

Heimstaden Bostad AB  
year-end report  
JANUARY-DECEMBER

2018



**Heimstaden**

# The period in brief

January – December 2018

- Rental income for the period increased to SEK 3,231 million (1,620)
- The letting ratio for housing was 97.4 percent (98.6)
- Excluding remodelling vacancies, the real letting ratio was 98.5 percent
- Net operating income for the period increased to SEK 1,751 million (805)
- Net financial items amounted to a negative SEK 672 million (363)
- Profit from property management increased to SEK 1,142 million (344)
- Changes in values of properties amounted to SEK 2,562 million (1,776)
- Changes in values of derivatives amounted to SEK 11 million (4)
- Profit for the period amounted to SEK 3,023 million (1,577)
- property acquisitions during the period amounted to SEK 24,737 million (22,085 ) and divestments amounted to SEK 13 million (526)
- Profit per ordinary share amounted to SEK 748 (933)

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

## Key data

Amounts in SEK million	2018 12 months Jan-Dec	2017 12 months Jan-Dec	2018 3 months Oct-Dec	2017 3 months Oct-Dec
Rental income	3,231	1,620	928	590
Property costs	-1,480	-816	-478	-297
<b>Net operating income</b>	<b>1,751</b>	<b>805</b>	<b>450</b>	<b>293</b>
Other costs	-139	-98	-39	-36
Financial income	26	4	12	4
Financial costs – interest-bearing liabilities	-698	-229	-229	-102
Financial costs – interest-bearing subordinated shareholder loans	0	-138	0	-8
Other financial income	203	0	297	0
<b>Profit from property management</b>	<b>1,142</b>	<b>344</b>	<b>490</b>	<b>151</b>
Changes in value	2,573	1,780	567	772
Tax	-692	-546	-356	-16
<b>Profit for the period</b>	<b>3,023</b>	<b>1,577</b>	<b>700</b>	<b>908</b>
Other comprehensive income	-442	29	-872	0
<b>Comprehensive income</b>	<b>2,581</b>	<b>1,606</b>	<b>-172</b>	<b>908</b>
Surplus ratio, %	54.2	49.7	48.5	49.6
Letting ratio, housing (number), %	97.4	98.6	97.4	98.6
Real letting ratio, housing (number), %	98.5	–	98.5	–
Adjusted interest coverage ratio (ICR), multiple	2.3	3.1	2.3	3.1
Loan-to-value ratio (LTV), %	54	55	54	55
Loan-to-value ratio, secured loans %	35	55	35	55
Net earnings per ordinary share	748	933	-385	517



# Growth, increased surplus ratio and Investment Grade rating characterised 2018

Strong growth characterised 2018. The transaction volume amounted to SEK 25 billion, with acquisitions being conducted in Copenhagen and Oslo in particular. Complementary acquisitions were conducted in major regional Swedish cities, such as Malmö, Lund, Linköping, Norrköping, Uppsala and Gävle.

On the balance sheet date, the total property value was SEK 72 billion, comprising a property portfolio of 37,337 apartments. For existing property stocks, investments have been made in sustainability, including in solar cells, energy-optimising measures and value-enhancing renovations in some 1,000 apartments.

Customer experience and customer satisfaction guide our day-to-day management efforts and our focus on sustainable investments. Growth, sustainable investments, local property management and closeness to our customers, increased our surplus ratio by 4.5 percentage points over the past year.

In the fourth quarter of 2018, Heimstaden Bostad secured an Investment Grade rating from Standard & Poor, with a credit rating of BBB-. In conjunction with this, bonds for SEK 10.6 billion were issued. The issue was conducted mainly in EUR and SEK, and, in connection with this, secured bank loans for a corresponding amount were repaid.

Heimstaden Bostad has now positioned itself to continue its journey of growth in 2019. We see ahead an expanded property portfolio in growth regions in the Scandinavian countries in which we operate. The pace of investment in our existing property portfolio continues to rise, focusing on sustainability and value-raising measures, an unchanged or lowered loan-to-value ratio, and an objective to achieve a credit rating of BBB within 18 months.

Social sustainability efforts are, and will remain, a natural part of our business. We will support our tenants, solve problems and challenges that emerge, break loneliness, and increase security and safety. We will act as a role model regarding the equal value of all people, regardless of ethnicity background, or social or sexual



orientation. We will make a difference and we work every day to promote a friendlier and more inclusive society.

Our ultimate goal, the core of our corporate culture, stands firm: we will make a difference by “brightening and simplifying life with well-considered housing”. It is our vision that drives, motivates and inspires us. We will achieve our goals through hard work, the right, socially committed employees who place the customer at the fore. We retain a strong local presence – a prerequisite if we are always to deliver top-notch service.

To ensure continued sustainable and profitable growth, and to meet the demands imposed on the organisation, we have recruited several key individuals to Heimstaden. Over the past year, we expanded our workforce with some 100 new employees. I would like to extend considerable gratitude to all who help build confidence in Heimstaden on a daily basis.

You are our most important asset bar none.  
Patrik Hall, CEO Heimstaden

# Significant transactions

Heimstaden's property portfolio is managed under three different geographic segments – Sweden, Denmark and Norway. The total value of Heimstaden's property portfolio amounts to SEK 72,329 million, excluding agreed acquisitions. Listed below are the significant transactions agreed by the Group in the fourth quarter, as well as the significant transactions agreed in earlier periods but where the Group has gained control of the assets in the quarter at hand.

**On 3 July,**

Heimstaden agreed to acquire 388 apartments in Malmö and Lund with a total area of 14,069 square metres. The property value amounted to SEK 712 million and Heimstaden gained access on 3 October 2018.

**On 31 October,**

Heimstaden agreed to acquire a portfolio of 377 condominium apartments in Denmark with a total area of 38,000 square metres. The property value amounted to DKK 1,128 million and the properties were acquired on 31 October.







# Our segments

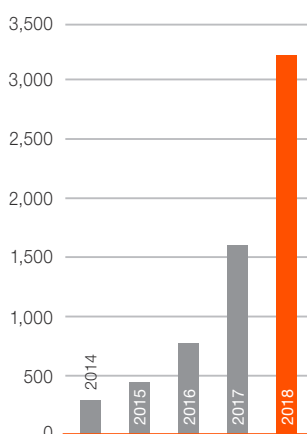
The Group's property portfolio is divided into different geographic administrative segments.



