

year-end report
JANUARY-DECEMBER
2018



Heimstaden

The period in brief

January – December 2018

- Rental income for the period increased to SEK 3,393 million (2,013)
- The letting ratio for housing was 97.3 percent (98.7)
- The real letting ratio excluding remodelling vacancies was 98.6 percent
- Net operating income for the period increased to SEK 1,810 million (1,027)
- Net financial items amounted to a negative SEK 753 million (459)
- Profit from property management increased to SEK 989 million (515)
- Changes in values of properties amounted to SEK 2,744 million (2,202)
- Changes in values of derivatives amounted to SEK 11 million (24)
- Profit for the period amounted to SEK 3,204 million (2,064)
- property acquisitions during the period amounted to SEK 21,696 million (22,878) and divestments amounted to SEK 148 million(1,146)
- Profit after tax per ordinary share amounted to SEK 127 (116)

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

Key data

Amounts in SEK million	2018 12 months Jan-Dec	2017 12 months Jan-Dec	2018 3 months Oct-Dec	2017 3 months Oct-Dec
Rental income	3,393	2,013	984	664
Property costs	-1,582	-986	-502	-354
Net operating income	1,810	1,027	483	309
Profit from participations in associated companies	20	12	17	16
Other costs	-139	-66	-107	-33
Financial income	53	6	26	5
Financial costs – interest-bearing liabilities	-806	-379	-254	-162
Financial costs – interest-bearing subordinated shareholder loans	0	-86	0	-3
Other financial income	50	0	50	0
Other financial costs	0	0	135	0
Profit from property management	989	515	350	131
Changes in value	2,755	2,226	546	799
Tax	-541	-677	-153	-323
Profit for the period	3,204	2,064	743	607
Other comprehensive income	-255	99	-887	55
Comprehensive income	2,949	2,163	-144	662
Surplus ratio, %	53.4	51.0	49.1	46.6
Letting ratio, housing (number), %	97.3	98.7	97.3	98.7
Real letting ratio, housing (number), %	98.6		98.6	
Interest coverage ratio (ICR) – rolling 12-month, multiple	2.2	2.6	2.2	2.6
Loan-to-value ratio (LTV), %	54	59	54	59
Loan-to-value ratio, secured loans, %	35	59	35	59
Net earnings per ordinary share	127	119	-24	31

Growth, increased surplus ratio and Investment Grade rating characterised 2018

Strong growth characterised 2018. The transaction volume amounted to SEK 22 billion, with acquisitions being conducted in Copenhagen and Oslo in particular. Complementary acquisitions were conducted in major regional Swedish cities, such as Malmö, Lund, Linköping, Norrköping, Uppsala and Gävle. In Denmark, we are also working on setting up local property management offices, so that, in the near future, we will have a clearer presence and will be able to perform management ourselves.

We have also made property acquisitions in Germany and the Netherlands, two markets that, with their regulated rent levels, are very similar to the Swedish market. These acquisitions are a favourable complement to our other property stocks, providing us with stable and secure cash flows.

On the balance sheet date, the total property value was SEK 76 billion, comprising a property portfolio of 39,006 apartments. For existing property stocks, investments have been made in sustainability, including in solar cells, energy-optimising measures and value-enhancing renovations in some 1,000 apartments.

Customer experience and customer satisfaction guide our day-to-day management efforts and our focus on sustainable investments. Growth, sustainable investments and local property management, closeness to our customers, increased our surplus ratio by 2.4 percentage points over the past year.

In the fourth quarter of 2018, together with our financial institutions, Alecta, Ericsson and the Sandvik pension foundations, our subsidiary, Heimstaden Bostad, secured an Investment Grade rating from Standard & Poor, with a credit rating of BBB-. In conjunction with this, bonds for SEK 10.6 billion were issued. The issue was conducted mainly in EUR and SEK, and, in connection with this, secured bank loans for roughly the corresponding amount were repaid.

Social sustainability efforts are, and will remain, a natural part of our business. We will support our tenants, solve problems and challenges that emerge, break loneliness, and increase security and safety. We will act as a role model regarding the equal value of all people, regardless of ethnicity, social or sexual orientation. We will make a difference and we work every day to promote a friendlier and more inclusive society.



Our ultimate goal, the core of our corporate culture, stands firm: we will make a difference by “brightening and simplifying life with well-considered housing”. It is our vision that drives, motivates and inspires us. We will achieve our goals through hard work, the right, socially committed employees who place the customer at the fore. We retain a strong local presence – a prerequisite if we are always to deliver top-notch service.

To ensure continued sustainable and profitable growth, and to meet the demands imposed on the organisation, we have recruited several key individuals to Heimstaden. Over the past year, we expanded our workforce with some 100 new employees. I would like to extend considerable gratitude to all who help build confidence in Heimstaden on a daily basis.

