

Press release

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Heimstaden AB acquires properties, transfers properties to Heimstaden Bostad AB and contemplates issuance of hybrid bonds

Heimstaden AB (publ) ("Heimstaden" or the "Company") has entered into an agreement to acquire properties in the Netherlands at a purchase price of EUR 1.4 billion (the "Acquisition") and transfer of properties and agreements on property projects in Denmark and Sweden at a value of SEK 16 billion (the "Transfer") to its subsidiary Heimstaden Bostad (publ)¹ ("Heimstaden Bostad") (The Acquisition and the Transfer are mutually referred to as the "Transactions"). The Transactions in brief:

- Heimstaden acquires, through a company acquisition, 536 residential properties in the Netherlands at a purchase price of EUR 1.4 billion. The lettable space amounts to approx. 805,900 sqm, out of which approx. 793,800 sqm is residential space and approx. 12,100 sqm is commercial space, and includes 9,544 residential units
- Through the acquisition, Heimstaden becomes the third largest private residential property owner in the Netherlands
- The acquired properties are geographically spread across the Netherlands with some concentration to the Randstad region. The annual rental income amounts to approx. EUR 76 million and the net operating income to approx. EUR 51 million
- Heimstaden transfers, through sale of shares in subsidiaries, investment properties and projects in Denmark and Sweden at a value of SEK 16,247 million to Heimstaden Bostad. The transferred assets relates

¹ Heimstaden Bostad comprises a group company in the group in which Heimstaden is parent company. Heimstaden holds 65 per cent of the votes and 63 per cent of the number of shares in Heimstaden Bostad and the accounts of Heimstaden Bostad are consolidated in the Heimstaden group accounts.

partly to investment properties at a value of SEK 4,797 million, and partly to ongoing and future projects at a value of SEK 11,450 million (at completion). The transferred properties under management are geographically spread across Denmark and the projects are primarily located in Sweden. The annual rental income from the investment properties amounts to SEK 221 million and the net operating income to SEK 135 million.

- **Heimstaden has, in addition, mandated Carnegie Investment Bank and Swedbank to explore the conditions for Heimstaden to issue perpetual hybrid bonds in the Nordic capital markets. A potential hybrid bond issue is considered in order to strengthen Heimstaden's financial preparedness.**

The Acquisition in brief

Heimstaden has during some time followed the Dutch real estate market and completed its first acquisition in October 2018. The Dutch residential rental market is characterized by favorable residential fundamentals relative other countries, such as increasing housing shortage, annual rent indexation and market rental growth outpacing inflation. The rental market is furthermore to a large extent regulated resulting in rent increases above inflation and the regulation is identical for the whole country. Through the acquisition, Heimstaden obtains a good exposure to the Netherlands and becomes an important player in the Dutch residential property market as the third largest private residential property owner.

The Acquisition is based on an underlying property value of approx. EUR 1.4 billion. The acquired properties are geographically spread across the Netherlands, however, with a certain concentration to the Randstad region. Annual rental income amounts to approx. EUR 76 million, net operating income to approx. EUR 51 million and the lettable area amounts to approx. 805,900 sq.m., of which approx. 793,800 sq.m. of residential space and approx. 12,100 sq.m. commercial space and comprise of 9,544 apartments.

The Acquisition is made through acquisition of property-owning subsidiaries from companies managed by Round Hill Capital. The Acquisition is financed through new syndicated credit facilities of EUR 875 million, a subordinated shareholder loan from Fredensborg AS of EUR 100 million and available cash.

The Acquisition is not associated with any conditions precedent and closing is expected to take place on May 1, 2019.

- *“The Netherlands has been an obvious market for us to enter for some time and following our first acquisition in October 2018, we have been dedicated to source new potential acquisitions. This portfolio offers a unique position for us to obtain significant exposure to a highly favourable residential market with strong macroeconomic fundamentals and significant nationwide undersupply of residential units”, says Christian Fladeland, CIO of Heimstaden. “Heimstaden will through its extensive experience from the Nordics, with full-service inhouse asset and property management expertise, focus on upgrading the portfolio with an ambitious sustainability investment scheme as well as general modernisation schemes, while still targeting mid-market and affordable rent levels”, he adds.*
- *“This acquisition is an obvious opportunity for Heimstaden to establish a significant footprint in a market with strong fundamentals, which have been on radar for some time now, with benefits of operational economy of scale from day one”, says Patrik Hall, CEO of Heimstaden*

The Transfer in brief

Heimstaden transfers residential properties in Denmark and Sweden through a transfer of shares in wholly-owned subsidiaries to Heimstaden Bostad. The Transfer is based on an underlying property value of SEK 16,247 million. The Transfer relates partly to investment properties corresponding to a property value of SEK 4,797 million and partly to ongoing or future projects whose underlying property value amounts to SEK 11,450 million (at completion).