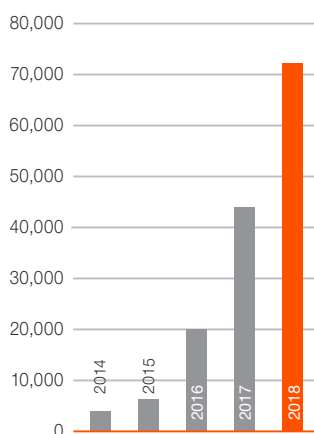
## Total Heimstaden Bostad (January-December)

	Q4 2018	Q4 2017
Market value, SEK m	72,329	43,689
Rental income, SEK m	3,231	1,620
Net operating income, SEK m	1,751	805
Surplus ratio, %	54.2	49.7
Letting ratio, housing (number), %	97.4	98.6
Real letting ratio, housing (number), %	98.5	–
Number of properties	916	787
Area, m <sup>2</sup>	2,627,931	1,913,624

## Development in total rental income, Q4 (SEK m)



## Development of total market value, Q4 (SEK m)



## Sweden

The Swedish economy continues to develop positively, with growing GDP and increased disposable income. Employment has increased in recent years and, in 2018, unemployment was a little above 6 percent. A large influx of people born abroad has offset rising employment. Population growth is driving demand for housing, particularly in the metropolitan areas, which are experiencing strong growth as a result of the global urbanization trend. Sweden has grown by about 270,000 inhabitants over the past two years and the population is now at 10.1 million.

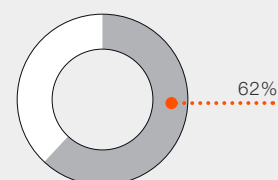
According to the Swedish National Board of Housing, Building and Planning, 67,000 homes need to be built per year until 2025, while the current forecast is for only 51,000 homes to be added during 2019. With housing construction not meeting demand, a continued housing shortage is created. The forecast by the Swedish National Board of Housing, Building and Planning shows declining construction of tenant-owned apartments, while rental apartments continue to experience good demand. Reinforced investment support for construction is expected to facilitate the production of rental apartments in locations with high production prices. The pace of building in Malmö remained unchanged in 2018 compared with 2017.

Gothenburg accounted for strong growth in 2018, while the building rate in Stockholm decreased by 35 percent, according to the National Board of Housing, Building and Planning.

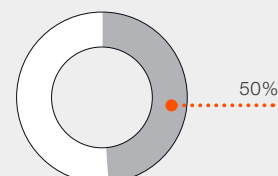
## Sweden (January-December)

	Q4 2018	Q4 2017
Market value, SEK m	35,881	30,068
Rental income, SEK m	2,008	1,478
Net operating income, SEK m	1,009	718
Surplus ratio, %	50.3	48.6
Letting ratio, housing (number), %	98.1	99.3
Real letting ratio, housing (number), %	99.2	–
Number of properties	751	714
Area, m <sup>2</sup>	1,917,541	1,700,114

## Rental income, share of Heimstaden Bostad total



## Market value, share of Heimstaden Bostad total





### Denmark

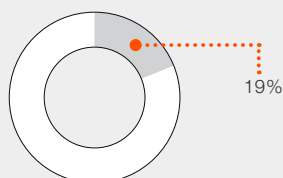
The Danish economy has developed strongly over a number of years. Employment has risen by about 1.5 percent on average on an annual basis. In November 2018, unemployment was at 4.9 percent, which is below the EU average. In Denmark, there are 2.8 million privately owned homes and only 63,000 of these are located in Copenhagen, corresponding therefore to only approximately 2 percent of the market. In parts of Copenhagen housing prices have risen by as much as 70 percent since 2012. The main reason for this sharp increase in prices is urbanisation. As in large parts of the western world, Denmark is experiencing a strong trend of urbanisation, with smaller communities being depopulated. The population of Copenhagen is forecast to increase by 100,000 inhabitants over the next ten years.

Århus is Denmark's second-largest city and has a well-developed transport network. Besides being known as a very popular student city (with 60,000 students in 2018), it is also the home of one of Northern Europe's largest industrial ports. Odense is Denmark's third-largest city and, like Aarhus, is a popular student city (with 30,000 students in 2017). The municipality prides itself on offering more than 100,000 jobs, and a particularly distinctive area of growth here is robotics and automation.

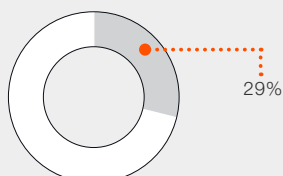
### Denmark (January-December)

	Q4 2018	Q4 2017
Market value, SEK m	20,927	5,981
Rental income, SEK m	619	60
Net operating income, SEK m	403	40
Surplus ratio, %	65.1	67.1
Letting ratio, housing (number), %	94.1	91.3
Real letting ratio, housing (number), %	96.0	–
Number of properties	83	23
Area, m <sup>2</sup>	494,043	118,328

Rental income,  
share of Heimstaden Bostad total



Market value,  
share of Heimstaden Bostad total



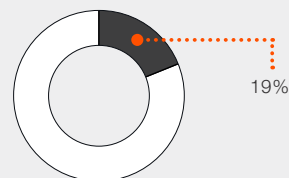
### Norway

The Norwegian economy continues to develop well and has shown recovery following several years with lower oil prices, resulting in lower activity in the oil and gas sector. Over the past year, growth has mainly been driven by rising oil prices, strong private consumption and higher exports as a result of the recovery in the world economy. Per capita GDP is among the highest in Europe. Employment is favourable and unemployment was a low 4 percent at the end of 2018. The urbanisation trend is evident also in Norway and, in the capital, Oslo, the population is increasing significantly faster than in the country as a whole. The City of Oslo is the hub in a densely-populated and fast-growing region, consisting of 46 municipalities with a total of 1.6 million inhabitants and a comprehensive and varied offering in terms of education, jobs, culture and transport. About 80 percent of Norwegians live in homes they own themselves, and the housing market is relatively unregulated. The limited supply of residential rental properties means that there are only a few private players, in addition to Heimstaden, who own large stocks of rental properties.

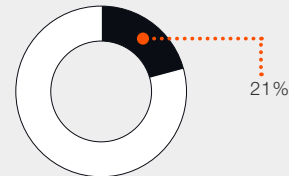
### Norway (January-December)

	Q4 2018	Q4 2017
Market value, SEK m	15,521	7,640
Rental income, SEK m	604	82
Net operating income, SEK m	339	46
Surplus ratio, %	56.1	56.5
Letting ratio, housing (number), %	96.5	95.4
Real letting ratio, housing (number), %	96.7	–
Number of properties	82	50
Area, m <sup>2</sup>	216,347	95,182