You are our most important asset bar none.
Patrik Hall, CEO Heimstaden

Current earning capacity

In the adjacent table, Heimstaden presents its earning capacity on a twelve-month basis as per 31 December 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 31 December 2018 and their financing. Accordingly, the current earning capacity illustrates Heimstaden's annual earnings on that basis. Consequently, transactions where Heimstaden gains access after 31 December 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 31 December 2018

Amounts in SEK million	
Rental income	3,910
Property costs	-1,648
Net operating income	2,263
Central administration	-154
Other operating income	0
Other operating costs	0
Participations in profit of associated companies	0
Profit before financial items	2,109
Financial income	12
Financial costs – interest-bearing liabilities	-822
Profit from property management	1,298
Profit from property management attributable to:	
The Parent Company's shareholders	691
Non-controlling interests	607
Key data	
Surplus ratio, %	57.9
Interest coverage ratio (ICR), multiple	2.6





Vildanden, Lund

Significant transactions

Heimstaden's property portfolio is managed under three different geographic segments – Sweden, Denmark and Norway. The Group added two segments in the fourth quarter: Germany and the Netherlands. The total value of Heimstaden's property portfolio amounts to SEK 76,249 million, excluding agreed acquisitions. Listed below are the significant transactions agreed by the Group in the fourth 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 20 June,

Heimstaden agreed to acquire 14 construction projects from Magnolia. The construction projects comprise 5,300 apartments of a total 252,000 square metres in Stockholm and Malmö. The property value amounts to SEK 9.6 billion and Heimstaden will gain access successively until 2023.

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 amounted 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.

On 12 October,

Heimstaden agreed to acquire a property in Utrecht, the Netherlands, with a total of 131 apartments and a total area of 4,478 square metres. The property value amounted to approximately EUR 23 million and Heimstaden gained access to the portfolio in December 2018.

On 29 October,

Heimstaden agreed to acquire six properties containing a total 449 apartments in Sandviken with a total area of 40,116 square metres. The property value amounted to approximately SEK 354 million and Heimstaden gained access to the portfolio on 3 December.

On 31 October,

Heimstaden agreed to acquire a portfolio of 377 condominium apartments in Denmark with a total area of 38,000 square metres. The property value amounted to DKK 1,128 million and the properties were acquired on 31 October.

On 6 November, Heimstaden

agreed to acquire a development project regarding 440 newly built residential apartments in Malmö with a total area of 28,000 square metres. The property value amounted to SEK 647 million and it is planned for tenants to move in during 2020.

On 27 October,

Heimstaden agreed to acquire a portfolio of 1,375 apartments in Denmark with a total area of 116,600 square metres. The property value amounted to DKK 1,520 million and Heimstaden gained access to the properties on 8 October 2019.





Our segments

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



Folke 3, Malmö



Havneholmen, Copenhagen

Sweden

The Swedish economy continues to develop positively, with growing GDP and increased disposable income. Employment has increased in recent years and, in 2018, unemployment was a little 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 as a result of the global urbanization trend. Sweden has grown by about 270,000 inhabitants over the past two years and the population is now at 10.1 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 51,000 homes to be added during 2019. With housing construction not meeting demand, a continued housing shortage is created. The forecast by the Swedish National Board of Housing, Building and Planning shows declining construction of tenant-owned apartments, while rental apartments continue to experience good demand. Reinforced investment support for construction is expected to facilitate the production of rental apartments in locations with high production prices. The pace of building in Malmö remained unchanged in 2018 compared with 2017. Gothenburg accounted for strong growth in 2018, while the building rate in Stockholm decreased by 35 percent, according to the National Board of Housing, Building and Planning.

Denmark

The Danish economy has developed strongly over a number of years. Employment has risen by about 1.5 percent on average on an annual basis. In November 2018, unemployment was at 4.9 percent, which is below the EU average. In Denmark, there are 2.8 million privately owned homes and only 63,000 of these are located in Copenhagen, corresponding therefore to only approximately 2 percent of the market. In parts of Copenhagen housing prices have risen by as much as 70 percent since 2012. The main reason for this sharp increase in prices is urbanisation. As in large parts of the western world, Denmark is experiencing a strong trend of urbanisation, with smaller communities being depopulated. The population of Copenhagen is forecast to increase by 100,000 inhabitants over the next ten years. Århus is Denmark's second-largest city and has a well-developed transport network. Besides being known as a very popular student city (with 60,000 students in 2018), it is also the home of one of Northern Europe's largest industrial ports. Odense is Denmark's third-largest city and, like Aarhus, is a popular student city (with 30,000 students in 2017). The municipality prides itself on offering more than 100,000 jobs, and a particularly distinctive area of growth here is robotics and automation.

Total Heimstaden (January-December)

	Q4 2018	Q4 2017
Market value, SEK m	76,249	50,285
Rental income, SEK m	3,393	2,013
Net operating income, SEK m	1,810	1,027
Surplus ratio, %	53.4	51.0
Letting ratio, housing (number), %	97.3	98.7
Real letting ratio, %	98.6	–
Number of properties	951	828
Area, m ²	2,732,359	2,128,616

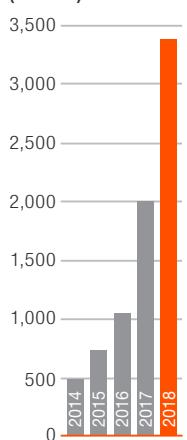
Sweden (January-December)

	Q4 2018	Q4 2017
Market value, SEK m	36,005	30,320
Rental income, SEK m	2,039	1,622
Net operating income, SEK m	985	788
Surplus ratio, %	48.3	48.6
Letting ratio, housing (number), %	98.1	99.3
Real letting ratio, %	99.2	–
Number of properties	761	721
Area, m ²	1,921,044	1,706,403

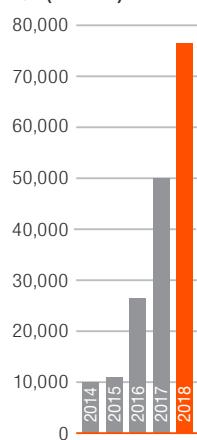
Denmark (January-December)

