

interim report
JANUARY–SEPTEMBER
2018



Heimstaden

The period in brief

January – September 2018

- Rental income for the period increased to SEK 2,408 million (1,350)
- The letting ratio for housing was 97.7 percent (99.2)
- Net operating income for the period increased to SEK 1,328 million (718)
- Net financial items amounted to a negative SEK 659 million (299)
- Profit from property management increased to SEK 639 million (383)
- Changes in values of properties amounted to SEK 2,179 million (1,413)
- Changes in values of derivatives amounted to SEK 30 million (13)
- Profit for the period amounted to SEK 2,461 million (1,457)
- property acquisitions during the period amounted to SEK 16,260 million (8,875) and divestments amounted to SEK 162 million (667)
- Profit after tax per ordinary share amounted to SEK 151 (87)

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

Key data

Amounts in SEK million	2018 9 months Jan-Sep	2017 9 months Jan-Sep	2018 3 months Jul-Sep	2017 3 months Jul-Sep	2017 12 months Jan-Dec
Rental income	2,408	1,350	866	470	2,013
Property costs	-1,081	-632	-341	-193	-986
Net operating income	1,328	718	526	278	1,027
Profit from participations in associated companies	3	-4	0	-2	12
Other	-32	-32	-25	-14	-66
Financial income	28	1	17	0	6
Financial costs – interest-bearing liabilities	-552	-217	-207	-83	-379
Financial costs – interest-bearing subordinated shareholder loans	0	-82	0	-28	-86
Other financial costs	-135	0	-135	0	0
Profit from property management	639	383	176	151	515
Changes in value	2,209	1,427	617	496	2,226
Tax	-388	-353	-57	-156	-677
Profit for the period	2,461	1,457	735	490	2,064
Other comprehensive income	632	44	-140	22	99
Comprehensive income	3,093	1,501	596	512	2,163
Surplus ratio, %	55.1	53.2	60.7	59.0	51.0
Letting ratio, housing (number), %	97.7	99.2	97.7	99.2	98.7
Interest coverage ratio (ICR) – rolling 12-month, multiple	2.3	2.9	2.3	2.9	2.6
Loan-to-value ratio (LTV), %	50	59	50	59	59

Culture more important than strategy!

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

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

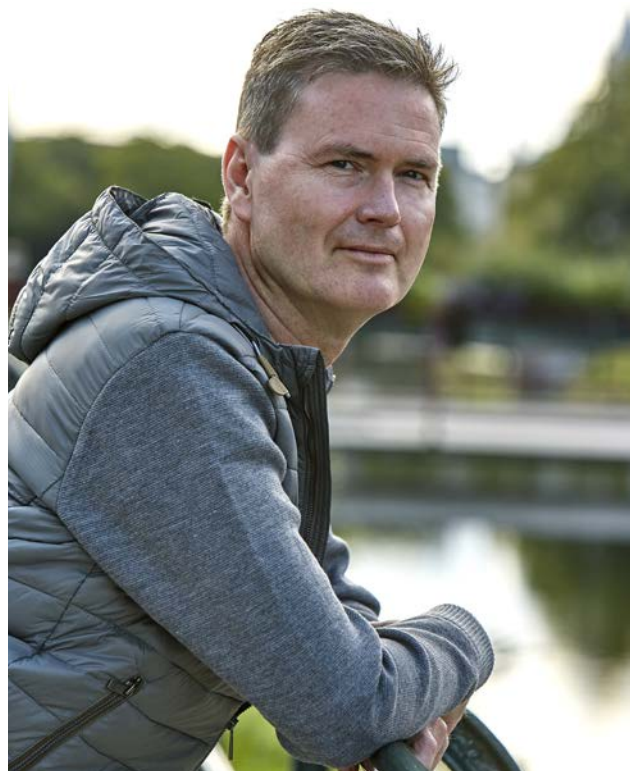
Thank you all for making a difference by being sincere, thoughtful and innovative.

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

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

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

With a property portfolio spanning Sweden, Denmark and Norway, and with acquisitions agreed in Berlin, Germany, we have now, after



analysing the market for some time, also completed our first acquisition in Utrecht, in the Netherlands. Utrecht is the fourth-largest city in the Netherlands and is located about 35 kilometres south of Amsterdam.

Some may ask – why Berlin in Germany, and the Netherlands?

The housing market there is reminiscent of that in Sweden – there is some form of rent regulation, the vast majority of people can afford our apartments, property prices and returns are therefore attractive, and the downside is limited (that is, these locations provide an excellent form of risk spreading as they offer low risk.

We also hope to be able to "export" our corporate culture, making a difference by "brightening and simplifying the lives of our tenants with well-considered housing".

Together with our shareholders Alecta and the Ericsson and Sandvik pension foundations, Heimstaden AB's subsidiary, Heimstaden Bostad AB, has engaged Standard & Poors for an official evaluation. With a property portfolio of SEK 70 billion and strong key data, Heimstaden Bostad has the ambition of achieving an investment grade rating and we are currently working towards this goal.

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

Best wishes!
Patrik Hall, CEO Heimstaden

Current earning capacity

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

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

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

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

Current earning capacity as per 30 September 2018

Amounts in SEK million	
Rental income	3,510
Property costs	-1,510
Net operating income	2,000
Central administration	-111
Other operating income	53
Other operating costs	0
Participations in profit of associated companies	0
Profit before financial items	1,942
Financial income	12
Financial costs – interest on subordinated shareholder loans	0
Financial costs – interest-bearing liabilities	-756
Profit from property management	1,197
Profit from property management attributable to:	
The Parent Company's shareholders	590
Non-controlling interests	607
Key data	
Surplus ratio, %	57.0
Interest coverage ratio (ICR), multiple	2.6





Property management and transactions

Heimstaden's property portfolio is managed under three different geographic segments – Sweden, Denmark and Norway. The Group will add two segments during the fourth quarter: Germany and the Netherlands. The total value of Heimstaden's property portfolio amounts to SEK 70,003 million, excluding agreed acquisitions. Listed below are the transactions agreed by the Group in the third quarter, as well as the transactions agreed in earlier periods but where the Group has gained control of the assets in the quarter at hand.

