

2019

Enriching and simplifying life through Friendly Homes

HEIMSTADEN BOSTAD ANNUAL REPORT WITH SUSTAINABILITY REPORT



Heimstaden

Contents



Administration Report and Financial information Heimstaden Bostad's Annual Report is published in Swedish and English. The Swedish version is the original and has been audited by Heimstaden's auditor. The annual accounts for the 2019 financial year and the Administration Report are presented on pages 5, 16–17, 44–54, 74–85 and 96–137 of this document. The Audit Report is also presented on pages 138–140.

Other external review The Auditor has reviewed the Corporate Governance Report on pages 86–93, in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. The Auditor has reviewed the Sustainability Report on pages 144–159, in accordance with FAR's recommendation RevR 12 Auditor's opinion regarding the statutory Sustainability Report.

Report inspired by GRI Standards Heimstaden Bostad's Sustainability Report has been inspired by the GRI guidelines and selected areas of sustainability have been reported in accordance with the GRI Standards' application level Core. An overview of the GRI index is found on pages 149–150.

Heimstaden and the Global Compact Since 2019, Heimstaden Bostad AB has been affiliated to the UN Global Compact, an initiative for responsible business, focusing on human rights, working conditions, the environment and anti-corruption. This Sustainability Report represents our "Communication on Progress" to the UN and the GRI index includes references to where the data are presented in the report.



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Refers to audited sections. Pages 5, 16–17, 44–54, 74–85 and 96–137 form part of Heimstaden Bostad's formal Annual Report and have been subject to review by the company's auditors.

A broad perspective on Friendly Homes



Heimstaden Bostad acquires, develops and manages residential properties in growth communities in Scandinavia, Germany and the Netherlands. In 2019, we decided to expand our operations to other European countries with strong demographics and favourable market conditions, resulting in a major acquisition in the Czech Republic at the beginning of 2020.

Our vision is to enrich and simplify life for our customers through Friendly Homes. We hold a lifelong perspective on our properties, meaning that we build, develop and manage sustainable and modern homes of a good standard. In this way, we generate lasting value for shareholders, partners and customers, but also for society as a whole.

Our ambition is to grow responsibly and sustainably alongside partners who share our values. Within the framework of our strategy, we will work with other stakeholders and create opportunities by contributing experience, knowledge and capital. Heimstaden Bostad's main owner is Heimstaden AB, followed by the Folksam Group, Alecta and Sandvik and Ericsson pension foundations.

Our business model

Heimstaden Bostad generates long-term values through its three core processes:

- Analysis and transaction
- Project and property development
- property management

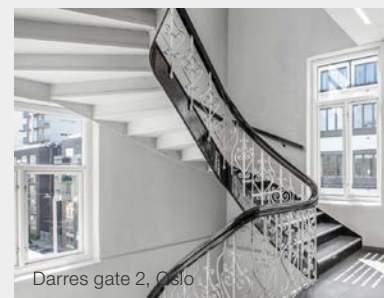
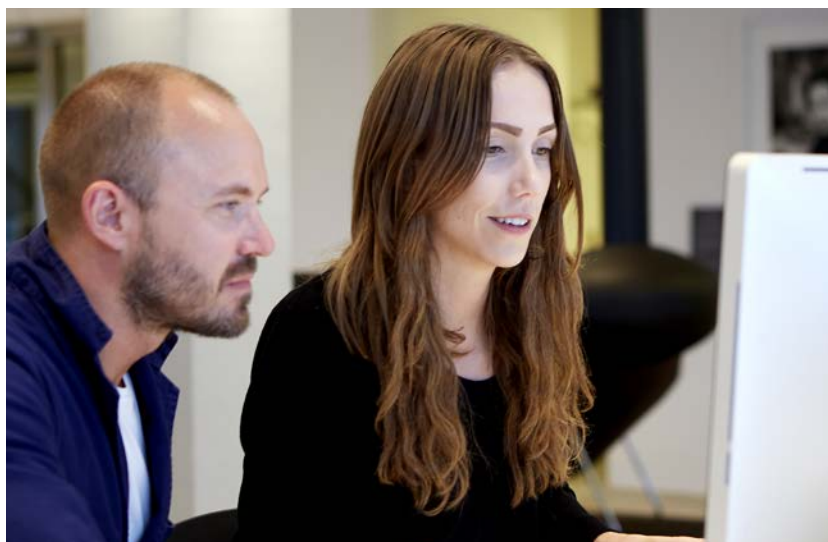
These processes interact as we actively manage the property portfolio, expanding and optimising it, with sustainability in focus, and refining and developing individual properties. Read more about our approach on pages

project development
and long-term
refinement
of the property portfolio



careful **analyses**
and **acquisitions**
of properties in line
with our strategy

local, in-house **property**
management
through our values



54,863

Residential units



Total area

4 million

SQUARE METERS



Market value,
SEK

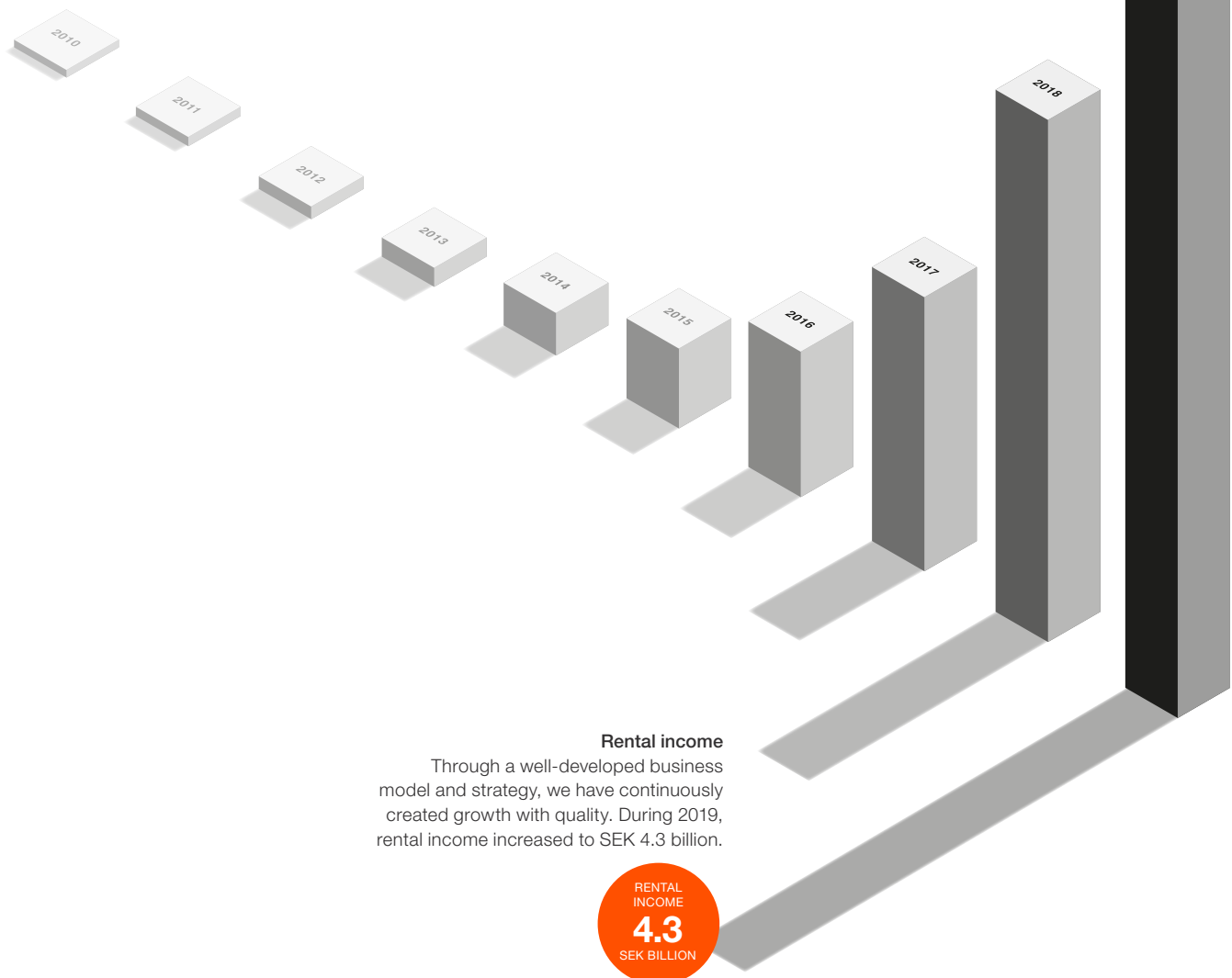
113 million

Property value

Since the company was founded in 2016, Heimstaden Bostad's property value has grown to SEK 113 billion at the end of 2019.

Qualitative and sustainable growth

Heimstaden Bostad is the largest private residential property company in Denmark, Norway and the Czech Republic and we are among the largest owners in Sweden and the Netherlands. At the end of 2019 we expanded our operations in Germany, and in early 2020 a major acquisition was made in the Czech Republic. The rapid expansion imposes high demands on our ability to grow sustainably from many aspects. We invest considerable effort in all investment decisions and conduct thorough due diligence with regard to financial, social and environmental aspects. We take care of our staff and make sure all customers – new and old – receive the same degree of attention and high level of service. By staying true to our core values (*Care – Dare – Share*), we ensure high quality growth in markets throughout Europe.

**Rental income**

Through a well-developed business model and strategy, we have continuously created growth with quality. During 2019, rental income increased to SEK 4.3 billion.

A year to remember

In a few years time, as we look back at 2019, I think we will see it as a very important year for Heimstaden Bostad. We implemented structural changes and broadened the scope of our operations to build a company able to achieve good performance, favourable key data and a high level of customer satisfaction.

Back in 2018, we took the decision to broaden our horizon from Scandinavia and to extend our operations through Northern Europe. In 2019, we took an additional step in that direction by determining that we should view most of Europe as our home market. We have, in recent years, built up a stable company, with sound finances and the capacity to operate in more markets than previously.

Several major acquisitions during the year

Over the year, we acquired two major portfolios in the Netherlands from Heimstaden AB, becoming a player there, with 10,447 apartments in that country. The Dutch market is of interest, both from a macroeconomic perspective, as well as with regard to housing policy and we have quickly become a major player there. Although we also acquired a large portfolio in Germany, political discussions regarding the decision to impose a five-year embargo on rent increases in Berlin and the consequences for property maintenance and investment cause us to maintain a cautious attitude towards the Berlin market for the time being.

In the second half of 2019, considerable effort was invested into the acquisition, presented by Heimstaden Bostad in early 2020, of slightly fewer than 43,000 apartments in the Czech Republic. Although I have received a number of questions regarding the choice of market, in my view the Czech Republic has favourable infrastructure, a very good labour market and other important drivers of development of a standard comparable to Sweden. We had the opportunity to acquire a well-managed company with a favourably composed and attractive portfolio, as well as advanced systems for property management and customer

***» Action is what matters and
manifests our unequivocal
promise to future generations. «***

service. It also applies a customer philosophy that is, in many ways, similar to Heimstaden's. The energy mix in the Czech Republic is challenging and we will be working actively to transition to more sustainable alternatives where possible and to implement measures to improve energy efficiency. The acquisition is the largest in Heimstaden Bostad's history in terms of the number of units and has provided valuable knowledge prior to entering our next new market.

I see a strength in Heimstaden Bostad now having the capacity to conduct truly large-scale acquisitions, while our entrepreneurial culture means that no opportunities are missed to acquire individual properties complementing the existing portfolio. It is important to be able to balance large-scale matters against smaller-scale ones to be able to achieve a favourable risk diversification and long-term profitability. I wish we could have made more acquisitions in Scandinavia in 2019. It is possible that we were somewhat cautious in our assessments of markets and properties and we are reviewing our strategy to be able to increase the pace in 2020. We did, however, successfully replenish our new production portfolio and now have agreements in place for the production of approximately 2,000 apartments over the next five years. It looks as though much of this new production will involve wood buildings, which pleases me greatly from a sustainability perspective.

New muscles after structural changes

In October, a revised shareholder agreement was signed for Heimstaden Bostad AB, opening the way for us to bring in more long-term institutional shareholders. Accordingly, we were able to announce in December that the Folksam Group will become the second-largest institutional shareholder in Heimstaden Bostad through its companies Folksam Sak, Folksam Liv and KPA Pension. While this strengthens the capital base, it also serves as a stamp of quality for the operations we conduct. The fact that such valuation-driven and long-term players have chosen to become shareholders reflects the level of quality and stability that we have built up together in Heimstaden Bostad.

The revised shareholder agreement also entailed Heimstaden Bostad acquiring the last of the properties directly held by Alecta and most of Heimstaden AB's remaining portfolios, including the portfolios in the Netherlands and Germany that I mentioned above. The agreement also included a new share issue of SEK 9.5 billion directed at Heimstaden AB and Alecta. In November, Heimstaden Bostad subsequently issued EUR 800 million in hybrid bonds in the European capital market. Combined, the addition of new shareholders, the increased undertakings of the existing ones, and the issuing of bonds mean that we now enjoys even greater opportunities, both to make strategic acquisitions

» Together, we now stand prepared to make 2020 another memorable year for Heimstaden Bostad. «





and to develop the existing portfolio by means of renovations or supplementary new production. This also enables us to continue on our essential path of delivering increasing customer satisfaction and Friendly Homes.

Sustainability issues are central

Many institutional investors impose stringent demands on our sustainability efforts, and we are working intensively to develop our systems for control and reporting. Buildings account for 40 percent of carbon dioxide emissions to the atmosphere and our sector bears a specific responsibility for finding ways in which to reduce its impact on the climate. I want Heimstaden Bostad to be a pioneer in this regard and for our work on sustainability to culminate in more than fine words. Action is what matters and manifests our unequivocal promise to future generations.

Sustainability also includes social aspects of the utmost importance. We are a player of sufficient size to have opportunities to contribute to the development of municipalities and cities. We own several student housing complexes and our first sheltered housing unit is currently being built in Umeå. By balancing professionalism and sound values, we take responsibility for our role in developing communities and I would be happy to see further acquisitions of housing from municipal players. Heimstaden's Bostad's lifelong perspective on ownership guarantees security and a long-term approach. This can also be seen in all of the work we invest into building social inclusion, ending loneliness and strengthening the sense of security in our buildings – from opportunities for growing plants to pleasant outdoor environments and good maintenance.

Well-equipped to face global challenge

As I write this, the world faces a major challenge in the form of the Coronavirus pandemic and we see very serious health effects in many countries. Several of the measures taken by authorities around the world, to reduce the spread of the Coronavirus, will lead to lower economic activity and reduced growth. This also applies to the countries in which Heimstaden operates. However, it is too early to assess for how long the Coronavirus pandemic will last and what the final financial impact will be. Our assessment is that Heimstaden stands well equipped financially as well as operationally and we expect the short-term impact on our residential properties to be relatively small. On the other hand, it is important for several reasons that we now help identify favourable solutions for the commercial tenants affected – restaurants, shops and others. We have nothing to gain from businesses failing and we must therefore be solution-oriented in helping those affected so that they can continue the businesses in which they have invested much of their lives. We are seeing rigorous measures being implemented by the governments in all of the markets in which we operate and I am hopeful that all involved will be able to find shared solutions to carry society through this crisis.

Patrik Hall, CEO Heimstaden Bostad

Significant events in 2019

In 2019, some 13,555 apartments were acquired for a value of SEK 33,261 million (24,737). Rental income for the year amounted to SEK 4,321 million (3,231) and profit from property management, adjusted for currency effects in the Parent Company, amounted to SEK 1,221 million (940).

BBB-

Credit ratings improve credit market opportunities. In the autumn of 2019, S&P updated Heimstaden Bostad's outlook for an improved credit rating to "Positive" (BBB-, Positive Outlook).

1,900 SQUARE METRES

About 1,900 square metres of photovoltaic panels have been installed on the walls and façades of Heimstaden Bostad's student accommodation in Solstaden Flogsta in Uppsala, which was inaugurated in August. This is enough to produce 240,000 kWh annually.



+599 UNITS

During the year, a German property portfolio was acquired from Heimstaden AB, consisting of 25 properties with 599 rental apartments, 48 commercial premises and 36 parking spaces. The properties are located in Berlin and Bielefeld and comprise a total lettable area of 44,650 square metres.

+10,316 UNITS

During 2019, Heimstaden Bostad acquired two large portfolios in the Netherlands from Heimstaden AB. These included a total 847,178 square metres of lettable space, distributed between 10,316 apartments, 6 commercial premises and 25 parking spaces.



KEY DATA

Amounts in SEK million	2019	2018	2017	2016	2015
Operating surplus	2,403	1,751	805	392	237
Profit after tax	4,460	3,023	1,577	1,342	459
Market value	113,331	72,329	43,689	19,912	6,101
Number of apartments	54,863	37,337	28,351	17,892	17,892
Surplus ratio	56	54	50	49	54
Loan-to-value ratio	45	54	55	54	54
Equity/assets ratio	47	42	40	42	40
Interest coverage ratio (multiple)	2.5	2.6	3.1	3.7	3.4
Letting ratio (housing)	97.6	97.4	98.6	99.7	99.7
Real letting ratio, housing	99.1	98.5	–	–	–

Folksam and KPA Pension new shareholders

In December, the new shareholder agreement made it possible for new institutional shareholders to participate in Heimstaden Bostad's international expansion. The Folksam Group (Folksam and KPA Pension) entered the process early, deciding to invest in parallel with Alecta and Ericsson and Sandvik's pension funds. The Folksam Group became the second-largest institutional owner with 7 percent of the capital.

Global undertaking

In June, Heimstaden joined the UN Global Compact, thus committing to pursuing more extensive efforts in the areas of human rights, working conditions, the environment and anti-corruption. Heimstaden Bostad has chosen to work on the same principles.



In September, Heimstaden was elected to become one of the first privately owned members of Public Housing Sweden (Sveriges Allmännyttan, formerly SABO), a special interest organisation for more than 300 public housing companies in Sweden.

Strengthened financing

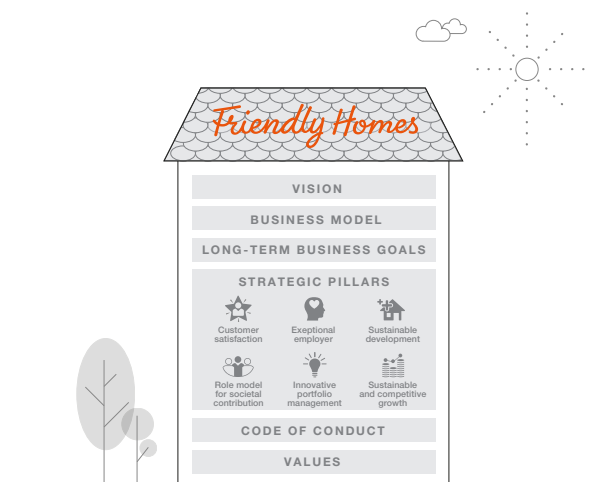
In October, Heimstaden and Alecta expanded their cooperation within Heimstaden Bostad AB through a private placement for a total of SEK 9.5 billion.

At the same time, Heimstaden Bostad acquired all of the properties in Heimstaden AB, as well as Alecta's property portfolio in Helsingborg.

+9.5 SEK BILLION

Our vision and the path ahead

Heimstaden Bostad enriches and simplifies life through Friendly Homes. This vision has guided us in building up one of Scandinavia's largest residential property companies. We are now turning our gaze towards Europe and are already present in Germany and the Netherlands, as well as in the Czech Republic where we made a major acquisition in early 2020. With a strong trend, in which population growth and urbanisation will cause housing shortages for the foreseeable future, we see continued opportunities for good growth with favourable returns.



VISION

We enrich and simplify life through Friendly Homes.

BUSINESS CONCEPT

We acquire, develop and manage primarily apartments for rent.

OFFERING

We generate value:

- for customers by providing Friendly Homes that offer additional value.
- for society by means of long-term investment, new production in locations suffering housing shortages, and through resource-efficient and sustainable property management and operations.
- for shareholders and partners through attractive and risk-adjusted returns from developing, operating and optimising a growing residential property portfolio in growth regions in Europe.

Brightening and simplifying life with Friendly Homes

We have built one of Scandinavia's largest private rental property companies and are now expanding into other European markets. Given population growth, urbanisation and continued housing shortages in many markets, we perceive continued opportunities for quality growth with favourable returns.

Our strategy

The strategy is based on a responsible business model with long-term profitability and growth with appropriate customers and partners. Read more about our strategy on pages 10–11.

Our resources

Because we are the largest player in many of the markets in which we operate, we have a solid network of suppliers and partners. We use Heimstaden AB's staff to manage and maintain our properties. Our strong industrial and institutional owners contribute their expertise and long-term perspective.

54,863 apartments >100,000 customers SEK 57,548 million financial assets (equity)

How we generate financial value

We can continue to achieve growth with quality through careful analysis, geographical presence and good market awareness. Read more about our business model on page 12.

SEK 4,321 million rental income SEK 4,460 million profit after tax 18% return on equity

Employee value

All employees are contracted through our close partnership with Heimstaden AB, whose strong corporate culture and work environment we seek to contribute to and strengthen, a corporate culture permeated by the core values – Care, Dare, Share – which describes how we are, how we work and how we want to be perceived. Read more about our core values on page 13.

Focus on social value

We work to promote good health and a safe environment for our customers, for Heimstaden AB's personnel and for our suppliers. We contribute to safe and inclusive homes and urban environments in the locations in which we operate. Our objective is for at least 1 percent of our apartments in each market to be made available for social contracts. Read more about sustainability work on pages 56–71 and 144–159.

-  Good health and safe housing environments
-  Safe and secure urban environments
-  Safe and inclusive work environments
-  >100 jobs annually to trainees, student employees and summertime workers at Heimstaden AB

Our business model

Our core processes Analysis and transaction, Project and property development and Property management interact when we manage the property holdings, expanding and optimising it, and refining and developing individual properties in locations with high demand. Read more about our approach on pages 44–53.

Environmental value

Based on the UN Global Compact and the UN Sustainability Development Goals, our sustainability strategy sets a number of ambitious targets for our environmental performance. These include:

-  fossil fuel-free operations 2030
-  10% less purchased energy/m² by 2023
-  Ecosystem services to be evaluated in all new production and major projects
-  At least 1% reduced water use/m² and year until 2030

Focus on stable portfolio growth while preserving our principles

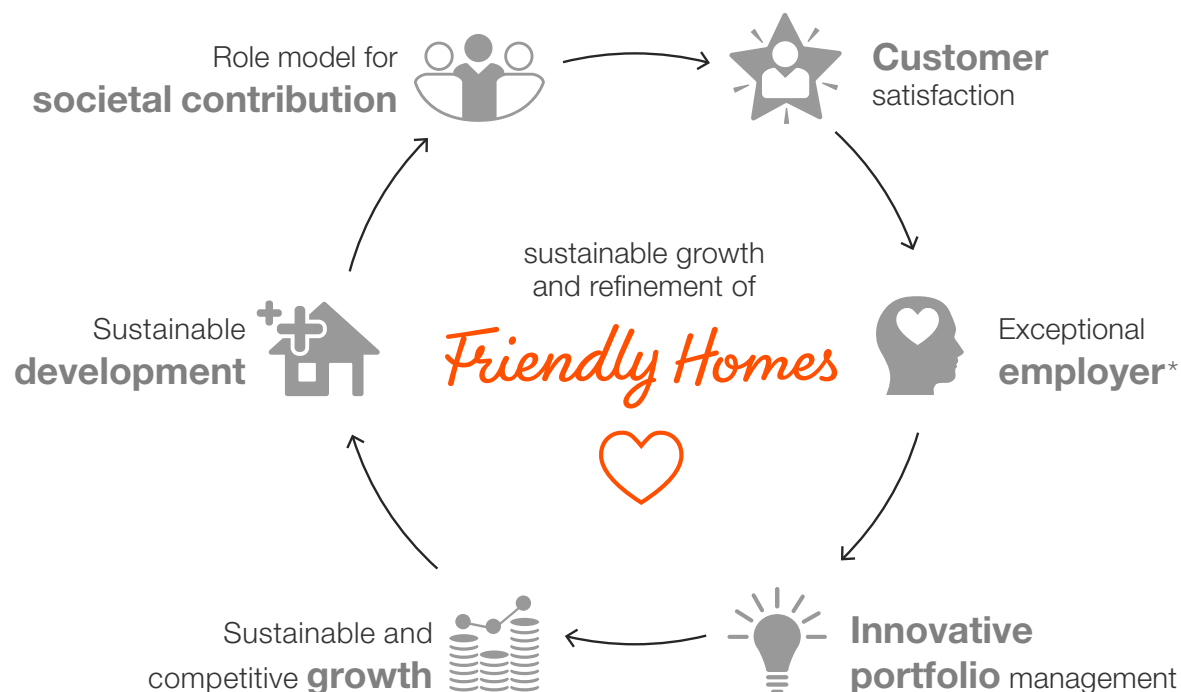
Our strategy describes the steps and measures needed to fulfil our vision – enriching and simplifying life through Friendly Homes.



The strategy is based on a responsible business model with long-term, favourable profitability and growth alongside appropriate partners and customers. This will build a sustainable and successful company for both the short and long term.

We believe that our size, sector know-how, relationships and targeted investment philosophy sets us apart and affords us a sustainable competitive advantage together with an attractive offering. We work continuously to develop and improve our products and services to generate value for our customers and to contribute to sustainable communities and people's well-being.

The objective of our long-term strategy is to generate value by supporting our customers' needs and requirements. Our six strategic priorities help us make the right choices, benefiting our customers, society at large and our shareholders.



CUSTOMER SATISFACTION

- A diverse range of quality homes, various service points of choice and a customer experience that goes beyond our customers' expectations.
- Strong service that enriches and simplifies the lives of our customers, today and in the future.

EXCEPTIONAL EMPLOYER*

- An honest, passionate and value-driven culture with skilled and dedicated employees recruited through close cooperation with Heimstaden AB.
- An attractive and modern working environment, equal rights and a high degree of diversity, combined with inspiring and inclusive leadership and teamwork.

INNOVATIVE PROPERTY MANAGEMENT

- A digital ecosystem that offers our customers the best user experience with digital services that make their everyday lives easier and more fun.
- Redefined products and services based on our customers' requirements and lifestyles.

SUSTAINABLE AND COMPETITIVE GROWTH

- Continued expansion in Europe through both organic growth and acquisitions, as well as investments in a completely green platform.
- Strong relationships with municipalities, financial institutions and investors.
- A more responsive and efficient organisation that benefits from our Group's full potential and synergies.

SUSTAINABLE DEVELOPMENT

- In line with the UN Global Compact and the global sustainability goals, we focus on improving our social, environmental and climate footprints.
- We predict and manage risks and ensure that we adhere to policies and processes.
- Differentiation through collaboration with selected suppliers to accelerate environmental and social improvements throughout the value chain.

A ROLE MODEL FOR SOCIAL CONTRIBUTION

- Consideration for Heimstaden AB's employees, our customers and partners to make a positive difference in their lives and in society.
- Exchange of knowledge and expertise based on the conviction that growth is built on collaboration.
- Sponsorship undertakings benefiting our customers and contributing to the local communities in which we operate.

* Most employees are contracted via our close partnership with Heimstaden AB, which shares the same values and strategies as Heimstaden Bostad.

Our business model

Our core processes Analysis and transaction, Project and property development and Property management interact when we manage the property holdings, expand and optimise the portfolio, and refine and develop individual properties. In this way, we assure good-quality residential properties in locations where demand is strong.



ANALYSIS AND TRANSACTION

Continuous optimisation and refinement of the property portfolio by acquiring properties in line with our strategy. This is based on thorough analysis and a good market presence.

PROJECT AND PROPERTY DEVELOPMENT

By means of a long-term approach and close dialogue with the market's stakeholders, we refine and develop our property portfolio and exploit land and building rights for new residential properties. This contributes value to society while increasing the value of our portfolio.

PROPERTY MANAGEMENT

Our proprietary local property management builds long-term relationships with customers based on our core values *Care – Dare – Share*. This develops the favourable quality of our properties, providing attractive accommodation.

Read more about how we work with our business model on pages 44–53.

project development
and long-term
refinement of
the property portfolio



thorough **analysis**
and **acquisition**
of properties in line
with our strategy

local, in-house **property**
management through our core values

Three basic core values

Our core values describe our character, how we work and how we want to be perceived. Based on these values, we brighten and simplify life for others.

Care

We care about and respect our employees, partners and customers, taking good care of our properties by nurturing a favourable living environment and sustainability.



Innovation

We are flexible, open, adaptable to change and innovative. We encourage diversity and divergent thinking and constantly seek new ways to promote growth and productivity.

Authenticity

We are honest, trustworthy and transparent. We take responsibility for our actions and work to generate lasting value for all of our stakeholders, through solutions that contribute to a long-term sustainable society and environment.

Heimstaden as an investment

Having a home is a basic human need. Combined with a number of favourable global trends and a long-term business model, this affords Heimstaden Bostad opportunities to generate a good return on stable cash flows and capital contributions.

Sustainable ownership

We maintain a lifelong perspective on ownership and are continuously developing the quality of our property portfolio. We reduce the risk of costly surprises in our portfolio through extensive due diligence, examining financial, technical, social and environmental aspects. With personnel working solely for us and on-site at our properties, we safeguard the friendliness of our housing and the added value that mean our customers stay with us for a long time.

Stable cash flow

In many of the markets in which we operate, regulations ensure stable cash flow. When individual citizens encounter difficulties meeting their own costs of living, public assistance is often available, meaning that the market is supported by central or local government cash flows. In Europe, 50–95 percent of homes are owned by residents, who share with us a common interest in the housing market developing well. On the whole, this benefits Heimstaden Bostad's long-term investment strategy and provides good opportunities for favourable returns.

Market leading position

We acquire properties offering good potential in regions with economic growth and attractive demographics. We make acquisitions in locations where we can benefit from economies of scale or where the acquisition is sufficiently large to merit our establishing a proprietary organisation. Our experience in establishing operations in new locations means that we can enter a new market quickly and cost-efficiently. We are market leaders in most of our current markets and our objective is to continue to building our market leadership as this affords us a central and favourable position.

Favourable trends

Along with urbanisation, population growth means that considerable housing shortages will persist in medium-sized and major cities, where businesses and the proportion of people with higher education are growing. At the same time, the younger generation appears increasingly disinterested in home-ownership – a trend that is tracking the expanding sharing economy. These trends are strong in all of our markets and are expected to continue in a positive direction, giving a continued strong rental market going forward.



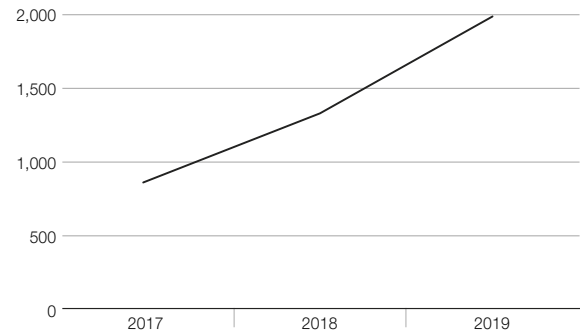
*of the holding

Earning capacity

Earning capacity is based on the properties that Heimstaden had taken control of previously and owned on the balance sheet date. It is based on the contracted rental income of the portfolio, current property costs and administrative costs. Earning capacity should be viewed as a theoretical snapshot and is not a forecast for the current year or the upcoming 12 months.

Current earning capacity does not include any assessment of future trends in rent levels, vacancy rates, property costs or interest rates. Nor does it provide any assessment of changes in value, or property acquisitions or disposals.

EARNING CAPACITY BY YEAR
BASED ON PROFIT BEFORE FINANCIAL ITEMS, SEK M



Current earning capacity, SEK m	31 Dec. 2019	31 Dec. 2018	31 Dec. 2017
Rental income	5,596	3,819	2,571
Property costs	-2,329	-1,596	-1,156
Net operating income	3,267	2,223	1,414
Central administration	-227	-155	-107
Other operating income	11	–	–
Other operating costs	–	–	-7
Profit before financial items	3,052	2,078	1,300
Financial income	–	–	2
Financial costs – interest-bearing liabilities	-1,116	-757	-430
Profit from property management	1,936	1,321	873
Key data			
Surplus ratio, %	58.4	58.4	55.0
Interest coverage ratio (ICR), multiple	2.7	2.7	3.0

Extended collaboration with institutional investors

In collaboration with partners, including large institutional investors who share Heimstaden Bostad's core values, we are able to achieve quality growth. In 2019, Alecta increased its shareholding and Folksam and KPA Pension joined as new shareholders.







Heimstaden Bostad's shareholders include some of Sweden's largest pension funds.

Heimstaden Bostad has made the strategic choice to long-term view and investment philosophy with regard to the housing market.

At the end of 2019, Heimstaden Bostad was owned by Heimstaden AB together with Alecta, Folksam, KPA Pension and the Sandvik and Ericsson pension foundations. In Heimstaden AB, Heimstaden Bostad has an established and committed industrial shareholder, while the institutional shareholders' long-term commitment provides financial stability and good contacts.

In October 2019, Heimstaden Bostad AB strengthened its capital base by a total SEK 9.5 billion by means of a private placement directed at the principal shareholders, Heimstaden AB and Alecta. At the same time, Heimstaden Bostad acquired the remaining properties in Heimstaden AB, as well as Alecta's property portfolio in Helsingborg. The acquisitions were completed in December 2019. Since December 2019, Heimstaden Bostad's home market comprises large parts of Europe.

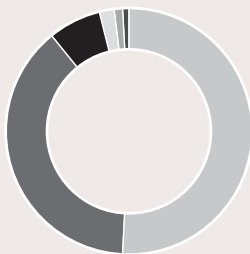
In addition to previous capital contributions and the equity issued through the aforementioned transactions, Alecta has undertaken to contribute a further SEK 7.5 billion in capital contributions to Heimstaden Bostad in the future, supporting the Company's development.

In December, it was announced that the Folksam Group had decided to invest in Heimstaden Bostad in parallel with the other institutional shareholders. Through its brands Folksam and KPA Pension, the Folksam Group subscribed some SEK 4 billion in a private placement that was completed in early January 2020. Following the investment, the Folksam Group is the Company's third-largest shareholder. Together, the shareholders have both the knowledge and financial strength needed to be able to act quickly if attractive investment opportunities arise.

We strive to maintain a close dialogue with municipal housing companies and regional actors sharing our long-term view of housing development opportunities for densification, new building rights or other projects involving sustainable urban development.



SHAREHOLDER STRUCTURE
BASED ON NUMBER OF VOTES, 31 MARCH 2020



Heimstaden AB, 51,8%
 Alecta, 39,1%
 The Folksam Group, 6,2%
 Ericsson Pension foundation, 2,1%
 Sandvik Pension foundation, 0,7%
 Others, 0,1%







*heimkänsla**

We take our vision of “enriching and simplifying life through Friendly Homes” seriously. Within the framework of our Heimkänsla* concept, we are developing projects and initiatives to enhance our customers’ everyday lives and make them more enjoyable. This can involve offering recipes, providing opportunities for urban gardening and other social interaction or helping people who have just moved in to install curtain rods or lamps.

** The feeling of being at home*

Favourable long-term market fundamentals

Continued urbanisation and growing populations are two of the trends that generate housing shortages in our markets. Although trends may vary regionally, and there currently is a significant uncertainty related to the duration and impact of the coronavirus-crisis in our markets, there are indicators of positive long-term development in the countries in which we operate.

Sweden

The Swedish economy continued to develop positively although modest in 2019, with a GDP growth of 1.2 percent as well as increases in disposable income and household consumption. The unemployment rate has steadily declined in recent years, however, 2019 saw a slight increase to 6.8 percent. Swedish unemployment is among the highest in the OECD.

Population growth is driving demand for residential, primarily in the metropolitan areas, which are experiencing strong growth as a result of the global urbanisation trend. Sweden has grown by approximately 1.1 percent year-on-year over the past seven years, and the population now stands at 10.3 million. According to the Swedish National Board of Housing, approx. 67,000 residential units are needed annually until 2025 while it is estimated that only 52,000 units will be built within 2019. This continues to leave the Swedish residential market with a significant shortfall.

With residential construction failing to meet demand, continued housing shortages are created. Forecasts show declining

construction of tenant-owned apartments, while rental apartments continue to show good building pace and demand. In Stockholm, Malmö and Gothenburg, the pace of construction has increased in recent years. By the end of 2019, however, the pace of construction is expected to decrease in Stockholm and Malmö while increasing in Gothenburg.

Sweden	2019	2018	2017	2016	2015
GDP growth, %	1.2	2.3	2.7	2.2	4.2
Inflation, %	1.7	2.0	1.8	1.0	0.0
Unemployment, %	6.8	6.3	6.7	6.9	7.4

Denmark

The Danish economy continues to perform well compared to its neighbouring countries. GDP growth has been solid during 2019 and is expected to end at 2.0 percent. A current forecast for 2020 conducted by Danske Bank implies a level of approximately 1.3 percent. In recent years, the labour market has developed favourably with decreasing unemployment rates due to



+9%

Expected population increase in Copenhagen 2019 – 2030.

the economic upturn. However, due to increasing retirement ages and remarkable growth in high-productivity sectors with much production done abroad, the unemployment rate has stagnated over the past two quarters. The unemployment rate in Denmark was 3.1 percent in August, although this level is expected to stagnate or even increase a little, as the latest estimates for the unemployment rate for 2019 are about 3.7 percent.

The Danish population is expected to grow from 5.8 million in 2019 to 6.0 million in 2030, corresponding to an increase of 3.0 percent. Copenhagen continues to be the engine with an expected growth rate of approximately 9.0 percent. The historically stable population growth has exacerbated the supply and demand imbalance and the historical housing shortage has accumulated into a significant supply backlog in the Capital region. In addition, the continuing urbanisation trends support the high demand for apartments located strategically close to public transportation and leisure opportunities.

Denmark	2019	2018	2017	2016	2015
GDP growth, %	2.0	2.4	2.0	3.2	2.3
Inflation, %	0.8	0.8	1.1	0.3	0.5
Unemployment, %	3.7	3.8	4.2	4.1	4.5

Norway

Growth in the Norwegian economy has been strong throughout the past three years. The capacity utilisation has picked up and there is expected a GDP growth of 1.0 percent in 2019. In 2019, high activity levels in oil services, in particular, contributed to significant growth in the mainland economy. The growing economy supports job creation, resulting in an unemployment rate of 3.6 percent in 2019 (3.8). Consumer prices developed well in 2019, primarily driven by the weakened Norwegian currency and a strong labour market, leaving 12-month growth in the consumer price index at 2.0 percent in November. Excluding energy products and adjusted for tax changes, the inflation rate is estimated at 2.2 percent for September 2019. Accordingly, inflation over the past 12 months was well in line with the target of 2.0 percent. Although household debt ratios and house prices are at high levels, debt growth has decreased over the past two years and is now at sustainable levels.

The home-ownership rate in Norway is among the highest in Europe, with around 80 percent of the population living in owner-occupied residential units. After the Norwegian residential market had a strong rise in prices in 2016–2017, the market has been more subdued and is now growing at a moderate pace with lower price fluctuations than previously. Strong economic growth and a large volume of used-home transactions have led to a healthy

market with good activity levels. The limited supply of residential rental properties means that there are only a few private owners who own large portfolio of rental properties, where the rent levels have developed steadily in recent years.

Norway	2019	2018	2017	2016	2015
GDP growth, %	1.0	1.5	2.7	0.5	1.8
Inflation, %	2.2	2.8	1.9	3.5	2.2
Unemployment, %	3.6	3.8	4.2	4.7	4.5

Germany

Germany is Europe's largest economy and characterised by a large, export-oriented industrial sector that maintains global leadership positions in segments such as automotive, machinery and chemical goods. According to Oxford Economics, and despite recent signs of a slowdown in the important manufacturing industry, the German GDP is still expected to have grown by 0.6 percent in 2019. The EU-commission estimates GDP growth of 1.4 percent in 2020, which would mark the tenth consecutive year of expansion since the 2008–2009 financial crisis. At the same time, expected inflation has been relatively muted at 1.4 percent in 2019. The continued economic upswing has brought unemployment down, resulting in a steady year-on-year decrease. The most recent forecast of unemployment in Germany indicates 5.0 percent for 2019.

Increased purchasing power, together with a strong urbanisation trend among those between 20 and 30 years of age, as well as an influx of over 1.7 million refugees since 2015 have led to a significant tightening in the residential market. Despite the solid economic performance of recent years, rent hikes (around 5 percent annually in 2017 and 2018) have outpaced nominal salary gains on a nationwide basis. With capital values still below rapidly increasing replacement costs in most parts of the country, construction activity has not kept pace with the surging demand for residential units. As a result, political discussions have emerged that revolve around the potential tightening of existing, or the introduction of new, regulatory measures to slow rental growth trends for the existing residential portfolio until new supply can be added in sufficient quantities.

Germany	2019	2018	2017	2016	2015
GDP growth, %	0.6	1.5	2.8	2.1	1.5
Inflation, %	1.4	1.7	1.5	0.5	0.6
Unemployment, %	5.0	5.2	5.7	6.1	6.4

Netherlands

The Netherlands is ranked as one of the most stable and competitive economies globally and ranks as the most competitive Euro-



93

SEK billion

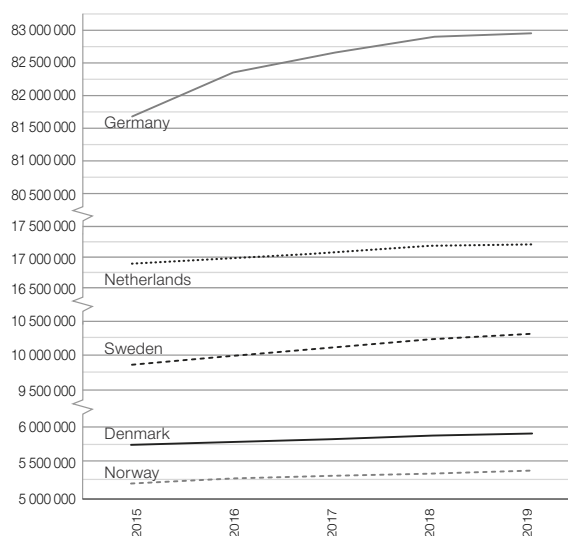
Estimated value of the residential market in the Netherlands in 2019.

pean economy according to the Global Competitiveness Report 2019 conducted by the World Economic Forum. In general, the Netherlands is characterised by high disposable income levels and a highly educated labour force. In 2017 and 2018, GDP growth has been in the interval of 2.5 – 3.0 percent and is expected to reach 1.7 percent in 2019. During the same period, the inflation level has developed steadily with levels between 1.4 percent and 2.7 percent. The labour sector has developed in a healthy direction. The unemployment rate was 4.3 percent at the end of 2019, which is well below the EU average of 6.3 percent.

The demand for residential units in the Netherlands is driven by a growing number of households while supply suffers from a limited amount of construction. As a result, demand continues to outpace new construction, maintaining a critical housing shortage. With high-replacement costs, the residential shortage is expected to persist for the next couple of decades. The attractive fundamentals, both from a macro perspective but also residential market-specific, have increased the attractiveness of residential investments. This is reflected in investment volumes, with SEK 85 billion being invested in the sector in 2018 – a major increase compared with SEK 52 billion in 2017. There is no sign of a slowdown in 2019, as reports from Capital Value suggest that 2019 can be a new all-time high, indicating a total transaction value of SEK 93 billion for the residential market.

Netherlands	2019	2018	2017	2016	2015
GDP growth, %	1.7	2.5	3.0	2.1	2.0
Inflation, %	2.7	1.7	1.4	0.3	0.6
Unemployment, %	4.3	4.8	5.9	7.3	8.6

NUMBER OF INHABITANTS



Czech Republic

The Czech Republic is one of the most developed industrial economies in Central and Eastern Europe. Industry is dominated by metallurgy, engineering, cars and electronic supplies, accounting for 41 percent of GDP. The largest part of the country's GDP comes from the services sector, while the agricultural sector only contributes 5 percent. One of the most important aspects of the economy is its integration into the German supply chain.

Exports are benefiting from accelerating growth in Western Europe, particularly the revival of the automotive market. Household consumption is being supported both by increasing employment and taxation effects.

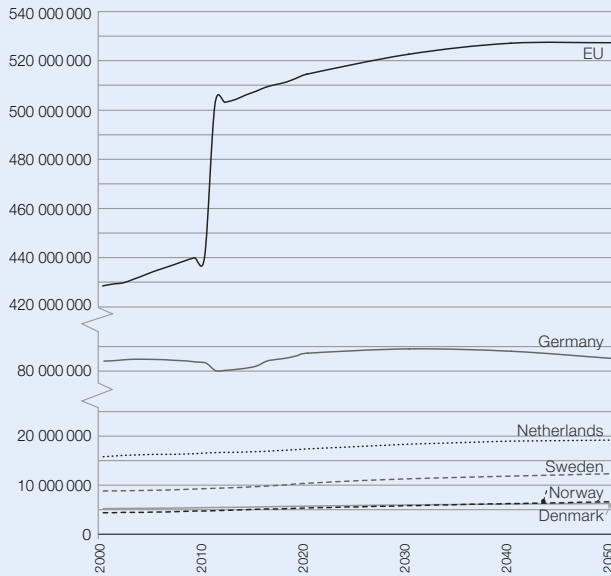
The Czech economy enjoys one of the fastest rates of GDP growth in Europe. Czech GDP is forecast to grow at 1.6 percent in 2019, a modest slowdown from 2.5 percent for the preceding year, but still well above the EU average. Unemployment has decreased steadily since the restructuring of the economy following the end of communism. A rising employment rate (currently 75 percent, EU average 73 percent) and a record-low unemployment rate of 2.8 percent has pushed up wages. Average wage growth in 2019 was almost 8 percent and the trend is set to continue.

