

2020  
Heimstaden AB  
Interim report  
JANUARY – SEPTEMBER



**Heimstaden**

# Key data

January – September 2020

OPERATIONAL		FINANCIAL	
Rental income  <b>SEK 5,064</b> million  2019, SEK 3,483 million	Cash flow from operating activities  <b>SEK 568</b> million  2019, SEK 296 million	Equity  <b>SEK 70.4</b> billion  Year-end 2019, SEK 59.9 billion	Cash and cash equivalents  <b>SEK 9.6</b> billion  Year-end 2019, SEK 10.7 billion
Net operating income  <b>SEK 2,986</b> million  2019, SEK 1,983 million	Change in fair value of properties  <b>SEK 6,045</b> million  up 4.4% in 2020	Loan-to-value ratio  <b>43</b> %  Year-end 2019, 40%	Loan-to-value ratio, secured loans  <b>27</b> %  Year-end 2019, 32%
Net operating income, %  <b>59</b> %  2019, 57%	Real letting ratio for residential  <b>97</b> %  2019, 99%	Interest coverage ratio  <b>2.8</b> x  2019, 2.2 x	Unutilised lines of credit  <b>SEK 13.7</b> billion  Year-end 2019, SEK 10.3 billion

## PROPERTIES

Investment properties  <b>SEK 139</b> billion  Year-end 2019, SEK 114 billion	Number of apartments  <b>100,870</b>  Heimstaden's property portfolio consists mainly of residential housing.  Year-end 2019, 54,863		
Area  <b>6,905</b> thousand m <sup>2</sup>  Year-end 2019, 4,031 thousand m <sup>2</sup>	Residential area, %  <b>93</b> %  Year-end 2019, 91%	Number of commercial units  <b>4,517</b>  Year-end 2019, 2,749	Number of parking spaces  <b>20,524</b>  Year-end 2019, 17,220

Property pictured on front cover: Wissmannstraße 2, Germany

# The period in brief

January – September 2020

- Rental income was up 45 percent compared to 2019, primarily driven by acquisitions.
- Like-for-like rental income growth was 4 percent.
- The net operating income margin increased to 59 percent (57), mainly due to lower repair and maintenance costs.
- Continued strong performance and resilient markets have resulted in limited impact from Covid-19 and more than 99 percent rent invoiced for the period was collected.
- Acquisitions amounted to SEK 20,217 and change in fair value of investment- and development properties amounted to 6,045 million (4,900).
- As of September 30, 2020, fair value of the portfolio was SEK 139 billion and the portfolio included 100,870 apartments.
- Purchase agreement signed for the acquisition of 3,902 residential units in central Berlin.
- Strong financial position with a loan-to-value ratio of 43 percent (year-end 2019, 40).

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



Havneholmen, Denmark

# Stable foundation in an uncertain world

The situation in the world around us remains highly uncertain – primarily due to the conditions caused by the prevailing Corona pandemic. Consequently, it is gratifying to see that Heimstaden has continued to develop safely, consciously and in a controlled manner.

Net operating income and earnings continue to strengthen. We are seeing the results of our sustainable long-term investments, which have reduced our operating costs related to heating, water and electricity. Next year, our ambition is to further expand our investments in energy-saving measures and remodelling, and to invest in renewable electricity production, all in accordance with the upcoming EU taxonomy.

Rent collection has remained high and we have not seen any signs of increasing numbers of late payments or additional deferral requests.

We are seeing persistent strong housing demand in all of our markets. In the regulated rental markets, such as Sweden, there are long waiting lists for apartments. For student apartments, leasing has normalised, and the short-term vacancy increases we experienced this spring are a thing of the past.

All completed apartments from our new developments have been leased, which is highly gratifying. Construction is ongoing for an additional 1,400 environmentally certified apartments in Sweden, most of them with investment subsidies, and 1,400 apartments are under construction in Denmark.

## Rising property values

Due to the restrictions introduced by the governments in all of our markets, letting processes take longer than normal as all viewings must be conducted in a manner that avoids contagion. As a result, although demand remains high, contract vacancies, arising from the extra time



it takes to re-let a recently vacated apartment, have increased. During the summer months, we saw a rapid recovery in contract vacancies, but with increased contagion and the introduction of new restrictions, this situation has reverted. However, it is our assessment that this has not had a significant impact on our earnings.

In the first nine months of 2020, the fair value of our residential properties has increased by SEK 6 billion, mainly due to declining yield requirements and increased net operating income. The loan-to-value ratio has remained stable at 43 percent and our cash position for continued acquisitions and investments amounted to SEK 9.6 billion at the end of the quarter.

## Growth in Berlin

During the quarter, we made additional acquisitions in our existing markets, with the largest individual acquisition involving almost 4,000 apartments in central Berlin. With this acquisition, we will achieve sufficient scale to establish our own in-house organisation in Berlin and we are in the process of recruiting new colleagues to pursue our “Friendly Homes” mission there.



#### **Social efforts during the Corona pandemic**

Since the outbreak of the pandemic, we have sought to support our customers in their everyday lives in various ways. This spring, in our newest market, the Czech Republic, we introduced an effort called "You are not alone". Since then, we have contacted 5,000 elderly and isolated tenants, offering assistance with shopping, collecting medication or simply a chat and some social interaction. This ongoing venture is being conducted in collaboration with the University of Ostrava and has been highly appreciated.

The spread of infection is increasing again in most countries. In the Czech Republic, it is substantial and the strained healthcare system is in need of voluntary assistance. Therefore, some of our employees are participating as volunteers and we have made apartments in Ostrava available to relief efforts, offering accommodation for up to 30 volunteers from other parts of the country while they are on site to help.

We are committed to assuming substantial social responsibility and I take great pride in our employees' sustainability initiatives – both in the Czech Republic as well as in our other markets.

#### **A stable foundation**

Heimstaden enjoys the very best conditions for continued growth and for realising our promise to our customers to enrich and simplify their lives with friendly homes. Several years of purposeful work with our strategy, portfolio and organisation have laid a robust foundation for the company so that, as far as we can see today, the Corona pandemic will have relatively minor consequences for our business.

Be strong, hang in there, maintain your distance and keep washing your hands – and we will get through this pandemic together!

Patrik Hall  
CEO Heimstaden

# Significant events in the quarter

On the balance sheet date, the total value of Heimstaden's property portfolio was SEK 139 billion, excluding signed acquisitions. Listed below are the significant transactions and events in the third quarter.



## Covid-19

Throughout 2020, residential real estate markets have proven highly resilient to the effects of the Covid-19 pandemic. 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 and the impact of the pandemic on Heimstaden has been limited.

Globally, the rate of recovery is expected to vary between regions and countries and will be dependent on the effectiveness of government measures to protect the health of the population and stimulate the economy. Heimstaden does not foresee any significant operational or financial impact going forward but acknowledges the prevailing uncertainty regarding the duration and ramifications of the ongoing pandemic. The company has considerable financial flexibility with a robust balance sheet and remains well positioned to deal with any adverse effects that may arise in the short to medium term.

## Acquisition of residential portfolio in Berlin

In September, Heimstaden subsidiary, Heimstaden Bostad, signed a purchase agreement to acquire 130 properties in Berlin for approx. EUR 830 million. The portfolio consists of 3,902 residential units, 208 commercial units and associated parking spaces for a lettable area of 282,000 sqm. Upon signing, annual contractual gross rents amounted to approx. EUR 29 million.

The transaction is expected to close in the fourth quarter of 2020 or first quarter of 2021, subject to merger clearance as well as pre-emption rights held by the municipality of Berlin for a share of the portfolio.

In relation to the acquisition, Heimstaden is establishing in-house operations in Germany, in line with its long-term operational strategy.

