

2019
Heimstaden Bostad AB
Interim report
JANUARY – MARCH



Heimstaden

The period in brief

January – March 2019

- Rental income for the period increased to SEK 953 million (628)
- The real letting ratio for housing was 98.9%
- Net operating income for the period increased to SEK 489 million (269)
- Net financial items amounted to a negative SEK 209 million (105)
- Profit from property management was SEK 143 million (164)
- Changes in values of properties amounted to SEK 1,738 million (661)
- Changes in values of derivatives amounted to a negative SEK 313 million (positive 18)
- Profit for the period amounted to SEK 1,185 million (763)
- Property acquisitions during the period amounted to SEK 3,732 million (728)
- Cash and cash equivalents increased to SEK 3,214 million (646)
- Unutilised credits amounted to SEK 7,336 million (643)
- Profit per ordinary share amounted to SEK 733 (300)

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

KEY DATA

	2019 3 months Jan-Mar	2018 3 months Jan-Mar	2018 12 months Jan-Dec
Amounts in SEK million			
Rental income	953	628	3,231
Property costs	-465	-330	-1,480
Net operating income	489	298	1,751
Other costs	-40	-29	-139
Financial income	0	4	26
Financial costs, interest-bearing liabilities	-209	-109	-698
Other financial income	-97	0	203
Profit from property management	143	164	1,142
Changes in value	1,425	678	2,573
Tax	-384	-79	-692
Profit for the period	1,185	763	3,023
Other comprehensive income	842	304	-442
Comprehensive income	2,027	1,066	2,581
Investment properties, SEK m	79 286	45 855	72 329
Surplus ratio, %	51.3	47.4	54.2
Letting ratio, housing (number), %	96.9	98.6	97.4
Real letting ratio, housing (number), %	98.9	–	98.5
Interest coverage ratio (ICR) – rolling 12-month, multiple	2.3	2.3	2.4
Loan-to-value ratio (LTV), %	55	55	54
Loan-to-value ratio, secured loans, %	32	55	35
Profit per ordinary share	733	517	795

Heimstaden Bostad's “ambassadors” are increasing in number

As I sit writing these lines, I have a very positive feeling in my bones. Our long-term and focused efforts to invest in measures that enhance sustainability, adding newly produced and appropriate apartments and constantly striving to provide our tenants with friendly and appreciated accommodation, are generating clear results and the results that were desired.

- Our energy consumption and climate impact continue to decline through investment, optimisation and a motivated and competent operating organisation.
- In the first quarter, leasing of our newly produced homes, primarily in Copenhagen, progressed quickly and efficiently and with positive feedback regarding the quality of the apartments and their surroundings.
- We are recruiting competent and committed employees on an ongoing basis. We receive numerous spontaneous applications every week from motivated and committed individuals, who would like to become a part of our Heimstaden. We are reinforcing our organisation in our customer centre, property management and transaction operations, that is in more or less all areas, to deliver an excellent, cost-efficient customer experience.

The results of this year's Swedish CSI survey (customer satisfaction index) confirms that our tenants increasingly appreciate our service and product. Our customer service and how customers are treated by local property managers received top marks. We also received top marks with regard to our tenants' well-being in their apartments.

To all tenants who participated in the survey, thank you for your comments, both your positive and negative feedback and your suggestions for improvement. Your views and suggestions have now been incorporated into the revised action plan, so that we can enrich and simplify your life through friendly homes.

An increasing number of our tenants, slightly more than 86 percent, have become “ambassadors” for Heimstaden and would warmly recommend that their friends and acquaintances become Heimstaden tenants. Thank you, that is heart-warming and something we seek to live up to.

Heimstaden has now taken the next step and is currently conducting the same CSI survey among our Danish and Norwegian tenants for the



first time. We look forward eagerly to getting to grips with all of the improvements.

Growth

In other regards, Heimstaden Bostad is continuing on its journey of growth. In the first quarter acquisitions were agreed and/or access was gained to properties in both Denmark and Sweden. Acquisitions refer to both existing and newly produced properties.

Heimstaden Bostad has also entered into a joint venture agreement with Magnolia regarding the development of housing in both Järfälla and Bro, outside Stockholm.

We now eagerly await an announcement by the Swedish government and the Riksdag (Swedish parliament) regarding future investment grants for the production of rented accommodation. If the investment grant is maintained at the previous level, we promise to provide the market with suitable rental apartments at rent levels the vast majority of people can afford.

Success factor

The fact that Heimstaden Bostad has been able to combine growth with increased customer satisfaction and an ever better surplus ratio is a positive accolade and there are many who deserve thanks for this, namely our more than 400 employees in Sweden, Denmark and Norway.

Thank you for meeting our customers, contractors and partners on a daily basis and with a smile on your face. Thank you for your willingness to support and help each other and the people you encounter in your work. You make a difference!

As a reader of this interim report for the first quarter of 2019, you now have the opportunity to learn about Heimstaden Bostad's results and financial standing on the following pages. Welcome to the Heimstaden world!

Patrik Hall
CEO Heimstaden Bostad

Current earning capacity

In the adjacent table, Heimstaden Bostad presents its earning capacity on a twelve-month basis as per 31 March 2019. Earning capacity is not a forecast for the current year or for the next 12-month period and should only be regarded as a theoretical snapshot and is presented for illustrative purposes only. Current earning capacity does not include an assessment of future trends in rent levels, vacancy rates, property costs, interest rates, changes in value, acquisitions or sales of properties or other factors.

Current earning capacity is based on the properties held as per 31 March 2019 and their financing. Accordingly, the current earning capacity illustrates Heimstaden Bostad's annual earnings on that basis. Consequently, transactions where Heimstaden gains access after 31 March are not included in the calculation.

