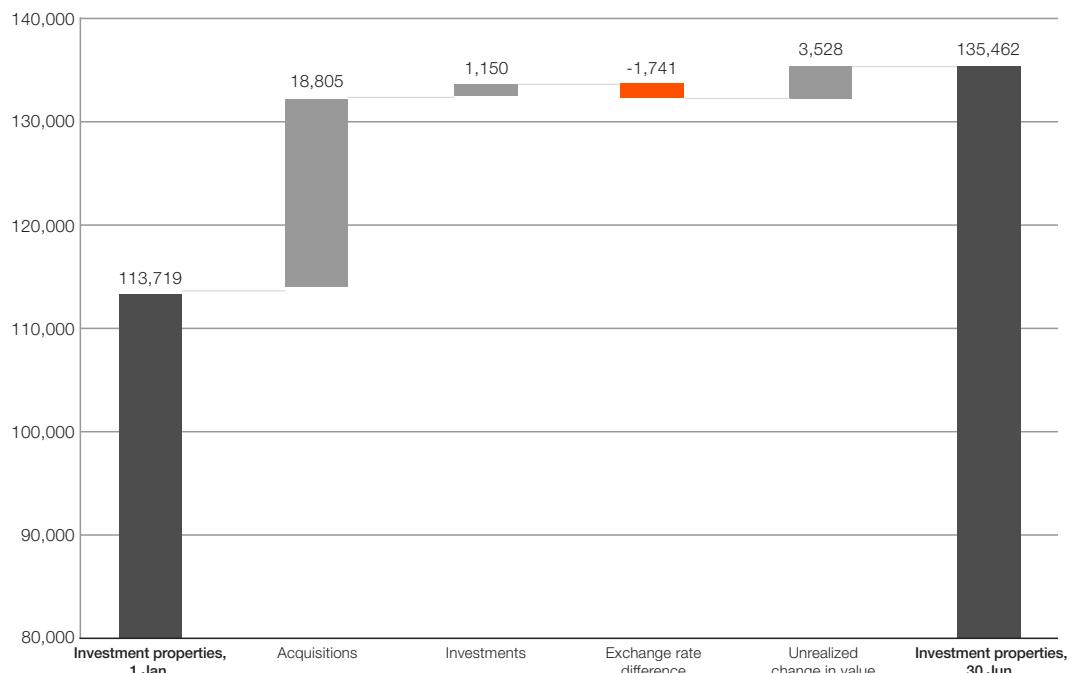
Other financial assets refer to loans provided to associated companies, as well as acquired, construction projects in progress to which Heimstaden has not yet gained access. These amounted to SEK 846 million (580) at the end of the period.

### 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 PERIOD, SEK MILLION



# Consolidated Statement of Financial Position

Amounts in SEK million	Note	30 Jun 2020	30 Jun 2019	31 Dec 2019
<b>EQUITY AND LIABILITIES</b>				
<b>Equity <sup>1)</sup></b>		<b>68,921</b>	<b>39,665</b>	<b>59,942</b>
Non-current liabilities				
Interest-bearing liabilities		41,164	42,274	39,743
Interest-bearing unsecured liabilities		23,611	21,221	17,066
Financial leasing		732	568	896
Financial instruments	10	0	319	65
Deferred tax liability		4,371	3,347	3,640
<b>Total non-current liabilities</b>		<b>69,878</b>	<b>67,729</b>	<b>61,411</b>
<b>Current liabilities</b>				
Interest-bearing liabilities		2,301	630	1,137
Interest-bearing unsecured liabilities		5,145	0	4,000
Accounts payable		305	359	332
Current tax liabilities		273	70	202
Other current liabilities		1,229	778	994
Accrued costs and prepaid income		745	449	589
<b>Total current liabilities</b>		<b>9,998</b>	<b>2,287</b>	<b>7,254</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>148,797</b>	<b>109,680</b>	<b>128,606</b>
<sup>1)</sup> Of which non-controlling interests		43,588	18,553	36,133