# Current earning capacity

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

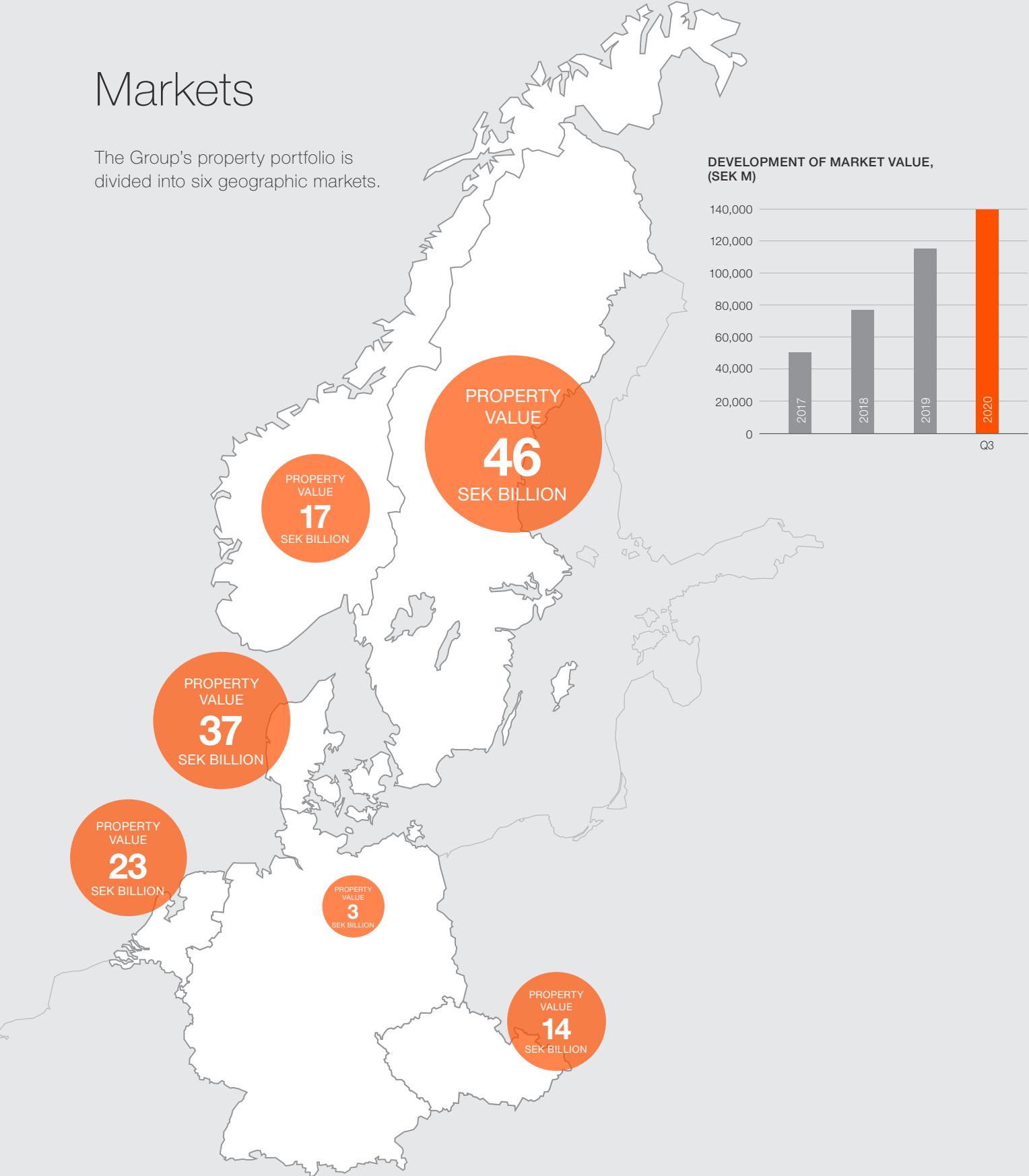
## Current earning capacity as per 30 September 2020

Amounts in SEK million	
Rental income	7,285
Property costs	-3,251
<b>Net operating income</b>	<b>4,034</b>
Central administration costs	-280
Other operating income	-
Other operating costs	-
Profit from participations in associated companies	-
<b>Profit before financial items</b>	<b>3,754</b>
Financial income	-
Financial costs	-1,311
<b>Profit from property management</b>	<b>2,444</b>
<b>Profit from property management attributable to:</b>	
The Parent Company's shareholders	957
Non-controlling interests	1,487
<b>Key data</b>	
<b>Net operating income, %</b>	<b>55.4</b>
<b>Interest coverage ratio (ICR), multiple</b>	<b>2.9</b>



# Markets

The Group's property portfolio is divided into six geographic markets.



# Sweden



## THE MARKET IN BRIEF

- Like-for-like rental income growth was 5 percent compared to the preceding year.
- Improved net operating income margin, driven mainly by lower repair and maintenance and lower heating costs.
- During the period, properties were acquired for a value of SEK 1,230 million.
- The change in the fair value of the properties for the period was 4.2 percent.
- The average valuation yield requirement was 3.8 percent.

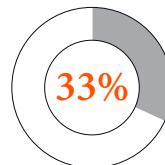
## SWEDEN

	Jan–Sep 2020	Jan–Sep 2019
Market value, SEK m	45,858	38,895
Rental income, SEK m	1,823	1,713
Net operating income, SEK m	1,006	828
Net operating income, %	55.2	48.3
Economic letting ratio, residential, %	98.3	99.1
Real economic letting ratio, residential, %	99.1	99.7
Area, m <sup>2</sup>	2,076,298	1,945,084

### 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 three quarters of the year, compared with 2019. The degree of urbanisation remained at about the same level.

The Stockholm region grew by approximately 1.9 percent, while growth in Sweden's southernmost region, Skåne, (with Malmö as its growth engine) was 1.5 percent. The number of households grew, indicating increased demand for housing.

GDP is expected to decline by 4.9 percent and unemployment to increase to 9.1 percent in 2020.

	Q3 2020	2019
Number of residents, thousands	10,407	10,293
GDP growth, %	-4.9	1.2
Inflation, %	0.7	1.8
Urbanisation, %	87.2	87.2
Unemployment, %	9.1	6.8
<i>Stockholm (Municipality)</i>		
Number of households, thousands	1,049	1,029
Average household size	2.3	2.3
<i>Skåne (Region)</i>		
Number of households, thousands	624	615
Average household size	2.2	2.2

*Source: Oxford Economics*

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



# Denmark



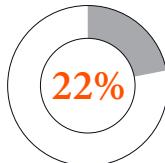
## THE MARKET IN BRIEF

- Like-for-like rental income growth was 3 percent compared with the preceding year.
- Lower net operating income margin, driven partly by higher repair and maintenance costs.
- During the period, properties were acquired for a value of SEK 950 million.
- Adjusted for currency effects, the change in the fair value of the properties for the period was 1.7 percent.
- The average valuation yield requirement was 3.8 percent.

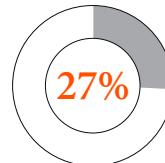
## DENMARK

	Jan–Sep 2020	Jan–Sep 2019
Market value, SEK m	37,069	33,422
Rental income, SEK m	1,117	866
Net operating income, SEK m	705	587
Net operating income, %	63.2	67.8
Economic letting ratio, residential, %	94.5	92.7
Real economic letting ratio, residential, %	96.8	98.8
Area, m <sup>2</sup>	872,017	794,292

RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



## MARKET DATA – DENMARK

The Danish population grew by 0.4 percent during the first three quarters of the year, compared with 2019.

Copenhagen was the growth engine with a population increase of 1.1 percent.