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

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

Current earning capacity as per 31 March 2019

Amounts in SEK million	
Rental income	3,984
Property costs	-1,669
Net operating income	2,315
Central administration	-155
Other operating income	10
Other operating costs	-
Profit from participations in associated companies	-
Profit before financial items	2,170
Financial income	-
Financial costs – interest-bearing liabilities	-947
Profit from property management	1,223
Key data	
Surplus ratio, %	58.1
Interest coverage ratio (ICR), multiple	2.3





Jagten 1, Malmö

Significant transactions

Heimstaden Bostad's property portfolio is managed under three different geographic segments – Sweden, Denmark and Norway. The total value of Heimstaden Bostad's property portfolio amounts to SEK 79,286 million, excluding agreed acquisitions. Listed below are the significant transactions agreed by the Group in the first quarter, as well as the significant transactions agreed in earlier periods but where the Group has gained control of the assets in the quarter at hand.

On 27 March,

Heimstaden Bostad agreed to acquire residential properties in Denmark and Sweden from the Parent Company, Heimstaden AB. The acquisition includes investment properties for a value of SEK 4,797 million, and agreed ongoing and future construction projects with an estimated property value of SEK 11,450 million on completion. On 31 December 2018, the total investment in these construction projects amounted to SEK 145 million.

The Danish portfolio, which is covered by the acquisition, comprises 34 properties with a total of 2,562 apartments and approximately 200,000 square metres in lettable area.

The ongoing and future projects covered by the acquisition comprise of a total of approximately 260,000 square metres of lettable area, 220,000 square metres of which pertain to properties in Sweden and approximately 40,000 square metres of which pertain to properties in Denmark.





Our segments

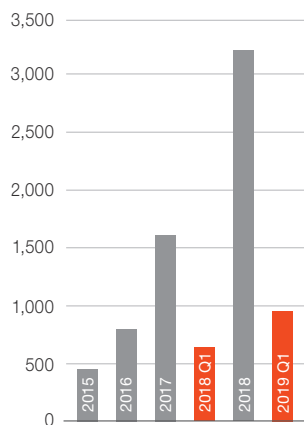
The Group's property portfolio is divided into different geographic administrative segments.



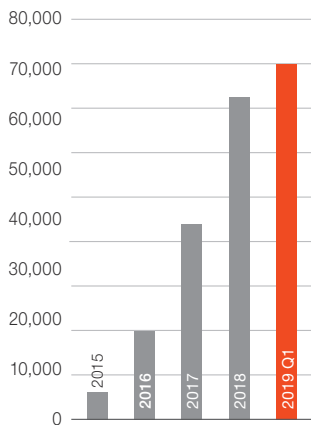
TOTAL HEIMSTADEN BOSTAD (JANUARY-MARCH)

	Q1 2019	Q1 2018
Market value, SEK m	79,286	45,855
Rental income, SEK m	953	628
Net operating income, SEK m	489	298
Surplus ratio, %	51.3	47.4
Letting ratio, housing (number), %	96.9	97.8
Real letting ratio, housing (number), %	98.9	–
Number of properties	961	792
Area, m ²	2,774,696	1,965,330

DEVELOPMENT IN TOTAL RENTAL INCOME, Q1 (SEK M)



DEVELOPMENT OF TOTAL MARKET VALUE, Q1 (SEK M)



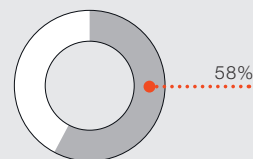
Sweden

The Swedish economy continues to develop positively, with growing GDP and increased disposable income. Employment has increased in recent years and, in 2019, unemployment was a little above 6.7 percent. A large influx of people born abroad has offset rising employment. Population growth is driving demand for housing, particularly in the metropolitan areas, which are experiencing strong growth as a result of the global urbanization trend. Sweden has grown by about 270,000 inhabitants over the past two years and the population is now at 10.2 million. According to the Swedish National Board of Housing, Building and Planning, 67,000 homes need to be built per year until 2025, while the current forecast is for only 51,000 homes to be added during 2019. With housing construction not meeting demand, a continued housing shortage is created. The forecast by the Swedish National Board of Housing, Building and Planning shows declining construction of tenant-owned apartments, while rental apartments continue to experience good demand. The pace of building in Malmö remained unchanged in 2018 compared with 2017. Gothenburg accounted for strong growth in 2018, while the building rate in Stockholm decreased by 35 percent, according to the National Board of Housing, Building and Planning.

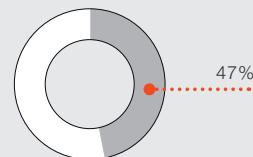
SWEDEN (JANUARY-MARCH)

	Q1 2019	Q1 2018
Market value, SEK m	37,154	30,969
Rental income, SEK m	550	482
Net operating income, SEK m	227	203
Surplus ratio, %	41.2	42.0
Letting ratio, housing (number), %	97.6	98.5
Real letting ratio, housing (number), %	99.3	–
Number of properties	751	719
Area, m ²	1,917,541	1,751,820

RENTAL INCOME, SHARE OF HEIMSTADEN TOTAL



MARKET VALUE, SHARE OF HEIMSTADEN TOTAL





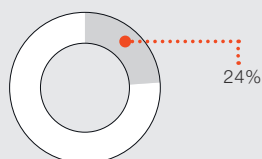
Denmark

The Danish economy has developed strongly for several years. Employment has increased by an average of about 1.5 percent annually. In March 2019, unemployment amounted to 5.3 percent, which is lower than the EU average. In Denmark, there are 2.8 million privately owned homes and only 63,000 of these are located in Copenhagen, corresponding therefore to only approximately 2 percent of the market. In parts of Copenhagen housing prices have risen by as much as 70 percent since 2012. The main reason for this sharp increase in prices is urbanisation. As in large parts of the western world, Denmark is experiencing a strong trend of urbanisation, with smaller communities being depopulated. The population of Copenhagen is forecast to increase by 100,000 inhabitants over the next ten years. Århus is Denmark's second-largest city and has a well-developed transport network. Besides being known as a very popular student city (with 50,000 students in 2019), it is also the home of one of Northern Europe's largest industrial ports. Odense is Denmark's third-largest city and, like Aarhus, is a popular student city (with 30,000 students in 2019). The municipality prides itself on offering more than 100,000 jobs, and a particularly distinctive area of growth here is robotics and automation.

