



Heimstaden

Company presentation
November 2020



Presenters



Arve Regland

Chief Financial Officer

Arve is CFO of Heimstaden and Fredensborg AS, which he joined in 2019. Prior to joining Heimstaden he was CEO of Entra ASA. He also has experience from ABG Sundal Collier, Arthur Andersen and EY.



Adam Lindh

Head of Finance

Adam joined Heimstaden 2014, before which he was Vice President at Situs, a real estate security consultancy firm in Copenhagen. Prior to that he was Senior Project Manager at HSH Nordbank AG, Copenhagen branch.



Christian Fladeland

Co-Chief Investment Officer

Christian joined Heimstaden in 2019 as the CIO. Prior to joining Heimstaden, he was a Partner at Colliers International in Denmark. Before Colliers, he was at Sadolin & Albæk.

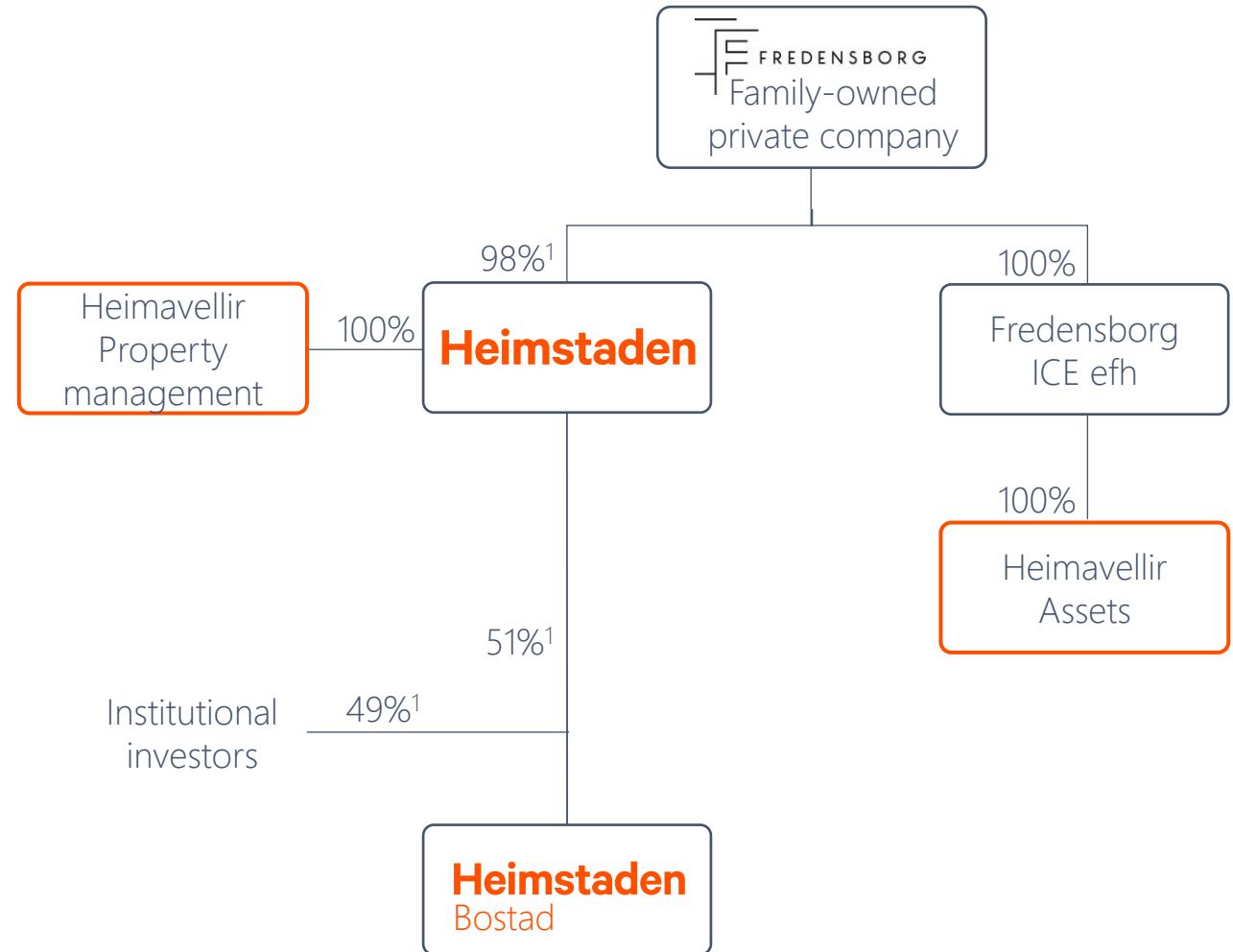


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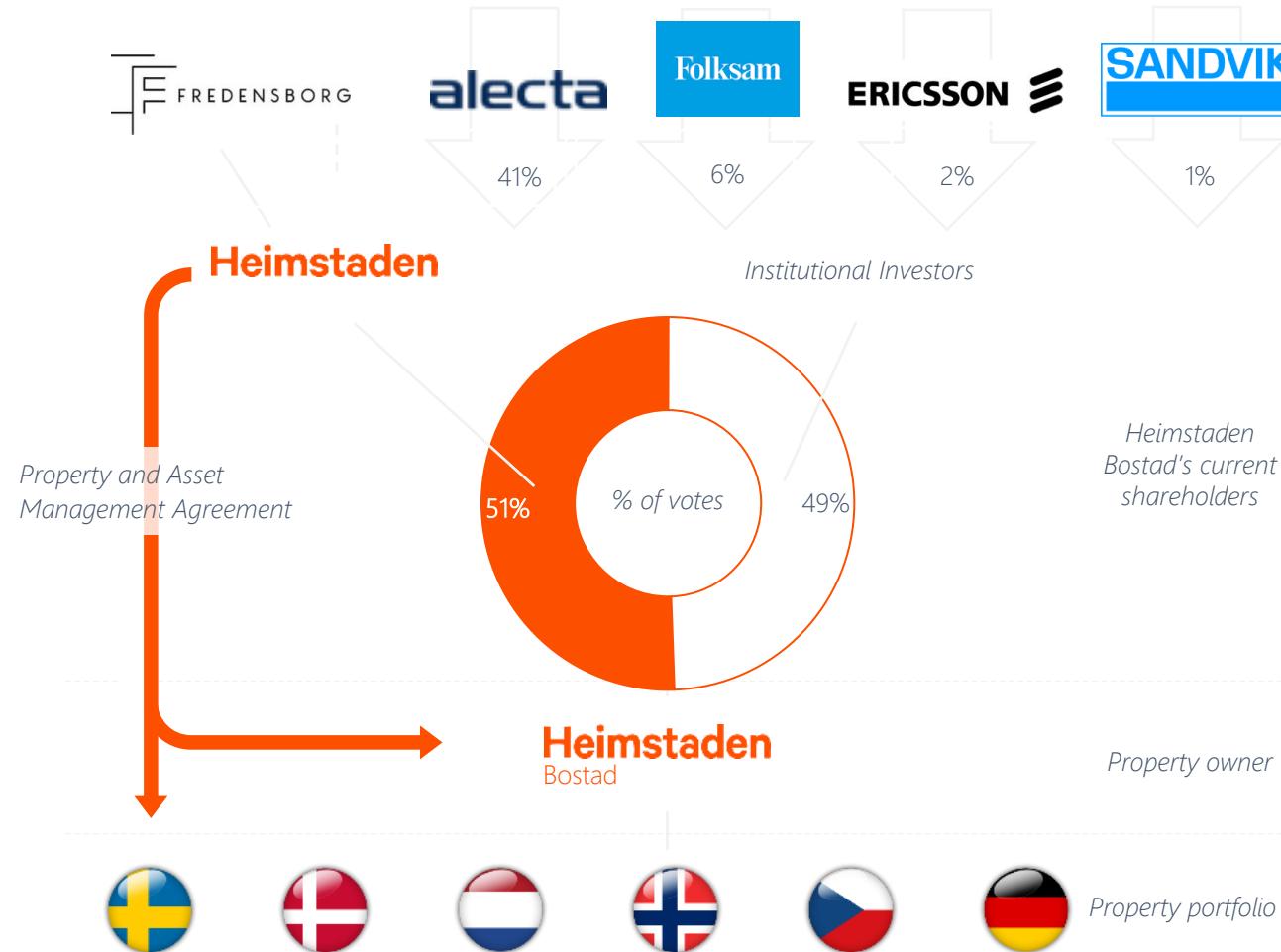
Fredensborg majority owner in Heimstaden and Heimavellir