GDP is expected to decline by 3.8 percent and unemployment to increase to 5.0 percent in 2020.

	Q3 2020	2019
Number of residents, thousands	5,842	5,818
GDP growth, %	-3.8	2.4
Inflation, %	0.5	0.8
Urbanisation, %	88.4	88.3
Unemployment, %	5.0	3.7
<i>Copenhagen</i>		
Number of households, thousands	390	386
Average household size	2.1	2.1

Source: Oxford Economics

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



# Norway



## THE MARKET IN BRIEF

- Like-for-like rental income growth was 4 percent compared with the preceding year.
- Improved net operating margin, driven by lower repair and maintenance costs.
- No properties were acquired during the period.
- Adjusted for currency effects, the change in the fair value of the properties for the period was 5.8 percent.
- The average valuation yield requirement was 2.9 percent.

## NORWAY

	Jan–Sep 2020	Jan–Sep 2019
Market value, SEK m	16,509	17,433
Rental income, SEK m	506	516
Net operating income, SEK m	339	344
Net operating income, %	67.0	66.7
Economic letting ratio, residential, %	94.2	95.9
Real economic letting ratio, residential, %	95.2	97.6
Area, m <sup>2</sup>	221,449	217,328

### RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



### MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



## MARKET DATA – NORWAY

The Norwegian population grew by 0.7 percent during the first three quarters of the year, compared with 2019. The population of Oslo grew by 1.1 percent.

The degree of urbanisation increased by 0.3 percentage points.

GDP is expected to decline by 2.1 percent and unemployment to increase to 4.9 percent in 2020.

	Q3 2020	2019
Number of residents, thousands	5,390	5,350
GDP growth, %	-2.1	1.2
Inflation, %	1.6	2.2
Urbanisation, %	82.6	82.3
Unemployment, %	4.9	3.7
<i>Oslo</i>		
Number of households, thousands	352	348
Average household size	2.0	2.0

Source: Oxford Economics

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# Germany



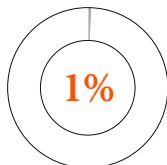
## THE MARKET IN BRIEF

- Like-for-like rental income growth was 4.7 percent compared with the preceding year.
- During the period, properties were acquired for a value of SEK 540 million.
- Adjusted for currency effects, the change in the fair value of the properties for the period was 3.5 percent.
- The average valuation yield requirement was 2.1 percent.

## GERMANY

	Jan–Sep 2020	Jan–Sep 2019
Market value, SEK m	3,034	765
Rental income, SEK m	51	16
Net operating income, SEK m	40	11
Net operating income, %	78.9	70.0
Economic letting ratio, residential, %	96.4	–
Real economic letting ratio, residential, %	97.9	–
Area, m <sup>2</sup>	89,748	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 three quarters of the year, with growth in Berlin at 0.9 percent.

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

GDP is expected to decline by 4.3 percent and unemployment to increase to 6.4 percent in 2020.

	Q3 2020	2019
Number of residents, thousands	83,239	83,104
GDP growth, %	-4.3	0.6
Inflation, %	-0.1	1.5
Urbanisation, %	77.4	77.4
Unemployment, %	6.4	5.0
<i>Berlin</i>		
Number of households, thousands	2,048	2,036
Average household size	1.8	1.8

Source: Oxford Economics

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



# Netherlands



## THE MARKET IN BRIEF

- Like-for-like rental income growth was 1.3 percent compared with the preceding year.
- During the period, properties were acquired for a value of SEK 4,512 million.
- Adjusted for currency effects, the change in the value of the properties for the period was 3.8 percent.
- The average valuation yield requirement was 3.6 percent.

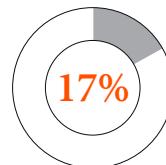
## NETHERLANDS

	Jan–Sep 2020	Jan–Sep 2019
Market value, SEK m	23,303	17,649
Rental income, SEK m	755	373
Net operating income, SEK m	419	212
Net operating income, %	55.5	57.0
Economic letting ratio, residential, %	96.8	–
Real economic letting ratio, residential, %	98.9	–
Area, m <sup>2</sup>	1,017,195	865,419

## RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



## MARKET VALUE, SHARE OF HEIMSTADEN TOTAL



## MARKET DATA – NETHERLANDS

The population grew by 0.5 percent over the first three quarters of the year.

GDP is expected to decline by 5.2 percent in 2020, and unemployment to increase to 5.6 percent.

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

	Q3 2020	2019
Number of residents, thousands	17,437	17,349
GDP growth, %	-5.2	1.6
Inflation, %	1.3	2.6
Urbanisation, %	91.9	91.7
Unemployment, %	5.6	4.3
<i>Amsterdam metropolitan area</i>		
Number of households, thousands	706	716
Average household size	2.0	1.9

Source: Oxford Economics

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



# Czech Republic



## THE MARKET 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 change in the fair value of the properties for the period was 13 percent.
- The average valuation yield requirement was 5.4 percent.

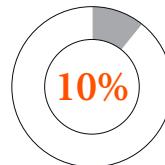
## CZECH REPUBLIC

	Jan–Sep 2020	Jan–Sep 2019
Market value, SEK m	13,555	–
Rental income, SEK m	812	–
Net operating income, SEK m	476	–
Net operating income, %	58.6	–
Economic letting ratio, residential, %	92.7	–
Real economic letting ratio, residential, %	95.7	–
Area, m <sup>2</sup>	2,628,667	–

### 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 three 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 demand in the housing market.

The Czech Republic had low unemployment relative to comparable countries in 2019, however this is expected to rise to 3.9 percent in 2020.

	Q3 2020	2019
Number of residents, thousands	10,682	10,662
GDP growth, %	-6.7	2.3
Inflation, %	3.1	2.9
Urbanisation, %	73.7	73.9
Unemployment, %	3.9	2.8
<i>Moravskoslezsky kraj (incl. Ostrava)</i>		
Number of households, thousands	493	495
Average household size	2.4	2.4

Source: Oxford Economics

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





Gruegata 18, Norway

# Consolidated Statement of Comprehensive Income

Amounts in SEK million	Note	2020 9 months Jan–Sep	2019 9 months Jan–Sep	2020 3 months Jul–Sep	2019 3 months Jul–Sep	2019 12 months Jan–Dec	Rolling 12 months Oct–Sep
Rental income	4	5,064	3,483	1,737	1,302	4,863	6,444
Property costs	5	-2,078	-1,500	-703	-514	-2,138	-2,716
<b>Net operating income</b>		<b>2,986</b>	<b>1 983</b>	<b>1,034</b>	<b>789</b>	<b>2,725</b>	<b>3,728</b>
Central administration costs		-194	-100	-59	-37	-172	-266
Other operating income		35	37	11	16	27	25
Other operating costs		-30	–	-11	–	-46	-77
Profit from participations in associated companies		-23	11	-18	-7	196	162
<b>Profit before financial items</b>		<b>2,775</b>	<b>1,931</b>	<b>957</b>	<b>760</b>	<b>2,729</b>	<b>3,573</b>
Financial income	6	73	17	22	5	57	113
Financial costs – interest-bearing liabilities	6	-1,063	-913	-379	-351	-1,152	-1,302
Other financial income	6	–	–	–	–	6	6
Other financial costs	6	-137	-75	-46	-23	-186	-248
Right-of-use assets		-29	-20	-10	-7	-29	-38
Currency gains and losses		203	-56	-32	205	-133	126
<b>Profit from property management</b>		<b>1,821</b>	<b>884</b>	<b>512</b>	<b>590</b>	<b>1,293</b>	<b>2,229</b>
<i>Profit from property management attributable to:</i>							
The Parent Company's shareholders		735	473	192	345	709	972
Non-controlling interests		1,086	412	320	245	583	1,258
Change in fair value of investment properties	7	6,045	4,900	2,536	1,684	6,517	7,662
Change in fair value of financial instruments	8	-335	-430	18	-74	-107	-12
<b>Profit before tax</b>		<b>7,531</b>	<b>5,353</b>	<b>3,067</b>	<b>2,200</b>	<b>7,703</b>	<b>9,880</b>
Current tax		-428	-179	-108	-88	-259	-509
Deferred tax		-1,327	-970	-595	-342	-1,443	-1,800
<b>Profit for the period</b>		<b>5,775</b>	<b>4,204</b>	<b>2,363</b>	<b>1,770</b>	<b>6,001</b>	<b>7,572</b>
<i>Profit for the period attributable to:</i>							
The Parent Company's shareholders		3,011	3,034	1 208	1,282	4,099	4,076
Non-controlling interests		2,764	1,170	1 155	488	1,902	3,496
Other comprehensive income		-2,672	1,273	-854	-64	432	-3,513
<b>Comprehensive income</b>		<b>3,103</b>	<b>5,477</b>	<b>1 509</b>	<b>1,706</b>	<b>6,433</b>	<b>4,059</b>

