Published 30 October 2018

Heimstaden Bostad AB

interim report

JANUARY–SEPTEMBER

2018

Heimstaden

Published 30 October 2018

The period in brief

January – September 2018

- Rental income for the period increased to SEK 2,303 million (1,030)
- The letting ratio for housing was 97.8 percent (99.5)
- Net operating income for the period increased to SEK 1,301 million (511)
- Net financial items amounted to a negative SEK -549 million (-257)
- Profit from property management increased to SEK 652 million (192)
- Changes in values of properties amounted to SEK 1,977 million (1,004)
- Changes in values of derivatives amounted to SEK 30 million (5)
- Profit for the period amounted to SEK 2,322 million (980)
- Property acquisitions during the period amounted to SEK 21,771 million (801) and divestments amounted to SEK 13 million (525)
- Profit per ordinary share amounted to SEK 979 (650)

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

Key data

Amounts in SEK million	2018 9 months Jan-Sep	2017 9 months Jan-Sep	2018 3 months Jul-Sep	2017 3 months Jul-Sep	2017 12 months Jan-Dec
Rental income	2,303	1,030	858	338	1,620
Property costs	-1,002	-519	-340	-154	-816
Net operating income	**1,301**	**511**	**518**	**184**	**805**
Other	-100	-62	-34	-26	-98
Financial income	14	0	4	0	4
Financial costs – interest-bearing liabilities	-469	-127	-184	-89	-229
Financial costs – interest-bearing subordinated shareholder loans	0	-130	0	0	-138
Other financial costs	-95	0	-95	0	0
Profit from property management	**652**	**192**	**209**	**69**	**344**
Changes in value	2,007	1,009	492	347	1,780
Tax	-336	-221	-64	-9	-546
Profit for the period	**2,322**	**980**	**637**	**408**	**1,577**
Other comprehensive income	430	0	-111	0	29
Comprehensive income	**2,752**	**980**	**526**	**408**	**1,606**
Surplus ratio, %	56.5	49.6	60.4	54.5	49.7
Letting ratio, housing (number), %	97.8	99.5	97.8	99.5	98.6
Interest coverage ratio (ICR), multiple	2.6	3.5	2.6	3.5	3.1
Loan-to-value ratio (LTV), %	**52**	**53**	**52**	**53**	**55**
Net profit per ordinary share	979	650	123	271	933

Culture more important than strategy!

A month ago, Heimstaden's personnel gathered for a shared kick-off. We discussed our values and corporate culture, our vision and goals, and we committed ourselves to these. We gazed into the future with inspirational futurologists and we held panel discussions on sustainability, social responsibility and customer experience.

It's not often I am moved to the extent it gives me goose bumps, but that's precisely what happened during these days. It was amazing to feel this broad commitment from more than 300 employees from Sweden, Denmark and Norway. I never cease to be fascinated by all the good ideas and wise solutions to daily challenges, as well as the genuine desire to deliver the best-possible customer experience to all of our tenants.
Thank you all for making a difference by being sincere, thoughtful and innovative.

The urge to always perform better and our focus on continuously making useful acquisitions that complement our existing property portfolio, thereby generating operational cost benefits, is growing all the more apparent through our stronger key data and net operating income.

I dare stick my neck out and promise a continued journey with even stronger net operating income derived from efforts including:

- Sustainability work with energy efficiency enhancements and investments in solar energy, biogas and other fossil-free technologies
- Upgrade apartments
- Remodelling of properties with high energy consumption and extensive maintenance needs
- New production with at least "environmental building silver" certification
- Social care and consideration by maintaining a local presence and simply "having time for you" as a tenant.

Today, being a modern landlord entails obligations. We bear a social responsibility in several respects. In close cooperation with municipalities, we must identify solutions as to how we can offer affordable and popular accommodation for the municipalities' residents. We must contribute to good environments for our younger citizens to grow up in, and to residential neighbourhoods that are inclusive rather than exclusive.

We must be there for each individual tenant, helping find solutions to questions or problems that are not only a matter of accommodation, listening and simply being a social partner.
As property owners, will should be accessible fellow human beings – we will make a difference by "brightening and simplifying life with well-considered housing".

Together with our shareholders, Heimstaden AB, Alecta, and the Ericsson and Sandvik pension foundations, we at Heimstaden Bostad AB have engaged Standard & Poors to make an official assessment. With a property portfolio of almost SEK 70 billion and strong key figures, Heimstaden Bostad has the ambition of achieving an investment grade rating and we are currently working towards this goal.

Reader – stay with us on our continued journey of providing accommodation that is appreciated and enjoyed by our fellow human beings, thereby helping build a sustainable and equitable society.

Best wishes!

Patrik Hall, CEO Heimstaden Bostad

Property management and transactions

Heimstaden's property portfolio is managed under three different geographic segments – Sweden, Denmark and Norway. The total value of Heimstaden's property portfolio amounts to SEK 68,530 million, excluding agreed acquisitions. Listed below are the transactions agreed by the Group in the third quarter, as well as the transactions agreed in earlier periods but where the Group has gained control of the assets in the quarter at hand.

On 29 March 2017,
Heimstaden agreed to acquire 114 apartments in Copenhagen, with a total area of 11,242 square metres. The property value amounted to DKK 349 million and Heimstaden gained access to the property on 21 August 2018.

On 30 June 2017,
Heimstaden agreed to acquire 84 apartments in Bagsværdslund with a total area of 9,209 square metres. The property value amounted to DKK 252 million and Heimstaden gained access to the property on 22 August 2018.

On 2 September 2017,
Heimstaden agreed to acquire 32 terraced houses in Kongens Lyngby with a total area of 3,516 square metres. The property value amounted to DKK 133 million and Heimstaden gained access to the properties on 28 September 2018.

On 25 September 2017,
Heimstaden agreed to acquire 55 apartments in Copenhagen with a total area of 5,003 square metres. The property value amounted to DKK 150 million and Heimstaden gained access to the property on 17 August 2018.

