



Year-end report

2022

Fleming Properties AB

www.flemingproperties.se

FULL YEAR, JANUARY – DECEMBER 2022

- Group revenue for the period amounted to TEUR 6,932 (6,989)
- Net operating income for the period amounted to TEUR 5,487 (5,805)
- Profit from property management for the period amounted to TEUR 3,742 (4,048)
- Profit/loss for the period amounted to a loss of TEUR 2,805 (profit: 7,739)

FOURTH QUARTER, OCTOBER – DECEMBER 2022

- Group revenue for the period amounted to TEUR 1,813 (1,606)
- Net operating income for the period amounted to TEUR 1,378 (1,293)
- Profit from property management for the period amounted to TEUR 984 (901)
- Profit/loss for the period amounted to a loss of TEUR 6,679 (profit: 2,463)

CEO'S COMMENTS ON THE PERIOD

Operations have continued as planned and have met the expected profit trend given the impact of the fire that broke out at the adjacent property in December 2021. The restoration work is essentially completed, and tenants have started to move back into the premises. In conjunction with the above, the lease with Zefram (formerly Stealth Black Oy) has been extended for a period of 24 months. The premises relates to the areas which we earlier received rental guarantee from the vendor, which expired in October 2021, which is why the net operate income is down in comparison to previous year.

The lettings process following the fire has intensified since the summer. Compared with last year, when the fire damage and pandemic dominated events, we have noted increased movement in the local office lettings market and greater interest in the company's office. Considering the above, combined with the indexation of the company's lease agreements, the profit from property management is expected to increase in 2023.

The turbulent operating environment has impacted the property market during the period in the form of high inflation and a sharp increase in financing costs. This has brought property sector valuations under pressure and, for the company, this is reflected in a reported value decline of TSEK 7,176 as a result of increased yield requirements.

SIGNIFICANT EVENTS DURING THE PERIOD

During the period, restoration of the fire-damaged areas has continued pursuant to plan. The work affects some 5,100 square metres, of which about one third is let. The company has been compensated by insurance for costs related to restoring the premises and for any loss of revenue.

During the period, work on a previously planned repair and refurbishment project started on the outdoor courtyard adjacent to SOK's main entrance. The project aims to reinforce the foundations and enhance the outdoor environment. The major construction work has essentially been completed and the remaining work, which is of a more cosmetic nature, will be carried out in spring 2023.

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

After the end of the period, restoration of the previously fire-damaged areas was essentially completed and tenants have started to move back into the premises.

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 earnings have performed as expected given the impact of the fire that broke out at the adjacent property in December 2021. 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 also enables the company to change its capital structure ahead of the upcoming refinancing of external debt to meet the changed market conditions.

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 appraiser at the end of the second and fourth quarters. At the balance-sheet date, the properties were valued at TEUR 129,000 (134,000). The year's decline in property value related to an increase in property yields.

Leases

Per 31 December 2022, the company's rental rate amounted to approximately 91%. Of the total rental value, 97% 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. Exercising the break-options requires a notice of 24 months minimum. As of the balance-sheet date, the average remaining lease term is 7.8 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 4 October 2024. Interest expenses for the period totalled TEUR 1,137 (1,137).

The share and shareholders

The company had 632 (542) shareholders at the end of the period.

FINANCIAL OVERVIEW AND SELECTED PERFORMANCE INDICATORS, GROUP

<i>Unless otherwise stated all amounts are in thousand euro (TEUR).</i>	1 Jan 2022 –31 Dec 2022	1 Jan 2021 –31 Dec 2021	1 Oct 2022 –31 Dec 2022	1 Oct 2021 –31 Dec 2021
Revenue	6,932	6,989	1,813	1,606
Net operating income	5,487	5,805	1,378	1,293
Profit from property management	3,742	4,048	984	901
Profit/loss for the period	-2,805	7,739	-6,679	2,463
Earnings per share, EUR	-0.47	1.30	-1.12	0.41
Market value of properties	129,000	134,000	129,000	134,000
No. of shares outstanding	5,950,000	5,950,000	5,950,000	5,950,000
Surplus ratio, %	79.15	83.06	75.98	80.51
Return on equity, %	-4.78	12.82	-45.91	16.16
Interest coverage ratio, multiple	4.40	4.67	4.52	4.25
Equity/assets ratio, %	40.02	43.07	40.02	43.07
LTV ratio, %	60.47	58.21	60.47	58.21
Net LTV ratio, %	54.43	51.07	54.43	51.07
NRV per share, EUR	9.55	10.83	9.55	10.83
Property yield, %	4.25	4.33	4.27	3.86

OTHER INFORMATION

Dividend

Due to the changed market situation, the Board of Directors proposes to the forthcoming Annual General Meeting to be held 29 March 2023, that no dividend be distributed to shareholders. The proposal is based on the assessment that it is of greater value for the company to strengthen its balance sheet ahead of the refinancing that will take place in autumn 2024. The board's ambition is, however, to recommence with a high dividend after the company's refinancing, based on what the conditions then will allow.

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. 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 tenant 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 tenant terminating its existing lease, 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.