Rental income,  
share of Heimstaden Bostad total



Market value,  
share of Heimstaden Bostad total



# Consolidated Statement of Comprehensive Income

Amounts in SEK million	2018 12 months Jan–Dec	2017 12 months Jan–Dec	2018 3 months Oct–Dec	2017 3 months Oct–Dec
Rental income	3,231	1,620	928	590
Property costs	-1,480	-816	-478	-297
<b>Net operating income</b>	<b>1,751</b>	<b>805</b>	<b>450</b>	<b>293</b>
Central administration	-140	-111	-35	-32
Other operating income	14	23	6	2
Other operating costs	-13	-10	-11	-6
<b>Profit before financial items</b>	<b>1,611</b>	<b>706</b>	<b>411</b>	<b>257</b>
Financial income	26	4	12	4
Financial costs – interest-bearing liabilities	-698	-229	-229	-102
Financial costs – interest-bearing subordinated shareholder loans	0	-138	0	-8
Other financial income	203	0	297	0
<b>Profit from property management</b>	<b>1,142</b>	<b>344</b>	<b>490</b>	<b>151</b>
Change in value of investment properties	2,562	1,776	585	772
Change in value of interest rate derivatives	11	4	-19	-2
<b>Profit before tax</b>	<b>3,715</b>	<b>2,123</b>	<b>1,057</b>	<b>922</b>
Current tax	-135	-35	-52	-16
Deferred tax	-557	-511	-304	-309
<b>Profit for the period</b>	<b>3,023</b>	<b>1,577</b>	<b>700</b>	<b>597</b>
Other comprehensive income	-442	29	-872	29
<b>Comprehensive income</b>	<b>2,581</b>	<b>1,606</b>	<b>-172</b>	<b>625</b>



## Rental income

Rental income for the period amounted to SEK 3,231 million (1,620), growing strongly compared with the preceding period. The growth is primarily a result of completed property transactions and attributable in particular to transactions involving properties acquired in Norway and Denmark that were taken possession of in October 2017 and April 2018. For the housing stocks, the average rental income was SEK 1,377 per square metre of time-weighted area (1,142). The increase was driven primarily by the rent level per square metre generally being higher in Denmark and Norway.

The letting ratio for housing remained at a high and stable level of 97.4 percent (98.6) for the period. The lower level can partly be explained by vacated apartments that are to be renovated to a higher standard to then generate higher income and valuation. Over the period, the vacated apartments accounted for 1.1 percent of the total, corresponding to a real letting ratio of 98.5 percent (real vacancy rate of 1.5 percent).

## Property costs

Total property costs amounted to SEK 1,480 million (816). The increase is mainly due to increased property volumes.

## Net operating income

Net operating income amounted to SEK 1,751 million (805) for the period, corresponding to a surplus ratio of 54.2 percent (49.7). The higher surplus ratio is primarily attributable to the acquisitions in Denmark and Norway, but also to operational optimisation in Sweden.

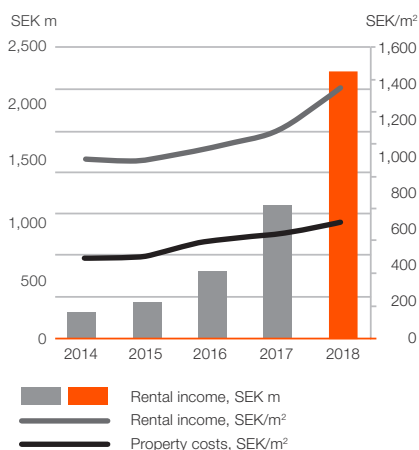
## Central administration

Central administration costs consist amounted to SEK 140 million (111) and have risen due to the increased volume of properties.

## Property costs

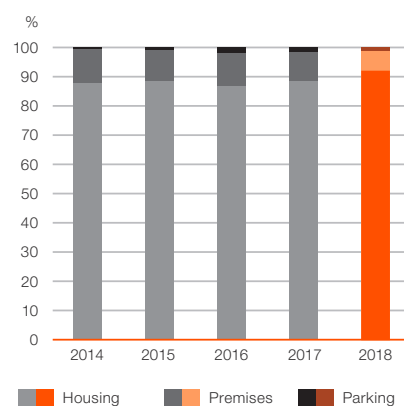
Amounts in SEK million	2018 12 months Jan-Dec	2017 12 months Jan-Dec	2018 3 months Oct-Dec	2017 3 months Oct-Dec
Operating costs	-893	-478	-271	-184
Maintenance and repairs	-270	-185	-96	-66
Property administration	-230	-121	-84	-37
Property tax	-85	-31	-26	-9
Ground rent	-2	-2	0	0
Amortisation and depreciation	0	0	0	0
<b>Total property costs</b>	<b>-1,480</b>	<b>-816</b>	<b>-478</b>	<b>-297</b>

## Rental income



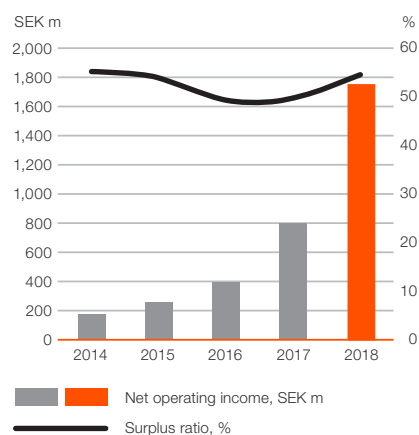
Full year refers to January-December, 12 months

## Distribution of rental income



Full year refers to January-December, 12 months

## Net operating income and surplus ratio



Full year refers to January-December, 12 months

## Net financial items

Financial income during the period amounted to SEK 26 million (4) and financial expenses were SEK 698 million (367). The increased negative net financial items are mainly attributable to a larger loan portfolio as a consequence of a larger property portfolio. The average interest rate on the balance sheet date for total borrowing, derivatives and fees for unutilised credits amounted to 1.82 percent (1.73), driven in part by a rising trend in underlying base rates. In the fourth quarter, the company issued bonds at a lower interest cost than the loans that were repaid. This partly offsets the trend in basic interest rates. Interest rates on about 40 percent (70) of the loan portfolio will change within one year. All other things being equal, a change in the base rate (Stibor, Cibor, Nibor) by 1 percent, at any given time, would, adjusted for the interest rate hedges secured, increase Heimstaden's interest cost, by approximately SEK 152 million (136) annually in the event of an increase, and decrease it by approximately SEK 24 million (35) in the event of a decline. The difference in sensitivity is explained by interest rate hedging and by several credit agreements containing interest rate floor clauses restricting interest rate changes on the downside, at the same time as the cost of purchased interest rate derivatives continues to increase when the base rate falls below zero.

## Other financial income

Other financial income in the Group and in the Parent Company amounted to SEK 203 million (0), of which exchange rate differences

amounted to SEK 203 million. Exchange rate differences relating to balance sheet items in foreign subsidiaries are reported under Other comprehensive income, in accordance with IFRS. The amount reported under Other financial income and costs relates mainly to the translation of interest-bearing liabilities in NOK that have, in legal terms, been borrowed by a group company in Sweden. This finances investments in Norway where the asset is recognised in a Norwegian subsidiary. This means that the exchange rate difference regarding the above liability is reported under Other financial income and costs, while the exchange rate differences for the financed foreign assets are reported under Other comprehensive income.

