

2020

Heimstaden Bostad AB Interim report

JANUARY – SEPTEMBER



Key data

January – September 2020

OPERATIONAL

<p>Rental income</p> <p>SEK 5,044 million</p> <p>2019, SEK 3,030 million</p>	<p>Change in fair value of properties</p> <p>SEK 6,044 million</p> <p>up 4.5% in 2020</p>	<p>S&P rating</p> <p>BBB-</p> <p>Positive outlook</p>	<p>Equity</p> <p>SEK 71.8 billion</p> <p>Year-end 2019, SEK 57.5 billion</p>
<p>Net operating income</p> <p>SEK 2,934 million</p> <p>2019, SEK 1,739 million</p>	<p>Real economic letting ratio, residential</p> <p>98 %</p> <p>2019, 98%</p>	<p>Loan-to-value ratio</p> <p>43 %</p> <p>Year-end 2019, 45%</p>	<p>Loan-to-value ratio, secured loans</p> <p>27 %</p> <p>Year-end 2019, 33%</p>
<p>Net operating income, %</p> <p>58 %</p> <p>2019, 57%</p>	<p>Cash flow from operating activities</p> <p>SEK 1,413 million</p> <p>2019, SEK 693 million</p>	<p>Interest coverage ratio</p> <p>2.9 x</p> <p>2019, 2.4 x</p>	<p>Cash and cash equivalents</p> <p>SEK 7.5 billion</p> <p>Year-end 2019, SEK 4.3 billion</p>

FINANCIAL

PROPERTIES

<div>Investment properties</div> <div>SEK 139 billion</div> <div>Market value of Heimstaden Bostad's property portfolio</div> <div>Year-end 2019, SEK 113 billion</div>	<div>Number of apartments</div> <div>100,870</div> <div>Heimstaden Bostad's property portfolio consists mainly of residential housing</div> <div>Year-end 2019, 54,863</div>		
<div>Area</div> <div>6,887 thousand m²</div> <div>Year-end 2019, 4,013 thousand m²</div>	<div>Residential area, %</div> <div>93 %</div> <div>Year-end 2019, 91%</div>	<div>Number of commercial units</div> <div>4,516</div> <div>Year-end 2019, 2,592</div>	<div>Number of parking spaces</div> <div>20,524</div> <div>Year-end 2019, 17,220</div>

Property pictured on front cover: Looierstraat 63–81, Netherlands

The period in brief

January – September 2020

- Rental income for the period was up 66 percent compared to 2019, primarily driven by acquisitions.
- Like-for-like rental income growth was 4 percent.
- The net operating income margin increased to 58 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 million and change in fair value of investment- and development properties amounted to SEK 6,044 million (3,324).
- As of September 30, 2020, the fair value of the portfolio was SEK 139 billion and 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, 45).

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



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 Bostad 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 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 observing 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 7.5 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 we introduced an effort called “You are not alone” in the Czech Republic. 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 Bostad 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 Bostad

Significant events in the third quarter

On the balance sheet date, the total value of Heimstaden Bostad's property portfolio was SEK 139 billion, excluding agreed 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 Bostad'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 Bostad 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 Bostad 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 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, similar to its other markets and in line with its long-term operational strategy.

Establishment of Heimstaden Bostad Treasury B.V.

In August, a new Treasury SPV, Heimstaden Bostad Treasury B.V., was incorporated in the Netherlands under Heimstaden Bostad's EMTN programme. Bonds issued from the SPV will be eligible for purchase under the European Central Bank's Corporate Sector Purchase Programme (CSPP).

Successful EUR 650 million bond issuance

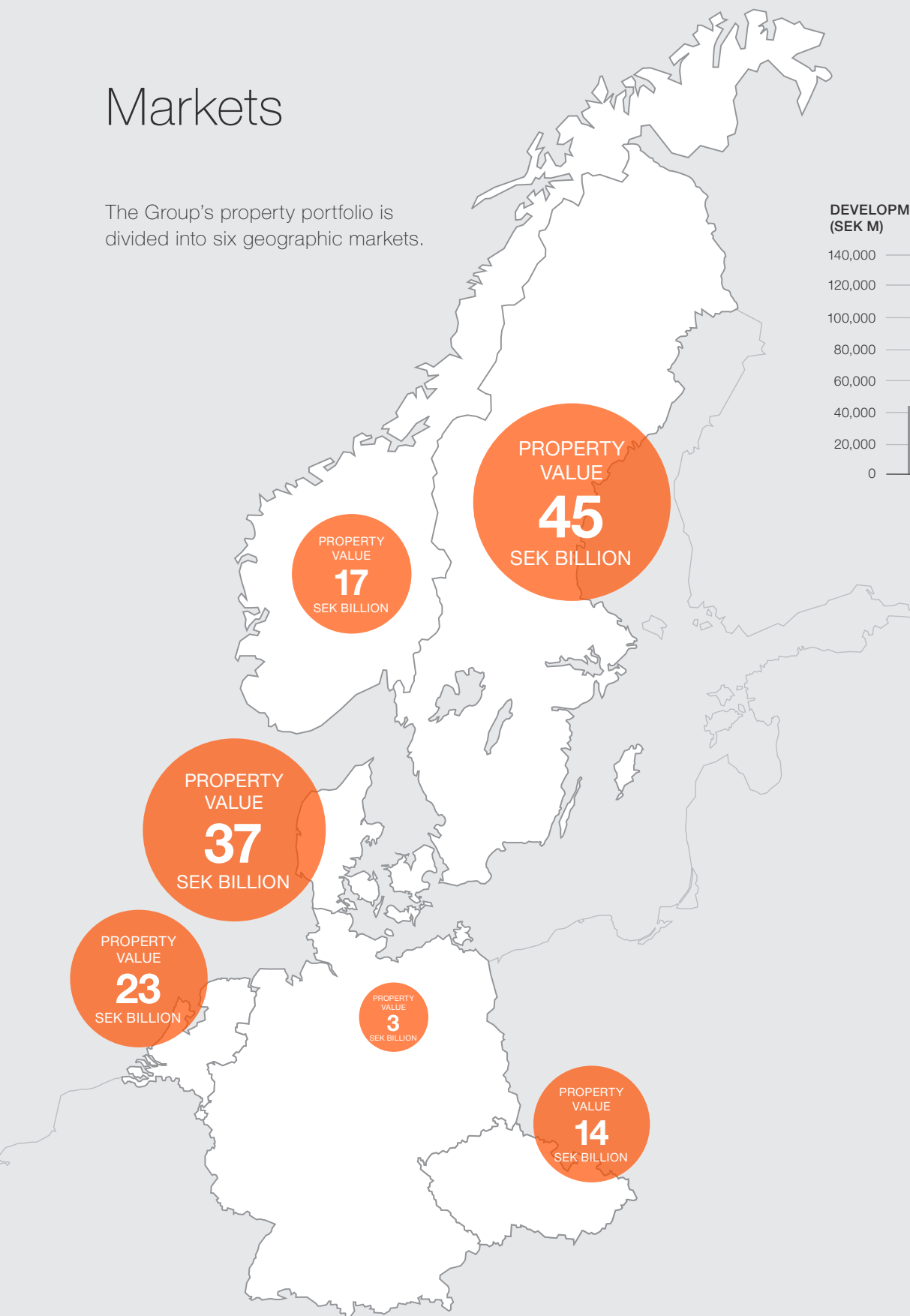
In August, Heimstaden Bostad successfully issued a EUR 650 million senior unsecured bond under its EMTN programme. The bond has a maturity of 6.5 years and carries a fixed coupon of 1.375% p.a. This was the first bond issued by the newly established Heimstaden Bostad Treasury B.V.