On 3 May,

Heimstaden agreed to acquire the Ringertoften housing cooperative in Copenhagen. The acquisition comprises 411 apartments and two commercial premises with a total lettable area of approximately 23,720 square metres. Heimstaden gained access on 1 August.

On 8 May,

Heimstaden agreed to acquire 96 apartments in Linköping with a total area of 5,103 square metres. The property value amounts to SEK 200 million and Heimstaden gained access to the property on 31 August 2018.



On 24 May,

Heimstaden agreed to acquire 803 apartments in Gävle with a total area of 55,400 square metres. The property value amounts to SEK 565 million and Heimstaden gained access on 28 June.

On 20 June,

Heimstaden agreed to acquire 14 construction projects from Magnolia. The construction projects comprise 5,300 apartments of 252,000 square meters. The property value amounts to SEK 9.6 billion and Heimstaden will gain access successively until 2013.

On 29 June,

Heimstaden agreed to acquire the Thyra Danebod, housing cooperative in Copenhagen. The acquisition comprises 110 apartments with a total area of 10,558 square metres. The property value amounts to DKK 293 million and Heimstaden gained access on 1 July 2018.

On 3 July,

Heimstaden agreed to acquire 388 apartments in Malmö and Lund with a total area of 14,069 square metres. The property value amounts to SEK 712 million and Heimstaden gained access on 3 October 2018.

On 13 July,

Heimstaden agreed to acquire 484 apartments in Berlin, Germany with a total area of 27,831 square metres. The property value amounts to EUR 66 million and Heimstaden gained access on 1 October 2018.



Our segments

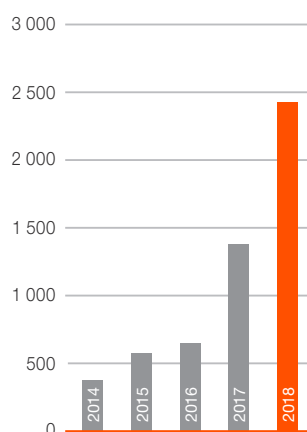
The Group's property portfolio is divided into different geographic administrative segments.



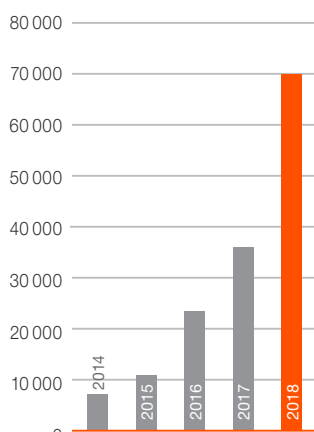
Total Heimstaden (January-September)

	Q3 2018	Q3 2017
Market value, SEK m	70,003	36,450
Rental income, SEK m	2,408	1,350
Net operating income, SEK m	1,328	718
Surplus ratio, %	55.1	53.2
Letting ratio, housing (number), %	97.7	99.2
Number of properties	909	677
Area, m ²	2,546,224	1,829,509

Development in total rental income, Q3 (SEK m)



Development of total market value, Q3 (SEK m)



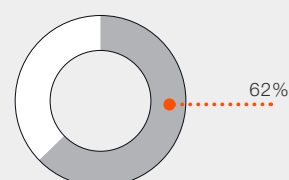
Sweden

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

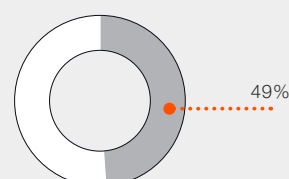
Sweden (January-September)

	Q3 2018	Q3 2017
Market value, SEK m	34,081	25,493
Rental income, SEK m	1,483	478
Net operating income, SEK m	739	233
Surplus ratio, %	49.9	48.7
Letting ratio, housing (number), %	98.4	99.4
Number of properties	749	627
Area, m ²	1,860,884	1,525,517

Rental income, share of Heimstaden total



Market value, share of Heimstaden total





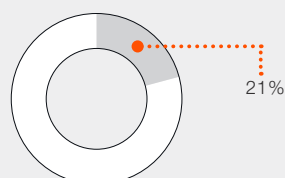
Denmark

The Danish economy continues to develop strongly. Employment has risen by about 1.5 percent on average over the past two years and, at the end of 2017, unemployment was at a low 4.2 percent. In Denmark, there are 2.8 million privately owned homes and only 63,000 of these are located in Copenhagen, corresponding therefore to only approximately 2 percent of the market. In parts of Copenhagen housing prices have risen by as much as 70 percent since 2012. The main reason for this sharp increase in prices is urbanisation. As in large parts of the western world, Denmark is experiencing a strong trend of urbanisation, with smaller communities being depopulated. The population of Copenhagen is forecast to increase by 100,000 inhabitants over the next ten years. Århus is Denmark's second-largest city and has a well-developed transport network. Besides being known as a very popular student city (with 42,500 students in 2015), it is also the home of one of Northern Europe's largest industrial ports. Odense is Denmark's third-largest city and, like Aarhus, is a popular student city (with 31,000 students in 2015). The municipality prides itself on offering more than 100,000 jobs, and a particularly distinctive area of growth here is robotics and automation.