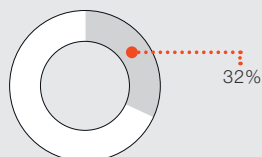
DENMARK (JANUARY-MARCH)

	Q1 2019	Q1 2018
Market value, SEK m	25,360	6,295
Rental income, SEK m	230	62
Net operating income, SEK m	156	44
Surplus ratio, %	67.9	70.1
Letting ratio, housing (number), %	94.8	89.9
Real letting ratio, housing (number), %	98.0	–
Number of properties	127	23
Area, m ²	637,680	118,328

RENTAL INCOME,
SHARE OF HEIMSTADEN TOTAL



MARKET VALUE,
SHARE OF HEIMSTADEN TOTAL



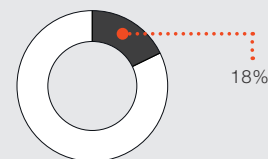
Norway

The Norwegian economy continues to develop well and has shown recovery following several years with lower oil prices, resulting in lower activity in the oil and gas sector. Over the past year, growth has mainly been driven by rising oil prices, strong private consumption and higher exports as a result of the recovery in the world economy. Per capita GDP is among the highest in Europe. Employment is favourable and unemployment was a low 3.9 percent in March 2019. The urbanisation trend is evident also in Norway and, in the capital, Oslo, the population is increasing significantly faster than in the country as a whole. The City of Oslo is the hub in a densely-populated and fast-growing region, consisting of 46 municipalities with a total of 1.6 million inhabitants and a comprehensive and varied offering in terms of education, jobs, culture and transport. About 80 percent of Norwegians live in homes they own themselves, and the housing market is relatively unregulated. The limited supply of residential rental properties means that there are only a few private players, in addition to Heimstaden Bostad, who own large stocks of rental properties.

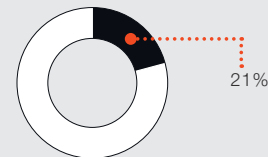
NORWAY (JANUARY-MARCH)

	Q1 2019	Q1 2018
Market value, SEK m	16,772	8,591
Rental income, SEK m	174	83
Net operating income, SEK m	106	51
Surplus ratio, %	61.0	61.8
Letting ratio, housing (number), %	95.1	95.0
Real letting ratio, housing (number), %	97.4	–
Number of properties	83	50
Area, m ²	219,475	95,182

RENTAL INCOME,
SHARE OF HEIMSTADEN TOTAL



MARKET VALUE,
SHARE OF HEIMSTADEN TOTAL



Consolidated Statements of Comprehensive Income

Amounts in SEK million	Note	2019 3 months Jan - Mar	2018 3 months Jan - Mar	2018 12 months Jan-Dec	Rolling 12 months Apr-Mar
Rental income	4	953	628	3,231	3,556
Property costs	5	-465	-330	-1,480	-1,614
Net operating income		489	298	1,751	1,942
Central administration costs		-41	-29	-140	-151
Other operating income		2	2	14	14
Other operating costs		-1	-2	-13	-13
Profit before financial items		449	269	1,611	1,792
Financial income	6	0	4	26	22
Financial costs, interest-bearing liabilities	6	-209	-109	-698	-798
Other financial costs	6	-97	–	203	106
Financial costs, leaseholds		-1	–	–	–
Profit from property management		143	164	1,142	1,122
Change in value of investment properties	7	1,738	661	2,562	3,640
Changes in the value of financial instruments	8	-313	18	11	-319
Profit before tax		1,569	842	3,715	4,443
Current tax		-78	-33	-135	-181
Deferred tax		-306	-46	-557	-817
Profit for the period		1,185	763	3,023	3,444
Other comprehensive income		842	304	-442	96
Comprehensive income		2,027	1,066	2,581	3,541

Rental income

Rental income for the period amounted to SEK 953 million (628). The revenue increase is a result of properties acquired in Norway and Denmark that were taken possession of in 2018. For the housing stocks, the average rental income was SEK 1,396 per square metre of time-weighted area (1,301). The increase was driven primarily by the rent level per square metre generally being higher in Denmark and Norway.

The letting ratio for housing was 96.9 percent (97.8) for the period. The somewhat lower level can partly be explained by planned vacated apartments that are to be renovated to a higher standard to then generate higher income and fair value. Adjusted for the intentionally vacated apartments, the real letting ratio was 98.9 percent.

Property costs

Total property costs amounted to SEK 465 million (330), the change is mainly due to increased property volume.

Net operating income

Net operating income amounted to SEK 489 million (298) for the period, corresponding to a surplus ratio of 51.3 percent (47.4). The higher surplus ratio is primarily attributable to the acquisitions in Denmark and Norway, but also to operational optimisation in Sweden.

Central administration

Costs for central administration amounted to SEK 41 million (29), having increased due to a organization in growth and the greater volume of properties.

Net financial items

Financial income during the period amounted to SEK 0 million (4) and financial expenses were SEK 209 million (109). The increased financial costs are mainly attributable to a larger loan portfolio as a consequence of a larger property portfolio. The average interest rate on the Balance Sheet date for total borrowing, derivatives and fees for unutilised credits increased to 2.0 percent (1.78), driven partly by a rising trend in the underlying base rates and increased interest rate hedging.

The interest rates on approximately 57 percent (79) of the loan portfolio will change within a year. A change in the base rate (Stibor, Cibor, Nibor) with 1 percent, everything else being equal, increases Heimstaden Bostad's interest expenses, adjusted for the interest rate hedges secured, by approximately SEK 228 million annually in the event of an increase, and decrease it by approximately SEK 78 million in the event of a decline.

The difference in sensitivity is explained by 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 the cost of outstanding and purchased interest rate derivatives can increase with negative market interest rates.

Other financial costs

Other financial costs amount to SEK 97 million (0) and relate to exchange rate differences for loans raised in the Parent Company. The loans are denominated in the same currency as the foreign assets they finance,

or are hedged via currency interest rate swaps to the same currencies as the assets they finance. Currency effects resulting from hedging are reported under change in value of financial instruments, and exchange rate differences regarding assets in foreign subsidiaries are reported under other comprehensive income. The Group's currency risk is limited to the net capital in each currency.

Financial costs, leasehold

Due to the transition to IFRS 16, 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.

Profit from property management

Profit from property management amounted to SEK 143 million (164), the lower profit primarily being due to exchange rate differences.