A share of the proceeds were used for the repayment of short-term bank loans and to finance the repurchase of EUR 160 million of an outstanding EUR 500 million senior unsecured bond maturing in December 2021. All remaining proceeds will be used for general corporate purposes.

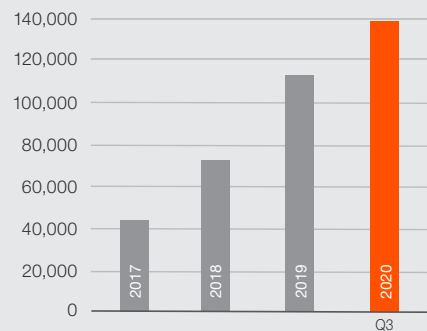


Markets

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



DEVELOPMENT OF MARKET VALUE,
(SEK M)



Sweden

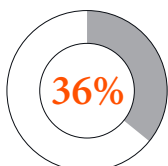


THE MARKET IN BRIEF

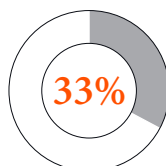
- Like-for-like rental income growth was 5 percent compared to the preceding year
- Improved net operating income margin, driven mainly by lower repair and maintenance and lower heating costs.
- During the period, properties were acquired for a value of SEK 1,230 million.
- The change in the fair value of the properties for the period was 4.3 percent.
- The average valuation yield requirement was 3.7 percent.

SWEDEN	Jan–Sep 2020	Jan–Sep 2019
Market value, SEK m	45,466	38,774
Rental income, SEK m	1,805	1,648
Net operating income, SEK m	963	808
Net operating income, %	53.3	49.0
Economic letting ratio, residential, %	98.3	99.1
Real economic letting ratio, residential, %	99.1	99.7
Area, m ²	2,058,258	1,941,581

RENTAL INCOME, SHARE OF HEIMSTADEN BOSTAD TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN BOSTAD 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



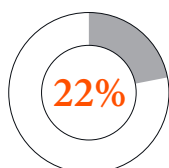
THE MARKET IN BRIEF

- 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.

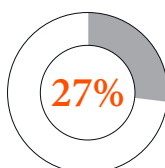
DENMARK

	Jan–Sep 2020	Jan–Sep 2019
Market value, SEK m	37,068	33,422
Rental income, SEK m	1,117	866
Net operating income, SEK m	712	587
Net operating income, %	63.8	67.8
Economic letting ratio, residential, %	94.5	92.7
Real economic letting ratio, residential, %	96.8	98.8
Area, m ²	872,017	794,292

RENTAL INCOME, SHARE OF HEIMSTADEN BOSTAD TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN BOSTAD 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.

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Norway



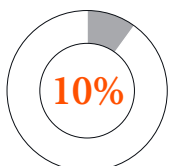
Nedre gate 8, Norway

THE MARKET IN BRIEF

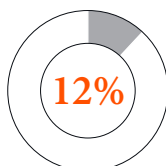
- Like-for-like rental income growth was 4 percent compared with the preceding year.
- Lower net operating income margin, driven by higher vacancies partly offset by lower repair and maintenance costs.
- No properties were acquired during the period.
- Adjusted for currency effects, the change in the 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	16,510	17,433
Rental income, SEK m	503	516
Net operating income, SEK m	332	344
Net operating income, %	66.1	66.7
Economic letting ratio, residential, %	94.2	95.9
Real economic letting ratio, residential, %	95.2	97.6
Area, m ²	221,449	217,328

RENTAL INCOME, SHARE OF HEIMSTADEN BOSTAD TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN BOSTAD TOTAL



MARKET DATA – NORWAY

The Norwegian population grew by 0.7 percent during the first three quarters of the year, compared with 2019. The number of households in 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

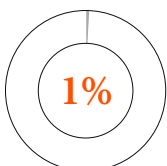


THE MARKET IN BRIEF

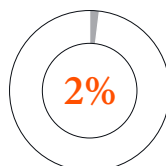
- Heimstaden Bostad completed its first acquisition in the German market in the fourth quarter of 2019.
- During the period, properties were acquired for a value of SEK 540 million.
- Adjusted for currency effects, the change in the fair value of the properties for the period was 3.5 percent.
- The average valuation yield requirement was 2.1 percent.

GERMANY	Jan–Sep 2020	Jan–Sep 2019
Market value, SEK m	3,034	–
Rental income, SEK m	51	–
Net operating income, SEK m	40	–
Net operating income, %	78.9	–
Economic letting ratio, residential, %	96.4	–
Real economic letting ratio, residential, %	97.9	–
Area, m ²	89,748	–

RENTAL INCOME, SHARE OF
HEIMSTADEN BOSTAD TOTAL



MARKET VALUE, SHARE OF
HEIMSTADEN BOSTAD 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.

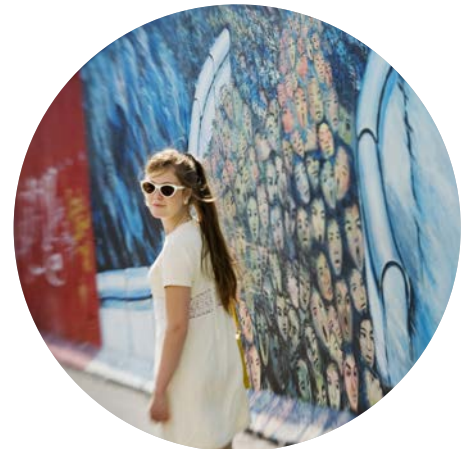
A solid influx of new residents has increased demand for housing in Berlin.

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.

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Netherlands

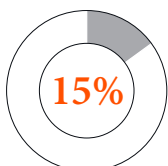


THE MARKET IN BRIEF

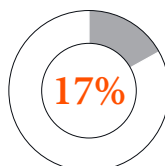
- Heimstaden Bostad completed its first acquisition in the Dutch market in the fourth quarter of 2019.
- During the period, properties were acquired for a value of SEK 4,512 million.
- Adjusted for currency effects, the change in the fair value of the properties for the period was 3.8 percent.
- The average valuation yield requirement was 3.6 percent.

NETHERLANDS	Jan–Sep 2020	Jan–Sep 2019
Market value, SEK m	23,303	–
Rental income, SEK m	756	–
Net operating income, SEK m	411	–
Net operating income, %	54.4	–
Economic letting ratio, residential, %	96.8	–
Real economic letting ratio, residential, %	98.9	–
Area, m ²	1,017,195	–

RENTAL INCOME, SHARE OF HEIMSTADEN BOSTAD TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN BOSTAD 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 and unemployment to increase to 5.6 percent in 2020.

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.

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Czech Republic



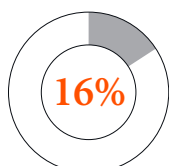
Privozská str, Ostrava

THE MARKET IN BRIEF

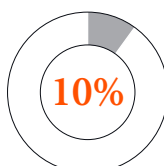
- Heimstaden Bostad completed its first acquisition in the Czech market on 20 February 2020.
- During the period, properties were acquired for a value of SEK 12,985 million.
- Adjusted for currency effects, the change in the fair value of the properties for the period was 13 percent.
- The average valuation 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 ²	2,628,667	–

RENTAL INCOME, SHARE OF HEIMSTADEN BOSTAD TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN BOSTAD 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.