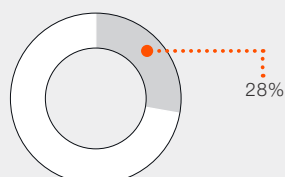
Denmark (January-September)

	Q3 2018	Q3 2017
Market value, SEK m	19,469	10,957
Rental income, SEK m	507	179
Net operating income, SEK m	329	119
Surplus ratio, %	65.0	66.8
Letting ratio, housing (number), %	94.4	97.9
Number of properties	78	50
Area, m ²	469,543	303,992

Rental income,
share of Heimstaden total



Market value,
share of Heimstaden total



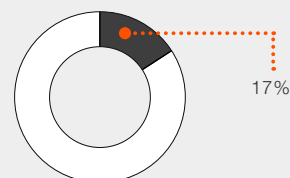
Norway

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

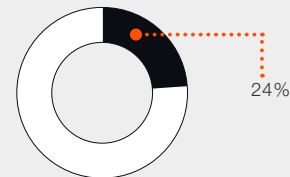
Norway (January-September)

	Q3 2018	Q3 2017
Market value, SEK m	16,454	–
Rental income, SEK m	419	–
Net operating income, SEK m	259	–
Surplus ratio, %	61.8	–
Letting ratio, housing (number), %	97.3	–
Number of properties	82	–
Area, m ²	215,798	–

Rental income,
share of Heimstaden total



Market value,
share of Heimstaden total



Consolidated Statement of Comprehensive Income

Amounts in SEK million	2018 9 months Jan–Sep	2017 9 months Jan–Sep	2018 3 months Jul–Sep	2017 3 months Jul–Sep	2017 12 months Jan–Dec
Rental income	2,408	1,350	866	470	2,013
Property costs	-1,081	-632	-341	-193	-986
Net operating income	1,328	718	526	278	1,027
Central administration	-72	-60	-28	-19	-85
Other operating income	40	28	3	5	36
Other operating costs	0	0	0	0	-16
Profit from participations in associated companies	3	-4	0	-2	12
Profit before financial items	1,298	682	501	261	974
Financial income	28	1	17	0	6
Financial costs – interest-bearing liabilities	-552	-217	-207	-83	-379
Financial costs – interest-bearing subordinated shareholder loans	0	-82	0	-28	-86
Other financial costs	-135	0	-135	0	0
Profit from property management	639	383	176	151	515
<i>Profit from property management attributable to:</i>					
The Parent Company's shareholders	247	316	27	126	367
Non-controlling interests	392	67	149	24	148
Change in value of investment properties	2,179	1,413	575	485	2,202
Change in value of interest rate derivatives	30	13	41	10	24
Profit before tax	2,849	1,810	793	646	2,740
Current tax	-101	-50	-23	-41	-76
Deferred tax	-287	-303	-35	-116	-601
Profit for the period	2,461	1,457	735	490	2,064
<i>Profit for the period attributable to:</i>					
The Parent Company's shareholders	1,367	1,114	517	369	1,484
Non-controlling interests	1,094	343	219	121	579
Other comprehensive income	632	44	-140	22	99
Comprehensive income	3,093	1,501	596	512	2,163

Rental income

Rental income for the period amounted to SEK 2,408 million (1,350), growing strongly compared with the preceding period. The growth is primarily a result of completed property transactions and is attributable in particular to the transaction that took place in April, in which the subsidiary Heimstaden Bostad acquired properties in Norway. For the housing stocks, the average rental income is SEK 1,369 per square metre of time-weighted area (1,121).

The letting ratio for housing remained at a high and stable level of 97.7 percent (99.2) for the period. The lower level is primarily attributable to apartments in Copenhagen vacated awaiting renovation and a lower level in the Norwegian market.

Property costs

Total property costs amounted to SEK 1,081 million (632).

The increase is mainly due to increased property volumes as a result of transactions made during the year.

Net operating income

Net operating income amounted to SEK 1,328 million (718) for the period, corresponding to a surplus ratio of 55.1 percent (53.2).

Central administration

Costs for central administration amounted to SEK 72 million (60), with the marginal increase mainly being attributable to the growth of the organisation.

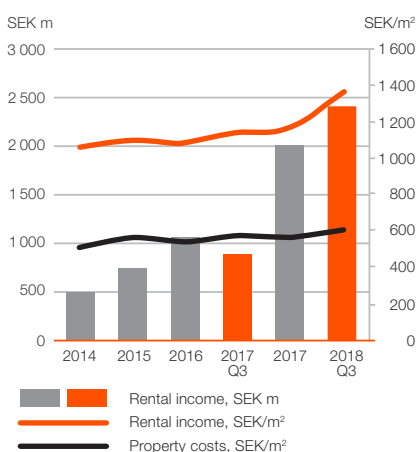
Other operating income and operating costs

Other operating income relates primarily to external management income in the Norwegian and Danish management companies and pertain to a small number of remaining external customers.

Property costs

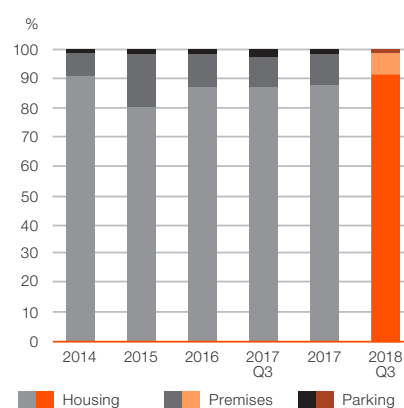
Amounts in SEK million	2018 9 months Jan-Sep	2017 9 months Jan-Sep	2018 3 months Jul-Sep	2017 3 months Jul-Sep	2017 12 months Jan-Dec
Operating costs	-679	-368	-188	-100	-603
Maintenance and repairs	-223	-141	-72	-50	-213
Property administration	-115	-94	-40	-32	-132
Property tax	-59	-26	-41	-9	-35
Ground rent	-2	-2	0	-1	-2
Amortisation and depreciation	-3	-1	-1	0	-2
Total property costs	-1,081	-632	-341	-193	-986

Rental income



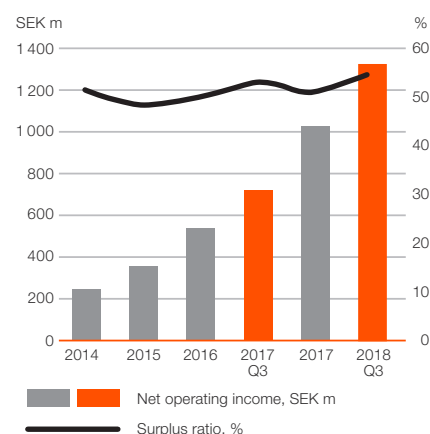
Full year refers to January-December, 12 months
Q3 refers to January-September, 9 months

