

2019

Enriching and simplifying life through Friendly Homes

HEIMSTADEN ANNUAL REPORT WITH SUSTAINABILITY REPORT



Heimstaden

Contents



Administration Report and Financial information Heimstaden AB's Annual Report is published in Swedish and English. The Swedish version is the original and has been audited by Heimstaden's auditor. The annual and consolidated accounts for the 2019 financial year and the Administration Report are presented on pages 5, 16–17 and 44–55, 74–87 of this document. The financial information is presented on pages 98–141 of this document. The Audit Report is also presented on pages 142–144.

Other external review The Auditor has reviewed the Corporate Governance Report on pages 88–95 in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. The Auditor has reviewed the Sustainability Report on pages 148–163, in accordance with FAR's recommendation RevR 12 Auditor's opinion regarding the statutory Sustainability Report.

Reporting under GRI Standards For 2019, Heimstaden is reporting on sustainability in accordance with the GRI Standards, Global Reporting Initiative's guidelines for sustainability reporting, at the core level. An overview of the GRI index is found on pages 153–154.

Heimstaden and the Global Compact Since 2019, Heimstaden has been affiliated to the UN Global Compact, an initiative for responsible business practices, focusing on the environment, working conditions, human rights and anti-corruption.

WE SUPPORT



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Refers to audited sections. Pages 5, 16–17, 44–55, 74–87 and 98–141 form part of Heimstaden's formal Annual Report and have been subject to review by the company's auditors.	

An infinite perspective on Friendly Homes



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

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

Our ambition is to grow responsibly and sustainably alongside partners who share our values. Within the framework of our strategy, we will work with other stakeholders and create opportunities by contributing experience, knowledge and capital. Heimstadens main owner is the Norwegian Company Fredensborg AS and the preference share is listed on Nasdaq Stockholm.

Our business model

Heimstaden generates long-term value through its three core processes:

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

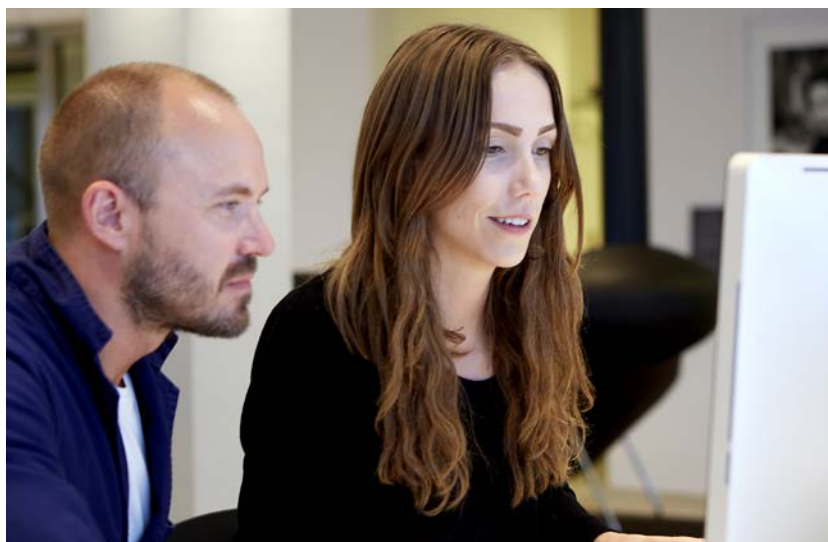
These processes interact as we actively, and with sustainability in focus, manage the property portfolio, expand and optimise the portfolio and refine and develop individual properties. Read more about how we work on pages 44–53.

project development
and long-term
refinement
of property portfolio



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

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



54,863

Residential units



Total area
4 million
SQUARE METRES



Market value,
SEK

114 billion

Number of employees

571

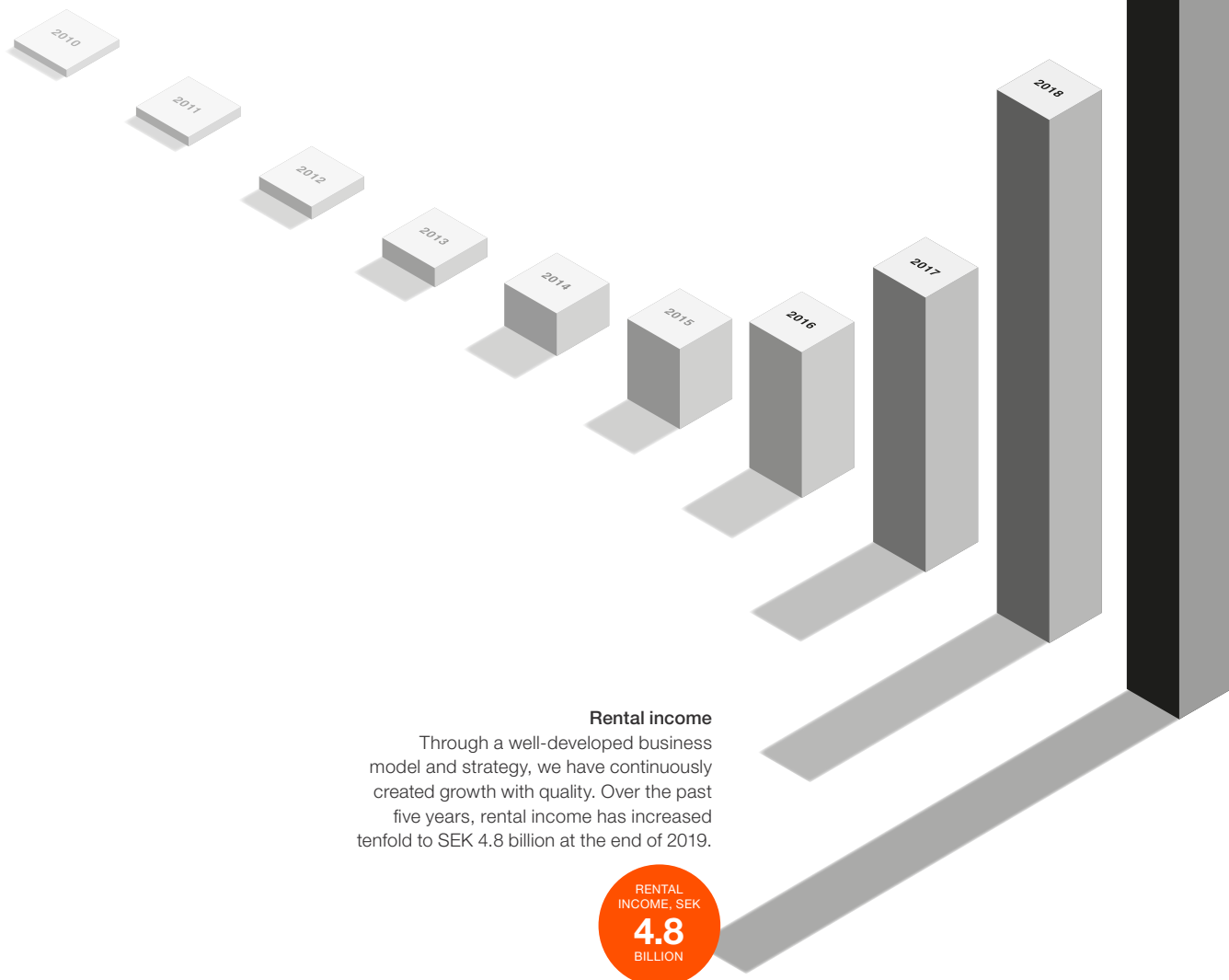
Qualitative and sustainable growth

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

Property value

Since the company was founded in 1998, Heimstaden's property value has grown to SEK 114 billion at the end of 2019.

PROPERTY
VALUE, SEK
114
BILLION



Rental income

Through a well-developed business model and strategy, we have continuously created growth with quality. Over the past five years, rental income has increased tenfold to SEK 4.8 billion at the end of 2019.

RENTAL
INCOME, SEK
4.8
BILLION

A year to remember

In a few years time, as we look back at 2019, I think we will see it as a very important year for Heimstaden AB. We made a number of strategic acquisitions, strengthened our organisation in preparation for the future and continued to fill the Heimstaden brand with the values essential to a lifelong ownership perspective. The objective is to build a company able to balance favourable earnings and good key data with human values, such as care for our employees and a high level of customer satisfaction.

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

Several major acquisitions during the year

Over the year, we acquired two major portfolios in the Netherlands, becoming a player there, with 10,447 apartments in that country. The Dutch market is of interest, both from a macro-economic perspective, as well as with regard to housing policy and we have quickly become a major player there. We are now building up our own organisation in that country to be able to put our principle into practice so that all property management for our holdings should be performed by in-house personnel. Although

we also acquired a large portfolio in Germany, political discussions regarding the decision to impose a five-year embargo on rent increases in Berlin and the consequences for property maintenance and investment cause us to maintain a cautious attitude towards the Berlin market for the time being.

In the second half of 2019, considerable effort was invested into the acquisition, presented by Heimstaden Bostad in early 2020, of slightly fewer than 43,000 apartments in the Czech Republic. Although I have received a number of questions regarding the

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

choice of market, in my view the Czech Republic has favourable infrastructure, a very good labour market and other important drivers of development of a standard comparable to Sweden. We had the opportunity to acquire a well-managed company with a favourably composed and attractive portfolio, as well as advanced systems for property management and customer service. It also applies a customer philosophy that is, in many ways, similar to Heimstaden's. The energy mix in the Czech Republic is challenging and we will be working actively to transition to more sustainable alternatives where possible and to implement measures to improve energy efficiency. The acquisition is the largest in Heimstaden Bostad's history in terms of the number of units and has provided valuable knowledge in preparation for the Company entering its next new market.

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

New muscles for Heimstaden Bostad

Towards the end of the year, a number of changes took place that increasingly focused Heimstaden AB on being a holding and management company, while Heimstaden Bostad focuses more on property acquisitions and new production.

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



The revised shareholder agreement also entailed Heimstaden Bostad acquiring the last of the properties directly held by Alecta and most of Heimstaden AB's remaining portfolios, including the portfolios in the Netherlands and Germany that I mentioned above. The agreement also included a new share issue of SEK 9.5 billion directed at Heimstaden AB and Alecta. In November, Heimstaden Bostad subsequently issued EUR 800 million in hybrid bonds in the European capital market. Combined, the addition of new shareholders, the increased undertakings of the existing ones, and the issuing of bonds mean that Heimstaden Bostad now enjoys even greater opportunities, both to make strategic acquisitions and to develop the existing portfolio by means of renovations or supplementary new production. This also enables us to continue on our essential path of delivering increasing customer satisfaction and friendly homes.

Culture and values – two cornerstones

Our rapid expansion poses a challenge for the organisation in keeping pace. It being our conviction that customer service and friendly homes are best provided by in-house personnel, our values and culture form two cornerstones of the entire operations. With in-house personnel, Heimstaden maintains control of its own processes and gains deeper and better insights regarding the buildings and customers than when these operations are outsourced. As we expand into new markets, it is crucial that we have the strength and capacity to quickly introduce new employees to our way of working and our values.

This applies not least to our view on sustainability – an area of increasing importance. Many institutional investors impose stringent demands on our sustainability efforts, and we are working intensively to develop our systems for control and reporting. Buildings account for 40 percent of carbon dioxide emissions to the atmosphere and our sector bears a specific responsibility for finding ways in which to reduce its impact on the climate. I want Heimstaden to be a pioneer in this regard and for our work on sustainability to culminate in more than fine words. Action is what matters and manifests our unequivocal promise to future generations.

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

we invest into building social inclusion, ending loneliness and strengthening the sense of security in our buildings – from opportunities for growing plants to pleasant outdoor environments and good maintenance.

Committed employees

The exceptionally rapid development I describe would not have been possible without our employees. I am extremely grateful for the commitment shown by our employees, despite facing the real challenges presented by our rapid growth. We gained many new colleagues over the year and strengthened key functions, including transaction management, purchasing, sustainability, customer service and human resources. I would like to thank all of our employees, both those with us from before and those joining more recently, for their invaluable efforts over the past year.

Well-equipped to face global challenge

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



Patrik Hall, CEO Heimstaden

Significant events in 2019

In 2019, Heimstaden acquired around 15,900 residential units. Net investments amounted to SEK 30,452 million (21,548) and the total lettable area at year-end amounted to 4,031,310 square metres (2,732,359).

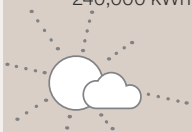


Arve Regland
new CFO for Heimstaden AB.

1,900
SQUARE METRES

Some 1,900 square metres of photovoltaic panels were installed on walls and façades at Heimstaden's student residential facility in the Solstaden Flogsta in Uppsala, which was inaugurated august.

This is enough to produce 240,000 kWh annually.



+599
UNITS

At the end of December Heimstaden acquired a German residential portfolio consisting of 25 assets with 599 residential units, 48 commercial units and 36 parking spaces. The properties are located in the cities of Berlin and Bielefeld and comprise a total lettable area of 44,650 m².

+10,316
UNITS

During 2019, Heimstaden acquired two large portfolios in the Netherlands including a total 847,176 square metres of lettable space distributed between 10,316 apartments, 6 commercial properties and 25 parking facilities.



KEY DATA

Amounts in SEK million	2019	2018	2017	2016	2015
Net operating income	2,725	1,810	1,027	530	347
Profit after tax	6,001	2,949	2,163	2,230	1,718
Market value	113,719	76,249	50,285	26,330	11,143
Number of apartments	54,863	39,006	30,549	19,797	7,676
Surplus ratio	56%	53%	51%	50%	48%
Loan-to-value ratio	40%	54%	59%	50%	54%
Equity/assets ratio	47%	41%	36%	41%	43%
Interest coverage ratio (multiple)	2.6	2.2	2.6	3.2	3.3
Letting ratio (residential)	97.6%	97.3%	98.7%	99.5%	99.6%
Real letting ratio, residential	99.1%	98.6%	–	–	–

Folksam and KPA Pension join the partnership

In December, the new shareholder agreement opened up for bringing in new institutional investors to participate in the European expansion of Heimstaden Bostad. The Folksam Group (Folksam and KPA Pension) entered the process early, deciding to invest in parallel with Alecta and Ericsson and Sandvik's pension schemes. Following the the subscription, Folksam Group will be the second-largest institutional investor, holding 7 percent of the capital.

Stronger partnership

In October, Heimstaden and Alecta expanded their cooperation within Heimstaden Bostad AB through a private placement for a total of SEK 9.5 billion. At the same time, Heimstaden Bostad AB acquired all of the properties in Heimstaden AB, as well as Alecta's property portfolio in Helsingborg, Sweden.

Global undertaking

In June, Heimstaden joined the UN Global Compact, pledging to deepen the company's efforts in the areas of human rights, labour, environment and anti-corruption.

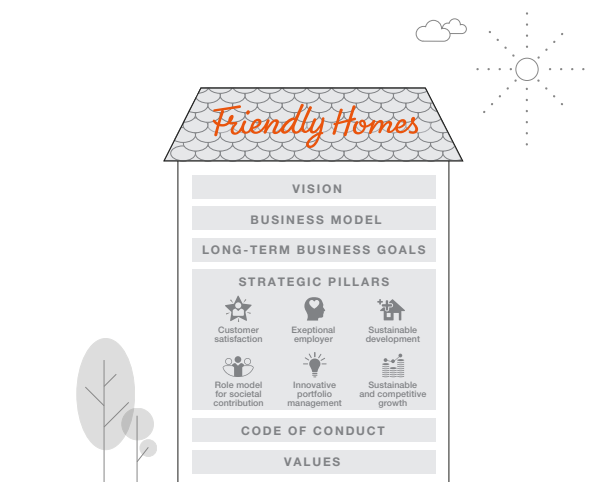


In September, Heimstaden was elected to become one of the first privately owned members of Public Housing Sweden (Sveriges Allmännyttan, formerly SABO), a special interest organisation for more than 300 public housing companies in Sweden.

SEK
9.5
BILLION

Our vision and the path ahead

Heimstaden enriches and simplifies life through Friendly Homes. This vision guided us in building up one of Scandinavia's largest residential property companies. We are now setting our sights on Europe with established operations in the Netherlands and Germany and with a large acquisition in the Czech Republic in early 2020. With population growth and urbanisation causing residential shortages for the foreseeable future, we see continued opportunities for growth with favourable returns.



VISION

We enrich and simplify life
through Friendly Homes.

BUSINESS CONCEPT

We acquire, develop and manage primarily
apartments for rent.

OFFERING

We generate value:

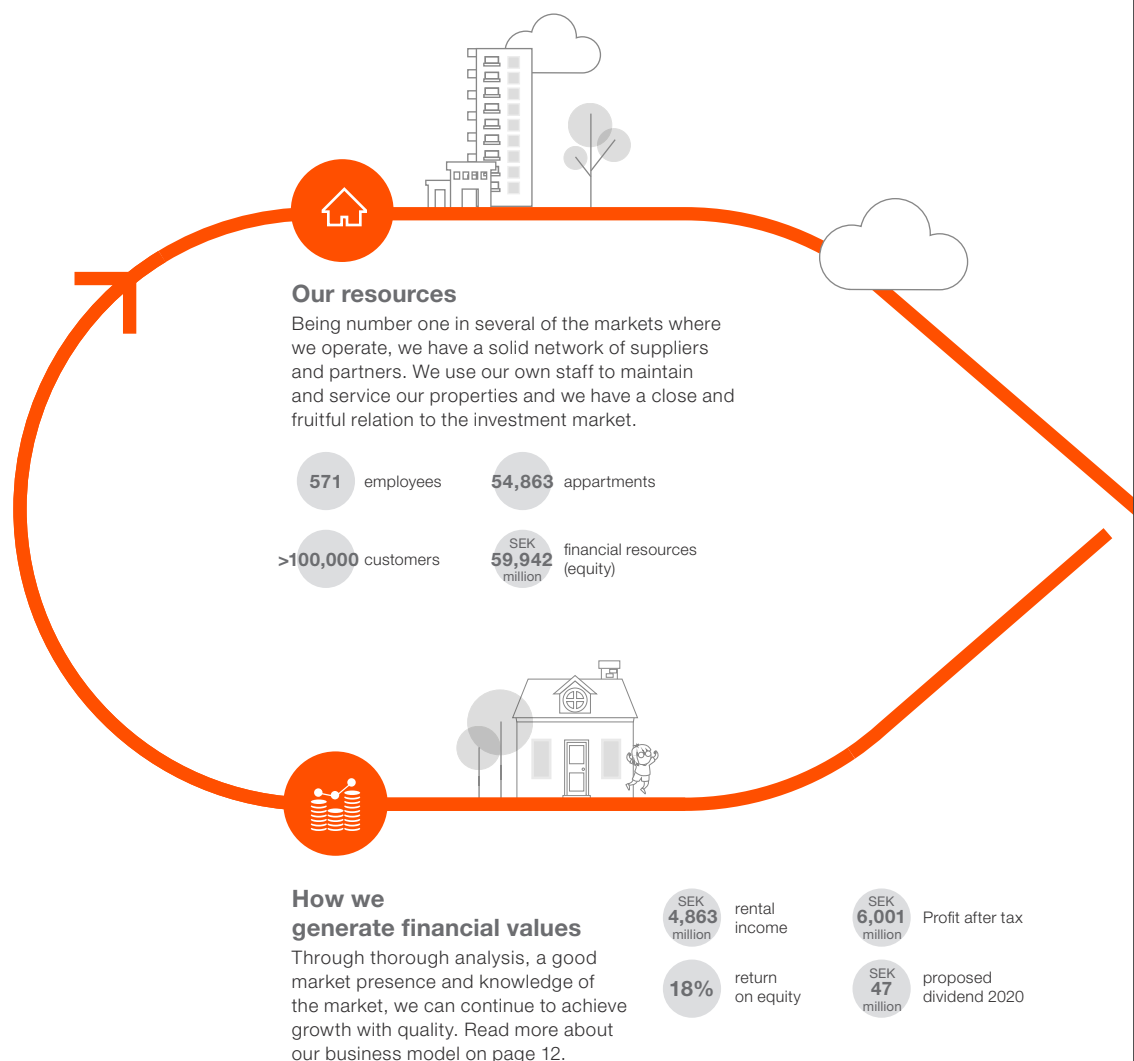
- for customers by providing Friendly Homes that offer additional value.
- for our employees by cultivating a corporate culture and work environment pervaded by our core values: *Care – Dare – Share*.
- for society by means of long-term investment, new production in locations suffering housing shortages, and through resource-efficient and sustainable property management and operations.
- for shareholders and partners through attractive and risk-adjusted returns from developing, operating and optimising a growing residential property portfolio in growth regions in Europe.

Enriching and simplifying life through Friendly Homes

We have built one of Scandinavia's largest residential property companies and are now expanding to other European markets. Based on population growth, urbanisation and prevailing housing shortages in many markets, we see continued opportunities for quality growth with favourable returns.

Our strategy

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



Culture Value

We create value for our employees by cultivating a corporate culture and work environment pervaded by our core values: *Care – Dare – Share* describing our character, how we work and how we want to be perceived. Read more about our core values on page 13.

Focus on social value

We work to promote good health and secure environments for customers, employees and suppliers. We contribute to safe and inclusive homes and urban environments in the locations where we operate. Our adopted target is for at least 1 percent of our housing in each market to be made available for social contracts. Read more about our sustainability work on pages 56–71 and 148–163.





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

Our business model

Our core processes Analysis and transaction, Property development and Property management interact when we manage the property holdings, expand and optimise the portfolio, and refine and develop individual properties. In this way, we assure good-quality residential properties in locations where demand is strong. Read more about how we work on the pages 44–53.

Environmental value

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

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

Focus on stable portfolio growth while preserving our principles

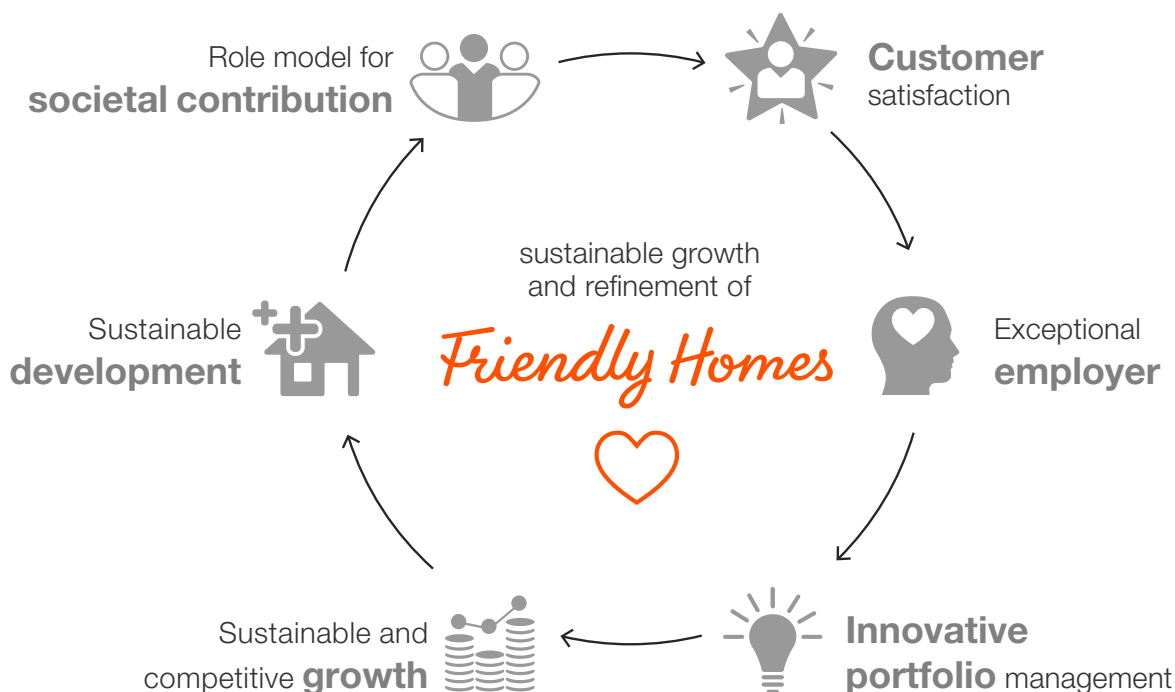
Our strategy describes the steps and measures needed to fulfil our vision
– enriching and simplifying life through Friendly Homes.



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

We believe our scale, industry expertise, relationships and targeted investment philosophy are key differentiators, providing us with a sustainable competitive advantage that presents a compelling value proposition. We continuously develop and improve our products and services to create value for our customers, employees and to support sustainable societies and the well-being of people.

The aim of our long-term strategy is to create value by supporting the needs and desires of our customers and employees. Our six strategic priorities lead the way for our decisions on what paths to pursue to benefit customers, as well as society and the Heimstaden Group.



CUSTOMER SATISFACTION

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

EXCEPTIONAL EMPLOYER

- An honest, passionate and value-based culture with competent and committed employees.
- An attractive and modern working environment, equal opportunities and high degree of diversity together with inspiring and inclusive leadership.

INNOVATIVE PORTFOLIO MANAGEMENT

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

SUSTAINABLE AND COMPETITIVE GROWTH

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

SUSTAINABLE DEVELOPMENT

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

ROLE MODEL FOR SOCIETAL CONTRIBUTION

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

Our business model

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



ANALYSIS AND TRANSACTION

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

PROJECT AND PROPERTY DEVELOPMENT

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

PROPERTY MANAGEMENT

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

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

project development
and long-term
refinement of
the property portfolio



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

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

Three fundamental core values

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

Care

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



Share

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

Dare

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

Heimstaden as an investment

Having a home is a basic human need. Combined with a number of favourable global trends and a long-term business model, this allows Heimstaden opportunities to generate good returns, from stable cash flows and capital appreciation.

Sustainable ownership

We take a lifelong view on ownership and continuously develop the quality of our residential portfolio. Through a comprehensive due diligence phase that takes economic, technical, social and environmental aspects into account, we reduce the risk of costly surprises in our portfolio. With proprietary personnel on site, we ensure that the homes we provide are friendly and offer added value, resulting in our customers staying with us for a long time.

Stable cash flow

In many of our markets, certain rent regulations exist. This provides stable cash flow. Where individual citizens are unable to meet their own living expenses, public support is often provided, meaning that the market is supported by central government or municipal cash flows. In Europe, 50–95 percent of homes are owned by residents, which means that they and we share a common interest in the residential market developing well. On the whole, this supports Heimstaden's long-term investment strategy and provides good opportunities for favourable returns.

Market leading position

We acquire properties offering good potential in economic growth regions, where the demographics are attractive. We acquire properties in locations where we can benefit from economies of scale or where the acquisition is sufficiently large to merit our establishing a proprietary organisation. Our experience of establishing operations in new places allows us to enter a new market cost-efficiently and rapidly. We are a leader in most of our current markets and our objective is to continue to build market leadership as it puts us in a central and beneficial position.

Favourable external trends

Together with urbanisation, population growth means that residential shortages remain substantial in medium-sized and large cities where businesses and higher education are growing. In parallel, younger generations appear increasingly disinterested in owning their homes – a trend that is tracking the development of the sharing economy. These trends appear similar and are strong in all of our markets, and they are expected to continue developing in a positive direction. Looking ahead, this provides a continued strong rental market.



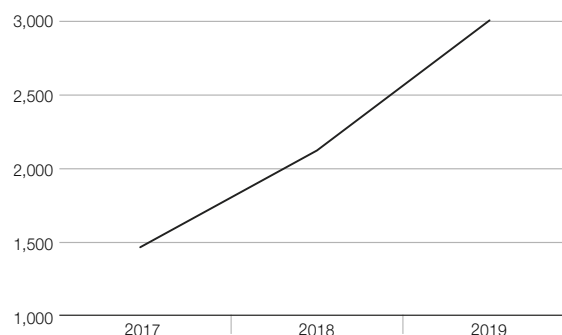
*of the holding

Earning capacity

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

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

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



Current earning capacity, SEK m	31 Dec. 2019	31 Dec. 2018	31 Dec. 2017
Rental income	5,631	3,910	2,826
Property costs	-2,449	-1,648	-1,244
Net operating income	3,182	2,263	1,582
Central administration	-184	-154	-90
Other operating income	11	–	–
Other operating costs	–	–	-21
Profit before financial items	3,009	2,109	1,472
Financial income	–	12	4
Financial costs – interest-bearing liabilities	-1,177	-832	-532
Profit from property management	1,832	1,289	944
Profit from property management attributable to:			
The Parent Company's shareholders	378	682	472
Non-controlling interests	1,453	607	472
Key data			
Surplus ratio, %	56.5	57.9	56.0
Interest coverage ratio (ICR), multiple	2.6	2.6	2.8

Extended collaboration with institutional investors

For several years, Heimstaden has worked closely with institutional partners who share our long-term view and investment philosophy. In 2019, our collaboration with Alecta deepened and two new partners agreed to invest in our business – Folksam and KPA Pension.







Heimstaden partners with a number of Sweden's most respected pension funds.

Close cooperation with external investors has been an important part of Heimstaden's strategy. We own the subsidiary Heimstaden Bostad together with Alecta, Folksam, KPA Pension and Sandvik's and Ericsson's pension foundations. In Heimstaden AB, Heimstaden Bostad gains knowledgeable and committed industrial owners, and in the institutional partners' long-term capital commitment, Heimstaden Bostad gains financial stability and well-connected owners. Together, we have both the knowledge and financial strength needed to be able to act quickly when interesting acquisition targets become available.

We seek a close dialogue with municipal companies and regional actors sharing our long-term view of residential development and where there are opportunities for densification, new building rights or other projects involving sustainable urban development.

In October 2019 Heimstaden Bostad strengthened its equity base with a private placement of SEK 9.5 billion directed at the principal shareholders Alecta and Heimstaden AB. At the same

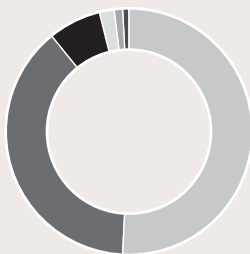
time, Heimstaden Bostad acquired Heimstaden's remaining property, as well as Alecta's residential portfolio in Helsingborg, Sweden. The acquisitions were completed in December 2019. As from December 2019, Heimstaden Bostad has decided to expand its home market to most parts of Europe.

In addition to previous capital contributions and equity issued for the transactions in 2019, Alecta has undertaken to support Heimstaden Bostad's future development with an additional SEK 7.5 billion in capital contributions.

In December, it was announced that Folksam Group had decided to invest in Heimstaden Bostad AB parallel to the other institutional investors. Through its brands Folksam and KPA Pension, Folksam Group subscribed for approximately SEK 4 billion of a cash rights issue to be implemented in early January 2020. Following the subscription, Folksam Group will be the third largest institutional investor in Heimstaden Bostad AB.



DISTRIBUTION OF OWNERSHIP
IN HEIMSTADEN BOSTAD AB
AS NUMBER OF VOTES, MARCH 31 2020



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







*heimkänsla**

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

** The feeling of being at home*

Favourable long-term market fundamentals

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

Sweden

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

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

With residential construction not meeting demand, a housing shortage continues to be generated. Forecasts show declining construction of tenant-owned apartments, while rental apartments

continue to show good pace of construction and good demand. In Stockholm, Malmö and Gothenburg, the pace of construction has increased over the past few years. By the end of 2019, however, the pace of construction is expected to decrease in Stockholm and Malmö, while increasing in Gothenburg.

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

Denmark

The Danish economy continues to perform well compared to the neighbouring countries. GDP growth was solid during 2019 and is expected to end up at 2.0 percent. A current forecast for 2020, conducted by Danske Bank, implies a level of approximately 1.3 percent. In recent years, the labour market has been developing positively, with decreasing unemployment rates due to the economic upturn. However, due to rising retirement ages and remarkable growth in high-productivity sectors, with much



+9%

Expected
population growth
in Copenhagen
2019–2030.

production conducted abroad, the unemployment rate stagnated over the last two quarters of the year. The unemployment rate in Denmark was 3.1 percent in August, although this level is expected to stagnate or even increase slightly, as the latest estimates have the unemployment rate for 2019 at around 3.7 percent.

The Danish population is expected to grow from 5.8 million in 2019 to 6.0 million in 2030, corresponding to an increase of 3.0 percent. However, Copenhagen is still the main contributor with an expected growth rate of approximately 9.0 percent. The solid historical population growth has exacerbated the imbalance between supply and demand and the historical housing shortage has accumulated into a significant supply backlog in the Capital Region. In addition, the continuing urbanisation trend supports the high demand for residential units benefitting from strategic locations in close proximity to public transportation and leisure opportunities.

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

Norway

Growth in the Norwegian economy has been strong throughout the past three years. Capacity utilisation has picked up and GDP growth of 1.0 percent is expected for 2019. In 2019, high activity in oil services, in particular, contributed to sustainable growth in the mainland economy. The growing economy supports job creation, resulting in an unemployment rate of 3.6 percent in 2019, down from 3.8 percent in 2018. Consumer prices have developed well in 2019, driven primarily by the weakened Norwegian currency and a strong labour market, leaving the 12-month growth in the consumer price index at 2.0 percent in November. Excluding energy products and adjusting for tax changes, the inflation rate is estimated at 2.2 percent in September 2019. Thus, the last 12-months' inflation is well in line with the inflation target of 2.0 percent. Household debt ratios and house prices are at high levels, although debt growth has decreased to sustainable levels over the past two years.

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

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

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

Germany

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

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

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

Netherlands

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



SEK
93
billion

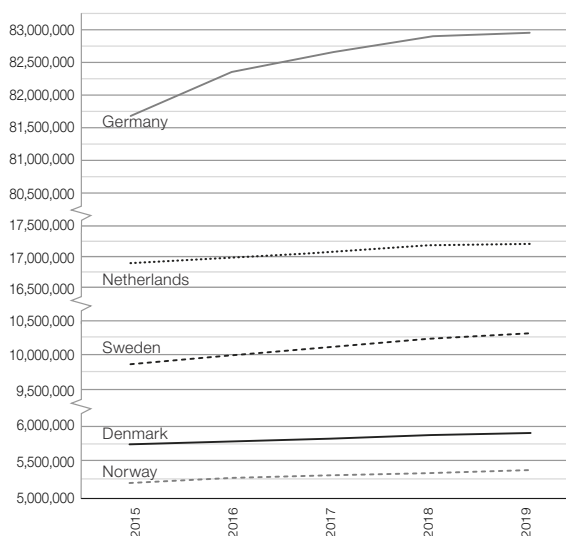
Estimated value of the
residential market in
the Netherlands 2019.

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

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

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

NUMBER OF INHABITANTS



Czech Republic

The Czech Republic is one of the most developed industrial economies in Central and Eastern Europe. Industry in the country is dominated by metallurgy, engineering, cars and electronic supplies, making up 41 percent of GDP. The largest part of the country's GDP comes from the service sector (55 percent), while the agricultural sector only contributes 5 percent. One of the most important aspects of the economy is its integration into the German supply chain.