- Fredensborg functioning as an investment partner
- Heimstaden holds an **operative role as an industrial partner**
- Long term evergreen investment
 - Heimstaden establish local property management (100% ownership)
 - Intention to move Heimavellir to Heimstaden and rebrand to Heimstaden Iceland in 2021
 - Align Heimstaden's focus on sustainability and social responsibility
 - Align Heimstaden's values and operational practices



1) Voting share

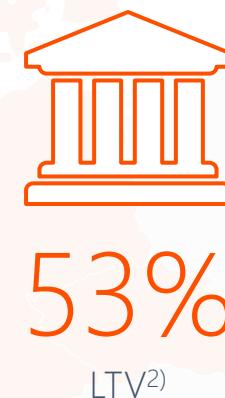
The Heimstaden Group



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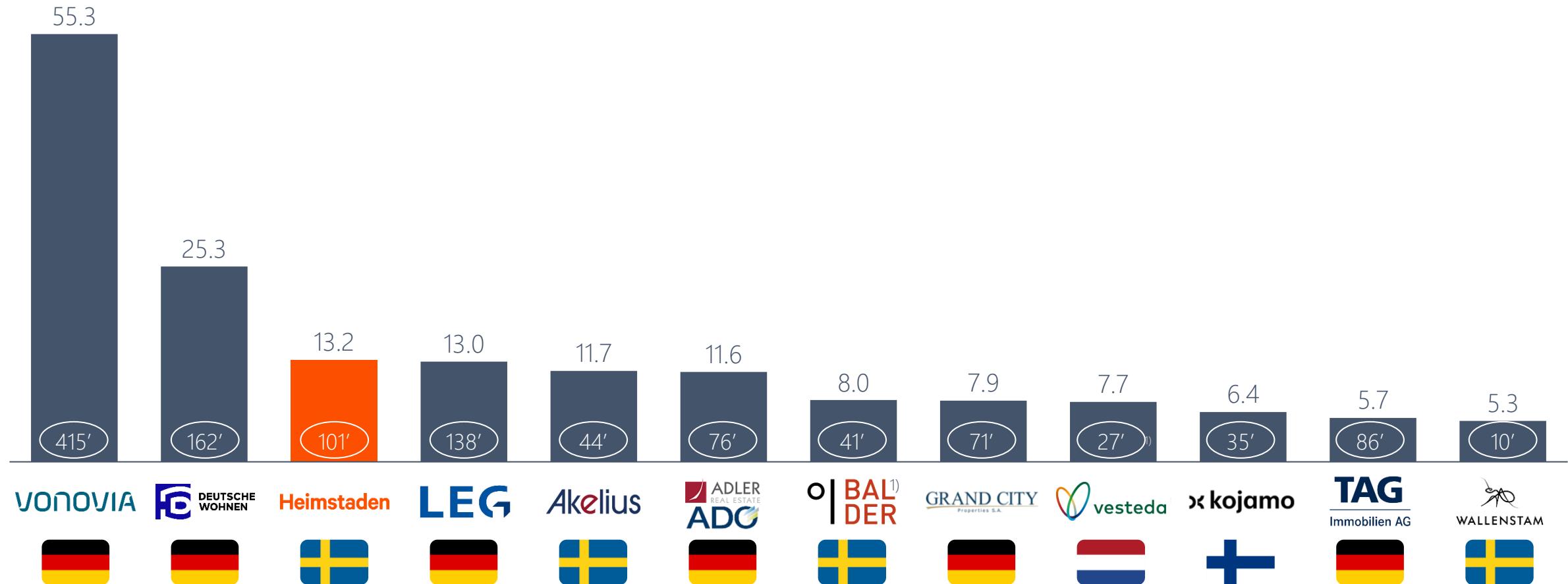
A leading European residential platform



Note: Rental income is reported earnings capacity. 1) Heimstaden Bostad is rated by S&P and is supported by institutional partners. 2) As defined by S&P with hybrid capital classified as 50% debt and 50% equity. FX EURSEK 10.5712

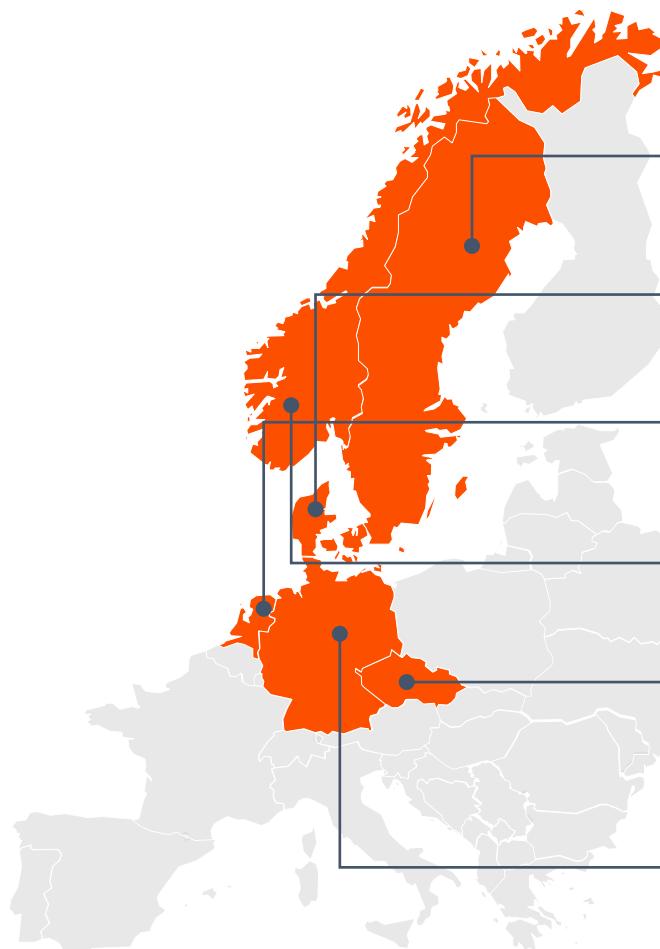
Among Europe's leading private residential real-estate companies

