Heimstaden

Annual Report 31 December 2020

Heimstaden Bostad Treasury B.V.

Amsterdam, the Netherlands

Heimstaden Treasury B.V.

<u>Contents:</u>

Annual report

Financial statements

Other information

Board of Managing Directors Report

The Board of Managing Directors hereby submits its financial statements for the period ended 31 December 2020. The financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code and with accounting principles generally accepted in the Netherlands (Dutch GAAP).

Overview of activities

Heimstaden Treasury Bostad B.V. (or "Company"), having its corporate seat in Amsterdam, is established 17 July 2020 and is a Dutch financing company of the Heimstaden Group. The Company is a wholly-owned subsidiary of Heimstaden Bostad AB or ("parent company"), which has its seat in Malmö, Sweden.

The Company's purpose foremost is the issuance of capital market senior secured bonds denominated in EUR and to subsequently transfer the proceeds to group companies. The Company may also issue other capital markets instruments such as capital securities or commercial paper denominated in EUR. The Company will only attract funds from professional market parties and not from the public.

In August 2020 the Company entered into an EUR 8 billion EMTN Program as issuer and agent with Heimstaden Bostad AB as issuer and guarantor. The program allows the issuance, offering and selling of bonds, listing on the Euronext Stock Exchange's regulated market in Dublin.

As at 31 December 2020 the total amount issued by the Company was EUR 700 million. All the proceeds from the bonds are lent on to its parent company Heimstaden Bostad AB.

In August 2020 the Company issued bonds under its EMTN program for the amount of EUR 650,000,000, maturing in 6.5 years and with a coupon of 1.375%. In December 2020 the Company for the second time successfully issued bonds under the EMTN program for the amount of EUR 50,000,000, maturing in March 2027 with a coupon of 1.375%.

The key features and break down of the nominal balance issued by the Company and the markets where the bonds are listed are as follows:

EMTN Program

Currency	Intrest Rate %	Principal amount	Issued	Maturity	Listed
EUR	1.375%	650,000,000	2020	2027	Euronext, Dublin
EUR	1.375%	50,000,000	2020	2027	Euronext, Dublin
Subtotal:		**700,000,000**			

Principal activities and business review

The principal activities of the Company consists of financing the parent company, who will in turn lend it to the companies within the Heimstaden group to finance their investment activities.

Results for the period

During this first period of operation the Company realized a net profit of EUR 88 thousand. During start-up of the Company the proceeds of the first issuance were not immediately lent-on to the parent Company, which resulted in a mismatch on interest cost from issued bonds and interest income from on lending to the parent company. The Company has received interest compensation for this mismatch.

Financial position

During the year 2020 an unconditional shareholders' contribution of EUR 2 million was added to the equity to establish a minimum aimed level of equity of EUR 2 million. Further, on 31 March 2021, a share premium of EUR 2 million was made to strengthen the equity of the Company, which was received in cash. In April 2021 the Company and the parent company have revised their group loan agreements - which take effect from 2020 - to harmonise with the underlying bonds.

Financial Risk

The Company has a limited risk profile. The financial risks of the Company are managed through the matching of interest expenses from its issued bonds with the interest income from loans to the group company. All of the Company's liabilities arising from issuances are guaranteed by the parent company Heimstaden Bostad AB. Therefore the financial risk for the Company is limited to the capital and reserves. For the year 2020 a shareholder's contribution of EUR 2 million was added to the equity.

Interest risk is offset as incoming proceeds and outgoing loans have in principle similar conditions except for a small spread.

Foreign exchange risk is not applicable as all issued bonds under the EMTN program and loans to the group are stated in Euro.

Liquidity risk and cashflow risk are limited as cash flows of interest from issued bonds are mitigated by the back-to-back financing and repayment with the parent company under the similar conditions, except for a small spread. Liabilities arising from the issuance of bonds are backed by a guarantee from the parent company.

There is a concentration of credit risk as all issued bonds are lent on to the parent company.

The parent company, Heimstaden Bostad AB is an international leading residential property company, listed on the Swedish stock exchange. The parent company received an upgrade from BBB-rating to a BBB rating with stable outlook for its long term credit rating from S&P in December 2020.

Loans to the parent company amount to EUR 701.5 million in this first period. The remuneration for the Company on the loans to the parent company is consistent with the arm's length principle. The level of remuneration reflects the functions performed and risks assumed employed by the Company in relation to the intercompany flows. It has been agreed to set the arm's length remuneration for the financing activities over the funds borrowed and lent on, as an annually gross spread. This spread is based on a recent transfer pricing analysis.