# Consolidated Statement of Changes in Equity

Amounts in SEK million	Share capital	Other capital contributions	Hybrid bond <sup>1)</sup>	Retained profit	Attributable to Parent Company shareholders	Non-controlling interests	Total equity
<b>Equity, 31 Dec. 2018</b>	<b>78</b>	<b>6,466</b>		<b>9,956</b>	<b>16,500</b>	<b>17,436</b>	<b>33,936</b>
Dividend				-23	-23		-23
Issue of hybrid bond			2,000		2,000		2,000
Issue costs			-18		-18		-18
Other comprehensive income				901	901	436	1,336
Profit for the period				1,752	1,752	682	2,434
<b>Equity, 30 Jun 2019</b>	<b>78</b>	<b>6,466</b>	<b>1,982</b>	<b>12,586</b>	<b>21,112</b>	<b>18,553</b>	<b>39,665</b>
Dividend				-45	-23	-56	-124
Contributions from non-controlling interests					0	8,644	8,644
Dividend to non-controlling interest					0	-465	-465
Non-controlling interests					0	52	52
Issue of hybrid bond			1,000		1,000	8,523	9,523
Issue costs			-7		-7	-9	-16
Other comprehensive income				-574	-574	-330	-904
Profit for the period			45	2,302	2,346	1,220	3,567
<b>Equity, 31 Dec 2019</b>	<b>78</b>	<b>6,466</b>	<b>2,975</b>	<b>14,289</b>	<b>23,808</b>	<b>36,133</b>	<b>59,941</b>
Dividend				-102	-23	-963	-1,089
Contributions from non-controlling interests					0	7,610	7,610
Issue of hybrid bond			1,030		1,030		1,030
Premium, hybrid bond			-30	30	0		0
Repurchase, hybrid bond			-100	20	-80		-80
Issue costs			-8		-8	-77	-85
Other comprehensive income				-1,095	-1,095	-723	-1,818
Profit for the period			102	1,701	1,803	1,608	3,412
<b>Equity, 30 Jun 2020</b>	<b>78</b>	<b>6,466</b>	<b>3,867</b>	<b>14,922</b>	<b>25,332</b>	<b>43,588</b>	<b>68,921</b>

<sup>1)</sup> 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 43 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 72,220 million (61,946) on the balance sheet date. Of this amount, 40 percent (34) pertains to debenture loans, 30 percent (32) to mortgages and 30 percent (34) to traditional bank loans. There are also unutilised lines of credit of SEK 11,727 million (10,269).

The average period for which capital is tied up regarding Heimstaden's interest-bearing liabilities amounted to 9.9 years (10.1). The largest proportion of loan maturities within an individual year will occur in 2023 (2021) and accounts for 23 percent (17) of the total portfolio. At the same time, the average period of fixed interest, including the effect of derivatives, amounts to 2.3 years (2.6).

### Deferred tax liability

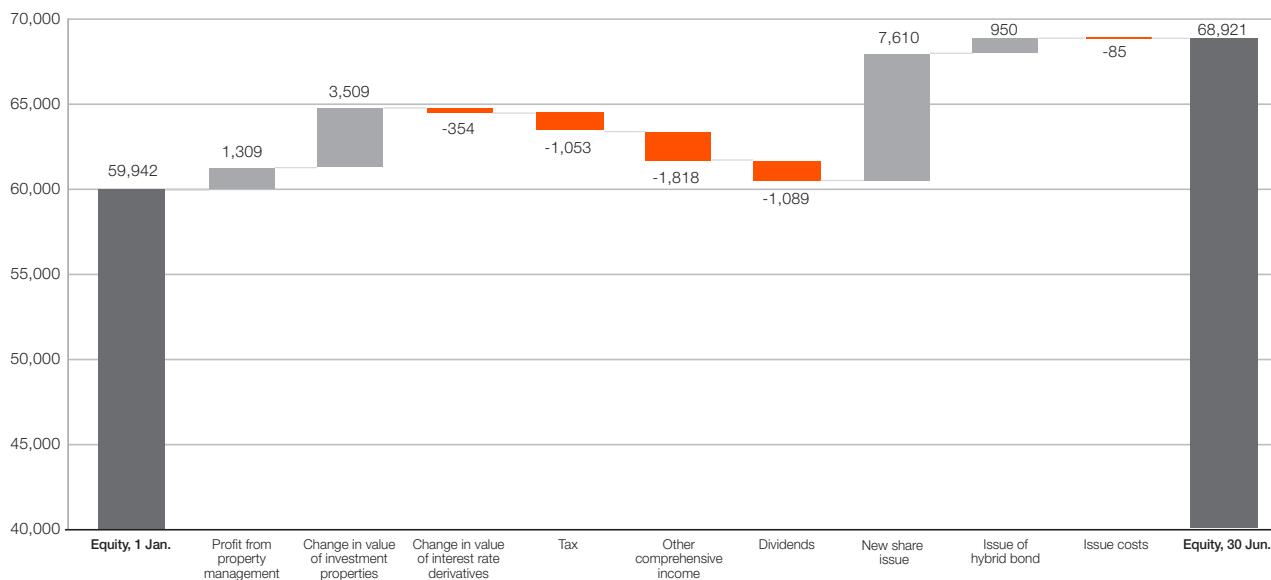
The positive value trend in Heimstaden's property portfolio resulted in an increased deferred tax liability, amounting on the balance sheet date to SEK 4,371 million (3,640).

