



Interim report

Q3 2023

Fleming Properties AB

www.flemingproperties.se

PERIOD FROM JANUARY–SEPTEMBER 2023

- Group revenue for the period amounted to TEUR 5,520 (5,119)
- Net operating income for the period amounted to TEUR 4,384 (4,109)
- Profit from property management for the period amounted to TEUR 3,038 (2,758)
- Profit/loss for the period was TEUR -2,199 (profit: 3,873)

THIRD QUARTER JULY–SEPTEMBER 2023

- Group revenue for the period amounted to TEUR 1,902 (1,746)
- Net operating income for the period amounted to TEUR 1,553 (1,415)
- Profit from property management for the period amounted to TEUR 1,089 (940)
- Profit/loss for the period was TEUR 831 (700)

CEO'S COMMENTS ON THE PERIOD

Operations have proceeded according to plan and followed the expected earnings trend with the company posting an improved year-on-year profit from property management. During the period, the company has continued to focus intently on lettings and refinancing for the year ahead.

It is pleasing that the company welcomed Houston Inc. to the property in October and the premises were adapted for Houston Inc.'s operations during the period. The letting encompasses some 600 m² of office space on a five-year lease.

SIGNIFICANT EVENTS DURING THE PERIOD

Tenants have moved back to the restored areas damaged by the fire in the adjacent property in December 2021. As of September, the restoration project is complete and a final inspection has been conducted. The company has been compensated by insurance for costs related to restoring the premises and for loss of revenue.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

The company repaid borrowings of TEUR 585 at the start of October and, until refinancing is arranged, additional repayments are expected to be necessary in conjunction with the next two interest payments. The company has the cash funds to complete these repayments, which means that currently the repayments will not lead to any liquidity challenges in operations.

FLEMING PROPERTIES IN BRIEF

Fleming Properties AB, corporate registration number 559207–9544, is a Swedish property company registered in June 2019 and the indirect owner of a property portfolio through subsidiaries. The portfolio comprises approximately 41,000 square metres of lettable area at a property located in Helsinki, Finland. The company's CEO is John Malmström and the company is administered by Pareto Business Management AB. The company's shares have been traded on Spotlight Stock Market since 14 October 2019.

FINANCIAL PERFORMANCE

The Group's profit from property management has tracked expectations. The Group has long-term secured cash flows via the existing lease agreements with indexation clauses and future investments are ensured through solid liquidity, which will enable the company to change the capital structure to meet the changed market conditions for the coming refinancing.

Property valuations

The Group recognises its investment properties at fair value in accordance with IFRS. The properties are valued twice each year by an external, licensed and independent valuation institute at the end of the second and fourth quarters. At the balance-sheet date, the properties were valued at TEUR 123,600 (136,000).

FINANCIAL OVERVIEW AND SELECTED PERFORMANCE INDICATORS, GROUP

<i>Unless otherwise stated all amounts are in thousand euro (TEUR).</i>	1 Jan 2023 –30 Sep 2023	1 Jan 2022 –30 Sep 2022	1 Jul 2023 –30 Sep 2023	1 Jul 2022 –30 Sep 2022
Revenue	5,520	5,119	1,902	1,746
Net operating income	4,384	4,109	1,553	1,415
Profit from property management	3,038	2,758	1,089	940
Profit/loss for the period	-2,199	3,873	831	700
Profit from property management per share, EUR	0.51	0.46	0.18	0.16
Earnings per share, EUR	neg.	0.65	0.14	0.12
Equity per share, EUR	8.91	10.40	8.91	10.40
Market value of properties	123,600	136,000	123,600	136,000
No. of shares outstanding	5,950,000	5,950,000	5,950,000	5,950,000
Surplus ratio, %	79.41	80.27	81.64	81.04
Return on equity, %	neg.	8.23	6.31	4.55
Interest coverage ratio, multiple	4.63	4.36	4.82	4.41
Equity/assets ratio, %	39.78	42.41	39.78	42.41
LTV ratio, %	63.11	57.35	63.11	57.35
Net LTV ratio, %	55.98	51.48	55.98	51.48
NRV per share, EUR	9.10	10.80	9.10	10.80
Property yield, %	4.73	4.03	5.02	4.16
Implicit property yield, %	7.26	4.72	7.71	4.88