Distribution of rental income



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

Net operating income and surplus ratio



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

Net financial items

Financial income during the period amounted to SEK 28 million (1) and financial expenses were SEK 687 million (299). The increased negative net financial items are mainly attributable to an increased loan portfolio as a consequence of a larger property portfolio and the loan-to-value ratio largely being maintained. On the balance sheet date, the average interest rate on total borrowing and derivatives, as well as charges for unutilised credits had risen by 1.86 percent (1.56), mainly due to acquisitions of assets in Norway maturing at higher market interest rates. About 81 percent (74) of the portfolio will switch interest rates within a year and a change in the base rate (Stibor, Cibur, 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 229 million (108) were rates to rise, and decrease them by approximately SEK -98 million (-6) in the event that interest rates were to fall. The difference in sensitivity is explained by several credit agreements containing interest rate floor clauses restricting interest rate changes on the downside, such that the base rate cannot, for example, be negative while the cost of outstanding and purchased interest rate derivatives can increase with negative market interest rates.

Other financial costs

Other financial costs in the Group amounted to SEK 135 million (0) of which exchange rate differences amounted to SEK 135 million (0). Reported exchange rate differences are mainly attributable to revaluation of interest-bearing liabilities in NOK that, from a Group perspective, are used for financing Norwegian net investments.

Profit from property management

Profit from property management was SEK 639 million (383). The increase for the period is attributable to the increased volume in the property stocks and the loan portfolio.

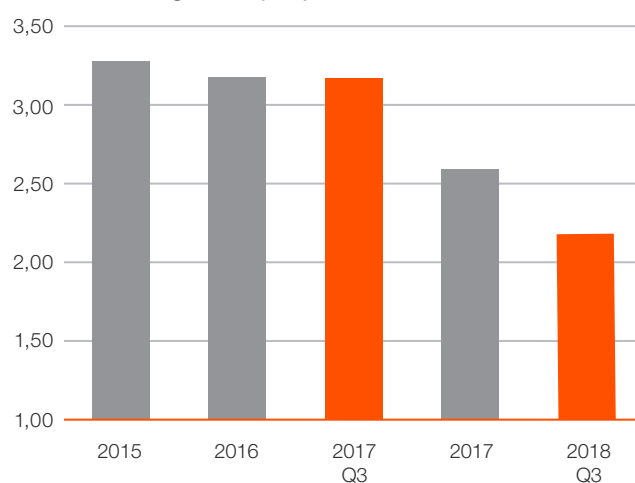
Changes in the value of financial instruments

In accordance with the established financial policy and interest rate hedging strategy, Heimstaden uses interest rate derivatives to manage the Group's interest rate risk. The change in the value of derivatives during the period amounted to a negative SEK 30 million (13), of which unrealised amounted to a negative SEK 30 million and realised amounted to SEK 0 million. At the end of the period, the market value of the current derivative portfolio amounted to a negative SEK 0 million (-35). The nominal volumes of interest rate swaps amounted to SEK 9,194 million (6,680) purchased swaps. In addition to these, there are agreements on interest rate ceilings with a nominal value of SEK 200 million (400) that today, in view of current strike levels, have no value and are, accordingly, not included in the calculations of key ratios.

Financial risks

	Financial policy in summary	Outcome 30 Sep 2018	Listing
Refinancing risk			
Capital tied up (months)	at least 15	89	
Loan maturity (percentage in individual year)	maximum 40	28	(2021)
Limitation, individual lenders (percent)	maximum 50	17	Danske Bank
Interest-rate risk			
Fixed interest (years)	In accordance with separate interest rate hedging strategy	0.94	
Interest rate hedge (percent)	at least 25	28	
Credit risk			
Equity/assets ratio (percent)	at least 25	43.6	
Interest coverage ratio (multiple, rolling 12 months)	at least 1.4	2.1	

Interest coverage ratio (ICR)



30 Sep 2018

Years	Fixed interest, loans			Fixed interest incl. derivatives ¹⁾		
	SEK m	Share, %	Interest, incl. margin, %	SEK m	Share, %	Interest, incl. margin, %
0-1	40,528	99.4	1.7	32,961	80.9	1.7
1-2	228	0.6	1.6	1,439	3.5	2.2
2-3	-	-	-	1,838	4.5	2.4
3-4	-	-	-	1,418	3.5	2.2
4-5	-	-	-	1,298	3.2	2.3
>5 years after balance sheet date	-	-	-	1,804	4.4	2.7
Total	40,756	100.0	1.7	40,756	100.0	1.9

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

The average remaining term of fixed interest in the loan portfolio amounts to:	0.25 years
The average remaining term of fixed interest in the loan portfolio, including derivatives, amounts to:	0.94 years



Peter Holms vej, Copenhagen



Peter Holms vej, Copenhagen

Change in value of investment properties

As per 30 September 2018, the entire property portfolio has been valued internally based on externally obtained valuation data. Combined, the unrealised change in the value of the properties amounted to SEK 2,249 million (1,409). The change is explained by reduced direct return requirements in existing stocks. The direct return requirements in the valuation average 3.55 percent, which compares with 3.86 percent at the end of 2017. During the period, properties were sold for a value of SEK 162 million, affecting profit by SEK 12 million. After currency adjustment, the total change in value of properties amounted to SEK 2,179 million (1,413) in the Income Statement. The item also includes a downward adjustment in the value of acquired construction projects, development properties and tenant-owned apartments in progress.

Direct return requirements

Years	Average	Interval
2017	3.86%	1.04% – 8.50%
2018 Q3	3.55%	0.82% – 8.38%

Tax

In addition to the current tax of SEK 101 million (50), the Group also reports deferred tax of SEK 287 million (303). The deferred tax consists primarily of temporary differences between carrying amounts and the consolidated cost of investment properties and financial instruments.