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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	5,044	3,030	1,736	1,063	4,321	6,335
Property costs	5	-2,109	-1,291	-709	-401	-1,919	-2,737
Net operating income		2,934	1,739	1,027	662	2,403	3,598
Central administration costs		-260	-127	-89	-47	-193	-326
Other operating income		27	10	9	4	11	28
Other operating costs		-25	-11	-8	-1	-46	-61
Profit from participations in associated companies		-21	–	-18	–	88	67
Profit before financial items		2,655	1,611	921	618	2,263	3,307
Financial income	6	58	10	21	6	35	84
Financial costs – interest-bearing liabilities	6	-994	-727	-353	-262	-923	-1,190
Other financial income		–	–	–	–	6	6
Other financial costs		-122	-52	-41	-18	-158	-227
Financial costs, right-of-use liabilities		-7	–	-2	1	-1	-8
Currency gains and losses		472	-103	-12	199	-241	334
Profit from property management		2,063	738	533	542	980	2,305
Change in fair value of investment properties	7	6,044	3,324	2,533	983	4,834	7,553
Change in fair value of financial instruments	8	-335	-284	18	64	39	-12
Current tax		-420	-136	-107	-70	-200	-483
Deferred tax		-1,327	-737	-594	-283	-1,193	-1,783
Profit for the period		6,025	2,904	2,383	1,237	4,460	7,581
Other comprehensive income		-2,665	1,074	-854	-171	279	-3,459
Comprehensive income		3,360	3,978	1,529	1,066	4,740	4,121

Rental income

Rental income for the period amounted to SEK 5,044 million (3,030), which corresponds to a 66 percent increase. The increase in income is primarily attributable to property acquisitions in the Netherlands and the Czech Republic. The average rental income was SEK 1,072 per square metre of time-weighted area (1,435). The lower average rental income derives from acquisitions in the Czech Republic and the Netherlands where the rent level is lower than in the rest of Heimstaden Bostad's 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 increased by 63 percent and amounted to SEK 2,109 million (1,291). The change is mainly attributable to an increased number of properties. Property costs averaged SEK 448 per square metre of time-weighted area (611). The lower average is mainly attributable to the acquisitions in the Netherlands and the Czech Republic, as well as to lower repair and maintenance and heating costs in the existing portfolio.

Net operating income

Net operating income amounted to SEK 2,934 million (1,739) for the period, corresponding to an increase of 69 percent and a net operating income margin of 58.2 percent (57.4). The higher net operating income margin is explained by lower property costs in the period.

Central administration costs

Central administration costs amounted to SEK 260 million (127). The increase was mainly 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 amounted to SEK 994 million (727). The increase is mainly attributable to a larger loan portfolio as a consequence of a larger property portfolio. On the balance sheet date, the average interest rate, including derivatives and charges for unutilised credits was 1.7 percent (1.9). Despite a higher interest hedging ratio, the lower average interest rate is a result of lower credit margins on bank loans and corporate bonds, as well as changed base rates. At the end of the period, Heimstaden Bostad's interest rate hedging ratio was 85 percent (57). The increase is due to a revised financial policy.

The interest coverage ratio for the preceding 12 months was 2.9 (2.4). The acquisitions in the Czech Republic and the Netherlands contributed positively, but have not had a full impact for 12 months.

The interest rates on approximately 24 percent (49) of the loan portfolio will change within a year. All other things being equal, an increase in the base rates (Stibor, Cibur, Nibor, Euribor) by one percent, would increase Heimstaden Bostad's interest costs by approximately SEK 106 million

(170) annually. A one percent decrease in the base rates would increase interest costs by approximately SEK 5 million (decrease 26).

The difference in sensitivity is explained by interest rate hedging and credit agreements with clauses restricting interest rate changes on the downside. Negative base rates can result in increased costs for the interest rate hedging portfolio as floating rate receiving cash flows become 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 472 million (loss 103) 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 was SEK 2,063 million (738). Adjusted for currency gains and losses, profit from property management increased by SEK 750 million, corresponding to a 89 percent increase compared with the preceding year. The positive increase is primarily attributable to acquisitions and lower cost of debt.

Change in value of investment properties

After currency adjustment, the total change in the fair value of properties amounted to SEK 6,044 million (3,324). This corresponds to a 4.5 percent increase in the value of the portfolio over the year. The yield requirement in the valuation for the quarter averaged 3.73 percent, which compares with 3.63 percent at the end of 2019. Adjusted for the effect of the acquisition in the Czech Republic, the yield requirement was 3.55 percent.

Changes in the value of financial instruments

In accordance with the established financial policy and interest rate hedging strategy, Heimstaden Bostad 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 (284). Currency effects related to currency hedging of the Parent Company's bonds are reported on the line Currency gains and losses.

Tax

The positive development in the value of Heimstaden Bostad's property portfolio has resulted in an increase in the deferred tax liability of SEK 1,327 million (737). Current tax amounted to SEK 420 million (136).

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 2,665 million (positive 1,074), driven by a stronger SEK.

Consolidated Statement of Financial Position

Amounts in SEK million	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
Assets				
Non-current assets				
Investment properties	9	138,936	89,629	113,331
Right-of-use assets		624	655	817
Tangible fixed assets		19	–	–
Financial instruments		86	–	–
Other financial non-current assets		1,170	180	843
Total non-current assets		140,835	90,464	114,991
Current assets				
Development properties		1,022	756	865
Accounts receivable		40	18	12
Other current receivables		1,347	592	1,058
Prepaid costs and accrued income		323	303	294
Cash and cash equivalents		7,524	2,381	4,345
Total current assets		10,255	4,050	6,573
TOTAL ASSETS		151,090	94,514	121,564



Investment properties

On the balance sheet date, Heimstaden Bostad's property portfolio had a fair market value of SEK 138,936 million, compared with SEK 113,331 million at the end of 2019. During the period, properties were acquired for a value of SEK 20,217 million. Of these investments, 64 percent were made in the new market of the Czech Republic. Another 36 percent was invested in existing markets, primarily the Netherlands. The total change in the fair value of the properties for the period amounted to SEK 5,920 million, corresponding to a change of 4.5 percent. SEK 1,563 million is attributable to the acquisition in the Czech Republic. The remaining change comprised investments in existing stocks and exchange rate effects.

For a more detailed description of Heimstaden Bostad's methodology for valuing properties, see pages 114–115 of the Heimstaden Bostad 2019 Annual Report.

Right-of-use assets

Right-of-use assets are primarily attributable to land leaseholds.