SHARE RELATED PERFORMANCE INDICATORS, SEK

	1 Jan 2023 –30 Sep 2023	1 Jan 2022 –30 Sep 2022	1 Jul 2023 –30 Sep 2023	1 Jul 2022 –30 Sep 2022
Profit from property management per share, SEK	5.87	5.06	2.10	1.72
Earnings per share, SEK	neg.	7.11	1.60	1.28
Equity per share, SEK	102.40	113.57	102.40	113.57
NRV per share, SEK	104.55	117.87	104.55	117.87
Stock market price per balance sheet day, SEK	36.00	84.00	36.00	84.00
EUR/SEK per balance sheet day	11.49	10.92	11.49	10.92

Leases

On 30 September 2023, the company's occupancy rate was about 92%. Of the total rental value, 96% pertains to leases signed with SOK, one of Finland's largest companies operating in several business areas, including grocery retail and the service industry. The leases with SOK extend until 31 December 2030 and include break options that permit the company to relinquish 9.3% and 15.9% of its contracted space from 31 December 2025 and 31 December 2027, respectively. Exercise of the options requires notice of not less than 24 months. As of the balance-sheet date, the average remaining lease term was 7.1 years. All leases contain indexation clauses that adjust one hundred per cent of the base rent pursuant to the CPI. As of 1 January 2023, an 8.33% upward adjustment was made to the rents.

Financing

The Group has an interest-only loan of TEUR 78,000 loan with Deutsche Pfandbriefbank AG that is subject to a fixed interest rate of 1.45%. The loan extends until 10 July 2024. Interest expenses for the period totalled TEUR 859 (848).

The share and shareholders

The company had 814 (877) shareholders at the end of the period.

OTHER INFORMATION

Dividend

The Annual General Meeting on 29 March 2023 resolved in line with the Board's proposal that no dividend be distributed to shareholders. The proposal is based on the assessment that, over time, it is of greater value for the company to strengthen its balance sheet ahead of the refinancing that will take place in 2024. However, based on what circumstances permit, the Board's ambition is to resume dividends following the company's refinancing.

Employees

The Group had no employees during the period. The Group is administered by Pareto Business Management AB.

Related-party transactions

An intra-Group management fee was paid between Fleming Properties AB and its subsidiaries. Consultancy fees amounting to SEK 10,000 were also paid to the company's Chairman of the Board during the period pertaining to consultation related to the company's refinancing. No other related-party transactions have taken place.

Significant risks and uncertainties

For Fleming Properties AB, the changed market conditions could entail risks in the form of a decline in property values and the Group's tenants encountering liquidity problems as a result of decreased revenue and thus difficulties in paying rent. This could also entail difficulties in letting vacant premises in the property portfolio.

Vacancy risk arises from the risk of the tenants terminating their existing leases, the risk of which is limited at present due to the long duration of the lease with SOK.

The Group is also exposed to a limited risk associated with operating and maintenance costs. The properties are let with leases stipulating that the tenant is responsible for and will defray most of the operating and maintenance costs. The Group is responsible for operating and maintenance costs related to the external areas of the buildings and to installations such as heating, cooling and ventilation. The Group is also responsible for costs related to property tax and insurance.

Assessments concerning the fair value of the investment properties are based on estimated future cash inflows and outflows, and on a discounting of these with respect to a risk-free interest rate and mark-up. Accordingly, all of these factors comprise future assessments and are uncertain.

The Group's ability to successfully refinance its external debt depends on the prevailing conditions in the financial markets at the time of refinancing. Accordingly, at any one specific time, the Group may not have access to funding sources at advantageous terms. The Group's ability to refinance its debt obligations may have a materially negative effect on the Group's operations.

The terms and conditions of the company's external financing include the covenants stipulating that the Group's interest coverage ratio, calculated forward-looking on quarterly figures, must exceed 2.50 and that the loan-to-value (LTV) ratio may not exceed 70%. The company had met all covenants as of 30 September 2023.