Consolidated Statement of Financial Position

Amounts in SEK million	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS			
Non-current assets			
Investment properties	70,003	36,450	50,285
Machinery and equipment	20	5	6
Participations in associated companies	115	19	107
Other financial non-current assets	246	72	288
Total non-current assets	70,385	36,545	50,686
Current assets			
Development properties and tenant-owned apartments in progress	827	0	0
Other current receivables	1,159	320	563
Cash and cash equivalents	5,699	839	1,393
Total current assets	7,685	1,160	1,956
TOTAL ASSETS	78,069	37,705	52,643
EQUITY AND LIABILITIES			
Equity ¹⁾	34,089	10,167	18,807
Interest-bearing subordinated shareholder loans	0	2,785	0
Interest-bearing liabilities	36,918	17,375	27,882
Interest-rate derivatives	0	35	31
Deferred tax liability	1,982	1,611	1,741
Total non-current liabilities	38,901	21,806	29,654
Current liabilities			
Interest-bearing liabilities	3,839	5,015	3,054
Other current liabilities	1,241	717	1,128
Total current liabilities	5,079	5,732	4,182
TOTAL LIABILITIES AND EQUITY	78,069	37,705	52,643
¹⁾ Of which non-controlling interests	17,471	1,642	9,879

Consolidated Statement of Changes in Equity

Amounts in SEK million	Share capital	Share premium reserve	Retained profit	Total equity
Equity 31 Dec 2016	78	729	8,169	8,975
Dividend, preference shares			-35	-35
Contributions and dividends from non-controlling interests			-174	-174
Dividend, ordinary shares			-100	-100
Comprehensive income for the period			1,501	1,501
Equity 30 September 2017	78	729	9,361	10,167
Dividend, preference shares			-12	-12
Contributions and dividends from non-controlling interests			7,990	7,990
Comprehensive income for the period			662	662
Equity 31 December 2017	78	729	18,001	18,807
Dividend, preference shares			-35	-35
Shareholder contribution, Fredensborg AS			5,737	5,737
Contributions and dividends from non-controlling interests			6,487	6,487
Comprehensive income for the period			3,093	3,093
Equity 30 September 2018	78	729	33,283	34,089



Investment properties

As per 30 September, Heimstaden's property portfolio had a market value of SEK 70,003 million, compared with SEK 50,285 million at the end of the year on 31 December 2017. The total change in value during the period amounted to SEK 2,179 million (1,413) and the remaining change in the carrying amount of the property portfolio consists of net corporate and property transactions, investments in existing stocks, as well as exchange rate effects. For a more detailed description of Heimstaden's methodology for valuing properties, see pages 18 and 76–79 of the Heimstaden annual report for 2017.

Participations in associated companies

Heimstaden holds shares in a small number of associated companies. Since the autumn of 2016, participations have declined significantly as an effect of Heimstaden Bostad AB no longer being reported as an associated company but as a subsidiary. Among the other associated companies, Heimstaden has a 50-percent holding in Heimstaden Projektutveckling, a company focusing on planning

and developing new properties together with other market actors. During 2017, 25 percent of the shares in Rosengårds Fastigheter AB was added as part of the cooperation with MKB, Balder and Victoria Park.

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 246 million at the end of the period.

Development properties and tenant-owned apartments in progress

In connection with the acquisition of the Norwegian investment properties, building rights and ongoing construction projects were also acquired amounting to SEK 827 million. The item concerns the development and construction of condominium apartments in Oslo that are to be divested upon completion.

Change in market value of investment properties, SEK m

Amounts in SEK million	Total	Sweden	Denmark	Norway
Market value of investment properties 31 Dec 2017	50,285	30,320	12,325	7,640
Sales during the period	-148	-135	-13	0
Acquisitions during the period	15,534	2,464	5,930	7,139
Acquisitions from associated companies	0	0	0	0
Investments during the period	727	502	37	189
Currency change	1,356	0	614	742
Market value after transactions	67,754	33,151	18,893	15,710
Unrealised value change	2,249	929	576	744
Market value of investment properties 30 Sep 2018	70,003	34,080	19,469	16,454

Interest-bearing liabilities

At the end of the period, Heimstaden had interest-bearing liabilities amounting to SEK 40,756 million (25,176), of which subordinated shareholder loans account for SEK 0 million (2,785). Of the SEK 40,756 million in interest-bearing liabilities, 94 percent were secured through mortgages on properties and 6 percent were unsecured. When cash and cash equivalents are deducted, net debt has increased by SEK 13,506 million to SEK 35,057 million (21,551). In the period at hand, the Group's borrowing, including currency effects, had increased by SEK 9,820 million, relating primarily to acquisitions of properties in Sweden and Denmark.

Of the interest-bearing liabilities, SEK 2,500 million (2,500) refers to bonds, SEK 13,441 million (9,864) refers to financing based on mortgage bonds, SEK 500 million (10,026) refers to traditional bank loans and the remaining part, SEK 0 million (2,785), refers to shareholder loans. Confirmed but unutilised credit facilities from banks amount to SEK 0 million (324) on the balance sheet date).

Heimstaden has two outstanding debenture loans, both of which are listed on Nasdaq Stockholm, ISIN SE0006259669 and ISIN SE0009895055. The bonds mature at floating rate of interest of 3m STIBOR +3 percent and 3m STIBOR +3.15 percent, although the interest rate may never be lower than the margin.

The average period for which capital is tied up in Heimstaden's interest-bearing liabilities amounted 7.4 years (9.1). The largest proportion of loan maturities in an individual year amounts to 33 percent (20), maturing in 2021 (2018). At the same time, the average interest period of fixed interest, including the effect of derivatives, amounted to 0.94 years (1.20).