	Q4 2018	Q4 2017
Market value, SEK m	23,782	12,325
Rental income, SEK m	744	309
Net operating income, SEK m	457	193
Surplus ratio, %	61.4	62.3
Letting ratio, housing (number), %	94.6	96.4
Real letting ratio, %	97.1	–
Number of properties	97	57
Area, m ²	562,660	327,031

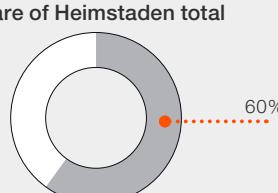
Development in total rental income, Q4 (SEK m)



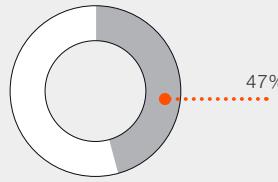
Development of total market value, Q4 (SEK m)



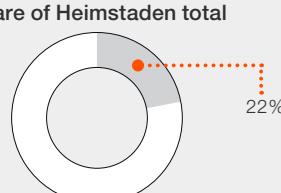
Rental income, share of Heimstaden total



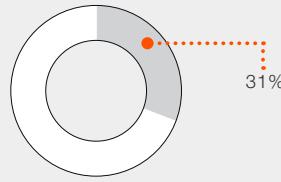
Market value, share of Heimstaden total



Rental income, share of Heimstaden total



Market value, share of Heimstaden total





Nedre gate 8, Norway



Spandau, Germany



Utrecht, Netherlands

Norway

The Norwegian economy continues to develop well and has shown recovery following several years with lower oil prices, resulting in lower activity in the oil and gas sector. Over the past year, growth has mainly been driven by rising oil prices, strong private consumption and higher exports as a result of the recovery in the world economy. Per capita GDP is among the highest in Europe. Employment is favourable and unemployment was a low 4 percent at the end of 2018. 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.

Germany

At the end of 2017, the German economy was the world's fourth largest and Europe's largest according to the IMF. The capital Berlin is Germany's largest city with 3.7 million inhabitants (2017). The city is a political, economic and cultural centre and has the highest concentration of academics and researchers per capita in Germany. In 2017 to 2018, nearly 200,000 students were enrolled at the city's approximately 40 universities and colleges.

Unemployment in Berlin has declined steadily between 2009 and 2017 and the city experienced the country's fastest growth in employment during 2018. Increased employment was driven mainly by the professional services sector, including industries such as finance, insurance, property and consultancy. Employment in the construction industry in the city also showed an above-average increase. Berlin has been ranked as a region with considerable growth potential and as a leading cluster for start-ups globally. A superior quality of life and relatively low cost of living, combined with relatively low costs for premises, compared with many other major cities, are given as explanations for the favourable business climate.

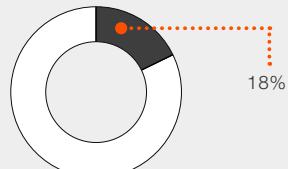
Netherlands

The Dutch economy is one of the world's 20 largest and GDP per capita is slightly higher than in Germany and Sweden, for example, according to the IMF (2017). Unemployment was at 4.8 percent in 2017 according to the OECD and the IMD ranked the Dutch economy as the fourth most competitive in the world in 2018. The country has a strategic geographic location and a well-developed infrastructure with high-speed trains to other major European cities and a large international airport at Amsterdam Schiphol. The country is a hub for international transport and distribution with Europe's largest port in Rotterdam. The Netherlands has a well-trained workforce with approximately 90 percent of the population speaking English and the country ranked second in the world in EF's language test (2018), which measures average English skills in different countries around the world. Details are emerging that many companies are considering strategic moves from London to Amsterdam to safeguard their access to the EU's internal market, as a direct consequence of Brexit. For example, in December 2018, Bloomberg published an article in which the Dutch central bank states that it has been in contact with about 50 financial institutions with operations in London regarding licensing to operate in the Netherlands.

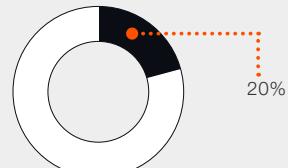
Norway (January-December)

	Q4 2018	Q4 2017
Market value, SEK m	15,521	7,640
Rental income, SEK m	604	82
Net operating income, SEK m	369	46
Surplus ratio, %	61.1	56.5
Letting ratio, housing (number), %	96.5	95.4
Real letting ratio, %	96.7	—
Number of properties	82	50
Area, m ²	216,347	95,182

Rental income, share of Heimstaden total



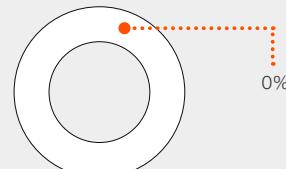
Market value, share of Heimstaden total



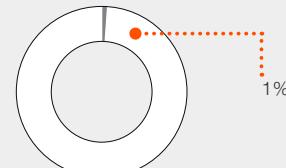
Germany (January-December)

	Q4 2018	Q4 2017
Market value, SEK m	703	
Rental income, SEK m	5	
Net operating income, SEK m	-1	
Surplus ratio, %	0	
Letting ratio, housing (number), %	93.8	
Real letting ratio, %	100.0	
Number of properties	10	
Area, m ²	27,831	

Rental income, share of Heimstaden total



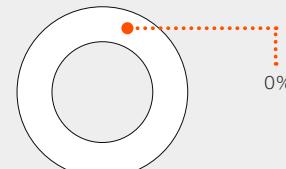
Market value, share of Heimstaden total



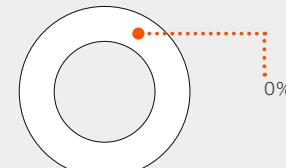
Netherlands (January-December)