### Equity

Equity amounted to SEK 68,921 million (59,942), giving an equity/assets ratio of 46 percent (47). The change in equity over the period is primarily attributable to a new share issue.

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 PERIOD<sup>1)</sup>, SEK MILLION



<sup>1)</sup> Profit from participations in associated companies is allocated to the relevant item.

# Consolidated Cash Flow Statement

Amounts in SEK million	2020 6 months Jan–Jun	2019 6 months Jan–Jun	2020 3 months Apr–Jun	2019 3 months Apr–Jun	2019 12 months Jan–Dec
<b>Operating activities</b>					
Profit before tax	4,464	3,154	2,095	1,533	7,703
Adjustments for non-cash items:					
– Change in value of investment properties	-3,509	-3,216	-1,595	-1,455	-6,517
– Change in value of derivative instruments	354	356	225	44	107
– Other non-cash items	-204	245	-87	180	-51
Tax paid	-253	-122	-65	-10	-159
<b>Cash flow from operating activities before changes in working capital</b>	<b>852</b>	<b>417</b>	<b>573</b>	<b>293</b>	<b>1,082</b>
<b>Change in working capital</b>					
Change in current receivables	-232	30	-36	134	-62
Change in development properties and tenant-owned apartments in progress	–	–	–	–	-113
Change in current liabilities	-221	-148	-449	112	360
<b>Cash flow from operating activities</b>	<b>399</b>	<b>300</b>	<b>87</b>	<b>538</b>	<b>1,267</b>
<b>Investing activities</b>					
Property acquisitions	-8,331	-6,702	-1,308	-5,190	-10,990
Investment, properties	-1,126	-1,062	-539	-538	-2,607
Acquisitions of subsidiaries	–	-72	–	-72	-72
Acquisitions of other non-current assets	-37	–	-27	–	-16
Deposits paid for acquisitions	496	–	-19	–	-536
Other receivables, future acquisitions	-260	–	-260	–	-231
Other investments	0	-3	–	1	-4
Property sales	0	3	–	3	14
Acquisitions of participations in associated companies	-2	–	–	–	-14
Change in loans to associated companies	-270	-16	-127	13	-361
Change in financial assets	-19	14	-24	–	-46
<b>Cash flow from investing activities</b>	<b>-9,549</b>	<b>-7,837</b>	<b>-2,303</b>	<b>-5,782</b>	<b>-14,864</b>
<b>Financing activities</b>					
Contributions from non-controlling interests	7,610	465	3,610	465	8,644
Dividend to non-controlling interest	-894	-465	-894	-465	-465
Dividend, preference shares	-23	-23	-12	-12	-47
Dividend hybrid bond	-171	–	-61	–	-100
Issue costs	-85	–	-14	–	-34
Issue of hybrid bond	950	1,982	0	1,982	11,523
Change in interest-bearing liabilities	-6,118	4,029	-5,407	272	-59
Issue of debenture loan	6,132	0	6,132	0	0
<b>Cash flow from financing activities</b>	<b>7,399</b>	<b>5,988</b>	<b>3,354</b>	<b>2,242</b>	<b>19,461</b>
<b>Cash flow for the period</b>	<b>-1,750</b>	<b>-1,550</b>	<b>1,138</b>	<b>-3,001</b>	<b>5,863</b>
<b>Opening cash and cash equivalents</b>	<b>10,687</b>	<b>4,775</b>	<b>7,527</b>	<b>6,265</b>	<b>4,775</b>
<b>Currency effect in cash and cash equivalents</b>	<b>-59</b>	<b>69</b>	<b>213</b>	<b>32</b>	<b>48</b>
<b>Closing cash and cash equivalents</b>	<b>8,877</b>	<b>3,295</b>	<b>8,877</b>	<b>3,295</b>	<b>10,687</b>

### Operating activities

Cash flow from operating activities, before changes in working capital, amounted to SEK 852 million (417). The increase is primarily attributable to a larger property portfolio. After a reduction in working capital, cash flow from operating activities amounted to SEK 399 million (300).

### Investing activities

Cash flow from investing activities was negative in the amount of SEK 9,549 million (7,837). 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 7,399 million (5,988). 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 1,750 million (1,550) and cash and cash equivalents amounted to SEK 8,877 million (3,295) at the end of the period.



## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK million	2020 6 months Jan-Jun	2019 6 months Jan – Jun
Other operating income	129	57
Other operating costs	-101	-49
<b>Operating profit/loss</b>	<b>28</b>	<b>8</b>
Profit from participations in Group companies	-2	-
<b>Profit before financial items</b>	<b>26</b>	<b>8</b>
Interest income	15	-84
Interest costs	-53	-
<b>Other financial costs</b>	<b>-254</b>	<b>-</b>
Profit from property management	-265	-76
Profit before tax	-265	-76
<b>Profit after financial items</b>	<b>-265</b>	<b>-76</b>

**Other operating income**

Other operating income for the period amounted to SEK 129 million (57) 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 101 million (49) 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 debt-  
ture loans where currency hedging is arranged partly in the subsidiaries.

## PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK million	2020 6 months Jan-Jun	2019 6 months Jan-Jun
<b>Operating activities</b>		
Profit before tax	-262	185
Adjustments for non-cash items:		
– Other non-cash items	250	-257
<b>Cash flow from operating activities before changes in working capital</b>	<b>-12</b>	<b>-72</b>
<b>Change in working capital</b>		
Change in current receivables	-98	125
Change in development properties and tenant-owned apartments in progress	-15	6
<b>Cash flow from operating activities</b>	<b>-125</b>	<b>63</b>
<b>Investing activities</b>		
Acquisitions of subsidiaries	-	-72
<b>Cash flow from investing activities</b>	<b>-</b>	<b>-72</b>
<b>Financing activities</b>		
Dividend, preference shares	-24	-24
Dividend on hybrid bond and issue costs	-160	-18
New issue of hybrid bond	1,000	2,000
Change in shareholder loans	-4,471	-2,217
<b>Cash flow from financing activities</b>		
<b>Cash flow for the period</b>	<b>-3,780</b>	<b>323</b>
<b>Opening cash and cash equivalents</b>	<b>6,124</b>	<b>706</b>
<b>Currency effect in cash and cash equivalents</b>	<b>-250</b>	<b>39</b>
<b>Closing cash and cash equivalents</b>	<b>2,094</b>	<b>977</b>

**Cash flow for the period**

Cash flow for the period was negative in the amount of SEK 3,780 million (323). 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	30 Jun 2020	30 Jun 2019
<b>Assets</b>		
<b>Non-current assets</b>		
Tangible fixed assets	2	3
Shares in subsidiaries	15,297	569
Receivables, subsidiaries	206	–
Other financial non-current assets	–	1
<b>Total non-current assets</b>	<b>15,504</b>	<b>572</b>
<b>Current assets</b>		
Receivables, subsidiaries	4,768	20,324
Other current receivables	177	55
Cash and cash equivalents	2,094	977
<b>Total current assets</b>	<b>7,039</b>	<b>21,357</b>
<b>TOTAL ASSETS</b>	<b>22,543</b>	<b>21,929</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	18,535	15,530
<b>Non-current liabilities</b>		
Interest-bearing liabilities	199	–
Debenture loans	3,000	3,000
Liabilities, subsidiaries	744	134
<b>Total non-current liabilities</b>	<b>3,944</b>	<b>3,134</b>
<b>Current liabilities</b>		
Liabilities, subsidiaries	–	3,239
Other current liabilities	64	26
<b>Total current liabilities</b>	<b>64</b>	<b>3,266</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>22,543</b>	<b>21,929</b>

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK million	Share capital	Share premium reserve	Hybrid bond <sup>1)</sup>	Retained profit	Total equity
<b>Equity, 31 Dec 2018</b>	<b>78</b>	<b>729</b>		<b>12,579</b>	<b>13,386</b>
Dividend				-23	-23
Issue of hybrid bond			2,000		2,000
Issue costs			-18		-18
Comprehensive income for the period				185	185
<b>Equity, 30 Jun 2019</b>	<b>78</b>	<b>729</b>	<b>1,982</b>	<b>12,740</b>	<b>15,530</b>
Dividend			-45	-23	-68
Issue of hybrid bond			1,000		1,000
Issue costs			-7		-7
Comprehensive income for the period			45	1,485	1,530
<b>Equity, 31 Dec 2019</b>	<b>78</b>	<b>729</b>	<b>2,975</b>	<b>14,202</b>	<b>17,984</b>
Dividend			-102	-23	-126
Issue of hybrid bond			1,030		1,030
Premium, hybrid bond			-30	30	0
Repurchase, hybrid bond			-100	20	-80
Issue costs			-8		-8
Comprehensive income for the period			102	-368	-265
<b>Equity, 30 Jun 2020</b>	<b>78</b>	<b>729</b>	<b>3,867</b>	<b>13,861</b>	<b>18,535</b>

<sup>1)</sup> Heimstaden presents the nominal value of hybrid bonds with issue costs deducted.