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

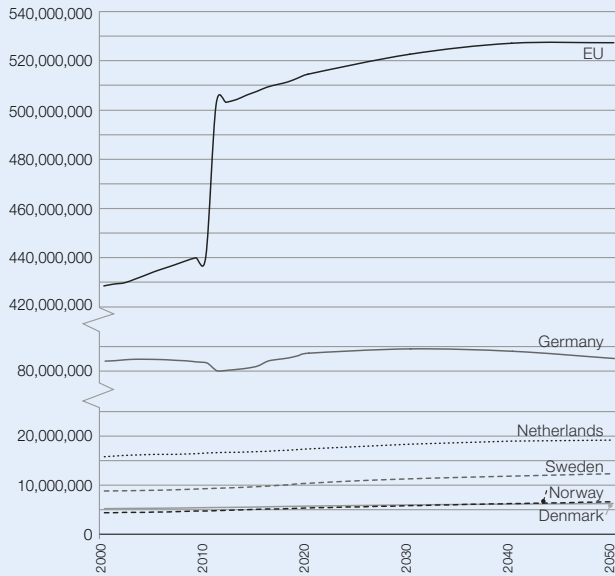
The Czech economy enjoys one of the fastest growing GDP rates in Europe. Czech GDP is forecast to grow at 1.64 percent in 2019, a modest slowdown from last year's 2.5 percent, but still well above the EU average. The Czech Republic has experienced a steady drop in unemployment rates, since the restructuring of the economy post-communism. A rising labour force participation rate (currently approximately 75 percent, compared with the EU average of 73 percent) and a record-low unemployment rate of 2.8 percent has pushed wages up. Average real wage growth, year on year, was almost 8 percent in 2019 – a trend that is set to continue.

Increasing disposable incomes, strong urbanisation and increasing household formation, due to a sharp decrease in average household size, have supported continuous demand for residential units, despite only modest population growth. Both average selling prices and rental levels have outpaced salary growth in the past few years (since Q4 2015 according to Deloitte).

Continuous increases in both selling prices and rental levels are projected to continue, due to insufficient new supply, high construction costs and regulatory changes in financing. Home ownership rates are currently at 78.5 percent (almost 10 percentage points above the EU average) meaning that rental housing is limited and only a few investors hold large portfolios of rental properties in the country.

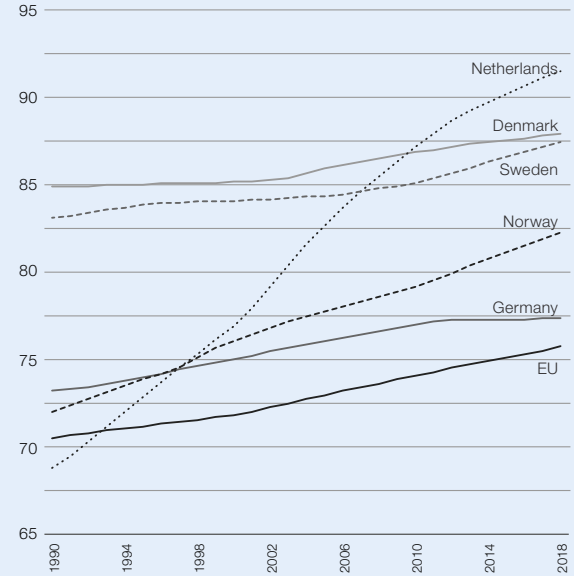
Czech Republic	2019	2018	2017	2016	2015
GDP growth, %	2.5	2.8	4.6	2.4	5.4
Inflation, %	2.9	2.2	2.4	0.7	0.3
Unemployment, %	2.8	3.2	4.2	5.5	6.5

POPULATION TREND 2000–2018 AND FORECAST 2019–2050



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

DEGREE OF URBANISATION, %



Source: World Bank

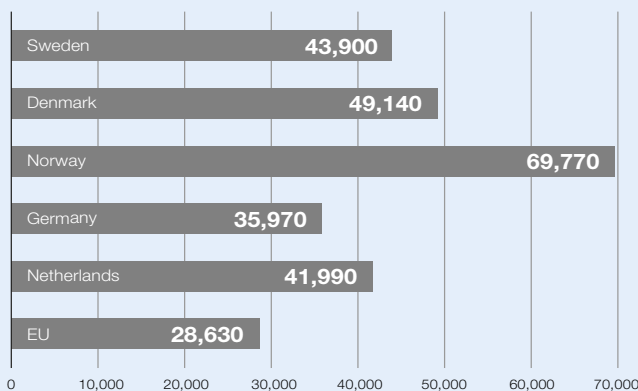
SEK 1,365 /m²

The average rent for housing in Heimstaden's portfolio is SEK 1,365 (1,404) per square metre of time-weighted area and year.

No. 1

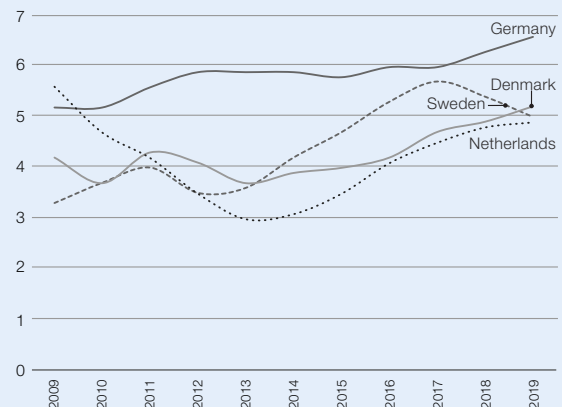
The Netherlands is ranked as one of the most stable and competitive economies globally and number one in Europe.

GDP PER CAPITA 2019, EUR



Source: Eurostat
The EUR/USD Exchange rate on 30 December 2019 was 1.1196, Bloomberg
Comment: The original source was in USD and was converted to EUR using exchange rates from Bloomberg

HOUSING CONSTRUCTION, % OF GDP



Source: Eurostat (no data available for Norway)

Diversification benefits from mix of regulated and market-based rents

Operating in six different markets with differing legislation on leasing means that Heimstaden has a mixed portfolio of regulated and market-based rents.

This provides stable and secure cash flows, while also allowing the company to benefit from favourable dynamics in supply and demand.

Sweden

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

The utility value principle means that apartments with the same utility value must have the same rent. Accordingly, utility values and rents between apartments/properties within the same micro location (town or city neighbourhood) are compared.

The consequence of the system is that the maximum rent levels permitted may be lower than what the market is willing to pay, i.e. the market rent. We find the widest spreads between utility value rents and theoretical market rents in the largest cities. This results in considerable stability when the economy slows as, in principle, the rent level will not fall as it reflects very high affordability. A regulated rental system like this lowers the yield requirements for rental properties.

All Swedish rental agreements are subject to rent regulation and are valid until further notice. The current government has declared market-based rent will be initiated on new production, although a starting date has yet to be set.

Denmark

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

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

Rent for regulated rental apartments can generally only be raised in line with the operating costs of the property. When making improvements, rent can be increased as follows:

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

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

Norway

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

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

Germany

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

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

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

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

Netherlands

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

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

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

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

Czech Republic

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

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

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

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

Geographic distribution

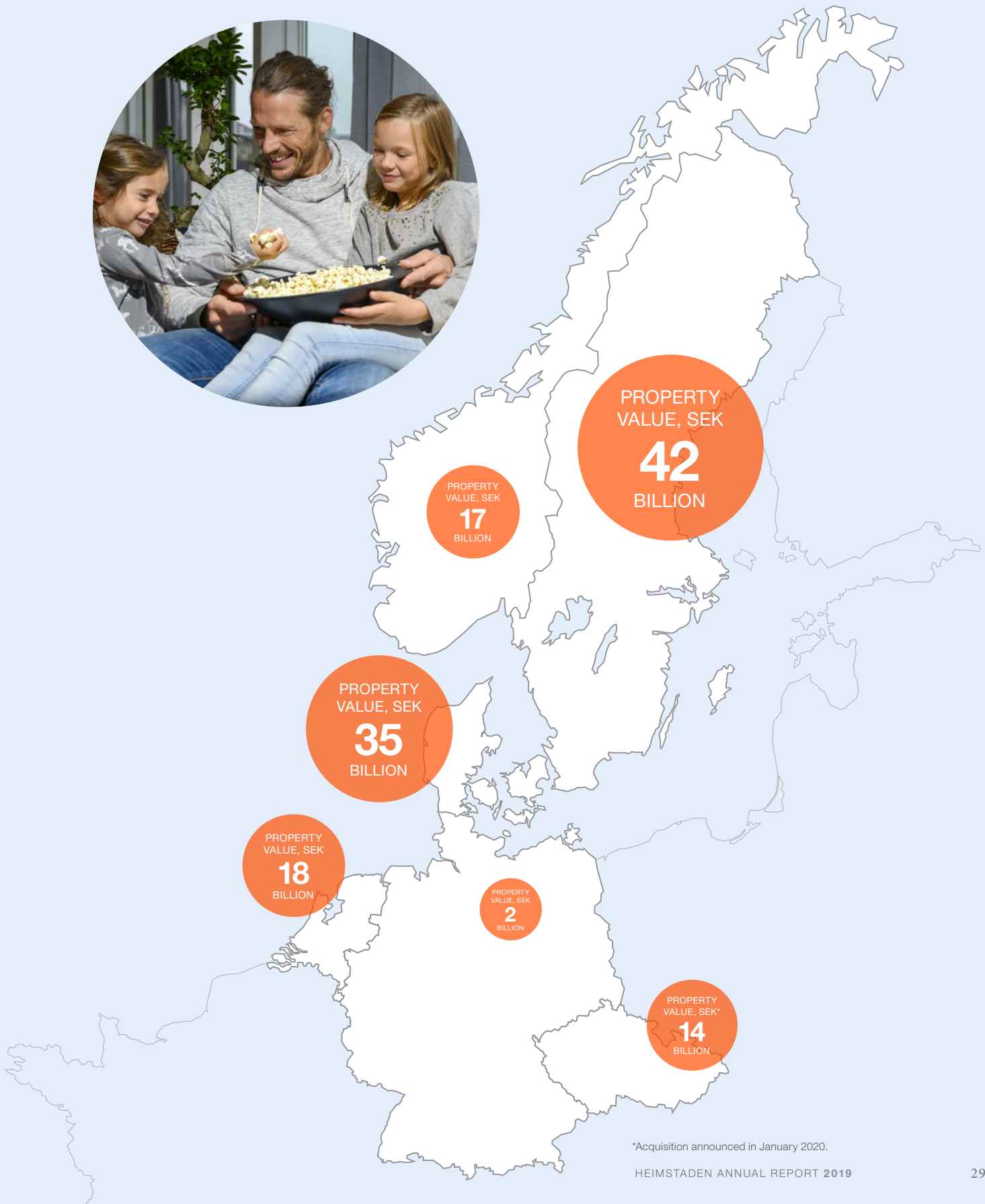
Heimstaden's property portfolio is diversified, consisting of good quality facilities in markets with strong macroeconomics and demographics. In many of our markets, Heimstaden is the largest private owner of residential properties.

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

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

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

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



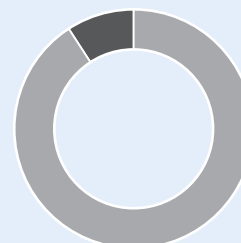
*Acquisition announced in January 2020.

Well diversified portfolio

PORTFOLIO OVERVIEW

Country	Market Value, SEK M	No of residential units	Residential, m² (000)	Commercial, m² (000)	Total, m² (000)	Occupancy ratio, %
Sweden	41,630	29,283	1,777,406	252,298	2,029,704	98.4
Denmark	34,642	9,469	804,195	38,555	842,750	95.7
Norway	17,372	4,582	159,417	62,748	222,165	97.1
Netherlands	17,781	10,447	851,653	12,559	864,212	96.9
Germany	2,292	1,082	68,168	4,311	72,479	99.2
Total	113,718	54,863	3,660,839	370,471	4,031,310	97.6

DISTRIBUTION BY ASSET CLASS, SQUARE METRES



Residential, 91%
Commercial, 9%

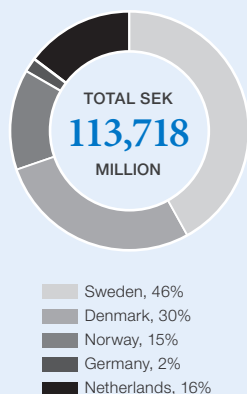
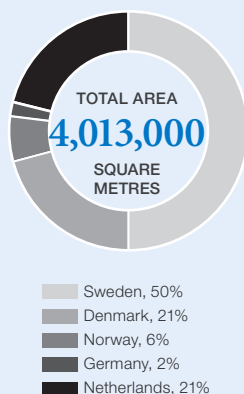
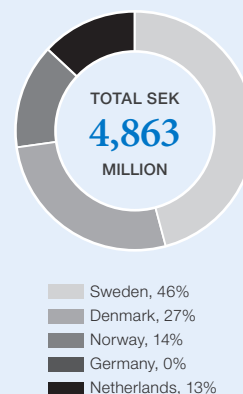


Enen, 4, Norrköping



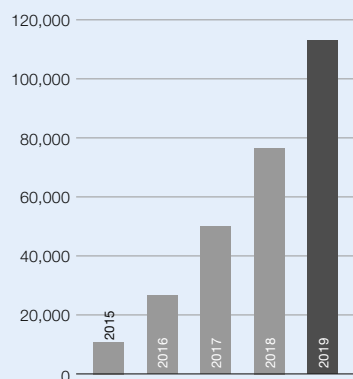
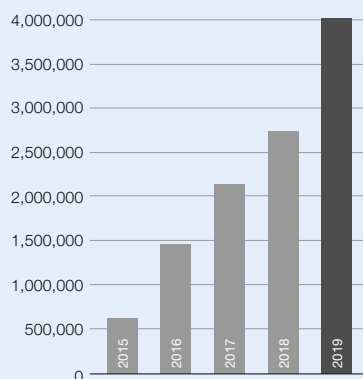
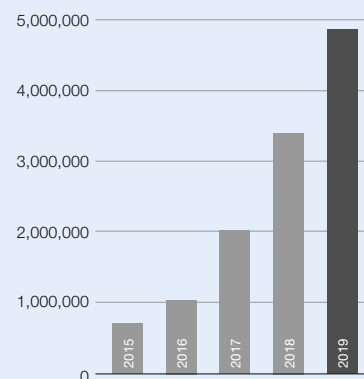
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Geographic distribution

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

1) On the balance sheet date, 31 December 2019

2) For the 2019 financial year

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

CHANGE IN MARKET VALUE OF INVESTMENT PROPERTIES, SEK M

	31 Dec. 2019	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015
Opening balance	76,249	50,285	26,330	11,143	10,378
Divested	-14	-148	-1,048	-262	-3,864
Acquisitions	27,859	21,696	22,194	6,738	3,562
Acquisitions from associated companies	–	–	–	6,236	–
Investments	2,607	1,291	393	143	227
Currency change	554	244	291	110	–
Market value after transactions	107,255	73,368	48,161	24,109	10,303
Unrealised value change	6,463	2,881	2,124	2,221	840
Closing balance	113,719	76,249	50,285	26,330	11,143

Sweden

With 29,300 homes throughout the country, Sweden remains Heimstaden's largest market. We have a broad and well-diversified portfolio, allowing us to offer our customers many different types of rental properties.



Property portfolio

Heimstaden currently owns 29,300 homes in 28 large and medium-sized towns and cities throughout the country. The churn rate is 10 percent, if residents in student housing are excluded. Including students, the churn rate is 18 percent. Our customers reflect the society as a whole, ranging from students and single households to families and seniors. Together, the properties comprise 2,029,704 square metres, including 252,298 square metres of commercial premises. During the year, about 200 new apartments were completed. In 2020 and 2021, a further 440 apartments will be completed.

Choice of location

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

Challenges and opportunities

In recent years, rapid population growth has caused demand for housing in medium-sized and large towns and cities to continue rising. Combined with the introduction of mortgage-amortisation requirements and recent years' rising housing prices, this may increase interest in rental housing. Regulated rent levels protect the Swedish rental market from major cyclical fluctuations. On the whole, this allows us good opportunities to continue our expansion through new production and by making additional acquisitions of existing portfolio.

Significant events

During the year, Heimstaden was granted associate membership in Public Housing Sweden – an industry and special interest association of more than 300 public housing companies in Sweden. The organisation has decided that it will, henceforth, grant membership to private owners meeting specific social responsibility requirements. Heimstaden was among the first private owners to be voted in.

During the year, several new units were acquired in seven midlarge cities, among them 2 residential units in Helsingborg a new location for Heimstaden. No properties were sold during the year.

Priorities in 2020

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

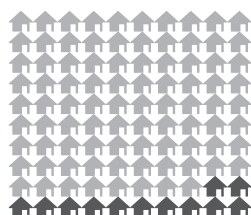


Property-related key data – Sweden

	2019	2018	2017	2016	2015
Market value, SEK m	41,630	35,995	30,320	21,172	10,506
Rental income, SEK m	2,231	2,039	1,622	907	697
Net operating income, SEK m	1,084	985	788	429	334
Surplus ratio, %	48.6	48.3	48.6	47.3	47.9
Letting ratio (housing), %	98.4	98.1	99.3	99.7	99.6
Area, m ²	2,029,704	1,921,044	1,706,403	1,347,930	615,166

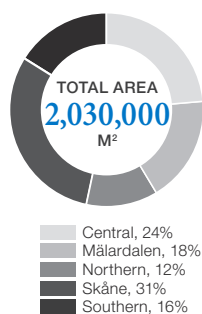


DISTRIBUTION OF SPACE IN THE PORTFOLIO, %

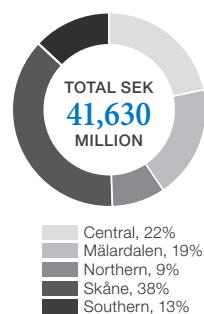
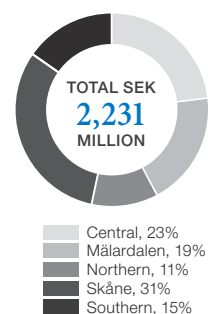


Housing, 88%
Commercial, 12%

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

AREA BY REGION ¹⁾

1) On the balance sheet date, 31 December 2019

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

2) For the 2019 financial year

Denmark

Heimstaden is now the country's largest private owner of residential property, with operations in several regions. Despite increasing competition Denmark remains an attractive market for investment.



Property portfolio

During the year, 1,208 new apartments were completed, bringing the total number of apartments around Denmark to 9,000 in 136 properties. The average lease length is five years. The portfolio encompasses a total area of 966,000 square metres. The portfolio also includes 164 commercial premises and 1,892 parking spaces. In 2020 and 2021, a further 750 homes will be completed.

Choice of location

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

Challenges and opportunities

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

find appropriate customers for our major new production projects. It is uncommon for other landlords to perform property management and customer service themselves, allowing Heimstaden opportunities for competitive advantages through our customer-oriented and long-term approach, whereby we conduct most of our services in-house.

Significant events

During the year, a major acquisition, encompassing a total of 1,400 apartments, was conducted outside Copenhagen. Simultaneously we continue with extensive new production. The Danish organisation increased from 40 to 100 employees during the year, with most of the new employees working with leasing, customer service and property management.

Priorities in 2020

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

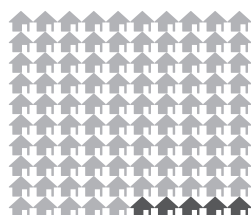


Property-related key data – Denmark

	2019	2018	2017	2016	2015
Market value, SEK m	34,643	23,782	12,325	5,159	637
Rental income, SEK m	1,292	744	309	151	22
Net operating income, SEK m	825	457	193	101	13
Surplus ratio, %	63.9	61.4	62.3	66.9	61.4
Letting ratio (housing), %	95.7	94.3	96.4	97.4	100.0
Area, m ²	842,750	562,660	327,031	109,629	12,072

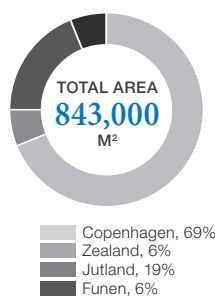
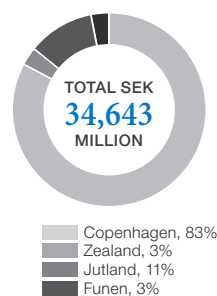
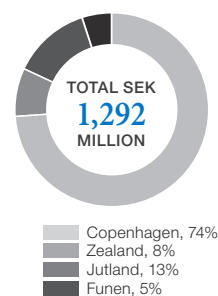


DISTRIBUTION OF SPACE IN THE PORTFOLIO, %



Housing, 95%
Commercial, 5%

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

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

1) On the balance sheet date, 31 December 2019

2) For the 2019 financial year

Norway

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



Property portfolio

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

Choice of location

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

Challenges and opportunities

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

Significant events

Following our ambition to reduce climate impact, 25 fossil-fueled service vehicles were replaced by electrical vehicles during the year. This means, Heimstaden Norway's fleet of vehicles is now powered entirely by electricity.

During the year, we increased our focus on the customer experience. We have refined our customer service processes and launched new customer surveys that closely monitor our performance. Already during the year, we could see an increase in customer satisfaction.

A total of 107 residential units were added to the portfolio in Oslo through construction projects in the Kielland block and in Thulstrupsgate.

At the end of 2018, the company changed its name from Fredensborg to Heimstaden. The process of establishing the new brand and its values was well received in 2019 and Heimstaden is now the largest owner by far in the market for rented accommodation.

Priorities in 2020

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

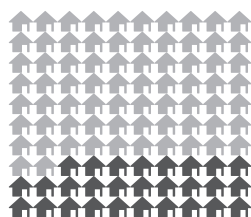


Property-related key data – Norway

	2019	2018	2017	2016	2015
Market value, SEK m	17,372	15,530	7,640	–	–
Rental income, SEK m	702	604	82	–	–
Net operating income, SEK m	469	369	46	–	–
Surplus ratio, %	66.8	61.1	56.5	–	–
Letting ratio (housing), %	97.1	96.6	95.4	–	–
Area, m ²	222,165	216,347	95,182	–	–

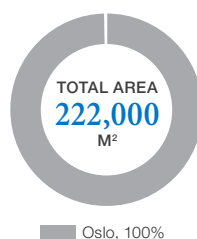


DISTRIBUTION OF SPACE IN THE PORTFOLIO, %



Housing, 72%
Commercial, 28%

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

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

1) On the balance sheet date, 31 December 2019

2) For the 2019 financial year

Germany

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



Property portfolio

The portfolio comprises 1,083 apartments, 48 commercial units and 134 parking spaces, covering a combined area of 72,481 square metres. Gradually, the apartments will be renovated if needed, but only when a tenant moves out. In Germany, property management is conducted partly in-house, with the support of an external party.

Choice of location

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

Challenges and opportunities

After several years of debate, new rent regulations have been introduced in Berlin, freezing rent levels for the next five years. This could have a negative impact on interest in property

investments and renovations of existing holdings. At the same time, uncertainty in the market provides good opportunities for acquisitions.

Significant events

At the end of 2019, Heimstaden acquired a residential portfolio of 599 residential units, 48 commercial units and 36 parking spaces located in Berlin and Bielefeld.

Our largest property in Berlin is currently heated using oil as fuel, although the process of converting to gas has begun. This will result in significantly lower impact on the climate.

Priorities 2020

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

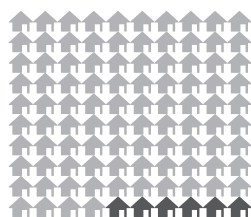


Property-related key data – Germany

	2019	2018	2017	2016	2015
Market value, SEK m	2,292	703	–	–	–
Rental income, SEK m	21	5	–	–	–
Net operating income, SEK m	13	-1	–	–	–
Surplus ratio, %	58.8	–	–	–	–
Letting ratio (housing), %	99.2	93.8	–	–	–
Area, m ²	72,479	27,831	–	–	–

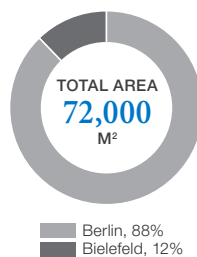
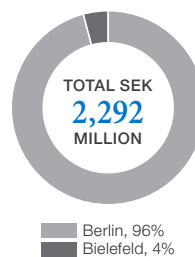


DISTRIBUTION OF SPACE IN THE PORTFOLIO, %



Housing, 94%
Commercial, 6%

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

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

1) On the balance sheet date, 31 December 2019

2) For the 2019 financial year

Netherlands

A major acquisition during the year has established Heimstaden as a national owner in the Netherlands. We now own properties in 159 cities around the country. In 2020, in-house personnel will take over most of the management and operation of our properties.



Property portfolio

Today, Heimstaden owns 10,447 residential units in 555 assets, with a combined area of 865,043 square metres. The portfolio also includes 83 commercial units and 2,244 parking spaces. The churn rate was 10 percent in 2019, giving an average lease length of approximately 10 years.

Choice of location

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

Challenges and opportunities

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

The year's major acquisition caused us to quickly commence building up our own organisation in the country. This was achieved by taking over an existing management company with 25 employees who were already managing with the acquired properties. During the second half of the year, intensive work was conducted to introduce and train the new employees in Heimstaden's working methods, culture and values.

Significant events

During the year we have evaluated further expansion of our Dutch platform, where we see continued good value in the affordable housing segment. Two large acquisitions during the year, with a total of 10,316 residential units, 83 commercial units and 2,116 parking spaces, manifests our dedication to the Dutch residential market.

Priorities 2020

In 2020, Heimstaden's own personnel will take over most of the property management and operation. This will entail approximately 60–70 new employees, being employed mainly in letting, customer service and property management. The Netherlands is an attractive market and we are continuing to assess possible acquisitions or new construction projects in the country.

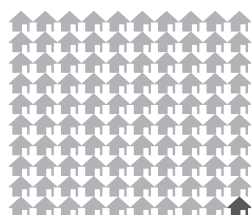


Property-related key data – Netherlands

	2019	2018	2017	2016	2015
Market value, SEK m	17,781	236	–	–	–
Rental income, SEK m	617	1	–	–	–
Net operating income, SEK m	334	1	–	–	–
Surplus ratio, %	54.1	68.1	–	–	–
Letting ratio (housing), %	96.9	100.0	–	–	–
Area, m ²	864,212	4,478	–	–	–

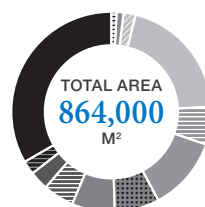


DISTRIBUTION OF SPACE IN THE PORTFOLIO, %

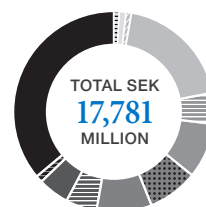


Housing, 99%
Commercial, 1%

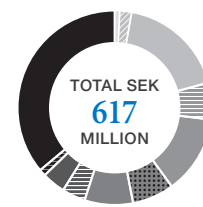
Commercial units are typically shops and small offices located on the ground floor of residential properties.

AREA BY REGION ¹⁾

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

MARKET VALUE BY REGION ¹⁾

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

RENTAL INCOME BY REGION ²⁾

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

1) On the balance sheet date, 31 December 2019

2) For the 2019 financial year





*heimodlat**

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

**Home grown*

A year of major transactions

Heimstaden develops its property portfolio by acquiring properties in accordance with its adopted strategy. The process builds on careful analysis, an in-depth awareness of each market and an established presence there. In 2019, we made acquisitions for a combined value of SEK 28 billion in prioritised locations. Based on the same strategy, we established ourselves in the Czech Republic in Januari 2020.

+41%

Increase in number of owned apartments compared with the end of 2018.

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

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

In 2019, Heimstaden decided to make a substantial investment in the Netherlands following a thorough analysis of the country's legislation on housing and taxation, its political environment and other macroeconomic indicators. We perceive clear improvement in the quality of our expansion processes with each new market we enter – and we feel well equipped to increase the pace at which we enter new markets in a prudent and commercially sustainable manner.

Heimstaden's transaction process

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

attractive properties and respond early when one comes up for sale. During 2019, new transaction teams were established in Denmark and the Netherlands and, by the end of the year, we had transaction experts in all markets except for Germany.

The properties should be of good quality in relation to the relevant geographic area or in such condition that the right quality level can be achieved with reasonable investment. If these criteria are met, we initiate a dialogue with the sellers. If the process continues, we perform a thorough technical inspection of the properties and a detailed legal and financial review of the property and (where share transactions are concerned) of the company. Assessing environmental and climate considerations is particularly important in this due diligence process. We focus on our impact, reflecting on how we can improve, rather than just 'ticking the boxes' to ensure that all properties we acquire meet certain sustainability criteria. Once the terms for underwriting the transaction have been verified and we are in agreement with the seller, a purchase agreement is drawn up.

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

Several major transactions in 2019

In the first half of the year, we observed a discrepancy between seller price expectations and what buyers were prepared to pay. This gap decreased during the summer following a drop in long-term interest rates, which made buyers more inclined to adjust their

yield requirements. At the same time, sellers also appeared to become more accommodating, following a period of low transaction volumes. As a whole, the year presented a number of attractive investment opportunities and our rapid expansion continued.

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

For our transaction team, intensive efforts preceded the sizeable investment made in the Netherlands in March 2019. The success of this project demonstrates clearly our ability, not only to make large acquisitions, but also to enter new geographical markets. Other large-scale transactions during the year included the acquisitions of the Brentwood portfolio in Denmark (January 2019) and the Coral portfolio in the Netherlands (July 2019).

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

Heimstaden becomes the largest private property owner in the Czech Republic

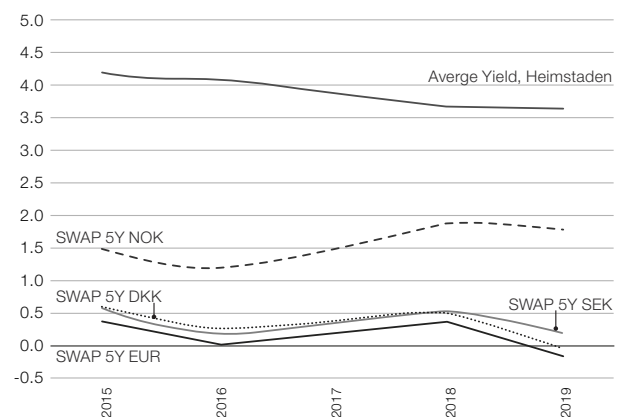
In January 2020, Heimstaden's subsidiary Heimstaden Bostad AB acquired a Czech housing portfolio consisting of 4,515 properties with 42,584 apartments and 1,675 commercial premises, covering a total of 2.6 million square metres of lettable area. The acquisition makes Heimstaden the Czech Republic's largest private property owner.

The acquisition also included a full-scale operational platform, with its own property management and project and property development operations, with nearly 500 employees.

The portfolio is mainly located in the Moravia-Silesia region, which is the most densely populated region in the Czech Republic after the capital Prague. The acquisition represents part of Heimstaden's strategy to expand its core markets to include most of Europe, where select markets in Central and Eastern Europe are in focus, with a favourable housing market and a strong macro-economic trend.

» Heimstaden has the largest private residential portfolio across Scandinavia and in the Czech Republic with a growing footprint in the Netherlands and Germany. «

AVERAGE YIELD HEIMSTADEN V. MARKET INTEREST RATES, %



Long-term property and project development

When we renovate properties, we generate value for our customers while ensuring we have a portfolio that is stable in the long term, with cost efficient operations and increased rental income. Heimstaden takes a lifelong perspective on ownership and our renovation or construction projects are therefore carried out using sustainable materials of good quality.

1,445

Total number of apartments where renovation commenced in 2019.

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

Standard saves costs

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

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

The new standard also covers outdoor environments, stairwells and other common areas and will be introduced in all markets in 2020. The common standard is also important in reducing our environmental impact. By selecting quality materials, we



New construction

TILIA, VÄXJÖ, SWEDEN

Constructed: December 2020

Number of apartments: 94

Estimated investment:

About SEK 110 million

3,775 m²

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





Refinement

**RINGERTOFTEN,
BISPEBJERG, COPENHAGEN,
DENMARK**

Constructed, year: 1933

Renovated: 2019 – on going

Number of apartments: 411 and
2 commercial units.

**28,444 m²
renovated**

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

Refinement

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

Constructed, year: 1937

Renovated: 2018 – on going

Number of apartments: 678

**678 apartments
renovated**

In Hostrups Have in the city center of Copenhagen, a careful renovation of 678 apartments and common areas is taking place over a ten-year period.



ensure that fewer renovations need to be made, which has a positive impact on the environment and the climate. We choose contractors who share our values and our focus on our customers' well-being.

The Hostrups Have block in Copenhagen is an example of this. Here we are renovating the entire block of about 700 apartments over a ten-year period. The renovation process is gentle, and apartments are being renovated once they become vacant. The building was in poor condition when acquired by Heimstaden and will need extensive renovation, that will be carried out with great attention to our customers. A comprehensive upgrade of the common areas is in progress. In this way, we generate long-term value in our portfolio. In 2019, renovation commenced of 934 apartments in Sweden, 196 in Norway, 257 in Denmark, 58 in Germany and 303 in the Netherlands.

Mainly constructing rental apartments

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

apartments were completed, distributed between Denmark and Norway. There is an organisation in place in each of the countries to monitor the market and identify possible new production projects within our existing portfolios or outside them.

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

Generating value together

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

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

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

Joint venture / associated company	JV established	Heimstaden AB's holding, %	Number of apartments
Heimstaden AB – Gamlebro – associated company with Hyresbostäder i Norrköping and Henry Ståhl, www.yllefabriken.se	2015	40	253
Heimstaden AB – Fastighets AB Rosengård – associated company with MKB, Balder and Victoria Park, www.rosengardfastigheter.se	2016		
Heimstaden AB – Slagterigrunden Roskilde – JV with KPC	2018	50	80
Heimstaden Danmark A/S – Windrose – JV with BIG (Bjarke Ingels Group), Lars Kristensen & Peter Höpfner, www.esbjertowers.dk	2018	50	5,000
Heimstaden AB – Byggrätt Norr AB – JV with Skebo, Riksbyggen och Lindbäcks	2019	19	1,100
Heimstaden AB – Upplands Bro Brogårds stage 2 – JV with Magnolia	2019	50	828
Heimstaden AB – Österåkerporten AB/Näsängen Mark AB, JV with Magnolia	2019	50	1,993

Adding value through strong customer focus

Heimstaden endeavours to become one of Europe's leading housing companies in terms of service to customers. Living in one of our buildings should not only be safe and comfortable, it should also add value and service beyond expectations.

32

total number of offices in Sweden, Denmark, Norway and the Netherlands.

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

Proprietary organisation in four countries

At the end of the year, the property management organisation in total comprised some 460 employees. Of a total 32 offices, 28 were located in Sweden, two in Denmark, one in Norway and one in the Netherlands. In Germany, where the number of apartments does not yet justify maintaining an organisation of our own, property management is performed by an external partner under the supervision of our own personnel. The major acquisitions in the Netherlands during the year and in Denmark imposed substantial demands on our capacity to quickly introduce a large number of new employees to Heimstaden's working model

and values. In the Netherlands, we acquired a complete property management organisation, while in Denmark the organisation was built from the ground up over the year.

Understanding our customers

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

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





The customer magazine Heimkänsla is distributed to all customers in Sweden and Norway with local issues four times a year. During 2020, the distribution will also include customers in Denmark and the Netherlands.