On 8 May,
Heimstaden agreed to acquire 96 apartments in Linköping with a total area of 5,103 square metres. The property value amounted to SEK 190 million and Heimstaden gained access on 31 August 2018.

On 26 June 2017
Heimstaden agreed to acquire the project property Senapsfabriken in Uppsala. The property value amounted to SEK 201 million and Heimstaden gained access on 24 September 2018.


Stævnen, Copenhagen

Skolan 9, Norrköping

Our segments

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

Folke 3, Malmö

Sweden

The Swedish economy continues to develop positively, with growing GDP and increased disposable income. Employment has increased in recent years and, in mid-2018, unemployment was just above 6 percent. A large influx of people born abroad has offset rising employment. Population growth is driving demand for housing, particularly in the metropolitan areas, which are experiencing strong growth due to the global urbanization trend. Sweden has grown by about 270,000 inhabitants over the past two years and the population is now at 10.1 million. According to the Swedish National Board of Housing, Building and Planning, 67,000 homes need to be built per year until 2025, while the current forecast is for only 56,000 homes to be added per year over the next two years. With housing construction not meeting demand, a continued housing shortage is created. The forecast by the Swedish National Board of Housing, Building and Planning shows declining construction of tenant-owned apartments, while rental apartments continue to experience good demand. Reinforced investment support for construction is expected to facilitate the production of rental apartments in locations with high production prices. Malmö and Gothenburg account for the growth, while construction in Stockholm is decreasing.

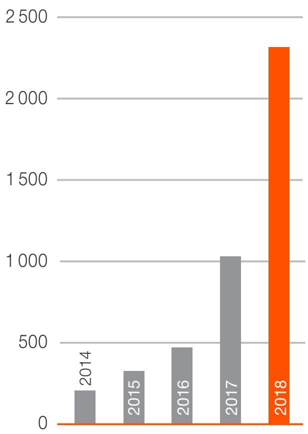
Total Heimstaden Bostad (January-September)

	Q3 2018	Q3 2017
Market value, SEK m	68,530	21,275
Rental income, SEK m	2,303	1,030
Net operating income, SEK m	1,301	511
Surplus ratio, %	56.5	49.6
Letting ratio, housing (number), %	97.8	99.5
Number of properties	896	481
Area, m²	2,503,907	1,263,027

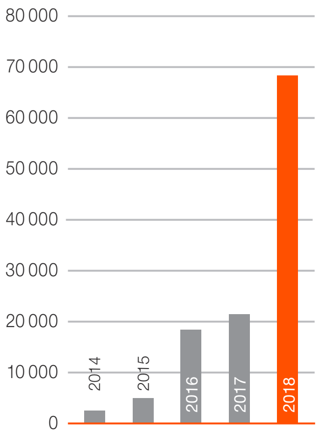
Sweden (January-September)

	Q3 2018	Q3 2017
Market value, SEK m	33,962	21,275
Rental income, SEK m	1,479	1,030
Net operating income, SEK m	772	511
Surplus ratio, %	52.2	49.6
Letting ratio, housing (number), %	98.4	99.5
Number of properties	739	481
Area, m²	1,857,381	1,263,027

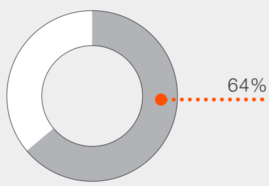
Development in total rental income, Q3 (SEK m)



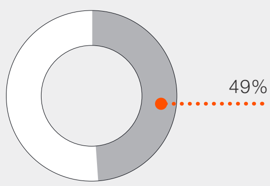
Development of total market value, Q3 (SEK m)



Rental income, share of Heimstaden Bostad total



Market value share of Heimstaden Bostad total



Øresundsterasserne, Copenhagen

Nedre gate 8, Norway

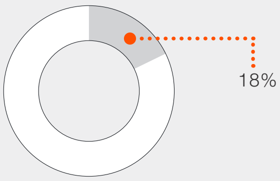
Denmark

The Danish economy continues to develop strongly. Employment has risen by about 1.5 percent on average over the past two years and, at the end of 2017, unemployment was at a low 4.2 percent. 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 42,500 students in 2015), 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 31,000 students in 2015). The municipality prides itself on offering more than 100,000 jobs, and a particularly distinctive area of growth here is robotics and automation.

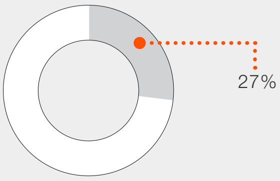
Denmark (January-September)

	Q3 2018	Q3 2017
Market value, SEK m	18,113	–
Rental income, SEK m	405	–
Net operating income, SEK m	269	–
Surplus ratio, %	66.5	–
Letting ratio, housing (number), %	94.3	–
Number of properties	75	–
Area, m²	430,729	–

Rental income, share of Heimstaden Bostad total



Market value, share of Heimstaden Bostad total



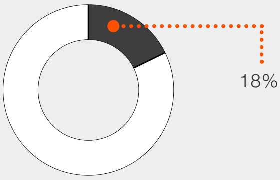
Norway

The Norwegian economy has continued to develop well, although the growth rate slowed slightly due to lower activity in the oil and gas sector. In recent years, growth has mainly been driven by 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 has continued to rise, particularly in construction and in manufacturing, and unemployment was at a low 3 percent at the end of 2017. The urbanisation trend is evident also in Norway and, in the capital, Oslo, the population is increasing significantly faster than in the country as a whole. The City of Oslo is the hub in a densely-populated and fast-growing region, consisting of 46 municipalities with a total of 1.6 million inhabitants and a comprehensive and varied offering in terms of education, jobs, culture and transport. About 80 percent of Norwegians live in homes they own themselves, and the housing market is relatively unregulated. The limited supply of residential rental properties means that there are only a few private players who own large stocks of rental properties.