GAV (EURbn) and residential units



Note: Largest privately owned residential real estate companies in Europe, not including state-/government owned companies
 Source: Company information, latest reported figures per 28.10.2020. 1) Residential GAV only. FX EUR/SEK 10.5712

Heimstaden - Diversified portfolio



	Homes (#)	GAV (EURm) ¹	GAV %	GAV / sqm	Residential area	Regulated income	Comment
Sweden	30,076	4,301	33%	2,090	89%	100%	27 key growth cities
Denmark	9,728	3,507	27%	4,021	95%	16%	Mostly centrally located in Copenhagen
Norway	12,635	2,204	17%	2,167	98%	60%	Price well below replacement cost limits competition
Norway	4,589	1,562	12%	7,053	72%	-	Highly liquid portfolio of small residential units
Czech Republic	42,544	1,282	10%	488	96%	38%	Moravia-Silesia region, 3 rd most densely populated region
Germany	1,298	287	2%	3,198	93%	97%	Attractive micro locations in Berlin with pipeline
Σ	100,870	13,143	100%	1,908	93%	54%	

¹⁾ Excluding Heimstaden's Head office with a GAV of EUR 37m

Invested in advanced economies with welfare systems protecting the downside

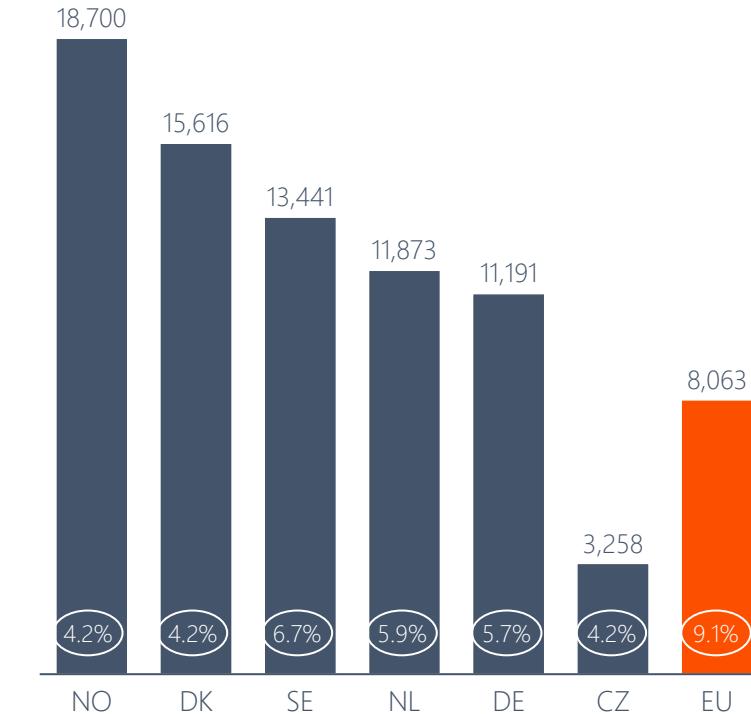
Strong markets



Considerable social support

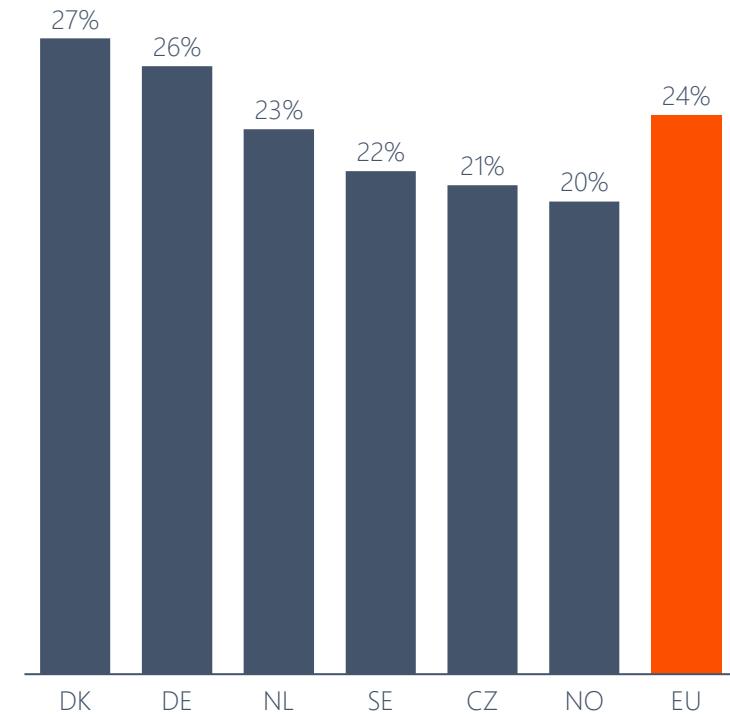
Social benefits spending, EUR per capita, 2017

(%) Unemployment rate



Housing cost burden

Share of disposable income spent on housing, 2018



Sources: Oxford Economics, Eurostat. 1) Example from Norwegian income and rental growth in Oslo

Why residential



Robust "hardware"



- Living cannot be digitalised
- Long "facelift" intervals



Strong demand



- Urbanisation, longer lifespan and smaller households
- Limited new housing supply



Essential human need



- Everyone needs a place to live
- Governments support housing costs



Co-investing with the people



- European home ownership at 68%¹⁾
- Drop in value has significant macroeconomic ramifications



Favourable regulatory environment



- Limited downside from regulated rents significantly below market
- Acquisition below replacement cost - gradual shift to market

Fully integrated platform ensures quality assets and Friendly Homes



Friendly Homes



Investments



Financing



Asset management



Operations

Marketing, customer experience, digital services and sustainable living



ESG efforts - 10 key focus areas identified from the UN SDGs

Industry specific impact areas

Ensure availability and sustainable management of water and sanitation for all



Ensure access to affordable, reliable, sustainable and modern energy for all



Make cities and human settlements inclusive, safe, resilient and sustainable



Ensure sustainable consumption and production patterns



Take urgent action to combat climate change and its impacts



Protect, restore and promote sustainable use of terrestrial ecosystems

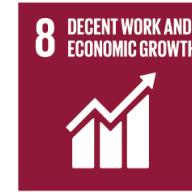


General impact areas

Achieve gender equality and empower all women and girls



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Reduce inequality within and among countries



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



Targets established to address global challenges

-  Fossil fuel free operations by 2030¹
-  Reduce amount of purchased energy by 10% per sqm by 2023¹
-  At least 1% reduced water consumption per sqm and year until 2030
-  0% work-related sick leave and work-related injuries from 2023
-  At least 3% of apartments consists of social lease contracts by 2023²
-  100 young adult jobs each year as student job and summer jobs (group wide)
-  Gender equality in Group Management Team (40%-60%)
-  On an annual basis, at least 3-4% of employees shall be trainees (focus on people in exclusion)
-  For all new builds and major projects, at least the same amount of ecosystem services must be recreated

Goals are based on global challenges and opportunities and our ability to affect these



Our ESG effort and progress will be reported and benchmarked in line with key standards



1) The target applies to Scandinavian countries and is currently under review. During 2019 and 2020, we acquired numerous properties in the Netherlands, Germany and the Czech Republic. As each country's energy mix differs, our new target map, which is under development, will be differentiated. 2) With focus to integrate the social lease contracts throughout the entire portfolio (not in separate buildings) - focus on inclusion.