## 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 (3,000) on the balance sheet date.

## 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.

### IAS 1 Presentation of Financial Statements

IAS 1 requires companies to disclose "significant" accounting principles. The IASB has replaced the "significance" reference with a requirement to disclose "essential" accounting principles to clarify where the limit is set for which disclosures are to be submitted. The IASB has also supplemented IAS 1 with guidance to help companies understand what makes an accounting principle essential. Since Heimstaden Bostad's disclosures are considered essential, the changes do not affect the accounting principles. The amendment shall be applied for financial years commenced as of 1 January 2020.

### 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. On the balance sheet date, there were no new or amended standards or interpretations published by IASB that are expected to have a material impact on the financial statements of the Group or the Parent Company.

## 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.

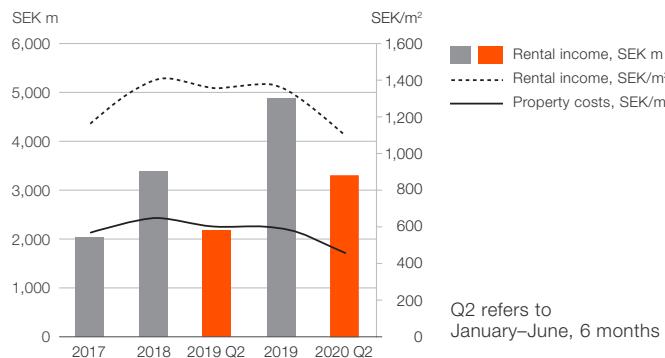
## Note 3 Events after the balance sheet date

---

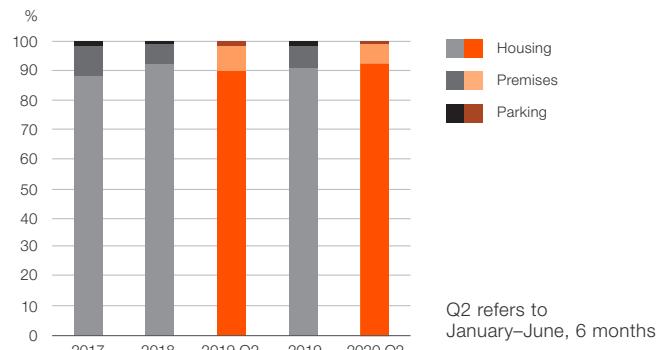
Heimstaden's subsidiary, Heimstaden Bostad, is extending its EMTN programme from EUR 4 billion to EUR 8 billion.

## Note 4 Rental income

### RENTAL INCOME AND PROPERTY COSTS



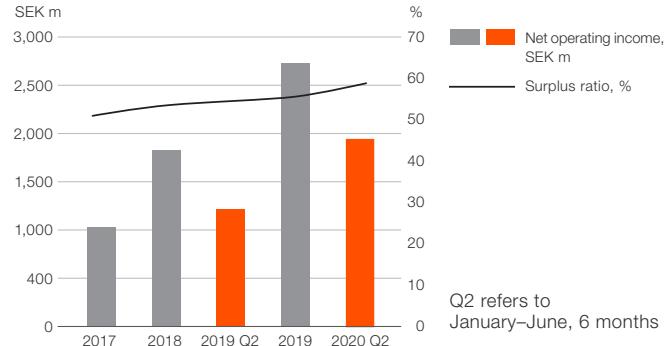
### DISTRIBUTION OF RENTAL INCOME



## Note 5 Property costs

Amounts in SEK million	2020 6 months Jan – Jun	2019 6 months Jan – Jun	2019 12 months Jan-Dec
Operating costs	-601	-508	-960
Maintenance and repairs	-299	-250	-546
Property administration	-336	-160	-422
Property tax	-134	-68	-202
Ground rent	–	–	–
Amortisation and depreciation	-6	-2	-8
<b>Total property costs</b>	<b>-1,375</b>	<b>-987</b>	<b>-2,138</b>