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

Offering numerous points of contact

Our choice to have our own employees for property management allows for many meetings and interactions with our customers – in their homes or in the common areas of the properties. In addition, there has to be a 24/7 preparedness for any urgent issues. We have arranged our customer service to allow for the customers to contact us at their own convenience. This is based on three pillars – personal contacts (e.g. service centres, telephone), digital (e.g. email, chat, web) and self-service (My Pages,

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

Adding value and nudges

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

» Considerations of sustainability are becoming increasingly important. «



Sustainable property management

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

Focus for 2020

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



DISTRIBUTION OF AREA UNDER MANAGEMENT
BY COUNTRY, SQUARE METRES



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

+48%

The total area managed by Heimstaden increased by 48 percent in 2019. Among other events, the total area managed by Heimstaden in Norway and the Netherlands doubled in 2019.





*heimvaro**

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

**Home community*

Sustainability – the only way forward

For Heimstaden, sustainability work doesn't just entail generating value for customers, for the company and for the surrounding community. To us, this work is much more than that. We want to make sure that Heimstaden creates sustainable homes equipped to meet societal challenges, such as climate change, exclusion and housing shortages. We are committed to integrating aspects of sustainability into all of our operations. Read more in our Sustainability Report on page 148–163.

40%

The property sector's share of total energy usage.

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

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

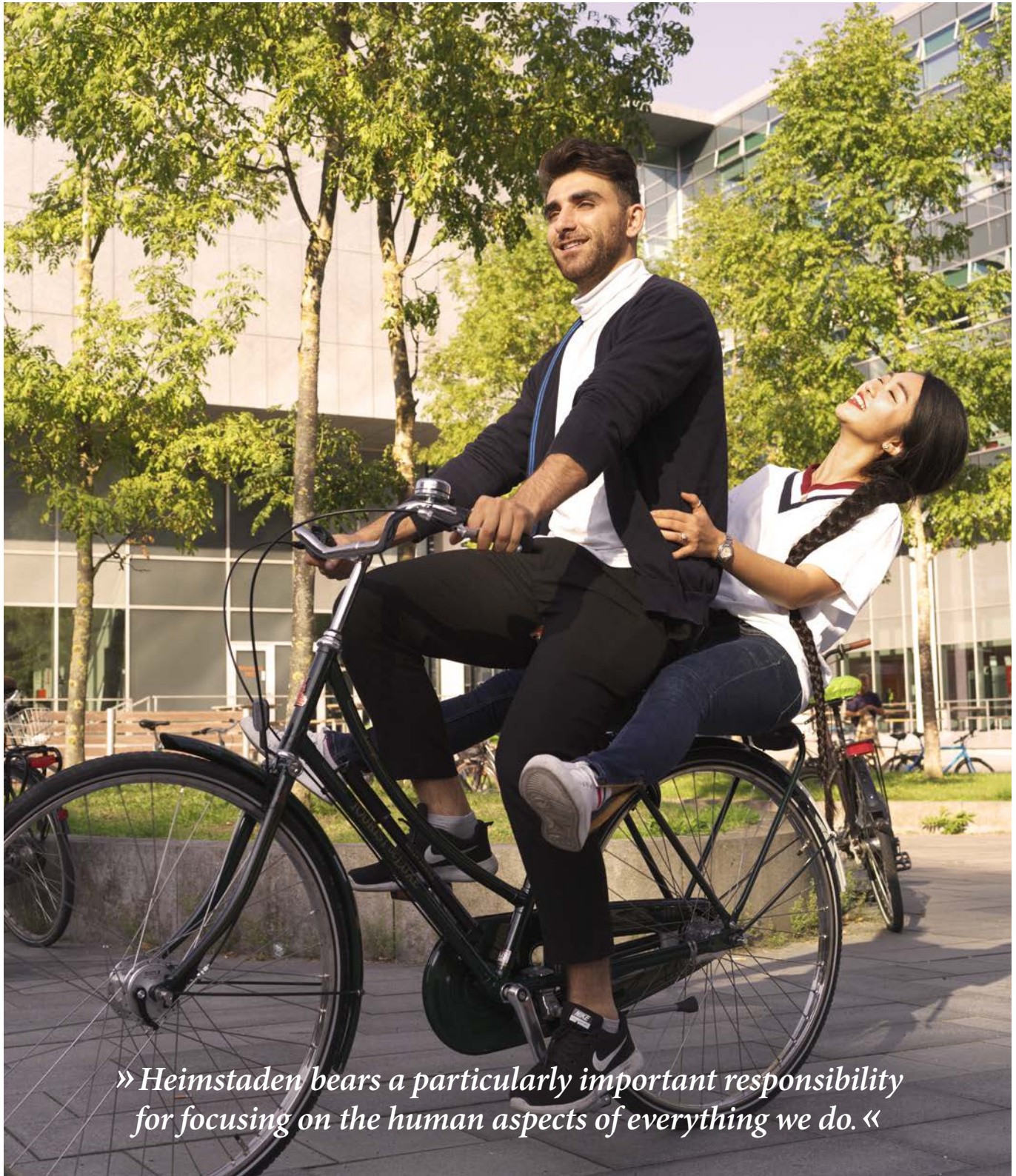
Focus on climate

We believe that generating value in a modern way and benefiting the community requires issues of sustainability to be included

at all stages, from raising capital and performing due diligence when making new acquisitions to project planning, property management and the operation of our support functions. We are able to attract green investment and become an attractive partner for municipalities planning to sell their property portfolio. This means more satisfied and motivated employees and a better dialogue with our suppliers. It also builds value for our customers, who increasingly expect us to work sustainably.

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

In the EU, the property sector accounts for about 40 percent of energy usage and about 36 percent of greenhouse gas emissions



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



WE SUPPORT



GLOBAL COMPACT
Heimstaden joined the UN Global Compact in 2019, the world's largest corporate sustainability initiative, calling on companies to align their strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and to take actions that advance societal goals.

(EU Taxonomy 2019). This is where we can make a big difference by choosing sustainable energy solutions and reducing greenhouse gas emissions. For us, a warmer climate will mean that we more frequently will have to deal with intense rainfall, flooding, storms and heat waves, which will generate wear and tear on our properties and have consequences for our customers.

Starting from our sustainability strategy

Aspects of sustainability have been present since the company was formed. For us it is of substantial strategic value to make our sustainability work more cohesive. For this reason, we continued

to build a long-term platform for our sustainability work during 2019. We also joined the UN Global Compact, committing to adhere to its ten principles.

We have also continued our work to link our own sustainability targets to the UN's 17 Sustainable Development Goals. The SDG:s have 169 sub-targets, we have identified the sub-targets where we believe we can make the greatest difference and linked our sustainability targets to these. In the sustainability notes on pages 148–163 you can view our connection to the Sustainable Development Goals. To be able to discuss issues of sustainability from numerous perspectives, we will establish a cross-functional Sustainability Council comprising members from different parts of the company.

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

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

TCFD

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

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

Mapping our risks and others'

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

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

Read more about our significant risks and risk management on pages 82–86.

Strengthened purchasing organisation

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

For specific, major renovation or new production projects, procurement is conducted centrally by the project organisation, while a number of Group-wide agreements are handled by the purchasing function. Traditionally, many of Heimstaden's smaller purchases



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



LIVING OUR VALUES

Silke Fersner

Letting manager

» Having joined the company from a partner, I have, from the outset, followed Heimstaden's journey from the sidelines. I chose Heimstaden as my place of work because I really wanted to share that journey. Heimstaden has a particularly inspiring culture that I have not experienced previously – and that is precisely what makes you happy to go to work and happy when you return home.

On a day-to-day basis, I work as a consultant in leasing, dealing with all aspects of leasing legislation, as well as spending a very large part of my time compiling reports and statistics of various kinds. In addition to my full-time job, I am studying in the evenings to gain a Graduate Diploma in Business Administration from the Copenhagen Business School.

Accordingly, Heimstaden is ensuring that I enjoy optimum conditions for further professional development, providing me with the best tools possible for resolving everyday tasks at work. «



THE GLOBAL GOALS For Sustainable Development

Our sustainability targets are all linked to the Sustainable Development Goals.

have been made by managers or other individuals, who have been responsible for procurement being conducted in line with the company's policies and guidelines. In connection with major procurements, tenders are to be sought from at least three suppliers. As we standardise our renovation projects (see pages 46–49), procurement will be simplified, with larger quantities of materials being purchased from a smaller number of suppliers.

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

Priorities 2020

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

Environment

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

Since acquiring existing properties represents a considerable part of our operations, we can make the largest difference by bringing our older portfolio up to modern standards, involving a large number of properties of varying size. By upgrading existing portfolio, we generate positive environmental and social effects for instance by lowering climate impact or increasing security. In line with the Paris Agreement, we are working intensively to reduce our carbon footprint and to improve the energy efficiency of our properties and build resilience to climate change. We also contribute to biodiversity and ecosystem services – efforts strengthened by our sustainability strategy. We are also working on social aspects in our housing, for example, courtyards offering

favourable opportunities for neighbours to socialise or to grow plants and vegetables together. You can read more about our environmental work on pages 148–163.

Personnel and social conditions

We meet our tenants on a daily basis. This gives us unique opportunities to understand their needs and wishes in terms of the social aspects of their housing, as well as their comfort, well-being and security. Our dialogue with customers is key and we are accessible, receptive and responsive to ensure that customers enjoy an equally favourable experience regardless of what building or country they live in. We are aware of the particular social responsibility that we bear as a housing company. People's homes represent an important foundation for their security and personal life, and we monitor social challenges and current housing issues closely to see how we can contribute to a socially sustainable society. Our adopted target is that at least 1 percent of our housing in each market is available for social contracts – meaning that we earmark a certain number of apartments for rental to those unable to arrange their own housing.

Governance for sustainability

External regulations and undertakings

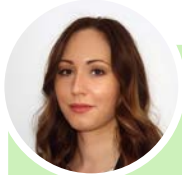
- Swedish Annual Accounts Act
- Environmental legislation
- Work environment legislation
- Discrimination Act
- Building regulations from the National Board of Housing, Building and Planning
- Other applicable laws and regulations
- The UN's Sustainable Development Goals
- The UN Global Compact
- Environmental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

Internal governance documents

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



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



LIVING OUR VALUES

Ellen Bergvall

Heimstaden's transactions department

» For the past two years, I have been working at Heimstaden in parallel with my studies. I began as an office assistant and have also worked in lease administration. I now work as a transaction assistant at headquarters in Malmö. Working in different departments, trying new things and, above all, being given new challenges is highly developmental. The culture is also highly supportive with managers showing confidence in me so I look forward to continuing my career with Heimstaden when I have completed my studies. «



LIVING OUR VALUES

Pooja Dhawan

HR & Sustainability Intern

» I secured my internship at Heimstaden through Jobbsprånget, a programme run by the Royal Swedish Academy of Engineering Sciences (IVA) with the purpose of hastening the introduction to the Swedish labour market of recently arrived academics. I am working with various tasks and assignments in HR and Sustainability at Heimstaden. It is exciting to work in a rapidly growing company with a favourable and friendly culture. I really enjoy working at Heimstaden. Most importantly, however, I receive valuable support and encouragement from the managers with whom I have been working. «

Heimstaden takes a lifelong view of ownership, meaning, for example, that we show considerable regard for our customers when renovating our properties. We do not want to be associated with property owners who evict tenants in order to renovate and sharply increase rents. Treating our customers with respect is one of our contributions to good social sustainability.

It is our employees who meet customers and ensure that their housing is comfortable and secure. For this reason, it is crucial that our employees feel involved, enjoy their work and get room for personal development. They need to understand and be role models for in Heimstaden's values and working model in order to be able to act in the best way in the situations they face during their work day. Heimstaden maintains several policies governing our efforts regarding social conditions and HR issues. We conduct well-developed and systematic efforts in the area of the working environment and perform monthly employee surveys to quickly identify any problems in the operations. Read more about our efforts associated with employees and social conditions on pages 64–67 and 159–163.

Human rights

Heimstaden operates in a part of the world where human rights form part of the fundamental legal and social systems. Although human rights may therefore seem obvious, it is important that they are firmly anchored in practical behaviours and culture, forming part of how we relate to customers, employees and contractors alike. We actively seek to make everyone feel welcome, both as customers and as employees. Non-discrimination, diversity and equality are prerequisites for our development and capacity to meet customers' needs and expectations.

Our Code of Conduct for employees focuses on the right to a safe and secure workplace, the right to equal conditions and the right to collective bargaining. By imposing demands on our partners, our opportunities to exert influence extend along our supply chain and into an increasing number of countries. In this way, Heimstaden is able to influence human rights being adhered to in practice where we operate, as well as helping improve working conditions and compliance further out in our value chain. In our Code of Conduct for partners, human rights and working conditions play a central role, and are based on the UN and ILO conventions. For more information about our work on human rights, see page 161.

Anti-corruption

Heimstaden applies zero tolerance regarding all forms of corruption. This requires that we impose demands, not only on our own organisation, but also on our business partners. By stating our position and our expectations of our partners clearly, we are

able to contribute to a democratic and sustainable society in which business is conducted on equal terms. We also seek to promote competition on fair terms within the sector, considering this beneficial for all.

One of the most important barriers to corruption is a corporate culture in which each individual acts with integrity, in line with Heimstaden's values. Our Code of Conduct for employees builds on our core values (*Care – Dare – Share*) and lays the foundation for what we expect of our employees. Together with our Code

of Conduct for business partners, this forms the basis of our anti-corruption efforts, both internally and along our value chain.

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

Agenda 2030 to transform our world

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



Heimstaden's operations are linked to the goals, particularly those addressing sustainable cities, climate and sustainable energy. Our sustainability targets are based on the goals, and in our sustainability report, pages 148–163, we have linked our material sustainability areas to the SDGs and their sub-targets. Our contribution to sustainable urban development includes sustainable construction and planning of housing, infrastructure, transport

and recycling. The Global Goals' motto is Leave No One Behind, and our focus on inclusive and friendly homes contribute to make cities safe and sustainable. Climate change is real and a threat to our entire civilisation. Greenhouse gas emissions continue to rise. At Heimstaden we are mobilising to reduce our emissions to be in line with the Paris agreement, to increase energy-efficiency our homes and to build resilience to climate change.

Shared culture in growing businesses

How do we find and attract talented people in a red-hot market? How do we build one culture with shared values in a rapidly expanding business? Amidst this pace of change, how can we best develop and support our employees and managers? Such questions are, and will continue to be our focus in positioning Heimstaden as an attractive employer.

+123

Increase in number
of employees
compared with
the end of 2018.

As Heimstaden expands into new markets while also making new acquisitions in existing ones, numerous skilled employees are needed, and it will also be necessary to integrate them quickly into the operations. Accordingly, the HR function's most important task in 2019 was to build for growth by adapting and adjusting processes and tools to operate beyond the Scandinavian region. In 2019 we have approximately recruited 150 employees to the group with the biggest growth in Denmark and the Netherlands. At the end of the year, the Danish operations had 105 employees, an increase of 102 percent compared with the beginning of the year. The Swedish organisation grew with some 40 new recruitments (about 12 percent) in 2019.

Attractive employer

Despite a strong economy, with competition for personnel in several of our markets, we experience no difficulty in finding and recruiting the right people. In our view, Heimstaden's high level of ambition in delivering good customer service and contributing to a socially sustainable society also positions us as an attractive company in our new markets. We apply a clear strategy in how we seek potential employees, and we know which channels work for different roles. This allows us to fill vacancies quickly.

Although we seek to achieve considerable diversity among our employees, additional effort is required in this direction. Certain functions are dominated by either men or women, lacking the more even spread that we would wish to have. During the year, we were pleased to see an increase in employees with a non-European background.

Good introduction sets the tone

We seek to provide optimum conditions when new employees join us. Their introduction even kicks off before first day of their employment, aided by a digital tool providing new employees with access to information, by opportunities to participate in certain courses and by means of a dialogue, both with their managers and the HR department. In Sweden, Denmark and the Netherlands, a number of induction courses are also arranged each year, at which employees spend one-two days gaining a complete overview of the company, as well as meeting members of company management and other recent recruits with different functions within the company.

Culture a core issue

A central part of our business model is that our own people take



care of our customers in order to provide the highest quality customer service. With operations spread between five countries and thirtytwo offices, all employees are required to understand, support and act in accordance with our values and culture. At the same time, we must take into account the fact that customers and conditions vary between our markets and allow for our local employees to make certain adaptations to globalise how we operate.

A large part of our success is attributable to the satisfaction of our employees, that they are allowed opportunities for growth and seek to stay with Heimstaden and develop the company. We have, accordingly, conducted monthly employee surveys in all of our markets since June 2018. We are rated according to a 10-degree temperature scale with the objective of achieving a score of 8.5 in the categories measured by 2023. In 2019 Heimstaden had a temperature (an average of the factors measured) of 7.9. In measuring eNPS (Employee Net Promoter Score) Heimstaden obtained an average value of 40, on a scale from -100 to +100. The average for all users and sectors using our tool was 13.

To further enhance the sense of community and the understanding of our values, Heimstaden held a conference in Malmö



LIVING OUR VALUES

Roger Sjöstedt

Property Manager, Region North, Sweden

» One way in which we at Heimstaden can assume our social responsibility is to help support those who, for various reasons, have problems accessing the labour market on their own. In Skellefteå and Luleå, we buy cleaning and gardening service from Samhall (a government-owned enterprise employing people with functional impairment).

Helping maintain a clean and pleasant environment for our customers, the Samhall employees are highly praised for their work. In 2018, we were proud to have won Samhall's regional "Show the Way" award in Skellefteå. The motivation for the award read "By offering tasks varying by season and individual ability, this client made our employees happy and motivated, thereby also pleasing the tenants. Sometimes the key to success is as simple as a positive attitude and job satisfaction, which are abundant here" In 2019, we were nominated for the same award in Luleå, testifying to our having found a good way of assuming local social responsibility. «

8.5

Goal for all scores measured in employee satisfaction in 2023, on a scale of 1–10.

in September 2019. Over a full day, some 400 employees participated, with opportunities to learn more about the company and our values (*Care – Dare – Share*). The next step will be a workshop on corporate culture and values, which will be carried out in all of the countries in which we operate. The first such workshop took place in the Netherlands in November 2019.

New steps in skills development

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

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

Importance of risk awareness

Given our rapid growth, it is important not to neglect risks and systematic efforts in the area of the working environment. We apply clear targets and have active working environment groups addressing these issues. In Sweden, all managers with responsibility for personnel have undergone working environment training, and this is also planned for the other countries. During the year, we introduced a new process for proactive risk management based on reporting of accidents and incidents. It enables a systematic monitoring and documentation of incidents where an accident was imminent but could be avoided. This allows us to prevent these incidents from being repeated. In 2019 we revised our crisis management plan and process which will be rolled out to all countries starting 2020. During 2019, our whistleblower system, which was first introduced in 2018, was implemented in all of the countries. A handful of notifications has been received. After registration, no case required further action.

Future

We will intensify our work to create an excellent employee experience through the employment life cycle. As Heimstaden grows we can offer multiple career opportunities internationally and nationally as well as a strong talent offering. We will also continue our work to increase the diversity of our employees as we are convinced that Heimstaden should reflect the surrounding community, and that this is what is needed to safeguard the best possible customer experience for those living in our buildings.



LIVING OUR VALUES

Sinisa Ilic

Operations manager, property maintenance/cleaning, Norway

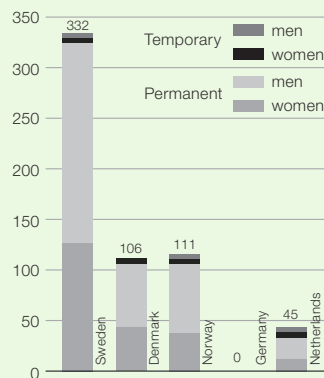
» My first job at Heimstaden was as a facility manager in Oslo. I was in charge of the management of several buildings and helped clients with minor repairs and maintenance in their apartments. I was later given responsibility for a department that handled the cleaning of all of our properties and, after that, I worked with helping tenants move in or out. At that time, I also participated in a project in which we digitalised our check-lists, the results of which are currently used in many parts of Heimstaden. Today I am the operations manager for our properties in Norway and am responsible for our facility managers and cleaning personnel. The support I have received from Heimstaden over the years has been fantastic. It is important to have an employer who sees your potential and allows you to grow with your tasks. Our working days are highly varied, with constant challenges. We cope well with this because we work together closely and have a very good atmosphere at work. When we enjoy our work and function well together, it is our customers who benefit. «

HEIMSTADEN'S ORGANISATION IN 2019



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

NUMBER OF EMPLOYEES PER COUNTRY



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

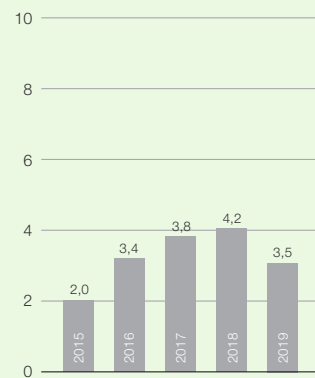
TOTAL NUMBER OF EMPLOYEES

571
INDIVIDUALS

DISTRIBUTION BETWEEN WOMEN AND MEN



ABSENCE DUE TO ILLNESS OF TOTAL WORKING HOURS, %



In 2019, a total of 1,120,295 hours were worked at Heimstaden. The total absence due to illness in 2019 was 3.5 percent, a decrease of 0.7 percentage points compared to 2018. The highest level of absence due to illness was in Norway at 5.7 percent and the lowest was in the Netherlands at 1.0 percent. See page 160 for information on how we work with occupational health and safety.

Optimised operation benefits climate

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

-20%

In certain of Heimstaden's instances, energy consumption has been reduced by as much as 20 percent.

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

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

Commitment strengthens efficiency

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

Working for the future – five pilot projects

In 2019, Heimstaden in the Netherlands drew up an inventory of five pilot sustainability projects that will be carried out in 2020. Based on these pilot projects, we will be able to learn about the approaches, tenant contacts and sustainability measures, allowing us to assess and then improve them, in preparation for all of the other projects to be implemented from 2021 and onwards.

Heimstaden's portfolio of more than 500 properties in the Netherlands currently has an average energy label of D, with the target being to achieve a label of at least C or better by 2030. This will ensure that we invest heavily in sustainability over the upcoming years and that we organise the process as efficiently as possible. For Heimstaden in the Netherlands, the process will gain momentum from 2020, partly due to the recruitment of a Sustainability Manager in January 2020 to achieve this objective.



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

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



LIVING OUR VALUES

Wim den Breejen

Head of Operations, Netherlands

» At Heimstaden, everyone has the same common goal: the customers. We put the customer in a central position and are building an organisation to provide customers with the best possible service.

We are locating our regional offices at central locations and near good connecting roads. Recruiting a complete facility management organisation is a great challenge – on the one hand because of the number of vacancies and on the other hand because of the diversity of the positions.

Also, we are establishing offices in five different locations and need to find ways of working closely together although we are spread out.

I think working with the right people and from logical locations combined with solid and smart systems should help us with our great challenge in 2020. «

Favourable materials and technology choices

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

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

Energy-related emissions decreasing per square metre

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

Energy usage decreased by five percent per square metre, in turn meaning that our energy-related carbon dioxide emissions decreased by approximately 0,6 kg CO₂e per square metre. Energy usage is dependent on three factors: energy efficiency enhancements, energy performance in properties acquired during the year and demand for heating due to the weather in the year concerned.

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



Optimised heating cuts costs

Sweden is the country in which our energy efficiency efforts have progressed furthest. Our operational experts inspect all new properties to identify the individual challenges and characteristics of the buildings. Experience shows that we often can reduce heating consumption by 5–10 percent simply by setting appropriate temperatures, flows and by installing and using a modern digital building management system. In addition to this we optimise fans, install new digital sensors and monitor the performance of the properties during different seasons. At the Wachtmeister Galleria in Karlskrona, we have implemented energy efficiency measures for ventilation and heating, thus reducing heating consumption by 20 percent over four years, without compromising our tenants' comfort. In the Flogsta district of Uppsala, our student accommodation has been equipped with photovoltaic cells that cover 5–10 percent of the total use of electricity in the complete area of 2000 apartments. In total, the efficiency improvements have caused the value of our portfolio to increase by about SEK 69 million and cost savings to increase by more than SEK 3.5 million.





*heimgjort**

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



Heimstaden

Well-balanced capital structure

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

>100,000

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

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

Policies

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

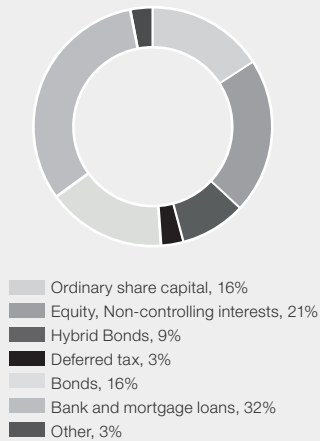
refinancing and interest rate risks) without limiting the company's commercial opportunities. The company's short and long-term supply of capital must be ensured by adapting the financial strategy to the company's operations and in accordance with the conditions offered by the property market and developments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

Choice of capital structure

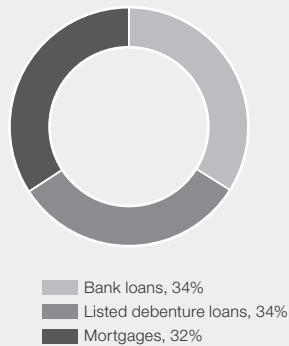
The choice of capital structure (i.e. the relationship between equity and borrowed capital) is of great importance to the operations. The availability of long-term capital is a prerequisite for us to successfully acquire, develop and own properties. Changes in capital structure affect the operations' financial risk and earnings capacity, meaning we are continuously and proactively working to ensure an appropriate structure. The objective is to engender favourable conditions for long-term confidence among creditors and investors in the capital market. At the end of the year, the value of our assets amounted to SEK 128,606 million, which was financed through SEK 59,942 million in equity and SEK 68,665 million in liabilities. Of the liabilities, SEK 61,946 million



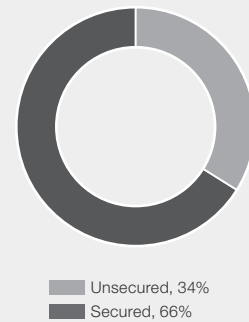
CAPITAL STRUCTURE, 31 DEC. 2019



DISTRIBUTION OF INTEREST-BEARING LIABILITIES



PROPORTION OF SECURED FINANCING



PERIOD FOR WHICH CAPITAL IS TIED UP

Years	Capital tied up, loans		Lines of credit	
	SEK million	Share, %	SEK million	Share, %
Within 1 year of the balance sheet date	5,137	8		0
Between 1–5 years of the balance sheet date	34,607	56	10,269	100
Later than 5 years from the balance sheet date	22,201	36		0
Total	61,946	100	10,269	100

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

10.1 years

was interest-bearing and SEK 6,718 million non-interest bearing, of which SEK 2,218 million was deferred tax. The loan to value (that is, net debt divided by total assets) amounted to 53.7 percent (58.8) and the equity/assets ratio was 40.7 percent.

Official credit rating

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

BBB-

Rating
(positive outlook) of
Heimstaden Bostad AB
by Standard & Poor's.

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

Interest-bearing liabilities

At the end of the period, Heimstaden had interest-bearing liabilities of SEK 61,946 million (45,687). Of the interest-bearing liabilities, 66 percent were secured by property mortgages and 34 percent were not secured. Net debt (i.e. interest-bearing liabilities less cash and cash equivalents) increased by SEK 10,348 million, to SEK 51,259 million (40,911). In 2019, the Group's borrowing, including currency effects, increased by SEK 16,259 million, primarily against the background of property acquisitions in Sweden, Denmark, the Netherlands and Germany. Of the interest-bearing liabilities, SEK 21,066 million (13,143) pertained to senior unsecured bonds, SEK 19,935 million (15,080) pertained to financing based on mortgage bonds and SEK 20,945 million (17,464) pertained to asset backed bank loans. Confirmed but unutilised credit facilities at banks amounted to SEK 10,269 million (7,043) at the end of the year.

Capital market issues – Heimstaden AB

Heimstaden has two outstanding debenture loans of SEK 1,250 million each, which are listed on the Nasdaq Stockholm exchange. Debenture loan 2017/2021 matures in June 2021 with variable interest at three-month stibor plus 3.15 percent and is traded under the ticker HEIM 2. Debenture loan 2019/2023 was issued in May 2019 and matures in May 2023 with variable interest at three-month stibor plus 3.25 percent and is traded under the ticker HEIM 2.

In 2019, Heimstaden has further issued non-callable hybrid capital in the amount of SEK 3 billion with fixed interest of 5.90 percent. The hybrid capital is defined as 100 percent equity under IFRS.

Since Heimstaden AB does not have an official credit rating, the company would, all else being equal, pay a somewhat higher risk premium on issued capital than the subsidiary Heimstaden Bostad AB (BBB– rated (positive outlook) by S&P).

Capital market issues – Heimstaden Bostad AB

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

FIXED INTEREST

Years	Fixed interest, loans			Fixed interest incl. derivatives ¹⁾		
	SEK million	Share, %	Interest, incl. margin,	SEK million	Share, %	Interest, incl. margin,
Within 1 year of the balance sheet date	51,652	83	1.6	21,101	34	2.3
Between 1–5 years of the balance sheet date	9,800	16	3.1	34,039	55	1.5
Later than 5 years from the balance sheet date	494	1	3.2	6,806	11	2.1
Total	61,946	100	1.9	61,946	100	1.9

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

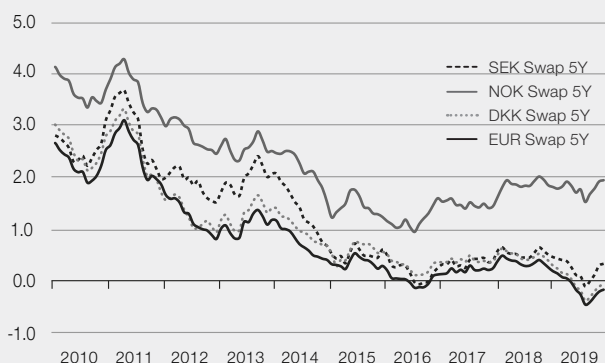
The average remaining term of fixed interest in the loan portfolio, excluding derivatives, amounts to:

0.71 years

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

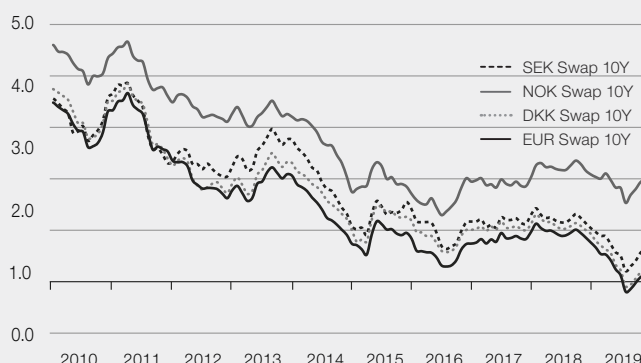
2.56 years

5Y SWAP INTEREST RATES, %



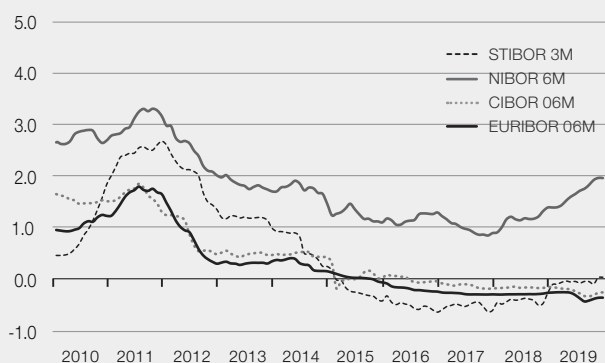
Source: Bloomberg

10Y SWAP INTEREST RATES, %



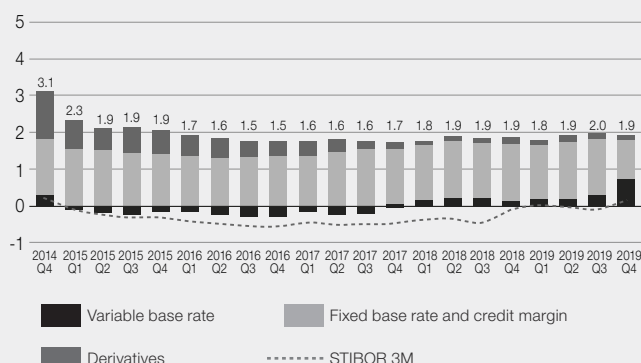
Source: Bloomberg

SHORT-TERM MARKET INTEREST RATES, %



Source: Bloomberg

AVERAGE INTEREST, %



Deferred tax

The value increase in Heimstaden's property portfolio brought an increased deferred tax liability, amounting to SEK 3,640 million (2,218) at the end of 2019.

Loan structure and financial risks

The need for external financing means that financial risks are a permanent element of ongoing operations, and annual surpluses may be affected by changes in both market interest rates and credit margins. Regulations and conditions in the credit market

can change quickly, affecting both interest rate risk and the capacity to obtain and refinance credit. The Treasury group manages and controls the need for capital within the framework of our financial policy and taking the identified financial risks into account. Read more on page 48.

Fixed interest and interest rate sensitivity

The average interest rate for total borrowing, including derivatives, amounted to 1.9 percent (1.9). At the end of the year, about 34 percent (57) of the portfolio had a period of fixed interest shorter than 12 months. An increase in market interest rates by 1 percent would increase Heimstaden's interest expenses by approximately SEK 179 million (187). A decrease in market interest rates by 1 percent would decrease interest costs by approximately SEK 46 million (34). The difference in sensitivity is explained by the fact that several credit agreements include interest rate floor clauses that limit rate fluctuations on the downside by, for example, preventing the base rate from being negative, while the cost of outstanding and purchased interest rate derivatives may increase with negative market rates.

Interest rate risk management

To manage interest rate risk, Heimstaden uses both fixed interest rate loans and interest rate derivatives, predominantly traditional interest rate swaps. Fixed-interest loans are reported at nominal value while derivatives are reported on an ongoing basis at fair value in the balance sheet and with changes in value in the income statement.

Currency

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

Equity

Equity amounted to SEK 59,942 million (33,936), giving an equity /assets ratio of 47 percent (41). The change in equity over the period is attributable to changes in value in the property portfolio, a new share issue and an issue of hybrid bonds.



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



Heimstaden's listed preference share

Heimstaden's preference shares opened strongly in 2019 and the share was traded at its highest of SEK 398 during the summer.

5.2%

Direct return per
preference share
(on the balance sheet
day 2019).

Heimstaden's preference share has been listed on Nasdaq First North Premier since 11 June 2015 under the ticker HEIM PREF. In 2019, the highest price paid for the preference share was SEK 398 on 1 August, and the lowest price paid was SEK 330 on 3 January. The last price paid in 2019 was SEK 381 (329), entailing a increase of 15.8 percent. The total return, including a dividend of SEK 20, amounted to 21.9 percent (3.3). An average, 1,962 shares (1,780) were traded per trading day in 2019.

The share and shareholders

Heimstaden AB has two share classes, ordinary shares and preferences shares. The difference between the classes lies in different voting rights and different rights to the company's assets and profits. At the end of the year, there were 15,547,750 shares, divided between 13,204,000 ordinary shares and 2,343,750 preference shares. Each preference share conveys one vote and ordinary shares convey ten votes per share. All ordinary shares in Heimstaden AB are owned by Fredensborg AS, which is wholly owned by Ivar Tollefsen, who is also the Chairman of the Board of Directors of Heimstaden AB. At the end of the year, the preference shares were distributed between 2,192 shareholders (1,998).