Deferred tax

Deferred tax is calculated, at a nominal tax rate of 20.6 percent in Sweden, 22 percent in Denmark and 23 percent in Norway, on differences between the carrying amount and the consolidated cost of assets and liabilities. As a result of a changed tax rate in Sweden, from 22 percent to 20.6 percent, deferred tax has been recalculated and taken up as income. At 30 September 2018, deferred tax, which is the net of deferred tax assets and deferred tax liabilities, amounted to SEK 1,982 million (1,611) and was, for the most part, attributable to investment properties. The remaining tax deficit in the Group amounts to SEK 1,347 million (7).

Equity

Equity amounted to SEK 34,089 million (10,167). The change during the period is attributable to profit, shareholder contributions of SEK 5,737 million, contributions from non-controlling interests and dividends. During the period SEK 35 million (35) has been paid in dividends to holders of preference shares. Minority interests amount to SEK 17,460 million (1,642) following Heimstaden Bostad AB's implementation of several new share issues over the past year, two of which were implemented in the period at hand for a total SEK 6,487 million. The equity/assets ratio was

Change in loan volume, SEK m

Interest-bearing loans 31 Dec 2017	30,936
Repayments on loans	-160
Currency exchange effect on loans	797
New borrowing/loans taken over	9,183
Interest-bearing loans, 30 Sep 2018	40,756

Years	Capital tied up, loans			Lines of credit	
	SEK million	Share, %	Interest, incl. margin %	SEK million	Share, %
0-1 years	3,839	9	2.2	0	0.0
1-2 years	6,588	16	1.1	0	0.0
2-3 years	13,291	33	2.5	0	0.0
3-4 years	2,565	6	1.2	0	0.0
4-5 years	4,556	11	2.5	0	0.0
>5 years after balance sheet date	9,918	24	0.7	0	0.0
Total	40,756	100	1.7	0	0.0
The average remaining period for which capital is tied up amounts to:					7.4 years

Funding source, SEK m

	Credit	Unutilised credit commitment	Share, %
Bonds	2,500	0	6
Mortgages	13,441	0	33
Bank loans	24,816	0	61
Total	40,756	0	100

Change in market value of derivatives, SEK m

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

Financial instruments

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

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

44 percent (34). Heimstaden is exposed to a currency risk linked to the Danish and Norwegian operations. The risk can also have a direct effect on profit thereby affecting equity. There were no currency hedges as per the balance sheet date.

Consolidated Cash flow Statement

Amounts in SEK million	2018 9 months Jan–Sep	2017 9 months Jan–Sep	2018 3 months Jul–Sep	2017 3 months Jul–Sep	2017 12 months Jan–Dec
Operating activities					
Profit before tax	2,849	1,810	793	646	2,740
Adjustments for non-cash items:					
– Change in value of investment properties	-2,179	-1,413	-575	-485	-2,202
– Change in value of derivative instruments	-30	-13	-42	-10	-24
– Other non-cash items	134	5	135	2	5
Tax paid	-115	-28	-41	8	-43
Cash flow from operating activities before changes in working capital	658	360	238	161	477
Change in working capital					
Change in current receivables	316	-89	253	-27	-316
Change in tenant-owner participations	-883	0	-883	0	0
Change in current liabilities	68	191	129	217	618
Cash flow from operating activities	160	463	-262	351	779
Investing activities					
Acquisitions and property investments	-16,260	-9,089	-2,158	-5,137	-22,878
Acquisitions of subsidiaries	-2	0	0	0	-23
Deposits paid for acquisitions	-1,031	0	-467	0	0
Other investments	-17	0	-7	0	-2
Property sales	162	598	6	215	1,146
Acquisitions of participations in associated companies	-5	-9	-3	-5	-82
Sales of participations in associated companies	0	0	0	0	0
Change in loans to associated companies	-4	-34	0	-24	-43
Dividends from associated companies	0	0	0	0	0
Change in financial assets	211	-4	212	-1	-210
Cash flow from investing activities	-16,946	-8,538	-2,416	-4,953	-22,093
Financing activities					
Contributions from non-controlling interests	6,563	18	0	0	8,008
Dividend to non-controlling interest	-76	-193	0	0	-193
Dividend to/contribution from Parent Company	5,737	-100	0	0	-100
Dividend, preference shares	-35	-35	-12	-12	-47
Change in shareholder loans	0	63	0	0	-2,722
Change in interest-bearing liabilities	8,955	7,557	1,605	4,274	16,156
Redemption of interest rate derivatives	-98	-8	-7	6	-8
Cash flow from financing activities	21,047	7,303	1,587	4,267	21,095
Cash flow for the period	4,260	-772	-1,092	-334	-219
Opening cash and cash equivalents	1,393	1,611	6,801	1,174	1,611
Currency effect in cash and cash equivalents	46	0	-10	0	1
Closing cash and cash equivalents	5,699	839	5,699	839	1,393

Operating activities

Cash flow from operating activities, before changes in working capital, increased to SEK 658 million (360). The improvement is primarily a consequence of changed and increased property holdings. During the period, the improvement was decreased by Heimstaden paying corporate tax. After a reduction in working capital of SEK 499 million (103), cash flow from operating activities was SEK 160 million (463). The change in working capital is largely an effect of an increased balance sheet due to the expansion in Norway.

Investing activities

Cash flow from investing activities was negative in the amount of SEK 16,946 million (8,538). Most of the flow consists of corporate transactions, property transactions and property investments, of which most are attributable to acquisitions in Oslo, Copenhagen, Aarhus, Trelleborg, Gävle and Burlöv.

Financing activities

Cash flow from financing activities amounted to SEK 21,047 million (7,303). Most of this comprises changes in interest-bearing liabilities, contributions from minority interests and shareholder contributions from the majority shareholder Fredensborg AS.

Cash flow

Cash flow for the period amounted to SEK 4,260 million (negative 772) and cash and cash equivalents amounted to SEK 5,699 million (839) at the end of the period.