### 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.

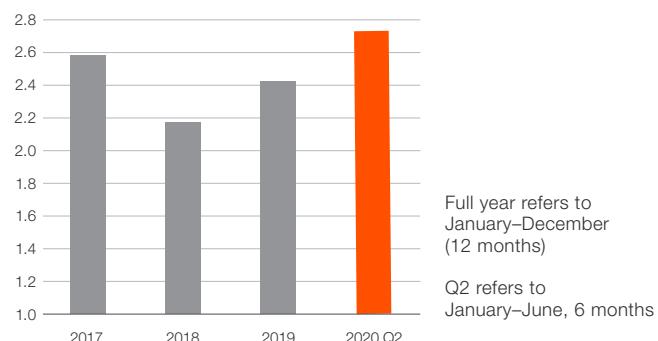
Heimstaden's operations, financial position and profit can be affected by a number of risks and uncertainties. These are described on pages 82–86 of the 2019 Annual Report. No significant changes have subse-

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 30 Jun 2020	Listing
<b>Refinancing risk</b>			
Capital tied up (months)	at least 15	118	
Loan maturity (percentage in individual year)	maximum 40	23 (2023)	
Limitation, individual lenders (percent)	maximum 50	11	
<b>Interest-rate risk</b>			
	In according with respective covenants		
Fixed interest (years)	In accordance with separate interest rate hedging strategy	2.3	
Interest rate hedge (percent)	at least 25	72	
<b>Credit risk</b>			
Equity/assets ratio (percent)	at least 25	46	
Interest coverage ratio (multiple, rolling 12 months)	at least 1.4	2.7	

### INTEREST COVERAGE RATIO Q2 (ICR)



Years	30 Jun 2020			Fixed interest, loans			Fixed interest incl. derivatives <sup>1)</sup>		
	SEK m	Share, %	Interest, incl. margin, %	SEK m	Share, %	Interest, incl. margin, %			
0–1	54,976	76	1.4	26,165	36	3.8			
1–2	7,402	10	2.0	11,693	16	1.1			
2–3	1,420	2	2.5	6,793	9	0.7			
3–4	7,346	10	2.3	14,184	20	0.4			
4–5	345	0	1.2	5,604	8	0.6			
> 5 years after balance sheet date	731	1	3.5	7,327	10	0.6			
<b>Total</b>	<b>72,220</b>	<b>100</b>	<b>1.6</b>	<b>71,766</b>	<b>100</b>	<b>1.8</b>			

<sup>1)</sup> The credit margin is evenly spread across the maturity structure

The average remaining term of fixed interest in the loan portfolio amounts to: 0.73 years

The average remaining term of fixed interest in the loan portfolio, including derivatives, amounts to: 2.25 years

## Note 7 Valuation of investment properties

### Yield requirement

Years	Average
2019	3.65%
Q2 2020	3.67%

## Note 8 Change in value of derivatives

### Change in market value of derivatives

Market value of derivatives, 31 Dec 2019	-65
Unrealised changes in value basis swaps	457
Unrealised changes in value interest rate swaps	-354
<b>Market value of derivatives, 30 Jun 2020</b>	<b>38</b>

## Note 9 Investment properties

### Change in market value of investment properties

Amounts in SEK million	Total	Sweden	Denmark	Norway	Germany	Netherlands	Czech Republic
<b>Market value of investment properties, 31 Dec 2019</b>	<b>113,719</b>	<b>41,629</b>	<b>34,645</b>	<b>17,372</b>	<b>2,292</b>	<b>17,781</b>	<b>-</b>
Sales during the period	-	-	-	-	-	-	-
Acquisitions during the period	18,805	392	693	-	105	4,631	12,985
Investments during the period	1,150	761	203	73	26	21	66
Currency change	-1,741	-	235	-1,616	10	-41	-329
<b>Market value after transactions</b>	<b>131,934</b>	<b>42,782</b>	<b>35,777</b>	<b>15,829</b>	<b>2,432</b>	<b>22,392</b>	<b>12,721</b>
Unrealised value change	3,528	1,052	8	523	40	367	1,538
<b>Market value of investment properties, 30 Jun 2020</b>	<b>135,462</b>	<b>43,834</b>	<b>35,785</b>	<b>16,352</b>	<b>2,472</b>	<b>22,758</b>	<b>14,260</b>



## Note 10 Financial instruments

### Change in loan volume

<b>Interest-bearing loans, 31 Dec 2019</b>	<b>61,946</b>
Repayments on loans	-1,454
Currency exchange effect on loans	4
New borrowing/loans taken over	11,724
<b>Interest-bearing loans, 30 Jun 2020</b>	<b>72,220</b>