Actions & achievements 2020



- Completed mapping of GHG emissions, scope 1-3
- First CDP report submitted August 2020
- Switched to 100% renewable, origin certified electricity in Denmark
- Started construction of three solar PV projects in Sweden¹
- Hired Environmental Manager Emma Bauer to lead sustainability work regarding newbuilds, major renovations, supply chain and EMS
- Planning of sustainability task force
- Systematic energy efficiency approach, supported by intelligent, modern and cost-efficient technologies



- Support to tenants affected by Covid-19
- Social screening of new suppliers – labour conditions, human rights, social impact
- Pilot project: "Sustainability coaches in student housing"
- Social lease contracts:
 - SE approx. 1.6% of total
 - CZ approx. 2% of total
 - Dialogues initiated with local authorities in NO and DK
- Community Manager program to address involuntary loneliness in SE



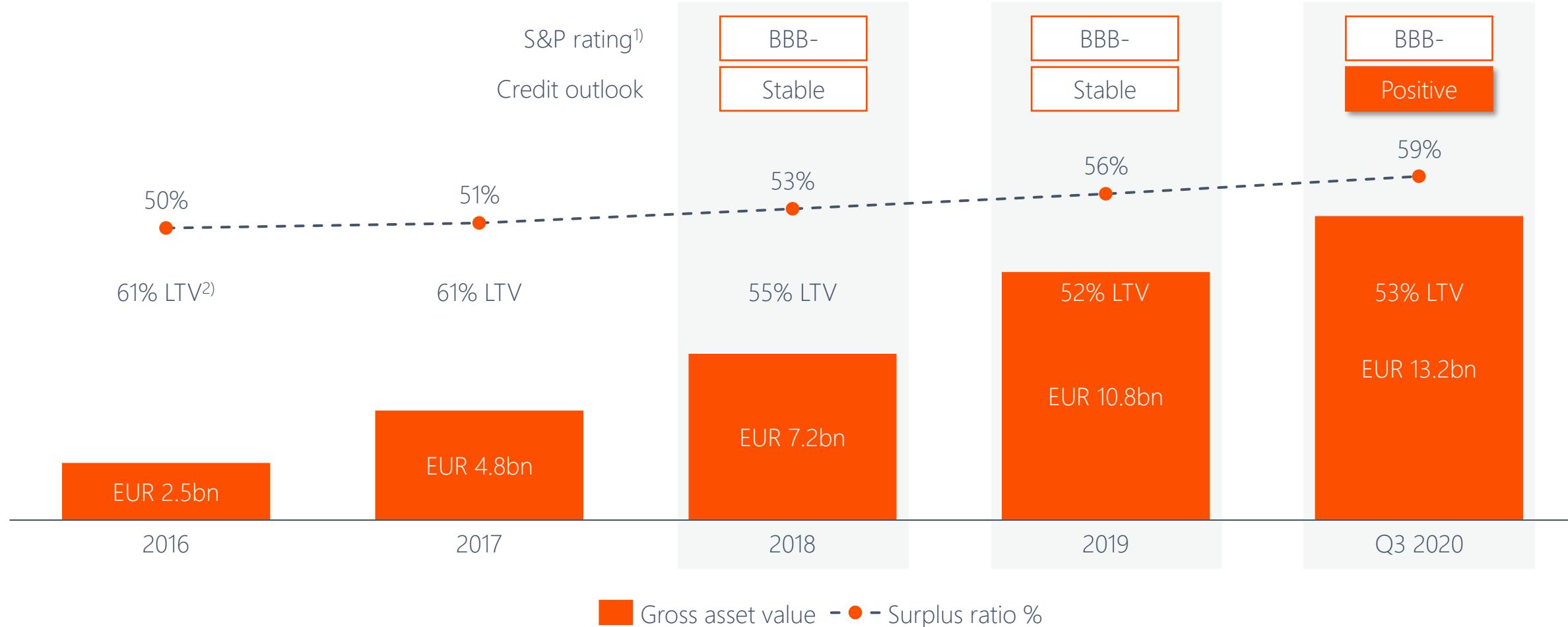
- Sustainability governance and reporting process implementation in CZ
- Increased reporting capacity (GRI Standards, Scope 3, CDP)
- Group Sustainability Controller at Group Controlling function
- New function: Group Energy Management
- Sustainability Managers in CZ and NL. Recruiting ongoing for SE
- Digital onboarding and training, including sustainability and code of conduct, developed and ready to be launched
- Updated Code of Conduct for employees



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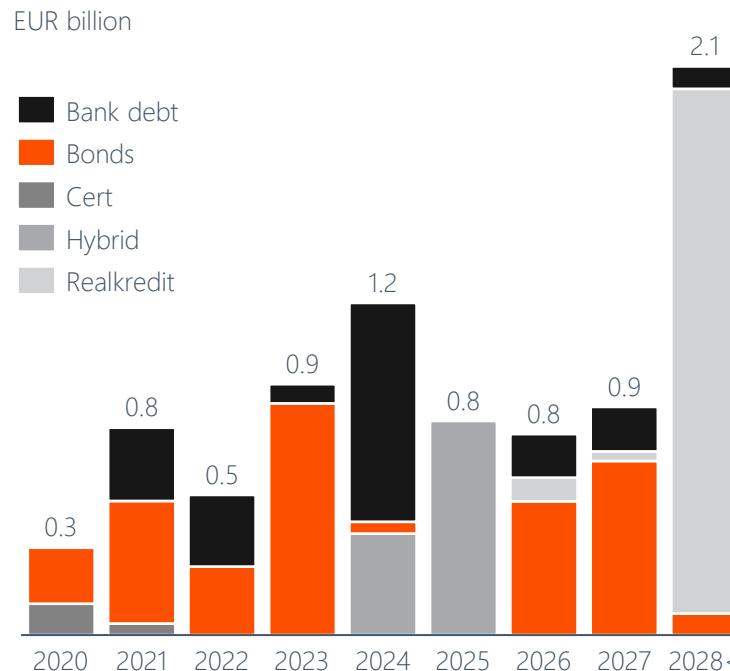
Sustainable growth with improved financials over time



¹⁾ Rating refers to Heimstaden Bostad. ²⁾ Loan-to-value ratio for Heimstaden. Calculated as Debt / Debt + Equity as defined by S&P with hybrid capital classified as 50% debt and 50% equity