Please refer to Note 4 of the 2022 Annual Report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Amounts in thousand euro, TEUR</i>	1 Jan 2023 –30 Sep 2023	1 Jan 2022 –30 Sep 2022	1 Jul 2023 –30 Sep 2023	1 Jul 2022 –30 Sep 2022
Revenue	5,520	5,119	1,902	1,746
Operating and maintenance costs	-614	-596	-174	-190
Property tax	-522	-414	-175	-141
Net operating income	4,384	4,109	1,553	1,415
Administration costs	-404	-409	-153	-157
Financial income	2	1	-	-
Financial expenses	-944	-943	-311	-318
Profit from property management	3,038	2,758	1,089	940
Unrealised changes in value, properties	-5,745	1,209	-31	-487
Profit/loss before tax	-2,707	3,966	1,058	454
Deferred tax	508	-94	-227	247
Profit/loss for the period	-2,199	3,873	831	700
Earnings per share, EUR	neg.	0.65	0.14	0.12
Average number of shares, thousand	5,950	5,950	5,950	5,950

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>Amounts in thousand euro, TEUR</i>	30 September 2023	31 December 2022
Assets		
Investment properties	123,600	129,000
Right-of-use assets	537	537
Total non-current assets	124,137	129,537
Accounts receivable	19	65
Other current receivables	34	479
Prepaid expenses and accrued income	281	94
Cash and cash equivalents	8,809	7,783
Total current assets	9,143	8,420
TOTAL ASSETS	133,280	137,957
Equity and liabilities		
Share capital	60	60
Non-restricted equity	52,956	55,155
Total equity	53,016	55,215
Liabilities to credit institutions	77,904	77,834
Deferred tax liabilities	1,113	1,621
Non-current lease liabilities	537	537
Total non-current liabilities	79,554	79,992
Accounts payable	57	324
Other current liabilities	200	1,212
Accrued expenses and deferred income	453	1,214
Total current liabilities	710	2,750
Total liabilities	80,264	82,742
TOTAL EQUITY AND LIABILITIES	133,280	137,957

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>Amounts in thousand euro, TEUR</i>	1 Jan 2023 –30 Sep 2023	1 Jan 2022 –30 Sep 2022	1 Jul 2023 –30 Sep 2023	1 Jul 2022 –30 Sep 2022
Profit from property management	3,038	2,758	1,089	940
<i>Non-cash items</i>				
Financial items	70	70	23	23
Tax paid	-	-1	-	-
Cash flow from operating activities before changes in working capital	3,108	2,827	1,112	963
Cash flow from changes in working capital				
Decrease/increase in other current receivables	304	-1,138	-95	-551
Increase/decrease in accounts payable	-268	171	-470	-414
Increase/decrease in other current liabilities	-761	450	-373	-2
Cash flow from operating activities	2,383	2,310	174	-4
Investing activities				
Received insurance recovery ¹⁾	1,736	1,811	527	1,060
Investments in existing investment properties ²⁾	-2,081	-2,601	-558	-1,546
Cash flow from investing activities	-344	-790	-31	-486
Financing activities				
Dividends paid	-1,012	-3,095	-	-1,012
Cash flow from financing activities	-1,012	-3,095	-	-1,012
Cash flow for the period	1,027	-1,575	143	-1,502
Cash and cash equivalents at the beginning of the period	7,783	9,561	8,667	9,488
Cash and cash equivalents at the end of the period	8,809	7,986	8,809	7,986

¹⁾ Compensation on the insurance claim related to fire damage was paid with a certain delay. As of the balance-sheet date, compensation had been received for the period until July 2023.

²⁾ The period was also charged with investments connected to tenant adaptations for Houston Inc., which were completed by the occupancy date of 1 October 2023, and the investment in a new entrance hall in the Vallilan Tomisto premises with the aim of improving the tenant experience.