Despite the population not growing particularly quickly, demand for housing is growing. This is due to increased disposable incomes, strong urbanisation and an increase in the number of households attributable to a sharp decrease in average household size. Both average selling prices and rental levels have outpaced salary growth in the past few years (since the fourth quarter of 2015 according to Deloitte).

This is expected to continue, due to insufficient supply, high construction costs and changes to the financial regulation. Private individuals own 78.5 percent of homes in the Czech Republic (almost 10 percent points above the EU average) meaning that rental housing is in limited supply, with only a few investors holding large portfolios of rental properties in the country.

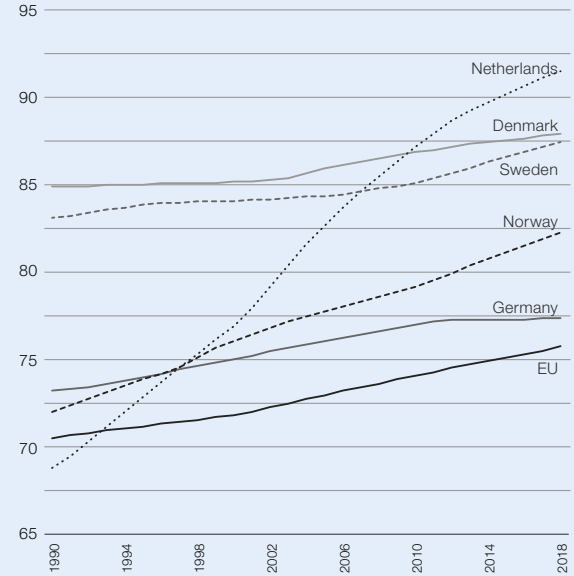
Czech Republic	2019	2018	2017	2016	2015
GDP growth, %	2.5	2.8	4.6	2.4	5.4
Inflation, %	2.9	2.2	2.4	0.7	0.3
Unemployment, %	2.8	3.2	4.2	5.5	6.5

POPULATION TREND 2000-2018 AND FORECAST 2019-2050



Source 2000-2018 trend: ©IMF, 2019
Source 2019-2050 forecast: Eurostat

DEGREE OF URBANISATION, %



Source: World Bank

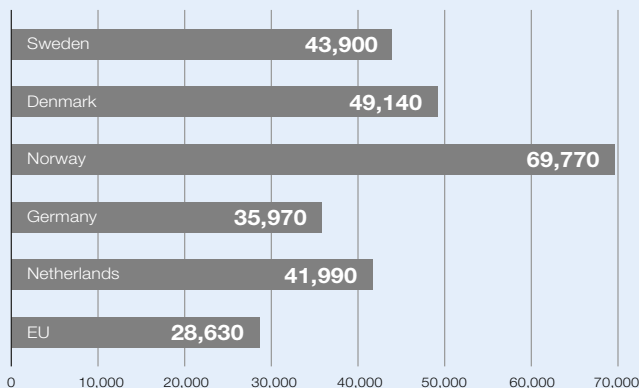
SEK 1,418 /m²

The average rent for housing in Heimstaden Bostad's portfolio is SEK 1,418 (1,377) per square metre of time-weighted area and year.

No.1

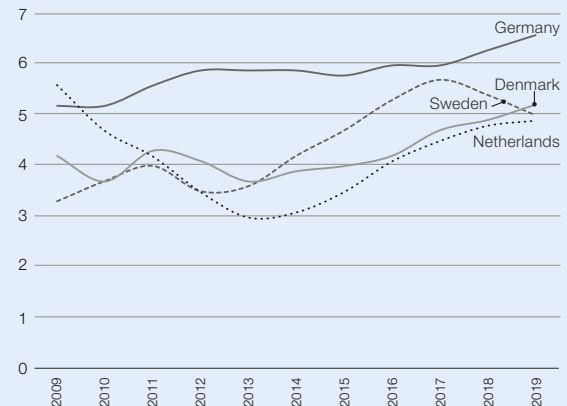
The Netherlands is ranked as one of the most stable and competitive economies globally and number one in Europe.

GDP PER CAPITA 2019, EUR



Source: Eurostat
EUR/USD exchange rate 30 December 2019 1.1196, BloombergComment:
The original source was in USD, converted to EUR via exchange rate from Bloomberg.

HOUSING CONSTRUCTION, % OF GDP



Source: Eurostat (no data available for Norway).

Diversification benefits from mix of regulated and market-based rents

Operating in six different markets with differing legislation on leasing means that Heimstaden Bostad has a mixed portfolio of regulated and market-based rents. This provides stable and secure cash flows, while also enabling us to benefit from favourable dynamics in supply and demand.

Sweden

The Swedish rental system for residential apartments is based on the principle of utility value (assessed value for the user). The rent for each apartment is determined at an annual negotiation between the property owner and the Swedish Union of Tenants.

The utility value principle means that apartments with the same utility value must have the same rent. Accordingly, utility values and rents between apartments within the same micro location (urban district) are compared.

The consequence of the system is that the maximum permitted rent levels may be lower than what the market is willing to pay, that is, the market rent. We find the widest spreads between utility value rents and theoretical market rents in the metropolitan cities. This results in considerable stability when the economy slows as, in principle, the rent level will not fall as it substantially reflects an affordable price. Such a low-risk system lowers the yield requirements for rental properties.

All Swedish rental agreements are subject to rent regulation and are valid until further notice. The current government has determined that market-based rents are to be introduced for new production, although no starting date has yet been set.

Denmark

In Denmark, all privately rented housing is regulated in accordance with the Danish Rent Act, with various rental regulations being applied, depending mainly on the year in which the property was constructed.

In general, rental apartments constructed before 1992 are subject to regulated rent, while rental apartments constructed after that year have market-based rent. New market-based rent is determined when a new contract is signed. The agreed rent is then increased annually in accordance with a domestic Consumer Price Index.

Rent for regulated rental apartments can generally only be raised in line with public sector costs and fees. When making improvements, rent can be increased as follows:

- Minor improvements – rent is increased by a theoretical cost for financing the improvement (renovation).
- Major improvements – rent is raised to a level based on the principle of utility value, which still falls materially short of market rent.

The Danish government has appointed an expert group to assess the need for further regulations on rent increases associated with improvements, particularly major improvements. All rental agreements for housing in Denmark are valid until further notice. About a quarter of the apartments owned by Heimstaden in Denmark are subject to rent regulation.

Norway

Norway has the most liberal rental market in the Nordic region, with market-based rent being applied in all contracts. By default, all rental contracts are terminated every third year, with the rent then being adjusted for the new contract according to the new market-based rent.

During the three-year period, the rent is adjusted in accordance with the Consumer Price Index.

Germany

The German housing market is governed by the German Civil Code (Bürgerliches Gesetzbuch, BGB) and is considered tenant friendly. In general, rents are determined by a rental index, which is based on comparative local rents.

New lettings in metropolitan areas are limited to 10 percent above the average local rent level according to the rental index. Capital expenditure for modernisation, to save energy for example, can be passed on to tenants through rent increases, providing an economic incentive for landlords to upgrade their property portfolios. The rental index is updated every second year.

For existing leases, landlords may raise the rent to a level comparable with other apartments in the area. The rent must remain unchanged for 12 months and can be raised by a maximum of 15–20 percent over a three-year period (15 percent in declared dense communities, such as Berlin).

In 2019, the state government in Berlin introduced the so-called “Mietendeckel”, which in its latest wording includes both a five-year rent freeze and the introduction of rent cap, decreasing opportunities to invoice rent above a certain level set out in a rent cap table. The maximum rent permitted in accordance with the rent cap table is determined based on the age of the building and the attractiveness of the micro-location. The “Mietendeckel” (rent cap) has been criticised by many politicians and legal experts alike, who consider it unconstitutional, and the legislation is set to be tested in the Federal Constitutional Court.

Netherlands

In the Netherlands, more than 80 percent of the rental market is regulated. Whether an apartment is regulated or unregulated is determined by a highly transparent points system, which is based on location of the apartment (measured by public valuation), its energy label, size, fit-out standard, and so forth. Apartments falling above a certain point threshold are subject to market-based rent, while apartments below that threshold are subject to rent regulation. For an apartment subject to rent regulation, the maximum annual rent is set based on the points system. The threshold rent for being regulated was SEK 7,200 per month in 2019, while units that, according to the point system, can legally be let at rent levels above this are subject to market-based rents. The significant increase in rents in Amsterdam has sparked a debate about the points system, as rapidly increasing prices have caused similar increases in public valuations, resulting in many units becoming unregulated or allowed them to become unregulated through

minor investments. Although the precise consequences of this debate are unclear at this stage, the pressure observed around the world to maintain affordable housing in larger cities is also present in Amsterdam.

Rent is indexed annually based on the Consumer Price Index plus a supplement, which, for regulated units let below the maximum permitted rent according to the points system, is set by government agencies. Fixed-term contracts can in general be agreed for up to two years, after which a running lease ensues until further notice by the tenant.

Among Heimstaden's portfolios in the Netherlands, about 73 percent of the apartments are regulated.

Czech Republic

Deregulation of the Czech residential rental market happened gradually between January 2007 and December 2012. Before deregulation, residential rents were established by a governmental decree and the landlord could not unilaterally increase rent determined in this way. After the complete expiry of the interim period at the end of 2012, the rental market was fully liberalised, and parties are not prevented by law from negotiating a market-standard rent.

New lettings signed after liberalisation are fixed for a definite period concluded in the agreement (usually one year). Contracts are then renewed yearly, and rents can freely be negotiated between the two parties. Lease agreements concluded before deregulation have rents below market rent and run for an indefinite period, with a relatively strong tenant protection clause.

The market is gradually shifting towards liberalised contracts as tenants move, and most of the new contracts signed are on the new liberalised market standards.

Of Heimstaden's portfolio in the Czech Republic, approximately 35 percent of the residential contracts are lease agreements concluded before deregulation and approximately 65 percent are new contracts signed after deregulation.

Geographic distribution

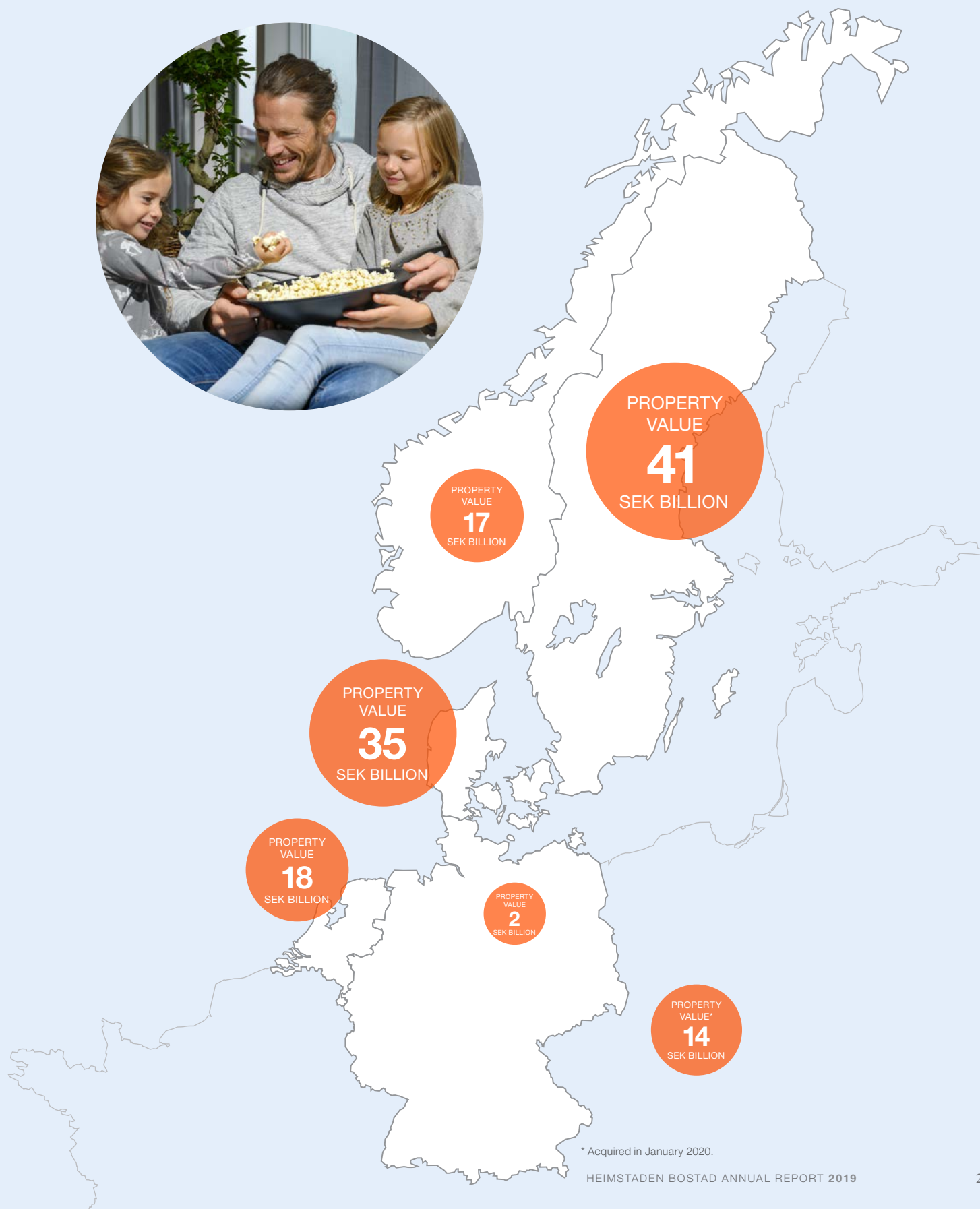
Heimstaden Bostad's property portfolio is diversified, consisting of rental apartments of appropriate quality in markets with strong macroeconomic development and a favourable demographic spread. In many of our markets, we are the largest, or one of the largest, private owners of residential properties.

As of 31 December 2019, Heimstaden Bostad was present in five European countries: Sweden, Denmark, Norway, Germany and the Netherlands. In January 2020, Heimstaden Bostad announced the acquisition of a large portfolio in the Czech Republic, consisting of 42,584 apartments and 1,675 commercial units. The portfolio is mainly located in Moravia-Silesia region, the most densely populated region in the country after the city of Prague.

Our investments are based on a thorough analysis of the specific market situation for each country and location, in which population growth, housing construction and infrastructure are important components. We seek locations in towns and cities with strong economic development and good population growth.

Our objective is to continue expanding into new geographic markets in Europe.

Sweden remains Heimstaden Bostad's largest market with properties throughout the country. Heimstaden is now Denmark's largest private owner of residential properties with our largest holdings being in and around Copenhagen. We are also the largest private player in Norway, with our holdings there being concentrated in and around Oslo. In Germany, we conduct operations in Berlin and Bielefeld. Following the year's major acquisitions in the Netherlands, we are now present throughout the country, with the greatest concentration being around the larger cities in the southern part of the country.



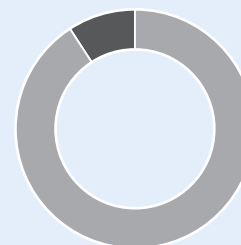
* Acquired in January 2020.

A well-defined portfolio

PORTFOLIO OVERVIEW

Country	Property value, SEK m	No. of residential units	Residential, m ² (000)	Commercial, m ² (000)	Total, m ² (000)	Occupancy ratio, %	GRI from regulated rents, %
Sweden	41,241	29,283	1,777	234	2,012	98.4	100
Denmark	34,645	9,469	804	39	843	98.1	16
Norway	17,372	4,582	159	63	222	97.1	0
Netherlands	17,781	10,447	852	13	864	96.9	49
Germany	2,292	1,082	68	4	72	99.2	100
Total	113,331	54,863	3,507	347	3,854	97.6	54

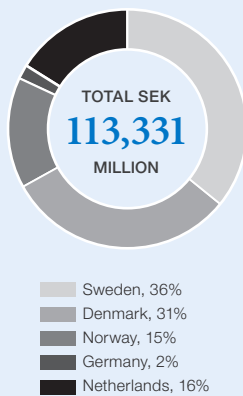
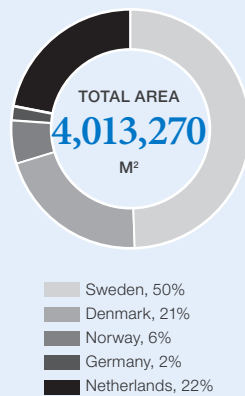
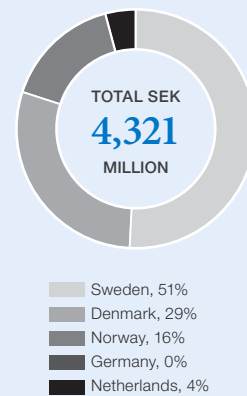
DISTRIBUTION BY ASSET CLASS, M²



Housing, 91%
Commercial, 9%

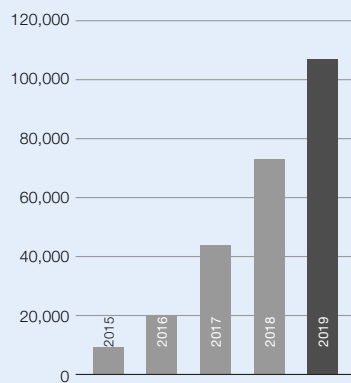
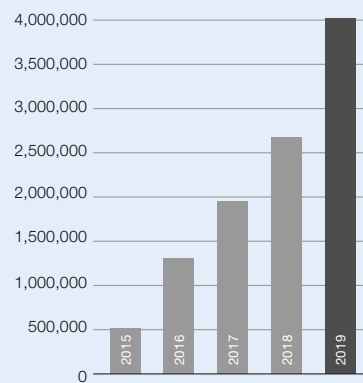
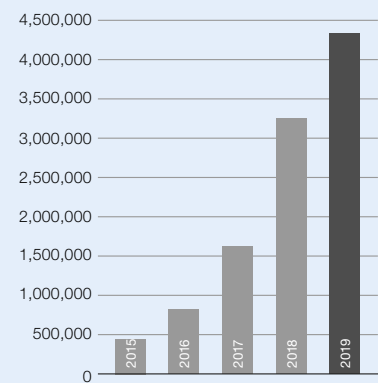


Geographic distribution

PROPERTY VALUE BY COUNTRY ¹⁾DISTRIBUTION BY COUNTRY ¹⁾DISTRIBUTION OF INCOME BY COUNTRY ²⁾

1) On the balance sheet date, 31 December 2019

2) For the 2019 financial year

DEVELOPMENT OF TOTAL
MARKET VALUE, SEK MDEVELOPMENT OF TOTAL
AREA, M²DEVELOPMENT IN TOTAL
RENTAL INCOME, SEK

CHANGE IN MARKET VALUE OF INVESTMENT PROPERTIES, SEK M

	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
Opening balance	72,329	43,689	19,912	6,101	4,019
Divested	-3	-13	-526	-101	-4
Acquisitions	33,261	24,737	22,085	12,259	1,528
Investments	2,575	1,265	391	114	58
Currency change	388	-59	32	-	-
Market value after transaction date	108,551	69,619	41,894	18,374	5,601
Unrealised value change	4,780	2,711	1,795	1,538	500
Closing balance	113,331	72,329	43,689	19,912	6,101

Sweden

With 29,283 homes distributed throughout the country, Sweden remains Heimstaden Bostad's largest market. We have a broad and well-diversified portfolio, allowing us to offer our customers many different types of rental properties.



Property portfolio

Heimstaden currently owns 29,283 homes in large and medium-sized towns and cities throughout the country. The churn rate is 10 percent, excluding student housing where the churn rate is naturally higher. Including students housing, the churn rate is 18 percent. Our customers reflect the society as a whole, ranging from students and one-person households to families and seniors. Together, the properties comprise 2,011,664 square metres, including 234,258 square metres of commercial premises. During the year, about 200 new apartments were completed. In 2020 and 2021, a further approximately 440 apartments will be completed.

Choice of location

Our focus is to continue growing in locations with positive population growth, well-developed infrastructure and where there is a business cluster, university or college nearby. We always strive to establish ourselves, or expand our presence, in areas where we can own sufficiently large stocks to be able to profitably operate proprietary property management.

Challenges and opportunities

In recent years, rapid population growth has caused demand for housing in medium-sized and large towns and cities to continue rising. Combined with the introduction of mortgage-amortisation requirements and recent years' rising housing prices, this may increase interest in rental housing. Regulated rent levels protect the Swedish rental market from major cyclical fluctuations. On

the whole, this affords us good opportunities to continue our expansion through new production and by making additional acquisitions of existing stocks.

Significant events

During the year, Heimstaden Bostad was granted membership in Public Housing Sweden – an industry and special interest association of more than 300 public housing companies in Sweden. The organisation has decided that it will, henceforth, grant membership to private players meeting specific social responsibility requirements. Heimstaden Bostad was among the first private players to be voted in. During the year, several new units were acquired in seven midlarge cities, among them 2 residential units in Helsingborg a new location for Heimstaden Bostad. No properties were sold during the year.

Priorities in 2020

Over the coming years, efforts will continue to digitise both the customer journey, to enhance the customer experience, and our properties to optimise the operations in terms of both costs and sustainability. At Heimstaden Bostad, we have always put the customer first and this strategy is strengthened by allocating additional resources for training Heimstaden AB's personnel and for new systems that make communicating with us easier for our customers. We will intensify our efforts to reduce our climate impact, particularly through energy optimisation of our properties. We will continue to expand our portfolio, partly through strategic acquisitions, and partly through construction projects.

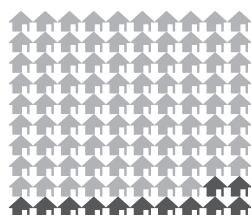


Property-related key data – Sweden

	2019	2018	2017	2016	2015
Market value, SEK m	41,241	35,881	30,068	6,101	4,019
Rental income, SEK m	2,222	2,008	1,478	796	441
Net operating income, SEK m	1,065	985	718	392	237
Surplus ratio, %	47.9	48.8	48.6	49.3	53.9
Letting ratio (housing), %	98.4	98.1	99.3	99.7	99.7
Area, m ²	2,011,664	1,917,541	1,700,114	1,297,494	514,434

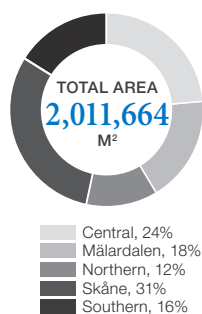
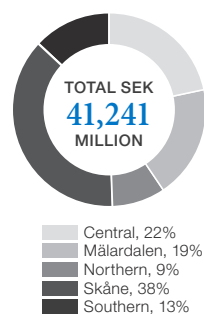
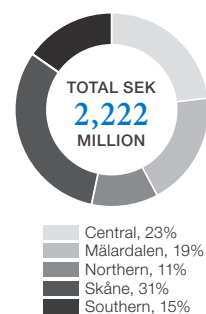


DISTRIBUTION OF AREA AMONG PROPERTY PORTFOLIO, %



Housing, 88%
Commercial, 12%

Commercial units are typically shops and small offices located on the ground floor of residential properties.

AREA BY REGION ¹⁾MARKET VALUE BY REGION ¹⁾RENTAL INCOME BY REGION ²⁾

1) On the balance sheet date, 31 December 2019

2) For the 2019 financial year

Denmark

Heimstaden Bostad is now the Denmark's largest private owner of residential property, with operations in several regions. The Danish market remains attractive for new investments.



Property portfolio

During the year, 1,208 new apartments were completed, bringing the total number of apartments around Denmark to 9,000 in 136 properties. The average lease length is 5 years. The portfolio encompasses a total area of 842,750 square metres. The portfolio also includes 164 commercial premises and 1,892 parking spaces. In 2020 and 2021, a further 750 apartments will be completed.

Choice of location

We endeavour to maintain a portfolio that is balanced with both new production, as well as older properties of good quality. In Denmark, properties built in 1992 or later are subject to market rent levels. Most of the stocks are located in Copenhagen, which has the country's highest population growth. We also hold properties in Aarhus and Odense, as well as in smaller towns with stable purchasing power and good infrastructure.

Challenges and opportunities

The Danish market is attractive for its strong growth in the major cities, a favourable financing system and price levels that remain consumption-friendly in relation to other markets. Competition from international players is increasing, which may affect the price picture over time. Extensive new production is in progress

in the major cities, which sometimes means it may take time to find appropriate customers for our major new production projects. It is uncommon for other landlords to perform property management and customer service themselves, affording Heimstaden Bostad opportunities for competitive advantages through our customer-oriented and long-term approach. By working closely with Heimstaden AB, we are able to offer personnel for active and property management and dedicated customer contacts.

Significant events

During the year, a major acquisition, encompassing a total 1,400 apartments outside Copenhagen.

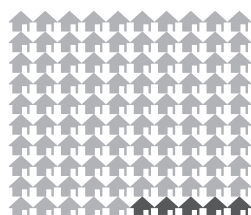
Priorities in 2020

We continue to expand our portfolio through strategic acquisitions and new production, primarily in the Copenhagen area. We will also profile our brand and customer-oriented approach further to differentiate Heimstaden Bostad from other players in the market. An important measure is an increased focus on digital tools to enhance our customers' experience. Several regional offices have been planned in Denmark, bringing our employees even closer to our customers.



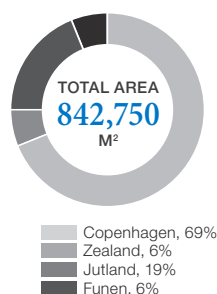
Property-related key data – Denmark

	2019	2018	2017	2016	2015
Market value, SEK m	34,645	20,927	5,981	–	–
Rental income, SEK m	1,236	616	60	–	–
Net operating income, SEK m	810	400	40	–	–
Surplus ratio, %	65.5	65.1	67.1	–	–
Letting ratio (housing), %	95.7	94.1	91.3	–	–
Area, m ²	842,750	494,043	118,328	–	–

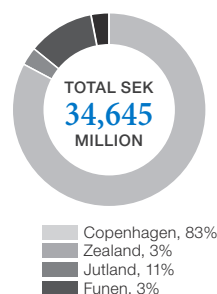
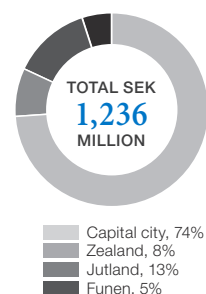
DISTRIBUTION OF AREA
AMONG PROPERTY PORTFOLIO, %

Housing, 95%
Commercial, 5%

Commercial units are typically shops
and small offices located on the
ground floor of residential properties.

AREA BY REGION ¹⁾

1) On the balance sheet date, 31 December 2019

MARKET VALUE
BY REGION ¹⁾RENTAL INCOME
BY REGION ²⁾

2) For the 2019 financial year

Norway

The Norwegian market is characterised by a strong urge to own one's own home. Housing prices have risen sharply in recent years and rental apartments therefore remain an interesting alternative for many customer groups. Heimstaden Bostad is Norway's largest private property owner with a total 4,582 homes.



Property portfolio

Our property portfolio is concentrated in the Oslo area, where we have 4,582 apartments with a combined area of 159,417 square metres. The average lease length is 22 months, substantially shorter than in our other markets. This is attributed to a portfolio of smaller apartments and a higher degree of young tenants and tenants that have recently moved to Norway. The portfolio also includes 62,748 square metres of business premises and 1,259 parking spaces.

Choice of location

The Norwegian rental market is concentrated in and around Oslo. Population growth is strong in Oslo and the city has also experienced a favourable economic trend with increased household purchasing power in recent years. Heimstaden Bostad's portfolio in Norway is diversified, with a predominance of smaller apartments.

Challenges and opportunities

The tradition of home ownership among Norwegians has been reinforced by the low interest rates of recent years, strengthening people's opportunities to buy a home of their own. This has driven up prices in many attractive areas. Vigorous new production and expectations of rising interest rates have caused the market to stabilise and could cause rental apartments to become more attractive as a housing form.

Significant events

Following our ambition to reduce our climate impact, 25 fossil-fuelled service vehicles were replaced with electrical vehicles. This means, Heimstaden Bostad's entire vehicle fleet in Norway is now powered by electricity. During the year we increased our focus on the customer experience. We have refined our customer service processes and launched new customer surveys that closely monitor our performance. Already during the year, we could see an increase in customer satisfaction. A total of 107 residential units were added to the portfolio in Oslo through construction projects in the Kielland block and on Thulstrupsgate. At the end of 2018, the operations changed name from Fredensborg to Heimstaden Bostad. The process of establishing the new brand and its values was well received in 2019 and Heimstaden Bostad is now the largest owner by far in the market for rental apartments.

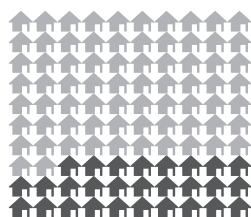
Priorities in 2020

We continue to position Heimstaden Bostad as a modern property owner focused on the customer journey. The digitisation of our portfolio and our customer service is being developed further, alongside our sustainability work, as part of our efforts to maintain our market-leading position.



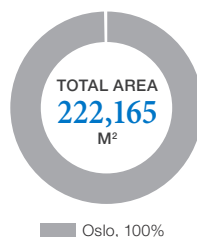
Property-related key data – Norway

	2019	2018	2017	2016	2015
Market value, SEK m	17,372	15,521	7,640	–	–
Rental income, SEK m	702	601	82	–	–
Net operating income, SEK m	469	366	46	–	–
Surplus ratio, %	66.8	61.1	56.5	–	–
Letting ratio (housing), %	97.1	96.6	95.4	–	–
Area, m ²	222,165	216,347	95,182	–	–

DISTRIBUTION OF AREA
AMONG PROPERTY PORTFOLIO, %

Housing, 72%
Commercial, 28%

Commercial units are typically shops
and small offices located on the
ground floor of residential properties.

AREA BY REGION ¹⁾MARKET VALUE
BY REGION ¹⁾RENTAL INCOME
BY REGION ²⁾

1) On the balance sheet date, 31 December 2019

2) For the 2019 financial year

Germany

Germany is the largest rental market in Europe. Berlin is an attractive area in terms of population growth and purchasing power, and many other German cities also show favourable growth and interesting opportunities.



Property portfolio

The property portfolio comprises 1,082 residential units, 51 commercial units and 134 parking spaces, constituting a total area of 72,479 square metres. The apartments will gradually, be renovated as necessary, but only in connection with tenants relocating. In Germany, property management is conducted partly in-house, with the support of an external party.

Choice of location

Heimstaden Bostad's portfolio is located in Berlin and Bielefeld, with the larger part of the portfolio being in the German capital. Berlin is experiencing strong population growth and increasing purchasing power. Bielefeld is a university town with a prosperous business life. Other German cities with good growth may also be of interest for further expansion.

Challenges and opportunities

After several years of debate, new rent regulations have been introduced in Berlin, freezing rent levels for the next five years. This could have a negative impact on interest in property investments and renovations of existing holdings. At the same time, uncertainty in the market provides good opportunities for acquisitions.

Significant events

At the end of 2019, Heimstaden Bostad acquired a property portfolio of 599 residential units, 48 commercial units and 36 parking spaces located in Berlin and Bielefeld. Our largest property in Berlin is currently heated using oil as fuel, although the process of converting to gas has begun. This will result in significantly lower impact on the climate.

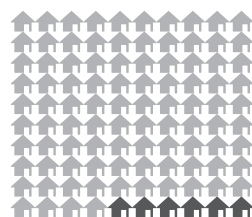
Priorities in 2020

Heimstaden Bostad continues to assess growth opportunities in both Berlin and other cities.



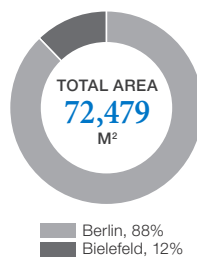
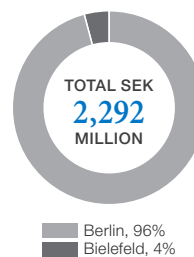
Property-related key data – Germany

	2019	2018	2017	2016	2015
Market value, SEK m	2,292	–	–	–	–
Rental income, SEK m	1	–	–	–	–
Net operating income, SEK m	1	–	–	–	–
Surplus ratio, %	58.8	–	–	–	–
Letting ratio (housing), %	99.2	–	–	–	–
Area, m ²	72,479	–	–	–	–

DISTRIBUTION OF AREA
AMONG PROPERTY PORTFOLIO, %

Housing, 94%
Commercial, 6%

Commercial units are typically shops
and small offices located on the
ground floor of residential properties.

AREA BY REGION ¹⁾MARKET VALUE
BY REGION ¹⁾RENTAL INCOME
BY REGION ²⁾

1) On the balance sheet date, 31 December 2019

2) For the 2019 financial year

Netherlands

Heimstaden Bostad is a leading player in the Netherlands, with properties in a large number of towns and cities across the country. In 2020, in-house personnel will take over most of the management and operation of our properties.



Property portfolio

Today, Heimstaden Bostad owns 10,477 residential units in 555 assets, with a combined area of 865,043 square metres. The portfolio also includes 83 commercial units and 2,244 parking spaces. The churn rate was 10 percent in 2019, giving an average lease length of approximately ten years.

Choice of location

Heimstaden Bostad owns properties in 159 towns and cities around the country. In our continued process of expansion, we are prioritising large and medium-sized towns and cities with favourable population growth, good infrastructure and increasing purchasing power. The so-called Randstad area (Amsterdam, The Hague, Rotterdam and Utrecht), an attractive economic hub and population centre in the Netherlands, is also where most of our stocks are located.

Challenges and opportunities

Prices in the Netherlands are rising, while the country continues to be a stable and attractive rental market. There is considerable competition for attractive objects in growth cities from both domestic and international owners, although pricing remains attractive.

The major acquisition of the Vermeer & Coral portfolio from Heimstaden AB during the year required that we quickly establish

our own organisation in the country. This is being achieved through contracted personnel from Heimstaden AB gradually taking over the management and operation of our properties from the former external suppliers. A large proportion of Heimstaden AB's employees were previously employed by the companies working with the acquired properties. During the second half of the year, intensive work was conducted to introduce and train the new employees in Heimstaden's working methods, culture and values.

Significant events

During the year we have evaluated further expansion of our presence in the Netherlands, where we see continued good value in the affordable housing segment. Two major acquisitions were made from Heimstaden AB during the year, encompassing a total 10,316 residential units, 83 commercial units and 2,116 parking spaces, manifesting our dedication to the Dutch residential market.

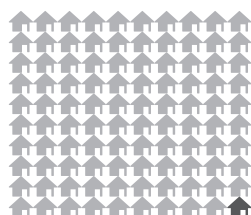
Priorities in 2020

During 2020, Heimstaden will assume most of the property management and operation. The Netherlands is an attractive market and we are continuing to assess possible acquisitions or new construction projects in the country.



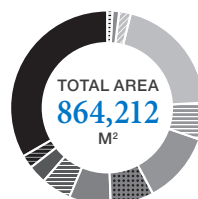
Property-related key data – Netherlands

	2019	2018	2017	2016	2015
Market value, SEK m	17,781	–	–	–	–
Rental income, SEK m	172	–	–	–	–
Net operating income, SEK m	93	–	–	–	–
Surplus ratio, %	54.0	–	–	–	–
Letting ratio (housing), %	96.9	–	–	–	–
Area, m ²	864,212	–	–	–	–

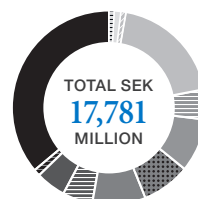
DISTRIBUTION OF AREA
AMONG PROPERTY PORTFOLIO, %

Housing, 99%
Commercial, 1%

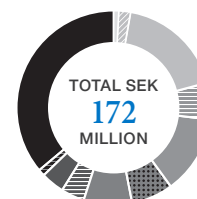
Commercial units are typically shops and small offices located on the ground floor of residential properties.

AREA BY REGION ¹⁾

Drenthe, 1%	Noord-Brabant, 7%
Flevoland, 1%	Noord-Holland, 7%
Friesland, 2%	Overijssel, 5%
Gelderland, 20%	Utrecht, 3%
Groningen, 6%	Zeeland, 2%
Limburg, 12%	Zuid-Holland, 33%

MARKET VALUE
BY REGION ¹⁾

Drenthe, 1%	Noord-Brabant, 8%
Flevoland, 1%	Noord-Holland, 9%
Friesland, 1%	Overijssel, 5%
Gelderland, 19%	Utrecht, 5%
Groningen, 5%	Zeeland, 1%
Limburg, 9%	Zuid-Holland, 36%

RENTAL INCOME
BY REGION ²⁾

Drenthe, 0%	Noord-Brabant, 7%
Flevoland, 1%	Noord-Holland, 8%
Friesland, 2%	Overijssel, 4%
Gelderland, 18%	Utrecht, 4%
Groningen, 6%	Zeeland, 1%
Limburg, 13%	Zuid-Holland, 36%

1) On the balance sheet date, 31 December 2019

2) For the 2019 financial year





*heimodlat**

Flowers, herbs, potatoes, chilli peppers and lemons – when our home growers have an outlet for their hobby, the only boundaries are set by their imaginations. We know that many customers perceive considerable added value in being able to grow plants on balconies, in flower beds or in the courtyard of their building. Where possible, we therefore help establish planting areas and the conditions necessary.

**Home grown*

A year of major transactions

Heimstaden Bostad develops its property portfolio by acquiring properties in accordance with the adopted strategy. The process builds on careful analysis, an in-depth awareness of each market and an established presence there. In 2019, we made acquisitions for a combined value of SEK 33 billion in prioritised locations. Based on the same strategy, we established operations in the Czech Republic in January 2020.

+47%

Increase in the number of Heimstaden Bostad's apartments in 2019 compared with the end of 2018.

Our acquisitions are based on demographic patterns and a sustained favourable economic trend, generating long-term demand for residential properties in the locations where we operate. Based on these parameters, we have identified attractive locations in Scandinavia, Germany and the Netherlands and will be expanding our scope to other attractive European markets.

Before expanding to a new location, we perform a careful analysis of the local business environment, infrastructure, proximity to colleges and universities, as well as the current and forecast housing and population situation. When a location meets our criteria, both from a macro and micro perspective, we monitor the market to be prepared when an appropriate property comes up for sale. Properties should be centrally located and preferably adjacent to one another to achieve the economies of scale necessary for efficient management. The objective is to achieve a critical mass of at least 500 apartments in each sub-market to be able to establish a complete value chain for property management.

We feel well-equipped to increase the pace and to expand into additional attractive European markets in an analytical and commercially sustainable manner.

Heimstaden Bostad's transaction process

Local presence is key to our transaction strategy. We believe that only by operating locally in the markets will we be able to identify

attractive properties and respond early when one comes up for sale.

The properties we acquire should be of good quality in relation to their geographic location or in such condition that the appropriate level of quality can be achieved with reasonable investment. If these criteria are met, we initiate a dialogue with the sellers. If the process continues, we perform a thorough technical inspection of the properties and a detailed legal and financial review. Where share transactions are concerned, we also perform a careful analysis of the selling company.

Assessing environmental and climate considerations is particularly important in this due diligence process. We focus on opportunities to change and improve, rather than simply "ticking the boxes" to ensure that all properties we acquire meet certain sustainability criteria. Once the terms of the transaction have been verified and we are in agreement with the seller, a purchase agreement is drawn up.

During 2019, our investment decision process was further formalised through the establishment of an investment committee. Proposed investments are to be presented to the committee, which approves the acquisition. The investment committee consists of board members of Heimstaden AB and the company's CIO.

Competition requires local presence

In general, the discrepancy between the sellers' price expectations and what buyers were prepared to pay was considerable in the first half of 2019. Following a drop in long-term interest rates, this gap decreased during the summer, which made buyers more inclined to adjust their yield requirements. At the same time, sellers also appeared to become more accommodating, following a period of low transaction volumes. As a whole, the year presented a number of attractive investment opportunities and our rapid expansion continued.

Competition is greatest in mid-sized and larger transactions in attractive geographic locations. Many property owners backed by institutional capital have clear directives to focus strategically on the largest cities and university towns. For Heimstaden Bostad, it is important that the cities and towns show strong long-term fundamentals and a favourable business climate. Competition is currently driving prices in Oslo and Stockholm to levels where yields after financing costs are less attractive and signing new agreements requires substantial confidence in continued capital growth. In Denmark, Germany and several of the larger cities in the Netherlands, however, we continue to see attractive opportunities with sound returns and favourable prospects for capital growth.

Being an established player in Sweden, Denmark and Norway, we are on most, if not all, property brokers' and sellers' short lists. It is nonetheless important that we continue developing our local presence, particularly in the Netherlands and Germany – the countries we have entered most recently. We must also continue to build local networks, maintaining and expanding our reputation for high-quality property management. We prioritise acquiring properties located near existing portfolio or that are of sufficient scale to motivate establishing new operational offices and we view new production as a complement. By engaging in new production projects in various ways, we assume responsibility in growth regions with housing shortages.

Structural change in 2019

In 2019, Heimstaden Bostad acquired the remainder of Heimstaden AB's property portfolio. Alecia's remaining housing portfolio in Helsingborg was also acquired. At the same time Heimstaden Bostad's capital base was strengthened by SEK 9.5 billion through a private placement targeting the two principal shareholders.

Heimstaden Bostad becomes the largest private property owner in the Czech Republic

In January 2020, Heimstaden Bostad acquired a Czech residential portfolio comprising 4,515 properties with 42,584 residential

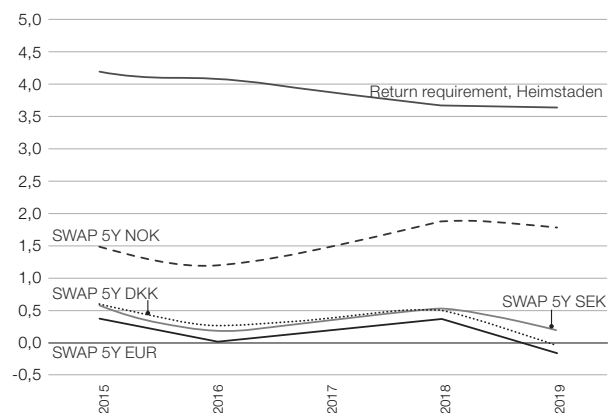
units and 1,675 commercial units, amounting to 2.6 million square metres of lettable area. The acquisition makes Heimstaden Bostad the Czech Republic's largest private property owner.

The acquisition also includes a full-scale operational platform, with its own property management and project and property development operations, and with nearly 500 employees transferring to Heimstaden AB.

The portfolio is mainly located in the Moravia-Silesia region, which is the most densely populated region in the Czech Republic, after the capital Prague. This is in line with Heimstaden Bostad's strategy of extending its core markets to include most of Europe, with select markets in Central and Eastern Europe being a clear focus, with favourable housing markets and strong macroeconomic trends.

» Heimstaden Bostad is one of the largest private property owners across in Scandinavia and the Czech Republic and with growing market presence in the Netherlands and Germany. «

AVERAGE YIELD HEIMSTADEN BOSTAD V. MARKET INTEREST RATES, %



Long-term property and project development

When we renovate properties, we generate value for our customers while safeguarding a property portfolio that is stable in the long term, with favourable operating costs and increased rental income. Heimstaden Bostad takes a lifelong perspective on ownership and all renovation or construction projects are therefore carried out using high-quality, sustainable materials.

1,445

A total of 1,445 apartments were renovated in 2019.

In recent years, a growing debate has emerged regarding property owners' use of extensive renovations to push up rent levels and force tenants out. Such an approach is entirely foreign to Heimstaden Bostad. We apply a lifelong perspective in our ownership, with the best interests of our customers in focus. Accordingly, renovations are only carried out when one customer moves out and before the next one moves in. Exceptions to this are roof replacements, roof renovations and other major maintenance projects necessary in maintaining a good level of comfort for residents.

Standard saves costs

In 2019, a standard was developed for future renovations within the Company. We have selected working methods, materials, colour schemes and appliances that combined achieve an efficient,

affordable and long-term upgrade of an apartment requiring renovation. By using high-quality, timeless materials, we ensure that renovations conducted today still provide value for many years to come. We use hardwood flooring, ceramic floor tiles and other materials that last a long time while also conveying a feeling of comfort for the customer. Applying a shared standard in renovations also reduces costs through the larger purchasing volumes that can be coordinated for several projects.

The new standard also covers outdoor environments, stairwells and other common areas and will be introduced in all markets in 2020. The common standard is also important in reducing our environmental impact. By selecting good materials that last a long time, we ensure that fewer renovations need to be made, which has a positive impact on the environment and the climate.



New construction

TILIA, VÄXJÖ, SWEDEN

Completed: December 2020

Number of apartments: 94

Estimated investment:

approximately SEK 110 million

3,775 m²

At the heart of the campus area in Växjö, we are constructing two buildings with a total of 94 high-quality apartments, each of which has its own balcony or patio. The buildings are certified in accordance with Miljöbyggnad Silver to safeguard sustainable and healthy accommodation.