	Capital tied up, loans		Lines of credit	
Years	SEK million	Share, %	million	Share, %
0-1	7,446	10	—	—
1-2	11,034	15	4,903	42
2-3	5,647	8	3,823	33
3-4	16,405	23	3,000	26
4-5	232	0	—	—
> 5 years after balance sheet date	31,457	44	—	—
<b>Total</b>	<b>72,220</b>	<b>100</b>	<b>11,727</b>	<b>100</b>

The average remaining period for which capital is tied up amounts to: 9.9 years

### Funding source, SEK m

	Credit	Secured, %	Share, %	Unutilised credit commitment
Bonds	28,756	0	40	—
Mortgages	21,818	100	30	—
Bank loans	21,647	100	30	11,727
<b>Total</b>	<b>72,220</b>	<b>60</b>	<b>100</b>	<b>11,727</b>

### Financial instruments

Years	Type	Maturity, interest rate derivatives		
		SEK million	Share, %	Interest, % <sup>1)</sup>
0-1	Paying fixed	4,427	11	-0.05
1-2	Paying fixed	6,232	15	0.24
2-3	Paying fixed	5,373	13	0.23
3-4	Paying fixed	12,789	31	0.00
4-5	Paying fixed	5,259	13	0.5
> 5 years after balance sheet date	Paying fixed	7,300	18	0.3
<b>Total</b>		<b>41,380</b>	<b>100</b>	<b>0.2</b>