Financial instruments

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

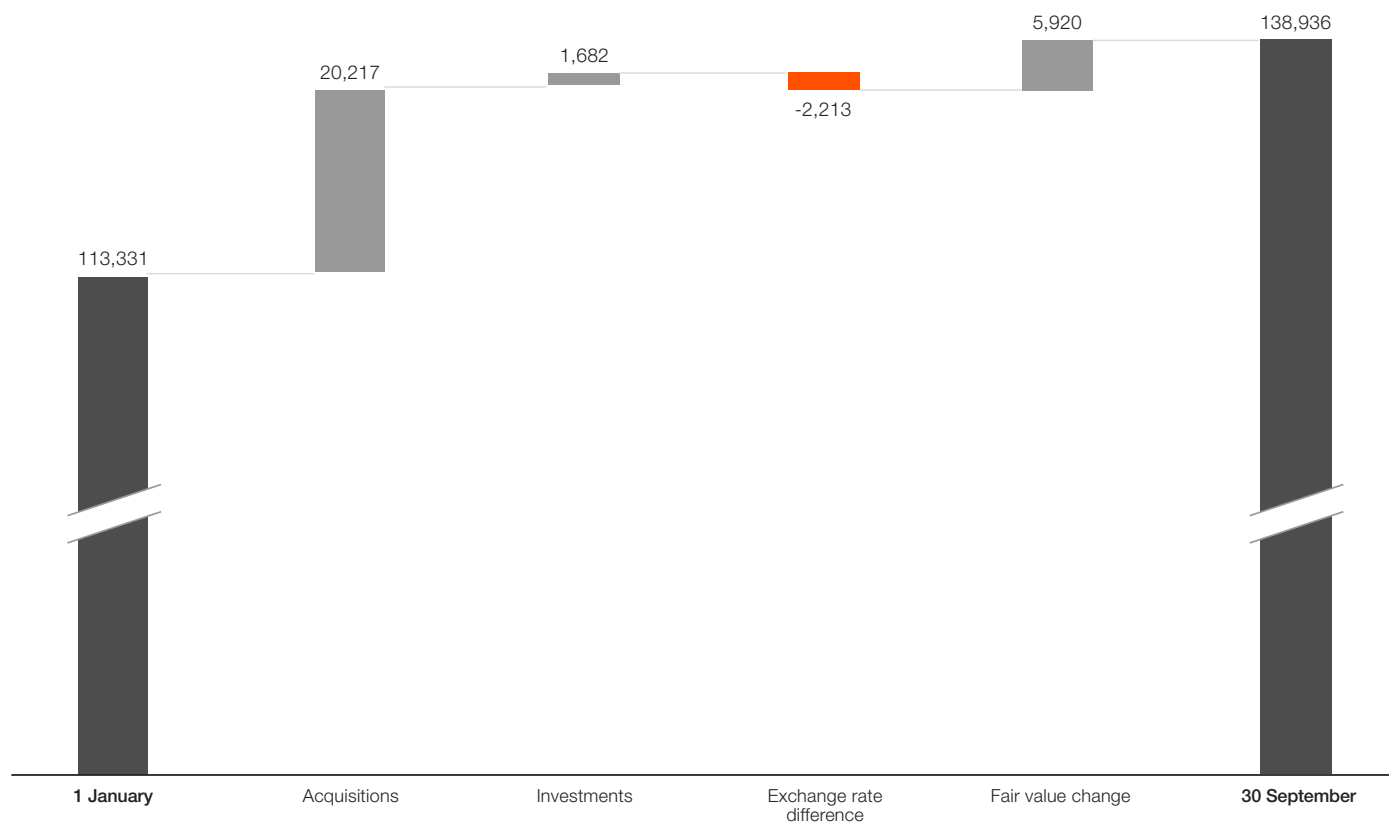
Other financial non-current assets

Other financial non-current assets consist primarily of investments in associated companies and receivables from them.

Development properties

In connection with the acquisition of Norwegian investment properties in 2017, building rights and ongoing construction projects were also acquired. The item, amounting to SEK 1,022 million (865), concerns the development 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 Sep 2020	30 Sep 2019	31 Dec 2019
EQUITY AND LIABILITIES				
Equity		71,786	38,776	57,548
LIABILITIES				
Non-current liabilities				
Interest-bearing secured liabilities		41,000	32,266	39,543
Interest-bearing unsecured liabilities		27,175	18,375	14,066
Right-of-use liabilities		623	655	818
Financial instruments	10	–	127	65
Deferred tax liabilities		3,854	2,096	2,526
Total non-current liabilities		72,652	53,519	57,018
Current liabilities				
Interest-bearing secured liabilities		141	685	1,137
Interest-bearing unsecured liabilities		3,895	–	4,000
Accounts payable		350	355	293
Current liabilities		407	145	228
Other current liabilities		1,103	585	819
Accrued costs and prepaid income		757	449	521
Total current liabilities		6,653	2,219	6,998
TOTAL EQUITY AND LIABILITIES		151,090	94,514	121,564

Consolidated Statement of Changes in Equity

Amounts in SEK million	Share capital	Other paid in capital	Hybrid bond	Other reserves	Retained profit	Attributable to Parent Company shareholders	Non-controlling interests	Total equity
Equity, 31 Dec 2018	26	26,653			5,245	31,925		31,925
New share issue		3,702				3,702		3,702
Dividend					-829	-829		-829
Other comprehensive income				1,074		1,074		1,074
Profit for the period					2,904	2,904		2,904
Equity, 30 Sep 2019	26	30,355	–	1,074	7,321	38,776	–	38,776
New share issue	7	9,493				9,500		9,500
Dividend			-55			-55		-55
Issue of hybrid bond			8,523			8,523		8,523
Issue costs			-9			-9		-9
Non-controlling interests						–	52	52
Other comprehensive income				-795		-795		-795
Profit for the period			55		1,493	1,549	7	1,556
Equity, 31 Dec 2019	34	39,847	8,514	279	8,814	57,489	59	57,548
New share issue	9	12,843				12,851		12,851
Dividend			-69		-1,828	-1,897		-1,897
Issue costs			-14		-63	-77		-77
Other comprehensive income				-2,665		-2,665		-2,665
Profit for the period			69		5,956	6,025	0	6,025
Equity, 30 Sep 2020	43	52,690	8,500	-2 385	12 880	71,727	59	71,786

Interest-bearing liabilities

At the end of the period, Heimstaden Bostad's loan-to-value ratio was 43 percent (45). Of the total interest-bearing liabilities, 57 percent related to loans secured by property mortgages, resulting in a loan-to-value ratio for secured loans of 27 percent (33).

The total loan portfolio amounted to SEK 72,427 million (58,746) on the balance sheet date. Of this amount, 43 percent (31) pertains to unsecured bonds, 30 percent (34) to mortgages and 27 percent (35) to traditional bank loans.

The average loan tenor of Heimstaden Bostad's interest-bearing liabilities was 10.3 years (10.5). The largest proportion of loan maturities within an individual year occurs within 2 to 3 years and accounts for 14 percent (16) of the total portfolio. Current interest-bearing liabilities totalled SEK 4,036 million (5,137). To manage its refinancing risk, Heimstaden Bostad has unutilised lines of credit amounting to SEK 13,658 million (10,269). The average period of fixed interest, including the effect of derivatives, amounts to 2.9 years (2.7).