## Profit from property management

Profit from property management was SEK 1,142 million (344). The increase over the period is attributable primarily to the increased volume in the property portfolio.

## Changes in the value of financial instruments

In accordance with the established financial policy and interest rate hedging strategy, Heimstaden uses interest rate derivatives to manage the Group's interest rate risk. The change in the value of derivatives during the period amounted to SEK 11 million (4), of which unrealised amounted to SEK 11 million. At the end of the period, the market value of the current derivative portfolio amounted to SEK 18 million (negative 31). The nominal volumes of interest rate swaps amounted to SEK 21,182 million (8,528).

## Financial policy

	Policy	31 Dec 2018	31 Dec 2017	31 Dec 2016
Interest coverage ratio (multiple, rolling 12 months)	≥ 1.5	2.3	3.1	3.7
Equity/assets ratio (percent)	≥ 30%	42%	40%	42%
Capital tied up (months)	≥ 15	97	87	49
Loan maturity (percentage in individual year)	≤ 40%	28% (2020 years)	33% (2022 years)	32% (2017 years)
Limitation, individual lenders (percent)	≤ 40%	15% (New credit)	15%	24%
Fixed interest (years)	N/A	2.58	1.48	1.35
Interest rate cut (percent)	≥ 50%	55%	35%	32%
Loan-to-value ratio (percent)	45% – 60%	54%	55%	54%
Quick ratio*	≥ 125%	159%	N/A	N/A

\* Definition according to S&P guidelines

31 Dec 2018				Fixed interest incl. derivatives <sup>1)</sup>		
Years	Fixed interest, loans					
	SEK m	Share, %	Interest, incl. margin, %	SEK m	Share, %	Interest, incl. margin, %
0–1	34,656	83.3	1.4	16,806	40.4	1.4
1–2	67	0.2	1.7	2,643	6.4	2.0
2–3	5,127	12.3	2.9	9,370	22.5	2.2
3–4	1,431	3.4	2.1	5,054	12.2	1.8
4–5	–	–	–	2,853	6.9	2.2
>5 years after balance sheet date	312	0.8	1.3	4,865	11.7	2.2
<b>Total</b>	<b>41,593</b>	<b>100</b>	<b>1.6</b>	<b>41,593</b>	<b>100</b>	<b>1.8</b>

<sup>1)</sup> The credit margin is evenly spread across the maturity structure

The average remaining term of fixed interest in the loan portfolio amounts to:	0.87 years
The average remaining term of fixed interest in the loan portfolio, including derivatives, amounts to:	2.58 years



### Change in value of investment properties

As of 31 December 2018, the entire property portfolio has undergone an external valuation. Combined, the unrealised change in the value of the properties amounted to SEK 2,711 million (1,795). All of Heimstaden's three geographical segments developed positively over the year, with value increases of 3-5 percent. The Swedish stocks showed an unrealised change in value of SEK 1,557 million (+4.5 percent), the Danish stocks a change of SEK 609 million (+3.0 percent) and the Norwegian stocks a change of SEK 545 million (+3.6 percent). The value changes are primarily explained by a lower direct return requirement and improved net operating income in the existing stocks. The direct return requirement in the valuation averaged 3.71 percent, which compares with 3.86 percent at the end of 2017. During the period, properties valued at SEK 13 million were sold. After currency adjustment, the total change in value of properties amounted to SEK 2,562 million (1,776) in the Income Statement.

### Direct return requirements

Years	Average	Interval
2017	3.86%	1.04% – 8.50%
2018	3.71%	1.12% – 8.50%

### Tax

In addition to the current tax of SEK 135 million (35), the Group also reports deferred tax of SEK 557 million (511). The deferred tax consists primarily of temporary differences between carrying amounts and the consolidated cost of investment properties and financial instruments.



## Consolidated Statement of Financial Position

Amounts in SEK million	31 Dec 2018	31 Dec 2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	72,329	43,689
Financial derivative instruments	18	0
Other financial non-current assets	150	211
<b>Total non-current assets</b>	<b>72,497</b>	<b>43,899</b>
<b>Current assets</b>		
Development properties and tenant-owned apartments in progress	680	0
Other current receivables	792	164
Cash and cash equivalents	2,313	763
<b>Total current assets</b>	<b>3,786</b>	<b>928</b>
<b>TOTAL ASSETS</b>	<b>76,283</b>	<b>44,827</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>31,925</b>	<b>18,066</b>
<b>Non-current liabilities</b>		
Interest-bearing secured liabilities	26,079	21,798
Interest-bearing non-secured liabilities	14,558	0
Financial derivative instruments	0	31
Deferred tax liability	1,356	1,025
<b>Total non-current liabilities</b>	<b>41,993</b>	<b>22,854</b>
<b>Current liabilities</b>		
Interest-bearing liabilities	957	3,030
Other current liabilities	1,409	877
<b>Total current liabilities</b>	<b>2,365</b>	<b>3,908</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>76,283</b>	<b>44,827</b>

## Consolidated Statement of Changes in Equity

Amounts in SEK million	Share capital	Share premium reserve	Retained profit	Total equity
<b>Equity, 31 Dec 2016</b>	<b>15</b>	<b>2,450</b>	<b>1,745</b>	<b>4,211</b>
Dividend			-550	-550
New share issue	<b>3</b>	<b>1,011</b>		1,014
New share issue Pref A	0	10		10
New share issue Pref B	1	11,775		11,776
Other comprehensive income			29	29
Profit for the year			1,577	1,577
<b>Equity, 31 Dec 2017</b>	<b>19</b>	<b>15,246</b>	<b>2,801</b>	<b>18,066</b>
Dividend	0	0	-138	-138
New share issue	6	2,848		2,854
New share issue Pref B	1	8,559		8,560
Change in taxation				2
Other comprehensive income			-442	-442
Profit for the year			3,023	3,023
<b>Equity, 31 Dec 2018</b>	<b>26</b>	<b>26,653</b>	<b>5,243</b>	<b>31,925</b>



### Investment properties

As per 31 December, Heimstaden's property portfolio had a market value of SEK 72,329 million, compared with SEK 43,689 million at the end of the year on 31 December 2017. The total change in value during the period amounted to SEK 2,711 million (1,795) and the remaining change in the carrying amount of the property portfolio consists of net corporate and property transactions, investments in existing stocks, as well as exchange rate effects.

For a more detailed description of Heimstaden's methodology for valuing properties, see page 24 of the Heimstaden Bostad annual report for 2017.

### Other financial non-current assets

Other financial non-current assets refer to advance payments and deposits for agreed property transactions.