	Q4 2018	Q4 2017
Market value, SEK m	236	
Rental income, SEK m	1	
Net operating income, SEK m	1	
Surplus ratio, %	68.1	
Letting ratio, housing (number), %	100.0	
Real letting ratio, %	100.0	
Number of properties	1	
Area, m ²	4,478	

Rental income, share of Heimstaden total



Market value, share of Heimstaden total



Consolidated Statement of Comprehensive Income

Amounts in SEK million	2018 12 months Jan-Dec	2017 12 months Jan-Dec	2018 3 months Oct-Dec	2017 3 months Oct-Dec
Rental income	3,393	2,013	984	664
Property costs	-1,582	-986	-502	-354
Net operating income	1,810	1,027	483	310
Central administration	-107	-85	-35	-25
Other operating income	10	36	-30	8
Other operating costs	-42	-16	-42	-16
Profit from participations in associated companies	20	12	17	16
Profit before financial items	1,692	974	393	293
Financial income	53	6	26	5
Financial costs – interest-bearing liabilities	-806	-379	-254	-162
Financial costs – interest-bearing subordinated shareholder loans	0	-86	0	-3
Other financial income	50	0	50	0
Other financial costs	0	0	135	0
Profit from property management	989	515	350	132
<i>Profit from property management attributable to:</i>				
The Parent Company's shareholders	393	367	145	51
Non-controlling interests	597	148	205	80
Change in value of investment properties	2,744	2,202	565	788
Change in value of interest rate derivatives	11	24	-19	11
Profit before tax	3,745	2,740	896	931
Current tax	-145	-76	-44	-26
Deferred tax	-396	-601	-109	-298
Profit for the period	3,204	2,064	743	607
<i>Profit for the period attributable to:</i>				
The Parent Company's shareholders	1,949	1,474	582	361
Non-controlling interests	1,255	589	161	246
Other comprehensive income	-255	99	-887	55
Comprehensive income	2,949	2,163	-144	662

Rental income

Rental income for the period amounted to SEK 3,393 million (2,013), 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 was SEK 1,404 per square metre of time-weighted area (1,172).

The letting ratio for housing remained at a high and stable level of 97.3 percent (98.7) for the period. The lower level is attributable to vacated apartments that are to be renovated to a higher standard. Over the period, the vacated apartments accounted for 1.3 percent of the total, corresponding to a real letting ratio of 98.6 percent (real vacancy ratio of 1.4 percent).

Property costs

Total property costs amounted to SEK 1,582 million (986). 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 1,810 million (1,027) for the period, corresponding to a surplus ratio of 53.4 percent (51.0).

Central administration

Costs for central administration amounted to SEK 107 million (85), with the marginal increase mainly being attributable to the growth of the organisation.

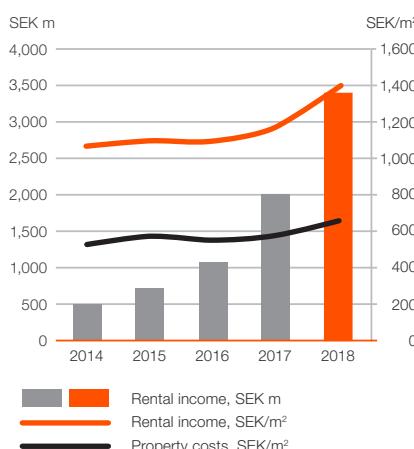
Other operating income and operating costs

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

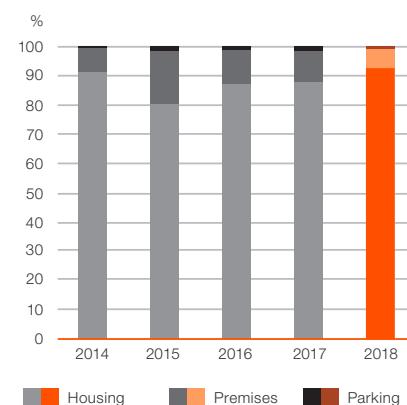
Amounts in SEK million	2018 12 months Jan-Dec	2017 12 months Jan-Dec	2018 3 months Oct-Dec	2017 3 months Oct-Dec
Operating costs	-1139	-603	-461	-235
Maintenance and repairs	-193	-213	30	-71
Property administration	-155	-132	-40	-38
Property tax	-86	-35	-27	-9
Ground rent	-2	-2	0	0
Amortisation and depreciation	-6	-2	-3	-1
Total property costs	-1582	-986	-502	-354

Rental income



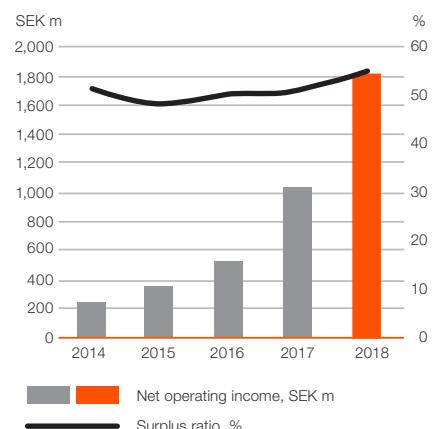
Full year refers to January–December, 12 months