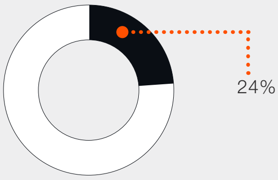
Norway (January-September)

	Q3 2018	Q3 2017
Market value, SEK m	16,454	–
Rental income, SEK m	419	–
Net operating income, SEK m	259	–
Surplus ratio, %	61.8	–
Letting ratio, housing (number), %	97.3	–
Number of properties	82	–
Area, m²	215,798	–

Rental income, share of Heimstaden Bostad total



Market value, share of Heimstaden Bostad total



Consolidated Statement of Comprehensive Income

Amounts in SEK million	2018 9 months Jan–Sep	2017 9 months Jan–Sep	2018 3 months Jul–Sep	2017 3 months Jul–Sep	2017 12 months Jan–Dec
Rental income	2,303	1,030	858	338	1,620
Property costs	-1,002	-519	-340	-154	-816
Net operating income	**1,301**	**511**	**518**	**184**	**805**
Central administration	-105	-78	-38	-23	-111
Other operating income	8	20	3	1	23
Other operating costs	-3	-4	1	-4	-10
Profit before financial items	**1,201**	**449**	**484**	**159**	**706**
Financial income	14	0	4	0	4
Financial costs – interest-bearing liabilities	-469	-127	-184	-89	-229
Financial costs – interest-bearing subordinated shareholder loans	**0**	**-130**	**0**	**0**	**-138**
Other financial costs	-95	0	-95	0	0
Profit from property management	**652**	**192**	**209**	**69**	**344**
Change in value of investment properties	1,977	1,004	450	0	1,776
Change in value of interest rate derivatives	30	5	41	347	4
Profit before tax	**2,659**	**1,201**	**701**	**417**	**2,123**
Current tax	-83	-19	-24	0	-35
Deferred tax	-253	-202	-40	-9	-511
Profit for the period	**2,322**	**980**	**637**	**408**	**1,577**
Other comprehensive income	430	0	-111	0	29
Comprehensive income	**2,752**	**980**	**526**	**408**	**1,606**

Rental income
Rental income for the period amounted to SEK 2,303 million (1,030), growing strongly compared with the preceding period. The growth is primarily a result of completed property transactions and is attributable in particular to the transactions involving properties acquired in Norway and Denmark to which Heimstaden gained access in October 2017 and April 2018. For the housing stocks, the average rental income was SEK 1,357 per square metre of time-weighted area (1,069).

The letting ratio for housing remained at a high and stable level of 97.8 percent (99.5) for the period. The lower level is primarily attributable to vacant apartments that are to be renovated to a higher standard. During the period, the vacant apartments amounted to 1.3 percent, entailing a real letting ratio of 99.1 percent (real vacancy ratio of 0.9 percent).

Property costs
Total property costs amounted to SEK 1,002 million (519). The increase is mainly due to increased property volumes as a result of transactions made during the year.

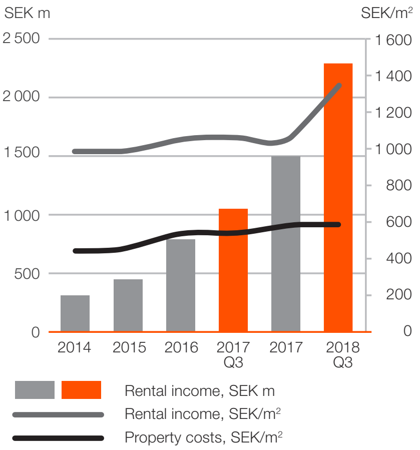
Net operating income
Net operating income amounted to SEK 1,301 million (511) for the period, corresponding to a surplus ratio of 56.5 percent (49.6). The higher surplus ratio is primarily attributable to the acquisitions in Denmark and Norway, as well as an improved flow in Sweden.

Central administration
Costs for central administration consists of management fees and amounted to SEK 105 million (78). The increase is mainly attributable to the growth of the organisation due to the increased volume of properties.

Property costs

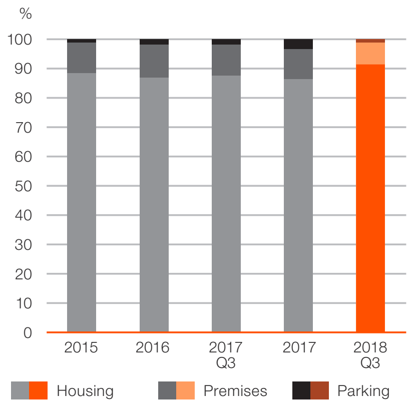
Amounts in SEK million	2018 9 months Jan-Sep	2017 9 months Jan-Sep	2018 3 months Jul-Sep	2017 3 months Jul-Sep	2017 12 months Jan-Dec
Operating costs	-621	-293	-178	-78	-478
Maintenance and repairs	-174	-119	-82	-40	-185
Property administration	-145	-84	-70	-28	-121
Property tax	-58	-22	-10	-7	-31
Ground rent	-2	-1	0	0	-2
Amortisation and depreciation	0	0	0	0	0
Total property costs	**-1,002**	**-519**	**-340**	**-154**	**-816**

Rental income



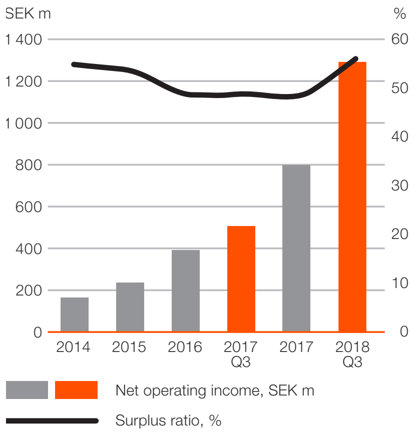
Full year refers to January-December, 12 months
Q3 refers to January-September, 9 months

