

2019

Heimstaden Bostad AB Interim report

JANUARY – JUNE



Heimstaden

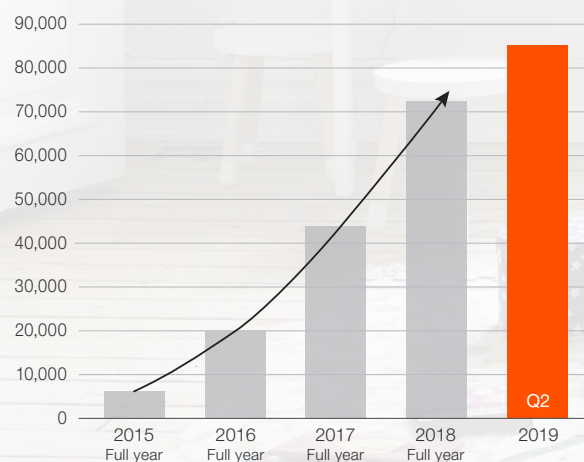
The period in brief

January – June 2019

- Rental income for the period increased to SEK 1,967 million (1,444)
- Real letting ratio for housing was 98.3%
- Net operating income for the period increased to SEK 1,077 million (783)
- Net financial items amounted to a negative SEK 461 million (274)
- Profit from property management, excluding exchange rate differences, amounted to SEK 531 million (443)
- Changes in values of properties amounted to SEK 2,341 million (1,527)
- Profit for the period amounted to SEK 1,668 million (1,685)
- Property acquisitions during the period amounted to SEK 8,941 million (20,029)
- Cash and cash equivalents amounted to SEK 1,424 million (2,189)
- Unutilised credits amounted to SEK 6,836 million (300)
- Profit per ordinary share amounted to SEK 991 (903)

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

INVESTMENT PROPERTIES, Q2 (SEK MILLION)



Key data

January – June 2019

OPERATIONAL

Rental income

SEK **1,967** million

2018, SEK 1,444 million (up 36%)

Value change
in properties

SEK **2,341** million

+2.8% in 2019

Net operating income

SEK **1,077** million

SEK 2018, 783 million (up 37%)

Cash flow from
operating activities

SEK **76** million

2018, 206 million

Surplus ratio

55%

2018, 54%

Real letting ratio
for housing

98.3%

market-related vacancies

S&P rating

BBB-

credit rating according to
Standard & Poor's

Loan-to-value ratio

58%

2018, 54%

Interest
coverage ratio

2.2x

2018, 2.6x

FINANCIAL

Equity

SEK **35** billion

2018, 31.9 million (up 10%)

Cash and
cash equivalents

SEK **1,424** million

2018, SEK 2,313 million

Secured
Loan-to-value ratio

37%

2018, 35%

PROPERTIES

Investment properties

SEK **86** billion

2018, 72.3 billion (up 20%)

Market value of Heimstaden Bostad's
investment properties.

Proportion living area

89%

2018, 89%

The vast majority of Heimstaden Bostad's
property portfolio consists of housing.

Area

2,912 thousand m²

2018, 2,628 thousand m² (up 11%)

Number of properties

980 units

2018, 916 units (up 7%)

Number of apartments

40,711 units

2018, 37,337 units (up 9%)

Number of premises

2,148 units

2018, 1,955 units (up 10%)

“We have a dream – a sustainable dream”

“Love, compassion and tolerance are necessities, not luxuries”. These are words spoken by the Dalai Lama, one of the people portrayed and interviewed in the photographic exhibition “We have a dream”, in which we become familiar with different people, both famous and unknown, who advocate courage, humanity and human rights.

It was an obvious choice for us to support this exhibition and its message when it opens to the public free of charge this autumn starting in Malmö and, in connection with this, to engage our tenants in these important messages. I derive a little additional pleasure from the fact that Albert Wiking, the photographer behind the exhibition, turns out to be a tenant of ours.

Today, 100,000 residents and fellow humans live in Heimstaden properties. This means that we strive to actively contribute to the development of a sustainable society. We must work to build sustainable and vibrant neighbourhoods and communities. We must defend human rights and the right for all individuals to be who they are. Accordingly, we must offer both a friendly and welcoming residential



environment and friendly community. For us, anything else would be inconceivable!

During the quarter, we signed the UN Global Compact. As registered adherents to the Compact, we have become a member of the sustainability family considers changing our planet for the better to be our collective duty. This fills me with both pride and joy.

Heimstaden's sustainability efforts affect many areas, among which we are currently contributing to the following:

- During 2019, we have constructed and completed 765 apartments in regions with housing shortages.
- We currently have 1 340 apartments in production and, in Sweden, we have chosen to apply for investment grants for our construction projects to be able to offer a standard of new production at rent levels that are reasonable for most potential tenants and that their household economies can manage.

- Our newly produced homes are environmentally classified and equipped with renewable electricity generation by means of photovoltaic cells.
- We purchase renewable electricity and optimize our properties to achieve lower energy consumption, thereby decreasing our carbon footprint.
- We offer municipalities “social contracts” in our property portfolio, helping vulnerable people in our communities to enter the housing market and achieve a stable life.
- We support and sponsor homework help, youth activities, women’s shelters and organisations that combat bullying and online hatred to create a more equitable, considerate and friendly society.
- This summer, we conducted the project “Heimodlat” (Home Grown), in which we offered our tenants planting boxes, soil and seeds to produce their own locally grown vegetables, etc. The results can be monitored on our website our social media sites, where we and our “Heimodlare” (Home Growers) leave comments and share their cultivation projects.
- To aid and support our students in what is an increasingly stressed and pressured life for students, we are currently recruiting sustainability hosts for two of our student housing locations.
- Codes of conduct, including requirements to confirm compliance, are included in all new supplier contracts.
- In conclusion, we have inaugurated one of the largest solar cell facilities for a rental property at our student accommodation in Flogsta, Uppsala.