Dividend policy

Dividends on ordinary shares are affected by market conditions, investment options, financial position and capital structure, and, combined with dividends on preference shares, may only be paid to the extent that the Group complies with the adopted finance policy and has the cash and cash equivalents needed to conduct operations in accordance with the business model and vision. The current focus is on growth with retained financial strength, and dividends on ordinary shares are therefore expected to be restricted over the next few years.

Dividends and terms of redemption

The Board of Directors proposes to the 2020 Annual General Meeting that a dividend of SEK 47 million (47) be paid, of which SEK 0 million (0) be paid on ordinary shares and SEK 47 million (47) on preference shares. The dividend corresponds to 1 percent (2) of Heimstaden's profit. The preference shares convey preferential rights over ordinary shares for an annual dividend of SEK 20,00 per share with quarterly payments of SEK 5.00 per share.

Pending the approval of the Annual General Meeting, and within ten years following the initial issue on 11 June 2015, Heimstaden AB may redeem the preference shares at a price of SEK 375 per share.

KEY DATA

Data per share	2019	2018	2017	2016	2015
Profit per ordinary share, SEK	322	127	123	134	176
Equity per ordinary share, SEK	1,508	1,182	609	504	377
Equity per preference share, SEK	380	380	380	380	380
Price per preference share (on the balance sheet date), SEK	381	329	336	290	273
Dividend paid per preference share (during the period), SEK/share	20	20	20	20	10
Dividend paid on preference shares (during the period), SEK million	46.9	46.9	46.9	46.9	23.5
Direct return per preference share (on the balance sheet date), %	5.2	6.1	6.0	6.9	7.3
Number of ordinary shares outstanding at the end of the period	13,204,000	13,204,000	13,204,000	13,204,000	13,204,000
Number of preference shares outstanding at the end of the period	2,343,750	2,343,750	2,343,750	2,343,750	2,343,750
Average number of ordinary shares outstanding	13,204,000	13,204,000	13,204,000	13,204,000	9,629,876
Average number of preference shares outstanding	2,343,750	2,343,750	2,343,750	2,343,750	1,354,880

PREFERENCE SHARE



Proposed record dates for the preference share:

• 5 July 2020 • 4 October 2020 • 5 January 2021 • 5 April 2021

The proposed dividend per preference share is SEK 5 per quarter.

In the event that a record date, as stated above, is not a banking day, the record date shall be the immediately preceding banking day.

Source: Nasdaq

TEN LARGEST SHAREHOLDERS ON 31 DEC. 2019

Name	Number of ordinary shares	Number of preference shares	Holding, %	Votes, %
Fredensborg AS	13,204,000	200,000	86.2	98.4
Ica-Handlarnas Förbund Finans AB	0	250,000	1.8	0.2
Karl Bjerkes Stipendiefond Foundation	0	140,505	0.9	0.1
Danica Pension	0	99,280	0.6	0.1
Carl Tryggers Foundation	0	90,989	0.6	0.1
Kamprad Family Foundation	0	75,000	0.5	0.1
Nordnet Pensionsförsäkring AB	0	67,796	0.4	0.0
Volvo Pension Foundation	0	62,500	0.4	0.0
Avanza Pension insurance company	0	54,598	0.4	0.0
Swedbank Insurance	0	54,271	0.4	0.0
Other shareholders	0	1,248,811	8.0	0.9
Total	13,204,000	2,343,750	100.0	100.0

Active work on risk exposure

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

EXTERNAL

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



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

SUSTAINABILITY

Risk	Management
INDEMNITY RISKS All ownership entails responsibility. In Heimstaden's case, properties could be destroyed by fire, or suffer water damage, theft or other damage. In addition, through the negligence, Heimstaden could cause injury to a person, damage the property of another or cause environmental damage for which the company is found liable.	We work preventively to minimise the risk of personal injury or damage to property or the environment. We have full-value insurance for all of our properties, as well as insurance cover for liability and property damage. We perform continuous inventories of existing portfolio and, in connection with acquisitions, to identify and address environmental and health risks. We have special fire regulations within the framework of our property management in all five countries.
ENVIRONMENTAL AND CLIMATE ISSUES Existing properties, newly constructed properties and properties under demolition all have a considerable impact on the environment and climate. Increased requirements from public authorities, investors, tenants and other stakeholders impose rigorous demands on an organisation and demand an approach able to cope with the challenges in these areas.	We do not conduct out any operations requiring permits under the Environmental Code (1998:808). However, there may be, or have been, customers in the properties that we directly or indirectly own, who are conducting or have conducted operations that require or would have required special permits in accordance with the Environmental Code. Heimstaden is highly ambitious with regard to sustainability and works actively on a number of measures to reduce its negative impact on the environment and climate. The work is based on our environmental policy, which was revised during 2018, at which time, we also conducted a specific risk analysis regarding the entire area of sustainability. In 2019, we have established a group-wide sustainability strategy including environmental and climate targets. In connection with the acquisition of a property, an assessment is made of the building's environmental and energy performance. We work actively to reduce our energy consumption and our Sustainability chapter on pages 56–71 and 148–163 reports our measures in this area. All new production in Sweden is to meet the Sweden Green Building Council's Silver standard. We also impose environmental requirements on our suppliers and contractors and have further developed these requirements during 2019. We closely monitor legal developments regarding the environment and climate.
CLIMATE CHANGE Global climate change is resulting in rising temperatures, extreme weather conditions with intense downpours and storms, as well as rising water levels. For real estate companies, this may entail risks of, for example, damage to buildings as a consequence of flooding and of construction materials being unable to cope with the stresses that a changed climate involves.	Heimstaden is working continuously to reduce our climate impact and, in 2019, we set ourselves the target of conducting fossil-free operations by 2030 (this target is currently under review and will be different in different markets) and of reducing by 10 percent the amount of energy we purchase (in comparable portfolio) by 2023. Heimstaden has commenced a process to identify the risks that a changed climate entails for us as company, our properties and our customers. We monitor research in the area and, together with Lund University, we will conduct student projects with the aim of developing effective tools to support our continued work on climate-related risks.
BUSINESS ETHICAL RISKS As a social partner, Heimstaden collaborates with a number of stakeholders (colleagues, customers, shareholders, partners, suppliers and contractors, etc.). We have broad customer and supplier bases. Many participants are involved within the framework of the operations and services/products are procured through subcontractors at several levels. Despite imposing requirements in procurement, it is difficult to gain an overview of the extended supply chain and there is a risk of activities occurring that violate Heimstaden's values, Code of Conduct and that infringe on human rights or involve corruption. There is also a risk that employees will violate the Code of Conduct in their contacts with colleagues, customers and other actors.	Heimstaden applies high ethical standards and integrity in its operations and we do not tolerate any form of corruption, bribery, fraud, threats or unsound employment contracts. We have implemented codes of conduct for employees and partners as well as a whistleblower function where employees and external actors can submit a report anonymously. In 2019, the following measures and activities were implemented: A Group-wide initiative in the form of a Culture and Values workshop. The first workshop was held in the Netherlands and the initiative will continue to be rolled out in other countries; Translated the codes of conduct into local languages; Employed a Group-wide purchasing manager to further strengthen the work with various partners. Work has begun on developing clearer guidelines for the company's purchases, based on business ethics, human rights and working conditions, working environment and environment and climate.



PROPERTY MANAGEMENT

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

FINANCING

Risk	Management
CREDIT AND COUNTERPARTY RISK We are exposed to the risk that counterparties cannot meet their obligations to Heimstaden. We are also exposed to credit risks in the financial operations, in the investment of liquidity surpluses and the signing of credit agreements.	Since we primarily invest in residential properties where rent is paid in advance, a large part of the potential credit risk associated with many customers is eliminated. In addition, we regularly assess the creditworthiness of our suppliers and financial counterparties to ensure that this is satisfactory.
INTEREST-RATE RISK Interest costs are one of Heimstaden's largest cost items. Interest rate risk refers to the risk that changes in market interest rates will affect borrowing expenses. Interest costs are mainly affected by the level of current market interest rates and the banks' margins, as well as the chosen strategy for fixing the interest on borrowed capital.	Fixed interest terms are determined on an ongoing basis in accordance with the current financial policy. Primarily interest rate derivatives are used to achieve the terms of fixed interest and degree of interest rate hedging that we seek. We apply an internal interest rate hedging model that allows the degree of interest rate hedging and average terms of fixed interest to vary over time. As of December 31, 2019, the interest rate hedging may not be less than 50 percent at any time. As of March 31, 2020, the policy regarding interest rate hedging has been adjusted so that it may not fall below 75 percent at any given time. That is, Heimstaden has chosen to further reduce its exposure to interest rate risk.
REFINANCING AND FINANCING RISK Financing risk refers to the risk that funding cannot be obtained, can only be obtained to a certain extent, or can only be obtained on unfavourable terms for the Group. There is a corresponding risk when existing financing expires and is to be repaid, which is called refinancing risk.	We aim to control the period for which capital is tied up over the years. At the end of the year, the average maturity of the loan portfolio was 8.0 years (7.8). To minimise financing risk, it is important to work with several reliable funding sources and not to be overly dependent on individual counterparties. At the end of 2018, Heimstaden had loans from 19 different lenders in five countries, five listed bonds and one listed hybrid bond.
CHANGES IN VALUES OF DERIVATIVES Changes in the value of Heimstaden's interest rate or currency derivatives arise in connection with changes in market interest rate or the exchange rate ratios SEK/DKK, SEK/NOK or SEK/EUR.	Our finance policy determines which derivative instruments may be used. We only use interest rate hedging instruments that can be sold, meaning that quoted prices can be obtained. With regard to both currency derivatives and interest-rate derivatives, continuous reconciliation between internal and external valuations is performed.
FINANCIAL OBLIGATIONS Some of the loan agreements bear financial commitments, and the Group has also posted collateral and provided guarantees for some of the loans. If we were to violate any of these commitments in the loan agreements, it could lead to the termination of the loan or loans with payment required immediately or the relevant creditor claiming the secured assets.	Our financial policy regulates our risk mandate for credit institutions and capital markets. We also have a compliance function with competent and experienced personnel to ensure, on an ongoing basis, that we follow up on the commitments included in our loan agreements. The external audit also ensures that the information reported is accurate.
UNCERTAINTY IN THE FINANCIAL MARKETS OR TIGHTENING REGULATION OF BANKS If there is an increased uncertainty in the financial market, or if regulation makes bank lending more expensive or scarce, it would be more expensive to carry out our business and growth strategy. Since we intend to raise additional debt from the capital markets, we are exposed to future adverse changes in those markets.	We conduct continual discussions with banks and credit institutions aimed at securing its long-term financing. We also ensure that we have diversified debt portfolio, which may include (but is not limited to) bank debt, mortgage loans and capital market instruments. The financial policy stipulates limitations in regards of dependence of individual lenders and maturity in individual years to ensure that we are not too dependent of certain banks or market environments.
RISKS RELATED TO OUR CREDIT RATING Heimstaden is dependent on obtaining its expected long-term credit rating to pursue its financing strategy. We have a credit rating of BBB- (outlook positive) issued by S&P, which in the case of a downgrade would make it more difficult for us to issue unsecured bonds and notes. There is also a risk that S&P may change its methodology or its application for rating securities which may hinder us from maintaining or increasing our credit rating.	Our financial policy is set at more strict levels than the guidelines given by the credit rating agency. A lot of weight is given on ensuring that we maintain and improves our credit rating over time to increase the probability that the debt capital market investors finds Heimstaden an attractive investment at favorable terms. We are also always in contact with the rating agency to assure that we fully understand their methodology to be well prepared for possible changes.

EMPLOYEES

Risk	Management
<p>DEPENDENCE ON KEY INDIVIDUALS AND OTHER EMPLOYEES We are dependent on key individuals, including senior executives and people with specialist skills. These key individuals are important for the successful development of the operations. If key individuals leave Heimstaden, this could have a negative impact on the operations. To mitigate this risk, we work with succession planning.</p>	<p>We work actively to recruit and retain talented employees by being an attractive and long-term employer. Our shared core values support an open and transparent working climate that allows scope for innovation and initiative. These core values engender commitment throughout the organisation. We also work with ongoing competence and leadership development and with compensation and incentives at competitive levels.</p>
<p>WORKING ENVIRONMENT Heimstaden's employees are exposed to occupational health risks of various kinds. In the property management operations, these consist of risks of physical stress and risks related to psychosocial factors, including threats/harassment, particularly in socio-economically challenged geographic areas. At headquarters and at other offices, psychosocial risks predominate, such as stress, although there is also a risk of ergonomic issues. We are dependent on our employees being able to provide a warm reception and good service to our customers. Highly contagious diseases risking high rates of absence due to illness can render parts of the operations vulnerable.</p>	<p>There are several working environment groups within Heimstaden and appointed Health and Safety Officers. Working environment issues are discussed and addressed on an ongoing basis in the weekly meetings between managers and employees in the operations. Proposed improvements and recommended actions are identified and can quickly be implemented where needed. At the regional level, there are working environment groups consisting of Property Managers, Administrators and Health and Safety Officers. These groups meet four times a year. Property Managers and Chiefs of Staff then meet with HR and the CEO twice annually (in June and December). At the December meeting, a review/summary of the year is presented. A action plan for the following year is set out. In 2018, a major initiative also commenced in which all managers are to undergo the same training on new working environment regulations regarding the psychosocial working environment. In 2019, we launched a process and tool for reporting injuries and incidents. The tool used for our monthly surveys of employee well-being has been implemented in all countries where we have operations in 2019. The results are presented and discussed monthly in the company's various teams. We also conduct other occupational health and safety surveys as required by law or in each country where we conduct operations. In 2019, we also implemented our Whistleblowing process in all countries with operations. A decision has been made to introduce, during 2020, monthly training opportunities for managers, at which we will address various current topics. During 2020, one such opportunity will consider how we can improve at applying effective rehabilitation measures earlier to return employees to work more quickly. We are dependent on our employees being able to provide a warm reception and good service to our customers. Highly contagious diseases risking high rates of absence due to illness can render parts of the operations vulnerable. We follow the recommendations made by the authorities in the markets in which Heimstaden operates and take actions to minimize the risk of infection between our employees and our customers.</p>

SENSITIVITY ANALYSIS

Rental income	+/-1 percent	Effect SEK +49/-49 million
Property costs	+/-1 percent	Effect SEK +21/-21 million
Interest rate level, liabilities	+/-1 percent	Effect SEK +179/-46 million

SENSITIVITY ANALYSIS – VALUE CHANGE, PROPERTIES

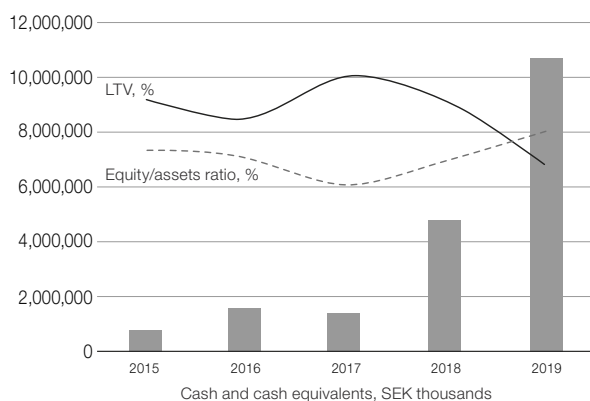
	+/-5 percent	+/-10 percent	+/-20 percent
Equity	SEK 55,393/64,491 million	SEK 69,040/50,844 million	SEK 78,137/41,747 million
Equity/assets ratio	48%/45%	49%/43%	52%/39%
LTV	38%/42%	37%/44%	34%/48%

POLICIES

	Financial policy in summary	Outcome 31 Dec. 2019	Listing
Refinancing risk			
Capital tied up, months	at least 15	121	
Loan maturity, percentage in individual year	maximum 40	17	(2021)
Limitation, individual lenders, percent	maximum 50	14	(ABN Amro)
Interest-rate risk			
Fixed interest, years	In accordance with separate interest rate hedging strategy	2.6	
Interest rate hedge, percent	at least 25	65	
Credit risk			
Equity ratio, %	at least 25	47	
Interest coverage ratio, multiple, rolling 12 months	at least 1.4	2.4	

FINANCIAL STABILITY

SEK thousands

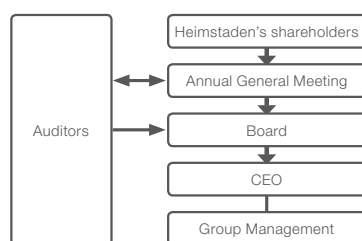




Corporate governance and internal control

Good corporate governance is an important feature of Heimstaden's corporate culture and the Group's values. The purpose is to support the Board of Directors and the management team in their efforts to increase customer benefit, and to provide value and transparency for shareholders. Heimstaden does not apply the Swedish Code of Corporate Governance.

Heimstaden AB (publ) is a public limited company with registered offices in Malmö, Sweden. Its preference share is listed on Nasdaq First North and there is also corporate bonds listed on Nasdaq Stockholm. Heimstaden applies the Annual Accounts Act's rules for corporate governance and hereby submits its Corporate Governance Report for 2019.



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

The basis for corporate governance in Heimstaden.

The objective of the company's operations is to own, develop and manage properties and property-owning companies, there-with compatible operations. The overarching assignment from the owner is to generate a high return that is stable in the long term. This requires good corporate governance, according to

which responsibilities are clearly distributed between the owner, the Board of Directors and management. Heimstaden does not apply the Swedish Code of Corporate Governance since the company considers this to counteract the company's interest in having an active and operational majority shareholder. Because the majority shareholder is operationally active within the Group, and the CEO is a member of the Board of Directors, control of the company is enhanced, costs are reduced and decisions can be reached more efficiently.

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

To meet the interests of other shareholders, the Board shall always include of at least one member who is independent in relation to the company and its majority shareholder.

Heimstaden is working to achieve a balanced mix in terms of ethnicity, age and gender in its operations. Diversity in the company's is addressed in two different policy documents, "Equal rights and opportunities", and "Discrimination and offensive treatment", adopted in May 2015, and affirming that diversity represents a

Board year 2019



strength for the Group. Improved diversity and inclusion have the potential to further advance Heimstaden's development and profit, both at team level and individually. See further page 66. The company follows the Group's policies on diversity in the composition of the Board of Directors.

Ownership

All ordinary shares in Heimstaden AB are held by Fredensborg AS, corporate identification number 929 301 684, based in Norway. These shares convey ten votes and one participation per share and, on the balance sheet date, totalled 13,204,000 in number, with a quota value of SEK 5.00 each, totalling SEK 66,020,000 in ordinary share capital.

The company also has preference shares listed on the Nasdaq First North Premier. The preference shares convey one vote and one participation each, totalling 2,343,750 in number on the balance sheet date and with a quota value of SEK 5.00, totalling SEK 11,718,750 in preference capital.

Annual General Meeting

The Annual General Meeting is the company's highest decision-making body and is where shareholders exercise their right of decision in the company's affairs. The Annual General Meeting makes decisions regarding changes to the Articles of Association and regarding changes in equity. The Annual General Meeting appoints the Board of Directors and the auditors for the company. An Extraordinary General Meeting is held if so requested by the auditor or holders of at least one tenth of all shares, or if the Board of Directors considers there to be due cause. The 2019 Annual General Meeting took place on 24 May 2019 at the company's premises on Östra Promenaden in Malmö, Sweden. Six shareholders participated at the Meeting, in person or by proxy. These represented 98.41 percent of the total votes. A single shareholder, Fredensborg AS, represented alone 99.99 percent of the votes represented at the Meeting. The CEO of Heimstaden, Patrik Hall, was elected Chairman of the Meeting. All the members of the Board, except the chairman of the board, Ivar Tollefsen and John Giverholt, were present.

Decisions by the 2019 Annual General Meeting

The complete minutes and information about the 2019 Annual General Meeting can be found at www.heimstaden.com.

Among other things, the Meeting decided:

- That dividends be paid in accordance with the proposal by the Board of Directors and the CEO in the amount of SEK 20.00 per preference share to preference shareholders, and that no dividends be distributed to the ordinary shareholder.

- Discharge from liability for the Board of Directors and the CEO for the preceding financial year. Re-election of Patrik Hall, Magnus Nordholm, Ivar Tollefsen and John Giverholt as Board Members.
- Re-election of the Chairman of the Board.
- Election of auditor.
- Determination of remuneration to the Board of Directors and auditors.

2020 Annual General Meeting

Heimstaden's Annual General Meeting will be held on 28 May 2020 in Malmö, Sweden. For more information about the Annual General Meeting, see page 167 or www.heimstaden.com/arsstamma

Shareholders, shares and debenture loans

For information about shareholders, Heimstaden's preference share and debenture loans, see pages 78, 82–83 and www.ir.heimstaden.com

Board of Directors

The overall task of the Board of Directors is to assume responsibility for organising and managing the operations, and for the financial reporting. The Board of Directors is also responsible for setting up systems for governance, internal control and risk management. The Board of Directors' work and responsibilities, and the delineation of these in relation to the work and responsibilities of the CEO are regulated by the rules of procedure and the instructions to the CEO determined by the annual statutory meeting of the Board of Directors. At Board meetings, matters of vital importance to the company are discussed, such as the adoption of a business plan for the upcoming financial year, the financial policy and policies for the governance of operations and internal control, the work of the Board of Directors and instructions for the CEO, purchasing and issues relating to property sales and financing. The Board of Directors is also informed of the current business situation in the property and credit markets. The work of the Board has been distributed over 11 physical meetings and 7 meetings per capsulam, a total of 18 meetings during the year.

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

Composition of the Board of Directors in 2019

In 2019, Heimstaden's Board of Directors consisted of four members elected by the Annual General Meeting, including the CEO. Other employees in the Group participate in Board

meetings as necessary, reporting on specific matters. For further information about the Board Members, see page 92.

Chairman of the Board

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

Board independence

The Board's assessment, with regard to members' dependency in relation to Heimstaden and shareholders is presented on page 92. As stated there, three out of four Board Members are dependent in relation to Heimstaden's principal owner.

Audit Committee

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

Auditor

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

Auditor in 2019

Heimstaden's auditor is the authorised firm of auditors EY, with Authorised Public Accountants Peter von Knorring and Ingemar Rindstig. Peter von Knorring is the Auditor in Charge. EY was elected by the 2018 Annual General Meeting as Heimstaden's auditor for a period of one year.

Peter von Knorring

Authorised Public Accountant, Auditor in Charge
Ordinary auditor for Heimstaden since 2015.

Ingemar Rindstig

Authorised Public Accountant
Ordinary auditor for Heimstaden since 2015.

CEO and Management

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

Group management and senior executives 2019

At the end of 2019, Group Management consisted of six individuals. During 2019, Group Management held 11 meetings. The meetings are focused on the Group's strategic and operational development, and monitors performance. Beyond the Group management team, a further six individuals assist the CEO and Group management. For further information about the senior executives, see pages 94–95.

Internal control regarding financial reporting

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

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

AUDITOR REMUNERATION, THE GROUP

Total, SEK million	2019	2018
Audit engagement	13	9
Auditing activities beyond the audit engagement	4	2
Tax consultancy	1	1
Other services	1	–
Total	19	12

Board of Directors



IVAR TOLLEFSEN

PRINCIPAL OCCUPATION: Chairman of the Board of Fredensborg AS

BORN: 1961

ELECTED: 2005

POSITION ON THE BOARD: Chairman of the Board

OWN HOLDINGS AND THOSE OF RELATED PARTIES: Indirect holding of 13,204,000 ordinary shares and 200,000 preference shares.

DEPENDENCE ON THE COMPANY'S PRINCIPAL SHAREHOLDER: Principal shareholder

ATTENDANCE AT BOARD MEETINGS: 18 of 18 meetings

NATIONALITY: Norwegian



MAGNUS NORDHOLM

PRINCIPAL OCCUPATION: Deputy CEO Heimstaden AB

BORN: 1974

ELECTED: 2008

POSITION ON THE BOARD: Board Member
OWN HOLDINGS AND THOSE OF RELATED PARTIES: None

DEPENDENCE ON THE COMPANY'S PRINCIPAL SHAREHOLDER: Dependent in relation to the company's principal shareholder.

ATTENDANCE AT BOARD MEETINGS: 18 of 18 meetings

NATIONALITY: Swedish



PATRIK HALL

PRINCIPAL OCCUPATION: Group CEO, Heimstaden AB

BORN: 1965

ELECTED: 2005

POSITION ON THE BOARD: Board Member

OWN HOLDINGS AND THOSE OF RELATED PARTIES: Preference shares, 900

DEPENDENCE ON THE COMPANY'S PRINCIPAL SHAREHOLDER: Dependent in relation to the company's principal shareholder.

ATTENDANCE AT BOARD MEETINGS: 18 of 18 meetings

NATIONALITY: Swedish



JOHN GIVERHOLT

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

BORN: 1952

ELECTED: 2018

POSITION ON THE BOARD: Board Member

OWN HOLDINGS AND THOSE OF RELATED PARTIES: None

DEPENDENT ON THE COMPANY'S PRINCIPAL SHAREHOLDERS: No

ATTENDANCE AT BOARD MEETINGS: 18 of 18 meetings

NATIONALITY: Norwegian



Senior executives



PATRIK HALL
TITLE: CEO
BORN: 1965
EMPLOYED SINCE: 2001
IN CURRENT POSITION SINCE: 2003
EDUCATION: Swedish Military Academy, Skövde and Stockholm
PREVIOUS EXPERIENCE: Negotiation Manager, Swedish Union of Tenants, Professional military officer
HOLDINGS OF PREFERENCE SHARES: 900



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



MAGNUS NORDHOLM
TITLE: Deputy CEO
BORN: 1974
EMPLOYED SINCE: 2008
IN CURRENT POSITION SINCE: 2018
EDUCATION: MBA, University of Gothenburg
PREVIOUS EXPERIENCE: Deputy Head of Nordic Real Estate Products & Head of Structured Real Estate Financing, HSH Nordbank AG. Business Manager, HSH N Nordic Finance AB
HOLDINGS OF PREFERENCE SHARES: None



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



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



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



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



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



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



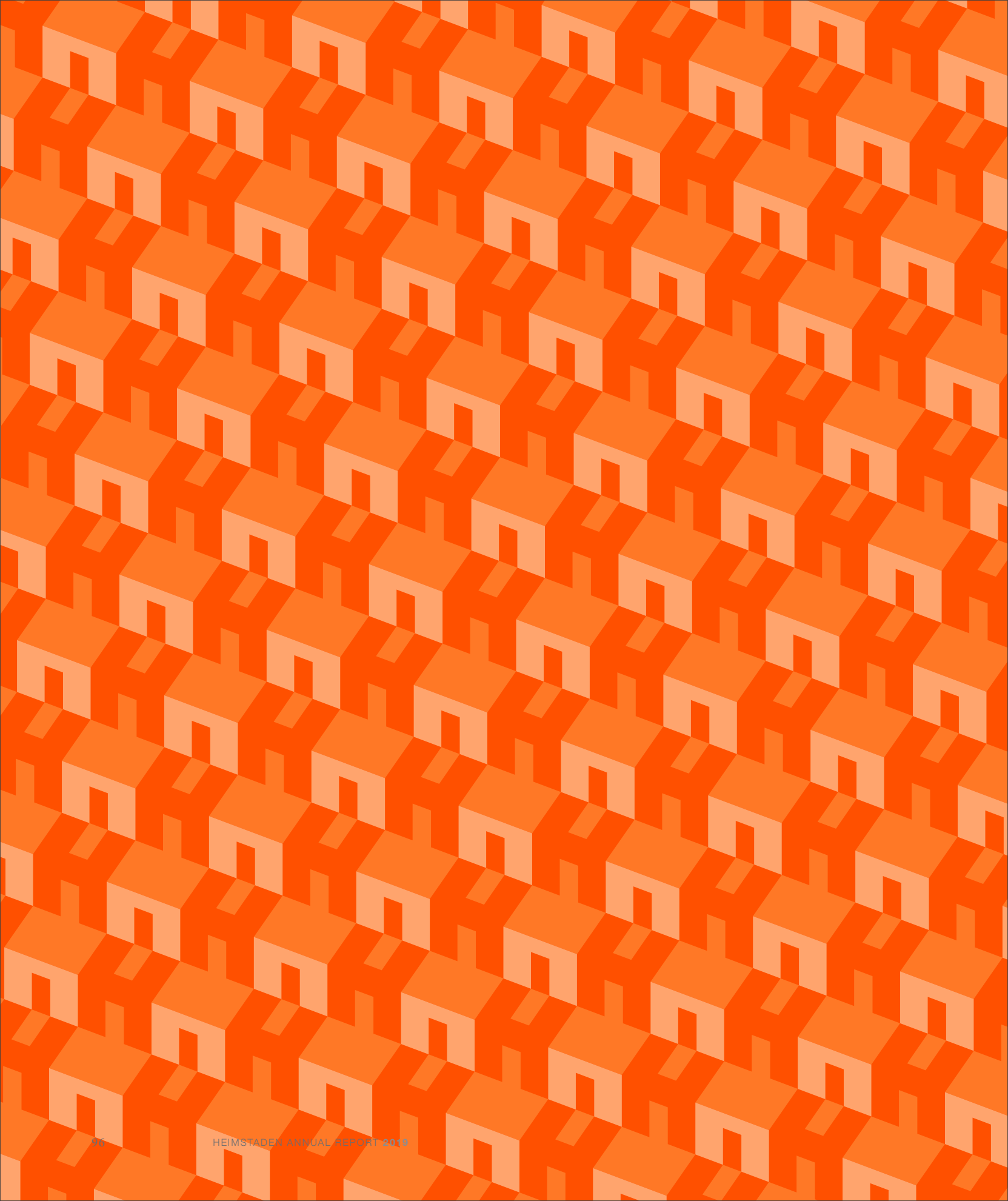
CHRISTIAN VAMMERVOLD DREYER
TITLE: CCO
BORN: 1974
EMPLOYED SINCE: 2020
IN CURRENT POSITION SINCE: 2020
EDUCATION: Economy and real estate Handelshøyskolen BI
PREVIOUS EXPERIENCE: Chief of communication and public affairs, Fredensborg Group. CEO, Real Estate Norway. CEO, Eie Eiendomsmegling. Chariman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



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



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



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Consolidated Statements of Comprehensive Income

Amounts in SEK million	Note	2019	2018
Rental income	IC 2	4,863	3,393
Property costs	IC 3 IC 5	-2,138	-1,583
Net operating income		2,725	1,810
Central administration costs	IC 4 IC 5	-172	-106
Other operating income	IC 6	27	10
Other operating costs	A 2	-46	-42
Profit from participations in associated companies	GS 1	196	20
Profit before financial items		2,729	1,692
Financial income	F 6	57	53
Financial costs – interest-bearing liabilities	F 6	-1,152	-694
Financial costs – right-of-use assets	A 3	-29	–
Other financial income	F 6	6	–
Other financial costs	F 6	-186	-113
Exchange rate gains and losses	F 6	-133	50
Profit from property management		1,293	989
Value change, investment properties	IC 7	6,517	2,745
Value change, interest rate derivatives	F 4	-107	11
Profit before tax		7,703	3,745
Current tax	T 1	-259	-145
Deferred tax	T 1	-1,443	-396
Profit for the year		6,001	3,204
Other comprehensive income	IC 8	432	-255
Comprehensive income for the year		6,433	2,949
<i>Profit for the year attributable to:</i>			
The Parent Company's shareholders		4,099	1,979
Non-controlling interests		1,902	1,225
<i>Comprehensive income for the year attributable to:</i>			
Parent Company's ordinary shareholders		4,378	1,833
Parent Company's preference shareholders		47	47
Non-controlling interests		2,008	1,069
Average number of ordinary shares outstanding		13,204,000	13,204,000
Average number of preference shares outstanding		2,343,750	2,343,750
Profit per ordinary share, SEK		322	139
No dilution effect exists.			

Rental income

Rental income for the period amounted to SEK 4,863 million (3,393), corresponding to an increase of 43 percent. This growth is primarily attributable to property transactions in Denmark and Netherlands. Rental income averaged SEK 1,365 per square metre of time-weighted area (1,404). The lower average rent is primarily explained by the acquisition in the Netherlands.

The letting ratio for housing was 97.6 percent (97.3) for the period. Adjusted for the intentionally vacated apartments, the real letting ratio was 99.1 percent (98.6)

Property costs

Total property costs amounted to SEK 2,138 million (1,582), the change mainly being attributable to the increased property volume. Property costs averaged SEK 600 per square metre of time-weighted area (655). The lower average is primarily explained by the acquisition in the Netherlands.

Net operating income

Net operating income amounted to SEK 2,729 million (1,810) for the period, corresponding to a surplus ratio of 56.0 percent (53.4). The higher surplus ratio is primarily due to acquisitions in Denmark and the Netherlands, as well as operational optimisation measures.

Central administration costs

Costs for central administration amounted to SEK 172 million (107), with the increase mainly being attributable to the growth of the organisation as a consequence of a larger property portfolio.

Financial costs – interest-bearing liabilities

Financial costs for the period were SEK 1,152 million (694). The increased financial costs are mainly attributable to a larger loan portfolio as a consequence of a larger property portfolio. On the balance sheet date, the average interest rate on the total borrowings, derivatives and fees for unutilised credit amounted to 1.94 percent (1.87). The increase is mainly explained by differences in the spread between bonds and bank loans, changes in underlying base interest rates and increased interest rate hedging. At the end of the period, Heimstaden's interest rate hedging ratio was 65 percent (50).

On a rolling twelve month basis, the interest coverage ratio was 2.4 (2.5). This change is due mainly to higher average interest and a higher loan-to-value ratio over the past twelve months. On 30 August, a new share issue in Heimstaden Bostad for SEK 3,000 million was implemented, with the proceeds partly being used to redeem loans with relatively high interest rates. The change has yet to achieve full effect on the rolling twelve month interest coverage ratio.

About 34 percent (57) of the portfolio will switch interest rates within a year and a change in the base rate (Euribor, 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 179 million (187) were rates to rise, and decrease them by approximately SEK 46 million (34) 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 costs regarding outstanding and purchased interest rate derivatives can increase when market interest rates are negative.

Other financial costs

Other financial costs pertain primarily to costs of a non-recurring nature related to new borrowings and redemption of loans.

Exchange rate gains and losses

Currency gains and losses amounted to a net loss of SEK 133 million (50) and relate primarily to unrealised exchange rate differences on cash and cash equivalents, and to receivables and liabilities in the Parent Company.

Profit from property management

Profit from property management increased to SEK 1,293 million (989). The increase in profit from property management is primarily explained by the larger property portfolio resulting from acquisitions. Cleared of currency gains and losses, profit from property management increased by 52 percent compared with the preceding year.

Changes in the value of interest rate derivatives

In accordance with the established financial policy and interest rate hedging strategy, Heimstaden uses interest rate derivatives and basis swaps to manage the Group's interest rate and currency risks. Unrealised changes in value attributable to interest amounted to a net decrease in value of SEK 107 million (increase 11) for the period. Currency effects related to currency hedging of debenture loans are reported on the line Currency gains and losses.