Future outlook
It is expected that the activities of the Company will remain unchanged. It is envisaged that the loan volume will increase in the next years by issuing bonds in the EMTN program to a total of EUR 8 billion and on-lending these funds to its parent company.

Covid-19
Throughout 2020, residential real estate markets have proven highly resilient to the effects of the Covid-19 pandemic. In all of Heimstaden's markets, governments have implemented financial and social measures to support companies and individuals who are particularly affected by the crisis and the impact of the pandemic on Heimstaden Bostad has been limited. Subsequently this was reflected for the Company in the successful start of the EMTN Program. The company does not expect to see impact on the continuance of the bond program for the near future.

Globally, the rate of recovery is expected to vary between regions and countries and the Company acknowledges the prevailing uncertainty regarding the duration and ramifications of the ongoing pandemic. The parent company has considerable financial flexibility with a robust balance sheet and remains well positioned to deal with any adverse effects that may arise in the short to medium term.

Subsequent events
In March 2021 the parent company contributed a share premium of EUR 2 million to further strengthen the equity of the Company.

Responsibility Statement
All managers confirm that, to the best of (their) knowledge:

- The financial statements for the year 2020, which have been prepared in accordance with the Dutch Civil Code, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- The Management Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties they face, as required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act ('Wet op het financieel toezicht").

The Board of Managing Directors,

Amsterdam, the Netherlands, 23 April 2021

Mr. E. Rats, CEO

Mrs. S. Bliemer, CFO

Mr. M. Nordholm, Board Member

Balance Sheet as at 31 December 2020

(before appropriation of results)

Thousands of Euro

Assets	**Note**	**31 December 2020**
Non-current assets		
Loans to group companies	**4**	697,751
Total Non-current assets		**697,751**
Current assets		
Financial receivables	**4**	3,794
Cash	**5**	91
Total Current assets		**3,885**
Total Assets		**701,636**

Thousands of Euro

Liabilities and shareholders' equity	**Note**	**31 December 2020**
Shareholders' equity		
Share capital	**6**	-
Share premium contribution	**6**	2,000
Net income for the period	**6**	88
Total Shareholders' equity		**2,088**
Non-current liabilities		
Long term loans and bonds	**7**	696,270
Total Non-current liabilities		**696,270**
Current liabilities		
Short term loans and bonds	**8**	2,974
Other current liabilities	**8**	304
Total Current liabilities		**3,279**
Total Liabilities and shareholders' equity		**701,636**

Statement of Income

Thousands of Euro

		17 July 2020 until 31 December 2020	
	Note		
Interest income	**9**	3,805	
Interest expense	**10**	-3,557	
Interest margin			**248**
Other operating expenses	**11**	-84	
Service fees	**11**	-59	
Total expenses			**-143**
Result before income taxes			**105**
Income tax expense	**12**		-17
Net income for the year			**88**

Notes to the financial statements for the period ended 31 December 2020

1. General

Company structure
Heimstaden Bostad Treasury B.V. ("the Company") is a private limited liability company established in Amsterdam (Commercial Register Number 78619610). The Company acts as an intermediate finance company. The Company is a wholly-owned subsidiary of its ultimate parent company Heimstaden Bostad AB, which has its legal seat in Malmö, Sweden, and is the controlling party of the Company. The Company is included in the consolidated financial statements of Heimstaden Bostad AB.

Activities
Heimstaden Bostad Treasury B.V. was incorporated to facilitate the funding of its parent company. In order to achieve its objectives, Heimstaden Bostad Treasury B.V. may issue senior secured bonds denominated in EUR. The Company may also issue other capital markets instruments such as capital securities or commercial paper denominated in EUR. In relation to these issuances the Company signed a Guarantee Agreement with its parent company which establishes Heimstaden Bostad AB as unconditional and irrevocable guarantor of any amount payable that remains unpaid, by the date and on the time specified for such payment, by the Company (as issuer) to any holder of the bonds issued.

Transfer pricing
The Company appointed a fiscal advisor to perform a benchmark study for transfer pricing purposes. The benchmark study set the arm's length criteria to apply the basis points margin on the interest expenses. The next conditions are used:

- The margin for the first issuances up to an amount of EUR 1,200,000,000 is set at 12.5 basis points.
- The margin for the issuances exceeding the amount of EUR 1,200,000,000 is set at 10 basis points.
- For substance requirements the Company also requires to maintain a minimum equity amount of EUR 2,000,000.