Distribution of rental income



Full year refers to January–December, 12 months

Net operating income and surplus ratio



Full year refers to January–December, 12 months

Net financial items

Financial income during the period amounted to SEK 53 million (6) and financial costs were SEK 806 million (465). 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. The average interest rate on the balance sheet date for total borrowing, including derivatives and fees for unutilised credits increased to 1.80 percent (1.72), driven partly by a rising trend in underlying base rates. In the fourth quarter, the subsidiary, Heimstaden Bostad, issued bonds that helped offset the underlying increase in interest rates. About 57 percent (76) of the portfolio will switch interest rates within a year and a change in the base rate (Stibor, Cibor, Nibor) of 1 percent at any given time would, all else being equal, increase Heimstaden's interest costs (adjusted for the recognised interest rate cut) on an annual basis by approximately SEK 187 million (136) were rates to rise, and decrease them by approximately SEK 34 million (35) 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 income

Other financial income in the Group amounted to SEK 50 million (0) and consisted of exchange rate differences. Exchange rate differences relating to balance sheet items in foreign subsidiaries are reported under Other comprehensive income, in accordance with IFRS. The

amount reported under Financial income and costs relates mainly to the translation of interest-bearing liabilities in NOK that have, in legal terms, been borrowed by a group company in Sweden, giving an accounting deviation. The liability finances investments in Norway where the asset is recognised in a Norwegian subsidiary. This means that the exchange rate difference regarding the above liability is reported under Other financial income and costs, while the exchange rate differences for the financed foreign assets are reported under Other comprehensive income.

Profit from property management

Profit from property management was SEK 989 million (515). The increase for the period is attributable to the increased volume in the property stocks.

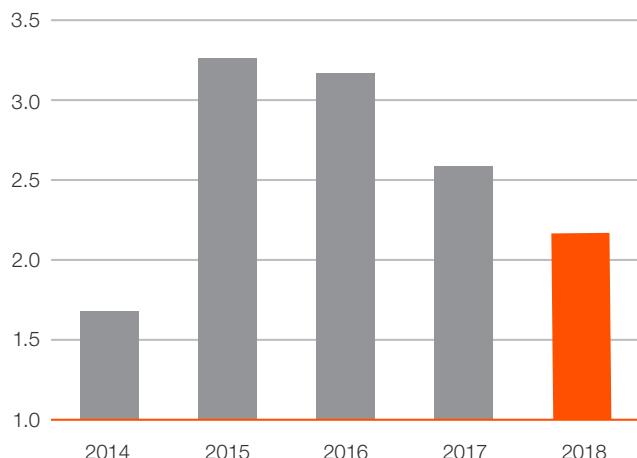
Changes in the value of financial instruments

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 value of derivatives during the period amounted to SEK 11 million (24) of which unrealised changes amounted to SEK 11 million. At the end of the period, the market value of the current derivative portfolio amounted to SEK 18 million (negative 31). The nominal volumes of interest rate swaps amounted to SEK 21,182 million (8,528). 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 31 Dec 2018	Listing
Refinancing risk			
Capital tied up (months)	at least 15	96	
Loan maturity (percentage in individual year)	maximum 40	28 (2024)	
Limitation, individual lenders (percent)	maximum 50	14 (New credit)	
Interest-rate risk			
Fixed interest (years)	In accordance with separate interest rate hedging strategy	2.06	
Interest rate hedge (percent)	at least 25	50	
Credit risk			
Equity/assets ratio (percent)	at least 25	41	
Interest coverage ratio (multiple, rolling 12 months)	at least 1.4	2.2	

Interest coverage ratio (ICR)



31 Dec 2018

Years	Fixed interest, loans			Fixed interest incl. derivatives ¹⁾		
	SEK m	Share, %	Interest, incl. margin, %	SEK m	Share, %	Interest, incl. margin, %
0–1	38,750	84.8	1.5	26,028	57.0	1.8
1–2	67	0.2	1.7	2,643	5.8	2.0
2–3	5,127	11.2	2.9	4,243	9.3	1.8
3–4	1,431	3.1	2.1	5,054	11.1	1.9
4–5	–	–	–	2,853	6.2	2.2
>5 years after balance sheet date	312	0.7	1.3	4,865	10.6	2.2
Total	45,687	100.0	1.7	45,687	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:

0.51 years

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

2.06 years



Change in value of investment properties

As of 31 December 2018, the entire property portfolio has undergone an external valuation. Combined, the unrealised change in the value of the properties amounted to SEK 2,890 million (2,124). The segments Sweden, Norway and Denmark show positive changes in value of 3.7 to 4.5 percent. The changes are primarily explained by lowered direct return requirements in existing holdings. The direct return requirements in the valuation average 3.65 percent, which compares with 3.86 percent at the end of 2017. During the period, properties were sold at a value of SEK 148 million with an effect on profit of SEK 11 million. After currency adjustment, the total change in value of properties amounted to SEK 2,744 million (2,202) 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	3.65%	0.95% - 8.50%

