HEIMSTADEN AB (PUBL)

Heimstaden

PROSPECTUS REGARDING ADMISSION TO TRADING OF

SEK 500,000,000

SENIOR UNSECURED FLOATING RATE BONDS 2020/2025

ISIN: SE0014991352

20 November 2020

Issuing Agent:

Swedbank AB (publ)

Joint Bookrunners:

Nordea Bank Abp

Swedbank AB (publ)

This Prospectus is valid for twelve months after the date of the approval of the Prospectus, provided that it is completed by any supplement required pursuant to Regulation (EU) 2017/1129. The obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when this Prospectus is no longer valid.

*Amounts payable under the Bonds (as defined herein) are calculated by reference to STIBOR, which is provided by the Swedish Financial Benchmark Facility (SFBF). As of the date of this Prospectus (as defined herein), the Swedish Financial Benchmark Facility does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) ("**BMR**"). As far as the Issuer is aware, the transitional provisions in Article 51 of the BMR apply, such that the Swedish Financial Benchmark Facility is not currently required to obtain authorisation or registration.*

Important Information

This prospectus (the "**Prospectus**") has been prepared by Heimstaden AB (publ), registration number 556670-0455 (the "**Issuer**", "**Company**" or "**Heimstaden**"), in relation to the application for listing on the corporate bond list of Nasdaq Stockholm ("**Nasdaq Stockholm**") of the Issuer's SEK 500,000,000 senior unsecured floating rate notes 2020/2025 with ISIN SE0014991352 issued on 15 October 2020 (the "**Initial Bonds**" and the "**First Issue Date**") in accordance with the terms and conditions of the Bonds (the "**Terms and Conditions**"). The Issuer may at one or more occasions after the First Issue Date issue Subsequent Bonds under the Terms and Conditions in an aggregate amount of SEK 4,500,000,000. In case of issues of Subsequent Bonds, a new prospectus will be prepared for the admission to trading of such Subsequent Bonds.

References to the Company, the Issuer, Heimstaden or the Group refer in this Prospectus to Heimstaden AB (publ) and its subsidiaries, unless otherwise indicated by the context.

Pursuant to Article 20 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the Prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"), the Prospectus has been approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) (the "**SFSA**") as competent authority. The SFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. The SFSA's approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus, nor should it be considered as an endorsement of the quality of the securities that are subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

This Prospectus is not an offer for sale or a solicitation of an offer to purchase the Bonds in any jurisdiction. It has been prepared solely for the purpose of the Bonds being admitted to trading on the corporate bond list of Nasdaq Stockholm. This Prospectus may not be distributed in any country where such distribution or disposal requires additional prospectus, registration or additional measures or is contrary to the rules and regulations in such country. Persons into whose possession this Prospectus comes or persons who acquire the Bonds are therefore required to inform themselves about, and to observe, such restrictions. The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or any U.S. state securities laws and may be subject to U.S. tax law requirements. Subject to certain exemptions, the Bonds may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. persons (as defined in Rule 902 of Regulation S under the Securities Act). The Company has not undertaken to register the Bonds under the Securities Act or any U.S. state securities laws or to affect any exchange offer for the Bonds in the future. Furthermore, the Company has not registered the Bonds under any other country's securities laws. It is the investor's obligation to ensure that the offers and sales of Bonds comply with all applicable securities laws.

This Prospectus will be available at the Swedish Financial Supervisory Authority's website (www.fi.se) and the Company's website (www .heimstaden.com). Paper copies may be obtained from the Company. This Prospectus shall be read together with all documents which have been incorporated by reference (see section "O*verview of financial reporting and documents incorporated by reference*" below) and any supplements to this Prospectus.

Unless otherwise explicitly stated, no information contained in this Prospectus has been audited or reviewed by auditors. Certain financial and other information set forth in this Prospectus has been rounded off and, as a result, the numerical figures shown as totals in this Prospectus may vary slightly from the exact arithmetic aggregation of the figures that precede them.

This Prospectus may contain forward-looking statements and assumptions regarding future market conditions, operations and results. Such forward-looking statements and information are based on the beliefs of the Company's management or are assumptions based on information available to the Company or its subsidiaries (the "**Group**"). The words "consider", "intends", "deems", "expects", "anticipates", "plans" and similar expressions indicate some of these forward-looking statements. Other such statements may be identified from the context. Any forward-looking statements in this Prospectus involve known and unknown risks, uncertainties and other factors which may cause the actual results, performances or achievements of the Group to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Further, such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Although the Company believes that the forecasts of or indications of future results, performances and achievements are based on reasonable assumptions and expectations, they involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those predicted in the forward-looking statements and from past results, performances or achievements. Further, actual events and financial outcomes may differ significantly from what is described in such statements as a result of the materialisation of risks and other factors affecting the Company's operations. Such factors of a significant nature are mentioned in the section "*Risk Factors*".

The Bonds may not be a suitable investment for all investors and each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact other Bonds will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds; (iv) understand thoroughly the Terms and Conditions; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

This Prospectus is governed by Swedish law and the courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with this Prospectus. The District Court of Stockholm (Sw. *Stockholms tingsrätt*) shall be the court of first instance.

THIS PROSPECTUS HAS BEEN PRODUCED IN AN ENGLISH LANGUAGE VERSION ONLY.

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1 Risk Factors

In this section, material risk factors are illustrated and discussed, including risks relating to the Issuer as a separate entity, macroeconomic conditions, the Group's business operations, legal and regulatory risks, financial risks as well as risks relating to the Bonds. The Issuer's assessment of the materiality of each risk factor is based on the probability of their occurrence and the expected magnitude of their negative impact. The description of the risk factors below is based on information available and estimates made on the date of this Prospectus. The risk factors are presented in categories where the most material risk factors in a category are presented first under that category. Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence. Where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such risk factor.

The capitalised words and expressions in this section shall have the meanings defined in the Terms and Conditions.

1.1 Risks relating to the Issuer as a separate entity

Dependence on subsidiaries

A significant part of the Group's assets, revenues and cash flow relate to the Issuer's direct and indirect subsidiaries, and most significantly Heimstaden Bostad. Accordingly, the Issuer is dependent upon receipt of sufficient income related to the operations of and the ownership in such entities to enable it to make payments under the Bonds. The subsidiaries, which to a large part are not wholly owned by the Issuer, are legally separate and distinct from the Issuer and have no obligation to pay amounts due with respect to the Issuer's obligations and commitments, including the Bonds, or to make funds available for such payments. The ability of the subsidiaries to make such payments to the Issuer is subject to, among other things, the availability of funds, corporate and tax restrictions, restrictions in shareholders' agreements and the terms of each entity's finance agreements. Should the value of the business conducted in the subsidiaries decrease, and/or should the Issuer not receive sufficient income from its subsidiaries, the Bondholders' ability to receive payment under the Terms and Conditions may be adversely affected.

According to the governance documents in place for some of the Issuer's subsidiaries which are not wholly-owned by the Issuer, the non-controlling interests are entitled to have an influence in certain matters. Hence, there is a risk that measures will be taken in these subsidiaries which are counteractive to the Issuer's interests. Such measures may adversely affect the Issuer's ability to act as planned in these non-wholly owned subsidiaries.

The Issuer's indirect subsidiary Heimstaden Bostad is jointly owned together with, mainly, pension funds, including Alecta pensionsförsäkring, ömsesidigt ("**Alecta**"). As at 30 June 2020, the Issuer held, indirectly through Group Companies, approximately 51 per cent. of the votes and approximately 41 per cent. of the total number of shares in Heimstaden Bostad. The economic rights in Heimstaden Bostad are governed by three types of share classes, one ordinary share class and two preferential share classes, among which the economic rights differ with respect to e.g. rights to payment of dividends and distribution of funds in case of a sale of all shares in Heimstaden Bostad, a liquidation or bankruptcy (the "**Distribution Waterfall**"), as further set out in the articles of association of Heimstaden Bostad. It follows from the Distribution Waterfall that the preferential shares have priority over the ordinary shares, i.e. dividends and other distributions to holders of ordinary shares are made only after such dividends or distributions have been made to holders of preferential shares (with preferential shares of series A, of which the Issuer owns 100 per cent., having the highest priority). The Issuer has a higher ratio of ordinary shares than preference shares, which means that the Issuer is more exposed to economic downturns of Heimstaden Bostad than shareholders holding a higher ratio of preference shares. Should such downturn result in there being limited amounts available in the Distribution Waterfall to holders of ordinary shares after payment has been made to holders of preference shares, it would have a material adverse effect on the Issuer's financial condition and future prospects. Furthermore, the Issuer’s holdings in Heimstaden Bostad may decrease in the future, which could reduce the Issuer’s influence and economic participation in Heimstaden Bostad.

Structural subordination and insolvency of subsidiaries

As mentioned above, a significant part of the Group’s assets and revenues relate to the Issuer’s subsidiaries. The subsidiaries are legally separated from the Issuer and the subsidiaries’ ability to make payments to the Issuer is restricted by, among other things, the availability of funds, corporate and tax restrictions, restrictions in shareholders’ agreements and the terms of each entity’s finance agreements. In the event of insolvency, liquidation or a similar event relating to one or several of the Issuer’s subsidiaries, all creditors of such subsidiary would be entitled to payment in full out of the assets of such subsidiary before the Issuer, as a shareholder, would be entitled to any payments. Thus, the Bonds are structurally subordinated to the liabilities of such subsidiaries. Defaults by, or the insolvency of, certain subsidiaries may result in the obligation for the Issuer to make payments under financial or performance guarantees in respect of such subsidiaries’ obligations or the occurrence of cross defaults on certain borrowings of the Group. There is a risk that the Issuer and its assets would not be protected from any actions by the creditors of a subsidiary, whether under bankruptcy law, by contract or otherwise.

Management agreement with Heimstaden Bostad

The Issuer has a group-wide management agreement in place with Heimstaden Bostad, whereby the Issuer provides head office functions such as legal, group accounting, group treasury, transaction team, HR, communication and senior management. Wholly owned subsidiaries of the Issuer (Heimstaden Förvaltnings AB in Sweden, Heimstaden Danmark A/S in Denmark, Heimstaden AS in Norway, Heimstaden Nederland BV in the Netherlands and Skjerven Group GmbH (a subsidiary of Fredensborg AS) in Germany) are responsible for providing property management and technical management to the Group. The management agreement is running until 10 October 2032. From 30 September 2026, Heimstaden Bostad will have the sole discretion to terminate the agreement by giving 6 months' notice. There is a risk that the management agreement may be terminated (either before or after 30 September 2026), which would have an adverse effect on the Issuer since the Issuer would not receive the fees stipulated in the agreement while still bearing parts of the costs related to the agreement.

1.2 Risks Relating to Macroeconomic Conditions

Negative economic developments and conditions in Scandinavia, the Netherlands, Germany and/or the Czech Republic may affect the Group's operations and customers, as well as the prices of the Group's real property and tenant-owned apartments

The Swedish, Danish, Norwegian, Dutch, German and/or Czech economies, which are the countries where the Group is present, have been adversely affected by the uncertain global economic and financial market conditions. An economic slowdown or a recession, regardless of its depth, or any other negative economic developments in these principal countries of operation and involvement may affect the Group's business in a number of ways, including, among other things, the income, wealth, liquidity, business and/or financial condition of the Group, its customers and other business partners. The Group may not be able to utilise the opportunities created by the economic fluctuations, the value of the real property owned by the Group may decrease, and the Group may not be able to adapt to a long-term economic recession or stagnation. Further, although historically economic slowdowns and recessions have increased the demand for rental apartments in these countries, there is a risk that the Group may experience declines in the demand for rental apartments during periods of economic slowdown or recession. The Group may also experience increased defaults on rent payments as a result of negative economic developments in Sweden, Denmark, Norway, the Netherlands, Germany and/or the Czech Republic. The degree to which negative economic developments and conditions in Scandinavia, the Netherlands, Germany and/or the Czech Republic may affect the Group is uncertain, and present a material risk to the Group’s operations and customers, as well as the prices of the Group's real property and tenant-owned apartments.

Risks relating to Covid-19

The Group conducts its business within the real estate market and is consequently affected by general economic trends. The occurrence of extraordinary events, such as the outbreak of disease epidemics, could have an adverse impact on the global economy as a whole and may lead to a global recession, or even depression. The outbreak of the Covid-19 pandemic (“**Covid-19**”), has led to a major slowdown in economic growth during 2020, partly due to the spread of Covid-19 itself, but even more so due to the governmental decisions enacted across different nations in order to try to contain Covid-19, such as quarantines, shut downs and restrictions on mobility. Whilst the direct and indirect impact of the Covid-19 outbreak remains uncertain, a number of central banks and governments have announced financial stimulus packages in anticipation of a very significant negative impact on GDP during 2020. A prolongation of the outbreak could significantly adversely affect economic growth, and impact business operations across the economy generally and, by extension, real estate markets, both as a result of weakened economic activity and in terms of the health and wellbeing of employees being affected.

In addition, the outbreak of Covid-19 may lead to investments being postponed or planned acquisitions and/or divestments possibly not being carried out as planned, which could have a material adverse effect on the Group's business and possibilities to continue its growth. The longer the Covid-19 crisis continues it may become more difficult to raise capital, obtain loans or other financings or service existing debt.

Additionally, 9 per cent. of the total lettable area held by the Group is commercial property and so the Group may lose rental income from its commercial tenants as the economic impact of Covid-19 materialises. Moreover, due to Covid-19, there is a risk that the Group's current or future tenants may choose not to enter into new leases or renew existing leases.

There is also a risk that the global downturn could affect the liquidity position of the Group's existing tenants, which in turn may require such tenants to postpone rental payments or cause defaults under lease agreements. Accordingly, the Covid-19 crisis' impact on the Group's current and future tenants could lead to increased vacancies and a decrease in rental income for the Group.

The on-going uncertainty and volatility in the financial markets and the state of the global economic recovery may adversely affect the Group's operations

Global financial markets continue to experience disruptions, including increased volatility and diminished liquidity and credit availability. Concerns about credit risk (including that of sovereigns) and the Eurozone crisis have increased recently, especially with the presence of significant sovereign debts and/or fiscal deficits in a number of European countries and the United States. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the Group operates and the businesses and economic condition and prospects of the Group's counterparties or customers, directly or indirectly, in ways which are difficult to predict. Additionally, the developments surrounding the United Kingdom's exit from the European Union may have an adverse effect on European global economic or market conditions and the stability of European, foreign exchange and global financial markets, including the European markets served by the Group. The impact of these conditions could be detrimental to the Group and could adversely affect its solvency and the solvency of its counterparties and customers as well as the value and liquidity of its assets and liabilities.

1.3 Risks relating to the Group's business operations

Decrease in fair value of the Group's properties will result in revaluation losses

The Group's real estate properties are reported at fair value in the balance sheet and any change in the fair value of the Group's properties is recorded in the income statement for the period during which the revaluation of the Group's properties occurs. Fair value of investment properties represents the price in the local primary market taking into account a number of factors, some of which are real estate specific, such as the condition and location of the property as well as occupancy ratio and operative expenses whereas others are market-specific, such as yield requirements and cost of capital that are derived from comparable transactions on the real estate market.

Generally, the market value of a property is displayed in a value range of +/- 5-10 per cent. to reflect the uncertainty in the assumptions. The Group's reported property value as at 31 December 2019 amounts to SEK 113,719 million. With an uncertainty interval of +/-5 per cent., this value is affected by SEK 5,686 million and at +/-10 per cent., the value is affected by SEK 11,372 million. Decreases in the fair value of the Group's properties could thus have a material adverse effect on the Group's financial condition and results of operations. In addition, decreases in the fair value of the Group's properties would have negative effects on the Group's performance indicators, particularly the net asset value.

Variations in supply and demand on the residential market and the market for commercial premises may affect the value of properties and rental levels

The Group's income is affected by the occupancy rate of the properties, the possibility of charging market-related rents as well as customers' ability to pay rents. The occupancy rate and rental levels are largely determined by general and regional economic trends and, in relation to Sweden, Denmark, the Netherlands, Germany and the Czech Republic, the rental levels are in addition affected by applicable rent regulations (see "*Risk Factors - Rental regulations may restrict the group's ability to increase rents*").

The residential market is sensitive to fluctuations in supply and demand. Residential prices in the markets where the Group is present have historically followed macroeconomic development in a cyclical manner, while the demand for rental apartments has historically been countercyclical. The value of properties and rental levels are affected by a number of factors, including events related to domestic and international politics, interest rates, economic growth, the availability of credit and taxation. Changes in supply and demand on the property market in specific areas within the countries where the Group is present, resulting from new construction, investor supply and demand and other factors, may also materially affect the values of properties regardless of the overall development in these residential markets. A decrease in the prices of apartments and commercial properties is likely to have a direct negative impact on the fair value of the Group's property portfolio.

An oversupply of rental apartments or commercial premises could lead to rent decreases, which could have an adverse effect on the Group's rental income. This, in turn, would adversely affect the fair value of the Group’s property portfolio. As at 31 December 2019, a decrease in the Group’s rental income by 1 per cent. would adversely affect the fair value of the Group’s properties by SEK 1,340 million. Furthermore, the required yield may increase in the future. As at 31 December 2019, an increase by 0.1 percentage point in the required yield would have lead to a reduction in the value of the Group's property portfolio by SEK 2,973 million.

Potential future acquisitions and recently completed acquisitions may contain inherent risks and could lead to overestimates and non-identification of all potential risks and liabilities

Acquisition of properties constitutes a central part of the Group’s business model and are carried out both by the Issuer and Heimstaden Bostad AB. The acquisition of real estate requires, among other things, an analysis that is subject to a wide variety of factors, including subjective assessments and assumptions as to current and future prospect. There is a risk that the Group may overestimate the potential of a real estate asset when making acquisition decisions or may base its decision on inaccurate information or assumptions that turn out to be incorrect. The Group may also underestimate the likelihood that a newly acquired real estate asset will require substantial renovation or capital repairs. Such errors may only become apparent at a later stage and force the Group to recognise fair value losses on its statement of financial position and income statement.

Furthermore, the due diligence performed by the Group when acquiring a real estate asset may not uncover all the potential liabilities and risks related to the property (such as construction defects) and there is a risk that the Group will not have recourse to the seller of the property for the non-disclosure of such risks. Official information in the land register of some of the countries in which the Group has its operations or assets may not be accurate and complete. Thus, although the Group may have to rely upon the information contained in land registers, it may not have effective recourse against the government of the relevant country if the information upon which the Group relied in deciding whether or not to make an investment was inaccurate, misleading or incomplete.

Furthermore, the Group may acquire properties in new jurisdictions and it may not be as familiar with the commercial, legal or regulatory environment as its current geographical markets. As a result, the Group may not be able to accurately judge its potential return on investment and such returns may be lower than expected and materially impact the financial position and income statement of the Group.

Materialisation of any of the above risks could have a material adverse effect on the Group's business, profitability and financial condition. Additionally, material acquisitions for the Group, such as the acquisition of the Czech property portfolio described in “*Operations – Real Estate Portfolio – Czech Republic*” and the acquisition of the Berlin property portfolio described in “*Operations – Recent events,* *trend information and significant changes*", may exacerbate any of the above risks given the large scale of the acquisitions relative to the size of the Group.

Property valuation is subjective and uncertain to a certain extent

The appropriateness of sources of information used by the Group when valuating its property and the credibility of the valuations are, to a certain extent, subjective and, thus, subject to risk. The Group's real estate properties are accounted for in the balance sheet at actual value and the changes in value are accounted for in the income statement. For valuations in Sweden, Denmark, the Netherlands, Germany and/or the Czech Republic, the yield/discounted cash flow method is used as the main method, and for valuations in Norway, the sales comparison method is used as the main method. Rental prices in the property portfolio are expected to follow inflation over time. Most commercial leases include indexation, which means that rent increases at the same rate as the Consumer Price Index (the "**CPI**") during the leasing period. Residential rent has historically developed slightly above the CPI, but in its valuations, the Group has assumed that the rent develops in line with inflation.

Assumptions have also been made regarding future operating and maintenance payments. These assumptions are based on historic outcomes and future projections as well as estimated standardised costs. Operating and maintenance costs are adjusted upwards each year by inflation. Yield requirements and the cost of capital used in the valuation model have been derived from comparable transactions in the property market. Important factors in choosing a yield requirement are location, rental rate, vacancy rate and the condition of the property. Housing valuations are based on historical housing purchase price data and certain assumptions at a specified date. In the event of significant and rapid market changes, such historical data may not accurately reflect the current market value of the Group's properties. Furthermore, the assumptions may prove to be inaccurate, and adverse market changes may cause significant declines in the value of the Group's properties. In addition, the use of different assumptions or valuation models would likely produce different valuation results.

As a result of the factors above, there is a risk that the valuations may not accurately reflect the current market value of the Group's properties and property-related assets. Incorrect assumptions or flawed assessments underlying the valuations could have a material adverse effect on the Group's financial condition and results of operations.

Decreases in the occupancy rate and increases in the tenant turnover may weaken the Group's results

Tenant turnover is an integral part of the residential investment business, and results in costs to the Group, for example, related to the signing of rental agreements and minor renovations typically made in connection with a tenant moving out of the apartment. In recent years, the Group has tried to reduce tenant turnover through, for example, repairs enhancing the attractiveness of the apartments that it owns.

The Group's occupancy rate and tenant turnover depend to a great extent on general economic factors and the level of new-build construction activity. The occupancy rate of the Group's properties has a significant impact on the Group's cash flow and if the vacancy rate increases, the Group will lose rental income while having to cover the maintenance costs which could have a material adverse effect on the Group's margins as well as the fair value of its properties.

Increasing refurbishment and maintenance costs may result in a decreased profit margin or increased rents and thus decreased demand for properties

The Group continuously carries out refurbishment and maintenance repairs in its properties, which mainly result from their condition and requirements for energy-efficiency. The costs related to the refurbishment and maintenance of properties are significant and relate mainly to plumbing, external walls and roofs, window and balcony renovations. Residential buildings must typically have their plumbing refurbished within certain time intervals, which usually covers renewal of both water and sewage pipes as well as new bathrooms and kitchens. External walls, roofs and balconies must also be renovated periodically.

The Group expects the cost for refurbishment and maintenance repairs in the future to remain at the present level in proportion to the size of the Group's property portfolio. However, increasing refurbishment and maintenance repair costs may arise, for example, from increasing legal requirements for energy-efficiency, and therefore, there is a risk that the amount spent on refurbishment and maintenance repair by the Group may significantly increase from the level currently expected by the Group and thus have an adverse effect on the Issuer's results of operation. For example, during 2019 the Group's property costs (in which refurbishment and maintenance costs are included) amounted to SEK 2,138 million in total. Hence, a change in the Group's property costs by +/- 1 per cent. would have an effect on the Group by approximately SEK +21/-21 million.

If refurbishment and maintenance costs were to increase significantly, the profit margin of the Group's properties may decrease or the Group may be required to increase rents, which may, in turn, result in a decreased demand for the Group's properties. As a result, the Group may not be able to fully pass on the costs of refurbishment and maintenance to its customers and the Group's investments in refurbishment and maintenance may not generate the expected return. Any of these risks could have a material adverse effect on the Group's results of operations.

The Group's property development may give rise to liabilities that can have significant effects

The Group's property development may expose it to potential liabilities based on defects in the buildings, materials, design or the quality of the work. At the end of 2019, new construction of 1,936 apartments were in production. Standard form contracts that are used by construction designers limit the designer's liability to the value of the properties constructed, so the Group is liable for defects that exceed this amount. Materialisation of the Group's liabilities for construction defects, based on its own actions or based on the actions of the external designers or construction companies, could thus have a material adverse effect on the Group's financial condition and results of operations.

The Group is partially dependent on the "Heimstaden" brand and negative publicity may adversely affect the Group's future prospects

The Group's success and its ability to differentiate itself from other real estate companies in the markets where it operates are partially dependent on the value of the "Heimstaden" brand. The "Heimstaden" brand holds a great significance for both the Group's business operations, the Group's opportunities for external financing under favourable terms and the implementation of its strategies. The integrity of the "Heimstaden" brand is important in all parts of the Group's business and to its business partners, such as municipalities, construction companies and lenders, as well as its current and future employees. Corporate social responsibility forms part of the Group's customary long-term activities and, for example, many institutional investors impose stringent demands on the Group's sustainability efforts. Negative publicity or negative customer experience could have an adverse effect on the "Heimstaden" brand and its development. Should the "Heimstaden" brand lose value, regaining any lost brand value might prove impossible or require incurrence of significant costs.

The degree to which any harm to the "Heimstaden" brand, for example through negative publicity, may affect the Group is uncertain, and presents a risk to the Group's attractiveness as an employer and business partner, its opportunities for external financing under favourable terms and ultimately its future prospects.

Apartment renting and construction are highly competitive businesses

Renting apartments is a highly competitive business in Sweden, Denmark, Norway, the Netherlands, Germany and the Czech Republic. The Group's main competitors in the rental apartments business are private households, municipalities, parishes, foundations and corporate investors. The competition for attractive plots has led to a steep increase in plot prices. Furthermore, an upward trend in construction usually increases construction prices, which, in turn, decreases the profitability of construction projects and delays the commencement of new projects. The degree to which the increasing competition in the apartment renting business may affect the Group is uncertain, and presents a material risk to the Group's profitability and margins.

Loss of key personnel or failure in recruiting new key personnel may undermine the Group's operations

As the Group expands into new markets while also making new acquisitions in existing ones, numerous skilled employees are needed, and it will also be necessary for the Group to integrate them quickly into its operations. In 2019, the Group recruited approximately 150 employees, with the biggest growth in Denmark and the Netherlands. At the end of 2019, the Group's Danish operations had 105 employees, an increase of 102 per cent. compared with the beginning of 2019. The Swedish organisation grew with some 40 new recruitments (approximately 12 per cent.) in 2019. In light of the above, the Group's success is, to a large extent, dependent on the Group's ability to recruit, motivate and retain key personnel and other highly skilled employees at every level of its organisation, and that they are allowed opportunities for growth and seek to stay with the Group and develop it. A potential failure by the Group in this respect would risk having an adverse effect on the Group's profitability and future prospects.

The Group is subject to competition for talented employees within several of the markets where it is active. This may lead to increased remuneration levels, which, in turn, would adversely affect the Group's results of operations. In 2019, employee benefits, including social security costs, amounted to SEK 365 million. Conversely, if the Group were to offer excessively low remuneration levels, there is a risk that employees choose to terminate their employments, which would adversely affect the Group's competitiveness and business.