Financial position
In August 2020 the Company entered into the Euro Medium-Term Notes (EMTN) Program up to a maximum aggregate amount of EUR 8,000,000 thousand. The issuers of the program are both the Company and Heimstaden Bostad AB. The program allows the issuance, offering and selling of bonds, listing on the Official List of the Dublin Stock Exchange and trading on the Dublin's Euronext Stock Exchange's regulated market, although the bonds may be admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed with the Issuer and the Guarantor. Heimstaden Bostad AB, acting as the Guarantor received an upgrade from BBB- rating to a BBB rating with stable outlook for its long term credit rating from S&P in December 2020.

2. Summary of principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The present accounting policies of valuation and determination of result used are based on the assumption of going concern of the Company. These accounts have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The Company is established on 17 July 2020 and the financial statements for 2020 represent a period shorter then twelve months.

These financial statements fairly present the equity and financial situation of Heimstaden Bostad Treasury B.V. at 31 December 2020 and the results of its operations and the changes in shareholder's equity of the Company for the year ended.

2.2 Use of estimates and assumptions

Preparing the financial statements requires that management forms opinions and makes estimates and assumptions that affect the application of accounting policies and the reported values of assets and liabilities, and of income and expenses. Primarily, this concerns the determination of the fair value of assets and liabilities which are included as disclosure to the carrying value. The estimates and underlying assumptions are assessed and evaluated periodically. The actual results may differ from the estimates and assumptions made. Revisions of estimates are presented in the period in which the estimates were revised and in future periods for which the revision has implications.

2.3 Cash flow statement

The Company does not prepare the cash flow statement for the Dutch GAAP financial statements. As permitted under RJ 360.104, the cash flows of the Company are included in the consolidated cash flows statement of the ultimate holding company. The ultimate holding company's financial statements are available on Heimstaden’s corporate website: www.heimstadenbostad.com

2.4 Foreign currency translation

Functional and presentation currency Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euros, which is the Company's functional and presentation currency.

2.5 Financial instruments

Financial instruments include bonds, loans granted and other receivables, cash items, loans and other financing commitments and other payables.

a) *Bonds and borrowings*

Bonds are initially recognised at their fair value, net of any transaction costs incurred. Subsequently, loans and bonds are carried at amortised cost using the effective interest rate method. Loans and bonds are classified as non-current financial liabilities unless they mature in less than twelve months as from the balance sheet.

b) *Loans to group companies and other receivables*

Loans to group companies and other receivables are carried at amortised cost after initial recognition at fair value, using the effective interest rate method, less impairment losses. They are included in non-current assets, except if they mature within 12 months after the end of the reporting period. These are classified as current assets.

c) *Impairment of financial assets*

The entity assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, the amount of the impairment loss is determined and recognized in the income statement for all categories of financial assets carried at amortized cost.

The amount of impairment losses on financial assets carried at (amortized) cost is calculated as the difference between the carrying amount of the asset and the best possible estimate of the future cash flows, discounted at the effective rate of interest of the financial instrument determined on the initial recognition of the instrument . If the decrease in impairment relates to an objective event occurring after the impairment was recognized, a previously recognized impairment loss is reversed to a maximum of the amount required to carry the asset at (amortized cost) at the time of the reversal if no impairment had taken place. The impairment loss reversal should be recognized in the income statement. The carrying amount of the receivables is reduced through the use of an allowance account.

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization; or

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) Adverse changes in the payment status of borrowers in the portfolio; and
  (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio. The Company first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognized in the statement of income.

2.6 Cash

Cash includes cash in hand and deposits held at demand with banks.

2.7 Share capital

Ordinary shares are classified as equity.

2.11 Income tax

The tax expense for the year comprises current tax and deferred tax. Tax is recognised in the statement of income, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognized in equity. The current tax charge is calculated at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled. Deferred tax is recorded at nominal value. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.12 Interest income and expense recognition

Interest income and expense are recognized using the effective interest method. When a loan and receivable are impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognized using the original effective interest rate.

Any difference between the proceeds net of transaction cost and redemption value is recognised in the statement of income over the period of the bond using the effective interest method. Amortization of discount and fees will be recognised as interest expense and amortization of premium will be recognised as interest income.