Tax

In addition to the current tax of SEK 145 million (76), the Group also reports deferred tax of SEK 396 million (601). 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	31 Dec 2018	31 Dec 2017
ASSETS		
Non-current assets		
Investment properties	76,249	50,285
Machinery and equipment	22	6
Interest-rate derivatives	18	0
Participations in associated companies	123	107
Other financial non-current assets	286	288
Total non-current assets	76,699	50,686
Current assets		
Development properties and tenant-owned apartments in progress	680	0
Other current receivables	1,132	563
Cash and cash equivalents	4,775	1,393
Total current assets	6,588	1,957
TOTAL ASSETS	83,286	52,643
EQUITY AND LIABILITIES		
Equity ¹⁾	33,936	18,807
Interest-bearing liabilities	38,195	27,882
Interest-rate derivatives	0	31
Deferred tax liability	2,218	1,741
Total non-current liabilities	40,413	29,654
Current liabilities		
Interest-bearing liabilities	7,492	3,054
Other current liabilities	1,446	1,128
Total current liabilities	8,938	4,182
TOTAL LIABILITIES AND EQUITY	83,286	52,643
¹⁾ Of which non-controlling interests	17,467	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, ordinary shares			-100	-100
Dividend, preference shares			-47	-47
Contributions and dividends from non-controlling interests			7,816	7,816
Comprehensive income for the period			2,163	2,163
Equity, 31 Dec 2017	78	729	18,001	18,807
Dividend, preference shares			-47	-47
Shareholder contribution, Fredensborg AS			5,737	5,737
Contributions and dividends from non-controlling interests			6,487	6,487
Change in taxation				2
Other comprehensive income			-255	-255
Profit for the period			3,204	3,204
Equity, 31 Dec 2018	78	729	33,127	33,936



Investment properties

As per 31 December, Heimstaden's property portfolio had a market value of SEK 76,249 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 2,890 million (2,124) 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 Rosengård Fastighet and certain 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 286 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. 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	Germany	Netherlands
Market value of investment properties, 31 Dec 2017	50,285	30,320	12,325	7,640	0	0
Sales during the period	-148	-135	-13	0	0	0
Acquisitions during the period	21,696	3,404	10,138	7,139	775	240
Acquisitions from associated companies	0	0	0	0	0	0
Investments during the period	1,291	864	143	284	0	0
Currency change	244	0	345	-87	-14	-1
Market value after transactions	73,368	34,453	22,938	14,976	761	239
Unrealised value change	2,890	1,552	844	554	-58	-3
Market value of investment properties, 31 Dec 2018	76,249	36,005	23,782	15,530	703	236

Interest-bearing liabilities

At the end of the period, Heimstaden had interest-bearing liabilities amounting to SEK 45,687 million (30,936). Of the SEK 45,687 million in interest-bearing liabilities, 63 percent were secured through mortgages on properties. With deductions for cash and cash equivalents, net liabilities increased by SEK 11,369 million, to SEK 40,911 million (29,543). In the period at hand, the Group's borrowing, including currency effects, had increased by SEK 14,751 million, relating primarily to acquisitions of properties in Denmark.

Of the interest-bearing liabilities, SEK 13,143 million (2,500) refers to bonds, SEK 15,080 million (10,484) refers to financing based on mortgage bonds, SEK 17,464 million (17,952) refers to traditional bank loans. Confirmed but unutilised credit facilities from banks amount to SEK 7,043 million (629) on the balance sheet date.

Heimstaden has two outstanding debenture loans, both of which are listed on Nasdaq Stockholm. 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. In addition, the subsidiary Heimstaden Bostad has four outstanding bond loans. The bonds are listed in Oslo and Dublin and carry variable interest of 3m nabor +2.4 percent, fixed interest of 1.75 percent and variable interest of 3m stibor 1.5 percent and 3m stibor +2 percent.

The average period for which capital is tied up in Heimstaden's interest-bearing liabilities amounted 8.0 years (7.8). The largest proportion of loan maturities in an individual year amounts to 28 percent (33), maturing in 2024 (2020). At the same time, the average period of fixed interest, including the effect of derivatives, amounted to 2.06 years (1.11).

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 in the Income Statement. At 31 December 2018, deferred tax, which is the net of deferred tax assets and deferred tax liabilities, amounted to SEK 2,218 million (1,741) and was, for the most part, attributable to investment properties. The remaining tax deficit in the Group amounts to SEK 1,669 million (405).

Equity

Equity amounted to SEK 33,936 million (18,807). The equity/assets ratio was 41 percent (36). 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 47 million (47) has been paid in dividends to holders of preference shares. Minority interests amount to SEK 17,467 million (9,879) 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. Heimstaden is exposed to currency risk associated with the Danish and Norwegian operations, as well as to risk associated with the EUR with regard to financing. The risk associated with bonds denominated in EUR has been hedged against SEK through swaps. The currency risk associated with the foreign operations is limited to net capital in each currency. The risk can also have a direct effect on profit thereby affecting equity.

Change in loan volume, SEK m

Interest-bearing loans, 31 Dec 2017	30,936
Repayments on loans	-11,784
Currency exchange effect on loans	-253
New borrowing/loans taken over	26,788
Interest-bearing loans, 31 Dec 2018	45,687

Years	Capital tied up, loans		Lines of credit		
	SEK million	Share, %	Interest, incl. margin %	SEK million	Share, %
0-1 years	7,492	16	2.7	256	4
1-2 years	11,845	26	1.4	1,185	17
2-3 years	7,559	17	2.2	5,302	75
3-4 years	4,025	9	1.8	300	4
4-5 years	2,140	5	2.1	0	0
>5 years after balance sheet date	12,626	28	0.9	0	0
Total	45,687	100	1.7	7,043	100

The average remaining period for which capital is tied up amounts to: 8.0 years

Funding source, SEK m

	Credit	Secured, %	Unutilised credit commitment	Share, %
Bonds	13,143	0	0	29
Mortgages	15,080	100	0	33
Bank loans	17,464	78	7,043	38
Total	45,687	63	7,043	100

Change in market value of derivatives, SEK m

Market value of derivatives, 31 Dec 2017	-31
Acquired derivatives	-94
Redeemed derivatives	133
Unrealised changes in value	11
Market value of derivatives, 31 Dec 2018	18