Distribution of rental income



Full year refers to January-December, 12 months
Q3 refers to January-September, 9 months

Net operating income and surplus ratio



Full year refers to January-December, 12 months
Q3 refers to January-September, 9 months

Net financial items

Financial income during the period amounted to SEK 14 million (0) and financial expenses were SEK 469 million (258). The increased negative net financial items are mainly attributable to an increased loan portfolio as a consequence of a larger property portfolio and the loan-to-value ratio largely being maintained. On the balance sheet date, the average interest rate on total borrowing and derivatives, as well as charges for unutilised credits had risen to 1.79 percent (1.46), mainly due to acquisitions of assets in Norway maturing at higher market interest rates. About 79 percent (57) of the portfolio will switch interest rates within a year and a change in the base rate (Stibor, Cibor, Nibor) of 1 percent at any given time would, all else being equal, increase Heimstaden's interest costs (adjusted for the recognised interest rate cut) on an annual basis by approximately SEK 211 million (39) were rates to rise, and decrease them by approximately SEK 94 million (20) in the event that interest rates were to fall. 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.

As previously communicated, the company has mandated Standard & Poor's to conduct a rating review. The company has expressed an ambition to reach a rating corresponding to Investment grade and, to improve the likelihood of attaining such a rating level, the Board of Directors has decided to adjust the finance policy. The adjustments were adopted as per 23 October, for implementation no later than as per 31 December 2018.

Other financial costs

Other financial expenses in the Group and Parent Company amounted to SEK 95 million (0), of which exchange rate differences amounted to SEK 95 million (0). Reported exchange rate differences refer mainly to the translation of interest-bearing liabilities denominated in NOK, which are used from a Group perspective for financing net investments in Norway.

Profit from property management

Profit from property management was SEK 652 million (192). The increase for the period is attributable to the increased volume in the property stocks and the loan portfolio.

Changes in the value of financial instruments

In accordance with the established financial policy and interest rate hedging strategy, Heimstaden uses interest rate derivatives to manage the Group's interest rate risk. The change in the value of derivatives during the period amounted to SEK 30 million (5), of which unrealised amounted to SEK 30 million and realised amounted to SEK 0 million. At the end of the period, the market value of the current derivative portfolio amounted to a negative SEK 0 million (29). The nominal volumes of interest rate swaps amounted to SEK 9,194 million (5,675) purchased swaps.

Financepolicy

	Existing policy	New policy	2018-09-30	2017-09-30	2017-12-31	2016-12-31
Interest coverage ratio	≥ 1.4	≥ 1.4	2.6	3.5	3.1	3.7
Equity/assets ratio	≥ 25%	≥ 30%	44%	42%	40%	42%
Capital tied up in months	≥ 15	≥ 15	91	54	87	49
Loan maturity in an individual year	≤ 40%	≤ 40%	27% (year, 2021)	28% (year, 2019)	33% (year, 2022)	32% (year, 2017)
Limitation of individual lenders	≤ 60%	≤ 40%	18%	24%	15%	24%
Fixed interest rate years	separate strategy	separate strategy	1.00	1.77	1.48	1.35
Interest rate hedge	≥ 25%	≥ 50%*	30%	51%	35,3%	32%
LTV	55% – 60%	45% – 60%	52%	55%	55%	54%
Liquidity ratio**	n/a	≥ 125%	N/A	N/A	N/A	N/A

* To be implemented no later than 31 December 2018
** Definition according to S&P guidelines. To be implemented no later than 31 December 2018

30 Sep 2018	Fixed interest, loans			Fixed interest incl. derivatives [1]		
Years	SEK m	Share, %	Interest, incl. margin, %	SEK m	Share, %	Interest, incl. margin, %
0–1	37,587	99.4	1.7	30,020	79.4	1.7
1–2	228	0.6	1.6	1,439	3.8	2.1
2–3	–	–	–	1,837	4.9	2.3
3–4	–	–	–	1,417	3.7	2.1
4–5	–	–	–	1,697	4.5	2.2
>5 years after balance sheet date	–	–	–	1,404	3.7	2.6
Total	**37,815**	**100.0**	**1.7**	**37,815**	**100.0**	**1.8**

[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:	1.00 years

Change in value of investment properties

As per 30 September 2018, the entire property portfolio has been valued internally based on externally obtained valuation data. Combined, the unrealised change in the value of the properties amounted to SEK 2,058 million (997). The change is explained by reduced direct return requirements in existing stocks, but mainly by Norway showing a significant recovery in the period, with a positive development and an increase in value of SEK 745 million. The direct return requirement in the valuation averaged 3.56 percent, which compares with 3.86 percent at the end of 2017. During the period, properties valued at SEK 13 million were sold. After currency adjustment, the total change in value of properties amounted to SEK 1,994 million (1,004) in the Income Statement. The item also includes a downward adjustment in the value of acquired construction projects, development properties and tenant-owned apartments in progress by SEK 64 million.

Direct return requirements

Years	Average	Interval
2017	3.86%	1.04% – 8.50%
2018 Q3	3.56%	0.82% – 8.38%

Tax

In addition to the current tax of SEK 83 million (19), the Group also reports deferred tax of SEK 253 million (202). The deferred tax consists primarily of temporary differences between carrying amounts and the consolidated cost of investment properties and financial instruments.