PARENT COMPANY INCOME STATEMENT

<i>Amounts in thousand euro, TEUR</i>	1 Jan 2023 –30 Sep 2023	1 Jan 2022 –30 Sep 2022	1 Jul 2023 –30 Sep 2023	1 Jul 2022 –30 Sep 2022
Net sales	35	79	11	17
Administration costs	-196	-244	-62	-66
Operating loss	-161	-165	-51	-49
Profit from financial items	–	4,165	–	4,165
Financial items	31	18	17	7
Profit/loss for the period	-130	4,018	-34	4,123

PARENT COMPANY'S CONDENSED BALANCE SHEET

<i>Amounts in thousand euro, TEUR</i>	30 September 2023	31 December 2022
ASSETS		
Participations in subsidiaries	47,278	47,278
Non-current receivables from Group companies	1,388	1,389
Total non-current assets	48,666	48,666
Other current receivables	36	51
Current receivables from Group companies	1,361	1,920
Prepaid expenses and accrued income	62	94
Cash and cash equivalents	665	1,299
Total current assets	2,124	3,363
TOTAL ASSETS	50,790	52,030
EQUITY AND LIABILITIES		
Share capital	60	60
Non-restricted equity	50,690	50,820
Equity	50,749	50,879
Accounts payable	3	103
Other current liabilities	–	1,012
Accrued expenses and deferred income	38	35
Total current liabilities	41	1,150
TOTAL EQUITY AND LIABILITIES	50,790	52,030

GENERAL INFORMATION

Fleming Properties AB, corporate registration number 559207-9544, is a public listed company registered in Sweden and domiciled in Stockholm. The address of the company's head office is Berzelii Park 9, Box 7415, SE-103 91 Stockholm. The operations of the company and its subsidiaries (the Group) encompass owning and managing properties.

ACCOUNTING POLICIES

Fleming Properties AB applies the International Financial Reporting Standards (IFRS) as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

The Parent Company's financial statements have been prepared in accordance with RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act.

The full accounting and valuation policies applied in this interim report are the same as those described in the annual report.

The company prepares five reports each year: an annual report, a year-end report, a half-year report, and two interim reports.

AUDIT

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

DEFINITIONS

Earnings per share

Profit for the period divided by the number of shares outstanding

Profit from property management per share

Profit from property management divided by the number of shares outstanding

Equity per share

Equity divided by the number of shares outstanding

Surplus ratio

Net operating income divided by total rental income

Return on equity

Profit for the period attributable to the Parent Company's shareholders, restated as for 12 months, divided by average equity

Interest coverage ratio

Net operating income less administration costs and plus interest income divided by interest expenses

Equity/assets ratio

Equity divided by total assets

Loan-to-value (LTV) ratio

Liabilities to credit institutions divided by the market value of the properties

Net LTV ratio

Liabilities to credit institutions less cash and cash equivalents divided by the market value of the properties

NRV per share

Equity with add-back of interest-rate derivatives and deferred tax, divided by the number of shares outstanding

Property yield

Net operating income, restated as for 12 months, divided by the market value of the properties

Implicit property yield, %

Net operating income, restated as for 12 months, divided by the implicit value of the properties

Implicit value of the properties

The market value of the properties adjusted for the difference between the company's market value and reported equity adjusted for deferred tax as of the balance-sheet date

Key ratios in SEK

Converted from EUR to SEK based on cross rates from the Swedish Central Bank as per the balance-sheet date

DECLARATION BY THE BOARD

The Board of Directors and the CEO hereby certify that this report provides a fair and accurate overview of the company's and the Group's operations, financial position and earnings, and describes the material risks and uncertainties faced by the company and the companies included in the Group.

The interim report for Fleming Properties AB (publ) was adopted by the Board on 28 November 2023.

Stockholm, 28 November 2023
Fleming Properties AB
Corporate registration number: 559207-9544

Thomas Lindström
Chairman

Erica Magnergård
Board member

Patrik von Hacht
Board member

Henrik Schmidt
Board member

Karl Runeberg
Board member

John Malmström
CEO

INFORMATION ON MAR

The information in this interim report is of such a nature that Fleming Properties AB is legally required to disclose pursuant to the EU's Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons above, on 28 November 2023.

REPORTING CALENDAR

27 February 2024 Year-end report 2023
10 April 2024 Annual General Meeting

FOR FURTHER INFO, PLEASE CONTACT

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