Property transactions

Type	Date of access	Property	Location	Segments	Area m ²	Transaction value, SEK m
Acquisition	8 Jan 2018	Oehlenschlaeger-gade 26	Copenhagen	Denmark	1,074	41
Acquisition	1 Feb 2018	Schades Have	Copenhagen	Denmark	16,883	817
Acquisition	1 Feb 2018	Kløverbladsparken	Copenhagen	Denmark	10,066	430
Acquisition	1 Feb 2018	Nørre Farimagsgade	Copenhagen	Denmark	3,103	133
Acquisition	1 Feb 2018	Kaalundsgade	Copenhagen	Denmark	2,050	71
Acquisition	15 Feb 2018	Valby Maskinfabrik	Copenhagen	Denmark	9,470	454
Acquisition	28 Feb 2018	Klockaretorpet	Norrköping	Sweden	34,620	357
Acquisition	1 Mar 2018	Package (6 items)	Gävle	Sweden	17,086	200
Acquisition	1 Mar 2018	Construction project	Burlöv	Sweden	–	52
Acquisition	21 Mar 2018	Lystrup vej I – B	Århus	Denmark	2,944	133
Acquisition	4 Apr 2018	Ø-huset	Copenhagen	Denmark	27,272	1,152
Acquisition	17 Apr 2018	Portfolio	Oslo	Norway	120,616	7,139
Acquisition	1 May 2018	Vanløse Allé 55-63 / Bangsbovej 17	Copenhagen	Denmark	2,114	59
Acquisition	7 May 2018	Byalaget	Trelleborg	Sweden	7,985	58
Acquisition	31 May 2018	Campus	Malmö	Sweden	19,530	388
Acquisition	1 Jun 2018	Skyttegillet	Lund	Sweden	15,050	392
Acquisition	12 Jun 2018	Bjerkens	Gävle	Sweden	2,832	41
Acquisition	28 Jun 2018	Gavlegårdarna	Gävle	Sweden	55,421	565
Acquisition	1 Jul 2018	AB Thyra Danebod	Copenhagen	Denmark	10,558	387
Acquisition	1 Aug 2018	Ringertoften	Copenhagen	Denmark	23,720	654
Acquisition	17 Aug 2018	Arenahusene (3)	Copenhagen	Denmark	5,003	224
Acquisition	21 Aug 2018	Bjerglandsbyen	Copenhagen	Denmark	11,242	539
Acquisition	22 Aug 2018	Bagstvedlund (2)	Copenhagen	Denmark	9,209	386
Acquisition	31 Aug 2018	Package (5 items)	Linköping	Sweden	4,743	200
Acquisition	1 Sep 2018	Amagerbrogade 117-121	Copenhagen	Denmark	4,536	147
Acquisition	1 Sep 2019	Havnehusene (construction project)	Horsens	Denmark	–	108
Acquisition	24 Sep 2018	Senapsfabriken (project)	Uppsala	Sweden	–	212
Acquisition	28 Sep 2018	Kirsebærhaven	Copenhagen	Denmark	3,516	194
Total acquisitions					420,643	15,534
Disposals	2 Mar 2018	Dragarbrunn	Uppsala	Sweden	2,786	149
Disposals	During the year	apartments (2)	Copenhagen	Denmark	249	13
Total sales					3,035	162

Parent Company Statement of Comprehensive Income

Amounts in SEK million	2018 9 months Jan-Sep	2017 9 months Jan-Sep
Other operating income	78	62
Central administration	-52	-45
Operating profit/loss	26	17
Amortisation and depreciation	0	-1
Dividends from associated companies	0	0
Dividends from subsidiaries	0	0
Impairment	0	0
Profit from participations in Group companies	3,537	0
Profit before financial items	3,562	16
Interest income	13	3
Interest costs	-63	-52
Profit from property management	3,512	-33
Group contributions	0	0
Profit before tax	3,512	-33
Current tax	0	0
Deferred tax	0	0
Profit for the period	3,512	-33
Other comprehensive income	-40	-
Comprehensive income	3,472	-33

Parent Company Statement of Financial Position

Amounts in SEK million	30 Sep 2018	30 Sep 2017
ASSETS		
NON-CURRENT ASSETS		
Machinery and equipment	4	4
Participations in Group companies	5,139	3,412
Participations in associated companies	0	0
Deferred tax receivables	0	4
Other financial non-current assets	1	0
Total non-current assets	5,144	3,420
CURRENT ASSETS		
Group internal receivables	14,951	7,482
Other current receivables	194	19
Cash and cash equivalents	2,811	109
Total current assets	17,956	7,610
TOTAL ASSETS	23,100	11,030
EQUITY AND LIABILITIES		
Equity	17,201	6,021
Non-current liabilities		
Bond	2,500	2,500
Group internal liabilities	140	78
Total non-current liabilities	2,640	2,578
Current liabilities		
Group internal liabilities	3,235	2,408
Other current liabilities	24	23
Total current liabilities	3,259	2,431
TOTAL LIABILITIES AND EQUITY	23,100	11,030

Parent Company Statement of Changes in Equity

Amounts in SEK million	Share capital	Share premium reserve	Profit brought forward	Total equity
Equity, 31 Dec 2016	78	729	5,383	6,190
Dividend, ordinary shares			-100	-100
Dividend, preference shares			-35	-35
Comprehensive income for the period			-33	-33
Equity 30 September 2017	78	729	5,215	6,021
Dividend, preference shares			-12	-12
Comprehensive income for the period			2,018	2,018
Equity 31 December 2017	78	729	7,220	8,027
Dividend, preference shares			-35	-35
Shareholder contribution, Fredensborg AS			5,737	5,737
Comprehensive income for the period			3,472	3,472
Equity 30 September 2018	78	729	16,395	17,201

Risk management, estimation and assessments

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

Heimstaden's operations, financial position and profit can be affected by a number of risks and uncertainties. These are described on pages 46-49 in the 2017 Annual Report. No significant changes have subsequently occurred affecting the assessment by the Board of Directors and company management.

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



Accounting principles

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

The same accounting and valuation principles and calculation methods have been applied as in the most recent annual report, see pages 70-73 of Heimstaden's 2017 Annual Report.