2.13 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.14 Events after the reporting year

Post-year-end events that provide additional evidence of conditions that existed at the end of the reporting year (adjusting events), if any, are reflected in the financial statements. Post-yearend events that are indicative of conditions that arose after the end of the reporting year (non-adjusting events) are disclosed in the notes to the financial statements.

3. Financial risk management

Financial risk factors

The Company's activities are exposed to a variety of financial risks: market risk (including cash flow risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the volatility of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The risk management policy is based on the consideration that the Company acts as a vehicle to raise funds for Heimstaden Bostad Group and to on-lend these funds to the parent company. The set-out policy allows the Company to raise funds on euro currencies according to the EMTN Program.

Market risk

The Company's interest rate risk arises from the issued bonds. Issuances at fixed rates expose the Company to interest rate risk. Interest rate risk is offset by lending on the proceeds of issuances on similar interest conditions in the positions with the parent company, except for a small spread.

During start-up of the Company the proceeds of the first issued bond were for a few weeks not directly lent on the parent Company. The Company issued a new 3 months Euribor bond of EUR 500 million in January 2021 and has lent on the proceeds to the parent company using similar interest conditions. The Company's income and operating cash flows are therefore dependent on changes in market interest rates for Euribor from 2021 onwards for the floating rate notes.

Credit risk

There is a concentration of credit risk as all issued bonds are lent on to the parent company. Loans to the parent company (refer to note 4) amount to EUR 701,545 thousand. The parent company, Heimstaden Bostad AB is an international leading residential property company, listed on the Swedish stock exchange. The parent company received an upgrade from BBB- rating to a BBB rating with stable outlook for its long term credit rating from S&P in December 2020.

Liquidity risk

Cash flow forecasting is performed by the Company. Management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans and external legal requirements. In connection with the issued bonds, the Company pays interests on an annual basis in the case of the bonds issued under the EMTN (refer to note 7). The redemption date for the bonds to their maturity ranges to 7 years (refer to note 7).

Outgoing cashflows of coupon interest payable and repayments to bond holders are offset by mirroring incoming cashflows of intercompany loans and repayments from the parent company.

Contractual maturities of the Company's financial instruments are:

Assets
in thousands of Euro

At December 31, 2020	Within 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 12 months and 5 years	More than 5 years	Total
Long term loans to group companies	-	-	-	-	697,751	697,751
Current loans to group companies	-		-	-	-	-
Financial receivables	-	3,794		-	-	3,794
	-	3,794	-	-	697,751	701,545

Liabilities
in thousands of Euro

At December 31, 2020	Within 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 12 months and 5 years	More than 5 years	Total
Long term loans and bonds	-	-	-	-	696,270	696,270
Short-term loans and bonds	-	2,974	-	-	-	2,974
Other current liabilities	-	304	-	-	-	304
	-	3,279	-	-	696,270	699,548

4. Financial Assets

Financial assets are loans to group companies that consist mainly of loans granted to the parent company mirroring proceeds from the issued bonds received by the Company from third parties. The terms of annual interest payment, except for a small spread and repayment of the loans are based on the conditions of the underlying bonds.

The breakdown of loans and receivables to group companies is as follows:

in thousands of Euro	31 December 2020
Non-current	
Loans to group companies	697,751
	697,751
Current	
Accrued intrest	3,794
	3,794

The loans to group companies also include a receivable of EUR 2 million which was initially received by the Company as share premium in 2020 but was directly lent again back to the shareholder/group company.

The accrued interest receivable was due in March 2021, but as a consequence that the coupon interest on bonds issued by the Company was paid by the parent company to bondholders, the interest to be received on the group loan was netted with the coupon interest that was paid by the parent company and the remaining surplus was received in April 2021.

The accrued interest also includes a compensation of EUR 240,204 for negative interest incurred on deposits of the Company.