Refinement

**RINGERTOFTEN,
BISPEBJERG, COPENHAGEN,
DENMARK**

Constructed, year: 1933

Renovated: 2019–approx. 2028

Number of apartments: 411 and
2 commercial units.

28,444 m²

Heimstaden acquired Ringertoften in north-west Copenhagen in 2018 and is implementing gentle renovation of the apartments as customers relocate, which will take place over a ten-year period.

Refinement

**HOSTRUPS HAVE,
FREDERIKSBERG,
COPENHAGEN, DENMARK**

Constructed, year: 1937

Renovated: 2018–on going

Number of apartments: 678

678 renovated apartments

In Hostrups Have in central Copenhagen, 678 apartments and public areas are undergoing renovations as they become available, meaning that renovations are expected to continue over a ten-year period.



We choose entrepreneurs who share our values and our focus on the customers' best interests.

The Hostrups Have block in Copenhagen is an example of this. Here we are renovating an entire city block, with nearly 700 apartments, over a ten-year period. The renovation process is non-invasive and the apartments are being renovated as they become vacant. The property was in poor condition when it was acquired and will need extensive renovation, which is carried out with considerable respect for our customers. The common areas are being comprehensively upgraded. In this way, we generate long-term value in our portfolio. In 2019, renovations of a total 934 apartments commenced in Sweden, 196 in Norway, 257 in Denmark, 58 in Germany and 303 in the Netherlands.

Mainly constructing rental apartments

A concept has also been developed for new construction projects and this is also based on our philosophy of Friendly Homes. We build modern, high-quality housing in attractive locations in growing towns and cities. We use high-quality, sustainable materials and integrate modern energy solutions, such as solar panels. The properties we construct comprise almost exclusively rental apartments, although we also have some projects for tenant-owned apartments and sheltered housing. In Sweden, new construction of 619 apartments commenced in 2019, in locations including Norrköping, Växjö and Uppsala. In total, 11,000 new apartments are planned in Sweden over the next seven to eight years. In the other countries, a total of 814 new apartments were completed, distributed between Denmark and Norway. There is

an organisation in place in each of the countries to monitor the market and identify possible new production projects within our existing stocks or outside them.

In Sweden, we act as a developer, aided by our own project development organisation. In Norway, our projects are conducted by housing developer Fredensborg Bolig. In Denmark, Germany and the Netherlands, all renovations are conducted in-house.

Generating value together

Our properties and housing contribute to the appearance of a town or city and how it is perceived. It is important to maintain a close dialogue with the relevant municipality to safeguard access to infrastructure, but also to comprehend the municipality's development plans and how we can contribute to these. Our properties should be part of urban development that is sustainable in the long term, and we therefore also work closely with landowners, architects, construction contractors, banks and other financiers.

Many of our construction projects are conducted in collaboration with strategic partners. A joint venture provides opportunities to make use of one another's expertise in different areas, together forming a stronger whole while also spreading the risk. As well as sharing the risks involved in the project, we also share ownership, decision-making and profits. During the year, new joint ventures were initiated with, for example, Magnolia Bostad in Bro and Österåker, outside Stockholm.

Number of apartments / new construction	Completed in 2019	Under production at the end of 2019
Sweden	309	619
Denmark	752	1,208
Norway	62	109

Joint venture / associated company	JV established	Heimstaden AB's holding, %	Number of apartments
Heimstaden Bostad AB – Gamlebro, associated company with Hyresbostäder i Norrköping and Henry Ståhl, www.yllefabriken.se	2015	40	253
Heimstaden Bostad AB – Fastighets AB Rosengård, associated company with MKB, Balder and Victoria Park, www.rosengardfastigheter.se	2016		
Heimstaden Bostad AB – Windrose, JV with BIG (Bjarke Ingels Group), Lars Kristensen & Peter Höpfner, www.esbjergtowers.dk	2018	50	5,000
Heimstaden Bostad AB – Byggrätt Norr AB, JV with Skebo, Riksbyggen and Lindbäcks	2019	19	1,100
Heimstaden Bostad AB – Upplands Bro Brogårds stage 2, JV with Magnolia	2019	50	828
Heimstaden Bostad AB – Österåkerporten AB/Näsängen Mark AB, JV with Magnolia	2019	50	1,993

Adding value through strong customer focus

Heimstaden Bostad endeavours to become one of Europe's leading housing companies in terms of service to our customers. Living in one of our buildings should not only be safe and comfortable, it should also add value and service beyond expectations. By working closely with Heimstaden AB, we are able to offer our customers active and committed property management and customer service contacts. In this way, we create Friendly Homes with the right level of quality for the customer.

32

Heimstaden has a total of 32 administrative offices in four markets.

As we expand internationally, the demands increase on having a cohesive property management organisation. Our principle that all property management be handled by in-house personnel is fundamental in our operations and also means that customers are entitled to expect the same treatment regardless of where they live.

Offices in four countries

At the end of the year, the property management organisation comprised some 460 employees. Of our 32 offices, 28 were located in Sweden, two in Denmark, one in Norway and one in the Netherlands. In Germany, where the number of apartments does not yet justify maintaining an organisation of our own, property management is performed by an external partner under our supervision.

Understanding our customers

Trends and technology constantly change our customers' everyday lives, including the way they want to live at home. Therefore, the ability to understand changed consumer behaviour and identify new customer needs is a key for Heimstaden Bostad, as we aspire to be one of the most service-minded companies in our industry. We have identified all aspects of the customer's journey with Heimstaden Bostad – from them realising there is a vacant apartment to the inspection once they move out many years later. Throughout this journey, there are many points of contact with Heimstaden Bostad where we have the opportunity to deliver good service and added value in line with our vision. To better understand our customers' needs and desires, we measure NPS (Net Promoter Score) at four occasions along the customer journey: When signing the contract, when moving in,

»The ability to understand changed consumer behaviour and identify new customer needs is a key to success.«





Local issues of our customer magazine Heimkänsla are distributed to all customers in Sweden and Norway four times a year. In 2020, the magazine will also be distributed to customers in Denmark and the Netherlands.

during the period as tenant and when moving out. These surveys provide important knowledge on our own performance at some of the key moments in our relationship with the customer. In addition, we make a full CSC (Customer Score Card) every year. We also meet and talk to many customers as part of our customer magazine and newsletter. More than 50 customers invited us in during 2019 and shared their experiences as Heimstaden customers in our different channels.

Offering numerous points of contact

We have opportunities for many meetings and interactions with our customers – in their homes or in the common areas. There should also be round-the-clock preparedness for any urgent issues. We have arranged our customer service to allow for the customers to contact us at their own convenience. This is based on three pillars – personal contacts (e.g. service centres, telephone), digital (e.g. e-mail, chat, web) and self-service (My Pages, customer forum, web). This way, there is always an alter-

native for our customers to reach us at any time. We continue to develop and improve our digital channels including customer forums and the chat function, and we are currently pilot testing a number of digital instruction videos where we show our customers how to remedy minor faults in their home by themselves. This could increase customer satisfaction since we are able to cut lead times from fault to solution. Our Customer Service Centres obtain data on our customers' view of their performance every week and are responsible for implementing action plans based on the results.

Adding value and nudges

At Heimstaden Bostad, it is important to us that we are able to offer customers value beyond that of the apartment itself. For every step of the customer journey, we assess what optional services we can offer customers. Although conditions differ between markets, the basic notion is that Heimstaden's apartments should maintain such a high level of quality that customers want to stay for a long time. We are evaluating a range of possible additional services – from food deliveries to car pools or cleaning services. We also want to facilitate contacts between tenants to build a community, enhancing well-being and security. One example could be offering shared opportunities for urban farming, another is the sustainability coaches that we have recruited at our student residences. They work for increased social inclusion and reduced ecological impact. These are also examples of our philosophy of nudging – that we provide platforms or tools for a more sustainable living.

» Considerations of sustainability are becoming increasingly important. «



Sustainable property management

In property management work, considerations of sustainability are becoming increasingly important and are addressed at several different levels. We select environmentally friendly materials and consumables and install solutions that reduce the consumption of water and electricity in the properties. Our sustainability objectives for property management are presented in detail on pages 156 – 158.

Focus for 2020

Over the coming year, we will continue to build a property management organisation of a high standard. Using the customer journey as our road map, we will be investing considerable energy into how we optimise both our dialogue with customers and our own ways of working. We will also continue to explore our many possibilities of adding value to our customers. Digital platforms and planning tools will be central to this. People living in Heimstaden Bostad's buildings should perceive clear added value compared with similar housing alternatives. To achieve this, we have to be able to identify and meet specific customer needs and offer easy access to our employees and digital tools.



DISTRIBUTION OF AREA UNDER MANAGEMENT
BY COUNTRY, M²



Sweden, 50%
Denmark, 21%
Norway, 6%
Germany, 2%
Netherlands, 21%

+48%

The total area managed by Heimstaden increased by 48 percent in 2019.

Among other events, the total area managed by Heimstaden in Norway and the Netherlands doubled in 2019.





*heimvaro**

Besides offering high standards and good security, our Heimvaro initiative endeavours to secure added social value in our properties. Where we provide student housing, we are now recruiting sustainability coaches to help build a sense of community, bringing a sense of social belonging and reducing the ecological impact. Another example is the “Mobile Temple” that we have developed to help people achieve a balance between being connected and being disconnected. This is a home for people’s mobile phones, inspired by Scandinavian design and Japanese minimalism. The Mobile Temple is intended inspire more aware and screen-free interaction at home.

**Home community*

Sustainability – the only way forward

For Heimstaden Bostad, sustainability work does not just entail generating value for customers, for the company and for the surrounding community. To us this work is much more than that. We want to make sure that Heimstaden Bostad creates sustainable homes equipped to meet societal challenges, such as climate change, exclusion and housing shortages. We are committed to integrating aspects of sustainability into all of our operations.

40%

The property sector's share of total energy use.

People's homes represent an important foundation in their lives. Accordingly, Heimstaden Bostad bears a particularly important responsibility for focusing on the human aspects of everything we do. We aim to offer quality, safe housing, but also to ensure that the physical surroundings and our own actions meet current demands for sustainable enterprise. It is only in this way that we can assume our responsibility as a community builder.

Those living in our buildings or working in our premises should feel certain that Heimstaden Bostad works in a structured way to minimise the impact of the properties on the climate and the environment. Issues of sustainability run as a common thread throughout our operations, including ecological, economic and social aspects alike.

Focus on climate

We believe that generating value in a modern way and benefiting the community requires issues of sustainability to be included at all stages, from raising capital and performing due diligence

when making new acquisitions to project planning, property management and the operation of our support functions. In this way, we are able to attract green investment and become an attractive partner for municipalities planning to divest their property portfolios. This also means Heimstaden AB have more satisfied and motivated employees* and means we have a better dialogue with our suppliers. Above all, it builds value for our customers, who increasingly demand that we conduct sustainability work that exceeds expectations.

Climate change is real and a great challenge for society and therefore we focus considerably on this area. We support climate research and IPCC's reports on the ongoing change in the climate and its current and future consequences, as well as the measures proposed to mitigate the negative effects.

The property sector accounts for about 40 percent of energy consumption and about 36 percent of greenhouse gas emissions in the EU (EU Taxonomy 2019). This is where we can make



» Heimstaden Bostad bears a particularly important responsibility for focusing on the human aspects of everything we do. «



GLOBAL COMPACT
Heimstaden has joined the UN Global Compact during 2019, the world's largest corporate sustainability initiative. As a member, the Company undertakes to adhere to its ten principles on human rights, labour terms, the environment and anti-corruption, and to take actions that advance the global goals.

a big difference by choosing sustainable energy solutions and reducing greenhouse gas emissions. For us, a changed climate entails having to deal with more frequent heavy rainfall, floods, storms and heat waves. Among other things, this will increase the wear and tear on our properties and have consequences for our customers.

Starting from our sustainability strategy

Aspects of sustainability have been included since Heimstaden Bostad's inception. We perceive substantial strategic value in making our sustainability work more cohesive and we therefore

continued building a long-term platform for our sustainability work during 2019. During the year, Heimstaden AB also signed the UN Global Compact, committing to adhere to its ten principles.

We are continuing our work to link our own sustainability targets to the UN's 17 Sustainable Development Goals. The SDGs have 169 sub-targets and we have identified those where we believe we can make the greatest difference. The Sustainability Report on pages 148–163 provides an in-depth description of how we connect our operations to the Sustainable Development Goals. To pursue the sustainability issues effectively, we have established a cross-functional Sustainability Council comprising members from different parts of the company.

Together with ISO 26000, the UN Global Compact and the global goals form the framework for our sustainability work. The Principles for Responsible Investment (PRI) and Task Force on Climate-related Financial Disclosures (TCFD) also have a significant impact on our work, with investors increasingly choosing to join these initiatives (see separate fact box for our work with TCFD). We base our work on our sustainability strategy, which is revised annually and expanded as needed. The strategy sets the direction for how we minimise the environmental impact of our day-to-day operations and how we prioritise environmental aspects and take them into account in our investment decisions. This is supplemented by our policies and Codes of Conduct, which are presented in a separate fact box.

During the year, we took a decision to gradually adapt our sustainability reporting to the GRI framework. For this reason, we

TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) initiative was launched in 2017. The initiative is backed by the Financial Stability Board, an international G20 body. The purpose is for organisations to be better able to identify and highlight their climate-related financial risks and opportunities. The TCFD's guidelines are based on control, strategy, risk management, metrics and targets. In purely concrete terms, TCFD involves maintaining financial control of measures to reduce carbon dioxide emissions. We seek to increase our knowledge of how a changing climate could affect our properties and our customers and to understand what measures are needed to build resilience. We are working continuously to reduce our climate impact and, in 2019, we set ourselves the target of conducting fossil-free operations by 2030 (this target is currently under review and will be different in different markets) and of reducing by 10 percent the amount of energy we purchase (in comparable portfolio) by 2023. A process has been initiated, in collaboration with Lund University, to further increase our awareness of climate-related risks, to be able to identify risks, prepare action plans and to delegate responsibility on these issues. In the future, Heimstaden intends to be able to report in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

have initiated efforts to build the systems necessary for collecting data from our various markets. The objective is to be able to report entirely in accordance with GRI commencing with the 2020 Annual Report. We apply the Greenhouse Gas Protocol (GHG) in calculating greenhouse gas emissions.

Mapping our risks and others'

To focus our efforts where they are needed most, we map our sustainability risks to be able to lift these areas from risk management to value creation over time. This approach allows us to contribute to positive change and to benefit pro-actively from opportunities while addressing potential negative consequences. This is an expression of our urge to grow with quality.

We depend on a large number of suppliers. Issues of sustainability form an integral part of our Code of Conduct for Partners, which details the expectations and requirements we impose on suppliers. Although the Code of Conduct emphasises the importance of life-cycle perspectives in the choice of solutions, it also emphasises efforts to mitigate negative impacts and to focus on using natural resources efficiently. We attach great importance to only engaging suppliers who share our values and understand our way of working. The Code of Conduct has been launched starting with Sweden and initially including our largest suppliers. In 2020, the Code of Conduct will be launched in other markets.

Read more about our significant risks and risk management on pages 80–84.

Strengthened purchasing organisation

A Chief Procurement Officer (CPO) was recruited by Heimstaden AB in the spring of 2019 and is also tasked with coordinating and developing the procurement work of Heimstaden Bostad. This person heads a central purchasing department with three employees. The purchasing function was built up over the year and will structure and coordinate purchasing work, as well as supporting other parts of the organisation with knowledge and advice. This includes developing processes, tools (contract templates, for example) and, if necessary, assisting in negotiations. Integrating human rights and environmental, social and anti-corruption aspects into the supply chain is an important part of the sustainability work. Accordingly, during 2019, work was initiated to develop process and procedures for setting demands on suppliers and monitoring their compliance.

For major renovation or new production projects, procurement is managed by the project organisation. Traditionally, many of Heimstaden Bostad's smaller purchases have been made by managers or other individuals within the organisation, who have been responsible for procurement being conducted in line with



To ensure consistent handling of essential sustainability issues, we work on the basis of our structural model.





THE GLOBAL GOALS For Sustainable Development

Our sustainability targets are linked to the UN's goals for sustainable development.

the company's policies and guidelines. In connection with major procurements, tenders are to be sought from at least three suppliers. As we standardise our renovation projects (see pages 46–49), procurement will be simplified, with larger quantities of materials being purchased from a smaller number of suppliers.

Our most common suppliers are construction contractors, building materials suppliers and service providers (cleaning and maintenance for example). We have some 2,300 suppliers in Sweden, and approximately the same number divided between the other four markets. It is difficult to estimate how many subcontractors our suppliers have as the number per supplier varies widely.

Priorities in 2020

In 2020, work will continue on implementing our sustainability strategy. This will involve increasing the awareness of our overarching sustainability objectives and intensifying our efforts to explain to our suppliers the requirements we make of them based on sustainability criteria and ensuring that our Code of Conduct for Suppliers is followed. During the year, we will also strengthen our GRI reporting by, among other things, extending this with parts of Scope 1, as well as identifying Scope 3 emissions and setting out a plan for their reduction. At an overarching level, the work of the Sustainability Council will be built up to increase knowledge sharing and safeguard cross-functional sustainability efforts.

Environment

Our environmental impact is an area in which we have substantial opportunities to make a difference. Rapid population growth demands additional housing, while very many older properties need renovating and modernising to meet current requirements and standards.

Since acquiring existing properties represents a considerable part of our operations, we can make the biggest difference by bringing our older stocks up to modern standards, involving a large number of properties of varying size. By upgrading existing stocks, we generate positive environmental and social effects by, for example, reducing the impact on the climate or increasing security. In line with the Paris Agreement, we are working intensively to reduce our carbon footprint, improving the energy efficiency of our properties and building resilience to climate change. We also contribute to biodiversity and ecosystem services – efforts strengthened by our sustainability strategy. We are also working on social aspects in our housing, building, for example, courtyards offering favourable opportunities for neighbours to socialise or to grow plants and vegetables together. You can read more about our environmental work on pages 148–163.

Personnel and social conditions

Our daily encounters with our customers afford us unique opportunities to understand their needs and wishes in terms of the social aspects of their housing, such as their comfort, well-being and security. Our dialogue with our customers is key and we observe a policy of accessibility, receptiveness and responsiveness to ensure that customers enjoy an equally favourable experience regardless of what building or country they live in. We are aware of the particular social responsibility that we bear as a housing company. People's homes represent an important foundation for their security and personal development, and we monitor social challenges and current housing issues closely to see how we can contribute to a socially sustainable society. Our adopted target is for at least 1 percent of our housing in each market to be made available for social contracts – meaning that we earmark a certain number of apartments for public bodies, for rental to those unable to arrange their own housing for various reasons.

Governance for sustainability

External regulations and undertakings

- Swedish Annual Accounts Act
- Environmental legislation
- Work environment legislation
- Discrimination legislation
- Building regulations from the National Board of Housing, Building and Planning
- Other applicable laws and regulations
- The UN's Sustainable Goals
- The UN Global Compact
- Environmental certification – Sweden Green Building Council's silver standard

Internal governance documents

- Sustainability strategy
- Code of Conduct
- Code of Conduct for Business partners
- Equal rights policy
- Working environment policy
- Environmental policy
- Whistleblower policy
- Sanctions Policy



» For us, growing with quality entails sustainability permeating everything we do and forming an integral part of all of our processes. «



Heimstaden takes a lifelong view of ownership, meaning, for example, that we show considerable regard for our customers when renovating our properties. We do not want to be associated with those who empty their properties of tenants to make renovations and raise the rent sharply. Treating our customers with respect is one of our contributions to good social sustainability.

It is Heimstaden Bostad's employees who meet customers and ensure that their housing is comfortable and secure. For this reason, it is crucial that they feel involved, enjoy their work and prosper. To be able to act optimally in the situations they face during their workday, they need an in-depth awareness of Heimstaden Bostad's values and approach. Heimstaden Bostad maintains several policies governing the efforts regarding social conditions and systematic efforts on the working environment. Read more about our efforts regarding social conditions, for example, on pages 64–67 and 144–159.

Human rights

Heimstaden Bostad operates in a part of the world where human rights form part of the fundamental legal and social systems. Although human rights may therefore seem obvious, it is impor-

tant that they are firmly anchored in practical behaviours and culture, forming part of how we relate to customers as well as Heimstaden AB and to contractors alike. We actively seek to make everyone feel welcome. Non-discrimination, diversity and equality are prerequisites for our development and capacity to meet customers' needs and wishes.

Our Code of Conduct for personnel focuses on the right to a safe and secure workplace, the right to equal conditions and the right to collective bargaining. By imposing demands on our partners, our opportunities to exert influence extend along our supply chain and into an increasing number of countries. In this way, Heimstaden Bostad is able to influence human rights being adhered to in practice where we operate, as well as helping improve working conditions and compliance further out in our value chain. In our Code of Conduct for partners, human rights and working conditions play a central role, and are based on the UN and ILO conventions. For more information about our work on human rights, see page 157.

Anti-corruption

Heimstaden Bostad applies zero tolerance regarding all forms

of corruption. This requires that we impose demands, not only on our own organisation, but also on our partners. By stating our position and our expectations of our partners clearly, we are able to contribute to a democratic and sustainable society in which business is conducted on equal terms. We also seek to promote competition on fair terms within the sector, considering this beneficial for all.

One of the most important barriers to corruption is a corporate culture in which each individual acts with integrity, in line with Heimstaden valuations. Our Code of Conduct for builds on our core values: *Care – Dare – Share*, and lays the foundation for

what we expect of our personnel. Together with our Code of Conduct for partners, this forms the basis of our anti-corruption efforts, both internally and along our value chain.

Heimstaden AB also maintains a whistleblower function enabling employees and external stakeholders to be able to report serious shortcomings while remaining confident that their notifications would be received and dealt with in an appropriate manner. The whistleblower policy states how perceived and reported irregularities are to be treated, followed up and communicated. On page 156, our anti-corruption work is described in greater detail.

Agenda 2030 to transform our world

Agenda 2030 contains the 17 Sustainable Development Goals, adopted by the UN General Assembly in 2015. The Global Goals are the most ambitious agenda for sustainable development that the world's countries have ever adopted. They serve to achieve the following: Eliminating extreme poverty, reduce inequalities and injustices in the world, promote peace and justice, solve the climate crisis. At Heimstaden, we are dedicated to helping realise these goals.



Heimstaden Bostad's operations are linked particularly to the goals addressing sustainable cities, climate and sustainable energy. Our sustainability targets are based on the goals, and in our sustainability report on pages 148-163, we have linked our material sustainability areas to the SDGs and their sub-targets.

Our contribution to sustainable urban development includes sustainable construction and planning of housing, infrastructure,

transport and recycling. The Global Goals' motto is "Leave no one behind", and our focus on inclusive and friendly homes contributes to making cities safe and sustainable. Climate change is real and a threat to our entire civilisation. Greenhouse gas emissions continue to rise. At Heimstaden Bostad, we are mobilising to reduce our emissions to be in line with the Paris agreement, energy-efficiency our homes and build resilience to climate change.

Shared culture in growing operations

Heimstaden Bostad has no proprietary personnel. Through a close partnership with Heimstaden AB, we have access to a property management organisation and personnel that works on a daily basis to provide service and quality to our customers.

+123

In 2019, the number of employees in Heimstaden increased by 123 individuals compared with the end of 2018.

As Heimstaden Bostad expands into new markets while also making new acquisitions in existing ones, numerous skilled people will be needed, who can rapidly be integrated into the operations. Through a close partnership with Heimstaden AB, we have access to a property management organisation and personnel that works on a daily basis to provide service and suitable quality to our customers.

The HR function's most important task in 2019 was to build for growth by adapting and adjusting processes and tools to operate beyond Scandinavia. In 2019, Heimstaden AB recruited approximately 150 new employees to the group with the greatest growth in Denmark and the Netherlands. At the end of the year, the Danish operations had 105 employees, an increase of 102 percent compared with the beginning of the year. The Swedish organisation grew with some 40 new recruitments (about 12 percent) in 2019.

Attractive employer

Despite a strong economy, with competition for personnel in several markets, Heimstaden AB has experienced no difficulty

in finding and recruiting new people. In our view, Heimstaden's high level of ambition in delivering good customer service and contributing to a socially sustainable society also positions us as an attractive company in our new markets. There is a clear strategy to how Heimstaden AB seeks out potential employees, and we know which channels work for different roles. This means that vacancies are quickly filled.

Although we share Heimstaden AB's aspiration for diversity among our employees, additional effort is required in this direction. Certain functions are dominated by either men or women, lacking the more even spread desired. During the year, we were pleased to see an increase in employees with a non-European background among the personnel we contract in from Heimstaden AB.

Good introduction sets the tone

We seek to generate optimum conditions when a new employee joins Heimstaden AB. Their introduction even kicks off before first day of their employment, aided by a digital tool providing new employees with access to information, by opportunities to participate in certain courses and by means of a dialogue, both



with their managers and the HR department. A number of introductory courses are also arranged each year, at which employees spend two days gaining a complete overview of the company, as well as meeting members of company management and other recent recruits with different functions within the company.

Culture a core issue

A central component in our business model entails property management being conducted by Heimstaden AB's personnel to safeguard appropriate quality in the customer service we provide. With operations spread between five countries and some 32 offices in 2019, all employees are required to understand, support and act in accordance with our values and culture. At the same time, we must take into account the fact that customers and conditions vary between different markets. For this reason, Heimstaden AB's local personnel must be allowed to make their mark on how the operations are conducted in their markets.

A large part of our success is attributable to the satisfaction of our employees, that they are afforded opportunities for growth and seek to stay with Heimstaden Bostad and develop the com-



8.5

The target is to reach 8.5 on a ten-degree scale of employee satisfaction in 2023, on a scale of 1–10.

pany. Accordingly, Heimstaden AB has conducted monthly employee surveys in all of our markets since June 2018. We are rated according to a 10-degree scale with the objective of achieving a score of 8.5 in the categories measured by 2023. In 2019 Heimstaden had a temperature (an average of the factors measured) of 7.9. In measuring eNPS (Employee Net Promoter Score) Heimstaden obtained an average value of 40, on a scale from -100 to +100. Applying our measurement tool, the average for all users and sectors was 13.

To further enhance the sense of community and the understanding of our values, Heimstaden held a conference in Malmö in September 2019. Over a full day, some 400 people participated, with opportunities to learn about and discuss strategy, targets and values. The conference also served as the kick-off for our values (*Care – Dare – Share*). The next step will be a workshop on corporate culture and values, which will be carried out in all of the countries in which we operate. The first such workshop took place in the Netherlands in November 2019.

New steps in skills development

Opportunities for professional and personal development are an

important driving force for Heimstaden AB's personnel. For the company, this ensures that everyone at Heimstaden Bostad enjoys equal conditions, rights and development opportunities. Our growth offers Heimstaden AB's employees opportunities to develop and build a career in the Group. To deepen Heimstaden AB's internal efforts in skills development further, a Group Talent Development Manager was appointed during the year. This person is tasked with building a central training function to identify needs in our local markets, as well as planing and procuring training. We know that continuous learning is essential if we are to remain at the forefront as a company and that we must make learning easily accessible and visible, while also offering varied formats to satisfy different learning preferences. During 2019, we identified and prepared for several educational initiatives, some of which commenced during the year, although the largest initiatives will be carried out in 2020. At the fore in crisis management and customer service.

On the whole, Heimstaden Bostad's rapid expansion provides extensive opportunities for Heimstaden AB's employee development. Heimstaden Bostad offers opportunities at all career stages, as well as favourable opportunities for combining work with other areas of life.

Importance of risk awareness

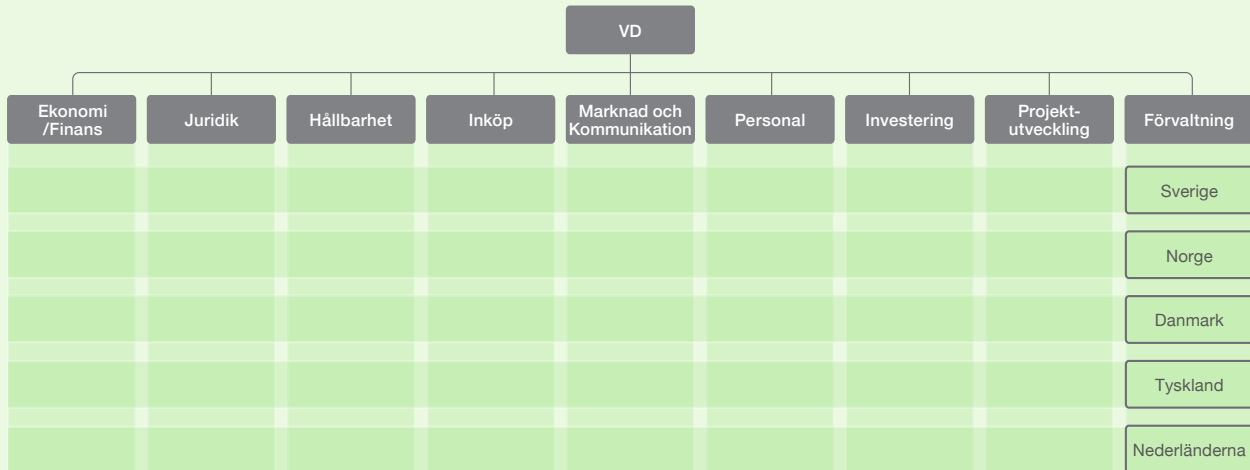
Given our rapid growth, it is important not to neglect risks and systematic efforts in the area of the working environment. We apply clear targets and have active working environment groups addressing these issues. In Sweden, all managers with responsibility for personnel have undergone working environment training, and this is also planned for the other countries. During 2019, we introduced a new system of risk identification based on reporting of accidents and incidents. In this system, we monitor and document incidents where an accident was imminent but could be avoided and are taking steps to avoid these being repeated. In 2019, we revised our crisis management plan and process, which will be rolled out in all countries as of 2020. During 2019, our whistleblower system, which was first introduced in 2018, was implemented in all of the countries. Although a handful of notifications has been received, none of these have been of the kind warranting deeper investigation.

Future

As Heimstaden Bostad grows, the conditions for generating a really good employee experience increase. Our opportunities are increasing to offer careers and personal development for Heimstaden AB's employees both nationally and internationally. Work on increased diversity is continuing as we remain convinced that Heimstaden should reflect the surrounding community, to give our customer's best possible experience of living in our buildings.

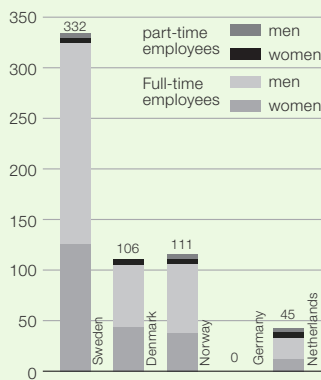


HEIMSTADEN'S ORGANISATION IN 2019



» To ensure continued qualitative growth, several key functions were recruited to Heimstaden in 2019. «

NUMBER OF EMPLOYEES* PER COUNTRY



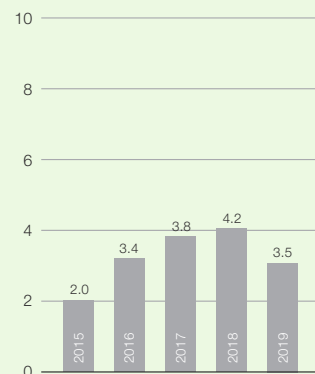
50.6% of the total number of employees are covered by collective bargaining agreements. Of the 525 full-time employees, 193.2 were women and 331.8 were men.

*All data regarding employees pertain to employees of Heimstaden AB.

TOTAL NUMBER OF EMPLOYEES
HEIMSTADEN AB

571
Individuals

DISTRIBUTION BETWEEN WOMEN AND MEN

ABSENCE DUE TO ILLNESS IN
TOTAL WORKING TIME, %

In 2019, a total of 1,120,295 hours were worked within Heimstaden.* The total absence due to illness in 2019 was 3.5 percent, down by 0.7 percentage points compared with 2018. The greatest absence due to illness was in Heimstaden in Norway at 5.7 percent and the lowest was in the Netherlands at 1.0 percent. Read more about how we work with health and safety on page 160.

Optimised operation benefits climate

By optimising the operation of each property, it is possible to cut costs and reduce our impact on the climate. In these efforts, our own personnel play a key role, dedicatedly conducting detailed inspections of the properties to identify opportunities for improvement.

-20%

In certain Heimstaden AB, energy use has been reduced by as much as 20 percent.

The energy used in our properties is the area in which our operations have the greatest environmental impact. It also represents our foremost operating cost, giving both economic and environmental incentives for continuous improvement.

Conditions vary between our different markets, depending on where the financial responsibility for energy consumption lies. In Sweden and Norway, the property owner is responsible for the consumption of heating, while in Denmark and Germany, the tenant is usually responsible for heating costs. In the Netherlands, responsibility varies depending on whether the property is wholly-owned or co-owned together with the owners of the apartments. It is mostly in those markets where the consumption of heating and electricity are within our control that we can implement measures to enhance energy efficiency with great effect.

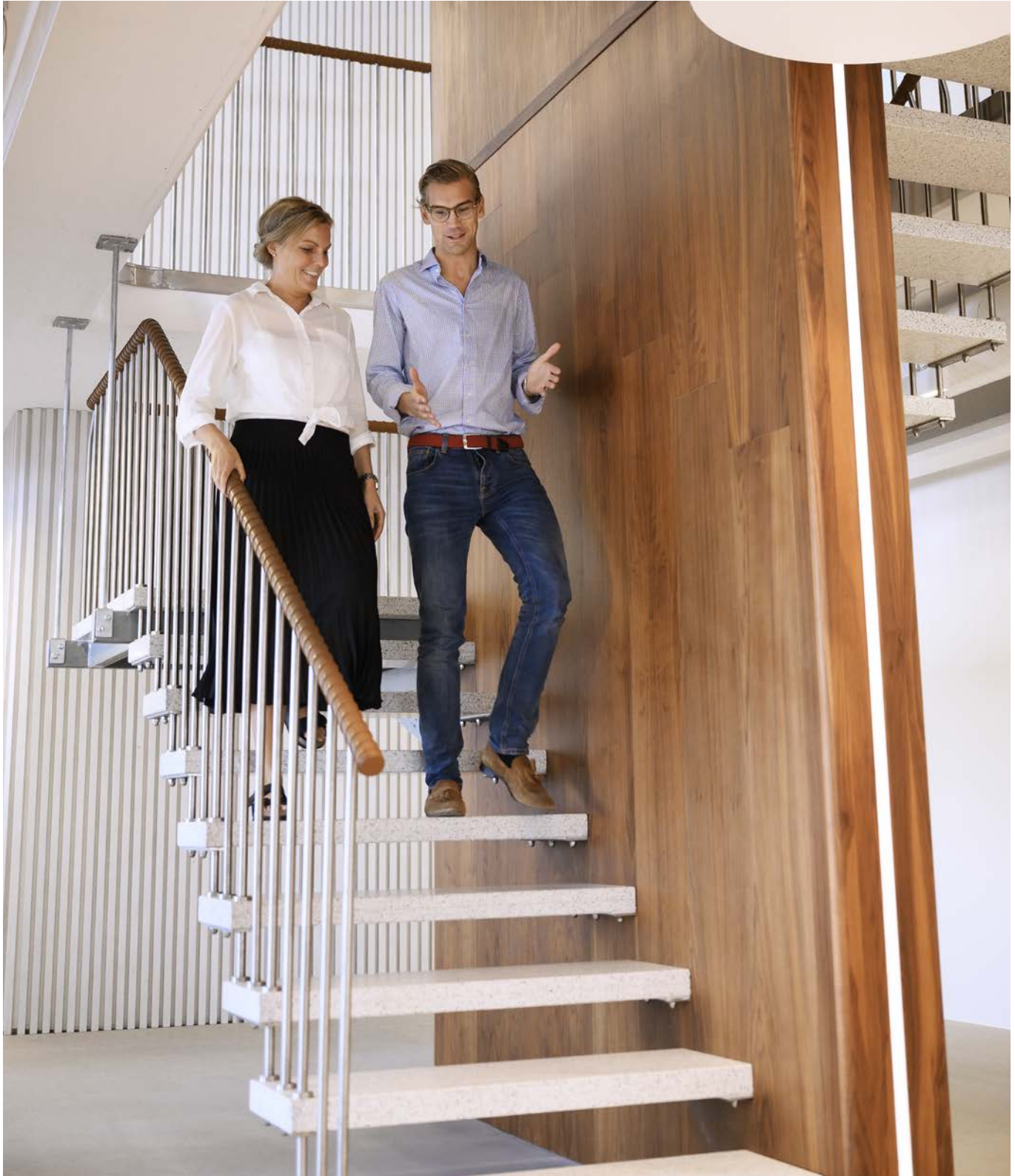
Commitment strengthens efficiency

Heimstaden Bostad assumes a long-term perspective in property ownership. In connection with property acquisitions, we prioritise operational optimisations and investments, reducing the properties' energy consumption. In the long term, this results in lower operating costs and less impact on the climate.

Five pilot projects in the Netherlands

In 2019, an inventory of five pilot sustainability projects was drawn up in the Netherlands that will be carried out in 2020. Based on these pilot projects, we will be able to learn about the approaches, tenant contacts and sustainability measures. These aspects will then be assessed and improve on in preparation for future projects.

Heimstaden Bostad's portfolio of more than 500 properties in the Netherlands currently has an average energy label of D, with the target being to achieve a label of at least C or better by 2030. This will ensure that we invest heavily in sustainability over the upcoming years and that we organise the process as efficiently as possible. The process will commence in 2020. To ensure the achievement of this objective, a sustainability manager was recruited in the Netherlands in January 2020.



Our experience shows that it is often possible to achieve substantial energy efficiency improvements in the properties we acquire. One of the reasons is our conviction that we conduct better operations with our own personnel at the properties. This gives a higher level of commitment to the operations than that found among external contractors and engenders in-depth knowledge of each property. We are aware that each building has its own characteristics and challenges and we are able to put appropriate measures in place by closely monitoring developments on site. In certain instances, energy consumption has been reduced by as much as 20 percent.

The measures we implement entail optimising consumption of heating and other sources of energy by reviewing and fine-tuning existing systems and control equipment. We install intelligent, digital operating systems and upgrade heating and ventilation systems, as well as lighting. The optimisation process also provides us with knowledge of the property and an opportunity to identify the investments needed to further increase resource efficiency.



Favourable materials and technology choices

When constructing new buildings, we ensure from the outset that we incorporate efficient systems and solutions, limiting energy consumption and minimising our impact on the climate. By adjusting floor thickness, operating system and other important aspects, we make the property resource efficient and lower operating costs. In our new production projects, environmental aspects are always a priority issue, particularly regarding selections of materials and technologies. In Denmark, we install photovoltaic cells as standard in all newly produced properties and, in Sweden, we always build to the Miljöbyggnad Silver standard as a minimum.

Heimstaden Bostad strives for the electricity we purchase for our properties in all of our markets to be renewable and, when changing contracts, we work continuously to transition away from fossil energy sources. This work has progressed furthest in Sweden and Norway where we use only renewable electricity and link all newly produced and acquired properties to electricity contracts based on proof of origin labelled hydroelectric power. In our sole property in Germany, the oil boiler will be converted to gas in 2020 and, in Norway, the last remaining oil boilers were taken out of operation in 2019, to be replaced by district heating.

Energy-related emissions per m² decreasing

The measures we implement yield results. In 2019, our total impact on the climate from energy consumption amounted to 24,700 tonnes CO₂e¹⁾ (in 2018, 23,700 tonnes CO₂e). The increase compared with the preceding year was mainly due to an increased number of properties in our portfolio. Despite no energy efficiency improvements yet being made in most of the properties acquired in 2019, we reduced our energy consumption per square metre overall compared with the preceding year.

Energy use decreased by 5 percent per square metre and our energy-related carbon dioxide emissions decreased by about 0.6 kg CO₂e per square metre. Heating use is dependent on three factors: energy efficiency enhancements, energy performance in properties acquired during the year and demand for heating due to the weather in the year concerned.

¹⁾ Carbon dioxide calculations for energy consumption in 2019 were based on the CO₂e factors from 2018 for each energy supplier. For the properties in the Netherlands, and partly in Denmark, energy consumption figures for 2018 are presented, since data for 2019 were not available when producing the Annual Report. For purchased renewable electricity, the carbon dioxide load has been set to zero, that is, the total lifecycle of the production of this electricity is not included in this figure.



Optimised heating cuts costs

Sweden is the country in which our energy efficiency efforts have progressed furthest. Our operational experts inspect all new properties to identify the individual challenges and characteristics of the buildings. Experience shows that we can often reduce heating use by 5-10 percent simply by setting appropriate temperatures and flows, and by installing and using modern control systems. In addition, we optimise fans, install new digital sensors and monitor the performance of the properties during different seasons. At the Wachtmeister Galleria in Karlskrona, we have implemented energy efficiency measures and investments for ventilation and heating, thus reducing heating consumption by 20 percent over four years, without compromising our tenants' comfort. In the Flogsta district of Uppsala, our student accommodation has been equipped with photovoltaic cells that cover 5–10 percent of the total use of electricity in the complete area of 2,000 apartments. In total, the efficiency improvements have caused the value of our portfolio to increase by about SEK69 million and cost savings of SEK 3.5 million.





*heimgjort**

Since the end of 2016, our Heimgjort initiative has fostered employees' ideas and suggestions in a structured manner. This involves all manner of proposals, both large and small – from installing defibrillators in our offices to opportunities for customers to borrow toolboxes. Heimgjort brings ideas to life that benefit our society, our customers and our working environment.



Heimstaden

Well-balanced capital structure

Owning, managing and developing residential properties requires a stable and favourable access to borrowed capital. We safeguard the availability of borrowed capital on attractive terms through a well-diversified financing structure, a high-quality property portfolio and stable cash flows.

>100.000

Heimstaden Bostad has more than 100,000 paying customers distributed between six countries.

Of our property portfolio, residential properties account for 91 percent of the total lettable area. The real occupancy rate for our existing residential units was 97.6 percent at the end of the year. Furthermore, 57 percent of the cash flow is generated from apartments with regulated rental lease contracts, entailing minimal risk for negative future rent adjustments. The portfolio is therefore characterised by an extremely stable short and long-term operational cash flow, with the risk spread between some 100,000 paying customers distributed between six countries. This security of cash flow make residential properties attractive for credit providers as a basis for lending. The assets' physical location is another important part of a lender's assessment of the credit risk. We mainly own centrally located residential properties in strong growth regions in macroeconomically stable countries, which further lowers the asset and payment risk for lenders.

Policies

Our financial policy is determined by the Board of Directors and reviewed annually. It serves as a framework for the handling of the company's financial risks (essentially consisting of liquidity,

refinancing and interest rate risks) without limiting the company's commercial opportunities. The company's short and long-term supply of capital must be ensured by adapting the financial strategy to the company's operations and in accordance with the conditions offered by the property market and developments in the capital market. Read more about opportunities and risks in financing on page 83.

Choice of capital structure

The choice of capital structure (i.e. the relationship between equity and borrowed capital) is of great importance to the operations. The availability of long-term capital is a prerequisite for us to successfully acquire, develop and own properties. Changes in capital structure affect the operations' financial risk and earnings capacity, meaning we are continuously and proactively working to ensure an appropriate structure. The objective is to engender favourable conditions for long-term confidence among creditors and investors in the capital market. At the end of the year, the value of our assets amounted to SEK 121,564 million, which was financed through SEK 57,548 million in equity and SEK 64,016 million in liabilities. Of the liabilities, SEK 58,746 million



CAPITAL STRUCTURE, 31 DEC. 2019



Ordinary share capital, 40%
 Hybrid bonds, 7%
 Deferred tax, 2%
 Bond, 15%
 Bank and mortgage loans, 33%
 Others, 3%

DISTRIBUTION OF
INTEREST-BEARING LIABILITIES


Bank loans, 35%
 Listed debenture loans, 31%
 Mortgages, 34%

PROPORTION OF SECURED FINANCING



Unsecured, 31%
 Secured, 69%

PERIOD FOR WHICH CAPITAL IS TIED UP

Years	Fixed interest, loans		Lines of credit	
	SEK m	Share, %	SEK m	Share, %
Within 1 year of the balance sheet date	5,137	9	–	–
Between 1–5 years of the balance sheet date	31,407	53	10,269	100
Later than 5 years from the balance sheet date	22,201	38	–	–
Total	58,746	100	10,269	100

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

10.5 years

was interest-bearing and SEK 5,270 million non-interest bearing, of which SEK 2,526 million was deferred tax. The loan to value (that is, net debt divided by total assets) amounted to 45 percent (52) and the equity/assets ratio was 47 percent.

Official credit rating

In December 2018, Heimstaden Bostad obtained an official credit rating of BBB– with a “stable outlook” by rating agency Standard & Poor’s (S&P). This credit rating corresponds to “investment grade” with reference to S&P’s rating scale below. The fact that Heimstaden Bostad is a company with an official credit rating has a significant impact on possibilities to raise capital. Above all, it acts as a stamp of quality for the company and should foster transparency and security for lenders and other stakeholders. It is hoped that this will entail further improved access to external capital at favourable prices. However, the rating agency’s criteria regarding key data and the ongoing management of the debt portfolio must be met on a continuous basis. In the autumn of 2019, S&P updated Heimstaden Bostad’s outlook for an improved credit rating to “Positive” (BBB–, Positive Outlook), and Heimstaden Bostad has also announced its target of improving the credit rating by two steps to BBB + during 2021. This will further strengthen the company’s credit quality and, accordingly, access to capital. S&P provides a more detailed description of its rating criteria on its website, www.standardandpoors.com

BBB–

In 2019, Standard & Poor’s rating of the subsidiary Heimstaden Bostad was improved to “Positive” (BBB–, positive outlook).