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

In connection with the acquisition of the Norwegian investment properties, building rights and ongoing construction projects were also acquired amounting to SEK 671 million. The item refers to the development of condominium apartments in Oslo that are to be divested on completion. The value of the projects has been adjusted down by SEK 173 million during the period, as the value of the project properties to be renovated has increased, while the expected pricing of the completed apartments on disposal has not changed.

### Change in market value of investment properties, SEK m

Amounts in SEK million	Total	Sweden	Denmark	Norway
<b>Market value of investment properties, 31 Dec 2017</b>	<b>43,689</b>	<b>30,067</b>	<b>5,981</b>	<b>7,640</b>
Sales during the period	-13	0	-13	0
Acquisitions during the period	24,737	3,404	14,193	7,139
Investments during the period	1,265	852	128	284
Currency change	-59	0	28	-87
<b>Market value after transactions</b>	<b>69,619</b>	<b>34,323</b>	<b>20,318</b>	<b>14,977</b>
Unrealised value change	2,711	1,557	609	545
<b>Market value of investment properties, 31 Dec 2018</b>	<b>72,329</b>	<b>35,881</b>	<b>20,927</b>	<b>15,521</b>

### Interest-bearing liabilities

At the end of the period, Heimstaden had interest-bearing liabilities amounting to SEK 41,593 million (24,828). Of the SEK 41,593 million in interest-bearing liabilities, 65 percent are covered by property mortgages, giving a loan-to-value ratio for secured loans of 35 percent. With deductions for cash and cash equivalents, net debt increased by SEK 15,214 million over the period to SEK 39,279 million (24,065). Over the same period, the Group's borrowing, including currency effects, had increased by SEK 16,765 million, relating primarily to acquisitions of properties in Sweden, Norway and Denmark.

Of interest-bearing liabilities, SEK 10,643 million (0) refers to bond-based financing, SEK 14,797 million (6,905) to mortgage bond-based financing, and SEK 16,153 million (17,924) to traditional bank loans, of which 76 percent are secured. Confirmed but unutilised credit facilities from banks amounted to SEK 7,043 million (0.3) on the balance sheet date.

The average period for which capital is tied up in Heimstaden's interest-bearing liabilities amounted 8.1 years (7.3). The largest proportion of loan occurring in an individual year amounts to 28 percent (33), maturing in 2020 (2019). At the same time, the average interest period of fixed interest, including the effect of derivatives, amounted to 2.58 years (1.35).

### Deferred tax

Deferred tax is calculated, at a nominal tax rate of 20.6 percent in Sweden, 22 percent in Denmark and 23 percent in Norway, on differences between the carrying amount and the consolidated cost of assets and liabilities. As a result of a changed tax rate in Sweden, from 22 percent to 20.6 percent, the opening balance has also been recalculated and adjusted in the Income Statement. The effect on profit amounted to SEK 59 million. At 31 December 2018, deferred tax, which is the net of deferred tax assets and deferred tax liabilities, amounted to SEK 1,356 million (1,025) and was, for the most part, attributable to investment properties. The remaining tax deficit in the Group amounts to SEK 1,097 million (3).

### Equity

Equity amounted to SEK 31,925 million (18,065), giving an equity/assets ratio of 42 percent (40). The change for the period is attributable to profit and dividends. During the period SEK 138 million (550) has been paid in dividends preference shares. Over the past year, Heimstaden Bostad AB has implemented several new share issues, four of these occurring in the period concerned and totalling SEK 11,414 million.

Heimstaden is exposed to currency risk associated with the Danish and Norwegian operations, as well as to risk associated with the EUR with regard to financing. The risk associated with bonds denominated in EUR has been hedged against SEK through swaps. The currency risk associated with the foreign operations is limited to net capital in each currency. The risk can also have a direct effect on profit thereby affecting equity.

### Change in loan volume, SEK m

<b>Interest-bearing loans, 31 Dec 2017</b>	<b>24,828</b>
Repayments on loans	-11,784
Currency exchange effect on loans	-298
New borrowing/loans taken over	28,847
<b>Interest-bearing loans, 31 Dec 2018</b>	<b>41,593</b>

Years	Capital tied up, loans			Lines of credit	
	SEK million	Share, %	Interest, incl. margin %	SEK million	Share, %
0-1 years	957	2	1.9	256	4
1-2 years	11,845	28	1.4	1,185	17
2-3 years	11,437	27	2.4	5,302	75
3-4 years	4,025	10	1.8	300	4
4-5 years	1,517	4	2.1	0	0
>5 years after the balance sheet date	11,813	28	0.9	0	0
<b>Total</b>	<b>41,593</b>	<b>100</b>	<b>1.6</b>	<b>7,043</b>	<b>100</b>
The average remaining period for which capital is tied up amounts to:					8.1 years

### Funding source, SEK m

	Credit	Secured credits, %	Unutilised credit commitment	Share, %
Bonds	10,643	0	0	26
Mortgages	14,797	100	0	36
Bank loans	16,153	76	7,043	39
<b>Total</b>	<b>41,593</b>	<b>65</b>	<b>7,043</b>	<b>100.0</b>

### Change in market value of derivatives, SEK m

<b>Market value of derivatives, 31 Dec 2017</b>	<b>-31</b>
Acquired derivatives	-94
Redeemed derivatives	133
Currency effect on derivatives	0
Unrealised changes in value	11
<b>Market value of derivatives, 31 Dec 2018</b>	<b>18</b>

### Financial instruments

Years	Type	SEK million	Maturity, interest rate derivatives	
			Share, %	Interest, % <sup>1)</sup>
0-1 years	Paying fixed	3,333	16	0.01
1-2 years	Paying fixed	2,577	12	0.42
2-3 years	Paying fixed	4,243	20	0.25
3-4 years	Paying fixed	3,623	17	0.42
4-5 years	Paying fixed	2,853	13	0.67
>5 years after balance sheet date	Paying fixed	4,553	21	0.70
<b>Total purchased swaps</b>		<b>21,182</b>	<b>100</b>	<b>0.42</b>

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

### Financial instruments

Years	Type	SEK million	Maturity, cross currency interest rate swaps	
			Share, %	Interest, % <sup>1)</sup>
0-1 years	Paying variable	0	0	0.00
1-2 years	Paying variable	0	0	0.00
2-3 years	Paying variable	5,127	100	1.11
3-4 years	Paying variable	0	0	0.00
4-5 years	Paying variable	0	0	0.00
>5 years after balance sheet date	Paying variable	0	0	0.00
<b>Total purchased swaps</b>		<b>5,127</b>	<b>100</b>	<b>1.11</b>

<sup>1)</sup> The interest rate indicates the variable agreed interest rate on the balance sheet date.