Ivar Tollefsen

Ivar Tollefsen holds, through his wholly owned company, Fredensborg AS, approximately 82 per cent. of the share capital and approximately 98 per cent. of the votes in the Issuer. As the controlling shareholder, Ivar Tollefsen may be able to prevent or delay a change of control in respect of the Group, or take other actions that may be contrary to the interests of the Group's other stakeholders, including the Bondholders. Further, the personal connections and business relationships of Ivar Tollefsen are important to the conduct of the Group's business. There is a risk that he in the future may not be able to make his services available to the Group, which could have an adverse effect on the Group's business. The Group does not maintain any "key-man" insurance on Ivar Tollefsen.

Risks related to climate change could adversely affect the Group's operations

Climate change presents the risk of damage to property caused over time by extreme weather conditions with intense downpours and storms, as well as rising sea levels and other changes in the physical environment that affect properties. As a real estate business, these risks could have a material adverse effect on the Group compared with other businesses as the Group relies on its physical infrastructure to produce its income. For example, the Group owns properties in Denmark (mainly the region of Greater Copenhagen) that are situated near to the sea and changes in the climate may cause damage to those buildings as a consequence of flooding. There is also a risk that certain construction materials may be unable to cope with the stresses that a changed climate involves. As the climate change is ongoing, these risks can be expected to increase in the long term. This could mean a greater need for investments in properties situated in vulnerable areas, which could entail higher operating expenses as well as capital expenditures for the Group. Investments in the wrong type of measures for properties may become unprofitable if risks related to climate change are not appropriately considered, and a possible failure to invest at all in mitigation measures could result in investments being written off. In addition, environmental-political decisions could affect the Group, not least in the form of higher taxes or necessary investments. Moreover, increased climate related requirements imposed by public authorities, investors, tenants and other stakeholders, for example relating to reductions of the Group’s gas emissions, could also affect the Group’s business. The Group has portfolios concentrated in several cities across Europe (see “*Operations – Real Estate Portfolio – Property Value*” below) and if climate change detrimentally impacts such cities then the value of such portfolios, and the earnings capacity from such portfolios, could reduce significantly.

Potential illiquidity of the property market could make it difficult for the Group to dispose of properties

In accordance with its strategy, the Group makes selective divestments of properties. Such divestments may be affected by, for example, the availability of bank financing to potential buyers, interest rates and the supply of and demand for properties. A possible lack of liquidity in the property market may limit the Group's ability to sell its properties or modify its property portfolio in a timely manner in response to changes in economic or other conditions. Should the Group be required to divest part of its properties due to, for example, its inability to obtain financing, such divestments may not be profitable or possible at all, in particular if the market functions inadequately or is illiquid. Unsuccessful divestments of properties could have a material adverse effect on the Group's profitability and future prospects.

System malfunctions in the Group's operations may decrease the efficiency and/or profitability of the Group's operations

The Group's operations are dependent on information systems and on its ability to operate such information systems efficiently and to introduce new technologies, systems and safety and back-up systems. In particular, the Group is dependent on a high functionality of its IT systems in order to issue rental invoices to its customers without delays and to rent available apartments in a swift manner. Furthermore, the Group is working towards a further digitalisation of its business and has, for example, entered into an agreement with Compare-IT Nordic AB regarding deliverance of the product series Smart Homeline, a pilot project within the area of digital property management. The Group may face difficulties when developing new systems or collaborations and maintaining or updating current systems, which is crucial for the Group in order to maintain its competitiveness.

Important information systems for the Group includes telecommunication systems as well as software applications that the Group uses to control business operations, manage its property portfolio and risks, prepare operating and financial reports and to execute treasury operations. The operation of the Group's information systems may be interrupted due to, among other things, power cuts, computer or telecommunication malfunctions, computer viruses, defaults by IT suppliers, crime targeted at information systems, such as security breaches and cyber-attacks from unauthorised persons outside and inside the Group, or major disasters, such as fires or natural disasters, as well as human error by the Group's own staff. One recent example of the aforementioned is that the Group has experienced an increased amount of "phishing" e-mails and other attempts from unauthorised persons to get access to the Group's information systems.

Material interruptions or serious malfunctions in the operation of the information systems may have a material adverse effect on the efficiency and/or profitability of the Group's operations.

1.4 Legal and regulatory risks

Rental regulations may restrict the group's ability to increase rents

During 2019, the Group's rental income amounted to SEK 4,863 million and, thus, a change by +/- 1 per cent. in the Group's rental income would have an effect on the Group's profit of approximately SEK +49/-49 million. The ability of the Group to increase rents under its tenancy agreements may be limited by applicable rent regulations in any of the six jurisdictions in which the Group's properties are located. For example, in Sweden, there is a legal principle of "utility value" (Swedish: *Bruksvärdesprincipen*) which entails that rent levels should be proportionate to the quality and standard of the residential unit in question and can only be increased to a level that is in line with the rent that is charged on other comparable residential units (consequently, rents can only be subject to more significant above-inflation increases when the residential units have been upgraded). In the context of the Group's development projects that relate to the upgrade of the Group's properties, to the extent that the Group is or becomes restricted by applicable rental regulations from increasing the rent payable on such upgraded properties, this could have a material negative impact on the Group's ability to recover the costs and expenses associated with the upgrade of those residential units.

The further tightening of any applicable rental regulations in a specific market could have a negative impact on the market rental rates payable in that market. Any general decreases in the rental levels of the Group's properties as a result of decreases in market rental rates could have a negative effect on the value of the Group's properties and this, in turn, could have a material negative impact on the growth and financial prospects of the Group.

Changes in legislation may adversely affect the value of the Group's properties, increase its expenses and/or slow or halt the development of investments

The Group must comply with a wide variety of laws, regulations and provisions, including urban planning regulations, construction and operating permits, building standards, construction codes, health, safety, environmental, competition and labour laws, laws relating to rent levels and the rights of tenants as well as corporate, accounting and tax laws. Changes in such laws, regulations and provisions or their interpretations could require the Group to adapt its business operations, assets or strategy, potentially leading to a negative impact on the value of its properties or its results, an increase in its expenses and/or slowing or even halting of the development of certain investments. In particular, requirements for energy efficiency have become more stringent in recent years, which results, among other things, in increased construction prices.

In order for the Group's properties to be used and developed as desired, various permits and decisions can be required, including local plans and various kinds of property registrations, which are approved and given by, for instance, municipalities and authorities, and which are resolved on both a political and on an administrative level. There is a risk that the Group in the future may not be granted the permits or decisions necessary to conduct and develop its business as desired. Further, there is always a risk that decisions are challenged by third parties and, as a result thereof, are delayed significantly, or that the established decision making practice or the political will or direction are changed in the future in an adverse manner for the Group.

Materialisation of any of the above risks may adversely affect the value of the Group's properties, increase its expenses and/or slow or halt the development of the Group’s investments.

The Group is subject to possible future changes in tax laws and regulations

Tax laws and regulations or their interpretation and application may be subject to change in the countries in which the Group operates. The Group has used tax optimisation arrangements, such as utilising tax losses from companies it purchases for this purpose, to reduce its tax burden; however, in the future the Group may not be able to continue to rely on tax losses carried forward as there could be changes in tax laws and regulation. This would mean that the Group could be liable to pay additional tax which would have a material adverse effect on the Group's cash flow.

Under the EU Directive 2016/1164 there is, for example, a general limitation for interest deductions by way of an EBITDA-rule under which net interest expenses should be deductible only up to a certain percentage of the taxpayer's EBITDA for tax purposes. Local legislation in Sweden, Norway, Denmark, the Netherlands, Germany and the Czech Republic has been or may be implemented, and may cause the Group’s final tax allowance, attributable to interest, to decrease as a result of the reduced allowance cap, which would result in lower profits after tax.

In June 2015, the Swedish Government appointed a committee to analyse the possibility to divest properties through tax exempt disposals of shares in companies holding properties and, if considered necessary, to propose new legislation to prevent such transactions. The investigation also reviewed whether acquisitions through land parcelling procedure are being abused to avoid stamp duty. The committee's main proposal is that upon a change of control in a company holding assets that mainly consist of properties, the properties will be considered as divested and re-acquired for a price corresponding to the market value of the properties. The divested real estate company should also report a taxable notional income (instead of stamp duty) corresponding to 7.09 per cent. of the highest amount of the market value and the tax assessment value of the properties. Further, stamp duty is proposed to be introduced on acquisitions of properties by land parcelling procedures. The rules were initially proposed to enter into force on 1 July 2018, though this has not yet occurred, and it is currently unclear if, and to what extent, the proposals will result in new legislation.

The degree to which future changes in tax laws and regulations may affect the Group is uncertain, and may among other things have a negative effect on the Group’s cash flow and profits after tax.

Legal or regulatory proceedings or claims and/or failures of regulatory compliance or business ethics could adversely affect the Group's reputation and operations

The Group may become involved in, or a subject of, legal or regulatory proceedings or claims relating to its operations. It is inherently difficult to predict the outcome of legal, regulatory and other adversarial proceedings or claims, and the outcome of such proceedings or claims, whether existing or arising in the future, may adversely affect the Group. In the normal course of its business operations, the Group could become involved in legal proceedings relating, for example, to alleged breaches of contract by the Group and employers' liabilities and become subject to tax and administrative audits. Any unfavourable judgment against the Group in relation to any legal or regulatory proceedings or claims, or the settlement thereof, could have a material adverse effect on the Group's reputation and results of operations.

Furthermore, the Group collaborates with a number of stakeholders (colleagues, customers, shareholders, partners, suppliers and contractors, etc.) and has broad customer and supplier bases. Many participants are involved within the Group's operations and the Group’s services and products are procured through subcontractors at several levels. It is difficult for the Group to get an overview of its extended supply chain and there is a risk of activities occurring, either internally in the Group or at suppliers and partners who work on behalf of the Group, that violate the Group's values, breach its Code of Conduct, infringe human rights, involve corruption or breach regulations regarding, for example, health and safety. There is also a risk that employees will commit such violations in their interactions with colleagues, customers and other actors.

Any of the shortcomings described above relating to ethical standards and/or regulatory compliance could result in financial losses, sanctions from supervisory authorities, tarnished reputation and delisting of the Issuer's equity and/or the Group's debt securities.

The Group's operations may contaminate the environment

The Group must comply with all local regulations in relation to the environment and health and safety in respect of its properties. The main environmental impacts caused by the Group's operations relate to contaminated soil. Soil contamination can cause substantial delays and increase the cost of construction projects (including new construction as well as conversions and extensions). As the owner of the properties and land, the Group could be held liable for deterioration, damage, encumbrance or other hazardous causes originating from the operation of the properties, which may not be known or recognisable at the time of the purchase or which may occur at a later date.

Under Swedish, Danish, Norwegian and Czech legislation, the party conducting an activity which has contributed to pollution is also responsible for treating it. If the party conducting the activity cannot carry out or pay for such treatment and the party acquiring the property was aware of, or should have discovered the pollution, then the acquirer is responsible for carrying out the treatment. Under Dutch legislation, the party conducting an activity which has contributed to pollution is responsible for treating it, along with any other person who is competent and actually able to prevent or limit a violation of the Dutch legislation (for example, the owner of a property on which polluting activities were carried out). Under certain circumstances, previous owners and the current owner can also be held liable for pollution.

The costs of any removal or clean up that may be necessary due to any deterioration, contamination, damage, encumbrance or hazardous materials may be higher than anticipated by the Group. Failure to comply with environmental regulations, or the need to comply with stricter new environmental regulations that may be introduced, could lead to higher costs or hinder the development of the Group's operations. There is also a risk that the Group may become liable for material environmental damage or other environmental liabilities in the future. The risks described above may damage the "Heimstaden" brand and could also have a material adverse effect on the Group's financial condition.

The Group could incur losses not covered by, or exceeding the coverage limits of, its insurance

The Group has insurance policies, for example, in respect of property, business interruption and liability for damages. However, it is difficult to obtain insurance policies for property that provide full coverage on various types of disasters, such as terrorist attacks, natural disasters and war. There are also other factors that may affect the chances of getting sufficient insurance compensation to make the Group whole following damage to insured properties, for example inflation, tax, changes in construction regulations and environmental concerns. The actual losses suffered by the Group could exceed its insurance coverage and could be material, which would have a material adverse effect on the Group's financial condition.

1.5 Financial risks

The Group may not receive financing at competitive terms or at all and may fail in repaying/refinancing its existing debt

Uncertainty in the financial markets or tightening regulation of banks could mean that the price of financing needed to carry out the Group's business, in particular its growth strategy, will increase and that such financing will be less readily available. As a result of the Group's intentions to raise additional debt from the capital markets, the Group is exposed to future adverse changes in those markets. The level of the Group's leverage may also affect its ability to refinance its existing debt, which, in turn, could also affect its competitiveness and limit its ability to react to market conditions and economic downturns.

The Group's target equity/assets ratio is at least 30 per cent. calculated on the basis of the fair value of its properties. As at 30 June 2020, the Group's equity/assets ratio was 46.3 per cent. based on the fair value of the properties.

As at 30 June 2020, the average period for which the capital is tied up regarding the Group's interest-bearing liabilities amounted to 9.9 years. The largest proportion of loan maturities within an individual year will occur in 2023 and accounts for 23 per cent. of the total portfolio. The Group conducts continual discussions with banks and credit institutions aimed at securing its long-term financing. The Group cooperates closely with a handful of lenders in order to secure its long-term capital requirements. However, there is a risk that the Group may experience difficulties in raising new debt, repaying its existing debt or fulfilling its equity/assets ratio target in the future. Any failure to repay the principal or pay interest in respect of the Group's existing debt, the inability to refinance existing debt, or to raise new debt at corresponding or more favourable financial and other terms than currently in force, could have a material adverse effect on the Group's financial condition and results of operations.

Fluctuations in interest rates may adversely affect the Group's financial condition and results of operation

Interest costs are one of the Group's largest cost items. Interest rate fluctuations affect the Group's profits through changes in interest expenses and the market values of interest rate hedging. As at 30 June 2020, approximately 72 per cent. of the Group's loans were fixed interest rate loans or floating rate loans hedged with interest rate derivatives. Further, fluctuations in interest rates may affect the Group's rental apartment business and the valuation of its properties. Although a significant increase in interest rates may considerably affect house owners' ability to pay interest on housing loans, it may also affect private consumption and decrease the value of properties. In addition, an increase in the interest rates could have a material adverse effect on the cost of financing and the Group's current financing expenses.

As at 30 June 2020, a change in Euribor, Stibor, Cibor or Nibor of 1 per cent. at any given time would, all else being equal, increase the Group's interest costs (adjusted for the recognised interest rate cut) on an annual basis by approximately SEK 200 million were rates to rise, and decrease them by approximately SEK 64 million in the event that interest rates were to fall. The difference in sensitivity is explained by the fact that several credit agreements include interest rate floor clauses that limit rate fluctuations on the downside by, for example, preventing the base rate from being negative, while the cost of outstanding and purchased interest rate derivatives may increase with negative market rates.

The Group uses interest rate derivatives to manage the interest rate risk relating to its floating interest rates risk, but may fail in managing its interest rate risk properly. The interest rate derivatives are reported at fair value in the balance sheet and with changes in value in the profit and loss account. As the market interest rates change, a theoretical over or under value on the interest rate derivatives occur which, however, does not affect the cash flow. At the end of the term, the value of the derivatives is always zero. The derivative constitutes a hedging against higher interest rates, but it also means that the market value of the Issuer's interest rate derivatives decreases if the market interest rates decrease, which in turn has a negative impact on the Issuer's financial condition and results of operations. In case a negative value of a derivative needs to be, or is forced to be, realised it will have a negative effect on the liquidity of the Issuer.

Risks posed by the Group's financing model

The Group is financed through equity and interest-bearing debt as well as its cashflows. Most of the interest-bearing debt is borrowed by the Group's property-owning subsidiaries, which means that the financial risks in the Group is primarily attributable to its subsidiaries. The Group's long- term financing consists of bilateral credit facilities. There are certain obligations under the credit facilities on maintaining, for example, certain interest cover ratios, equity/assets ratios and certain loan to value ratios. This means that the creditors of the subsidiaries could be entitled to demand repayment in advance of the creditors of the Issuer if the relevant Group subsidiaries do not fulfil such obligations. If such a demand is made, it could adversely affect the Issuer's financial condition. For further information see "*Operations – Finance and Capital Structure – Funding Strategy*".

The Group is dependent on Heimstaden Bostad's long-term credit rating to pursue its financing strategy

As part of its strategy to increase presence on the international capital markets through issuance of unsecured notes, Heimstaden Bostad has sought and received a credit rating of BBB- (outlook positive) from S&P Global Ratings Europe Limited ("**S&P**"). S&P could downgrade Heimstaden Bostad's long-term Issuer credit rating if, for example, Heimstaden Bostad's secured leverage (secured debt divided by total assets) were to exceed certain levels, or Heimstaden Bostad's effective leverage (adjusted total debt divided by total assets) or fixed charge cover ratios were to exceed certain levels, both on a sustainable basis, or Heimstaden Bostad was unable to maintain an adequate liquidity profile at all times. If any of the risks described above were to materialise, it would be more difficult for Heimstaden Bostad to pursue its current financing strategy, which could have a material adverse effect on the Group's financial condition and future prospects.

The Group's financings/insurance arrangements involve counterparty risk

Financial institutions are counterparties to the Group's long-term bank loans and insurance arrangements. Credit risk in the Group's financing activities arises when, for example, investing liquidity surpluses, on the subscription of interest rate agreements and issued credit agreements. As described above in the risk factor titled "*The on-going uncertainty and volatility in the financial markets and the state of the global economic recovery may adversely affect the Group's operations*", the default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could, among other things, adversely affect the prospects of the Group's counterparties, directly or indirectly, in ways which are difficult to predict. A previous example of this is the financial crisis starting in 2007-2008, when many banks and insurance companies in the United States and Europe experienced financial difficulties. While the probability of occurrence of this risk is deemed low, the degree to which the Group may be affected if any of its financing or insurance counterparties fail to meet their financial obligations towards the Group is uncertain, and presents a material risk to the Group's financial condition. A prolongation of the outbreak of Covid-19 would accentuate this risk.

Fluctuations in currency exchange rates may adversely affect the Group's profit and property value

The Group is exposed to indirect foreign exchange translation risk due to its investments in Denmark, Norway, the Netherlands, Germany and the Czech Republic. As at 30 June 2020, the Group owned properties in Denmark at an estimated value of SEK 35,785 million, in Norway at an estimated value of SEK 16,352 million, in Germany at an estimated value of SEK 2,472 million, in the Netherlands at an estimated value of SEK 22,758 million and in the Czech Republic at an estimated value of SEK 14,260 million. The currency effect arises in the Group's net assets when the foreign companies' balance sheets are consolidated. The Issuer's reporting currency is SEK, and all balance sheet items that are not denominated in SEK (including items for foreign properties as well as all income and expenses generated by them and non SEK-denominated debt) are converted to SEK. The Group uses cross-currency swaps to manage foreign exchange risks resulting from its issuances of securities denominated in EUR.

The Group's most significant exchange rate risk relates currently to non SEK-denominated rental income, maintenance costs and property valuation. Materialisation of the translation risk could have a material adverse effect on the Group's financial condition and results of operations.

1.6 Risks relating to the Bonds

The Bonds represent unsecured obligations of the Issuer

The Group has, as part of its financing, incurred debts to credit institutions. Certain property, shares and other assets in any company within the Group owning property have in connection therewith been pledged as security. As of 30 June 2020, 60 per cent. of the Group's outstanding debt was secured, and the Group intends to continue seeking appropriate financing why further security, as part of such new financings, may be provided. The Bonds represent unsecured obligations of the Issuer. Hence, in the event of bankruptcy, reorganisation or winding-up of the Issuer, the Bondholders will be subordinated in right of payment out of the assets subject to such security. There is a risk that an investor could lose the entire, or parts of, its investment in the event of the Issuer's bankruptcy, reorganisation or winding-up of the Issuer.

Furthermore, there is no restriction under the Terms and Conditions for the subsidiaries of the Issuer to incur debt. The Terms and Conditions allow for the Issuer or any of its subsidiaries to provide security over its assets to secure any of the Issuer's indebtedness, except for such debt securities which can be admitted for trading on a regulated market. If the subsidiaries of the Issuer incur debt, including any secured debt incurred by Heimstaden Bostad or its subsidiaries, the right to payment under the Bonds will be subordinated to the right of payment relating to such debts.

Risks related to the admission to trading

The Issuer has undertaken to ensure that the Bonds are admitted to trading on a regulated market within certain stipulated time periods, as defined in the Terms and Conditions. There is a risk that the Bonds will not be admitted to trading within the intended time frames or at all, which could negatively affect an investor's ability to dispose of its Bonds. Failure to obtain listing in time would provide each Bondholder with a right of prepayment (put option) of its Bonds. There is a risk that the Issuer will not have sufficient funds at the time of such prepayment to make the required prepayment of the Bonds which could adversely affect the Issuer, e.g. by causing insolvency or an event of default under the Terms and Conditions and thus adversely affect all Bondholders and not only those that choose to exercise the put option.

Even if the Bonds are admitted to trading on an exchange market, in accordance with the Terms and Conditions, the Bonds may not always be actively traded. In general, financial instruments with a high nominal value, such as the Bonds, are not traded as frequently as financial instruments with a lower nominal value. Given the high nominal value of the Bonds there is a risk that there will not be a liquid market for trading in the Bonds. This may result in Bondholders being unable to sell their Bonds when they wish to do so or at a price which allows them to make profit comparable to similar investments with an active and functioning secondary market. Lack of liquidity in the market may thus have a negative impact on the market value of the Bonds and presents a significant risk for an investor who wants or needs to divest its Bonds. Furthermore, there is a risk that during a given time period it may be difficult or impossible to sell the Bonds (at all or at reasonable terms) due to, for example, severe price fluctuations, close down of the relevant market or trade restrictions imposed on the market. There is currently significant uncertainty as to how the trading on financial markets may develop if there would be a significant prolongation of the outbreak of Covid-19, and potential consequences thereof include severe price fluctuations and lack of liquidity.

Credit risks

An investment in the Bonds carries a credit risk relating to the Issuer and the Group. An investor's opportunity to obtain payment under the Terms and Conditions is therefore dependent on the Issuer's and the Group's ability and willingness to meet its payment obligations, which in turn is dependent upon the performance of the Group's operations and its financial position.

An increased credit risk may cause the market to charge the Bonds a higher risk premium, which would affect the Bonds' value negatively. Another aspect of the credit risk is that any deterioration in the financial position of the Group may reduce the Group's possibility to receive debt financing at the time of redemption of the Bonds.

Fluctuations in interest rates and changes to the European Benchmarks Regulation could adversely affect the value of the Bonds

The Bonds will bear floating rate interest at the rate of STIBOR plus a margin, and the interest rate of such Bonds will be determined on the Quotation Day. Hence, the Bonds' value depends on several factors, one of the most significant over time being the level of market interest, which to a high degree is affected by the state of the Swedish and international economy and potential changes to the Benchmark Regulation affecting how STIBOR will be determined and develop in the future. There is a risk that an increase in the market interest rates will adversely affect the value of the Bonds. The process for determining STIBOR and other interest-rate benchmarks is subject to a number of statutory rules and other regulations. Some of these rules and regulations have already been implemented, whilst some are due to be implemented in the near future. The most extensive initiative in this respect is the Benchmark Regulation (Regulation (EU) 2016/1011 of the European parliament and of the council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014). The Benchmark Regulation came into force on 1 January 2018. The effect of the Benchmark Regulation addressed the provision of benchmarks, the contribution of input data to benchmarks and the use of benchmarks within the European Union. The effect of the Benchmark Regulation cannot yet be fully determined due, among other things, to the limited period in which the regulation has been in force. However, there is a risk that the Benchmark Regulation will affect how certain benchmarks are determined and how they develop in the future. This could, for example, lead to increased volatility in respect of some benchmarks. A further risk is that increased administrative requirements, and the resulting regulatory risk, may discourage stakeholders from participating in the production of benchmarks, or that some benchmarks cease to be provided. If this were to happen in respect of STIBOR, which is the benchmark that is used for the Bonds, the Terms and Conditions do not include any provisions regarding any replacement benchmark. Thus, if STIBOR would cease to be provided, it may result in the use of a replacement benchmark which may not be identical to the original, and therefore potentially result in a lower interest rate on the Bonds and could thus potentially be detrimental to the Bondholders.

2 Responsibility for the information in the Prospectus

This Prospectus has been prepared in relation to the Company applying for admission to trading on the corporate bond list of Nasdaq Stockholm of the Initial Bonds of SEK 500,000,000, with ISIN SE0014991352, which were issued on 15 October 2020.

The Issuer has obtained all necessary resolutions, authorisations and approvals required in conjunction with the Bonds and the performance of its obligations relating thereto. The issuance of the Initial Bonds on 15 October 2020 was authorised by a resolution by the Board of Directors of the Issuer on 1 October 2020.

The Prospectus has been approved by the SFSA as competent authority under Regulation (EU) 2017/1129. The SFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. The SFSA's approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus, nor should it be considered as an endorsement of the quality of the securities that are subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import. The Board of Directors of the Issuer is, to the extent provided by law, responsible for the information contained in this Prospectus and declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

Certain information in this Prospectus, on page 33 under the heading "*Czech Republic*", has been sourced from the real estate services and investment firm CBRE. This information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Malmö on 20 November 2020

HEIMSTADEN AB (PUBL)

The board of directors

3 The Bonds in brief

This section contains a general description of the Bonds. It does not claim to be comprehensive or cover all details of the Bonds. Potential investors should therefore carefully consider the Prospectus as a whole, including documents incorporated by reference (see below section "*Documents incorporated by reference*") and the full Terms and Conditions for the Bonds, before a decision is made to invest in the Bonds. The Terms and Conditions for the Bonds can be found in section 8 ("*Terms and Conditions*"). Concepts and terms defined in the Terms and Conditions are used with the same meaning in this section unless otherwise is explicitly understood from the context or otherwise defined in this Prospectus.

3.1 Background

On 15 October 2020, the Company issued SEK 500,000,000 senior unsecured floating rate bonds 2020/2025 with ISIN SE0014991352.

Under the Terms and Conditions, the Company may, at one or more occasions, issue Subsequent Bonds amounting to in total up to no more than the difference of SEK 5,000,000,000 and the aggregate Nominal Amount of the Initial Bonds, unless consent from the Bondholders is obtained in accordance with the Terms and Conditions. However, this Prospectus is prepared solely for the admission to trading of the Initial Bonds on the corporate bond list of Nasdaq Stockholm. In case of issues of Subsequent Bonds, a new prospectus will be prepared for the admission to trading of such Subsequent Bonds.