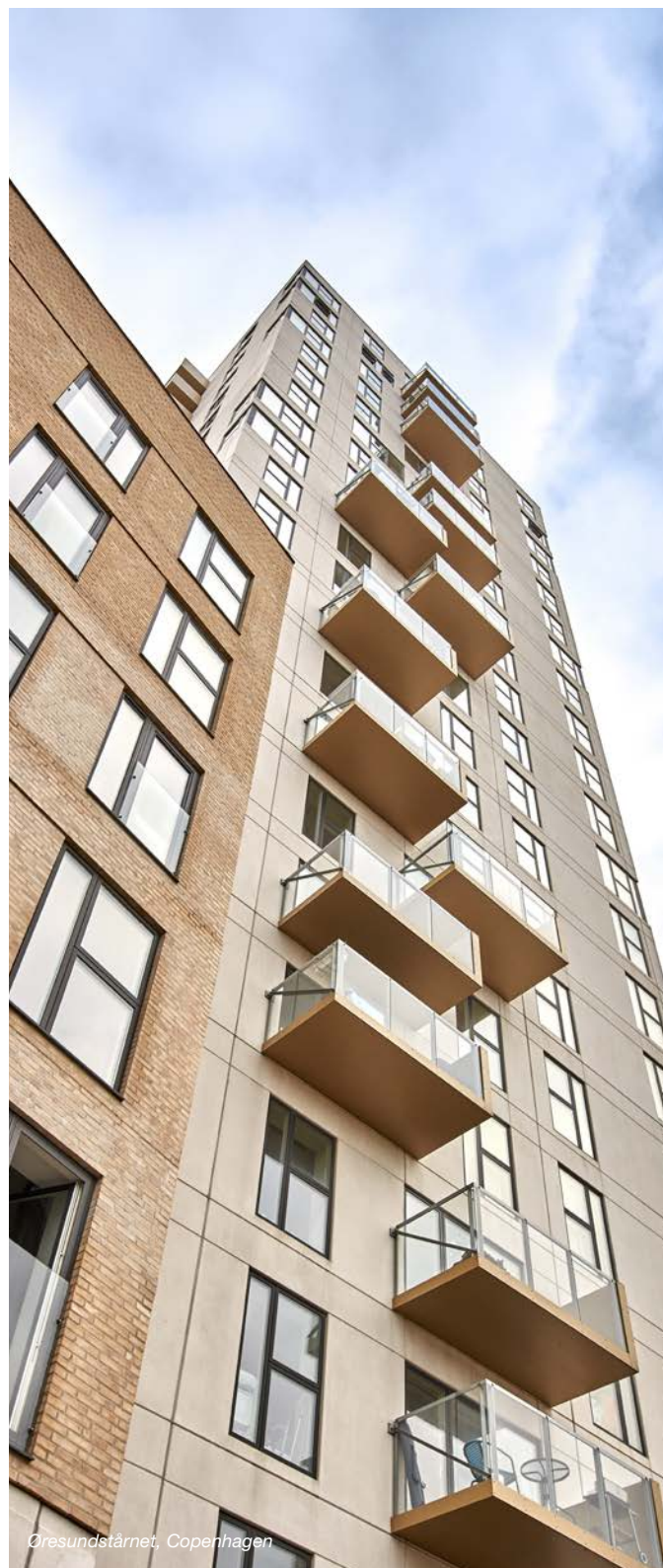
In other regards, the first half of 2019 was characterised by:

- An ambitious investment programme in existing property holdings where, for example, the façades, courtyards, windows, doors, staircases, water and sewerage mains, as well as the apartments are maintained using sustainable and environmentally friendly materials.
- Programmes of action and implementation of actions desired by tenants, as well as changes emerging in connection with this year’s Customer Satisfaction Index survey, with the purpose of delivering an even better customer experience.
- Complementary acquisitions of properties in Sweden, Denmark and Norway.

To all employees and dedicated tenants, THANK YOU for all of the creative, friendly and thoughtful suggestions you have shared and implemented and from which we have all benefited.

As a reader of the interim report for January – June 2019, you now have the opportunity to learn about Heimstaden Bostad’s profit, position and key data on the following pages. Welcome home to the Heimstaden world!

Patrik Hall
CEO Heimstaden Bostad



Significant transactions and events

Heimstaden Bostad's property portfolio is managed under three different geographic segments – Sweden, Denmark and Norway. The total value of Heimstaden Bostad's property portfolio amounted to SEK 86,429 million, excluding agreed acquisitions. Listed below are the significant transactions and events agreed by the Group in the second 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.

27 March

Heimstaden Bostad AB announces acquisitions of residential properties in Denmark and Sweden, through acquisitions of shares, from the Parent Company, Heimstaden AB. The acquisitions partly involve investment properties corresponding to a property value of SEK 4,797 million and partly involve ongoing or upcoming projects for which the underlying property value amounts to SEK 11,450 million (upon completion).

12 June

Heimstaden Bostad joined the UN Global Compact initiative for responsible enterprise, thereby undertaking to following its ten principles in the areas of human rights, working conditions, the environment and anti-corruption. The Company also undertakes to report annually on how its efforts are progressing.

WE SUPPORT





Our segments

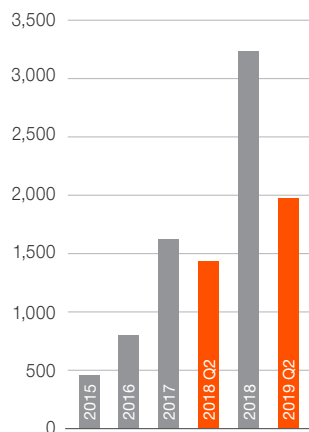
The Group's property portfolio is divided into different geographic administrative segments.



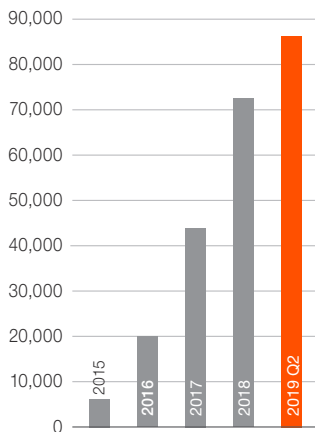
TOTAL HEIMSTADEN BOSTAD (JANUARY – JUNE)

	Q2 2019	Q2 2018
Market value, SEK m	86,429	66,456
Rental income, SEK m	1,967	1,444
Net operating income, SEK m	1,077	783
Surplus ratio, %	54.8	54.2
Letting ratio, housing (number), %	96.8	98.1
Real letting ratio, housing (number), %	98.3	–
Number of properties	980	882
Area, m ²	2,912,420	2,470,298

DEVELOPMENT IN TOTAL RENTAL INCOME, Q2 (SEK M)



DEVELOPMENT OF TOTAL MARKET VALUE, Q2 (SEK M)



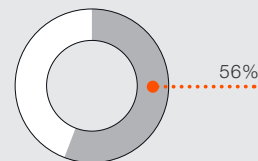
Sweden

The Swedish economy has developed favourably in recent years, with growing GDP and increased disposable income. Employment has also increased. In July 2019, the unemployment rate was 6.9 percent. Population growth has affected demand for housing, primarily in the metropolitan areas, which show strong growth as a result of the global urbanisation trend. Sweden has grown by about 270,000 inhabitants over the past two years and the population is now at 10.2 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 show good building pace and demand. 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.

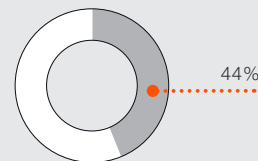
SWEDEN (JANUARY – JUNE)

	Q2 2019	Q2 2018
Market value, SEK m	38,066	32,846
Rental income, SEK m	1,095	482
Net operating income, SEK m	502	203
Surplus ratio, %	45.9	42.0
Letting ratio, housing (number), %	97.3	98.4
Real letting ratio, housing (number), %	98.6	–
Number of properties	762	734
Area, m ²	1,934,410	1,852,638

RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN TOTAL





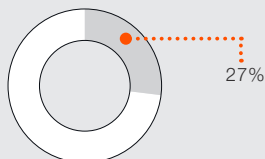
Denmark

The Danish economy has developed strongly for several years. Employment has increased by an average of about 1.5 percent annually. In June 2019, unemployment amounted to 4.9 percent, which is lower than the EU average. 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 50,000 students in 2019), 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 2019). The municipality prides itself on offering more than 100,000 jobs, and a particularly distinctive area of growth here is robotics and automation.