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

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

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

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

Transactions with related parties

Heimstaden's transactions with related parties are detailed in Note 34 in Heimstaden's 2017 Annual Report.

Significant events after the end of the reporting period

On 12 October, Heimstaden agreed to acquire 131 apartments in Utrecht, in the Netherlands, with a total area of 4,478 square metres. The property value amounts to EUR 22.75 million and Heimstaden is planned to gain access in the fourth quarter of 2018.

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



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

Malmö, 26 October 2018

Patrik Hall
CEO

Ivar Tollefsen
Chairman of the Board

Magnus Nordholm
Board Member

John Giverholt
Board Member

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

KEY DATA

	2018 9 months Jan–Sep	2017 9 months Jan–Sep	2018 3 months Jul–Sep	2017 3 months Jul–Sep	2017 12 months Jan–Dec
Property-related data					
Rental income, SEK m	2,408	1,350	866	470	2,013
Letting ratio, housing (number), %	97.7	99.2	97.7	99.2	98.7
Surplus ratio, %	55.1	53.2	60.7	59.0	51.0
Acquisitions and property investments, SEK m	16,260	9,089	2,158	5,137	22,878
Property sales, SEK m	162	598	6	215	1,146
Market value of properties on balance sheet date, SEK m	70,003	36,450	70,003	36,450	50,285
Number of properties on balance sheet date	909	677	909	677	828
Lettable area on balance sheet date, m ²	2,546,224	1,829,509	2,546,224	1,829,509	2,128,616
Number of apartments on balance sheet date	36,467	23,491	36,467	23,491	30,549
Proportion living area on balance sheet date, %	89	88	89	88	90
Financial data					
Cash flow from operating activities, SEK m	160	463	-262	351	779
Profit from property management, SEK m	639	383	176	151	515
Interest coverage ratio (ICR) – rolling 12-month, multiple ¹⁾	2.3	2.9	2.3	2.9	2.6
Equity/assets ratio incl. shareholder loans ¹⁾	43.7	34.4	43.7	34.4	35.7
Equity/assets ratio, %, excluding shareholder loans	43.7	27.0	43.7	27.0	35.7
Loan-to-value ratio, % ¹⁾	50.1	59.1	50.1	59.1	58.8
Average interest rate on balance sheet date, % ¹⁾	1.9	1.6	1.9	1.6	1.7
Average period of fixed-interest on loans, incl. derivatives, years	0.9	1.2	0.9	1.2	1.2
Average period for which capital is tied up, year	7.4	9.1	7.4	9.1	11.0
Return on equity after tax, %	15.6	20.8	15.6	20.8	21.3
Equity on the balance sheet date, SEK m	34,089	10,167	34,089	10,167	18,807
Net asset value on the balance sheet date, SEK m	36,072	11,777	36,072	11,777	20,548
Long-term asset value (EPRA NAV) on the balance sheet date, SEK m	36,072	11,812	36,072	11,812	20,579
DEBT / EBITDA, multiple (rolling 12m) ¹⁾	21	20	21	19	20
Data per share					
Profit per ordinary share, SEK	151	87	28	29	123
Equity per ordinary share, SEK	1,191	578	1,191	578	609
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	13,204,000
Average number of preference shares outstanding	2,343,750	2,343,750	2,343,750	2,343,750	2,343,750

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

Definitions and glossary ¹⁾

Letting ratio, housing (number), %

Leased housing divided by total number of homes.

Surplus ratio, %

Net operating surplus as a percentage of rental income

Proportion living area on balance sheet date, %

Living area divided by total property area.

Interest coverage ratio (ICR), multiple

Profit after net financial items plus financial costs divided by financial costs attributable to interest-bearing liabilities excluding the effect of interest-bearing subordinated shareholder loans from non-controlling interests. Calculated based on the rolling 12-month outcome.

Equity/assets ratio including shareholder loans, %

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

Equity/assets ratio excluding shareholder loans, %

Equity as a percentage of total assets.

Loan-to-value ratio (LTV), %

Net liabilities in relation to estimated market value.

Net liabilities

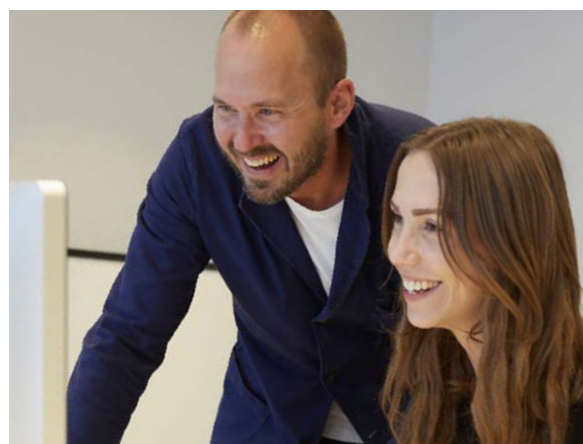
Net interest-bearing liabilities excluding interest-bearing subordinated shareholder loans and provisions less financial assets, including cash and equivalents.

Average interest, %

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

Return on equity after tax, %

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



Net asset value on the balance sheet date, SEK m

Equity plus deferred tax liability.

Long-term asset value

(EPRA NAV) on the balance sheet date, SEK m

Equity with deferred tax liability and interest rate derivatives reversed.

DEBT/EBITDA, multiple

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

Equity per ordinary share, SEK

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

Equity per preference share, SEK

Preference shares' preferential rights on liquidation of the company (SEK 375 per preference share) and the share's remaining entitlement to dividends.

Profit after tax per ordinary share, SEK

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

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

Financial information

The Year-end Report for January-December 2018 will be published on 15 February 2019.
The 2018 Annual Report will be published in April 2019.

This information is such that Heimstaden AB (publ)
is obliged to disclose under the EU Market Abuse Regulation.
The information was submitted for publication under the auspices
of the contact persons below at 8:00 CET on 26 October 2018.

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