Changes in the value of financial instruments

In accordance with the established financial policy and interest rate hedging strategy, Heimstaden Bostad uses interest rate derivatives and currency interest rate swaps to manage the Group's interest rate and currency risks. The change in value of financial instruments during the period was negative in the amount of SEK 313 million (18) of which unrealised changes amounted to a negative SEK 313 million. The nominal volume of interest rate swaps amounted to SEK 23,205 million and the volume of currency interest rate swaps amounted to SEK 12,471 million.

Change in value of investment properties

As of 31 March 2019, the entire property portfolio has undergone a valuation. Combined, the unrealised change in value amounted to SEK 1,759 million (674). All of Heimstaden Bostad's three geographical segments developed positively over the year, with average value increases of 1–3 percent. The Swedish stocks showed an unrealised change in value of SEK 978 million up 2.7 percent, the Danish stocks a change of SEK 301 million up 1.2 percent, and the Norwegian stocks a change of SEK 480 million up 2.9 percent. The value changes are primarily explained by a lower direct return requirement and improved net operating income in the existing stocks. The direct return requirement in the valuation averaged 3.80 percent, which compares with 3.65 percent at the end of 2018. After currency adjustment, the total change in value of properties amounted to SEK 1,738 million (661) in the Income Statement.

Tax

In addition to the current tax of SEK 78 million (33), the Group also reports deferred tax of SEK 306 million (46). The deferred tax consists primarily of temporary differences between carrying amounts and the consolidated cost of investment properties and financial instruments.

Other comprehensive income

Other comprehensive income consists of currency translation differences that arise in the consolidation of the Group's foreign subsidiaries.

Consolidated Statements of Financial Position

Amounts in SEK million	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS				
Non-current assets				
Investment properties	9	79,286	45,855	72,329
Leaseholds		52	–	–
Financial derivative instruments	10	–	–	18
Other financial non-current assets		104	210	150
Total non-current assets		79,442	46,065	72,497
Current assets				
Development properties and tenant-owned apartments in progress		689	–	680
Accounts receivable		26	17	17
Other current receivables		531	170	575
Prepaid costs and accrued income		272	69	201
Cash and cash equivalents		3,214	646	2,313
Total current assets		4,732	902	3,786
TOTAL ASSETS		84,174	46,967	76,283

Investment properties

As per 31 March, Heimstaden Bostad's property portfolio had a market value of SEK 79,286 million, compared with SEK 72,329 million at the end of 2018. The total change in value during the period amounted to SEK 1,759 million (728) and the remaining change in the carrying amount of the property portfolio consists of net corporate and property transactions, investments in existing stocks, as well as exchange rate effects.

For a more detailed description of Heimstaden Bostad's methodology for valuing properties, see pages 100-102 of the Heimstaden Bostad 2018 Annual Report.

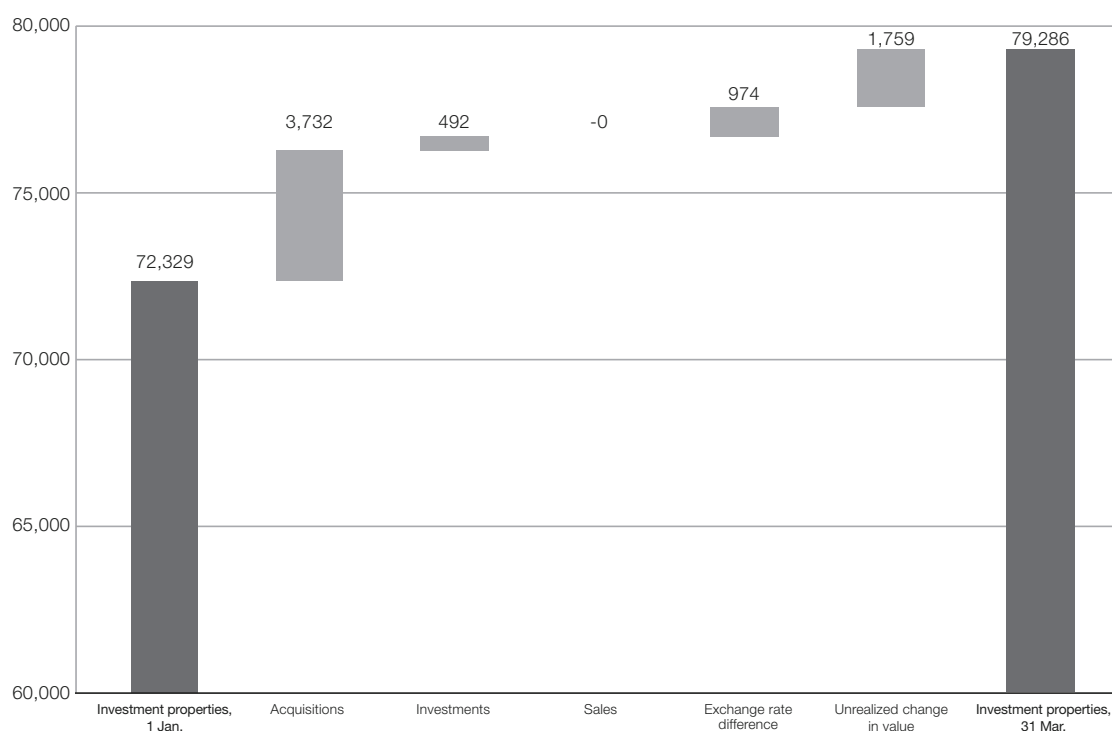
Other financial non-current assets

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

Development properties and tenant-owned apartments in progress

In connection with the previous acquisition of Norwegian investment properties, building rights and ongoing construction projects were also acquired. The item, amounting to SEK 689 million, concerns the development of condominium apartments in Oslo that are to be divested upon completion.