Consolidated Statement of Financial Position

Amounts in SEK million	30 Sep 2018	30 Sep 2017	31 Dec. 2017
ASSETS			
Non-current assets			
Investment properties	68,530	21,275	43,689
Other financial non-current assets	165	1	211
Total non-current assets	**68,695**	**21,275**	**43,899**
Current assets			
Development properties and tenant-owned apartments in progress	827	0	0
Other current receivables	712	58	164
Cash and cash equivalents	1,894	284	763
Total current assets	**3,432**	**341**	**928**
TOTAL ASSETS	**72,127**	**21,617**	**44,827**
EQUITY AND LIABILITIES			
Equity	**32,094**	**4,693**	**18,066**
Non-current liabilities			
Interest-bearing subordinated shareholder loans	0	4,285	0
Interest-bearing liabilities	35,227	9,312	21,798
Interest-rate derivatives	0	29	31
Deferred tax liability	1050	725	1,025
Total non-current liabilities	**36,277**	**14,351**	**22,854**
Current liabilities			
Interest-bearing liabilities	2,589	2,285	3,030
Other current liabilities	1,168	287	877
Total current liabilities	**3,756**	**2,572**	**3,908**
TOTAL LIABILITIES AND EQUITY	**72,127**	**21,617**	**44,827**

Consolidated Statement of Changes in Equity

Amounts in SEK million	Share capital	Share premium reserve	Retained profit	Total equity
Equity, 31 Dec. 2016	**15**	**2,450**	**1,745**	**4,211**
New share issue	**0**	**52**	0	53
Dividend			-250	-250
Dividend			**-300**	**-300**
Profit for the period	**0**	**0**	**980**	**980**
Equity 30 Sep 2017	**15**	**2,502**	**2,175**	**4,693**
New share issue	**3**	**958**		961
New share issue Pref A	0	10		10
New share issue Pref B	1	11,775		11,776
Currency adjustment			29	29
Profit for the period			597	597
Equity 31 December 2017	**19**	**15,246**	**2,801**	**18,066**
Dividend	0	0	-138	-138
New share issue	4	1,887		1,891
New share issue Pref B	1	6,770		6,771
New share issue	2	961		963
New share issue Pref B	0	1,789		1,789
Currency adjustment			430	430
Profit for the period			2,322	2,322
Equity 30 Sep 2018	**26**	**26,653**	**5,415**	**32,094**

Investment properties

As per 30 September, Heimstaden's property portfolio had a market value of SEK 68,530 million, compared with SEK 43,689 million at the end of the year on 31 December 2017. The total change in value during the period amounted to SEK 2,058 million (1,004) and the remaining change in the carrying amount of the property portfolio consists of net corporate and property transactions, investments in existing stocks, as well as exchange rate effects. For a more detailed description of Heimstaden's methodology for valuing properties, see page 24 of the Heimstaden Bostad annual report for 2017.

Other financial non-current assets

Other financial non-current assets refer to advance payments on agreed property transactions.

Development properties and tenant-owned apartments in progress

In connection with the acquisition of the Norwegian investment properties, building rights and ongoing construction projects were also acquired for to SEK 827 million. The projects were adjusted down by SEK 64 million in the period due to increased project costs. The item concerns the development and construction of condominium apartments in Oslo to be divested upon completion.

Change in market value of investment properties, SEK m

Amounts in SEK million	Total	Sweden	Denmark	Norway
Market value of investment properties 31 Dec 2017	**43,689**	**30,067**	**5,981**	**7,640**
Sales during the period	-13	0	-13	0
Acquisitions during the period	21,049	2,464	11,445	7,139
Acquisitions from associated companies	0	0	0	0
Investments during the period	722	497	37	189
Currency change	1,024	0	282	742
Market value after transactions	**66,471**	**33,028**	**17,732**	**15,710**
Unrealised value change	2,058	933	381	745
Market value of investment properties 30 Sep 2018	**68,530**	**33,961**	**18,113**	**16,455**

Interest-bearing liabilities

At the end of the period, Heimstaden had interest-bearing liabilities amounting to SEK 37,815 million (15,882), of which subordinated shareholder loans account for SEK 0 million (4,285). Of the SEK 37,815 million in interest-bearing liabilities, 100 percent are covered by property mortgages. With deductions for cash and cash equivalents, net liabilities increased by SEK 11,857 million, to SEK 35,922 million (11,313). In the period at hand, the Group's borrowing, including currency effects, had increased by SEK 12,987 million, relating primarily to acquisitions of properties in Sweden, Norway and Denmark.

Of interest-bearing liabilities, SEK 13,000 million (3,280) relates to financing based on covered bonds, and SEK 24,816 million (8,317) to traditional bank loans. Confirmed but unutilised credit facilities from banks amount to SEK 0 million (0) on the balance sheet date.

The average period for which capital is tied up in Heimstaden's interest-bearing liabilities amounted 7.6 years (4.5). The largest proportion of loan maturities in an individual year amounts to 32 percent (28), maturing in 2021 (2019). At the same time, the average interest period of fixed interest, including the effect of derivatives, amounted to 1.00 year (1.77).

Deferred tax

Deferred tax is calculated, at a nominal tax rate of 20.6 percent in Sweden, 22 percent in Denmark and 23 percent in Norway, on differences between the carrying amount and the consolidated cost of assets and liabilities. As a result of a changed tax rate in Sweden, from 22 percent to 20.6 percent, the opening balance has also been recalculated and adjusted with regard to the Income Statement. The effect on profit amounted to SEK 59 million. At 30 September 2018, deferred tax, which is the net of deferred tax assets and deferred tax liabilities, amounted to SEK 1,050 million (725) and was, for the most part, attributable to investment properties. The remaining tax deficit in the Group amounts to SEK 3 million (7).

Equity

Equity amounted to SEK 32,094 million (4,693). The change during the period is attributable to profit and dividends. During the period SEK 138 million (0) has been paid in dividends to holders of preference shares. Over the past year, Heimstaden Bostad AB implemented several new share issues, four of these occurring in the period concerned and totalling SEK 11,414 million. The equity/assets ratio was 44.5 percent (41.5). Heimstaden is exposed to a currency risk linked to the Danish and Norwegian operations. The risk can also have a direct effect on profit thereby affecting equity. There were no currency hedges as per the balance sheet date.