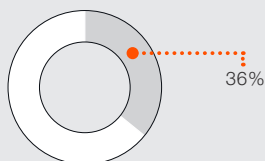
DENMARK (JANUARY – JUNE)

	Q2 2019	Q2 2018
Market value, SEK m	30,978	16,827
Rental income, SEK m	534	62
Net operating income, SEK m	369	44
Surplus ratio, %	69.1	70.1
Letting ratio, housing (number), %	95.6	97.5
Real letting ratio, housing (number), %	97.8	–
Number of properties	134	66
Area, m ²	760,338	401,862

RENTAL INCOME,
SHARE OF HEIMSTADEN TOTAL



MARKET VALUE,
SHARE OF HEIMSTADEN TOTAL



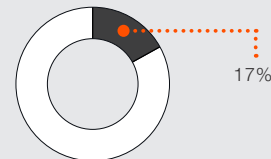
Norway

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 3.4 percent in June 2019. 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 who own large stocks of rental properties.

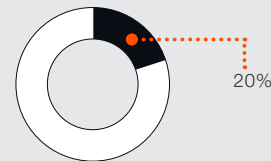
NORWAY (JANUARY – JUNE)

	Q2 2019	Q2 2018
Market value, SEK m	17,385	16,783
Rental income, SEK m	337	83
Net operating income, SEK m	205	51
Surplus ratio, %	60.9	61.8
Letting ratio, housing (number), %	96.1	97.5
Real letting ratio, housing (number), %	97.5	–
Number of properties	84	82
Area, m ²	217,672	215,798

RENTAL INCOME,
SHARE OF HEIMSTADEN TOTAL



MARKET VALUE,
SHARE OF HEIMSTADEN TOTAL



Consolidated Statement of Comprehensive Income

Amounts in SEK million	Note	2019 6 months Jan – Jun	2018 6 months Jan – Jun	2019 3 months Apr – Jun	2018 3 months Apr – Jun	2018 12 months Jan – Dec	Rolling 12 months Jul – Jun
Rental income	4	1,967	1,444	1,014	816	3,231	3,753
Property costs	5	-890	-662	-426	-331	-1,480	-1,708
Net operating income		1,077	783	588	485	1,751	2,045
Central administration costs		-81	-67	-40	-38	-140	-154
Other operating income		6	5	4	3	14	15
Other operating costs		-10	-4	-8	-2	-13	-19
Profit before financial items		993	717	544	448	1,611	1,888
Financial income	6	4	11	4	7	26	19
Financial costs – interest-bearing liabilities	6	-466	-284	-256	-175	-698	-879
Other financial costs	6	-335	–	-238	–	203	-133
Financial costs, right-of-use assets		-1	–	0	–	–	-1
Profit from property management		196	443	53	279	1,142	895
Change in value of investment properties	7	2,341	1,527	603	866	2,562	3,377
Changes in the value of financial instruments	8	-348	-12	-35	-29	11	-325
Profit before tax		2,189	1,958	621	1,116	3,715	3,946
Current tax		-67	-59	12	-27	-135	-149
Deferred tax		-455	-213	-149	-167	-557	-799
Profit for the period		1,668	1,685	483	922	3,023	2,999
Other comprehensive income		1,245	541	402	237	-442	261
Comprehensive income		2,912	2,226	886	1,160	2,581	3,260

Rental income

Rental income for the period amounted to SEK 1,967 million (1,444). The increase in income is primarily attributable to property acquisitions in Denmark and Norway. For the housing stocks, the average rental income was SEK 1,427 per square metre of time-weighted area (1,344). The increase was driven primarily by rental increases and the rent level per square metre generally being higher in Denmark and Norway.

The letting ratio for housing was 96.8 percent (98.1) for the period. The somewhat lower level can partly be explained by voluntarily vacated apartments that are to be renovated. Adjusted for the intentionally vacated apartments, the real letting ratio was 98.3 percent.

Property costs

Total property costs amounted to SEK 890 million (662). The change is mainly due to increased property volume

Net operating income

Net operating income amounted to SEK 1,077 million (783) for the period, corresponding to a surplus ratio of 54.8 percent (54.2). The higher surplus ratio is primarily attributable to the acquisitions in Denmark and Norway, but also to operational improvements.

Central administration costs

Central administration costs amounted to SEK 81 million (67). The increase was mainly attributable to the growth of the organisation as a consequence of a larger property portfolio.

Net financial items

Financial income during the period amounted to SEK 4 million (11) and financial expenses were SEK 466 million (284). The increased financial costs 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 and fees for unutilised credits amounted to 2.0 percent (1.82), the increase mainly being explained by differences in spread between bonds and bank loans, changes in underlying base rates and increased interest rate hedging.

The interest rates on approximately 48 percent (78) of the loan portfolio will change within a year. All other things being equal, a change in the base rate (Stibor, Cibur, Nibor) by 1 percent, at any given time, would, adjusted for the interest rate hedges secured, increase Heimstaden Bostad's interest cost, by approximately SEK 208 million (182) annually in the event of an increase, and decrease it by approximately SEK 102 million (48) in the event of a decline.

The difference in sensitivity is explained by interest rate hedging and several credit agreements containing interest rate floor clauses restricting interest rate changes on the downside, such that the base rate cannot, for example, be negative while costs associated with outstanding interest rate derivatives can increase with negative market interest rates.

Other financial costs

Other financial costs amount to SEK 335 million (0) and relate to exchange rate differences for loans raised in the Parent Company. The loans are primarily denominated in the same currency as the net foreign assets they finance, or are hedged via cross currency swaps to the same currencies as the net assets they finance. Currency effects resulting

from the loans and hedging are reported as other financial costs. Exchange rate differences regarding the net assets of foreign subsidiaries are reported under Other comprehensive income. The Group's total currency risk is limited to the net capital in each currency.

Financial costs, right-of-use assets

In connection with the transition to IFRS 16, ground rents have been reclassified from Property costs to Financial income and costs. Ground rents paid are reported in their entirety as interest expenses since these agreements are regarded as perpetual.

Profit from property management

Profit from property management amounted to SEK 196 million (443). The lower profit is primarily due to unrealised exchange rate differences.

Changes in the value of financial instruments

In accordance with the established financial policy and interest rate hedging strategy, Heimstaden Bostad uses interest rate derivatives and cross currency swaps to manage the Group's interest rate and currency risks. During the period, the change in value of related financial instruments related to changes in underlying base rates was negative in the amount of SEK 348 million (12) of which unrealised changes amounted to a negative SEK 348 million. The nominal volume of interest rate swaps amounted to SEK 26,933 million (9,617) and the volume of cross currency swaps amounted to SEK 12,509 million (0). During the period, the currency effect associated with cross currency swaps has been moved from the item Changes in the value of financial instruments to Other financial costs and amounted to SEK 22 million. Currency effects regarding loans and corresponding hedging are thereby shown on the same row in the income statement.

Change in value of investment properties

As of 30 June 2019, the property portfolio has undergone a valuation. Combined, the unrealised change in value, before value adjustment, amounted to SEK 2,343 million (1,566). All of Heimstaden Bostad's three geographical segments developed positively during the quarter. The Swedish stocks showed an unrealised change in value of SEK 1,172 million (equivalent to 3.2 percent), the Danish stocks a change of SEK 576 million (equivalent to 1.9 percent), and the Norwegian stocks a change of SEK 596 million (equivalent to 3.6 percent). The value changes are primarily explained by a lower yield requirement and improved net operating income in the existing stocks. The yield requirement in the valuation averaged 3.67 percent, which compares with 3.75 percent at the end of 2018. After currency adjustment, the total change in value of properties amounted to SEK 2,341 million (1,527) in the Income Statement.