# Consolidated Cash flow Statement

Amounts in SEK million	2018 12 months Jan–Dec	2017 12 months Jan–Dec	2018 3 months Oct–Dec	2017 3 months Oct–Dec
<b>Operating activities</b>				
Profit before tax	3,715	2,123	1,057	922
Adjustments for non-cash items:				
– Change in value of investment properties	-2,562	-1,776	-585	-772
– Change in value of derivative instruments	-11	-4	19	2
– Other non-cash items	-126	0	-220	0
Tax paid	-149	-17	-77	0
<b>Cash flow from operating activities before changes in working capital</b>	<b>867</b>	<b>326</b>	<b>193</b>	<b>152</b>
<b>Change in working capital</b>				
Change in current receivables	299	-87	7	-69
Change in development properties and tenant-owned apartments in progress	-883	0	0	0
Change in current liabilities	112	93	253	31
<b>Cash flow from operating activities</b>	<b>396</b>	<b>333</b>	<b>453</b>	<b>113</b>
<b>Investing activities</b>				
Acquisitions, properties	-13,994	-12,780	-3 521	-11,890
Investment, properties	-1,265	0	-469	0
Acquisitions of other non-current assets	-158	0	6	0
Deposits paid for acquisitions	-547	0	-87	0
Property sales	13	285	0	-240
Change in financial assets	210	-210	0	-210
<b>Cash flow from investing activities</b>	<b>-15,741</b>	<b>-12,705</b>	<b>-4 072</b>	<b>-12,340</b>
<b>Financing activities</b>				
New share issue	11,414	8,612	0	8,559
Dividend, preference shares	-138	-550	0	0
Change in shareholder loans	0	0	0	-98
Change in interest-bearing liabilities	5,738	4,802	4 099	4,243
Redemption of interest rate derivatives	-135	0	-37	0
<b>Cash flow from financing activities</b>	<b>16,879</b>	<b>12,863</b>	<b>4 062</b>	<b>12,704</b>
<b>Cash flow for the period</b>	<b>1,535</b>	<b>491</b>	<b>443</b>	<b>478</b>
<b>Opening cash and cash equivalents</b>	<b>763</b>	<b>270</b>	<b>1,894</b>	<b>284</b>
<b>Currency effect in cash and cash equivalents</b>	<b>15</b>	<b>2</b>	<b>-24</b>	<b>–</b>
<b>Closing cash and cash equivalents</b>	<b>2,313</b>	<b>763</b>	<b>2,313</b>	<b>763</b>

### Operating activities

Cash flow from operating activities, before changes in working capital, increased to SEK 867 million (326). The improvement is primarily a consequence of changed and increased property holdings. After a reduction in working capital of SEK 471 million (increase 7), cash flow from operating activities was SEK 396 million (333).

The increased working capital is largely an effect of an increased balance sheet due to the expansion in Norway and Denmark.

### Investing activities

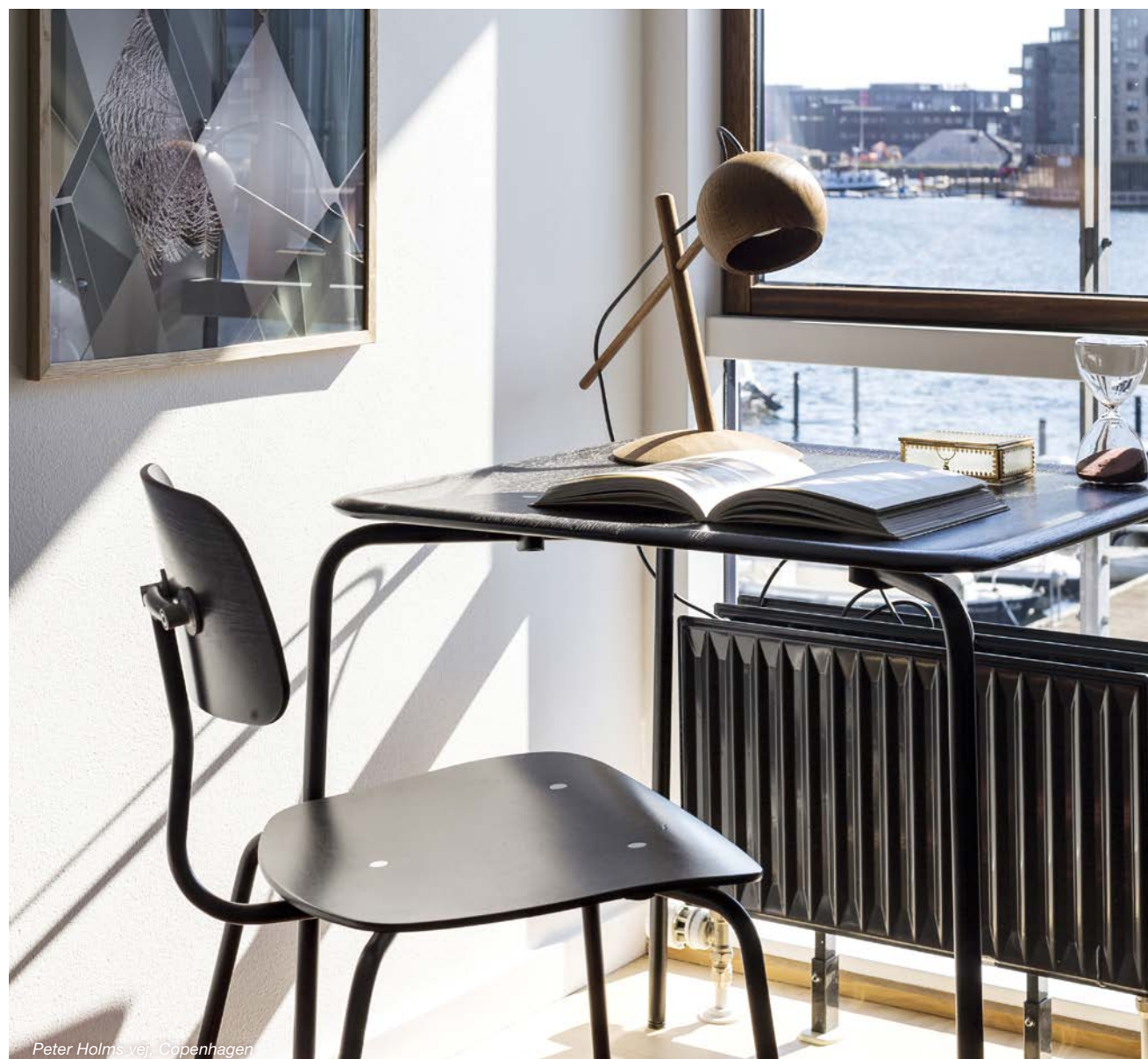
Cash flow from investing activities was negative in the amount of SEK 15,741 million (12,705). Most of the flow consists primarily of corporate transactions, property transactions and property investments, of which most are attributable to acquisitions in Oslo, Copenhagen, and Malmö.