The movement of loans to group companies is as follows:

in thousands of Euro	31 December 2020
At 17 July 2020 (incorporation)	-
New loans granted	697,751
Interest receivables on group loans	3,794
At 31 December 2020	**701,545**

We set out below a description of the loans to the parent company:

Loans to group companies

In order to on-lend the proceeds raised under the EMTN program, the Company signed a loan agreement with Heimstaden Bostad AB, dated 4 August 2020, that stipulates the general terms and conditions of the individual loan agreements that will be made between the parties each time the Company issues a bond. Each loan agreement will be a mirror loan of the relevant issuance of bonds and the terms and conditions of the Loan Agreement will be identical to the Final Terms of the Issuance of bonds, except for a spread to cover for handling and credit risk. Thus, the loans have the same maturity date as the EMTN issuances to which they are related to, and bear the same nominal interest rate plus a taxable margin. The interest on the loans to the group companies will be receivable on an annual basis and the repayment date for the loans to group companies is set at 3 March 2027, thereby mirroring the issued bonds.

As at 31 December 2020 the nominal value of the loans to group companies related to the EMTN Program are for the Euro denominated loans EUR 701,545 thousand. As at 31 December 2020, the amortized cost of the loans using an effective interest rate is EUR 701,545 thousand.

The Company did not identify an impairment of the loans to the parent company as of 31 December 2020.

The average effective interest rate for those loans during the year has been 1.5% .

The estimated fair value of the loans represents the discounted amount of calculated future contractual cash flows of the underlying loan portfolio, expected to be received. Expected cash flows are discounted at current yield using the appropriate market rates, adjusted for the credit risk of the Company as per balance sheet dates to determine the fair value. Basis for the fair value calculation are the gross loans. The difference between fair value and book value is the result of movements in portfolio yield. Given that each loan granted to the parent company is mirrored with the bonds issued by the Company on a regulated public market and the interest paid on the bonds reflect the deemed credit risk on the outstanding loan to the group company, we consider the fair value of the loan close to the fair value of the bonds, which is disclosed in note 7 on page 19.

5. Cash

Cash consists of current account balances which are available on demand. As at 31 December 2020 cash amounts to EUR 91 thousand. The cash at banks is freely disposable for the Company.

6. Equity

The movements in capital and reserves are provided as follows:

in thousands of Euro	**Share capital and share premium**	**Result for the year**	**Net Equity**
Balance at 17 July 2020 (incorporation)	**0**		**0**
Share premium	2,000		2,000
Result for the year		88	88
Balance at 31 December 2020	**2,000**	**88**	**2,088**

Share capital

The authorized share capital of the Company consists of 100 common shares of EUR 0.01 each, amounting to EUR 1. As at balance sheet date all 100 shares were issued, fully paid-up in cash and have equal voting and interest rights. All shares are held by Heimstaden Bostad AB, Sweden.

Proposed appropriation of the results

During the year ended 31 December 2020 the Company realized a net profit of EUR 88 thousand. The Board’s proposal is to add the amount of EUR 88 thousand to the equity of the Company.

7. Non-current liabilities

The breakdown of the non-current at 31 December 2020 is as follows:

in thousands of Euro	**31 December 2020**
Non-current liabilities	
Bonds (EMTN program)	696,270
Total non-current liabilities	**696,270**

The carrying value and fair value of the borrowings from bonds are as follows:

	Carrying value	Fair value
in thousands of Euro	**31 December 2020**	**31 December 2020**
Bonds (EMTN Program)	696,270	736,729
Total	**696,270**	**736,729**

The fair value of bonds with fixed interest rates is based on the quoted bid market price available at 31 December 2020 from the Dublin's Euronext Stock Exchange in Ireland. The average effective interest rate for the bonds during the year has been 1.38%.

The movement in non-current liabilities is as follows:

in thousands of Euro	**31 December 2020**
At 17 July 2020 (incorporation)	-
Issuance of bonds (EMTN Program)	695,939
Amortization of discount during the year	232
Amortization of premium during the year	-12
Amortization of fees	111
At 31 December 2020	**696,270**

All non-current liabilities have a fixed interest. As at 31 December 2020, the Company does not have issued bonds with a variable interest rate.

The fixed-rate debt amounts to EUR 696,270 thousand being the total of non-current liabilities at 31 December 2020. As at 31 December 2020, the amortized cost of the non-current liabilities using an effective interest rate is EUR 696,270 thousand.

EMTN Program

In August 2020 the Company entered into the Euro Medium-Term Notes (EMTN) Program up to a maximum aggregate amount of EUR 8,000,000 thousand. The issuers of the program are both the Company and Heimstaden Bostad AB. The program allows the issuance, offering and selling of bonds, listing on the Official List of the Dublin Stock Exchange and trading on the Dublin's Euronext Stock Exchange's regulated market

In 2020 the Company has issued bonds under the EMTN program in September and December and as at 31 December 2020, the bonds issued by the Company amounted to EUR 696,270 thousand. The funds from all the bonds have been on lent by the Company to its parent company Heimstaden Bostad AB.