S&P		
Long-Term	Short-Term	Rating Description
AAA	A-1+	Prime
AA+		High Grade
AA		
AA-		
A+		
A	A-1	Upper Medium Grade
A-	A-2	
BBB+		
BBB		A-3
BBB-		
BB+	B	Non-Investment Grade Speculative
BB		
BB-		
B+		Highly Speculative
B		
B-		
CCC+	C	Substantial Risks
CCC+		
CCC-		Extremely Speculative
CC		
C		Default Imminent
RD	D	In Default
SD		
D		

Interest-bearing liabilities

At the end of the period, Heimstaden had interest-bearing liabilities of SEK 61,946 million (45,687). Of the interest-bearing liabilities, 69 percent were secured by property mortgages and 31 percent were not secured. Net debt (i.e. interest-bearing liabilities less cash and cash equivalents) increased by SEK 10,348 million, to SEK 51,259 million (40,911). In 2019, the Group’s borrowing, including currency effects, increased by SEK 16,259 million, primarily against the background of property acquisitions in Sweden, Denmark, the Netherlands and Germany. Of the interest-bearing liabilities, SEK 21,066 million (13,143) pertained to senior unsecured bonds, SEK 19,935 million (15,080) pertained to financing based on mortgage bonds and SEK 20,945 million (17,464) pertained to asset backed bank loans. Confirmed but unutilised credit facilities at banks amounted to SEK 10,269 million (7,043) at the end of the year.

Debenture loans – Heimstaden Bostad AB

Since December 2018, when the company received its official credit rating, Heimstaden Bostad has established an EMTN programme, a framework with the possibility of issuing bonds for EUR 4.0 billion in Nordic currencies and EUR. In 2019, the company issued a bond in EUR equivalent to SEK 7.3 billion with a maturity of 4.5 years. The issued amount was used partly to repay secured bank financing and partly to finance new acquisitions during the year. Heimstaden Bostad has also issued hybrid capital of EUR 800 million. The hybrid is a bond with a perpetual maturity with the issuer’s first opportunity for redemption being in 2024 in this case. The hybrid is classified as equity under IFRS and as 50 percent equity and 50 percent liability according to S&P.

Deferred tax

Deferred tax, the net of deferred tax assets and deferred tax liabilities, amounted to SEK 2,526 million (1,356) at the end of the year, and was primarily attributable to investment properties.

Loan structure and financial risks

The need for external financing means that financial risks are a permanent element of ongoing operations, and annual surpluses may be affected by changes in both market interest rates and credit margins. Regulations and conditions in the credit market can change quickly, affecting both interest rate risk and the capacity to obtain and refinance credit. The Treasury group manages and controls the need for capital within the framework of our financial policy and taking the identified financial risks into account. Read more on page 48.

Fixed interest and interest rate sensitivity

The average interest rate for total borrowing, including derivatives, amounted to 1.9 percent (1.8), which was mainly a consequence

FIXED INTEREST

Years	Fixed interest, loans			Fixed interest incl. derivatives ¹⁾		
	SEK million	Share, %	Interest, incl. margin	SEK million	Share, %	Interest, incl. margin
Within 1 year of the balance sheet date	48,452	82	1.5	17,901	30	2.2
Between 1-5 years of the balance sheet date	9,800	17	3.1	34,039	58	1.9
Later than 5 years from the balance sheet date	494	1	3.2	6,806	12	1.6
Total	58,746	100	1.8	58,746	100	1.9

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

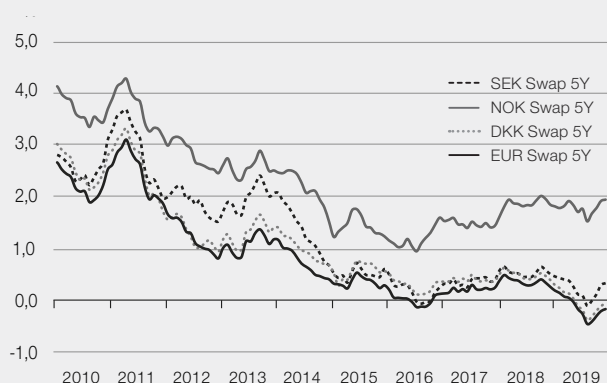
The average remaining term of fixed interest in the loan portfolio, excluding derivatives, amounts to:

0.74 years

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

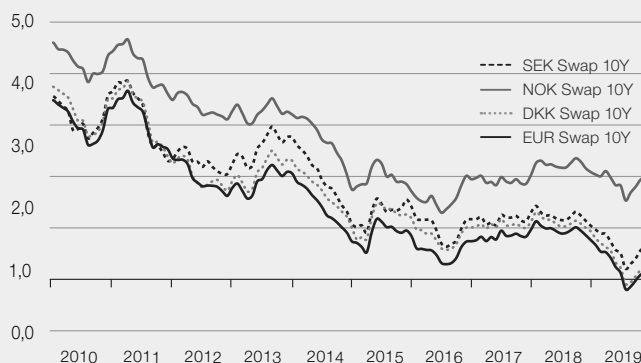
2.68 years

5Y SWAP INTEREST RATES, %



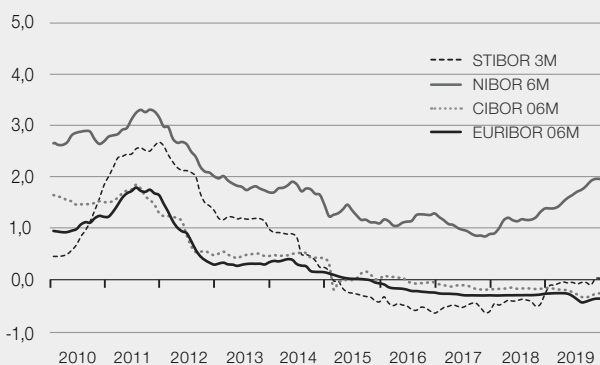
Source: Bloomberg

10Y SWAP INTEREST RATES, %



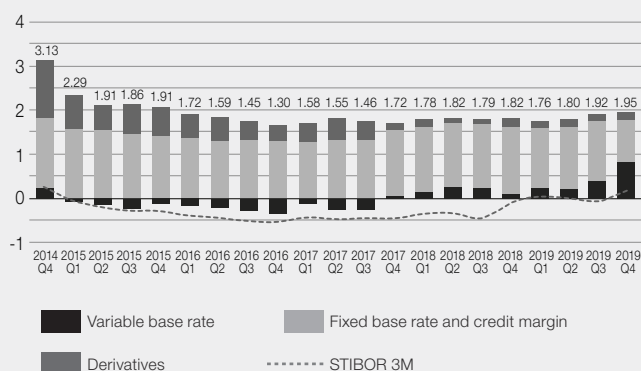
Source: Bloomberg

SHORT-TERM MARKET INTEREST RATES, %



Source: Bloomberg

AVERAGE INTEREST, %





of a rising trend in the underlying base rates. At the end of the year, about 30 percent (40) of the portfolio had a period of fixed interest shorter than 12 months. All else being equal, an increase in market interest rates by 1 percent would increase Heimstaden's interest expenses by approximately SEK 147 million (152). A decrease in market interest rates by 1 percent would decrease interest costs by approximately SEK 27 million (24). The difference in sensitivity is explained by the fact that several credit agreements include interest rate floor clauses that limit rate fluctuations on the downside by, for example, preventing the base rate from being negative, while the cost of outstanding and purchased interest rate derivatives may increase with negative market rates.

Interest rate risk management

To manage interest rate risk, Heimstaden uses both fixed interest rate loans and interest rate derivatives, predominantly traditional interest rate swaps. Fixed-interest loans are reported at nominal value while derivatives are reported on an ongoing basis at fair value in the balance sheet and with changes in value in the income statement. At the end of the year, the change in the value of interest rate derivatives amounted to SEK 39 million (11) and the market value was a negative SEK 65 million (positive 18).

Currency

At the end of 2019, Heimstaden owned properties in Denmark valued at SEK 34,645 million (20,927), properties in Norway valued at SEK 17,372 million (15,521), properties in the Netherlands valued at SEK 17,781 million (0) and properties in Germany valued at SEK 2,292 million (0), entailing currency risks. The currency arises in the Group's net assets (that is, the difference between assets and liabilities in each currency (DKK, NOK and EUR), when the foreign companies' balance sheets are consolidated. No hedging is performed for this currency risk. Heimstaden also holds debenture loans in EUR that are partly hedged against SEK through swaps.

Equity

Equity amounted to SEK 57,548 million (31,925) and the equity/assets ratio was 47 percent (42). The change during the period is attributable to profit, new share issues and dividends. Over the past year, Heimstaden Bostad AB implemented several new share issues for a total SEK 17,167 million (of which SEK 8,523 million as a hybrid issue).

» Through a well-diversified financing structure, as well as a high-quality property portfolio generating stable cash flows, we safeguard future availability of capital on favourable terms.«



Active work on risk exposure

A crucial part of a fast growing business is the ability to be able to identify, assess and manage the impact of various risks on the operations and hence on its earnings trend and financial position. We work actively on the Group's risk exposure with clear internal processes. For the risks identified, the Board of Directors and management have prepared guidelines, instructions and delegated areas of responsibility that have been followed up on a regular basis. Risk management should help achieve a solid balance between limiting the identified risk and opportunities for the operations to achieve their set objectives.

EXTERNAL

Risk	Management
GEOGRAPHICAL RISKS Geographically, we have a well-diversified property portfolio with properties across Norway, Sweden, Denmark, the Netherlands and Germany. Demand for residential properties and rented housing may decline in the markets in which we operate.	We consistently monitor the fundamentals of the markets, where we operate in, covering macroeconomic conditions, demographics, socioeconomic development, residential balances (supply/demand prospects), price development etc. We also perform an annual review of our property portfolio with regard to both geographical exposure and types of residential housing in it in order to ensure that it is aligned with our investment strategy, which is being continuously updated in order to accommodate the most attractive risk-adjusted returns.
RISKS RELATED TO ASSOCIATED COMPANIES AND SHAREHOLDER MATTERS IN SUBSIDIARIES THAT ARE NOT WHOLLY OWNED. Our property ownership consists mainly of ownership through participations in associated companies, and a large part of our operations is conducted through subsidiaries that we do not own 100 percent. According to governance documents in place of some of these companies, the non-controlling interests are entitled to have an influence in certain matters. From this, it follows that measures beyond our control and counteractive to our interests may adversely affect our ability to act as planned in these non-wholly-owned subsidiaries.	A good dialogue with other shareholders and active board work in jointly owned subsidiaries and associated companies ensure that we maintain continuous insight and control of our interests. Well-considered shareholder agreements safeguard rights and obligations in both directions, thereby reducing the risk. To further ensure impartiality and increase internal control, jointly owned subsidiaries have different auditors than the Parent Company
CHANGES IN THE VALUE OF PROPERTIES Our properties are reported at fair value in the Balance Sheet and changes in value are reported in the Income Statement. Both property-specific changes for the worse, such as lower rental levels and increased vacancy rates, as well as market-specific changes for the worse, such as higher yield requirements, may mean that we need to carry out negative adjustments of the fair value of the properties.	Of our property portfolio, housing accounts for 90 percent of the lettable area. The portfolio comprises a large number of properties with a good geographical spread over five different economies, and with the vast majority being centrally located in communities with strong supply/demand fundamentals. Our property valuations undergo strict internal quality assurance, while external valuations are performed at least once a year.
ACQUISITION RISKS, SALES RISKS AND OTHER TRANSACTION-RELATED RISKS All property transactions are associated with uncertainty and risks. In connection with property acquisitions, risks are associated with leases, differences of assessment between budgeted and actual costs, stricter environmental requirements, etc. Generally, only basic and specific warranties related to concrete issues observed during due diligence are provided by the seller, because property transactions are, to a large extent based on the principle of "in existing condition". Combined with warranties of limited duration, there is a risk that claims cannot be made in connection with faulty materials. Similarly, the reverse applies when Heimstaden divests properties.	In connection with an acquisition, a detailed analysis of the property and/or property company is performed to assess its current and long-term financial status, by conducting structural and basic analyses of the property and of current macro and micro conditions. All acquisitions include detailed review and evaluation processes prior to a decision being made to submit an indicative bid and, if this is successful, to then initiate due diligence to mitigate and assess the risks related to the specific transaction. Due diligence processes include legal, commercial, technical, financial and tax issues and are performed by a due diligence team consisting of both internal and external experts in each area. In connection with divestments, we focus on starting from "in existing condition", to mitigate as far as possible most of the risks by providing the buyer with access to complete information before the agreement is signed. We may also consider to take out a warranty and indemnity insurance cover to mitigate transaction risks, if that is considered meaningful in a given transaction.



Risk	Management
PROJECT RISKS Opportunities to carry out refurbishments, extensions or new construction are dependent on, for example, obtaining the necessary permits and official rulings. In addition, opportunities to implement these profitably can be influenced by demand and price changes in general or lack of planning, analysis and cost control, changes in taxes and fees, as well as delays or increased and unforeseen costs.	In relation to monitoring development projects, responsibility lies with experienced project managers, and the risks of delays and increases in costs are limited through detailed agreements with contractors and regular internal monitoring of budgets and time schedules. In general, there is great focus on passing on all construction-related cost risk to the contractors.
RISKS RELATED TO RENTAL LEVELS Determination of residential rents differs in the five markets in which we operate. In Denmark, rent levels on apartments constructed after 1991 are unregulated, and in Norway this applies to all apartments. In the Swedish rental market for housing, rent levels are determined according to the principle of "utility value". Rental negotiations are normally conducted between property owners, or associations thereof, and the Swedish Union of Tenants. If the property owner and the Swedish Union of Tenants cannot agree on the rent level, the regional rent tribunal may be called upon to determine the rent level. In Germany, the rental market is regulated. In Berlin, rent levels are limited to at most 10 percent above the local rental index, the so-called 'Mietspiegel'. For existing tenants, rent can be increased by up to 15 percent over a three-year period. Implementation of new legislation, dubbed 'Mietendeckel' to be implemented in 2020, will result in a 5-year rental freeze and rental cap, effectively causing non- to limited regulation opportunities and a direct cap on passing and reletting rents according to a newly published rent table, setting the basis for the rental cap. In the Netherlands, some 70 percent of the rental market is regulated. An official scoring system determines maximum allowed rent, taking, for example, property valuation, facilities and location into account. If a residential unit does not achieve a pre-set scoring threshold, the rent is regulated, but if it exceeds the threshold, the rent level is not regulated and free market rent can be charged.	In Denmark and Norway, we monitor the rental market for different properties and locations closely to be able to optimize rents. In Sweden, we maintain a close and ongoing dialogue with the Swedish Union of Tenants to ensure appropriate rent levels. We negotiate all rents with the Swedish Union of Tenants ourselves and our negotiators have often previously worked for the Swedish Union of Tenants. In Germany and the Netherlands, we monitor the market, observing what changes we can make to optimize rents, while cooperating with external property management companies that are familiar with local regulations, safeguarding our provision of good property management services (insourcing of property management in Germany and the Netherlands to begin during 2020). In all markets, we initiate information meetings in connection with larger renovation projects, and we conduct preliminary negotiations on rent levels in connection with improvements and new production, where appropriate.
RISKS RELATED TO THE CORONAVIRUS PANDEMIC The global spread of the Coronavirus leads to great uncertainty about the financial consequences for the markets in which Heimstaden operates. The assessment is that Heimstaden as a housing company is affected to a relatively limited extent in the short term, but that the company may lose rental income from commercial tenants. These account for about 9 percent of the total lettable area. High absence due to illness among our own employees or suppliers could delay maintenance or new production and lead to extra costs.	We follow the recommendations made by the authorities in the markets where Heimstaden operates. We take steps to minimize the risk of infection between our employees and between our employees and our customers. Heimstaden's ambition is to help our customers as far as possible, so that they can continue their businesses in which they have invested so much of their lives. We follow developments in the financial markets to minimize our risk and assess that Heimstaden's financial position is strong. Nevertheless, there is considerable uncertainty linked to the duration of the ongoing pandemic and what final impact it will have for Heimstaden's customers and markets. The Board of Directors and management of Heimstaden therefore follow the situation closely and are prepared to implement operational measures to lower costs and secure the company's financial position depending on how the situation develops.

SUSTAINABILITY

Risk	Management
INDEMNITY RISKS All ownership entails responsibility. In Heimstaden's case, properties could be destroyed by fire, or suffer water damage, theft or other damage. In addition, through the negligence, Heimstaden could cause injury to a person, damage the property of another or cause environmental damage for which the company is found liable.	We work preventively to minimise the risk of personal injury or damage to property or the environment. We have full-value insurance for all of our properties, as well as insurance cover for liability and property damage. We perform continuous inventories of existing portfolio and, in connection with acquisitions, to identify and address environmental and health risks. We have special fire regulations within the framework of our property management in all five countries.
ENVIRONMENTAL AND CLIMATE ISSUES Existing properties, newly constructed properties and properties under demolition all have a considerable impact on the environment and climate. Increased requirements from public authorities, investors, tenants and other stakeholders impose rigorous demands on an organisation and demand an approach able to cope with the challenges in these areas.	We do not conduct out any operations requiring permits under the Environmental Code (1998:808). However, there may be, or have been, customers in the properties that we directly or indirectly own, who are conducting or have conducted operations that require or would have required special permits in accordance with the Environmental Code. Heimstaden is highly ambitious with regard to sustainability and works actively on a number of measures to reduce its negative impact on the environment and climate. The work is based on our environmental policy, which was revised during 2018, at which time, we also conducted a specific risk analysis regarding the entire area of sustainability. In 2019, we have established a group-wide sustainability strategy including environmental and climate targets. In connection with the acquisition of a property, an assessment is made of the building's environmental and energy performance. We work actively to reduce our energy consumption and our Sustainability chapter on pages 56–71 and 144–159 reports our measures in this area. All new production in Sweden is to meet the Sweden Green Building Council's Silver standard. We also impose environmental requirements on our suppliers and contractors and have further developed these requirements during 2019. We closely monitor legal developments regarding the environment and climate.
CLIMATE CHANGE Global climate change is resulting in rising temperatures, extreme weather conditions with intense downpours and storms, as well as rising water levels. For real estate companies, this may entail risks of, for example, damage to buildings as a consequence of flooding and of construction materials being unable to cope with the stresses that a changed climate involves.	Heimstaden is working continuously to reduce our climate impact and, in 2019, we set ourselves the target of conducting fossil-free operations by 2030 (this target is currently under review and will be different in different markets) and of reducing by 10 percent the amount of energy we purchase (in comparable portfolio) by 2023. Heimstaden has commenced a process to identify the risks that a changed climate entails for us as company, our properties and our customers. We monitor research in the area and, together with Lund University, we will conduct student projects with the aim of developing effective tools to support our continued work on climate-related risks.
BUSINESS ETHICAL RISKS As a social partner, Heimstaden collaborates with a number of stakeholders (colleagues, customers, shareholders, partners, suppliers and contractors, etc.). We have broad customer and supplier bases. Many participants are involved within the framework of the operations and services/products are procured through subcontractors at several levels. Despite imposing requirements in procurement, it is difficult to gain an overview of the extended supply chain and there is a risk of activities occurring that violate Heimstaden's values, Code of Conduct and that infringe on human rights or involve corruption. There is also a risk that employees will violate the Code of Conduct in their contacts with colleagues, customers and other actors.	Heimstaden applies high ethical standards and integrity in its operations and we do not tolerate any form of corruption, bribery, fraud, threats or unsound employment contracts. We have implemented codes of conduct for employees and partners as well as a whistleblower function where employees and external actors can submit a report anonymously. In 2019, the following measures and activities were implemented: A Group-wide initiative in the form of a Culture and Values workshop. The first workshop was held in the Netherlands and the initiative will continue to be rolled out in other countries; Translated the codes of conduct into local languages; Employed a Group-wide purchasing manager to further strengthen the work with various partners. Work has begun on developing clearer guidelines for the company's purchases, based on business ethics, human rights and working conditions, working environment and environment and climate.



PROPERTY MANAGEMENT

Risk	Management
RENTAL INCOME AND RENT DEVELOPMENT If letting ratios or leasing levels fall, our earnings will be adversely affected. We are also dependent on customers paying agreed rents on time and otherwise meeting their obligations.	Each year some 90 percent of the Group's total rental income stems from housing/garages and 10 percent from commercial space. In the markets where we operate, there is currently strong demand for housing, while supply is lagging or stands at non-affordable price points, entailing low vacancies and safe income flows for our properties. The letting ratio excl. apartments under refurbishment amounted to 99.1 percent at the end of the year.
PROPERTY AND MAINTENANCE COSTS Property costs consist mainly of costs, such as property taxes, caretakers, electricity, cleaning, property Insurance, water and heating costs. Changes in property taxes and utility prices as well as consumption affect our operating costs. Maintenance costs relate to measures taken in order to ensure a prudent long-term state of repair for our portfolio.	All property cost items are scrutinized in detail in order to assess optimization potential, being all from smart investments in energy efficiency measures, such as LED lightening, to negotiation of master agreements for snow removal and property insurances. We are working with long-term maintenance plans in order to keep our portfolio in a good state of repair and allow for stable maintenance costs.
TECHNICAL RISK Technical risk refers to risks associated with the technical operation of properties, including risks for design and installation errors, other hidden errors and deficiencies, damage and pollution.	In both acquisitions and the ongoing management of our existing portfolio, a technical review of the properties is performed. This includes a careful review of the physical state of repair for each property, such as the windows, roofs, doors, plumbing, ventilation, waste management, supporting structure and façade.

FINANCING

Risk	Management
CREDIT AND COUNTERPARTY RISK We are exposed to the risk that counterparties cannot meet their obligations to Heimstaden. We are also exposed to credit risks in the financial operations, in the investment of liquidity surpluses and the signing of credit agreements.	Since we primarily invest in residential properties where rent is paid in advance, a large part of the potential credit risk associated with many customers is eliminated. In addition, we regularly assess the creditworthiness of our suppliers and financial counterparties to ensure that this is satisfactory.
INTEREST-RATE RISK Interest costs are one of Heimstaden's largest cost items. Interest rate risk refers to the risk that changes in market interest rates will affect borrowing expenses. Interest costs are mainly affected by the level of current market interest rates and the banks' margins, as well as the chosen strategy for fixing the interest on borrowed capital.	Fixed interest terms are determined on an ongoing basis in accordance with the current financial policy. Primarily interest rate derivatives are used to achieve the terms of fixed interest and degree of interest rate hedging that we seek. We apply an internal interest rate hedging model that allows the degree of interest rate hedging and average terms of fixed interest to vary over time. As of December 31, 2019, the interest rate hedging may not be less than 50 percent at any time. As of March 31, 2020, the policy regarding interest rate hedging has been adjusted so that it may not fall below 75 percent at any given time. That is, Heimstaden has chosen to further reduce its exposure to interest rate risk.
REFINANCING AND FINANCING RISK Financing risk refers to the risk that funding cannot be obtained, can only be obtained to a certain extent, or can only be obtained on unfavourable terms for the Group. There is a corresponding risk when existing financing expires and is to be repaid, which is called refinancing risk.	We aim to control the period for which capital is tied up over the years. At the end of the year, the average maturity of the loan portfolio was 10.4 years (8.1). To minimise financing risk, it is important to work with several reliable funding sources and not to be overly dependent on individual counterparties. At the end of 2019, Heimstaden Bostad had loans from 19 different lenders in five countries, five listed bonds and one listed hybrid bond.
CHANGES IN VALUES OF DERIVATIVES Changes in the value of Heimstaden's interest rate or currency derivatives arise in connection with changes in market interest rate or the exchange rate ratios SEK/DKK, SEK/NOK or SEK/EUR.	Our finance policy determines which derivative instruments may be used. We only use interest rate hedging instruments that can be sold, meaning that quoted prices can be obtained. With regard to both currency derivatives and interest-rate derivatives, continuous reconciliation between internal and external valuations is performed.
FINANCIAL OBLIGATIONS Some of the loan agreements bear financial commitments, and the Group has also posted collateral and provided guarantees for some of the loans. If we were to violate any of these commitments in the loan agreements, it could lead to the termination of the loan or loans with payment required immediately or the relevant creditor claiming the secured assets.	Our financial policy regulates our risk mandate for credit institutions and capital markets. We also have a compliance function with competent and experienced personnel to ensure, on an ongoing basis, that we follow up on the commitments included in our loan agreements. The external audit also ensures that the information reported is accurate.
UNCERTAINTY IN THE FINANCIAL MARKETS OR TIGHTENING REGULATION OF BANKS If there is an increased uncertainty in the financial market, or if regulation makes bank lending more expensive or scarce, it would be more expensive to carry out our business and growth strategy. Since we intend to raise additional debt from the capital markets, we are exposed to future adverse changes in those markets.	We conduct continual discussions with banks and credit institutions aimed at securing its long-term financing. We also ensure that we have diversified debt portfolio, which may include (but is not limited to) bank debt, mortgage loans and capital market instruments. The financial policy stipulates limitations in regards of dependence of individual lenders and maturity in individual years to ensure that we are not too dependent of certain banks or market environments.
RISKS RELATED TO OUR CREDIT RATING Heimstaden is dependent on obtaining its expected long-term credit rating to pursue its financing strategy. We have a credit rating of BBB– (outlook positive) issued by S&P, which in the case of a downgrade would make it more difficult for us to issue unsecured bonds and notes. There is also a risk that S&P may change its methodology or its application for rating securities which may hinder us from maintaining or increasing our credit rating.	Our financial policy is set at more strict levels than the guidelines given by the credit rating agency. A lot of weight is given on ensuring that we maintain and improves our credit rating over time to increase the probability that the debt capital market investors finds Heimstaden an attractive investment at favourable terms. We are also always in contact with the rating agency to assure that we fully understand their methodology to be well prepared for eventual changes.

EMPLOYEES

Risk	Management
DEPENDENCE ON KEY INDIVIDUALS AND OTHER EMPLOYEES Heimstaden Bostad contracts in all property management personnel from Heimstaden AB, which renders us particularly dependent on key individuals, including senior executives and people with specialist skills. These key individuals are important for the successful development of the operations. If key individuals leave Heimstaden Bostad, this could have a negative impact on the operations. To mitigate this risk, we work with succession planning and cooperate closely with Heimstaden AB to ensure that personnel enjoy their work and prosper.	We work actively to recruit and retain talented employees by being an attractive and long-term employer. We share our core values with Heimstaden AB, which affords us support for an open and transparent working climate that allows scope for innovation and initiative. These core values engender commitment throughout the organisation. We also work with ongoing competence and leadership development and with compensation and incentives at competitive levels.
WORKING ENVIRONMENT Heimstaden's employees are exposed to occupational health risks of various kinds. In the property management operations, these consist of risks of physical stress and risks related to psychosocial factors, including threats/harassment, particularly in socio-economically challenged geographic areas. At headquarters and at other offices, psychosocial risks predominate, such as stress, although there is also a risk of ergonomic issues. We are dependent on Heimstaden AB's employees being able to provide a warm reception and good service to our customers. Highly contagious diseases risking high rates of absence due to illness can render parts of the operations vulnerable.	There are several working environment groups within Heimstaden and appointed Health and Safety Officers. Working environment issues are discussed and addressed on an ongoing basis in the weekly meetings between managers and employees in the operations. Proposed improvements and recommended actions are identified and can quickly be implemented where needed. At the regional level, there are working environment groups consisting of Property Managers, Administrators and Health and Safety Officers. These groups meet four times a year. Property Managers and Chiefs of Staff then meet with HR and the CEO twice annually (in June and December). At the December meeting, a review/summary of the year is presented. A action plan for the following year is set out. In 2019, we launched a process and tool for reporting injuries and incidents. The tool used for our monthly surveys of employee well-being has been implemented in all countries where we have operations in 2019. The results are presented and discussed monthly in the company's various teams. We also conduct other occupational health and safety surveys as required by law or in each country where we conduct operations. In 2019, we also implemented our Whistleblowing process in all countries with operations. A decision has been made to introduce, during 2020, monthly training opportunities for managers, at which we will address various current topics. During 2020, one such opportunity will consider how we can improve at applying effective rehabilitation measures earlier to return ill employees to work more quickly. In cases of infection/contagion, we respond quickly by putting together teams to monitor developments and issue internal recommendations and information.

SENSITIVITY ANALYSIS

Rental income	+/-1 percent	Effect SEK +43/-43 million
Property costs	+/-1 percent	Effect SEK +19/-19 million
Interest rate level, liabilities	+/-1 percent	Effect SEK +147/-27 million

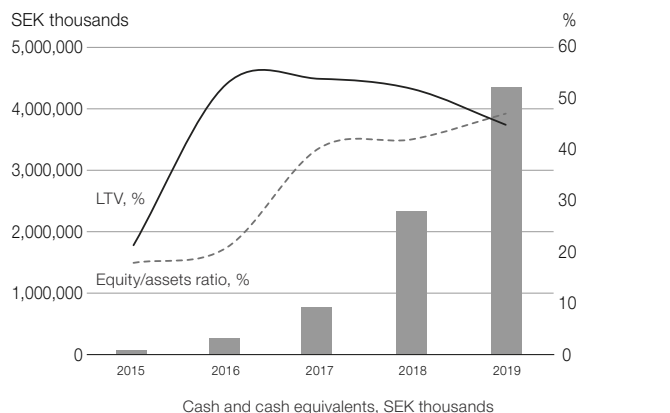
SENSITIVITY ANALYSIS – VALUE CHANGE, PROPERTIES

	+/-5 percent	+/-10 percent	+/-20 percent
Equity, SEK	62,082/53,015 million	66,615/48,482 million	75,681/39,415 million
Equity /assets ratio	49% / 46%	50% / 44%	52% / 40%
LTV	42% / 46%	40% / 48%	37% / 54%

POLICIES

	Policy	31 Dec 2019	Listing
Interest coverage ratio (multiple, rolling 12 months)	≥ 1.5	2.5	
Equity/assets ratio (percent)	≥ 30	47	
Capital tied up (months)	≥ 15	125	
Loan maturity (percentage in individual year)	≤ 40	16	(2021)
Limitation, individual lenders (percent)	≤ 40	14	(ABN Amro)
Fixed interest (years)	N/A	2.68	
Interest rate hedge (percent)	≥ 50	69	
Loan-to-value ratio (percent)	45 – 55	45	
Quick ratio (percent)*	* ≥125	197	

FINANCIAL STABILITY

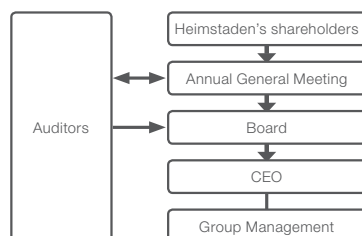




Corporate governance and internal control

Good corporate governance is an important feature of Heimstaden Bostad's corporate culture and the Group's values. The purpose is to support Board of Directors and the management team in their efforts to increase customer benefit, and to provide value and transparency for shareholders.

Heimstaden Bostad AB (publ) is a public limited liability company with its registered office in Malmö, with corporate bonds listed on Euronext Dublin and the Oslo Stock Exchange. Heimstaden Bostad applies the Annual Accounts Act's rules for corporate governance and hereby submits its Corporate Governance Report for 2019.



The responsibility for management and control of Heimstaden is distributed between the shareholders, the Board of Directors and the CEO.

The basis for corporate governance in Heimstaden Bostad

The objective of the company's operations is to own, develop and manage properties and property-owning companies, therewith compatible operations. The overarching assignment from the owner is to generate a high return that is stable in the long term. This requires good corporate governance, according to which responsibilities are clearly distributed between the owner, the Board of Directors and management. Heimstaden does not apply the Swedish Code of Corporate Governance since the company

considers this to counteract the company's interest in having an active and operational majority shareholder. Because the majority shareholder, Heimstaden AB, is operationally active within the Group and a shareholder agreement between the parties regulates the decision-making framework, control of the company is enhanced, costs are reduced and decisions can be reached more efficiently.

A nomination committee in accordance with the Code would reduce the shareholder's transparency and control over the company, as well as contributing to increased costs. Furthermore, proposals from members are addressed directly at the Annual General Meeting, which all shareholders have the opportunity to attend.

Heimstaden Bostad is working to achieve a balanced mix in terms of ethnicity, age and gender in its operations. Diversity in the company's is addressed in two different policy documents, "Equal rights and opportunities", and "Discrimination and offensive treatment", adopted in May 2015, and affirming that diversity represents a strength for the Group. Improved diversity and inclusion have the potential to further advance Heimstaden Bostad's development and profit, both at team level and individually. See further page 54. The company follows the Group's policies on diversity in the composition of the Board of Directors.

Ownership

All ordinary shares in Heimstaden Bostad AB are held by Heimstaden Investment AB, Alecta Pensionsförsäkring, Folksam,

Board year 2019



Sandviks Pensionsstiftelse i Sverige, Ericssons Pensionsstiftelse, Patrik Hall and Magnus Nordholm. These shares convey 0.5 votes and one participation per share and, on the balance sheet date, totalled 6,076,556 in number, with a quota value of SEK 1.58 each, totalling SEK 9,612,491 in ordinary share capital.

The Company also has preference shares in two series, Series A and Series B. The preference shares convey one tenth of a vote and one participation each, totalling 18,369,724 in number on the balance sheet date and with a quota value of SEK 1.58, totalling SEK 29,058,712 in preference capital.

Annual General Meeting

The Annual General Meeting is the company's highest decision-making body and is where shareholders exercise their right of decision in the company's affairs.

The Annual General Meeting makes decisions regarding changes to the Articles of Association and regarding changes in equity. The Annual General Meeting appoints the Board of Directors and the auditors for the company. An Extraordinary General Meeting is held if so requested by the auditor or holders of at least one tenth of all shares, or if the Board of Directors considers there to be due cause. The 2019 Annual General Meeting took place on 15 May 2019 in Copenhagen, Denmark, which all shareholders agreed to. Six shareholders participated at the Meeting, in person or by proxy. These represented 100 percent of the total votes. Fredrik Palm was elected chairman of the Meeting.

Decisions by the 2019 Annual General Meeting

Among other things, the Meeting decided:

- In accordance with the proposal by the Board of Directors and the CEO, dividends of SEK 1,268,663.32 per Series A preference share, SEK 2,885.41 per Series B preference share of number 1 914 005-1 981 714, SEK 2,885.41 per Series B preference share of number 2 401 286 - 2 419 175 and SEK 3,863.73 per other Series B share are to be paid to the holders of preference shares and a dividend of SEK 0 per ordinary share is to be paid to the holder of ordinary shares.
- Discharge from liability for the Board of Directors and the CEO for the preceding financial year. Re-election of Magnus Nordholm, Fredrik Palm, Ramsey Brufer and Stefan Attefall as Board members.
- Re-election of the Chairman of the Board.
- Election of auditor.
- Determination of remuneration to the Board of Directors and auditors.

2020 Annual General Meeting

Heimstaden Bostad's Annual General Meeting will be held on 13 May 2020 in Malmö, Sweden.

Board of Directors

The overall task of the Board of Directors is to assume responsibility for organising and managing the operations, and for the financial reporting. The Board of Directors is also responsible for setting up systems for governance, internal control and risk management. The Board of Directors' work and responsibilities, and the delineation of these in relation to the work and responsibilities of the CEO are regulated by the rules of procedure and the instructions to the CEO determined by the annual statutory meeting of the Board of Directors. At Board meetings, matters of vital importance to the company are discussed, such as the adoption of a business plan for the upcoming financial year, the financial policy and policies for the governance of operations and internal control, the work of the Board of Directors and instructions for the CEO, purchasing and issues relating to property sales and financing. The Board of Directors is also informed of the current business situation in the property and credit markets. During the year, the Board of Directors held 26 meetings, of which 12 were physical and 24 per capsulam.

In accordance with the Articles of Association, the Board of Directors shall consist of at least three and at most fifteen members. Board Members are elected annually at the Annual General Meeting for the period up to the end of the following Annual General Meeting.

Composition of the Board of Directors in 2019

In 2019, Heimstaden Board's Board of Directors consisted of four members elected by the Annual General Meeting, excluding the CEO. During the year Fredrik Palm resigned from the Board of Directors and four new members were added in October. Other employees in the Group participate in Board meetings as necessary, reporting on specific matters. For further information about the Board Members, see page 78.

Chairman of the Board

The Chairman of the Board shall lead and control the Board's work and is responsible for the work of the Board being well organised and conducted efficiently, and that the Board meets its commitments. The Chairman monitors operations in dialogue with the CEO and is responsible for the other Board Members receiving the information and documentation necessary for a high of quality in discussions and decision-making, as well as verifying that the Board's decisions are implemented.

Board independence

The Board's assessment, with regard to members' dependency in relation to Heimstaden Bostad and shareholders is presented on page 78. As stated there, three out of four Board Members are dependent in relation to Heimstaden Bostad's principal owner.

Audit Committee

The Board has not appointed an Audit Committee. Instead, the Board in its entirety bears this responsibility. Ongoing management is delegated to the Group's CFO, who reports to the Board of Directors.

Auditor

The Annual General Meeting appoints an auditor who examines the annual report, the accounting and the consolidated accounts, the administration by the Board of Directors and the CEO, as well as the annual accounts and the accounts of the subsidiaries, and issues an audit report. According to the Articles of Association, the Annual General Meeting shall appoint at least one and not more than two auditors.

Auditor in 2019

Heimstaden Bostad's auditors are authorised audit firm EY, with authorised public accountant Peter von Knorring as Auditor in Charge. EY was elected by the 2019 Annual General Meeting as Heimstaden's auditor for a period of one year.

Peter von Knorring

Authorised Public Accountant, Auditor in Charge
Ordinary auditor for Heimstaden Bostad since 2016.

CEO and Management

The Board of Directors appoints the CEO and annually sets instructions regulating the division of labour and responsibilities between the Board of Directors and the CEO. The CEO is responsible for the ongoing operations and for financial reporting and shall report to the Board of Directors on an ongoing basis on the company's development relative to established control documents. The CEO is assisted by a Group Management team consisting of the heads of the staff units.

Group management and senior executives 2019

At the end of 2019, Group Management consisted of six individuals. During 2019, Group Management held 11 meetings. The meetings are focused on the Group's strategic and operational development, and monitors performance. Beyond the Group management team, a further six individuals, senior executives, assist the CEO and Group management. For further information about Group Management, see page 80–81.

Internal control regarding financial reporting

The planning, governance and control of operations follows the organisational structure, with a clear delegation of responsibilities and authority. Business plans are prepared for both the Group as a whole and for the entities subordinate to the CEO.

Alongside policies, guidelines and instructions, business plans provide a framework for the governance and control of the operations. To ensure that the financial reporting provides, on all occasions, a true and fair view, the development of the operations is monitored in relation to this framework. Regular monitoring, combined with a close collaboration with the company's auditors, and the control and monitoring conducted through the annual audit are considered sufficient for the assessment of the Board and for effective internal control and risk management. Accordingly, a dedicated internal audit unit is not currently considered to be motivated.

REMUNERATION TO AUDITORS

Total, SEK million	2019	2018
EY		
Audit engagement	9	5
Auditing activities beyond the audit engagement	4	2
Tax consultancy	–	0
Other services	0	0
Total	12	7

Total, SEK million	2019	2018
Moore Stephens		
Audit engagement	3	2
Auditing activities beyond the audit engagement	0	0
Tax consultancy	–	–
Other services	–	–
Total	3	2

Board of Directors



FRANS HEIJBEL
PRINCIPAL OCCUPATION:
Head of International Real Assets, Alecta
BORN: 1977
ELECTED: 2020
POSITION ON THE BOARD:
Chairman of the Board
OWN HOLDINGS AND THOSE OF RELATED PARTIES:
None
DEPENDENT ON THE COMPANY'S PRINCIPAL SHAREHOLDERS: Dependent in relation to the Company's shareholders
ATTENDANCE AT BOARD MEETINGS:
15 of 36 meetings (elected in October)
NATIONALITY: Swedish



RAMSAY BRUFER
PRINCIPAL OCCUPATION:
Head of Corporate Governance, Alecta
BORN: 1959
ELECTED: 2018
POSITION ON THE BOARD: Board Member
OWN HOLDINGS AND THOSE OF RELATED PARTIES:
None
DEPENDENT ON THE COMPANY'S PRINCIPAL SHAREHOLDERS: Dependent in relation to the Company's shareholders
ATTENDANCE AT BOARD MEETINGS:
36 of 36 meetings
NATIONALITY: Swedish



MAGNUS NORDHOLM
PRINCIPAL OCCUPATION:
Dputy CEO Heimstaden
BORN: 1974
ELECTED: 2008
POSITION ON THE BOARD: Board Member
OWN HOLDINGS AND THOSE OF RELATED PARTIES:
5,080 ordinary shares
DEPENDENT ON THE COMPANY'S PRINCIPAL SHAREHOLDERS: Dependent in relation to the company's principal shareholder.
ATTENDANCE AT BOARD MEETINGS:
35 of 36 meetings
NATIONALITY: Swedish



STEFAN ATTEFALL
PRINCIPAL OCCUPATION:
Strategic adviser, operates through his own company Solidus AB
BORN: 1960
ELECTED: 2018
POSITION ON THE BOARD: Board Member
OWN HOLDINGS AND THOSE OF RELATED PARTIES:
None
DEPENDENT ON THE COMPANY'S PRINCIPAL SHAREHOLDERS: Independent in relation to the Company's shareholders
ATTENDANCE AT BOARD MEETINGS:
36 of 36 meetings
NATIONALITY: Swedish



JOHN GIVERHOLT

PRINCIPAL OCCUPATION: Chairman of the Board of Aktuarfirmaet Lillevold & Partners AS, Gammel Nok Holding AS and Ortomedic AS and Board Member in Awilhelmsen AS, Carucel Holding AS, Scatec Solar ASA, Aars AS, Ferd Sosiale Entreprenører AS and Gjensidige Forsikring ASA.