### Rental income

Rental income for the period amounted to SEK 5,064 million (3,483), which corresponds to an increase of 45 percent. This growth is primarily attributable to property transactions that have been implemented in the Netherlands and the Czech Republic. Rental income averaged SEK 1,073 per square metre of time-weighted area (1,361). The lower average rental income 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 economic letting ratio for residential was 96 percent (96) in the period. Adjusted for intentionally vacated apartments, the Group's real economic letting ratio was 98 percent (98).

### Property costs

Total property costs amounted to SEK 2,078 million (1,500). The change is mainly attributable to an increased number of properties. Property costs averaged SEK 440 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 2,986 million (1,983) for the period, corresponding to a net operating income percent of 59.0 percent (56.9). The higher net operating income percent is explained by lower property costs in the period.

### Central administration costs

Costs for central administration amounted to SEK 194 million (100), 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 1,063 million (913). 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 1.7 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 unsecured bonds, as well as changed base rates. At the end of the period, Heimstaden's interest rate hedging ratio was 85 percent (57). The increase is due to a revised financial policy.

On a rolling 12-month basis, the interest coverage ratio was 2.8 (2.0). The acquisitions in the Czech Republic and the Netherlands contributed positively, but have not had a full impact 12 months back in time.

About 27 percent (49) 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 139 million (225) were rates to rise, and decrease them by approximately SEK 14 million (58) in the event that interest rates were to fall.

The difference in sensitivity is explained by interest rate hedging and several credit agreements containing interest rate floor clauses restricting interest rate changes on the downside.

### 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 203 million (loss 56) and relate primarily to unrealised exchange rate differences on cash and cash equivalents, and to receivables, liabilities and associated currency hedges.

### Profit from property management

Profit from property management increased to SEK 1,821 million (884). 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 72 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 the fair value of properties amounted to SEK 6,045 million (4,900). This corresponds to a 4.4 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 effects of the acquisition of the Czech portfolio, the yield requirement was 3.56 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 335 million (430). Currency effects related to currency hedging of unsecured bonds 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 1,327 million (970). Current tax amounted to SEK 428 million (179).

### 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 2,672 million (positive 1,273).

# Consolidated Statement of Financial Position

Amounts in SEK million	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		70	72	72
Investment properties	9	139,329	108,164	113,719
Right-of-use assets		701	744	895
Tangible fixed assets		60	27	30
Financial instruments		86	0	0
Participations in associated companies	10	318	139	337
Other financial non-current assets		914	415	580
<b>Total non-current assets</b>		<b>141,478</b>	<b>109,561</b>	<b>115,633</b>
<b>Current assets</b>				
Development properties and tenant-owned apartments in progress		1,022	756	865
Accounts receivable		69	22	23
Other current receivables		1,407	600	1,062
Prepaid costs and accrued income		330	376	337
Cash and cash equivalents		9,602	3,841	10,687
<b>Total current assets</b>		<b>12,430</b>	<b>5,595</b>	<b>12,974</b>
<b>TOTAL ASSETS</b>		<b>153,908</b>	<b>115,155</b>	<b>128,606</b>



### Investment properties

On the balance sheet date, the fair market value of Heimstaden's property portfolio amounted to SEK 139,329 million, compared with SEK 113,719 million at the end of 2019. During the period, properties were acquired for a value of SEK 20,217 million, most of which concerns the acquisition in the Czech Republic. The total change in the fair value of the properties for the period amounted to SEK 5,922 million, corresponding to a change of 4.4 percent. The remaining change 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.

### Right-of-use assets

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 unsecured bonds.

### Participations in associated companies

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

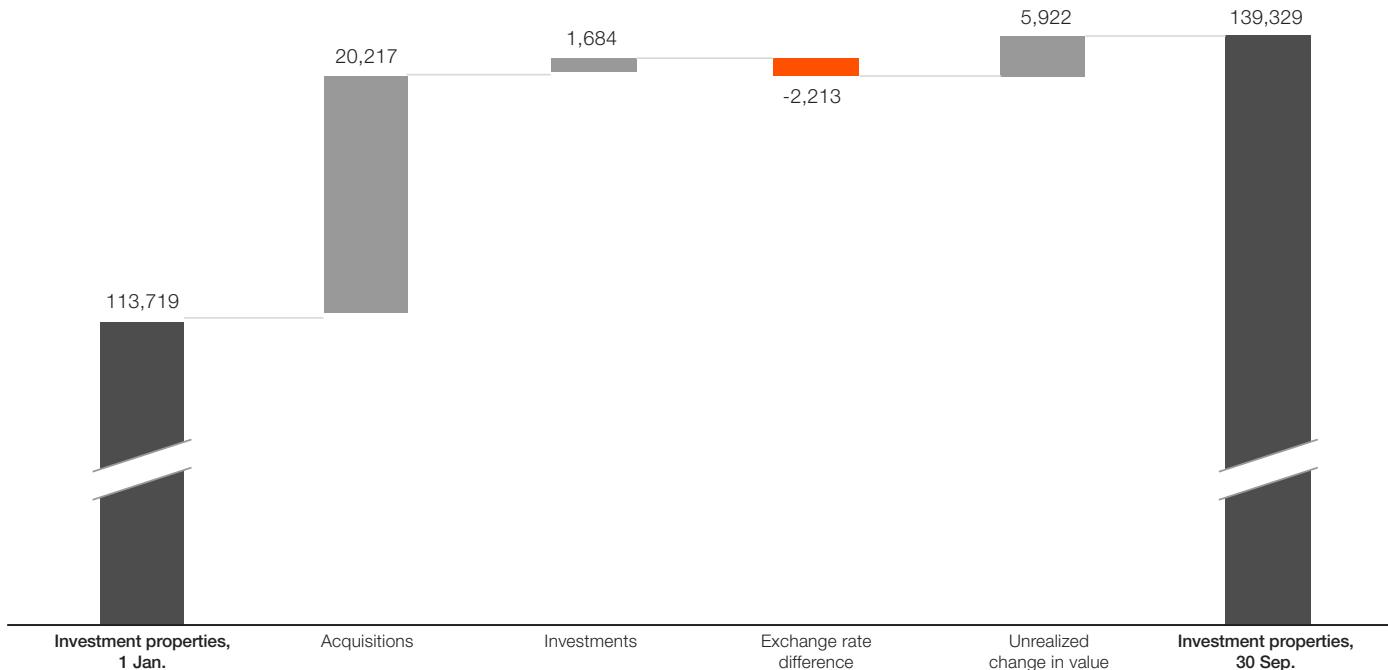
### Other financial non-current assets

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 914 million (415) at the end of the period.