The outstanding balance for the bonds as per 31 December 2020 split to the nominal value and the amortized cost valuation is:

EMTN Program

Principal	Currency	Intrest Rate %	Amortized cost / carrying value	Issued	Maturity	Listed
650,000,000	EUR	1.375%	643,524,148	2020	2027	Euronext, Dublin
50,000,000	EUR	1.375%	52,745,649	2020	2027	Euronext, Dublin
	Subtotal:		**696,269,796**			

In September 2020 the Company issued bonds under its EMTN program for an amount of EUR 650,000 thousand, maturing in 6.5 years and with a 1.375% coupon. The bonds were issued at a discount. The amortization of the discount on the bonds to maturity will every year be added to the value of the liabilities and are presented as interest expenses. For 2020 the amount of accrued interest was EUR 232 thousand. The proceeds obtained from the issuance were on lent to its parent company in means of an intercompany loan with an interest rate of 1.5%.

In December 2020 the Company made a second issuance under its EMTN program for an amount of EUR 50,000 thousand, maturing in 6.3 years and with a 1.375% coupon. The bonds were issued with a premium. The amortization of the premium on the bonds to maturity will every year be deducted from the value of the liabilities and are presented as interest income. For 2020 the amount of released interest was EUR 12 thousand. The proceeds obtained from the issuance were on lent to its parent company in means of an intercompany loan with an interest rate of 1.5%.

8. Current liabilities

in thousands of Euro	**31 December 2020**
Current liabilities	
Intrest payable (EMTN program)	3,182
	3,182
Other current liabilities	
Fee charge	144
Services	84
Personnel	59
Corporate income tax	17
Total other current financial liabilities	**304**
Total Current liabilities	**3,486**

9. Interest income for the period from 17 July 2020 to 31 December 2020

in thousands of Euro	**Year ended 31 December 2020**
Interest income	
Interest income from intercompany loans	3,554
Interest income from interest compensation	240
Amortization of premium	12
	3,805

The Company was compensated for negative interest on its deposits for an amount of EUR 240,204.

10. Interest expense for the period from 17 July 2020 to 31 December 2020

in thousands of Euro	Year ended 31 December 2020
Interest expense	
Bonds (EMTN Program)	2,974
Interest costs on bank accounts	240
Amortization of discount	232
Amortization of fees	111
	3,557

11. Result from operating activities for the period from 17 July 2020 to 31 December 2020

in thousands of Euro	Year ended 31 December 2020
Services	
Audit fee	64
Service fee for administrative expenses	59
Legal expenses	20
	143

During the financial period an amount of EUR 59 thousand was charged from Heimstaden Holding Nederland BV to the Company for services provided. In 2021 a further refinement of the fee charge will be made that will cover administrative expenses as well as remuneration for directors.

Specification of auditor's costs

in thousands of Euro	Year ended 31 December 2020
Audit annual report	64
Other audit engagements	-
Total audit and other accounting services	**64**

The audit fees to Ernst & Young Accountants LLP relate to the financial year to which the financial statements pertain, regardless of whether the external auditor and the audit firm performed the work during the financial year. In addition to the statutory audit the external auditor has also performed other audits at request of the group auditors of the parent company.

No other audit engagements have been performed.

12. Taxation

The nominal tax rate is 16.5% and the effective tax rate is 16.5%.

in thousands of Euro	**31 December 2020**
Result before tax	**105**
Nominal taxes for the period (16.5%)	-17
Adjustments	-
Effective tax for the period	-17
Result after tax	**88**

The nominal income tax rate is 16.5% for the first EUR 200,000 and 25% for income exceeding the amount of EUR 200,000.

13. Related-party transactions

Heimstaden Bostad AB is the parent company of Heimstaden Bostad Treasury B.V. Heimstaden Bostad AB owns and controls a 100% of the Company's shares.

in thousands of Euro	**31 December 2020**
Due from group companies (long term)	697,751
Due from group companies (short term)	3,794
Payable to group companies	-59
	701,486

in thousands of Euro	
Financial income from group companies	3,805
Other expenses from group companies	-59
	3,746

Financial income for the period was accrued with the parent company Heimstaden Bostad AB (amounts due from group companies). All related-party transactions were at arm’s length.