BORN: 1952

ELECTED: 2019

POSITION ON THE BOARD: Board Member

OWN HOLDINGS AND THOSE OF RELATED PARTIES: None

DEPENDENT ON THE COMPANY'S PRINCIPAL SHAREHOLDERS: No

ATTENDANCE AT BOARD MEETINGS: 9 of 36 meetings

NATIONALITY: Norwegian



ERIK GULLESTAD GLÆSEL

PRINCIPAL OCCUPATION: Director Investment Team Fredensborg AS

BORN: 1983

ELECTED: 2020

POSITION ON THE BOARD: Board Member

OWN HOLDINGS AND THOSE OF RELATED PARTIES: None

DEPENDENT ON THE COMPANY'S PRINCIPAL SHAREHOLDERS: Dependent in relation to the Company's shareholders

ATTENDANCE AT BOARD MEETINGS: 9 of 36 meetings

NATIONALITY: Norwegian



BIRGITTA STENMARK

PRINCIPAL OCCUPATION: Chief Alternative Investments, Folksam

BORN: 1960

ELECTED: 2020

POSITION ON THE BOARD: Board Member

OWN HOLDINGS AND THOSE OF RELATED PARTIES: None

DEPENDENT ON THE COMPANY'S PRINCIPAL SHAREHOLDERS: Dependent in relation to the Company's shareholders

ATTENDANCE AT BOARD MEETINGS: 0 of 36 meetings (elected 2020)

NATIONALITY: Swedish



KARMEN MANDIĆ

PRINCIPAL OCCUPATION: Chief Communications and Marketing Officer, Heimstaden AB

BORN: 1971

ELECTED: 2020

POSITION ON THE BOARD: Board Member

OWN HOLDINGS AND THOSE OF RELATED PARTIES: None

DEPENDENT ON THE COMPANY'S PRINCIPAL SHAREHOLDERS: Dependent in relation to the Company's shareholders

ATTENDANCE AT BOARD MEETINGS: 0 of 36 meetings (elected 2020)

NATIONALITY: Swedish



CHRISTER FRANZÉN

PRINCIPAL OCCUPATION: Chief Investment Officer Ericsson Pension fund

BORN: 1961

ELECTED: 2019

POSITION ON THE BOARD: Board Member

OWN HOLDINGS AND THOSE OF RELATED PARTIES: None

DEPENDENT ON THE COMPANY'S PRINCIPAL SHAREHOLDERS: Dependent in relation to the Company's shareholders

ATTENDANCE AT BOARD MEETINGS: 9 of 36 meetings

NATIONALITY: Swedish

Senior executive



PATRIK HALL
TITLE: CEO
BORN: 1965
EMPLOYED SINCE: 2001
IN CURRENT POSITION SINCE: 2003
EDUCATION: Swedish Military Academy, Skövde and Stockholm
PREVIOUS EXPERIENCE: Negotiation Manager, Swedish Union of Tenants, Professional military officer
HOLDINGS OF SHARES: 5,080 ordinary shares



ARVE REGLAND
TITLE: CFO
BORN: 1974
EMPLOYED SINCE: 2019
IN CURRENT POSITION SINCE: 2019
EDUCATION: Msc In Business Handels-høyskolen BI and MBA/Authorized Public Accountant Norges Handels-høyskole
PREVIOUS EXPERIENCE: CEO och CFO Entra ASA, Partner Corporate Finance ABG Sundal Collier, Manager EY
HOLDINGS OF SHARES: None



MAGNUS NORDHOLM
TITLE: Deputy CEO
BORN: 1974
EMPLOYED SINCE: 2008
IN CURRENT POSITION SINCE: 2018
EDUCATION: MBA, University of Gothenburg
PREVIOUS EXPERIENCE: Deputy Head of Nordic Real Estate Products & Head of Structured Real Estate Financing, HSH Nordbank AG. Business Manager, HSH N Nordic Finance AB
HOLDINGS OF SHARES: 5,080 ordinary shares



CATHRINE KLOUMAN
TITLE: CDO
BORN: 1962
EMPLOYED SINCE: 2020
IN CURRENT POSITION SINCE: 2020
EDUCATION: MSc in Business Administration from Norwegian School of Management. Leadership program from MIT Sloan School of Management
PREVIOUS EXPERIENCE: Chief Operating Officer at Intrum, Chief Digital Officer and IT Director at Møller Mobility Group and Chief Information Officer in DNB.
HOLDINGS OF SHARES: None



HELGE KROGSBØL
TITLE: COO and Acting Country Manager, Norway
BORN: 1968
EMPLOYED SINCE: 2018
IN CURRENT POSITION SINCE: 2018
EDUCATION: The Norwegian School of Marketing, Oslo
PREVIOUS EXPERIENCE: SVP, Pandox AB GM / RDO, Benelux Thon Hotels, MP Room2Room, VPO / CEO First Hotels
HOLDINGS OF SHARES: None



CHRISTIAN FLADELAND
TITLE: Chief Investment Officer
BORN: 1986
EMPLOYED SINCE: 2019
IN CURRENT POSITION SINCE: 2019
EDUCATION: M.Sc. Economics, Copenhagen University
PREVIOUS EXPERIENCE: Partner, Colliers International Denmark
HOLDINGS OF SHARES: None



KRISTIINA KUKKOHOVI
TITLE: CXO
BORN: 1972
EMPLOYED SINCE: 2020
IN CURRENT POSITION SINCE: 2020
EDUCATION: MSc (Marketing, Business) University of Jyväskylä, BBA Helsinki School of Economics
PREVIOUS EXPERIENCE: Director positions at Finnair, Tallink Silja Line, SAS/Blue1 and KILROY
HOLDINGS OF SHARES: None



SUZANNA MALMGREN
TITLE: Chief HR Officer
BORN: 1971
EMPLOYED SINCE: 2017
IN CURRENT POSITION SINCE: 2017
EDUCATION: B.Sc. Business Administration, Uppsala University
PREVIOUS EXPERIENCE: Partner, Alumni and Impact Executives
HOLDINGS OF SHARES: None



ANDERS THORSSON
TITLE: CPO
BORN: 1967
EMPLOYED SINCE: 2019
IN CURRENT POSITION SINCE: 2020
EDUCATION: Master of Science, Civil Engineering, Lund University
PREVIOUS EXPERIENCE: Strategic Sourcing Director Lindab, Commodity manager Traded Goods Lindab, Chief NCC Supply NCC AB, Chief NCC Purchasing Group Shanghai, various purchasing manager services within NCC.
HOLDINGS OF SHARES: 125



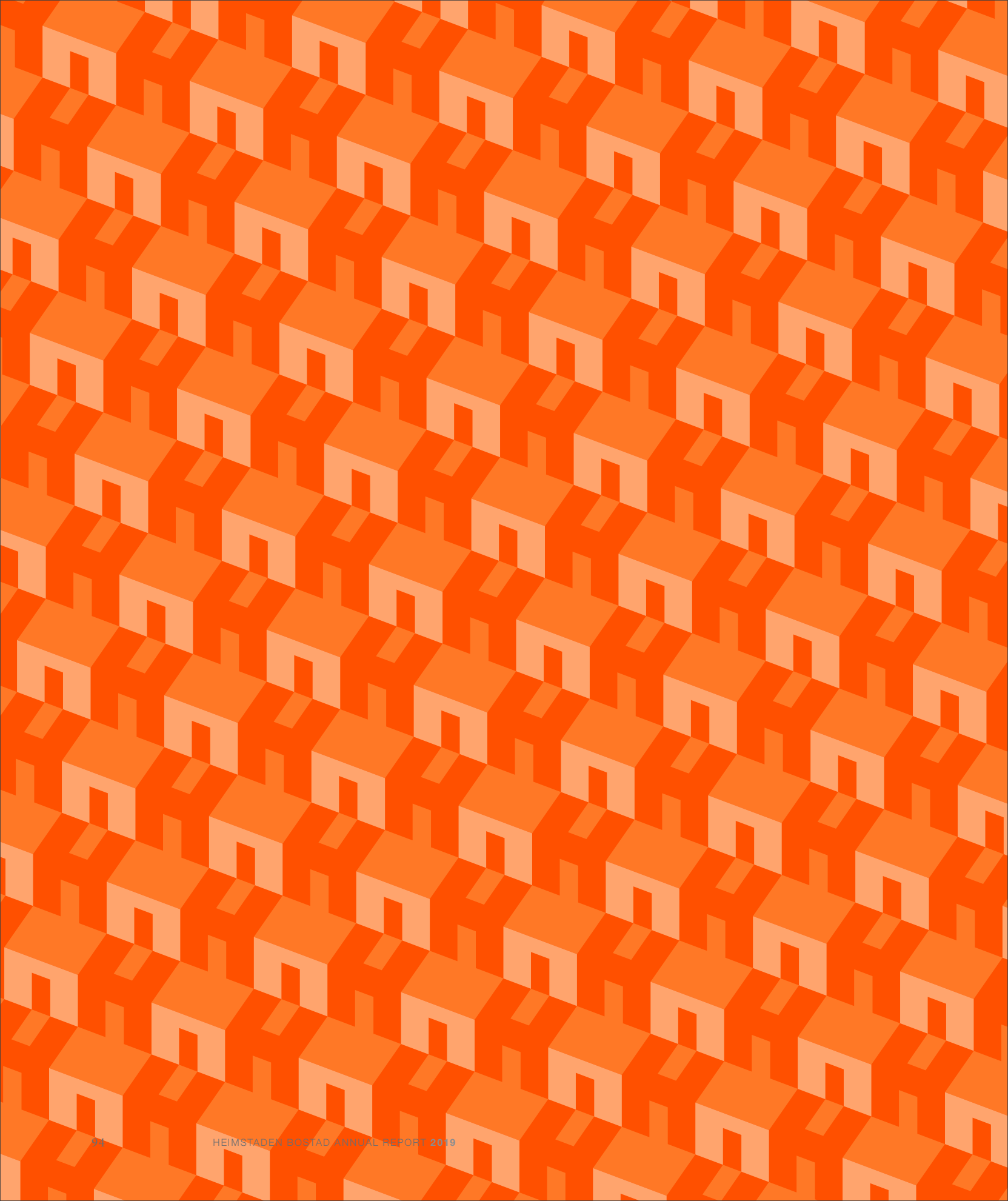
CHRISTIAN VAMMERVOLD DREYER
TITLE: CCO
BORN: 1974
EMPLOYED SINCE: 2020
IN CURRENT POSITION SINCE: 2020
EDUCATION: Economy and real estate n Handelshøyskolen BI
PREVIOUS EXPERIENCE: Chief of communication and public affairs, Fredensborg Group. CEO, Real Estate Norway. CEO, Eie Eiendomsmegling. Chariman of the Board, NEF. Owner and CEO, In-Vest Eiendomsmegling AS
HOLDINGS OF SHARES: None



KARMEN MANDIĆ
TITLE: Chief Communications and Marketing Officer
BORN: 1971
EMPLOYED SINCE: 2015
IN CURRENT POSITION SINCE: 2015
EDUCATION: B.Sc. Business Administration, Lund University
PREVIOUS EXPERIENCE: Global Director, Marketing and Communications, OctoFrost Group. Head of Global Brand Licensing Partnerships and Global Marketing Activation manager, Sony Mobile. Head of Marketing, Western Union.
HOLDINGS OF SHARES: None



KATARINA SKALARE
TITLE: Chief Sustainability Officer
BORN: 1963
EMPLOYED SINCE: 2018
IN CURRENT POSITION SINCE: 2018
EDUCATION: BA Social Science, Malmö University
PREVIOUS EXPERIENCE: Founder, Hållbart by Skalare. Sustainability strategist, Kraffringen. Manager, Sustainable Business Solutions, PwC. Head of Corporate Responsibility, E.ON Nordic. Senior Communications Manager, AstraZeneca.
HOLDINGS OF SHARES: None



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Consolidated Statements of Comprehensive Income

Amounts in SEK million	Note	2019	2018
Rental income	IC 2	4,321	3,231
Property costs	IC 3	-1,919	-1,480
Net operating income		2,403	1,751
Central administration costs	IC 4	-193	-140
Other operating income		11	14
Other operating costs		46	-14
Results from participations in associated companies		88	–
Profit before financial items		2,263	1,611
Financial income	F 6	35	26
Financial costs – interest-bearing subordinated shareholder loans	F 6	-923	-698
Other financial income	F 6	6	–
Other financial costs	F 6	-158	-101
Financial costs – right-of-use assets	A 2	-1	–
Exchange rate gains and losses		-241	203
Profit from property management		980	1,142
Value change, investment properties	IC 5	4,834	2,562
Value change, interest rate derivatives	F 4	39	11
Profit before tax		5,853	3,715
Current tax	T 1	-200	-135
Deferred tax	T 1	-1,193	-557
Profit for the year		4,460	3,023
Other comprehensive income		279	-442
Comprehensive income for the year		4,740	2,581
All profit is attributable to the Parent Company shareholders.			
<i>Data per ordinary share</i>			
Average number of shares		2,967,125	2,204,519
Profit, SEK		1,176	795
No dilution effect exists.			

Rental income

Rental income for the period amounted to SEK 4,321 million (3,231). This corresponds to a 34 percent increase. The increase in income is primarily attributable to property acquisitions in Denmark and the Netherlands. For the housing stocks, the average rental income was SEK 1,418 per square metre of time-weighted area (1,377). The increase was driven primarily by rent increases and the rent level per square metre being higher for acquisitions in Denmark compared with the average for the portfolio.

The letting ratio for housing was 97.6 percent (97.4) for the period. Adjusted for the intentionally vacated apartments, the real letting ratio was 99.1 percent (98.4).

Property costs

Total property costs amounted to SEK 1,919 million (1,480). The change is mainly attributable to an increased volume of properties. For the housing stocks, property costs averaged SEK 631 per square metre of time-weighted area (631).

Net operating income

Net operating income amounted to SEK 2,403 million (1,751) for the period, corresponding to an increase of 37 percent and surplus ratio of 55.6 percent (54.2). The higher surplus ratio is primarily attributable to acquisitions in Denmark and measures to optimise operations.

Central administration costs

Central administration costs amounted to SEK 193 million (140). The increase was mainly attributable to the growth of the organisation as a consequence of a larger property portfolio.

Financial costs – interest-bearing liabilities

Financial costs for the period amounted to SEK 923 million (698). The increase is mainly attributable to a larger loan portfolio as a consequence of a larger property portfolio. On the balance sheet date, the average interest rate on total borrowing, derivatives and charges for unutilised credits amounted to 1.9 percent (1.8). The increase is mainly explained by differences in the spread between bonds and bank loans, changes in underlying base interest rates and increased interest rate hedging. At the end of the period, Heimstaden Bostad's interest rate hedging ratio was 70 percent (55).

The rolling 12-month interest coverage ratio was 2.5 (2.7). The change is mainly attributable to a higher average interest rate and a higher loan-to-value ratio over the year. On 30th of August, a new share issue for SEK 3,000 million was implemented, with the proceeds partly being used to redeem loans with relatively high interest rates. This has yet to achieve full effect on the rolling 12-month interest coverage ratio.

The interest rates on approximately 30 percent (40) of the loan portfolio will change within a year. All other things being equal, a change in the base rate (Stibor, Cibor, Nibor, Euribor) by 1 percent, at any given time, would, adjusted for the interest rate hedges secured, increase Heimstaden Bostad's interest cost, by approximately SEK 147 million (152) annually in the event of an increase, and decrease it by approximately SEK 27 million (24) 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 pertain primarily to costs of a non-recurring nature related to new borrowings and redemption of loans.

Currency gains and losses

Currency gains and losses amounted to a net loss of SEK 241 million (gain 203) and relate primarily to unrealised exchange rate differences on cash and cash equivalents, and to receivables and liabilities in the Parent Company.

Profit from property management

Profit from property management was SEK 980 million (1,142). The lower profit is mainly attributable to unrealised exchange rate effects. Cleared of currency effects, profit from property management increases by approximately 30 percent.

Changes in the value of interest rate derivatives

In accordance with the established financial policy and interest rate hedging strategy, Heimstaden Bostad uses interest rate derivatives and basis swaps to manage the Group's interest rate and currency risks. The change in value related to changes in market interest rates during the period amounted to SEK 39 million (11). Currency effects related to currency hedging of the Parent Company's bonds are reported on the line Currency gains and losses.

Change in value of investment properties

The total change in value of properties in the income statement amounts to SEK 4,834m (2,562), of which SEK 4,834m (2,542) relates to unrealized change in value. This corresponds to a 4.4 percent increase in value over the year. All of Heimstaden Bostad's geographical segments developed positively over the year. The changes in value are primarily explained by a lower yield requirement in the existing stocks, as well as measures to optimise operations. The yield requirement in the valuation averaged 3.63 percent, which compares with 3.75 percent at the end of 2018. Cleared of the mix effect associated with the acquisition of the Dutch portfolio, the direct yield requirement was in line with the third quarter.

Tax

Current tax amounted to SEK -200 million (-135), which is mainly due to tax deductible depreciation and investments. Deferred tax amounted to SEK -1,193 million (-557) and was mainly affected by unrealized changes in value of properties, sales of properties and financial instruments.

The Group's fiscal deficit amounted to SEK 896 million (976) and forms the basis for the Group's deferred tax assets. The Group's deferred tax liability amounted to SEK 2,526 million (1,356), due to temporary differences mainly attributable to investment properties and financial instruments.

On January 1, 2019, the new tax rules, which include interest deduction restrictions, began to apply. The rules mean mainly reduced taxes from 22 percent to 20.6 percent, which is reflected in Heimstaden's comparative figures. For Heimstaden, the new rules mean an increased tax base while reducing the nominal tax rate. The tax paid is not expected to increase in the coming years due to the new rules.

Heimstaden has no ongoing tax disputes.

Other comprehensive income

Other comprehensive income consists of currency translation differences arising from the consolidation of the Group's foreign subsidiaries and amounted to SEK 279 million (loss 442).

Consolidated Statements of Financial Position

Amounts in SEK million	Note	2019	2018
ASSETS			
Non-current assets			
Investment properties	A 1	113,331	72,329
Leases, right-of-use assets	A 2	817	–
Participations in associated companies and joint ventures	GS 1	301	–
Financial derivative instruments	F 1	–	18
Other financial non-current assets	F 5	542	150
Total non-current assets		114,991	72,497
Current assets			
Development properties and tenant-owned apartments in progress	A 3	865	680
Accounts receivable	A 4	12	17
Other current receivables		1,058	575
Prepaid costs and accrued income	A 5	294	201
Cash and cash equivalents		4,345	2,313
Total current assets		6,573	3,786
TOTAL ASSETS		121,564	76,283

Investment properties

On the balance sheet date, Heimstaden Bostad's property portfolio had a market value of SEK 113,331 million, compared with SEK 72,329 million at the end of 2018. (see note A1 Investment properties) During the period, properties were acquired for a value of SEK 33,261 million. Of these investments, 60 percent were made in the new markets of the Netherlands and Germany, another 40 percent was invested in existing markets, primarily Denmark. Total unrealised changes in value for the period amounted to SEK 4,780 million (2,711). The remaining change in the carrying amount of the property portfolio comprised property sales, investments in existing stocks and exchange rate effects.

Other financial non-current assets

Other financial non-current assets consist primarily of participations in associated companies and receivables from them.

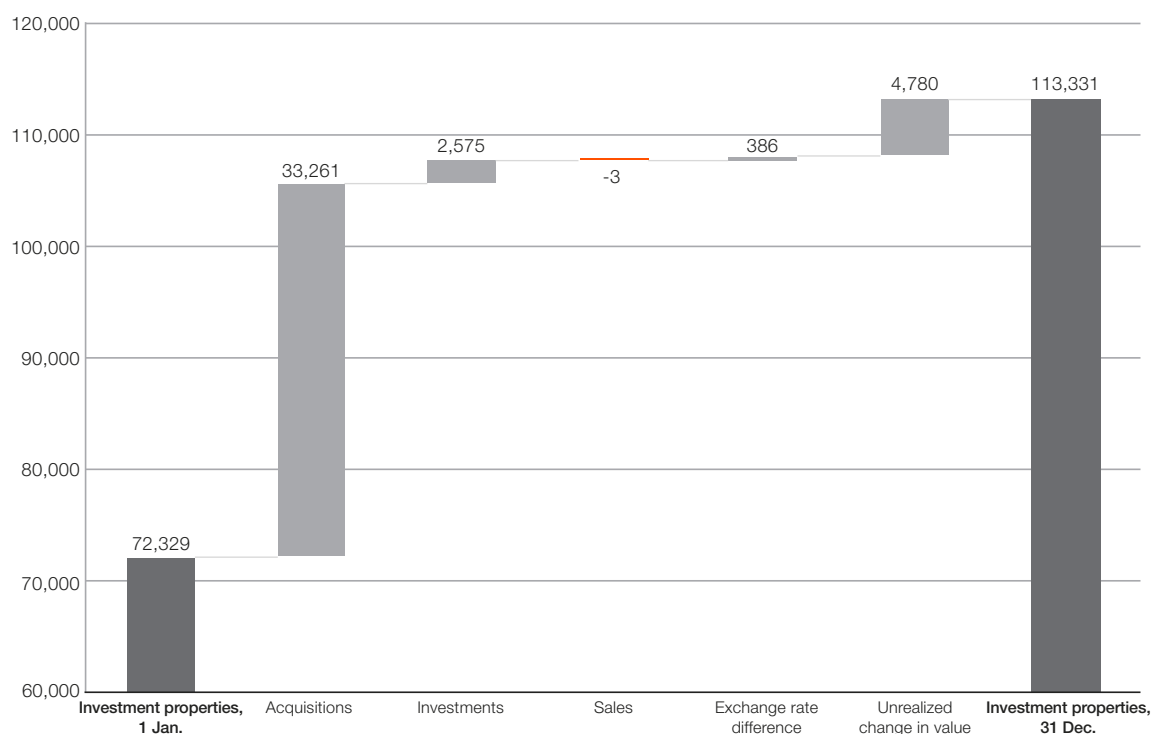
Development properties and tenant-owned apartments in progress

In connection with the acquisition of Norwegian investment properties, building rights and ongoing construction projects were also acquired. The item, amounting to SEK 865 million (680), concerns the development of condominium apartments in Oslo that are to be divested upon completion.

Other current receivables

Other current receivables pertain primarily to a deposit for the acquisition of the Czech property portfolio "Residomo" and financing of new construction projects.

DEVELOPMENT OF INVESTMENT PROPERTIES FOR THE YEAR, SEK MILLION



Consolidated Statements of Financial Position

Amounts in SEK million	Note	2019	2018
EQUITY AND LIABILITIES			
Equity attributable to Parent Company shareholders			
Share capital		26	26
Ongoing new share issue ¹⁾		7	–
Other capital contributions		39,847	26,653
Hybrid bond		8,514	–
Retained earnings (including profit for the year)		9,153	5,246
Total equity		57,548	31,925
LIABILITIES			
Non-current liabilities			
Long-term interest-bearing, covered liabilities	F 3	39,543	26,079
Long-term interest-bearing, non-covered liabilities	F 3	14,066	14,558
Long-term liability, leasing	A 2	818	–
Financial derivative instruments	F 1	65	–
Deferred tax liability	T 2	2,526	1,356
Total non-current liabilities		57,018	41,993
Current liabilities			
Current interest-bearing liabilities		1,137	957
Current liabilities, Group companies		4,000	206
Accounts payable		293	293
Current tax liabilities		228	119
Other current liabilities	OL 1	819	415
Accrued costs and prepaid income	OL 2	521	375
Total current liabilities		6,998	2,365
TOTAL EQUITY AND LIABILITIES		121,564	76,283

¹⁾ New issue decision taken on 2019-10-25, registered on 2020-01-27.

Consolidated Statements of Changes in Equity

Amounts in SEK million	Share capital	Other capital contributions	Hybrid bond ¹⁾	Retained earnings	Attributable to Parent Company shareholders	Non-controlling interest	Total equity
Opening balance, 1 Jan 2019	26	26,653	–	5,246	31,925	–	31,925
Profit for the year	–	–	55	4,398	4,453	7	4,460
Other comprehensive income	–	–	–	279	279	–	279
Non-controlling interest	–	–	–	–	–	52	52
Total comprehensive income	26	26,653	55	9,923	36,657	59	36,718
New share issue	–	3,694	–	–	3,694	–	3,694
Ongoing new share issue	7	9,500	–	–	9,507	–	9,507
Issue hybrid bonds	–	–	8,523	–	8,523	–	8,523
Issue costs	–	–	-9	–	-9	–	-9
Dividend	–	–	-55	-829	-884	–	-884
Total transactions with the company's owner	7	13,194	8,459	-829	20,832	–	20,831
Closing balance, 31 Dec 2019	34	39,847	8,514	9,094	57,489	59	57,548
Opening balance, 1 Jan 2018	19	15,246	–	2,801	18,066	–	18,066
Profit for the year	–	–	–	3,023	3,023	–	3,023
Change in taxation	–	–	–	2	2	–	2
Other comprehensive income	–	–	–	-442	-442	–	-442
Total comprehensive income	19	15,246	–	5,384	20,649	–	20,649
New share issue	6	2,848	–	–	2,854	–	2,854
New share issue, Pref B	1	8,559	–	–	8,560	–	8,560
Dividend	–	–	–	-138	-138	–	-138
Total transactions with the company's owner	7	11,407	–	-138	11,276	–	11,276
Closing balance, 31 Dec 2018	26	26,653	–	5,246	31,925	–	31,925

¹⁾ Heimstaden Bostad has issued hybrid bonds amounting to SEK 8,523 million. The hybrid bond has a perpetual maturity with a variable coupon rate. Heimstaden Bostad has the opportunity to redeem outstanding hybrid bonds as of first possible redemption day, which is five years from the issue date. At the first reporting date, the assessment was made that the hybrid bond should be classified as an equity instrument and not as a financial liability. The assessment underlying the classification is that there is no explicit contractual obligation to settle the agreement by paying cash or another financial asset. Nor are there any other circumstances indicating that the agreement will be settled in cash or other financial asset. Heimstaden Bostad is entitled to postpone interest payments for an indefinite period in so far as hybrid bond holders are notified within the agreed period and the hybrid bond is subordinated to all other creditors.

Interest-bearing liabilities

At the end of the period, Heimstaden Bostad's loan-to-value ratio was 45 percent (51). Of the total interest-bearing liabilities, 69 percent were loans secured by property mortgages, giving a loan-to-value ratio for secured loans of 33 percent (35).

The total loan portfolio amounted to SEK 58,746 million (41,593) on the balance sheet date. Of this amount, 31 percent (26) pertains to debenture loans, 34 percent (36) to mortgages and 35 percent (39) to traditional bank loans. There are also unutilised lines of credit of SEK 10,269 million (7,043).

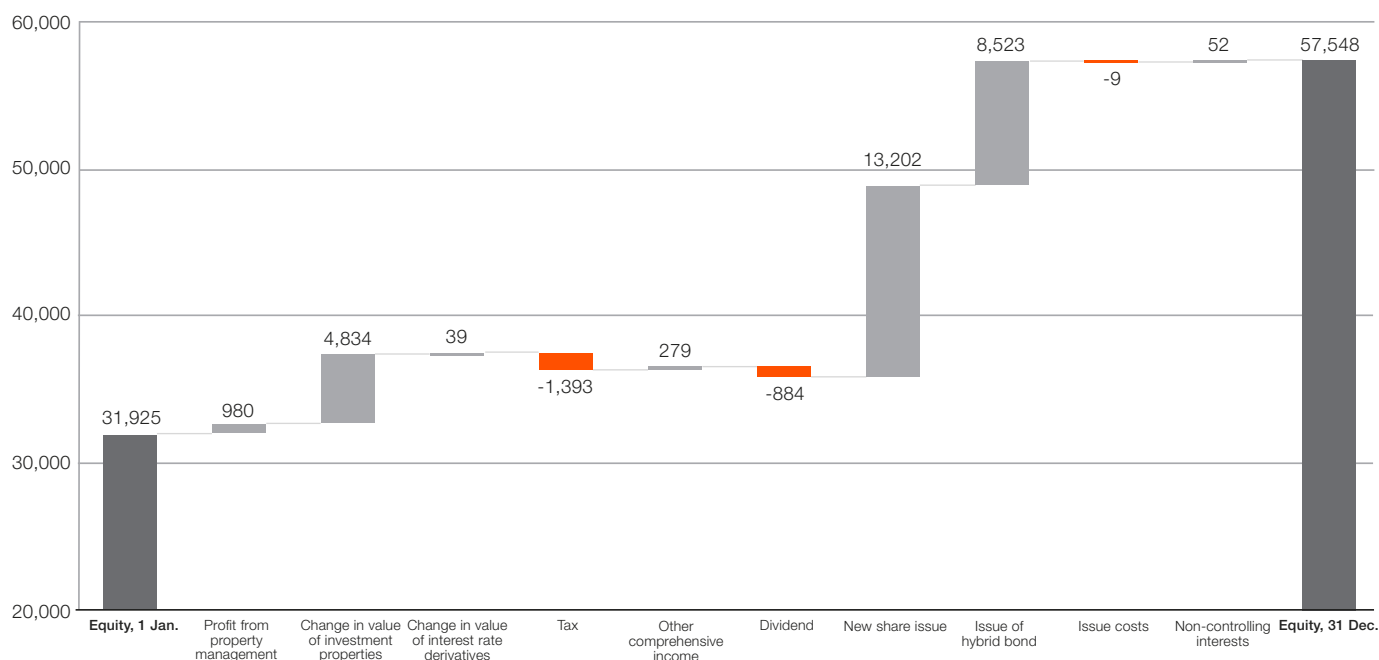
The average period for which capital is tied up regarding Heimstaden Bostad's interest-bearing liabilities amounted to 10.5 years (8.1). The largest proportion of loan maturities within an individual year will occur in 2021 (2020) and accounts for 16 percent (28) of the total portfolio. The average period of fixed interest, including the effect of derivatives, amounts to 2.7 years (2.6).

Equity

Equity amounted to SEK 57,548 million (31,925), giving an equity/assets ratio of 47 percent (42). The change in equity over the period is attributable to changes in value in the property portfolio, a new share issue and an issue of hybrid bonds.

Heimstaden Bostad is exposed to currency risk in EUR, DKK and NOK. This risk is associated with the foreign operations and to cash and cash equivalents and financing in the Parent Company. The Parent Company's debenture loans in EUR have been hedged through swaps to the same currency as the assets that the loans are intended to finance. The currency risk associated with the foreign operations is limited to net capital in each currency.

EQUITY DEVELOPMENT OVER THE YEAR¹⁾, SEK MILLION



¹⁾ Profit from participations in associated companies is allocated to the relevant item.

Consolidated Cash Flow Statements

Amounts in SEK million	Note	2019	2018
Operating activities			
Profit before tax		5,853	3,715
Adjustments for non-cash items			
– Value change, properties	IC 5	-4,834	-2,562
– Value change, derivative instruments	F 4	-39	-11
– Other non-cash items		157	-126
Tax paid		-105	-149
Cash flow from operating activities before changes in working capital		1,032	867
Change in working capital			
Change in development properties and tenant-owned apartments in progress	A 3	-110	-883
Change in current receivables		-56	300
Change in current liabilities	OL 1	41	112
Cash flow from operating activities		907	396
Investing activities			
Acquisition of investment properties	A 1	-13,772	-13,994
Investments in existing properties and projects	A 1	-2,575	-1,265
Acquisitions of other non-current assets		–	-158
Deposits paid for acquisitions		-535	-547
Other receivables, future acquisitions		-375	–
Property sales	A 1	3	13
Acquisition of shares in associated companies	GS 1	-213	–
Change i loans to associated companies		-468	–
Change in financial assets		-48	210
Cash flow from investing activities		-17,983	-15,741
Financing activities			
New share issue		13,202	11,414
Paid dividend, preference shares		-829	-138
Issue hybrid bond		8,523	–
Interest and issue costs hybrid bond		-65	–
Loans raised		10,755	5,882
Amortisation / redemption of loans		-12,491	-144
Redemption of interest rate derivatives		–	-135
Cash flow from financing activities		19,096	16,879
Cash flow for the year		2,018	1,535
Cash and cash equivalents at the beginning of the year		2,313	763
Currency effect in cash and cash equivalents		13	15
Cash and cash equivalents at the end of the year		4,345	2,313
Disclosures on interest rates			
Interest paid amounts to		908	553
Interest received amounts to		35	26

Operating activities

Cash flow from operating activities, before changes in working capital, amounted to SEK 1,032 million (867). The change compared with the corresponding period in the preceding year is mainly explained by a larger property portfolio. After a reduction in working capital of SEK 15 million (471), cash flow from operating activities was SEK 1,017 million (396).

Investing activities

Cash flow from investing activities was negative in the amount of SEK 18,094 million (15,741). The investment activities consist of corporate transactions, property transactions and property investments, of which most are attributable to acquisitions in Denmark and the Netherlands.

Financing activities

Cash flow from financing activities amounted to SEK 19,096 million (16,879). The amount is primarily attributable to the new issue of a hybrid bond of SEK 8,523 million (0) and a new share issue of SEK 13,202 million (11,414).

Cash flow

Cash flow for the period amounted to SEK 2,018 million (1,535) and cash and cash equivalents amounted to SEK 4,345 million (2,313) at the end of the period.

Accounting principles and notes to the consolidated accounts

G GENERAL INFORMATION AND GENERAL ACCOUNTING RULES

G 1 General information

Heimstaden Bostad AB (publ), Corp. ID No. 556864-0873, is a limited liability company registered in Sweden with its registered office in Malmö, located at Östra promenaden 7A, SE-211 28, Malmö, Sweden. Heimstaden Bostad's operations consist of owning, developing and managing residential properties.

The financial reports for the year of 2019 have been approved for publication in accordance with a Board resolution of 9 April 2020 and will be approved by the Annual General Meeting on 13 May 2020.

G 2 Preparation of the consolidated accounts

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations by the International Financial Interpretations Committee (IFRIC), as adopted by the EU. In addition, the consolidated accounts have been prepared in accordance with Swedish law through the application of the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting rules for groups.

The consolidated accounts comprise the Parent Company Heimstaden Bostad AB and the companies over which the Parent Company has a direct or indirect controlling influence, see Note [PC-GS 1](#) Shares in subsidiaries in the Parent company accounts.

The functional currency for the Parent Company is Swedish kronor, which is also the reporting currency for the Group. The financial statements are presented in Swedish kronor rounded to the nearest SEK million, unless otherwise stated.

The figures in this annual report have been rounded up or down, while the calculations have been made without rounding. As a result, the figures in certain tables and key figures may appear not to add up correctly.

Assets and liabilities are recognised at cost with the exception of investment properties and interest rate derivatives, which are valued and reported at fair value, and deferred tax, which is recognised at nominal value.

Non-current assets and liabilities consist, essentially, of amounts expected to be recovered or paid after more than twelve months of the Balance Sheet date. Current assets and liabilities consist, essentially, of amounts expected to be recovered or paid within twelve months of the balance-sheet date. Current liabilities to credit institutions include one year's agreed amortisation, as well as credits to be repaid during the coming years in accordance with the agreements.

The consolidated accounts have been prepared in accordance with the acquisition method. This means that, the subsidiaries' equity on acquisition, determined as the difference between the fair value of the assets and liabilities, is eliminated in its entirety. Accordingly, consolidated equity includes only that part of the subsidiaries' capital that has arisen following the acquisition. Profits for subsidiaries acquired or divested during the year are included in the Consolidated Statement of Comprehensive Income from and including the date on which the transaction took place, that is, when a controlling influence arose or ceased. Intra-Group sales, gains, losses and balances are eliminated in the consolidated accounts.

Foreign subsidiaries are translated into SEK by translating the Balance Sheet at the exchange rate on the Balance Sheet date. The income statement is translated at the average rate, the currency effect connected to base swaps is reported on line Other financial expenses, the currency effect on loans and the corresponding hedge is thus reported on the same line in the income statement. Translation differences that occur are reported in other comprehensive income.

cont. Note G 2

Transactions in foreign currency are translated into SEK at the exchange rate prevailing on the transaction date. Monetary assets and liabilities are translated at the exchange rate on the balance sheet date.

The accounting policies set out for the Group have been consistently applied for all periods presented in the Group's financial statements, unless otherwise stated. The Group's accounting policies have been applied consistently in the reporting and consolidation of subsidiaries.

G 3 Acquisition

In connection with an acquisition, an assessment is made as to whether it is an acquisition of a business or of assets. A business acquisition is defined in accordance with IFRS 3, requiring that the assets and liabilities acquired constitute a business operation. When an acquisition is made of net assets that do not constitute a business operation, this is classified as an asset acquisition.

Accordingly, an acquisition of an independent business operation constitutes a business acquisition and is reported in accordance with the acquisition method. The cost of a business acquisition consists of the fair value on the transaction date for the assets obtained, for liabilities incurred or taken over and for equity instruments issued by the acquirer in exchange for the controlling influence of the acquired entity. Acquired identifiable assets, liabilities and contingent liabilities are valued at their fair value on the acquisition date. If the cost of the acquired shares exceeds the sum of the fair value of the acquired identifiable assets, liabilities and contingent liabilities, the difference is reported as goodwill. If the acquisition cost is less than fair value calculated as above, the difference is reported in the Income Statement.

In connection with the acquisition of a subsidiary whose assets consist of a property and lacks a management organisation, the acquisition is classified as an asset acquisition. The cost of the assets or net assets are allocated to the individual identifiable assets and liabilities based on their relative fair value at the time of acquisition.

G 4 Key assumptions and assessments

To be able to prepare the accounts in accordance with IFRS and generally accepted accounting principles, Management and the Board of Directors must make a number of key assumptions and assessments that affect the application of the accounting principles and the reported values of assets, liabilities, income, costs and other disclosures. These assumptions and assessments are based on historical experience and other factors that appear reasonable under the existing circumstances. The result of these estimates and assumptions is subsequently used to estimate the carrying amounts of assets and liabilities that are not otherwise clear from other sources. The actual outcome may deviate from these estimates and assessments.

Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which they arise if the change affects that period alone or, alternatively, in the period in which they arise and during future periods if the change affects both the period in question and future periods.

The assumptions and assessments deemed most significant mainly comprise valuations of investment properties. These valuations include estimates regarding future cash flows, return requirements, and changing conditions that could have

cont. Note G 4

a significant impact on the Group's profit and financial position. To reflect the uncertainty that exists in the assumptions made, a range of uncertainty of +/- 5 to 10 percent is usually stated in connection with property valuations.

In connection with the report, an estimate is made of the market value, which in the accounting context is referred to as fair value. Further information on valuation documentation and valuation methods applicable to property valuation is presented in Note **A 1** Investment properties.

G 5 Cash Flow Statements

Cash flow statements have been prepared in accordance with the indirect method in accordance with IAS 7. This means that profit is adjusted for transactions that did not entail payments in or out and for income and costs attributable to investment and/or investment financing activities.

G 6 New accounting principles

In this Annual Report, the Group and Parent Company apply, for the first time, the new and amended standards and interpretations to be applied for financial years commencing 1 January 2019 or later. None of the new and amended standards and interpretations to be applied from 1 January 2019 have any significant impact on the financial statements of the Group or Parent Company. No new or amended IFRS has been applied prematurely.

IFRS 16 Leases

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 of 817 MSEK 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.

cont. Note G 6

IFRS 9 Financial instruments

In October 2017, IASB published amendments to IFRS 9 regarding early redemption with negative remuneration. The amendment means that when there is a right to early redemption of loans that entails negative fees, it is possible to account for the item at amortised cost. The amendments have been applied from 1 January 2019 and do not have any material impact on the Group's or Parent Company's financial reports.

IAS 28 Investments in Associates and Joint Ventures

In October 2017, IASB published amendments to IAS 28 regarding long-term interests in associated companies and joint ventures. The change means that a item for which no regulation is planned or where a regulation is unlikely to occur in the foreseeable future is in practice an increase in the company's holdings (ie a net investment) in this associated company or joint venture. Such an item may include, among other things, long-term receivables. The clarification states that long-term holdings, such as a long-term receivable, must be reported in accordance with IFRS 9 Financial Instruments before the rules in IAS 28 are applied. The net investment, which also includes any long-term holdings, is reported in accordance with IAS 28. The amendments have been applied from 1 January 2019 and do not have a material impact on the Group's or the Parent Company's financial reports.

G 7 New and amended accounting principles yet to come into effect

New and amended IFRS accounting principles yet to come into effect have not been applied prematurely in the preparation of the consolidated and Parent Company financial statements. Described below are the IFRS standards that may affect the consolidated or Parent Company financial statements. Other new or amended standards or interpretations published by IASB (International Accounting Standards Board) are not expected to have an impact on the consolidated or Parent Company financial statements.

IAS 1 Presentation of financial statements

IAS 1 requires companies to disclose "significant" accounting principles. The IASB proposes that the reference be significantly replaced with the requirement to disclose "significant" accounting policies in order to clarify where the limit goes for what information to submit. IASB also proposes that IAS 1 should be supplemented with a guide to help companies understand what makes an accounting principle essential. As Heimstaden's information is considered to be material, the changes will not affect the accounting principles.

The amendment is to be applied for fiscal years beginning January 1, 2020.

IFRS 3 Business combinations

On October 22, 2018, IASB issued amendments regarding the definition of a business combination in IFRS 3. The classification of an acquisition as either business acquisition or asset acquisition gives rise to differences in accounting. The changes introduced in IFRS 3 are expected to result in more acquisitions being reported as asset acquisitions compared to current guidance.

The accounting of business acquisitions differs from the accounting of an asset acquisition, for example, goodwill is not reported as an asset acquisition, differences also exist in the accounting and valuation of additional purchase prices, acquisition expenses and deferred tax. The classification as business acquisitions and asset acquisitions is thus central to the preparation of financial reports in accordance with IFRS.

A company can choose to perform a "concentration test", if it indicates that the acquisition is an asset acquisition, no further assessment is required. However, the test does not answer the question of whether an acquisition is a business acquisition but can only show whether it is an asset acquisition. This voluntary test means that if substantially all fair value of the gross assets acquired can be attributed to an asset or a group of similar assets, the acquisition constitutes an asset acquisition. If the test is performed and it is not possible to show that it is an asset acquisition, further assessment must be made to determine whether the acquisition is a business acquisition or not.

cont. Note G 7

The criteria for an acquisition to be a business acquisition are that there must be financial resources and a substantial process that together contribute substantially to an ability to result in returns. The new guidance provides a framework for evaluating when financial resources and a substantial process exist. An acquisition that includes returns, labour in managing the process, constitutes a movement. If the acquisition is lacking, it may still be that the process acquired is so unique or unusual or costly to replace in order to generate a return that the acquisition still constitutes a movement.

Expected effects of the change

The changes in IFRS 3 are likely to result in more acquisitions being reported as asset acquisitions, especially in the real estate industry.

The amendment shall apply for financial years beginning on or after 1 January 2020. However, the change has not yet been adopted by the EU.

G 8 Information about related parties

Related-party transactions

In addition to the related-party relationships specified for the Group, the Parent Company has a controlling influence over subsidiaries in accordance with Note **PC-GS 1** Shares in subsidiaries in the Parent Company's Balance Sheet.

Summary of related-party relationships

During the year, Heimstaden Bostad acquired properties in Norway from Fredensborg 1994 AS for a value of SEK 600 million (8,080). The properties have been acquired by Heimstaden Bostad Invest 10 AS, a subsidiary of Heimstaden Bostad AB, on the Board of which Heimstaden AB has no voting rights regarding internal acquisitions. Decision-making shareholders were Alecta and the Sandvik and Ericsson pension foundations.

During the financial year, Heimstaden Bostad acquired administrative services from Heimstaden AB and Heimstaden Förvaltnings AB for SEK 457 million (377).

During the financial year, Heimstaden Bostad AB acquired properties from Group companies for SEK 120 million (18,230).



G 9 Events after the Balance Sheet date

On 9 January, Heimstaden Bostad AB announces the acquisition of a Czech Republic residential portfolio, through acquisition of the RESIDOMO group of companies, consisting of 4,515 assets with 42,584 residential units and 1 675 commercials. The portfolio is mainly located in the Moravia-Silesia region, being the most densely populated region in the Czech Republic after the capital city of Prague, and comprise all in all 2.6 mio square meters of lettable area. The agreed purchase price on asset level amounts to approx. EUR 1.3 billion and will be financed through a mix of debt and equity.

On 15 January, Heimstaden Bostad AB has issued a EUR bond under its existing EMTN program. The notional amount of the bond was EUR 500 million with a maturity of 6 years and a coupon of 1.125%. The proceeds will be used for general corporate purposes.

On 4 March, Heimstaden Bostad AB has acquired Magnolia Bostad project Slipsen in Södra Råbylund, Lund Municipality. The project started production in December 2019 and includes the development of approximately 780 apartments of 45,000 sq.m. BTA. Estimated property value at completion amounts to approximately SEK 1.4 billion.

On 24 March, Heimstaden Bostad AB has acquired Magnolia Bostad project Vrakbåten in Västra Sjöstad, Ystad Municipality. The project started production in December 2019 and includes development of approximately 225 apartments. Estimated property value at completion amounts to approximately SEK 400 million.

On 31 March, Heimstaden Bostad AB expands its Dutch portfolio with the acquisition of 142 homes from DamBorg. The acquisition of appr. 44 million euros has been completed.

On 1 April, Heimstaden Bostad AB has acquired a Dutch residential portfolio consisting of 41 assets comprising of 2,023 homes and 60 commercial units as well as adjacent parking facilities. The portfolio consists of 138,900 sqm lettable area in total. The agreed purchase price is EUR 375m and the transaction is carried out as a share deal. The transaction will initially be financed through existing cash as well as equity contribution from existing shareholders, and subsequently mortgage financing will be taken out for a part of the purchase price.

The corona pandemic that hit large parts of the world during the first quarter of 2020 will have different consequences for different parts of the economy. The assessment is that Heimstaden Bostad as a housing company with a focus on lifelong ownership is affected to a relatively limited extent, as governments in all markets where the company operates have taken measures to support citizens' private finances. By contrast, commercial customers such as restaurants and stores may suffer from non-sales, which could mean lost rental income for the company. Heimstaden Bostad's ambition is to help its customers as far as possible, in order to avoid life works going for nothing, but also to maintain a good service offering in the immediate area for the residents. The operating cash flow will be affected in a small scale, mainly when rental income does not come in as expected from the 9 percent of the leases to commercial customers. We expect an increase in risk factors such as credit risk, interest rate risk, refinancing risk and changes in value. Access to capital from the bond market has been severely limited during the first quarter of 2020 for the real estate sector as well as for other industries. We believe this will continue in the short term.

The availability of capital from the bond market during the first quarter of 2020 has been severely limited for the real estate sector and other industries. We will therefore, to a greater extent, utilize bank financing in the future. Our credit rating from S&P is unchanged and nothing indicates that it would change due to prevailing circumstances. Covenants in bank and bond agreements have good margins and can handle the likely negative changes in property value.

The financial statements form part of the Annual Report and were signed by the Board of Directors and the CEO on 9 April 2020.



IC

INCOME AND COSTS

Income accounting

Income consists of rent and is charged in advance and rental income is allocated linearly, thus only rent charged for the period is reported as income. Gross rent includes items relating to subordinated costs from negotiated options, such as digital services, alarms, TV and Internet, but also property tax and heating as these are not deemed significant enough to be reported separately. Prepaid rent is reported as prepaid income and income from external property management assignments is reported on an ongoing basis over the contract period.

Property sales are reported when the material risks and benefits have been transferred to the buyer. In principle, such income is reported on the access date, as long as this does not contravene specific terms of the purchase agreement. When selling a property through a company, the underlying price of the property, the estimated tax and sales costs are reported net. The profit from the sale is reported as a change in value.

Property costs consists of both direct and indirect costs. Direct costs relate to expenses for operation, maintenance, ground rent and property tax, while indirect costs comprise easing, rental, property administration and accounting.

Profit from property management

IAS 1 prescribes what information is to be reported in the Income Statement and how this information may be presented. What is prescribed and described is not exhaustive nor specific to Swedish property management companies. A clear praxis has emerged among property management companies whereby profit from property management is reported in a section in the Income Statement, with changes in the value of properties and derivatives in a separate section between profit from property management and profit before tax.

Taking into account that Heimstaden Bostad manages and assesses its operations based on profit from property management and in view of practices within the sector, the company has chosen to report changes in the value of investment properties and interest rate derivatives in its own section between profit from property management and profit before tax.

IC 1 Segment reporting

Accounting principles

Heimstaden Bostad organises and governs its activities based on geographical areas. These geographical areas form the basis of the definition of segments. Group management at Heimstaden Bostad monitors net operating income and changes in the value of managed properties in the identified segments; other Income Statement items are not distributed per segment. On the asset side, investment properties and interest-bearing liabilities are monitored.