### Development properties and tenant-owned apartments in progress

In connection with the acquisition of Norwegian investment properties in 2017, 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.

### INVESTMENT PROPERTIES DEVELOPMENT OVER THE PERIOD, SEK MILLION



# Consolidated Statement of Financial Position

Amounts in SEK million	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>EQUITY AND LIABILITIES</b>				
<b>Equity<sup>1)</sup></b>		<b>70,359</b>	<b>44,302</b>	<b>59,942</b>
Non-current liabilities				
Interest-bearing liabilities		41,185	42,798	39,743
Interest-bearing unsecured liabilities		28,925	21,375	17,066
Right-of-use liabilities		702	744	896
Financial instruments	10	0	275	65
Deferred tax liability		4,969	3,191	3,640
<b>Total non-current liabilities</b>		<b>75,781</b>	<b>68,383</b>	<b>61,411</b>
<b>Current liabilities</b>				
Interest-bearing liabilities		141	685	1,137
Interest-bearing unsecured liabilities		5,145	0	4,000
Accounts payable		314	369	332
Current tax liabilities		316	110	202
Other current liabilities		1,029	790	994
Accrued costs and prepaid income		822	516	589
<b>Total current liabilities</b>		<b>7,768</b>	<b>2,470</b>	<b>7,254</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>153,908</b>	<b>115,155</b>	<b>128,606</b>
<sup>1)</sup> Of which non-controlling interests		44,404	20,932	36,134

# 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				-35	-35		-35
Contributions from non-controlling interests					-	1,950	1,950
Issue of hybrid bond			3,000		3,000		3,000
Issue costs			-25		-25		-25
Other comprehensive income				897	897	376	1,273
Profit for the period				3,034	3,034	1,170	4,204
<b>Equity, 30 Sep 2019</b>	<b>78</b>	<b>6,466</b>	<b>2,975</b>	<b>13,852</b>	<b>23,370</b>	<b>20,932</b>	<b>44,302</b>
Dividend				-45	-12	-56	-112
Contributions from non-controlling interests					-	6,694	6,694
Dividend to non-controlling interest					-	-465	-465
Non-controlling interests					-	52	52
Issue of hybrid bond			-		-	8,523	8,523
Issue costs			-		-	-9	-9
Other comprehensive income				-570	-570	-270	-840
Profit for the period			45	1,020	1,064	732	1,797
<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>59,914</b>
Dividend				-163	-35	-963	-1,162
Contributions from non-controlling interests					-	7,610	7,610
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	-77	-85
Other comprehensive income				-1,609	-1,609	-1,062	-1,062
Profit for the period			163	2,848	3,011	2,764	5,775
<b>Equity, 30 Sep 2020</b>	<b>78</b>	<b>6,466</b>	<b>3,867</b>	<b>15,544</b>	<b>25,954</b>	<b>44,404</b>	<b>70,359</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, 55 percent (67) related to loans secured by property mortgages, resulting in a loan-to-value ratio for secured loans of 27 percent (32).

The total loan portfolio amounted to SEK 75,625 million (64,858) on the balance sheet date. Of this amount, 45 percent (33) pertains to unsecured bonds, 29 percent (31) to mortgages and 26 percent (36) to traditional bank loans. There are also unutilised lines of credit of SEK 13,658 million (8,998).

The average loan tenor of Heimstaden Bostad's interest-bearing liabilities was 9.9 years (10.1). The largest proportion of loan maturities within an individual year occurs within 2 to 3 years and accounts for 16 percent (19) of the total portfolio. At the same time, the average period of fixed interest, including the effect of derivatives, amounts to 2.7 years (2.4).

### Deferred tax liability

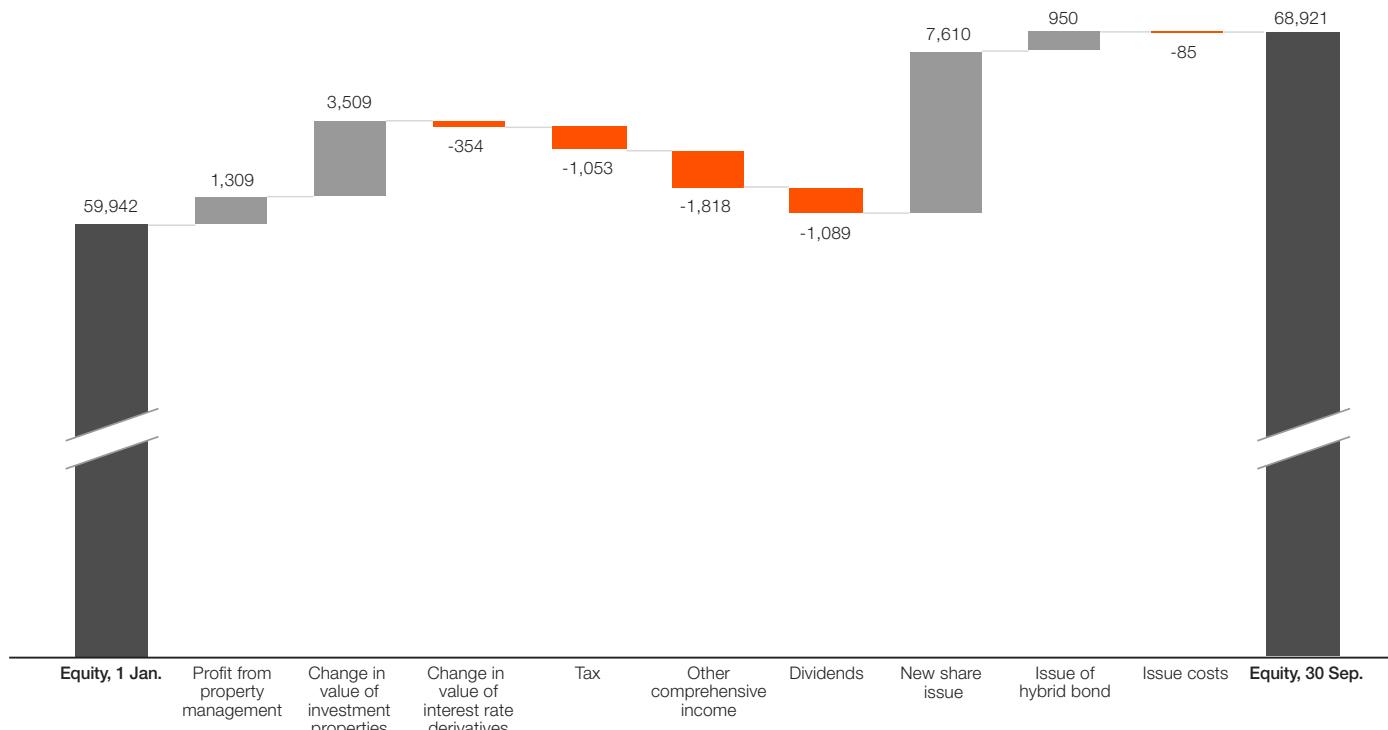
The positive change in fair value of Heimstaden's property portfolio resulted in an increased deferred tax liability, amounting on the balance sheet date to SEK 4,969 million (3,640).