Change in value of investment properties

The total change in value of properties in the income statement amounts to SEK 6,517m (2,745), of which SEK 6,517m (2,881) relates to unrealized change in value. This corresponds to a 6 percent increase in value over the year. All of Heimstaden's geographical segments experienced positive development over the year. The changes in value are attributable primarily to lower yield requirements in the existing stocks, as well as operational optimisation measures. The yield requirements in the valuation average 3.63 percent, compared with 3.69 percent at the end of 2018.

Tax

Current tax amounted to SEK -259 million (-145), which is mainly attributable to tax deductible depreciation and investments. Deferred tax amounted to SEK -1,443 million (-396) and was mainly affected by unrealized changes in value of properties, sales of properties and financial instruments.

The Group's fiscal deficit amounted to SEK 1,442 million (1,548) and forms the basis for the Group's deferred tax assets. The Group's deferred tax liability amounted to SEK 3,640 million (2,218), due to temporary differences mainly attributable to investment properties and financial instruments.

On January 1, 2019, the new tax rules, which include interest deduction restrictions, began to apply. The rules mean reduced taxes from 22.0 percent to 20.6 percent, which is reflected in Heimstaden's comparative figures. For Heimstaden, the new rules mean an increased tax base while reducing the nominal tax rate. The paid tax is not expected to increase in the coming years due to the new rules.

Heimstaden has no ongoing tax disputes.

Other comprehensive income

Other comprehensive income consists of currency translation differences arising from the consolidation of the Group's foreign subsidiaries and amounted to SEK 432 million (loss 255).

Consolidated Statements of Financial Position

Amounts in SEK million	Note	2019	2018
ASSETS			
Non-current assets			
Goodwill	A 2	72	–
Investment properties	A 1	113,719	76,249
Leases, right-of-use	A 3	895	–
Tangible fixed assets	A 4	30	22
Participations in associated companies and joint ventures	GS 1	333	123
Financial derivative instruments	F 1	–	18
Other financial non-current assets	F 5 GS 2 A 7	584	287
Total non-current assets		115,633	76,699
Current assets			
Development properties and tenant-owned apartments in progress	A 5	865	680
Accounts receivable	A 6	23	16
Other current receivables		1,062	863
Prepaid costs and accrued income	A 8	337	253
Cash and cash equivalents		10,687	4,775
Total current assets		12 974	6,587
TOTAL ASSETS		128 606	83,286

Investment properties

On the balance sheet date, the market value of Heimstaden's property portfolio amounted to SEK 113,719 million, compared with SEK 76,249 million at the end of 2018. (see note [A 1](#) Investment properties) During the period, properties were acquired for a value of SEK 27,859 million, most of which concerns acquisitions in Denmark and the Netherlands. Total unrealised changes in value for the period amounted to SEK 6,463 million (2,890). The remaining change in the carrying amount of the property portfolio comprised property sales, investments in existing stocks and exchange rate effects.

Leases, right-of-use

Leases primarily concern site leaseholds that, as of 2019, are reported as assets in accordance with IFRS 16.

Participations in associated companies

Heimstaden holds shares in Rosengård Fastigheter and a number of minor development projects.

Other financial non-current assets

Other financial assets refer to loans provided to associated companies, as well as acquired, construction projects in progress to which Heimstaden has not yet gained access. These amounted to SEK 580 million (286) at the end of the period.

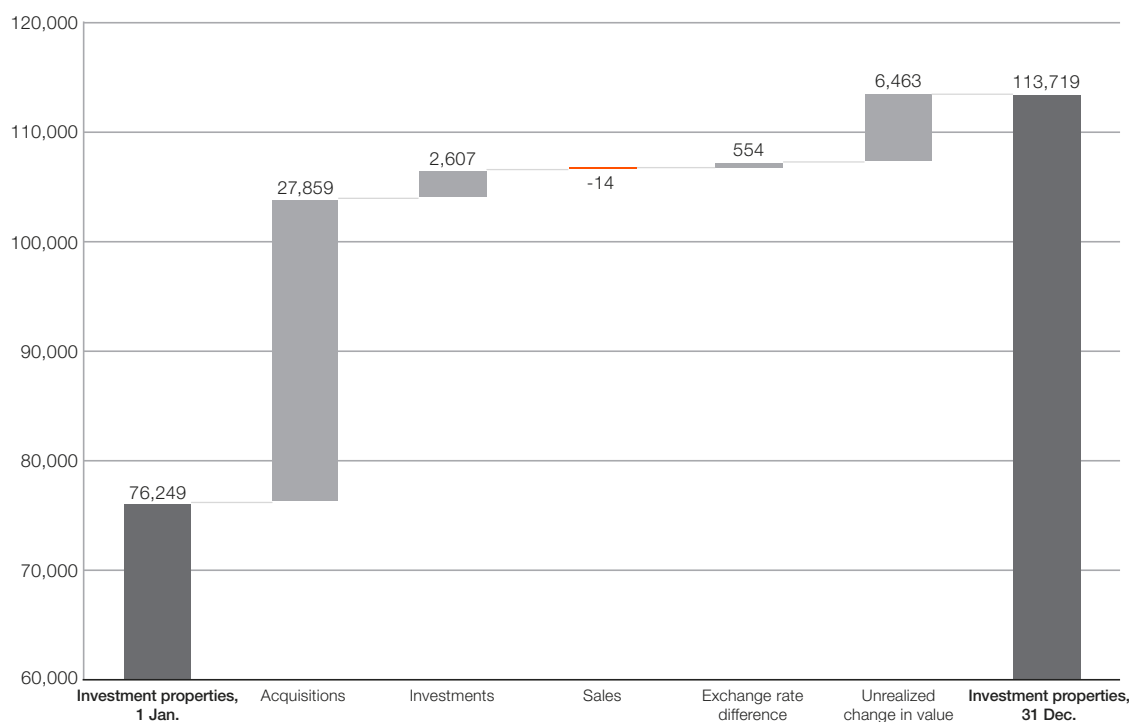
Development properties and tenant-owned apartments in progress

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

Other current receivables

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

DEVELOPMENT OF INVESTMENT PROPERTIES FOR THE YEAR, SEK MILLION



Consolidated Statements of Financial Position

Amounts in SEK million	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Share capital		78	78
Other capital contributions		6,466	6,466
Reserves		–	4
Hybrid bond		2,975	–
Retained earnings (including profit for the year)		14,289	9,951
Total equity attributable to Parent Company shareholders		23,808	16,500
Non-controlling interests		36,134	17,436
Total equity		59,942	33,936
LIABILITIES			
Non-current liabilities			
Long-term interest-bearing, covered liabilities	F 1	56,809	38,195
Long-term liability, leasing	A 3	896	–
Financial derivative instruments	F 1	65	–
Deferred tax liability	T 2	3,640	2,218
Total non-current liabilities		61,411	40,413
Current liabilities			
Current interest-bearing liabilities	F 1	5,137	7,492
Accounts payable		332	350
Current tax liabilities		202	99
Other current liabilities	OL 1	994	521
Accrued costs and prepaid income	OL 2	589	475
Total current liabilities		7,254	8,937
TOTAL EQUITY AND LIABILITIES		128,606	83,286

Consolidated Statements of Changes in Equity

Amounts in SEK million	Share capital	Other capital contributions	Currency-translation reserve	Hybrid bond ¹⁾	Retained earnings	Attributable to Parent Company shareholders	Non-controlling interests	Total equity
Opening balance, 1 Jan 2019	78	6,466	4	–	9,951	16,500	17,436	33,936
Profit for the year	–	–	–	45	4,054	4,099	1,902	6,001
Other comprehensive income	–	–	-4	–	326	326	106	432
Total comprehensive income	78	6,466	–	45	14,331	20,925	19,444	40,369
Contributions from non-controlling interests	–	–	–	–	–	–	8,644	8,644
Dividend to non-controlling interest	–	–	–	–	–	–	-465	-465
Non-controlling interest	–	–	–	–	–	–	52	52
Issue hybrid bonds	–	–	–	3,000	–	3,000	8,523	11,523
Issue costs	–	–	–	-25	–	-25	-9	-34
Dividend	–	–	–	-45	47	-92	-56	147
Total transactions with the company's owner	–	–	–	2,930	-47	2,883	16,689	19,573
Closing balance, 31 Dec 2019	78	6,466	–	2,975	14,289	23,808	36,134	59,942
Opening balance, 1 Jan 2018	78	729	104	–	8,018	8,928	9,879	18,807
Profit for the year	–	–	–	–	1,979	1,979	1,225	3,204
Change in taxation	–	–	–	–	1	1	1	2
Other comprehensive income	–	–	-100	–	–	-100	-155	-255
Total comprehensive income	78	729	4	–	9,998	10,808	10,950	21,758
Shareholder contribution, Fredensborg AS	–	5,737	–	–	–	5,737	–	5,737
Contributions from non-controlling interests	–	–	–	–	–	–	6,563	6,563
Dividend to non-controlling interest	–	–	–	–	–	–	-76	-76
Dividend	–	–	–	–	-47	-47	–	-47
Total transactions with the company's owner	–	5,737	–	–	-47	5,690	6,487	12,177
Closing balance, 31 Dec 2018	78	6,466	4	–	9,951	16,500	17,436	33,936

¹⁾ Heimstaden has issued hybrid bonds amounting to SEK 11,523 billion. The hybrid bond has a perpetual maturity with a variable coupon rate. Heimstaden has the opportunity to redeem outstanding hybrid bonds as of first possible redemption day, which is 5 years from the issue date. At the first reporting date, the assessment was made that the hybrid bond should be classified as an equity instrument and not as a financial liability. The assessment underlying the classification is that there is no explicit contractual obligation to settle the agreement by paying cash or another financial asset. Nor are there any other circumstances indicating that the agreement will be settled in cash or other financial asset. Heimstaden is entitled to postpone interest payments for an indefinite period in so far as hybrid bond holders are notified within the agreed period and the hybrid bond is subordinated to all other creditors.

Interest-bearing liabilities

At the end of the period, Heimstaden's loan-to-value ratio was 40 percent (49). Of the total interest-bearing liabilities, 66 percent (63) were loans secured by property mortgages, giving a loan-to-value ratio for secured loans of 23 percent (29).

The total loan portfolio amounted to SEK 61,946 million (45,687) on the balance sheet date. Of this amount, 34 percent (29) pertains to debenture loans, 32 percent (33) to mortgages and 34 percent (38) to traditional bank loans. There are also unutilised lines of credit of SEK 10,269 million (7,043).

The average period for which capital is tied up regarding Heimstaden's interest-bearing liabilities amounted to 10.1 years (8). The largest proportion of loan maturities within an individual year will occur in 2021 (2020) and accounts for 17 percent (26) of the total portfolio. At the same time, the average period of fixed interest, including the effect of derivatives, amounts to 2.6 years (2.1).

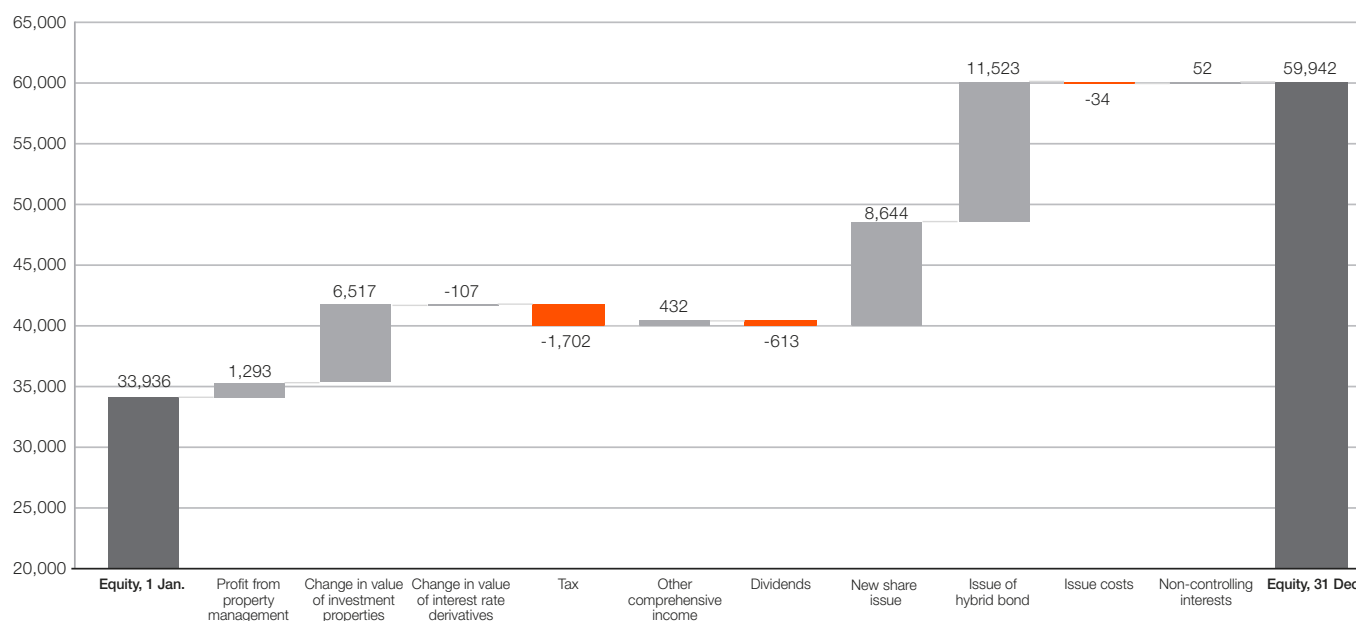
Equity

Equity amounted to SEK 59,942 million (33,936), giving an equity/assets ratio of 47 percent (41). The change in equity over the period is attributable to changes in value in the property portfolio, a new share issue and an issue of hybrid bonds.

Heimstaden is exposed to currency risk in EUR, DKK and NOK.

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

EQUITY DEVELOPMENT OVER THE YEAR¹⁾, SEK MILLION



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

Consolidated Cash Flow Statements

Amounts in SEK million	Note	2019	2018
Operating activities			
Profit before tax		7,703	3,745
Adjustments for non-cash items			
– Value change, properties	IC 7	-6,517	-2,744
– Value change, derivative instruments	F 4	107	-11
– Other non-cash items		-51	-101
Tax paid		-159	-131
Cash flow from operating activities before changes in working capital		1,082	758
Change in working capital			
Change in development properties and tenant-owned apartments in progress	A 5	-113	-883
Change in current receivables		-62	348
Change in current liabilities		360	-489
Cash flow from operating activities		1,267	-266
Investing activities			
Acquisition of investment properties	A 1	-10,990	-9,018
Investments in existing properties and projects	A 1	-2,607	-4,039
Acquisitions of other non-current assets		-16	-158
Deposits paid for acquisitions		-536	-547
Other investments		-4	-22
Other receivables upcoming acquisitions		-231	–
Property sales	A 1	14	155
Acquisitions of subsidiaries		-72	-2
Acquisitions of participations in associated companies	GS 1	-14	-6
Change in loans to associated companies		-361	-47
Change in financial assets		-47	198
Cash flow from investing activities		-14,864	-13,486
Financing activities			
Contributions from non-controlling interests		8,644	6,563
Dividend to non-controlling interest		-465	-76
Dividend, preference shares		-47	-47
Dividend to/contribution from Parent Company		–	5,737
Issue hybrid bonds		11,523	–
Interest and issue costs hybrid bond		-135	–
Loans raised		12,705	5,342
Amortisation / redemption of loans		-12,764	-144
Redemption financial derivative instruments		–	-135
Cash flow from financing activities		19,461	17,241
Cash flow for the year		5,863	3,489
Cash and cash equivalents at the beginning of the year		4,775	1,393
Currency effect in cash and cash equivalents		48	-107
Cash and cash equivalents at the end of the year		10,687	4,775
Disclosures on interest rates			
Interest paid amounts to		577	795
Interest received amounts to		63	55

Operating activities

Cash flow from operating activities, before changes in working capital, amounted to SEK 1,082 million (758). The increase is primarily attributable to a larger property portfolio. After a reduction in working capital, cash flow from operating activities amounted to SEK 1,381 million (negative 266).

Investing activities

Cash flow from investing activities was negative in the amount of SEK 14,979 million (13,486). Most of the flow consists of corporate and property transactions, of which most are attributable to acquisitions in Denmark and the Netherlands.

Financing activities

Cash flow from financing activities amounted to SEK 19,461 million (17,242). The amount is attributable primarily to the new issue of a hybrid bond of SEK 11,523 million (0) and to capital contributions from non-controlling interests of SEK 8,644 million (6,563).

Cash flow

Cash flow for the period amounted to SEK 5,863 million (3,489) and cash and cash equivalents amounted to SEK 10,687 million (4,775) at the end of the period.

Accounting principles and notes to the consolidated accounts

G GENERAL INFORMATION AND GENERAL ACCOUNTING RULES

G 1 General information

Heimstaden AB (publ), Corp. ID No. 556670-0455, is a limited liability company registered in Sweden with its registered office in Malmö, located at Östra promenaden 7A, SE-211 28, Malmö, Sweden. Heimstaden's preference share has been listed on Nasdaq First North since 11 June 2015 under the ticker HEIM PREF. Heimstaden's operations consists of owning, developing and managing residential properties.

The Annual Report and consolidated accounts for the financial year 2019 have been approved for publication in accordance with a resolution by the Board of Directors on 9 April 2020. It is proposed that the Annual Report and consolidated accounts be approved by the Annual General Meeting on 28 May 2020.

G 2 Preparation of the consolidated accounts

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

The consolidated accounts comprise the Parent Company Heimstaden AB and the companies over which the Parent Company has a direct or indirect controlling influence, see Note [PC-A2](#) Shares in subsidiaries in the Parent Company accounts.

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

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

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

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

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

The portion of equity attributable to non-controlling interests is reported as specific item within equity, separate from the Parent Company's portion of equity. Its portion of profit for the period is also specifically disclosed.

cont. Note G 2

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

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

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

G 3 Acquisition

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

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

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

G 4 Key assumptions and assessments

To be able to prepare the accounts in accordance with IFRS and generally accepted accounting principles, Management and the Board of Directors must make a number of key assumptions and assessments that affect the application of the accounting principles and the reported values of assets, liabilities, income, costs and other disclosures. These assumptions and assessments are based on historical experience and other factors that appear reasonable under the existing circumstances. The result of these estimates and assumptions is subsequently used to estimate the carrying amounts of assets and liabilities that are not otherwise clear from other sources. The actual outcome may deviate from these estimates and assessments. Estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which they arise if the change affects that period alone or, alternatively, in the period in which they arise and during future periods if the change affects both the period in question and future periods.

The assumptions and assessments deemed most significant mainly comprise valuations of investment properties. These valuations include estimates regarding future cash flows, return requirements, and changing conditions that could have a significant impact on the Group's profit and financial position. To reflect the uncertainty that exists in the assumptions made, a range of uncertainty of +/- 5 to 10 percent is usually stated in connection with property valuations.

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

G 5 Cash Flow Statements

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

G 6 New accounting principles

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

IFRS 16 Leases

In the autumn of 2017, IFRS 16 Leases was adopted by the EU. The standard came into effect on 1 January 2019 and includes both the lessor and the lessee. Heimstaden'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 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 has reported a right-of-use asset of 924 MSEK and a lease liability corresponding to the value of the right-of-use asset. From the perspective of IFRS 16, leaseholds are viewed as perpetual lease agreements, which are reported at fair value and not written off, instead the value of the right-of-use asset remains until the next

cont. Note G6

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. Heimstad has leasehold or other lease agreements for land in countries other than Sweden. Heimstaden's experience is that these agreements are normally extended and thus handled in the same way as Swedish leaseholds.

Premises and vehicles are reported at discounted values in the Balance Sheet as a right-of-use asset and a lease liability. In the Income Statement, the right-of-use asset is written off over lease term and payments made to landlord/the lessor are reported partly as amortisations on the lease liability and partly as an interest expense in the Income Statement.

The cash flow statements are not affected by the introduction of IFRS 16 as these are based on Profit from property management.

Heimstaden applies the simplified transition method and does not apply the standard retroactively. Accordingly, in accordance with the simplified method, comparison figures for 2018 have not been recalculated.

IFRS 9 Financial instruments

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

IAS 28 Investments in Associates and Joint Ventures

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

IAS 19 Employee Benefits

In 2018, IASB published an amendment to IAS 19, the amendment clarifying how interest rates should be reported in conjunction with a change in a pension plan, regulation or reduction. In the event of a plan change, regulation or reduction, a new actuarial calculation must be made before the cost of service in previous periods is determined. The new calculation means that new actuarial assumptions must be made. This usually means that a change in the discount rate is made on the basis of current market rates. The main rule is that the interest rate used when calculations were made at the beginning of the year should be used when the interest component is recognized in the income statement during the year. This is regardless of whether the market interest rate changed during the year or not. The amendment now makes it clear that if a plan change is made, the new actuarial assumptions will be used when the year's cost of service is determined. In practice, this means that the main rule of using the interest rate that was set at the beginning of the year is deviated from. Instead, the discount rate on which the new calculation is based shall be used in the income statement. The amendments have been applied from 1 January 2019 and have no material impact on the Group's or Parent Company's financial reports.

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

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

IAS 1 Presentation of financial statements

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

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

IFRS 3 Business combinations

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

The accounting of business acquisitions differs from the accounting of an asset acquisition, for example, goodwill is not reported as an asset acquisition, differences also exist in the accounting and valuation of additional purchase prices,

cont. Note G6

acquisition expenses and deferred tax. The classification as business acquisitions and asset acquisitions is thus central to the preparation of financial reports in accordance with IFRS.

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

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

Expected effects of the change

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

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



G 8 Information about related parties

Related-party transactions

The Group is under the controlling influence of Fredensborg AS, which holds 98.4 percent of the votes in the parent company Heimstaden AB. The parent company of the group in which Heimstaden AB is a part of, is Fredensborg 1994 AS. In addition to the related-party relationships specified for the Group, the Parent Company has a controlling influence over subsidiaries in accordance with Note [PC-A2](#) in the Parent Company's Balance Sheet.

Summary of related-party relationships

Heimstaden AB's net receivables from subsidiaries amounted to SEK 0 million (14,920) at the end of the financial year.

During the year, properties valued at SEK 600 million (8,080) were acquired in Norway from Heimstaden's sister group Fredensborg Eiendomsselskap AS, which is controlled by the Chairman of the Board of the company. The properties have been sold to the subsidiary Heimstaden Bostad AB, on the Board of which Heimstaden AB has no voting rights regarding internal acquisitions. Decision-making shareholders were Alecta and the Sandvik and Ericsson pension foundations.

During the year, Heimstaden paid out SEK 0 million (70) in dividends to Fredensborg AS, in accordance with a resolution by the Annual General Meeting. During the year, Fredensborg AS also provided shareholder contributions to Heimstaden of SEK 0 million (5,737). No further related-party transactions took place during the period.

During the year, Heimstaden AB and Heimstaden Förvaltnings AB sold management and administrative services to the Group for SEK 366 million (377).

Transactions with key individuals in leading positions

The company's Chairman of the Board and companies he owns control 98.4 percent of the votes in Heimstaden AB. Regarding the remuneration of the Board of Directors and the salaries and other remunerations of the CEO and other executives, see Note [IC5](#) Personnel and senior executives. The CEO and Deputy CEO hold shares in the subsidiary Heimstaden Bostad AB, and accordingly received dividends in 2019 and participated in the new share issue. Board member Stefan Attefall received compensation for consulting fees of SEK 960 million during the year.

G 9 Events after the Balance Sheet date

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

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

On 30 January, Heimstadens subsidiary Heimstaden Bostad has on issued a EUR bond under its existing EMTN program. The notional amount of the bond was EUR 500 million with a maturity of 6 years and a coupon of 1.125%. The proceeds will be used for general corporate purposes.

On 5 February, Heimstaden has successfully issued subsequent Hybrid bonds in the amount of SEK 1,000 million under the Company's Hybrid bond loan (ISIN SE0012455111), implying that the total outstanding volume is SEK 4,000,000,000 under a framework amount of SEK 5,000,000,000. The new Hybrid bonds were issued at a price of 103% of the nominal amount, corresponding to a floating interest rate of STIBOR 3m + 518 basis points to first call date. The Hybrid bonds have a perpetual maturity with a first call date in approximately 4.7 years.

cont. Note G9

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

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

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

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

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

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

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

IC INCOME AND COSTS

Income accounting

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

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

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

Profit from property management

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

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



Fälhagen 11:3, Uppsala

IC 1 Segment reporting

Accounting principles

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

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

	Sweden	Denmark	Norway	Netherlands	Germany	Group in total
	Dec. 2019	Dec. 2019	Dec. 2019	Dec. 2019	Dec. 2019	Dec. 2019
INCOME STATEMENT						
Rental income	2,231	1,292	702	617	21	4,863
Property costs	-1,146	-467	-233	-283	-9	-2,138
Net operating income	1,085	825	469	334	12	2,725
Central administration costs, unallocated	–	–	–	–	–	-218
Other income and costs, unallocated	–	–	–	–	–	222
Financial income and costs	-577	-299	-415	-154	9	-1,436
Profit from property management	508	526	54	180	21	1,293
Value change, properties	2,222	1,463	487	2,095	250	6,517
Value change, derivatives	80	-113	15	-89	–	-107
Profit before tax	2,811	1,876	556	2,186	271	7,703
BALANCE SHEET						
Goodwill	–	–	–	–	–	72
Investment properties	41,630	34,643	17,372	17,781	2,292	113,719
Development properties and tenant-owned apartments in progress	–	–	865	–	–	865
Assets	–	–	–	–	–	13,936
Total assets	41,630	34,643	18,237	17,781	2,292	128,606
Equity, unallocated	–	–	–	–	–	59,942
Liabilities to credit institutions	12,565	17 809	823	9,301	382	40,880
Debenture loan, unallocated	21,066	–	–	–	–	21,066
Other liabilities, unallocated	–	–	–	–	–	6,719
Total equity and liabilities	36,631	17,809	823	9,301	382	128,606
Investments in investment properties	1,444	901	239	10	13	2,607
	Sweden	Denmark	Norway	Netherlands	Germany	Group in total
	Dec. 2018	Dec. 2018	Dec. 2018	Dec. 2018	Dec. 2018	Dec. 2018
INCOME STATEMENT						
Rental income	2,039	744	604	1	5	3,393
Property costs	-1,054	-287	-235	–	-6	-1,583
Net operating income	985	457	369	1	-1	1,810
Central administration costs, unallocated	–	–	–	–	–	-107
Other income and costs, unallocated	–	–	–	–	–	-12
Financial income and costs	-417	-110	-170	–	-5	-702
Profit from property management	568	346	199	1	-6	989
Value change, properties	1,570	840	396	-3	-58	2,745
Value change, derivatives	73	-64	2	–	–	11
Profit before tax	2,211	1,122	597	-2	-64	3,745
BALANCE SHEET						
Investment properties	35,995	23,784	15,530	236	703	76,249
Development properties and tenant-owned apartments in progress	–	–	680	–	–	680
Assets	3,137	2,575	198	6	441	6,357
Total assets	39,132	26,360	16,408	243	1,144	83,286
Equity, unallocated	–	–	–	–	–	33,936
Liabilities to credit institutions	18,744	12,870	413	142	375	32,544
Debenture loan, unallocated	–	–	–	–	–	13,143
Other liabilities, unallocated	1,584	952	253	99	776	3,663
Total equity and liabilities	20,328	13,822	666	241	1,151	83,286
Investments in investment properties	862	145	284	0	0	1,291

IC 2 Rental income

Rental income distributed by property category	2019	2018
Housing	4,401	3,124
Commercial Premises	391	221
Garages and parking spaces	71	48
Total	4,863	3,393

Lease maturities	Number of contracts	Estimated contract value, 2019	Portion of value, %
2020	1,920	263	5
2021	319	111	2
2022	214	92	1
2023	67	57	1
2024–	98	342	6
Total	2,618	865	15

Vacant commercial premises	1,018	34	1
Housing	52,143	4,060	83
Garages and parking spaces	18,752	65	1
Total	74,531	5,024	100

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

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

**IC 3** Property costs

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

Property costs	2019	2018
Operation	960	989
Maintenance	546	344
Property tax	202	86
Ground rent	–	3
Direct property costs	1,708	1,422
Property administration	422	155
Amortisation and depreciation	8	6
Total	2,138	1,583

Property costs, SEK/m ²	2019	2018
Operation	269	409
Maintenance	153	142
Property tax	57	36
Ground rent	–	1
Direct property costs	479	588
Property administration	118	64
Amortisation and depreciation	2	2
Total	599	654

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

IC 4 Central administration costs

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

EY	2019	2018
Audit	10	7
Auditing activities beyond the audit	4	2
Tax consultancy	1	1
Other assignments	1	0
Total	16	10

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

Total	2019	2018
Audit	13	9
Auditing activities beyond the audit	4	2
Tax consultancy	1	1
Other assignments	1	–
Total	19	12

IC 5 Personnel and senior executives**Accounting principles**

Employee benefits in the form of salaries, paid vacation, paid absence due to illness, etc. are reported as employees perform services in exchange for compensation. Pensions and other post-employment benefits may be classified as defined contribution plans or defined benefit plans. All of Heimstaden's pension obligations consist of defined contribution plans, which are met through ongoing payments to the independent authorities or organisations that administer the plans. Obligations regarding defined contribution plans expensed in the Income Statement as they are incurred.

Average number of employees	31 Dec. 2019			31 Dec. 2018		
	Women	Men	Total	Women	Men	Total
Sweden	117	190	307	102	162	264
Norway	36	69	105	37	71	108
Denmark	34	45	79	14	20	34
Netherlands	5	13	18	–	–	–
Germany	–	–	–	–	–	–
Total	192	317	509	153	253	406

At the end of 2019, the number of employees in the Group was 571 (448).

Salaries, remuneration, social security and pension costs have been paid as follows:

	2019	2018
Chairman of the Board	0	0
CEO (Board Member)		
Base salary	2	2
Benefits	0	0
Pension costs	1	1
	3	3
Deputy CEO (Board Member)		
Base salary	1	2
Benefits	0	0
Pension costs	1	1
	2	3
Board Member, John Giverholt		
Board fees (SEK thousands)	–	–
	–	–
Other senior executives:		
Base salary	25	14
Benefits	1	1
Pension costs	2	1
	28	16
The CEO and Board Members have been paid variable remuneration of SEK 0 (0)		
Other employees:		
Salaries	270	186
Benefits	6	2
Pension costs	7	13
	283	201
Social security costs	49	52
Board Members and senior executives		
Board Members	4	4
of whom, women	–	–
CEO and senior executives	12	12
of whom, women	4	5

cont. Note IC 5

Remunerations

Between the company and the CEO, a mutual notice period of six months applies. In the event of termination by the company, severance pay corresponding to 18 months salary is to be paid. Between the company and Board Members, a mutual notice period of three months applies. For senior executives and other employees, the customary pension commitments within the framework of general pension plans apply. In addition to customary pension, the company has taken out pension insurance for the CEO with annual premiums corresponding to 10 percent of gross salary.

The Board of Directors and company management are presented on pages 92–95.

IC 6 Other operating income

	2019	2018
External property management assignments	27	10
Other operating income	–	–
Total	27	10

IC 7 Value change, properties

	2019	2018
Sales income	–	11
Carrying amount at the beginning of the year, properties sold	–	-148
Reversed impairment	53	–
Unrealised value change attributable to change in return requirement	4,152	1,451
Unrealised value change attributable to change in net operating income	2,312	1,430
Total	6,517	2,744

Sensitivity analysis of changes in the fair value of properties

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

	2019	2018
Required yield		
+0,1 percentage point	-2,973	-2,033
-0,1 percentage point	+3,141	+2,148
Rental income		
+1 percent	+1,340	+930
-1 percent	-1,340	-930
Operating expenses		
+1 percent	-586	-434
-1 percent	+589	+434

At December 31, 2019 the average required yield was 3.63 percent (3.69).

IC 8 Other comprehensive income

Translation difference regarding foreign operations, net after hedge accounting.

	2019	2018
Exchange rate difference	432	-255
Total	432	-255

T TAX

Accounting principles

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



T 1 Current and deferred tax

Accounting principles

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

	2019	2018
Current tax	-259	-145
Deferred tax	-1,443	-396
Total	-1,702	-541
Reported profit before tax	7,703	3,745
Tax according to current rate	-1,681	-824
Tax effect of:		
Non-taxable income	98	65
Non-deductible costs	-69	-29
Non-taxable profit on disposal of participations	–	134
Non-deductible interest net	-121	–
Tax effect of hybrid	48	–
Tax on participations in profit of associated companies	42	4
Revaluations, deferred tax, 20.6%	–	106
Tax attributable to previous years	-19	3
Total	-1,702	-541

T 2 Deferred tax

Accounting principles

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

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

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

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

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

	2019		2018	
	Basis	Tax 20.6% and 22%	Basis	Tax 20.6% and 22%
Deferred tax receivables				
At the beginning of the year	-1,548	-333	-403	-89
Corporate acquisitions	–	–	-975	-215
Changed tax rate	–	–	–	6
Change for the year	119	25	-170	-35
At the end of the year	-1,429	-308	-1,548	-333
Deferred tax liability				
At the beginning of the year	12,177	2,547	8,347	1,836
Corporate acquisitions	-154	-35	1,046	230
Depreciation for the year	192	51	119	24
Value change for the year	6,517	1,399	2,665	563
Changed tax rate	–	–	–	-106
At the end of the year	18,732	3,962	12,177	2,547
Interest-rate derivatives				
At the beginning of the year	18	3	-31	-6
Change for the year	-83	-18	49	9
At the end of the year	-65	-15	18	3
Net deferred tax				
At the beginning of the year	10,647	2,218	7,913	1,741
Corporate acquisitions	-154	-35	71	15
Revaluations, deferred tax, 20.6%	–	–	–	-100
Change for the year	6,745	1,457	2 663	562
At the end of the year	17,238	3,640	10,647	2,218

No non-capitalised assessed loss carry-forwards exist. Measured deficit amounts to million SEK 1,429 (1,548).

A ASSETS

A 1 Investment properties

Accounting principles

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

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

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

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

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

	31 Dec. 2019	31 Dec. 2018
Fair value at the beginning of the year	76,249	50,285
Acquisitions	27,746	21,696
Investments	2,720	1,291
Sales	-14	-148
Currency change	554	244
Unrealised value change	6,463	2,881
Fair value at the end of the year	113,719	76,249
Breakdown by category		
Residential properties	112,486	71,865
Project properties	1,152	3,619
Land and building rights	81	765
Total	113,719	76,249

Valuation model

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

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

cont. Note A 1

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

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

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

Valuation hierarchy

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

Valuation basis for investment properties

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

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

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

cont. Note A 1

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

Project properties and building rights

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

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

Assumptions

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

Assumptions regarding cash flow

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

Assumptions regarding return requirements

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

+ 10-year German government bond (Euro bench)	-0.19%
– Inflation	-1.8%
+ Risk premium	2.37% to 2.27%
= Return requirement	0.38% till 10.28%

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

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

Total property value and broken down by segment

The total property value, measured at fair value, amounts to SEK 113,719 million (76,249). This value includes unrealised value increase for 2019 of SEK 6,463 million (2,881). Expressed as a percentage, the unrealised increase in value is 5.7 percent (3.9) of the total property value before changes in value. The total property value breaks down by segment as shown below.