For further information, refer to *note 4* in the annual report 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>Amounts in thousand euro, TEUR</i>	1 Jan 2022 –31 Dec 2022	1 Jan 2021 –31 Dec 2021	1 Oct 2022 –31 Dec 2022	1 Oct 2021 –31 Dec 2021
Revenue	6,932	6,989	1,813	1,606
Operating and maintenance costs	-736	-643	-140	-175
Property tax	-710	-541	-296	-137
Net operating income	5,487	5,805	1,378	1,293
Administration costs	-484	-542	-75	-94
Financial income	2	35	1	15
Financial expenses	-1,263	-1,250	-320	-314
Profit from property management	3,742	4,048	984	901
Unrealised changes in value, properties	-7,176	4,644	-8,385	1,975
Profit/loss before tax	-3,434	8,692	-7,400	2,876
Deferred tax	629	-952	723	-413
Profit/loss for the period	-2,805	7,739	-6,679	2,463
Earnings per share, EUR	-0.47	1.30	-1.12	0.41
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>	31 December 2022	31 December 2021
Assets		
Investment properties	129,000	134,000
Right-of-use assets	537	537
Total non-current assets	129,537	134,537
Accounts receivable	65	27
Other current receivables	479	181
Prepaid expenses and accrued income	94	85
Cash and cash equivalents	7,783	9,561
Total current assets	8,420	9,854
TOTAL ASSETS	137,957	144,391
Equity and liabilities		
Share capital	60	60
Non-restricted equity	55,155	62,125
Total equity	55,215	62,185
Liabilities to credit institutions	77,834	77,741
Deferred tax liabilities	1,621	2,250
Non-current lease liabilities	537	537
Total non-current liabilities	79,992	80,528
Accounts payable	324	4
Other current liabilities	1,212	1,273
Accrued expenses and deferred income	1,214	401
Total current liabilities	2,750	1,678
Total liabilities	82,742	82,206
TOTAL EQUITY AND LIABILITIES	137,957	144,391

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>Amounts in thousand euro, TEUR</i>	1 Jan 2022 –31 Dec 2022	1 Jan 2021 –31 Dec 2021	1 Oct 2022 –31 Dec 2022	1 Oct 2021 –31 Dec 2021
Profit from property management	3,742	4,048	984	901
<i>Non-cash items</i>				
Financial items	94	94	24	23
Tax paid	-1	-1	–	–
Cash flow from operating activities before changes in working capital	3,835	4,141	1,008	924
Cash flow from changes in working capital				
Decrease in other current receivables	-345	17	793	895
Increase in accounts payable	320	-351	149	-308
Increase in other current liabilities	752	286	303	90
Cash flow from operating activities	4,562	4,093	2,253	1,601
Investing activities				
Received insurance recovery	2,504	-1,432	693	–
Investments in existing investment properties	-4,679	-389	-2,078	-17
Cash flow from investing activities	-2,175	-1,821	-1,385	-17
Financing activities				
Dividends paid	- 4,166	-4,165	-1,071	-1,071
Cash flow from financing activities	-4,166	- 4,165	- 1,071	-1,071
Cash flow for the period ¹⁾	-1,779	-1,894	-204	512
Cash and cash equivalents at the beginning of the period	9,561	11,455	7,986	9,049
Cash and cash equivalents at the end of the period	7,783	9,561	7,783	9,561

1) As of the balance-sheet date, 31 December 2022, the company had received insurance compensation in connection with costs in the period pertaining to the restoration of the fire-damaged areas. Compensation received after the balance-sheet date amounted to TEUR 387.

PARENT COMPANY INCOME STATEMENT

<i>Amounts in thousand euro, TEUR</i>	1 Jan 2022 –31 Dec 2022	1 Jan 2021 –31 Dec 2021	1 Oct 2022 –31 Dec 2022	1 Oct 2021 –31 Dec 2021
Net sales	90	41	11	10
Administration costs	-302	-235	-58	-55
Operating loss	-212	-194	-47	-45
Financial items	4,192	3,188	9	3,011
Profit after financial items	3,980	2,994	-38	2,966
Profit/loss before tax	3,980	2,994	-38	2,966
Tax	–	–	–	–
Profit/loss for the period	3,980	2,994	-38	2,966

PARENT COMPANY'S CONDENSED BALANCE SHEET

<i>Amounts in thousand euro, TEUR</i>	31 December 2022	31 December 2021
ASSETS		
Participations in subsidiaries	47,278	47,278
Non-current receivables from Group companies	1,388	1,388
Total non-current assets	48,666	48,666
Other current receivables	51	165
Current receivables from Group companies	1,919	1,937
Prepaid expenses and accrued income	94	85
Cash and cash equivalents	1,299	1,252
Total current assets	3,364	3,439
TOTAL ASSETS	52,030	52,105
EQUITY AND LIABILITIES		
Share capital	60	60
Non-restricted equity	50,820	51,004
Equity	50,879	51,064
Accounts payable	103	4
Other current liabilities	1,012	1,012
Accrued expenses and deferred income	35	25
Total current liabilities	1,150	1,041
TOTAL EQUITY AND LIABILITIES	52,030	52,105

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 year-end 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 year-end report are the same as those described in the annual report.

The company prepares five reports each year: 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

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

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 year-end report for Fleming Properties AB (publ) was adopted by the Board on 22 February 2023.

Stockholm, 22 February 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, on 22 February 2023.

REPORTING CALENDAR

29 March 2023	Annual General Meeting
31 May 2023	Q1 interim report

FOR FURTHER INFO, PLEASE CONTACT

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