### Equity

Equity amounted to SEK 70,359 million (59,942), giving an equity 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 unsecured bonds 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 statement of cash flows

Amounts in SEK million	2020 9 months Jan–Sep	2019 9 months Jan–Sep	2020 3 months Jul–Sep	2019 3 months Jul–Sep	2019 12 months Jan–Dec
<b><i>Operating activities</i></b>					
Profit before tax	7,531	5,353	3,067	2,200	7,703
Adjustments for non-cash items:		–			
– Change in value of investment properties	-6,043	-4,890	-2,534	-1,674	-6,517
– Change in value of derivative instruments	-335	430	-689	74	107
– Other non-cash items	-136	66	68	-179	-51
Tax paid	-321	-174	-69	-52	-159
<b>Cash flow from operating activities before changes in working capital</b>	<b>694</b>	<b>786</b>	<b>-158</b>	<b>368</b>	<b>1,082</b>
<b>Change in working capital</b>					
Change in current receivables	42	-202	273	-232	-62
Change in development properties and tenant-owned apartments in progress	0	–	0	–	-113
Change in current liabilities	-168	-288	53	-140	360
<b>Cash flow from operating activities</b>	<b>568</b>	<b>296</b>	<b>169</b>	<b>-3</b>	<b>1,267</b>
<b><i>Investing activities</i></b>					
Property acquisitions	-8,915	-9,074	-583	-2,372	-10,990
Investment, properties	-1,781	-1,872	-655	-810	-2,607
Acquisitions of subsidiaries	–	-72	–	–	-72
Acquisitions of other non-current assets	-37	–	–	–	-16
Deposits paid for acquisitions	272	-144	-224	-144	-536
Other receivables, future acquisitions	-607	–	-348	–	-231
Other investments	–	-4	–	–	-4
Property sales	–	3	–	–	14
Acquisitions of participations in associated companies	-2	–	–	–	-14
Change in loans to associated companies	-328	-238	-59	-223	-361
Change in financial assets	-5	16	14	2	-46
<b>Cash flow from investing activities</b>	<b>-11,405</b>	<b>-11,385</b>	<b>-1,855</b>	<b>-3,548</b>	<b>-14,864</b>
<b><i>Financing activities</i></b>					
Contributions from non-controlling interests	7,610	2,415	–	1,950	8,644
Dividend to non-controlling interest	-894	-465	–	0	-465
Dividend, preference shares	-35	-35	-12	-12	-47
Dividend hybrid bond	-232	–	-61	0	-100
Issue costs	-85	–	–	0	-34
Issue of hybrid bond	950	2,975	–	993	11,523
Re-payments of interest-bearing liabilities	-8,654	5,176	-2,536	1,146	-59
Issue of unsecured bonds	11,163	–	5,031	0	0
<b>Cash flow from financing activities</b>	<b>9,822</b>	<b>10,065</b>	<b>2,422</b>	<b>4,078</b>	<b>19,461</b>
<b>Cash flow for the period</b>	<b>-1,014</b>	<b>-1,024</b>	<b>736</b>	<b>526</b>	<b>5,863</b>
<b>Opening cash and cash equivalents</b>	<b>10,687</b>	<b>4,775</b>	<b>8,877</b>	<b>3,295</b>	<b>4,775</b>
<b>Currency effect in cash and cash equivalents</b>	<b>-70</b>	<b>89</b>	<b>-11</b>	<b>20</b>	<b>48</b>
<b>Closing cash and cash equivalents</b>	<b>9,602</b>	<b>3,841</b>	<b>9,602</b>	<b>3,841</b>	<b>10,687</b>

### Operating activities

Cash flow from operating activities, before changes in working capital, amounted to SEK 694 million (786). The increase is primarily attributable to a larger property portfolio. After a reduction in working capital, cash flow from operating activities amounted to SEK 568 million (296).

### Investing activities

Cash flow from investing activities was negative in the amount of SEK 11,405 million (11,385). 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 9,822 million (10,065). 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 1,014 million (1,024) and cash and cash equivalents amounted to SEK 9,602 million (3,841) at the end of the period.



## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK million	2020 9 months Jan–Sep	2019 9 months Jan – Sep
Other operating income	189	92
Other operating costs	-143	-76
<b>Operating profit/loss</b>	<b>46</b>	<b>16</b>
Profit from participations in Group companies	-2	–
<b>Profit before financial items</b>	<b>45</b>	<b>16</b>
Interest income	18	-80
Interest costs	-79	0
Other financial costs	-275	0
<b>Profit from property management</b>	<b>-291</b>	<b>-63</b>
<b>Profit before tax</b>	<b>-291</b>	<b>-63</b>
<b>Profit after financial items</b>	<b>-291</b>	<b>-63</b>

**Other operating income**

Other operating income for the period amounted to SEK 189 million (92) 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 143 million (76) 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 unsecured bonds where currency hedging is arranged partly in the subsidiaries.

## PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK million	2020 9 months Jan–Sep	2019 9 months Jan–Sep
<b>Operating activities</b>		
Profit before tax	-291	185
Adjustments for non-cash items:		
– Other non-cash items	270	-257
<b>Cash flow from operating activities before changes in working capital</b>	<b>-21</b>	<b>-72</b>
<b>Change in working capital</b>		
Change in current receivables	-86	129
Change in development properties and tenant-owned apartments in progress	14	6
<b>Cash flow from operating activities</b>	<b>-93</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	-35	-24
Dividend on hybrid bond and issue costs	-221	-18
New issue of hybrid bond	1,000	2,000
Change in shareholder loans	-4,611	-2,557
<b>Cash flow from financing activities</b>	<b>-3,867</b>	<b>-110</b>
<b>Cash flow for the period</b>	<b>-3,960</b>	<b>-108</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>-255</b>	<b>38</b>
<b>Closing cash and cash equivalents</b>	<b>1,889</b>	<b>636</b>

**Cash flow for the period**

Cash flow for the period was negative in the amount of SEK 3,960 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 Sep 2020	30 Sep 2019
<b>Assets</b>		
<b>Non-current assets</b>		
Tangible fixed assets	2	3
Shares in subsidiaries	15,325	18,458
Receivables, subsidiaries	377	–
Other financial non-current assets	–	1
<b>Total non-current assets</b>	<b>15,704</b>	<b>18,462</b>
<b>Current assets</b>		
Receivables, subsidiaries	4,705	1,021
Other current receivables	165	58
Cash and cash equivalents	1,889	636
<b>Total current assets</b>	<b>22,463</b>	<b>20,176</b>
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
Equity	18,436	16,497
<b>Non-current liabilities</b>		
Interest-bearing liabilities	199	–
Unsecured bonds	2,990	3,000
Liabilities, subsidiaries	744	633
<b>Total non-current liabilities</b>	<b>3,933</b>	<b>3,633</b>
<b>Current liabilities</b>		
Liabilities, subsidiaries	–	23
Other current liabilities	93	24
<b>Total current liabilities</b>	<b>93</b>	<b>46</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>22,463</b>	<b>20,176</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				-35	-35
Issue of hybrid bond			3,000		3,000
Issue costs			-25		-25
Comprehensive income for the period				172	172
<b>Equity, 30 Sep 2019</b>	<b>78</b>	<b>729</b>	<b>2,975</b>	<b>12,716</b>	<b>16,497</b>
Dividend			-45	-12	-57
Issue of hybrid bond					–
Issue costs					–
Comprehensive income for the period			45	1,498	1,543
<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			-163	-35	-198
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			163	-455	-291
<b>Equity, 30 Sep 2020</b>	<b>78</b>	<b>729</b>	<b>3,867</b>	<b>13,762</b>	<b>18,436</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.

## Unsecured bonds

The unsecured bonds amounted to SEK 2,990 million (3,000) on the balance sheet date.

## Note 1 Accounting principles

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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

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. 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

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No related party transactions other than salaries and board fees have been paid to management and the board as of Q3 2020.