Change in loan volume, SEK m

Interest-bearing loans 31 Dec 2017	**24,828**
Repayments on loans	-160
Currency exchange effect on loans	609
New borrowing/loans taken over	12,538
Interest-bearing loans, 30 Sep 2018	**37,815**

	Capital tied up, loans			Lines of credit	
Years	SEK million	Share, %	Interest, incl. margin %	SEK million	Share, %
0-1 years	2,589	7	1.7	0	0.0
1-2 years	6,588	17	1.1	0	0.0
2-3 years	12,041	32	2.5	0	0.0
3-4 years	2,564	7	1.2	0	0.0
4-5 years	4,556	12	2.5	0	0.0
>5 years after balance sheet date	9,477	25	0.7	0	0.0
Total	**37,815**	**100.0**	**1.7**	**0**	**0.0**
The average remaining period for which capital is tied up amounts to:					7.6 years

Funding source, SEK m

	Credit	Unutilised credit commitment	Share, %
Mortgages	13,000	0	34
Bank loans	24,816	0	66
Total	**37,815**	**0**	**100**

Change in market value of derivatives, SEK m

Market value of derivatives 31 Dec 2017	**-31**
Acquired derivatives	96
Currency effect on derivatives	1
Redeemed derivatives	-97
Unrealised changes in value	30
Market value of derivatives, 30 Sep 2018	**0**

Financial instruments

			Maturity, interest rate derivatives	
Years	Type	SEK million	Share, %	Interest, %[1]
0-1 years	Paying fixed	1,627	18	0.30
1-2 years	Paying fixed	1,211	13	0.69
2-3 years	Paying fixed	1,837	20	0.90
3-4 years	Paying fixed	1,417	15	0.70
4-5 years	Paying fixed	1,697	19	0.80
>5 years after balance sheet date	Paying fixed	1,404	15	1.13
Total purchased swaps		**9,194**	**100**	**0.75**

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

Consolidated Cash flow Statement

Amounts in SEK million	2018 9 months Jan–Sep	2017 9 months Jan–Sep	2018 3 months Jul–Sep	2017 3 months Jul–Sep	2017 12 months Jan–Dec
Operating activities					
Profit before tax	2,659	1,201	701	419	2,123
Adjustments for non-cash items:					
– Change in value of investment properties	-1,977	-1,004	-450	-347	-1,776
– Change in value of derivative instruments	-30	-5	-41	-2	-4
– Other non-cash items	95	0	95	0	0
Tax paid	-72	-17	-36	0	-17
Cash flow from operating activities before changes in working capital	**674**	**174**	**268**	**69**	**326**
Change in working capital					
Change in current receivables	-166	-17	-135	-12	-87
Change in development properties and tenant-owner apartments in progress	-883	0	0	0	0
Change in current liabilities	176	62	-125	96	93
Cash flow from operating activities	**-199**	**220**	**8**	**154**	**333**
Investing activities					
Acquisitions and property investments	-21,771	-890	-1,742	-192	-12,780
Acquisitions of subsidiaries	-164	0	85	0	0
Deposits paid for acquisitions	-460	0	37	0	0
Other investments	0	0	0	0	0
Property sales	13	525	6	99	285
Change in financial assets	210	0	210	0	-210
Cash flow from investing activities	**-22,172**	**-365**	**-1,404**	**-93**	**-12,705**
Financing activities					
New share issue	**11,414**	**53**	**0**	**0**	**8,612**
Dividend, preference shares	-138	-550	0	0	-550
Change in shareholder loans	0	98	0	98	0
Change in interest-bearing liabilities	12,284	559	1,108	-153	4,802
Redemption of interest rate derivatives	-98	0	0	0	0
Cash flow from financing activities	**23,462**	**159**	**1,108**	**-56**	**12,863**
Cash flow for the period	**1,091**	**14**	**-288**	**5**	**491**
Opening cash and cash equivalents	**763**	**270**	**2,189**	**279**	**270**
Currency effect in cash and cash equivalents	**39**	**–**	**-7**	**–**	**2**
Closing cash and cash equivalents	**1,894**	**284**	**1,894**	**284**	**763**

Operating activities

Cash flow from operating activities, before changes in working capital, increased to SEK 674 million (174). The improvement is primarily a consequence of changed and increased property holdings. After a reduction in working capital of SEK 873 million (45), cash flow from operating activities was negative in the amount of SEK 199 million (220).The increased change in working capital is largely an effect of an increased balance sheet due to the expansion in Norway and Denmark.

Investing activities

Cash flow from investing activities was negative in the amount of SEK 22,172 million (365). Most of the flow consists of corporate transactions, property transactions and property investments, of which most are attributable to acquisitions in Oslo, Copenhagen, Aarhus, Trelleborg, Gävle, Lund, Norrköping and Malmö.

Financing activities

Cash flow from financing activities amounted to SEK 23,462 million (159) and is explained by a change in interest-bearing liabilities and new share issues.

Cash flow

Cash flow for the period amounted to SEK 1,091 million (14) and cash and cash equivalents amounted to SEK 1,894 million (284) at the end of the period.