Deferred tax liabilities

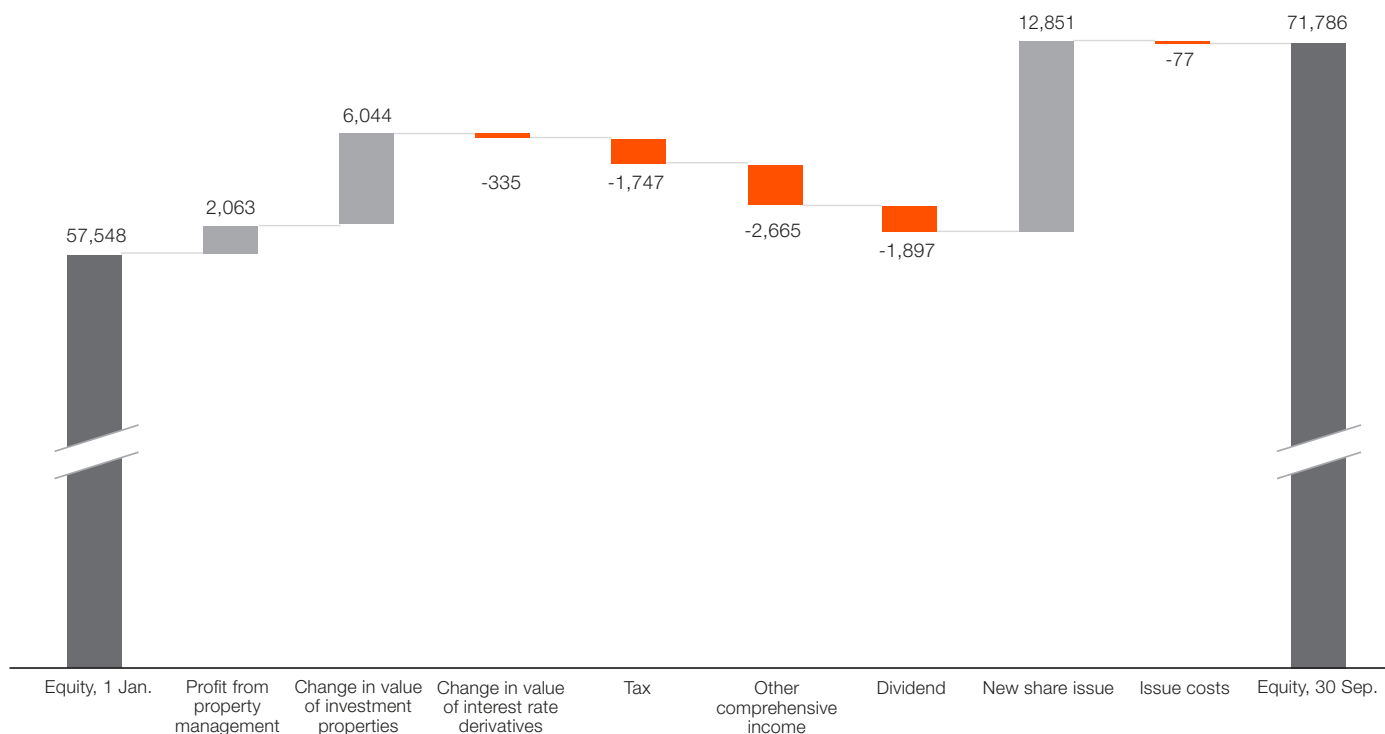
The positive change in fair value of Heimstaden Bostad's property portfolio resulted in an increased deferred tax liability, amounting on the balance sheet date to SEK 3,854 million (2,526).

Equity

Equity amounted to SEK 71,786 million (57,548), giving an equity ratio of 48 percent (47). The change in equity over the period is primarily attributable to a new share issue.

Heimstaden Bostad is exposed to currency risk in EUR, DKK, NOK and CZK. This risk is associated with the foreign operations, and to cash and cash equivalents and financing in the Parent Company. A portion of the Parent Company's unsecured bonds in EUR have 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, SEK MILLION



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
Operating activities					
Profit before tax	7,772	3,778	3,085	1,589	5,853
Adjustments for non-cash items:					
– Change in value of investment properties	-6,044	-3,324	-2,533	-983	-4,834
– Change in value of derivative instruments	335	284	-18	-64	-39
– Other non-cash items	-434	99	38	-202	157
Tax paid	-245	-124	-71	-36	-105
Cash flow from operating activities before changes in working capital	1,384	713	499	304	1,032
Change in working capital					
Change in current receivables	24	-76	129	222	-56
Change in development properties and tenant-owned apartments in progress	–	–	–	–	–
Change in current liabilities	5	55	-17	90	41
Cash flow from operating activities	1,413	693	611	617	1,017
Investing activities					
Corporate acquisitions	-8,930	-5,592	-598	-1,510	-13,909
Property investments	-1,781	-1,845	-657	-806	-2,549
Deposits paid	-556	-144	-1,052	–	-535
Other receivables, future acquisitions	–	–	260	–	-375
Property sales	–	3	–	–	3
Acquisitions of shares in associated companies	-16	-1	–	-1	-213
Change in loans to associated companies	-326	-128	-57	-128	-468
Change in financial assets	-5	–	-5	-31	-48
Cash flow from investing activities	-11,615	-7,707	-2,110	-2,476	-18,094
Financing activities					
New shares issue	12,851	3,702	–	3,000	13,202
Dividend, preference shares	-1,828	-829	–	–	-829
Issue of unsecured bonds	11,163	–	5,031	–	–
Issue of hybrid bonds	–	–	–	–	8,523
Dividend hybrid bonds	-69	–	–	–	-55
Issue costs	-77	–	–	–	-9
Re-payments of interest-bearing liabilities	-8 653	4,176	-2,536	-193	-1,736
Redemption of interest rate derivatives	44	–	44	–	–
Cash flow from financing activities	13,432	7,049	2,540	2,807	19,096
Cash flow for the period	3,230	35	1,041	947	2,018
Opening cash and cash equivalents	4,345	2,313	6,494	1,424	2,313
Currency effect in cash and cash equivalents	-51	33	-11	10	13
Closing cash and cash equivalents	7,524	2,381	7,524	2,381	4,345

Operating activities

Cash flow from operating activities, before changes in working capital, amounted to SEK 1,348 million (713). The change compared with the corresponding period in the preceding year is mainly explained by a larger property portfolio. After an increase in working capital of SEK 29 million (decrease 20), cash flow from operating activities was SEK 1,413 million (693).

Investing activities

Cash flow from investing activities was negative in the amount of SEK 11,615 million (7,707). The investment activities consist of corporate transactions, property transactions and property investments, of which most are attributable to the acquisition in the Czech Republic.

Financing activities

Cash flow from financing activities amounted to SEK 13,432 million (7,049). The amount is primarily attributable to the new issue of shares.

Cash flow

Cash flow for the period amounted to SEK 3,230 million (35) and cash and cash equivalents amounted to SEK 7,524 million (2,381) at the end of the period.



PARENT COMPANY INCOME STATEMENT

Amounts in SEK million	2020 9 months Jan-Sep	2019 9 months Jan – Sep
Other operating income	3	–
Other operating costs	-281	-138
Operating profit/loss	-277	-138
Profit before financial items	-277	-138
Interest income	305	276
Interest costs	-520	-407
Other financial income	–	–
Other financial costs	-784	-58
Change in value of interest rate derivatives	-31	-157
Profit from property management	-1,307	-485
Profit before tax	-1,307	-485
Deferred tax	15	32
Profit for the period	-1,291	-452

Other operating costs

Other operating costs relate primarily to management fees and other costs in the Parent Company. The increase is due to the growth of the organisation as a consequence of a larger property portfolio.

Interest income

Interest income refers mainly to income from intra-group loans.

Interest costs

Interest costs refer primarily to costs for unsecured bonds.