All Subsequent Bonds shall benefit from, and be subject to, the Finance Documents and, for the avoidance of doubt, the ISIN, the interest rate, the Nominal Amount and the final maturity applicable to the Initial Bonds shall apply to Subsequent Bonds.

3.2 Summary of the Bonds

The Bonds are denominated in SEK and have been issued in accordance with Swedish law. The Bonds are debt instruments (Sw. *skuldförbindelser*) of the type set forth in Chapter 1 section 3 of the Swedish Central Securities Depositories and Financial Instruments Accounts Act (*lagen (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*) and are intended for public market trading. The Company resolved to issue the Bonds on 1 October 2020, and the purpose of the issue was to use the proceeds for investments, acquisitions and general corporate purposes of the Group. The First Issue Date of the Bonds was 15 October 2020 and the Bonds will mature on 15 October 2025.

The maximum total nominal amount of the Bonds (the Initial Bonds and all Subsequent Bonds) may not exceed SEK 5,000,000,000 unless consent from the Bondholders is obtained according to the Terms and Conditions. The Bonds have been allocated the ISIN SE0014991352, and each of the Bonds carry a Nominal Amount of SEK 1,250,000. All Initial Bonds are issued on a fully paid basis at an issue price of 100 per cent. of the Nominal Amount. As of the day of this Prospectus, Bonds equalling a total nominal amount of SEK 500,000,000 have been issued.

Bonds in book-entry form

The Bonds are registered for the Bondholders on their respective Securities Account and no physical notes will be issued. The Company's central securities depository and registrar with respect to the Bonds is Euroclear Sweden AB, Reg. No. 556112-8074, P.O. Box 191, SE-101 23 Stockholm, Sweden ("**Euroclear**"). The Bonds are connected to the account-based system of Euroclear in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act. Registration requests relating to the Bonds shall be directed to an Account Operator. The Bonds are affiliated with

Euroclear Sweden's account-based system, and no physical Bonds have been issued. Clearing and settlement relating to the Bonds will be carried out within Euroclear Sweden's book-entry system as well as payment of interest and repayment of the principal. Bondholders are therefore dependent upon the functionality of Euroclear Sweden's account-based system, which is a factor that the Company cannot control.

Transferability

The Bonds are freely transferable but the Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable, under local laws to which the Bondholder may be subject. Each Bondholder must ensure compliance with such restrictions at its own cost and expense.

Status of the Bonds

The Bonds constitute direct, unconditional and unsecured obligations of the Company and shall at all times rank at least *pari passu* with all other direct, unconditional and unsecured obligations of the Company and without any preference among them.

Redemption and repurchase of the Bonds

The Company shall redeem all, but not some only, of the outstanding Bonds at 100 per cent. of the Nominal Amount together with accrued but unpaid Interest on the Final Maturity Date, unless previously redeemed, repurchased or cancelled in accordance with Clause 11 ("*Redemption and repurchase of the Bonds*") or otherwise terminated in accordance with Clause 14 ("*Events of Default*") of the Terms and Conditions. If the Final Maturity Date is not a Business Day, then the redemption shall occur on the first following Business Day.

The Company may redeem all, but not some only, of the outstanding Bonds in full on any Business Day prior to the Final Maturity Date at an amount equal to the sum of the Nominal Amount and the amount of all scheduled coupon payments (see further the definition of "Early Redemption Amount" under Clause 1 ("*Definitions*") of the Terms and Conditions) together with accrued but unpaid Interest. The Company may furthermore redeem all, but not some only of the outstanding Bonds at an amount per Bond equalling the Nominal Amount together with accrued but unpaid Interest (i) on a date determined by the Company if it is or becomes unlawful for the Company to perform its obligations under the Finance Documents, and (ii) in connection with a refinancing of the Bonds in full with a bond issue, or other similar capital markets issue, during the six (6) month period falling immediately prior to the Final Maturity Date. The Company may finally redeem all, but not some only, of the outstanding Bonds at any time if the aggregate Nominal Amount of the Bonds held by the Company exceeds eighty (80) per cent. or more of the Total Nominal Amount (see further Clause 11.3 (*"Voluntary total redemption (call option)"*) of the Terms and Conditions). There is a risk for a Bondholder that the market value of the Bonds is higher than the early redemption amount that it may not be possible for Bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate.

Upon a Change of Control Event or a Listing Failure Event occurring, each Bondholder has a right to request that all, or some only, of its Bonds be repurchased at a price per Bond equalling 101 per cent. of the Nominal Amount together with accrued but unpaid Interest (see further Clause 11.4 ("*Mandatory repurchase (put option)"*) of the Terms and Conditions). There is, however, a risk that the Company will not have sufficient funds at the time of such prepayment to make the required payments of the Bonds.

Any payment or repayment under the Finance Documents, or any amount due in respect of a repurchase of any Bonds, shall be made to such person who is registered as a Bondholder on the Record Date prior to an Interest Payment Date or other relevant due date, or to such other person who is registered with the CSD on such date as being entitled to receive the relevant payment, repayment or repurchase amount. Payments are to be made in SEK. The right to receive repayment of the principal of the Bonds shall be time-barred and become void ten (10) years from the Redemption Date.

Interest

Each Initial Bond carries Interest at the Interest Rate from (but excluding) the First Issue Date up to (and including) the relevant Redemption Date. Any Subsequent Bond will carry Interest at the Interest Rate from (but excluding) the Interest Payment Date falling immediately prior to its issuance up to (and including) the relevant Redemption Date.

Interest accrues during an Interest Period. Payment of Interest in respect of the Bonds shall be made to the Bondholders on each Interest Payment Date for the preceding Interest Period. The Bonds carry Interest at a floating rate of STIBOR (3 months) plus 4.00 per cent. *per annum*. Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis). The Interest Payment Dates are 31 March, 30 June, 30 September and 31 December each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention (with the first Interest Payment Date on 31 December 2020 and the last Interest Payment Date being the relevant Redemption Date). The right to receive payment of interest (excluding any capitalised interest) shall be time-barred and become void three (3) years from the relevant due date for payment.

STIBOR means:

(a) the applicable percentage rate per annum calculated and distributed by the Swedish Financial Benchmark Facility AB (or the replacing administrator or calculation agent) for the Quotation Day and published on the information system Reuters page "STIBOR=Q" (or through another system or on such other page as replaces the said system or page) for the offering of deposits in Swedish Kronor and for a period equal to the relevant Interest Period; or

(b) if no such rate as set out in item (a) above is available for the relevant Interest Period, the rate determined by the Issuing Agent by interpolation between the two closest rates published on the information system Reuters page "STIBOR =Q" (or on such other page as replaces the said system or page) for the offering of deposits in Swedish Kronor; or

(c) if no rate is available for the relevant Interest Period pursuant to item (a) and/or (b) above, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Issuing Agent at its request quoted by leading banks in the Stockholm interbank market reasonably selected by the Issuing Agent, for deposits of SEK 100,000,000 for the relevant period; or

(d) if no quotation is available pursuant to paragraph (c) above, the interest rate which according to the reasonable assessment of the Issuing Agent best reflects the interest rate for deposits in Swedish Kronor offered in the Stockholm interbank market for the relevant period.

Representation of the Bondholders

Nordic Trustee & Agency AB (publ), reg. no. 556882-1879, P.O. Box 7329, SE-103 90 Stockholm, Sweden, acts as the Agent for the Bondholders in relation to the Bonds, and, if relevant, any other matter within its authority or duty in accordance with the Terms and Conditions. Even without separate and prior authorisation from the Bondholders, the Agent, or a person appointed by the Agent, is entitled to represent the Bondholders in every matter concerning the Bonds and the Terms and Conditions. The Agent is authorised to act on behalf of the Bondholders whether or not in court or before an executive authority (including any legal or arbitration proceeding relating to the perfection, preservation, protection or enforcement of the Bonds). Each Bondholder shall immediately upon request provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Agent is under no obligation to represent a Bondholder which does not comply with such request.

The Bondholders are prevented from taking actions on their own against the Company. Consequently, individual Bondholders do not have the right to take legal actions to declare any default by claiming any payment from the Company and may therefore lack effective remedies unless and until a requisite majority of the Bondholders agree to take such action. There is a risk that the value of the Bonds will decrease meanwhile a requisite majority is not willing to take necessary legal actions against the Company. The unwillingness of a majority of Bondholders to act could thus damage the value of other Bondholders' investments in the Bonds.

An individual Bondholder could, in certain situations, bring its own action against the Company (in breach of the Terms and Conditions), which could adversely affect an acceleration of the Bonds or other action against the Company. For example, should an individual Bondholder initiate a bankruptcy proceeding against the Issuer, such proceeding could, despite being in breach of the Terms and Conditions, be legally valid, and consequently, cause damage to the Company and/or the other Bondholders.

An agreement was entered into between the Agent and the Company on or about the Issue Date regarding, *inter alia*, the remuneration payable to the Agent. The rights and obligations of the Agent are set forth in the Terms and Conditions.

Bondholders' meeting

Each of the Company or a Bondholder (or Bondholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount may request that a Bondholders' meeting is convened (see further Clause 16 (*Decisions by Bondholders*) and Clause 17 (*"Bondholders' Meeting"*) of the Terms and Conditions) or request a Written Procedure (see further Clause 18 (*"Written Procedure"*) of the Terms and Conditions). Such Bondholders' Meeting or Written Procedure may, upon sufficient and relevant quorum, cause resolutions to be validly passed and binding on all Bondholders, including Bondholders who have not taken part in the meeting and those who have voted differently to the required majority at a duly convened and conducted Bondholders' Meeting. Consequently, the actions of the majority in such matters could impact minority Bondholders' rights in a manner that would be undesirable for them.

Distribution of proceeds

If the Bonds have been duly declared due and payable due to an Event of Default, the available funds shall firstly be applied towards payment of all costs and expenses incurred by and any remuneration payable to the Agent under the Terms and Conditions and the Agent Agreement, secondly in or towards payment of accrued but unpaid Interest under the Bonds, thirdly in or towards payment of any unpaid principal under the Bonds and fourthly in or towards payment of any other costs or outstanding amounts unpaid under the Finance Documents. Any excess funds shall be transferred to the Company.

Admission to trading of Bonds

In order to facilitate trading of the Bonds, the Company intends to apply for admission to trading of the Bonds on the corporate bond list of Nasdaq Stockholm or, if such admission to trading is not possible to obtain or maintain, admitted to trading on another Regulated Market. The number of Bonds being admitted to trading if the application is approved by Nasdaq Stockholm is 400. The earliest date for admitting the Bonds to trading on Nasdaq Stockholm is expected to be on or about the first date after which this Prospectus is approved by the SFSA. The total expenses of the admission to trading of the Bonds are estimated to amount to approximately SEK 150,000. The Terms and Conditions includes an undertaking for the Company to ensure that the Bonds are admitted to trading on Nasdaq Stockholm within twelve (12) months after the First Issue Date and that the Bonds, once admitted to trading on the relevant Regulated Market, continue being listed thereon (see further Clause 13.8 "*Admission to trading of Bonds*" of the Terms and Conditions).

The Company also undertakes to ensure that upon any Subsequent Bonds being issued, the volume of Bonds admitted to trading on the relevant Regulated Market promptly, and not later than twenty (20) Business Days (unless a shorter period is required by mandatory law) after the relevant issue date, is increased accordingly. In case of issues of Subsequent Bonds, a new prospectus will be prepared for the admission to trading of such Subsequent Bonds.

Governing law

The Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden.

4 The Company and its operations

4.1 Company description

The Group was established in 1998 and the Company, Heimstaden AB (publ), reg. no. 556670-0455, was incorporated on 31 July 2004 in Sweden. Its trade name (*i.e.* the name used for marketing purposes) is Heimstaden. The Company's LEI code is 549300WD2QBD89VBPV88. The Company is a public limited liability company and is governed by Swedish law including, but not limited to, the Swedish Companies Act (Sw. *aktiebolagslagen (2005:551)*) and the Swedish Annual Accounts Act (Sw. *årsredovisningslagen (1995:1554)*). The registered office of the Company is in Malmö and the Company's registered address is Östra Promenaden 7 A, SE-211 28 Malmö, Sweden, telephone number +46 (0)770 111 040. The Company's website is heimstaden.com. The information on the website or any other website is not part of this Prospectus and has not been scrutinized or approved by the SFSA unless that information is incorporated by reference into this Prospectus.

According to the Company's articles of association the Company shall own and administrate real property and real estate companies, and conduct business pertaining thereto.

4.2 Share capital, shares, ownership structure and governance

According to its articles of association, the Company's share capital shall be no less than SEK 30,000,000 and not more than SEK 120,000,000 divided into no less than 6,000,000 shares and not more than 24,000,000 shares. As of the date of this Prospectus, the number of shares in the Company was 15,547,750 shares, divided among 13,204,000 ordinary shares and 2,343,750 preference shares.

The Company's preference shares are listed at Nasdaq First North Premier under HEIM PREF. As of 31 August 2020, the ownership of the preference shares was dispersed among 2,263 shareholders. All ordinary shares of the Company are owned by the Company's largest shareholder, Fredensborg AS, which is in turn ultimately controlled by Ivar Tollefsen with approximately 98 per cent. of the shares and 100 per cent. of the votes. Ivar Tollefsen is thereby holding approximately 82 per cent. of the share capital and 98 per cent. of the votes in the Company.

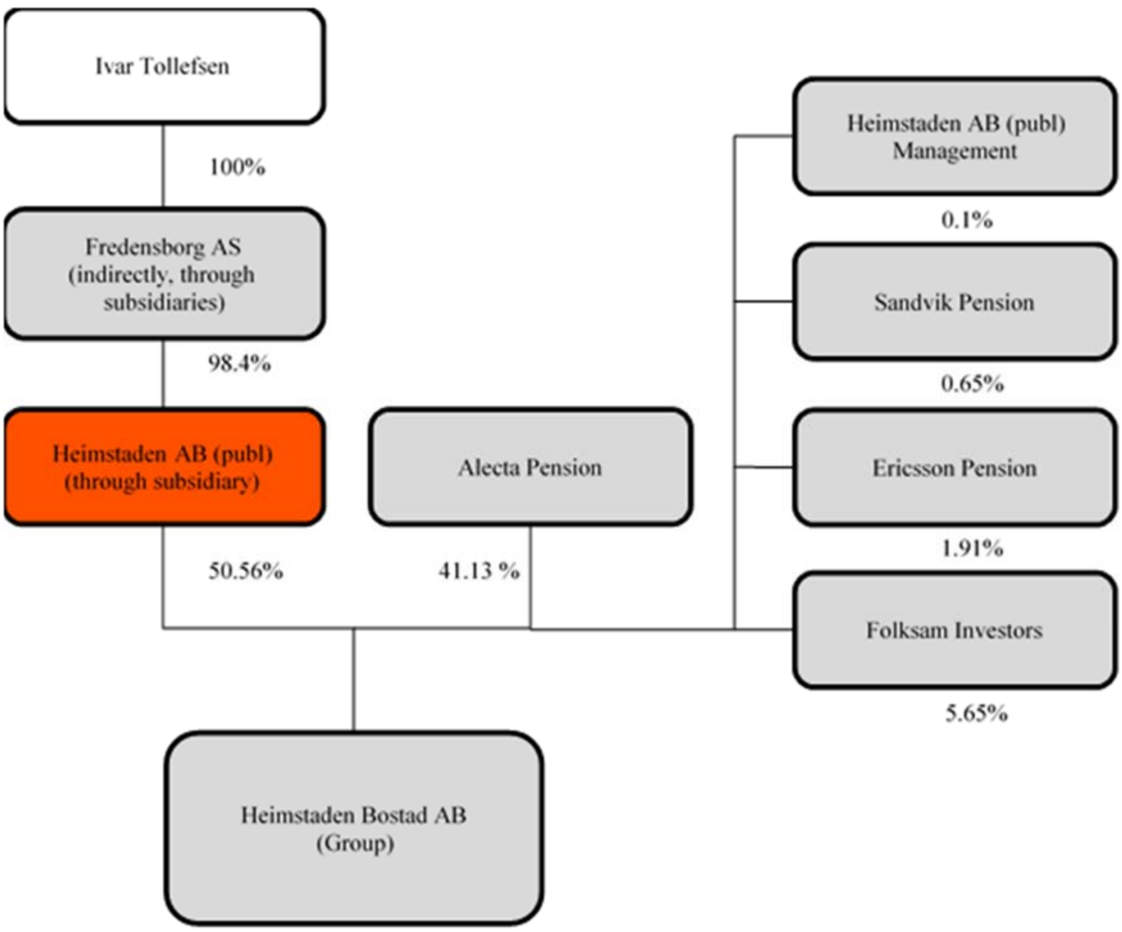
The shareholders exercise their voting rights at general meetings, *e.g.* with regard to the composition of the board of directors and election of external auditors. The main shareholder's influence is limited by the provisions of the Swedish Companies Act on minority rights. The Company's governance is based on its articles of association, the Swedish Companies Act, the listing rules of Nasdaq Stockholm, policies regarding diversity and non-discrimination and other relevant Swedish and international regulations. In addition, the Company acts in accordance with the rules of procedure of the board of directors and the instructions for the managing director adopted by the Company.

As far as the Company is aware, there are no shareholders' agreements or other agreements in place which could result in a change of control of the Company.

The Company owns, directly and indirectly, several partly and wholly-owned subsidiaries as well as associated entities (Sw. *intressebolag*) through which the Company's operations are conducted and through which the Company's properties are owned. The Company is dependent on its subsidiaries and associated entities in order to generate profit and cash flow and, thus, to be able to meet its obligations under the Bonds. In addition, the Company is dependent on companies within the Group for certain aspects of its operations and administration.

A significant part of the Company's and the Group's operations, assets and revenues relate to Heimstaden Bostad, which is owned together with, mainly, pension funds, including Alecta. As at 30 June 2020, the Issuer held, indirectly through Group Companies, approximately 51 per cent. of the votes and approximately 41 per cent. of the total number of shares in Heimstaden Bostad. It follows that the Company is particularly dependent upon dividends from Heimstaden Bostad to be able to meet its obligations under the Bonds. The Company has a group-wide management agreement in place with Heimstaden Bostad, whereby the Company provides head office functions such as legal, group accounting, group treasury, transaction team, HR, communication and senior management. The management agreement is running until 10 October 2032. From 30 September 2026, Heimstaden Bostad will have the sole discretion to terminate the agreement by giving 6 months' notice. There is a risk that the management agreement may be terminated (either before or after 30 September 2026), which would have an adverse effect on the Company since the Company would not receive the fees stipulated in the agreement while still bearing parts of the costs related to the agreement.

The diagram below shows the ownership structure of the Group based on voting rights as at 30 June 2020.



4.3 Operations

Heimstaden is a large privately owned residential real estate company in Northern Europe, investing in properties with strong locations in growth areas in Sweden, Denmark, Norway, the Netherlands, Germany and the Czech Republic. The Company is the parent company in the Group. A significant part of the Company's and the Group's operations relate to Heimstaden Bostad, which is owned together with, mainly, pension funds, including Alecta. The Company also conduct business through other, wholly owned as well as jointly owned, subsidiaries.

The administration and maintenance of the properties are mainly managed by the Company's employees located in the cities in which properties are owned. Head office functions, including in-house legal and financial expertise, as well as group management are located at the Company's office in Malmö. In conducting its business, the Group uses important information systems such as telecommunication systems as well as software applications that the Group uses to control business operations, manage its property portfolio and risks, prepare operating and financial reports and to execute treasury operations.

The Group's strategy is to acquire, develop and manage primarily residential properties in Scandinavia and Northern Europe. The Group focuses on properties in areas that combine both population and economic growth.

The Group's goal is to generate long-term returns for its owners. To reach this goal, the Group seeks continued growth through the following core processes:

- property acquisitions;
- property development; and
- active property management.

Competitors

The Nordic residential sector is characterised by diversified ownership. The Group's competitors comprise several different investor categories such as municipality-owned real estate companies, property funds, listed and unlisted property companies as well as high net worth individuals and family offices.

Sustainability strategy

The Group has seven environmental objectives and five social objectives which it aims to follow, although there can be no guarantee that such objectives will be achieved. The sustainability strategy is also subject to review in the future.

The environmental objectives are to: (i) reduce the climate impact of the Group; (ii) use 100 per cent. source-certified renewable electricity by 2021; (iii) use 100 per cent. renewable or recycled heat (district heating) in the Nordic region by 2030; (iv) invest in energy efficiency, solar cells etc.; (v) use intelligent, modern and cost-efficient environmental technologies; (vi) strive to achieve high standards of environmental classifications (e.g. Green Building Council's Silver standard or equivalent); and (vii) use sustainable material and technologies.

The social objectives are: (i) to become closer to customers through in-house property management; (ii) for 1 per cent. of total contracts to be "social lease contracts" by 2023 with a view to improving this;

(iii) for at least 2 per cent. of employees to be trainees with a view to improving this; (iv) to provide 100 young adult jobs a year (i.e. student jobs and summer jobs); and (v) to improve engagement with the Group's local communities.

Property portfolio

The Group has a relatively geographically diversified property portfolio with properties in various locations across Sweden, Norway, Denmark, the Netherlands, Germany and the Czech Republic.

2020[1]

From the unaudited figures as at 30 June 2020, the Group's property portfolio had a fair value of investment properties (i.e. market value reflected in the Group's accounts) of SEK 135,462 million, split between SEK 43,834 million in Sweden, SEK 35,785 million in Denmark, SEK 2,472 million in Germany, SEK 22,758 million in the Netherlands, SEK 14,260 million in the Czech Republic and SEK 16,352 million in Norway.

From the unaudited figures as at 30 June 2020, the Group's property portfolio comprised 100,123 residential units with a lettable area of 6,854,455 thousand square metres, of which 6,358,058 thousand square metres (93 per cent.) were residential.

From the unaudited figures, during the six months ending 30 June 2020, 92.1 per cent. of the Group's total rental income derived from residential, 6.7 per cent. from commercial premises and the remainder from parking. The occupancy ratio for existing residential premises amounted to 94.6 per cent. at 30 June 2020.

From the unaudited figures, during the six months ending 30 June 2020, properties were acquired at a fair value of SEK 18,805 million.

2019

As at 31 December 2019, the Group's property portfolio had a fair value of investment properties of SEK 113,719 million, split between Sweden SEK 41,629 million, Denmark SEK 34,645 million, Norway SEK 17,373 million, Germany SEK 2,292 million and the Netherlands SEK 17,781 million.

As at 31 December 2019, the Group's property portfolio comprised 54,863 units with a lettable area of 4,031,310 thousand square metres, of which 3,660,839 thousand square metres (91.2 per cent.) were residential.

During the year ending 31 December 2019, 91 per cent. of the Group's total rental income derived from residential premises and 9 per cent. from commercial premises. The occupancy ratio for existing residential premises amounted to 97.6 per cent as at 31 December 2019.

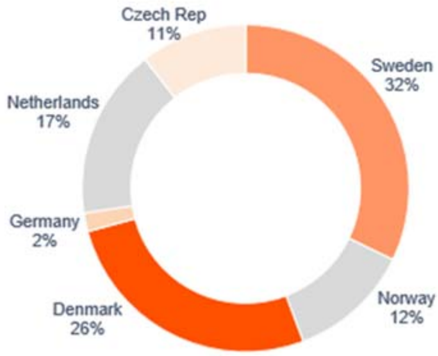
During the year ending 31 December 2019, properties were acquired for a total property value of SEK 27,859 million.

[1] The financial information in this section has been sourced from Heimstaden's interim report for the period January – June 2020.

Fair Value of Investment Properties

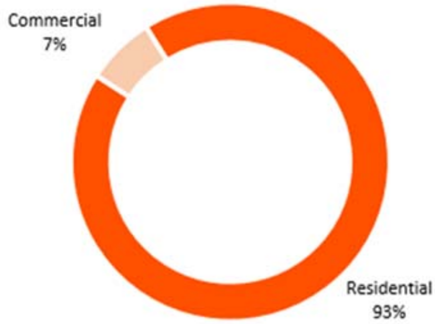
The chart below shows the unaudited fair value of investment properties of the Group in Sweden, Denmark, Norway, the Netherlands, Germany and the Czech Republic as a percentage of the unaudited total fair value of investment properties of the Group as at 30 June 2020.

Geographic distribution of fair value of investment properties (SEK 135,462 million) as at 30 June 2020 (unaudited) (*per cent.*)



Residential and commercial distribution as at 30 June 2020 (unaudited) (by lettable area)

The chart below shows the distribution of the Group's property portfolio between commercial and residential area.



Real Estate Portfolio

The table below shows the Group's property portfolio as at 30 June 2020 (unaudited).[2]

Country	No. of Apartments	Apartments	Commercial	Total	Average size per Apartment	Real Occupancy rate Apartment	Fair Value of Investment Properties	Average market value
			(square metres)		*(square metres)*	*(per cent.)*	*(SEK millions)*	*(SEK thousands per square metre)*
Sweden	29,527	1,789,850	252,542	2,042,392	60.6	98.3	43,834	21.5
Denmark	9,701	823,362	43,114	866,476	84.9	97.7	35,785	41.3
Norway	4,597	159,999	62,070	222,069	34.8	95.1	16,352	73.6
Germany	1,103	69,937	4,623	74,560	63.4	97.0	2,472	33.2
The Netherlands	12,649	1,002,934	16,450	1,019,384	79.3	98.8	22,758	22.3
Czech Republic	42,546	2,511,976	117,598	2,629,574	59.0	95.3	14,260	5.4
Total	100,123	6,358,058	496,397	6,854,455	63.5	96.9	135,462	19.8

[2] The information in the following two tables has been sourced from Heimstaden's interim report for the period January – June 2020 and internal accounting systems.

The table below shows a comparison of the value and composition of the Group's property portfolio across Sweden, Norway, Denmark, the Netherlands, Germany and the Czech Republic. As can be seen in the tables, the Group added portfolios in the Netherlands, Germany and the Czech Republic, but Sweden remains its largest market. From the unaudited figures as at 30 June 2020, the portfolio is well diversified between the three Nordic markets, the Netherlands, Germany and the Czech Republic.