## Note 3 Events after the balance sheet date

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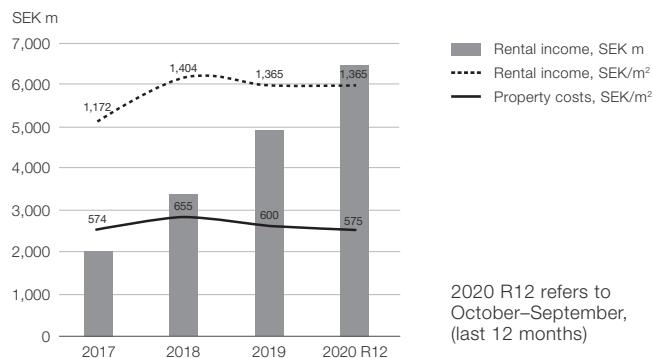
Heimstaden successfully issued two senior unsecured bonds for a total nominal amount of SEK 1,000 million. The first bond amounts to SEK 500 million, has a tenor of 3.25 years and a floating interest rate of STIBOR 3m + 330 basis points. The second bond amounts to SEK 500 million, has a tenor of 5 years and a floating interest rate of STIBOR 3m + 400 basis points.



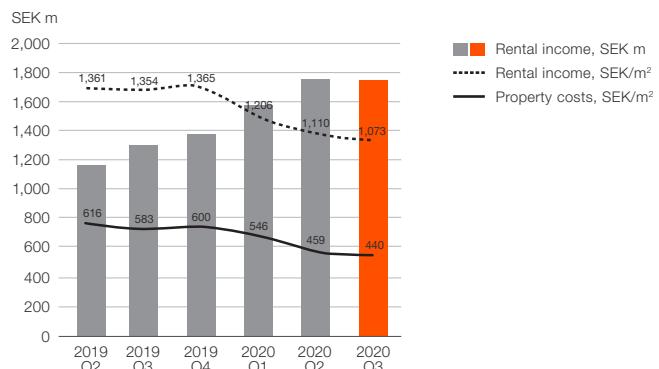
Torvan 1, Sweden

## Note 4 Rental income

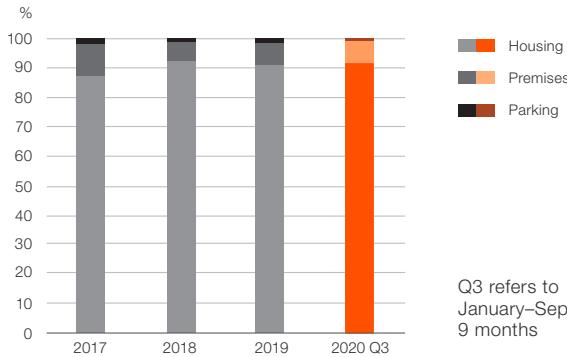
### RENTAL INCOME AND PROPERTY COSTS



### RENTAL INCOME AND PROPERTY COSTS

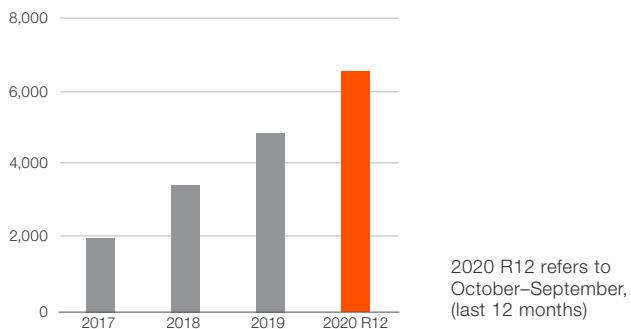


### DISTRIBUTION OF RENTAL INCOME

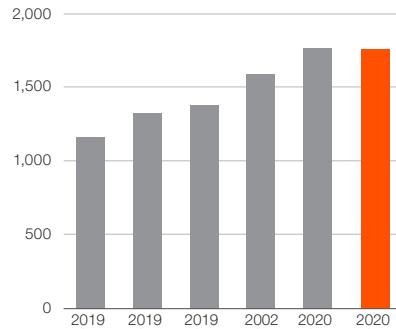


Q3 refers to January–September, 9 months

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



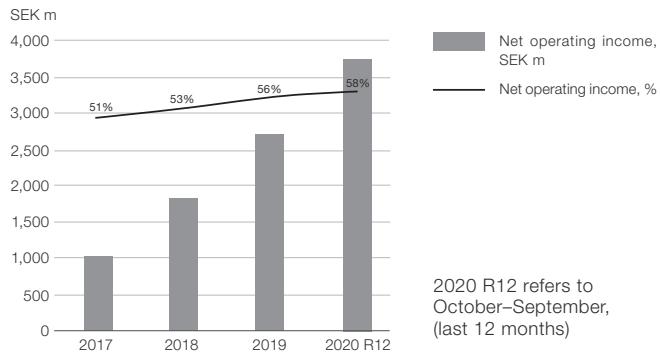
### DEVELOPMENT IN TOTAL RENTAL INCOME, (SEK M)



## Note 5 Property costs

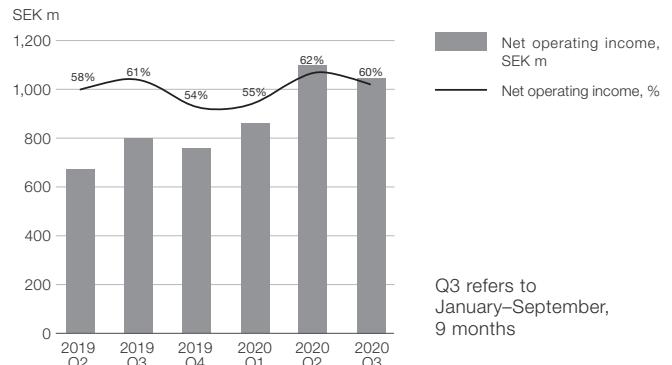
Amounts in SEK million	2020 9 months Jan – Sep	2019 9 months Jan – Sep	2019 12 months Jan-Dec
Operating costs	-922	-775	-960
Maintenance and repairs	-423	-371	-546
Property administration	-508	-212	-422
Property tax	-215	-139	-202
Amortisation and depreciation	-10	-4	-8
<b>Total property costs</b>	<b>-2,078</b>	<b>-1,500</b>	<b>-2,138</b>

### NET OPERATING INCOME



2020 R12 refers to  
October–September,  
(last 12 months)

### NET OPERATING INCOME



Q3 refers to  
January–September,  
9 months



## 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.

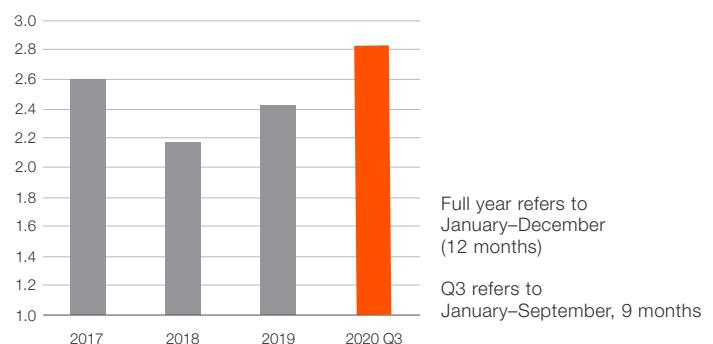
Heimstaden's operations, financial position and profit can be affected by a number of risks and uncertainties. These are described on pages 82–86 of the 2019 Annual Report. No significant changes have subse-

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 Sep 2020	Listing
<b>Refinancing risk</b>			
Average loan tenor (months)	at least 15	119	
Loan maturity (percentage in individual year)	maximum 40	16 (2 to 3 years)	
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	2.7	
Interest rate hedge (percent)	at least 25	85	
<b>Credit risk</b>			
Equity ratio (percent)	at least 25	46	
Interest coverage ratio (multiple, rolling 12 months)	at least 1.4	2.8	