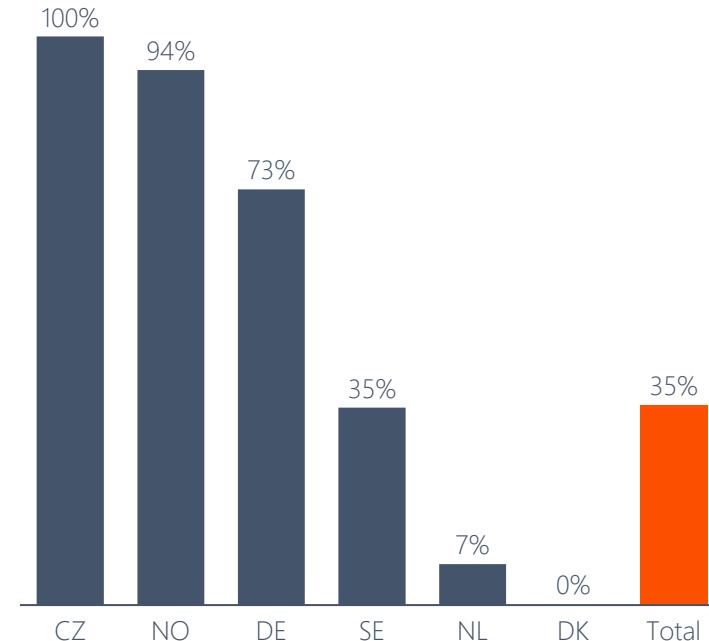
Diversified and well-distributed debt profile