	Six months ending 30 June 2020						
	SE	NO	DK	NL	DE	CZ[(1)]	Total
Rental income (*SEK millions*)	1,224	341	746	483	33	500	3,327
Operating costs (*SEK millions*)	-579	-101	-264	-212	-4	-215	-1,375
Rental income (*per cent. of total*)	36.8	10.3	22.4	14.5	1.0	15.0	100
Net operating income (*SEK millions*)	645	240	473	280	29	285	1,952
Surplus ratio (*per cent.*)	52.7	70.5	63.4	58.1	88.1	56.9	58.7

Notes:

(1) Figures for the Czech Republic are for the period from 20 February 2020, when the Czech portfolio was acquired by Heimstaden Bostad, to 30 June 2020.

Sweden

The Group continues to expand its property portfolio in Sweden. In the six months ending 30 June 2020, the Group acquired residential properties in existing locations where it perceived new opportunities.

Property stock

From the unaudited figures as at 30 June 2020, the Swedish residential portfolio comprised 29,527 apartments. The total lettable area of residential and commercial premises was 2,042,392 square metres. Of this area, 87.6 per cent. consisted of residential premises, and 12.4 per cent. consisted of commercial premises.

Choice of location

The Group's Swedish property stocks have a broad geographical spread, from Luleå in the north to Trelleborg in the south. As at 30 June 2020, the Group was present in 27 locations, and had a strategy to grow through acquisitions and by developing residential properties in areas with population growth, good infrastructure and preferably close proximity to universities or colleges.

Denmark

In Denmark, the Group has progressed from owning a few modern residential properties in central Copenhagen and Frederiksberg to owning a comprehensive and geographically diversified residential portfolio, consisting of condominium apartments, rental apartments and new construction projects.

Property stock

From the unaudited figures as at 30 June 2020, the Danish residential portfolio comprised 9,701 apartments. The total lettable area of residential and commercial premises was 866,476 square metres. Of this area, 95.0 per cent. consisted of residential premises, and 5.0 per cent. consisted of commercial premises.

Choice of location

While the Group continued to search for attractive stock in central locations in Copenhagen and Frederiksberg, it also gradually expanded its geographical presence to the entire Copenhagen region, as well as to other communities, including Odense and Århus.

Norway

In the six months ending 30 June 2020, the Group did not acquire any properties in Norway. The properties are primarily located in the central parts of Oslo.

Property stock

From the unaudited figures as at 30 June 2020, the Norwegian residential portfolio comprised 4,597 apartments. The total lettable area of residential and commercial premises was 222,069 square metres. Of this area, 72.0 per cent. consisted of residential premises and 28.0 per cent. consisted of commercial premises.

Choice of location

The Group's properties are located almost exclusively in Oslo and its environs. The rationale for this is the positive economic development and high purchasing power in Oslo, along with the availability of sufficient residential stock to enable the Group to establish an efficient local property management function. The apartments are small because the Group perceives a greater demand for smaller apartments, and thus opportunities for better value growth.

Germany

Property stock

From the unaudited figures as at 30 June 2020, the German portfolio comprised 1,103 apartments. The total lettable area of residential and commercial premises was 74,560 square metres. Of this area, 93.8 per cent. of the German portfolio area consisted of residential premises, and 6.2 per cent. consisted of commercial premises.

Choice of location

The German portfolio is located in Berlin and Bielefeld.

The Netherlands

Property stock

From the unaudited figures as at 30 June 2020, the Dutch portfolio comprised 12,649 apartments. The total lettable area of residential and commercial premises was 1,019,384 square metres. Of this area, 98.4 per cent. consisted of residential premises, and 1.6 per cent. consisted of commercial premises.

Choice of location

The locations of the Dutch portfolio are dispersed across the Netherlands with a small concentration in Rotterdam.

Czech Republic

On 9 January 2020, Heimstaden Bostad reached an agreement with Round Hill Capital to acquire RESIDOMO, a Czech real estate company, for an amount of approximately EUR 1.3 billion. The transaction completed on 20 February 2020. According to CBRE (2013), RESIDOMO is the largest private owner of residential property in the Czech Republic. The acquisition comprised 4,515 properties, with 42,584 apartments and 1,675 commercial premises.

Property stock

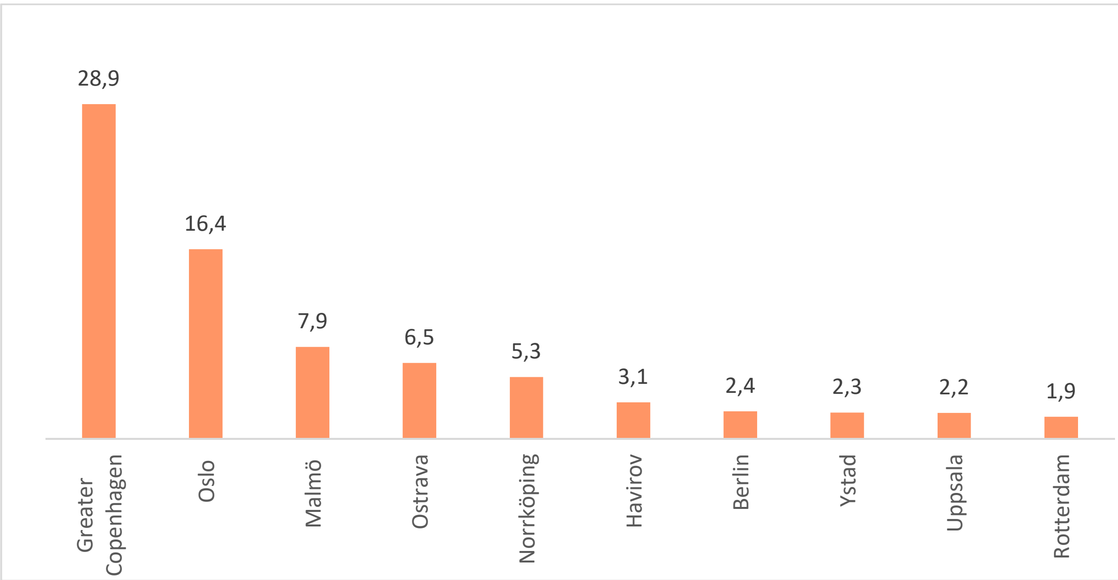
From the unaudited figures as at 30 June 2020, the Czech portfolio comprised 42,546 apartments. The total lettable area of residential and commercial premises was 2,629,574 square metres. Of this area, 92.5 per cent. of the Czech portfolio area consisted of residential premises, and 4.5 per cent. consisted of commercial premises.

Choice of location

The Czech portfolio is concentrated in the Moravia-Silesia region, with the majority of the portfolio located in Ostrava, Havirov and Karvina.

The chart below shows the unaudited fair value of investment properties distribution across the ten cities that have the largest market value of investment properties in which the Group holds property as at 30 June 2020 (unaudited).

Property value (SEK, billions) (as at 30 June 2020, unaudited)[3]



The value of Heimstaden's portfolio is distributed across strong growth regions such as the Scandinavian capitals, Rotterdam and Berlin and other growth areas in the Nordics such as the Öresund region (Malmö) or university cities such as Uppsala, Växjö and Linköping.

Rental Income

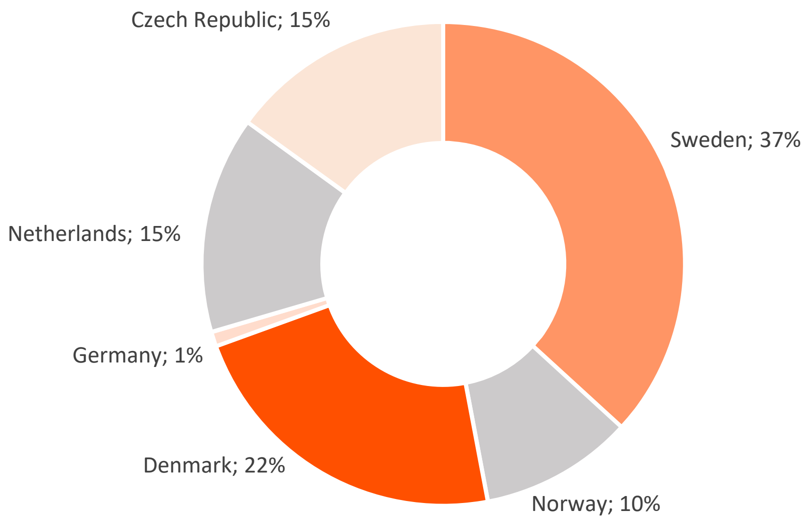
The table below shows the Group's rental income by property type for the years ending 31 December 2018 and 31 December 2019 and for the six months ending 30 June 2019 and 30 June 2020. As can be seen in the table and chart below, the Group has recently increased its rental income but remains focused on residential premises (according to the unaudited figures as at 30 June 2020, 92.1 per cent. of the rental income is generated from residential premises).[4]

[3] The information in this figure has been sourced from Heimstaden's internal accounts.
[4] The information in this table regarding the six months ending 30 June 2019 and 2020, respectively, has been sourced from Heimstaden's interim report for the period January – June 2020 and internal accounts.

Rental income	Six months ending 30 June		Year ending 31 December	
	2020 (unaudited)	2019 (unaudited)	2019	2018
		(SEK millions)		
Residential	3,068	1,960	4,416	3,124
Commercial	213	189	391	221
Garages and parking spaces	39	32	56	48
Other	7	-	-	-
Total	**3,327**	**2,181**	**4,863**	**3,393**

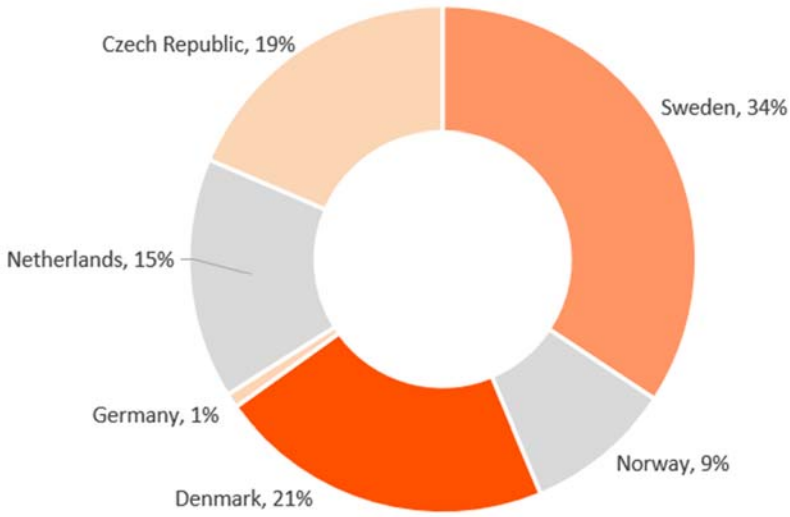
The charts below show (i) the Group's unaudited rental income in Sweden, Denmark, Norway, the Netherlands, Germany and the Czech Republic as a percentage of the Group's unaudited total rental income for the six months ending 30 June 2020 and (ii) the Group's unaudited earnings capacity in Sweden, Denmark, Norway, the Netherlands, Germany and the Czech Republic as a percentage of the Group's unaudited total earnings capacity as of 30 June 2020.

Rental income distribution, actual (six months ending 30 June 2020, unaudited)[5]



[5] The information in this chart has been sourced from Heimstaden's interim report for the period January – June 2020.

Rental income distribution, earnings capacity (six months ending 30 June 2020, unaudited)[6]



Operational Data[7]

Potential Earnings Capacity

The earnings capacity is not a forecast for the current year or the next 12 months but is an assessment of potential earnings capacity from rental income. Heimstaden uses this assessment to evaluate its current operations. Current earnings capacity looks at the properties held on the balance sheet date and is based on the contracted rental income, current property costs and administrative costs (for a projected 12 month period). The costs for the interest-bearing liabilities have been based on the Group's average interest rate, including the effect of derivative instruments on the balance sheet date. Accordingly, the current earnings capacity does not include any assessment of the future development of rent levels, vacancy rates, property costs and interest rates, nor does it include an assessment of value changes, or acquisitions and disposals of properties. There can be no assurance that such figures will not change in the future and therefore it is not a forecast of actual future earnings.

The following table sets out the unaudited earnings capacity as at 30 June 2020.

Earning capacity	**As at 30 June 2020**
	(unaudited)
	(SEK millions)
Current earning capacity	
Rental income	7,164
Property costs	-3,215
Net operating income	3,950
Central administration	-280
Other operating income	-
Other operating costs	-
Profit from participations in associated companies	-
Profit before financial items	3,670
Financial income	-
Financial costs – interest-bearing liabilities	-1,312

[6] The information in this chart has been sourced from Heimstaden's internal accounts.
[7] The information in this section has been sourced from Heimstaden's interim report for the period January – June 2020.

Earning capacity	As at 30 June 2020
	(unaudited)
Profit from property management	2,358
Key data	
Surplus ratio (*per cent.*)	55.1
Interest coverage ratio (ICR), multiple	2.8

Valuations of Properties

The Group values its properties internally three times a year. At the end of the year, an external valuation of each property is performed, providing a basis for the financial statements. During 2019, external valuations were conducted by Newsec and Forum Fastighetsekonomi for Sweden, Colliers International for Denmark, Eie Eiendomsmegling, Aktiv Eiendomsmegling and Nyverdi AS for Norway, Cushman & Wakefield for the Netherlands and CBRE for Germany.

For Norway, the most recent valuation has been updated with changes in apartment prices according to official statistics. In Sweden and Denmark, the valuation is performed using cash flow analysis based on each property's net operating income, as well as analysis of local prices. Based on the estimated net operating income, a simulation is performed for the ensuing five to ten years' earnings capacity and a present value is calculated based on annual flows and a terminal value calculated according to the Gordon growth model. The sum of the calculated present values represents the estimated market value of the property. The Group and the external valuers apply the following assumptions in the individual valuations:

- Rent levels develop largely in line with the anticipated rate of inflation, taking into account the indexation level for each rental contract.
- The discount rate and return requirement are based on local price analysis of completed transactions, as well as individual assessments of the risk level and the property's market position.

The Group's Tenants

The Group has a diversified tenant group. The Group does not hold any properties that are exclusively for commercial use, and most of the commercial tenants are businesses (such as restaurants, offices and related) located on the ground floor of residential buildings. The Group's ten largest tenants account for less than 1 per cent. of the Group's total rental income.

Lease Activities

Differences in leasing systems between the countries in which the Group operates

The leasing systems differ between the countries in which the Group operates. In Sweden, customers lease their apartments until further notice and rent levels for the entire residential stock are negotiated once a year with the local office of the Swedish Tenant Association. The period of notice is three months. Customer turnover is relatively limited compared to Denmark and Norway.

In Denmark, rental systems vary depending on the age of the property. Rental systems for properties constructed after 1991 are regulated according to the net price index ("**NPI**") but also through annual review in accordance with the relevant leases. For older properties, rent levels are generally determined according to utility costs and taxes, with the rent being adjusted in line with increases in, for example, taxes and fees. There is also a variant called "lejeværdi", a form of utility value rent for remodelled apartments constructed before 1992. However, to be able to charge "lejeværdi", the owner must be able to show invoices for valid investments exceeding DKK 250,000 for the individual apartment. Regardless of the property type, leases apply until further notice with a notice period of three months.

In Norway, a three-year lease is signed, with the rent level being adjusted upwards annually during the lease period in line with the consumer price index. Before the end of the contract, customers are contacted to determine whether they want to sign a new three-year agreement. Market rent levels apply for each new three-year period, which can lead to relatively large changes in rent levels. This system, *ceteris paribus*, results in a higher customer turnover compared with Sweden and Denmark.

In the Netherlands, the residential system is divided into the regulated sector and the unregulated (liberalised) sector. The WOZ value and WWS (Dutch: *Woningwaarderingsstelsel*) points of a regulated unit determine the maximum rent that can be collected. This can be influenced with capital expenditure and, beyond 142 WWS-points, a unit becomes liberalised once the tenant at the time leaves. WOZ-value is a government-determined fiscal value for every house, is renewed every year, and serves as the basis for occupier taxes. It is based on house transaction prices, incorporating the latest market developments. A residential unit is categorised as a regulated or unregulated unit depending on the residential unit's WWS-points and the monthly rent. The WWS-system is a transparent way of determining the attractiveness of a residential unit based on certain characteristics such as location, standard, equipment and size. The more attractive a residential area, the higher the points and consequently the higher the rent. The Dutch government discloses a list on an annual basis informing the landlords in the country exactly how much they are allowed to charge in rent based on the WWS-points achieved. For instance, if a unit has 130 WWS-points the maximum allowed rent is EUR 657/month. If the monthly rent exceeds EUR 720/month, equivalent to the same or more than 142 WWS-points, the unit is characterised as "liberalised" and you are generally allowed to charge free market rent. All units below EUR 720/month, or the same or less than 141 WWS-points, must however follow the government's maximum allowed rents under the WWS-system.

The table below shows the shares of total regulated/unregulated rental income of the total portfolio of the Group as at 30 June 2020 (unaudited). In Sweden, 100 per cent. of the rental income is regulated, in Denmark, 16 per cent. of the rental income is regulated, in Norway, 0 per cent. of the rental income is regulated, in the Netherlands, 60 per cent. of the rental income is regulated, in Germany, 100 per cent. of the rental income is regulated and in the Czech Republic, 38 per cent. of the rental income is regulated.

Share of regulated/unregulated total rental income of Group's total portfolio, as at 30 June 2020 (unaudited)

Rental System	Market	Share of total rental income
		(*per cent.*)
Residential – unregulated	NO / DK / NL / CZ	45
Residential – regulated	SE / DK / DE / NL / CZ	55
Total		100

The table below shows the occupancy rates across the Group's property portfolio for the years ending 31 December 2018, 31 December 2019 and the six months ending 30 June 2019 (unaudited) and 30 June 2020 (unaudited).[8]

Occupancy rates apartments	Six months ending 30 June		Year ending 31 December	
	2020 (unaudited)	2019 (unaudited)	2019	2018
Sweden	97.4	97.3	98.4	98.1
Denmark	95.6	95.6	95.7	94.3
Norway	94.1	96.1	97.1	96.6
The Netherlands	97.3	95.8	96.9	100.0
Germany	93.7	97.9	99.2	93.8
Czech Republic	91.6	-	-	-
Total	**94.6**	**96.6**	**97.6**	**97.3**

Notes:
Figures for the Czech Republic are not available for the year ending 31 December 2018, the six months ending 30 June 2019 and for the year ending 31 December 2019 as the Czech portfolio was acquired by Heimstaden on 20 February 2020.

Moreover, discounting vacant apartments currently under refurbishment, the total real occupancy rate as at 30 June 2020 would be 96.9 per cent.[9]

The table below shows the like-for-like rental growth across the Group's property portfolio at 30 June 2020 as compared to the position as at 30 June 2019.[10]

Country	Like-for-like rental growth
	(per cent.)
Sweden	4
Denmark	4
Norway	0
The Netherlands	7
Germany	8
Czech Republic	-
Total	**4**

Notes:
(1) Figures for the Czech Republic are not available since the Czech portfolio was acquired by Heimstaden on 20 February 2020.

Property Development and Refurbishment[11]

The Group is an active developer in the Swedish and Danish residential property markets. The development portfolio has been located in growth areas within the respective markets.

The table below shows the capital expenditure by the Group on maintenance and upgrades to its existing properties during the six months ending 30 June 2020 (excluding development projects).

[8] The information in this table regarding the six months ending 30 June 2019 and 2020, respectively, has been sourced from Heimstaden’s interim report for the period January – June 2020.
[9] This information has been sourced from Heimstaden’s interim report for the period January – June 2020.
[10] The information in this table has been sourced from Heimstaden’s internal accounts.
[11] The financial information in this section has been sourced from Heimstaden’s internal accounts.

	Sweden	Denmark	Norway	The Netherlands	Germany	Czech Republic	Total
				(*SEK, millions*)			
Upgrades/development on existing properties	190	37	48	7	1	32	315
Maintenance on existing properties........................	322	28	25	14	25	16	430

The table below shows the estimated cost of completion for the Group's development projects that, as at the date of this Prospectus, are currently planned between 2020 and 2022.

2020	Turnkey	Joint Venture[(1)]	Forward Funding	Own Development
		(*SEK, millions*)		
Sweden............................	-	-	735	432
Denmark...........................	743	619	981	-

2021	Turnkey	Joint Venture[(1)]	Forward Funding	Own Development
		(*SEK, millions*)		
Sweden............................	-	181	1,471	1,004
Denmark...........................	963	437	-	-

2022	Turnkey	Joint Venture[(1)]	Forward Funding	Own Development
		(*SEK, millions*)		
Sweden............................	-	-	1,842	1,062
Denmark...........................	496	-	-	-

Note:
[(1)] Amounts shown for joint ventures reflect the total estimated cost for the joint venture and the element the Group is responsible for is up to 50 per cent. of the committed amount.

As at the date of this Prospectus, the Group has no current plans for development projects in the Netherlands, Germany or the Czech Republic. In connection with the acquisition of Norwegian investment properties, building rights and ongoing construction projects were also acquired. The above item amounting to SEK 767 million concerns the development of condominium apartments in Oslo that are to be divested upon completion.

Finance and Capital Structure

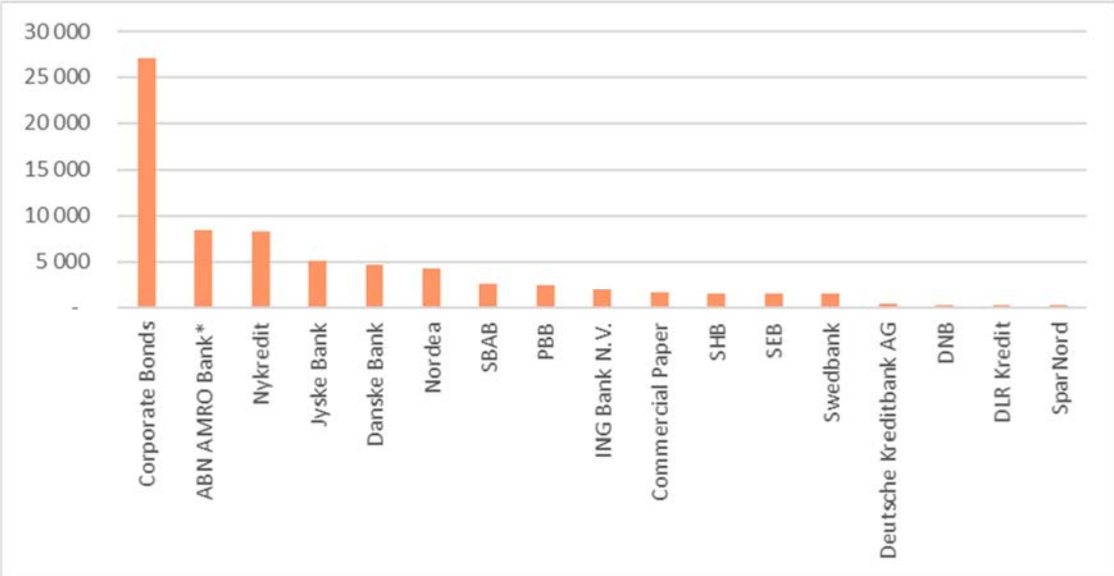
Funding Strategy

Heimstaden pursues capital-intensive operations and access to capital is an essential prerequisite for the development of a successful property business. Operations are funded using a combination of shareholders' equity, interest-bearing liabilities and other liabilities. As at 30 June 2020, the Group had interest-bearing liabilities amounting to SEK 72,221 million (unaudited) (compared with SEK 61,946 million as at 31 December 2019). The external bank financing of SEK 43,465 million is secured entirely by property mortgages, and provided by Nordic commercial institutions and Nordic, Dutch and German mortgage banks. In total the interest-bearing debt was divided between 15 financial institutions. Existing financing has been and future financing may be entered into by subsidiaries of Heimstaden.

Funding

The chart below shows an overview of the Group's existing lenders as at 30 June 2020.

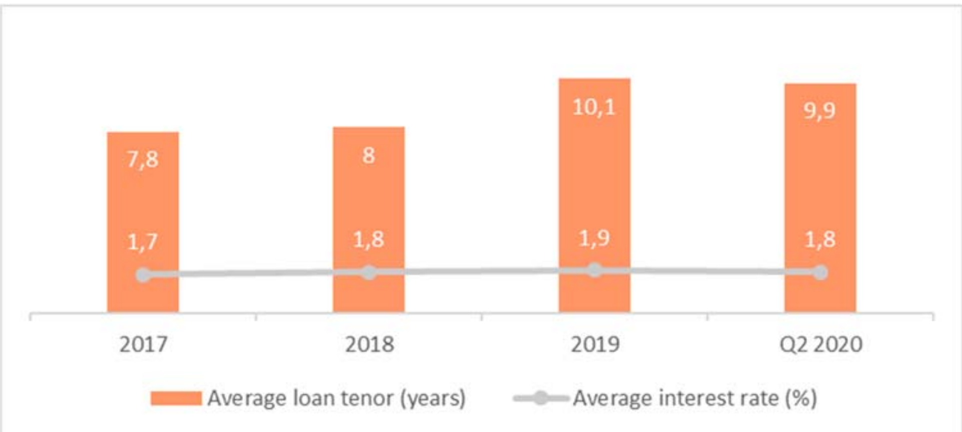
Funding distribution by lender (SEK, millions) (as at 30 June 2020, unaudited)



* Syndicate loan consisting of multiple lenders.

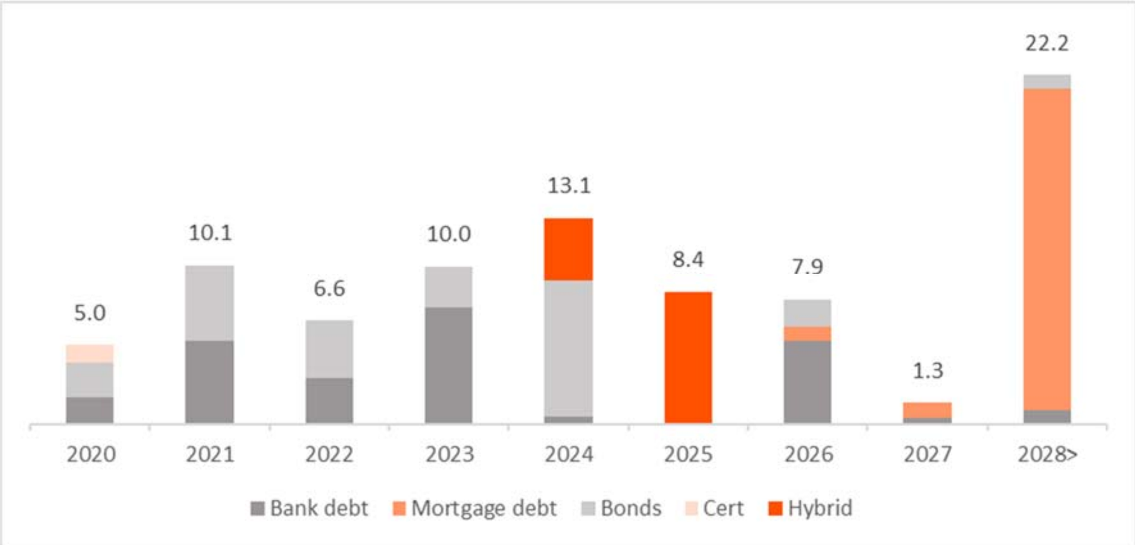
From the unaudited figures as at 30 June 2020, the average period for fixed interest-bearing loans, adjusted for derivative instruments was 2.3 years (compared to 2.6 years as at 31 December 2019) and the average period during which capital was tied up for the loans was 9.9 years (compared to 10.1 years as at 31 December 2019). From the unaudited figures as at 30 June 2020, the average interest rate was 1.8 per cent. (compared to 1.9 per cent. as at 31 December 2019).