DEVELOPMENT OF INVESTMENT PROPERTIES FOR THE PERIOD, SEK MILLION



Consolidated Statements of Financial Position

Amounts in SEK million	Note	31 Mar 2019	31 Mar 2018	31 Dec 2018
EQUITY AND LIABILITIES				
Equity		33,951	19,132	31,925
LIABILITIES				
Non-current liabilities				
Long-term interest-bearing, covered liabilities		28,101	24,309	26,079
Long-term interest-bearing, non-covered liabilities		18,000	0	14,558
Non-current liability, financial leasing		52	–	–
Financial derivative instruments	10	295	11	0
Deferred tax liability		1,652	1,061	1,356
Total non-current liabilities		48,100	25,381	41,993
Current liabilities				
Current interest-bearing liabilities		776	1,461	957
Accounts payable		272	163	295
Current liabilities		147	124	119
Other current liabilities		529	423	620
Accrued costs and prepaid income		399	283	374
Total current liabilities		2,173	2,454	2,365
TOTAL EQUITY AND LIABILITIES		84,174	46,967	76,283

Consolidated Statement of Changes in Equity

Amounts in SEK million	Share capital	Share premium reserve	Retained earnings	Total equity
Equity, 31 Dec 2017	19	15,246	2,801	18,066
Other comprehensive income	–	–	304	304
Profit for the period	–	–	763	763
Equity, 31 Mar 2018	19	15,245	3,867	19,132
Dividend	–	–	-138	-138
New share issue	6	2,848	–	2,854
New share issue, Pref B	1	8,559	–	8,560
Change in taxation	–	–	2	2
Other comprehensive income	–	–	-746	-746
Profit for the year	–	–	2 260	2 260
Equity, 31 Dec 2018	26	26,653	5 246	31 925
Other comprehensive income	–	–	842	842
Profit for the period	–	–	1,184	1,184
Equity, 31 Mar 2019	26	26,653	7,272	33,951

Interest-bearing liabilities

At the end of the period, Heimstaden Bostad had interest-bearing liabilities amounting to SEK 46,881 million (41,594), 62 percent of which are covered by property mortgages, giving a loan-to-value ratio for covered loans of 32 percent. With deductions for cash and cash equivalents, net liabilities increased by SEK 5,283 million over the period, to SEK 43,663 million (39,279). Over the same period, the Group's borrowing, including currency effects, had increased by SEK 5,288 million, relating primarily to acquisitions of properties in Sweden, Norway and Denmark.

Of the interest-bearing liabilities, SEK 18,010 million (10,643) refers to financing based on bonds, SEK 16,824 million (14,797) is attributable to financing based on mortgage bonds, and SEK 12,047 million (16,153) refers to traditional bank loans. Unutilised credit facilities from banks amounted to SEK 7,336 million (7,043) on the balance sheet date.

The average period for which capital is tied up in Heimstaden Bostad's interest-bearing liabilities amounted 10.3 years (7.2). The largest proportion of loan maturities in an individual year amounts to 22 percent (28), occurring in 2021 (2020). The average period of fixed interest, including the effect of derivatives, amounts to 2.0 years (1.3).

Deferred tax

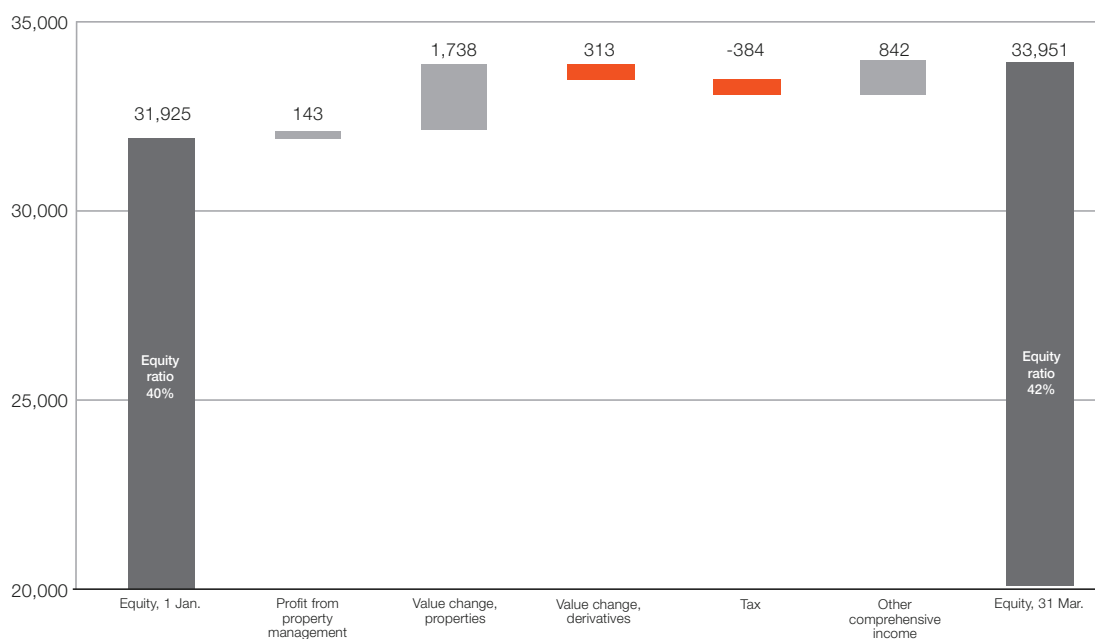
Deferred tax is calculated, at a nominal tax rate of 20.6 percent in Sweden, 22 percent in Denmark and 23 percent in Norway, on differences between the carrying amount and the consolidated cost of assets and liabilities. At 31 March 2019, deferred tax, which is the net of deferred tax assets and deferred tax liabilities, amounted to SEK 1,652 million (1,356) and was, for the most part, attributable to investment properties. The remaining tax deficit in the Group amounts to SEK 1,097 million (3).

Equity

Equity amounted to SEK 33,951 million (31,925), giving an equity/assets ratio of 42 percent (40). The change for the period is attributable to profit and currency.

Heimstaden Bostad is exposed to currency risk associated with the Danish and Norwegian operations, as well as to a risk associated with the EUR with regard to financing. Debenture loans in EUR have been hedged through currency swaps to the same currency as the assets financed by the loans. The currency risk associated with the foreign operations is limited to net capital in each currency. The risk can also have a direct effect on profit thereby affecting equity.