Funding sources maturity profile

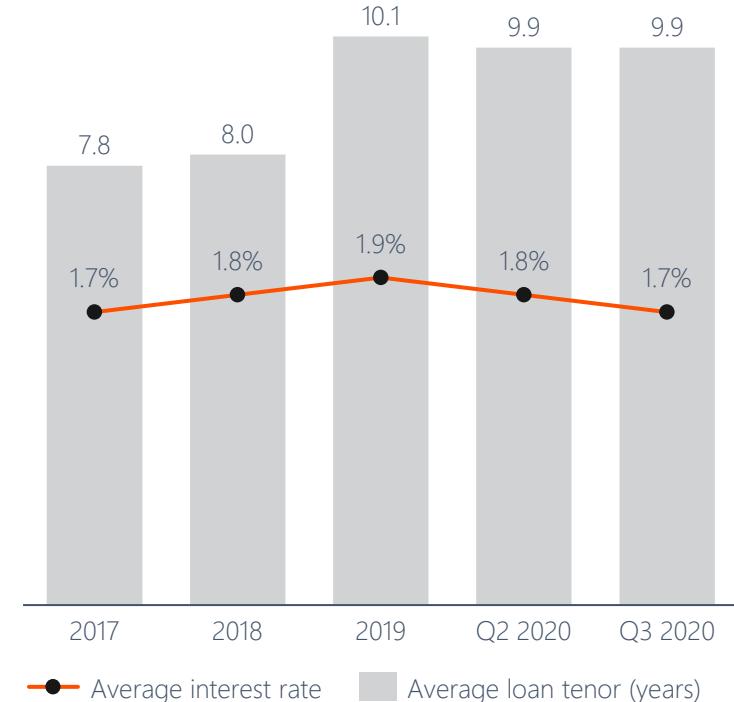


- Undrawn revolving credit facilities of EUR 1.3 billion

Unencumbered assets

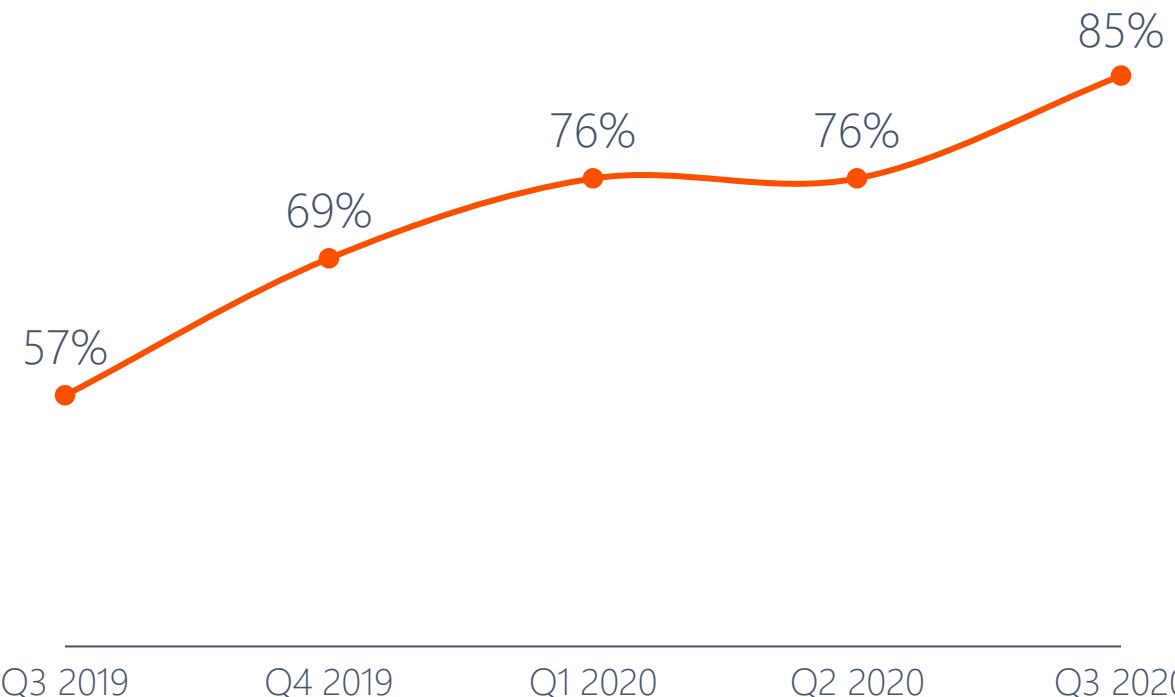


Cost of debt and loan tenor



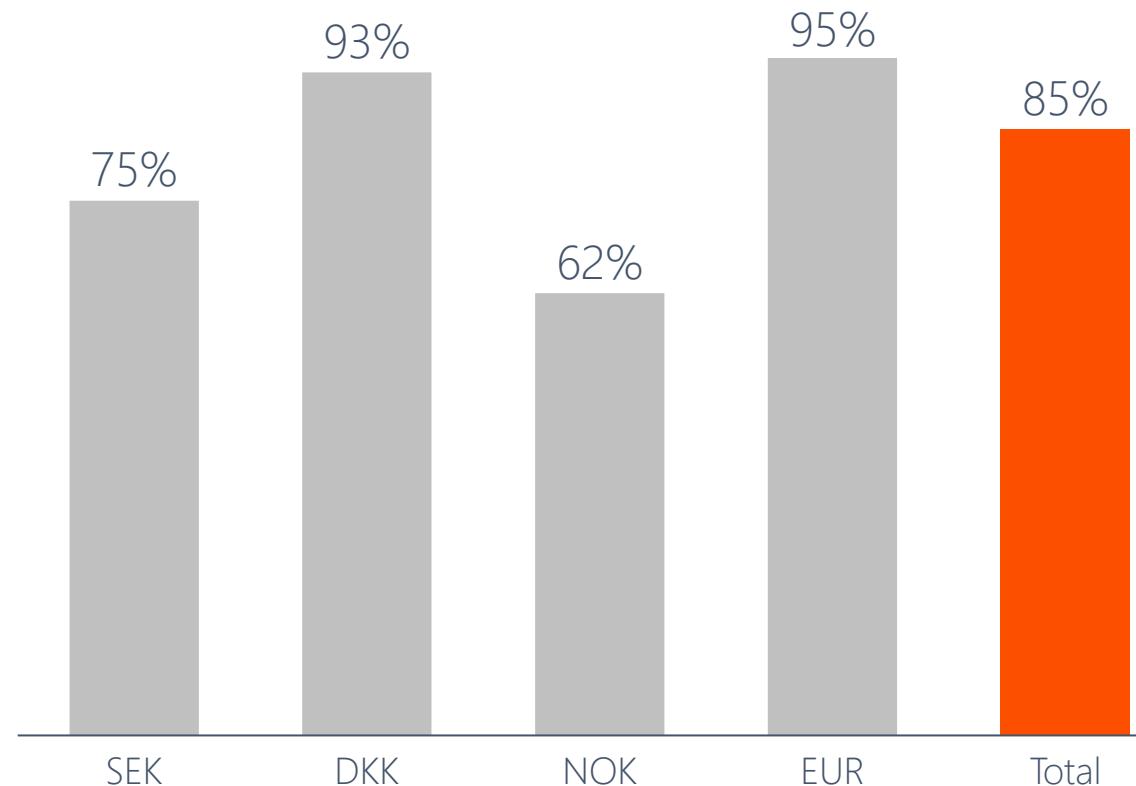
Increasing Hedge Ratio

Hedge ratio policy¹ changed to 75% from 50% in Q1 2020...



...Hedge ratio in line with peers, e.g. DW, ADO/ADLER & GC

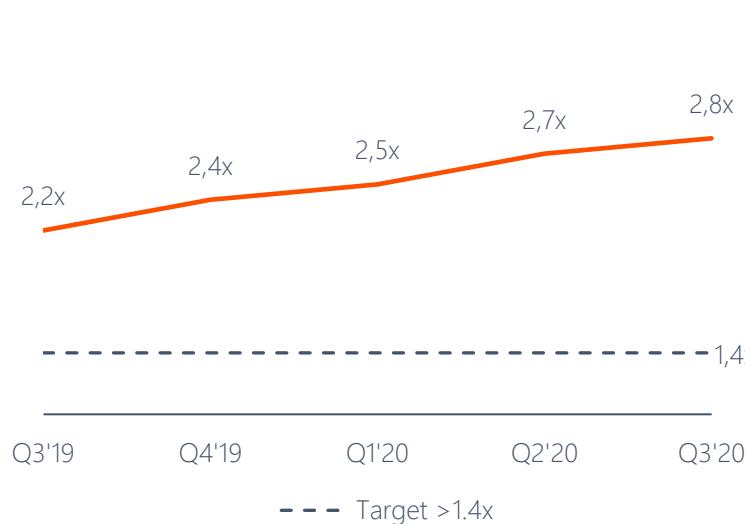
Hedge ratio in each currency



¹) Refers to Heimstaden Bostad Financial Policy

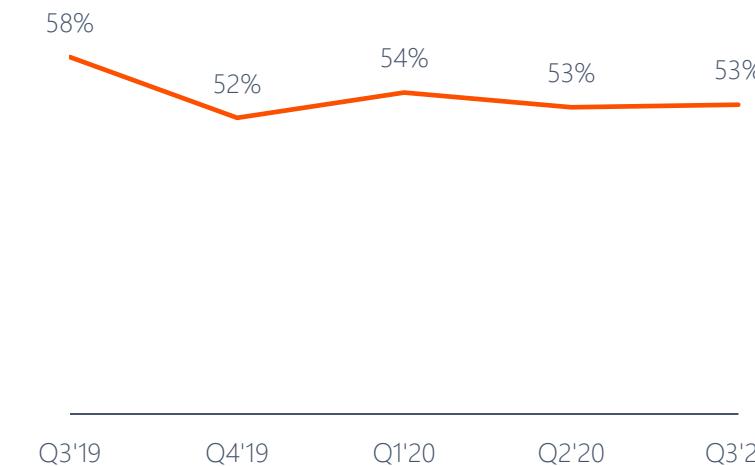
Heimstaden within targeted credit metrics

Interest coverage ratio (multiplier)¹⁾



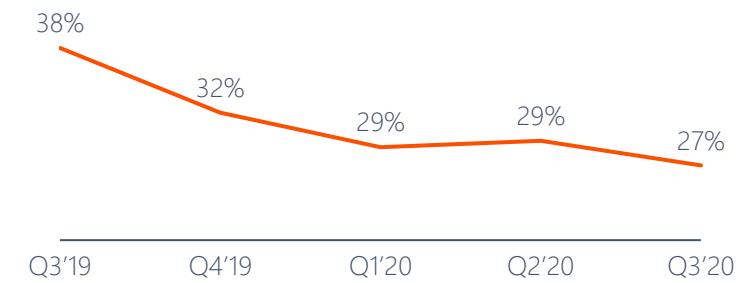
- Due to acquisitions with high ICR, expected to increase in the medium term

Loan-to-value (S&P defined)²⁾



- Expected LTV of 50-55% going forward

Secured loan-to-value³⁾



- Expected 25-35% short term
- Long-term target is 25%

1) 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

2) Debt / Debt + Equity as defined by S&P with hybrid capital classified as 50% debt and 50% equity.