The chart below shows an overview of the average period during which capital was tied up for the loans and the average interest rate, in each case as at 30 June 2020 and 31 December 2019, 2018 and 2017.



The chart below shows an overview of the Group's loan tenors from the unaudited figures as at 30 June 2020.

Loan tenors (as at 30 June 2020, unaudited)



The table below shows the Group's utilised and unutilised credit commitments and whether the financing is secured by the Group's assets as at 30 June 2020.

Financing source	Credit	Secured credit	Unutilised credit	Share of total
	(SEK, millions)	*(per cent.)*	*(SEK, millions)*	*(per cent.)*
Corporate bonds	28,756	0	0	37
Mortgages	21,818	100	0	32
Bank loans	21,648	100	11,727	31
Total	72,221	60	11,727	100

The table below shows the Group's unencumbered assets by country as at 30 June 2020.

Country	Unencumbered Assets
	(per cent.)
Sweden	34.5
Denmark	0.0
Norway	92.1
The Netherlands	2.1
Germany	68.0
Czech Republic	100.0
Total	**34.4**

4.4 Selected key performance indicators

Alternative Performance Measures

Heimstaden applies the European Securities and Markets Authority ("**ESMA**") Guidelines on the Alternative Performance Measures (issued on 5 October 2015) (the "**ESMA guidelines**"). Heimstaden presents certain financial measures that are not defined in accordance with International Financial Reporting Standards as adopted in the European Union ("**IFRS**"). Heimstaden believes that these measures provide valuable additional information to investors and management as they enable assessment of the Group's performance. Since not all companies calculate financial measures in the same way, these are not always comparable to measurements used by other companies. Accordingly, these financial measures should not be considered as a replacement for measures defined in accordance with IFRS. Further details are provided below in respect of alternative performance measures used in this Prospectus.

*) These specific key data are operational and are not considered to be key data in accordance with the ESMA guidelines.

†) These key ratios are calculated with particular regard to interest-bearing subordinated shareholder loans, which are reclassified and defined as equity given their financial structure.

Surplus ratio (per cent.)

Net operating income for the period as a percentage of rental revenue for the period. This key performance indicator shows the profitability of the properties.

Interest coverage ratio (ICR) (rolling 12 months), multiple †

Profit after net financial items plus financial costs divided by financial costs attributable to interest-bearing liabilities excluding the effect of subordinated shareholder loans. Interest coverage ratio is a key performance measure that Heimstaden considers to be relevant for assessing Heimstaden's ability to pay interest on interest-bearing liabilities, make strategic investments and to fulfil its commitments under financing agreements. Due to seasonality in profit from property management this key performance indicator is calculated using the last 12 months' rolling data.

Loan-to-value ratio (LTV) (per cent.) †

The loan-to-value ratio compares net debt against total assets and is a key performance measure that Heimstaden considers to be relevant for assessing Heimstaden's indebtness in relation to its assets.

Loan-to-value ratio, secured loans (per cent.) †

Current interest bearing secured liabilities plus non-current interest bearing secured liabilities as a percentage of total assets. Loan-to-value-ratio, secured loans, is a key performance measure that Heimstaden considers to be relevant for assessing Heimstaden's secured indebtness in relation to its total assets.

Loan-to-value ratio including 50 per cent. debt for hybrid capital (LTV adj.) (per cent.) †

The loan-to-value ratio adjusted to reflect the outstanding hybrid capital as being 50 per cent. debt and 50 per cent. equity rather than the IFRS classification of the same instrument being 100 per cent. equity. This is a key performance measure that Heimstaden considers to be relevant for assessing Heimstaden's indebtness.

Net debt to capitalisation (per cent.) †

Net debt divided by capitalization (net debt plus equity) adjusted to reflect the outstanding hybrid capital as being 50 per cent. debt and 50 per cent. equity rather than the IFRS classification of the same instrument being 100 per cent. equity.

Net debt (SEK) †

Net of interest-bearing liabilities excluding interest-bearing subordinated shareholder loans and provisions less financial assets, cash and cash equivalents. Shareholder loans are included in equity in order to ensure historical comparability.

Equity/assets ratio (per cent.) †

Equity including interest-bearing subordinated shareholder loans as a percentage of total assets at the end of the period. Shareholder loans are included in equity in order to ensure historical comparability. This key performance indicator shows the Issuer's financial risk.

Average interest (per cent.)* †

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

Average period of fixed-interest on loans by derivative (years)* †

Average remaining maturity on the interest settlement date of all credits and derivatives in the debt portfolio.

Average period for which capital is tied up (years)* †

Average remaining period until final maturity of all credits in the debt portfolio**.**

Net asset value on the balance sheet date (SEK millions)

Equity plus deferred tax liability. This is a key performance measure that Heimstaden considers to be relevant for assessing Heimstaden's asset value after liabilities has been deducted.

Long-term asset value (EPRA NAV) on the balance sheet date (SEK millions)

Equity with deferred tax liability and interest rate derivatives reversed.

DEBT/EBITDA (rolling 12 months) †

Time-weighted interest-bearing liabilities excluding subordinated shareholder loans divided by profit before financial items with reversal of depreciation. Due to seasonality in EBITDA, this key performance indicator is calculated using the last 12 months' rolling data. Debt/EBITDA (rolling 12 months) is a key performance measure that Heimstaden considers to be relevant for assessing Heimstaden's ability to pay interest on interest-bearing liabilities.

Profit per ordinary share (SEK)

Profit 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.

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 and the share's remaining entitlement to dividends.

Occupancy ratio, residential properties (number) (per cent.)

Leased residential properties divided by total number of residential units.

Real occupancy ratio, residential properties (number) (per cent.)

Leased residential units adjusted for voluntary vacancies due to standard improvements divided by the total number of residential units.

Profit from property management (SEK millions)

Profit excluding changes in value and tax. Profit from property management is a key performance measure that Heimstaden considers to be relevant for assessing the earnings generation of the underlying operations.

Proportion living area on balance sheet date (per cent.)

This is calculated by dividing the living area by the total property area.

Profit before financial items (SEK millions)

Profit before financial items is calculated by deducting central administration costs, other operating income and other operating costs from net operating income. Profit before financial items is a key performance measure that Heimstaden considers to be relevant for assessing the earnings generation of the underlying operations before financial costs have been paid.

Net financial items (SEK millions)

This is the net sum of income and costs relating to financial activities.

The table below lists each of the above Key Performance Indicators for Heimstaden AB as at year end 2018 and 2019, and for the six months ending 30 June 2019 (unaudited) and 30 June 2020 (unaudited).

Key Performance Indicators

	Six months ending 30 June		**Year ending 31 December**	
	2020 (unaudited)	**2019 (unaudited)**	**2019**	**2018**
Property-related key data				
Lettable time-weighted area (*square metres, thousands*)	2,998	1,603	3,562	2,417
Rental income per square metre (*SEK*)	1,110	1,361	1,365	1,404
Operating costs per square metre (*SEK*)	-459	-616	-600	-665
Surplus ratio (*per cent.*)	58.7	54.8	56.0	53.4
Occupancy ratio (*per cent.*)	94.6	96.6	97.6	97.3
Proportion living area on balance sheet date (*per cent.*)	92.8	91.1	90.8	88.9
Financial key data				
Cash flow from operating activities before changes in working capital (*SEK millions*)	852	417	1,082	758
Profit from property management (*SEK millions*)	1,309	294	1,293	989
Interest coverage ratio (ICR)	2.7	2.3	2.4	2.2
Loan-to-value ratio (*per cent.*)	42.6	55.5	39.9	49.1
Loan-to-value ratio, secured loans (*per cent.*)	29.2	39.1	31.8	39.1
Loan-to-value ratio including 50 per cent. debt for hybrid capital (*per cent.*)	46.7	57.3	48.8	49.1
Net debt to capitalisation (*per cent.*)	52.8	60.8	51.7	55.2
Equity/assets ratio (*per cent.*)	46.3	36.2	46.6	40.7
Average interest as per balance day (*per cent.*)	1.8	2.0	1.9	1.8
Average period of fixed-interest on loans by derivative (*years*)	2.3	2.0	2.6	1.9

	Six months ending 30 June		Year ending 31 December	
	2020 (unaudited)	**2019 (unaudited)**	**2019**	**2018**
Average period for which capital is tied up (*years*)	9.9	9.6	10.1	8.0
Net asset value on the balance sheet date (*SEK millions*)	73,292	43,012	63,582	36,154
Long-term asset value (EPRA NAV) on the balance sheet date (*SEK millions*)	73,292	43,331	63,647	36,136
Debt / EBITDA, (rolling 12 month)	20	23	21	20
Profit before financial items (*SEK millions*)	1,818	1,171	2,729	1,692
Net financial items (*SEK millions*)	-509	-877	-1,436	-703
Data per share				
Profit per ordinary share (*SEK*)	43	197	322	139
Equity per ordinary share (*SEK*)	1,548	1,531	1,508	1,182
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
Average number of ordinary shares outstanding	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

The table below sets out the ways in which certain key data, which is considered "alternative" according to the ESMA guidelines, is derived.

Derivation of key data considered alternative according to the ESMA guidelines

	As at 30 June		As at 31 December	
	2020 (unaudited)	**2019 (unaudited)**	**2019**	**2018**
	(*SEK millions, unless otherwise stated*)			
Surplus ratio (*per cent.*)				
Net operating income	1,952	1,194	2,725	1,810
Rental income	3,327	2,181	4,863	3,393
Surplus ratio (*per cent.*)	**58.7**	**54.8**	**56.0**	**53.4**
Occupancy ratio, residential properties (*per cent.*)				
Number of available/vacant homes as per the balance sheet date	5,451	1,720	1,336	1,068
Number of leased homes as per the balance sheet date	94,672	49,170	53,527	37,938
Total number of homes as per balance sheet date	100,123	50,890	54,863	39,006
Occupancy ratio, residential properties (*per cent.*)	**94.6**	**96.6**	**97.6**	**97.3**
Proportion living area on balance sheet date (*per cent.*)				
Living area as per balance sheet date (*square metres*)	6,358,058	3,420,370	3,660,839	2,427,714
Premises area as per balance sheet date (*square metres*)	496,397	334,365	370,471	304,645
Total area as per balance sheet date (*square metres*)	6,854,455	3,754,735	4,031,310	2,732,359
Proportion living area on balance sheet date (*per cent.*)	**92.8**	**91.1**	**90.8**	**88.9**
Real occupancy ratio, housing (number) (*per cent.*)				
Number of non-market vacancies as per the balance sheet date	3,104	814	494	512
Number of leased homes as per the balance sheet date	97,019	50,076	54,369	37,938
Total number of homes as per balance sheet date	100,123	50,890	54,863	39,006
Real occupancy ratio, housing (number) (*per cent.*)	**96.9**	**98.4**	**99.1**	**98.6**
Interest coverage ratio (ICR) (*multiple*)				
Profit before financial items	1,818	1,171	2,729	1,692
Financial costs – Interest-bearing liabilities	685	562	1,152	694
Interest coverage ratio (ICR) (*multiple*)	**2.7**	**2.3**	**2.4**	**2.5**
Equity/assets ratio (*per cent.*)				
Equity	68,921	39,665	59,942	33,936
Interest-bearing subordinated shareholder loans	-	-	-	-
Equity including interest-bearing shareholder loans	68,921	39,665	59,942	33,936
Total assets	148,797	109,680	128,606	83,286
Equity/assets ratio (*per cent.*)	**46.3**	**36.2**	**46.6**	**40.7**
Net debt				
Interest-bearing liabilities	72,221	64,125	61,946	45,687
Cash and cash equivalents	-8,877	-3,295	-10,687	-4,775
Net debt	**63,344**	**60,830**	**51,259**	**40,912**

	As at 30 June		As at 31 December	
	2020 (unaudited)	2019 (unaudited)	2019	2018
Loan-to-value ratio (LTV) (*per cent.*)				
Net debt	63,344	60,830	51,259	40,912
Total assets	148,797	109,680	128,606	83,286
Loan-to-value ratio (LTV) (*per cent.*)	**42.6**	**55.5**	**39.9**	**49.1**
Loan-to-value ratio, secured loans (LTV) (*per cent.*)				
Non-current interest bearing secured liabilities	28,756	21,221	21,066	13,143
Current interest bearing secured liabilities	43,465	42,904	40,880	32,544
Total assets	148,797	109,680	128,606	83,286
Loan-to-value ratio, secured loans (LTV) (*per cent.*)	**29.2**	**39.1**	**31.8**	**39.1**
Loan-to-value ratio including 50 per cent. debt for hybrid capital (LTV adj.) (*per cent.*)				
Net debt	63,344	60,830	51,259	40,912
Hybrid capital (50 per cent. debt)	12,381	1,982	11,523	-
Net debt including 50 per cent. debt for hybrid capital	**69,535**	**62,812**	**62,782**	**40,912**
Total assets	148,797	109,680	128,606	83,286
Loan-to-value ratio including 50 per cent. debt for hybrid capital (LTV adj.) (*per cent.*)	**46.7**	**57.3**	**48.8**	**49.1**
Net debt to capitalisation (*per cent.*)				
Net debt including 50 per cent. debt for hybrid capital	69,535	62,812	62,782	40,912
Net debt	63,344	60,830	51,259	40,912
Equity including 50 per cent hybrid capital	62,731	38,674	54,181	33,936
Net debt to capitalisation (*per cent.*)	**52.8**	**60.8**	**51.7**	**55.2**
Net asset value on the balance sheet date				
Equity	68,921	39,665	59,942	33,936
Deferred tax liability	4,371	3,347	3,640	2,218
Net asset value on the balance sheet date	**73,292**	**43,012**	**63,582**	**36,154**
Long-term asset value (EPRA NAV) on the balance sheet date				
Net asset value (*SEK millions*)	73,292	43,012	63,582	36,154
Interest rate derivatives	-	319	65	-18
Long-term asset value (EPRA NAV) on the balance sheet date	**73,292**	**43,331**	**63,647**	**36,136**
Debt				
Time weighted interest-bearing liabilities (*SEKm*)	67,507	46,932	58,399	34,059
EBITDA				
Profit before financial items (last 12 months) (*SEKm*)	3,376	2,065	2,729	1,692
Depreciation (last 12 months)	12	5	8	6
EBITDA (last 12 months) (*SEKm*)	**3,388**	**2,070**	**2,737**	**1,697**
Debt/EBITDA (rolling 12 months)				
Debt (*SEKm*)	67,507	46,932	58,399	34,059
EBITDA (*SEKm*)	3,388	2,070	2,737	1,697
Debt/EBITDA (*multiple*)	**19.9**	**22.7**	**21.3**	**20.1**
Profit from property management				
Profit before financial items	1,818	1,171	2,729	1,692
Net financial items	-509	-877	-1,436	-703
Profit from property management	**1,309**	**294**	**1,293**	**989**

Heimstaden AB as an isolated entity

Below are Key Performance Indicators viewing Heimstaden AB as an isolated entity, consisting mainly of the shares in Heimstaden Bostad AB and a sole investment property and excluding the properties, debt and cash position of Heimstaden Bostad. This information has been sourced from Heimstaden AB's internal accounting systems.

Shares in subsidiaries

Shares in subsidiaries is a measure of the value of the shares in Heimstaden Bostad held by Heimstaden AB. This is relevant to show the value of parts of the assets held by Heimstaden AB as an isolated entity.

Assets

Assets is a measure of the value of the shares in Heimstaden Bostad held by Heimstaden AB, including the investment properties owned by Heimstaden AB. This is relevant to show the value of the assets held by Heimstaden AB as an isolated entity.

Net debt

Net debt is a measure of the indebtness less the cash position of Heimstaden AB as an isolated entity. Heimstaden considers net debt to be relevant to measure its indebtness.

Loan-to-Value (per cent.)

The loan-to-value ratio compares net debt against assets and is a key performance measure that Heimstaden considers to be relevant for assessing the indebtness of Heimstaden AB as an isolated entity in relation to its assets.

Net debt, including hybrid bonds

Net debt, including hybrid bonds is a measure of the indebtness, including hybrid bonds, less the cash position of Heimstaden AB as an isolated entity. Heimstaden considers net debt, including hybrid bonds to be relevant to measure the indebtness of Heimstaden AB as an isolated entity if the hybrid bonds were to be viewed as 100 per cent. debt.

Loan-to-Value, including hybrid bonds (per cent.)

The loan-to-value ratio, including hybrid bonds compares net debt, including hybrid bonds, against assets and is a key performance measure that Heimstaden considers to be relevant for assessing the indebtness of Heimstaden AB as an isolated entity in relation to its assets if the hybrid bonds were to be viewed as 100 per cent. debt.

Income

Income is a key performance measure that shows the income for Heimstaden AB as an isolated entity used to pay for interest costs and other costs related to the ongoing business of Heimstaden AB as an isolated entity and consists of income from its investment properties, the income from the management of Heimstaden Bostad's assets and the cash dividend from the shares in Heimstaden Bostad, held by Heimstaden AB. Heimstaden considers this to be relevant for assessing the ability of Heimstaden AB as an isolated entity to pay the interest costs on its debt.

Financial costs

Financial costs is a key performance measure that shows the costs related to the indebtness of Heimstaden AB as an isolated entity including interest-bearing debt and dividends on preferences shares and hybrid bonds. Heimstaden considers this key performance measure to be relevant to assess the funding costs related to the assets in Heimstaden AB as an isolated entity.

Interest coverage ratio (multiple)

Income divided by financial costs. Interest coverage ratio is a key performance measure that Heimstaden considers to be relevant for assessing the ability of Heimstaden AB as an isolated entity to pay interest on interest-bearing liabilities, make strategic investments and to fulfil its commitments under financing agreements.[12]

	As at 30 June		**As at 31 December**	
	2020 (unaudited)	**2019 (unaudited)**	**2019**	**2018**
	(SEK millions, unless otherwise stated)			
Shares in subsidiaries				
Equity Attributable to Parent Company shareholders	25,332	21,112	23,808	16,500
Hybrid bond	-3,867	-1,982	-2,975	0
Shares in subsidiaries	21,465	19,130	20,833	16,500
Assets				
Shares in subsidiaries	21,465	19,130	20,833	16,500
Investment properties	388	17,018	388	3,920
Assets	21,853	36,148	21,221	20,420
Net debt				
Interest-bearing liabilities	3,200	12,776	3,200	4,094
Cash and cash equivalents	-2,383	-1,871	-6,342	-2,462
Net debt	817	10,905	-3,142	1,632
Loan-to-Value (*per cent.*)				
Net debt	817	10,905	-3,142	1,632
Assets	21,853	36,148	21,221	20,420
Loan-to-Value (per cent.)	**3.7**	**30.2**	**-14.8**	**8.0**
Net debt, including hybrid bonds				
Interest-bearing liabilities	3,200	12,776	3,200	4,094
Hybrid bonds	3,867	1,982	2,975	0
Cash and cash equivalents	-2,383	-1,871	-6,342	-2,462
Net debt, including hybrid bonds	4,684	12,887	-167	1,632
Loan-to-Value, including hybrid bonds (*per cent.*)				
Interest-bearing liabilities	4,684	12,887	-167	1,632
Cash and cash equivalents	21,853	36,148	21,221	20,420
Loan-to-Value, including hybrid bonds (*per cent.*)	**21.4**	**35.7**	**-0.8**	**8.0**

	As at 31 December	
	2019[1] (unaudited)	**2019[2] (unaudited)**
Income		
Net Operating Income	322	-
Net Management Fee	21	21
Cash dividend	707	707
Income	**1,050**	**728**
Financial costs		
Financial costs – Interest-bearing liabilities	-229	-106
Preference shares	-47	-47
Preference shares	-103	-103
Financial costs	**-379**	**-256**

[12] Due to dividends only being paid out once a year, this key performance indicator is only calculated on an annual basis. Comparison with previous years are not relevant due to a changed dividend policy between the years.

	As at 31 December	
	2019[1] (unaudited)	**2019[2] (unaudited)**
Interest Coverage Ratio		
Income	1,050	728
Financial costs	-379	-256
Interest Coverage Ratio (*multiple*)	**2.8**	**2.8**

Note: 2019[1] refers to Heimstaden AB as an isolated entity as of 31 June 2019. 2019[2] refers to Heimstaden AB as an isolated entity as of 31 December 2019 where the properties sold to Heimstaden Bostad during the year are excluded. Note that there has been no assumption of increased dividend or management fee in Heimstaden AB related to the increased Gross Asset Value in Heimstaden Bostad.

4.5 Recent events, trend information and significant changes

Impact of Covid-19

In Heimstaden's interim report for the six months ended 30 June 2020 Heimstaden estimates, that the impact of Covid-19 has affected the Group's rental income negatively by approximately SEK 8 million, which consisted of rental reductions and bad debt reservations for the quarter. This corresponds to approximately 0.5 per cent. of contracted rental income in the period between 1 April 2020 and 30 June 2020. Heimstaden does not foresee any significant operational or financial impact going forward but acknowledges the prevailing uncertainty regarding the duration and ramifications of the ongoing pandemic, which are further described in the risk factor "*Risks relating to Covid-19*".

Acquisition of Berlin property portfolio

On 18 September 2020, Heimstaden Bostad signed a purchase agreement for the acquisition of 130 properties comprising a total of 3,902 residential units, 208 commercial units and 321 parking spaces in Berlin, Germany. This portfolio amounts to a total of 282,000 square metres of lettable area.

The agreed purchase price for the portfolio is approximately EUR 830 million, which will be financed with a combination of debt and equity. The transaction is expected to close in the fourth quarter of 2020 or first quarter of 2021, subject to merger clearance as well as pre-emption rights held by the municipality of Berlin for a number of properties.

Trend information

There has been no material adverse change in the prospects of the Issuer since 9 April 2020, being the date of publication of the annual report for 2019 of the Issuer, which is the last audited financial information of the Issuer.

Significant changes since 30 September 2020

There has been no significant change in the financial performance or financial position of the Group since 30 September 2020, being the end of the last financial period for which financial information has been published.

4.6 Material contracts

Neither the Issuer nor any other Group Company has concluded any material contracts that are not entered into in the ordinary course of its business which could result in any Group Company being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Bondholders.

4.7 Credit rating

Neither the Company nor the Bonds have a credit rating from an international credit rating institute.

4.8 Legal and arbitration proceedings

The Group has not been party to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the previous 12 months from the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer's and/or the Group's financial position or profitability.

5 Board of directors, management and auditor

5.1 Board of directors

The Company's board of directors consists of four ordinary board members, including the chairman, appointed on a one year's basis for the period until the end of the next annual general meeting. The members of the board of directors, their position, the year of their initial election and other relevant assignments are set forth below. All board members can be contacted through the Company's registered address, Östra Promenaden 7 A, SE-211 28 Malmö, Sweden.

Ivar Tollefsen (born 1961) – chairman of the board of directors

Member of the board of directors since: 2005

Other relevant assignments outside the Group: Chairman of the board of directors, as well as owner, of Fredensborg AS, member of the board of directors of Fredensborg Bolig AS, Romania Invest AS, Båtgutta AS and Probond AS.

Patrik Hall (born 1965) – member of the board of directors, chief executive officer

Member of the board of directors since: 2005

Other relevant assignments outside the Group: Owner and member of the board of directors of Halwad Invest AB.

Magnus Nordholm (born 1974) – member of the board of directors

Member of the board of directors since: 2008

Other relevant assignments outside the Group: CEO of Fredensborg AS, owner and member of the board of directors of North Island REIM AB, chairman of the board of directors of Fjellhvil Utvikling AS, Estatia Resort Holding AS, Estatia Resort Nor AS and Romania Invest AS, member of the board of directors of Storsand Utvikling AS and Møllerveien 2 AS, Nordic Depository Services (Sweden) AB, and deputy member of the board of directors of Norefjell Arena AS, Estatia Resort Hotels AS, Fredensborg Boligutleie ANS and Norefjell Utvikling AS.

John Giverholt (born 1952) – member of the board of directors

Member of the board of directors since: 2018

Other relevant assignments outside the Group: Chairman of the board of directors of Aktuarfirmaet Lillevold & Partners AS, Gammel Nok Holding AS and Ortomedic AS and member of the board of directors of Fredensborg AS, Awilhelmsen AS, Carucel Holding AS, Scatec Solar ASA, Aars AS, Ferd Sosiale Entreprenører AS and Gjensidige Forsikring ASA.

5.2 Management

The key members of the Company's management, their position, the year of their employment and other relevant assignments outside the Company are set forth below. All management members can be contacted through the Company's registered address, Östra Promenaden 7 A, SE-211 28 Malmö, Sweden.

Patrik Hall (born 1965) – chief executive officer

In current position since 2003. See section 5.1 above "*Board of directors*".

Helge Krogsböl (born 1968) – chief operating officer

In current position since 2018.

Other relevant assignments outside the Group: Member of the board of directors of Grefsenveien 55 AS and CEO and chairman of the board of directors in Krog forvaltning AS.

Arve Regland (born 1972) – chief financial officer

In current position since 2019.

Other relevant assignments outside the Group: Chairman of the board of directors of Taxus Holding AS, Bjerke Eiendom AS, Simsan AS and K9 Invest AS.

Magnus Nordholm (born 1974) – deputy chief executive officer

In current position since 2018. See section 5.1 above "*Board of directors*".

Karmen Mandic (born 1971) – chief communications and marketing officer

In current position since 2015.

Other relevant assignments outside the Group: -

Suzanna Malmgren (born 1971) - chief human resources

In current position since 2017.

Other relevant assignments outside the Group: -

Katarina Skalare (born 1963) – chief sustainability officer

In current position since 2018.