Tax

In addition to the current tax of SEK 67 million (59), the Group also reports deferred tax of SEK 455 million (213). Regarding investment properties and financial instruments, deferred tax is calculated on differences between reported values and cost.

Other comprehensive income

Other comprehensive income consists of currency translation differences arising from the consolidation of the Group's foreign subsidiaries and amounts to SEK 1,245 million (541).

Consolidated Statement of Financial Position

Amounts in SEK million	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
Assets				
Non-current assets				
Investment properties	9	86,429	66,456	72,329
Leases, right-of-use		81	–	–
Financial derivative instruments	10	–	–	18
Other financial non-current assets		47	460	150
Total non-current assets		86,557	66,916	72,497
Current assets				
Development properties and tenant-owned apartments in progress		716	830	680
Accounts receivable		13	11	17
Other current receivables		852	616	575
Prepaid costs and accrued income		276	66	201
Cash and cash equivalents		1,424	2,189	2,313
Total current assets		3,281	3,713	3,786
TOTAL ASSETS		89,839	70,629	76,283

Investment properties

As per 30 June, Heimstaden Bostad's property portfolio had a market value of SEK 86,429 million, compared with SEK 72,329 million at the end of 2018. The total unrealised change in value during the period amounted to SEK 2,343 million (1,566). 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 Bostad's methodology for valuing properties, see pages 100-102 of the Heimstaden Bostad 2018 Annual Report.

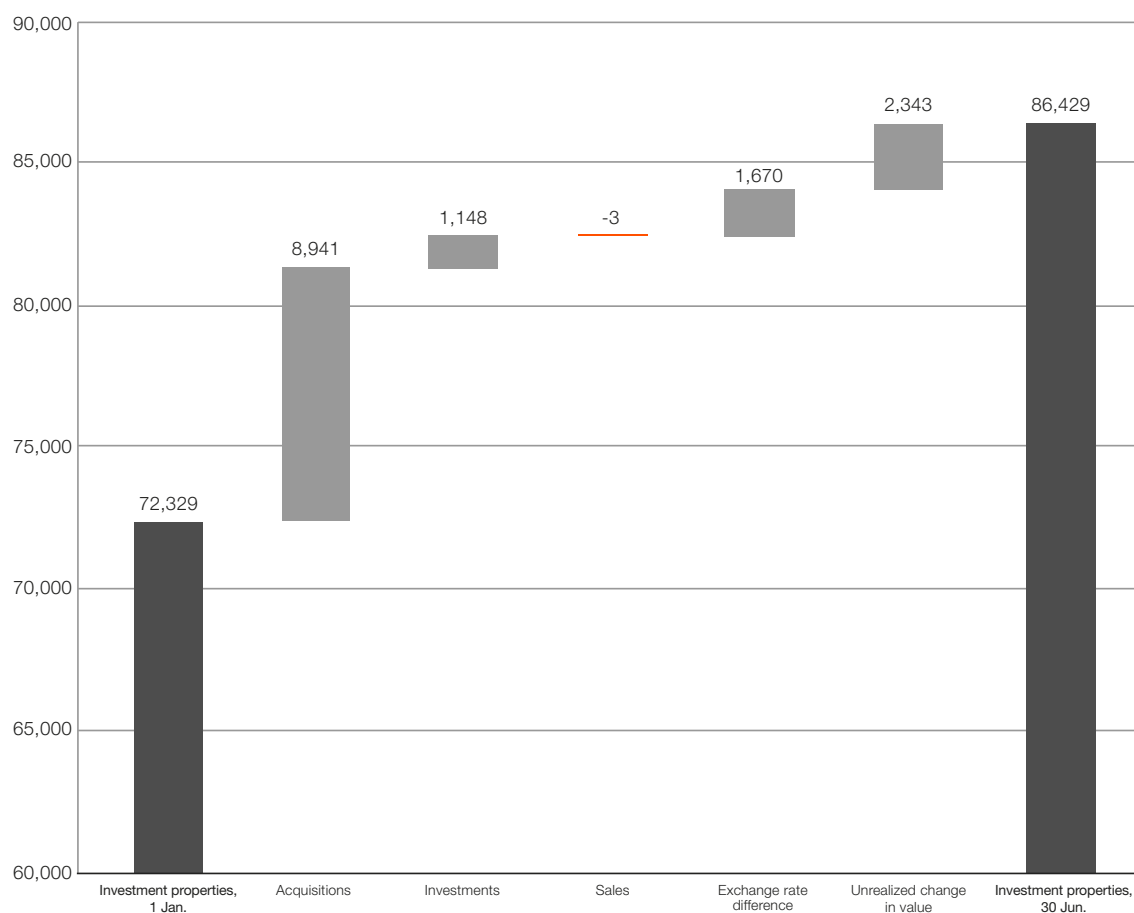
Other financial non-current assets

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 previous acquisition of Norwegian investment properties, building rights and ongoing construction projects were also acquired. The item, amounting to SEK 716 million (680), concerns the development of condominium apartments in Oslo that are to be divested upon completion.

DEVELOPMENT OF INVESTMENT PROPERTIES FOR THE PERIOD, SEK MILLION



Consolidated Statement of Financial Position

Amounts in SEK million	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
EQUITY AND LIABILITIES				
Equity		34,710	31,596	31,925
LIABILITIES				
Long-term interest-bearing covered liabilities		32,464	34,642	26,079
Long-term interest-bearing non-covered liabilities		18,221	–	14,558
Non-current liability, financial leasing		81	–	–
Financial derivative instruments	10	311	42	–
Deferred tax liability		1,812	992	1,356
Total non-current liabilities		52,889	35,676	41,993
Current liabilities				
Current interest-bearing liabilities		664	2,082	957
Accounts payable		360	177	295
Current liabilities		111	152	119
Other current liabilities		733	556	620
Accrued costs and prepaid income		372	390	375
Total current liabilities		2,240	3,357	2,365
TOTAL EQUITY AND LIABILITIES		89,839	70,629	76,283

Consolidated Statement of Changes in Equity

Amounts in SEK million	Share capital	Share premium reserve	Retained profit	Total equity
Equity, 31 Dec 2017	19	15,245	2,801	18,066
Dividend			-138	-138
New share issue	6	2,848		2,854
New share issue Pref B	1	8,559		8,560
Change in taxation			28	28
Other comprehensive income			541	541
Profit for the period			1,685	1,685
Equity 30 Jun 2018	26	26,653	4,917	31,596
Change in taxation			-26	-26
Other comprehensive income			-983	-983
Profit for the period			1,338	1,338
Equity, 31 Dec 2018	26	26,653	5,246	31,925
Dividend			-829	-829
New share issue Pref B		702		702
Other comprehensive income			1,245	1,245
Profit for the period			1,668	1,668
Equity 30 Jun 2019	26	27,355	7,329	34,710

Interest-bearing liabilities

At the end of the period, Heimstaden Bostad had interest-bearing liabilities amounting to SEK 51,348 million (41,593), 65 percent of which are covered by property mortgages, giving a loan-to-value ratio for covered loans of 37 percent. With deductions for cash and cash equivalents, net liabilities increased by SEK 10,645 million over the period, to SEK 49,924 million (39,279). Over the same period, the Group's borrowing, including currency effects, had increased by SEK 9,756 million, relating primarily to acquisitions of properties in Sweden and Denmark.