3) Secured LTV calculated as Secured Loans / Total assets

Heimstaden Standalone - Strong income stream

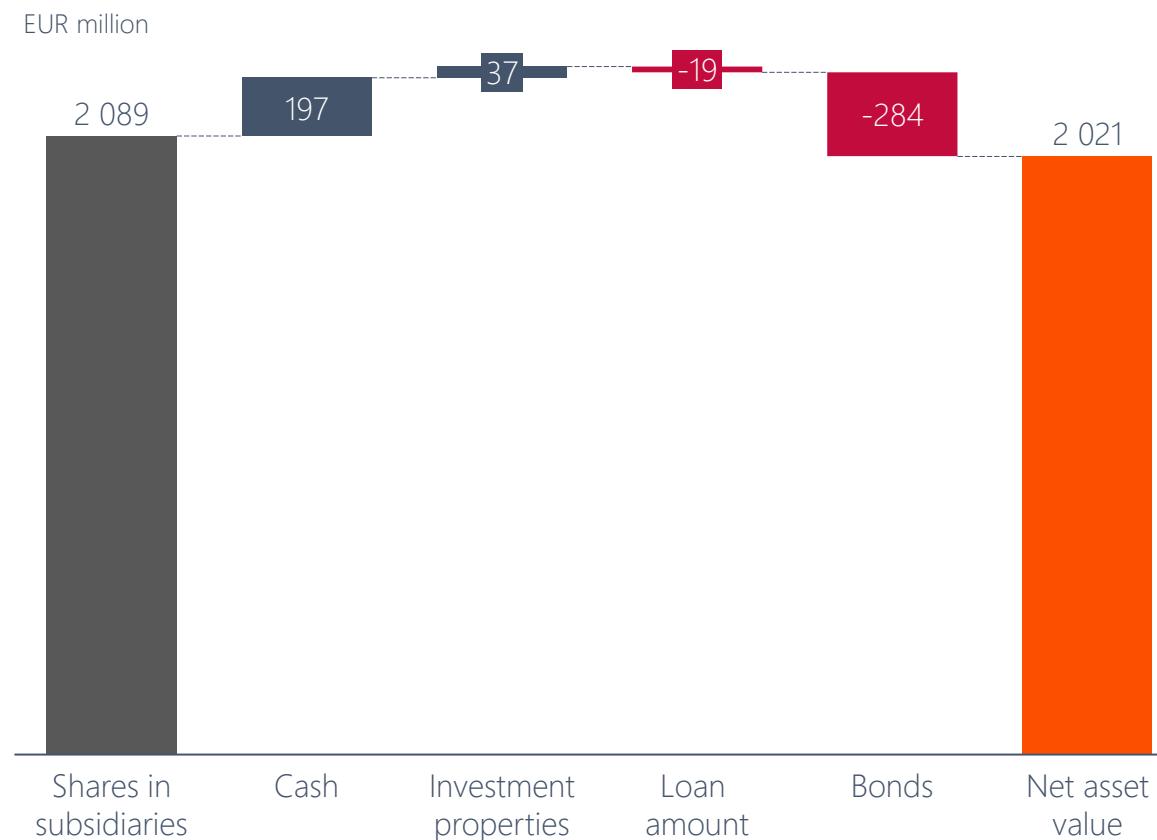
Figures in EUR million	Comment	2019	2019 pro-forma
Net Operating Income	NOI from previously owned property portfolio, foremost NL	30	-
Net Management Fee		2	2
Cash dividend	Actual dividend from 2019 paid in cash	67	67
Operating Income		99	67
Financial costs	Reduced after sale of property portfolio, foremost NL	-22	-10
Hybrid bonds		-10	-10
Preference shares		-4	-4
Financial costs		-36	-24
<i>ICR</i>		<i>2.8x</i>	<i>2.8x</i>

- Net Management Fee calculated as a percentage of the market value of Heimstaden Bostad's property portfolio less Heimstaden's related costs
- Dividend payouts:
 - Class A pref share: percentage of the market value of Heimstaden Bostad's property portfolio
 - Class B pref share: calculated based on Heimstaden Bostad's loan-to-value
 - Common shares: subject to Heimstaden Bostad's dividend policy

Note: 2019 refers to the income and financial cost for Heimstaden Standalone. 2019 pro-forma refers to the financial income and financial cost for Heimstaden Standalone after the properties in Heimstaden has been sold to Heimstaden Bostad. Not including any potential income increase from the increased GAV in Heimstaden Bostad

Heimstaden Standalone - Solid asset base

Net asset value



- Robust core holding with attractive underlying assets
 - Heimstaden Bostad is rated BBB- (positive outlook) by S&P
 - Heimstaden has a strong commitment to its holding in Heimstaden Bostad
 - All acquisitions of residential assets within the EU (including the UK, Switzerland and Norway) will be made by Heimstaden Bostad
- Heimstaden Standalone has net LTV of 5%
 - Including EUR 284 hybrids, net LTV is 22%

Implementing new strategy to improve S&P rating to BBB+ in Heimstaden Bostad



Addition of new talent

Recently added former senior analyst from S&P to our new Ratings team. The former senior analyst has experience with over 1,100 public S&P ratings across various sectors and criteria.



Investing in the non-financial aspects

In Q1 2021, Heimstaden Bostad will look to improve S&P's Management & Governance scoring, which is a key element that S&P looks for in a BBB+ rating. The improvement is as the result of governance and risk investments.



Building a BBB+ financial profile.....

- Targeted interest coverage ratio¹⁾ growth to achieve a durable 3.0x to 3.5x.
- Expecting to maintain loan-to-value²⁾ of 50%-54% in the medium term.



.....while maintaining BBB+ quality policies

- Policy of >75% fixed rate loans to ensure limited interest rate risk.
- Ensuring S&P liquidity metrics remain well above the minimum threshold.



1) EBITDA Interest Coverage as defined by S&P with hybrid capital classified as 50% debt and 50% equity

2) Debt / Debt + Equity as defined by S&P with hybrid capital classified as 50% debt and 50% equity

S&P about residential real estate

"Resilient, low risk, and capable of generating stable & predictable cash flows"

To date, S&P has not downgraded a single European residentially focused issuer due to corona-related issues as residential revenues have remained largely untouched across Europe. To contrast, S&P has taken negative rating actions commercial / office / retail focused issuers due to the *challenging market conditions and limited ability to dispose of assets* (Citycon Oyj).

Residential sector continues to display strong scoring from S&P on business & industry risk w/strengthening financial metrics:

	Rating	Business Risk	S&P ICR ¹⁾	S&P LTV ¹⁾	Key factors influencing the rating
(R) Heimstaden Bostad	BBB- / Positive	Strong	2.50x	51%	Positive outlook, focused residential growth, waiting for ICR to >2.4x track record
(R) Vonovia	BBB+ / Stable	Strong	3.6x	54%	Very large residential portfolio, very strong track record, excellent competitive position
(R) Akelius	BBB / Stable	Strong	1.6x	47%	Large & diverse portfolio, strong track record, low ICR is a risk but stable revenues from residential offset
(C) Citycon Oyj	BBB- / Negative	Satisfactory	3.4x	48%	Significant impact from COVID-19, challenging all credit metrics, focus on liquidity next 12-24 months
(C) Steen & Strom (Klépierre)	A- / Negative	Satisfactory	6.9x	43%	Expecting 20% COVID-19 rental income decline, focus on next couple of quarters for negative outlook

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Why Iceland?

2.8%

Real GDP CAGR
2010-19'

- Sound economic prospects
- Prudent fiscal policy
- Diversification across geographical and financial risk-factors

2.5

Average household size

- Favorable demographic outlook
- young and growing population
- High yet declining household size

74.1%

Home ownership rate

- Pre-mature and growing rental market
- Declining home ownership rate
- Falling average household size

27.8

Gini coefficient

- Egalitarian Nordic country
- Ideal cultural match with Heimstaden
- Based on scandinavian values

Source: Oxford Economics, Statistics Iceland, Iceland Registers



Heimstaden in Iceland

Portfolio metrics¹



Our vision



Continue to grow our position as market leader with largest residential portfolio in Iceland



Growth through acquisitions of standing assets and developments



Reach critical scale of ~3,000-4,000 units concentrated in capital area



Best in class operations with customer-centric solutions



Provide long-term friendly homes for our tenants

1) Q3 2020

2) Net debt / GAV

Focus on long term sustainable growth

Growth strategy



Residential assets

- Preferably small efficient residential units that are affordable by the many
- >90% of rental income from residential assets
- Acquisitions of standing assets and new developments



Strong locations

- Assets located in the capital area and up-to ~45-minute drive from Reykjavík
- Focus on locations with good transportation and proximities to e.g. schools, groceries and recreational areas