Financial instruments

Years	Maturity, interest rate derivatives			
	Type	SEK million	Share, %	Interest, % ¹⁾
0-1 years	Paying fixed	3,333	16	0.01
1-2 years	Paying fixed	2,577	12	0.42
2-3 years	Paying fixed	4,243	20	0.25
3-4 years	Paying fixed	3,623	17	0.42
4-5 years	Paying fixed	2,853	13	0.67
>5 years after balance sheet date	Paying fixed	4,553	21	0.70
Total purchased swaps		21,182	100	0.42

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

Financial instruments

Years	Maturity, cross-currency interest rate swap			
	Type	SEK million	Share, %	Interest, % ¹⁾
0-1 years	Paying variable	0	0	0
1-2 years	Paying variable	0	0	0
2-3 years	Paying variable	5,127	100	1.11
3-4 years	Paying variable	0	0	0
4-5 years	Paying variable	0	0	0
>5 years after balance sheet date	Paying variable	0	0	0
Total purchased swaps		5,127	100	1.11

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

Consolidated Cash flow Statement

Amounts in SEK million	2018 12 months Jan-Dec	2017 12 months Jan-Dec	2018 3 months Oct-Dec	2017 3 months Oct-Dec
<i>Operating activities</i>				
Profit before tax	3,745	2,740	896	930
Adjustments for non-cash items:				
– Change in value of investment properties	-2,744	-2,202	-565	-788
– Change in value of derivative instruments	-11	-24	19	-11
– Other non-cash items	-100	5	-234	1
Tax paid	-131	-43	-16	-15
Cash flow from operating activities before changes in working capital	758	477	100	117
Change in working capital				
Change in current receivables	302	-316	1	-227
Change in tenant-owner participations	-883	0	0	0
Change in current liabilities	118	618	229	427
Cash flow from operating activities	295	779	329	316
<i>Investing activities</i>				
Property acquisitions	-5,169	-22,878	-745	-13,790
Investment, properties	-12,348	0	-5,475	0
Acquisitions of subsidiaries	-2	-23	0	-23
Acquisitions of other non-current assets	-158	0	-158	0
Deposits paid for acquisitions	-547	0	484	0
Other investments	-22	-2	-5	-2
Property sales	155	1,146	0	548
Acquisitions of participations in associated companies	-6	-82	-1	-73
Change in loans to associated companies	-47	-43	-43	-9
Change in financial assets	198	-210	-13	-207
Cash flow from investing activities	-17,946	-22,093	-5,956	-13,556
<i>Financing activities</i>				
Contributions from non-controlling interests	6,563	8,008	0	7,990
Dividend to non-controlling interest	-76	-193	0	0
Dividend to/contribution from Parent Company	5,737	-100	0	0
Dividend, preference shares	-47	-47	-12	-12
Change in shareholder loans	0	-2,722	0	-2,785
Change in interest-bearing liabilities	9,098	16,156	4,905	8,600
Redemption of interest rate derivatives	-135	-8	-37	0
Cash flow from financing activities	21,141	21,095	4,856	13,792
Cash flow for the period	3,489	-219	-771	553
Opening cash and cash equivalents	1,393	1,611	5,699	839
Currency effect in cash and cash equivalents	-107	0	-153	1
Closing cash and cash equivalents	4,775	1,393	4,775	1,393

Operating activities

Cash flow from operating activities, before changes in working capital, increased to SEK 758 million (477). 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 463 million (301), cash flow from operating activities was SEK 295 million (779). 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 17,946 million (22,093). Most of the flow consists of corporate transactions, property transactions and property investments, of which most are attributable to acquisitions in Oslo, Copenhagen, and Malmö.

Financing activities

Cash flow from financing activities amounted to SEK 21,141 million (21,095). Most 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 3,489 million (negative 219) and cash and cash equivalents amounted to SEK 4,775 million (1,393) at the end of the period.



Parent Company Statement of Comprehensive Income

Amounts in SEK million	2018 12 months Jan-Dec	2017 12 months Jan-Dec
Other operating income	108	82
Central administration	-79	-64
Operating profit/loss	30	18
Amortisation and depreciation	-1	-1
Dividends from associated companies	0	0
Dividends from subsidiaries	0	0
Impairment	-3,708	-18
Profit from participations in Group companies	3,537	1,984
Profit before financial items	-143	1,983
Interest income	23	3
Interest costs	-222	-65
Profit from property management	-342	1,920
Group contributions	11	67
Profit before tax	-331	1,987
Current tax	0	0
Deferred tax	0	0
Profit for the period	-331	1,987
Other comprehensive income	-40	-
Comprehensive income	-371	1,987

Parent Company Statement of Financial Position

Amounts in SEK million	31 Dec 2018	31 Dec 2017
ASSETS		
NON-CURRENT ASSETS		
Machinery and equipment	3	4
Participations in Group companies	3,339	3,980
Participations in associated companies	0	0
Deferred tax receivables	0	0
Other financial non-current assets	1	1
Total non-current assets	3,342	3,985
CURRENT ASSETS		
Group internal receivables	15,060	9,383
Other current receivables	187	101
Cash and cash equivalents	706	353
Total current assets	15,952	9,837
TOTAL ASSETS	19,295	13,822
EQUITY AND LIABILITIES		
Equity	13,386	8,027
Non-current liabilities		
Bond	2,500	2,500
Group internal liabilities	140	140
Total non-current liabilities	2,640	2,640
Current liabilities		
Group internal liabilities	3,248	3,137
Other current liabilities	21	19
Total current liabilities	3,269	3,156
TOTAL LIABILITIES AND EQUITY	19,295	13,822

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			-47	-47
Comprehensive income for the period			1,984	1,984
Equity, 31 Dec 2017	78	729	7,220	8,027
Dividend, preference shares			-47	-47
Shareholder contribution, Fredensborg AS			5,737	5,737
Comprehensive income for the period			-331	-331
Equity, 31 Dec 2018	78	729	12,580	13,386

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.