EQUITY DEVELOPMENT OVER THE PERIOD, SEK MILLION



Consolidated Cash Flow Statements

Amounts in SEK million	2019 3 months Jan - Mar	2018 3 months Jan - Mar	2018 12 months Jan - Dec
Operating activities			
Profit before tax	1,568	842	3,715
Adjustments for non-cash items:			
– Change in value of investment properties	-1,738	-661	-2,562
– Change in value of derivative instruments	313	-18	-11
– Other non-cash items	23	–	-126
Tax paid	-77	-36	-149
Cash flow from operating activities before changes in working capital	89	127	867
Change in working capital			
Change in current receivables	-81	-89	299
Change in development properties and tenant-owned apartments in progress	–	–	-883
Change in current liabilities	-396	85	112
Cash flow from operating activities	-388	123	396
Investing activities			
Property acquisitions	-1,512	-724	-13,994
Investment, properties	-492	–	-1,265
Acquisitions of other non-current assets	–	–	-158
Deposits paid for acquisitions	-144	–	-547
Property sales	0	–	13
Change in financial assets	0	–	210
Cash flow from investing activities	-2,148	-724	-15,741
Financing activities			
New share issue	0	–	11,414
Dividend, preference shares	0	–	-138
Change in interest-bearing liabilities	3,428	451	5,738
Redemption of interest rate derivatives	0	–	-135
Cash flow from financing activities	3,428	451	16,879
Cash flow for the period	892	-149	1,535
Cash and cash equivalents at the beginning of the year	2,313	763	763
Currency effect in cash and cash equivalents	8	32	15
Cash and cash equivalents at the end of the period	3,214	646	2,313

Operating activities

Cash flow from operating activities, before changes in working capital, amounted to SEK 89 million (127). After a reduction in working capital of SEK 477 million (4), cash flow from operating activities was SEK 89 million (127). The increased working capital is largely an effect of the expansion in Norway and Denmark.

Investing activities

Cash flow from investing activities was negative in the amount of SEK 2,148 million (724). The investment activities consist of corporate transactions, property transactions and property investments, of which most are attributable to acquisitions in Denmark.

Financing activities

Cash flow from financing activities amounted to SEK 3,428 million (451) and is explained by a change in interest-bearing liabilities. The change is primarily attributable to a bond issue and the redemption of loans with short maturities.

Cash flow

Cash flow for the period amounted to SEK 892 million (negative 149) and cash and cash equivalents amounted to SEK 3,214 million (646) at the end of the period.



Portøppidanparken, Copenhagen



PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

Amounts in SEK million	2019 3 months Jan-Mar	2018 3 months Jan-Mar
Central administration costs	-42	-31
Operating profit/loss	-42	-31
Profit before financial items	-42	-31
Interest income	85	–
Interest costs	-112	-12
Other financial income	296	–
Other financial costs	-15	–
Change in value of interest rate derivatives	-203	-4
Profit from property management	9	-47
Profit before tax	9	-47
Deferred tax	42	1
Profit for the period	51	-45
Other comprehensive income	–	–
Comprehensive income	51	-45

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

Amounts in SEK million	31 Mar 2019	31 Mar 2018
ASSETS		
NON-CURRENT ASSETS		
Shares in subsidiaries	18,174	5,762
Deferred tax receivables	44	7
Receivables from subsidiaries	15,067	–
Total non-current assets	33,285	5,769
CURRENT ASSETS		
Receivables from subsidiaries	12,508	11,463
Other current receivables	279	22
Cash and cash equivalents	2,390	16
Total current assets	15,177	11,501
TOTAL ASSETS	48,462	17,270
EQUITY AND LIABILITIES		
Equity	25,330	13,938
Non-current liabilities		
Interest-bearing liabilities	2,297	–
Debenture loans	18,010	–
Financial derivative instruments	212	30
Non-current liabilities, subsidiaries	677	1
Deferred tax	–	1
Total non-current liabilities	21,197	32
Current liabilities		
Current liabilities, subsidiaries	1,862	2,525
Other current liabilities	74	775
Total current liabilities	1,936	3,300
TOTAL EQUITY AND LIABILITIES	48,462	17,270

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

Amounts in SEK million	Share capital	Retained earnings	Total equity
Equity, 31 Dec 2017	19	13,964	13,983
Comprehensive income for the period		-45	-45
Equity, 31 Mar 2018	19	13,919	13,938
New share issue	7	11,407	11,414
Dividend, preference share	–	-138	-138
Comprehensive income for the year	–	65	65
Equity, 31 Dec 2018	26	25,253	25,279
Comprehensive income for the period	–	51	51
Equity, 31 Mar 2019	26	25,304	25,330



Note 1 Accounting principles

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

The same accounting and valuation principles and calculation methods have been applied as in the most recently stated Annual Report, see pages 92 and 114 of Heimstaden Bostad's 2018 Annual Report, with the exception of the introduction of IFRS 16 Leases as of 1 January 2019. Other new and amended standards are not currently expected to affect Heimstaden Bostad's accounts to any significant extent.

New accounting principles

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

According to the new standard, lessees must report the commitment as a lease liability in the Balance Sheet. The right to use the underlying asset during the leasing period is reported as an asset. Depreciation of the asset is recognised in the Income Statement, as is

interest on the lease liability. Leasing fees paid are reported partly as interest payments and partly as amortisation of the lease liability.

Following the introduction of IFRS 16 as of 1 January 2019, Heimstaden Bostad has reported a leasehold asset and a lease liability corresponding to the value of the leasehold 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 leasehold 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 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 leasehold asset and a lease liability. In the Income Statement, the leasehold 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 will not be affected by the introduction of IFRS 16 as these are based on Profit from property management.

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

Note 2 Information about related parties

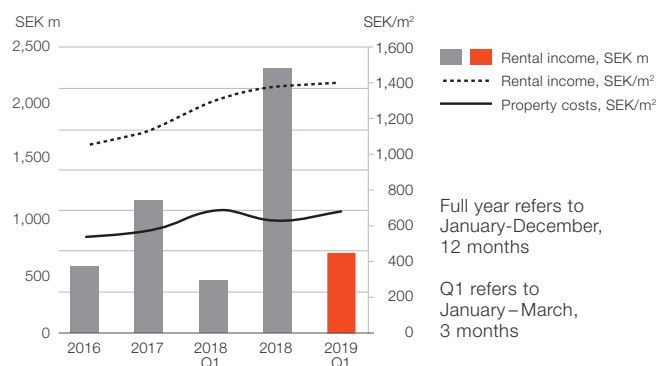
Heimstaden Bostad's transactions with related parties are detailed in Notes G 8 and PC-G 6 in Heimstaden Bostad's 2018 Annual Report.