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 BALANCE SHEET

Amounts in SEK million	30 Sep 2020	30 Sep 2019
Assets		
Non-current assets		
Shares in subsidiaries	32,779	20,282
Deferred tax receivables	32	34
Receivables, subsidiaries	19,260	14,965
Total non-current assets	52,071	35,281
Current assets		
Receivables, subsidiaries	34,024	10,897
Other current receivables	126	271
Cash and cash equivalents	6,010	1,197
Total current assets	40,161	12,364
TOTAL ASSETS	92,232	47,646
EQUITY AND LIABILITIES		
Equity	58,196	27,700
Non-current liabilities		
Interest-bearing liabilities	1,690	–
Unsecured bonds	22,421	18,375
Financial instruments	155	167
Liabilities, subsidiaries	9,502	1,328
Total non-current liabilities	33,768	19,870
Current liabilities		
Liabilities, subsidiaries	–	–
Other current liabilities	268	76
Total current liabilities	268	76
TOTAL EQUITY AND LIABILITIES	92,232	47,646

Shares in subsidiaries

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

Receivables, subsidiaries

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

Unsecured bonds

The change compared with the previous year is mainly attributable to the new bond issue for EUR 500 million completed in the first quarter of 2020.



PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK million	Share capital	Share premium reserve	Hybrid bond	Retained profit	Total equity
Equity, 31 Dec. 2018	26	24,203	–	1,049	25,279
New share issue		3,702			3,702
Dividend				-829	-829
Profit for the period				-452	-452
Equity, 30 Sep 2019	26	27,905	–	-232	27,700
New share issue	8	9,492			9,500
Dividend			-55		-55
Issue of hybrid bond			8,523		8,523
Issue costs			-9		-9
Profit for the period			55	2,897	2,952
Equity, 31 Dec 2019	34	37,397	8,514	2,665	48,610
New share issue	9	12,843			12,851
Dividend			-69	-1,828	-1,897
Issue costs			-14	-63	-77
Profit for the period			69	-1,360	-1,291
Equity, 30 Sep 2020	43	50,240	8,500	-586	58,196

Note 1 Accounting principles

Heimstaden Bostad'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 Bostad'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 Bostads' acquisitions in the Czech Republic being reported as asset acquisitions.

New and amended accounting principles yet to come into effect

New and amended IFRS accounting principles yet to come into effect have not been applied prematurely in the preparation of the consolidated and Parent Company financial statements. 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

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

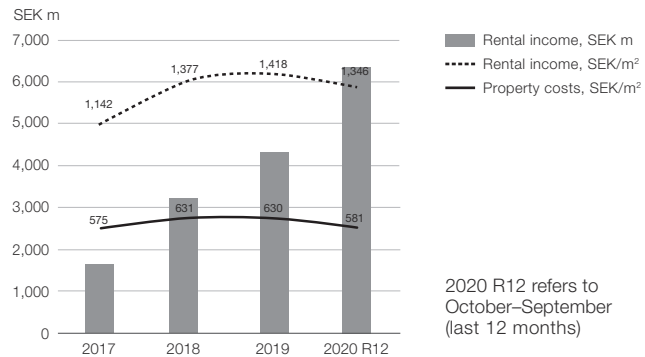
Note 3 Events after the balance sheet date

Heimstaden Bostad successfully issued a EUR 500 million subordinated perpetual hybrid bond with an annual fixed rate coupon of 3.375 percent and a non-call period of 5.5 years.

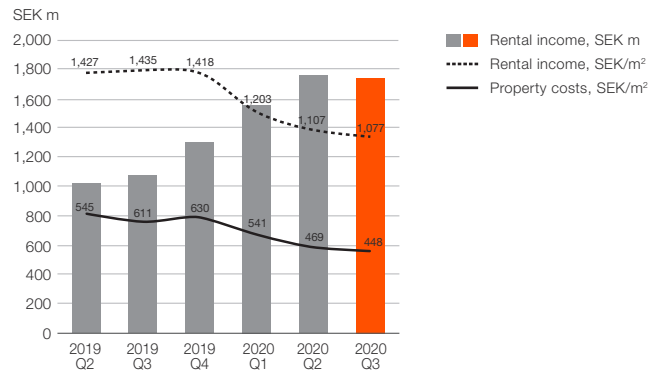
The proceeds will be accounted for as 100 percent equity according to IFRS and will be used for general corporate purposes, including new investments. S&P assigned a 'BB' rating to the issue.

Note 4 Rental income

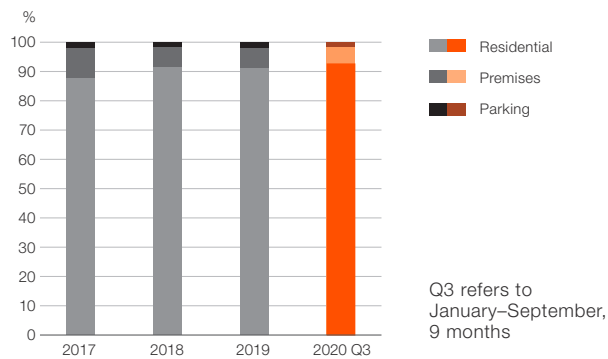
RENTAL INCOME AND PROPERTY COSTS



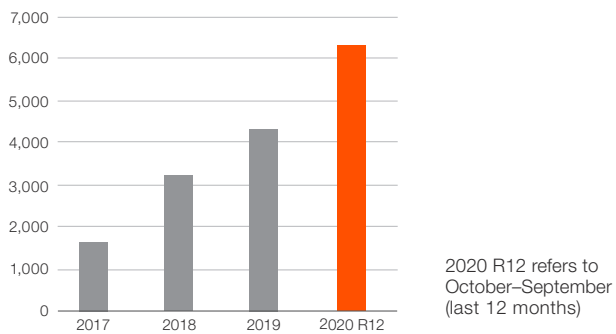
RENTAL INCOME AND PROPERTY COSTS



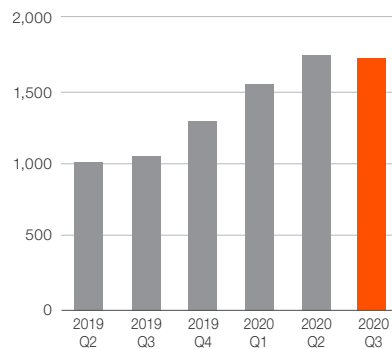
DISTRIBUTION OF RENTAL INCOME



DEVELOPMENT IN TOTAL RENTAL INCOME (SEK M)



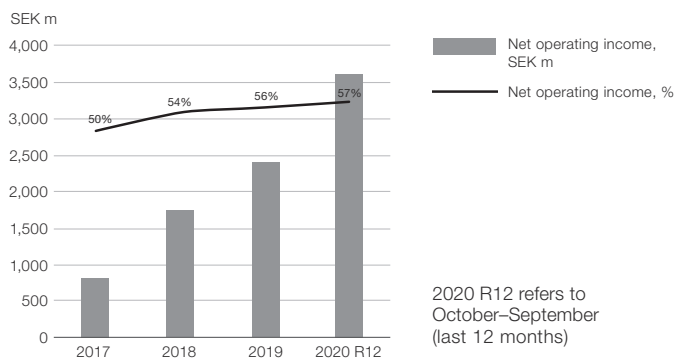
DEVELOPMENT IN TOTAL RENTAL INCOME (SEK M)