Of the interest-bearing liabilities, SEK 18,221 million (10,643) refers to bond loans, SEK 18,372 million (14,642) is attributable to mortgage bonds, and SEK 14,756 million (16,308) refers to traditional bank loans. Unutilised credit facilities from banks amounted to SEK 6,836 million (7,043) on the balance sheet date.

The average period for which capital is tied up in Heimstaden Bostad's interest-bearing liabilities amounted 11.2 years (8.1). The largest proportion, 19 percent (28) matures in 2020 (2020). The average period of fixed interest, including the effect of derivatives, amounts to 2.4 years (2.6).

Deferred tax

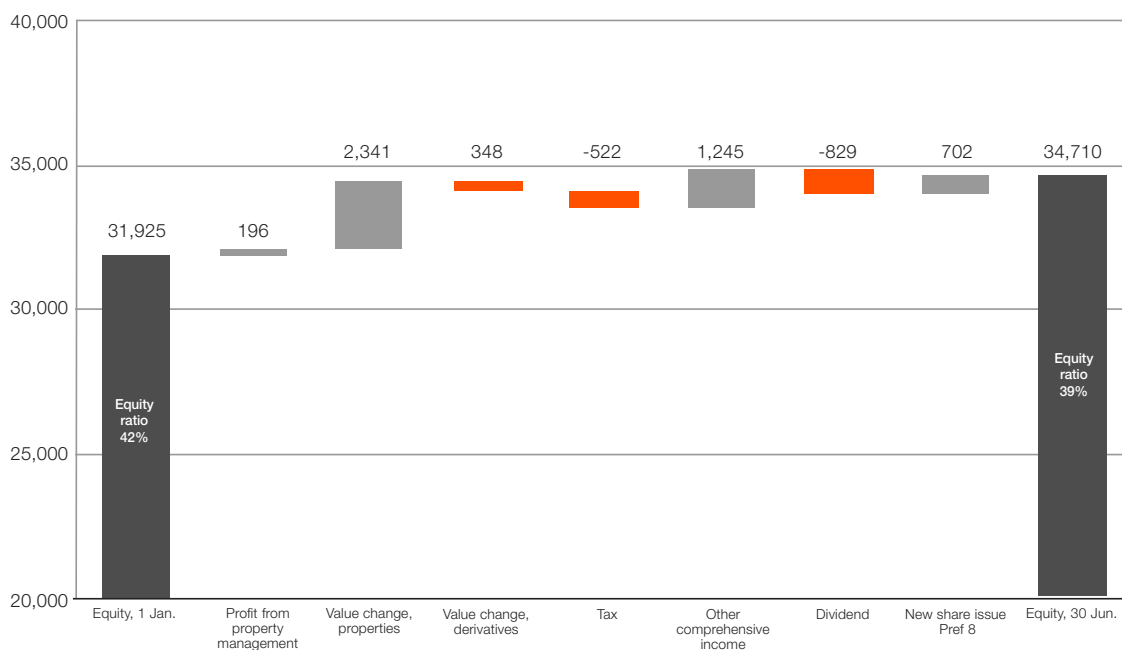
Deferred tax is calculated, at a nominal tax rate of 20.6 percent in Sweden, 22 percent in Denmark and 23 percent in Norway, on differences between the carrying amount and the consolidated cost of assets and liabilities. At 30 June 2019, deferred tax, which is the net of deferred tax assets and deferred tax liabilities, amounted to SEK 1,812 million (1,356) and was, for the most part, attributable to investment properties. The remaining tax deficit in the Group amounts to SEK 1,097 million.

Equity

Equity amounted to SEK 34,710 million (31,925), giving an equity/assets ratio of 39 percent (40). The change for the period is attributable to profit and currency, as well as a new share issue and dividends.

Heimstaden Bostad is exposed to currency risk associated with the Danish and Norwegian operations, as well as to a risk associated with the EUR with regard to financing. Debenture loans in EUR have been hedged through currency swaps to the same currency as the assets financed by the loans. 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.

EQUITY DEVELOPMENT OVER THE PERIOD, SEK MILLION



Consolidated Cash Flow Statement

Amounts in SEK million	2019 6 months Jan–Jun	2018 6 months Jan–Jun	2019 3 months Apr–Jun	2018 3 months Apr–Jun	2018 12 months Jan–Dec
Operating activities					
Profit before tax	2,189	1,958	621	1,116	3,715
Adjustments for non-cash items:					
– Change in value of investment properties	-2,341	-1,527	-603	-866	-2,562
– Change in value of derivative instruments	348	12	35	29	-11
– Other non-cash items	301	0	279	0	-126
Tax paid	-88	-36	-10	0	-149
Cash flow from operating activities before changes in working capital	409	406	321	279	867
Change in working capital					
Change in current receivables	-298	-31	-217	58	299
Change in development properties and tenant-owned apartments in progress	0	-883	0	-883	-883
Change in current liabilities	-35	301	361	216	112
Cash flow from operating activities	76	-206	465	-330	396
Investing activities					
Property acquisitions	-4,082	-20,029	-2,570	-19,306	-13,994
Investment, properties	-1,039	0	-547	0	-1,265
Acquisitions of other non-current assets	0	-249	0	-249	-158
Deposits paid for acquisitions	-144	-497	0	-497	-547
Property sales	3	7	3	7	13
Change in financial assets	31	0	31	0	210
Cash flow from investing activities	-5,231	-20,768	-3,083	-20,045	-15,741
Financing activities					
New share issue	702	11,414	702	11,414	11,414
Dividend, preference shares	-829	-138	-829	-138	-138
Change in interest-bearing liabilities	4,369	11,176	941	10,725	5,738
Redemption of interest rate derivatives	0	-98	0	-98	-135
Cash flow from financing activities	4,242	22,354	814	21,903	16,879
Cash flow for the period	-912	1,380	-1,804	1,529	1,535
Opening cash and cash equivalents	2,313	763	3,214	646	763
Currency effect in cash and cash equivalents	23	46	14	14	15
Closing cash and cash equivalents	1,424	2,189	1,424	2,189	2,313

Operating activities

Cash flow from operating activities, before changes in working capital, amounted to SEK 409 million (406). The change compared with the corresponding period in the preceding year is mainly explained by a larger property portfolio and a negative effect with regard to the tax paid. After a reduction in working capital of SEK 333 million (613), cash flow from operating activities was SEK 76 million (negative 206).

Investing activities

Cash flow from investing activities was negative in the amount of SEK 5,231 million (20,768). The investment activities consist of corporate transactions, property transactions and property investments, of which most are attributable to acquisitions in Denmark.

Financing activities

Cash flow from financing activities amounted to SEK 4,242 million (22,354) and is explained by a change in interest-bearing liabilities. The change is primarily attributable to a bond issue and the redemption of loans with short maturities.