Other relevant assignments outside the Group: -

Christian Fladeland (born 1986) – chief investment officer

In current position since 2019.

Other relevant assignments outside the Group: Member of the board of directors of Core Advise AS and CEO of Fladeland Invest ApS.

Kristiina Kukkohovi (born 1972) – chief experience officer

In current position since 2020.

Other relevant assignments outside the Group: Member of the board of directors in Lahti Region Ltd. and Doerz Co Ltd Oy.

Christian Vammervold Dreyer (born 1974) – chief communication officer

In current position since 2020.

Other relevant assignments outside the Group: Chairman of the board of directors of Vammervold Holding AS.

Anders Thorsson (born 1967) – chief procurement officer

In current position since: 2020.

Other relevant assignments outside the Group: -

Rodin Lie (born 1970) – chief technology officer

In current position since 2020.

Other relevant assignments outside the Group: CEO and Chairman of the board of directors of Rodin Lie Invest AS.

5.3 Auditor

The Company's auditor is currently Ernst & Young AB with Peter von Knorring (authorised accountant and member of FAR) as the auditor in charge. Ernst & Young AB has been the Company's auditor since the financial year 2015. Ernst & Young AB was elected as auditor of the Company at the general meeting held 28 May 2020 for the time until the end of the annual general meeting 2021. The address to Ernst & Young AB is Jakobsbergsgatan 24, SE-111 44 Stockholm.

Unless otherwise explicitly stated, no information contained in this Prospectus has been audited or reviewed by the Company's auditor.

5.4 Conflicts of interest

As described above in section 4.2, all ordinary shares of the Company are owned by the Company's largest shareholder, Fredensborg AS, which is in turn ultimately controlled by Ivar Tollefsen with approximately 98 per cent. of the shares and 100 per cent. of the votes. Ivar Tollefsen is thereby holding approximately 82 per cent. of the share capital and 98 per cent. of the votes in the Company. Such indirect ownership may entail conflict of interests.

Furthermore, Magnus Nordholm and Patrik Hall are direct shareholders in Heimstaden Bostad and John Giverholt is a board member of Fredensborg AS.

Apart from the above, there are no potential conflicts of interests between any duties to the issuer, of the persons referred to above in sections 5.1 and 5.2, and their private interests and or other duties.

The Joint Bookrunners and/or their affiliates may have engaged in, and may in the future engage in, investment banking and/or other services for the Group in the ordinary course of business. Accordingly, conflicts of interest may exist or may arise as a result of the Joint Bookrunners and/or their affiliates having previously engaged, or will in the future engage, in transactions with other parties, having multiple roles or carrying out other transactions for third parties with conflicting interests.

6 Overview of financial reporting and documents incorporated by reference

The accounting principles applied in the preparation of the Company's financial statements are set out below and have been consistently applied to all the years presented, unless otherwise stated.

The financial information for the financial years ending 31 December 2019 and 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations of these standards (IFRICs) issued by the IFRS Interpretations Committee, RFR 1 (Sw. *Kompletterande redovisningsregler för koncerner*) and the Swedish Annual Accounts Act.

The Company's consolidated financial statements for the financial years ended 31 December 2018 and 31 December 2019 have been audited by the Company's auditor and are incorporated in this Prospectus by reference, together with the audit report for respective year.

The Company's interim reports for the periods January – June 2020 and January – September 2020 have been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act. The Company's interim reports for the periods January – June 2020 and January – September 2020 have not been audited.

In this Prospectus the following documents are incorporated by reference.

Reference	Document	Page(s)
Financial information regarding Heimstaden and its business for the financial year ended 31 December 2018	Heimstaden's annual and consolidated annual report for the financial year ended 31 December 2018	- 98 (Group's consolidated statement on comprehensive income) - 100 and 102 (Group's consolidated statements of financial position) - 102 (Group's consolidated statement of changes in equity) - 104 (Group's consolidated cash flow statement) - 106–127 (Group's accounting principles and notes) - 128 (Company's income statement) - 129 and 130 (Company's balance sheet) - 130 (Company's statement of changes in equity) - 131 (Company's cash flow statement) - 132–137 (Company's accounting principles and notes)
Auditor's report for the financial year ended 31 December 2018	Auditor's report for the financial year ended 31 December 2018	- 140–142 (Auditor's report)
Financial information regarding Heimstaden and its business for the financial year ended 31 December 2019	Heimstaden's annual and consolidated annual report for the financial year ended 31 December 2019	- 98 (Group's consolidated statement of comprehensive income) - 100 and 102 (Group's consolidated statements of financial position) - 102 (Group's consolidated statement of changes in equity) - 104 (Group's consolidated cash flow statement)

		- 106–129 (Group’s accounting principles and notes) - 130 (Company’s income statement) - 131 and 132 (Company’s balance sheet) - 132 (Company’s statement of changes in equity) - 133 (Company’s cash flow statement) - 134–139 (Company’s accounting principles and notes)
Auditor’s report for the financial year ended 31 December 2019	Auditor’s report for the financial year ended 31 December 2019	- -142–145 (Auditor’s report)
Financial information regarding Heimstaden and its business for the first half of 2020	Interim report January – June 2020	- 18 (Group’s consolidated statement of comprehensive income) - 20 and 22 (Group’s consolidated statements of financial position) - 22 (Group’s consolidated statement of changes in equity) - 24 (Group’s consolidated cash flow statement) - 28 - 32 (Group’s accounting principles and notes) - 26 (Company’s statement of comprehensive income) - 26 (Company’s cash flow statement) - 27 (Company’s statement of changes in equity) - 27 (Company’s statement of financial position)
Financial information regarding Heimstaden and its business for the period January – September 2020	Interim report January – September 2020	- 16 (Group’s consolidated statement of comprehensive income) - 18 and 20 (Group’s consolidated statements of financial position) - 20 (Group’s consolidated statement of changes in equity) - 22 (Group’s consolidated cash flow statement) - 26 - 32 (Group’s accounting principles and notes) - 24 (Company’s statement of comprehensive income) - 24 (Company’s cash flow statement) - 25 (Company’s statement of changes in equity) - 25 (Company’s statement of financial position)

Investors should read all information which is incorporated in the Prospectus by reference. Information in the above documents which is not incorporated by reference is either not relevant for the investors in the Bonds or covered elsewhere in this Prospectus.

7 Documents available for inspection

Hard copies of the following documents are available for review during the period of validity of this Prospectus at the Company's head office at Östra Promenaden 7 A, SE-211 28 Malmö, Sweden, during ordinary weekday office hours:

(a) the Company's articles of association as of the date of this Prospectus;

(b) the certificate of registration of the Company.

The above documents are also available on the Company's website, https://heimstaden.com/.

TERMS AND CONDITIONS FOR
HEIMSTADEN AB (PUBL)

Heimstaden

MAXIMUM SEK 5,000,000,000
SENIOR UNSECURED FLOATING RATE BONDS 2020/2025

ISIN: SE0014991352

LEI: 549300WD2QBD89VBPV88

First Issue Date: 15 October 2020

The distribution of this document and the private placement of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required to inform themselves about, and to observe, such restrictions.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and are subject to U.S. tax law requirements. The Bonds may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of, U.S. persons.

SELLING RESTRICTIONS

No action is being taken that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of this document or any other material relating to the Issuer or the Bonds in any jurisdiction other than Sweden, where action for that purpose is required. Persons into whose possession this document comes are required by the Issuer to inform themselves about, and to observe, any applicable restrictions.

PRIVACY NOTICE

The Issuer and the Agent may collect and process personal data relating to the Bondholders, the Bondholders' representatives or agents, and other persons nominated to act on behalf of the Bondholders pursuant to these Terms and Conditions (name, contact details and, when relevant, holding of Bonds). The personal data relating to the Bondholders is primarily collected from the registry kept by the CSD. The personal data relating to other persons is primarily collected directly from such persons.

The personal data collected will be processed by the Issuer and the Agent for the following purposes:

(a) to exercise their respective rights and fulfil their respective obligations under these Terms and Conditions and the Agency Agreement;

(b) to manage the administration of the Bonds and payments under the Bonds;

(c) to enable the Bondholders to exercise their rights under these Terms and Conditions; and

(d) to comply with their obligations under applicable laws and regulations.

The processing of personal data by the Issuer and the Agent in relation to items (a)–(c) is based on their legitimate interest to exercise their respective rights and to fulfil their respective obligations under these Terms and Conditions and the Agency Agreement. In relation to item (d), the processing is based on the fact that such processing is necessary for compliance with a legal obligation incumbent on the Issuer or Agent. Unless otherwise required or permitted by law, the personal data collected will not be kept longer than necessary given the purpose of the processing.

Personal data collected may be shared with third parties, such as the CSD, when necessary to fulfil the purpose for which such data is processed.

Subject to any legal preconditions, the applicability of which have to be assessed in each individual case, data subjects have the rights as follows. Data subjects have right to get access to their personal data and may request the same in writing at the address of the Issuer and the Agent, respectively. In addition, data subjects have the right to (i) request that personal data is rectified or erased, (ii) object to specific processing, (iii) request that the processing be restricted and (iv) receive personal data provided by themselves in machine-readable format. Data subjects are also entitled to lodge complaints with the relevant supervisory authority if dissatisfied with the processing carried out.

The Issuer's and the Agent's addresses, and the contact details for their respective data protection officers (if applicable), are found on their websites www.heimstaden.se and www.nordictrustee.com

TERMS AND CONDITIONS FOR
HEIMSTADEN AB (PUBL)
MAXIMUM SEK 5,000,000,000
SENIOR UNSECURED FLOATING RATE BONDS 2020/2025
ISIN: SE0014991352

1 DEFINITIONS AND CONSTRUCTION

1.1 Definitions

In these terms and conditions (the "**Terms and Conditions**"):

"**Account Operator**" means a bank or other party duly authorised to operate as an account operator pursuant to the Central Securities Depositories and Financial Instruments Accounts Act and through which a Bondholder has opened a Securities Account in respect of its Bonds.

"**Accounting Principles**" means generally accepted accounting principles, standards and practices in Sweden, including international financial reporting standards (IFRS) (as adopted or amended from time to time), if applicable.

"**Adjusted Nominal Amount**" means the Total Nominal Amount less the Nominal Amount of all Bonds owned by a Group Company or an Affiliate, irrespective of whether such person is directly registered as owner of such Bonds.

"**Affiliate**" means any person, directly or indirectly, controlling or controlled by or under direct or indirect common control with another specified person. For the purpose of this definition, "control" when used with respect to any person means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agency Agreement**" means the agency agreement entered into on or before the First Issue Date, between the Issuer and the Agent, or any replacement agency agreement entered into after the First Issue Date between the Issuer and an agent.

"**Agent**" means the Bondholders' agent under these Terms and Conditions and, if relevant, the other Finance Documents, from time to time; initially Nordic Trustee & Agency AB (publ) reg. no. 556882-1879, P.O. Box 7329, SE-103 90 Stockholm, Sweden.

"**Bond**" means a debt instrument (Sw. *skuldförbindelse*) for the Nominal Amount and of the type set forth in Chapter 1 Section 3 of the Central Securities Depositories and Financial Instruments Accounts Act and which are governed by and issued under these Terms and Conditions, including the Initial Bonds and any Subsequent Bonds.

"**Bondholder**" means the person who is registered on a Securities Account as direct registered owner (Sw. *ägare*) or nominee (Sw. *förvaltare*) with respect to a Bond.

"**Bondholders' Meeting**" means a meeting among the Bondholders held in accordance with Clause 17 (*Bondholders' Meeting*).

"**Business Day**" means a day in Sweden other than a Sunday or other public holiday. Saturdays, Midsummer Eve (Sw. *midsommarafton*), Christmas Eve (Sw. *julafton*) and New Year's Eve (Sw. *nyårsafton*) shall for the purpose of this definition be deemed to be public holidays.

"**Business Day Convention**" means the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day.

"**Central Securities Depositories and Financial Instruments Accounts Act**" means the Swedish Central Securities Depositories and Financial Instruments Accounts Act (Sw. *lag (1998:1479) om värdepapperscentraler och kontoföring av finansiella instrument*).

"**Change of Control Event**" means an event or series of events where one or more persons (other than Fredensborg AS, reg. no. 943 582 815), acting together gains control of the Issuer.

For the purpose of this definition:

(a) "**control of the Issuer**" means:

  (i) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to directly or indirectly:

    (A) cast, or control the casting of, more than fifty (50) percent of the maximum number of votes that may be cast at a general meeting of the shareholders of the Issuer; or

    (B) having the right to appoint or remove all, or the majority, of the directors or other equivalent officers of the Issuer; or

  (ii) the holding of more than fifty (50) percent of the issued share capital of the Issuer (excluding any part of that issued share capital that carries no right to participate beyond a specific amount in a distribution of either profits or capital); and

(b) "**person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof, or any other entity, whether or not having a separate legal personality

"**Compliance Certificate**" means a certificate, in form and substance set out in Schedule 1 (*Compliance Certificate*), signed by the CFO, CEO or another authorised signatory of the Issuer certifying:

(a) that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it; and

(b) the percentages and calculations in respect of Solvency Ratio and the Equity Ratio.

"**CSD**" means the Issuer's central securities depository and registrar in respect of the Bonds, from time to time, initially Euroclear Sweden AB, reg. no. 556112-8074, P.O. Box 191, 101 23 Stockholm, Sweden.

"**Early Redemption Amount**" means a price equivalent to the sum of:

(a) the Nominal Amount; and

(b) the amount of all remaining scheduled coupon payments (assuming that the Interest Rate for the remaining Interest Periods until the Final Maturity Date shall be the applicable Interest Rate in effect on the date on which the applicable notice of redemption is given to the Bondholders pursuant to Clause 11.3.4), less any accrued but unpaid interest, to and including the Final Maturity Date.

"**Equity Ratio**" means, at any time, the equity of the Group as a percentage of the aggregate value of the Total Assets (in each case calculated in accordance with the Accounting Principles and in line with the principles for the audited financial statements).

"**Event of Default**" means an event or circumstance specified in Clause 14 (*Events of Default*).

"**Final Maturity Date**" means 15 October 2025.

"**Finance Documents**" means:

(a) these Terms and Conditions;

(b) the Agency Agreement;

(c) any Compliance Certificate; and

(d) any other document designated as a Finance Document by the Agent and the Issuer.

"**Finance Lease**" means any lease or hire purchase contract which would, in accordance with the Accounting Principles, be treated as a balance sheet liability.

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) monies borrowed and debit balances at banks or other financial institutions;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any Finance Lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any derivative transaction (and, when calculating the value of that derivative transaction, only the marked to market value as at the relevant date on which Financial Indebtedness is calculated (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount) shall be taken into account);

(g) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;

(h) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind entering into the agreement is to raise finance or (ii) the agreement is in respect of the supply of assets or services and payment is due more than sixty (60) days after the date of supply;

(i) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; and

(j) without double counting, the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (i) above.

"**Financial Report**" means the annual audited consolidated financial statements of the Group or the quarterly interim unaudited consolidated reports of the Group which shall be prepared and made available according to paragraphs (a) and (b) of Clause 12.1.1.

"**Financial Year**" means the annual accounting period of the Group.

"**First Issue Date**" means 15 October 2020.

"**Force Majeure Event**" has the meaning set forth in Clause 26.1.

"**Group**" means the Issuer and its Subsidiaries from time to time (each a "**Group Company**").

"**Heimstaden Bostad**" means Heimstaden Bostad AB, Swedish reg. no. 556864-0873.

"**Initial Bonds**" means the Bonds issued on the First Issue Date.

"**Initial Bonds Issue**" means the issuance of Bonds on the First Issue Date.

"**Insolvent**" means, in respect of a relevant person, that it is deemed to be insolvent, or admits inability to pay its debts as they fall due, in each case within the meaning of Chapter 2, Sections 7–9 of the Swedish Bankruptcy Act (Sw. *konkurslagen (1987:672)*) (or its equivalent in any other jurisdiction), suspends making payments on any of its debts or by reason of actual financial difficulties commences negotiations with its creditors (other than the Bondholders) with a view to rescheduling any of its indebtedness (including company reorganisation under the Swedish Company Reorganisation Act (Sw. *lag (1996:764) om företagsrekonstruktion*) (or its equivalent in any other jurisdiction)) or is subject to involuntary winding-up, dissolution or liquidation.

"**Interest**" means the interest on the Bonds calculated in accordance with Clauses 10.1 to 10.3.

"**Interest Payment Date**" means 31 March, 30 June, 30 September and 31 December each year or, to the extent such day is not a Business Day, the Business Day following from an application of the Business Day Convention. The first Interest Payment Date for the Bonds shall be 31 December 2020 (short first Interest Period) and the last Interest Payment Date shall be the Final Maturity Date (short last Interest Period) (or any Redemption Date prior thereto).

"**Interest Period**" means each period beginning on (but excluding) the First Issue Date or any Interest Payment Date and ending on (and including) the next succeeding Interest Payment Date (or a shorter period if relevant) and, in respect of Subsequent Bonds, each period beginning on (but excluding) the Interest Payment Date falling immediately prior to their issuance and ending on (and including) the next succeeding Interest Payment Date (or a shorter period if relevant).

"**Interest Rate**" means a floating rate of STIBOR (3 months) plus a margin of 4.00 per cent. *per annum*, provided that if the "Interest Rate" at any time is less than zero (0) it shall be deemed to be zero (0).

"**Issuer**" means Heimstaden AB (publ), a public limited liability company incorporated under the laws of Sweden with reg. no. 556670-0455.

"**Issuing Agent**" means, initially Swedbank AB (publ), Swedish reg. no. 502017-7753, and thereafter any other party appointed as Issuing Agent, in each case in accordance with these Terms and Conditions and the CSD's applicable regulation.

"**Listing Failure Event**" shall be deemed to have occurred if the loan constituted by the terms and conditions and evidenced by the Initial Bonds has not been admitted to trading on the corporate bond list of Nasdaq Stockholm or, if such admission to trading is not possible to obtain or maintain, admitted to trading on another Regulated Market within sixty (60) days from the First Issue Date (although the intention is to list the Initial Bonds within thirty (30) days from the First Issue Date).

"**Market Loan**" means any loan or other indebtedness where an entity issues commercial paper, certificates, convertibles, subordinated debentures, bonds or other debt securities (including, for the avoidance of doubt, medium term note programmes and other market funding programmes), which is or can be admitted for trading on a Swedish or foreign Regulated Market.

"**Nasdaq Stockholm**" means the Regulated Market of Nasdaq Stockholm AB, Swedish reg. no. 556420-8394.

"**Nominal Amount**" has the meaning set forth in Clause 2.3.

"**Properties**" means all real properties and site leasehold rights owned by any member of the Group from time to time.

"**Quarter Date**" means each of 31 March, 30 June, 30 September and 31 December.

"**Quotation Day**" means in relation to (i) an Interest Period for which an Interest Rate is to be determined, two (2) Business Days before the immediately preceding Interest Payment Date (or in respect of the first Interest Period, two (2) Business Days before the First Issue Date), or (ii) any other period for which an interest rate is to be determined, two (2) Business Days before the first day of that period.

"**Record Date**" means the fifth (5) Business Day prior to (i) an Interest Payment Date, (ii) a Redemption Date, (iii) a date on which a payment to the Bondholders is to be made under Clause 15 (*Distribution of proceeds*), or (iv) another relevant date, or in each case such other Business Day falling prior to a relevant date if generally applicable on the Swedish bond market.

"**Redemption Date**" means the date on which the relevant Bonds are to be redeemed or repurchased in accordance with Clause 11 (*Redemption and repurchase of the Bonds*).

"**Regulated Market**" means any regulated market (as defined in Directive 2014/65/EU on markets in financial instruments).

"**Securities Account**" means the account for dematerialised securities maintained by the CSD pursuant to the Central Securities Depositories and Financial Instruments Accounts Act in which (i) an owner of such security is directly registered or (ii) an owner's holding of securities is registered in the name of a nominee.

"**Security**" means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person, or any other agreement or arrangement having a similar effect.

"**Solvency Ratio**" means the ratio of Total Net Debt to Total Assets.

"**STIBOR**" means:

(a) the applicable percentage rate *per annum* calculated and distributed by the Swedish Financial Benchmark Facility AB (or the replacing administrator or calculation agent) for the Quotation Day and published on the information system Reuters page "STIBOR=Q" (or through another system or on such other page as replaces the said system or page) for the offering of deposits in Swedish Kronor and for a period equal to the relevant Interest Period; or

(b) if no such rate as set out in item (a) above is available for the relevant Interest Period, the rate determined by the Issuing Agent by interpolation between the two closest rates published on the information system Reuters page "STIBOR =Q" (or on such other page as replaces the said system or page) for the offering of deposits in Swedish Kronor; or

(c) if no rate is available for the relevant Interest Period pursuant to item (a) and/or (b) above, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Issuing Agent at its request quoted by leading banks in the Stockholm interbank market reasonably selected by the Issuing Agent, for deposits of SEK 100,000,000 for the relevant period; or

(d) if no quotation is available pursuant to paragraph (c) above, the interest rate which according to the reasonable assessment of the Issuing Agent best reflects the interest rate for deposits in Swedish Kronor offered in the Stockholm interbank market for the relevant period.

"**Subsequent Bonds**" means any Bonds issued after the First Issue Date on one or more occasions.

"**Subsequent Bonds Issue**" means Subsequent Bonds issued by the Issuer under these Terms and Conditions after the First Issue Date.

"**Subsidiary**" means, in relation to any person, any Swedish or foreign legal entity (whether incorporated or not), in respect of which such person, directly or indirectly, (i) owns shares or ownership rights representing more than fifty (50.00) per cent. of the total number of votes held by the owners, (ii) otherwise controls more than fifty (50.00) per cent. of the total number of votes held by the owners, (iii) has the power to appoint and remove all, or the majority of, the members of the board of directors or other governing body, or (iv) exercises control as determined in accordance with the Accounting Principles.

"**Swedish Kronor**" and "**SEK**" means the lawful currency of Sweden.

"**Test Date**" means 31 March, 30 June, 30 September and 31 December each year.

"**Total Assets**" means, at any time, the total assets of the Group calculated in accordance with the Accounting Principles and in line with the principles for its audited Financial Report.

"**Total Interest Bearing Debt**" means at any time the consolidated amount of the interest bearing liabilities of the Group (including Finance Leases, but excluding pension liabilities) as shown in the most recent Financial Report.

"**Total Net Debt**" means Total Interest Bearing Debt less cash and cash equivalents of the Group as shown in the most recent Financial Report.

"**Total Nominal Amount**" means the total aggregate Nominal Amount of the Bonds outstanding at the relevant time.

"**Written Procedure**" means the written or electronic procedure for decision making among the Bondholders in accordance with Clause 18 (*Written Procedure*).

1.2 Construction

1.2.1 Unless a contrary indication appears, any reference in these Terms and Conditions to:

(a) "**assets**" includes present and future properties, revenues and rights of every description;

(b) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;

(c) a "**regulation**" includes any regulation, rule or official directive (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency or department;

(d) a provision of law is a reference to that provision as amended or re-enacted; and

(e) a time of day is a reference to Stockholm time.

1.2.2 An Event of Default is continuing if it has not been remedied or waived.

1.2.3 When ascertaining whether a limit or threshold specified in Swedish Kronor has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against Swedish Kronor for the previous Business Day, as published by the Swedish Central Bank (Sw. *Riksbanken*) on its website (www.riksbank.se). If no such rate is available, the most recently published rate shall be used instead.

1.2.4 A notice shall be deemed to be sent by way of press release if it is made available to the public within Sweden promptly and in a non-discriminatory manner.

1.2.5 No delay or omission of the Agent or of any Bondholder to exercise any right or remedy under the Finance Documents shall impair or operate as a waiver of any such right or remedy.

2 THE AMOUNT OF THE BONDS AND UNDERTAKING TO MAKE PAYMENTS

2.1 The Bonds are denominated in Swedish Kronor and each Bond is constituted by these Terms and Conditions. The Issuer undertakes to make payments in relation to the Bonds and to comply with these Terms and Conditions.

2.2 By subscribing for Bonds, each initial Bondholder agrees that the Bonds shall benefit from and be subject to the Finance Documents and by acquiring Bonds, each subsequent Bondholder confirms such agreement.

2.3 The nominal amount of each Bond is SEK 1,250,000 (the "**Nominal Amount**"). All Initial Bonds are issued on a fully paid basis at an issue price of one hundred (100.00) per cent. of the Nominal Amount. The Total Nominal Amount of the Initial Bonds is SEK 500,000,000.

2.4 The Issuer may, at one or several occasions, issue Subsequent Bonds, provided that:

(a) no Event of Default is continuing or would result from such issue;

(b) the Solvency Ratio covenant will not be breached as a result of such subsequent issue; and

(c) the Equity Ratio covenant will not be breached as a result of such subsequent issue.

2.5 Subsequent Bonds shall benefit from and be subject to the Finance Documents, and, for the avoidance of doubt, the ISIN, the interest rate, the Nominal Amount and the final maturity applicable to the Initial Bonds shall apply to Subsequent Bonds. Each Subsequent Bond shall entitle its holder to Interest in accordance with Clause 8.1, and otherwise have the same rights as the Initial Bonds.

2.6 The price of the Subsequent Bonds may be set at the Nominal Amount, at a discount or at a premium compared to the Nominal Amount.

2.7 The maximum total nominal amount of the Bonds (the Initial Bonds and all Subsequent Bonds) may not exceed SEK 5,000,000,000 unless consent from the Bondholders is obtained in accordance with Clause 16.5.

3 STATUS OF THE BONDS

The Bonds constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank at least *pari passu* with all other direct, unconditional and unsecured obligations of the Issuer and without any preference among them.

4 USE OF PROCEEDS

The Issuer shall use the proceeds from the issue of the Initial Bonds, less the costs and expenses incurred by the Issuer in connection with the issue of the Initial Bonds, for investments, acquisitions and general corporate purposes of the Group. The Issuer shall use the proceeds from the issue of any Subsequent Bonds, less the costs and expenses incurred by the Issuer in connection with the issue of Subsequent Bonds, for investments, acquisitions and general corporate purposes of the Group.

5 THE BONDS AND TRANSFERABILITY

5.1 Each Bondholder is bound by these Terms and Conditions without there being any further actions required to be taken or formalities to be complied with.

5.2 The Bonds are freely transferable but the Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable, under local laws to which a Bondholder may be subject. Each Bondholder must ensure compliance with such restrictions at its own cost and expense.

5.3 All Bond transfers are subject to these Terms and Conditions and these Terms and Conditions are automatically applicable in relation to all Bonds transferees upon completed transfer.