Risk-adjusted return

- Focus on risk adjusted long-term returns
- Active asset management utilizing value add potential by executing business plans including e.g. unit splits and renovations



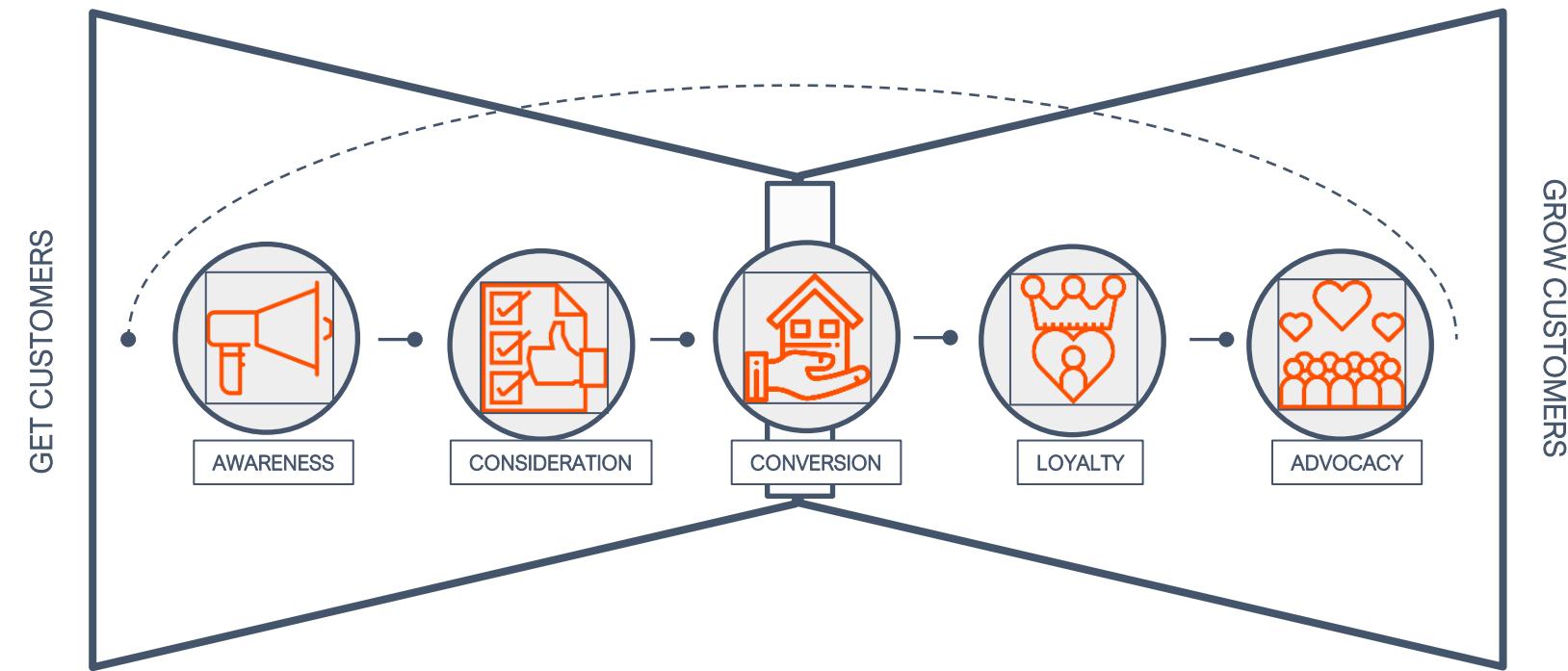
Sustainable growth

- Sustainability is an integrated part of ensuring the long-term value of our investments
- We aim for positive impact on the local community, supporting long-term relationships with our stakeholders



Establish Heimstaden as a trusted and preferred landlord in Iceland

- Build and create brand awareness to gain trust and become the preferred choice of landlord
- Turn our customers into loyal brand advocates by excellence in customer experience
- Build employer branding to attract and retain colleagues



Heimstaden

HST earning capacity, 12 months

Figures in EUR million	Q3 2020
Rental income	689
Property costs	-308
Net operating income	382
Central administration	-26
Other operating income	-
Other operating expenses	-
Profit from participation in associated companies	-
Profit before financial items	355
Financial income	-
Financial expenses - Interest bearing liabilities	-124
Income from property management	231
Key data	-
Surplus ratio (%)	55.4
ICR (multiplier)	2.9

Note: FX EURSEK 10.5712

Statement of comprehensive income Q3 2020

Figures in EUR million	Q3 2020 ¹⁾	Q2 2020 ¹⁾	Q1 2020 ¹⁾	2019 ²⁾
Rental income	164	167	147	460
Property costs	-67	-63	-67	-202
Net operating income	98	104	81	258
Central administration	-6	-7	-6	-16
Other operating income	1	1	2	3
Other operating expenses	-1	-3	-1	-4
Profit from participation in associated companies	-2	0	0	19
Profit before financial items	91	95	77	258
Financial income	2	3	2	5
Financial expenses - Interest bearing liabilities	-36	-34	-31	-109
Other financial costs ³⁾	-4	-5	-4	-18
Financial costs, right-of-use assets	-1	-1	-1	-3
Currency gains and losses	-3	11	11	-13
Income from property management	48	68	55	122
Change in value of investment properties	240	151	181	616
Change in the value of financial instruments	2	-21	-12	-10
Profit before tax	290	198	224	729
Current tax	-10	-16	-14	-25
Deferred tax	-56	-16	-53	-137
The result of the period	224	165	158	568
Other comprehensive income	-81	-99	-73	41
Comprehensive income	143	66	85	609

Note: FX EURSEK 10.5712. 1) 3 months comprehensive income. 2) 12 months comprehensive income. 3) Other financial costs + other financial income

Balance sheet – assets

Figures in EUR million	30 September 2020	31 December 2019
Assets		
Goodwill	7	7
Investment Property	13,180	10,757
Leases, right-of-use	66	85
Tangible fixed assets	6	3
Financial instruments	8	-
Other financial non-current assets	117	87
Total non-current assets	13,383	10,938
Development properties and tenant-owned apt in progress	97	82
Accounts receivable	7	2
Other receivables	133	100
Prepayments and accrued income	31	32
Cash and cash equivalents	908	1,011
Total current assets	1,176	1,227
Total assets	14,559	12,166

Note: FX EURSEK 10.5712

Balance sheet – equity and liabilities

Figures in EUR million	30 September 2020	31 December 2019
Equity	6,656	5,670
Liabilities		
Interest-bearing secured liabilities	3,896	3,760
Interest-bearing unsecured liabilities	2,736	1,614
Leasing liability	66	85
Financial instruments	-	6
Deferred tax liabilities	470	344
Total non-current liabilities	7,169	5,809
Interest-bearing secured liabilities	13	108
Interest-bearing unsecured liabilities	487	378
Accounts payable	30	31
Current liabilities	30	19
Other current liabilities	97	94
Accrued costs and prepaid income	78	56
Total current liabilities	735	686
Total equity and liabilities	14,559	12,166

Note: FX EURSEK 10.5712