Ehnemark, Karlskrona

Property transactions

Type	Date of access	Property	Location	Segments	Area m²	Transaction value, SEK m
Acquisition	28 Feb 2018	Klockaretorpet	Norrköping	Sweden	34,620	357
Acquisition	1 Mar 2018	Package (6 items)	Gävle	Sweden	17,086	200
Acquisition	1 Mar 2018	Construction project	Burlöv	Sweden	–	52
Acquisition	4 Apr 2018	Ø-huset	Copenhagen	Denmark	27,272	1,152
Acquisition	17 Apr 2018	Portfolio	Oslo	Norway	120,616	7,135
Acquisition	17 Apr 2018	Portfolio	Copenhagen	Denmark	254,293	9,009
Acquisition	1 May 2018	Vanløse Allé 55-63 / Bangsbovej 17	Copenhagen	Denmark	2,114	59
Acquisition	7 May 2018	Byalaget	Trelleborg	Sweden	7,985	58
Acquisition	31 May 2018	Campus	Malmö	Sweden	19,530	388
Acquisition	1 Jun 2018	Skyttegillet	Lund	Sweden	15,050	392
Acquisition	12 Jun 2018	Bjerkens	Gävle	Sweden	2,832	41
Acquisition	28 Jun 2018	Gavlegårdarna	Gävle	Sweden	55,421	535
Acquisition	17 Aug 2018	Arenahusene (3)	Copenhagen	Denmark	5,003	250
Acquisition	21 Aug 2018	Bjerglandsbyen	Copenhagen	Denmark	11,242	600
Acquisition	22 Aug 2018	Bagsværdslund (2)	Copenhagen	Denmark	9,209	430
Acquisition	31 Aug 2018	Package (5 items)	Linköping	Sweden	4,743	190
Acquisition	1 Sep 2019	Havnehusene (construction project)	Horsens	Denmark	–	120
Acquisition	24 Sep 2018	Senapsfabriken (project)	Uppsala	Sweden	–	201
Acquisition	28 Sep 2018	Kirsebærhaven	Copenhagen	Denmark	3,516	216
Investment	Ongoing	Apartment upgrade	Nordic Region	All	–	387
Total acquisitions					**590,532**	**21,771**
Disposals	During the year	apartments (2)	Copenhagen	Denmark	249	-13
Total sales					**249**	**-13**

Parent Company Statement of Comprehensive Income

Amounts in SEK million	2018 9 months Jan-Sep	2017 9 months Jan-Sep
Central administration	-108	-81
Operating profit/loss	**-108**	**-81**
Profit before financial items	**-108**	**-81**
Interest income	0	0
Interest costs	-107	-170
Other financial costs	-95	0
Change in value of interest rate derivatives	4	0
Profit from property management	**-305**	**-251**
Profit before tax	**-305**	**-251**
Current tax	-1	-246
Deferred tax	0	0
Profit for the period	**-306**	**-497**
Other comprehensive income	–	0
Comprehensive income	**-306**	**-497**

Parent Company Statement of Financial Position

Amounts in SEK million	30 Sep 2018	30 Sep 2017
ASSETS		
NON-CURRENT ASSETS		
Participations in Group companies	23,246	16
Deferred tax receivables	4	5
Other financial non-current assets	0	0
Total non-current assets	**23,250**	**22**
CURRENT ASSETS		
Group internal receivables	11,653	7,987
Other current receivables	4	0
Cash and cash equivalents	1,483	278
Total current assets	**13,141**	**8,865**
TOTAL ASSETS	**36,391**	**8,286**
EQUITY AND LIABILITIES		
Equity	24,953	1,408
Non-current liabilities		
Interest-bearing subordinated shareholder loans	0	4,285
Interest-bearing liabilities	8,356	0
Interest rate derivatives	22	23
Group internal liabilities	1,840	759
Total non-current liabilities	**10,218**	**5,067**
Current liabilities		
Group internal liabilities	1,191	1,810
Other current liabilities	28	1
Total current liabilities	**1,219**	**1,811**
TOTAL LIABILITIES AND EQUITY	**36,391**	**8,286**

Parent Company Statement of Changes in Equity

Amounts in SEK million	Share capital	Profit brought forward	Total equity
Equity, 31 Dec 2016	**15**	**2,136**	**2,151**
New share issue	0	52	53
Dividend, ordinary shares		-550	-550
Comprehensive income for the period		-246	-246
Equity 30 Sep 2017	**15**	**1,392**	**1,408**
New share issue	4	12,743	12,747
Dividend, preference shares		0	0
Comprehensive income for the period		-172	-172
Equity 31 Dec 2017	**19**	**13,964**	**13,983**
Dividend, preference shares		-138	-138
New share issue	7	11,407	11,414
Comprehensive income for the period		-306	-306
Equity 30 Sep 2018	**26**	**24,927**	**24,953**

Risk management, estimation and assessments

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

Heimstaden Bostad's operations, financial position and profit can be affected by a number of risks and uncertainties. These are described on pages 9-11 in the 2017 Annual Report. No significant changes have subsequently occurred affecting the assessment by the Board of Directors and company management.

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

Klintehus, Ystad

Accounting principles

Heimstaden Bostad complies with the International Financial Reporting Standards (IFRS) adopted by the EU and its interpretations of these (IFRIC). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

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

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

IFRS 16 is to replace IAS 17 effective from 1 January 2019. According to the new standard, most leased assets will be reported in the balance sheet and lessees shall break down the cost between interest payments and depreciation of the asset. In 2017 an analysis was initiated to investigate how IFRS 16 Leases will affect the company's financial reporting. The analysis has continued in 2018 and will be completed in 2018. Heimstaden Bostad AB's assessment is that the new rules will not have any material impact on the company.

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

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

Transactions with related parties

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

Significant events after the end of the reporting period

On 15 October it was announced that Heimstaden Bostad has engaged Standard & Poor´s for an official assessment and that the company has also engaged Danske Bank, DNB, JP Morgan and Nordea to examine the possibilities of a larger bond issue.

On 23 October, a new finance policy was adopted by an extraordinary meeting of the Board of Directors.