5.4 Upon a transfer of Bonds, any rights and obligations under the Finance Documents relating to such Bonds are automatically transferred to the transferee.

5.5 No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of any document or other material relating to the Issuer or the Bonds in any jurisdiction other than Sweden, where action for that purpose is required. Each Bondholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Bonds.

6 CONDITIONS PRECEDENT

6.1 Prior to the First Issue Date, the Issuer shall provide to the Agent:

(a) copies of constitutional documents of the Issuer;

(b) duly executed copies of these Terms and Conditions and the Agency Agreement; and

(c) a copy of a resolution of the board of directors of the Issuer:

(i) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute, deliver and perform the Finance Documents to which it is a party;

(ii) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and

(iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.

6.2 Prior to issuance of any Subsequent Bonds, the Issuer shall provide to the Agent:

(a) to the extent not covered by the resolutions from the board of directors under Clause 6.1, a copy of a resolution of the board of directors of the Issuer:

(i) approving the terms of, and the transactions contemplated by, the Subsequent Bonds and resolving that it execute, deliver and perform any documents necessary in connection with the issue of the Subsequent Bonds;

(ii) authorising a specified person or persons to execute any such documents; and

(iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Subsequent Bonds;

(b) a Compliance Certificate; and

(c) a copy of any other authorisation or other document, opinion or assurance which the Agent notifies the Issuer that it reasonably considers necessary or desirable in connection with the issue of the Subsequent Bonds.

6.3 The Agent may assume that the documentation delivered to it pursuant to Clauses 6.1 and 6.2 is accurate, correct and complete unless it has actual knowledge that this is not the case, and the Agent does not have to verify the contents of any such documentation.

6.4 The Agent shall confirm to the Issuing Agent when it is satisfied that the conditions in Clauses 6.1 and 6.2 (as applicable), as the case may be, have been fulfilled.

7 BONDS IN BOOK-ENTRY FORM

7.1 The Bonds will be registered for the Bondholders on their respective Securities Accounts and no physical bonds will be issued. Accordingly, the Bonds will be registered in accordance with the Central Securities Depositories and Financial Instruments Accounts Act. Registration requests relating to the Bonds shall be directed to an Account Operator.

7.2 Those who according to assignment, security, the provisions of the Swedish Children and Parents Code (Sw. *föräldrabalken (1949:381)*), conditions of will or deed of gift or otherwise have acquired a right to receive payments in respect of a Bond shall register their entitlements to receive payment in accordance with the Central Securities Depositories and Financial Instruments Accounts Act.

7.3 The Issuer (and the Agent when permitted under the CSD's applicable regulations) shall be entitled to obtain information from the debt register (Sw. *skuldbok*) kept by the CSD in respect of the Bonds. At the request of the Agent, the Issuer shall promptly obtain such information and provide it to the Agent.

7.4 For the purpose of or in connection with any Bondholders' Meeting or any Written Procedure, the Issuing Agent shall be entitled to obtain information from the debt register kept by the CSD in respect of the Bonds.

7.5 The Issuer shall issue any necessary power of attorney to such persons employed by the Agent, as notified by the Agent, in order for such individuals to independently obtain information directly from the debt register kept by the CSD in respect of the Bonds. The Issuer may not revoke any such power of attorney unless directed by the Agent or unless consent thereto is given by the Bondholders.

7.6 The Issuer (and the Agent when permitted under the CSD's applicable regulations) may use the information referred to in Clause 7.3 only for the purposes of carrying out their duties and exercising their rights in accordance with the Finance Documents and shall not disclose such information to any Bondholder or third party unless necessary for such purposes.

8 RIGHT TO ACT ON BEHALF OF A BONDHOLDER

8.1 If any person other than a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain a power of attorney or other proof of authorisation from the Bondholder or a successive, coherent chain of powers of attorney or proofs of authorisation starting with the Bondholder and authorising such person.

8.2 A Bondholder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Bonds held by it. Any such representative may act independently under the Finance Documents in relation to the Bonds for which such representative is entitled to represent the Bondholder.

8.3 The Agent shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clause 8.2 and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face or the Agent has actual knowledge to the contrary.

9 PAYMENTS IN RESPECT OF THE BONDS

9.1 Any payment or repayment under the Finance Documents, or any amount due in respect of a repurchase of any Bonds, shall be made to such person who is registered as a Bondholder on the Record Date prior to an Interest Payment Date or other relevant due date, or to such other person who is registered with the CSD on such date as being entitled to receive the relevant payment, repayment or repurchase amount.

9.2 If a Bondholder has registered, through an Account Operator, that principal and interest shall be deposited in a certain bank account, such deposits will be effected by the CSD on the relevant payment date. Should the CSD, due to a delay on behalf of the Issuer or some other obstacle, not be able to effect payments as aforesaid, the Issuer shall procure that such amounts are paid to the persons who are registered as Bondholders on the relevant Record Date as soon as possible after such obstacle has been removed.

9.3 If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. Interest shall accrue in accordance with Clause 10.4 during such postponement.

9.4 If payment or repayment is made in accordance with this Clause 9, the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a person not entitled to receive such amount, unless the Issuer or the CSD (as applicable) was aware of that the payment was being made to a person not entitled to receive such amount.

9.5 The Issuer shall pay any stamp duty and other public fees accruing in connection with the Initial Bond Issue or any Subsequent Bond Issue, but not in respect of trading in the secondary market (except to the extent required by applicable law), and shall deduct at source any applicable withholding tax payable pursuant to law. The Issuer shall not be liable to reimburse any stamp duty or public fee or to gross-up any payments under these Terms and Conditions by virtue of any withholding tax.

10 INTEREST

10.1 Each Initial Bond carries Interest at the Interest Rate from (but excluding) the First Issue Date up to (and including) the relevant Redemption Date. Any Subsequent Bond will carry Interest at the Interest Rate from (but excluding) the Interest Payment Date falling immediately prior to its issuance up to (and including) the relevant Redemption Date.

10.2 Interest accrues during an Interest Period. Payment of Interest in respect of the Bonds shall be made to the Bondholders on each Interest Payment Date for the preceding Interest Period.

10.3 Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).

10.4 If the Issuer fails to pay any amount payable by it on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is two (2) percentage units higher than the Interest Rate. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.

11 REDEMPTION AND REPURCHASE OF THE BONDS

11.1 Redemption at maturity

The Issuer shall redeem all, but not some only, of the outstanding Bonds in full on the Final Maturity Date with an amount per Bond equal to the Nominal Amount together with accrued but unpaid Interest. If the Final Maturity Date is not a Business Day and if permitted under the CSD's applicable regulations, on the Business Day following from an application of the Business Day Convention, and otherwise on the first following Business Day.

11.2 Group Company's purchase of Bonds

Each Group Company may, subject to applicable law, at any time and at any price purchase Bonds on the market or in any other way. Bonds held by a Group Company may at such Group

Company's discretion be retained or sold but not cancelled, except in connection with a redemption of the Bonds in full.

11.3 Voluntary total redemption (call option)

11.3.1 The Issuer may redeem all, but not some only, of the outstanding Bonds in full on any Business Day prior to the Final Maturity Date. If the Bonds are redeemed pursuant to this Clause 11.3.1, the Bonds shall be redeemed at the Early Redemption Amount together with accrued but unpaid interest.

11.3.2 The Issuer may redeem all, but not only some, of the outstanding Bonds at an amount per Bond equal to the Nominal Amount together with accrued but unpaid Interest:

(a) on a date determined by the Issuer if it is or becomes unlawful for the Issuer to perform its obligations under the Finance Documents; or

(b) during the six (6) months period falling immediately prior to the Final Maturity Date, in connection with a refinancing of the Bonds in full or in part with a new bond issue or other similar capital markets issues.

11.3.3 The Issuer may furthermore redeem all, but not only some, of the outstanding Bonds at any time (including, for the avoidance of doubt, following a partial mandatory repurchase of Bonds pursuant to Clause 11.4 (*Mandatory repurchase (put option))* or a partial voluntary redemption of Bonds pursuant to Clause 11.2 (*Group Company's purchase of Bonds*) by way of open market purchases, tender offer or otherwise) if the aggregate Nominal Amount of the Bonds held by the Issuer exceeds eighty (80) per cent. or more of the Total Nominal Amount, at a price per Bond equal to the higher of:

(a) the Nominal Amount; and

(b)

(i) the weighted average price (excluding any proportion of the price attributable to accrued Interest) per Bond paid by the Issuer in any purchase, repurchase or redemption of Bonds during the period of thirty (30) days falling immediately prior to the date notice is given in accordance with Clause 11.3.4; or

(ii) if the Issuer has made no purchase, repurchase or redemption of Bonds during the period set out in paragraph (b)(i) above, the most recent price (excluding any proportion of the price attributable to accrued Interest) per Bond paid by the Issuer in any purchase, repurchase or redemption of Bonds,

in each case together with accrued but unpaid Interest.

11.3.4 Redemption in accordance with Clauses 11.3.1, 11.3.2 and 11.3.3 shall be made by the Issuer giving not less than ten (10) Business Days' notice to the Bondholders and the Agent. Any such notice shall state the Redemption Date, the relevant Record Date and the Early Redemption Amount or the redemption price determined in accordance with Clause 11.3.3 (as applicable) and is irrevocable but may, at the Issuer's discretion, contain one or more conditions precedent. Upon expiry of such notice and the fulfilment of the conditions precedent (if any), the Issuer is bound to redeem the Bonds in full at the applicable amounts.

11.4 Mandatory repurchase (put option)

11.4.1 Upon a Change of Control Event or a Listing Failure Event occurring, each Bondholder shall have the right to request that all, or some only, of its Bonds be repurchased at a price per Bond equal to 101.00 per cent. of the Nominal Amount together with accrued but unpaid Interest, during a period of fifteen (15) Business Days following a notice from the Issuer of the Change of Control Event or a Listing Failure Event pursuant to Clause 12.1.2 (after which time period such right shall lapse). However, such period may not start earlier than upon the occurrence of the Change of Control Event or the Listing Failure Event.

11.4.2 The notice from the Issuer pursuant to Clause 12.1.2 shall specify the repurchase date and include instructions about the actions that a Bondholder needs to take if it wants Bonds held by it to be repurchased. If a Bondholder has so requested, and acted in accordance with the instructions in the notice from the Issuer, the Issuer, or a person designated by the Issuer, shall repurchase the relevant Bonds and the repurchase amount shall fall due on the repurchase date specified in the notice given by the Issuer pursuant to Clause 12.1.2. The repurchase date must fall no later than fifteen (15) Business Days after the end of the period referred to in Clause 11.4.1.

11.4.3 The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Bonds. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 11.4, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 11.4 by virtue of the conflict.

11.4.4 Any Bonds repurchased by the Issuer pursuant to this Clause 11.4 may at the Issuer's discretion be retained or sold but not cancelled.

11.4.5 The Issuer shall not be required to repurchase any Bonds pursuant to this Clause 11.4, if a third party in connection with the occurrence of a Change of Control Event or Listing Failure Event, as applicable, offers to purchase the Bonds in the manner and on the terms set out in this Clause 11.4 (or on terms more favourable to the Bondholders) and purchases all Bonds validly tendered in accordance with such offer. If the Bonds tendered are not purchased within the time limits stipulated in this Clause 11.4, the Issuer shall repurchase any such Bonds within five (5) Business Days after the expiry of the time limit.

12 INFORMATION TO BONDHOLDERS

12.1 Information from the Issuer

12.1.1 The Issuer will make the following information available to the Bondholders by way of publishing the information on the website of the Issuer, and, after the Bonds have been listed, the following information shall be made available by way of press release:

(a) as soon as the same become available, but in any event within one hundred and twenty (120) days after the end of each Financial Year, its audited consolidated financial statements for that Financial Year;

(b) as soon as the same become available, but in any event within sixty (60) days after the end of each quarter of its Financial Year, its unaudited consolidated financial statements or the year-end report (Sw. *bokslutskommuniké*) (as applicable) for such period;

(c) as soon as practicable upon becoming aware of an acquisition or disposal of Bonds by a Group Company or an Affiliate, information regarding the aggregate Nominal Amount held by Group Companies and/or an Affiliate, or the amount of Bonds cancelled by the Issuer; and

(d) any other information required by the Swedish Securities Markets Act (Sw. *lag (2007:528) om värdepappersmarknaden*) and the rules and regulations of the Regulated Market on which the Bonds are admitted to trading.

12.1.2 The Issuer shall immediately notify the Bondholders and the Agent upon becoming aware of the occurrence of a Change of Control Event and a Listing Failure Event. A notice in relation to a Change of Control Event may be given in advance of the occurrence of a Change of Control Event, conditioned upon the occurrence of such Change of Control Event, if a definitive agreement is in place providing for a Change of Control Event.

12.1.3 When the financial statements and other information are made available to the Bondholders pursuant to Clause 12.1.1, the Issuer shall send copies of such financial statements and other information to the Agent. Together with the financial statements, the Issuer shall submit to the Agent a Compliance Certificate and attach copies of any notices sent to the Regulated Market on which the Bonds are admitted to trading.

12.1.4 The Issuer shall immediately notify the Agent (with full particulars) upon becoming aware of the occurrence of any event or circumstance which constitutes an Event of Default, or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing) constitute an Event of Default, and shall provide the Agent with such further information as it may reasonably request in writing following receipt of such notice. Should the Agent not receive such information, the Agent is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Agent does not have actual knowledge of such event or circumstance.

12.2 Information from the Agent

The Agent is entitled to disclose to the Bondholders any event or circumstance directly or indirectly relating to the Issuer or the Bonds. Notwithstanding the foregoing, the Agent may if it considers it to be beneficial to the interests of the Bondholders delay disclosure or refrain from disclosing certain information other than in respect of an Event of Default that has occurred and is continuing.

12.3 Publication of Finance Documents

12.3.1 The latest version of these Terms and Conditions (including any document amending these Terms and Conditions) shall be available on the website of the Issuer and the Agent.

12.3.2 The latest versions of the Finance Documents shall be available to the Bondholders at the office of the Agent during normal business hours.

13 GENERAL UNDERTAKINGS

13.1 Disposals

The Issuer shall not, and shall ensure that no other Group Company will, enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of all or a substantial part of the assets or operations of the Group where such disposal is reasonably likely to have an adverse effect on the ability of the Issuer to perform its obligations under the Finance Documents.

13.2 Negative pledge

13.2.1 Except as permitted under Clauses 13.2.2 and/or 13.2.3 below, the Issuer shall not, and shall ensure that no other Group Company will, create or permit to subsist any Security over any of its assets for any Market Loan raised by the Company or another Group Company.

13.2.2 Notwithstanding Clause 13.2.1 above, Heimstaden Bostad or any of its Subsidiaries may provide Security over its assets to secure any Market Loan issued by Heimstaden Bostad, provided that Heimstaden Bostad at the time of issue of such Market Loan has been assigned a credit rating by any of Standard & Poor's, Moody's or Fitch.

13.2.3 Clause 13.2.1 above does not apply to any Security securing any Market Loan of any Subsidiary of the Issuer acquired after the First Issue Date, so long as such Security was outstanding on the date on which the relevant entity became a Subsidiary of the Issuer, was not created in contemplation of such entity becoming a Subsidiary of the Issuer and the principal amount of the Market Loan so secured was not increased in contemplation of such entity becoming a Subsidiary of the Issuer or since such entity became a Subsidiary of the Issuer.

13.3 Merger

13.3.1 The Issuer shall not enter into any amalgamation, demerger, merger or consolidation, unless the Issuer is the surviving entity of such amalgamation, demerger, merger or consolidation.

13.3.2 The Issuer shall ensure that no other Group Company will enter into any amalgamation, demerger, merger or consolidation where such amalgamation, demerger, merger or consolidation is reasonably likely to have an adverse effect on the ability of the Issuer to perform its obligations under the Finance Documents.

13.4 Change of business

The Issuer shall procure that no substantial change is made to the general nature of the business of the Group taken as a whole (i.e. primarily holding and operating properties) from that carried out by the Group on the First Issue Date.

13.5 Maintenance of Properties

The Issuer shall, and shall procure that each other Group Company, keep the Properties in a good state of repair and maintenance, subject to normal wear and tear and in accordance with normal market practice, and in such repair and condition as will enable each Group Company owning a Property to comply in all material respects with all applicable laws and regulations.

13.6 Insurance

The Issuer shall, and shall procure that each other Group Company, keep the Properties insured to an extent which is customary for similar properties on the Swedish market with one or more reputable insurers. The insurance cover shall *inter alia* include full value insurance and third party liability insurances.

13.7 Financial Covenants

13.7.1 The Solvency Ratio may not exceed seventy-five (75) per cent. on any Test Date.

13.7.2 The Equity Ratio may not be less than twenty (20) per cent. on any Test Date.

13.8 Admission to trading of Bonds

The Issuer shall ensure that:

(a) the Initial Bonds are admitted to trading on the corporate bond list of Nasdaq Stockholm or, if such admission to trading is not possible to obtain or maintain, admitted to trading on another Regulated Market within twelve (12) months after the First Issue Date;

(b) the Bonds, once admitted to trading on the relevant Regulated Market, continue being admitted to trading thereon (however, taking into account the rules and regulations of the relevant Regulated Market and the CSD (as amended from time to time) preventing trading in the Bonds in close connection to the redemption of the Bonds); and

(c) upon any Subsequent Bonds being issued, the volume of Bonds admitted to trading on the relevant Regulated Market promptly, and not later than twenty (20) Business Days (unless a shorter period is required by mandatory law) after the relevant issue date, is increased accordingly.

13.9 Undertakings relating to the Agency Agreement

13.9.1 The Issuer shall, in accordance with the Agency Agreement:

(a) pay fees to the Agent;

(b) indemnify the Agent for costs, losses and liabilities;

(c) furnish to the Agent all information reasonably requested by or otherwise required to be delivered to the Agent; and

(d) not act in a way which would give the Agent a legal or contractual right to terminate the Agency Agreement.

13.9.2 The Issuer and the Agent shall not agree to amend any provisions of the Agency Agreement without the prior consent of the Bondholders if the amendment would be detrimental to the interests of the Bondholders.

14 EVENTS OF DEFAULT

Each of the events or circumstances set out in Clauses 14.1 to 14.9 is an Event of Default.

14.1 Non-Payment

The Issuer does not pay on the due date any amount payable by it under the Finance Documents, unless the non-payment:

(a) is caused by technical or administrative error; and

(b) is remedied within five (5) Business Days from the due date.

14.2 Other obligations

The Issuer or any other person (other than the Agent) does not comply with any terms or conditions of the Finance Documents to which it is a party (other than those terms referred to in Clause 14.1 above), unless the non-compliance:

(a) is capable of remedy; and

(b) is remedied within twenty (20) Business Days of the earlier of the Agent giving notice and the Issuer becoming aware of the non-compliance.

14.3 Misrepresentation

Any representation or statement made or deemed to be made by a Group Company in the Finance Documents or any other document delivered by or on behalf of any Group Company under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

14.4 Impossibility or illegality

It is or becomes impossible or unlawful for any Group Company to perform any of its obligations under the Finance Documents or any Finance Document is not, or ceases to be, legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Bondholders under the Finance Documents.

14.5 Insolvency

14.5.1 The Issuer is, or is deemed for the purposes of any applicable law to be, Insolvent.

14.5.2 Any Group Company (other than the Issuer) is, or is deemed for the purposes of any applicable law to be, Insolvent where such event or circumstance is reasonably likely to have an adverse effect on the ability of the Issuer to perform its obligations under the Finance Documents.

14.6 Insolvency proceedings

14.6.1 Any corporate action, legal proceedings or other procedure or step is taken in relation to:

(a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Issuer or any other Group Company;

(b) the appointment of a liquidator, receiver, administrative receiver, administrator or other similar officer in respect of the Issuer or any other Group Company or any of its assets; or

(c) enforcement of any Security over any assets of the Issuer or any other Group Company,

or any analogous procedure or step is taken in any jurisdiction.

14.6.2 Clause 14.6.1 shall not apply to any:

(a) corporate action, legal proceedings or other procedure or step taken which is frivolous or vexatious and is discharged, stayed or dismissed within sixty (60) days of commencement; or

(b) corporate action, legal proceedings or other procedure or step referred to in Clause 14.6.1 related to a Group Company (other than the Issuer) unless such corporate action, legal proceedings or other procedure or step is reasonably likely to have an adverse effect on the ability of the Issuer to perform its obligations under the Finance Documents.

14.7 Creditors' process

Any attachment, sequestration, distress or execution, or any analogous process in any jurisdiction, which affects:

(a) any asset or assets of a Group Company (other than Heimstaden Bostad and any of its Subsidiaries) having an aggregate value of SEK 100,000,000 or more; or

(b) any asset or assets of Heimstaden Bostad or any of its Subsidiaries having an aggregate value of one (1) per cent. or more of the consolidated total assets of Heimstaden Bostad and its Subsidiaries calculated in accordance with the Accounting Principles and in line with the principles for Heimstaden Bostad’s most recent annual or interim, as the case may be, financial report,

and, in each case, is not discharged within sixty (60) days.

14.8 Cross payment-default/Cross-acceleration

Any Financial Indebtedness of a Group Company is not paid when due nor within any originally applicable grace period, or is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described) provided that no Event of Default will occur under this Clause 14 if the aggregate amount of Financial Indebtedness referred to herein is:

(a) in relation to a Group Company (other than Heimstaden Bostad and any of its Subsidiaries), less than SEK 100,000,000; or

(b) in relation to Heimstaden Bostad and any of its Subsidiaries, less than an amount equivalent to one (1) per cent of the consolidated total assets of Heimstaden Bostad and its Subsidiaries calculated in accordance with the Accounting Principles and in line with the principles for Heimstaden Bostad's most recent audited annual or interim, as the case may be, financial report.

14.9 Cessation of business

14.9.1 The Issuer suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business, except as permitted under Clause 13.1 (*Disposals*) or as a result of a solvent liquidation.

14.9.2 Any Group Company (other than the Issuer) suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business, except as permitted under Clause 13.1 (*Disposals*) or as a result of a solvent liquidation, where such event or circumstance is reasonably likely to have an adverse effect on the ability of the Issuer to perform its obligations under the Finance Documents.

14.10 Acceleration of the Bonds

14.10.1 Upon the occurrence of an Event of Default, the Agent is entitled to, and shall following a demand in writing from a Bondholder (or Bondholders) representing at least fifty (50) per cent. of the Adjusted Nominal Amount (such demand may only be validly made by a person who is a Bondholder on the Business Day immediately following the day on which the demand is received by the Agent and shall, if made by several Bondholders, be made by them jointly) or following an instruction given pursuant to Clause 14.10.4, on behalf of the Bondholders (i) by notice to the Issuer, declare all, but not some only, of the outstanding Bonds due and payable together with any other amounts payable under the Finance Documents, immediately or at such later date as the Agent determines, and (ii) exercise any or all of its rights, remedies, powers and discretions under the Finance Documents.

14.10.2 The Agent may not accelerate the Bonds in accordance with Clause 14.10.1 by reference to a specific Event of Default if it is no longer continuing or if it has been decided, in accordance with these Terms and Conditions, to waive such Event of Default (temporarily or permanently).

14.10.3 The Agent shall notify the Bondholders of an Event of Default within five (5) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is continuing. The Agent shall, within twenty (20) Business Days of the date on which the Agent received actual knowledge of that an Event of Default has occurred and is continuing, decide if the Bonds shall be so accelerated. If the Agent decides not to accelerate the Bonds, the Agent shall promptly seek instructions from the Bondholders in accordance with Clause 16 (*Decisions by Bondholders*). The Agent shall always be entitled to take the time necessary to consider whether an occurred event constitutes an Event of Default.

14.10.4 If the Bondholders instruct the Agent to accelerate the Bonds, the Agent shall promptly declare the Bonds due and payable and take such actions as may, in the opinion of the Agent, be necessary or desirable to enforce the rights of the Bondholders under the Finance Documents, unless the relevant Event of Default is no longer continuing.

14.10.5 If the right to accelerate the Bonds is based upon a decision of a court of law or a government authority, it is not necessary that the decision has become enforceable under law or that the period of appeal has expired in order for cause of acceleration to be deemed to exist.

14.10.6 If the Bonds are declared due and payable in accordance with this Clause 14.10, the Issuer shall redeem all Bonds with an amount per Bond equal to 101.00 per cent. of the Nominal Amount together with accrued but unpaid Interest.

15 DISTRIBUTION OF PROCEEDS

15.1 All payments by the Issuer relating to the Bonds and the Finance Documents following an acceleration of the Bonds in accordance with Clause 14 (*Acceleration of the Bonds*) shall be distributed in the following order of priority, in accordance with the instructions of the Agent:

(a) *first*, in or towards payment *pro rata* of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Agent in accordance with the Agency Agreement (other than any indemnity given for liability against the Bondholders), (ii) other costs, expenses and indemnities relating to the acceleration of the Bonds, or the protection of the Bondholders' rights as may have been incurred by the Agent, (iii) any costs incurred by the Agent for external experts that have not been reimbursed by the Issuer in accordance with Clause 20.2.8, and (iv) any costs and expenses incurred by the Agent in relation to a Bondholders' Meeting or a Written Procedure that have not been reimbursed by the Issuer in accordance with Clause 16.13;

(b) *secondly*, in or towards payment *pro rata* of accrued but unpaid Interest under the Bonds (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);

(c) *thirdly*, in or towards payment *pro rata* of any unpaid principal under the Bonds; and

(d) *fourthly*, in or towards payment *pro rata* of any other costs or outstanding amounts unpaid under the Finance Documents.

Any excess funds after the application of proceeds in accordance with paragraphs (a) to (d) above shall be paid to the Issuer. The application of proceeds in accordance with paragraphs (a) to (d) above shall, however, not restrict a Bondholders' Meeting or a Written Procedure from resolving that accrued Interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.

15.2 If a Bondholder or another party has paid any fees, costs, expenses or indemnities referred to in Clause 15.1(a) such Bondholder or other party shall be entitled to reimbursement by way of a corresponding distribution in accordance with Clause 15.1(a).

15.3 Funds that the Agent receives (directly or indirectly) in connection with the acceleration of the Bonds constitute escrow funds (Sw. *redovisningsmedel*) according to the Swedish Funds Accounting Act (Sw. *lag (1944:181) om redovisningsmedel*) and must be held on a separate interest-bearing account on behalf of the Bondholders and the other interested parties. The

Agent shall arrange for payments of such funds in accordance with this Clause 15 as soon as reasonably practicable.