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

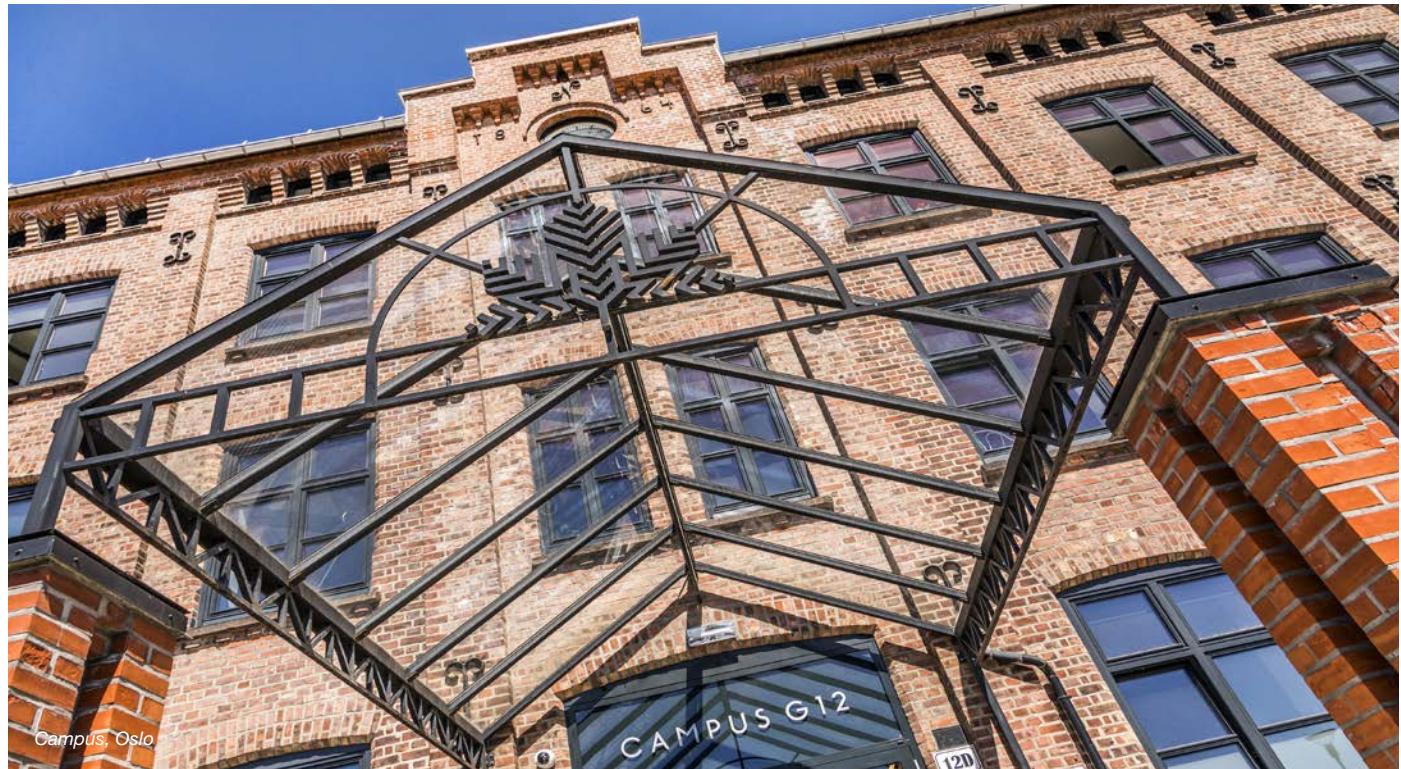
### Financial instruments

Years	Type	Maturity, basis swaps		
		SEK million	Share, %	Interest, % <sup>1)</sup>
0-1	Paying variable	—	—	—
1-2	Paying variable	4,847	40	2.4
2-3	Paying variable	—	—	—
3-4	Paying variable	7,293	60	2.7
4-5	Paying variable	—	—	—
> 5 years after balance sheet date	Paying variable	—	—	—
<b>Total</b>		<b>12,140</b>	<b>100</b>	<b>2.5</b>

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
Gamblebro	50	8	-3	—	-2	423	432
Fastighets AB Rosengård	25	73	-6	—	12	1,515	870
Byggrätt Norr AB	19	—	—	—	—	—	—
Upplands Bro, Brogård stage 2	50	—	-10	2	-10	510	384
Magnolia Projekt 5222 AB	50	—	—	—	—	—	—
A place to AS	50	2	—	—	-3	316	316
<b>Total</b>		<b>83</b>	<b>-19</b>	<b>2</b>	<b>-3</b>	<b>2,764</b>	<b>2,002</b>



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, 19 August 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 6 months Jan–Jun	2019 6 months Jan–Jun	2020 3 months Apr–Jun	2019 3 months Apr–Jun	2019 12 months Jan–Dec
<b>Property-related data</b>					
Rental income, SEK m	3,327	2,181	1,761	1,158	4,863
Letting ratio, housing (number), %	94.6	96.6	94.6	96.6	97.6
Real letting ratio, housing (number), %	96.9	98.4	96.9	98.4	99.1
Surplus ratio, %	58.7	54.8	62.2	58.1	56.0
Acquisitions and property investments, SEK m	18,805	20,802	4,429	17,091	27,859
Property sales, SEK m	–	3	–	3	14
Market value of properties on balance sheet date, SEK m	135,462	103,447	135,462	103,447	113,719
Lettable area on balance sheet date, m <sup>2</sup>	6,854,455	3,754,735	6,854,455	3,754,735	4,031,310
Number of apartments on balance sheet date	100,123	50,890	100,123	50,890	54,863
Proportion living area on balance sheet date, %	93	91	93	91	91
<b>Financial data</b>					
Cash flow from operating activities, SEK m	399	300	87	538	1,381
Profit from property management, SEK m	1,309	294	724	122	1,293
Interest coverage ratio (ICR), multiple	2.7	2.3	2.7	2.3	2.4
Equity/assets ratio, %	46.3	36.2	46.3	36.2	46.6
Loan-to-value ratio (debenture loan covenant), %	42.6	55.5	42.6	55.5	39.9
Loan-to-value ratio, secured loans, %	29.2	39.1	29.2	39.1	31.8
Loan-to-value ratio (financial policy), %	52.8	60.8	52.8	60.8	51.7
Average interest rate on balance sheet date, %	1.8	2.0	1.8	2.0	1.9
Average period of fixed-interest on loans, incl. derivatives, years	2.3	2.0	2.3	2.0	2.6
Average period for which capital is tied up, year	9.9	9.6	9.9	9.6	10.1
Return on equity, %	12.5	11.0	12.5	11.0	14.0
Equity on the balance sheet date, SEK m	68,921	39,665	68,921	39,665	59,942
Net asset value on the balance sheet date, SEK m	73,292	43,012	73,292	43,012	63,582
Long-term net asset value on the balance sheet date, SEK m	73,292	43,331	73,292	43,331	63,647
DEBT/EBITDA, multiple	20	23	20	23	21
<b>Data per share</b>					
Profit per ordinary share, SEK	43	197	19	98	322
Equity per ordinary share, SEK	1,548	1,531	1,548	1,531	1,508
Equity per preference share, SEK	380	380	380	380	380
Number of ordinary shares outstanding at the end of the period	13,204,000	13,204,000	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	2,343,750	2,343,750
Average number of ordinary shares outstanding	13,204,000	13,204,000	13,204,000	13,204,000	13,204,000
Average number of preference shares outstanding	2,343,750	2,343,750	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.

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 19 August 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](http://www.heimstaden.com)