Change in market value of investment properties	Total	Sweden	Denmark	Norway	Germany	Netherlands
Market value of investment properties, 31 Dec 2018	76,249	36,005	23,782	15,521	703	236
Sales during the year	-14	-14	0	0	0	0
Acquisitions during the year	27,859	1,973	8,080	757	1,311	15,738
Investments during the year	2,607	1,444	901	239	13	10
Currency change	554	0	417	421	14	-299
Market value after transactions	107,256	39,408	33,180	16,938	2,041	15,686
Unrealised value change	6,463	2,222	1,463	434	250	2,095
Market value of investment properties, 31 Dec 2019	113,719	41,630	34,643	17,372	2,291	17,780

cont. Note A 1

Acquisitions after the Balance Sheet date

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

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

Uncertainty interval and sensitivity analysis

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

Generally, market value is displayed in a value range of +/-5-10 percent to reflect the uncertainty in the assumptions. The reported property value per 31 Dec. 2019 amounts to SEK 113,719 million. With an uncertainty interval of +/-5 percent, this value is affected by SEK 5,686 million and at +/-10 percent, the value is affected by SEK 11,372 million.

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

Property value at other yield requirements

0.75 – unit lower	142,597
0.50 – unit lower	131,433
0.25 – unit lower	121,921
Market value of properties on Balance Sheet date	113,719
0.25 – unit higher	106,574
0.50 – unit higher	100,294
0.75 – unit higher	94,731

Property value on changed net operating income

2.00 percent higher net operating income	115,937
1.50 percent higher net operating income	115,382
1.00 percent higher net operating income	114,828
Market value of properties on Balance Sheet date	113,719
1.00 percent lower net operating income	112,610
1.50 percent lower net operating income	112,056
2.00 percent lower net operating income	111,501

A 2 Goodwill

Accounting principles

Goodwill arising on the preparation of consolidated accounts, consists of the difference between the cost and the Group's share of fair value of acquired subsidiaries' identifiable net assets on the acquisition date. Goodwill is tested at least annually for potential impairment, or more often when there is an indication that the carrying amount may not be recoverable.

	31 Dec. 2019	31 Dec. 2018
Opening balance	–	–
Business combinations	72	42
Impairment for the year	–	-42
Closing balance	72	–

Acquisition analysis for Heimstaden Nederland BV

Equipment	0
Other assets	3
Cash and cash equivalents	2
Current liabilities	-8
Acquired net assets	-2
Purchase consideration paid	74
Goodwill	72

A 3 Leases, rights of use

Accounting principles

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

The Group has a number of site leasehold agreements and leases. In addition to this, there are a number of leases that relate to rent of offices within the Group. The lease payments are renegotiated at the end of the leases to reflect market rents. Leases are mostly due for renegotiation in more than 5 years and amount to SEK 896 m in total. In the annual accounts for 2019, an expense of SEK 8 m was recognised in respect of ground rent.

The lease debt maturity breaks down as follows:

	2019
Within one year	21
1-5 years	41
> 5 years	834
Total	896

The table below shows the rights of use per category:

	Leasehold rights	Premises	Vehicle	Other	Total
Opening value 1 Jan. 2019	629	259	34	2	924
New contract	–	–	–	–	–
Depreciation	–	-20	-8	-1	-29
Closing value 31 Dec. 2019	629	239	26	1	895



A 4 Tangible fixed assets**Accounting principles**

Tangible fixed assets comprise equipment and are reported at cost plus revaluations and less depreciation and impairment. The cost includes expenses directly attributable to the acquisition of the asset.

Depreciation, which is applied linearly over the estimated useful life, normally amounts to five years and is reported in the Income Statement.

Non-current assets are impaired when the carrying amount exceeds the recoverable amount, individual testing is performed for each asset when there is an indication of impairment.

	31 Dec. 2019	31 Dec. 2018
Equipment		
Opening amortised cost	42	19
Corporate acquisitions for the year	11	–
Investments for the year	3	22
Closing amortised cost	56	42
Opening accumulated depreciation	-20	-14
Depreciation for the year	-6	-6
Closing accumulated depreciation	-26	-20
Closing planned residual value	30	22

A 5 Development properties and tenant-owned apartments in progress**Accounting principles**

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

	31 Dec. 2019	31 Dec. 2018
Opening amortised cost	680	–
Corporate acquisitions for the year	113	883
Currency change	19	-39
Reversed impairment / Impairment	53	-164
Closing amortised cost	865	680

A 6 Accounts receivable**Accounting principles**

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

Accounts receivable amounted to SEK 23 million (16) per 31 Dec. 2019. The Group has chosen to apply the simplified method for reserving expected loan losses for leases and accounts receivable. This means that expected credit losses are reserved for the remaining term, which is expected to be less than one year for all receivables. Rent is invoiced in advance, meaning that all reported rent receivables and accounts receivable have fallen due for payment. The Group makes provisions for expected credit losses based on historical credit losses and forwardlooking information. Heimstaden's customers have similar risk profiles, which is why the credit risk is initially assessed collectively. Any major individual receivables are assessed per counterparty. Heimstaden writes off a receivable when there is no longer any expectation of receiving payment and when active measures to obtain payment have been discontinued.

Age distribution of accounts receivable, SEK million	2019	2018
–30 days	23	15
31–60 days	4	1
61–90 days	7	0
91 days–	24	12
Total	59	29
Credit loss provision	-35	-12
Accounts receivable, net	23	16

A 7 Receivables from associated companies

	31 Dec. 2019	31 Dec. 2018
Opening balance	122	75
Loans granted	382	47
Closing balance	504	122
Company/Corp. ID No./Receivable		
Gamlebro AB, 556791-3990	74	75
Upplands Bro Brogårds Etapp 2 AB, 559175-4915	114	–
Magnolia Projekt 5222 AB, 559175-4907	128	–
Slagteristræde A/S, 38632035	39	17
Windrose A/S, 39754134	149	29
Total	504	122

A 8 Prepaid costs and accrued income

	31 Dec. 2019	31 Dec. 2018
Prepaid insurance premium	5	4
Prepaid interest	118	95
Other accrued items	214	154
Closing balance	337	253

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

	31 Dec. 2019	31 Dec. 2018
Deposits from customers	406	225
Resting trial costs	48	48
Debt real estate transactions	198	–
VAT construction project	57	–
Other items	285	248
Total	994	521

OL 2 Accrued costs and prepaid income

	31 Dec. 2019	31 Dec. 2018
Personnel costs	64	37
Accrued interest	67	34
Prepaid rent	318	242
Other items	542	162
Total	994	475

OL 3 Pledged assets

	31 Dec. 2019	31 Dec. 2018
Mortgages	48,131	36,132
Pledged shares in subsidiaries	35,552	20,385
Total	83,683	56,517



Clara Pontoppidanparken, Copenhagen

OL 4 Contingent liabilities

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

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

Investment obligations

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

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

Liability for contamination or environmental damage

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

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

Disputes

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

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

F FINANCING AND CAPITAL STRUCTURE

F 1 Financial instruments

Accounting principles

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

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

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

Financial assets

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

The instruments are classified as:

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

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

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

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

Impairment of financial assets

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

cont. Note F 1

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

A simplified model is applied for accounts receivable and rent receivables, as well as contract assets. Accordingly, a loss reserve is reported for the receivable or asset's expected remaining term, see Note [A 6](#) Accounts receivable.

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

The valuation of expected credit losses is based on various methods. Other receivables and assets not covered by the simplified method (see Note [A 6](#) Accounts receivable), are impaired in accordance with a rating-based method through external credit rating. In accordance with the general method, the financial assets covered by provisions for expected credit losses are cash and cash equivalents, other non-current receivables and other receivables. Expected credit losses are valued at the product of probability of default, loss given default and the exposure in the event of default. The Group has defined default as when payment of the claim is 90 days late or more, or if other factors indicate that payment is in default. For assets and receivables with deteriorated credit, an individual assessment is made, taking into account historical, current and forward-looking data. The assessment of whether there is a significant increase in credit risk at the Balance Sheet date for a receivable or asset is based on whether payment is delayed by 30 days or more, or if significant deterioration of rating occurs, entailing a rating below investment grade. In cases where the amounts are not deemed insignificant, a provision is made for expected credit losses for these financial instruments too. The valuation of expected credit losses takes into account any collateral and other credit enhancements in the form of guarantees.

Financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and immediately availability balances at banks and corresponding institutions, and current liquid investments with a term of less than three months from the date of acquisition. Cash and cash equivalents are covered by the requirement for loss reserves for expected credit losses.

cont. Note F 1

Valuation of financial assets and liabilities per 31 December 2019	Financial assets/liabilities measured at amortised cost	Financial liabilities measured at fair value through the Income Statement
Financial assets		
Accounts receivable	23	–
Other financial receivables	1,062	–
Cash and cash equivalents	10,687	–
Total	11,772	–
Financial liabilities		
Long-term interest-bearing liabilities	56,809	–
Financial derivative instruments	–	65
Current liabilities to credit institutions	5,137	–
Accounts payable	332	–
Other current liabilities	994	–
Accrued expenses and prepaid income	589	–
Total	63,861	65
<hr/>		
Valuation of financial assets and liabilities per 31 December 2018	Financial assets/liabilities measured at amortised cost	Financial liabilities measured at fair value through the Income Statement
Financial assets		
Accounts receivable	16	–
Financial derivative instruments	–	18
Other financial receivables	863	–
Cash and cash equivalents	4,775	–
Total	5,654	18
Financial liabilities		
Long-term interest-bearing liabilities	38,195	–
Non-current liabilities to credit institutions	7,492	–
Accounts payable	351	–
Other current liabilities	521	–
Accrued costs and prepaid income	475	–
Total	47,034	–

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

Interest-rate derivatives

Accounting principles

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

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

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

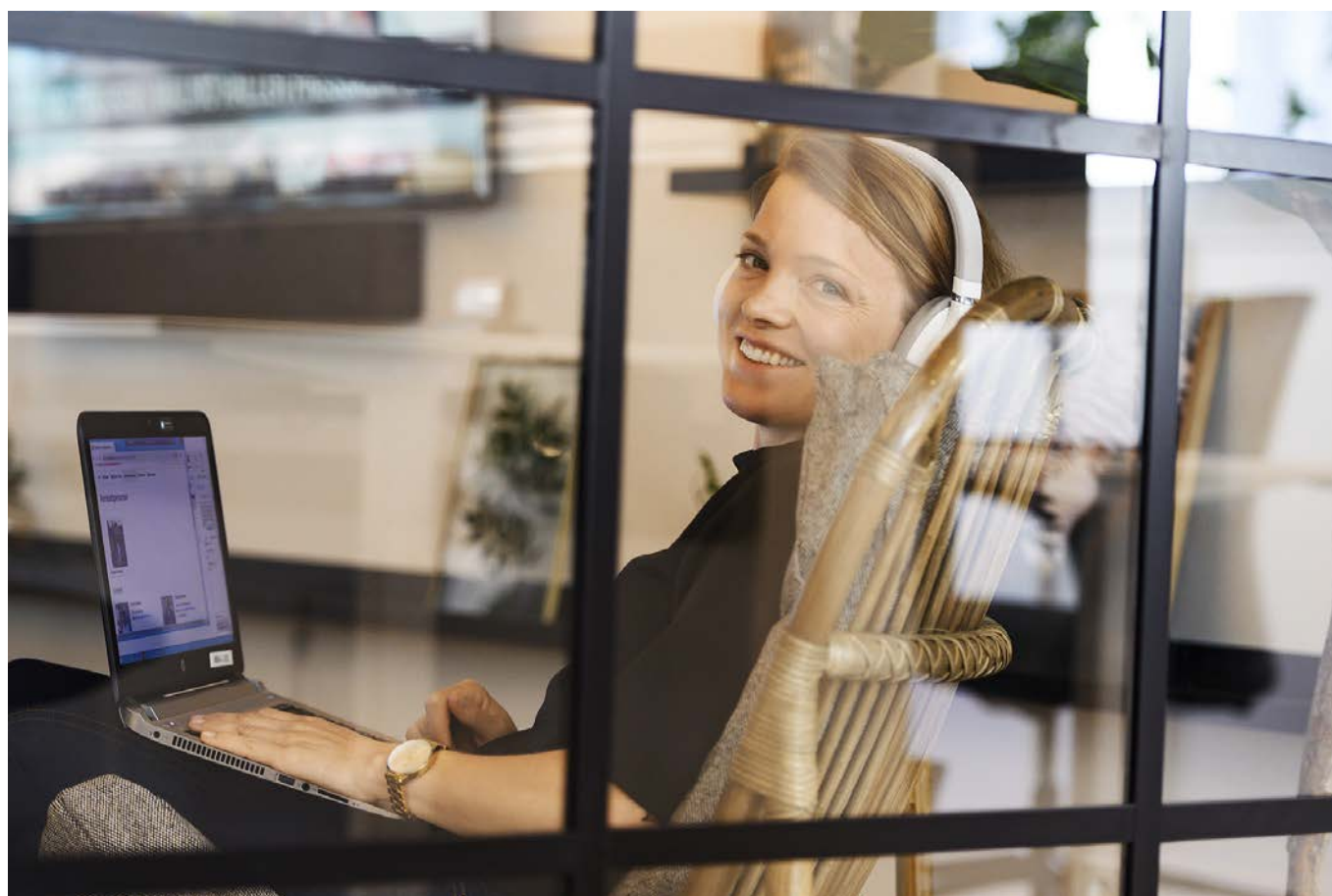
cont. Note F 1

	31 Dec. 2019	31 Dec. 2018
Asset	189	97
Liability	-254	-79
Net value, derivatives	-65	18

The fair value of interest rate derivatives has been determined on level two inputs according to the valuation hierarchy in IFRS 13. As a key assumption, current market interest rates for the different maturities have been used and the value has been determined as the actual repurchase price received by the counterparty.

Maturity, year	Type	31 Dec. 2019			31 Dec. 2018		
		Nominal amount	Share, % ¹⁾	Average interest, %	Nominal amount	Share, % ¹⁾	Average interest, %
Within 1 year of the Balance Sheet date	Paying fixed	4,592	12	0.1	3,333	15.7	0.0
Within 1-5 years of the Balance Sheet date	Paying fixed	26,882	71	0.2	13,296	62.8	0.4
Later than 5 years from the Balance Sheet date	Paying fixed	6,231	17	0.5	4,553	21.5	0.7
Total interest rate derivatives		37,705	100	0.2	21,182	100.0	0.4
Within 1 year of the Balance Sheet date	Receives variable	5,223	42	3.2	–	–	–
Within 1-5 years of the Balance Sheet date	Receives variable	7,313	58	2.8	5,127	100.0	1.1
Later than 5 years from the Balance Sheet date	Receives variable	–	–	–	–	–	–
Total basis swaps		12,536	100	3.0	5,127	100.0	1.1

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



F 2 Financial risk management

Financial risk factors

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

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

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

MARKET RISK

Currency risk

Heimstaden owns properties in Denmark for a value of SEK 34,643 million (23,784), in Norway for a value of SEK 17,732 million (15,530), in Germany for a value of SEK 2,291 million (703) and in the Netherlands for a value of SEK 17,781 million (236), entailing a currency risk. The currency effect arises in the Group's net assets when the foreign companies' Balance Sheets are consolidated. No hedging is currently performed for this currency risk.

Price risk

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

Interest rate risk

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

CREDIT RISK

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

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

LIQUIDITY RISK

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

cont. Note F 2

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

Maturity 31 December, 2019	0–1 year	1–5 year	>5 year
Interest-bearing liabilities	5,137	34,607	22,201
Financial derivative instruments	4,592	26,882	6,231
Accounts receivable	332	–	–
Other liabilities	994	–	–
Total	11,055	61,489	28,432

Maturity 31 December, 2018	0–1 year	1–5 year	>5 year
Interest-bearing liabilities	7,492	25,569	12 626
Financial derivative instruments	3,333	13,296	4 553
Accounts receivable	350	–	–
Other liabilities	521	–	–
Total	11,696	38,865	17 179

For other risks, see pages 82–86.



F 3 Interest-bearing liabilities

Accounting principles

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

Interest-bearing liabilities per currency	2019		2018	
	mkr	Local currencies	mkr	Local currencies
SEK	20,565	–	22,807	–
NOK	1,353	1,277	4,364	4,234
EUR	22,220	2,127	5,645	550
DKK	17,809	12,737	12,870	9,365
Total	61,947		45,686	

Listed bonds

Nominal value	Market value	Maturity	Rating	Annual coupon	Identification number	Exchange
Interest-bearing liabilities						
1,250 mSEK	1,267	2021-06-16	N/A	S3M + 3,15%	SE0009895055	Nasdaq Stockholm
1,750 mSEK	1,774	2023-05-31	N/A	S3M + 3,25%	SE0012622249	Nasdaq Stockholm
500 mEUR	5,369	2021-12-07	BBB- (Positive Outlook)	Fixed 1,75%	XS1918007458	Euronext Dublin
700 mEUR	7,693	2023-09-05	BBB- (Positive Outlook)	Fixed 2,125%	XS1958655745	Euronext Dublin
500 mNOK	542	2024-06-07	BBB- (Positive Outlook)	N3M + 2,40%	NO0010838899	Oslo börs
4,000 mSEK	4,041	2020-12-07	BBB- (Positive Outlook)	S3M+1,50%	XS1918016285	Euronext Dublin
1,000 mSEK	1,033	2022-09-07	BBB- (Positive Outlook)	S3M + 2,00%	XS1918010833	Euronext Dublin
Hybrid bond						
3,000 mSEK	3,079	2024-10-11	N/A	S3M + 5,90%	SE0012455111	Nasdaq Stockholm
800 mEUR	8,399	2025-02-19	BBB- (Positive Outlook)	Fixed 3,248%	XS2010037765	Euronext Dublin

Maturity structure interest-bearing liabilities

Capital tied up 31 Dec. 2019					
	Secured borrowing	Unsecured borrowing	Total borrowing	Share, percent	
Loan maturity					
Within 1 year of the Balance Sheet date	1,137	4,000	5,137	8	
within 1–5 years of the Balance Sheet date	17,542	17,066	34,607	56	
Later than 5 years from the Balance Sheet date	22,201	–	22,201	36	
Total	40,880	21,066	61,945	100	
Capital tied up 31 Dec. 2018					
	Secured borrowing	Unsecured borrowing	Total borrowing	Share, percent	
Loan maturity					
Within 1 year of the Balance Sheet date	5,597	1,895	7,492	16	
within 1–5 years of the Balance Sheet date	10,950	14,619	25,569	56	
Later than 5 years from the Balance Sheet date	12,111	515	12,626	29	
Total	28,658	17,029	45,687	100	
Fixed interest rates 31 Dec. 2019					
	Secured borrowing	Unsecured borrowing	Total borrowing	Average interest rate,% incl. Margin	Share, percent
Interest maturity					
Within 1 year of the Balance Sheet date	30,586	21,066	51,652	1.61	85
within 1–5 years of the Balance Sheet date	9,800	–	9,800	3.08	15
Later than 5 years from the Balance Sheet date	494	–	494	3.23	2
Total	40,880	21,066	61,946	1.86	100
Fixed interest rates 31 Dec. 2018					
	Secured borrowing	Unsecured borrowing	Total borrowing	Average interest rate,% incl. Margin	Share, percent
Interest maturity					
Within 1 year of the Balance Sheet date	21,721	17,029	38,750	1.50	85
within 1–5 years of the Balance Sheet date	6,625	–	6,625	2.70	14
Later than 5 years from the Balance Sheet date	312	–	312	1.30	1
Total	28,658	17,029	45,687	1.70	100

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

0.71 years

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

2.56 years

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

10.05 years

F 4 Value change, interest rate derivatives

	31 Dec. 2019	31 Dec. 2018
Realised value change	-146	-134
Acquired derivatives	–	96
Unrealised value change	39	49
Total	-107	11

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

F 5 Other non-current receivables

	31 Dec. 2019	31 Dec. 2018
Opening balance	13	211
Loans granted	63	13
Repayments on loans	–	-211
Closing balance	76	13

The item relates to loans granted to tenant-owner associations, promissory notes on property sales and loans in connection with new production.

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

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

Financial income and costs reported in comprehensive income

Assets and liabilities compulsorily measured at fair value through the Income Statement:	2019	2018
Net gains on derivatives	153	145
Net losses on derivatives	-259	-134
Total reported in the Income Statement (financial items)	-107	11

Assets and liabilities measured at amortised cost:	2019	2018
Interest income, promissory notes	–	6
Interest income, associated companies	16	2
Interest income, other financial assets	47	45
Total interest income in accordance with effective interest method	63	53

	2019	2018
Interest costs, loans	-1,367	-806
Total interest costs in accordance with the effective interest method	-1,367	-806

	2019	2018
Exchange rate differences, financial items	-133	50
Total	-133	50

Total reported in comprehensive income	-1,544	-692
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F 7 Reconciliation of liabilities attributable to financing activities

	31 Dec. 2018	Cash flow	Corporate acquisitions	Changed exchange rate	31 Dec. 2019
Current interest-bearing liabilities	7,492	-2,355	–	–	5,137
Long-term interest-bearing liabilities	38,195	2,296	15,965	353	56,809
Total interest-bearing liabilities	45,687	-59	15,965	353	61,946

	31 Dec. 2017	Cash flow	Corporate acquisitions	Changed exchange rate	31 Dec. 2018
Current interest-bearing liabilities	3,054	4,438	–	–	7,492
Long-term interest-bearing liabilities	27,882	760	9,207	346	38,195
Total interest-bearing liabilities	30,936	5,198	9,207	346	45,687

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ALTERNATIVE KEY DATA

Definitions of the following measurements are presented on page 168.

Letting ratio, housing (number), %	31 Dec. 2019	31 Dec. 2018
Number of available/vacant homes as per the Balance Sheet date	1,336	1,068
Number of leased homes as per the Balance Sheet date	53,527	37,938
Total number of homes as per Balance Sheet date	54,863	39,006
Letting ratio, housing (number), %	97.6%	97.3%

Real letting ratio, housing (number), %	31 Dec. 2019	31 Dec. 2018
Number of remodelling vacancies as per the Balance Sheet date	858	512
Number of leased homes as per the Balance Sheet date	54,005	37,938
Total number of homes as per Balance Sheet date	54,863	39,006
Real letting ratio (number), %	99.1%	98.6%

Proportion living area on the Balance Sheet date (m ²), %	31 Dec. 2019	31 Dec. 2018
Living area as per Balance Sheet date	3,660,839	2,427,714
Premises area as per Balance Sheet date	370,471	304,645
Total area as per Balance Sheet date	4,031,310	2,732,359
Proportion living area on Balance Sheet date, %	90.8%	88.9%

Interest coverage ratio (ICR), multiple	31 Dec. 2019	31 Dec. 2018
Profit from property management	1,293	989
Reversal:		
Financial costs – interest-bearing liabilities	1,471	806
Financial costs – interest-bearing subordinated shareholder loans	–	0
Profit from property management plus financial costs	2,764	1,795
Interest coverage ratio (ICR), multiple	2.4	2.2

Equity ratio including shareholder loans, %	31 Dec. 2019	31 Dec. 2018
Equity	59,942	33,936
Interest-bearing subordinated shareholder loans	–	0
Equity including interest-bearing shareholder loans	59,942	33,936
Total assets	128,606	83,286
Equity/assets ratio including shareholder loans, %	46.6%	40.7%

Net liabilities	31 Dec. 2019	31 Dec. 2018
Interest-bearing liabilities	61,947	45,687
Cash and cash equivalents	-10,687	-4,775
Net liabilities	51,260	40,911

Loan-to-value ratio (LTV), %	31 Dec. 2019	31 Dec. 2018
Net liabilities	51,260	40,911
Total assets	128,606	76,249
Loan-to-value ratio (LTV), %	39.9%	49.1%

Net asset value on the balance sheet date, SEK m	31 Dec. 2019	31 Dec. 2018
Equity	59,942	33,936
Deferred tax liability	3,640	2,218
Net asset value	63,582	36,154

Long-term asset value on the balance sheet date, SEK m	31 Dec. 2019	31 Dec. 2018
Net asset value	63,582	36,154
Financial derivative instruments	65	-18
Long-term Net asset value	63,647	36,136

DEBT/EBITDA, multiple	31 Dec. 2019	31 Dec. 2018
Time-weighted interest-bearing liabilities	58,399	34,059
– Subordinated interest-bearing shareholder loans	–	–
DEBT	58,399	34,059
Profit before financial items	2,729	1,692
Amortisation and depreciation	6	6
EBITDA	2,735	1,697
DEBT/EBITDA, multiple	21.3	20.1

Equity per preference share, SEK	31 Dec. 2019	31 Dec. 2018
Preferential rights of the preference shares upon liquidation of the company	375	375
Remaining entitlement to dividends	5	5
Equity per preference share	380	380

Equity per ordinary share	31 Dec. 2019	31 Dec. 2018
Equity attributable to Parent Company shareholders	20,798	16,500
Number of preference shares	2,343,750	2,343,750
Equity per preference share, SEK	380	380
Preference capital	891	891
Equity excluding preference capital	19,907	15,610
Average number of ordinary shares	13,204,000	13,204,000
Equity per ordinary share, SEK	1,508	1,182

Profit per ordinary share, SEK	31 Dec. 2019	31 Dec. 2018
Parent Company's ordinary shareholders, SEK million	4,378,184	1,832,677
Average number of ordinary shares	13,204,000	13,204,000
Profit per ordinary share, SEK	322	139



St. Olavs gate 21, Oslo

GS GROUP STRUCTURE**GS 1** Participations in associated companies and joint ventures**Accounting principles**

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

Participations in associated companies	31 Dec. 2019	31 Dec. 2018
Opening balance	123	108
Investment for the year	14	10
Disposals for the year	–	-15
Share of profit	196	20
Closing balance	333	123

Participations are reported in accordance with the equity method.

Specifications of the Group's participations in associated companies

Company	Corp. ID No	Reg. office	No. of shares	Share in %	Value of capital participation
Rosengård Fastighets AB	559085-4708	Malmö	25 000	25	158
Byggrätt Norr AB	559207-4859	Skellefteå	94	19	–
					158

Specifications of the Group's participations in joint ventures

Company	Corp. ID No	Reg. office	No. of shares	Share in %	Value of capital participation
Windrose A/S	39754134	Charlottenlund	5,000	50	56
Utviklingsselskabet af 31. oktober AS	39104369	Herning	5,000	50	2
Gamlebro AB	556791-3990	Norrköping	500	50	18
Upplands Bro Brogårds Etapp 2 AB	559175-4915	Stockholm	500	50	99
Magnolia Projekt 5222 AB	559175-4907	Stockholm	500	50	0
					175

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

Company	Rental income	Profit	Assets	Liabilities
Rosengård Fastighets AB	142	174	1,475	842
Byggrätt Norr AB	0	0	0	0
Windrose A/S	0	0	129	124
Gamlebro AB	8	33	427	391
Upplands Bro Brogårds Etapp 2 AB	19	177	512	315
Magnolia Projekt 5222 AB	0	0	0	0
Utviklingsselskabet af 31. oktober AS	0	0	2	0
Windrose A/S	–	–	–	–
Udviklingsselskabet af 31. oktober 2017 A/S	–	–	–	–

GS 2 Other non-current securities holdings

The item relates to 100 shares for SEK 0.5 million (0.5) in Kalmarsund Vind Ekonomisk Förening Corp. ID No. 769613-9661. 1 percent of the shares in Landskrona Stadsutveckling AB, 556918-1836, for SEK 1 million.



Parent Company Income statements

Amounts in SEK million	Note	2019	2018
Income	PC-IC 1	147	108
Central administration costs	PC-IC 2 PC-IC 3 PC-A 1	-135	-80
Operating profit/loss		12	28
Profit from participations in subsidiaries		1,539	–
Dividends from shares in subsidiaries	PC-IC 4	3,597	3,537
Impairment of participations in subsidiaries	PC-IC 4	-3,396	-3,708
Interest income and similar Income Statement items	PC-IC 5	73	23
Interest costs and similar Income Statement items	PC-IC 5	-106	-222
Profit after financial items		1,717	-342
Appropriations	PC-IC 6	-2	11
Profit before tax		1,714	-331
Tax	PC-T 1	–	–
Profit for the year		1,714	-331

Parent Company Statements of Comprehensive Income

Amounts in SEK million	2019	2018
Profit for the year according to the Income Statement	1,714	-331
Other comprehensive income	–	–
Comprehensive income for the year	1,714	-331

Parent Company Balance Sheets

Amounts in SEK million	Note	31 Dec. 2019	31 Dec. 2018
ASSETS			
Non-current assets			
Tangible fixed assets	PC-A 1	1	3
Shares in subsidiaries	PC-A 2	15,281	3,339
Long-term receivables, subsidiaries		200	–
Other financial non-current assets	PC-A 3	1	1
Total non-current assets		15,483	3,343
Current assets			
Accounts receivable		–	3
Current receivables, subsidiaries		636	15,058
Other current receivables		16	144
Prepaid costs and accrued income		63	40
Cash and cash equivalents		6,122	706
Total current assets		6,837	15,951
TOTAL ASSETS		22,321	19,294

Parent Company Balance Sheets

Amounts in SEK million	Note	31 Dec. 2019	31 Dec. 2018
EQUITY AND LIABILITIES			
Restricted equity	PC-E 1		
Share capital		78	78
Unrestricted equity			
Share premium reserve		729	729
Hybrid bond		2,975	–
Retained earnings (incl profit for the year)		14,202	12,580
		17,906	13,309
Total equity		17,984	13,386
LIABILITIES			
Non-current liabilities			
Debenture loans	PC-FL 1	3,000	2,500
Interest-bearing liabilities		200	–
Non-current liabilities, subsidiaries	PC-FL 2	959	140
Total non-current liabilities		4,159	2,640
Current liabilities			
Current liabilities, subsidiaries	PC-OL 1	99	3,247
Accounts payable		6	3
Current tax liabilities		47	1
Accrued costs and prepaid income	PC-OL 2	26	16
Total current liabilities		178	3,268
TOTAL EQUITY AND LIABILITIES		22,321	19,294

Parent Company Statements of Changes in Equity

Amounts in SEK million	Number of outstanding shares	Share capital	Share premium reserve	Hybrid bond	Retained earnings	Total equity
Opening balance, 1 Jan 2019	15,547,750	78	729	–	12,580	13,386
Total comprehensive income	–	–	–	45	1,670	1,714
Issue hybrid bond	–	–	–	3,000	–	3,000
Issue costs	–	–	–	-25	–	25
Dividend	–	–	–	-45	-47	-91
Total transactions with the company's owner	–	–	–	2,930	-47	2,884
Closing balance, 31 Dec 2019	15,547,750	78	729	2,975	14,202	17,984
Opening balance, 1 Jan 2018	15,547,750	78	729	–	7,220	8,027
Total comprehensive income	–	–	–	–	-331	-331
Shareholder contributions	–	–	–	–	5,737	5,737
Dividend	–	–	–	–	47	-47
Total transactions with the company's owner	–	–	–	–	5,690	5,690
Closing balance, 31 Dec 2018	15,547,750	78	729	–	12,580	13,386

Parent Company Cash Flow Statements

Amounts in SEK million	Note	2019	2018
Operating activities			
Profit after financial items		1,717	-342
Adjustments for non-cash items		-1,794	171
Cash flow from operating activities before changes in working capital		-77	-171
Change in working capital			
Change in current receivables		108	-86
Change in current liabilities		59	2
Cash flow from operating activities		90	-255
Investing activities			
Acquisitions of non-current assets		-	1
Acquisitions of subsidiaries		-72	-3,066
Divestment of subsidiaries		7,619	-
Cash flow from investing activities		7,547	-3,065
Financing activities			
Shareholder contributions		-	5,737
Paid dividend		-47	-47
Issue hybrid bond		3,000	-
Interest and issue costs hybrid bond	PC-FL 3	-70	-
Loans received from subsidiaries		-5,804	-2,128
Amortisation / redemption of loans		700	-
Cash flow from financing activities		-2,221	3,673
Cash flow for the year		5,416	353
Cash and cash equivalents at the beginning of the year		706	353
Cash and cash equivalents at the end of the year		6,122	706
Disclosures on interest rates			
Interest paid amounts to		97	84
Interest received amounts to		19	23

Parent Company accounting principles and notes

PC-G GENERAL INFORMATION AND GENERAL ACCOUNTING RULES

PC-G 1 General information

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



Nimbusparken, Copenhagen

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

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

Financial instruments

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

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

Impairment of financial assets that are debt instruments

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

Credit risk

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

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

PC-G 3 Presentation

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

PC-G 4 New accounting principles

IFRS 16 Leases entered into force on 1 January 2019. The Parent Company intends to apply the relief rule in RFR 2 to continue reporting lease payments as a cost on a straight-line basis over the term of the lease.

PC-G 5 Group disclosures

Heimstaden AB (publ) is owned 86.21 percent by Fredensborg AS, Corp. ID No. 929 301 684, domiciled in Norway. Fredensborg AS is a subsidiary to Fredensborg 1994 AS, Corp. ID No. 943 582 815, domiciled in Norway. Fredensborg 1994 AS prepares consolidated accounts for the largest group.

The foreign parent company's consolidated accounts are available at Fredensborg 1994 AS, Stensberggata 27, 0170 NO-Olso, Norway, e-mail: post@fredensborg.no

PC-G 6 Related parties**Related-party transactions**

The Group is under the controlling influence of Fredensborg AS, which holds 98.4 percent of the votes in the Parent Company, Heimstaden AB. The Parent Company in the largest group in which Heimstaden is included is Fredensborg 1994 AS. In addition to the related-party relationships specified for the Group, the Parent Company has a controlling influence over subsidiaries in accordance with [PC-A 2](#) Shares in subsidiaries.

Summary of related-party relationships

Heimstaden AB's net receivables from subsidiaries amounted to SEK 0 million (14,920) at the end of the financial year.

During the year, properties valued at SEK 600 million (8,080) were acquired in Norway from Heimstaden's sister group Fredensborg Eiendomsselskap AS, which is controlled by the Chairman of the Board of the Company. The acquisition was conducted at market values audited the company's auditors. The properties have been sold to the subsidiary Heimstaden Bostad AB, on the Board of which Heimstaden AB has no voting rights regarding internal acquisitions. Decision-making shareholders were Alecta and the Sandvik and Ericsson pension foundations.

Transactions with key individuals in leading positions

The Company's Chairman of the Board and companies he owns control 98.4 percent of the votes in Heimstaden AB. Regarding the Board of Directors, the CEO and other executives' salaries, as well as other remunerations, costs and agreements relating to pensions and similar benefits, as well as severance pay agreements, please see note [PC-IC 3](#) Personnel and senior executives. The CEO and Deputy CEO hold shares in the subsidiary Heimstaden Bostad AB, and accordingly received dividends in 2019 and participated in the new share issue. Board member Stefan Attefall received compensation for consulting fees of SEK 960 million during the year.



PC-IC INCOME AND COSTS**PC-IC 1 Income**

The Parent Company contains only Group-wide functions and income consist essentially of intra-Group services.