14. Average number of employees

During the year 2020, there were no direct employees in service of the Company.

15. Events after the reporting year

The Company issued a new 3 months Euribor bond of EUR 500 million in January 2021 and has lent on the proceeds to the parent company using similar interest conditions.

To further strengthen the capital position of the Company a share premium of EUR 2 million was received in cash and added to the equity of the Company in March 2021.

The Board of Managing Directors and the Supervisory Board have declared that to the best of their knowledge, the financial statements give a true and fair view of the assets, the liabilities, the financial position and the results of the Company.

Amsterdam, the Netherlands, 23 April 2021

Mr. E. Rats

Mrs. S. Bliemer

Mr. N. Nordholm

Other information to the financial statements for the year ended 31 December 2020

For the year ended 31 December 2020 there is no other relevant information applicable to the financial statements.

Independent auditor's report

To: the shareholder and board of managing directors of Heimstaden Bostad Treasury B.V.

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of Heimstaden Bostad Treasury B.V. (or Company), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Heimstaden Bostad Treasury B.V. as at 31 December 2020, and of its result for the period from 17 July 2020 to 31 December 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2020
- The statement of income for the period from 17 July 2020 to 31 December 2020
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Heimstaden Bostad Treasury B.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Materiality	€1.7 million
Benchmark applied	0.5% of total assets as at 31 December 2020
Explanation	We have applied total assets as the Company is an entity whose activity is the issuance of financial debt instruments, with the aim of financing the Company's shareholder. Therefore, we define the Company as capital-based, so assets is the most appropriate parameter for users of financial information.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of managing directors that misstatements in excess of €175,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the board of managing directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of loans issued to the parent company	
Risk	The main activity of the Company is to operate as a financing company of its parent company, Heimstaden Bostad AB, raising funds from third party lenders through issuance of bonds. The Company is exposed to the risk that the parent company defaults on meeting its obligations. As loans to the parent company (loans to group companies) represent the most significant portion of the Company's current and non-current assets, any impairment may have a material impact on the financial statements and the available cash flows to fulfill obligations towards noteholders. The identification of impairment triggers and the determination of the recoverable amount is an estimation process involving various assumptions. As such we identified the valuation of loans issued to the parent company as key audit matter. We refer to note 2.5 "Financial instruments" of the financial statements, where the board of managing directors has disclosed the policies and procedures in respect of the identification of any impairment on loans issued to the parent company and notes 3. "Financial risk management" and 4. "Financial Assets" where it is stated that the board of managing directors did not identify any impairment triggers and therefore no provision is recognized as at 31 December 2020.
Our audit approach	We evaluated the appropriateness of accounting policies applied and the reasonableness of accounting estimate and related disclosures made by the board of managing directors. We obtained an understanding of internal controls related to the valuation and determination of impairments on loans to the parent company as part of the financial statement closing process. Furthermore, we have performed the following substantive procedures focusing on, both, the Company and the parent company. We have: • Evaluated the board of managing directors' assessment of impairment and verified whether the parent company has met its financial obligations towards the Company • Read the 2020 statutory financial statements of the parent company, evaluated the financial position of the parent company and its external credit rating and the appropriateness of the relevant disclosures made

Valuation of loans issued to the parent company	
	• Tested that the covenant criteria as disclosed in the bond program issued by the Company with regard to the financial position of Heimstaden Bostad AB is met as at 31 December 2020 • Considered the fair value of the bonds issued by the Company as 31 December 2020 • Considered the impact of the COVID-19 pandemic and events subsequent to 31 December 2020 in our assessment
Key observations	Based on the procedures performed, we did not identify evidence of any material misstatement in the valuation of loans issued to the parent company.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The board of managing directors report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of managing directors is responsible for the preparation of the other information, including the board of managing directors report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the board of managing directors as auditor of Heimstaden Bostad Treasury B.V. as of the audit for the period ended 31 December 2020.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of board of managing directors for the financial statements

The board of managing directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of managing directors is responsible for such internal control as the board of managing directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of managing directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of managing directors should prepare the financial statements using the going concern basis of accounting unless the board of managing directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of managing directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of managing directors
- Concluding on the appropriateness of board of managing directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the board of managing directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee of the shareholder in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of managing directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of managing directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements.
We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 23 April 2021

Ernst & Young Accountants LLP

signed by P. Sira