Heimstaden Bostad has identified five segments consisting of the geographical areas of Sweden, Denmark, Norway, Netherlands and Germany. In the segments' profits, assets and liabilities have included directly attributable items and items that can be allocated to the segments in a reasonable and reliable manner. Heimstaden Bostad's business concept is to own, develop and manage residential properties and this is why no segments other than the geographical areas have been identified.

	Sweden	Denmark	Norway	Netherlands	Germany	Group in total
	Dec. 2019	Dec. 2019	Dec. 2019	Dec. 2019	Dec. 2019	Dec. 2019
INCOME STATEMENT						
Rental income	2,222	1,236	689	172	1	4,321
Property costs	1,157	-426	-256	-79	0	-1,919
Net operating income	1,065	810	433	93	1	2,403
Central administration costs, unallocated	–	–	–	–	–	-193
Other income and costs, unallocated	–	–	–	–	–	53
Financial income and costs	-575	-277	-399	-35	-3	-1,282
Profit from property management	491	533	34	58	-2	974
Value change, properties	2,112	1,443	487	548	243	4,834
Value change, derivatives	80	-113	15	57	–	39
Profit before tax	2,683	1,863	537	664	241	5,853
BALANCE SHEET						
Investment properties	41,241	34,645	17,372	17,781	2,292	113,331
Development properties and tenant-owned apartments in progress	–	–	865	–	–	865
Assets, unallocated	–	–	–	–	–	7,368
Total assets	41,241	34,645	18,273	17,781	2,292	121,564
Equity, unallocated	–	–	–	–	–	57,548
Liabilities to credit institutions	12,365	17,809	823	9,301	382	40,680
Debtenture loan, unallocated	14,066	–	–	–	–	14,066
Other liabilities, unallocated	–	–	–	–	–	9,270
Total equity and liabilities	26,430	17,809	823	9,301	382	121,564
Investments in investment properties	1,443	813	295	–	–	2,550
	Sweden	Denmark	Norway	Netherlands	Germany	Group in total
	Dec. 2018	Dec. 2018	Dec. 2018	Dec. 2018	Dec. 2018	Dec. 2018
INCOME STATEMENT						
Rental income	2,014	616	601	–	–	3,231
Property costs	-1,029	-216	-235	–	–	-1,480
Net operating income	985	400	366	–	–	1,751
Central administration costs, unallocated	–	–	–	–	–	-140
Other income and costs, unallocated	–	–	–	–	–	0
Financial income and costs	-212	-88	-170	–	–	-470
Profit from property management	773	312	196	–	–	1,141
Value change, properties	1,565	603	395	–	–	2,564
Value change, derivatives	73	-64	2	–	–	11
Profit before tax	2,411	851	593	–	–	3,715
BALANCE SHEET						
Investment properties	35,881	20,927	15,521	–	–	72,329
Development properties and tenant-owned apartments in progress	–	–	680	–	–	680
Assets, unallocated	–	–	–	–	–	3,274
Total assets	35,881	20,927	16,201	–	–	76,283
Equity, unallocated	–	–	–	–	–	31,925
Liabilities to credit institutions	18,744	11,794	412	–	–	30,950
Debtenture loan, unallocated	10,643	–	–	–	–	10,643
Other liabilities, unallocated	–	–	–	–	–	2,765
Total equity and liabilities	29,387	11,794	412	–	–	76,283
Investments in investment properties	852	128	284	–	–	1,265

IC 2 Rental income

Rental income distributed by property category	2019	2018
Housing	3,996	2,969
Commercial premises	265	213
Garages and parking spaces	60	49
Total	4,321	3,231

Lease maturities	Number of contracts	Estimated contract value, 2019	Portion of value, %
2020	1,919	243	5
2021	318	91	2
2022	213	72	1
2023	66	37	1
2024 –	98	342	6
Total	2,614	785	15

Vacant commercial premises	1,018	34	1
Housing	52,143	4,247	83
Garages and parking spaces	18,752	65	1
Total	74,527	5,131	100

Leases for housing, which represent 83 percent (89) of the total contract value, are normally signed "until further notice", with a normal term of notice for the customer of three months.

Leases for commercial premises are normally signed with a contract period of three to five years and are normally index-adjusted.

IC 3 Property costs

Operation includes costs for electricity, heating, water, property management, cleaning and insurance. Maintenance costs consist of both periodic and ongoing measures to maintain the properties' standard. Property management refers to rental costs, financial services and certain overarching property management services.

Property costs	2019	2018
Operation	1,072	941
Maintenance	409	280
Property tax	145	85
Direct property costs	1,626	1,306
Property administration	293	174
Total	1,919	1,480

Property costs, SEK/m ²	2019	2018
Operation	352	401
Maintenance	134	119
Property tax	48	36
Direct property costs	534	557
Property administration	97	74
Total	631	631

Operating costs, SEK/m² are calculated on time-weighted area.



IC 4 Central administration costs

Central administration costs include costs at a Group-wide level that are not directly attributable to property management, such as costs for the Board of Directors, CEO, Group management and company costs pertaining to information to shareholders, for example, maintenance of stock exchange listing and production of annual and quarterly reports. Costs for central administration also include, remuneration to the auditors, in accordance with the table below:

EY	2019	2018
Audit	9	5
Auditing activities beyond the audit	4	2
Tax consultancy	–	0
Other assignments	0	0
Total	13	7
Moore Stephens	2019	2018
Audit	3	2
Auditing activities beyond the audit	0	0
Tax consultancy	–	–
Other assignments	–	–
Total	3	2
Total	2019	2018
Audit	12	7
Auditing activities beyond the audit	4	2
Tax consultancy	–	0
Other assignments	0	0
Total	16	9

Fees to EY have also been invoiced to the Parent Company Heimstaden AB, the fee for audit assignments amounting to SEK 2 million.

IC 5 Value change, properties

	2019	2018
Realised value change	–	6
Currency effects	–	14
Reversed impairment / Impairment	53	-169
Unrealised value change attributable to change in return requirement	2,939	1,365
Unrealised value change attributable to change in net operating income	1,841	1,346
Total	4,834	2,562

Sensitivity analysis of changes in the fair value of properties

Should the market's required yield, rental income, vacancy level and cost level change, the fair value would be affected as shown in the table below.

	2019	2018
Required yield		
+0,1 percentage point	-2,972	-1,960
-0,1 percentage point	+3,141	+2,071
Rental income		
+1 percent	+1,190	+885
-1 percent	-1,190	-885
Operating expenses		
+1 percent	-529	-735
-1 percent	+529	+735

At December 31, 2019 the average required yield was 3.69 percent (3.75).

IC 6 Other comprehensive income

Translation difference regarding foreign operations, net after hedge accounting.

	2019	2018
Exchange rate difference	279	-442
Total	279	-442



T TAX

Accounting principles

Tax income and costs for the period consist of current and deferred tax. Tax is recognised in the Income Statement except where the underlying transaction is recognised directly in equity, upon which the associated tax effect is also recognised in other comprehensive income or directly in equity. Current tax is calculated based on the applicable tax rate, deferred tax is calculated based on approved future tax rates in Sweden, Norway, Denmark, Netherlands and Germany.



Øresundstårnet, Copenhagen

T 1 Current and deferred tax

Accounting principles

Current tax is calculated based on taxable profit for the period, and reported as an income or cost in the Income Statement. Taxable profit for the year differs from the reported profit for the year in that it has been adjusted for non-taxable and non-deductible items. Current tax also includes adjustment of current tax attributable to earlier periods.

	2019	2018
Current tax	-200	-135
Deferred tax	-1,193	-557
Total	-1,393	-692
Reported profit before tax	5,853	3,715
Tax according to current rate	-1,285	-800
Tax effect of:		
Non-taxable income	63	69
Non-deductible costs	-42	-23
Non-deductible interest net	-100	–
Tax effect of hybrid capital	14	–
Tax on share in earnings from associated companies	19	–
Negative value change in properties acquired during the year	-42	–
Revaluations, deferred tax, 20.6%	–	60
Tax attributable to previous years	-6	2
Total	-1,393	-692

T 2 Deferred tax

Accounting principles

Deferred tax is calculated on temporary differences according to the balance sheet method between the reported or taxed value of an asset or liability, except for temporary differences arising on initial recognition of assets and liabilities constituting asset acquisitions.

A deferred tax asset represents a reduction of future taxes relating to deductible temporary differences, tax-loss carryforwards or other tax deductions. All tax receivables and liabilities are valued at nominal amounts in accordance with the determined tax regulations and tax rates. Deferred tax assets are recognised in the Balance Sheet for tax-loss carryforwards and deductible temporary differences to the extent that the amounts are likely to be utilised against future taxable surpluses. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilised. In Heimstaden Bostad, there are four items with temporary differences: properties, interest rate derivatives, untaxed reserves and tax-loss carryforwards.

A deferred tax liability relates to taxable temporary differences to be paid in the future. Deferred tax liabilities in the Group mainly relate to differences in the estimated fair value and tax value of properties, as well as differences between the fair value and cost of interest rate derivatives.

The year's property acquisitions through companies have been classified as asset acquisitions, meaning that deferred tax existing on the acquisition date is not included in the consolidated Balance Sheet.

According to the accounting regulations, deferred tax is reported in accordance with applicable tax rates and without discounting. The actual tax rate is significantly lower, partly due to the time factor and partly as a result of current opportunities to sell properties in a tax-efficient manner.

	2019		2018	
	Basis	Tax 20,6% 22% and 25%	Basis	Tax 20,6% and 22%
Deferred tax receivables				
At the beginning of the year	-976	-215	-1	0
Corporate acquisitions	–	–	-975	-215
Change for the year	80	18	–	–
At the end of the year	-896	-197	-976	-215
Deferred tax liability				
At the beginning of the year	7,500	1,568	4,691	1,032
Corporate acquisitions	290	79	232	51
Depreciation for the year	241	50	118	24
Value change for the year	4,834	1,040	2,459	521
Changed tax rate	–	–	–	-60
At the end of the year	12,865	2,738	7,500	1,568
Interest-rate derivatives				
At the beginning of the year	18	3	-31	-6
Change for the year	-83	-18	49	9
At the end of the year	-65	-15	18	3
Net deferred tax				
At the beginning of the year	6,542	1,356	4,659	1,025
Corporate acquisitions	290	79	-743	-164
Change for the year	5,072	1,091	2 626	494
At the end of the year	11,904	2,526	6,542	1,355

No non-capitalised assessed loss carry-forwards exist. Measured deficit amounts to million SEK 896 (976)

A ASSETS

A 1 Investment properties

Accounting principles

Investment properties are properties held to generate rental income and/or increases in value. The concept of investment properties includes buildings and land, groundwork, construction and groundwork equipment, as well as work in progress. In addition, properties under construction or being developed for future use as investment properties are reported as investment properties. If the Group initiates an investment in an existing investment property for continued use as investment property, the property continues to be reported as an investment property.

Investment properties are initially reported at cost including costs directly attributable to the acquisition. Following initial recognition, investment properties are reported at fair value in the Balance Sheet with the change in value in the Income Statement. Fair value is based on an internal valuation of each property and these valuations are conducted at the end of each quarter. To safeguard these valuations, external valuations are obtained annually from valuation companies for all properties as per the closing date of the annual accounts. The Group also examines continuously whether there are any other indications of changes in the value of the properties. These may comprise, for example, major lease agreements, terminations and material changes in the return requirement.

Value changes comprise realised and unrealised changes in value and are reported net for all properties. The unrealised change in value is calculated on the basis of the valuation at the end of the financial year compared with the same period in the previous year plus capitalised, value enhancing investments during the year.

For properties acquired during the year, unrealised changes in value are calculated as the difference between the valuation at the end of the financial year and the cost of the acquisition plus any value-enhancing investments.

Realised changes in value are calculated as the difference between the sales price less sales costs and value-enhancing investments undertaken following the most recent year-end accounts and the cost stated in the most recent year-end accounts. Subsequent expenditure is recognised in the carrying amount of the investment property if it is expected to produce future economic benefits and its costs can be reliably measured.

	31 Dec. 2019	31 Dec. 2018
Fair value at the beginning of the year	72,329	43,689
Acquisitions	33,261	24,737
Investments	2,575	1,265
Sales	-3	-13
Currency change	388	-60
Unrealised value change	4,780	2,711
Fair value at the end of the year	113,331	72,329
Breakdown by category		
Residential properties	112,098	68,230
Project properties	1,152	3,335
Land and building rights	81	764
Total	113,331	72,329

Valuation model

Heimstaden Bostad reports its investment properties at fair value, i.e. market value, and has valued each individual property externally as per 31 December 2019.

The external valuations were conducted by Newsec and Forum Fastighetsekonomi for Sweden, Colliers International for Denmark, and Eie Eiendomsmegling, Aktiv Eiendomsmegling Nyverdi AS for Norway, CBRE for Germany and Cushman & Wakefield for Netherlands. The valuations were made in accordance with the International Valuation Standards (IVS) and the European Valuation Standard and Guidance Notes from The European Group of Valuers' Association (TEGoVA) through

cont. Note A 1

its national industry organisations (Samhällsbyggarna – SFF in Sweden, Norges Takseringsforbund – NTF in Norway, and Dansk Ejendomsmaeglerforening – DE in Denmark). The Danish valuations are also prepared in accordance with Practice Statements and Relevant Guidance Notes by RICS. The German valuations are prepared in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Valuation Standards (IVS) and, where applicable, the relevant RICS national or jurisdictional supplement ("the Red Book"). The Dutch valuations are prepared in accordance with Commercial Real Estate Regulations [Reglement Bedrijfsmatig Vastgoed] of the Dutch Register of Real Estate Valuers [Nederlands Register Vastgoed Taxateurs (NRVT)], International Valuation Standards (IVS), issued by the International Valuation Standards Council (IVSC), European Valuation Standards (EVS), issued by The European Group of Valuers' Associations (TEGoVa) and Royal Institution of Chartered Surveyors (RICS) valuation standards (The Red Book).

In Sweden and Denmark, as well as for premises in Norway, the valuation is performed through a combination of spot price analysis and market simulation using cash flow analyses based on the each unit's net operating income. Based on the estimated net operating income, a simulation is performed for the ensuing 10–15 years' earnings capacity and a present value is calculated based on annual flows and a terminal value calculated according to the Gordon growth model. The sum of the calculated present values represents the estimated market value of the property.

The Norwegian valuations for housing are performed as traditional local price analyses, taking into account the structure and content of the lease. The basis for this is that an apartment can either be rented or sold as a condominium apartment or tenant-owner apartment.

Valuation hierarchy

The fair value of the property portfolio is based on level two and level three input data under the valuation hierarchy in IFRS 13. The valuations are classified as being within level two for housing in Norway, Netherlands and Germany, level three for Sweden and Denmark, as well as for premises in Norway.

Valuation basis for investment properties

For housing in Sweden, Denmark and Netherlands, valuations are performed on the basis of rent levels, specific rent surcharges and any discounts. For premises, the basis consists of rent, lease term, indexation and any surcharges, such as for heating, water and electricity. Estimates of operating and maintenance costs are based on the historical cost of the property, investments made and the external valuer's knowledge of costs for comparable items. The latter is an important part of the valuation, since active decisions and the owner's organisation affect the reported cost. Consequently, the operating costs in a valuation may differ, either positively or negatively, from the reported cost. The costs vary for each individual property, depending on the type of property, its standard and function. For each property, an anticipated long-term vacancy rate has been assigned to which the current opening vacancy is "normalised" during the valuation period. In addition to the above, the basis of valuation also includes property prices for sales of properties, tenant-owned apartments and condominium apartments.

In Norway, valuation is based on publicly available brokerage statistics for all apartments sold in the immediate vicinity of each property.

In Germany, the valuation basis consists primarily in the rental value that is appropriate in assessing the capital value or the letting potential of the properties, subject to market conditions that are either current or expected in the short-term. They are based on recent lease agreements within the properties, CBRE's experience of the market and their knowledge of actual comparable market activity. In addition, allowances are made for management and maintenance costs as the only cost positions not transferable to residential tenants under German law. The resulting cash flows to the property owner are discounted (for the 10 years explicitly modelled) using a discount rate and capitalized (beyond the 10-year horizon) using a capitalization rate. Discount rate and capitalization rate are derived from the average net yields achieved in transactions involving residential properties that were observed by CBRE and are adjusted individually for each

cont. Note A 1

valuation unit in accordance with criteria such as location quality, demand level in the local real estate market, market prospects, vacancy risk, the asset's size, age and condition as well as any additional risks pertaining to uncertainties in the forecasting of future cash flows.

Project properties and building rights

Classified as project properties are those under construction, extension or remodelling. Project properties are valued on the basis of the completed project, less remaining investments. Depending on the phase to which the project has progressed, there is a risk premium on the return requirement.

Building rights are valued on the basis of an estimated market value for established building rights in accordance with detailed plans that have entered legal force, or where detailed plans are expected to enter legal force in the near future.

Assumptions

In the valuation, key assumptions are made based on future cash flow, i.e. future net operating income, and assumptions regarding return requirements.

Assumptions regarding cash flow

Heimstaden Bostad's property portfolio consists mainly of residential properties, where rent level trends are regulated in Sweden but unregulated in Denmark and Norway. The long-term rent and cost trends are assumed to correspond to the anticipated long-term inflation level and inflation target. The valuation is based on a normalised level of operating and maintenance costs, excluding property tax and land leasehold payments, at between SEK 240 and SEK 510 per square metre.

Assumptions regarding return requirements

The return requirement assumes a real interest rate (risk-free interest rate less inflation) and a risk premium, where the risk premium is specific for each property. The risk premium is based on property-specific characteristics, such as the property's location, in terms of both location and micro location, area advantage technical standard, alternative use and who is the most likely buyer, etc.

+ 10-year German government bond (Euro bench)	-0.19%
– Inflation	-1.80%
+ Risk premium	2.37% till 12.27%
= Return requirement	0.38% till 10.28%

At the end of the financial year, the average initial return requirement was 3.63 percent for the entire portfolio. Broken down by segment as below:

Segments	Return requirement, %
Sweden	3.77
Norway	3.00
Denmark	3.57
Netherlands	4.22
Germany	2.19
Average	3.63

Total property value and broken down by segment

The total property value, measured at fair value, amounts to SEK 113,331 million (72,329). This value includes unrealised value increase for 2019 of SEK 4,780 million (2,711). Expressed as a percentage, the unrealised increase in value is 4.3 percent (3.9) of the total property value before changes in value. The total property value breaks down by segment as shown below.

Change in market value of investment properties	Total	Sweden	Denmark	Norway	Germany	Netherlands
Market value of investment properties, 31 Dec. 2018	72,329	35,881	20,927	15,521	–	–
Sales during the year	-3	-3	–	–	–	–
Acquisitions during the year	33,261	1,783	11,023	757	2,059	17,639
Investments during the year	2,575	1,443	893	239	–	–
Currency change	388	–	359	421	-10	-382
Market value after transactions	108,550	39,104	33,203	16,938	2,049	17,257
Unrealised value change	4,780	2,137	1,443	434	243	523
Market value of investment properties, 31 Dec. 2019	113,331	41,241	34,645	17,372	2,292	17,781

cont. Note A 1

Acquisitions after the Balance Sheet date

After the balance sheet date, Heimstaden Bostad has agreed to acquire properties with access dates after the balance sheet date. Since Heimstaden has not taken possession of the properties, they are not included in the financial statements.

Segments	Anticipated possession	Contracted property value
Denmark	2020 Q1	1,492
Sweden	2020 Q1	64
Czech	2020 Q1	13,611
Total		15,167

Uncertainty interval and sensitivity analysis

The fair value (price) of a property can only be determined when it is sold. Property valuations are estimates that build on accepted principles based on certain assumptions, as explained above. Accordingly, the valuation naturally includes a degree of uncertainty in the assumptions made. The valuation is assured and uncertainty is minimised through ongoing valuation work and by evaluating completed sales in Heimstaden's property portfolios and those of others.

Generally, market value is displayed in a value range of +/-5-10 percent to reflect the uncertainty in the assumptions. The reported property value per 31 Dec. 2019 amounts to SEK 113,331 million. With an uncertainty interval of +/-5 percent, this value is affected by SEK 5,667 million and at +/-10 percent, the value is affected by SEK 11,333 million.

Presented below is a more detailed sensitivity analysis linked to the above mentioned significant assumptions regarding return requirements and net operating income. Since rental income from housing is regulated in certain countries, the principal risk for a change in net operating income lies in the costs. Note that the following sensitivity analysis has been made in accordance with the present value method and that the change in return requirement and net operating income is one for the year at hand.

Property value at other yield requirements

0.75 – unit lower	142,209
0.50 – unit lower	131,045
0.25 – unit lower	121,533
Market value of properties on Balance Sheet date	113,331
0.25 – unit higher	106,186
0.50 – unit higher	99,906
0.75 – unit higher	94,343

Property value on changed net operating income

2.00 percent higher net operating income	115,549
1.50 percent higher net operating income	114,995
1.00 percent higher net operating income	114,440
Market value of properties on Balance Sheet date	113,331
1.00 percent lower net operating income	112,222
1.50 percent lower net operating income	111,668
2.00 percent lower net operating income	111,113

A 2 Leases, rights of use assets

Accounting principles

The Group has chosen to apply the exemption not to recognise short-term leases and leases of low value assets as right-of-use assets and lease liabilities in the balance sheet. Payments related to these leases are instead recognised as an expense on a straight line basis over the leasing period and amounted to SEK 1 million at December 31, 2019.

The Group has a number of site leasehold agreements and leases. In addition to this, there are a number of leases that relate to rent of offices within the Group. The lease payments are renegotiated at the end of the leases to reflect market rents. Leases are mostly due for renegotiation in more than 5

years and amount to SEK 818 m in total. In the annual accounts for 2019, an expense of SEK 2 m was recognised in respect of ground rent.

The lease debt maturity breaks down as follows:

	2019
Within one year	1
1–5 years	2
> 5 years	816
Total	818

The table below shows the rights of use per category:

	Leasehold rights	Premises	Vehicle	Other	Total
Opening value 1 Dec. 2019	629	185	2	1	817
New contract	–	–	1	–	1
Depreciation	–	-1	0	0	-1
Closing value 31 Dec. 2019	629	184	3	1	817

A 3 Development properties and tenant-owned apartments in progress

Accounting principles

The properties in production and to be sold on completion are reported in the Balance Sheet on the line Development properties and tenant-owned apartments in progress. The item is reported on an ongoing basis at cost or net sales value if this is lower. The profit is reported when the development property or tenant-owned apartment has been completed, sold or transferred to a buyer.

	31 Dec. 2019	31 Dec. 2018
Opening amortised cost	680	–
Corporate acquisitions for the year	110	883
Currency change	22	-39
Reversed impairment / Impairment	53	-164
Closing amortised cost	865	680

A 4 Accounts receivable

Accounting principles

Financial assets that have fixed or determinable payments and that are not listed in an active market are reported as receivables. Following individual valuation, loan receivables, accounts receivable and rent receivables are reported in the amounts expected to be received. This means they are reported at cost less provisions for expected credit losses.

Accounts receivable amounted to SEK 12 million (17) per 31 Dec. 2019. The Group has chosen to apply the simplified method for reserving expected loan losses for leases and accounts receivable. This means that expected credit losses are reserved for the remaining term, which is expected to be less than one year for all receivables. Rent is invoiced in advance, meaning that all reported rent receivables and accounts receivable have fallen due for payment. The Group makes provisions for expected credit losses based on historical credit losses and forward looking information. Heimstaden Bostad's customers have similar risk profiles, which is why the credit risk is initially assessed collectively. Any major individual receivables are assessed per counterparty. Heimstaden Bostad writes off a receivable when there is no longer any expectation of receiving payment and when active measures to obtain payment have been discontinued.

Age distribution of accounts receivable, SEK million	2019	2018
–30 days	17	15
31–60 days	4	1
61–90 days	7	0
91 days –	24	12
Total	53	29
Credit loss provision	-41	-11
Accounts receivable, net	12	17

A 5 Prepaid costs and accrued income

	31 Dec. 2019	31 Dec. 2018
Prepaid insurance premium	5	4
Prepaid interest	118	82
Other accrued items	171	115
Closing balance	294	201

OL OPERATING LIABILITIES**OL 1** Other current liabilities

	31 Dec. 2019	31 Dec. 2018
Deposits from customers	406	219
Resting trial costs	26	26
Liabilities real estate transactions	198	–
VAT construction projects	57	–
Other items	132	170
Total	819	415

OL 2 Accrued costs and prepaid income

	31 Dec. 2019	31 Dec. 2018
Accrued interest	67	82
Prepaid rent	307	235
Other accrued items	147	58
Total	521	375

OL 3 Pledged assets

	31 Dec. 2019	31 Dec. 2018
Mortgages ¹⁾	48,131	34,358
Pledged shares in subsidiaries ¹⁾	8,180	3,684
Total	56,311	38,042

¹⁾ The collateral has been pledged with regard to interest-bearing loans from credit institutions.

OL 4 Contingent liabilities

A contingent liability is recognised if there is a possible obligation for which it has yet to be confirmed if the Group has an obligation that could lead to an outflow of resources, alternatively, if there is a present obligation that does not meet the criteria to be recognised in the balance sheet as a provision or other liability as it is not probable that an outflow of resources will be required to settle the obligation or as it is not possible to make a sufficiently reliable estimate of the amount.

During 2018, Heimstaden Bostad received a guarantee from its Parent Company, Fredensborg AS for any losses that might arise as a result of a lack of clarification of the municipality's entitlement to use nine properties owned by Heimstaden Bostad Invest 10 AS.

Investment obligations

During the year, Heimstaden Bostad agreed on property acquisitions whereby it would take possession after the balance sheet date. Since Heimstaden has not taken possession of the properties, they are not included in the financial statements.

Segments	Anticipated possession	Contracted property value
Sweden	2020–2023	14,670
Denmark	2020	2,541
Total		17,221

Liability for contamination or environmental damage

According to the Swedish Environmental Code, a property owner may be liable to defray measures resulting from a contamination incident or a serious case of environmental damage. Heimstaden Bostad conducts surveys and screenings work ahead of property acquisitions and new projects in order to identify any potential environmental risks.

As of the balance sheet date, Heimstaden Bostad has no knowledge of such contamination or environmental damage that could materially impact the Group's financial position.

Disputes

From time to time Heimstaden Bostad is a party in legal processes and administrative proceedings related to letting, management and development of properties.

As of the balance sheet date, Heimstaden Bostad is not a party to any ongoing process which may have a material impact on the Group's financial position.



F FINANCING AND CAPITAL STRUCTURE

F 1 Financial instruments

Accounting principles

Financial instruments are any kind of agreement giving rise to a financial asset in a company and a financial liability or equity instrument in another company. Financial assets in the Balance Sheet refer to loan receivables, derivatives, rental receivables and accounts receivable, other receivables and cash and cash equivalents. Financial liabilities refer to loan liabilities, derivatives, other current liabilities and accounts payable. The accounting depends on how the financial instruments have been classified.

A financial asset is recognised or a liability is included in the Balance Sheet when Heimstaden Bostad becomes a party to an agreement, rent receivables and accounts receivable are included when the invoice has been sent and the company has an unconditional right to compensation. Liabilities are addressed when the counterparty has performed its undertaking and a contractual obligation to pay exists, even if the invoice has not yet been received, and accounts payable are included when the invoice is received.

A financial asset, or part of a financial asset, is removed from the Balance Sheet when the rights inherent in the agreement are realised or expire, or if the company loses control of them. A financial liability is removed from the Balance Sheet when the obligation has been met or otherwise extinguished. Financial assets and financial liabilities are only offset and recognised at a net amount in the Balance Sheet where there is a legal right to offset the amounts and there is an intention to settle the items at a net amount, or to realise the asset and settle the liability at the same time. Gains and losses on removal from the Balance Sheet and adjustments for these are reported in the Income Statement.

Financial assets

The classification of financial assets that are debt instruments is based on the Group's business model for the management of the asset and the nature of the asset's contractual cash flows.

The instruments are classified as:

- amortised cost
- fair value via other comprehensive income, or
- fair value via the Income Statement.

The Group's assets in the form of debt instruments are classified as amortised cost, that is, net of gross value and loss reserves. Changes in the loss reserve are reported in the Income Statement.

Financial assets classified at amortised cost are initially valued at fair value with the addition of transaction costs, while accounts receivable and lease receivables are initially reported at the invoiced value. Following initial accounting, the assets are valued in accordance with the effective interest method. Assets classified at amortised cost are held to receive payment for contractual cash flows, which are only payments of principal and interest on the outstanding capital amount. The assets are covered by a loss reserve for expected loan losses.

Equity instruments are classified at fair value via the Income Statement, unless not held for trade, in which case an irrevocable choice can be made to classify them at fair value via other comprehensive income without subsequent reclassification to the Income Statement. The Group holds other non-current securities, such as derivatives, which are classified at fair value via the Income Statement.

Impairment of financial assets

With the exception of those classified at fair value through the Income Statement or as equity instruments measured at fair value via other comprehensive income, the Group's financial assets are subject to impairment for expected credit losses. In accordance with IFRS 9, impairment for credit losses is forward-looking and a loss reserve is made when there is an exposure to credit risk, usually in connection with initial accounting. Expected credit losses reflect the present value of all

cont. Note F 1

cash flow deficits attributable to default, either for the subsequent twelve months or for the expected remaining term of the financial instrument, depending on the asset class and on credit deterioration since the initial accounting date. Expected credit losses reflect an objective, probability-weighted outcome that takes several scenarios into account based on reasonable and verifiable forecasts.

A simplified model is applied for accounts receivable and rent receivables, as well as contract assets. Accordingly, a loss reserve is reported for the receivable or asset's expected remaining term, see Note [A 4](#) Accounts receivable.

For other items subject to expected credit losses, a three-stage impairment model is applied. Initially, as well as on each Balance Sheet date, a loss reserve is reported for the next twelve months or for a shorter period depending on the remaining term (stage 1). If there has been an essential increase in credit risk since initial accounting, entailing a rating below investment grade, a loss reserve is reported for the remaining term of the asset (stage 2). For assets deemed to be impaired, reserves continue to be made for expected credit losses over the remaining term (stage 3). For assets and receivables with deteriorated credit, the calculation of interest income is based on the carrying amount of the assets, net of loss reserves, unlike the gross amount as in the previous stages.

The valuation of expected credit losses is based on various methods. Other receivables and assets not covered by the simplified method (see Note [A 4](#) Accounts receivable), are impaired in accordance with a rating-based method through external credit rating. In accordance with the general method, the financial assets covered by provisions for expected credit losses are cash and cash equivalents, other non-current receivables and other receivables. Expected credit losses are valued at the product of probability of default, loss given default and the exposure in the event of default. The Group has defined default as when payment of the claim is 90 days late or more, or if other factors indicate that payment is in default. For assets and receivables with deteriorated credit, an individual assessment is made, taking into account historical, current and forward-looking data. The assessment of whether there is a significant increase in credit risk at the Balance Sheet date for a receivable or asset is based on whether payment is delayed by 30 days or more, or if significant deterioration of rating occurs, entailing a rating below investment grade. In cases where the amounts are not deemed insignificant, a provision is made for expected credit losses for these financial instruments too. The valuation of expected credit losses takes into account any collateral and other credit enhancements in the form of guarantees.

Financial liabilities

Financial liabilities are classified at amortised cost, with the exception of derivatives classified at fair value via the Income Statement. Financial liabilities reported at amortised cost are initially valued at fair value including transaction costs. After initial accounting, they are valued at amortised cost in accordance with the effective interest method.

Cash and cash equivalents

Financial liabilities are classified at amortised cost, with the exception of derivatives classified at fair value via the Income Statement. Financial liabilities reported at amortised cost are initially valued at fair value including transaction costs. After initial accounting, they are valued at amortised cost in accordance with the effective interest method.

cont. Note F 1

Valuation of financial assets and liabilities per 31 December 2019	Financial assets/liabilities measured at amortised cost	Financial liabilities measured at fair value through the Income Statement
Financial assets		
Financial fixed assets	542	–
Accounts receivable	12	–
Other financial receivables	1,058	–
Cash and cash equivalents	4,345	–
Total	5,957	–
Financial liabilities		
Financial derivative instruments	–	65
Long-term interest-bearing liabilities	53,609	–
Current interest-bearing liabilities	1,137	–
Accounts payable	293	–
Other liabilities	819	–
Total	55,858	65
Valuation of financial assets and liabilities per 31 December 2018	Financial assets/liabilities measured at amortised cost	Financial liabilities measured at fair value through the Income Statement
Financial assets		
Financial derivative instruments	–	18
Financial fixed assets	150	–
Accounts receivable	17	–
Other financial receivables	558	–
Cash and cash equivalents	2,313	–
Total	3,038	18
Financial liabilities		
Long-term interest-bearing liabilities	40,637	–
Current interest-bearing liabilities	957	–
Accounts payable	295	–
Other liabilities	120	–
Total	42,009	–

Financial instruments, such as rent receivables, accounts payable, etc. are reported at amortised cost less impairment, which is why fair value is deemed to be in accordance with the carrying amount. Non-current interest-bearing liabilities are generally subject to short terms of fixed interest, and the fair values of non-current bonds do not differ significantly from the nominal values, which, combined, means that amortised cost is well-matched with fair value.

Interest-rate derivatives

Accounting principles

Heimstaden Bostad uses derivatives to mitigate interest rate risks by swapping borrowing at floating interest rates with fixed interest rates and vice versa by means of interest rate derivative contracts. The Group reports interest rate derivatives as financial instruments in the Balance Sheet at cost on the contract date and then revalues these at fair value via the Income Statement. Interest rate derivative refers to interest rate swaps for which the initial cost is zero.

Ongoing payment flows under these agreements are recognised in the Income Statement in the period to which they pertain. Fair value is determined using generally accepted calculation methods based on market interest rates listed on the closing date for the different maturities. This means that fair value is determined according to valuation level two, IFRS 13. This level means that the valuation is based on inputs other than the listed prices included in level one.

The reported change in value may consist of realised and unrealised changes in value. Realised changes in value consist of redeemed interest derivative contracts and constitute the difference between the redemption price and the carrying amount according to the most recent year-end accounts. Unrealised changes in value constitute the difference between the valuation at the end of the previous year compared with the valuation for the same period in the previous year, alternatively the cost if the derivative contract is entered into during the financial year.

cont. Note F 1

Maturity, year	Type	31 Dec. 2019			31 Dec. 2018		
		Nominal amount	Share, %	Average interest ¹⁾ , %	Nominal amount	Share, %	Average interest ¹⁾ , %
Within 1 year of the Balance Sheet date	Paying fixed	4,592	12	0,10	3,333	16	0.01
Within 1–5 years of the Balance Sheet date	Paying fixed	26,882	71	0,20	13,296	63	0.42
Later than 5 years from the Balance Sheet date	Paying fixed	6,231	17	0,50	4,553	21	0.70
Total interest rate derivatives		37,705	100	0,20	21,182	100	0.42
Within 1 year of the Balance Sheet date	Receives variable	5,223	42	3,20	–	–	–
Within 1–5 years of the Balance Sheet date	Receives variable	7,313	58	2,80	5,127	100	1.10
Later than 5 years from the Balance Sheet date	Receives variable	–	–	–	–	–	–
Total basis swaps		12,536	100	3,00	5,127	100	1.10



F 2 Financial risk management

Financial risk factors

The Heimstaden Bostad Group is continuously exposed to a number of risk factors. Management and employees work actively to quantify and control its risks. Practically all risk management is performed by the finance department in accordance with the overarching finance policy that has been prepared. Risk management is reported on and discussed regularly at Board meetings.

The overall objectives of the finance policy are summarised as follows:

- Safeguard the Group's short and long-term capital supply through diversified borrowing in the capital market or with strong counterparties in the banking and financial sectors.
- The maturity structure of the period of fixed interest on the loans shall be well distributed over time.
- The period of fixed interest on the loans (including the effects of derivatives) shall be distributed over time.

Existing loan agreements with credit institutions contain financial conditions (so-called covenants) stipulating maximum loan-to-value ratio, minimum equity/assets ratio and minimum interest coverage ratio. At the end of the financial year, all of these conditions had been met.

MARKET RISK

Currency risk

Heimstaden Bostad owns properties in Denmark for a value of SEK 34,645 million (20,927), Norway for a value of SEK 17,372 million (15,521) and has during the year acquired properties amounting to SEK 20,073 million in Netherlands and Germany, entailing currency risks. The currency effect arises in the Group's net assets when the foreign companies' Balance Sheets are consolidated. No hedging is currently performed for this currency risk.

Price risk

Price risk refers to the risk that the value of an asset will change unfavourably on fluctuations in asset prices. The Group's price risk exposure is limited by the framework imposed by the finance policy and, in accordance with this, Heimstaden Bostad may only use bank accounts and short-term market-listed instruments for liquidity investments. There are no market-listed instruments with extended maturities within the Group.

Interest rate risk

Interest rate risk refers to the risk that changes in market interest rates will affect Heimstaden Bostad's borrowing cost. Interest costs are mainly affected by the level of current market interest rates and the banks' margins, as well as the company's chosen strategy for periods of fixed interest. To manage the risk, the Group uses derivative instruments. Interest rates are fixed in accordance with the financial policy based on estimated interest rate trends, cash flow and capital structure and the prevalent market conditions at any given time.

CREDIT RISK

Credit risk refers to the risk that Heimstaden Bostad's counterparties are unable to meet their financial obligations towards the company. Credit risk in the financing activities arises when, for example, investing liquidity surpluses, on the subscription of interest rate agreements and issued credit agreements. Heimstaden Bostad continuously evaluates all suppliers regarding the financial part of the business, to ensure that this credit risk is limited. Since the Group primarily invest in residential properties, rent is received in advance, eliminating a large part of the potential credit risk among end-customers.

The assessment has been made that there has been no significant increase in credit risk for any of the Group's financial assets. The counterparties lack credit risk ratings, with the exception of cash and cash equivalents where the counterparties consist of Nordic banks with credit risk ratings in the interval A to AA-.

cont. Note F 2

LIQUIDITY RISK

The risk of a company encountering difficulties in meeting its obligations associated with financial liabilities and settled in cash or with other financial assets. Heimstaden Bostad has an attractive property portfolio, a balanced Loan-to-value ratio, a positive forecast for future cash flows and a broad network of financial institutions that supply capital.

The following table shows the maturity structure of Heimstaden Bostad financial liabilities. The figures are undiscounted cash flows based on contract dates and include both interest and nominal amounts.

Maturity 31 December, 2019	0–1 years	1–5 years	>5 years
Interest-bearing liabilities	5,137	31,407	22,201
Financial derivative instruments	4,592	26,882	6,231
Accounts receivable	293	–	–
Other liabilities	819	–	–
Total	10,841	58,289	28,432

Maturity 31 December, 2018	0–1 years	1–5 years	>5 years
Interest-bearing liabilities	957	28,824	11,813
Financial derivative instruments	3,333	13,296	4,553
Accounts receivable	293	0	0
Other liabilities	415	0	0
Total	4,998	42,120	16,366

For other risks, see pages 80–85.



F 3 Interest-bearing liabilities**Accounting principles**

Interest-bearing liabilities are classified at amortised cost with the exception of derivatives that are classified at fair value through the income statement. Interest-bearing liabilities reported at amortised cost are initially valued at fair value, including transaction costs. After the initial accounting, they are valued at amortised cost using the effective interest method.

Interest-bearing liabilities per currency	2019		2018	
	mkr	Local currencies	mkr	Local currencies
SEK	17,365	–	24,156	2,456
NOK	1,353	1,277	515	500
EUR	22,220	2,127	5,127	500
DKK	17,809	12,737	11,795	8,581
Total	58,747		41,593	

Listed bonds

Nominal value	Market value	Maturity	Rating	Annual coupon	Identification number	Exchange
Interest-bearing liabilities						
500 mEUR	5,369	2021-12-07	BBB- (Positive Outlook)	Fixed 1.75%	XS1918007458	Euronext Dublin
700 mEUR	7,693	2023-09-05	BBB- (Positive Outlook)	Fixed 2.125%	XS1958655745	Euronext Dublin
500 mNOK	542	2024-06-07	BBB- (Positive Outlook)	N3M + 2.40%	NO0010838899	Oslo börs
4,000 mSEK	4,041	2020-12-07	BBB- (Positive Outlook)	S3M +1.50%	XS1918016285	Euronext Dublin
1,000 mSEK	1,033	2022-09-07	BBB- (Positive Outlook)	S3M + 2.00%	XS1918010833	Euronext Dublin
Hybrid bond						
800 mEUR	8,399	2025-02-19	BBB- (Positive Outlook)	Fixed 3.248%	XS2010037765	Euronext Dublin

Maturity structure interest-bearing liabilities

	Capital tied up 31 Dec. 2019			
	Secured borrowing	Unsecured borrowing	Total borrowing	Share, percent
Loan maturity				
Within 1 year of the Balance Sheet date	1,137	4,000	5,137	9
within 1–5 years of the Balance Sheet date	17,341	14,066	31,407	53
Later than 5 years from the Balance Sheet date	22,201	–	22,203	38
Total	40,679	18,066	58,747	100

	Capital tied up 31 Dec. 2018			
	Secured borrowing	Unsecured borrowing	Total borrowing	Share, percent
Loan maturity				
Within 1 year of the Balance Sheet date	312	645	957	2
within 1–5 years of the Balance Sheet date	15,455	13,369	28,824	69
Later than 5 years from the Balance Sheet date	11,298	515	11,813	28
Total	27,065	14,529	41,593	100

	Fixed interest rates 31 Dec. 2019			Average interest rate,% incl. Margin	Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing		
Interest maturity					
Within 1 year of the Balance Sheet date	30,386	18,066	48,452	1.51	82
within 1–5 years of the Balance Sheet date	9,800	–	9,800	3.08	17
Later than 5 years from the Balance Sheet date	494	–	494	3.23	1
Total	40,680	18,066	58,746	1.79	100

	Fixed interest rates 31 Dec. 2018			Average interest rate,% incl. Margin	Share, percent
	Secured borrowing	Unsecured borrowing	Total borrowing		
Interest maturity					
Within 1 year of the Balance Sheet date	25,254	14,529	34,656	1.40	96
within 1–5 years of the Balance Sheet date	1,498	–	6,625	2.70	4
Later than 5 years from the Balance Sheet date	312	–	312	1.30	1
Total	27,064	14,529	41,593	1.70	100

F 4 Value change, interest rate derivatives

	2019	2018
Realised value change	57	3
Currency effect	65	–
Unrealised value change	-83	8
Total	39	11

Interest rate derivatives are used to limit the impact of interest changes in interest rates. If the agreed interest rate deviates from the market rate, a surplus or deficit value on the interest rate derivatives arises and is reported above as an unrealised value change.

F 5 Other non-current receivables

	2019	2018
Opening balance	150	211
Acquisitions	–	150
Loans granted	61	–
Loans granted to associated companies	465	–
Repayments on loans	-134	-211
Closing balance	542	150

The item relates mainly to loans to associated companies.

F 6 Financial income and costs**Accounting principles**

Financial income, such as interest income on bank balances, is recognised in the Income Statement in the period to which it relates. Financial costs refer to interest and other borrowing costs and are recognised as costs in the period to which they relate. Payments in accordance with interest rate derivative agreements, are also included in this item and are expensed in the period to which they relate. Adjustments in the fair value of interest rate derivatives to fair value are not included in this item but are reported as separate items in the Income Statement. Costs for setting up mortgages are not considered to be financial costs, but are instead capitalised as value-enhancing property investments.

Financial income and costs reported in comprehensive income

Assets and liabilities compulsorily measured at fair value through the Income Statement:	2019	2018
Net gains on derivatives	152	145
Net losses on derivatives	-113	-134
Total reported in the Income Statement (financial items)	39	11

Assets and liabilities measured at amortised cost:	2019	2018
Interest income, promissory notes	14	–
Interest income, other financial assets	27	26
Total interest income in accordance with effective interest method	41	26

	2019	2018
Interest costs, loans	-1,082	-698
Total interest costs in accordance with the effective interest method	-1,082	-698

	2019	2018
Exchange rate differences, financial items	-241	203
Total	-241	203
Total reported in comprehensive income	-1,243	-458

F 7 Reconciliation of liabilities attributable to financing activities

	31 Dec. 2018	Cash flow	Non-cash items		31 Dec. 2019
			Corporate acquisitions	Changed exchange rate	
Current interest-bearing liabilities	957	4,180	–	–	5,137
Long-term interest-bearing liabilities	40,636	-5,916	18,565	325	53,609
Total interest-bearing liabilities	41,593	1,736	18,565	325	58,746

	31 Dec. 2017	Cash flow	Non-cash items		31 Dec. 2018
			Corporate acquisitions	Changed exchange rate	
Current interest-bearing liabilities	3,030	-2,074	–	–	957
Long-term interest-bearing liabilities	21,798	7,812	10,823	204	40,636
Total interest-bearing liabilities	24,828	5,738	10,823	204	41,593

AK ALTERNATIVE KEY DATA

Definitions of the following measurements are presented on page 162.