### Financing activities

Cash flow from financing activities amounted to SEK 16,879 million (12,863) and is explained by a change in interest-bearing liabilities and new share issues as a result of an extended property portfolio.

### Cash flow

Cash flow for the period amounted to SEK 1,535 million (491) and cash and cash equivalents amounted to SEK 2,313 million (763) at the end of the period.



Peter Holms vej, Copenhagen

## Parent Company Statement of Comprehensive Income

Amounts in SEK million	2018 12 months Jan-Dec	2017 12 months Jan-Dec
Central administration	-153	-112
<b>Operating profit/loss</b>	<b>-153</b>	<b>-112</b>
<b>Profit before financial items</b>	<b>-153</b>	<b>-112</b>
Dividend	7,473	
Impairment	-7,473	-516
Interest income	20	0
Interest costs	-197	-179
Other financial income	203	0
Other financial costs	0	0
Change in value of interest rate derivatives	-21	-3
<b>Profit from property management</b>	<b>-148</b>	<b>-809</b>
Group contributions	173	419
<b>Profit before tax</b>	<b>25</b>	<b>-390</b>
Current tax	-2	-27
Deferred tax	-4	0
<b>Profit for the period</b>	<b>19</b>	<b>-417</b>
Other comprehensive income	0	0
<b>Comprehensive income</b>	<b>19</b>	<b>-417</b>

## Parent Company Statement of Financial Position

Amounts in SEK million	31 Dec 2018	31 Dec 2017
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Participations in Group companies	16,458	5,584
Deferred tax receivables	2	6
Group internal receivables	14,602	0
<b>Total non-current assets</b>	<b>31,062</b>	<b>5,590</b>
<b>CURRENT ASSETS</b>		
Group internal receivables	12,214	11,692
Other current receivables	67	0
Cash and cash equivalents	1,810	232
<b>Total current assets</b>	<b>14,090</b>	<b>11,923</b>
<b>TOTAL ASSETS</b>	<b>45,152</b>	<b>17,513</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	25,279	13,983
<b>Non-current liabilities</b>		
Interest-bearing liabilities	6,437	0
Debenture loans	10,643	0
Interest rate derivatives	10	26
Group internal liabilities	662	3,384
Deferred tax	0	1
<b>Total non-current liabilities</b>	<b>17,751</b>	<b>3,409</b>
<b>Current liabilities</b>		
Group internal liabilities	2,054	90
Other current liabilities	68	30
<b>Total current liabilities</b>	<b>2,122</b>	<b>120</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>45,152</b>	<b>17,513</b>

## Parent Company Statement of Changes in Equity

Amounts in SEK million	Share capital	Profit brought forward	Total equity
<b>Equity, 31 Dec 2016</b>	<b>15</b>	<b>2,136</b>	<b>2,151</b>
New share issue	0	52	53
Dividend, ordinary shares		-550	-550
New share issue	4	12,743	12,747
Comprehensive income for the period		-417	-417
<b>Equity, 31 Dec 2017</b>	<b>19</b>	<b>13,964</b>	<b>13,983</b>
Dividend, preference shares		-138	-138
New share issue	7	11,407	11,414
Comprehensive income for the period		19	19
<b>Equity, 31 Dec 2018</b>	<b>26</b>	<b>25,253</b>	<b>25,279</b>



### 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 9-11 in the 2017 Annual Report. No significant changes have subsequently occurred affecting the assessment by the Board of Directors and company management.

To prepare the accounts in accordance with generally accepted accounting principles, management must make assessments and assumptions affecting the assets and liabilities reported in the financial statements, as well as income and expense items and other disclosures. Actual outcomes may differ from these assessments.



### Accounting principles

Heimstaden Bostad complies 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 Interim Financial Reporting.

The same accounting and valuation principles and calculation methods have been applied as in the most recent annual report, see pages 18-21 of Heimstaden Bostad's 2017 Annual Report.

IFRS 9 Financial instruments addresses reporting of financial instruments. The largest item managed under IFRS 9 is derivatives, which continue to be reported at fair value through the Income Statement. In other regards, the company does not hold any advanced financial instruments and the company's analysis shows that the new principles will not have any significant impact on the company's accounts.

Heimstaden's income consists predominantly of rental income for housing. The company's income analysis in preparation for the transition to IFRS 15 has shown that only an insignificant part of the company's income is attributable to services. Accordingly, the transition to IFRS 15 has no material impact on the company's accounts.

During 2018, the Group has evaluated the effects of IFRS 16 and the new rules are not expected to have any material impact on the company. Heimstaden AB is a lessee for a few leasehold agreements and other minor leases. Heimstaden AB's assessment is that the transition to IFRS 16 will also have no significant effect impact on the Group's earnings and financial position and cash flow statement. The Group will apply IFRS 16 as of January 1 2019 and will therefore not apply the standard retroactively. The leasing debt as of 1 January 2019 amounts to SEK 88 million, where a equivalent access right are reported.

Other new and amended standards are not currently expected to affect Heimstaden's accounts to any significant extent. The Parent Company applies the Annual Accounts Act and RFR 2 Accounting for Legal Entities.

### Transactions with related parties

Heimstaden's transactions with related parties are detailed in Note 26 in Heimstaden Bostad's 2017 Annual Report.

### Significant events after the end of the reporting period

No significant events have occurred after the end of the reporting period.



The Board of Directors gives its 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 in the operations of the Parent Company and the Group.