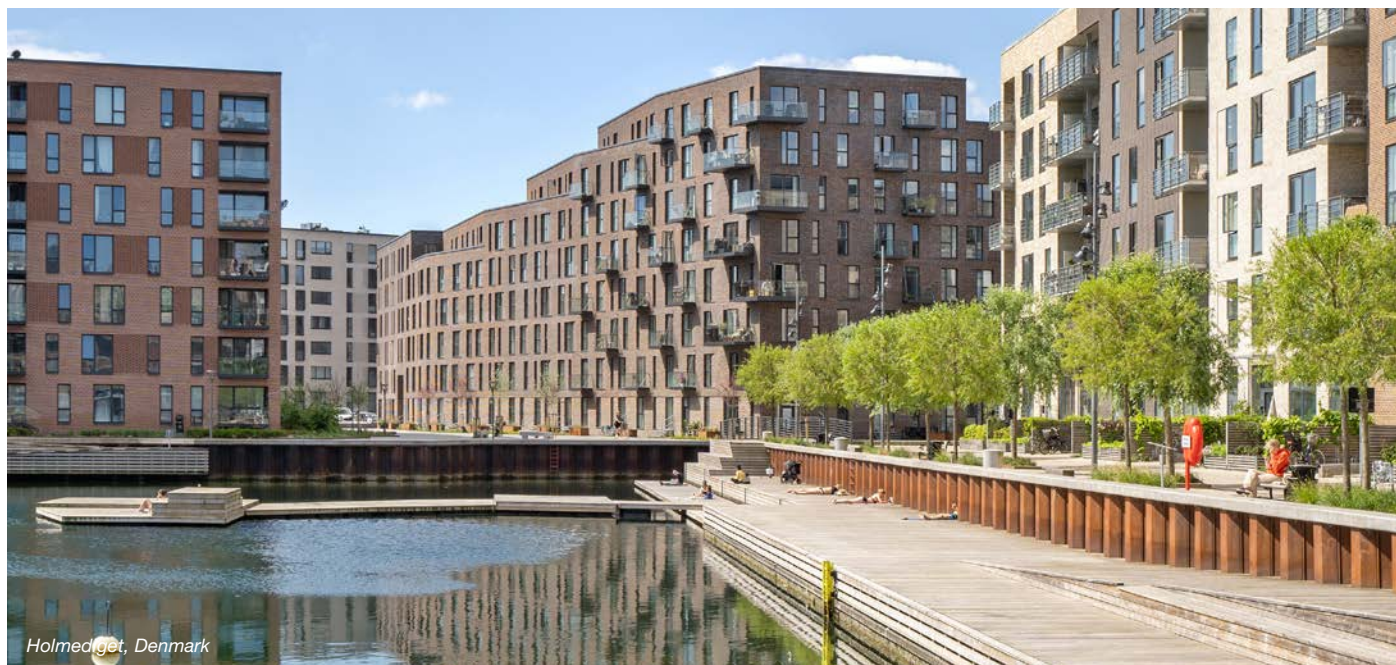
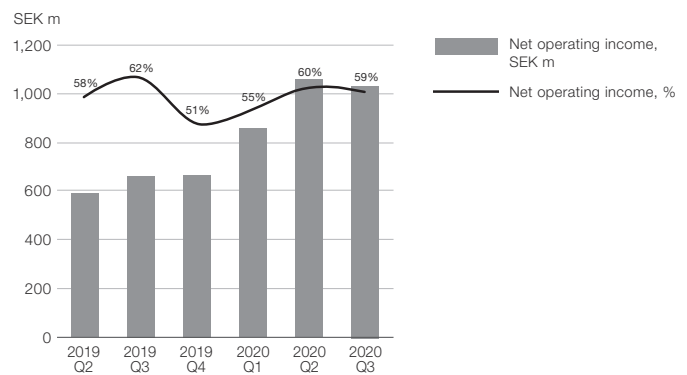
Note 5 Property costs

Amounts in SEK million	2020 9 months Jan-Sep	2019 9 months Jan-Sep	2019 12 months Jan-Dec
Operating costs	-1,177	-719	-1,072
Maintenance and repairs	-376	-303	-409
Property administration	-347	-175	-292
Property tax	-206	-94	-145
Amortisation and depreciation	-3	–	–
Total property costs	-2,109	-1,291	-1,919

NET OPERATING INCOME



NET OPERATING INCOME



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.

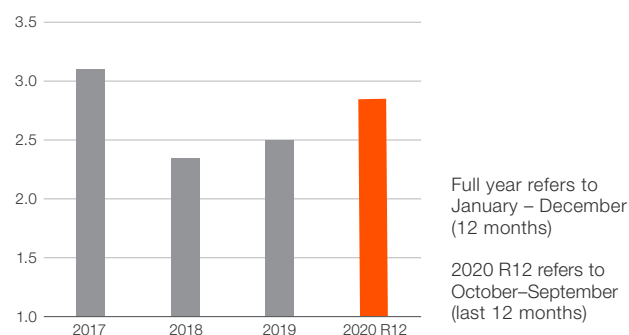
Heimstaden Bostad's operations, financial position and profit can be affected by a number of risks and uncertainties. These are described on pages 80-84 in the 2019 Annual Report. No significant changes have subsequently occurred affecting the assessment by the Board of Directors and company management.

Financial policy	Policy	30 Sep 2020
Interest coverage ratio (rolling 12 months, multiple)	≥ 1.5	2.9
Equity ratio (percent)	≥ 30	47.5
Average loan tenor (months)	≥ 15	123
Loan maturity (percentage in individual year)	≤ 40	14 (2-3 years)
Limitation, individual lenders (percent)	≤ 40	12
Interest rate hedge (percent)	≥ 75	85
Loan-to-value ratio (financial policy) (percent)	45 – 55	51
Quick ratio (percent)	* ≥ 125	226

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.

On the balance sheet date, Heimstaden Bostad was in compliance with its financial covenants.

INTEREST COVERAGE RATIO Q3 (ICR)



30 Sep 2020

Years	Fixed interest, loans			Fixed interest incl. interest rate derivatives ¹⁾		
	SEK m	Share, %	Interest, incl. margin, %	SEK m	Share, %	Interest, incl. margin, %
0–1	47,535	66	1.2	16,978	24	4.5%
1–2	5,767	8	2.1	12,257	17	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	10	0.6%
> 5 years after balance sheet date	8,252	11	1.6	14,272	20	1.0%
Total	72,427	100	1.4	71,893	100	1.7%

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

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

1.39 years

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

2.85 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
Market value of derivatives, 30 Sep 2020	86

Note 9 Investment properties

Change in fair value of investment properties

	Total	Sweden	Denmark	Norway	Germany	Netherlands	Czech Republic
Market value of investment properties, 31 Dec 2019	113,331	41,241	34,645	17,373	2,292	17,781	–
Sales during the period	–	–	–	–	–	–	–
Acquisitions during the period	20,217	1,230	950	–	540	4,512	12,985
Investments during the period	1,682	1,128	317	23	60	16	139
Currency change	-2,213	–	533	-1 788	41	132	-1 132
Market value after transactions	133,016	43,600	36,444	15,608	2,932	22,440	11,992
Unrealised value change	5,920	1,866	624	901	102	863	1,563
Market value of investment properties, 30 Sep 2020	138,936	45,466	37,068	16,510	3,034	23,303	13,555

Note 10 Financial instruments

Disclosures regarding fair values of financial instruments are not considered to deviate significantly from the reported values.