Letting ratio, housing (number), %	31 Dec. 2019	31 Dec. 2018
Number of available/vacant homes as per the Balance Sheet date	1,336	985
Number of leased homes as per the Balance Sheet date	53,527	36,352
Total number of homes as per Balance Sheet date	54,863	37,337
Letting ratio, housing (number), %	97.6%	97.4%

Real letting ratio, housing (number), %	31 Dec. 2019	31 Dec. 2018
Number of remodelling vacancies as per the Balance Sheet date	859	569
Number of leased homes as per the Balance Sheet date	54,004	36,352
Total number of homes as per Balance Sheet date	54,863	37,337
Real letting ratio (number), %	99.1%	98.5%

Proportion living area on Balance Sheet date (m ²), %	31 Dec. 2019	31 Dec. 2018
Living area as per Balance Sheet date	3,660,839	2,328,840
Premises area as per Balance Sheet date	352,431	299,091
Total area as per Balance Sheet date	4,013,270	2,627,931
Proportion living area on Balance Sheet date, %	91.2%	88.6%

Interest coverage ratio (ICR), multiple	31 Dec. 2019	31 Dec. 2018
Profit from property management	980	1,142
Reversal:		
Financial costs – interest-bearing liabilities	1,323	698
Financial costs – interest-bearing subordinated shareholder loans	–	–
Profit from property management plus financial costs	2,303	1,840
Interest coverage ratio (ICR), multiple	2.5	2.6

Equity ratio including shareholder loans, %	31 Dec. 2019	31 Dec. 2018
Equity	57,548	31,925
Interest-bearing subordinated shareholder loans	–	–
Equity including interest-bearing shareholder loans	57,548	31,925
Total assets	121,564	76,283
Equity/assets ratio including shareholder loans, %	47.3%	41.9%

Net liabilities	31 Dec. 2019	31 Dec. 2018
Interest-bearing liabilities	58,747	41,593
Cash and bank balances	-4,345	-2,313
Net liabilities	54,402	39,279

Loan-to-value ratio (LTV), %	31 Dec. 2019	31 Dec. 2018
Net liabilities	54,401	39,279
Investment properties	121,564	72,329
Loan-to-value ratio (LTV), %	44.8%	54.3%

Net asset value on the Balance Sheet date, SEK m	31 Dec. 2019	31 Dec. 2018
Equity	57,548	31,925
Deferred tax liability	2,526	1,356
Net asset value	60,074	33,281

Long-term asset value on the balance sheet date, SEK m	31 Dec. 2019	31 Dec. 2018
Net asset value	60,074	33,281
Financial derivative instruments	65	-18
Long-term Net asset value	60,139	33,263

Equity per preference share, SEK	31 Dec. 2019	31 Dec. 2018
Preferential rights of preference shares A upon liquidation of the company	50,000	100,000
Remaining entitlement to dividends	922,342	1,268,663
Equity per preference share A	972,342	1,368,663

Preferential rights of preference shares B upon liquidation of the company	2,000	100,000
Remaining entitlement to dividends	64	3,452
Equity per preference share B	2,064	103,452

Number of preference shares A	200	100
Equity per preference share, SEK	922,342	1,268,663
Preference capital, SEK million	184	127

Number of preference shares B	16,027,565	203,360
Equity per preference share, SEK	2,064	103,452
Preference capital, SEK million	33,079	21,038

Equity excluding preference capital, SEK million	24,285	10,760
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Average number of ordinary shares	2,967,125	2,204,519
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Equity per ordinary share, SEK	8,185	4,881
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Equity per ordinary share	31 Dec. 2019	31 Dec. 2018
Comprehensive income for the year, SEK million	4,740	2,581
– Remaining entitlement to dividends, preference shares	-1,208	-829
Parent Company's preference shareholders, SEK million	3,532	1,752

Average number of ordinary shares	2,967,125	2,204,519
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Profit per ordinary share, SEK	1,176	795
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GS GROUP STRUCTURE

GS 1 Participations in associated companies and joint ventures

Accounting principles

Companies that are not subsidiaries but in which the company, directly or indirectly, holds at least 20 percent of the votes. Associated companies are reported in accordance with the proportional method, meaning that participations in an associated company are reported at cost on the acquisition date and are subsequently according to the company's share of the change in the associated company's net assets. The company's participation in the associated company's income is reported in the Income Statement.

Participations in associated companies	31 Dec. 2019	31 Dec. 2018
Opening balance	–	–
Investment for the year	213	–
Share of profit	88	–
Closing balance	301	–

Participations are reported in accordance with the equity method.

Specifications of the Group's participations in associated companies

Company	Corp. ID No	Reg. office	No. of shares	Share in %	Value of capital participation
Rosengård Fastighets AB	559085-4708	Malmö	25 000	25	131
Byggrätt Norr AB	559207-4859	Skellefteå	94	94	–
					131

Specifications of the Group's participations in joint ventures

Company	Corp. ID No	Reg. office	No. of shares	Share in %	Value of capital participation
Windrose A/S	39754134	Charlottenlund	5,000	50	56
Gamlebro AB	556791-3990	Norrköping	500	50	15
Upplands Bro Brogårds Etapp 2 AB	559175-4915	Stockholm	500	50	99
Magnolia Projekt 5222 AB	559175-4907	Stockholm	500	50	0
					170

Specification of rental income and profit for the financial year 2019, as well as assets and liabilities per 31 December 2019

Company	Rental income	Profit	Assets	Liabilities
Rosengård Fastighets AB	142	174	1,475	842
Byggrätt Norr AB	–	–	50	–
Windrose A/S	–	–	129	124
Gamlebro AB	8	33	427	391
Upplands Bro Brogårds Etapp 2 AB	19	177	512	315
Magnolia Projekt 5222 AB	–	–	50	–
Udviklingsselskabet af 31. oktober 2017 A/S	–	–	–	–

Parent Company Income statements

Amounts in SEK million	Note	2019	2018
Central administration costs	PC-IC 1 PC-IC 2	-241	-153
Operating profit/loss		-241	-153
Dividends from shares in subsidiaries	PC-IC 3	7,162	7,473
Impairment of participations in subsidiaries	PC-IC 3	-4,333	-7,473
Interest income and similar Income Statement items	PC-IC 4	576	20
Interest costs and similar Income Statement items	PC-IC 4	-540	-197
Other financial income	PC-IC 4	–	203
Other financial costs		-304	–
Value change, interest rate derivatives	PC-FL 2	-70	-21
Profit after financial items		2,250	-148
Appropriations	PC-IC 5	243	173
Profit before tax		2,493	25
Current tax	PC-T 1	-8	-2
Deferred tax	PC-T 2	14	-4
Profit for the year		2,500	19

Parent Company Statements of Comprehensive Income

Amounts in SEK million	2019	2018
Profit for the year according to the Income Statement	2,500	19
Other comprehensive income	–	–
Comprehensive income for the year	2,500	19

Parent Company Balance Sheets

Amounts in SEK million	Note	31 Dec. 2019	31 Dec. 2018
ASSETS			
Non-current assets			
Shares in subsidiaries	PC-GS 1	32,758	16,458
Receivables, subsidiaries	PC-A 1	20,308	14,602
Deferred tax receivables	PC-T 2	16	2
Total non-current assets		53,082	31,062
Current assets			
Current receivables, subsidiaries		12,849	12,214
Other current receivables		684	–
Prepaid costs and accrued income		94	66
Cash and cash equivalents		2,811	1,810
Total current assets		16,438	14,090
TOTAL ASSETS		69,521	45,152

Parent Company Balance Sheets

Amounts in SEK million	Note	31 Dec. 2019	31 Dec. 2018
EQUITY AND LIABILITIES	PC-E 1		
Restricted equity			
Share capital		26	26
Ongoing new share issue ¹⁾		7	–
Unrestricted equity			
Share premium reserve		37,397	24,203
Hybrid bond		8,514	–
Retained earnings (incl profit for the year)		2,665	1,049
		48,574	25,253
Total equity		48,610	25,279
LIABILITIES			
Non-current liabilities			
Debenture loans	PC-FL 1	18,066	10,643
Long-term interest-bearing liabilities	PC-FL 1	–	6,437
Financial derivative instruments	PC-FL 2	80	10
Non-current liabilities, subsidiaries	PC-FL 3	2,358	662
Total non-current liabilities		20,504	17,751
Current liabilities			
Current liabilities, subsidiaries	PC-OL 1	288	2,054
Accounts payable		13	1
Current tax liabilities		–	29
Accrued costs and prepaid income	PC-OL 2	107	38
Total current liabilities		408	2,122
TOTAL EQUITY AND LIABILITIES		69,521	45,152

¹⁾ New issue decision taken on 2019-10-25, registered on 2020-01-27.

Parent Company Statements of Changes in Equity

Amounts in SEK million	Number of outstanding shares	Share capital	Share premium reserve	Hybrid bond	Retained earnings	Total equity
Opening balance, 1 Jan 2019	2,632 909	26	24,203	–	1,049	25,279
Total comprehensive income	–	–	–	55	2,444	2,500
New share issue	14,245,089	1	3,694	–	–	3,695
Ongoing new share issue	4,465,269	7	9,500	–	–	9,507
Issue of hybrid bond	–	–	–	8,523	–	8,523
Issue costs	–	–	–	-9	–	-9
Dividend	–	–	–	-55	-829	-884
Total transactions with the company's owner	18,710,358	8	13,194	8,459	-829	20,832
Closing balance, 31 Dec 2019	21,343,267	34	37,397	8,514	2,665	48,610
Opening balance, 1 Jan 2018	1,914,004	19	12,796	0	1,168	13,983
Total comprehensive income	–	–	–	–	19	19
New share issue	718,905	7	11,407	–	–	11,414
Dividend	–	–	–	–	-138	-138
Total transactions with the company's owner	718,905	7	11,407	0	-138	11,276
Closing balance, 31 Dec 2018	2,632,909	26	24,203	0	1,049	25,279

Parent Company Cash Flow Statements

Amounts in SEK million	Note	31 Dec. 2019	31 Dec. 2018
Operating activities			
Profit after financial items		2,250	-148
Adjustments for non-cash items		-2,615	-105
Paid tax		-37	–
Cash flow from operating activities before changes in working capital		2,250	-253
Change in working capital			
Change in current receivables		-712	-53
Change in current liabilities		81	37
Cash flow from operating activities		-1,033	-269
Investing activities			
Acquisitions of subsidiaries		-7,662	-18,348
Loans granted to subsidiaries		-12,103	-8,317
Cash flow from investing activities		-19,765	-26,665
Financing activities			
New share issue		13,202	11,414
Paid dividend		-829	-138
Emission hybrid bond		8,523	–
Issue costs		-64	–
Change in interest-bearing liabilities	PC-FL 4	967	17,274
Redemption of interest rate derivatives	PC-FL 3	–	-37
Cash flow from financing activities		21,799	28,513
Cash flow for the year		1,001	1,579
Cash and cash equivalents at the beginning of the year		1,810	232
Currency effect in cash and cash equivalents		–	-1
Cash and cash equivalents at the end of the year		2,811	1,810
Disclosures on interest rates			
Interest paid amounts to		526	197
Interest received amounts to		576	20

Parent Company accounting principles and notes

PC-G GENERAL INFORMATION AND GENERAL ACCOUNTING RULES

PC-G 1 General information

The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 (Accounting for Legal Entities) and statements of the Swedish Financial Reporting Board. RFR 2 means that the Parent Company's Annual Report for the legal entity shall apply all IFRS and statements adopted by the EU as far as possible within the framework of the Annual Accounts Act and with regard to the relationship between accounting and taxation. The recommendation indicates what exceptions from, and additions to, IFRS are to be made.

PC-G 2 Differences between the Group's and the Parent Company's accounting policies

The Parent Company applies the same accounting principles as the Group (see Note **G2** Preparation of the consolidated accounts in the consolidated accounts), with the following exceptions and additions.

Financial instruments

Due to the connection between accounting and taxation, the rules regarding financial instruments in accordance with IFRS 9 are not applied in the Parent Company as a legal entity, and the Parent Company applies instead the cost method in accordance with the Annual Accounts Act. Accordingly, in the Parent Company, financial non-current assets are valued at cost and financial current assets in accordance with the principle of lowest value, applying impairment for expected loan losses in accordance with IFRS 9 regarding assets that are debt instruments. For other financial assets, impairment is based on market value. Derivative instruments with negative fair value are reported as a liability at the negative fair value with changes in value being recognised in the Income Statement.

The Parent Company applies the exemption to not value financial guarantee agreements benefiting subsidiaries, associated companies and joint ventures in accordance with the rules in IFRS 9, applying instead the valuation principles in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Impairment of financial assets that are debt instruments

The Parent Company applies the corresponding impairment method as the Group for expected credit losses on current and non-current receivables from subsidiaries. The Parent Company judges that the subsidiaries currently have similar risk profiles and assessments are performed on a collective basis for similar transactions. Per the Balance Sheet date, no material increase in credit risk has been deemed to prevail for any intra-Group receivables, such assessment is based on whether payment is 30 days late or more. The Parent Company's receivables from its subsidiaries are subordinated external lenders' claims, for which the subsidiary's properties have been pledged as collateral. The Parent Company's expected loss in the event of default takes into account the average of the subsidiaries' loan-to-value ratios and their expected market value in the event of a forced sale. Based on the Parent Company's assessments in accordance with the aforementioned method, taking other known information and forward-looking factors into account, it is estimated that expected loan losses will not be significant and no provision has therefore been reported.

Credit risk

The Company's maximum credit risk comprises the net of the carrying amounts of the financial assets. The Company has not received any pledged assets for the net financial assets.

The assessment has been made that there has been no significant increase in credit risk for any of the Parent Company's financial assets. The counterparties lack credit risk ratings, with the exception of cash and cash equivalents where the counterparties consist of Nordic banks with credit risk ratings in the interval A to AA-.

PC-G 3 Presentation

For the Parent Company, the Income Statement and Other comprehensive income are reported in two separate reports. For the Parent Company, the Income Statements and Balance Sheets are prepared in accordance with the Annual Accounts Act's schedule while Other comprehensive income, the Statement of Changes in Equity and the Cash Flow Statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows.

PC-G 4 New accounting principles

IFRS 16 Leases which enters into force on 1 January 2019 has no effect on the Parent Company. As there are no leasing agreements in the Parent Company, no leasing costs have been reported.

PC-G 5 Group disclosures

Heimstaden Bostad AB (publ) is a subsidiary of Heimstaden AB, Corp. ID No. 556670-0455, which prepares consolidated accounts. Heimstaden AB is a subsidiary of Fredensborg 1994 AS, Corp. ID No. 943 582 815, domiciled in Norway. Fredensborg 1994 AS prepares consolidated accounts for the largest group. The foreign parent company's consolidated accounts are available at Fredensborg 1994 AS, Stensberggata 27, NO-0170 Oslo, Norway, e-mail: post@fredensborg.no

PC-G 6 Related parties

In addition to the related-party relationships specified for the Group, the Parent Company has a controlling influence over subsidiaries in accordance with Note

PC-GS 1 Shares in subsidiaries.

PC-IC INCOME AND COSTS**PC-IC 1 Central administration costs**

Central administration costs include costs at a Group-wide level that are not directly attributable to property management, such as costs for the Board of Directors, CEO, Group management and company costs pertaining to information to shareholders, for example, maintenance of stock exchange listing and production of annual and quarterly reports. Costs for central administration also include, remuneration to the auditors, in accordance with the table below:

EY	2019	2018
Audit	2	1
Auditing activities beyond the audit	1	2
Tax consultancy	–	0
Other assignments	0	0
Total	3	3

Moore Stephens	2019	2018
Audit	3	2
Auditing activities beyond the audit	0	0
Tax consultancy	–	–
Other assignments	–	–
Total	3	2

Total	2019	2018
Audit	5	3
Auditing activities beyond the audit	1	2
Tax consultancy	–	0
Other assignments	0	0
Total	6	5

Fees to EY have also been invoiced to the Parent Company Heimstaden AB, the fee for audit assignments amounting to SEK 2 million (2).

**PC-IC 2 Personnel and senior executives****Remuneration to members of the Board**

No remuneration has been paid to the members of the Board during the current financial year or previous financial years.

During the year, the Board of Directors consisted of 9 (4) members, of whom 7 (4) were men. There was 1 (1) other senior executive, of whom 1 (1) were men.

PC-IC 3 Profit from participations in Group companies**Accounting principles**

Participations in subsidiaries are reported at cost less any impairment. Cost includes acquisition-related costs. The carrying amount is continuously tested against the fair value of the subsidiary's assets and liabilities.

In cases where the carrying amount of the participations exceeds the subsidiary's fair value, impairment is applied and charged to the Income Statement. The year's write-down in Heimstaden refers to booked value in the company Heimstaden Danmark AS, after dividends have been made from the same. In cases where impairment is no longer justified, it is reversed.

	2019	2018
Dividend	7,162	7,473
Impairment	-4,333	-7,473
Total	2,829	0

PC-IC 4 Interest income, interest costs and similar Income Statement items

Assets and liabilities measured at amortised cost:	2019	2018
Interest income, subsidiaries	567	19
Interest income, other financial assets	9	1
Total interest income in accordance with effective interest method	576	20
Interest costs, loans	-537	-190
Interest costs, other financial liabilities	-2	-7
Total interest costs in accordance with the effective interest method	-539	-197
Exchange rate differences, financial items	-305	203
Net losses on derivatives reported according to principle of lowest value	-70	-21
Total	-375	182
Total profit from financial items	-338	5

PC-IC 5 Appropriations

	2019	2018
Group contributions received	243	173
Group contributions paid	–	0
Total	243	173

PC-T TAX**PC-T 1** Current tax**Accounting principles**

Current tax is calculated based on taxable profit for the period, and reported as a cost or as income in the Income Statement. Taxable profit for the year differs from the reported profit for the year in that it has been adjusted for non-taxable and non-deductible items. Current tax also includes adjustment of current tax attributable to earlier periods.

	2019	2018
Current tax	-8	-2
Deferred tax	14	-4
Total	6	-6
Reported profit before tax	2,493	25
Tax according to current rate	-533	-6
Tax effect of:		
Non-taxable income	1,533	1,644
Non-deductible costs	-928	-1,644
Non-deductible interest net	-72	-
Tax effects hybrid bond	14	-
Tax attributable to previous years	-8	-
Total	6	-6

PC-T 2 Deferred tax**Accounting principles**

In accordance with the Balance Sheet method, deferred tax is calculated on temporary differences between the reported and taxable values of an asset or liability. Exceptions are made for temporary differences arising on initial reporting of assets and liabilities constituting asset acquisitions.

A deferred tax asset represents a reduction of future taxes relating to deductible temporary differences, tax-loss carryforwards or other tax deductions. Deferred tax assets are recognised in the Balance Sheet for tax-loss carryforwards and deductible temporary differences to the extent that the amounts are likely to be utilised against future taxable surpluses.

	31 Dec. 2019	31 Dec. 2018
Opening cost	2	6
Change for the year	14	-4
Closing cost	16	2

No non-capitalised assessed loss carry-forwards exist. Measured deficit amounts to million SEK 0 (0).

PC-A ASSETS**PC-A 1** Receivables from subsidiaries

	31 Dec. 2019	31 Dec. 2018
Opening cost	14,601	11,678
Change for the year	5,707	2,923
Closing cost	20,308	14,602



PC-E EQUITY**PC-E 1 Equity**

Event	Share type	Date of registration	Change in number of shares	Total number of shares	Change in share capital	Total share capital	Quota value
New formation	Ordinary	2011-09-12	10,000	10,000	100,000	100,000	10
New share issue	Ordinary	2012-01-24	90,000	100,000	900,000	1,000,000	10
New share issue	Ordinary	2013-05-31	400,000	500,000	4,000,000	5,000,000	10
New share issue	Ordinary	2015-09-15	96,415	596,415	964,150	5,964,150	10
New share issue	Ordinary	2016-09-12	711,212	1,307,627	7,112,120	13,076,270	10
New share issue	Ordinary	2016-09-12	156,406	1,464,033	1,564,060	14,640,330	10
New share issue	Ordinary	2016-12-19	43,774	1,507,807	437,740	15,078,070	10
New share issue	Ordinary	2017-05-12	16,153	1,523,960	161,530	5,161,530	10
New share issue	Ordinary, Pref A, Pref B	2017-10-10	390,044	1,914,004	3,900,440	9,061,970	10
New share issue	Ordinary, Pref B	2018-04-16	487,281	2,401,285	4,872,810	13,934,780	10
New share issue	Ordinary, Pref B	2018-06-28	231,624	2,632,909	2,316,240	16,251,020	10
New share issue	Pref B	2019-05-29	7,018	2,639,927	70,180	16,321,200	10
New share issue	Pref B	2019-08-30	30,000	2,669,927	300,000	16,621,200	10
Split 1:25	Ordinary, Pref A, Pref B	2019-10-25	64,078,248	66,748,175	0	16,621,200	0,40
Withdrawal of Shares and Bonus Issue	Ordinary, Pref A, Pref B	2019-10-25	-58,309,176	8,438,999	10,078,070	26,699,270	3,16
Split 1:2	Ordinary, Pref A, Pref B	2019-10-25	8,438,999	16,877,998	0	26,699,270	1,58
New share issue	Ordinary, Pref B	Ongoing	4,465,269	21,343,267	7,063,600	33,762,870	1,58
At the end of the year				21,343,267		33,762,870	

At the end of the financial year there were 5,315,502 ordinary shares, 200 Series A preference shares and 16,027,565 Series B preference shares. The voting value of a ordinary share is one half vote per share and the voting value for Series A and B preference shares is one tenth of a vote per share.

Proposed appropriation of accumulated profit, SEK

Share premium reserve	37,397,448,617	Dividend to shareholders	1,827,704,835
Hybrid bond	8,514,101,975	Share premium reserve	37,397,448,617
Retained profit	165,255,043	Hybrid bond	8,514,101,975
Profit for the year	2,499,728,183	Retained profit	837,278,391
Total	48,576,533,818	Total	48,576,533,818

It is proposed that the funds at the disposal of the Annual General Meeting, SEK 48,576,533,818 be appropriated as follows: A dividend of SEK 106.1966679810080 per ordinary share is to be paid, totalling SEK 645,310,000. Dividends are to be paid to the holders of Series A preference shares in accordance with the company's Articles of Association, that is, in the amount of SEK 922,341.93037750 per preference share, totalling SEK 184,468,386.07550. Dividends are to be paid on Series B1 and B2 preference shares in accordance with the company's

Articles of Association, that is, in the amount of SEK 82.88555801298330 per Series B1 preference share issued on 10 October 2017, 16 April 2018 and 26 June 2018 (share numbers 1 403 274-4 962 573, 11 517 496-17 539 995, 20 531 454-20 968 203, 21 128 862-21 278 211); in the amount of SEK 62.51419571338580 per Series B1 preference share issued on 15 May 2019 (share numbers 4 962 574-5 085 423, 17 539 996-17 745 445, 20 968 204-20 985 053, 21 278 212-21 283 961); in the amount of SEK 42.0400400303730 per Series B1 preference share issued on 30 August 2019 (share numbers 5 085 424-5 610 423, 17 745 446-18 720 445); and in the amount of SEK 17.49954259828920 per Series B2 preference share, totalling SEK 997,926,449.1271720 for Series B1 and B2 shares. No dividends are to be paid on Series B3 preference shares. Accordingly, a total of SEK 1,827,704,835.202670 is to be paid out in dividends. The remaining amount, SEK 46,748,828,983, is to be carried forward to a new account. The dividend shall be paid in immediate connection with the resolution of the Annual General Meeting on 13 May 2020.

PC-OL OPERATING LIABILITIES**PC-OL 1 Current liabilities, subsidiaries****Accounting principles**

Balances on accounts included in a corporate account structure are reported as bank balances in the Parent Company since the Parent Company is the bank's counterparty. Subsidiaries included in the structure, then report their positive or negative balances on sub-accounts as receivables or liabilities from or to the Parent Company.

PC-OL 2 Accrued costs and prepaid income

	31 Dec. 2019	31 Dec. 2018
Accrued audit	2	1
Accrued interest	35	21
Other items	70	16
Total	107	38

PC-OL 3 Pledged assets

	31 Dec. 2019	31 Dec. 2018
Pledged shares in subsidiaries	2	2
Total	2	2

Refers mainly to guarantee undertakings for subsidiaries. There are no pledged assets.

PC-OL 4 Contingent liabilities**Accounting principles**

The Parent Company's financial guarantee agreements consist primarily of guarantee commitments to the benefit of subsidiaries. For the accounting of financial guarantee agreements, the Parent Company applies RFR 2 (Accounting for legal entities). This means that the Parent Company reports financial guarantee agreements as a provision in the Balance Sheet when the company has an obligation for which payment is likely to be required to settle the obligation. Beyond this, disclosures are only provided in a note.

	31 Dec. 2019	31 Dec. 2018
Guarantee undertakings for the benefit of subsidiaries	31,575	24,486
Total	31,575	24,486

PC-FL FINANCIAL LIABILITIES**PC-FL 1** Interest-bearing liabilities

	31 Dec. 2019	31 Dec. 2018
Loan maturity, year		
Within 1 year of the Balance Sheet date	–	–
Within 1–5 years of the Balance Sheet date	4,000	16,564
Later than 5 years from the Balance Sheet date	14,066	515
Total	18,066	17,079

	2019		2018	
	Loan amount	Average interest, % incl. margin	Loan amount	Average interest, % incl. margin
Interest maturity, year				
Within 1 year of the Balance Sheet date	10,753	2.5	17,079	2.2
Within 1–5 years of the Balance Sheet date	7,313	2.9	–	–
Later than 5 years from the Balance Sheet date	–	–	–	–
Total	18,066	2.7	17,079	2.2

PC-FL 2 Interest-rate derivatives**Accounting principles**

The company has chosen not to apply IAS 39. Interest rate derivatives are reported in accordance with the cost method and, since the agreements entered refer to the swapping of interest rates, this means that the cost is zero.

	2019	2018
Profit on disposal of hedge instruments	–	3
Unrealised value change	-70	-24
Total	-70	-21

Interest rate derivatives are used to limit the impact of interest changes in interest rates. If the agreed interest rate deviates from the market rate, a surplus or deficit value on the interest rate derivatives arises and is reported above as an unrealised value change.

		2019			2018		
		Nominal amount	Share, %	Average interest, %	Nominal amount	Share, %	Average interest, %
Interest maturity, year	Type						
Within 1 year of the Balance Sheet date	Paying fixed	1,900	12	0.0	1,400	17	-0.2
Within 1-5 years of the Balance Sheet date	Paying fixed	11,177	71	0.1	5,210	63	0.2
Later than 5 years from the Balance Sheet date	Paying fixed	2,750	17	0.5	1,650	20	0.7
Total interest rate derivatives		15,827	100	0.2	8,260	100	0.2
Within 1 year of the Balance Sheet date	Paying variable	5,223	42	3.2	–	–	–
Within 1-5 years of the Balance Sheet date	Paying variable	7,313	58	2.8	5,127	100	1.1
Later than 5 years from the Balance Sheet date	Paying variable	–	–	–	–	–	–
Total basis swaps		12,536	100	3.0	5,127	100	1.1

PC-FL 3 Liabilities to subsidiaries

All liabilities fall due for payment within 2 to 5 years.

PC-FL 4 Reconciliation of liabilities attributable to financing activities

	31 Dec. 2018	Cash flow	Currency difference	31 Dec. 2019
Long-term interest-bearing liabilities	6,436	-6,436	–	–
Debenture loans	10,642	7,403	21	18,066
Change in interest-bearing liabilities	17,079	967	21	18,066
	31 Dec. 2017	Cash flow	Currency difference	31 Dec. 2018
Long-term interest-bearing liabilities	–	6,590	-153	6,436
Debenture loans	–	10,684	-41	10,642
Change in interest-bearing liabilities	–	17,274	-194	17,079

PC-GS GROUP STRUCTURE

PC-GS 1 Shares in subsidiaries

Accounting principles

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to or has the right to a variable return from its holding in the entity and can affect the return through its control of the entity. When determining whether control exists, potential voting shares that can be called upon or converted without delay should be considered.

Participations in subsidiaries are reported at cost less any impairment. Cost includes acquisition-related costs. The carrying amount is continuously tested against the fair value of the subsidiary's assets and liabilities. In cases where the carrying amount of the participations exceeds the subsidiary's fair value, impairment is applied and charged to the Income Statement. In cases where impairment is no longer justified, it is reversed.

	31 Dec. 2019	31 Dec. 2018
Opening acquisition value	16,458	5,583
Acquisitions	7,662	–
Shareholder contributions paid	12,971	18,348
Impairment	-4,333	-7,473
Opening acquisition value	32,758	16,458

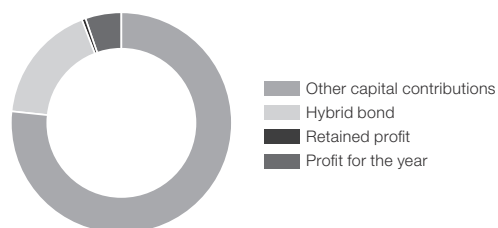
Specifications of the Group's participations in associated companies

Subsidiary	Corp. ID No	Reg. office	No. of shares	Share in %	Book value
Heimstaden Bostad Invest 1 AB	556867-8444	Malmö	1 000	100	1,039
Heimstaden Bostad Invest 2 AB	556867-8451	Malmö	1 000	100	249
Heimstaden Bostad Invest 3 AB	556871-1153	Malmö	1 000	100	608
Heimstaden Bostad Invest 4 AB	556871-1104	Malmö	1 000	100	889
Heimstaden Bostad Invest 5 AB	556910-3467	Malmö	500	100	1,086
Heimstaden Bostad Invest 6 AB	556989-5690	Malmö	500	100	427
Heimstaden Bostad Invest 7 AB	559106-1584	Malmö	500	100	917
Heimstaden Bostad Invest 8 AB	559106-1550	Malmö	500	100	0
Heimstaden Bostad Invest 9 A/S	38714953	Köpenhamn	500	100	8,995
Heimstaden Bostad Invest 10 AS	819 330 492	Oslo	500	100	10,095
Heimstaden Bostad Invest 11 AB	559111-6107	Malmö	500	100	791
Heimstaden Bostad Invest AB	559190-1607	Malmö	500	100	0
Heimstaden Bostad Bostadsfinansiering AB	559112-2105	Malmö	500	100	0
Heimstaden Bostads Portalen AB	559085-2264	Malmö	500	100	0
Heimstaden Satelliten AB	559163-3457	Malmö	500	100	0
Heimstaden Bostad Skrinet AB	559177-3436	Malmö	500	100	0
Heimstaden Bostad Portalen 2 AB	559177-3451	Malmö	500	100	0
Heimstaden Burlöv AB	559147-4076	Malmö	500	100	0
Heimstaden Castor AB	559101-4963	Malmö	500	100	7,662
Heimstaden Berlin Residential 001 GmbH	HRB200836	Berlin	25 000	100	0
Total					32,758

Proposed appropriation of accumulated profit

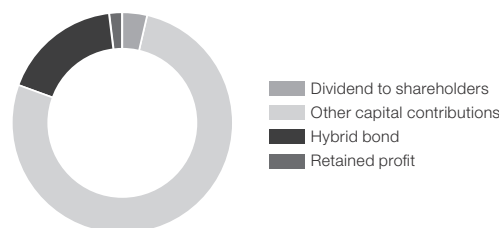
According to the Parent Company's balance sheet, the following earnings are at the disposal of the Annual General Meeting:

SEK	
Share premium reserve	37,397,448,617
Hybrid bond	8,514,101,975
Retained profit	165,255,043
Profit for the year	2,499,728,183
Total	48,576,533,818



The Board of Directors proposes that dividends be paid to shareholders as follows:

SEK	
Dividend to shareholders	1,827,704,835
Share premium reserve	37,397,448,617
Hybrid bond	8,514,101,975
Retained profit	837,278,391
Total	48,576,533,818



It is proposed that the funds at the disposal of the Annual General Meeting, SEK 48,576,533,818 be appropriated as follows: A dividend of SEK 106.1966679810080 per ordinary share is to be paid, totalling SEK 645,310,000. Dividends are to be paid to the holders of Series A preference shares in accordance with the company's Articles of Association, that is, in the amount of SEK 922,341.93037750 per preference share, totalling SEK 184,468,386.07550. Dividends are to be paid on Series B1 and B2 preference shares in accordance with the company's Articles of Association, that is, in the amount of SEK 82.88555801298330 per Series B1 preference share issued on 10 October 2017, 16 April 2018 and 26 June 2018 (share numbers 1 403 274-4 962 573, 11 517 496-17 539 995, 20 531 454-20 968 203, 21 128 862-21 278 211); in the amount of SEK 62.51419571338580 per Series B1 preference share issued on 15 May 2019 (share numbers 4 962 574-5 085 423, 17 539 996-17 745 445, 20 968 204-20 985 053, 21 278 212-21 283 961); in the amount of SEK 42.0400400303730 per Series B1 preference share issued on 30 August 2019 (share numbers 5 085 424-5 610 423, 17 745 446-18 720 445); and in the amount of SEK 17.49954259828920 per Series B2 preference share, totalling SEK 997,926,449.1271720 for Series B1 and B2 shares. No dividends are to be paid on Series B3 preference shares. Accordingly, a total of SEK 1,827,704,835.202670 is to be paid out in dividends. The remaining amount, SEK 46,748,828,983, is to be carried forward to a new account. The dividend shall be paid in immediate connection with the resolution of the Annual General Meeting on 13 May 2020.

Statement by the Board of Directors regarding proposed dividend in accordance with Chapter 18, Section 4 of the Companies Act.

The Board of Directors is of the opinion that the proposed distribution of profit is justified in view of the requirements that the nature, scope and risks of the operations of the company and the Group operations impose on the scale of the equity of the company and the Group, as well as the consolidation needs, liquidity and position of the company and the Group in other regards. In this regard, the Board has taken into account the financial situation of the company and the Group, as shown in the most recent Annual Report, and other relevant conditions known to the Board.

In assessing the defensibility of the proposed profit distribution, the Board has also taken into account the following. The proposed distribution of profit corresponds to approximately 3.8 percent of the company's equity after adjustment for changes in equity since 31 December 2019. Prior to the distribution of profits, the company's equity/assets ratio amounts to approximately 69.9 percent. After the distribution of profits, the company's equity/assets ratio will amount to approximately 69.1 percent, calculated on the basis of the latest approved Balance Sheet, after adjustment for changes in equity since 31 December 2019. For the Group, the proposed distribution of profit corresponds to approximately 3.2 percent of the Group's equity according to the most recent Balance Sheet per 31 December 2019, after adjustment for changes in equity since 31 December 2019. Prior to the distribution of profits, the Group's equity/assets ratio amounts to approximately 47.3 percent. After the distribution of profits, the Group's equity/assets ratio will amount to approximately 46.5 percent, calculated on the basis of the latest approved Balance Sheet as per 31 December 2019, after adjustment for changes in equity since 31 December 2019. The proposed distribution of profit does not jeopardise the completion of the investments deemed necessary and does not affect the company's ability to meet its obligations in the short and long term. The company's liquidity forecast includes preparedness to cope with variations in ongoing payment obligations. The Board also estimates that the equity/assets ratio of the company and the Group is favourable in relation to the circumstances in the industry in which the company and the Group operate.

In the most recently adopted Balance Sheet, no assets and/or liabilities were valued at fair value in accordance with Chapter 4, Section 14a of the Annual Accounts Act.

Given the aforementioned and what has come to the attention of the Board of Directors, it is the opinion of the Board of Directors that the proposed distribution of profit is justified taking into account the provisions in Chapter 17, Section 3, second and third paragraphs of the Companies Act (2005:551), that is, in view of the requirements that the nature, scope and risks of the operations of the company and the Group operations impose on the scale of the equity of the company and the Group, as well as the consolidation needs, liquidity and position of the company and the Group in other regards.

Signatures

The undersigned provide their assurance that the consolidated accounts have been prepared in accordance with the International Accounting Standards (IFRS), as adopted by the EU, as well as the Swedish Financial Reporting Board's recommendation RFR 1 and that the Annual Report has been prepared in accordance with the Annual Accounts Act and the recommendation RFR2 of the Swedish Financial Reporting Board. The consolidated and annual accounts have been prepared in accordance with good accounting practices, and provide a fair view of the Group's and the Parent Company's financial position and profit, and that the Administration Report provides a fair overview of the development of the operations, position and results of the Group and the company, as well as describing significant risks and uncertainty factors facing the companies within the Group.

Malmö, 9 April 2020

Patrik Hall
CEO

Frans Heijbel
Chairman of the Board

Stefan Attefall
Board Member

Magnus Nordholm
Board Member

Ramsay Brufer
Board Member

Christer Franzén
Board Member

Karmen Mandić
Board Member

John Giverholt
Board Member

Erik Gullestad Glæsell
Board Member

Birgitta Stenmark
Board Member

Our Audit Report was submitted on 9 April 2020
Ernst & Young AB

Peter von Knorring
Authorised Public Accountant

Audit Report

To the general meeting of the shareholders of Heimstaden Bostad AB (publ), corporate identity number 556864-0873.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Heimstaden Bostad AB (publ) except for the corporate governance statement on pages 86–93 and the statutory sustainability report on pages 56–71 and 144–159 for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 5, 16–17, 44–54, 74–85 and 96–137 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31st December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31st December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 86–93 and the statutory sustainability report on pages 56–71 and 144–159. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the consolidated statement of comprehensive income and the consolidated statement of financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Description of the area

The fair value of the Group's investment properties reported in the Statement of Financial Position per 31 December 2019 amounted to SEK 113,331 million. The valuations are made through a combination of local price analyses and market simulations of future cash flows. The properties were valued externally per 31 December 2019. The properties' direct return requirements are assessed on the basis of each property's unique risk and transactions made in the market for objects of a similar nature. In view of the many assumptions and assessments made in connection with the valuation of investment properties, we believe that this area is to be considered of particular importance in our audit. A description of the valuation of the property holdings is shown in the Annual Report under Note T 1.

How our audit addressed this key audit matter

In our audit, we have evaluated and examined the external property valuation by, among other things, evaluating the valuation method. With the support of our internal property valuation specialists, we have examined the external property valuations and assessed the reasonableness of assumptions made, such as direct return requirements, vacancy rates, rental income and operating costs. We have made comparisons with available market data. For a selection of investment properties, we have examined inputs and calculations in the external valuations at the property level. We have evaluated the external valuers' competence and objectivity. We have reviewed supplementary disclosures made in the Annual Report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–4, 6–15, 18–43, 55–73, 86–96 and 138–162. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and the consolidated accounts is located at Revisorsinspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/m/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Heimstaden Bostad AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the administration is located at at Revisorsinspektionen's (the Swedish Inspectorate of Auditors) website at: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of our auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 86–93 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 56–71 and 144–159, and that it is prepared in accordance with the Annual Accounts Act.

My (Our) examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, P.O Box 7850, 103 99 Stockholm, was appointed auditor of Heimstaden Bostad AB (publ) by the general meeting of the shareholders on the 15th of May 2019 has been the company's auditor since the 16th of April 2018.

Malmö, 9 April 2020
Ernst & Young AB

Peter von Knorring
Authorised Public Accountant



Wissmannstraße 2, Berlin

Multi-year overview

Group in summary 2015–2019	2019	2018	2017	2016	2015
Income Statement					
Rental income	4,321,440	3,230,571	1,620,354	796,165	440,777
Operating costs	-1,918,584	-1,479,913	-815,719	-403,939	-203,402
Central administration	-193,405	-139,795	-110,769	–	–
Other operating income and costs	53,193	581	12,517	-53,980	-15,402
Profit before financial items	2,262,643	1,611,444	706,383	338,246	221,973
Financial income	40,846	25,925	4,271	299	522
Financial costs	-1,323,677	-495,209	-366,970	-206,627	-139,913
Profit from property management	979,812	1,142,160	343,684	131,918	82,582
Change in value of properties	4,833,650	2,562,178	1,776,073	1,542,000	498,728
Change in value of interest rate derivatives	39,282	10,862	3,604	25,400	9,811
Current tax	-199,559	-135,134	-34,999	-17,486	-7,514
Deferred tax	-1,193,086	-557,352	-511,340	-339,946	-124,806
Profit for the year	4,460,098	3,022,714	1,577,022	1,341,886	458,801
Other comprehensive income	279,444	-442,030	28,705	–	–
Comprehensive income for the year	4,739,543	2,580,684	1,605,727	1,341,886	458,801
Balance Sheet					
Investment properties	113,331,199	72,329,439	43,688,887	19,912,205	6,101,128
Other non-current assets	1,659,821	167,981	210,500	500	10,000
Current assets	6,573,099	3,785,660	927,684	310,782	71,181
Total assets	121,564,119	76,283,080	44,827,071	20,223,487	6,182,310
Equity	57,548,299	31,924,840	18,065,544	4,210,551	1,103,415
Deferred tax	2,525,883	1,356,481	1,025,261	518,499	179,872
Interest-bearing subordinated shareholder loans	–	0	–	4,187,781	1,371,586
Interest-bearing liabilities	59,564,192	41,592,895	24,828,317	10,940,377	3,365,282
Interest-rate derivatives	64,979	0	30,902	34,654	60,054
Non-interest-bearing liabilities	2,679,031	1,408,864	877,047	331,624	102,102
Total liabilities	121,564,118	76,283,080	44,827,071	20,223,487	6,182,310
Property-related key data					
Lettable time-weighted area, m ² thousands	4,013	2,345	1,418	752	445
Rental income per m ² , SEK	1,077	1,378	1,143	1,059	991
Operating costs per m ² , SEK	-478	-631	-575	-537	-457
Operating costs excluding administration and property tax, per m ² , SEK	-158	-560	-468	-437	-380
Surplus ratio, %	55.6	54.2	49.7	49.3	53.9
Financial key data					
Cash flow, SEK thousands	2,018,339	1,534,808	491,456	204,926	-5,550
Interest coverage ratio (ICR), multiple ¹⁾	2.5	2.6	3.1	3.7	3.4
Loan-to-value ratio, % ¹⁾	44.8	51.5	55.1	53.6	54.1
Equity/assets ratio, % excluding shareholder loans in equity ¹⁾	47.3	41.9	40.3	41.5	40.0
Equity/assets ratio, % including shareholder loans in equity	47.3	41.9	40.3	20.8	17.8
Average interest, %	1.9	1.8	1.7	1.3	1.9
Average period of fixed-interest on loans by derivative, year ²⁾	2.7	2.6	1.4	1.4	1.1
Average period for which capital is tied up, year ²⁾	10.5	8.1	7.3	4.1	3.7
Net asset value on the balance sheet date, SEK thousands	60,074,182	33,281,321	19,090,805	4,729,050	1,283,286
Long-term asset value on the balance sheet date, SEK thousands	60,139,161	33,281,321	19,121,707	4,763,705	1,343,341
Data per share					
Profit per ordinary share, SEK	1,176	795	817	890	769
Equity per ordinary share, SEK	2,954	4,881	3,419	2,792	1,580
Equity per preference share A, SEK	972,342	1,365,663	318,444	–	–
Equity per preference share B, SEK	2,064	103,452	100,989	–	–
Number of ordinary shares outstanding at the end of the period	5,315,502	2,429,449	1,796,144	1,507,807	596,415
Number of preference shares A outstanding at the end of the period	200	100	100	–	–
Number of preference shares B outstanding at the end of the period	16,027,565	203,360	117,760	–	–

¹⁾ Shareholder loans are classified as equity in calculation of key data.

²⁾ Excluding interest-bearing subordinated shareholder loans and loans from majority shareholders.



Campus G12, Oslo

Sustainability Report 2019

Heimstaden's Sustainability Report has been inspired by the GRI guidelines and material areas of sustainability have been reported in accordance with the GRI Standards' application level Core. The GRI index provides references to where the information is located in the Annual Report. Certain exceptions, where it has not been possible to report all of the data required by the GRI framework, are indicated in the GRI index on pages 149–150.

Details regarding materiality and boundaries, management approach and evaluation for each material area of sustainability can be found in the sustainability notes on pages 151–159. Data are detailed in accordance with GRI Standard 103 and all of the standards applied were published in 2016, with the exception of GRI 403: Occupational Health and Safety, which was published in 2018. In addition to the GRI standards, Heimstaden has chosen to report relevant sector-specific indicators in accordance with GRI G4.

Unless otherwise stated, the data reported pertain to the entire Group. The Sustainability Report is produced annually. This is Heimstaden's third sustainability report, but the first based on GRI Standards.



The data have not been reviewed by an external party. We have, however, consulted an external expert, with specific expertise in GRI, to review the GRI content prior to publication.

Some of the data to be submitted in accordance with the Swedish Annual Accounts Act (ÅRL 6:11) are detailed in other parts of the Annual Report. A description of the company's business model can be found on page 12 and information on Heimstaden's risks and risk management can be found on pages 80–84.

UN Global Compact

In 2019, Heimstaden joined the UN Global Compact and its ten principles. This Sustainability Report represents our Communication on Progress to the UN and the GRI index includes references to where the data are presented in the report.

Sustainability strategy

During 2019, Heimstaden adopted a new sustainability strategy and Group-wide sustainability targets (our sustainability targets are currently under review). We have a strong focus on sustainability and we work strategically and holistically with these issues. Accordingly, financial, environmental and social factors constitute the basis for our long-term business and operational development. Although Heimstaden works with various aspects of sustainability on a daily basis, our sustainability strategy was developed to clarify and review these efforts. The strategy acts as a tool in our transition to even more responsible operations and builds on our business strategy, our values, Codes of Conduct and policies, while also adhering to external guidelines and frameworks for sustainability. Sustainability forms an integral part of our core operations and to clarify this, we have developed a division of responsibilities that extends throughout the organisation, from the Board of Directors and senior executives to managers and to individual employees. For more information about our management approach, targets and outcomes, see sustainability notes on pages 151–159.