Cash flow

Cash flow for the period was negative in the amount of SEK 912 million (1,380). The negative cash flow is primarily attributable to property acquisitions and cash and cash equivalents, which amounted to SEK 1,442 million (2,189) at the end of the period.



PARENT COMPANY INCOME STATEMENT

Amounts in SEK million	2019 6 months Jan – Jun	2018 6 months Jan – Jun
Central administration costs	-90	-70
Operating profit/loss	-90	-70
Profit before financial items	-90	-70
Interest income	177	–
Interest costs	-261	-37
Other financial income	168	–
Other financial costs	-19	–
Change in value of interest rate derivatives	-158	–
Profit from property management	-183	-107
Profit before tax	-183	-107
Deferred tax	33	4
Profit for the period	-150	-104

PARENT COMPANY BALANCE SHEET

Amounts in SEK million	30 Jun 2019	30 Jun 2018
Assets		
Non-current assets		
Shares in subsidiaries	20,282	14,118
Deferred tax receivables	35	9
Receivables from subsidiaries	14,941	11,946
Total non-current assets	35,258	26,073
Current assets		
Receivables from subsidiaries	12,648	–
Other current receivables	289	9
Cash and cash equivalents	483	1,730
Total current assets	13,420	1,738
TOTAL ASSETS	48,678	27,811
EQUITY AND LIABILITIES		
Equity	25,001	25,156
Non-current liabilities		
Interest-bearing liabilities	1,999	–
Debenture loans	18,221	–
Financial derivative instruments	167	42
Non-current liabilities, subsidiaries	1,305	–
Deferred tax	–	–
Total non-current liabilities	21,692	42
Current liabilities		
Current liabilities, subsidiaries	1,909	2,549
Other current liabilities	76	64
Total current liabilities	1,985	2,613
TOTAL EQUITY AND LIABILITIES	48,678	27,811

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK million	Share capital	Retained profit	Total equity
Equity, 31 Dec. 2017	19	13,964	13,983
New share issue	7	11,407	11,414
Dividend, ordinary shares		-138	-138
Profit for the period		-104	-104
Equity, 30 Jun 2018	26	25,130	25,156
Profit for the period		123	123
Equity, 31 Dec 2018	26	25,253	25,279
New share issue		702	702
Dividend Pref B		-829	-829
Profit for the period		-150	-150
Equity, 30 Jun 2019	26	24,975	25,001



Schadeshave, Copenhagen

Note 1 Accounting principles

Heimstaden Bostad's consolidated accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and its interpretations of these (IFRIC). This interim report has been prepared in accordance with IAS 34 the Annual Accounts Act. The Parent Company applies RFR2 Accounting for Legal Entities and the Swedish Annual Accounts Act.

The same accounting and valuation principles and calculation methods have been applied as in the most recent annual report (see pages 92 and 114 of the 2018 Annual Report for Heimstaden Bostad) with the exception of the introduction of IFRS 16 Leasing as of 1 January 2019 and currency effects associated with cross currency swaps, which, in the interim report have been separated and moved from Changes in the value of financial instruments to Other financial costs. Currency effects related to intragroup loans have been moved from Other financial cost to Other comprehensive income. Other new and amended standards are not currently expected to affect Heimstaden Bostad's accounts to any significant extent.

New accounting principles

In the autumn of 2017, IFRS 16 Leases was adopted by the EU. The standard came into effect on 1 January 2019 and includes both the lessor and the lessee. Heimstaden Bostad's income consists mainly of rental income and is therefore subject to the regulations for lessors. For lessors, the regulations are predominantly unchanged, while, on the other hand, significant changes have been made to the regulations for lessees. Heimstaden Bostad has lease commitments for leaseholds, premises and vehicles.

According to the new standard, lessees must report the commitment as a lease liability in the Balance Sheet. The right to use the underlying

asset during the leasing period is reported as an asset. Depreciation of the asset is recognised in the Income Statement, as is interest on the lease liability. Leasing fees paid are reported partly as interest payments and partly as amortisation of the lease liability.

Following the introduction of IFRS 16 as of 1 January 2019, Heimstaden Bostad has reported a right-of-use asset and a lease liability corresponding to the value of the right-of-use asset. From the perspective of IFRS 16, leaseholds are viewed as perpetual lease agreements, which are reported at fair value and not written off, instead the value of the right-of-use asset remains until the next occasion on which the leasehold is renegotiated. The Income Statement has been affected in that the ground rent has been reclassified from Property costs to Financial income and costs, ground rent paid is reported in its entirety as an interest expense since these agreements are regarded as perpetual. Heimstaden Bostad has leasehold or other lease agreements for land in countries other than Sweden. Heimstaden Bostad's experience is that these agreements are normally extended and thus handled in the same way as Swedish leaseholds.

Premises and vehicles are reported at discounted values in the balance sheet as a right-of-use asset and a lease liability. In the Income Statement, the right-of-use asset is written off over lease term and payments made to landlord/the lessor are reported partly as amortisations on the lease liability and partly as an interest expense in the Income Statement.

The cash flow statements are not affected by the introduction of IFRS 16 as these are based on Profit from property management.

Heimstaden Bostad applies the simplified transition method and does not apply the standard retroactively. Accordingly, in accordance with the simplified method, comparison figures for 2018 have not been recalculated.

Note 2 Information about related parties

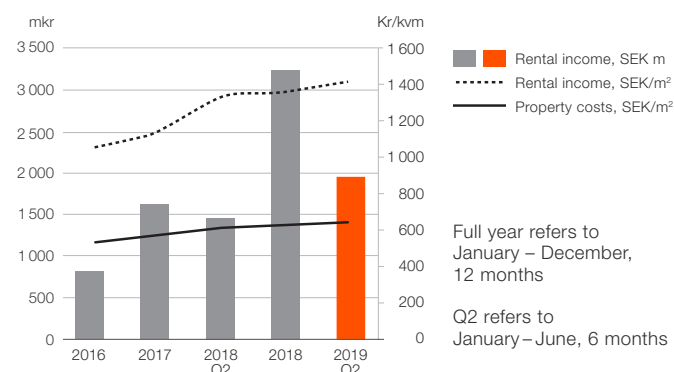
Heimstaden Bostad's transactions with related parties are detailed in Notes G 8 and PC-G 6 in Heimstaden Bostad's 2018 Annual Report.

Note 3 Events after the Balance Sheet date

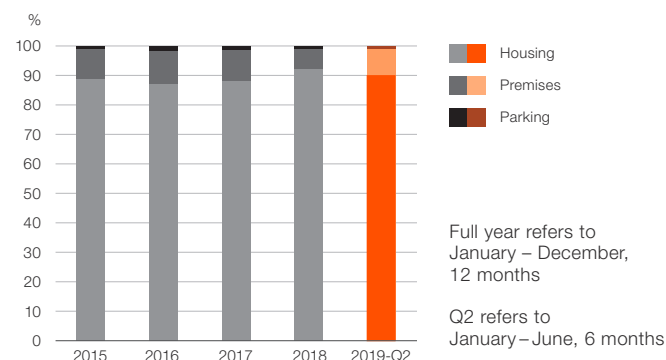
No significant events have occurred after the end of the period.