Change in loan volume

Interest-bearing loans, 31 Dec 2019	58,746
Repayments on loans	-6,541
Currency exchange effect on loans	-569
New borrowing/loans taken over	20,791
Interest-bearing loans, 30 Sep 2020	72,427

Years	Capital tied up, loans		Lines of credit	
	SEK million	Share, %	million	Share, %
0–1	4,036	6	–	–
1–2	9,764	13	6,339	46
2–3	10,080	14	6,495	48
3–4	9,119	13	–	–
4–5	–	–	825	6
> 5 years after balance sheet date	39,428	54	–	–
Total	72,427	100	13,658	100

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

Financing source

	Credit	Secured credits, %	Share, %	Unutilised credit commitment
Bonds	31,070	–	43	–
Mortgages	22,063	100	30	–
Bank loans	19,293	100	27	13,658
Total	72,427	57	100	13,658
Deferred charges	-215			
Total	72,211			

Financial instruments

Maturity, interest rate derivatives				
Years	Type	SEK million	Share, %	Interest, % ¹⁾
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
Total		41,278	100	0.2

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

Financial instruments

Maturity, basis swaps				
Years	Type	SEK million	Share, %	Interest, % ¹⁾
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	–	–	–
Total		10,730	100	2.0

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	0	-3	490	457
Fastighets AB Rosengård	25	110	-8	0	22	1,528	873
Byggrätt Norr AB	19	0	0	0	0	0	0
Upplands Bro, Brogårds stage 2	50	0	-16	-36	-45	542	389
Magnolia Projekt 5222 AB	50	0	0	0	0	0	0
A place to AS	50	1	0	0	-3	358	357
Total		123	-28	-36	-30	2,917	2,076



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

Casper von Koskull
Chairman of the Board

Stefan Attefall
Board Member

Magnus Nordholm
Board Member

Axel Brändström
Board Member

Christer Franzén
Board Member

John Giverholt
Board Member

Erik Gullestad Glæsel
Board Member

Frans Heijbel
Board Member

Karmen Mandic
Board Member

Katarina Skalare
Board Member

Birgitta Stenmark
Board Member

This interim report has been subject to review by the company's auditors.

Auditor's review report

Heimstaden Bostad AB (publ), corporate identity number 556864-0873
To the Board of Directors for Heimstaden Bostad AB (publ)

Introduction

We have reviewed the condensed interim report for Heimstaden Bostad AB (publ) as at September 30, 2020 and for the nine month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Malmö, October 28, 2020

Ernst & Young AB

Peter von Knorring
Authorised Public Accountant

Current earning capacity

In the adjacent table, Heimstaden Bostad 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 owned as of 30 September 2020 and their financing. Earning capacity illustrates Heimstaden Bostad's subsequent earnings on an annual basis. Consequently, transactions where Heimstaden gains access after 30 September are not included in the calculation.

In addition, Heimstaden Bostad's Income Statement is 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	7,251
Property costs	-3,131
Net operating income	4,120
Central administration costs	-350
Other operating income	
Other operating costs	
Profit from participations in associated companies	
Profit before financial items	3,771
Financial income	
Financial costs – interest-bearing liabilities	-1,212
Profit from property management	2,559
Key data	
Net operating income, %	56.8
Interest coverage ratio (ICR), multiple	3.1



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
Property-related data					
Rental income, SEK m	5,044	3,030	1,736	1,063	4,321
Letting ratio, residential (apartments), %	94.5	97.6	94.5	97.6	97.6
Real letting ratio, residential (apartments), %	96.7	99.2	96.7	99.2	99.1
Economic letting ratio, residential, %	95.9	96.1	95.9	97.5	–
Real economic letting ratio, residential, %	97.7	98.4	97.5	99.2	–
Net operating income, %	58.2	57.4	59.2	62.2	55.6
Property acquisitions, SEK m	20,217	10,163	1,944	4,954	33,261
Property sales, SEK m	–	3	–	–	3
Market value of properties on balance sheet date, SEK m	138,936	89,629	138,936	89,629	113,331
Lettable area on balance sheet date, m ²	6,887,334	2,953,201	6,887,334	2,953,201	4,013,270
Number of apartments on balance sheet date	100,870	41,308	100,870	41,308	54,863
Proportion living area on balance sheet date, %	93	89	93	89	91
Financial data					
Cash flow from operating activities, SEK m	1,413	693	611	617	1,017
Profit from property management, SEK m	2,063	738	533	542	980
Interest coverage ratio (ICR), multiple	2.9	2.4	2.9	2.4	2.5
Equity ratio, %	47.5	41.0	47.5	41.0	47.3
Loan-to-value ratio (unsecured bonds covenant), %	42.8	51.8	42.8	51.8	44.8
Loan-to-value ratio, secured loans, %	27.2	34.9	27.2	34.9	33.5
Loan-to-value ratio (financial policy), %	50.7	56.1	50.7	56.1	52.7
Quick ratio, %	226	223	226	223	197
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	2.9	2.4	2.9	2.4	2.7
Average period for which capital is tied up, year	10.3	11.6	10.3	11.6	10.5
Return on equity, %	12.5	10.5	12.5	10.5	11.3
Equity on the balance sheet date, SEK m	71,786	38,776	71,786	38,776	57,548
Net asset value on the balance sheet date, SEK m	75,639	40,872	75,639	40,872	60,074
Long-term net asset value on the balance sheet date, SEK m	75,553	40,999	75,553	40,999	60,139
DEBT/EBITDA, multiple (rolling 12m)	20	23	20	23	22
Data per share					
Profit per ordinary share, SEK	266	1,313	152	323	1,176
Equity per ordinary share, SEK	3,178	5,738	3,178	5,738	2,954
Equity including deferred tax liabilities, per ordinary share, SEK	3,763	4,465	3,763	4,465	2,550
Equity per preference share A, SEK	1,069,808	1,377,725	1,069,808	1,377,725	972,342
Equity per preference share B, SEK	2,063	102,746	2,063	102,746	2,064
Number of ordinary shares outstanding at the end of the period	6,578,058	2,429,449	6,578,058	2,429,449	5,315,502
Number of preference shares A outstanding at the end of the period	200	100	200	100	200
Number of preference shares B outstanding at the end of the period	20,317,179	240,378	20,317,179	240,378	16,027,565
Average number of ordinary shares outstanding	6,317,963	2,429,449	6,317,963	2,429,449	2,967,125
Average number of preference shares A outstanding	200	100	200	100	119
Average number of preference shares B outstanding	19,320,501	209,157	19,320,501	209,157	3,158,201

Definitions and glossary

Letting ratio, residential (apartments), %

Leased apartments divided by total number of homes.

Real letting ratio, residential (apartments), %

Leased apartments 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 including estimated market rent for vacant apartments.

Real economic letting ratio, residential (number), %

Net rental income divided by gross rental income including 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, right-of-use liabilities and 50 percent of the capital attributable to hybrid bonds as a proportion of net debt, right-of-use liabilities and equity.

Quick ratio, %

Cash and bank balances, including available credit facilities divided by forecast net liquidity needs over the ensuing 12 months, in accordance with Standard & Poor's guidelines.

Net liabilities

Interest-bearing liabilities less financial assets and cash equivalents.

Average interest, %

Average interest on the balance sheet date for interest-bearing liabilities and derivatives.

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 financial derivative instruments 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, less preferential shares and hybrid capital, divided by the number of ordinary shares at the end of the period.

Equity per preference share, SEK

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

Profit per ordinary share

Profit for the period divided by the average number of ordinary shares once the preference shares and hybrid capital's portion of the profit for the period has been taken into account.

Like-for-like growth, %

Rental income growth including vacancy, adjusted for acquisitions and divestments.

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

This information is such that Heimstaden Bostad 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.

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Arve Regland, CFO Heimstaden Bostad AB, +47 479 07 700

The interim report for January–December 2020 will be published on 12 February 2021.

Heimstaden BOSTAD

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