PC-IC 2 Central administration costs

Central administration includes costs at the Group-wide level not directly attributable to property management, such as costs for Group management, property investments and finance. Costs for central administration include, remuneration to the auditors, as follows.

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

PC-IC 3 Personnel and senior executives

	2019	2018
Average number of employees		
Average number of employees	33	26
of whom, women	15	10

Salaries, remuneration, social security and pension costs have been paid as follows:

CEO (Board Member)		
Base salary	2	2
Benefits	0	0
Pension costs	1	1
	3	3
Deputy CEO (Board Member)		
Base salary	1	2
Benefits	0	0
Pension costs	1	1
	2	3
Board Member, John Giverholt		
Board fees (SEK thousands)	–	–
	–	–
Other senior executives:		
Base salary	4	4
Benefits	0	0
Pension costs	1	1
	5	5

The CEO and Board Members have been paid variable remuneration of SEK 0 million (0)

Other employees:		
Salaries and remunerations	20	18
Pension costs	1	3
	21	21
Social security costs	8	8

cont. Note PC-IC 3

Board Members and senior executives

Board Members	4	4
of whom, women	–	–
CEO and senior executives	6	6
of whom, women	3	3

Remunerations

Between the company and the CEO, a mutual notice period of six months applies. In the event of termination by the company, severance pay corresponding to 18 months salary is to be paid. Between the company and Board Members, a mutual notice period of three months applies. For senior executives and other employees, the customary pension commitments within the framework of general pension plans apply. For the CEO, the company has taken out pension insurance with annual premiums corresponding to 10 percent of gross salary.

PC-IC 4 Profit from participations in Group companies**Accounting principles**

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

In cases where the carrying amount of the participations exceeds the subsidiary's fair value, impairment is applied and charged to the Income Statement. In cases where impairment is no longer justified, it is reversed.

	2019	2018
Dividend	3,597	3,537
Impairment	-3,396	-3,708
Total	201	-171

PC-IC 5 Interest income, interest costs and similar Income Statement items

Assets and liabilities measured at amortised cost:	2019	2018
Interest income, other financial assets	18	23
Total interest income in accordance with effective interest method	18	23
Interest costs, loans	-96	-78
Interest costs, other financial liabilities	-10	-6
Total interest costs in accordance with the effective interest method	-106	-84
Income from fees – costs	–	0
Exchange rate differences, financial items	55	-138
Total	55	-138
Total profit from financial items	-33	-199

PC-IC 6 Appropriations

	2019	2018
Group contributions received	–	11
Group contributions paid	-2	0
Total	2	11

PC-T

TAX

PC-T 1

Tax

Accounting principles

Deferred tax receivables attributable to tax-loss carryforwards are recognised if it is likely that the tax-loss carryforwards will be offset against future tax surpluses.

	2019	2018
Deferred tax	–	–
Total	–	–
Reported profit before tax	1,715	-331
Tax according to current rate	-367	73
Tax effect of:		
Non-deductible costs	-726	-851
Non-taxable income	1,099	778
Non-deductible interest net	-21	–
Tax effect of hybrid capital	15	–
Total	–	–



PC-A ASSETS**PC-A 1** Tangible fixed assets

Equipment	31 Dec. 2019	31 Dec. 2018
Opening amortised cost	8	8
Investments for the year	–	0
Closing amortised cost	8	8
Opening accumulated depreciation	-5	-5
Depreciation for the year	-2	0
Closing accumulated depreciation	-7	-5
Closing planned residual value	1	3

PC-A 2 Shares in subsidiaries**Accounting principles**

Participations in subsidiaries are reported at cost less any impairment. Cost includes acquisition-related costs. The carrying amount is continuously tested against the fair value of the subsidiary's assets and liabilities. In cases where the carrying amount of the participations exceeds the subsidiary's fair value, impairment is applied and charged to the Income Statement. Impairment for the year in Heimstaden pertains to the fair value in the company Heimstaden Denmark AS, following payment of dividends from that company. In cases where impairment is no longer justified, it is reversed.

	2019	2018
Opening cost	3,339	3,980
Acquisitions for the year	72	2
Sales for the year	-6,050	–
Contributions paid	21,317	3,063
Impairment	-3,396	-3,706
Closing cost	15,281	3,339

**Specifications of the Parent Company's shareholdings in subsidiaries.**

Subsidiary	Corp. ID No.	Reg. office	No. of shares	Shares in %	Book value
Heimstaden Exploater AB	556485-9014	Malmö	1,000	100	2
Heimstaden i Skåne AB	556694-5753	Malmö	1,000	100	0
Heimstaden Fastighets AB	556564-7913	Malmö	100,000	100	10
Heimstaden Bostadsfinansiering AB	556618-3256	Malmö	20,000	100	3
Heimstaden Förvaltnings AB	556615-4497	Malmö	1,000	100	–
Heimstaden Bostadsproduktion AB	559022-9877	Malmö	1,000	100	0
Heimstaden Investment AB	556788-1205	Malmö	1,000	100	15,192
Heimstaden Ängen AB	556969-3921	Malmö	500	100	0
Heimstaden i Göteborg AB	556514-2584	Malmö	1,000	100	0
Heimstaden Passagen AB	556985-5033	Malmö	500	100	0
Heimstaden Fastigheter AB	559063-8580	Malmö	500	100	0
Heimstaden Danmark Ejendomme A/S	35852093	Köpenhamn	500,000	100	0
Heimstaden Danmark A/S	35524525	Köpenhamn	500,000	100	0
Heimstaden AS	934 631 005	Oslo	106,505	100	2
Heimstaden Invest AS	819 499 632	Oslo	1,000	100	0
Heimstaden Nederland B.V.	60 625 449	Amsterdam	100	100	72
Total					15,281

PC-A 3 Other non-current securities holdings

The item refers to 1 percent of the shares in Landskrona Stadsutveckling AB, Corp. ID No. 556918-1836.

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

	Share capital	Unrestricted equity	Total equity
Opening balance	78	13,309	13,386
Hybrid bond	–	2,930	2,930
Dividend, preference shares	–	-47	-47
Dividend, preference shares	–	1,714	1,714
Closing balance	78	17,906	17,984
Number of ordinary shares	13,204,000		
Quota value, SEK	5		
Number of preference shares	2,343,750		
Quota value, SEK	5		
Proposed appropriation of accumulated profit			
Dividend, shareholders, SEK		46,875,000	
Premium found, SEK		3,658,747,310	
Balanced profit, SEK		14,200,411,645	
Total		17,906,033,955	

It is proposed that the funds at the disposal of the Annual General Meeting, SEK 17,906,033,955, be appropriated such that dividends be paid in accordance with the Articles of Association of SEK 20 per preference share and SEK 0 per ordinary share, totalling SEK 46,875,000, of which SEK 46,875,000 is paid in dividends to preference shareholders and SEK 0 is paid in dividends to holder or ordinary shares. The remaining amount, SEK 17,859,158,955, is to be carried forward to a new account.

Dividends to preference shareholders are to be paid quarterly, in the amount of SEK 5 per payment date. In accordance with the Articles of Association, the record dates for the dividend payments shall be 5 July 2020, 5 October 2020, 5 January 2021 and 5 April 2021.

In the event that a record date, as stated above, is not a banking day, the record date shall be the immediately preceding banking day. Dividends are to be paid out on the third banking day following the record date.

Statement by the Board of Directors regarding the proposed dividend

In the view of the Board of Directors, the proposed dividend is justifiable taking into account the requirements that the nature, scope and risks of the operations on the scale of the company's and the Group's equity, consolidation needs, liquidity and positions in other regards.

PC-FL FINANCIAL LIABILITIES**PC-FL 1 Debenture loans**

	31 Dec. 2019	31 Dec. 2018
Loan maturity, year		
Within 1 year of the Balance Sheet date	–	1,250
within 1–5 years of the Balance Sheet date	3,200	1,250
Total	3,200	2,500

PC-FL 2 Liabilities to subsidiaries

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

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

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

The amount consists of a negative bank balance associated with Heimstaden AB's Group account.

PC-OL 2 Accrued costs and prepaid income

	31 Dec. 2019	31 Dec. 2018
Personnel costs	16	10
Accrued interest	2	3
Other items	9	3
Total	26	16

PC-OL 3 Pledged assets and contingent liabilities

	31 Dec. 2019	31 Dec. 2018
Guarantee undertakings	4,126	4,126
Total	4,126	4,126

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

PC-FL 3 Reconciliation of liabilities attributable to financing activities

	31 Dec. 2018	Cash flow	Change in exchange rate	31 Dec. 2019
Bond	2,500	700	–	3,200
Total	2,500	700	–	3,200

	31 Dec. 2017	Cash flow	Change in exchange rate	31 Dec. 2018
Bond	2,500	–	–	2,500
Total	2,500	–	–	2,500

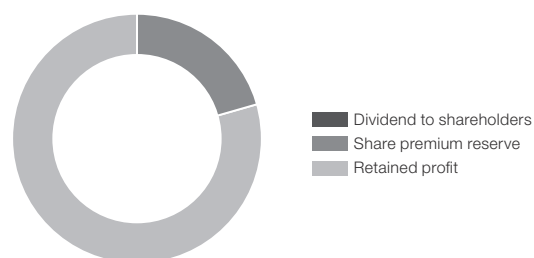
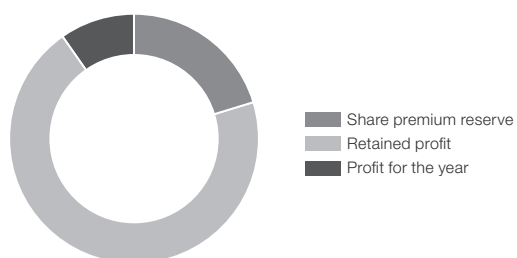
Proposed appropriation of accumulated profit

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

SEK	
Share premium reserve	3,658,747,310
Retained profit	12,533,136,058
Loss for the year	1,714,150,587
Total	17,906,033,955

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

SEK	
Dividend to shareholders	46,875,000
Share premium reserve	3,658,747,310
Retained profit	14,200,411,645
Total	17,906,033,955



It is proposed that the funds at the disposal of the Annual General Meeting, SEK 17,906,033,955, be appropriated such that dividends be paid in accordance with the Articles of Association of SEK 20 per preference share and SEK 0 per ordinary share, totalling SEK 46,875,000, of which SEK 46,875,000 is paid in dividends to preference shareholders and SEK 0 is paid in dividends to holder or ordinary shares. The remaining amount, SEK 17,859,158,955, is to be carried forward to a new account.

Dividends to preference shareholders are to be paid quarterly, in the amount of SEK 5 per payment date. In accordance with the Articles of Association, the record dates for the dividend payments shall be 5 July 2020, 5 October 2020, 5 January 2021 and 5 April 2021.

In the event that a record date, as stated above, is not a banking day, the record date shall be the immediately preceding banking day. Dividends are to be paid out on the third banking day following the record date.

Statement by the Board of Directors regarding the proposed dividend

In the view of the Board of Directors, the proposed dividend is justifiable taking into account the requirements that the nature, scope and risks of the operations on the scale of the company's and the Group's equity, consolidation needs, liquidity and positions in other regards.

Signatures

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

Malmö, 9 April 2020

Patrik Hall
CEO

Ivar Tollefsen
Chairman of the Board

Magnus Nordholm
Board Member

John Giverholt
Board Member

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

Peter von Knorring
Authorised Public Accountant

Ingemar Rindstig
Authorised Public Accountant

Audit Report

To the general meeting of the shareholders of Heimstaden AB (publ), Corp. ID No. 556670-0455

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Heimstaden AB (publ) except for the corporate governance statement on pages 88–95 and the statutory sustainability report on pages 56–71 and 148–163 for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 5, 16–17, 44–55, 74–87 and 98–141 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31st December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31st December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 88–95 and the statutory sustainability report on pages 56–71 and 148–163. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matters

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

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

Description

The fair value of the Group's investment properties reported in the Statement of Financial Position per 31 December 2019 amounted to SEK 113,719 million. The valuations are made through a combination of local price analyses and market simulations of future cash flows. The properties were valued externally per 31 December 2019. The properties' direct return requirements are assessed on the basis of each property's unique risk and transactions made in the market for objects of a similar nature. In view of the many assumptions and assessments made in connection with the valuation of investment properties, we believe that this area is to be considered of particular importance in our audit. A description of the valuation of the property holdings is shown in the Annual Report under Note T 1.

How our audit addressed this key audit matter

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–4, 6–15, 18–43, 56–73, 88–97 and 146–169. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

Report on other legal and regulatory requirements

Opinions

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

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

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

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

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 88–95 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 56–71 and 148–163, and that it is prepared in accordance with the Annual Accounts Act.

My (Our) examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, P.O Box 7850, 103 99 Stockholm, was appointed auditor of Heimstaden AB (publ) by the general meeting of the shareholders on the 24th of May 2019 has been the company's auditor since the 15th of April 2015.

Malmö the 9th of April 2020
Ernst & Young AB

Peter von Knorring
Authorised Public Accountant

Ingemar Rindstig
Authorised Public Accountant



Wissmannstraße 2, Berlin

Multi-year overview

Group in summary 2015–2019	2019	2018	2017	2016	2015
Income Statement					
Rental income	4,863,073	3,392,972	2,013,381	1,057,448	719,072
Operating costs	-2,138,460	-1,582,480	-986,300	-527,519	-372,309
Central administration	-171,598	-106,644	-84,905	-48,251	-32,593
Other operating income and costs	-19,561	-32,436	19,370	12,146	12,030
Profit from participations in associated companies	195,597	20,249	12,396	67,003	211,002
Profit before financial items	2,729,052	1,691,662	973,942	560,827	537,202
Financial income	63,461	53,245	5,763	27,510	26,397
Financial costs	-1,499,789	-806,158	-464,992	-220,763	-172,440
Profit from property management	1 292 724	938,749	514,714	367,574	391,159
Change in value of properties	6,516,643	2,744,482	2,201,612	2,315,843	1,121,986
Change in value of interest rate derivatives	-106,685	10,862	24,024	36,252	28,290
Current tax	-259,352	-144,833	-75,684	-55,657	-28,749
Deferred tax	-1,442,739	-396,153	-600,992	-449,070	204,848
Profit for the year	6,000,591	3,153,107	2,063,674	2,214,942	1,717,533
Other comprehensive income	432,312	-254,686	99,374	14,936	61
Comprehensive income for the year	6,432,902	2,948,883	2,163,048	2,229,878	1,717,594
Balance Sheet					
Investment properties	113,718,898	76,249,263	50,285,176	26,330,189	11,143,273
Other non-current assets	1,913,806	431,679	401,711	52,761	1,596,846
Financial derivative instruments	0	17,957	0	0	0
Current assets	12,973,692	6,587,583	1,955,620	1,822,660	830,181
Total assets	128,606,397	83,286,482	52,642,508	28,205,610	13,570,300
Equity	59,941,518	33,936,018	18,806,863	8,975,398	5,864,458
Deferred tax	3,640,433	2,218,041	1,740,903	1,119,372	597,202
Interest-bearing subordinated shareholder loans	0	0	0	2,722,058	0
Interest-bearing liabilities	61,945,926	45,686,884	30,935,834	14,779,408	6,821,909
Interest-rate derivatives	64,979	0	30,793	55,977	74,307
Non-interest-bearing liabilities	3,013,540	1,445,539	1,128,115	553,397	212,424
Total liabilities	128,606,397	83,286,482	52,642,508	28,205,610	13,570,300
Property-related key data					
Lettable area on balance sheet date, m ²	4,031,310	2,732,359	2,128,616	1,457,559	627,238
Number of apartments on balance sheet date	54,863	39,006	30,549	19,797	7,676
Proportion living area on balance sheet date, %	91	89	90	88	86
Lettable time-weighted area, m ² thousands	3,562	1,700	1,701	965	655
Rental income per m ² , SEK	1,365	1,996	1,184	1,096	1,099
Operating costs per m ² , SEK	-600	-931	-580	-547	-569
Operating costs excluding administration and property tax, per m ² , SEK	-94	-832	-482	-473	-469
Letting ratio, housing (number), %	97.6	97.3	98.7	99.5	99.6
Surplus ratio, %	56.0	53.4	51.0	50.1	48.2
Financial key data					
Cash flow, SEK thousands	5,862,804	3,489,398	-218,878	826,566	413,770
Interest coverage ratio (ICR), multiple ¹⁾	2.4	2.5	2.6	3.2	3.3
Loan-to-value ratio, % ¹⁾	39.9	49.1	58.8	50.0	54.2
Equity/assets ratio, % excluding shareholder loans in equity	46.6	40.7	35.7	31.8	43.2
Equity/assets ratio, % including shareholder loans in equity ¹⁾	46.6	40.7	35.7	41.5	43.2
Average interest, %	1.9	1.8	1.7	1.5	1.9
Average period of fixed-interest on loans by derivative, year	2.6	2.1	1.2	1.3	0.9
Average period for which capital is tied up, year	10.1	8.0	7.8	9.5	6.3
Net asset value on the balance sheet date, SEK thousands	63,581,951	36,154,059	20,547,766	10,094,770	6,461,660
Long-term asset value on the balance sheet date, SEK thousands ¹⁾	63,646,930	36,136,102	20,578,559	10,150,747	6,535,967
DEBT/EBITDA, multiple	21.3	20.1	20.0	19.0	12.4
Data per share					
Profit per ordinary share, SEK	322	139	116	133	176
Equity per ordinary share, SEK	1,508	1,182	609	504	377
Equity per preference share, SEK	380	380	380	380	380
Number of ordinary shares outstanding at the end of the period	13,204,000	13,204,000	13,204,000	13,204,000	13,204,000
Number of preference shares outstanding at the end of the period	2,343,750	2,343,750	2,343,750	2,343,750	2,343,750
Average number of ordinary shares outstanding	13,204,000	13,204,000	13,204,000	13,204,000	9,629,876
Average number of preference shares outstanding	2,343,750	2,343,750	2,343,750	2,343,750	1,354,880

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



Campus G12, Oslo

Sustainability Report 2019

Heimstaden's Sustainability Report has been inspired by the GRI guidelines and material areas of sustainability have been reported in accordance with the GRI Standards' application level Core. The GRI index provides references to where the information is located in the Annual Report. Certain exceptions, where it has not been possible to report all of the data required by the GRI framework, are indicated in the GRI index on pages 153–154.

Details regarding materiality and boundaries, management approach and evaluation for each material area of sustainability can be found in the sustainability notes on pages 155–163. Data are detailed in accordance with GRI Standard 103 and all of the standards applied were published in 2016, with the exception of GRI 403: Occupational Health and Safety, which was published in 2018. In addition to the GRI standards, Heimstaden has chosen to report relevant sector-specific indicators in accordance with GRI G4.

Unless otherwise stated, the data reported pertain to the entire Group. The Sustainability Report is produced annually. This is Heimstaden's third sustainability report, but the first based on GRI Standards.



The data have not been reviewed by an external party. We have, however, consulted an external expert, with specific expertise in GRI, to review the GRI content prior to publication.

Some of the data to be submitted in accordance with the Swedish Annual Accounts Act (ÅRL 6:11) are detailed in other parts of the Annual Report. A description of the company's business model can be found on page 12 and information on Heimstaden's risks and risk management can be found on pages 82–86.

UN Global Compact

In 2019, Heimstaden joined the UN Global Compact and its ten principles. This Sustainability Report represents our Communication on Progress to the UN and the GRI index includes references to where the data are presented in the report.

Sustainability strategy

During 2019, Heimstaden adopted a new sustainability strategy and Group-wide sustainability targets (our sustainability targets are currently under review). We have a strong focus on sustainability and we work strategically and holistically with these issues. Accordingly, financial, environmental and social factors constitute the basis for our long-term business and operational development. Although Heimstaden works with various aspects of sustainability on a daily basis, our sustainability strategy was developed to clarify and review these efforts. The strategy acts as a tool in our transition to even more responsible operations and builds on our business strategy, our values, Codes of Conduct and policies, while also adhering to external guidelines and frameworks for sustainability. Sustainability forms an integral part of our core operations and to clarify this, we have developed a division of responsibilities that extends throughout the organisation, from the Board of Directors and senior executives to managers and to individual employees. For more information about our sustainability governance, targets and outcomes, see sustainability notes on pages 155–163.

Group-wide Sustainability Council

To support the implementation of the sustainability strategy and its targets, we have set up a Group-wide Sustainability Council. The Sustainability Council's mission and purpose is to;

- 1) optimise and coordinate strategically important sustainability efforts,
- 2) make recommendations to management and the Board of Directors to ensure that sufficient skills and resources are set aside to meet commitments and level of ambition and,
- 3) to optimise and coordinate our internal and external communications regarding sustainability. The Sustainability Council is cross-functional, with all organisational units and countries being represented.



Stakeholder engagement

We map and analyse our stakeholders' expectations of Heimstaden's operations, a prerequisite for achieving our targets and generating values that are sustainable in the long term. Therefore we maintain an ongoing dialogue with our most important stakeholders. In our approach for identifying stakeholders to engage with we have focussed on those that we have long-term relationships with and who are affected by, and/or have an impact on, our operations. The principle stakeholders we have identified are customers, suppliers, lenders and investors, employees, public bodies and shareholders. We have selected key stakeholders to participate in a dialogue based on their availability and interest in participating.

In interviews with stakeholders, we asked each of them to highlight the areas of sustainability that they consider to be Heimstaden's highest priority. By compiling and assessing data from dialogues conducted in 2017–2019, we have been able to highlight issues that our stakeholders consider important. We supplement this with data from external analyses, current legislation, risk assessments and our sustainability targets and corporate governance policies etc. Internally, we also involve key individuals with specific knowledge from different parts of the company. This has

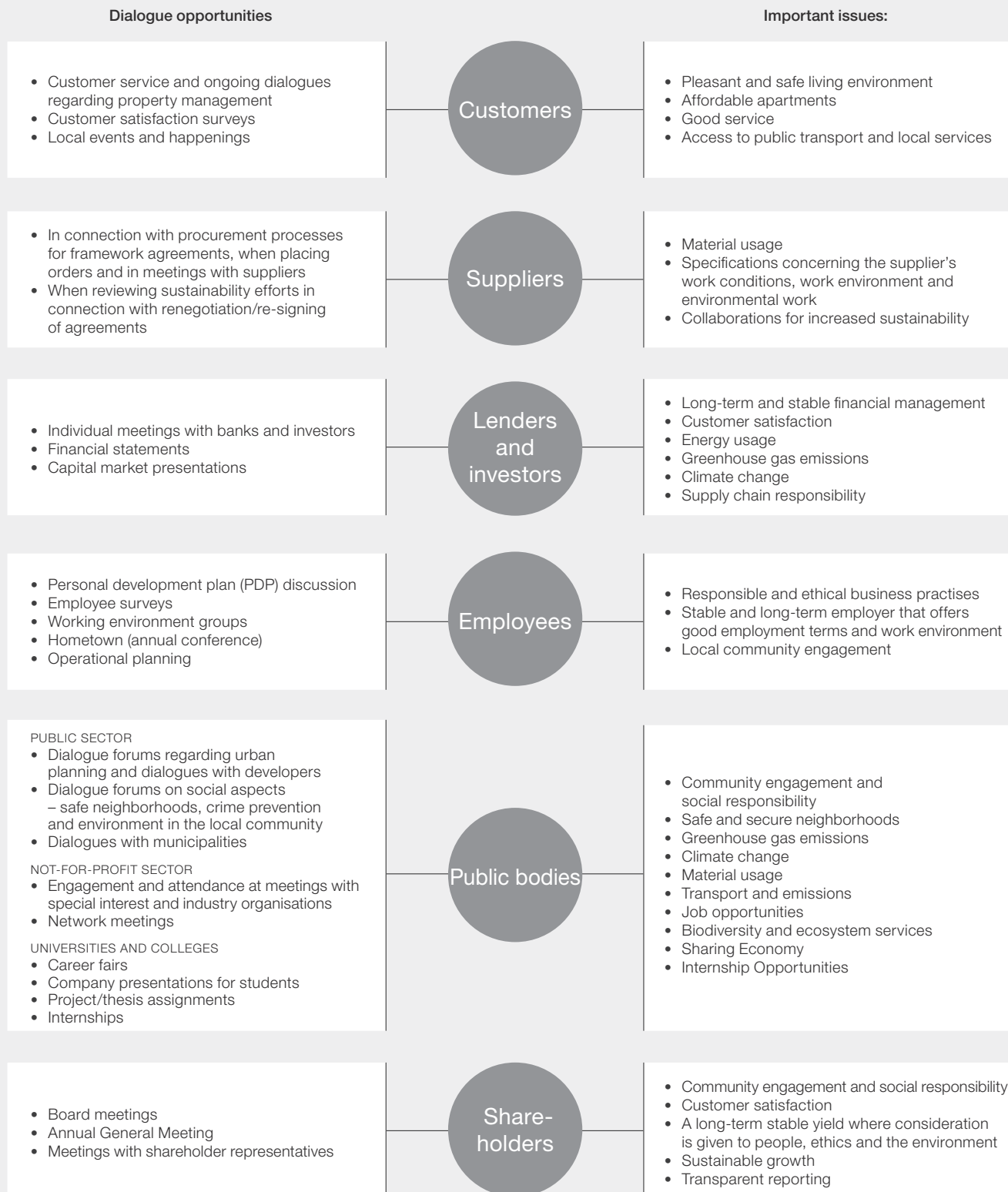
resulted in a large body of data that we have evaluated qualitatively, in accordance with the GRI principles, to highlight the issues on which it is most important to report. We have evaluated the degree to which the issues affect stakeholders and how material it is to Heimstaden in order to identify the most important issues. In the process of setting priorities Heimstaden's actual impact on people, environment, climate, economy and society was included, as well as Heimstaden's vision and business strategy.

As a result, it has been considered material to focus Heimstaden's GRI reporting on a total six areas of sustainability: financial results, anti-corruption, energy, greenhouse gas emissions, employment, and health and safety. On pages 155–163 we describe the materiality of each area. The prioritised issues sustainability areas have subsequently been validated by senior executives.

In addition to the sustainability areas that have been prioritised as material, Heimstaden applies a structured and long-term approach regarding several other areas of sustainability. Although two areas of global importance, water usage and human rights, were not considered material in the in a GRI context material analysis, they are nonetheless included in the data provided in the report.



Stakeholder engagement and expectations



Reporting on climate-related risks and measures

Climate change and its effects are one of the greatest challenges of our time. We are therefore investigating how our properties and customers may be affected by a changing climate and what measures we must take to mitigate the negative effects. We are working continuously to reduce our climate impact and, in 2019, we set ourselves the target of conducting fossil-free operations by 2030 (this target is currently under review and will be different in different markets) and of reducing by 10 percent the amount of energy we purchase (in comparable portfolio) by 2023. A process has been initiated, in collaboration with Lund University, to further increase our awareness of climate-related risks, to be able to identify risks, prepare action plans and to delegate responsibility on these issues. In the future, Heimstaden intends to be able to report in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).



On the pages 155–162, we have linked our material sustainability areas to the Sustainable Development Goals and their sub-targets.

UN Global Compact

In 2019, Heimstaden joined the UN Global Compact initiative for responsible business, thereby undertaking to following its ten principles in the areas of human rights, labour, the environment and anti-corruption.



Memberships and undertakings

- The UN Global Compact
- Public Housing Sweden
- Sweden Green Building Council
- Fastighetsägarna (Swedish property owners association)
- BeBo – Swedish Energy Agency's network for residential property owners committed to energy efficiency
- Studentbostadsföretagen (Swedish student housing association)
- LFM 2030 (Local path chart towards a climate-neutral construction and property management sector in Malmö by 2030)
- Declaration of intent – Joint taskforce for a sound construction sector
- Danish Property Federation
- Nettverk for Eiendomsfag AS (Norwegian property sector network)
- Norges Eiendomsmeglerforbund (Norwegian association of property agents)
- Huseiernes Landsforbund (Norwegian national association of homeowners)

GRI standards	Indicator	Comment/information outstanding	Principles of the Global Compact	Page
GRI 102: General disclosures 2016				
102-1	Name of the organisation	Heimstaden AB		
102-2	Activities, brands, products, and services			omslagets insida
102-3	Location of headquarters	Malmö, Sweden		
102-4	Location of operations	Sweden, Norway, Denmark, Germany, Netherlands		
102-5	Ownership and legal form			16–17, 106, 134
102-6	Markets served			1, 20–24
102-7	Scale of the organisation			8–9, 110–113
102-8	Employees			67
102-9	Supply chain			59–60, 161
102-10	Significant changes to the organisation and its supply chain			5
102-11	Precautionary Principle or approach	Heimstaden's environmental work builds on the Environmental policy, which encompasses the precautionary principle.	7	
102-12	External initiatives	During 2019, Heimstaden joined the UN Global Compact, Sweden Green Building Council, Lokal Färdplan Malmö (LFM30), the Local path chart towards a climate-neutral construction and property management sector in Malmö by 2030.		60, 152
102-13	Membership of associations			152
102-14	Statement from senior decision-maker			2–4
102-16	Values, principles, standards, and norms of behaviour		1-10	13, 59
102-17	Mechanisms for advice and concerns about ethics			60, 63
102-18	Governance structure			74–95
102-32	Highest governance body's role in sustainability reporting			95
102-40	List of stakeholder groups			151
102-41	Collective bargaining agreements		3	67
102-42	Identifying and selecting stakeholders			150
102-43	Approach to stakeholder engagement			151
102-44	Key topics and concerns raised			150–151, 155–162
102-45	Entities included in the consolidated financial statements			106
102-46	Defining report content and topic Boundaries			150
102-47	List of material topics			150
102-48	Restatements of information	Not applicable – first GRI report		
102-49	Changes in reporting	Not applicable – first GRI report		
102-50	Reporting period	Fiscal year 2019, unless otherwise stated		
102-51	Date of most recent report	Not applicable – first GRI report		
102-52	Reporting cycle	Annually		
102-53	Contact point for questions regarding the report	Katarina Skalare		
102-54	Claims of reporting in accordance with the GRI Standards	Core		148
102-55	GRI content index			153–154
102-56	External assurance	Not externally assured		
103-1	Explanation of the material topic and its Boundary			155–163
103-2	The management approach and its components			155–163
103-3	Evaluation of the management approach			155–163

GRI Standards	Indicator	Comment/information outstanding	Principles of the Global Compact	Page
Economy				
Economic performance	201-1 Direct economic value generated and distributed			155
Anti-corruption	205-3 Confirmed incidents of corruption		2, 6, 10	156
Environment				
Energy	302-1 Energy consumption within the organisation CRE1 Building energy intensity		8-9	156–157
Greenhouse gas emissions	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions CRE3 Greenhouse gas emissions intensity from buildings	Calculation have been performed in accordance with the GHG protocol, applying the financial control approach. The emission factors are from 2018 and have been obtained from the relevant heating supplier. Gases included in the calculations are CO ₂ , CH ₄ , N ₂ O and refrigerants used in the production of district heating. Due to the large number of energy suppliers there is an uncertainty if more green house gases are included.	8-9	158
Social				
Employment	401-1 New employee hires and employee turnover		3-6	159
Occupational health and safety	403-2 Hazard identification, risk assessment, and incident investigation			160
Other non-material areas				
Human rights	406-1 Incidents of discrimination			161
	414-1 New suppliers that were screened using social criteria	Reporting encompasses legal requirements for human rights. Non-material aspect for Heimstaden.	1-10	161
Local community	413-1 Operations with local community engagement, impact assessments, and development programmes	Non-material aspect for Heimstaden.		162–163
Water consumption	Water consumption per m ²	Non-material aspect for Heimstaden		157

Economic performance

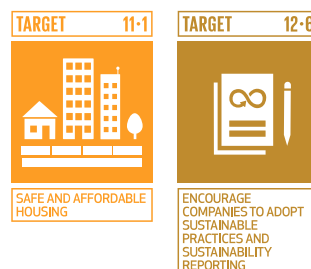
201-1 Direct economic value generated and distributed

Materiality and boundary

We generate long-term, profitable growth while benefiting society and contributing to sustainable development. Through stable profitability, we build trust among those who invest in Heimstaden: employees, customers, banks and investors, as well as our shareholders, suppliers and other important stakeholders. Their trust in us is crucial for our continued growth. You can read about how we view different forms of financial risk and their impacts on pages 82–86.

Management approach

Our strategy is to acquire, construct, develop and manage properties over the long term, therefore investment decisions build on existing population growth and positive economic development, generating long-term demand for residential properties in the locations in which we operate. During 2019, we continued our efforts to build sustainability perspectives into our governance, strategy and operations in all parts of the organisation and focusing our efforts where we can make the greatest difference. You can read more about our policies and how we manage our operations from the perspective of financial sustainability in the section. How our operations are governed on pages 88–95.



Our financial policy is determined by the Board and reviewed annually. It serves to limit the company's financial risks which essentially consist of liquidity, refinancing and interest rate risk without limiting the company's commercial opportunities.

Evaluation

We continuously measure and assess the effectiveness of our financial governance and review our financial goals as part of our ongoing accounting work.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED IN 2019, SEK MILLION

	Sweden		Norway		Denmark		Germany		Netherlands		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Income	2,231	2,039	702	744	1,292	604	617	1	21	5	4,863	3,393
Economic value retained	-278	44	-38	165	326	105	329	0	-84	-1	255	313
Operating costs	-1,146	-1,054	-233	-287	-467	-235	-283	0	-9	-6	-2,138	-1,582
Tax	-113	-83	-7	-23	-90	-53	0	0	-49	0	-259	-159
Dividend	-512	-123	0	0	0	0	0	0	0	0	-512	-123
Interest costs	-666	-442	-409	-167	-293	-111	-4	0	-35	0	-1,407	-720
Employees	-72	-293	-91	-102	-116	-100	-1	-1	-12	0	-292	-496

Anti-corruption

205-3 Confirmed incidents of corruption and actions taken

Materiality and boundary

For us, it is crucial to conduct our operations responsibly based on our values and with a high level of business ethics. By that, we contribute to a democratic and sustainable society in which operations are conducted on equal terms. This is also a prerequisite for building trust among our stakeholders in general and among our shareholders, banks and investors in particular. Our analysis of corruption risks can be found on pages 82–86.

Management approach

Heimstaden has a zero tolerance policy against all forms of corruption. This requires that we impose demands, not only on our own organisation, but also on our partners. We have joined the UN Global Compact and in accordance with that commitment, we work actively on anti-corruption measures. Our Code of Conduct for Employees, Code of Conduct for Business Partners and Sanctions Policy form the basis of our anti-corruption efforts, both internally and along our value chain. HR is responsible for educating our employees on our Code of Conduct for Employees. The purchasing



function and internal clients are responsible for setting demands on suppliers and contractors, as well as for monitoring compliance with the Code of Conduct for Business Partners. Heimstaden maintains a whistleblower function, by means of which employees and external stakeholders can report any possible misdoings. Our whistleblower policy states how reported cases are to be treated, followed up and communicated.

Evaluation

During the year, two cases were reported by means of the whistleblower function. Both were subsequently dismissed.