Malmö, 15 February 2019

Fredrik Palm  
Chairman of the Board

Stefan Attefall  
Board Member

Magnus Nordholm  
Board Member

Ramsay Brufer  
Board Member

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

## KEY DATA

	2018 12 months Jan–Dec	2017 12 months Jan–Dec	2018 3 months Oct–Dec	2017 3 months Oct–Dec
<b>Property-related data</b>				
Rental income, SEK m	3,231	1,620	928	590
Letting ratio, housing (number), %	97.4	98.6	97.4	98.6
Real letting ratio, housing (number), %	98.5	–	98.5	–
Surplus ratio, %	54.2	49.7	48.5	49.6
Acquisitions and property investments, SEK m	24,737	12,780	3,688	11,890
Property sales, SEK m	13	285	0	-240
Market value of properties on balance sheet date, SEK m	72,329	43,689	72,329	43,689
Number of properties on balance sheet date	916	787	916	787
Lettable area on balance sheet date, m <sup>2</sup>	2,627,931	1,913,624	2,627,831	1,913,624
Number of apartments on balance sheet date	37,337	28,351	37,337	28,351
Proportion living area on balance sheet date, %	88	89	88	89
<b>Financial data</b>				
Cash flow from operating activities, SEK m	396	333	595	113
Profit from property management, SEK m	1,142	344	490	151
Interest coverage ratio (ICR), multiple <sup>1)</sup>	2.3	3.1	2.3	3.1
Adjusted interest coverage ratio (ICR), multiple <sup>1)</sup>	2.4	3.1	2.4	3.1
Equity/assets ratio, %	41.9	40.3	41.9	40.3
Loan-to-value ratio (LTV), %	54.3	55.1	54.3	55.1
Loan-to-value ratio, secured loans, %	35.4	55.1	35.4	55.1
Quick ratio, %	159	–	159	–
Average interest rate on balance sheet date, %	1.8	1.7	1.8	1.7
Average period of fixed-interest on loans, incl. derivatives, years	2.6	1.4	2.6	1.4
Average period for which capital is tied up, year	8.1	7.3	8.1	7.3
Return on equity after tax, %	14.0	14.9	14.0	14.9
Equity on the balance sheet date, SEK m	31,925	18,066	31,925	18,066
Net asset value on the balance sheet date, SEK m	33,281	19,091	33,281	19,091
Long-term asset value (EPRA NAV) on the balance sheet date, SEK m	33,281	19,122	33,281	19,122
DEBT / EBITDA, multiple (rolling 12m) <sup>1)</sup>	23	27	23	27
<b>Data per share</b>				
Profit per ordinary share, SEK	748	933	-385	337
Equity per ordinary share, SEK	4,384	3,420	4,384	3,419
Equity per preference share A, SEK	1,368,799	318,444	1,368,799	318,444
Equity per preference share B, SEK	103,946	100,989	103,946	100,989
Number of ordinary shares outstanding at the end of the period	2,429,449	1,796,144	2,429,449	1,796,144
Number of preference shares A outstanding at the end of the period	100	100	100	100
Number of preference shares B outstanding at the end of the period	203,360	117,760	203,360	117,760
Average number of ordinary shares outstanding	2,204,519	1,573,374	2,204,519	1,573,374
Average number of preference shares A outstanding	100	23	100	23
Average number of preference shares B outstanding	175,177	26,778	175,177	26,778

<sup>1)</sup> Interest-bearing subordinated shareholder loans from non-controlling interests are classified as equity.



# Definitions and glossary <sup>1)</sup>

## **Letting ratio, housing (number), %**

Leased housing divided by total number of homes.

## **Real letting ratio, housing (number), %**

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

## **Surplus ratio, %**

Net operating surplus as a percentage of rental income

## **Proportion living area on balance sheet date, %**

Living area divided by total property area.

## **Interest coverage ratio (ICR), multiple**

Profit before financial items plus financial income divided by financial costs attributable to interest-bearing liabilities excluding the effect of interest-bearing subordinated shareholder loans. Calculated based on the rolling 12-month outcome.

Profit before financial items plus financial income divided by financial costs attributable to interest-bearing liabilities excluding the effect of interest-bearing subordinated shareholder loans and non-recurring items associated with new share issues. Calculated based on the rolling 12-month outcome.

## **Equity/assets ratio, %**

Equity as a percentage of total assets.

## **Loan-to-value ratio (LTV), %**

Net liabilities in relation to the estimated market value of the property portfolio.

## **Loan-to-value ratio, secured loans, %**

Secured loans as a share of total assets, in accordance with Standard & Poor's definition.

## **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 definition.

## **Net liabilities**

Net interest-bearing liabilities excluding interest-bearing subordinated shareholder loans and provisions less financial assets, including cash and equivalents.

## **Average interest, %**

Average interest on the balance sheet date for interest-bearing liabilities, with interest rate derivatives taken into account.

## **Return on equity after tax, %**

Profit after tax for the period attributable to the Parent Company's shareholders as a percentage of average equity excluding minority interests and participations in earnings for holders of preference shares. In connection with the closing of the interim accounts, the return has been recalculated on a full-year basis, without taking into account the seasonal variations normally occurring in the operations.

## **Net asset value on the balance sheet date, SEK m**

Equity plus deferred tax liability.

## **Long-term asset value (EPRA NAV) on the balance sheet date, SEK m**

Equity with deferred tax liability and interest rate derivatives reversed.

## **DEBT/EBITDA, multiple**

Time-weighted interest-bearing liabilities excluding subordinated shareholder loans divided by profit before financial items with reversal of depreciation.

## **Equity per ordinary share, SEK**

Equity at the end of the period, in relation to the number of ordinary shares at the end of the period, after preferential capital is taken into account.

## **Equity per preference share, SEK**

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

## **Profit per ordinary share**

Profit for the period in relation to the average number of ordinary shares once the preference shares' portion of the profit for the period has been taken into account

<sup>1)</sup> Certain key ratios are calculated up to and including October 2017 with particular regard to interest-bearing subordinated shareholder loans, which are reclassified and defined as equity given their financial structure. In October 2017, the interest-bearing subordinated shareholder loans were converted into equity.

Definitions and derivation of key ratios can be found at [www.heimstadenbostad.com](http://www.heimstadenbostad.com)

## **Financial information**

Annual Report 2018, will be published in April 2019

Interim report January-March 2019, will be published on 10 May 2019

# Heimstaden

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[www.heimstaden.com](http://www.heimstaden.com)

# Current earning capacity

In the adjacent table, Heimstaden presents its earning capacity on a twelve-month basis as per 31 December 2018. Earning capacity is not a forecast for the current year or for the next 12-month period and should only be regarded as a theoretical snapshot and is presented for illustrative purposes only. Current earning capacity does not include an assessment of future trends in rent levels, vacancy rates, property costs, interest rates, changes in value, acquisitions or sales of properties or other factors.

Current earning capacity is based on the properties held as per 31 December 2018 and their financing. Accordingly, the current earning capacity illustrates Heimstaden's annual earnings on that basis. Consequently, transactions where Heimstaden gains access after 31 December are not included in the calculation.

Heimstaden's Income Statement is also affected by the development in the value of the property portfolio and future property acquisitions and/or property sales. Changes in values of derivatives is another item affecting profit. None of the above has been taken into account in the current earning capacity, nor in the item Participations in profit of 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 31 December 2018

Amounts in SEK million	
Rental income	3,819
Property costs	-1,596
<b>Net operating income</b>	<b>2,223</b>
Central administration	-155
Other operating income	10
Other operating costs	0
Participations in profit of associated companies	0
<b>Profit before financial items</b>	<b>2,078</b>
Financial income	0
Financial costs – interest on subordinated shareholder loans	0
Financial costs – interest-bearing liabilities	-757
<b>Profit from property management</b>	<b>1,396</b>
<b>Key data</b>	
Surplus ratio, %	58.2
Interest coverage ratio (ICR), multiple	2.8