As of 31 December 2018, the book value of the investment properties covered by the Transfer amounted to SEK 2,680 million, whereas the remaining SEK 2,117 million has been acquired by Heimstaden during 2019. The investment properties are located in Denmark, comprise 34 properties with 2,562 apartments, 172,508 sq.m. lettable residential space and 27,729 sqm lettable commercial space. The annual rental income of these properties amounts to SEK 221 million, with an annual net operating income of SEK 135 million.

In addition, the Transfer comprises signed, but not closed, acquisitions of eight properties in Denmark with 720 apartments, 40,217 sq.m. of lettable residential space and 1,250 sq.m. of lettable commercial space and a property value, at completion, of SEK 2,709 million. The Transfer also includes thirteen ongoing or future projects in Sweden with 4,809 apartments, 211,552 sq.m. of lettable residential space and 5,780 sqm of lettable commercial space, with a property value at completion of SEK 8,741 million. The total amount invested in ongoing projects covered by the Transfer as of December 31, 2018 amounted to SEK 145 million.

The Transfer of the Danish properties is conditional upon the approval of the credit providers. Closing will take place gradually for ongoing or future projects. Closing of investment properties is planned for March 29 and April 15, 2019, respectively.

Overall financial effects from the Transactions

As a result of the Transactions, and the previously during the year closed acquisitions in Denmark, the property value of the Heimstaden group is estimated to amount to SEK 92,976 million, corresponding to an increase of SEK 16,727 million (excluding projects), compared to a property value of SEK 76,249 million as per December 31, 2018. The net loan to value is estimated to amount to 61.2 per cent compared to 53.7 per cent as per December 31 2018.

As a result of the Transactions, and the previously during the year closed acquisitions in Denmark, the Heimstaden group's current earnings capacity, excluding income from projects, as per December 31, 2018, is estimated to be affected by way of rental income increasing by SEK 895 million, from SEK 3,910m to SEK 4,805 million, net operating income increasing by SEK 590 million, from SEK 2,263 million to SEK 2,852 million and income from property management increasing by SEK 257 million, from SEK 1,298 million to SEK 1,555 million.

Contemplated issue of hybrid bonds

For the purpose of maintaining financial preparedness for i.a. investments and acquisitions, as well as repayment of shareholder loan obtained in connection with the Acquisition, Heimstaden has mandated Carnegie Investment Bank and Swedbank to explore the conditions for the Company to issue SEK and/or EUR denominated perpetual hybrid bonds with a first refinancing opportunity occurring after 5.5 years. Proceeds from the contemplated issue are to be used for general corporate purposes including acquisitions within both Heimstaden and Heimstaden Bostad as well as their subsidiaries. A series of fixed income investor meetings will take place, starting on 1 April 2019, after which an issue may follow, subject to market conditions.

For further information, contact:

Patrik Hall, CEO	+46 705 85 99 56	patrik.hall@heimstaden.com
Christian Fladeland, CIO	+45 60 60 6868	christian.fladeland@heimstaden.dk
Ingvor Sundbom, CFO	+46 707 88 66 50	ingvor.sundbom@heimstaden.com

Heimstaden is a leading real estate company in Northern Europe, with a focus on acquiring, refining, developing and managing housing and premises. Through our values, thoughtfulness, innovation and authenticity, we create values for our owners and caring homes for our tenants. Heimstaden has about 39,000 apartments and a property value of approximately SEK 76 billion value. Heimstaden's preference share is listed on Nasdaq First North Premier. The head office is located in Malmö. Certified Adviser is Erik Penser Bank aktiebolag, +46 8-463 83 00 and certifiedadviser@penser.se. For more information, see www.heimstaden.com

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