Note 4 Rental income

RENTAL INCOME

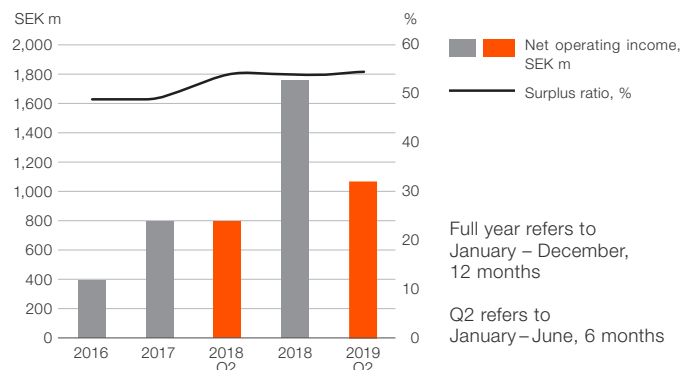


DISTRIBUTION OF RENTAL INCOME



Note 5 Property costs

Amounts in SEK million	2019 6 months Jan – Jun	2018 6 months Jan – Jun	2018 12 months Jan – Dec
Operating costs	-521	-474	-893
Maintenance and repairs	-208	-92	-270
Property administration	-100	-75	-230
Property tax	-60	-18	-85
Ground rent	0	-2	-2
Total property costs	-890	-662	-1,480

NET OPERATING INCOME AND SURPLUS RATIO**Note 6** Financial income and costs**Risk management, estimation and assessments**

The Board of Directors and company management work continuously to achieve the desired risk profile, which is governed by the adopted Financial Policy and established operational targets.

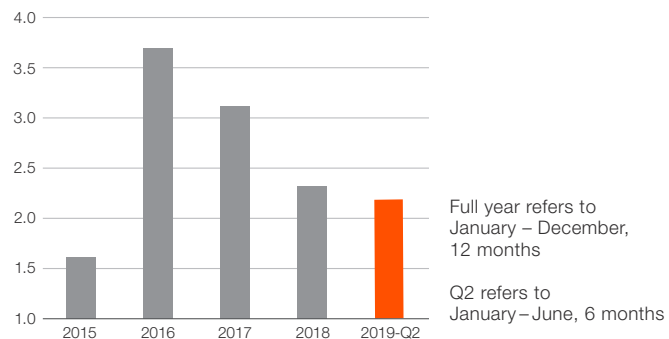
Heimstaden Bostad's operations, financial position and profit can be affected by a number of risks and uncertainties. These are described on pages 70-73 in the 2018 Annual Report. No significant changes

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.

Financial policy	Policy	30 Jun 2019
Interest coverage ratio (rolling 12 months, multiple)	≥ 1.5	2.2
Equity/assets ratio (percent)	≥ 30	39
Capital tied up (months)	≥ 15	134
Loan maturity (percentage in individual year)	≤ 40	21% (2023)
Limitation, individual lenders (percent)	≤ 40	13% (New credit)
Fixed interest (years)	N/A	2.4
Interest rate hedge (percent)	≥ 50	57%
Loan-to-value ratio (percent)	45 – 60	58
Quick ratio (percent)*	* ≥ 125	185

* Definition according to S&P guidelines

INTEREST COVERAGE RATIO Q2 (ICR)

30 Jun 2019

Years	Fixed interest, loans incl. cross currency swaps			Fixed interest incl. interest rate derivatives ¹⁾		
	SEK m	Share, %	Interest, incl. margin, %	SEK m	Share, %	Interest, incl. margin, %
0–1	48,911	95.3	1.8	24,731	48.2	2.1
1–2	381	0.7	1.5	2,719	5.3	1.8
2–3	371	0.7	1.5	4,549	8.9	1.8
3–4	1,427	2.8	2.1	6,035	11.8	2.2
4–5	–	–	–	3,987	7.8	1.9
>5 years after balance sheet date	258	0.5	2.5	9,328	18.2	1.9
Total	51,348	100.0	1.8	51,348	100.0	2.0

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

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

0.5 years

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

2.4 years

Note 7 Change in value of investment properties**Yield requirements**

Years	Average	Interval
2018	3.75%	0.95% – 8.50%
2019 Q2	3.67%	1.11% – 8.29%

Note 9 Investment properties**Change in market value of investment properties**

	Total	Sweden	Denmark	Norway
Market value of investment properties, 31 Dec 2018	72,329	35,881	20,927	15,521
Sales during the period	-3	-3	–	–
Acquisitions during the period	9,155	314	8,685	156
Investments during the period	1,087	702	164	221
Currency change	1,517	–	626	891
Market value after transactions	84,086	36,895	30,403	16,789
Unrealised value change	2,343	1,172	576	596
Market value of investment properties, 30 June 2019	86,429	38,066	30,978	17,386

Note 10 Financial instruments**Change in loan volume**

Interest-bearing loans, 31 Dec 2018	41,593
Repayments on loans	-4,601
Currency exchange effect on loans	637
New borrowing/loans taken over	13,719
Interest-bearing loans, 30 June 2019	51,348

	Capital tied up, loans			Lines of credit	
Years	SEK million	Share, %	Interest, incl. margin	SEK million	Share, %
0-1 years	630	1	3.8	1,734	25
1-2 years	9,885	19	2.0	302	5
2-3 years	8,175	16	1.9	4,800	70
3-4 years	4,172	8	2.2	–	–
4-5 years	7,931	15	2.2	–	–
>5 years after balance sheet date	20,556	40	0.9	–	–
Total	51,348	100.0	1.6	6,836	100

The average remaining period for which capital is tied up amounts to: 11.2 years

Financing source

	Credit	Secured credits, %	Unutilised credit commitment	Share, %
Bonds	18,221	–	–	35
Mortgages	18,372	100	–	36
Bank loans	14,756	100	6,836	29
Total	51,348	65	6,836	100.0

Note 8 Change in value of derivatives**Change in market value of derivatives**

Market value of derivatives, 31 Dec 2018	18
Acquired derivatives	–
Redeemed derivatives	–
Currency effect on derivatives	19
Unrealised changes in value	-348
Market value of derivatives, 30 June 2019	-311

Financial instruments

Maturity, interest rate derivatives				
Years	Type	SEK million	Share, %	Interest, % ¹⁾
0-1 years	Paying fixed	3,146	12	0.05
1-2 years	Paying fixed	2,187	8	0.24
2-3 years	Paying fixed	4,677	17	0.23
3-4 years	Paying fixed	5,007	19	0.36
4-5 years	Paying fixed	4,295	16	0.44
>5 years after balance sheet date	Paying fixed	7,619	28	0.48
Total purchased swaps		26,933	100	0.34

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

Financial instruments

Maturity, cross-currency swaps				
Years	Type	SEK million	Share, %	Interest, % ¹⁾
0-1 years	Paying variable	–	–	–
1-2 years	Paying variable	–	–	–
2-3 years	Paying variable	5,282	42	3.01
3-4 years	Paying variable	–	–	–
4-5 years	Paying variable	7,227	58	2.67
>5 years after balance sheet date	Paying variable	–	–	–
Total purchased swaps		12,509	100	2.81

1) The interest rate indicates the variable agreed interest rate on the balance sheet date.