Pontoppidanparken, Copenhagen

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

Malmö, 30 October 2018

Fredrik Palm
Chairman of the Board

Stefan Attefall
Board Member

Magnus Nordholm
Board Member

Ramsay Brufer
Board Member

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

Review report

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Heimstaden Bostad AB, corporate identity number 556864-0873
To the Board of Directors of Heimstaden Bostad AB

Introduction

We have reviewed the condensed interim report for Heimstaden Bostad AB as of September 30th, 2018 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Malmö, October 30th, 2018

Ernst & Young AB

Peter von Knorring
Authorized Public Accountant

Moore Stephens Malmö AB

Patrik Andersson
Authorized Public Accountant

KEY DATA

	2018 9 months Jan–Sep	2017 9 months Jan–Sep	2018 3 months Jul–Sep	2017 3 months Jul–Sep	2017 12 months Jan–Dec
Property-related data					
Rental income, SEK m	2,303	1,030	858	338	1,620
Letting ratio, housing (number), %	97.8	99.5	97.8	99.5	98.6
Surplus ratio, %	56.5	49.6	60.4	54.5	49.7
Acquisitions and property investments, SEK m	21,771	890	1,742	192	12,780
Property sales, SEK m	13	525	6	99	285
Market value of properties on balance sheet date, SEK m	68,530	21,275	68,530	21,275	43,689
Number of properties on balance sheet date	896	481	896	481	787
Lettable area on balance sheet date, m^2	2,503,907	1,263,027	2,503 907	1,263,027	1,913,624
Number of apartments on balance sheet date	35,886	17,834	35,886	17,834	28,351
Proportion living area on balance sheet date, %	88	88	88	88	89
Financial data					
Cash flow from operating activities, SEK m	-199	220	8	154	333
Profit from property management, SEK m	652	192	209	69	344
Interest coverage ratio (ICR), multiple [1)]	2.6	3.5	2.6	3.5	3.1
Equity/assets ratio incl. shareholder loans [1)]	44.5	41.5	44.5	41.5	40.3
Equity/assets ratio, %, excluding shareholder loans	44.5	21.7	44.5	21.7	40.3
Loan-to-value ratio, % [1)]	52.4	53.2	52.4	53.2	55.1
Average interest rate on balance sheet date, %[1)]	1.8	1.5	1.8	1.5	1.7
Average period of fixed-interest on loans, incl. derivatives, years	1.0	1.8	1.0	1.8	1.4
Average period for which capital is tied up, year	7.6	4.5	7.6	4.5	7.3
Return on equity after tax, %	13.3	19,3	13.3	19,3	22,0
Equity on the balance sheet date, SEK m	32,094	4,693	32,094	4 693	18,066
Net asset value on the balance sheet date, SEK m	33,144	5,417	33,144	5,417	19,091
Long-term asset value (EPRA NAV) on the balance sheet date, SEK m	33,144	5,447	33,144	5,447	19,122
DEBT / EBITDA, multiple (rolling 12m)[1)]	21	28	21	28	27
Data per share					
Profit per ordinary share, SEK	979	650	123	271	933
Equity per ordinary share, SEK	4,560	3,112	4,560	3,112	3,419
Equity per preference share A, SEK	1,006,269	0	1,006,269	0	318,444
Equity per preference share B, SEK	102,845	0	102,845	0	100,989
Number of ordinary shares outstanding at the end of the period	2,429,449	1,507,807	2,429,449	1,507,807	1,796,144
Number of preference shares A outstanding at the end of the period	100	0	100	0	100
Number of preference shares B outstanding at the end of the period	203,360	0	203,360	0	117,760
Average number of ordinary shares outstanding	2,127,504	1,507,807	2,429,449	1,507,807	1,573,195
Average number of preference shares A outstanding	100	0	100	0	23
Average number of preference shares B outstanding	165,505	0	203,360	0	26,778

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


Peter Holms vej, Copenhagen

Definitions and glossary [1)]

Letting ratio, housing (number), %
Leased housing divided by 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 after net financial items plus financial costs divided by financial costs attributable to interest-bearing liabilities excluding the effect of interest-bearing subordinated shareholder loans. Calculated based on the rolling 12-month outcome.

Equity/assets ratio including shareholder loans, %
Equity including interest-bearing subordinated shareholder loans as a percentage of total assets at the end of the period.

Equity/assets ratio excluding shareholder loans, %
Equity as a percentage of total assets.

Loan-to-value ratio (LTV), %
Net liabilities in relation to estimated market value.

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

Average interest, %
Average interest on the balance sheet date for interest-bearing liabilities, excluding subordinated shareholder loans with interest rate derivatives taken into account.

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

Net asset value on the balance sheet date, SEK m
Equity plus deferred tax liability.

Long-term asset value (EPRA NAV) on the balance sheet date, SEK m
Equity with deferred tax liability and interest rate derivatives reversed.

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

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

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

Profit per ordinary share, SEK
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

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

Definitions of key data and explanations of how they are derived are available at www.heimstadenbostad.com.

Financial information
The interim report for January-December 2018 will be published on 15 February 2019.

Heimstaden

Heimstaden Bostad AB (publ), Ö Promenaden 7 A, SE-211 28 Malmö, Sweden
Corp. ID No.: 556864-0873. The company is domiciled in Malmö.
Tel. +46 (0)40 - 660 20 00, Fax +46 (0)40 - 660 20 01
www.heimstaden.com

Current earning capacity

In the adjacent table, Heimstaden presents its earning capacity on a twelve-month basis as per 30 September 2018. Earning capacity is not a forecast for the current year or for the next 12-months period and should only be regarded as a theoretical snapshot and is presented for illustrative purposes only. Current earning capacity does not include an assessment of future trends in rent levels, vacancy rates, property costs, interest rates, changes in value, acquisitions or sales of properties or other factors.

Current earning capacity is based on the properties held as per 30 September 2018 and their financing. Accordingly, the current earning capacity illustrates Heimstaden's annual earnings on that basis. Consequently, transactions where Heimstaden gains access after 30 September are not included in the calculation.

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

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

Current earning capacity as per 30 September 2018

Amounts in SEK million	
Rental income	3,454
Property costs	-1,466
Net operating income	**1,988**
Central administration	-149
Other operating income	10
Other operating costs	0
Participations in profit of associated companies	0
Profit before financial items	**1,849**
Financial income	5
Financial costs – interest on subordinated shareholder loans	0
Financial costs – interest-bearing liabilities	-677
Profit from property management	**1,177**
Key data	
Surplus ratio, %	**57.5**
Interest coverage ratio (ICR), multiple	**2.7**


Skolan 9, Norrköping