Group-wide Sustainability Council

To support the implementation of the sustainability strategy and its targets, we have set up a Group-wide Sustainability Council. The Sustainability Council's mission and purpose is to:

- 1) optimise and coordinate strategically important sustainability efforts,
- 2) make recommendations to management and the Board of Directors to ensure that sufficient skills and resources are set aside to meet commitments and level of ambition and,
- 3) to optimise and coordinate our internal and external communications regarding sustainability. The Sustainability Council is cross-functional, with all organisational units and countries being represented.



Stakeholder engagement

We map and analyse our stakeholders' expectations of Heimstaden's operations, a prerequisite for achieving our targets and generating values that are sustainable in the long term. Therefore we maintain an ongoing dialogue with our most important stakeholders. In our approach for identifying stakeholders to engage with we have focussed on those that we have long-term relationships with and who are affected by, and/or have an impact on, our operations. The principle stakeholders we have identified are customers, suppliers, lenders and investors, employees, public bodies and shareholders. We have selected key stakeholders to participate in a dialogue based on their availability and interest in participating.

In interviews with stakeholders, we asked each of them to highlight the areas of sustainability that they consider to be Heimstaden's highest priority. By compiling and assessing data from dialogues conducted in 2017–2019, we have been able to highlight issues that our stakeholders consider important. We supplement this with data from external analyses, current legislation, risk assessments and our sustainability targets and corporate governance policies, etc. Internally, we also involve key individuals with specific knowledge from different parts of the company. This has resulted in a large body of data that we have evaluated qualitatively, in accordance with the GRI

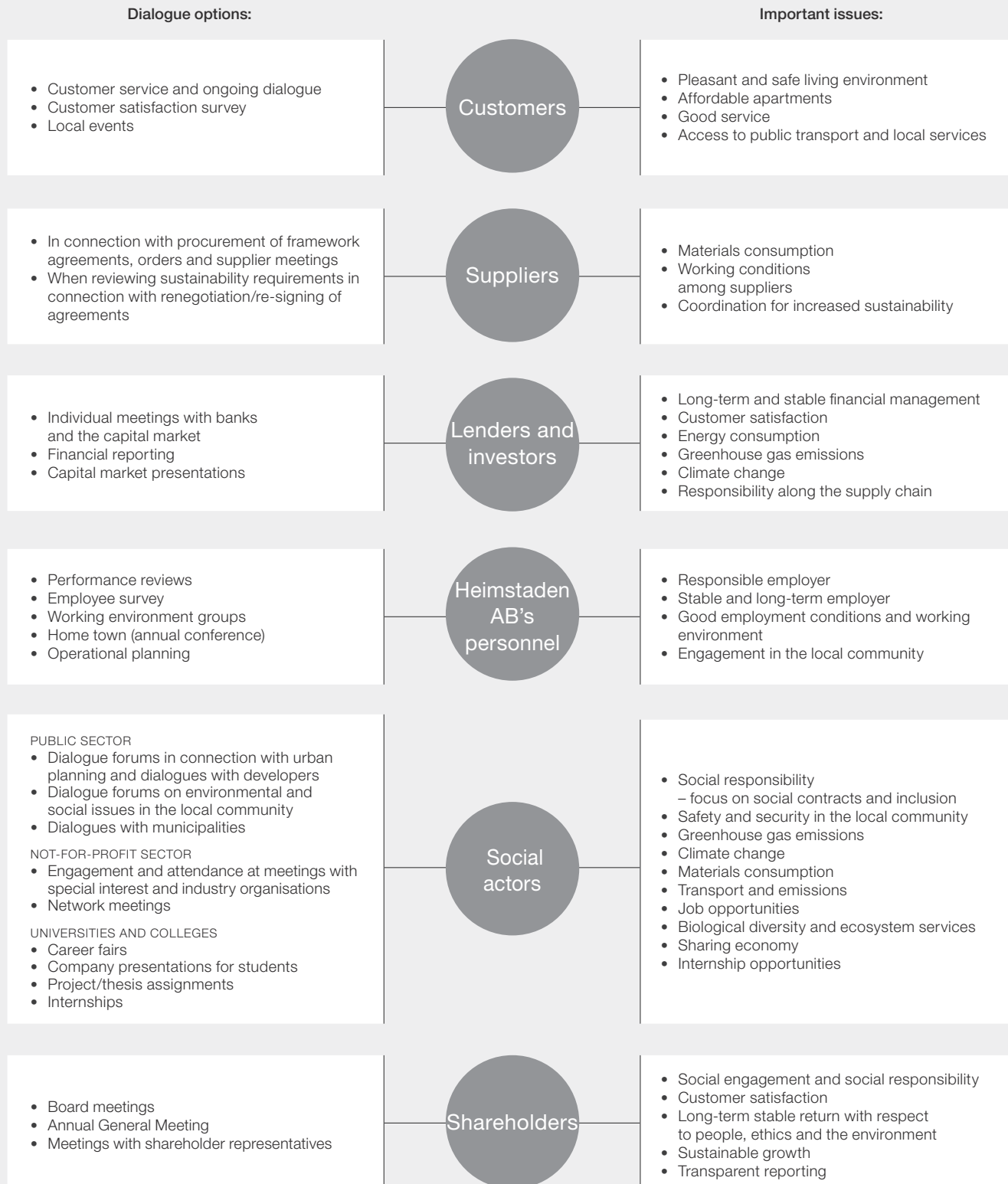
principles, to highlight the issues on which it is most important to report. We have evaluated the degree to which the issues affect stakeholders and how material it is to Heimstaden in order to identify the most important issues. In the process of setting priorities Heimstaden's actual impact on people, environment, climate, economy and society was included, as well as Heimstaden's vision and business strategy.

As a result, it has been considered material to focus Heimstaden's GRI reporting on a total six areas of sustainability: financial results, anti-corruption, energy, greenhouse gas emissions, employment, and health and safety. On pages 151–159 we describe the materiality of each area. The prioritised issues sustainability areas have subsequently been validated by senior executives.

In addition to the sustainability areas that have been prioritised as material, Heimstaden Bostad applies a structured and long-term approach regarding several other areas of sustainability. Although two areas of global importance, water usage and human rights, were not considered material in the in a GRI context material analysis, they are nonetheless included in the data provided in the report.



Stakeholder dialogues



Reporting on climate-related risks and measures

Climate change and its effects are one of the greatest challenges of our time. We are therefore investigating how our properties and customers may be affected by a changing climate and what measures we must take to mitigate the negative effects. We are working continuously to reduce our climate impact and, in 2019, we set ourselves the target of conducting fossil-free operations by 2030 (our sustainability targets are currently under review) and of reducing by 10 percent the amount of energy we purchase (in comparable portfolios) by 2023. A process has been initiated, in collaboration with Lund University, to further increase our awareness of climate-related risks, to be able to identify risks, prepare action plans and to delegate responsibility on these issues. In the future, Heimstaden intends to be able to report in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).



On pages 151–158, we have linked our material sustainability areas to the global goals and their sub-goals.

UN Global Compact

In 2019, Heimstaden AB 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. This sustainability report forms our so-called Communication on Progress to the UN.



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Memberships and undertakings

- The UN Global Compact
- Public Housing Sweden
- Sweden Green Building Council
- Fastighetsägarna (Swedish property owners association)
- BeBo – The Swedish Energy Agency's network for energy-efficient apartment buildings
- Studentbostadsföretagen (Swedish student housing association)
- Local path chart towards a climate-neutral construction and civil engineering sector in Malmö by 2030 (LFM30)
- Joint taskforce for a sound construction sector
- Danish Property Federation
- Nettverk for Eiendomsfag AS (Norwegian property sector network)
- Norges Eiendomsmeglerforbund (Norwegian association of property agents)
- Huseiernes Landsforbund (Norwegian national association of homeowners)

GRI standards	Indicator	Comment/information outstanding	Principles of the Global Compact	Page
GRI 102: General disclosures 2016				
102-1 Name of the organisation		Heimstaden AB		
102-2 Activities, brands, products, and services				Inside front cover
102-3 Location of headquarters		Malmö, Sweden		
102-4 Countries with operations		Sweden, Norway, Denmark, Germany, Netherlands		
102-5 Ownership structure and company format				16–17, 104, 130
102-6 Markets				1, 20–24
102-7 Scale of the organisation				8–9, 107–110
102-8 Workforce		Refers to personnel at Heimstaden AB.		67
102-9 Supply chain				59–60, 157
102-10 Significant changes to the organisation and its supply chain				5
102-11 Precautionary Principle or approach		Heimstaden's environmental work builds on the Environmental policy, which encompasses the precautionary principle.	7	
102-12 External initiatives		During 2019, Heimstaden joined the UN Global Compact, Sweden Green Building Council, the joint taskforce for a sound construction sector and the Local path chart towards a climate-neutral construction and civil engineering sector in Malmö by 2030 (LFM30).		60, 148
102-13 Membership of associations				148
102-14 Statement from senior decision-maker				2–4
102-16 Values, principles, standards, and norms of behaviour			1-10	13, 59, 152, 155, 157
102-17 Mechanisms for advice and concerns about ethics				60, 63
102-18 Governance structure				74–93
102-32 Highest governance body's role in sustainability reporting				93
102-40 List of stakeholder groups				147
102-41 Collective bargaining agreements		Refers to personnel at Heimstaden AB.	3	67
102-42 Identifying and selecting stakeholders				146
102-43 Approach to stakeholder engagement				147
102-44 Key topics and concerns raised				146–147, 151–158
102-45 Entities included in the consolidated financial statements				104
102-46 Defining report content and topic Boundaries				146
102-47 List of material topics				146
102-48 Restatements of information		Not applicable – first GRI report		
102-49 Changes in reporting		Not applicable – first GRI report		
102-50 Reporting period		The report is for the 2019 calendar year		
102-51 Date of most recent report		Not applicable – first GRI report		
102-52 Reporting cycle		Annually		144
102-53 Contact point for questions regarding the report		Katarina Skalare		
102-54 Claims of reporting in accordance with the GRI Standards		Core		144
102-55 GRI content index				149–150
102-56 External assurance		Not externally assured		
103-1 Explanation of the material topic and its Boundary				151–159
103-2 The management approach and its components				151–159
103-3 Evaluation of the management approach				151–159

GRI standards	Indicator	Comment/information outstanding	Principles of the Global Compact	Page
Economy				
Economic performance	201-1 Direct economic value generated and distributed			151
Anti-corruption	205-3 Confirmed incidents of corruption and actions taken	Zero confirmed cases.	2, 6, 10	152
Environment				
Energy	302-1 Energy consumption within the organisation CRE1 Building energy intensity		8-9	152–153
Greenhouse gas emissions	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions CRE3 Greenhouse gas emissions intensity from buildings	Calculations have been performed in accordance with the GHG protocol, applying the financial control approach. The emission factors are from 2018 and have been obtained from the relevant heating supplier. Gases included in the calculations are CO ₂ , CH ₄ , N ₂ O and coolants used in the production of district heating. Because of the large number of energy suppliers, it is uncertain whether more greenhouse gases are included.	8-9	154
Social				
Employment	401-1 New employee hires and employee turnover		3-6	155
Occupational health and safety	403-2 Hazard identification, risk assessment, and incident investigation			156
Other non-material areas				
Human rights	406-1 Incidents of discrimination and corrective actions taken 414-1 New suppliers that were screened using social criteria	Reporting encompasses legal requirements for human rights. Non-material aspect for Heimstaden.	1-10	157
Local community	413-1 Operations with local community engagement, impact assessments, and development programmes	Non-material aspect for Heimstaden.		158–159
Water consumption	Water consumption per m ²	Non-material aspect for Heimstaden.		153

Economic performance

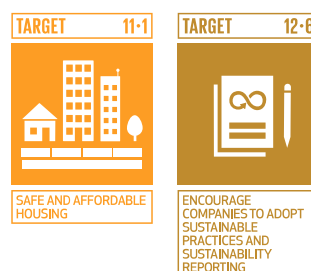
201-1 Direct economic value generated and distributed

Materiality and limitations

We generate long-term, profitable growth while benefiting society and contributing to sustainable development. Through stable profitability, we build trust among those who invest in Heimstaden Bostad: Heimstaden AB's employees, customers, banks and investors, as well as our shareholders, suppliers and other important stakeholders. Their trust in us is crucial for our continued growth. You can read about how we view different forms of financial risk and their impacts on pages 80-84.

Management approach

Our strategy is to acquire, construct, develop and manage properties over the long term, therefore investment decisions build on existing population growth and positive economic development, generating long-term demand for residential properties in the locations in which we operate. During 2019, we continued our efforts to build sustainability perspectives into our governance, strategy and operations in all parts of the organisation and focusing our efforts where we can make the greatest difference. You can read more about our policies and how we manage our operations from the perspective of financial sustainability in the section. How our operations are governed on pages 86-93.



Our financial policy is determined by the Board and reviewed annually. It serves to limit the company's financial risks which essentially consist of liquidity, refinancing and interest rate risk without limiting the company's commercial opportunities.

Evaluation

We continuously measure and assess the effectiveness of our financial governance and review our financial goals as part of our ongoing accounting work.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED IN 2019, SEK MILLION

	Sweden		Norway		Denmark		Germany		Netherlands		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Income	2, 231	2,039	702	744	1,292	604	617	1	21	5	4,863	3,393
Economic value retained	-278	44	-38	165	326	105	329	0	-84	-1	255	313
Operating costs	-1,146	-1,054	-233	-287	-467	-235	-283	0	-9	-6	-2,138	-1,582
Tax	-113	-83	-7	-23	-90	-53	0	0	-49	0	-259	-159
Dividend	-512	-123	0	0	0	0	0	0	0	0	-512	-123
Interest costs	-666	-442	-409	-167	-293	-111	-4	0	-35	0	-1,407	-720
Employees	-72	-293	-91	-102	-116	-100	-1	-1	-12	0	-292	-496

Anti-corruption

205-3 Confirmed incidents of corruption and actions taken

Materiality and boundary

For us, it is crucial to conduct our operations responsibly based on our values and with a high level of business ethics. By that, we contribute to a democratic and sustainable society in which operations are conducted on equal terms. This is also a prerequisite for building trust among our stakeholders in general and among our shareholders, banks and investors in particular. Our analysis of corruption risks can be found on pages 80–84.

Management approach

Heimstaden has a zero tolerance policy against all forms of corruption. This requires that we impose demands, not only on our own organisation, but also on our partners. We have joined the UN Global Compact and in accordance with that commitment, we work actively on anti-corruption measures. Our Code of Conduct for Employees, Code of Conduct for Business Partners and Sanctions Policy form the basis of our anti-corruption efforts, both internally and along our value chain. HR is responsible for educating our employees on our Code of Conduct for Employees*. The purchasing function



and internal clients are responsible for setting demands on suppliers and contractors, as well as for monitoring compliance with the Code of Conduct for Business Partners. Heimstaden maintains a whistleblower function, by means of which employees* and external stakeholders can report any possible misdoings. Our whistleblower policy states how reported cases are to be treated, followed up and communicated.

Evaluation

During the year, two cases were reported by means of the whistleblower function. Neither of the cases were of a nature motivating a more detailed investigation, but were dismissed following an initial examination.

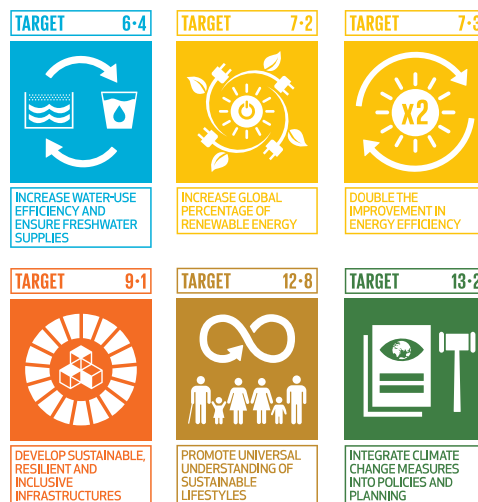
Energy

302-1 Energy usage within the organisation
CRE1 Building energy intensity

Materiality and limitations

In the EU countries, the property sector accounts for about 40 percent of society's energy consumption and about 36 percent of greenhouse gas emissions. Accordingly, Heimstaden's efforts to reduce energy consumption and to strive to only use fossil-free energy are key environmental issues. Energy efficiency and fossil-free energy are also considered important issues for our stakeholders. Our energy usage also affects our customers' opportunities to live sustainably. We consume energy primarily in the form of heating and electricity within our properties. We are reducing energy consumption by installing intelligent control systems, structural engineering measures to mitigate heat loss and by setting demands in connection with new construction.

Although we are unable to govern the electricity usage of our individual customers, their usage of heating is nonetheless included in the reporting for the properties for which we procure heating from our energy suppliers. We do this in Sweden, Germany, Norway and, extensively, in Denmark. In the Netherlands we lack access to such data for most of the properties. There the market looks different, with the customers themselves in most cases being responsible for agreements with energy suppliers. For this reason, our reporting includes heating usage for only a limited subset of our properties. The customer's own electricity usage is covered only to a limited extent in



the report (where Heimstaden is responsible for the electricity contract and where electricity is included in the rent).

Management approach

Our environmental work is based on Heimstaden's sustainability strategy and Environmental Policy. In 2019 we set targets on energy and energy efficiency, as well as on reductions of our carbon dioxide emissions. Our targets are in line with the Paris Agreement and the aim is that our operations will be fossil free

cont. Energy

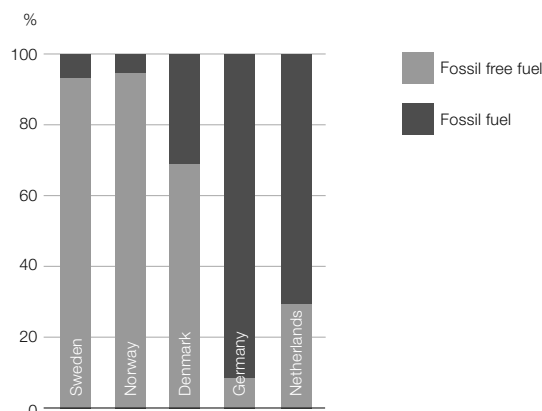
by 2030 (the target is currently under review and we will set different targets in different markets). We are dependent, in this regard, on the realignment of energy sources being implemented by countries and energy suppliers and we require active collaboration with our energy suppliers. We have also set target of reducing the amount of energy purchased by 10 percent by square metre by 2023 (in comparable property portfolios). We can achieve this target partly through energy efficiency measures and partly by investing in photovoltaic cells, for example. In Sweden, all of our newly constructed buildings will be certified in accordance with Sweden Green Building Council's Silver standard; in Denmark, we construct energy class A and B buildings, with some of them also being environmentally certified. In our Swedish and Norwegian properties, we only use origin-labelled renewable electricity, and we are also targeting increased purchases of origin-labelled renewable electricity in other countries in 2020–2021. In Denmark, we install photovoltaic cells on all of our new buildings. We have installed photovoltaic cells capable of generating 28 kW in Denmark and 329 kW in Sweden. An overview of Heimstaden's material risks and risk management, including environmental and climate risks, can be found on page 80–84.

Evaluation

The property management organisation is responsible for managing energy usage and the selection of energy sources. In Sweden, automated metre readings are made for most properties, allowing us to detect deviations early and to remedy problems. We work continuously with energy efficiency improvements and train our staff in energy-efficient operations. We also work to decrease our water consumption, which was 1.3 m³ per m² in 2019.

In the Netherlands and Denmark, heating statistics are compiled only once annually, meaning that energy consumption figures for full-year 2019 are not available for all of the properties in the table below. In these cases, the 2018 figures for energy consumption are used.

PERCENTAGE OF FOSSIL-FREE ENERGY PURCHASED PER COUNTRY



In both Sweden and Norway, district heating contains a large proportion of renewable and recovered heat. In these countries we have also chosen to purchase renewable electricity. In Denmark, district heating has higher levels of fossil fuels and therefore corresponds to a smaller proportion of renewable energy in the diagram above. The data for Germany consists of only one property which is heated with oil. The oil-fired boiler will be converted to gas in 2020. The proportion of renewable energy in the bar for Germany comes from the property electricity which contains a certain proportion of renewable electricity. In the Netherlands, natural gas dominates as a form of heating. Since it uses renewable electricity in some properties, the bar for the total the share of renewable energy is higher than in Germany. See the table below for a description of the amount of energy and the types of energy used in our properties in the different countries.

ENERGY CONSUMPTION IN THE PROPERTIES IN MWH

	Sweden	Norway	Denmark	Netherlands	Germany
Heating					
District heating	246,936	14,395	37,023	0	0
Natural gas	1,231	0	536	833	0
Oil	80	113	0	0	328
Biogas	1,414	0	0	0	0
Electricity					
Electricity consumption	51,429	14,523	2,934	444	60
Of which, renewable electricity	51,429	14,523	1,894	369	32

In our properties in Germany and the Netherlands, the proportion of fossil-fuel energy is high, since predominantly fossil fuels, such as oil and natural gas, are used for heating systems in these countries. In Germany, the oil boiler will be converted to gas in 2020 and, in Norway, the last oil boilers were taken out of operation in 2019, to be replaced by district heating. In the other countries, our properties mainly use district heating, which is the most widely used energy source in these countries, making considerable use of renewable and recycled heat. The last natural gas in our Swedish properties was replaced with biogas during the year.

Greenhouse gas emissions

305-1 Direct (Scope 1) GHG emissions

305-2 Energy indirect (Scope 2) GHG emissions

CRE3 Greenhouse gas emissions intensity from buildings

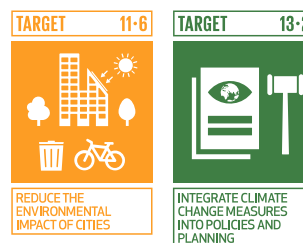
Materiality and limitations

Climate change is one of the greatest societal challenges of our time. The issue is high on the agendas of the UN, the EU and its member states, as well as the financial sector. Heimstaden's emissions of greenhouse gases negatively impact climate change, as well as the living conditions and environment of our customers and other citizens. Through our energy choices and our focus on energy-efficient properties, we can make a major difference – this is the right way to go. Reducing greenhouse gas emissions enhances trust in us among banks and institutional investors and increases our opportunities for external financing under favourable terms.

Greenhouse gas emissions occur throughout the value chain, from suppliers, contractors and customers, for example, with most emissions being generated by energy usage in our properties, as well as in connection with new construction and remodelling. By reducing energy usage or purchasing renewable energy, these emissions can be reduced. However, in the Netherlands, Denmark and Norway, our influence over the type of energy chosen is limited as some of the apartments are members of Housing Owner Associations. These are responsible for the building's common areas, such as stairwells, roofs, pipes and walls, as well as for energy systems (similar to tenant-owner associations).

Management approach

Our environmental work is based on Heimstaden's sustainability strategy and Environmental Policy. In 2019, we set targets in line with the Paris Agreement (see Energy, Management approach on page 152) and started our work to reduce greenhouse gas emissions from our operations. The

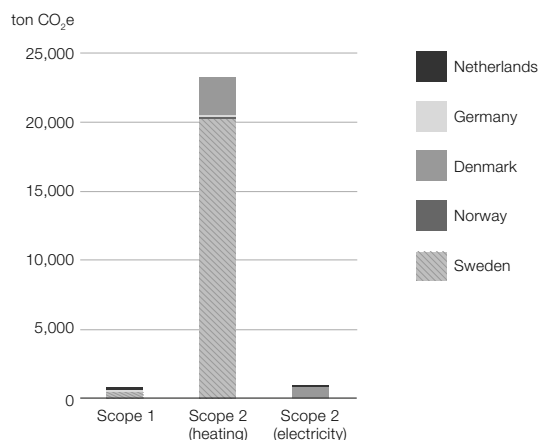


targets will be followed up annually. In Sweden and Norway we have decided to purchase only origin-labelled renewable electricity and by that we avoided 16,500 tonnes of carbon dioxide emissions in 2019. The same process will be performed in the other countries in 2020–2021. The property administration organisation's responsibility for energy usage in our properties also entails responsibility for reducing our emissions of greenhouse gases. During the year, we joined Lokal Färdplan Malmö, a pilot project aimed at realigning the construction and management of properties to climate-neutral alternatives by 2030 (LMF30). An overview of Heimstaden's material risks and risk management, including environmental and climate risks, can be found on pages 80–84.

Evaluation

The table below shows Heimstaden's greenhouse gas emissions per country based on energy usage in the properties. Over time, we will expand the reporting of greenhouse gas emissions to cover additional areas, including emissions from cars, transports and other parts of Scope 3.

GREENHOUSE GAS EMISSIONS IN TONNES CO₂e PER COUNTRY



Greenhouse gas emissions in Scope 1 derive from natural gas and oil for heating. Scope 2 covers district heating and consumption of electricity in the properties. Since most of our properties in Sweden, they account for the largest share of greenhouse gas emissions.

Energy usage and greenhouse gas emissions per square metre	
Greenhouse gas emissions in kgCO ₂ /m ²	10
Energy consumption in kWh/m ²	150

Employment*

401-1 New employee hires and employee turnover

Materiality and limitations

At Heimstaden we focus on people. We seek to safeguard the involvement, satisfaction and well-being of our employees. These efforts help ensure that we are an attractive employer, able to recruit and retain skilled personnel that deliver on our undertakings to customers and other stakeholders. Low levels of absence due to illness, a stress-free work situation, a favourable working environment and a competitive offering are critical for us and help us maintain good relations with external stakeholders.

Management approach

Heimstaden AB has joined the UN Global Compact and, in accordance with that commitment, we work actively to establish favourable terms of employment. Our crucial HR targets are to build physical and mental well-being, to offer stimulating tasks with opportunities for development, as well as a beneficial working environment. The HR function is responsible for developing policies addressing Heimstaden's relations, as an employer, with employees and job seekers. Alongside the HR function, managers and employees are jointly responsible for these being adhered to. We use policies including a Personnel Policy, Working Environment Policy, Equal Rights Policy, Privacy Policy for Employees, Safety and Security Policy, Code of Conduct for Employees, Code of Conduct for Business Partners and a whistleblower function and policy. The policies apply throughout the Group and in all of our markets. Specific additional policy documents exist regarding our fulfilment of legal and compliance requirements in each market. As legislation is amended and new requirements are added, efforts to set out, revise and maintain policies are performed annually, with the participation of Heimstaden AB's employees being invited at least once annually with a particular emphasis on our Code of Conduct for Employees. In 2019, work began on a Group-wide initiative, a Culture and Values workshop in the



Netherlands to illustrate and highlight the importance and contents of our values and Code of Conduct. The first workshop was held in the Netherlands and the initiative will continue to be rolled out in the other countries.

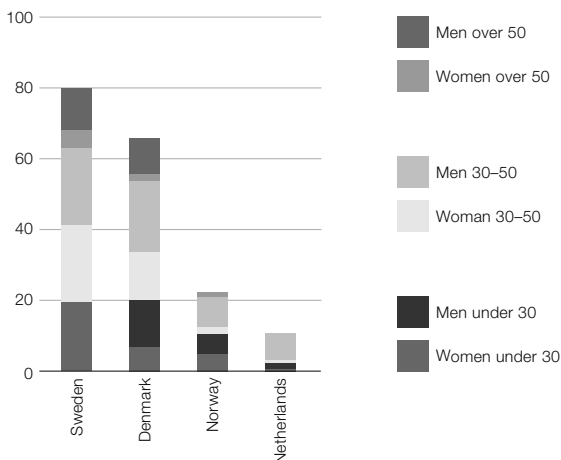
An overview of Heimstaden Bostad's material risks and risk management, including HR-related risks, can be found on page 80–84.

Evaluation

We conduct a monthly employee survey in all countries (except Germany where we have yet to build up a proprietary property management organization) using the digital survey tool WinningTemp. We measure the Group's temperature in terms of leadership and job satisfaction, as well as its total temperature, in terms of management, job satisfaction, meaningfulness, autonomy, work situation, participation, personal development, team spirit, commitment and security. Our target is to reach a score of 8.5 (on a scale of 1 to 10) in management, job satisfaction and overall temperature by 2023, as well as an eNPS of 65 (on a scale of -100 to +100) by 2023. We are currently at an overall temperature of 7.0 and an eNPS of 40. A governance gap that has been identified is that we have occasionally experienced a low response rate in our Winning Temp surveys. However, in 2019 the average response rate was 69 percent, with a lowest of 64 percent and the highest 74 percent. We are working hard to improve this by, for example, encouraging more feedback in our work teams and by actively responding to comments submitted using the tool.

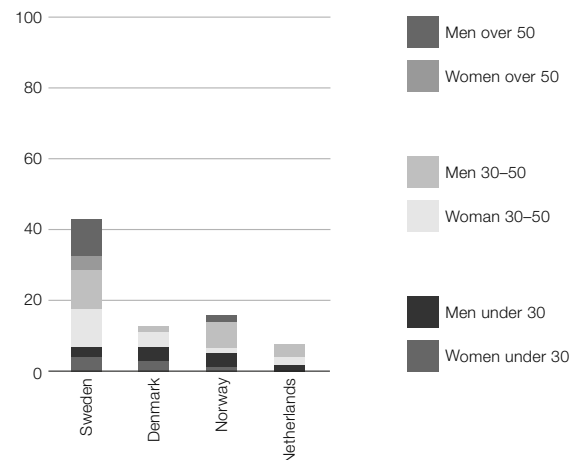
NEW EMPLOYEES* BY GENDER, AGE, COUNTRY IN 2019

Number of employees



EMPLOYEES* HAVING LEFT IN 2019 BY GENDER, AGE AND COUNTRY

Number of employees



In Sweden, Heimstaden had 325 employees at the end of the year (289 in 2018), 105 in Denmark (52 in 2018), 107 in Norway (101 in 2018) and 34 in the Netherlands (0 in 2018).

Occupational health and safety*

403-2 Hazard identification, risk assessment, and incident investigation

Materiality and limitations

The well-being and health and safety of Heimstaden AB's employees are of paramount importance to us. Our focus on health and safety is also important in relation to our contractors and other stakeholders, not least shareholders, investors and banks. Employees are exposed to various occupational health risks depending on their roles and duties. In the property management operations, there are, for example, risks of physical stress and risks related to psychosocial factors, including threats and harassment. In our offices, the dominating risks are stress, workload and ergonomics. As the daily dialogue between managers and employees is the most important aspect of the working environment, remote management poses a risk as we grow as a company. We can counteract this by training managers and employees in how to work with remote management/working to create closeness despite geographical distances.

Management approach

Many of our policies concern health and safety, including a Personnel Policy, Working Environment Policy, Safety and Security Policy, Equal Rights Policy, a whistleblower function and policy and our Travel Policy. The policies apply throughout the Group and in all of our markets. Specific additional policy documents exist regarding our fulfilment of legal and compliance requirements in each market. As legislation is amended and new requirements are added, efforts to set out, revise and maintain policies are performed annually. Our employees are invited at least once annually with a particular emphasis on our Code of Conduct. An overview of Heimstaden's material risks and risk management, including health and safety risks, can be found on pages 80–84.

Evaluation

To always safeguard a high level of quality in the area of health and safety, we work continuously to improve our processes and to disseminate information on working environment issues. Our target is 0 percent work-related absence due to illness and 0 percent work-related injuries in 2023.

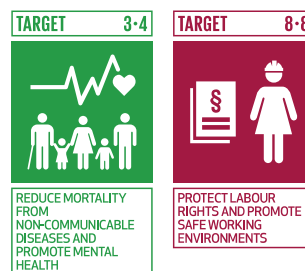
Group level outcome for 2019 (outcome for 2018 in parentheses):

Accidents	32 (10)
Incidents	20 (4)
Absence due to illness	3.5% (4.2%)

We had a strong focus on increasing and actively promoting employees' reporting of injuries during the year. This is a cultural process that has been successful, increasing the reporting frequency and leading to more cases being reported.

403-2 Hazard identification, risk assessment, and incident investigation

Efforts in the area of the working environment work vary in format between the different countries in which we operate, depending on legislation. Several times a year, we hold regular working environment meetings with employee and employer representatives. Each department manager is expected to



perform a risk assessment analysis of his/her department. In certain markets, an external working environment consultants also participate. At least once a year, we conduct regular health/working environment/safety rounds at all of our offices. Because many of our employees work outside our office buildings, rounds are also conducted at our rental properties. These rounds result in risk analyses being performed and measures being identified.

Everyone appointed to participate in our working environment committees or as health and safety representatives must undergo specific training. All managers in Sweden must complete a web-based work/health/environment course. However, the frequency of the courses, the number of participants and the training prerequisites vary between the countries. The operations in all of the countries are required to report workplace accidents. In Sweden, we also now report incidents (that is, occurrences that could have resulted in accidents). This will also be introduced in the other countries.

The measures that are identified are compiled into plans of action and delegated to suitable individuals. Progress is to be reviewed at a subsequent meeting. On a monthly basis, we use our digital tool for employee engagement to monitor the psychosocial working environment in all of the countries, except Germany, and supervisors present their departments' results monthly. Responses are anonymous. On our website, we maintain a whistleblower function that can be used anonymously. Both tools are managed by HR to ensure that there is no risk of traceability or retaliation. In Sweden and Norway, all accidents or incidents are reported by means of specific tools (these vary by country). Corresponding tools will be implemented in Denmark and the Netherlands in 2020.

A description of the policies and processes available to employees to abstain from work situations they believe could cause injury or ill health is provided in part in our Code of Conduct. We maintain an additional Safety Policy and in 2018, we focused on this area in Sweden where all staff in contact with customers were trained by an external consultant on how to act in hazardous situations or situations that risk becoming hazardous. Similar initiatives will be recommended in all of our markets. One area for improvement is to establish a common HR system in which we can compile all reporting and review the progress of the measures identified. Another is to appoint an additional resource dedicated to safeguarding our continued maintenance of superior quality and progress with regard to our agenda in the areas of the working environment/health/safety.

Human rights

406-1 Incidents of discrimination and corrective actions taken

414-1 New suppliers that were screened using social criteria

Materiality and limitations

Heimstaden supports the UN's Universal Declaration of Human Rights. Our largest risks regarding human rights violations is most probably found in the supply chain. Therefore, we put much emphasis on managing and controlling this part of the value chain. Regarding our own operations and our relationship with customers, a key area of focus is on the right to non-discrimination. We actively seek to make everyone feel welcome, both Heimstaden AB's employees, as well as customers. For us, non-discrimination, diversity and equality are strengths and prerequisites for our development and capacity to meet customers' needs and wishes.

Management approach

Heimstaden has joined the UN Global Compact, which includes the area of human rights. Our governance in this area is currently based on our Codes of Conduct for Employees and Business partners. Our objective is to have all employees* sign the Code of Conduct for Employees and to undergo training. We also target having 100 percent of our suppliers signing our Code of Conduct for Business Partners by 2021, with the sub-target of 50 percent having signed by 2020.

Human rights and non-discrimination

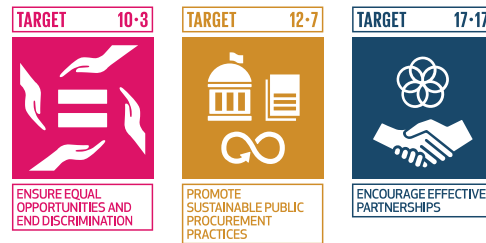
Heimstaden has zero tolerance for discrimination. Our governance comprises our Code of Conduct for Employees, which focus on the right to a safe and secure workplace, the right to equal conditions and the right to collective bargaining.

Our non-discrimination work is based on the seven grounds of discrimination: sex, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation and age.

The area of human rights and non-discrimination is also explicitly or implicitly included in the following policies: Personnel Policy, Working Environment Policy, Equal Rights Policy, Privacy Policy for Employees, Safety and Security Policy and Whistleblower Policy. Together with each manager, HR is responsible for ensuring that employees are aware of and familiarise themselves with the Codes of Conduct and Policies.

Human rights in the supply chain

Integrating environmental, social and anti-corruption aspects into the supply chain is an important part of the sustainability work. Accordingly, during 2019, we began developing processes and procedures for setting demands and for monitoring compliance with this among suppliers. This work includes ensuring that our suppliers sign the Code of Conduct for Business Partners. In 2019, we recruited a Chief Procurement Officer who bears the principal responsibility for central procurement and purchasing.



In our Code of Conduct for Business Partners, human rights and working conditions form key components and we are currently examining how our continued work can build on the UN Guiding Principles on Business and Human Rights.

An overview of Heimstaden's material risks and risk management, including risks associated with human rights, can be found on pages 80–84.

Evaluation

Heimstaden complies with anti-discrimination legislation and has a zero vision for discrimination cases. During the year, one discrimination incident was reported by means of our whistleblower function. The case was not of a nature motivating a more detailed investigation, but was dismissed following an initial examination.

To date, 106 of our suppliers in Sweden have signed our Code of Conduct for Business Partners. We are working to initiate a similar process in the other countries. Since April 2019, we have, by means of a centrally negotiated framework agreement, required all new suppliers to sign and comply with the Code of Conduct for Business Partners and that the products they supply must be registered in one of the Swedish environmental assessment systems, Byggarubedömningen, Sunda hus, Svanen or BASTA. During 2019, we screened 100 percent of all our 17 new suppliers with framework agreements linked to the areas of human rights, labour conditions, health and safety and environmental aspects. The results of our desk-top screening showed that the majority of our new suppliers have communicated sufficient information regarding how they handle issues related to human rights, working conditions, health and safety and the environment. The remaining companies will receive a self-assessment form as well as an invitation to return with relevant information. Based on received material, we intend to decide on possible measures.

Local community

413-1 Operations with local community engagement, impact assessments, and development programmes

Materiality and limitations

The social dimension is crucial in developing society in a sustainable direction. Heimstaden helps build safe, inclusive and vibrant neighbourhoods and local communities. Our operations affect many people and people are at the heart of everything we do. We maintain a strong focus on sustainability and we work strategically and holistically with these issues. Accordingly, financial, environmental and social factors form the basis for our long-term presence in the locations and communities in which we operate.

Management approach

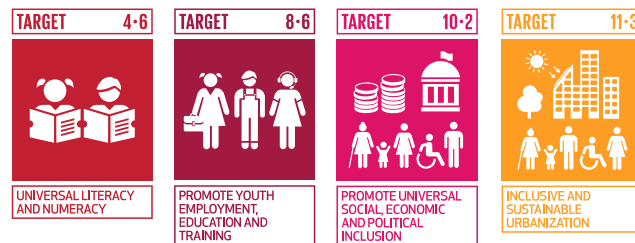
Heimstaden's vision is to enrich and simplify life through Friendly Homes. We provide rental apartments for all stages of life – from student accommodation to housing for elderly, with need of extra care. Our business touches a variety of stakeholders. We run it responsibly in line with our values and policies, and in order to gain and maintain our stakeholders' trust.

On 1 January 2020, the UN Convention on the Rights of the Child was enacted into Swedish law and we have begun the process of understanding what this may come to entail for our management and development of properties in Sweden. The Convention on the Rights of the Child has already become law in Norway and Germany.

Inclusion

To contribute to the building of inclusive residential areas and communities, we decided in 2019 that at least 1 percent of our apartments would be earmarked for social lease contracts by 2023 (the target is currently being revised). These are leases under which local authorities lease apartments from us to rent them, in turn, to those in a situation of social exclusion, for example homeless people, recently arrived migrants and people with various disabilities. In some regions, we have hired Community Coordinators to support the management organisation regarding community matters and, when required, take part in meetings and dialogues with local authorities, emergency services and other property owners in order to create safe and secure living environments. In 2019, Heimstaden determined that at least 2 percent of its employees on an annual basis should, by 2023 (the target is currently being revised) be apprentices, also with a focus on including people otherwise in a situation of social exclusion.

BID (Business Improvement District) Sofielund (in Malmö), of which Heimstaden is a member, is the winner of the European Crime Prevention Award (ECPA) 2019. The work is praised for broad crime prevention efforts in Sofielund, focusing on the particularly vulnerable area of South Sofielund/Seved – which has led to increased well-being and stability in the area.



Young adults

For us, it is important to create opportunities for young people to gain work experience and have opportunities for internships. We have, for this reason, decided to offer at least 100 jobs annually to trainees, student employees and summertime workers by 2023.

Partnerships and sponsorships

We are working to contribute to positive social development and improved social inclusion by building partnerships enhancing inclusion and engagement in collaboration with local organisations.

Evaluation

The targets we have set in terms of creating inclusive living environments and local communities, and in terms of employment for young adults, were new for 2019. This means that we only have results for parts of our operations for 2019. We are now implementing these targets throughout the Group and will therefore be able to report on them Group-wide for 2020.

Outcome 2019

Social contracts

Because the target is new as of 2019, we only have data for Sweden. Outcome: approximately 1.6 percent of the apartments in Sweden are covered by social leases.

Apprentices

The target is new as of 2019 and will not be reported on until 2020.

Young adults

During 2019, 60 young adults worked with Heimstaden AB as student employees, summertime workers or trainees.



Partnerships and sponsorships

During 2019, we collaborated with and sponsored a number of different organisations – some examples from different parts of our operations are presented here:

Projekt Udenfor (Project Outside), Denmark – works to improve conditions for the most vulnerable homeless people by distributing food and drink, clothing and sleeping bags.

VildaKidz (Wild Kids), Sweden – provides year-round activities for children in socio economic exposed situations.

Drivkraft (Driving Force), Sweden– offers mentors for both pupils and their parents and arranges weekly help with homework at a number of schools. Many of Heimstaden's employees are engaged in this initiative.

Giving People, Sweden – works to counteract financial vulnerability and child poverty in Sweden.

Let's make love great again, Sweden– a platform for what is good and loving. We help facilitate distribution of the book "The Worst of the Best of the Internet" (Swedish: "Värsta bästa nätet") to primary school pupils. The book addresses the issue of online hatred and helps young people become Internet savvy.

Kirkens Bymisjon, Norway – works, among other things, with children and young people, combating poverty, care of the elderly, healthcare and environmental measures.

We have a dream, Sweden – a photographic exhibition about courage, compassion and human rights.

Other organisations we support are the Norwegian Breast Cancer Society, the Norwegian Prostate Cancer Society and Save the Children Sweden.



*heimservice**

Moving to a new home is a big step and a little help with the details is often required. For this reason, we offer all new residents the opportunity to get two hours of assistance from one of our property managers. This may involve installing curtain rods, mounting hooks and lamps or explaining how the appliances work. We want all to feel welcome in their new homes and to have as smooth a start as possible there. As part of our sustainability work, we also lend tool boxes to customers, so that they need not buy expensive tools themselves.

**Home service*



Definitions and glossary¹⁾

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, %²⁾

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, %²⁾

Equity as a percentage of total assets.

Loan-to-value ratio (LTV), %

Net liabilities as a percentage of total assets.

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, %²⁾

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 net asset value 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 and hybrid 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 and hybrid capital's 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

Heimstaden Bostad presents certain financial measures that are not defined in accordance with IFRS. Heimstaden Bostad believes that these measures provide valuable additional information to investors and management as they enable assessment of the company's performance. Since not all companies calculate financial measures in the same way, these are not always comparable to measurements used by other companies. Accordingly, these financial measures should not be considered as a replacement for measures defined in accordance with IFRS. Note **AN** presents the derivation of key data.

¹⁾ Certain key ratios are calculated with particular regard to interest-bearing subordinated shareholder loans, which are reclassified and defined as equity given their financial structure.

²⁾ These specific key data are operational and are not considered to be key data in accordance with ESMA's guidelines.



Heimstaden Bostad AB is a public company. Corporate identification number. 556864-0873. Domiciled in Malmö, Sweden.

Denna årsredovisning finns även på svenska. The Annual Report is published in Swedish and English. The Swedish version is the original and has been audited by Heimstaden Bostad's auditor. All values are expressed in Swedish kronor (SEK). Swedish kroner is shortened to SEK, millions of kronor to SEK million and billions of kronor to SEK billion. Figures in brackets refer to the previous year, 2018, unless otherwise stated.

This report contains forward-looking information based on the current expectations of Heimstaden Bostad's management. Although management believes the expectations reflected in such forward-looking information to be reasonable, no guarantee can be provided that these expectations will prove correct. Consequently, future outcomes may vary considerably compared to what is presented in the forward-looking information based on, among other things, changing economic, market and competition conditions, changes in legal requirements and other policy measures, fluctuations in exchange rates and other factors.

This Annual Report is produced in collaboration with RHR/CC in Malmö, text by Aspekta, graphic design by Kyoko Grafiska Design, translated by Battison & Partners AB and printed by CA Andersson. Photo: Anders Sällström and Thomas Henrikson, Lasse Åkerström, Jesper Molin, Folio.se, Shutterstock.com

Heimstaden Bostad is a leading property company in Central and Northern Europe with a focus on acquiring, refining, developing and managing residential housing. Through our values – *Care*, *Dare* and *Share* – we generate value for our shareholders and friendly homes for our customers. Heimstaden Bostad has approximately 54,900 apartments and a property value of approximately SEK 113 billion. Heimstaden's principal shareholders are Heimstaden AB, followed by Folksam, KPA Pension, Alecta, Ericson Pensionsstiftelse and Sandviks Pensionsstiftelser. The company's head office is located in Malmö, Sweden.

Heimstaden

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