The Board of Directors and the President provide their assurance that this interim report provides a true and fair view of the operations, position and results of the Parent Company and the Group and describes the significant risks and uncertainties that occur in the operations of the Parent Company and the Group.

Malmö, 30 August 2019

Patrik Hall
CEO

Fredrik Palm
Chairman of the Board

Stefan Attefall
Board Member

Magnus Nordholm
Board Member

Ramsay Brufer
Board Member

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

Auditor's review report

Heimstaden Bostad AB (publ), Corp. ID No. 556864-0873
To the Board of Directors of Heimstaden Bostad AB (publ)

Introduction

We have performed a summary review of the summary interim financial information (interim report) for Heimstaden Bostad AB (publ) as of 30 June 2019 and the six-month period ending on that date. It is the Board of Directors and the CEO who are responsible for preparing and presenting this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and scope of the review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Company's elected auditor. A review consists of making inquiries, primarily of those responsible for financial and accounting matters, to perform an analytical review and to take other general review measures. A review has a different focus and is much smaller in scope compared with the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards.

The review measures undertaken in a review do not enable us to obtain the same level of assurance that we would be made aware of all significant circumstances that could have been identified if an audit had been conducted. Accordingly, the conclusion expressed on the basis of a review does not have the same degree of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on our review, no circumstances have emerged that give us reason to believe that the interim report has not, in all material respects, been prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the Parent Company in accordance with the Annual Accounts Act.

Malmö, 30 August 2019

Ernst & Young AB

Peter von Knorring
Authorised Public Accountant

Current earning capacity

In the adjacent table, Heimstaden Bostad presents its earning capacity on a 12-month basis as per 30 June 2019. 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 30 June 2019 and their financing. Accordingly, the current earning capacity illustrates Heimstaden Bostad's annual earnings on that basis. Consequently, transactions where Heimstaden gains access after 30 June are not included in the calculation.

Heimstaden Bostad'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 Profit from participations in associated companies.

Earning capacity is based on the contracted rental income, current property costs and administrative costs of the property portfolio. Costs for interest-bearing liabilities have been based on the Group's average interest rate on the balance sheet date, including the effects of derivative instruments.

Current earning capacity as per 30 June 2019

Amounts in SEK million	
Rental income	4,125
Property costs	-1,693
Net operating income	2,431
Central administration costs	-155
Other operating income	10
Other operating costs	–
Profit from participations in associated companies	–
Profit before financial items	2,286
Financial income	–
Financial costs – interest-bearing liabilities	-1,032
Profit from property management	1,254
Key data	
Surplus ratio, %	58.9
Interest coverage ratio (ICR), multiple	2.2



Key data

	2019 6 months Jan – Jun	2018 6 months Jan – Jun	2019 3 months Apr – Jun	2018 3 months Apr – Jun	2018 12 months Jan – Dec
Property-related data					
Rental income, SEK m	1,967	1,444	1,014	816	3,231
Letting ratio, housing (number), %	96.8	98.1	96.8	98.1	97.4
Real letting ratio, housing (number), %	98.3	–	98.3	–	98.6
Surplus ratio, %	54.8	54.2	58.0	59.4	54.2
Acquisitions and property investments, SEK m	8,941	20,029	5,209	19,306	24,737
Property sales, SEK m	3	7	3	7	13
Market value of properties on balance sheet date, SEK m	86,429	66,456	86,429	66,456	72,329
Number of properties on balance sheet date	980	882	980	882	916
Lettable area on balance sheet date, m ²	2,912,420	2,470,298	2,912,420	2,470,298	2,627,931
Number of apartments on balance sheet date	40,711	35,506	40,711	35,506	37,337
Proportion living area on Balance Sheet date, %	89	88	89	88	89
Financial data					
Cash flow from operating activities, SEK m	76	-206	465	-330	396
Profit from property management, SEK m	196	443	53	279	1,142
Interest coverage ratio (ICR), multiple	2.2	2.7	2.2	2.7	2.6
Equity/assets ratio, %	38.6	44.7	38.6	44.7	41.9
Loan-to-value ratio (LTV), %	57.8	52.0	57.8	52.0	54.3
Loan-to-value ratio, secured loans, %	36.7	52.0	36.7	52.0	35.4
Quick ratio, %	185	–	141	–	159
Average interest rate on balance sheet date, %	2.0	1.8	2.0	1.8	1.8
Average period of fixed-interest on loans, incl. derivatives, years	2.4	1.1	2.4	1.1	2.6
Average period for which capital is tied up, year	11.2	7.9	11.2	7.9	8.1
Return on equity, %	9.1	15.2	9.1	15.2	14.0
Equity on the balance sheet date, SEK m	34,710	31,596	34,710	31,596	31,925
Net asset value on the balance sheet date, SEK m	36,522	32,588	36,522	32,588	33,281
Long-term asset value (EPRA NAV) on the balance sheet date, SEK m	36,833	32,630	36,833	32,630	33,281
DEBT/EBITDA, multiple (rolling 12m)	19	23	19	23	22
Data per share					
Profit per ordinary share, SEK	991	903	228	433	795
Equity per ordinary share, SEK	5,416	4,449	5,416	4,449	4,881
Equity per preference share A, SEK	931,482	662,796	931,482	662,796	1,365,663
Equity per preference share B, SEK	102,004	101,896	102,004	101,896	103,452
Number of ordinary shares outstanding at the end of the period	2,429,449	2,429,449	2,429,449	2,429,449	2,429,449
Number of preference shares A outstanding at the end of the period	100	100	100	100	100
Number of preference shares B outstanding at the end of the period	210,378	203,360	210,378	203,360	203,360
Average number of ordinary shares outstanding	2,429,449	1,974,873	2,429,449	1,974,873	2,204,519
Average number of preference shares A outstanding	100	100	100	100	100
Average number of preference shares B outstanding	203,399	146,213	203,399	146,213	175,177

Definitions and glossary

Letting ratio, housing (number), %

Leased housing divided by total number of homes.

Real letting ratio, housing (number), %

Leased housing adjusted for voluntary 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 net financial items plus financial income divided by financial costs attributable to interest-bearing liabilities. 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 percentage of total assets.

Quick ratio, %

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



Net liabilities

Interest-bearing liabilities less financial assets and cash and cash 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 (rolling 12-month outcome) as a percentage of average equity.

Net asset value on the balance sheet date, SEK m

Equity plus deferred tax liability.

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

Equity with deferred tax liability and interest rate derivatives reversed.

DEBT/EBITDA, multiple

12-month average interest-bearing liabilities divided by profit before financial items with reversal of depreciation.

Equity per ordinary share, SEK

Equity at the end of the period, 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

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

Financial information

The interim report for July-September 2019 will be published on 25 October 2019.

The year-end report for October-December 2019, will be published on 14 February 2020.

This information is such that Heimstaden Bostad AB (publ) is obliged to disclose under the EU Market Abuse Regulation and the Securities Market Act.

The information was submitted for publication under the auspices of the contact persons below at 9:00 a.m. CET on 30 August 2019.

Patrik Hall, CEO Heimstaden Bostad AB, +46 (0)705 – 85 99 56
Magnus Nordholm, Acting CFO Heimstaden Bostad AB, +46 (0)705-29 31 44

Heimstaden

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