15.4 If the Issuer or the Agent shall make any payment under this Clause 15, the Issuer or the Agent, as applicable, shall notify the Bondholders of any such payment at least fifteen (15) Business Days before the payment is made. Such notice shall specify the Record Date, the payment date and the amount to be paid. Notwithstanding the foregoing, for any Interest due but unpaid the Record Date specified in Clause 9.1 shall apply.

16 DECISIONS BY BONDHOLDERS

16.1 A request by the Agent for a decision by the Bondholders on a matter relating to the Finance Documents shall (at the option of the Agent) be dealt with at a Bondholders' Meeting or by way of a Written Procedure.

16.2 Any request from the Issuer or a Bondholder (or Bondholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount (such request may only be validly made by a person who is a Bondholder on the Business Day immediately following the day on which the request is received by the Agent and shall, if made by several Bondholders, be made by them jointly) for a decision by the Bondholders on a matter relating to the Finance Documents shall be directed to the Agent and dealt with at a Bondholders' Meeting or by way of a Written Procedure, as determined by the Agent. The person requesting the decision may suggest the form for decision making, but if it is in the Agent's opinion more appropriate that a matter is dealt with at a Bondholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Bondholders' Meeting.

16.3 The Agent may refrain from convening a Bondholders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the Bondholders and such person has informed the Agent that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable regulations.

16.4 Only a person who is, or who has been provided with a power of attorney or other proof of authorization pursuant to Clause 8 (*Right to act on behalf of a Bondholder*) from a person who is, registered as a Bondholder:

(a) on the Record Date prior to the date of the Bondholders' Meeting, in respect of a Bondholders' Meeting, or

(b) on the Business Day specified in the communication pursuant to Clause 18.3, in respect of a Written Procedure,

may exercise voting rights as a Bondholder at such Bondholders' Meeting or in such Written Procedure, provided that the relevant Bonds are included in the definition of Adjusted Nominal Amount.

16.5 The following matters shall require consent of Bondholders representing at least two thirds (2/3) of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 18.3:

(a) the issue of any Subsequent Bonds, if the total nominal amount of the Bonds exceeds, or if such issue would cause the total nominal amount of the Bonds to at any time exceed, SEK 5,000,000,000 (for the avoidance of doubt, for which consent shall be required at each occasion such Subsequent Bonds are issued);

(b) waive a breach of or amend an undertaking set out in Clause 13 (General undertakings);

(c) a mandatory exchange of Bonds for other securities;

(d) reduce the principal amount, Interest Rate or Interest which shall be paid by the Issuer;

(e) amend any payment day for principal or Interest or waive any breach of a payment undertaking; or

(f) amend the provisions in this Clause 16.5.

16.6 Any matter not covered by Clause 16.5 shall require the consent of Bondholders representing more than fifty (50) per cent. of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 18.3. This includes, but is not limited to, any amendment to, or waiver of, the terms of any Finance Document that does not require a higher majority (other than an amendment permitted pursuant to Clause 19.1(a) or (b)) or an acceleration of the Bonds.

16.7 Quorum at a Bondholders' Meeting or in respect of a Written Procedure only exists if a Bondholder (or Bondholders) representing at least fifty (50) per cent. of the Adjusted Nominal Amount in case of a matter pursuant to Clause 16.5, and otherwise twenty (20) per cent. of the Adjusted Nominal Amount:

(a) if at a Bondholders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or

(b) if in respect of a Written Procedure, reply to the request.

16.8 If a quorum does not exist at a Bondholders' Meeting or in respect of a Written Procedure, the Agent or the Issuer shall convene a second Bondholders' Meeting (in accordance with Clause 17.1) or initiate a second Written Procedure (in accordance with Clause 18.1), as the case may be, provided that the relevant proposal has not been withdrawn by the person(s) who initiated the procedure for Bondholders' consent. The quorum requirement in Clause 16.7 shall not apply to such second Bondholders' Meeting or Written Procedure.

16.9 Any decision which extends or increases the obligations of the Issuer or the Agent, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Agent, under the Finance Documents shall be subject to the Issuer's or the Agent's consent, as appropriate.

16.10 A Bondholder holding more than one Bond need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.

16.11 The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Bondholder for or as inducement to any consent under these Terms and

Conditions, unless such consideration is offered to all Bondholders that consent at the relevant Bondholders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.

16.12 A matter decided at a duly convened and held Bondholders' Meeting or by way of Written Procedure is binding on all Bondholders, irrespective of them being present or represented at the Bondholders' Meeting or responding in the Written Procedure. The Bondholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Bondholders.

16.13 All costs and expenses incurred by the Issuer or the Agent for the purpose of convening a Bondholders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Agent, shall be paid by the Issuer.

16.14 If a decision shall be taken by the Bondholders on a matter relating to the Finance Documents, the Issuer shall promptly at the request of the Agent provide the Agent with a certificate specifying the number of Bonds owned by Group Companies or (to the knowledge of the Issuer) Affiliates, irrespective of whether such person is directly registered as owner of such Bonds. The Agent shall not be responsible for the accuracy of such certificate or otherwise be responsible to determine whether a Bond is owned by a Group Company or an Affiliate.

16.15 Information about decisions taken at a Bondholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Bondholders and published on the website of the Issuer and the Agent, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Bondholders' Meeting or Written Procedure shall at the request of a Bondholder be sent to it by the Issuer or the Agent, as applicable.

17 BONDHOLDERS' MEETING

17.1 The Agent shall convene a Bondholders' Meeting by sending a notice thereof to each Bondholder no later than five (5) Business Days after receipt of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons). If the Bondholders' Meeting has been requested by the Bondholder(s), the Agent shall send a copy of the notice to the Issuer.

17.2 Should the Issuer want to replace the Agent, it may convene a Bondholders' Meeting in accordance with Clause 17.1 with a copy to the Agent. After a request from the Bondholders pursuant to Clause 20.4.3, the Issuer shall no later than five (5) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Bondholders' Meeting in accordance with Clause 17.1.

17.3 The notice pursuant to Clause 17.1 shall include (i) time for the meeting, (ii) place for the meeting, (iii) a specification of the Business Day on which a person must be registered as a Bondholder in order to be entitled to exercise voting rights (such Business Day not to fall earlier than the effective date of the notice pursuant to Clause 17.1) (iv) agenda for the meeting (including each request for a decision by the Bondholders) and (v) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Bondholders'

Meeting. Should prior notification by the Bondholders be required in order to attend the Bondholders' Meeting, such requirement shall be included in the notice.

17.4 The Bondholders' Meeting shall be held no earlier than ten (10) Business Days and no later than twenty (20) Business Days after the effective date of the notice.

17.5 If the Agent, in breach of these Terms and Conditions, has not convened a Bondholders' Meeting within five (5) Business Days after having received such notice, the requesting person may convene the Bondholders' Meeting itself. If the requesting person is a Bondholder, the Issuer shall upon request from such Bondholder provide the Bondholder with necessary information from the register kept by the CSD and, if no person to open the Bondholders' Meeting has been appointed by the Agent, the meeting shall be opened by a person appointed by the requesting person.

17.6 At a Bondholders' Meeting, the Issuer, the Bondholders (or the Bondholders' representatives/proxies) and the Agent may attend along with each of their representatives, counsels and assistants. Further, the directors of the board, the managing director and other officials of the Issuer and the Issuer's auditors may attend the Bondholders' Meeting. The Bondholders' Meeting may decide that further individuals may attend. If a representative/proxy shall attend the Bondholders' Meeting instead of the Bondholder, the representative/proxy shall present a duly executed proxy or other document establishing its authority to represent the Bondholder.

17.7 Without amending or varying these Terms and Conditions, the Agent may prescribe such further regulations regarding the convening and holding of a Bondholders' Meeting as the Agent may deem appropriate. Such regulations may include a possibility for Bondholders to vote without attending the meeting in person.

18 WRITTEN PROCEDURE

18.1 The Agent shall instigate a Written Procedure no later than five (5) Business Days after receipt of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each such person who is registered as a Bondholder on the Record Date prior to the date on which the communication is sent. If the Written Procedure has been requested by the Bondholder(s), the Agent shall send a copy of the notice to the Issuer.

18.2 Should the Issuer want to replace the Agent, it may send a communication in accordance with Clause 18.1 to each Bondholder with a copy to the Agent.

18.3 A communication pursuant to Clause 18.1 shall include (i) each request for a decision by the Bondholders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day on which a person must be registered as a Bondholder in order to be entitled to exercise voting rights (such Business Day not to fall earlier than the effective date of the communication pursuant to Clause 18.1), (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Bondholder must reply to the request (such time period to last at least ten (10) Business

Days but not more than twenty (20) Business Days from the communication pursuant to Clause 18.1). If the voting shall be made electronically, instructions for such voting shall be included in the communication.

18.4 If the Agent, in breach of these Terms and Conditions, has not instigated a Written Procedure within five (5) Business Days after having received such notice, the requesting person may instigate a Written Procedure itself. If the requesting person is a Bondholder, the Issuer shall upon request from such Bondholder provide the Bondholder with necessary information from the register kept by the CSD.

18.5 When the requisite majority consents of the total Adjusted Nominal Amount pursuant to Clauses 16.5 and 16.6 have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 16.5 or 16.6, as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

19 AMENDMENTS AND WAIVERS

19.1 The Issuer and the Agent (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive any provision in a Finance Document, provided that:

(a) such amendment or waiver is not detrimental to the interest of the Bondholders, or is made solely for the purpose of rectifying obvious errors and mistakes;

(b) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority;

(c) such amendment or waiver is necessary for the purpose of listing the Bonds on the corporate bond list of Nasdaq Stockholm (or any other Regulated Market, as applicable), provided such amendment or waiver does not materially adversely affect the rights of the Bondholders; or

(d) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 16 (*Decisions by Bondholders*).

19.2 The consent of the Bondholders is not necessary to approve the particular form of any amendment to the Finance Documents. It is sufficient if such consent approves the substance of the amendment.

19.3 The Agent shall promptly notify the Bondholders of any amendments or waivers made in accordance with Clause 19.1, setting out the date from which the amendment or waiver will be effective, and ensure that any amendments to the Finance Documents are published in the manner stipulated in Clause 12.3 (*Publication of Finance Documents*). The Issuer shall ensure that any amendments to these Terms and Conditions are duly registered with the CSD and each other relevant organisation or authority.

19.4 An amendment or waiver to the Finance Documents shall take effect on the date determined by the Bondholders Meeting, in the Written Procedure or by the Agent, as the case may be.

20 APPOINTMENT AND REPLACEMENT OF THE AGENT

20.1 Appointment of Agent

20.1.1 By subscribing for Bonds, each initial Bondholder appoints the Agent to act as its agent in all matters relating to the Bonds and the Finance Documents, and authorises the Agent to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Bonds held by such Bondholder, including the winding-up, dissolution, liquidation, company reorganisation (Sw. *företagsrekonstruktion*) or bankruptcy (Sw. *konkurs*) (or its equivalent in any other jurisdiction) of the Issuer. By acquiring Bonds, each subsequent Bondholder confirms such appointment and authorisation for the Agent to act on its behalf.

20.1.2 Each Bondholder shall immediately upon request provide the Agent with any such documents, including a written power of attorney (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Agent is under no obligation to represent a Bondholder which does not comply with such request.

20.1.3 The Issuer shall promptly upon request provide the Agent with any documents and other assistance (in form and substance satisfactory to the Agent), that the Agent deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents.

20.1.4 The Agent is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents and the Agency Agreement and the Agent's obligations as Agent under the Finance Documents are conditioned upon the due payment of such fees and indemnifications.

20.1.5 The Agent may act as agent or trustee for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.

20.2 Duties of the Agent

20.2.1 The Agent shall represent the Bondholders in accordance with the Finance Documents. However, the Agent is not responsible for the execution, validity, perfection or enforceability of the Finance Documents. The Agent shall keep the latest version of these Terms and Conditions (including any document amending these Terms and Conditions) available on the website of the Agent. The latest versions of the Finance Documents shall be available to the Bondholders at the office of the Agent during normal business hours. The Agent may charge the requesting Bondholder a reasonable administrative fee for making Finance Documents available.

20.2.2 Upon request by a Bondholder, the Agent may distribute to the Bondholders any information from such Bondholder which relates to the Bonds (at the discretion of the Agent). The Agent may require that the requesting Bondholder reimburses any costs or expenses incurred, or to be incurred, by the Agent in doing so (including a reasonable fee for the work of the Agent) before any such information is distributed. The Agent may upon request by a Bondholder disclose the identity of any other Bondholder who has consented to the Agent in doing so.

20.2.3 When acting in accordance with the Finance Documents, the Agent is always acting with binding effect on behalf of the Bondholders. The Agent shall carry out its duties under the Finance Documents in a reasonable, proficient and professional manner, with reasonable care and skill.

20.2.4 The Agent's duties under the Finance Documents are solely mechanical and administrative in nature and the Agent only acts in accordance with the Finance Documents and upon instructions from the Bondholders, unless otherwise set out in the Finance Documents. In particular, the Agent is not acting as an advisor (whether legal, financial or otherwise) to the Bondholders or any other person and no opinion or advice by the Agent will be binding on the Bondholders.

20.2.5 The Agent is entitled to delegate its duties to other professional parties, but the Agent shall remain liable for the actions of such parties under the Finance Documents.

20.2.6 The Agent shall treat all Bondholders equally and, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.

20.2.7 The Agent shall, subject to Clause 25.2.2, be entitled to disclose to the Bondholders any event or circumstance directly or indirectly relating to the Issuer or the Bonds. Notwithstanding the foregoing, the Agent may if it considers it to be beneficial to the interests of the Bondholders delay disclosure or refrain from disclosing certain information other than in respect of an Event of Default that has occurred and is continuing.

20.2.8 The Agent is entitled to engage external experts when carrying out its duties under the Finance Documents. The Issuer shall on demand by the Agent pay all costs for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event which the Agent reasonably believes is or may lead to an Event of Default (ii) a matter relating to the Issuer which the Agent reasonably believes may be detrimental to the interests of the Bondholders under the Finance Documents (iii) when the Agent is to make a determination under the Finance Documents or (iv) as otherwise agreed between the Issuer and the Agent. Any compensation for damages or other recoveries received by the Agent from external experts engaged by it for the purpose of carrying out its duties under the Finance Documents shall be distributed in accordance with Clause 15 (*Distribution of proceeds*).

20.2.9 The Agent shall enter into agreements with the CSD, and comply with such agreement and the CSD regulations applicable to the Agent, as may be necessary in order for the Agent to carry out its duties under the Finance Documents.

20.2.10 Notwithstanding any other provision of the Finance Documents to the contrary, the Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.

20.2.11 If in the Agent's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Agent) in complying with instructions of the Bondholders, or taking any action at its own initiative, will not be covered by the Issuer, the Agent may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate Security has been provided therefore) as it may reasonably require.

20.2.12 The Agent shall give a notice to the Bondholders (i) before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or (ii) if it refrains from acting for any reason described in Clause 20.2.11.

20.2.13 Unless it has actual knowledge to the contrary, the Agent may assume that all information provided by or on behalf of the Issuer (including by its advisors) is correct, true and complete in all aspects. The Agent is not liable for information provided to the Bondholders by or on behalf of the Issuer or by any other person.

20.3 Limited liability for the Agent

20.3.1 The Agent will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. The Agent shall never be responsible for indirect loss.

20.3.2 The Agent shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the Agent or if the Agent has acted with reasonable care in a situation when the Agent considers that it is detrimental to the interests of the Bondholders to delay the action in order to first obtain instructions from the Bondholders.

20.3.3 The Agent shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Finance Documents to be paid by the Agent to the Bondholders, provided that the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.

20.3.4 The Agent shall have no liability to the Bondholders for damage caused by the Agent acting in accordance with instructions of the Bondholders given in accordance with Clause 16 (*Decisions by Bondholders*) or a demand by Bondholders given pursuant to Clause 14.10.1.

20.3.5 Any liability towards the Issuer which is incurred by the Agent in acting under, or in relation to, the Finance Documents shall not be subject to set-off against the obligations of the Issuer to the Bondholders under the Finance Documents.

20.3.6 The Agent may assume that the documentation and evidence delivered to it under Clause 6 (*Conditions Precedent*) are accurate, legally valid, enforceable, correct, true and complete unless it has actual knowledge to the contrary, and the Agent does not have to verify or assess the contents of any such documentation. The Agent does not review the documents and evidence referred to above from a legal or commercial perspective of the Bondholders.

20.4 Replacement of the Agent

20.4.1 Subject to Clause 20.4.6, the Agent may resign by giving notice to the Issuer and the Bondholders, in which case the Bondholders shall appoint a successor Agent at a Bondholders'

Meeting convened by the retiring Agent or by way of Written Procedure initiated by the retiring Agent.

20.4.2 Subject to Clause 20.4.6, if the Agent is Insolvent, the Agent shall be deemed to resign as Agent and the Issuer shall within ten (10) Business Days appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.

20.4.3 A Bondholder (or Bondholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount may, by notice to the Issuer (such notice may only be validly given by a person who is a Bondholder on the Business Day immediately following the day on which the notice is received by the Issuer and shall, if given by several Bondholders, be given by them jointly), require that a Bondholders' Meeting is held for the purpose of dismissing the Agent and appointing a new Agent. The Issuer may, at a Bondholders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Bondholders that the Agent be dismissed and a new Agent appointed.

20.4.4 If the Bondholders have not appointed a successor Agent within ninety (90) days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Agent was dismissed through a decision by the Bondholders, the Issuer shall appoint a successor Agent which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.

20.4.5 The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.

20.4.6 The Agent's resignation or dismissal shall only take effect upon the appointment of a successor Agent and acceptance by such successor Agent of such appointment and the execution of all necessary documentation to effectively substitute the retiring Agent.

20.4.7 Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of the Finance Documents and remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Agent. Its successor, the Issuer and each of the Bondholders shall have the same rights and obligations amongst themselves under the Finance Documents as they would have had if such successor had been the original Agent.

20.4.8 In the event that there is a change of the Agent in accordance with this Clause 20.4, the Issuer shall execute such documents and take such actions as the new Agent may reasonably require for the purpose of vesting in such new Agent the rights, powers and obligation of the Agent and releasing the retiring Agent from its further obligations under the Finance Documents and the Agency Agreement. Unless the Issuer and the new Agent agrees otherwise, the new Agent shall be entitled to the same fees and the same indemnities as the retiring Agent.

21 APPOINTMENT AND REPLACING OF THE ISSUING AGENT

21.1 The Issuer appoints the Issuing Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Bonds.

21.2 The Issuing Agent may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has approved that a commercial bank or securities institution approved by the CSD accedes as new Issuing Agent at the same time as the old Issuing Agent retires or is dismissed. If the Issuing Agent is Insolvent, the Issuer shall immediately appoint a new Issuing Agent, which shall replace the old Issuing Agent as issuing agent in accordance with these Terms and Conditions.

21.3 The Issuing Agent will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. The Issuing Agent shall never be responsible for indirect or consequential loss.

22 APPOINTMENT AND REPLACEMENT OF THE CSD

22.1 The Issuer has appointed the CSD to manage certain tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to the CSD.

22.2 The CSD may retire from its assignment or be dismissed by the Issuer, provided that the Issuer has effectively appointed a replacement CSD that accedes as CSD at the same time as the old CSD retires or is dismissed and provided also that the replacement does not have a negative effect on any Bondholder or the listing of the Bonds listed the corporate bond list of Nasdaq Stockholm (or any other Regulated Market, as applicable). The replacing CSD must be authorised to professionally conduct clearing operations pursuant to the Swedish Securities Market Act (Sw. *lag (2007:528) om värdepappersmarknaden*).

23 NO DIRECT ACTIONS BY BONDHOLDERS

23.1 A Bondholder may not take any steps whatsoever against the Issuer to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation, company reorganisation (Sw. *företagsrekonstruktion*) or bankruptcy (Sw. *konkurs*) (or its equivalent in any other jurisdiction) of the Issuer in relation to any of the liabilities of the Issuer under the Finance Documents. Such steps may only be taken by the Agent.

23.2 Clause 23.1 shall not apply if the Agent has been instructed by the Bondholders in accordance with the Finance Documents to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Bondholder to provide documents in accordance with Clause 20.1.2), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment by the Issuer of any fee or indemnity due to the Agent under the Finance Documents or the Agency Agreement or by any reason described in Clause 20.2.11, such failure must continue for at least forty (40) Business Days after notice pursuant to Clause 20.2.12 before a Bondholder may take any action referred to in Clause 23.1.

23.3 The provisions of Clause 23.1 shall not in any way limit an individual Bondholder's right to claim and enforce payments which are due to it under Clause 11.4 (*Mandatory repurchase (put option)*) or other payments which are due by the Issuer to some but not all Bondholders.

24 TIME-BAR

24.1 The right to receive repayment of the principal of the Bonds shall be time-barred and become void ten (10) years from the relevant Redemption Date. The right to receive payment of interest (excluding any capitalised interest) shall be time-barred and become void three (3) years from the relevant due date for payment. The Issuer is entitled to any funds set aside for payments in respect of which the Bondholders' right to receive payment has been time-barred and has become void.

24.2 If a limitation period is duly interrupted in accordance with the Swedish Act on Limitations (Sw. *preskriptionslag (1981:130)*), a new limitation period of ten (10) years with respect to the right to receive repayment of the principal of the Bonds, and of three (3) years with respect to receive payment of interest (excluding capitalised interest) will commence, in both cases calculated from the date of interruption of the limitation period, as such date is determined pursuant to the provisions of the Swedish Act on Limitations.

25 NOTICES AND PRESS RELEASES

25.1 Notices

25.1.1 Any notice or other communication to be made under or in connection with the Finance Documents:

(e) if to the Agent, shall be given at the address registered with the Swedish Companies Registration Office (Sw. *Bolagsverket*) on the Business Day prior to dispatch or to such address notified by the Agent to the Issuer from time to time or, if sent by email by the Issuer, to such email address notified by the Agent to the Issuer from time to time;

(f) if to the Issuer, shall be given at the address registered with the Swedish Companies Registration Office on the Business Day prior to dispatch or to such address notified by the Issuer to the Agent from time to time or, if sent by email to by the Agent, to such email address notified by the Issuer to the Agent from time to time; and

(g) if to the Bondholders, shall be given at their addresses as registered with the CSD, on the Business Day prior to dispatch, and by either courier delivery or letter for all Bondholders, provided that the same means of communication shall be used for all Bondholders. A notice to the Bondholders shall also be published on the websites of the Group and the Agent.

25.1.2 Any notice or other communication made by one person to another under or in connection with the Finance Documents shall be sent by way of courier, personal delivery or letter (and, if between the Agent and the Issuer, by email) and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 25.1.1 or, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 25.1.1 or, in case of email to the Agent or the Issuer, when received in legible form by the email address specified in Clause 25.1.1.

25.1.3 Failure to send a notice or other communication to a Bondholder or any defect in it shall not affect its sufficiency with respect to other Bondholders.

25.2 Press releases

25.2.1 Any notice that the Issuer or the Agent shall send to the Bondholders pursuant to Clauses 11.3 (*Voluntary total redemption (call option)*), 11.4 (*Mandatory repurchase (put option)*), 12.1.2, 14.10.3, 15.4, 16.15, 17.1, 18.1, 19.3, 20.2.12 and 20.4.1 shall also be published on the websites of the Issuer and the Agent, and as from the date when the Bonds have been listed by way of press release by the Issuer or the Agent, as applicable.

25.2.2 In addition to Clause 25.2.1, if, after the Bonds have been listed, any information relating to the Bonds or the Group contained in a notice the Agent may send to the Bondholders under these Terms and Conditions has not already been made public by way of a press release, the Agent shall before it sends such information to the Bondholders give the Issuer the opportunity to issue a press release containing such information. If the Issuer does not promptly issue a press release and the Agent considers it necessary to issue a press release containing such information before it can lawfully send a notice containing such information to the Bondholders, the Agent shall be entitled to issue such press release.

26 FORCE MAJEURE AND LIMITATION OF LIABILITY

26.1 Neither the Agent nor the Issuing Agent shall be held responsible for any damage arising out of any legal enactment, or any measure taken by a public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance (a "**Force Majeure Event**"). The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Agent or the Issuing Agent itself takes such measures, or is subject to such measures.

26.2 The Issuing Agent shall have no liability to the Bondholders if it has observed reasonable care. The Issuing Agent shall never be responsible for indirect damage with exception of gross negligence and wilful misconduct.

26.3 Should a Force Majeure Event arise which prevents the Agent or the Issuing Agent from taking any action required to comply with these Terms and Conditions, such action may be postponed until the obstacle has been removed.

26.4 The provisions in this Clause 26 apply unless they are inconsistent with the provisions of the Central Securities Depositories and Financial Instruments Accounts Act which provisions shall take precedence.

27 GOVERNING LAW AND JURISDICTION

27.1 These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Sweden.

27.2 Any dispute or claim arising in relation to these Terms and Conditions shall, subject to Clause 27.3, be determined by Swedish courts and the District Court of Stockholm shall be the court of first instance.

27.3 The submission to the jurisdiction of the Swedish courts shall not limit the right of the Agent (or the Bondholders, as applicable) to take proceedings against the Issuer in any court which may otherwise exercise jurisdiction over the Issuer or any of its assets.

We hereby certify that the above Terms and Conditions are binding upon ourselves.

Place:

Date:

HEIMSTADEN AB (PUBL)

As Issuer

____

Name:

We hereby undertake to act in accordance with the above Terms and Conditions to the extent they refer to us.

Place:

Date:

NORDIC TRUSTEE & AGENCY AB (PUBL)

As Agent

____

Name:

SCHEDULE 1
Form of Compliance Certificate

To: Nordic Trustee & Agency AB (publ) as Agent

From: Heimstaden AB (publ)

Dated: [●]

Dear Sirs,

Heimstaden AB (publ)
maximum SEK 5,000,000,000 senior secured floating rate bonds
ISIN: SE0014991352
(the "Bonds")

1. We refer to the terms and conditions for the Bonds (the "**Terms and Conditions**"). This is a Compliance Certificate. Terms defined in the Terms and Conditions have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

2. We confirm that:

   (a) the Solvency Ratio on the Test Date [date], was [●]; and

   (b) the Equity Ratio on the Test Date [date], was [●].

3. We set out below calculations establishing the figures in paragraph (2):

   [●]

4. We confirm that no Event of Default is continuing. [*If this statement cannot be made, the certificate should identify any Event of Default that is continuing and the steps, if any, being taken to remedy it.*]

______________________ ______________________

[●] [●]

____

9 Addresses

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www.heimstaden.com

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