Energy

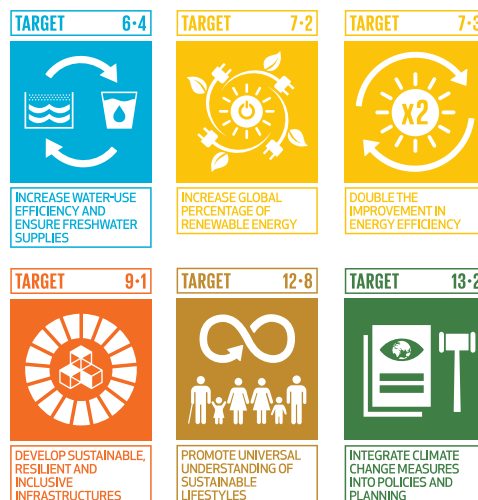
302-1 Energy usage within the organisation

CRE1 Building energy intensity

Materiality and boundary

In the EU countries, the property sector accounts for about 40 percent of society's energy consumption and about 36 percent of greenhouse gas emissions. Accordingly, Heimstaden's efforts to reduce energy consumption and to strive to only use fossil-free energy are key environmental issues. Energy efficiency and fossil-free energy are also considered important issues for our stakeholders. Our energy usage also affects our customer's opportunities to live sustainably. We consume energy primarily in the form of heating and electricity within our properties. We are reducing energy consumption by installing intelligent control systems, structural engineering measures to mitigate heat loss and by setting demands in connection with new construction.

Although we are unable to govern the electricity usage of our individual customers, their usage of heating is nonetheless included in the reporting for the properties for which we procure heating from our energy suppliers. We do this in Sweden, Germany, Norway and, extensively, in Denmark. In the Netherlands we lack access to such data for most of the properties. There the market looks different, with the customers themselves in most cases being responsible for agreements with energy suppliers. For this reason, our reporting includes heating usage for only a limited subset of our properties. The customer's own electricity usage is covered only to a limited



extent in the report (where Heimstaden is responsible for the electricity contract and where electricity is included in the rent).

Management approach

Our environmental work is based on Heimstaden's sustainability strategy and Environmental Policy. In 2019 we set targets on energy and energy efficiency, as well as on reductions of our carbon dioxide emissions. Our target are in

cont. Energy

line with the Paris Agreement and the aim is that our operations will be fossil free by 2030 (the target is currently under review and we will set different targets in different markets). We are dependent, in this regard, on the realignment of energy sources being implemented by countries and energy suppliers and we require active collaboration with our energy suppliers. We have also set target of reducing the amount of energy purchased by 10 percent by square metre by 2023 (in comparable property portfolios). We can achieve this target partly through energy efficiency measures and partly by investing in photovoltaic cells, for example. In Sweden, all of our newly constructed buildings will be certified in accordance with Sweden Green Building Council's Silver standard; in Denmark, we construct energy class A and B buildings, with some of them also being environmentally certified. In our Swedish and Norwegian properties, we only use origin-labelled renewable electricity, and we are also targeting increased purchases of origin-labelled renewable electricity in other countries in 2020–2021. In Denmark, we install photovoltaic cells on all of our new buildings. In total, we have produced 28 MWh solar power in Denmark and in Sweden we have an installed capacity photovoltaic cells of 329 kW. An overview of Heimstaden's material risks and risk management, including environmental and climate risks, can be found on page 82–86.

Evaluation

The property management organisation is responsible for managing energy usage and the selection of energy sources. In Sweden, automated metre readings are made for most properties, allowing us to detect deviations early and to remedy problems. We work continuously with energy efficiency improvements and train our staff in energy-efficient operations. We also work to decrease our water consumption, which was 1.3 m³ per m² in 2019.

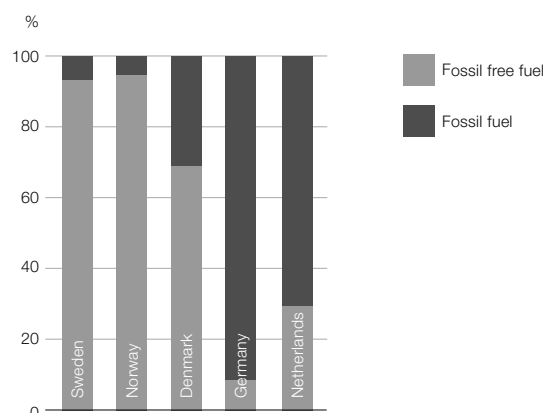
In the Netherlands and Denmark, heating statistics are compiled only once annually, meaning that energy consumption figures for full-year 2019 are not available for all of the properties in the table below. In these cases, the 2018 figures for energy consumption are used.

ENERGY CONSUMPTION IN THE PROPERTIES IN MWH

	Sweden	Norway	Denmark	Netherlands	Germany
Heating					
District heating	246,936	14,395	37,023	0	0
Natural gas	1,231	0	536	833	0
Oil	80	113	0	0	328
Biogas	1,414	0	0	0	0
Electricity					
Electricity consumption	51,429	14,523	2,934	444	60
Of which, renewable electricity	51,429	14,523	1,894	369	32

In our properties in Germany and the Netherlands, the proportion of fossil-fuel energy is high, since predominantly fossil fuels, such as oil and natural gas, are used for heating systems in these countries. In Germany, the oil boiler will be converted to gas in 2020 and in Norway, the last remaining oil boilers were taken out of operation in 2019, to be replaced by district heating. In the other countries, our properties mainly use district heating, which is the most widely used energy source in these countries, making considerable use of renewable and recycled heat. The natural gas we used in the Swedish properties was replaced with biogas during the year.

PERCENTAGE FOSSIL-FREE ENERGY PURCHASED BY COUNTRY



In Sweden and Norway, district heating consists to a high extent of renewable and recycled heat. In these countries we have also chosen to buy renewable electricity. In Denmark, district heating consists of a larger amount of fossil fuels. That is why the bar for renewable energy in the diagram above is lower. The data for Germany consists of only one property, which is oil heated. The oil boiler of that property will be converted to gas in 2020. The share of renewable energy in the bar for Germany comes from the property electricity which contains a small amount of renewable electricity. In the Netherlands, natural gas dominates as heating fuel. In some Dutch properties the property electricity used is 100 percent renewable, and therefore the total share of renewable energy is higher than in Germany. See the table below for a description of the amount of energy and the types of energy used in our properties in the different countries.

In the Netherlands and Denmark, heating statistics are compiled only once annually, meaning that the energy consumption figures arrive to late to be presented in the report. In those cases where full-year 2019 data is not available for the properties, the 2018 figures for energy consumption are used in the table below.

Greenhouse gas emissions

305-1 Direct (Scope 1) GHG emissions

305-2 Energy indirect (Scope 2) GHG emissions

CRE3 Greenhouse gas emissions intensity from buildings

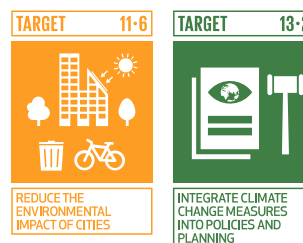
Materiality and boundary

Climate change is one of the greatest societal challenges of our time. The issue is high on the agendas of the UN, the EU and its member states, as well as the financial sector. Heimstaden's emissions of greenhouse gases negatively impact climate change, as well as the living conditions and environment of our customers and other citizens. Through our energy choices and our focus on energy efficient properties we can make a big difference - it is the right way to go. Reducing greenhouse gas emissions enhances trust in us among banks and institutional investors and increases our opportunities for external financing under favourable terms. Greenhouse gas emissions occur throughout the value chain, from suppliers, contractors and customers, for example.

Most emissions are generated by energy usage in our properties, as well as in connection with new development and renovations. By reducing energy usage or purchasing renewable energy, these emissions can be reduced. However, in the Netherlands, Denmark and Norway, our influence over the type of energy chosen is limited as some of the apartments are members of Housing Owner Associations. These are responsible for the building's common areas, such as stairwells, roofs, pipes and walls, as well as for energy systems (similar to tenant-owner associations).

Management approach

Our environmental work is based on Heimstaden's sustainability strategy and Environmental Policy. In 2019, we set targets in line with the Paris Agreement (see Energy, Sustainability governance on page 156) and started

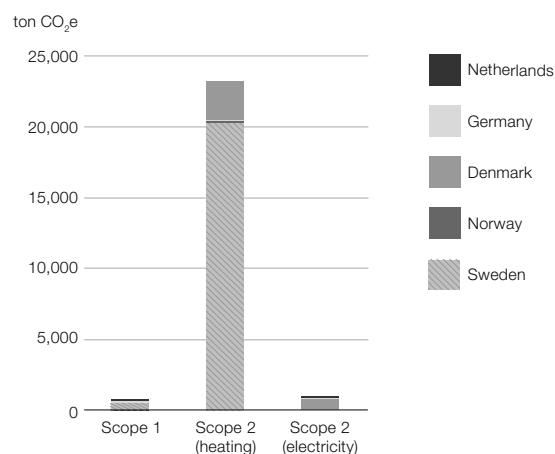


our work to reduce greenhouse gas emissions from our operations. The targets will be followed up annually. We have decided to purchase only origin-labelled renewable electricity. Starting in Sweden and Norway we avoided 16,500 tonnes of carbon dioxide emissions in 2019. The same process will be performed in the other countries in 2020–2021. The property administration organisation's responsibility for energy usage in our properties also entails responsibility for reducing our emissions of greenhouse gases. During the year, we joined Lokal Färdplan Malmö, a pilot project aimed at realigning the construction and management of properties to climate-neutral alternatives by 2030. An overview of Heimstaden's material risks and risk management, including environmental and climate risks, can be found on pages 82–86.

Evaluation

The table below shows Heimstaden's greenhouse gas emissions per country based on energy usage in the properties. Over time, we will expand the reporting of greenhouse gas emissions to cover additional areas, including emissions from cars, transports and other parts of Scope 3.

GHG EMISSIONS IN TON CO₂e PER COUNTRY



Greenhouse gas emissions in Scope 1 derive from natural gas and oil for heating. Scope 2 covers district heating and consumption of electricity in the properties. As we have the most properties in Sweden, the country accounts for most of the greenhouse gas emissions.

	Energy and emission performance
Greenhouse gas emissions in kgCO ₂ /m ²	10
Energy performance in kWh/m ²	150

Employment

401-1 New employee hires and employee turnover

Materiality and boundary

At Heimstaden we focus on people. We seek to safeguard the involvement, satisfaction and well-being of our employees. These efforts help ensure that we are an attractive employer, able to recruit and retain skilled personnel that deliver on our undertakings to customers and other stakeholders. Low levels of absence due to illness, a stress-free work situation, a favourable working environment and a competitive offering are critical for us and help us maintain good relations with external stakeholders.

Management approach

Heimstaden has joined the UN Global Compact and, in accordance with that commitment, we work actively to establish favourable terms of employment. Our crucial HR targets are to build physical and mental well-being, to offer stimulating tasks with opportunities for development, as well as a beneficial working environment. The HR function is responsible for developing policies addressing Heimstaden's relations, as an employer, with employees and job seekers. Alongside the HR function, managers and employees are jointly responsible for these being adhered to. We use policies including a Personnel Policy, Working Environment Policy, Equal Rights Policy, Privacy Policy for Employees, Safety and Security Policy, Code of Conduct for Employees, Code of Conduct for Business Partners and a whistleblower function and policy. The policies apply throughout the Group and in all of our markets. Specific additional policy documents exist regarding our fulfilment of legal and compliance requirements in each market. As legislation is amended and new requirements are added, efforts to set out, revise and maintain policies are performed annually, with employee participation being invited at least once annually with a particular emphasis on our Code of Conduct for Employees. In 2019, work began on a Group-wide initiative, a Culture



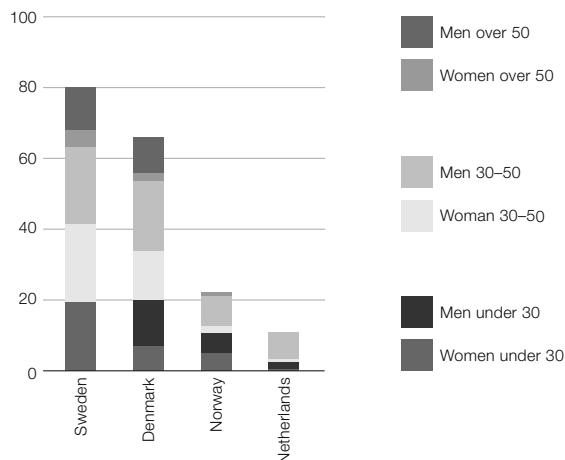
and Values workshop in the Netherlands to illustrate and highlight the importance and contents of our values and Code of Conduct. This will continue to be rolled out in the other countries. An overview of Heimstaden's material risks and risk management, including HR-related risks, can be found on page 82–86.

Evaluation

We conduct a monthly employee survey in all countries (except Germany) using the digital survey tool WinningTemp. We measure the Group's temperature in terms of leadership and job satisfaction, as well as its total temperature, in terms of management, job satisfaction, meaningfulness, autonomy, work situation, participation, personal development, team spirit, commitment and security. Our target is to reach a score of 8.5 (on a scale of 1 to 10) in management, job satisfaction and overall temperature by 2023, as well as an eNPS of 65 (on a scale of -100 to +100) by 2023. We are currently at a temperature of 7.0 and 40 on the eNPS scale. A governance gap that has been identified is that we have occasionally experienced a low response rate in our Winning Temp surveys. However, in 2019 the average response rate have been 69 percent, with a lowest of 64 percent and the highest 74 percent. We are working hard to improve this by, for example, encouraging more feedback in our work teams and by actively responding to comments submitted using the tool.

NEW EMPLOYEE HIRES, BY AGE GROUP, GENDER AND COUNTRY 2019

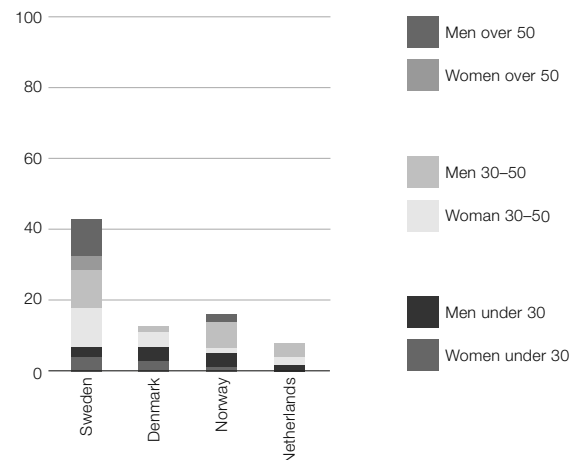
Number of employees



In Sweden, Heimstaden had 325 employees at the end of the year (289 in 2018), 105 in Denmark (52 in 2018), 107 in Norway (101 in 2018) and 34 in the Netherlands (0 in 2018).

EMPLOYEE TURNOVER, BY AGE GROUP, GENDER AND COUNTRY 2019

Number of employees



Occupational health and safety

403-2 Hazard identification, risk assessment, and incident investigation

Materiality and boundary

The well-being and health and safety of our employees are of paramount importance to Heimstaden. Our focus on health and safety is also important in relation to our contractors and other stakeholders, not least shareholders, investors and banks. Employees are exposed to various occupational health risks depending on their roles and duties. In the property management operations, there are, for example, risks of physical stress and risks related to psychosocial factors, including threats and harassment. In our offices, the dominating risks are stress, workload and ergonomics. As the daily dialogue between managers and employees is the most important aspect of the working environment, remote management poses a risk as we grow as a company. We can counteract this by training managers and employees in how to work with remote management/working to create closeness despite geographical distances.

Management approach

Many of our policies concern health and safety, including a Personnel Policy, Working Environment Policy, Safety and Security Policy, Equal Rights Policy, a whistleblower function and policy and our Travel Policy. The policies apply throughout the Group and in all of our markets. Specific additional policy documents exist regarding our fulfilment of legal and compliance requirements in each market. As legislation is amended and new requirements are added, efforts to set out, revise and maintain policies are performed annually. Our employees are invited at least once annually with a particular emphasis on our Code of Conduct. An overview of Heimstaden's material risks and risk management, including health and safety risks, can be found on pages 82–86.

Evaluation

To always safeguard a high level of quality in the area of health and safety, we work continuously to improve our processes and to disseminate information on working environment issues. Our target is 0 percent work-related absence due to illness and 0 percent work-related injuries in 2023.

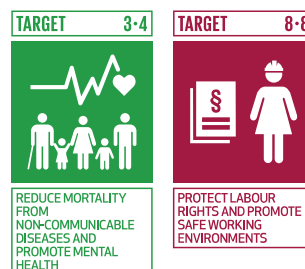
Group level outcome for 2019 (outcome for 2018 in parentheses):

Accidents	32 (10)
Incidents	20 (4)
Absence due to illness	3.5% (4.2%)

We have had a great focus on increasing, and actively promoting employees' reporting of injuries during the year, a cultural work that has been successful and has increased the frequency of reporting and led to reported cases.

403-2 Hazard identification, risk assessment, and incident investigation

Efforts in the area of the working environment work vary in format between the different countries in which we operate, depending on legislation. Several times a year, we hold regular working environment meetings with employee and employer representatives. Each department manager is expected to



perform a risk assessment analysis of his/her department. In certain markets, an external working environment consultants also participate. At least once a year, we conduct regular health/working environment/safety rounds at all of our offices. Because many of our employees work outside our office buildings, rounds are also conducted at our rental properties. These rounds result in risk analyses being performed and measures being identified.

Everyone appointed to participate in our working environment committees or as health and safety representatives must undergo specific training. All managers in Sweden must complete a web-based work/health/environment course. However, the frequency of the courses, the number of participants and the training prerequisites vary between the countries. The operations in all of the countries are required to report workplace accidents. In Sweden, we also now report incidents (that is, occurrences that could have resulted in accidents). This will also be introduced in the other countries.

The measures that are identified are compiled into plans of action and delegated to suitable individuals. Progress is to be reviewed at a subsequent meeting. On a monthly basis, we use our digital tool for employee engagement to monitor the psychosocial working environment in all of the countries, except Germany, and supervisors present their departments' results monthly. Responses are anonymous. On our website, we maintain a whistleblower function that can be used anonymously. Both tools are managed by HR to ensure that there is no risk of traceability or retaliation. In Sweden and Norway, all accidents or incidents are reported by means of specific tools (these vary by country). Corresponding tools will be implemented in Denmark and the Netherlands in 2020.

A description of the policies and processes available to employees to abstain from work situations they believe could cause injury or ill health is provided in part in our Code of Conduct. We maintain an additional Safety Policy and in 2018, we focused on this area in Sweden where all staff in contact with customers were trained by an external consultant on how to act in hazardous situations or situations that risk becoming hazardous. Similar initiatives will be recommended in all of our markets. One area for improvement is to establish a common HR system in which we can compile all reporting and review the progress of the measures identified. Another is to appoint an additional resource dedicated to safeguarding our continued maintenance of superior quality and progress with regard to our agenda in the areas of the working environment/health/safety.

Human rights

406-1 Incidents of discrimination and corrective actions taken

414-1 New suppliers that were screened using social criteria

Materiality and boundary

Heimstaden supports the UN's Universal Declaration of Human Rights. Our targets risks regarding human rights violations is most probably found in the supply chain. Therefore, we put much emphasis on managing and controlling this part of the value chain. Regarding our own operations and our relationship with customers, a key area of focus is on the right to non-discrimination. We actively seek to make everyone feel welcome, both as employees and as customers. For us, non-discrimination, diversity and equality are strengths and prerequisites for our development and capacity to meet customers' needs and wishes.

Management approach

Heimstaden has joined the UN Global Compact, which includes the area of human rights. Our governance in this area is currently based on our Codes of Conduct for Employees and Business partners. Our objective is to have all employees sign the Code of Conduct for Employees and to undergo training. We also target having 100 percent of our suppliers signing our Code of Conduct for Business Partners by 2021, with the sub-target of 50 percent having signed by 2020.

Human rights and non-discrimination

Heimstaden has zero tolerance for discrimination. Our governance comprises our Code of Conduct for Employees, which focus on the right to a safe and secure workplace, the right to equal conditions and the right to collective bargaining.

Our non-discrimination work is based on the seven grounds of discrimination: sex, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation and age.

The area of human rights and non-discrimination is also explicitly or implicitly included in the following policies: Personnel Policy, Working Environment Policy, Equal Rights Policy, Privacy Policy for Employees, Safety and Security Policy and Whistleblower Policy. Together with each manager, HR is responsible for ensuring that employees are aware of and familiarise themselves with the Codes of Conduct and Policies.

Human rights in the supply chain

Integrating environmental, social and anti-corruption aspects into the supply chain is an important part of the sustainability work. Accordingly, during 2019, we began developing processes and procedures for setting demands and for monitoring compliance with this among suppliers. This work includes ensuring that our suppliers sign the Code of Conduct for Business Partners. In 2019, we recruited a Chief Procurement Officer who bears the principal responsibility for central procurement and purchasing.



In our Code of Conduct for Business Partners, human rights and working conditions form key components and we are currently examining how our continued work can build on the UN Guiding Principles on Business and Human Rights.

An overview of Heimstaden's material risks and risk management, including risks associated with human rights, can be found on pages 82–86.

Evaluation

Heimstaden complies with anti-discrimination legislation and has a zero vision for discrimination cases. During the year, one discrimination incidents was reported by means of our whistleblower function and was subsequently dismissed.

To date, 106 of our suppliers in Sweden have signed our Code of Conduct for Business Partners. We are working to initiate a similar process in the other countries. Since April 2019, we have, by means of a centrally negotiated framework agreement, required all new suppliers to sign and comply with the Code of Conduct for Business Partners and that the products they supply must be registered in one of the Swedish environmental assessment systems, Byggarvbedömningen, Sunda hus, Svanen or BASTA. During 2019, we screened 100 percent of all our 17 new suppliers with framework agreements linked to the areas of human rights, labour conditions, health and safety and environmental aspects. The results of our desk-top screening showed that the majority of our new suppliers have communicated sufficient information regarding how they handle issues related to human rights, working conditions, health and safety and the environment. The remaining companies will receive a self-assessment form as well as an invitation to return with relevant information. Based on received material, we intend to decide on possible measures.

Local community

413-1 Operations with local community engagement, impact assessments, and development programmes

Materiality and boundary

The social dimension is crucial in developing society in a sustainable direction. Heimstaden build safe, inclusive and vibrant neighbourhoods and local communities. Our operations affect many people and people are at the heart of everything we do. We maintain a strong focus on sustainability and we work strategically and holistically with these issues. Accordingly, financial, environmental and social factors form the basis for our long-term presence in the locations and communities in which we operate.

Management approach

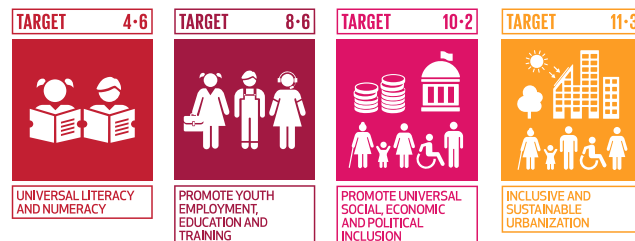
Heimstaden's vision is to enrich and simplify life through Friendly Homes. We provide rental apartments for all stages of life – from student accommodation to housing for elderly, with need of extra care. Our business touches a variety of stakeholders. We run it responsibly in line with our values and policies, and in order to gain and maintain our stakeholders' trust.

On 1 January 2020, the UN Convention on the Rights of the Child was enacted into Swedish law and we have begun the process of understanding what this may come to entail for our management and development of properties in Sweden. The Convention on the Rights of the Child has already become law in Norway and Germany.

Inclusion

To contribute to the building of inclusive residential areas and communities, we decided in 2019 that at least 1 percent of our apartments would be earmarked for social lease contracts. These are leases under which local authorities lease apartments from us to rent them, in turn, to those in a situation of social exclusion, for example homeless people, recently arrived migrants and people with various disabilities. In some regions, we have hired Community Coordinators with a mandate to deal with matters of a social nature in our neighborhoods, take part in meetings and dialogues with local authorities, emergency services and other property owners in order to create safe and secure living environments. In 2019, Heimstaden determined that at least 2 percent of its employees on an annual basis should be apprentices, also with a focus on including people otherwise in a situation of social exclusion.

Heimstaden is a proud member of the Business Improvement District Sofielund (BID Sofielund in Malmö), which in 2019 received the European Crime Prevention Award (ECPA). The work is praised for broad crime prevention efforts in Sofielund, focusing on the particularly vulnerable area of South Sofielund/Seved – which has led to increased well-being and stability in the area.



Young adults

For us, it is important to create opportunities for young people to gain work experience and have opportunities for internships. We have, for this reason, decided to offer at least 100 jobs annually to trainees, student employees and summertime workers.

Partnerships and sponsorships

We are working to contribute to positive social development and improved social inclusion by building partnerships enhancing inclusion and engagement in collaboration with local organisations.

Evaluation

The targets we have set in terms of creating inclusive living environments and local communities, and in terms of employment for young adults, were new for 2019. This means that we only have results for parts of our operations for 2019. We are now implementing these targets throughout the Group and will therefore be able to report on them Group-wide for 2020.

Outcome 2019

Social contracts

The target is new from 2019 and therefore the data only applies to Sweden. Outcome: approximately 1.6 percent of the apartments in Sweden are covered by social leases.

Apprentices

The target is new as of 2019 and will not be reported on until 2020.

Young adults

During 2019, 60 young adults worked with us as student employees, summertime workers or trainees.



Partnerships and sponsorships

During 2019, we have collaborated with and sponsored a number of different organisations – some examples from different parts of our operations are presented here:

Projekt Udenfor (Project Outside), Denmark – works to improve conditions for the most vulnerable homeless people by distributing food and drink, clothing and sleeping bags.

VildaKids (Wild Kids), Sweden – provides year-round activities for children in socio economic exposed situations.

Drivkraft (Driving Force), Sweden – offers mentors for both pupils and their parents and arranges weekly help with homework at a number of schools. Many of Heimstaden's employees are engaged in this initiative.

Giving People, Sweden – works to counteract financial vulnerability and child poverty in Sweden.

Let's make love great again, Sweden – a platform for what is good and loving. We help facilitate distribution of the book "The Worst of the Best of the Internet" (Swedish: "Värsta bästa nätet") to primary school pupils. The book addresses the issue of online hatred and helps young people become Internet savvy.

Kirkens Bymisjon, Norway – works, among other things, with children and young people, combating poverty, care of the elderly, healthcare and environmental measures.

We have a dream, Sweden – a photographic exhibition about courage, compassion and human rights.

Other organisations we support are the Norwegian Breast Cancer Society, the Norwegian Prostate Cancer Society and Save the Children Sweden.



*heimservice**

Moving to a new home is a big step and a little help with the details is often required. For this reason, we offer all new residents the opportunity to get two hours of assistance from one of our property managers. This may involve installing curtain rods, mounting hooks and lamps or explaining how the appliances work. We want all to feel welcome in their new homes and to have as smooth a start as possible there. As part of our sustainability work, we also lend tool boxes to customers, so that they need not buy expensive tools themselves.

**Home service*



Shareholder information

Communications with the market

Our communications with the financial market are characterised by open, relevant and accurate information to shareholders, investors and investors and analysts, thereby increasing knowledge about Heimstaden's operations and shares. We share information in the form of interim reports, annual reports and press releases, and we present further information on the IR pages on our website. Shareholders and others who are interested may subscribe for press releases and financial reports via e-mail. General information on the IR pages of the website, such as shareholder listings, is updated in connection with the closing of the accounts for each quarter. In the event of any major changes, the website is updated immediately.

IR contact

Carl-Fredrik Streiby
 Director of Group Finance
 +46 (0)40-661 15 75
 ir@heimstaden.com
 ir.heimstaden.com

The Annual Report

For environmental reasons, Heimstaden distributes only a digital version, on its website, of the Annual Report. Shareholders attending the Annual General Meeting receive a printed version if they have specifically requested this.

Follow us on www.heimstaden.com

Comprehensive information about Heimstaden can be accessed through the website, regardless of whether you are interested in new housing, investing in the company or want to log onto the customer portal My pages.

LinkedIn® Follow us on LinkedIn

We see LinkedIn as a complement to press releases and financial reports. In a less formal way, we can provide insight there into what is going on within the company, what services are available and what we can offer as a company, both regionally and locally.

Financial calendar

Interim Report January-March	30 April 2020
Annual General Meeting	28 May 2020
Interim Report January-June	18 August 2020
Interim Report January-September	29 October 2020
Year-end Report	February 2021
see ir.heimstaden.com for information	



Information about the 2020 Annual General Meeting

Heimstaden AB (publ), corporate identity number 5566700455, welcomes all shareholders to the Annual General Meeting on Friday, 28 May 2020, at 10.00 a.m. at the company's headquarters, Östra Promenaden 7 A in Malmö, Sweden. Registration will commence at 9:30 a.m.

Notice of the Annual General Meeting will be issued no later than 30 April 2020 and will be published on www.heimstaden.com/arsstamma, prior to that.

Complete proposals for resolutions by the Meeting will be made available on the company's website, www.heimstaden.com/arsstamma, by 7 May 2020 at the latest.

The matters addressed at the Annual General Meeting are those set out in the Articles of Association, as well as other matters stated in the invitation to attend the Annual General Meeting.

Registration of participation

Shareholders wishing to attend the Annual General Meeting shall:

- in part, by Friday, 22 May 2020, be entered as shareholders in the share register maintained by Euroclear Sweden AB.
- in part, register with the company their intention to attend the Annual General Meeting by Friday, 22 May 2020 at 4:00 p.m.

Notification of participation is to be submitted in one of the following ways:

- by email: arsstamma@heimstaden.com
- by mail: Heimstaden AB (publ)
Annual General Meeting 2020
Att: Carl-Fredrik Streiby
Östra Promenaden 7A
SE-211 28 Malmö, Sweden.
- via the website www.heimstaden.com/arsstamma

On registration, shareholders must state their name (company), social security number (organisation number), address and telephone number, as well as the name and social security number of any representative and the number of possible assistants also attending (maximum two).

Shareholder registration

To participate in the Meeting, shareholders who have chosen to register their shares with a proxy must temporarily re-register the shares in their own name to be entitled to attend. Such re-registration must be completed with Euroclear Sweden AB by Friday, 22 May 2019 at the latest. Shareholders should, in good time before this date, request that their trustees administrate re-registration.

Participation through power-of-attorney

For anyone wishing to be represented by a proxy, the company provides power-of-attorney forms, which are available at www.heimstaden.com/arsstamma. If the proxy is a legal entity, a registration certificate or other documentation shall be presented demonstrating the competency of the signatory.

Proposed dividend

The Board of Directors proposes a dividend of SEK 20.00 per preference share, totalling SEK 46,875,000. Dividends to preference shareholders are to be paid quarterly, in the amount of SEK 5.00 per payment date.

Proposed record dates for the preference share:

- 5 July 2020, with the estimated payment date of 8 July 2020, with the final trading day including entitlement to dividends on 1 July 2020.
- 5 October 2020, with the estimated payment date of 8 October 2020, with the final trading day including entitlement to dividends on 1 October 2020.
- 5 January 2021, with the estimated payment date of 11 January 2021, with the final trading day including entitlement to dividends on 30 December 2020.
- 5 April 2021, with the estimated payment date of 8 April 2021, with the final trading day including entitlement to dividends on 30 March 2021.

In the event that a record date, as stated above, is not a banking day, the record date shall be the immediately preceding banking day.

Precautionary measures

Heimstaden is monitoring developments regarding the Covid-19 Coronavirus situation closely. Based on the progress of events, Heimstaden will be proposing certain precautionary measures regarding Heimstaden's Annual General Meeting and these measures will be announced in the full invitation to attend the Annual General Meeting and on Heimstaden's website.

Definitions and glossary¹⁾

Letting ratio, housing (number), %

Leased housing divided by total number of homes.

Real letting ratio, housing (number), %

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

Surplus ratio, %²⁾

Net operating surplus as a percentage of rental income.

Proportion living area on balance sheet date, %

Living area divided by total property area.

Interest coverage ratio (ICR), multiple

Profit before net financial items plus financial income divided by financial costs attributable to interest-bearing liabilities.

Calculated based on the rolling 12-month outcome.

Equity/assets ratio, %

Equity as a percentage of total assets.

Loan-to-value ratio (LTV), %

Net liabilities as a percentage of total assets.

Loan-to-value ratio, secured loans, %

Secured loans as a percentage of total assets.

Net liabilities

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

Average interest, %²⁾

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

Return on equity after tax, %

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

Net asset value on the balance sheet date, SEK m

Equity plus deferred tax liability.

Long-term net asset value on the balance sheet date, SEK m

Equity with deferred tax liability and interest rate derivatives reversed.

DEBT/EBITDA, multiple

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

Equity per ordinary share, SEK

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

Equity per preference share, SEK

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

Profit after tax per ordinary share, SEK

Profit after tax in relation to the average number of ordinary shares once the portion of the profit for the period accounted for by preference shares and hybrid capital has been taken into account.

Heimstaden presents certain financial measures that are not defined in accordance with IFRS. Heimstaden believes that these measures provide valuable additional information to investors and management as they enable assessment of the company's performance. Since not all companies calculate financial measures in the same way, these are not always comparable to measurements used by other companies. Accordingly, these financial measures should not be considered as a replacement for measures defined in accordance with IFRS. Note **AN** presents the derivation of key data.

¹⁾ Certain key ratios are calculated with particular regard to interest-bearing subordinated shareholder loans, which are reclassified and defined as equity given their financial structure.

²⁾ These specific key data are operational and are not considered to be key data in accordance with ESMA's guidelines.



Heimstaden AB is a public company. Corporate identification number. 556670-0455. Domiciled in Malmö, Sweden.

This report contains forward-looking information based on the current expectations of Heimstaden's management. Although management believes the expectations reflected in such forward-looking information to be reasonable, no guarantee can be provided that these expectations will prove correct. Consequently, future outcomes may vary considerably compared to what is presented in the forward-looking information based on, among other things, changing economic, market and competition conditions, changes in legal requirements and other policy measures, fluctuations in exchange rates and other factors.

Denna årsredovisning finns även på svenska. The Annual Report is published in Swedish and English. The Swedish version is the original and has been audited by Heimstaden's auditor. All values are expressed in Swedish kronor (SEK). Swedish kronor is shortened to SEK, millions of kronor to SEK million and billions of kronor to SEK billion. Figures in brackets refer to the previous year, 2018, unless otherwise stated.

This Annual Report is produced in collaboration with RHR/CC in Malmö, graphic design by Kyoko Grafisk Design, translated by Battison & Partners AB and printed by CA Andersson. Photo: Anders Sällström and Thomas Henrikson, Lasse Åkerström, Jesper Molin, Folio.se, Shutterstock.com

Heimstaden is a leading real estate company in Central and Northern Europe, with a focus on acquiring, refining, developing and managing housing and premises. Through our values, *Care*, *Dare* and *Share*, we create values for our owners and caring homes for our customers. Heimstaden has about 54,900 apartments and a property value of approximately SEK 114 billion value. Heimstaden's main owner is the Norwegian company Fredensborg AS and the preference share is listed on Nasdaq Stockholm. The head office is located in Malmö.

Heimstaden

Heimstaden AB (publ), Ö Promenaden 7 A, SE-211 28 Malmö, Sweden
Corp. ID No.: 556670-0455. The company is domiciled in Malmö.
Tel. +46 (0)40 - 660 20 00, Fax +46 (0)40 - 660 20 01
www.heimstaden.com