### INTEREST COVERAGE RATIO Q3 (ICR)



Years	30 Sep 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	50,734	66	1.3	20,177	27	4.3			
1–2	5,767	8	2.1	12,257	16	1.1			
2–3	8,818	12	2.3	9,572	13	1.2			
3–4	–	–	–	11,744	16	0.0			
4–5	2,054	3	0.8	7,070	9	0.6			
> 5 years after balance sheet date	8,252	11	1.6	14,272	19	1.0			
<b>Total</b>	<b>75,625</b>	<b>100</b>	<b>1.5</b>	<b>75,093</b>	<b>100</b>	<b>1.7</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: 1.34 years

The average remaining term of fixed interest in the loan portfolio, including derivatives, amounts to: 2.73 years

## Note 7 Valuation of investment properties

### Yield requirement

Years	Average
2019	3.63%
Q3 2020	3.73%

## 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	487
Realised changes in value interest rate swaps	44
Unrealised changes in value interest rate swaps	-380
<b>Market value of derivatives, 30 Sep 2020</b>	<b>86</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	20,217	1,230	950	-	540	4,512	12,985
Investments during the period	1,684	1,130	316	23	60	16	139
Currency change	-2,213	-	534	-1,788	41	132	-1,132
<b>Market value after transactions</b>	<b>133,406</b>	<b>43,990</b>	<b>36,445</b>	<b>15,608</b>	<b>2,932</b>	<b>22,440</b>	<b>11,992</b>
Change in fair value of properties	5,922	1,869	624	901	102	863	1,563
<b>Market value of investment properties, 30 Sep 2020</b>	<b>139,329</b>	<b>45,858</b>	<b>37,069</b>	<b>16,509</b>	<b>3,034</b>	<b>23,303</b>	<b>13,555</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	3,409
New borrowing/loans taken over	11,724
<b>Interest-bearing loans, 30 Sep 2020</b>	<b>75,625</b>

	Capital tied up, loans		Lines of credit	
Years	SEK million	Share, %	million	Share, %
0-1	5,286	7	—	—
1-2	9,764	13	6,339	46
2-3	12,029	16	6,495	48
3-4	9,119	12	—	—
4-5	—	—	825	6
> 5 years after balance sheet date	39,428	52	—	—
<b>Total</b>	<b>75,625</b>	<b>100</b>	<b>13,658</b>	<b>100</b>

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

### Financing source, SEK m

	Credit	Secured, %	Share, %	Unutilised credit commitment
Bonds	34,070	—	45	—
Mortgages	22,063	100	29	—
Bank loans	19,492	100	26	13,658
<b>Total</b>	<b>75,625</b>	<b>55</b>	<b>100</b>	<b>13,658</b>
Deferred charges	-229			
<b>Total</b>	<b>75,396</b>			

### Financial instruments

Years	Type	Maturity, interest rate derivatives		
		SEK million	Share, %	Interest, % <sup>1)</sup>
0-1	Paying fixed	4,548	11	0.1
1-2	Paying fixed	6,490	16	0.2
2-3	Paying fixed	5,640	14	0.3
3-4	Paying fixed	12,854	31	0.0
4-5	Paying fixed	5,726	14	0.4
> 5 years after balance sheet date	Paying fixed	6,020	15	0.3
<b>Total</b>		<b>41,278</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	3,330	31	1.8
2-3	Paying variable	7,400	69	2.1
3-4	Paying variable	—	—	—
4-5	Paying variable	—	—	—
> 5 years after balance sheet date	Paying variable	—	—	—
<b>Total</b>		<b>10,730</b>	<b>100</b>	<b>2.0</b>

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

## Note 11 Investments in associated companies and joint ventures

	Share, %	Rental income	Net financial items	Change in value	Profit	Assets	Liabilities
Gamblebro	50	12	-4	—	-3	490	457
Fastighets AB Rosengård	25	110	-8	—	22	1,528	873
Byggrått Norr AB	19	—	—	—	—	—	—
Upplands Bro, Brogård's stage 2	50	—	-16	-36	-45	542	389
Magnolia Projekt 5222 AB	50	—	—	—	—	—	—
A place to AS	50	1	—	—	-3	358	357
<b>Total</b>		<b>123</b>	<b>-28</b>	<b>-36</b>	<b>-30</b>	<b>2,917</b>	<b>2,076</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, 28 October 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 9 months Jan–Sep	2019 9 months Jan–Sep	2020 3 months Jul–Sep	2019 3 months Jul–Sep	2019 12 months Jan–Dec
<b>Property-related data</b>					
Rental income, SEK m	5,064	3,483	1,737	1,302	4,863
Letting ratio, residential (number), %	94.5	97.4	94.5	97.4	97.6
Real letting ratio, residential (number), %	96.7	99.1	96.7	99.1	99.1
Economic letting ratio, residential, %	95.9	96.1	95.9	97.5	–
Real economic letting ratio, resindetial, %	97.7	98.4	97.5	99.2	–
Net operating income, %	59.0	56.9	59.5	60.6	56.0
Property acquisitions, SEK m	20,217	22,669	1,411	1,867	27,859
Property sales, SEK m	–	3	–	–	14
Market value of properties on balance sheet date, SEK m	139,329	108,164	139,329	108,164	113,719
Lettable area on balance sheet date, m <sup>2</sup>	6,905,374	3,849,954	6,905,374	3,849,954	4,031,310
Number of apartments on balance sheet date	100,870	52,263	100,870	52,263	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	568	296	169	–3	1,381
Profit from property management, SEK m	1,821	884	512	590	1,293
Interest coverage ratio (ICR), multiple	2.8	2.2	2.8	2.2	2.4
Equity ratio, %	45.7	38.5	45.7	38.5	46.6
Loan-to-value ratio (unsecured bonds covenant), %	42.7	53.0	42.7	53.0	39.9
Loan-to-value ratio, secured loans, %	26.9	37.8	26.9	37.8	31.8
Loan-to-value ratio (financial policy), %	53.1	58.2	53.1	58.2	51.7
Average interest rate on balance sheet date, %	1.7	1.9	1.7	1.9	1.9
Average period of fixed-interest on loans, incl. derivatives, years	2.7	2.4	2.7	2.4	2.6
Average period for which capital is tied up, year	9.9	10.1	9.9	10.1	10.1
Return on equity, %	12.2	13.2	12.2	13.2	14.0
Equity on the balance sheet date, SEK m	70,359	44,302	70,359	44,302	59,942
Net asset value on the balance sheet date, SEK m	75,328	47,493	75,328	47,493	63,582
Long-term net asset value on the balance sheet date, SEK m	75,328	47,768	75,328	47,768	63,647
DEBT/EBITDA, multiple	20	23	20	23	21
<b>Data per share</b>					
Profit per ordinary share, SEK	95	293	47	96	322
Equity per ordinary share, SEK	1,595	1,703	1,595	1,703	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, residential (apartments), %**

Leased housing divided by total number of homes.

## **Real letting ratio, residential (apartments), %**

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

## **Economic letting ratio, residential, %**

Net rental income divided by gross rental income plus estimated market rent for vacant apartments.

## **Real economic letting ratio, residential, %**

Net rental income divided by gross rental income plus estimated market rent for vacant apartments, adjusted for voluntary vacancies due to standard improvements.

## **Net operating income, %**

Net operating income as a percentage of rental income.

## **Residential 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 ratio, %**

Equity as a percentage of total assets.

## **Loan-to-value ratio (unsecured bonds 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 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.

## **Like-for-like growth, %**

Rental income including vacancy, adjusted for acquisitions and divestments.

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 28 October 2020.

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

The interim report for January–December 2020 will be published on 12 February 2020.

# 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)