Note 3 Events after the Balance Sheet date

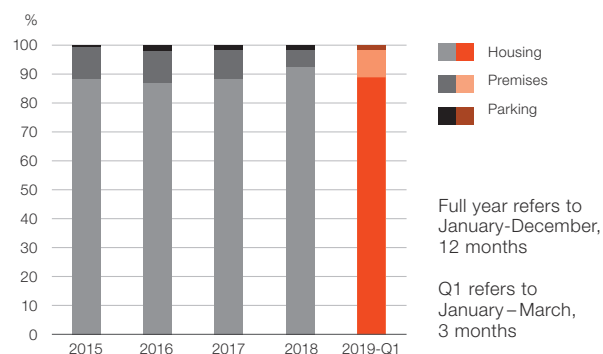
No significant events have occurred after the end of the period.

Note 4 Rental income

RENTAL INCOME

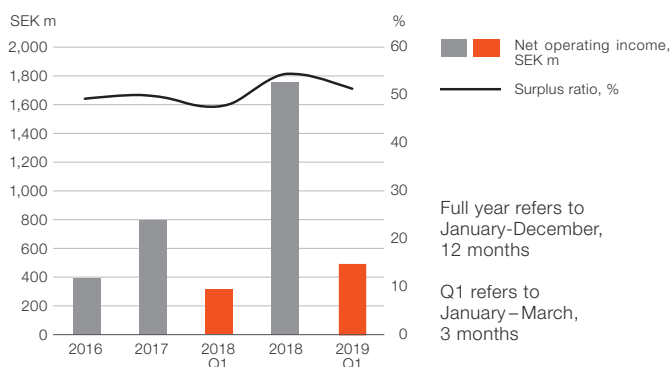


DISTRIBUTION OF RENTAL INCOME



Note 5 Property costs

Amounts in SEK million	2019 3 months Jan-Mar	2018 3 months Jan-Mar	2018 12 months Jan-Dec
Operating costs	-255	-222	-893
Maintenance and repairs	-83	-57	-270
Property administration	-98	-42	-230
Property tax	-28	-9	-85
Ground rent	-1	-1	-2
Total property costs	-465	-330	-1,480

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

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

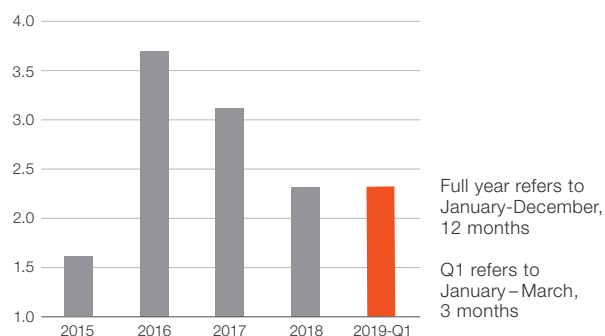
Heimstaden Bostad's operations, financial position and profit can be affected by a number of risks and uncertainties. These are described on pages 70–73 in the 2018 Annual Report. No significant changes

have subsequently occurred affecting the assessment by the Board of Directors and company management.

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

Financial policy	Policy	31 Mar 2019
Interest coverage ratio (multiple, rolling 12 months)	≥ 1.5	2.3
Equity/assets ratio (percent)	≥ 30%	40%
Capital tied up (months)	≥ 15	124
Loan maturity (percentage in individual year)	≤ 40%	22% (2021)
Limitation, individual lenders (percent)	≤ 40%	14% (Nykredit)
Fixed interest (years)	N/A	2.0
Interest rate cut (percent)	≥ 50%	54%
Loan-to-value ratio (percent)	45%–60%	55%
Quick ratio*	≥ 125%	141%

* Definition according to S&P guidelines

INTEREST COVERAGE RATIO Q1 (ICR)

31 Mar 2019	Fixed interest, loans incl. currency interest rate swaps			Fixed interest incl. interest rate derivatives ¹⁾		
	SEK m	Share, %	Interest, incl. margin, %	SEK m	Share, %	Interest, incl. margin, %
0–1	46,814	99.9	1.8	26,484	56.5	2.1
1–2	67	0.1	1.7	2,963	6.3	1.6
2–3	–	–	–	3,736	8.0	1.7
3–4	–	–	–	4,166	8.9	1.8
4–5	–	–	–	3,396	7.2	2.0
>5 years after balance sheet date	–	–	–	6,136	13.1	1.1
Total	46,881	100.0	1.8	46,881	100.0	2.0

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

The average remaining term of fixed interest in the loan portfolio amounts to: 0.25 years

The average remaining term of fixed interest in the loan portfolio, including derivatives, amounts to: 1.97 years

Note 7 Change in value of investment properties**Direct return requirements**

Years	Average	Interval
2018	3.65%	0.95% – 8.50%
2019	3.80%	1.11% – 8.29%

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

Amounts in SEK million	Total	Sweden	Denmark	Norway
Market value of investment properties, 31 Dec 2018	72,329	35,881	20,927	15,521
Sales during the period	–	–	–	–
Acquisitions during the period	3,732	–	3,732	–
Investments during the period	492	295	117	79
Currency change	974	0	283	691
Market value after transactions	77,492	36,176	25,059	16,292
Unrealised value change	1,759	978	301	480
Market value of investment properties, 31 Mar 2019	79,286	37,154	25,360	16,772

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

Interest-bearing loans, 31 Dec 2018	41,593
Repayments on loans	-3,604
Currency exchange effect on loans	-201
New borrowing/loans taken over	9,093
Interest-bearing loans, 31 Mar 2019	46,881