During 2018, the Group has evaluated the effects of IFRS 16 and the new rules are not expected to have any material impact on the company. Heimstaden AB is a lessee for a few leasehold agreements and other minor leases. Heimstaden AB's assessment is that the transition to IFRS 16 will also have no significant effect impact on the Group's earnings and financial position and cash flow statement. The Group will apply IFRS 16 as of January 1 2019 and will therefore not apply the standard retroactively. The leasing debt as of 1 January 2019 amounts to SEK 182 million, where equivalent access rights are reported.

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

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



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, 15 February 2019

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 12 months Jan-Dec	2017 12 months Jan-Dec	2018 3 months Oct-Dec	2017 3 months Oct-Dec
Property-related data				
Rental income, SEK m	3,393	2,013	984	664
Letting ratio, housing (number), %	97.3	98.7	97.3	98.7
Real letting ratio, housing (number), %	98.6	–	98.6	–
Surplus ratio, %	53.4	51.0	49.1	46.6
Acquisitions and property investments, SEK m	21,696	22,878	6,162	13,790
Property sales, SEK m	155	1,146	-7	548
Market value of properties on balance sheet date, SEK m	76,249	50,285	76,249	50,285
Number of properties on balance sheet date	951	828	951	828
Lettable area on balance sheet date, m ²	2,732,359	2,128,616	2,732,359	2,128,616
Number of apartments on balance sheet date	39,006	30,549	39,006	30,549
Proportion living area on balance sheet date, %	89	90	89	90
Financial data				
Cash flow from operating activities, SEK m	295	779	135	316
Profit from property management, SEK m	989	515	350	131
Interest coverage ratio (ICR), multiple ¹	2.2	2.6	2.2	2.6
Equity/assets ratio, %	40.7	35.7	40.7	35.7
Loan-to-value ratio (LTV), %	53.7	58.8	53.7	58.8
Loan-to-value ratio, secured loans, %	34.6	58.8	34.6	58.8
Average interest rate on balance sheet date, %	1.8	1.7	1.8	1.7
Average period of fixed-interest on loans, incl. derivatives, years	2.1	1.1	2.1	1.1
Average period for which capital is tied up, year	8.0	7.8	8.0	7.8
Return on equity, %	13.2	20.1	13.2	20.1
Equity on the balance sheet date, SEK m	33,936	18,807	33,936	18,807
Net asset value on the balance sheet date, SEK m	36,154	20,548	36,154	20,548
Long-term asset value (EPRA NAV) on the balance sheet date, SEK m	36,172	20,579	36,172	20,579
DEBT/EBITDA, multiple (rolling 12m) ¹	20	20	20	20
Data per share				
Profit per ordinary share, SEK	127	123	-24	31
Equity per ordinary share, SEK	1,180	609	1,180	609
Equity per preference share, SEK	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
Number of preference shares outstanding at the end of the period	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
Average number of preference shares outstanding	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.

Real letting ratio, housing (number), %

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

Surplus ratio, %

Net operating surplus as a percentage of rental income

Proportion living area on balance sheet date, %

Living area divided by total property area.

Interest coverage ratio (ICR), multiple

Profit before financial items plus financial income 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, %

Equity as a percentage of total assets.

Loan-to-value ratio (LTV), %

Net liabilities in relation to estimated market value.

Loan-to-value ratio, secured loans, %

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

Net liabilities

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

Average interest, %

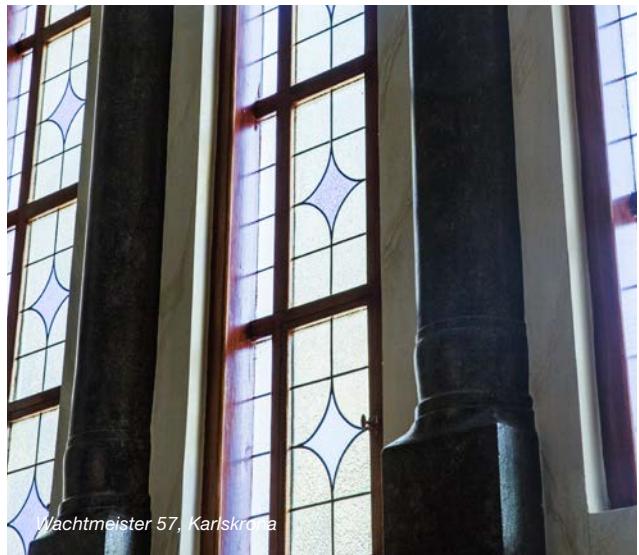
Average interest on the balance sheet date for interest-bearing liabilities, excluding subordinated shareholder loans with interest rate derivatives taken into account.

Return on equity after tax, %

Profit after tax for the period attributable to the Parent Company's shareholders as a percentage of average equity rolling 12 months 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

Annual Report 2018, will be published in April 2019

Interim report January-March 2019, will be published on 10 May 2019

Annual General Meeting, 10 May 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 a.m. CET on 15 February 2019.

Patrik Hall, CEO Heimstaden AB, +46 (0)705–85 99 56
Ingvor Sundbom, CFO Heimstaden AB, +46 (0)707–88 66 50

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