	Capital tied up, loans			Lines of credit	
Years	SEK million	Share, %	Interest, incl. margin	SEK million	Share, %
0-1 years	776	2	2.2	307	4
1-2 years	7,118	15	1.5	1,427	19
2-3 years	10,111	22	1.9	5,302	72
3-4 years	4,547	10	1.9	300	4
4-5 years	7,721	16	2.1	–	–
>5 years after balance sheet date	16,608	35	1.1	–	–
Total	46,881	100.0	1.6	7,336	100

The average remaining period for which capital is tied up amounts to: 10.3 years

Funding source

	Credit	Secured, %	Share, %	Unutilised credit commitment
Bonds	18,010	–	38	–
Mortgages	16,824	100	36	–
Bank loans	12,047	100	26	7,336
Total	46,881	62	100.0	7,336

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

Market value of derivatives, 31 Dec 2018	18
Acquired derivatives	–
Redeemed derivatives	–
Currency effect on derivatives	-1
Unrealised changes in value	-312
Market value of derivatives, 31 Mar 2019	-295

Financial instruments

Maturity, interest rate derivatives				
Years	Type	SEK million	Share, %	Interest, % ¹⁾
0-1 years	Paying fixed	2,875	12	0.05
1-2 years	Paying fixed	2,896	13	0.21
2-3 years	Paying fixed	4,236	18	0.28
3-4 years	Paying fixed	3,666	16	0.44
4-5 years	Paying fixed	3,396	15	0.61
>5 years after balance sheet date	Paying fixed	6,136	26	0.72
Total purchased swaps		23,205	100	0.43

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

Financial instruments

Maturity, cross-currency interest rate swap				
Years	Type	SEK million	Share, %	Interest, % ¹⁾
0-1 years	Paying variable	–	–	–
1-2 years	Paying variable	–	–	–
2-3 years	Paying variable	5,196	42	2.89
3-4 years	Paying variable	–	–	–
4-5 years	Paying variable	7,275	58	2.96
>5 years after balance sheet date	Paying variable	–	–	–
Total purchased swaps		12,471	100	2.92

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



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

Malmö, 10 May 2019

Fredrik Palm
Chairman of the Board

Stefan Attefall
Board Member

Magnus Nordholm
Board Member

Ramsay Brufer
Board Member

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

KEY DATA

	2019 3 months Jan - Mar	2018 3 months Jan - Mar	2018 12 months Jan-Dec
Property-related data			
Rental income, SEK m	953	628	3,231
Letting ratio, housing (number), %	96.9	97.8	97.4
Real letting ratio, housing (number), %	98.9	–	98.6
Surplus ratio, %	51.3	47.4	54.2
Acquisitions and property investments, SEK m	3,732	724	24,737
Property sales, SEK m	–	–	-13
Market value of properties on balance sheet date, SEK m	79,286	45,855	72,329
Number of properties on balance sheet date	961	792	916
Lettable area on balance sheet date, m ²	2,774,696	1,965,330	2,627,931
Number of apartments on balance sheet date	39,011	28,938	37,337
Proportion living area on Balance Sheet date, %	89	89	89
Financial data			
Cash flow from operating activities, SEK m	-389	123	396
Profit from property management, SEK m	143	164	1,142
Interest coverage ratio (ICR), multiple	2.3	2.3	2.4
Equity/assets ratio, %	40.3	40.7	41.9
Loan-to-value ratio (LTV), %	55.1	54.8	54.3
Loan-to-value ratio, secured loans, %	32.4	54.8	35.4
Quick ratio, %	141	–	125
Average interest rate on balance sheet date, %	2.0	1.7	1.8
Average period of fixed-interest on loans, incl. derivatives, years	2.0	1.3	2.6
Average period for which capital is tied up, year	10.1	7.0	8.1
Return on equity, %	11.6	15.8	14.0
Equity on the balance sheet date, SEK m	33,951	19,132	31,925
Net asset value on the balance sheet date, SEK m	35,603	20,193	33,281
Long-term asset value (EPRA NAV) on the balance sheet date, SEK m	35,898	20,203	33,281
DEBT/EBITDA, multiple (rolling 12m)	23	24	22
Data per share			
Profit per ordinary share, SEK	733	517	795
Equity per ordinary share, SEK	5,157	3,936	4,881
Equity per preference share A, SEK	1,765,381	547,713	1,365,663
Equity per preference share B, SEK	104,471	101,967	103,452
Number of ordinary shares outstanding at the end of the period	2,429,449	1,796,144	2,429,449
Number of preference shares A outstanding at the end of the period	100	100	100
Number of preference shares B outstanding at the end of the period	203,360	117,760	203,360
Average number of ordinary shares outstanding	2,429,449	1,796,144	2,204,519
Average number of preference shares A outstanding	100	100	100
Average number of preference shares B outstanding	203,360	117,760	175,177

Definitions and glossary

Letting ratio, housing (number), %

Leased housing divided by total number of homes.

Real letting ratio, housing (number), %

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

Surplus ratio, %

Net operating surplus as a percentage of rental income

Proportion living area on balance sheet date, %

Living area divided by total property area.

Interest coverage ratio (ICR), multiple

Profit before net financial items plus financial income divided by financial costs attributable to interest-bearing liabilities. Calculated based on the rolling 12-month outcome.

Equity/assets ratio, %

Equity as a percentage of total assets.

Loan-to-value ratio (LTV), %

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

Loan-to-value ratio, secured loans, %

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

Quick ratio, %

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



Net liabilities

Interest-bearing liabilities less financial assets and cash and cash equivalents.

Average interest, %

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

Return on equity after tax, %

Profit after tax (rolling 12-month outcome) as a percentage of average equity.

Net asset value on the balance sheet date, SEK m

Equity plus deferred tax liability.

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

Equity with deferred tax liability and interest rate derivatives reversed.

DEBT/EBITDA, multiple

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

Equity per ordinary share, SEK

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

Equity per preference share, SEK

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

Profit per ordinary share

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

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

Financial information

The interim report for April-June 2019 will be published on 21 August 2019

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

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

The information was submitted for publication under the auspices of the contact persons below
at 9:00 a.m. CET on 10 May 2019.

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Ingvor Sundbom, CFO Heimstaden AB, +46 (0)707–88 66 50

Heimstaden

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